


2015 Half Year Report Banco Santander Totta, SA

Santander Totta

MAIN INDICATORS

BALANCE SHEET AND RESULTS (million euro)	Jun15	Jun14	Jun15/Jun14	Jun13
Net Assets	**36.996**	39.898	-7,3%	39.033
Net Loans	**25.470**	25.688	-0,9%	26.743
Customers' Resources	**26.843**	25.507	+5,2%	26.936
Own Funds + Minority Interests + Subordinated Liabilities	**2.916**	2.743	+6,3%	2.378
Net Interest Income (excludind dividends)	**282,6**	266,3	+6,1%	246,6
Fees and Other Income	**136,9**	122,3	+12,0%	165,7
Operating Income	**446,1**	469,6	-5,0%	422,9
Net Operating Income	**211,2**	225,6	-6,4%	186,5
Income Before Taxes & Minority Interests	**154,2**	118,6	+30,0%	45,5
Net Income	**102,7**	81,3	+26,3%	24,2

RATIOS	Jun15	Jun14	Jun15/Jun14	Jun13
ROE	**8,7%**	8,4%	+0,3 p.p.	2,8%
ROA	**0,6%**	0,4%	+0,2 p.p.	0,1%
Efficiency Ratio (including depreciation)	**52,7%**	52,0%	+0,7 p.p.	55,9%
Solvency Ratio*	**13,2%**	12,6%	+0,6 p.p.	10,9%
Tier I* ratio	**15,6%**	14,8%	+0,8 p.p.	12,7%
Core Capital* ratio	**15,6%**	14,8%	+0,8 p.p.	12,6%
NPL and Doubtful Loans Ratio	**4,3%**	4,1%	+0,2 p.p.	3,6%
Credit at Risk Ratio	**5,6%**	5,7%	-0,1 p.p.	5,4%
	9,5%	9,3%	+0,2 p.p.	7,8%
	7,1%	6,7%	+0,4 p.p.	n.d.
NPL and Doubtful Loans Coverage Ratio	**104,7%**	103,7%	+1,0 p.p.	103,4%
Credit at Risk Coverage Ratio	**80,6%**	74,5%	+6,1 p.p.	69,9%
Loan-to-Deposit Ratio**	**115,5%**	126,7%	-11,2 p.p.	126,7%

RATING	Jun15	Jun14		Jun13
FitchRatings				
short term	**F2**	F2		F3
long term	**BBB**	BBB		BBB-
Moody´s				
short term	**NP**	NP		NP
long term	**Ba1**	Ba1		Ba1
Standard & Poor´s				
short term	**B**	B		B
long term	**BB**	BB		BB
DBRS				
short term	**R-1L**	R-1L		R-1L
long term	**BBBH**	BBBH		BBBH

Other Data	Jun15	Jun14	Jun15/Jun14	Jun13
Employees	**5.308**	5.457	-149	5.582
Employees in Portugal	**5.261**	5.408	-147	5.533
Branches	**576**	626	-50	651
Total Branches and Corporate Centers in Portugal	**561**	611	-50	635

* 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
Members	Carlos Manuel Amaral de Pinho
	Isabel Maria Lucena Vasconcelos Cruz de Almeida Mota*
	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

Board of Auditors

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

Auditors

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

Executive Committee

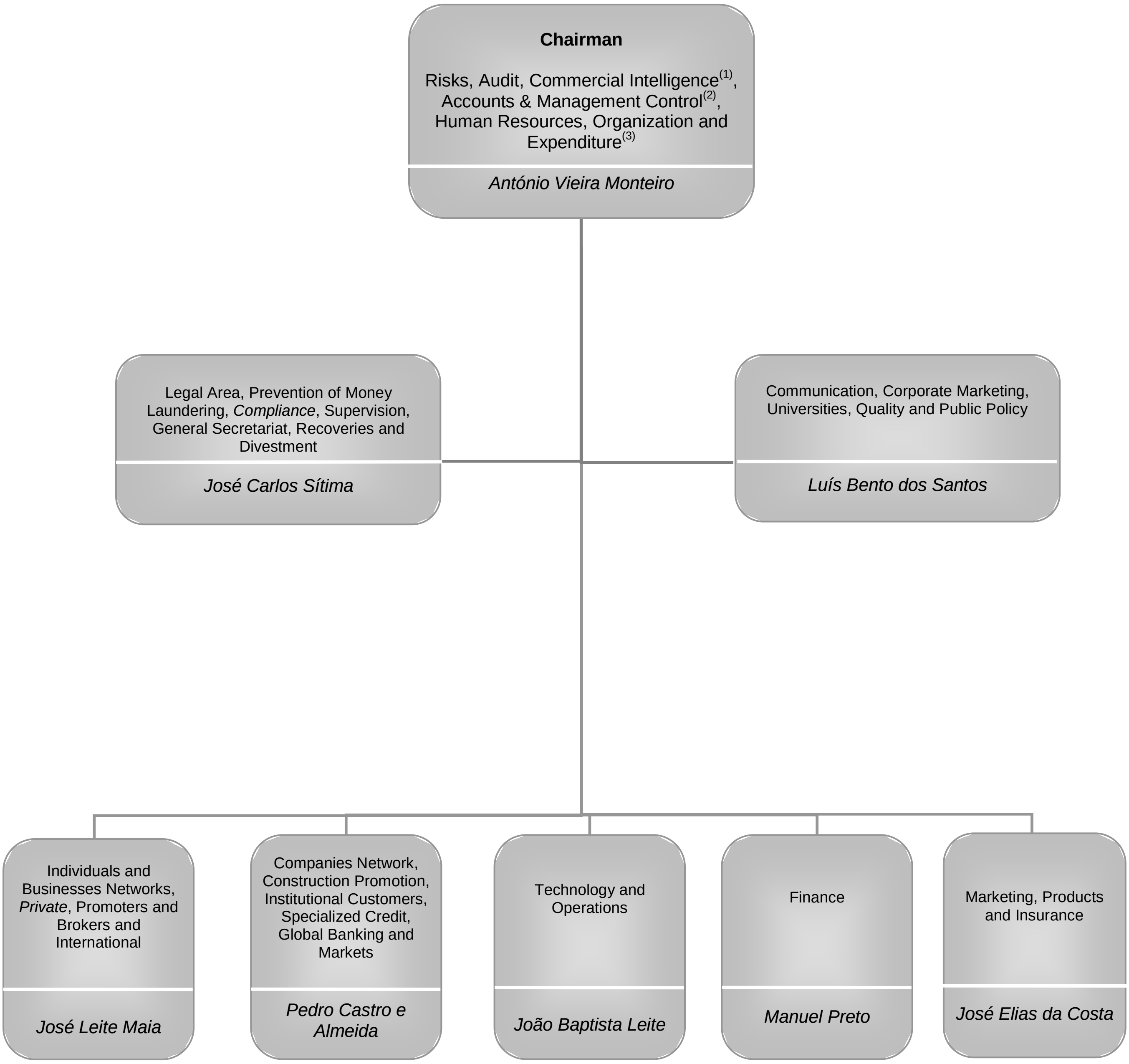
Chairman	António José Sacadura Vieira Monteiro
Members	João Baptista Leite
	José Carlos Brito Sítima
	José Manuel Alves Elias da Costa
	José Urgel Moura Leite Maia
	Luís Filipe Ferreira Bento dos Santos
	Manuel António Amaral Franco Preto
	Pedro Aires Coruche Castro e Almeida

Company Secretary

Office Holder	Luís Manuel Baptista Figueiredo
Alternate	Raquel João Branquinho Nunes Garcia

*Elected at General Meeting held on 30-05-2015, and taken office on 6-7-2015, date of registration in the Bank of Portugal

Functional Organization Chart of the Executive Committee



(1) In the area of Commercial Intelligence, the Chairman is assisted by Dr. Manuel Preto

(2) The Accounting and Management Control area is headed by Dr. Ignácio Centenera, a Manager Attached to the Executive Committee

(3) The management of the Human Resources, Organization and Expenditure areas is headed by Dr. Nuno Frias Costa, a Manager Attached to the Executive Committee

International Economy

Economic activity in the first half year, similarly to the homologous period, continued being characterized by a moderate expansion, which led the International Monetary Fund, in the July update of the "World Economic Outlook", to review at a lower level the growth projections for the current year.

The new 3.3% growth projection for 2015 (a -0.2pp review) was mainly due to the estimated dynamics for the developed economies, with special reference to the United States, United Kingdom and Japan. On another hand, a continued slowdown was visible in the emerging economies, with a greater depression anticipated in the case of Brazil. Risks were assessed as being on a slanting slowdown, within a framework of lower potential growth, joined, in the short term, by risks related to volatility in the financial markets.

In the USA, economic growth again contracted in the first quarter, affected by hostile climatic conditions which, once again, influenced construction and family consumer expenditure. Additionally, investment also slowed down, following the fall in oil prices occurred in the second half of 2014, which reduced investment in the oil and shale gas industries. Recovery started already in the second quarter together with a further fall in the unemployment rate, in June, to 5.3% (an 0.8pp reduction compared to the homologous period).

The USA Federal Reserve was considering the recovery in economic activity in the discourse guided towards the possibility of initiating the growth cycle of the reference rates already in 2015 (as included in the projections carried out by the participants in the Federal Open Market Committee – FOMC – in June 2015). However, it kept to the indication that the rate of growth could be gradual and dependent upon economic and financial developments.

In China, GDP continued growing at a rate of approximately 7%, although short term indicators presage a deceleration compared to the homologous period. The authorities adopted a number of measures to support recovery but which did not avoid the heavy correction in the main shareholder index (approximately 30%). As a consequence of this development, the authorities announced a set of additional measures, including the setting up, by the central bank, of specific liquidity lines for institutional investors in the variable income markets.

GDP showed gradual growth in the euro zone, at a trend that enabled the ECB, in May, to estimate an upward review to 1.5% of growth projections for 2015, but assuming that decisions on non-conventional measures, especially the acquisition of public debt, will have a positive impact on economic activity and on confidence.

In January, the ECB announced a third feature, within the scope of its financial assets acquisition programme, intended to acquire debt issued by public bodies (national and supranational), amounting globally (including securitizations and mortgage bonds) to 60 billion euros per month. This programme should be kept up until September 2016, or until inflation converges to levels consistent with price stability, with inflation "close to, but below 2%". In January, inflation was at negative levels, but grew marginally to 0.2% in June, also reflecting the dispersion of the basic effects associated to the movements in oil prices.

Since March, when this feature commenced, and until 24 July, ECB has already acquired 240 billion euros in public debt, to which are added 110 billion euros in the remaining assets (securitizations and mortgage bonds).

The Greek situation markedly deteriorated in the first half year. Early general elections resulted in a victory for SYRIZA, this being followed by a period of negotiations which lasted until end-June with no agreement being reached. On that date, the Government announced a referendum on the proposals of the institutions, which was held on 5 July. During the first half year, in a highly uncertain environment, the economic activity again inverted its trend and contracted once more, and public accounts registered further deterioration, which worsened still further an already difficult situation. After the referendum was announced, the economic environment suffered additional adverse pressure, following the imposition, by the Government, of controls on capital movements (closure of banks and limits to cash withdrawals), to place a brake on the massive withdrawals of bank deposits by the people (since the beginning of the year and until end-June, private deposits were reduced by approximately 40 billion euros).

In spite of an expressive majority in favour of the "No", the Government, due to the worsening of the liquidity situation, was obliged to request a third aid programme, this request being accepted at the Euro Summit on 12 July, in a very complex political context, within which all scenarios were kept open, including Greece's temporary exit from the euro zone.

Resulting from the agreement, and in order to open formal negotiations towards a third financial aid programme, the Greek Government committed itself to a set of preliminary measures (increase in VAT, reform of the civil process, etc.) which enabled it to access a temporary loan of 7 billion euros, which covered the immediate financing requirements and enabled regularizing delayed payments to the IMF and to settle a debt with the ECB which had meanwhile matured. The details of the programme, which include financial aid amounting to between 82 and 86 billion euros, should be finalized during this next Summer.

The very high instability connected to the situation in Greece resounded in the financial markets, especially those involving fixed income securities, with an increase in credit spreads, which especially affected the so called "peripheral" markets: the convertibility risk, associated with a possible exit of Greece from the euro zone, led to an increase in the risk premiums as compared to the German public debt, to the highest levels since the beginning of the year. Even so, the expectations that the ECB could use all the instruments at its disposal (public debt acquisition programme, Outright Monetary Transactions – OMT) will have limited a further worsening of the risks.

The agreement and the approval by the Greek Parliament of the preliminary measures allowed a relief in the uncertainty and enabled a consequent reduction in credit spreads to the April and May levels. These levels, in turn, had already risen from historical minimums, which had been recorded in the end of the first quarter, when the ECB programme of acquisition of public debt was started.

ECB maintained this evolution under assessment, considering that a part of the increase in the yields also reflected the reactions of investors to the signs of improvement in the economic environment and to the acceleration in inflation, which diminished deflationary risks.

Short term interest rates kept at minimum levels during the first half year, with the 3 month Euribor interest rate entering negative terrains, as a reaction to the expansionist policies of the ECB.

The European equity markets increased in value throughout the whole of the first half year, based upon the progressively sounder economic data, and on the commencement of the ECB's public debt acquisition programme. These were however specially affected in the second quarter by the greater uncertainty connected with the Greek situation, but recovered from the losses suffered although not returning to the maximums recorded in the year. The North American market recorded a more moderate valuation, although remaining very near to the historical absolute maximums. The main Chinese shareholder index, in spite of the heavy correction occurred from June onwards (when it depreciated by approximately 30%),still registered a cumulative variation in excess of 15%, and, as stated, the authorities set in motion a number of measures intended to support the market.

Portuguese Economy

One year after the end of the Economic and Financial Adjustment Programme, in June 2014, the Portuguese economy continued experiencing a sustained but gradual growth. Since the second quarter of 2013, GDP has grown at an average rate of 0.3% per quarter. In the first half of 2015, the average will have increased to 0.5%, resulting in a homologous 1.7% growth in the second quarter after a 0.9% growth in the whole of 2014.

Growth has been headed by the progressive recovery in domestic demand, especially in private consumption and investment. In spite of the positive development in exports, their net value has negatively contributed to growth, due to increased imports in investment goods and means of transport.

Unemployment rate, in June, stood at 12.4%, placing the quarterly average at 12.5%, below the 13.7% shown in the first quarter of the year, to which will also be connected the seasonal employment in tourist activities. Equally, the partial replacement in the salaries of Public Servants and in pensions, as well as the reversion of part of the cuts implemented in the last years, has contributed to families' available income.

Investment has also been recovering, especially in plant and machinery and means of transport industries. In the first quarter, however, and for the first time since 2007, investment in construction recorded a positive homologous variation. The most recent Public Statistics survey on investment, published in July, revealed continued expectations of a 2.5% growth in capital expenditure (a clear upward revision compared to the 2.2% decrease foreseen in the previous survey), after a growth in excess of 5% estimated for 2014. The survey also showed that the number of companies reporting the weakness in demand as a restriction to investment had decreased, in line with the improvement in both the domestic and foreign economic environment.

The survey on the conditions of the banking credit market relative to the second quarter, carried out by the Bank of Portugal, also disclosed expectations, by the banks surveyed, of an increase in credit demand from companies, partly also intended for investment, although one of the main aims was financing of stocks and management of working capital.

However, credit data did not yet totally reflect this feeling of improvement. In spite of the flows of new credit production to non-financial companies, in the second quarter, having increased in terms of the previous quarter, they were still below the amounts shown in the homologous period of 2014. The credit stock continued decreasing, reflecting the deleveraging process that Portuguese companies have been following in the last few years.

Exports maintained a relevant dynamism, even excluding the base effects connected to the sales of energy goods, which, in 2014, were negatively affected by the temporary closedown of the Sines refinery for maintenance. Sales to the European Union, which represent approximately 70% of sales of goods, markedly contributed to this dynamism, since extra community exports remained practically stagnant, in nominal terms. Imports reflected the dynamism of domestic demand, although investment goods were those that most contributed to the growth of external purchases.

The budgetary execution of the Public Administrations, in the first half year, on a cash basis, disclosed a slight reduction in the global deficit, compared to the levels shown in the same period of 2014. Growth was recorded in public revenue, especially in indirect taxation, in line with the improvement in economic activity. Public current expenditure decreased slightly, recording two opposing trends, with an increase in the expenses with debt service (resulting from the new profile in medium and long term debt) and a decrease in grants. The primary balance, in the same period, recorded a larger surplus.

Throughout the first half year, and in spite of the greater uncertainty related with the Greek situation, the Treasury maintained its access to the global financial markets, through the issue of Treasury Bills, as well as Treasury Bonds, such issues amounting to more than 10 billion euros until July. Already in this month, the Treasury issued 22 year bonds with a 3.5% yield.

The Portuguese Treasury took advantage of the improved conditions of access to the market, in terms of maturity and interest rates, to partially replace the IMF loans. In the first half year, and after approval from the institutions, the Treasury made an early repayment of 6.6 billion euros in SDR (special drawing rights, the IMF unit of account), equivalent to 28.7% of the total IMF loan which had, before payment of instalments, an average maturity of 7.3 years and a 4.7% cost (the loans, since 2014, have an extra spread, due to their value exceeding by 3.000%, Portugal's share in the IMF). Additionally, the Treasury carried out several transactions of exchange and repurchase of public debt, in order to manage the maturity profile.

Main risks and uncertainties in the second half of 2015

The risks and uncertainties that may affect business in the second quarter of 2015 are related to domestic and external issues.

Internationally, the risk factors are related with: (i) developments relative to adjustments in Greece and the next steps in terms of its financing and the execution of that Country's programme; (ii) the geostrategic developments in Eastern Europe and in the Middle East; (iii) the possibility that the USA commences a cycle of increase in reference interest rates and its impact on the flow of funds amongst economies; and (iv) the sustainability of the recovery in world economy, within a framework of a greater slowdown in the emerging economies.

Nationally, the main sources of risk are, on the one hand, the rate of growth of the economy and the respective impacts on the macro economic variables that determine the development of the banking business and, on the other hand, the dynamics of the European economy. Both factors are decisive in terms of GDP growth, specifically for the leveraging of exports, the galvanizing of domestic demand and growth in investment.

Additionally, and in respect of the financial sector, the focus of the system continues guided towards the increase in profitability based upon recurring business. Improvement of the economic cycle may positively influence the need for the provisioning of credit impairments, but the context of low interest rates and the still sluggish recovery of credit volumes have negative effects on the capability to generate net interest income. The progressive consolidation of the ECB's Single Supervisory Mechanism, with the establishing of common rules also in terms of capital requisites, is an additional conditioning factor in the banking business
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Consolidated Activity

Introduction

Banco Santander Totta recorded, at end June 2015, net income amounting to 102.7 million euros, as compared to 81.3 million euros in the homologous period, thus a 26.3% variation. Standing out in this development are the growth in net interest income, the decrease in operating expenses and the reductions in impairments.

The credit portfolio stood at 26.7 billion euros, a 0.6% decrease relative to the homologous period in 2014; the slowdown in the rate of decrease in credit should, however, be stressed, as a consequence of the 3.3% increase in credit granted to companies and an expressive growth in the production of mortgage loans.

The credit at risk ratio decreased to 5.6%, as compared to the 5.7% recorded at end June 2014, with an increase in the coverage ratio, which stood at 80.6% (74.5% in June 2014).

Customers resources totalled 26.8 billion euros, disclosing a +5.2% variation as compared to the homologous period, with a favourable development in deposits and in marketed investment funds.

The ratio resulting from the weight of net credit on deposits, stood at 115.5% at end June 2015, showing a favourable development relative to the 126.7% it stood at one year earlier.

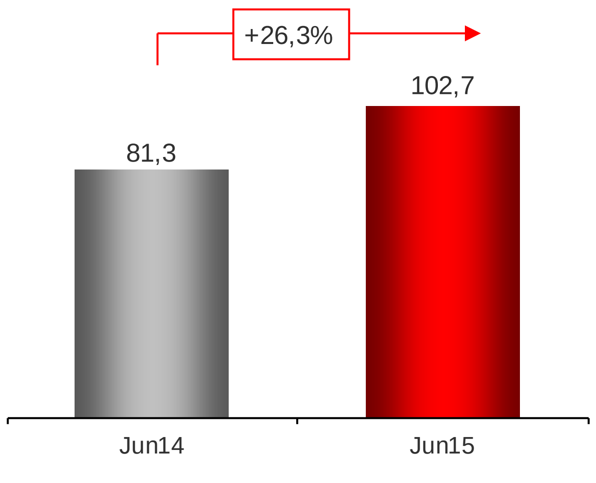
With respect to capital ratios, in line with the CRD IV/CRR rules, applicable in 2015, the CET 1 ratio stood at 13.2% (12.6% in June 2014) and the Tier 1 ratio stood at 15.6% (14.8% at the end of the previous first half year).

Net finance obtained with the European Central Bank amounted to 3.3 billion euros in June 2015. In turn, the portfolio of assets eligible to stand as guarantee in transactions with the Eurosystem amounted to 11.9 billion euros.

The rating of Banco Santander Totta continues to be the best in the financial system. In June 2015, Moody´s increased the rating of the Bank's deposits and covered bonds. The Bank's long term debt risk notations as compared with those of the Portuguese Republic are as follows: FitchRatings – BBB (Portugal – BB+), Moody's – Ba1 (Portugal – Ba1), S&P – BB (Portugal – BB) e DBRS – BBBH (Portugal – BBBL).

NET INCOME

Million euros



Results

PROFIT AND LOSS ACCOUNT (million euro)

	Jun15	Jun14	Jun15/Jun14
Net Interest Income (without Dividends)	**282,6**	**266,3**	**+6,1%**
Dividends	1,1	1,1	-0,4%
Net Interest Income	**283,7**	**267,4**	**+6,1%**
Fees and Other Income	136,9	122,3	+12,0%
Commercial Revenue	**420,6**	**389,7**	**+7,9%**
Gain/Losses on Financial Transactions	25,5	79,9	-68,1%
Operating Income	**446,1**	**469,6**	**-5,0%**
Operating Costs	(234,9)	(244,0)	-3,7%
Net Operating Income	**211,2**	**225,6**	**-6,4%**
Impairment and Other Provisions	(65,9)	(113,9)	-42,1%
Results from Associated Companies	9,0	6,9	+28,9%
Income Before Taxes and MI	**154,2**	**118,6**	**+30,0%**
Taxes	(51,5)	(37,4)	+38,0%
Minority Interests	(0,0)	(0,0)	-92,3%
Net Income	**102,7**	**81,3**	**+26,3%**

Strict net interest income totalled 282.6 million euros at end June 2015, a 6.1% improvement relative to the 266.3 million euros obtained in June 2014. This improved situation was reached within an environment of pressure in credit spreads, in a gradual recovery of credit volumes and in a decrease in the cost of financing, primarily in the case of deposits.

Net commissions and other results in banking business amounted to 136.9 million euros, a 12.0% growth as compared to the value shown in June 2014, highlighting the lower devaluation of the assets attached to the Novimovest real estate investment fund, (included under the heading "Other results of banking business").

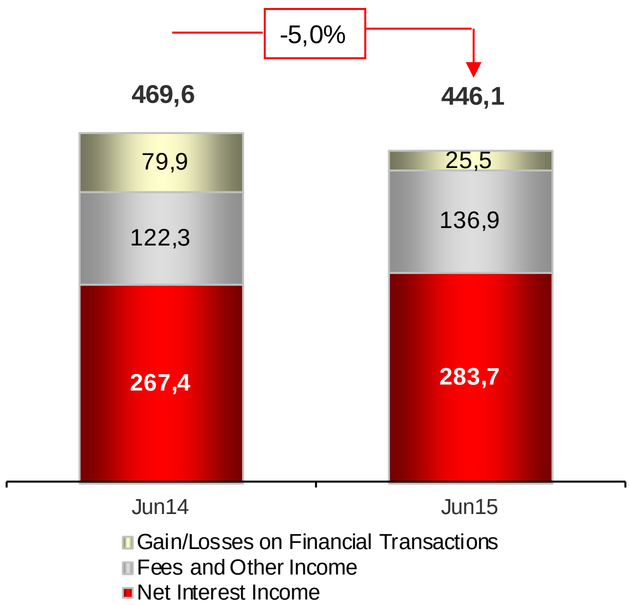
Commercial revenue stood at 420.6 million euros, increasing by 7.9% relative to end June 2014.

Results of financial transactions amounted to 25.5 million euros, which compares with 79.9 million euros obtained in the same period of the previous year. It should be stressed that the value booked in the first half year of 2014, includes gains in the securities portfolio which were totally cancelled with the setting up of voluntary provisions and with the extraordinary depreciation of software during the second quarter.

Operating income amounted to 446.1 million euros, 5.0% lower than the amount recorded at end June 2014, highlighting the favourable development of net interest income and other income from banking business, affected by the decrease in results from financial transactions.

OPERATING INCOME

Million euro



Operating expenses amounted to 234.9 million euros, a 3.7% decrease as compared with the same period in the previous year. Personnel expenses increased slightly (+0.5%) relative to the homologous period, whilst general expenses, with a 10.2% increase disclosed greater costs related with the acceleration of the investment plan in new technologies and in the simplifying of operational procedures. Depreciation shows a 42.2% decrease, mainly due to the early depreciation carried out in the second quarter of 2014 in computer applications.

OPERATING COSTS AND EFFICIENCY (million euro)

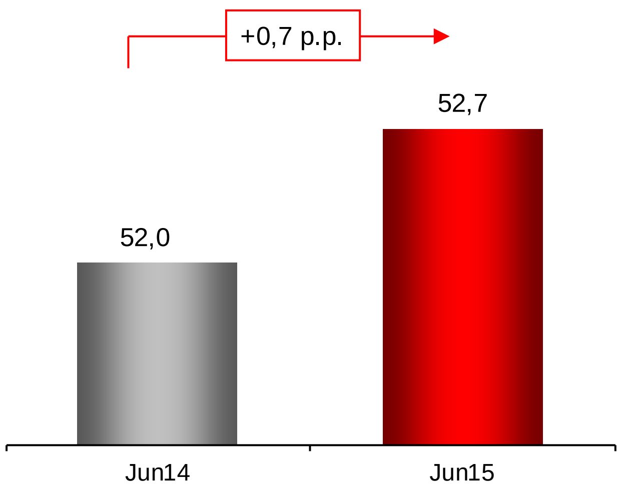
	Jun15	Jun14	Jun15/Jun14
Personnel Expenses	(136,1)	(135,4)	+0,5%
Other Administrative Expenses	(75,9)	(68,8)	+10,2%
Operating Costs	**(211,9)**	**(204,2)**	**+3,8%**
Depreciation	(23,0)	(39,7)	-42,2%
Total Operating Costs	**(234,9)**	**(244,0)**	**-3,7%**
Efficiency Ratio (excludes depreciation)	**47,5%**	**43,5%**	**+4,0 p.p.**
Efficiency Ratio (includes depreciation)	**52,7%**	**52,0%**	**+0,7 p.p.**

At end June 2015, the efficiency ratio, which shows operating expenses as a percentage of operating income, stood at 52.7%, increasing by 0.7pp as compared to the value shown in June 2014, as a consequence of the decrease in revenue (-5.0%) and in operating expenses (-3.7%).

Net operating income amounted to 211.2 million euros, lower than the 225.6 million euros recorded in the 2014 homologous period (-6.4%).

EFFICIENCY RATIO

%



Banco Santander Totta disclosed a homologous favourable development in productivity indicators, with positive variations in credit, in resources and in net income per employee and per point of customer service, relevant within an environment of moderate growth in volume of business

PRODUCTIVITY

	Jun15	Jun14	Jun15/Jun14
Loans[(1)] per Employee	5,2	5,1	+2,2%
Resources per Employee	5,1	4,7	+8,2%
Loans[(1)] per Branch[(2)]	48,2	44,6	+8,1%
Resources per Branch[(2)]	46,6	40,7	+14,4%
Net Income per Employee (thousand euro)	19,3	14,9	+29,8%
Net Income per Branch (thousand euro)[(1)]	178,2	129,8	+37,2%

(1) Includes guarantees

(2) Includes branches, corporate centers and representative offices

Impairment and net provisions amounted to 65.9 million euros, comparing favourably with the 113.9 million euros recorded in the homologous period, representing a -42.1% variation, and stressing the improvement in the economic cycle, in parallel with the implementation of a conservative policy in credit granting and effective methodology in the control and follow-up of non-performing loans.

Results of associated companies recognized by the equity method, amounting to 9.0 million euros grew 28.9% as compared with the value recorded in the previous year.

At end June 2015, income before taxes and minority interests amounted to 154.2 million euros, a 30.0% growth as compared to the value recorded in June 2014.

Banco Santander Totta obtained a net income of 102.7 million at the end of the first half of 2015, as compared with 81.3 million euros reached in June 2014, with a homologous variation of +26.3%, thus corresponding to an 8.7% return on equity.

Accounts and Business Activity

Volume of business at end June 2015 amounted to 54.6 billion euros, a 2.2% increase relative to the value recorded in June 2014.

This growth was enabled by the performance evinced in customers' resources, which recorded a 5.2% increase, partially affected by the 0.6% decrease in gross credit.

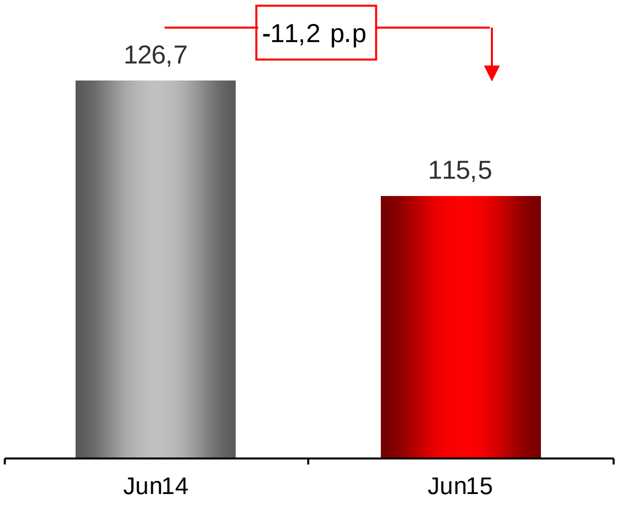
Business Volume (million euros)

	Jun15	Jun14	Jun15/Jun14
Business Volume	**54.593**	**53.412**	**+2,2%**
Total Gross Loans (includes guarantees)	27.750	27.905	-0,6%
Customers' Resources	26.843	25.507	+5,2%

The credit/deposits ratio stood at 115.5% at end June 2015 (ratio estimated in line with the definition established in the Memorandum of Understanding), an 11.2pp reduction relative to the 126.7% recorded in June 2014.

LOANS / DEPOSITS

%



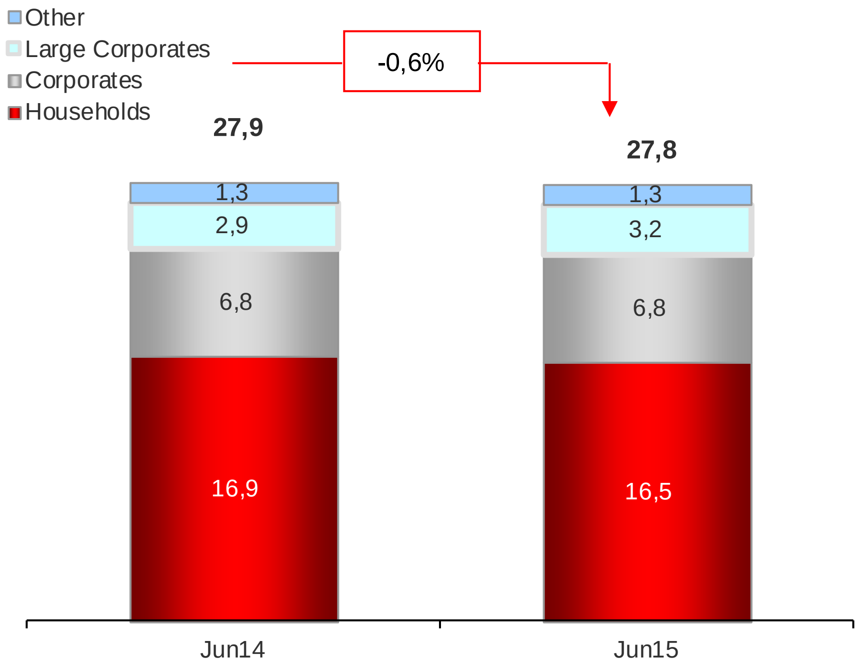
LOANS (million euros)

	Jun15	Jun14	Jun15/Jun14
Total Gross Loans (includes guarantees)	**27.750**	**27.905**	**-0,6%**
Gross Loans	**26.671**	**26.824**	**-0,6%**
of which			
Loans to Individuals	16.482	16.897	-2,5%
of which			
Mortgage	14.657	15.004	-2,3%
Consumer	1.387	1.416	-2,0%
Loans to Corporates	9.992	9.676	+3,3%

The credit portfolio (including guarantees and sureties) decreased by 0.6%, in the last year, but the favourable development should be stressed regarding credit granted to companies, showing a 3.3% positive variation, which has been progressively increasing its weight in the credit portfolio, attaining 10.0 billion euros at the end of the first half of 2015. Credit granted to private customers amounted to 16.5 billion euros, with a -2.5% homologous variation, of which 14.7 billion euros are in respect of mortgage loans, which continue showing an homologous downward trend, in spite of the increase in new credits granted in the first half of the year, but did not set off the value of repayments, the portfolio thus decreasing by 2.3%.

LOANS

(million euros)



At end of June 2015, the credit at risk ratio stood at 5.6%, which compares with 5.7% recorded in the homologous period and with an 80.6% provision coverage, (74.5% in June 2014). In its turn, the non-performing and doubtful loans ratio stood at 4.3%, and the respective coverage ratio at 104.7%. Restructured credit corresponded to 9.5% of total credit, greater than the 9.3% recorded in the homologous period.

CREDIT RISK RATIOS

	Jun15	Jun14	**Jun15/Jun14**
Non Performing Loans Ratio	4,3%	4,2%	+0,1 p.p.
Non Performing Loans Ratio (+90 days)	4,3%	4,0%	+0,3 p.p.
Non Performing Loans and Doubtful Loans Ratio	4,3%	4,1%	+0,2 p.p.
Credit at Risk Ratio	5,6%	5,7%	-0,1 p.p.
Restructured Loans / Total Loans	9,5%	9,3%	+0,2 p.p.
Restructured Loans not included in Credit at Risk / Total Loans	7,1%	6,7%	+0,4 p.p.
Non Performing Loans Coverage Ratio	103,5%	101,4%	+2,1 p.p.
Non Performing Loans Coverage Ratio (+90 days)	105,6%	105,2%	+0,4 p.p.
NPL and Doubtful Loans Coverage Ratio	104,7%	103,7%	+1,0 p.p.
Credit at Risk Coverage Ratio	80,6%	74,5%	+6,1 p.p.

Total customers' resources, at the end of June 2015, increased by 5.2% as compared to the value recorded in June 2014.

RESOURCES (million euro)

	Jun15	Jun14	Jun15/Jun14
Customers' Resources	**26.843**	**25.507**	**+5,2%**
On-Balance Sheet Resources	21.768	20.362	+6,9%
Deposits	21.743	20.138	+8,0%
Securities issued	25	224	-88,6%
Off-Balance Sheet Resources	5.074	5.145	-1,4%
Investment Funds	1.694	1.348	+25,6%
Insurance and Other Resources	3.380	3.797	-11,0%

Balance sheet resources amounted to 21.8 billion euros, corresponding to 81.1% of total resources from customers and growing by 6.9% in homologous terms, with deposits increasing expressively by 8.0%.

Off balance sheet resources amounted to 5.1 billion euros, decreasing by 1.4% relative to the value shown in June 2014. Investment funds marketed by the Bank evinced a 25.6% significant growth, although negatively affected by the decrease in capitalization insurance and other resources (-11.0%).

Solvency Ratio

At the end of June 2015, the Bank evinced sound capital ratios, with CET 1 ratio, in line with the CRD IV/CRR rules for 2015, standing at 13.2%, vastly greater than the minimum demanded. The CET 1 ratio, *fully implemented*, stood at 12.3%.

CAPITAL (million euro)

	Jun15	Jun14	Jun15/Jun14
Total capital	**2.115**	**2.103**	**+0,6%**
Tier I Capital	2.510	2.468	+1,7%
Tier II capital	2.510	2.468	+1,7%
Risk weighted assets	**16.046**	**16.685**	**-3,8%**
Core Capital Ratio	**13,2%**	**12,6%**	**+0,6 p.p.**
Tier I Ratio	**15,6%**	**14,8%**	**+0,8 p.p.**
Total Capital Ratio	**15,6%**	**14,8%**	**+0,8 p.p.**

Outlook for the 2nd half of 2015

Expectations for the second half of 2015 indicate a gradual recovery in economic activity as well as in financial conditions, in the euro zone.

Banks will continue developing their activity within a low interest rate environment, credit spreads under pressure and new regulatory demands, namely in respect of capital requisites, liquidity and leveraging ratios, and equally with new rulings regarding resolution mechanisms, which will have a structural impact in the profitability of financial institutions during the following years.

Santander Totta has shown a robust capability in revenue generation, maintaining sound capital ratios and a comfortable liquidity situation.

For 2015, the main Santander Totta objectives are: (1) to increase market shares and the number of bound customers, through focusing heavily on the strengthening of strategic segments (Select, Advance, 1|2|3); (2) to increase return on equity, whereby the evolution of net interest income will be a critical factor in the increase of the Bank's revenues, through the balanced management of lowering liability costs and growing business volumes.

Santander Totta will keep up its strategy of support for the revitalization of the Portuguese economy and that of companies, increasing the relative weight of this segment in the credit portfolio, allied to policy of strict risk control in respect of credit granting and it's following up.

Simultaneously, the Bank will pursue the transformation of its commercial banking model, **Simple, Personal** and **Fair**, putting forward solutions adequate to each business segment with the objective to increase customers' binding levels, in order that Santander Totta becomes their primary Bank. Strategy will be based: (1) on the greater simplification of procedures, improving efficiency; (2) on the use of tools that enable improved management of information; (3) on the strengthening of the model of multi-channel distribution in order to render a fuller and more accessible service to customers, and (4) on the streamlining of risk management, with models better adjusted to each customer segment, keeping to a prudent and strict management of assumed risks.

Commercial Banking

Private and Business Customers

The first six months of 2015 featured improvement in confidence relative to the development of several relevant economic indicators, although political uncertainties related to the new Greek bail-out request led to moments of great volatility in the financial markets.

Expectations in Portugal for the current year are more favourable, with some of the economic indicators evolving positively.
The Bank was guided by its strategic priorities and corporate culture to be a **Simple, Personal** and **Fair** Bank**.**

In the first half year it pursued a strategy sustained on the Bank's soundness and on customer confidence, which has resulted in an increase in resources and in favourable answers to customers' credit requirements. This principle has enabled the Bank's market growth in mortgages, consumer credit, businesses and SMEs.

A new model of relationship was launched in the first quarter which complements the existing offer in the private customer market. After having launched, in 2014, the Mundo Select for the affluent segment, the Mundo 1|2|3 was launched for the remaining universe of private customers.

Mundo 1|2|3 is a multi-product solution addressed to all the Bank's customers who, in addition to the advantages of the connected accounts, provides a set of benefits, via cash-back in the Mundo 1|2|3 card account, in line with the products the customer holds at any time:

- 1% of the value of purchases with the Mundo 1|2|3 Card;
- 2% of the value of home accounts (water, electric power, gas and communications – TV, Internet, mobile and fixed telephones) paid by direct debit in the Mundo 1|2|3 Account;
- 3 cents/litre in Repsol fuel (adherent Repsol service stations in Portugal) with the Mundo 1|2|3 Card, in addition to an immediate discount of 5 cents/litre.

Customers have at their disposal a simulator to compute the benefits and other means in order that they may find out, at any time, what they have saved with Mundo 1|2|3: NetBanco, monthly consolidated statement and SuperLinha.

At end-June, more than 40 thousand customers had already adhered to the Mundo 1|2|3 account and approximately 17 thousand customers were already benefiting from the total perks provided by Mundo 1|2|3. This solution has enabled the Bank to increase the capture of new customers and the strengthening of relations with existing customers.

Regarding credit cards, focus was kept on the placing of cards with new customers. Actions were pursued in improving the portfolio profitability and in promoting the use, with special reference to the new Mundo 1|2|3 credit card, with an attractive loyalty programme. Continuity was provided in June to the Summer campaign connected to the Light Card.

Private Banking and *Select*

The first half of 2015 has shown that the Affluent segment (*Select customers*) in Banco Santander Totta is clearly a valuable investment, with a very positive evolution in customer numbers and volume of business.

Results achieved, in line with the established objectives, are the consequence of a distinctive offer for the segment, that is, that the debit card identifies any Select customer in all of Banco Santander geographical areas and expanded features in the digital channels.

Facing a more demanding macroeconomic environment, Private Banking became adapted to this new reality and exceeded the objectives set in the beginning of the year, of growth in business volumes, capturing of new customers and business profitability; Euromoney magazine, for the fourth consecutive year, named Santander Totta Private Banking as the best operating in Portugal, attributing it the prize for the "Best Private Banking Services Overall".

Companies

The heavy price level competition during the second quarter of the year had already been felt during 2014 and in the first quarter of 2015. The Companies Network kept going a strategy based on the balanced management between the volumes of its credit portfolio and its resources, guaranteeing the profitability of its sustained growth.

Bringing about the intention to support viable projects, the Companies Network credit production exceeded 1.35 billion euros throughout the second quarter.

In the SME Invest/Growth lines, Banco Santander Totta maintained a relevant intervention with a 17%

market share, having placed, until the end of the first half of 2015, more than 21 thousand operations, amounting to a total of 2.2 billion euros. In the 2014 SME Growth Line, which commenced being marketed in March of the ‘previous year and ended at the end of April of this year, the Bank was the leader with a 18.4% share in the amount of financing operations contracted with SME Investments. Equally in the 2015 SME Growth Line, commenced in April, the Bank positioned itself above its market share, obtaining 16.5% of the amount already appropriated within SME Investments.

During the first half of 2015, the Bank continued expanding its international business value offer to companies. It strengthened its International Business sales team, promoted an intense dynamic offer with companies, especially within the scope of trade finance, enlarged its capabilities in the offering of intelligence, contacts and network, placing at its customers disposal the Santander Trade Package, including the Santander Trade Site, the Santander Club and the Santander *webinars*.

The International Desk continued providing support to more than 200 internationalized companies, in markets where Santander is present, including the “Passport” concept, which provides worldwide homogeneous treatment. The Bank organized and took part in events covering strategic markets for Portuguese companies, in partnership with bodies connected to the dynamics of internationalization.

Also in this context of support to international business and to company internationalization, the *Pack Europa* was launched, an innovatory solution of factoring and confirming for Europe, which makes available to exporting and importing companies, products, services and treasury support tools that enable the efficient financing of the operating cycle necessary for their internationalization.

Results shown until the end of the first half of 2015, with non-financial partnerships, have proven the success of the Advance Programme: 5,112 companies were registered in the Advance site, approximately 375 requests for training were received (of which 68 are already on course), 812 licences for online training were received and carried out, and 14 sessions of classroom training were held with the participation of approximately 400 companies.

As to financial solutions, 7,265 Advance accounts were opened, 2,317 Advance POS were contracted and 55 million euros of Advance financing were formalized, of which 16.3 million euros were included in the Advance fund, the demand for which exceeds 150 million euros. The business volume of Company Network customers which benefited from the Advance Programme increased by 8%.

Still within the field of the Advance programme, the Bank also launched the Advance credit campaign, a short term solution that links, in a single contract, factoring, confirming and an overdraft account which makes available, through producer organizations, funds for farmers in the initial cultivation stages when working capital requirements are more significant and no final product yet exists.

Promoters and Brokers

The first half of 2015 was featured by strong dynamics in mortgage loans, following which an action plan was launched that provided sequence to the initiatives that had already been implemented by the end of 2014, a strategy that rendered the excellent results attained by the Bank and by the Promoter and Broker channels.

Standing out amongst the several initiatives carried out were the quarterly broker road-shows and the successive meetings with the managements of the main franchising networks of real estate brokers in Portugal, which were crowned by intervening presences in the national conferences of Remax, Maxfinace, Era, ComprarCasa and the APEMIP Real Estate Network, an institutional partner with which close collaboration is maintained.

At the same time, competitions and incentive plans have been launched to partners, with the objective to encourage the routing of new mortgage loan processes and of awarding prizes for the best performances in this relevant business feature for the Bank.

The Promoter channel has also much contributed towards the results achieved in mortgage loans and maintains a determining role in the attraction of new customers, namely Mundo 1|2|3 customers, customers with personal credits and Business credits.

At end-June, the total network of Promoter points attained 315 shops in operation, 20 more than at the end of 2014.

Complementary Channels

The Multichannel Transformation Plan, initiated in 2014, was implemented during the first half of 2015, embodying the strategy and positioning established by the Group for the direct channels, with the objective of achieving greater proximity with its customers. This plan implies the conversion of the alignment of the direct channels, based upon structural changes, in order to provide these channels with a greater and more varied offer and with structural developments based upon the corporate view: **Simple, Personal** and **Fair.**

SelfBanking

SelfBanking activity was based upon the placing into practice of the strategy and activity plans foreseen for increase in business, upon the focusing of the service rendered to the customer and on the increase in the use of automatic equipment.

The Dynamic Plan for the use of equipment was launched with the commercial network aiming towards training and obtaining know-how on the functionalities and benefits to customer service. In parallel, and in order to enrich the variety of service offers, the functionalities of the system were incremented, now providing, amongst other services, the e-mailing of the digital receipt of transactions carried out.

Continuity was given to the technological renewal plan, replacing more than 70 sets of equipment installed in branches, and consolidating the ATM project with the capability of re-circulation of deposited banknotes, with the installation of a further dozen sets.

The number of ATMs in the Multibanco network decreased, mainly deriving from the adjustment carried out in the branch network. Market shares, however, continued stable as compared with the previous year, corresponding to 12% in ATM numbers and to 13% in number of movements.

Digital Channels

In terms of the Internet channel, a heavy stake was placed on its positioning as a vehicle for the distribution of products and services. Instances of this are the beginning of the marketing of autonomous insurance in the NetBanco channel and the possibility of the online request for a debit card. Also carried out was the adequacy of the most recent MIFID rules for product contracting.

The Mundo 1|2|3 site was launched and included in the Bank's site, featuring the 1|2|3 simulator and the possibility of requesting contacts.

The new App Mobile was launched, simpler and more intuitive. Recurring to more appealing graphic components and with new functionalities, the new application enables the customer to privately access and hide his balances and movements during the session when carrying out banking transactions in public locations. It equally allows opting between two means of access, either the entering of a 4 digit PIN number or the recourse to enter codes in the NetBanco platform (username and access code).

With a modern design and swift access buttons to the more frequently used functionalities, the App answers the main customer requirements and is an essential day-to-day tool. The new application is available for iOS and Android.

Improvements were carried out in the availability and performance of the websites and growth in traffic was recorded, with the number of visitors increasing by 6% in the first half of 2015, as compared to the previous half year. The number of frequent users of Netbanco Private recorded a 6% increase and the rate of penetration increased by 1.6% in the same period.

Contact Centre

In the first half of 2015, the Santander Totta Contact Centre was considered, for the 7th successive year, as the “Best Contact Centre in Portugal in the Financial Industry”, a prize attributed by the Portuguese Contact Centre Association.

The Contact Centre continues increasing its autonomy, implementing and revising procedures, in order to accelerate the resolution of all issues placed by customers. All their requests, even if outside the scope of the Contact Centre, are followed up by the competent areas.

Several actions were launched for the Companies and Business segments, amongst which stands out the launching of the Companies Attendance Centre with the objective to follow up all operational requests that customers usually place with the Companies Commercial Departments and, simultaneously, to ensure a swifter answer and that the customer experiences an improved service. This is still a pilot project. Pre-sale commercial actions were also carried out of the Bank's products and services for SMEs.

The Contact Centre set up a team of specialists to support customers and employees with regard to Mundo 1|2|3 and which also ensures attendance to requests for contact placed through the site.

The inbound activity of the Contact Centre in the first half year increased by 2% as compared to the homologous period, with a decrease in e-mail and chat activities and increase in calls.

Social Networks

The first half year of 2015 recorded an increase of 103,821 new followers of the Bank's institutional Facebook page, a 159% growth as compared to December 2014. This growth is due to the heavier stake placed by the Bank in the social networks, namely through publicity campaigns in Facebook, the most important social network in digital communication.

From the main actions carried out during the period one of the most relevant was the heavy support provided to the launching of Mundo 1|2|3. The launching of Mundo 1|2|3 was a target of transversal communication in the social networks, with particular emphasis for the dissemination of the campaign video in YouTube and in Facebook and, since its launching, a weekly ploy dedicated to Mundo 1|2|3.

The Bank has also ensured its presence in Google+ and strengthened its presence in LinkedIn and Twitter.

Banco Santander Totta is thus present in 6 social networks: Facebook, Twitter, LinkedIn, YouTube, Instagram and Google+.

International Business

In 2015, Banco Santander Totta's international business, for private customers residing abroad, has privileged the increase in binding, capturing of accounts and greater ease in relationship, largely focusing the offer of channels in order that the customer digitally accesses BST's services, lessening the distance effect. All offers for external customers are carried out in close connection with the commercial network in Portugal.

Solutions for the Foreign Residents segment, in addition to being an offer of savings products in the most significant currencies, intend increasing loyalty, with the offer of digital channels such as App, Mobile and Netbanco assuming strategic priority.

Business volume in the area of Foreign Residents recorded a fair growth, with a greater weight in the resources component which, considering the interest rate levels, even comparatively with the competitors, shows significant confidence in the Bank's soundness.

In the field of relations with the communities events were carried out, namely in Zurich, Geneva, Paris, Lyon and London, intended for customers and entrepreneurs, where links with Portugal were strengthened and where BST's offer and availability in the systematic support to the communities was publicized.

The Bank attended the 9th Annual Conference of the Luso-British Chamber of Commerce which, for the first time, organized a Real Estate Salon in London for the promotion of real estate offers.

The Summer campaign was again carried out at the end of the half year, with gifts and specific information, which, in a structured form, enables welcoming the Portuguese residing abroad, improving the standards of attendance.

As in the previous year, in order to promote and offer services to the community abroad, a competition was launched that aimed to boost transfers to Portugal and which obtained a large adhesion. The number of transactions carried out increased as compared to the previous year, the most significant transfers being carried out via the Bank's external units. The heavy increase in the value of transfers, of approximately 85%, was outstanding.

The London branch has been showing a fair evolution in the volume of deposits and in the control of the credit portfolio, strongly supporting the branches in Portugal.

Global Banking & Markets

Standing out in the area of Financing Solutions & Advisory, are the Advisor and financing operations in the acquisition of the Vilamoura Resort by Lonestar and the participation in the ENEOP 2 asset split.

During this period the positive trend was confirmed in the Project Finance and Acquisition Finance markets, with companies searching for new investment opportunities.

The area of Fixed Income & FX (FIC) continued to support Portuguese companies, presenting mitigating solutions for financial risks, with special reference to the support provided for the internationalization of national companies, namely: i) By strengthening the stake placed on products that improve the efficiency in the management of the foreign exchange risk and, ii) by a greater proximity to importing and exporting companies supporting the management of the flows originated by their trading operations.

The Structured Products area commenced 2015 with a fair performance in the marketing of liability products. Eleven (11) structured products were issued in the first half year, 9 of which are euro denominated issues amounting to a total of 465 million euros, and 2 are US Dollar denominated issues amounting to a total of 27 million US Dollars. Issues placed in this period are indexed to differing assets transacted in worldwide shareholder markets.

Introduction

For Santander Totta, the quality of risk management is a fundamental pivot for its activity, in line with the corporate policy of the Group in which it belongs. Prudence in risk management, allied to the use of advanced management techniques, has been a decisive factor in the achievement of the Bank's objectives.

Credit Risk

In the first half year of 2015, activity in the Credit Risk area comprised the following main parameters:

- Maintaining the principle of segmentation in the treatment of credit risks, diversifying their approach in line with the features of customers and products.
- Strengthening the strictness in the acceptance criteria and consequently the quality of the accepted risks in each of the segments, aiming to preserve the high degree of quality of the credit portfolios;
- Regarding portfolio risks, customer proximity was intensified in order to anticipate their credit requirements, to revise their lines of credit and possible problems in their reimbursement capabilities;
- This action, and customer credit quality level, enabled the maintenance of ratios of non-performing loans and of credit at risk significantly lower than the average for the sector. On another hand support levels were intensified in the capturing of new operations and new low risk customers, and improvements were implemented in the procedures in order to answer customers' requests with greater effectiveness and swiftness;
- Concerning the function of following up portfolios and customers, permanent focus was maintained in the supervision of segments with lower ratings and in sectors which are more affected by the macroeconomic environment. The permanent review of all portfolios allows concluding that these are analysed with adequate criteria and that the level of estimated impairments is equally adequate;
- In this first half year, measures continued being implemented in the management procedures for the acceptance of new credits aiming to improve the quality of the service rendered to customers whenever these present new business opportunities;
- Concerning standardized risks (non-portfolio), the Bank, aiming towards the continuous improvement and efficiency in the acceptance procedures, and considering the objective of portfolio quality, pursued the maintaining of automatic decision models, namely scorings and behavioural systems used in the Private and Business customer segments;
- Still concerning standardized risks, focus was kept on maintaining portfolio quality, acting upon management slowness and non-performing loans, continuing to make available a set of debt restructuring products and solutions that enable adapting customers costs to their reimbursement capabilities and current and future available income;
- As such, acceptance strategies have been established adequate to the Bank's decision systems, with behavioural systems used to identify preventive and renewal measures to offer its customers;
- Lastly, with the objective to strengthen commercial involvement and customer cross selling and simultaneously increase the effectiveness of capturing new customers, commercial campaigns were kept in operation in the Business sector, aiming towards the production of new credit and the retaining of customers and ongoing operations, in order to set off the natural erosion of this portfolio;
- Heavy focus was kept on recoveries activity, strengthening intervention swiftness. Emphasis is placed on the active massive recovery management, simultaneously with a permanent follow up of special cases, whether placed before the courts of law or not;
- The policy was pursued to strengthen negotiation, aiming to reduce the number of endowments in payment in order that, when these occur, the obtaining of such endowments is privileged as a payment alternatively to judicial actions;
- The modernization process of the recoveries area was pursued based, on the one hand, on information technology especially recommended by users as necessary and which aim to control the procedure from entering recoveries, relations with attorneys and executive action;
- Supervision was kept on work methodology, aiming to optimize the several procedures, with the objective to stress the model, increasing the efficiency of the resources and the effectiveness of the actions to enable the early recovery of the credit;
- At the level of corporate risk management, a strict control policy was pursued regarding portfolio risk, endeavouring to provide adequate and timely management information, aiming towards a correct management of the Bank's risks;
- Attention was equally focused on the Bank's internal models, already almost totally recognized (by the regulators) as advanced models (IRB) for the purpose of estimating equity requirements, as well as their greater than ever inclusion in management.

Risk model

Introduction

Credit risk arises from the possibility of losses derived from total or partial non-performance of the financial liabilities contracted with the Bank by its customers.

The organization of the credit risk function in Santander Totta is specialized in line with customer types and is differentiated, throughout all the risk management process, between customers in portfolio and standardized customers (not in portfolio):

- Customers within the portfolio are those that, fundamentally due to the accepted risk, have been attributed a risk analyst. Included in this group are companies comprised in wholesale banking groups, financial institutions and some of the companies comprised in retail banking groups. Risk assessment of these customers is carried out by the analyst, complemented by decision supporting tools based on internal models of risk evaluation;

- Standardized customers are those that have not been assigned a specific analyst. Included in this group are risks with private customers, self-employed entrepreneurs, and the companies comprised in retail banking groups that are not included in the portfolio. Assessment of these risks is based on internal evaluation models and automatic decision, alternatively complemented, when the model is not sufficiently precise, with teams of specialized risk analysts.

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Metrics and risk measurement tools

Classification tools (rating/scoring)

Santander Totta uses its own models to attribute solvency classification or internal ratings, for the different customer segments, which it uses to measure the credit quality of a customer or transaction, each rating corresponding to a default possibility.

Global classification tools are applied to country risk, financial institutions and Global Wholesale Banking, both in determining their rating and in the following up of the risks assumed. These tools attribute a rating to each customer resulting from a quantitative or automatic module, based on accounting data/ratios or macroeconomic variables, and complemented by the analysis carried out by the risk analyst that follows up the customer.

In case of companies or specialist banking institutions, attributing a rating is based on the same modules as those referred to above, in this case quantitative or automatic (analysing the credit deportment of a customer sample and its correlation with a set of accounting data and ratios) and qualitative, following the analysis of the risk analyst, whose duty is to carry out a final revision of the assumed risk.

Attributed ratings are periodically reviewed, incorporating new financial information available meanwhile, as well as, qualitatively, the experience deriving from the assessment of the existing credit relationship. This periodicity becomes more frequent in the case of customers in regard to whom the internal alarm and risk classification systems so demand.

In the case of portfolios of standardized risks, of both private customers and non-portfolio business customers, scoring tools have been implemented that automatically attribute a valuation/decision of the operations submitted. These decision tools are complemented with a model of behavioural scoring, a device which enables a better preview of the assumed risks and which are used both in pre-sale and in sale.

Credit risk parameters

The valuing of the customer and/or operation, through rating or scoring, is an assessment of credit capacity, which is quantified through the probability of default (PD). In addition to the valuing of the customer, the quantitative risk analysis takes into account other features such as the term of the operation, the type of product and the existing guarantees. As such, not only the probability of default is taken into account but also the exposure at default (EAD) as well as the proportion of loss given default (LGD).

All these factors (PD, LGD and EAD) that constitute the main parameters of credit risk, allow with their grouping the establishing of the expected and non-expected loss. The expected loss (or probable loss) is considered as a further activity cost (thus reflecting the risk premium), with this cost being included in the price of the operations.

The computation of the unexpected loss, which is the basis of the measurement of the regulatory capital in line with the standards of the Basle capital agreement, is referred to an extremely high loss level, however not very probable, which, according to its nature, is not considered as recurrent and must thus be covered by equity funds.

In small and medium sized companies, information obtained from their accounts is used not only to attribute a rating, but also to obtain explanatory factors relative to the probability of default. In retail portfolios, PD is computed by viewing the entries in non-performing loans and correlating these with the scoring attributed to the operations. Excepted from this principle are portfolios for which, derived from lesser internal default experience, such as financial institutions or Global Wholesale Banking, computing is carried out based upon alternative sources of information, such as market prices or assessments by experienced and recognizably competent agencies with a portfolio containing a sufficient number of entities (such portfolios are known as low default portfolios).

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

Measurement of EAD is based upon the use of committed lines at the time of default and in a normal situation, in order to identify the real consumption of the lines at the moment of default.

Estimated parameters are immediately attached to operations which are in normal situations, and are differentiated between the low default portfolios and the remainder.

Credit risk cycle

The risk management procedure consists in identifying, measuring, analysing, controlling, negotiating and deciding, in line with the risks accepted by the Bank.

This process is commenced in the business areas. Risks are analysed and decided upon in specific committees, which act through competences delegated by the Executive Committee or the Higher Credit Committee (CSC). CSC establishes the risk policies and procedures and the limits of the mandates.

Planning and establishing limits

Establishing risk limits is conceived as a dynamic procedure which identifies the risk profile that the Bank is liable to accept, through the assessment of business proposals and the opinion of the Risks area.

A pre-classification model is used in the case of large corporate groups, based upon a measurement and follow up system of economic capital.

In risks included in a portfolio, the most basic level is that of the customer and when certain circumstances occur – generally a level of relative importance – the latter is the object of an individual limit, normally known as a pre-classification, through a more simplified system, and normally for those customers that comply with specific requisites (adequate knowledge, rating, etc.).

With reference to standardized risks, the procedure of planning and establishing limits is carried out through the joint preparation, by the Risks and Business areas, of programmes of credit management (PCM) where the expected results of the business in terms of risk and profitability are reflected, as well as the limits to which must be submitted the related activity and risk management.

Risk assessment, decision on operations, follow up and control

Risk assessment is a prior requisite to the authorization of any credit operation in Banco Santander Totta. This assessment consists in the analysis of the customer's capability to comply with the contractual commitments assumed with the Bank, which implies analysing the customer's credit quality, its credit operations, its solvency and profitability. Additionally, an assessment and review is also carried out on the attributed rating, whenever an alert or event arises that may affect the customer/operation.

The decision procedure on operations has the objective to analyse and take the respective decision, considering the risk profile and the operation's relevant components, in order to establish a balance between its risk and profitability.

In order to maintain adequate control of the portfolio's credit quality, in addition to the actions developed by the Internal Audit, a specific following up function has been established within the Risks area, staffed by its own teams and responsible officers. This function is also specialized in customer segmentation and is fundamentally based on a continuous observation procedure which allows the anticipated detection of incidences that may occur in the evolution of the risk, on the operation and on the customer, aiming to undertake, in anticipation, the necessary mitigating actions.

Recoveries

Recoveries management in Santander Totta is a strategic, integral and business activity. The specific objectives of the recoveries process are to ensure the collection or the settlement of amounts in irregular situations, with preference for negotiated solutions, in order that the customer's credit situation returns to normal and, on the other hand, to maintain and strengthen relations with the customer, cautioning his deportment regarding the commitments he has contractually assumed with the Bank.

Recoveries activity is structured in line with the customers' commercial segmentation: Private, Business and Companies, with specific management models. The recoveries' management, thus segmented, also respects the distinct management stages: preventive management, management of irregulars and management of tardy payers and bankruptcies, which have specific models, strategies and circuits. All this activity is shared with the business areas.

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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, operations in the interbank monetary market, contracting of "repos", loans of securities and derivative instruments.

Control of 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 (CRE), 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 until maturity, according to the underlying volatilities of the market factors and the contracted flow structure.

During the first half of 2015, the present value of transactions on the indexing factors of interest rates (Euribor) generally recorded an increase, reflecting the movements of the medium and long term market rates. With respect to the exposure to financial groups, a reduction was verified in the transactions carried out to cover the structural risk of interest rates with relatively low exposures being kept in line with the collateral providing agreements (ISDA Master Agreements/Credit Support Annex).

Balance Sheet Risk

Control of balance sheet risk

The control of the balance sheet risk is focused on the risk deriving from the variation of interest and foreign exchange rates, as well as on the liquidity risk, resulting from the mismatching of maturities and on the re-appreciation of assets and liabilities. The measurement and control of the balance sheet risk are ensured by an independent management body.

Methodologies

The interest rate risk in the consolidated balance sheet is measured through a model of dynamic risk analysis, modelling the timing variations of risk factors and the Bank's positions over assets and liabilities sensitive to interest rate variations, in line with the structure of its indexing factors and re-appreciation. This model enables the measuring and control of the risks originating from the movement of the income curve, namely their impact on net interest income and on the value of the Bank's equity.

As a complement, other risk indicators based on the equity value are estimated, such as Value at Risk (VaR) and analysis of scenarios (stress test).

Liquidity risk is measured and controlled through modelling the flows of present and future payments and revenues, as well as by carrying out analyses of scenarios that endeavour identifying the potential risk on extreme market conditions. In parallel, ratios are estimated on the current balance sheet positions, which are indicators of the needs for structural and short term liquidity.

Control of balance sheet risks is guaranteed through the application of a structure of quantitative limits, which aim to keep exposures within the authorized limits. These limits are reflected in the following indicators:

- Interest rate: sensitivity of net interest income and of equity value;
- Liquidity: stress scenarios and short term and structural liquidity ratios.

Management of the structural balance sheet risk

Interest rate risk

The interest rate risk in the consolidated balance sheet is measured through a model of dynamic analysis of the balance sheet market risk, modelling the evolution over time of the risk factors and the Bank's positions on assets and liabilities sensitive to interest rate variations. The model used enables the measuring and control of all the risk factors connected to the balance sheet market risk, namely the risk originating directly from the movement of the income curve, considering the structure of the indexing factors and existing re-appreciation, which determine the exposure to the interest rate risk of the components that constitute the balance sheet.

During the first half year the policy followed was to maintain sensitivity at levels considered as adequate.

Exchange rate risk

The exchange rate risk in commercial activity is measured and controlled by the global exchange position, the Group's policy being that of its total 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 affect its environment.

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 amount of available liquid assets.

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Liquidity management is carried out at the consolidated level. The Group's financial policy takes into consideration the variations of the balance sheet components, the structural situations of the maturities of assets and liabilities, the level of interbank net indebtedness relative to the available lines, the spread of maturities and the minimization of expenditure related to the funding activity.

The structural liquidity situation is fully balanced and the capital market operated normally during the first half of 2015

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Market Risk

Activities subject to market risk

The perimeter of measurement, control and follow up of financial risks comprises operations where equity risks are assumed. This 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 Santander Totta operates.

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

- Negotiation: This heading includes the financial services provided to customers;
- Balance Sheet Management: Risks deriving from the Group's commercial activity, namely interest rate and liquidity risks resulting from the timing differentials existing in maturities and re-pricing of assets and liabilities.

Methodologies

Negotiation Activity

The methodology applied, within the scope of Banco Santander Totta, for the negotiation activity, 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 these to the portfolios. These scenarios may replicate the behaviour of financial variables relative to 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 measures (BPV and Greeks) and equivalent volumes.

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

Calibration and contrast measures (Backtesting)

The reliability of the VaR model is periodically checked 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 measures are analysed.

The backtesting analyses carried out in Santander Totta 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.

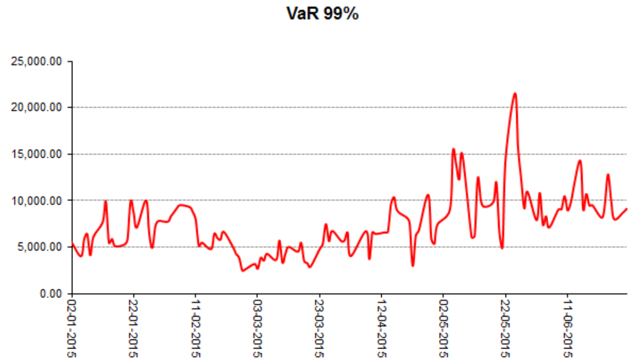
Limits

Quantitative limits for 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. Instances of such limits are the VaR limits, over sensibility measures (BPV and Greeks) or other 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 generate alerts on positions that are generating losses (*loss triggers*), allowing decisions to be taken before the limit of maximum loss is reached (*stop loss*), from which point it will be considered that losses will have reached unacceptable levels and the positions will be immediately closed.

Quantitative analysis of VaR throughout the year

The evolution of the risk relative to negotiation activity during 2015, quantified through VaR was that described in the following chart:



VaR was kept at reduced levels, varying between 3,000 euros and 22,000 euros.

Operational Risk

Definition and objectives

Banco Santander Totta (BST) 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 risk differs from other types of risks, and is not related to products or business, but arises in processes and/or assets, and is internally generated (people, systems, etc.) or as a consequence of external risks such as natural catastrophes.

Operational risk is inherent to all products, activities, processes and systems and is generated in all business and support areas. Due to this reason, all employees are responsible for the management and control of operational risks generated in the scope of their activity.

The objective underlying the management and control of operational risk is directed towards the identification, measurement, assessment, control and mitigation, and information concerning this risk.

BST's priority is thus to identify and mitigate risk centres, independently from losses having occurred or not. Its measurement also contributes towards the establishment of priorities in the management of operational risk.

To estimate the equity value required to cover operational risk the Group opted in a first stage for the method foreseen in the BIS II standards

Management Model

The organizational management and control model results from the adaptation of the Group's approach to Basle II.

Supervision and control of operational risk is practised through its governing bodies. As such, the Board of Directors and the Executive Committee periodically include in their agendas the treatment of relevant features in the management and mitigation of operational risk.

The management and control of operational risk is the responsibility of all the Bank's areas, since these have the better knowledge of the processes, as well as of those items that are susceptible to cause relevant exposures to operational risk. These are accompanied by a central area, responsible for the implementation and follow up of the project through control and supervision

The different stages of the management model enable:
- Identifying the operational risk inherent to all the Bank's activities, products, processes and systems;
- Establishing the objective profile of the operational risk, specifying the strategies per unit and the timing horizon, through establishing the appetite and tolerance of the OR, of the budget and its follow-up;
- Promoting the involvement of all employees in the operational risk culture through adequate training provided in all the areas and levels of the organization;
- Measuring and assessing the operational risk objectively, continually and coherently with the regulatory standards (Basle, Bank of Portugal, etc.) and the banking industry;
- Carrying out the continuous follow up of exposures to operational risk, implementing control procedures, improving internal knowledge and minimizing losses;
- Establishing the mitigating measures to eliminate or minimize the operational risk.
- Preparing periodical reports covering the exposure to operational risk and its level of control, to be submitted to the Board and distributed to areas of activity, and provide information to the market and supervising organizations.

The control model of the operational risk that was implemented has the following advantages:

- Promotes the development of knowledge concerning operational risk;
- Allows a comprehensive and effective management of the operational risk (identification, measurement/assessment, control/mitigation and information);
- It allows an improvement concerning the information available on the operational risks, whether effective or potential, and their being framed in the business and support lines;
- Information on operational risk contributes towards improving processes and controls, reduces losses and revenue volatility.
- Eases the establishment of limits to the apetite for operational risk.

Compliance and Reputational Risk

Compliance risk is defined as the probability of occurrence of negative impacts for the institution, which may affect results or the equity, deriving from the breach of juridical standards, specific determinations, contractual obligations, rules of conduct, customer relations, ethical principles and set practices, regarding the activity developed, which may materialize through the application of legal or regulatory sanctions, affect business opportunities, reduce expansion potential or not permitting the demanding of compliance with contractual obligations assumed by third parties.

In its turn, reputational risk is understood to be the probability of the occurrence of negative financial impacts for the institution, which may be reflected on the results or on the equity, resulting from an adverse perception of its public image, whether grounded or not, by customers, suppliers, analysts, employees, investors, the media or any other bodies with which the Institution is related, or even by public opinion in general.

The policy regarding compliance and reputational risk targets their management, such as defined in the above paragraphs, determining the mechanisms and procedures that enable: i) minimizing the probability of their being materialized; ii) to identify, report to the Board and overcome the situations that may have appeared in the meanwhile; iii) to ensure follow-up and control; and iv) to evince, if necessary, that the Bank considers such risks amongst their main concerns and has available the organization and means required for their prevention, detection and, should this be the case, for their being overcome.

Without prejudice to all the remaining features that derive from the above, the global policy regarding the compliance and reputational risk covers, specifically, the instruments identified below which are referred to due to their particular impact in the prevention and management of the risk:

- Corporate values;
- Compliance policy;
- Prevention of Money laundering and financing terrorism;
- Codes of conduct;
- Marketing and product follow-up policies;
- Financial risks policy;
- Quality policy;
- Policy covering the treatment and protection of personal data;
- Monitoring and follow-up of new legislation;
- Connection with supervising authorities and following up actions developed by them;
- Employee training policy;
- Policies covering social responsibility and defence of the environment.

Governance Practices and Internal Control Model

The structure of the Company's Governance as well as policies, procedures and offices of internal control have not sustained any changes relative to the information detailed in the 2014 Annual Report, excepting the following facts.

- A new non-executive director was elected in the General Meeting held on 29 May 2015;
- The Meeting of the Board of Directors held on 25 June set up within its scope the Risks Committee and approved its terms of reference and structure, in order to comply with the determination contained in art. 115-L of the General Regime of Credit Institutions (RGICSF).

Shareholder Structure

Shareholder	No. Shares	%
Santander Totta, SGPS, S.A.	641.269.620	97,65%
Taxagest - SGPS, S.A.	14.593.315	2,22%

Movement in Own Shares

In line with the decisions of the Annual General Meeting, held on 29 May 2015, Banco Santander Totta, S.A., directly or through a subsidiary company, may acquire own shares as well as dispose of those acquired up to the limits and in the remaining conditions foreseen in the applicable legislation.

On 31 December 2014, Banco Santander Totta held 271,244 own shares corresponding to 0.041% of its share capital. During 2015 the Bank acquired 70 own shares, and held a total of 271,314 own shares at the end of the first half year.

TRANSACTIONS OF OWN SHARES IN 1ST QUARTER OF 2015

	No. Shares	Average unit price (€)	Nominal Value (€)	% Share Capital
Balance at 31/12/2014	271.244	5,75	1.560.794	0,041%
Purchase of shares	70	6,05	423	0,000%
Sale of shares	0	0,00	0	0,000%
Balance at 30/06/2015	271.314	5,75	1.561.217	0,041%

Movements in Shares and Bonds held by Corporate Officers

In the terms and for the purposes of the provisions of Article No. 447 of the Companies' Act and CMVM (Securities Market Regulator) Ruling 5/2008, it is hereby stated that there were no movements in shares and/or bonds held by Corporate Officers during the first half of 2015.

Declaration referred under item c) of §1 of article no. 246 of the Securities' Act

Item c) of §1 of article no 246 of the Securities' Act establishes that each of the company's corporate officers issues a declaration with the text therein defined.
The members of the Board of Directors of Banco Santander Totta, S.A, herein nominally identified individually subscribed the declaration transcribed below:
"I hereby declare, in the terms and for the purposes of item c) of §1 of article no. 246 of the Securities' Act that, as far as I know, the condensed notes to the accounts relative to the first half year of 2015, were prepared in line with applicable accounting standards, giving a true and appropriate image of the assets and liabilities and of the financial situation and results of Banco Santander Totta, S.A. and of the companies included in the consolidation perimeter, and that the interim report faithfully discloses the information required in the terms of §2 of article no. 246 of the Securities' Act."

The Board of Directors

António Basagoiti Garcia-Tuñon
Chairman

António José Sacadura Vieira Monteiro
Deputy Chairman

Carlos Manuel Amaral de Pinho
Member

João Batista Leite
Member

José Carlos Brito Sítima
Member

José Urgel Moura Leite Maia
Member

José Manuel Alves Elias da Costa
Member

Luís Filipe Ferreira Bento dos Santos
Member

Manuel António Amaral Franco Preto
Member

Pedro Aires Coruche Castro e Almeida
Member

Accounts for the first half year of 2015 were not subject to a limited audit nor were the subject of an opinion by the Bank's Auditors.

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED BALANCE SHEETS AS AT JUNE 30, 2015 AND DECEMBER 31, 2014 (PRO FORMA)

(Amounts expressed in thousands of Euros - tEuros)

(Translation of consolidated balance sheets originally issued in Portuguese - Note 53)

ASSETS	Notes	June 30, 2015 Amounts before impairment and depreciation	June 30, 2015 Impairment and depreciation	June 30, 2015 Net assets	December 31, 2014 (pro forma) Net assets	January 1, 2014 (pro forma) Net assets
Cash and deposits at central banks	5	655,091	-	655,091	830,474	337,841
Balances due from other banks	6	260,802	-	260,802	241,218	552,921
Financial assets held for trading	7	2,152,437	-	2,152,437	2,291,734	1,949,115
Available-for-sale financial assets	8	5,471,151	61,833	5,409,318	6,712,555	4,382,253
Loans and advances to credit institutions	9	1,109,545	-	1,109,545	1,220,917	3,270,970
Loans and advances to customers	10	26,670,579	1,200,641	25,469,938	25,523,251	26,107,521
Hedging derivatives	11	129,393	-	129,393	195,035	199,427
Non-current assets held for sale	12	335,061	123,683	211,378	208,375	206,943
Investment properties	13	391,074	-	391,074	420,239	467,949
Other tangible assets	14	738,301	447,469	290,832	298,792	318,662
Intangible assets	14	392,321	364,456	27,865	28,381	52,468
Investments in associated companies	15	178,154	1,500	176,654	166,359	147,730
Current tax assets	16	17,010	-	17,010	14,603	17,458
Deferred tax assets	16	438,036	-	438,036	458,675	540,675
Other assets	17	278,999	22,388	256,611	249,754	258,595
Total assets, net		39,217,954	2,221,970	36,995,984	38,860,362	38,810,528

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	June 30, 2015	December 31, 2014 (pro forma)	January 1, 2014 (pro forma)
Liabilities				
Resources of central banks	18	3,779,581	4,406,312	6,241,410
Financial liabilities held for trading	7	1,893,288	1,995,019	1,619,768
Resources of other credit institutions	19	3,026,623	4,030,724	4,175,058
Resources of customers and other debts	20	21,742,796	21,625,902	20,707,001
Debt securities	21	2,714,266	2,973,111	2,534,161
Hedging derivatives	11	150,005	133,690	370,684
Provisions	22	70,676	71,988	62,039
Current tax liabilities	16	13,017	20,034	14,313
Deferred tax liabilities	16	111,671	142,026	58,524
Equity representative instruments	23	200,726	205,979	235,054
Subordinated liabilities	24	4,303	4,306	4,307
Other liabilities	25	377,547	292,893	292,900
Total liabilities		34,084,499	35,901,984	36,315,219
Shareholders' equity				
Share capital	26	656,723	656,723	656,723
Share premium account	26	193,390	193,390	193,390
Other equity instruments	26	135,000	135,000	135,000
Revaluation reserves	26	(351,920)	(278,738)	(573,189)
Other reserves and retained earnings	26	1,603,810	1,534,596	1,477,217
(Own shares)		(43,445)	(43,444)	(43,312)
Consolidated net income attributable to the shareholders' of BST	27	102,652	165,174	89,164
Shareholders' equity attributable to the shareholders' of BST		2,296,210	2,362,701	1,934,993
Non-controlling interests	28	615,275	595,677	560,316
Total shareholders' equity		2,911,485	2,958,378	2,495,309
Total liabilities and shareholders' equity		36,995,984	38,860,362	38,810,528

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

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2015 AND 2014 (PRO FORMA)

(Amounts expressed in thousands of Euros - tEuros)

(Translation of consolidated statements of income originally issued in Portuguese - Note 53)

	Notes	June 30, 2015	June 30, 2014 (pro forma)
Interest and similar income	30	540,798	621,308
Interest and similar charges	31	(258,237)	(355,034)
Net interest income		282,561	266,274
Income from equity instruments	32	1,134	1,138
Income from services and commission	33	164,807	165,078
Charges with services and commission	34	(29,503)	(28,456)
Result of assets and liabilities at fair value through profit or loss	35	(6,913)	(111,731)
Result of available-for-sale financial assets	36	20,587	185,244
Result of foreign exchange revaluation	37	4,619	2,229
Result from the sale of other assets	38	7,161	4,148
Other operating results	39	1,617	(17,772)
Net income from banking activities		446,070	466,152
Staff costs	40	(136,074)	(135,427)
General administrative costs	41	(75,864)	(68,812)
Depreciation	14	(22,952)	(39,730)
Provisions, net of reversals	22	(12,780)	(28,030)
Loan impairment net of reversals and recoveries	22	(42,931)	(72,244)
Impairment of other financial assets net of reversals and recoveries	22	(459)	34
Impairment of other assets net of reversals and recoveries	22	(9,767)	(13,684)
Result from associates	42	8,951	6,943
Income before taxes and non-controlling interests		154,194	115,202
Taxes			
Current	16	(26,533)	(19,750)
Deferred	16	(25,009)	(17,610)
Income after taxes and before non-controlling interests		102,652	77,842
Non-controlling interests	28	-	(2)
Consolidated net income attributable to the shareholders of BST	27	102,652	77,840
Average number of ordinary shares outstanding	27	641,858,667	641,880,542
Earnings per share (in Euros)	27	0.16	0.12

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

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2015 AND 2014 (PRO FORMA)

(Amounts expressed in thousands of Euros - tEuros)

(Translation of consolidated statements of other comprehensive income originally issued in Portuguese - Note 53)

	June 30, 2015		June 30, 2014 (pro forma)	
	Attributable to the shareholders' of BST	Attributable to non-controlling interests	Attributable to the shareholders' of BST	Attributable to non-controlling interests
Consolidated net income for the period	102,652	-	77,840	2
Items that will not be reclassified subsequently to the income statement				
. Actuarial and financial deviations				
. Fair value	8,912	-	5,688	-
. Tax effect	-	-	(1,308)	-
Items that can be reclassified subsequently to the income statement				
. Exchange differences relating to foreign subsidiaries	2,894	19,598	1,603	2,540
. Changes in fair value of financial assets available for sale				
. Fair value	(108,941)	-	270,642	-
. Tax effect	31,525	-	(79,845)	-
. Changes in fair value of cash flow hedging derivatives				
. Fair value	(11,032)	-	(7,386)	-
. Tax effect	3,199	-	2,178	-
Consolidated comprehensive income for the period	29,209	19,598	269,412	2,542

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

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2015 AND 2014 (PRO FORMA)

(Amounts expressed in thousands of Euros - tEuros)

(Translation of consolidated statements of changes in shareholder's equity originally issued in Portuguese - Note 53)

				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	Own shares	Net income for the period	Non-controlling interests	Shareholder's equity
Balances as at December 31, 2013	**656,723**	**193,390**	**135,000**	**23,245**	**(814,599)**	**(10,208)**	**228,373**	**245,862**	**898,754**	**332,601**	**(43,312)**	**89,164**	**560,316**	**2,495,309**
Impact of the recognition of fees and contributions payable to the State in accordance with IFRIC 21	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances as at January 2014 (pro forma)	**656,723**	**193,390**	**135,000**	**23,245**	**(814,599)**	**(10,208)**	**228,373**	**245,862**	**898,754**	**332,601**	**(43,312)**	**89,164**	**560,316**	**2,495,309**
Appropriation of net income														
. Transfer to reserves	-	-	-	-	-	-	95	245	46,381	41,241	-	(87,962)	-	-
. Distribution of dividends	-	-	-	-	-	-	-	-	-	-	-	(1,202)	-	(1,202)
Distribution of dividends - preference shares	-	-	-	-	-	-	-	-	(30,150)	-	-	-	-	(30,150)
Long-term incentives	-	-	-	-	-	-	-	-	(446)	-	-	-	-	(446)
Other	-	-	-	-	-	-	-	-	(145)	(1)	-	-	(25)	(171)
Comprehensive income for the first semester of 2014	-	-	-	-	268,944	1,603	(78,975)	-	-	-	-	77,840	2,542	271,954
Balances as at June 30, 2014 (pro forma)	**656,723**	**193,390**	**135,000**	**23,245**	**(545,655)**	**(8,605)**	**149,493**	**246,107**	**914,394**	**373,841**	**(43,312)**	**77,840**	**562,833**	**2,735,294**
Distribution of dividends - preference shares	-	-	-	-	-	665	-	-	-	-	-	-	(108)	557
Long-term incentives	-	-	-	-	-	-	-	-	224	-	-	-	-	224
Purchase of own shares	-	-	-	-	-	-	-	-	-	-	(132)	-	-	(132)
Other	-	-	-	-	-	(10)	-	-	31	(1)	-	-	24	44
Comprehensive income for the second semester of 2014	-	-	-	-	151,758	7,464	(57,093)	-	-	-	-	87,334	32,928	222,391
Balances as at December 31, 2014 (pro forma)	**656,723**	**193,390**	**135,000**	**23,245**	**(393,897)**	**(486)**	**92,400**	**246,107**	**914,649**	**373,840**	**(43,444)**	**165,174**	**595,677**	**2,958,378**
Appropriation of net income														
. Transfer to reserves	-	-	-	-	-	-	260	13,447	57,789	27,963	-	(99,459)	-	-
. Preference shares	-	-	-	-	-	-	-	-	-	-	-	(65,715)	-	(65,715)
Distribution of dividends - preference shares	-	-	-	-	-	-	-	-	(30,168)	-	-	-	-	(30,168)
Long-term incentives	-	-	-	-	-	-	-	-	191	-	-	-	-	191
Purchase of preference shares	-	-	-	-	-	-	-	-	-	-	(1)	-	-	(1)
Other	-	-	-	-	-	-	1	-	(8)	-	-	-	-	(7)
Comprehensive income for the first semester of 2015	-	-	-	-	(111,061)	2,894	34,724	-	-	-	-	102,652	19,598	48,807
Balances as at June 30, 2015	**656,723**	**193,390**	**135,000**	**23,245**	**(504,958)**	**2,408**	**127,385**	**259,554**	**942,453**	**401,803**	**(43,445)**	**102,652**	**615,275**	**2,911,485**

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 PERIODS ENDED JUNE 30, 2015 AND 2014

(Amounts expressed in thousands of Euros - tEuros)

(Translation of consolidated statements of cash flows originally issued in Portuguese - Note 53)

	June 30, 2015	June 30, 2014 (pro forma)
CASH FLOW FROM OPERATING ACTIVITIES:		
Interest and commissions received	648,517	697,429
Payment of interest and commission	(274,973)	(358,701)
Payments to staff and suppliers	(231,464)	(209,528)
Contributions to the Pension Fund	-	-
Foreign exchange and other operating results	10,576	(6,518)
Recovery of uncollectable loans	1,461	2,757
Operating results before changes in operating assets and liabilities	154,117	125,439
(Increase) / decrease in operating assets:		
Loans and advances to credit institutions	86,034	1,801,972
Financial assets held for trading	137,634	(263,362)
Loans and advances to customers	6,300	343,124
Assets and liabilities at fair value through profit and loss	87,144	(204,513)
Non-current assets held for sale	(18,379)	32,868
Investment properties	35,982	-
Other assets	1,530	(255,898)
	336,245	1,454,191
Increase / (decrease) in operating liabilities:		
Resources of financial institutions	(1,631,298)	(626,255)
Resources of customers and other debts	143,144	(571,684)
Financial liabilities held for trading	(101,731)	261,562
Other liabilities	94,131	218,605
	(1,495,754)	(717,772)
Net cash flow from operating activities before income tax	(1,005,392)	861,858
Income tax paid	(35,958)	(28,589)
Net cash flow from operating activities	(1,041,350)	833,269
CASH FLOW FROM INVESTING ACTIVITIES:		
Dividends received	1,134	1,138
Purchase of available-for-sale financial assets	(432,185)	(3,674,486)
Sale of available-for-sale financial assets	1,522,528	1,744,870
Income from available-for-sale financial assets	181,656	67,298
Purchase of tangible and intangible assets	(20,335)	(14,721)
Sale of tangible assets	389	6,887
Net cash flow from investment activities	1,253,187	(1,869,014)
CASH FLOW FROM FINANCING ACTIVITIES:		
Dividends paid	(238,859)	1,493,503
Issuance/(redemption) of debt securities	(63,021)	(36,711)
Interest paid on bonds issued and other	(65,715)	(1,202)
Interest paid on subordinated liabilities	(41)	(46)
Net cash flow from financing activities	(367,636)	1,455,544
	(155,799)	419,799
Net Increase / (Decrease) in cash and cash equivalents		
Cash and cash equivalents at the start of the period	1,071,692	890,762
Cash and cash equivalents at the end of the period	915,893	1,310,561

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

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 semesters of 2015 and 2014 are detailed in Note 46.

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 Financeira de Crédito, S.A. ("Totta IFIC"). For accounting and tax purposes the operation was reported 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 536 branches (555 branches as of December 31, 2014) and also has a branch in London, as well as an international financial branch in the Autonomous Region of Madeira. The Bank has also 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. When Group companies used different accounting principles, appropriate adjustments are made for conversion to the IAS/IFRS.

The Bank has adopted IAS 34 – "Interim Financial Reporting" in its half-year financial statements disclosures.

In the first semester of 2015, the Bank adopted the following standards (new and revised) and interpretations endorsed by the European Union:

- IFRIC 21 – "Levies" (amendment) – This amendment establishes criteria about when to recognize a liability to pay a levy as a result of a certain event (for example, participating in a specific market), when the payment is not made for the acquisition of an asset or specific services.

- Improvements to International Financial Reporting Standards (2010-2012 and 2011-2013 Cycles) - These improvements involve the clarification of some aspects regarding several standards, namely IFRS 1 – "First-time Adoption of International Financial Reporting Standards", IFRS 3 – "Business Combinations", IFRS 13 – "Fair Value Measurement" and IAS 40 – "Investment Property".

- IAS 19 – "Employee Benefits" (revised) – This amendment clarifies under which circumstances employee contributions for post-employment benefit plans represent a reduction in the cost of short-term benefits.

The adoption of the standards and interpretations above, with exception of IFRIC 21, did not had a material impact in the financial statements. The impact of IFRIC 21 is disclosed in Note 1.4.

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" (2009) and subsequent amendments – This standard is part of the draft revision of IAS 39 and establishes the requirements for the classification and measurement of financial assets and liabilities and for the application of hedge accounting rules.

- IFRS 14 – "Regulated assets" – This standard establishes the reporting requirements for entities which are adopting IAS/IFRS for the first time, applicable to regulated assets.

- IFRS 15 – "Revenue from contracts with customers" – This standard introduces a recognition structure of revenue based on principles and on a model to be applied to all contracts established with customers.

- IAS 16 – "Property, Plant and Equipment" and IAS 38 – "Intangible Assets" (revised). These amendments clarifies which amortization methods of tangible and intangible assets are permitted.

- IAS 27 – "Separate financial statements" (2011) (revised) – This amendment introduces the possibility of applying the equity method to the valuation of investments in subsidiaries, associates and jointly controlled entities in the separate financial statements of an entity which presents consolidated financial statements.

- IAS 1 – "Presentation of financial statements" (Disclosures) (revised) – This amendment introduces a set of instructions and guidelines to improve and simplify the disclosures needed in the actual context of IFRS reporting requirements.

- Improvements to International Financial Reporting Standards (2012-2014 Cycle): These improvements involve the review of several standards.

These standards have not been endorsed by the European Union and so they were not adopted by the Bank in the six months period ended June 30, 2015. Except for the effect of the application of IFRS 9, which up to this date is not possible to estimate, no material impacts are estimated as a result of the adoption of the above mentioned standards.

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 its current management in order to obtain economic benefits from their activities. Control usually exists when more than 50% of the share capital or the voting rights are held, when the investor is exposed to or has the right to variable returns through its relationship with the investee and has the ability to use its power over the investee to affect its results. Furthermore, as a result of the application of the IAS 27 – "Consolidated and Separate Financial Statements" and IFRS 10 – "Consolidated Financial Statements", the Group includes special purpose entities in its consolidation perimeter, namely vehicles and funds created under securitization operations when it exercises effective financial and operating control over them and when it is exposed to 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 date that the Bank has control over their activities to the date that control ceases. The 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 the application of accounting principles. Third party shareholders in subsidiary companies consolidated by the full integration method are accounted for under the caption "Non-controlling interests" (Note 28).

On the other hand, the Bank manages assets held by investment funds whose participating units are held by third parties. The financial statements of those investment funds are not included in the consolidation perimeter of the Bank, except when the Bank has control over those investment funds, namely when it holds more than 50% of its participating units, situations when they are consolidated by the full integration method. In accordance with IAS 32 and IFRS 10, the amount corresponding to the third party participations in the investment funds that are consolidated by the full integration method is presented as a liability under the caption "Equity representative instruments" (Note 23). The non-controlling interests of the income statement related to investment funds consolidated are recognized as a deduction to the captions "Result from the sale of other assets" (Fundo Multiobrigações) and "Other operating income - Unrealized gains on investment properties" (Fundo Novimovest), given the nature of the main income earned by those funds (Notes 38 and 39).

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 its 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 date 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 cost over the effective percentage held in the fair value of the assets, liabilities and contingent liabilities of subsidiaries and associated companies. At least once a year, the Bank performs impairment tests to the goodwill recognized in the balance sheet, in accordance with the requirements of IAS 36 - "Impairment of Assets". For this purpose, goodwill is allocated to cash generating units, and the recoverable amount is assessed based on the present value of the estimated future cash flows using discount rates considered appropriate by the Bank. Impairment losses associated with goodwill are recorded in the income statement and cannot be reversed.

Goodwill on associated companies is included in the carrying amount of the investment, which is subject to impairment tests.

The Bank decided not to apply IFRS 3 – "Business combinations", retrospectively. Therefore, goodwill on acquisitions up to January 1, 2004 was reflected as a deduction to shareholders' equity in compliance with the former accounting policy. Previously recognized 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 were recorded in accordance with the acquisition method. The acquisition cost 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 depreciated. 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 recognized in the income statement.

With the application of the amendments to the standards 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 participation acquired prior to the date 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 the total acquisition cost and the proportion in the fair value of the subsidiaries' assets and liabilities. Similarly, by the application of the amendments above, the Bank revalue through profit or loss the undertakings in which it loses control (Note 4).

On the other hand, the Bank decided to reverse, as of the transition date (January 1, 2004) to the IAS/IFRS, the reserve resulting from foreign exchange differences arising out from the translation of financial statements of subsidiaries and associated companies expressed in functional currencies other than the Euro. As from that date, in compliance with IAS 21, the financial statements of subsidiaries and associated companies expressed in foreign currencies 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 recognized.

Currency exchange differences arising upon translation to Euros are accounted in shareholders' equity in the caption of "Revaluation reserves – Foreign exchange fluctuation".

1.3. Summary of the main accounting policies

The main accounting policies used in the preparation of the accompanying 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 year 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 it 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 when 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 loans and advances to credit institutions.

Loans and advances to customers include loans to customers, as well as other securitized loans (commercial paper and bonds), not intended to be sold in the short term, being initially recorded at fair value, less any commissions, plus all the external costs directly attributable to the operations.

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

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

The Bank classifies as overdue loans, instalments of principal and interests overdue for more than 30 days. Loans with overdue instalments are denounced in accordance with the credit procedures approved by the Bank, being the whole debt considered overdue from that moment on.

On the other hand, the Bank periodically analyses the loans and advances that should have already been paid in full but for which the effort to collect them has not been effective. When the prospects of recovering of those loans are negligible, loans are considered to be uncollectible and impairment losses are recognized for the full amount. In these cases, the Bank writes them off. Credits recovered subsequently are recognized in the income statement in the caption "Loan impairment net of reversals and recoveries".

Impairment

The Bank periodically analyses the loans and advances granted to customers and other accounts 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 Bank´s loan portfolio is segmented as follows:

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

On the other hand, concerning the loans granted to the corporate customers segment, the Bank makes an individual assessment of the customers that have:

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

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

Customers assessed individually with impairment losses less than 0.5% are subsequently assessed on a collective impairment basis, being segmented between customers with responsibilities greater or less than tEuros 300.

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

Evidence of impairment of an asset or group of assets, as defined by the Bank, 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 loans correspond to the probability of having overdue loan (PI) times the difference between the book value of the respective loans 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 Bank has incurred in an impairment loss on loans 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 group of assets is reduced by the impairment loss account balance. In the case of loans with variable interest rates, the discount rate used to determine an impairment loss is the current interest rate, as established in the respective contract. Impairment losses are recorded by a corresponding charge in the income statement.

In accordance with the Bank'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 Bank 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, a decrease in the amount of impairment losses occurs due to a specific event occurring after the impairment determination, the previously recognized amount is reversed and the impairment loss balance is adjusted. The amount of the reversal is recognized directly by a corresponding charge in the income statement.

Write off of principal and interest

In accordance with the policies in place in the Bank, interests arising out from overdue loans 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 loans is only recognized in the period of its actual collection.

Interests on mortgage loans or on loans granted with other real guarantees are suspended from the date of termination of the contract.

Loan sales

Gains and losses on the definitive sale of loans are recorded in the income statement caption "Result from the sale of other assets" (Note 38). These gains or losses correspond to the difference between the sale amount agreed and the book value of these assets, net of impairment losses.

Factoring

Assets resulting from factoring operations with recourse are recorded in the balance sheet as loans granted by the amount of the advance funds on behalf of those contracts.

Assets resulting from factoring operations without recourse are recorded in the balance sheet as loans granted by the amount of the credits taken against the recognition of a liability under the caption "Other liabilities - Creditors and other resources - Other creditors - Creditors under factoring contracts." The delivery of funds to the counterparts in factoring operations originates a corresponding debit in the caption "Other liabilities - Creditors and other resources - Other creditors - Creditors under factoring contracts" (Note 25).

Commitments resulting from credit lines negotiated with customers and not yet used are recorded as off-balance sheet items.

Non derecognized securitized assets

The Bank does not derecognize from the balance sheet loans sold in securitization operations when:

- retains control over those operations;
- continues to receive a substantial part of their remuneration, and;
- maintains a significant portion of the risk on the transferred credits.

Credits sold and not derecognized are recorded under the caption "Loans and advances to customers" and are subject to the same accounting criteria as other credit operations. The interests and commissions associated to the securitized loan portfolio are accrued over the term of the loans.

The maintenance of risk and/or benefit is represented by the bonds with higher risk level issued by the securitization vehicle. The amounts recorded in assets and liabilities represent the proportion of the risk / benefit held by the Bank (continuous involvement).

The bonds issued by the securitization vehicles held by the Group entities are eliminated from consolidation.

At June 30, 2015 and December 31, 2014, there are no derecognized securitized loans.

Finance leasing

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's are recorded in accordance with the following criteria:

i) *As lessee*

Assets purchased under finance leases are recorded at their fair value in other tangible assets and in liabilities and the corresponding depreciation is recognized. Lease instalments are split in accordance with the respective financial plan, being the liabilities decreased by the amount corresponding to the 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 arising from guarantees given and irrevocable commitments are recorded in off-balance sheet accounts for the amount at risk, while interest, commissions and other income are recorded in the income statement over the period of the operations.

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

Income from services and commissions obtained in the execution of a significant act, for example a commission from syndicating a loan operation, are recognized in the income statement when the significant service act has been completed.

Income from services and commissions obtained as the services are rendered are recognized in the income statement in the period to which it refers.

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

Expenses relating to services and commissions are recognized using the same criteria as adopted for income.

e) Financial instruments

Financial assets and liabilities are recognized on the balance sheet at the date of its payment or receipt, unless there is an explicit contractual provision arising from the legal regime applicable that establishes that the rights and obligations related to the traded values are transferred at a different date, in which cases the latter will be the relevant date.

Financial assets and liabilities are subsequently classified into one of the four specific categories set down in IAS 39:

- 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 other financial assets and liabilities at fair value through profit or loss

Financial assets held for trading include variable and fixed 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”.

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

Interest relating to trading derivatives is recorded in the caption “Result of assets and liabilities at fair value through profit or loss” in the income statement.

The fair value of financial assets held for trading and traded on active markets is their bid-price or 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 information.

The fair value of the derivative financial instruments that are not traded on active markets, including the credit risk component attributed to the parties involved in the transaction ("Credit Value Adjustments" and "Debit Value Adjustments"), 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 active markets and which fair value cannot be reliably measured, which are recorded at their acquisition cost, net of impairment. Subsequent gains or losses resulting from changes in fair value are reflected in a specific equity caption “Revaluation reserves - Fair value” until they are disposed of or until impairment losses are recognized, moment when they are reclassified to the income statement. Foreign exchange gains or losses on monetary assets are directly recognized in the income statement.

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

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

iii) Reclassification of financial assets

In accordance with the amendment introduced on October 13, 2008 in IAS 39 - “Financial instruments: Recognition 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 of other categories to the category financial assets at fair value through profit or loss are not allowed.

iv) Income recognition

Interest relating to financial assets and the recognition of the difference between their 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.

v) 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 interests payable are accrued.

vi) Impairment of financial instruments

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

For listed securities, objective evidence of impairment exists when there is a significant or prolonged decline in its fair value. Objective evidence of impairment for unlisted 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 Bank considers the specific nature and features of the assets being valued in its periodic impairment tests. In terms of objective impairment criteria, the Bank considers a 24 month period to be adequate for the prolonged devaluation of financial instruments. The Bank 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 attributable to an event occurring after the impairment determination, the previously recognized impairment loss is directly reverted through an adjustment to the impairment loss account. The amount of the reversal is recognized 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 the determination of the impairment. Impairment losses on equity instruments cannot be reverted and so any unrealized capital gains 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 recognized, subsequent reductions in its fair value are always recognized in the income statement.

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

vii) Other financial liabilities

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

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

Embedded derivatives in bonds issued are recorded separately in the captions "Financial assets and liabilities held for trading", being revalued at fair value through the income statement.

Secondary market transactions

The Bank carries out repurchases of bonds issued in the secondary market. Purchases and sales of own bonds are included in proportion to the respective accounts of debt issued (capital, interest and commissions) and the differences between the amount settled and the disposal, or increase in liabilities, are recognized immediately in profit or loss.

Fair value

As mentioned above, the financial assets and liabilities recorded in the categories of "Financial assets held for trading", "Financial liabilities held for trading" and "Available-for-sale financial assets" are measured at fair value.

The fair value of a financial instrument corresponds to the amount for which an asset or a financial liability can be sold or settled (in other words, an exit price) between independent, knowledgeable and interested parties in the transaction under normal market conditions.

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

- For financial instruments traded on active markets, the closing price on the balance sheet date;

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

  i) Prices (bid prices) obtained through financial information providers, namely Bloomberg and Reuters, including market prices available for recent transactions;

  ii) Indicative quotes (bid prices) obtained from financial institutions that operate as market-makers; and

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

Amortized cost

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

Whenever the estimate of payments or collections 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 the amortized cost is recognized by a corresponding charge in the income statement.

f) Valuation and recording of derivative financial instruments and hedge accounting

Derivative financial instruments traded by the Bank are recognized in the balance sheet at their fair value.

Embedded derivatives in other financial instruments (namely in bonds and structured deposits) 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 recognized in profit or loss.

The Bank uses derivative financial instruments namely 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 recognized in accordance with the hedge accounting model adopted by the Bank.

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 hedge</u>

Gains or losses on the revaluation of a hedging derivative financial instrument are recognized 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 recognized 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, recognized as value adjustments of the hedged items, are amortized over their remaining life. If the asset or liability being hedged is sold or settled, the amounts recognized as a 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 recognized 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 recognized 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.

In this sense, the Bank has entered into derivatives 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 recognized 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 recognized 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 portion of the gain or loss on the hedging instrument not recognized in equity is recorded 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 was recognized 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 recognized.

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 monthly basis over the estimated useful life of the assets, which corresponds to the period in which the assets are expected to be available for use and is detailed below:

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

Non recoverable expenditure capitalized on leasehold buildings is amortized over a period adjusted to its expected useful life or the term 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 net book value at the transition date to the IAS/IFRS, which corresponded to its cost adjusted by legal revaluations based on evolution of the general price index. 40% of the increase in the depreciation charges resulting from such revaluations is not tax deductible, being the corresponding deferred tax liabilities recognized accordingly.

On the other hand, the tangible assets of the Bank are subject periodically to impairment tests. The branches are considered as cash flows generating units for this purpose with impairment losses being recognized whenever the recoverable amount of a property (through its use in the operations or through its sale) is lower than its carrying amount.

The criteria followed in the valuation of the properties normally use a market comparison method, and the amount of the appraisal corresponds to the market value of the properties in their current condition.

h) Intangible assets

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

Intangible assets are amortized on a monthly basis over its estimated useful life, which corresponds to three years on average.

In the first half of 2015 and in 2014, the Bank did not recognize internally generated intangible assets.

i) Investment properties

Investment properties comprise, essentially, buildings and land held by Novimovest – Real Estate Investment Fund (Novimovest) to earn rentals or for capital appreciation or both, rather than for its use in the provision of goods, services, or for administrative purposes.

Investment properties are stated at their fair value based on periodic appraisals performed by independent appraisers. Changes in the fair value of investment properties are recognized directly in the income statement for the period.

Costs incurred with investment properties in use, such as maintenance, repairs, insurance and property taxes (municipal property tax) are recognized in the income statement for the period to which they relate. Improvements which are expected to generate additional future economic benefits are capitalized.

j) Non-current assets held for sale

The Bank 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, deducted from the estimated sale costs or their forced sale value, if lower. On the other hand, property recovered following the termination of finance lease contracts is recorded as an asset by the outstanding principal amount on the date the contract is terminated.

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

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

Property is subject to periodic appraisals performed by independent real estate appraisers. Impairment losses are recognized 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”, the Bank does not recognize unrealized gains on these assets.

At last, the Bank’s Board of Directors considers that the valuation methods adopted for these assets are appropriate and reflect the current market environment.

k) Provisions and contingent liabilities

A provision is set up whenever there is a present obligation (legal or constructive) arising from a 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 the 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 disbursement is remote.

Thus, in accordance with IAS 37, the caption “Provisions” includes the provisions to cover specific post-employment benefits granted to some members of the Board of Directors, restructuring plans, tax contingencies, legal processes and other risks arising from the Bank’s activity (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 would receive during retirement, based on his/her time of service and remuneration at the time of retirement, being the pensions updated annually based on the remuneration established in the ACT for the current 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 from the defined benefit plan are covered by a Pension Fund.

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. This 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.

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

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 defined that current employees 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 at December 31, 2010 have not changed as a 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*”). On the other hand, the Bank maintains the responsibility of paying out the disability pensions and the survival pensions along with healthcare assistance. This understanding was also confirmed by the National Council of Financial Supervisors (Conselho Nacional de Supervisores Financeiros).

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

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, 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.

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, at December 31, 2011, including both vacation (14th month) and Christmas bonuses.

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

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

ii) the employer's contributions to healthcare systems ("Serviços de Assistência Médica Social – SAMS") managed by the respective unions, over the retirement and survival pensions, in 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 corresponded to the value of the responsibilities assumed under the above 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 comprised by cash and up to 50% in Portuguese government debt securities valued at their respective market value.

Under the terms of the aforementioned Decree-Law, the transfer of the assets was performed 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; and

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 that determined the amount of the transfer.

Following the transfer of the responsibilities with pensioners to the Social Security, and for purposes of determining the value of the liabilities to be transferred in accordance with the provisions established by the Decree Law nº 127/2011, of December 31, the Bank calculated the liabilities separately for current and retired employees, having defined specific assumptions for each case.

The difference between the amount of the liabilities to be transferred to the Social Security determined as per the above referred assumptions and the liabilities determined based on updated actuarial assumptions adopted by the Bank 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 44).

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

BST’s retirement pension liability is calculated annually by external experts (Towers Watson (Portugal) Unipessoal Limitada) 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 to the plan’s liability. Employees’ post-employment benefits also include healthcare assistance (SAMS) and death subsidy during retirement.

Banco Santander de Negócios Portugal, S.A. (BSN) did not sign the Collective Labour Agreement (ACT) in force for the banking sector. So, in 2006 BSN established a defined contribution pension fund under which employees have been allowed to make voluntary contributions. BSN’s contribution to that fund 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. In the first half of 2014, BSN defined contribution pension fund was extinguished after authorization granted by the Supervisory Authority of Insurance and Pension Funds.

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. Additionally, the seniority of the employees hired before July 1, 1997 has been recognized.

Application of IAS 19

At January 1, 2004, the Bank 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 that standard had been adopted as from the beginning of the pension’s plans. Accordingly, the actuarial gains and losses existing at January 1, 2004, as well as those resulting from adopting IAS 19, were reversed/recorded against retained earnings at the transition date.

In 2011 the Bank decided to change the accounting policy for recognizing actuarial gains and losses abandoning the use of the corridor method, having started to recognize actuarial gains and losses in equity (other comprehensive income), as provided in the revised version of IAS 19.

From January 1, 2013, following the revision of IAS 19 - "Employee Benefits", the Bank records under the caption "Staff costs" in the income statement the following components:

- Current service cost;

- Net interest profit / cost with the pension plan;

- Early retirement cost corresponding to the increase in the past service liability due to early retirement; and

- Gains and losses resulting from changes in the conditions of the plan.

Net interest profit / cost with the pension plan is calculated by multiplying the Bank net asset / liability with pensions (liabilities less the fair value of plan assets) by the discount rate used in determining the liabilities with retirement pensions. Thus, the net interest profit / cost represents the interest cost associated with pension liabilities net of the theoretical return of the Fund's assets, both measured based on the discount rate used to calculate pension liabilities.

Gains and losses from remeasurement, namely: (i) gains and losses resulting from differences between actuarial assumptions used and the effective results (experience gains and losses) as well as changes in actuarial assumptions; and (ii) gains and losses arising from the difference between the theoretical return of the Fund's assets and the effective return obtained are recognized against the statement of other comprehensive income.

The liabilities for retirement pensions, less the fair value of the assets of the Pension Fund, are recorded in the captions “Other assets” or “Other liabilities”, depending on whether there is a financial surplus or deficit (Notes 17 and 25).

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 should exist for the past service liabilities of current employees. Notwithstanding this, it also established a transition period ranging from 5 to 7 years in respect of the increase in the liabilities as a result of the adoption of IAS 19.

At June 30, 2015 and December 31, 2014, the rate of coverage of the liabilities of BST for employee benefits, including SAMS and excluding those associated with its London branch, was 100.89% and 100.32%, respectively (Note 44).

m) Long service bonuses

In compliance with the ACT, the Bank assumed the commitment to pay bonuses to current 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 bonus is attributed), respectively.

The Bank determines the present value of its liability for long service bonuses through actuarial calculations based on 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 Bank’s population. The discount rate used is determined based on market rates for high quality corporate bonds with similar maturity to the liability.

Long service bonuses liabilities are recorded in the caption “Accrued costs - Relating to personnel – Long service bonuses” (Note 25).

n) Income tax

BST and the Group's companies established in Portugal are subject to the tax regime established in the Corporate Income Tax Code ("CIRC"). The branch accounts are consolidated with those of the Bank for tax purposes. In addition to being subject to Corporate Income Tax, the results of the branch are also subject to local taxes in the country/territory in which it is 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.

In accordance with the State Budget Law for 2011 (Law nº 55–A/2010, of December 3) and article 92 of the Corporate Income Tax Code, tax paid under the terms of item 1, article 90, net of international double taxation and any tax benefits, cannot be lower than 90% of the amount that would have been determined if the taxpayer did not have the tax benefits established in item 13, article 43 of the Corporate 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 June 30, a state surcharge was also introduced, which must be paid 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.

With the publication of the State Budget Law for 2012 (Law nº 64-B/2011, of December 30), the companies that present higher taxable income in that year and on the two following years were subject to higher state surcharge rates. Companies with taxable income comprised between tEuros 1,500 and tEuros 10,000 were subject to a state surcharge rate of 3% and companies with taxable income exceeding tEuros 10,000 were subject to a rate of 5%.

However, the Law nº 66-B/2012, of December 31 (the State Budget Law for 2013) established a reduction in the limit from which it became applicable the rate of state surcharge of 5% from tEuros 10,000 to tEuros 7,500, applicable to the tax periods started on or after January 1, 2013.

Additionally, following the publication of Law nº 2/2014, of January 16, (CIRC amendment) and the publication of the State Budget Law for 2015 (Law nº 82–B/2014, of December 31) the taxation of corporate income for 2014 and for the first semester of 2015 became the one described below:

- Corporate income tax (IRC) rate of 21% on taxable income (23% in year 2014);
- Municipal surcharge at a rate comprised between 0% and 1.5% on taxable income (equal to year 2014); and
- State surcharge at a variable rate on taxable income according to the limits presented below:
  - Less than tEuros 1,500 0%;
  - Between tEuros 1,500 and tEuros 7,500 3%;
  - Between tEuros 7,500 and tEuros 35,000 5%;
  - More than tEuros 35,000 7%.

Thus, the above referred changes implied that the rates used by the Bank in the calculation and recognition of deferred taxes for 2014 and for the first semester of 2015 were 21%, for tax losses, and 29%, for other temporary differences.

Tax losses incurred from 2014, inclusive, may be used in the twelve subsequent tax periods. On the other hand, tax losses incurred in 2008 and 2009 could be used in the six subsequent periods, four years for tax losses incurred in 2010 and 2011 and five years for tax losses incurred in the years of 2012 and 2013. However, the deduction of those losses in each year cannot exceed 70% of the respective taxable income, with the remaining balance (30%), being deductible up to the end of the tax utilization period.

Following the publication of Law nº 55-A/2010, of December 31, the Bank is subject 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) as well as deducted from the deposits under the Deposits Guaranteed Fund coverage. The following balances 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 responsibilities with defined benefit plans;
   - Provisions;
   - Liabilities arising from the revaluation of derivative financial instruments;
   - Deferred income, without consideration of that arising from liability operations; and
   - Liabilities arising from assets not derecognized 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 those derivatives with open symmetric risk positions.

The rates applicable to the basis of incidence defined in a) and b) above are 0.085% and 0.0003%, respectively, as provided in the amendment made by the Dispatch nº 176 - A/2015, of June 12 to the nº 5 of the Dispatch nº 121/2011, of March 30.

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 amount of assets and liabilities in the balance sheet and their respective tax bases. Tax credits are also recognized as deferred tax assets.

The Group does not recognize deferred tax assets or liabilities on deductible or taxable temporary differences associated with investments in subsidiaries and associated companies, as it is unlikely that the difference will be reversed in a foreseeable future.

Deferred tax assets are recognized 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 financial assets available-for-sale and on cash flow hedging derivatives, as well as those associated to actuarial gains and losses related to pension liabilities, which are also recorded in shareholders' equity.

o) <u>Long term incentive plans</u>

The Bank 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 Bank pays out annually these plans to Banco Santander, S.A..

The recording of such plans corresponds to the recognition of the Bank's employee's right to these instruments in the caption "Other reserves" against an entry in the caption "Staff costs" of the income statement, as these are granted in exchange for services rendered.

A description of the long-term incentive plans for stocks and stock options in force in Banco Santander S.A. is included in Note 47.

p) Own shares

Own shares are recorded in equity at their acquisition cost and are not subject to revaluation. Gains or losses arising from the sale of own shares, as well as the related taxes, are recorded directly in equity not affecting the net income for the period.

q) Preference shares

Preference shares are recorded as equity instruments when:

- There is no contractual obligation of the Bank to reimburse (either in cash or in another financial asset) the preference shares acquired by the holder;
- The remission or early redemption of the preference shares may only be made at the Bank's option; and
- The dividend distributions made by the Bank to the holders of preference shares are discretionary.

At June 30, 2015 and December 31, 2014, the Bank classified as equity instruments the preference shares issued by Totta & Açores Financing and BST International Bank, Inc. - Puerto Rico.

The preference shares classified as equity instruments and held by third parties are presented in the consolidated financial statements under the caption "Non-controlling interests" (Note 28).

r) Insurance brokerage services rendered

Income commissions from the 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.

The Bank is not engaged in the collection of insurance premiums on behalf of insurers, neither performs the movement of funds related to insurance contracts. Thus, there is no other asset, liability, revenue or expense to report on the insurance mediation activity performed by the Bank, besides the ones already disclosed.

s) Cash and cash equivalents

In the preparation of the 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”.

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

1.4. Comparability of information

Following the adoption as of January 1, 2015 of IFRIC Interpretation 21 – "Levies" (amendment), the Bank began to recognize the liability related to levies applicable by law in the time they are enforceable. For BST, the levies considered for this Interpretation application were the special contribution to the banking sector, the contribution to the Resolution Fund and the contribution to the Deposit Guarantee Fund.

The retrospective application of IFRIC 21, had the following impacts:

	Consolidated equity on January 1, 2014 (net income included)	Net income in the six months period ended at June 30, 2014	Net income in the six months period ended at December 31, 2014	Consolidated equity on December 31, 2014 (net income included)
Balances as reported (before the retrospective application of the accounting policy change)	2,495,309	81,285	83,889	2,958,378
Impact of the retrospective application of IFRIC 21				
Impact of the recognition of levies as an expense in the moment they are enforceable instead of its accrual during the period	-	(3,445)	3,445	-
Balances (pro forma)	**2,495,309**	**77,840**	**87,334**	**2,958,378**

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 amount of the assets and liabilities, income and costs, and 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 Insurance and Pension Funds Supervisory Authority (ASF). These estimates incorporate a set of financial and actuarial assumptions, including discount rate, mortality and disability tables, 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 the above referred variables.

Valuation of financial instruments not traded on active markets

Models and valuation techniques, such as those described in Note 1.3 e) 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 of 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 loan 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 their customers and its estimate of the value of the collaterals received with the corresponding 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 recognized under the caption “Revaluation reserve - Fair value”. Nevertheless, whenever there is objective evidence of impairment, the accumulated capital losses recorded on that reserve are transferred to the income statement.

In case of equity instruments, the determination of impairment losses may involve a certain 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 in IAS 39.

In case of debt instruments recorded in this category, unrealised capital losses are transferred from the caption “Revaluation reserve – Fair value” to the income statement 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 recognized based on the assumption of the existence of future taxable income. Furthermore, current and deferred taxes 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 current and deferred taxes.

The Bank, as an entity subject to the 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 nº 1/2005, dated February 21, which form the basis for determining the taxable income.

In order to adapt the Corporate Income Tax Code to the 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.

The above referred Decree Law 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 January 1, 2010.

In this regard, these rules were observed to compute the taxable income for the semesters ended June 30, 2015 and 2014, in accordance with the Bank´s interpretation.

Determination of the outcome of the legal proceedings in progress

The outcome of the legal proceedings in progress, including those mentioned in Note 50, as well as the need for provisioning are estimated based on the opinion of the lawyers / legal advisors of the Bank, which, however may not come to materialize.

3. SEGMENT REPORTING

In accordance with the requirements of IFRS 8, the disclosures regarding 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 intermediation, custody and settlement services.

Retail banking:

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

Commercial banking:

This area target are companies with a turnover ranging between 5 and 125 million Euros. This activity is supported by the branches network as well as by specialized 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 Bank's customers.

At the end of 2013, the Bank sold the companies responsible for the investment funds management to a Santander Group company.

Corporate activities:

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

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

The income statement by business segment as of June 30, 2015 is made up as follows:

	30-06-2015				
	Global Banking & Markets	Retail Banking	Commercial Banking	Corporate Activities	Consolidated Total
Financial margin (narrow sense)	47,283	163,755	54,467	17,056	282,561
Income from equity instruments	-	-	-	1,134	1,134
Financial margin	**47,283**	**163,755**	**54,467**	**18,190**	**283,695**
Net commissions	27,682	105,707	10,287	(8,372)	135,304
Other results from banking activity	(28)	1,651	(22)	16	1,617
Commercial margin	**74,937**	**271,113**	**64,732**	**9,834**	**420,616**
Results from financial operations	6,178	1,695	116	17,465	25,454
Net income from banking activities	**81,115**	**272,808**	**64,848**	**27,299**	**446,070**
Operating costs	(8,871)	(173,730)	(27,899)	(1,438)	(211,938)
Depreciation and amortization	(2,188)	(18,227)	(2,537)	-	(22,952)
Net operating income	**70,056**	**80,851**	**34,412**	**25,861**	**211,180**
Impairment and provisions, net of reversals	(9,223)	(21,565)	(12,812)	(22,337)	(65,937)
Result from associates	-	-	7,487	1,464	8,951
Income before taxes	**60,833**	**59,286**	**29,087**	**4,988**	**154,194**
Taxes	(18,250)	(14,804)	(6,480)	(12,008)	(51,542)
Non-controlling interests	-	-	-	-	-
Net income for the period	**42,583**	**44,482**	**22,607**	**(7,020)**	**102,652**

At June 30, 2015 the assets and liabilities under management of each business segment in accordance with the information used by the Bank's management for decision making, are as follows:

	30-06-2015				
	Global Banking & Markets	Retail Banking	Commercial Banking	Corporate Activities	Consolidated Total
Assets					
Loans and advances to customers					
Mortgage loans	-	14,658,175	-	-	14,658,175
Consumer loans	-	1,406,981	-	-	1,406,981
Other loans	3,014,865	2,172,953	4,216,964	-	9,404,782
Total allocated assets	3,014,865	18,238,109	4,216,964	-	25,469,938
Total non-allocated assets					11,526,046
Total assets					36,995,984
Liabilities					
Resources in the balance sheet					
Resources of customers and other debts	680,996	18,329,670	1,616,320	1,115,810	21,742,796
Debt securities	-	88,195	-	2,626,071	2,714,266
	680,996	18,417,865	1,616,320	3,741,881	24,457,062
Guarantees and sureties given	123,551	146,953	809,113	-	1,079,617

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

The income statement by business segment as of June 30, 2014 is made up as follows:

	30-06-2014 (pro forma)					
	Global Banking & Markets	Retail banking	Commercial banking	Asset management	Corporate activities	Consolidated Total
Financial margin (narrow sense)	52,136	149,425	65,268	3,068	(3,623)	266,274
Income from equity instruments	-	-	-	-	1,138	1,138
Financial margin	**52,136**	**149,425**	**65,268**	**3,068**	**(2,485)**	**267,412**
Net commissions	26,536	105,619	11,981	(3,069)	(4,445)	136,622
Other results from banking activity	(29)	(1,015)	(111)	(6,200)	(10,417)	(17,772)
Commercial margin	**78,643**	**254,029**	**77,138**	**(6,201)**	**(17,347)**	**386,262**
Results from financial operations	3,243	728	110	4,381	71,428	79,890
Net income from banking activities	**81,886**	**254,757**	**77,248**	**(1,820)**	**54,081**	**466,152**
Operating costs	(7,573)	(160,906)	(29,711)	(6,049)	-	(204,239)
Depreciation and amortization	(1,538)	(30,345)	(7,810)	(37)	-	(39,730)
Net operating income	**72,775**	**63,506**	**39,727**	**(7,906)**	**54,081**	**222,183**
Impairment and provisions, net of reversals	543	(38,648)	(18,956)	(200)	(56,663)	(113,924)
Result from associates	-	-	5,848	-	1,095	6,943
Income before taxes	**73,318**	**24,858**	**26,619**	**(8,106)**	**(1,487)**	**115,202**
Taxes	(21,262)	(7,287)	(6,024)	(3,705)	918	(37,360)
Non-controlling interests	-	-	-	-	(2)	(2)
Net income for the period	**52,056**	**17,571**	**20,595**	**(11,811)**	**(571)**	**77,840**

At December 31, 2014 the assets and liabilities under management for each business segment in accordance with the information used by the Bank's management for decision making, are as follows:

	31-12-2014 (pro forma)				
	Global Banking & Markets	Retail Banking	Commercial Banking	Corporate Activities	Consolidated Total
Assets					
Loans and advances to customers					
Mortgage loans	-	14,795,658	-	-	14,795,658
Consumer loans	-	1,398,725	-	-	1,398,725
Other loans	2,966,050	2,306,703	4,056,115	-	9,328,868
Total allocated assets	2,966,050	18,501,086	4,056,115	-	25,523,251
Total non-allocated assets					13,337,111
Total assets					38,860,362
Liabilities					
Resources in the balance sheet					
Resources of customers and other debts	938,483	17,665,370	1,725,300	1,296,749	21,625,902
Debt securities	-	171,791	48,474	2,752,846	2,973,111
	938,483	17,837,161	1,773,774	4,049,595	24,599,013
Guarantees and sureties given	125,654	157,480	800,895	-	1,084,029

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

The information by geographical area of the consolidated activity, namely the balance sheet and the income statement, is presented below. The Bank's balance sheet as at June 30, 2015 and December 31, 2014, by geographical segments was as follows:

	30-06-2015							
		International operations					Inter segment	
	Portugal	Ireland	Angola	Puerto Rico	Other	Total	balances	Consolidated
Assets								
Cash and deposits at central banks	655,091	-	-	-	-	-	-	655,091
Balances due from other banks	260,246	7	-	6,002	472	6,481	(5,925)	260,802
Financial assets held for trading	2,152,437	-	-	-	-	-	-	2,152,437
Available-for-sale financial assets	5,409,318	997,140	-	-	-	997,140	(997,140)	5,409,318
Loans and advances to credit institutions	1,109,272	50,001	-	468,397	338,034	856,432	(856,159)	1,109,545
Loans and advances to customers	25,469,938	-	-	-	-	-	-	25,469,938
Hedging derivatives	129,393	-	-	-	-	-	-	129,393
Non-current assets held for sale	211,378	-	-	-	-	-	-	211,378
Investment properties	391,074	-	-	-	-	-	-	391,074
Other tangible assets	290,795	1	-	-	37	38	(1)	290,832
Intangible assets	27,865	-	-	-	-	-	-	27,865
Investments in associated companies	33,702	-	142,952	-	-	142,952	-	176,654
Current tax assets	16,857	-	-	-	-	-	153	17,010
Deferred tax assets	438,036	-	-	-	-	-	-	438,036
Other assets	256,132	43	-	6	473	522	(43)	256,611
Total assets, net	36,851,534	1,047,192	142,952	474,405	339,016	2,003,565	(1,859,115)	36,995,984
Liabilities								
Resources of central banks	3,779,581	-	-	-	-	-	-	3,779,581
Financial liabilities held for trading	1,893,288	-	-	-	-	-	-	1,893,288
Resources of other credit institutions	3,026,623	601,449	32,763	-	-	634,212	(634,212)	3,026,623
Resources of customers and other debts	21,648,701	-	-	94,095	-	94,095	-	21,742,796
Debt securities	2,714,266	-	-	-	-	-	-	2,714,266
Hedging derivatives	150,005	-	-	-	-	-	-	150,005
Provisions	70,676	-	-	-	-	-	-	70,676
Current tax liabilities	13,017	-	-	-	-	-	-	13,017
Deferred tax liabilities	91,761	-	-	-	-	-	19,910	111,671
Equity representative instruments	200,726	-	-	-	-	-	-	200,726
Subordinated liabilities	4,303	-	-	-	-	-	-	4,303
Other liabilities	375,846	34	-	1,485	182	1,701	-	377,547
Total liabilities	33,968,793	601,483	32,763	95,580	182	730,008	(614,302)	34,084,499
Shareholders' equity								
Shareholders' equity attributable to shareholders of BST	2,882,066	445,709	110,189	57,080	45,979	658,957	(1,244,813)	2,296,210
Non-controlling interests	675	-	-	321,745	292,855	614,600	-	615,275
Total shareholders' equity	2,882,741	445,709	110,189	378,825	338,834	1,273,557	(1,244,813)	2,911,485
Total liabilities and shareholders' equity	36,851,534	1,047,192	142,952	474,405	339,016	2,003,565	(1,859,115)	36,995,984

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

	31-12-2014 (pro forma)							
		International operations					Inter segment	
	Portugal	Ireland	Angola	Puerto Rico	Other	Total	balances	Consolidated
Assets								
Cash and deposits at central banks	830,474	-	-	-	-	-	-	830,474
Balances due from other banks	240,632	25	-	5,675	630	6,330	(5,744)	241,218
Financial assets held for trading	2,291,734	-	-	-	-	-	-	2,291,734
Available-for-sale financial assets	6,712,555	987,451	-	-	-	987,451	(987,451)	6,712,555
Loans and advances to credit institutions	1,220,665	50,001	-	465,478	334,887	850,366	(850,114)	1,220,917
Loans and advances to customers	25,523,250	-	-	1	-	1	-	25,523,251
Hedging derivatives	195,035	-	-	-	-	-	-	195,035
Non-current assets held for sale	208,375	-	-	-	-	-	-	208,375
Investment properties	420,239	-	-	-	-	-	-	420,239
Other tangible assets	298,758	1	-	-	34	35	(1)	298,792
Intangible assets	28,380	-	-	-	-	-	1	28,381
Investments in associated companies	33,674	-	132,685	-	-	132,685	-	166,359
Current tax assets	14,603	-	-	-	-	-	-	14,603
Deferred tax assets	458,675	-	-	-	-	-	-	458,675
Other assets	249,436	4,498	-	(196)	517	4,819	(4,501)	249,754
Total assets, net	38,726,485	1,041,976	132,685	470,958	336,068	1,981,687	(1,847,810)	38,860,362
Liabilities								
Resources of central banks	4,406,312	-	-	-	-	-	-	4,406,312
Financial liabilities held for trading	1,995,019	-	-	-	-	-	-	1,995,019
Resources of other credit institutions	4,030,724	628,141	-	23,046	-	651,187	(651,187)	4,030,724
Resources of customers and other debts	21,505,353	-	-	120,549	-	120,549	-	21,625,902
Debt securities	2,973,111	-	-	-	-	-	-	2,973,111
Hedging derivatives	133,690	-	-	-	-	-	-	133,690
Provisions	71,988	-	-	-	-	-	-	71,988
Current tax liabilities	19,772	-	-	-	-	-	262	20,034
Deferred tax liabilities	126,171	-	-	-	-	-	15,855	142,026
Equity representative instruments	205,979	-	-	-	-	-	-	205,979
Subordinated liabilities	4,306	-	-	-	-	-	-	4,306
Other liabilities	291,899	132,960	-	779	187	133,926	(132,932)	292,893
Total liabilities	35,764,324	761,101	-	144,374	187	905,662	(768,002)	35,901,984
Shareholders' equity								
Shareholders' equity attributable to shareholders of BST	2,961,485	280,875	132,685	30,068	37,396	481,024	(1,079,808)	2,362,701
Non-controlling interests	676	-	-	296,516	298,485	595,001	-	595,677
Total shareholders' equity	2,962,161	280,875	132,685	326,584	335,881	1,076,025	(1,079,808)	2,958,378
Total liabilities and shareholders' equity	38,726,485	1,041,976	132,685	470,958	336,068	1,981,687	(1,847,810)	38,860,362

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

In the semesters ended at June 30, 2015 and 2014, the income statement by geographical segments was as follows:

	30-06-2015							
		International operations					Inter segment	
	Portugal	Ireland	Angola	Puerto Rico	Other	Total	balances	Consolidated
Interest and similar income	540,798	11,990	-	13,778	-	25,768	(25,768)	540,798
Interest and similar charges	(257,533)	(5,429)	-	(726)	-	(6,155)	5,451	(258,237)
Financial margin	283,265	6,561	-	13,052	-	19,613	(20,317)	282,561
Income from equity instruments	1,134	-	-	-	-	-	-	1,134
Income from services and commissions	164,807	3,949	-	-	1	3,950	(3,950)	164,807
Charges with services and commissions	(29,380)	(20)	-	(1)	(123)	(144)	21	(29,503)
Result of assets and liabilities at fair value through profit or loss	(6,913)	-	-	-	-	-	-	(6,913)
Result of available-for-sale financial assets	20,587	-	-	-	-	-	-	20,587
Result of foreign exchange revaluation	4,642	-	-	(23)	-	(23)	-	4,619
Result from sale of other assets	7,161	-	-		-	-	-	7,161
Other operating results	1,619	-	-	(2)	-	(2)	-	1,617
Net income from banking activities	446,922	10,490	-	13,026	(122)	23,394	(24,246)	446,070
Staff costs	(135,499)	(97)	-	(105)	(373)	(575)	-	(136,074)
General administrative costs	(75,469)	(166)	-	(72)	(157)	(395)	-	(75,864)
Depreciation in the period	(22,952)	-	-	-	-	-	-	(22,952)
Provisions, net of reversals	(12,780)	-	-	-	-	-	-	(12,780)
Loan impairment net of reversals and recoveries	(42,931)	-	-	-	-	-	-	(42,931)
Impairment of other financial assets net of reversals and recoveries	(459)	-	-	-	-	-	-	(459)
Impairment of other assets net of reversals and recoveries	(9,767)	-	-	-	-	-	-	(9,767)
Result from associates	1,464	-	7,487	-	-	7,487	-	8,951
Income before taxes and non-controlling interests	148,529	10,227	7,487	12,849	(652)	29,911	(24,246)	154,194
Current taxes	(25,050)	(1,483)	-	-	-	(1,483)	-	(26,533)
Deferred taxes	(25,213)	204	-	-	-	204	-	(25,009)
Income after taxes and before non-controlling interests	98,266	8,948	7,487	12,849	(652)	28,632	(24,246)	102,652
Non-controlling interests	-	-	-	-	-	-	-	-
Consolidated net income attributable to the shareholders of BST	98,266	8,948	7,487	12,849	(652)	28,632	(24,246)	102,652

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

	30-06-2014 (pro forma)							
		International operations					Inter segment	
	Portugal	Ireland	Angola	Puerto Rico	Other	Total	balances	Consolidated
Interest and similar income	621,301	21,112	-	11,689	6,734	39,535	(39,528)	621,308
Interest and similar charges	(353,489)	(7,445)	-	(1,568)	-	(9,013)	7,468	(355,034)
Financial margin	267,812	13,667	-	10,121	6,734	30,522	(32,060)	266,274
Income from equity instruments	1,138	-	-	-	-	-	-	1,138
Income from services and commissions	165,078	5,250	-	-	556	5,806	(5,806)	165,078
Charges with services and commissions	(28,334)	(20)	-	-	(496)	(516)	394	(28,456)
Result of assets and liabilities at fair value through profit or loss	(111,731)	-	-	-	-	-	-	(111,731)
Result of available-for-sale financial assets	185,244	240	-	-	-	240	(240)	185,244
Result of foreign exchange revaluation	2,264	-	-	(35)	-	(35)	-	2,229
Result from sale of other assets	4,146	-	-	-	-	-	2	4,148
Other operating results	(17,732)	-	-	-	(29)	(29)	(11)	(17,772)
Net income from banking activities	467,885	19,137	-	10,086	6,765	35,988	(37,721)	466,152
Staff costs	(134,942)	(109)	-	(97)	(291)	(497)	12	(135,427)
General administrative costs	(68,482)	(193)	-	(48)	(116)	(357)	27	(68,812)
Depreciation in the period	(39,719)	(1)	-	-	(11)	(12)	1	(39,730)
Provisions, net of reversals	(28,030)	-	-	-	-	-	-	(28,030)
Loan impairment net of reversals and recoveries	(72,244)	-	-	-	-	-	-	(72,244)
Impairment of other financial assets net of reversals and recoveries	35	-	-	-	-	-	(1)	34
Impairment of other assets net of reversals and recoveries	(13,684)	-	-	-	-	-	-	(13,684)
Result from associates	1,061	-	5,804	-	-	5,804	78	6,943
Income before taxes and non-controlling interests	111,880	18,834	5,804	9,941	6,347	40,926	(37,604)	115,202
Current taxes	(17,785)	(2,356)	-	(2)	(6)	(2,364)	399	(19,750)
Deferred taxes	(17,981)	-	-	-	-	-	371	(17,610)
Income after taxes and before non-controlling interests	76,114	16,478	5,804	9,939	6,341	38,562	(36,834)	77,842
Non-controlling interests	-	-	-	-	-	-	2	2
Consolidated net income attributable to the shareholders of BST	76,114	16,478	5,804	9,939	6,341	38,562	(36,836)	77,840

The accounting policies used in the preparation of the financial information by segments were consistent with those described in Note 1.3. from these accompanying notes.

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

4. GROUP COMPANIES AND TRANSACTIONS OCURRED DURING THE PERIOD/YEAR

At June 30, 2015 and December 31, 2014, the subsidiaries and associated companies and their most significant financial data, extracted from their respective standalone financial statements, excluding conversion adjustments to IAS/IFRS, can be summarized as follows:

Company	Direct participation (%)		Effective participation (%)		Total assets (net)		Shareholders' equity		Net income of the period/year	
	30-06-2015	31-12-2014	30-06-2015	31-12-2014	30-06-2015	31-12-2014	30-06-2015	31-12-2014	30-06-2015	31-12-2014
BANCO SANTANDER TOTTA, S.A.	-	-	100.00	100.00	38,226,899	39,994,424	1,865,603	1,918,640	86,193	134,473
BANCO CAIXA GERAL TOTTA DE ANGOLA, S.A.	-	-	24.99	24.99	2,109,697	1,843,631	320,200	313,771	33,756	70,243
TOTTA & AÇORES FINANCING (1) (4)	100.00	100.00	100.00	100.00	300,099	311,792	300,099	311,792	6,216	12,360
SERFIN INTERNATIONAL BANK & TRUST	-	-	100.00	100.00	40,564	37,280	40,551	37,263	118	258
TOTTA & AÇORES, INC. - NEWARK	100.00	100.00	100.00	100.00	1,428	1,337	1,255	1,161	(4)	8
TOTTA IRELAND, PLC (3)	100.00	100.00	100.00	100.00	1,021,050	1,039,176	419,720	410,739	11,322	945
SANTOTTA-INTERNACIONAL, SGPS, S.A.	100.00	100.00	100.00	100.00	108,981	106,527	77,607	77,628	(22)	5,376
TOTTA URBE - Emp.Admin. e Construções, S.A. (2)	100.00	100.00	100.00	100.00	131,726	132,009	124,526	125,479	1,101	1,470
BENIM - Sociedade Imobiliária, S.A.	-	-	25.81	25.81	n/a	n/a	n/a	n/a	n/a	n/a
SANTANDER - GESTÃO DE ACTIVOS, SGPS, S.A. (6)	-	100.00	-	100.00	-	15,804	-	15,788	-	(19)
BST INTERNATIONAL BANK, INC. - PUERTO RICO (1) (5)	100.00	100.00	100.00	100.00	474,405	471,160	346,063	326,584	12,848	20,953
TAXAGEST, SGPS, S.A.	99.00	99.00	99.00	99.00	55,745	55,727	55,738	55,722	17	(2)
PARTANG, SGPS, S.A.	0.49	0.49	49.00	49.00	202,417	172,497	202,346	161,418	17,277	35,936
UNICRE - INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S.A.	21.50	21.50	21.50	21.50	339,772	334,788	98,404	98,274	6,810	10,249
HIPOTOTTA nº 1 PLC	-	-	-	-	165,731	176,126	(1,010)	(775)	165	798
HIPOTOTTA nº 4 PLC	-	-	-	-	1,043,905	1,081,604	(10,210)	(9,483)	511	2,915
HIPOTOTTA nº 5 PLC	-	-	-	-	902,611	930,559	(6,681)	(4,439)	274	2,826
LEASETOTTA nº 1 Ltd	-	-	-	-	-	111	-	(6)	-	10,854
HIPOTOTTA nº 1 FTC	-	-	-	-	148,795	158,823	148,163	158,163	-	310
HIPOTOTTA nº 4 FTC	-	-	-	-	995,426	1,034,833	993,559	1,033,635	-	(1,305)
HIPOTOTTA nº 5 FTC	-	-	-	-	874,772	901,075	870,795	897,390	660	(123)
LEASETOTTA nº 1 FTC	-	-	-	-	-	-	-	-	-	4,143
NOVIMOVEST - Fundo de Investimento Imobiliário Aberto (7)	78.13	77.26	78.13	77.26	420,507	429,050	326,533	330,315	(119)	(17,324)
SANTANDER MULTIOBRIGAÇÕES - Fundo de Investimento Mobiliário Aberto de Obrigações de Taxa Variável (7)	64.51	64.84	64.51	64.84	366,721	374,055	364,301	372,261	(2,167)	3,320

n/a – not available

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

At June 30, 2015 and December 31, 2014, the business, the location of the headquarters and the consolidation method used for the companies included in the consolidation was as follows:

Company	Business	Headquarters	Consolidation Method
BANCO SANTANDER TOTTA, S.A.	Banking	Lisbon	Parent company
BANCO CAIXA GERAL TOTTA DE ANGOLA, S.A.	Banking	Luanda	Equity method
TOTTA & AÇORES FINANCING (1) (4)	Banking	Cayman Islands	Full
SERFIN INTERNATIONAL BANK & TRUST	Banking	Cayman Islands	Full
TOTTA & AÇORES, INC. - NEWARK	Obtaining funds	USA	Full
TOTTA IRELAND, PLC (3)	Investment management	Ireland	Full
SANTOTTA-INTERNACIONAL, SGPS, S.A.	Holding company	Funchal	Full
TOTTA URBE - Emp.Admin. e Construções, S.A. (2)	Real estate management	Lisbon	Full
BENIM - Sociedade Imobiliária, S.A.	Real estate	Lisbon	Equity method
SANTANDER - GESTÃO DE ACTIVOS, SGPS, S.A. (6)	Holding company	Lisbon	Full
BST INTERNATIONAL BANK, INC. - PUERTO RICO (1) (5)	Banking	Puerto Rico	Full
TAXAGEST, SGPS, S.A.	Holding company	Lisbon	Full
PARTANG, SGPS, S.A.	Holding company	Lisbon	Equity method
UNICRE - INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S.A.	Credit Card Management	Lisbon	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
LEASETOTTA nº 1 Ltd	Investment management	Ireland	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
LEASETOTTA nº 1 FTC	Securitized loans fund	Portugal	Full
NOVIMOVEST - Fundo de Investimento Imobiliário Aberto (7)	Investment management	Lisbon	Full
SANTANDER MULTIOBRIGAÇÕES - Fundo de Investimento Mobiliário Aberto de Obrigações de Taxa Variável (7)	Investment management	Lisbon	Full

(1) The shareholders’ equity of these companies includes preference shares subscribed by Santander Group companies (Note 28).

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

(3) As this subsidiary closes its financial year on November 30, the amounts reflected in the columns “Net income of the period/year” correspond to the net income determined in the period comprised between December 1, 2014 and June 30, 2015 and December 31, 2014. In the period comprised between January 1 to June 30, 2015 and 2014, the net income of Totta Ireland, Plc amounted to tEuros 10,377 and tEuros 16,478.

(4) The share capital of this subsidiary 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%.

(5) The share capital of this subsidiary 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%.

(6) In March 2015, Santander – Gestão de Activos, SGPS, S.A. was liquidated.

(7) These companies were consolidated for the first time during 2013, since the Bank holds more than 50% of their participating units.

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

In compliance with IFRS 10, which replaced IAS 27 and SIC 12, the Bank's consolidated financial statements include special purpose entities (SPE) created for securitization operations since the Bank retains control over them, as it holds the majority of the risks and benefits associated with their activity, namely the bonds issued by those entities with a higher degree of subordination (Note 45). These entities are referred to above as Leasetotta FTC or Hipototta FTC (securitization loans funds) and Hipototta PLC or Leasetotta Ltd. (entities which subscribed the participating units issued by the securitization loans funds).

5. CASH AND DEPOSITS AT CENTRAL BANKS

This caption is made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Cash	177,789	208,014
Demand deposits at Central Banks:		
European Central Bank	477,302	622,460
	-----------	------------
	655,091	830,474
	======	======

In accordance with European Central Bank Regulation nº 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 consists in all deposits at central banks and financial and monetary entities outside the Euro Zone and all deposits of customers repayable in less than two years' time, to which 1% is applied and 100,000 Euros is deducted from the amount calculated. The minimum cash reserves earn interest at the average of the rates for the principal refinancing operations of the European Central Bank System.

6. BALANCES DUE FROM OTHER BANKS

This caption is made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Balances due from domestic banks		
Cheques for collection	59,505	64,841
Demand deposits	683	709
Balances due from foreign banks		
Demand deposits	199,308	173,847
Cheques for collection	1,306	1,821
	-----------	----------
	260,802	241,218
	======	======

At June 30, 2015 and December 31, 2014, sub captions "Cheques for collection" correspond to cheques drawn by third parties over other credit institutions which, in general, are compensated in the following business days.

At June 30, 2015 and December 31, 2014, the caption "Balances due from foreign banks – Demand deposits" included a deposit in the amount of tEuros 67,831, which is being mobilized upon the fulfilment of certain obligations towards third parties.

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

7. FINANCIAL ASSETS / LIABILITIES HELD FOR TRADING

This caption is made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Financial assets held for trading		
Derivatives with positive fair value	1,850,411	1,969,494
Securities – Debt instruments	299,003	319,221
Securities – Participating units	3,023	3,019
	2,152,437	2,291,734
Financial liabilities held for trading		
Derivatives with negative fair value	(1,893,288)	(1,995,019)
Net balance of the fair value of derivative financial instruments	(42,877)	(25,525)

At June 30, 2015 and December 31, 2014, the captions of derivative financial instruments were made up as follows:

	30-06-2015			31-12-2014 (pro forma)		
	Assets	Liabilities	Net (Note 11)	Assets	Liabilities	Net (Note 11)
Forwards	29,202	28,736	466	31,123	30,886	237
Swaps						
Currency swaps	5,709	185	5,524	19,568	-	19,568
Interest rate swaps	1,418,606	1,467,512	(48,906)	1,556,561	1,602,271	(45,710)
Equity swaps	77,462	75,353	2,109	36,580	35,348	1,232
Credit-linked notes	-	20	(20)	-	7	(7)
Options						
Exchange rate contracts	3,138	2,968	170	1,368	1,184	184
Contracts on prices	157,787	157,226	561	158,355	156,781	1,574
Caps & Floors	158,507	161,288	(2,781)	165,939	168,542	(2,603)
	1,850,411	1,893,288	(42,877)	1,969,494	1,995,019	(25,525)

At June 30, 2015, the captions of assets and liabilities of “Derivative financial instruments” are net of the amounts of approximately tEuros 120,750 and tEuros 81,450, respectively, of "Credit Value Adjustments" and "Debit Value Adjustments".

At December 31, 2014, the captions of assets and liabilities of “Derivative financial instruments” are net of the amounts of approximately tEuros 142,400 and tEuros 110,700, respectively, of "Credit Value Adjustments" and "Debit Value Adjustments".

At June 30, 2015 and December 31, 2014, the caption of “Derivative financial instruments – Assets”, included the amounts of tEuros 1,303,000 and tEuros 1,420,000, respectively, maintained with Portuguese State-owned enterprises which are in litigation (Note 50).

At June 30, 2015 and December 31, 2014, the majority of the derivative financial instruments held for trading celebrated with clients were hedged "back-to-back" with Banco Santander, S.A..

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

At June 30, 2015 and December 31, 2014, the caption "Securities - Debt instruments" is made up as follows:

	Book value	
Description	30-06-2015	31-12-2014 (pro forma)
Issued by residents		
Portuguese public debt	4,992	11,177
Others	11,931	9,531
Issued by non residents		
Public foreign issuers	11,987	40,935
Others	270,093	257,578
	299,003	319,221

At June 30, 2015 and December 31, 2014, the caption "Securities – Participating units" corresponds to the participating units held in the Real Estate Investment Fund Maxirent.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This caption is made up as follows:

	30-06-2015							
	Acquisition cost	Interest receivable	Value adjustments resulting from hedging operations	Fair Value Reserve Positive	Fair Value Reserve Negative	Fair Value Reserve Total (Note 26)	Impairment (Note 22)	Book Value
Debt instruments								
Issued by residents								
Treasury Bonds	4,157,776	48,231	10,298	170,800	(14,023)	156,777	(117)	4,372,965
Other Portuguese Government entities	6,003	-	-	977	-	977	-	6,980
Other residents								
Acquired in securitization operations	76,069	61	-	-	(7,265)	(7,265)	-	68,865
Unsubordinated debt	604,189	5,900	-	27,299	(4,934)	22,365	(230)	632,224
Subordinated debt	139,510	9	-	-	(11,726)	(11,726)	(5,771)	122,022
Issued by non-residents								
Other non-residents	98,597	1,186	-	-	(2,872)	(2,872)	-	96,911
Equity instruments								
Issued by residents								
Valued at fair value	157,061	-	-	555	(10,839)	(10,284)	(49,263)	97,514
Valued at cost	17,086	-	-	-	-	-	(5,706)	11,380
Issued by non-residents								
Valued at fair value	11	-	-	-	-	-	-	11
Valued at cost	1,192	-	-	-	-	-	(746)	446
	5,257,494	55,387	10,298	199,631	(51,659)	147,972	(61,833)	5,409,318

	31-12-2014 (pro forma)							
	Acquisition cost	Interest receivable	Value adjustments resulting from hedging operations	Fair Value Reserve Positive	Fair Value Reserve Negative	Fair Value Reserve Total (Note 26)	Impairment (Note 22)	Book Value
Debt instruments								
Issued by residents								
Treasury Bonds	4,975,473	133,789	37,423	258,110	-	258,110	(130)	5,404,665
Other Portuguese Government entities	7,502	-	-	-	(672)	(672)	-	6,830
Other residents								
Acquired in securitization operations	79,600	72	-	-	(8,045)	(8,045)	-	71,627
Unsubordinated debt	830,723	14,980	-	35,737	(6,957)	28,780	(230)	874,253
Subordinated debt	139,009	22	-	-	(12,135)	(12,135)	(6,603)	120,293
Issued by non-residents								
Other non-residents	117,420	3,477	-	1,457	(344)	1,113	-	122,010
Equity instruments								
Issued by residents								
Valued at fair value	158,113	-	-	621	(10,859)	(10,238)	(48,017)	99,858
Valued at cost	18,765	-	-	-	-	-	(6,217)	12,548
Issued by non-residents								
Valued at fair value	11	-	-	-	-	-	-	11
Valued at cost	1,206	-	-	-	-	-	(746)	460
	6,327,822	152,340	37,423	295,925	(39,012)	256,913	(61,943)	6,712,555

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

At June 30, 2015 and December 31, 2014, the caption Treasury Bonds included capital gains of tEuros 10,298 and tEuros 37,423, respectively, relating to value adjustments resulting from hedging interest rate risk operations. These securities have the following characteristics:

	30-06-2015						31-12-2014 (pro forma)					
Description	Acquisition cost	Interest receivable	Gains/losses in hedging operations	Gains/losses recorded in reserves	Impairment	Book value	Acquisition cost	Interest receivable	Gains/losses in hedging operations	Gains/losses recorded in reserves	Impairment	Book value
Treasury bonds - Portugal												
. Maturing between three and five years	1,999,274	4,046	33,401	57,422	-	2,094,143	1,790,592	42,375	-	54,782	-	1,887,749
. Maturing between five and ten years	1,727,313	39,077	-	110,775	-	1,877,165	3,184,394	91,412	37,423	203,328	-	3,516,557
. Maturing over ten years	431,189	5,108	(23,103)	(11,420)	(117)	401,657	487	2	-	-	(130)	359
	4,157,776	48,231	10,298	156,777	(117)	4,372,965	4,975,473	133,789	37,423	258,110	(130)	5,404,665

At June 30, 2015 and December 31, 2014, the Bank held in its portfolio Treasury Bonds of Portugal, in the amounts of tEuros 1,207,334 and tEuros 2,002,426 respectively, which were used as collateral in financing operations (Note 19).

At June 30, 2015 and December 31, 2014, the remaining captions of "Debt instruments" included the following securities:

	30-06-2015					31-12-2014 (pro forma)				
Description	Acquisition cost	Interest receivable	Gains/losses recorded in reserves	Impairment	Book value	Acquisition cost	Interest receivable	Gains/losses recorded in reserves	Impairment	Book value
Other domestic public issuers										
CAMARA MUNICIPAL DE LISBOA/99	6,003	-	977	-	6,980	7,502	-	(672)	-	6,830
	6,003	-	977	-	6,980	7,502	-	(672)	-	6,830
Acquired in securitization operations										
ENERGYON NO.2 CLASS A NOTES 2025	76,019	61	(7,245)	-	68,835	79,550	72	(8,025)	-	71,597
ENERGYON NO.2 CLASS B NOTES 2025	50	-	(20)	-	30	50	-	(20)	-	30
	76,069	61	(7,265)	-	68,865	79,600	72	(8,045)	-	71,627
Unsubordinated debt										
CAIXA GERAL DE DEPOSITOS 3.75% JAN/2018	251,635	4,209	19,006	-	274,850	251,991	8,931	21,143	-	282,065
PARPUBLICA 2013/2015	-	-	-	-	-	200,000	78	4,136	-	204,214
BANCO COMERC PORTUGUES 22/06/2017	104,284	117	3,651	-	108,052	105,358	2,512	3,702	-	111,572
GALP ENERGIA 2013/2017	99,568	415	(14)	-	99,969	99,455	429	1,530	-	101,414
PORTUGAL TELECOM INT FIN 5.875%2	56,629	641	(1,319)	-	55,951	57,222	2,221	97	-	59,540
CGD 3% 2014/2019	49,969	686	4,263	-	54,918	49,965	1,442	4,582	-	55,989
SONAE DISTRIBUICAO SET 2007/2015	35,000	72	(116)	-	34,956	35,000	82	(442)	-	34,640
PORTUGAL TELECOM INT FIN 4.625%2	31,302	209	(1,302)	-	30,209	31,373	923	(344)	-	31,952
IBERWIND II P- CONSULTORIA SENIOR A	27,051	25	(3,189)	-	23,887	28,046	29	(4,165)	-	23,910
EDIA 2010/2030	19,250	208	(893)	-	18,565	19,250	226	(1,401)	-	18,075
PORTUGAL TELECOM INT FIN 5 2019	10,667	336	(252)	-	10,751	10,714	81	-	-	10,795
GALP ENERGIA SGPS SA -4,125%-25/01/2019	-	-	-	-	-	23,885	894	215	-	24,994
Other	17,431	168	(342)	(230)	17,027	35,884	609	840	(230)	37,103
	702,786	7,086	19,493	(230)	729,135	948,143	18,457	29,893	(230)	996,263
Subordinated debt										
CAIXA GERAL DE DEPOSITOS 2017	122,570	6	-	(5,771)	116,805	122,087	19	-	(6,603)	115,503
TOTTA SEGUROS - OBRIG. SUB. 2002	14,000	1	(8,786)	-	5,215	14,000	1	(9,213)	-	4,788
BPSM/97-TOP'S-OB.PERP.SUB.-1./2.	2,940	2	(2,940)	-	2	2,922	2	(2,922)	-	2
	139,510	9	(11,726)	(5,771)	122,022	139,009	22	(12,135)	(6,603)	120,293

In the last quarter of 2012, the Bank acquired from Santander Totta Seguros – Companhia de Seguros de Vida, S.A., subordinated bonds issued by Caixa Geral de Depósitos, S.A. by an amount that was tEuros 15,674 above its fair value. Following this operation, impairment losses of the same amount were recorded. During the first semester of 2015 and during 2014, the Bank reversed impairment losses of tEuros 832 and tEuros 4,590, respectively, on that security due to its appreciation.

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

At June 30, 2015 and December 31, 2014, the caption "Equity instruments" included the following securities:

	30-06-2015				31-12-2014 (pro forma)			
Description	Acquisition cost	Gains/losses recorded in reserves	Impairment	Book value	Acquisition cost	Gains/losses recorded in reserves	Impairment	Book value
Recorded at fair value								
FUNDO SOLUCÃO ARRENDAMENTO	28,925	(1,652)	-	27,273	28,925	(1,769)	-	27,156
FUNDO RECUPERAÇÃO FCR	33,533	-	(9,265)	24,268	33,120	-	(8,109)	25,011
LUSIMOVEST - F.I. IMOBILIÁRIO	26,379	29	(2,894)	23,514	26,379	186	(2,827)	23,738
BANCO BPI, S.A.	21,502	(9,107)	-	12,395	21,502	(9,010)	-	12,492
SANTANDER MULTIACTIVOS 0-30	2,852	(51)	-	2,801	3,000	(21)	-	2,979
SANTANDER MULTIACTIVOS 20-60	1,644	(19)	-	1,625	3,000	(49)	-	2,951
UNICAMPUS-FEI IMOBILIARIO FECHADO	1,500	5	-	1,505	1,500	10	-	1,510
GARVAL - SOC.DE GARANTIA MUTUA S.A.	1,255	81	-	1,336	1,443	64	-	1,507
Other	6,086	430	(3,708)	2,808	5,859	351	(3,685)	2,525
Securities with 100% impairment losses	33,396	-	(33,396)	-	33,396	-	(33,396)	-
	157,072	(10,284)	(49,263)	97,525	158,124	(10,238)	(48,017)	99,869
Recorded at cost								
SIBS - SOC.INTERBANCÁRIA DE SERVIÇOS S.A.	3,461	-	-	3,461	3,461	-	-	3,461
ASCENDI NORTE - AUTO ESTRADAS DO NORTE S.A. (ex-AENOR)	3,749	-	(531)	3,218	3,749	-	(531)	3,218
ASCENDI NORTE - AUTO ESTRADAS DO NORTE S.A. (Supplementary capital contributions) (ex-AENOR)	3,749	-	(531)	3,218	3,749	-	(531)	3,218
Other	2,234	-	(305)	1,929	3,986	-	(875)	3,111
Securities with 100% impairment losses	5,085	-	(5,085)	-	5,026	-	(5,026)	-
	18,278	-	(6,452)	11,826	19,971	-	(6,963)	13,008

At June 30, 2015 and December 31, 2014, the Bank held 5,861,770 of participating units of the “Fundo Solução Arrendamento, Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional” in the amounts of tEuros 27,273 and tEuros 27,156.

During the first semester of 2015 and during 2014, the Bank subscribed capital increases of Fundo Recuperação, FCR in the amounts of tEuros 413 and tEuros 4,629, respectively. At June 30, 2015 and December 31, 2014, the Bank held in its portfolio 33,522 and 33,110 of participating units, respectively, corresponding to a participation of 4.12% in the capital of that Fund.

During 2014 the Bank acquired from Santander Totta Seguros – Companhia de Seguros de Vida, S.A. shares of Banco BPI, S.A. by an amount of tEuros 21,502 (fair value at the acquisition date), which, as of June 30, 2015, were recorded by tEuros 12,395.

At June 30, 2015 and December 31, 2014, the negative fair value reserve arising from the fair value valuation of the available-for-sale financial assets presents the following percentages against their acquisition cost:

	30-06-2015				
	Acquisition cost	Interest receivable	Gains/losses on hedging operations	Negative reserve	Book Value
Debt instruments					
. Between 0% and 25%	1,021,820	7,558	9,903	(29,074)	1,010,207
. Between 25% and 50%	50	-	-	(20)	30
. Over 50%	16,940	3	-	(11,726)	5,217
	1,038,810	7,561	9,903	(40,820)	1,015,454
Equity instruments					
. Between 0% and 25%	33,497	-	-	(1,732)	31,765
. Between 25% and 50%	21,502	-	-	(9,107)	12,395
	54,999	-	-	(10,839)	44,160
	1,093,809	7,561	9,903	(51,659)	1,059,614

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

	31-12-2014 (pro forma)				
	Acquisition cost	Interest receivable	Gains/losses on hedging operations	Negative reserve	Book Value
Debt instruments					
. Between 0% and 25%	219,676	1,430	-	(15,998)	205,108
. Between 25% and 50%	50	-	-	(20)	30
. Over 50%	16,922	3	-	(12,135)	4,790
	236,648	1,433	-	(28,153)	209,928
Equity instruments					
. Between 0% and 25%	35,001	-	-	(1,849)	33,152
. Between 25% and 50%	21,502	-	-	(9,010)	12,492
	56,503	-	-	(10,859)	45,644
	293,151	1,433	-	(39,012)	255,572

9. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This caption is made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Loans and advances to other Portuguese banks		
Deposits	200,000	200,000
Loans	36,822	22,212
Interest receivable	2,503	5,806
	239,325	228,018
Loans and advances to other foreign banks		
Deposits	558,743	833,764
Very short term loans and advances	175,418	71,574
Other applications	126,416	55,883
Interest receivable	9,643	31,678
	870,220	992,899
	1,109,545	1,220,917

At June 30, 2015 and December 31, 2014, the caption "Loans and advances to other foreign banks - Other applications" included margin accounts of tEuros 114,523 and tEuros 46,926, respectively.

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

10. LOANS AND ADVANCES TO CUSTOMERS

This caption is made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Unsecuritized loans		
Domestic loans		
To corporate clients		
Loans	3,790,474	3,793,601
Factoring	1,185,101	1,057,039
Current account loans	753,031	738,311
Finance leasing	681,519	733,256
Discount and other credit securities	149,855	139,255
Overdrafts	120,411	95,541
Other credits	20,220	19,866
To individuals		
Mortgage loans	12,126,666	12,199,253
Consumer credit and other loans	1,672,846	1,652,604
Foreign loans		
To corporate clients		
Loans	141,578	147,724
Factoring	53,103	71,325
Current account loans	8,251	7,263
Finance leasing	6,240	1,272
Discount and other credit securities	452	140
Overdrafts	63	62
Other credits	4,892	3
To individuals		
Mortgage loans	325,366	334,883
Consumer credit and other loans	25,593	27,812
	21,065,661	21,019,210
Loans represented by securities		
Non-subordinated debt securities	2,418,151	2,390,245
Non-derecognized securitized assets (Note 45)		
To individuals		
Loans		
Mortgage loans		
. Hipototta nº 1	147,819	157,613
. Hipototta nº 4	991,851	1,031,230
. Hipototta nº 5	867,066	894,145
	2,006,736	2,082,988

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

	30-06-2015	31-12-2014 (pro forma)
Overdue loans and interest		
Up to 90 days	22,283	41,490
More than 90 days	1,093,925	1,079,431
Non-derecognized securitized assets – up to 90 days	697	1,620
Non-derecognized securitized assets – more than 90 days	42,906	43,696
	1,159,811	1,166,237
	26,650,359	26,658,680
Interest receivable		
Unsecuritized loans	35,953	39,206
Loans represented by securities	12,623	11,498
Non-derecognized securitized assets	1,990	2,180
Deferred expenses	66,930	69,414
Commissions associated with amortized cost (net)	(101,132)	(100,355)
Value adjustments of hedged assets	3,856	4,246
	20,220	26,189
	26,670,579	26,684,869
Impairment of loans and advances to customers (Note 22)	(1,200,641)	(1,161,618)
	25,469,938	25,523,251

At June 30, 2015 and December 31, 2014, the caption “Domestic loans - To individuals – Mortgage loans” included loans allocated to the autonomous pool of the covered bonds issued by the Bank totalling tEuros 7,788,097 and tEuros 8,021,820, respectively (Note 21).

Changes in impairment for loans and advances to customers during the first semester of 2015 and 2014 are presented in Note 22.

At June 30, 2015 and December 31, 2014, overdue loans and interest are made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Up to three months	22,980	43,110
Between three and six months	34,121	61,723
Between six months and one year	126,418	127,866
Between one year and three years	469,583	545,546
More than three years	506,709	387,992
	1,159,811	1,166,237

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

The portfolio of loans and advances to customers as of June 30, 2015 and December 31, 2014, by business sector, was as follows:

	30-06-2015			
	Performing	Overdue	Total	%
Agriculture and forestry	100,605	8,295	108,900	0.41%
Fishing	1,831	43	1,874	0.01%
Mining	15,501	1,028	16,529	0.06%
Manufacturing:				
Food, beverage and tobacco	412,401	8,851	421,252	1.58%
Textiles, leather and clothing	199,673	11,652	211,325	0.79%
Wood and cork	97,275	4,969	102,244	0.38%
Paper and publishing	200,843	2,331	203,174	0.76%
Chemical industry	192,206	3,927	196,133	0.74%
Ceramics, glass and cement	208,229	3,158	211,387	0.79%
Metal-working	100,456	8,471	108,927	0.41%
Machines and vehicles	142,290	13,701	155,991	0.59%
Electricity, water and gas	694,864	2,498	697,362	2.62%
Construction and public works	1,022,847	229,149	1,251,996	4.70%
Commerce and hotels:				
Wholesale trading	610,455	55,406	665,861	2.50%
Retail sale	745,711	71,133	816,844	3.07%
Restaurants and hotels	290,093	17,796	307,889	1.16%
Transport and communications	400,104	16,602	416,706	1.56%
Non-monetary financial institutions	418,659	13,351	432,010	1.62%
Government administration	656,060	1,153	657,213	2.47%
Other service companies	1,147,247	118,847	1,266,094	4.75%
Loans to individuals	16,162,193	522,308	16,684,501	62.61%
Foreign loans	565,538	23,863	589,401	2.21%
Holding companies	908,809	14,880	923,689	3.47%
Other loans	196,658	6,399	203,057	0.76%
	25,490,548	1,159,811	26,650,359	100.00%

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

	31-12-2014 (pro forma)			
	Performing	Overdue	Total	%
Agriculture and forestry	146,259	7,973	154,232	0.58%
Fishing	3,758	44	3,802	0.01%
Mining	16,617	1,043	17,660	0.07%
Manufacturing:				
Food, beverage and tobacco	363,292	21,155	384,447	1.44%
Textiles, leather and clothing	194,547	8,379	202,926	0.76%
Wood and cork	94,716	5,254	99,970	0.37%
Paper and publishing	193,675	2,361	196,036	0.74%
Chemical industry	171,963	3,774	175,737	0.66%
Ceramics, glass and cement	164,282	3,488	167,770	0.63%
Metal-working	117,888	8,559	126,447	0.47%
Machines and vehicles	162,960	12,526	175,486	0.66%
Electricity, water and gas	683,108	2,474	685,582	2.57%
Construction and public works	1,195,295	228,721	1,424,016	5.34%
Commerce and hotels:				
Wholesale trading	650,927	55,595	706,522	2.65%
Retail sale	948,063	66,781	1,014,844	3.81%
Restaurants and hotels	367,792	21,709	389,501	1.46%
Transport and communications	401,804	16,327	418,131	1.57%
Non-monetary financial institutions	561,191	13,535	574,726	2.16%
Government administration	556,792	2,096	558,888	2.10%
Other service companies	1,262,402	128,172	1,390,574	5.22%
Loans to individuals	15,816,560	532,171	16,348,731	61.33%
Foreign loans	306,597	5,112	311,709	1.17%
Holding companies	881,678	11,911	893,589	3.35%
Other loans	230,277	7,077	237,354	0.89%
	25,492,443	1,166,237	26,658,680	100.00%

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

At June 30, 2015 and December 31, 2014, the overdue and performing loans, with and without evidence of impairment, considering the segmentation used for the calculation of impairment losses by the Bank, were as follows:

	30-06-2015		
	Overdue loans	Performing loans	Total loans
Corporate loans			
. Without objective evidence of impairment	-	8,638,363	8,638,363
. With objective evidence of impairment	574,795	382,635	957,430
	574,795	9,020,998	9,595,793
Mortgage loans			
. Without objective evidence of impairment	-	13,637,017	13,637,017
. With objective evidence of impairment	359,700	786,911	1,146,611
	359,700	14,423,928	14,783,628
Consumer loans			
. Without objective evidence of impairment	-	1,016,179	1,016,179
. With objective evidence of impairment	56,723	54,097	110,820
	56,723	1,070,276	1,126,999
Loans granted through credit cards			
. Without objective evidence of impairment	-	237,487	237,487
. With objective evidence of impairment	38,790	5,019	43,809
	38,790	242,506	281,296
Other loans to individuals			
. Without objective evidence of impairment	-	689,233	689,233
. With objective evidence of impairment	129,803	43,607	173,410
	129,803	732,840	862,643
	1,159,811	25,490,548	26,650,359

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

	31-12-2014 (pro forma)		
	Overdue loans	Performing loans	Total loans
Corporate loans			
. Without objective evidence of impairment	-	8,923,870	8,923,870
. With objective evidence of impairment	613,100	425,763	1,038,863
	613,100	9,349,633	9,962,733
Mortgage loans			
. Without objective evidence of impairment	-	13,934,517	13,934,517
. With objective evidence of impairment	350,449	682,607	1,033,056
	350,449	14,617,124	14,967,573
Consumer loans			
. Without objective evidence of impairment	-	1,028,509	1,028,509
. With objective evidence of impairment	50,726	42,686	93,412
	50,726	1,071,195	1,121,921
Loans granted through credit cards			
. Without objective evidence of impairment	-	236,810	236,810
. With objective evidence of impairment	37,268	4,407	41,675
	37,268	241,217	278,485
Other loans to individuals			
. Without objective evidence of impairment	-	169,572	169,572
. With objective evidence of impairment	114,694	43,702	158,396
	114,694	213,274	327,968
	1,166,237	25,492,443	26,658,680

11. HEDGING DERIVATIVES

This caption is made up as follows:

	30-06-2015			31-12-2014 (pro forma)		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Fair value hedge						
Interest rate swaps	28,504	70,737	(42,233)	32,926	45,158	(12,232)
Equity swaps	19,097	20,210	(1,113)	38,092	20,577	17,515
Auto Callable options	-	2,334	(2,334)	-	208	(208)
Cash-flows hedge						
Interest rate swaps	81,792	56,724	25,068	124,017	67,747	56,270
	129,393	150,005	(20,612)	195,035	133,690	61,345

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

At June 30, 2015 and December 31, 2014, the breakdown of the derivative financial instruments was as follows:

	30-06-2015								
		Notional amounts							
Type of financial Instrument	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	466	255,719	21,896	2,730	1,417	-	281,762	225,410	56,352
. Sold		(255,666)	(21,837)	(2,706)	(1,415)	-	(281,624)	(54,228)	(227,396)
Currency swaps									
. Purchased	5,524	1,233,553	-	-	-	-	1,233,553	-	1,233,553
. Sold		(1,228,057)	-	-	-	-	(1,228,057)	(1,228,057)	-
Interest rate swaps									
. Cross currency swaps									
. Purchased	-	-	-	21,997	22,997	33,476	78,470	78,470	-
. Sold		-	-	(21,997)	(22,997)	(33,476)	(78,470)	-	(78,470)
Other	(48,906)	71,063	311,357	268,836	582,247	3,749,399	4,982,902	4,964,849	18,053
Equity swaps	2,109	110,236	105,552	139,200	261,153	1,003,520	1,619,661	1,619,661	-
Exchange rate options									
. Purchased	170	36,785	39,797	19,063	13,406	-	109,051	-	109,051
. Sold		36,785	39,797	19,063	13,406	-	109,051	-	109,051
Contracts on prices (options)									
. Purchased	561	-	29,053	195,899	127,095	-	352,047	350,057	1,990
. Sold		-	29,053	195,899	127,095	-	352,047	350,057	1,990
Caps	(40)	6,740	23,268	2,881	674,676	1,097,090	1,804,655	1,804,655	-
Floors	(2,741)	5,000	403	-	649,000	427,079	1,081,482	1,081,482	-
Credit linked notes	(20)	-	7,000	-	-	-	7,000	7,000	-
	(42,877)	272,158	585,339	840,865	2,448,080	6,277,088	10,423,530	9,199,356	1,224,174
2. Hedging derivatives									
Fair value hedge									
Interest rate swaps									
. Liabilities and loans	24,516	29,421	149,504	53,888	64,066	191,328	488,207	488,207	-
. Available-for-sale financial assets	(66,749)	-	-	-	-	850,000	850,000	850,000	-
Auto Callable options	(2,334)	-	21,253	-	196,516	-	217,769	217,769	-
Equity swaps	(1,113)	263,435	246,100	624,685	1,727,568	15,178	2,876,966	2,658,264	218,702
Cash flow hedge									
Interest rate swaps									
. Cash flow	25,068	-	-	575,000	825,000	1,300,000	2,700,000	2,700,000	-
	(20,612)	292,856	416,857	1,253,573	2,813,150	2,356,506	7,132,942	6,914,240	218,702

	31-12-2014 (pro forma)								
		Notional amounts							
Type of financial Instrument	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	237	50,478	46,467	16,221	180	-	113,346	52,872	60,474
. Sold		(50,369)	(46,414)	(16,173)	(175)	-	(113,131)	(59,219)	(53,912)
Currency swaps									
. Purchased	19,568	1,177,015	-	-	-	-	1,177,015	-	1,177,015
. Sold		(1,157,722)	-	-	-	-	(1,157,722)	(1,157,722)	-
Other	(45,710)	733,977	79,160	457,056	1,049,816	4,458,982	6,778,991	6,710,385	68,606
Equity swaps	1,232	-	133,900	170,004	279,520	70,000	653,424	653,424	-
Exchange rate options									
. Purchased	184	30,560	43,043	51,373	-	-	124,976	-	124,976
. Sold		30,560	43,043	51,373	-	-	124,976	-	124,976
Contracts on prices (options)									
. Purchased	1,574	-	-	29,053	1,819	-	30,872	29,053	1,819
. Sold		-	-	29,053	1,819	-	30,872	29,053	1,819
Caps	(178)	1,047	4,145	38,207	679,144	1,155,913	1,878,456	1,878,456	-
Floors	(2,425)	-	-	5,805	649,000	448,733	1,103,538	1,103,538	-
Credit linked notes	(7)	-	-	7,000	-	-	7,000	7,000	-
	(25,525)	815,546	303,344	838,972	2,661,123	6,133,628	10,752,613	9,246,840	1,505,773
2. Hedging derivatives									
Fair value hedge									
Interest rate swaps									
. Liabilities and loans	28,636	7,100	25,873	74,588	89,178	179,974	376,713	376,713	-
. Available-for-sale financial assets	(40,868)	-	-	-	-	200,000	200,000	200,000	-
Auto Callable options	(208)	-	-	21,253	-	-	21,253	21,253	-
Equity swaps	17,515	293,305	398,095	610,838	1,870,023	141,301	3,313,562	3,118,223	195,339
Cash flow hedge									
Interest rate swaps									
. Cash flow	56,270	200,000	-	-	1,400,000	1,300,000	2,900,000	2,900,000	-
	61,345	500,405	423,968	706,679	3,359,201	1,821,275	6,811,528	6,616,189	195,339

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

The Bank carries out derivative transactions in the scope of its activity, managing its own positions based on expectations for the market's evolution, satisfying customer's needs, or covering positions of a structural nature (hedging).

The Bank trades derivatives, namely exchange rates contracts, interest rate contracts or a combination of both. These transactions are carried out over-the-counter (OTC).

The negotiation of derivatives on OTC markets is based, usually, on a standard bilateral contract, which encompasses all the derivative transactions celebrated between the parties. In the case of professional relationships, an ISDA Master Agreement - International Swaps and Derivatives Association. In the case of customer relationships, a specific agreement of the Bank.

In these type of contracts, the compensation of liabilities in the event of default is ruled (the scope of such compensation is provided in the contract and is regulated by Portuguese law and, for contracts executed with foreign counterparties or under foreign law, by the law applicable in the relevant jurisdiction).

The derivative contract may also include an agreement of collateralization of the credit risk that arises from the transactions covered by it. Generally the derivative contract established between two parties normally includes all OTC derivative transactions carried out, whether they are for hedging or not.

According to IAS 39, embedded derivatives are also separated and recorded as derivatives, in order to recognize in profit or loss the fair value of those operations.

All derivatives (embedded or autonomous) are accounted at fair value.

Derivatives are also recorded in off balance sheet accounts by their theoretical value (notional amount). Notional amount is the reference amount for the calculation of payments and receipts resulting from the operations.

The fair value corresponds to the price of the derivatives if they were traded on the market at the reference date. The evolution of the fair value of the derivatives is recognized in the appropriate balance sheet accounts and has an immediate impact in the income statement.

12. NON-CURRENT ASSETS HELD FOR SALE

This caption is made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Property received as settlement of defaulting loans	269,550	271,204
Own property for sale	44,348	38,790
Participating units	18,663	18,663
Equipment	2,400	3,464
Other properties	100	100
	335,061	332,221
Impairment (Note 22)	(123,683)	(123,846)
	211,378	208,375

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

The changes occurred under the caption "Non-current assets held for sale" during the first semester of 2015 and 2014 were as follows:

	30-06-2015										
	December 31, 2014								June 30, 2015		
						Impairment (Note 22)					
	Gross amount	Impairment	Increases	Sales	Transfers (Note 14)	Increases	Reversals	Utilization	Gross amount	Impairment	Net amount
Property:											
. Received as settlement of defaulting loans	271,204	(92,406)	57,484	(59,137)	-	(13,852)	3,126	11,164	269,550	(91,968)	177,582
. Own property for sale	38,890	(24,941)	66	(108)	5,599	(2,242)	1,132	10	44,448	(26,041)	18,407
Equipment	3,464	(2,499)	499	(1,563)	-	(280)	451	654	2,400	(1,674)	726
Participating units	18,663	(4,000)	-	-	-	-	-	-	18,663	(4,000)	14,663
	332,221	(123,846)	58,049	(60,808)	5,599	(16,374)	4,709	11,828	335,061	(123,683)	211,378

	30-06-2014 (pro forma)										
	December 31, 2013								June 30, 2014		
						Impairment (Note 22)					
	Gross amount	Impairment	Increases	Sales	Transfers (Note 14)	Increases	Reversals	Utilization	Gross amount	Impairment	Net amount
Property:											
. Received as settlement of defaulting loans	268,035	(87,677)	46,383	(56,543)	-	(10,697)	2,516	9,410	257,875	(86,448)	171,427
. Own property for sale	28,806	(17,978)	39	(653)	4,149	(3,351)	360	603	32,341	(20,366)	11,975
Equipment	4,021	(2,927)	1,045	(1,841)	-	(1,089)	681	762	3,225	(2,573)	652
Participating units	18,663	(4,000)	-	-	-	-	-	-	18,663	(4,000)	14,663
	319,525	(112,582)	47,467	(59,037)	4,149	(15,137)	3,557	10,775	312,104	(113,387)	198,717

At June 30, 2015 and December 31, 2014, the caption “Participating units" included participating units in the Real Estate Investment Fund - Imorent, acquired as a result of a debt settlement agreement established with a client.

The Bank’s intention is to immediately sell all properties received as settlement of defaulting loans. These properties are classified as non-current assets held for sale and are recorded upon their initial recognition at the lowest of their fair value less expected selling costs and the book value of the loans. Subsequently, these assets are measured at the lowest of its initial recognition value and its fair value less costs to sell, and they are not depreciated. The unrealized losses on these assets, thus determined, are recognized in the income statement.

The valuation of these properties is made in accordance with one of the following methodologies, applied according to the specific situation of each asset:

a) <u>Comparative market method</u>
The comparative market method has by reference the transaction values of similar and comparable properties to the asset being studied, obtained through market research, and carried out in the area where the asset is located.

b) <u>Income method</u>
The purpose of this method is to estimate the value of the property from the capitalization of its net rent discounted to the present moment, through the discounted cash flows methodology.

c) <u>Cost method</u>
The cost method consists in determining the replacement value of the property taking into consideration the cost of building another one with identical functionality, less the amount of functional, physical and economical depreciation/obsolescence verified.

The valuations of the properties mentioned above were performed by specialized independent entities, which are accredited by the Portuguese Securities Market Commission (CMVM).

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

13. INVESTMENT PROPERTIES

This caption is made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Properties held by Fundo Imobiliário Novimovest	391,074	401,239
Hotel	-	19,000
	391,074	420,239

At June 30, 2015 and December 31, 2014, the properties held by Fundo Imobiliário Novimovest had the following characteristics:

	30-06-2015	31-12-2014 (pro forma)
Land		
Other construction projects	32,233	-
Urbanized	15,330	38,651
Non-urbanized	1,154	9,378
Finished constructions		
Rented	269,222	278,440
Not rented	73,135	74,770
	391,074	401,239

On the other hand, during the first semester of 2015 and 2014, the properties held by Fundo Imobiliário Novimovest generated, among others, the following revenues and charges:

	30-06-2015	30-06-2014 (pro forma)
Rents	9,180	10,154
Taxes	(1,834)	(2,022)
Condominium expenses	(512)	(494)
Maintenance and repair expenses	(494)	(609)
Insurances	(130)	(141)
	6,210	6,888

During 2013, the Bank received as settlement for a non performing loan a hotel valuated in tEuros18,660. Simultaneously, the Bank celebrated an operational lease contract for that property for a period of 1 year automatically renewable. At December 31, 2014, the Bank updated the fair value of that property.

During the first semester of 2015, the Bank celebrated a financial lease over the above-mentioned hotel, transferring all the economic rights to the leaseholder. As a result, the Bank records the financial lease as loan and advances to customers instead of considering the hotel an investment property.

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

The changes occurred under the caption "Investment properties" during the semesters ended June 30, 2015 and December 31, 2014, were as follows:

	30-06-2015				
	Balances at December 31, 2014	Increases	Fair value valuation	Sales	Balances at June 30, 2015
Properties held by Fundo Imobiliário Novimovest	401,239	5,287	(1,809)	(13,643)	391,074
Hotel	19,000	-	-	(19,000)	-
	420,239	5,287	(1,809)	(32,643)	391,074

	30-06-2014 (pro forma)				
	Balances at December 31, 2013	Increases	Fair value valuation	Sales	Balances at June 30, 2014
Properties held by Fundo Imobiliário Novimovest	449,758	-	(20,338)	(8,811)	420,609
Hotel	18,191	-	-	-	18,191
	467,949	-	(20,338)	(8,811)	438,800

The impact of the fair value valuation of the properties held by Fundo Imobiliário Novimovest was recognized in the income statement caption "Other operating results - Unrealized gains/losses on investment properties" (Note 39).

Since January 1, 2015, Investment properties held by the Bank are valued mostly on an annual basis, by specialized independent entities, in accordance with the valuation methodologies described in Note 12.

At June 30, 2015 and December 31, 2014, the determination of the fair value of the investment properties in accordance with the levels defined in IFRS 13 was as follows:

	30-06-2015			
	Valuation techniques			
	Level 1	Level 2	Level 3	Total
Investment properties	-	-	391,074	391,074

	31-12-2014 (pro forma)			
	Valuation techniques			
	Level 1	Level 2	Level 3	Total
Investment properties	19,000	-	401,239	420,239

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

Following the requirements of IFRS 13, for the investment properties with a higher amount in the Bank's portfolio at June 30, 2015 and December 31, 2014, a summary of their main characteristics, the valuation techniques adopted and the relevant inputs used in the estimation of their fair value are presented below:

Property description	Status 30-06-2015	Status 31-12-2014	Amount in 30-06-2015	Amount in 31-12-2014 (pro forma)	Valuation method	Relevant inputs
Hotel Delfim - Alvor Hotel in Portimão	Rented	Rented	33,284	33,284	Income method / Cost method	Rent value by square meter Yield
Stª Cruz do Bispo - plots of land 1,2 and 3 Land in Matosinhos	Other construction projects	Urban area	27,579	22,110	Income method /Discounted Cash-Flow method/ Residual value method (2015) Comparative market method /Residual value method	Yield Land price and construction and sale costs by square meter
Galerias Saldanha Residence Shopping center in Lisbon	Rented	Rented	29,347	29,347	Income method / Comparative market method	Rent value by square meter Yield
Hotel in Cascais	n.a	Rented	-	19,000	Purchase agreement (2014)	n.a.
Warehouse in Perafita Warehouse in Matosinhos	Rented	Rented	16,855	16,855	Income method / Comparative market method	Rent value by square meter Yield
Antero de Quental Avenue, 9 Offices and shops in Ponta Delgada	Rented	Rented	12,373	12,441	Income method (2015) Income method / Comparative market method (2014)	Rent value by square meter Yield
Estrada da Outurela, 119, Carnaxide Offices in Oeiras	Rented	Rented	11,966	12,021	Income method / Cost method	Rent value by square meter Yield
Golf courses "Vila Sol" - G1 and G2 Golf courses in Loulé	Rented	Rented	11,722	11,738	Income method / Cost method	Rent value by square meter Yield
Logistics parks SPC - warehouse 1 Warehouses in Vila Franca de Xira	Rented	Rented	4,532	4,532	Income method / Cost method	Rent value by square meter Yield
Logistics parks SPC - warehouse 4 Warehouses in Vila Franca de Xira	Not rented	Not rented	5,684	5,684	Income method / Cost method	Land price and construction and sale costs by square meter
Alfena - Land in Valongo Land in Valongo	Other construction projects	Non - urban area	4,654	8,224	Comparative market method / Cost method/ Residual value method	Land price and construction and sale costs by square meter
			157,996	**175,236**		

If an increase in the rent value per square meter occurs, or an increase in the occupation rate, or a decrease in the yield occurs, the fair value of the investment properties will increase. On the other hand, if an increase in the construction or sale costs occurs, or an increase in the yield occurs, or a decrease in the amount of rent per square meter or a decrease in the occupation rate occurs, the fair value of the investment properties will decrease.

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

14. OTHER TANGIBLE AND INTANGIBLE ASSETS

Changes in these captions for the semesters ended at June 30, 2015 and 2014 were as follows:

	30-06-2015																	
	31-12-2014				Write-offs and sales		Transfers From/to non-current assets held for sale (Note 12)		Transfers		Depreciation		Foreign exchange differences		30-06-2015			
	Gross amount	Accumulated depreciation	Impairment (Note 22)	Acquisitions	Gross amount	Accumulated depreciation	Gross amount	Accumulated depreciation	Gross amount	Accumulated depreciation	in the period	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	390,602	135,286	3,843	555	40	40	(10,028)	(4,456)	-	-	3,642	-	-	-	381,089	134,432	3,843	242,814
. Leasehold expenditure	125,363	112,122	-	401	1,932	1,932	(130)	(130)	-	-	2,126	-	13	13	123,715	112,199	-	11,516
. Other property	306	7	20	-	-	-	-	-	-	-	1	-	-	-	306	8	20	278
Tangible assets in progress																		
. Property for own use	1,453	-	-	2,482	-	-	-	-	-	-	-	-	-	-	3,935	-	-	3,935
	517,724	247,415	3,863	3,438	1,972	1,972	(10,158)	(4,586)	-	-	5,769	-	13	13	509,045	246,639	3,863	258,543
Equipment																		
. Furniture and fixtures	22,441	20,471	-	188	426	426	-	-	8	-	393	-	3	3	22,214	20,441	-	1,773
. Machinery and tools	3,755	3,683	-	14	67	67	-	-	-	-	16	-	2	2	3,704	3,634	-	70
. Computer hardware	127,703	117,426	-	861	303	300	-	-	-	-	1,838	-	1	1	128,262	118,965	-	9,297
. Indoor facilities	18,345	8,945	-	1,508	36	36	(51)	(24)	-	-	949	-	-	-	19,766	9,834	-	9,932
. Vehicles	20,977	13,169	-	1,291	1,146	1,146	-	-	-	-	709	-	8	4	21,130	12,736	-	8,394
. Security equipment	26,651	26,302	-	190	273	273	(1)	(1)	-	-	110	-	-	-	26,567	26,138	-	429
. Other equipment	5,704	4,770	-	163	68	68	-	-	(8)	-	236	-	-	-	5,791	4,938	-	853
	225,576	194,766	-	4,215	2,319	2,316	(52)	(25)	-	-	4,251	-	14	10	227,434	196,686	-	30,748
Other tangible assets																		
. Leased equipment	281	281	-	-	-	-	-	-	-	-	-	-	-	-	281	281	-	-
. Work of Art	1,536	-	-	4	-	-	-	-	-	-	-	-	1	-	1,541	-	-	1,541
	1,817	281	-	4	-	-	-	-	-	-	-	-	1	-	1,822	281	-	1,541
	745,117	442,462	3,863	7,657	4,291	4,288	(10,210)	(4,611)	-	-	10,020	-	28	23	738,301	443,606	3,863	290,832
Intangible assets																		
Software purchased	376,056	348,178	-	8,862	-	-	-	-	272	-	12,932	-	-	-	385,190	361,110	-	24,080
Intangible assets in progress	503	-	-	3,554	-	-	-	-	(272)	-	-	-	-	-	3,785	-	-	3,785
Goodwill	3,464	3,464	-	-	118	118	-	-	-	-	-	-	-	-	3,346	3,346	-	-
	380,023	351,642	-	12,416	118	118	-	-	-	-	12,932	-	-	-	392,321	364,456	-	27,865

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

	30-06-2014 (pro forma)															
	31-12-2013				Write-offs and sales		Transfers From/to non-current assets held for sale (Note 12)		Transfers		Depreciation in the period	Reversal of Impairment (Note 22)	30-06-2014			
	Gross amount	Accumulated depreciation	Impairment (Note 22)	Acquisitions	Gross amount	Accumulated depreciation	Gross amount	Accumulated depreciation	Gross amount	Accumulated depreciation			Gross amount	Accumulated depreciation	Impairment (Note 22)	Net amount
Tangible assets																
Property																
. Property for own use	404,845	132,012	3,843	311	456	85	(6,148)	(2,009)	-	-	3,717	-	398,552	133,635	3,843	261,074
. Leasehold expenditure	129,254	110,979	-	187	4,537	4,537	-	-	5	-	2,797	-	124,909	109,239	-	15,670
. Other property	312	6	20	-	-	-	-	-	-	-	1	-	312	7	20	285
Tangible assets in progress																
. Property for own use	537	-	-	(30)	-	-	-	-	-	-	-	-	507	-	-	507
. Leasehold expenditure	5	-	-	-	-	-	-	-	(5)	-	-	-	-	-	-	-
	534,953	242,997	3,863	468	4,993	4,622	(6,148)	(2,009)	-	-	6,515	-	524,280	242,881	3,863	277,536
Equipment																
. Furniture and fixtures	22,257	19,528	-	133	100	100	-	-	-	-	534	-	22,290	19,962	-	2,328
. Machinery and tools	3,745	3,652	-	8	9	9	-	-	-	-	18	-	3,744	3,661	-	83
. Computer hardware	125,098	115,542	-	1,912	1,959	1,959	-	-	-	-	2,032	-	125,051	115,615	-	9,436
. Indoor facilities	91,840	83,017	-	1,442	395	392	(22)	(12)	-	-	1,044	-	92,865	83,657	-	9,208
. Vehicles	19,135	13,131	-	1,060	1,163	1,135	-	-	-	-	921	-	19,032	12,917	-	6,115
. Security equipment	27,016	26,506	-	34	454	454	-	-	-	-	136	-	26,596	26,188	-	408
. Other equipment	5,730	4,414	-	94	211	194	-	-	2	-	277	-	5,615	4,497	-	1,118
. Tangible assets in progress	2	-	-	-	-	-	-	-	(2)	-	-	-	-	-	-	-
	294,823	265,790	-	4,683	4,291	4,243	(22)	(12)	-	-	4,962	-	295,193	266,497	-	28,696
Other tangible assets																
. Leased equipment	281	281	-	-	-	-	-	-	-	-	-	-	281	281	-	-
. Work of Art	1,536	-	-	-	-	-	-	-	-	-	-	-	1,536	-	-	1,536
	1,817	281	-	-	-	-	-	-	-	-	-	-	1,817	281	-	1,536
	831,593	509,068	3,863	5,151	9,284	8,865	(6,170)	(2,021)	-	-	11,477	-	821,290	509,659	3,863	307,768
Intangible assets																
Software purchased	361,034	308,566	-	9,455	63	61	-	-	-	-	28,253	-	370,426	336,758	-	33,668
Goodwill	-	-	-	117	-	-	-	-	-	-	-	-	117	-	-	117
Other	3,464	3,464	-	-	-	-	-	-	-	-	-	-	3,464	3,464	-	-
	364,498	312,030	-	9,572	63	61	-	-	-	-	28,253	-	374,007	340,222	-	33,785

The caption “Software purchased” at June 30, 2015 and 2014 included software acquired from Santander Tecnologia y Operaciones A.E.I.E., an european economic interest group owned by Santander Group, amounting to, net of depreciation, tEuros 23,288 and tEuros 32,092, respectively.

During the semester ended June 30, 2014, the Bank revised the expected useful life of its IT platform Parténon from 5 to 3 years. As a result of that review, the depreciation in the semester of the caption "Software purchased" increased approximately by tEuros 11,200 in comparison with the semester ended June 30, 2013.

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

15. INVESTMENTS IN ASSOCIATED COMPANIES

This caption is made up as follows:

	30-06-2015		31-12-2014 (pro forma)	
	Effective participation (%)	Book value	Effective participation (%)	Book value
Investments in associates				
Domestic				
. Partang, SGPS, S.A.	49.00	142,952	49.00	132,685
. Unicre - Instituição Financeira de Crédito, S.A. (Unicre)	21.50	33,137	21.50	33,109
. Benim - Sociedade Imobiliária, S.A.	25.81	2,065	25.81	2,065
		178,154		167,859
Impairment of investments in associates (Note 22)				
. Benim – Sociedade Imobiliária, S.A. (Benim)		(1,500)		(1,500)
		176,654		166,359

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 – Internacional, SGPS, S.A. ("Santotta") and BST founded Partang, SGPS, S.A. ("Partang") through the delivery of shares of Banco Caixa Geral Totta de Angola, S.A. ("BCGTA"), previously denominated Banco Totta de Angola, S.A., corresponding to 50.5% and 0.5% of its share capital, respectively. Under the terms of the above referred agreement, on July 2, 2009 CGD subscribed the total amount of Partang's share capital increase. After that operation, Partang was 50% owned by CGD and 50% owned by the Santander Group (of which 49.51% was held by the subsidiary Santotta and 0.49% was held directly by BST).

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 Bank reduced its participation to 49% of the share capital of Partang, having lost its joint control over BCGTA. In accordance with IAS 27, the Bank measured the remaining participating interest at the date when joint control was lost at fair value. Thus, that participation started to be recognized in accordance with the equity method of accounting.

On May 29, 2015, the Bank exercised the put option to sell its participation in Partang to CGD (49% of the share capital held directly and indirectly).

At June 30, 2015 and December 31, 2014, Partang owned 51% of Banco Caixa Geral Totta de Angola, S.A..

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).

At June 30, 2015 and December 31, 2014, the investments held in Partang and Unicre included goodwill. Nevertheless, the put option held by the Bank over CGD regarding Partang allowed it to fully recover the financial investment and the goodwill on that subsidiary. On the other hand, the impairment test performed over the goodwill of Unicre did not evidence any impairment loss arising from that financial investment.

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

The summary of the financial data regarding the main associated company of the Bank in May 31, 2015 (latest financial statements available) and December 31, 2014 is as follows:

	Partang	
	31-05-2015	31-12-2014
Balance sheet		
Current assets	17,880	11,176
Non current assets	184,538	161,321
	202,418	172,497
Current liabilities	72	11,079
Non current liabilities	-	-
	72	11,079
Shareholders equity excluding net income	185,069	125,482
Net income for the period/year	17,277	35,936
Statement of income		
Operating income	17,277	35,949
Income before tax	17,277	35,949
Net income for the period/year	17,277	35,936

16. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

At June 30, 2015 and December 31, 2014, these captions were made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Current tax assets:		
. Corporate income tax receivable	16,857	14,538
. Other	153	65
	---------	---------
	17,010	14,603
	=====	=====
Current tax liabilities:		
. Corporate income tax payable	11,184	16,122
. Tax on rental income (Fundo Novimovest)	1,833	3,912
	---------	---------
	13,017	20,034
	=====	=====
Deferred tax assets:		
. Relating to temporary differences	417,374	432,718
. Tax losses carried forward	20,662	25,957
	-----------	-----------
	438,036	458,675
	======	======
Deferred tax liabilities:		
. Relating to temporary differences	108,288	138,521
. Relating to tax credits	3,383	3,505
	----------	----------
	111,671	142.026
	======	======

At June 30, 2015 and December 31, 2014, the caption "Current tax assets – Corporate income tax receivable" included tEuros 7,856 regarding payments performed by the Bank concerning some corrections made by the Tax Authorities to its tax declarations in previous years. Since the Bank does not agree with the fundamentals of such corrections it recorded those payments as an asset and appealed to the competent court.

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

In the semesters ended at June 30, 2015 and 2014, income tax was made up as follows:

	30-06-2015	30-06-2014 (pro forma)
Current tax		
. Of the period	(11,278)	(3,874)
. Special contribution to the banking sector	(16,716)	(13,922)
. Consortiums ("ACE's")	(569)	(946)
. Other	2,030	(1,008)
	(26,533)	(19,750)
Deferred tax		
. Increases and reversals of temporary differences	(19,836)	(11,402)
. (Expense)/Income for tax credits	(5,173)	(6,208)
	(25,009)	(17,610)
	(51,542)	(37,360)

Changes in deferred tax assets and liabilities for the semesters ended at June 30, 2015 and 2014 were as follows:

	30-06-2015			
	Balances at 31-12-2014	Other Comprehensive Income	Income statement	Balances at 30-06-2015
Provisions/Impairment temporarily not accepted for tax purposes				
Assets	230,321	-	(5,026)	225,295
Liabilities relating to potential capital losses	(1,958)	-	140	(1,818)
Revaluation of tangible assets	(3,505)	-	122	(3,383)
Pensions:				
Early retirement pensions	31,989	-	(3,843)	28,146
Retirement pensions and actuarial deviations	120,819	-	(9,445)	111,374
Transfer of pension liabilities to the Social Security	5,140	-	(151)	4,989
Long service bonuses	10,571	-	152	10,723
Securitization operations:				
Premium/discount on debt issued	(214)	-	14	(200)
Recognition of an interest accrual regarding the notes with higher subordination	(4,360)	-	(8)	(4,368)
Results on intra-Group securities purchases	(20,414)	-	(1,007)	(21,421)
Tax losses carried forward	25,957	-	(5,295)	20,662
Valuations and adjustments temporarily not accepted for tax purposes:				
Tangible and intangible assets	468	-	(521)	(53)
Cash flow hedges	(6,346)	3,199	-	(3,147)
Available-for-sale financial assets	(74,436)	31,525	-	(42,911)
Deferred commissions	1,424	-	83	1,507
Capital gains only considered for tax purposes	(1,226)	-	(309)	(1,535)
Application of the equity method in the				-
valuation of investments in associated companies	(392)	-	-	(392)
Incentives plan	1,929	-	85	2,014
Investments in subsidiaries, associates and joint ventures	883	-	-	883
Other	(1)	1	-	-
	316,649	34,725	(25,009)	326,365

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

	30-06-2014 (pro forma)				
	Balances at 31-12-2013	Other Comprehensive Income	Income statement	Other	Balances at 30-06-2014
Provisions/Impairment temporarily not accepted for tax purposes					
Assets	241,282	-	(277)	-	241,005
Liabilities relating to potential capital losses	(1,999)	-	-	-	(1,999)
Revaluation of tangible assets	(3,765)	-	116	-	(3,649)
Pensions:					
Early retirement pensions	24,244	-	(6,659)	-	17,585
Retirement pensions and actuarial deviations	139,771	-	(8,321)	-	131,450
Transfer of pension liabilities to the Social Security	4,921	-	(308)	-	4,613
Long service bonuses	8,423	-	64	-	8,487
Securitization operations:					
Premium/discount on debt issued	(251)	-	17	-	(234)
Recognition of an interest accrual regarding the notes with higher subordination	(8,573)	-	(133)	-	(8,706)
Results on intra-Group securities purchases	(18,417)	-	(627)	-	(19,044)
Tax losses carried forward	40,531	-	(6,324)	-	34,207
Valuations and adjustments temporarily not accepted for tax purposes:					
Tangible and intangible assets	(1,518)	-	3,206	-	1,688
Cash flow hedges	(13,092)	2,178	-	-	(10,914)
Available-for-sale financial assets	68,641	(79,845)	-	337	(10,867)
Deferred commissions	-	-	1,417	-	1,417
Capital gains only considered for tax purposes	(1,767)	-	-	-	(1,767)
Application of the equity method in the valuation of investments in associated companies	(457)	-	18	-	(439)
Incentives plan	2,495	-	201	-	2,696
Investments in subsidiaries, associates and joint ventures	1,685	-	-	-	1,685
Other	(3)	-	-	-	(3)
	482,151	(77,667)	(17,610)	337	387,211

The realization of the deferred tax assets, namely those associated with tax losses carried forward, was performed taking in consideration the last Business Plan approved by the Bank's Board of Directors which encompasses a three year period. In accordance with such Business Plan, the deferred tax assets arising from tax losses carried forward will be recovered in a two years period.

Following the changes occurred in the tax legislation for 2015, in the year ended on December 31, 2014, the Bank measured and recognized the deferred tax assets related to tax losses carried forward at a rate of 21% and the deferred taxes associated with temporary differences at a rate of 29%.

The dividends distributed to the Bank by its subsidiaries and associated companies located in Portugal or in a European Union member state are not taxed in result of the arrangements laid down in Article 51 of the Corporate Income Tax Code, which provides for the elimination of double taxation on distributed profits.

Tax authorities may review the Bank’s tax situation during a period of four years (five years for Social Security), except in the cases when tax losses carried forward exist, as well as of any other tax deduction or credit. In those cases, the right to the corrections expires in the year of the usage of that right.

The Bank was subject to tax inspections for the years up to 2012, inclusive. As a result of the tax inspection for 2012, the Bank was subject to an additional assessment of Corporate Income Tax relating to autonomous taxation and several corrections to the tax losses reported in that year. In terms of Stamp Duty Tax, the Bank was also subject to an additional assessment. The corrections made to the Corporate Income Tax base related to several matters, including, amongst others, adjustments in the recognition of actuarial deviations, adjustments in early retirement pensions and utilization of provisions for overdue loans. Some of these corrections are only temporary.

Regarding the additional tax assessments received, the Bank has paid them. However, the Bank has challenged the majority of those additional tax assessments.

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

The Bank records in the liability caption “Provisions” the amount considered to be necessary to cover the risks arising from the additional tax assessments received as well as the contingencies relating to the years not yet reviewed by the Tax Authorities (Note 22).

17. OTHER ASSETS

This caption is made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Other available funds	387	327
Debtors and other applications		
Debtors resulting from operations with futures	10,932	9,523
VAT recoverable	2,900	2,055
Debtors for loan interest subsidies	3,944	3,780
Other debtors	36,498	46,369
Debtors and other applications - overdue capital	18,711	6,666
Debtors - unrealised capital	38	38
Shareholders’ loans:		
Fafer - Empreendimentos Urbanísticos e de 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.	2,458	2,458
Gold, other precious metals, coins and medals	2,526	2,483
Promises and other assets received as settlement of defaulting loans	56,088	65,440
Income receivable	23,560	29,796
Other income receivable - securitization	3,675	3,867
Deferred costs on participations in consortiums		
NORTREM - Aluguer Material Ferroviário ACE	1,153	1,138
Deferred costs	3,465	5,592
Liabilities with pensions (Note 44)		
. BST liabilities	(901,261)	-
. Fair value of BST Pension Fund	909,321	-
. London branch liabilities	(45,731)	-
. Fair value of the London branch Pension Fund	41,394	-
Other	108,451	94,020
	278,999	274,042
Impairment losses (Note 22):		
. Shareholders’ loans	(2,392)	(2,392)
. Assets received as settlement of defaulting loans	(13,668)	(15,849)
. Debtors and other applications	(6,328)	(6,047)
	(22,388)	(24,288)
	256,611	249,754

The caption “Debtors and other applications - Debtors resulting from operations with futures” corresponds to the current accounts maintained by the Bank in international financial institutions related to the trading of futures. Customer´s futures margin accounts are recorded under the caption "Creditors and other resources - Creditors resulting from operations with futures” (Note 25).

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

The caption “Debtors and other applications - Other debtors” at June 30,2015 and December 31, 2014, included the amounts of the credit rights held over Lusimovest Fund totalling tEuros 12,000 and tEuros 17,600, respectively, relating to participating units redemptions settled on that Fund account.

Additionally, at June 30, 2015 and December 31, 2014, that caption also included tEuros 13,662 and tEuros 16,600, respectively, related to accounts receivable of Novimovest Fund resulting from the sale of properties.

At June 30, 2015 and December 31, 2014, the caption “Income receivable” included essentially commissions receivable from Santander Totta Seguros – Companhia de Seguros de Vida, S.A. associated with the sale of its insurance products (tEuros 17,963 and tEuros 20,128, respectively).

At June 30, 2015 and December 31, 2014, the caption “Other income receivable - securitization” corresponds to the interest amount receivable arising from the swap agreements entered into between the Bank and the Santander Group and between the Santander Group and the securitization vehicles (Note 45). The amount payable related to these transactions is recorded under the caption “Other liabilities – Accrued costs – Relating to swap agreements” (Note 25).

At June 30, 2015 and December 31, 2014, the caption "Other” includes transactions pending settlement in accordance with the following detail:

	30-06-2015		31-12-2014 (pro forma)	
	Other assets	Other liabilities (Note 25)	Other assets	Other liabilities (Note 25)
Interest receivable from swap contracts established with Portuguese State-owned enterprises (Note 50)	256,192	-	178,048	-
Cheques, values in transit and other transactions to be settled	(6,242)	(751)	30,308	(770)
Compensation system of direct debits	2	-	(8)	-
Amounts receivable/(payable) to group companies	(8,837)	-	(1,940)	-
Transfers within SEPA	(100,177)	-	(77,400)	-
Balances to be settled in ATM's	(32,487)	-	(34,988)	-
	108,451	(751)	94,020	(770)

18. RESOURCES OF CENTRAL BANKS

This caption is made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Resources of the European Central Bank		
Deposits	3,777,000	4,406,000
Interest payable	807	261
Resources of other Central Banks		
Demand deposits	1,774	51
	3,779,581	4,406,312

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

19. RESOURCES OF OTHER CREDIT INSTITUTIONS

This caption is made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Resources of domestic credit institutions		
Deposits	60,470	67,468
Other resources	53,624	-
Interest payable	52	26
	114,146	67,494
Resources of foreign credit institutions		
Sale operations with repurchase agreement	1,982,189	2,797,788
Deposits	452,341	706,026
Other resources	422,425	425,429
Very short term resources	55,412	33,770
Interest payable	110	217
	2,912,477	3,963,230
	3,026,623	4,030,724

At June 30, 2015 and December 31, 2014, the caption "Resources of foreign credit institutions – Sale operations with repurchase agreement", was made up as follows, by type of underlying asset:

	30-06-2015			
Type of underlying asset	Principal	Interest	Deferred costs	Total
Treasury Bonds - Portugal	1,207,334	403	(366)	1,207,371
Non-subordinated debt	290,633	33	(23)	290,643
Bonds issued by BST Group in securitization operations	473,085	59	(22)	473,122
Bonds issued by non-residents	11,054	(5)	4	11,053
	1,982,106	490	(407)	1,982,189

	31-12-2014 (pro forma)			
Type of underlying asset	Principal	Interest	Deferred costs	Total
Treasury Bonds - Portugal	2,002,426	2,009	(557)	2,003,878
Non-subordinated debt	401,744	182	(122)	401,804
Bonds issued by BST Group in securitization operations	371,789	159	(66)	371,882
Bonds issued by non-residents	20,222	4	(2)	20,224
	2,796,181	2,354	(747)	2,797,788

At June 30, 2015 and December 31, 2014, the caption "Resources of foreign credit institutions – Other resources" included tEuros 400,000 related to loans obtained from the European Investment Bank (EIB).

(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:

	30-06-2015	31-12-2014 (pro forma)
Term deposits	12,451,201	12,880,868
Demand deposits	6,096,434	5,522,964
Structured deposits	2,948,360	3,006,349
Savings deposits	25,979	27,710
Advance notice deposits	18,240	19,346
	21,540,214	21,457,237
Interest payable	119,598	140,635
Cheques and orders payable	90,479	30,097
Value adjustments of hedging operations	(7,495)	(2,067)
	202,582	168,665
	21,742,796	21,625,902

21. DEBT SECURITIES

This caption is made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Bonds in circulation		
Covered bonds		
Issued	6,750,000	6,000,000
Repurchased	(5,000,000)	(4,250,000)
Interest payable and other deferred costs and income	160	13,283
Bonds issued in securitization operations		
Issued	2,064,264	2,140,550
Repurchased	(1,175,368)	(1,137,116)
Interest payable and other deferred costs and income	(1,269)	(1,330)
Cash bonds		
Issued	56,766	273,608
Repurchased	(13,299)	(105,021)
Interest payable and other deferred costs and income	820	6,324
	2,682,074	2,940,298
Other		
EMTN Programme - Issued	32,300	32,300
Repurchased	(1,250)	(1,250)
Interest payable	2	2
	31,052	31,052
Value adjustments of hedging operations	1,140	1,761
	2,714,266	2,973,111

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

In accordance with the corresponding law, the holders of covered bonds have a special credit privilege over the autonomous pool of assets, which constitutes a guarantee of the debt to which the bondholders have access in case of insolvency of the issuer.

Between May 2008 and June 2015, BST made fourteen issues of covered bonds under the "€ 12,500,000,000 Covered Bonds Programme". At June 30, 2015 and December 31, 2014, the covered bonds had an autonomous pool of assets comprised by:

	30-06-2015	31-12-2014 (pro forma)
Loans and advances to customers (Note 10)	7,788,097	8,021,820
Interest on loans	7,373	7,938
Commissions	(34,710)	(35,378)
Deferred expenses	7,600	8,458
	7,768,360	8,002,838
Hedging derivatives	4,195	4,859
	7,772,555	8,007,697

Changes in the debt issued by the Bank during the semester ended at June 30, 2015 and during 2014 were as follows:

	Bonds in circulation		EMTN Programme	
	Issued	Repurchased	Issued	Repurchased
Balances at December 31, 2013	7,746,857	(6,511,293)	141,830	(2,940)
. Issues made	2,501,211	-	-	-
. Issues repaid	(3,974,460)	2,755,750	(109,530)	1,690
. Issues repurchased	-	(599,478)	-	-
Balances at December 31, 2014 (pro forma)	6,273,608	(4,355,021)	32,300	(1,250)
. Issues made	750,000	-	-	-
. Issues repaid	(216,842)	91,722	-	-
. Issues repurchased	-	(750,000)	-	-
Balances at June 30, 2015	6,806,766	(5,013,299)	32,300	(1,250)

At June 30, 2015 and December 31, 2014, the Bank had the following bonds issued under its Euro Medium Term Notes Programme:

	30-06-2015	31-12-2014 (pro forma)
Bonds with remuneration indexed to Euribor		
. Maturity between one and three years	32,300	32,300
	32,300	32,300

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

Changes in bonds issued associated with securitization operations during the first semester of 2015 and during 2014 were as follows:

	Bonds	
	Issued	Repurchased
Balances at December 31, 2013	2,714,309	(1,538,636)
Redemptions	(573,759)	499,820
Repurchases:		
- Hipototta Nº 4 - Class A	-	(31,736)
- Hipototta Nº 5 - Class A2	-	(66,564)
	-	(98,300)
Balances at December 31, 2014 (proforma)	2,140,550	(1,137,116)
Redemptions	(76,286)	42,010
Repurchases:		
- Hipototta Nº 4 - Class A	-	(6,800)
- Hipototta Nº 5 - Class A2	-	(73,462)
	-	(80,262)
Balances at June 30, 2015	2,064,264	(1,175,368)

In the first semester of 2015 and 2014, the Bank repurchased bonds issued associated with securitization operations having recorded capital gains of tEuros 4,489 and tEuros 3,067, respectively (Note 38).

The conditions of the covered bonds, cash bonds and bonds issued in securitization transactions are described in Appendix I.

22. CHANGES IN PROVISIONS AND IMPAIRMENT

Changes in provisions and impairment during the semesters ended at June 30, 2015 and 2014, were as follows:

	30-06-2015				
	31-12-2014	Increases	Reversals	Utilizations	30-06-2015
Provision for tax contingencies	4,167	984	-	-	5,151
Provision for pensions and other charges	28,185	444	-	(4,212)	24,417
Impairment and provisions for guarantees and other sureties given	11,554	2,222	(1,484)	-	12,292
Other provisions	28,082	14,651	(4,037)	(9,880)	28,816
	71,988	18,301	(5,521)	(14,092)	70,676

	30-06-2014 (pro forma)				
	31-12-2013	Increases	Reversals	Utilizations	30-06-2014
Provision for tax contingencies	4,474	-	(207)	-	4,267
Provision for pensions and other charges	25,478	444	-	(2,332)	23,590
Impairment and provisions for guarantees and other sureties given	9,124	4,319	(3,613)	-	9,830
Other provisions	22,963	40,412	(13,325)	(1,579)	48,471
	62,039	45,175	(17,145)	(3,911)	86,158

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

	30-06-2015					
	31-12-2014	Impairment losses	Reversal of impairment losses	Utilizations	30-06-2015	Impairment recovery
Impairment of loans and advances to customers (Note 10):						
Domestic loans	229,543	31,326	(36,158)	-	224,711	-
Foreign loans	1,101	-	(307)	-	794	-
Non-derecognized securitized loans	10,644	217	(452)	-	10,409	-
Other securitized loans and receivables	7,227	-	(3,408)	-	3,819	-
Impairment of overdue loans and interest (Note 10):						
Domestic loans	861,754	103,411	(52,178)	(4,041)	908,946	(1,460)
Foreign loans	19,223	1,333	(2,300)	(5)	18,251	(1)
Non-derecognized securitized loans	30,107	5,185	(3,543)	(1,323)	30,426	-
Other securitized loans and receivables	2,019	1,266	-	-	3,285	-
	1,161,618	142,738	(98,346)	(5,369)	1,200,641	(1,461)
Impairment of other financial assets:						
Impairment of available-for-sale financial assets (Note 8)	61,943	4,541	(4,082)	(569)	61,833	-
Impairment of investments in associated companies (Note 15)	1,500	-	-	-	1,500	-
	63,443	4,541	(4,082)	(569)	63,333	-
Impairment of non-financial assets:						
Non-current assets held for sale (Note 12)	123,846	16,374	(4,709)	(11,828)	123,683	-
Other tangible assets (Note 14)	3,863	-	-	-	3,863	-
Other assets (Note 17)	24,288	11,090	(12,988)	(2)	22,388	-
	151,997	27,464	(17,697)	(11,830)	149,934	-
	1,377,058	174,743	(120,125)	(17,768)	1,413,908	(1,461)

	30-06-2014 (pro forma)					
	31-12-2013	Impairment losses	Reversal of impairment losses	Utilizations	30-06 2014	Impairment recovery
Impairment of loans and advances to customers:						
Domestic loans	287,036	84,316	(112,123)	-	259,229	-
Foreign loans	1,657	294	(179)	-	1,772	-
Non-derecognized securitized loans	14,669	142	(856)	-	13,955	-
Other securitized loans and receivables	12,296	-	(4,580)	-	7,716	-
Impairment of overdue loans and interest:						
Domestic loans	694,768	142,633	(36,686)	(17,390)	783,325	(2,757)
Foreign loans	20,803	2,244	(1,876)	(12)	21,159	-
Non-derecognized securitized loans	46,647	5,488	(5,621)	(310)	46,204	-
Other securitized loans and receivables	-	1,805	-	-	1,805	-
	1,077,876	236,922	(161,921)	(17,712)	1,135,165	(2,757)
Impairment of other financial assets:						
Impairment of available-for-sale financial assets	61,738	3,372	(3,406)	(25)	61,679	-
Impairment of investments in associated companies	1,060	-	-	-	1,060	-
	62,798	3,372	(3,406)	(25)	62,739	-
Impairment of non-financial assets:						
Non-current assets held for sale (Note 12)	112,582	15,137	(3,557)	(10,775)	113,387	-
Other tangible assets (Note 14)	3,863	-	-	-	3,863	-
Other assets	23,098	12,067	(9,963)	-	25,202	-
	139,543	27,204	(13,520)	(10,775)	142,452	-
	1,280,217	267,498	(178,847)	(28,512)	1,340,356	(2,757)

At June 30, 2015 and December 31, 2014, the provision for pensions and other charges is made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Restructuring plans	5,592	9,804
Supplementary pension plan of the Board of Directors (Note 46)	18,825	18,381
	24,417	28,185

In the semesters ended at June 30, 2015 and 2014, the increases and the utilizations of provisions for pensions and other charges were justified essentially by the retirement of some employees of the Bank in accordance with the clause nº 137 of the Collective Labour Agreement.

At June 30, 2015 and December 31, 2014, the caption "Other provisions" included:

- Provisions for legal proceedings raised against the Bank by its customers and by its employees in the amounts of tEuros 19,081 and tEuros 16,780, respectively. The Legal Department of the Bank estimates the expected loss for each process, based on its evolution as reported by the responsible lawyer for it; and

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

- Other provisions in the amounts of tEuros 9,735 and tEuros 11,302, respectively. At June 30, 2015 and December 31, 2014, these provisions were allocated essentially to cover several contingencies, including fraud, operations pending confirmation, open items and fines.

23. EQUITY REPRESENTATIVE INSTRUMENTS

This caption is made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Participating units in Fundo Multiobrigações not held by the Bank	129,308	130,870
Participating units in Fundo Novimovest not held by the Bank	71,418	75,109
	200,726	205,979

24. SUBORDINATED LIABILITIES

This caption is made up as follows:

	30-06-2015	31-12-2014 (pro forma)
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	28	31
	4,303	4,306

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

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

25. OTHER LIABILITIES

This caption is made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Creditors and other resources		
Creditors resulting from operations with futures (Note 17)	10,932	9,523
Other resources		
Secured account resources	54,453	52,698
Collateral account resources	1,310	1,458
Other resources	1,515	1,452
Public sector		
VAT payable	2,871	5,487
Withholding taxes	17,652	19,295
Social Security contributions	3,913	3,931
Other	646	558
Collections on behalf of third parties	159	161
Contributions to other health systems	1,519	1,532
Other creditors		
Creditors under factoring contracts	35,222	31,757
Creditors for the supply of goods	5,633	5,388
Other creditors	18,757	18,637
Accrued costs:		
Relating to personnel		
Long service bonuses	36,975	36,452
Vacation and vacation subsidy	23,064	30,567
Other variable remuneration	17,959	28,011
Other personnel costs	8,011	467
General administrative costs	32,553	27,371
Relating to swap agreements (Note 17)	3,908	4,356
Other	3,450	3,306
Liabilities with pensions (Note 44):		
BST liabilities	-	907,691
Fair value of BST Pension Fund	-	(910,580)
London branch liabilities	-	42,855
Fair value of the London branch Pension Fund	-	(38,223)
Other deferred income	2,609	1,580
Amounts to be settled with banks and customers		
Liability operations to be settled	92,455	6,393
Stock market operations to be settled	1,200	-
Other (Note 17)	751	770
	377,547	292,893

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

26. SHAREHOLDERS' EQUITY

At June 30, 2015 and December 31, 2014, 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:

	30-06-2015		
	Number of shares	% of participation	Amount
Santander Totta, SGPS, S.A.	641,269,620	97.65	641,270
Taxagest, SGPS, S.A. (own shares)	14,593,315	2.22	14,593
Own shares	271,314	0.04	271
Other	589,035	0.09	589
	656,723,284	100.00	656,723

	31-12-2014 (pro forma)		
	Number of shares	% of participation	Amount
Santander Totta, SGPS, S.A.	641,269,620	97.65	641,270
Taxagest, SGPS, S.A. (own shares)	14,593,315	2.22	14,593
Own shares	271,244	0.04	271
Other	589,105	0.09	589
	656,723,284	100.00	656,723

During the first semester of 2015 and during 2014, the Bank acquired 70 and 21,817 own shares by the amount of Euros 423 and tEuros 132, respectively.

Within the terms of Dispatch nº 408/99, of June 4, 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 own shares.

The "Other equity instruments" correspond 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 previous approval of the Bank of Portugal.

During the first semester of 2015 the Bank paid dividends in the amount of tEuros 65,715 (net of the dividends allocated to own shares) which corresponded to a dividend of approximately 0.10 Euros per share.

During 2014 the Bank paid dividends in the amount of tEuros 1,202 (net of the dividends allocated to own shares) which corresponded to a dividend of approximately 0.0018 Euros per share.

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

At June 30, 2015 and December 31, 2014, the revaluation reserves were made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Revaluation reserves		
Reserves resulting from the fair value valuation:		
Available-for-sale financial assets (Note 8)	147,972	256,913
Available-for-sale financial assets of companies consolidated under the equity method	4,354	4,354
Cash-flow hedging instruments	10,851	21,883
Actuarial gains and losses (Note 44)		
Pension Fund - BST	(658,174)	(666,672)
Pension Fund of the London branch of BST	(8,453)	(8,867)
Actuarial gains and losses of companies consolidated under the equity method	(1,508)	(1,508)
Foreign exchange differences	2,408	(486)
Legal revaluation reserves as at the transition date to the IFRS	23,245	23,245
	(479,305)	(371,138)
Deferred tax reserves		
For temporary differences:		
Reserves resulting from the fair value valuation:		
Available-for-sale financial assets	(42,911)	(74,436)
Available-for-sale financial assets of companies consolidated under the equity method	(967)	(967)
Cash-flow hedging instruments	(3,147)	(6,346)
Tax impact of actuarial gains and losses	177,625	177,625
Tax impact from the change in accounting policies of companies consolidated under the equity method	422	422
Relating to the revaluation of tangible assets	(3,505)	(3,765)
Relating to the revaluation of tangible assets of companies consolidated under the equity method	(132)	(132)
	127,385	92,400
	(351,920)	(278,738)

Deferred taxes were calculated based on current legislation and reflect the best estimate of the impact of realization of potential capital gains or losses included in the revaluation reserves.

The revaluation reserves cannot be used to pay dividends or to increase capital.

During 1998, under Decree-Law nº 31/98, of February 11, 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 recognized in revaluation reserves. The net amount resulting from the revaluation may only be used for capital increases or to offset losses through the use (amortization) or sale of the assets it relates to.

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

At June 30, 2015 and December 31, 2014, the caption “Other reserves and retained earnings” was made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Legal reserve	259,554	246,107
Other reserves		
Reserves of consolidated companies	171,645	157,336
Reserves of companies consolidated under the equity method	103,074	89,770
Merger reserve		
By incorporation of Totta and BSP	541,334	541,334
By incorporation of BSN	35,405	35,405
By incorporation of Totta IFIC	90,520	90,520
Other	475	284
	942,453	914,649
Retained earnings	401,803	373,840
	1,603,810	1,534,596

Legal reserve

In accordance with the provisions of Decree Law nº 298/92, of December 31, amended by Decree Law nº 201/2002, of September 26, BST set up a legal 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 portion of the annual net income on a stand-alone basis is transferred to this reserve each year until the aforementioned amount is reached.

This reserve may only be used to offset accumulated losses or to increase share capital.

Merger reserve

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

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

27. CONSOLIDATED NET INCOME FOR THE PERIOD

The consolidated net income for the first semester of 2015 and 2014 may be summarized as follows:

	30-06-2015		30-06-2014 (pro forma)	
	Net income for the period	Contribution to the consolidated net income	Net income for the period	Contribution to the consolidated net income
Net income of BST (individual basis)	86,193	86,193	74,624	74,624
Net income of the other Group companies:				
BST International Bank, Inc.	12,848	12,848	9,939	9,939
Partang, SGPS, S.A.	17,277	8,466	11,818	5,791
Banco Caixa Geral Totta de Angola, S.A.	33,756	8,436	23,226	5,804
Totta & Açores, Financing, Ltd	6,216	6,216	6,180	6,180
Santotta - Internacional, SGPS, S.A.	(22)	(22)	40	40
Unicre, Instituição Financeira de Crédito, S.A.	6,810	1,464	5,232	1,125
Santander Multiobrigações - Fundo de Investimento Mobiliário Aberto de Obrigações de Taxa Variável	(2,167)	(1,398)	4,692	3,028
Totta Urbe, Empresa de Administração e Construções, S.A.	1,101	1,101	332	332
Totta Ireland, Plc. (1)	10,377	10,377	16,478	16,478
Serfin International Bank & Trust	118	118	133	133
Totta & Açores, Inc. - Newark	(4)	(4)	28	28
Taxagest, S.A.	17	17	119	118
Santander Gestão de Activos, SGPS, S.A.	-	-	11	11
Novimovest - Fundo de Investimento Imobiliário Aberto	(119)	(93)	(17,784)	(13,476)
	86,208	47,526	60,444	35,531
Elimination of dividends:				
Totta Ireland, Plc.		(13,800)		(24,600)
Unicre, Instituição Financeira de Crédito, S.A.		(1,436)		(1,161)
Santander Gestão de Activos, SGPS, S.A.		-		(7,763)
Banco Caixa Geral Totta de Angola, S.A.		(8,601)		(7,543)
		(23,837)		(41,067)
Elimination of the equity method application by Partang in the participation held in BCGTA		1,173		429
Gains on the repurchase by the Group of bonds issued associated with securitization operations (Note 38)		-		-
Adjustments related with securitization operations		138		10,000
Gains on the sale of Santander Gestão de Activos, SGPS, S.A.		(8,370)		-
Other		(171)		(1,677)
Consolidated net income for the period		102,652		77,840

(1) The amount reflected corresponds to the net result for the period comprised between December 1 to June 30, as this entity closes its financial year on November 30, minus the net result for the month of December 2014 and 2013, which amounted to tEuros 945 and tEuros 2,732, respectively.

Basic earnings per share are computed by dividing the net profit attributable to the shareholders of the Bank by the weighted average number of ordinary shares outstanding during the semester.

	30-06-2015	30-06-2014 (pro forma)
Consolidated net profit attributable to the shareholders of BST	102,652	77,840
Weighted average number of ordinary shares issued	656,723,284	656,723,284
Weighted average number of own shares	14,864,617	14,842,742
Weighted average number of ordinary shares outstanding	641,858,667	641,880,542
Basic earnings per share attributable to the shareholders of BST (in Euros)	0.16	0.12

Basic earnings per share are equivalent to the diluted ones since no contingently issuable ordinary shares, namely through options, warrants or other equivalent financial instruments exist at the balance sheet date.

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

28. NON-CONTROLLING INTERESTS

Third parties participations in Group's companies at June 30, 2015 and December 31, 2014 have the following detail by entity:

	30-06-2015		31-12-2014 (pro forma)	
	Balance sheet	Income statement	Balance sheet	Income statement
Preference shares of BST International Bank, Inc.	321,745	-	296,516	-
Preference shares of TAF	300,000	-	300,000	-
Taxagest	557	-	557	-
Dividends received in advance	(7,145)	-	(1,515)	-
Other	118	-	119	6
	615,275	-	595,677	6

On June 30, 2006 BST International Bank, Inc (BST Puerto 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.. BST Puerto Rico 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, from June 30, 2016 at 100,000 USD per share plus the amount of the dividend accrued monthly since the last payment made.

On June 29, 2005 TAF issued 300,000 non-voting preference shares of 1,000 Euros each, fully subscribed and paid up by Banco Santander, S.A.. TAF 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.

The above-mentioned issues were recorded as equity in accordance with IAS 32. Under this Standard, the preference shares issued are recorded as equity if:

- The Issuer does not have a contractual liability to deliver cash or other financial asset to the holders of the financial instruments; and

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

At June 30, 2015 and December 31, 2014, the main financial data of BST International Bank, Inc. (BST Puerto Rico) and of Totta & Açores Financing (TAF), was as follows:

	30-06-2015		31-12-2014	
	BST Puerto Rico (*)	TAF	BST Puerto Rico (*)	TAF
Balance sheet				
Cash and deposits at central banks	-	99	-	11,792
Balances due from other banks	530,805	297,750	570,598	297,750
Loans and advances to customers	-	-	1	-
Other assets	8	2,250	1,437	2,250
	530,813	300,099	572,036	311,792
Resources of other credit institutions	36,659	-	27,977	-
Resources of customers and other debts	105,283	-	145,653	-
Other liabilities	1,661	-	1,900	-
	143,603	-	175,530	-
Shareholders' equity (excluding net income)	372,890	293,883	368,719	299,432
Net income for the period/year	14,320	6,216	27,787	12,360
	530,813	300,099	572,036	311,792
Statement of income				
Net interest income	14,546	6,591	28,358	13,110
Operating income	14,517	6,704	28,176	13,335
Income before tax	14,320	6,216	27,787	12,360
Net income for the period/year	14,320	6,216	27,787	12,360

(*) Amounts expressed in thousands of United States Dollars.

29. OFF-BALANCE SHEET ITEMS

Off-balance sheet items are made up as follows:

	30-06-2015	31-12-2014 (pro forma)
Guarantees given and other contingent liabilities		
Guarantees and sureties	1,079,617	1,084,029
Documentary credits	231,677	216,516
Assets pledged as guarantee		
Bank of Portugal	143,059	143,700
Deposit Guarantee Fund	74,558	75,300
Investor Indemnity System	5,735	5,792
Other contingent liabilities	6	6
	1,534,652	1,525,343
Commitments		
Credit lines		
Revocable	4,012,306	4,205,060
Irrevocable	597,060	417,809
Deposit Guarantee Fund	54,092	54,092
Investor Indemnity System	3,861	4,139
Other revocable commitments	215	216
	4,667,534	4,681,316
Liabilities for services rendered		
Deposit and custodial services	20,442,611	57,931,149
Amounts received for collection	113,319	125,186
Assets managed by the Bank		
Other values	6	7
	20,555,936	58,056,342

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 through the delivery of cash and deposit securities, and was amortized over 60 months as from January 1995. Except for the situation referred in the following paragraph, regular annual contributions to the Fund are recorded as an expense in the year to which they relate.

In 2011, as allowed by the Bank of Portugal, the Bank paid 90% of the annual contribution to the Fund, in the amount of tEuros 3,918. In that year, the Bank also accepted an irrevocable commitment to the Deposit Guarantee Fund to pay the remaining 10% of the annual contribution if and when required to do so. The total accumulated unpaid amount of this commitment as of June 30, 2015 and December 31, 2014 amounted to tEuros 54,092. Assets pledged as guarantee to the Bank of Portugal are recorded in off-balance sheet accounts at market value. In accordance with the Instruction nº 23/2013, of Bank of Portugal, the contribution rate applicable to all institutions participating in the Deposit Guarantee Fund, during 2014, was 0.03% over the average value of the eligible deposits' monthly balances of the previous year, with a minimum contribution threshold of Euros 17,500. For 2015, the Instruction nº 32/2014, of Bank of Portugal, established a base contribution rate of 0.005%, with a minimum contribution threshold of Euros 4,000. In the first semester of 2015 and 2014, the Bank paid and registered the full amount of the annual contribution amounting to tEuros 728 and tEuros 4,222, respectively (Note 39).

Investor Indemnity System (SII)

The liability towards the Investor Indemnity System is not recorded as a cost but is guaranteed by the acceptance of an irrevocable commitment to pay that liability, if required to do so, being part (50%) of the commitment guaranteed by a pledge of Portuguese Treasury Bonds. At June 30, 2015 and December 31, 2014, that liability amounted to tEuros 3,861 and tEuros 4,139, respectively.

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

30. INTEREST AND SIMILAR INCOME

This caption is made up as follows:

	30-06-2015	30-06-2014 (pro forma)
Interest on cash and deposits		
In Central Banks		
In the Bank of Portugal	33	167
In credit institutions	28	7
Interest on applications		
In domestic credit institutions		
In the European Central Bank	-	1
In other credit institutions	1,967	2,541
In foreign credit institutions	19,044	18,296
Interest on loans and advances to customers		
Domestic loans	249,091	285,151
Foreign loans	6,111	7,964
Other loans and receivables (commercial paper)	29,388	33,365
Income from commissions received associated to amortized cost	17,090	16,433
Interest from securitized assets not derecognized	11,654	17,642
Interest on overdue loans (Note 48)	4,923	3,360
Interest and similar income on other financial assets		
Financial assets held for trading	1,866	4,919
Available for sale financial assets	85,129	105,276
Financial assets at fair value through profit or loss	-	316
Hedging derivatives	100,451	108,283
Debtors and other applications	117	-
Other interest and similar income		
Swap agreements	13,141	16,716
Other	765	871
	540,798	621,308

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

31. INTEREST AND SIMILAR CHARGES

This caption is made up as follows:

	30-06-2015	30-06-2014 (pro forma)
Interest on customers' deposits		
Public sector	201	1,077
Emigrants	5,356	6,906
Other-residents	111,888	152,300
Non-residents	6,518	9,802
	123,963	170,085
Interest on resources of Central Banks		
Bank of Portugal	1,585	10,557
Interest on resources of credit institutions		
Domestic	130	964
Foreign	12,067	20,094
Interest on debt securities issued		
Bonds	33,096	24,060
EMTN	105	139
Interest on hedging derivatives	71,877	109,172
Interest and commissions on other subordinated liabilities	86	46
Commissions paid associated with amortized cost of credit	12	-
Other interest and similar charges		
Swap agreements	15,316	18,152
Other	-	1,765
	134,274	184,949
	258,237	355,034

32. INCOME FROM EQUITY INSTRUMENTS

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

	30-06-2015	30-06-2014 (pro forma)
Available-for-sale financial assets:		
SIBS – Sociedade Interbancária de Serviços, S.A.	1,090	1,090
Unicampus	43	-
Other	1	48
	1,134	1,138

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

33. INCOME FROM SERVICES AND COMMISSIONS

This caption is made up as follows:

	30-06-2015	30-06-2014 (pro forma)
On guarantees given		
Guarantees and sureties	7,053	7,882
Documentary credits	1,631	2,017
On commitments to third parties		
Revocable	658	1,845
Irrevocable	984	972
On services rendered		
Card transactions	30,612	29,123
Credit operations	16,313	16,069
Real estate and mutual fund management	10,383	8,491
Annuities	7,633	7,783
Asset management and collection	4,119	4,601
Other	3,344	4,550
On operations carried out on behalf of third parties		
On securities	12,246	15,536
Other	118	156
Other commission received		
Insurance companies (Note 43)	44,854	45,840
Demand deposits	13,569	13,004
Cheques	4,139	3,910
Other	7,151	3,299
	164,807	165,078

34. CHARGES WITH SERVICES AND COMMISSIONS

This caption is made up as follows:

	30-06-2015	30-06-2014 (pro forma)
On banking services rendered by third parties		
Customer transactions	15,786	13,143
Credit operations	6,839	6,966
Funds for collection and management	777	1,250
Other	4,406	4,279
On operations carried out by third parties		
Securities	795	1,243
Other	524	516
Other commission paid	376	1,059
	29,503	28,456

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

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

These captions are made up as follows:

	30-06-2015	30-06-2014 (pro forma)
Financial assets held for trading:		
Debt instruments	(1,698)	4,415
Equity instruments	35	(167)
Derivative instruments:		
. Swaps:		
Currency swaps	(58)	(46)
Interest rate swaps	(5,282)	(112,608)
Equity swaps	31	131
Other	(279)	(4,000)
. Futures:		
Contracts on prices	19	3
. Options:		
Exchange rate contracts	101	85
Contracts on prices	-	(56)
Other	9	39
. Interest rate guarantee contracts	16	326
	(7,106)	(111,878)
Hedging derivatives:		
Swaps		
. Interest rate swaps	24,166	63,102
. Equity swaps	(826)	(225)
. "Auto-callable" options	(1,722)	2,173
Value adjustments of hedged assets and liabilities	(21,425)	(64,903)
	193	147
	(6,913)	(111,731)

At June 30, 2014, the balance of the caption “Financial assets held for trading - Derivative instruments: Swaps: Interest rate swaps” included tEuros 115,376 related to the cancellation of the positive valuation of some hedged items as a consequence of the sale of a group of securities (Note 36) for which hedge accounting had been applied.

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

36. RESULT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

This caption is made up as follows:

	30-06-2015			31-06-2014 (pro forma)		
	Gains	Losses	Net	Gains	Losses	Net
Debt instruments						
Issued by residents						
National public issuers	17,776	-	17,776	88,415	-	88,415
Other	2,780	-	2,780	-	-	-
Issued by non-residents						
Foreign public issuers	-	-	-	96,733	-	96,733
Equity instruments						
Value at fair value	47	-	47	58	-	58
Valued at cost	14	(30)	(16)	39	(1)	38
	20,617	(30)	20,587	185,245	(1)	185,244

At June 30, 2015, the gains recorded under the caption "Result of available-for-sale financial assets" were mainly justified by the sale of Portuguese and Spanish Treasury Bonds.

At June 30, 2014, the gains recorded under the caption "Result of available-for-sale financial assets" were mainly justified by the sale of Portuguese and Spanish Treasury Bonds.

37. RESULT OF FOREIGN EXCHANGE REVALUATION

This caption is made up as follows:

	30-06-2015	30-06-2014 (pro forma)
Gains on the revaluation of the foreign exchange position	72,940	18,699
Losses on the revaluation of the foreign exchange position	(68,321)	(16,470)
	---------	-------
	4,619	2,229
	====	====

38. RESULT FROM THE SALE OF OTHER ASSETS

This caption is made up as follows:

	30-06-2015	30-06-2014 (pro forma)
Gains on the repurchase of bonds issued associated with securitization operations (Note 21)	4,489	3,067
Gains on tangible assets	2,532	2,100
Gains on non-current assets held for sale	3,075	1,575
Gains on the sale of loans and advances to customers	56	-
Other	774	63
	---------	--------
	10,926	6,805
	---------	--------

	30-06-2015	30-06-2014 (pro forma)
Losses on non-current assets held for sale	(690)	(780)
Losses on tangible assets	(2,990)	(152)
Losses on the sale of loans and advances to customers	(11)	-
Other	(74)	(1,725)
	--------	-------
	(3,765)	(2,657)
	-------	-------
	7,161	4,148
	====	====

39. OTHER OPERATING RESULTS

This caption is made up as follows:

	30-06-2015	30-06-2014 (pro forma)
Other operating income		
Rents received	9,325	10,354
Rents of automatic payment terminals	6,938	7,113
Unrealized gains on investment properties (Note 13)	6,801	6,088
Losses associated with the participating units of Novimovest Fund held by non-controlling interests	26	4,308
Income from sundry services rendered	2,052	2,065
Reimbursement of expenses	1,214	1,368
Other	1,200	1,352
	---------	---------
	27,556	32,648
	---------	---------
Other operating expenses		
Unrealized losses on investment properties (Note 13)	(8,610)	(26,426)
Charges related to transactions made by customers	(3,272)	(4,430)
Subscriptions and donations	(3,095)	(2,660)
Expenses with automatic teller machines	(1,950)	(2,377)
Contributions to the Deposit Guarantee Fund (Note 29)	(728)	(4,222)
Contributions to the Resolution Fund	(2,356)	(2,528)
Other taxation		
Direct	(764)	(592)
Indirect	(598)	(641)
Other charges and operating expenses	(4,566)	(6,544)
	---------	---------
	(25,939)	(50,420)
	---------	---------
	1,617	(17,772)
	=====	======

In the semesters ended June 30, 2015 and 2014, the caption "Rents received" includes the amounts of tEuros 9,180 and tEuros 10,154, respectively, related to the income earned by Novimovest Fund.

The Decree-Law nº 24/2013 of February 19, established the contributions regime of the banks to the new Resolution Fund created with the purpose of prevention, mitigation and containment of systemic risk. According to the Notice nº 1/2013 and the Instructions nº 6/2013 and 7/2013 of the Bank of Portugal, the Bank should pay a regular contribution to the Resolution Fund.

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

40. STAFF COSTS

This caption is made up as follows:

	30-06-2015	30-06-2014 (pro forma)
Remuneration		
Management and supervisory boards (Note 46)	1,786	1,719
Employees	92,026	91,429
Stock option plans (Note 47)	310	453
Other variable remuneration	12,370	12,843
	106,492	106,444
Mandatory social charges		
Charges on remuneration	25,393	25,076
Charges with pensions and other benefits (Note 44)	1,179	995
Other mandatory social charges	398	385
	26,970	26,456
Other staff costs		
Staff transfers	339	320
Supplementary retirement plan (Note 44)	291	291
Other	1,982	1,916
	2,612	2,527
	136,074	135,427

During the first semester of 2015 and 2014, the Bank did not record any cost with early retirements as it used part of the provisions recorded for that purpose (Note 22).

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

41. GENERAL ADMINISTRATIVE COSTS

This caption is made up as follows:

	30-06-2015	30-06-2014 (pro forma)
Maintenance of software and hardware	21,670	18,048
Specialized services	24,275	20,526
Communications	5,564	5,947
Advertising and publishing	5,386	5,242
Rent and leases	4,754	5,086
External supplies		
Water, electricity and fuel	3,801	3,796
Current consumable material	867	985
Other	134	98
Travel, lodging and representation expenses	2,301	2,135
Maintenance and repairs	1,950	1,858
Transportation	1,221	1,108
Staff training	847	736
Insurance	584	570
Other	2,510	2,677
	75,864	68,812

42. RESULTS FROM ASSOCIATES

This caption is made up as follows:

	30-06-2015	30-06-2014 (pro forma)
Partang, SGPS, S.A.	8,923	5,882
Unicre - Instituição Financeira de Crédito, S.A.	28	1,125
Benim - Sociedade Imobiliária, S.A.	-	(64)
	8,951	6,943

Partang SGPS, S.A. is held by the Bank in 49% and holds 51% of the share capital of Banco Caixa Geral Totta de Angola, S.A.. On May 29, 2015, the Bank exercised the put option to sell its participation in Partang to CGD (49% of the share capital held directly and indirectly).

43. INSURANCE BROKERAGE SERVICES RENDERED

Income from the insurance brokerage services rendered refers mainly to the commissions charged or to be charged to Santander Totta Seguros - Companhia de Seguros de Vida S.A. for the commercialization of its products, and is made up as follows:

	30-06-2015			30-06-2014 (pro forma)		
	Life Insurance	Non-Life Insurance	Total (Note 33)	Life Insurance	Non-Life Insurance	Total (Note 33)
Santander Totta Seguros	38,706	124	38,830	39,870	89	39,959
Liberty Seguros	-	5,607	5,607	-	5,259	5,259
Other	-	417	417	-	622	622
	38,706	6,148	44,854	39,870	5,970	45,840

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

At June 30, 2015 and December 31, 2014, the caption “Other assets – Income receivable” (Note 17) included commission’s receivable from insurance companies, as follows:

	30-06-2015	31-12-2014 (pro forma)
Santander Totta Seguros	17,963	20,128
Other	949	918
	---------	----------
	18,912	21,046
	=====	=====

These amounts refer essentially to the commissions earned on insurance premiums sold and not invoiced during the second quarter of 2015 and the last quarter of 2014, respectively.

44. 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 (Portugal) Unipessoal Limitada. The present value of the past service liability and the corresponding current service cost were determined based on the Projected Unit Credit method.

The liabilities of BST with retirement pensions, healthcare benefits and death subsidy at June 30, 2015 and in the four previous years, as well as the respective coverage, are as follows:

	30-06-2015	31-12-2014	31-12-2013	31-12-2012	31-12-2011
Estimated past service liability					
- Pensions					
. Current employees	308,361	308,223	282,028	251,252	210,669
. Pensioners	26,005	26,343	22,891	21,002	18,455
. Retired and early retired staff	409,226	415,679	399,434	388,656	387,608
	743,592	750,245	704,353	660,910	616,732
- Healthcare benefits (SAMS)	152,008	151,903	137,970	129,267	117,422
- Death subsidy	5,661	5,543	4,562	4,331	16,973
	901,261	907,691	846,885	794,508	751,127
Coverage of the liability					
- Net assets of the Fund	909,321	910,580	840,543	784,937	758,244
Amount overfunded / (underfunded)	8,060	2,889	(6,342)	(9,571)	7,117
Actuarial and financial deviations generated in the year					
- Changes in assumptions	-	37,912	42,565	73,518	(103,831)
- Experience adjustments					
. Other actuarial (gains) / losses	(1,705)	6,580	(1,775)	(25,383)	(23,708)
. Financial (gains) / losses	10,203	1,111	(3,115)	(15,796)	339,627
	8,498	7,691	(4,890)	(41,179)	315,919
	8,498	45,603	37,675	32,339	212,088

The increase in the responsibilities in 2014 was mainly explained by the decrease in the discount rate used to calculate the responsibilities for past services.

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

In 2011, 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 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 covering such liabilities were also transferred to the Social Security. Following Decree Law n. 127/2011, dated December 31, the amount of the pension liabilities transferred to the Social Security 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 amounted to tEuros 456,111 and were determined based on the assumptions described above.

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

The difference between the liabilities transferred to the Social Security calculated using the assumptions set out in Decree Law nº 127/2011, dated December 31 (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 the liabilities immediately before the transfer to the Social Security were the following:

	Current Employee's	Retired Employee's
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 referred assumptions amounted to tEuros 1,186,387 of which tEuros 435,260 corresponded to the liabilities transferred to the Social Security, as mentioned above.

The main assumptions used by the Bank for determining its liabilities with pensions as of June 30, 2015 and December 31, 2014 were as follows:

Mortality table	TV 88/90
Pension fund return rate	2.50%
Actuarial technical rate (discount rate)	
- Current employees	2.50%
- Retired employees	2.50%
Salary growth rate for 2015	0.50%
Salary growth rate for 2016	0.75%
Salary growth rate after 2016	1.00%
Pension growth rate for 2015 and 2016	0.00%
Pension growth rate after 2016	0.75%
Inflation rate	0.75%

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

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 that ACT, the following assumptions were used at June 30, 2015 and December 31, 2014:

Salary growth rate to calculate the deductible pension:	
. For 2015	0.50%
. For 2016	0.75%
. After 2016	1.00%
Inflation (nº 1 of Article 27)	1.75%
Inflation (nº 2 of Article 27)	2.00%
Sustainability factor accumulated until 2014	Reduction of 4.78%
Sustainability factor accumulated until 2013	Reduction of 4.78%
Sustainability factor accumulated until 2012	Reduction of 3.92%
Sustainability factor accumulated until 2011	Reduction of 3.14%
Future sustainability factor	Reduction of 0.5% per year

On the other hand, Decree-Law nº 167-E/2013, of December 31, changed the retirement age for the general Social Security regime to 66 years old. Nevertheless, the sustainability factor charge will not apply to the pensioners who retire with that age.

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

The economic environment and the sovereign debt crisis in Southern Europe have brought volatility and disruption to the debt market in the Euro Zone, with a consequent abrupt reduction in the market yields of 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, at June 30, 2015 and December 31, 2014 the Bank incorporated in the determination of the discount rate information regarding interest rates that is possible to obtain from Euro denominated bonds, including public debt, which it had considered to be of high quality in terms of credit risk.

Changes in the past service liabilities for the semester ended June 30, 2015 and for 2014 may be detailed as follows, with regard to the Bank's pension plan:

	30-06-2015	31-12-2014 (pro forma)
Liabilities at the beginning of the period/year	907,691	846,885
Current service cost	959	1,783
Interest cost	10,869	30,942
Actuarial (gains)/losses	1,705	44,492
Early retirement	2,368	19,790
Amounts paid	(23,513)	(38,532)
Contributions of employees	1,182	2,331
Liabilities at the end of the period/year	901,261	907,691

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

The cost of the period/year relating to pensions includes the current service cost and the interest cost, deducted from the estimated return from the Pension Fund' assets. In the semesters ended June 30, 2015 and 2014, pension costs were made up as follows (Note 40):

	30-06-2015	30-06-2014 (pro forma)
Current service cost	959	892
Interest cost	10,869	15,471
Return on assets calculated with the discount rate	(10,869)	(15,471)
	---------	---------
Defined benefits plan	959	892
Defined contribution plan	26	22
London Branch plan	194	81
	-------	-------
	1,179	995
	====	====

As from January 1, 2009, employees hired by BST are 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. That plan is supported by contributions of the employees (1.5%) and from BST (1.5%) taking in consideration the amount of the effective monthly salary. For this purpose, each employee may choose the Pension Fund to which BST transfers its contribution.

Changes occurred in actuarial gains and losses in the first semester of 2015 and in 2014 were as follows:

Balance at December 31, 2013	621,069

Actuarial losses on pensions generated in 2014	31,163
Financial losses on pensions generated in 2014	896
Actuarial losses on healthcare benefits and death subsidy in 2014	13,329
Financial losses on healthcare benefits and death subsidy in 2014	215

Balance at December 31, 2014 (pro forma) (Note 26)	666,672

Actuarial losses on pensions generated in 2015	1,259
Financial gains on pensions generated in 2015	(8,592)
Actuarial losses on healthcare benefits and death subsidy in 2015	446
Financial gains on healthcare benefits and death subsidy in 2015	(1,611)

Balance at June 30, 2015 (Note 26)	658,174
	======

The effective salary growth in the first semester of 2015 and in 2014 for purposes of the contributions to the Social Security relating to the employees of the former Totta was 1.15% and 1.02% respectively.

There was no effective increase in the pensions and in the salary table in the first semester of 2015 and 2014.

In 2015, BST estimates to make a contribution of tEuros 3,049 to its defined benefit plan.

The average duration of BST's pension liability with employees is 17 years, including current and retired ones.

(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. At June 30, 2015 and December 31, 2014, the number of participants of the Fund was as follows:

	30-06-2015	31-12-2014 (pro forma)
Current employees (1)	5,238	5,262
Pensioners	1,045	1,031
Retired and early retired staff	5,349	5,373
	11,632	11,666

(1) Of whom 205 and 195 employees are included in the new defined contribution plan as of June 30, 2015 and December 31, 2014, respectively.

The main demographic changes occurred in the first semester of 2015 and in 2014, were the following:

	Current employees			
	Defined Contribution Plan	Defined Benefit Plan	Retired and early retired staff	Pensioners
Total number at December 31, 2013	181	5,228	5,339	996
Exits:				
. Current employees	(11)	(45)	-	-
. By death	-	-	(94)	(31)
Transfers	-	(120)	120	-
Entries	25	4	8	66
Total number at December 31, 2014 (pro forma)	195	5,067	5,373	1,031
Exits:				
. Current employees	(9)	(13)	-	-
. By death	-	-	(53)	(20)
Transfers	-	(25)	25	-
Entries	19	4	4	34
Total number at June 30, 2015	205	5,033	5,349	1,045

Changes occurred in BST's Pension Fund during the first semester of 2015 and during 2014 were the following:

Net assets at December 31, 2013	840,543
Contributions made by the Bank (cash)	76,410
Contributions made by employees	2,331
Net return of the Fund:	
Return on assets calculated with the discount rate	30,942
Fund performance below the discount rate	(1,114)
Pensions paid	(38,532)
Net assets at December 31, 2014 (pro forma)	910,580
Contributions made by employees	1,182
Net return of the Fund:	
Return on assets calculated with the discount rate	10,869
Fund performance above the discount rate	10,203
Pensions paid	(23,513)
Net assets at June 30, 2015	909,321

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

The return rates of the Pension Fund in the first semester of 2015 and in 2014 were 4.66% and 3.55%, respectively.

The investment and allocation policy of BST’s Pension Fund defines that its portfolio should take in consideration adequate levels of safety, profitability and liquidity, through a diverse set of investments, including stocks, bonds, other debt instruments, participations in collective investment institutions, bank deposits and other assets of a monetary nature as well as land and buildings recorded in the real estate property registry.

Furthermore, that policy is guided by risk diversification and profitability criteria, having the manager of the Fund the choice to adopt a more or less conservative policy, by increasing or decreasing the exposure to shares or bonds, according to its expectations about the market developments and in accordance with the defined investment limits.

The current investment policy of BST´s Pension Fund defines the following limits:

Classes of assets	Limits
Bonds	40% to 95%
Real Estate	0% to 25%
Shares	0% to 20%
Liquidity	0% to 15%
Others	0% to 10%
Commodities	0% to 5%

At June 30, 2015 and December 31, 2014, BST’s Pension Fund breakdown was as follows:

	30-06-2015	31-12-2014 (pro forma)
Debt instruments		
. Rating A	7,813	1,110
. Rating BBB	167,385	106,271
. Rating BB	211,663	170,057
. Rating B	22,125	-
. Without rating attributed either to the issue or the issuer	17,450	85,396
Real estate investment funds	193,554	192,145
Securities investment funds	177,581	157,337
Deposits	15,863	94,420
Real Estate:		
. Retail buildings	53,031	54,708
. Land	860	860
Equity instruments:		
. Portuguese listed companies	3,077	3,588
. Portuguese unlisted companies	152	152
. Foreign listed companies	42,059	41,927
Derivative financial instruments		
. Listed options	324	(790)
Others	(3,616)	3,399
	909,321	910,580

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

At June 30, 2015 and December 31, 2014, the methodology adopted by the Management Company of BST´s Pension Fund to determine the fair value of the Pension Fund's assets and liabilities, considering IFRS 13 (Note 48), was as follows:

	31-06-2015				31-12-2014 (pro forma)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt instruments	401,250	12,390	12,796	426,436	327,908	13,829	21,097	362,834
Investment funds	155,912	-	215,223	371,135	144,334	2	205,146	349,482
Equity instruments	45,136	-	152	45,288	45,515	-	152	45,667
Derivative financial instruments	324	-	-	324	(790)	-	-	(790)
Real estate	-	-	53,891	53,891	-	-	55,568	55,568
	602,622	12,390	282,062	897,074	516,967	13,831	281,963	812,761

At June 30, 2015 and December 31, 2014, the portfolio of the Pension Fund included the following assets of Santander Group companies in Portugal:

	30-06-2015	31-12-2014 (pro forma)
Leased property	16,483	16,509
Securities (including participating units in Funds managed by the Group)	182,025	184,108
	-----------	-----------
	198,508	200,617
	======	======

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 a new supplementary retirement plan granted to the Bank's executives. The initial contribution to the new plan amounted to tEuros 4,430. In 2014, the premium paid by the Bank amounted to tEuros 583 and the accrued amount on June 30, 2015 arise to tEuros 291 (Note 40).

This plan covers the possibilities of retirement, death and absolute permanent incapacity for regular work or due to disablement.

For all the possibilities, the instalments to be received by the beneficiaries will correspond to the accumulated balance of the supplementary plan on the date that these occur. In the event of death of the beneficiary that amount will be increased by 6,000 Euros.

At June 30, 2015 and December 31, 2014, 113 executives were covered by this plan.

Defined benefit pension plan – London branch

At June 30, 2015 and December 31, 2014, the main assumptions used in the calculation of the liabilities with retirement pensions relating to the pension plan that was attributed to the employees of the London branch of BST were the following:

	30-06-2015	31-12-2014 (pro forma)
Mortality table	AMC00/AFC00	AMC00/AFC00
Actuarial technical rate (discount rate)	3.80%	3.60%
Salary growth rate	3.50%	3.40%
Pension growth rate	2.10%	2.00%
Inflation rate	2.50%	2.40%

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

At June 30, 2015 and December 31, 2014, the liabilities with the defined benefit pension plan of the London branch of BST and its coverage were as follows:

	30-06-2015	31-12-2014 (pro forma)
Estimated liabilities for past services	45,731	42,855
Net assets of the Pension Fund	41,394	38,223
Non-financed amount – London branch	(4,337)	(4,632)

In relation to the specific pension plan of the London branch of BST, the changes in the past service liabilities in the semester ended June 30, 2015 and in 2014 may be presented as follows:

Liabilities at December 31, 2013	35,037
Current service cost	168
Interest cost	1,712
Actuarial losses	4,622
Amounts paid	(1,139)
Foreign exchange fluctuations	2,455
Liabilities at December 31, 2014 (pro forma)	42,855
Current service cost	104
Interest cost	834
Actuarial gains	(1,680)
Amounts paid	(448)
Foreign exchange fluctuations	4,066
Liabilities at June 30, 2015	45,731

Changes in the Pension Fund of the London branch of BST during the semester ended June 30, 2015 and during 2014 were as follows:

Net assets at December 31, 2013	30,720
Net return of the fund	3,690
Contribution made by the branch	2,790
Pensions paid	(1,139)
Foreign exchange fluctuations	2,162
Net assets at December 31, 2014 (pro forma)	38,223
Net return of the fund	(84)
Contribution made by the branch	76
Pensions paid	(448)
Foreign exchange fluctuations	3,627
Net assets at June 30, 2015	41,394

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

The costs with the defined benefit pension plan of BST's London branch in the semesters ended June 30, 2015 and 2014 were as follows:

	30-06-2015	30-06-2014 (pro forma)
Current service cost	104	81
Interest cost	834	813
Return on assets calculated with the discount rate	(744)	(813)
	194	81

The changes and the detail of the actuarial gains and losses of BST's London branch in the first semester of 2015 and in 2014 were as follows:

Balance at December 31, 2013	6,076
Actuarial losses on pensions in 2014	4,622
Financial gains on pensions in 2014	(2,131)
Foreign exchange fluctuations	300
Balance at December 31, 2014 (pro forma) (Note 26)	8,867
Actuarial gains on pensions in 2015	(1,680)
Financial losses on pensions in 2015	827
Foreign exchange fluctuations	439
Balance at June 30, 2015 (Note 26)	8,453

At June 30, 2015 and December 31, 2014, the BST's London branch Pension Fund portfolio included the following assets:

	30-06-2015	31-12-2014 (pro forma)
Debt instruments	35,329	32,564
Equity instruments	5,994	5,582
Deposits	71	77
Fund's net asset value	41,394	38,223

At June 30, 2015 and December 31, 2014, the balances associated with the pension plans can be detailed as follows:

	30-06-2015	31-12-2014 (pro forma)
Excess funding (defined benefit plan)	8,060	2,889
Insufficient funding (London branch)	(4,337)	(4,632)
Total (Notes 17 and 25)	3,723	(1,743)

The liabilities with defined benefit pension plans exposes the Bank to the following risks:

- Investment risk – the discounted value of the liabilities is calculated based on a discount rate determined by reference to bonds denominated in Euros with high quality in terms of credit risk; if the profitability of the Pension Fund is lower than the discount rate, it will create a shortfall in the funding of the liabilities.

- Interest rate risk – a decrease in the bonds interest rate will increase pension liabilities; however, it will be partially offset by an increase in the profitability of the Pension Fund.

- Longevity risk – the discounted value of the liabilities is calculated considering the best estimate of the expected mortality of the participants before and after the date of retirement. An increase in life expectancy of plan participants will increase pension liabilities.

- Salary risk – the discounted value of the liabilities is calculated based in an assumption of the estimated future salaries of the participants. Thus, an increase in participant´s salaries will increase pension liabilities.

45. SECURITIZATION OPERATIONS

Description of the operations

Between July 2003 and February 2011, BST securitized part of its mortgage loan portfolio, 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 last securitization operations (Hipototta nº 11 and Hipototta nº 12), for which the credits were sold to Tagus – Sociedade de Titularização de Créditos, S.A. (Tagus).

In April 2009, the former Totta IFIC securitized part of its leasing and long-term rental portfolio 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 a securitization operation performed at November 2008. The initial amount of the loans sold amounted to tEuros 1,550,000. The liquidation occurred after a “Mortgage Retransfer Agreement”, under which the Bank repurchased the previously securitized loans for tEuros 1,462,000.

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

In January and February 2011, BST entered into “Mortgage Retransfer Agreements” with Hipototta nº 2 PLC, Hipototta nº 3 PLC and Hipototta nº 10 Ltd. under which it repurchased the loans previously securitized, 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 been redeemed at their nominal value.

In March 2011, BST securitized part of its portfolio of commercial paper and loans granted to companies through an operation denominated BST SME nº 1, with a total initial amount of tEuros 2,000,000. Additionally, in June 2011 the Bank proceeded to the securitization of part of its consumer credit portfolio through an operation denominated 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 repurchased the credits initially securitized for tEuros 1,792,480.

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

In October 2011, BST liquidated Hipototta nº 8. The liquidation occurred after a "Mortgage Retransfer Agreement", under which the Bank repurchased the previously securitized loans for tEuros 907,828.

In May and June 2012, BST entered into "Mortgage Retransfer Agreements" with Hipototta nº 11 and Hipototta nº 12. Under these agreements, BST repurchased the previously securitized loans for tEuros 1,719,660 and tEuros 1,197,009, respectively, and the Notes held in its securities portfolio related to these securitizations have been redeemed at their nominal value.

In August 2012, BST liquidated Totta Consumer nº 1. This liquidation occurred after a "Consumer Receivables Retransfer Agreement", under which the Bank repurchased the loans initially securitized for tEuros 626,373.

In May 2013, BST liquidated Hipototta nº 7. The liquidation occurred after a "Mortgage Retransfer Agreement", under which the Bank repurchased the previously securitized loans for tEuros 1,196,403.

In December 2014, BST liquidated LeaseTotta nº 1 FTC. This liquidation occurred after a "Consumer Receivables Retransfer Agreement", under which the Bank repurchased the loans initially securitized for tEuros 280,175.

The Funds Hipototta FTC 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 those loans to Hipototta Funds. Santander Group do not hold any direct or indirect participation in Navegator.

To finance these operations, Hipototta Funds issued participating units for the same amount of the loans portfolios purchased, which were fully subscribed by the Hipototta PLC Funds, which are incorporated in Ireland.

Furthermore, Hipototta Funds FTC pay all the amounts received from BST and from the Portuguese Treasury ("Direcção Geral do Tesouro") to the Hipototta PLC Funds, segregating the instalments between principal and interest.

To finance these operations, the Hipottota PLC Funds issued bonds with different levels of subordination and rating and, consequently, of return. At June 30, 2015, the bonds issued and still outstanding are as follows:

Hipototta nº 1 PLC

Issued debt	Amount Initial	Amount Current	Rating S&P	Rating Moody's	Redemption Date	Early Redemption Date	Remuneration Up to early redemption date	Remuneration After early redemption date
Class A	1,053,200	136,796	A	A1	November, 2034	August, 2012	Euribor 3 m + 0.27%	Euribor 3 m + 0.54%
Class B	32,500	8,821	BBB+	Baa1	November, 2034	August, 2012	Euribor 3 m + 0.65%	Euribor 3 m + 0.95%
Class C	14,300	3,887	BBB+	Baa3	November, 2034	August, 2012	Euribor 3 m + 1.45%	Euribor 3 m + 1.65%
	1,100,000	149,504						
Class D	17,600	11,000			November, 2034	August, 2012	Residual income of the securitized portfolio	
	1,117,600	160,504						

Hipototta nº 4 PLC

Issued debt	Amount Initial	Amount Current	Rating Fitch	Redemption date	Early redemption rate	Remuneration Up to early redemption date	Remuneration After early redemption date
Class A	2,616,040	871,982	A	December, 2048	December, 2014	Euribor 3 m + 0.12%	Euribor 3 m + 0.24%
Class B	44,240	31,724	A	December, 2048	December, 2014	Euribor 3 m + 0.19%	Euribor 3 m + 0.40%
Class C	139,720	100,188	CCC	December, 2048	December, 2014	Euribor 3 m + 0.29%	Euribor 3 m + 0.58%
	2,800,000	1,003,894					
Class D	14,000	14,000		December, 2048	December, 2014	Residual income of the securitized portfolio	
	2,814,000	1,017,894					

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

Hipototta nº 5 PLC

Issued debt	Amount		Rating		Redemption date	Early redemption date	Remuneration	
	Initial	Current	S&P	Moody's			Up to early redemption date	After early redemption date
Class A1	200,000	-			February, 2060	February, 2014	Euribor 3 m + 0.05%	Euribor 3 m + 0.10%
Class A2	1,693,000	770,096	BBB+	A1	February, 2060	February, 2014	Euribor 3 m + 0.13%	Euribor 3 m + 0.26%
Class B	26,000	26,000	BBB+	Baa3	February, 2060	February, 2014	Euribor 3 m + 0.17%	Euribor 3 m + 0.34%
Class C	24,000	24,000	BB	Ba1	February, 2060	February, 2014	Euribor 3 m + 0.24%	Euribor 3 m + 0.48%
Class D	26,000	26,000	BB	B1	February, 2060	February, 2014	Euribor 3 m + 0.50%	Euribor 3 m + 1.00%
Class E	31,000	31,000	BB-	Caa1	February, 2060	February, 2014	Euribor 3 m + 1.75%	Euribor 3 m + 3.50%
	2,000,000	877,096						
Class F	10,000	8,771	CCC-	Ca	February, 2060	February, 2014	Residual income of the securitized portfolio	
	2,010,000	885,867						

The bonds issued by Hipototta nº 1 PLC and Hipototta nº 4 PLC pay interest quarterly on March 30, June 30, September 30 and December 31 of each year. The bonds issued by Hipototta nº 5 PLC pay interest quarterly on February 28, May 30, August 31 and November 30 of each year.

BST has the option to early redeem the bonds on the above-mentioned dates. For all Hipototta, 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, all Hipototta have the option to make partial repayments of the Classes A, B and C notes, as well as the Classes D and E notes in the case of Hipototta nº 5 PLC, 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, and the Class F bonds for Hipottota nº 5 are the last liabilities to be paid.

Remuneration of these classes of bonds corresponds to the difference between the income generated by the securitized loan portfolio and the sum of all costs of the operation, namely:

- Taxation;
- Expenses and commissions calculated over the amount 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 issued, the estimated income of the securitized loans portfolios included in the calculation of the remuneration of the Class D bonds for Hipototta nº 1 PLC and nº 4 PLC corresponded to an average annual rate of 1.1% and 0.9%, respectively. For the Class F notes of Hipototta nº 5 PLC it corresponded to an annual average of 0.9% of the total credit portfolio.

When the securitization operations were issued, subordinated loans were granted by BST to Hipotottas as facilities / credit lines in case of need for liquidity by Hipotottas. There were also been signed "Swap Agreements" between the Santander Group and the first issued Hipotottas and between BST and the remaining securitization vehicles to cover the interest rate risk.

46. RELATED ENTITIES DISCLOSURES

The related entities of the Bank with which it had balances or transactions in the semester ended June 30, 2015 were the following:

Name of the related entity	Head office
Entities that directly or indirectly control the Group	
Santander Totta, SGPS, S.A.	Portugal
Santusa Holding, S.L.	Spain
Banco Santander, S.A.	Spain
Entities under direct or indirect control by the Group	
Totta & Açores Financing, Ltd.	Cayman islands
Serfin International Bank & Trust	Cayman islands
Totta & Açores, Inc. - Newark	USA
Totta Ireland, PLC	Ireland
Santotta Internacional, SGPS, Sociedade Unipessoal, Lda.	Portugal
TottaUrbe - Empresa de Administração e Construções, S.A.	Portugal
BST International Bank, Inc.	Puerto Rico
Taxagest, SGPS, S.A.	Portugal
Fundo de Investimento Mobiliário Aberto de Obrigações de Taxa Variável Multiobrigações	Portugal
Fundo de Investimento Imobiliário Novimovest	Portugal
Entities significantly influenced by the Group	
Benim - Sociedade Imobiliária, S.A.	Portugal
Partang, SGPS, S.A.	Portugal
Banco Caixa Geral Totta de Angola, S.A.	Angola
Unicre - Instituição Financeira de Crédito, S.A.	Portugal
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
HIPOTOTTA Nº 1 FTC	Portugal
HIPOTOTTA Nº 4 FTC	Portugal
HIPOTOTTA Nº 5 FTC	Portugal

Name of the related entity	Head office
Entities under direct or indirect common control by the group	
Abbey National Treasury Services plc	United Kingdom
Aegon Santander Portugal Vida - Companhia de Seguros Vida, S.A.	Portugal
Aegon Santander Portugal Não Vida - Companhia de Seguros, S.A.	Portugal
All Funds Bank, S.A.	Spain
Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander	Mexico
Banco Santander (Suisse), S.A.	Switzerland
Banco Santander Brasil, S.A.	Brazil
Banco Santander Consumer Portugal, S.A.	Portugal
Banco Santander Puerto Rico	Puerto Rico
Capital Grupo Santander, S.A. SGECR	Spain
Financiera El Corte Inglés, E.F.C., S.A.	Spain
Geoban, S.A.	Spain
Gesban Servicios Administrativos Globais	Spain
Grupo Banesto	Spain
Ibérica de Compras Corporativas	Spain
Ingeniería de Software Bancário, S.L.	Spain
Konecta Portugal, Lda.	Portugal
Open Bank Santander Consumer S.A.	Spain
Portal Universia Portugal, Prestação de Serviços de Informática, S.A.	Portugal
Produban Servicios Informáticos Generales, S.L.	Spain
Retama Real Estate, S.L.	Spain
Santander AM Holding, S.L.	Spain
Santander Asset Management, S.A. SGIIC	Spain
Santander Back-Office Globales Mayorista	Spain
Santander Bank & Trust Ltd.	Bahamas
Santander Consumer Bank S.A.	Norway
Santander Consumer Finance S.A.	Spain
Santander Consumer, EFC, S.A.	Spain
Santander Global Facilities, S.L.	Spain
Santander Issuances, S.A.	Spain
Santander International Debt, S.A.	Spain
Santander Investment Securities,Inc	USA
Santander Investment, S.A.	Spain
Santander Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Portugal
Santander Seguros y Reaseguros, Compañía Aseguradora, S.A.	Spain
Santander Tecnologia y Operaciones AEIE	Spain
Santander Totta Seguros, Companhia de Seguros de Vida, S.A.	Portugal
Santander UK plc	United Kingdom
Santander, Asset Management, SGFIM, S.A.	Portugal
Sovereign Bank	USA
UCI - Mediação de Seguros Unipessoal, Lda.	Portugal
Union de Créditos Inmobiliários,S.A.	Spain

The related entities of the Bank with which it had balances or transactions in 2014 were the following:

Name of the related entity	Head office
Entities that directly or indirectly control the Group	
Santander Totta, SGPS, S.A.	Portugal
Santusa Holding, S.L.	Spain
Banco Santander, S.A.	Spain
Entities under direct or indirect control by the Group	
Totta & Açores Financing, Ltd.	Cayman islands
Serfin International Bank & Trust	Cayman islands
Totta & Açores, Inc. - Newark	USA
Totta Ireland, PLC	Ireland
Santotta Internacional, SGPS, Sociedade Unipessoal, Lda.	Portugal
TottaUrbe - Empresa de Administração e Construções, S.A.	Portugal
BST International Bank, Inc.	Puerto Rico
Taxagest, SGPS, S.A.	Portugal
Santander - Gestão de Activos, SGPS, S.A.	Portugal
Fundo de Investimento Mobiliário Aberto de Obrigações de Taxa Variável – Santander Multiobrigações	Portugal
Fundo de Investimento Imobiliário Novimovest	Portugal
Entities significantly influenced by the Group	
Benim - Sociedade Imobiliária, S.A.	Portugal
Partang, SGPS, S.A.	Portugal
Banco Caixa Geral Totta de Angola, S.A.	Angola
Unicre - Instituição Financeira de Crédito, S.A.	Portugal
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 Nº1 FTC	Portugal

Name of the related entity	Head office
Entities under direct or indirect common control by the group	
Abbey National Treasury Services plc	United Kingdom
Aegon Santander Portugal Vida - Companhia de Seguros Vida, S.A.	Portugal
Aegon Santander Portugal Não Vida - Companhia de Seguros, S.A.	Portugal
All Funds Bank, S.A.	Spain
Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander	Mexico
Banco Santander (Suisse), S.A.	Switzerland
Banco Santander Brasil, S.A.	Brazil
Banco Santander Consumer Portugal S.A.	Portugal
Banco Santander Puerto Rico	Puerto Rico
Capital Grupo Santander, S.A. SGECR	Spain
Financiera El Corte Inglés, E.F.C., S.A.	Spain
Geoban, S.A.	Spain
Gesban Servicios Administrativos Globais	Spain
Ibérica de Compras Corporativas	Spain
Ingeniería de Software Bancário, S.L.	Spain
Konecta Portugal, Lda.	Portugal
Open Bank Santander Consumer S.A.	Spain
Portal Universia Portugal, Prestaçao de Serviços de Informática, S.A.	Portugal
Produban Servicios Informáticos Generales, S.L.	Spain
Retama Real Estate, S.L.	Spain
Santander AM Holding, S.L.	Spain
Santander Asset Management, S.A. SGIIC	Spain
Santander Back-Office Globales Mayorista	Spain
Santander Bank & Trust Ltd.	Bahamas
Santander Consumer Bank S.A.	Norway
Santander Consumer Finance S.A.	Spain
Santander Consumer, EFC, S.A.	Spain
Santander Global Facilities,SL	Spain
Santander International Debt, S.A.	Spain
Santander Investment Securities,Inc	USA
Santander Investment, S.A.	Spain
Santander Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Portugal
Santander Seguros y Reaseguros, Compañía Aseguradora, S.A.	Spain
Santander Tecnologia y Operaciones AEIE	Spain
Santander Totta Seguros, Companhia de Seguros de Vida, S.A.	Portugal
Santander UK plc	United Kingdom
Santander, Asset Management, SGFIM, S.A.	Portugal
Sovereign Bank	USA
UCI - Mediação de Seguros Unipessoal, Lda.	Portugal
Union de Créditos Inmobiliários,S.A.	Spain

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

At June 30, 2015, the balances and transactions maintained with related entities were as follows:

	30-06-2015		
	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	17,588	-	558
Financial assets held for trading	252,039	38,936	4,186
Available-for-sale financial assets	-	-	5,615
Loans and advances to credit institutions	749,180	161	218,421
Loans and advances to customers	-	39,019	3,435
Hedging derivatives	125,800	-	-
Investments in associated companies	-	176,654	-
Other assets	14,780	-	21,702
Liabilities:			
Financial liabilities held for trading	1,654,823	-	49,765
Resources of other credit institutions	329,759	167,364	2,235
Resources of customers and other debts	74,626	-	1,194,196
Debt securities	88,445	-	16,384
Hedging derivatives	149,216	-	-
Subordinated liabilities	-	-	4,303
Other liabilities	3,932	-	11,157
Costs:			
Interest and similar charges	77,043	13	20,357
Charges with services and commissions	125	-	2,884
Result of assets and liabilities at fair value through profit or loss	481,887	6,798	16,758
Result of foreign exchange revaluation	(272)	-	-
General administrative costs	-	-	22,963
Income:			
Interest and similar income	112,206	20	2,438
Result of assets and liabilities at fair value through profit or loss	637,112	10,408	13,635
Income from services and commissions	114	-	49,806
Results from associates	-	8,951	-
Other operating results	-	-	83
Off balance sheet items:			
Guarantees provided and other contingent liabilities	22,797	-	14,310
Guarantees received	1	-	1,000
Commitments to third parties	26,292	2,840	165,166
Currency operations and derivatives	15,489,184	29,053	520,967
Responsibilities for services rendered	2,799,118	32,235	2,306,455

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

At December 31, 2014, the balances and off-balance sheet accounts maintained with related entities were as follows:

	31-12-2014 (pro forma)		
	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	15,855	-	604
Financial assets held for trading	222,816	35,326	2,671
Available-for-sale financial assets	-	-	5,189
Loans and advances to credit institutions	945,038	826	206,433
Loans and advances to customers	-	35,065	5,551
Hedging derivatives	190,764	-	-
Investments in associated companies	-	166,359	-
Other assets	13,396	5,392	23,237
Liabilities:			
Financial liabilities held for trading	1,806,191	-	52,548
Resources of other credit institutions	1,118,533	101,906	3,933
Resources of customers and other debts	88,755	11,176	1,275,346
Debt securities	84,358	-	33,374
Hedging derivatives	133,100	-	-
Subordinated liabilities	-	-	4,306
Other liabilities	4,384	-	3,183
Off balance sheet items:			
Guarantees provided and other contingent liabilities	19,786	-	15,249
Guarantees received	1	-	16,000
Commitments to third parties	25,788	6,829	174,687
Currency operations and derivatives	15,159,296	29,744	591,437
Responsibilities for services rendered	2,805,584	35,017	2,692,136

In the semester ended June 30, 2014, the transactions maintained with related entities were as follows:

	30-06-2014 (pro forma)		
	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
Costs:			
Interest and similar charges	114,181	209	28,962
Charges with services and commissions	110	-	3,016
Result of assets and liabilities at fair value through profit or loss	858,111	-	24,671
Result of foreign exchange revaluation	39	-	-
General administrative costs	-	-	19,895
Income:			
Interest and similar income	118,680	37	3,518
Result of assets and liabilities at fair value through profit or loss	568,197	-	20,428
Result of foreign exchange revaluation	-	-	101
Income from services and commissions	99	-	49,469
Results from associates	-	6,943	-
Other operating results	-	-	104

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

MANAGEMENT AND SUPERVISORY BOARDS

Board of Directors

At June 30, 2015 and December 31, 2014 the loans and advances granted to members of management and supervisory boards, considered key management personnel of the Bank, amounted to tEuros 750 and tEuros 809, respectively. Fixed and variable remuneration at June 30, 2015 and 2014 amounted to tEuros 1,786 and tEuros 1,719, respectively (Note 40).

The Santander Group, which includes BST, had until the end of 2014 a worldwide long term incentive plan, described in Note 47, which was divided into cycles. In the framework of the multiannual variable remuneration, the Bank set an individual Long Term Incentive in 2015. For the members of the Board of Directors the amount recorded in the caption "Staff costs" in the semesters ended June 30, 2015 and 2014 is presented below:

	30-06-2015	30-06-2014 (pro forma)
Sixth cycle – PI14 - assigned in 2011 exercisable in July 2014	-	7
Individual Long Term Incentive	124	-
	-----	-----
	124	7
	===	===

The cycles of the share plans linked to objectives of the members of the Board of Directors ended on the dates indicated below and shares were attributed at the following amount per share:

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
Fifth	July 31, 2013	-	n.a.
Sixth	July 31, 2014	-	n.a.

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 1.3. 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 Totta that are executive members of the BST's Board of Directors (Executive Committee) which have been 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 its gross annual salary. The amount of the supplementary retirement pension shall be determined by the Remuneration Committee when the time in office is less than fifteen years. For these situations, it is currently defined that the supplement of the pension will be 65% of gross annual salary, whenever the time in office is equal to or greater than ten years, and 75% of gross annual salary, whenever the time in office is equal to or greater than twelve years. This defined benefit plan is a supplementary plan dependent from the general Social Security system.

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

At June 30, 2015 and December 31, 2014, the liabilities with this plan amounted to tEuros 18,825 and tEuros 18,381, 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 the Commercial Companies Law (“Código das Sociedades Comerciais”), whenever the term of a member of the management or supervisory board is early terminated by BST, it will pay the member the future remuneration that he/she would be entitled to up to the end of its term.

47. LONG-TERM INCENTIVE PLANS

The “Share Plan Linked to the Santander Group’s Objectives” was approved in a Shareholders’ General Meeting of Banco Santander, S.A.. This plan was divided into cycles, being approved six cycles which ended in 2014. BST was also included in this plan.

Each beneficiary of the plan had the right to receive a maximum number of Banco Santander, S.A.’s shares. The final number allocated was determined by multiplying the maximum number of shares initially allocated, by the sum of coefficients indexed to the evolution of Banco Santander, S.A. in comparison with other entities included in a predefined group. That comparison was performed taking in consideration two parameters: total shareholders’ return and increase in earnings per share for the first three cycles and for the remaining cycles the comparison is measured by the total shareholders’ return only.

The maturity dates of the cycles of the “Share Plan Linked to the Santander Group’s Objectives”, the total number of shares granted and the value per share are as follows:

Cycle	Maturity date	Total number of shares granted	Value per share
First	July 6, 2009	326,681	8.49 Euros
Second	July 8, 2010	540,822	8.77 Euros
Third	July 11, 2011	571,640	7.51 Euros
Fourth	July 9, 2012	200,897	4.88 Euros
Fifth	July 31, 2013	-	n.a.
Sixth	July 31, 2014	-	n.a.

According to the multiannual variable remuneration in 2015, an individual Long Term Incentive was approved for a restricted number of employees. This incentive takes into account the behaviour, relative to 2014, of the Total Shareholder Return (TSR) of Banco Santander, S.A. comparing with a bucket of 15 credit institutions. The reference to the individual Long Term Incentive value is 15% of the Bank base performance bonus, corresponding to 100% of that value if Banco Santander’s TSR is ranked in the first eight positions of the credit institutions bucket, 50% if it is ranked between the ninth and twelfth position and 0% if it is in a lower position.

The individual Long Term Incentive payment is made through the delivery of Banco Santander, S.A. shares and is deferred in a 3 year period according to Banco Santander TSR behaviour comparing to the same credit institutions bucket. The TSR considered will be, in cumulative terms, related to the periods comprised between January 1, 2014 and December 31, 2015 to be distributed in 2016, December 31, 2016 to be distributed in 2017, and December 31, 2017 to be distributed in 2018.

As described in Note 1.3. o), the accounting of the share incentive plans consists in recognizing the right of the Bank’s employees to such instruments in the income statement under the caption “Staff costs”, as it corresponds to a remuneration for services rendered. Management, hedging and implementation of the plans are provided by Banco Santander S.A. for all employees covered by the worldwide Plan.

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

At June 30, 2015 and 2014, the total cost of the "Share Plan Linked to the Santander Group's Objectives" for all covered BST employees was as follows:

	30-06-2015	30-06-2014 (pro forma)
Sixth cycle – PI14 - assigned in 2011 and exercisable in July 2014	-	453
Individual Long Term Incentive	310	-
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	310	453
	===	===

The employees are entitled to the shares upon their permanence in the Santander Group.

48. DISCLOSURES IN ACCORDANCE WITH IFRS 7 AND IFRS 13

BALANCE SHEET

Categories of financial instruments

At June 30, 2015 and December 31, 2014, financial instruments presented the following book value:

	30-06-2015				
	Valued at fair value	Valued at amortized cost	Valued at historical cost	Impairment	Net value
Assets					
Cash and deposits at central banks	-	477,302	177,789	-	655,091
Balances due from other banks	-	199,991	60,811	-	260,802
Financial assets held for trading	2,152,437	-	-	-	2,152,437
Available-for-sale financial assets	5,452,873	-	18,278	(61,833)	5,409,318
Loans and advances to credit institutions	-	1,109,545	-	-	1,109,545
Loans and advances to customers	50,602	26,619,977	-	(1,200,641)	25,469,938
Hedging derivatives	129,393	-	-	-	129,393
	7,785,305	28,406,815	256,878	(1,262,474)	35,186,524
Liabilities					
Resources of central banks	-	3,779,581	-	-	3,779,581
Financial liabilities held for trading	1,893,288	-	-	-	1,893,288
Resources of other credit institutions	-	3,026,623	-	-	3,026,623
Resources of customers and other debts	3,422,152	18,230,165	90,479	-	21,742,796
Debt securities	44,102	2,670,164	-	-	2,714,266
Hedging derivatives	150,005	-	-	-	150,005
Subordinated liabilities	-	4,303	-	-	4,303
	5,509,547	27,710,836	90,479	-	33,310,862

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

	31-12-2014 (pro forma)				
	Valued at fair value	Valued at amortized cost	Valued at historical cost	Impairment	Net value
Assets					
Cash and deposits at central banks	-	622,460	208,014	-	830,474
Balances due from other banks	-	174,556	66,662	-	241,218
Financial assets held for trading	2,291,734	-	-	-	2,291,734
Available-for-sale financial assets	6,754,527	-	19,971	(61,943)	6,712,555
Loans and advances to credit institutions	-	1,220,917	-	-	1,220,917
Loans and advances to customers	37,394	26,647,475	-	(1,161,618)	25,523,251
Hedging derivatives	195,035	-	-	-	195,035
	9,278,690	28,665,408	294,647	(1,223,561)	37,015,184
Liabilities					
Resources of central banks	-	4,406,312	-	-	4,406,312
Financial liabilities held for trading	1,995,019	-	-	-	1,995,019
Resources of other credit institutions	-	4,030,724	-	-	4,030,724
Resources of customers and other debts	3,555,668	18,040,137	30,097	-	21,625,902
Debt securities	175,460	2,797,651	-	-	2,973,111
Hedging derivatives	133,690	-	-	-	133,690
Subordinated liabilities	-	4,306	-	-	4,306
	5,859,837	29,279,130	30,097	-	35,169,064

In the first semester 2015 and in 2014 there were no reclassifications of financial assets.

The financial assets and liabilities for which fair value hedge accounting was applied are classified as valued at fair value, although only the amounts relating to the hedged risk were subject to fair value adjustment.

INCOME STATEMENT

In the semesters ended June 30, 2015 and 2014, the net gains and losses on financial instruments were as follows:

	30-06-2015					
	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	1,231,096	(1,236,335)	(5,239)	-	-	-
Available-for-sale financial assets	83,835	(4,571)	79,264	-	(108,941)	(108,941)
Balances in central banks and other credit institutions	21,074	-	21,074	-	-	-
Loans and advances to customers	465,082	(177,642)	287,440	-	-	-
Hedging derivatives	133,945	(83,753)	50,192	-	(11,032)	(11,032)
Resources in central banks and other credit institutions	-	(13,782)	(13,782)	-	-	-
Resources of customers and other debts	28,055	(123,963)	(95,908)	-	-	-
Debt securities	5,882	(33,201)	(27,319)	-	-	-
Subordinated liabilities	-	(86)	(86)	-	-	-
	1,968,969	(1,673,333)	295,636	-	(119,973)	(119,973)
Guarantees given	8,824	(553)	8,271			
Credit lines	2,986	(1,669)	1,317			

	30-06-2014 (pro forma)					
	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	1,400,956	(1,507,915)	(106,959)	-	-	-
Available-for-sale financial assets	228,485	(3,373)	225,112	270,642	-	270,642
Balances in central banks and other credit institutions	21,012	-	21,012	-	-	-
Loans and advances to customers	681,372	(377,362)	304,010	-	-	-
Hedging derivatives	192,029	(127,870)	64,159	-	(7,386)	(7,386)
Resources in central banks and other credit institutions	-	(31,615)	(31,615)	-	-	-
Resources of customers and other debts	21,983	(175,107)	(153,124)	-	-	-
Debt securities	56,761	(73,074)	(16,313)	-	-	-
Subordinated liabilities	-	(46)	(46)	-	-	-
	2,602,598	(2,296,362)	306,236	270,642	(7,386)	263,256
Guarantees given	10,234	(986)	9,248			
Credit lines	6,094	(3,333)	2,761			

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

The above referred amounts do not include gains and losses resulting from the foreign exchange revaluation of financial instruments, which at June 30, 2015 and 2014, corresponded to net gains of tEuros 4,619 and tEuros 2,229, respectively (Note 37).

In the first semester of 2015 and 2014, the income and expenses with interest, determined in accordance with the effective interest rate method, for financial assets and liabilities not recorded at fair value through profit or loss, were as follows:

	30-06-2015			30-06-2014 (pro forma)		
	Income	Expense	Net	Income	Expense	Net
Assets						
Cash and deposits at central banks	33	-	33	167	-	167
Balances due from other banks	28	-	28	7	-	7
Available-for-sale financial assets	85,129	-	85,129	105,276	-	105,276
Loans and advances to credit institutions	21,011	-	21,011	20,838	-	20,838
Loans and advances to customers	318,257	(12)	318,245	366,629	(32)	366,597
	424,458	(12)	424,446	492,917	(32)	492,885
Liabilities						
Resources of central banks	-	(1,585)	(1,585)	-	(10,557)	(10,557)
Resources of other credit institutions	-	(12,197)	(12,197)	-	(21,058)	(21,058)
Resources of customers and other debts	-	(123,963)	(123,963)	-	(166,702)	(166,702)
Debt securities	-	(33,201)	(33,201)	-	(24,199)	(24,199)
Subordinated liabilities	-	(86)	(86)	-	(46)	(46)
	-	(171,032)	(171,032)	-	(222,562)	(222,562)
Guarantees given	8,684	-	8,684	9,899	-	9,899
Credit Lines	1,642	-	1,642	2,817	-	2,817

In the first semester of 2015 and 2014, commissions income and expenses, not included in the calculation of the effective interest rate, for financial assets and liabilities not recorded at fair value through profit or loss, were as follows:

	30-06-2015			30-06-2014 (pro forma)		
	Income	Expense	Net	Income	Expense	Net
Assets						
Loans and advances to customers	19,070	(7,364)	11,706	16,069	(7,482)	8,587
Liabilities						
Resources of customers and other debts	22,585	-	22,585	16,915	-	16,915

In the first semester of 2015 and 2014, the Bank recognized financial income relating to "Interest and similar income" on overdue or impaired credit operations amounting to tEuros 4,923 and tEuros 3,360, respectively (Note 30).

OTHER DISCLOSURES

Hedge accounting

At June 30, 2015 and December 31, 2014, hedging derivatives and financial instruments designated as hedged items were as follows:

	30-06-2015					
	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	46,469	46,646	3,856	50,502	46,470	(3,954)
Available-for-sale financial assets	850,000	856,075	10,298	866,373	850,000	(66,749)
Resources of customers and other debts	(3,393,041)	(3,429,647)	7,495	(3,422,152)	3,494,332	23,008
Debt securities	(42,140)	(42,962)	(1,140)	(44,102)	42,140	2,015
Cash flow hedge						
Loans and advances to customers	2,857,187	2,857,187	-	2,857,187	2,050,000	81,792
Debt securities	895,891	895,891	-	895,891	650,000	(56,724)
	1,214,366	1,183,190	20,509	1,203,699	7,132,942	(20,612)

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

	31-12-2014 (pro forma)					
	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	32,887	33,108	4,246	37,354	32,888	(4,291)
Available-for-sale financial assets	200,000	205,260	37,423	242,683	200,000	(40,868)
Resources of customers and other debts	(3,508,013)	(3,557,735)	2,067	(3,555,668)	3,511,255	41,824
Debt securities	(167,375)	(173,699)	(1,761)	(175,460)	167,385	8,410
Cash flow hedge						
Loans and advances to customers	3,207,528	3,207,528	-	3,207,528	2,250,000	124,017
Debt securities	1,005,866	1,005,866	-	1,005,866	650,000	(67,747)
	770,893	720,328	41,975	762,303	6,811,528	61,345

Cash flow hedge

The expected periods for the occurrence of the cash flows that will affect the profit or loss of the period/year are as follows:

	30-06-2015					
	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	7,318	4,450	16,837	10,169	(13,706)	25,068

	31-12-2014 (pro forma)					
	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	27,459	9,076	9,644	24,358	(14,267)	56,270

The gains and losses recognized in the income statement for the semesters ended June 30, 2015 and 2014, arising from fair value hedge operations, were as follows:

	30-06-2015			30-06-2014 (pro forma)		
	Hedged item	Hedging instrument	Net	Hedged item	Hedging instrument	Net
Loans and advances to customers	(390)	390	-	183	(183)	-
Available-for-sale financial assets	(27,127)	27,127	-	(66,580)	66,580	-
Resources of customers and other debts	5,472	(5,279)	193	(3,335)	5,219	1,884
Debt securities	620	(620)	-	4,829	(6,566)	(1,737)
	(21,425)	21,618	193	(64,903)	65,050	147

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

Fair value of financial instruments

At June 30, 2015 and December 31, 2014, financial instruments were made up as follows:

	30-06-2015			31-12-2014 (pro forma)		
	Valued at fair value	Not valued at fair value	Total	Valued at fair value	Not valued at fair value	Total
Assets						
Cash and deposits at central banks	-	655,091	655,091	-	830,474	830,474
Balances due from other banks	-	260,802	260,802	-	241,218	241,218
Financial assets held for trading	2,152,437	-	2,152,437	2,291,734	-	2,291,734
Available-for-sale financial assets	5,397,492	11,826	5,409,318	6,699,547	13,008	6,712,555
Loans and advances to credit institutions	-	1,109,545	1,109,545	-	1,220,917	1,220,917
Loans and advances to customers	50,502	25,419,436	25,469,938	37,354	25,485,897	25,523,251
Hedging derivatives	129,393	-	129,393	195,035	-	195,035
	7,729,824	27,456,700	35,186,524	9,223,670	27,791,514	37,015,184
Liabilities						
Resources of central banks	-	3,779,581	3,779,581	-	4,406,312	4,406,312
Financial liabilities held for trading	1,893,288	-	1,893,288	1,995,019	-	1,995,019
Resources of other credit institutions	-	3,026,623	3,026,623	-	4,030,724	4,030,724
Resources of customers and other debts	3,422,152	18,320,644	21,742,796	3,555,668	18,070,234	21,625,902
Debt securities	44,102	2,670,164	2,714,266	175,460	2,797,651	2,973,111
Hedging derivatives	150,005	-	150,005	133,690	-	133,690
Subordinated liabilities	-	4,303	4,303	-	4,306	4,306
	5,509,547	27,801,315	33,310,862	5,859,837	29,309,227	35,169,064

The financial assets and liabilities for which hedge accounting was applied are classified as valued at fair value, although only the amounts relating to the hedged risk were subject to fair value adjustment.

At June 30, 2015 and December 31, 2014, 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:

	30-06-2015					
	Acquisition cost	Accruals	Valuation	Value adjustments due to hedging operations	Impairment	Net book value
Assets						
Financial assets held for trading	304,240	668	1,847,529	-	-	2,152,437
Available-for-sale financial assets	5,239,216	55,387	147,972	10,298	(55,381)	5,397,492
Loans and advances to customers	46,469	277	-	3,856	(100)	50,502
Hedging derivatives	-	-	129,393	-	-	129,393
	5,589,925	56,332	2,124,894	14,154	(55,481)	7,729,824
Liabilities						
Financial liabilities held for trading	-	-	1,893,288	-	-	1,893,288
Resources of customers and other debts	3,393,041	36,606	-	(7,495)	-	3,422,152
Debt securities	42,140	822	-	1,140	-	44,102
Hedging derivatives	-	-	150,005	-	-	150,005
	3,435,181	37,428	2,043,293	(6,355)	-	5,509,547

	31-12-2014 (pro forma)					
	Acquisition cost	Accruals	Valuation	Value adjustments due to hedging operations	Impairment	Net book value
Assets						
Financial assets held for trading	320,347	1,093	1,970,294	-	-	2,291,734
Available-for-sale financial assets	6,307,851	152,340	256,913	37,423	(54,980)	6,699,547
Loans and advances to customers	32,887	261	-	4,246	(40)	37,354
Hedging derivatives	-	-	195,035	-	-	195,035
	6,661,085	153,694	2,422,242	41,669	(55,020)	9,223,670
Liabilities						
Financial liabilities held for trading	-	-	1,995,019	-	-	1,995,019
Resources of customers and other debts	3,508,013	49,722	-	(2,067)	-	3,555,668
Debt securities	167,375	6,324	-	1,761	-	175,460
Hedging derivatives	-	-	133,690	-	-	133,690
	3,675,388	56,046	2,128,709	(306)	-	5,859,837

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

The methods used to determine fair value for the financial instruments were based on listed prices on active markets or other valuation techniques, such as discounted cash flows. At June 30, 2015 and December 31, 2014, the book value of the financial instruments valued at fair value or subject to value adjustments due to hedge accounting, by valuation methodology, was made up as follows:

	30-06-2015			
	Methodology of determining fair value			
	Listed in active markets (Level 1)	Other valuation techniques (Level 2)	Other valuation techniques (Level 3)	Total
Assets				
Financial assets held for trading	299,003	1,850,411	3,023	2,152,437
Available-for-sale financial assets	5,033,976	122,396	241,120	5,397,492
Loans and advances to customers	-	50,502	-	50,502
Hedging derivatives	-	129,393	-	129,393
	5,332,979	2,152,702	244,143	7,729,824
Liabilities				
Financial liabilities held for trading	-	1,893,288	-	1,893,288
Resources of customers and other debts	-	3,422,152	-	3,422,152
Debt securities	-	44,102	-	44,102
Hedging derivatives	-	150,005	-	150,005
	-	5,509,547	-	5,509,547

	31-12-2014 (pro forma)			
	Methodology of determining fair value			
	Listed in active markets (Level 1)	Other valuation techniques (Level 2)	Other valuation techniques (Level 3)	Total
Assets				
Financial assets held for trading	304,871	1,761,896	224,967	2,291,734
Available-for-sale financial assets	6,130,956	320,079	248,512	6,699,547
Loans and advances to customers	-	37,354	-	37,354
Hedging derivatives	-	195,035	-	195,035
	6,435,827	2,314,364	473,479	9,223,670
Liabilities				
Financial liabilities held for trading	-	1,995,019	-	1,995,019
Resources of customers and other debts	-	3,555,668	-	3,555,668
Debt securities	-	175,460	-	175,460
Hedging derivatives	-	133,690	-	133,690
	-	5,859,837	-	5,859,837

In accordance with IFRS 7 and IFRS 13, 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 listed prices published in active markets, comprising mainly government debt, some private debt, investment funds and shares.

- Level 2 – Financial instruments recorded at fair value based on internal valuation models using observable market data as significant inputs. This category comprises some securities included in the portfolio of available-for-sale financial assets valued with indicative bids provided by external counterparties and the majority of the derivative financial instruments used for hedging and trading. It should be highlighted that the internal valuation models used correspond mainly to discounted cash flows 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"), increased by the credit spread of the issuer or entity with similar rating.

  For derivative financial instruments, the main valuation techniques are as follows:

Derivative instrument	Main valuation techniques
Forwards	Present value model
Interest rate swaps	Present value model
Currency swaps	Present value model
Equity swaps	Present value model
FRA's	Present value model
Exchange rate options	Black-Scholes model, Monte Carlo model
Contracts on prices (options)	Black-Scholes model, Heston model
Interest rate options	Black-Scholes model, Heath-Jarrow-Morton model
Options - other	Black-Scholes model, Monte Carlo model, Heath-Jarrow-Morton model
Caps/Floors	Black-Scholes model, Monte Carlo model, Heath-Jarrow-Morton model

  Additionally, in the calculation of Credit Value Adjustments and Debit Value Adjustments to derivative financial instruments, the following inputs were used:

  - Counterparties with listed credit default swaps – published price quotations in active markets;

  - Counterparties without listed credit default swaps:
    - Published quoted prices in active markets for counterparties with similar risk; or
    - Probability of default estimated taking into consideration the internal rating assigned to the client (see section credit risk of this Note) x loss given default (specific for project finance clients and 60% for other clients).

  When the inputs used in the valuation of derivative financial instruments resulted from market observable data, the Bank classified its derivative financial instruments as Level 2. When such valuation resulted from internal information prepared by the Bank, those financial instruments were classified as Level 3.

- Level 3 – In this level the Bank classifies the financial instruments that are valued using internal models with some inputs that do not correspond to market observable data. Some unlisted securities for which the Bank uses market data extrapolations were classified in this category.

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

In the first semester of 2015 the changes in financial instruments classified as "Level 3" were as follows:

	Financial assets held for trading		Available-for-sale	
	Securities	Derivatives	financial assets	Total
Financial instruments classified as Level 3 at December 31, 2013	35,952	106,119	264,989	407,060
Acquisitions	719	47,258	12,502	60,479
Sales	(32,802)	(29,492)	(36,002)	(98,296)
Changes in fair value	(199)	97,412	14,760	111,973
Impairment recognized in the year	-	-	(7,737)	(7,737)
Financial instruments classified as Level 3 at December 31, 2014 (pro forma)	3,670	221,297	248,512	473,479
Acquisitions	-	-	-	-
Sales	-	-	-	-
Changes in fair value	1	-	(2,603)	(2,602)
Reclassifications	(648)	(221,297)	(4,789)	(226,734)
Financial instruments classified as Level 3 at June 30, 2015	3,023	-	241,120	244,143

At June 30, 2015, the valuation techniques, the inputs used and the relationship between those inputs and the fair value determined for financial instruments classified as Level 3 were as follows:

Financial instruments	Valuation techniques	Inputs used	Relationship between the inputs used and the fair value determined
Financial assets held for trading			
Debt securities	Price provided by the counterparty	. No information	Not applicable.
Participating units in Real Estate Funds	Price disclosed by the respective Management Company	. Yields . Rents per square meter . Occupancy rates	If an increase of the rent per square meter occurs or an increase in the occupancy rate or a decrease in the yield occurs, the fair value determined will increase. If a decrease in the amount of the rent per square meter occurs or a decrease of the occupancy rate or an increase of the yield occurs, the fair value determined will decrease.
Derivative financial instruments	Discounted cash flows/ Valuation models	. Probability of default (PD) taking into consideration internal credit ratings assigned by the Bank . Specific LGD's	If a higher probability of default or a higher LGD is used, the fair value of the financial instrument will decrease. On the other hand, if a lower probability of default or a lower LGD is used, the fair value of the financial instrument will increase.
Available-for-sale financial assets			
Debt securities	Discounted cash flows	. Credit spread calculated internally by the Bank	If a higher credit spread is used, the fair value of the security will decrease. On the other hand, if a lower credit spread is used, the fair value of the security will increase.
Participating units in real estate funds	Price disclosed by the respective Management Company	. Yields . Rents per square meter . Occupancy rates	If an increase of the rent per square meter occurs or an increase in the occupancy rate or a decrease in the yield occurs, the fair value determined will increase. If a decrease in the amount of the rent per square meter occurs or a decrease of the occupancy rate or an increase of the yield occurs, the fair value determined will decrease.
Participating units in Venture Capital Funds	Price disclosed by the respective Management Company	. No information	Not applicable.

The most representative interest rate curves used by maturity and currency were the following:

	30-06-2015		31-12-2014	
	EUR	USD	EUR	USD
Overnight	0.05%	0.23%	0.02%	0.22%
1 month	0.05%	0.25%	0.10%	0.23%
3 months	0.03%	0.29%	0.17%	0.26%
6 months	0.05%	0.34%	0.17%	0.29%
9 months	0.07%	0.42%	0.16%	0.35%
1 year	0.07%	0.51%	0.16%	0.44%
3 years	0.22%	1.25%	0.22%	1.29%
5 years	0.51%	1.80%	0.36%	1.80%
7 years	0.81%	2.18%	0.53%	2.09%
10 years	1.18%	2.53%	0.82%	2.34%

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

At June 30, 2015 and December 31, 2014, the book value and the fair value of the financial instruments valued at amortized cost or historical cost was as follows:

	30-06-2015		
	Book Value	Fair Value	Difference
Assets			
Cash and deposits at central banks	655,091	655,091	-
Balances due from other banks	260,802	260,802	-
Available-for-sale financial assets	11,826	11,826	-
Loans and advances to credit institutions	1,109,545	1,149,217	39,672
Loans and advances to customers	25,419,436	24,260,165	(1,159,271)
	27,456,700	26,337,101	(1,119,599)
Liabilities			
Resources of central banks	3,779,581	3,771,020	(8,561)
Resources of other credit institutions	3,026,623	3,047,839	21,216
Resources of customers and other debts	18,320,644	18,421,234	100,590
Debt securities	2,670,164	2,651,962	(18,202)
Subordinated liabilities	4,303	4,287	(16)
	27,801,315	27,896,342	95,027

	31-12-2014 (pro forma)		
	Book Value	Fair Value	Difference
Assets			
Cash and deposits at central banks	830,474	830,474	-
Balances due from other banks	241,218	241,218	-
Available-for-sale financial assets	13,008	13,008	-
Loans and advances to credit institutions	1,220,917	1,273,301	52,384
Loans and advances to customers	25,485,897	23,639,357	(1,846,540)
	27,791,514	25,997,358	(1,794,156)
Liabilities			
Resources of central banks	4,406,312	4,403,630	2,682
Resources of other credit institutions	4,030,724	4,009,901	20,823
Resources of customers and other debts	18,070,234	18,203,397	(133,163)
Debt securities	2,797,651	2,768,244	29,407
Subordinated liabilities	4,306	4,306	-
	29,309,227	29,389,478	(80,251)

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

To determine the fair value of financial instruments recorded at amortized cost or historical cost, the valuation methods used consisted of valuation techniques, namely discounted cash flows. At June 30, 2015 and December 31, 2014, the financial instruments recorded at amortized cost or historical cost presented the following detail by valuation methodology:

	30-06-2015			
	Methodology for determining fair value			
	Listed in active markets	Other valuation techniques		
	(Level 1)	(Level 2)	(Level 3)	Total
Assets				
Cash and deposits at central banks	-	655,091	-	655,091
Balances due from other banks	-	260,802	-	260,802
Available-for-sale financial assets	-	-	11,826	11,826
Loans and advances to credit institutions	-	1,109,545	-	1,109,545
Loans and advances to customers	-	-	25,419,436	25,419,436
	-	2,025,438	25,431,262	27,456,700
Liabilities				
Resources of central banks	-	3,779,581	-	3,779,581
Resources of other credit institutions	-	3,026,623	-	3,026,623
Resources of customers and other debts	-	-	18,320,644	18,320,644
Debt securities	-	-	2,670,164	2,670,164
Subordinated liabilities	-	-	4,303	4,303
	-	6,806,204	20,995,111	27,801,315

	31-12-2014 (pro forma)			
	Methodology for determining fair value			
	Listed in active markets	Other valuation techniques		
	(Level 1)	(Level 2)	(Level 3)	Total
Assets				
Cash and deposits at central banks	-	830,474	-	830,474
Balances due from other banks	-	241,218	-	241,218
Available-for-sale financial assets	-	-	13,008	13,008
Loans and advances to credit institutions	-	1,220,917	-	1,220,917
Loans and advances to customers	-	-	25,485,897	25,485,897
	-	2,292,609	25,498,905	27,791,514
Liabilities				
Resources of central banks	-	4,406,312	-	4,406,312
Resources of other credit institutions	-	4,030,724	-	4,030,724
Resources of customers and other debts	-	-	18,070,234	18,070,234
Debt securities	-	-	2,797,651	2,797,651
Subordinated liabilities	-	-	4,306	4,306
	-	8,437,036	20,872,191	29,309,227

The main assumptions used in the assessment of fair value, by type of financial instrument, were as follows:

- Future cash flows of applications and resources in credit institutions were discounted using the interest rate curves of the money market;

- The fair value of variable rate loans was determined considering the average spread of the production in the last quarter which has been used to discount the future portfolio cash flows. Regarding the fixed rate loans, future cash flows were discounted at the average rates applied by the Bank in the last quarter;

- The fair value of demand deposits from customers was considered to be equal to its 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 at the end of the semester/year; and

- The fair value of subordinated liabilities was determined by discounting the future cash flows at market rates of similar issues.

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, the credit risk segmentation based on the characteristics of customers and products and for the scoring and rating systems (applicable to mortgage loans, consumer loans and credit cards) used by the Bank.

Counterparty risk consists in 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, a perimeter control is defined in accordance with the segments involved.

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, and provides information on the limits available and aggregate exposure, also in real time, for the different products and maturities. The system also enables that the concentration of risk by groups of customers/counterparties to be controlled on a several level basis.

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.

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

At June 30, 2015 and December 31, 2014, the maximum exposure to credit risk and the corresponding book value of the financial instruments were as follows:

	30-06-2015		31-12-2014 (pro forma)	
	Book value	Maximum exposure	Book value	Maximum exposure
Cash and deposits at central banks	655,091	655,091	830,474	830,474
Balances due from other banks	260,802	260,802	241,218	241,218
Financial assets held for trading	2,152,437	2,152,437	2,291,734	2,291,734
Available-for-sale financial assets	5,409,318	5,409,318	6,712,555	6,712,555
Loans and advances to credit institutions	1,109,545	1,109,545	1,220,917	1,220,917
Loans and advances to customers	25,469,938	30,079,304	25,523,251	30,146,120
Hedging derivatives	129,393	129,393	195,035	195,035
	35,186,523	39,795,889	37,015,184	41,638,053
Guarantees and sureties and documentary credits (Note 29)	1,311,294	1,311,294	1,300,545	1,300,545

The maximum exposure in “Loans and advances to customers” at June 30, 2015 included tEuros 597,060 and tEuros 4,012,306 relating to irrevocable credit lines and revocable credit lines, respectively (tEuros 417,809 and tEuros 4,205,060 at December 31, 2014, respectively).

Loans granted

The Bank monthly 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, BST segments its credit portfolio in accordance with the type of product and the type of customer involved in the operations (Note 10).

According to the requirements defined in “Carta-Circular” nº 02/2014/DSP issued by Bank of Portugal, in February 26, 2014, the Bank presents the following information reported at June 30, 2015 and December 31, 2014:

Credit exposure and respective impairment by segment:

	Exposure at 30-06-2015						Impairment at 30-06-2015		
Segment	Total Exposure	Performing loans	of which cured credit	of which restructured	Non-performing loans	of which restructured	Total Impairment	Performing loans	Non-performing loans
Corporate	7,816,214	7,482,545	1,151	239,073	333,669	186,802	(299,728)	(75,762)	(223,966)
Building and CRE	2,878,643	2,375,171	700	317,915	503,472	223,231	(370,662)	(61,374)	(309,288)
Mortgage	14,838,614	14,430,616	3,633	1,112,844	407,998	118,147	(295,434)	(97,970)	(197,464)
Retail	1,871,828	1,626,952	662	225,123	244,876	115,651	(245,296)	(29,481)	(215,815)
Guarantees not included in other segments	1,203,980	1,203,980	-	-	-	-	(1,813)	(1,117)	(696)
	28,609,279	27,119,264	6,146	1,894,955	1,490,015	643,831	(1,212,933)	(265,704)	(947,229)

	Exposure at 31-12-2014 (pro forma)						Impairment at 31-12-2014 (pro forma)		
Segment	Total Exposure	Performing loans	of which cured credit	of which restructured	Non-performing loans	of which restructured	Total Impairment	Performing loans	Non-performing loans
Corporate	7,564,464	7,200,093	3,429	229,547	364,371	194,706	(282,266)	(75,813)	(206,453)
Building and CRE	3,036,506	2,553,175	14	357,260	483,331	232,453	(351,994)	(54,868)	(297,126)
Mortgage	14,950,326	14,491,944	2,025	993,184	458,382	166,322	(301,645)	(106,856)	(194,789)
Retail	1,890,535	1,666,376	319	221,511	224,159	125,367	(236,011)	(34,014)	(201,997)
Guarantees not included in other segments	988,087	988,087	-	-	-	-	(1,256)	(706)	(550)
	28,429,918	26,899,675	5,787	1,801,502	1,530,243	718,848	(1,173,172)	(272,257)	(900,915)

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

At June 30, 2015 and December 31, 2014, the reconciliation between the maximum credit exposure referred in the table above and the total exposure presented previously is as follows:

	30-06-2015	31-12-2014 (pro forma)
Maximum exposure to credit risk	30,079,304	30,146,120
Commitments on credit lines revocable	(4,012,306)	(4,205,060)
Guarantees given and other contingent liabilities – guarantees and sureties	1,079,617	1,084,029
Guarantees given and other contingent liabilities – documentary credits	231,677	216,516
Impairment losses	1,200,641	1,161,618
Deferred expenses	(66,930)	(69,414)
Commissions related to deferred cost (net)	101,132	100,355
Value adjustments of hedged assets	(3,856)	(4,246)
Total credit exposure	28,609,279	28,429,918

The detail of total impairment is as follows:

	30-06-2015	31-12-2014 (proforma)
Impairment of loans and advances to customers (Note 10)	(1,200,641)	(1,161,618)
Provisions and impairment for guarantees and commitments (Note 22)	(12,292)	(11,554)
	(1,212,933)	(1,173,172)

The aging of the credit exposure and its impairment losses is as follows:

		Total exposure at 30-06-2015			
		Performing loans		Non-performing loans	
Segment	Total	Days overdue under 30 days	Days overdue between 30 to 90 days	Days overdue under 90 days	Days overdue over 90 days
Credit					
Corporate	7,816,214	7,424,777	57,768	-	333,669
Building and CRE	2,878,643	2,356,567	18,604	-	503,472
Mortgage	14,838,614	14,273,272	157,344	-	407,998
Retail	1,871,828	1,598,345	28,607	-	244,876
Guarantees not included in other segments	1,203,980	1,203,980	-	-	-
	28,609,279	26,856,941	262,323	-	1,490,015
Impairment					
Corporate	(299,728)	(57,083)	(18,679)	-	(223,966)
Building and CRE	(370,662)	(57,950)	(3,424)	-	(309,288)
Mortgage	(295,434)	(32,100)	(65,870)	-	(197,464)
Retail	(245,296)	(16,816)	(12,665)	-	(215,815)
Guarantees not included in other segments	(1,813)	(1,115)	(2)	-	(696)
	(1,212,933)	(165,064)	(100,640)	-	(947,229)
	27,396,346	26,691,877	161,683	-	542,786

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

		Total exposure at 31-12-2014 (pro forma)			
		Performing loans		Non-performing loans	
Segment	Total	Days overdue under 30 days	Days overdue between 30 to 90 days	Days overdue under 90 days	Days overdue over 90 days
Credit					
Corporate	7,564,464	7,154,113	45,980	-	364,371
Building and CRE	3,036,506	2,504,283	48,892	-	483,331
Mortgage	14,950,326	14,336,868	155,076	-	458,382
Retail	1,890,535	1,637,097	29,279	-	224,159
Guarantees not included in other segments	988,087	988,087	-	-	-
	28,429,918	26,620,448	279,227	-	1,530,243
Impairment					
Corporate	(282,266)	(60,175)	(15,638)	-	(206,453)
Building and CRE	(351,994)	(49,173)	(5,695)	-	(297,126)
Mortgage	(301,645)	(34,706)	(72,150)	-	(194,789)
Retail	(236,011)	(18,257)	(15,757)	-	(201,997)
Guarantees not included in other segments	(1,256)	(706)	-	-	(550)
	(1,173,172)	(163,017)	(109,240)	-	(900,915)
	27,256,746	26,457,431	169,987	-	629,328

The credit exposure and its impairment losses by year of production is as follows:

	30-06-2015														
	Corporate			Building and CRE			Mortgage			Retail			Guarantees not included in other segments		
Year of origination	Number of operations	Amount	Allocated impairment	Number of operations	Amount	Allocated impairment	Number of operations	Amount	Allocated impairment	Number of operations	Amount	Allocated impairment	Number of operations	Amount	Allocated impairment
up to 2004	2,519	235,216	(5,038)	3,427	143,781	(7,297)	125,397	4,212,550	(93,845)	106,696	125,009	(4,820)	1,845	254,347	(258)
2005	1,071	66,763	(4,291)	817	81,077	(6,051)	25,973	1,315,966	(28,051)	16,871	23,427	(795)	157	10,617	(20)
2006	1,219	84,911	(5,199)	998	75,937	(11,100)	26,997	1,555,633	(34,009)	17,473	28,686	(1,540)	179	55,632	(208)
2007	1,802	112,395	(8,804)	1,500	130,419	(20,965)	36,599	2,152,751	(52,188)	27,530	44,680	(3,563)	188	65,648	(11)
2008	2,034	192,185	(13,251)	1,913	173,997	(21,681)	26,787	1,576,744	(43,175)	28,661	53,932	(7,574)	408	55,940	(135)
2009	2,501	230,887	(20,553)	2,294	184,301	(38,180)	17,603	1,098,950	(20,074)	26,761	59,067	(15,513)	345	20,331	(93)
2010	4,709	316,558	(35,435)	3,022	234,725	(46,497)	15,751	1,135,554	(12,295)	41,842	106,809	(32,709)	430	65,228	(132)
2011	6,831	319,670	(43,722)	3,591	243,203	(57,315)	7,616	498,106	(6,455)	63,753	163,623	(52,620)	492	63,567	(803)
2012	7,934	422,736	(53,051)	3,654	398,296	(83,217)	4,925	322,526	(2,705)	74,888	225,520	(56,654)	531	41,002	(12)
2013	9,566	658,629	(60,046)	3,316	277,742	(36,982)	3,959	294,529	(1,171)	85,960	334,063	(37,253)	724	157,284	(49)
2014	13,462	1,231,113	(35,855)	3,796	447,047	(27,495)	4,535	374,843	(934)	82,195	417,559	(23,321)	1,182	259,613	(59)
2015	110,365	3,945,151	(14,483)	17,467	488,118	(13,882)	3,425	300,462	(532)	48,238	289,453	(8,934)	1,389	154,771	(33)
	164,013	7,816,214	(299,728)	45,795	2,878,643	(370,662)	299,567	14,838,614	(295,434)	620,868	1,871,828	(245,296)	7,870	1,203,980	(1,813)

	31-12-2014 (pro forma)														
	Corporate			Building and CRE			Mortgage			Retail			Guarantees not included in other segments		
Year of origination	Number of operations	Amount	Allocated impairment	Number of operations	Amount	Allocated impairment	Number of operations	Amount	Allocated impairment	Number of operations	Amount	Allocated impairment	Number of operations	Amount	Allocated impairment
up to 2004	2,832	206,965	(5,097)	3,734	157,453	(8,670)	127,884	4,385,491	(98,462)	114,634	132,074	(4,731)	1,961	140,372	(190)
2005	1,147	74,882	(5,106)	888	94,858	(8,212)	26,270	1,351,318	(29,167)	18,124	25,569	(794)	189	18,798	(23)
2006	1,178	90,316	(5,580)	1,078	95,410	(12,595)	27,245	1,595,630	(34,632)	18,473	30,277	(1,531)	213	23,179	(111)
2007	1,801	130,537	(7,960)	1,604	147,108	(21,325)	36,880	2,201,465	(52,906)	27,504	55,737	(3,992)	226	63,910	(26)
2008	2,238	209,194	(14,057)	2,172	195,682	(26,234)	27,030	1,614,876	(43,611)	30,947	61,985	(7,693)	505	70,806	(68)
2009	2,941	255,713	(24,413)	2,483	194,248	(36,357)	17,792	1,126,442	(19,776)	29,001	70,789	(15,587)	508	35,397	(98)
2010	5,634	366,789	(35,851)	3,320	272,111	(46,129)	15,898	1,161,120	(12,140)	54,716	151,913	(32,989)	542	77,830	(157)
2011	7,972	360,604	(42,976)	3,873	320,765	(56,232)	7,720	511,073	(6,263)	68,483	195,891	(52,903)	572	45,255	(476)
2012	8,419	489,537	(53,745)	3,819	426,386	(79,051)	4,995	329,726	(2,770)	81,923	269,566	(57,378)	619	47,430	(11)
2013	10,542	763,572	(52,601)	3,448	308,230	(37,974)	4,010	300,413	(1,138)	90,847	407,421	(37,808)	893	155,723	(39)
2014	118,482	4,616,355	(34,880)	18,097	824,255	(19,215)	4,576	372,772	(780)	78,564	489,313	(20,605)	2,127	309,387	(57)
	163,186	7,564,464	(282,266)	44,516	3,036,506	(351,994)	300,300	14,950,326	(301,645)	613,216	1,890,535	(236,011)	8,355	988,087	(1,256)

At June 30, 2015 and December 31, 2014, the impairment losses estimated individually and through the statistical model of collective analysis, by segment, were as follows:

	30-06-2015					
	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Corporate	1,055,431	6,760,783	7,816,214	(124,673)	(175,055)	(299,728)
Building and CRE	1,138,576	1,740,067	2,878,643	(289,557)	(81,105)	(370,662)
Mortgage	-	14,838,614	14,838,614	-	(295,434)	(295,434)
Retail	-	1,871,828	1,871,828	-	(245,296)	(245,296)
Guarantees not included in other segments	600,072	603,908	1,203,980	(1,688)	(125)	(1,813)
	2,794,079	25,815,200	28,609,279	(415,918)	(797,015)	(1,212,933)

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

	31-12-2014 (pro forma)					
	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Corporate	350,672	7,213,792	7,564,464	(113,681)	(168,585)	(282,266)
Building and CRE	924,918	2,111,588	3,036,506	(276,135)	(75,859)	(351,994)
Mortgage	-	14,950,326	14,950,326	-	(301,645)	(301,645)
Retail	-	1,890,535	1,890,535	-	(236,011)	(236,011)
Guarantees not included in other segments	9,744	978,343	988,087	(1,034)	(222)	(1,256)
	1,285,334	27,144,584	28,429,918	(390,850)	(782,322)	(1,173,172)

At June 30, 2015 and December 31, 2014, the credit risk analysed individually and through the statistical model of collective analysis, had the following composition by sector, for the “Corporate” and "Building and CRE" segments:

	30-06-2015					
	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Insurance and financial activities	253,136	1,713,008	1,966,144	(26,375)	(11,323)	(37,698)
Consulting, scientific, technical and similar activities	41,546	160,740	202,286	(7,907)	(7,550)	(15,457)
Human health and social support activities	7,569	150,716	158,285	(2,435)	(3,206)	(5,641)
International organizations and other extraterritorial institutions activities	-	34,236	34,236	-	(270)	(270)
Manufacturing industries	309,312	1,362,445	1,671,757	(19,161)	(44,167)	(63,328)
Collection, purification and distribution of water, sanitation, waste management and depollution activities	1,713	80,086	81,799	(63)	(1,009)	(1,072)
Construction	823,125	988,798	1,811,923	(233,365)	(56,249)	(289,614)
Real Estate	225,878	443,832	669,710	(50,958)	(12,727)	(63,685)
Education	6,017	28,645	34,662	(677)	(885)	(1,562)
Other service activities	24,208	48,837	73,045	(1,657)	(1,643)	(3,300)
Transport and storage	45,519	260,868	306,387	(2,474)	(8,972)	(11,446)
Art, entertainment, recreation and sports activities	9,256	19,249	28,505	(2,314)	(1,537)	(3,851)
Agriculture, Livestock, Hunting, Forestry and Fishing	16,187	85,882	102,069	(1,078)	(2,876)	(3,954)
Wholesale and retail trade	108,266	1,383,465	1,491,731	(43,406)	(81,099)	(124,505)
Administrative and support activities	13,518	178,049	191,567	(12,588)	(6,125)	(18,713)
Information and communication activities	3,016	103,940	106,956	(984)	(4,340)	(5,324)
Electricity, gas and water	246,125	475,943	722,068	(1,130)	(1,196)	(2,326)
Hotels, restaurants and similar	58,898	264,016	322,914	(7,510)	(9,534)	(17,044)
Extractive industries	566	15,659	16,225	(4)	(1,229)	(1,233)
Public administration, defense and social security	-	702,176	702,176	-	(62)	(62)
Other	152	260	412	(144)	(161)	(305)
	2,194,007	8,500,850	10,694,857	(414,230)	(256,160)	(670,390)

	31-12-2014 (pro forma)					
	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Insurance and financial activities	60,470	1,770,414	1,830,884	(23,388)	(10,571)	(33,959)
Consulting, scientific, technical and similar activities	30,093	168,710	198,803	(8,135)	(6,964)	(15,099)
Human health and social support activities	9,684	146,274	155,958	(2,617)	(3,797)	(6,414)
International organizations and other extraterritorial institutions activities	-	24,538	24,538	-	(236)	(236)
Manufacturing industries	58,352	1,487,066	1,545,418	(16,760)	(43,626)	(60,386)
Collection, purification and distribution of water, sanitation, waste management and depollution activities	516	82,716	83,232	(10)	(1,044)	(1,054)
Construction	642,752	1,309,813	1,952,565	(212,921)	(47,675)	(260,596)
Real Estate	227,852	422,896	650,748	(58,192)	(10,587)	(68,779)
Education	1,000	29,355	30,355	(650)	(956)	(1,606)
Other service activities	17,916	54,099	72,015	(1,473)	(1,765)	(3,238)
Transport and storage	6,009	221,922	227,931	(1,398)	(10,175)	(11,573)
Art, entertainment, recreation and sports activities	9,387	19,727	29,114	(939)	(1,475)	(2,414)
Agriculture, Livestock, Hunting, Forestry and Fishing	3,775	78,867	82,642	(1,139)	(2,699)	(3,838)
Wholesale and retail trade	104,259	1,497,295	1,601,554	(38,061)	(78,585)	(116,646)
Administrative and support activities	17,230	186,298	203,528	(12,125)	(6,388)	(18,513)
Information and communication activities	783	173,332	174,115	(267)	(4,056)	(4,323)
Electricity, gas and water	20,778	730,329	751,107	-	(1,590)	(1,590)
Hotels, restaurants and similar	63,968	300,756	364,724	(11,592)	(10,938)	(22,530)
Extractive industries	613	16,019	16,632	(5)	(1,089)	(1,094)
Public administration, defense and social security	-	604,787	604,787	-	(71)	(71)
Other	153	167	320	(144)	(157)	(301)
	1,275,590	9,325,380	10,600,970	(389,816)	(244,444)	(634,260)

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

At June 30, 2015 and December 31, 2014, the credit risk analysed individually and through the statistical model of collective analysis had the following composition by geography:

	30-06-2015			
	Portugal		England	
	Exposure	Impairment	Exposure	Impairment
Individual	2,794,079	(415,918)	-	-
Collective	24,920,847	(774,755)	894,353	(22,260)
	27,714,926	(1,190,673)	894,353	(22,260)

	31-12-2014 (pro forma)			
	Portugal		England	
	Exposure	Impairment	Exposure	Impairment
Individual	1,285,334	(390,850)	-	-
Collective	26,345,957	(755,931)	798,627	(26,391)
	27,631,291	(1,146,781)	798,627	(26,391)

The risk analysis for customers or economic groups where the Bank has an exposure higher than 500,000 Euros is performed by risk analysts that follow those customers and is supported by an internally developed rating model approved by the regulators. The risk level inherent to the customer is implied in the allocation of internal rating levels, which can go from 1 to 9, and the probability of default in one year that the Bank monitors and calibrates in a constant and regular way. The rating is determined based on an analysis of the following parameters:

. Demand/Market;
. Owners/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%
Owners/Management	15%	15%
Access to credit	10%	10%
Profitability	15%	
Generation of funds	25%	55%
Solvency	15%	

The rating is calculated by analysts, based on information supplied by the customer, general information on the business sector and external databases. The final rating, by each weighting parameter, is subsequently introduced into the Bank's IT system.

In general terms, the Bank's internal rating classification may be described 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.

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

At June 30, 2015 and December 31, 2014, the loans portfolio of the Bank presents the following segmentation by internal rating:

	30-06-2015				
	Risk Level				
	High	Moderate	Low	Without rating	Total
Corporate	226,449	4,316,375	1,311,670	1,961,720	7,816,214
Building and CRE	430,388	1,708,893	107,156	632,206	2,878,643
Mortgage	2,136,421	1,410,509	10,084,908	1,206,776	14,838,614
Retail	342,847	280,492	857,098	391,391	1,871,828
Guarantees not included in other segments	8,360	771,504	311,765	112,351	1,203,980
	3,144,465	8,487,773	12,672,597	4,304,444	28,609,279

	31-12-2014 (pro forma)				
	Risk Level				
	High	Moderate	Low	Without rating	Total
Corporate	247,552	4,280,905	1,351,484	1,684,523	7,564,464
Building and CRE	482,922	1,853,631	107,463	592,490	3,036,506
Mortgage	2,183,434	1,437,204	10,318,509	1,011,179	14,950,326
Retail	363,638	297,380	897,056	332,461	1,890,535
Guarantees not included in other segments	9,940	656,948	213,721	107,478	988,087
	3,287,486	8,526,068	12,888,233	3,728,131	28,429,918

At June 30, 2015 and December 31, 2014, the book value of executed guarantees and other collaterals relating to credit operations granted amounted to tEuros 235,391 and tEuros 263,017, respectively, and present the following detail:

	30-06-2015	31-12-2014 (pro forma)
Non-current assets held for sale (Note 12):		
. Properties received as settlement of defaulting loans	269,550	271,204
. Participating units	18,663	18,663
. Equipment	2,400	3,464
Investment properties (Note 13)	-	19,000
Other assets received as settlement of defaulting loans (Note 17)	56,088	65,440
Available-for-sale financial assets	22,121	22,121
	368,822	399,892
Impairment of non-current assets held for sale (Note 12):		
. Properties received as settlement of defaulting loans	(91,968)	(92,406)
. Participating units	(4,000)	(4,000)
. Equipment	(1,674)	(2,499)
Impairment of other assets received as settlement of defaulting loans (Note 17)	(13,668)	(15,849)
Impairment of available-for-sale financial assets	(22,121)	(22,121)
	(133,431)	(136,875)
	235,391	263,017

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

The detail of the fair value and the net book value of property received as settlement of defaulting loans, by type of asset, at June 30, 2015 and December 31, 2014, is as follows:

Asset	30-06-2015			31-12-2014 (pro forma)		
	Items of real estate property	Asset's fair value	Book value	Items of real estate property	Asset's fair value	Book value
Land						
Urban	129	23,914	19,272	129	23,623	19,005
Rural	90	10,578	8,451	78	10,523	8,288
Buildings						
Commercial	496	53,045	45,188	449	52,937	44,856
Residential	1,635	117,319	95,752	1,571	126,560	96,547
Others	37	11,780	8,671	32	8,931	6,112
Others	3	283	248	14	5,097	3,990
	2,390	216,919	177,582	2,273	227,671	178,798

The aging of the net book value of property received as settlement of defaulting loans is as follows:

Asset	30-06-2015					31-12-2014 (pro forma)				
	Up to 1 year	From 1 year to 2,5 years	From 2,5 years to 5 years	Over 5 years	Total	Up to 1 year	From 1 year to 2,5 years	From 2,5 years to 5 years	Over 5 years	Total
Land										
Urban	177	1,501	16,669	925	19,272	214	2,769	15,166	856	19,005
Rural	136	3,355	4,100	860	8,451	90	6,540	722	936	8,288
Buildings										
Commercial	3,862	23,384	14,939	3,003	45,188	5,649	31,427	4,531	3,249	44,856
Residential	32,112	27,795	31,423	4,422	95,752	34,000	41,304	17,022	4,221	96,547
Others	1,923	1,260	4,197	1,291	8,671	-	2,533	2,994	585	6,112
Others	-	218	30	-	248	1,368	2,576	46	-	3,990
	38,210	57,513	71,358	10,501	177,582	41,321	87,149	40,481	9,847	178,798

Restructured credit

At June 30, 2015 and December 31, 2014, the restructured credit operations were identified in accordance with the Instruction nº 32/2013 of Bank of Portugal (which replaced the Instruction nº 18/2012) which established the definition of restructured credit due to client's financial difficulties.

According to the referred Instruction, the institutions shall identify and mark in their information systems, credit operations of clients with a difficult financial situation whenever there are changes to the terms and conditions of those operations (namely, postponement of the reimbursement deadline, introduction of grace periods, capitalized interest, reduction in interest rates, forgiveness of interest or principal) or the institution enters into new credit lines for settling (totally or partially) the existing debt service, in which cases the institutions should include the reference "restructured credit by financial difficulties of the client".

A client is considered to be in a difficult financial position whenever he has failed to fulfil any of its financial obligations to the institution or if it is predictable, given the information available, that such situation will occur.

Unmarking restructured credit by financial difficulties of the client can only occur after a minimum period of two years from the date of its restructuring, provided that certain conditions are cumulatively verified. So far BST has not unmarked any restructured credit.

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

The change occurred in the restructured credit operations during the semester ended June 30, 2015 and during 2014 was as follows:

Balance of the restructured portfolio (gross of impairment) at December 31,2013	2,352,993
Restructured loans in the year	563,837
Accrued interest of the restructured portfolio	(1,192)
Restructured loans settlement (partial or total)	(372,288)
Other	(23,000)
Balance of the restructured portfolio (gross of impairment) at December 31, 2014 (pro forma)	2,520,350
Restructured loans in the period	418,401
Accrued interest of the restructured portfolio	(512)
Restructured loans settlement (partial or total)	(372,669)
Other	(26,784)
Balance of the restructured portfolio (gross of impairment) at June 30, 2015	2,538,786

At June 30, 2015 and December 31, 2014, the portfolio of restructured credits by restructuring measure adopted had the following detail:

	30-06-2015								
	Performing loans			Non-performing loans			Total		
	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment
Attribution of a grace period	35,823	998,283	(55,976)	9,533	208,266	(163,054)	45,356	1,206,549	(219,030)
Other	28,316	896,672	(94,228)	11,261	435,565	(259,716)	39,577	1,332,237	(353,944)
	64,139	1,894,955	(150,204)	20,794	643,831	(422,770)	84,933	2,538,786	(572,974)

	31-12-2014 (pro forma)								
	Performing loans			Non-performing loans			Total		
	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment
Attribution of a grace period	36,117	987,824	(61,542)	8,751	177,463	(153,884)	44,868	1,165,287	(215,426)
Other	27,987	813,678	(89,707)	10,875	541,385	(254,350)	38,862	1,355,063	(344,057)
	64,104	1,801,502	(151,249)	19,626	718,848	(408,234)	83,730	2,520,350	(559,483)

Collaterals

At June 30, 2015 and December 31, 2014, the coverage of overdue loans by real guarantees was as follows:

	30-06-2015						
	Exposure			Collaterals			
Degree of coverage	Non overdue amount associated with overdue loans	Overdue loans (Note 10)	Total	Mortgages	Other collaterals	Total	Impairment
Corporate							
>= 100%	17,222	127,705	144,927	176,306	5,338	181,644	(66,230)
>= 80% and < 100%	32	4,263	4,295	3,922	150	4,072	(2,518)
>= 60% and < 80%	112	4,314	4,426	2,904	144	3,048	(3,277)
< 60%	5,616	41,553	47,169	3,841	386	4,227	(25,864)
Without guarantees	547,127	396,961	944,088	-	-	-	(376,989)
Mortgage							
>= 100%	322,437	174,254	496,691	634,005	255	634,260	(96,274)
>= 80% and < 100%	17,635	54,994	72,629	66,392	-	66,392	(22,503)
>= 60% and < 80%	4,409	37,444	41,853	29,780	-	29,780	(14,564)
< 60%	1,029	17,039	18,068	8,571	-	8,571	(8,045)
Without guarantees	40,271	75,969	116,240	-	-	-	(31,998)
Other individual							
>= 100%	4,039	12,550	16,589	7,891	16,520	24,411	(12,008)
>= 80% and < 100%	2,581	6,621	9,202	412	8,006	8,418	(5,062)
>= 60% and < 80%	622	1,998	2,620	40	2,381	2,421	(1,709)
< 60%	1,687	5,607	7,294	1,175	1,676	2,851	(5,224)
Without guarantees	84,941	198,539	283,480	-	-	-	(212,315)
	1,049,760	1,159,811	2,209,571	935,239	34,856	970,095	(884,580)

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

	31-12-2014 (pro forma)						
	Exposure			Collaterals			
Degree of coverage	Non overdue amount associated with overdue loans	Overdue loans (Note 10)	Total	Mortgages	Other collaterals	Total	Impairment
Corporate							
>= 100%	59,188	45,087	104,275	178,573	6,122	184,695	(14,991)
>= 80% and < 100%	6,987	39,536	46,523	30,990	5,425	36,415	(17,781)
>= 60% and < 80%	935	39,723	40,658	23,877	1,094	24,971	(18,132)
< 60%	12,692	60,534	73,226	21,079	2,175	23,254	(35,305)
Without guarantees	559,152	439,216	998,368	-	-	-	(410,965)
Mortgage							
>= 100%	303,112	2,297	305,409	578,589	732	579,321	(40,736)
>= 80% and < 100%	18,908	124	19,032	24,061	3	24,064	(6,288)
>= 60% and < 80%	6,213	47	6,260	8,288	6	8,294	(5,444)
< 60%	2,772	1,526	4,298	4,062	163	4,225	(7,240)
Without guarantees	39,335	340,567	379,902	-	-	-	(135,081)
Other individual							
>= 100%	2,740	5,738	8,478	8,524	4,237	12,761	(5,430)
>= 80% and < 100%	1,576	336	1,912	-	1,836	1,836	(356)
>= 60% and < 80%	850	203	1,053	-	736	736	(291)
< 60%	2,375	1,658	4,033	-	1,130	1,130	(1,862)
Without guarantees	83,465	189,646	273,111	-	-	-	(201,013)
	1,100,300	1,166,237	2,266,537	878,043	23,659	901,702	(900,915)

At June 30, 2015 and December 31, 2014, the degree of coverage of performing loans, for which impairment was assigned based on an individual analysis, was as follows:

	30-06-2015				
		Collaterals			
Degree of coverage	Performing loans	Mortgages	Other collaterals	Total	Impairment
>=100%	101,541	129,216	2,300	131,516	(9,054)
>= 80% and < 100%	136,260	124,559	4,039	128,598	(8,504)
>= 60% and < 80%	33,706	19,817	3,900	23,717	(13,256)
< 60%	34,155	9,984	1,488	11,472	(13,309)
Without guarantees	996,515	-	-	-	(71,970)
	1,302,177	283,576	11,727	295,303	(116,093)

	31-12-2014 (pro forma)				
		Collaterals			
Degree of coverage	Performing loans	Mortgages	Other collaterals	Total	Impairment
>=100%	202,105	381,619	2,077	383,696	(23,017)
>= 80% and < 100%	31,924	26,250	2,559	28,809	(10,704)
>= 60% and < 80%	23,942	6,044	10,014	16,058	(9,283)
< 60%	10,288	347	1,862	2,209	(1,321)
Without guarantees	326,136	-	-	-	(69,025)
	594,395	414,260	16,512	430,772	(113,350)

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

At June 30, 2015 and December 31, 2014, the book value of the debt instruments was made up as follows, by external rating, in accordance with the Standard & Poor's rating classification:

	30-06-2015	31-12-2014 (pro forma)
Financial assets held for trading		
Rating S&P		
AA+ / AA / AA-	8,827	1,257
A+ / A / A-	107,835	103,947
BBB+ / BBB / BBB-	111,328	133,495
BB+ / BB / BB-	17,659	23,741
B+ / B / B-	2,302	-
Without external rating	51,052	56,781
	299,003	319,221
Available-for-sale financial assets		
Rating S&P		
BB+ / BB / BB-	4,829,324	5,888,016
B+ / B / B-	108,054	111,574
Without external rating	362,589	600,088
	5,299,967	6,599,678
	5,598,970	6,918,899

Whenever Standard & Poor's rating was not available, the ratings of the agencies Moody's or Fitch were used.

LIQUIDITY RISK

The liquidity risk management policy is decided in the top organization area responsible for Asset and Liability Management (ALM), 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 Bank financing policy considers the evolution of the balance sheet components, the structural position of the maturity terms of its assets and liabilities, its net inter-bank debt level given the credit lines available, the dispersion of the maturities and minimization of funding activity related costs.

Under its liquidity management policy, at June 30, 2015 and December 31, 2014 the Bank has a Euro Medium Term Notes (EMTN) programme of tEuros 5,000,000, of which tEuros 32,300 are used.

It should be noted that the Bank does not analyse the liquidity risk of financial instruments held for trading.

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

The projected cash flows of the financial instruments (not discounted) at June 30, 2015 and December 31, 2014, in accordance with their contractual maturity, were as follows:

	30-06-2015							
	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	177,887	61	182	484	477,695	-	-	656,309
Balances due from other banks	260,802	-	-	-	-	-	-	260,802
Financial assets held for trading	2,152,437	-	-	-	-	-	-	2,152,437
Available-for-sale financial assets	2	37,997	256,323	993,827	2,226,937	2,518,239	175,350	6,208,675
Loans and advances to credit institutions	187,571	16,139	679,479	218,803	4,584	46,429	-	1,153,005
Loans and advances to customers	230,566	1,953,845	3,208,040	5,211,970	4,469,763	13,869,352	-	28,943,536
Hedging derivatives	129,393	-	-	-	-	-	-	129,393
Investments in associates	-	-	-	-	-	-	176,654	176,654
	3,138,658	2,008,042	4,144,024	6,425,084	7,178,979	16,434,020	352,004	39,680,811
Liabilities								
Resources of central banks	2,151,795	-	-	-	1,632,451	-	-	3,784,246
Financial liabilities held for trading	1,893,288	-	-	-	-	-	-	1,893,288
Resources of other credit institutions	501,547	1,412,957	718,160	4,361	3,874	403,467	-	3,044,366
Resources of customers and other debts	6,376,299	2,746,749	5,938,463	6,578,978	461,319	79,203	-	22,181,011
Debt securities	1,141	35,076	121,024	1,188,719	881,494	587,858	-	2,815,312
Hedging derivatives	150,005	-	-	-	-	-	-	150,005
Subordinated liabilities	-	4,314	-	-	-	-	-	4,314
	11,074,075	4,199,096	6,777,647	7,772,058	2,979,138	1,070,528	-	33,872,542

	31-12-2014 (pro forma)							
	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	208,014	78	238	632	623,094	-	-	832,056
Balances due from other banks	241,218	-	-	-	-	-	-	241,218
Financial assets held for trading	2,291,734	-	-	-	-	-	-	2,291,734
Available-for-sale financial assets	2	87,567	417,616	855,294	2,511,162	3,614,804	178,095	7,664,540
Loans and advances to credit institutions	80,897	54,609	613,661	477,306	2,175	49,954	-	1,278,602
Loans and advances to customers	315,350	2,204,676	3,184,363	5,225,099	4,068,893	14,240,783	-	29,239,164
Hedging derivatives	195,035	-	-	-	-	-	-	195,035
Investments in associates	-	-	-	-	-	-	166,359	166,359
	3,332,250	2,346,930	4,215,878	6,558,331	7,205,324	17,905,541	344,454	41,908,708
Liabilities								
Resources of central banks	3,800,088	-	-	-	609,694	-	-	4,409,782
Financial liabilities held for trading	1,995,019	-	-	-	-	-	-	1,995,019
Resources of other credit institutions	224,704	2,804,571	316,626	303,951	4,636	405,393	-	4,059,881
Resources of customers and other debts	6,219,756	2,733,455	5,150,978	7,533,068	430,177	95,839	-	22,163,273
Debt securities	1,761	87,294	154,066	1,259,767	906,769	685,837	-	3,095,494
Hedging derivatives	133,690	-	-	-	-	-	-	133,690
Subordinated liabilities	-	-	-	-	-	-	4,319	4,319
	12,375,018	5,625,320	5,621,670	9,096,786	1,951,276	1,187,069	4,319	35,861,458

The projected cash flows of the financial instruments were determined based on principles and assumptions used by the Bank to manage and control liquidity resulting from its operations, namely the following ones:

- The projected cash flows of assets and liabilities with variable remuneration associated with 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 equity instruments recorded as available-for-sale financial assets, which were considered as having an undetermined maturity. Non-structural assets and liabilities correspond to instruments not subject to changes in interest rates (cash, balances due from banks, and equity instruments classified as available-for-sale financial assets) 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 Bank 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, such as bank overdrafts and current account credit lines, were considered to have an average maturity of 25 months; and

- 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 instrument 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 Bank 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 being applied statistical adjustments to enable the more recent occurrences that affect the level of risk assumed to be included quickly and effectively. This measure is only used in the Group's treasury management since the Bank uses specific sensitivity measures.

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 resume, 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.

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 rates it uses the BPV – estimated impact on results of parallel changes in the interest rate curves. Because of the unusual nature of derivative operations, specific sensitivity measures are performed daily, namely calculation of sensitivity to changes in the underlying prices (delta and gamma), volatility (i) and time (theta).

Quantitative limits, classified into two groups, are used for the trading portfolio, based on the following objectives:

- Limits aimed to protect the volume of potential losses (VaR, Equivalent positions and sensitivity); and

- Limits aimed to protect the volume of effective losses or the results already achieved during the period (Loss Triggers and Stop Losses).

The model used to analyse interest rate structural risk enables the measurement and control of all the factors associated with the balance sheet market risk, namely the risk resulting directly from the change in the yield curve, given the existing indexing and re-pricing structure, which determine the sensitivity of the financial margin and the sensitivity of the asset value of balance sheet instruments.

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

Interest rate risk

At June 30, 2015 and December 31, 2014, financial instruments by exposure to interest rate risk were as follows:

	30-06-2015				
	Exposure to		Not subject to		
	Fixed rate	Variable rate	interest rate risk	Derivatives	Total
Assets					
Cash and deposits at central banks	-	477,302	177,789	-	655,091
Balances due from other banks	-	-	260,802	-	260,802
Financial assets held for trading	109,012	191,235	1,779	1,850,411	2,152,437
Available-for-sale financial assets	4,517,313	564,832	327,173	-	5,409,318
Loans and advances to credit institutions	920,944	163,818	24,783	-	1,109,545
Loans and advances to customers	3,018,956	22,430,762	20,220	-	25,469,938
Hedging derivatives	-	-	-	129,393	129,393
	8,566,225	23,827,949	812,546	1,979,804	35,186,524
Liabilities					
Resources of central banks	1,627,000	2,151,774	807	-	3,779,581
Financial liabilities held for trading	-	-	-	1,893,288	1,893,288
Resources of other credit institutions	2,135,777	890,684	162	-	3,026,623
Resources of customers and other debts	15,329,456	6,210,758	202,582	-	21,742,796
Debt securities	1,793,467	919,946	853	-	2,714,266
Hedging derivatives	-	-	-	150,005	150,005
Subordinated liabilities	-	4,275	28	-	4,303
	20,885,700	10,177,437	204,432	2,043,293	33,310,862

	31-12-2014 (pro forma)				
	Exposure to		Not subject to		
	Fixed rate	Variable rate	interest rate risk	Derivatives	Total
Assets					
Cash and deposits at central banks	-	622,460	208,014	-	830,474
Balances due from other banks	-	-	241,218	-	241,218
Financial assets held for trading	121,600	197,621	3,019	1,969,494	2,291,734
Available-for-sale financial assets	5,344,934	804,792	562,829	-	6,712,555
Loans and advances to credit institutions	890,877	282,915	47,125	-	1,220,917
Loans and advances to customers	2,821,989	22,676,129	25,133	-	25,523,251
Hedging derivatives	-	-	-	195,035	195,035
	9,179,400	24,583,917	1,087,338	2,164,529	37,015,184
Liabilities					
Resources of central banks	606,000	3,800,051	261	-	4,406,312
Financial liabilities held for trading	-	-	-	1,995,019	1,995,019
Resources of other credit institutions	3,167,409	863,072	243	-	4,030,724
Resources of customers and other debts	15,758,146	5,699,091	168,665	-	21,625,902
Debt securities	1,918,587	1,034,484	20,040	-	2,973,111
Hedging derivatives	-	-	-	133,690	133,690
Subordinated liabilities	-	4,275	31	-	4,306
	21,450,142	11,400,973	189,240	2,128,709	35,169,064

Financial instruments – non-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;

- the 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;
- the intended time ranges for measurement of the interest rate gaps are defined;
- for each group, the cash flows are re-grouped based on the ranges created;
- for each product considered to be sensitive, but without 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 range and the difference between them, corresponding to the interest rate risk gap, is determined for each range.

The interest rate gap enables an approximation to the sensitivity of the net assets 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;
- the movements 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.

In terms of variation in net asset´s value, an increase in the interest rates originates a decrease in the amount of the ranges 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 remain unchanged 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 are used.

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

At June 30, 2015 and December 31, 2014, the sensitivity of the Bank's financial instruments to positive and negative changes of 100 basis points (bp's) in the interest rates, over a time frame of one year, corresponds to:

	30-06-2015		31-12-2014 (pro forma)	
Assets	Change + 100 bp's	Change - 100 bp's	Change + 100 bp's	Change - 100 bp's
Cash and deposits at central banks	437	15,548	263	9,556
Available-for-sale financial assets	(288,500)	257,293	(364,218)	208,326
Loans and advances to credit institutions	(8,163)	3,363	(8,362)	3,714
Loans and advances to customers	(148,227)	91,411	(134,640)	53,400
	(444,454)	367,615	(506,957)	274,996
Hedging derivatives	2,779	(35,533)	(54,126)	9,259
Liabilities				
Resources of central banks	(51,698)	23,860	(22,764)	6,170
Resources of other credit institutions	(4,494)	832	(4,825)	542
Resources of customers and other debts	(411,886)	265,094	(401,951)	136,480
Debt securities	(49,321)	30,918	(58,746)	15,003
Other subordinated liabilities	(6)	2	(6)	1
	(517,405)	320,706	(488,292)	158,196

Financial instruments held for trading

Besides the Bank’s own calculation methodology, the basic parameters for the calculation of VaR 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 that the amount of changes 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 taking in consideration the Market Risk methodology;

  In any case, the values of VaR are the highest arising from the calculation 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-free currency. VaR results are reported in US Dollars in order to allow accumulation of different units; and

- 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 have all the same weight. The VaR Weighted Percentile assumes 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, including the volatilities and correlations between them, are well reflected in the historical period selected.

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

In addition, a complete revaluation of the portfolio requires a 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.

At June 30, 2015 and December 31, 2014, the VaR associated to the interest rate risk corresponds to:

	30-06-2015	31-12-2014 (pro forma)
VaR Percentile 99%	(6)	(1)
VaR Weighted Percentile 99%	(9)	(1)

Foreign exchange risk

The profile defined for foreign exchange risk is very conservative and is based on the hedging policy adopted. Implementation of such policy is a responsibility of the Treasury Department so that the risks involved are maintained at a low level, being those achieved mainly through currency swaps. Exchange risk limits are established and monitored by the Market Risk Area.

At June 30, 2015 and December 31, 2014, financial instruments by currency were as follows:

	30-06-2015			
	Euros	US Dollars	Other currencies	Total
Assets				
Cash and deposits at central banks	649,911	2,855	2,325	655,091
Balances due from other banks	206,351	37,799	16,652	260,802
Financial assets held for trading	2,109,229	40,272	2,936	2,152,437
Available-for-sale financial assets	5,409,318	-	-	5,409,318
Loans and advances to credit institutions	601,973	471,702	35,870	1,109,545
Loans and advances to customers	25,218,878	235,808	15,252	25,469,938
Hedging derivatives	127,741	1,652	-	129,393
	34,323,401	790,088	73,035	35,186,524
Liabilities				
Resources of central banks	3,779,581	-	-	3,779,581
Financial liabilities held for trading	1,880,465	12,093	730	1,893,288
Resources of other credit institutions	2,542,757	481,018	2,848	3,026,623
Resources of customers and other debts	20,626,254	947,861	168,681	21,742,796
Debt securities	2,712,939	-	1,327	2,714,266
Hedging derivatives	148,184	1,821	-	150,005
Subordinated liabilities	4,303	-	-	4,303
	31,694,483	1,442,793	173,586	33,310,862

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

	31-12-2014 (pro forma)			
	Euros	US Dollars	Other currencies	Total
Assets				
Cash and deposits at central banks	822,546	4,277	3,651	830,474
Balances due from other banks	184,396	42,768	14,054	241,218
Financial assets held for trading	2,261,697	28,528	1,509	2,291,734
Available-for-sale financial assets	6,712,555	-	-	6,712,555
Loans and advances to credit institutions	833,871	353,009	34,037	1,220,917
Loans and advances to customers	25,262,509	238,869	21,873	25,523,251
Hedging derivatives	193,802	1,233	-	195,035
	36,271,376	668,684	75,124	37,015,184
Liabilities				
Resources of central banks	4,406,312	-	-	4,406,312
Financial liabilities held for trading	1,993,129	1,671	219	1,995,019
Resources of other credit institutions	3,651,700	372,316	6,708	4,030,724
Resources of customers and other debts	20,540,195	918,865	166,842	21,625,902
Debt securities	2,973,111	-	-	2,973,111
Hedging derivatives	131,337	2,353	-	133,690
Subordinated liabilities	4,306	-	-	4,306
	33,700,090	1,295,205	173,769	35,169,064

At June 30, 2015 and December 31, 2014, the VaR associated to foreign exchange risk corresponds to:

	30-06-2015	31-12-2014 (pro forma)
VaR Percentile 99%	(4)	(6)
VaR Weighted Percentile 99%	(3)	(5)

Equity risk of assets

Financial instruments held for trading

At June 30, 2015 and December 31, 2014, the Bank had no equity risk associated with financial instruments held for trading and therefore the VaR related to this risk is zero.

50. LEGAL ACTIONS IN PROGRESS

From the end of the first quarter of 2013 a movement with public projection arise in Portugal in the sequence of which the validity of some interest rate swap agreements established between some financial institutions and several Portuguese State-owned enterprises, namely in the railway and road transportation sectors, have been challenged. These agreements were signed essentially until 2008, which was, before the beginning of the recent financial crisis and represent to those enterprises high charges.

Among those agreements, some established with the Bank were challenged, whose positive fair value at June 30, 2015 and December 31, 2014 arise to approximately tEuros 1,217,000 and tEuros 1,320,000, respectively, which is reflected in the accompanying balance sheet under the caption "Financial assets held for trading " (Note 7). These agreements were carried out without incidents until September 2013.

Following the above referred movement, in its conviction of the total regularity and binding force of the agreements established with the Portuguese State-owned enterprises, the Bank requested a legal statement regarding their validity, considering that it was its duty to contribute, by the appropriate way, to eliminate any doubts about their validity and binding force. This initiative took place during the second quarter of 2013, in English courts, as they were the ones chosen by the parties as expressly stated in the respective agreement terms.

At September 2013, after the submission of the above referred legal actions, the Portuguese State-owned enterprises communicated to the Bank that they would suspend from that date on the payment of the net interest associated with those swap agreements until the on-going actions were decided. At June 30, 2015 and December 31, 2014, the balance sheet caption "Other assets - Other" includes approximately tEuros 233,000 and tEuros 163,000, respectively, relating to the interests not paid (Note 17).

At November 2013, the Portuguese State-owned enterprises presented to the English courts their plea to the legal actions raised by the Bank requiring the nullity of the agreements and requesting the refund of the net flows of interest paid in the past, which amounted to approximately tEuros 134,000.

On February 14, 2014, the Bank presented to the English courts its reply to the plea submitted by the Portuguese State-owned enterprises and on April 4, 2014 the defence presented its counter arguments. On May 16, 2014, the preliminary hearing was held, and the legal actions are currently in the document analysis stage.

It is the Board of Directors of the Bank belief, supported by the opinion of its English and Portuguese legal attorneys, that all the conditions are now met for the court to rule in its favour and consequently to declare the validity of the above referred agreements and notifying the Portuguese State-owned enterprises to liquidate the corresponding interest. For this reason, no provisions were recorded in the accompanying financial statements to address for any eventual adverse outcome of those legal actions.

Additionally, during the first semester of 2014, five legal actions regarding the validity and binding force of certain interest rate swap agreements were raised against the Bank in Portuguese Courts by some entities comprised in the Regional Government of Madeira Island (entities included in the Portuguese public sector), which have also suspended the payment of the net interest associated with those swap contracts. At June 30, 2015 and December 31, 2014, the positive fair value of those swaps amounted to tEuros 86,000 and tEuros 100,000, respectively, and was recorded under the caption “Financial assets held for trading” (Note 7). On the other hand, at June 30, 2015 and December 31, 2014, the balance sheet caption "Other assets - Other" includes approximately tEuros 23,000 and tEuros 15,000, respectively, related to the interest not paid (Note 17). Last, the above referred entities are also asking for the refund of the net interest paid by them in the past, which, as of June 30, 2015 and December 31, 2014, amounted to tEuros 20,000. As of this date, the Bank has already presented its plea to those legal actions and for four of them the respective courts declared themselves incompetent to appreciate the actions, accepting the arguments of the Bank and considering that the matters raised in those actions are under the jurisdiction of the English courts. These decisions were subject to an appeal to a higher court (“Tribunal de Relação de Lisboa”). Nevertheless, since the arguments used by the above referred entities to challenge the validity of those swap contracts are similar to the ones used in the legal actions referred in the previous paragraphs, the Board of Directors of the Bank do not expect an adverse outcome of those legal actions.

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

Furthermore, at June 30, 2015, another set of claims / legal actions were raised against the Bank by its customers relating to swap agreements. In the majority of those claims / legal actions the customers request for the cancelation of the swap agreements established with the Bank, as well as for the reimbursement of the net amount of interest paid by them in the past. At June 30, 2105 and December 31, 2014, the amounts involved in those claims / legal actions were as follows:

	30-06-2015	31-12-2014 (pro forma)
Interest received from customers	46,766	52,665
Interest paid to customers	(8,635)	(8,879)
	38,131	43,786
Interest overdue not paid by customers	9,930	10,551
Swaps Mark to Market	52	72
Impairment recorded	(9,621)	(9,624)
	361	999
Provisions for litigations in progress	(12,712)	(12,390)
Exposure	25,780	32,395

However, it is the Board of Directors of the Bank belief, that the provisions recorded in the accompanying financial statements are sufficient to address an eventual adverse outcome of the above referred claims / legal actions.

Finally, during 2014, two new legal actions were raised against the Bank and two Portuguese State-owned enterprises, Metropolitano de Lisboa, E.P.E. and Metro do Porto, S.A., involving a total amount of approximately tEuros 350,000 which are not included in the table above. These legal actions are focused in the cancellation of some swap agreements established between the Bank and those two Portuguese State-owned enterprises, which are already being judged by the English courts since the second quarter of 2013, as a result of the initiatives held by the Bank as described in the beginning of this Note.

51. RESOLUTION FUND

In accordance with a statement issued by the Bank of Portugal in August 3, 2014, it was decided to apply to Banco Espírito Santo, S.A. a resolution measure, which resulted in the transfer of the majority of its activity to a “transitory bank”, named Novo Banco, incorporated especially for that purpose. Following the EU legislation, the capitalization of Novo Banco was provided through the Resolution Fund, which was established by the Decree-Law nº 31-A / 2012 of February 10. As provided for in that Decree-Law, the Resolution Fund is financed through the payment of contributions due by the participating institutions in the Fund and through the special contribution to the banking sector. In addition, it is also established that if such resources are insufficient to fulfil its obligations other financing sources can be used, such as: (i) special contributions from credit institutions; and (ii) loans granted.

In the specific case of the resolution measure applied to Banco Espírito Santo, S.A., the Resolution Fund provided tEuros 4,900,000 to subscribe the share capital of Novo Banco. Of this amount, tEuros 377,000 corresponded to the Resolution Fund own resources, resulting from the contributions already paid by the participating institutions and from the special contribution to the banking sector. In addition, a syndicated loan of tEuros 700,000 was granted to the Resolution Fund, with the contribution of each credit institution depending on several factors, including their size. The participation of BST in that loan was tEuros 116,200. The remaining amount needed to finance the resolution measure adopted came from a loan granted by the Portuguese State, which will be subsequently repaid and remunerated by the Resolution Fund. When Novo Banco is sold the proceeds of the sale will be primarily assigned to the Resolution Fund.

Until the approval date of the accompanying financial statements by the Board of Directors, BST does not have information that allow it to estimate with reasonable accuracy the amounts potentially involved in the sale of Novo Banco.

Due to the same reason, it is not possible to estimate with reasonable accuracy if, as a result of that sale process, a shortfall of resources in Resolution Fund will occur, and if applicable, how it will be financed.

Therefore, at this date, it is not possible to evaluate the potential impact of this situation in the financial statements of BST, since the potential costs involved will depend on the sale price of Novo Banco and the measures to be taken by the Finance Ministry, under the competences that are legally attributed to it.

52. FINANCIAL STATEMENTS APPROVAL

These financial statements were approved by the Board of Directors on August 27, 2015.

53. 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 AT JUNE 30, 2015 (NOTE 21)

(Amounts expressed in thousands of Euros – tEuros)

(Translation of Appendix I originally issued in Portuguese - Note 53)

Securities issued	Currency	Amount of the issue: Total	Amount of the issue: Subscribed by the Group	Amount of the issue: Consolidated Balance Sheet	Accrual	Value adjustments of hedging operations	Total Consolidated Balance Sheet	Interest Rate	Issue Date	Maturity Date	Index
Bonds issued											
Bonds											
ST Diversificação Invest 4º amortização Clientes	EUR	23,913	8,982	14,931	179	1,076	16,186	Floating	March 17, 2009	March 28, 2017	Basket of indexes
Valorização Performance 5 anos	EUR	21,533	4,317	17,216	409	39	17,664	Floating	September 30, 2010	September 30, 2015	Basket of indexes
Valorização Performance 5 anos Outubro 2010	EUR	9,993	-	9,993	232	25	10,250	Floating	November 2, 2010	November 2, 2015	Basket of indexes
Valorização Europa GBP	GBP	1,327	-	1,327	-	-	1,327	Floating	June 27, 2014	June 27, 2017	Stock index EURO STOXX 50® Index
		56,766	**13,299**	**43,467**	**820**	**1,140**	**45,427**				
Covered bonds											
Hipotecárias VIII - 1st tranche	EUR	250,000	250,000	-	-	-	-	Floating	July 20, 2012	July 20, 2015	Euribor3m+2.5%
Hipotecárias IX - 1st tranche	EUR	500,000	500,000	-	-	-	-	Floating	April 2, 2013	April 2, 2016	Euribor6m+2.25%
Hipotecárias IX - 2nd tranche	EUR	1,000,000	1,000,000	-	-	-	-	Floating	April 15, 2013	April 15, 2016	Euribor3m+2.25%
Hipotecárias X	EUR	750,000	750,000	-	-	-	-	Floating	July 26, 2013	July 26, 2016	Euribor3m+2.25%
Hipotecárias XI - 1st tranche	EUR	500,000	500,000	-	-	-	-	Floating	December 19, 2013	December 19, 2016	Euribor3m+1.85%
Hipotecárias XI - 1st tranche	EUR	500,000	500,000	-	-	-	-	Floating	December 19, 2013	December 19, 2016	Euribor6m+1.85%
Hipotecárias XI - 3rd tranche	EUR	750,000	750,000	-	-	-	-	2.58%	January 13, 2014	January 13, 2017	Fixed interest rate
Hipotecária XII - 1st tranche	EUR	1,000,000	-	1,000,000	2,793	-	1,002,793	2.58%	April 1, 2014	April 3, 2017	Fixed interest rate
Hipotecária XIII - 1st tranche	EUR	750,000	-	750,000	(2,633)	-	747,367	1.63%	June 11, 2014	June 11, 2019	Fixed interest rate
Hipotecárias XIV	EUR	750,000	750,000	-	-	-	-	0.75%	March 4, 2015	March 4, 2022	Fixed interest rate
		6,750,000	**5,000,000**	**1,750,000**	**160**	**-**	**1,750,160**				

BANCO SANTANDER TOTTA, S.A.

DEBT SECURITIES ISSUED AT JUNE 30, 2015 (NOTE 21)

(Amounts expressed in thousands of Euros – tEuros)

(Translation of Appendix I originally issued in Portuguese - Note 53)

Securities issued	Currency	Amount of the issue: Total	Amount of the issue: Subscribed by the Group	Amount of the issue: Consolidated Balance Sheet	Accrual	Value adjustments of hedging operations	Total Consolidated Balance Sheet	Interest Rate	Issue Date	Maturity Date	Index
Bonds issued on securitization operations											
Hipototta 1 - Class A - Notes	EUR	136,796	111,221	25,575	(51)	-	25,524	Floating	July 25, 2003	November 25, 2034	Euribor 3m+0.27% (until early reimbursement in August 2012); Euribor 3m+0.54% (after early reimbursement date)
Hipototta 1 - Class B - Notes	EUR	8,821	8,821	-	-	-	-	Floating	May 12, 2004	November 12, 2034	Euribor 3m+0.65% (until early reimbursement in August 2012); Euribor 3m+0.95% (after early reimbursement date)
Hipototta 1 - Class C - Notes	EUR	3,887	3,887	-	-	-	-	Floating	May 12, 2004	November 12, 2034	Euribor 3m+1.45% (until early reimbursement in August 2012); Euribor 3m+1.65% (after early reimbursement date)
Hipototta 1 - Class D - Notes	EUR	11,000	11,000	-	-	-	-	Floating	May 12, 2004	November 12, 2034	Residual return generated by securitized portfolio
Hipototta 4 - Class A - Notes	EUR	871,982	478,163	393,819	(896)	-	392,923	Floating	December 9, 2005	December 30, 2048	Euribor 3m+0.12% (until early reimbursement in December 2014); Euribor 3m+0.24% (after early reimbursement date)
Hipototta 4 - Class B - Notes	EUR	31,724	31,724	-	-	-	-	Floating	December 9, 2005	December 30, 2048	Euribor 3m+0.19% (until early reimbursement in December 2014); Euribor 3m+0.40% (after early reimbursement date)
Hipototta 4 - Class C - Notes	EUR	100,189	53,579	46,609	1	-	46,610	Floating	December 9, 2005	December 30, 2048	Euribor 3m+0.29% (until early reimbursement in December 2014); Euribor 3m+0.58% (after early reimbursement date)
Hipototta 4 - Class D - Notes	EUR	14,000	14,000	-	-	-	-	Floating	December 9, 2005	December 30, 2048	Residual return generated by securitized portfolio
Hipototta 5 - Class A2 - Notes	EUR	770,096	347,203	422,893	(323)	-	422,570	Floating	March 22, 2007	February 28, 2060	Euribor 3m+0.13% (until early reimbursement in February 2014); Euribor 3m+0.26% (after early reimbursement date)
Hipototta 5 - Class B - Notes	EUR	26,000	26,000	-	-	-	-	Floating	March 22, 2007	February 28, 2060	Euribor 3m+0.17% (until early reimbursement in February 2014); Euribor 3m+0.34% (after early reimbursement date)
Hipototta 5 - Class C - Notes	EUR	24,000	24,000	-	-	-	-	Floating	March 16, 2007	February 28, 2060	Euribor 3m+0.24% (until early reimbursement in February 2014); Euribor 3m+0.48% (after early reimbursement date)
Hipototta 5 - Class D - Notes	EUR	26,000	26,000	-	-	-	-	Floating	March 22, 2007	February 28, 2060	Euribor 3m+0.50% (until early reimbursement in February 2014); Euribor 3m+1.00% (after early reimbursement date)
Hipototta 5 - Class E - Notes	EUR	31,000	31,000	-	-	-	-	Floating	March 22, 2007	February 28, 2060	Euribor 3m+1.75% (until early reimbursement in February 2014); Euribor 3m+3.50% (after early reimbursement date)
Hipototta 5 - Class F - Notes	EUR	8,771	8,771	-	-	-	-	Floating	March 22, 2007	February 28, 2060	Residual return generated by securitized portfolio
		2,064,264	**1,175,368**	**888,896**	**(1,269)**	**-**	**887,627**				
Other											
EMTN's	EUR	32,300	1,250	31,050	2	-	31,052				
		32,300	**1,250**	**31,050**	**2**	**-**	**31,052**				
		8,903,330	**6,189,917**	**2,713,413**	**(287)**	**1,140**	**2,714,266**				

BANCO SANTANDER TOTTA, S.A.

SUBORDINATED LIABILITIES AT JUNE 30, 2015 (NOTE 24)

(Amounts expressed in thousands of Euros – tEuros)

(Translation of Appendix II originally issued in Portuguese - Note 53)

		Amount of the issue			Accrual			Total			
Securities issued	Currency	Total	Subscribed by the Group	Consolidated Balance Sheet	Total	Subscribed by the Group	Consolidated Balance Sheet	Consolidated Balance Sheet	Interest Rate	Maturity date	Early repayment as from:
Subordinated Perpetual Bonds Totta 2000	EUR	270,447	270,447	-	120	120	-	-	1.80%	Perpetual	June 22, 2010
Subordinated Perpetual Bonds CPP 2001	EUR	4,275	-	4,275	28	-	28	4,303	1.88%	Perpetual	February 23, 2011
Subordinated Perpetual Bonds BSP 2001	EUR	13,818	13,818	-	91	91	-	-	1.88%	Perpetual	February 23, 2011
		288,540	**284,265**	**4,275**	**239**	**211**	**28**	**4,303**			