BANCO SANTANDER TOTTA, SA

FIRST HALF REPORT

January – June

2013

Santander Totta

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MAIN INDICATORS

BALANCE SHEET AND RESULTS (million euro)	Jun-13	Jun-12	%
Net Assets	**39,033**	40,223	-3.0%
Net Loans	**26,743**	28,318	-5.6%
Customers' Resources	**27,687**	27,218	+1.7%
Own Funds + Minority Interests + Subordinated Liabilities	**2,378**	2,112	+12.6%
Net Interest Income (excludind dividends)	**246.6**	282.2	-12.6%
Fees and Other Income	**165.7**	176.8	-6.3%
Operating Income	**422.9**	539.3	-21.6%
Net Operating Income	**186.5**	304.8	-38.8%
Income Before Taxes & Minority Interests	**45.5**	64.0	-28.8%
Net Income	**24.2**	52.1	-53.6%

RATIOS	Jun-13	Jun-12	%
ROE	**2.8%**	7.5%	-4.8 p.p.
ROA	**0.1%**	0.3%	-0.1 p.p.
Efficiency Ratio (including depreciation)	**55.9%**	43.5%	+12.4 p.p.
Tier I* ratio	**12.7%**	10.9%	+1.8 p.p.
Core Capital* ratio	**10.9%**	9.5%	+1.4 p.p.
Non Performing Loans (+ 90 days) Ratio	**3.6%**	2.9%	+0.7 p.p.
NPL and Doubtful Loans Ratio	**3.6%**	2.9%	+0.7 p.p.
Credit at Risk Ratio	**5.4%**	4.0%	+1.3 p.p.
NPL Coverage (+ 90 days)	**105.0%**	100.7%	+4.3 p.p.
NPL and Doubtful Loans Coverage Ratio	**103.4%**	99.6%	+3.8 p.p.
Credit at Risk Coverage Ratio	**69.9%**	71.4%	-1.4 p.p.
Loan-to-Deposit Ratio**	**126.7%**	136.3%	-9.6 p.p.

RATING	Jun-13	Jun-12	%
FitchRatings			
short term	**F3**	F3	
long term	**BBB-**	BBB-	
Moody´s			
short term	**NP**	NP	
long term	**Ba1**	Ba1	
Standard & Poor´s			
short term	**B**	B	
long term	**BB**	BB	
DBRS			
short term	**R-1L**	R-1L	
long term	**BBBH**	AL	

Other Data	Jun-13	Jun-12	
Employees	**5,576**	5,670	-94
Employees in Portugal	**5,527**	5,620	-93
Branches	**651**	684	-33
Total Branches and Corporate Centers in Portugal	**635**	659	-24

* With results net of payout

** According the definition in the "Memorandum of Understanding"

BANCO SANTANDER TOTTA, S.A.

General Meeting

Chairman	José Manuel Galvão Teles
Deputy Chairman	António Maria Pinto Leite
Secretary	Luís Manuel Baptista Figueiredo

Board of Directors

Chairman	António Basagoiti Garcia-Tuñón
Deputy Chairman	António José Sacadura Vieira Monteiro
Directors	Carlos Manuel Amaral de Pinho
	Eduardo José Stock da Cunha
	João Baptista Leite
	José Carlos Brito Sítima
	José Urgel Moura Leite Maia
	José Manuel Alves Elias da Costa
	Luís Filipe Ferreira Bento dos Santos
	Manuel António Amaral Franco Preto
	Pedro Aires Coruche Castro e Almeida

Audit Board

Chairman	Luís Manuel Moreira de Campos e Cunha
Members	Mazars & Associados, S.R.O.C.
	Ricardo Manuel Duarte Vidal Castro
Alternate	Pedro Alves Guerra

Auditors

Deloitte & Associados, S.R.O.C., S.A.

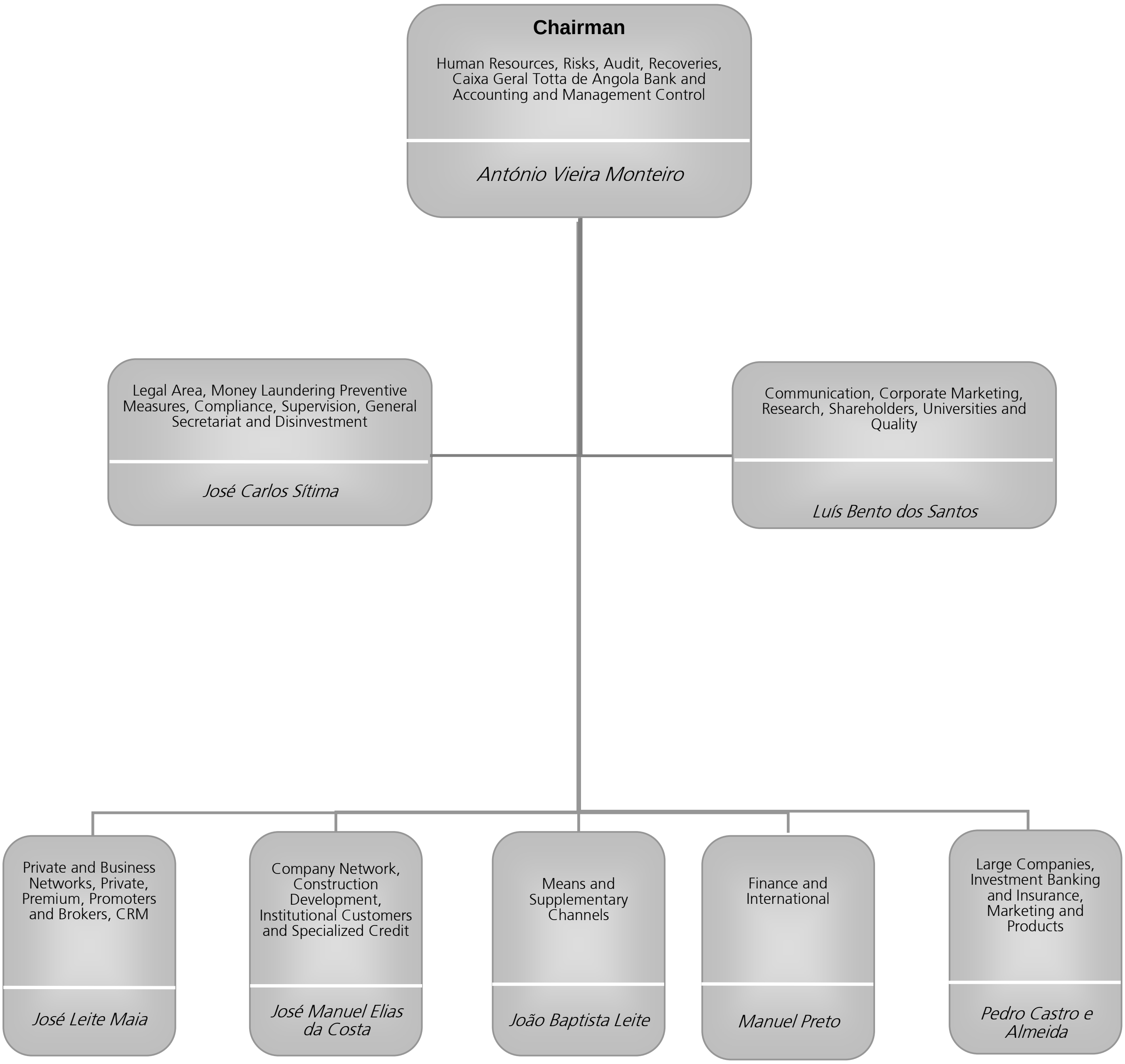
Executive Committee

Chairman	António José Sacadura Vieira Monteiro
Members	João Baptista Leite
	José Carlos Brito Sítima
	José Manuel Alves Elias da Costa
	José Urgel Moura Leite Maia
	Luís Filipe Ferreira Bento dos Santos
	Manuel António Amaral Franco Preto
	Pedro Aires Coruche Castro e Almeida

Company Secretary

Acting	Luís Manuel Batista Figueiredo
Alternate	Raquel João Branquinho Nunes Garcia

Functional Organizational Chart of the Executive Committee



International Economy

Global economic activity continued, in the first half year, to show relative weaknesses, in line with the trends arisen at the end of 2012, following on the successive shock waves of the euro zone sovereign debt crisis.

Due to this weakness, the IMF, in July, revised the growth estimates in lower terms, both for the current year and for 2014. This revision was carried out generally, thus not limited to the euro zone, but comprising the emerging markets. The weakness in demand in the developed markets is affecting their main suppliers, such as China, where the authorities commenced debating a new growth objective, below the approximately 8% basic reference.

In the euro zone, during almost the whole of this year's first half year, economic indicators reflected a worsening of the conditions of the economy, with a deteriorating recession over the whole of the single currency area.

The deterioration in economic confidence was worsened by two other very relevant factors. In Italy, the general elections held in February resulted in a deadlock, without a clear majority, which inhibited the nomination of a new government (it required more than one month). The balance of parliamentary support is still very delicate, and seems to constitute a considerable risk factor.

In Cyprus, the banking sector required a recovery plan, following the negative effects, in terms of results and of capital, of exposure to Greece. The largest of the country's banks were not only heavily involved in Greece, but also held large volumes of Greek public debt, thus suffering massive losses with the restructuring of the Greek debt, occurred in the previous year. The amount of aid required (approximately 17 billion euros) is equivalent to 100% of the GDP, which led to an unsustainable situation in the public accounts. In order to minimize the external support plan, it was decided that the Cypriot depositors incurred in losses, thus discarding a practice that had remained inviolate since the beginning of the crisis: the defence of the depositors.

In a first version, all depositors, in all the banks, would be taxed up to an amount of 7 billion euros, this being used for the recapitalization of the sector. As a counterpart, depositors would receive shares in the respective banks. The shock waves and the risks of contagion to other countries led to a revision of the plan. The Laiki Bank, the second largest in the country, was closed down, with deposits of up to 100,000 euros transferred to the Bank of Cyprus (the country's largest), whilst the larger deposits were transferred to a "bad-bank", and will be restored after the recovery of the riskier assets, which were also transferred to this institution.

The Bank of Cyprus was intervened: shareholders and bond holders viewed their position virtually cancelled regarding losses, whilst depositors of amounts in excess of 100,000 euros suffered a forced conversion of their deposits into shares in their bank, at a value equivalent to 47.5% of the deposit. As such, the bank complies with the requisite of a 9% core capital Tier I minimum ratio.

As a result of this economic development, the European Central Bank lowered its reference interest rates to the historical minimum of 0.5% and, already in July, carried out deep changes in its communication strategy: it abandoned its traditional non pre-committal speech, adopting instead a clear indication that interest rates will remain at historical minimums (those currently in force or at even lower levels) during a fairly long period of time, until economic recovery gains sustainability. The assessment of such sustainability will be carried out with recourse to indicators concerning prices, activity and financial conditions in the monetary and credit markets.

Already at the end of the half year, and more visibly in the beginning of the third quarter, European economic data signalled a stronger recovery than had been estimated, singling out the improvement of the PMI (Purchase Managers Index) industrial activity indicator to the highest level in the past two years. ECB, however, considers that this data only validates its central scenario, indicating that a stronger economic growth will be required for it to alter its positioning.

The USA stands out, however, in terms of economic growth. In spite of some volatility, the economy has grown, with the recovery in internal demand compensating the negative effects of the automatic cutbacks in public expenditure. Private consumption clearly benefits from the declining of the unemployment rate to the lowest levels since 2008, and of the increase in value of equity markets to historic maximums.

Within this framework, the Federal Reserve announced it was examining the possibility of terminating its non conventional expansionist monetary policy. Investors viewed in these declarations the almost immediate removal of the excess liquidity injected in the economy, thus reacting conformably (10 year yields increased pronouncedly), and obliging the officers responsible for the definition of monetary policy to issue several declarations aiming to ease fears and indicating that liquidity would be kept up, and that the Federal Reserve, would only, in an initial stage, not continue purchasing new public debt bonds and securitizations (currently at the monthly rate of 85 billion dollars).

In Japan, the Central Bank launched an aggressive programme of quantitative easing, in which it proposes doubling the monetary base in the next two years, in order to increase inflation up to 2%.

Portuguese Economy

After a moderate decrease in the rate of shrinkage in the first quarter, economic activity could have recorded a slight growth in the second quarter of 2013, thus bringing about the first positive consecutive rate of variation since the third quarter of 2010. As a result, the cumulative rate of shrinkage in the year will probably be slightly less pronounced than previously estimated: the Bank of Portugal revised its rate of growth to -2.0% (compared to -2.3%).

All the components of the aggregate demand will have positively contributed to the growth chain. At the level of private consumption, available information shows an increase of family expenditure, in line with the reduction in unemployment which decreased to 16.4% in the second quarter, as a result of the creation of 72,000 jobs in the period. Although this mainly results from a seasonal situation, it is the first reduction in unemployment for two years running. The volume of electronic payments reported by SIBS, and which is correlated with retail sales, is already in line with the volume recorded in the same period in 2012.

Investment will have evolved positively as compared with the previous quarter, although still below the levels recorded in the same period in 2012. Construction activity will have shown some growth, although just correcting the fall recorded in 1Q2013, and investment in plant and equipment, on the one hand, and in means of transport, on the other, will also have increased. The Investment Inquiry, carried out by the National Institute of Statistics (INE), shows an almost stagnant entrepreneurial investment in 2013 (a 2.1% nominal negative variation in 2013 compared to -28.1% in 2012), this moderation also being felt in the sector of manufacturing industry.

External net demand continues an important contributor to growth in GDP. In the first five months of the year, exports of goods and services grew by 4.9% in nominal terms, whilst imports fell by 2.9%. As a result the positive balance of payments increased to 900 million euros (as compared to a global balance of 100 million in 2012). Recovery in exports is generalized, including sales to the euro zone (exports to Spain, the main trading partner, increased by 7.4% in this period).

In cash terms, the budgetary execution continues showing a recovery in fiscal revenues, especially in the cases of IRS (personal income tax) and VAT, (this latter tax in line with private consumption). Until May, the deficit of the Public Administrations, within the scope of PAEF, was approximately 1.5 billion euros, below the estimated target.

However, in terms of national accounts, the first quarter deficit stood at 10.6% of GDP, affected by spot factors, such as expenditure with the recapitalization of Banco Internacional do Funchal – BANIF – (750 million euros). Not considering these factors, the deficit stood at 8.8% of GDP. The target agreed for the current year is 5.5% of GDP.

In July the replacement of the Minister of Finance by Maria Luís Albuquerque, generated a political crisis, with dissension within the PSD-CDS/PP coalition, which would be resolved at the end of the month with a remodelled Government, in which CDS obtained greater responsibilities in the coordination of economic policies and in relations with the Troika (IMF/ECB/EU). Due to the three week deadlock, the eighth assessment of the Programme for Economic and Financial Adjustment was postponed to the end of August, to be carried out jointly with the ninth assessment.

S&P risk notation agency reacted to this perception of worsening of the political risk, by returning to the negative outlook for Portuguese public debt, which had been set as neutral a few months previously.
In the first half of the year, the Portuguese Republic took important steps in the recovery of access to the global markets. In January, it carried out a 5 year syndicated debt issue, amounting to 2.5 billion euros in 2017 Treasury Bonds. Demand for this, however, was still concentrated in investors with shorter term investment profiles.

In May, it carried out a new issue, at 10 years (February 2024 Treasury Bonds), with a 5.65% coupon. The Treasury took advantage of a decrease in yields to levels lower than 6%, in a context of heavy demand by non resident structural investors (including pension funds and insurance companies).

Throughout the whole of the half year, the Republic kept up its presence in the short term debt market, with the issue of Treasury Bills. Demand has remained high and interest rates have systematically decreased. In the June auction, carried out still during the period of political uncertainty, interest rates rose, but only marginally.

In the first half of 2013 the banking sector largely completed the adjustment process imposed on it within the scope of the programme of economic and financial aid. The reduction in the credit/deposits ratio occurred until the end of 2012 (when it already stood at 127.5%) led to it not continuing obligatory, although the banks should keep their ratios at such levels. This allowed greater flexibility in the policy of capturing resources which, in a context of pressure on the net interest income, was reflected by a slight decrease in the interest rates practised.

The most recent inquiry on market credit conditions shows a moderation in the credit granting conditions by the banking sector, whilst companies are beginning to show some faint signs in demand for credit.

The recapitalization of BANIF with recourse to public funds also completed the process started in 2012. At the end of the first half year, all the banks had core Tier I capital ratios in excess of the demanded 10%, whilst BCP, BPI and CGD completed negotiations with EU's DGCom to define the corrective measures required as counterpart to access the public fund for recapitalization.

Main risks and uncertainties in the second half year of 2013

The risks and uncertainties that may affect business in the second half year are related with both domestic and external factors.

At international level, the risk factors are related with the weaker perspectives of economic growth, as shown in the revised IMF estimates. The slower rate of growth in the emergent markets is added, in the developed economies, to the effects of the process of budgetary consolidation. In the euro zone, in September, general elections are being held in Germany, which could be revealed as a factor of uncertainty, although the central scenario is the continuity of the coalition. The ending, at year end, of the Irish adjustment programme could also become a factor of uncertainty, when allowing the assessment of the capability of a country under adjustment to access global financial markets, and thus launching the bases of what may become of Portugal's transition, when this country terminates its programme in June 2014.

Nationally, the main uncertainties arise at two levels. On the one hand, the sustainability of the recovery of economic activity: the improved evolution in the second quarter must still be perceived as stabilization, with recovery dependent upon the improvement in the economy and in the confidence of the economic agents. On the other hand, the increase in political risks after the "dissension" that opposed, in July, the two parties in the coalition: although resolved, it is necessary to restore the lost confidence in political sustainability with the timely presentation, for instance, of the proposal for the 2014 State Budget.

In this context, the presentation is fundamental of a deep and sustained programme for the reform of the Public Administrations, whether to comply with the budgetary targets agreed with the international institutions, or to successfully complete the eighth and ninth assessments of the programme of economic and financial adjustment. This programme should allow a reduction in public expenditure without the need of additional measures in income tax increases.

Financially, the risks are associated to the economic cycle and to the impact that the worsening of credit risk causes on provisions due to impairment and, consequently, on the profitability of the sector, which continues negative in some of the lager institutions. This situation could affect the perception of the soundness of the sector, and require, in the ultimate instance, a new wave of recapitalization, should the minimum 10% ratios be at risk.

The new ECB rules covering collateral in regular refinancing operations are a risk factor for the national banking sector. The *haircuts* applied to the national public debt have worsened and the conditions for the use of homogeneous credit pools are under revision. This possibility for the use of the credit portfolio, which was implemented at the beginning of 2012, had significantly reduced the liquidity risk of the national financial sector.

Consolidated Activity

Introduction

The recessive economic context has penalized the volume of business, the quality of the assets and the results of the financial sector. In this adverse environment, Banco Santander Totta carried on with its strategy based on customer binding, on control of overdue credit and on the soundness of the operational structure and of the accounts.

The transformation ratio, which relates net credit with deposits, attained 126.7% at the end of June 2013, an improvement of 9.6 p.p. compared with the homologous period.

The Tier I ratio reached 12.7% (with a + 1.8 p.p. homologous variation) and the Core Capital ratio stood at 10.9%, in June 2013, thus showing a +1.4 p.p. improvement relative to June 2012, and underlining the soundness of the institution's accounts and its capacity to internally generate capital, without the need to access the public support lines for the banking sector.

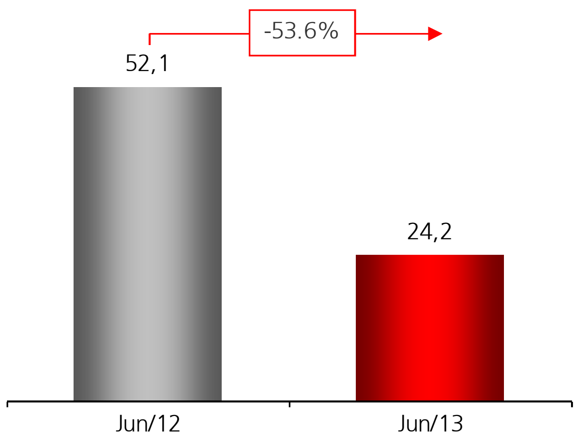
The credit at risk ratio stood at 5.4% (+1.3 p.p. to that recorded in the homologous period), affected by the worsening in the quality of credit in a recessive economic environment.

Banco Santander Totta has available a portfolio of assets eligible as guarantees with the Eurosystem financing operations, which at the end of June 2013 amounted to 12.5 billion euros. In turn, net financing obtained with the European Central Bank amounted to 5.5 billion euros, a decrease of 0.4 billion euros relative to the amount recorded in June 2012. As compared with the previous quarter a 1.6 billion euro increase was recorded, resulting mainly from the maturity of an issue of mortgage bonds amounting to one billion euros.

The consolidated net income recorded at the end of the first half of 2013 amounted to 24.2 million euros, which compares with 52.1 million euros in the homologous period, resulting from a decrease in revenue within an account deleveraging environment. Standing out, however, is the fact that the result reached in the second quarter of 2013 shows an improvement relative to the previous quarter due to an increase in revenues, to a decrease in operational expenditure and to the stabilization of impairment provisions.

Operating income decreased by 21.6% in homologous terms, amounting to 422.9 million euros, a variance that was influenced by the gains recorded in the first quarter of 2012, in the re-purchase of securities issued within the scope of credit securitization operations. Operating expenses, at 236.4 million euros, were almost stabilized (+0.8%) relative to the value recorded in June 2012, and the impairment and net provisions amounting to 147.5 million euros, decreased by 39.9%, due to the smaller provisioning requirement, in line with the requirements of the impairment model, and of the recording, in 2012, of voluntary provisions, to cancel the above referred income as a matter of prudence in a recessive economic environment.

NET INCOME
Million euros



Income Statement

PROFIT AND LOSS ACCOUNT (million euro)

	Jun-13	Jun-12	%
Net Interest Income (without Dividends)	**246.6**	**282.2**	**-12.6%**
Dividends	1.0	1.6	-37.3%
Net Interest Income	**247.7**	**283.8**	**-12.7%**
Fees and Other Income	165.7	176.8	-6.3%
Commercial Revenue	**413.4**	**460.6**	**-10.3%**
Gain/Losses on Financial Transactions	9.6	78.7	-87.9%
Operating Income	**422.9**	**539.3**	**-21.6%**
Operating Costs	(236.4)	(234.5)	+0.8%
Net Operating Income	**186.5**	**304.8**	**-38.8%**
Impairment and Other Provisions	(147.5)	(245.5)	-39.9%
Equity	6.5	4.6	+40.9%
Income Before Taxes and MI	**45.5**	**64.0**	**-28.8%**
Taxes	(21.3)	(11.8)	+80.7%
Minority Interests	(0.0)	0.0	-174.9%
Net Income	**24.2**	**52.1**	**-53.6%**

At the end of June 2013, Banco Santander Totta recorded a net consolidated income amounting to 24.2 million euros, compared with 52.1 million euros attained in June 2012. Revenues decreased by 21.6%, operating expenditure almost stabilized (0.8%) and the impairment and net provisions recorded a homologous 39.9% decrease.

Strict net interest income amounted to 246.6 million euros, a homologous 12.6% decrease. This variance was due to the decrease in Euribor, to the prevailing competition in capturing deposits and to the decrease in credit granted. In the second quarter, comparatively to the year's first quarter, an outstanding 13.1% improvement was recorded in net interest income, owing to the lower cost of financing obtained with the European Central Bank and to customers' deposits.

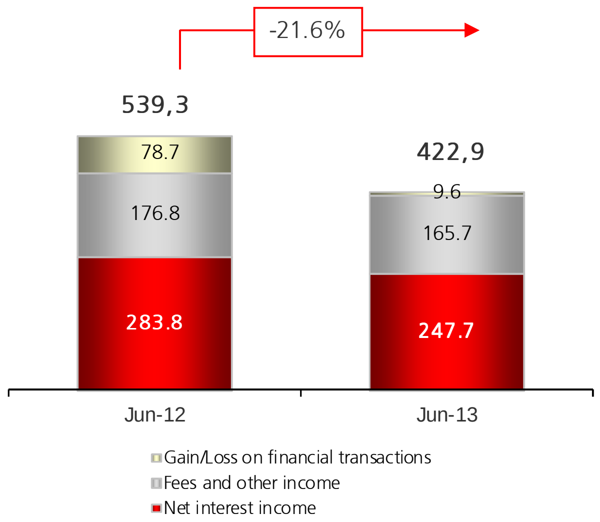
Net commissions and other results of banking business amounted to 165.7 million euros, an homologous variation of -6.3%, as compared with the amount recorded at end June 2012, to which contributed lower commissions from means of payment, credit and insurance, partially compensated by higher commissions from Global Banking and Markets and investment funds. Commercial revenue amounted to 413.4 million euros, a decrease of 10.3% in homologous terms, although showing an 8.4% improvement in the value recorded in the second quarter versus that of the first quarter of the current year.

Gains on financial transactions amounted to 9.6 million euros (-87.9% than in the same period in the previous year). The increase in the results of operations in customers' derivatives should be underlined, adversely affected however by the gains obtained in the re-purchase operation of securities issued within the scope of credit securitization operations in the first quarter of 2012.

Variance in revenue resulted in net interest income amounting to 422.9 million euros, recording a 21.6% decrease relative to June 2012, resulting mainly from the non recurrent gain recorded in the first quarter of 2012, as referred to above. The comparison between the amounts recorded in each of the quarters of the current year, results in an 8.7% growth.

OPERATING INCOME

Million euros



Operating expenditure amounted to 236.4 million euros, +0.8% relative to the amount recorded in the first half year of 2012. Analysed by aggregates, personnel expenses amounting to 139.1 million euros increased by 4.5%, a variance affected by a change in legislation, occurred in 2012, in the calculation of death benefits. Excluding this effect, personnel expenses would have decreased by 2.0% and operating expenses by 2,8%, reflecting the closing down of branches and personnel reduction, in order to adapt the installed capacity to the current demand for banking services. General expenses amounted to 66.7 million euros, decreasing by 2.9%, and depreciation amounted to 30.6 million euros, -6.4% relative to the amount recorded one year previously.

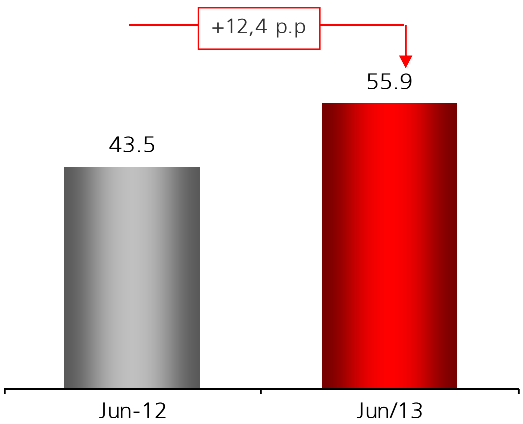
OPERATING COSTS AND EFFICIENCY

	Jun-13	Jun-12	%
Personnel Expenses	(139.1)	(133.1)	+4.5%
Other Administrative Expenses	(66.7)	(68.7)	-2.9%
Operating Costs	**(205.8)**	**(201.8)**	**+2.0%**
Depreciation	(30.6)	(32.7)	-6.4%
Total Operating Costs	**(236.4)**	**(234.5)**	**+0.8%**
Efficiency Ratio (excludes depreciation)	**48.7%**	**37.4%**	**+11.2 p.p.**
Efficiency Ratio (includes depreciation)	**55.9%**	**43.5%**	**+12.4 p.p.**

The efficiency ratio, which shows operating expenses as a percentage of net interest income, stood at 55.9%, +12.4 p.p. than that recorded in June 2012, since revenues declined by 21.6% and operating expenses increased by 0.8%.

At the end of the first half of 2013, net operating income amounted to 186.5 million euros, which compares with 304.8 million euros recorded in June 2012 (-38.8%). In this aggregate the better performance of the second quarter 2013 stands out compared with the first quarter, showing a 23.3% improvement.

EFFICIENCY RATIO
%



As to productivity indicators the favourable evolution of resources per employee and per branch deserves being stressed, due to its relevance within a recessive macroeconomic context.

PRODUCTIVITY			
	Jun-13	Jun-12	%
Loans(1) per Employee	5.2	5.4	-3.5%
Resources per Employee	5.0	4.8	+3.4%
Loans(1) per Branch(2)	44.5	44.6	-0.3%
Resources per Branch(2)	42.5	39.8	+6.9%

(1) Includes guarantees

(2) Includes branches, corporate centers and representative offices

Appropriation for impairment and net provisions amounted to 147.5 million euros compared with 245.5 million euros recorded in the homologous period, with a variation of -39.9%. This evolution derives not just from the setting up of voluntary provisions in the first quarter of 2012, as a prudential measure, thus cancelling the gains obtained in the repurchase operation of securities issued within the scope of credit securitization operations and also by the lower need of provisions required by the impairment model. It stands out that the level of impairment provisions set up stabilized in the first two quarters of 2013.

Results of subsidiaries recognized by the equity method, amounting to 6.5 million euros and 40.9% in excess of the amount recorded one year ago, comprised the appropriation of the results of the shareholding in Banco Caixa Geral Totta de Angola, in Unicre-Instituição Financeira de Crédito and in Benim-Sociedade Imobiliária (a company held indirectly by the Bank through TottaUrbe-Empresa de Administração e Construções).

At the end of June 2013, the 45.5 million euro in income before taxes decreased by 28.8% relative to the 64.0 million euros in June 2012. Consolidated net income amounted to 24.2 million euros, a decrease compared to the 52.1 million euros recorded in June 2012. The comparison between net incomes recorded in the first and second quarter of 2013 shows a significant improvement of +134.6%.

Balance Sheet and Activity

At the end of the first half of 2013, the volume of business stood at 56.6 billion euros, showing a variation of -1.9% relative to June 2013.

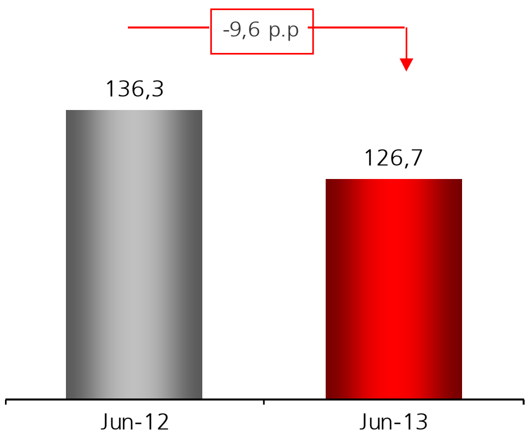
Credit, (including guarantees and sureties) decreased by 5.1%, reaching 29.0 billion euros, however the 1.6% increase, relative to the end of the previous year, in credit granted to companies, deserves being stressed. Customer's resources reached 27.7 billion euros, growing by 1.7%, and thus showing the increase of 4.6% in balance sheet resources and a 7.2% decrease in off balance sheet resources.

Business Volume (million euros)	**Jun-13**	Jun-12	%
Business Volume	**56,640**	**57,741**	**-1.9%**
Total Gross Loans (includes guarantees)	28,953	30,523	-5.1%
Customers' Resources	27,687	27,218	+1.7%

In the previous year, the commercial gap declined by 1.9 billion euros and the credit/deposits ratio continued its descending path, decreasing by 9.6 p.p., and standing at 126.7% in June 2013 (ratio established in line with the definition contained in the Memorandum of Understanding).

CREDIT/DEPOSITS

%



Credit, (including guarantees and sureties) amounting to 29.0 billion euros decreased by 5.1% compared with the homologous period, with annual variation of -6.3% in credit granted to companies and -3.5% in credit granted to individuals.

LOANS (million euros)	**Jun-13**	Jun-12	%
Total Gross Loans (includes guarantees)	**28,953**	**30,523**	**-5.1%**
Gross Loans	**27,788**	**29,156**	**-4.7%**
of which			
Loans to Individuals	17,481	18,118	-3.5%
of which			
Mortgage	15,536	16,014	-3.0%
Consumer	1,404	1,487	-5.6%
Loans to Corporates	9,886	10,556	-6.3%

Banco Santander Totta has developed its business within a recessive economic environment, marked by the lower demand for customer credit as well as by the worsening of their risk profiles. In spite of this, the soundness of the accounts and the Bank's comfortable liquidity position allowed it to continue making credit available to the economically viable entrepreneurial sector. At the end of June 2013, the portfolio of credit granted to companies amounted to 9.9 billion euros, interrupting the negative trend and increasing by 1.6% relative to the end of 2012. The Bank has an outstanding position in the SME Invest/Growth Lines, as shown by the placing of more than 15 thousand operations, amounting to approximately 1.7 billion euros. In its turn, within the scope of the Credit Activation campaign, more than 5 thousand operations were approved amounting to approximately 2 billion euros.

Credit granted to private customers amounted to 17.5 billion euros, a homologous 3.5% decrease, with a variation of -3.0% in home loans and a decrease of -5,6% in consumer credit.

The recession in the economy has been negatively reproduced in families' available income and in employment, giving rise to a worsening in the quality of the Bank's credit portfolio. In order to face this situation, Banco Santander Totta has implemented a management model directed towards customers at risk, based on the anticipation of the first signs of repayment difficulties, in order to avoid worsening in non performance. At the end of June 2013, the ratio of non performing and doubtful loans stood at 3.6%, exceeding the 2.9% recorded a year before, with a 103.4% provision coverage ratio (+3.8 p.p. than in the homologous period). Credit at risk (which comprises overdue, to become due and restructured credit) represented 5.4% of total credit (4.0% in the homologous period), with a 69.9% provision coverage ratio (71.4% in June 2012).

CREDIT RISK RATIOS

	Jun-13	Jun-12	%
Non Performing Loans Ratio	3.7%	3.0%	+0.7 p.p.
Non Performing Loans Ratio (+90 days)	3.6%	2.9%	+0.7 p.p.
Non Performing Loans and Doubtful Loans Ratio	3.6%	2.9%	+0.7 p.p.
Credit at Risk Ratio	5.4%	4.0%	+1.3 p.p.
Non Performing Loans Coverage Ratio	100.4%	94.8%	+5.6 p.p.
Non Performing Loans Coverage Ratio (+90 days)	105.0%	100.7%	+4.3 p.p.
NPL and Doubtful Loans Coverage Ratio	103.4%	99.6%	+3.8 p.p.
Credit at Risk Coverage Ratio	69.9%	71.4%	-1.4 p.p.

Total customers' resources at the end of the first half year of 2013 amounted to 27.7 billion euros, a 1.7% growth relative to the value recorded in June 2012.

RESOURCES

	Jun-13	Jun-12	%
Customers' Resources	**27,687**	**27,218**	**+1.7%**
On-Balance Sheet Resources	21,576	20,632	+4.6%
Deposits	21,264	20,203	+5.3%
Securities issued	312	429	-27.3%
Off-Balance Sheet Resources	6,111	6,585	-7.2%
Investment Funds	2,029	1,897	+6.9%
Insurance and Other Resources	4,082	4,688	-12.9%

Balance sheet resources amounted to 21.6 billion euros, or 77.9% of total resources captured from customers and showing a 4.6% growth in homologous terms. The bank kept up an offer of savings solutions, differentiated and adjusted to customers' profiles, in the several market segments, which resulted in a 5.3% annual increase in deposits. Off balance sheet resources amounted to 6.1 billion euros, a decrease of 7.2% relative to that recorded in June 2012. Investment funds attained 2.0 billion euros, a 6.9% improvement over the year. Capitalization insurance and other resources amounted to 4.1 billion euros, a variation of -12.9% relative to the amount recorded one year previously.

Solvency

At the end of June 2013, Banco Santander Totta continued showing a sound balance sheet, with capitalization ratios reached with sole recourse to internal generation of results, jointly with a decrease in risk weighted assets. The Tier I ratio stood at 12.7% and the Core Capital ratio at 10.9% (10.9% and 9.5% respectively, in June 2012).

CAPITAL

	Jun-13	Jun-12	%
Total capital	**2,255**	2,141	+5.3%
Tier I Capital	**2,262**	2,147	+5.4%
Tier II capital	-8	-6	+13.5%
Risk weighted assets	**17,841**	19,688	-9.4%
Core Capital Ratio	**10.9%**	9.5%	+1.4 p.p.
Tier I Ratio	**12.7%**	10.9%	+1.8 p.p.
Solvency Ratio	**12.6%**	10.9%	+1.7 p.p.

Individuals and Small Businesses

The soundness of the Bank's accounts allowed the re-launching, still in the last quarter of 2012, of the pledge on socially responsible credit to individuals and companies. This pledge was kept up during the first half year, with particular emphasis on personal credit, credit cards and credit for the business segment.

Capturing of resources occurred mainly in added value products, equally focusing the capture of new salary domiciling and in the control of non performing loans.

The "**Autumn Credit**" internal campaign, towards creating support for families through the granting of personal credit, resulted in a sustained growth in production, leading to a slight increase in consumer credit as compared to the end of this year's first quarter.

Concerning credit cards, and keeping to the seasonal logic, "**Summer Credit**" was launched in the 2nd quarter with the objective of attracting new card bearing customers. A specific offer was set up for customers, comprising advantageous conditions, such as a promotional 9% rate until year end and the refunding of 10% of the value of each month's first purchase, with a 25€ ceiling, during the 4 months following the card's activation. This campaign resulted in an expressive increase in the number of new credit card customers between the 1st and the 2nd quarters.

Regarding campaigns and actions to capture and bind customers a campaign was kept up to capture salaries/pensions, based upon the exemption of commissions on the main day-to-day services and in gift offers.

In the **Cards and POS** area, the total number of credit cards of any description increased by 3.4%, in annual terms, with market shares showing a positive variance. Santander Totta's invoicing share stood above 10.7%, at the end of June.

The "Meal Card" was launched during the half year, consisting of a prepaid debit card equivalent to the traditional meal vouchers, and resulted in a capture in excess of 1,000 company customers.

The campaign launched in the 1st quarter of the year will continue open until year end with a promotional offer specifically designed for new credit card customers and with a new approach on the sale and use of cards. Such as was the case in the last few years, the Summer campaign for the Light card has already commenced, this year for a longer length of time, bringing even better benefits for customers and rewarding the regular use of Santander Totta cards.

Regarding its acceptance, the Bank continues being a reference with the main business traders, which is reflected in a market share in excess of 17%, a much greater figure than the Bank's natural share. This position results from the work carried out with larger sized customers, of the latter's' greater fidelity and of retention and repricing policies and of new campaigns and developed products, within which stand out the POS Business and the POS Regis offers, which allow small businesses to comply with the new legislation on the issue of invoices.

In the **Business** segment, the strategy of procuring new customers was pursued, as that of binding current customers and of increasing transaction possibilities. The internal campaign known as "Spring Credit", started in the 1st quarter, also resulted in the growth of credit production in this segment.

Private Banking & Premium

In the **Premium** segment, the 1st quarter was characterized by a very positive variance in customer capturing as a result of the commercial campaigns created for the purpose. Agreements established with professional groups have been fundamental in bringing dynamics into the segment.

The results of the studies relative to segment customer satisfaction have revealed a generalized improvement in the several indicators used, in line with the growing investment in the improvement of the global service rendered.

In the **Private** segment, the European sovereign debt crisis, the increase in market volatility and the politically instability arisen in Portugal again worsened the risk perception attributed to the sovereign debts of the intervened countries and to the assets that would potentially render greater profitability, leading customers to seek havens in products with lesser risks involved.

In this context, the Bank's image of soundness, the prize for the "Best PrivateBanking in Portugal" attributed by Euromoney Magazine and also the strengths of the new business model, allowed the Bank not to be greatly affected by the worsening of the business environment, thus preserving the business profitability.

Corporate

The commercial strategy of the **Corporate Network** continues based on the growth of new customers who more than ever value the partnership with a Bank that has the soundness, the geographical spread, the quality of service, the products and the commercial capacity of Santander Totta.

The Bank's liquidity situation allows maintaining a dynamic process in the increase of credit granted and in the development of international business with full support provided to exporters, to corporations already internationalized or undergoing internationalization.

In the Credit Activation campaign, the Bank had already approved more than 5 thousand operations amounting to approximately 2 billion euros until the end of the 1st half year of 2013, thus materializing the intent to support outstanding projects, corporate business and the Portuguese economy.

In the SME Invest/Growth lines, Santander Totta maintains an outstanding position with a 17% market share, having placed until the end of the 1st half year more than 15 thousand operations, amounting to approximately 1.7 billion Euros. In the 2013 SME Growth line, trading in which started in February, Santander Totta has already achieved an outstanding position with an 18% market share in the amount financed for operations included in the SME-Investment programme.

In factoring and confirming, the Bank has kept its leading position with a 21% market share, thus confirming the Bank's commitment and availability in the support of SME treasuries.

Promoters and Brokers

In the area of Real Estate Promoters and Brokers, the Bank elected as strategic priorities for 2013 the capturing of new customers through the network of external promoters, providing greater focus on the binding of such customers and a redoubled attention relative to the increase in the number of 1st Bank customers associated to the promoter channel.

Campaigns and incentive plans were made available, directed towards external promoters which, combining several business angles would provide best potential to the Bank's offer: capturing of salary accounts, business credit, credit cards, meal cards, personal credit and resources.

Within the scope of a merit recognition strategy that has been under implementation for already some time, the merit trip carried out during the last week of February, relative to 2012 deserves being stressed, this constituting the reward of the 30 external promoters that best performed in the past year and that strengthened even more the already existing bonds of commitment between the promoters and the Bank.

In the project of promoter shops, the main priority was once again determined as the energizing of the current network of 266 Shops, ensuring as a minimum the maintenance of the dimension currently held by this network. With this continuing policy it is expected that new shops will only be opened to replace others which will be closed down, thus guaranteeing a network of shops as a complement to the branch network.

Regarding the channel of real estate brokerage, with the current environment always in mind as well as the prospects for the near future of this business sector, a following up action has been ensured that allows the maintenance of strong institutional relationships that the Bank holds with the main operators in this market. As such, similarly to prior years, the Bank continues keeping an active presence in the annual conferences of the larger real estate brokerage franchising networks.

Transaction Banking

The first half year of 2013 witnessed the carrying out of the plans to energize products for companies and businesses, which were designed jointly with the commercial area. The preparation of such plans was assisted by specialist teams that, jointly with customer and product managers developed specific programmes directed towards customer capturing and business energizing.

Recognizing the relevance of a correct liquidity management, Santander Totta continued offering exclusive products and consolidated the launching of the "Home Deposit" that continues as a product that causes the Bank to stand out amongst the competition and that allows companies to manage their resources with greater efficiency as well as a complete operating procedure of cash collection and treatment.

The launching of products, such as those described above, allows Banco Santander Totta to be recognized as one of the main providers of cash management services in Portugal, more than ever consolidating its presence in companies.

Supplementary Channels

The **Self Banking** activity was based upon a strategy of transaction optimization in the current ATM stocks of the Automatic Bank Dispensing network, thus providing continuity to the moving of such equipments to locations with greater transaction potential and to the decommissioning of equipment with negative profitability. As a consequence market shares stood at 12.1% in ATM numbers and at 12.7% in number of operations.

Always with a view towards customer proximity, continuity was equally provided to the adjustment and increase in the level of automatic deposit solutions, with installed equipment already numbering 575, covering approximately 70% of the branch network.

Outstanding in the **Internet Channel** is the availability of the "Meal Card" both in the NetBank Private and in the NetBank Companies. In the Private Customer area, the launching of new functions stands out as well as the availability of new savings products, specifically savings plans, the request of Light Cards and of a new PIN card number.

Improvements were recorded in the availability and performance of the websites and a growth in traffic, with the number of single visitors increasing by 3%. The number of frequent users of NetBank Private recorded a 4% growth in the first 5 months of 2013. Also recorded was the growth in the number of transacting customers.

The "App Mobile Private" was launched within the Mobile practices, a new application for customers to carry out multiple banking operations through their mobile equipment. This application is available for Iphone/Ipad and Android through the AppStore and Google Play, respectively.

In May 2013, the Santander Totta **Contact Centre** was considered, for the 5th consecutive year, to be the "Best Contact Centre" in Portugal in the Banking sector, a prize attributed by the Portuguese Contact Centre Association. The total number of customer contacts, in the 1st half of 2013, with Contact Centre operators is 4% greater than the value recorded in the first half of 2012.

Customer attendance via chat was strengthened, with the Bank's site now carrying many more contact links and thus attracting greater use by customers. Several measures were implemented that aim to upgrade customer satisfaction in their contacts with the Telephone Bank in order to close the requesting cycle.

During the first half of 2013 many new initiatives were launched in the Facebook pages with several pastimes and promotional videos.

International Business

The international activity of Banco Santander Totta for customers residing abroad was earmarked by the strengthening of customer relationship, aiming towards the binding and capturing of accounts, always in connection with the commercial network in Portugal.

Solutions directed towards the segment of customers resident abroad aimed to create greater captive customer base with the offer of savings products in the more significant currencies, resulting in an increase in the capturing of new customers.

Concerning relations with the communities several events were carried out, in Paris, London and Zurich, targeting Portuguese descendant customers and entrepreneurs, where links with Portugal were strengthened and endeavours made to bring forward the Bank's offer and availability in a systematic support for the communities.

Also promoted among non-residents was an offer of real estate held by the Bank. Thus a first real estate auction was organized simultaneously in Lisbon and Paris which raised much interest and witnessed the sale of approximately 60% of the offered real estate.

The Bank was also present at the 9th Annual Conference of the Anglo-Portuguese Chamber of Commerce that organized for the first time, in London, a Real Estate Exhibition for the promotion of real estate offers.

The Summer campaign is also an important strategic vector, which began at the end of this half year and intends to structurally welcome the Portuguese that reside abroad. In addition to reinforced communication, welcoming was developed in the main branches with renewed images. The campaign will be sited in the national airports accompanied by means of communication, placing forward the availability of savings solutions that, in addition to profitability, share the safety and confidence in Banco Santander Totta.

Within the scope of the offer of services for the external communities a competition was promoted that targeted the improvement in the dynamics of transfers to Portugal and which gained much attention, recording an increase in the number of operations compared to the previous year, with greater significance in the transfers carried out through external units.

In order to guarantee alternative channels for the external promotion of the Bank's products and services, the specific site intended for the segment's customers was updated, with a link to the Bank's initial page and to the London branch. Also outstanding is that the London branch has been witnessing significant growth in the volume of deposits and relevantly supports the branches in Portugal.

Global Banking & Markets

Outstanding in the **Corporate Finance** area is the completion of financial consulting operations to the Beijing Enterprises Water Group in the acquisition of the water concession business held by Veolia in Portugal, of the consultancy to British Columbia Investment Management Corporation in the acquisition from Galp Energia of the 5% shareholding in Compañía Logística de Hidrocarburos (CLH) and of the consultancy to Riverside on the issue of a *Fairness Opinion* for the purpose of the disposal of ONI to Altice. Outstanding as well is the current financial consultancy to Optimus in the merger with ZON, an operation that awaits the approval of the Competition Regulator.

In the **Credit Markets** area, the ongoing restrictive economic environment is maintaining pressure on new private and public investment decisions. In spite of this context, Santander Totta continues to be one of the institutions constantly present in the analysis of the existing opportunities and in the support to small promoters in the materialization of their projects.

In the field of acquisition finance, the business is featured in the support and structuring of finance for several acquisition operations of Portuguese companies, assets for Portuguese and International corporate customers, and in the support for privatization plans.

In **Asset & Capital Structuring**, Santander Totta continues developing relevant activities in the area of renewable energies in Portugal, as well as analysing possible market opportunities that may arise as a result of the economic environment.

In the first half of 2013 the area of **Structured Products** achieved a fair performance in the marketing of liability products. The first half year witnessed the issue of 14 structured products, of which 10 are euro denominated in a total amount of 586 million euros and 4 are US Dollar denominated issues in a total amount of 46 million US Dollars.

In the **Institutional Custody** area of Santander Totta, the volumes remained stable, with a slight 1% increase compared to the previous quarter, the area continuing to occupy 2nd place in the national ranking of Custodians, with an approximate 20.5% share in the volume of assets under custody, according to information made available by CMVM (Securities Market Regulator).

Asset Management

The 1st half year stands out due to two distinct behaviours in market terms: in a first stage, an optimist and consistent behaviour was witnessed which peaked at a moment of high volatility with the financial crisis in Cyprus; in a later stage, mainly from the end of May onwards, with the notice of the ending of financial incentives to the North American economy by the Federal Reserve (FED) already in 2013, volatility increased substantially, reflected in heavy corrections in the performance of the majority of asset types.

In this context, Santander Asset Management (SAM) endeavoured to manage its products with a controlled risk level, focusing on the maintenance of high and adequate liquidity levels.

Outstanding at the end of the half year are the net positive issue subscriptions amounting to 147.6 million euros, specifically the Multitreasury Fund (128 million euros in net subscriptions since the beginning of the year) with a 110% volume growth within the year. Outstanding as well is the 20 million euro increase in equity funds since the beginning of the year.

In profitability terms, at the end of the half year and for a 12 month period, all the funds showed generally positive yields, namely the **Santander Multitreasury** (1.6% in net effective profitability), the **Santander Multicredit** (3.3% in net effective profitability) and the equity funds: **Santander Shares Portugal** (33.6% in net effective profitability) and **Santander Shares Europe** (22.6% in net effective profitability).

At the end of the half year, the securities investment funds managed by Santander Asset Management represented an 11.2% market share, an improvement compared to the 11.0% recorded at the end of 2012.

Real estate investment funds managed by SAM amounted to 563.3 million euros at the end of June 2013, a 4.9% market share.

Outlook for the 2nd half 2013

Within the procedure for the correction of the structural imbalances of the Portuguese economy, the measures instituted for budgetary consolidation, such as the reduction in public expenditure and the increase in taxation, were reflected in the sharp fall in the levels of consuming and investment. However, and according with recent indicators of economic activity, it is expected that the recessive environment in Portugal will ease, mainly attributed to the positive contribution of net exports.

This adverse and very demanding framework will be reflected in the decline of the banking sector's business volume, in the decrease of revenues and in the increase in credit risks which will require greater demand in the management of its business. Banco Santander Totta demonstrated, in the particularly difficult latter years, its capability to generate revenues, maintaining a sound balance sheet and a comfortable liquidity situation.

The risk management of the credit portfolio, through a very strict and selective risk controlling policy will continue as a fundamental objective for Banco Santander Totta. Simultaneously, the soundness of the Bank's accounts allows keeping up a strategy to support the economy and the entrepreneurial sector with acceptable risk factors, continuing the capture of new customers and to present adequate solutions to each business segment.

The Bank will continue providing special attention to the prevention of non performing loans through a programme of selective customer accompaniment, anticipating risk situations through the availability of conditions that will allow conforming payments profiles to families' economic and financial situations. The bank will equally keep an important focus on the recoveries area, through a strengthening of a negotiation policy that may avoid the resolution of processes in the courts of law.

Simultaneously, the Bank will maintain a large focus on the capture of deposits, within a context of a reduced capacity to generate savings by Portuguese families.

Credit Risk

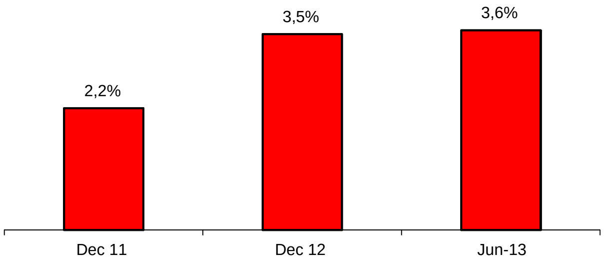
Main lines of activity

In the 1st half of 2013, the activity in the area of Credit Risk will comprise the following main vectors:

- Maintenance of the principle of segmentation in the treatment of credit risks, differentiating the approach to risks as a function of the customers' and products' characteristics;
- Strengthening the strictness of the admission criteria and consequently the quality of the admissible risks in each of the segments, aiming to preserve the good quality of the credit portfolios;
- Regarding risks already comprised in portfolios, intensify proximity with the customers in order to anticipate their credit requirements. Revise their lines of credit and possible problems that may arise in line with payment capabilities. On another hand, intensify the support levels in the business of capturing new operations and new customers with good risk profiles and implement improvements in the processes with the objective to provide them with swift and effective answers;
- Concerning the portfolio and customer follow up function, keep a permanent focus on the supervision of the segments with lower ratings and on sectors which are being more affected by the macroeconomic environment, with the objective to mitigate the ratios of non performing loans. A revision of a significant part of the customer portfolio was carried out and the conclusion arrived at is that the portfolio is being analysed with adequate criteria and that the level of estimated impairment is equally adequate;
- In standardized risks, and considering the difficult current environment, the main focus was maintained on the level of the quality of the portfolio, acting upon management delays and non performing loans, and continuing to make available a set of products and debt restructuring solutions that allow adapting customers' expenses to their repayment capabilities and current and future available income. In this sense, adequate admission strategies have been determined in the Bank's decision systems, and behavioural systems used to identify the prevention and renewal measures to be proposed to customers;
- Keeping to the theme of standardized risks, the Bank continued being selective in the acceptance of new operations, in terms of risk and profitability, using its automatic decision models in force, specifically scorings and behavioural systems;
- Lastly, aiming to strengthen customers' commercial involvement and crossselling, and simultaneously to reinforce the potential to capture new customers, several campaigns were launched in Business (Credit Activation and Credit Renewal), targeting the production of new credit and the retaining of customers, as well as operations in progress in order to compensate the natural erosion of this portfolio;
- In an adverse scenario, with the consequent increase in non performing loans, a heavy focus was placed on the activity level of recoveries by reinforcing the swiftness of intervention. Outstanding is the activity covering massive management of recoveries and simultaneously keeping a permanent follow up of special cases and of the judicial and extra-judicial processes. The policy to strengthen the negotiation processes was also kept up, aiming to obtain payments in kind as an alternative to judicial actions;
- Focus will also be maintained on the modernization of the Recoveries area based, on the one hand, on computer based developments surgically pointed out by users as required and that aim to control the process from its entry into recovery, relations with attorneys and executive action and, on the other, on a change in working methodology with the optimization of several processes. The objective is to stress the model, increasing the efficiency of the resources and the effectiveness of the actions to allow anticipating the recovery of the credit;
- Concerning solvency and credit control, permanent attention was kept on the knowledge of the portfolio, aiming towards a strict control of its risk, endeavouring to provide adequate and timely management information, in order to allow measures to be taken to avoid operations going into default and the resolution of non performing operations;
- Focus was equally maintained on the Bank's internal models, most of them already recognized (by the regulatory authorities) as advanced models (IRB) for the purposes of establishing the requirement of own resources, as well as their ever greater integration in management.

Indicators

Non-Performing Loans ratio (> 90 days)



Risk Model

Introduction

The origin of credit risk is the possibility of the occurrence of losses deriving from the total or partial non performance of the financial obligations contracted with the Bank by its customers.

The organization of the credit risk function in Banco Santander Totta is specialized in line with customer types which are differentiated, throughout the whole process of risk management, between portfolio customers and standardized customers (non portfolio).

- Portfolio customers are those that, fundamentally due to the assumed risk, have been assigned a risk analyst. Included in this group are companies comprised in wholesale banking groups, financial institutions and some companies comprised in retail banking groups. The assessment of these customers' risks is carried out by the analyst, complemented with decision support tools based upon internal risk valuation models;
- Standardized customers are those that have not been assigned a risk analyst specifically appointed to follow up their performance. Included in this group are risks incurred with private customers, self employed entrepreneurs and non portfolio companies comprised in retail banking groups. The assessment of these risks is based upon internal valuation models and automatic decision, collaterally complemented, when the model is not sufficiently precise, with teams of specialist risk analysts.

Credit risk parameters

The valuation of a customer and/or operation, through rating or scoring, is an assessment of its credit capacity, which is quantified through the probability of default (PD). In addition to the customer's valuation, the quantitative risk analysis takes into account other features, such as the period of the operation, the type of product and the existing guarantees. As such what is taken into account is not just the customer's probability of default but the exposure at default (EAD) is also estimated, as well the EAD proportion that may not be recovered (loss given default or LGD).

These factors (PD, LGD and EAD) are the main credit risk parameters, allowing with their being combined the estimation of the expected and the non expected loss. The expected loss (or probable loss), is considered as a further activity cost (reflecting the risk premium), with this cost duly included in the price of the operations.

It also allows estimating the unexpected loss, which is the basis for estimating the regulatory capital in line with the standards of the Basle capital agreements (BIS II). This unexpected loss is related to a very high loss level, although not very probable, and which, attending to its nature, cannot be considered as recurrent and should thus be covered by shareholder's equity.

In small and medium sized companies, information obtained from their accounts is used not just to ascribe a rating, but also to obtain explanatory factors underlying the default probability. In retail portfolios, PD is estimated by observing entries into delay, and correlating these with the scoring attributed to the operations. Excepted are the portfolios in which, due to lesser internal default experience, such as financial institutions, country risk or wholesale banking groups, estimating these parameters is based upon alternative sources of information or assessments carried out by agencies with recognized experience and skill, with a portfolio containing a sufficient number of entities (these portfolios are known as low default portfolios).

LGD estimates are based on the closer observation of the recovery process of operations in default, taking into consideration not just revenues and expenses associated to this process, but also the time when the same are produced and the indirect expenses that derive from the recovery activity.

EAD estimates are based on the comparison of the use of the committed lines at the time of default and in a normal situation, in order to identify the real use of the lines at the time of default.

The estimated parameters are immediately ascribed to operations that are normally under way and will be differentiated between low default portfolios and the remainder.

Credit risk cycle

The risk management process consists in identifying, measuring, analysing, controlling, negotiating and deciding the risks incurred in the Bank's operations.

This process is initiated in the business areas, which propose a given tendency to risk. These risks are analysed and decided in special committees, which act through remits delegated by the Executive Committee on the Higher Credit Council (CSC). The CSC establishes risk policies and procedures and the limits and delegations of powers.

Planning and establishing limits

Establishing limits is conceived as a dynamic process that identifies the risk profiles that the Bank is willing to assume through the assessment of the business proposals and the opinion of the Risks area.

With respect to the large corporate groups a pre-classification model is used based upon a measurement system and the follow up of economic capital.

With respect to portfolio risks, the more basic level is that of the customer and when certain features occur – generally at a level of relative importance – the portfolio is the object of an individual limitation, usually known as a pre-classification, through a simpler system and normally for those customers that comply with determined requisites (well known, rating, etc.).

With respect to standardized risks, the process of planning and establishing limits is carried out through a joint preparation, by the Risks and Business areas, of programmes for credit management (PGC) where the results of the business in terms of risk and profitability are considered, as well as the limits to which the activity and associated risk management must be subject.

Risk assessment, decision on operations, follow up and control

Risk assessment is a requisite prior to authority being given for any credit operation in Banco Santander Totta. This assessment consists in analysing the customer's capability to comply with the contractual commitments to be assumed with the Bank, which implies analysing the customer's credit quality, solvency and its profitability. Additionally, an assessment and revision of the ascribed rating is also carried out whenever an alert or event appears that may affect the customer and/or the operation.

The decision process on operations is intended to analyse these and to take the respective decision, considering the risk profile and the relevant components of the operation in determining a balance between risk and profitability.

In order to keep adequate control of the portfolio's credit quality, in addition to the actions developed by Internal Audit, the specific follow up function, made up by teams and responsible officers, is established within the Risks area. This function is also specialized in line with customer segmentation and is fundamentally based upon a continuous observation process that allows the prior detection of incidents that may occur in the evolution of the risk, of the operations and of the customer, with the objective to previously carry out the actions intended to mitigate such incidents.

Recoveries

Recoveries management in Santander Totta is a strategic, comprehensive and business activity. The specific objectives of the recoveries process are the following:

- Ensure the collection or regularize values in irregular situations, preferring the negotiated solution, in order that the customer's credit situation returns to normal. Should the negotiated solution not be possible, recovery of credits will then be processed through the courts of law;
- Maintain and strengthen relations with the customer, safeguarding his deportment within the commitments contractually assumed with the Bank.

Recoveries activity is structured in line with customers' commercial segmentation: Private, Business and Companies, with specific management models. Recoveries management, thus segmented, equally respects the distinct management stages: preventive management, management of irregular situations and management of delays and bankruptcies, which comprise specific models, strategies and circuits. The whole of this activity is shared with the business areas.

Counterparty Risk

Counterparty risk, dormant in contracts carried out in financial markets – organized markets or over the counter (OTC) – corresponds to the possibility of default by the counterparties over the contractual terms and subsequent occurrence of financial losses for the institution.

Types of transactions comprised include the purchase and sale of securities, transactions in the interbank monetary market, contracting of "repos", loans of securities and derivative instruments.

Control over such risks is carried out through an integrated system that allows recording the approved limits and provides information on their availability for different products and maturities. The same system also allows the transversal control of risk concentration for certain groups of customers and/or counterparties.

Risks in derivative positions, known as Credit Risk Equivalent, (REC), is the sum total of the Present Value of each contract (or Current Replacement Cost) and the respective Risk Potential, a component that reflects an estimate of the maximum expected value to maturity, according to the underlying volatilities of the market factors and the contracted flow structure.

During the first half of 2013, the present value of the operations contracted with the same indexing factors (Euribor) recorded a generally moderate reduction, in line with the variations in the medium and long term market rates. The volume of new operations was kept in line with that of the previous year. With respect to the exposure with Financial Groups, a reduction trend was maintained, as well as risk coverage through collateral providing agreements (ISDA Master Agreements/Credit Support Annex).

DERIVATIVES - Credit Risk Equivalent (thousand euros)

	<1 year	1-5 years	5-10 years	>10 years	Total
Interest Rate Derivatives	11,873	56,855	1,460,013	587,981	2,116,722
Foreign Exchange Derivatives	4,955	0	59,739	0	64,694
Equity Derivatives	820	0	0	0	820
Total	**17,648**	**56,855**	**1,519,752**	**587,981**	**2,182,235**

Balance Sheet Risk

The management of structural risk is ensured by a body in the first line of the Bank's organization and the decisions are taken by the Assets and Liabilities Committee (ALCO), whose powers are delegated by the Executive Committee. This body is presided by the Chairman of the Executive Committee and comprises the directors responsible for the Financial, Risks, Commercial and Marketing areas. The Committee meets on a monthly basis.

Interest rate risk

The interest rate risk in the consolidated accounts is measured through a model of dynamic risk analysis of the balance sheet's market risk, analysing the evolution of the timing variations of the risk factors and the Bank's positions over assets and liabilities sensitive to interest rate variations. The model in use allows measuring and controlling the risk factors associated to the balance sheet market risks, namely the risks originating directly from the movement of the income curve, given the structure of the indexing factors and existing re-appreciation, which determine the exposure to interest rate risk of the components of the balance sheet.

Considering the uncertainty in the variation of interest rate levels for the first half of 2013, the policy followed was to keep a sensitivity policy at the adequate levels.

Exchange rate risk

The exchange rate risk of commercial activity is measured and controlled by the global exchange position, the Group's strategy being its full coverage.

Liquidity risk

Liquidity policy followed by the Group is based upon a low liquidity risk and the continuous diversification of the sources of finance, placing into perspective the volume and nature of the financing instruments used to allow the achievement and the development under good conditions of the established business plan.

By keeping to a conservative profile, the Bank is better protected with respect to potential crises that may affect its environment, thus providing extra time to prepare an adequate and qualitative reaction.

The policy of a financing mix is always based on an adequate level of liquidity risk, in line with the established limits and will be assessed monthly by ALCO. The limits of liquidity risks are established by an independent management body which, apart from other indicators, demands a reasonable volume of available liquid assets to be employed as a liquidity cushion.

Liquidity management is carried out at the consolidated level. The Group's financing policy takes into consideration the variations in the balance sheet components, the structural situation of the maturities of assets and liabilities, the level of Interbank indebtedness relative to the available lines, the spread of maturities and the minimization of expenses relating to the funding activity.

The structural liquidity situation is fully balanced. In June 2013 the Bank presented an asset situation in the short term monetary market of approximately 500 million euros.

The capital market operated very irregularly throughout the half year although now showing some opening signs. In this context, the ECB assumed itself as the counterpart to the system through lending operations and absorbing liquidity. To participate in these operations it is necessary to hold assets considered eligible by the ECB to be given as collateral. In June 2013, the Bank held 12.5 billion euros in eligible assets that constitute a very comfortable liquidity reserve.

Market Risk

Activities subject to market risk

The perimeter of measurement, control and follow up of financial risks comprises operations where asset risks are assumed. The risk derives from the variation in risk factors – interest rate, exchange rate, variable income and their respective volatility – as well as the solvency risk and the liquidity risk of the several products and markets in which Banco Santander Totta operates.

As a function of the risk objectives, activities are segmented as follows:

- Negotiation: This heading includes the activity of financial services rendered to customers;
- Balance Sheet Management: Interest rate and liquidity risks arise as a result of the timing differences of maturities and in the re-pricing of assets and liabilities. Additionally, this item includes the active management of the credit risk inherent to the banking activity of Banco Santander Totta;
- Structural Risks
  - Structural exchange rate risk: exchange rate risk resulting from the currencies in which investments are carried out in companies that may or may not be consolidated;
  - Structural variable income: comprised under this heading are investments in shareholdings in companies that may not be consolidated, financial or non-financial, generating a variable income risk.

Methodologies

Negotiation Activities

The methodology applied for the negotiation activity within the scope of Banco Santander Totta is the Value at Risk (VaR). Used as a basis is the methodology of historic simulation with a 99% level of confidence and a one day time horizon, with statistical adjustments applied that allow a swift and effective inclusion of the more recent events that condition the assumed risk levels.

Stress testing is used as a complement, consisting in the definition of behavioural scenarios of differing financial variables and obtaining the respective impact on results when applying them on the portfolios. These scenarios may replicate the behaviour of financial variables in the face of past factual events (such as crises) or, on the contrary, may determine plausible scenarios that do not correspond to past events. In short, the analysis of scenarios endeavours to identify the potential risk over extreme market conditions and in the fringes of occurrence probabilities not covered by VaR.

.

Also estimated are several sensibility measurements (BPV and Greeks) and equivalent volumes.

In parallel, a daily follow up of positions is implemented, by carrying out an exhaustive control of the changes that occur in the portfolios, aiming to detect profile changes or possible incidences for their correction. The daily preparation of the profit and loss account is a risk indicator, insofar as it allows the identification of the impact of the movements in the financial variables or the changes in the make up of the portfolios.

Backtesting

The reliability of the VaR model is periodically tested through a backtesting analysis. Backtesting consists of a comparative analysis between the Value at Risk estimates and the daily "clean" trial balances (clean P&L – result related to the reassessment of the closing portfolios of the previous day at the closing prices of the following day), where the spot/sporadic variances of the recorded results compared to the estimated measurements are analysed.

The back testing analyses carried out in Santander Totta Bank comply with the BIS recommendations, as regards the comparison of the internal systems used in the measurement and management of financial risks. Additionally, backtesting includes hypothetical tests: excess tests, normality tests, measures of average excess, etc..

Limits

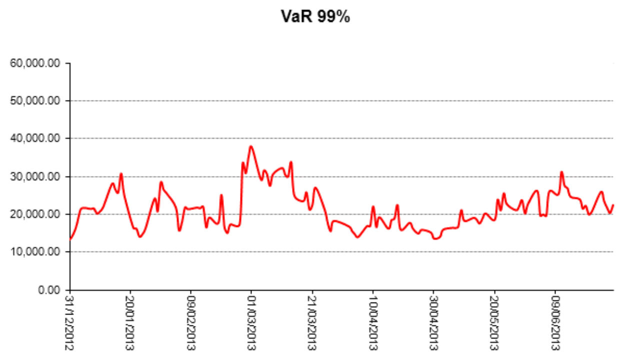
Quantitative limits for the negotiation portfolios, which are classified in two groups, are established in line with the following objectives:

- Limits intended to protect the volume of potential future losses, such as VaR limits, and limits on sensibility measures (BPV and Greeks) or on equivalent positions;
- Limits intended to protect/accommodate the volume of effective losses or to protect levels of results already achieved during the period. These types of limits aim to raise alerts on positions that are generating losses (loss triggers), allowing decisions to be taken before the limit of maximum risk is reached (stop loss), from

which point it will be considered that losses will have reached unacceptable levels and the positions immediately closed.

Quantitative analysis of VaR throughout the half year

The evolution of the risk relative to negotiation activity during the first half of 2013, quantified through VaR, is described in the following chart:



VaR kept to reduced levels, varying between 13 thousand and 38 thousand euros.

Operational Risk

Banco Santander Totta defines operational risk as "the risk of loss arising from deficiencies or failures in internal procedures, human resources or systems, or derived from external circumstances". This is generally a risk that is not associated to products or business and thus different from other types of risks, and which exists in procedures and/or assets and is internally generated (people, systems, etc.) or as a consequence of external risks such as acts of God.

The Bank's objective, in the issue of control and management of operational risk, is directed towards the identification, measurement/assessment, control/mitigation and information concerning this risk.

The priority is thus to identify and remove sources of risk, independently from losses having arisen or not. Measurement also contributes towards the establishment of priorities in the management of operational risk.

The Bank has been exercising supervision and control of technological and operational risks through its corporate officers. As such, the Board of Directors and the Executive Committee have periodically included in their agendas the analysis of the relevant features in the management and mitigation of Operational Risk.

Several Committees have been set up for the management and control of technological and operational risk (TOR), both at corporate and at local levels, where such topics are discussed and the necessary decisions taken.

The limits of operational risks are formally established on an annual basis. A risk appetite is equally established, which must always be set in the low/medium-low profile.

In order to establish the regulatory capital for operational risk it was considered convenient to opt, on an initial stage, for the standard method, such as foreseen in the BIS II rulings.

The operational risk control model implemented embodies the following advantages:

- An integrated and effective management of the operational risk (identification, measurement/assessment, prevention, control/ mitigation and information);
- Improvement of the knowledge of operational risks, both effective and potential and their attribution to business and support lines;
- Information on operational risk contributes towards the improvement of procedures and controls, reduction of losses and revenue volatility;
- Allows establishing limits to operational risk appetite.

Governance and Internal Control Model

The structure of the Company's Corporate Governance as well as all issues concerning policies, procedures and internal control bodies have not suffered any changes to what was declared and detailed in the annual report for the year ended 31 December 2012.

Shareholder Structure

Shareholder	Nº shares	%
Santander Totta, S.G.P.S., S.A.	641,269,620	97.65
TaxaGest - Sociedade Gestora de Participações Sociais, S.A.	14,593,315	2.22

Movement in Own Shares

In line with the decision taken at the Annual General Meeting, held on 15 March 2013, Banco Santander Totta, S.A., may, either directly on its own account or through a dependent company, acquire own shares as well as to dispose of acquired own shares within the limits and other conditions ruled by the appropriate legislation.

As at 31 December 2012, the Bank held 125,169 own shares representative of 0.019% of its share capital. In the first half of 2013, the Bank carried out an acquisition of 48,066 own shares, representative of 0.007% of its share capital, and thus closing the half year ended on 30 June 2013 holding a total of 173,235 own shares. The acquisition is comprised in the Bank's general policy, to purchase shares held by shareholders outside the Santander Group that wish to sell them.

TRANSACTION WITH OWN SHARES - 1ST. HALF 2013

	Nº of shares	Average unit price (€)	Book value (€)	% of Share Capital
31/12/2012	**125,169**	**5.41**	**676,705**	**0.019%**
Purchases	48,066	6.06	291,347	0.007%
Disposals	-	-	-	-
30/06/2013	**173,235**	**5.59**	**968,052**	**0.026%**

Movements in Shares and Bonds of Corporate Officers

In the terms and for the purposes of the provisions of Article No. 447 of Company Law and Regulation No. 5/2008 of CMVM (Securities Market Regulator), following were the movements in securities carried out by Corporate Officers during the half year ended on 30 June 2013:

Name	Securities	Opening 31/12/12	Movementsin 2013				Closing 30/06/13
			Date	Purchases	Disposals	Unit Price (€)	
João Baptista Leite	Obrigações BST – Caixa EUA - Cx	820					820
	Obrig. BST – Caixa Rendimento América Latina TOP 3	400					400

Declaration referred to under item c) of § 1 of article no. 246 of the Securities Legislation

Item c) of §.1 of article no. 246 of the Securities Legislation determines that each of the responsible officers in a company issues a declaration as defined therein.

The members of the Board of Directors of Banco Santander Totta, S.A, hereunder identified by name individually subscribed the following declaration:

"I hereby declare in the terms and for the purposes foreseen under item c) of §1 of article no. 246 of the Securities Legislation that, to the best of my knowledge, the condensed financial statements relative to the 1st half year of 2013, were prepared in line with the applicable accounting standards, and give a true and fair image of the assets and liabilities, of the financial situation and of the results of Banco Santander Totta, S.A and of the companies included in its perimeter of consolidation, and that the intermediate management report faithfully and clearly discloses the information demanded in the terms of §2 of article no. 246 of the Securities Legislation"

Board of Directors

António Basagoiti Garcia-Tuñon
Chairman

António José Sacadura Vieira Monteiro
Deputy Chairman

Carlos Manuel Amaral de Pinho
Director

Eduardo José Stock da Cunha
Director

João Batista Leite
Director

José Carlos Brito Sítima
Director

José Urgel Moura Leite Maia
Director

José Manuel Alves Elias da Costa
Director

Luís Filipe Ferreira Bento dos Santos
Director

Manuel António Amaral Franco Preto
Director

Pedro Aires Coruche Castro e Almeida
Director

The accounts for the half year ended on 30 June 2013 were not the subject of a limited review or of an opinion by the Bank's auditors.

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2013 AND 31 DECEMBER 2012

(Amounts expressed in thousands of Euros - tEuros)

(Translation of balance sheets originally issued in Portuguese - Note 48)

		30-06-2013			31-12-2012
ASSETS	Notes	Amounts before impairment and depreciation	Depreciation and impairment	Net assets	Net assets
Cash and deposits at central banks	5	240,015	-	240,015	352,365
Balances due from other banks	6	370,955	-	370,955	385,323
Financial assets held for trading	7	2,083,311	-	2,083,311	2,265,495
Financial assets at fair value through profit or loss	8	94,691	-	94,691	93,735
Available-for-sale financial assets	9	4,793,602	63,971	4,729,631	3,489,864
Loans and advances to credit institutions	10	2,999,304	-	2,999,304	3,097,422
Loans and advances to customers	11	27,788,006	1,044,941	26,743,065	26,979,649
Hedging derivatives	12	204,413	-	204,413	284,850
Non-current assets held for sale	13	335,047	112,630	222,417	206,840
Investment property	13	18,660	-	18,660	-
Other tangible assets	14	835,037	511,854	323,183	336,084
Intangible assets	14	356,434	296,753	59,681	65,842
Investments in associated companies	15	150,417	660	149,757	142,994
Current tax assets	16	23,765	-	23,765	4,246
Deferred tax assets	16	579,680	-	579,680	631,578
Other assets	17	211,019	20,933	190,086	190,956
Total assets, net		41,084,356	2,051,742	39,032,614	38,527,243

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	30-06-2013	31-12-2012
Liabilities			
Resources of central banks	18	6,346,572	5,837,242
Financial liabilities held for trading	7	1,843,981	2,048,743
Resources of other credit institutions	19	3,716,523	1,949,574
Resources of customers and other debts	20	21,264,037	21,497,174
Debt securities	21	2,655,809	3,953,519
Hedging derivatives	12	390,519	455,911
Provisions	22	61,734	72,271
Current tax liabilities	16	4,811	4,687
Deferred tax liabilities	16	59,620	75,303
Subordinated liabilities	23	4,306	4,311
Other liabilities	24	311,178	303,417
Total liabilities		36,659,090	36,202,152
Shareholders' equity			
Share capital	25	656,723	656,723
Share premium account	25	193,390	193,390
Other equity instruments	25	135,000	135,000
Revaluation reserves	25	(645,049)	(699,202)
Other reserves and retained earnings	25	1,477,595	1,421,512
(Treasury shares)		(42,851)	(42,560)
Consolidated net income attributable to the shareholders' of BST	26	24,181	88,068
Shareholders' equity attributable to the shareholders' of BST		1,798,989	1,752,931
Minority interests	27	574,535	572,160
Total shareholders' equity		2,373,524	2,325,091
Total liabilities and shareholders' equity		39,032,614	38,527,243

The accompanying notes form an integral part of these consolidated balance sheets.

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013 AND 2012

(Amounts expressed in thousands of Euros - tEuros)

(Translation of income statements originally issued in Portuguese - Note 48)

	Notes	6/30/2013	6/30/2012
Interest and similar income	29	644,200	904,435
Interest and similar charges	30	(397,567)	(622,269)
Net interest income		246,633	282,166
Income from equity instruments	31	1,032	1,645
Income from services and commission	32	200,885	203,149
Charges with services and commission	33	(27,438)	(23,051)
Result of assets and liabilities at fair value through profit or loss	34	7,509	(3,544)
Result of available-for-sale financial assets	35	(827)	(3,815)
Result of foreign exchange revaluation	36	1,729	2,610
Result from the sale of other assets	37	1,146	83,495
Other operating results	38	(7,735)	(3,310)
Net income from banking activities		422,934	539,345
Staff costs	39	(139,093)	(133,100)
General administrative costs	40	(66,725)	(68,730)
Depreciation	14	(30,624)	(32,710)
Provisions, net of reversals	22	4,224	(4,107)
Loan impairment net of reversals and recoveries	22	(124,123)	(214,881)
Impairment of other financial assets net of reversals and recoveries	22	(4,988)	(20)
Impairment of other assets net of reversals and recoveries	22	(22,569)	(26,447)
Result from associates	41	6,484	4,603
Income before taxes and minority interests		45,520	63,953
Taxes			
Current	16	(11,564)	(21,020)
Deferred	16	(9,773)	9,212
Income after taxes and before minority interests		24,183	52,145
Minority interests	27	(2)	3
Consolidated net income attributable to the shareholders of BST	26	24,181	52,148
Average number of ordinary shares outstanding		641,968,419	641,943,023
Earnings per share (in Euros)		0.04	0.08

The accompanying notes form an integral part of these consolidated statements of income.

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013 AND 2012

(Amounts expressed in thousands of Euros - tEuros)

(Translation of statements of comprehensive income originally issued in Portuguese - Note 48)

	30 June 2013		30 June 2012	
	Attributable to the shareholders' of BST	Attributable to minority interests	Attributable to the shareholders' of BST	Attributable to minority interests
Consolidated net income for the period	24,181	2	52,148	(3)
Income not included in the consolidated statement income				
. Exchange differences relating to foreign subsidiaries	1,344	2,378	6,444	7,712
. Revaluation reserves of associated companies valued at equity method				
. Fair value	588	-	394	-
. Tax effect	(170)	-	(114)	-
. Actuarial and financial deviations				
. Fair value	(18,230)	-	(5,762)	-
. Tax effect	5,286	-	(7,962)	-
. Changes in fair value of financial assets available for sale				
. Fair value	129,474	-	137,653	-
. Tax effect	(37,548)	-	(39,879)	-
. Changes in fair value of cash flows hedging derivatives				
. Fair value	(38,287)	-	24,724	-
. Tax effect	11,105	-	(7,170)	-
Consolidated comprehensive income for the period	77,743	2,380	160,476	7,709

The accompanying notes form an integral part of these consolidated statements.

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD ENDED ON 30 JUNE 2013 AND 2012

(Amounts expressed in thousands of Euros - tEuros)

(Translation of statements of changes in shareholders' equity originally issued in Portuguese - Note 48)

				Revaluation reserves										
	Share Capital	Share Premium Account	Other equity instruments	Legal revaluation	Fair value	Foreign exchange fluctuation	Deferred taxes	Legal reserve	Other reserves	Retained earnings	Treasury shares	Net income for the period	Minority interests	Shareholder's equity
Balances as at December 31, 2011	**656,723**	**193,390**	**135,000**	**23,245**	**(1,435,951)**	**(6,116)**	**410,361**	**243,633**	**934,465**	**226,484**	**(42,400)**	**47,121**	**577,520**	**1,963,475**
Appropriation of net income														
. Transfer to reserves	-	-	-	-	-	-	229	2,229	30,071	14,592	-	(47,121)	-	-
. Preference shares	-	-	-	-	-	(1,266)	-	-	(29,346)	-	-	-	(22)	(30,634)
Tax benefit on transfer of Pension Fund														-
to the Social Security	-	-	-	-	-	-	-	-	-	7,587	-	-	-	7,587
Long-term incentives	-	-	-	-	-	-	-	-	(624)	-	-	-	-	(624)
Other	-	-	-	-	-	-	-	-	62	2	-	-	3	67
Comprehensive income for the first semester of 2012	-	-	-	-	157,009	6,444	(55,125)	-	-	-	-	52,148	7,709	168,185
Balances as at 30 June 2012	**656,723**	**193,390**	**135,000**	**23,245**	**(1,278,942)**	**(938)**	**355,465**	**245,862**	**934,628**	**248,665**	**(42,400)**	**52,148**	**585,210**	**2,108,056**
Tax benefit on transfer of Pension Fund														
to the Social Security (Reversal)	-	-	-	-	-	-	-	-	-	(7,587)	-	-	-	(7,587)
Preference shares	-	-	-	-	-	-	-	-	-	-	-	-	38	38
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	(160)	-	-	(160)
Other	-	-	-	-	-	(2)	-	-	(56)	-	-	-	(2)	(60)
Comprehensive income for the second semester of 2012	-	-	-	-	277,878	(4,917)	(70,991)	-	-	-	-	35,920	(13,086)	224,804
Balances as at 31 December 2012	**656,723**	**193,390**	**135,000**	**23,245**	**(1,001,064)**	**(5,857)**	**284,474**	**245,862**	**934,572**	**241,078**	**(42,560)**	**88,068**	**572,160**	**2,325,091**
Appropriation of net income														
. Transfer to reserves	-	-	-	-	-	-	453	-	(3,908)	91,523	-	(88,068)	-	-
. Preference shares	-	-	-	-	-	138	-	-	(30,750)	-	-	-	(7)	(30,619)
Long-term incentives									(781)	-	-	-	-	(781)
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	(291)	-	-	(291)
Other	-	-	-	-	-	-	-	-	(1)	-	-	-	2	1
Comprehensive income for the first semester of 2013	-	-	-	-	73,545	1,344	(21,327)	-	-	-	-	24,181	2,380	80,123
Balances as at 30 June 2013	**656,723**	**193,390**	**135,000**	**23,245**	**(927,519)**	**(4,375)**	**263,600**	**245,862**	**899,132**	**332,601**	**(42,851)**	**24,181**	**574,535**	**2,373,524**

The accompanying notes form an integral part of these consolidated statements of changes in shareholder's equity.

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED ON 30 JUNE 2013 AND 2012

(Amounts expressed in thousands of Euros - tEuros)

(Translation of cash flow statements originally issued in Portuguese - Note 48)

	30/06/2013	30/06/2012
CASH FLOW FROM OPERATING ACTIVITIES:		
Interest and commission received	788,395	1,006,802
Payment of interest and commission	(407,288)	(584,782)
Payments to staff and suppliers	(198,365)	(212,794)
Contributions to the Pension Fund	-	(3,099)
Foreign exchange and other operating results	(3,454)	6,136
Recovery of uncollectable loans	5,072	5,228
Operating results before changes in operating assets and liabilities	184,360	217,491
(Increase) / decrease in operating assets:		
Loans and advances to credit institutions	83,654	215,382
Financial assets held for trading	184,692	(56,306)
Loans and advances to customers	103,646	(174,969)
Assets and liabilities at fair value through profit and loss	(5,928)	(124,179)
Non-current assets held for sale	(65,205)	(55,713)
Other assets	4,808	985
	305,667	(194,800)
Increase / (decrease) in operating liabilities:		
Resources of financial institutions	2,276,635	951,912
Resources of customers and other debts	(190,568)	361,462
Financial liabilities held for trading	(204,762)	192,594
Other liabilities	(24,071)	20,515
	1,857,234	1,526,483
Net cash flow from operating activities before income tax	2,347,261	1,549,174
Income tax paid	(25,671)	(39,953)
Net cash flow from operating activities	2,321,590	1,509,221
CASH FLOW FROM INVESTING ACTIVITIES:		
Dividends received	1,032	1,645
Purchase of available-for-sale financial assets	(1,311,378)	(1,549,328)
Sale of available-for-sale financial assets	126,294	1,198,963
Income from available-for-sale financial assets	73,026	156,940
Purchase of tangible and intangible assets	(14,502)	(28,722)
Sale of tangible assets	3,415	361
Net cash flow from investment activities	(1,122,113)	(220,141)
CASH FLOW FROM FINANCING ACTIVITIES:		
Dividends paid	-	-
Issuance/(redemption) of debt securities	(1,293,448)	(1,498,834)
Interest paid on bonds issued and other	(32,701)	(71,702)
Interest paid on subordinated liabilities	(46)	(70)
Net cash flow from financing activities	(1,326,195)	(1,570,606)
Net Increase / (Decrease) in cash and cash equivalents	(126,718)	(281,526)
Cash and cash equivalents at the start of the period	737,688	744,799
Cash and cash equivalents at the end of the period	610,970	463,275

The accompanying notes form an integral part of these consolidated statements.

INTRODUCTION

Banco Santander Totta, S.A. (hereinafter referred to as the "Bank", "BST" or "Group") previously known as Companhia Geral de Crédito Predial Português, S.A. ("CPP"), was founded in 1864 and has its registered office in Portugal, in Rua do Ouro, no. 88, Lisboa. The Bank was nationalized in 1975 and transformed into a government owned corporation in 1990. On December 2, 1992 the Bank's capital was re-privatized through an Initial Public Offering carried out in a special session of the Lisbon Stock Exchange.

Since December 2000, following the acquisition of Banco Totta & Açores, S.A. ("Totta") by the Santander Group, the Bank has been part of the Santander Group. The main balances and transactions with companies of the Santander Group during the first semester of 2013 and the year 2012 are detailed in Note 45.

On December 16, 2004, a demerger/merger operation of Totta was carried out, under which its investments in Foggia, SGPS, S.A. and Totta Seguros – Companhia de Seguros de Vida, S.A. were demerged and the remainder of its operations, together with Banco Santander Portugal, S.A. ("BSP"), were merged into CPP, which then changed its name to the current one.

On May 3, 2010, the Bank carried out the merger by incorporation of Banco Santander de Negócios Portugal, S.A. ("BSN"). For accounting purposes the operation was recorded as from January 1, 2010.

On April 1, 2011, the Bank carried out the merger by incorporation of Totta Crédito Especializado – Instituição Financeiro de Crédito, S.A. ("Totta IFIC"). For accounting and tax purposes the operation was recorded as from April 1, 2011, which was the date of registration.

The Bank's operations consist in obtaining funds from third parties, in the form of deposits and other, to apply along with its own funds, in all sectors of the economy, mostly in the form of loans granted or securities and providing other banking services in Portugal and abroad.

The Bank has a domestic network of 614 branches (633 branches as at December 31, 2012) and also has a branch in London, as well as an international offshore financial branch in the Autonomous Region of Madeira. The Bank also has subsidiaries and representation offices abroad as well as investments in subsidiaries and associated companies.

1. BASES OF PRESENTATION AND MAIN ACCOUNTING POLICIES

1.1. Bases of presentation of the accounts

BST's consolidated financial statements were prepared on a going concern basis, from its books and accounting records maintained in accordance with the accounting principles set forth in the International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union, Regulation (CE) 1606/2002 of July 19 of the European Parliament and Council, transposed to Portuguese legislation by Decree-Law 35/2005 of February 17, and Notice 1/2005 of February 21 of the Bank of Portugal. Whenever Group companies use different accounting principles, appropriate adjustments are made for conversion to the IAS/IFRS.

The Bank adopted standard IAS 34 - Interim Financial Reporting, in the presentation of its half-year financial statement.

Additionally, during the first semester of 2013, the Bank adopted the following standards (new and revised) and interpretations, already endorsed by the European Union:

- Improvements to the IFRS (2009-2011 period) – this includes, among others, amendments to the following standards:
  . IAS 1 – Clarifies the requirements over the disclosure of comparative information.
  . IAS 32 – Clarifies that the fiscal effect of a distribution of income to the holders of instruments representing capital should be accounted in accordance with the requirements of IAS 12 – Income Tax.
  . IAS 34 – Clarifies the requirements over the interim disclosure of assets by segments so that there is greater consistency with the requirements of IFRS 8 – Operating Segments.

- IAS 19 (Amendment) - “Employee Benefits” - This amendment introduced some alterations related to the reporting of defined benefit plans, namely: (i) actuarial gains/losses are fully recognised by corresponding entry to equity (the corridor approach is no longer allowed); (ii) a single interest rate is applied to calculate the current value of liabilities and the estimated income from the plan assets. The difference between the actual return from the fund’s assets and the single interest rate is reflected as actuarial gains/losses; (iii) the costs reflected in the income statement correspond only to current service cost and net interest cost.

- IFRS 13 – “Fair Value Measurement” – This standard replaces the guidelines in the various IFRS relating to fair value measurement. It is applicable when another IFRS standard requires or allows measurements or disclosures of fair value. The standard defines fair value and establishes a framework for its determination. It also establishes a “fair value hierarchy”, in accordance with the inputs used in valuation models. The standard also requires disclosures relating to fair value determination.

- IFRS 7 (Amendment) - “Financial instruments: disclosures” - This amendment requires additional disclosures in terms of financial instruments, namely information relating to those that are subject to compensating and similar agreements.

  Changes upon adoption of those standards related mainly with disclosures.

As of June 30, 2013, the following standards (new and revised) and interpretation, already endorsed by the European Union, were available for early adoption:

- IFRS 11 – “Joint arrangements” - This standard replaces IAS 31 – “Joint ventures” and SIC 13 – “Jointly controlled entities – non-monetary contributions by venturers”. The new standard establishes that the parties involved in a joint venture should determine the type and manner for recording joint ventures through the assessment of the rights and obligations arising from the operation. A joint venture may be classified as a joint operation, when the parties involved have joint rights over the assets and obligations over the liabilities relating to the arrangement, or as a joint venture whenever the parties involved have rights to the net assets of the arrangement. This standard eliminates the possibility of using the proportional consolidation method for recording interests in joint ventures. Application of this standard is mandatory for reporting periods beginning on or after January 1, 2014.

- IFRS 12 – “Disclosures of interests in other entities” - This standard requires the disclosure of information which allows users of the financial statements of an entity to evaluate the nature and the risks relating to the interests that the entity may have in other entities (subsidiaries, joint arrangements, associated companies and non-consolidated entities), namely, the effect of these interests on its financial position and performance and on its cash flow. Application of this standard is mandatory for reporting periods beginning on or after January 1, 2014.

- IAS 27 (Amendment) – “Separate financial statements” – This amendment restricts the scope of application of IAS 27 to separate financial statements. Application of this arrendement is mandatory for reporting periods beginning on or after January 1, 2014.

- IFRS 10 - “Consolidated financial statements” - This standard establishes the requirements relating to the presentation of consolidated financial statements by a parent company, replacing, with regard to these matters, standard “IAS 27 – Consolidated and separate financial statements” and “SIC 12 – Consolidation – Special purpose entities”. This standard also introduces new rules regarding the definition of control and the determination of the consolidation perimeter. Application of this standard is mandatory for reporting periods beginning on or after January 1, 2014.

- IAS 28 (Amendment) “Investments in associated companies and jointly controlled entities” - This amendment ensures consistency between IAS 28 – “Investments in associated companies” and the new standards, in particular IFRS 11 – “Joint arrangements”. Application of this amendment is mandatory for reporting periods beginning on or after January 1, 2014.

- IAS 32 (Amendment) – “Financial instruments: presentation” - This amendment clarifies certain aspects of the standard relating to the offsetting of financial assets and liabilities. Application of this amendment is mandatory for reporting periods beginning on or after January 1, 2014.

Although these standards are endorsed by the European Union, they were not adopted by the Bank at June 30, 2013, as their application was not yet mandatory. The Board of Directors believes that their application will not have a significant impact on the financial statements.

Furthermore, up to the date of approval of the accompanying financial statements, the following standards and improvements, which are still not endorsed by the European Union, were also issued:

- IFRS 9 – “Financial instruments” – This standard establishes the requirements for the classification and measurement of financial assets. Application of this standard is mandatory for reporting periods beginning on or after January 1, 2015.

- IFRS 10, IFRS 12 and IAS 27 (Amendments) – Investment entities – The amendments to these standards create an exception for the preparation of consolidated financial statements by investment entities.

- IAS 36 (Amendment) – Disclosures of recoverable amounts for non-financial assets – Changes in some disclosure requirements of the standard, in respect of the calculation of the recoverable amount of assets with impairment.

- IAS 39 (Amendment) – Novations of derivatives and continuance of hedge accounting – The amendment allows, under certain terms, that novations of OTC derivatives classified as hedging do not interrupt the use of existing hedging relationship.

- IFRIC 21 – This standard determinest when to recognize a liability for income tax charge for both taxes recorded in accordance with IAS 37 as other taxes which amount and date of collection are certain.

1.2. Consolidation principles and recording of associated companies

The consolidated financial statements include the accounts of the Bank and those of the entities controlled directly and indirectly by the Bank (Note 4), including special purpose entities.

Subsidiary companies are those in which the Bank exercises effective control over the current management in order to obtain economic benefits from its activities. Control usually exists when more than 50% of the share capital or of the voting rights are held. Furthermore, as a result of the application of the IAS 27 – "Consolidated and Separate Financial Statements", the Group includes special purpose entities in the consolidation perimeter, namely vehicles and funds created under securitization operations when it exercises effective financial and operating control over them and in which the Bank owns the majority of the risks and benefits associated to their activity.

The financial statements of subsidiaries are consolidated by the full integration method from the time that BST has control over their activities to the time control ceases. Transactions and the significant balances between the companies subject to consolidation were eliminated. In addition, when applicable, consolidation adjustments are made in order to ensure consistency in application of accounting principles. Third party shareholders in subsidiary companies consolidated by the full integration method are accounted for under the caption "Minority interests" (Note 27).

Associated companies are those in which the Bank has significant influence, but over which it does not have control. Significant influence is presumed to exist when a participation (direct or indirect) exceeds 20% or where the Bank has the power to participate in decisions relating to their financial and operating policies, but does not have control or joint control over them. Participations in associated companies are recorded in accordance with the equity method of accounting, from the time the Bank has significant influence until the date it ceases.

In accordance with the equity method of accounting, the consolidated financial statements include the part of shareholders' equity and profit or loss of the associated companies attributable to the Bank.

Goodwill is measured as the excess of the acquisition costs over the effective percentage held in the fair value of the assets, liabilities and contingent liabilities of subsidiary and associated companies. At least once a year, the Bank performs impairment tests to the goodwill in the balance sheet, in accordance with the requirements of IAS 36 - "Impairment of Assets". For this purpose, goodwill is allocated to units that generate cash flows, and assessed the recoverable amount based on estimates of future cash flows date based on discount rates considered appropriate by the Bank. Impairment losses associated with goodwill are recorded in the income statement and cannot be reversed.

The Bank decided not to apply IFRS 3 – Business combinations, retrospectively.
Therefore goodwill on acquisitions up to January 1, 2004 is reflected as a deduction to shareholders' equity in compliance with the former accounting policy. Previously recognised negative goodwill was recorded as an increase in shareholders' equity, as permitted by IFRS 1.

Acquisitions of subsidiaries and associated companies after January 1, 2004 are recorded in accordance with the acquisition method. Cost of the acquisition corresponds to the fair value of the assets and liabilities of the subsidiaries and associated companies as of the acquisition date. Goodwill is recorded as an asset and is subject to impairment tests in accordance with IAS 36, but is not amortized. Furthermore, whenever the fair value of the assets acquired and of the liabilities incurred or assumed is higher than the acquisition cost (negative goodwill), the difference is recognised in the income statement.

With the application of amendments to IFRS 3 and IAS 27, the Bank defined as accounting policy the fair value valuation through profit or loss when there is a change of control for subsidiaries acquired in stages. In such cases, the share participation acquired prior to the time of the change of control is revalued at fair value through profit or loss. Goodwill is calculated on a given date as the difference between total acquisition cost and the proportion in the fair value of associate's assets and liabilities. Similarly, by the application the said amendments, the Bank reassesses through profit or loss the undertakings in which joint control is lost (Note 4).

The Bank decided to reverse, as of the transition date (January 1, 2004), the reserve resulting from foreign exchange differences arising out from the translation of financial statements of subsidiaries expressed in functional currencies other than the Euro. As from that date, in compliance with IAS 21, the foreign currency financial statements of subsidiary and associated companies have been converted to Euros as follows:

- Assets and liabilities expressed in foreign currencies are translated to Euros using the exchange rate for Euros on the balance sheet date;

- Non-monetary assets recorded at historical cost, including tangible assets, remain reflected at the original exchange rates; and

- Foreign currency income and expenses are translated to Euros at the average exchange rates of the month in which they are recognised.

Exchange differences arising upon conversion to Euros are accounted in shareholders' equity, in the caption of "Foreign exchange fluctuation reserves".

1.3. Summary of the main accounting policies

The main accounting policies used in the preparation of the financial statements were the following:

a) Accruals basis

The Bank uses the accrual-based accounting principle for most of its financial statement captions. Therefore, expenses and income are recorded in the period to which they relate, independently of when they are paid or received.

b) Foreign currency transactions

The Bank's accounts are prepared in the currency of the economic environment in which the Bank operates (functional currency), being expressed in Euros.

Transactions in a currency other than the functional currency, and the corresponding income and expenses, are recorded at the exchange rate of the date that they occur. Foreign currency assets and liabilities are translated to Euros at the fixing exchange rates as of the balance sheet date (Bank of Portugal fixing).

c) Loans and accounts receivable

This category of financial assets includes loans and advances to customers and applications in credit institutions.

Loans and advances to customers includes loans to costumers, as well as other securitized loans (commercial paper), not intended to be sold in the short term, being initially recorded at fair value, less any commission included in the effective interest rate, plus all the external costs directly attributable to the operations.

Subsequently, loans and other accounts receivable are recorded at amortised cost, being submitted to periodic impairment analysis.

Commissions and external costs attributable to the underlying operations included in this category, as well interests associated to the loans and advances granted, are recognised on an accruals basis, using the effective interest rate method, regardless of when they are received or paid. The Bank opted to defer commission received and paid relating to credit granted as from January 1, 2004.

The Bank classifies as overdue credit, instalments of principal and interests overdue for more than 30 days. Credits with overdue instalments are denounced in accordance with the approved credit procedures, the whole credit being considered overdue.

The Bank periodically analyses the loans and advances which should have already been paid in full but where the effort to collect them had no effect. Where the prospects of recovering a loan are negligible, loans are considered to be uncollectible and impairment losses are recognised for the full amount. In these cases, the Bank writes them off. Credits recovered subsequently are recognised in the income statement in the caption “Loan impairment net of reversals and recoveries”.

Impairment

The Group periodically analyses the loans and advances granted to customers and other amounts receivable in order to identify objective evidence of impairment. A financial asset is considered to be impaired if, and only if, there is evidence that one or more loss events have occurred that have a measurable impact on the estimated future cash flows of that asset or group of assets.

For the purpose of determining loan impairment, the Group’s loan portfolio is segmented as follows:

- Corporate customers;
- Mortgage loans;
- Consumer credit;
- Credit granted through credit cards;
- Other credit to individual customers;
- Guarantees and sureties; and
- Derivatives.

The Group makes an individual assessment of the corporate clients that have:

- Credit granted greater than tEuros 5,000;
- Credit granted greater than tEuros 500 that are classified in the Bank’s system as Doubtful not in litigation;
- Credit granted greater than tEuros 1,000 if classified in VE1, VE2, VE3 and Substandard, in the Bank’s special monitoring system;

In this regard, these segments may include customers without overdue credit. Occasionally the Bank also includes some customers without the mentioned features in individual assessment, by professional judgement.

Customers assessed individually with no evidence of impairment are subsequently assessed on a collective basis, being segmented between customers with responsibilities greater or lesser than tEuros 300.

The Bank carries out a collective impairment assessment on the remaining segments of the loan portfolio.

Objective evidence of impairment of an asset or group of assets, as defined by the Group, corresponds to the observation of several loss events, such as:

- Contractual breach, such as delay in principal and/or interest payments;
- Significant financial difficulties of the debtor;
- Significant change of the debtor's financial situation;
- Other adverse changes, such as:
  . Conditions and/or ability to pay; and
  . Economic conditions in the sector in which the debtor operates with an impact on the debtor's ability to comply with its obligations.

Impairment losses for customers without overdue credit correspond to the probability of having overdue credit (PI) times the difference between the book value of the respective credits and the present value of estimated future cash flows of those operations. PI corresponds to the probability of one transaction, operation or client becoming overdue during an emergence period. The emergence period corresponds to the period between the occurrence of a loss event and the identification of that event by the Bank (Incurred but not reported). For all loan portfolio segments, the Bank considers an emergence period of 6 months.

If there is evidence that the Group has incurred in an impairment loss on credits or other receivables, the impairment loss corresponds to the difference between the book value of those assets and the present value of the estimated future cash flows, discounted at the original interest rate of the asset or financial assets. The book value of the asset or assets is reduced by the impairment loss account balance. In the case of credits with variable interest rates, the discount rate used to determine an impairment loss is the current interest rate, as determined by the contract. Impairment losses are recorded by corresponding charge in the income statement.

In accordance with the Group's current impairment model for the loan portfolio, impairment losses are assessed individually, on a sample basis, and on a collective basis. When a group of financial assets is assessed collectively, the future cash flows of that group are estimated based on the contractual cash flows of the assets of that group and on historical data regarding losses arising out from assets with similar credit risk characteristics. Whenever the Group considers it necessary, the historic information is updated based on current observable data, in order to reflect the effect of current conditions.

When, in a subsequent period, there is a decrease in the amount of impairment losses due to a specific event, the previously recognised amount is reversed and the impairment loss balance is adjusted. The amount of the reversal is recognised directly by a corresponding charge in the income statement.

<u>Write off of principal and interest</u>

In accordance with the policies in place in the Bank, interest arising out from overdue credits without a real guarantee are reversed three months after the due date of the operation or after the first due instalment. Unrecorded interest on the above-mentioned credits is only recognised in the period of its actual collection.

Interest on mortgage loans or on loans granted with other real guarantees are not reversed provided that the outstanding principal and interest due is lower than the collateral value.

Loan sales

Gains and losses on true sale of loans are recorded in the income statement in the caption "Results from the sale of other assets" (Note 37). These gains or losses correspond to the difference between the sale value agreed and the book value of these assets, net of impairment losses. Contingent future collections are not considered in the determination of the sale price.

Finance leases

Lease operations are classified as finance leases when substantially all the risks and benefits relating to ownership of the leased asset are transferred to the lessee under the lease contract. Finance Leasing are recorded in accordance with the following criteria:

i) *As lessee*

Assets purchased under finance leases are recorded at their fair value in tangible assets and in liabilities and the corresponding depreciation is recognised. Lease instalments are divided in accordance with the respective financial plan, the liabilities being decreased by the amount corresponding to payment of the principal. Interest included in the instalments is recorded in the caption "Interest and similar charges".

ii) *As lessor*

Leased assets are recorded in the balance sheet as loans granted, which are repaid by amortising the principal in accordance with the financial plan of the contracts. Interest included in the instalments is recorded in the caption "Interest and similar income".

Guarantees given and irrevocable commitments

Responsibilities for guarantees given and irrevocable commitments are recorded in off--balance sheet accounts for the amount at risk, while interest, commission and other income are recorded in the income statement over the period of the operations.

d) Recognition of income and costs relating to services and commissions

Income from services and commission obtained in the execution of a significant act, for example a commission from syndicating loans operations, is recognised in the income statement when the significant service act has been completed.

Income from services and commission obtained as the services are rendered is recognised in the income statement in the period to which it refers.

Income from services and commission that is part of the remuneration from financial instruments is recorded in the income statement using the effective interest rate method.

Costs relating to services and commission are recognised using the same criteria as adopted for income.

e) Financial instruments

The following financial assets and liabilities are recognised and measured in accordance with IAS 32 and IAS 39 within the following specific categories:

- Financial assets and liabilities held for trading;
- Financial assets and liabilities at fair value through profit or loss;
- Available-for-sale financial assets; and
- Other financial liabilities.

i) Financial assets and liabilities held for trading and financial assets and liabilities at fair value through profit or loss

Financial assets held for trading include variable yield securities traded on active markets purchased with the intention of being sold or repurchased in the short term. Trading derivatives with a receivable net value (positive fair value) and options bought are included in the caption “Financial assets held for trading”. Trading derivatives with a payable net value (negative fair value) and options sold are included in the caption “Financial liabilities held for trading”.

Assets at fair value through profit or loss include fixed income securities.

Financial assets and liabilities held for trading and financial assets and liabilities at fair value through profit or loss are recognised initially at fair value. Gains and losses arising from subsequent fair value measurement are recognised in the income statement.

The interest inherent to the financial assets and the difference between the acquisition cost and nominal value (premium or discount) is calculated are accordance with the effective interest rate method and recognised in the income statement in the caption “Interest and similar income”. The effective interest rate is that which, is used to discount the estimated future cash flows associated to the financial instrument, makes its present value equal to the net carrying amount of the financial instrument on initial recognition.

The fair value of financial assets held for trading and traded on active markets is their closing price on the balance sheet date. If the market price is not available, fair value of the instrument is estimated based on valuation techniques, that include price valuation models or discounted cash flow techniques.

When discounted cash flow techniques are used, the future cash flows are estimated in accordance with management’s expectations and the discount rate used corresponds to the market rate for financial instruments with similar characteristics. Data used in price valuation models correspond to market prices information.

The fair value of the derivatives that are not traded on a stock exchange is estimated based on the amount that would be received or paid to settle the contract on that date, considering the current market conditions as well as the credit quality of the counterparties.

ii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt instruments that are not classified as financial assets held for trading, at fair value through profit or loss, as investments to be held to maturity or as loans and accounts receivable.

Available-for-sale financial assets are stated at fair value, with the exception of equity instruments not listed on an active market and whose fair value cannot be reliably measured, which are recorded at cost. Subsequent gains or losses resulting from changes in fair value are reflected in a specific equity caption “Fair value reserve” until they are disposed of (or until impairment losses are recognised), when they are reclassified to the income statement. Foreign exchange gains or losses on monetary assets are directly recognised in the income statement.

Interest on available-for-sale financial assets is calculated in accordance with the effective rate method and recorded in the income statement caption “Interest and similar income”.

Income from variable income securities is recognised in the income statement on the date that it is attributed. In accordance with this criteria, the interim dividends are recognised as profit in the year the distribution is declared.

Reclassification of financial assets

In accordance with the amendment introduced on October 13, 2008 in Standard IAS 39 - “Financial instruments: Classification and measurement”, the Bank can reclassify a financial asset that is no longer held for sale or repurchase in the short term (although it may have been acquired or incurred mainly for the purpose of sale or repurchase in the short term), removing it from the category of fair value through profit or loss, if some certain requirements are met. However, reclassifications are not permitted for the category Financial assets at fair value through profit or loss.

Disclosure on the reclassifications made under this amendment in 2012 is provided in Note 9.

iii) Income recognition

Interest relating to financial assets and the recognition of the difference between acquisition cost and nominal value (premium or discount) is calculated in accordance with the effective interest rate method and recorded in the “Interest and similar income” caption in the income statement.

Income from variable return securities is recognised in the income statement on the date that it is declared. In accordance with this criterion, interim dividends are recognised as income in the year the distribution is declared.

iv) Sale operations with repurchase agreements

Securities sold with repurchase agreements are maintained in their original securities portfolio. Funds received are recorded on the settlement date in a specific liability account, while interest is accrued.

v) Impairment of financial instruments

When there is objective evidence of impairment of financial asset or group of assets, an impairment loss is recognised in the income statement.

For quoted securities, objective evidence of impairment exists when there is a significant or prolonged decline in fair value. Objective evidence of impairment for unquoted securities exists when there is a negative impact on the estimated future cash flows of the financial asset, provided that it can be reliably estimated.

The Group considers the specific nature and features of the assets being valued in its periodic impairment tests. In terms of objective impairment criteria, the Group considers a 24 month period to be adequate for the prolonged devaluation of financial instruments in relation to their acquisition cost. The Group also considers the existence of unrealised capital losses exceeding 50% of the acquisition cost to be a significant devaluation.

Except as explained in the following paragraph, if in a subsequent period there is a decrease in the amount of impairment loss due to a specific event, the previously recognised impairment loss is directly reverted through an adjustment to the impairment loss account. The amount of the reversal is recognised directly in the income statement.

When there is objective evidence of impairment of available for sale financial assets as a result of a significant or prolonged decline in the fair value of the security or of financial difficulties of the issuer, the accumulated loss of the fair value reserve is reclassified from equity to the income statement. Impairment losses on fixed income securities can be reverted through profit or loss if there is an increase in the fair value of the security resulting from an event that occurs after determination of the impairment. Impairment losses on equity instruments cannot be reverted and so any unrealised capital gain arising after recognition of an impairment loss are recorded in the fair value reserve. In the case of equity instruments for which impairment losses have been recognised, subsequent reductions in fair value are always recognised in the income statement.

For financial assets recorded at cost namely unquoted equity instruments whose fair value cannot be measured reliably, the Bank also carries out periodic impairment tests. In this context, the recoverable amount corresponds to the present value of the estimated future cash flows, using a discount rate that reflects the underlying risk of a similar the asset.

vi) Other financial liabilities

Other financial liabilities correspond essentially to resources of credit institutions, customers' deposits and debt issued. These liabilities are initially recognized at fair value, which normally corresponds to the amount received, net of transaction costs, and are subsequently measured at amortised cost in accordance with the effective interest rate method.

Bond issues are recorded in the captions "Other subordinated liabilities" and "Debt securities".

On the issue date debt securities are recorded at fair value (issue price) and subsequently are measured at amortized cost using the effective interest rate method.

Embedded derivatives in debt securities are recorded separately in the captions of "Financial assets and liabilities at fair value through profit or loss", being revalued at fair value through profit or loss.

Fair value

As mentioned above, the financial assets recorded in the categories of "Financial assets held for trading", "Financial assets at fair value through profit or loss" and "Financial assets available for sale" are measured at fair value.

Fairvalue is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participantes at the measurement date.

The fair value of financial assets is determined by an independent area of the Bank's trading function, based on:

- Closing price at the balance sheet date for the instruments traded on active markets;

- For debt instruments not traded on active markets (including unquoted securities or with limited liquidity) methods and valuation techniques are used, which include:

  i) Prices provided by financial information services, namely Bloomberg and Reuters, including market prices available for recent transactions;

  ii) Indicative quotes obtained from financial institutions that operate as market-makers;

  iii) Valuation models, which take into account market inputs when determining the price for the financial instrument, reflecting the market interest rates and volatility, as well as the liquidity and credit risk associated to the instrument.

Amortised cost

Financial instruments measured at amortized cost are initially recorded at fair value added to or deducted from the income or costs directly attributable to the transaction. The interest is recognised by the effective interest rate method.

Whenever the estimate of payments or charges associated with financial instruments measured at amortized cost is revised, the carrying amount is adjusted to reflect the new expected cash flows. The new amortized cost results from the present value of the revised future cash flows discounted at the original effective interest rate of the financial instrument. The adjustment in amortized cost is recorded by a corresponding entry in the income statement.

f) Valuation of derivative instruments and hedge accounting

Derivative instruments traded by BST are always recognised in the balance sheet at their fair value.

Embedded derivatives in other financial instruments (namely in debt issued) are separated from their host contract whenever their risks and characteristics are not closely related to those of the host contract and the whole instrument is not recorded at fair value with changes in fair value recognised in profit or loss.

BST uses derivative financial instruments to hedge the interest rate risk resulting from financing and investing activities. Derivatives that do not qualify for hedge accounting are recorded as financial instruments held for trading, under the financial assets or financial liabilities held for trading captions, being all changes in their fair value recorded by a corresponding entry in the income statement.

Derivatives that qualify for hedge accounting are recorded at fair value and the corresponding capital gains and losses are recognised in accordance with the hedge accounting model adopted by BST.

In accordance with IAS 39, hedge accounting is applicable only when the following requirements are cumulatively met:

- There is formal documentation regarding the hedging relationship and risk management strategy of the Bank, including the following aspects:

  - Identification of the hedging instrument;

  - Identification of the hedged item;

  - Identification of the type of hedged risk; and

  - Definition of the method used to measure the hedging effectiveness and subsequent monitoring.

- Initial expectation that the hedging relationship is highly effective; and

- Throughout the life of the operation, the hedging effectiveness is kept between 80% and 125%. The hedging effectiveness is tested on each reporting date by comparing the variation in the fair value of the hedged item with the variation in the fair value of the hedging instrument.

Hedge accounting is only applied as from the time all these requirements are met. In the same way, if at any time the hedging effectiveness ceases to be between 80% and 125%, hedge accounting is discontinued.

<u>Fair value hedges</u>

Gains or losses on the revaluation of a hedging instrument are recognised in the income statement. If the hedge is effective, the gains or losses resulting from variations in the fair value of the hedged item relating to the risk being hedged are also recognised in the income statement.

If a hedging instrument matures or is early terminated, the gains or losses in the valuation of the hedged item relating to the risk being hedge, recognised as value adjustments of the hedged items, are amortized over the remaining period. If the asset or liability being hedged is sold or settled, the amounts recognised as result of the valuation of the hedged risk are reclassified to the income statement and the derivative is transferred to the trading portfolio. If the hedge becomes ineffective, the gains or losses recognised as value adjustments to the hedged items are amortized through the income statement over the remaining period.

Hedge accounting is not applied in the case of foreign exchange rate hedging of monetary items, being the gain or loss arising from the derivative and from the foreign exchange variation of the monetary items both recognised in the income statement.

<u>Cash flow hedges</u>

Cash flow hedges refer to hedging the exposure to variability in future cash flows that can be attributed to a particular risk associated with a recognized asset or liability, or to a highly probable forecast transaction that may affect profit or loss.

BST has entered into derivative to hedge future cash flows of interest on its variable rate mortgage loan portfolio.

The application of cash flow hedge accounting is also subject to the previously mentioned hedge accounting requirements and implies the following records:

- The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in a specific equity caption; and

- The ineffective portion is recorded in the income statement.

In addition, the gain or loss in the hedging instrument recognised in equity corresponds to the lower of the following amounts:

- The cumulative gain or loss in the hedging instrument from the inception of the hedge; and
- The cumulative change in fair value of the hedged item, relating to the risk that is being hedged, from the inception of the hedge.

In this regard, and if applicable, the remaining of the gain or loss on the hedging instrument not recognised in equity is included in profit or loss.

Cash flow hedge accounting shall be discontinued if the hedging instrument matures or is early terminated, if the hedge relationship becomes ineffective or if it is decided to terminate the hedging relationship. In these cases, the accumulated gain or loss on the hedging instrument that recognised in equity continues to be separately classified in equity, being recorded in the income statement in the same period that the gains or losses of the hedged item are recognised.

g) Other tangible assets

Tangible assets used by the Bank in its operations are stated at cost (including directly attributable costs), less accumulated depreciation, and impairment losses, when applicable.

Depreciation of tangible assets is recorded on a straight forward basis over the estimated useful lifetime of the assets:

	Years of useful life
Property for own use	50
Equipment	4 to 10

Non recoverable expenditure capitalized on leasehold buildings is amortised over a period compatible with that of their expected useful life or of the lease contract, if shorter, which on average corresponds to a period of ten years.

As permitted by IFRS 1, tangible assets acquired up to January 1, 2004 have been recorded at their book value at the transition date to the IAS/IFRS, which corresponded to the cost adjusted by legal revaluations based on evolution of the general price index. 40% of the increase in depreciation charge resulting from such revaluations is not tax deductible, the resulting deferred tax liability being recognised accordingly.

Impairment tests are made periodically. The branches are considered as cash flows generating units for this purpose with impairment losses being recognised whenever the recoverable value of the property (through the use in the operations or sale) is lower than carrying amount.

The criteria followed in the valuations of the buildings normally use a market comparison method, and the amount of the valuation corresponds to the market value of the property in its current condition.

h) Intangible assets

In this caption the Bank recognises the expenses incurred in the development phase of IT systems implemented and in their implementation phase, as well as expenses of acquiring software, in both cases where the impact extends beyond the financial year in which the cost in incurred. Impairment losses assessments are made on an annual basis.

Intangible assets are amortised on a monthly basis over the estimated lifetime period of the assets, which corresponds to three years on average. For the new computer platform (Partenon), the expected useful lifetime corresponds to a maximum of five years.

i) Non-current assets held for sale

BST accounts for property and other assets received in settlement of non-performing loans under this caption, when these are available for immediate sale in their present condition and their sale is highly probable within one year. Should these criteria not be met, these assets are accounted for under the caption “Other assets” (Note 17). These assets are recorded at the amount agreed under negotiation or court decision, plus the estimate sale costs or their forced sale value, if lower. Property recovered following the termination of finance lease contracts is recorded in assets at the amount of the outstanding principal on the date the contract is terminate.

The caption also includes participating units of a closed real estate investment fund acquired following a debt settlement agreement with a customer.

In addition, the Bank’s property for own use which is in the process of being sold is accounted for under this caption. These assets are transferred at their carrying amount in accordance with IAS 16 (acquisition cost, net of accumulated depreciation and accumulated impairment losses), thereafter being subject to periodic impairment tests.

Property is subject to periodic appraisals made by independent real estate appraisers. Impairment losses are recognised whenever the appraised value (net of costs to sell) is lower than the book value.

According to IFRS 5 - Non-current assets held for sale and discontinued operations, no unrealised gains are recognised on these assets.

The Bank’s Board of Directors considers that the valuation methods adopted are appropriate and reflect the market situation.

j) Investment properties

Correspond to property held by the Bank for the purpose of obtaining income through its rental or appreciation.

Investment properties are not amortised and are recorded at fair value, determined annually based on valuations made by experts. Changes in fair value are recognised in profit or loss, in the captions of “Other operating results” (Note 38).

k) Provisions and contingent liabilities

A provision is set up whenever there is a present obligation (legal or constructive) arising from past obligation event relating to which there will be a probable future outflow of resources, and this can be determined reliably. The amount of the provision corresponds to the best estimate of the amount to be disbursed to settle a liability at the balance sheet date. Whenever the outflow of resources is not probable, a contingent liability exists. Contingent liabilities need only to be disclosed unless the probability of their payment is remote.

This caption includes the provisions to cover specific post-employment benefits of members of the Board of Directors, restructuring plans, tax contingencies, legal processes and other losses arising from the BST's activity, in accordance with IAS 37 (Note 22).

l) Employees' post-employment benefits

The Bank signed the Collective Labour Agreement (Acordo Colectivo de Trabalho - ACT) for the Portuguese Banking Sector, under which its employees or their families are entitled to retirement, disability and survival pensions.

For employees hired by the Bank up to December 31, 2008, BST's pension plan corresponds to a defined benefit plan, as it establishes the criteria for determining the amount of the pension that each employee will receive during retirement, based on his/her time of service and remuneration at the time of retirement, where the pensions are updated annually based on the remuneration established in the ACT for the serving employees. For these employees, the Bank has been responsible for the payment of the full amount of the pensions established under the ACT. The liabilities arising out from the defined benefit plan are covered by a Pension Fund.

The employees of the former totta were already covered by Social Security, thus the Bank's liability for those employees consists only of the payment of supplements.

As from January 1, 2009, employees hired by the Bank started to be registered in the Social Security and are covered by a supplementary defined contribution pension plan with acquired rights under Article 137 – C of the ACT. The plan is supported by contributions from the employees (1.5%) and from the Bank (1.5%) over the amount of the effective monthly salary. For this purpose, each employee can choose his/her own pension fund.

In October 2010 an agreement was reached between the Ministry of Labour and Social Solidarity, the Portuguese Association of Banks and the Financial Sector Federation (FEBASE) to include workers of the banking sector in the General Regime of the Social Security. Following this agreement, it was published in 2011 the Decree-Law No. 1-A/2011, dated January 3, which defines that serving workers in the banking sector at the date of its entry into force (January 4, 2011) are to be included in the General Regime of the Social Security, with regard to retirement pensions and in the event of maternity, paternity and adoption. Given the complementary nature allowed for under the rules of the Collective Labour Agreement for the Banking Sector, the Bank will continue to cover the difference between the amount of the benefits paid under the General Regime of the Social Security and those resulting from the Collective Labour Agreement.

Past service liabilities as at December 31, 2010 have not changed as result of the above-mentioned Decree-Law since the reduction of the pensionable amount attributable to the Bank will affect the services to be provided by the employees in the future as from January 1, 2011. Thus, the current service cost has been reduced as from this date only, though at the same time the Bank has started to pay the employer's contribution to the Social Security of 23.6% (the so called "*Taxa Social Única*"). The Bank maintains the responsibility of paying out the disability pensions and the survival pensions along with any healthcare assistance. This understanding was also confirmed by the National Council of Financial Supervisors (Conselho Nacional de Supervisores Financeiros).

In December 2011 a three party agreement was established between the Ministry of Finance, the Portuguese Association of Banks and the Federation for the Financial Sector (FEBASE), concerning the transfer to the Social Security of part of the liabilities for pensioners which, as at December 31, 2011 were covered by the substitutive regime of the Social Security as per the Collective Labour Agreement (ACT) in force for the banking sector.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

Following the above-mentioned three party agreement, still in 2011, Decree-Law no. 127/2011, dated December 31, was issued determining that as from January 1, 2012 the Social Security started to be responsible for the above-mentioned pensions for an amount corresponding to the pension computed in accordance to the terms and conditions in force under the Collective Labour Agreement for the banking sector as at December 31, 2011, including both vacation (14^{th} month) and Christmas subsidies.

In accordance with this Decree Law, the Bank, through its Pension Fund, only maintains the responsibility for paying:

i) the update of the pensions referred to above, in accordance to the Collective Labour Agreement for the banking sector;

ii) the employer's contributions to healthcare benefits ("Serviços de Assistência Médica Social – SAMS") managed by the respective unions, over the retirement and survival pensions, accordance with the terms of the Collective Labour Agreement for the banking sector;

iii) the death subsidy;

iv) the survival pension for children;

v) the survival pension for children and living spouse, provided it refers to the same employee; and

vi) the survival pension for the family of a current pensioner, meeting the vesting conditions as from January 1, 2012.

Under the transfer of responsibilities to the Social Security, the Bank's pension fund assets backing such responsibilities were also transferred. The value of the pension fund assets transferred corresponds to the value of the responsibilities assumed under the mentioned Decree Law, which were determined considering the following assumptions:

Mortality table male population	TV 73/77 less 1 year
Mortality table female population	TV 88/90
Actuarial technical rate (discount rate)	4%

The assets to be transferred should be in cash and up to 50% in Portuguese government debt securities valued at the respective market value.

Under the terms of the said Diploma, the ownership of the assets was transferred by the Bank as follows:

i) Up to December 31, 2011, an amount equivalent to at least 55% of the provisional present value of the liabilities;

ii) By June 30, 2012, the remaining amount to complete the definite present value of the liabilities transferred.

In this regard, and prior to the transfer to the Social Security, the Bank obtained actuarial studies used to calculate the amount of the transfer.

Following the transfer agreement of the pensioners to the Social Security, and for purposes of determining the value of the liabilities to be transferred in accordance with the provisions in Decree Law No. 127/2011, of December 31, the Bank calculated the liabilities separately for serving and retired employees, having defined specific assumptions for each case (Note 43).

The difference between the amount of the liabilities to be transferred to the Social Security determined as per the above assumptions and the liabilities determined based on updated actuarial assumptions as adopted by BST, was recorded under the caption “Staff Costs” in the income statement.

Furthermore, the London branch employees are covered by a defined benefit pension plan, for which there is a separate pension fund (Note 43).

In February 2010, a supplementary defined contribution pension plan was approved for a defined set of the Bank’s executives, for which an insurance policy was taken out.

BST’s retirement pension liability is calculated annually by external experts (Towers Watson International Limited, Portuguese Branch) based on the “Projected Unit Credit” method. The discount rate used in the actuarial calculations is determined based on market rates for high quality corporate bonds in terms of credit risk, in the currency in which the benefits will be paid (Euros), with similar maturity of the plan’s liability. Employees’ post-employment benefits also include healthcare assistance (SAMS) and death subsidy during retirement.

Former Banco Santander Negócios Portugal, S.A. (BSN) did not sign the Collective Labour Agreement (ACT) in force for the banking sector. In 2006 the BSN established a defined contribution pension fund under which employees are allowed to make voluntary contributions. BSN’s contribution depended of the results and corresponded to a percentage of the employees’ wages, with an annual floor of 1,000 Euros per participant. Following the merger of BSN into BST, the employees of the former BSN have been incorporated in the ACT and in BST’s defined benefit pension plan as from May 2010, with recognition of the seniority of employees hired before July 1, 1997.

Totta IFIC had no pension fund. As a result of the merger by incorporation of Totta IFIC into BST, the employees of the former Totta IFIC were integrated in the ACT and in the BST’s defined benefit pension plan as from April 2011. The seniority of the employees hired before July 1, 1997 has been recognised.

Application of IAS 19

On January 1, 2004 BST opted not to apply IAS 19 retrospectively, and therefore has not recalculated the actuarial gains and losses that would be deferred on the balance sheet if this standard had been adopted as from the beginning of the pension plans. Accordingly, the actuarial gains and losses existing as at January 1, 2004, as well as those resulting from adopting IAS 19 was reversed/recorded against retained earnings as at the transition date.

In 2011 the Bank decided to change the accounting policy for recognizing actuarial gains and losses using the corridor method, having started to recognize actuarial gains and losses in equity, as permitted by IAS 19. The Board of Directors believes that this change reflects the economic and financial position of the Bank more appropriately in respect of pension liabilities. This change in accounting policy has been applied retrospectively, as required by IAS 8.

The BST records the following components in the “Staff costs” caption of the income statement:

- Net interest on the net defined benefit liability;

- Current service cost; and

- Early retirement cost corresponding to the increase in the past service liability as due to early retirement.

The liability for retirement pensions, less the fair value of the assets of the Pension Fund is recorded in the captions "Other assets" or "Other liabilities", depending on whether there is financial surplus or deficit (Notes 17 and 24).

Notice no. 4/2005 of the Bank of Portugal states that the liability arising from pensions being paid shall be fully funded and a 95% minimum funded level for the past service liability of serving employees. Notwithstanding this, it also established a transition period ranging from 5 to 7 years in respect of the increase in the liability as result of the adoption of IAS 19.

As of June 30, 2013 and December 31, 2012, the rate of coverage of the full amount of the liability for employee benefits, including SAMS, was 95.75% and 98.80%, respectively (Note 43).

m) Long service bonus

In compliance with the ACT, BST assumed the commitment to pay serving employees with fifteen, twenty-five and thirty years of good and effective service, corresponding to one, two or three months of their effective monthly wage (in the year the premium is attributed), respectively.

BST determines the present value of its liability for long service bonuses by actuarial calculations using the "Projected Unit Credit" method. The actuarial assumptions used (financial and demographic) are based on expectations, as of the balance sheet date, regarding salary increases and are based on mortality tables adapted to BST's population. The discount rate used is determined based on market rates for high quality corporate bonds with similar maturity of the liability.

Long service bonus liabilities are recorded in the caption "Charges payable relating to staff – Long service bonus" (Note 24).

n) Income tax

BST and the Group's companies are subject to the tax regime established in the Corporate Income Tax Code ("CIRC"). The branches' accounts are consolidated with those of the Bank for tax purposes. In addition to being subject to Corporate Income Tax, the results of the branches are also subject to local taxes in the countries/territories in which they are established. Local taxes are deductible for Corporate Income Tax in Portugal under the terms of article 91 of CIRC and the Double Taxation Agreements signed by Portugal.

The Offshore branch in the Autonomous Region of Madeira benefits from article 33 of the Statute of Tax Benefits ("EBF"), which grants the exemption from corporate income tax until December 31, 2011. In accordance with article 34 of EBF, for the purposes of this benefit, at least 85% of the taxable profit of the Bank's total operations is considered to result from operations outside of the Madeira free trade area.

With the wording used in the State Budget Law for 2011 (Law no. 55–A/2010, of December 3), in accordance with article 92 of the Corporation Income Tax Code, tax paid under the terms of item 1, article 90, net of international double taxation and any tax benefits, cannot be less than 90% of the amount that would have been determined if the taxpayer did not have the tax benefits established in item 13 of article 43 and article 75 of the Corporation Income Tax Code.

Since January 1, 2007, local authorities have been able to establish a maximum local surcharge of up to 1.5% over taxable income subject to and not exempt from corporate income tax. With the publication of Law No. 12 - A/2010, of 30 June, a state surcharge was introduced, and is payable by all taxpayers subject to and not exempt from corporate income tax with taxable income in excess of tEuros 2,000. The state surcharge corresponds to 2.5% of the taxable income exceeding that limit. This resulted in the tax rate used for the computation of deferred taxes on tax losses carried forward being 25% and a tax rate of 29% is applied to other temporary differences generated in the recognition of the income tax for the year. This state surcharge has been applicable since 2011.

With the publication of the State Budget Law for 2012 (Law No. 64-B/2011, of December 30), the companies that presented higher taxable income on the period and on the two following years were subject to higher state surcharge rates. Companies with taxable income between tEuros 1,500 and tEuros 10,000 are now subject to a state surcharge rate of 3% and the companies with taxable income exceeding tEuros 10,000 are subject to a rate of 5%. Therefore, whenever the taxable income exceeds tEuros 10,000, a 3% state surcharge rate will be applied to the amount of tEuros 8,500 and a rate of 5% to the exceeding remaining taxable income. Consequently, the tax rate used in the year 2012 was 26.5% up to tEuros 1,500 of taxable income, 29.5% up to tEuros 8,500 of taxable income and 31.5% for the remainder.

With the publication of the State Budget Law for 2013 (Law No. 66-B/2012, of December 31), the taxable income from which is applied the state surcharge rate of 5% decreased from tEuros 10,000 to tEuros 7,500. Thus, to the quantity of taxable income that exceeds the amount of tEuros 7,500 will be applied a state surcharge rate of 5%.

The Bank determined tax losses in 2011 and 2012 and in the first semester of 2013.

The tax losses for the year 2011 can be carried forward for four years, while the tax losses for the years 2012 and 2013 may be carried forward for five years. However, within the terms allowed in the State Budget Law for 2012, the deduction of the losses in each year cannot exceed 75% of the respective taxable profit, although the remaining 25% continue to be deductible up to the end of the four or five year periods.

With the publication of Law no. 55-A/2010, of 31 December, the Bank is subjected to the banking sector contribution regime. The basis of such contribution is as follows:

a) Liabilities calculated and approved by taxpayers deducted from own funds (Tier 1) and supplementary own funds (Tier 2) and deducted from the deposits under the Deposits Guaranteed Fund coverage. The following are deducted from the liability thus computed:
   - Balances that in accordance with the applicable accounting standards are accounted for under shareholders' equity;
   - Liabilities associated to the recognition of liabilities for defined benefit plans;
   - Provisions;
   - Liabilities resulting from the revaluation of derivative financial instruments;
   - Deferred income, without consideration of that arising from liability operations; and
   - Liabilities resulting from assets not derecognised within securitization operations.

b) Notional amount of off-balance sheet derivative financial instruments as determined by the taxpayers, with the exception of hedge derivatives or with open symmetric risk positions.

The rates applicable to the bases of incidence defined by a) and b) above are 0.05% and 0.00015%, respectively, as allowed for in no's. 1 and 2 of article 5 of Dispatch no. 121/2011, of 30 March.

Deferred tax assets and liabilities correspond to the amount of the tax recoverable and payable in future periods resulting from temporary differences between the carrying value of assets and liabilities in the balance sheet and their respective tax bases. Tax credits are also recognised as deferred tax assets.

Deferred tax assets are recognised when it is estimated that they will be recovered and only up to the amount that will probably be recovered through the existence of sufficient expected future taxable income to absorb the deductible temporary differences.

Deferred tax assets and liabilities were calculated based on the tax rates decreed for the period in which the respective assets are expected to be realised or the liabilities incurred.

Current and deferred taxes are reflected in the income statement, except for taxes on transactions recorded directly in shareholders' equity, namely potential gains and losses on securities available for sale and on cash flow hedging derivatives, and actuarial gains and losses related to pension liabilities following the change in accounting policy (Note 1.3 l)).

o) Long term incentive plans

The Group has long-term incentive plans for stocks and stock options of Banco Santander, S.A., holding company of the Santander Group. Given their characteristics, these plans consist of equity settled share-based payment transactions, as defined in IFRS 2 and IFRIC 11. The management, hedging and implementation of these long-term incentive plans is provided directly by Banco Santander, S.A.. The Group pays out annually these plans to Banco Santander, S.A..

The recording of such plans correspond to the recognition of the Group's employees right to these instruments in the caption "Other reserves" and in the caption "Staff costs" of the income statement, as these are granted in exchange for services rendered.

A description of the long-term incentives plans for stocks and stock options of Banco Santander S.A. in force at June 30, 2013 and December 31, 2012 is included in Note 46.

p) Insurance brokerage services rendered

Income from commissions associated with insurance brokerage services rendered is recorded on an accrual basis. Income is recorded as it is generated, irrespective of when it is received. Amounts receivable are subject to impairment analysis.

q) Cash and cash equivalents

In preparing cash flow statement, the Bank considers "Cash and cash equivalents" to be the total of the captions "Cash and deposits at Central Banks" and "Balances due from other banks".

2. PRINCIPAL ESTIMATES AND UNCERTAINTIES REGARDING THE APPLICATION OF THE ACCOUNTING POLICIES

The preparation of the financial statements requires estimates and assumptions to be made by the Bank's Board of Directors. These estimates are subjective by nature and can affect the value of the assets and liabilities, income and costs, and also of the contingent liabilities disclosed.

Employees' post-employment benefits

Retirement and survival pensions have been estimated using actuarial valuations performed by external experts certified by the Portuguese Securities and Exchange Commission (CMVM). These estimates incorporate a set of financial and actuarial assumptions, including discount rate, expected return on pension assets of the Fund, the mortality, disability, pension growth and wages, amongst others.

The assumptions adopted correspond to the best estimate of the Bank's Board of Directors regarding the future behaviour of these variables.

Valuation of financial instruments not traded on active markets

Models and valuation techniques, such as those described in Note 1.3 e) and f) above, are used to value financial instruments not traded on active markets. Consequently, the valuations correspond to the best estimate of the fair value of these instruments as at the balance sheet date. As mentioned in Note 1.3. e) to ensure an adequate segregation of duties, the valuation of these financial instruments is determined by an independent area of the trading function.

Determination of loans impairment losses

Loans impairment losses have been determined as explained in Note 1.3 c) above. Consequently, impairment assessment performed on an individual basis corresponds to the Bank's judgement as to the financial situation of the customers and its estimate of the value of collateral received, and the consequent impact on the expected future cash flows. Impairment losses determined on a collective basis are estimated based on historical parameters for comparable types of operations, considering estimates of default and recoverability.

Determination of impairment losses on available-for-sale financial assets

As described in Note 1.3. e), the unrealised capital losses resulting from the valuation of these assets are recognised under the revaluation reserve. Whenever there is objective evidence of impairment, the accumulated capital losses that have been recognised in equity are transferred to the year losses.

In the case of equity instruments, the determination of impairment losses may involve a degree of subjectivity. The Bank determines whether or not impairment on these assets exists through specific analysis at each balance sheet date taking into account the existence of any of the events foreseen IAS 39.

In the case of debt instruments recorded in this caption, unrealised capital losses are transferred from the caption "Revaluation reserve" to the income for the year whenever there are indications that default might occur, namely, due to financial difficulties of the issuer, failure to comply with other financial liabilities, or a significant deterioration in the rating of the issuer.

Taxes

Deferred tax assets are recognised based on the assumption of the existence of future taxable income. Furthermore, deferred tax assets and liabilities have been determined based on the interpretation of the tax legislation currently in force. Therefore, changes in tax legislation or in its interpretation by the competent authorities may have an impact on the amount of deferred taxes.

The Bank, as an entity subject to Bank of Portugal supervision, must present separate (non-consolidated) financial statements in accordance with the Adjusted Accounting Standards as issued under Bank of Portugal Notice 1/2005, dated February 21, and which form the basis for determining the taxable profit.

In order to adapt the Corporate Income Tax Code to International Accounting Standards as adopted by the European Union and to the new accounting system "*Sistema de Normalização Contabilistica*" (SNC), approved by Decree Law No. 158/2009, dated July 13, the Decree Law No. 159/2009, dated July 13, was also approved.

This Decree Law no. 159/2009, of 13 July, amended some articles of the Corporate Income Tax Code and also revoked paragraph 2 of Article 57 of the State Budget Law of 2007. These changes came into force on 1 January 2010.

In this regard, these new rules were observed to compute the taxable profit for 2012 and the first semester of 2013, in accordance with their interpretation by the Bank.

3. SEGMENT REPORTING

In accordance with the requirements of IFRS 8, the disclosures of the Bank's operating segments are presented below in accordance with the information reviewed by the management of the Bank:

Global Banking & Markets:

This area essentially includes the Bank's activity with financial markets and large companies, providing financial advisory services, namely Corporate and Project Finance, as well as intermediary, custody and settlement services.

Retail banking:

This essentially corresponds to credit granting operations and attracting of funds from private customers and businesses with a turnover of lower than 5 million Euros through the branches network, telephone and internet banking services.

Commercial banking:

This is geared towards companies with a turnover ranging between 5 and 125 million Euros. This activity is backed by the branches network as well as by specialised services, and includes a variety of products, such as loans, project funding, export financing and real estate.

Asset management:

This area results from the investment fund management activity, which includes the launching of funds, the objective of which is to create added value products for the Group's customers.

Corporate activities:

This area covers all the activities that provide support to the Group's main activities but which are not directly related to its core business, and also includes liquidity management, balance sheet hedging and Group funding.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

The income statement by segment for the six month period ended on June 30, 2013 and 2012 is made up as follows:

	30-06-2013					
	Global Banking & Markets	Retail banking	Commercial banking	Asset management	Corporate activities	Consolidated Total
Financial margin (narrow sense)	44,480	136,118	81,457	-	(15,422)	246,633
Income from equity instruments	-	-	-	-	1,032	1,032
Financial margin	**44,480**	**136,118**	**81,457**	**-**	**(14,390)**	**247,665**
Net commissions	38,357	119,389	11,367	3,443	891	173,447
Other results from banking activity	-	637	-	25	(8,397)	(7,735)
Commercial margin	**82,837**	**256,144**	**92,824**	**3,468**	**(21,896)**	**413,377**
Results from financial operations	8,069	172	400	-	916	9,557
Net income from banking activities	**90,906**	**256,316**	**93,224**	**3,468**	**(20,980)**	**422,934**
Operating costs	(8,175)	(172,416)	(22,964)	(2,263)	-	(205,818)
Depreciation and amortization	(1,197)	(27,664)	(1,672)	(91)	-	(30,624)
Net operating income	**81,534**	**56,236**	**68,588**	**1,114**	**(20,980)**	**186,492**
Impairment and provisions, net of reversals	(12,363)	(135,284)	(29,370)	(2)	29,563	(147,456)
Result from associates	-	-	5,956	-	528	6,484
Income before taxes	**69,171**	**(79,048)**	**45,174**	**1,112**	**9,111**	**45,520**
Taxes	(20,059)	23,343	(11,373)	(323)	(12,925)	(21,337)
Minority interests	-	-	-	-	(2)	(2)
Net income for the period	**49,112**	**(55,705)**	**33,801**	**789**	**(3,816)**	**24,181**

	30-06-2012					
	Global Banking & Markets	Retail banking	Commercial banking	Asset management	Corporate activities	Consolidated Total
Financial margin (narrow sense)	36,264	165,232	80,837	-	(167)	282,166
Income from equity instruments	-	-	-	-	1,645	1,645
Financial margin	**36,264**	**165,232**	**80,837**	**-**	**1,478**	**283,811**
Net commissions	34,791	128,993	11,717	3,890	707	180,098
Other results from banking activity	-	2,525	-	(15)	(5,820)	(3,310)
Commercial margin	**71,055**	**296,750**	**92,554**	**3,875**	**(3,635)**	**460,599**
Results from financial operations	5,759	(85)	201	-	72,871	78,746
Net income from banking activities	**76,814**	**296,665**	**92,755**	**3,875**	**69,236**	**539,345**
Operating costs	(9,236)	(167,705)	(22,580)	(2,309)	-	(201,830)
Depreciation and amortization	(1,529)	(29,140)	(1,919)	(122)	-	(32,710)
Net operating income	**66,049**	**99,820**	**68,256**	**1,444**	**69,236**	**304,805**
Impairment and provisions, net of reversals	(7,008)	(143,392)	(37,176)	(1,354)	(56,525)	(245,455)
Result from associates	-	-	4,611	-	(8)	4,603
Income before taxes	**59,041**	**(43,572)**	**35,691**	**90**	**12,703**	**63,953**
Taxes	(17,122)	12,490	(9,013)	(27)	1,864	(11,808)
Minority interests	-	-	-	-	3	3
Net income for the period	**41,919**	**(31,082)**	**26,678**	**63**	**14,570**	**52,148**

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

The assets and liabilities under management of each business segment as at June 30, 2013 and December 31, 2012, in accordance with the information used by the Group's management for decision making, are as follows:

	30-06-2013					
	Global Banking & Markets	Retail banking	Commercial banking	Asset Management	Corporate activities	Consolidated Total
Assets						
Loans and advances to customers						
Mortgage Loans	-	15,537,878	-	-	-	15,537,878
Consumer credit	-	1,422,176	-	-	-	1,422,176
Other loans	2,435,379	3,062,733	4,284,899	-	-	9,783,011
Total allocated assets	2,435,379	20,022,787	4,284,899	-	-	26,743,065
Total non-allocated assets						12,289,549
Total assets						39,032,614
Liabilities						
Resources in the balance sheet						
Customers' accounts and other debts	566,305	16,611,359	2,410,026	-	1,676,347	21,264,037
Debt securities issued	-	311,595	140,053	-	2,204,161	2,655,809
	566,305	16,922,954	2,550,079	-	3,880,508	23,919,846
Guarantees and other sureties given (Note 28)	211,598	179,989	773,132	-	-	1,164,719
Investment funds	-	1,287,307	712,991	796,803	-	2,797,101

	31-12-2012					
	Global Banking & Markets	Retail banking	Commercial banking	Asset Management	Corporate activities	Consolidated Total
Assets						
Loans and advances to customers						
Mortgage Loans	-	15,788,523	-	-	-	15,788,523
Consumer credit	-	1,433,532	-	-	-	1,433,532
Other loans	2,024,753	3,309,047	4,423,794	-	-	9,757,594
Total allocated assets	2,024,753	20,531,102	4,423,794	-	-	26,979,649
Total non-allocated assets						11,547,594
Total assets						38,527,243
Liabilities						
Resources in the balance sheet						
Customers' accounts and other debts	415,014	18,193,057	2,889,103	-	-	21,497,174
Debt securities issued	-	353,878	328,165	-	3,271,476	3,953,519
	415,014	18,546,935	3,217,268	-	3,271,476	25,450,693
Guarantees and other sureties given (Note 28)	206,332	189,279	824,119	-	-	1,219,730
Investment funds	-	1,261,600	641,874	813,723	-	2,717,197

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

The information by geographic area of the consolidated activity, namely the balance sheet and the income statement, is presented below. At on June 30, 2013, the balance sheet by geographic segments was as follows:

		International operations					Intra Group	
	Portugal	Ireland	Angola	Puerto Rico	Other	Total	balances	Consolidated
Assets								
Cash and deposits at central banks	240,015	-	-	-	-	-	-	240,015
Balances due from other banks	370,480	110,762	-	9,172	427	120,361	(119,886)	370,955
Financial assets held for trading	2,083,311	-	-	-	-	-	-	2,083,311
Financial assets at fair value through profit or loss	94,691	-	-	-	-	-	-	94,691
Available-for-sale financial assets	4,729,631	1,311,577	-	-	-	1,311,577	(1,311,577)	4,729,631
Loans and advances to credit institutions	2,999,070	50,001	-	474,619	331,695	856,315	(856,081)	2,999,304
Loans and advances to customers	26,743,065	-	-	-	-	-	-	26,743,065
Hedging derivatives	204,413	-	-	-	-	-	-	204,413
Non-current assets held for sale	222,417	-	-	-	-	-	-	222,417
Investment property	18,660	-	-	-	-	-	-	18,660
Other tangible assets	323,148	3	-	-	33	36	(1)	323,183
Intangible assets	59,681	-	-	-	-	-	-	59,681
Investments in associated companies	31,671	-	118,086	-	-	118,086	-	149,757
Current tax assets	23,765	-	-	-	-	-	-	23,765
Deferred tax assets	579,680	-	-	-	-	-	-	579,680
Other assets	189,226	-	-	2	853	855	5	190,086
Total Net Assets	38,912,924	1,472,343	118,086	483,793	333,008	2,407,230	(2,287,540)	39,032,614
Liabilities								
Resources of central banks	6,346,572	-	-	-	-	-	-	6,346,572
Financial liabilities held for trading	1,843,981	-	-	-	-	-	-	1,843,981
Resources of other credit institutions	3,716,523	852,635	-	29,140	-	881,775	(881,775)	3,716,523
Resources of customers and other debts	21,104,163	-	-	159,874	-	159,874	-	21,264,037
Debt securities	2,655,809	-	-	-	-	-	-	2,655,809
Hedging derivatives	390,515	-	-	-	-	-	4	390,519
Provisions	61,734	-	-	-	-	-	-	61,734
Current tax liabilities	4,480	17,236	-	-	-	17,236	(16,905)	4,811
Deferred tax liabilities	42,716	-	-	-	-	-	16,904	59,620
Subordinated liabilities	4,306	-	-	-	-	-	-	4,306
Other liabilities	308,982	132,927	-	1,908	169	135,004	(132,808)	311,178
Total Liabilities	36,479,781	1,002,798	-	190,922	169	1,193,889	(1,014,580)	36,659,090
Shareholders' equity								
Shareholders' equity attributable to shareholders	2,432,388	469,545	118,086	17,642	34,285	639,558	(1,272,957)	1,798,989
Minority interests	755	-	-	275,229	298,554	573,783	(3)	574,535
Total shareholders' equity	2,433,143	469,545	118,086	292,871	332,839	1,213,341	(1,272,960)	2,373,524
Total liabilities and shareholders' equity	38,912,924	1,472,343	118,086	483,793	333,008	2,407,230	(2,287,540)	39,032,614

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

At on December 31, 2012 the balance sheet by geographic segments was as follows:

		International operations					Intra Group	
	Portugal	Ireland	Angola	Puerto Rico	Other	Total	balances	Consolidated
Assets								
Cash and deposits at central banks	352,365	-	-	-	-	-	-	352,365
Balances due from other banks	384,850	11,366	-	6,039	396	17,801	(17,328)	385,323
Financial assets held for trading	2,265,493	-	-	-	-	-	2	2,265,495
Financial assets at fair value through profit or loss	93,735	-	-	-	-	-	-	93,735
Available-for-sale financial assets	3,489,864	1,311,876	-	-	-	1,311,876	(1,311,876)	3,489,864
Loans and advances to credit institutions	3,097,194	50,001	-	465,202	311,790	826,993	(826,765)	3,097,422
Loans and advances to customers	26,979,649	-	-	-	-	-	-	26,979,649
Hedging derivatives	284,850	-	-	-	-	-	-	284,850
Non-current assets held for sale	206,840	-	-	-	-	-	-	206,840
Other tangible assets	336,047	-	-	-	34	34	3	336,084
Intangible assets	65,842	-	-	-	-	-	-	65,842
Investments in associated companies	31,710	-	111,284	-	-	111,284	-	142,994
Current tax assets	4,001	-	-	-	-	-	245	4,246
Deferred tax assets	631,578	-	-	-	-	-	-	631,578
Other assets	190,010	3	-	1,996	942	2,941	(1,995)	190,956
Total Net Assets	38,414,028	1,373,246	111,284	473,237	313,162	2,270,929	(2,157,714)	38,527,243
Liabilities								
Resources of central banks	5,837,242	-	-	-	-	-	-	5,837,242
Financial liabilities held for trading	2,048,741	-	-	-	-	-	2	2,048,743
Resources of other credit institutions	1,949,574	1,013,953	-	4,227	-	1,018,180	(1,018,180)	1,949,574
Resources of customers and other debts	21,323,190	-	-	171,022	-	171,022	2,962	21,497,174
Debt securities	3,953,519	-	-	-	-	-	-	3,953,519
Hedging derivatives	455,906	-	-	-	-	-	5	455,911
Provisions	72,271	-	-	-	-	-	-	72,271
Current tax liabilities	3,702	-	-	-	-	-	985	4,687
Deferred tax liabilities	57,911	-	-	-	-	-	17,392	75,303
Subordinated liabilities	4,311	-	-	-	-	-	-	4,311
Other liabilities	302,838	-	-	3,313	191	3,504	(2,925)	303,417
Total Liabilities	36,009,205	1,013,953	-	178,562	191	1,192,706	(999,759)	36,202,152
Shareholders' equity								
Shareholders' equity attributable to shareholders	2,404,071	359,293	111,284	21,824	14,414	506,815	(1,157,955)	1,752,931
Minority interests	752	-	-	272,851	298,557	571,408	-	572,160
Total shareholders' equity	2,404,823	359,293	111,284	294,675	312,971	1,078,223	(1,157,955)	2,325,091
Total liabilities and shareholders' equity	38,414,028	1,373,246	111,284	473,237	313,162	2,270,929	(2,157,714)	38,527,243

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

As at June 30, 2013 and 2012, the income statement by geographic segments was as follows:

	30/06/2013							
		International operations					Intra Group	
	Portugal	Ireland	Angola	Puerto Rico	Other	Total	balances	Consolidated
Interest and similar income	644,105	35,320	-	13,373	1	48,694	(48,599)	644,200
Interest and similar charges	(394,822)	(5,394)	-	(2,905)	-	(8,299)	5,554	(397,567)
Financial margin	249,283	29,926	-	10,468	1	40,395	(43,045)	246,633
Income from equity instruments	1,032	-	-	-	-	-	-	1,032
Income from services and commission	200,885	114	-	-	-	114	(114)	200,885
Charges with services and commission	(27,317)	(35)	-	-	(121)	(156)	35	(27,438)
Result of assets and liabilities at fair value through profit or loss	7,513	-	-	(10)	-	(10)	6	7,509
Result of available-for-sale financial assets	(827)	-	-	-	-	-	-	(827)
Result of foreign exchange revaluation	1,706	-	-	(38)	-	(38)	61	1,729
Result from sale of other assets	1,146	-	-	-	-	-	-	1,146
Other operating results	(7,691)	-	-	-	(42)	(42)	(2)	(7,735)
Net income from banking activities	425,730	30,005	-	10,420	(162)	40,263	(43,059)	422,934
Staff costs	(138,588)	(95)	-	(100)	(310)	(505)	-	(139,093)
General administrative costs	(66,383)	(164)	-	(54)	(123)	(341)	(1)	(66,725)
Depreciation	(30,624)	-	-	-	-	-	-	(30,624)
Provisions net of cancellations	4,224	-	-	-	-	-	-	4,224
Loan impairment net of reversals and recoveries	(124,123)	-	-	-	-	-	-	(124,123)
Impairment of other financial assets net of reversals and recoveries	(4,988)	-	-	-	-	-	-	(4,988)
Impairment of other assets net of reversals and recoveries	(22,569)	-	-	-	-	-	-	(22,569)
Result from associates	528	-	5,957	-	-	5,957	(0)	6,484
Income before taxes and minority interests	43,207	29,746	5,957	10,266	(595)	45,374	(43,060)	45,520
Current taxes	(7,357)	(4,207)	-	-	-	(4,207)	-	(11,564)
Deferred taxes	(10,260)	487	-	-	-	487	-	(9,773)
Income after taxes and before minority interests	25,590	26,026	5,957	10,266	(595)	41,654	(43,060)	24,183
Minority interests	2	-	-	-	-	-	(4)	(2)
Consolidated net income attributable to the shareholder's of BST	25,592	26,026	5,957	10,266	(595)	41,654	(43,064)	24,181

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

	30/06/2012							
		International operations					Intra Group	
	Portugal	Ireland	Angola	Puerto Rico	Other	Total	balances	Consolidated
Interest and similar income	904,417	40,982	-	11,196	-	52,178	(52,160)	904,435
Interest and similar charges	(619,156)	(8,491)	-	(2,827)	-	(11,318)	8,205	(622,269)
Financial margin	285,261	32,491	-	8,369	-	40,860	(43,955)	282,166
Income from equity instruments	1,645	-	-	-	-	-	-	1,645
Income from services and commission	203,141	(54)	-	-	8	(46)	54	203,149
Charges with services and commission	(22,929)	-	-	-	(122)	(122)	-	(23,051)
Result of assets and liabilities at fair value through profit or loss	(3,552)	-	-	(5)	-	(5)	13	(3,544)
Result of available-for-sale financial assets	(3,815)	-	-	-	-	-	-	(3,815)
Result of foreign exchange revaluation	2,609	-	-	1	-	1	-	2,610
Result from sale of other assets	83,497	-	-	-	(2)	(2)	-	83,495
Other operating results	(3,268)	-	-	(2)	(40)	(42)	-	(3,310)
Net income from banking activities	542,589	32,437	-	8,363	(156)	40,644	(43,888)	539,345
Staff costs	(132,564)	(95)	-	(105)	(336)	(536)	-	(133,100)
General administrative costs	(68,322)	(199)	-	(54)	(155)	(408)	-	(68,730)
Depreciation	(32,703)	-	-	-	(7)	(7)	-	(32,710)
Provisions net of cancellations	(4,107)	-	-	-	-	-	-	(4,107)
Loan impairment net of reversals and recoveries	(214,881)	-	-	-	-	-	-	(214,881)
Impairment of other financial assets net of reversals and recoveries	(20)	-	-	-	-	-	-	(20)
Impairment of other assets net of reversals and recoveries	(26,447)	-	-	-	-	-	-	(26,447)
Result from associates	639	-	3,964	-	-	3,964	-	4,603
Income before taxes and minority interests	64,184	32,143	3,964	8,204	(654)	43,657	(43,888)	63,953
Current taxes	(15,497)	(5,523)	-	-	-	(5,523)	-	(21,020)
Deferred taxes	7,992	1,227	-	-	-	1,227	(7)	9,212
Income after taxes and before minority interests	56,679	27,847	3,964	8,204	(654)	39,361	(43,895)	52,145
Minority interests	3	-	-	-	-	-	-	3
Consolidated net income attributable to the shareholders of BST	56,676	27,847	3,964	8,204	(654)	39,361	(43,895)	52,148

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

4. GROUP COMPANIES AND TRANSACTIONS DURING THE YEAR

As at June 30, 2013 and December 31, 2012, the subsidiaries and associated companies and their most significant financial data, taken from their respective individual financial statements, excluding of conversion adjustments to the IAS/IFRS, may be summarised as follows:

Company	Direct participation (%)		Effective participation (%)		Total assets (net)		Shareholders' equity		Net income of the year	
	30-06-2013	31-12-2012	30-06-2013	31-12-2012	30-06-2013	31-12-2012	30-06-2013	31-12-2012	30-06-2013	31/12/2012
BANCO SANTANDER TOTTA, S.A.	-	-	100.00	100.00	39,149,448	38,501,791	1,407,022	1,212,474	(1,338)	(9,180)
BANCO CAIXA GERAL TOTTA DE ANGOLA (3)	-	-	24.99	24.99	1,236,153	1,864,889	211,256	229,836	22,725	44,023
TOTTA & AÇORES FINANCING (1) (5)	100.00	100.00	100.00	100.00	305,609	311,789	305,609	311,789	6,180	12,360
SERFIN INTERNATIONAL BANK & TRUST	-	-	100.00	100.00	34,197	33,736	34,181	33,717	170	401
TOTTA & AÇORES, INC. - NEWARK	100.00	100.00	100.00	100.00	1,230	1,187	1,052	1,013	30	(88)
TOTTA IRELAND, PLC (4)	100.00	100.00	100.00	100.00	1,189,111	1,373,246	354,644	359,293	33,476	4,040
SANTOTTA-INTERNACIONAL, SGPS	100.00	100.00	100.00	100.00	101,679	101,468	74,838	74,865	(27)	4,293
TOTTA URBE - Emp.Admin. e Construções, S.A. (2)	100.00	100.00	100.00	100.00	115,707	112,634	111,258	109,225	278	2,474
BENIM - Sociedade Imobiliária, S.A. (3)	-	-	25.81	25.81	-	-	-	-	-	-
SANTANDER - GESTÃO DE ACTIVOS,SGPS, S.A.	100.00	100.00	100.00	100.00	42,485	41,656	42,466	41,633	832	1,331
SANTANDER, ASSET MANAGEMENT, SGFIM, SA	-	-	100.00	100.00	28,690	26,426	23,293	22,270	1,040	11
BST INTERNATIONAL BANK, INC. - PORTO RICO (1) (6)	100.00	100.00	100.00	100.00	480,543	473,237	289,538	294,675	10,312	18,276
TAXAGEST, SGPS, S.A.	99.00	99.00	99.00	99.00	55,159	55,043	55,153	54,963	190	(37)
PARTANG, SGPS (3)	0.49	0.49	49.00	49.00	154,557	139,611	144,855	130,108	11,661	21,433
SANTANDER PENSÕES	-	-	100.00	100.00	3,651	3,685	3,244	3,607	397	769
UNICRE - INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S.A. (3)	21.50	21.50	21.50	21.50	301,937	305,005	84,409	84,595	5,386	11,256
HIPOTOTTA nº 1 PLC	-	-	-	-	206,332	215,728	(1,436)	(3,423)	66	(2,061)
HIPOTOTTA nº 4 PLC	-	-	-	-	1,183,060	1,220,666	(11,146)	(20,466)	437	(8,699)
HIPOTOTTA nº 5 PLC	-	-	-	-	1,003,057	1,021,215	(6,172)	(12,215)	1,077	(5,081)
HIPOTOTTA nº 7 PLC (7)	-	-	-	-	-	1,258,561	-	(17,739)	-	(5,684)
LEASETOTTA nº 1 Ltd	-	-	-	-	497,577	569,976	(15,456)	(23,142)	7,686	(15,292)
HIPOTOTTA nº 1 FTC	-	-	-	-	190,225	202,335	188,989	201,123	-	(2,282)
HIPOTOTTA nº 4 FTC	-	-	-	-	1,143,397	1,182,405	1,140,065	1,178,445	-	(9,982)
HIPOTOTTA nº 5 FTC	-	-	-	-	979,096	1,004,670	974,747	1,001,819	-	(7,814)
HIPOTOTTA nº 7 FTC (7)	-	-	-	-	-	1,226,920	-	1,228,066	-	(13,001)
LEASETOTTA nº 1 FTC	-	-	-	-	412,842	485,651	418,533	506,336	-	(15,108)
TAGUS - Soc. Titularização de Créditos, S.A. (BST SME nº 1) (7)	-	-	-	-	-	2,028,717	-	98,179	-	-
TAGUS - Soc. Titularização de Créditos, S.A. (TOTTA CONSUMER nº 1) (7)	-	-	-	-	-	962,218	-	111,278	-	-

Company	Business	Head office	method
BANCO SANTANDER TOTTA , S.A.	Banking	Portugal	Parent company
BANCO CAIXA GERAL TOTTA DE ANGOLA (3)	Banking	Angola	Equity Method
TOTTA & AÇORES FINANCING (1) (5)	Banking	Cayman Islands	Full
SERFIN INTERNATIONAL BANK & TRUST	Banking	Cayman Islands	Full
TOTTA & AÇORES, INC. - NEWARK	Obtaining funds	EUA	Full
TOTTA IRELAND, PLC (4)	Investment management	Ireland	Full
SANTOTTA-INTERNACIONAL, SGPS	Holding company	Madeira	Full
TOTTA URBE - Emp.Admin. e Construções, S.A. (2)	Real estate management	Portugal	Full
BENIM - Sociedade Imobiliária, S.A. (3)	Real estate	Portugal	Equity Method
SANTANDER - GESTÃO DE ACTIVOS,SGPS, S.A.	Holding company	Portugal	Full
BST INTERNATIONAL BANK, INC. - PORTO RICO (1) (6)	Banking	Puerto Rico	Full
SANTANDER, ASSET MANAGEMENT, SGFIM, SA	Investment management	Portugal	Full
TAXAGEST, SGPS, S.A.	Holding company	Portugal	Full
SANTANDER PENSÕES	Pension fund management	Portugal	Full
PARTANG, SGPS (3)	Holding company	Portugal	Equity Method
UNICRE - INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S.A. (3)	Credit Card Management	Portugal	Equity Method
HIPOTOTTA nº 1 PLC	Investment management	Ireland	Full
HIPOTOTTA nº 4 PLC	Investment management	Ireland	Full
HIPOTOTTA nº 5 PLC	Investment management	Ireland	Full
HIPOTOTTA nº 7 PLC (7)	Investment management	Ireland	Full
LEASETOTTA nº 1 Ltd	Securitized loans fund	Portugal	Full
HIPOTOTTA nº 1 FTC	Securitized loans fund	Portugal	Full
HIPOTOTTA nº 4 FTC	Securitized loans fund	Portugal	Full
HIPOTOTTA nº 5 FTC	Securitized loans fund	Portugal	Full
HIPOTOTTA nº 7 FTC (7)	Securitized loans fund	Portugal	Full
LEASETOTTA nº 1 FTC	Securitized loans fund	Portugal	Full
TAGUS - Soc. Titularização de Créditos, S.A. (BST SME nº 1) (7)	Securitized loans company	Portugal	Full
TAGUS - Soc. Titularização de Créditos, S.A. (TOTTA CONSUMER nº 1) (7)	Securitized loans company	Portugal	Full

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

(1) The shareholders' equity of these companies include preference shares subscribed by Santander Group companies (Note 27).

(2) The shareholders' equity of this company includes supplementary capital contributions totalling tEuros 99,760.

(3) Valued by the equity method.

(4) The amounts reflected in the columns "Net income" correspond to net income determined in the periods between December 1, 2012 and 2011 and June 30, 2013 and 2012, as this entity closes its financial year on 30 November. In the period between January 1 and June 30, 2013, the net result of Totta Ireland, Plc. was tEuros 29,436.

(5) The share capital is made up of 50,000 ordinary shares with a nominal value of 1 United States Dollar each and 300,000 non-voting preference shares with a nominal value of 1,000 Euros each. Considering preference shares, the Bank's effective participation in this entity is 0.01%.

(6) The share capital is made up of 5,000,000 ordinary shares with a nominal value of 1 United States Dollar each and 3,600 non-voting preference shares with a nominal value of 100,000 United States Dollars each. Considering preference shares, the Bank's effective participation in this entity is 1.37%.

(7) Emissions settled during 2012 and in the first semester of 2013.

In compliance with IAS 27 and SIC 12, the Group's consolidated financial statements include special purpose entities (SPE) created in the scope of securitization operations, since the Bank retains most of the risks and benefits of their activity, as the Group holds in its portfolio bonds issued with a higher degree of subordination (Note 44). These entities are referred to above as Leasetotta Ltd, Hipotottas FTC (securitised loans funds) and Hipotottas PLC or Ltd. (entities which acquired the participating units issued by the securitised loan funds).

5. CASH AND DEPOSITS AT CENTRAL BANKS

This caption is made up as follows:

	30-06-2013	31-12-2012
Cash	191,917	210,763
Demand deposits at Central Banks:		
European Central Bank	48,098	141,602
	-----------	------------
	240,015	352,365
	======	======

In accordance with European Central Bank Regulation 2,818/98, dated December 1, as from January 1, 1999 credit institutions established in Member States shall maintain minimum cash reserves at the participating National Central Banks. The basis for determining the amount of the reserves includes all deposits at central banks and financial and monetary entities outside the Euro Zone and all deposits of clients repayable in less than two years' time, to which 1% is applied and tEuros 100 is deducted from the amount calculated. The minimum cash reserve requirements earn interest at the average of the rates for the principal refinancing operations of the European Central Bank System.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

6. BALANCES DUE FROM OTHER BANKS

This caption is made up as follows

	30-06-2013	31-12-2012
Balances due from domestic banks		
Cheques for collection	526	490
Demand deposits	53,879	62,074
Balances due from foreign banks		
Demand deposits	315,209	321,138
Cheques for collection	1,341	1,621
	370,955	385,323

7. FINANCIAL ASSETS / LIABILITIES HELD FOR TRADING

This caption is made up as follows:

	30-06-2013	31-12-2012
Financial assets held for trading		
Derivatives with positive fair value	1,847,163	2,031,856
Securities - Participating units	236,148	233,639
	2,083,311	2,265,495
Financial liabilities held for trading		
Derivatives with negative fair value	(1,843,981)	(2,048,743)
Net balance of the fair value of derivative financial instruments	3,182	(16,887)

As at June 30, 2013 and December 31, 2012, the caption “Securities - Participating units” refers essentially to funds managed by Santander Group entities, as follows:

	30-06-2013	31-12-2012
Securities investment funds	236,122	233,613
Special investment funds	26	26
	236,148	233,639

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

As at June 30 , 2013 and December 31, 2012 the caption of derivative financial instruments is made up as follows:

	30-06-2013			31-12-2012		
	Assets	Liabilities	Net (Note 12)	Assets	Liabilities	Net (Note 12)
FRA's	15	-	15	227	-	227
Forwards	797	943	(146)	576	746	(170)
Swaps						
Currency swaps	3,045	6,818	(3,773)	3,179	18,900	(15,721)
Interest rate swaps	1,462,093	1,455,645	6,448	1,687,138	1,689,107	(1,969)
Equity swaps	107,228	106,588	640	113,516	112,843	673
Options	91,172	91,170	2	22,343	22,343	-
Caps & Floors	182,813	182,817	(4)	204,877	204,804	73
	1,847,163	1,843,981	3,182	2,031,856	2,048,743	(16,887)

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

On June 30, 2013 and December 31, 2012 this caption corresponds exclusively to Portuguese Treasury Bonds that fall due in September 2013.

Interest and revaluation results arising out from these financial assets are recorded in the income statement caption "Results of assets and liabilities valued at fair value through profit or loss" (Note 34).

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This caption is made up as follows:

	30-06-2013							
	Acquisition Cost	Interest receivable	Value adjustments resulting from hedging operations	Fair Value Reserve			Impairment	Book Value
				Positive	Negative	Total (Note 25)	(Note 22)	
Debt instruments								
Issued by residents								
Treasury Bonds	2,179,331	32,908	119,446	983	(181,377)	(180,394)	(243)	2,151,048
Other Portuguese Government entities	620,500	6,208	-	8	(6,661)	(6,653)	-	620,055
Other residents								
Acquired in securitization operations	89,821	81	-	-	(28,661)	(28,661)	-	61,241
Unsubordinated debt	467,915	4,318	-	-	(23,932)	(23,932)	(231)	448,070
Subordinated debt	127,775	28	-	-	(7,878)	(7,878)	(16,597)	103,328
Issued by non-residents								
Foreign Government entities	1,007,640	11,245	127,908	205	(133,268)	(133,063)	-	1,013,730
Equity instruments								
Issued by residents								
Valued at fair value	360,386	-	-	363	(2,674)	(2,311)	(39,879)	318,196
Valued at cost	19,778	-	-	-	-	-	(6,275)	13,503
Issued by non-residents								
Valued at cost	1,206	-	-	-	-	-	(746)	460
	4,874,352	54,788	247,354	1,559	(384,451)	(382,892)	(63,971)	4,729,631

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

	31-12-2012							
	Acquisition Cost	Interest receivable	Value adjustments resulting from hedging operations	Fair Value Reserve Positive	Fair Value Reserve Negative	Fair Value Reserve Total (Nota 25)	Impairment (Nota 22)	Book Value
Debt instruments								
Issued by residents								
Treasury Bonds	1,612,565	25,395	155,226	461	(229,662)	(229,201)	(252)	1,563,733
Other Portuguese Government entities	420,456	3,385	-	-	(9,442)	(9,442)	-	414,399
Other residents								
Acquired in securitization operations	93,047	88	-	-	(27,688)	(27,688)	-	65,447
Unsubordinated debt	170,285	579	-	-	(25,481)	(25,481)	(230)	145,153
Subordinated debt	127,294	28	-	-	(10,808)	(10,808)	(15,674)	100,840
Issued by non-residents								
Foreign Government entities	1,007,573	23,111	166,351	294	(207,771)	(207,477)	-	989,558
Equity instruments								
Issued by residents								
Valued at fair value	234,432	-	-	670	(2,939)	(2,269)	(36,114)	196,049
Valued at cost	20,192	-	-	-	-	-	(5,967)	14,225
Issued by non-residents								
Valued at cost	1,206	-	-	-	-	-	(746)	460
	3,687,050	52,586	321,577	1,425	(513,791)	(512,366)	(58,983)	3,489,864

On June 30, 2013 and December 31, 2012, the captions Treasury Bonds and Foreign Government entities include capital gains of tEuros 247,354 and tEuros 321,577, respectively, relating to value adjustments resulting from interest rate risk hedging. These securities have the following characteristics:

	30-06-2013						31-12-2012					
Description	Acquisition cost	Interest receivable	Gains in hedging operations	Fair value reserve	Impairment	Book value	Acquisition cost	Interest receivable	Gains in hedging operations	Fair value reserve	Impairment	Book value
Treasury bonds - Portugal												
. Maturing in one year	336,127	2,098	-	978	-	339,203	50,676	747	-	460	-	51,883
. Maturing betw een one and three years	650,482	16,547	19,833	(20,290)	-	666,572	771,722	5,906	28,518	(28,560)	-	777,586
. Maturing betw een three and five years	517,235	12,821	-	(14,998)	-	515,058	114,678	1,009	-	(7,666)	-	108,021
. Maturing betw een five and ten years	675,000	1,439	99,613	(146,084)	-	629,968	675,000	17,728	126,708	(193,435)	-	626,001
Other	487	3	-	-	(243)	247	489	5	-	-	(252)	242
	2,179,331	32,908	119,446	(180,394)	(243)	2,151,048	1,612,565	25,395	155,226	(229,201)	(252)	1,563,733
Treasury bonds - Spain												
. Maturing betw een five and ten years	1,000,000	11,161	127,908	(133,268)	-	1,005,801	1,000,000	23,028	166,351	(207,771)	-	981,608
Other	7,640	84	-	205	-	7,929	7,573	83	-	294	-	7,950
	1,007,640	11,245	127,908	(133,063)	-	1,013,730	1,007,573	23,111	166,351	(207,477)	-	989,558
	3,186,971	44,153	247,354	(313,457)	(243)	3,164,778	2,620,138	48,506	321,577	(436,678)	(252)	2,553,291

On June 30, 2013 and December 31, 2012, the Group held in its portfolio Treasury Bonds of Portugal and Spain used as collateral in financing operations (Notes 18 and 19).

On June 30, 2013 and December 31, 2012, the caption “Debt instruments – Other residents” includes the following securities:

	30-06-2013					31-12-2012				
Description	Acquisition cost	Interest receivable	Fair value reserve	Impairment	Book value	Acquisition cost	Interest receivable	Fair value reserve	Impairment	Book value
Acquired in securitization operations										
ENERGYON NO.2 CLASS A NOTES 2025	89,771	81	(28,641)	-	61,211	92,998	88	(27,673)	-	65,413
ENERGYON NO.2 CLASS B NOTES 2025	50	-	(20)	-	30	49	-	(15)	-	34
	89,821	81	(28,661)	-	61,241	93,047	88	(27,688)	-	65,447
Unsubordinated debt										
CAIXA GERAL DEPOSITOS 3.75%	199,822	3,366	(666)	-	202,522	-	-	-	-	-
GALP ENERGIA 2013/2017	99,111	443	(3,346)	-	96,208	-	-	-	-	-
SONAE DISTRIBUICAO SET 2007/2015	70,000	191	(7,241)	-	62,950	70,000	235	(10,290)	-	59,945
IBERWIND II P- CONSULTORIA SENIOR	31,072	28	(479)	-	30,621	32,078	30	(1,482)	-	30,626
OBRIGAÇÕES ZON MULTIMÉDIA 2014	24,300	45	(744)	-	23,601	24,300	47	(1,011)	-	23,336
AUTO SUECO 2009/2014	15,000	2	(904)	-	14,098	15,000	3	(1,202)	-	13,801
EDIA 2010/2030	19,250	227	(10,493)	-	8,984	19,250	248	(11,144)	-	8,354
IBERWIND II P- CONSULTORIA SENIOR B	9,130	15	(59)	-	9,086	9,427	16	(352)	-	9,091
Other	230	1	-	(231)	-	230	-	-	(230)	-
	467,915	4,318	(23,932)	(231)	448,070	170,285	579	(25,481)	(230)	145,153
Subordinated debt										
CAIXA GERAL DE DEPOSITOS 2017	110,922	25	-	(13,745)	97,202	110,492	24	-	(15,674)	94,842
TOTTA SEGUROS - OBRIG. SUB. 2002	14,000	-	(7,878)	-	6,122	14,000	1	(8,428)	-	5,573
BPSM/97-TOP'S-OB.PERP.SUB.-1./2.	2,853	3	-	(2,852)	4	2,802	3	(2,380)	-	425
	127,775	28	(7,878)	(16,597)	103,328	127,294	28	(10,808)	(15,674)	100,840

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

As at June 30, 2013 and December 31, 2012, the caption “Equity instruments “ includes the following securities:

	30-06-2013				31-12-2012			
Description	Acquisition cost	Fair value reserve	Impairment	Book value	Acquisition cost	Fair value reserve	Impairment	Book value
Valued at fair value								
NOVIMOVEST - F.I. IMOBILIÁRIO	245,910	(614)	-	245,296	125,910	649	-	126,559
LUSIMOVEST - F.I. IMOBILIARIO	26,379	(1,827)	-	24,552	26,379	(461)	-	25,918
FUNDO RECUPERAÇÃO FCR	25,690	-	(3,743)	21,947	25,014	(2,478)	-	22,536
FUNDO SOLUCAO ARRENDAMENTO	20,500	(234)	-	20,266	15,000	-	-	15,000
GARVAL - SOC.DE GARANTIA MUTUAS	1,951	57	-	2,008	2,086	-	-	2,086
Other	6,541	307	(2,721)	4,127	6,628	21	(2,699)	3,950
Securities with 100% impairment losses	33,415	-	(33,415)	-	33,415	-	(33,415)	-
	360,386	(2,311)	(39,879)	318,196	234,432	(2,269)	(36,114)	196,049
Valued at cost								
ASCENDI NORTE - AUTO ESTRADAS DO NORTE (ex-AENOR)	3,749	-	(455)	3,294	3,749	-	(404)	3,345
ASCENDI NORTE - AUTO ESTRADAS DO NORTE (Supplementary capital contributions) (ex-AENOR)	3,749	-	(200)	3,549	3,749	-	-	3,749
SIBS - SOC.INTERBANCÁRIA DE SERVIÇOS SARL	3,461	-	-	3,461	3,461	-	-	3,461
Other	4,998	-	(1,339)	3,659	6,158	-	(2,028)	4,130
Securities with 100% impairment losses	5,027	-	(5,027)	-	4,281	-	(4,281)	-
	20,984	-	(7,021)	13,963	21,398	-	(6,713)	14,685

In the last quarter of 2012, the Bank acquired Santander Totta Seguros – Companhia de Seguros de Vida, S.A., subordinated bonds issued by the Caixa Geral de Depósitos, S.A. by an amount that was tEuros 15,674 above its market value. Following this operation, on December 31, 2012, impairment losses of the same amount were recorded.

During 2012, the Bank subscribed 3,002,028 participating units of “Solução Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional” amounting to tEuros 15,000. The share capital was paid up in cash for the amount of tEuros 2 and the remainder was covered by buildings.

During 2012 and the first semester of 2013, the Bank responded to capital calls of the Fundo de Recuperação, FCR, in the amounts of tEuros 676 and tEuros 6,658, respectively. As at June 30, 2013 and December 31, 2012, the Bank held in its portfolio 25,685 and 25,010 participating units, corresponding to 4.11% and 4.13%, respectively, of the capital of the fund.

During the first semester of 2012 the Bank reclassified the participating units held in the real estate investment funds “Novimovest” and “Lusimovest” from the caption “Financial assets held for trading” to the caption “Available-for-sale financial assets”. The impact of the reclassification of these participating units on the results and in the fair value reserve was the following:

Book value on the date of reclassification:	
. Participating units	50,289
. Credit rights of the Fund Lusimovest	15,890

	66,179

Fair value of the participating units reclassified on December 31, 2012	50,015

Fair value reserve of the participating units reclassified in 2012 (excluding tax effect)	(274)
	===
Fair value reserve of the participating units reclassified on June 30, 2013	48,472

Fair value reserve of the participating units reclassified on June 30, 2013 (excluding tax effect)	(1,543)
	=====

In October of 2012 the Bank reclassified the credit rights held over Fund Lusimovest from “Available-for-sale financial assets” to “Other assets – Other debtors”, which at that date amounted to tEuros 24,500 (Note 17).

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

In the first semester of 2012, the Bank reclassified to the caption "Non-current assets held for sale" (Note 13), the 2,748,238 participating units for the value of tEuros 18,663 of Fundo de Investimento Imobiliário Fechado – Imorent, received in 2011, following a settlement agreement of a debt receivable on a loan granted. This fund is in the process of liquidation.

As at June 30, 2013 and December 31, 2012, the negative fair value reserve resulting from the fair value valuation had the following percentages in relation to cost:

	30-06-2013					31-12-2012				
	Acquisition cost	Interest receivable	Gains on hedging operations	Negative reserve	Book Value	Acquisition cost	Interest receivable	Gains on hedging operations	Negative reserve	Book Value
Debt Instruments										
. Between 0% and 25%	3,550,894	51,847	247,354	(331,075)	3,519,020	2,297,157	33,638	194,869	(265,195)	2,260,469
. Between 25% and 50%	100,323	81	-	(32,331)	68,073	778,551	17,817	126,708	(223,703)	699,373
. Over 50%	33,250	227	-	(18,371)	15,106	36,052	252	-	(21,954)	14,350
	3,684,467	52,155	247,354	(381,777)	3,602,199	3,111,760	51,707	321,577	(510,852)	2,974,192
Equity Instruments										
. Between 0% and 25%	292,789	-	-	(2,674)	290,115	51,393	-	-	(2,939)	48,454
	3,977,256	52,155	247,354	(384,451)	3,892,314	3,163,153	51,707	321,577	(513,791)	3,022,646

10. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This caption is made up as follows:

	30-06-2013	31-12-2012
Loans and advances - Bank of Portugal	700,000	900,000
Loans and advances to other Portuguese banks		
Deposits	200,000	-
Loans	51,822	46,581
Interest receivable	1,336	261
	253,158	46,842
Loans and advances to other foreign banks		
Deposits	1,175,395	1,192,627
Other applications	742,142	709,874
Very short term loans and advances	112,471	216,402
Interest receivable	16,138	31,677
	2,046,146	2,150,580
	2,999,304	3,097,422

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

11. LOANS AND ADVANCES TO CUSTOMERS

This caption is made up as follows:

	30-06-2013	31-12-2012
Unsecuritised credit		
Domestic loans		
To corporate clients		
Loans	4,049,409	4,148,746
Current account loans	1,217,711	1,195,764
Factoring	946,867	905,312
Finance leasing	459,457	455,646
Overdrafts	352,996	337,700
Discount and credit securities	125,957	137,300
Other credits	32,471	26,898
To individuals		
Mortgage loans	12,755,443	11,745,561
Consumer credit and other loans	1,764,850	1,798,911
Foreign loans		
To corporate clients		
Loans	109,095	124,141
Factoring	35,832	42,147
Current account loans	12,247	9,558
Finance leasing	2,781	3,276
Discount and credit securities	522	85
Overdrafts	107	2,559
Other credits	8,160	1,541
To individuals		
Mortgage loans	383,233	377,167
Consumer credit and other loans	38,154	39,894
	22,295,292	21,352,206

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

	30-06-2013	30-06-2012
Loans represented by securities		
Non-subordinated debt securities		
Commercial paper	1,709,934	1,451,055
Non-derecognised securitised assets		
Companies		
Finance leasing		
. Leasetotta no. 1	389,049	462,375
To individuals		
Loans		
Mortgage loans		
. Hipototta no. 1	189,077	200,164
. Hipototta no. 4	1,139,935	1,177,349
. Hipototta no. 5	970,498	997,032
. Hipototta no. 7	-	1,217,069
Finance leasing		
. Leasetotta no. 1	404	685
	2,688,963	4,054,674
Overdue loans and interest		
Up to 90 days	44,633	45,689
More than 90 days	924,833	891,127
Non-derecognised securitised assets	70,934	89,771
	1,040,400	1,026,587
	27,734,589	27,884,522
Interest receivable		
Unsecuritised credit	52,711	52,626
Loans represented by securities	3,244	4,161
Non-derecognised securitised assets	3,656	6,852
Deferred expenses	84,644	89,526
Commissions associated with amortised cost (net)	(95.621)	(98,476)
Value adjustment of hedged assets	4,783	6,100
	53,417	60,789
	27,788,006	27,945,311
Impairment of loans and advances to customers (Note 22)	(1,044,941)	(965,662)
	26,473,065	26,979,649

In the first semester of 2013 and 2012, the Bank sold mortgage loans and company loans portfolios. As a result of these operations, net gains were recorded amounting to tEuros 1,647 and tEuros 3,825, respectively (Note 37).

As at June 30, 2013 and December 31, 2012, the caption “Domestic loans - Mortgage loans” includes loans allocated to the cover pool of covered bonds issued by the Bank totalling tEuros 8,261,525 and tEuros 7,675,686, respectively (Note 21).

Changes in impairment of loans and advances to customers during the semesters ended on June 30, 2013 and 2012, are presented in Note 22.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

As of June 30, 2013 and December 31, 2012, overdue loans and interest are made up as follows:

	30-06-2013	31-12-2012
Up to three months	45,997	49,934
Between three and six months	46,708	97,166
Between six months and one year	207,521	247,703
Between one year and three years	585,946	515,542
More than three years	154,228	119,242
	1,040,400	1,026,587

As of June 30, 2013 and December 31, 2012, the portfolio of loans to customers by business sector is as follows:

	30-06-2013			
	Performing	Overdue	Total	%
Agriculture and forestry	214,390	11,516	225,906	0.81%
Fishing	27,614	957	28,571	0.10%
Mining	88,786	3,579	92,365	0.33%
Manufacturing:				
Food, beverage and tobacco	477,774	15,882	493,656	1.78%
Textiles, leather and clothing	428,938	17,505	446,443	1.61%
Wood and cork	94,807	5,670	100,477	0.36%
Paper and publishing	258,311	4,621	262,932	0.95%
Chemical industry	160,839	2,168	163,007	0.59%
Ceramics, glass and cement	290,183	4,301	294,484	1.06%
Metal-working	129,690	8,222	137,912	0.50%
Machines and vehicles	212,768	11,646	224,414	0.81%
Electricity, water and gas	288,965	2,521	291,486	1.05%
Construction and public works	1,476,589	205,155	1,681,744	6.06%
Commerce and hotels				
Wholesale trading	651,375	49,075	700,450	2.53%
Retail sale	615,064	52,315	667,379	2.41%
Restaurants and hotels	447,545	24,356	471,901	1.70%
Transport and communications	658,774	16,462	675,236	2.43%
Non-monetary financial institutions	681,744	42	681,786	2.46%
Government administration	319,598	476	320,074	1.15%
Other service companies	1,451,723	113,877	1,565,600	5.64%
Loans to individuals	16,438,504	473,625	16,912,129	60.98%
Foreign loans	342,901	5,998	348,899	1.26%
Holding companies	804,152	6,117	810,269	2.92%
Other loans	133,155	4,314	137,469	0.50%
	26,694,189	1,040,400	27,734,589	100%

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

	31-12-2012			
	Performing	Overdue	Total	%
Agriculture and forestry	196,186	10,979	207,165	0.74%
Fishing	22,465	885	23,350	0.08%
Mining	76,740	3,341	80,081	0.29%
Manufacturing:				
Food, beverage and tobacco	377,099	12,505	389,604	1.40%
Textiles, leather and clothing	367,730	17,189	384,919	1.38%
Wood and cork	87,374	5,657	93,031	0.33%
Paper and publishing	253,911	4,114	258,025	0.93%
Chemical industry	139,790	1,108	140,898	0.51%
Ceramics, glass and cement	227,827	3,158	230,985	0.83%
Metal-working	140,131	7,236	147,367	0.53%
Machines and vehicles	234,778	11,074	245,852	0.88%
Electricity, water and gas	269,065	4,332	273,397	0.98%
Construction and public works	1,535,568	204,745	1,740,313	6.24%
Commerce and hotels				
Wholesale trading	622,867	39,232	662,099	2.37%
Retail sale	668,126	44,678	712,804	2.56%
Restaurants and hotels	397,555	43,092	440,647	1.58%
Transport and communications	614,601	15,413	630,014	2.26%
Non-monetary financial institutions	449,620	4,232	453,852	1.63%
Government administration	653,341	7,028	660,369	2.37%
Other service companies	1,495,854	86,876	1,582,730	5.68%
Loans to individuals	16,782,550	459,107	17,241,657	61.83%
Foreign loans	369,628	4,588	374,216	1.34%
Holding companies	738,732	31,100	769,832	2.76%
Other loans	136,397	4,918	141,315	0.51%
	26,857,935	1,026,587	27,884,522	100%

On June 30, 2013 and December 31, 2012, the overdue and performing loans, with and without objective evidence of impairment, considering the segmentation for the purpose of calculating impairment losses, are made up as follows:

	30-06-2013		
	Overdue loans	Performing loans	Total loans
Loans to corporate clients			
. Without objective evidence of impairment	-	9,268,135	9,268,135
. With objective evidence of impairment	544,240	360,917	905,157
	544,240	9,629,052	10,173,292
Mortgage loans			
. Without objective evidence of impairment	-	14,508,542	14,508,542
. With objective evidence of impairment	325,884	747,572	1,073,456
	325,884	15,256,114	15,581,998
Consumer loans			
. Without objective evidence of impairment	-	1,042,755	1,042,755
. With objective evidence of impairment	32,654	60,399	93,053
	32,654	1,103,154	1,135,808

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

	30-06-2013		
	Overdue loans	Performing loans	Total loans
Loans granted through credit cards			
. Without objective evidence of impairment	-	242,605	242,605
. With objective evidence of impairment	35,150	12,628	47,778
	35,150	255,233	290,383
Other loans to individuals			
. Without objective evidence of impairment	-	368,368	368,368
. With objective evidence of impairment	102,472	82,268	184,740
	102,472	450,636	553,108
	1,040,400	26,694,189	27,734,589

	31-12-2012		
	Overdue loans	Performing loans	Total loans
Loans to corporate clients			
. Without objective evidence of impairment	-	9,254,210	9,254,210
. With objective evidence of impairment	547,969	217,601	765,570
	547,969	9,471,811	10,019,780
Mortgage loans			
. Without objective evidence of impairment	-	14,823,138	14,823,138
. With objective evidence of impairment	303,252	701,747	1,004,999
	303,252	15,524,885	15,828,137
Consumer credit			
. Without objective evidence of impairment	-	1,048,143	1,048,143
. With objective evidence of impairment	37,458	62,869	100,327
	37,458	1,111,012	1,148,470
Loans granted through credit cards			
. Without objective evidence of impairment	-	248,211	248,211
. With objective evidence of impairment	31,912	12,159	44,071
	31,912	260,370	292,281
Other loans to individuals			
. Without objective evidence of impairment	-	412,022	412,022
. With objective evidence of impairment	105,996	77,835	183,831
	105,996	489,857	595,853
	1,026,587	26,857,935	27,884,522

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

12. HEDGING DERIVATIVES

This caption is made up as follows:

	30-06-2013			31-12-2012		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Fair value hedge						
Interest rate swaps	59,962	273,823	(213,861)	90,407	370,277	(279,870)
Equity swaps	45,556	32,715	12,841	50,522	14,273	36,249
AutoCallable options	1,500	71,111	(69,611)	2,656	71,361	(68,705)
Cash flow hedge						
Interest rate swaps	95,975	12,870	83,105	141,265	-	141,265
FRA's	1,420	-	1,420	-	-	-
	204,413	390,519	(186,106)	284,850	455,911	(171,061)

On June 30, 2013 and December 31, 2012, derivatives were broken down as follows:

	30-06-2013								
		Notional amounts							
	Book	Up to 3	Between 3 and	Between 6 and	Between 1	Over		Notional amounts	
Type of financial Instruments	Value	months	6 months	12 months	and 3 years	3 years	Total	EUR	Other
1. Derivatives held for trading (Note 7)									
Forwards									
. Purchased	(146)	52,934	14,970	8,479	-	-	76,383	27,586	48,797
. Sold		52,994	14,986	8,492	-	-	76,472	33,834	42,638
Currency swaps									
. Purchased	(3,773)	1,308,852	-	-	-	-	1,308,852	-	1,308,852
. Sold		1,312,377	-	-	-	-	1,312,377	1,312,377	-
Interest rate swaps									
Other	6,448	1,061,740	426,344	825,159	2,859,658	4,233,093	9,405,994	9,295,725	110,269
Equity swaps	640	4,871	1,600	-	622,379	-	628,850	622,379	6,471
FRA's	15	-	80,000	20,000	-	-	100,000	100,000	-
Currency options									
. Purchased	2	9,142	6,435	26,578	-	-	42,155	23,078	19,077
. Sold		9,142	6,206	26,577	-	-	41,925	23,078	18,847
Interest rate options									
. Purchased	-	480	336	193	461,863	283,877	746,749	745,740	1,009
. Sold		480	336	193	-	-	1,009	-	1,009
Caps	(4)	20,710	44,181	75,528	153,900	1,322,846	1,617,165	1,617,165	-
Floors	-	30,000	-	56,237	7,013	513,510	606,760	575,523	31,237
	3,182	3,863,722	595,394	1,047,436	4,104,813	6,353,326	15,964,691	14,376,485	1,588,206
2. Hedging derivatives									
Fair value hedge									
Interest rate swaps									
. Liabilities and loans	54,874	86,845	104,887	95,315	1,066,398	196,069	1,549,514	1,541,792	7,722
. Financial assets available for sale	(268,735)	-	-	-	400,000	1,675,000	2,075,000	2,075,000	-
Equity swaps	12,841	83,542	75,184	395,446	2,588,339	34,322	3,176,833	3,021,222	155,611
AutoCallable options	(69,611)	5,900	146,738	215,680	22,393	-	390,711	390,711	-
Cash flow hedge									
Interest rate swaps	83,105	-	-	1,000,000	775,000	1,925,000	3,700,000	3,700,000	-
FRA's	1,420	-	300,000	2,200,000	-	-	2,500,000	2,500,000	-
	(186,106)	176,287	626,809	3,906,441	4,852,130	3,830,391	13,392,058	13,228,725	163,333

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

31-12-2012									
		Notional amounts							
Type of financial Instruments	Book Value	Up to 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 3 years	Over 3 years	Total	Notional amounts EUR	Notional amounts Other
1. Derivatives held for trading (Note 7)									
Forwards									
. Purchased	(170)	27,327	15,579	3,176	-	-	46,082	14,566	31,516
. Sold		27,428	15,603	3,168	-	-	46,199	24,243	21,956
Currency swaps									
. Purchased	(15,721)	1,258,038	38,379	-	-	-	1,296,417	19,393	1,277,024
. Sold		1,273,385	38,371	-	-	-	1,311,756	1,292,770	18,986
Interest rate swaps									
Other	(1,969)	572,113	961,321	1,761,715	3,356,906	4,874,011	11,526,066	11,420,878	105,188
Equity swaps	673	6,223	1,646	6,415	479,683	170,714	664,681	652,815	11,866
FRA's	227	44,800	20,000	80,000	20,000	-	164,800	164,800	-
Currency options									
. Purchased	-	16,955	2,445	-	-	-	19,400	-	19,400
. Sold		16,955	2,445	-	-	-	19,400	-	19,400
Interest rate options									
. Purchased	-	812	619	993	191	800,558	803,173	800,791	2,382
. Sold		762	619	810	191	-	2,382	-	2,382
Caps	142	6,456	9,343	73,214	231,706	1,387,886	1,708,605	1,708,605	-
Floors	(69)	-	-	30,000	64,903	535,041	629,944	597,457	32,487
	(16,887)	3,251,254	1,106,370	1,959,491	4,153,580	7,768,210	18,238,905	16,696,318	1,542,587
2. Hedging derivatives									
Fair value hedge									
Interest rate swaps									
. Liabilities and loans	83,928	32,081	1,008,950	197,190	1,110,756	270,106	2,619,083	2,585,397	33,686
. Financial assets available for sale	(363,798)	-	-	-	400,000	1,675,000	2,075,000	2,075,000	-
AutoCallable options	(68,705)	70,745	12,662	152,725	241,453	-	477,585	477,585	-
Equity swaps	36,249	159,592	52,006	158,633	2,389,435	57,458	2,817,124	2,678,041	139,083
Cash flow hedge									
Interest rate swaps	141,265	300,000	250,000	-	1,200,000	1,200,000	2,950,000	2,950,000	-
	(171,061)	562,418	1,323,618	508,548	5,341,644	3,202,564	10,938,792	10,766,023	172,769

13. NON-CURRENT ASSETS HELD FOR SALE AND INVESTMENT PROPERTY

On June 30, 2013 and December 31, 2012, these captions are made up as follows:

	30-06-2013	31-12-2012
Non-current assets held for sale:		
Property received as settlement of defaulting loans	277,213	245,156
Own property for sale	33,452	31,428
Participating units	18,663	18,663
Equipment	5,619	5,558
Other properties	100	100
	-----------	----------
	335,047	300,905
	----------	----------
Impairment (Note 22)	(112,630)	(94,065)
	-----------	----------
	222,417	206,840
	======	======
Investment property:		
Hotel	18,660	-
	======	======

In 2011, following a debt settlement agreement receivable referring to a loan granted, the Bank received 2,748,238 participating units of Fundo de Investimento Imobiliário Fechado - Imorent for an amount of tEuros 18,663. These participating units were initially recorded in the caption "Financial assets available for sale". In the first semester of 2012, the Bank reclassified these participating units to this caption as it considers that they are available for immediate sale in their present condition and that the sale is probable within the period of one year (Note 9).

The fair value of the property classified as "Investment Property" was determined by independent experts. The appraisal value was determined in accordance with the yield method.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

Changes in these captions for the six month period ended on June 30, 2013 and 2012, may be presented as follows:

	December 31 2012					Impairment (Note 22)			June 30 2013		
	Gross amount	Accumulated impairment	Increases	Sales	Transfers (Note 14)	Increases	Reversals	Write-offs	Gross amount	Accumulated impairment	Net amount
Property:											
. Received as settlement of defaulting loans	245,156	(71,078)	89,553	(57,496)	-	(39,062)	15,138	7,948	277,213	(87,054)	190,159
. Own property for sale	31,528	(15,413)	-	(846)	2,870	(2,493)	-	405	33,552	(17,501)	16,051
Equipment	5,558	(3,574)	3,903	(3,842)	-	(2,474)	1,381	592	5,619	(4,075)	1,544
Participating units	18,663	(4,000)	-	-	-	-	-	-	18,663	(4,000)	14,663
	300,905	(94,065)	93,456	(62,184)	2,870	(44,029)	16,519	8,945	335,047	(112,630)	222,417

	December 31 2011					Impairment (Note 22)			June 30 2012		
	Gross amount	Accumulated impairment	Increases	Sales	Transfers (Notes 9 and 14)	Increases	Reversals	Write-offs	Gross amount	Accumulated impairment	Net amount
Property:											
. Received as settlement of defaulting loans	177,737	(53,639)	71,705	(41,521)	-	(15,715)	672	6,006	207,921	(62,676)	145,245
. Own property for sale	26,625	(10,757)	46	(265)	5,007	(4,092)	90	18	31,413	(14,741)	16,672
Equipment	3,982	(2,785)	1,627	(452)	-	(990)	112	32	5,157	(3,631)	1,526
Participating units	-	-	-	-	18,663	(2,000)	-	-	18,663	(2,000)	16,663
	208,344	(67,181)	73,378	(42,238)	23,670	(22,797)	874	6,056	263,154	(83,048)	180,106

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

14. OTHER TANGIBLE AND INTANGIBLE ASSETS

Changes in these captions for the six month period ended on June 30, 2013, may be presented as follows:

	31-12-2012				Write-offs		Transfers From/to assets held for sale (Note 13)		Amortization			Foreign exchange differences		6/30/2013			
	Gross amount	Accumulated depreciation	Impairment (Note 22)	Acquisitions	Gross amount	Accumulated depreciation	Gross amount	Accumulated depreciation	of the period	Impairment (Note 22)	Reversal of Impairment (Note 22)	Gross amount	Accumulated depreciation	Gross amount	Accumulated depreciation	Impairment (Note 22)	Net amount
Tangible assets																	
Property																	
. Property for own use	408,502	126,731	3,875	720	346	346	(3,264)	(396)	3,738	15	(47)	-	-	405,612	129,727	3,843	272,042
. Leasehold expenditure	134,256	110,170	-	528	1,814	1,814	-	-	3,628	-	-	2	2	132,972	111,986	-	20,986
. Other property	306	4	20	-	-	-	-	-	1	-	-	-	-	306	5	20	281
Tangible assets in progress															-		
. Property for own use	131	-	-	293	-	-	-	-	-	-	-	-	-	424	-	-	424
. Leasehold expenditure	1	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	1
	543,196	236,905	3,895	1,541	2,160	2,160	(3,264)	(396)	7,367	15	(47)	2	2	539,315	241,718	3,863	293,734
Equipment																	
. Furniture and fixtures	23,219	19,287	-	25	165	165	-	-	690	-	-	-	-	23,079	19,812	-	3,267
. Machinery and tools	3,966	3,854	-	4	32	32	-	-	23	-	-	-	-	3,938	3,845	-	93
. Computer hardware	124,725	113,064	-	410	463	440	-	-	2,436	-	-	-	-	124,672	115,060	-	9,612
. Interior installations	92,346	84,120	-	1,338	2,287	2,287	(3)	(1)	1,285	-	-	-	-	91,394	83,117	-	8,277
. Vehicles	17,708	11,970	-	489	581	502	-	-	1,582	-	-	-	-	17,616	13,050	-	4,566
. Security equipment	27,593	26,904	-	40	233	233	-	-	179	-	-	-	-	27,400	26,850	-	550
. Other equipment	5,801	4,008	-	72	68	68	-	-	318	-	-	-	-	5,805	4,258	-	1,547
	295,358	263,207	-	2,378	3,829	3,727	(3)	(1)	6,513	-	-	-	-	293,904	265,992	-	27,912
Other tangible assets																	
. Leased equipment	281	281	-	-	-	-	-	-	-	-	-	-	-	281	281	-	-
. Others	1,537	-	-	-	-	-	-	-	-	-	-	-	-	1,537	-	-	1,537
	1,818	281	-	-	-	-	-	-	-	-	-	-	-	1,818	281	-	1,537
	840,372	500,393	3,895	3,919	5,989	5,887	(3,267)	(397)	13,880	15	(47)	2	2	835,037	507,991	3,863	323,183
Intangible assets																	
Software purchased	342,991	277,149	-	10,583	754	754	-	-	16,744	-	-	-	-	352,820	293,139	-	59,681
Goodwill	3,585	3,585	-	-	-	-	-	-	-	-	-	-	-	3,585	3,585	-	-
Other	29	29	-	-	-	-	-	-	-	-	-	-	-	29	29	-	-
	346,605	280,763	-	10,583	754	754	-	-	16,744	-	-	-	-	356,434	296,753	-	59,681

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

Changes in these captions for the six month period ended on June 30, 2012, may be presented as follows:

	12/31/2011				Write-offs		Transfers: From/to assets held for sale (Note 13)		Transfers: Between fixed assets		Amortization		Foreign exchange differences		6/30/2012			
	Gross amount	Accumulated depreciation	Impairment (Note 22)	Acquisitions	Gross amount	Accumulated depreciation	Gross amount	Accumulated depreciation	Gross amount	Accumulated depreciation	of the period	Impairment (Note 22)	Gross amount	Accumulated depreciation	Gross amount	Accumulated depreciation	Impairment (Note 22)	Net amount
Tangible assets																		
Property																		
. Property for own use	415,472	120,714	2,486	176	-	-	(6,526)	(1,560)	(846)	(164)	4,071	1,227	-	-	408,276	123,061	3,713	281,502
. Leasehold expenditure	134,231	105,217	-	373	-	-	-	-	832	163	3,388	-	5	5	135,441	108,773	-	26,668
. Other property	347	1	43	-	-	-	-	-	-	-	1	122	-	-	347	2	165	180
Tangible assets in progress																		
. Property for own use	240	-	-	208	-	-	-	-	-	-	-	-	-	-	448	-	-	448
	550,290	225,932	2,529	757	-	-	(6,526)	(1,560)	(14)	(1)	7,460	1,349	5	5	544,512	231,836	3,878	308,798
Equipment																		
. Furniture and fixtures	23,160	17,689	-	120	-	-	-	-	-	-	962	-	1	1	23,281	18,652	-	4,629
. Machinery and tools	3,922	3,817	-	9	-	-	-	-	-	-	30	-	1	1	3,932	3,848	-	84
. Computer hardware	124,015	107,115	-	689	237	130	-	-	-	-	3,534	-	-	-	124,467	110,519	-	13,948
. Interior installations	91,268	82,545	-	980	-	-	(57)	(16)	14	1	1,386	-	-	-	92,205	83,916	-	8,289
. Vehicles	18,482	11,002	-	1,750	1,277	1,097	-	-	-	-	1,851	-	4	2	18,959	11,758	-	7,201
. Security equipment	27,805	26,737	-	23	-	-	-	-	-	-	240	-	-	-	27,828	26,977	-	851
. Other equipment	5,663	3,359	-	76	-	-	-	-	-	-	373	-	-	-	5,739	3,732	-	2,007
	294,315	252,264	-	3,647	1,514	1,227	(57)	(16)	14	1	8,376	-	6	4	296,411	259,402	-	37,009
Other tangible assets																		
. Leased equipment	281	281	-	-	-	-	-	-	-	-	-	-	-	-	281	281	-	-
. Others	1,535	-	-	-	-	-	-	-	-	-	-	-	-	-	1,535	-	-	1,535
	1,816	281	-	-	-	-	-	-	-	-	-	-	-	-	1,816	281	-	1,535
	846,421	478,477	2,529	4,404	1,514	1,227	(6,583)	(1,576)	-	-	15,836	1,349	11	9	842,739	491,519	3,878	347,342
Intangible assets																		
Software purchased	317,482	243,252	-	12,744	-	-	-	-	-	-	16,874	-	-	-	330,226	260,126	-	70,100
Intangible assets in progress	-	-	-	11,577	-	-	-	-	-	-	-	-	-	-	11,577	-	-	11,577
Goodwill	3,585	3,585	-	-	-	-	-	-	-	-	-	-	-	-	3,585	3,585	-	-
Other	29	29	-	-	-	-	-	-	-	-	-	-	-	-	29	29	-	-
	321,096	246,866	-	24,321	-	-	-	-	-	-	16,874	-	-	-	345,417	263,740	-	81,677

On June 30, 2013 and December 31, 2012, the caption “Software purchased” includes software acquired from Santander Tecnologia y Operaciones A.E.I.E., a european economic interest group owned by Santander Group, amounting to, net of depreciation, tEuros 57,929 and tEuros 64,273, respectively.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

15. INVESTMENTS IN ASSOCIATED COMPANIES

On June 30, 2013 and December 31, 2012, this caption was made up as follows:

	30-06-2013		31-12-2012	
	Effective participation (%)	Book value	Effective participation (%)	Book value
Investments in associates				
Domestic				
. Partang, SGPS, S.A.	49.00	118,087	49.00	111,284
. Unicre - Instituição Financeira de Crédito, S.A	21.50	30,128	21.50	30,168
. Benim - Sociedade Imobiliária, S.A	25.81	2,202	25.81	2,202
		150,417		143,654
Impairment of investments in associates (Note 22)				
. Benim – Sociedade Imobiliária, S.A.		(660)		(660)
		149,757		142,994

The participation in Benim – Sociedade Imobiliária, S.A. is held indirectly by the Bank through Totta Urbe – Empresa de Administração e Construções, S.A. (Totta Urbe).

Under the terms of the agreement signed in August 2008 between Caixa Geral de Depósitos, S.A. (CGD) and BST, on June 4, 2009, Santotta and BST founded Partang, SGPS, S.A (Partang) through delivery of shares of Banco Caixa Geral Totta de Angola, S.A. (“BCGTA”), previously called Banco Totta de Angola, S.A., corresponding to 50.5% and 0.5% of its share capital, respectively. Under the terms of the referred to agreement, on July 2, 2009 CGD subscribed the total amount of Partang’s capital increase. After this operation Partang was 50% owned by CGD and 50% by the Santander Group (of which 49.51% was held by the subsidiary of Banco Santotta – Internacional SGPS, S.A. (Santotta) and 0.49% was held directly by BST).

On June 30, 2103 and December 31, 2012, Partang, SGPS, S.A. owned 51% of Banco Caixa Geral Totta de Angola.

Under the terms of the agreement entered into between BST and CGD, on July 5, 2010 CGD exercised its purchase option over 1% of Partang’s share capital. Following this operation, the BST Group owned 49% of the share capital of Partang, having lost its joint control over the BCGTA. In accordance with IAS 27, the Bank measured the remaining participating interest at the date when joint control was lost at fair value. Following this operation the participation was recognised in accordance with equity method of accounting.

The Group has a put option to sell its participation in Partang to the CGD, exercisable during the period of 4 years starting July 2, 2011. Additionally, the CGD has a second call option on the Group’s participation in Partang, with a limit of 80% of Partnag’s share capital and voting rights, to be exercised in the first month of the fifth anniversary of the date of the capital increase of Partang (July 2, 2009).

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

16. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

On June 30, 2013 and December 31, 2012, these captions were made up as follows:

	30-06-2013	31-12-2012
Current tax assets:		
. Corporate income tax receivable	16,903	3,889
. Other	6,862	357
	---------	--------
	23,765	4,246
	=====	====
Current tax liabilities:		
. Corporate income tax payable from previous years	3,012	2,789
. Other	1,799	1,898
	-------	--------
	4,811	4,687
	====	====
Deferred tax assets		
. Relating to temporary differences	545,997	604,209
. Tax losses carried forward	33,683	27,369
	-----------	-----------
	579,680	631,578
	======	======
Deferred tax liabilities		
. Relating to temporary differences	55,831	71,442
. Relating to tax credits	3,789	3,861
	---------	----------
	59,620	75,303
	=====	=====

On June 30, 2013 and 2012, income tax for the period was made up as follows:

	30-06-2013	30-06-2012
Current tax		
. Of the period	(5,409)	(4,184)
. Special contribution of the banking sector	(10,802)	(11,842)
. Consortiums (“ACE’s”)	(799)	(741)
. Other	5,446	(4,253)
	---------	---------
	(11,654)	(21,020)
	---------	---------
Deferred tax		
. Increases and reversals of temporary differences (net)	(9,773)	9,212
	----------	---------
	(24.183)	(11.808)
	=====	=====

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

Changes in deferred tax assets and liabilities for the six month period ended on June 30, 2013 and 2012, were as follows:

	Balances on 31-12-2012	Shareholders' equity	Income Statement	Saldos em 30-06-2013
Provisions/Impairment temporarily not accepted for tax purposes				
. Assets	235,044	-	5,352	240,396
. Impairment losses on equity instruments	(5,754)	-	(45)	(5,799)
Revaluation of tangible assets	(3,861)	-	70	(3,791)
Pensions:				
. Early retirements	27,316	-	(4,293)	23,023
. Retirement pensions	19,168	-	(6,673)	12,495
. Transfers of pension liabilities to the Social Security	5,442	-	(302)	5,140
. Actuarial deviations	143,314	-	(7,962)	135,352
Long service bonus	7,871	-	69	7,940
Securitization operations:				
. Premium/discount on debt issued	(284)	-	18	(266)
. Recognition of accrual of interest from notes with greater subordination	(8,851)	-	998	(7,853)
. Results on intra-Group securities purchases	(18,033)	-	59	(17,974)
Tax losses carried forward	27,369	-	6,314	33,683
Valuation temporarily not accepted for tax purposes:				
. Tangible and intangible fixed assets	22	-	(9)	13
. Cash flow hedges	(28,852)	11,105	-	(17,747)
. Financial assets available for sale	148,587	(37,548)	-	111,040
. Deferred commissions	3,261	-	(1,902)	1,359
. Capital gains	(1,815)	-	(1,373)	(3,188)
. Application of the equity method in the valuation of investments in associated companies	(463)	-	-	(463)
. Long-term incentives	3,568	-	(94)	3,474
. Investments in subsidiaries, associates and joint ventures	3,226	-	-	3,226
	556,275	(26,443)	(9,773)	520,060
Deferred taxes assets	631,578			579,680
Deferred tax liabilities	(75,303)			(59,620)
	556,275			520,060

	Balances on 31-12-2011	Shareholders' equity	Income Statement	Others	Balances on 30-06-2012
Provisions/Impairment temporarily not accepted for tax purposes					
. Assets	182,499	-	40,699	-	223,198
. Impairement losses on equity instruments	(8,324)	-	1,753	-	(6,571)
Revaluation of tangible assets	(4,110)	-	165	-	(3,945)
Pensions:					
. Early retirements	19,543	-	(1,872)	-	17,671
. Retirement pensions	34,614	-	(7,730)	-	26,884
. Transfers of pension liabilities to the Social Security	6,047	-	(302)	-	5,745
. Actuarial deviations	159,238	(7,962)	-	-	151,276
. Pension Fund - London Branch	193	-	(97)	-	96
Long service bonus	7,471	-	93	-	7,564
Securitization operations:					
. Premium/discount on debt issued	(439)	-	136	-	(303)
. Recognition of accrual of interest from notes with greater subordination	(8,622)	-	128	-	(8,494)
. Results on intra-Group securities purchases	(17,130)	-	(22,901)	-	(40,031)
Tax losses carried forward	12,503	-	(451)	-	12,052
Valuation temporarily not accepted for tax purposes:					
. Tangible and intangible fixed assets	85	-	(27)	-	58
. Cash flow hedges	(16,978)	(7,170)	-	-	(24,148)
. Financial assets available for sale	271,941	(39,879)	-	-	232,062
. Deferred commissions	2,663	-	(124)	-	2,539
. Capital gains	(1,854)	-	19	-	(1,835)
. Application of the equity method in the valuation of investments in associated companies	(402)	-	7	-	(395)
. Long-term incentives	3,098	-	64	1	3,163
. Investments in subsidiaries, associates and joint ventures	5,809	-	(348)	-	5,461
	647,845	(55,011)	9,212	1	602,047
Defeered tax assets	705,704				687,769
Deferred tax liabilities	(57,859)				(85,722)
	647,845				602,047

Tax authorities may review the Bank's tax situation during a period of four years, except in the case of reportable tax losses, as well as of any other tax deduction or credit, in which case the right to corrections expires in the year of this right.

The Bank was subject to tax inspections for the years up to 2010, inclusive. As a result of the inspection for 2010, the Bank was subject to an additional assessment of Corporation Income Tax. The corrections made relate to several matters, including, adjustments to the tax base relating to impairment of non-financial assets and the limitation of losses in equity and corrections to the calculation of the tax relating to the autonomous taxation, as well as relating to the limitation of the use of tax benefits. Some of these corrections are merely temporary, namely those relating to the non-deductible impairment for non-financial assets.

As regards the additional assessments received in recent years, the Bank has paid the full amount or part of the amount of these additional tax assessments or, where applicable, has given a bank guarantee. However, the Bank has challenged the majority of the additional tax assessments.

BST records in the liability caption “Provisions”, the amount considered to be necessary to cover the risks of the additional tax assessments received which were not recognised in the income statement and contingencies relating to prior years not yet reviewed by the Tax Administration (Note 22).

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

17. OTHER ASSETS

This caption is made up as follows:

	30-06-2013	31-12-2012
Other available funds	356	333
Debtors and other applications		
Debtors resulting from operations with futures	9,909	3,895
VAT recoverable	660	548
Debtors for loan interest subsidy	6,219	5,939
Other debtors	49,643	47,850
Debtors and other applications - overdue capital	528	528
Debtors - unrealised capital	38	38
Shareholders' loans:		
Fafer - Empreendimentos Urbanisticos Construção, S.A.	364	364
Gestínsua - Aquisições e Alienações de Património Imobiliário e Mobiliário, S.A.	126	126
Propaço - Sociedade Imobiliária de Paço de Arcos, Lda	2,443	2,443
Gold, other precious metals, coins and medals	2,529	2,465
Promises and other assets received as settlement of defaulting loans	80,170	104,673
Income receivable	31,908	25,314
Other income receivable - securitization	5,996	10,767
Deferred costs on participations in consortiums		
NORTREM - Aluguer Material Ferroviário ACE	2,739	2,762
TREM - Aluguer Material Circulante ACE	98	137
TREM II - Aluguer Material Circulante ACE	330	443
Deferred costs	10,019	7,893
Over-the-counter transactions pending settlement	3,842	28
Asset transactions pending settlement	3,102	252
	211,019	216,798
Impairment losses (Note 22):		
. Shareholders' loans	(2,222)	(2,042)
. Assets received as settlement of defaulting loans	(17,879)	(22,921)
. Other	(832)	(879)
. Other	(20,933)	(25,842)
	190,086	190,956

The caption "Debtors resulting from operations with futures" corresponds to the current accounts maintained by the Bank in international financial institutions relating to the trading of futures. Futures margin accounts are recorded under the caption "Other liabilities - Creditors resulting from operations with futures" (Note 24).

On June 30, 2013 and December 31, 2012, the caption "Other debtors" includes the credit rights held over Fund Lusimovest amounting tEuros 24,500, relating to redemptions settled on account of the Fund (Note 9).

On June 30, 2013 and December 31, 2012, the caption "Other income receivable - securitization" corresponds to the amount receivable on swap agreements entered into between the Bank and the Santander Group and between the Santander Group and the securitization companies. The amount payable relating to these transactions is recorded in the caption "Other liabilities – Other charges payable" (Note 24).

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

On June 30, 2103 and December 31, 2012, the caption "Income receivable" includes essentially commission receivable from Santander Totta Seguros – Companhia de Seguros de Vida, S.A. for the sale of its products (Note 42).

18. RESOURCES OF CENTRAL BANKS

This caption is made up as follows:

	30-06-2013	31-12-2012
Resources of the European Central Bank		
Loans guaranteed with pledged assets	6,346,564	5,837,226
Resources of other Central Banks		
Demand deposits	8	16
	6,346,572	5,837,242

19. RESOURCES OF OTHER CREDIT INSTITUTIONS

This caption is made up as follows:

	30-06-2013	31-12-2012
Resources of domestic credit institutions		
Deposits	99,361	31,778
Interest payable	13	47
Other resources	-	2
	99,374	31,837
Resources of foreign credit institutions		
Sale operations with repurchase agreement	2,764,343	1,115,715
Deposits	759,362	745,391
Very short term resources	79,792	48,976
Other resources	13,555	7,236
Interest payable	97	419
	3,617,149	1,917,737
	3,716,523	1,949,574

On June 30, 2013 and December 31, 2012, the caption of "Resources of foreign credit institutions – Sale operations with repurchase agreement", is made up as follows, by type of underlying asset:

	30-06-2013			
Assets	Principal	Interest	Deferred costs	Total
Treasury Bonds - Portugal	1,317,981	553	(255)	1,318,279
Treasury Bonds - Spain	1,019,533	144	(52)	1,019,625
Bonds issued in securitization operations and covered bonds	374,236	245	(135)	374,346
Bond issued by Santander Totta	51,988	288	(183)	52,093
	2,763,738	1,230	(625)	2,764,343

	31-12-2012			
Assets	Principal	Interest	Deferred costs	Total
Treasury Bonds - Portugal	146,305	46	(9)	146,342
Treasury Bonds - Spain	969,309	123	(59)	969,373
	1,115,614	169	(68)	1,115,715

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

20. RESOURCES OF CUSTOMERS AND OTHER DEBTS

This caption is made up as follows:

	30-06-2013	31-12-2012
Term deposits	13,536,621	14,431,667
Demand deposits	4,857,540	4,890,448
Structured deposits	2,503,787	1,764,839
Savings deposits	43,664	55,081
Advance notice deposits	22,344	21,365
	20,963,956	21,163,400
Interest payable	150,882	171,186
Cheques and orders payable	137,116	117,294
Value adjustments of hedging operations	12,083	45,294
	300,081	333,774
	21,264,037	21,497,174

21. DEBT SECURITIES

This caption is made up as follows:

	30-06-2013	31-12-2012
Bonds in circulation		
Covered bonds		
Issued	6,380,000	5,880,000
Repurchased	(5,503,450)	(4,003,450)
Interest from covered bonds	19,274	23,576
Bonds issued in securitization operations		
Issued	2,861,610	4,270,551
Repurchased	(1,637,450)	(3,004,781)
Interest payable and other deferred cost and income	(1,585)	(1,597)
Cash bonds		
Issued	617,506	660,960
Repurchased	(190,473)	(33,446)
Interest payable	10,269	9,782
	2,555,701	3,801,595
Other		
EMTN Program	141,830	160,530
Repurchased	(2,940)	-
Interest payable	3	1,123
	138,893	161,653
Value adjustments of hedging operations	(38,785)	(9,729)
	2,655,809	3,953,519

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

The conditions of the covered bonds and cash bonds are described in Annex I.

In the first semester of 2013 and 2012 the Group repurchased bonds issued in securitization operations, recording capital gains of tEuros 650 and tEuros 80,409, respectively (Note 37).

Between May of 2008 and July of 2012, BST made eight issues of Covered Bonds under the "€ 12,500,000,000 Covered Bonds Programme". As at June 30, 2013 and December 31, 2012 the covered bonds had a cover pool of assets comprised by:

	30-06-2013	31-12-2012
Loans and advances to customers (Note 11)	8,261,525	7,675,686
Interest on loans	9,179	8,888
Commissions	(36,965)	(34,574)
Deferred expenses	13,377	14,552
	8,247,116	7,664,552
Hedging derivatives	25,047	42,106
	8,272,163	7,706,658

Changes in the debt issued by the Bank in the first semester of 2013 and in the year 2012 were the following:

	Bonds in circulation		EMTN Programme	
	Issued	Repurchased	Issued	Repurchased
Balances on December 31, 2011	6,370,376	(3,591,441)	2,289,570	(22,920)
. Issues made	250,000	-	900	-
. Issues repaid	(79,416)	8,332	(2,129,940)	800,790
. Issues repurchased	-	(453,787)	-	(777,870)
Balances on December 31, 2012	6,540,960	(4,036,896)	160,530	-
. Issues made	1,500,000	-	-	-
. Issues repaid	(1,043,454)	6,925	(18,700)	-
. Issues repurchased	-	(1,663,952)	-	(2,940)
Balances on June 30, 2013	6,997,506	(5,693,923)	141,830	(2,940)

Changes in bonds issued in securitization operations in the first semester of 2013 were as follows:

	Bonds	
	Issued	Repurchased
Balances on December 31, 2012	4,270,551	(3,004,781)
Redemption	(1,405,583)	1,367,331
Repurchases:		
- Hipototta No. 1 - Class A	(1,602)	-
- Hipototta No. 4 - Class A	(1,756)	-
	(3,358)	-
Balances on June 30, 2013	2,861,610	(1,637,450)

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

On June 30, 2013, the Bank had the following bonds issued under the Euro Medium Term Notes Programme:

Bonds with remuneration indexed to baskets of shares	
. Maturity between one and three years	109,530
Bonds with remuneration indexed to Euribor	
. Maturity between three and five years	32,300

	141,830
	======

22. CHANGES IN PROVISIONS AND IMPAIRMENT

Changes in provisions and impairment during the semesters ended June 30, 2013 and 2012 were as follows:

	31/12/2012	Increases	Reversals	Utilizations	30/06/2013
Provisions for tax contingencies (Note 16)	5,246	835	(702)	-	5,379
Provision for pensions and other charges	31,846	491	-	(5,341)	26,996
Impairment and provisions for guarantees and other sureties given	14,893	2,864	(1,989)	-	15,768
Other provisions	20,286	2,079	(7,802)	(972)	13,591
	72,271	6,269	(10,493)	(6,313)	61,734

	31/12/2011	Increases	Reversals	Utilizations	30/06/2012
Provisions for tax contingencies (Note 16)	16,683	263	-	-	16,946
Provision for pensions and other charges	29,957	441	-	(5,587)	24,811
Impairment and provisions for guarantees and other sureties given	8,254	10,036	(6,160)	-	12,130
Other provisions	20,588	3,808	(4,281)	(2,073)	18,042
	75,482	14,548	(10,441)	(7,660)	71,929

	31-12-2012	Impairment losses	Reversal of impairment losses	Utilizations	30-06-2013	Impairment recovery
Impairment of loans and advances to customers (Note 11):						
Domestic loans	319,663	65,694	(72,974)	-	312,383	-
Foreign loans	2,120	-	(173)	-	1,947	-
Non-derecognized securitized loans	22,742	133	(7,342)	-	15,533	-
Other securitized loans and receivables	3,460	1,294	-	-	4,754	-
Impairment of overdue loans and interest (Note 11):						
Domestic loans	543,351	184,151	(35,632)	(49,108)	642,762	(5,070)
Foreign loans	17,269	4,384	(1,422)	(110)	20,121	(2)
Non-derecognized securitized loans	54,480	9,580	(16,468)	(698)	46,894	-
Other securitized loans and receivables	2,577	-	(2,030)	-	547	-
	965,662	265,236	(136,041)	(49,916)	1,044,941	(5,072)
Impairment of other financial assets:						
Impairment of available-for-sale financial assets (Note 9)	58,983	10,886	(5,898)	-	63,971	-
Impairment of investments in associated companies (Note 15)	660	-	-	-	660	-
	59,643	10,886	(5,898)	-	64,631	-
Impairment of non-financial assets:						
Non-current assets held for sale (Note 13)	94,065	44,029	(16,519)	(8,945)	112,630	-
Tangible assets (Note 14)	3,895	15	(47)	-	3,863	-
Other assets (Note 17)	25,842	4,251	(9,160)	-	20,933	-
	123,802	48,295	(25,726)	(8,945)	137,426	-
	1,149,107	324,417	(167,665)	(58,861)	1,246,998	(5,072)

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

	31-12-2011	Impairment losses	Reversal of impairment losses	Utilizations	30-06-2012	Impairment recovery
Impairment of loans and advances to customers:						
Domestic loans	219,830	115,065	(23,098)	-	311,797	-
Foreign loans	869	435	-	-	1,304	-
Non-derecognized securitized loans	67,955	304	(35,987)	-	32,272	-
Other securitized loans and receivables	3,094	971	-	-	4,065	-
Impairment of overdue loans and interest:						
Domestic loans	325,816	168,118	(17,938)	(52,815)	423,181	(5,183)
Foreign loans	10,095	4,881	(713)	(210)	14,053	(45)
Non-derecognized securitized loans	44,203	16,028	(8,194)	(1,046)	50,991	-
Other securitized loans and receivables	51	237	-	-	288	-
	671,913	306,039	(85,930)	(54,071)	837,951	(5,228)
Impairment of other financial assets:						
Impairment of available-for-sale financial assets	64,670	160	(140)	(2,655)	62,035	-
Impairment of investments in associated companies	500	-	-	-	500	-
	65,170	160	(140)	(2,655)	62,535	-
Impairment of non-financial assets:						
Non-current assets held for sale (Note 13)	67,181	22,797	(874)	(6,056)	83,048	-
Tangible assets (Note 14)	2,529	1,371	(22)	-	3,878	-
Other assets	21,653	5,148	(1,973)	-	24,828	-
	91,363	29,316	(2,869)	(6,056)	111,754	-
	828,446	335,515	(88,939)	(62,782)	1,012,240	(5,228)

As at June 30, 2013 and December 31, 2012, the caption “Provision for pensions and other charges” is made up as follows:

	30-06-2013	31-12-2012
Restructuring plans	12,770	18,111
Supplementary pension plan of the Board of Directors (Note 45)	14,226	13,735
	26,996	31,846

As at June 30, 2013 and December 31, 2012 the caption “Other provisions” includes:

- Provision for lawsuits filed by customers and Bank employees, in the amounts of tEuros 3,688 and tEuros 3,358, respectively. The legal Department of the Bank estimates the expected loss for each process, based on its evolution as reported by the lawyer responsible for the respective process;

- Other provisions in the amounts of tEuros 9,303 and tEuros 16,928, respectively. As at June 30, 2013 and December 31, 2012 these include provisions for contingencies relating to operational risk (fraud, operations pending confirmation, open items and fines) amounting to tEuros 7,814 and tEuros 13,601, respectively.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

23. SUBORDINATED LIABILITIES

This caption is made up as follows:

	30-06-2013	31-12-2012
Subordinated Perpetual Bonds Totta 2000	270,447	270,447
Subordinated Perpetual Bonds BSP 2001	13,818	13,818
Subordinated Perpetual Bonds CPP 2001	4,275	4,275
	-------------	----------
	288,540	288,540
Repurchased securities	(284,265)	(284,265)
Interest payable	31	36
	--------	-------
	4,306	4,311
	====	=====

The conditions of the subordinated liabilities are detailed in Annex II.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

24. OTHER LIABILITIES

This caption is made up as follows:

	30-06-2013	31-12-2012
Creditors and other resources		
Creditors resulting from operations with futures	9,909	3,895
Other resources		
Secured account resources	46,091	42,912
Collateral account resources	2,290	892
Other resources	1,518	1,411
Public sector		
VAT payable	3,265	7,828
Withholding taxes	13,618	24,073
Social Security contributions	3,895	3,885
Collections on behalf of third parties	162	161
Interest, dividends and other remuneration from capital payable		
Remuneration from participating bonds	54	54
Dividends	191	191
Contributions to other health systems	1,528	1,526
Other creditors		
Creditors under factoring contracts	30,434	36,178
Creditors for the supply of goods	12,981	1,635
Other creditors	12,425	8,398
Accrued costs:		
Banking services provided by third parties	7	27
For transactions carried out by third parties	23	23
Relating to personnel		
Long service bonus	27,380	27,140
Vacation and vacation subsidy	23,546	31,559
Other variable remuneration	26,382	17,592
Other personnel costs	7,810	789
General administrative costs	32,445	33,828
Relating to swap agreements (Note 17)	5,500	10,526
Other	3,728	6,384
Liabilities with pensions and other benefits (Note 43)	36,803	13,532
Other deferred income	1,848	1,977
Amounts to be settled with banks and customers		
Liability operations to be settled	7,340	2,865
Other	5	24,136
	311,178	303,417

On June 30, 2013 and December 31, 2012 the caption “Amounts to be settled with banks and customers” corresponds essentially to inter-bank electronic transfers that are cleared in the first days of the following period.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

25. SHAREHOLDERS' EQUITY

On June 30, 2013 and December 31, 2012 the Bank's share capital was represented by 656,723,284 shares, with a nominal value of 1 Euro each, fully subscribed and paid up by the following shareholders:

	Number of shares	% of participation	Amount
Santander Totta, SGPS, S.A.	641,269,620	97,65	641,270
Taxagest, SGPS, S.A.	14,593,315	2,22	14,593
Other	687,114	0,10	687
Treasury shares	173,235	0,03	173
	656,723,284	100,00	656,723

Within the terms of Dispatch no. 408/99, of 4 June, published in the Diário da República – I Série B, no. 129, the share premium, amounting to tEuros 193,390, cannot be used to pay out dividends or to purchase treasury shares.

The caption "Other equity instruments" refer to supplementary capital contributions made by the shareholder Santander Totta, SGPS, S.A., which neither bear interest nor have a defined redemption term. These instruments can only be redeemed by decision of the Bank's Board of Directors with the prior approval of the Bank of Portugal.

On June 30, 2013 and December 31, 2012 the revaluation reserves were made up as follows:

	30-06-2013	31-12-2012
Revaluation reserves		
Reserves resulting from fair value valuation:		
Financial assets available for sale (Note 9)	(382,892)	(512,366)
Financial assets available for sale of companies under the equity method	3,136	2,521
Cash flow hedging instruments	61,203	99,490
Actuarial gains and losses (Note 43)	(607,590)	(589,360)
Actuarial gains and losses of companies under the equity method	(1,376)	(1,349)
Foreign exchange differences in consolidation	(4,375)	(5,857)
Legal revaluation reserves as at the transition date to the IFRS	23,245	23,245
	(908,649)	(983,676)
Deferred tax reserves for temporary differences:		
Reserves resulting from fair value valuation		
Financial assets available for sale	111,039	148,587
Financial assets available for sale of companies under the equity method	(800)	(622)
Cash flow hedging instruments	(17,747)	(28,852)
Tax effect of actuarial gains and losses	174,702	169,416
Tax effect from the change in accounting policy of companies under the equity method	399	391
Relating to the revaluation of tangible assets	(3,861)	(4,314)
Relating to the revaluation of tangible assets of companies under the equity method	(132)	(132)
	263,600	284,474
	(645.049)	(699,202)

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

Revaluation reserves

During 1998, under Decree-Law no. 31/98, of 11 February, the Bank revalued its tangible fixed assets, which resulted in an increase in the respective value, net of accumulated depreciation, of approximately tEuros 23,245, which was recorded in revaluation reserves. The net amount resulting from the revaluation may only be used for capital increases or the hedging of losses, through the use (amortization) or sale of the assets it relates to.

On June 30, 2013 and December 31, 2012 the caption “Other reserves and retained earnings” was made up as follows:

	30-06-2013	31-12-2012
Legal reserve	245,862	245,862
Other reserves		
Reserves of consolidated companies	149,230	190,849
Reserves of companies valued under the equity method	81,660	74,727
Merger reserve		
By incorporation of Totta and BSP	541,334	541,334
By incorporation of BSN	90,520	90,520
By incorporation of Totta IFIC	35,405	35,405
Other	983	1,737
	899,132	934,572
Retained earnings	332,601	241,078
	1,477,595	1,421,512

Legal reserve

In accordance with the provisions of Decree Law no. 298/92, of 31 December, amended by Decree Law no. 201/2002, of 26 September, the Bank set up a reserve fund up to the amount of the share capital or of the sum of the free reserves and the retained earnings, if greater. For this purpose, a fraction of at least 10% of the annual net income on a stand-alone basis is transferred to this reserve each year until the said amount is reached.

This reserve may only be used for the hedging of accumulated losses or to increase share capital.

Merger reserve

Under current legislation, the merger reserve is equivalent to the legal reserve and may only be used to hedge accumulated losses or to increase the share capital.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

26. CONSOLIDATED NET INCOME FOR THE PERIOD

Consolidated net income for the semesters ended June 30, 2013 and 2012 may be summarised as follows:

	30-06-2013		30-06-2012	
	Net income for the year	Contribution to the consolidated net income	Net income for the year	Contribution to the consolidated net income
Net income of BST on an individual basis	(1,338)	(1,338)	2,791	2,791
Net income of other Group companies:				
Serfin International Bank & Trust (SIBT)	170	170	212	212
Santotta - Internacional, SGPS	(27)	(27)	104	104
Totta Ireland, Plc.[(1)]	29,436	29,436	36,437	36,437
Banco Caixa Geral Totta de Angola	22,752	5,686	19,261	4,813
Totta Urbe	278	278	862	862
Totta & Açores, Inc. - Newark	30	30	(31)	(31)
Totta & Açores, Financing, Ltd (TAF)	6,180	6,180	6,180	6,180
BST International Bank, Inc	10,312	10,312	8,206	8,206
Partang, SGPS	11,661	5,714	9,936	4,869
Santander Pensões	397	397	430	430
Santander Gestão de Activos	832	832	1,771	1,771
Santander Asset Management, SGFIM, S.A.	1,040	1,040	625	625
Taxagest	190	188	(66)	(65)
Unicre	5,386	1,158	3,549	763
	88,637	61,394	87,476	65,176
Elimination of dividends:				
Totta Ireland, Plc.		(34,500)		(46,800)
Unicre		(985)		(1,036)
Santander Pensões		(760)		(1,000)
Santander Gestão de Activos		-		(9,430)
		(36,245)		(58,266)
Elimination of the valuation by Partang of the participation in BCGTA		(6,133)		(4,869)
Other adjustments related with securitization operations		8,045		48,534
Other		(1,542)		(1,218)
Consolidated net income for the period		24,181		52,148

(1) The amount reflected corresponds to the net result for the period from December 1 to June 30, as this entity closes its financial year on November 30, deducted of the net result for the month of December of 2012 and 2011, which amounted to tEuros 4,040 and tEuros 6,700, respectively.

27. MINORITY INTERESTS

Third party participation in the Group's companies on June 30, 2013 and December 31, 2012, was as follows by entity:

	Balance sheet		Income statement	
	30-06-2013	31-12-2012	30-06-2013	30-06-2012
Preference shares of BST International Bank, Inc	275,229	272,851	-	-
Preference shares of TAF	300,000	300,000	-	-
Interim dividends	(1.450)	(1.443)	-	-
Taxagest	554	550	(2)	3
Other	202	202	-	-
	-----------	----------	---	-----
	574.535	572.160	(2)	3
	======	======	==	==

As at 30 June 2006, the BST International Bank, Inc (BST Porto Rico) issued 3,600 non-voting preference shares of 100,000 United States Dollars (USD) each, fully subscribed and paid up by Banco Santander, S.A.. The Bank guarantees a non-cumulative dividend on these shares corresponding to an annual remuneration of 6.56% payable if and when declared by BST Puerto Rico's directors, at the beginning of January of each year. BST Puerto Rico may redeem the preference shares, in full or in part as from June 30, 2016, at 100,000 USD per share plus the amount of the dividend accrued monthly since the last payment made.

On 29 of June 2005, TAF issued 300,000 non-voting preference shares of 1,000 Euros each, fully subscribed and paid up by Banco Santander, S.A.. The Bank guarantees a non-cumulative dividend on these shares corresponding to an annual remuneration of 4.12% payable if and when declared by TAF's directors, at the beginning of January of each year. TAF may redeem the preference shares, in full or in part, as from June 30, 2015, at 1,000 Euros per share plus the amount of the dividend accrued monthly since the last payment made.

These issues were classified as equity in accordance with IAS 32. Under this Standard, the preference shares issued are classified as equity if:

- The Issuer or the Bank does not have a contractual liability to deliver cash or other financial asset
- to the shareholders; and

- Payment of dividends and repayment of the preference shares are at the discretion of the issuer.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

28. OFF-BALANCE SHEET ITEMS

Off-balance sheet items were made up as follows:

	30-06-2013	31-12-2012
Guarantees given and other contingent liabilities		
Guarantees and sureties	1,164,719	1,219,730
Documentary credits	190,333	125,913
Assets pledged as guarantee		
On loans of securites	538,955	478,249
Bank of Portugal	131,955	122,829
Deposit Guarantee Fund	83,556	84,425
Investor Indemnity System	4,841	4,864
Other contingent liabilities	6	6
	2,114,405	2,036,016
Commitments		
Credit lines		
Revocable	3,880,963	4,502,905
Irrevocable	973,474	1,496,610
Deposit Guarantee Fund	54,092	54,092
Investor Indemnity System	2,879	2,625
Other irrevocable commitments	11,447	11,235
Other revocable commitments	214	478,466
	4,923,069	6,545,933
Liabilities for services rendered		
Deposit and custodial services	55,267,974	51,506,012
Amounts received for collection	127,221	131,479
Assets managed by the Bank		
Other	7,317,583	7,656,254
	62,712,778	59,293,745

Deposit Guarantee Fund

The Deposit Guarantee Fund was created in November 1994 in accordance with Decree Law no. 298/92, dated December 31, to guarantee customers' deposits in accordance with the limits established in the General Regime for Credit Institutions. The initial contribution to the Fund, which was established by Ministerial Order of the Ministry of Finance, was made in cash and deposit securities, and was amortised over 60 months as from January 1995. Except as mentioned in the following paragraph, regular annual contributions to the Fund are recorded as an expense of the year to which it relates.

The total accumulated unpaid amount of this commitment as at June 30, 2013 and December 31, 2012 amounts to tEuros 54,092. Assets pledged as guarantee to the Bank of Portugal are recorded in off-balance sheet accounts at market value.

During the semester ended on June 30, 2013, the Bank made the payment of 100% of the annual contribution in the amount of tEuros 4,642.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

Investor Indemnity System

Liabilities relating to Investor Indemnity System are not recorded as cost, but are covered by the acceptance of an irrevocable commitment to pay that amount, if required to do so, part (50%) of the commitment being guaranteed by a pledge of Portuguese Treasury Bonds. As at June 30, 2013 this liability amounted to tEuros 2,879 (tEuros 2,625 on December 31, 2012).

29. INTEREST AND SIMILAR INCOME

This caption is made up as follows:

	30-06-2013	30-06-2012
Interest on cash and deposits		
In Central Banks - In the Bank of Portugal	588	1,051
In credit institutions	9	116
Interest on applications		
In domestic credit institutions		
In the Bank of Portugal	-	948
In other credit institutions	2,503	5,261
In foreign credit institutions	28,170	21,988
Interest on loans and advances to customers		
Domestic loans	300,811	364,964
Foreign loans	8,333	10,211
Other loans and receivables (commercial paper)	31,223	16,085
Commission received associated to amortised cost	18,199	20,703
Interest from securitised assets not derecognised	24,181	118,475
Interest on overdue credit (Note 47)	4,647	4,601
Interest and similar income on other financial assets		
Financial assets available for sale	73,285	103,991
Other financial assets at fair value through profit or loss	2,266	2,092
Hedging derivatives	124,456	167,859
Debtors and other applications	-	14
Other interest and similar income		
Swap agreements	25,079	65,400
Other	450	676
	644,200	904,435

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

30. INTEREST AND SIMILAR CHARGES

This caption is made up as follows:

	30-06-2013	30-06-2012
Interest on customers' deposits		
Public sector	5,638	10,330
Emigrants	9,667	10,072
Other residents	178,074	207,308
Non-residents	15,608	12,059
	-----------	-----------
	208,987	239,769
	-----------	-----------
Interest on other customers' resources	-	532
Interest on resources of Central Banks		
Bank of Portugal	12,030	29,976
Interest on resources of credit institutions		
Domestic	517	7,157
Foreign	13,601	20,047
Interest on debt securities (non-subordinated)		
Bonds	27,388	52,044
Other	295	43,521
Interest on hedging derivatives	107,598	161,129
Interest and commission on subordinated liabilities	46	108
Other interest and similar charges		
Swap agreements	26,978	67,837
Other	127	149
	-----------	------------
	188,580	382,500
	-----------	-----------
	397,567	622,269
	======	======

31. INCOME FROM EQUITY INSTRUMENTS

This caption refers to dividends and income received and is made up as follows:

	30-06-2013	30-06-2012
Available-for-sale financial assets:		
SIBS – Sociedade Interbancária de Serviços	881	1,075
Other	151	570
	-------	-------
	1,032	1,645
	====	====

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

32. INCOME FROM SERVICES AND COMMISSION

This caption is made up as follows:

	30-06-2013	30-06-2012
On guarantees given		
Guarantees and sureties	8,317	8,022
Documentary credits	1,657	1,509
On commitments to third parties		
Revocable	2,504	2,818
Irrevocable	1,429	788
For services rendered		
Card transactions	33,969	34,341
Credit operations	25,669	26,823
Real estate and mutual fund management	14,383	13,334
Annuities	7,129	7,087
Funds for collection and management	6,411	6,944
Other	3,785	5,407
On operations carried out on behalf of third parties		
On securities	24,401	24,147
Other	209	250
Other commission received		
Insurance companies (Note 42)	46,503	51,769
Demand deposits	11,964	9,415
Cheques	6,261	7,667
Specialized credit	-	571
Other	6,294	2,257
	200,885	203,149

33. CHARGES WITH SERVICES AND COMMISSION

This caption is made up as follows:

	30-06-2013	30-06-2012
On guarantees received		
Guarantees and sureties	264	620
On commitments assumed by third parties		
Revocable commitments	76	-
On banking services rendered by third parties		
Credit operations	6,793	5,739
Funds for collection and management	1,770	2,009
Customer transactions	14,502	11,123
Other	2,353	1,575
On operations carried out by third parties		
Securities	848	1,236
Other	648	574
Other commission paid	184	175
	27,438	23,051

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

34. RESULT OF ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

These captions were made up as follows:

	30-06-2013	30-06-2012
Financial assets held for trading:		
Equity instruments	2,509	6,181
Derivatives:		
. FRA's	(19)	260
. Swaps		
Foreign exchange rate contracts	(176)	(324)
Interest rate contracts	4,675	3,244
Equity contracts	1,765	1,946
Other	(46)	(25,759)
. Options:		
Foreign exchange rate contracts	245	19
Interest rate contracts	74	45
Equity contracts	145	41
. Interest rate guarantee contracts	14	(150)
Financial assets and liabilities at fair value through profit or loss	(1,068)	11,104
	8,118	(3,393)
Hedging derivatives:		
. Swaps		
Interest rate swaps	51,167	(42,163)
Equity swaps	(32,066)	634
. Auto-callable options	(1,966)	489
Value adjustments of hedged assets and liabilities	(17,444)	40,889
	(609)	(151)
	7,509	(3,544)

35. RESULT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

This caption is made up as follows:

	30-06-2013			30-06-2012		
	Gains	Losses	Net	Gains	Losses	Net
Debt instruments						
Issued by residents						
National public issuers	571	-	571	-	(1)	(1)
Equity instruments						
Valued at fair value	-	-	-	50	-	50
Other	-	(1,398)	(1,398)	9	(3,873)	(3,864)
	571	(1,398)	(827)	59	(3,874)	(3,815)

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

36. RESULT OF FOREIGN EXCHANGE REVALUATION

This caption is made up as follows:

	30-06-2013	30-06-2012
Gains on the revaluation of the foreign exchange position	20,601	26,830
Losses on the revaluation of the foreign exchange position	(18,872)	(24,220)
	1,729	2,610

37. RESULTS FROM THE SALE OF OTHER ASSETS

This caption is made up as follows:

	30-06-2013	30-06-2012
Gains on the sale of loans and advances to customers (Note 11)	1,647	3,925
Gains on tangible assets	1,290	172
Gains on non-current assets held for sale	932	1,427
Gains on the repurchase of bonds issued under mortgage securitization operations (Note 21)	650	80,409
Other	-	94
	4,519	86,027
Losses on non-current assets held for sale	(2,304)	(1,281)
Losses on tangible assets	(1,052)	(97)
Losses on the sale of loans and advances to customers (Note 11)	-	(100)
Other	(17)	(1,054)
	(3,373)	(2,532)
	1,146	83,495

In March 2012, BST made a tender offer for the acquisition of a set of bonds issued under mortgage securitization operations with a nominal value of tEuros 311,394. As a result of this operation the Bank recorded gains of tEuros 80,409.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

38. OTHER OPERATING RESULTS

This caption is made up as follows:

	30-06-2013	30-06-2012
Other operating income		
Operating leases	177	172
Reimbursement of expenses	1,354	1,402
Income from sundry services rendered	3,367	2,968
Other	8,792	9,998
	---------	---------
	13,690	14,540
	---------	---------
Other operating expenses		
Subscriptions and donations	(1,845)	(783)
Contributions to the Deposit Guarantee Fund	(2,412)	(2,310)
Other operating expenses	(15,723)	(13,684)
Other taxation		
Direct	(977)	(592)
Indirect	(468)	(481)
	---------	--------
	(21,425)	(17,850)
	--------	--------
	(7,735)	(3,310)
	====	====

39. STAFF COSTS

This caption is made up as follows:

	30-06-2013	30-06-2012
Remuneration		
Management and supervisory boards (Note 45)	2,725	2,745
Employees	92,745	93,713
Stock option plans (Note 46)	1,196	1,144
Other variable remuneration	13,773	16,142
	-----------	----------
	110,439	114,444
	-----------	----------
Mandatory social charges		
Charges on remuneration	24,984	25,784
Other mandatory social charges	768	547
Decrease in liabilities with death subsidy (Note 43)	(416)	(9,190)
Charges with pensions and other benefits (Note 43)	635	(1,746)
	---------	---------
	25,971	15,395
	---------	---------
Other staff costs		
Staff transfers	263	264
Other	2,420	2,997
	---------	---------
	2,683	3,261
	-----------	----------
	139,093	133,100
	======	======

The balance of the caption "Reduction in liabilities with death subsidy" refers to the reduction in liabilities with pensioners resulting from the amendments introduced by Decree Law no. 133/2012, of 27 of June, and Decree Law no. 131/2013, of 25 of January, which introduced a maximum to the amount of the subsidy for death corresponding to six and three times the amount of the social support index, respectively.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

40. GENERAL ADMINISTRATIVE COSTS

This caption is made up as follows:

	30-06-2013	30-06-2012
Specialised services	19,769	21,013
Maintenance of software and hardware	18,091	15,842
Communications	6,621	7,193
Rent and leases	5,193	5,674
Advertising and publishing	4,834	5,273
Maintenance and repairs	1,246	1,170
External supplies		
Water, electricity and fuel	3,764	4,065
Current consumable material	975	1,143
Other	127	181
Travel, lodging and representation expenses	2,245	2,596
Transportation	1,111	1,156
Staff training	888	942
Insurance	378	324
Other	1,483	2,158
	----------	----------
	66,725	68,730
	======	======

41. RESULTS FROM ASSOCIATES

This caption is made up as follows:

	30-06-2013	30-06-2012
Partang, SGPS, S.A.	5,956	3,964
Unicre - Instituição Financeira de Crédito, S.A.	528	763
Benim - Sociedade Imobiliária, S.A.	-	(124)
	--------	-------
	6,484	4,603
	====	====

Partang SGPS, S.A. is 49% owned by the Bank which, in turn, owns 51% of the capital of the Banco Caixa Geral Totta Angola, S.A..

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

42. INSURANCE BROKERAGE SERVICES RENDERED

Income from the insurance brokerage services rendered refers mainly to the commissions charged to Santander Totta Seguros - Companhia de Seguros de Vida S.A., and to other insurance companies for the placement of their products (Note 32), and it is as follows:

	30-06-2013			30-06-2012		
	Life Insurance	Non-Life Insurance	Total	Life Insurance	Non-Life Insurance	Total
Santander Totta Seguros	39,870	107	39,977	46,278	123	46,401
Other	-	6,526	6,526	-	5,368	5,368
	39,870	6,633	46,503	46,278	5,491	51,769

As at June 30, 2013 and December 31, 2012, the caption “Other assets – Income receivable from other services rendered” (Note 17) includes commission receivable from insurance companies, as follows:

	30-06-2013	31-12-2012
Santander Totta Seguros	20,000	13,712
Other	1,134	1,006
	21,134	14,718

These amounts refer essentially to the commissions raised on premiums for insurances sold during the second quarter of 2013 and the last quarter of 2012, respectively.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

43. EMPLOYEES' POST EMPLOYMENT BENEFITS

For the purpose of determining BST's past service liability relating to the servicing and retired employees, actuarial studies were carried out by Towers Watson International Limited, Portuguese branch. The present value of the past service liability and corresponding current service cost were determined based on the Projected Unit Credit method.

The liabilities with retirement pensions, healthcare benefits and death subsidy as at June 30, 2013 and in the four previous years, as well as the respective coverage, are as follows:

	30-06-2013	31-12-2012	31-12-2011	31-12-2010	31-12-2009
Estimated past service liability					
- Pensions					
. Current employees	257,453	251,252	210,669	275,580	255,009
. Pensioners	21,240	21,002	18,455	36,406	34,692
. Retired and early retired staff	387,289	388,656	387,608	855,952	896,251
	665,982	660,910	616,732	1,167,938	1,185,952
- Healthcare benefits (SAMS)	130,036	129,267	117,422	127,822	127,877
- Death subsidy	4,017	4,331	16,973	18,184	17,728
	800,035	794,508	751,127	1,313,944	1,331,557
Coverage of the liability:					
- Net assets of the Fund	766,072	784,937	758,244	1,312,888	1,395,849
Amount overfunded / (underfunded)	(33,963)	(9,571)	7,117	(1,056)	64,292
Actuarial and financial deviations generated in the year					
- Change in assumptions	-	73,518	(103,831)	-	(51,086)
- Experience adjustments:					
. Other actuarial (gains) / losses	5,560	(25,383)	(23,708)	(29,458)	(21,172)
. Financial (gains) / losses	13,805	(15,796)	339,627	103,392	61,639
	19,365	(41,179)	315,919	73,934	40,467
	19,365	32,339	212,088	73,934	(10,619)

The reduction in liabilities with death subsidy in 2012 and in the semester ended in June 30, 2013 is essentially due to the amendments introduced by Decree Law no. 133/2012 of June 27, which introduced a maximum amount for the subsidy for death, corresponding to six times the amount of the social support index.

As described in Note 1.2.l), a three party agreement was established between the Finance Ministry, the Portuguese Association of Banks and the Federation for the Financial Sector (FEBASE), regarding the transfer to the Social Security of part of the liabilities with pensioners who as at December 31, 2011 were covered by the substitutive regime of the Social Security under the Collective Labour Agreement (ACT) in force for the banking sector. As a result, the Bank's pension fund assets backing such liabilities were also transferred to the Social Security. Following Decree Law no. 127/2011, dated of December 31, the value of pension liabilities transferred to the Government was determined considering the following assumptions:

Mortality table male population	TV 73/77 less than 1 year
Mortality table female population	TV 88/90
Actuarial technical rate (discount rate)	4%

The liabilities transferred to the Social Security amounting to tEuros 456,111 were determined based on the assumptions described above.

The liabilities calculated by the Bank immediately before the transfer, according to the financial and actuarial assumptions used, amounted to tEuros 435,260.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

The difference between the liabilities transferred to the Social Security calculated using the assumptions set out in the Decree Law no. 127/2011, dated of 31 December (tEuros 456,111) and those used by the Bank (tEuros 435,260), amounting to tEuros 20,851, was recorded in the caption "Staff costs" of the income statement for 2011.

The assumptions used by the Bank for the determination of responsibilities immediately before the transfer to the Social Security were the following:

	Serving employees	Retired employees
Mortality table	TV 88/90	TV 88/90
Actuarial technical rate (discount rate)	5.92%	5.00%
Salary growth rate	2.35%	-
Pension growth rate	1.35%	1.35%

The liabilities determined considering the above assumptions amounted to tEuros 1,186,387 of which tEuros 435,260 corresponded to liabilities transferred to the Social Security, as mentioned above.

The main assumptions used on June 30, 2013 and December 31, 2012 were the following:

Mortality table	TV 88/90
Pension fund return rate	4.50%
Actuarial technical rate (discount rate)	
- Current employees	4.85%
- Non-serving	4.00%
Salary growth rate for 2013 and 2014	0.50%
Salary growth rate after 2014	2.35%
Pension growth rate for 2013 and 2014	0.00%
Pension growth rate after 2014	1.35%
Inflation rate	1.75%

The assumptions used in the calculation of the liabilities in December 31, 2012 were used in determining the cost with pensions for the first semester of 2013.

The discount rates of 4.85% for serving employees and 4.00% for the inactive correspond to an average rate of 4.5%, more specifically, the use of different rates for different populations leads to the same liability amount that would be determined if a rate of 4.5% had been used for the entire population.

To determine the amount of the Social Security pension which, under the terms of the ACT of the banking sector, should reduce the pension to be provided under the ACT, the following assumptions were used:

Salary growth rate to calculate the deductible pension:	
. For 2013 and 2014	0.50%
. After 2014	2.35%
Inflation (no. 1 of Article 27)	1.75%
Inflation (no. 2 of Article 27)	2.00%
Sustainability factor accumulated until 2012	Reduction of 3.92%
Future sustainability factor	Reduction of 0.5% per year

The expected rate of return on the Pension Fund assets corresponds to the estimated return on assets of the Fund's portfolio as at December 31, 2012, and was determined by the actuaries in charge.

The discount rate is determined based on the market rates of low risk corporate bonds, for similar maturities as those of the Plan's liabilities.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

The economic climate and the sovereign debt crisis of the South of Europe have brought volatility and disruption to the debt market in the Euro Zone, with a consequent abrupt reduction in the market yields on the debt of the companies with the best ratings and have limited the available basket of these bonds. In order to maintain the representativeness of the discount rate taking into consideration the universe of the Euro Zone, on December 31, 2012 the Bank incorporated information on interest rates in the determination of the discount rate, which it is possible to obtain on bonds denominated in Euros, including public debt, which it considers to be of high quality in terms of credit risk.

On June 30, 2013 and December 31, 2012, the amount of the liabilities with healthcare arising from a 1% variation in the contribution rate may be presented as follows:

	30-06-2013			31-12-2012		
	Number of beneficiaries	Contribution rate -1%	Contribution rate + 1%	Number of beneficiaries	Contribution rate -1%	Contribution rate + 1%
Serving employees (Defined Benefit Plan)	5,301	29,419	40,117	5,341	26,997	36,813
Serving employees (Defined Contribution Plan)	179	87	119	177	59	81
Pensioners	975	4,524	6,168	954	4,537	6,187
Retired and early retired staff	5,321	76,372	104,144	5,332	77,787	106,073
	11,776	110,402	150,548	11,804	109,380	149,154

Changes in the Bank's past service liability in the semester ended on June 30, 2013 and the year ended in December 31, 2012 may be broken down as follows, with regard to the Bank's pension plan:

	30-06-2013	31-12-2012
Liabilities at the beginning of the period	794,508	751,127
Current service cost	526	398
Interest cost	16,225	37,483
Actuarial (gains)/ losses	5,560	48,135
Early retirement	4,915	9,862
Amounts paid	(22,462)	(41,005)
Contributions of the employees	1,179	2,297
Reduction of liabilities with death subsidy	(416)	(13,745)
Correction of liabilities transferred to the Social Security	-	(44)
Liabilities at the end of the period	800,035	794,508

The cost of the period relating to pensions includes current service and interest cost, deducted from the estimated return from the assets of the Fund. In the first semester of 2013 and 2012, costs with pensions are made up as follows and were reflected in the caption "Staff costs" (Note 39):

	30-06-2013	30-06-2012
Current service cost	526	199
Net interest	-	(1,632)
Defined benefits plan	526	(1,433)
Defined contribution plan	23	18
London branch plan	86	(331)
	635	(1,746)

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

During the semesters ended on June 30, 2013 and 2012, the current service cost reflects the transfer to the Social Security General Regime of the serving employees covered by CAFEB and admitted in the sector before March 3, 2009 as set out under Decree Law No 1-A/2011, dated of January 3. As a result of this amendment, after the transition date, the retirement pension for which the Bank is responsible, is a complementary pension that results from the difference between the ACT pension and the Social Security pension.

As from January 1, 2009, employees hired by the Bank were integrated in the Social Security and are covered by a supplementary defined contribution pension plan with acquired rights under Article 137 – C of the ACT. The plan is supported by contributions of the employees (1.5%) and from the Bank (1.5%) over the amount of the effective monthly salary. For this purpose, each employee can choose the Pension Fund to which the Bank transfers its contribution.

Changes in actuarial gains and losses in the year 2012 and in the semester ended on June 30, 2013 were as follows:

Balance on December 31, 2011	551,055
Actuarial gains on pensions generated in 2012	37,239
Financial losses on pensions generated in 2012	(12,913)
Actuarial gains on healthcare benefits and death subsidy in 2012	10,896
Financial losses on healthcare and death subsidy in 2012	(2,883)
Balance on December 31, 2012 (Note 25)	583,394
Actuarial losses on pensions generated in 2013	5,170
Financial losses on pensions generated in 2013	11,465
Actuarial losses on healthcare and death subsidy in 2013	390
Financial losses on healthcare and death subsidy in 2013	2,340
Balance on June 30, 2013 (Note 25)	602,759

The accumulated actuarial gains and losses are deducted under the caption “Revaluation reserves”.

In 2012, the changes in actuarial assumptions include the effect of an increase in the discount rate from 5.5% to 4.5%, on average, and of the changes to the growth rates of pensions and salaries, for the years 2013 and 2014, from 1.35% to 0.00% and 2.35% to 0.5%, respectively.

The increase in estimated salaries and pensions was revised taking into account the current situation in Portugal and the consequent prospects of smaller increases in the future or even of maintenance the current amounts, particularly in the years 2013 and 2014.

The effective salary growth in the first semester of 2013 and in the year 2012 for the purpose of the contributions to the Social Security relating to the employees of the former Totta was 1.38% and 2.46%, respectively.

There was no effective increase in the pensions and of the salary table in the first semester of 2013 and in 2012.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

Santander Pensões – Sociedade Gestora de Fundos de Pensões, S.A. manages BST's Pension Fund. On June 30, 2013 and December 31, 2012, the number of participants in the Fund was as follows:

	30-06-2013	31-12-2012
Serving employees (1)	5,480	5,518
Pensioners	975	954
Retired and early retired staff	5,321	5,332
	---------	---------
	11,776	11,804
	=====	=====

(1) Of whom 179 and 177 employees are included in the new defined contribution plan on June 30, 2013 and December 31, 2012, respectively.

The main demographic changes in the year 2012 and in the first semester of 2013 were the following:

	Assets			
	Defined Contribution Plan	Defined Benefit Plan	Retired and early retired staff	Pensioners
Total number as at December 31, 2011	157	5,451	5,338	926
Exits:				
. Serving employees	(18)	(55)	-	-
. By death	-	-	(77)	(32)
Transfers	-	(56)	56	-
Entries	38	1	15	60
Total number as at December 31, 2012	177	5,341	5,332	954
Exits:				
. Serving employees	(7)	(22)	-	-
. By death	-	-	(34)	(17)
Transfers	-	(20)	20	-
Entries	9	2	3	38
Total number as at June 30, 2013	179	5,301	5,321	975

Changes in BST's Pension Fund during the year 2012 and the first semester of 2013 were the following:

Net assets as at December 31, 2011	758,244

Contributions made by the Bank (cash)	8,959
Contributions made by the employees	2,297
Net return of the Fund	56,544
Pensions paid	(41,005)
Transfer to the Social Security	(102)

Net assets as at December 31, 2012	784,937

Contributions made by the employees	1,179
Net return of the Fund	2,418
Pensions paid	(22,462)

Net assets as at June 30, 2013	766,072
	======

The rates of return of the Pension Fund in the first semester of 2013 (annualised) and in the year 2012 were 0.57% and 7,65%, respectively.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

On June 30, 2013 and December 31, 2012, BST's Pension Fund portfolio included the following assets:

	30-06-2013	31-12-2012
Debt instruments	272,357	309,217
Real estate investment funds	214,237	221,462
Securities investment funds	147,083	150,809
Properties	65,100	68,826
Equity instruments	35.176	152
Deposits	32,449	33,936
Pending settlement	(330)	535
	----------	-----------
	766,072	784,937
	======	======

On June 30, 2013 and December 31, 2012, the portfolio of the Pension Fund included the following assets with Santander Group companies:

	30-06-2013	31-12-2012
Leased property	22,605	22,791
Securities (including participating units in funds managed by the Group)	168,943	168,989
	-----------	-----------
	191,548	191,780
	======	======

In 2010 a life insurance policy was taken out with Santander Totta Seguros – Companhia de Seguros de Vida, S.A. to cover the liability arising from the new supplementary retirement plan for the Bank's executives. The initial contribution to the new plan amounted to tEuros 4,430. In 2012 the premium paid by the Bank amounted to tEuros 583 and the accrued premium as at June 30, 2013 was tEuros 291.

Defined benefit pension plan – London branch

On June 30, 2013 and December 31, 2012, the main assumptions used in the calculation of the liabilities with retirement pensions relating to the pension plan that covers the employees of the London branch were the following:

	30-06-2013	31-12-2012
Mortality table	AMC00/AFC00	AMC00/AFC00
Rate of return on the assets of the Pension Fund	4.65%	5.02%
Actuarial technical rate (discount rate)	4.65%	4.25%
Salary growth rate	3.30%	2.80%
Pension growth rate	1.80%	1.90%
Inflation rate	2.70%	2.20%

On June 30, 2013 and December 31, 2012, the liabilities with the defined benefit pension plan of the London branch and its coverage were as follows:

	30-06-2013	31-12-2012
Estimated liabilities for past services	32,186	35,303
Net assets of the fund	29,346	31,342
	--------	--------
Non-financed amount – London branch	(2,840)	(3,961)
	====	====

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

In relation to the specific pension plan of the London branch, the movement in the liabilities for past services in the year ended on December 31, 2012 and in the first semester of 2013 may be presented as follows:

Liabilities as at December 31, 2011	29,260
Current service cost	207
Interest cost	1,447
Actuarial losses	4,533
Amounts paid	(831)
Foreign exchange fluctuations	687
Liabilities a December 31, 2012	35,303
Current service cost	86
Interest cost	702
Actuarial gains	(3,464)
Amounts paid	(442)
Foreign exchange fluctuations	1
Liabilities as at June 30, 2013	32,186

Changes in the Pension Fund of the London branch during 2012 and the first semester of 2013 were the following:

Net assets on December 31, 2011	25,440
Net return of the fund	2,916
Contribution by the Bank	3,219
Pensions paid	(831)
Foreign exchange fluctuations	598
Net assets on December 31, 2012	31,342
Net return of the fund	(1,625)
Contribution by the Bank	70
Pensions paid	(442)
Foreign exchange fluctuations	1
Net assets on June 30, 2013	29,346

The costs of the defined benefit plan of the London branch during the first six months of 2013 and 2012 were as follows:

	30-06-2013	30-06-2012
Current service cost	86	100
Interest cost	-	(431)
	86	(331)

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

The actuarial gains and losses of the London branch were as follows:

Balance on December 31, 2011	3,212

Actuarial losses on pensions in 2012	4,533
Financial gains on pensions in 2012	(1,865)
Foreign exchange fluctuations	86

Balance on December 31, 2012 (Note 25)	5,966

Actuarial gains on pensions in 2013	(3,464)
Financial losses on pensions in 2013	2,329
Foreign exchange fluctuations	-

Balance on June 30, 2013 (Note 25)	4,831
	====

On June 30, 2013 and December 31, 2012, the London branch's Pension Fund portfolio included the following assets:

	30-06-2013	31-12-2012
Debt instruments	24,570	26,649
Equity instruments	4,734	4,497
Deposits	42	196
	---------	---------
Fund's net asset value	29,346	31,342
	=====	=====

44. SECURITIZATION OPERATIONS

Description of the operations

Between July 2003 and February 2011, BST securitized part of its mortgage loan portfolios, through twelve operations, with a total initial amount of tEuros 23,250,000. The loans were sold at their nominal value (book value) to Hipototta FTC Funds, with the exception of the two last securitization operations (Hipototta no. 11, Hipototta no. 12, BST SME no. 1 and Totta Consumer no. 1), in which the credits were sold to Tagus – Sociedade de Titularização de Créditos, S.A. (Tagus).

In April 2009, Totta IFIC securitized part of its leasing portfolio and long-term rental through an operation with a total initial amount of tEuros 1,300,000. The loans were sold at their nominal value (book value) to a securitization fund called LeaseTotta No. 1 FTC.

In October 2009 BST liquidated Hipototta No. 9 Ltd. which was established under the securitization operation of November 2008, the initial amount of the loans sold being tEuros 1,550,000. The liquidation occurred after a “Mortgage Retransfer Agreement”, under which the Bank repurchased the previously securitised loans for tEuros 1,462,000.

In April 2010, BST liquidated Hipototta No. 6 Ltd, which was established under the securitization operation of October 2007, the initial amount of the loans sold being tEuros 2,200,000. The liquidation occurred after a “Mortgage Retransfer Agreement”, under which the Bank repurchased the previously securitised loans for tEuros 1,752,357.

In July 2010, the BST securitized part of its mortgage loan portfolio, called Hipototta No. 11, for the total initial amount of tEuros 2,000,000. The loans were sold at their nominal value (book value) to Tagus – Sociedade de Titularização de Créditos, S.A. (Tagus).

In January and February 2011, BST entered into a Mortgage Retransfer Agreements with Hipototta No. 2 PLC, Hipototta No. 3 PLC and Hipototta No. 10 Ltd. under which repurchased the loans previously securitised, by the amounts of tEuros 880,636, tEuros 1,548,396 and tEuros 803,494, respectively and the Notes held in its portfolio related to these securitizations have redeemed at their nominal value.

In May and June of 2012, the BST entered into Mortgage Retransfer Agreements with Hipototta No. 11 and Hipototta No. 12. Under these agreements BST repurchased the previously securitised loans for tEuros 1,719,660 and tEuros 1,197,009, respectively, and was reimbursed relating to the Notes it held in the portfolio associated to these securitizations at the respective nominal value.

In March 2011, BST securitised part of its portfolio of commercial paper and loans to the companies through an operation called BST SME No. 1, with a total initial amount of tEuros 2,000,000.

Additionally in June 2011 the Bank securitized of part of its consumer credit portfolio through an operation called Totta Consumer No. 1, with a total initial amount of tEuros 1,000,000. The credits from these operations were sold at their nominal value to Tagus. In March 2012, BST liquidated the BST SME no. 1. This liquidation took place through the “SME Receivables Retransfer Agreement”, under which the Bank purchased again the credits initially securitised for tEuros 1,792,480.

In August 2012, BST liquidated the Totta Consumer No. 1. This liquidation was carried out through the “Consumer Receivables Retransfer Agreement”, by means of which the Bank reacquired the loans initially securitized for tEuros 626,373.

In May 2013, , BST liquidated the Hipototta No. 7. This liquidation was carried out through the “Mortgage Retransfer Agreement”, by means of which the Bank reacquired the loans initially securitized for tEuros 1,196,403.

Part of the funds Hipototta and Leasetotta are managed by Navegator – Sociedade Gestora de Fundos de Titularização de Créditos, S.A. (Navegator). BST continues to manage the loan contracts, transferring all the amounts received under the loan contracts to the Hipototta and Leasetotta Funds and to Tagus. The Group holds no direct or indirect participation in Navegator or in Tagus.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

To finance the operation, Hipotótta and LeaseTotta FTC Funds issued participating units for the same amount of the loan portfolio purchased, which were fully subscribed by the Hipototta and LeaseTotta PLC/Ltd Funds, both based in Ireland.

The Hipototta and LeaseTotta FTC Funds pay all the amounts received from BST and from the Portuguese Treasury ("Direcção Geral do Tesouro") to the Hipototta PLC/Ltd and Leasetotta No. 1 Limited, segregating the instalments between principal and interest.

To finance these operations, the Hipottota and LeaseTotta PLC/Ltd., and Tagus issued bonds with different levels of subordination and rating and, consequently, of return. On June 30, 2013 , the bonds issued and still active are as follows:

Hipottta nº 1 PLC

Issued debt	Amount Initial	Amount Actual	Rating S&P	Rating Moody's	Redemption date	Early redemption date	Remuneration Up to early redemption date	Remuneration After early redemption date
Classe A	1,053,200	175,098	AA-	A2	November 2034	August 2012	Euribor 3 m + 0.27%	Euribor 3 m + 0.54%
Classe B	32,500	11,290	AA-	Baa2	November 2034	August 2012	Euribor 3 m + 0.65%	Euribor 3 m + 0.95%
Classe C	14,300	4,975	A	Ba1	November 2034	August 2012	Euribor 3 m + 1.45%	Euribor 3 m + 1.65%
	1,100,000	191,363						
Classe D	17,600	11,000			November 2034	August of 2012	Residual income of the securitized portfolio	
	1,117,600	202,363						

Hipottta nº 4 PLC

Issued debt	Amount Initial	Amount Actual	Rating Fitch	Redemption date	Early redemption date	Remuneration Up to early redemption date	Remuneration After early redemption date
Classe A	2,616,040	1,002,524	A	December 2048	December 2014	Euribor 3 m + 0.12%	Euribor 3 m + 0.24%
Classe B	44,240	36,473	A	December 2048	December 2014	Euribor 3 m + 0.19%	Euribor 3 m + 0.40%
Classe C	139,720	115,188	BB	December 2048	December 2014	Euribor 3 m + 0.29%	Euribor 3 m + 0.58%
	2,800,000	1,154,185					
Classe D	14,000	14,000		December 2048	December 2014	Residual income of the securitized portfolio	
	2,814,000	1,168,185					

Hipottta nº 5 PLC

Issued debt	Amount Initial	Amount Actual	Rating S&P	Rating Moody's	Redemption date	Early redemption date	Remuneration Up to early redemption date	Remuneration After early redemption date
Classe A1	200,000	-			February 2060	'February 2014	Euribor 3 m + 0.05%	Euribor 3 m + 0.10%
Classe A2	1,693,000	875,463	AA-	A3	February 2060	'February 2014	Euribor 3 m + 0.13%	Euribor 3 m + 0.26%
Classe B	26,000	26,000	AA-	Baa3	February 2060	'February 2014	Euribor 3 m + 0.17%	Euribor 3 m + 0.34%
Classe C	24,000	24,000	A	Ba2	February 2060	'February 2014	Euribor 3 m + 0.24%	Euribor 3 m + 0.48%
Classe D	26,000	26,000	BBB	B3	February 2060	'February 2014	Euribor 3 m + 0.50%	Euribor 3 m + 1.00%
Classe E	31,000	31,000	BB	Caa2	February 2060	'February 2014	Euribor 3 m + 1.75%	Euribor 3 m + 3.50%
	2,000,000	982,463						
Classe F	10,000	9,951	CCC-	Ca	February 2060	'February 2014	Residual income of the securitized portfolio	
	2,010,000	992,414						

Leasetotta nº 1 Ltd

Issued debt	Amount Initial	Amount Actual	Rating DBRS	Redemption date	Remuneration
Classe A	1,040,000	173,649	AAH	April 2042	Euribor 3 m + 0.30%
Classe B	260,000	260,000		April 2042	Euribor 3 m + 4.75%
	1,300,000	433,649			
Classe C	65,000	65,000		April 2042	Residual income of the securitized portfolio
	1,365,000	498,649			

The bonds issued by Hipototta No. 1 PLC and Hipototta No. 4 PLC bear interest payable quarterly on March 30, June 30, September 30 and December 31 of each year. The bonds issued by Hipototta PLC No. 5 bear interest payable quarterly on February 28, May 30, August 31 and November 30 of each year. The bonds issued by LeaseTotta No. 1 Ltd bear interest payable quarterly on January 15, April 15, July 15 and October 15 of each year.

BST has the option to early redeem the bonds on the above-mentioned dates. For all Hipototas and for Lease Totta, BST has the possibility of repurchasing the loan portfolios at their nominal value when the outstanding loan portfolio is equal to or less than 10% of the initial amount of the operations.

Furthermore, up to five days before each quarterly interest payment date, Hipototta and Leasetotta PLC/Ltd have the option to make partial repayments of the Class A, B and C notes, as well as the Class D and E notes in the case of Hipototta PLC No. 5, in order to adjust the amount of the liability to that of the outstanding mortgage loan portfolios.

Remuneration of the Class D bonds of Hipototta No. 1 and Hipototta No. 4, the Class F bonds for Hipottota No.5, and the Class C bonds for LeaseTotta no. 1 Ltd are the last liabilities to be paid.

Remuneration of these classes of bonds corresponds to the difference between the income generated by the securitised loan portfolio and the sum of all the costs of the operation, namely:

- Taxation;
- Expenses and commission calculated on the value of the portfolios (custodian fee and service fee, both charged by BST, and management fee, charged by the Funds);
- Interest on the other classes of notes; and
- Impairment losses.

When the securitization operations were launched, the estimated income of the securitised loan portfolios included in the calculation of the remuneration of the Class D bonds of Hipototta PLC No. 1 and 4 corresponded to an average annual rate of 1.1% and 0.9%, respectively. For the Class F notes of Hipototta PLC No. 5 it corresponded to an annual average of 0.9% of the total credit portfolio. For the Class C bonds of LeaseTotta no. 1, it corresponded to an annual average rate of 0.7% of each of the loan portfolios.

When the securitizations were issued, subordinated loans were granted by BST to Hipototas, for facilities / credit lines in case of need for liquidity by Hipototas. There were also signed "Swap Agreements" between the Santander Group and the first issued Hipototas and between the BST and the remaining securitization vehicles to cover the interest rate risk.

Accounting recognition

In compliance with IAS 27 and SIC 12, for the purposes of the consolidated financial statements, the Hipototta FTC Funds and Hipototta PLC/Ltd were included in the consolidation perimeter (Note 4), given that the Bank has the majority of the risks and benefits relating to the operations of these entities. Consequently, the securitised mortgage loans were reflected in the balance sheet and part of the bonds issued by Hipototta PLC/Ltd, Leasetotta No.1 Limited and Tagus which are held by the Group, were eliminated in the consolidation process.

45. RELATED PARTIES DISCLOSURES

Related parties disclosures of the Bank with which it had balances or transactions in the first semester of 2013 and in the year of 2012 were the following:

Name of the related entity	Head office
Entities that directly or indirectly control the Group	
Santander Totta, SGPS	Portugal
Santusa Holding, S.L.	Spain
Banco Santander, S.A.	Spain
Entities under direct or indirect control by the Group	
Totta & Açores, Inc. - Newark	USA
Serfim International Bank & Trust	Cayman Islands
Totta & Açores Financing, Ltd	Cayman Islands
Totta Ireland, PLC	Ireland
BST International Bank, Inc.	Puerto Rico
Santander Asset Management SGFIM, S.A.	Portugal
Santander - Gestão de Activos,SGPS,S.A.	Portugal
Santander-Pensões Sociedade Gestora de Fundos de Pensões, S.A.	Portugal
Santotta Internacional, S.G.P.S, Sociedade Unipessoal, LDA	Portugal
Taxagest, SGPS, S.A.	Portugal
Tottaurbe - Empresa Administração e Construções, S.A.	Portugal
Entities significantly influenced by the Group	
Banco Caixa Geral Totta de Angola	Angola
Benim - Sociedade Imobiliária, S.A.	Portugal
Partang,SGPS.S.A.	Portugal
Unicre-Instituição Financeira de Crédito, S.A.	Portugal
Entities under direct or indirect common control by the Group	
Banco Santander Brasil, S.A.	Brazil
All Funda Bank, SA	Spain
Banco Banif, S.A.	Spain
Capital Grupo Santander, SA SGECR	Spain
Fondo de Titulización de Activos Santander Empresas 1	Spain
Fondo de Titulización de Activos Santander Empresas 2	Spain
Fondo de Titulización de Activos Santander Empresas 3	Spain
Fondo de Titulización Santander Financiación 1	Spain
Ftpyme Santander 2 Fondo de Titulización de Activos	Spain
Geoban, S.A.	Spain
Gesban Servicios Administrativos Globais	Spain
Ibérica de Compras Corporativas	Spain
Ingeniería de Software Bancário, S.L.	Spain
Open Bank Santander Consumer S.A.	Spain
Produban Servicios Informáticos Generales, S.L.	Spain
Retama Real Estate, S.L.	Spain
Santander Asset Management, S.A. SGIIC.	Spain
Santander Back-Office Globales Mayorista	Spain
Santander Bank & Trust Ltd.	Spain
Santander Consumer Finance S.A.	Spain
Santander Consumer Spain Auto 07-1	Spain
Santander Consumer, EFC, S.A.	Spain
Santander Hipotecario 1 Fondo de Titulización de Activos	Spain
Santander Hipotecario 2 Fondo de Titulización de Activos	Spain
Santander Hipotecario 3 Fondo de Titulización de Activos	Spain
Santander Investment, S.A.	Spain
Santander Seguros y Reaseguros, Compañía Aseguradora, S.A.	Spain
Santander Tecnologia y Operaciones AEIE	Spain
Transolver Finance EFC,SA	Spain
Union de Créditos Inmobiliários,SA	Spain
Banco Santander International Miami	USA
Santander Investment Securities,Inc	USA
Sovereign Bank	USA
Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander	Mexico
Banco Santander Puerto Rico	Puerto Rico
Banco Santander Consumer Portugal S.A.	Portugal
HBF Aluguer Comércio Viaturas S.A.	Portugal
Konecta Portugal, Lda.	Portugal
Portal Universia Portugal, Prestaçao de Serviços de Informática, S.A.	Portugal
Santander Totta Seguros, Companhia de Seguros de Vida, S.A.	Portugal
UCI Mediação de Seguros, Unipessoal Lda.	Portugal
Abbey National Treasury Services plc	United Kingdom
Alliance & Leicester PLC	United Kingdom
Santander UK plc	United Kingdom
Banco Santander (Suisse), S.A.	Switzerland

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

Name of the related entity	Head office
Special Purpose Entities that are directly or indirectly controlled by the Group	
HIPOTOTTA NO. 1 PLC	Ireland
HIPOTOTTA NO. 4 PLC	Ireland
HIPOTOTTA NO. 5 PLC	Ireland
LEASETOTTA NO. 1 Ltd	Ireland
HIPOTOTTA NO. 1 FTC	Portugal
HIPOTOTTA NO. 4 FTC	Portugal
HIPOTOTTA NO. 5 FTC	Portugal
LEASETOTTA NO.1 FTC	Portugal

On June 30, 2013, the balances with related parties were as follows:

	Entities that directly or indirectly control the Group	Entities that are significantly influenced by the Group	Entities under direct or indirect common control by the Group
Assets:			
Balances due from banks	9,786	-	16,061
Financial assets held for trading	286,597	22,714	3,689
Available-for-sale financial assets	-	-	6,523
Loans and advances to credit institutions	1,802,872	37,501	209,348
Loans and advances to customers	-	-	29,369
Hedging derivatives	186,042	-	-
Investments in associated companies	-	149,757	-
Other assets	15,796	4,951	21,986
Liabilities:			
Financial liabilities held for trading	1,608,965	-	54,887
Resources of other credit institutions	597,557	209,457	9,710
Resources of customers and other debts	162,417	9,236	1,623,014
Debt securities	178,222	-	83,108
Hedging derivatives	388,921	-	-
Subordinated liabilities	-	-	4,306
Other liabilities	5,635	-	9,004
Costs:			
Interest and similar charges	112,949	248	36,151
Charges with services and commission	-	-	660
Result of assets and liabilities at fair value through profit or loss	565,087	-	32,667
Result of foreign exchange revaluation	-	-	308
General administrative costs	-	-	19,170
Income:			
Interest and similar income	137,711	2	2,447
Result of assets and liabilities at fair value through profit or loss	714,949	-	32,636
Result of foreign exchange revaluation	361	-	-
Income from services and commission	275	-	41,951
Results of participations in associates and joint-ventures	-	6,484	-
Other operating results	-	-	100
Off-balance sheet Items:			
Guarantees provided and other contingent liabilities	15,245	-	23,472
Guarantees received	710	-	1,400
Commitments to third parties	22,774	780	38,424
Currency operations and derivatives	22,376,728	24,947	896,665
Responsibilities for services rendered	2,779,051	34,716	7,394,551

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

On December 31, 2012, the balances with related parties were as follows:

	Entities that directly or indirectly control the Group	Entities that are significantly influenced by the Group	Entities under direct or indirect common control by the Group
Assets:			
Balances due from banks	8,372	-	8,539
Financial assets held for trading	262,786	-	5,825
Available-for-sale financial assets	-	-	5,973
Loans and advances to credit institutions	1,825,070	-	1,405
Loans and advances to customers	-	-	38,179
Hedging derivatives	247,437	-	-
Investments in associated companies	-	142,994	-
Other assets	14,553	4,018	16,186
Liabilities:			
Financial liabilities held for trading	1,835,739	-	69,014
Resources of other credit institutions	599,332	158,341	24,286
Resources of customers and other debts	85,938	9,545	1,818,110
Debt securities	165,547	-	298,674
Hedging derivatives	453,444	-	-
Subordinated liabilities	-	-	4,311
Other liabilities	10,663	-	2,840
Costs:			
Interest and similar charges	348,656	958	90,756
Charges with services and commission	880	-	3,081
Result of assets and liabilities at fair value through profit or loss	2,204,438	-	102,309
General administrative costs	-	-	36,922
Impairment on Investments in associates and branches excluded from the consolidation	-	160	-
Income:			
Interest and similar income	386,852	5	8,037
Result of assets and liabilities at fair value through profit or loss	1,559,475	-	80,279
Result of foreign exchange revaluation	360	-	-
Income from services and commission	275	-	85,648
Results of participations in associates and joint-ventures	-	11,864	-
Other operating results	-	-	199
Off-balance sheet Items:			
Guarantees provided and other contingent liabilities	15,784	-	523,224
Guarantees received	710	-	1,400
Commitments to third parties	515	784	561,030
Commitments assumed by third parties	-	-	301,417
Currency operations and derivatives	21,073,204	881	1,073,094
Responsibilities for services rendered	2,812,706	34,592	8,079,659

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

MANAGEMENT AND SUPERVISORY BOARDS

Board of Directors

On June 30, 2013 and December 31, 2012, the loans and advances to members of management and supervisory boards, considered key management personnel of the Bank, amounted to tEuros 1,077 and tEuros 1,135, respectively. Fixed and variable remuneration at these dates amounted to tEuros 2,725 and tEuros 5,675, respectively.

The Santander Group, which includes BST, also has a worldwide long term incentive plan, which is described in Note 46 and is divided into cycles. For the members of the Board of Directors, the amount recorded in the caption of "Staff costs" at June 30, 2013 and December 31, 2012 is presented below:

	30-06-2013	31-12-2012
Fourth cycle – PI12 - assigned in 2009 exercisable in July 2012	-	84
Fifth cycle – PI13 - assigned in 2010 exercisable in July 2013	109	217
Sixth cycle – PI14 - assigned in 2011 exercisable in July 2014	5	11
	114	312

In July 9, 2012, the fourth cycle of the long term incentive plan linked to objectives was completed. In this regard, the total number of shares assigned to members of the Board of Directors was 35,850, at a price of 4,88 Euros per share.

With regard to post-employment benefits, the members of the Board of Directors with a labour contract with BST are included in the pension plan of the Collective Labour Agreement ("Acordo Colectivo de Trabalho" - ACT) for the banking sector subscribed by the Bank. The general conditions of this plan are described in Note 1.2. l).

In the Shareholders' General Meeting held on May 30, 2007, the BST's shareholders approved the "Regulation for supplementary attribution of retirement pensions for age or disability" for the executive members of the Board of Directors of the former BTA that are executive members of the BST's Board of Directors (Executive Committee) and were in office for more than fifteen years, consecutive or interpolated. Under this Regulation they will be entitled to a pension supplement equivalent to 80% of gross annual salary. The amount of the supplementary retirement pension shall be determined by the Compensation Committee when the time in office is less than fifteen years. For these situations, it is defined that the supplement of the pension will be 65% of gross annual salary, whenever the time in office is equal to or is more than ten years, and 75% of gross annual salary, whenever the time in office is equal to or is more than twelve years. This defined benefit plan is a supplementary plan dependent from the general Social Security system.

On June 30, 2013 and December 31, 2012, the liabilities with this plan amounted to tEuros 14,226 and tEuros 13,735, respectively, and were covered by a provision of the same amount recorded in the caption "Provision for pensions and other charges" (Note 22).

With regard to employment termination benefits, in accordance with Commercial Company Law ("Código das Sociedades Comerciais"), whenever the term of a member of the management or supervisory boards is terminated early by BST, it will pay the member the future remuneration that he/she would be entitled to up to the end of its term.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

46. LONG-TERM INCENTIVE PLANS - SHARES

The “Share Plan Linked to the Santander Group’s Objectives” was approved In a Shareholders’ General Meeting of Banco Santander. This plan is divided into cycles, and so far seven cycles have been approved. BST is also included in this plan.

Each beneficiary of the plan has the right to receive a maximum number of Banco Santander, S.A.’s shares. The final number allocated is determined by multiplying the maximum number of shares initially allocated, by the sum of the coefficients indexed to the evolution of Banco Santander, S.A. in relation to other entities included in a predefined group. The comparison is measured in relation to two parameters: total shareholders’ return and increase in earnings per share for the first three cycles, for the remaining cycles the comparison is measured by the total shareholders’ return only.

The maturity dates of the cycles for the stock plans linked to objectives, the total number of shares granted and the value per share are as follows:

Cycle	Maturity date	Number of shares attributed	Value per share
First	July 6, 2009	97,676	8.49 Euros
Second	July 8, 2010	136,719	8.77 Euros
Third	July 11, 2011	133,727	7.51 Euros
Fourth	July 9, 2012	35,850	4.88 Euros

As described in Note 1.3. o), recognition of the share incentive plans consists in recognizing the right of the Bank’s employees to such instruments in the income statement for the year under the caption “Staff costs”, as it corresponds to remuneration for services rendered. Management, hedging and implementation of the plans are provided by Banco Santander for all employees covered by the Plan worldwide.

In the first six months of 2013 and 2012, the total cost of the plan with all BST’s employees covered by it was as follows:

	30-06-2013	30-06-2012
Fourth cycle – PI12 – assigned in 2009 exercisable in July 2012	-	545
Fifth cycle – PI13 – assigned in 2010 exercisable in July 2013	736	736
Sixth cycle – PI14 – assigned in 2011 exercisable in July 2014	460	533
	-------	-------
	1,196	1,844
	====	====

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

The employees are entitled to stocks upon their permanence in the Santander Group. The cost per share, as well as the dates to deliver the shares are summarised in the following table:

Stocks' plans	Number of shares	Cost per share (Euros)	Estimated date of delivery of the shares	Number of employees	Entitlement date
Plans in place as at December 31, 2011:					
PI12	747,059	4.5112	Jul/2012	318	2009
PI13	779,212	5.5707	Jul/2013	320	2010
PI14	609,358	4.5254	Jul/2014	309	2011
Change in 2012:					
PI12 - Shares available	(200,897)	-	-	(320)	-
PI12 - Shares not available [b]	(471,823)	-	-	-	-
PI12 - Reversals [a]	(74,339)	-	-	(2)	-
PI13 - Reversals [a]	(76,339)	-	-	(2)	-
Plans in place as at December 31, 2012 and June 30, 2013:					
PI13	702,873	5.5707	Jul/2013	318	2010
PI14	609,358	4.5254	Jul/2014	309	2011

Notes:
(a) Reversal of the rights granted to beneficiaries who have not completed the permanence requirements in the Santander Group established in the Regulation Plan.
(b) Difference between the maximum number of allocated shares and the number of shares actually delivered. The number of allocated shares results by applying a coefficient calculated according to the Santander Group's performance applied to the maximum number of shares allocated.

For the share plans linked to objectives in force on June 30, 2013 (5th and 6th cycles), the fair value was determined in accordance with the following methodology:

– It was considered that the beneficiaries will remain in the Santander Group during the period of each plan;

– The value relating to the relative position of the Total Return to Shareholders (TRS) was determined at the vested date based on the report of an independent expert who carried out a stochastic valuation using a "Monte Carlo" model with 10,000 simulations performed to determine the TRS for each entity included in the group of comparables. The results (each one representing the delivery of a number of shares) are sorted on descending basis, calculating a weighted average and discounting the amount at a risk free interest rate.

	PI13	PI14
Volatility (*)	49.65%	51.35%
Annual dividend yield in recent years	6.34%	6.06%
Risk-free interest rate	3.330%	4.073%

(*) Historical volatility of the corresponding period (2 or 3 years)

Application of the simulation model results in a percentage of 62.62% for PI13 and of 55.39% for PI14, to which 50% of the value allocated to determine the accounting cost of the TRS incentive is applied. Since the valuation refers to a market condition, it is not subject to adjustment as from the allocation date.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

47. DISCLOSURES IN ACCORDANCE WITH IFRS 7

BALANCE SHEET

Categories of financial instruments

On June 30, 2013 and December 31, 2012, financial instruments had the following book value:

	30-06-2013				
	Valued at fair value	Valued at amortised cost	Valued at historical cost	Impairment	Net Value
Assets					
Cash and deposits at central banks	-	48,098	191,917	-	240,015
Balances due from other banks	-	315,735	55,220	-	370,955
Financial assets held for trading	2,083,311	-	-	-	2,083,311
Financial assets at fair value through profit or loss	94,691	-	-	-	94,691
Available-for-sale financial assets	4,772,618	-	20,984	(63,971)	4,729,631
Loans and advances to banks	-	2,999,304	-	-	2,999,304
Loans and advances to customers	45,991	27,742,015	-	(1,044,941)	26,743,065
Hedging derivatives	204,413	-	-	-	204,413
	7,201,024	31,105,152	268,121	(1,108,912)	37,465,385
Liabilities					
Resources of central banks	-	6,346,572	-	-	6,346,572
Financial liabilities held for trading	1,843,981	-	-	-	1,843,981
Resources of other credit institutions	-	3,716,523	-	-	3,716,523
Resources of customers and other debts	3,542,208	17,584,713	137,116	-	21,264,037
Debt securities	1,399,849	1,255,960	-	-	2,655,809
Hedging derivatives	390,519	-	-	-	390,519
Subordinated liabilities	-	4,306	-	-	4,306
	7,176,557	28,908,074	137,116	-	36,221,747

	31-12-2012				
	Valued at fair value	Valued at amortised cost	Valued at historical cost	Impairment	Net Value
Assets					
Cash and deposits at central banks	-	141,602	210,763	-	352,365
Balances due from other banks	-	321,628	63,695	-	385,323
Financial assets held for trading	2,265,495	-	-	-	2,265,495
Financial assets at fair value through profit or loss	93,735	-	-	-	93,735
Available-for-sale financial assets	3,527,449	-	21,398	(58,983)	3,489,864
Loans and advances to banks	-	3,097,422	-	-	3,097,422
Loans and advances to customers	49,565	27,895,746	-	(965,662)	26,979,649
Hedging derivatives	284,850	-	-	-	284,850
	6,221,094	31,456,398	295,856	(1,024,645)	36,948,703
Liabilities					
Resources of central banks	-	5,837,242	-	-	5,837,242
Financial liabilities held for trading	2,048,743	-	-	-	2,048,743
Resources of other credit institutions	-	1,949,574	-	-	1,949,574
Resources of customers and other debts	3,070,416	18,309,464	117,294	-	21,497,174
Debt securities	2,637,250	1,316,269	-	-	3,953,519
Hedging derivatives	455,911	-	-	-	455,911
Subordinated liabilities	-	4,311	-	-	4,311
	8,212,320	27,416,860	117,294	-	35,746,474

In 2012 there were no reclassifications of financial assets, except for the reclassification of the participating units of the “Lusimovest” and “Novimovest” Funds from the caption “Financial assets held for trading” to the caption “Available-for-sale financial assets” (Note 9).

The financial assets and liabilities for which fair value hedge accounting was applied are valued at fair value, although only the amounts relating to the hedged risk were subject to fair value adjustment.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

INCOME STATEMENT

In the semesters ended on June 30, 2013 and 2012, the net gains and losses on financial instruments were as follows:

	30-06-2013					
	By corresponding entry to profit or loss			By corresponding entry to equity		
	Gains	Losses	Net	Gains	Losses	Net
Financial assets and liabilities held for trading	1,044,161	(1,034,974)	9,187	-	-	-
Financial assets at fair value through profit or loss	2,601	(1,403)	1,198	-	-	-
Available-for-sale financial assets	6,562	(8,541)	(1,979)	129,474	-	129,474
Balances in central banks and other credit institutions	31,270	-	31,270	-	-	-
Loans and advances to customers	632,624	(351,176)	281,448	-	-	-
Hedging derivatives	251,019	(217,025)	33,994	-	(38,287)	(38,287)
Resources in central banks and other credit institutions	-	(26,148)	(26,148)	-	-	-
Resources of customers and other debts	55,843	(209,052)	(153,209)	-	-	-
Debt securities	25,616	(28,118)	(2,502)	-	-	-
Subordinated liabilities	-	(84)	(84)	-	-	-
	2,049,696	(1,876,521)	173,175	129,474	(38,287)	91,187
Guarantees given	10,099	(2,265)	7,834			
Credit lines	5,797	(758)	5,039			

	30-06-2012					
	By corresponding entry to profit or loss			By corresponding entry to equity		
	Gains	Losses	Net	Gains	Losses	Net
Financial assets and liabilities held for trading	4,079,823	(4,094,349)	(14,526)	-	-	-
Financial assets at fair value through profit or loss	13,196	-	13,196	-	-	-
Available-for-sale financial assets	162,663	(4,035)	158,628	137,653	-	137,653
Balances in central banks and other credit institutions	29,364	-	29,364	-	-	-
Loans and advances to customers	661,354	(312,631)	348,723	-	-	-
Hedging derivatives	534,253	(568,328)	(34,075)	24,724	-	24,724
Resources in central banks and other credit institutions	-	(57,180)	(57,180)	-	-	-
Resources of customers and other debts	25,610	(240,989)	(215,379)	-	-	-
Debt securities	80,400	(115,600)	(35,200)	-	-	-
Subordinated liabilities	-	(108)	(108)	-	-	-
	5,586,663	(5,393,220)	193,443	162,377	-	162,377
Guarantees given	10,753	(6,886)	3,867			
Credit lines	8,544	(3,150)	5,394			

The above amounts do not include gains and losses resulting from the foreign exchange revaluation of financial instruments, which for the semesters ended on June 30, 2013 and 2012, corresponded to net gains of tEuros 1,729 and tEuros 2,610, respectively (Note 36).

In the semesters ended on June 30, 2013 and 2012, interest income and costs, determined in accordance with the effective interest rate method of financial assets and liabilities not recorded at fair value through profit or loss, are as follows:

	30-06-2013			30-06-2012		
	Income	Cost	Net	Income	Cost	Net
Assets						
Cash and deposits at central banks	588	-	588	1,051	-	1,051
Balances due from other banks	9	-	9	116	-	116
Available-for-sale financial assets	73,285	-	73,285	103,991	-	103,991
Loans and advances to credit institutions	30,673	-	30,673	28,197	-	28,197
Loans and advances to customers	390,225	(77)	390,148	537,866	(357)	537,509
	494,780	(77)	494,703	671,221	(357)	670,864
Liabilities						
Resources of central banks	-	(12,030)	(12,030)	-	(29,976)	(29,976)
Resources of other credit institutions	-	(14,118)	(14,118)	-	(27,204)	(27,204)
Resources of customers and other debts	4,297	(208,987)	(204,690)	4,259	(240,301)	(236,042)
Debt securities	-	(27,694)	(27,694)	-	(95,565)	(95,565)
Subordinated liabilities	-	(84)	(84)	-	(108)	(108)
	4,297	(262,913)	(258,616)	4,259	(393,154)	(388,895)
Guarantees given	9,974	-	9,974	9,531	-	9,531
Credit lines	3,933	-	3,933	3,606	-	3,606

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

In the first semesters of 2013 and 2012, commissions income and costs, not included in the calculation of the effective interest rate, of financial assets and liabilities not recorded at fair value through profit or loss, are as follows:

	30-06-2013			30-06-2012		
	Income	Cost	Net	Income	Cost	Net
Assets						
Loans and advances to customers	25,669	(7,441)	18,228	27,394	(6,313)	21,081
Liabilities						
Resources of customers and other debts	18,227	-	18,227	17,081	-	17,081

In the first semester of 2013 and 2012 the Bank recognised financial income referring to “Interest and similar income” on overdue or impaired credit operations, amounting to tEuros 4,647 and tEuros 4,601 respectively (Note 29).

OTHER DISCLOSURES

Hedge accounting

On June 30, 2013 and December 31, 2012, hedging derivatives and financial instruments designated as hedged items are as follows:

	30-06-2013					
	Hedged item				Hedging instrument	
	Nominal value	Value net of impairment	Fair value adjustments	Book value	Nominal value	Fair value
Fair value hedge:						
Loans and advances to customers	40,853	41,181	4,783	45,964	40,853	(5,087)
Available-for-sale financial assets	2,075,000	2,097,818	247,354	2,345,172	2,075,000	(268,735)
Resources of customers and other debts	(3,493,380)	(3,530,125)	(12,083)	(3,542,208)	3,555,712	32,458
Debt securities	(1,409,123)	(1,438,635)	38,786	(1,399,849)	1,520,493	(29,267)
Cash flow hedge:						
Loans and advances to customers	5,657,593	5,657,593	-	5,657,593	5,550,000	74,037
Resources of customers and other debts	(1,188,913)	(1,188,913)	-	(1,188,913)	650,000	10,488
	1,682,030	1,638,919	278,840	1,917,759	13,392,058	(186,106)

	31-12-2012					
	Hedged item				Hedging instrument	
	Nominal value	Value net of impairment	Fair value adjustments	Book value	Nominal value	Fair value
Fair value hedge:						
Loans and advances to customers	43,084	43,446	6,100	49,546	43,085	(6,414)
Available-for-sale financial assets	2,075,000	2,118,833	321,577	2,440,410	2,075,000	(363,798)
Resources of customers and other debts	(3,154,198)	(3,181,058)	(45,294)	(3,226,352)	3,143,327	60,476
Debt securities	(2,612,943)	(2,646,979)	9,729	(2,637,250)	2,727,380	(2,590)
Cash flow hedge:						
Loans and advances to customers	3,974,694	3,974,694	-	3,974,694	2,950,000	141,265
	325,637	308,936	292,112	601,048	10,938,792	(171,061)

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

Cash flow hedges

The expected cash flows by period that might affect the profit or loss for the year are as follows:

	30-06-2013					
	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 to 3 years	Over 3 years	Total
Interest rate swaps	1,442	2,558	47,755	48,011	(16,661)	83,105
FRA's	1,420	-	-	-	-	1,420
	2,862	2,558	47,755	48,011	(16,661)	84,525

	31-12-2012					
	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 to 3 years	Over 3 years	Total
Interest rate swaps	33,743	12,489	3,821	61,976	29,236	141,265

In the semesters ended on June 30, 2013 and 2012, hedge ineffectiveness did not have an impact on the income statement.

The gains and losses recognised on fair value hedging operations in the income statement of the semesters ended on June 30, 2013 and 2012, are as follows:

	Result of assets and liabilities at fair value through profit or loss					
	30-06-2012			30-06-2012		
	Hedged item	Hedging instrument	Net	Hedged item	Hedging instrument	Net
Loans and advances to customers	(1,317)	1,317	-	976	(976)	-
Available-for-sale financial assets	(74,224)	74,224	-	56,828	(56,828)	-
Resources of customers and other debts	33,254	(32,325)	929	3,115	(2,909)	206
Debt securities	24,543	(26,081)	(1,538)	(20,030)	19,673	(357)
	(17,744)	17,135	(609)	40,889	(41,040)	(151)

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

Fair value of financial instruments

On June 30, 2013 and December 31, 2012 financial instruments were made up as follows:

	30-06-2013		
	Valued at fair value	Not valued at fair value	Total
Assets			
Cash and deposits at central banks	-	240,015	240,015
Balances due from other banks	-	370,955	370,955
Financial assets held for trading	2,083,311	-	2,083,311
Financial assets at fair value through profit or loss	94,691	-	94,691
Available-for-sale financial assets	4,715,668	13,963	4,729,631
Loans and advances to credit institutions	-	2,999,304	2,999,304
Loans and advances to customers	45,964	26,697,101	26,743,065
Hedging derivatives	204,413	-	204,413
	7,144,047	30,321,338	37,465,385
Liabilities			
Resources of central banks	-	6,346,572	6,346,572
Financial liabilities held for trading	1,843,981	-	1,843,981
Resources of other credit institutions	-	3,716,523	3,716,523
Resources of customers and other debts	3,542,208	17,721,829	21,264,037
Debt securities	1,399,849	1,255,960	2,655,809
Hedging derivatives	390,519	-	390,519
Subordinated liabilities	-	4,306	4,306
	7,176,557	29,045,190	36,221,747

	31-12-2012		
	Valued at fair value	Not valued at fair value	Total
Assets			
Cash and deposits at central banks	-	352,365	352,365
Balances due from other banks	-	385,323	385,323
Financial assets held for trading	2,265,495	-	2,265,495
Financial assets at fair value through profit or loss	93,735	-	93,735
Available-for-sale financial assets	3,475,179	14,685	3,489,864
Loans and advances to credit institutions	-	3,097,422	3,097,422
Loans and advances to customers	49,546	26,930,103	26,979,649
Hedging derivatives	284,850	-	284,850
	6,168,805	30,779,898	36,948,703
Liabilities			
Resources of central banks	-	5,837,242	5,837,242
Financial liabilities held for trading	2,048,743	-	2,048,743
Resources of other credit institutions	-	1,949,574	1,949,574
Resources of customers and other debts	3,070,416	18,426,758	21,497,174
Debt securities	2,637,250	1,316,269	3,953,519
Hedging derivatives	455,911	-	455,911
Subordinated liabilities	-	4,311	4,311
	8,212,320	27,534,154	35,746,474

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

The financial assets and liabilities for which hedge accounting has been applied to are included as valued at fair value, being subject to fair value adjustments on the hedged risk only.

On June 30, 2013 and December 31, 2012, the fair value of financial assets and liabilities valued at fair value, or subject to fair value adjustments in accordance with the application of hedge accounting, was as follows:

	30-06-2013					
	Acquisition cost	Accruals	Valuation	Value adjustments due to hedging operations	Impairment and depreciation	Net book value
Assets						
Financial assets held for trading	236,100	-	1,847,211	-	-	2,083,311
Financial assets at fair value through profit or loss	90,207	3,776	708	-	-	94,691
Available-for-sale financial assets	4,853,368	54,788	(382,893)	247,354	(56,949)	4,715,668
Loans and advances to customers	40,853	355	-	4,783	(27)	45,964
Hedging derivatives	-	-	204,413	-	-	204,413
	5,220,528	58,919	1,669,439	252,137	(56,976)	7,144,047
Liabilities						
Financial liabilities held for trading	-	-	1,843,981	-	-	1,843,981
Resources of customers and other debts	3,493,380	36,745	-	12,083	-	3,542,208
Debt securities	1,409,123	29,512	-	(38,786)	-	1,399,849
Hedging derivatives	-	-	390,519	-	-	390,519
	4,902,503	66,257	2,234,500	(26,703)	-	7,176,557

	31-12-2012					
	Acquisition cost	Accruals	Valuation	Value adjustments due to hedging operations	Impairment and depreciation	Net book value
Assets						
Financial assets held for trading	233,413	-	2,032,082	-	-	2,265,495
Financial assets at fair value through profit or loss	90,279	1,344	2,112	-	-	93,735
Available-for-sale financial assets	3,665,652	52,586	(512,366)	321,577	(52,270)	3,475,179
Loans and advances to customers	43,084	381	-	6,100	(19)	49,546
Hedging derivatives	-	-	284,850	-	-	284,850
	4,032,428	54,311	1,806,678	327,677	(52,289)	6,168,805
Liabilities						
Financial liabilities held for trading	-	-	2,048,743	-	-	2,048,743
Resources of customers and other debts	2,999,936	25,186	-	45,294	-	3,070,416
Debt securities	2,612,943	34,036	-	(9,729)	-	2,637,250
Hedging derivatives	-	-	455,911	-	-	455,911
	5,612,879	59,222	2,504,654	35,565	-	8,212,320

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

The methods used to determine fair value are based on market prices on active markets or other valuation techniques, such as discounted cash flows. On June 30, 2013 and December 31, 2012, the book value of the financial instruments valued at fair value or subject to value adjustments due to hedging operations, by valuation methodology, is made up as follows:

	30-06-2013			
	Method of determining fair value			
	Quoted in active markets (Level 1)	Other valuation techniques (Level 2)	(Level 3)	Total
Assets				
Financial assets held for trading	236,148	1,847,163	-	2,083,311
Financial assets designated at fair value through profit or loss	94,691	-	-	94,691
Available-for-sale financial assets	3,918,658	750,345	46,665	4,715,668
Loans and advances to customers	-	45,964	-	45,964
Hedging derivatives	-	204,413	-	204,413
	4,249,497	2,847,885	46,665	7,144,047
Liabilities				
Financial liabilities held for trading	-	1,843,981	-	1,843,981
Resources of customers and other debits	-	3,542,208	-	3,542,208
Debt securities	-	1,399,849	-	1,399,849
Hedging derivatives	-	390,519	-	390,519
	-	7,176,557	-	7,176,557

	31-12-2012			
	Method of determining fair value			
	Quoted in active markets (Level 1)	Other valuation techniques (Level 2)	(Level 3)	Total
Assets				
Financial assets held for trading	233,612	2,031,883	-	2,265,495
Financial assets designated at fair value through profit or loss	93,735	-	-	93,735
Available-for-sale financial assets	3,207,474	227,682	40,023	3,475,179
Loans and advances to customers	-	49,546	-	49,546
Hedging derivatives	-	284,850	-	284,850
	3,534,821	2,593,961	40,023	6,168,805
Liabilities				
Financial liabilities held for trading	-	2,048,743	-	2,048,743
Resources of customers and other debits	-	3,070,416	-	3,070,416
Debt securities	-	2,637,250	-	2,637,250
Hedging derivatives	-	455,911	-	455,911
	-	8,212,320	-	8,212,320

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

In accordance with IFRS 7, the Bank's financial assets and liabilities valued at fair value are classified into three levels:

- Level 1 – Financial instruments recorded at fair value based on quotes published in active markets, comprising mainly government debt, private debt, real estate investment funds and shares.

- Level 2 – Financial instruments recorded at fair value are based on internal valuation models using observable market data as significant inputs. This category includes some securities included in the portfolio of financial assets available for sale and derivative instruments used for hedging and trading. It should be pointed out that the internal valuation models used correspond mainly to discounted cash flow models and "Black-Scholes" based models for options and structured products. The discounted cash flows models use the interest rate curves applicable to each currency observable in the market ("present value method").

  For derivative financial instruments, the main valuation techniques were as follows:

Derivative instrument	Main valuation techniques
Forwards	Present Value Model
Swaps de taxa de juro	Present Value Model
Swaps de divisas	Present Value Model
Swaps sobre cotações	Present Value Model
FRA's	Present Value Model
Opções de moeda	Black-Scholes Model, Monte Carlo Model
Opções sobre cotações	Black-Scholes Model, Heston Model
Opções de taxa de juro	Black-Scholes Model, Heath-Jarrow-Morton Model
Opções - outras	Black-Scholes Model, Monte Carlo Model, Heath-Jarrow-Morton Model
Caps/Floors	Black-Scholes Model, Monte Carlo Model, Heath-Jarrow-Morton Model

- Level 3 – In this level the Bank classifies the valuation of financial instruments that use internal models with some inputs that do not correspond to observable market data. Some unquoted securities for which the Bank uses market data extrapolations were classified in this category.

  The most representative interest rate curves by maturity and currency are the following:

	30-06-2013		31-12-2012	
	EUR	USD	EUR	USD
Overnight	0.34%	0.41%	0.50%	0.30%
1 month	0.22%	0.30%	0.12%	0.19%
3 months	0.28%	0.28%	0.19%	0.25%
6 months	0.34%	0.30%	0.32%	0.46%
9 months	0.39%	0.33%	0.43%	0.62%
1 year	0.43%	0.36%	0.55%	0.77%
3 years	0.78%	0.82%	0.47%	0.48%
5 years	1.23%	1.59%	0.76%	0.83%
7 years	1.61%	2.20%	1.11%	1.25%
10 years	2.05%	2.80%	1.55%	1.76%

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

On June 30, 2013 and December 31, 2012, the book value and fair value of the financial instruments valued at amortised cost or historical cost was the following:

	30-06-2013		
	Book value	Fair value	Difference
Assets			
Cash and deposits at central banks	240,015	240,015	-
Balances due from other banks	370,955	370,955	-
Available-for-sale financial assets	13,963	13,963	-
Loans and advances to banks	2,999,304	3,121,408	122,104
Loans and advances to customers	26,697,101	23,902,353	(2,794,748)
	30,321,338	27,648,694	(2,672,644)
Liabilities			
Resources of central banks	(6,346,572)	(5,960,337)	386,235
Resources of other credit institutions	(3,716,523)	(3,745,694)	(29,171)
Resources of customers and other debts	(17,721,829)	(17,853,677)	(131,848)
Debt securities	(1,255,960)	(943,947)	312,013
Subordinated liabilities	(4,306)	(4,286)	20
	(29,045,190)	(28,507,941)	537,249

	31-12-2012		
	Book value	Fair value	Difference
Assets			
Cash and deposits at central banks	352,365	352,365	-
Balances due from other banks	385,323	385,323	-
Available-for-sale financial assets	14,685	14,685	-
Loans and advances to banks	3,097,422	3,279,009	181,587
Loans and advances to customers	26,930,103	24,481,609	(2,448,494)
	30,779,898	28,512,991	(2,266,907)
Liabilities			
Resources of central banks	(5,837,242)	(4,936,307)	900,935
Resources of other credit institutions	(1,949,574)	(1,986,334)	(36,760)
Resources of customers and other debts	(18,426,758)	(18,619,478)	(192,720)
Debt securities	(1,316,269)	(1,062,612)	253,657
Subordinated liabilities	(4,311)	(4,299)	12
	(27,534,154)	(26,609,030)	925,124

The main assumptions used in the calculation of the fair value, by type of financial instrument, were the following:

- Future cash flows of applications and resources of credit institutions were discounted using the interest rate curves of the money market.

- The fair value of variable rate loans was determined by considering the average spread of the production in the last quarter, for the purpose of discounting the future portfolio cash flows. In the case of fixed rate loans, future cash flows were discounted at the average rates used by the Bank in the last quarter;

- The fair value of demand deposits from clients was considered to be equal to their book value. For term deposits the Bank used the average rates for deposits contracted in the last month for each type of deposit;

- The fair value of debt securities issued was determined by discounting the future cash flows considering the market conditions of similar issues;

- The fair value of subordinated liabilities was determined by discounting the future cash flows at market rates for the residual term of each issue.

The Bank records in the balance sheet the initial gains on financial instruments valued at fair value through other valuation techniques, namely derivative operations agreed with customers classified internally as “Retail clients”.

This procedure was introduced following customer segmentation and, within the terms of IAS 39, considering that in the case of other valuation techniques used for the measurement of fair value of derivative operations with customers classified internally as “Retail clients”, not all the valuation data used can, unquestionably, be considered as observable in the market.

The Group classifies clients internally in accordance with the following criteria:

- Major clients – Corporate and institutional entities (financial sector entities, namely banks and insurance companies and public sector companies);

- Retail clients.

RISK MANAGEMENT

CREDIT RISK

Credit risk management by the Bank includes identification, measurement, integration and evaluation of different credit risk exposures and analysis of return in relation to risk, on an overall basis, as well as for each area of activity.

Credit risk management is provided by an independent area, the Group Risk Area, which is responsible for managing the special client vigilance system, credit risk segmentation based on the characteristics of customers and products and for the scoring systems (applicable to mortgage loans, consumer credit and credit cards) and ratings used by the Bank.

Counterparty risk consists of the potential credit risk on transactions in financial markets, corresponding to the possibility of non-compliance by the counterparty with the contracted terms and subsequent financial loss for the Bank. Such transactions include the purchase and sale of securities, the contracting of sale transactions with repurchase agreements, the loan of securities and derivative instruments. Considering the complexity and volume of the transactions, as well as the requirements of an adequate control of the consolidated risks with certain customer segments, perimeter control is defined in accordance with the segments involved.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

Control of these risks is carried out on a daily basis using an integrated system that records the limits approved, updates the positions in real time, provides information on the limits available and aggregate exposure, also in real time, for the different products and maturities. The system also enables the concentration of risk by groups of customers/counterparties to be controlled on a transversal basis (at several levels).

Derivative position risk (known as Equivalent Credit Risk) is determined as the sum of the present value of each contract (or present cost of substitution) with its Potential Risk, a component that reflects the estimated maximum expected value until maturity, in accordance with the volatility of the underlying market and contracted cash flow structure.

For specific customer segments (namely global corporate customers) the Bank has implemented credit limits that consider economic capital, incorporating variables relating to the credit quality of each counterparty in the quantitative control.

On June 30, 2013 and December 31, 2012, the maximum exposure to credit risk and corresponding book value of the financial instruments is made up as follows:

	30-06-2013		31-12-2012	
	Book value	Maximum exposure	Book value	Maximum exposure
Cash and deposits at central banks	240,015	240,015	352,365	352,365
Balances due from other banks	370,955	370,955	385,323	385,323
Financial assets held for trading	2,083,311	2,083,311	2,265,495	2,265,495
Financial assets at fair value through profit or loss	94,691	94,691	93,735	93,735
Available-for-sale financial assets	4,729,631	4,729,631	3,489,864	3,489,864
Loans and advances to credit institutions	2,999,304	2,999,304	3,097,422	3,097,422
Loans and advances to customers	26,743,065	31,597,502	26,979,649	32,979,164
Hedging derivatives	204,413	204,413	284,850	284,850
Investments in associated companies	149,757	149,757	142,994	142,994
	37,615,142	42,469,579	37,091,697	43,091,212
Guarantees given (Note 28)	1,355,052	1,355,052	1,345,643	1,345,643

The maximum exposure in “Loans and advances to customers” as at June 30, 2013, includes tEuros 973,474 and tEuros 3,880,963 relating to irrevocable credit lines and revocable credit lines, respectively (tEuros 1,496,610 and tEuros 4,502,905 on December 31, 2012, respectively).

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

Loans granted

The Bank periodically reviews loans and advances to customers and other receivables in order to identify evidence of impairment. For the purpose of collective analysis of impairment losses, the Bank segments the credit portfolio in accordance with the type of product and type of customer involved in the operations (Note 11). In this respect, on June 30, 2013 and December 31, 2012, loans granted to customers without objective evidence of impairment are made up as follows:

	30-06-2013	31-12-2012
Consumer credit	1,042,755	1,048,143
Mortgage loans	14,508,562	14,823,138
Other loans and advances to individuals	368,368	412,022
Credit cards of individuals	230,069	235,682
Total credit without objective evidence of impairment granted to individuals	16,149,755	16,518,985
Loans and advances to large companies	1,555,425	1,540,037
Loans and advances to medium-sized companies	3,722,024	3,934,174
Loans and advances to small companies	573,279	582,817
Leasing	725,799	803,190
Factoring	981,675	942,936
Credit cards	12,536	12,529
Commercial paper	1,709,934	1,451,056
Total credit without objective evidence of impairment granted to companies	9,280,671	9,266,739
Guarantees given	1,221,105	1,254,586
Total credit granted without evidence of impairment	26,651,531	27,040,310

The risk analysis for clients or economic groups where the Bank has an exposure of more than 500,000 Euros are made by risk analysts that follow customers and are supported by a mandatory internally developed rating model approved by regulators. The risk level inherent to the customer is implied in the allocation of internal rating levels, which can go from 1 to 9, a probability of default to a year that the bank monitors and calibrates in a constant and regular form. The rating is determined based on an analysis of the following parameters:

. Demand/Market;
. Partners/Management;
. Access to credit;
. Profitability;
. Generation of funds;
. Solvency.

A classification from 1 (minimum) to 9 (maximum) is attributed to these factors in accordance with the following weighting:

Weighting parameters	Large Companies	Small and medium size Companies
Demand/Market	20%	20%
Partners/Management	15%	15%
Acess to credit	10%	10%
Profitability	15%	55%
Generation funds	25%	
Solvency	15%	

The rating is calculated by analysts, based on information supplied by the customer, general information of the business sector and external databases. The final rating, by each weighting parameter, is subsequently introduced into the Bank’s IT system.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

In general terms, the Bank's internal rating classification may be described and classified in the following manner:

Rating 1 – 3: Customer with high credit risk;
Rating 4 – 6: Customer with moderate credit risk;
Rating 7 – 9: Customer with low credit risk.

On June 30, 2013 and December 31, 2012, the loans granted to companies without objective evidence of impairment, is made up as follows by internal rating:

	30-06-2013		31-12-2012	
	Credit granted	Guarantees given	Credit granted	Guarantees given
Rating 7 - 9	262,651	13,241	82,325	22,249
Rating 4 - 6	4,964,420	993,673	5,008,549	973,574
Rating 1 - 3	798,592	74,813	759,243	115,581
	6,025,663	1,081,727	5,850,117	1,111,404
Without Rating	1,532,538	104,285	1,953,037	107,950
	7,558,201	1,186,012	7,803,154	1,219,354
Credit cards of companies	12,536	-	12,529	-
Financial institutions	-	35,093	-	35,232
Commercial paper	1,709,934	-	1,451,056	-
	9,280,671	1,221,105	9,266,739	1,254,586

With regard to loans granted to individuals without objective evidence of impairment, provisions obtained from the impairment model in effect in the Bank as at June 30, 2013 and December 31, 2012 amounted to tEuros 63,229 and tEuros 56,185, respectively, corresponding to percentages on those dates of 0.39% and 0.34%, respectively.

On June 30, 2013 and December 31, 2012, loans granted to customers with objective evidence of impairment, were made up as follows:

	30-06-2013	31-12-2012
Performing loans	1,263,784	1,072,211
Overdue loans		
. Up to 90 days	45,419	46,934
. Between 90 and 180 days	46,667	97,166
. Over 180 days	948,314	882,487
	1,040,400	1,026,587
Guarantees given	134,349	91,057

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

On June 30, 2013 and December 31, 2012, overdue credit or impaired credit determined by specific analysis guaranteed by mortgage, pledged deposits at the Bank, debt securities issued by the Bank or with no collateral is made up as follows:

	30-06-2013		31-12-2012	
	Outstanding principal	Value of guarantee/collateral	Outstanding principal	Value of guarantee/collateral
Collateral in excess of the principal due	365,335	950,951	368,871	963,298
Collateral lower than the principal due	339,437	63,127	350,710	82,764
Without collateral	1,188,991	-	1,303,597	-
	1,893,763		2,023,178	

On June 30, 2013 and December 31, 2012, the book value of executed guarantees and other collateral relating to credit granted amounted to tEuros 268,657 and tEuros 272,476, respectively, and are made up as follows:

	30-06-2013	31-12-2012
Non-current assets held for sale (Note 13):		
. Properties received as settlement of defaulting loans	277,213	245,156
. Participation units	18,663	18,663
. Equipment	5,619	5,558
Other assets received as settlement of defaulting loans (Note 17)	80,170	104,673
Financial assets available for sale	22,121	22,121
	403,786	396,171
Impairment of non-current assets held for sale (Note 13):		
. Properties received as settlement of defaulting loans	(87,054)	(71,078)
. Participation units	(4,000)	(4,000)
. Equipment	(4,075)	(3,574)
Impairment of other assets received as settlement of defaulting loans (Note 17)	(17,879)	(22,921)
Impairment of financial assets available for sale	(22,121)	(22,121)
	(135,129)	(123,694)
	268,657	272,477

On June 30, 2013 and December 31, 2012, the book value referring to debt instruments is made up as follows, by external rating:

	30-06-2013	31-12-2012
Other financial assets at fair value through profit or loss		
Rating S&P		
BB+ / BB / BB-	94,691	93,735
	94,691	93,735
Available-for-sale financial assets		
Rating S&P		
AA+ / AA / AA-	7,929	7,948
BBB+ / BBB / BBB-	1,005,801	981,608
BB+ / BB / BB-	2,450,775	1,658,576
B+ / B / B-	495,101	291,757
Without external rating	437,866	339,241
	4,397,472	3,279,130
	4,492,163	3,372,865

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

LIQUIDITY RISK

The liquidity risk management policy is decided by the top level area in the organization structure responsible for Asset and Liability Management (ALM) and the Assets and Liabilities Committee (ALCO), which is chaired by the President of the Executive Committee and includes the members of the Executive Committee responsible for the Financial, Treasury, Commercial, Marketing and International Areas. The ALCO Committee meets monthly and analyses balance sheet risks and strategic options.

The following balance sheet risk management limits are defined for the ALM Area:

- Limits aimed to control interest rate risk, namely financial margin (NIM) sensitivity and asset value (MVE) sensitivity to unexpected fluctuations in interest rates; and
- Limits aimed to control liquidity risk through liquidity coefficient and accumulated net illiquidity indicators.

The Group's financing policy considers the evolution of the balance sheet components, the structural position of terms to maturity of assets and liabilities, the net inter-bank indebtedness level given the credit lines available, dispersion of the maturities and minimization of funding activity related costs.

Under its liquidity policy, as at June 30, 2013 the Bank has a Euro Medium Term Notes (EMTN) program of tEuros 10,000,000, of which tEuros 141,830 has been issued.

It should be noted that the Bank does not analyse the liquidity risk of financial instruments held for trading.

The contractual projected cash flows of financial instruments (not discounted) as at June 30, 2013 and December 31, 2012 were as follows:

	30-06-2013							
	On demand	Up to 3 months	From 3 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Undetermined	Total
Assets								
Cash and deposits at central banks	192,035	59	182	487	486	54,079	-	247,328
Balances due from other banks	370,955	-	-	-	-	-	-	370,955
Financial assets held for trading	2,083,311	-	-	-	-	-	-	2,083,311
Financial assets at fair value through profit or loss	-	94,901	-	-	-	-	-	94,901
Available-for-sale financial assets	2	200,975	454,009	1,567,744	1,119,954	1,977,855	380,164	5,700,703
Loans and advances to credit institutions	818,888	538,291	156,650	1,506,253	66,326	54,143	-	3,140,551
Loans and advances to customers	724,607	3,133,966	3,988,027	4,645,280	3,109,170	15,278,835	-	30,879,885
Hedging derivatives	204,413	-	-	-	-	-	-	204,413
Investments in associates	-	-	-	-	-	-	150,417	150,417
	4,394,211	3,968,192	4,598,868	7,719,764	4,295,936	17,364,912	530,581	42,872,464
Liabilities								
Resources of central banks	1,300,135	-	-	5,077,233	-	-	-	6,377,368
Financial liabilities held for trading	1,843,981	-	-	-	-	-	-	1,843,981
Resources of other credit institutions	1,291,720	1,785,085	79,708	594,391	1,376	-	-	3,752,280
Resources of customers and other debts	5,551,779	3,522,159	4,791,542	6,985,774	763,745	352,095	-	21,967,094
Debt securities	(38,786)	25,473	287,132	1,421,908	189,611	854,713	-	2,740,051
Hedging derivatives	390,519	-	-	-	-	-	-	390,519
Subordinated liabilities	-	4,319	-	-	-	-	-	4,319
	10,339,348	5,337,036	5,158,382	14,079,306	954,732	1,206,808	-	37,075,612

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

	31-12-2012							
	On demand	Up to 3 months	From 3 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Undetermined	Total
Assets								
Cash and deposits at central banks	210,893	265	811	2,152	2,155	189,963	-	406,239
Balances due from other banks	385,323	-	-	-	-	-	-	385,323
Financial assets held for trading	2,265,495	-	-	-	-	-	-	2,265,495
Financial assets at fair value through profit or loss	-	-	94,901	-	-	-	-	94,901
Available-for-sale financial assets	2	3,394	328,007	1,380,559	408,460	2,049,478	254,623	4,424,523
Loans and advances to credit institutions	1,121,616	62,420	41,207	1,621,882	367,855	88,395	-	3,303,375
Loans and advances to customers	502,799	2,746,191	4,504,003	4,864,323	3,258,002	15,457,201	-	31,332,519
Hedging derivatives	284,850	-	-	-	-	-	-	284,850
Investments in associates	-	-	-	-	-	-	142,994	142,994
	4,770,978	2,812,270	4,968,929	7,868,916	4,036,472	17,785,037	397,617	42,640,219
Liabilities								
Resources of central banks	800,116	-	-	5,115,850	-	-	-	5,915,966
Financial liabilities held for trading	2,048,743	-	-	-	-	-	-	2,048,743
Resources of other credit institutions	382,424	980,845	27,004	325,569	277,780	-	-	1,993,622
Resources of customers and other debts	6,157,636	3,934,261	4,749,942	4,967,092	1,954,508	467,408	-	22,230,847
Debt securities	(9,730)	37,907	1,158,565	1,757,213	252,846	866,583	-	4,063,384
Hedging derivatives	455,911	-	-	-	-	-	-	455,911
Subordinated liabilities	-	4,325	-	-	-	-	-	4,325
	9,835,100	4,957,338	5,935,511	12,165,724	2,485,134	1,333,991	-	36,712,798

The projected cash flows of the financial instruments were determined based on principles and assumptions used by the Group to manage and control liquidity resulting from its operations, namely the following:

- The projected cash flows of assets and liabilities with variable remuneration related to the interest rate curve were calculated considering the forward interest rate curve;

- Financial instruments classified as “non-structural” were considered as maturing on demand, except for investments in associates and equity instruments recorded as available-for-sale assets, which were considered of undetermined maturity. Non-structural assets and liabilities correspond to assets not subject to changes in interest rate (cash, balances due from banks, equity instruments classified as available-for-sale financial assets and investments in associates) and assets and liabilities held for trading, the management of which is based on the control of the exposure to the market risk. In this regard, the Group considers the fair value of assets and liabilities held for trading as being its market value on demand;

- Credit line operations without defined maturity or periodically renewable dates, such as bank overdrafts and current account credit lines, were considered to have an average maturity of 25 months;

- The projected cash flows of demand deposits were considered as being payable on demand.

MARKET RISK

Market risk generally consists in the potential fluctuation of a financial asset’s value due to unanticipated variations in the market variables, such as interest rates, exchange rates, credit spreads, equity security prices, precious metals and commodities.

The standard methodology applied for the Group’s trading activity is Value at Risk (VaR). Historical simulation with a 99% confidence level and a time horizon of one day is used as the basis, statistical adjustments having been applied, to enable the more recent occurrences that affect the level of risk assumed to be included rapidly and effectively.

The VaR calculated represents a daily estimate of the maximum potential risk under normal market conditions (individually by portfolio/business sector and for the overall positions), within the underlying assumptions of the model.

In addition, other measures are carried out that enable additional risk control to be maintained. In abnormal market conditions stress testing is carried out. This consists of defining extreme behavioural scenarios with different financial variables, in order to obtain the corresponding potential impact on results. In short, the analysis of scenarios tries to identify the potential risk in extreme market conditions and scenarios at the limits of probability, not covered by VaR.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

In parallel with this, daily positions are also monitored, with an exhaustive control being made of changes in the portfolios so as to detect the existence of possible situations that require immediate correction. A daily income statement is prepared in order to identify the impact of changes in variables or in the composition of the portfolios.

The Bank uses sensitivity measures and equivalent positions. In the case of interest rate it uses the BPV – estimated impact on results of parallel changes in interest rate curves. Because of the unusual nature of derivative operations, specific sensitivity measures are carried out daily, namely calculation of sensitivity to changes in the underlying prices (delta and gamma), volatility (vega) and time (theta).

Quantitative limits, classified into two groups, are used for the trading portfolio, based on the following objectives:

- Limits aimed at protecting the volume of potential losses (VaR, Equivalent positions and sensitivity); and

- Limits aimed at protecting the volume of effective losses or protecting the results already achieved during the period (Loss Triggers and Stop Losses).

The model used to analyse interest rate structural risk enables all the factors relating to balance sheet market risks to be controlled, namely the risk resulting directly from change in the yield curve, given the existing indexing and re-pricing structure that determine the sensitivity of the financial margin and sensitivity of the asset value of balance sheet instruments.

Interest rate risk

On June 30, 2013 and December 31, 2012, financial instruments by exposure to interest rate risk, are as follows:

	30-06-2013				
	Exposure to				
	Fixed interest rate	Variable interest rate	Not subject to interest rate risk	Derivatives	Total
Assets					
Cash and deposits at central banks	-	48,098	191,917	-	240,015
Balances due from other banks	-	-	370,955	-	370,955
Financial assets held for trading	-	-	236,148	1,847,163	2,083,311
Other financial assets at fair value through profit or loss	90,206	-	4,485	-	94,691
Available-for-sale financial assets	3,646,842	846,141	236,648	-	4,729,631
Loans and advances to credit institutions	1,608,190	1,374,031	17,083	-	2,999,304
Loans and advances to customers	1,826,212	24,859,898	56,955	-	26,743,065
Hedging derivatives	-	-	-	204,413	204,413
	7,171,450	27,128,168	1,114,191	2,051,576	37,465,385
Liabilities					
Resources of central banks	-	6,300,008	46,564	-	6,346,572
Financial liabilities held for trading	-	-	-	1,843,981	1,843,981
Resources of other credit institutions	3,300,081	275,229	141,213	-	3,716,523
Resources of customers and other debts	15,901,546	182,541	5,179,950	-	21,264,037
Debt securities	1,409,123	1,257,511	(10,825)	-	2,655,809
Hedging derivatives	-	-	-	390,519	390,519
Subordinated liabilities	-	4,275	31	-	4,306
	20,610,750	8,019,564	5,356,933	2,234,500	36,221,747

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

	31-12-2012				
	Exposure to				
	Fixed interest rate	Variable interest rate	Not subject to interest rate risk	Derivatives	Total
Assets					
Cash and deposits at central banks	-	141,602	210,763	-	352,365
Balances due from other banks	-	-	385,323	-	385,323
Financial assets held for trading	-	-	233,639	2,031,856	2,265,495
Other financial assets at fair value through profit or loss	90,279	-	3,456	-	93,735
Available-for-sale financial assets	2,880,140	551,079	58,645	-	3,489,864
Loans and advances to credit institutions	1,717,489	1,347,731	32,202	-	3,097,422
Loans and advances to customers	1,639,586	25,224,780	115,283	-	26,979,649
Hedging derivatives	-	-	-	284,850	284,850
	6,327,494	27,265,192	1,039,311	2,316,706	36,948,703
Liabilities					
Resources of central banks	-	5,800,016	37,226	-	5,837,242
Financial liabilities held for trading	-	-	-	2,048,743	2,048,743
Resources of other credit institutions	1,512,634	272,851	164,089	-	1,949,574
Resources of customers and other debts	16,251,049	4,912,351	333,774	-	21,497,174
Debt securities	2,629,994	1,300,370	23,155	-	3,953,519
Hedging derivatives	-	-	-	455,911	455,911
Subordinated liabilities	-	4,275	36	-	4,311
	20,393,677	12,289,863	558,280	2,504,654	35,746,474

Financial instruments – structural balance sheet (excluding assets and liabilities held for trading)

The methodology used for the calculation of the sensitivity of the net asset value simulates the variation in the market value of assets and liabilities, based on changes of 100 basis points (bp's) in the forward interest rate curve. This methodology uses the following parameters and assumptions:

- All assets and liabilities that are sensitive to variations in interest rates are identified, that is, whose value and corresponding contribution to financial margin change as a result of changes in market rates;

- Assets and liabilities are grouped in accordance with their exposure to interest rate risk;

- Future cash flows, duly distributed by the re-pricing dates (variable rate) or maturity dates (fixed rate), are calculated for each sensitive operation (contract);

- Operations are sub-grouped by re-pricing/maturity date for each previously defined group;

- Intended time intervals for measurement of the interest rate gaps are defined;

- For each group, the flows are re-grouped based on the intervals created;

- For each product considered to be sensitive, but which does not have a defined maturity date, the distribution parameters are estimated based on previously studied behavioural models; and

- The total inflows and outflows are calculated for each interval and the difference between them, corresponding to the interest rate risk gap, is determined for each interval.

The interest rate gap enables an approximation to be made of the sensitivity of the asset value and the financial margin to variations in market rates. This approximation uses the following assumptions:

- The volumes remain constant in the balance sheet and are automatically renewed;

- Changes in interest rates are assumed to be parallel, while the possibility of actual changes for different terms of the interest rate curve is not considered; and

- Different elasticity between the various products is not considered.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

In terms of variation in net asset value, increases in interest rates assume a decrease in the amount of the intervals with positive gaps and an increase in the value of the negative gaps. A decrease in interest rates has the opposite effect.

General assumptions of this interest rate sensitivity analysis

- Evolution of the balance sheet – a static balance sheet is assumed, under which the amounts of the contracts that mature are replaced by new operations of the same amount, so that the balance sheet balances remain constant during the period under analysis;

- Maturities and re-pricing – the actual maturity and re-pricing dates of the operations are considered. The value of the assets and liabilities that do not change with changes in interest rates are not considered to be sensitive;

- Indexing factors – the indexing factors defined contractually are considered, and for simulation purposes a spot curve as at the valuation date with a forward underlying curve is used; and

- New business features (term, spread, indexing factor and other) – the conditions applied in the budget for each product are used. When these features cease to be within market conditions for certain products, the average conditions in place in the last month or new commercial directives for each product under review is used.

On June 30, 2013 and December 31, 2012, the impact in the value of financial instruments sensitive to interest rate of changes of 100 basis points (bp's), over a time frame of one year, correspond to:

	30-06-2013		31-12-2012	
Assets	Change + 100 bp's	Change - 100 bp's	Change + 100 bp's	Change - 100 bp's
Cash and deposits at central banks	476	(209)	1,379	(759)
Available-for-sale financial assets	5,440	(2,718)	3,855	(2,472)
Loans and advances to credit institutions	21,183	(9,961)	19,133	(11,033)
Loans and advances to customers	204,507	(92,346)	202,472	(110,796)
	231,606	(105,234)	226,839	(125,060)
Hedging derivatives	(39,805)	18,100	(36,845)	21,261
Liabilities				
Resources of central banks	62,917	(30,759)	57,222	(39,964)
Resources of other credit institutions	30,545	(13,536)	21,464	(13,221)
Resources of customers and other debts	70,960	(33,593)	80,401	(48,644)
Debt securities	9,702	(4,630)	10,131	(6,191)
	174,124	(82,518)	169,218	(108,020)

Financial instruments held for trading

Besides the it's own calculation methodology, the basic parameters for VaR calculation are as follows:

- Time horizon: The period of time used for calculating potential losses on a portfolio, for measuring VaR (daily) is 1 day;

- Confidence level: both VaR (potential loss) and VaE (potential gain) are determined with a confidence level of 99% (1% and 99%, respectively, of the distribution of losses and gains);

- Exponential deterioration factor: Enables the amount of change in market factors to be exponentially weighted over time, by giving less weight to more distant observations in time. The exponential deterioration factor applied is calculated periodically by Market Risk Methodology.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

In any case, the values of VaR are those which are greater when the calculation is made with the factor of deterioration in force and the calculation with uniform weights.

- Currency of calculation: VaR calculations are made in Euros, which ensures that local currency is the risk currency. VaR results are reported in US Dollars in order to allow accumulation of different units; and

- The time window of market data: A 2 year time window is used or at least 520 items of data obtained from the VaR calculation reference date going back in time.

The calculation of the VaR Percentile assumes that the set of 520 observations considered all to have the same weight. The VaR Weighted Percentile assumes the granting of a significantly higher weight to the more recent observations in relation to the reference date of the analysis.

Historic simulation consists of using historic changes as a distribution model of possible changes in risk factors. Therefore the period chosen must be sufficiently long and significant, so that all the interactions between the market factors, the volatility and correlation between them, are well reflected in the historical period selected.

In addition, a complete revaluation of the portfolio requires valuation for each of the instruments, using the respective mathematical expression in order to obtain the market value of each individual position. Upon using revaluation methods, the implicit nonlinear effects on certain financial products as a result of market factor changes are calculated and retained in the VaR amounts.

On June 30, 2013 and December 31, 2012, the VaR associated to the interest rate risk corresponds to:

	30-06-2013	31-12-2012
VaR Percentil 99%	(17)	(9)
VaR Weighted Percentil 99%	(7)	(13)

Foreign exchange risk

The profile defined for foreign exchange risk is very conservative and is based on the hedging policy adopted. Implementation of the policy is a responsibility of the Treasury Area so that the risks involved are maintained at a low level, this being achieved mainly through currency swaps. Exchange risk limits are established and monitored by the Market Risk Area.

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

On June 30, 2013 and December 31, 2012, financial instruments by currency are as follows:

	30-06-2013			
	Euros	US Dollars	Other currencies	Total
Assets				
Cash and deposits at central banks	237,382	1,833	800	240,015
Balances due from other banks	332,274	17,140	21,541	370,955
Financial assets held for trading	2,042,171	41,007	133	2,083,311
Financial assets at fair value through profit or loss	94,691	-	-	94,691
Available-for-sale financial assets	4,721,703	7,928	-	4,729,631
Loans and advances to credit institutions	2,602,940	357,785	38,579	2,999,304
Loans and advances to customers	26,648,228	44,592	50,245	26,743,065
Hedging derivatives	203,664	749	-	204,413
	36,883,053	471,034	111,298	37,465,385
Liabilities				
Resources of central banks	6,346,572	-	-	6,346,572
Financial liabilities held for trading	1,842,383	1,464	134	1,843,981
Resources of other credit institutions	3,259,803	441,715	15,005	3,716,523
Resources of customers and other debts	20,266,306	814,589	183,142	21,264,037
Debt securities	2,655,809	-	-	2,655,809
Hedging derivatives	388,042	2,477	-	390,519
Subordinated liabilities	4,306	-	-	4,306
	34,763,221	1,260,245	198,281	36,221,747

	31-12-2012			
	Euros	Dólares Norte-Americanos	Outras moedas	Total
Assets				
Cash and deposits at central banks	346,048	3,736	2,581	352,365
Balances due from other banks	357,445	12,559	15,319	385,323
Financial assets held for trading	2,263,593	1,871	31	2,265,495
Financial assets at fair value through profit or loss	93,735	-	-	93,735
Available-for-sale financial assets	3,481,916	7,948	-	3,489,864
Loans and advances to credit institutions	2,704,835	352,396	40,191	3,097,422
Loans and advances to customers	26,912,436	37,617	29,596	26,979,649
Hedging derivatives	284,180	670	-	284,850
	36,444,188	416,797	87,718	36,948,703
Liabilities				
Resources of central banks	5,837,242	-	-	5,837,242
Financial liabilities held for trading	2,046,582	2,085	76	2,048,743
Resources of other credit institutions	1,576,925	366,025	6,624	1,949,574
Resources of customers and other debts	20,491,407	826,056	179,711	21,497,174
Debt securities	3,953,519	-	-	3,953,519
Hedging derivatives	454,133	1,778	-	455,911
Subordinated liabilities	4,311	-	-	4,311
	34,364,119	1,195,944	186,411	35,746,474

(Amounts expressed in thousands of Euros - tEuros, unless otherwise expressly indicated)

On June 30, 2013 and December 31, 2012, the VaR associated to foreign exchange risk corresponds to:

	30-06-2013	31-12-2012
VaR Percentil 99%	(3)	(11)
VaR Weighted Percentil 99%	(4)	(9)

Equity risk of assets

Financial instruments held for trading

On June 30, 2013 and December 31, 2012, the Bank had no equity risk of its financial instruments held for trading, therefore the VaR related to this risk is zero.

48. NOTE ADDED FOR TRANSLATION

These financial statements are a translation of the financial statements originally issued in Portuguese language. In the event of discrepancies, the Portuguese language version prevails.

BANCO SANTANDER TOTTA, S.A.

DEBT SECURITIES ISSUED AS AT 30 JUNE 2013 (Note 21)

(Amounts expressed in thousands of Euros – tEuros)

(Translation of an Annex originally issued in Portuguese - Note 48)

Securities issued	Currency	Amount of the issue			Accrual	Value adjustments of hedging operations	Total Consolidated Balance Sheet	Interest rate	Issue Date	Maturity Date	Index
		Total	Subscribed by the Group	Consolidated Balance Sheet							
Bonds issued											
Bonds											
AutoCallable 80-20 2nd series	EUR	2,950	-	2,950	-	(598)	2,352	Variable	8/30/2010	8/30/2013	Basket of Shares
Europa 155	EUR	1,920	-	1,920	1	(13)	1,908	Variable	6/28/2010	6/28/2014	Stock exchange index
Performance Mais	EUR	63,096	63,096	-	-	-	-	Variable	11/24/2009	11/24/2014	Basket of indexes
Performance Mais II	EUR	13,731	13,731	-	-	-	-	Variable	12/22/2009	1/15/2015	Basket of indexes
Rendimento Europeu	EUR	99,796	99,796	-	-	-	-	Variable	8/6/2009	8/6/2014	Stock exchange index
ST Diversificação Invest 3rd amortization Customers	EUR	23,913	6,925	16,988	208	1,727	18,923	Variable	3/17/2009	3/28/2015	Basket of indexes
ST Diversificação Invest 4th amortization Customers	EUR	23,913	6,925	16,988	-	-	16,988	Variable	3/17/2009	3/28/2017	Basket of indexes
Valorização Performance 5 year	EUR	21,533	-	21,533	296	163	21,992	Variable	9/30/2010	9/30/2015	Basket of indexes
Valorização Performance 5 year OCTOBER 2010	EUR	9,993	-	9,993	133	39	10,165	Variable	11/2/2010	11/2/2015	Basket of indexes
Top Germany	EUR	65,042	-	65,042	1,547	1,281	67,870	Variable	2/14/2011	2/13/2015	Basket of Shares
Top Germany February 2011	EUR	57,892	-	57,892	1,674	975	60,541	Variable	3/9/2011	3/9/2015	Basket of Shares
China Valuation	EUR	56,379	-	56,379	1,261	813	58,453	Variable	4/11/2011	4/2/2015	Index FTSE China 25
Latin America	EUR	2,175	-	2,175	46	20	2,241	Variable	5/20/2011	5/20/2014	Basket of funds
USA	EUR	74,607	-	74,607	2,242	519	77,368	Variable	6/30/2011	6/30/2014	Index Standard & Poor's 500
Latin America Top 3	EUR	99,996	-	99,996	2,861	904	103,761	Variable	8/1/2011	10/31/2014	Index FTSE Latibex Top
AutoCallable 85-15	EUR	570	-	570	-	(410)	160	Variable	9/29/2011	9/29/2014	Basket of Shares
		617,506	**190,473**	**427,033**	**10,269**	**5,420**	**442,722**				
Covered bonds											
Hipotecarias II	EUR	1,000,000	125,750	874,250	19,244	23,201	916,695	3.25%	10/21/2009	10/21/2014	Fixed interest rate
Hipotecarias IV - 1st Tr	EUR	750,000	750,000	-	-	-	-	3.05%	1/12/2011	1/12/2014	Fixed interest rate
Hipotecarias IV - 2nd Tr	EUR	600,000	597,700	2,300	30	-	2,330	2.83%	1/21/2011	1/12/2014	Fixed interest rate
Hipotecarias IV - 4th Tr	EUR	225,000	225,000	-	-	-	-	2.62%	2/16/2011	1/12/2014	Fixed interest rate
Hipotecarias IV - 5th Tr	EUR	175,000	175,000	-	-	-	-	3.22%	3/30/2011	3/30/2014	Fixed interest rate
Hipotecarias V	EUR	1,250,000	1,250,000	-	-	-	-	2.70%	5/23/2011	5/23/2014	Fixed interest rate
Hipotecarias VI - 1st tranche	EUR	250,000	250,000	-	-	-	-	2.71%	11/4/2011	11/4/2014	Fixed interest rate
Hipotecarias VII - 1st tranche	EUR	380,000	380,000	-	-	-	-	2.71%	11/4/2011	11/4/2014	Fixed interest rate
Hipotecarias VIII - 1st tranche	EUR	250,000	250,000	-	-	-	-	2.71%	11/4/2011	11/4/2014	Fixed interest rate
Hipotecarias IX - 1st tranche	EUR	500,000	500,000	-	-	-	-	2.59%	4/2/2013	4/2/2016	Fixed interest rate
Hipotecarias IX - 2nd tranche	EUR	1,000,000	1,000,000	-	-	-	-	2.46%	4/15/2013	4/15/2017	Fixed interest rate
		6,380,000	**5,503,450**	**876,550**	**19,274**	**23,201**	**919,025**				
Bonds issued on securitization operations											
Hipototta 1 - Classe A - Notes	EUR	175,097	142,362	32,735	32	-	32,767	Variable	7/25/2003	11/25/2034	Euribor 3m+0.27% (until anticipate reimbursement in August 2012); Euribor 3m+0.54% (after anticipate reimbursement date)
Hipototta 1 - Classe B - Notes	EUR	11,290	11,290	-	-	-	-	Variable	5/12/2004	11/12/2034	Euribor 3m+0.65% (until anticipate reimbursement in August 2012); Euribor 3m+0.95% (after anticipate reimbursement date)
Hipototta 1 - Classe C - Notes	EUR	4,975	4,975	-	-	-	-	Variable	5/12/2004	11/12/2034	Euribor 3m+1,45% (until anticipate reimbursement in August 2012); Euribor 3m+1,65% (after anticipate reimbursement date)
Hipototta 1 - Classe D - Notes	EUR	11,000	11,000	-	-	-	-	Variable	5/12/2004	11/12/2034	Residual income generated by securitised portfolio
Hipototta 4 - Classe A - Notes	EUR	1,002,524	500,159	502,365	(1,227)	-	501,138	Variable	12/9/2005	12/30/2048	Euribor 3m+0.12% (until anticipate reimbursement in Dex 2014); Euribor 3m+0.24% (after anticipate reimbursement date)
Hipototta 4 - Classe B - Notes	EUR	36,473	36,473	-	-	-	-	Variable	12/9/2005	12/30/2048	Euribor 3m+0.19% (until anticipate reimbursement in December 2014); Euribor 3m+0.40% (after anticipate reimbursement date)
Hipototta 4 - Classe C - Notes	EUR	115,188	61,601	53,587	2	-	53,589	Variable	12/9/2005	12/30/2048	Euribor 3m+0.29% (until anticipate reimbursement in December 2014); Euribor 3m+0.58% (after anticipate reimbursement date)
Hipototta 4 - Classe D - Notes	EUR	14,000	14,000	-	-	-	-	Variable	12/9/2005	12/30/2048	Residual income generated by securitised portfolio
Hipototta 5 - Classe A2 - Notes	EUR	875,463	239,990	635,473	(392)	-	635,081	Variable	3/22/2007	2/28/2060	Euribor 3m+0.13% (until anticipate reimbursement in February 2014); Euribor 3m+0.26% (after anticipate reimbursement date)
Hipototta 5 - Classe B - Notes	EUR	26,000	26,000	-	-	-	-	Variable	3/22/2007	2/28/2060	Euribor 3m+0.17% (until anticipate reimbursement in February 2014); Euribor 3m+0.34% (after anticipate reimbursement date)
Hipototta 5 - Classe C - Notes	EUR	24,000	24,000	-	-	-	-	Variable	3/16/2007	2/28/2060	Euribor 3m+0.24% (until anticipate reimbursement in February 2014); Euribor 3m+0.48% (after anticipate reimbursement date)
Hipototta 5 - Classe D - Notes	EUR	26,000	26,000	-	-	-	-	Variable	3/22/2007	2/28/2060	Euribor 3m+0.50% (until anticipate reimbursement in February 2014); Euribor 3m+1,00% (after anticipate reimbursement date)
Hipototta 5 - Classe E - Notes	EUR	31,000	31,000	-	-	-	-	Variable	3/22/2007	2/28/2060	Euribor 3m+1,75% (until anticipate reimbursement in February 2014); Euribor 3m+3,50% (after anticipate reimbursement date)
Hipototta 5 - Classe F - Notes	EUR	9,951	9,951	-	-	-	-	Variable	3/22/2007	2/28/2060	Residual income generated by securitised portfolio
Leasetotta - Classe A - Notes	EUR	173,649	173,649	-	-	-	-	Variable	4/20/2009	1/15/2042	Euribor 3m+0.30%
Leasetotta - Classe B - Notes	EUR	260,000	260,000	-	-	-	-	Variable	4/20/2009	1/15/2042	Euribor 3m+4,75%
Leasetotta - Classe C - Notes	EUR	65,000	65,000	-	-	-	-	Variable	4/20/2009	1/15/2042	Residual income generated by securitised portfolio
		2,861,610	**1,637,450**	**1,224,160**	**(1,585)**	**-**	**1,222,575**				
Other											
EMTN's	EUR	141,830	2,940	138,890	3	(67,406)	71,487				
		141,830	**2,940**	**138,890**	**3**	**(67,406)**	**71,487**				
TOTAL DEBT SECURITIES		**10,000,946**	**7,334,313**	**2,666,633**	**27,961**	**(38,785)**	**2,655,809**				

BANCO SANTANDER TOTTA, S.A.

OTHER SUBORDINATED DEBT AS AT 30 JUNE 2013 (Note 23)

(Amounts expressed in thousands of Euros – tEuros)

(Translation of an Annex originally issued in Portuguese - Note 48)

Securities issued	Currency	Valor de emissão			Accrual			Total	Interest rate	Maturity Date
		Total	Subscribed by the Group	Consolidated Balance Sheet	Total	Subscribed by the Group	Consolidated Balance Sheet	Consolidated Balance Sheet		
Perpetual Subordinated Bonds 2000	EUR	270,447	270,447	-	139	139	-	-	2.08%	Perpetual
Perpetual Subordinated Bonds CPP 2001	EUR	4,275	-	4,275	31	-	31	4,306	2.11%	Perpetual
Perpetual Subordinated Bonds BSP 2001	EUR	13,818	13,818	-	102	102	-	-	2.11%	Perpetual
		288,540	284,265	4,275	272	241	31	4,306		