

## **Santander Totta, SGPS, SA**

Registered in the Lisbon Official Corporation Registry Office – Section 3

With No. 507 096 851 (previously No. 14,901)

NIPC 507 096 851

Share Capital: € 1,972,962,079.58

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

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# **Santander Totta strengthens soundness of Balance Sheet and achieves 10.2 million euros net income**

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## **MAIN HIGHLIGHTS**

- **Core Tier I at 13.1%, 1.8pp above the value achieved in March 2012, which continues reflecting the soundness of the institution's accounts and its capability to generate capital internally. Tier I achieved 14.3%**
- **Corporate credit portfolio increases by 0.3% in relation to December, discontinuing falling trend**
- **Credit portfolio decreases by 0.4% relative to December 2012, demonstrating a slowdown in the rate of decrease**
- **Customer's deposits (banking business) recorded a 9.3% homologous variation**
- **Credit / deposits ratio at 127.0%, in line with the value recorded at the end of 2012**
- **Net income amounting to 10.2 million euros, affected by the decrease in revenue reflecting the recessive environment and the effort of deleveraging the system**
- **Commercial revenue increases to 203.2 million euros, with a homologous variation of -13.9%**
- **Expenses continue varying favourably decreasing by 2.2% as compared to March 2012**
- **Net financing obtained with the Eurosystem reduced to 3.97 billion euros**
- **Credit at risk reaches 5.19%**
- **Following are the current notation ratings of the long term debt of Bank Santander Totta as compared with the levels of the Portuguese Republic: Fitch – BBB- (Portugal: BB+), Moody's – Ba1 (Portugal: Ba3), S&P – BB (Portugal: BB) and DBRS – BBBH (Portugal: BBBL).**

**Lisbon, 9 May 2013** – At the end of the 1st quarter, the **net income of Santander Totta, SGPS** (in this press release referred to only as “Santander Totta” or “Bank”) **amounted to 10.2 million euros**. The assessment of the result reflects the current difficult economic and financial environment, evidenced by the decrease in revenue due to the lower volume in business turnover.

The Core Tier I ratio stood at 13.1%, an improvement of 1.8pp relative March 2012 and the Tier I ratio at 14.3%, indicators that show the soundness of the accounts of Santander Totta.

Net financing with the Eurosystem amounted to 3.97 billion euros, a decrease of 0.9 billion euros relative to the amount recorded at the end of 2012, resulting from the continued opening of the international money market. The portfolio of assets eligible as collateral for financial operations with the Eurosystem amounted to 10.8 billion euros.

The commercial gap decreased by 2.4 billion euros relative to the homologous period and the credit/deposits ratio, although keeping to a decreasing path throughout 2012, became stabilized in March at the 127.0% level recorded at year end.

Deposits in banking activity recorded a 9.3% annual growth. The credit portfolio amounted to 27.8 billion euros, equivalent to a 4.2% homologous decrease and, in spite of credit demand continuing to reflect the effect of the diminishing economic activity, the balance of credit provided was kept practically in line with the amount recorded at the end of the previous year, decreasing by 0.4%.

In the PME Invest/Growth lines that are a relevant device for the financing of companies, Santander Totta has maintained a high market share in this activity (approximately 17%). In the SME 2013 Growth Line, the marketing of which commenced in February of this year, Santander Totta already stands out as the 1st Bank in the financing of operations framed within SME Investments, with a 22% market share.

The 2nd stage of the “Activation Plan” campaign was launched in the 1st quarter of the year, with the provision of a financing line aiming towards the support of companies and of the Portuguese economy, with 749 operations approved in the quarter, amounting to 721 million euros.

The recessive cycle, together with the austerity measures, has reflected very negatively in families' disposable income and in employment. In order to counter this situation, the Bank has been implementing a management model applicable to customers at risk, based upon the anticipation and identification of the problems, on the adequate diagnosis of the seriousness of each situation, in the search of the best solution for each case and in continuous follow up and proximity.

According to António Vieira Monteiro, Executive Chairman of Santander Totta, *“Bank Santander Totta, in spite of the very adverse economic environment, is*

*showing a positive result of 10.2 million euros in the 1st quarter of 2013, which shows the capacity of its business model to continue recording positive results in Portugal, even in a continually recessive framework. On another hand, it was once again possible to reinforce the Bank's soundness, as proven by the increases in the core capital and tier I ratios, which have now reached the comfortable levels of 13.1% and 14.3%, respectively.*

*I would also like to underline the upturn in this quarter's growth in credit for companies relative to December ultimo, which shows the Bank's efforts in continuing to provide adequate credit to the economy and to the entrepreneurial sector. For the current year, we will continue placing our soundness, efficiency and innovation at the disposal of our customers and to capture new customers for the Bank, with the objective of being their main Bank."*

## BUSINESS ENVIROMENT

Preliminary data relative to the first quarter of the year are showing a lower rate of GDP contraction, after a consecutive fall of 1.8% in the fourth quarter of 2012. As such, the rate of homologous variation will have recorded a less pronounced contraction, a trend also signalled by the coincident indicators published by the Bank of Portugal.

In spite of these changes in speed, the makeup of economic growth will not have sustained basic alterations. Private consumption will have continued to decrease on a quarter-on-quarter basis, but less pronouncedly, as confirmed by the evolution of retail sales (excluding fuels). Automobile sales also recovered in the first quarter, with a growth (in vehicle numbers) of 3.1%, compared with the same period in 2012 (15% relative to the previous quarter).

At investment level, available data also shows a less pronounced contraction, although information in this context is still incomplete. Cement sales show a less pronounced quarter-on-quarter contraction, with a similar transition in the sales of commercial goods vehicles. However, the restrictions witnessed during the latter quarters have been maintained: demand perspectives continue weak both at domestic and at international levels, and conditions for granting credit, although somewhat improved, remain restrictive.

Concerning net external demand, available information solely allows confirming the continued slowdown started in the second quarter of 2012, although this should have positively contributed towards growth. On the one hand, the euro zone continues suffering a recessive environment thus causing a clear impact on external sales. On the other hand, the occurrence of the Easter holidays in March has statistical implications, due to the resulting smaller number of working days.

Trade deficit continues being reduced and, in the first months of 2013, both the current and the capital balance of payments recorded positive results.

Budgetary performance in the first three months of the year reflect above all the two main measures of the State Budget for the current year: on the one hand, the increase in tax revenues, especially in IRS (personal income tax), resulting from the increase in the effective tax rate; on the other hand, an increase in the primary current expenditure, due to the repositioning of a subsidy to civil servants and pensioners. In this framework, the deficit, even after corrections due to spot factors, records deterioration relative to the same period in 2012.

In May the Government will present a rectified budget, to include the corrective measures due to the impact of the decision of the Constitutional Court, which obliges the repositioning of the remaining subsidy to public servants and pensioners, as well as other minor measures (retention of part of unemployment and sickness benefits). The costs of this decision have been assessed at 1.35 billion euros (0.8% of GDP).

Such measures, as well as the materialization of a number of measures that will result in the structural reduction of public expenditure, are essential for the final completion of the seventh assessment of the adjustment programme.

In particular, these will allow the effective carrying out of the decisions already approved by the Troika and by the Eurogroup to revise the budgeted targets and to extend the terms of payment of the European loans. The 2013 budgetary deficit will now be set at 5.5% of GDP (compared to 4.5% in the previous target), reducing to 4.5% in 2014, and the prior 2.5% target is now extended to 2015. Additionally, Portugal, as well as Ireland, will benefit from the 7 year extension of the terms of payment of the EFSF/ESM loans.

The Republic, in January, took another step in the recovery of the access to the global markets, with the issue of a 5 year loan, through the syndicated issue of 2.5 billion euros of October 2017 Treasury Bonds. Additionally, the interest payable in auctions of Treasury Bills continued decreasing.

Internationally, the worsening of the economic conditions in the euro zone – resulting in an adoption of lower growth estimates for the current year – led the ECB to lower the reference interest rate in May, by 25bp, to 0.5%, a new historical minimum. The President of the ECB made known that the monetary authority continues watchful and may adopt new measures, if necessary.

## RESULTS

At the end of the 1st quarter, the net income of Santander Totta, SGPS amounted to 10.2 million euros, as compared to 30.6 million euros obtained in the homologous period.

	Million Euros		
	Mar-13	Mar-12	Var.
Commercial revenue	203.2	236.0	-13.9%
<b>Operating income and insurance activity</b>	<b>208.6</b>	<b>307.2</b>	<b>-32.1%</b>
Total operating expenses	(120.6)	(123.4)	-2.2%
<b>Net operating income</b>	<b>88.0</b>	<b>183.8</b>	<b>-52.1%</b>
Impairment and net provisions	(70.4)	(146.8)	-52.0%
Equity	3.7	1.9	+92.5%
Income before taxes and MI	21.4	38.9	-45.2%
<b>Consolidated net income</b>	<b>10.2</b>	<b>30.6</b>	<b>-66.6%</b>

Net interest income amounted to 118.2 million euros, equivalent to a 15.4% homologous decrease. This movement essentially reflects the impact of the decrease in the Euribor interest rates and the increased competition in the deposits market, which gave rise to a substantial deterioration of the liability spread, notwithstanding the proactive management of the sensitivity of the net interest income.

Net commissions and other results of banking activities amounted to 81.5 million euros, equivalent to a -6.6% homologous variation, resulting from lower credit and insurance commissions.

As a consequence of the monetization operation of the life risk portfolio of Santander Totta Seguros, Companhia de Seguros de Vida, S.A., carried out in the 3rd quarter of 2012, the results of the insurance activity amounted to 3.6 million euros, as compared with 8.7 million euros achieved in the homologous period.

Operating income decreased 32.1%, amounting to 208.6 million euros and its evolution was also influenced by non recurring income recorded in the 1st quarter of 2012, with the repurchasing operation of securities issued within the scope of credit securitization operations.

	Million Euros		
	Mar-13	Mar-12	Var.
Net interest income (without dividends)	118.2	139.7	-15.4%
Net commissions and other banking income	81.5	87.2	-6.6%
Insurance activity	3.6	8.7	-59.0%
<b>Commercial revenue</b>	<b>203.2</b>	<b>236.0</b>	<b>-13.9%</b>
Gain/loss on financial transactions	5.4	71.2	-92.4%
<b>Operating income and insurance activity</b>	<b>208.6</b>	<b>307.2</b>	<b>-32.1%</b>

Operating expenses amounted to 120.6 million euros, decreasing by 2.2% relative to March 2012. All the components of this account recorded favourable variations

with personnel expenses decreasing by 1.6%, general expenses by 1.9% and depreciation by 5.7%.

Efficiency, measured by the ratio between operating expenses and operating income, worsened in relation to the homologous period, and stood at 57.8%.

	Mar-13	Mar-12	Var.
Personnel expenses	(70.7)	(71.8)	-1.6%
General expenses	(34.3)	(35.0)	-1.9%
<b>Operating expenses</b>	<b>(105.0)</b>	<b>(106.8)</b>	<b>-1.7%</b>
Depreciation	(15.6)	(16.6)	-5.7%
<b>Total operating expenses</b>	<b>(120.6)</b>	<b>(123.4)</b>	<b>-2.2%</b>
<b>Efficiency ratio</b> (excl. depreciation)	<b>50.3%</b>	<b>34.8%</b>	<b>+15.6 p.p.</b>
<b>Efficiency ratio</b> (incl. depreciation)	<b>57.8%</b>	<b>40.2%</b>	<b>+17.6 p.p.</b>

Total impairment and provisions amounted to 70.4 million euros compared to 146.8 million euros recorded in the homologous period. It should be emphasized that in the 1st quarter of 2012, following the repurchase operation of securities issued within the scope of the credit securitization operations, the income obtained was totally cancelled by the setting up of non obligatory provisions, as a measure of prudence in a context of deterioration of the economic environment.

Income before taxes and minority interests amounted to 21.4 million euros, a 45.2% decrease, and net income amounted to 10.2 million euros.

## ACCOUNTS AND ACTIVITY

At the end of the 1st quarter 2013, deposits from banking activity amounted to 21.3 billion euros, corresponding to a 9.3% increase (+3.4% with respect to the consolidated activity). In turn, mutual funds recorded a slight annual decrease of 0.1%, evidencing a 7.3% improvement as compared to the end of 2012, and capitalization insurance and other resources decreased by 14.2% in homologous terms. Total customers' resources amounted to 26.0 billion euros, equivalent to an annual variation of -0.7%.

Credit evolution has kept a downward trend, having however stabilized as compared to the value shown at end 2012. At the end of March the credit portfolio amounted to 27.8 billion euros. Both private and corporate credit shrinkage evidences the lower credit demand imposed by the deleveraging on course in the Portuguese economy. However emphasis should be placed on the positive evolution of total credit granted to non-financial companies as compared to end December.

Deposits and credit evolution led to the stabilized situation, as compared to end 2012, of the credit/deposits ratio, calculated on the basis agreed with the international institutions, and which stood at 127.0%, in March 2013.

Although a sharp reduction has come about in credit demand, the comfortable liquidity position of Santander Totta allows continuing a policy of support for economically viable companies through the SME Invest lines where the position of Santander Totta is outstanding. In turn, the 2nd stage of the campaign "Santander Totta Activation Plan" was launched, with 749 operations approved amounting to 721 million euros, during the 1st quarter of 2013.

**Santander Totta, SGPS**  
Indicators

	Mar-13	Mar-12	Var.
Million Euros			
<b>Total Gross Loans</b>	<b>27,805</b>	<b>29,014</b>	<b>-4.2%</b>
<i>from which</i>			
Credit to Individuals	17,619	18,289	-3.7%
<i>from which</i>			
Mortgage	15,663	16,121	-2.8%
Consumer credit	1,392	1,526	-8.8%
Credit to Corporates	<b>9,760</b>	<b>10,270</b>	<b>-5.0%</b>
Small business	2,990	3,538	-15.5%
Corporates	4,475	5,079	-11.9%
Large Corporates and Institutionals	2,295	1,653	+38.8%
<b>Resources</b>	<b>26,036</b>	<b>26,222</b>	<b>-0.7%</b>
<b>Deposits</b>	<b>19,407</b>	<b>18,774</b>	<b>+3.4%</b>
Securities issued (clients)	336	452	-25.7%
<b>Balance sheet resources</b>	<b>19,743</b>	<b>19,226</b>	<b>+2.7%</b>
Investment funds	2,071	2,074	-0.1%
Insurance and other	4,222	4,922	-14.2%
<b>Off-balance sheet resources</b>	<b>6,293</b>	<b>6,996</b>	<b>-10.0%</b>

In order to face households' growing financial difficulties, Santander Totta implemented a set of solutions directed towards customers where the first signs of repayment difficulties are being detected, in order to avoid the worsening in the level of non performing loans and ensure, through a proximity follow-up of each situation, the negotiation of new payment conditions.

The credit at risk ratio stood at 5.19%, due to the worsening of the economic condition situation and of the re-classification carried out in the 1st quarter of 2013. In turn, the ratio of non-performing and doubtful loans reached 3.42% (3.55% in December 2012) and the respective coverage ratio attained 104.5% (97.6% in December 2012).

	Mar-13	Mar-12	Var.
NPL ratio (+ 90 days)	3.38%	2.46%	+0.92 p.p.
NPL coverage ratio (+90 days)	105.9%	109.6%	-3.7 p.p.
NPL and doubtful loans ratio	3.42%	2.55%	+0.87 p.p.
Net NPL and doubtful loans ratio	1.19%	1.15%	+0.04 p.p.
NPL and doubtful loans coverage ratio	104.5%	105.9%	-1.4 p.p.
"Credit at risk" ratio (according to Instruction nº 23/2011)	5.19%	3.15%	+2.04 p.p.
Risk premium*	-0.11%	1.36%	-1.47 p.p.

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



The ratio of incoming non-performing loans (in excess of 90 days), net of recoveries, as a percentage of the average credit portfolio reached -0.11%, thus showing an improvement as compared to the values recorded in the previous year.

## LIQUIDITY, SOLVENCY AND PROFITABILITY

The Bank has available a portfolio of assets accepted as collateral in financing operations with the Eurosystem, amounting to 10.8 billion euros. In turn, net resources obtained with the European Central Bank amounted to 3.97 billion euros at the end of March, showing a decrease of 0.9 billion euros relative to the value recorded at end 2012.

The loans to deposits ratio was kept in line with the value recorded in December 2012, standing at 127.0%, and showing an improvement of 12.8pp relative to the homologous period.

Capital ratios continued evolving favourably, demonstrating the soundness of the Bank's accounts, with ratios Tier I and Core Tier I standing at 14.3% and 13.1%, respectively.

	Million Euros	
	Mar-13	Mar-12
<b>Tier I capital</b>	<b>2,602</b>	<b>2,478</b>
Tier II capital	-7	-7
<b>Total capital</b>	<b>2,595</b>	<b>2,471</b>
<b>Risk weighted assets</b>	<b>18,205</b>	<b>20,492</b>
<b>Core capital *</b>	<b>13.1%</b>	<b>11.3%</b>
<b>Tier I *</b>	<b>14.3%</b>	<b>12.1%</b>

(\*) Excluding results generated net of payout, Core Capital is 13.1% and Tier I is 14.3%

## COMMERCIAL BANKING

The 1st quarter of 2013 featured the continued international economic and financial critical environment.

The strategy initiated in the 4th quarter of 2012 was continued, focused essentially on credit granted to Private and Business Customers, in capturing resources, in new domiciled salary accounts and in the control of non performing loans.

The "Autumn Credit" internal campaign was continued, intended to provide aid to families through the concession of personal credit and a new "Spring Credit" internal campaign was launched intended for the Business sector. These two

campaigns allowed the Bank to invert falling trends in the Private and Business Customers credit portfolio.

With regard to campaigns for the capturing and binding of 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.

Work commenced in 2012 was continued in the **Premium** segment, signalled by the success achieved in the campaigns to recruit customers with higher income levels.

As a result of the market conditions, of the continued decrease in the Euribor rates and of the limitations imposed by the Bank of Portugal, there were falls experienced in the rates for capturing resources, and focus maintained on programmed savings and controlled margins products (structured term deposits and SRS).

In the current framework of heavy competitiveness with regard to capturing deposits, the Bank launched 3 structured deposits with guaranteed capital and minimum yields, placing 291.5 million euros. Placed in foreign currency (USD) were 19.5 million euros in 2 issues as well as 56.3 million euros in capitalization insurance, thus a total of 3 issues.

In the **Business** segment the strategy was maintained to largely focus new customers, in the binding of current customers and in the increase of transaction capability, with the "Spring Campaign" allowing significant growth in the portfolio of credit granted to this segment.

Commercial strategy in the **Corporate Network** was based upon a balanced management of the credit and resources portfolio, thus guaranteeing the sustained growth in the profitability of the commercial network.

Within the scope of a support policy for the entrepreneurial sector, specifically to exporting companies, the Bank launched, in the last quarter of 2012, the "Activation Campaign". During the 1st quarter of 2013, 749 operations were approved, amounting to a total of 721 million euros.

On a commercial basis, the Bank has largely focused exporting companies, internationalized companies or those that are undergoing an internationalization process, thus becoming more than ever a reference in this market.

The **SME Invest/Growth Lines** continue being an important device in company financing, with Santander Totta standing out with a high market share in the concession of these lines (approximately 17% of the total), and approximately 20% in the last SME Growth Line 2012. At this time and in the main lines being marketed, the SME Growth Line 2013, which commenced being marketed in February of the current year, Santander Totta already stands out as the Prime Bank in the number of financing operations framed by SME Investments with a 22% market share.

The Bank maintains its leadership in factoring and confirming products, with a 21% market share (February 2013), which is a proof of the Bank's commitment and availability to support SME treasuries, a vital entrepreneurial fabric for the Growth of the Portuguese economy.

## GLOBAL BANKING AND MARKETS

Standing out in the **Corporate Finance** area are the completion of the operation of financial consultancy to Beijing Enterprises Water Group in the acquisition of the water concession business of Veolia in Portugal and the completion of the financial consultancy to the Impresa Group in the assessment of the value of SIC, Medipress and Impresa Publishing.

In the **Credit Markets** area, 2013 commenced with optimism, with companies taking advantage of the lower credit spreads to take decisions on the expansion of their indebtedness in the bond and syndicated loan markets. The maintenance of a restrictive economic environment led to a greater pressure on decisions regarding private and public investments. Even so, and in spite of this context, Santander Totta continued as one of the institutions with a regular presence in the analysis of the existing opportunities and in the support of the smaller promoters in the materialization of their projects.

In the area of acquisition finance, Santander Totta continued being fully active in the analysis and structuring of several operations for the acquisition of Portuguese companies and assets on behalf of Portuguese and international corporate customers and in the support of privatization plans.

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

The area of **Structured Products** commenced 2013 with a fair performance in the marketing of liability products. Eight structured products were issued in the 1st quarter, of which six are euro denominated issues amounting to a total value of 308 million euros and 2 are US Dollar denominated issues amounting to a total value of 20 million US Dollars.

Activity in the **Institutional Custody** area has kept to stable volumes and to its 2nd place in the national ranking of Custodians, with an approximately 20.7% market share in the volume of assets under custody, in accordance with the ultimate data made available by the Securities Market Regulator (CMVM).

## ASSET MANAGEMENT

Throughout the first quarter, the activity of Santander Asset Management (SAM) was focused on acting dynamically with the current range of funds. With the

growth achieved in volumes since the beginning of the year, it was possible to witness an improvement of efficiency in management terms.

Standing out at the end of the quarter are the net positive issues totalling 152 million euros, particularly in the Multitresury fund that comprises approximately 80% of total issues (124 million euros) evidencing a 106% annual growth in volume. To be emphasized as well are the net issues evinced in the Santander Global fund, amounting to approximately 22 million euros and in equity funds that totalled 11 million euros in net issues.

In profitability terms, at the end of the quarter, and over a 12 month period, all funds evinced generally positive returns, namely Santander Multitresury (1.6% effective net profitability), Santander Fixed Multirate (3.1% effective net profitability), Santander Global (2.8% effective net profitability) and the equities funds: Portugal Acções (21.5% effective net profitability) and Santander Acções America (13.9% effective net profitability).

At the end of March, the market share in mutual funds managed by Santander Asset Management stood at 11.7%, showing an improvement relative to end 2012, when the company had an 11% market share.

## INSURANCE

The first quarter 2013 of Santander Totta Insurance was characterized by a strong commercial activity in the open market, as well as by the reinforcement of the life insurance portfolio linked to consumer credit. A diversified offer was made available of innovatory products adequate to customers' requirements, with continued pursuit of customer service and investing in training the commercial network in the best marketing practices.

Standing out within the scope of life insurance risk sold in the open market, is the growth achieved particularly in the products launched in 2012. **"Safe Care"**, which combines a life insurance policy with a supplementary cover of medical assistance continues well placed, increasing by 10% in the first three months of the year as compared to the 4th quarter 2012, and numbering more than 27,000 insured persons. **"Home Protection"**, a comprehensive risk insurance policy launched in April 2012, continues in heavy demand with almost 4,000 policies placed in the 1st quarter of 2013.

Focus was equally kept on the marketing of solutions to protect family income in case of death or unemployment - **"Family Protection Plan"** and **"Salary Protection Plan"** – with sales reaching approximately 11,000 policies. The **"Live Longer Insurance"**, designed for the treatment of serious diseases with the best international specialists achieved the placing of almost 2,400 policies.

With respect to financial life insurance, the launching stands out of **"Financial Plan"** products, as non-standardized Icae insurance policies (*unit linked*), that provide a monthly and quarterly return paid as a partial refund. Total marketed

volume amounted to 87 million euros in the 1st quarter of 2013 compared with 231 million euros marketed in the homologous period.

With respect to life insurance, the value of premiums issued and contributions towards investment contracts amounted to 124.4 million euros compared to 268.8 million euros in the same period of 2012, a result of the lower demand in financial life insurances. Regarding risk and mixed insurance the volume of premiums amounted to 30.9 million euros, evincing an 8% increase compared to the premiums issued in the 1st quarter of 2012, and an 11% increase should be recorded in insurance premiums linked to home loans and consumer credit.

## INFORMAÇÃO INSTITUCIONAL

**Banco Santander (SAN.MC, STD.N, BNC.LN)** is a retail and commercial bank, based in Spain, with a presence in 10 main markets. Santander is the largest bank in the euro zone by market capitalization. Founded in 1857, Santander had EUR 1.388 trillion in managed funds, 102 million customers, 14,392 branches – more than any other international bank – and 187,000 employees at the close of 2012. It is the largest financial group in Spain and Latin America. It also has significant positions in the United Kingdom, Portugal, Germany, Poland and the northeast United States. Santander had a pre-provision profit of EUR 23.559 billion in 2012, an increase of 2% from the previous year.

## Santander Totta, SGPS

Indicators

Million Euros

	Mar-13	Mar-12	Var.
<b>Total Gross Loans</b>	<b>27,805</b>	<b>29,014</b>	<b>-4.2%</b>
<i>from which</i>			
Credit to Individuals	17,619	18,289	-3.7%
<i>from which</i>			
Mortgage	15,663	16,121	-2.8%
Consumer credit	1,392	1,526	-8.8%
Credit to Corporates	<b>9,760</b>	<b>10,270</b>	<b>-5.0%</b>
Small business	2,990	3,538	-15.5%
Corporates	4,475	5,079	-11.9%
Large Corporates and Institutionals	2,295	1,653	+38.8%
<b>Resources</b>	<b>26,036</b>	<b>26,222</b>	<b>-0.7%</b>
<b>Deposits</b>	<b>19,407</b>	<b>18,774</b>	<b>+3.4%</b>
Securities issued (clients)	336	452	-25.7%
<b>Balance sheet resources</b>	<b>19,743</b>	<b>19,226</b>	<b>+2.7%</b>
Investment funds	2,071	2,074	-0.1%
Insurance and other	4,222	4,922	-14.2%
<b>Off-balance sheet resources</b>	<b>6,293</b>	<b>6,996</b>	<b>-10.0%</b>
<b>By segment</b>			
<b>Commercial Banking Resources</b>	<b>23,234</b>	<b>23,723</b>	<b>-2.1%</b>
<b>Individuals and Small Businesses</b>	<b>21,885</b>	<b>22,030</b>	<b>-0.7%</b>
Deposits	16,103	15,343	+5.0%
Securities issued (clients), Investment Funds and insurance	5,782	6,687	-13.5%
<b>Corporates</b>	<b>1,349</b>	<b>1,693</b>	<b>-20.3%</b>
<b>Large Corporates, Institutionals and other</b>	<b>2,803</b>	<b>2,500</b>	<b>+12.1%</b>

## Santander Totta, SGPS

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

	Mar-13	Mar-12	Var.
<b>Solvency</b>			
Core Tier I	13.1%	11.3%	+1.8 p.p.
Tier I	14.3%	12.1%	+2.2 p.p.
Solvency ratio	14.3%	12.1%	+2.2 p.p.
<b>Credit Quality</b>			
NPL and doubtful loans ratio	3.42%	2.55%	+0.87 p.p.
NPL and doubtful loans coverage ratio	104.5%	105.9%	-1.4 p.p.
Net NPL and doubtful loans ratio	1.19%	1.15%	+0.04 p.p.
"Credit at risk" ratio	5.19%	3.15%	+2.04 p.p.
"Credit at risk" ratio (net)	1.67%	0.67%	+1.00 p.p.
<b>Profitability</b>			
Income before taxes and MI/Average net assets	0.2%	0.4%	-0.2 p.p.
Operating income/Average net assets	2.0%	2.9%	-0.9 p.p.
Income before taxes and MI/Average equity	3.3%	6.0%	-2.7 p.p.
<b>Efficiency</b>			
Total operating expenses/Operating income	56.8%	39.9%	+16.9 p.p.
Personnel expenses/Operating income	33.3%	23.2%	+10.1 p.p.
<b>Transformation</b>			
Credit (net)/Deposits	139.3%	152.2%	-12.9 p.p.
Credit (net)/Deposits*	127.0%	139.8%	-12.8 p.p.

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

**Santander Totta, SGPS**

Income Statement (\*)

Million Euros

	Mar-13	Mar-12	Var.
<b>Net interest income (without dividends)</b>	<b>118.2</b>	<b>139.7</b>	<b>-15.4%</b>
Dividends	0.0	0.4	-94.3%
<b>Net interest income</b>	<b>118.2</b>	<b>140.1</b>	<b>-15.6%</b>
Net commissions	84.5	88.1	-4.0%
Other banking income	-3.0	-0.9	+239.4%
Insurance activity	3.6	8.7	-59.0%
<b>Commercial revenue</b>	<b>203.2</b>	<b>236.0</b>	<b>-13.9%</b>
Gain/loss on financial transactions	5.4	71.2	-92.4%
<b>Operating income and insurance activity</b>	<b>208.6</b>	<b>307.2</b>	<b>-32.1%</b>
Total operating expenses	(120.6)	(123.4)	-2.2%
<b>Net operating income</b>	<b>88.0</b>	<b>183.8</b>	<b>-52.1%</b>
Impairment and net provisions	(70.4)	(146.8)	-52.0%
Equity	3.7	1.9	+92.5%
<b>Income before taxes and MI</b>	<b>21.4</b>	<b>38.9</b>	<b>-45.2%</b>
Taxes	(11.1)	(8.3)	+33.7%
Income after taxes	10.2	30.6	-66.6%
Minority interests	(0.0)	(0.0)	-71.0%
<b>Consolidated net income</b>	<b>10.2</b>	<b>30.6</b>	<b>-66.6%</b>

(\*) Not audited

**Santander Totta, SGPS**

Balance Sheet

Million Euros

Assets	Mar-13	Mar-12	Var.
Deposits at Central Banks	1,034	818	+26.4%
Cash, loans and advances to banks	2,636	1,413	+86.5%
Financial assets	9,274	9,576	-3.2%
Net loans	26,808	28,232	-5.0%
Hedging derivatives	240	177	+35.4%
Non current assets held to sell	219	160	+36.9%
Other tangible assets	395	428	-7.5%
Other assets	1,083	1,180	-8.2%
<b>Total Assets</b>	<b>41,690</b>	<b>41,983</b>	<b>-0.7%</b>

Liabilities and Equity	Mar-13	Mar-12	Var.
Resources from Central Banks	5,000	5,600	-10.7%
Resources from other institutions	3,488	2,517	+38.6%
Financial liabilities held for trading	1,918	1,638	+17.1%
Financial liabilities designated at fair value through profit and loss	3,982	4,321	-7.8%
Resources of customers and others	19,407	18,774	+3.4%
Debt securities issued	3,599	5,484	-34.4%
Hedging derivatives	463	305	+52.0%
Provisions	446	475	-6.2%
Subordinated liabilities	0	0	-
Other liabilities	619	462	+33.9%
Shareholder's equity	2,768	2,408	+15.0%
<b>Total Liabilities and Equity</b>	<b>41,690</b>	<b>41,983</b>	<b>-0.7%</b>