

Santander in Portugal returns net income of €275.9 million (+4.6% y-o-y)

“First half results lend continuity to the Bank’s sustained growth, with net income amounting to €276 million, 4.6% more than in the first six months of 2018. We are a Bank that is ever closer to and focused on the customers, and these figures show that we are providing a good service and earn their trust. On the other hand, we have received several awards as the Best Bank in Portugal – in July we were rewarded by Euromoney – and as the Brand of Greatest Repute of the sector.

“The resources are a sign of such confidence, maintaining an upward path, with a year-on-year increase of 4.5%. And we continue to show very significant shares in new loans to companies (20.5%) and in mortgage loans (18.9%). It should be pointed out that in the 1st half our mortgage-loan production stood at €991 million.

“Lending continuity to our purpose of providing our customers with ever better service, we continued to implement new digital solutions and to simplify operational processes, in a gradual process of digital transformation. Products and services such as the new mortgage loan platform, the CrediSimples Negócios (online loans for businesses) and the innovative Work Café branch model have had very good results, proof that they are being well accepted by the market. And this is also reflected in the more than 756,000 digital customers we have today, an increase of 13% (yoy).

“For the second half we are optimistic about the evolution of our business and we will continue to focus on customer experience and support for households and businesses, through the best possible response to their needs”.

Pedro Castro e Almeida, Chief Executive of Banco Santander Portugal

Lisbon, July 31, 2019

Highlights

- At the end of June 2019, Santander Totta, SGPS, returned **net income in the amount of €275.9 million**, a growth of 4.6% year-on-year.
- Customer resources totalled €41.9 billion, a yoy increase of 4.5%, **the result of the 4.4% increase of deposits and of the 5.3% increase of off-balance sheet funds**. During the quarter deposits increased by 2.0%.
- **Loans to customers amounted to €40.6 billion**, a decrease of 2.0% compared to June 2018, reflecting the management of the non-productive portfolios. Excluding this impact the portfolio would have been virtually unchanged in year-on-year terms.

- The market shares of new loans to companies and mortgage loans amounted to 20.5% and 18.9% respectively, up to the end of May.
- The number of loyal individual customers and the number of digital customers returned annual growths of 5% and 13% respectively.
- Operating income increased by 7.5%, benefiting from the good performance of commissions, of the insurance business and of net income on financial operations.
- The cost-to-income ratio stood at 42.8%, a y-o-y improvement of 4.7pp, the result of the growth of operating income (7.5%) and of the reduction of operating costs (-3.2%).
- The CET 1 ratio stood at 16.4% (fully implemented), an increase of 2.4pp compared to the end of December 2018.
- Within the scope of the digital transformation plan Santander launched the "CrediSimples Negócios", an online credit solution for companies, which allows loans to be contracted immediately through NetBanco Empresas.
- In the second quarter of 2019, Santander in Portugal was distinguished as the "Best Bank in Portugal" by Euromoney magazine within the scope of the Euromoney Awards for Excellence 2019. The publication highlighted the entities that presented the best services to their customers, demonstrating leadership, innovation and dynamism in the markets in which they operate.
- Banco Santander was also distinguished as the "Best Bank for SMEs in Western Europe in 2019". The entity highlighted the support in financing companies by Santander in Portugal.
- Santander was also recognized as the "Banking brand of greatest repute in Portugal" within the scope of the 2019 Marktest Reputation Index (MRI) study, and as the "Company with best corporate reputation" in the banking sector in 2019 by Merco (Company Monitor on Corporate Reputation), distinctions that assess the robustness and soundness of the brand.
- In the first half of 2019 Santander in Portugal directly and indirectly supported 96 associations in projects related to education, protection of minors, health, disability, social inclusion and care for the elderly, with a direct impact on more than 19,000 beneficiaries.
- In the first half emphasis is given to the delivery of the Participative Donation, a project in which the Bank's employees choose the charities (IPSS) that the Bank is to support, as well as to the signature of the Letter of Commitment for Sustainable Financing and to the launch of the Credit Line for Decarbonisation and Circular Economy.
- Santander in Portugal has the sector's best ratings. The Bank's current long-term debt rating notations in comparison with the levels of the Portuguese Republic are as follows: Fitch – BBB+ (Portugal – BBB); Moody's – Baa3 (Portugal – Baa3); S&P – BBB (Portugal – BBB); and DBRS – A (Portugal – BBB).

Key Indicators

Santander Totta, SGPS

Balance Sheet (million euros)	Jun-19	Jun-18	Var.
Net assets	56,735	55,972	+1.4%
Total Gross Loans	40,581	41,388	-2.0%
Resources	41,902	40,089	+4.5%
Net interest income (without dividends)	428.7	444.1	-3.5%
Net comissions	192.8	182.2	+5.8%
Operating income	708.1	658.6	+7.5%
Total operating expenses	(303.1)	(313.1)	-3.2%
Net operating income	405.0	345.5	+17.2%
Income before taxes and MI	410.7	353.5	+16.2%
Consolidated net income	275.9	263.6	+4.6%

RATIOS (million euros)	Jun-19	Jun-18	Var.
ROE	13.4%	13.2%	+0.2 p.p.
Efficiency ratio (incl. depreciation)	42.8%	47.5%	-4.7 p.p.
CET 1 ratio fully implemented	16.4%	12.5%	+3.9 p.p.
Non-Performing Exposure ratio(1)	3.3%	4.9%	-1.6 p.p.
Non-Performing Exposure coverage ratio	53.3%	54.6%	-1.3 p.p.
Cost of Credit	-0.08%	-0.01%	-0.07 p.p.

OTHER DATA (million euros)	Jun-19	Jun-18	Var.
Number of employees in Portugal	6,330	6,690	-360
Total Branches and Corporate Centers in Portugal	543	662	-119

RATING (long term debt)

FitchRatings	BBB+
Moody's	Baa3
Standard & Poor's	BBB
DBRS	A

⁽¹⁾ According to EBA criteria

External recognition

Throughout 2019 Santander in Portugal has been recognised for its financial performance and reputation of its brand, customer service and as employer, by several national and international entities.

The Bank was recognised as the “Best Bank in Portugal in 2019” by the Global Finance and Euromoney international publications. Recently the British publication World Finance highlighted Santander as the “Best Retail Bank in Portugal 2019”. In the Private Banking area Euromoney highlighted Santander as the “Best Private Banking Services Overall 2019” and, in turn, the North American magazine Global Finance elected Santander as the “Best Private Bank 2019”, in Portugal.

In customer service, the Bank was considered “5-Star Bank 2019” in the Major Banks category in a study covering various dimensions conducted through national consumers. It was also recently recognised in the telephone attendance service as the “Best Contact Centre 2019” in the banking sector, by the Portuguese Contact Centres Association (APCC).

The Santander brand continued to be outstanding for its solidity and reputation. To the “Banking Brand with Best Reputation” award in the reputation ranking, prepared by consultant Onstrategy, was added the distinctions in the Marktest Reputation Index (MRI) as “Banking Brand of Greatest Repute” and “Company having best corporate reputation” in the Merco survey, by a panel of different stakeholders, with a total of 12 sources of information.

In the People Management area the Bank also saw recognition of its commitment to employees, having been considered the “Best Bank to Work For in Portugal” for the third consecutive time and, simultaneously, the “2nd Best Large Company” (over 1,000 employees) to work for in the country by the Great Place to Work Institute.

Results

At the end of the first half of 2019, Santander Totta, SGPS (the “Bank”, “Santander Totta” or “Santander in Portugal” in this press release) returned a net income of €275.9 million, a year-on-year increase of 4.6% and a 0.9% increase over the first quarter of 2019.

Operating income increased by 7.5% yoy, while operating costs decreased 3.2%, contributing to the improvement of operating income (17.2%), as well as the cost-to-income ratio (-4.7pp).

Net interest income amounted to €430.4 million, a decrease of 3.4% compared to the same period of 2018, mainly reflecting the competitive context, with greater pressure on prices in a still moderate demand for credit framework.

Net commissions, in the amount of €192.8 million, were up by 5.8% yoy, determined essentially by the positive impact of commissions on means of payment, insurance and loans.

The other results of the banking business amounted to -€26.9 million, also reflecting the contributions to the Single and National Resolution Funds. The results of the insurance business, in turn, amounted to €12.0 million, up 17.3% compared to June 2018.

The results of financial operations totalled €99.8 million, a 143% yoy increase, reflecting the management of the public and private debt portfolios.

Operating costs amounted to €303.1 million, a decrease of 3.2% over the same period, of which staff costs fell by 3.2% and general expenses by 6.8%. Depreciation increased 16.5% in year-on-year terms, a figure that also reflects the adoption of IFRS 16 as from January 1, 2019.

The dynamics of operating income and costs, in the first half of 2019, resulted in a 42.8% improvement of the cost-to-income ratio, i.e., a reduction of 4.7pp during the period.

Total impairments and net provisions were negative, at €0.2 million, largely reflecting a low level of new default, but also recoveries of past-due loans and gains on the sale of non-performing loans.

Profit before taxes and minority interests amounted to €410.7 million, an increase of 16.2% compared to June 2018.

Balance Sheet and Business

At the end of the first half of 2019, the gross loan portfolio stood at €40.6 billion, down 2.0% compared to the same time last year, the result of the sale of nonperforming loans throughout 2018 as well as in the first half of 2019. Excluding the impact of these operations, the loan portfolio would have been virtually unchanged compared to the amount recorded in June 2018.

Mortgage loans stood at €19.5 billion, an increase of 1.4% over the same period last year, and consumer credit amounted to €1.6 billion, an annual growth of 0.5%. Compared to the previous quarter, there was a stabilisation and a growth of 1.1%, respectively.

Loans to companies amounted to €18.3 billion at the end of June 2019, an increase of 1.3% compared to December 2018. The yoy evolution is conditioned by the sale of nonperforming loan portfolios throughout 2018.

Credit (million euros)	Jun-19	Jun-18	Var.
Credit (gross)	40,581	41,388	-2.0%
<i>from which</i>			
Credit to Individuals	21,603	21,546	+0.3%
Mortgage	19,535	19,268	+1.4%
Consumer credit	1,626	1,617	+0.5%
Credit to SME's	18,286	19,055	-4.0%

The Non-Performing Exposure (NPE) ratio, calculated in line with the EBA criterion, stood at 3.3%, a decrease of 1.6pp compared to the end June 2018, the respective coverage standing at 53.3%.

Customer resources totalled €41.9 billion, up 4.5%, with the positive contributions of growth of deposits (4.4%) and of off-balance sheet resources (5.3%). Compared to the end of December 2018, customer resources rose 4.7%.

Deposits, in the amount of €34.9 billion, grew by 4.4% in annual terms. Compared to the previous quarter, deposits increased by 2.0%.

Off-balance sheet resources rose 5.3%, influenced by insurance business, which increased 6.3%, and by the mutual funds marketed, which increased 4.0% over the same period of 2018. Compared to the previous quarter, the investment funds marketed increased by 4.1%, while insurance stabilised.

Resources (million euros)	Jun-19	Jun-18	Var.
Customers' Resources	41,902	40,089	+4.5%
On-balance sheet resources	34,889	33,431	+4.4%
Deposits	34,889	33,431	+4.4%
Off-balance sheet resources	7,014	6,658	+5.3%
Investment funds managed or marketed by the Bank	2,809	2,702	+4.0%
Insurance and other resources	4,204	3,957	+6.3%

Liquidity and Solvency

Under the policy of maintaining a liquidity reserve at conservative levels, assets available to immediately obtain liquidity amounted to €10 billion at the end of June 2019.

With regard to short-term financing (repos), the policy of diversification of counterparties, terms and type of collateral used for the purpose, was maintained closing the second quarter of the year at €2.2 billion.

The funding obtained from the Eurosystem was unchanged compared to the end of 2018, based solely on long-term instruments (TLTROs).

The LCR (Liquidity Coverage Ratio), calculated in accordance with the CRD IV rules, stood at 151%, thus meeting the regulatory requirements on the fully-implemented basis.

The Common Equity Tier 1 (CET 1) ratio stood at 16.4% (fully implemented) and at 16.6% (phased-in), in a context of organic generation of capital. The Bank's capitalisation levels remain quite high, well above the minimum required by the ECB under the SREP.

Capital (fully implemented) (million euros)	Jun-19	Jun-18
Common Equity Tier 1	3,073	2,704
Tier 1	3,673	3,304
Total Capital	3,735	3,350
Risk Weighted Assets (RWA)	18,765	21,674
CET 1 ratio	16.4%	12.5%
Tier 1 ratio	19.6%	15.2%
Total Capital Ratio	19.9%	15.5%

Commercial Banking

Individuals and Businesses

In the first half of 2019 the Bank continued its strategy of improvement of the commercial model through the development and implementation of new digital solutions and process simplification. A new branch concept was adopted, called the Work Café, which consists of a space “open” to society and to the market, which enhances the relationship among customers and between customers and the Bank. In this period two branches under this new concept were inaugurated, one in Lisbon and the other in Coimbra.

With regard to the customer base, there was an increase of 8,000 loyal customers. As for the number of digital customers, users of the Santander App and/or of NetBanco exceeded 756,000, 45% of the active-customer base, a half-year increase of 3%.

Also to be highlighted is the positive evolution of the Mundo 123 customers (customers having an account, a card and insurance protection), in which the Bank has more than 258,000 customers, a growth of more than 15,000 during the period. Mundo 123 is a multiproduct solution directed at individual customers that, in addition to the advantages of the 123 account, can provide an additional set of benefits, via cash-back, in the Mundo 123 card account.

The strategy underpinned by the soundness of the Bank and the trust of the customers, responding to need of development and support in the achievement of their projects has resulted in an increase in loan production, with a positive impact of €45 million on the loan portfolio.

In the first six months of the year mortgage-loan production amounted to €991 million, with a very favourable quarterly dynamic. Personal-loan production stood at €233 million, with emphasis on the “CrediSimples” online solution, which accounted for about 16% of the production.

With regard to resources, the evolution was positive, an increase of more than €1 billion (of which 63% in balance sheet funds and the remainder in off balance sheet resources), compared to the amount observed at the end of 2018. The result of the increased diversification of the customers' financial investments with the Bank, emphasis is given to the growth in mutual funds of about €200 million.

The Business segment continues to be of strategic importance and the Bank therefore continues to have an offer where customer experience, the offer of value and digitisation are of particular relevance. The launch, in March, of the “CrediSimples Negócios”, an online credit solution for businesses, is a visible example of this dynamic, having contributed to a yoy increase of a production of more than 32%. At the end of the 1st half, the turnover of the segment increased by more than €400 million compared to the end of 2018, an increase of 5.2%.

Maintaining its strategy of proximity and strong connection to the Portuguese communities in the various geographies, the Bank has strengthened its position in this segment, which resulted in the increase of remittances received from abroad in 2019 (+9% yoy), as well as their retention.

Similarly, acknowledging the growing interest of foreigners in living and/or investing in Portugal, the Bank has paid special attention to this sub-segment, streamlining processes and creating conditions to meet the specific needs of these customers.

Companies and Institutionals

In 2019 Banco Santander in Portugal maintains its focus on supporting the business sector through a comprehensive financial offer and a non-financial offer that aims to strengthen the qualifications of companies, rendering the relationship with customers increasingly global and ever closer.

The Santander Advance Empresas programme thus continues to be a unique and outstanding offering in the marketplace, with several non-financial solutions that it places at the disposal of Portuguese companies and entrepreneurs, which promote the employability of young people, ongoing training of their management staff and employees, support for internationalisation and strengthening in the digital area.

Within the scope of the scholarship programme 128 new training courses took place in a business environment, a programme that constitutes a true platform for access to the employment market, for final-year university course students.

Regarding classroom training through the "Advance Management Academy", the offer was directed at specific business clusters: Agri-food, Tourism and Social Economy. Therefore, during this half-year, besides the Business Management programme held in Porto, now in its 12th edition, six sectoral management programmes were organised, two linked to the Social Economy sector (Lisbon and Porto), two to the Agro sector (Lisbon and the Azores) and two to the Tourism sector (Madeira and Algarve). These activities involved more than 200 companies or institutions, contributing to the strengthening of their competitiveness by improving the skills of their management staff and employees.

The online training that complements class-room training, in partnership with two certified entities, allows free access to benchmark interactive training. Through these platforms the Bank offers more than 20 courses in several areas.

During this half-year two BOX – Santander Companies were also held, one in Leiria and another in Madeira for the first time. These initiatives consolidate the Bank's policy of proximity with companies, organisations, local associations and universities, through the exchange of experiences and opinions and sharing knowledge with all participants.

This set of initiatives and the entire Santander Advance Companies programme, which involves the Santander Companies Non-Financial Solutions, are available at the Santander Advance site, which now has more than 9,000 registered companies.

Banco Santander in Portugal maintains its focus on business support through the most appropriate solutions, at the level both of terms and of price, the protocol loan being one of its focuses. This commitment can be seen through its leadership, in several months of 2019, of the number of operations and amounts with Mutual Guarantee Societies, to support investment projects or to finance working-capital in the most varied economic sectors.

In the IFRRU 2020 line, too, the Bank continues to support numerous urban-rehabilitation projects, both for business customers and for individuals, taking on the management of the market's biggest line.

During the first quarter of 2019 Banco Santander in Portugal maintained its position in International Business, and it is the financial partner of Portuguese companies, both in their export and import procedures and also in their internationalisation and in their positioning in various foreign markets.

The International Business support tools, such as the Santander Trade portal, the Santander Club and the International Desk, have enabled consistent growth of the number of customers, operations, volumes and operating income in international business, the growth of the cash and trade commissions being of particular importance.

The Bank continues to support company cash management at the largest Portuguese companies but also with greater involvement with SMEs, accompanying the customers with solutions tailored to their business and providing support in opening up new markets; this has permitted the favourable evolution of factoring and confirming production in a context of increasingly demanding requests by companies.

Banco Santander in Portugal maintains its focus on the institutional customers segment, both for public entities, with a strong presence in the Autonomous Regions and with the Municipalities, as well as for private entities, with the development of solutions for institutions that act in the Social Economy area. As a result, the segment has continued to perform well, especially in attracting resources.

Marketed Mutual Funds and Insurance

The first half of the year was marked by strong recovery of the financial markets, with most company assets, shares and bonds performing well, Santander Asset Management (SAM) having sought, within this framework, to manage its mutual funds (FIM) actively, in order to maximize returns for its participants. The half-year ended with over €2 billion of mutual funds under management, representing a market share of about 16.8%, while real-estate funds totalled €469 million.

In the financial insurance area it is worth underscoring the success of the PPR 10, which received subscriptions of about €212 million between January and April, four series having been released during this period. In parallel, the focus was maintained on active management of open financial insurance, which achieved a positive net change of about €44 million.

The Bank continued to foster a service attitude, with an intensive plan of after-sales initiatives aimed at ongoing improvement of service quality and customer experience.

During the second quarter, the Protection Insurance area lent continuity to the provision of solutions that contribute to the greater protection and safety of customers in the various dimensions of their lives and of their businesses, in the various channels. Online contracting already accounts for about one third of all independent insurance contracts marketed in the quarter.

Also underscored is the advertising campaign that took place in May/June for private customers, characterised by a powerful message associated with the 365 (day) Protection requirements of the customers and their families, under the "Safer every day" signature.

Corporate and Investment Banking

The Corporate & Investment Banking area was intensely active in the first half of the year. In an adverse situation of continuation of negative interest rates and high pressure on spreads, the Bank strengthened its commitment to customers, exploring new investment opportunities.

In the Global Debt Financing area, the first private issuance of debt was completed in Portugal under the Project Finance regime, Santander having structured and placed a €270 million issue for Indaqua Feira.

Several major financing operations were also concluded during the first half, involving a broad range of industries such as chemicals, transport and logistics, with emphasis on the participation in financing the Finerge group in an amount in excess of €700 million, considered the largest ever financing operation in the onshore renewables sector in Portugal.

Attention is also drawn to various loans and refinancing in the real-estate sector, notably shopping malls and property development for residences and tourism apartments.

In the bond markets, emphasis is given to Bank's participation, as bookrunner, in the year's only issue, for EDP, with a hybrid bond with a maturity of 60 years in the amount of amount of €1 billion.

In the Corporate Finance area there was intense activity related with mergers and acquisitions, with emphasis on the successful conclusion of operations in the energy and shopping centres sectors. The operations portfolio was also strengthened, and several other advisory processes are underway involving transactions to be concluded in the coming months.

In Treasury, the Fixed Income & FX area maintained the positive growth momentum that it has revealed in recent quarters, based on the increased number of interest-rate operations and on the launch of the new digital foreign-exchange contracting platform (via NetBanco Empresas), which allowed the enlargement of the contracting channels available for the customers, and it can be expected that it will be available for all Business customers by the end of the year.

In the interest-rate product the Bank's proximity to its customers has been reinforced with the offer of alternative credit arrangements that best suit their expectations regarding the expected performance of the interest-rate markets for the coming years. This monitoring resulted in an increase in the number of fixed-rate loan operations, the greatest number of fixed-rate loans having been achieved during the first half of 2019 since the Bank began to provide this type of risk-management instrument.

Responsible Banking

In the first half of 2019, Santander in Portugal directly and indirectly supported 96 associations in projects related to education, protection of minors, health, disability, social inclusion and care for the elderly, with a direct impact on more than 19,000 beneficiaries. In the first half emphasis is given to the delivery of the Participative Donation, a project in which the Bank's employees choose the charities (IPSS) that the Bank is to support. Santander has also signed the Letter of Commitment for Sustainable Financing and launched the Credit Line for Decarbonisation and Circular Economy.

The Santander Group announced ten goals that reflect its commitment to contribute to the United Nations Sustainable Development Goals and to carry on its business in a responsible manner. These goals include the financial inclusion of more than 10 million people between 2019 and 2025 through the enlargement of the Group's microfinance operations, financial education programmes and other tools to provide access to financial services, as well as a new commitment to facilitate more than €120 billion in green funding over the same period.

Business Environment

The global economic environment has been characterised by an intensification of the systemic risks on activity, in particular those associated with trade tensions between the more developed regions, amplifying possible contagion effects relating to specific risks, in particular those related to Brexit and geopolitical tensions in the Middle East. In this context, the various central banks of the more developed economies maintain an expansionary monetary policy. The European Central Bank signalled that the reference rates will remain at their minimum levels at least until mid-2020. The ECB additionally announced that it will conduct further long-term lending operations (TLTRO III), quarterly, as from September 2019, to replace the operations falling due in 2020 and 2021.

In Portugal, economic activity has proved to be resilient in the light of the global environment, keeping to a path of annual deceleration, though in the first quarter of 2019 there was a slight acceleration both in year-on-year and also in chain terms. Stronger growth of investment, 18% in yoy terms, contributed to this Gross Domestic Product (GDP) dynamic. The evolution of the remaining components of the GDP was in line with expectations, with private consumption slowing and net exports increasing their negative contribution.

During the first quarter of 2019 the labour market was characterised by a slight reversal in the unemployment rate, which rose to 6.8% of the active population, a 0.1pp increase compared to the fourth quarter 2018, an indication that the economy is reaching the level of full employment, with a natural unemployment rate of around 7%. In this sense, the pace of new job creation is set to follow the dynamic of moderation of economic activity, which signifies stabilisation of conditions in the labour market.

The savings rate of the economy rose in the first quarter of 2019 to 16.9%, as did the investment rate, to 17.1%, both as a percentage of GDP, the economy's net financing position having changed, for the first time, from net lending to net borrowing (-0.2% of GDP), after 25 consecutive quarters. Despite the reversal, the level of indebtedness of the economy suffered a downward trend, with the private sector approaching 197% of GDP (a reduction of more than 60pp of the GDP since 2012) and the public sector standing at around 123% of the GDP, in the first quarter 2019.

The budget balance of the public administrations in the first quarter of 2019 showed a surplus of 0.4% of the GDP, the result of a very favourable growth in tax revenues and social-security contributions, culminating in an overall growth of year-on-year revenues of 6.2%, and, as a percentage of the GDP, +0.1pp (to 40% of the GDP). Government expenditure grew by just 0.4% year-on-year in the first quarter of 2019, the result of the reduction of expenditure on goods and services and of the service of the debt, which more than offset the increase in spending on wages and social benefits.

The resilient economic environment and the correction of imbalances supports a reduction in of the perception of the sovereign risk, reflected in the minimum levels recorded throughout the yield curve, where the 10-year term for sovereign debt was priced at 0.5% and recorded a spread of 80 basis points against Germany (as of July 11, 2019). In this sense, the risk notation of the Republic's credit rating assigned by the S&P, Fitch and Moody's agencies is BBB, BBB and Baa3. In May 2019, rating agency DBRS revised the Outlook to positive, signalling a possible review of the risk notation compared to the current BBB.

Santander Totta, SGPS

Balance Sheet (million euros)	Jun-19	Jun-18	Var.
Cash, cash balances at central banks and other demand deposits	2,937	3,114	-5.7%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	11,014	9,384	+17.4%
Financial assets at amortised cost	40,586	40,978	-1.0%
Of which:			
Loans to Customers	39,627	39,947	-0.8%
Investments in subsidiaries, joint ventures and associates	107	106	+0.1%
Tangible assets	667	681	-2.0%
Intangible assets	33	31	+6.8%
Tax assets	672	852	-21.2%
Non-current assets held for sale	66	77	-14.5%
Other assets	652	748	-12.8%
Total Assets	56,735	55,972	+1.4%
Financial liabilities held for trading	1,136	1,360	-16.4%
Other financial liabilities mandatory at fair value through profit or loss	3,442	3,039	+13.3%
Financial liabilities at amortised cost	45,419	45,303	+0.3%
Resources from Central Banks and Credit Institutions	6,733	7,242	-7.0%
Customer deposits	34,889	33,431	+4.4%
Debt securities issued	3,479	4,398	-20.9%
Of which: subordinated debt	8	8	+0.0%
Other financial liabilities	319	232	+37.3%
Provisions	280	496	-43.5%
Technical provisions	762	726	+5.0%
Tax liabilities	443	326	+35.7%
Other liabilities	1,016	716	+41.8%
Total Liabilities	52,499	51,967	+1.0%
Share capital attributable to ST SGPS shareholders	4,234	4,004	+5.8%
Non controlling interests	2	2	+3.3%
Total Shareholders' Equity	4,236	4,005	+5.8%
Total Shareholders' Equity and Total Liabilities	56,735	55,972	+1.4%

Santander Totta, SGPS

Proforma Income Statement* (million euros)	Jun-19	Jun-18	Var.
Net interest income (without dividends)	428.7	444.1	-3.5%
Dividends from equity instruments	1.6	1.3	+25.3%
Net interest income	430.4	445.5	-3.4%
Net commissions	192.8	182.2	+5.8%
Other banking income	-26.9	-20.4	+31.8%
Insurance activity	12.0	10.2	+17.3%
Gain/loss on financial transactions	99.8	41.2	+142.5%
Operating income	708.1	658.6	+7.5%
Total operating expenses	(303.1)	(313.1)	-3.2%
Personnel expenses	(174.2)	(180.0)	-3.2%
General expenses	(104.5)	(112.2)	-6.8%
Depreciation	(24.4)	(20.9)	+16.5%
Net operating income	405.0	345.5	+17.2%
Impairment, net provisions and other	(0.2)	(1.4)	-83.4%
Equity	5.9	9.4	-36.7%
Income before taxes and MI	410.7	353.5	+16.2%
Taxes	(134.7)	(110.0)	+22.5%
Minority interests	(0.1)	0.1	-
Other non recurrent results	0.0	20.1	-100.0%
Consolidated net income	275.9	263.6	+4.6%

(*) Not audited

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	Jun-19	Jun-18	Var.
Profitability			
Income before taxes and MI/Average net assets	1.5%	1.4%	+0.1 p.p.
Operating income/Average net assets	2.6%	2.6%	+0.0 p.p.
Income before taxes and MI/Average equity	19.7%	17.5%	+2.2 p.p.
Efficiency			
Total operating expenses/Operating income	42.5%	47.1%	-4.6 p.p.
Personnel expenses/Operating income	24.4%	27.1%	-2.7 p.p.
Transformation			
Credit (net)/Deposits	114.0%	119.9%	-5.9 p.p.