

In Portugal Santander achieves net income amounting to 500 million euros (+14.6% yoy)

“2018 was a very challenging year, and highlight should be given to the full integration of former Banco Popular Portugal. Results in the various areas show sustained and balanced business generated in Portugal. Net income attained 500 million euros (+14.6%), resulting from growth in net interest income (+24.3%) and respective operating income (+10%).

On another hand, the trust shown by our Customers in the Bank resulted in a 7.3% growth in total resources, with deposits increasing by 6.3% and off balance sheet resources by 13.2%. For this reason, equally, we were elected by “The Banker” magazine as the “Best Bank of the Year in Portugal”, by Global Finance magazine as the “Best Bank in Portugal” and by World Finance as the “Best Retail Bank in Portugal”.

In terms of loans to companies and home mortgages, market shares in new loans attained 19.8% and 22%, respectively. Volume in total loans was similar to 2017, with values above 40 thousand million euros.

Focused on maximizing customer experience, our commercial and digital strategy has resulted in an increase in the Bank’s customer numbers, both main and digital, closing at 10% and 32%, respectively.

For the following three year period, already with a new executive team, we will continue viewing business growth and a positive development in results. A clear stake in new technologies and in maintaining our focus on customers shall contribute to achieving a significant situation in the industry.”

Pedro Castro e Almeida, Chief Executive of Banco Santander Totta

- At end-2018, Santander Totta, SGPS achieved net income amounting to 500.0 million euros, 14.6% above the value recorded in the homologous period.
- The annual evolution of the P&L account shows the impact of the integration of former Banco Popular Portugal.
- The incorporation of the former Banco Popular Portugal, which was carried out in line with the established strategy, and with zero incidents, was concluded on 14 October 2018 with the technological and operational integration, with all services ensured from then on through the Santander systems, in a full embodiment of the two ensembles.
- Total credit granted amounted to 40.4 thousand million euros, a 2.4% decrease relative to the homologous period, an evolution which outlines the management of the non-productive portfolios. Excluding this impact the portfolio will have stabilized in relation to 2017.
- Customers’ resources stood at 39.4 thousand million euros, showing a 7.3% annual growth, resulting from a 6.3% increase in deposits and a 13.2% increase in off balance sheet resources. Deposits increased by 0.3% in the last quarter.

- Market shares in new loans to companies and in mortgage loans stood at 19.8% and 22.0%, respectively, until end-November.
- The strategy in commercial and digital change has resulted in an increase in the Bank's customer numbers, both loyal and digital, clocking at 10% and 32%, respectively.
- Special highlight should be given to the focus placed on the Companies' segment, which has resulted in a 24% increase in the Bank's loyal customer numbers, reflecting a strategy of greater proximity to customers, especially in the non-financial offer provided by Santander *Advance Empresas*.
- Within the scope of the credit lines established under protocol with PME Investimentos, the Bank, in line with the latest available data, is market leader with a 23% share, in value, and 21% in number of operations. Equally, in the "Capitalize 2017" line, the Bank is market leader with a 25% share in the system.
- Net interest income reached 866.3 million euros, showing a 24.3% increase relative to the homologous period, and net commissions reached 372.4 million euros, growing by 12.5% relative to the value recorded at end-2017. In turn, results in financial transactions decreased by 78.1%, attaining 26.4 million euros.
- Efficiency ratio stood at 49.2%, as a result of a 9.9% growth in operating income and a 17.6% increase in operating expenses.
- CET 1 ratio stood at 14.4% (*fully implemented*) with a 0.23pp increase relative to end-2017.
- The current *rating* notations of the Bank's long term debt, as compared with the levels of the Portuguese Republic are: Fitch – BBB+ (Portugal – BBB); Moody's – Baa3 (Portugal – Baa3); S&P – BBB- (Portugal – BBB-); and DBRS – A (Portugal – BBB).
- In December, Santander in Portugal opened its first *WorkCafé*, which is a new relationship concept between the Bank and its customers. With a modern and sophisticated layout, the area is simultaneously a café and a branch, where customers can carry out their normal banking services. The area has co-working zones, zones for individual attendance and facilities for technological support, and may be used by customers and non-customers, private or companies. The first *WorkCafé* opened in Lisbon, in the Amoreiras area, and others are expected to be opened soon in other cities.
- In the last quarter of the year, Santander in Portugal was elected "Bank of the Year in Portugal", by the London magazine The Banker, a Financial Times group company. During 2018, it was also elected "Best Bank in Portugal", by the North American magazine Global Finance and "Best Retail Bank in Portugal", by British magazine "World Finance". Recently, already in 2019, the Bank was recognized by its customer service, as the "5 Star Bank 2019".
- Within the area of social responsibility, Santander in Portugal invested approximately 7.8 million euros, in 2018, through sustainability actions and Santander Universidades, having provided support for some 330 associations, in projects connected with education, protection of minors, health, disability, social inclusion and care for the elderly, with a direct impact on more than 23,981 people.

Lisbon, 4 February 2019. At end-2018, net income achieved by Santander Totta, SGPS (referred to as “Bank”, “Santander Totta” or “Santander in Portugal” in this press release) amounted to 500.0 million euros, a 14.6% increase relative to the homologous period.

The annual evolution of the P&L account reflects the integration of the former Banco Popular Portugal in the Bank’s accounts, after the acquisition and merger operation finally carried out at end-2017.

Net interest income attained 866.3 million euros, a 24.3% increase relative to 2017, and was responsible for 69% of total annual revenue. In turn, net commissions attained 372.4 million euros, a 12.5% increase relative to December 2017.

Commercial revenue, amounting to 1,234.8 million euros, increased by 20.2% and operating income increased by 9.9% conditioned by the evolution of results in financial transactions which decreased by 78.1% relative to the homologous period.

Operating expenses amounted to 621.1 million euros, increasing by 17.6%. The joint evolution of operating income and operating expenses led to a slight worsening of the efficiency ratio (+3.2pp), which stood at 49.2% at end-2018.

Customers’ resources reached 39,367 million euros, increasing by 7.3% in the year (December 2017 data already includes the former Banco Popular Portugal). Deposits, which account for 85% of total resources, recorded a 6.3% annual growth and marketed investment funds, insurance and other resources increased by 13.2%.

The credit portfolio attained 40,380 million euros, a 2.4% decrease, justified by the sale of non-productive credit portfolios, which was particularly reflected in the companies segment. The total credit portfolio adjusted with that effect and write-offs would have become equivalent to the value recorded in 2017. In turn, home mortgages increased by 1.9% in the year, supported by production dynamism, and resulted in a 0.9pp increase in market share, which stood at 22% at end-November 2018.

The Non-Performing Exposure (NPE) ratio, reckoned in line with the EBA definition, stood at 4.00%, in December 2018, and the NPE coverage by provisions stood at 51.0%.

The Common Equity Tier 1 / (CET I) ratio reached 14.4% (fully implemented) and 14.6% (phased in) with 0.23pp and 0.46pp increases, respectively, relative to December 2017.

Corporate social responsibility and external recognition

Throughout 2018, Santander in Portugal was distinguished on its financial performance and customer service in different business areas, by several national and international bodies.

In the last quarter of the year, Santander in Portugal was elected “Bank of the Year in Portugal”, by the London magazine The Banker, a Financial Times group company. During 2018, it was also elected “Best Bank in Portugal”, by the North American magazine Global Finance and “Best Retail Bank in Portugal”, by British magazine “World Finance”. Recently, the Bank was recognized by its customer service, as a “5 Star Bank 2019” a multidimensional survey covering domestic consumers.

The Santander brand continued being distinguished by its soundness and reputation, as proven by the “Safest Bank in Portugal” prize, awarded by Global Finance magazine and “Best Reputation Banking Brand” in the reputation ranking, formulated by Onstrategy consultants.

In the Private Banking business, Santander was recognized as “Best Private Banking Services Overall 2018”, by Euromoney magazine and “Best Private Bank 2019”, in Portugal, by Global Finance magazine. The same entity also elected the Bank as “Best Trade Finance Provider 2018, in Portugal”. It

should also be emphasized that the Bank was recognized as the “Best Contact Centre”, of the Banking industry, by APCC.

In the Personnel Management area, the Bank also saw its commitment to employees recognized, being considered the “Best Bank to Work For in Portugal”, within the scope of the awards for the “Great Place to Work 2018”.

Within the area of corporate social responsibility, in 2018, Santander in Portugal invested 7.8 million euros in society support projects, through sustainability actions and Santander Universidades. With this investment, the Bank provided support, directly and indirectly, to 330 associations, in projects connected with education, protection of minors, health, disability, social inclusion and care for the elderly, with a direct impact on more than 23,981 people.

In the higher education area, the Bank has subscribed protocols with 52 of the main Higher Education institutions in Portugal and has awarded 1,100 scholarships – merit, social support, mobility, research and professional training.

At the same time, through its current business and its aid programmes to the Community, Santander contributes towards the achievement of sustainable development objectives established by the United Nations, with the priorities and ambitions in global sustainable development for 2030.

Business Environment

The Portuguese economy, in 2018, will have grown by 2.0%, still above the respective long term trend, aided by dynamism in exports and investment, which has been a feature of the recovery cycle initiated in 2013. Throughout the year, however, the growth recorded a decelerating trend, which will have been emphasized by year end, due to the slowdown in the World economy, and especially in the European economy, with specific factors at domestic level.

Private consumption will have grown by approximately 2.2% over the whole year, but in more volatile inter-annual dynamics, due to the early purchase of automobiles in the second and third quarters, with negative effects on the dynamics of the last months of the year. Household consumer expenses evolved in line with the improvement in employment conditions (unemployment rate will have fallen to an annual average of approximately 7%) and consequent improvement in households’ available income. However, the saving rate decreased to about 4%, in the third quarter.

Investment expenditure continued growing at an approximate 5% rate, a slight deceleration as compared to the previous year, but with companies still acquiring machinery and equipment as well as transport goods. In 2018 some improvement was also shown in the construction industry, especially in the area of urban refurbishment.

Exports will have grown above 6%, although with a more pronounced deceleration in the last months of the year. On the one hand, due to a slowdown in external demand, mainly from Europe, where GDP has been showing deceleration. On another hand, due to the strike in the Port of Setúbal, where exports were greatly impaired, especially those of AutoEuropa, a main user of this port. Imports decelerated relative to the previous year, but with a greater growth than exports, mainly due to the imports of intermediate and capital goods, thus contributing towards a worsening in the balance of goods.

In spite of this evolution both Current and the Capital accounts will have maintained a surplus balance, although lower than that shown in previous years, benefiting however from the positive evolution of the balance of services.

The indebtedness of the economy has been gradually reduced, mainly in the private sector, but already also in the public sector. In September, public indebtedness stood at 125% of GDP, also benefiting from the reduction of the fiscal deficit which, in 2018, may achieve a figure below the objective of 0.7% of GDP. The indebtedness of the non-financial private sector, in its turn, stood at 200% (in relation to the 265% peak in 2012). The financial sector is also continuing its deleveraging, with the clean-up of non-productive assets. Between January and September, the system reduced its non-productive exposures (NPL) by 5.8 thousand million euros, with the NPL ratio standing at 11.3% at the end of the third quarter (-2pp relative to end-2017).

The favourable evolution of the economic environment allowed, in the year, the improvement in the Republic's rating, which has already been set at investment grade by the main rating agencies. Of greater relevancy is the reduction of the fiscal deficit and the total repayment of the IMF loan, which allowed a level of immunity to the turbulence in the European debt markets, where the risk premiums widened with the "dispute" between Italy and the European Commission regarding the 2019 Budget. The Portuguese yield, for the 10 year tenor, stood, at year-end, at 1.7%, and the spread relative to the German 10 year yield has kept at approximately 150pb (and at -100pb relative to the Italian 10 year yield).

The World economy, as referred, has maintained high growth levels, although decelerating, due to the surge of several risk factors, specifically "trade wars" and Brexit, which led to deceleration in Europe and, in China, to the lowest economic growth in several decades (6.6%).

In this uncertain environment, the European Central Bank, ended, in December, the programme of acquisition of financial assets (APP), although it is keeping to a reinvestment policy, in line with the ECB capital key. That is, the volume of assets will be kept stable for a foreseeable future. Equally, it will maintain in 2019 the signalling on the changes in the reference interest rates, depending however on the economic environment.

Results

At end-2018, net income achieved by Santander in Portugal amounted to 500.0 million euros, an increase of 14.6% relative to the value recorded in 2017. Operating income grew by 9.9% and operating expenses by 17.6%, resulting in a 3.3% increase in net operating income and a 3.2pp worsening in the efficiency ratio.

Net income recorded at end-2018 included non-recurring results amounting to 20.1 million euros.

Income Statement (million euros)	Dec-18	Dec-17	Var.
Commercial revenue	1,234.8	1,027.2	+20.2%
Operating income	1,261.1	1,147.7	+9.9%
Total operating expenses	(621.1)	(527.9)	+17.6%
Net operating income	640.1	619.7	+3.3%
Impairment, net provisions and other	56.4	(29.0)	-
Income before taxes and MI	696.5	590.8	+17.9%
Other non-recurrent net results	20.1	0.0	-
Consolidated net income	500.0	436.3	+14.6%

Net interest income increased by 24.3% attaining 866.3 million euros, within a more demanding environment, with a moderate level in demand for loans and greater competitive pressure over pricing. Net commissions increased by 12.5%, amounting to 372.4 million euros, and were mainly

determined by a positive impact in commissions on insurance, on funds marketed by the Bank and on means of payment. As compared with the previous quarter, net interest income and net commissions increased by 0.4% and 2.3% respectively.

Other banking income amounted to -25.4 million euros and gains in financial transactions attained 26.4 million euros, a 78.1% decrease relative to the homologous period.

Operating Income (million euros)	Dec-18	Dec-17	Var.
Net interest income (without dividends)	866.3	696.9	+24.3%
Dividends from equity instruments	1.7	2.9	-42.5%
Net commissions	372.4	331.1	+12.5%
Other banking income	-25.4	-14.7	+72.2%
Insurance activity	19.8	11.0	+80.4%
Commercial revenue	1,234.8	1,027.2	+20.2%
Gain/loss on financial transactions	26.4	120.5	-78.1%
Operating income	1,261.1	1,147.7	+9.9%

Operating expenses increased by 17.6% to 621.1 million euros, as compared with the value recorded at end-2017. The evolution of operating income and operating expenses led to a slight worsening in the efficiency ratio, which stood at 49.2%, at end-2018.

Operating Expenses (million euros)	Dec-18	Dec-17	Var.
Personnel expenses	(357.2)	(311.2)	+14.8%
General expenses	(222.0)	(179.1)	+24.0%
Depreciation	(41.8)	(37.7)	+11.1%
Total operating expenses	(621.1)	(527.9)	+17.6%
Efficiency ratio (excl. depreciation)	45.9%	42.7%	+3.2 p.p.
Efficiency ratio (incl. depreciation)	49.2%	46.0%	+3.2 p.p.

The more favourable economic context, resulting in a growth of households' disposable income and the recovery in companies' profitability, continues being reflected in a reduced level of non-performing loans, thus contributing towards the favourable evolution in cost of credit which amounted to 0.01% at end-2018, as compared to 0.11% recorded one year earlier.

Income before taxes and minority interests grew by 17.9%, amounting to 696.5 million euros, as compared to the value recorded in 2017.

Balance Sheet and Business

At end-2018, total gross loans stood at 40.4 thousand million euros, decreasing by 2.4% relative to the homologous period, due to the sale of non-productive loans, which took place throughout the year. Excluding the impact of these operations, in 2018, the credit portfolio would have stabilized compared to the value recorded in 2017.

Deposits stood at 33.4 thousand million euros, corresponding to a 6.3% increase in annual terms. Compared with the previous quarter, deposits increased by 0.3%.

Off balance sheet resources recorded a homologous 13.2% increase in 2018, weighed by the evolution in the insurance business, which, with the acquisition of the former Banco Popular Portugal, included the Eurovida portfolio. In turn, marketed investment funds decreased by 0.9% due to greater market volatility, mainly felt in the year's last quarter.

Business Volume (million euros)	Dec-18	Dec-17	Var.
Total Gross Loans	40,380	41,387	-2.4%
<i>from which</i>			
Credit to Individuals	21,550	21,437	+0.5%
<i>from which</i>			
Mortgage	19,462	19,091	+1.9%
Consumer credit	1,635	1,619	+1.0%
Credit to Corporates	18,051	19,195	-6.0%
Resources	39,367	36,698	+7.3%
Deposits	33,438	31,458	+6.3%
Balance sheet resources	33,438	31,458	+6.3%
Investment funds managed or marketed by the Bank	1,926	1,944	-0.9%
Insurance and other	4,003	3,296	+21.4%
Off-Balance sheet resources	5,929	5,240	+13.2%

The Non-Performing Exposure (NPE) ratio, in line with EBA criterion, stood at 4.00%, a 1.70pp decrease relative to end-2017, and the respective coverage stood at 51.0%.

Credit Risk Ratios	Dec-18	Dec-17	Var.
Non-Performing Exposure ratio ⁽¹⁾	4.0%	5.7%	-1.7 p.p.
Non-Performing Exposure coverage ratio	51.0%	55.4%	-4.4 p.p.
Cost of Credit	0.01%	0.11%	-0.10 p.p.

(1) According to EBA criteria

Liquidity and Solvability

Within the scope of the policy of maintaining a conservative liquidity reserve, the reserves of available assets to obtain immediate liquidity stood at 9.0 thousand million euros at end- 2018.

With regard to short term financing (repos), the policy was maintained on diversification of counterparties, periods of delay and types of collateral used for the purpose, the last quarter of the year closing at next to, but below, 2 thousand million euros.

Financing obtained with the Eurosystem was kept unaltered during the year, based exclusively on long term instruments (TLTRO).

The Liquidity Coverage Ratio (LCR), reckoned in line with the CRD IV standards, stood at 152%, thus complying with the regulatory requirements on a fully implemented basis.

The Common Equity Tier 1 (CET 1) ratio reached 14.4% (fully implemented) and 14.6% (*phased-in*). The Bank's capitalization levels continue fairly high, clearly above the minimum requirements of the ECB as established by SREP.

Capital (fully implemented) (million euros)	Dec-18	Dec-17
Common Equity Tier 1	2,872	3,112
Tier 1	3,472	3,712
Total Capital	3,495	3,732
Risk Weighted Assets (RWA)	19,932	21,939
CET 1 ratio	14.4%	14.2%
Tier 1 ratio	17.4%	16.9%
Total Capital Ratio	17.5%	17.0%

Commercial Banking

Individual Customers

The strategy of commercial change continued in 2018, based upon simplifying processes and on the development of the digital platform that allowed improvement in efficiency and in quality of customer service. This strategy has resulted in the increase of the Bank's loyal and digital customers, with 10% and 32% annual growths, respectively. As to the number of digital customers, users of App and/or NetBanco, the increase recorded was in excess of 82 thousand customers, in the period, representing 42% of active customers.

The number of Mundo 1|2|3 customers with account, card and protection insurance exceeded 243 thousand, with a growth of more than 40 thousand customers in the period. Mundo 1|2|3 is a multiproduct solution addressed to the Bank's retail customers that, beyond the advantages of the 1|2|3 account, may provide an additional number of benefits, such as *cash-back* in the Mundo 1|2|3 card account.

Home mortgages continued dynamic throughout 2018, increasing by 20% in new contracted loans and a 22% market share recorded until end November.

With respect to personal loans, “CrediSimples”, launched in January 2017, a product which is exclusively available in the digital channels, represented 28% of production. In turn, an annual increase of 12,579 customers with credit cards was recorded in 2018.

The evolution of resources of private customers evinced the greater diversification in the applications of the Bank’s customers.

Credit granted to Business/SME segment, in 2018, was greater than in the homologous period, showing a sustained growth in the enlargement of the basis of customers with loans.

Companies

Banco Santander in Portugal continued focusing on the Entrepreneurial sector, with all the financial and non-financial offer, in the sense of more than ever extending customer proximity, through a number of programmes, initiatives and disclosure of contents in the Santander *Advance* site, which has already 9,100 companies registered.

The Santander *Advance* Empresas programme thus maintains a prominent position in the market, due to the number of non-financial solutions it places at the disposal of Portuguese companies, which promote employability of youths, continuous staff and employee training, aid to internationalization and strengthening in digital areas.

Six *Advance* programmes in Management in Academia were carried out during 2018, two in Lisbon, two in Oporto, one in Madeira and one in the Azores, intended for the intensive training of managers, partner-managers, financial managers and SME CEOs, in management, leadership and financial areas, and also 2 *Advance Journey* programmes in Madeira and in the Azores. More than 300 companies were involved in these initiatives, thus contributing in this manner towards strengthening their competitiveness, through improving the skills of their staff and employees.

Six “BOXs – Santander Advance” programmes were also carried out in Oporto, Torres Vedras, Braga, São João da Madeira, Leiria and Santarém, consolidating the proximity policy with companies, institutions, local associations and universities, through interchange of experiences, opinions and sharing of knowledge with all participants.

Also within the scope of the Santander *Advance* Empresas programme, the Bank launched the solution “Connect Your Business”, with a view to further enlarge its value proposal and to aid companies in their digital change. This solution permits the setting up of an APP, simply, swiftly and at a low cost, thus facilitating a greater presence in the digital world and the possibility of gaining customer fidelity, increasing sales and to stand out among competitors.

Relative to protocol loans, the Bank’s leadership stands out in the PME Investimentos lines of credit with a 23% market share, in value, and 21% in number of operations. The Bank is also leader in the “Capitalizar 2017” line, with a 25% market share in the system. Also to be highlighted is the Bank’s action in the IFRRU 2020 line, where it provides support to customers in urban refurbishment, taking up the largest line in the market.

Banco Santander in Portugal continues holding in its portfolio the larger Portuguese companies as users of treasury management products, having strengthened its position with SMEs, with the incorporation of factoring and confirming customers from former Banco Popular Portugal. This performance was achieved due to the introduction in the market of new products and solutions, namely, the “Tesouraria Flexível”, and to the adapting of the structures of operations to the more than ever demanding requirements of companies, of which a feature is the availability of the new NetBanco Factoring platform.

In 2018, the number of companies which are partners in the Santander in Portugal international business increased by 4% relatively to 2017, which was reflected in the 5% increase in revenues from this business, in which a 4% increase in commissions stands out, and 84% of which relates to business in trade finance and cash management.

In the International Desk network, the Bank captured a significant number of foreign customers most of which originating from geographies where the Santander group is represented, with a relevant impact in direct investment carried out in Portugal.

In 2018, Global Finance magazine distinguished Santander in Portugal with the “Best Trade Finance Provider” award, as the preferred Bank in assembling all the financial transactions for the support of Portuguese companies’ external trade.

Marketed Investment Funds

Throughout 2018, Santander Asset Management (SAM) sought to actively manage the risk of its investment funds in securities (FIMs), aiming to maximize the preservation of their value. In spite of the corrections viewed in the markets and the liquidation of two alternative funds, the due date of which had been established during the month of August, and amounted to 73.5 million euros, it was possible to maintain a positive rate of fund subscriptions, ending the year with a 16.5% market share.

In turn, investment funds in real estate, amounted to a total of 449.4 million in assets under management.

Corporate and Investment Banking

Throughout 2018, the Corporate & Investment Banking area developed its activity by keeping up with the customers’ trend in exploring new investment opportunities. The credit portfolio increased by 5% relative to the homologous period and operating income rose by approximately 3%, strengthening Santander’s presence and commitment with the larger economic groups in Portugal.

Within the scope of developing the offer of the Bank’s services via digital channels, new functionalities for the private sector were introduced in the eBroker (Santander’s online negotiation platform) and new initiatives were launched aiming to accelerate the increase in the Bank’s market share. A platform became available by year end, to the Companies segment, for contracting exchange rates, which allowed enlarging the offer of instruments through which customers may better manage their needs of exchange rate transactions. This platform will assume, throughout 2019, a relevant role in the improvement of customer service.

The year 2018 also stood out due to the conclusion of several relevant consultancy and financing operations to a large number of industries such as renewable energy, transport and logistics, beverages and telecommunications, amongst others. Also to be highlighted were several financing and refinancing operations in the renewable energy and real estate industries, specifically shopping malls and real estate promotion for prime residences and tourist accommodation.

In bond markets, highlight should be given to Santander Totta’s participation, as Bookrunner, in the inaugural issue of 5 year NOS Bonds, in the issue of 10 year Bonds for the Madeira Autonomous Region and in the securitization of tariff debts for EDP.

With respect to Treasury, the Fixed Income & FX area evinced strong growth in its business, fundamentally resulting from increased volatility in the exchange rates of the main currencies (Euro-US Dollar and Euro-GBP), from increase in external trade and from the reversal of trend in interest

rates which, resulting from the progressive withdrawal of several stimuli by the European Central Bank, showed, at year-end, an increasing trend.

In this environment, the Bank deepened its presence with customers, presenting risk management proposals that are better adequate to companies' needs. This proximity resulted in a significant increase in the number of fixed rate loan operations, protecting financing against increases in interest rates and, at the same time, in a significant increment in the number of exchange rate transactions.

In the Structured products area, the continuing historically low interest rates have conditioned the diversity of structures presented to customers. As such, during 2018, two structured financial insurance operations were marketed, involving a total amount of 133.6 million euros and nine structured deposits (five issues in euros and four in North American dollars), involving a total amount of approximately 182.4 million euros.

In the Cash Equities area, in spite of a particularly negative year, especially in the last quarter of 2018, the Bank strengthened its market share, as recorded in the reception statistics published by the Securities Market Regulator (CMVM). The volume of orders received from financial brokers operating in Portugal recorded a 20.1% fall, whilst Santander in Portugal grew by 21.8%. The Bank grew 13% in the online market, as compared with an 8.9% fall in the market itself.

Insurance

Insurance business kept to a strategy of consolidation of a commercial proximity relationship with customers, endeavouring to diversify products, within a multichannel and digital range. In parallel, the Bank continued to develop a service attitude, with an intensive plan of after sales initiatives which aim for the continuous improvement in the quality of customer service and experience.

Insurance plans launched throughout the year included "Domestic Services Protection" (1st protection insurance in the Santander App) and "+Auto", in NetBanco. With respect to Pension Savings Plans (PPR), the Bank continues aiding its customers to prepare the future, and several PPRs were launched, already attaining a volume of placings amounting to 350 million euros.

Digital online contracting of insurance product "Proteção Safecare", "Vida", "Viva Mais", "Acidentes Pessoais", "Serviços Domésticos" and "+Auto" represented 37% of all such products, and the contracting of financial insurance via NetBanco continues evolving very positively in the digital channels.

In 2018, commissions on financial and risk insurance represented 26% of total commissions received by the Bank. Commissions on autonomous protection insurance bound to loans granted contributed with approximately 80 million euros towards results.

Santander Totta, SGPS

In accordance with the definition contained in instructions 16/2004 of the Bank of Portugal with the changes in instruction 6/2018

Ratios	Dec-18	Dec-17	Var.
Profitability			
Income before taxes and MI/Average net assets	1.3%	1.3%	+0.0 p.p.
Operating income/Average net assets	2.3%	2.5%	-0.2 p.p.
Income before taxes and MI/Average equity	17.0%	15.2%	+1.8 p.p.
Efficiency			
Total operating expenses/Operating income	48.7%	45.6%	+3.1 p.p.
Personnel expenses/Operating income	28.0%	26.9%	+1.1 p.p.
Transformation			
Credit (net)/Deposits	117.8%	126.5%	-8.7 p.p.

Santander Totta, SGPS

Proforma Income Statement* (million euros)	Dec-18	Dec-17	Var.
Net interest income (without dividends)	866.3	696.9	+24.3%
Dividends from equity instruments	1.7	2.9	-42.5%
Net interest income	868.0	699.8	+24.0%
Net commissions	372.4	331.1	+12.5%
Other banking income	-25.4	-14.7	+72.2%
Insurance activity	19.8	11.0	+80.4%
Commercial revenue	1,234.8	1,027.2	+20.2%
Gain/loss on financial transactions	26.4	120.5	-78.1%
Operating income	1,261.1	1,147.7	+9.9%
Total operating expenses	(621.1)	(527.9)	+17.6%
Net operating income	640.1	619.7	+3.3%
Impairment, net provisions and other	56.4	(29.0)	-
Income before taxes and MI	696.5	590.8	+17.9%
Taxes	(216.6)	(154.2)	+40.4%
Minority interests	0.0	(0.2)	-
Other non recurrent results	20.1	0.0	-
Consolidated net income	500.0	436.3	+14.6%

(*) Not audited

Santander Totta, SGPS

Balance Sheet (million euros)	Dec-18	Dec-17	Var.
Cash, cash balances at central banks and other demand deposits	2,507	1,698	+47.6%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	10,254	8,476	+21.0%
Financial assets at amortised cost	40,272	40,581	-0.8%
Of which:			
Loans to Customers	39,296	39,646	-0.9%
Investments in subsidiaries, joint ventures and associates	111	122	-8.8%
Tangible assets	347	354	-1.9%
Intangible assets	31	37	-16.3%
Tax assets	684	479	+42.6%
Non-current assets held for sale	30	87	-65.6%
Other assets	804	1,335	-39.7%
Total Assets	55,040	53,169	+3.5%
Financial liabilities held for trading	4,416	3,958	+11.6%
Financial liabilities at amortised cost	44,495	43,434	+2.4%
Deposits from Central Banks and Credit Institutions	3,050	3,081	-1.0%
Customer deposits	33,438	31,458	+6.3%
Debt securities issued	4,323	4,543	-4.9%
Of which: subordinated debt	8	8	+0.0%
Other financial liabilities	3,685	4,352	-15.3%
Provisions	298	178	+67.2%
Technical provisions	743	412	+80.4%
Tax liabilities	261	238	+9.7%
Other liabilities	661	917	-27.9%
Total Liabilities	50,875	49,137	+3.5%
Share capital attributable to ST SGPS shareholders	4,163	4,030	+3.3%
Non controlling interests	2	2	-13.5%
Total Equity	4,165	4,032	+3.3%
Total Equity and Total Liabilities	55,040	53,169	+3.5%

Note: Following the entry into force of IFRS 9, Santander Totta SGPS applied the guidelines of Regulation (EU) 2017/1443 of June 29, 2017, for the financial position statement