

## Santander Totta, SGPS, SA

Registered in the Lisbon Official Corporation Registry Office – Section #3

With 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

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## Santander Totta achieves net income of 42.1 million euros in 1Q14

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### MAIN HIGHLIGHTS

- Net income achieved 42.1 million euros in the first quarter of 2014, 312.3% above the results obtained in the homologous period (10.2 M€) and 1.5% greater than in the last quarter
- Increase in net income based upon the 9.3% increase in net interest income, in the 3.0% reduction in operating expenses and in the decrease in doubtful loans and consequent lower need for additional provisions
- In line with the CRD IV/CRR rules for 2014, the Core Tier I Ratio reached 14.5%, clearly above the 7% reference minimum
- CRD IV/CRR Core Tier I Ratio fully implemented at 11.0%<sup>1</sup>
- Return to international markets with the issue of one billion euro 3 year covered bonds, at the end of the first quarter, with a demand greatly in excess of the offer and an 88bps spread
- Net financing obtained with the Eurosystem stood at 4.9 billion euros, not yet including the above referred debt issue, which became effective on 1 April. On this date net financing with the Eurosystem stood at 3.7 billion euros
- Credit at risk ratio stood at 5.29%, a 0.57pp improvement compared to the situation at the end of the previous quarter (5.86%). The respective coverage ratio increased to 76.8%
- Credit granted to corporates amounted to 9.7 billion euros, keeping to a relatively stable value and showing an increase in market share
- Reinforcing its commitment to support and finance the national economy, the Bank expanded its corporate branch network, in the first quarter, opening three new Commercial Departments in Paredes, S. João da Madeira and Torres Vedras
- Deposits decreased by 4.0% compared to March 2013, with private depositors continuing on a stable basis
- The rating of Banco Santander Totta continues the best in the financial system: Fitch – BBB-; Moody's – Ba1; S&P – BB; and DBRS – BBBH, equal to or higher than that of the Portuguese Republic. In March, Moody's changed the *outlook* of the Bank from negative to stable.

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

Lisbon 13 May 2014 – At the end of the first quarter of 2014, Santander Totta, SGPS (in this press release referred to as “Santander Totta” or “Bank”) achieved net income amounting to 42.1 million euros, a significant increase relative to the 10.2 million euros recorded in the homologous period. This development essentially shows the positive evolution of operational expenses and impairments and provisions, as well as a relevant increase in net interest income. Compared with the previous quarter, net income increased by 1.5%, continuing the sustained and sequential growth trend in quarterly results.

Net interest income amounted to 129.2 million euros, a 9.3% increase relative to the value recorded in March 2013. This evolution is a consequence of the decrease in deposits costs and of the adjustment of the asset spreads to the customers' risk profiles.

Operational expenses have kept to a decreasing trend, diminishing by 3.0%, and total impairments and net provisions decreased by 53.7%, evidencing the slowing down of new non performing loans.

Capital ratios, in line with the CRD IV/CRR rules, are keeping to very comfortable levels with Core Tier I Ratio standing at 14.5%, far above the 7% reference value. In its turn the Tier I Ratio stood at 16.0%.

The fully implemented Core Tier I Ratio stood at 11.0%, a 0.9pp improvement relative to the value recorded at the end of 2013, which contributed towards the decrease in deductions foreseen within the scope of CRD IV/CRR (these values consider the deduction of the total deferred tax assets, without which the ratio would have stood at 13.3%).

At the end of March, the Bank finalized an issue of one billion euros in covered bonds, with a 3 year maturity, the demand for which was significant (approximately 2.6 billion euros). With this operation the Bank reduced its exposure to the ECB, which on 1 April (effective issue date) stood at 3.7 billion euros. The Bank thus took another significant step towards normalizing its financing sources in the international market.

Deposits amounted to a total of 18.6 billion euros, a 4.0% decrease relative to the homologous period; the value of private deposits, however, remained stable. The credit portfolio stood at 27.0 billion euros, a homologous variation of -2.9%.

The credit at risk ratio is staying significantly below the average of the banking system, standing at 5.29% at the end of the first quarter, a decrease relative to the value recorded at end 2013 (5.86%).

In accordance with António Vieira Monteiro, the Santander Totta Executive Chairman,

*“Banco Santander Totta arises from the years of recession highly capitalized and with a sound balance sheet, and has shown increasing net income for five consecutive quarters.*

*The 42.1 million euro profit recorded in the first quarter, based upon the 9% increase in net interest income and on the decrease in operating expenses and impairments, shows the Bank’s distinctive capability to develop a profitable and recurrent activity in Portugal. That is, not dependent from extraordinary or externally obtained results.*

*Regarding the future, our perspectives are optimistic. The Bank is committed to the development of its activities in Portugal, and has established a three year growth plan, within which we are already able to announce the investment in the expansion of our operational headquarters in Lisbon, amounting to 25 million euros.*

*In 2014, the foreseeable growth of economic activity and domestic product, together with the improvement in the international markets and particularly in the European market, leads the Bank to assume itself as a reputable institution both in the support to corporate economic growth and in their penetration in domestic and foreign markets, and in the supply of the best savings solutions and investments for Portuguese families.”*

## BUSINESS ENVIRONMENT

In line with available information, domestic demand will have continued to recover, thus keeping to the trend commenced in the second quarter of 2013. As such, and in spite of showing some moderation in its sequenced variation, GDP will have continued growing, for the fourth consecutive quarter. In homologous terms, GDP will have grown by approximately 2.2%, the highest rate of growth since the second quarter of 2010.

Private consumption will have grown marginally, thus correcting the decline recorded at the end of the past year. The homologous acceleration mainly reflects base effects, since quarterly growths remain moderate. Consumer confidence recovered, in this period, to the highest levels in five years, with particular emphasis in the assessment of the labour market. In accordance with Eurostat, unemployment rate in the first quarter stood at 15.2%, a 0.22pp reduction relative to the previous quarter.

Investment has also been quietly recovering, even if at the end of 2013 the very large increase recorded was due to one-off factors, such as the renewal (and even expansion) of the heavy transport fleets and the tax credit to investment. The dynamics of the new production of credit for companies, the enquiry on investment and the enquiry on the conditions in the credit market, respectively from the National Statistics Institute and the Bank of Portugal, signalled the continuing expansion in investment.

Budgetary execution in the first quarter showed a reduction in budgetary deficit specially aided by the better performance in tax revenues. In line with the criteria established in the adjustment programme, the deficit was lower than the target by approximately 875 million euros. The Government presented the 2014-2018 Budget Strategy Document, indicating the measures which will be included in the 2015 State Budget: these include a partial repositioning of cuts in Public Servants' salaries, and the replacement of the Solidarity Extraordinary Contribution on pensions with permanent cuts, although at a lower value. This increase in expenditure will be compensated by an increase in revenue (a 0.25pp increase in VAT and a 0.2pp increase in employee's contribution to Social Security).

The Treasury once again obtained financing in the medium and long term markets, with two syndicated issues, with 5 and 10 year maturities, and with a 10 year auction, amounting to a total of 4 billion euros. The decrease in yields, which in the 5 year maturities are at absolute minimums, and in the 10 year maturities are lower than 3.8%, as well as the recent improvement in the Fitch rating outlook, opened the path for a "clean exit" from the adjustment programme,

At European level, economic data continues consistent with a recovery in activity, whilst inflation decelerated to minimum rates, which led the ECB to ponder additional measures in order to rebalance the risks of price stability. In

the USA, the Federal Reserve continues lowering the monthly amount of acquisition of financial assets.

## RESULTS

At end March 2014, the net income of Santander Totta, SGPS amounted to 42.1 million euros, which compares with 10.2 million euros recorded in the homologous period and with 41.5 million euros earned in the previous quarter.

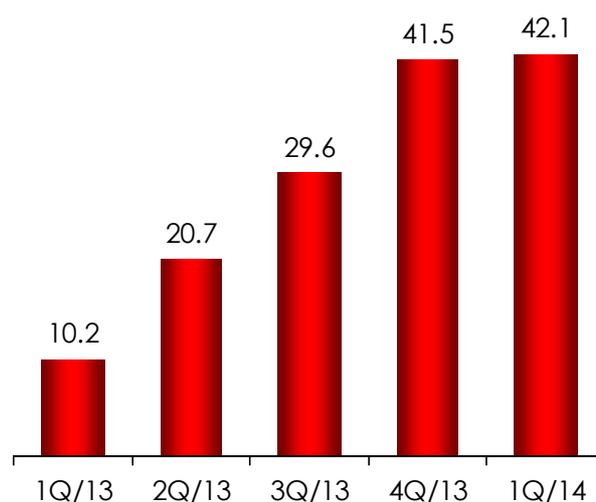
### INCOME STATEMENT (million euros)

	Mar-14	Mar-13	Var.
Commercial revenue	190.7	203.2	-6.2%
<b>Operating income and insurance activity</b>	<b>207.5</b>	<b>208.6</b>	<b>-0.5%</b>
Total operating expenses	(117.1)	(120.6)	-3.0%
<b>Net operating income</b>	<b>90.5</b>	<b>88.0</b>	<b>+2.8%</b>
Impairment and net provisions	(32.6)	(70.4)	-53.7%
Equity	2.6	3.7	-30.1%
Income before taxes and MI	60.5	21.4	+183.5%
<b>Consolidated net income</b>	<b>42.1</b>	<b>10.2</b>	<b>+312.3%</b>

The quarterly increasing results, leading to their normalization and to obtaining returns adequate to the risk of the business and the capital employed by the Bank, essentially shows the stability of operating income, the decrease in operational expenses and the reduction in the effort to provide appropriations for impairments and provisions.

### Quarterly Net Income

Million euros



Net interest income amounted to 129.2 million euros, a 9.3% increase relative to the homologous period. This reflects the lower cost of deposits and the adjustment of spreads to the customers' risk profiles.

Net commissions amounted to a total of 69.5 million, a 17.7% homologous decrease, attributable not just to the decrease in business volume but also to regulatory changes that administratively limited the capability to collect commissions, in spite of the free market in terms of competitiveness in which the banking activity is inserted.

The other results of the banking activity, amounting to -10.8 million euros, were influenced by the conservative attitude the Bank decided to adopt as to potential devaluation of the assets of the Novimovest real estate investment fund, which were consolidated in the accounts of Santander Totta, SGPS, in the second quarter of 2013. Results in financial operations amounted to 16.8 million euros, with an expressive increase compared to the homologous period, when their level had been unnaturally low.

Operating income amounted to 207.5 million euros, practically aligned with the amount recorded at the end of the past year's first quarter.

#### OPERATING INCOME (million euros)

	Mar-14	Mar-13	Var.
Net interest income (without dividends)	129.2	118.2	+9.3%
Net commissions and other banking income	69.5	84.5	-17.7%
Other banking income	-10.8	-3.0	+252.9%
Insurance activity	2.7	3.6	-24.5%
<b>Commercial revenue</b>	<b>190.7</b>	<b>203.2</b>	<b>-6.2%</b>
Gain/loss on financial transactions	16.8	5.4	+210.6%
<b>Operating income and insurance activity</b>	<b>207.5</b>	<b>208.6</b>	<b>-0.5%</b>

Operating expenses, amounting to 117.1 million euros, are keeping a favourable evolution, decreasing by 3.0% relative to the amount recorded in the first three months of 2013, and thus reflecting a strategy of the adequacy of the structure to the decrease in business volume. Personnel expenses, general expenses and depreciation recorded variations of -3.6%, -0.5% and -5.7%, respectively.

The joint evolution of revenue and expenses led to an improvement in the efficiency ratio of 1.4pp, which thus stood at 56.4%, at the end of March.

#### OPERATING EXPENSES (million euros)

	Mar-14	Mar-13	Var.
Personnel expenses	(68.2)	(70.7)	-3.6%
General expenses	(34.2)	(34.3)	-0.5%
<b>Operating expenses</b>	<b>(102.3)</b>	<b>(105.0)</b>	<b>-2.5%</b>
Depreciation	(14.7)	(15.6)	-5.7%
<b>Total operating expenses</b>	<b>(117.1)</b>	<b>(120.6)</b>	<b>-3.0%</b>
<b>Efficiency ratio (excl. depreciation)</b>	<b>49.3%</b>	<b>50.3%</b>	<b>-1.0 p.p.</b>
<b>Efficiency ratio (incl. depreciation)</b>	<b>56.4%</b>	<b>57.8%</b>	<b>-1.4 p.p.</b>

Total impairments and provisions amounted to 32.6 million euros that compares with 70.4 million euros recorded in the first quarter of 2013. This reduction essentially shows the decrease operated in new entries of non performing loans. The cost of credit, measured by the weight of credit impairment (net of recoveries) in total credit stood at 0.48% in annual terms, continuing the normalization trend in the cost of credit that had already occurred in the latter quarters.

Income before taxes and minority interests amounted to 60.5 million euros and net income to 42.1 million euros, with a positive quarterly evolution since the first quarter of 2013.

## **ACCOUNTS AND ACTIVITY**

At end March customers' resources amounted to 24,084 million euros, a 4.8% annual reduction. Relative to the previous quarter resources decreased by 2.3% mainly attributable to the -3.4% variation recorded in deposits. The evolution of this aggregate reflects the balancing policy established between the profitability of the Bank's accounts and the maintenance of an appropriate deleveraging level. It should be pointed out, however, that deposits of private customers remained stable in the period under analysis.

In spite of the unfavourable evolution in deposits, investment funds recorded an expressive increase in the first quarter of the year (+10.4% relative to December 2013), with 6 new Funds launched (3 for the *Select* segment and 3 for the *Private Banking* segment). This development decisively contributed to the stability in the evolution of private customers' recourses in the first quarter of 2014. In March 2014, security investment funds marketed by Santander Totta recorded an 11.8% market share.

The credit portfolio stood at 26,991 million euros, 2.9% above the value recorded in the homologous period, a variation which is mainly due to the evolution in home loans which contracted by 3.4%. In its turn, credit granted to companies practically stabilized relative to March 2013 and to the value recorded in the previous quarter.

**BUSINESS VOLUME** (million euros)

	Mar-14	Dec-13	Mar-13	Var.QoQ	Var.YoY
<b>Total Gross Loans</b>	<b>26,991</b>	<b>27,173</b>	<b>27,805</b>	<b>-0.7%</b>	<b>-2.9%</b>
<i>from which</i>					
Credit to Individuals	17,017	17,164	17,619	-0.9%	-3.4%
<i>from which</i>					
Mortgage	15,133	15,276	15,663	-0.9%	-3.4%
Consumer credit	1,391	1,382	1,392	+0.7%	-0.1%
Credit to Corporates	<b>9,708</b>	<b>9,760</b>	<b>9,760</b>	<b>-0.5%</b>	<b>-0.5%</b>
<b>Resources</b>	<b>24,084</b>	<b>24,642</b>	<b>25,288</b>	<b>-2.3%</b>	<b>-4.8%</b>
Deposits	18,622	19,271	19,407	-3.4%	-4.0%
Securities issued (clients)	336	294	336	+14.3%	+0.0%
<b>Balance sheet resources</b>	<b>18,958</b>	<b>19,565</b>	<b>19,743</b>	<b>-3.1%</b>	<b>-4.0%</b>
Investment funds managed or marketed by the Bank	1,338	1,212	1,322	+10.4%	+1.2%
Insurance and other	3,788	3,865	4,223	-2.0%	-10.3%
<b>Off-Balance sheet resources</b>	<b>5,126</b>	<b>5,077</b>	<b>5,545</b>	<b>+1.0%</b>	<b>-7.5%</b>

Note: Novimovest and Multi Obrigações funds were consolidated in the accounts of ST, SGPS, and removed by the heading "Investment funds managed or marketed by the Bank"

With respect to the quality indicators of the credit portfolio, the new entries in non performing loans, on a quarterly basis, have been decreasing, notwithstanding the increase in the ratios on non performing loans, which mainly reflected the decrease in the total volume of the credit portfolio. At end March 2014, the ratio of new entries of non performing loans (in excess of 90 days), net of recoveries, as a percentage of the average credit portfolio, stood at 0.62%, on an annualized basis.

The credit at risk ratio stood at 5.29%, equivalent to a 0.57pp reduction compared to the value recorded in December (5.86%), and the coverage of credit at risk by provisions stood at 76.8% which compares with 67.7% in December 2013. In its turn the ratio of non performing and doubtful loans stood at 3.95% and the respective coverage ratio at 103.0%.

**CREDIT RISK RATIOS**

	Mar-14	Mar-13	Var.
NPL ratio (+ 90 days)	3.86%	3.38%	+0.48 p.p.
NPL coverage ratio (+90 days)	105.4%	105.9%	-0.5 p.p.
NPL and doubtful loans ratio	3.95%	3.42%	+0.53 p.p.
Net NPL and doubtful loans ratio	1.09%	1.19%	-0.10 p.p.
NPL and doubtful loans coverage ratio	103.0%	104.5%	-1.5 p.p.
"Credit at risk" ratio	5.29%	5.19%	+0.10 p.p.
Risk premium*	0.62%	-0.11%	+0.73 p.p.
Restructured loans/loans	8.9%		
Restructured loans not included in "credit at risk"/loans	6.3%		

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

**LIQUIDITY, SOLVENCY AND PROFITABILITY**

At the end of the first quarter, the net resources obtained with the Eurosystem amounted to 4.9 billion euros, an amount that does not include the issue of one

billion euros of covered bonds carried out at the end of March but which became effective on 1 April. This issue was characterized by strong demand which allowed the lowering of the financing spread to 88bps. On 1 April, net financing with the Eurosystem amounted to 3.7 billion euros.

At end March, Santander Totta had a 106% Liquidity Coverage Ratio (LCR), already higher than the 100% that will be demanded at en 2019.

The Core Tier 1 Ratio, in line with the CRD IV/CRR rules, stood at 14.5%, equivalent to excess capital amounting to 1,275 million euros relative to the minimum value demanded for 2014 (7%).

<b>CAPITAL</b>		
	<b>Mar-14</b>	<b>dez-13</b>
Common Equity Tier 1	2,472	2,426
Tier 1	2,732	2,583
Total Capital	2,732	2,583
<b>Risk Weighted Assets (RWA)</b>	<b>17,080</b>	<b>16,827</b>
<b>CET 1 ratio</b>	<b>14.5%</b>	<b>14.4%</b>
Tier 1 ratio	16.0%	15.3%
Total Capital Ratio	16.0%	15.3%

## COMMERCIAL BANKING

In the Privates and Business area, the strategy commenced in 2013, and supported by the Bank's soundness, which has allowed the placing of the special focusing on credit granted to the above segments, was continued. Attention was equally maintained on the capturing of resources in value added products, in the capture of new domiciled salaries, in the placing of protection solutions (autonomous insurance) and in the control of non performing loans.

Continuity was given to the internal campaigns "Crédito Outono", intended to support families through the granting of personal credit, and "Crédito Primavera", intended for the Business segment.

With respect to campaigns to capture and binding customers, a campaign was kept going to capture salaries/pensions, based upon the exemption of commissions on day-to-day services and gift offering.

The **Select** label, created by the Santander Group for private affluent customers, was launched in February, with a heavy stake placed on communication via a media campaign (TV, Radio and Public Electronic Screens). A contact policy was followed with all the segment's customers in order to strengthen relations.

As to resources, considering the market conditions, preference was given to programmed savings products and controlled margin products (structured term deposits and financial insurance).

In the Business segment, the strategy followed was to largely focus the capturing of new and the binding of current customers with increases in transactionality and credit.

In the **Companies** area, the dynamics of exports, the internationalization of companies, the improvement in the rating of the Republic and the expectancy on the gradual recovery of investment, are positive signs of the turnaround in the macroeconomic cycle.

Anticipating and accompanying these signs of positive turnaround of the economic cycle and showing its clear stake on the Companies segment. Banco Santander Totta strengthened its Companies Commercial Network, opening, at the start of 2014, three new Commercial Departments in Paredes, São João da Madeira and Torres Vedras, thus bringing up to 22 the total number of Commercial Departments at end March.

The first quarter of 2014 was featured by strong competition in prices, which had already been the case in the last quarter of 2013, considering the competition within the sector for the companies market. The Companies Network kept to a strategy based on a balanced management between the volumes of the credit portfolio and of resources, thus guaranteeing a sustained growth in the profitability of the commercial network.

Bringing forward the intention to support reliable projects and the Companies business, throughout the first quarter, the Companies Network achieved a credit production in excess of one billion euros.

Within the scope of the protocol subscribed with the European Investment Bank (EIB), the Bank made available a credit line that allows the access to financing with preferential conditions, thus contributing towards the Country's economic recovery. This line is intended to finance loans granted by the Bank, to support projects located in Member States of the European Union, in several sectors of the economy (agriculture, industry, services), encompassing market segments, preferentially SMEs and MIDCAPS. At the end of March, 50% of the amount contracted with the EIB line was already in circulation.

Banco Santander Totta continues keeping a relevant position in the SME Invest/Growth line with a 17% market share, having placed until the end of the first quarter of 2014, more than 17,900 operations, amounting to a total of 1.9 billion euros. In the 2014 SME Growth line, in which marketing commenced in March, the Bank is equally positioning itself above its market share, by obtaining an 18% prerogative in the amount of financing operations presented to the Mutual Guarantee Societies. Santander Totta is the leader in the SME Expansion line with a 41% rate of adhesion.

The Bank is equally maintaining leadership in factoring and confirming, with an aggregate 26.7% market share (February 2014 data), which evidences the Bank's commitment and availability in supporting Companies' treasury.

The **SantanderTrade.com** site, launched at the end of 2013, is a further tool for the Bank's customers in accessing information concerning the markets in which they operate and, above all, in those where they plan operating. With **SantanderTrade.com** the Bank's objective is to become the main financial partner in the companies' international business. This site, set up to be friendly and evident, offers, for the first time, a large volume of information on all trading sectors, in more than 186 countries, bringing together in the same site more than 40 data bases, including governmental data.

To aid the internationalization of Portuguese companies, the Bank has made available an **International Desk**, with the objective to establish an effective commercial connection of the Companies Network with its counterparts in the several Santander Group banks located in different markets, with special relevance to the business flows with Brazil and Latin America (namely Mexico, Chile, Peru, Uruguay and Colombia) and with Angola and Spain, with the advantage provided by its international dimension to enable the potential of Portuguese companies in international business.

## GLOBAL BANKING AND MARKETS

In the **Corporate Finance** area, throughout the first quarter of 2014, the Bank's participation is singled out as joint leader in the syndicate to place the Initial Public Offering of ESS – Espírito Santo Saúde and the finalizing of the financial consultancy to the Impresa Group in the value assessment of SIC, Medipress and Impresa Publishing.

The portfolio of operations in Mergers & Acquisitions was also strengthened and several other processes of transaction consultancy are expected to become completed in the next few months.

The activity in the **Credit Markets** area showed greater dynamics, with companies taking advantage of the trend in decreasing spreads to take decisions on the extension of the maturities of their indebtedness. Additionally, a positive evolution occurred in the area of Project Finance with companies exploiting opportunities to finance new projects. The bond and securitization markets gained new vitality with international investors viewing Portugal with increased interest, searching for possibilities of viable investment opportunities.

In the field of acquisition finance, Santander Totta continued providing its proactive activity to the support and structuring of operations to finance the acquisitions of Portuguese companies and assets on behalf of Portuguese and international corporate customers.

Regarding the field of **Structured Products**, 2014 commenced with a good performance in the marketing of liability products. Six structured products were issued in the first quarter, of which five were issued in euros amounting to a total of 210 million euros and the remaining one an US Dollar issue amounting to 16.7 million US Dollars. Issues placed in this period are indexed to different assets transacted in worldwide share markets.

In February 2014, Banco Santander Totta was distinguished by Euromoney Structured Retail Products publication as the “Best Sales in Portugal” of structured products.

The area of **Cash Equities** started the year with good dynamics, with customers showing better levels of confidence in the share markets, as seen in the volume increase in the beginning of the quarter. In line with the downward trend in the yields of the 10 year Portuguese public debt to levels below 4%, a decreasing demand is apparent for the bond market, given the scarcity of opportunities capable of conciliating low risks with more attractive profitability. During the second half of the quarter, it became well known that the current European geopolitical crises again conditioned the volumes and the volatility of the market, averting many investors who prefer taking shelter in liquidity.

Santander Totta's **Institutional Custody** recorded 4.9% and 6.2% increases in volume of assets under custody, in quarterly and annualized terms, respectively, according to the last data made available by CMVM. This increase spelled a 21.3% market share.

## INSURANCE

Santander Totta Insurance focused its activity in the deepening of the commercial relationship, maintaining an adequate range of products for the established segmentation strategies, endeavouring to offer each customer profile the correct insurance cover for his needs, aiming to secure better protection for its customers. Also launched for the purpose were internal initiatives such as the “Programme for Excellence and Customer Satisfaction in Insurance” (PROGRESS) and the availability of extra advantages for Santander Totta employees with the aim to increase their information on the importance of insurance and its benefits.

In the area of life insurance risks sold in the open market, the continuous growth compared to 2013 should be emphasized, particularly in the products launched in 2012. “**Safe Care**”, that combines life insurance with a supplementary coverage of medical assistance, is being continually placed in acceptable volumes, evidencing a 14% growth in portfolio as compared with the end of 2013, adding a further 60,000 persons insured in the first quarter of 2014. “**Protecção Lar**”, a multi-risk insurance policy launched in April 2012, is experiencing continued demand, with almost 5,400 policies underwritten in the first quarter of 2014.

Focus was equally kept on the marketing of solutions to protect family income in case of death and unemployment - **“Plano Protecção Família”** and **“Plano Protecção Ordenado”** – with sales reaching 10,500 policies in the first quarter of 2014. The **“Seguro Viva Mais”**, aimed to insure treatment of serious illnesses with the best international specialists, enabled underwriting approximately 2,400 policies.

The marketing of the product **“LifeCorporate”** begun in the first quarter of 2014, and is intended for companies aiming to financially protect the occurrence of death or incapability of employees responsible for key functions.

Concerning financial life insurance, the launching should be emphasized of **“Plano Financeiro”** products, as not standardized Icaee insurance (*unit linked*), which provide a monthly and quarterly return paid in the terms of a partial redemption; the total marketed volume amounted to approximately 42.6 million euros in the first three months of 2014, compared to 86.5 million euros marketed in the same period in 2013.

With respect to life insurance, the value of premiums issued and contributions towards investment contracts amounted to 80.6 million euros as compared with 124 million euros in the homologous period in 2013. In risk and mixed insurance the volume of premiums issued resulted in a 3% increase over the homologous period, and emphasis should be placed on the 10% increase in insurance premiums on open market policies sold.

## **INSTITUTIONAL INFORMATION**

Santander (SAN.MC, STD.N, BNC.LN) is a commercial bank with headquarters in Spain and present in 10 main markets. Santander is the first Bank in the euro zone and in stock market capitalization. Founded in 1857, its managed funds amount to € 1.24 billion euros. Santander had more than 103 million customers, 13,927 branches – more than any other international bank – and 182,958 employees at the end of 2013. It is the main financial Group in Spain and in Latin America, with relevant positions in the United Kingdom, Portugal, Germany, and Poland and in the northeast United States of America. In 2013, Santander recorded net income amounting to 4,370 million euros, 90% more than in the previous year.

## Santander Totta, SGPS

### BUSINESS VOLUME (million euros)

	Mar-14	Mar-13	Var.
<b>Total Gross Loans</b>	<b>26,991</b>	<b>27,805</b>	<b>-2.9%</b>
<i>from which</i>			
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<i>from which</i>			
Mortgage	15,133	15,663	-3.4%
Consumer credit	1,391	1,392	-0.1%
Credit to Corporates	<b>9,708</b>	<b>9,760</b>	<b>-0.5%</b>
<b>Resources</b>	<b>24,084</b>	<b>25,288</b>	<b>-4.8%</b>
Deposits	18,622	19,407	-4.0%
Securities issued (clients)	336	336	+0.0%
<b>Balance sheet resources</b>	<b>18,958</b>	<b>19,743</b>	<b>-4.0%</b>
Investment funds managed or marketed by the Bank	1,338	1,322	+1.2%
Insurance and other	3,788	4,223	-10.3%
<b>Off-Balance sheet resources</b>	<b>5,126</b>	<b>5,545</b>	<b>-7.5%</b>

## Santander Totta, SGPS

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

### RATIOS

	Mar-14	Mar-13	Var.
<b>Solvency</b>			
Core Tier I	14.5%	13.1%	+1.4 p.p.
Tier I	16.0%	14.3%	+1.7 p.p.
Solvency ratio	16.0%	14.3%	+1.7 p.p.
<b>Credit Quality</b>			
NPL and doubtful loans ratio	4.0%	3.4%	+0.5 p.p.
NPL and doubtful loans coverage ratio	103.0%	104.5%	-1.5 p.p.
Net NPL and doubtful loans ratio	1.1%	1.2%	-0.1 p.p.
"Credit at risk" ratio	5.3%	5.2%	+0.1 p.p.
"Credit at risk" ratio (net)	1.3%	1.7%	-0.4 p.p.
Restructured Loans/Total Loans	8.9%		
Restructured Loans (not included in credit at risk)/Total Loans	6.3%		
<b>Profitability</b>			
Income before taxes and MI/Average net assets	0.6%	0.2%	+0.4 p.p.
Operating income/Average net assets	2.1%	2.0%	+0.1 p.p.
Income before taxes and MI/Average equity	8.3%	3.3%	+5.0 p.p.
<b>Efficiency</b>			
Total operating expenses/Operating income	55.7%	56.8%	-1.1 p.p.
Personnel expenses/Operating income	32.4%	33.3%	-0.9 p.p.
<b>Transformation</b>			
Credit (net)/Deposits	139.8%	139.3%	+0.5 p.p.
Credit (net)/Deposits*	130.0%	127.0%	+3.0 p.p.

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

## Santander Totta, SGPS

### INCOME STATEMENT (million euros)

	Mar-14	Mar-13	Var.
<b>Net interest income (without dividends)</b>	<b>129.2</b>	<b>118.2</b>	<b>+9.3%</b>
Dividends	0.0	0.0	-3.4%
<b>Net interest income</b>	<b>129.2</b>	<b>118.2</b>	<b>+9.3%</b>
Net commissions	69.5	84.5	-17.7%
Other banking income	-10.8	-3.0	+252.9%
Insurance activity	2.7	3.6	-24.5%
<b>Commercial revenue</b>	<b>190.7</b>	<b>203.2</b>	<b>-6.2%</b>
Gain/loss on financial transactions	16.8	5.4	+210.6%
<b>Operating income and insurance activity</b>	<b>207.5</b>	<b>208.6</b>	<b>-0.5%</b>
Total operating expenses	(117.1)	(120.6)	-3.0%
Personnel expenses	(68.2)	(70.7)	-3.6%
General expenses	(34.2)	(34.3)	-0.5%
Depreciation	(14.7)	(15.6)	-5.7%
<b>Net operating income</b>	<b>90.5</b>	<b>88.0</b>	<b>+2.8%</b>
Impairment and net provisions	(32.6)	(70.4)	-53.7%
Equity	2.6	3.7	-30.1%
<b>Income before taxes and MI</b>	<b>60.5</b>	<b>21.4</b>	<b>+183.5%</b>
Taxes	(20.9)	(11.1)	+88.1%
Minority interests	2.5	(0.0)	-
<b>Consolidated net income</b>	<b>42.1</b>	<b>10.2</b>	<b>+312.3%</b>

(\*) Not audited

## Santander Totta, SGPS

### BALANCE SHEET (million euros)

	Mar-14	Mar-13	Var.
Deposits at Central Banks	453	1,034	-56.1%
Cash, loans and advances to banks	1,957	2,636	-25.8%
Financial assets	11,290	9,274	+21.7%
Net loans	25,894	26,808	-3.4%
Hedging derivatives	171	240	-28.9%
Non current assets held to sell	204	219	-6.8%
Other tangible assets	365	395	-7.6%
Other assets	1,486	1,083	+37.2%
<b>TOTAL ASSETS</b>	<b>41,820</b>	<b>41,690</b>	<b>+0.3%</b>
Resources from Central Banks	5,400	5,000	+8.0%
Resources from other institutions	5,481	3,488	+57.1%
Financial liabilities held for trading	1,813	1,918	-5.4%
Financial liabilities designated at fair value through profit and loss	3,600	3,982	-9.6%
Resources of customers and others	18,622	19,407	-4.0%
Debt securities issued	2,385	3,599	-33.7%
Hedging derivatives	395	463	-14.7%
Provisions	400	446	-10.2%
Subordinated liabilities	0	0	-
Other liabilities	489	619	-21.0%
Shareholder's equity	3,235	2,768	+16.9%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>41,820</b>	<b>41,690</b>	<b>+0.3%</b>