

## Santander Totta, SGPS, SA

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### PRESS RELEASE

## Santander Totta maintains income and increased financial strength, giving priority to providing loans to SMEs

**Lisbon, 28th October 2009** – Santander Totta's **net income** increased to **399.3 million euros** during the first nine months of 2009, compared to 398.1 million euros recorded during the same period of the previous year. During a particularly difficult time, the results obtained are based on recurring income growth, tight cost control and management of risks faced with a decline in economic activity, simultaneously with disciplined financial and capital management.

Santander Totta's business model, focused on commercial banking, maintains a strategy of client closeness with continuous improvement in service quality, which has enabled very positive results to be obtained in terms of increasing customers and the respective linkages.

The pursuit of a prudent management policy for spreads and business volumes, simultaneously with coverage of net interest sensitivities and an appropriate liquidity position, has driven **growth of 7.9% in net interest income**, totalling **607.2 million euros**, above business volume growth.

The **4,0% growth in net operating profit (recurring)**, above operational costs translates to further improvements in the cost to income ratio which reached **42.9%** (43.6% in September 2008).

Notwithstanding the difficulties which arose as a result of the existing recessive economic cycle, **an increase of 7.5% in loans to Business segment, 4.6% in loans to Medium Companies** and the growth of off-balance sheet resources stand out, providing evidence of a dynamic performance during the last 2 quarters.

Santander Totta maintains a comfortable structural liquidity position, which enables it to gain adequate access to international financing markets, whether for short-term or long-term instruments, with excellent pricing and volume terms.

In spite of the increase in provisioning levels, as part of prudent risk management, appropriate to the current economic cycle, return on equity remains at elevated levels, with **ROE reaching 21.2%**, in line with the levels reached during previous periods.

Following authorisation, obtained during the second quarter of the year, to use internal methods to calculate capital requirements for a substantial part of its loans portfolio, Santander Totta improved its solvency ratios with **Tier I 11.2%** and **Core Capital 9.4%**.

In September 2009, as part of the review of rating notations for the Portuguese bank, carried out by Moody's, this agency reaffirmed the ratings for Santander Totta: **Aa3** for long-term debt and **P-1** for short-term debt with negative outlook, having revised the BFSR (Bank Financial Strength Ratings) indicator from C+ to C. On the same date, the Fitch agency also reaffirmed its ratings for Santander Totta, SGPS and Banco Santander Totta: **AA** for long-term debt and **F1+** for short-term debt, with a stable outlook. Santander Totta also maintains **the highest ratings notation for the Portuguese bank (AA, Aa3, and AA-** for long-term debt), attributed by Fitch Ratings, Moody's and S&P, respectively.

According to Nuno Amado, Chief Executive of Santander Totta, "The Bank maintained a very strong performance during the end of the third quarter, in spite of the unfavourable set of economic and financial conditions. It was simultaneously possible to grow the number of customers and net operating profit, keep costs under control, maintain the best quality of assets with a strong balance sheet and high equity capital, which enabled recurring income in the domestic market to be maintained.

With the best cost to income and solvency ratios (Tier 1), and the improved rating notations/financial soundness of the Portuguese banking system, we are well prepared to continue to efficiently support our customers during the evolution of the existing financial crisis, and in the subsequent recovery, which we estimate will be slow and moderate."

## MAIN HIGHLIGHTS

- Net profit of 399.3 million euros, an increase of 0.3% compared to September 2008.
- The results obtained were based on the growth of recurring income, tight management of operational costs and strengthening of impairment charges.
- Net interest income increased 7.9%, as a result of prudent management of margins and business volumes, appropriate coverage of net interest margin sensitivity and the comfortable liquidity position, in a context of a recession in economic activity and an increase in financing costs.
- Net commissions and other income from banking activity was 251.5 million euros, which compares to 264.3 million euros recorded in the same period during the previous year. This trend was conditioned by the reduction of commissions from funds and financial insurances, partially compensated by improvements in commissions for credit, services and payment methods.
- Recurring operational costs were 408.3 million euros, showing a growth of 2.2%, lower than the growth in income, which recently translated into an improvement of 0.7 pp in the cost to income ratio (including depreciations) of 42.9% in September 2009.
- The growth in recurring income and the improvement in efficiency resulted in an increase of 5.4% in recurring net operating income which totalled 543.9 million euros.
- Provisions for impairments, net provisions and other income were 54.8 million euros. The significant increase in relation to the corresponding period mirrors the deterioration in economic activity, which is being reflected in the increase in overdue loans. At the end of September 2009, the overdue loans ratio reached a figure of 1.31%, representing one of the lowest in the sector.
- During the period under analysis, again, the elevated levels of profitability and financial soundness of Santander Totta stand out, with an ROE of 21.2% and Tier I and Core Capital ratios reaching 11.2% and 9.4%, respectively, as a result of the authorisation to use internal methods for calculating capital requirements for credit risk, obtained during the 2<sup>nd</sup> quarter of the year.
- Business volume increased 0.7%, and the growth in loans provided to Small and Medium Companies (+5.8%) was exceptional, compensating for the smaller growth in mortgages and the dynamism shown by off-balance sheet resources during the last two quarters.
- Santander Totta continues a policy of strengthening its portfolio of assets eligible for financing in conjunction with the European Central Bank, which at the end of September 2009 increased to 11.6 million euros. Already in October, the Bank implemented its second issue of one thousand million euros of covered bonds, continuing to benefit from a comfortable liquidity position.
- Santander Totta holds the highest rating notation awarded to a Portuguese bank: AA, Aa3 and AA- for long-term debt, attributed by Fitch Ratings, Moody's and S&P, respectively.

## ACTIVITY BACKGROUND

The exceptional stimulus measures implemented by the authorities globally have begun to produce effects, with the worldwide economy beginning the gradual exit from the deepest recession since the 1930s. As a consequence, the main multilateral organisations have begun to revise peak growth forecasts, not only for 2009 (with a lower contraction of activities on average), but also for 2010 (with economic growth resuming with potential).

In the USA, stabilisation of the real estate market continues, with sales, particularly of cheaper housing units, recovering, supported by fiscal benefits targeted at new buyers. The improvements in the global economy are mirrored by improvements in industrial production and exports, but are not reflected in the creation of employment, which restricts family consumption capacity.

The European economy contracted marginally during the second quarter and has already begun to expand during the third, with Germany and France leading the group. Their major exposure to emerging markets and, in the case of Germany, the absence of a real estate bubble, contributed to this very rapid recovery, which also extends to the services sector. However, the labour market remains under pressure, despite a more moderate rate of destruction of employment.

The European Central Bank maintains a policy of offering “unlimited” funds, at a fixed rate of interest of 1.0%. Banks have scaled back on the search for liquidity, but it remains in surplus in the European financial system, which has enabled Euribor rates to remain below 1.0% for tenors up to five months.

The recovery of the European economy extends to Portugal, with the quarterly moderate growth trajectory verified in the second quarter extending into the third quarter. Consequently, the YoY GDP growth rate may have improved, to -3.1%, compared to -3.7% in the second quarter.

Private consumption has begun to stabilize, accompanying the progressive recovery in consumer confidence, especially in the assessment of unemployment (and despite an increase in the unemployment rate to 9.1%), but with families still preoccupied with saving (with a savings rate increasing to 8.6%, a 3 year maximum, in the second quarter). Investment will have recovered in the third quarter, benefitting from the improved volume of public works, also associated with the electoral cycle. However, residential construction activity remains depressed.

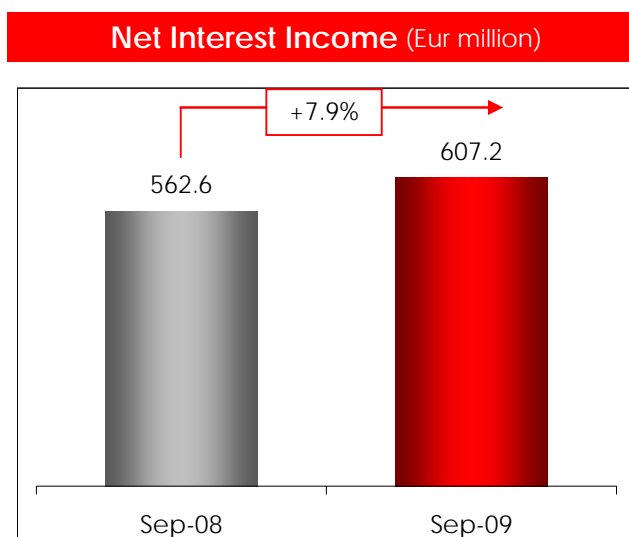
Recovery of the European economy, especially in Germany and France, continues to be reflected in a moderate expansion of exports, after the strong contraction which occurred at the start of the year.

## RESULTS

At the end of the first nine months of 2009, Santander Totta's **net income** was **399.3 million euros**, a **growth of 0.3%** compared to September 2008. The results obtained reflect the sustained growth from recurring income and rigorous cost management which accommodated the reinforcement of provisions for impairments, a consequence of the deterioration in economic activity.

	Sep-09	Sep-08	Var.
<b>Commercial revenue</b>	<b>890.8</b>	<b>859.3</b>	<b>+3.7%</b>
Operating income and insurance activity (1)	952.2	915.6	+4.0%
Operating expenses (2)	(408.3)	(399.6)	+2.2%
<b>Net operating income</b>	<b>543.9</b>	<b>516.0</b>	<b>+5.4%</b>
Impairment, net provisions and other income	(54.8)	(27.8)	+96.8%
Income before taxes and MI	489.1	488.2	+0.2%
<b>Consolidated Net Income</b>	<b>399.3</b>	<b>398.1</b>	<b>+0.3%</b>

Within the context of a strong growth in financing costs, in international markets and in the acquisition of customer's resources, continuing interest rates at historically low levels and lower credit growth, Santander Totta's **net interest income** totalled **607.2 million euros**, an **increase of 7.9%** in relation to the value recorded up to September 2008. This significant increase is a consequence of a prudent management policy for margins and business volumes and appropriate coverage of the net interest income margin sensitivity.



Net commissions and other income from banking activity were 251.5 million euros, corresponding to a fall of 4.8%. Commissions related to loans, services and means of

(1) Recurring – Does not include the capital gains as a result of the reduction of economic exposure of Banco Totta de Angola, to the value of 28.1 million euros, reclassified from gains from financial transactions to provisions and the values of credit sales reclassified from gains from financial operations to impairments

(2) Recurring – Does not include extraordinary costs for indemnities and pension funds reclassified from staff costs to other provisions

payment performed positively but this trend was insufficient to compensate for the declines observed in income from funds and financial insurances.

Income from financial operations increased to 61.5 million euros, an increase of 9.1%, and a reduced level was maintained in the generation of banking income.

As a result of the trend described above, the **recurring operating income** (adjusted for the capital gain from Angola<sup>1)</sup> totalled **952.2 million euros** at the end of September 2009, **an increase of 4.0%** in relation to the same period of the previous year.

	Sep-09	Sep-08	Var.
<b>Net interest income</b>	<b>607.2</b>	<b>562.6</b>	<b>+7.9%</b>
Net commissions and other banking income	251.5	264.3	-4.8%
Insurance activity	26.4	27.4	-3.5%
<b>Commercial revenue</b>	<b>890.8</b>	<b>859.3</b>	<b>+3.7%</b>
<b>Operating income (recurrent)</b>	<b>952.2</b>	<b>915.6</b>	<b>+4.0%</b>

Eur million

**Recurring operating costs** (adjusted for non-recurring costs with indemnities and pension funds) were **408.3 million euros**, equivalent to **an increase of 2.2%**.

Operational efficiency progressed well, recording another **improvement of 0.7 p.p. in the cost to income ratio** (including depreciation), which was **42.9%**, compared to 43.6% recorded in September 2008, with the growth in income exceeding the increase in operational costs by 1.8 p.p.

	Sep-09	Sep-08	Var.
Personnel Expenses (recurrent)	(234.2)	(227.3)	+3.0%
General Expenses	(124.2)	(121.9)	+1.8%
<b>Operating Expenses (recurrent)</b>	<b>(358.4)</b>	<b>(349.2)</b>	<b>+2.6%</b>
Depreciation	(50.0)	(50.4)	-0.9%
<b>Total Operating Expenses (recurrent)</b>	<b>(408.3)</b>	<b>(399.6)</b>	<b>+2.2%</b>
<b>Efficiency ratio (excl. depreciation)</b>	<b>37.6%</b>	<b>38.1%</b>	<b>-0.5 p.p.</b>
<b>Efficiency ratio (incl. depreciation)</b>	<b>42.9%</b>	<b>43.6%</b>	<b>-0.7 p.p.</b>

Eur million

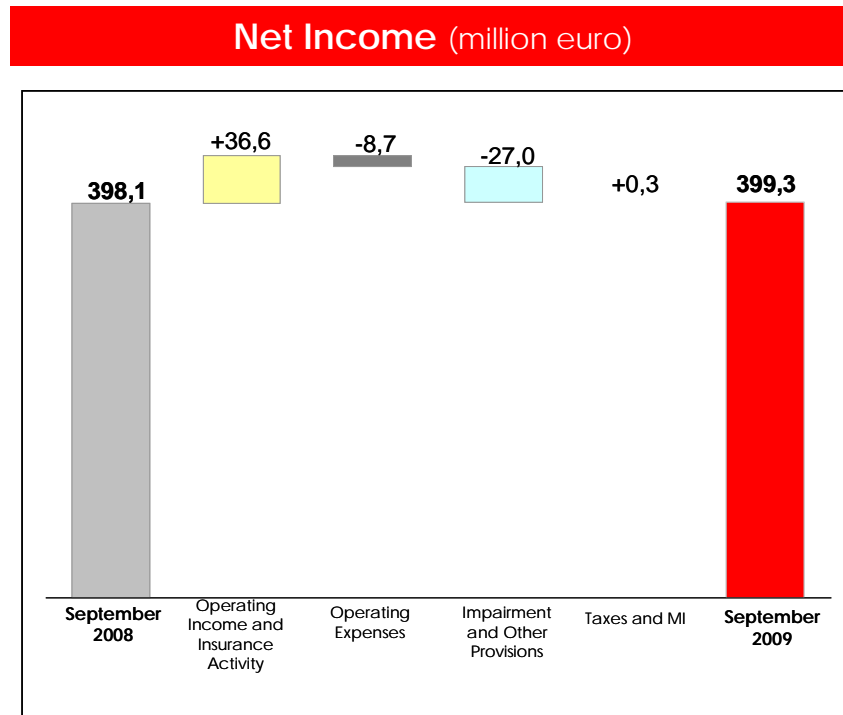
**Net operating income increased 5.4%**, totalling **543.9 million euros**.

Impairments, net provisions and other income increased to 54.8 million euros, an increase of 96.8% in relation to the same period during the previous year. The significant increase from 52.5 million euros to 80.8 million euros in impairment levels for loans and other purposes, net of recoveries, reflects the impact on the loan portfolio of against the background of the recession in which we are living and the

<sup>(1)</sup> During the 2nd quarter of 2009, the capital gains verified with the reduction in the economic exposure of Banco Totta de Angola was accounted for, to the value of 28 million euros, used to reinforce provisions to strengthen the bank

efforts of the Bank to maintain adequate coverage levels. At the end of September 2009, provisions for overdue loan coverage was 125.4%.

**Income before tax and minority interests** was **489.1 million euros**, and Santander Totta's **net income** totalled **399.3 million euros**, an increase of **0.3%** in comparison to September 2008.



## BALANCE SHEET AND ACTIVITIES

Within the context of a market characterised by the trend of a decreasing demand for credit, the **loan** portfolio (including guarantees) recorded an **increase of 1.0%**, reaching 35.1 thousand million euros at the end of September 2009. This trend continued to be supported by a policy of providing selective loans, supporting the national business sector, which is reflected in **increase of 7.5% in loans for the Business sector and 4.6% in loans to the Medium Businesses segment**.

Loans provided to individuals increased to 18.4 thousand million euros, corresponding to an annual increase of 1.4%. Mortgages were slightly above the total recorded in September 2008, and an improvement in production volumes compared to the two previous quarters was verified in the third quarter of 2009. In respect to consumer credit, this showed a more dynamic performance with a growth of 8.2% compared to the same period in 2008.

Eur million

	Sep-09	Sep-08	Var.
<b>Commercial Banking</b>	<b>28,381</b>	<b>27,586</b>	<b>+2.9%</b>
<b>Credit to Individuals</b>	<b>18,374</b>	<b>18,124</b>	<b>+1.4%</b>
<i>from which</i>			
Mortgage	16,131	15,961	+1.1%
Consumer credit	1,601	1,479	+8.2%
<b>Credit to Corporates</b>	<b>10,007</b>	<b>9,462</b>	<b>+5.8%</b>
Small business	3,994	3,714	+7.5%
SME's	6,013	5,748	+4.6%
<b>Large Corporates and Institutions</b>	<b>4,649</b>	<b>4,835</b>	<b>-3.8%</b>
Guarantees, endorsements and other	2,032	2,288	-11.2%
<b>Total Gross Loans</b> (including securitization and commercial paper)	<b>35,062</b>	<b>34,709</b>	<b>+1.0%</b>

**Customers' funds** totalled 25.7 thousand million euros, **an increase of 0.2%** compared to September 2008. Balance sheet resources totalled 15.7 thousand million euros and growth was supported by the development of deposits which increased 2.6%. In respect to off-balance sheet resources, the recovery of investment funds continued with an increase of 12.9% compared with the value recorded at the end of the second quarter. A growth of 6.9% in insurances and other resources is also noteworthy.

Eur million

	Sep-09	Sep-08	Var.
<b>Deposits</b>	<b>14,892</b>	<b>14,514</b>	<b>+2.6%</b>
Securities issued (clients)	821	1,317	-37.7%
<b>Balance sheet resources of banking activity</b>	<b>15,713</b>	<b>15,831</b>	<b>-0.7%</b>
Investment Funds	5,152	5,297	-2.7%
Insurance and Other	4,849	4,537	+6.9%
<b>Customers' Resources</b>	<b>25,714</b>	<b>25,665</b>	<b>+0.2%</b>

The quality of the loan portfolio, evaluated by the proportion of + 90 day overdue loans in the total loans, reflected the deterioration in economic activity, increasing from 0.87% in September 2008 to 1.29% in September 2009, sensibly being kept below the level of the system, according to the latest data available. The level of provisions coverage for overdue loans was 126.9%.

	Sep-09	Sep-08	Var.
NPL ratio (+90 days) (incl. securitization)	1.29%	0.87%	+0.42 p.p.
NPL coverage (+90 days)	126.9%	184.5%	-57.6 p.p.
Overdue and doubtful loans ratio (incl. securitization)	1.31%	0.88%	+0.43 p.p.
Net overdue and doubtful loans ratio/net loans (incl. securitization)	0.79%	0.59%	+0.20 p.p.
Overdue and doubtful loans coverage ratio	125.4%	182.9%	-57.5 p.p.

## LIQUIDITY, SOLVENCY AND PROFITABILITY

In spite of the financial markets showing an improvement during the last two quarters, with a reduction in volatility and risk aversion levels, Santander Totta is adopting a rigorous and prudent policy in respect to liquidity management. Taking advantage of these more favourable conditions, the bank has begun to manage access to international financial markets, for both short-term and long-term instruments, in terms of pricing and volume. During October an issue of covered bonds was executed, to the value of one thousand million euros, which relied on an intense search on behalf of international investors and enabled medium and long-term debt maturity to be extended to more attractive levels, in comparison with similar issues of other national issuers in recent months. Simultaneously, the Bank continues to rely on a portfolio of eligible assets of around 11.6 thousand million euros.

After authorisation by the Banco de Portugal and the Banco de Espanha, granted during the second quarter of the year, calculation of the solvency ratios was changed to fit the Basel II regulatory background, with the application of the internal notations method (IRB advanced) for calculating the requirements of Tier I capital for a substantial part of the loan portfolio and standard methods for market risk, using the basic indicator method for the purpose of calculating Tier I capital requirements to cover operational risk. At the end of September 2009, Santander Totta's capital ratios were strengthened, with **Tier I** and **Core Capital reaching 11.2%** and **9.4%** respectively, reflecting the new calculation criteria and tight management of the capital base.

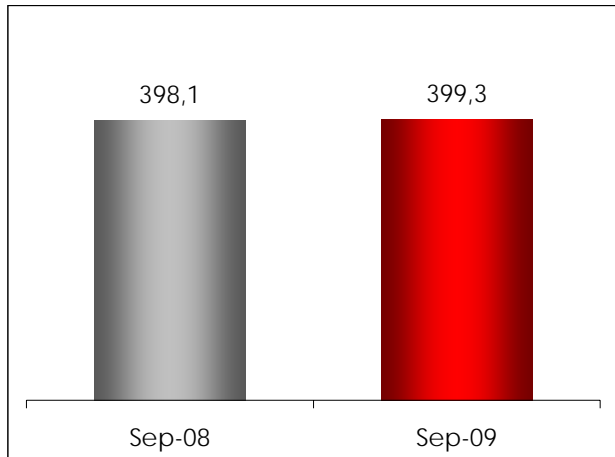
Eur million

	Sep-09	Sep-08
	<i>IRB misto</i>	<i>Standard</i>
<b>Tier I capital</b>	<b>2,792</b>	<b>2,589</b>
Tier II capital	237	338
<b>Total capital</b>	<b>3,029</b>	<b>2,927</b>
<b>Risk weighted assets</b>	<b>24,961</b>	<b>26,974</b>
<b>Core capital</b>	<b>9.4%</b>	<b>7.8%</b>
<b>Tier I</b>	<b>11.2%</b>	<b>9.6%</b>
<b>Solvency ratio</b>	<b>12.1%</b>	<b>10.9%</b>

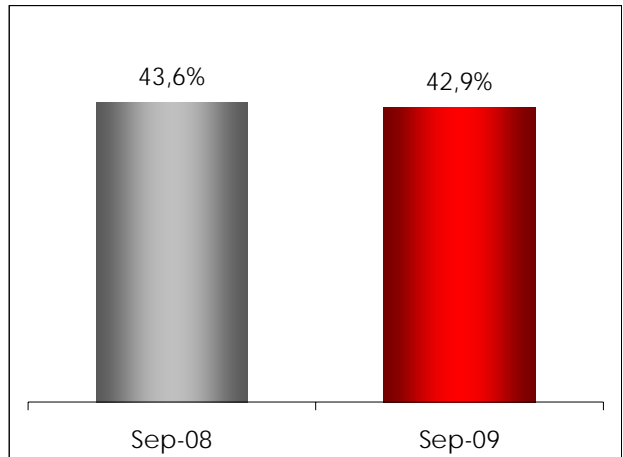
(\*) Excluding results generated, net of pay-out predicted, as at September 2009, solvency ratio is 11.3%, Tier I is 10.4% and Core Tier I 8.6%.

At the end of the first nine months of the year, the income achieved, annualised, translated to a **return on equity (ROE) of 21,2%**.

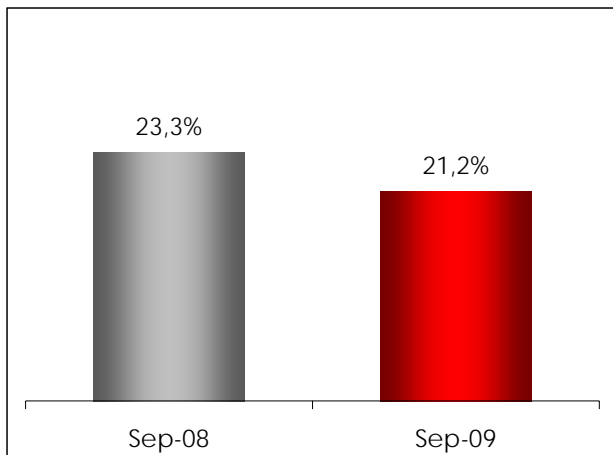
### Net Income (Eur million)



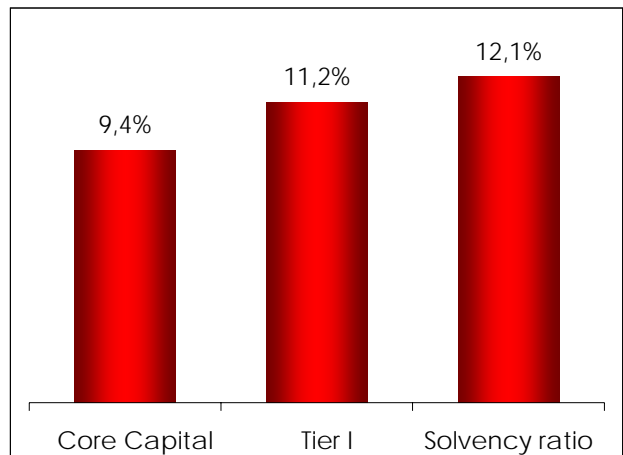
### Efficiency Ratio (incl. depreciation)



### ROE



### Solvency (\*)



(\*) Including results

## COMMERCIAL BANK

Activity during the year was characterised by the launch of several funding campaigns, used by Santander Totta to strengthen its position in terms of soundness, security and profitability.

The first nine months of the year ended with the launch, in September, of the "Poupança Cresce Mais", campaign, with strong media investment, which incorporated traditional medium and long-term saving solutions with very attractive profitability.

In the current context of historically low market interest rates, the supply of funds was complemented by various product alternatives with higher profitability potential - structured, special investment funds, financial insurances and special investment insurances, and the offer continued to be targeted at the Youth, University and +55 segments.

The objective of the 2009 customer campaign launched in April was the acquisition of new customers and increasing the links with existing clients, offering unique terms and strengthening the commitment to be the clients' 1<sup>st</sup> bank. The campaign was based on the interception of 3 axes, offered for the first time simultaneously, to customers who switched to being domiciled or arranged/renewed with Santander Totta: i) €0 commission ii) 0% interest on the authorised ceiling used during the 1st year; and iii) offers using recognised brands and high awareness value.

With the appearance of some signs of economic recovery in the second and third quarter of the year, a slight recovery in mortgage loans has been supported, with an improvement in production volumes compared to the average for the 1st quarter, which resulted in an increase in the portfolio above that recorded during this period. The Bank continues to offer the "Crédito Habitação Super Tranquilo" product, where families are offered the possibility of fixing the value of monthly instalments for 5 years, so taking advantage of the historically low interest rates over an extended period.

Simultaneously, control of overdue levels were strengthened, broadening product terms for renegotiation of existing loans and creating new products which enabled provision of a response to weaker segments, such as the unemployed.

In addition, as part of the optimisation of the "Crédito à Distância" contracting channels for segments with pre-arranged loans, projects were developed to introduce new functions on Netbanco and ATM.

Also important was the increase in the supply of personal loans, through the launch of new products as part of the protocols signed under cover of the Government programs in the Renewable Energies (Solar Thermal Energy) and University Education (Toshiba/Proológica e-Universities) sectors.

In the area of payment methods, Santander Totta maintains a strong commitment to disseminating cards and incentive campaigns promoting the use of electronic payment methods, and the improvement of market share in cards provides evidence of this, with the Bank growing over 4% in turnover whilst the market overall, showed a growth of 1.5%.

In relation to the POS business, the overall share of turnover was maintained above 16%, which contributed to the supply recovery.

In the third quarter of 2009, the Companies Network maintained a strategy of growing net operating income, controlling the portfolio of overdue loans, and acquiring new customers and increasing links with existing customers.

The average volume of business increased 4.8% in relation to the same period of the previous year, and an increase of 7% was recorded in the customer portfolio and 27.5% in the number of affiliated customers. The results obtained reflect a pricing policy more adapted to market conditions, analysis of the customer portfolio for loans with the establishment of well defined risk policies and a focus on the formalisation of loan operations, particularly for factoring and confirming products.

## INVESTMENT BANK

During the initial months of the year, the Corporate Finance area became extremely active in the area of Mergers and Acquisitions, consolidating Santander's position as one of the reference banks for financial consultancy services in the Portuguese market. Of particular note during this period was the successful conclusion of financial consultancy for Galp Energia in the transfer to Gestmin of some of the oil businesses previously acquired by Exxon M6bil and the provision of national consultancy services to Grupo Ibericar (*joint-venture* between Grupo Salvador Caetano and Mapfre for the Spanish automobile distribution market) during the acquisition of a concessionaire in Spain. The consultancy in progress at the Grupo Ferrovial for the transfer of Cespa Portugal, one of the main private companies in the waste collection and processing sector in Portugal is also relevant.

In the *Credit Markets* area, Santander Totta participated in project financing, in particular of the new highways launched by the government: Transmontana, Baixo-Tejo, Baixo Alentejo and Algarve Litoral, and Santander also participated in the banking consortium which implemented the first post liquidity crisis financial acquisition, as part of the purchase of Generis by Magnum Partners. It also participated as group leader in financing Emparque in the acquisition of Cintra Aparcamientos, a larger company, which necessitated the assembly of a complex financing structure. This operation demonstrates the behaviour of the Bank in supporting the internationalisation and consolidation of Portuguese Groups, particularly when entering the Spanish market.

In the European debt market (*Eurobond market*), Santander participated as *Bookrunner* in issuing EDP, Parpública, Refer and Metro de Lisboa shares, and also for the increase in the issue implemented by REN in December 2008 (TAP) and for the issue of *senior unsecured* shares in Banco Santander Totta, which resulted in an overall amount of debt placed in excess of 2 thousand million euros. It also assumed the role of group leader for the banking syndicate in the issue of GALP debt which rose to 700 million euros, which relied on the participation of 14 Portuguese and international financial institutions.

The *Rates* area recorded an increased dynamic in relation to the diversified supply of financial risk management solutions, particularly in a context marked by uncertainty, reinforced by the maintenance of high volatility, and low interest rates, both in the short-term and in the medium and long-terms.

In the corporate segment, the background of low interest rates enabled the main Portuguese companies to optimise their respective medium and long-term liability portfolios by implementing simple interest rate derivatives. At the same time, and in respect to exchange risk management, a preventive activity for principal customers with exchange exposure to North American currency variations was verified.

The *Equities* business area experienced different behaviours in each of its segments. The strong share market turbulence negatively impacted share intermediation

activity since the middle of last year, having, but has since gradually recovered, in line with the overall valuation of the market itself. In addition, the Institutional Custody area demonstrated strong resilience, and the total assets under custody increased from the start of 2009.

The Structured Products area maintained a high level of dynamism, structuring approximately 450 million euros for retail and private sale and over 200 million euros in structured insurance, essentially indexed to stock markets and with an average term less than that recorded in 2008.

## ASSET MANAGEMENT

During the first nine months of 2009, Santander Asset Management was the management company recording the highest growth in assets in Portugal, which enables it to significantly increase market share. On 30th September 2009, Santander Asset Management managed 38 mutual funds which represented around 2.979 million euros and, according to APFIPP, at the end of the period under analysis it had an 18.4% share, and was the third biggest investment fund management company in Portugal.

Continuing a strategy of developing added-value products for Santander Totta's clients, special open investment funds were launched during the first nine months of the year, with a moderate profile, which sought to provide its participants with a half-yearly return through investment in shares in credit-worthy and solvent companies: *Santander Luso Invest*, *Santander Markets Invest* and *Santander Global Credit*.

In addition, a return of investors to traditional investment funds was confirmed, in particular for the strong growth in assets under management by the *Santander Multitesouraria* and *Santander Global funds*.

The group's mutual funds continue to occupy the top ranking places for profitability in their respective categories. Indeed, according to data from APFIPP, on 30th September 2009, the performance of the following funds was particularly noteworthy: ***Santander Acções Portugal*** (1st place over the last 10 years), ***Santander Acções USA*** (1st place over the last 3 and 5 years – this fund was acclaimed by the Morningstar/Diário Económico as the best fund in the North American share funds category) and ***Santander Global*** (1st place over the last 2 years).

With respect to real estate funds, Santander Asset Management manages 5 funds, representing about 858 million euros, with a market share of 7.6%. An increased focus is being kept on the development of property projects in progress in the various portfolios and in achieving sales, principally of the Imovest portfolio fund, and the company continues to promote renewal of its property portfolio. Property fund liquidity maintains generically comfortable levels.

## INSURANCE

The main strategy for Santander Totta Seguros's life insurance activity is to provide a lifetime risk products with a simple range, linked to loans or banking products, provision of products oriented to life protection, commercialised by the bank on the open market, and financial products, and it has attained a market share of 14% in capitalisation insurance, in terms of gross premiums issued.

In relation to financial life insurance, the *Diversificação Invest* and *Rendimento Europeu* insurances were launched, in the form of autonomous investment funds, divided into share units (unit linked). The total volumes in *Diversificação Invest* and *Rendimento Europeu* insurances increased to around 104 million euros and 101.5 million euros, respectively.

As part of lifetime risk insurances, the product *Plano Protecção Emprego* was launched, a life insurance incorporating unemployment coverage, with payment of a single premium for 5 years, with the segment target being mortgage loan customers who do not have this type of protection.

There was also the *Plano Vida*, a product targeted at the massive market sector, with over 37,700 plans sold in 2009, as well as the *Plano Protecção Ordenado* product, targeted at customers with arranged domicile accounts, of which 8,000 policies were sold.

The total value of issued premiums achieved, by the third quarter of 2009 was 684.8 million euros. In risk and mixed insurance, in spite of a lower volume of new production of life insurance linked to consumer borrowing, an increase of 12,8% was recorded compared to the same period, with a premium value of 87 million euros, resulting from the diversification strategy of marketing the insurance on the open market.

## INSTITUTIONAL INFORMATION

Santander (SAN.MC, STD.N) is a commercial bank with its head office in Spain. At the end of 2008 it was the number one bank in the euro zone by exchange capitalisation and the third in the world in terms of income. Established in 1857, it has € 1,271,746 millions in managed funds. Following acquisition of Sovereign Bancorp in the USA in January 2009, Santander had 90 million customers and over 14,000 branches – more than any other international bank – and more than 170,000 employees. It is the principal financial Group in Spain and Latin America, with leading positions in the United Kingdom and Portugal, and has a significant presence in Europe through its Santander Consumer Finance unit. In the first quarter of 2009, Santander recorded a net attributed income of 4,519 million euros.

## Santander Totta, SGPS

Eur million

	Sep-09	Sep-08	Var.
<b>Total Gross Loans (*)</b>	<b>35,062</b>	<b>34,709</b>	<b>1.0%</b>
<i>from which</i>			
<b>Commercial Banking</b>	<b>28,381</b>	<b>27,586</b>	<b>+2.9%</b>
Credit to Individuals	18,374	18,124	+1.4%
<i>from which</i>			
Mortgage credit (incl. securitization)	16,131	15,961	+1.1%
Consumer credit	1,601	1,479	+8.2%
Credit to Corporates	<b>10,007</b>	<b>9,462</b>	<b>+5.8%</b>
Small Business	3,994	3,714	+7.5%
SME's	6,013	5,748	+4.6%
<b>Large Corporates and Institutions</b>	<b>4,649</b>	<b>4,835</b>	<b>-3.8%</b>
<b>Resources</b>	<b>25,714</b>	<b>25,665</b>	<b>+0.2%</b>
Deposits	14,892	14,514	+2.6%
Securities (clients)	821	1,317	-37.7%
Investment Funds	5,152	5,297	-2.7%
Insurance and other results	4,849	4,537	+6.9%
<b>ROE</b>	<b>21.2%</b>	<b>23.3%</b>	<b>-2.1 p.p.</b>
<b>Efficiency ratio (excl. depreciation)</b>	<b>37.6%</b>	<b>38.1%</b>	<b>-0.5 p.p.</b>
<b>Efficiency ratio (incl. depreciation)</b>	<b>42.9%</b>	<b>43.6%</b>	<b>-0.7 p.p.</b>

(\*) Includes securitization, commercial paper, guarantees and endorsements

## Santander Totta, SGPS

Ratios calculated according to subparagraph a) of no. 4 of Notice 3/95 and to Instruction no. 16/2004 of Banco de Portugal

Eur million

	Sep-09	Sep-08	Var.
<b>Solvency ratios</b>			
Solvency ratio	12.1%	10.9%	+1.3 p.p.
Tier I	11.2%	9.6%	+1.6 p.p.
Overdue and doubtful loans/Total loans (incl. securitization)	1.31%	0.88%	+0.43 p.p.
Overdue and doubtful loans coverage ratio (incl. securitization)	125.4%	182.9%	-57.5 p.p.
Net overdue and doubtful loans /Total net loans (incl. securitization)	0.79%	0.59%	+0.20 p.p.
Income before taxes and MI/Average net assets	1.4%	1.5%	-0.1 p.p.
Operating Income/Net average assets	2.8%	2.9%	-0.1 p.p.
Income before taxes and MI/Average equity capital	21.5%	23.6%	-2.1 p.p.
(Operating expenses+Depreciation)/Operating Income	42.9%	43.6%	-0.7 p.p.
Personnel Expenses/Operating Income	24.6%	24.8%	-0.2 p.p.

**Santander Totta, SGPS**  
Income Statement <sup>(\*)</sup>

Eur million

	Set-09	Set-08	Var.
<b>Net interest income</b>	<b>607,2</b>	<b>562,6</b>	<b>+7,9%</b>
Dividends	5,6	5,0	+13,2%
<b>Net interest income (including dividends)</b>	<b>612,8</b>	<b>567,5</b>	<b>+8,0%</b>
Net commissions and other banking income	251,5	264,3	-4,8%
Insurance activity	26,4	27,4	-3,5%
<b>Commercial revenue</b>	<b>890,8</b>	<b>859,3</b>	<b>+3,7%</b>
Gain/loss on financial transactions	92,4	55,0	+68,0%
<b>Operating income and insurance activity</b>	<b>983,2</b>	<b>914,3</b>	<b>+7,5%</b>
Operating expenses	(413,8)	(399,6)	+3,6%
<b>Net operating income</b>	<b>569,3</b>	<b>514,7</b>	<b>+10,6%</b>
Impairment, net provisions and other income	(80,2)	(26,5)	>200%
<b>Income before taxes and MI</b>	<b>489,1</b>	<b>488,2</b>	<b>+0,2%</b>
Taxes	(87,8)	(89,6)	-2,0%
<b>Income after taxes</b>	<b>401,3</b>	<b>398,6</b>	<b>+0,7%</b>
Minority interests	(2,0)	(0,5)	>200%
<b>Net consolidated income</b>	<b>399,3</b>	<b>398,1</b>	<b>+0,3%</b>

(\*) not audited

**Santander Totta, SGPS**  
Income Statement - Adjusted <sup>(\*)</sup>

Eur million

	Set-09	Set-08	Var.
<b>Net interest income</b>	<b>607,2</b>	<b>562,6</b>	<b>+7,9%</b>
Dividends	5,6	5,0	+13,2%
<b>Net interest income (including dividends)</b>	<b>612,8</b>	<b>567,5</b>	<b>+8,0%</b>
Net commissions and other banking income	251,5	264,3	-4,8%
Insurance activity	26,4	27,4	-3,5%
<b>Commercial revenue</b>	<b>890,8</b>	<b>859,3</b>	<b>+3,7%</b>
Gain/loss on financial transactions	61,5	56,4	+9,1%
<b>Operating income and insurance activity</b>	<b>952,2</b>	<b>915,6</b>	<b>+4,0%</b>
Operating expenses	(408,3)	(399,6)	+2,2%
<b>Net operating income</b>	<b>543,9</b>	<b>516,0</b>	<b>+5,4%</b>
Impairment, net provisions and other income	(54,8)	(27,8)	+96,8%
<b>Income before taxes and MI</b>	<b>489,1</b>	<b>488,2</b>	<b>+0,2%</b>
Taxes	(87,8)	(89,6)	-2,0%
<b>Income after taxes</b>	<b>401,3</b>	<b>398,6</b>	<b>+0,7%</b>
Minority interests	(2,0)	(0,5)	>200%
<b>Net consolidated income</b>	<b>399,3</b>	<b>398,1</b>	<b>+0,3%</b>

(\*) Not audited

The adjusted values include: reclassification of the gain of Angola (28,1 M€) from gains on financial operations to other provisions; reclassification from gains on financial operations to impairment of the gains of credit sells (-1,3 M€ as at Sep/08 and +2,8 M€ as at Sep/09) and reclassification of extraordinary costs with indemnities and pension funds (-5,5 M€) from staff costs to other provisions

**Santander Totta, SGPS**  
Consolidated Balance Sheet

Eur million

Assets	Set-09	Set-08	Var.
Cash and deposits at central banks and loans to banks	2.278	2.549	-10,7%
Financial assets	10.534	7.840	+34,4%
Held for trading	2.042	1.783	+14,5%
Available-for-sale	4.422	2.146	+106,1%
At fair value through profit and loss	4.070	3.911	+4,1%
Net loans	32.991	32.606	+1,2%
Hedging derivatives	317	127	+149,9%
Non current assets held to sell	134	124	+8,6%
Other tangible assets and intangible assets	478	485	-1,4%
Other assets	679	421	+61,4%
<b>TOTAL ASSETS</b>	<b>47.411</b>	<b>44.151</b>	<b>+7,4%</b>

Liabilities	Set-09	Set-08	Var.
Resources of Central banks and other financial institutions	7.782	6.637	+17,2%
Financial liabilities held for trading	1.666	1.503	+10,8%
Financial liabilities designated at fair value through profit and loss	4.765	4.293	+11,0%
Resources of customers and others	14.929	14.513	+2,9%
Debt securities issued	13.509	12.811	+5,4%
Hedging derivatives	239	207	+15,9%
Provisions	467	430	+8,5%
Subordinated liabilities	279	294	-5,4%
Other liabilities	574	532	+8,0%
Shareholders' equity	3.202	2.929	+9,3%
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>47.411</b>	<b>44.151</b>	<b>+7,4%</b>