

## Santander Totta earns 436 million euro net income (+10% yoy)

*“Banco Santander Totta earns net income amounting to 436.3 million euros, a 10.3% year on year growth. This improvement derives from the organic growth of its business activities and from a 7.6% reduction in costs, as well as from impairments. I want to highlight the quality of these results, which are essentially attributable to recurrent business activity and a greater level of transactions, to the increase in market share in credit provided to companies and home loans and to customer loyalty, the Bank already recording 360,000 customers with the innovatory Mundo 1|2|3.*

*The Bank’s digital conversion has progressed at a satisfactory rate, reaching more than 600,000 digital customers, and has launched innovatory products throughout the year, such as CrediSimples, e-broker and PagaSimples.*

*As to sustainability, the Bank invested more than 7 million euros, specifically focusing higher education, and thus directly benefiting more than 21,000 individuals.*

*Due to all the above, we obtained recognition as the Best Bank operating in Portugal, from internationally renowned press – such as Euromoney, The Banker and Global Finance – and national press, such as Exame, and were named as the Best Bank to work for in the “Great Place to Work” survey.*

*We continue showing the best ratings of the Portuguese banking industry, a unique situation for the Bank’s ongoing support to the country’s economy.*

*We will continue, in 2018, to support the development of businesses and communities, to advance in the Bank’s digital conversion and to merit the trust of all our customers.”*

*António Vieira Monteiro, Executive Chairman of Banco Santander Totta*

- Net income amounting to 436.3 million euros, a 10.3% year on year increase.
- The acquisition and merger of Banco Popular Portugal with Banco Santander Totta was finalized on 27 December 2017, and thus Banco Popular Portugal ceased to exist as a legal entity. As a consequence of this operation, the financial statements contained in this press release regarding volume of business already include the activities of the former Banco Popular Portugal.
- With this acquisition, Santander Totta became the largest private bank regarding domestic credit business, and stands second in the deposits ranking<sup>1</sup>.

<sup>1</sup> Based on banks’ 2017 third quarter reports

- This acquisition equally allows the strengthening of Santander Totta's position in the Companies' market, a segment in which the Bank has also been showing organic growth.
- Credit granted grew by 25.0% to 41.4 thousand million euros, with a 12.7% increase in private customers and 45.3% in companies. The credit portfolio of the former Banco Popular Portugal, amounting to 6.1 thousand million euros, contributed towards the increase relative to the Companies' segment.
- Market shares in production of credit to companies and home loans continued very dynamic in 2017, increasing by 17.1% and 21.1%, respectively, until end-November<sup>2</sup>.
- Within the range of financing lines for SMEs (PME Invest, Growth and Capitalisation lines), the Bank granted approximately 3.9 thousand million euros until end-2017, resulting in a 22.5% market share.
- Customer's resources increased by 15.2% totalling 36.7 thousand million euros (13.7% increase in deposits and 25.4% in off balance sheet resources).
- Commissions increased by 8.3% relative to December 2016, showing greater customer loyalty and volume of transactions. In its turn, net interest income decreased by 4.8%.
- CET 1 (phased-in) ratio of 13.65%, and CET 1 (fully implemented) ratio stood at 13.67%. The year on year variations (-2.2pp) and (-1.4pp), respectively, result from the impact of the integration of former Banco Popular Portugal.
- In September, S&P upgraded Banco Santander Totta's rating to BBB- and Moody's reaffirmed the Bank's rating after the acquisition of Banco Popular Portugal. In their turn, in December, DBRS and Fitch increased the rating of the Bank's long term debt to A (low) and BBB+, respectively. The current long term debt ratings of Banco Santander Totta, as compared with those of the Portuguese Republic stand at: Fitch – BBB+ (Portugal – BBB); Moody's – Ba1 (Portugal – Ba1); S&P – BBB- (Portugal – BBB-); and DBRS – AL (Portugal – BBBL).
- In the last quarter of the year Banco Santander Totta was distinguished as the "Bank of the Year in Portugal", by The Banker magazine. Exame magazine, within the range of Banking and Insurance Rewards, chose Santander Totta as the "Best Large Bank", "Soundest Bank", "Bank with Greater Growth" and "Most Profitable Bank". Already in 2018, for the second consecutive year, Santander Totta was chosen as "Best Bank in Trade Finance" in Portugal, by Global Finance magazine. This reward distinguishes the banks best placed to support exporting companies.
- In the Cinco Estrelas Award survey, which assesses customer and non-customer preferences, Santander Totta was highlighted as the Bank chosen by Portuguese consumers.
- In 2017, Santander Totta invested 7.4 million euros in community support projects, attributing 1,150 Scholarships in the Universities area and directly and indirectly supporting more than 250 associations in projects connected with education, protection of minors, health, disability, social inclusion and care for the aged, providing direct impact on more than 21,300 individuals.

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<sup>2</sup> Excluding the former Banco Popular Portugal

**Lisbon, 1 February 2018.** At the end of 2017, Santander Totta, SGPS (in this release referred to as “Santander Totta” or “Bank”) earned net income amounting to 436.3 million euros, a 10.3% increase as compared to 2016.

The positive variation in net income is a result of lower operating expenses and allocations to credit provisions, offsetting the 4.1% decrease in operating income.

Net interest income amounted to 696.9 million euros, a 4.8% decrease relative to the homologous period, mainly as a consequence of readjustments in the public debt portfolio. Net commissions amounted to 331.1 million euros, an 8.3% increase relative to December 2016.

Customers’ resources increased by 15.2%, amounting to 36,698 million euros. Marketed investment funds and insurance maintained a dynamic development, increasing by 25.4% in the year, reflecting the diversification strategy in customers’ resources. Deposits increased by 13.7%, including the portfolio of former Banco Popular Portugal amounting to approximately 4 thousand million euros.

The credit portfolio stood at 41,387 million euros, a 25.0% year on year variation, with increases of 12.7% in credit granted to private customers and 45.3% to companies. The incorporation of the credit portfolio of the former Banco Popular influenced the reshaping of the credit structure, with an increase in the relative weight of the companies’ segment.

The Non-Performing Exposure (NPE) ratio, reckoned in line with the EBA definition, stood at 5.7% in December 2017 and the NPE coverage by provisions stood at 55.4%. Excluding the impact from the portfolio of Banco Popular Portugal, the ratio would have been reduced by approximately 80bp, relative to December 2016. Santander Totta’s NPE ratios are below the average for the system, as a result of its policies of admission and management of its credit portfolio.

### **Corporate social responsibility and external recognition**

Banco Santander Totta conducts its business sustainably, contributing towards the economic and social development of the communities where it operates, taking account of its impact on the environment and promoting steadfast relationships with key interest groups.

The main focus in Santander Totta’s Sustainability Policy is Higher Education. Through the cooperation agreements that the Bank holds with the main Portuguese Universities and Polytechnic Institutions it promotes knowledge and merit, entrepreneurship, employability, international mobility and digital technology.

In aiding the community, Santander Totta guides its actions towards providing support and donations to several third sector institutions and promotes the participation of its employees as volunteers in various initiatives throughout the year.

Additionally, and further to investment in the community, the Bank also places its focus on financial inclusion, climate finance and reduction in waste and emissions.

In 2017, Santander Totta invested 7.4 million euros in community support projects through actions of sustainability and Santander Universities, a 2.5% increase relative to 2016. This investment included attributing 1,150 scholarships in the area of Universities and aided, directly and indirectly, more than 250 Associations, in projects connected with education, protection of minors, health, disabilities, social inclusion and care for the aged, providing direct impact on more than 21,300 individuals.

In 2017, Banco Santander Totta was widely recognized for its soundness, financial performance and customer service by the main international and national publications that assess the finance industry.

In the last quarter of the year Banco Santander Totta was distinguished as the “Bank of the Year in Portugal” by The Banker magazine. Exame magazine, within the scope of Banking and Insurance Rewards, chose Santander Totta as the “Best Large Bank”, “Soundest Bank”, “Bank with Greater Growth” and as the “Most Profitable Bank”. In the Prémio Cinco Estrelas survey, which assesses customer and non-customer preferences, Santander Totta was highlighted as the Bank chosen by Portuguese consumers.

These acknowledgements add to the several awards received throughout 2017 in Portugal, attributed by Euromoney magazine. This same publication also distinguished Banco Santander as the “Best Worldwide Bank for Companies”. Global Finance magazine, in turn, recognized Santander Totta as “Best Bank” and “Best Private Bank”, in 2017, in Portugal.

Within the scope of the “Euronext Lisbon Awards 2018”, Banco Santander Totta stood out in the categories of “greater transacted volume in quoted derivatives” and “finance broker with the greatest volume of quoted bonds placed in the Portuguese Stock Exchange”.

The Santander Totta brand was also distinguished with the “Best Repute” banking label, within the ranking established by the company “On strategy”, which assessed the main Portuguese financial brands.

In the Human Resources area, the Bank was recognized by its commitments with its employees, as the “Best Bank to Work for in Portugal”, within the range of the 2017 Great Place to Work awards and the 1st place in the Korn Ferry Engagement Award, for the commitment between company and employees.

In the area of the Environment, the Bank was distinguished with the Sustainability Prize of the 10th edition of Construction Awards.

## **Business Environment**

Economic growth in 2017 was the highest in the last 10 years, registering a 2.7% annual rate in the fourth quarter, notwithstanding the slight slowdown in activity as compared with the previous quarter. To be highlighted, as the main strength behind the growth, was the contribution of investment and exports. Private consumption, in spite of the improvement in market conditions, has maintained a positive but moderate dynamism.

The more favourable external economic environment has been an aid to the growing increase in the weight of exports in Portugal’s GDP, and have, since 2013 exceeded the weight of imports. In 2017, the weight of exports in nominal gross domestic product stood at 43%, an increase of 16pp as compared to the 27% recorded in 2009.

Portugal’s lower external dependence from its trading partners reflects the structural change that the business sector has been going through in the last few years, with effects on the evolution in the balance of trade, which went from recurring deficits of approximately 8% of GDP until 2010, to the currently recorded surplus of 2% of GDP since 2013.

The high indebtedness of the economy continues to be an action priority, with the public sector registering indebtedness close to but below 130% of GDP and the private sector approximately 212% of GDP. However, the efforts made in the reduction in the levels of indebtedness should be highlighted, especially those regarding companies, which went from a ratio of 171% to a ratio of 138% of GDP, between 2012 and 2017, respectively.

The need to lessen the leverage of Portuguese companies has conditioned their rates of investment, which are on the low side, at approximately 21% of added value in 2017. In spite of the currently low

interest rates, Portuguese companies have mainly financed their investment projects through equity, although the higher cost has conditioned the heavy reduction of investment in the economy, by approximately 10pp of GDP, to 17% of GDP. Additionally, the strong need for foreign investment to enhance a faster economic growth continues to impact the position of Portuguese international investment which, in 2017, was approximately -105% of GDP.

Improvement in economic conditions has directly influenced the unemployment rate which, in the third quarter of 2017 stood at 8.5% of the working population. Medium and long term unemployment is now at 2006 levels. The effective employment rate is at 2005 level, approximately 60% of the working population in 2017, with the service sector as the main employment generator, standing at approximately 40% of the working population. With regard to the total rate of employment, an increase of approximately 60% is shown in employees with permanent labour contracts, whilst fixed term contracts are representative of 15% of the working population.

Portuguese public finances continue registering a primary surplus, essential towards a sustainable reduction in public debt which still continues at a high level. In the third quarter of 2017, the public debt ratio was approximately 130.7% of GDP, but a decrease is however expected to a rate near to 126% by year-end, as a result of a number of early repayments, particularly to the International Monetary Fund. The budgetary balance of the general government in 2017, at 1.1% of GDP, will have been slightly lower than the initial objective of 1.4% of GDP foreseen by the Government, benefiting from the favourable juncture of the economic cycle, as reflected by the increase in indirect taxation and in the stability of public expenditure.

Interest rates on the Portuguese Republic's debt continue at minimum levels, as a result of the perception of the reduction in sovereign risk by investors, leveraged by the good economic performance and by the evolution in the public accounts, as materialized in the improvement of the Republic's rating to "BBB-", already within investment grade, by Standard and Poor's, in September and, in December 2017, to "BBB" by Fitch. In January 2018, the 10 year interest rate achieved levels below 2.0%, and the differential to German debt was under 150pb (and lower than the corresponding spread of the Italian debt).

The European Central Bank is already adjusting monetary policy to a gradually lower expansionist profile, through a reduction in quantitative easing, a reassessment of the levels of interest on deposits being possible should the evolution in the economic environment continue favourable. In spite of the cycle of economic recovery in the euro zone, global risks continue relatively symmetric and identifiable, with ECB signalling, should it be required, its availability to extend the non-conventional monetary policies during whatever period that may become necessary.

## Results

At end-2017, net income of Santander Totta, SGPS business activity attained 436.3 million euros, corresponding to a 10.3% year on year increase. The positive evolution in net income is mainly due to the reduction in operating expenses and by the improved quality of the Bank's credit portfolio, all of which offset the 4.1% reduction in operating income.

<b>Income Statement</b> (million euros)	<b>Dec-17</b>	Dec-16	<b>Var.</b>
Commercial revenue	1,027.2	1,052.3	-2.4%
<b>Operating income</b>	<b>1,147.7</b>	<b>1,197.0</b>	<b>-4.1%</b>
Total operating expenses (recurrent)	(527.9)	(571.1)	-7.6%
<b>Net operating income</b>	<b>619.7</b>	<b>625.9</b>	<b>-1.0%</b>
Impairment, net provisions and other	(29.0)	(78.2)	-62.9%
Income before taxes and MI	590.8	547.8	+7.8%
<b>Consolidated net income</b>	<b>436.3</b>	<b>395.7</b>	<b>+10.3%</b>

Net interest income attained 696.9 million euros, a 4.8% reduction relative to December 2016, thus reflecting the reduction in revenues from credit and securities, due to the lower weight of the public debt portfolio in the Bank's accounts, partly offset by remuneration rates on deposits.

Net commissions increased by 8.3% relative to the amount recorded at end 2016, rising to 331.1 million euros, mainly benefiting from the positive impact of commissions on funds and insurance policies marketed by the Bank. Other results from banking business, amounting to -14.7 million euros mainly reflect the Bank's contribution to the Resolution Fund. In turn, results from financial operations decreased by 16.8% as compared with the homologous period.

<b>Operating Income</b> (million euros)	<b>Dec-17</b>	Dec-16	<b>Var.</b>
Net interest income (without dividends)	696.9	732.0	-4.8%
Dividends from equity instruments	2.9	4.2	-30.6%
Net commissions	331.1	305.7	+8.3%
Other banking income	-14.7	-0.1	>200%
Insurance activity	11.0	10.4	+5.7%
<b>Commercial revenue</b>	<b>1,027.2</b>	<b>1,052.3</b>	<b>-2.4%</b>
Gain/loss on financial transactions	120.5	144.8	-16.8%
<b>Operating income</b>	<b>1,147.7</b>	<b>1,197.0</b>	<b>-4.1%</b>

Operating expenses decreased by 7.6% as compared with the value recorded in December 2016. Evolution of operational revenue and expenditure resulted in a 46.0% efficiency ratio, as compared to 47.7% a year earlier.

### Comunicação Externa

<b>Operating Expenses*</b> (million euros)	<b>Dec-17</b>	Dec-16	<b>Var.</b>
Personnel expenses	(311.2)	(314.8)	-1.2%
General expenses	(179.1)	(218.7)	-18.1%
Depreciation	(37.7)	(37.6)	+0.2%
<b>Total operating expenses (recurrent)</b>	<b>(527.9)</b>	<b>(571.1)</b>	<b>-7.6%</b>
<b>Efficiency ratio (excl. depreciation)</b>	<b>42.7%</b>	<b>44.6%</b>	<b>-1.8 p.p.</b>
<b>Efficiency ratio (incl. depreciation)</b>	<b>46.0%</b>	<b>47.7%</b>	<b>-1.7 p.p.</b>

\* recurrent

Evolution in impairments and provisions continues showing the improvement in the economic situation and the stabilizing, at lower levels, of NPL inputs.

### Accounts and Business Activity

At end 2017 the credit portfolio stood at 41.4 thousand million euros, a 25.0% increase in the year. The inclusion of the portfolio of the former Banco Popular Portugal, in which credit granted to companies was approximately 63% of total credit, allowed an improved rebalancing of the Bank's credit portfolio, between companies and private customers.

Deposits increased by 13.7% to 31.5 thousand million euros, resulting from the inclusion of 4 thousand million euros in deposits held by the former Banco Popular Portugal.

Off balance sheet resources maintained a very dynamic development, recording a 25.4% increase in the year.

<b>Business Volume</b> (million euros)	<b>Dec-17</b>	Dec-16	<b>Var.</b>
<b>Total Gross Loans</b>	<b>41,387</b>	<b>33,122</b>	<b>+25.0%</b>
<i>from which</i>			
Credit to Individuals	21,437	19,021	+12.7%
<i>from which</i>			
Mortgage	19,091	17,032	+12.1%
Consumer credit	1,619	1,496	+8.2%
Other	727	493	+47.4%
Credit to Corporates	<b>19,195</b>	<b>13,215</b>	<b>+45.3%</b>
<b>Resources</b>	<b>36,698</b>	<b>31,851</b>	<b>+15.2%</b>
Deposits	31,458	27,673	+13.7%
Securities issued (clients)	0	0	-
<b>Balance sheet resources</b>	<b>31,458</b>	<b>27,673</b>	<b>+13.7%</b>
Investment funds managed or marketed by the Bank	1,944	1,435	+35.4%
Insurance and other	3,296	2,742	+20.2%
<b>Off-Balance sheet resources</b>	<b>5,240</b>	<b>4,178</b>	<b>+25.4%</b>

#### Comunicação Externa

The Non-Performing Exposure (NPE) ratio, in line with EBA criterion, stood at 5.7%, a 0.6pp year on year increase, attributable to the inclusion of the portfolio of the former Banco Popular Portugal, and the respective cover stood at 55.4%. Excluding this impact, NPE ratio would have been reduced by approximately 80bp.

<b>Credit Risk Ratios</b>	<b>Dec-17</b>	Dec-16	Var.
"Credit at risk" ratio	5.1%	5.6%	-0.5 p.p.
Non-Performing Exposure ratio <sup>(1)</sup>	5.7%	5.1%	+0.6 p.p.
"Credit at risk" coverage	82.1%	89.4%	-7.3 p.p.
Non-Performing Exposure coverage ratio	55.4%	65.3%	-9.9 p.p.
Cost of Credit	0.11%	0.13%	-0.02 p.p.
Restructured loans/loans	7.6%	8.6%	-1.0 p.p.
Restructured loans not included in "credit at risk"/loans	4.6%	6.5%	-1.9 p.p.

(1) According to EBA criteria

### Liquidity and Solvency

At end 2017, the portfolio of assets eligible as guarantees for financing operations with the Eurosystem rose to 12 thousand million euros and net financing with the Eurosystem stood at 2.5 thousand million euros.

In September, the Bank took advantage of the improvement in the global market conditions to return to the global financial markets, issuing a mortgage bond amounting to one thousand million euros. This issue, jointly with the improved access to the repos market, allows the Bank to regularize its short, medium and long term financing structure.

The LCR (Liquidity Coverage Ratio) ratio, reckoned in line with CRD IV standards, stood at 123.1%, thus complying with the fully implemented basic regulatory requirements which will come into force in 2018.

The Common Equity Tier 1 (CET 1) ratio rose to 13.65% (phased-in) and to 13.67% (fully implemented). The inclusion of the former Banco Popular Portugal resulted in an impact of approximately 3pp in the Bank's ratios. The Santander Totta equity levels remain very high, clearly above the minimum requisites demanded ECB under the SREP regulations.

<b>Capital</b>	<b>Dec-17</b>	Dec-16
Common Equity Tier 1	3,112	2,904
Tier 1	3,701	3,477
Total Capital	3,752	3,477
<b>Risk Weighted Assets (RWA)</b>	<b>22,803</b>	<b>18,331</b>
<b>CET 1 ratio</b>	<b>13.6%</b>	<b>15.8%</b>
Tier 1 ratio	16.2%	19.0%
Total Capital Ratio	16.5%	19.0%

## Commercial Banking

### Private Customers

In 2017, the Bank continued with the strategic transformation of its trading model, simplifying procedures and developing the digital platform, aiming to improve quality in customer service and efficiency. This strategy is now resulting in the increase in the numbers of loyal and digital customers.

With the absorption of the former Banco Popular Portugal, the Bank's market share in private customers has increased by approximately 2pp, leveraging the organic growth seen in the last few years.

The year under review was equally characterized by the significant growth in home loan contracts, aided by a marketing campaign with the slogan "Quem quer casa vem ao Totta" ("Come to Totta if you want a home"). At end November the Bank's market share (excluding the production of the former Banco Popular Portugal) exceeded 21%.

The launching of "CrediSimples", in January 2017, an innovatory offer only available through digital channels and, since mid-September, also available in NetBanco, boosted the growth in the production of personal credit by 10.4%, approximately 15% of total production (excluding former Banco Popular Portugal).

The strategy of diversifying resources that the Bank has been implementing has resulted in larger growths in the marketing of investment funds and financial insurance.

Customer numbers in Mundo 1|2|3 have exceeded 360,000 of which approximately 204,000 have already taken up the joint offer of account, card and protection insurance (with a 44% growth in the year). In March, this solution included a new advantage for customers: 1% reimbursement on IMI (Realty Municipal Tax). Mundo 1|2|3 is a multiproduct addressed to the Bank's private customers who, in addition to the advantages of the 1|2|3 account, can be provided with a further set of benefits, via cash-back in the Mundo 1|2|3 card account. Since its launching, the Bank, via cash-back, has returned 15.9 million euros to its customers.

### Companies

The Companies segment has continued to merit special attention in Santander Totta's business activities, with the significant reinforcement in terms of market share after the acquisition of Banco Popular Portugal.

Focus on the growth in Companies customers is also materialized through customer proximity actions, such as the non-financial offer of Santander Advance Companies (training, job induction, etc.) and the local initiative of holding seminars in several of the country's districts (Box Santander Advance Companies).

Santander Group was awarded by Euromoney magazine with the "World's Best Bank for SMEs" prize, highlighting Santander's global strategy, with reference to the Santander Advance Companies programme, which, in addition to financing, covers training solutions, internationalization and connectivity which allow companies to overcome challenges and to find solutions to create added value.

With reference to credit protocol, particularly SME Capitalize line, Banco Santander Totta exceeded the 20% market share objective in the Capitalize line both in framed transactions (21.3% in December 2017) and in contracted transactions (26.1% when including former Banco Popular Portugal). Also to

be noted is the IFRRU 2020 line (Financial Instrument for Urban Rehabilitation and Refurbishment) in which the Bank and the former Banco Popular Portugal reach the largest market share.

During 2017, Santander Totta was the international business partner of more than 5,700 companies on a monthly basis. This number shows growth in excess of 10% relative to 2016, and has achieved a 13% market share in trade finance maintaining sustained and permanent growth in the last 5 years.

### **Marketed Investment Funds**

Santander Asset Management (SAM) ended the year with 2.0 thousand million euros in securities investment funds under management, with an annual growth of 496 million euros and a 16.3% market share.

With the objective to restructure the product range a merger was undertaken between the Santander Multiactivos 0-30 investment fund and the Santander Select Defensive investment fund, the assets of which amounted to 267 million euros at year end; a merger was also undertaken between the Santander Multiactivos 20-60 and Santander Global investment fund with Santander Select Moderado investment fund, the assets of which amounted to 331 million euros.

The value of real estate investment funds amounted to 440 million euros under management at the end of 2017.

### **Global Corporate Banking**

The Structured Financing area developed its business throughout 2017 through the financing or financial consultancy of projects relating to energy, distribution of natural gas and real estate, namely shopping centres and real estate promotion for prime residence and tourist apartments.

In bond markets, Santander Totta took part, as bookrunner, in the 7 and 10 year issues for EDP and Brisa Concessões Rodoviárias, respectively, and in the private placing of 5 year bonds for José de Mello Saúde and in the securitization of EDP's tariff debt.

In 2017, the business of Corporate Finance was developed through coordination, brokerage and financial consultancy operations for several companies in the energy, motorways and media sectors, thus allowing the reinforcement of the merger and acquisitions operations portfolio.

Within a context of uncertainty but with a more favourable macroeconomic environment, most companies opted to contract their financing operations at fixed rates, thus eliminating the risk of rising interest rates. Within this framework, the Bank has adapted its offer of alternatives to customers' requirements, which resulted in an increase in fixed rate financing contracts.

Regarding the foreign exchange area, the increasing trend was maintained in the number of customers who chose the Bank as partner in their currency transactions.

In the Structured Products area, 7 structured financial insurance products were marketed amounting to 249 million euros and 16 structured products were also marketed (in euros and US Dollars) amounting to 252 million euros.

### **Insurance**

The Insurance area continued, in 2017, to consolidate its business relationship with customers to improve their protection, adapting the range of insurance products to the segmentation strategy of the Bank's customers to a single multichannel prospect. Simultaneously, focus was kept on the

optimization of after sales procedures, internally promoting a service attitude, with an intensive plan of initiatives to improve quality of service and consequently customer experience.

Regarding digital procedures, online sales of Protection SafeCare, Vida, Viva Mais, Lar and Acidentes insurance policies, included more than 30% of the total of such products and, in the third quarter, financial insurance was included in the online sales procedures.

In 2017, commissions on financial and risk insurance jointly amounted to more than 90 million euros, contributing by approximately 26% to the total of the Bank's commissions. Commissions on autonomous protection insurance contracts and on insurance contracts bound to credit, jointly contributed with approximately 75 million euros.

“Proteção SafeCare” and “Proteção Lar” products continued being in great demand, totalling more than 70.000 policies throughout the year. Focus was equally kept on the marketing of solutions to protect family income in case of death through placing Personal Accident and Life Protection insurance policies, as well as the sale of “LifeCorporate”, “SafeCare Corporate” and “Viva Mais Corporate” addressed to the Advance segment.

### **Institutional Information**

Banco Santander (SAN SM, STD US, BNC LN) is a commercial bank founded in 1857, with head office in Spain. It has relevant market shares in 10 key markets in Europe and America, and is the largest bank in the euro zone by stock market capitalisation. At end 2017 it had 986,000 million euros in customers' resources (deposit and investment funds), 133 million customers, 13,700 branches and 200,000 employees. In 2017, Santander earned net income amounting to 6,619 million euros, a 7% year on year increase.

<b>Business Volumes of former Banco Popular Portugal</b>		<b>Dec-17</b>
(million euros)		
<b>Total Gross Loans</b>		<b>6,108</b>
<b>Credit to Individuals</b>		<b>2,246</b>
Mortgage		1,877
Consumer Credit and Other		369
<b>Credit to Corporates</b>		<b>3,862</b>
<b>Deposits</b>		<b>3,954</b>

### Santander Totta, SGPS

Ratios calculated in accordance with instructions nº 16/2004, nº 23/2011 and 32/2013 from the Bank of Portugal

<b>Ratios</b>	<b>Dec-17</b>	Dec-16	Var.
<b>Solvency</b>			
Core Tier I	13.7%	15.8%	-2.2 p.p.
Tier I	16.2%	19.0%	-2.7 p.p.
Solvency ratio	16.5%	19.0%	-2.5 p.p.
<b>Credit Quality</b>			
NPL and doubtful loans ratio	3.7%	3.6%	+0.1 p.p.
"Credit at risk" ratio	5.1%	5.6%	-0.5 p.p.
Restructured Loans/Total Loans	7.6%	8.6%	-1.0 p.p.
Restructured Loans (not included in credit at risk)/Total Loans	4.6%	6.5%	-1.9 p.p.
<b>Profitability</b>			
Income before taxes and MI/Average net assets	1.3%	1.2%	+0.1 p.p.
Operating income/Average net assets	2.5%	2.6%	-0.1 p.p.
Income before taxes and MI/Average equity	15.2%	14.8%	+0.4 p.p.
<b>Efficiency</b>			
Total operating expenses/Operating income	45.6%	44.8%	+0.8 p.p.
Personnel expenses/Operating income	26.9%	23.6%	+3.3 p.p.
<b>Transformation</b>			
Credit (net)/Deposits	126.5%	114.2%	+12.3 p.p.
Credit (net)/Deposits*	121.0%	109.1%	+11.9 p.p.

\* According the definitions in the "Memorandum of Understanding"

**Santander Totta, SGPS**

<b>Income Statement*</b> (million euros)	<b>Dec-17</b>	Dec-16	<b>Var.</b>
<b>Net interest income (without dividends)</b>	<b>696.9</b>	<b>732.0</b>	<b>-4.8%</b>
Dividends from equity instruments	2.9	4.2	-30.6%
Net interest income	699.8	736.2	-4.9%
Net commissions	331.1	305.7	+8.3%
Other banking income	-14.7	-0.1	>200%
Insurance activity	11.0	10.4	+5.7%
<b>Commercial revenue</b>	<b>1,027.2</b>	<b>1,052.3</b>	<b>-2.4%</b>
Gain/loss on financial transactions	120.5	144.8	-16.8%
<b>Operating income</b>	<b>1,147.7</b>	<b>1,197.0</b>	<b>-4.1%</b>
Total operating expenses (recurrent)	(527.9)	(571.1)	-7.6%
Personnel expenses	(311.2)	(314.8)	-1.2%
General expenses	(179.1)	(218.7)	-18.1%
Depreciation	(37.7)	(37.6)	+0.2%
<b>Net operating income</b>	<b>619.7</b>	<b>625.9</b>	<b>-1.0%</b>
Impairment, net provisions and other	(29.0)	(78.2)	-62.9%
<b>Income before taxes and MI</b>	<b>590.8</b>	<b>547.8</b>	<b>+7.8%</b>
Taxes	(154.2)	(151.9)	+1.5%
Minority interests	(0.2)	(0.2)	-3.7%
<b>Consolidated net income</b>	<b>436.3</b>	<b>395.7</b>	<b>+10.3%</b>

(\*) Not audited

**Santander Totta, SGPS**

<b>Balance Sheet</b> (million euros)	<b>Dec-17</b>	Dec-16	<b>Var.</b>
Cash, loans and advances to banks	2,524	2,101	+20.2%
Financial assets	8,476	9,086	-6.7%
Financial assets held to maturity	109	244	-55.4%
Net loans	39,646	31,459	+26.0%
Hedging derivatives	15	33	-53.1%
Non current assets held to sell	87	134	-35.1%
Other tangible assets	390	341	+14.3%
Other assets	1,921	1,594	+20.5%
<b>TOTAL ASSETS</b>	<b>53,169</b>	<b>44,992</b>	<b>+18.2%</b>
Resources from other institutions	7,432	4,474	+66.1%
Financial liabilities held for trading	1,527	1,764	-13.4%
Financial liabilities designated at fair value through profit and loss	2,431	2,148	+13.2%
Resources of customers and others	31,458	27,673	+13.7%
Debt securities issued	4,536	3,872	+17.1%
Hedging derivatives	39	82	-51.9%
Provisions	590	532	+11.0%
Subordinated liabilities	8	8	-
Other liabilities	1,116	745	+49.8%
Shareholder's equity	4,032	3,694	+9.1%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>53,169</b>	<b>44,992</b>	<b>+18.2%</b>

**Comunicação Externa**

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