

## Santander Totta, SGPS, SA

Registered in Lisbon Company Registry Office – 3rd Department  
Under no. 507 096 851 (previously no. 14,901)  
Corporate Body 507 096 851  
Share Capital: € 1,972,962,079.58  
Head Office: Rua do Ouro, 88 – 1100-063 Lisbon

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## Net income increases by 89.2% and totalled 193.1 million euros

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### MAIN HIGHLIGHTS

- Net income at end-2014 amounted to 193.1 million euros, a 89.2% growth relative to that recorded in the previous year (102.0 million euros). Net income achieved in the fourth quarter amounted to 74.2 million euros, a growth of 91.9% relative to the previous quarter
- Credit to companies rose by 0.7% in the year and by 0.3% in the quarter, representing a significant increase in market share, considering the market's deleveraging environment
- A very substantial increase equally occurred in the new mortgage loans granted (+18.0%), a market segment which has been showing greater dynamism
- Customer's resources grew by 3.7% in the year, boosted by a 5.6% increase in deposits
- Decrease in new entries in non-performing loans was reflected in a reduction of the cost of credit to 0.41% (0.72% in December 2013), strengthening the coverage levels as compared with the homologous period
- Issuance of two covered bonds during the first half-year, amounting to 1,750 million euros, enabled a 700 million euro reduction in net financing obtained with the Eurosystem, which stood at 3.8 billion euros at year end
- CET I Ratio at 15.1%, in line with CRD IV/CRR rules for 2014, and fully implemented CET I ratio at 13.3%<sup>1</sup>
- Santander Totta invested, in 2014, 5.6 million euros in social and corporate responsibility. Approximately 90% of this amount is earmarked for Higher Education, through support to Knowledge and to International Mobility, as well as for the award of Merit Scholarships and Science Prizes
- Throughout 2014, the Bank was, once more, awarded with a number of prizes amongst which the following are outstanding: "Best Bank in Portugal", attributed by Euromoney and Global Finance magazines, and "Bank of the Year in Portugal", attributed by The Banker magazine. Santander Totta is also the winner of the annual survey "2015 Consumer Choice" in the Large Bank category.

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<sup>1</sup> In line with the Bank's best interpretation of the rules in force in CRD IV/CRR and applicable national filters. It does not include any impact derived from DTA legislation since the Bank did not adhere to the regime provided in Law 235/12

- **Banco Santander Totta's rating continues the best in the financial system. Current notations of Banco Santander Totta's long term debt rating as compared to those of the Portuguese Republic are as follows: Fitch – BBB (Portugal – BB+); Moody's – Ba1 (Portugal – Ba1); S&P – BB (Portugal – BB); and DBRS – BBBH (Portugal – BBBL)**

Lisbon, 4 February 2015 – At the end of 2014, Santander Totta, SGPS (in this press release referred to as “Santander Totta” or “Bank”) achieved net income amounting to 193.1 million euros, compared to 102.0 million euros recorded in the homologous period (+89.2%). This growth is essentially due to the positive development of revenue and to appropriations for impairment.

In the fourth quarter of 2014, the Bank obtained extraordinary revenue amounting to 32.0 million euros, with the sale of 51% of the shareholding that Santander Totta Seguros held in companies Aegon Santander Portugal Não Vida and Aegon Santander Portugal Vida. Excluding this non-recurring impact, net income increased by 57.8% relative to the homologous period.

As a consequence of the above referred transaction, net income in the fourth quarter achieved 74.2 million euros, a 91.9% increase relative to the previous period. Excluding the extraordinary revenue, net income would have amounted to 42.2 million euros.

Net interest income amounted to 546.5 million euros, a 6.2% increase relative to the amount recorded at the end of 2013. In spite of the historically low level in interest rates and of the weak demand for credit, the progress in net interest income mainly benefited from the lower cost of financing, particularly in the case of deposits.

Operating income recorded a 14.6% annual increase, reflecting the positive progress in net interest income and of results in financial transactions.

CET I ratio improved as compared to the previous quarter, standing at 15.1% (14.9% in September) and Tier I ratio stood at 16.5%.

The fully implemented CET I ratio stood at 13.3%, a 0.8pp improvement relative to the already very satisfactory value recorded at the end of the previous quarter.

Deposits increased by 5.6%, in annual terms, being stable relative to the previous quarter, and amounted to a total of 20,346 million euros at the end of 2014. In its turn, the credit portfolio amounted to 26,686 million euros, a 1.8% decrease relative to the value recorded at end 2013. The rate in the decrease in credit slowed down throughout the year due to a positive progress in credit granted to corporates, which increased by 0.7% in annual terms, and to the greater dynamism occurred in mortgage loans, the production of which recorded an 18.0% increase in the year.

The credit at risk ratio stood at 5.73%, a 0.13% improvement relative to the value recorded in the homologous period and the respective coverage ratio set at 75.9%.

Financing obtained with the Eurosystem amounted to 3.8 billion euros, a 15.6 % decrease relative to the amount recorded at end 2013. An increase of 0.8 billion euros was recorded in the fourth quarter due to the redemption, in October, of

an issue of covered bonds amounting to one billion euros. In its turn, the portfolio of eligible assets to guarantee financing transactions with the Eurosystem amounted to 12.3 billion euros.

As stated by António Vieira Monteiro, the Executive Chairman of Santander Totta,

*“Santander Totta recorded increased results throughout the year, due to cost stability and to the balanced increase in recurring revenues from business activity, as well as to the improvement in the cost of credit and impairment appropriations and to the sale, in the last quarter, of 51% of its life and non-life insurance portfolios.*

*I should emphasize, in relation to liabilities, the relevant 5.6% growth in customers' deposits and, in relation to assets, the substantial 18% increase in production of mortgage loans as well as the increment in credit granted to corporates. Additionally, the improvement in net interest income allowed an increase of approximately 15% in operating income in the year, whilst the excellent quality of assets and the improvement in risk indicators and provisions complemented the recorded progress, and allowed the relevant 89% growth of net income in 2014.*

*Consequently, the Bank starts this new year with a solid balance sheet structure evidenced by its fully implemented Core Tier I ratio at 13.3%, which, with its comfortable liquidity situation allows it to very positively face its intention to continue its growth in profitability in 2015, and to strengthen its support to households and to the development of companies, of organizations and of national higher education institutions.”*

## BUSINESS ENVIRONMENT

Economic growth slowed down in homologous terms in the fourth quarter. In the whole of 2014, however, GDP will have increased by 0.8%, mainly due to internal demand, especially private consumption and investment, whilst net exports experienced a reduction in growth.

The improvement in private consumption is a reflection of a progressive recovery in expenditure levels after the great retrenchment experienced in 2012/13, which was due to taxation increases. The restitution of a portion of income (salaries and pensions) and decrease in unemployment contributed towards this dynamism, but moderation in this rate of consumer expenditure growth is to be expected.

With respect to investment, the recovery initiated in 2013 continued its pace, which speeded up in the first half of 2014, reacting to the greater use of installed capacity, and increased to post-crisis maximums. Export dynamics and the increase in internal demand, as well as the start of the Portugal 2020 programme should continue supporting growth in investment.

Net exports in 2014 contributed negatively towards growth, reversing for the moment the trend viewed in latter years. In the beginning of the year exports were affected by the temporary closedown of the Sines refinery and by the AutoEuropa automobile plant, but non-energy exports continued expanding at a sustained rate. The expected dynamism in the German and Spanish economies should continue supporting external sales.

The budgetary deficit of Public Administrations, in 2014, in terms of public accounting, decreased to 7 billion euros, an improvement of 1.8 billion euros relative to 2013, and which was simultaneous to a primary surplus balance of one billion euros. The positive dynamics shown in revenue was also accompanied by a decrease in expenditure, more relevant in capital expenditure, but which allowed compensating the effects of the decisions of the Constitutional Court on expenditure with personnel and pensions. The deficit, corrected of extraordinary measures, could be below the 4% of GDP target.

Already in January, the Treasury resumed its issues of medium and long term debt, at 10 and 30 years, at rates of 2.88% and 4.1%, respectively, with a demand that more than trebled the supply.

The European Central Bank announced, in January, that its programme of acquisition of financial assets will include sovereign debt from March onwards and at least until September 2016, with an expected monthly acquisition amounting to 60 billion euros, depending upon the convergence of inflation to a reference value of "approximately but lower than 2.0%". The risk will be partly shared by the Eurosystem (20% of the total), with the programme mainly operated by the national central banks.

## RESULTS

At the end of 2014, Santander Totta, SGPS net income rose to 193.1 million euros, which compares to 102.0 million euros recorded in the homologous period. Net income in the last quarter amounted to 74.2 million euros, a significant growth of 91.9% relative to the previous quarter, attributable however to the gains obtained with the sale of 51% of the shareholding of the new insurers Aegon Santander Portugal Vida and Aegon Santander Portugal Não Vida (companies which were 100% owned by Santander Totta Seguros) to Aegon Spain, Holding BV. Excluding this extraordinary revenue, annual net income would have grown by 57.8%, amounting to 161.0 million euros, and net income for the fourth quarter would have amounted to 42.2 million euros.

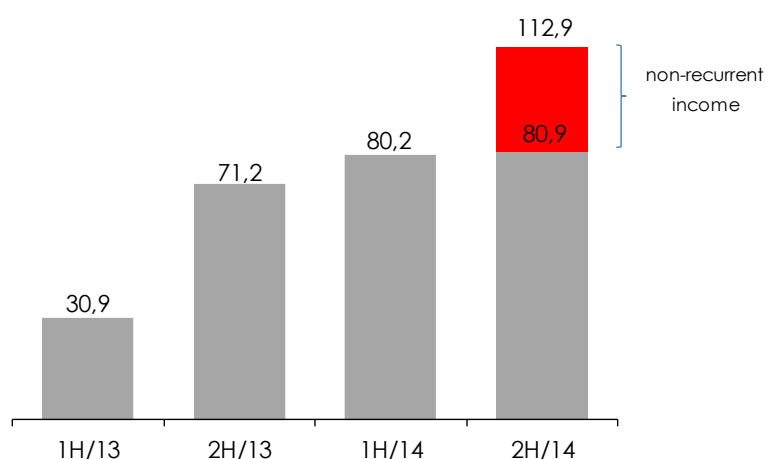
### INCOME STATEMENT (million euros)

	Dec-14	Dec-13	Var.
Commercial revenue	818.5	816.8	+0.2%
<b>Operating income and insurance activity</b>	<b>967.8</b>	<b>844.2</b>	<b>+14.6%</b>
Total operating expenses	(494.7)	(472.6)	+4.7%
<b>Net operating income</b>	<b>473.2</b>	<b>371.6</b>	<b>+27.3%</b>
Impairment and net provisions	(221.7)	(242.6)	-8.6%
Equity	19.6	14.1	+39.3%
Income before taxes and MI	271.1	143.1	+89.4%
<b>Consolidated net income</b>	<b>193.1</b>	<b>102.0</b>	<b>+89.2%</b>

In addition to the non-recurrent income obtained in the fourth quarter of 2014, the increase in net income was also due to the increase in net interest income and to the reduction in appropriations for impairments and provisions.

### Net Income

Million euros



Net interest income amounted to 546.5 million euros, a 6.2% increase, reflecting above all the lower cost of financing, particularly in the case of deposits, which compensated the lower volumes of credit granted.

Net commissions amounted to 271.8 million euros, a 14.1% decrease relative to 2013. This situation essentially reflects the regulatory changes that limited administratively the capability to collect commissions, especially as from the third quarter of 2013. However, in the quarterly comparison, a 3.7% improvement was shown from the second to the third quarter as well as a 4.2% increase from the third to the fourth quarter of 2014.

Other income from banking business amounted to -14.9 million euros and include potential depreciation of the assets of the Novimovest real estate investment fund, which was included in the consolidation of the ST, SGPS, accounts in the second quarter of 2013. However, the losses recorded in 2014 were lessened due to the incorporation of a full year of rentals of the real estate items constituting this fund.

Income from financial transactions recorded a significant growth and included the gains obtained in the sale of the securities portfolio which, however, were cancelled by the setting up of voluntary provisions, as well as the revenue resulting from the transaction carried out by Santander Totta Seguros.

Operating income amounted to 967.8 million euros, a 14.6% increase relative to the value recorded at end-2013.

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**OPERATING INCOME** (million euros)

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	<b>Dec-14</b>	Dec-13	<b>Var.</b>
Net interest income (without dividends)	546.5	514.9	+6.2%
Dividends from equity instruments	1.2	1.6	-24.7%
Net comissions	271.8	316.5	-14.1%
Other banking income	-14.9	-35.0	-57.5%
Insurance activity	13.8	18.9	-27.2%
<b>Commercial revenue</b>	<b>818.5</b>	<b>816.8</b>	<b>+0.2%</b>
Gain/loss on financial transactions	149.4	27.3	>200%
<b>Operating income and insurance activity</b>	<b>967.8</b>	<b>844.2</b>	<b>+14.6%</b>

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Operating expenses amounted to 494.7 million euros, a 4.7% variation. The evolution of personnel costs (+4,5%) is due to the incorporation of expenses with social security with regard to seniority premiums, whilst the 5.0% in general expenses are due to the recognition of costs with non-activated software as a result of a change in accounting policies, and which were recorded in full in the year's results.

Since the growth in revenue was greater than the growth in expenses, the efficiency ratio improved by 4.9pp, and stood at 51.1% at year end.

**OPERATING EXPENSES** (million euros)

	<b>Dec-14</b>	Dec-13	<b>Var.</b>
Personnel expenses	(284.5)	(272.3)	+4.5%
General expenses	(146.9)	(139.9)	+5.0%
<b>Operating expenses</b>	<b>(431.4)</b>	<b>(412.3)</b>	<b>+4.6%</b>
Depreciation	(63.3)	(60.3)	+5.0%
<b>Total operating expenses</b>	<b>(494.7)</b>	<b>(472.6)</b>	<b>+4.7%</b>
<b>Efficiency ratio</b> (excl. depreciation)	<b>44.6%</b>	<b>48.8%</b>	<b>-4.3 p.p.</b>
<b>Efficiency ratio</b> (incl. depreciation)	<b>51.1%</b>	<b>56.0%</b>	<b>-4.9 p.p.</b>

Total impairments and provisions amounted to 221.7 million euros, a decrease of 8.6% relative to the value recorded in 2013. Cost of credit, measured by the weight of credit impairment (net of recoveries) in total credit, stood at 0.41%, reinforcing the trend to normalize the cost of credit which has been viewed in latter quarters.

Income before tax and minority interests amounted to 271.1 million euros, increasing by 89.4% and net income amounted to 193.1 million euros, corresponding to a 6.7% return on equity.

## ACCOUNTS AND ACTIVITY

At the end of 2014, deposits amounted to 20,346 million euros, in line with the value reached in September, the quarter in which an expressive increase was shown relative to the amount recorded at end June. As compared with 2013, deposits increased by 5.6%.

Investment funds marketed by the Bank recorded a significant increase as compared with the homologous period (+16.7%) continuing to show evidence of recovery. This positive progress compensated the decrease occurred in capitalization insurance and other resources (-5.1% in annual terms and -1.2% relative to September).

The credit portfolio totalled 26,686 million euros, decreasing by 1.8% relative to 2013. Notwithstanding the positive progress in credit granted to corporates, which has gradually been increasing its weight in the credit portfolio, mortgage loans continue to show a decreasing trend, in spite of the steady dynamics shown in new credits granted in 2014, which increased by 18.0% relative to the previous year.

In spite of the sharp decrease in the non-financial corporate credit market, in which demand continues weak, Santander Totta recorded 0.3% growth in the quarter and 0.7% in the year, which has allowed an increment in the Bank's market shares.



**BUSINESS VOLUME** (million euros)

	Dec-14	Sep-14	Dec-13	Var.QoQ	Var.YoY
<b>Total Gross Loans</b>	<b>26,686</b>	<b>26,809</b>	<b>27,173</b>	<b>-0.5%</b>	<b>-1.8%</b>
<i>from which</i>					
Credit to Individuals	16,635	16,778	17,164	-0.9%	-3.1%
<i>from which</i>					
Mortgage	14,794	14,904	15,276	-0.7%	-3.2%
Consumer credit	1,381	1,405	1,382	-1.7%	-0.1%
Credit to Corporates	<b>9,823</b>	<b>9,795</b>	<b>9,759</b>	<b>+0.3%</b>	<b>+0.7%</b>
<b>Resources</b>	<b>25,562</b>	<b>25,724</b>	<b>24,642</b>	<b>-0.6%</b>	<b>+3.7%</b>
Deposits	20,346	20,388	19,271	-0.2%	+5.6%
Securities issued (clients)	134	222	294	-39.6%	-54.4%
<b>Balance sheet resources</b>	<b>20,480</b>	<b>20,610</b>	<b>19,565</b>	<b>-0.6%</b>	<b>+4.7%</b>
Investment funds managed or marketed by the Bank	1,414	1,401	1,212	+0.9%	+16.7%
Insurance and other	3,668	3,713	3,865	-1.2%	-5.1%
<b>Off-Balance sheet resources</b>	<b>5,082</b>	<b>5,114</b>	<b>5,077</b>	<b>-0.6%</b>	<b>+0.1%</b>

Credit at risk ratio stood at 5.73%, which is equivalent to an annual reduction of 0.13pp, and the coverage of credit at risk by provisions reached 75.9% that compares with the 67.7% recorded in December 2013. In turn, the ratio of non-performing and doubtful loans stood at 4.25% and the respective coverage ratio at 102.5%.

**CREDIT RISK RATIOS**

	Dec-14	Dec-13	Var.
NPL ratio (+ 90 days)	4.21%	3.73%	+0.48 p.p.
NPL coverage ratio (+90 days)	103.4%	106.4%	-3.0 p.p.
NPL and doubtful loans ratio	4.25%	3.79%	+0.46 p.p.
Net NPL and doubtful loans ratio	0.94%	1.08%	-0.14 p.p.
NPL and doubtful loans coverage ratio	102.5%	104.7%	-2.2 p.p.
"Credit at risk" ratio	5.73%	5.86%	-0.13 p.p.
"Credit at risk" coverage	75.9%	67.7%	+8.2 p.p.
Risk premium*	0.52%	0.43%	+0.09 p.p.
Cost of Credit	0.41%	0.72%	-0.31 p.p.
Restructured loans/loans	9.4%	8.7%	+0.8 p.p.
Restructured loans not included in "credit at risk"/loans	6.8%	5.4%	+1.4 p.p.

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

**LIQUIDITY, SOLVENCY AND PROFITABILITY**

At end-2014, net financing obtained with the Eurosystem amounted to 3.8 billion euros, a decrease of 15.6% relative to the value recorded at end-2013, justified by the improvement in the commercial gap and by two issues of covered bonds amounting to one billion euros (3 years maturity) and to 750 million euros (5 years maturity), respectively, in the first half of the year. An increase of 0.8 billion euros occurred in the fourth quarter relative to September due to the redemption, in October, of an issue of covered bonds amounting to one billion euros. In turn, the portfolio of assets eligible as guarantees for financing transactions with the EuroSystem rose to 12.3 billion euros, which, together with

the already referred current use of ECB funds, allows the Bank to maintain very comfortable levels of available liquidity.

The favourable progress of the commercial gap, due to the significant increase in deposits, simultaneously with the issue of covered bonds led to an increase in the relative weight of medium/long term financing in the Bank's financing structure.

The LCR (Liquidity Coverage Ratio) stood at 141%, compared with 139% recorded in December 2013.

The Core Tier 1 ratio, in line with the 2014 CRD IV/CRR rules, and already including the usual dividend payment, stood at 15.1%, increasing by 0.2pp in the quarter, evidencing once again the Bank's capability to organically generate capital.

## CAPITAL

	Dec-14	Sept-14	Dez-13
Common Equity Tier 1	2,464	2,492	2,426
Tier 1	2,704	2,759	2,583
Total Capital	2,704	2,759	2,583
<b>Risk Weighted Assets (RWA)</b>	<b>16,360</b>	<b>16,668</b>	<b>16,827</b>
<b>CET 1 ratio</b>	<b>15.1%</b>	<b>14.9%</b>	<b>14.4%</b>
Tier 1 ratio	16.5%	16.5%	15.3%
Total Capital Ratio	16.5%	16.5%	15.3%

## COMMERCIAL BANKING

In the Private and Business area, Santander Totta increased its business shares both in the resources market and in the credit market.

Throughout 2014, a sustained strategy was developed in the Bank's strength, which allowed the provision of support to Private and Business/SME customers.

With respect to household customers, the Bank approved projects through the granting of personal credit amounting to 469 million euros, and of mortgage loans amounting to 394 million euros. Credit granted to corporates in the Business/SME segment amounted to 1,563 million euros.

With reference to resources, the interest rates decreased to historically low levels, with relevant consequences to the market in terms of savings products. As such, the conditions and the portfolio of the Bank's products, especially those of traditional liabilities, had to be changed in order to become adjusted to the new conditions in the market, although the relationship of the Bank with its customers continued being prized.

In a rationale of diversification of customers' assets, the Bank kept up, throughout the year, the availability of indexed deposits and financial insurance, and strengthened its offer in the range of security investment funds, launching new funds intended for the *Select* and *Mid/Mass Market* segments.

With respect to investment funds marketed by the Bank, an annual 16.7% increase was recorded, mainly attributed to funds *Santander Select* (178.1 million euros) and *Santander Private* (116.6 million euros), with eight new funds launched (3 for the *Select* segment, 3 for the *Private Banking* segment and 2 for the *Mass-Market* segment), with the intent to complement the range of funds made available to customers.

At end-2014, the market share in mutual funds marketed by Santander Totta stood at 14.5%, an increase of 3.0 pp compared to the homologous period.

To be emphasized, as well, is the continued focus kept on capturing new domiciled salaries, in the placing of protection solutions (autonomous insurance) and in placing credit cards with new customers. In this sector focus was kept on the increase in stock, levered by the increase in the number of new credit card customers to more than 57,000. The stock increase, together with maintaining the rates applicable to the cards, allowed a growth of 5 percentage points in the homologous market invoicing.

Several initiatives occurred throughout the year in order to increase the profitability of the portfolio and of the promotion of the use of Santander Totta credit cards, with customers benefiting from varied offers and discounts. Continuity was kept in the partnership with the Vila Galé Hotel Group, the "Discount Programme" was consolidated and a partnership was launched with Repsol fuel distributors, which offers immediate discounts on payments with Santander Totta cards.

With regard to acceptances, the Bank maintained its position of reference with the main retail chains, namely in the food, clothing and consumer electronics sectors. The Bank's invoicing market share grew by 8.1% (above the value of the market), which was reflected in the market share that continued in excess of 17%. This effort was due not just to the good commercial relations with an important number of customers as well as to the recognition by these of the quality of the services provided by the Bank.

In spite of the unfavourable economic environment, the Bank surpassed the objectives established for 2014 in the control of non-performing loans; the policy of rigour continues a determining factor as is the implementation of new solutions to regularize and renegotiate debts adequate to each customer.

The *Select* label was launched in February 2014, becoming strengthening throughout the year, and recording an 18% growth relative to the segment's customers, as a result of a more dynamic offer of products allied to a management structure dedicated to greater proximity to the customer.

In the Corporates area, results obtained in 2014 confirm the Bank's commitment in supporting companies' activities, investing in critical sectors for the growth of the Portuguese Economy, especially in the exporting sector, both in international business and in aiding internationalization, and in sectors of transaction goods that may benefit the stability of the Republic's rating and of expectations in the gradual recovery in business investment.

In the beginning of 2014, the Bank reinforced its commercial network with the opening of three new Corporate Commercial Departments (Paredes, São João da Madeira and Torres Vedras), thus investing in greater customer proximity.

The year was marked by a greater pressure on price levels, a reflection of a greater availability of banking offer in the companies segment. The Corporate Network maintained its operating methods, focusing largely on the growth of its credit portfolio, with a production in excess of 5.2 billion euros, safeguarding the balanced management of the volumes of the credit portfolio and resources.

As a result of the close collaboration between the Bank and the European Investment Bank (EIB), within the range of its lines of support for investment in projects and programmes in several sectors of the economy (agriculture, industry, services), and covering diverse segments, preferentially SMEs and MIDCAPs, the Bank concluded, in September, the placement of the total of the 6th EIB line, amounting to 200 million euros and which allowed providing support for approximately 1,000 companies.

Following the relevant receptivity of companies to the EIB lines, the Bank formalized a new line (7th) in October, amounting to 200 million euros, which has already allowed, until December, the granting of finance totalling 60 million euros.

In the SME Invest/Growth lines, Banco Santander Totta has kept up a relevant position with a market share of approximately 16.7%, having placed, until December, more than twenty thousand operations, to a total amount of 2 billion euros. In the 2014 SME Growth line, which commenced being marketed in March, the Bank has also been placed ahead of its market share, achieving an 18.7% franchise in the value of financing operations within the framework of SME-Investments (management body of these lines), positioning Santander Totta as leader in this line.

The Bank has also kept up its leadership in factoring and confirming, with a 24.8% aggregate market share (data referred to October 2014), which is once more the reflection of the Bank's commitment in the effective support to corporates' activities.

In international business, the Bank expanded its offer of value to companies, making the *Santander Trade* site available to customers as well the capability to expand customers' relations to potential partners through the Santander Club. Upgrading its support to a selected number of customers highly involved in

international business, the Bank offered the “Santander Passport”, allowing companies to benefit from a homogeneous relationship treatment in the geographical areas where the Santander Group is active. Additionally, through the International Desk, the Bank continued providing support to companies in the process of becoming internationalized. During the year, Santander Totta promoted 22 regional events on business issues and carried out or took part, in partnership with external institutions, more than 22 conferences and initiatives focused on international markets, in which the “Top Exporta” event stands out.

## **GLOBAL BANKING AND MARKETS**

Throughout 2014, the Corporate Finance area continued to develop intense activity, with an outstanding participation, as joint leader, in the following successfully concluded operations: i) Placing syndicate for the Initial Public Offer (IPO) of ESS – Espírito Santo Saúde; ii) Placing syndicate for the Public Offering of REN shares, within the scope of the 2nd stage in the company’s privatization; and iii) Placing syndicate for the Public Offering to subscribe the BES share capital increase.

Also outstanding was Santander Totta’s action as consultant and financial go-between of José de Mello Saúde in the take-over bid of ESS – Espírito Santo Saúde.

In the Credit Markets area, companies took advantage of the decrease in credit spreads to take decisions on the extension or refinancing of their indebtedness. Additionally, a very positive progress came about in the Project Finance area, with companies exploiting and materializing financing opportunities for new projects. Santander Totta was featured in most of the operations concluded in this period, particularly in the renewable energies sector.

The Structured Products area recorded, in 2014, a fair performance in the marketing of liability products. During the year, 23 structured products were issued, of which 19 were euro denominated for a total amount of 781 million euros and 4 US Dollar denominated for a total amount of 50.1 million US Dollars. Issues placed in this period are indexed to diversified assets transacted in shareholder markets in countries in several different geographical locations.

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

## **INSURANCE**

Similarly with what occurred in Spain at the end of 2012, Santander Totta subscribed on 31 December 2014 a strategic partnership with the Aegon Group with the objective to strengthen its specialization in insurance products, which,

allied to Santander's well known distribution capability, will clearly allow reinforcing the insurance franchise in its customer base.

The materialization of this alliance led to the setting up of two new public limited companies incorporated in Portugal, to act within the dependence of Santander Totta Seguros and in the consequent sale of a 51% shareholding in those companies to Aegon Spain Holding BV, thus ensuring the joint control of the contracted shareholder agreements.

With respect to its recurring business activity, 2014 was again very positive in relation to commissions, demonstrating the adequacy of the placing of autonomous products in line with the requirements of the Bank's customer segments, confirming the increase in demand for these products and the increment in the endurance of the portfolios.

Within the range of life risk insurance marketed autonomously on credit, the continuous growth relative to 2013 should be highlighted, particularly in those products launched in 2012. "Safe Care" continues with a good placing, with the policy portfolio increasing by 47% in relation to end-2013, the number of insured parties at the end of December 2014 totalling approximately 75,400. "Home Protection" continues in high demand, with almost 26,300 policies underwritten in 2014.

Continued focus was kept on the marketing of solutions to protect family incomes in case of death or unemployment - "Family Protection Plan" and "Salary Protection Plan" - with sales attaining approximately 36,550 policies in 2014. The "Live Longer Insurance" achieved the placing of approximately 7,460 policies.

During the first quarter of 2014, the marketing began of the "Life Corporate" product, intended for companies whose concerns aim towards financial protection in the case of death or disablement of personnel with key offices in the company.

With respect to financial life insurance, highlight goes to the launching of "Financial Plan" products, of the non-standard (unit linked) ICAE type insurance, which provide a monthly and quarterly return paid under the guise of partial redemption, with the total marketed volume amounting to approximately 286 million euros in 2014 as compared with 390 million euros marketed in 2013.

In risk and mixed insurance the premium volume amounted to 130.6 million euros, a 5.9% increase above the premiums issued in the homologous period. To be highlighted is the 17.2% increase in autonomous insurance premiums

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## INSTITUTIONAL INFORMATION

Banco Santander (SAN.MC, STD.N, BNC.LN) is a retail and commercial bank, based in Spain, with a presence in 10 main markets. Santander is the largest bank in the euro zone by market capitalization. Founded in 1857, Santander had EUR 1.34 trillion in managed funds, 107 million customers, 13,225 branches – more than any other international bank – and 183,648 employees at the close of June 2014. 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. In the first half of 2014, Santander registered EUR 2.756 billion in attributable profit, an increase of 22% from the same period of the previous year.

## Santander Totta, SGPS

### BUSINESS VOLUME (million euros)

	Dec-14	Dec-13	Var.
<b>Total Gross Loans</b>	<b>26,686</b>	<b>27,173</b>	<b>-1.8%</b>
<i>from which</i>			
Credit to Individuals	16,635	17,164	-3.1%
<i>from which</i>			
Mortgage	14,794	15,276	-3.2%
Consumer credit	1,381	1,382	-0.1%
Credit to Corporates	<b>9,823</b>	<b>9,759</b>	<b>+0.7%</b>
<b>Resources</b>	<b>25,562</b>	<b>24,642</b>	<b>+3.7%</b>
Deposits	20,346	19,271	+5.6%
Securities issued (clients)	134	294	-54.4%
<b>Balance sheet resources</b>	<b>20,480</b>	<b>19,565</b>	<b>+4.7%</b>
Investment funds managed or marketed by the Bank	1,414	1,212	+16.7%
Insurance and other	3,668	3,865	-5.1%
<b>Off-Balance sheet resources</b>	<b>5,082</b>	<b>5,077</b>	<b>+0.1%</b>

## Santander Totta, SGPS

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

### RATIOS

	Dec-14	Dec-13	Var.
<b>Solvency</b>			
Core Tier I	15.1%	14.4%	+0.7 p.p.
Tier I	16.5%	15.3%	+1.2 p.p.
Solvency ratio	16.5%	15.3%	+1.2 p.p.
<b>Credit Quality</b>			
NPL and doubtful loans ratio	4.3%	3.8%	+0.5 p.p.
NPL and doubtful loans coverage ratio	102.5%	104.7%	-2.2 p.p.
Net NPL and doubtful loans ratio	0.9%	1.1%	-0.1 p.p.
"Credit at risk" ratio	5.7%	5.9%	-0.1 p.p.
"Credit at risk" ratio (net)	1.4%	2.0%	-0.5 p.p.
Restructured Loans/Total Loans	9.4%	8.7%	+0.8 p.p.
Restructured Loans (not included in credit at risk)/Total Loans	6.8%	5.4%	+1.4 p.p.
<b>Profitability</b>			
Income before taxes and MI/Average net assets	0.6%	0.3%	+0.3 p.p.
Operating income/Average net assets	2.4%	2.1%	+0.3 p.p.
Income before taxes and MI/Average equity	8.4%	5.0%	+3.4 p.p.
<b>Efficiency</b>			
Total operating expenses/Operating income	50.1%	55.1%	-5.0 p.p.
Personnel expenses/Operating income	28.8%	31.7%	-2.9 p.p.
<b>Transformation</b>			
Credit (net)/Deposits	125.8%	136.2%	-10.4 p.p.
Credit (net)/Deposits*	116.5%	126.2%	-9.7 p.p.

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



**Santander Totta, SGPS**
**INCOME STATEMENT** (million euros)

	Dec-14	Dec-13	Var.
<b>Net interest income (without dividends)</b>	<b>546.5</b>	<b>514.9</b>	<b>+6.2%</b>
Dividends from equity instruments	1.2	1.6	-24.7%
<b>Net interest income</b>	<b>547.7</b>	<b>516.5</b>	<b>+6.1%</b>
Net commissions	271.8	316.5	-14.1%
Other banking income	-14.9	-35.0	-57.5%
Insurance activity	13.8	18.9	-27.2%
<b>Commercial revenue</b>	<b>818.5</b>	<b>816.8</b>	<b>+0.2%</b>
Gain/loss on financial transactions	149.4	27.3	>200%
<b>Operating income and insurance activity</b>	<b>967.8</b>	<b>844.2</b>	<b>+14.6%</b>
Total operating expenses	(494.7)	(472.6)	+4.7%
Personnel expenses	(284.5)	(272.3)	+4.5%
General expenses	(146.9)	(139.9)	+5.0%
Depreciation	(63.3)	(60.3)	+5.0%
<b>Net operating income</b>	<b>473.2</b>	<b>371.6</b>	<b>+27.3%</b>
Impairment and net provisions	(221.7)	(242.6)	-8.6%
Equity	19.6	14.1	+39.3%
<b>Income before taxes and MI</b>	<b>271.1</b>	<b>143.1</b>	<b>+89.4%</b>
Taxes	(77.9)	(49.9)	+56.1%
Income after taxes	193.2	93.2	+107.3%
Minority interests	(0.1)	8.8	-101.7%
<b>Consolidated net income</b>	<b>193.1</b>	<b>102.0</b>	<b>+89.2%</b>

(\*) Not audited

**Santander Totta, SGPS**
**BALANCE SHEET** (million euros)

	Dec-14	Dec-13	Var.
Deposits at Central Banks	622	1,716	-63.8%
Cash, loans and advances to banks	1,671	2,446	-31.7%
Financial assets	11,584	8,985	+28.9%
Net loans	25,524	26,095	-2.2%
Hedging derivatives	188	199	-5.5%
Non current assets held to sell	208	207	+0.4%
Other tangible assets	330	374	-11.8%
Other assets	1,417	1,529	-7.3%
<b>TOTAL ASSETS</b>	<b>41,544</b>	<b>41,551</b>	<b>-0.0%</b>
Resources from Central Banks	4,406	6,200	-28.9%
Resources from other institutions	4,030	4,215	-4.4%
Financial liabilities held for trading	1,934	1,567	+23.4%
Financial liabilities designated at fair value through profit and loss	3,403	3,593	-5.3%
Resources of customers and others	20,346	19,271	+5.6%
Debt securities issued	2,893	2,436	+18.7%
Hedging derivatives	141	371	-62.1%
Provisions	423	439	-3.6%
Subordinated liabilities	0	0	-
Other liabilities	605	406	+49.1%
Shareholder's equity	3,363	3,054	+10.1%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>41,544</b>	<b>41,551</b>	<b>-0.0%</b>