

## Santander Totta, SGPS, SA

Registered in Lisbon Company Registry Office – 3rd Department

Under no. 507 096 851 (previously no. 14,901)

NIPC 507 096 851

Share Capital: € 1,972,962,079.58

Head Office: Rua do Ouro, 88 – 1100-063 Lisbon

---

## Santander Totta earns 102 million euro in net income

---

### MAIN HIGHLIGHTS

- 102 million euro net income earned at end 2013 with quarterly improvement in net income throughout the year
- 41.5 million euro earned in 4th quarter showing an 18.6% increase over the homologous 2012 quarter and a 40.1% increase relative to the previous quarter
- Net interest income (net of provisions) maintains a positive trend achieving 272.3 million euros at year end
- A 15.2% Core Tier I Ratio, evidencing a 2.9 pp increase relative to 2012 without recourse to any increase in share capital and maintaining its dividend payment policy. Tier I Ratio was set at 16.0% (2.7 pp homologous variation)
- Core Capital CRD IV/CRR ratio fully implemented estimated at 10.0%<sup>1</sup>
- 9.8 billion euro credit granted to companies, showing growth relative to 2012, and evidencing a 0.4pp gain in market share
- 126.2% credit/deposit ratio, as compared to 127.1% recorded in 2012
- 132% LCR (Leverage Coverage Ratio) already greater than the 100% ratio to be demanded at end 2019
- Net financing obtained with the Eurosystem stood at 4.5 billion euros, an 8.5% decrease relative to the homologous period
- Credit at risk ratio reaches 5.86%, slightly in excess of that recorded in September (5.74%), with a 67.7% coverage ratio
- Throughout 2013, the Bank was awarded a number of prizes amongst which stand out: “Best Bank in Portugal”, attributed by Euromoney and Global Finance magazines and “Bank of the Year in Portugal”, attributed by The Banker magazine. Several other awards were obtained in the Human Resources area amongst which the “Equality is Quality” prize is outstanding, attributed by the Commission of Citizenry and Gender Equality (CIG) and by

<sup>1</sup> In line with the Bank’s best interpretation of the rules in force in CRD IV/CRR and applicable national filters

**the Commission on Equality in Labour and Employment (CITE); and the Hay Group's "Best Companies For Leadership" (1st in the Finance Sector).**

- **The rating of Bank Santander Totta continues the best in the financial system: Fitch – BBB-; Moody's – Ba1; S&P – BB; and DBRS – BBBH, and also above that of the Portuguese Republic**

Lisbon, 11 February 2014 – At the end of 2013 Santander Totta, SGPS (in this press release referred to as “Santander Totta” or “Bank”) earned a net income of 102.0 million euros, compared to 250.2 million euros recorded in the homologous period. It should be noted that, for comparative purposes, net income in 2012 included non recurrent income with the monetization of the life risk portfolio of Santander Totta Insurance, carried out in the 3rd quarter of the year, amounting to approximately 198 million euros (gross values). Excluding this extraordinary impact, net income would have decreased by 11.2%.

Quarterly net income increases sustainable throughout 2013, essentially showing the decreases operated in the impairment levels.

Net interest income amounted to 515 million euros, which compares with 550 million recorded in the homologous period. Notwithstanding the progressive decreases in the cost of deposits and the adjustment of asset spreads to customer risk profiles, the 6.4% decrease in net interest income shows, in the main, the decrease in credit granted to private customers.

Capital ratios have kept to very comfortable levels, with Core Tier I ratio standing at 15.2%, a 2.9pp improvement relative to the homologous period. In turn, the Tier I ratio increased to 16.0%. The bank once again showed an important internal capital generation capability with no need to recourse to share capital increases to reinforce its equity and thus being able to maintain its dividend policy.

Net financing with the Eurosystem amounted to 4.5 billion euros, decreasing by 0.4 billion euros relative to the homologous value and by 1.7 billion euros relative to September 2013.

Deposits reached 19.3 billion euros, decreasing by 2.0% relative to December 2012 but remaining stable as compared to September (quarterly variation of -0.7% with reference to banking activity deposits). The credit portfolio amounted to 27.2 billion euros, a -2.6% homologous variation.

The Bank’s comfortable liquidity situation has allowed maintaining a convenient dynamic position in credit granted to the Portuguese entrepreneurial sector, particularly in support of exporting companies, of internationalized companies or in those seeking internationalization. In the 2013 SME Invest/Growth Lines, Santander Totta has maintained a relevant position with a 17% market share, and placed, until end 2013, more than 17.9 thousand operations, amounting to approximately 1.9 billion euros.

*According to António Vieira Monteiro, Santander Totta Executive Chairman, "In 2013, the third consecutive year of recession in Portugal, the Bank once again earned positive net income – 102 million euros – which really evidences the recurring profitability of its business activity and the efficiency of its operations. On another hand, the Bank attained a comfortable 15.2% Core Capital ratio, once again reinforcing the soundness of its balance sheet, and even anticipating compliance with the rules foreseen by Basle III, since it overcomes the minimum 2 p.p. demanded by these for 2019.*

*I would also like to underline the fact that the Bank has been increasing its market share in credit granted to companies, keeping its position as market share leader in lines of treasury support with a 22.5% share in total factoring and confirming.*

*The progressive decrease of new registrations in non performing loans, net of recoveries, as shown by the excellent 0.43% premium risk ratio at year end, the continuously growing quarterly results, based on recurring business activity, guide us to view 2014 with great confidence."*

## BUSINESS ENVIRONMENT

The expansion drive of economic activity, initiated in the second quarter of 2013, will have kept rising in the last quarter, already allowing to record a positive homologous growth, which is happening for the first time since the 4th quarter of 2010. As a result, in the full year, GDP will have contracted by approximately 1.5%, an improvement on the official estimates (-1.8%) and clearly better than the terribly pessimistic scenarios at the beginning of the year which anticipated a contraction in excess of 2%.

The progressive stabilization of internal demand, both from private consumption and from investment, together with the acceleration of exports, contributed towards this dynamism, which should continue during 2014.

Families continued adjusting their volumes of expenditure to new income levels, after the heavy retrenchment occurred in the first months of the year. The lowering of unemployment to 15.5% in November, also allowed an improvement in consumer confidence, materialized by a nominal 2% increase in "Christmas Sales", in line with information received relative to payments processed through automatic cash telling equipment.

Investment was supported, both due to regulatory issues that obliged renewal of the heavy transport fleet, and by fiscal credit to investment on projects started until the end of 2013.

Improvement in internal demand was reflected in a larger growth of fiscal revenue, with VAT revenue in November already ahead of the homologous value. At year end, fiscal revenue benefited from the regime of regulating debts to the Tax Authorities and Social Security, allowing an additional recovery of 1.2 billion euros.

The improved revenue dynamics allowed compensating the increase in expenditure due to the repositioning of subsidies to Public Servants and pensioners; thus the budget deficit, excluding non recurring effects, will have stood at 5.2% of GDP, a reduction relative to 2012. Adjusted to non recurrent factors (fiscal amnesty and recapitalization of the Banif Bank), deficit could be lower than 5% of GDP.

World economy also accelerated in the end of 2013, with both qualitative and quantitative data relative to the euro zone exceeding expectations, not just in Germany but in Spain as well. In spite of this dynamism, the ECB considers that risks are still high and, due to the low inflation rates, lowered its interest reference rate to 0.25% and reinforced its commitment that rates will continue low during a prolonged term.

In the USA, the Federal Reserve commenced a gradual reduction of quantitative stimuli, and, as a counterpart, reinforced its commitment to low interest rates for a prolonged period.

## RESULTS

At the end of 2013, net income of Santander Totta, SGPS amounted to 102.0 million euros, as compared to 250.2 million euros recorded in the homologous period. Net income for 2012 includes an extraordinary item of approximately 198 million euros (gross) relative to the monetization operation of the Santander Totta Insurance life risk portfolio. Excluding this impact net income would have decreased by 11.2%.

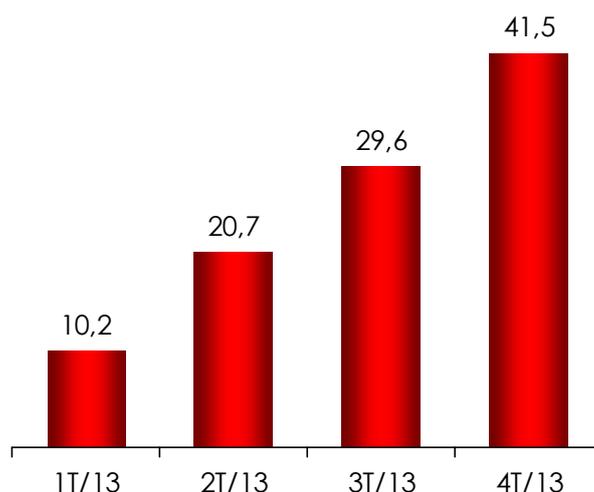
### INCOME STATEMENT (million euros)

	Dec-13	Dec-12	Var.
Commercial revenue	843.4	1,105.9	-23.7%
<b>Operating income and insurance activity</b>	<b>844.3</b>	<b>1,234.0</b>	<b>-31.6%</b>
Total operating expenses	(472.6)	(464.7)	+1.7%
<b>Net operating income</b>	<b>371.8</b>	<b>769.4</b>	<b>-51.7%</b>
Impairment and net provisions	(242.7)	(468.1)	-48.2%
Equity	14.1	11.9	+18.6%
Income before taxes and MI	143.2	313.2	-54.3%
<b>Consolidated net income</b>	<b>102.0</b>	<b>250.2</b>	<b>-59.2%</b>
<b>Consolidated Net Income</b> (excluding Santander Totta Seguros operation)	<b>102.0</b>	<b>114.9</b>	<b>-11.2%</b>

Throughout the year, net income evidenced a sustained growth benefiting from the recovery of net interest income from the 2nd quarter onwards (stabilizing in the last two quarters of the year), from decrease in operational expenditure and lower impairments and provisions, also from the 2nd quarter of 2013.

### Quarterly Net Income

Million euros

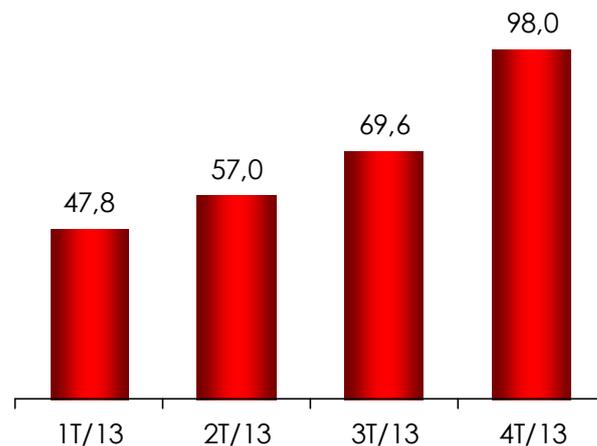


Net interest income amounted to 515.0 million euros, as compared with 550.0 million euros recorded at the end of 2012. The quarterly development of net interest income shows that the lower volumes of credit granted were

compensated by the decrease in the cost of the Bank's financing, particularly with respect to customer's deposits.

The decrease in levels of appropriations for impairments and provisions as from the 2nd quarter of the year was favourably reflected in the quarterly development of net interest income (net of impairment and provisions).

**NII (net of impairment and provisions)**  
Million euros



Net commissions and other results of banking business attained 307.9 million euros, a 1.2% decrease relative to the homologous period, evidencing the lower volumes in commercial banking business; outstanding, however, was the positive development of GBM (Global Banking and Markets) commissions, of investment funds and insurance. Its evolution was also aggravated by regulatory measures that administratively limited the capability of collecting commissions, in spite of the free competitive market in which banking business is circumscribed.

Results in insurance business amounted to 18.9 million euros, compared to 242.6 million euros recorded in 2012, an amount that includes the approximately 198 million euro revenue related with the agreement to reinsure the total life risk portfolio of Santander Totta Insurance, subscribed in July 2012.

Operating income amounted to 844.3 million euros, a 31.6% decrease in annual terms. In addition to the above referred extraordinary item, the development of operating income was also influenced by non recurring revenue recorded in the 1st quarter of 2012 with the repurchase operation of securities issued within the scope of credit securitization (these revenues were cancelled by the setting up of non obligatory provisions).

**OPERATING INCOME** (million euros)

	<b>Dec-13</b>	Dec-12	<b>Var.</b>
Net interest income (without dividends)	515.0	550.0	-6.4%
Net commissions and other banking income	307.9	311.6	-1.2%
Insurance activity	18.9	242.6	-92.2%
<b>Commercial revenue</b>	<b>843.4</b>	<b>1,105.9</b>	<b>-23.7%</b>
Gain/loss on financial transactions	0.9	128.1	-99.3%
<b>Operating income and insurance activity</b>	<b>844.3</b>	<b>1,234.0</b>	<b>-31.6%</b>

Operating expenses amounted to 472.6 million euros, a 1.7% increase as compared with the amount recorded in the homologous period. This evolution was affected by the 2012 legislative change, with respect to death subsidies. Excluding this effect, operating expenses would have decreased by 1.1% and personnel expenses by -0.5%. In turn, general expenses remained stable relative to 2012 and depreciation decreased by 6.3%.

**OPERATING EXPENSES** (million euros)

	<b>Dec-13</b>	Dec-12	<b>Var.</b>
Personnel expenses	(272.3)	(260.3)	+4.6%
General expenses	(139.9)	(140.0)	-0.0%
<b>Operating expenses</b>	<b>(412.3)</b>	<b>(400.3)</b>	<b>+3.0%</b>
Depreciation	(60.3)	(64.3)	-6.3%
<b>Total operating expenses</b>	<b>(472.6)</b>	<b>(464.7)</b>	<b>+1.7%</b>
<b>Efficiency ratio</b> (excl. depreciation)	<b>48.8%</b>	<b>32.4%</b>	<b>+16.4 p.p.</b>
<b>Efficiency ratio</b> (incl. depreciation)	<b>56.0%</b>	<b>37.7%</b>	<b>+18.3 p.p.</b>

Total impairment and provisions amounted to 242.7 million euros as compared with 468.1 million euros accounted for in 2012. In the 1st quarter of 2012, as previously referred, the revenue obtained with the repurchase of securities issued within the operations of credit securitization was totally cancelled with the setting up of non obligatory provisions, as a measure of prudence in a context of deterioration of economic environment. The cost of credit, measured by the weight of credit impairment (net of recoveries) in total credit stood at 0.71% at the end of 2013.

Income before taxes and minority interests amounted to 143.2 million euros and net income to 102.0 million euros, with a quarterly positive development in 2013.

## ACCOUNTS AND ACTIVITY

At end 2013, customers' resources amounted to 25,000 million euros, practically in line with the amount recorded at the end of the 3rd quarter of the year, but showing a decrease of 3.3% in terms of homologous comparison.

Deposits evolved to 19,271 million euros (20,574 million euros with reference to banking business), slightly above the value recorded in the previous quarter (+0.2%). In terms of annual variation, deposits decreased by 2.0% (-3.9% in banking business), a result of the policy established between the profitability of the Bank's accounts and the maintenance of an appropriate leverage level.

Off balance sheet resources amounted to 5,435 million euros, a 1.1% reduction relative to September, justified by a 2.1% increase in investment funds and a 2.8% decrease in capitalization insurance.

The credit portfolio amounted to 27,177 million euros, 2.6% below the amount recorded in December 2012, a variation derived from the granting of credit to private customers that decreased by 3.5%, since credit granted to companies increased as compared to the homologous period, and which implied a significant gain in the segment's market share, proving both the Bank's financial capacity and its commitment towards the Portuguese Economy.

### BUSINESS VOLUME (million euros)

	Dec-13	Sep-13	Dec-12	Var.QoQ	Var.YoY
<b>Total Gross Loans</b>	<b>27,177</b>	<b>27,332</b>	<b>27,908</b>	<b>-0.6%</b>	<b>-2.6%</b>
<i>from which</i>					
Credit to Individuals	17,164	17,332	17,782	-1.0%	-3.5%
<i>from which</i>					
Mortgage	15,276	15,414	15,783	-0.9%	-3.2%
Consumer credit	1,382	1,387	1,414	-0.4%	-2.3%
Credit to Corporates	<b>9,760</b>	<b>9,706</b>	<b>9,730</b>	<b>+0.6%</b>	<b>+0.3%</b>
<b>Resources</b>	<b>25,000</b>	<b>25,036</b>	<b>25,863</b>	<b>-0.1%</b>	<b>-3.3%</b>
Deposits	19,271	19,242	19,660	+0.2%	-2.0%
Securities issued (clients)	294	300	356	-2.0%	-17.4%
<b>Balance sheet resources</b>	<b>19,565</b>	<b>19,542</b>	<b>20,016</b>	<b>+0.1%</b>	<b>-2.3%</b>
Investment funds	1,570	1,538	1,525	+2.1%	+2.9%
Insurance and other	3,865	3,956	4,322	-2.3%	-10.6%
<b>Off-Balance sheet resources</b>	<b>5,435</b>	<b>5,494</b>	<b>5,847</b>	<b>-1.1%</b>	<b>-7.0%</b>

Note: The Novimovest fund was consolidated in the accounts of ST, SGPS, so it was removed from the heading "Investment funds"

At the end of 2013, the quality indicators of the credit portfolio suffered some deterioration as compared to the homologous period, also as a consequence of the decrease in the credit portfolio; its evolution, however, shows that the rate of deterioration is slowing down, with new entries in non performing loans decreasing significantly. The ratio of new entries in non performing loans (in excess of 90 days), net of recoveries, as a proportion of the average credit portfolio, reached 0.43%, equivalent to an improvement of 1.07 pp compared to values recorded in 2012.

The credit at risk ratio reached 5.86%, a slight increase compared to the value recorded in September (5.74%), and the coverage ratio of doubtful loans by provisions stood at 67.7%. In its turn, the ratio of non performing and doubtful loans stood at 3.79% and the respective coverage ratio at 104.7%.

#### CREDIT RISK RATIOS

	Dec-13	Dec-12	Var.
NPL ratio (+ 90 days)	3.73%	3.51%	+0.22 p.p.
NPL coverage ratio (+90 days)	106.4%	98.6%	+7.8 p.p.
NPL and doubtful loans ratio	3.79%	3.55%	+0.24 p.p.
Net NPL and doubtful loans ratio	1.08%	1.45%	-0.37 p.p.
NPL and doubtful loans coverage ratio	104.7%	97.6%	+7.1 p.p.
"Credit at risk" ratio	5.86%	5.00%	+0.86 p.p.
Risk premium*	0.43%	1.50%	-1.07 p.p.
Restructured loans/loans	8.7%		
Restructured loans not included in "credit at risk"/loans	5.4%		

\* New entries in NPL (> 90 days), adjusted by write-offs and credit recoveries as % of loans

#### LIQUIDITY, SOLVENCY AND PROFITABILITY

At end 2013, the portfolio of assets eligible as guarantees in the financing operations with the Eurosystem amounted to 12.9 billion euros. In turn, the net resources obtained with the European Central Bank reached 4.5 billion euros, a decrease of 0.4 billion euros relative to the amount recorded in December 2012.

The transformation ratio kept to a descending path, standing at 126.2% and corresponding to a 0.9pp improvement relative to the homologous period.

At end 2013, Santander Totta had a 132% LCR (Leverage Coverage Ratio) already in excess of the 100% ratio which will be demanded by end 2019.

Capital ratios continued showing a favourable evolution, mainly due to the decrease in risk weighted assets. At end 2013, Tier I and Core Tier I ratios stood at 16.0% and 15.2%, respectively.

The estimated Core Capital CRD IV/CRR fully implemented stands at 10.0%. Should a solution for deferred tax assets become implemented in Portugal as has already been the case in other European countries, the fully implemented Core Capital ratio would stand at 12.4%.

## CAPITAL

	Dec-13	Dec-12
<b>Tier I capital</b>	<b>2,581</b>	<b>2,444</b>
Tier II capital	-8	-7
<b>Total capital</b>	<b>2,574</b>	<b>2,437</b>
<b>Risk weighted assets</b>	<b>16,188</b>	<b>18,370</b>
<b>Core capital *</b>	<b>15.2%</b>	<b>12.3%</b>
<b>Tier I *</b>	<b>16.0%</b>	<b>13.3%</b>

(\*) Excluding results generated net of payout, Core Capital is 15.0% and Tier I is 15.9%

## COMMERCIAL BANKING

2013 was featured by great uncertainty due to the effects of the economic and financial crisis. However, the second half of the year saw the emergence of several recovery signs both at national and international levels.

The soundness of the Santander Totta balance sheet allowed continuing the sustained policy of granting credit, both to private customers and to the Business/SME segment.

In the **Private** area, a policy was followed of placing of products with controlled margin resources, with an adequate management between price and volumes of capture, investing privilege in the diversification of the customers' assets. Launchings included: (1) structured deposits with minimum guaranteed return with a total placing of 1,057 million euros; (2) foreign currency (USD) issues amounting to 98 million euros; (3) capitalization insurance amounting to 327 million euros; and (4) 2 special investment funds amounting to 109 million euros.

In 2013, the placing of customer protection insurance, specifically in health, life and salary protection was in excess of 107 thousand policies.

An important focus was kept, throughout the years, on the capturing of new domiciled salary accounts and on the control of all risk headings, aiming towards transaction growth.

Personal credit was one of the 2013 main priorities. The "Autumn Credit" internal campaign, intended to support families through the granting of responsible personal credit, proceeded throughout the year, and resulted in a new production of 518.5 million euros. "Personal Activation Credit", a line of credit with a promotional rate during the 1st year, was equally an essential campaign for credit capturing.

In order to retain current customers with personal credit, the Bank continued the availability of "Credit Plus", a line of credit that allows the renewal of current loans and permits the reduction of the instalment and/or the increase in the

value of the current financing operation without increasing the monthly charges. Two new products were also launched at the end of the year: the “Correct Credit”, a line of credit that allows to suit the value of the loan's instalment to the monthly amount that the customer states being available to pay; and the “Flexible Credit”, a line of credit that allows the customer to benefit from lower instalments during the first months of the loan, a period during which only interest will be payable.

The policy of implementation of new solutions for regularizing and renegotiating the loans was consolidated, adapted to the level of non compliance of each customer, aiding the families in line with each one's availability. In spite of the difficult environment, it was possible to meet the targets, with respect to the control of non performing loans.

The Bank also launched throughout the year, campaigns and solutions specifically directed towards other customer segments, namely: i) Juniors/Youngsters – “Account Growth” and “Já Ká Konta” campaigns; ii) University Students – specific packs for the Erasmus programme, and iii), Foreign Residents – creating dynamics in the transfer areas and the capturing of resources through attractive conditions in different currencies.

Credit cards were also greatly focused through the “Summer Credit” internal campaign, launched in the 2nd quarter, with the objective of placing credit cards with new customers. A specific offer was also set up for customers with beneficial conditions. The number of new credit card customers, in the year, attained 58,610 new customers who now prefer the bank for their main transactions.

With respect to acceptance, the position of Santander Totta as reference Bank with the main larger traders was reinforced, specifically in the main distributor networks, such as foodstuffs, garments, transports and fuel providers, resulted in a 17.8% market share.

In the field of Complementary Channels, the application “Mobile Particulares” was launched for Android and iOS (iPhone e iPad) devices, which was recently distinguished by the magazine “Information Technology Examination” as one of the most compelling of the TOP 10 applications to be downloaded. Mobile allows customers to carry out main enquiries and operations such as transfers, payment of services, card payments, mobile phone payments, and also make use of e-mail, amongst others, and also e-mail or SMS their BIN and account number, find the nearest branches and learn all the information relative to their branch.

In the **Premium** segment, 2013 was also shown to be an important year towards the reinforcement of the market share in this customer segment, with the main business objectives being achieved. The campaigns launched to capture customers as well as the work developed in the profitable use of agreements established with professional associations provided a very relevant contribution.

In the **Business** segment a commercial policy was kept up largely focusing the granting of credit to new customers, in the binding of current customers and in the increase in transactions.

The internal campaign known as “Spring Credit”, intended for the Business/SME segment, initiated in the 1st quarter of the year, resulted in a 19% annual growth in credit production. Outstanding is the 33% growth in the contracted amount, in the segment, in the SME Growth line, when compared with the homologous period in 2012.

In the **Corporate** area, the Bank's dynamics in international business maintained its previous dynamics, providing support to exporting companies, to internationalized companies and to companies seeking internationalization.

A heavy pressure on prices was felt in 2013, which was intensified in the last quarter of the year, with the corporate network keeping up a strategy based on a balanced management between the volumes of the credit portfolio and resources, and thus guaranteeing sustained growth in the profitability of the business network.

In the SME Invest/Growth lines, Santander Totta continues sustaining a relevant position with its market share reaching 17%. More than 17.9 million operations were placed during 2013 amounting globally to 1.9 billion euros. In the 2013 SME Growth Line, marketing of which started in February, the Bank's market share stood at 16% in the amount of financing of operations comprised in SME-Investments. Additionally, the Santander Totta Bank is the leader in the SME Expansion line, with a 41% rate of adhesion.

Also outstanding is the fact that Santander Totta equally maintains leadership in **Factoring** and **Confirming**, with a 22.4% market share (November 2013), thus evidencing the commitment and the availability of the Bank in the support of Company treasuries.

Within the scope of the commitment that the Bank assumed to support the Portuguese economy, particularly exporting companies and those in the process of internationalization, the following initiatives were developed:

- Organization of a series of conferences under the theme “Export success, Import the future”;
- Launching, for the second consecutive year of the label “Santander 2013 Top Export”, an award that recognizes the excellent performance of the exporting companies that are customers of the Bank, in line with a methodology developed by Informa D&B, that may be viewed in detail in the [santandertotta.pt](http://santandertotta.pt) site; this contributes towards the distinction and disclosure of the best exporting companies, through good opportunities in the markets where they are represented and by the sharing of company internationalisation experiences;
- Launching, in November 2013, of the “SantanderTrade.com” site, a further tool for Santander Totta customers to access information on the markets

where they are active and, above all, where they intend to commence activities. This site, organized in a friendly and clear manner offers, for the first time, a large volume of information on all sectors of trade in more than 186 countries, bringing together in the same site more than 40 data bases, including governmental information. “SantanderTrade.com” intends to bring to the Portuguese entrepreneurial world the local business opportunities that arise in other markets.

In order to aid the internationalization of Portuguese companies, Santander Totta made the **International Desk** available, with the objective to establish an effective commercial connection of the Santander Totta Company Network with their counterparts in the several banks of the Santander Group, located in different markets, with special reference to business flow with Brazil and other Latin American countries (such as Mexico, Chile, Peru, Uruguay and Colombia), Angola and Spain, thus endeavouring to achieve the good use of its international dimension to enable the international business of Portuguese companies.

## GLOBAL BANKING AND MARKETS

The area of **Corporate Finance** consolidated its position in the national market in financial consultancy, in which the following operations are outstanding: (1) financial consultancy to Beijing Enterprises Water Group in the purchase of water concession businesses from Veolia in Portugal; (2) consultancy to British Columbia Investment Management Corporation in the purchase from Galp Energia of its 5% shareholding in Companhia Logística de Hidrocarburos (CLH); (3) consultancy to Riverside in the issue of a Fairness Opinion for the sale of ONI to Altice; (4) consultancy to Optimus in its merger with ZON; (5) consultancy to Sodim in the economic-financial assessment of Cimigest and issue of a Fairness Opinion; and (6) co-leadership in the syndicate for the placing of the Initial Public Offering of CTT – Correios de Portugal, S.A., carried out in the 1st stage of the company’s privatization.

In the **Credit Markets** area, 2013 reinforced the climate of optimism initiated at the end of 2012, with international investors once again viewing Portugal with interest in the procurement of investment opportunities. However, the maintenance of a restrictive economic environment exerted negative pressures over new decisions on private and public investments. Notwithstanding this context, Santander Totta was one of the institutions which kept continued pressure in the analysis of the existing opportunities and in the support to promoters in the materialization of their projects.

Through the **Fixed Income & FX** area, the Bank continued as a natural partner of Portuguese companies, aiding the management of risks associated with interest rate markets and in international trade and investments in countries with differing currencies, offering products of efficient management in exchange rate risks. Outstanding is the fact that, once again, Santander Totta has been considered by Global Finance magazine as the best financial institution in the FX

(exchange rate) area in Portugal, and awarded the title of “Best Foreign Exchange Provider”.

In 2013, Santander Totta recorded an excellent performance in the marketing of **structured products**. Throughout this year 26 structured products were issued, of which 18 are euro denominated issues amounting to a total of 1,057 million euros and 8 are US Dollar denominated issues amounting to a total of 98 million US Dollars.

In the **Cash Equities** business, a significant recovery was witnessed in customer's willingness to invest in the shares market, as reflected in the increase of commissions generated by customers with direct access to the broker. Volumes negotiated in the bond market suffered a reduction as compared to 2012, particularly in the last quarter of the year.

Activity in the area of **Institutional Custody** kept its volumes stable and the 2nd place in the national ranking of Custodians, with a market share of approximately 21% in the value of assets under custody, according to the ultimate data made available by the Security Markets Regulator (CMVM). Resident and non resident institutional customers had the opportunity to appraise the quality of the custody services rendered by the bank through the speciality publication *Global Custodian*, outstanding being the award of the *Commended prize* in the 3 categories – *Leading Clients*, *Cross-Border* and *Domestic*.

## ASSET MANAGEMENT

Keeping to the conservative stance that has ruled the activity of the management company in latter years, Santander Asset Management (SAM), endeavoured, once more, to manage its products at a controlled risk, especially focusing the maintenance of high and adequate liquidity levels, but benefiting from the opportunities that the market has provided. The year is featured with the dynamics provided by the range of funds (with clear prominence to the Multitresury fund with a total of net subscriptions amounting to 84.6 million euros) and by a strong trading activity.

Two new special investment funds were launched: “FEI Ibérico May 2013”, with a total of 38.9 million euros and “FEI Ibérico Premium July 2013”, with a total of 70.3 million euros. Three FEI's became due: “FEI European Strategies” (18 million euros), “FEI Invest Value” (98.8 million euros) and “FEI Invest Value II” (36.4 million euros).

At year end all security investment funds actively managed by Santander Asset Management evidenced positive profitability, namely, Santander Multitresury (1.5% net profitability), Santander Multicredit (3.5% net profitability), Santander Global (2.4% net profitability), and also share funds: Portugal Shares (31.9% net profitability), Europe Shares (21.3% net profitability) and America Shares (18.3%

net profitability). Also outstanding, is that the Santander Portugal Shares fund has been, consecutively throughout the year, the best national fund covering a 12 month profitability.

At end 2013, the security investment funds managed by SAM had an 11.5% market share.

Real estate investment funds managed by SAM amounted to 526.2 million euros, a 4.4% market share.

## INSURANCE

2013 was evidenced by a heavy commercial activity, with a diversified offer of innovatory products, aiming towards a greater satisfaction of the customers' protection needs, based upon the continuous training of the commercial operators and on the best sales practices.

Along these lines, focus was maintained on the marketing of solutions of autonomous insurances. Approximately 107 thousand policies were autonomously sold, a 32% increase relative to the previous year, with the products "Protection Safe Care", "Protection Home" and "Family Protection Plan" deserving special mention.

Relative to financial insurance, outstanding is the launching of "Financial Plan" products, as non standardized Icae insurances (unit linked), which provide a monthly and quarterly return as a type of programmed partial redemption; total volume amounted to approximately 390 million euros, as compared to 545 million euros marketed in 2012.

In life insurance, the value of premiums issued and contributions to investment contracts amounted to 545 million euros compared to 694 million euros in 2012. Although the sale of financial insurance suffered a decrease relative to the previous year, the volume of risk and mixed insured amounted to 122 million euros, 11% above the premiums attained in 2012, of which 22% of the growth are autonomous insurance sold in the open market.

## INSTITUTIONAL INFORMATION

**Banco Santander (SAN.MC, STD.N, BNC.LN)** is a retail and commercial bank, based in Spain, with a presence in 10 main markets. Santander is the largest bank in the euro zone by market capitalization. Founded in 1857, Santander had EUR 1.24 trillion in managed funds, 103 million customers, 13,927 branches – more than any other international bank – and 182,958 employees at the close of 2013. It is the largest financial group in Spain and Latin America. It also has significant positions in the United Kingdom, Portugal, Germany, Poland and the northeast

United States. Santander registered EUR 4.37 billion in attributable profit in 2013, an increase of 90% from the previous year.

## Santander Totta, SGPS

### BUSINESS VOLUME (million euros)

	Dec-13	Dec-12	Var.
<b>Total Gross Loans</b>	<b>27,177</b>	<b>27,908</b>	<b>-2.6%</b>
<i>from which</i>			
Credit to Individuals	17,164	17,782	-3.5%
<i>from which</i>			
Mortgage	15,276	15,783	-3.2%
Consumer credit	1,382	1,414	-2.3%
Credit to Corporates	<b>9,760</b>	<b>9,730</b>	<b>+0.3%</b>
<b>Resources</b>	<b>25,000</b>	<b>25,863</b>	<b>-3.3%</b>
Deposits	19,271	19,660	-2.0%
Securities issued (clients)	294	356	-17.4%
<b>Balance sheet resources</b>	<b>19,565</b>	<b>20,016</b>	<b>-2.3%</b>
Investment funds	1,570	1,525	+2.9%
Insurance and other	3,865	4,322	-10.6%
<b>Off-Balance sheet resources</b>	<b>5,435</b>	<b>5,847</b>	<b>-7.0%</b>

### By segment

<b>Commercial Banking Resources</b>	<b>22,440</b>	<b>23,419</b>	<b>-4.2%</b>
<b>Individuals and Small Businesses</b>	<b>21,339</b>	<b>22,080</b>	<b>-3.4%</b>
Deposits	16,187	16,273	-0.5%
Securities issued (clients), Investment Funds and insurance	5,152	5,807	-11.3%
<b>Corporates</b>	<b>1,101</b>	<b>1,339</b>	<b>-17.8%</b>
<b>Large Corporates, Institutionals and other</b>	<b>2,561</b>	<b>2,444</b>	<b>+4.8%</b>

Note: The Novimovest fund was consolidated in the accounts of ST, SGPS, so it was removed from the heading "Investment funds"

## Santander Totta, SGPS

Ratios calculated in accordance with instructions n° 16/2004, n° 23/2011 and n° 32/2013 from the Bank of Portugal

### RATIOS

	Dec-13	Dec-12	Var.
<b>Solvency</b>			
Core Tier I	15.2%	12.3%	+2.9 p.p.
Tier I	16.0%	13.3%	+2.7 p.p.
Solvency ratio	15.9%	13.3%	+2.6 p.p.
<b>Credit Quality</b>			
NPL and doubtful loans ratio	3.8%	3.6%	+0.2 p.p.
NPL and doubtful loans coverage ratio	104.7%	97.6%	+7.1 p.p.
Net NPL and doubtful loans ratio	1.1%	1.5%	-0.4 p.p.
"Credit at risk" ratio	5.9%	5.0%	+0.9 p.p.
"Credit at risk" ratio (net)	2.0%	0.9%	+1.1 p.p.
Restructured loans/loans	8.7%		
Restructured loans not included in "credit at risk"/loans	5.4%		
<b>Profitability</b>			
Income before taxes and MI/Average net assets	0.3%	0.7%	-0.4 p.p.
Operating income/Average net assets	2.1%	2.9%	-0.8 p.p.
Income before taxes and MI/Average equity	5.0%	12.5%	-7.5 p.p.
<b>Efficiency</b>			
Total operating expenses/Operating income	55.1%	37.3%	+17.8 p.p.
Personnel expenses/Operating income	31.7%	20.9%	+10.8 p.p.
<b>Transformation</b>			
Credit (net)/Deposits	136.3%	138.8%	-2.5 p.p.
Credit (net)/Deposits*	126.2%	127.1%	-0.9 p.p.

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

## Santander Totta, SGPS

### INCOME STATEMENT (million euros)

	Dec-13	Dec-12	Var.
<b>Net interest income (without dividends)</b>	<b>515.0</b>	<b>550.0</b>	<b>-6.4%</b>
Dividends	1.6	1.7	-4.5%
<b>Net interest income</b>	<b>516.6</b>	<b>551.7</b>	<b>-6.4%</b>
Net commissions	316.5	325.0	-2.6%
Other banking income	-8.6	-13.4	-36.0%
Insurance activity	18.9	242.6	-92.2%
<b>Commercial revenue</b>	<b>843.4</b>	<b>1,105.9</b>	<b>-23.7%</b>
Gain/loss on financial transactions	0.9	128.1	-99.3%
<b>Operating income and insurance activity</b>	<b>844.3</b>	<b>1,234.0</b>	<b>-31.6%</b>
Total operating expenses	(472.6)	(464.7)	+1.7%
Personnel expenses	(272.3)	(260.3)	+4.6%
General expenses	(139.9)	(140.0)	-0.0%
Depreciation	(60.3)	(64.3)	-6.3%
<b>Net operating income</b>	<b>371.8</b>	<b>769.4</b>	<b>-51.7%</b>
Impairment and net provisions	(242.7)	(468.1)	-48.2%
Equity	14.1	11.9	+18.6%
<b>Income before taxes and MI</b>	<b>143.2</b>	<b>313.2</b>	<b>-54.3%</b>
Taxes	(49.9)	(62.9)	-20.6%
Minority interests	8.8	(0.1)	<-200%
<b>Consolidated net income</b>	<b>102.0</b>	<b>250.2</b>	<b>-59.2%</b>

(\*) Not audited

## Santander Totta, SGPS

### BALANCE SHEET (million euros)

	Dec-13	Dec-12	Var.
Deposits at Central Banks	1,716	900	+90.7%
Cash, loans and advances to banks	2,446	2,935	-16.7%
Financial assets	9,172	8,608	+6.6%
Net loans	26,099	26,942	-3.1%
Hedging derivatives	199	285	-30.0%
Non current assets held to sell	207	207	+0.2%
Other tangible assets	374	404	-7.5%
Other assets	1,518	1,119	+35.6%
<b>TOTAL ASSETS</b>	<b>41,730</b>	<b>41,400</b>	<b>+0.8%</b>
Resources from Central Banks	6,200	5,837	+6.2%
Resources from other institutions	4,215	1,947	+116.4%
Financial liabilities held for trading	1,757	1,980	-11.3%
Financial liabilities designated at fair value through profit and loss	3,593	4,065	-11.6%
Resources of customers and others	19,271	19,660	-2.0%
Debt securities issued	2,436	3,661	-33.5%
Hedging derivatives	371	456	-18.7%
Provisions	429	465	-7.8%
Subordinated liabilities	0	0	-
Other liabilities	399	562	-29.0%
Shareholder's equity	3,060	2,767	+10.6%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>41,730</b>	<b>41,400</b>	<b>+0.8%</b>

