Annual Report 2023

Proposal

Santander

Banco Santander Totta, S. A.

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Banco Santander Totta S. A.
Rua do Ouro, 88 — 1100-063 Lisbon
Share Capital: € 1,391,779,674
Registered at the Lisbon Commercial Registry under single registration and VAT No. 500 844 321
LEI: 549300URJH9VSI58CS32

This report was approved by the Bank's Board of Directors on April 23, 2024

Table of Indicators

BALANCE SHEET AND RESULTS (million euro)	Dec-23	Dec-22	Var.
Total Net Assets	54,587	55,778	-2.1%
Loans and advances to customers (net)	43,796	42,365	+3.4%
Customers' Resources	43,709	46,332	-5.7%
Total shareholders' equity	4,116	3,608	+14.1%
Net Interest Income	1,481.3	779.3	+90.1%
Net Fees and Other Income	463.5	485.0	-4.4%
Net income from banking activities	2,018.2	1,361.5	+48.2%
Net operating income	1,475.5	841.2	+75.4%
Income before taxes and non-controlling interests*	1,350.3	853.8	+58.2%
Consolidated net income attributable to the shareholders of BST	931.4	586.6	+58.8%

RATIOS	Dec-23	Dec-22	Var.
ROE	25.8%	13.8%	+12.0 p.p.
ROA	1.7%	1.1%	+0.6 p.p.
Efficiency ratio	26.0%	36.3%	-10.3 p.p.
CET I ratio*	16.1%	15.8%	+0.3 p.p.
Tier I ratio*	18.7%	18.3%	+0.4 p.p.
Capital ratio*	21.3%	20.8%	+0.5 p.p.
Non-Performing Exposure Ratio	1.7%	2.0%	-0.3 p.p.
Non-Performing Exposure coverage ratio	89.2%	87.0%	+2.2 p.p.
Cost of credit	0.17%	(0.03%)	+0.20 p.p.
Loans-to-deposits ratio (transformation ratio)	122.9	108.5	+14.5 p.p.

RATING	Dec-23	Dec-22
FitchRatings	A-	A-
Moody´s	Baa1	Baa2
Standard & Poor´s	BBB+	BBB+
DBRS	A	A

Other Data	Dec-23	Dec-22	Var.
Employees**	4,619	4,614	+5
Employees in Portugal**	4,615	4,605	+10
Branches	376	383	-7
Total Branches and Corporate Centers in Portugal	375	381	-6

* Fully implemented with results net of payout

** Headcount criteria

Message from the Chairman of the Board of Directors

2023 was a year in which the economic and financial conjuncture was marked by inflation and the consequent rise in interest rates, which had a significant impact on the lives of all Portuguese. In this context, Santander's mission to contribute to the development of people and businesses was of particular importance and, throughout the year, we never stopped being close to our customers, helping them to overcome difficulties and prosper.

Santander Portugal maintained its leading position, both within the Group and in the sector, having achieved a net profit of 931.4 million euros. This result was achieved while always keeping in mind the ambition of being the best Bank for our customers, employees, shareholders, and society, and having the confidence and solidity required to face the challenges that 2024 will bring to us all.

The work we developed throughout the year, particularly in terms of digital transformation, automation, and process simplification, earned us recognition from prestigious international publications in the financial sector. We were distinguished as the **Best Bank in Portugal** by *Euromoney* magazine, as part of the *Euromoney Awards for Excellence 2023*. Also, within the scope of these awards, Santander was distinguished as the "Best Bank" in the "Digital Solutions" and "Corporate Social Responsibility (CSR)" categories. We were also considered the Best Bank in Portugal by *Global Finance*, within the scope of the *World's Best Banks 2023*. *World Finance* magazine considered Santander the **Best Retail Bank in Portugal**, within the scope of the *World Finance Banking Awards 2023*. This recognition shows that it is worth acting correctly with all our stakeholders. However, there is still a lot of work ahead. One of the challenges we face is maintaining financial discipline, managing costs, and ensuring the right capital allocation, as well as optimized and customized prices for our products. It is absolutely critical that we ensure that we remain a solid, profitable, prudent bank in terms of risk management, whilst offering our customers the best possible conditions.

We will remain committed to building a more inspiring, diverse, and inclusive Bank, focused on the development and retention of our employees. We want them to feel valued and proud of their work and of the results achieved.

In this context, I would like to end with a sincere thank you to all Santander employees. Your commitment, dedication and energy were key to the success we achieved in 2023 and will continue to be absolutely critical in 2024. This year, we will renew our commitment to actively contribute to the development of the Portuguese economy and society. All together, we will keep strengthening our historic commitment throughout this coming year to actively contribute to the development of the Portuguese economy and society, following our path of progress and innovation.

José Carlos Sítima

Message from the Chief Executive Officer

The year of 2023 was initially viewed with some reservations, marked above all by the continued war in Ukraine and by all its social and economic impacts, as well as by inflation, which drove the rise in interest rates. These factors, along with the challenges posed by the conflicts in Israel and Gaza, were decisive in the development of the year's events.

However, despite such a challenging scenario, Santander Portugal achieved a remarkable feat, closing the year with the best results ever in its history. The rise in interest rates, combined with an effective deposit remuneration strategy, had a positive impact on our results. Our commitment to the continuous transformation of our business model, through the simplification and automation of processes, also proved to be critical. This path has allowed the sustained improvement of operational efficiency and the enhancement of our customers' experience and has become a reference within the Santander Group.

Rising interest rates posed additional challenges. Our customers were faced with the need for greater financial balance, which led to a reduction in leverage for both households and companies, impacting credit growth, particularly with regard to mortgage loans. In response, we have adapted our approach with the goal of fostering sustainable growth. With interest rates rising, we strive to respond to the requests of our customers in difficult situations, but, above all, to be proactive and to anticipate such difficulties. By the end of the year, we had renegotiated almost 50 thousand home loan contracts, and had around 17 thousand subsidized contracts.

Our vision for the future is firm and ambitious. We aspire to be the leading bank in Portugal, to offer a service of excellence to our customers, to provide attractive financial performance to our shareholders, and to be recognized as the best place to work. For the coming year, I identify three main critical factors for our business:

1. The Portuguese economy is beginning to show signs of slowing down, with a slower pace of growth expected for 2024, which could contribute to a moderate increase in the unemployment rate.
2. The slowdown of inflation in 2023 allowed the European Central Bank to end the cycle of interest rate rises. According to the Governor of the Bank of Portugal, the question now is to know when will these rates start to drop. It is expected that in the second half of the year, both households and companies will begin to benefit from lower interest rates, which will stimulate economic recovery.
3. Faced with the challenges and growing demands from our customers for quality service, it is imperative that we keep pursuing our transformation agenda. Finding the best balance between innovation, trust and personal relationships will be critical to our success.

To achieve this vision, we have defined three priority areas of action: keep pursuing our transformation agenda, simplifying and automating processes and integrating technological innovation; maintain strict financial discipline, managing costs and ensuring careful capital allocation and optimized, personalized pricing for our products; and invest in the development of our employees, while creating an inspiring, inclusive work environment.

In addition to its economic success, Santander left its mark on sports, particularly through its partnership with rugby in Portugal. The national team achieved a historic victory in the Rugby World Cup, an extraordinary feat for a semi-professional team. The 'Oh Gui' project, which we support and that provides regular rugby training to almost 90 people with special needs, is a great example of this commitment. This year, a group of athletes supported by this project had the opportunity to watch a World Cup game in France.

In the field of education, the Santander Foundation has played a very active role, focusing its efforts on financial literacy and in the development of critical professional skills for the future. Initiatives such as TUMO, the first creative technology centre in Portugal, and the introduction of Code.org, aimed at helping make programming education more accessible and fun, are clear examples of our investment in future generations.

Finally, I cannot fail to highlight the crucial role of all professionals who make up Santander Portugal. Their commitment and dedication are the foundation of our success and position our bank as a reference in best practices, both nationally and within the Santander Group. We are, in fact, the choices we make, and our choice is to keep working together to ensure a prosperous future for our bank and for the communities where we are present.

Pedro Castro e Almeida

Corporate Culture, Awards, Distinctions and Other Relevant Facts in 2023

Santander Portugal

Santander Portugal is a reference bank in the Portuguese financial system, whose mission is to help people and businesses to prosper. Serving more than 1.7 million customers, Santander's Vision is to be the best open platform for financial services, acting responsibly, and earning the trust of its employees, customers, shareholders, and of society as a whole.

The Bank has continued its transformation process, based on digitization, simplification of processes, and innovation, offering a closer, more personalized service to its customers, in order to provide them with the best possible experience. As a result of this process, there has been a strong investment in technology, with major impacts on process improvement. In 2022, more than one million documents were digitally signed (compared to 200,000 two years ago), new completely paperless support processes were created, and more capabilities for remote management with customers have been launched.

The investment in self-banking machines has continued, in order to offer customers a 24/7 self-service cashier service. Altogether, there are now 212 Virtual Teller Machines (VTMs) that allow deposits and withdrawals of banknotes, coins and cheques, among other operations.

Santander has also made a strong effort in offering innovative products and services, such as the new digital payment solutions, which allow customers to pay for their purchases with any mobile device anywhere in the world.

This transformation has contributed to the growing number of digital customers, to about 1.2 million, representing 64% of total customers. Those using the mobile App have also been growing, now numbering 962 thousand.

On the other hand, the Bank is committed to building a greener economy and, to this end, it is helping its customers make sustainable choices, and make their transition to a Net Zero business model. Thus, in 2023, Santander launched a new functionality on its App, which is totally innovative in the banking sector, to help customers know and offset their carbon footprint, based on purchases made with a bank card and direct debits.

In terms of sustainable financing, the Bank maintains a quite relevant presence in financing projects to support the climate transition of its individual customers and companies, with a volume of about one billion euros.

On a social level, the ability to have an impact on Society was largely reinforced through the Santander Portugal Foundation, with the mission of transforming the lives of people and companies. The purpose is to invest in the future of Portugal, supporting the education of all generations, and promoting social mobility towards a more developed, fairer, more inclusive, sustainable society.

Thus, several programmes were launched, and more than 6,400 scholarships were awarded in the country, with the aim of providing both university students and the adult population in general with a set of relevant skills for their personal and professional development.

With the aim of supporting young people acquire skills in *STEAM* (*science, technology, engineering, arts, maths*), the Santander Portugal Foundation has joined TUMO, the first creative technology hub in the country. At the end of the year, it also joined Code.org, the world's largest platform for free programming education, to encourage the learning of critical skills for the professions of the future.

Santander Brand | “Escolhemos ver Pessoas [We choose to see People]”

In a marketing campaign launched in April 2023, Santander used the Artificial Intelligence software “*Stable Diffusion*” to create “Manel,” a typical Portuguese man, based on photos of 277 people aged between 18 and 75.

The film also features real characters, reinforcing the message that, despite the importance of data and numbers, what matters the most are people.

Marketing Campaign — “We Choose to See People”

Rugby | “Somos todos Lobos [We're all Wolves]”

The year of 2023 was also marked by Santander's support to the National Rugby Team (“Lobos”). Under the motto “We're All Wolves,” the Bank invited all Portuguese people to support the National Team at the World Rugby Cup in France, creating the largest pack of wolves in the world.

Santander has been sponsoring the Portuguese National Rugby Team since 2021, and its qualification for the World Cup was a unique opportunity to promote and raise this sport among the general public.

Campaign "We're all Wolves"

Awards, Distinctions and Other Relevant Facts in 2023

Best Bank in Portugal

Santander was distinguished as the **“Best Bank in Portugal”** by the North American magazine ***Global Finance***, within the scope of the *“World's Best Banks 2023.”* This publication emphasizes that it distinguished “the institutions that best knew how to respond to the needs of their customers in difficult markets, and achieved the best results, while also establishing the foundations of success for the future.”

Santander was also distinguished as the “**Best Bank in Portugal**” by ***Euromoney*** magazine, as part of the "*Euromoney Awards for Excellence 2023.*"

Best Retail Bank in Portugal

Santander was distinguished as the **Best Retail Bank in Portugal**, by ***World Finance*** magazine, within the scope of the "*World Finance Banking Awards 2023.*"

Santander was distinguished by ***Global Finance*** magazine, for the third consecutive year, as the "**Best SME Bank in Portugal**," within the scope of the "*SME Bank Awards 2024*." This award, which is already in its second edition, distinguishes the financial institutions that best respond to the needs of SMEs in their markets, acknowledging the support provided and the quality of the services offered.

Best SME Bank in Portugal

Best Trade Finance Bank in Portugal

Santander was distinguished by the ***Euromoney*** magazine as the "**Best Trade Finance Bank in Portugal**," coming first in the "**Market leader**" and "**Best Service**" categories. For the fourth consecutive year, Euromoney has highlighted the Bank's remarkable contribution to the international business sector.

Santander was considered, for the second consecutive year as the **Most Responsible Bank in Portugal**, taking the first position in the sector, in the Merco ESG 2023 ranking.

Most ESG Responsible Bank in Portugal

Best Private Banking in Portugal

Santander's **Private Banking** was once again distinguished by ***Euromoney*** magazine as the "**Best Private Banking International**" in Portugal. It is the 12th consecutive time that the publication distinguishes this segment of Santander.

It received a similar award from ***Global Finance*** magazine, which, for the ninth consecutive time, distinguished the advantages of the specialized advisory model and the unique value proposition that the Bank offers its customers.

Other Awards and Distinctions

Top Employer 2023 – Top Employers Institute

Santander was certified as ***Top Employer* 2023** in Portugal by the ***Top Employers Institute***, a globally recognized certification company, with in-depth know-how in human resources.

World Finance distinguished Santander with the award "**Best Pension Fund**" in Portugal.

Best Pension Fund in Portugal

Best Settlement & Custody — Euronext Lisbon Awards

Santander was selected by **Euronext** as the financial intermediary that carried out the largest number of share and bond issuances registered with *Euronext Securities* Porto (and not admitted to trading), weighted by the respective amounts.

Relevant Facts in 2023

❖ Finerge's refinancing operation is the "*Deal of the Year* 2022"

The refinancing of Finerge, in the amount of € 2.3 billion, with Santander as the financial advisor, was considered the *"Deal of the Year* 2022" for renewable energies in Europe, within the scope of the *PFI Awards*.

❖ Santander and the EIF provide € 250M in financing for companies in Portugal

Santander Portugal and the European Investment Fund (EIF) signed an agreement to make € 250 million available to companies operating in three business areas: Sustainability, Education, and Cultural and Creative Sectors.

❖ Campaign to promote young people's savings

Santander launched a campaign for youngsters, with the aim of encouraging them to save from an early age and helping them manage their money, thus promoting financial literacy among this segment.

❖ "Manel," an average Portuguese person generated by Artificial Intelligence

Santander created a campaign to put into perspective that, despite so much technological developments that make people's lives easier and faster, the most significant moments in human existence happen when we defy the odds.

❖ 5th International Meeting of Universia Rectors

"University and Society" was the theme of the 5th Universia International Rectors' Summit held in Valencia on May 8-10, which brought together 700 rectors from 14 countries. At the event, the Executive Chair of Banco Santander and of Universia, Ana Botín, announced that the Bank will allocate 400 million euros to employability and entrepreneurship education until 2026.

❖ € 162 million of financing to enhance energy efficiency in Portugal

Santander and the EIB Group signed a new securitization operation to support the financing of new investments in energy efficiency, in the construction or rehabilitation of buildings with very low energy consumption in Portugal.

❖ Measure and offset customers' carbon footprint on the App

Santander launched a new functionality on its App, which is totally innovative in the banking sector, to help customers know and offset their carbon footprint, based on purchases made with a bank card and through direct debit.

❖ Pedro Castro e Almeida appointed to lead European business

Banco Santander has appointed Pedro Castro e Almeida to lead its business in Europe, while remaining CEO of Santander Portugal.

❖ Madeira has a new, more technological branch with personalized service

In August, Santander opened a *SmartRed* branch in the Autonomous Region of Madeira, a modern, digital, customer experience-oriented space.

❖ Santander delivers 1,000 diplomas to SME Leader 2023

Santander awarded 1,000 diplomas to SME Leader 2023, in a series of four events in different parts of the country, namely in Lisbon, Porto, Leiria and Funchal.

❖ Campaign to support the National Rugby Team

With the motto “We're All Wolves,” Santander launched a campaign to support the presence of the National Rugby Team at the World Rugby Cup in France and invited all Portuguese people to do the same, creating the largest pack of wolves in the world. Santander has been a sponsor of the Portuguese Rugby Team since 2021.

❖ Santander and the EIB provide 400 million euros to Portuguese companies

Santander Portugal and the EIB signed an agreement to facilitate Portuguese companies' (Mid-Caps) access to financing with better conditions. It is estimated that the transaction could benefit the Portuguese economy, mobilizing new investments worth up to € 560 million.

Customers and the Bank's Distribution Network

Evolution of the Branch Network

The year of 2023 was yet another year devoted to consolidation, process modernization, and completion of the new service and customer service models that were implemented in the Santander Branch network.

Seven mergers were carried out in the Individuals and Business network in 2023 (2 in the Northern Network and 5 in the Southern Network).

The Branch Network ended 2023 with 332 branches, to which 14 extensions were added, in a total of 346 points of sale.

The 11 remote service centres (Santander Próximo) remain in operation, including Próximo International, dedicated to non-resident and foreign customers.

Teller and Self-banking Models

Cash transactions continued their downward trend. Digital means and cards are increasingly used as payment methods. Manual cash transaction models were optimized, and, during the year, 122 branches were implemented with only self-banking service, with branches divided into 4 types:

- 26 branches with traditional tellers;
- 138 branches with an advanced teller station (cash station at a commercial service point);
- 27 branches with corporate teller desks;
- 141 branches with only self-banking service.

This evolution of the Bank's transactional models was accompanied by a strong investment in self-banking (automatic self-service areas), which allows our customers to make deposits 24 hours a day, 7 days a week, an aspect that led to the reorganization of our service models.

In 2023, 95 new VTMs were installed, ending the year with 212 branches with this type of equipment. VTMs allow customers to make deposits and withdrawals, in banknotes and coins, at their convenience.

The installation of new equipment of this nature will continue in 2024, allowing Santander customers to use typical over-the-counter teller services, over an extended period at their convenience.

Face-to-face customer service

With the aim of improving customer experience when they visit our branches, an innovative customer service was installed using a ticketing system.

Santander currently has 326 branches and 14 extensions with this type of equipment already installed, and it is expected that in 2024 this will become a solution for customer service management and quality of service at all branches in the network.

Remote Customer Service

Throughout 2023, the Santander Próximo 100% remote service model was consolidated, and the implementation and development of the value customer segment with Select Hubs was continued. This service model is made up of teams of managers who manage customers remotely, without losing the concept of personalized, face-to-face service, where the bank stands out and differentiates itself through digital agility, making processes simpler and more efficient.

These specialized remote service centres are located at selected branches, also enabling physical proximity to each of the geographic contexts, with face-to-face service and prior scheduling. The teams have integrated management and leadership at each branch, and this model is available in areas where there is a critical mass of eligible customers. Currently, there are 28 branches with Hub Select, while new openings are planned for 2024.

The entire structure is equipped with platforms that facilitate the management and monitoring of valuable customers. Operational excellence has been optimized and systematized, resulting in the development of the quality of service provided to customers.

An exclusive Customer Service Hotline has been implemented just for this segment, in order to focus remote management teams on personalized, closer service and, thus, centralize operational processes in specialized teams, with ambition and focus on improving customer experience with the Bank.

Classic
Is it a novel with too many pages?

University
Does it help at exam time?

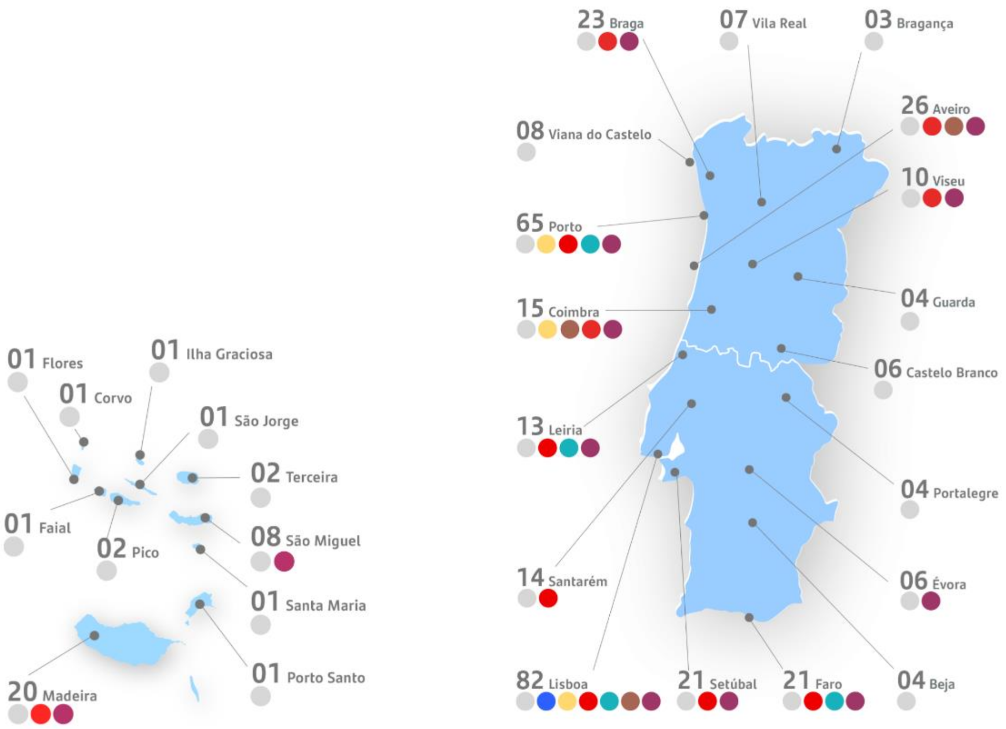
Money Club
Is it only for gentlemen wearing top hats and monocles?

Smart Red
Is it inside a small red car?

Work Café
Do they serve a new blend with extra caffeine?

Santander Próximo
Is it always in the neighbourhood?

Business
Is it only for gentlemen with ties and cufflinks?



Responsible Banking

Main areas of activity as part of the sustainability policy

- Being responsible is the basis of trust, and only by acting in a Simple, Personal and Fair manner can the Bank earn the trust of its customers, and of all its various stakeholders.
- The Bank seeks to ensure that, in the course of its current business, it fosters sustainable, inclusive growth in society, while reducing social and economic inequalities among the population, while, at the same time, supporting the development of the communities where it operates.
- Besides investing in the community, the Bank also acts in the areas of financial empowering, climate finance, and lower consumption and emissions.

Main areas of activity as part of the sustainability policy

- Higher Education
- Social Well-being
- Financial Literacy
- Environment
- Entrepreneurship and job creation
- Culture

Main Sustainable Development Goals (SDGs) where Santander's business and investment in the community has a higher impact

Our skilled, committed teams allow us to respond to customer needs; help entrepreneurs create businesses and jobs; and strengthen local economies.

We fight climate change by reducing our own carbon footprint and our environmental impact, while helping our customers in the transition to a sustainable economy.

We promote transparency, the fight against corruption, and solid institutions for sustainable development. Our policies and codes of conduct, which regulate our activity and behaviour, guide our commitment towards a more responsible banking system.

Other Sustainable Development Goals (SDGs) on which Banco Santander also has an impact — Group approach

We are committed to reducing poverty and strengthening the well-being of the local economies where we operate. Our financial inclusion products and community investment services and programmes empower millions of people every year.

Through Santander Universities — a unique, pioneering programme in the world — we help Universities and students prosper, with a focus on education, entrepreneurship, and employment. Santander Scholarships are one of the largest scholarship programmes funded by the private sector.

We foster a diverse, inclusive work environment. We ensure equal opportunities and promote gender equality at all levels, as a strategic priority. We also support initiatives that promote diversity in our business.

We are global leaders in financing renewable energy projects. We also help our customers finance energy efficiency, low emissions, hybrid and electric vehicle projects, and other sustainable mobility solutions.

We develop products and services for the most vulnerable in society, giving them access to financial services, and teaching them how to use them properly to manage their finances in the best possible way.

We fund the construction of sustainable infrastructures that ensure basic services and promote inclusive economic growth. We also promote affordable housing opportunities.

We are firmly committed to reducing our environmental footprint, by implementing energy efficiency plans and by promoting the use of renewable energies, as well as offsetting the environmental impact of our internal operations.

To move forward our responsible Banking agenda, we take part in regional and international initiatives and working groups.

Main Highlights in 2023

Banco Santander is committed to its mission of contributing to the development of people and companies, supporting inclusive, sustainable growth. In the 2022 Responsible Banking Report, various priority action plans were defined for 2023 in Environmental, Social and Governance matters, which were implemented throughout the year.

In order to achieve our environmental goals, **initiatives continued to be developed** to strengthen the capacity for carrying out environmentally friendly operations. In February, the *Sustainable Finance Classification System* (SFCS) was revised, in a document that establishes the criteria for financing to be considered sustainable by Santander. Inspired by the European Taxonomy and by other international standards, the SFCS lays the groundwork that will enable us to support our customers in the transition to a low-carbon economy.

In 2023, the Bank **continued to support its customers' environmentally responsible financing**, namely through *Sustainability Linked Loan* operations indexed to sustainability KPIs, worth € 125 million, as well as assistance in structuring and placing financing in the portfolio of Finerge renewables, and in its expansion plan, worth € 2,296 million, using an innovative variable amortization structure. Additionally, it should be noted that **Santander is the market leader** in the IFRRU (Urban Rehabilitation) programme, having promoted financing worth € 470 million in 2023. In addition to direct (and indirect) financing operations, the Bank has been improving its product offering, namely through the conclusion of an agreement supported by InvestEU to guarantee up to € 250 million in loans for companies in Portugal, within the scope of Sustainability.

Banco Santander remained **carbon neutral regarding its own activity** by offsetting all of its emissions. Additionally, 100% of the electricity consumed by Santander again came from renewable sources. It is also worth highlighting the maintenance of the biodegradable and recyclable cards initiative, as well as the non-use of unnecessary plastic in our buildings.

In 2023, the Bank also deepened the **integration of environmental, social and climate risks** into its daily management. We expanded the universe of companies, as well as the perimeter of new operations subject to ESCC (*Environmental, Social and Climate Change)* risk assessment, namely by implementing new Environmental & Climate Risk Policies and also by training teams of credit risk analysts on these topics, and by maintaining active promotion of ESG topics across the different areas of the Bank.

On a **social level**, the ability to have an impact on Society was largely reinforced through the creation of the Santander Portugal Foundation, with the mission of transforming the lives of people and companies. The intention is for the Bank to invest in the future of Portugal, supporting the education of all generations and promoting social mobility towards a more developed, fairer, more inclusive, sustainable society.

In line with the objectives set out of promoting a more inclusive, fairer, sustainable society through Education, the Bank established and maintained several partnerships, such as School 42, which seeks to develop programming skills in society, stimulating team work, problem solving, autonomy and resilience; or the My Mentor project, a unique platform at national level, based on artificial intelligence, to stimulate the upskilling and reskilling of its users

In line with its Mission within the Group, Santander also promoted **Financial Literacy initiatives**:

- As part of World Savings Day, the Santander Foundation promoted a Financial Literacy Week for children and young people, with several initiatives to help them become aware of the importance of saving and managing their money in a sustainable way.
- A Financial Education Masterclass was held for secondary school youth, promoted by the Santander Foundation and its partner Mentes Empreendedoras [Entrepreneurial Minds], which transformed a simple class into an exciting experience that totally transformed the relationship of 250 young people from the Greater Lisbon area with finances.

For some years now, Santander has had the corporate objective of being the best company to work for in the various geographies where it operates, and, for this reason, it has been consolidating the work done in previous years, notably by improving processes that simplify Employee experience, streamlining and expanding the package of measures that the Bank puts at their disposal.

In order to consolidate one of the T.E.A.M.S. behaviours, namely *SpeakUp*, for promoting an open, trusting environment, by providing improvement initiatives, the Bank launched ***Your Voice***, which reflects the evolution of the Global Commitment Survey, with some new features:

- Faster and easier — the questionnaire is filled out on a platform (Peakon) added to Workday;
- Listening more continuously (at various points in time, and not just once a year) — allowing us to be closer to our teams and to act swiftly in a constantly changing environment. This year we had three survey moments: March/April, June/July, and September/October;
- Improving Managers and Employees experience, through the quick and practical visualization of results and better insights.

This new model helps identify and monitor topics such as commitment, flexibility, collaboration, diversity and inclusion, plus several other relevant topics.

Santander's responsibility and impact were distinguished. ***Euromoney*** and ***Global Finance*** choose Santander as the reference bank in Portugal:

- *Best Bank for Digital Solutions in Portugal | Euromoney;*
- *Best Bank for CSR in Portugal | Euromoney;*
- *Best Private Bank | Global Finance;*
- *Best SME Bank 2024 | Global Finance.*

These distinctions are the living proof of Santander's DNA of transformation, and of its intrinsic desire to "always do better."

One App has been rising in the satisfaction rankings, something that would have not been possible without the investment made in improving user experience, and in the new features that have been introduced, such as the Financial Assistant.

In terms of impact on society, efforts in inclusive recruitment and educational partnerships in important projects such as **"Destination: Employment"** with the Salvador Association and others, such as TUMO or School 42, stand out.

When it comes to **Private Banking** and **SMEs**, the awards received demonstrate that the Bank is up to the challenges and that our professionals are, without a shadow of a doubt, the best in the sector.

SMEs are responsible for 46% of jobs created in Portugal and, between 2008 and 2021, their exports grew by 56%. Santander's support and close links to these companies is yet another way of helping the development of the Portuguese economy and society.

However, it is important to remember that awards are not an end in and of themselves, but rather a stimulus to continue doing better and to keep innovating.

Business Environment

International Economy

In 2023, the global economic business activity was dominated by the context of high inflation and the subsequent normalization of monetary policy.

In 2022, inflation reached highs of more than 3 decades (above 10% in the Euro Area and in the US), as a result of the combination of several shocks that impacted the world economy, namely the pandemic and subsequent economic policy responses (monetary and budgetary stimuli), subsequently aggravated by the war in Ukraine, following its invasion by the Russian Federation.

To combat inflationary risks, the main central banks carried out a process of raising reference interest rates, which was one of the most pronounced and fastest monetary tightening cycles since the beginning of the 1980s.

This significant tightening of monetary policy, combined with the base effects related to the post-pandemic recovery and the ongoing war, contributed to a slowdown in the world economy, although in different ways in the main economic blocs.

Therefore, a different dynamic was observed between advanced and developing economies and, even within the former, the economic cycle evolved differently, with the Euro Area being more impacted by the context of war.

On the other hand, business activity recorded different dynamics in the two semesters of 2023, with greater resilience during the first semester, benefiting from developments in the services sector, in particular of tourism. The full reopening of economies, which occurred gradually throughout 2022, as well as the changes in consumption patterns, in favour of services, allowed them to resume their pre-pandemic trend, thus sustaining global economic activity.

In the second half of the year, the effects of the significant tightening of monetary conditions implemented by central banks were more visible. These effects were also felt differently, with a greater impact on the Euro Area.

This economic development is materialized in the January 2024 update of the International Monetary Fund estimates.

Despite the fact that in 2023 the world economy slowed down compared to 2022 (due to the dissipation of the effects of the post-pandemic recovery), economic growth was stronger than anticipated, with the exception of the Euro Area. The world economy therefore grew by about 3.1% — thus below its long-term trend — but with an upward revision of 0.1 p.p. compared to the October 2023 scenario, which was similar for advanced and for developing economies. However, as mentioned, there were differences between the various developed economies.

On the other hand, the disinflation process occurred more quickly, with inflation slowing down significantly in the second half of 2023, as a reaction to the intervention of central banks, as well as to the correction of energy prices, although still remaining above the 2% goal defined by the main central banks (US, Euro Area and United Kingdom).

World Economic Growth

	2022	2023	2024P
World	3.5	3.1	3.1
Advanced Economies	2.6	1.6	1.5
USA	1.9	2.5	2.1
Euro Area	3.4	0.5	0.9
United Kingdom	4.3	0.5	0.6
Japan	1.0	1.9	0.9
Developing Countries	4.1	4.1	4.1
Africa	4.0	3.3	3.8
Asia	4.5	5.4	5.2
China	3.0	5.2	4.6
Central and Eastern Europe	1.2	2.7	2.8
Middle East	5.5	2.0	2.9
Latin America	4.2	2.5	1.9
Brazil	3.0	3.1	1.7

Source: IMF (January 2024)

In the US, GDP grew by 2.5% on an annual average, with an acceleration in the pace of growth throughout the year.

Private consumption was the main driver of growth, reflecting the normalization of business activity in the post-pandemic period, with greater consumption of services, to the detriment of non-durable goods (which includes food).

The resilience of household spending was greatly leveraged by the solidity of the labour market, with the unemployment rate remaining below 4%, based on sustained job creation (on average, 255 thousand new jobs per month), although below the pace recorded in 2022. Lower demand-side pressure contributed to a slight slowdown in wages, which, in turn, contributed to lower inflationary pressures.

As a result, inflation slowed down quite sharply throughout the year, to 3.3% in December 2023, largely reflecting the evolution of energy prices. Core inflation, which excludes food and energy, slowed down at a more moderate pace, to 4.6% in December 2023, reflecting the solidity of the labour market and the momentum of the service sector.

The Federal Reserve maintained its tight monetary policy, raising the Fed funds rate to the 5.25%-5.50% range, which represents a total increase of 525 bps in benchmark interest rates since the cycle began in March 2022.

In China, economic activity accelerated, **but the economy grew at a slower pace than before the pandemic, at "only" 5.2%**, a pace not observed since the early 1990s. China is still being impacted by several issues related to the real estate sector, especially residential, with the bankruptcy of some important entities, which could impact the trust levels of economic agents, especially of households. On the other hand, the reorientation of global chains is also impacting international trade.

In Japan, GDP grew by 1.9% in 2023, based on the post-pandemic recovery in private consumption, complemented by the depreciation of the yen and by investment in infrastructure. Despite the acceleration of inflation above 2%, the Bank of Japan maintained its expansionary monetary policy.

In the United Kingdom, activity slowed down sharply, with GDP growing by 0.5% in 2023. The dissipation of the effects of the post-pandemic recovery, high inflation and the response in terms of monetary policy, with a significant interest rate rise (by more than 500 bps, to 5.25%), resulted in a technical recession in the second half of 2023. However, unemployment remained at about 4.0%, putting some pressure on wages, so inflation slowed down, but more moderately than in other countries, standing at 4.0% at the end of the year.

In the Euro Area, economic activity also slowed down sharply, with growth of 0.5% in 2023, reflecting the various shocks to which the EU economy has been subject in recent years. Despite differences between countries, with Germany being the weakest link, the Euro Area as a whole managed to avoid a technical recession.

The region as a whole continued to be impacted by the ongoing war in Ukraine, as a result of Russia's continued military offensive, despite having been able to replace Russia's energy supplies with other sources. However, energy prices were structurally higher than in the past, with a negative impact on activity. Additionally, Germany has been impacted by the weak growth in China, which is an important trading partner.

Despite the slowdown in economic activity, the labour market remained quite dynamic, as in other countries, with a drop in the unemployment rate to a minimum of 6.4%, benefiting from employment growth of 1.3% year-on-year.

2023	GDP	Inflation
Euro Area	0.5	5.4
Germany	-0.3	6.0
France	0.9	5.7
Spain	2.5	3.4
Italy	0.6	5.9

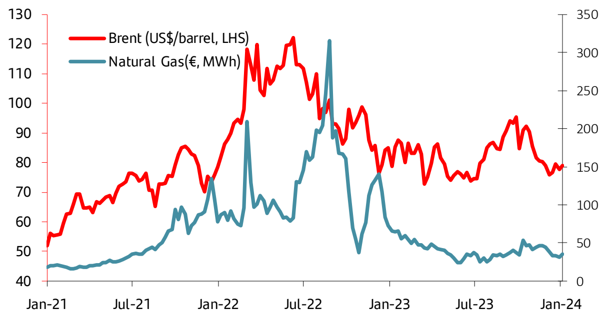
Source: EC (February 2024)

Inflation slowed down throughout the year to 2.9% in December, at a faster pace than anticipated, although still remaining above the 2.0% goal set by the European Central Bank. This slowdown was also due to the drop in energy prices and the moderation in food prices, but it also benefited from support measures in some countries (such as lower VAT rates or VAT exemption on some essential goods and/or services).

Core inflation, which excludes food and energy, slowed down at a more moderate pace to 3.9% as a result of labour market conditions and higher wage increases, although still without fully covering the impact on household purchasing power.

The European Central Bank raised its benchmark interest rates on six occasions, for a total of 200 bps in 2023 (and 450 bps since the cycle began in mid-2022), raising the deposit rate to 4.0%, and the refinancing rate to 4.5%.

Brent crude oil (US$/Barrel) and Natural Gas (€, MWh)



Source: Bloomberg

The prices of raw materials, especially energy, fell throughout the year, despite the continued war in Ukraine and the fact that, in October, Hamas' attack on Israel led to a new conflict in the Middle East, which caused a price increase, later reversed.

The effects of the slowdown in economic activity dominated, despite OPEC having announced several production cuts, in order to stabilize oil prices.

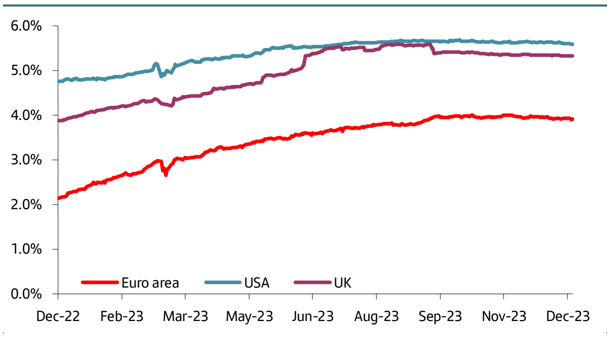
As mentioned, the **central banks of the main developed economies** maintained a monetary policy clearly aimed at controlling inflationary pressures, having continued to raise interest rates, albeit at a more gradual pace than in 2022. Throughout the year, there were several discussions about the terminal rate, and the pace at which it would be reached.

From the end of the summer, monetary authorities stabilized interest rates, assessing the degree of deceleration in inflation that was already observed, in a relatively widespread manner.

As a result, short-term interest rates followed the dynamics of benchmark interest rates, with an increase, but which was more visible until the summer of 2023. From that date, rates have stabilized, and began a slight downward trend at the end of the year, especially in the 6- and 12-month tenors.

In fact, once the cycle of rising interest rates ended, market consensus began to anticipate when the new downward cycle would begin, but with central banks restating their message that the next stage of the monetary policy cycle will only occur after it is confirmed that inflation has actually converged to the 2.0% goal.

3-Months Interest Rates



Source: Bloomberg

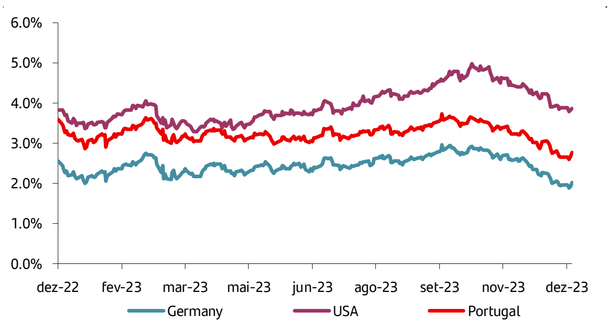
These expectations of a reversal of monetary policy were most visible in the evolution of **long-term interest rates**, which began to fall from October onwards, thus reversing the trend observed during most of the year.

In March 2023, yields rose, mainly due to the instability associated with the bankruptcy of several regional banks in the USA, which was followed by the sale of Credit Suisse to UBS.

The rapid rise in interest rates by central banks, especially in the USA, resulted in a series of disturbances in several banks, which had neglected adequate risk management, namely the management of assets and liabilities (by having their balance sheet exposed to fixed rate assets in a context of rising rates), and liquidity management (by financing the assets side of their balance sheet, with long maturities, through volatile deposits). As a result, three interventions took place in major banks in the US: Silicon Valley Bank, Signature Bank and, in May, in the First Republic Bank, which was suffering a disorderly outflow of deposits.

Also, at the end of March, the problems that had been impacting Credit Suisse for many years led to the intervention of the Swiss authorities and the sale of Credit Suisse to UBS. The fact that *Additional Tier 1 (AT1)* holders saw the permanent write-down of their exposures (a specific feature of the Swiss bank resolution regime) impacted the wholesale markets, with their virtual closure for about two weeks, without debt issuances — collateralized or not — by European financial institutions.

10 Year Bond Yields



Source: Bloomberg

From mid-April onwards, market conditions gradually went back to normal, and, in the US, the rapid intervention of the authorities also made it possible to stabilize deposits in the regional and local banks that had been most impacted.

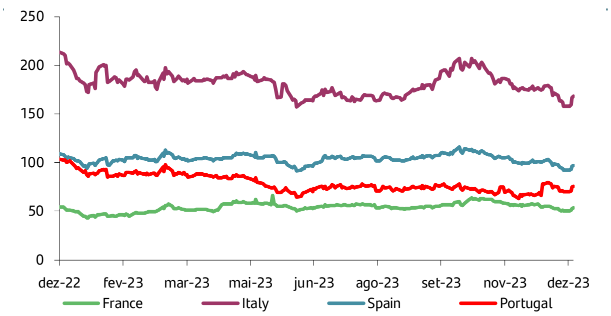
In the following months, interest rates rose, in a context of still high inflation, although slowing down, to which — in the US — was added the discussion about raising the public debt limit, and the risks of, in the absence of an agreement, the US defaulting and leading to the closure of non-essential federal government services. Congress postponed the issue, quite heavily influenced by the 2024 electoral calendar.

The faster inflation deceleration, in the last months of 2023, allowed a decline in yields.

The March developments did not have any other type of contagion effects on the markets (such as the widening of spreads between the core and the periphery of the Euro Area, for example).

In fact, the **evolution of sovereign interest rate differentials** was characterized by relative stability, within a relatively limited fluctuation range, during the first half of 2023, which gave way, in the second half of the year, to a narrowing of spreads for the so-called Euro Area "peripheral" countries: the spread of the Italian 10-year debt compared to the German decreased by 45 bps, and that of Spanish debt, for the same term, by 12 bps.

10 Year Bond Yield Spreads (vs Bund) (bp)

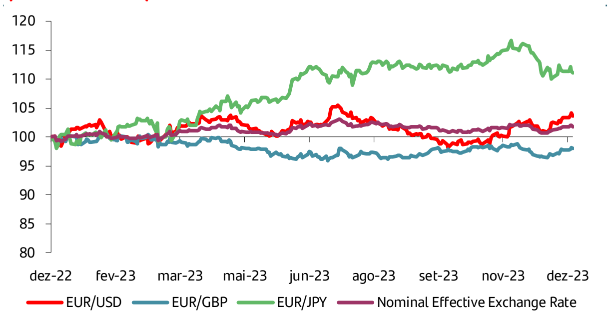


Source: Bloomberg

In **Portugal**, **the 10-year yield rate** dropped throughout 2023, with a more pronounced movement in the last quarter. The yield dropped by 81 bps, to 2.79% at the end of the year, translating into a 28 bps reduction of the spread vis-à-vis Germany, to 75 bps. Equally relevant was the difference between Portuguese and Spanish public debt, with the spread between both countries widening by 17 bps, in favour of Portugal, to which the successive upgrades of Portugal's risk rating recorded in 2023 contributed greatly, namely by the rating agencies DBRS, Fitch and Moody's.

In the **foreign exchange market**, there was a trajectory of appreciation of the Euro against most currencies, evidenced by the appreciation of the effective exchange rate (which aggregates the currencies of the Euro Area's main trading partners) by 1.7%, even though it was not a uniform movement throughout the year. At the end of the year, the Euro was quoted at 1.11 against the US dollar (+3.6%), at 87 p against the British pound (a depreciation of the Euro by 2.1%), and at 156.3 yen per Euro (an appreciation of 11.1%).

Key Foreign Exchange Rates
(Dec-2022 = 100)



Source: BCE

Compared with the US dollar, the **British pound**, despite appreciating against the dollar in 2023 (to 79 p), remains at historically low levels. The **Japanese yen**, for its part, after a recovery at the beginning of the year, returned to the low levels of 1990, ending the year at 141 yen per dollar.

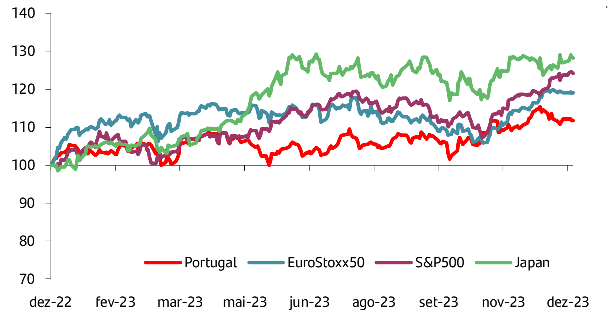
Equity markets had a very favourable year, fuelled by good company results and by the expectations of lower interest rates, which began to become more relevant in the last quarter of the year.

The North American index (**S&P500**), with an appreciation of 24%, and the British index (**FTSE**), ended at absolute historic highs, despite very moderate growth (3.8%) compared to other indices.

At decades' highs, the Japanese **Nikkei** index stands out, which, with an appreciation of 28%, reached a maximum since 1990, as well as the pan-European **Eurostoxx50** index, which appreciated by 19%, to its highest since 2000.

The appreciation dynamics recorded moments of temporary reversal, namely in March, when several banks in the US failed and, at the end of summer, with the discussion about the debt ceiling in the US.

Equity Markets
(Dec-2022 = 100)



Source: Bloomberg

In **Portugal**, the **PSI** index recorded a more moderate appreciation, of 12%, to its highest level since 2014. The positive contributions from the banking, construction and retail sectors were partially offset by the behaviour of energy.

Gold appreciated consistently, ending the year of 2023 above 2 thousand US dollars per ounce, emerging as a safe haven asset at a time when inflationary pressures were showing signs of moderation.

Portuguese Economy

GDP grew by 2.3% in 2023, benefiting from a greater recovery at the end of the year, as growth in the second and third quarters of the year had been virtually zero.

GDP also benefited from carry effects related to the post-pandemic recovery, which characterized the 1st quarter, while towards the end of the year, the measures to support household income implemented throughout the year (salary updates in public service and pensions, for instance) supported private consumption.

However, the pace of growth as a whole was relatively volatile throughout the year, with a virtual stagnation of economic activity in the second and third quarters, reflecting the effects of various shocks, in particular of higher interest rates.

It should be noted that in Q4'23 the economy grew by 0.8% quarter-on-quarter (2.2% year-on-year), supported by private consumption as well as by investment, while net exports had a slightly negative contribution to the quarterly evolution.

For the year as a whole, all expenditure components contributed positively towards growth, both in terms of domestic demand and of external demand.

Macroeconomic Data

	2021	2022	2023
GDP	5.7	6.8	2.3
Private Consumption	4.7	5.6	1.6
Public Consumption	4.5	1.4	1.2
Investment	11.4	3.5	0.8
Exports	12.3	17.4	4.2
Imports	12.2	11.1	2.2
Inflation (average)	1.3	7.8	4.3
Unemployment	6.7	6.2	6.5
Fiscal Balance (% GDP)	-2.9	-0.3	0.9
Public Debt (% GDP)	124.5	112.4	98.7
Current Account Balance (% GDP)	1.0	-0.2	2.7

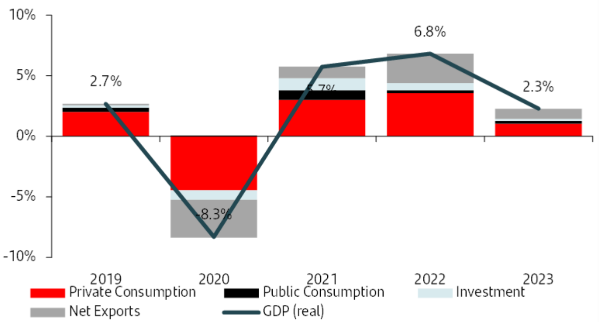
Source: INE, Banco de Portugal, Ministério das Finanças, Santander Portugal Research

Domestic demand contributed 1.4 pp towards growth, especially concentrated in private consumption, as a result of the labour market behaviour. Public consumption grew moderately, once the effects of expenses related to the pandemic were dissipated.

Private consumption grew by 1.6% in 2023, a strong slowdown compared to the 5.6% observed in 2022, largely influenced by the impact of higher inflation (4.3%), and of the significant interest rate rise on household budgets. Only spending on durable goods grew in a more visible way (+7.1%), with spending on non-durable goods and services growing by just 1.1% (1.2% for food).

The change in household consumption baskets was quite visible, namely with greater demand for cheaper goods, either through the consumption of cheaper proteins or through diversification into private label brands.

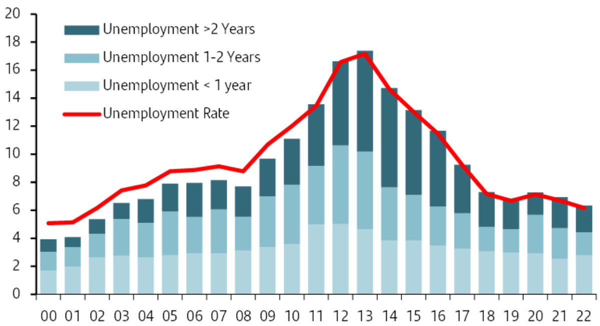
Contributions to GDP Growth (YoY)



Source: INE

This adjustment in household expenditures has occurred — despite the labour market remaining quite dynamic — with the growth in the active population, which, for the most part, has found a job. There was a slight increase of unemployment, but the unemployment rate remained below 7% (at 6.5%) in 2023, still reflecting an economy operating at full employment. Business surveys continued to report labour shortages as one of the main restrictions on business activity. In 2023, the average total monthly gross remuneration per worker increased by 6.6% compared to 2022, that is, an increase of 2.3% in real terms.

Unemployment Rate (%)



Source: INE

Despite their high value, the pace of growth in consumer prices slowed down, especially in the second half of the year, standing at 4.3% on an annual average (compared to 7.8% in 2022). The year-on-year rate of change, in December 2023, was 1.4% (9.6% in the same period last year). The slowdown reflected, on the one hand, the drop in energy prices and, on the other, government support measures, with emphasis on "zero VAT," which covered a basket of 46 basic food products (and which ended at the end of 2023). In December, the prices of goods dropped by 0.3% compared to the same period last year.

Similarly to what is happening in the Euro Area, core inflation decelerated at a slower pace, standing at 2.6% (compared to the peak of 7.3% in December 2022), reflecting the evolution of service prices, which until December 2023 grew by 4.1%.

In 2023, households used the savings stock accumulated during the pandemic — reflected in the growth of deposits with the banking sector until the end of 2022 — to pay their higher expenses, whether due to inflation or to the higher debt service, but also to decrease their indebtedness.

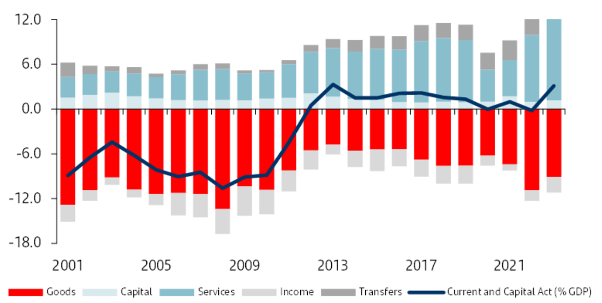
Investment slowed down sharply, with just 0.8% growth in 2023. Gross fixed capital formation grew by 2.4%, with greater spending on transport equipment, but largely offset by the contraction of investment in construction. On the other hand, there was a reduction in stocks, given the greater accumulation observed in 2021 and 2022, which had a negative contribution to total investment (-1.6 pp).

The lower dynamics of construction activity was visible in the relative stabilization of the number of houses built (which remains at historically low levels, at around 20 thousand new houses), as well as in the slow implementation of the Recovery and Resilience Plan (RRP), whose payments — as of mid-February 2024 —represented 17% of the total financial envelope (which, in turn, was increased to 22.2 billion euros, an increase of 5.6 billion compared to the initial value). The sharp rise in construction costs (+3.9% in 2023, but with an accumulated growth of 27% since 2019) is a relevant explanatory factor for the sector's low pace of activity.

Exports of goods and services grew by 4.2% in 2023, a sharp deceleration compared to the 17.4% recorded in the previous year. This evolution was mainly explained by the dynamics of exports of goods, which practically stagnated (+1.1%), reflecting the slowdown in Europe and, in particular, in the industrial sector in Germany. Exports of services grew by 10.6%, a very significant pace, considering the 41% growth in the previous year, with the normalization of tourism activity in the post-pandemic period.

Imports practically stagnated, with a 2.2% growth, in line with the slowdown in both domestic demand and exports.

Current and Capital Account
(% GDP)



Source: Banco de Portugal, INE

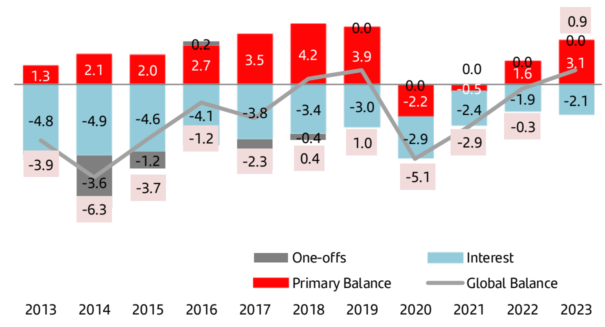
The growth of exports, combined with the decline in energy and raw material prices, made an important contribution to the recovery of the **balance of goods**, whose deficit decreased to 9.3% of GDP (+1.5 p.p. compared to 2022). On the other hand, the improvement in tourism activity allowed a clear recovery in the **balance of services**, whose surplus increased by 1.5 p.p., to 10.5% of GDP.

The **capital account**, which mainly reflects European funds, increased its surplus to 1.4% of GDP, due to new transfers within the framework of the RRP. In turn, the **income account** worsened the deficit, due to greater payments of investment income abroad.

As a result, the **current and capital account** recorded a surplus of about 2.7% of GDP, which is the highest since 2013.

The recovery of the economy's financing capacity greatly benefited from the evolution of **public finances**, with Public Administrations recording a budget surplus of 0.9% of GDP.

Fiscal Balance
(% GDP)



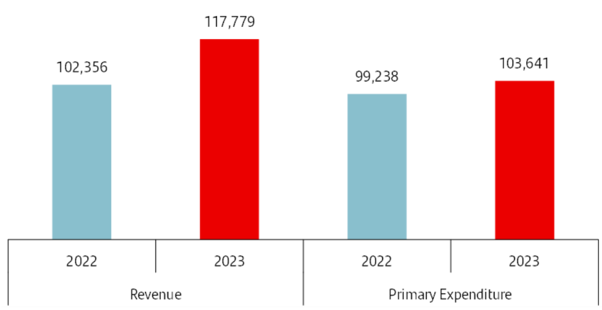
Source: Ministério das Finanças

The still high inflation rate, combined with the growth in economic activity, salary increases and growth of employment, were translated into a significant growth in tax revenues (+11.8%).

In terms of direct taxes, Corporate Income Tax (IRC) revenue grew by 22.3%, and Individual Income Tax (IRS) revenue by 13.6%. In terms of indirect taxes, it is worth highlighting the growth in Oil and Energy Products Tax (ISP) revenue (+14.8%), and on VAT revenue (+10.0% compared to 2022, despite the zero VAT on a basket of food items).

Primary expenditure grew clearly below effective revenue (+4.4% vs. 15.1%), with the growth in staff expenditure (+7.5%) and debt service (+3.6%) being offset by lower subsidies (-2.3%) and control of transfers (+0.9%).

Current Revenue and Primary Expenditure
(€ mn)



Source: Ministério das Finanças

Within the framework of the Treasury's financing plan in 2023, during the first half of the year there was still a quite strong net subscription of Savings Certificates, amounting to € 13 billion, which led the Treasury to create a new series, with a lower remuneration rate (the maximum rate went from 3.5% to 2.5%). As a result, net subscriptions dropped significantly, also due to the higher remuneration rate for deposits.

Thus, the Treasury changed its financing plan in 2023, with smaller issuances of Treasury Bills, as well as of Treasury Bonds. The change in remuneration is also explained by the medium-term implications on the Treasury's financing structure, with an excessive weight of retail to the detriment of institutional financing — Savings Certificates can be mobilized after 3 months, without any notice, in addition to the fact that the 3.5% rate was in line with or even above the 10-year yield.

As a result of the greater weight of Savings Certificates, the cost of financing executed in 2023 increased to 3.5%, while the average maturity of public debt decreased slightly, to 7.2 years.

As a result of higher nominal GDP growth, on the one hand, and the repurchase of debt at the end of the year, on the other hand, the public debt ratio came down to 98.7% of GDP (-13.7 pp compared to the end of 2022), the lowest level since 2009.

The **overall debt ratio** of the Portuguese economy stood at 267% of GDP as of December 2023 (-30 p.p. compared to the end of 2022), with the non-financial private business sector standing at 112% (-10 p.p.), and households at 56% of GDP (-6 p.p.), clearly below the levels observed in the period prior to the 2011-14 economic and financial adjustment programme.

The resilience of the economy and the good budget execution were reflected in further improvements in Portugal's risk rating as assigned by the rating agencies, by one notch, to A, by DBRS; A-, by Fitch; and A- by S&P (already in 2024), and by two notches, to A3, by Moody's.

The **Portuguese banking sector** was clearly influenced by the context of higher interest rates, both in terms of credit and deposits.

The overall credit balance dropped in 2023, with lower credit production and a relatively high rate of repayments, with households and companies using their deposits for this purpose, thus mitigating the impacts of rising interest rates. Credit to the private sector dropped by 1.6%, as a result of a 1.4% reduction in housing credit and a 2.6% reduction in credit to companies.

In terms of customer resources, deposits fell by 2.5% in 2023. In terms of individuals, deposits fell by 1.5%, although with some transfer to term deposits, as remuneration rates increased. Investment in off-balance sheet resources also increased, particularly in securities investment funds. Company deposits dropped by 4.6%.

Despite the context of rapid, pronounced interest rate increases that has been going on since mid-2022, and the fact that credits are mostly at variable rates, credit quality has not deteriorated, with the system's Non-Performing Loans ratio standing at -2.9% at the end of the Q3 (-0.1 p.p. compared to the end of 2022), with impairment coverage of 56.3%.

In terms of return on assets, there was a recovery compared to 2022 (+0.6 p.p., to 1.3%), while the return on equity increased to a maximum of 14.6% (+5.9 p.p. compared to the end of 2022).

Note: Text written with the information available up to March 6, 2024.

Major Risks and Uncertainties for 2024

In 2023, short-term interest rates reached their highest levels in 15 years, at around 4%, as a result of the European Central Bank's reaction to the significant acceleration of the inflation rate in 2022 and early 2023, which resulted in the fastest and most pronounced cycle of interest rate rises in about four decades (reference interest rates rose by 450 bps between July 2022 and September 2023).

In the last quarter of 2023, the attack of Hamas on Israel created a new source of conflict, which is still going on at the time this report is being completed (February 28, 2024), added by additional disturbances, such as attacks by Yemeni Houthi rebels on vessels crossing the Suez Canal, which has already impacted quite strongly maritime transport, in terms of length of the alternative route through the Cape of Good Hope in South Africa, as well as in terms of cost.

These developments added to the shocks observed since 2020, such as the pandemic, the energy and inflationary shock, and the war that followed from Russia's invasion of Ukraine, which had implications for both economic and financial developments in the Euro Area, including Portugal, and in the rest of the world.

The combined effects of these developments may continue to contribute — in terms of main risks and uncertainties — to Santander's activity in Portugal throughout 2024.

On the one hand, in 2023, a profound slowdown in economic activity has already occurred, materialized in the weak pace of quarterly growth, which, combined with high interest rates, resulted in more moderate volumes of new credit, both mortgage and corporate credit. On the other hand, both households and companies used part of the liquidity accumulated during the pandemic for the early repayment of their credits, which resulted in lower credit volumes. On the positive side, there was no noticeable deterioration of credit quality.

The uncertainty still experienced at the beginning of the year — during which we will have several electoral processes, namely in Portugal, in the European Union and in the US — may contribute to a precautionary context, with continued low demand for new credit by economic agents, in a very concentrated banking market, which remains highly competitive, from a pricing policy point of view.

The slowdown of inflation, as well as of economic activity, is contributing to expectations that the cycle of rising interest rates has already ended. The message conveyed by the main central banks (as of February 28), is to validate this expectation that the upward cycle has ended, but also that, as inflation is still above the target, lower interest rates may only happen later on, sometime in 2024, given expectations of faster changes.

On the one hand, this evolution can mitigate the risks on the quality of the credit portfolio that would arise if interest rates remained at their current levels or rose even further. On the other hand, it could impact the net interest margin, as most of the credit portfolio is still indexed to a floating rate.

Overall, the current combination of risk factors translates into the maintenance of a scenario of high uncertainty, with negative risks for global economic activity, but whose full impacts are yet difficult to measure.

Likewise, the above mentioned factors could, with a peak of uncertainty and under certain conditions — currently undetermined — contribute to risk aversion movements in financial markets, with disturbances in risk premiums, with contagion effects on the various segments and sectors of activity.

Santander Portugal will thus carry out its activity in a complex context, with risks of low volume growths, both in terms of credit and deposits, high sensitivity of savings to the remuneration rate, while constantly monitoring credit quality and an appropriate allocation policy of capital to active operations.

Outlook for 2024

The evolution of Santander's business activity in Portugal will depend on the materialization and potential impacts of some of the factors referred to in the previous section, related with the main risks and uncertainties, related to the stabilization and recovery of economic activity, on the one hand, and with the evolution of interest rates, on the other.

The economic context is critical in order to consolidate the recovery of business activity, which can generate a more sustained investment cycle. In this context, the implementation of "Portugal 2030," as the main financial instrument to support companies in their digital and energy transformation, is of particular relevance. In addition, the execution of the Recovery and Resilience Plan is an additional lever in terms of mobilisation of investment by the public sector.

This cycle, especially in the non-financial private sector, could mobilize the granting of credit. In terms of credit to households, a new, less restrictive interest rate cycle could also contribute to stabilizing or even increasing the volumes of new credit origination. However, in terms of income from fees — despite greater credit activity — the banking sector continues to operate within a legal framework that has exempted, temporarily or permanently, the charging of fees for some banking services.

Despite the prospects for the evolution of interest rates, careful monitoring of credit quality must be maintained, either because the full effects of higher interest rates that occurred in 2023 may not have yet been fully felt, or because in a context of moderate economic growth, unemployment could maintain the upward trend that was already observed at the end of 2023. However, the economy remains at full employment and with the unemployment rate at a minimum.

The Bank maintains its strategy and remains focused on its execution, materialized in a strong transformational impetus, aimed at improving customer experience and satisfaction, of which it is worth highlighting i) the continuous process optimization and simplification, focused on transactionality with an omnichannel presence; ii) a simplified, but customised offer, aligned with customer expectations and needs; iii) profitable growth in business volumes, adapted to customer needs and market conditions; iv) strict control over credit quality; and v) maintaining a solid capital and liquidity position, in line with regulatory requirements.

Santander Portugal will also remain focused on being a Responsible Bank, boosting society's sustainable and inclusive growth, reducing social and economic inequalities among populations, while, at the same time, supporting the development of the communities where it operates, with a special focus on financing the climate transition. In this regard, the Bank already has a solid position in the national market, which it wants to strengthen further, namely through the financing of renewable energies, and with the provision of sustainable financial products and services.

Business Areas

Individuals

In the **Individuals** segment, the customer growth trajectory stands out, as a result of the great effort that was made throughout the year to attract new customers — materialized through various campaigns.

The **Net Promoter Score** (NPS) is also worthy of note. This index measures the level of customer satisfaction, and Santander Portugal was ranked 2nd in NPS in Portugal, in the national banking system.

In terms of **commercial activity**, there was an increased dynamics in this segment during the last months of the year, as a result of the commercial revitalization programme that was launched, and which showed very positive results.

In 2023, the Bank **increased its active customer base** by 70 thousand new customers, in other words, a 4% growth compared to the end of 2022; and digital customers increased by another 63 thousand customers (+6%), up to 1.2 million customers, which already represent 64% of active customers, with more than 1.2 million daily logins on the Bank's digital channels (private website and App), that is, a growth of 25.5% compared to 2022.

The expansion of the Bank's customer base was accompanied by greater relationships with customers, materialized in the growth of the main transaction metrics throughout 2023, leveraged by the 3% increase in the number of debit and credit cards made available by the Bank.

At this level, the **Bank promoted several initiatives**, notably:

- Launching the instant digital card for individual customers (new cards and replacement requests);
- Reinforcing the Santander Rewards Engagement programme for customers who frequently use their card (discounts as cash-back);
- Boosting digital payments with a huge growth drive, and the business adapting to Apple Pay/Google Pay wallets and tokenization.

In 2023, Santander Portugal customers carried out almost 100 million **payment and transfer operations**, 12.9% above the figure observed in the previous year. They also made almost 1 million daily purchases (+19% year-on-year) and made more than 45 million cash withdrawals.

The year of 2023 will go down in history for the significant changes in **Mortgage Lending**. There was a change in the rate regimes for contracted operations, from floating to mixed, and a very significant increase in credit transfers between banks. This scenario was a consequence of the higher interest rates and of the measures implemented by the Government. Throughout the year, Santander sought to respond to the changes in customer preferences, adapting its offer to the new market context, allowing for sustained growth in new production volumes, especially in the second half of the year. However, the context of higher interest rates resulted in lower production volumes compared to 2022, which, combined with increased early partial debt repayments, put pressure on the credit portfolio, with an accumulated drop of 4.7% during the year.

Consumer Credit decreased in 2023, with lower production volumes compared to 2022, mostly due to the current market context, as well as due to the changes introduced in the admission and decision process, with the aim of reducing the number of default cases. Nevertheless, production volumes proved to be solid, essentially due to the commercial focus, optimization of the implemented admission rules, and continued digital transformation of the contracting process.

In 2023, the **Protection Insurance** activity maintained its focus on improving relationships with the bank's customers, namely by increasing the offer and by optimizing processes, with the aim of bringing customers closer to the Bank, namely by simplifying their interaction with the bank in all dimensions of their day-to-day (Global Protection).

Regarding **Non-Related Insurance**, a new, simplified Home Protection Insurance has been launched, with a 100% omnichannel journey. The corporate offer was also enriched, namely with the new Health offer adjusted to each customer's needs, plus the Cyber Insurance, and the reinforcement of the Car Insurance offer. At the end of the year, a new branch was added to the offer, namely with the new Family Civil Liability Insurance which, in addition to offering basic coverage, allows families to be supported in the event of an oncological disease, and responds to concerns related to new mobility trends (by scooter, for instance).

Regarding **Credit-Related Insurance**, the competitiveness and attractiveness of the offer was worked on, namely with several campaigns that were launched throughout the year. Credit journeys with insurance in context are subject to continuous improvement, and their optimization will continue throughout 2024.

In this context, the year was very strong in attracting **young doctors**, a segment that Santander keeps supporting, namely in their preparation to the **National Access Exam to their Specialty**, as well as in their entry into the labour market. At the same time, initiatives were launched to replicate best practices with other partners.

Businesses, Companies and Institutional

In 2023, one of Santander's main objectives for the **Corporate Segment** was to reinforce the Bank's role as a partner of Portuguese companies, namely by positioning itself by their side when it comes to responding to the challenges that came up during the year. Thanks to such proximity, Santander continued to be recognized as a trusted partner for companies in their transformation process, and as a reference bank in contributing to the greater adoption of increasingly demanding sustainability criteria.

The awarding of COTEC status stands out in the context of non-financial partnerships, in the field of Innovation and Development. The Bank also supports applications from small and medium-sized companies to the SME Leader and Excellence, acknowledging the strength of their balance sheets and their ability to make a difference. Santander is present in supporting the empowerment of SMEs, focusing on helping companies grow through the partnership with *Business Roundtable Portugal*. The year of 2023 ended with the launch of the offer of 200 scholarships for the management programme for SMEs — "NOVA SBE Voice Leadership," promoting the empowerment of company managers.

Challenges related to sustainability, to combating climate change, and in helping companies in their transition to a greener economy are becoming increasingly relevant. *Green Finance* has gained greater relevance, and companies that currently work with Santander are more informed when making decisions about their investments and see Santander as a partner.

Support for public and private investment projects within the scope of European Funds continued to be a priority for the Bank.

In 2023, **Tourism, Agriculture, Social Economy**, and **Health** continued to play a prominent role in the Portuguese economy and are therefore also considered strategic sectors for Banco Santander.

As far as **Tourism** — one of the levers of the Portuguese economy — the Bank was strongly committed to providing solutions aimed at supporting innovation and digital transformation, as well as climate sustainability. As far as **Agriculture**, Santander will continue to strengthen its presence in the agricultural sector through an adequate offer that helps enhance the quality of customer and partner practices, promoting their efficiency, and contributing to making of Agriculture one of the main pillars of the Portuguese economy. The **Social Economy** and Santander are building a new way of being, namely by establishing partnerships, by responding to the real needs of the sector, by valuing sustainability rather than profitability, in a shared effort between the State and Local Administration, Social Sector Entities and Banks, embodied in the Peers Programmes or in specific notices integrated in the RRP, and in which the Bank has been a structural partner. **Health** will continue to receive Santander's attention in Portugal in an organic way, with a strategy of greater proximity to the sector and to its entire value chain.

The importance of local governments, namely through municipalities, municipal companies and other public sector institutions, has been taken on by the cluster that accompanies **Institutional Banking.** The commitment to supporting these customers was maintained, with a differentiating offer suited to each one, contributing to increased relationships / loyalty with Santander. This is a segment where the response has been handled by a dedicated team that supports the various networks in their relationship with these entities.

Knowing that Portuguese companies are faced with huge challenges, Santander has made about € 982 million available **through facilities agreed with the EIB**, of which 162 million for energy efficiency in buildings. In addition to these protocols with the EIB, there is a set of facilities already in force, with the **European Investment Fund (EIF)**, and with the **Banco Português de Fomento / National Mutual Guarantee System**.

Santander provides an online **Trade Club Alliance** platform, which provides information on customers, suppliers or distributors abroad, in addition to macroeconomic data, exchange rates, or even the possibility of simulating the total costs associated with export operations.

Wealth Management and Insurance

The year of 2023 was marked by the continued aggression of Russia against Ukraine, by the outbreak of war in the Middle East from October onwards, and by the interventions and communications from main central banks regarding the monetary policy to be followed in order to effectively combat the high inflation rates that have been felt globally since mid-2022.

If, on the one hand, the effects of the war continue to be felt, with no "end in sight," on the other, as a consequence of the policies of the main central banks, inflation has finally begun to show signs of slowing down. As a result, markets began to incorporate that sometime in 2024 a change in monetary policy should take place, already visible in the negative slope of the short-term interest rate curve (up to one year).

With this framework, 2023 was a year in which practically all asset classes had positive performances, with the North American S&P 500 index appreciating by 23% in the year, and the European Euro Stoxx 50 index appreciating by 19% (after a devaluation of 12% in 2022).

Thus, for most of Santander's Private Banking business indicators in Portugal, the year of 2023 proved to be a very positive year, with all business indicators showing very positive performances, notably growth in business volume by 9%, a 27% growth in off-balance sheet resources — investment funds, discretionary mandates, and "Unit-Linked" insurance".

As usual, the strong momentum of growth of the Private

Banking customer base was maintained in 2023, based on a continued external prospecting activity, and on a great collaboration and support from the Bank's branch network and corporate centres.

In recognition for its excellent service and customer service, Santander Private Banking Portugal was distinguished in 2023 by ***Euromoney*** magazine as the "*Best International Private Bank*" operating in Portugal and, at the end of the year, Santander was distinguished for the 9th consecutive year by ***Global Finance*** magazine as "*Best Private Bank Portugal 2024*." These distinctions acknowledge and reinforce the quality of our teams and of the investment solutions provided by Santander Private Banking, in line with the continuous improvement of customer service and of the Bank's value proposition.

Corporate and Investment Banking

In this geopolitical and financial context, in 2023 the **Corporate and Investment Banking** area kept up with its commitment to enhancing collaboration between the local team — with recognized skills in the Portuguese wholesale banking market —, the regional platform (Europe), and the remaining global teams with knowledge and experience in the various markets and geographies where the Santander Group operates. This collaboration allows the Bank to position itself as a strategic advisor to customers for local and global transactions, and to aim at becoming the leader in the wholesale banking market in Portugal.

In the **Global Debt Financing** area, 2023 was marked, among other factors, by the Bank's leadership in the main *Project Finance* operations in Portugal. In the renewable energy sector, the conclusion of the financial advisory service to Finerge stands out, through which the bank supported the company in a financing operation worth more than € 2.3 billion, refinancing its entire debt and financing its future growth plan. This operation also stands out for having presented an innovative amortization structure, more adaptable to the challenges currently presented to the energy sector, and was distinguished with the awards "*European Renewables Deal of the Year*" by PFI magazine, and "*Deal of the Year*" by *Proximo Infrastructures*. Additionally, the bank led the year's main operations in the infrastructure sector.

As far as **Syndicated Credit** products, the Bank stood out with an assurance operation for Visabeira Global's debt, in the amount of € 450 million, an operation that was then syndicated with a group of national and international credit entities.

In terms of **Debt Capital Markets**, the Global Debt Financing area maintained its leading position in the Portuguese market by participating in the placement of three bond issuances, namely, for EDP, worth € 750 million over 5 years; for Caixa Central de Crédito Agrícola, in the amount of € 200 million over 4 years; and for Floene, of € 420 million over 5 years.

In 2023, the **Corporate Finance** area continued to develop an intense activity in Mergers & Acquisitions and in Equity Capital Market operations, of which it is worth highlighting the successful completion of the following operations:

- Financial advice to Onex Holding in the sale of a 221 MW wind portfolio to Finerge;
- Financial advice to EDPR on the sale of a 280 MW wind and solar portfolio in Poland to Orlen;
- Financial advice to Altri and Greenvolt in the spin-off operation of the remaining 16.6% stake held in Greenvolt by Altri.

In the **Markets** area, at macroeconomic level, the year was marked by a consolidation of the higher interest rates (and consequent adjustment of expectations and portfolios); by the cooling of inflation in the second half of the year; and by the peak of volatility in March, caused by the failure of the Silicon Valley Bank. Despite high interest rates, equity markets closed the year with relevant gains (once again largely fuelled by Big Tech), and credit spreads remained stable.

In the **Interest Rate** section, despite some unfavourable headwinds, namely customers' aversion to higher interest rates, the business strategy defined for the year turned out to be correct, leading business activity to keep growing.

In **Foreign Exchange** operations, solidity was maintained, based on personalized customer support, on the competitiveness and scope of the offer, and on the ecosystem of financial products offered by the bank. These strategic pillars were particularly important in a year in which competition proved to be more aggressive than usual. It is worth highlighting, once again, the continued business digitalization trend, with the percentage of customers with access to the NetBanco Corporate Foreign Exchange Platform continuing to grow.

In the **Cash Trading** segment, the volumes traded on equity markets in 2023 recorded a decrease compared to the previous year. It is worth highlighting the year-on-year decrease in online business, following the reduction seen in Portugal in volumes traded on equity markets due, above all, to the tax changes on the capital gains regime that came into force in 2023. In the same period, the volumes traded on the bond markets recorded a quite strong growth, namely in Corporate Debt bonds (+37.6%), and Public Debt bonds (+349.8%).

In the **Structured Products** segment for retail, 8 products were launched since the beginning of the year, raising a total of about € 177 million. It should be noted that the rise in interest rates allowed more attractive payoff levels to be obtained in this type of product, even in more conservative products with shorter terms. Within the Bank's range of investment products, structured products stand out for being an investment alternative that meets customer expectations regarding profitability levels for the current market.

Business Support Areas

Customer Experience

Santander Portugal has its customers as the main focus of its activity, and the set of initiatives that have been developed in the area of customer experience have been consistent with this reality.

Throughout 2023, the customer experience area chose, as its main priorities, to offer answers to the fundamental challenges that customers have expressed, namely:

1. Enhance a unique experience at our branches that provides moments of fulfilment of needs in the most effective and efficient way possible for our customers.
2. Ensure that interactions with customers are increasingly relational and based on the values upheld by Santander as a Bank, demonstrating a genuine concern for the financial well-being of its customers.
3. Provide maximum physical and technological availability of all channels used by customers in their interactions.
4. Demonstrate value in the products and services made available to our customers, in line and customized to their desires and interests.

With the implementation of these 4 points, the results achieved were very positive, managing to increase the level of satisfaction of Santander customers, namely for customers for whom Santander is their First Bank, practically doubling the value of recommendations compared to 2022.

Still within the scope of listening to our customers' voice, and in the analysis conducted by Marktest in the corporate benchmark study, Banco Santander managed to end the year in 2nd position in the second wave of 2023, standing out for its leadership in a set of drivers that are considered as critical according to principles of trust and in the relationship that must be preserved with customers, namely:

- "Overall Satisfaction with Main Bank"
- "Problem Solving Ability"
- "Innovative and Modern"
- "Strong and Solid"
- "Global Satisfaction IB"
- "Global Satisfaction App"

Just to highlight some of the drivers in which Santander leads customer appreciation in the Financial Industry, conveyed through the observatory prepared by the above-mentioned external entity.

In terms of cases with the Bank, the year saw an increase of 7.8% compared to the same period last year in the volume of entries (Complaints + Incidents), mainly due to the following reasons:

- Complaints received throughout 2023 recorded a 34% growth, mainly due to 3 reasons: Macro Economic Impact, Legal / Regulatory Measures, and Transformation Process;
- Despite this growth, considering the variation of 640 (+53%) After-Sales complaints in the total annual variation of Incoming Complaints (1,205) as a result of the 3 reasons mentioned above, the outlook for 2024 is one of great optimism, as a result of the forecast for stable / lower interest rates, improved processes and automation, and monitoring service levels.

Therefore, in 2023, Santander maintained its focus on improving the experience provided to our customers, including their experience at the branch, relational interaction, availability of interaction channels, and the value of products and services.

The results obtained were very satisfactory, namely with increased levels of customer satisfaction and leadership in several important drivers, such as overall satisfaction with the main bank, problem-solving capacity, and innovation.

Santander Portugal is committed to keep improving its customer experience, and to keep up with its leadership position in the quality of its processes, technological solutions, and products and services.

Customer Care

With the purpose of contributing to an increasingly customer-focused culture and to further improve the quality of customer service, this year Santander created a new **Customer Care** division.

One of the main priorities of this division is to measure, monitor and challenge continuous improvement of process and service levels throughout the organization, in order to better serve Santander's customers. Sometimes areas internally meet their service level, but when looking at the total deadlines of some processes from a customer perspective, such deadlines may not be appropriate. A swift and effective service and responding to customer requests is increasingly important and valued.

Quickly managing any expression of dissatisfaction and ensuring that all customers are satisfied is yet another priority of *Customer Care*. With a team dedicated to clarifications, responding to complaints and listening to our customer's voice, making of each contact — even if it is a complaint — an opportunity to clarify, correct and regain customer trust and loyalty.

Growing customer demands and increased digital processes increasingly require a culture of customer service in all areas of the Bank. The creation of the *Customer Care* division with a customer's perspective, representing the voice of our customers inside the Bank, will certainly contribute to Santander increasingly becoming a reference bank in service quality.

Technology and Operations

The **Technology Area**, in line with the business areas, kept implementing digital solutions geared towards its employees and its customers, namely by promoting the adoption of new technologies, modern architectures, and agile development approaches. In terms of the regulatory context, it ensured the implementation of initiatives to ensure compliance with legal or regulatory requirements, as well as the implementation of recommendations arising from internal and external audits — critical pillars for the operation of Santander Portugal.

In 2023, boosted by previously implemented enablers, the Bank kept up with the strategic IT programme, namely in journeys to the Cloud, digitisation of network processes and central services (implementation of processes that help decrease the administrative burden), and in the transformation of information systems, allowing Banco Santander to increasingly become a digital bank with physical branches, and with a constant focus on improving customer experience. It is also worth highlighting the new features available on digital channels and through the Call Centre service. New capabilities are also available for customer service through the Commercial Network, namely on platforms such as customer onboarding and Insurance.

People Management

Banco Santander aims to become a reference employer through a strategy based on three pillars.

Putting our employees at the centre of everything we do.	Having the right talent to ensure the Bank's transformation.	Generating value and contributing to achieving strategic goals.
Ensuring the best culture and experience for our employees, boosting diversity, equity, inclusion, health and well-being.	Attracting and retaining the best talent and encouraging teams to develop through a solid value proposition.	Having the best organizational design, making decisions based on data and using new ways of working, thus creating value for all stakeholders.

Building a Solid Culture

Santander is a global company, united by a common culture. The world is evolving, and the Bank must as well. For this reason, the *Santander Way* was relaunched last year, including the new five T.E.A.M.S. behaviours. *Santander Way* is the way things are done, and the way a unique culture is ensured.

These behaviours set and guide the way in which the Santander brand is worked on and instilled. Companies with a strong internal culture attract and retain more talent and perform better. By incorporating T.E.A.M.S. behaviours into everyday life, Santander will lead the change in the banking sector towards the future.

Each of the letters in the word T.E.A.M.S. represents a certain behaviour, to make it easier to learn them by heart, reinforcing the strategy of focusing on our customers, on the importance of teamwork, on the need to embrace change, to act swiftly, and to speak openly.

- ***Think Customer***
  I take care of the relationships with our customers, and do my best to earn their trust and loyalty.
- ***Embrace Change***
  I face new challenges, and look for new ways of doing things as an opportunity to grow.
- ***Act Now***
  I take up initiatives responsibly, and do things in a simple manner.
- ***Move Together***
  I promote collaboration and work with my colleagues to achieve common goals.
- ***Speak Up***
  I express my ideas with respect and without fear. I feel comfortable giving and receiving feedback.

Santander has the corporate goal of becoming the best company to work for in the various geographies where it operates, and, for this reason, it has been consolidating the work done in previous years, notably by improving processes that simplify employee experience, streamlining and expanding the package of measures that is put at their disposal.

The listening strategy

Santander Portugal was certified as *Top Employer* 2023 in Portugal by the *Top Employers Institute*, a company that certifies the best global Human Resources policies and practices, involving various segments and parameters, such as: people strategy, work environment, talent acquisition and retention, learning and development, health and well-being, diversity, equity and inclusion, among others.

In 2023, Santander also maintained the "efrA" status — Excellence as a Family Responsible Company — awarded by the Mais Família Foundation in 2020. This path began in 2010 with level C certification. This certification is a differentiating element in day-to-day management, and thus it continues to be part of the People Management alignment.

Consolidating one of the T.E.A.M.S. behaviours, namely *SpeakUp*, in order to promote an environment of openness and trust, providing improvement initiatives, the internal organizational climate survey *Your Voice* was maintained:

- The questionnaire is answered on the *Peakon* platform, added to *Workday*;
- Continuous listening allows one to be closer to one's teams, and to act swiftly in a constantly changing environment. This year there were three survey moments, namely in March, June and September;
- Improving Manager and Employee experience, through quick and practical visualization of their outcomes, allowing insights to be obtained for improvement action plans.

This model helps identify and monitor topics such as commitment, flexibility, collaboration, diversity and inclusion, T.E.A.M.S. behaviours, and other relevant topics for the organization.

The results, in 2023, were as follows:

	Aggregate participation	Engagement	eNPS
Portugal	**97%**	**8.0/10**	**44**

The result achieved were possible thanks to the more than 80 measures available to Employees, which meet the objective of being a family-friendly, good institution to work for.

BeHealthy Programme

Santander has a corporate programme — which celebrates its 7th anniversary — aimed at positioning the Bank as the healthiest institution in the world. The programme is called *BeHealthy*, and aims to promote and create healthy lifestyle habits for employees based on 4 development pillars:

- *Know Your Numbers:* offers tools that allow employees to understand certain health indicators, set improvement goals, and prevent health risks;
- *Eat:* raises awareness to the benefits of eating healthily and combating excess weight;

Campaign - BeHealthy

- *Be Balanced:* helps manage life work balance, by promoting ways to improve output, in particular through Mindfulness;
- *Move:* promotes physical exercise and fitness at work. Monitors progress and inspires a healthy lifestyle.

In April 2023, a week was dedicated to activating Employee Well-Being — the "Be Healthy Week" — with various activities that encourage healthy living habits:

- Gymnastics at work
- Art Therapy
- *Gym Open Days*
- Walking or Running
- Neurofitness
- Health Screening
- *Parent Coaching*

- *Smoothie Bike*
- *EMOTAI* — Mental Health Programme

More and Better Jobs Pact for Young People

Santander was one of the 50 Portuguese companies that signed the "More and Better Jobs Pact for Young People," an initiative that counts on the High Patronage of the President of Portugal, whose goal is to bring about real change in the context of vulnerability associated with the employment of young people.

The initiative stems from the "White Paper: More and Better Jobs for Young People," promoted by the José Neves Foundation and the Portuguese Government, through the State Secretariat for Labour.

With this partnership, Santander undertakes to reinforce its focus on hiring and retaining young talents until 2026, through a set of established measures assuring them quality employment, contributing to their training and development, and to giving them a voice.

The "More and Better Jobs Pact for Young People" covers young people up to and including the age of 29. The main purpose of this document is to increase the hiring of young people in this age group by 10%, and that more than 19% of youngsters in these companies have permanent employment contracts.

Diversity, Equity and Inclusion (DE&I)

The programme to support the development and employability of people with disabilities was continued. Santander Portugal already has 16 persons with specific needs, most of whom were hired over the last 6 years. This year, some short-term programmes to support integration into the labour market were also maintained. The following initiatives stand out:

- ***Speak Up***, carries out quarterly follow-up interviews, lasting 45 minutes, to ensure that all employees with specific needs can openly share their needs, motivations and interests in their career path and professional development. At the same time, the managers of one of these employees is also interviewed in order to, in an integrated way, assess how the Bank is responding to the needs of employees and identify areas for improvement.

In short, it is guaranteed, through the feedback received, that all people with disabilities are aware of and have access to methodologies and opportunities, among others, for professional development and mobility.

- **Salvador Association Job Trade Fair**, held at the Santander Academy. This initiative was preceded by a bootcamp and a dolphin tank to prepare candidates for the job market. This meeting was based on the Speed Recruitment model with the participation of 36 companies and 26 candidates, in which 210 selection interviews were carried out.
- **Preparation and training of managers** to welcome new persons with disabilities into their teams and support the development of their current employees, through truly inclusive management. An e-book and a guide to support the use of inclusive language were released, and another guide to support the Diversity and Inclusion Sponsor was also made available. At the same time, a support manual was made available to managers and teams with people who qualify as part of neurodiversity.
- Additionally, **we invested in providing training materials** on topics that raise awareness to harassment and bias, including a course specifically developed for top leaders, and other materials available to all employees.
- **Partnership with the *Inclusive Community Forum* (ICF).** This is a **Nova SBE** initiative dedicated to the lives of people with disabilities, their families, institutions and companies, with the aim of promoting a more inclusive community. Within the scope of the ICF, it is worth highlighting the creation and implementation of an inclusive recruitment process, as well as the support and mentoring that is currently provided to a group of companies that have recently joined the ICF, helping them speed up the implementation of their Diversity, Equity and Inclusion process.
- Participation in the ***"Better to Include"*** project. The goal of this project is to promote the inclusion of people with disabilities in the labour market. To this end, best inclusion practices were discussed and shared over 3 days. Santander made the Bank's facilities available for the work sessions and, finally, a conference open to the community was organised, in which the Bank helped to disseminate the best practices identified within the scope of this project.
- Several guides were created, namely, the **Sponsor Guide**, the **Inclusive Language Guide**, the **Best Inclusion Practices Guide**, and the **Inclusive Recruitment Guide**.
- The Bank is associated with the **PRO_MOV programme**, a movement aimed at positively impacting the lives of Portuguese people, namely by enabling their (re)integration into the labour market. This movement was created by the *European Round Table for Industry* (ERT), with the aim of reskilling one million European citizens by 2025 and 5 million by 2030.

Gender Equality

In 2023, the Santander diversity networks, namely *Women's Network* (SWN), and *Embrace Network*, were relaunched, as well as active participation in the Santander *Enable Network*, a community for the inclusion of people with disabilities, with a global scope in the Santander universe, allowing inclusive best practices to be shared and their implementation streamlined.

SWN Portugal is a network that works to give greater visibility to women and achieve greater diversity between men and women, as well as equal opportunities for all. Currently made up of 278 members (both men and women), it has been developing diverse, impactful initiatives in the lives of employees, including webinars on the following topics:

- *I am remarkable*
- *Master in Life Adventures*
- *International Women's Day*
- *Mental Health* (The other side of motherhood)

Embrace Network: Santander supports equality and inclusion within its teams. The Bank wants to highlight what makes people unique, while also celebrating diversity. Through this community, several initiatives were developed to support and raise awareness to the LGBTI+ issue.

The community currently has 170 members. “Pride Day” was celebrated with a Workshop; the Bank actively participated in Santander’s global initiatives, and launched a set of podcasts created by *Embrace Network Portugal*.

Professional Development

Santander's transformation is driven by a continuous learning approach. Training and personal development programmes help employees acquire the appropriate skills, not only for their current roles, but also to develop the skills that help anticipate business needs.

Talent Management:

- **Potential Assessment** — a new potential assessment model was implemented in 2023. This platform allowed *Talent Reviews* to be carried out in the main business and support areas.
- **Succession Planning** — The succession plan was reinforced, with the aim of ensuring diversity based on correct identification and quality of data.
- **Skills model** — At Santander, the importance of self-reflection and of designing individual development plans for each employee is fostered and reinforced, with a view to supporting reskilling and upskilling.

Present and Future Leaders

- ***Young Leaders*** — The 2022/2023 edition of the YL programme was completed. It involved 200 emerging leaders with remarkable knowledge in the digital and innovation fields, advocates of our Simple, Close, Fair (SPJ) culture. Portugal counted on 9 participants.

  Over the course of 9 months, participants in the *Young Leaders* 2023 programme lived an immersive experience, enhancing their personal and professional growth. They also increased their networking and discovered new sources of inspiration, preparing themselves to make an impact and go further in consolidating the Santander culture. This learning journey proved to be a good opportunity to approach Santander's business models for the future.

  In the closing sessions during the three days, YLs had the opportunity to strengthen the bond created since they started this journey, to carry out team activities, to present projects of which they are part, to participate and reflect on the topic of leadership, together with bank executives, professors, and external experts.

- ***Elevate*** — is the global learning ecosystem for senior management. It is a hybrid experience in *Executive Education* that includes activities led by international experts to reinforce Santander's leadership through continuous learning and collaboration towards a common culture. Altogether, 77 Santander Portugal Employees took part in this programme, who rated the course at 4.7 / 5.
- ***Multipliers*** — a training programme aimed at top managers and middle managers with the aim of developing a leadership mentality that multiplies the collective intelligence of teams and boosts the organization's outcomes. This course counted on 137 participants in this first stage, and was rated 4.96 / 5.
- **MentorS** — development initiative to support mentors to be better prepared in monitoring mentees, i.e., employees who have recently arrived at Santander, during their first 12 months.
- Reinforce our presence at University job fairs with the *Be Tech* offer and with the claim “Hello, Santander, Hello World,” reinforcing Santander’s Global dimension.

Corporate Mobility

The *Global Careers Strategy* encompasses simple, transparent mobility strategies, in line with our business and with the needs of employees, of which we highlight:

- ***Global Job Posting*** — offers employees the opportunity to apply to work in one's own country or in other countries, areas, and companies within the Santander Group.
- **Santander World** — has been one of the flagship talent programmes of the Santander Group since 2008. It has been supporting the development of employees who have participated in strategic projects in other countries over a period of 3 to 6 months.
- ***Swap Programme*** — is a specific mobility programme named *Swap*, which includes exchanging participants from similar areas between countries.

Throughout the year, a new edition of Santander World / *Swap* was held, through which 8 Portuguese employees participated in projects in Spain, Poland and United Kingdom.

On the other hand, Portugal also hosted 12 participants of different nationalities in projects created by the Bank's teams.

Training and Development

Santander's objective, as far as training and development, is to be a continuous learning institution, which materializes in the provision of tools that allow Employees to stay up to date, thus contributing to the relevance of the company as a whole.

In 2023, 193,693 hours of training were imparted to 4,653 Employees, which amounts to an average of 41.6 training hours per capita.

DOJO

Santander and the People Management area invest in talent, the most important asset for the Bank's future. Thus, in line with the Group's strategy, the focus has been on renewing the way people learn, adapting methodologies to the best practices in the market.

Only by developing the ability of employees to learn and "reinvent" themselves will it be possible to respond to changing customer needs, and also to the modernization and digitization of the sector and the market.

Dojo follows the new trends and includes more than 90,000 training contents, so that everyone can develop the necessary skills to make Santander the best open platform for financial services.

This digital platform brings together the best practices in the self-consumption, customised training market, with formats that adapt to different ways of learning, namely with podcasts, videos, interactive e-learning, book summaries, papers.

Responsible Family Company

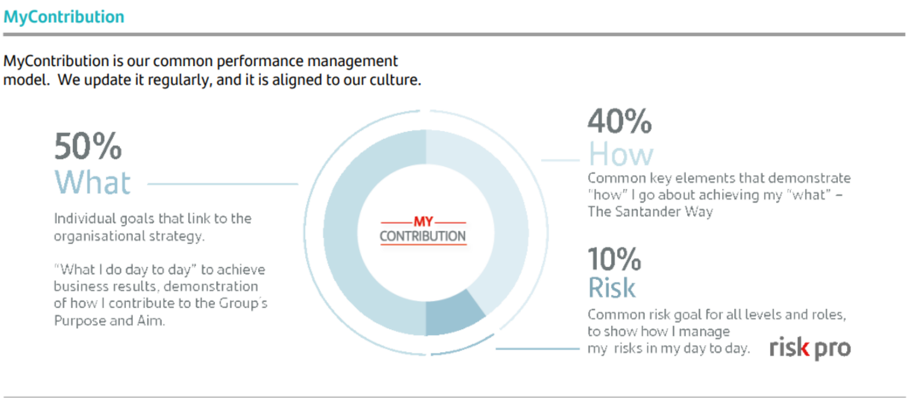
As part of the goal of being a family-responsible company, there are some initiatives in the Employee Guide, of which the following stand out:

- Thirty years of work for the Bank, with a watch awarding ceremony
- Co-payment of the monthly social pass
- Employee's birthday
- Birthday afternoon for children up to 12 years old
- Hours for volunteer service
- Support for children with special needs
- Support for one's elders
- 1st day of school
- Excellence awards for employees' children
- Parent Coaching
- Support for children's tuition fees
- Psychologist support hotline
- Smoking cessation

Compensation and performance reviews

The Group's remuneration model is quite comprehensive and combines variable and fixed schemes, based on employee and company results. Variable remuneration, in the short and long term, reflects what we have achieved (quantitative and qualitative objectives at Group level, as well as individual and team goals), and how we have done it (e.g., behaviours, leadership, sustainability, commitment, growth, and risk management).

In addition, employees have competitive benefits, banking products and services, life and health insurance. Fixed remuneration schemes reflect local market conditions. The reference criteria and collective agreements in force in the country are strictly applied to the fixed remuneration scheme.



Economic and Financial Information

Consolidated Business

At the end of 2023, Banco Santander Totta recorded a net profit of € 931.4 million, 58.8% more than the € 586.6 million recorded in the same period last year.

Return On Equity (ROE) stood at 25.8% in 2023, growing by 12.0 p.p., compared to 13.8% in 2022. In 2023, the efficiency ratio stood at 26.0%, 10.3 p.p. below the 36.3% recorded in the same period last year.

Loans and advances to customers (gross) in the amount of € 44.6 billion grew by 3.0% year-on-year. Credit to Corporates and Institutionals increased by 13.7%, offsetting the 4.7% decline in credit to individuals.

The Non-Performing Exposure ratio stood at 1.7%, decreasing by 0.3 p.p., compared to the 2.0% recorded in 2022, with a provisions coverage of 89.2% (2.2 p.p. more than last year).

Customer resources, amounted to € 43.7 billion, dropping by 5.7% compared to the same period last year, with deposits decreasing by 8.8%, influenced by the channelling of savings towards early repayment of credits and for investment in off-balance sheet resources, which increased by 11.1%.

At the end of 2023 the LCR (*Liquidity Coverage Ratio*) ratio, calculated in accordance with CRD IV rules, stood at 136.2%, thus meeting the regulatory requirement on a fully implemented basis.

The *Common Equity Tier 1* ratio, calculated in accordance with CRR/CDR IV rules, stood at 16.1%, (fully implemented), increasing by 0.3 p.p. compared to the same period last year.

The MREL ratio (Minimum Requirement for Own Funds and Eligible Assets), which has to be met at the individual activity basis, stood at 24.4% at the end of 2023, above the fully-implemented requirement of 20.68% imposed from January 1st, 2024 onwards.

At the end of the financial year of 2023, the liquidity reserve reached € 17.7 billion, about € 1.7 billion above the 2022 figure, revealing the institution's solid liquidity position.

Financing obtained from the European Central Bank, consisting entirely of the third series of Targeted Long-Term Refinancing Operations (TLTRO III), amounted to € 0.7 billion. A tranche of € 3.5 billion was amortized upon maturity, in June 2023. The net exposure to the Eurosystem stood at € -4.9 billion (a surplus position).

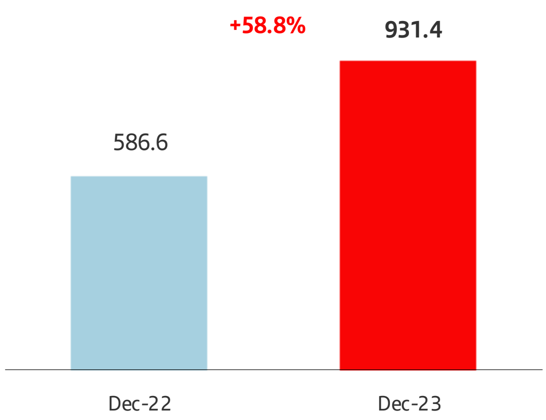
Long-term financing also included € 3.6 billion of mortgage bonds (€ 0.75 billion issued in April, and € 0.85 billion issued in September 2023), € 0.65 billion of *Senior Non-Preferred* issuances, € 1.0 billion of securitizations, € 0.3 billion of *Credit Linked Notes*, € 0.3 billion of subordinated issuances, and € 0.4 billion of interbank operations with repurchase agreement.

Short-term financing included interbank operations with repurchase agreements, amounting to € 4,1 billion.

Santander Portugal has the best financial ratings in the sector. The Santander Totta's current long-term debt ratings compared to those of Portugal are as follows: Fitch – A- (Portugal – A-); Moody's – Baa1 (Portugal – Baa2); Standard & Poor's – BBB+ (Portugal – BBB+); and DBRS – A (Portugal – A).

CONSOLIDATED NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS OF BST

million euro



CONSOLIDATED INCOME STATEMENTS (million euro)	Dec-23	Dec-22	Var.
Net interest income	**1,481.3**	**779.3**	**+90.1%**
Income from equity instruments	1.7	3.8	-55.8%
Results from associates	0.0	5.1	-100.0%
Net fees	457.0	475.6	-3.9%
Other operating results	6.5	9.4	-30.6%
Commercial revenue	**1,946.5**	**1,273.2**	**+52.9%**
Gain/losses on financial assets	71.7	88.3	-18.8%
Net income from banking activities	**2,018.2**	**1,361.5**	**+48.2%**
Administrative expenses	(464.5)	(433.4)	+7.2%
Staff Expenses	(284.3)	(261.0)	+8.9%
Other Administrative Expenses	(180.2)	(172.4)	+4.5%
Cash contributions to resolution funds and deposit guarantee schemes	(23.9)	(41.7)	-42.6%
Depreciation	(54.3)	(45.3)	+19.9%
Net operating Income	**1,475.5**	**841.2**	**+75.4%**
Impairment, net provisions and other results	(125.2)	12.6	-1092.9%
Income before taxes and non-controlling interests	**1,350.3**	**853.8**	**+58.2%**
Taxes	(418.9)	(267.2)	+56.7%
Income after taxes and before non-controlling interests	**931.4**	**586.6**	**+58.8%**
Non-controlling interests	0.0	0.0	-
Consolidated net income attributable to the shareholders of BST	**931.4**	**586.6**	**+58.8%**

At the end of 2023, Net Interest Income totalled € 1,481.3 million, 90.1% more, compared to the € 779.3 million achieved in the previous year. The favourable impact of the interest rate path on the credit portfolio, more than offset the greater demand for housing credit at mixed rates, the competitive environment, which in a context of high liquidity in the banking system, put downward pressure on credit spreads, the fact that the European Central Bank no longer remunerated minimum mandatory reserves, the expiration of part of the financing obtained from the European Central Bank under TLTRO III, which was replaced by the issuance of bonds and by interbank financing, and the gradual transfer from the rise in Euribor interest rates to the remuneration of deposits.

Net Fees stood at € 457.0 million, a 3.9% decrease compared to € 475.6 million at the end of 2022. The favourable performance of financial advisory fees stands out, although mitigated by lower fees associated with credit (due to the decrease in the volume of new credit production, especially mortgage credit, in a context of impact on household budgets, inflation and higher interest rates, plus regulatory changes, which exempted some loans from certain fees), means of payment (influenced by the intra-group operation of the transmission of the automatic payment service, at the end of 2022, although with a positive evolution in customer transactions, through the growth of fees for payment operations and transfers with cards), funds and insurance.

Other operating results amounted to € 6.5 million, 30.6% less compared to € 9.4 million in the same period last year, impacted by the lower income from property management.

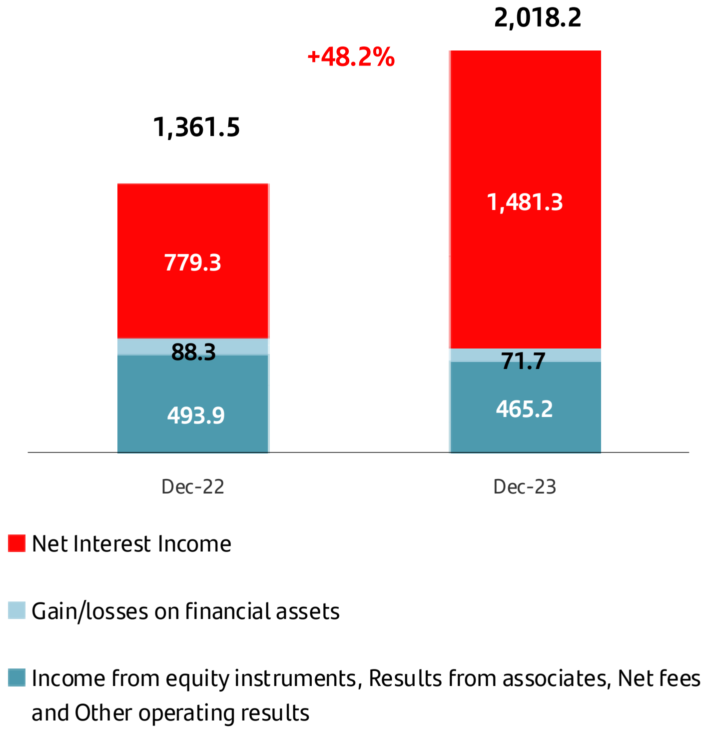
Commercial revenue reached € 1,946.5 million, rising by 52.9% compared to the € 1,273.2 million at the end of 2022, benefiting from the positive environment in the evolution of interest rates on net interest income.

Gain/losses on financial assets amounted to € 71.7 million, decreasing by 18.8% compared to € 88.3 million achieved a year earlier.

Net Income from banking activities totalled € 2,018.2 million, rising by 48.2% year-on-year, compared to the € 1,361.2 million at the end of 2022, due to the favourable evolution of the financial margin, which more than offset the decrease in the remaining components.

NET INCOME FROM BANKING ACTIVITIES

million euro



Operating costs stood at € 518.8 million, at the end of 2023, increased by 8.4%, compared to € 478.7 million observed in the same period last year, in a context of high inflation for much of the year. Santander Portugal had a commercial network with 376 service points (7 less than in the same period last year) and 4,619 employees (5 more than at the end of 2022).

Staff expenses stood at € 284.3 million, an 8.9% increase compared to the € 261.0 million in the same period last year, due to the wage update implemented in 2023.

Other administrative expenses amounted to € 180.2 million, 4.5% more, compared to € 172.4 million in the previous year, through investment in processes and systems, for the constant improvement of service quality and availability of the offer on digital channels, with strict cost control.

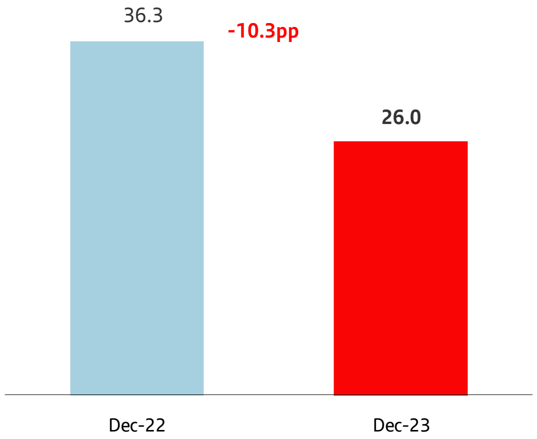
Depreciation amounted to € 54.3 million, a 19.9% increase, compared to the € 45.3 million recorded in 2022, reflecting investment in new technological applications, linked to the Bank's commercial and digital transformation process.

OPERATING COSTS (million euro)	Dec-23	Dec-22	Var.
Staff Expenses	(284.3)	(261.0)	+8.9%
Other Administrative Expenses	(180.2)	(172.4)	+4.5%
Depreciation	(54.3)	(45.3)	+19.9%
Operating costs	**(518.8)**	**(478.7)**	**+8.4%**
Efficiency ratio	**26.0%**	**36.3%**	**-10.3 p.p.**

At the end of 2023, the Efficiency Ratio stood at 26.0%, 10.3 p.p. below the 36.3% observed at the end of 2022, reflecting increased revenues, greater operational efficiency, and lower costs with customer service, as part of the continuous process of commercial and digital transformation, with strict control over operational costs.

EFFICIENCY RATIO

%



Cash contributions to resolution funds and deposit guarantee schemes amounted to € 23.9 million, a 42.6% decrease compared to the € 41.7 million observed in the same period last year.

Net operating income reached € 1,475.5 million, corresponding to a 75.4% increase compared to the € 841.2 million obtained in the previous year.

Impairment, net provisions and other results recorded an amount of € -125.2 million at the end of 2023, compared to the € 12.6 million in the same period of the previous year.

Net provisions totalled € -22.5 million, compared to € 3.8 million in 2022.

Net impairment of financial assets at amortised cost stood at € -73.3 million at the end of 2023, compared to € 12.0 million recorded in the previous year, as part of the conservative credit risk control policy, in a context of higher inflation and higher interest rates, and consequent higher cost of credit, plus a moderate increase in the unemployment rate, added by geopolitical uncertainty. The quality of the credit portfolio remained high, with a Non-Performing Exposure (NPE) ratio of 1.7%, 0.3 p.p. lower than in the same period last year.

Net impairment of non-financial assets stood at € 5.8 million, compared to € 12.9 million in the previous year.

Regulatory costs with the banking sector Contribution and Solidarity Tax on the banking sector in the amount of € 38.3 million increased by 6.8%, compared to the € 35.9 million paid last year.

Income from non-current assets held for sale reached € 3.1 million, 84.1% less than the € 19.8 million achieved in the previous year, which included non-recurring gains related to the sale of real estate assets, namely own properties.

Income before taxes and non-controlling interests reached € 1,350.3 million, which represented a 58.2% increase compared to the € 853.8 million recorded in 2022.

Taxes stood at € 418.9 million, compared to the € 267.2 million recorded a year earlier, an increase of 56.7%.

At the end of 2023, consolidated net income for the year attributable to BST shareholders amounted to € 931.4 million, corresponding to a 58.8% growth compared to the € 586.6 million obtained in 2022.

Balance Sheet and Business

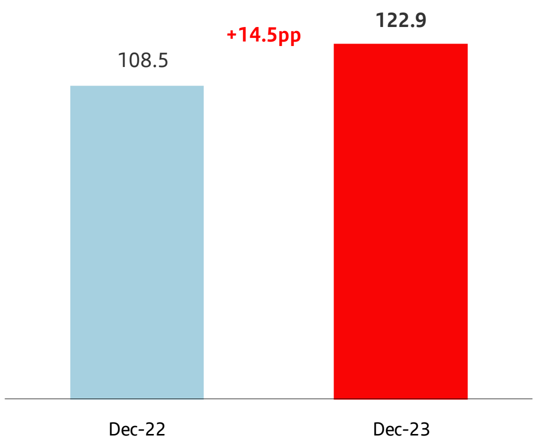
At the end of 2023, the business volume totalled € 88.3 billion, corresponding to a 1.5% decrease compared to the € 89.6 billion recorded in 2022, due to the 5.7% drop in customer resources and a 3.0% increase loans and advances to customers (gross).

BUSINESS VOLUME (million euro)	Dec-23	Dec-22	Var.
Business Volume	**88,295**	**89,635**	**-1.5%**
Loans and advances to customers (gross)	44,586	43,303	+3.0%
Customers' Resources	43,709	46,332	-5.7%

The transformation ratio, measured by the ratio of loans to deposits, stood at 122.9 per cent. at the end of 2023, 14.5 p.p. higher than in the same period last year.

LOAN-TO-DEPOSIT RATIO (Transformation ratio)

%



At the end of 2023, the loans and advances to customers (gross) stood at € 44.6 billion, representing a 3.0% increase compared to the previous year, with loans to corporates and institutionals increasing by 13.7 %, and credit to individuals dropping by 4.7%.

LOANS (million euro)	Dec-23	Dec-22	Var.
Loans and advances to customers (gross)	**44,586**	**43,303**	**+3.0%**
of which			
Loans to individuals	24,108	25,290	-4.7%
of which			
Mortgage	22,035	23,117	-4.7%
Consumer	1,789	1,820	-1.7%
Loans to corporates and institutionals	20,478	18,014	+13.7%

Loans to Individuals stood at € 24.1 billion, down by 4.7 per cent. compared to the € 25.3 billion recorded at the end of 2022. Mortgage loans worth € 22.0 billion dropped by 4.7 per cent. year-on-year, influenced by the lower demand for credit and the early repayment of credit, mainly in the first half of the year, when the rate of increase of the Euribor interest rates was more pronounced — which are the main index for this type of credit — as a result of the European Central Bank's monetary policy of increasing its reference interest rates. The Bank adapted its commercial offer to the new market context, namely by providing floating rate solutions and also mixed rate solutions, with an initial period of fixed interest rate, under very competitive conditions, which enabled the gradual growth of new production volumes, especially in the second half of the year.

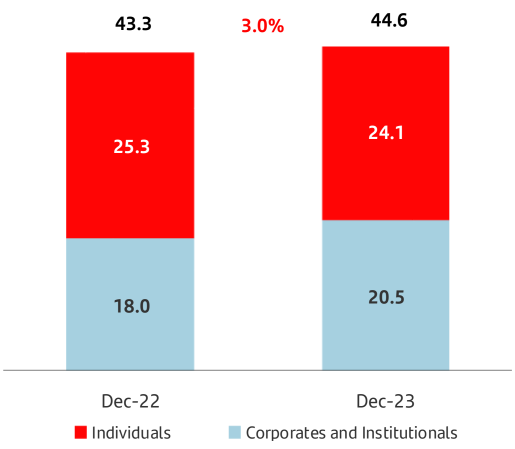
Consumer Credit stood at € 1.8 billion, corresponding to a 1.7 per cent. decrease compared to the amount recorded in the previous year.

Loans to Corporates and Institutionals amounted to € 20.5 billion, representing a 13.7% increase compared to the same period in 2022, reflecting the support given by the Bank to its customers' projects, of which we would highlight refinancing operations of larger corporates, liquidity and treasury management solutions, including support for international trade.

At the end of 2023, Mortgage loans represented 49% of the credit portfolio, Credit to Corporates and Institutionals 46%, and Consumer Credit and Other loans 5%.

LOANS AND ADVANCES TO CUSTOMERS (GROSS)

billion euro



The Non-Performing Exposure (NPE) ratio, calculated in accordance with the definition of the *European Banking Authority (EBA)*, regarding balance sheet exposure, stood at 1.7 per cent. in 2023, less 0.3 p.p., compared to the 2.0 per cent. observed in the end of the previous year.

Although wage increases only partially offset the higher inflation rate, the fact that the rise in interest rates has increased the cost of financing for families and companies, combined with the moderate increase in the unemployment rate, have resulted in the deterioration of the ability to meet debt service, there seems to be no relevant impact on the quality of the credit portfolio.

Impairment Coverage stood at 89.2 per cent. in December 2023 (2.2 p.p. more, compared to 87.0% in the same month of 2022).

Cost of Credit reached 0.17 per cent., 0.2 p.p. more, compared to -0.03 per cent. recorded in the previous year.

CREDIT RISK RATIOS	Dec-23	Dec-22	Var.
Non-performing exposure Ratio	1.7%	2.0%	-0.3 p.p.
Non Performing Exposure coverage ratio	89.2%	87.0%	+2.2 p.p.
Cost of credit	0.17%	(0.03%)	+0.2 p.p.

At the end of 2023, customer's resources totalled € 43.7 billion, dropping by 5.7%, compared to the same period in 2022, due to the 8.8% decrease in deposits, influenced by the early repayment of credit, and investment in off-balance sheet resources, which grew by 11.1%.

RESOURCES (million euro)	Dec-23	Dec-22	Var.
Customers' resources	**43,709**	**46,332**	**-5.7%**
On-balance sheet resources	35,629	39,062	-8.8%
Deposits	35,629	39,062	-8.8%
Off-balance sheet resources	8,079	7,270	+11.1%
Investment funds marketed by the Bank	4,252	3,623	+17.4%
Insurance and other resources marketed by the Bank	3,828	3,647	+4.9%

Deposits stood at € 35.6 billion, down by 8.8% compared to the € 39.1 billion recorded in the same period last year, reflecting the early repayment of credit by customers, in the context of rising interest rates, and the channelling of savings for investments in off-balance sheet resources.

Off-Balance Sheet resources amounted to € 8.1 billion, a 11.1% growth compared to the € 7.3 billion at the end of the previous year, within the scope of various investment solutions in investment funds and financial insurance.

Investment funds marketed by the Bank worth € 4.3 billion grew by 17.4%, compared to the € 3.6 billion in the previous year. Insurance and other resources in the amount of € 3.8 billion increased by 4.9% year-on-year.

Solvency Ratios

At the end of 2023, the *Common Equity Tier 1* ratio, calculated in accordance with CRR/CDR IV rules, stood at 16.1%, (fully implemented), increasing by 0.3 p.p. compared to the 15.8% recorded in the previous year, supported by the capacity for organic capital generation and the management of risk-weighted assets.

The Bank has a very high capitalization rate, above the minimum requirements demanded by the European Central Bank (for 2024, CET 1 of 8.428%, Tier 1 of 10.238%, and Total of 12.5% (*fully implemented*).

The MREL ratio (Minimum Requirement for Own Funds and Eligible Assets), which has to be met at the individual activity basis, stood at 24.4% at the end of 2023, above the fully-implemented requirement of 20.68% imposed from January 1st, 2024 onwards.

CAPITAL (million euro)	Dec-23	Dec-22	Var.
Common Equity Tier 1	**2,496**	**2,508**	**-0.5%**
Tier 1 Capital	2,896	2,908	-0.4%
Total Capital	3,288	3,295	-0.2%
Risk Weighted Assets (RWA)	**15,467**	**15,867**	**-2.5%**
CET 1 ratio	16.1%	15.8%	+0.3 p.p.
Tier 1 ratio	18.7%	18.3%	+0.4 p.p.
Total Capital Ratio	21.3%	20.8%	+0.5 p.p.

Relevant Facts After the End of the Fiscal Year

It is the intention of the Santander Group in Portugal (“Group”), in 2024, to begin a reorganisation process of the economic group. The reorganisation process involves the merger of Taxagest, SGPS, S.A. in the Bank and a subsequent merger of Santander Totta, SGPS, S.A. in the Bank. Having carried out a strategic, economic and operational analysis of the Group's structure, it was found that the current corporate structure appears to be redundant and susceptible to optimisation.

The merger by incorporation of Taxagest, SGPS, S.A. and Santander Totta, SGPS, S.A. in BST is intended, in particular, to:

- simplify the corporate structure, avoiding overlapping intermediate structures and procedures;
- implement a single governance system for the Group, more effective, efficient and appropriate, considering its nature as a supervised banking group;
- obtain synergies through the better structuring and organisation that the prospective merger will provide;
- make the structure and management of the Group's financing, own funds and eligible liabilities more efficient;
- simplify the Group's structure for the purposes of national and European banking supervision.

The production of effects of the projected merger operations is subject to applicable regulatory authorisations, including authorisation to be issued by the European Central Bank. If any of these conditions are not met, the definitive registration of the merger will not be carried out and, therefore, the merger will not take effect.

Additionally, the definitive registration of mergers and their consequent production of effects are also subject to the verification of other conditions resulting from the applicable legal regime, as well as the verification of the assumptions, namely tax or others, that justify the relevance of the merger operations.

Risk Management

Risk Management and Monitoring Model

The Bank's risk management and monitoring model is based on a set of common principles, on an integrated risk culture across the Santander Group, on a strong governance structure, and on advanced risk management processes and tools.

A. Risk Principles and Culture

Risk management and monitoring principles are mandatory and applicable at all times. They take into account regulatory requirements and best market practices. These principles are as follows:

1. **A solid risk culture (Risk Pro)**, which is part of the "*Santander Way*," and which is followed by all employees, covering all risks, and promoting socially responsible management, contributing to the Bank's long-term sustainability.
2. **All employees are responsible for risk management** and must know and understand the risks generated by their daily activities, avoiding taking risks whose impact is unknown or exceeds the Bank's risk appetite limits.
3. **Implication of Senior Management** ensuring consistent risk management and monitoring through its conduct, actions, and communications. In addition, it shall promote a risk culture within the Bank, assessing its degree of implementation and checking that the risk profile remains within the levels defined in the Company's risk appetite.
4. **Independence of risk management and monitoring functions**, according to the model with three lines of defence defined in more detail in the Risk Governance section.
5. **Prior and comprehensive approach to risk management and monitoring** in all businesses and for all types of risks.
6. **Adequate and complete information management** to help identify, assess, manage and communicate risks in an appropriate manner at the corresponding levels.

These principles, together with a series of interrelated tools and processes included in the Bank's strategy planning, such as risk appetite, risk profile assessment, scenario analysis, and the structure of risk reports, plus budgetary processes, form a holistic control structure for the entire Bank.

B. Risk Identification and Management

The following key risks are established in the Corporate Risk Framework:

- **Credit risk**: is the risk of financial loss resulting from non-compliance or deterioration of the credit quality of a given customer or counterpart, to whom the Bank has granted credit directly or for whom it took on a contractual obligation;
- **Market Risk**: it is the risk incurred as a result of the effects that changes in market factors, interest rates, exchange rates, variable income and commodities, among others, may have on income or capital;
- **Liquidity Risk**: is the risk the Bank incurs if it does not have enough liquid financial resources to meet its obligations on the due date, or if it can only obtain them at a high cost;
- **Structural Risk**: is the risk of changes in the value or margin creation of banking book assets or liabilities as a result of changes in market factors and in the behaviour of the balance sheet. It also includes risks associated with insurance and pensions, and the risk of the Bank not having sufficient capital, either in quantity or quality, to fulfil its internal business goals, regulatory requirements or market expectations;
- **Operational Risk**: is defined as the risk of loss due to the inadequacy or failure of internal processes, personnel and systems, or due to external events, including legal risk, compliance risk and conduct risk defined in the Corporate Compliance and Conduct Framework;
- **Financial crime Risk** is the risk resulting from actions or the use of the Group's means, products and services in activities of a criminal or illegal nature. These activities include, but are not limited to, money laundering, financing of terrorism, violation of international sanctions programmes, corruption, bribery, and tax evasion;
- **Model Risk** is the risk of loss resulting from wrong forecasts, which lead the Bank to adopt measures that are not the most appropriate, or from the inappropriate use of a model;
- **Reputational Risk**: is the risk of immediate or potential negative economic impacts for the Bank due to damages on the perception of the Bank's image by employees, customers, shareholders / investors and society in general;

- **Strategic Risk**: is the risk of loss or damage resulting from strategic decisions or from their poor implementation, which have an impact on the medium and long term positioning of the main stakeholders, or that result from an inability to adapt to external developments.

Additionally, the risk elements related to the environment and climate change – physical and transitional – are considered factors that may influence existing risks in the medium and long term.

These elements include, on the one hand, those derived from the physical effects of climate change, generated by occasional events, as well as chronic changes in the environment, and, on the other hand, those derived from the process of transition to a development model with lower emissions, including legal, technological or behavioural changes of economic agents.

The classification of risks is essential for their effective management and control. All identified risks must therefore be associated with the above mentioned risk categories, in order to organize their management, monitoring and related information.

C. Risk Governance

The Bank has a robust risk management structure that seeks to effectively monitor its risk profile, in accordance with the risk appetite defined by the Board of Directors.

This governance structure is based on the distribution of roles among the three lines of defence, a strong committee structure, and a close relationship with the corporation. All of this is supported by the risk culture implemented throughout the Bank — Risk Pro.

Defence lines

The Bank follows a three-pronged model to ensure effective risk management and control:

- ***1st Line: Risk Management*** — business and support functions that create risks, and are primarily responsible for their management;
- ***2nd Line: Risk Monitoring and Supervision*** — risk monitoring functions that monitor risk exposure, ensuring their supervision and questioning, enabling a holistic view of the risks involved in all activities;
- ***3rd Line: Risk Assurance*** — Internal Audit, which ensures an independent analysis.

While each of the three lines of defence has a separate organizational structure and a certain degree of independence, they must collaborate whenever necessary to ensure that business goals are met. The Risk, Compliance and Conduct, and Internal Audit areas have direct access to the Board of Directors and to its Committees.

First line of defence: Risk Management

The business lines and all support functions that generate risk exposure constitute the first line of defence. The first line of defence identifies, measures, monitors, tracks and reports the risks that they give rise to, and applies the policies, models and procedures that regulate risk management. Risk generation must be in accordance with the approved risk appetite and associated limits. The person in charge of any unit that gives rise to a risk is primarily responsible for managing that risk.

The first line of defence is responsible for the following:

- Establishing an appropriate environment for managing all risks associated with the business;
- Proposing, in collaboration with the second line of defence areas:
    - The risk appetite to the Board of Directors, for approval by the Board;
    - Lower limits proportionate to risk appetite, for approval by the relevant body.
- Implementing mechanisms to manage the risk profile within the risk appetite and lower limits;
- Ensuring that operating management models are effective for business needs.

The first line of defence shall support and promote the Bank's risk management culture.

Second Line of Defence: Risk Monitoring and Supervision

The Risk, and the Compliance and Conduct areas, as the second line of defence, will independently oversee and challenge the risk management activities carried out by the first line of defence. This second line of defence shall ensure, within their respective scope of responsibility, that risks are managed in accordance with the risk appetite defined by top management, and shall promote a strong risk management culture throughout the organisation.

The second line of defence is responsible for:

- Overseeing risk management as carried out by the first line of defence;
- Checking compliance with established policies and limits, and assessing whether the business remains within the risk appetite;
- Questioning business proposals and issuing an opinion on them. It shall provide top management and business units with the necessary elements to understand the risks involved in different businesses and activities;

- Providing a consolidated view of risk exposure, including the risk profile;
- Providing detailed material risk assessments and closely monitor emerging risks;
- Defining the metrics that should be used in measuring risk, and reviewing and challenging the risk appetite and the lower limits proposed by the first line of defence;
- Checking that there are adequate policies and procedures to manage the business within the defined risk appetite.

Within the Bank's structure, the second line of defence includes the Risk, and the Compliance and Conduct areas, although the organizational structures within the second line of defence may vary by type of risk.

The responsibility of the second line of defence includes the obligation to report to the appropriate governing bodies, as required, the risks, risk appetite, and breaches thereof.

The second line of defence shall adopt and promote a common risk management culture. It shall also provide guidance, advice and expert judgment on all relevant risk-related matters.

Third Line of Defence: Risk Assurance

Internal Audit is a permanent function, independent of any other function or unit, whose mission is to provide the Board of Directors and Senior Management with an independent guarantee on the quality and effectiveness of the internal control, risk management (current or emerging countries), and governance processes and systems, thus contributing to protecting the organisation's value, solvency, and reputation. To this end, Internal Audit evaluates:

- The effectiveness and efficiency of the processes and systems referred to above;
- Compliance with applicable supervision regulations and requirements;
- Reliability and integrity of financial and operational information; and
- Patrimonial integrity.

Risk Committee Structure

The Board of Directors is responsible for risk management and control, and, in particular, for the approval and periodic review of the risk appetite and for framing risk, as well as for promoting a strong risk culture throughout the organization. To perform these functions, the Board depends on several Committees with specific risk-related responsibilities.

The **Chief Risk Officer (CRO)** is responsible for monitoring all risks, and for questioning and advising business lines on risk management. The CRO has direct access to the Board of Directors and to the Executive Committee.

Other bodies that together form the highest level of risk governance, with powers delegated by the Executive Committee, are the Executive Risk Committee and the Risk Control Committee, which are detailed below.

- *Executive Risk Committee (ERC)*

  This Committee is the highest body in risk decision-making. The Executive Risk Committee takes decisions on risk-taking at the highest level, ensuring that they are within the limits set by the Bank's risk appetite.

  Chair: Chief Executive Officer (CEO).

- *Risk Control Committee (RCC)*

  The Risk Control Committee is responsible for risk control, determining whether the risks arising from business lines are managed according to the risk appetite limits set by the Bank, taking into account a holistic view of all risks. This involves identifying and monitoring current and emerging risks, and assessing their impact on the Bank's risk profile.

  Chair: Chief Risk Officer (CRO)

In addition, each risk factor has its own regular fora and / or Committees to manage and control the relevant risks.

D. Management Processes and Tools

With the objective of effectively controlling and managing risk, the Bank has a series of key processes and tools, as described below:

Risk Appetite and Limit Structure

At the Bank, Risk Appetite (often referred to with the acronym RAS — Risk Appetite Statement), is defined as the amount and type of risks considered prudent to be accepted in the execution of the Bank's business strategy, so that it can carry on with its normal business in case of unexpected events. When establishing this appetite, various adverse scenarios that may have a negative impact on the levels of capital, liquidity, profitability and / or share prices are taken into account.

The Board of Directors establishes the risk appetite annually, which is then translated into management limits and policies by type of risk, portfolio and business segment, within the defined rules.

Business Model and Risk Appetite Fundamentals

The risk appetite is consistent with the Santander Group risk culture and business model. The main elements that define this business model, and that support the Bank's risk appetite are the following:

- A medium-low, predictable risk profile based on a business model centred on commercial banking, with an internationally diversified presence and significant market shares, with a wholesale banking business model that gives priority to customer relations in the main markets where the Group operates.
- Production of stable, recurring earnings and shareholder remuneration, on a strong capital and liquidity basis, with an effective diversification of financing sources.
- A structure of independent, autonomous subsidiaries in terms of capital and liquidity, ensuring that no subsidiary has a risk profile that could jeopardise the Group's solvency.
- An independent risk function with the involvement of senior management that reinforces the strong risk culture and a sustainable return on capital.
- A global, holistic view of all risks within a robust control and monitoring environment: all risks, all companies, and all countries.
- A business model centred on those products in which the Group considers itself as sufficiently knowledgeable and capable of effective management (systems, processes, and resources).
- A model of conduct that takes care of the best interests of employees, customers, shareholders, and society in general.
- A remuneration policy that aligns the individual interests of employees and managers with the Group's risk appetite, and is consistent with the Group's long-term performance.

General Principles of Risk Appetite

The risk appetite, in all entities belonging to the Santander Group, including Banco Santander Totta, is governed by the following principles:

- **It is the responsibility of the Board and Top Management.** The Board of Directors is the ultimate responsible for defining risk appetite, as well as for monitoring compliance therewith.
- **Enterprise-wide risk, comparing and questioning the risk profile.** Risk appetite must consider all significant risks, facilitating an aggregated view of the risk profile through the use of quantitative metrics and qualitative indicators.
- **Forward-looking view**. Risk appetite should consider the desirable risk profile in the short and medium term, taking into account both the most likely circumstances, and the adverse or stress scenarios
- **Linked to strategic and business planning.** Risk appetite is a fundamental component of strategic and business planning, and it is integrated into management through its translation into management policies and limits, as well as through the participation of all lines of defence in key appetite processes.
- **Common principles and a common risk language for the entire organization.** The risk appetite of the various units, including that of the Bank, is in line with the Group's risk appetite.
- **Periodic review, comparison and adaptation to best practices and regulatory requirements.** Follow-up and control mechanisms to maintain the risk profile, and thus adopt the necessary corrective and mitigating measures in case of non-compliance.

Limit, follow-up and monitoring structure

The risk appetite is expressed in qualitative terms and by limits, structured around 5 main axes:

1. *Income Volatility:*
   - Maximum loss that the Bank is willing to take on, in the face of a chronic stress scenario;
2. *Solvency:*
   - Minimum capital position that the Bank is prepared to take on, in a chronic stress scenario;
   - Maximum leverage level that the Bank is willing to take on, in a chronic stress scenario.
3. *Liquidity:*
   - Minimum structural liquidity position;
   - Minimum liquidity horizons that the Bank is willing to take on, in the face of various chronic stress scenarios;
   - Minimum liquidity coverage position.
4. *Concentration:*
   - Concentration by individual customer;
   - Concentration on non-investment grade counterparties.
   - Concentration on large exposures

5. *Non-Financial Risk*
    - Qualitative indicators on non-financial risk:
        - Fraud
        - Technology
        - Security and cyber risk
        - Litigation
        - Miscellaneous
    - Maximum operational risk losses.
    - Maximum risk profile.

Compliance with risk appetite limits is monitored regularly. The specialized monitoring areas inform the Board and its Committees on a monthly basis regarding the risk profile.

Linking risk appetite limits to the limits used in managing business units and portfolios is a key element for ensuring the effectiveness of risk appetite as a management tool. Thus, the policies and limits used in management, for the various types and categories of risk, are directly related to the principles and limits defined for risk appetite

Risk Profile Assessment (RPA)

Exercises are carried out by the Bank to identify and assess the various types of risks to which it is exposed, involving all lines of defence, establishing management standards that comply with regulatory requirements, reflecting the best market practices, and reinforcing the risk culture.

The results of Risk Identification and Assessment (RIA) exercises are included in the assessment of the Bank's risk profile, known as RPA. This exercise assesses the evolution of risks, and identifies areas for improvement in each block:

➔ **Risk performance**, in order to know the residual risk for each type of risk, through a set of metrics and indicators calibrated according to international standards.

➔ **Prospective analysis,** based on stress metrics or on the identification and assessment of the main threats to the strategic plan (Top Risks), allowing the establishment of specific action plans to mitigate their potential impacts.

Scenario analysis

Another fundamental instrument used by the Bank to ensure robust risk management and monitoring is the analysis of the possible impacts arising from different scenarios related to the environment in which the Bank operates. These scenarios are expressed both in terms of macroeconomic variables, as well as through other variables that impact the Bank's risk profile.

This "scenario analysis" is a very useful tool for risk management at all levels.

It helps to assess the Bank's resistance to stress scenarios, as well as to identify possible mitigation initiatives to be implemented, should the forecasted scenarios start to materialize. The objective is to reinforce income stability, as well as that of the capital and liquidity levels.

Risk Management in 2023

Introduction

For Banco Santander Totta, quality risk management constitutes a fundamental axis of action, in keeping with the corporate policy of the Group to which it belongs.

Prudence in risk management, combined with the use of advanced management techniques, was a decisive factor in 2023 to face the effects arising from the Euribor rise in all terms, the inflation rate that reached very high levels, the continued high energy costs, the ongoing war in Ukraine and the recent war in the Middle East, and the continued demand from the financial markets.

The Group's strong Risk Culture, which is embedded across the entire activity and structure of the Bank, decisively influences the way in which all processes are carried out, taking into account not only the surrounding environment, but also attitudes, behaviours, values, and the principles that each employee demonstrates in the face of the various types of risks faced by the Bank. Such strong risk culture is especially important in highly challenging times, such as the last two years, enabling both the Bank and its various teams to swiftly adapt to different circumstances.

Credit Risk — Main Business Vectors

The year of 2023 was marked by the rise of Euribor in all terms, and by the inflation rate reaching quite high levels and forcing households and companies to adapt their financial lives. To face this macroeconomic scenario, the government provided households with a set of financial measures that allowed them to adjust to this new context and to cope with the higher cost of living.

Banco Santander kept its support to households in these times of greater financial challenges, providing solutions suited to their needs.

The intensity of customer monitoring and follow-up was maintained, and carried out, firstly through the first line of defence (Commercial Area), which was then complemented by the second line of defence (Risk Area). For customers (individuals and small companies), whose credit decision is made mainly through decision-making models considered as "automatic," the effects of inflation and of the rise in interest rates were monitored, and mitigation measures were implemented against increases in credit risk, in order to ensure the credit quality of portfolios and the sustainability of the Bank's balance sheet. The analyses and monitoring of behavioural metrics in these customers were strengthened, for early detection of any possible deterioration in their real payment capacity.

The basic operating principles with regard to the analysis and granting of credit risk remained unchanged:

- Maintaining the principle of segmentation in the processing of credit risk, differentiating the approach to risks in the light with the characteristics of customers and of their products.
- Maintaining the strictness of the admission criteria and, consequently, of the quality of Risk admitted in each segment, with a view to preserving the good quality of the loan portfolio.
- At the level of Portfolioed Risks the policy was maintained of proximity with the customers, in order to anticipate their credit needs, review their credit lines, and forestall possible problems in their repayment ability.
- Timely action and customers' credit quality level allowed non-performing loans and credit at risk to be kept under control, at acceptable levels.
- Continuous development of improvements in admission processes, in order to respond to customer requests in a swifter, more effective way.
- The recurrence of customer monitoring and review meetings was maintained, which is the Bank's usual practice, and which is included in its internal policies, for the early detection of loan-portfolio alerts.
- In the matter of Standardised Risks, the focus continued to be centred on ensuring portfolio quality, acting on Non-Performing Exposure (NPE) and Overdue Loans, while seeking to anticipate the deterioration of the credit quality of the credit portfolio.
- To this end, the defined admission strategies were maintained in the Bank's decision-making systems, as was the use of behavioural systems for the identification of preventative and roll-over measures to be offered to its customers.
- In terms of Corporate Risk Management, the permanent focus on knowledge and monitoring of the loan portfolio was maintained, with a view to strictly control its risk, seeking to provide adequate and timely management information, in order to allow measures to be taken with a view to proper management of the Bank's Risks.
- Attention was also maintained regarding the Bank's in-house models, almost all of which have already been recognised (by Regulators) as advanced (IRB) models for the calculation of the equity requirement, as well as their increasing inclusion in management.
- Lastly, in 2023 there was a need to adapt internal processes in order to respond to government initiatives implemented to support households resulting from the higher interest rates, resulting from the "Mais Habitação" programme and from Decree Law 91/2023.

Credit Risk

Credit risk is originated by the possibility of specific losses arising from non-fulfilment of all or part of the financial obligations contracted with the Bank by its customers.

The organisation of the credit-risk function at Santander Portugal is specialised according to customer typology, throughout the entire risk-management process, between portfolioed customers (customised or personalised treatment), and non-portfolioed customers (standardised or under mass-treatment).

Portfolioed customers are those that, fundamentally due to their level of risk, are assigned a risk analyst. This group includes Wholesale Banking companies, Financial Institutions, and some of the Retail Banking companies. The assessment of these customers' risk is performed by the risk analyst, supplemented with decision-support tools based on in-house risk-assessment models.

Standardised customers are those that do not have a risk analyst specifically assigned to monitor them. This group includes Individual customers, Individual Entrepreneurs, and non-portfolioed Retail Banking companies. Assessment of these risks is based on in-house valuation and automatic decision-making models, complemented by specialised risk-analyst teams whenever required.

Risk measurement metrics and tools

1. Rating / Scoring Tools

Banco Santander uses its own in-house solvency ratings and scorings for the various customer segments, in order to measure the credit quality of a customer or transaction, each rating or scoring corresponding to a likelihood of default.

The overall classification tools are applied to country-risk, financial institutions, and Global Wholesale Banking segments, both in determining their rating and in monitoring the risks assumed. These tools assign a certain rating to each customer, following a quantitative or automatic module, based on data/balance sheet ratios or macroeconomic variables, complemented by the analysis performed by the risk analyst assigned to monitor the given customer.

In the case of Retail Banking companies and institutions, the assignment of a rating is based on the modules referred to above, in this case both quantitative or automatic (analysing the borrowing behaviour of a sample of customers and its correlation with a set of data and accounting ratios) and qualitative, entrusted to a risk analyst for conducting the analysis, who must then perform a final review of the rating assigned.

The ratings assigned are reviewed periodically, incorporating new financial information that meanwhile becomes available, as well as, at qualitative level, the experience arising from assessment of the existing credit relationship. This frequency increases in the case of customers for whom the internal risk alert and classification systems so require.

For the standardised-risk portfolios, both of Individual customers and of not-portfolioed Businesses, scoring tools and decision-making models are implemented, which automatically assign an assessment/decision of the transactions presented. These decision tools can be complemented with a behavioural scoring model — an instrument that allows greater predictability of the risks assumed, and that are used for commercial initiatives.

2. Credit risk parameters

Evaluation of the customer and/or transaction by rating or scoring constitutes an assessment of its creditworthiness, which is quantified by the probability of default (PD).

In addition to the valuation performed on the customer, the quantitative risk analysis considers other aspects such as the term of the operation, the type of product, and the existing guarantees. What is thus taken into account is not just the probability that the customer may not fulfil its contractual obligations (PD), but the amount of default (Exposure At Default, or EAD), as well as the percentage of the EAD that may not be recovered (Loss Given Default, or LGD) are also estimated.

These are the factors (PD, LGD and EAD) that constitute the main credit-risk parameters, and which, taken together, enable the calculation of the expected and unexpected loss.

Their combination allows the calculation of the expected loss (or probable loss), which is considered as an additional business cost (reflecting the risk premium), and this cost is duly reflected in the transaction price.

It also allows the calculation of the unexpected loss, which is the basis for the calculation of regulatory capital in keeping with the rules of the Basel capital accord (BIS II), which, given its nature, is not considered recurrent and must therefore be duly covered by own funds.

PD is defined as the likelihood that a counterpart may not be able to meet its obligations within one year, through statistical observation.

LGD calculation is based on the observation of the process of recovery of defaulting transactions, taking into account not only the revenues and costs associated with this process, but also the point in time when they are produced and the indirect costs arising from the recovery activity.

The EAD estimate is based on comparing the use of compromised credit facilities at the time of default, and in a normal condition, in order to identify the real consumption of the credit facilities at the time of default.

Credit-risk Cycle

The risk-management process consists of identifying, measuring, analysing, monitoring, negotiating, and deciding on the risks incurred by the Bank's operations.

This process begins in the business areas, which propose a certain propensity to risk. These risks are analysed by special committees, which act under powers delegated by the Executive Committee on the Executive Risk Committee (ERC). The ERC establishes the risk policies and procedures, and determines the limits and delegation of powers.

1. Planning and establishing limits

Establishing risk limits is conceived as a dynamic process, which identifies the risk profiles that the Bank is willing to take through the assessment of the business proposals and the opinion of the Risks Area, through the definition of Strategic Business Plans (EBPs).

A pre-classification model is used for large corporate groups, based on an economic capital measurement and monitoring system.

In terms of portfolioed risks, management is carried out at the level of the Economic Group, where the risk appetite for such risk is defined, and credit limits are established.

In terms of standardised risks, the planning and limit setting process is undertaken by means of joint preparation, involving the Risk, Business, and Strategic Commercial Planning (SCP) areas, where the expected results of the deal in terms of risk and profitability are reflected, as are the limits to which the activity, the management of the associated risks, and the means of support required must be subjected to.

2. Studying risk, deciding on transactions, plus monitoring and control

Studying the risk involved is a prerequisite for authorising any credit operation at Banco Santander. This study consists of assessing the customer's ability to fulfil its contractual obligations towards the Bank, entailing the credit quality of the customer, its credit operations, its solvency and its profitability. Additionally, a study and review are conducted over the rating assigned when there is an alert or event that impacts the customer / transaction.

The purpose of the transactions-decision process is the analysis and decision thereof, taking into account the risk profile and the relevant elements of the transaction when defining a balance between risk and profitability.

In order to maintain adequate quality control over the loan portfolio, in addition to the actions carried out by Internal Audit, there is a specific Monitoring Function within the Risk Area. This function also specialises according to customer segmentation, and is fundamentally based on a continuous process of observation, allowing early detection of possible occurrences in the evolution of risk, of transactions, and of the customer, for the purpose of implementing measures, in advance, to mitigate them.

3. Prevention, Default Management, and Recoveries

At Banco Santander, prevention, management of non-compliances, and recoveries, constitute a strategic, integral, business activity. The specific objectives of prevention, default management and recoveries are as follows:

- Anticipate potential difficulties customers might have, thus mitigating the risk of default;
- Ensure the collection or settlement of outstanding amounts, favouring negotiated solutions for the customer's credit situation to return to normal. If a negotiated solution is not possible, recoveries will make an effort to recover outstanding loans through the court;
- Maintain and strengthen the relationship with customers, safeguarding their behaviour regarding the commitments they have contractually entered into with the Bank.

The prevention, default management, and recoveries activity are structured according to the commercial segmentation of customers: Individuals & Business, and Corporate, with specific management models. The activities thus segmented, also respect the various management stages: preventive management, management of irregularities, management of non-performing loans, and bankruptcies, each of which has specific models, strategies, and circuits. All this activity is shared with the business areas.

Preventive management and management of irregularities of Individuals & Business customers aims to provide the Bank with a massive, anticipatory management capacity of customers not in the portfolio, carried out through strategies and processes in an omnichannel environment (communication channels differentiated according to the type of customer), in a quite sophisticated approach that helps anticipate and improve the speed of response to difficulties of customers who have such issues.

Counterparty Risk

Counterparty risk, latent in contracts entered into in financial markets — organised or over-the counter (OTC) markets — consists of the possibility of counterparties not complying with the contracted terms, and subsequent occurrence of financial losses for the institution.

The types of transactions involved include the purchase and sale of securities, interbank money market transactions, contracting repos, loans of securities and derivative instruments.

These risks are monitored through an integrated system that allows approved limits to be recorded, and provides information as to their availability for the various products and maturities. The same system also allows transverse control over the concentration of risks by certain groups of customers / counterparts.

The risk in derivative positions, called Credit Risk Equivalent (CRE), is calculated as the combination of the Present Value of each contract (or Current Replacement Cost) with the respective Potential Risk, a component that reflects an estimate of the maximum amount expected until its maturity, depending on the volatilities of the underlying market factors and on the contracted flow structure.

In 2023, the current exposure of operations to interest rate indexes (Euribor) and foreign exchange recorded a decrease, as a result of the end of several mortgage credit hedging swap operations with the clearing house, LCH Clearnet. Regarding exposure to Financial Groups, the number of structural interest rate risk hedging operations (with LCH Clearnet as the clearing house) decreased, despite increased exposure to Non-Financial Groups, due to the increased risk coefficients of long-term exchange rate operations. Additionally, part of the LCH Clearnet portfolio (United Kingdom) was strategically transferred to Eurex (Germany).

Trading, Structural, and Liquidity Market Risk

This chapter focuses on risk management and monitoring activities related to market risk, distinguishing trading activity, structural risks, and liquidity risks. The main methodologies and metrics used by Santander Totta for this purpose are also briefly described.

The scope of activities subject to market risk includes the operations where equity risk is assumed as a result of possible changes in market factors (interest rate, exchange rate, variable income and credit spread, among others), as well as the liquidity risk of the various products and markets in which the Group operates and the liquidity risk of the balance sheet. It includes trading activity risks and structural risks, both impacted by market movements.

The measurement and monitoring of these risks are carried out by a body independent from management.

Trading Market Risk Control

Activities subject to market risk

The risks of trading activities arise from financial service activities for customers with non-complex instruments, focusing on hedging of exchange-rate and interest-rate risks.

Transactions with customers are hedged with the market, so as to ensure a residual exposure to this type of risk.

Methodologies

The methodology applied in 2023 by Santander Portugal for trading activity is the Value at Risk (VaR). The historic simulation methodology is used as the basis, with a 99% confidence level and a one-day time horizon; statistical adjustments were applied that allow swift and effective inclusion of the most recent events that condition the risk levels that were considered.

Additionally, Stress Testing is also used, which consists of defining the behavioural scenarios of differing financial variables, and obtaining the respective impact on net income when applying them to portfolios. These scenarios can replicate the behaviour of financial variables in the light of past events (such as crises) or, on the contrary, plausible scenarios can be determined that do not correspond to past events. In short, scenario analysis seeks to identify the potential risk under extreme market conditions, and in the fringes of likelihood of occurrence not covered by the VaR.

Several sensitivity measures (BPV and Greeks), and equivalent volumes are also calculated

In parallel, there is daily monitoring of the positions and of the income statement, which includes credit valuation adjustment (CVA) and debit valuation adjustment (DVA).

Calibration and contrast measures (Back-testing)

The reliability of the VaR model is assessed periodically through a back-testing analysis. Back-testing is a comparative analysis between the calculations of the Value at Risk (VaR) and the daily "clean" results (clean P&L — the result associated with the revaluation of the closing portfolios of the previous day at the closing prices of the next day), where the occasional / episodic deviations of the results found, compared to the estimated measurements, are analysed.

The back-testing analyses performed at Banco Santander Portugal comply with the BIS recommendations as regards comparison of the internal systems used in the measurement and management of financial risks. Additionally, hypotheses tests are carried out in back-testing: excess tests, normality tests, average excess measurements, among others.

Limits

Quantitative limits are used for the trading portfolios, which are classified into two groups, which are established in the light of the following objectives:

Limits to protect the volume of potential future losses. Examples of this type of limits include limits for VaR, on sensitivity measures (BPV and Greeks) or on equivalent positions;

Limits intended to protect / accommodate the volume of actual losses or to protect income levels already achieved during the period. The aim of this type of limits is to generate alerts on positions that are generating losses (loss triggers), allowing decisions to be taken before the maximum loss limit is reached (stop loss), from which point it will be considered that the losses have reached an unacceptable level and the positions will be closed immediately.

Quantitative analysis of the VaR during the year

The VaR remained at very low levels, standing at € 9.2 k on December 31, 2023.

Control of the Balance-Sheet Structural Risk

Control of the balance-sheet structural risk is directed at interest-rate risk and liquidity risk.

Interest-rate risk arises from mismatches between maturities, the revaluation of assets and liabilities, and the impact that adverse movements in interest rates may have on the Bank’s economic value or net interest income.

Liquidity risk is the risk that the Bank will not have the net financial resources required to meet its obligations when due, or that it may incur in excessive costs to meet such obligations.

Methodologies

Interest rate risk in the consolidated balance sheet is measured through modelling the items in assets and liabilities that are sensitive to interest-rate variations in accordance with their indexing and re-appraisal structure. This model allows the measurement and control of risks originating directly from the movement of the income curve, particularly its impact on net interest income and on the Bank's equity.

Additionally, other risk indicators are calculated, such as value at risk (VaR), and scenario analysis (stress test).

Liquidity risk is measured and controlled through the modelling of present and future flows of payments and receipts, as well as by conducting stress tests that seek to identify the potential risk under extreme market conditions.

In parallel, ratios are calculated on the balance sheet positions, which act as indicators of structural and short-term liquidity requirements, as well as intraday liquidity indicators in normal and stress situations, and early warning indicators.

The Liquidity Coverage Ratio (LCR) calculated in accordance with ECB rules stood at 136.2% on December 29, 2023.

Limits

Control over balance-sheet risks is ensured by applying a structure of quantitative limits aimed at keeping the various exposures within authorised levels. The limits focus on the following indicators:

- Interest rate: Sensitivity of net interest income and net worth, stress test of the ALCO portfolio, VaR;
- Liquidity: Liquidity buffer, stress scenarios, short-term and structural liquidity ratios, asset encumbrance and concentration ratios.

Operational Risk

Definition and objectives

Banco Santander Portugal defines operational risk as the risk of loss arising from shortcomings or errors in internal processes, human resources or internal systems, or derived from external circumstances.

Operational risk is inherent to all products, activities, processes and systems, and is generated in all business and support areas. Thus, all employees are responsible for managing the operational risk inherent to their activities, processes and systems in their regular positions.

The main objective in the matter of operational risk management and control is the identification, evaluation, measurement, monitoring, mitigation and reporting of such risk, while the identification and mitigation of the sources of risk constitute a priority for the Bank, regardless of whether they have given rise to actual losses or not.

In accordance with the Capital Requirements Regulation, Santander uses the single standard method, Standardized Measurement Approach (SMA), to calculate own funds requirements for operational risk.

Management Model

Banco Santander Portugal's organisational model, in terms of management and control of Operational Risk follows from the Group's adaptation to the Basel II approach.

Supervision and control of operational risk is carried out through its governing bodies. In this regard, the Board of Directors and the Executive Committee periodically include in their management, the review of relevant aspects in the management and mitigation of Operational Risk.

In order to comply with regulatory requirements, and in accordance with best practices in the banking sector, the Group defined an organizational model structured around three lines of defence.

The first line of defence consists of all business units and support functions, and is responsible for the operational risk originated in their areas, the main function of which is the identification, evaluation, monitoring, mitigation, and reporting of this risk.

The second line of defence comprises the area that controls Operational Risk, and it is responsible, on the one hand, for supervising the actual control of operational risk in its various aspects, and, on the other, for assessing whether it is managed as defined, and whether it complies with the tolerance levels established for the purpose. The second line of defence is an independent function, and it complements the first line management and control functions.

The third line of defence consists of Internal Audit, an independent body with control functions that periodically evaluates whether the policies, methodologies and procedures are properly implemented.

The various stages of the management and control model help with the following:

- Identification of the operational risk involved in all the Bank's activities, products, processes and systems.
- Definition of the operational risk profile, by measuring metrics and indicators by area and time horizon, and by establishing tolerance limits and risk appetite.
- Drawing up and monitoring the operational risk budget.
- Promoting the involvement and integration of all employees in the operational risk culture by conducting training in the matter of operational risk.
- Measuring and assessing operational risk in an objective, continuous, and consistent manner, based on regulatory and other requirements (Basel, Bank of Portugal, among others).
- Continuously and systematically monitoring the sources of exposure to risk, and implementing the respective control mechanisms to minimize possible losses.

- Establishing mitigation measures and actions that reduce and mitigate operational risk.
- Making periodic operational risk presentations and reports, and disclosing them to the various management and supervision bodies (internal and external).

The operational-risk control model implemented provides us with the following benefits:

- Promotes the development of a robust operational-risk culture.
- Allows full and effective management of operational risk (identification, measurement/assessment, control/mitigation, and reporting).
- Improves the knowledge on operational risks, both real and potential, and establishes their relationship with the business and support lines.
- Enhances the improvement of processes, controls, and mitigates/reduces potential losses.
- Facilitates the establishment of operational-risk appetite limits.

As regards the identification, measurement and assessment of operational risk, several quantitative and qualitative instruments were defined, which together facilitate diagnoses in the field of operational risk and rating/ evaluation of the various areas regarding management of their own risk.

Quantitative analysis is mainly conducted through instruments that record and quantify the potential level of losses associated with operational-risk events, in particular:

- Database of internal events, the objective of which is to log operational-risk events, with or without possible accounting impacts. There are accounting-reconciliation procedures that ensure the quality of the information contained in this database.
- Database of external events that provides quantitative and qualitative information, and facilitates a more detailed, structured analysis of relevant events that may occur in the sector.
- Scenario analysis, in which various business areas, plus second line and operational-risk co-ordinators take part, with the objective of identifying potential events entailing low probability and high severity for the institution. The possible impact is assessed, and, if required, additional controls and/or mitigation measures are identified to minimise their impact.

Qualitative analysis helps to assess various aspects related with the risk profile. The instruments used are mostly the following:

- RCSA – Risk Control Self-Assessment, the main objective of which is to identify and assess operational risks in relation to existing controls, and identify possible mitigation measures.
- The *ORIs (Operational Risk* Indicators) are parameters of a different nature (metrics, indices, and measurements) which provide useful information on risk exposure. These indicators and respective limits are reviewed periodically to warn about changes that might anticipate the materialisation of major risks.
- Recommendations from internal and external audit and regulators that provide relevant information on risk, allowing the identification of possible weaknesses and improvement measures.

The Bank also develops specific supervisory and control models in terms of technological and cyber risk management in order to ensure the adequate follow-up of the Bank's information systems, and the reinforcement of cyber protection. Nevertheless, the principle is one of standardisation, and, therefore, the models are perfectly aligned with the tools and with the operational-risk management instruments previously mentioned.

Additionally, there is also a set of various tools that complete and ensure a solid control environment, in particular:

- Policies & Procedures;
- Action plans and / or corrective / mitigating actions;
- Crisis management and Business Continuity Plan;
- Risk-transfer mechanisms and insurance;
- Agreement with third parties and supplier control.

The Bank keeps reinforcing the implementation of the advanced operational-risk management programme, with the main objectives of involving all employees and management bodies in monitoring and mitigating operational risk. The implementation and disclosure of Banco Santander Totta's risk culture is a strong priority for the institution, allowing for a more efficient evaluation and monitoring of operational risk, while simplifying decision-making by business areas and Management.

The Bank also continues to develop initiatives to improve the effectiveness of the various operational risk management tools, carrying out benchmarking actions with the Corporation and in different geographies of the Group, while simultaneously challenging the 1LoD for the prevention and mitigation of OR, namely by promoting several initiatives which include the promotion of an internal fraud prevention model and awareness towards new emerging risks (external fraud, Cybersecurity, ESG Risks, among others).

Compliance and Reputational Risk

Compliance Risk is defined as the likelihood of occurrence of negative impacts for the institution, with projection on net income or share capital, arising from infringement of legal rules, specific determinations, contractual obligations, conduct and customer relationship rules, ethical principles and established practices concerning the business carried out, which give rise, in particular, to sanctions of a legal or regulatory nature, impairment of business opportunities, reduction of the potential for expansion or inability to demand the fulfilment of contractual obligations by third parties.

In turn, Reputational Risk is understood as the likelihood of occurrence of negative financial impacts for the Institution, reflected in net income or share capital, resulting from an unfavourable perception of its public image, reasoned or not, by customers, suppliers, analysts, employees, investors, the media, and any other entities with which the institution is related, or by public opinion in general.

The purpose of the Compliance and Reputational Risk policies is their management, as defined in the preceding paragraphs, determining the mechanisms and procedures that: i) allow minimisation of the likelihood of materialisation; ii) identification, reporting to the Board and overcoming situations that may have arisen; iii) ensure monitoring and control; and iv) show, if necessary, that these risks are among the Bank's main concerns, and that it has the organisation and means to prevent, detect, and, where appropriate, overcome them.

Without prejudice to all other aspects arising from what has been exposed, the internal regulatory framework on Compliance Risk and Reputation Risk cover, namely, the instruments identified in the list below, which are referred to by their particular impact in the prevention and management of the risks in question.

Compliance Risk policies and instruments

- Corporate values that translate into concrete "behaviour," which govern the conduct of all employees;
- Compliance Policy;
- Policies on the Prevention of Money Laundering and Financing of Terrorism;
- Codes of conduct (with three dimensions: general; relationship with customers; relating to and for the stock market);
- Marketing and Product Follow-up Policies and Procedures;
- Policy for the Prevention, Communication, and Remediation of Conflicts of Interest;
- Personal Data Protection and Processing Policy;
- Employee training policy, which includes mandatory regulatory, as well as additional, training;
- Corruption Protection and Corporate Defence Policies (Santander has a Corporate Corruption Prevention Policy, including, among others: i) A whistleblowing channel (Open Channel), through which any employee can confidentially and anonymously report possible breaches of the Codes of Conduct and/or of the Corruption Prevention Policy, and ii) other possible irregularities);
- Monitoring and follow-up of new regulations;
- Liaison with the supervisory authorities, and follow-up of actions undertaken by them.

Reputational Risk Policies

- Reputational Risk Policy;
- Sensitive Sectors Policy (regulates the financing of certain sectors considered as sensitive because of their possible social, political or cultural repercussions, establishing the guidelines to assess and decide on the degree of involvement with these sectors, in order to be able to identify and prevent the associated reputation risk);
- Policy and Procedures for the Defence Sector (setting the criteria to be followed in financial activities related with this sector, and providing an analysis procedure for all operations and customers covered by the sector);
- Donation Policy (defines the criteria to be followed in the allocation of donations for social purposes).

The two foundations and essential objectives of the Compliance function (embodied in the Bank's Compliance and Conduct area) are, on the one hand, the prevention, follow-up and control of compliance risks as an autonomous object, albeit inserted in the broader context of the Bank's activity and, on the other hand, the detection, mitigation and overcoming of any non-compliance.

Without prejudice to the existence of a stabilized institutional and governance framework, and a significant set of risk management activities carried out on a recurring basis, the activity of the Compliance and Conduct area is adjusted to the regulatory environment, to the expectations of supervisors, and to the evolution of the Bank's risk profile, according to the activity actually carried out at each point in time, which is all the more relevant as it is certain that there is a permanent high dynamics in these matters which, naturally, also ends up having an impact on the exercise of the function.

For this purpose, an Activity Plan is drawn up and approved annually, incorporating tasks defined as a result of a number of sources, which include risk self-assessment processes by the Compliance and Conduct Division (with emphasis on the annual corporate self-assessment exercise called Compliance Capabilities Methodology), the annual risk self-assessment exercises by the various 1st line of defence areas (Risk Control Self-Assessment), the activities resulting from the specialized function in identifying and analysing new regulations with an impact on Bank activity ("regulatory radar"), the aspects resulting from determinations and recommendations issued by supervisory entities and/or internal and external auditors, any alerts associated with defined metrics in terms of risk appetite, the risk management activities based on relevant information obtained from any other internal and external sources, and the activities arising from the improvement/enhancement of existing processes and systems (continuous improvement).

In this context, there are activities that can take the form of communication or awareness raising initiatives, creation of working groups for implementing regulations, development of internal governance measures (including the approval and revision of regulations), implementation of improvements in terms of data management and reporting, process improvement, implementation of controls and/or development of other risk management procedures.

In general terms, the function's strategy was focused on improving the management of relevant risks and strengthening the Risk Culture.

Proposal for the Appropriation of Net Income

The Net Income for the year, in individual terms, amounted to 943,189,573.39€ (nine hundred and forty-three million, one hundred and eighty-nine thousand, five hundred and seventy-three euros and thirty-nine cents) and the consolidated Net Profit for 2023 amounted to 931,407,275€ (nine hundred and thirty-one million, four hundred and seven thousand, two hundred and seventy-five euros).

Considering that a prospective merger by incorporation of Santander Totta SGPS, S.A. into Banco Santander Totta, S.A. is pending regulatory authorization, the Board of Directors considers it appropriate to suspend the distribution of dividends until it is known if, when and under what terms such a merger will take place. Thus, this proposal contemplates, immediately, the application of the Net Income for the 2023 financial year to the Legal Reserve and the remainder to Retained Earnings, without prejudice to the subsequent proposal for the distribution of an amount of dividends based on said Retained Earnings, which the Board of Directors shall propose to the Annual General Meeting, once the outcome of the merger process referred to above is known.

Thus, the Board of Directors proposes to the Annual General Meeting the following appropriation of profits:

- Legal Reserve: 94,318,957.34€ (Ninety-four million, three hundred and eighteen thousand, nine hundred and fifty-seven euros and thirty-four cents);
- Retained Earnings: 848,870,616.05€ (Eight hundred and forty-eight million, eight hundred and seventy thousand six hundred and sixteen euros and five cents).

Lisbon, April 23, 2024

THE BOARD OF DIRECTORS

Complementary Information

Prevention of Money Laundering

Financial Crime Compliance (FCC)

Bank Santander Portugal's compliance function in terms of money laundering and financing of terrorism (AML/CFT) is embodied in the Financial Crime Compliance (FCC) area, which is integrated in the Compliance and Conduct area, which materializes the compliance function, and that works in an independent, permanent way, and in the Analysis and Resolution Committee, which is an internal control body for the Prevention of Money Laundering and the Financing of Terrorism.

The FCC area has functional autonomy and reports to the Chief Compliance Officer (CCO).

Its main objective is to manage compliance risks relating to money laundering, financing of terrorism and sanctions, ensuring that the activity is carried out in accordance with all applicable regulations, in the prevention and minimization of damage, in particular resulting from any sanctions, as well as of a reputational nature.

For this purpose, in addition to a "Head of Regulatory Compliance" and a specialized, dedicated organic structure, there are internal regulations that support specific procedures and controls, materialising the internal control system in the field of FCC, which is subject to an annual audit.

The head of regulatory compliance, in this matter, is responsible for:

- Participating in the definition and issuance of a prior opinion on AML/CFT policies, procedures, and controls;
- Permanently monitoring the adequacy, sufficiency and timeliness of AML/CFT control policies and procedures, proposing the necessary updates;
- Participating in the definition, monitoring, and evaluation of the internal training policy;
- Ensuring the centralization of all relevant information coming from the various business areas of the Bank;
- Playing the role of interlocutor with the judicial, police, supervisory and inspection authorities, namely by fulfilling all communication duties, and ensuring the exercise of other communication and collaboration obligations.

The Chief Compliance Officer is responsible, in particular, for coordinating the FCC area and for assessing the situations submitted to him by the Head of Regulatory Compliance.

The Analysis and Resolution Committee is responsible, namely for:

- The approval of the policies and general objectives of the prevention system against Money Laundering and Financing of Terrorism, and of the regulations applicable to the various areas and bodies;
- The follow-up of activities in the FCC area;
- The determination of any specific procedures that must be adopted on this matter by any area;
- Approving the training programmes and monitor their execution;
- Monitoring the implementation of internal and external audit recommendations, as well as of the specific determinations and recommendations from supervisory authorities;
- Assessing any other matters submitted to it by the FCC area;

In 2023, the following reports were made to Supervisors:

i. The Report provided for in Article 18.1 of CMVM Regulation No. 2/2020 concerning AML/CFT;

ii. The report provided for in Article 83 of Notice No. 1/2022 of the Bank of Portugal regarding AML/CFT.

Shareholder Structure

Shareholder	Number of Shares	%
Santander Totta, SGPS, S.A.	1,376,219,267	98.88%
Taxagest - SGPS, S.A.	14,593,315	1.05%

Treasury shares

In keeping with the resolution passed by the Annual General Meeting held on May 16, 2023, Banco Santander Totta, S. A., may directly or through a dependent company, acquire treasury shares as well as sell those purchased up to the limit and under other conditions set by law.

On December 31, 2022, Banco Santander Totta S. A., held 429,088 treasury shares corresponding to 0.031% of its Share Capital. Throughout the year of 2023, Banco Santander Totta S. A. purchased 6,404 treasury shares, corresponding to 0.0005% of its Share Capital, closing the year of 2023 with a total of 435,492 treasury shares.

TRANSACTION WITH OWN SHARES - 2023

Banco Santander Totta, S.A.	Number of Shares	Average Unit Price (€)	Book Value (€)	% of Share Capital
31/12/2022	429,088	5.19	2,226,950	0.031%
Purchases	6,404	1.90	12,146	0.0005%
31/12/2023	435,492	5.14	2,239,096	0.031%

Movement of shares and bonds of the members of the Governing Bodies of Banco Santander Totta, S. A.

Transactions of the members of the Board of Directors and Supervisory Board - article 447 of the Commercial Companies Code

	Entity	Position at 31/Dec/2022	Transactions in 2023	Position at 31/Dec/2023
José Carlos Brito Sítima	Banco Santander, SA	**157,425**	-	**157,425**
Pedro Aires Coruche Castro e Almeida	Banco Santander, SA	**220,895**	*23.02.2023 - shares deposit (corporate allocation): 70,389 - 3,50€*	**291,284**
Amilcar da Silva Lourenço	Banco Santander, SA	**46,775**	*23.02.2023 - shares deposit (corporate allocation): 24,989 - 3,50€*	**25,000**
			03.03.2023 - Sale: 25,000 - 3,77€	
			27.07.2023 - Sale: 21,764 - 3,64€	
Ana Isabel Abranches Pereira de Carvalho Morais	-	**-**	-	
Cristina Alvarez Alvarez	Banco Santander, SA	**39,919**	*16.02.2023 - shares deposit (corporate allocation): 174 - 3,50€*	**53,130**
			16.02.2023 - shares deposit (corporate allocation): 2,573 - 3,50€	
			16.02.2023 - shares deposit (corporate allocation): 3,246 - 3,50€	
			16.02.2023 - shares deposit (corporate allocation): 35,606 - 3,50€	
			16.02.2023 - shares deposit (corporate allocation): 11,351 - 3,32€	
			20.12.2023 - Sale: 39,919 - 3,80€	
Daniel Abel Monteiro Palhares Traça	-	**-**	-	
João Pedro Cabral Tavares	-	**-**	-	
Isabel Cristina da Silva Guerreiro	Banco Santander, SA	**52,540**	*02.02.2023 - sale: 19,622 - 3,43€*	**53,782**
			23.02.2023 - shares deposit (corporate allocation): 45.049 - 3,50€	
			06.03.2023 - sale: 17,967 - 3,82€	
			22.03.2023 - shares deposit (corporate allocation): 8,733 - 3,32€	
			27.07.2023 - sale: 10,000 - 3,69€	
			27.07.2023 - sale: 4,951 - 3,70€	
Manuel António Amaral Franco Preto	Banco Santander, SA	**211,956**	22.02.2023 - Sale: 20.000 - 3,46€	**176,423**
			23.02.2023 - shares deposit (corporate allocation): 59,467 - 3,50€	
			23.02.2023 - Sale: 10.000 - 3,52€	
			23.02.2023 - Sale: 10.000 - 3,52€	
			29.11.2023 - Sale: 30.000 - 3,77€	
			04.12.2023 - Sale: 25.000 - 3,82€	
Manuel de Olazábal y Albuquerque	-	**-**	-	
Miguel Belo de Carvalho	Banco Santander, SA	**88,906**	*23.02.2023 - shares deposit (corporate allocation): 49,393 - 3,50€*	**108,299**
			03.03.2023 - sale: 10,000 - 3,78€	
			03.03.2023 - sale: 10,000 - 3,80€	
			06.03.2023 - sale: 10,000 - 3,84€	
Remedios Ruiz Maciá	Banco Santander, SA	**112,031**	*15.02.2023 - shares deposit (corporate allocation): 25,390 - 3,55€*	**117,421**
			30.10.2023 - sale: 20,000 - 3,50€	
Ricardo Lopes da Costa Jorge	Banco Santander, SA	**9,089**	*23.02.2023 - shares deposit (corporate allocation): 17,286 - 3,50€*	**17,286**
			28.02.2023 - sale: 9,089 - 3,73€	

Positions held by the members of the Governing Bodies of Banco Santander Totta, S. A.

	Other Positions of Note	
	Within the consolidation perimeter	**Outside the consolidation perimeter**
José Carlos Brito Sítima	**Santander Totta SGPS, SA** (Chairman of the Board of Directors | NE)	Câmara Comércio Luso Espanhola (Board Member on behalf of Banco Santander Totta, SA)
Pedro Aires Coruche Castro e Almeida	**Santander Totta SGPS, S.A.** (Deputy-Chairman of the Board of Directors; Chairman of the ExCo | CEO) **Banco Santander SA** Regional Head of Europe	Santander UK Group Holdings, plc (NE Member of the Board of Directors); Santander UK, plc (NE Member of the Board of Directors); PagoNxt, S.L. (NE Member of the Board of Directors); Centro Paroquial São Francisco de Paula (NE Director); ISEG - Lisbon School of Economics & Management, Universidade de Lisboa (Advisory Council Member); Fundação Alfredo de Sousa (Board of Trusttees Member); Associação Portuguesa de Bancos (Member of the Board of Directors, on behalf of Banco Santander Totta, SA); The Trilateral Commission (European Group Member); MindAlliance Portugal (Advisory Council Member, on behald of Banco Santander Totta, S.A.); Endeavor Global Portugal (Member of the Board of Directors, on befalf of Banco Santander Totta, S.A.)
Amilcar da Silva Lourenço	-	COTEC Portugal - Associação Empresarial para a Inovação (Member of the General Council, on behalf of Banco Santander Totta, SA); CIP - Confederação Empresarial de Portugal (Deputy-Chairman of the General Council, on behalf of Banco Santander Totta, S.A.)
Ana Isabel Abranches Pereira de Carvalho Morais	-	ISEG Lisbon School of Economics and Management (Member of the Scientific Board and full professor); EPAL, Empresa Portuguesa das Águas Livres (Chairwoman of the Supervisory Board); Águas do Vale do Tejo, S.A. (Chairwoman of the Supervisory Board); Comissão de Normalização Contabilística (Member of General Committee (as renowned personality) and Vice-President); IDEFE - Instituto Para o Desenvolvimento e Estudos Económicos, Financeiros e Empresariais, SA | ISEG Executive Education (Executive Member of the Board of Directors)
Cristina Alvarez Alvarez	**Banco Santander SA** Head of T&O Europe e España	Santander Global Technlogy and Operations, SL (NE Member of the Board of Directors); Santander de Titulización, S.G.F.T., S.A. (NE Member of the Board of Directors); AEDAS HOMES, SA (NE Member of the Board of Directors and Chairwomen of the Technology, Innovation and Cybersecurity Commission); IE Business School, Madrid (Senior Advisory)
Daniel Abel Monteiro Palhares Traça	-	Nova School of Business and Economics (Professor - unpaid leave)
Isabel Cristina da Silva Guerreiro	**-**	Santander Bank Polska, S.A. (NE Member of the Supervisory Board)
João Pedro Cabral Tavares	**Fundação Santander Portugal** (NE Board Member)	ACEGE - Associação Cristã de Empresários e Gestores (CEO); IES - Social Business School (NE Chairman of the Board of Directors); Fundação Gaudium Magnum - Maria e João Cortez de Lobão (NE Member of the Board of Directors); AICD – Associação Para Inserção por Centros Digitais de Informação (Strategic Council Member); C-More Sustainability, Lda (Senior Advisory); Fundação Gonçalo da Silveira (Member of the Board of Trustees)
Manuel António Amaral Franco Preto	**Santander Totta SGPS, SA** (Executive Board Member) **Taxagest - Sociedade Gestora de Participações Sociais, S.A.** (Chairman of the Board of Directors) **Santander Totta Seguros - Companhia de Seguros de Vida, SA** **(Remuneration Committee)** **Banco Santander SA** (Regional Head of Financial Accounting & Control Europe)	-
Manuel Maria de Olazábal Albuquerque	-	Fulham Consulting S.L. (Manager)
Maria Manuela Machado Farelo Ataíde Marques	-	Gerefinança - Consultores de Gestão, Lda (Manager Partner); European Money Markets Institute (NE Member of the Board of Directors)
Miguel Belo de Carvalho	**Santander Totta SGPS, SA** (Executive Board Member) **Fundação Santander Portugal** (Chairman of the Board of Trustees)	Universidade Lusíada - Faculdade de Ciências da Economia e da Empresa (Advisory Council Member)
Remedios Ruiz Maciá	**Banco Santander SA** CRO Global Cards & Digital Solutions	Unión de Créditos Inmobiliarios, SA Unipersonal EFC (NE Member of the Board of Directors, Audit and Risk Board Committee, on behalf of Banco Santander, SA); U.C.I. SA (NE Board Member); Tresmares Capital Corporate SL (NE Member of the Board of Directors, on behalf of Banco Santander, SA); Deva Capital Holding Company, SL (NE Member of the Board of Directors); Deva Capital Management Company, SL (NE Member of the Board of Directors); Servicios de Cobranza, Recuperación y Seguimiento, SA de CV (SECORSE) (NE Alternate Member of the Board of Directors, on behalf of Deva Capital Servicer Company, S.L.U); Cobranza Amigable SAPI de CV (NE Alternate Member of the Board of Directors)
Ricardo Lopes da Costa Jorge	-	Católica Lisbon School of Business & Economics, Universidade Católica Portuguesa (Invited professor); SIBS SGPS, SA (NE Board Member, on behalf of Banco Santander Totta, SA); SIBS Forward Payment, Solutions, SA (NE Board Member, on behalf of Banco Santander Totta, SA); Unicre – Instituição Financeira de Crédito, S.A. (Membro do Comissão de Acionistas para Acompanhamento da Atividade e dos Negócios, on behalf of Banco Santander Totta, SA)

Alternative Performance Indicators

A set of Alternative Performance Indicators (API) used in the Management Report is presented herein, prepared in accordance with guidelines issued by the European Securities and Markets Authority (ESMA) on October 5, 2015 (ESMA/2015/1415pt).

For management analysis the Bank uses a set of indicators to measure profitability, efficiency, and business volume dynamics. Most of these indicators are derived from the financial information disclosed in accordance with the accounting standards in force (IFRS information), but others are calculated using management information (MIS information), not directly relatable to the IFRS information. Similarly, some indicators might be calculated by correcting non-recurrent operations, aiming to translate the underlying dynamics of the Bank's business, profitability and efficiency.

The indicators are detailed hereunder with reference, as far as possible, to the IFRS information.

Net interest income

"Interest income" less "Interest expenses", as presented in the Statement of Profit or Loss.

Income from equity instruments

"Dividend income", as presented in the Statement of Profit or Loss.

Results from Associates

"Share of the profit or loss of investments in subsidiaries, joint ventures and associates, accounted for using the equity method", as presented in the Statement of Profit or Loss.

Net fees

"Fee and commission income" less "Fee and commission expenses", as presented in the Statement of Profit or Loss.

Other operating results

"Other operating income" less "Other operating expenses", as presented in the Statement of Profit or Loss.

Commercial revenue

Sum of "Net interest income", "Income from equity instruments", "Results from associates", "Net fees", and "Other operating results".

Gain/losses on financial assets

Sum of "Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net", plus "Gains or losses on financial assets and liabilities, held for trading, net", plus "Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net", plus "Gains or losses from hedge accounting, net", plus "Exchange differences, net", plus "Gains or losses on derecognition of investments in subsidiaries, joint ventures and associates", plus "Gains or losses on derecognition of non-financial assets, net", as presented in the Statement of Profit or Loss.

Net income from banking activities

"Commercial Revenue" plus "Gain/losses on financial assets",

Operating costs

Sum of "Staff Expenses" plus "Other administrative expenses" plus "Depreciation", as presented in the Statement of Profit or Loss.

Net operating income

"Net income from banking activities" minus "Operating costs" minus "Cash contributions to resolution funds and deposit guarantee schemes", as shown in the Statement of Profit or Loss.

Impairment, net provisions and other results

Sum of "Provisions or reversal of provisions", plus "Impairments or reversal of impairment on financial assets not measured at fair value through profit or loss", plus "Impairment or reversal of impairment on non-financial assets", plus "Other profit or loss, net", plus "Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations", as presented in the Statement of Profit or Loss.

Net provisions

“Provisions or reversal of provisions”, as presented in the Statement of Profit or Loss.

Net impairment on financial assets at amortised cost

“Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss – Financial assets at amortised cost”, as presented in the Statement of Profit or Loss.

Net impairment on non-financial assets

“Impairment or reversal of impairments on non-financial assets”, as presented in the Statement of Profit or Loss.

Income before taxes and non-controlling interests

“Net operating income” minus “Impairment, net provisions and other results”.

Taxes

“Tax expense or income related to profit or loss from continuing operations”, as presented in the Statement of Profit or Loss.

Income after taxes and before non-controlling interests

"Income before taxes and non-controlling interests", less "Taxes".

Non-controlling interests

“Profit or loss for the year - attributable to non-controlling interests”, as presented in the Statement of Profit or Loss.

Consolidated net income attributable to BST shareholders

“Income after taxes and before non-controlling interests”, less "non-controlling interests".

Income from non-current assets held for sale

“Profit or loss on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations”, as presented in the Statement of Profit or Loss.

Efficiency ratio

Ratio between "operating costs" and "Net income from banking activities", minus “Cash contributions to resolution funds and deposit guarantee schemes”, as presented in the Statement of Profit or Loss.

Loans / Deposits Ratio (Transformation Ratio)

Calculated in accordance with Bank of Portugal Instruction 6/2018.

Business Volume

Sum of "Loans and advances to customers (gross)" and "Customer’s resources".

Loans and advances to customers (gross)

Corresponds to the sum of the following balance sheet items: “Financial assets at fair value through other comprehensive income – Loans and advances”, plus "Financial assets at amortised cost – Debt securities", plus "Financial assets at amortised cost – Loans and advances", excluding “Other balances receivable” and “Loans and advances – Credit institutions”, as set out in Note 9 of the Chapter “Notes to the Consolidated Financial Statements”, and in Note 8 of the Chapter “Notes to the Separate Financial Statements”. Amounts before impairments.

Net loans and advances to customers (net)

Customer loans (gross), net of impairments. Impairments correspond to the sum of “Impairment of debt securities”, plus “Impairment of loans and advances - Customers and other balances receivable”, as set out in note 9 of the chapter “Notes to the Consolidated Financial Statements”, and in note 8 of the chapter “Notes to the Separate Financial Statements”, deducted from the impairment relating to “Other balances receivable”.

Loans to individuals (mortgage and consumer) and companies

Defined in accordance with the Management Information System (MIS).

Non-performing exposure ratio

Non-performing exposure (NPE), defined in accordance with the document "Guidance to banks on non-productive loans" of the European Central Bank (March 2017), as a ratio of total exposure, including off-balance sheet items.

Cost of Credit

Ratio between "Impairment on reversal of impairments of financial assets not measured at fair value through profit or loss - Financial assets at amortised cost" (from the Statement of Profit or Loss) and the average of "Loans and advances to customers (gross)" (from the balance sheet).

Non-performing Exposure Coverage Ratio

Impairments of non-performing exposures in relation to total non-productive exposures (NPE).

Deposits

Corresponds to the item " Deposits - Customers" - see note 16 (in the chapter of the Notes to the Consolidated Financial Statements), and note 15 (in the chapter of the Notes to the Separate Financial Statements)

Off-balance sheet resources

Sum of "Investment funds managed or sold by the Bank", plus "Insurance and other resources", whose information is obtained through Santander Asset Management and/or the Management Information System (MIS).

Balance sheet resources

Corresponds to "Deposits", as defined in this section.

Customer's Resources

Sum of "On-balance sheet resources" plus "Off-balance sheet resources".

Liquidity Coverage Ratio (LCR)

The LCR (liquidity coverage ratio), in accordance with article 412(1) of Regulation (EU) No. 575/2013, shall be equal to the ratio of the liquidity reserve of a credit institution and its net liquidity outflows during a 30-calendar day stress period.

Return on Equity (RoE)

Ratio between "Consolidated net income attributable to BST shareholders" and "Total Equity" at the beginning of the period.

Return on Assets (RoA)

Ratio between "Consolidated net income attributable to BST shareholders" and "Total Assets".

Table of non-financial indicators

Please be advised that the Bank prepared a Responsible Banking Report separate from the Management Report, which includes non-financial information, as provided for in Article 66-B of the Commercial Companies Code, which was published on the website of the Santander Totta Group by the legal deadline.

Corporate Governance Report

I - Introduction

With this Corporate Governance Report for the year of 2023, Banco Santander Totta S. A. complies with the duty of providing annual information on the corporate governance structure and practices in accordance with Article 70.2 sub-paragraph b) of the Commercial Companies Code (CCC), and Article 29-H of the Securities Code.

In preparing this report, the various regulations and guidelines from the competent regulatory and supervisory entities were also taken into account.

Banco Santander Totta, as an entity belonging to the Santander Group, follows the strategic guidelines defined for the Group as a whole.

It should be noted that, during the financial year of 2023, and regarding its corporate governance and internal control model, Banco Santander Totta S. A., observed and complied with the procedures imposed by Bank of Portugal Notice No. 3/2020, of July 15, and with the revised guidelines (EBA/GL/2021/05) of the European Banking Authority (EBA) regarding their application.

Compared to the previous year, there were no significant changes in matters of corporate governance.

II – Shareholder Structure

As of the date of this Report, the Bank's Share Capital amounts to € 1,391,779,674, corresponding to one billion, three hundred and ninety-one million, seven hundred and seventy-nine thousand, six hundred and seventy-four common shares, with a par value of one euro.

The Bank's Share Capital is 99.848% held by Banco Santander Totta SGPS, S. A., which is directly controlled by Banco Santander, S. A., which holds a 99.85% stake.

Of the remaining Share Capital of the Bank, 1.049% belongs to the company Taxagest - Sociedade Gestora de Participações Sociais, S. A., a company also under the direct or indirect full control of the companies Santander Totta, SGPS, S. A., and Banco Santander, S. A.

Of the remaining capital, 0.039% is spread over several shareholders, and 0.031% corresponds to treasury shares of Banco Santander Totta, S. A.

The shares representing the Share Capital are all of the same type and category, granting equal rights to the respective holders, including the right to vote and share in profits.

Consequently, there are no privileged shares of any kind. Likewise, there are no restrictions of any kind on the transfer of shares, which is totally free.

There is no established system of employee participation in the Company's share capital.

The Company is not aware of any shareholder agreement entered into between shareholders.

Under statutory terms, each share is awarded one vote.

In order for shareholders to have the right to take part in the Annual General Meeting they must prove to the Chairman of the Board of the General Meeting, up to 10 days before the scheduled date, the registration or deposit of shares in financial intermediaries by the fifteenth day prior to the date of the Annual General Meeting.

No agreements are established by the Company whose entry into force is dependent on changes in the Bank's shareholder composition or which are altered or cease as a result thereof.

Within the scope of the normal performance of banking business, in its various components, there are, however, contracts that give the counterparty the right to resolve them in the event of a change in the Bank's share control, in line with normal, common practice in banking business.

On the other hand, there are no agreements that give the holders of the Board of Directors the right to compensation with the termination of the bond that connects them to the Institution as a result of their own initiative, due to removal or dismissal for justified reasons, or if it occurs following a takeover bid.

The indication of the number of shares and bonds held by members of the management and supervisory bodies is included in the “Complementary Information” chapter of the Management Report.

III. Governing Bodies

The Company is organically structured in the manner provided for in Article 278(1) sub-paragraph a) of the Commercial Companies Code.

The corporate bodies are: the General Meeting, the Board of Directors, and the Audit Committee.

Under the terms of the Law, the supervision of the Company is also the responsibility of a Statutory Auditor or of an Audit Firm, as resolved by the Annual General Meeting.

The members of the Board of the General Meeting, of the Board of Directors, of the Audit Committee, as well as the Statutory Auditor, are appointed by the General Meeting, and their terms of office last for three years, with the possibility of being re-elected one or more times.

There is also a Remuneration Board appointed by the General Meeting.

The Board of Directors and the Audit Committee are responsible — within the scope of their respective powers —, for promoting the existence, within the Institution, of an organizational culture based on high ethical standards, exercising their respective supervisory and control functions within the framework of the guidelines of the European Banking Authority (EBA), and within the framework of the provisions set forth in Bank of Portugal Notice No. 3/2020.

The Board of Directors and the Audit Committee — within the scope of their powers —, are responsible for ensuring that the Bank's organizational culture and its governance and internal control systems are adequate and effective, with the objective of reasonably ensuring the orderly, efficient conduct of the Bank's business, namely, regarding the implementation of a set of strategies, policies, processes, systems and procedures, and the institution's sustainability in the medium and long term, and the prudent conduction of its activity.

Within the scope of their respective powers, the Board of Directors and the Audit Committee are also responsible for ensuring the implementation and maintenance of an environment of adequate control, compliance with the objectives established in the strategic planning, and adequate risk identification, evaluation, monitoring and control, as well as the existence of complete, relevant, reliable and timely financial and non-financial information.

Within the scope of their respective powers, the Board of Directors and the Audit Committee are also responsible for ensuring the adoption of sound accounting procedures, compliance with the legislation, regulations and guidelines applicable to the Institution's activity, issued by the competent authorities, compliance with the Institution's own internal rules and regulations, as well as with the professional and ethical rules and practices, and with the rules of conduct and of relationships with the Institution's customers.

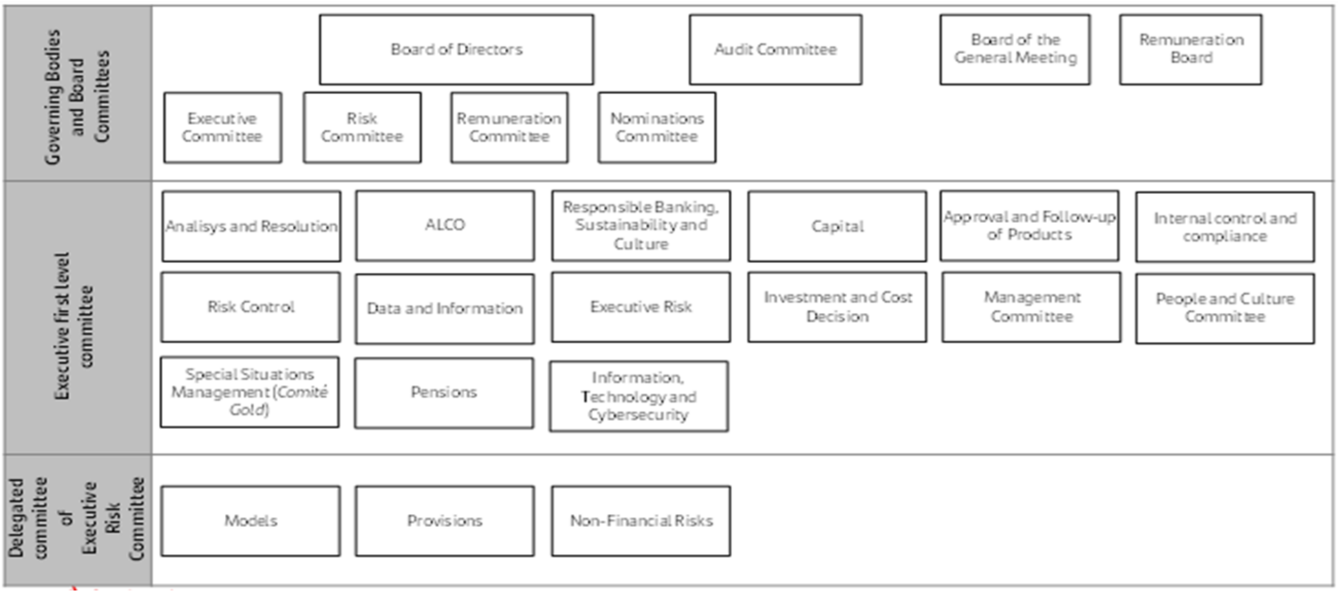
Minutes are drawn up from the meetings of the Governing Bodies and of the various Committees, which help identify its participants in an adequate manner, including its Secretary, as well as adequately understand the matters dealt with therein, the resolutions adopted, any recommendations made, or matters that need to be followed up in future meetings.

The members of the management and supervisory body are permanently subject to the requirements of adequacy, suitability, aptitude, experience, availability, independence, and professional qualifications for carrying out the positions that are defined by applicable rules, submitting to the periodic evaluation rules, either individual or collective, that may be defined by the Company.

The organizational structure of the Bank’s **Governance Model** in the financial year of 2023 was as follows:

The Board of Directors delegated part of its powers to an Executive Committee, to which it delegated the Bank's day-to-day management, and to three other specialized committees with the essential function of permanently monitoring specific matters, namely, the Risk Committee, the Remunerations Committee, and the Appointments Committee.

The Executive Committee appointed several Internal Committees to assist it in its day-to-day management.


Governing Bodies and Board Committees
Board of Directors
Audit Committee
Board of the General Meeting
Remuneration Board
Executive Committee
Risk Committee
Remuneration Committee
Nominations Committee
Executive first level committee
Analisys and Resolution
ALCO
Responsible Banking, Sustainability and Culture
Capital
Approval and Follow-up of Products
Internal control and compliance
Risk Control
Data and Information
Executive Risk
Investment and Cost Decision
Management Committee
People and Culture Committee
Special Situations Management (Comité Gold)
Pensions
Information, Technology and Cybersecurity
Delegated committee of Executive Risk Committee
Models
Provisions
Non-Financial Risks

During the financial year of 2023, the composition of the governing bodies of the Bank was as follows:

BOARD OF THE GENERAL MEETING

Chair:	António Maria Pinto Leite
Deputy-Chair:	Ricardo Andrade Amaro
Secretary	Company Secretary

BOARD OF DIRECTORS

Chair:	José Carlos Brito Sítima
Deputy-Chair:	Pedro Aires Coruche Castro e Almeida
Members:	Amílcar da Silva Lourenço
	Ana Isabel Abranches Pereira de Carvalho Morais
	Cristina Alvarez Alvarez
	Daniel Abel Monteiro Palhares Traça
	Isabel Cristina da Silva Guerreiro
	João Pedro Cabral Tavares
	Manuel António Amaral Franco Preto
	Manuel Maria de Olazábal Albuquerque [(1)]
	Maria Manuela Machado Costa Farelo Ataíde Marques
	Miguel Belo de Carvalho
	Remedios Ruiz Maciá
	Ricardo Lopes da Costa Jorge

AUDIT COMMITTEE

Chair:	Ana Isabel Abranches Pereira de Carvalho Morais
Members:	Daniel Abel Monteiro Palhares Traça
	João Pedro Cabral Tavares
	Manuel Maria de Olazábal Albuquerque
	Maria Manuela Machado Costa Farelo Ataíde Marques

STATUTORY AUDITOR

PricewaterhouseCoopers & Associados, SROC, LDA., represented by José Manuel Henriques Bernardo

(1) Lead Independent Director

EXECUTIVE COMMITTEE

Chair:	Pedro Aires Coruche Castro e Almeida
Deputy-Chair:	Manuel António Amaral Franco Preto
Members:	Amílcar da Silva Lourenço
	Isabel Cristina da Silva Guerreiro
	Miguel Belo de Carvalho
	Ricardo Lopes da Costa Jorge

RISK COMMITTEE

Chair:	Manuel Maria de Olazábal Albuquerque
Members:	Daniel Abel Monteiro Palhares Traça
	João Pedro Cabral Tavares
	Maria Manuela Machado Costa Farelo Ataíde Marques
	Remedios Ruiz Maciá

REMUNERATION COMMITTEE

Chair:	João Pedro Cabral Tavares
Members:	Daniel Abel Monteiro Palhares Traça
	Manuel Maria de Olazábal Albuquerque
	Maria Manuela Machado Costa Farelo Ataíde Marques
	Remedios Ruiz Maciá

NOMINATIONS COMMITTEE

Chair:	Daniel Abel Monteiro Palhares Traça
Members:	Ana Isabel Abranches Pereira de Carvalho Morais
	Cristina Alvarez Alvarez
	João Pedro Cabral Tavares
	Manuel Maria de Olazábal Albuquerque

REMUNERATION BOARD[1]

Chair:	Maria Alexandra Teixeira Peres Brandão Palma Cavaco
Member:	Javier Roglá Puig

COMPANY SECRETARY

Full Secretary:	Bruno Miguel dos Santos de Jesus
Alternate Secretary:	Marta Maria Appleton de Serpa Pimentel Marques

[1] Elected at the General Meeting of May 16, 2023

General Meeting

Pursuant to Article 12 of the Bank's Articles of Association, the Board of the General Meeting includes a Chairman, a Deputy-Chairman, and a Secretary.

All its members were elected by the Annual General Meeting held on November 23, 2021, for the 2022/2024 term, thus fulfilling the second year of their current term.

Under the statutory terms, each share corresponds to one vote, and any shareholder may participate in the General Meeting directly or through a representative. Reference is made here to point II.

Voting by correspondence or sending the information details referred to in Article 288(4) of the CCC by email, is not permitted.

Resolutions are taken by majority vote of the shareholders present or represented at the General Meeting, whenever the law does not require a greater number.

On May 16, 2023, the Bank held the General Shareholders Meeting with the following agenda:

1. Proposal for approval of the management report and accounts for the financial year of 2022, and of other report and accounting documents relating to the financial year of 2022, as well as the consolidated management report and consolidated accounts relating to the same year;
2. Decide on the proposal for the appropriation of net income for the financial year of 2022;
3. Carry out a general assessment of the Company's administration and supervision;
4. Decide on the declaration of the remuneration policy for members of the management and supervisory bodies;
5. Decide on the approval of the level of the variable component of total remuneration;
6. Proposal on the internal selection and adequacy assessment policy;
7. Decide on the proposal for the acquisition of treasury shares;
8. Decide on the proposal for the acquisition and sale of own bonds;
9. Decide on the Proposal for the election of a member of the Remuneration Board for the three-year period 2022-2024.

The meeting was held in person, with the possibility of shareholders taking part in the General Meeting by telematic means, while ensuring the security and confidentiality of all communications.

Board of Directors

The Bank's Board of Directors is the highest decision-making body, except in matters reserved for shareholders at the Annual General Meeting.

The members of the Board of Directors are elected by the Annual General Meeting.

Before submitting any names to be elected for the governing bodies by the Annual General Meeting, the Bank carries out an individual and collective assessment of the candidates for the Board of Directors, and prepares the proposal that is submitted to the electing Annual General Meeting, with all the necessary documentation for assessing the adequacy of each profile, as well as the knowledge and professional experience of each candidate.

The Board of Directors is responsible for managing and representing the Bank, and for carrying out all the acts deemed as necessary or convenient for pursuing the activities included in its corporate purpose.

No powers are conferred on the Board of Directors to decide on increases of the Company’s share capital.

There are no special rules regarding the appointment and replacement of Directors, as well as regarding changes to the Articles of Association, and thus the General Law shall apply to these matters.

Pursuant to the Bank's Articles of Association, the Board of Directors is composed of a minimum of three and a maximum of 15 members, who may be re-elected one or more times.

In accordance with the best governance practices, as well as in accordance with the rules and regulations and governance model of the Santander Group, the Board of Directors has implemented a governance structure that allows it to ensure the effective fulfilment of its responsibilities:

- A non-executive Chairman of the Board of Directors and a Chairman of the Executive Committee / CEO, ensuring that their roles are clearly segregated and complementary.
- A lead independent director responsible for the effective coordination of non-executive Directors, and for ensuring that the discussions and resolutions adopted by the Board of Directors are supported by accurate and complete information and decision proposals.
- A structure of Board Committees that, as described in more detail in this section, support the Board in all main areas and responsibilities, namely: (i) oversight functions and significant decision-making, through the Audit Committee, the Appointments Committee, and the Remunerations Committee (ii) supervision of risks, regulation and compliance through the Risk Committee, and (iii) in managing the Bank, through the Executive Committee.
- A Company Secretary, to support the Board, its Committees, and the Chair.

The Board of Directors meets at least six times a year, and whenever called by the respective Chairman, by two Directors or by the Audit Committee.

Although the Board meetings follow a schedule defined annually (the Forward Looking Agenda - FLA), on dates approved at the end of each calendar year or on the beginning of the calendar year to which it relates, or at the first meeting of each term, new topics can be added to the agenda, and extraordinary meetings can be called, in accordance with its Regulation.

The members of the Board of Directors receive the relevant documents for each meeting sufficiently in advance, through secure electronic means, which help them prepare the meetings in an effective way.

Taking into account the Policy for selecting, assessing suitability, and defining the succession of Directors of Banco Santander Totta, S. A. approved by the Board of Directors, which determines that selection procedures for Board members shall favour diversity on the Board of Directors, covering both diversity in terms of international experience, as well as diversity of gender, of age, of geographic origin, of experience and knowledge, without any implicit prejudice that could imply any type of discrimination, as for instance, based on disability, race or ethnic origin, the Bank considers that the composition of its Board of Directors is appropriate, balanced, and allows it to ensure diversity and to strengthen its skills, efficiency and quality in decision-making, and that the aforementioned policy is being adequately applied at the Bank.

Under the terms of the aforementioned Policy, once a year, at the time of concluding the annual evaluation process on the functioning of the Board and its committees, the assessment of the quality of its work and performance of its members, the updating of its matrix of skills and diversity, and the respective approval by the Nominations Committee are carried out.

Also, in accordance with the aforementioned Policy, the suitability of the members of the management body is subject to an initial assessment and annual reassessment, and whenever any supervening facts occur.

On the other hand, and in accordance with the requirements of Bank of Portugal Notice No. 3/2020, the Board of Directors promotes independent assessments to be carried out by external entities, on the conduct and values of the Bank, of the Board itself, and of the two Committees.

All the members of the Board of Directors in office in the financial year of 2023, were elected by the Annual General Meeting held on November 23, 2021, for the 2023/2024 term of office, and the regulatory authorities issued the no objections statement for beginning their term on May 03, 2023.

The Company Secretary and the Alternate Secretary were appointed by the Board of Directors on May 4, 2022, and are thus fulfilling the mandate for the 2022/2024 period.

In 2023, the Bank's Board of Directors was comprised of fourteen members, eight non-executive (57%), and six executive (43%) members.

Excluding the Executive Directors, five members of the Board of Directors, out of eight, are independent, representing 63% of non-executive directors and 36% of the total Board of Directors.

In 2023, the Board of Directors included five female members, representing 36% of the total of 14 members, and the Chairman of the Audit Committee — the Bank's supervisory body — is a woman, thus the Bank fulfils the gender balance requirements and criteria regarding the composition of its Board of Directors

Within the scope of the periodic review process of the effectiveness of the Board of Directors following the implementation of the Group-Subsidiaries Governance Model (MGGS), and taking into account the provisions of Bank of Portugal Notice No. 3/2020, regarding the financial year of 2022, Korn Ferry Consultant was asked to prepare and carry out the evaluation of the Bank's conduct and values, of the Board of Directors itself, and of its Committees. The conclusions were submitted to the Board in February 2023, and in general it was considered that there was an overall adequacy of policies and practices in terms of both values and conduct.

There are no incompatibilities between the exercise of management positions at the Bank and the other positions held by the members of the Board of Directors. The members of the Board of Directors comply with all legal provisions regarding communication of the various positions they hold.

On May 4, 2022, the Board of Directors delegated the daily management of the Bank and the implementation of its strategy to an **Executive Committee** and to the respective management team, therefore, its activity is mostly focused on general supervision and on matters that it cannot delegate either under the terms of the Law, of the Articles of Association of the Bank, and of its Internal Regulations.

Under the terms of Article 407 of the Commercial Companies Code, and of Article 17 of the Bank's Articles of Association, it has also appointed three other specialized committees to permanently monitor specific matters: the **Risk Committee**, the **Remunerations Committee**, and the **Appointments Committee**. Each Committee has its own Internal Regulation, approved by the Board of Directors.

Through the Diligent Boards platform, all members of the Board of Directors have access to agendas, minutes, as well as to the supporting documents of all Committees that were established and of the Executive Committee.

However, pursuant to the provisions of Article 6.4 of the Board of Directors' Internal Regulation, the Board has kept the following matters for itself:

- Approval of the Bank's business strategy and objectives;
- Approval of budgets and medium-term financial planning instruments;
- Expansion of the Bank's business to new geographies or markets;
- Approval of Self-Assessment of Capital Adequacy or Internal Liquidity processes;
- Approval of significant transactions that may imply changes to the Bank's capital structure (strategic investments, mergers and acquisitions, sale of relevant assets, etc.);
- Approval of proposals for capital increases or issuance of any values convertible into shares;
- Approval of accountability documents, including draft management reports and annual accounts or prospects related to public distribution offers;
- Approval of the dividend policy;
- Significant changes to accounting practices or policies, which do not follow from legal or regulatory changes;
- Approval of external communications (to regulators or supervisory entities) on matters reserved to the Board that have been the subject of a specific resolution by this body;
- Co-optation of Directors;
- Evaluation and identification of the respective needs in terms of composition and organization;
- Approval of rules on adequacy assessment of the members of the Board of Directors and of the Audit Committee;
- Individual and collective assessment of the members of the Board of Directors and of the Audit Committee;
- Approval of a succession plan;
- Appointment, designation and removal of the following senior managers or others that may be specifically mentioned by the *GSGM*, under the terms thereof, which also involve the participation of Grupo Santander structures: CEO (Chief Executive Officer or Chairman of the Executive Committee), CRO (Chief Risk Officer or Head for the Risk area), CCO (Chief Compliance Officer or Head for the Compliance area), CAE (Chief Audit Executive or Head of Internal Audit), CFO (Chief Financial Officer or financial head) and the Controller;
- Approval and supervision of the implementation of the succession plan for senior managers;
- Approval of the terms and conditions for the provision of work and remuneration of senior management;
- Resolutions on risk appetite, risk culture, and framing risk, which shall inform the different structure units, through regular

communications on the Bank's level of risk tolerance;

- Monitoring the Bank's degree of adherence to risk appetite, risk policies and limits;
- Approval and supervision of internal control policies;
- Approval and supervision of the internal control system, and of the risk, compliance and information systems, as well as of the respective reports;
- Approval of reports and documents required by the regulations of regulatory or supervisory entities, namely those relating to business continuity or to any recovery or resolution measure;
- Approval and amendments to the Codes of Conduct;
- Monitor the implementation of laws, regulations and administrative provisions required to comply with AML/CFT policies and procedures;
- Supervise the implementation of the Governance Model of the Santander Group;
- Implementation of the Bank's corporate values and culture;
- Adherence to corporate frameworks;
- Approval of the main corporate policies, including in any case the approval of the social responsibility and sustainability policies, as well as policies regarding donations and sponsorship, and donations of a political nature, when applicable, or supervising the development of the Responsible Banking Agenda;
- Approval of transactions with related parties, when the applicable regulation attributes this competence reserved to the Board of Directors, and the management and arbitration of appeals related to conflicts of interest;
- Approval of the Recovery Plan;
- Approval of the Internal Audit Plan.

By decision taken at a meeting of the Bank's Board of Directors on December 10, 2019, it was decided to assign the administrative and operational reporting of the head of Internal Audit (CAE) to the Chairman of the Board of Directors.

During the financial year of 2023, it met eleven times. The Company Secretary acted as the secretary for all such meetings, which received logistic support from Internal Governance. The minutes of all these meetings were duly prepared, approved and signed by both the members and by the participants present.

In March 2023, the Board of Directors revised its regulations, which are available on the Bank's intranet and website at:

https://www.santander.pt/pdfs/investor-relations/santander-totta-sa/governo-sociedade/principais-regulamentos/Regulamento_Conselho_Administracao_BST.pdf

The composition, positions and qualifications of the Members of the Board of Directors at the end of the year to which this Report refers are the following:

Board of Directors	Body and Position	Capacity
José Carlos Brito Sítima	Board of Directors - Chairman	Non-Executive | Not independent
Pedro Aires Coruche Castro e Almeida	Board of Directors - Vice-Chairman Executive Committee - Chairman	Executive | Not independent
Amilcar da Silva Lourenço	Board of Directors - Member Executive Committee - Member	Executive | Not independent
Ana Isabel Abranches Pereira de Carvalho Morais	Board of Directors - Member Audit Committee - Chairman Appointments Committee - Member	Non-Executive | Independent
Cristina Alvarez Alvarez	Board of Directors - Member Appointments Committee - Member	Non-Executive | Not independent
Daniel Abel Monteiro Palhares Traça	Board of Directors - Member Audit Committee - Member Risk Committee - Member Remunerations Committee - Member Appointments Committee - Chairman	Non-Executive | Independent
Isabel Cristina da Silva Guerreiro	Board of Directors - Member Executive Committee - Member	Executive | Not independent
João Pedro Cabral Tavares	Board of Directors - Member Audit Committee - Member Risk Committee - Member Remunerations Committee - Chairman Appointments Committee - Member	Non-Executive | Independent
Manuel Maria de Olazábal Albuquerque	Board of Directors - Member Audit Committee - Member Risk Committee - Chairman Remunerations Committee - Member Appointments Committee - Member	Non-Executive | Independent
Maria Manuela Machado Farelo Ataíde Marques	Board of Directors - Member Audit Committee - Member Risk Committee - Member Remunerations Committee - Member	Non-Executive | Independent
Manuel António Amaral Franco Preto	Board of Directors - Member Executive Committee - Vice-Chairman	Executive | Not independent
Miguel Belo de Carvalho	Board of Directors - Member Executive Committee - Member	Executive | Not independent
Remedios Ruiz Maciá	Board of Directors - Member Risk Committee - Member Remunerations Committee - Member	Non-Executive | Not independent
Ricardo Lopes da Costa Jorge	Board of Directors - Member Executive Committee - Member	Executive | Not independent

Audit Committee

The Audit Committee is a key body of the Bank's government, responsible, among other aspects, for supervising the integrity of financial reporting and internal controls, for the effectiveness of the Internal Audit function, and for the relationships with the external auditor.

The Audit Committee includes non-executive, independent members of the Board of Directors, with a minimum of three and a maximum of five members, one of whom acts as its Chairman.

The members of the Audit Committee are appointed for three-year terms, and may be re-elected.

All members of the Committee must qualify as independent and, altogether, have knowledge and experience in the fields of accounting, auditing or risk management, in addition to the fact that everyone must be able to spend sufficient time and effort to fulfil their obligations.

The members of the Bank's Audit Committee were elected by the General Assembly held on November 23, 2021, for the 2022/2024 term, thus fulfilling the second year of its current term.

In the financial year of 2023, the Audit Committee included 5 members, namely a Chairlady and four members.

As the Bank's supervisory body, it is awarded the powers provided for in Article 423-F of the CCC, in Article 18 of the Articles of Association, and in its own Internal Regulation.

The Audit Committee is responsible for, among other aspects:

a) Monitoring and supervising the Bank's management;

b) Monitoring compliance with the legal and corporate rules that govern the Bank's activity;

c) Monitoring and supervising the process of preparation and disclosure of financial information, including the regularity and accuracy of accounting books, records and documents, as well as for submitting recommendations to ensure their reliability;

d) Checking whether the accounting policies and valuation criteria adopted by the Bank lead to a correct assessment of assets and results;

e) Supervising and monitoring the effectiveness of activities within the scope of organizational culture and government and internal control systems, in conjunction with internal control functions, regularly reviewing and monitoring the risk information reports prepared by the Chief Risk Officer (CRO), the follow-up reports on Compliance activity, as prepared by the CCO, the internal audit plan and its execution, as prepared by the CAE;

f) Receiving reports on irregularities submitted by shareholders, Bank employees and others, and carrying out the respective monitoring;

g) Supervising the activity of the Statutory Auditor (ROC) related to auditing the Bank's accounting documents, and supervising the independence of the Statutory Auditor, namely in the provision of additional services.

Pursuant to Article 4 of the Audit Committee Regulations, the Chairman must annually report to the Board of Directors on the various activities carried out by the Committee and the expenses it incurs.

Likewise, the Audit Committee must inform the Board of Directors of the relevant accounting changes and their effects, and on the conclusions and recommendations obtained from the internal audit function, including any recommendations related to the scarcity of resources allocated to certain functions.

The Audit Committee is also responsible for reviewing, along with the Board of Directors and / or the Executive Committee, any relevant matters related to compliance of the Bank's activity and business with the applicable legal, regulatory and statutory provisions, as well as with the instructions, recommendations, and guidelines issued by the competent authorities.

Without prejudice to administrative and hierarchical reporting to the Chairman of the Board of Directors, the CAE reports functionally to the Audit Committee.

The Audit Committee meets regularly with the External Auditors, with the Chief Audit Officer (CAE), with the Chief Risk Officer (CRO), with the Chief Compliance Officer (CCO), and with the Controller (the person in charge of Accounting).

Likewise, the Audit Committee may hold joint meetings with other Committees of the Board of Directors, namely with the Risk Committee, to ensure effective communication and coordination.

In the financial year of 2023, the Audit Committee had the following composition:

Chair: Ana Isabel Abranches Pereira de Carvalho Morais

Members: Daniel Abel Monteiro Palhares Traça

João Pedro Cabral Tavares

Manuel Maria de Olazábal Albuquerque

Maria Manuela Machado Costa Farelo Ataíde Marques

The main activities of the Audit Committee in 2023 were the following:

Monitoring the management and evolution of the Bank's business	The Audit Committee monitored the management, operations and evolution of the Bank's business over the reference period, during its meetings; through attendance of Board meetings; by accessing all documents produced by the Board and by the Committees to which the Board has delegated its powers; by accessing quarterly and annual information on the Bank's activity and results as well as other relevant documents; and through the contacts maintained with the Bank's responsible officers, having obtained all the clarifications requested.
	The Audit Committee also monitored the following topics: variable remuneration for control functions; operations with related parties, namely, the remuneration conditions of related entities (Santander Totta SGPS, Totta Urbe and Taxagest); impacts of climate change and trends in non-financial information; models; stress scenarios used in each of the most relevant exercises (e.g., ICAAP, ILAAP); review of the 2022 sustainability report; data quality; and operations with higher risk debtors. Monitoring and supervising the process of preparing and disclosing financial information.
Monitoring and inspecting the process of preparing and disclosing financial information	It monitored, on a quarterly basis, the process of preparing and disclosing the Bank's financial information, having obtained the necessary clarifications from the Accounting and Management Control Area. This department also presented the management report and accounts for the year ended on December 31, 2022, while the Committee also assessed the Legal Certification of Accounts, and the Additional Report presented by the Statutory Auditor.
	The status of accounting and financial management matters was regularly submitted, including: analysis of the credit portfolio and credit impairment, analysis of moratoria and recoveries, analysis of the main management judgments and estimations, main nature of deferred tax assets and liabilities, defined benefit pension plans, demographic and financial assumptions, evolution of the pension fund, state of play regarding the liquidity and solvency levels, deficiencies detected in the internal financial control system and accounting system, and status of achievement of corrective measures. Status reports were also submitted on the processes of obtaining, producing and processing information (within the scope of article 29 of Bank of Portugal Notice No. 3/2020), on data quality management and on the duties of prudential disclosure and reporting.
Supervising the effectiveness of activities within the scope of the Bank's organizational culture, governance, and internal control systems, covering risk	It monitored the effectiveness of the internal control system. It reviewed the self-assessment report, including the reports of the risk management, compliance and internal audit functions, and the activity plans of the control functions, and issued its assessment, in accordance with Article 56.1 subparagraph c), of Notice No. 3/2020 of the Bank of Portugal.

management and control, compliance, and internal audit.	The Audit Committee monitored the Risk Management activity, periodically assessing the activity carried out by the CRO, namely that which is reflected in the balance of the Risk area's activity submitted on a quarterly basis, and in the reports on the evolution of the main risk indicators (top risks, risk profile, and risk appetite), and on the annual formulation of the 2023 Risk Appetite. The Audit Committee also assessed the main aspects of the Results of the Annual Assessment and Certification Campaign (Risk Control Self-Assessment, plus the Internal Control Model) — Internal Control Model 2022. Also, in terms of the activity of the risk function, the Audit Committee also assessed: • The Environmental, Social and Climate Change Risk Management Policy; • The Policy for Granting and Restructuring Credits to Debtors or Groups of Added Risk Debtors; • The appointment of the Chief Risk Officer, and the termination of duties of the current Chief Risk Officer; • The status on access management activities and presentation of the strategy for evolving the framework, namely evolution of the topic on access control and adopted access management strategy
	It took note of the Cybersecurity situation, presented by the Chief Information Security Officer (CISO), focusing on the evolution of the main metrics, on the growth of threats in terms of frequency, intensity and sophistication, on the evolution of Cyber defences, highlighting the maintenance of Cyber Threat Level following from the escalation level of cybersecurity threats underlying the Russia – Ukraine conflict, and on the evolution of the 3 main cybersecurity metrics
	It monitored the evolution of activity of the Compliance area, namely: • The annual report on Compliance matters (Art. 28 (1), subparagraphs o) and p) of Bank of Portugal Notice No. 3/2020; Art. 115-A (6) RGICSF; Art. 1 (1) of the Portuguese Securities Market Commission (CMVM) Regulation No. 9/2020, and Art. 305 (2) of the Portuguese Securities Code (CdVM)) • The annual report on the Prevention of Money Laundering and the Financing of Terrorism (in accordance with Bank of Portugal Notice No. 1/2022); • The quarterly review of the list of related parties and assessment of transactions with related parties; • The semi-annual report from the Compliance Function (including New Approved Products, semi-annual information on the activities of the Compliance Function, summary of legal contingencies, summary of complaints received through the "Report Channel", summary of specific Sanctions/Determinations, and Communication from Supervisors and Compliance policies approved during the semester); • A JST Deep Dive Analysis of the Compliance Function in BST; • The Compliance Function activity plan for 2023 (in accordance with Bank of Portugal Notice No. 3/2020); • The Resource Analysis of the Compliance Function; • The follow-up of the FCC Transformation Plan; • It assessed the Internal Compliance and Conduct Policies

	It monitored the Internal Audit activity, in particular: it supervised the internal audit function, ensuring its independence and effectiveness; it was informed about the execution of the internal audit plan, allowing for an extensive control over the internal audit's recommendations; it was informed about the reports issued by internal audit, it assessed the conclusions of the audits carried out, and monitored the deadlines and the degree of compliance with the recommendations.
	It monitored the status of customer complaints (type and content of complaints, measures adopted to handle them, shortcomings identified in the internal control system).
	In terms of internal governance, the Audit Committee issued an opinion regarding the review of the Related Party Policy, before its submission to the Board of Directors; it took note of the list of related parties and conducted the respective quarterly review; and issued a prior opinion on transactions with related parties and assessed the proposal for termination of the previous CRO's duties and appointment the current one.
	It was regularly informed of the most relevant correspondence exchanged between the Bank and the national and European supervisory entities, having asked the Executive Committee and the relevant Committees for clarifications deemed necessary. It also followed up on the progress reports on initiatives to mitigate short comings and discrepancies on the implementation of recommendations identified by supervisors.
	It also assessed the objectives of the CAE, and the variable remuneration of control functions (CRO, CCO and CAE).
Supervising and Monitoring the Statutory Auditor's Activity	Regarding the reports produced by the statutory auditor, the Audit Committee analysed, in particular: • The memorandum on the Prevention of Money Laundering and the Financing of Terrorism report; • Assessment of the legal certification of accounts and of the additional report; • Presentation of the conclusions of the impairment report on the Bank's credit portfolio with reference to Dec. 31, 2022; • Presentation of the conclusions of the impairment report on the Bank's credit portfolio with reference to June 30, 2023; • Presentation of the conclusions of the limited review of the Bank's financial statements with reference to September 30, 2023.
	It approved the provision of additional services, other than auditing services, under the terms of paragraphs 10 and 11 of Article 77 of the Statute of Statutory Auditors, after prior verification of their suitability. In particular, it considered: (i) that the services in question could not be included in the list of prohibited services, and would not constitute a threat to the independence and objectivity of the Statutory Auditor, within the context of the statutory audit work; (ii) that the amounts of fees proposed did not exceed the limits of fees for services other than auditing legally provided for; (iii) that the services different from auditing contracted to PwC were justified by their experience in the development of similar works, and thus the conditions were met for such work to be provided with independence and objectivity.

Assessing and monitoring the performance of the Statutory Auditor	Pursuant to the Bank's Policy for selecting and appointing Statutory Auditors and Statutory Auditor Firms, and for contracting other non-prohibited audit services, the Audit Committee monitored and endeavoured to assess the performance of the Bank's Statutory Auditor and to review its suitability, having come to the conclusion that the external auditors have the appropriate skills, knowledge and expertise, and that they fulfil what is proposed to them, adequately answering the questions addressed to them, without prejudice to the possibility of some improvement actions having to be undertaken.
Reporting Irregularities	It periodically checked the proper functioning of the irregularities channel. The Audit Committee monitored the complaints received. Detailed information on complaints received and their processing is contained in a separate report, in accordance with the provisions of Article 116-AA, sub-paragraph 7 of the Legal Framework for Credit Institutions and Financial Companies. That report is subject to approval by the Audit Committee, noting that, in the reference period, there was no communication that could be classified as an irregularity within the scope of intervention of the Audit Committee, as it did not materialize the report of a serious irregularity related to the Bank's administration, accounting organization and internal supervision, capable of placing it in a situation of financial imbalance, nor revealing any serious signs of infringement of duties provided for in the Legal Framework for Credit Institutions and Financial Companies, or in Regulation (EU) No. 575/2013, of the European Parliament and the Council, of June 26.

The Audit Committee meets at least once every two months, and whenever the Chairman or any of the other members so requests.

During the financial year of 2023 it met twelve times, two of them together with the Risk Committee in order to ensure effectiveness in the exchange of information and coverage of all risks.

The Bank's Internal Governance and the Company's Substitute Secretary served as the secretary for the meetings of the Audit Committee, and provided it with logistical and technical support. Minutes of all meetings were duly drafted, approved and signed.

The Regulation of the Audit Committee, is available on the Bank's intranet and website at:
https://www.santander.pt/institucional/investor-relations/santander-totta-sa/governo-sociedade

Committees created within the Board of Directors

Executive Committee

Pursuant to Article 16 of the Articles of Association, the Board of Directors appointed an Executive Committee composed of six of its members and entrusted it with the management of the Bank, while safeguarding the powers that the Law or the Articles of Association keep for the Board of Directors, plus those that the Board of Directors reserves for its competence (those contained in the Internal Regulations of the Board of Directors), and those that have been delegated to other committees (Risk, Remunerations, and Appointments Committees).

The Executive Committee meets weekly or whenever called by its Chairman, by two other members, or by the Chairman of the Board of Directors.

As part of its internal organization, the Executive Committee assigned certain matters (Portfolios) to each of its members.

In order to assist the Executive Committee, several Committees and subcommittees have been appointed, which, in addition to one or two Executive Directors, also include the Bank's first line reporting officers on a permanent basis.

As of December 31, 2023, the distribution of Portfolios among the members of the Executive Committee was as follows:[2]:

Pedro Aires Coruche Castro e Almeida | CEO

People Management and Organization; General Secretary; Compliance and Conduct; Risk Management; CEO Office and Public Relations; Institutional Communication.[3][4]

Manuel António Amaral Franco Preto | CFO

Procurement and Costs; Accounting and Management Control; Strategy, Financial Planning and Economic Research; Tax; Financial and Capital Management; Facilities.

Relationship with the Santander Totta Insurance Group, and with Santander Asset Management.

Miguel Belo de Carvalho:

Private Banking; Corporate & Investment Banking; Personal Loans; Mortgage Loans; Wealth Management & Insurance; Responsible Banking; Customer Care.

Isabel Cristina da Silva Guerreiro:

Individuals and Business Commercial Area; Commercial Management and Effectiveness; Remote Conversion; Customer Management and Digital Performance; Analytics and Models; Customer Experience; Management of Operational Hubs; Technology and Operations.[5]

Amílcar Silva Lourenco:

Corporates Commercial Area; Multinational Companies; Large Companies — North; Large Companies — South; Rorwa and Price Management; Recoveries and Divestment; Corporate Business Strategy; Specialized and Protocol Loans; Promotion of Construction and IFRRU; International Business; Special Projects; Transactional Business of Companies.

Responsible for Money Laundering Prevention issues.

Ricardo Lopes da Costa Jorge:

Everyday Banking; Marketing of Payment Solutions; Brand and Corporate Communication; Value Added Services; Santander Business; Universities; Payments.

[2] Internal Audit reports administratively and operationally to the Chairman of the Board of Directors, while functionally, it reports to the Audit Committee and to the Santander Group

[3] Reports administratively and operationally to the CEO, and functionally to the Risk Committee and to the Santander Group

[4] Reports administratively and operationally to the CEO, and functionally to the Risk Committee and to the Santander Group

[5] Customer Strategy reports to Ricardo Jorge

Without prejudice to the distribution of Portfolios among the members of the Executive Committee, the Executive Committee jointly looks after the Bank's day-to-day management as assigned to it by the Board of Directors. Thus, the assignment of portfolios only implies the responsibility of monitoring each area indicated for the purposes of administrative, functional or hierarchical reporting, and does not imply delegating any specific powers for performing any management acts, which are decided within the Bank's own committees or by the Executive Committee or by the Board of Directors.

The Chairman of the Executive Committee conducts the respective meetings, has a casting vote, and in addition to the responsibility for the respective areas of responsibility, he/she shall:

- Ensure that all information is provided to the other members of the Board of Directors regarding the activity and the resolutions of the Executive Committee;
- Ensure compliance with the limits of the delegation of powers, with the company's strategy, and with the duties of collaboration before the Chairman of the Board of Directors;
- Coordinate the activities of the Executive Committee, conducting the respective meetings and watching over the implementation of its resolutions.

During the financial year of 2023, the Executive Committee met 42 times and the Company Secretary served as its secretary, with logistic support provided by Internal Governance. Minutes of all meetings were duly drafted, approved and signed by both members and by those present.

The Regulation of the Executive Committee, is available on the Bank's intranet and website at:
https://www.santander.pt/institucional/investor-relations/santander-totta-sa/governo-sociedade

Risk Committee

The Risk Committee is composed of non-executive members from the Board of Directors, with a minimum of three and a maximum of seven. The members of the Committee, including its Chairman, are appointed by the Board of Directors, the majority of whom must qualify as independent and must have relevant experience in matters related to risk management. Its Chairman will not take on the position of Chairman of the Board of Directors, or Chairman of any other committee. But all members will be able to join other Bank Committees, compatible with their position.

The *Chief Risk Officer* and the *Chief Compliance Officer* are present at all Risk Committee meetings, to which they report functionally, without prejudice to their administrative and operational reporting to the CEO.

Among the Risk Committee's competences, the following stand out: advising the Board of Directors on the Bank's general, current and future risk appetite and risk strategy; supporting and advising the Board of Directors on the definition and assessment of risk policies that impact the Bank; supporting and advising the Board of Directors in matters of Regulation and Supervision, by monitoring the statements or reports issued by supervisory entities, by reviewing the capital planning exercises, by participating in the approval and amendments to the Compliance policy, to the General Code of Conduct, to procedures related to the prevention of money laundering and the financing of terrorism and of other Models, Policies or Procedures, which must be approved by the Board of Directors.

The Committee, through its Chairman, shall submit periodic written reports on its activities to the Board of Directors.

The main activities of the Risk Committee in 2023 were the following:

Subject
Annual formulation of Risk Appetite 2023
Balance of activity of the Risk Area 2022
Results of the Annual Assessment and Certification Campaign (RCSA + MCI) and Internal Control Model 2022
Analysis of the conditions of products and services offered to clients according to the Bank's business model and risk strategy.
Balance of activity of the Compliance Area 2022
Monitoring the activity of the FCC area on a quarterly basis
Remuneration policy incentives taking into account risk, capital, liquidity, and expectations regarding results (according to Article 115-L (3) sub-paragraph d) of the RGICSF)
Variable remuneration of the control functions: *Chief Risk Officer* and *Chief Compliance Officer* Performance Award
Status of Regulatory Inspections (ECB, BoP)

SREP — Review and evaluation process by the supervisor, and MREL — Minimum Requirement for Own Funds and Liabilities)
Executive Risk Report: Risk Appetite — December 2022 follow-up
Activity plan of the Risk Management Function for 2023 (Notice No. 03/2020)
Strategic Risk Plans 2022/2023
Objectives of the Chief Compliance Officer
Conclusions of JST Deep Dive to the Compliance Function in BST
Technological Risk / Cybersecurity
Objectives of the Chief Risk Officer
Compliance Function activity plan for 2023 (Notice No. 03/2020)
Resource Analysis of the Compliance Function
ICAAP / ILAAP 2022
Executive Risk Report — Risk Profile Assessment
Current Status of Climate and Environmental Risk Management
Summary of the Reputational Risk management activity
Update of Compliance and Conduct standards: Global C&C Policy, and C&C Standard Model
IT Strategy: Technology Development Programme
Status of activity in the Collections & Recoveries area
Executive Risk Report: Balance of activity of the Risk area
Operational Act on Commercial Real Estate: Conclusions and next steps
Strategic Risk Report
Climate and Environmental Risk action plans
Risk Regulations Status
Internal Control — Status of Recommendations (Internal Control, Internal Audit, External Audit and Regulators)
Balance of activity of the Compliance area — 1st quarter of 2023
Corruption Risk Prevention Plan and Related Offenses
Portfolio profitability profile
Status of the Data Protection area
Balance of activity of the Compliance area — 2nd quarter of 2023
Status of the Risk Model
Status of Technological Obsolescence
Loan Portfolio Review (main topics and focus of attention)
Balance of activity of the Risk area — 2nd quarter of 2023
Status of strategic Risk initiatives
S28 Strategic Plan and Risk Challenge
Financial Stability Report — Bank of Portugal
Approval of the Capital Management Buffer level
Executive Risk Report — Impairment Model Recommendations
Submission of the Status of Regulatory Risk
Status of activity in the Collections & Recoveries area
Status of Recommendations (Internal Control, Internal Audit, External Audit and Regulators)
Appointment of the new CRO
Executive Compliance Report
Assessment of Internal Compliance and Conduct Policies
Monitoring the activity of the FCC area on a quarterly basis
Presentation of major sources of complaints, and resolution measures
Recovery Plan — final version of the Recovery Plan
Environmental, Social and Climate Change Risk Management Policy
Status of Supplier Risk
Balance of activity of the Risk area — 3rd quarter of 2023
P26 and Risk Challenge

Status of Operational Risk
Regulatory update: overview and main trends
Status of Regulatory Inspections (ECB, BoP)
Balance of activity of the Compliance area — 3rd quarter of 2023
Monitoring the activity of the FCC area on a quarterly basis
Regulation: main highlights of the financial year
Annual self-assessment report on organizational culture, governance systems, and internal control (Notice No. 03/2020)
Annual report on Risk Management
Report from the Head of the Internal Audit function
Annual compliance report
P26 (3-year financial plan)
S28 — final version and risk challenge
Assessment of the Chief Compliance Officer and of the Chief Risk Officer
Activity balance of the Responsible Banking area
Pagonext control model
ECB strategic plan for climate and environmental risks — ESG risk management
Approval of the 2024 Risk Committee meeting plan

In 2023, the Risk Committee had the following composition:

Chair: Manuel Maria de Olazábal Albuquerque

Members: Daniel Abel Monteiro Palhares Traça

João Pedro Cabral Tavares

Maria Manuela Machado Costa Farelo Ataíde Marques

Remedios Ruiz Maciá

The Risk Committee meets at least four times a year. In 2023 it met nine times, in which meetings the Bank's Internal Governance and the Company's Substitute Secretary served as the Committee’s secretary and provided it with logistical and technical support. Minutes of all meetings were duly drafted, approved and signed.

The Regulation of the Risk Committee, updated as of March 2023, is available on the Bank's intranet and website at: https://www.santander.pt/institucional/investor-relations/santander-totta-sa/governo-sociedade

Remunerations Committee

The Committee is composed of non-executive members of the Board of Directors, with a minimum of three and a maximum of seven. The members of the Committee, including its Chairman, are appointed by the Board of Directors, the majority of whom must qualify as independent and have professional experience and adequate knowledge for the performance of their duties, namely in remuneration, management, and risk control policies, with regard to the mechanism for aligning the remuneration structure with the Bank's risk and capital profile. All its members are allowed to belong to other Bank Committees, compatible with their position.

The Remunerations Committee is generally responsible for assessing the Bank's remuneration policy and practices. Among its competences, the following stand out: it is responsible for preparing decisions on remunerations that will be adopted by the competent bodies, namely with regard to the fixed and variable remunerations of the members of the management body and other identified employees; for providing support and advice on the design of the institution's remuneration policy, presenting proposals on its content; for ensuring the adequacy of the information provided to shareholders on remuneration policies and practices, namely in terms of a higher ratio; for directly supervising the remuneration of senior management positions.

The Committee, through its Chairman, shall submit periodic written reports on its activities to the Board of Directors.

The main activities of the Remunerations Committee in 2023 were the following:

Company Performance Compensation 2022

Approval of the 2023 Meetings Plan (Forward Looking Agenda — 2023)
Remuneration structure for senior management in independent control functions
Annual review of the implementation of the remuneration policy
Evaluation of the mechanisms that ensure the correct implementation of the remuneration system
Annual review of the Remuneration Policies of Branches abroad
Bonus Pool Structure — 2023
Approval of declarations and proposals to be submitted to the General Meeting regarding remunerations
Rectification of the Proposal for Approval of a declaration under Article 115-C sub-paragraph 4 of the Legal Framework for Credit Institutions and Financial Companies (RGICSF)
Remuneration policy for the Bank's Directors and leading managers
Procedure of the Identified Collective
Review of the remuneration of members of the Executive Committee
Monitoring of the application of malus and clawback clauses
Monitoring the indicators of the sales force remuneration policy
Identification Procedure for the Identified Collective
Annual CEO assessment
Monitoring the application of the malus and clawback clauses
Definition of the identified collective
Presentation made to the Group Remuneration Committee
Approval of its meetings schedule for the next year (FLA – 2024)

In 2023, the Remunerations Committee had the following composition:

Chair: João Pedro Cabral Tavares

Members: Daniel Abel Monteiro Palhares Traça

Manuel Maria de Olazábal Albuquerque

Maria Manuela Machado Costa Farelo Ataíde Marques

Remedios Ruiz Macia

The Remunerations Committee meets at least four times a year. In 2023 it met eight times, in which meetings the Bank's Internal Governance and the Company's Substitute Secretary served as this Committee’s secretary and provided it with logistical and technical support. Minutes of all meetings were duly drafted, approved and signed.

The Regulation of the Remunerations Committee is available on the Bank's intranet and website at: https://www.santander.pt/institucional/investor-relations/santander-totta-sa/governo-sociedade

Appointments Committee

The Committee is composed of non-executive members of the Board of Directors, with a minimum of three and a maximum of seven. The members of the Committee, including its Chairman, are appointed by the Board of Directors, the majority of whom must qualify as independent and have adequate knowledge to perform the duties of their position, namely in terms of the Bank's business and strategy, on selection and appointment processes, both internally and externally, as well as in the preparation of adequacy processes with the supervisor.

The Appointments Committee is generally responsible for periodically evaluating the members of the management and supervisory bodies, as well as their succession. Among its competences, the following stand out: identification and recommendation of candidates to carry out positions in the management and supervisory bodies and their respective Committees; setting a goal in terms of gender representation; periodically evaluate the structure, size, composition, and performance of the management bodies, at least annually; ensure that the members of the Board of Directors comply with the duties established in the laws and regulations that directly apply to them; advise the Board of Directors regarding matters of internal governance, assisting in the process of adapting the entity's internal governance systems.

The main activities of the Appointments Committee in 2023 were the following:
Assessment of the corporate bodies by External Entity

Job Description of Head of Cards and Digital Solutions
Approval of the 2023 Meetings Plan (Forward Looking Agenda — 2023)
Individual and collective assessment of the corporate bodies: Internal Policy for Selecting and Assessing Adequacy
Reassessment of the suitability of a member of the Board of Directors
Succession Plan
Appointment of the Regional Head of Europe
Appointment of the Chief Risk Officer
Appointment of the Regional Head of Financial Accounting & Control Europe
Monitoring the objective of gender representation, including the evolution of metrics related to the evolution of the underrepresented gender within the staff
Monitoring of individual induction and training plans for the Board of Directors
Appointment of the Local Head of Retail & Commercial
Job Description of the General Secretary
Approval of its meetings schedule for the next year (FLA – 2024)

In 2023, the Appointments Committee had the following composition:

Chair:	Daniel Abel Monteiro Palhares Traça
Members:	Ana Isabel Abranches Pereira de Carvalho Morais
	Cristina Alvarez Alvarez
	João Pedro Cabral Tavares
	Manuel Maria de Olazábal Albuquerque

The Appointments Committee meets at least four times a year. In 2023 it met six times, in which meetings the Bank's Internal Governance and the Company's Substitute Secretary served as this Committee’s secretary and provided it with logistical and technical support. Minutes of all meetings were duly drafted, approved and signed.

The Regulation of the Appointments Committee is available on the Bank's intranet and website at: https://www.santander.pt/institucional/investor-relations/santander-totta-sa/governo-sociedade

Committees of the Executive Committee

Committees are internal structures for the delegation of powers by the Executive Committee, which also approves their name, structure, composition, and powers.

There are several interdisciplinary Committees that monitor and control the entire activity of the institution at executive level:

- Analysis and Resolution Committee: it is an internal control body for the prevention of financial crime, corporately known as *Financial Crime Compliance* (FCC).

  Chair: Amílcar Lourenço | Executive Director

- Assets and Liabilities Committee (ALCO Committee): its aim is to manage structural market and liquidity risk, establish contingency plans, promote hedging strategies, decide on strategic positions, in order to optimize the net interest income and return on equity.

  Chairman: Pedro Castro e Almeida | CEO

- Responsible Banking, Sustainability and Culture Committee: ensures the integration of Inclusive and Responsible Banking and Culture into the Bank's business model, defining and monitoring the strategic plans in conjunction with the Group's corporate plans.

  Chairman: Miguel Belo de Carvalho | Executive Director

- Capital Committee: ensures the supervision, authorization and evaluation of all aspects related to the Bank's capital and solvency.

  Chairman: Pedro Castro e Almeida | CEO

- Internal Control and Compliance Committee: monitors and inspects the Bank's Internal Control, Compliance and Risk Management policies.

  Chairman: Pedro Castro e Almeida | CEO

- Risk Control Committee: It is responsible for supervising and controlling risks, ensuring that they are managed according to the degree of risk appetite approved by the Board of Directors, while permanently ensuring a comprehensive view of the risks identified in the General Risk Framework, considering to this end, the identification and monitoring of current and future risks, and their impact on the risk profile of the Santander Portugal Group.

  Chairman: Carlos Diaz | CRO

- Data and Information Committee: It is responsible for overseeing and ensuring the creation of business value through the responsible use of data, and the strict management and governance of data.

  Chair: Isabel Guerreiro | Executive Director

- Management Committee: Its main objective is the general monitoring of the Bank's activity.

  Chairman: Pedro Castro e Almeida | CEO

- Executive Risk Committee: It is the highest risk decision-making body, in accordance with the risk governance model approved by the Board of Directors.

  Chairman: Pedro Castro e Almeida | CEO

- People Management Committee: its main objective is to implement the Bank's People Management strategy.

  Chairman: Pedro Castro e Almeida | CEO

- Special Situations Management Committee (*Gold Committee*): Its main objectives are the management of Special Situations within the scope of assigned responsibilities and providing support to the competent authorities in a Termination event.

  Chairman: Pedro Castro e Almeida | CEO

- Models Committee: It is responsible for monitoring the model risk exposure and profile of the Santander Portugal Group, with a view to ensuring that it fits within the approved risk appetite. Its powers are delegated by the Executive Risk Committee.

  Chairman: Manuel Preto | CFO

- Pensions Committee: It monitors the Bank's responsibilities with retirement and survivors' pensions and the management of assets of associated funds, in accordance with the legislation applicable to the corporate pension policy.

  Chairman: Manuel Preto | CFO

- Provisions Committee: Its aim is to ensure that the financial statements reflect the best estimate of provisions, conducting the supervision and coordination of the actors involved in their calculation. Its powers are delegated by the Executive Risk Committee.

  Chairman: Manuel Preto | CFO

- Non-Financial Risks Committee: It is responsible for monitoring the operational risk exposure and profile at the Santander Portugal Group, with a view to ensuring that it fits within the approved risk appetite. Its powers are delegated by the Executive Risk Committee.

  Chairman: Carlos Diaz | CRO

- Information Technology and Cybersecurity Committee: It assesses and / or approves IT strategy proposals; monitors the strategic IT plan; monitors cybersecurity risk and evaluates initiatives to mitigate risks.

  Chair: Isabel Guerreiro | Executive Director

Committees are made up of the members indicated in their own regulations, and they may arrange to be represented by another member.

Each Committee has a Chairman who may also delegate his role on another member of the Committee.

Members of the Executive Committee who are not part of a specific Committee may take part in it on their own initiative whenever they see fit.

The frequency is defined for each Committee in its own internal regulation, without prejudice to the possibility of the Chairman or any two members being able to call extraordinary meetings.

Committees can operate validly as long as the majority of its members are present, and at least one member of the Executive Committee must always be present or duly represented.

Minutes are drawn up for all meetings, which are signed by the members and guests present, and by the other members present who have participated in the Committee in the part of the minutes in which they participated.

IV - Internal Control and Risk Management System

The Bank has implemented Notice No. 3/2020 and Instruction No. 18/2020 of the Bank of Portugal, and Regulation No. 9/2020 of the Securities Market Commission (CMVM), taking into account the requirements relating to the Risk Management System contained in those rules, and related to Internal Control, as well as those established by Directive No. 2013/36/EU, of June 26 2013 (CRD IV), which were transposed to the Legal Framework for Credit Institutions and Financial Companies, and the guidelines of the European Banking Authority (EBA) regarding their application.

Since 2006, the Bank, like the Group to which it belongs, has been complying with the requirements of the United States of America Sarbanes Oxley Act (the SOX Act), a rule that the Securities Exchange Commission (SEC) has made mandatory for entities listed on the New York Stock Exchange, and which is one of the most demanding in terms of requirements for an adequate and reliable Internal Control Model.

It should also be noted that the Bank is implementing the revised EBA Internal Governance guidelines (EBA/GL/2021/05).

An adequate Internal Control Model requires the complete documentation and regular updating of operational procedures, with a detailed description thereof from the beginning to the recording and accurate accounting, the identification of relevant risks associated with those procedures, and the identification of key mitigating control procedures. Periodic tests of effectiveness are carried out to identify failures in the Internal Control System, and to take the appropriate corrective measures, allowing the continued focus on the main objectives in this area.

The system implemented by the Bank is organized in such a way as to promote an appropriate control environment and a solid risk management system, and allows the continued focus on the main objectives in this area, namely:

- The existence of an adequate, effective organizational culture based on high ethical and conduct standards for its employees;
- The existence of an organizational structure that includes the Bank's governing bodies and respective committees, ensuring that it is defined in an integrated, objective, transparent, and understandable way;
- The definition of a long-term sustainable strategy for the Bank's activity, for its risk profile, and for the internal control system;
- The control of risks arising from the institution's activity, namely credit, market, interest rate, operational, liquidity, business financing model, and internal governance risks, as well as other risks, namely reputational and compliance risks;
- Ensure the existence and security of assets;
- Compliance with the prudential rules in force;
- The existence of complete, reliable, timely accounting and financial information, in particular with regard to its registration, conservation and availability;
- The provision of reliable, complete, timely financial information to supervisory authorities;
- The prudent and adequate valuation of assets and liabilities, namely for the purpose of setting up provisions;

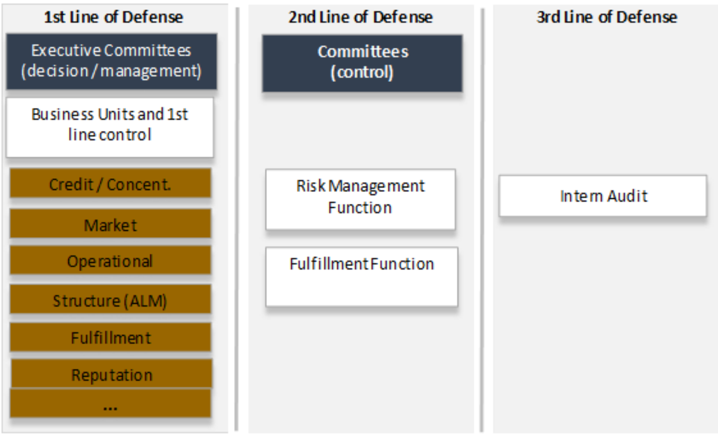
- The adequacy of the operations carried out by the institution regarding other applicable legal, regulatory and statutory provisions, internal rules, guidelines of the governing bodies, rules and professional uses and ethics, and regarding other rules relevant to the institution;
- The adequacy of the remunerations policies.

The Board of Directors is responsible for promoting a risk management system, an internal control environment, and a risk culture which, more than complying with legal requirements for conducting its business, are essential to ensure effective management.

Policies and procedures are specifically defined and implemented with respect to all risks referred to in the aforementioned Bank of Portugal Notice.

Such policies and procedures are available and are easily accessible to all employees through their disclosure in a dedicated area of the Bank's Intranet system.

The Bank is organised based on three lines of defence, the first of which consists of the business and support areas responsible for managing, approving, following-up on, and properly reporting the risks generated. The second line consists of the internal control functions (Compliance and Risk Management), which, together with the governance model organisms dedicated to risk control and supervision, seek to ensure the monitoring and smooth functioning of the risk management system so that risk remains within the limits defined by the risk appetite. The third line consists of Internal Audit.



In accordance with this Governance Model, **top management** is the first guarantor of internal control, checking and monitoring its operation with metrics and controls, which they report to the Executive Committees. These Executive Committees have, as a rule, delegated powers from the EC or ERC, and decisions are always collegial. The first heads of each business or control area also make periodic reports to the EC.

In addition, several reports of aggregated information are prepared by the various divisions of the **second line of defence**, which are monitored by various Control / Follow-up Committees. These Committees, in addition to being primarily responsible for the first line control areas, generally include the presence and intervention of one or more control functions (Compliance, Risk Management, and Internal Audit).

The Control / Monitoring Committees also monitor the recommendations made by all internal or external entities, even if they are recommendations for improvement. Thus, an important reinforcement of activity control is achieved, which greatly contributes to the internal control environment. The Risk Management and Compliance Functions closely monitor the activities, areas or projects they deem necessary with complete freedom of action.

Still within the scope of the second line of defence, reference should be made to the objective of seeking to test the material impact of adverse economic situations such as stress test exercises, internal capital adequacy assessment process (ICAAP), internal liquidity adequacy assessment process (ILAAP), and Liquidity Recovery or Contingency Plans, which seek to assess the Bank's resilience in terms of liquidity adequacy and capital sufficiency.

Internal audit activity is the **third line of defence** which, endowed with its own action plan and processes, checks the robustness of the systems and control mechanisms implemented, making suggestions for improvement and monitoring their implementation.

It is also worth considering the contribution of the remarks and recommendations emanating from external entities such as the External Auditors, Regulators and Supervisors in their inspection activities, which, on the one hand, contribute to strengthening internal control, and, on the other hand, certify the quality thereof.

Main players in the Risk Management and Internal Control System

Risk Management Function

The Risk Management Function (RMF) is cross-cutting to the entire Santander Totta Group.

The function is embodied in the so-called Risk Area, under the exclusive responsibility of the Chief Risk Officer (CRO).

As part of the second line of defence, under the exclusive responsibility of the Chief Risk Officer, the RMF has a structure unit responsible for the supervision and horizontal consolidation of all risks, plus units specialized in certain types of risk or processes, according to the required knowledge and technical skills, jointly constituting the so-called Risk Area of Santander Totta (hereinafter, the Risk Area).

The general mission of this function is the effective implementation of the risk management system, aiming to assess the relevance of the risks incurred and the degree of effectiveness of the measures adopted to control, mitigate and overcome them.

The RMF performs its duties with the highest level of independence, in other words, without being directly responsible for any business function, or for first-line control or execution over the activities to be assessed.

It is independent and organically segregated from the activities it monitors and controls and is endowed with sufficient status and authority to carry out its duties in an objective and independent way.

It has an activity plan prepared every year in January, which is approved by the Board of Directors at its February meeting, after receiving a prior opinion statement from the Audit Committee.

It has the appropriate human and material resources for the effective performance of its responsibilities. In October 2023, it had 239 employees, of which 197 with higher education degrees, 40 with secondary education, and 2 with elementary education.

In addition to the Committees that make up the governance model regarding risk management and control, the RMF also takes part in several committees of the internal governance model, of which the CRO is a permanent member, ensuring an independent analysis and/or validation of the matters, procedures, and proposals submitted.

The Chief Risk Officer (CRO) reports administratively and operationally to the CEO, while at a functional level it reports to the Risk Committee of the Board of Directors and to the CRO of the Santander Group.

Following are the characteristics of the position and the responsibilities that have been defined for the person responsible for the FGR (Chief Risk Officer), which constitute the main reference that guides the activities carried out:

- It has significant influence on decisions that impact the Bank's exposure to different Risks, being provided with sufficient internal recognition, authority, autonomous judgment, and independence from business activities. It takes part in key decision-making processes, providing a risk perspective and ensuring the existence of effective risk management processes;
- It has direct, independent access to the Risk Committee, to the Board of Directors, to the Audit Committee, and to the committees reporting to those bodies on its own initiative or on the initiative of any member of these bodies;
- It performs its functions in an independent, exclusive way, as part of Top Management, reporting directly to the CEO;
- It is the highest responsible entity for the risk management function, and for supervising the General Risk Framework;
- It was appointed by the Board of Directors on a proposal made by the Executive Committee and may only be removed with the prior approval of the Risk Committee. Its appointment or dismissal must be formally communicated to the supervisory authorities, indicating the respective reasons;
- It is the main interlocutor with the Santander Group and with third parties (including with supervisors and regulatory bodies) in terms of risks;
- It has access to all business lines and companies that could potentially give rise to material risks, including subcontracted functions, processes and activities, own facilities or those of service providers, goods and employees, information, accounting records, systems, computer files, and company data.

The CRO is responsible for:

- Promoting a prudent risk control and management environment that covers identified needs, and meets the requirements of internal and external regulations;

- Regularly informing the Board of Directors, the Risk Committee, and the Executive Committee on the risk profile, its evolution and future perspectives, as well as on the adequacy of the systems, policies, processes, models, and instruments used for managing and monitoring risk, immediately reporting any non-compliance, incidents or deficiencies;
- Ensuring that risk levels and business processes are consistent with the risk appetite, risk policies, and regulatory requirements, promoting the necessary measures to ensure effective management, and, where applicable, the mitigation of risks considered as inadequate;
- Promoting the dissemination of an adequate risk culture;
- Participating in planning processes, in establishing strategic objectives; and promoting the approval of a clear risk appetite, consistent with the long-term strategy and risk appetite of the Santander Group;
- Coordinating robust risk identification and assessment procedures;
- Providing top management with an integrated view of the risks taken up at any given moment.

According to the latest RMF report, dated November 2023, the CRO is convinced that:

- The Risk Management Function (RMF) keeps performing its duties objectively and independently with regard to the functional areas subject to evaluation, with full autonomy and freedom. There are no situations or constraints that compromise it or that may possibly compromise it, and it has full access to all activities and to all the information required for the performance of its duties, and through its head it also has direct access to the Management Body, in particular to the Risk Committee, and, whenever justified, to the Audit Committee.
- The Risk area has adequate human resources to fully fulfil its responsibilities as a second line of defence, not only with regard to traditional risk categories but also with regard to emerging risks, with emphasis on climate risks and risks arising from digital transformation and cybersecurity.
- All potential material risk situations are duly monitored by the Risk Management Function, and properly documented and reported to the appropriate management levels, in order to enable the timely adoption of corrective measures, while the organization continues to have an environment of internal control favourable to the control and mitigation of risks.

On September 6, 2023, the proposal to appoint Carlos Diaz — so far, the Deputy Chief Risk Officer — to take responsibility for the Risk Management Function, adopting the role of Chief Risk Officer (CRO), was submitted for consideration by the Nominations Committee. He would thus replace Alfredo Fernandez, who had held those positions since 2016.

The proposal to appoint Carlos Diaz as head of the Risk Management Function, adopting the capacity of Chief Risk Officer (CRO) was approved by the Board of Directors on September 26, 2023, and obtained, under the terms required by the Banco de Portugal Notice No. 3/2020, due authorization from the European Central Bank on November 3, 2023.

Chief Risk Officer: Carlos Diaz

Compliance Function

The Compliance function is embodied in the so-called Compliance and Conduct Area, under the sole responsibility of the Chief Compliance Officer (CCO)

The Compliance and Conduct area works independently on a permanent basis.

The independence of the Compliance Function involves four essentials, distinct, but related elements:

i. formal status at the institution;

ii. existence of a head of compliance responsible for coordinating compliance risk management;

iii. employees assigned to the compliance function must not be subject to possible conflicts of interest between the performance of their duties and any other responsibilities towards the Institution;

iv. employees assigned to the compliance function must have unrestricted access to information and to any employees in order to be able to properly perform their duties.

The Compliance and Conduct Area reports directly to the Board of Directors and acts as a second line of defence, in monitoring, controlling and managing the risk of default, and has free access to all information and details that it requests or that it needs related to the Bank's activity, as well as to the institution's facilities and equipment.

The Chief Risk Officer (CRO) reports administratively and operationally to the CEO, while functionally it reports to the Risk Committee of the Board of Directors, and to the CCO of the Santander Group.

The area has 63 employees with a high degree of experience in the banking and financial sectors, and, more specifically, in the various areas of knowledge relevant to the management of compliance risks, who are exclusively assigned to the performance of duties assigned to the Compliance and Conduct area, therefore it is not subject to possible conflicts of interest between the performance of the function and any other responsibilities before the institution.

The Compliance and Conduct Area includes, within its core, an area specifically dedicated to the prevention of money laundering and the financing of terrorism, with dedicated staff with their own duties, and with an area specifically responsible for promoting and ensuring compliance with regulations regarding the protection and processing of personal data, under the direction of the Data Protection Officer (DPO).

The Bank has a General Code of Conduct, a specific Code of Conduct for the Stock Market, and a Code of Conduct for its Relationships with Clients, which establish the ethical principles and procedures that govern the actions of the relevant persons, and that, among other relevant aspects, favour the prevention and resolution of conflicts of interest. Compliance with the Code of Conduct for the Stock Market is specifically monitored by the Compliance and Conduct Area, which also supports and follows-up on the compliance with the General Code, whose control is, however, the responsibility of the People Management Area.

In addition to the provisions of the General Code in this regard, the Bank also has a Corruption Prevention Programme that reinforces the corporate commitment to an absolute rejection of any corrupt practices, involving the entire corporate organization in this regard.

In this context, specific duties are assigned to the Compliance and Conduct Area for monitoring and controlling the execution of the programme and the policies that support it.

Within the framework of the General Code of Conduct and the Corruption Prevention Programme, a Complaints Channel has been made available, freely accessible to all employees, which, duly guaranteeing the confidentiality of communications and any subsequent procedures, gives them the possibility and urges them to report irregular situations of which they become aware.

It is also worth mentioning, in this context, the interaction with the Customer Experience area — responsible for the follow-up and processing of customer complaints — in order to, on the one hand, monitor the evolution of any issues at this level, and, mainly, to scrutinize — starting from the type of complaints — any omissions or inappropriate practices that they may indicate, with a view to providing the appropriate adjustments or corrections by the Bank.

Policies and procedures for the marketing of products are approved and instituted, as well as the process and bodies responsible for the respective approval and follow-up, which aim, on the one hand, is to ensure the prior verification of all the necessary requirements for such marketing of products to function without legal, reputation, and compliance risks, and, on the other hand, to ensure the follow-up of incidents that may occur, assessing their meaning and, if applicable, introducing remediation measures that may be justified, which may include the suspension or termination of such marketing when circumstances so dictate or advise. In this context, the assessment and monitoring of the reputational risk inherent in the products or that may be generated during their lifetime by the occurrence of occasional issues that, in some way, affect them, or that project themselves relevantly in the relationship with customers, is of particular importance.

At another level, and with a view to ensuring its mission in a more efficient and effective manner, the Compliance and Conduct Area has promoted the institutionalization of specific compliance committees especially dedicated to the areas considered most sensitive, namely those more directly related to financial markets; that operate periodically — as a rule, on a monthly basis —; that help assess the established practices, check their conformity with the applicable legal and regulatory standards, keep the areas informed about the innovations that have occurred and ensure their execution, control the fulfilment of information and other applicable obligations; identify any incidents; and, if applicable, consider and implement the appropriate measures to mitigate and prevent them. These Committees are directed and coordinated by the Compliance and Conduct Area, with the participation of those responsible for the areas involved.

On the other hand, both within and outside these Committees, the CCO keeps a regular relationship of articulation with all other control areas (Audit and Risk Management), in order to enhance the approach to, follow-up, and global control of risks, while it is a permanent member of the Bank's various governance committees whose objective is risk control, with emphasis on the Internal

Control and Compliance Committee.

The activity carried out within the scope of the compliance function is documented in a specific annual report, namely, the "Annual Report on Compliance", the last of which dates from November 2023, and from which it is worth highlighting that the CCO is convinced that:

- The compliance control system established at the Bank is properly adjusted to its size and to the activity carried out and is in compliance with the applicable regulatory regime.
- Without prejudice, both in terms of relevant normative and regulatory framework, and in terms of the normal development and evolution of the Bank's activity, there is a dynamic that, naturally, also has an impact on the compliance function.
- Therefore, permanent attention to the possible need for adjustments is justified, always bearing in mind the concern to ensure compliance with the applicable legal rules and regulations, with regard to the organization and functioning of the Compliance and Conduct area.

Chief Compliance Officer: Pedro Boullosa Gonzalez.

Internal Audit Function

The internal audit function (IAF) is embodied in the so-called Internal Audit Area, under the sole responsibility of the Chief Audit Executive (CAE)

Internal Audit is the third line of defence, independent from the others and stems directly from the Board of Directors.

As an independent unit, it reports periodically to the Board of Directors, and has direct access to the Board whenever required, as well as to the Audit Committee, and attends to the information requirements it receives from it in the performance of its duties.

The Chief Audit Executive (CAE) is appointed by the Board, reports administratively and operationally to the Chairman of the Board of Directors and functionally to the Group's Audit Committee and to the CAE, while also keeping the CEO of the Bank regularly informed of all internal audit activities.

The CAE is given all the necessary powers to carry out its duties independently, with free access to all relevant information. In particular, it has free and independent access to "Diligent", a management support platform for the Bank's various Committees, where one can consult agendas, presentations, and minutes.

The Audit staff is distributed among the Credit Risk, Treasury and Market Risk, Operational and Compliance Risk, and Technological Risk areas, with all 39 employees having higher education degrees.

In order to carry out its mission and achieve the established objectives, the Internal Audit teams have complete, free and unrestricted access to all information, functions and activities, including subcontracted ones, both at own facilities as well as at those of service and goods providers, as well as to employees, information, accounting records, systems, computer files and data.

The Internal Audit's mission is to provide the Board of Directors and Senior Management with independent assurance on the quality and effectiveness of internal control processes, systems and procedures, risk management (current or emerging), and governance, thus contributing to the protection of the organization's value, its solvency and reputation. For this, Internal Audit assesses:

- The effectiveness and efficiency of the aforementioned processes, systems and procedures;
- Compliance with applicable supervisor regulations and requirements;
- Reliability and integrity of financial and operational information;
- Patrimonial integrity.

Internal Audit bases its action on the following principles:

- Independence, objectivity and impartiality: all opinions will be based upon an objective analysis of the facts, unchanged by influences, pressures or interests of any kind;
- Integrity, ethical behaviour and confidentiality of the information managed, and the conclusions obtained. Auditors' performance will be in accordance with the principles and rules of conduct established, both in the Group's codes of conduct and in the Internal Audit Code of Ethics, which must be known and accepted by all its members, upon signature thereof;

- Competence and professional qualification of auditors. To this end, their knowledge is continually updated;
- Quality of work, based on reasoned, documented and supported conclusions, namely by auditing evidence, carried out with standard criteria, using a common and appropriate methodology and work tools, and with due professional care;
- Creating value, making relevant and truthful reports, supporting the management of audited units in a spirit of collaboration and contribution from improvement measures;
- Adequate collaboration with the rest of the Group's existing controls and with external auditors and other providers involved in the organization, holding periodic meetings and sharing with them the results of the reviews carried out and the audit reports issued;
- Fluid relationship with supervisors: fluid relationship with supervisors, responding to their requests in a timely, formal way;
- Compliance with international standards, especially with the “International Standards for the Professional Practice of Internal Auditing” issued by the Institute of Internal Auditors, and with the principles established by the Basel International Bank of Payments in this matter.

The CAE is responsible for:

- Designing and implementing an appropriate methodology;
- Developing an Audit Plan based on an assessment of the Group's existing risks;
- Executing the various works included in the Audit Plan, adequately preparing and distributing the reports provided for in the plan;
- Communicating the conclusions of the various audits to the auditees, as well as the respective recommendations; and for defining a schedule for their implementation and follow-up to confirm their implementation;
- Assessing, with the appropriate regularity, the sufficiency of resources for the performance of its duties;
- Periodically communicating with the Audit Committee, namely on the development of the approved Audit Plan;
- Periodically and monthly reporting to the Chairman of the Board of Directors;
- Informing the Board of Directors on the work carried out by Internal Audit in accordance with its Plan;
- Reporting to the Governing Bodies the situations that, in its opinion, need special attention;
- Carrying out all those audits, special works, reports and other duties required by the Board of Directors or the Audit Committee;
- Confirming, with the Audit Committee, at least once a year, that the work is carried out in an independent manner, and that it is not compromised by any impediment that has affected the independence or objectivity of Internal Audit;
- Developing and maintaining a quality and continuous improvement programme, which covers all aspects of the Internal Audit activity;
- Developing and implementing a training plan for internal auditors.

The activity carried out within the scope of the audit function is documented in a specific report, published annually, called the “Internal Audit Function Report”, which in 2023 was dated from December.

In December 2023, before the Board of Directors, the CAE ratified that Internal Audit had acted with total independence and objectivity in the development of its mission throughout the financial year of 2023, without it being impacted by any circumstances.

Chief Audit Executive: Juan Ramón Jiménez

V — Code of Conduct

Banco Santander Totta is a limited liability company belonging to the Santander Group. Within the scope of corporate governance, and given its legal framework, the institution complies with the guidelines for the financial sector, as well as with all the principles of good corporate governance that follow from the code of conduct contained in the Group-Subsidiaries Governance Model prepared and approved by Banco Santander S. A., and whose revised version the Board of Directors has adhered to in December 2023.

The Bank increasingly takes up its commitment to the best corporate governance practices.

VI — Consultation Website

Banco Santander Totta S. A. makes available at its Internet address https://www.santander.pt/institucional/investor-relations/santander-totta-sa/governo-sociedade the essential information on the Bank's activity and general corporate information, such as the Bank's Articles of Association, the current members of the governing bodies, the organizational structure of the Bank's Governance Model, the Internal Regulations of the Board of Directors and of its Committees, the Representative for market relations, as well as all main policies.

The Bank has a broad, well detailed internal set of rules and regulations that establish clear rules, which is widely disseminated and is permanently available to all employees on the Bank's Intranet portal.

Information on half-yearly and annual accounts is available at the following link: https://www.santander.pt/institucional/investor-relations/santander-totta-sa/relatorios-e-contas

VII — Transactions with Related Parties

The Bank has a Policy in place on Transactions with Related Parties, whose aim is to establish the rules and procedures to be observed by the Bank in transactions with related parties, including, but not limited to, credit operations, real estate transactions, and supply of goods and services, in order to ensure transparency in said transactions, as well as full compliance with applicable laws and regulations.

In preparing this Policy, the regulator guidelines and various legal provisions establishing rules and requirements aimed at preventing risks arising from certain types of relationships between the subjects of the transactions were duly considered. In particular, but not limited to, the EBA Guidelines on Internal Governance (EBA/GL/2021/05, of July 2, 2021, especially No. 120 and following); Articles 85 ("Credit to members of the governing bodies"), 86 (Other operations"), and 109 ("Credit to qualified holders") of the Legal Framework for Credit Institutions and Financial Companies (RGICSF); Article 397 ("Business with the Society") of the Commercial Companies Code; and Notice No. 3/2020 of the Bank of Portugal, in particular Article 33.

The Group's policy for admitting, authorizing and monitoring financing operations of the directors and members of Banco Santander, S. A.'s senior management was also taken into account as a reference policy.

The Bank has duly implemented internal rules that operationalize this Policy on Transactions with Related Parties, and the people and entities that are part of the different types of Related Parties are duly identified and marked in the Bank's computer systems through a register of Related Parties.

The Policy on Transactions with Related Parties is available on the Bank's website at: https://www.santander.pt/institucional/investor-relations/santander-totta-sa/governo-sociedade

VIII — Remuneration Policy for Members of the Management and Supervisory Body

Bearing in mind its mission to help people and businesses to prosper, the Santander Group adopts consistent remuneration practices that comply with applicable regulations in the jurisdictions where the Group operates. Remunerations are defined to promote a culture of high performance within the context of a responsible bank, in which people are rewarded and acknowledged for their performance, competence, and for the impact they have on the success of the Group and / or its Subsidiaries.

The remuneration practices of the Santander Group shall always be aligned with the interests of its shareholders, employees, customers, and society, and, in particular, they shall promote good conduct. The Group also ensures that the remuneration policies are consistent with adequate, effective risk management, and will not assign incentives that may contribute to exceeding the level of tolerated risk or that may endanger or limit the Group's ability to keep a solid capital base.

The Remunerations Committee submitted the following statement on the remuneration policy of the members of the respective management and supervisory bodies for approval by the Bank's Shareholders' General Meeting, held on May 16, 2023.

DECLARATION ON THE REMUNERATION POLICY FOR MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODY OF BANCO SANTANDER TOTTA, S. A.

(The “Declaration”)

The following statement on the remuneration policy of the members of the Management and Supervisory body of Banco Santander Totta, S. A. (the "Bank"), effective in 2023, is proposed to the General Meeting of shareholders for approval of the accounts for the financial year of 2022.

1. Framework

The Santander Group has approved its remuneration policy addressed to all its employees (the "Policy"), which establishes the fundamental principles relating to the payment of remunerations, both fixed or variable (the unofficial translation into Portuguese of the Policy in its version in force constitutes Annex 1 of the Declaration, which is an integral part thereof for all purposes and intents).

In accordance with the Policy, the Santander Group adopts consistent remuneration practices that comply with the regulations applicable in the jurisdictions where it operates.

Remuneration is defined to promote a culture of high performance, in which people are rewarded and acknowledged for their performance, competence, and for the impact they have on the success of the Group and / or its subsidiaries.

The remuneration practices of the Santander Group shall always be aligned with the interests of its shareholders, employees, customers, and society, and, in particular, they shall promote good conduct. The Group also ensures that the remuneration policies are consistent with adequate, effective risk management, and will not assign incentives that may contribute to exceeding the level of tolerated risk or that may endanger or limit the Group's ability to keep a solid capital base.

This Declaration elaborates on how the Policy fulfils the various requirements imposed by Portuguese law, proposing its formal approval to the Bank's shareholders.

2. Application of the Policy to the Bank

2.1. Remuneration of the Bank's corporate bodies

The corporate bodies of the Bank are the Annual General Meeting, the Board of Directors, and the Audit Committee:

a) General Meeting. Its Chairman earns a fixed remuneration, paid in the following terms: annual amount, divided into 12 monthly payments.

b) Audit Committee. Its members earn a fixed remuneration, paid in the following terms: annual amount, divided into 12 monthly payments.

c) Board of Directors / non-executive members. The non-executive members of the Board of Directors, who are not part of the Audit Committee, earn a fixed remuneration, paid in the following terms: annual amount, divided into 12 monthly payments. In duly justified and legally admitted situations, the payment of an additional amount may be authorized by the competent bodies.

However, the non-executive directors who carry out management or other functions at Banco Santander S. A. or at other entities of the Santander Group, may or may not earn a remuneration for carrying out such positions at the Bank.

2.2. Remuneration of the Bank's Executive Directors

The members of the Executive Committee earn a fixed remuneration, paid 14 times a year, which is determined taking into account: the criteria used in the Santander Group, the Bank's results, performance assessment and market references, and is not expected to represent, in 2023, a share of less than 33% of the total remunerations.

A variable remuneration may be added to the fixed remuneration, defined in accordance with the Policy, and defined on an individual basis by the Remuneration Board, after due consideration by the Remunerations Committee, and in compliance with the procedures provided for in the Policy.

2.2.1. Calculation of the Variable Remuneration

The variable remuneration of Executive Directors is determined based on a standard reference corresponding to the fulfilment of 100% of the established objectives, with a reference value being set every year for each member.

The final amount of the performance bonus and inherent variable remuneration will be determined at the beginning of the year following the performance of duties, on the basis of a reference value, and according to the actual fulfilment of the goals established in the framework of the pool available for that purpose, in the terms defined in the Policy, as set out in Annex 1, namely in Section 5.4.

The general objectives for the year of 2023 are those set out in Annex 2, which are part of the Declaration for all due purposes.

The maximum ratio between the amount of all components of the variable remuneration of the members of the Executive Committee and the total amount of the respective fixed remuneration cannot exceed 100%. However, it may reach 200% if there is a specific authorization from the General Meeting, in accordance with applicable regulations.

2.2.2. Variable Remuneration — Composition and Regulation

The variable portion of the remuneration is subject to partial deferral of the respective payment, aiming at a balance between the short and the medium term.

The variable remuneration relating to the Company Performance Bonus is payable 50% in cash and 50% in financial instruments (preferably shares or stock options of Banco Santander S. A., or equivalent financial instruments or related instruments or convertible into shares, such as American Depositary Receipts (ADRs), with part paid in 2024 and part deferred in five years, subject to the following parameters:

60% or 40% of that remuneration, depending on the applicable situation, will be paid in 2024, in cash and financial instruments;

The remainder will be paid annually, in five equal portions (as applicable), in cash and in financial instruments, subject to the conditions provided for.

All risks of a possible reduction in the variable remuneration due in financial instruments cannot be transferred to another entity either through risk coverage instruments or by any type of insurance. They are subject to the condition of maintenance or retention for one year.

In addition, the Board of Directors of the Santander Group has approved a corporate share retention policy, applicable to Santander Group's Executive Directors and to other Santander Group Directors (including, in Portugal, the Country Head), which will oblige the employees concerned to retain — after a given period has elapsed — ownership over a volume of Banco Santander shares defined in their own internal regulations, and currently determined as the equivalent of twice their net annual fixed remuneration.

The deferred part of the variable remuneration, relating to the third, fourth and fifth years, if applicable, is subject — in addition to the malus and claw-back conditions — to the fulfilment of the Group's long-term objectives, the latter being applicable only to the CEO, in accordance with the general criteria applicable within the framework of the Santander Group, under which the value of the variable remuneration can only decrease (by reducing the payment in cash or in shares), as defined for the current year under the terms of Annex 3.

Payment of the variable remuneration will comply with the deferral rules and the reduction (malus) or reversion (claw-back) mechanisms in force in the Policy, in order to comply with the legal and regulatory requirements, as well as observe the recommendations and guidelines issued by the competent supervisory bodies. The ability to reduce (malus), either totally or partially, the payment of deferred remuneration and whose payment is not yet an acquired right, as well as to retain in whole or in part variable remuneration whose payment constitutes an acquired right (claw-back), is limited to extremely significant, duly identified events, in which the persons concerned have had a direct participation in the events at stake.

2.2.3. Identification of deferred and paid instalments of variable remuneration

For the financial year of 2018, the fifth part of the deferred variable remuneration remains to be paid, in cases where it is applicable.

For the financial year of 2019, the last third of the deferred variable remuneration was paid, and the fourth and fifth part of the deferred variable remuneration has yet to be paid.

Of the variable remuneration for 2020, one third and the fourth and fifth part (when applicable) of the deferred variable remuneration are yet to be paid.

Of the variable remuneration for 2021, two thirds and the fourth and fifth part (when applicable) of the deferred variable remuneration are yet to be paid.

Of the variable remuneration for 2022, the non-deferred portion was paid in 2023. The remaining payment is deferred for four or five years, as applicable.

2.2.4 Long-Term Incentive Plan

Under the terms of the Group's Remuneration Policy in force, the possibility of designating managers and other employees as participants in Long-term Incentive Plans is considered.

The Regulations applicable to each Long-Term Incentive Plan will be approved by the Bank's Remuneration Committee and by the Remuneration Board or General Meeting, when applicable.

2.2.4.1 Digital Transformation Award — DTA

The financial sector is currently undergoing major changes. With the move towards the development of digital solutions, the Santander Group is taking steps to transform its culture, employees, and business in line with this new paradigm.

The objective of the Digital Award is to attract and retain talent that contributes to advance, accelerate and deepen the aforementioned digital transformation, which, simultaneously, will lead to the creation of long-term share value through the fulfilment of essential digital steps. With this programme, the Santander Group offers a remuneration element that is competitive with the remuneration systems offered by other market players competing in the area of digital talent.

The Award is subject to the fulfilment of certain objectives related to digital transformation, and, consequently, aims to foster the creation of long-term share value.

This Award will be implemented as 50% in Banco Santander shares and 50% in Banco Santander share options, based on the fair value of the share options when they are granted. It is aimed at certain members of the Identified Collective (excluding Banco Santander Directors, but may include Bank Directors), and at workers of the Santander Group who are not part of the Identified Collective, but whose activity is critical for the digital growth and transformation of the Santander Group. The respective Regulation is attached hereto as Annex 4, and it will be ensured that any amounts that may be allocated in this way to the Bank's Executive Directors will be considered as variable remuneration and included in all applicable information disclosure limits, procedures and duties.

2.2.4.2 PagoNxt Incentive

PagoNxt is a Santander Group company devoted to payment technologies and innovation.

PagoNxt's main activity focuses on three main areas of activity (Merchant, Trade and SuperDigital), using an infrastructure that provides reliability, scalability and the highest cybersecurity capabilities.

The Bank and the Group are well aware that the payment business is currently, and will increasingly become, a business that requires huge investments in technology and that only becomes profitable after a certain scale. This means that only through a project across the entire Group will it be possible to ensure such investment and profitability in the future and, in this way, keep providing an excellent service to the Bank's customers in this regard. PagoNxt is the entity from which the Group intends to develop its Payments activity across the Group, which is responsible for ensuring that the quality of services to the Group's banking customers is maintained in its various geographies.

Therefore, the success of the PagoNxt project also strongly depends on the necessary cooperation with other Santander Group entities, in particular with Santander banks. And the quality of payment services provided to the Bank's customers depends on the success of the PagoNxt Project, in terms of the value proposition also being extended to its customers, plus the necessary use of its distribution channels. The Bank, PagoNxt and Grupo Santander firmly believe that the appropriate implementation of the PagoNxt Project implies significant benefits for the Bank, which will be provided with more attractive commercial and innovative solutions that will complement and improve its relationships with its customers. Santander business units — including the Bank, and in particular its commercial teams — will receive appropriate incentives to promote PagoNxt's value proposition, and all relevant remuneration schemes will be agreed under normal market conditions.

The respective Regulation is attached hereto as Annex 5, and it will be ensured that any amounts that may be allocated in this way to the Bank's Executive Directors will be considered as variable remuneration and included in all applicable information disclosure limits, procedures and duties.

2.2.5. Retirement

The Executive Directors who at the merger date were Directors of Banco Totta & Açores, benefit from an old age or disability complementary retirement plan, whose terms and conditions were set in accordance with the regulations approved by the Bank's General Meeting on May 30, 2007, and amended at the General Meeting of December 13, 2018, in accordance with the provisions of Article 25 (4) of the Bank's Articles of Association, and which adopts, globally, the provision contained in the regulation that was originally approved by the General Meeting of Banco Totta & Açores on October 30, 1989. This plan has the following requirements, namely, having held the position for a minimum period, with the amount of the additional benefit varying depending on the director's seniority. Currently, no Executive Director in office is likely to be covered by this framework.

The changes introduced at the General Meeting of December 13, 2018, specifically aimed at accepting the possibility of redemption of the amount of the supplementary pension in capital, granting the respective beneficiaries an option that will imply, whenever exercised, the neutralization for the Bank of the risk of changes in the global amount of the supplementary pension, definitively exonerating itself — and upon delivery of the accounting amounts related to the fulfilment of this pension — of any additional responsibilities vis-à-vis the beneficiaries who exercise this option.

In addition, the situation of Executive Directors who exercise the right to the old-age or disability pension supplement and subsequently perform other non-executive functions at the Bank has been clarified.

The Executive Directors with an employment agreement with the Bank, and notwithstanding the suspension of the aforementioned agreement, are covered by a supplementary retirement plan established by the Santander Group for all management staff, whose terms were approved by the respective Boards of Directors. Such resolutions do not award voting rights to the Directors who would benefit from such plan.

2.2.6. Other Regulations

Executive Directors also benefit from health insurance and from the benefits resulting from collective regulations applicable to workers, including being able to contract mortgage loans.

Non-executive directors' benefit, during their term of office, from the commercial rates applicable to most Bank employees.

Executive Directors benefit from life insurance, whose covered capital is equivalent to twice the amount of the annual fixed remuneration of the holder in question.

No risk hedge mechanisms or the like may be used by the Executive Director or by the Bank in his/her favour. This rule is observed and must be confirmed annually by the same before the Group.

It is not expected that in 2023, any amounts will be paid to Executive Directors by other companies in a controlling or group relationship with the Bank.

3. Additional Aspects

3.1. Policy Approval Procedures

The Policy was approved by the Santander Group, by adopting a set of national and international guidelines on the matter, and the Bank subsequently adopted the Policy on January 31, 2017, after making its presentation to the Bank's Remuneration Committee and to the Board of Directors and was successively updated since that date.

The Policy, in the terms in which it was approved, will be complemented by a set of additional guidelines, of an essentially interpretative nature.

The Bank's Remunerations Committee is currently composed of João Pedro Tavares (Chairman), Daniel Traça, Manuel Olazábal, Manuela Ataíde Marques and Remedios Ruiz (Members), with the majority of its members being qualified as independent, in accordance with the legally established criteria (João Pedro Tavares, Daniel Traça, Manuel Olazábal, and Manuela Ataíde Marques).

For its part, the Remuneration Board as provided for in the Commercial Companies Code, which determines the actual amounts of remuneration to be paid to all members of the corporate bodies, is composed of Alexandra Brandão and Javier Roglá Puig, both senior officers of the Santander Group.

Mercer Portugal assisted the Bank (in 2017) as an external consultant, in the work of transposing the implementation of the Policy to the Bank.

3.2. Other Aspects

It is not foreseeable that in 2023 any indemnities will be paid for early termination of functions of any member of the corporate bodies.

The allocation of option plans is not foreseen for 2023, except for what is foreseen in item 2.2.2 above, regarding payment in financial instruments for Long-Term Incentives.

There are no non-pecuniary benefits or other forms of remuneration, other than those referred to in the Declaration.

4. Compliance with the rules and regulations on remuneration policy

The Bank's Policy is entirely in line with the principles inherent in the rules and regulations applicable in Portugal, based on simplicity, transparency, and adequacy to medium and long-term objectives.

In this way, the determination of the total remuneration, composed of fixed and variable portions, as well as the articulation of these two components, as explained in this Declaration and in the attached Policy, allow to conclude that, in general, the material rules contained in the Portuguese rules and regulations have been adopted.

The fact that the Bank is part of the Santander Group — which holds more than 99% of its share capital — implies the necessary consistence between the respective corporate policies, which, in turn, and taking into account the global nature of the Group, follow the international regulations in this matter.

The applicable regulations also determine that a review is carried out, at least annually, of the Bank's remuneration policy and of its implementation, in order to ensure that it is effectively applied, that remuneration payments are adequate, and that the profile risk and the institution's long-term objectives are being adequately reflected, and that the policy is in accordance with the legislation and regulations in force, as well as with the applicable national and international principles and recommendations.

Such annual review should also include an assessment of the remuneration practices of subsidiaries abroad and of offshore establishments, in particular on the respective effect on the institution's risk, capital and liquidity management.

The mentioned assessment was carried out, in compliance with the applicable regulations, by the Bank's Remunerations Committee, with the units responsible for exercising control functions being actively involved, with no shortcomings being detected.

5. Information on the performance of the Remunerations Committee's duties

The members of the Remunerations Committee were elected at the General Meeting on November 23, 2021, with no objections from the Regulator for conducting their duties on May 3, 2022.

The functions performed by the Committee correspond to those provided for in the respective internal regulation, and include the formulation of informed and independent judgments on the remuneration policy and practices, as well as on the incentives created for the purposes of risk, capital, and liquidity management, while it is also responsible for the preparation of remuneration decisions.

Lisbon, March 27, 2023.

The Remuneration Policy of the Members of the Management and Supervisory Bodies is available on the website: https://www.santander.pt/institucional/investor-relations/santander-totta-sa/governo-sociedade.

IX. Internal Selection and Adequacy Assessment Policy

The Board of Directors submitted to the approval of the Bank's General Shareholders Meeting held on May 16, 2023, the Internal Selection and Adequacy Assessment Policy, whose purpose is the establishment of procedures for the selection and assessment of suitability, professional qualification and experience, independence and availability (jointly known as “Adequacy”) of the members of the Management and Supervisory bodies, and of other holders of essential functions for the daily development of the Bank's activity, as defined in the applicable regulations.

Under the terms of the applicable regulation, the Policy shall contain the identification of those responsible for adequacy assessment, the assessment procedures adopted, the required adequacy requirements, the rules on prevention, communication, and resolution of conflicts of interest, and the professional training means available.

The Internal Selection and Adequacy Assessment Policy is available on the Bank's website at: https://www.santander.pt/institucional/investor-relations/santander-totta-sa/governo-sociedade

X. Managers' Remuneration Policy

The Managers' Remuneration Policy is available on the Bank's website at: https://www.santander.pt/institucional/investor-relations/santander-totta-sa/governo-sociedade

DECLARATION ON THE REMUNERATION POLICY FOR THE MANAGERS OF BANCO SANTANDER TOTTA, S. A., (the "Bank")

(The "Declaration")

For the purposes of this Declaration, the workers who are part of any of the collectives specified below, and are not, simultaneously, members of the management body, are considered as Managers of the Bank and are designated as the "Identified Collective" or as the "Managers":

a) Managers who are part of the Group known as "Faro", under the terms of the Santander Group's remuneration policy (the "Policy");

b) Top management, which includes employees considered Top Management and Senior Management, and those responsible for carrying out functions with responsibility for risk-taking on behalf of the Bank or of its customers, with a material impact on the Bank's risk profile; and

c) The officers that carry out their professional activity within the scope of control functions as provided for in Bank of Portugal Notice No. 3/2020, of June 29th, currently those responsible for the Bank's Internal Audit Areas, Risk Management and Compliance and Conduct, as well as those in charge of other areas equivalent to control functions by the Santander Group.

d) The Head of Regulatory Compliance (responsible for Financial Crime Compliance), who is considered an Essential Function Holder under the terms of BoP Notice 1/2022 (Art. 5.5).

The updated identification of the functions included in the Identified Collective is included as Annex 1 of the Declaration, which is an integral part of it for all legal purposes and intents.

1. Framework

The Policy is addressed to all Santander Group employees, and it establishes the fundamental principles relating to the payment of remunerations, either fixed or variable (the unofficial translation into Portuguese of the Policy in its version in force constitutes Annex 2 of the Declaration, which is an integral part thereof for all purposes and intents).

The Policy is applicable to all branches of the Santander Group, including the Bank. The Board of Directors has formally adopted the Policy in its updated version on March 28, 2023.

In accordance with the Policy, the Santander Group adopts consistent remuneration practices that comply with the regulations applicable in the jurisdictions where it operates.

Remuneration is defined to promote a culture of high performance, in which people are rewarded and acknowledged for their performance, competence, and for the impact they have on the success of the Group and / or its subsidiaries.

The remuneration practices of the Santander Group shall always be aligned with the interests of its shareholders, employees, customers and society, and, in particular, they shall promote good conduct.

The Group also ensures that the remuneration policies are consistent with adequate and effective risk management and will not assign incentives that may contribute to exceeding the level of tolerated risk or that may endanger or limit the Group's ability to keep a solid capital base.

This Declaration provides information on the adequacy of the Policy to the different requirements placed by Portuguese law.

2. Application of the Policy to the Bank

Fixed Remuneration

a) The fixed remuneration is paid 14 times a year;

b) The fixed remuneration consists of the basic remuneration and some cash benefits that are attributed to all Bank employees, such as seniority payments or other subsidies, due under legal or contractual terms;

c) The fixed remuneration is determined taking into account the criteria used in the Santander Group, the Bank's results, performance assessment, collective labour regulations, and market references, safeguarding the different specificities and dimensions;

d) The fixed remuneration of the Identified Collective includes the limits that are set annually by the Executive Committee, and is not expected to represent, in 2023, a portion below 49% of the Total Remuneration.

2.1 Calculation of the Variable Remuneration

The variable remuneration is determined based on a standard reference corresponding to the fulfilment of 100% of the established goals, with a reference value being set every year for each member.

The final amount of the performance bonus and inherent variable remuneration will be determined at the beginning of the year following the performance of duties, on the basis of a reference value, and according to the actual fulfilment of the goals established in the framework of the pool available for that purpose, in the terms defined in the Policy as set out in Annex 2, namely in Section 5.4.

The general objectives for 2023 are those set out in Annex 3, which are part of the Declaration for all due purposes.

The maximum ratio between the value of all components of the variable remuneration and the total value of the fixed remuneration cannot exceed 200%.

With regard to Managers of Control Functions, the calculation of the variable remuneration complies with the following criteria: (i) individual evaluation of the employee, taking into account the specific objectives related to the functions performed, ensuring their objectivity and independence, and in line with the creation of long-term value or the maintenance of a solid capital base, and cannot, under any circumstances, be linked to specific objectives of the business functions or employees thereof whose activity they are in charge of controlling; (ii) overall performance of the Bank and of the economic group to which he/she belongs.

The maximum ratio between the value of all components of the variable remuneration and the total value of the fixed remuneration of the Managers of the Control Functions cannot exceed 100%.

The performance assessment of Managers — to be conducted annually — is carried out by the respective hierarchical superiors or directly by the Executive Directors with the respective portfolio, whenever there is a direct reporting relationship. Whenever such Managers are subject to a double reporting obligation, the assessment is also made by the Group head responsible for the area in question.

Without prejudice to the internal provisions regarding the setting of objectives and the annual evaluation of Managers of the Control Functions, the Remunerations Committee is responsible for evaluating the execution and compliance with the principles set out in this Policy.

2.2 Composition and regulation of the variable remuneration

The variable portion of the remuneration is subject to partial deferral of the respective payment, aiming at a balance between the short and the medium term.

a) The variable remuneration is due 50% in cash and 50% in financial instruments (preferably shares or stock options of Banco Santander, or equivalent financial instruments or related instruments or convertible into shares, such as American Depositary Receipts (ADRs), with part paid in 2024 and part deferred in four or five years, subject to the following parameters:

   i. 60% (or whatever is defined according to the applicable situation) of this remuneration will be paid in 2024, in cash and in financial instruments;

   ii. The remainder will be paid annually, in four or five equal portions (as applicable), in cash and in financial instruments, subject to the conditions provided for. However, the Bank (through its competent bodies and in a logic of consistency within the Group) reserves the possibility of not applying such deferral when the amount of the total variable remuneration does not exceed € 50,000, and does not represent more than one third of their total annual remuneration, provided that such possibility is not prevented by applicable legal or regulatory determination.

b) The assigned instruments do not benefit from any risk coverage agreement and are subject to a maintenance or retention condition for one year.

c) Payment of the variable remuneration will comply with the deferral rules and the reduction (malus) or reversion (claw-back) mechanisms in force in the Policy, in order to comply with the legal and regulatory requirements, as well as observe the recommendations and guidelines issued by the competent supervisory bodies. The ability to reduce (malus), either totally or partially, the payment of deferred remuneration and whose payment is not yet an acquired right, as well as to retain in whole or in part variable remuneration whose payment constitutes an acquired right (claw-back), is limited to extremely significant, duly identified events, in which the persons concerned have had a direct participation in the identified events.

2.3 Identification of deferred and paid instalments of the variable remuneration

For the financial year of 2019, the last third of the deferred variable remuneration has been paid.

For the financial year of 2020, one third of the deferred variable remuneration remains to be paid.

Of the variable remuneration for 2021, two thirds of the deferred variable remuneration remain to be paid.

Of the variable remuneration for 2022, the non-deferred portion was paid in 2024. The remaining payment is deferred for four or five years, as applicable.

2.4 Long-Term Incentive Plan

Under the terms of the Group's Remuneration Policy in force, the possibility of designating managers and other employees as participants in Long-term Incentive Plans is foreseen.

The Regulations applicable to each Long-Term Incentive Plan will be approved by the Bank's Remuneration Committee and by the Remuneration Board or General Meeting, when applicable.

2.4.1 Digital Transformation Award — DTA

The financial sector is currently undergoing major changes. With the move towards the development of digital solutions, the Santander Group is taking steps to transform its culture, employees, and business in line with this new paradigm.

The objective of the Digital Award is to attract and retain talent that contributes to advance, accelerate and deepen the aforementioned digital transformation, which, simultaneously, will lead to the creation of long-term share value through the fulfilment of essential digital steps. With this programme, the Santander Group offers a remuneration element that is competitive with the remuneration systems offered by other market players competing in the area of digital talent.

The Award is subject to the fulfilment of certain objectives related to digital transformation, and, consequently, aims to foster the creation of long-term share value.

This Award will be implemented as 50% in Banco Santander shares and 50% in Banco Santander share options, based on the fair value of the share options when they are granted. It is aimed at certain members of the Identified Collective (excluding Banco Santander Directors, but may include Bank Directors), and at workers of the Santander Group who are not part of the Identified Collective, but whose activity is critical for the digital growth and transformation of the Santander Group. The respective Regulation is attached hereto as Annex 4, and it will be ensured that any amounts that may be allocated in this way to the Bank's Executive Directors will be considered as variable remuneration and included in all applicable information disclosure limits, procedures and duties.

2.4.2 PagoNxt Incentive

The Bank and the Group are well aware that the payment business is currently, and will increasingly become, a business that requires huge investments in technology and that only becomes profitable after a certain scale. This means that only through a project across the entire Group will it be possible to ensure such investment and profitability in the future and, in this way, keep providing an excellent service to the Bank's customers in this regard. PagoNxt is the entity from which the Group intends to develop its Payments activity across the Group, which is responsible for ensuring that the quality of services to the Group's banking customers is maintained in its various geographies.

Therefore, the success of the PagoNxt project also strongly depends on the necessary cooperation with other Santander Group entities, in particular with banks of the Santander Group. And the quality of payment services provided to the Bank's customers depends on the success of the PagoNxt project, in terms of the value proposition also being extended to its customers, plus the necessary use of its distribution channels. The Bank, PagoNxt and Grupo Santander firmly believe that the appropriate implementation of the PagoNxt project implies significant benefits for the Bank, which will be provided with more attractive commercial and innovative solutions that will complement and improve its relationships with its customers. Santander business units — including the Bank, and in particular its commercial teams — will receive appropriate incentives to promote PagoNxt's value proposition, and all relevant remuneration schemes will be agreed under normal market conditions.

The respective Regulation is attached hereto as Annex 5, and it will be ensured that any amounts that may be allocated in this way to the Bank's Executive Directors will be considered as variable remuneration and included in all applicable information disclosure limits, procedures and duties.

2.5 Benefits

The allocation of benefits is made in order to ensure compatibility with the Bank's business strategy, objectives, values, and long-term interests.

Without prejudice to allocations on a case-by-case basis and with a residual scope, resulting from measures taken in the past by primitive employers (Crédito Predial Português, Banco Totta & Açores, Banco Santander Portugal, and Banco Santander de Negócios Portugal), all Managers enjoy the following benefits:

a) Supplementary health insurance to the Social-Medical Assistance Service (SAMS) provided for in the collective regulation of the banking sector;

b) Personal accident insurance, as defined in the collective regulation of the banking sector.

Some workers benefit from life insurance, as a result of a contractual connection with the extinct Banco Santander Portugal or with Banco Santander Negócios Portugal.

Some workers benefit from a supplementary retirement plan, pursuant to the resolution of the Bank's Board of Directors of February 25, 2010.

There are no pension benefits attributed on a discretionary basis.

2.6 Other Regulations

No risk hedge mechanisms or the like may be used by the Manager or by the Bank in his/her favour. This rule is observed and must be confirmed annually by the Manager before the Group.

3. Complementary Aspects

3.1. Policy Approval Procedures

The Policy was approved by the Santander Group, thus adopting a set of national and international guidelines on the matter, with the Bank, through its Remunerations Committee and Board of Directors, adhering to said Policy and respective updates.

The Policy, in the terms in which it was approved, will be complemented by a set of additional guidelines, of an essentially interpretative nature.

3.2. Other Aspects

The allocation of option plans is not foreseen for 2023, except for what is foreseen in item 2.2 above, regarding payment in financial instruments for Long-Term Incentives.

There are no non-pecuniary benefits or other forms of remuneration, other than those referred to in the Declaration.

4. Compliance with the rules on remuneration policy defined by Banco de Portugal

The Bank's Policy is entirely in line with the principles inherent in the rules and regulations applicable in Portugal, based on simplicity, transparency, and adequacy to medium and long-term objectives.

In this way, the determination of the total remuneration, composed of fixed and variable portions, as well as the articulation of these two components, as explained in this Declaration and in the attached Policy, allow to conclude that, in general, the material rules contained in the Portuguese rules and regulations have been adopted.

The fact that the Bank is part of the Santander Group — which holds more than 99% of its share capital — implies the necessary consistence between the respective corporate policies, which, in turn, and taking into account the global nature of the Group, follow the international regulations in this matter.

The applicable regulations also determine that a review is carried out, at least annually, of the Bank's remuneration policy and of its implementation, in order to ensure that it is effectively applied, that remuneration payments are adequate, and that the profile risk and the institution's long-term objectives are being adequately reflected, and that the policy is in accordance with the legislation and regulations in force, as well as with the applicable national and international principles and recommendations.

Such annual review should also include an assessment of the remuneration practices of subsidiaries abroad and of offshore establishments, in particular on the respective effect on the institution's risk, capital and liquidity management.

The mentioned assessment was carried out, in compliance with the applicable regulations, by the Bank's Remunerations Committee, with the units responsible for exercising control functions being actively involved, with no shortcomings being detected.

Lisbon, May 25, 2023

Annex 1

Identified Collective

EXECUTIVE DIRECTOR OF THE COMMERCIAL AREA — CORPORATE	DIRECTOR OF CREDIT RISK MANAGEMENT
EXECUTIVE DIRECTOR OF THE COMMERCIAL AREA — INDIVIDUALS & BUSINESSES	DIRETOR OF CYBERSECURITY
EXECUTIVE DIRECTOR OF INTERNAL AUDIT	DIRECTOR OF ENTERPRISE RISK MANAGEMENT
EXECUTIVE DIRECTOR FOR RESPONSIBLE BANKING	DIRECTOR OF EVERYDAY BANKING
EXECUTIVE DIRECTOR OF ACCOUNTING AND MANAGEMENT CONTROL	DIRECTOR OF FINANCIAL CRIME COMPLIANCE (FCC)
EXECUTIVE DIRECTOR OF CORPORATE INVESTMENT BANKING	DIRECTOR OF TAX
EXECUTIVE DIRECTOR OF COMPLIANCE AND CONDUCT	DIRECTOR OF CONSTRUCTION PROMOTION AND IFRRU
EXECUTIVE DIRECTOR FOR CUSTOMER EXPERIENCE	DIRECTOR OF RISK MANAGEMENT
EXECUTIVE DIRECTOR OF STRAT., FINANCIAL PLANNING AND ECON. RES.	DIRECTOR OF LEGAL – CORPORATE
EXECUTIVE DIRECTOR OF CUSTOMER MANAGEMENT AND DIGITAL PERFORMANCE	DIRECTOR OF LEGAL— BUSINESS
EXECUTIVE DIRECTOR OF PEOPLE MANAGENENT AND ORGANIZATION	DIRECTOR OF BRAND AND CORPORATE COMMUNICATIONS
EXECUTIVE DIRECTOR OF RISK MANAGEMENT	DIRECTOR OF MONITORING & TESTING
EXECUTIVE DIRECTOR OF COMMERCIAL MANAGEMENT AND EFFECTIVENESS	DIRECTOR OF ORGANIZATION AND STANDARDS
EXECUTIVE DIRECTOR OF FINANCIAL AND CAPITAL MANAGEMENT	DIRECTOR OF SAVINGS AND INVESTMENT
EXECUTIVE DIRECTOR OF OPERATIONS	DIRECTOR OF SPECIAL PROJECTS
EXECUTIVE DIRECTOR OF PRIVATE BANKING	DIRECTOR OF OPERATIONAL RISK
EXECUTIVE DIRECTOR OF RECOVERIES AND DIVESTMENT	DIRECTOR OF CIB AND COMMERCIAL RISK
EXECUTIVE DIRECTOR OF THE CORPORATE NETWORK — NORTH	DIRECTOR OF MARKET, CAPITAL, MODEL & TECHNICAL RISK
EXECUTIVE DIRECTOR OF INDIVIDUALS AND BUSINESSES NETWORK — NORTH	DIRECTOR OF SERVICE MANAGEMENT
EXECUTIVE DIRECTOR OF INDIVIDUALS AND BUSINESS NETWORK — SOUTH AND ISLANDS	COM D OF MULTINATIONAL COMPANIES
EXECUTIVE DIRECTOR OF CREDIT RISK	COM D OF LARGE COMPANIES — NORTH
EXECUTIVE DIRECTOR OF THE GENERAL SECRETARIAT	COM D OF LARGE COMPANIES — SOUTH
EXECUTIVE DIRECTOR OF TECHNOLOGY & OPERATIONS	DATA SPECIALIST
EXECUTIVE DIRECTOR OF WEALTH MANAGEMENT & INSURANCE	HEAD OF ANALYTICS AND MODELS
DIRECTOR OF COLLECTIONS & RECOVERIES	HEAD OF CUSTOMER CARE
DIRECTOR OF COMPRAR CASA	HEAD OF ECONOMIC RESEARCH AND INVESTOR RELATIONS
DIRECTOR OF PROCUREMENT AND COSTS	HEAD OF RISK MANAGEMENT
INSTITUTIONAL COMMUNICATION DIRECTOR	HEAD OF PROTECTION

X – Remuneration and other benefits assigned to members of the Management and Supervisory bodies and to the Identified Collective

This information is provided to comply with the provisions of Article 450 sub-paragraph h) of Regulation (EU) No. 575/2013, of the European Parliament and of the Council, of June 26, by reference to Article 47 of Bank of Portugal Notice no. 3/2020, of July 15 (Official Gazette, 2nd Series, of July 15, 2020), applied to the groups under Article 115-C (2) of the Legal Framework for Credit Institutions and Financial Companies (RGICSF).

As of December 31, 2023, the cumulative, actual amount of credit granted to members of the Board of Directors under Article 85 of the Legal Framework for Credit Institutions and Financial Companies was € 597k, with the following breakdown:

(Thousand euro)

Name	Loans
Miguel Belo De Carvalho	40
Amilcar Da Silva Lourenço	185
Ricardo Lopes Da Costa Jorge	373

The remunerations actually paid in 2023 to members of the Management and Supervisory bodies, to top management, to internal control functions, and to those responsible for significant business units (MRT), are detailed in the following table:

Total Remuneration Paid in 2023 (thousand euro)

	Numbers of Members	Fixed Remuneration 2023	Variable Remuneration 2019-2022
Board of Directors	14	3,615	2,978
Top Management	23	2,728	2,605
Control Functions	4	871	367
Other functions	31	2,589	1,296

Deferred variable remuneration, to be paid in the coming years, and for the same groups, are those detailed in the following table:

Deferred Variable Remuneration

	Number of Members	Pecuniary *(thousand euro)*	Shares *(number)*
Board of Directors	14	1,572	512,839
Top Management	23	949	310,310
Control Functions	4	164	53,595
Other functions	31	463	150,377

The fixed remuneration, actually paid in 2022, to all the members of the Board of Directors and of the Audit Committee, amounted to € 3.615 k, and the variable remuneration to € 2.978 k.

Board of Directors (thousand euro)

Name	Position	Fixed Remuneration 2023
José Carlos Brito Sítima	Chairman | NE	350
Pedro Aires Coruche Castro e Almeida	Deputy-Chairman | E	850
Amilcar da Silva Lourenço	Member | E	233
Ana Isabel A Pereira de Carvalho Morais	Member | NE	150
Cristina Alvarez Alvarez	Member | NE	-
Daniel Abel Monteiro Palhares Traça	Member | NE	150
Isabel Cristina da Silva Guerreiro	Member | E	350
João Pedro Cabral Tavares	Member | NE	150
Manuel António Amaral Franco Preto	Member | E	500
Manuel Maria de Olazábal Albuquerque	Member | NE	150
Maria Manuela M Farelo Ataíde Marques	Member | NE	150
Miguel Belo de Carvalho	Member | E	350
Remedios Ruiz Maciá	Member | NE	-
Ricardo Lopes da Costa Jorge	Member | E	233

Board of Directors

Name	Bonuses 2022 paid in 2023		Bonuses 2021 paid in 2023			Bonuses 2020 paid in 2023			Bonuses 2019 paid in 2023		
	Cash	Shares (#)	Inflation adjust.	Cash	Shares (#)	Inflation adjust.	Cash	Shares (#)	Inflation adjust.	Cash	Shares (#)
Pedro Aires Coruche Castro e Almeida	282	91,282	5	52	16,817	4	30	11,173	2	12	3,394
Amilcar da Silva Lourenço	97	31,409	2	18	5,692	1	8	2,917	1	6	1,512
Isabel Cristina da Silva Guerreiro	189	61,205	3	32	10,309	1	11	3,973	1	7	1,815
Manuel António Amaral Franco Preto	226	73,222	4	46	14,927	3	21	7,781	2	13	3,554
Miguel Belo de Carvalho	183	59,353	3	34	10,919	2	13	4,977	1	7	1,966
Ricardo Lopes da Costa Jorge	79	25,638	1	10	3,329	-	-	-	-	-	-

Other Benefits for Members of the Board of Directors

With regard to post-retirement benefits, the members of the Board of Directors who have an employment tie with the Bank are included in the pension plan of the Collective Bargaining Agreement for the banking sector, subscribed by the Bank.

The Bank's General Shareholders Meeting on May 30, 2007, approved the "Regulation on the supplementary award of an old-age or disability pension" to the executive members of the former Totta Board of Directors who came to become executive members (executive committee) of the Bank’s Board of Directors in line with what had previously been defined in the former Totta Regulation. Members of the Board of Directors whose length of service is at least fifteen consecutive or interpolated years will be entitled to a pension supplement amounting to 80% of their gross annual salary. For terms of office less than fifteen years, the amount of the retirement pension supplement will be determined by the Remuneration Board. For these persons, it is currently determined that the retirement pension supplement shall be 65% of the annual gross salary, for terms of office equal to or greater than ten years, and 75% of the annual gross salary for terms of office equal to or greater than twelve years. This defined-benefit pension plan is a supplementary plan and is dependent on the General Social Security Regime.

As of December 31, 2022, and 2021, liabilities with this plan amounted to € 10,260 k and € 14,124 k, respectively, and were covered by a provision in the same amount carried under "Provisions - Pensions and other post-employment defined-benefit obligations" (Note 17).

With regard to termination of employment benefits, as provided for in the Commercial Companies Code, whenever, by decision of the Bank, the term of office of a member of the governing bodies ends earlier, the Bank shall compensate the member of the governing body with the future remuneration to which he or she is entitled up until the end of his or her term of office.

Contract Terminations

In 2023 there were no payments of indemnities for early termination of office of members of the governing bodies.

Other Benefits for Managers

Leading Managers benefit from a health insurance, complementary to the Medical and Social Assistance Services (SAMS) provided for in the collective regulation of the banking sector, as well as from a personal accidents insurance, as defined in the collective regulation of the banking sector.

Some Leading Managers benefit from a life insurance, as a result of a contractual connection with the former Banco Santander Portugal or Banco Santander, S. A.

Some Leading Managers benefit from a supplementary retirement plan, under the terms of the Resolution of the Bank's Board of Directors of February 25, 2010.

REMUNERATION POLICY FOR 2023

The Remuneration policy in force for Banco Santander Totta's Managers and Directors was approved by the Board of Directors at the meeting of May 30, 2023.

REMUNERATION POLICY FOR 2024

The Remuneration policy for the Members of the Management and Supervisory Bodies of Banco Santander Totta for 2023, will be the subject of a resolution at the Annual General Meeting, in compliance with the applicable regulation.

Declaration to which Article 29-G (1) sub-paragraph c) of the Securities Code refers

Article 29-G (1) sub-paragraph c) of the Securities Code determines that each of the persons in charge of the company issue a declaration, the content of which is defined therein.

The members of the Board of Directors of Banco Santander Totta, S. A., identified by name herein, each signed the declaration transcribed hereunder:

"I hereby declare under the terms and for the purposes provided for in Article 29-G (1) sub-paragraph c) of the Securities Code that, as far as I am aware of, the Management Report, the Annual Accounts, the Legal Certification of Accounts and other Santander Totta, S. A.'s accounting documents, all relating to 2023, were prepared in accordance with the applicable accounting standards, conveying a true and appropriate image of the assets and liabilities, of the financial situation and of the results of that company and of the companies included within its consolidation perimeter, and that the Management Report faithfully depicts the evolution of the business, performance, and position of that company and of the companies included within its consolidation perimeter, containing a description of the main risks and uncertainties faced by the company."

Board of Directors

José Carlos Brito Sítima
Chairman

Pedro Aires Coruche Castro e Almeida
Deputy-Chairman

Amílcar da Silva Lourenço
Member

Ana Isabel Abranches Pereira de Carvalho Morais
Member

Cristina Alvarez Alvarez
Member

Daniel Abel Monteiro Palhares Traça
Member

Isabel Cristina da Silva Guerreiro
Member

João Pedro Cabral Tavares
Member

Manuel António Amaral Franco Preto
Member

Manuel Maria de Olazabal y Albuquerque
Member

Maria Manuela Machado Costa Farelo Ataíde Marques
Member

Miguel Belo de Carvalho
Member

Remedios Ruiz Macia
Member

Ricardo Lopes da Costa Jorge
Member

Audit Committee Statement on Compliance of the Financial Information Presented

Article 29-G (1) sub-paragraph c) of the Securities Code determines that each of the persons in charge of the company issue a declaration, the content of which is defined therein.

The members of the Audit Committee of Banco Santander Totta, S. A., identified by name herein, have each signed the declaration transcribed hereunder:

“I hereby declare under the terms and for the purposes provided for in Article 29-G (1) sub-paragraph c) of the Securities Code that, as far as I am aware of, the Management Report, the Annual Accounts, the Legal Certification of Accounts and other Santander Totta, S. A.'s accounting documents, all relating to 2023, were prepared in accordance with the applicable accounting standards, conveying a true and appropriate image of the assets and liabilities, of the financial situation, and of results of that company and of the companies included within its consolidation perimeter, and that the Management Report faithfully depicts the evolution of the business, performance, and position of that company and of the companies included within its consolidation perimeter, containing a description of the main risks and uncertainties faced by the company.”

Audit Committee

Chair:	Ana Isabel Abranches Pereira de Carvalho Morais
Members:	Daniel Abel Monteiro Palhares Traça
	João Pedro Cabral Tavares
	Manuel Maria de Olazabal y Albuquerque
	Maria Manuela Machado Farelo Ataíde Marques

Consolidated Financial Statements

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2023 AND 2022

(Amounts expressed in thousands of Euros - tEuros)

	Notes	31-12-2023	31-12-2022
ASSETS			
Cash, cash balances at central banks and other demand deposits	5	**6,284,760**	**8,407,985**
Financial assets held for trading	6	**1,465,544**	**498,103**
Non-trading financial assets mandatorily at fair value through profit or loss	7	**24,627**	**31,020**
Equity instruments		24,627	31,020
Financial assets at fair value through other comprehensive income	8	**3,847,282**	**4,423,397**
Equity instruments		172,237	149,097
Debt securities		1,247,156	2,005,745
Loans and advances		2,427,889	2,268,555
Financial assets at amortised cost	9	**41,869,686**	**40,850,964**
Debt securities		7,242,366	3,471,400
Loans and advances		34,627,320	37,379,564
Derivatives – Hedge accounting	10	**259,831**	**601,827**
Investments in subsidiaries, joint ventures and associates	11	-	**41,468**
Tangible assets	12	**403,833**	**447,229**
Investment property		138,032	179,211
Property, Plant and Equipment		265,801	268,018
Intangible assets	12	**32,133**	**35,443**
Tax assets	13	**165,993**	**245,032**
Other assets	14	**197,328**	**151,961**
Non-current assets and disposal groups classified as held for sale	15	**35,565**	**43,749**
TOTAL ASSETS		**54,586,582**	**55,778,178**
LIABILITIES			
Financial liabilities held for trading	6	**1,475,977**	**508,057**
Financial liabilities measured at amortised cost	16	**47,559,343**	**50,663,555**
Deposits		41,378,675	45,989,740
Debt securities issued		5,921,731	4,316,483
Other financial liabilities		258,937	357,332
Derivatives – Hedge accounting	10	**26,048**	**183,771**
Provisions	17	**133,457**	**154,504**
Commitments and guarantees given		53,263	49,705
Other provisions		80,194	104,799
Tax liabilities	13	**532,902**	**273,996**
Share capital repayable on demand	18	**37,303**	**46,938**
Other liabilities	19	**705,464**	**339,297**
TOTAL LIABILITIES		**50,470,494**	**52,170,118**
EQUITY			
Capital	20	**1,391,780**	**1,391,780**
Share premium	20	**193,390**	**193,390**
Equity instruments issued other than capital	20	**400,000**	**400,000**
Accumulated other comprehensive income	20	**(173,214)**	**(283,453)**
Items that will not be reclassified to profit or loss		(444,125)	(420,710)
Items that may be reclassified to profit or loss		270,911	137,257
Retained earnings	20	**401,045**	**402,736**
Other reserves	20	**1,015,173**	**960,532**
Treasury shares	20	**(44,122)**	**(44,110)**
Profit or loss attributable to owners of the parent	21	**931,407**	**586,559**
Non-controlling interests	22	**629**	**626**
TOTAL EQUITY		**4,116,088**	**3,608,060**
EQUITY AND TOTAL LIABILITIES		**54,586,582**	**55,778,178**

The accompanying notes form an integral part of the consolidated balance sheet as of December 31, 2023.

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR FINANCIAL YEARS ENDED DECEMBER 31, 2023 AND 2022

(Amounts expressed in thousands of Euros - tEuros)

	Notes	31-12-2023	31-12-2022
Interest income	24	2,691,061	1,174,004
Interest expenses	24	(1,209,764)	(394,702)
NET INTEREST INCOME		**1,481,297**	**779,302**
Dividend income	25	1,690	3,825
Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	26	-	5,140
Fee and commission income	27	523,850	576,208
Fee and commission expenses	27	(66,849)	(100,618)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	28	15,750	754
Gains or losses on financial assets and liabilities held for trading, net	28	33,287	9,732
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	28	1,504	2,530
Gains or losses from hedge accounting, net	28	-	-
Exchange differences, net	28	18,095	19,959
Gains or losses on derecognition of investments in subsidiaries, joint ventures and associates, net	28	1,386	-
Gains or losses on derecognition of non-financial assets, net	29	1,683	55,312
Other operating income	30	16,203	17,644
Other operating expenses	30	(9,693)	(8,258)
TOTAL OPERATING INCOME, NET		**2,018,203**	**1,361,530**
Administrative expenses	31	**(464,499)**	**(433,365)**
Staff expenses		(284,294)	(260,952)
Other administrative expenses		(180,205)	(172,413)
Cash contributions to resolution funds and deposit guarantee schemes	32	**(23,908)**	**(41,658)**
Depreciation	12	**(54,312)**	**(45,316)**
Provisions or reversal of provisions	17	**(22,493)**	**3,750**
Commitments and guarantees given		(3,558)	1,473
Other provisions		(18,935)	2,277
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	17	**(73,286)**	**11,972**
Financial assets at fair value through other comprehensive income		24	29
Financial assets at amortised cost		(73,310)	11,943
Impairment or reversal of impairment on non-financial assets	17	**5,766**	**12,939**
Other profit or loss, net	1.3 l)	**(38,316)**	**(35,884)**
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	33	**3,144**	**19,831**
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS		1,350,299	853,799
Tax expense or income related to profit or loss from continuing operations	13	**(418,889)**	**(267,240)**
PROFIT OR LOSS FOR THE FINANCIAL YEAR		**931,410**	**586,559**
Attributable to non-controlling interests		**3**	**-**
Attributable to owners of the parent	21	**931,407**	**586,559**

The accompanying notes form an integral part of the consolidated statement of profit or loss for financial year ended December 31, 2023.

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR FINANCIAL YEARS ENDED DECEMBER 31, 2023 AND 2022

(Amounts expressed in thousands of Euros - tEuros)

		31-12-2023		31-12-2022	
	Notes	Attributable to the shareholders of the Bank	Attributable to non-controlling interests	Attributable to the shareholders of the Bank	Attributable to non-controlling interests
Profit or loss for the financial year		**931,407**	3	**586,559**	-
Other comprehensive income	20	**115,784**	**-**	**(142,849)**	**-**
Items that will not be reclassified to profit or loss					
Actuarial gains or losses on defined benefit pension plans	20				
. Gross amount		(9,349)	-	112,715	-
. Tax effect		-	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income					
. Gross amount	8	(7,634)	-	76,337	-
. Tax effect		(889)	-	(1,338)	-
Share of other recognised income and expense of Investments in subsidiaries, joint ventures and associates					
. Gross amount		-	-	2,088	-
. Tax effect		-	-	(88)	-
Items that may be reclassified to profit or loss					
Cash flow hedges	20				
. Gross amount		177,806	-	(151,875)	-
. Tax effect		(55,120)	-	47,081	-
Debt instruments at fair value through other comprehensive income					
Valuation gains or (-) losses taken to equity					
. Gross amount	8	(80,983)	-	(108,996)	-
. Tax effect		25,000	-	33,684	-
Loans and advances at fair value through other comprehensive income					
Valuation gains or (-) losses taken to equity					
. Gross amount	8	97,033	-	(220,952)	-
. Tax effect		(30,080)	-	68,495	-
Total comprehensive income for the financial year		**1,047,191**	**3**	**443,710**	**-**

The accompanying notes form an integral part of the consolidated statement of other comprehensive income for financial year ended December 31, 2023.

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR FINANCIAL YEARS ENDED DECEMBER 31, 2023 AND 2022

(Amounts expressed in thousands of Euros - tEuros)

				Accumulated other comprehensive income							
	Capital social	Share premium account	Equity instruments issued other than capital	Fair value	Taxes	Retained earnings	Other reserves	Treasury shares	Profit or loss attributable to owners of the parent	Non-controlling interests	Total
Balances as at December 31, 2021	**1,256,723**	**193,390**	**135,000**	**(134,331)**	**(5,213)**	**1,608,681**	**969,610**	**(44,091)**	**270,494**	**626**	**4,250,889**
Appropriation of profit or loss											
. Transfer to reserves (Note 20)	-	-	-	-	-	300,574	(30,080)	-	(270,494)	-	-
. Distribution of dividends	-	-	-	-	-	(1,506,519)	-	-	-	-	(1,506,519)
Capital increase through capitalisation of ancillary capital contributions	135,057	-	(135,000)	-	-	-	-	-	-	-	57
Issue of – "Additional Tier 1 Instruments" (Note 20)	-	-	400,000	-	-	-	-	-	-	-	400,000
Acquisition of treasury shares (Note 20)	-	-	-	-	-	-	-	(19)	-	-	(19)
Sale of equity instruments at fair value											
through other comprehensive income	-	-	-	(1,411)	351	-	1,060	-	-	-	-
Other	-	-	-	-	-	-	19,942	-	-	-	19,942
Consolidated comprehensive income for financial year 2022	-	-	-	(290,683)	147,834	-	-	-	586,559	-	443,710
Balances as at December 31, 2022	**1,391,780**	**193,390**	**400,000**	**(426,425)**	**142,972**	**402,736**	**960,532**	**(44,110)**	**586,559**	**626**	**3,608,060**
Appropriation of profit or loss (Note 20)											
. Transfer to reserves	-	-	-	-	-	500,826	85,733	-	(586,559)	-	-
. Distribution of dividends	-	-	-	-	-	(502,516)	-	-	-	-	(502,516)
Distribution of dividends - "Additional Tier 1 Instruments" (Note 20)	-	-	-	-	-	-	(36,636)	-	-	-	(36,636)
Acquisition of treasury shares (Note 20)	-	-	-	-	-	-	-	(12)	-	-	(12)
Sale of equity instruments at fair value											
through other comprehensive income	-	-	-	(6,952)	2,155	-	4,797	-	-	-	-
Transfer between comprehensive income and other reserves, due to											
loss of significant influence over an investee	-	-	-	113	(861)	-	748	-	-	-	-
Other	-	-	-	-	-	(1)	(1)	-	-	-	(2)
Consolidated comprehensive income for financial year 2023	-	-	-	176,873	(61,089)	-	-	-	931,407	3	1,047,194
Balances as at December 31, 2023	**1,391,780**	**193,390**	**400,000**	**(256,391)**	**83,177**	**401,045**	**1,015,173**	**(44,122)**	**931,407**	**629**	**4,116,088**

The accompanying notes form an integral part of the consolidated statement of changes in equity for financial year ended December 31, 2023.

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR FINANCIAL YEARS ENDED DECEMBER 31, 2023 AND 2022

(Amounts expressed in thousands of Euros - tEuros)

	Notes	31-12-2023	31-12-2022
CASH FLOW FROM OPERATING ACTIVITIES:			
Interest and commissions received		2,991,426	1.641.424
Payments of interest and commissions		(920,800)	(406.641)
Payments to staff and suppliers		(445,859)	(450.053)
Pension Fund contributions	35	(32,526)	(27.650)
Foreign exchange and other operating results		696	(12.313)
Recovery of uncollectable loans	17	1,477	10.569
Operating results before changes in operating assets and liabilities		1,594,414	755.336
(Increase) / Decrease in operating assets:			
Loans and advances to credit institutions		(1,684)	7.495
Financial assets held for trading		(967,441)	89.669
Credit granted and other balances receivable at amortised cost		(836,513)	(640.996)
Assets and liabilities at fair value through profit or loss		(122,893)	227.546
Non-current assets and disposal groups classified as held for sale		10,002	78.002
Investment property		41,179	34.519
Other assets		(33,263)	33.340
		(1,910,613)	(170.425)
Increase / (Decrease) in operating liabilities:			
Resources from credit institutions and central banks		(1,179,364)	(888.116)
Resources from customers and other debts		(3,479,643)	102.243
Financial liabilities held for trading		967,920	(97.273)
Other liabilities		274,196	44.248
		(3,416,891)	(838.898)
Net cash flow from operating activities before income taxes		(3,733,090)	(253.987)
Income tax paid		(139,878)	(214.343)
Net cash flow from operating activities		(3,872,968)	(468.330)
CASH FLOW FROM INVESTING ACTIVITIES:			
Dividends received	25	1,690	3.825
Purchase of financial assets at fair value through other comprehensive income		6,800	(254)
Sale of financial assets at fair value through other comprehensive income		771,946	1.813
Income from financial assets at fair value through other comprehensive income		81,245	61.137
Purchase of property , plant and equipment and intangible assets	12	(50,967)	(39.472)
Sale of property, plant and equipment		2,182	4.516
Investments in subsidiaries, joint ventures and associates		-	3.834
Net cash flow from investing activities		812,896	35.399
CASH FLOW FROM FINANCING ACTIVITIES:			
Capital increase	20	-	135.056
Dividends paid	20	(502,516)	(1.506.519)
Issue of "Additional Tier 1 Instruments"	20	-	400.000
Repayment of ancillary capital contributions	20	-	(135.000)
Issue of debt securities and subordinated debt	16	1,567,384	1.416.730
Redemption of debt securities and subordinated debt		(86,569)	(129.995)
Interest paid on debt issued		(4,816)	(50.745)
Dividends paid on "Additional Tier 1 Instruments"	20	(36,636)	-
Net cash flow from financing activities		936,847	129.527
Net increase / (decrease) in cash and cash equivalents		(2,123,225)	(303.404)
Cash and cash equivalents at the beginning of the period	5	8,407,985	8.711.389
Cash and cash equivalents at the end of the period	5	6,284,760	8.407.985

The accompanying notes form an integral part of the consolidated statement of cash flows for the financial year ended December 31, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Banco Santander Totta, S.A. (hereinafter also "Bank" or "Group") was incorporated in 1864 and was formerly known as Companhia Geral de Crédito Predial Português, S.A. (CPP), and it has its registered office in Portugal at Rua do Ouro, 88, Lisbon. The Bank was nationalised in 1975 and transformed into a state-owned public limited company in 1990. On December 2, 1992, the Bank's capital was privatized by means of a public share offering at a special session of the Lisbon Stock Exchange.

As from December 2000, the Bank joined the Santander Group, following the acquisition of Banco Totta & Açores, S.A. (totta) by the latter. The main balances and transactions maintained with companies of the Santander Group during financial years 2023 and 2022 are detailed in Note 37. The Bank is included in the Banco Santander, S.A. (ultimate parent) consolidation.

On December 16, 2004, the Totta demerger/merger operation was registered, under which its financial holdings in Foggia, SGPS, S.A. and in Totta Seguros – Companhia de Seguros de Vida, S.A., were spun off, the remainder of its business, together with Banco Santander Portugal, S.A. (BSP), having been incorporated by merger into CPP, which changed its name to the present one.

On May 3, 2010, the Bank carried out the merger by incorporation of Banco Santander de Negócios Portugal, S.A. (BSN). The transaction was recorded for accounting purposes with reference to 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).

On December 20, 2015, following the resolution measure applied by the Bank of Portugal to Banif – Banco Internacional do Funchal, S.A. (Banif), the Bank acquired the banking business and a set of assets, liabilities, off-balance-sheet items and assets under management of this entity.

Following the decision of the Single Resolution Board with regard to the application of a resolution measure to Banco Popular Español, S.A., taken on June 7, 2017, through the instrument for the sale of the whole of the business, with the transfer of the entirety of the shares representing the share capital of Banco Popular Español, S.A., to Banco Santander, S.A., the latter came to hold, indirectly, the entire share capital and voting rights of Banco Popular Portugal, S.A. (BAPOP). In this regard, on December 27, 2017, the Bank purchased the entire capital and voting rights of BAPOP, carrying out on that date the merger by incorporation.

The Bank is engaged in obtaining third-party financial resources, in the form of deposits and otherwise, which it invests, together with its own funds, in every sector of the economy, mainly in the form of extending credit or in securities, while also providing other banking services in the country and abroad.

The Bank has a nationwide network of 332 branches (339 branches as at December 31, 2022). It also has several branches and representation offices abroad, and holdings in subsidiaries and associates.

The Bank's financial statements for financial year 2023 were approved at the Board of Directors' meeting on April 23, 2024. These financial statements are also subject to approval by the Shareholders' General Meeting, but the Board of Directors is convinced that they will be approved with no significant changes.

1. BASES OF PRESENTATION AND MAIN ACCOUNTING POLICIES

1.1. Bases of Presentation of the Accounts

The Group's consolidated financial statements have been prepared on a going concern basis, based on the books and accounting records maintained in accordance with the principles enshrined in the International Financial Reporting Standards (IAS / IFRS), as endorsed by the European Union and effective as at January 1, 2023, in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, of July 19, transposed into Portuguese law by Decree-Law 35/2005, of February 17, and by Bank of Portugal Notice No. 5/2005, of December 30. As regards Group companies that use different accounting standards, adjustments are made for conversion to the IAS / IFRS.

The accounting policies used by the Bank in preparing the consolidated financial statements as at December 31, 2023, are consistent with those used in preparing the consolidated financial statements with reference to December 31, 2022.

As from financial year 2020, the Bank has presented its financial statements according to the guidelines of Execution Regulation (EU) 2017/1443 of the Commission, of June 29, 2017, revoked by Execution Regulation (EU) 2021/451 of the Commission, of December 17, 2020.

The consolidated financial statements are presented in thousands of Euros, rounded to the nearest thousand, except where otherwise indicated.

In preparing the financial statements, the Bank follows the historical cost convention, modified, when applicable, by measuring the fair value of: - Financial assets held for trading; - Non-trading financial assets mandatorily at fair value through profit or loss; - Financial assets at fair value through other comprehensive income; - Financial liabilities held for trading; - Derivatives - hedge accounting; and Investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, also implying judgement by the Board as to the application of the Group's accounting policies. The areas of the financial statements involving a greater degree of judgement or complexity, or the areas in which the assumptions and estimates are significant in the preparation of this set of financial statements are detailed in Note 2.

The Bank's financial statements have been prepared on a going concern basis, as the Board of Directors considers that the Bank has the necessary resources to continue operating. The assessment made by the Board of Directors is based on a wide range of information related to current and future conditions, including projections of future profitability, cash flows, capital requirements and sources of financing.

Within the scope of the application of the IFRS as approved by the European Union, the Bank adopted the following standards, amendments and interpretations with reference to January 1, 2023:

- **IAS 1** (amendment), 'Disclosure of accounting policies'. Amendment to the requirement to disclose the accounting policies based on "material", instead of "significant". The amendment specifies that accounting policy information is expected to be material if, in its absence, the users of the financial statements would be unable to understand other material information in those same financial statements. Information on immaterial accounting policies need not be disclosed. The IFRS Practice Statement 2 was also amended to provide guidance for the application of the concept of "material" to accounting policy disclosures.

- **IAS 8** (amendment), 'Disclosure of accounting estimates". This amendment introduces the definition of accounting estimate and the way it is distinct from changes to accounting policies. The accounting estimates are defined as corresponding to monetary amounts that are subject to measurement uncertainty, used to achieve an accounting policy's objective(s).

- **IFRS 17** (new and amendment), 'Insurance contracts'. This new standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts or investment contracts with discretionary participation in profit or loss if the entity issues insurance contracts. Under IFRS 17, insurers need to assess if a policy holder can benefit from a particular service as part of a claim or if the service is independent of the claim / risk event and do the unbundling of the non-insurance component. Under IFRS 17, the entities will need to identify portfolios of insurance contracts at initial recognition and divide them into a minimum of the following groups: i) contracts that are onerous at inception; ii) contracts that have no significant possibility of becoming onerous subsequently; and iii) remaining contracts in the portfolio. IFRS 17 requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. IFRS 17 requires a company to recognise profits as it delivers insurance services (rather than when it receives premiums), and to provide information about insurance contract profits the company expects to recognise in the future. IFRS 17 provides three measurement approaches for the accounting of different types of insurance contracts: i) General Measurement Model (GMM); ii) the Premium Allocation Approach (PAA), and iii) the Variable Fee Approach (VFA). IFRS 17 is applied retrospectively with some exemptions as at the transition date.

- **IFRS 17** (amendment), 'Initial Application of IFRS 17 and IFRS 9 – Comparative Information'. This amendment relates only to insurers' transitioning to IFRS 17 and allows the adoption of a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. This amendment seeks to avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented, when applying IFRS 17 for the first time, providing for (i) the application on a financial asset-by-financial asset basis; (ii) the presentation of comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but without requiring an entity to apply the impairment requirements of IFRS 9; and (iii) the obligation to use reasonable and supported information available at the transition date, to determine how the entity expects that financial asset to be classified in accordance with IFRS 9.

- **IAS 12** (amendment), 'Deferred tax related to assets and liabilities arising from a single transaction'. IAS 12 will require entities to recognise deferred tax on specific transactions that, on initial recognition, give rise to equal amounts of taxable and deductible timing differences. This applies to the recognition of i) right-of-use assets and lease liabilities; and ii) decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related asset, when not relevant for tax purposes. Such timing differences are excluded from the scope of the deferred tax recognition exemption on the initial recognition of assets or liabilities. This amendment is applied retrospectively.

- **IAS 12** (amendment), 'International tax reform – Pillar two model rules'. Following the implementation of the OECD's Global Anti-Base Erosion ("GloBE") rules, there may be significant impacts on the calculation of deferred taxes of the entities impacted which, at this date, are difficult to estimate. This amendment to IAS 12 introduces: i) a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and ii) targeted disclosure requirements for affected entities (entities belonging to multinational groups that have consolidated revenues of €750m in at least two out of the last four years), such as: the fact that the exception was applied, the current tax expense related to Pillar Two rules, and the reasonable estimate of the impact of Pilar Two rules between the date the legislation becomes enacted and the date it becomes effective (Note 1.3 k)).

With the adoption of the standards and interpretations no material impacts were identified on the consolidated financial statements.

Standards (new and amendments) published, which application is mandatory for annual periods beginning on or after January 1, 2024, and that the European Union has already endorsed:

- **IAS 1** (amendment), 'Classification of liabilities as non-current and current' and 'Non-current liabilities with covenants'. These amendments clarify that liabilities are classified as either current or non-current balances depending on the rights that an entity must defer its settlement for at least 12 months after the reporting date. They clarify also that the covenants that an entity is required to comply with, on or before the reporting date, affect the classification of a liability as current or non-current, even if the covenants are only assessed after the entity's reporting date. When an entity classifies liabilities arising from loan arrangements as non-current and those liabilities are subject to covenants, it is required to disclose information that enables investors to assess the risk that the liabilities could become repayable within 12 months, such as: a) the carrying amount of the liabilities; b) the nature of the covenants and the compliance date; and c) the facts and circumstances that indicate the entity may have difficulty complying with covenants when it is required to do so. These amendments are applied retrospectively.

- **IFRS 16** (amendment), 'Lease liability in a sale and leaseback' (effective for annual periods beginning on or after 1 January 2024). This amendment is still subject to endorsement by the European Union. The amendment introduces guidance for the subsequent measurement of lease liabilities, in the scope of sale and leaseback transactions that qualify as "sales" under IFRS 15, with higher impact when some or all the lease payments are variable lease payments that do not depend on an index or rate. Whilst subsequently measuring lease liabilities, seller-lessees determine "lease payments" and "revised lease payments" in a way that does not result in the seller-lessees recognizing any gains / (losses) relating with the right of use that they retain. This amendment is applied retrospectively.

With the adoption of the standards and interpretations no material impacts were identified on the consolidated financial statements.

Standards (new and amendments) published, which application is mandatory for annual periods beginning on or after January 1, 2024, and that the European Union has not yet endorsed:

- **IAS 7** (**IAS 7** (amendment) and **IFRS 7** (amendment), 'Supplier finance arrangements'. These amendments are still subject to endorsement by the European Union. Supplier financing arrangements are characterised by the existence of a financier who undertakes to pay the balances that an entity owes to its suppliers and the entity, in turn, agrees to pay in accordance with the terms and conditions of the arrangements, on same date, or later, to the date of payment to the suppliers. These amendments require an entity to provide additional disclosures about its supplier finance arrangements to enable: i) the assessment of how supplier finance arrangements affect an entity's liabilities and cash flows; and ii) the understanding of the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available. The additional requirements complement presentation and disclosure requirements already in IFRS as set out in the IFRS IC's Agenda decision of December 2020.

- **IAS 21** (amendment), 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability'. This amendment is still subject to endorsement by the European Union. This amendment adds requirements for determining whether a currency can be exchanged for another currency (exchangeability) and defining how to determine the spot exchange rate to be used when it is not possible to exchange a currency for a long period of time. This change also requires the disclosure of information that allows understanding how the currency that cannot be exchanged for another currency affects, or is expected to affect, the financial performance, financial position and cash flows of the entity, in addition to the spot exchange rate used on the reporting date and how it was determined.

With the adoption of the standards and interpretations no material impacts were identified on the consolidated financial statements.

1.2. Consolidation of subsidiaries and entities under joint control, and recording of associates (IFRS 10, IFRS 11, IAS 28 and IFRS 3)

The consolidated financial statements now presented reflect the assets, liabilities, income, expenses, other comprehensive income and cash flows of the Group and of the entities directly or indirectly controlled by it (Note 4), including special-purpose entities.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it has the power to direct the relevant activities of the entity, and when it is exposed to, or is entitled to, the variability in returns arising from its involvement with that entity and can take those over through the power it has over relevant activities of that entity. The financial statements of subsidiaries are consolidated using the full consolidation method from the moment the Group takes control over their activities until the moment when the control ceases. Transactions and balances between the companies subject to consolidation have been eliminated. In addition, when applicable, consolidation adjustments are made to ensure consistency in the application of accounting principles. The amount corresponding to third-party shareholdings in the subsidiaries consolidated using the full consolidation method is presented in the caption "Non-controlling interests" (Note 22). Additionally, as a result of the application of IFRS 10 – "Consolidated Financial Statements", the Group includes in its consolidation perimeter special purpose entities, namely vehicles and funds created in the scope of securitisation operations, when exercising effective financial and operating control over them and when it is exposed to the majority of the risks and benefits associated with the respective activity.

The accumulated losses of a subsidiary are allocated to the non-controlling interests in the proportion held, which might imply recognition of non-controlling interests of a negative amount.

In a step-acquisition transaction resulting in the acquisition of control, any non-controlling interest previously held is revalued at fair value with a contra entry in profit or loss at the time of calculation of the goodwill. At the time of a partial sale, resulting in loss of control over a subsidiary, any remaining non-controlling interest held is revalued at fair value on the date of sale and the gain or loss resulting from such revaluation is recorded with a contra entry in profit or loss. At the time of a partial purchase or partial sale that does not result in a change of control, the result of that transaction is recognised against retained earnings.

On the other hand, the Group manages assets held by investment funds, which units are held by third parties. The financial statements of investment funds are not included in the Group's consolidation perimeter, except when the latter holds control of these investment funds, namely when it has more than 50% of its investment units, in which case those funds are consolidated by the full consolidation method. In accordance with IAS 32 and IFRS 10, the amount corresponding to third-party participation in investment funds consolidated by the full consolidation method is presented as a liability in the caption "Share capital redeemable at sight". The profit or loss of the Novimovest Fund, not controlled by the Group, are recognised as a deduction from the captions "Other operating income / expenses", considering the nature of the main income earned by that fund.

Financial investments in associates are measured using the equity method as from the moment the Group comes to have significant control until such time as it ceases. Associates are entities over which the Group has significant influence but does not control them.

Significant influence is understood to exist when one has a (direct or indirect) financial holding of more than 20% but less than 50% (with voting rights proportionate to the holding) or the power to take part in decisions on the financial and operational policies of an entity, but without control or joint control over it.

Under the equity method, the consolidated financial statements include the portion attributable to the Group of the total equity and of the profits and losses recognised by the associates. Dividends attributed by associates reduce the amount of the investment made by the Group. The Group performs impairment tests for its investments in associates whenever there are signs of impairment. Impairment losses recorded in prior years may be reversible, up to the limit of the accumulated losses. The Group recognises impairment for its investments in associates if it has assumed obligations, or if it has made payments to third parties for the benefit of the associates.

The accounting policies of subsidiaries and associates are altered, where necessary, to ensure that they are applied consistently by all Group companies.

1.3. Summary of the Material Accounting Policies

The material accounting policies used in the preparation of the attached financial statements were as follows:

a) Accrual accounting

The Bank uses the accrual-accounting principle for most captions of the financial statements. Thus, expenses and income are recorded as and when generated, regardless of the time of payment or receipt.

b) Foreign currency transactions

The Bank's accounts are prepared in the currency of the economic environment in which it operates ("functional currency") and are stated in Euros.

Transactions in currencies other than the functional currency, and the corresponding income and expenses, are recorded at the exchange rate ruling on the date on which they occur. On each reporting date, assets and liabilities stated in a currency other than the functional currency are translated at the closing exchange rate (Bank of Portugal fixing).

As of December 31, 2023 and 2022, the exchange rates of the main currencies other than the functional currency were:

	31-12-2023	31-12-2022
Currency		
USD	1.1050	1.0666
GBP	0.8690	0.8869

c) Financial instruments

The classification of **financial assets** follows three main criteria:

- The business model under which financial assets are managed;
- The type of financial instrument, that is (i) derivative financial instruments, (ii) equity instruments or (iii) financial debt instruments; and
- The contractual cash flow characteristics of the financial debt instruments (which represent only payments of principal and interest).

In this connection, the categories of financial assets laid down for financial debt instruments are:

- A financial debt instrument that (i) is managed under a business model which objective involves keeping the financial assets in the portfolio and receiving all of their contractual cash flows and (ii) has contractual cash flows on specific dates that correspond exclusively to the payment of principal and of interest on the outstanding principal – must be measured at amortised cost unless designated at fair value through profit or loss under the fair value option – “Hold to Collect”.

- A financial debt instrument that (i) is managed under a business model which objective is achieved either through the receipt of contractual cash flows or through the sale of financial assets and (ii) include contractual clauses that give rise to cash flows that correspond exclusively to the payment of principal and of interest on the outstanding principal – must be measured at fair value through other comprehensive income (“FVTOCI”), unless it is designated at fair value through profit or loss under the fair value option – “Hold to Collect & Sale”.

- All other financial debt instruments must be measured at fair value through profit or loss (“FVTPL”).

The Bank assessed its business models based on a broad set of indicators of which emphasis is given to its business plan and current risk-management policies. For the “Hold to Collect” business model, to assess the frequency and materiality of the sales, quantitative thresholds were defined based on past experience. The sales projected for the financial assets classified in this business model do not exceed the thresholds defined by the Bank.

The other financial instruments, specifically equity instruments and derivatives, the latter by definition, are classified at fair value through profit or loss. For equity instruments, there is the irrevocable option of designating that all fair value variations are recognised under other comprehensive income, in which case, only the dividends are recognised in profit or loss, because gains and losses are not reclassified to profit or loss even when they are derecognised / sold.

Reclassifications between financial instrument portfolios

According to the requirements of IFRS 9, reclassification between financial instrument portfolios can only take place if the Bank decides to change the business model to manage a portfolio of financial assets. According to said standard, these changes must be infrequent and must comply with the following requirements, namely:

- The change in the respective business model must be made by Management;
- This change is expected to have a significant impact on the entity's operations; and
- The change must be demonstrable to external entities.

Sale of loans

Gains and losses obtained on the sale of loans on a definitive basis are recorded in the statement of profit or loss caption "Impairment of financial assets at amortised cost". These gains or losses correspond to the difference between the selling price that was set and the carrying amount of those assets, net of impairment losses.

Securitised loans not derecognised

The Bank does not derecognise from assets loans sold in securitisation operations when:

- It maintains the control over the operations;
- It continues to receive a substantial part of their remuneration; and
- It maintains a substantial part of the risk of the loans transferred.

Loans sold and not derecognised are carried under "Financial assets at amortised cost – loans and advances" and are subject to accounting criteria identical to other credit operations. Interest and commissions associated with the securitised loan portfolio are accrued in keeping with the respective term of the credit operations.

Maintenance of the risk and/or benefit is represented by bonds of a higher risk issued by the securitisation vehicle. The amount carried under assets and liabilities represents the proportion of the risk / benefit held by the Bank (ongoing involvement).

The bonds issued by securitisation vehicles and held by Group entities are eliminated in the consolidation process.

Derecognition

Assets are derecognised when (i) the Bank's contractual right to receive their cash flows expires, (ii) the Bank has substantially transferred all the risks and benefits inherent in holding them; or (iii) notwithstanding retaining a part, but not substantially the whole, of the risks and benefits inherent in holding them, the Bank has transferred control over the assets.

Guarantees provided and irrevocable commitments

Liabilities for guarantees provided and irrevocable commitments are recorded in off-balance-sheet accounts for the value-at-risk, and interest flows, commissions or other income are recorded in profit or loss over the life of these transactions.

Guarantees provided are initially recognised at fair value, which is normally evidenced by the amount of the fees received over the duration of the contract. At the time of the contractual breach, the Bank has the right to reverse the guarantee, with the amounts being recognised under Financial assets at amortised cost after the transfer of the loss compensation to the beneficiary of the guarantee.

Recognition of income and expenses from fees and commissions

Income from fees and commissions obtained in the execution of a significant act, such as commissions on loan syndications, are recognised in profit or loss when the significant act has been finalised.

Income from fees and commissions obtained as the services are provided are recognised in profit or loss for the financial year to which it refers.

Income from fees and commissions that form an integral part of the remuneration of financial instruments are recorded in profit or loss using the effective interest rate method.

Recognition of expenses with fees and commissions is measured using the same criteria adopted for income.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity and debt instruments that are recorded at the time of their initial recognition at fair value, plus transaction expenses, and subsequently measured at fair value. Gains and losses related to subsequent changes in fair value are reflected under a specific equity caption named "Accumulated other comprehensive income" until their sale, when they are reclassified to profit or loss for the financial year, except for equity instruments that remain in equity.

The interest is calculated in accordance with the effective interest-rate method and carried in profit or loss under Interest income.

Income from floating-rate securities is recognised in the statement of profit or loss under Dividend income on the date when they are attributed. In accordance with this criterion, interim dividends are recorded as income in the year in which their distribution is decided.

Financial assets and liabilities held for trading and non-trading financial assets mandatorily at fair value through profit or loss

Financial assets held for trading include floating income securities traded on active markets acquired for the purpose of their sale in the short term. Economic and trading derivatives with net amount receivable (positive fair value), as well as options bought are included under Financial assets held for trading. Economic and trading derivatives with net amount payable (negative fair value), as well as options sold are included under Financial liabilities held for trading.

Financial assets and liabilities held for trading and non-trading financial assets mandatorily at fair value through profit or loss are initially recognised at fair value, with the expenses associated with the transactions being recognised in profit or loss at the initial moment. Gains and losses arising from subsequent valuation at fair value are recognised in the statement of profit or loss, under the captions "Gains or losses on financial assets and liabilities held for trading, net" and "Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net", respectively.

The fair value of financial assets held for trading and traded on active markets is their most representative bid-price, within the bid-ask interval, or their closing price on the reporting date. If a market price is not available, the fair value of the instrument is estimated based on valuation techniques, including price valuation models or discounted cash flow techniques. When discounted cash flow techniques are used, the future financial flows are estimated in keeping with management's expectations, and the discount rate used corresponds to the market rate for financial instruments of similar characteristics. In the price valuation models, the data used correspond to information on market prices.

The fair value of derivative financial instruments that are not traded on the stock market, including the credit risk component assigned 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 the date in question, considering current market conditions, as well as the credit rating of the parties involved.

Financial liabilities measured at amortised cost

Financial liabilities are initially recognised at their fair value, which normally corresponds to the consideration received, net of transaction costs, and are measured at amortised cost, in accordance with the effective interest rate method.

Financial liabilities correspond mainly to resources of central banks and of other credit institutions, customers' deposits and debt securities issued.

<u>Repo Operations</u>

Securities sold with repurchase agreement are kept in the portfolio where they were originally recorded. Funds received are recorded on the settlement date, in a specific account under liabilities, with accrual of the respective interest payable.

<u>Secondary market transactions</u>

The Bank repurchases bonds issued in the secondary market. Purchases and sales of own bonds are included proportionally under the respective bonds issued captions (principal, interest and commissions) and the differences between the amount settled and the respective carrying amount are immediately recognised in profit or loss.

Hedge accounting

The IFRS 9 hedge accounting model aims not only to simplify the process of creating and maintaining hedging relationships, but also to align the accounting of these relationships with the risk-management activities of each institution, extend the eligibility of a greater number of hedged and hedging instruments, but also types of risk.

IFRS 9 still does not provide rules for the accounting of the so-called macro-hedges, with these still to be defined by the IASB. Because of this limitation of IFRS 9, and regarding hedge accounting, institutions may choose to maintain the accounting principles of IAS 39 (only for hedge accounting) until completion of the macro-hedging project by the IASB. In this context, the Bank decided to continue applying the hedge accounting defined within the scope of IAS 39.

The Bank uses derivative financial instruments, namely, to hedge the interest-rate risk arising from financing and investing activities. Derivatives that qualify for hedge accounting are measured at their fair value and gains or losses are recognised in keeping with the Bank's hedge-accounting model.

Under the terms of the standard, the application of hedge accounting is only possible when all the following requirements are met:

- Existence of formal documentation of the hedging relationship and of the Bank's risk-management strategy;
- Initial expectation that the hedging relationship is highly effective;
- The effectiveness of the hedge can be reliably measured;
- The hedge is valued on a continuous basis and effectively determined as being highly effective throughout the financial reporting period; and
- Regarding the hedging of a planned transaction, the latter is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Hedge accounting is only applied when all those requirements are met. Likewise, if at any time the hedge effectiveness ceases to be in the range between 80% and 125%, hedge accounting is discontinued.

Fair value hedges

Gains or losses on the revaluation of a hedging derivative financial instrument are recognised in profit or loss. Should the hedge be effective, the gains or losses resulting from the fair value changes of the hedged item relative to the risk being hedged are also recognised in profit or loss.

If a hedging instrument matures or is terminated early, the gain or loss recognised on the valuation of the hedged risk as value adjustments of the hedged items is amortised over its remaining term. If the hedged asset or liability is sold or settled, all amounts recognised on the valuation of the hedged risk are recognised in profit or loss for the financial year and the derivative financial instrument is transferred to the trading portfolio. If the hedge is no longer effective, the gains or losses recognised as value adjustments of the hedged items are amortised through profit or loss during their remaining term.

In the case of exchange-rate hedges of monetary items, hedge accounting is not applied, and the gain or loss on the derivative is recognised in the statement of profit or loss, as are foreign-exchange variations of the monetary items.

Cash flow hedges

Cash flow hedges are understood to be the hedge of an exposure relating to the variability of future cash flows, which may be assigned to a specific risk associated with a recognised asset or liability, or to a highly probable future transaction, and may affect profit or loss.

In this sense, the Bank contracted financial derivatives to hedge the future interest flows of part of its mortgage loan portfolio remunerated at a floating rate.

The application of cash flow hedge accounting is subject to the general requirements referred to above for hedge accounting and entails the following records:

- The gain or loss on the hedging instrument in the part considered effective is recognised directly in a specific caption of equity; and
- The non-effective part is recorded in profit or loss.

Additionally, the gain or loss on the hedging instrument recognised in equity corresponds to the lesser of the following amounts:

- The accumulated change in the fair value of the hedging instrument from the start of the hedge; and
- The accumulated change in the fair value of the hedged item, related to the risk hedged, from the start of the hedge.

In this sense, and if applicable, the part not recognised in equity of the gain or loss on the hedging instrument is reflected in profit or loss.

Cash flow hedge accounting must be discontinued if the hedging instrument expires or is terminated early if the hedge ceases to be effective or if it is decided to terminate the designation of the hedging relationship. In these cases, the cumulative gain or loss resulting from the hedging instrument must continue to be separately recognised in equity and is reflected in profit or loss in the same period of time as the recognition in profit or loss of the gains or losses of the hedged item. Should the Bank hedge a transaction that is not expected to be realised, the amount of the derivative still recognised in equity is immediately transferred to profit or loss, with the derivative being transferred to the Bank's trading portfolio.

Loan impairment

IFRS 9 determines that the concept of impairment based on expected losses is to be applied to all financial assets except for financial assets at fair value through profit or loss and equity instruments measured at fair value through other comprehensive income.

The Bank applies the IFRS 9 concept to financial assets at amortised cost, debt instruments and loans and advances at fair value through other comprehensive income, off-balance-sheet exposures, finance leasing, other receivables, financial guarantees and loan commitments not measured at fair value.

Except for purchased or originated credit-impaired financial assets (referred to as POCI) (which are described separately below), impairment losses must be estimated through a provision for losses of an amount equal to:

- expected credit-risk loss at 12 months, that is, the total estimated loss resulting from default events of the financial instrument that are possible within 12 months of the reporting date (called Stage 1);

- or expected credit-risk loss to maturity, that is, the total estimated loss resulting from all possible default events throughout the life of the financial instrument (referred to as Stage 2 and Stage 3). A provision for expected credit-risk loss to maturity is required for a financial instrument if the credit risk of that financial instrument has increased significantly since the initial recognition or if the financial instrument is impaired.

The expected credit-risk loss is an estimate weighted by the probability of the present value of the loan losses. This estimate results from the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the effective interest rate of the financial instruments.

The Bank measures the expected loss individually or on a collective basis for portfolios of financial instruments that share similar risk characteristics. The measurement of the provision for losses is based on the present value of the expected cash flows of the asset determined using the original effective interest rate of the asset, regardless of being measured individually or collectively.

Impaired financial assets

A financial asset is impaired when one or more events that have a negative impact on the estimated future cash flows of the financial asset have occurred. Financial assets with a reduction of the recoverable amount of the loans are referred to as Stage 3 assets. The Bank adopted in 2021 the new definition of default as the criterion for the identification of Stage 3 loans, following the recommendation of EBA GL 2017/06. The internal definition of non-performing loans is governed by objective and subjective criteria and is used for the calculation of the regulatory capital using advanced credit-risk methods.

Purchased or originated credit impaired (POCI) financial assets

Financial assets classified as POCI are treated differently on initial recognition as at the acquisition date, since they are in an impaired situation. In the revaluation of the assets, the expected loss to maturity is applied. The associated interest is calculated by applying the effective interest rate to the net amount.

Significant increase of the credit risk

The Bank monitors all financial assets to assess whether there has been a significant increase of the credit risk since their initial recognition. If there has been a significant increase of the credit risk, the Bank estimates the provision for expected credit-risk loss to maturity (PDLT (lifetime)) and not over 12 months.

The Bank uses scoring and rating systems for internal credit-risk management. These ratings allow an assessment of the risk level of the transactions or of the customer at all times and are considered in the credit-risk approval and monitoring decisions. The models are based on series of data that are considered predictors of the risk of default and which apply judgements, that is, the credit-risk ratings are defined using qualitative and quantitative factors that are indicative of the risk of default. The ratings consider current characteristics and past events, and their significance for the level of risk is studied.

The Bank uses different criteria to determine if the credit risk has increased significantly per asset portfolio, in particular:

- Limits of relative variation of the accumulated PD for the residual maturity of the transaction. The limits of relative variation are differentiated by PD level to the extent that variations of risk in very low risk transactions may not represent a significant increase of the risk. It should be noted that customers with no alteration of the credit-risk rating can have a significant deterioration (accumulated PD variation above the defined limit) due to the evolution of the residual term (sensitivity of the transactions differentiated over time) or due to changes in future expectations regarding the economy.

- Regardless of the outcome of the aforesaid assessment, the Bank assumes that the credit risk of a financial asset has increased significantly since initial recognition when there are contractual payments overdue by more than 30 days, as well as other indicators that point to the deterioration of the credit quality of the customers (e.g., loans identified as restructured due to financial difficulties, customers with exposures in arrears in the Bank of Portugal's Central Credit Register).

Measurement of expected credit-risk loss for impairment-loss purposes

Credit risk parameters

The main concepts used to measure the expected credit-risk loss are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These concepts are calculated through statistical models developed internally and are adjusted to reflect prospective information.

PD is an estimate of the likelihood of default over a given time horizon. The models that have been developed estimate this probability over sufficiently broad horizons for application to the residual maturity of the financial assets. The calculation is based on statistical classification models (rating and scoring) that detail the level of risk of the different counterparties. The classification models (rating and scoring) are used in the management and are based on internal data comprising both quantitative and qualitative factors. The estimate is based on current conditions, adjusted to consider the estimates of future conditions that will affect the PD.

LGD is an estimate of the total loss, should the asset enter default. It is based on the difference between the contractual cash flows due and those that the Bank expects to receive, considering the cash flows of existing guarantees. The LGD models for secured assets consider the valuation of the guarantees, considering selling expenses, the time to execute the guarantees, collateralisation level, etc. The LGD models for unsecured assets consider recovery time, recovery rates and recovery expenses. The calculation is based on cash flows discounted at the original effective interest rate of the loan. The estimate is based on current conditions, adjusted to consider the estimates of future conditions that will affect the LGD.

EAD is an estimate of exposure on a date of future default, considering the expected changes in the exposure after the reporting date. The Bank's modelling approach for EAD reflects the expected changes in the outstanding balance over the loan's lifetime exposure allowed by the current contractual terms, such as amortisation profiles, total or partial early repayment, and changes in the use of unused commitments before entry into default.

The Bank assesses the expected credit-risk loss for impairment-loss purposes, considering the risk of default during the maximum contractual period during which the entity is exposed to the credit risk. However, for financial instruments such as credit cards, credit lines and overdraft facilities that include a loan and an unused commitment component, the Bank's contractual ability to demand repayment and to cancel the unused commitment does not limit the Bank's exposure to loan losses during the contractual notice period. For such financial instruments, the Bank measures the expected credit-risk loss for the period historically observed to be the average life of these instruments.

Collective analysis

When the expected credit-risk loss is measured collectively, the financial instruments are grouped based on common risk characteristics, such as instrument type, customer type, credit-risk level as measured by the rating or scoring system, type of collateral, date of initial recognition, relationship between loan and value of the guarantee (LTV) and incorporation of forward-looking information.

The groupings are reviewed regularly to ensure that each group comprises homogeneous exposures.

In relation to the calculation of the expected loss through collective analysis, same results from the product of the financial asset's PD, LGD and EAD, discounted at the original effective interest rate of the asset.

Individual analysis

The process of impairment loss quantification through individual analysis is applied to customers with individually significant (exposure greater than Euros 1 million or lower when approved) Stage 3 exposure (assets impaired and in default).

The process involves the calculation of an estimated loss, considering foreseeable future cash flows under several different scenarios, each using specific factors and circumstances of the customers, namely execution of guarantees in situations in which customers do not generate sufficient cash flows for the payment of the debt, or projection and discounting of the cash flows of the deal for the remaining customers. The net present value of the cash flows is calculated considering the original effective interest rate of the contracts.

This assessment process is updated at least every quarter but occurs more frequently if there are changes of circumstances that may affect the cash flow scenarios.

Incorporation of forward-looking information

The Bank's Office of Economic Studies models economic-forecast scenarios for the Bank's various planning exercises, namely budgeting, strategic planning and ICAAP. In this connection, different macroeconomic scenarios are generated, including two acid (pessimistic) scenarios, one base scenario and two optimistic scenarios.

For impairment-loss purposes, an acid (pessimistic) scenario (21.9%), a base scenario (48.7%), an optimistic scenario (12.7%) and a climate/downside scenario (16.7%) are used. The Bank applies probabilities to the forecast scenarios identified. The base scenario is the most likely outcome and consists of information used by the Bank for strategic planning and budgeting. The estimates are updated at least once a year and are subject to annual monitoring exercises.

d) Leases

Right of use and lease liability measurement method

IFRS 16 defines a set of requirements, namely regarding the classification and measurement of lease transactions from the lessee's perspective. As a lessee, the Bank records a right-of-use asset that is recognised in the captions "Property, plant and equipment" and "Intangible assets" (Note 12) and a lease liability that is recognised in the caption "Financial liabilities measured at amortised cost - other financial liabilities - commitments for future rents" (Note 16), on the date of entry into force of the respective transaction:

i. The lease liability is measured at the present value of the future rents to be incurred during the term of the contract, using a discount rate differentiated by maturity. Fixed payments, variable payments that depend on a rate or index, values relating to the exercise of the call option, are considered when estimating the liability, when the Bank is reasonably certain that it will exercise its right.

   The lease liability is remeasured whenever a contractual change occurs, and the moment the lease liability is revalued the effects of the revaluation are recognised against the right-of-use (asset). If there is a change in the term of the contract or a change in the assessment of the exercise of the option, a new discount rate must be estimated, and the liability is consequently remeasured.

ii. The right of use is initially measured at cost by the value of the lease liability, adjusted for subsequent contractual changes, being depreciated using the straight-line method until the end of the contract, and subject to impairment tests. The expenses to be incurred with the dismantling or removal of these assets become part of the right-of-use asset.

Use of practical expedients provided for in the standard

The Bank applies a set of practical expedients provided for in the standard, namely: low-value leases; short-term leases and the non-inclusion of initial direct expenses incurred in calculating the right of use; when measuring lease liabilities, the non-lease components included in lease contracts are not separated.

e) Property, plant and equipment

Property, plant and equipment used by the Bank to carry on its business are measured at purchase cost (including directly attributable expenses), less accumulated depreciation and impairment losses, when applicable.

Depreciation of property, plant and equipment is accrued systematically, in monthly instalments, over the period of the estimated useful life of the assets, which corresponds to the period during which the assets are expected to be available for use, as detailed hereunder:

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

Non-recoverable expenditures incurred with construction work on buildings that are not owned by the Bank (leased) are depreciated over a period compatible with their expected useful life, or the lease contract, if less, which on average corresponds to a period of ten years. Maintenance and repair expenses are recognised under the caption "Administrative expenses - Other administrative expenses".

Whenever there is an indication that property, plant and equipment may be impaired, an estimate of their recoverable value is made. To this end, the branches are considered cash flow generating units, and impairment losses are recorded in situations where the recoverable amount of the property where the branch is located, through its use in the operations or through its sale, is less than its net carrying amount. Impairment losses are recognised in the statement of profit or loss, and they are reversed in subsequent reporting periods when the reasons for their initial recognition cease. To this end, the new depreciable amount shall not exceed its carrying amount had impairment losses not been assigned to the asset, considering the depreciation that it would have undergone.

The criteria followed in the valuation of property normally consider the market comparison method, and the valuation amount corresponds to the market value of the property in its current state.

The own-use properties not allocated to the operations with promissory purchase / sale agreements are accounted in the caption "Non-current assets and disposal groups classified as held for sale" and those that are available for sale are accounted for under Other assets. These assets are transferred at their net carrying amount in accordance with IAS 16 (purchase cost, net of accumulated depreciation and impairment losses), being tested for impairment at the time of the reclassification and subsequently undergoing periodic valuations to determine possible impairment losses.

Gains and losses on the sale of these assets are recognised under "Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations".

f) Intangible assets

The Bank records under this caption expenditure incurred during the development stage of projects relating to information technologies implemented and being implemented, as well as those relating to software purchased; in every case where their expected impact will be reflected in years subsequent to that in which they are realised.

Amortisation of intangible assets is accrued, monthly, over their estimated period of useful life, which is three years on average.

Internally developed software are recognised under intangible assets when, among other requirements, it can be verified that they are usable and capable of being sold and, additionally, that they are identifiable, and it is possible to demonstrate their ability to generate future economic benefits.

g) Investment property

Investment property comprise buildings and land held by Novimovest - Fundo de Investimento Imobiliário Aberto (hereinafter also referred to as "Novimovest Fund" or "Novimovest Real Estate Fund") to earn income or for capital appreciation or both, and not for use in the provision of goods or services or for management purposes.

Investment properties are measured at fair value, determined by periodic valuations performed by specialised independent entities. Changes in the fair value of investment property are recognised directly in the statement of profit or loss for the financial year.

Expenses incurred with investment property in use, namely maintenance, repairs, insurance and property taxes (municipal property tax) are recognised in the statement of profit or loss for the financial year to which they refer. Betterments that are expected to generate additional future economic benefits are capitalised.

h) Non-current assets and disposal groups classified as held for sale

The Bank essentially recognises under the caption "Non-current assets and disposal groups classified as held for sale" real estate (elsewhere also referred to as property), equipment and other assets received by way of payment in kind for the payment of overdue loan transactions when they are available for immediate sale in their present condition and there is a likelihood of their sale within a one-year period. If they do not meet these criteria, those assets are carried under the caption "Other assets" (Note 14).

Regarding assets received as payment in kind, their initial recognition is at the lower of their fair value, less expected selling expenses and the carrying amount of the loans granted constituting the object of the recovery. On the other hand, assets recovered following the termination of finance lease contracts are recorded in assets at the value of the principal owed at the date of termination of the contract. Subsequently, these assets are measured at the lower of the initial recognition amount and fair value less selling expenses, and they are not depreciated. Unrealised losses on these assets, thus determined, are recorded in profit or loss.

Real estate is subject to periodic valuations performed by independent appraisers. As described in Note 15 the methodology most frequently used by the Bank to value this type of asset is the market method. Under this method, the market comparison criterion is based on transaction values of real estate similar and comparable to the real estate under study obtained through market prospecting carried out in the area where it is located.

If, on a subsequent date, the facts that led to the recording of impairment losses no longer exist due to an increase of the fair value less selling expenses, the impairment losses will be reverted up to the limit of the amount that the assets would have had they not been reclassified to this caption.

The Bank does not recognise potential gains on these assets.

i) Provisions

A provision is set aside when there is a present (legal or constructive) obligation resulting from past events in respect of which there will be a probable outflow of funds that can be determined reliably. The amount of the provision corresponds to the best estimate of the amount to be disbursed to settle the liability on the reporting date, in accordance with the information provided by the Bank's legal and tax consultants.

In this way, the caption "Provisions" includes provisions set aside to cover, namely, the post-employment benefits specific to certain members of the Bank's Board of Directors, restructuring plans approved by the Executive Committee, ongoing legal proceedings and other specific risks arising from its business.

j) Employee post-employment benefits

The Bank endorsed the Collective Bargaining Agreement (CBA) for the banking industry, and therefore its employees or their families are entitled to retirement, disability and survivor pensions.

For employees admitted to the Bank up until December 31, 2008, the existing pension plan was a defined benefit plan, in that it established the criteria for the determination of the value of the pension that an employee would receive during retirement in the light of the length of service provided and the respective remuneration on retirement, the pensions being updated annually on the basis of the remuneration provided for in the CBA for personnel in service. For these employees, the Bank is liable for the full amount of the pensions provided for in the CBA.

To cover the liabilities under this defined benefit plan, the Bank has a Pension Fund.

As from January 1, 2009, employees taken on by the Bank came to be included in Social Security and are covered by a supplementary defined-contribution pension plan and by the rights acquired under Clause 93 of the CBA. The plan is funded through contributions by employees (1.5%) and by the Bank (1.5%), calculated based on the actual monthly remuneration. For this purpose, each employee can opt for an open pension fund at his or her choice.

Employees of the former totta have always been enrolled in Social Security, and therefore the Bank's liability regarding the defined benefit plan in respect of those employees has consisted of the payment of retirement supplements.

In October 2010 an agreement was concluded between the Ministry of Labour and Social Solidarity, the Portuguese Banks Association and the Financial Sector Federation (FEBASE), for the inclusion of banking sector employees in the General Social Security Regime. As a result of that agreement, Decree-Law 1-A/2011, of January 3, was published in 2011, which determined that banking sector workers who were in active service on the date of its entry into force (January 4, 2011) would be covered by the General Social Security Regime, as regards old-age pension and in the event of maternity, paternity and adoption. In view of the supplementary nature laid down in the rules of the Collective Bargaining Agreement of the Banking Sector, the Bank continues to cover the difference between the amount of the benefits paid under the General Social Security Regime for the events included and those laid down under the terms of that Agreement.

Liabilities for past services recognised as at December 31, 2010, were not altered with the publication of the aforesaid Decree-Law, since the reduction of the amount of the pensions payable by the Bank related to workers in active service was applicable to the future services of the employees, beginning on January 1, 2011. Thus, the cost of the current service fell as from that date, but the Bank came to bear the Single Social Charge (TSU) of 23.6%. On the other hand, the Bank is still liable for the payment of invalidity and survivor pensions and healthcare benefits.

Following the approval by the Government of Decree-Law 127/2011, of December 31, a Tripartite Agreement has been established between the Government, the Portuguese Banks Association and the Bank Employees Union on the transfer to the sphere of Social Security of the liabilities for pensions payable to retirees and pensioners as at December 31, 2011.

This Decree-Law established that the liabilities to be transferred correspond to pensions payable as at December 31, 2011, at constant values (update rate of 0%) in the component provided for in the CBA. The liabilities in respect of the updates of the pensions, supplementary benefits, contributions to the SAMS on retirement and survivor pensions, death allowances and deferred survivor pensions are still the responsibility of the institutions.

Additionally, employees of the Bank's former London Branch (now representation office) are covered by a defined benefit pension plan, for which the Bank has a separate pension fund.

On the other hand, in February 2010, a supplementary defined-contribution pension plan was approved for several directors of the Bank, insurance having been taken out for the purpose.

On December 20, 2015, following the resolution measure applied by the Bank of Portugal to Banif, the Bank took over the pension liabilities of several Banif employees.

In June 2022, the Board of Directors of the Insurance and Pension Fund Supervisory Authority (ASF) decided to authorise the extinction of the Bank's stake and, in October 2022, Santander Pensões – Sociedade Gestora de Fundos de Pensões, S.A. began to manage the Banif Pension Fund that includes the defined benefit and defined contribution plans. On July 5, 2023, the ASF authorised the extinction through transfer of the Banif pension fund and the change in the constitutive contract of the Santander pension fund. In this sense, as at October 31, 2023, the merger of the Banif pension fund in the Santander pension fund took place.

On August 8, 2016, the Ministry of Labour published a new CBA in the Work and Employment Bulletin (BTE). The most significant changes were the following:

i) Change in the formula for determining the employer's contribution to the SAMS, which is no longer a percentage of the pension but rather a fixed amount (Euros 94.80 per beneficiary and Euros 41.03 in the case of pensioners); and
ii) Introduction of a new benefit called "End of career bonus" (pension bonus). This benefit, because it is allocated on the date of retirement or in the event of death, is considered a post-employment benefit and therefore comes to form part of the retirement liabilities.

On December 27, 2017, within the scope of the purchase and merger of BAPOP, the Bank assumed the pension liabilities of all employees of this entity.

The Bank's liabilities for retirement pensions are calculated by external experts (Mercer (Portugal), Limitada) based on the Projected Unit Credit method. The discount rate used in actuarial studies is determined based on the market rates of the bonds of companies of high quality in terms of credit risk, denominated in the currency in which the benefits will be paid (Euros) and with maturity similar to the end date of the obligations of the plan. The post-employment benefits of employees also include healthcare (SAMS), as well as the death allowance and the bonus on retirement.

According to IAS 19 - "Employee Benefits" remeasurements are recorded directly in equity (other comprehensive income) and under the caption "Administrative expenses - Staff expenses" of the statement of profit or loss, the following components are recognised:

- Cost of current services;
- Net interest with the pension plan;
- Expenses incurred with early retirement, corresponding to the increase of liabilities on retirement; and
- Gains and losses resulting from the alteration of the conditions of the plan.

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

Remeasurement gains and losses, namely: (i) actuarial gains and losses resulting from differences between actuarial assumptions used and the amounts actually incurred (gains and losses of experience), as well as changes of actuarial assumptions, and (ii) gains and losses arising from the difference between the theoretical returns on the Fund's assets and the amounts obtained, are recognised in the statement of profit or loss with a contra-entry in "Other comprehensive income".

Retirement-pension liabilities, less the fair value of the assets of the Pension Fund, are carried under the captions "Other assets" or "Other liabilities," depending on the existence of surplus or insufficient funding. Recognition of a surplus of the fair value of the plan's assets over its discounted liabilities depends on the existence of a reduction of future contributions, or on the reimbursement of contributions made.

Bank of Portugal Notice No. 4/2005 determines the obligation of full funding by the Pension Fund of the liabilities for pensions payable and a minimum level of funding of 95% of the past-service liabilities of personnel in service.

k) Corporate Tax

The Bank is subject to the tax system established in the Corporate Tax Code (IRC). Current taxes are calculated based on the Bank's taxable income, determined in accordance with the tax rules approved or substantively approved on the financial reporting date.

Following the promulgation of Law No. 2/2014, of January 16 (IRC Reform) and the wording given by the State Budget Law for 2023 (Law No. 24-D/2022), the taxation of corporate profits for the financial years 2023 and 2022, is as follows:

- IRC rate of 21% on taxable income;
- Municipal surcharge at a rate between 0% and 1.5% on taxable income;
- State surcharge at a variable rate on taxable income according to the following levels:
  - Up to Euros 1,500 thousand - 0%
  - between Euros 1,500 thousand and Euros 7,500 thousand - 3%
  - between Euros 7,500 thousand and Euros 35,000 thousand - 5%
  - more than Euros 35,000 thousand - 9%.

Therefore, the aforementioned changes implied that the tax rate used by the Bank in calculating and recording deferred taxes was 31%.

According to the State Budget for 2023 (Law no. 24-D/2022), regarding the deduction of tax losses, there is no longer a time limitation for carrying them forward. However, the annual limit for their deduction from taxable income is reduced to 65%, increased by ten percentage points for tax losses determined in the 2020 and 2021 tax periods.

This change applies to the deduction of losses from taxable income for tax periods beginning on or after January 1, 2023, as well as tax losses determined in tax periods prior to that date, for which the deduction period is still ongoing on the date of entry into force of this law.

Law No. 98/2019, of September 4, approved a new regime on impairments of credit and other financial institutions, also establishing the regime applicable to impairment losses recorded in previous tax periods and not yet accepted for tax purposes.

As this regime is optional during a five-year adaptation period starting on or after January 1, 2019, early adherence to the tax regime, applicable in matters of impairments of credit and other financial institutions, was dependent on a communication addressed to the Director General of the Tax and Customs Authority, by the end of the tenth month of the tax period underway (as per No. 1 of Article 4 of this law). In this sense, the Bank adhered to the definitive regime enshrined in Articles no. 2 and 3 of this diploma in 2019.

The Santander Group decided to apply, as from financial year 2017, the Special Taxation of Groups of Companies Regime (RETGS). Under this regime, the Group's taxable income / tax loss corresponds to the sum of the taxable income / tax loss that comes to be determined by the controlling company through the algebraic sum of the tax profit or loss determined in the periodic separate statements of each company. The companies covered by this scheme are: Santander Totta, SGPS - the controlling company; and Taxagest, Banco, TottaUrbe, Gamma and Santander Totta Seguros (solely as at December 31, 2022) - controlled companies. The gain obtained by application of the RETGS is allocated to the entities in question in a manner proportional to the taxable income of each company.

Deferred tax assets and liabilities correspond to the amount of the tax recoverable and payable in future years resulting from timing differences between the carrying amount of an asset or liability and its tax base. Tax credits are also recorded as deferred tax assets.

Deferred tax liabilities are recognised on all taxable timing differences, except those related to: i) the initial recognition of goodwill; or ii) the initial recognition of assets and liabilities, which do not result from a business combination, and which at the date of the transaction neither affect the accounting or tax profit or loss, nor give rise to equivalent taxable and deductible timing differences.

The Bank does not recognise deferred tax assets or liabilities for the deductible or taxable timing differences associated with investments in subsidiaries and associates, as it is not likely that the difference will revert in the foreseeable future.

Deferred tax assets are recognised when they are expected to be recoverable and up to the amount that it is likely that there will be future taxable profits that will accommodate the deductible timing differences.

Deferred tax assets and liabilities have been calculated based on the tax rates approved or substantially approved on the reporting date, which constitute the best estimate of the rate to be in force for the financial year when it is expected that the asset will be realised, or the liability incurred.

Current taxes and deferred taxes are reflected in profit or loss, with the exception of taxes relating to transactions directly recorded in equity, namely, potential gains and losses on Financial assets at fair value through other comprehensive income, on cash flow hedging derivatives, as well as those associated with actuarial deviations relating to pension liabilities, which are also recorded in equity captions.

On December 15, 2022, Directive 2022/2523 was approved, guaranteeing a global minimum level of taxation for groups of companies which annual income volume is equal to or greater than Euros 750 million. This Directive, commonly known as the Pillar 2 Directive, follows the model rules developed by the OECD and introduces a new tax on income when the effective tax rate of Group entities in one of its jurisdictions, calculated in accordance with the model rules, is less than 15%. In this context, on May 23, 2023, the European Union published an amendment to IAS 12 – Income taxes (Note 1.1), to contemplate the rules of the aforementioned Directive. In Portugal, the transposition deadline of December 31, 2023 was not met, and at the date of these financial statements there were no conditions for this standard to be considered already substantially adopted in this jurisdiction. However, based on the available information and estimates made, the Bank's Board of Directors does not anticipate material impacts resulting from the application of Pillar 2 standards in the sphere of the Group to which the Bank belongs, in Portugal, without prejudice to the relevant administrative burdens that its implementation may entail.

The Board of Directors periodically reviews the position assumed in the preparation of the tax returns in relation to situations in which the application of the tax regime is subject to interpretation and assesses whether it is likely that the Tax Administration will accept the adopted tax treatment. The Bank measures the assets / liabilities arising from uncertain income tax positions, considering the most likely value or the expected value, whichever is more appropriate in each circumstance.

l) <u>Banking sector contribution and Solidarity tax on the banking sector</u>

The Bank is covered by the banking sector contribution scheme defined in Law No. 55-A/2010, of December 31.

With the publication of Law 27-A/2020, of July 27, the Bank is now also covered by the Solidarity tax on the banking sector. This contribution aims to strengthen the financing mechanisms of the social security system.

These contributions have the same calculation basis, the only variant being the rates applied to the bases:

a) The liabilities calculated and approved by the taxpayer less the base ("Tier 1") and ancillary ("Tier 2") capital and the deposits covered by the Deposit Guarantee Fund. From the liabilities thus calculated are deducted:

- Elements which in accordance with the applicable accounting standards are recognised as equity;
- Liabilities associated with the recognition of defined benefit plan liabilities;
- Liabilities for provisions;
- Liabilities resulting from the revaluation of derivative financial instruments;
- Deferred income, without considering those related to liability transactions; and
- Liabilities for assets not derecognised in securitisation transactions.

b) The notional value of derivative financial instruments off balance sheet calculated by taxpayers, except for hedging financial instruments or which exposure is mutually compensated.

For the banking sector contribution, the rates applicable to the incidence bases defined in points a) and b) above are 0.110% and 0.0003%, respectively, as provided for in the amendment made by Ordinance No. 165 - A/2016, of June 14, to Article 5 of Ordinance No. 121/2011, of March 30.

For the Additional solidarity tax on the banking sector, the rates applicable to the bases of incidence defined in points a) and b) above are 0.02% and 0.00005%, respectively.

m) Treasury shares

Treasury shares are recorded as a debit in the capital accounts at the purchase cost and are not subject to revaluation, with the portion of the dividend to be distributed in respect of these shares being retained under equity. Gains and losses realised on the sale of treasury shares, as well as the respective taxes, are recorded directly in equity, not affecting the financial year's profit or loss.

n) Equity instruments

An instrument is classified as an equity instrument when there is no contractual obligation for its settlement to be made through the delivery of cash or another financial asset, regardless of its legal form, showing a residual interest in the assets of an entity after deducting all its liabilities.

Costs directly attributable to the issue of equity instruments are recorded against equity as a deduction from the amount of the issue. Amounts paid and received for purchases and sales of equity instruments are recorded under equity, net of transaction costs. Distributions made on account of equity instruments are deducted from equity as dividends when declared.

o) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the Bank's shareholders by the weighted average number of outstanding common shares, excluding the average number of common shares acquired by the Bank and held as treasury shares.

For the calculation of diluted earnings per share, the weighted average number of outstanding common shares is adjusted to reflect the effect of all potential diluting common shares.

p) Provision of insurance brokerage services

The Bank uses the accrual-accounting principle in relation to income from the provision of insurance brokerage services - commissions. Thus, income is recorded as and when generated, regardless of the time of payment or receipt. The amounts receivable are subject to impairment loss analyses.

The Bank does not collect insurance premiums on behalf of insurers, nor does it handle funds relating to insurance contracts. There is therefore no other asset, liability, income or expense to report in respect of the insurance brokerage business carried on by the Bank, other than those already disclosed.

q) Cash and cash equivalents

For purposes of the preparation of the Statement of cash flows, the Bank considers as "Cash and cash equivalents" the balance of the caption "Cash, cash balances at central banks and other demand deposits" in that the items carried under this caption have a maturity period not exceeding 3 months, and their risk of change of value is immaterial.

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

Estimates and judgements impacting the Bank's consolidated financial statements are continually assessed, representing on each reporting date the Board of Directors' best estimate, considering historical performance, accumulated experience and expectations as to future events that, in the circumstances in question, are believed to be reasonable.

The intrinsic nature of the estimates may mean that the actual reflection of the situations that have been estimated may, for financial reporting purposes, differ from the estimated amounts.

Employee post-employment benefits (Note 35)

Retirement and survivor pensions are estimated based on actuarial valuations carried out by external experts certified by the Insurance and Pension Fund Supervisory Authority (ASF). These estimates incorporate a set of financial and demographic assumptions, including the discount rate, mortality and invalidity tables, pension and salary growth, among others. The discount rate used to determine the liabilities was calculated by reference to the market rates of low-risk corporate bonds of a term similar to that of the settlement of the liabilities. Salary and pension growth estimates were determined considering the historical ratio between inflation and the CBA table growth. The mortality table used was based on the recommendation of the actuary.

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

Valuation of financial instruments not traded on active markets (Note 38)

Valuation models or techniques are used in the valuation of financial instruments not traded on active markets. Accordingly, the valuations obtained correspond to the best estimate of the fair value of those instruments on the reporting date.

The fair value of the instrument is estimated using 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 of similar characteristics.

To ensure an appropriate segregation of duties, the value of those financial instruments is determined by a body independent of the trading function.

Determination of impairment losses (Notes 9, 17 and 38)

Impairment losses on loans are calculated as indicated in Note 1.3 (c). In this way, the determination of impairment through individual analysis corresponds to the judgement of the Board of Directors regarding the economic and financial situation of its customers, and to its estimate of the value of the guarantees associated with the respective loans, with the consequent impact on expected future cash flows. The determination of impairment through collective analysis is performed based on parameters for comparable types of operations, such as instrument type, customer type, credit-risk level as measured by the rating or scoring system, type of collateral, date of initial recognition, relationship between loan and value of the guarantee (LTV), and inclusion of prospective information.

Other assets and non-current assets and disposal groups classified as held for sale (Notes 14 and 15)

Property, equipment and other assets received as payment in kind or auction for the payment of overdue loan transactions are initially measured at the lower of their fair value, net of their expected selling costs, and the book value of the loan granted object of the recovery. Property is subject to periodic valuations conducted by independent evaluators that incorporate various assumptions, namely as regards the evolution of the property market and, where applicable, expectations as to the development of real-estate projects. The assumptions used in the valuation of these properties have an impact on their valuation and hence on the determination of the impairment. Whenever the value resulting from these valuations (net of selling expenses) is lower than the value at which the properties are accounted for, impairment losses are recorded.

As described in Note 15, the methodology most frequently used by the Bank to value this type of asset is the market method. Under this method, the market comparison criterion is based on transaction values of real estate similar and comparable to the real estate under study obtained through market prospecting carried out in the area where it is located.

Taxes (Note 13)

Recognition of deferred tax assets assumes the existence of profits and future taxable income. Additionally, current and deferred taxes were determined based on the interpretation of current tax legislation. Thus, changes to tax laws or to their interpretation by the relevant authorities may have an impact on the amount of current and deferred taxes. For the purpose of analysis of the recoverability of deferred tax assets (tax losses), the Bank projects taxable profits based on assumptions. Thus, the recoverability of deferred tax assets depends on the implementation of the strategy of the Bank's Board of Directors.

Determination of the outcome of legal proceedings in progress and restructuring (Notes 17 and 40)

The outcome of the legal proceedings in progress, as well as the respective amount of the provision corresponding to the best estimate of the amount to be disbursed to settle the liability on the balance sheet date, is assessed in accordance with the opinion of the Bank's lawyers / legal advisers and decisions of the courts to date, which, however, might not come about. Regarding the restructuring plans, the charges arising from the constructive obligation of reorganising were considered, with the definition of the actions to be developed supported by a detailed formal plan with minimum elements of approach and quantification and identification of the impacted factors.

3. DISCLOSURES BY SEGMENTS

Under the terms of IFRS 8, disclosures by operating segment are presented below in accordance with information as analysed by the Bank's Management (Executive Committee):

Corporate Investment Banking:

Essentially includes the Bank's business on the financial markets and with large enterprises, involving provision of financial advisory services, namely Corporate and Project Finance, as well as brokering, custody and settlement of securities services.

Retail Banking:

Essentially refers to operations of granting loans and attracting resources related to private customers and businesses with a turnover of less than Euros 10 million, channelled through the branch network, and services provided by complementary channels.

Corporate Banking:

This area comprises businesses with a turnover between Euros 10 million and Euros 125 million. This business is underpinned by the branch network, corporate centres and specialised services, and includes several products, namely loans and project, trade, exports and real-estate financing.

Corporate Activities:

This area includes the entire business carried on at the Bank that supports the main activities but is not directly related to the customers' business areas, including liquidity management, balance-sheet hedging, and the Bank's structural funding.

The breakdown of the consolidated statement of profit or loss by operating segment for financial years ended December 31, 2023 and 2022, is as follows:

	31-12-2023				
	Corporate Investment Banking	Retail Banking	Corporate Banking	Corporate Activities	Total
Net interest income	101,268	1,188,035	136,465	55,529	1,481,297
Dividend income	-	-	-	1,690	1,690
Net fee and commission income	62,764	408,026	26,324	(40,113)	457,001
Gains / Losses on financial operations [1]	14,157	8,130	1,465	47,953	71,705
Other operating income / expenses, net	11	2,215	-	4,284	6,510
Total operating income, net	**178,200**	**1,606,406**	**164,254**	**69,343**	**2,018,203**
Administrative expenses	(28,793)	(416,848)	(16,178)	(2,680)	(464,499)
Cash contributions to resolution funds and deposit guarantee schemes	-	-	-	(23,908)	(23,908)
Depreciation	(1,402)	(51,925)	(985)	-	(54,312)
Operating margin	**148,005**	**1,137,633**	**147,091**	**42,755**	**1,475,484**
Impairment and provisions, net of reversals [2]	2,384	(158,129)	(8,482)	74,214	(90,013)
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-	-	-	3,144	3,144
Other profit or loss, net	-	-	-	(38,316)	(38,316)
Profit or loss before tax from continuing operations	**150,389**	**979,504**	**138,609**	**81,797**	**1,350,299**
Tax expense or income related to profit or loss from continuing operations	(46,617)	(303,646)	(42,969)	(25,657)	(418,889)
Attributable to non-controlling interests	-	-	-	(3)	(3)
Profit or loss for the financial year	**103,772**	**675,858**	**95,640**	**56,137**	**931,407**

	31-12-2022				
	Corporate Investment Banking	Retail Banking	Corporate Banking	Corporate Activities	Total
Net interest income	54,962	598,678	78,547	47,115	779,302
Dividend income	-	-	-	3,825	3,825
Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	-	-	-	5,140	5,140
Net fee and commission income	47,484	407,759	27,147	(6,800)	475,590
Gains / Losses on financial operations [1]	14,951	8,973	872	63,491	88,287
Other operating income / expenses, net	-	2,091	-	7,295	9,386
Total operating income, net	**117,397**	**1,017,501**	**106,566**	**120,066**	**1,361,530**
Administrative expenses	(25,456)	(388,413)	(17,020)	(2,476)	(433,365)
Cash contributions to resolution funds and deposit guarantee schemes	-	-	-	(41,658)	(41,658)
Depreciation	(1,206)	(43,175)	(935)	-	(45,316)
Operating margin	**90,735**	**585,913**	**88,611**	**75,932**	**841,191**
Impairment and provisions, net of reversals [2]	(195)	50,636	12,837	(34,617)	28,661
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-	-	-	19,831	19,831
Other profit or loss, net	-	-	-	(35,884)	(35,884)
Profit or loss before tax from continuing operations	**90,540**	**636,549**	**101,448**	**25,262**	**853,799**
Tax expense or income related to profit or loss from continuing operations	(28,067)	(197,330)	(31,449)	(10,394)	(267,240)
Profit or loss for the financial year	**62,473**	**439,219**	**69,999**	**14,868**	**586,559**

[1] Includes the following captions in the consolidated statement of profit or loss:
- Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net;
- Gains or losses on financial assets and liabilities held for trading, net;
- Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net;
- Gains or losses from hedge accounting, net;
- Exchange differences, net;
- Gains or losses on derecognition of investments in subsidiaries, joint ventures and associates, net;
- Gains or losses on derecognition of non-financial assets, net.

[2] This aggregate includes the following captions in the consolidated statement of profit or loss:
- Provisions or reversal of provisions;
- Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss;
- Impairment or reversal of impairment on non-financial assets.

As at December 31, 2023 and 2022, the breakdown of the assets and liabilities allocated to each operational segment, in accordance with information analysed by the Bank's Management for decision-making, is as follows:

	31-12-2023				
	Corporate Investment Banking	Retail Banking	Corporate Banking	Corporate Activities	Total
Assets					
Financial assets at fair value through other comprehensive income – loan and advances	-	-	-	2,427,889	2,427,889
Financial assets at amortised cost					
Mortgage loans	-	22,035,220	-	-	22,035,220
Consumer loans	-	1,788,525	-	-	1,788,525
Other loans	2,651,008	5,921,185	5,164,049	3,808,286	17,544,528
Other balances receivable	-	61,689	-	439,724	501,413
Total allocated assets	**2,651,008**	**29,806,619**	**5,164,049**	**6,675,899**	**44,297,575**
Total non-allocated assets					10,289,007
Total Assets					**54,586,582**
Liabilities					
Financial liabilities measured at amortised cost					
Deposits - Central banks	-	-	-	706,835	706,835
Deposits - Credit institutions	-	-	-	5,042,435	5,042,435
Deposits - Customers	728,556	28,238,013	6,382,236	280,600	35,629,405
Debt securities issued	-	-	-	5,921,731	5,921,731
Total allocated liabilities	**728,556**	**28,238,013**	**6,382,236**	**11,951,601**	**47,300,406**
Total non-allocated liabilities					3,170,088
Total Liabilities					**50,470,494**
Guarantees and sureties given (Off-balance sheet)	**143,458**	**577,798**	**1,280,359**	**-**	**2,001,615**

	31-12-2022				
	Corporate Investment Banking	Retail Banking	Corporate Banking	Corporate Activities	Total
Assets					
Financial assets at fair value through other comprehensive income – loan and advances	-	-	-	2,268,555	2,268,555
Financial assets at amortised cost					
Mortgage loans	-	23,116,530	-	-	23,116,530
Consumer loans	-	1,819,873	-	-	1,819,873
Other loans	2,880,998	6,389,393	5,889,488	22,988	15,182,867
Other balances receivable	-	68,283	-	663,411	731,694
Total allocated assets	**2,880,998**	**31,394,079**	**5,889,488**	**2,954,954**	**43,119,519**
Total non-allocated assets					12,658,659
Total Assets					**55,778,178**
Liabilities					
Financial liabilities measured at amortised cost					
Deposits - Central banks	-	-	-	4,113,714	4,113,714
Deposits - Credit institutions	-	-	-	2,814,412	2,814,412
Deposits - Customers	743,349	31,808,275	6,325,406	184,584	39,061,614
Debt securities issued	-	-	-	4,316,483	4,316,483
Total allocated liabilities	**743,349**	**31,808,275**	**6,325,406**	**11,429,193**	**50,306,223**
Total non-allocated liabilities					1,863,895
Total Liabilities					**52,170,118**
Guarantees and sureties given (Off-balance sheet)	**141,567**	**563,158**	**1,121,298**	**-**	**1,826,023**

As at December 31, 2023 and 2022, the Bank did not have relevant business in any geography besides that of the domestic business.

The accounting policies used in preparing the financial information by segments were consistent with those described in Note 1.3 of these Notes to the financial statements.

4. GROUP COMPANIES AND TRANSACTIONS THAT OCCURRED DURING THE YEAR

As at December 31, 2023 and 2022, the subsidiaries and associates, and their most significant financial data, extracted from the respective financial statements, excluding IAS / IFRS conversion adjustments, can be summarised as follows:

	Direct Shareholding (%)		Effective Shareholding (%)		Net assets		Equity		Profit or loss for the financial year	
Company	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2023	31-12-2022
BANCO SANTANDER TOTTA, S.A.	Holding	Holding	Holding	Holding	56,259,325	57,756,670	4,052,783	3,532,974	943,190	603,685
TOTTA (IRELAND), PLC (1)	100.00	100.00	100.00	100.00	507,818	798,140	474,720	455,780	1,732	254
TOTTA URBE - EMP.ADMIN. E CONSTRUÇÕES, S.A. (2)	100.00	100.00	100.00	100.00	87,620	89,422	85,751	87,571	(1,820)	(10,105)
TAXAGEST, SGPS, SA	99.00	99.00	99.00	99.00	56,019	55,731	55,993	55,725	268	(8)
NOVIMOVEST - Fundo de Investimento Imobiliário Aberto	78.74	78.74	78.71	78.71	179,934	225,464	175,464	220,784	3,079	3,395
GAMMA, Sociedade Financeira de Titularização de Créditos, S.A.	100,00	100.00	100.00	100.00	7.837	7,403	7,702	7,330	372	196
HIPOTOTTA NO. 4 PLC	-	-	-	-	387,379	451,903	(5,911)	(2,023)	(4,028)	2,194
HIPOTOTTA NO. 5 PLC	-	-	-	-	418,815	477,417	(16,230)	(10,861)	(5,320)	1,804
HIPOTOTTA NO. 4 FTC	-	-	-	-	324,868	388,719	323,226	384,172	(1,175)	(555)
HIPOTOTTA NO. 5 FTC	-	-	-	-	354,149	410,711	349,935	406,159	(286)	(208)
Securitisation operations managed by Gamma STC	-	-	-	-	2,049,963	2,397,130	-	-	-	-
UNICRE - INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S.A. (see Note 8)	-	21.86	-	21.86	-	488,200	-	133,973	-	23,512

As at December 31, 2023 and 2022, the business, the location of the registered office, and the consolidation method used for the companies included in the consolidation were as follows:

Company	Activity	Registered office	Consolidation method
BANCO SANTANDER TOTTA, S.A.	Banking	Portugal	Holding
TOTTA (IRELAND), PLC (1)	Investment management	Ireland	Full
TOTTA URBE - Emp. Admin. e Construções, S.A. (2)	Property management	Portugal	Full
TAXAGEST, SGPS, S.A.	Shareholding management	Portugal	Full
HIPOTOTTA nº 4 PLC	Investment management	Ireland	Full
HIPOTOTTA nº 5 PLC	Investment management	Ireland	Full
HIPOTOTTA nº 4 FTC	Securitised loans fund	Portugal	Full
HIPOTOTTA nº 5 FTC	Securitised loans fund	Portugal	Full
Securitisation operations managed by Gamma STC	Securitised loans fund	Portugal	Full
NOVIMOVEST - Fundo de Investimento Imobiliário Aberto	Real Estate Fund	Portugal	Full
GAMMA, Sociedade Financeira de Titularização de Créditos, S.A.	Securitisation management	Portugal	Full

(1) Due to this subsidiary having closed its financial year on November 30, the amounts reflected in the "Profit or loss for the financial year" columns correspond to the Net income determined between December 1 and December 31, 2023 (December 1 and December 31, 2022).

(2) The equity of this subsidiary includes supplementary capital contributions amounting to Euros 99,760 thousand.

In accordance with IFRS 10, the Group includes in its consolidated financial statements the special purpose entities (SPEs) created within the scope of the securitisation operations when it controls them, that is, when it holds the majority of the risks and benefits associated with their business, namely, the bonds that they issued with a higher degree of subordination – "equity pieces".

As at December 31, 2023 and 2022, the Novimovest Fund balance sheet was as follows:

	31-12-2023	31-12-2022
Real estate portfolio	138,032	179,211
Accounts receivable	4,297	5,428
Cash and banks	37,442	40,754
Accruals and deferrals	164	71
	179,935	225,464
Fund capital	175,464	220,784
Adjustments and provisions	1,842	1,960
Accounts payable	1,141	1,094
Accruals and deferrals	1,488	1,626
	179,935	225,464

As at December 31, 2023 and 2022, the consolidated profit or loss includes a gain of Euros 2,424 thousand and Euros 2,673 thousand, respectively, attributable to the Novimovest Fund (Note 21).

5. CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS

The composition of this caption is as follows:

	31-12-2023	31-12-2022
Cash	391,055	307,313
Demand deposits at central banks		
European Central Bank (ECB)	5,669,789	7,850,256
Other demand deposits at credit institutions		
Demand deposits	223,916	250,416
	6,284,760	8,407,985

According to the current regulations, credit institutions established in the participating Member States are subject to setting aside minimum reserves in accounts held with the participating national central banks. The basis of incidence includes all deposits at central banks and at financial and monetary institutions located outside the Eurozone, and all customer deposits with maturities of less than two years. A coefficient of 1% is applied to this base.

As at December 31, 2023 and 2022, the caption "Cash balances at central banks" includes funds to meet the requirements of the Eurosystem's Minimum Reserve System and overnight deposits through the Eurosystem's deposit facility. The component of cash available to meet the minimum reserve, as at December 31, 2023, is not remunerated while, as at December 31, 2022, it was remunerated at 2%. As at December 31, 2023 and 2022, the investments under the overnight liquidity absorption mechanism were remunerated at 4% and 2%, respectively.

6. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

The captions of financial assets and liabilities held for trading have the following composition:

	31-12-2023	31-12-2022
Financial assets held for trading		
Derivatives with positive fair value	1,465,544	498,103
Financial liabilities held for trading		
Derivatives with negative fair value	1,475,977	508,057

As at December 31, 2023 and 2022, the typologies of the derivatives recorded in these captions, are as follows:

	31-12-2023				31-12-2022			
	Notional value	Assets	Liabilities	Net	Notional value	Assets	Liabilities	Net
Forwards								
Purchases	227,357	1,715	1,537	178	175,819	4,043	3,491	552
Sales	227,174				175,229			
Currency swaps								
Purchases	759,211	159	4,057	(3,898)	949,426	191	2,136	(1,945)
Sales	762,662				950,689			
Interest rate swaps	27,117,082	1,423,167	1,429,985	(6,818)	24,207,273	458,804	467,400	(8,596)
Equity swaps	541,089	32,876	32,879	(3)	569,329	26,902	26,920	(18)
Currency options								
Purchases	120,850	1,007	942	65	138,315	1,978	1,975	3
Sales	120,850				138,315			
Equity options								
Purchases	96,981	2,649	2,640	9	7,942	641	641	-
Sales	96,981				7,942			
Interest rate caps & floors	670,466	3,971	3,937	34	435,471	5,544	5,494	50
	30,740,703	1,465,544	1,475,977	(10,433)	27,755,750	498,103	508,057	(9,954)

As at December 31, 2023, the captions of financial assets and liabilities held for trading are reduced by, approximately, Euros 1,640 thousand and Euros 2,960 thousand of "Credit Value Adjustments" and "Debit Value Adjustments", respectively (Euros 2,633 thousand and Euros 5,150 thousand as at December 31, 2022, respectively), in accordance with the methodology described in Note 38.

As at December 31, 2023 and 2022, almost all the trading derivative financial instruments were hedged through a back-to-back strategy with Banco Santander, S.A..

7. NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

The composition of this caption is as follows:

	Fair value	
Description	31-12-2023	31-12-2022
Equity Instruments	24,627	31,020

The movement in this caption during financial years 2023 and 2022 was as follows:

	31-12-2022	Purchases	Redemptions / Amortisations / Liquidations / Sales	Unrealised gains / losses	Realised gains / losses	31-12-2023
				(Note 28)		
Equity Instruments	31,020	51	(7,948)	4,086	(2,582)	24,627

The redemptions that occurred in the financial year 2023 resulted from the recurring activity of the Bank.

	31-12-2021	Purchases	Redemptions / Amortisations / Liquidations / Sales	Unrealised gains / losses	Realised gains / losses	31-12-2022
				(Note 28)		
Equity Instruments	99,167	463	(70,920)	41,099	(38,789)	31,020

The Redemptions / Amortisations / Liquidations / Sales in financial year 2022 included Euros 33,838 thousand related to the Crow Project. In the scope of this project the Bank realised the following transactions:

- Acquisition of shares, ancillary capital contributions and shareholder loans of Solago – Investimentos Turísticos, S.A. from Investgave III, which are accounted for at Euros 2,908 thousand in the caption "Non-current assets and disposal groups classified as held for sale" (Note 15);
- Subscription of 19,962 participation units of the Fundo Turismo Algarve, FCR (fund) accounted for at Euros 9,363 thousand in the caption "Non-current assets and disposal groups classified as held for sale" (Note 15);
- Reduction of the capital of the Fundo Recuperação Turismo, FCR (fund) of Euros 47,405 thousand and sale of the participation units held for Euros 7,848 thousand;
- Reduction of the capital of Fundo Recuperação (FCR) (fund) of Euros 3,049 thousand.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The composition of this caption is as follows:

	31-12-2023								
				Fair Value Reserve					
	Purchase cost	Interest receivable	Hedge adjustment	Positive reserve	Negative reserve	Total	Other	Impairment	Carrying amount
Debt instruments								(Note 17)	
Issued by public residents	1,201,058	30,511	(49,254)	72,420	(6,070)	66,350	(1,509)	-	1,247,156
Equity instruments	110,814	-	-	72,256	(10,833)	61,423	-	-	172,237
Loans and advances	2,300,000	31,153	(10,826)	107,562	-	107,562	-	-	2,427,889
	3,611,872	61,664	(60,080)	252,238	(16,903)	235,335	(1,509)	-	3,847,282

	31-12-2022								
				Fair Value Reserve					
	Purchase cost	Interest receivable	Hedge adjustment	Positive reserve	Negative reserve	Total	Other	Impairment	Carrying amount
Debt instruments								(Note 17)	
Issued by public residents	1,952,067	51,533	(142,648)	159,895	(13,624)	146,271	(1,846)	-	2,005,377
Issued by other residents	391	2	-	-	(1)	(1)	-	(24)	368
	1,952,458	51,535	(142,648)	159,895	(13,625)	146,270	(1,846)	(24)	2,005,745
Equity instruments	73,089	-	-	76,341	(333)	76,008	-	-	149,097
Loans and advances	2,300,000	31,153	(267,304)	204,706	-	204,706	-	-	2,268,555
	4,325,547	82,688	(409,952)	440,942	(13,958)	426,984	(1,846)	(24)	4,423,397

The loans and advances correspond to a direct medium- / long-term loan to the Portuguese State.

The movement under this caption during financial years 2023 and 2022 was as follows:

	31-12-2022	Purchases	Redemptions / Amortisations / Liquidations / Sales	Transfers	Gains / Losses: Realised through Profit or loss	Gains / Losses: Unrealised	Gains / Losses: Realised through Equity	Interest / Hedging / Other	Impairment	31-12-2023
					(Note 28)					
Equity instruments	149,097	1,782	(2,554)	37,114	1,386	(9,790)	(4,797)	(1)	-	172,237
Debt instruments	2,005,745	-	(766,141)	-	15,750	13,811	-	(22,032)	23	1,247,156
	2,154,842	1,782	(768,695)	37,114	17,136	4,021	(4,797)	(22,033)	23	1,419,393

	31-12-2021	Purchases	Redemptions / Amortisations / Liquidations / Sales	Gains / Losses: Unrealised	Gains / Losses: Realised through Profit or loss	Gains / Losses: Realised through Equity	Interest / Hedging / Other	Impairment	31-12-2022
Equity instruments	72,520	2,103	(1,871)	76,341	-	-	4	-	149,097
Debt instruments	2,288,091	-	(802)	(108,996)	-	-	(172,576)	28	2,005,745
	2,360,611	2,103	(2,673)	(32,655)	-	-	(172,572)	28	2,154,842

During the first half of 2023, the Bank transferred Unicre's shareholding from the Investments in subsidiaries, joint ventures and associates portfolio (Note 11), to the Financial assets at fair value through other comprehensive income portfolio. This transfer was carried out at fair value, determined by external experts and taking as reference the financial statements as at December 31, 2022. The dividends received in the amount of Euros 4,356 thousand was set off against the Investments in subsidiaries, joint ventures and associates portfolio and the remainder was recognized in profit or loss under the caption "Gains or losses on derecognition of investments in subsidiaries, joint ventures and associates, net" (Note 28).

In December 2023, the Bank sold Euros 750,000 thousand of public debt bonds, which generated a gain of Euros 15,750 thousand (Note 28). The interest-rate risk of this financial asset was hedged, with the early cancellation of the hedging generating an impact on results of Euros 32,023 thousand, recorded under the caption "Gains or losses on financial assets and liabilities held for trading, net" (Note 28), thus complying with the rules of hedge accounting.

The Bank carries out an annual valuation of its material equity instruments.

The sub-caption "Debt instrument issued by public residents" presented the following characteristics:

Description	31-12-2023: Acquisition cost	31-12-2023: Interest receivable	31-12-2023: Gains / Losses and other	31-12-2023: Carrying amount	31-12-2022: Acquisition cost	31-12-2022: Interest receivable	31-12-2022: Gains / Losses and other	31-12-2022: Carrying amount
National public issuers								
. Maturity up to three years	1,046,690	28,660	20,966	1,096,316	31,076	184	(1,106)	30,154
, Maturity between three and five years	99,905	149	(5,511)	94,543	1,865,880	49,646	5,572	1,921,098
, Maturity between five and ten years	53,976	1,698	173	55,847	54,625	1,699	(2,629)	53,695
, Maturity over ten years	487	4	(41)	450	486	4	(60)	430
	1,201,058	30,511	15,587	1,247,156	1,952,067	51,533	1,777	2,005,377

9. FINANCIAL ASSETS AT AMORTISED COST

The "Debt securities" sub-caption has the following composition:

	31-12-2023	31-12-2022
Securitised credit		
. Commercial paper	2,525,191	2,689,539
. Bonds	4,668,258	900,922
Interest receivable	118,593	16,099
Value adjustments of hedged assets	(66,320)	(129,138)
Deferred income	(1,094)	(1,172)
	7,244,628	3,476,250
Impairment of debt securities (Note 17)	(2,262)	(4,850)
	7,242,366	3,471,400

The "Loans and advances" sub-caption has the following composition:

	31-12-2023	31-12-2022
Loans and advances - Customers		
To corporate customers		
Overdrafts and current account loans	980,255	946,003
Factoring loans	1,507,087	1,738,983
Commercial book - other	157,155	172,505
Finance leasing	895,636	992,105
Loans	6,906,385	8,106,310
Other advances	37,202	37,987
To individuals		
Overdrafts and current account loans	84,607	110,344
Finance leasing	115,022	142,683
Loans	23,665,200	24,852,582
Other advances	472,982	454,998
	34,821,531	37,554,500
Interest receivable	138,740	79,320
Value adjustments of hedged assets	(39,323)	(69,367)
Deferred income	(7,380)	(5,814)
	92,037	4,139
	34,913,568	37,558,639
Other balances receivable		
Margin / Escrow accounts	171,475	419,533
Cheques collectible	61,689	68,283
Sundry debtors and other cash equivalents	250,571	251,452
	483,735	739,268
Loans and advances - Credit institutions		
Loans	24,782	23,158
Interest receivable and deferred income	5	(55)
	24,787	23,103
Loans and advances	35,422,090	38,321,010
Impairment of loans and advances - Customers and other balances receivable	(794,669)	(941,331)
Impairment of loans and advances - Credit institutions	(101)	(115)
Impairment of loans and advances (Note 17)	(794,770)	(941,446)
	34,627,320	37,379,564

In financial years ended December 31, 2023 and 2022, portfolios of loans granted to individuals and companies were sold, with a carrying amount of Euros 266,940 thousand and Euros 103,870 thousand, respectively. As a result of these transactions, losses were recorded in the amount of Euros 18,204 thousand and gains in the amount of Euros 7,276 thousand, in financial years 2023 and 2022, respectively (Note 17).

As at December 31, 2023 and 2022, the caption "Loans and advances - Customers - To individuals" included mortgage loans, assigned to the autonomous net assets of the mortgage / covered bonds issued by the Bank in the amounts of Euros 11,284,130 thousand and Euros 10,237,229 thousand, respectively (Note 16).

The sub-caption "Sundry debtors and other cash equivalents" includes Euros 157,699 thousand originating from the tax losses of Banif (Note 13).

The movement in impairment losses during financial years 2023 and 2022 is presented in Note 17.

The division, by stage, of the portfolio of financial assets at amortised cost, has the following breakdown:

	31-12-2023			31-12-2022		
	Gross amount	Impairment	Coverage	Gross amount	Impairment	Coverage
Stage 1	37,845,975	(45,550)	0.12%	35,735,981	(64,379)	0.18%
Stage 2	3,927,180	(246,056)	6.27%	4,973,001	(274,751)	5.52%
Stage 3	893,563	(505,426)	56.56%	1,088,278	(607,166)	55.79%
	42,666,718	(797,032)		41,797,260	(946,296)	

The non-productive assets, net of impairment, are detailed as follows by counterpart and default date:

31-12-2023					
Counterparts	Non-performing exposures, net	With reduced probability of payment, but not overdue or overdue by <= 90 days	Overdue > 90 days <= 180 days	Overdue > 180 days <= 5 years	Overdue > 5 years
Debt securities	**-**	**-**	**-**	**-**	**-**
Loans and advances	**388,137**	**226,117**	**43,701**	**99,360**	**18,959**
Public sector	88	88	-	-	-
Credit institutions	118	118	-	-	-
Other financial companies	454	4	421	29	0
Non-financial companies	212,114	140,304	11,883	45,317	14,610
Individuals	175,363	85,603	31,397	54,014	4,349
Total financial assets at amortised cost	**388,137**	**226,117**	**43,701**	**99,360**	**18,959**

31-12-2022					
Counterparts	Non-performing exposures, net	With reduced probability of payment, but not overdue or overdue by <= 90 days	Overdue > 90 days <= 180 days	Overdue > 180 days <= 5 years	Overdue > 5 years
Debt securities	**15**	**15**	**-**	**-**	**-**
Non-financial companies	15	15	-	-	-
Loans and advances	**481,097**	**302,338**	**26,944**	**123,102**	**28,713**
Public sector	97	97	-	-	-
Credit institutions	124	124	-	-	-
Other financial companies	136	23	-	106	7
Non-financial companies	314,992	223,985	7,335	66,655	17,017
Individuals	165,748	78,109	19,609	56,341	11,689
Total financial assets at amortised cost	**481,112**	**302,353**	**26,944**	**123,102**	**28,713**

The evolution that occurred in the exposure and in the impairment of the financial assets at amortised cost in financial years 2023 and 2022, was as follows:

	Financial assets at amortised cost				Impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as at 31-12-2021	33,733,999	6,400,716	1,258,650	41,393,365	65,342	280,518	673,638	1,019,498
Transfers:								
Stage 1 to 2	(1,283,116)	1,283,116	-	-	(3,822)	54,736	-	50,914
Stage 1 to 3	(80,353)	-	80,353	-	(635)	-	21,265	20,630
Stage 2 to 3	-	(118,663)	118,663	-	-	(13,754)	53,827	40,073
Stage 2 to 1	1,717,920	(1,717,920)	-	-	3,105	(56,921)	-	(53,816)
Stage 3 to 2	-	78,614	(78,614)	-	-	9,476	(36,085)	(26,609)
Stage 3 to 1	9,960	-	(9,960)	-	206	-	(1,515)	(1,309)
Rating overlay	300,000	(300,000)	-	-	-	(15,000)	-	(15,000)
Idiosyncratic overlay 2021	2,054,300	(2,054,300)	-	-	-	(68,900)	-	(68,900)
Idiosyncratic overlay 2022	(1,688,000)	1,688,000	-	-	-	101,000	-	101,000
Mortgages overlay	(450,000)	450,000	-	-	-	17,000	-	17,000
Other	-	-	-	-	-	(8,000)	(3,000)	(11,000)
Write-offs and sales	-	-	(106,461)	(106,461)	-	-	(76,752)	(76,752)
Origination, net of amortisations	1,421,271	(736,562)	(174,353)	510,356	183	(25,404)	(24,212)	(49,433)
Balance as at 31-12-2022	35,735,981	4,973,001	1,088,278	41,797,260	64,379	274,751	607,166	946,296
Transfers:								
Stage 1 to 2	(1,990,668)	1,990,668	-	-	(8,358)	127,883	-	119,525
Stage 1 to 3	(81,385)	-	81,385	-	(761)	-	43,990	43,229
Stage 2 to 3	-	(146,903)	146,903	-	-	(18,520)	70,476	51,956
Stage 2 to 1	688,317	(688,317)	-	-	2,481	(33,084)	-	(30,603)
Stage 3 to 2	-	60,690	(60,690)	-	-	9,589	(32,065)	(22,476)
Stage 3 to 1	2,297	-	(2,297)	-	10	-	(1,000)	(990)
Idiosyncratic overlay 2022	1,688,000	(1,688,000)	-	-	-	(101,000)	-	(101,000)
Mortgages overlay	(59,000)	59,000	-	-	-	7,000	-	7,000
Other	-	-	-	-	-	-	7,010	7,010
Write-offs and sales	-	-	(267,784)	(267,784)	-	-	(203,332)	(203,332)
Origination, net of amortisations	1,862,433	(632,959)	(92,232)	1,137,242	(12,201)	(20,563)	13,181	(19,583)
Balance as at 31-12-2023	37,845,975	3,927,180	893,563	42,666,718	45,550	246,056	505,426	797,032

Bearing in mind the high uncertainty regarding the future impacts of the pandemic, as well as the lack of comparable historical information that may not be properly captured by the models in the calculated risk parameters, the Bank approved, in financial year 2020, a procedure of impairment overlays, which regulates the analysis of impairment in exceptional situations that are not properly captured by the models used in the calculation made by the Bank, due to the nature and/or particularities of same. Under this procedure, as at December 31, 2021, the Bank applied two impairment overlays to the impairment model, with the aim of reflecting the impacts, in a comprehensive and prudent manner:

- Rating overlay - Bearing in mind an expected deterioration in companies' financial year 2020 accounts, a new overlay was recorded. This overlay led to a reclassification of Euros 300 million of exposure from stage 1 to stage 2 and an increase in impairment of Euros 15 million;

- Idiosyncratic overlay – An approximate impact on impairment of a significant increase in risk (moving to stage 2) of the sectors most affected by the economic impact of the pandemic. This overlay was updated, having been endowed with a new increase in impairment of Euros 11.9 million, essentially in the portfolio clients (clients with a risk manager) due to a deterioration of the internal rating, with a return to stage 1 of Euros 378.7 million of exposure being partly offset by the re-rating overlay.

In the 2022 financial year, the treatment given by the Bank to Overlays was:

- The 2022 financial year demonstrated that no significant deterioration was registered, since the end of the moratoriums, in the sectors most affected by the pandemic. In this sense, the Bank cancelled the idiosyncratic Overlay for these sectors in the amount of Euros 68.9 million;

- The year 2022 was indelibly marked by Russia's invasion of Ukraine and subsequent war, still ongoing. Its shock waves, materialised in a second supply shock on the world economy, had effects in terms of energy and other raw materials. The sharp rise in the prices of these goods, in the first half of 2022, amplified the inflationary effects that were already underway, contributing to a more pronounced and faster rise in reference interest rates by the main central banks. Inflation in developed economies reached three-decade highs in 2022, and the deceleration has proved to be more gradual than initially expected, even with the strongest tightening of monetary policy. The effects of falling energy prices on inflation were partially offset by rising prices of goods and services excluding food and energy (the so-called “underlying inflation”). This slower decline in inflation resulted in the maintenance, by the main central banks, of a strong focus on controlling inflation, signalling that, as a result of latent risks, rates may rise further and remain high for a longer period. The full effect of the rise in interest rates on credit, in particular on mortgages, should be felt during the financial year of 2023, considering the periodicity of the resetting of the index. In this context, the Bank set up two Overlays:

  - Idiosyncratic overlay of Euros 101.0 million for the sectors most affected by increases in energy and raw material costs; and
  - Mortgages overlay of Euros 17 million for home mortgage operations, originated under the macro-prudential perspective of earnings under Euros 1,200 with an effort rate exceeding 50% in a context of Euribor at 3.5%.

In the 2023 financial year, the treatment given by the Bank to Overlays was:

- The 2023 financial year demonstrated that the portfolios of companies most affected by energy costs performed well, with no degradation in the relevant risk of exposures covered by the overlay universe. In this context, this overlay was cancelled and loans and advances in the amount of Euros 1,688 million was returned to the stage 1 portfolio and the impairment in the amount of Euros 101 million was annulled; and

- Regarding the mortgage overlay and as this is a portfolio subject to some systematic risk due to the interest rate context and the uncertainty regarding the evolution of the real estate market, the Bank, after analysis, decided to apply an overlay for customers with a level of income lower than Euros 1,000 and an effort rate higher than 50%, as these customers have higher default rates and transitions to stage 2. This overlay led to a reclassification of Euros 59 million of exposure from stage 1 to stage 2 (Euros 450 million in the 2022 financial year).

10. DERIVATIVES - HEDGE ACCOUNTING

The composition of these captions is as follows:

	31-12-2023					
	Carrying amount		Notional value			
Type of financial instrument	Assets	Liabilities	Up to 3 months	Between 3 months and 1 year	More than 1 year	Total
Hedging derivative instruments						
Fair value hedges						
Interest rate swaps						
Liabilities and loans	117,411	3,924	20,764	382,089	3,211,985	3,614,838
Financial assets at fair value through other comprehensive income	117,479	21,278	-	1,800,000	3,396,000	5,196,000
Equity swaps	86	846	-	7,431	89,550	96,981
Cash flow hedges						
Interest rate swaps	24,855	-	-	-	3,000,000	3,000,000
	259,831	26,048	20,764	2,189,520	9,697,535	11,907,819

	31-12-2022					
	Carrying amount		Notional value			
Type of financial instrument	Assets	Liabilities	Up to 3 months	Between 3 months and 1 year	More than 1 year	Total
Hedging derivative instruments						
Fair value hedges						
Interest rate swaps						
Liabilities and loans	183,817	96	311	253,823	2,964,280	3,218,414
Financial assets at fair value through other comprehensive income	418,010	9,294	1,500,000	-	5,946,000	7,446,000
Equity swaps	-	234	-	-	7,942	7,942
Cash flow hedges						
Interest rate swaps	-	174,147	-	10,000,000	-	10,000,000
	601,827	183,771	1,500,311	10,253,823	8,918,222	20,672,356

As at December 31, 2023, the captions "Derivatives – hedge accounting" are deducted from approximately Euros 97 thousand and Euros 1 thousand of "Credit Value Adjustments" and "Debit Value Adjustments", respectively (Euros 630 thousand and Euros 288 thousand as at December 31, 2022, respectively), in accordance with the methodology described in Note 38.

The Bank carries out hedging transactions within the scope of its business, managing its own positions based on expectations as to the evolution of the markets, satisfying the needs of its customers, or hedging positions of a structural nature. The interest-rate risk implicit in the securitisation operations and mortgage / covered bond issues are also managed by the Bank through the contracting of derivative financial instruments.

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

Over-the-counter derivatives trading is usually based on a standard bilateral contract, which encompasses the set of operations over derivatives existing between the parties. In the case of inter-professional relationships, a Master Agreement of the International Swaps and Derivatives Association (ISDA). In the case of relationships with customers, a Bank contract.

In these types of contracts, offsetting liabilities are provided for in the event of default (this offsetting is provided for in the contract and is governed by Portuguese law and, for contracts with foreign counterparties or executed under foreign law, in the relevant jurisdictions).

The derivatives contract may also include a collateralisation agreement of the credit risk generated by the transactions governed by it. It should be noted that the derivatives contract between two parties usually covers all OTC derivative transactions carried out between these two parties, be they used for hedging or not.

In accordance with the standard, parts of operations commonly known as “embedded derivatives” are also separated and accounted for as derivatives, in a manner such as to recognise the fair value of these operations in profit or loss.

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

Derivatives are also recorded in off-balance-sheet accounts at their theoretical value (notional value). The notional value is the reference value for the calculation of flows of payments and receipts originated by the operation.

The fair value corresponds to the estimated value that the derivatives would have if they were traded on the market on the reference date.

11. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

As at December 31, 2022, the composition of this caption is as follows:

	Effective shareholding (%)	Carrying amount
Unicre - Instituição Financeira de Crédito, S.A.	21.86	41,468

During the 2022 financial year, the Bank transferred the Acquiring Services business - provision of payment transaction acquisition services, to Getnet Europe (“Getnet”), a Group company. The transfer agreement was signed on August 24, 2022, and the deal was completed on November 1, 2022.

The operation was accompanied by two relevant events in August 2022, namely, (i) the resignation by the Bank of the position of Director of Unicre with immediate effect and (ii) the communication by the Bank to Unicre of the termination of the commercial relationship related to the POS business, in the subsequent six months, as a result of the transfer of the business to Getnet, with said termination occurring in April 2023.

As a consequence of previous events and based on the principles of transparency of the competition laws, the Bank renounced its exercise of significant influence over Unicre. This way, the Bank no longer has significant influence and began to consider the interest in this entity as an investment, transferring the interest to the Financial assets at fair value through other comprehensive income portfolio (Note 8).

12. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The composition of this caption is as follows:

Investment property:

During the financial year of 2013, following the subscription of several participation units, the Bank came to consolidate, using the full consolidation method, the Novimovest Real Estate Fund, which main assets are rental property.

As at December 31, 2023 and 2022, the property held by the Novimovest Real Estate Fund had the following characteristics:

	31-12-2023	31-12-2022
Land		
Urbanised	13,332	20,293
Non-urbanised	686	1,002
Finished constructions		
Leased	109,491	131,036
Non-leased	14,523	26,880
	138,032	179,211

On the other hand, during the financial years of 2023 and 2022, the property held by the Novimovest Real Estate Fund generated, among other, the following annual income and expenses:

	2023	2022
Lease rentals (Note 30)	8,052	8,753
Taxes	(507)	(644)
Condominium charges	(226)	(252)
Maintenance and repairs	(446)	(200)
Insurance	(102)	(112)
	6,771	7,545

The movement under the sub-caption "Investment property", during the financial years of 2023 and 2022, was as follows:

	2023				
	Balance as at 31-12-2022	Additions	Fair value adjustment	Sales	Balance as at 31-12-2023
Property held by Fundo Imobiliário Novimovest	179,211	-	(3,081)	(38,098)	138,032

	2022				
	Balance as at 31-12-2021	Additions	Fair value adjustment	Sales	Balance as at 31-12-2022
Property held by Fundo Imobiliário Novimovest	213,731	70	(1,206)	(33,384)	179,211

The effect of the valuation at fair value of the property held by the Novimovest Real Estate Fund is recorded in the statement of profit or loss under the caption "Other operating income / expenses" (Note 30).

Investment property held by the Group are valued bi-annually, or more frequently if an event occurs in the meantime raising doubts as to the value of the latest valuation conducted by specialised, independent entities in accordance with the method described in Note 15.

As at December 31, 2023 and 2022, the form of the determination of the fair value of the investment property in accordance with the levels set out in IFRS 13 is as follows:

	Level 3	
	31-12-2023	31-12-2022
Investment property	138,032	179,211

In accordance with the requirements established by IFRS 13, we present below for the investment property with the highest value in the Group's portfolio on December 31, 2023 and 2022, a summary of their main characteristics, the valuation techniques adopted and the most relevant inputs used in determining their fair value:

Description of the property	Use	Value on 31-12-2023	Value on 31-12-2022	Valuation technique	Relevant inputs
Stª Cruz do Bispo - Lots 1, 2 and 3					
Retail Park Matosinhos	Leased	48,756	48,979	Income method / Comparative market method	Rental value per m² Capitalisation rate
Warehouse in Perafita					
Warehouse in Matosinhos	Leased	16,019	16,045	Income method / Comparative market method	Rental value per m2 Capitalisation rate
Av. Antero de Quental, 9					
Offices and shop in Ponta Delgada	Leased	11,269	11,306	Income method / Comparative market method	Rental value per m² Capitalisation rate
Estrada da Outurela, 119, Carnaxide					
Offices in Oeiras	Leased	-	11,069	Income method / Comparative market method Income method / Cost method	Rental value per m² Capitalisation rate
Vila Sol Golf Courses - G1 and G2				Income method / Cost method	Rental value per m²
Golf courses in Loulé	Leased	-	12,203		Capitalisation rate
Land in Valongo	Land	10,233	10,238	Comparative market method / Cost method Residual value method	Value of land and cost of construction and sales value per m²
		86,277	109,840		

In the event of an increase in the value of rent per square metre or an increase in the occupancy rate or a decrease in the capitalisation rate, the fair value of investment property will increase. On the other hand, if there is an increase in construction or marketing costs, an increase in the capitalisation rate, a decrease in the value of rent per square metre or a decrease in the occupancy rate, the fair value of investment property will decrease.

The properties that ceased to be identified in the table above were sold during the financial year of 2023.

Property, plant and equipment and Intangible assets

The movement under these captions during the financial years of 2023 and 2022 can be presented as follows:

	2023												
	31-12-2022				Write-offs and sales		Transfers to other assets			31-12-2023			
	Gross amount	Accumulated depreciation	Impairment	Additions	Gross amount	Accumulated depreciation	Gross amount	Accumulated depreciation	Depreciation	Gross amount	Accumulated depreciation	Impairment	Carrying amount
			(Note 17)				(Note 14)					(Note 17)	
Property, plant and equipment													
Property													
. Property for own use	327,742	(127,068)	(6,146)	2	-	-	(1,273)	688	(6,299)	326,471	(132,679)	(6,146)	187,646
. Leasehold expenditure	9,441	(7,272)	-	967	(409)	409			(497)	9,999	(7,360)	-	2,639
. Rights of use (Note 16)	43,690	(21,104)	-	1,836	(594)	140	-	-	(4,572)	44,932	(25,536)	-	19,396
. Other property	167	(83)	-	-	-	-	-	-	(1)	167	(84)	-	83
	381,040	(155,527)	(6,146)	2,805	(1,003)	549	(1,273)	688	(11,369)	381,569	(165,659)	(6,146)	209,764
Equipment	143,388	(96,836)	-	26,415	(78,234)	77,099	(17)	10	(17,887)	91,552	(37,614)	-	53,938
Other property, plant and equipment	2,176	(77)	-	-	(43)	43	-	-		2,133	(34)	-	2,099
	145,564	(96,913)	-	26,415	(78,277)	77,142	(17)	10	(17,887)	93,685	(37,648)	-	56,037
	526,604	(252,440)	(6,146)	29,220	(79,280)	77,691	(1,290)	698	(29,256)	475,254	(203,307)	(6,146)	265,801
Intangible assets													
Software	157,270	(122,987)	-	21,746	(82,004)	82,004	-	-	(25,056)	97,012	(66,039)	-	30,973
Other intangible assets	2,009	(2,009)	-				-	-	-	2,009	(2,009)	-	-
Goodwill	1,160	-	-	-	-	-	-	-	-	1,160	-	-	1,160
	160,439	(124,996)	-	21,746	(82,004)	82,004	-	-	(25,056)	100,181	(68,048)	-	32,133

	2022												
	31-12-2021				Write-offs and sales		Transfers to other assets			31-12-2022			
	Gross amount	Accumulated depreciation	Impairment	Additions	Gross amount	Accumulated depreciation	Gross amount	Accumulated depreciation	Depreciation	Gross amount	Accumulated depreciation	Impairment	Carrying amount
			(Note 17)				(Note 14)					(Note 17)	
Property, plant and equipment													
Property													
. Property for own use	335,573	(126,979)	(6,146)	2,117	-	-	(9,948)	6,412	(6,501)	327,742	(127,068)	(6,146)	194,528
. Leasehold expenditure	9,162	(7,049)	-	521	-	-	(242)	232	(455)	9,441	(7,272)	-	2,169
. Rights of use (Note 16)	41,399	(16,854)	-	3,697	(1,406)	-	-	-	(4,250)	43,690	(21,104)	-	22,586
. Other property	167	(81)	-	-	-	-	-	-	(2)	167	(83)	-	84
	386,301	(150,963)	(6,146)	6,335	(1,406)	-	(10,190)	6,644	(11,208)	381,040	(155,527)	(6,146)	219,367
Equipment	158,756	(106,278)	-	8,209	(23,493)	20,360	(84)	57	(10,975)	143,388	(96,836)	-	46,552
Other property, plant and equipment	2,176	(77)	-		-	-	-	-	-	2,176	(77)	-	2,099
	160,932	(106,355)	-	8,209	(23,493)	20,360	(84)	57	(10,975)	145,564	(96,913)	-	48,651
	547,233	(257,318)	(6,146)	14,544	(24,899)	20,360	(10,274)	6,701	(22,183)	526,604	(252,440)	(6,146)	268,018
Intangible assets													
Software	132,342	(99,854)	-	20,255	4,673	-	-	-	(23,133)	157,270	(122,987)	-	34,283
Other intangible assets	2,009	(2,009)	-	4,673	(4,673)	-	-	-	-	2,009	(2,009)	-	-
Goodwill	1,160	-	-	-	-	-	-	-	-	1,160	-	-	1,160
	135,511	(101,863)	-	24,928	-	-	-	-	(23,133)	160,439	(124,996)	-	35,443

13. TAX ASSETS AND LIABILITIES

The composition of these captions is as follows:

	31-12-2023	31-12-2022
Current tax assets	2,121	2,221
Deferred tax assets	163,872	242,811
	165,993	245,032
Current tax liabilities		
Santander Totta, SGPS, S.A.	377,921	128,833
Other	1,415	908
Deferred tax liabilities	153,566	144,255
	532,902	273,996
Deferred taxes	10,306	98,556

Taxes in the statement of profit or loss have the following composition:

	2023	2022
Current taxes	(389,573)	(211,571)
Deferred taxes	(29,316)	(55,669)
	(418,889)	(267,240)

The movement in deferred tax assets and liabilities during the financial years of 2023 and 2022, is as follows:

	Balance as at 31-12-2022	Other comprehensive income	Profit or loss	Balance as at 31-12-2023
Provisions / Impairment temporarily not accepted for tax purposes:				
. Deferred tax assets	86,306	-	(22,810)	63,496
. Deferred tax liabilities	(5,222)	-	-	(5,222)
Revaluation of property, plant and equipment:				
. Deferred tax assets	858	-	(286)	572
. Deferred tax liabilities	(1,576)	-	99	(1,477)
Intangible assets	923	-	2,875	3,798
Pensions:				
. Early retirement pensions	56,501	-	(5,689)	50,812
. Retirement pensions	3,513	-	429	3,942
. Transfers of pension liabilities to Social Security	2,909	-	(323)	2,586
Financial assets at fair value through other comprehensive income	(109,570)	(3,814)	-	(113,384)
Hedging derivatives - cash flows	47,394	(55,120)	-	(7,726)
Financial assets at fair value through profit or loss	38,733	-	(4,334)	34,399
Securitisation operations	(22,777)	-	331	(22,446)
Other	564	-	392	956
	98,556	(58,934)	(29,316)	10,306

	Balance as at 31-12-2021	Other comprehensive income	Profit or loss	Balance as at 31-12-2022
Provisions / Impairment temporarily not accepted for tax purposes:				
. Deferred tax assets	126,066	-	(39,760)	86,306
. Deferred tax liabilities	(5,222)	-	-	(5,222)
Revaluation of property, plant and equipment:				
. Deferred tax assets	1,144	-	(286)	858
. Deferred tax liabilities	(1,714)	-	138	(1,576)
Intangible assets	1,481	-	(558)	923
Pensions:				
. Early retirement pensions	65,105	-	(8,604)	56,501
. Retirement pensions	4,111	-	(598)	3,513
. Transfers of pension liabilities to Social Security	3,232	-	(323)	2,909
Financial assets at fair value through other comprehensive income	(230,351)	120,781	-	(109,570)
Hedging derivatives - cash flows	313	47,081	-	47,394
Financial assets at fair value through profit or loss	44,589	-	(5,856)	38,733
Securitisation operations	(23,266)	-	489	(22,777)
Other	875	-	(311)	564
	(13,637)	167,862	(55,669)	98,556

To use the deferred taxes carried over from Banif, on May 29, 2018, the Bank submitted a replacement Model 22 (Corporate Income Tax) return, regarding the 2015 financial year. The submission of that tax return was motivated by the calculation of the result of Banif's 2015 financial year and the approval, by the Minister of Finance, of the request for the transfer of Banif's deferred taxes to the Bank (as per Order No. 138/2018/MF, of March 9, 2018). However, by Order of the Deputy Director of the Major Taxpayers Unit dated November 26, 2019 ("Order of the Tax Authority"), the Bank was only recognised the right to use Banif's deferred taxes for the years 2009 through 2014. As it disagreed with the Order of the Tax Authority, on January 13, 2020 the Bank filed a hierarchical appeal to the Minister of Finance. On June 30, 2020, the Sub-Director-General of the Tax Management - Income Taxes area decided to dismiss the hierarchical appeal submitted. Even though the Order of the Tax Authority and the Order of the Sub-Director-General only recognised the Bank's right to take advantage of Banif's deferred taxes in the total amount of Euros 92,301 thousand, the Bank has the right - under the agreement with the Portuguese authorities involved in Banif's resolution proceedings – to a compensation of Euros 157,699 thousand, in cash or treasury bills. To comply with this decision, the Bank transferred, in financial year 2020, the amount in question from this caption to the caption "Financial assets at amortised cost – Loans and advances - Customers - Sundry debtors and other cash equivalents" (Note 9).

Dividends distributed to the Bank by subsidiaries and associates located in Portugal or in a European Union Member State are not taxed within the sphere of the prior as a result of the application of the arrangements provided for in Article 51 of the Corporate Tax Code that provides for the elimination of double taxation of distributed profits.

The tax authorities are entitled to review the Bank's tax situation during a period of four years (five years for Social Security), except in cases where there are tax losses carried forward and any other tax deduction or credit, situations in which the expiry date is that of the financial year in which that right is exercised.

The Bank was subject to tax inspections up to and including the financial year of 2020. The corrections made to taxable income covered various matters and most are merely timing corrections.

As for the additional assessments received, the Bank paid off the amounts assessed. Nevertheless, the majority of the additional assessments were subject to administrative claim and/or judicial review.

The Santander Group decided to apply, as from 2017, the Special Taxation of Groups of Companies Regime (RETGS). This new regime is reflected in the algebraic sum of the tax profit or loss determined in the separate periodic returns of each company. The companies covered by this scheme are: Santander Totta, SGPS - the controlling company; and Taxagest, Banco, TottaUrbe, Gamma and Santander Totta Seguros (solely as at December 31, 2022) - controlled companies.

14. OTHER ASSETS

The composition of this caption is as follows:

	31-12-2023	31-12-2022
Other income receivable		
Placement of securities funds	3,912	5,082
Credit operations	50	50
Other services rendered	17,167	16,954
Other	2,270	2,271
Promises of payment in kind, auctions and other assets received as payment in kind	47,747	89,404
Gold, other precious metals, coins and medals	3,145	3,145
Deferred expenses	978	6,625
Liabilities - pensions and other benefits (Note 35)		
Liabilities - BST	(1,089,386)	(935,876)
BST Pension Fund book value	1,130,449	1,008,553
Liabilities – London Branch	(31,175)	(31,143)
London Branch Pension Fund book value	32,815	32,231
Liabilities - ex-Banif	-	(131,550)
Ex- Banif Pension Fund book value	-	91,671
Liabilities - ex-Popular	(147,425)	(140,719)
Ex-Popular Pension Fund book value	186,351	173,365
Values in transit and other transactions to be settled	68,766	19,199
	225,664	209,262
Impairment of non-financial assets (Note 17)	(28,336)	(57,301)
	197,328	151,961

The sub-caption “Income receivable – other services rendered” mainly includes fees receivable from insurers for the marketing of their insurance products (Note 34).

The movement in the sub-caption “Promises of payment in kind, auctions and other assets received as payment in kind” during the financial years of 2023 and 2022 was as follows:

	December 31, 2022							Impairment (Note 17)			December 31, 2023		
	Gross amount	Impairment (Note 17)	Carrying amount	Additions	Sales / Write-offs	Transfers to/from NCAHFS (Note 15)	Transfers of property, plant and equipment (Note 12)	Increases	Reversals	Use	Gross amount	Impairment (Note 17)	Carrying amount
Assets received as payment in kind													
Real estate	11,716	(5,283)	6,433	-	-	(5,184)	-	-	1,766	-	6,532	(3,517)	3,015
Promises of payment in kind	186	(186)	-	-	-	(83)	-	-	83	-	103	(103)	-
Auctions	3,917	(1,707)	2,210	1,388	-	(2,133)	-	(60)	655	37	3,172	(1,075)	2,097
Other	21,554	(20,410)	1,144	538	(6,795)	(1,458)	-	(69)	4,099	3,211	13,839	(13,169)	670
Own use real estate for sale	19,507	(10,982)	8,525	32	(8,181)	-	592	(51)	2,192	2,315	11,950	(6,526)	5,424
Other real estate for sale	32,524	(18,733)	13,791	-	(20,373)	-	-	(2,601)	3,217	14,171	12,151	(3,946)	8,205
	89,404	(57,301)	32,103	1,958	(35,349)	(8,858)	592	(2,781)	12,012	19,734	47,747	(28,336)	19,411

	December 31, 2021							Impairment (Note 17)			December 31, 2022		
	Gross amount	Impairment (Note 17)	Carrying amount	Additions	Sales / Write-offs	Transfers to/from NCAHFS (Note 15)	Transfers of property, plant and equipment (Note 12)	Increases	Reversals	Use	Gross amount	Impairment (Note 17)	Carrying amount
Assets received as payment in kind													
Real estate	37,331	(24,190)	13,141	-	-	(25,615)	-	(1,429)	20,336	-	11,716	(5,283)	6,433
Promises of payment in kind	337	(337)	-	-	-	(151)	-	-	151	-	186	(186)	-
Auctions	6,813	(2,924)	3,889	2,427	(14)	(5,309)	-	(47)	1,254	10	3,917	(1,707)	2,210
Other	27,849	(24,019)	3,830	9,147	(3,455)	(11,987)	-	(786)	3,203	1,192	21,554	(20,410)	1,144
Own use real estate for sale	39,838	(25,771)	14,067	41	(23,945)	-	3,573	(229)	6,790	8,228	19,507	(10,982)	8,525
Other real estate for sale	69,113	(24,847)	44,266	220	(36,809)	-	-	(7,395)	4,439	9,070	32,524	(18,733)	13,791
	181,281	(102,088)	79,193	11,835	(64,223)	(43,062)	3,573	(9,886)	36,173	18,500	89,404	(57,301)	32,103

As at December 31, 2023 and 2022, the typology of the properties in the Assets received as payment in kind portfolio – property, was as follows:

	2023				2022			
Typology	No. properties	Gross amount	Impairment	Carrying amount	No. properties	Gross amount	Impairment	Carrying amount
Property								
Urban land	3	819	(229)	590	5	864	(233)	631
Rural land	6	313	(300)	13	6	310	(296)	14
Buildings								
. Residential	38	3,150	(1,422)	1,728	35	3,598	(1,661)	1,937
. Commercial	16	2,250	(1,566)	684	25	6,944	(3,093)	3,851
	63	6,532	(3,517)	3,015	71	11,716	(5,283)	6,433
Other property for sale								
Urban land	95	6,786	(1,368)	5,418	158	9,437	(3,470)	5,967
Rural land	7	4,080	(2,381)	1,699	61	18,912	(13,698)	5,214
Buildings								
. Residential	7	336	(25)	311	13	842	(220)	622
. Commercial	11	949	(172)	777	26	3,333	(1,345)	1,988
	120	12,151	(3,946)	8,205	258	32,524	(18,733)	13,791
	183	18,683	(7,463)	11,220	329	44,240	(24,016)	20,224

The determination of impairment losses is performed according to the methodology described in Note 15.

As at December 31, 2023 and 2022, the manner of determining the fair value of the "Promises of payment in kind, auctions and other assets received as payment in kind" in accordance with the levels defined in IFRS 13 is as level 3.

15. NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The movement under this caption was as follows:

	December 31, 2022				Transfers from other assets	Impairment (Note 17)			December 31, 2023		
	Gross amount	Accumulated impairment	Additions	Sales	Capital	Increases	Reversals	Use and other	Gross amount	Accumulated impairment	Carrying amount
		(Note 17)			(Note 14)					(Note 17)	
Assets received as payment in kind											
Real estate	68,490	(42,485)	68	(41,552)	8,858	(3,726)	481	22,820	35,864	(22,910)	12,954
Equipment	1,905	(1,702)	347	(340)	-	(468)	248	176	1,912	(1,746)	166
Other assets	17,541	-	9,801	(4,897)		-	-	-	22,445	-	22,445
	87,936	(44,187)	10,216	(46,789)	8,858	(4,194)	729	22,996	60,221	(24,656)	35,565

	December 31, 2021				Transfers from other assets	Impairment (Note 17)			December 31, 2022		
	Gross amount	Accumulated impairment (Note 17)	Additions	Sales	Capital (Note 14)	Increases	Reversals	Use	Gross amount	Accumulated impairment (Note 17)	Carrying amount
Assets received as payment in kind											
Real estate	79,017	(41,873)	491	(54,080)	43,062	(33,892)	20,855	12,425	68,490	(42,485)	26,005
Equipment	2,407	(2,100)	1,083	(1,585)	-	(1,313)	1,002	709	1,905	(1,702)	203
Other assets	-	-	17,541	-	-	-	-	-	17,541	-	17,541
Own use real estate for sale	37,457	-	-	(37,457)	-	-	-	-	-	-	-
	118,881	(43,973)	19,115	(93,122)	43,062	(35,205)	21,857	13,134	87,936	(44,187)	43,749

In the first half of 2022, the Bank disposed of the central building (Ramalho Ortigão), which was on the balance sheet for Euros 35 million. The materialisation of this transaction gave rise to a capital gain recorded in the caption "Profit or loss on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" (Note 33).

As at December 31, 2023 and 2022, the typology of the properties in the Assets received as payment in kind portfolio – property, was as follows:

	2023				2022			
Typology	No. properties	Gross amount	Impairment	Carrying amount	No. properties	Gross amount	Impairment	Carrying amount
Urban land	74	9,307	(5,575)	3,732	87	9,423	(5,621)	3,802
Rural land	1	26	(1)	25	70	10,525	(9,002)	1,523
Buildings								
. Residential	244	17,038	(9,325)	7,713	355	32,448	(17,177)	15,271
. Commercial	63	9,493	(8,009)	1,484	73	16,094	(10,685)	5,409
	382	35,864	(22,910)	12,954	585	68,490	(42,485)	26,005

As part of the Guadiana project, the Bank signed, in the second half of 2022, a promissory contract for the purchase and sale of a portfolio of 563 properties for a sales value of Euros 23 million. The properties will be removed from the balance sheet as the deeds are celebrated. In the 2023 financial year, the deeds of 181 properties were signed with a sales value of Euros 11 million (140 properties with a sales value of Euros 4 million in December 2022) and the capital gains / losses realized on this sale are recorded under the caption "Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" (Note 33).

The valuations of these properties are carried out in accordance with one of the following methods, applied according to the specific situation of the asset:

a) Market method
The market comparison criterion is based on real-estate transaction figures for similar property comparable to the property constituting the object of the study, obtained through market research conducted in the area where the property is located.

b) Income method
This method is intended to estimate the value of the property based on the capitalisation of its net rent, updated to the present moment, using the discounted cash flow method.

The valuations performed of the property referred to above are carried out by independent, specialised entities accredited by the Portuguese Securities Markets Commission (Comissão do Mercado de Valores Mobiliários ("CMVM")).

As at December 31, 2023 and 2022, the manner of determining the fair value of non-current assets held for sale in accordance with the levels defined in IFRS 13 is as level 3.

16. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

The sub-caption "Deposits" has the following composition:

	31-12-2023	31-12-2022
Deposits - Central banks		
Resources from European Central Bank - Deposits	706,835	4,113,627
Resources from other central banks - Deposits	-	87
	706,835	4,113,714
Deposits - Credit institutions		
Very short-term resources	17,262	4,965
Deposits	528,008	737,192
Sale operations with repurchase agreement	4,496,595	2,071,901
Interest payable / deferred expenses	570	354
	5,042,435	2,814,412
Deposits - Customers		
Demand deposits	20,255,031	24,788,888
Term deposits	14,883,567	13,771,591
Advance notice deposits	6,000	2,000
Structured deposits	131,695	137
Saving deposits	299,980	493,300
Interest and charges payable	55,244	5,697
Value adjustments for hedging operations	(2,112)	1
	35,629,405	39,061,614
	41,378,675	**45,989,740**

As at December 31, 2023 and 2022, the sub-caption "Deposits – Credit institutions – Resources from credit institutions - Sales operations with repurchase agreement" is broken down, by type of asset underlying the repo operations, as follows:

	31-12-2023				Remaining period		
	Capital	Interest	Deferred expenses	Total	Up to 3months	3 months to 1 year	1 to 3 years
Debt instruments of domestic public issuers	31,228	-	(236)	30,992	30,992	-	-
Debt instruments of foreign public issuers	(859,994)	-	10,537	(849,457)	(395,815)	(453,642)	-
Debt instruments of other issuers	5,434,524	-	(119,464)	5,315,060	1,786,596	2,719,638	808,826
	4,605,758	-	(109,163)	4,496,595	1,421,773	2,265,996	808,826

	31-12-2022				Remaining period		
	Capital	Interest	Deferred expenses	Total	Up to 3months	3 months to 1 year	1 to 3 years
Debt instruments of foreign public issuers	(99,926)	-	(20)	(99,946)	(99,946)	-	-
Debt instruments of other issuers	2,188,074	-	(16,227)	2,171,847	1,043,763	1,128,084	-
	2,088,148	-	(16,247)	2,071,901	943,817	1,128,084	-

The sub-caption "Debt securities issued" has the following composition:

	31-12-2023			31-12-2022		
	Issued	Reacquired	Balance	Issued	Reacquired	Balance
Mortgage / Covered bonds						
Opening balance	8,600,000	(6,623,800)	1,976,200	8,600,000	(6,600,000)	2,000,000
Issued	2,669,900	(1,000,000)	1,669,900	750,000	(750,000)	-
Reacquired	-	-	-	-	(23,800)	(23,800)
Redeemed	(1,500,000)	1,500,000	-	(750,000)	750,000	-
Closing balance	9,769,900	(6,123,800)	3,646,100	8,600,000	(6,623,800)	1,976,200
Interest payable	-	-	37,199	-	-	9,250
Cost-related commissions	-	-	(18,869)	-	-	(14,472)
Hedging adjustments	-	-	7,417	-	-	-
	9,769,900	(6,123,800)	3,671,847	8,600,000	(6,623,800)	1,970,978
Bonds issued in the scope of securitisation operations						
Opening balance	3,182,259	(2,057,561)	1,124,698	3,374,158	(2,837,840)	536,318
Issued	-	-	-	665,930	-	665,930
Reacquired	-	-	-	-	(9,430)	(9,430)
Redeemed	(467,075)	325,177	(141,898)	(857,829)	789,709	(68,120)
Closing balance	2,715,184	(1,732,384)	982,800	3,182,259	(2,057,561)	1,124,698
Interest payable	-	-	1,267	-	-	810
Cost-related commissions	-	-	(31,265)	-	-	(36,336)
	2,715,184	(1,732,384)	952,802	3,182,259	(2,057,561)	1,089,172
Structured bonds						
Opening balance	254,282	(285)	253,997	191,227	(116)	191,111
Issued	141,600	-	141,600	100,800	-	100,800
Reacquired	-	(511)	(511)	-	(169)	(169)
Redeemed	(101,707)	-	(101,707)	(37,745)	-	(37,745)
Closing balance	294,175	(796)	293,379	254,282	(285)	253,997
Interest payable	-	-	5,455	-	-	4,338
Hedging adjustments	-	-	(238)	-	-	(488)
	294,175	(796)	298,596	254,282	(285)	257,847
Other bonds						
Opening balance	650,000	-	650,000	-	-	-
Issued	-	-	-	650,000	-	650,000
Closing balance	650,000	-	650,000	650,000	-	650,000
Interest payable	-		15,675	-		15,675
	650,000	-	665,675	650,000	-	665,675
Subordinated liabilities						
Opening balance	327,599	-	327,599	327,599	-	327,599
Closing balance	327,599	-	327,599	327,599	-	327,599
Interest payable	-	-	5,212	-	-	5,212
	327,599	-	332,811	327,599	-	332,811
	13,756,858	(7,856,980)	5,921,731	13,014,140	(8,681,646)	4,316,483

According to the law, holders of the mortgage / covered bonds have a special creditor privilege over the autonomous assets and liabilities, which constitutes a guarantee of the debt to which the bondholders will have access in the event of the issuer's insolvency.

The conditions of the Debt securities issued are described in Appendix I.

Between May 2008 and December 2023, the Bank realised thirty-three mortgage / covered bond issues under the "€ 12,500,000,000 Covered Bonds Programme". As at December 31, 2023 and 2022, the mortgage / covered bonds had an autonomous set of net assets consisting of:

	31-12-2023	31-12-2022
Loans and advances (Note 9)	11,284,130	10,237,229
Loan interest	42,615	17,683
Derivatives	(1,263,905)	(166,020)
	10,062,840	10,088,892

The sub-caption "Other financial liabilities" has the following composition:

	31-12-2023	31-12-2022
Cheques and orders payable	93,855	198,533
Creditors and other resources		
Creditors for futures operations	15,463	13,330
Contributions to other healthcare systems	1,716	1,650
Public sector	34,068	29,987
Creditors for factoring contracts	61,038	55,053
Creditors for supplies of goods	872	2,231
Creditors for amounts payables	6,006	5,988
Other	26,213	27,770
Commitments for future rents	19,705	22,790
	258,937	357,332

Commitments for future rents correspond to the adoption of IFRS 16, and their movements during the financial years of 2023 and 2022, are as follows:

	Lease liabilities	Right of use (Note 12)
Balance as at December 31, 2021	**24,830**	**24,545**
Depreciation 2022	(4,798)	(4,250)
Outs	(1,406)	(1,406)
Ins	2,831	2,831
Rent extensions and modifications	1,333	866
Balance as at December 31, 2022	**22,790**	**22,586**
Depreciation 2023	(4,467)	(4,572)
Outs	(454)	(454)
Ins	323	1,836
Rent extensions and modifications	1,513	-
Balance as at December 31, 2023	**19,705**	**19,396**

During the same periods, the contractual cash flows are as follows:

	31-12-2023	31-12-2022
. Up to 1 year	4,542	4,454
. Up to 2 years	3,449	4,067
. Up to 3 years	3,144	3,086
. Up to 4 years	3,024	2,989
. Up to 5 years	2,799	2,879
. More than 5 years	2,747	5,315
	19,705	22,790

17. MOVEMENT IN PROVISIONS AND IMPAIRMENT

The movement in Provisions during the financial years of 2023 and 2022 was as follows:

	2023					
	31-12-2022	Increases	Reversals	Use	Transfers / Other	31-12-2023
Impairment for guarantees and commitments given (Note 23)	49,705	8,763	(5,205)	-	-	53,263
Restructuring	65,653	-	(13,500)	(11,410)	-	40,743
Other provisions	39,146	41,062	(8,627)	(2,130)	(30,000)	39,451
	154,504	49,825	(27,332)	(13,540)	(30,000)	133,457

	2022					
	31-12-2021	Increases	Reversals	Use	Transfers / Other	31-12-2022
Impairment for guarantees and commitments given (Note 23)	51,178	4,853	(6,326)	-	-	49,705
Restructuring	87,204	-	-	(21,551)	-	65,653
Other provisions	63,428	9,180	(11,457)	(20,005)	(2,000)	39,146
	201,810	14,033	(17,783)	(41,556)	(2,000)	154,504

The amount presented under the restructuring concept is intended to cover the commitments already assumed and disclosed to employees and not yet settled. The amounts used in financial years 2023 and 2022, were used to settle commitments assumed.

The sub-caption "Other provisions" presented the following detail:

	31-12-2023	31-12-2022
Pensions and other post-employment defined benefit obligations (Note 37)	10,508	10,260
Tax issues	5,250	250
Legal issues and pending tax disputes	4,644	6,931
Other provisions	19,049	21,705
	39,451	39,146

The movement in Impairment during the financial years of 2023 and 2022 was as follows:

	2023						
	31-12-2022	Increases	Reversals of impairment losses	Use and other	31-12-2023	Recoveries of uncollectibles and other	Gains / Losses on loan sales
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss:							
Impairment of debt securities (Note 9)	4,850	244	(2,832)	-	2,262	-	-
Impairment of loan and advances (Note 9)	941,446	166,549	(107,378)	(205,847)	794,770	(1,477)	18,204
Impairment of financial assets at fair value through other comprehensive income (Note 8)	24	-	(24)	-	-	-	-
	946,320	166,793	(110,234)	(205,847)	797,032	(1,477)	18,204
Impairment or reversal of impairment on non-financial assets:							
Property, plant and equipment (Note 12)	6,146	-	-	-	6,146	-	-
Other assets (Note 14)	57,301	2,781	(12,012)	(19,734)	28,336	-	-
Non-current assets held for sale (Note 15)	44,187	4,194	(729)	(22,996)	24,656	-	-
	107,634	6,975	(12,741)	(42,730)	59,138	-	-

	2022						
	31-12-2021	Increases	Reversals of impairment losses	Use and other	31-12-2022	Recoveries of uncollectibles and other	Gains / Losses on loan sales
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss:							
Impairment of debt securities (Note 9)	5,622	1,481	(2,253)	-	4,850	-	-
Impairment of loan and advances (Note 9)	1,013,876	88,682	(83,689)	(77,423)	941,446	(8,888)	(7,276)
Impairment of financial assets at fair value through other comprehensive income (Note 8)	52	-	(29)	1	24	-	-
	1,019,550	90,163	(85,971)	(77,422)	946,320	(8,888)	(7,276)
Impairment or reversal of impairment on non-financial assets:							
Property, plant and equipment (Note 12)	6,146	-	-	-	6,146	-	-
Other assets (Note 14)	102,088	9,886	(36,173)	(18,500)	57,301	-	-
Non-current assets held for sale (Note 15)	43,973	35,205	(21,857)	(13,134)	44,187	-	-
	152,207	45,091	(58,030)	(31,634)	107,634	-	-

18. SHARE CAPITAL REPAYABLE ON DEMAND

As at December 31, 2023 and 2022, this caption represented the participation units of the Novimovest Fund not owned by the Group.

19. OTHER LIABILITIES

The composition of this caption is as follows:

	31-12-2023	31-12-2022
General administrative expenses	74,424	63,221
Staff expenses	83,510	71,059
Other charges	7,939	6,681
Other deferred income	7,884	8,046
Other		
SEPA transfers	349,739	99,070
Balances to be settled via ATMs	182	224
Other values in transit and other transactions to be settled	181,786	90,996
	705,464	339,297

As at December 31, 2023 and 2022, the other charges correspond, essentially, to accrued expenses related to the Bank's normal activity.

20. EQUITY

As at December 31, 2023 and 2022, the Bank’s share capital was represented by 1,391,779,674 shares with a par value of one Euro each, fully subscribed and paid up by the following shareholders:

	31-12-2023			31-12-2022		
	Number of shares	Shareholding %	Amount	Number of shares	Shareholding %	Amount
Santander Totta, SGPS, S.A.	1,376,219,267	98.88%	1,376,219	1,376,219,267	98.88%	1,376,219
Taxagest, SGPS, S.A.	14,593,315	1.05%	14,593	14,593,315	1.05%	14,593
Treasury shares	435,492	0.03%	436	429,088	0.03%	430
Other	531,600	0.04%	532	538,004	0.04%	538
	1,391,779,674	100.00%	1,391,780	1,391,779,674	100.00%	1,391,780

In the General Meeting of May 4, 2022, a capital increase of Euros 135,057 thousand was approved, with Santander Totta, SGPS, S.A. subscribing Euros 135,039 thousand of this increase. It was also deliberated to reimburse in full the ancillary capital contributions made by Santander Totta, SGPS, S.A. in the amount of Euros 135,000 thousand, after obtaining authorisation to do so from the Bank of Portugal.

During the financial year 2023, the Bank purchased 6,404 treasury shares, for Euros 12 thousand (6,028 treasury shares for Euros 19 thousand in financial year 2022).

Under the terms of Order No. 408/99, of June 4, published in the Official Gazette of Portugal – 1st Series B, No. 129, the share premium, in the amount of Euros 193,390 thousand, cannot be used for the attribution of dividends or for the purchase of treasury shares.

On June 29, 2022, Banco Santander Totta issued "€ 400,000,000 Fixed Rate Resettable Perpetual Additional Tier I", perpetual subordinated bonds that qualify for the Tier 1 capital ratio, as Additional Tier 1 Capital, pursuant to Directive 2013/36/EU (or CRD IV – Capital Requirements Directive), with same having been fully acquired by Santander Totta, SGPS, S.A.. This operation has no defined term, has an option for early redemption by the Bank from the end of 5th year, and an interest rate of 9.159% per annum, during the first 5 years. As an Additional Tier 1 instrument, the corresponding interest payment is decided at the discretion of the Bank and is also subject to the observation of a set of conditions, situations that led to its recording under this caption. The amount paid in the financial year 2023 was Euros 36,636 thousand.

On May 16, 2023, the General Meeting deliberated to distribute dividends in respect of the financial year 2022 in the amount of Euros 508,000 thousand (Euros 502,516 thousand paid).

On February 28, 2022, the General Meeting deliberated to distribute dividends on retained earnings in the amount of Euros 502,855 thousand.

On May 4, 2022, the General Meeting deliberated to distribute dividends in respect of the financial year 2021 in the amount of Euros 273,008 thousand.

On June 7, 2022, the General Meeting deliberated to distribute dividends on retained earnings in the amount of Euros 748,000 thousand.

As at December 31, 2023 and 2022, the breakdown of the Accumulated other comprehensive income reserves was as follows:

	31-12-2023	31-12-2022
Gross effect of the valorisations		
Items that will not be reclassified to profit or loss		
Actuarial gains or losses on defined benefit pension plans (Note 35)	(709,765)	(700,416)
Fair value changes of equity instruments measured at fair value through other comprehensive income	61,425	76,008
Share of other recognised income and expense of entities accounted for using the equity method	-	(112)
Total of Items that will not be reclassified to profit or loss	(648,340)	(624,520)
Items that may be reclassified to profit or loss		
Cash flow hedges reserve	24,922	(152,884)
Fair value changes of debt instruments at fair value through other comprehensive income		
Fair value changes of debt securities at fair value through other comprehensive income	65,287	146,270
Fair value changes of loans and advances at fair value through other comprehensive income	301,739	204,706
Total of Items that may be reclassified to profit or loss	391,948	198,092
Tax effect		
Items that will not be reclassified to profit or loss – tax effect		
Actuarial gains or losses on defined benefit pension plans	204,286	204,286
Fair value changes of equity instruments measured at fair value through other comprehensive income	(71)	(1,338)
Share of other recognised income and expense of entities accounted for using the equity method	-	864
Total of Items that will not be reclassified to profit or loss – tax effect	204,215	203,812
Items that may be reclassified to profit or loss – tax effect		
Cash flow hedges reserve	(7,726)	47,394
Fair value changes of debt instruments at fair value through other comprehensive income		
Fair value changes of debt securities at fair value through other comprehensive income	(19,772)	(44,772)
Fair value changes of loans and advances at fair value through other comprehensive income	(93,539)	(63,459)
Total of Items that may be reclassified to profit or loss – tax effect	(121,037)	(60,837)
Accumulated other comprehensive income	(173,214)	(283,453)

Deferred taxes were calculated based on legislation currently in force and correspond to the best estimate of the impact of the realisation of the potential gains and losses included in the accumulated other comprehensive income reserves.

Revaluation reserves cannot be used for the attribution of dividends or to increase share capital.

The captions “Retained earnings” and “Other reserves” had the following composition:

	31-12-2023	31-12-2022
Retained earnings	401,045	402,736
Other reserves		
Legal reserve	630,060	569,691
Reserves of consolidated companies	100,203	97,241
Reserves of companies consolidated using the equity method	35,539	12,525
Merger reserve		
Through the incorporation of totta and BSP	541,334	541,334
Through the incorporation of BSN	35,405	35,405
Through the incorporation of Totta IFIC	90,520	90,520
Through the incorporation of BAPOP	(8,411)	(8,411)
Other reserves	(409,477)	(377,773)
	1,015,173	960,532

Retained earnings

This caption recognises undistributed profits or losses of prior years.

Legal reserve

In accordance with the provisions of Decree-Law 298/92, of December 31, amended by Decree-Law 201/2002, of September 26, the Company had been setting aside a legal reserve until same equalled the share capital, or the sum of the free reserves formed and of the retained earnings, if greater. To this end, a fraction of not less than 10% of the profit or loss for the financial year of the Company’s individual activity was annually transferred to this reserve, until achieving said amount. This reserve may only be used to cover accumulated losses or to increase share capital.

Merger reserve

In accordance with legislation in force, the merger reserve is considered equivalent to the legal reserve and may only be used to cover accumulated losses or increase the share capital.

Other reserves

This caption includes the revaluation reserves determined. In 1998, under Decree-Law 31/98, of February 11, the Bank revalued its Property, Plant and Equipment, increasing their value, net of accumulated depreciation, by approximately Euros 23,245 thousand, which was recorded in revaluation reserves. The net amount resulting from the revaluation carried out can only be used for share capital increases or to cover losses, as and when they are used (amortised) or the assets to which they relate are sold. Additionally, this caption includes the impacts of accounting policy changes, the impacts originated by the sale of equity instruments and the distribution of dividends - “Additional Tier 1 Instruments”.

21. PROFIT OR LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

In financial years 2023 and 2022, the determination of the consolidated profit can be summarised as follows:

	2023		2022	
	Profit or loss for the financial year	Contribution to the consolidated profit or loss	Profit or loss for the financial year	Contribution to the consolidated profit or loss
Profit or loss of the Bank (individual basis)	943,190	943,190	603,685	603,685
Profit or loss of other Group companies:				
Totta (Ireland), Plc.	23,801	23,801	4,028	4,028
Novimovest - Fundo de Investimento Imobiliário Aberto	3,079	2,424	3,395	2,673
Unicre, Instituição Financeira de Crédito, S.A.	-	-	23,512	5,140
Gamma, Sociedade Financeira de Titularização de Créditos, S.A.	372	372	196	196
Totta Urbe, Empresa de Administração e Construções, S.A.	(1,820)	(1,820)	(10,105)	(10,105)
Taxagest, S.A.	268	266	(8)	(8)
	25,700	25,043	21,018	1,924
Adjustments to the consolidated results				
Annulment of intergroup dividends received:				
Totta (Ireland), Plc.		(4,862)		(8,737)
Unicre, Instituição Financeira de Crédito, S.A.		(4,355)		(3,834)
		(9,217)		(12,571)
Adjustments related to securitisation operations		(6,304)		(7,106)
Annulment of the UNICRE valorisation in the Bank		(31,184)		-
Annulment of the impairment of investments in subsidiaries		10,000		-
Other		(121)		627
Profit or loss attributable to the owners of the parent		931,407		586,559

Basic earnings per share are calculated by dividing the consolidated net income attributable to the Bank's shareholders by the weighted average number of common shares in circulation during the period.

	2023	2022
Consolidated profit or loss attributable to owners of the parent	931,407	586,559
Weighted average number of ordinary shares issued	1,391,779,674	1,338,867,171
Weighted average number of treasury shares	15,024,986	15,019,395
Weighted average number of ordinary shares outstanding	1,376,754,688	1,323,847,775
Basic earnings per share attributable to shareholders of the Bank (Euros)	0.68	0.44

Basic earnings per share are the same as diluted earnings per share since there are no contingently issuable common shares, namely through options, warrants or equivalent financial instruments as at the reporting date.

22. NON-CONTROLLING INTERESTS

The value of third-party holdings in Group companies is broken down by entity, as follows:

	31-12-2023	31-12-2022
Taxagest, SGPS, S.A.	560	557
Other	69	69
	629	626

23. OFF-BALANCE-SHEET ITEMS

The breakdown of off-balance-sheet liabilities is as follows:

	31-12-2023	31-12-2022
Guarantees given and other contingent liabilities		
Guarantees and sureties (Note 38)	370,432	340,191
Loan commitments granted (Note 38)		
Revocable	6,841,168	7,232,184
Irrevocable	646,033	812,140
	7,487,201	8,044,324
Other commitments granted		
Non-financial guarantees and sureties (Note 38)	1,631,183	1,485,832
Documentary credits outstanding (Note 38)	228,694	242,819
Other commitments granted	84	84
	1,859,961	1,728,735
Irrevocable payment commitments	102,474	75,508
	1,962,435	1,804,243
	9,820,068	10,188,758
Assets pledged as guarantee		
Bank of Portugal	187,105	146,457
Deposit Guarantee Fund	84,955	81,046
Investor Indemnity System	9,439	7,204
Assets pledged as guarantee in monetary policy operations	12,924,529	12,087,705
European Resolution Fund	26,451	-
	13,232,479	12,322,412
Liabilities for services provided		
Deposit and custodianship services	44,207,049	40,347,573
Values received for collection	634,223	631,286
	44,841,272	40,978,859

Assets pledged as collateral for monetary policy operations correspond to the collateral pool that the Bank has with the European Central Bank, to secure operational liquidity.

Guarantees provided, commitments assumed in respect of credit granted and other commitments granted, have the following exposure per stage:

	31-12-2023							
	Exposure				Impairment (Note 17)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loan commitments granted	6,953,424	526,997	6,780	7,487,201	5,560	12,060	25	17,645
Financial guarantees and sureties	334,520	17,390	18,522	370,432	436	1,445	13,091	14,972
Other commitments granted	1,699,040	56,269	104,652	1,859,961	483	1,026	19,137	20,646
	8,986,984	600,656	129,954	9,717,594	6,479	14,531	32,253	53,263

	31-12-2022							
	Exposure				Impairment (Note 17)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loan commitments granted	7,507,591	528,207	8,526	8,044,324	6,710	4,960	28	11,698
Financial guarantees and sureties	309,116	8,003	23,072	340,191	700	533	13,083	14,316
Other commitments granted	1,554,866	45,879	127,990	1,728,735	695	679	22,317	23,691
	9,371,573	582,089	159,588	10,113,250	8,105	6,172	35,428	49,705

In the sub-caption “Irrevocable payment commitments” the Bank records the responsibilities for:

Deposit Guarantee Fund

Pursuant to Decree-Law 298/92, of December 31, the Deposit Guarantee Fund was established in November 1994 to secure the deposits made at credit institutions, in accordance with the limits established in the General Credit Institutions and Financial Companies Regime. The initial contribution to the Fund, established by an Order of the Ministry of Finance, was made through the delivery of cash and deposit securities, and was amortised over 60 months as from January 1995. Except for that referred to in the following paragraph, the regular annual contributions to the Fund are recognised as an expense for the financial year to which they relate.

Until 2011, as permitted by the Bank of Portugal, the Bank paid 90% of the annual contribution to the Deposit Guarantee Fund, having also entered an irrevocable commitment to the Deposit Guarantee Fund to pay up the 10 % of the annual contribution, if and when so requested. The accumulated unpaid amount, in respect of which this commitment was entered into, totalled Euros 68,969 thousand. The assets pledged to the Bank of Portugal are reflected under off-balance-sheet items at their market value. In financial years 2023 and 2022, the Bank paid 100% of the annual contribution in the amounts of Euros 321 thousand and Euros 312 thousand, respectively (Note 32).

Investor Compensation System (SII)

Liabilities to the Investor Compensation System are not recognised as expenses. These liabilities are covered through the acceptance of an irrevocable commitment to make their payment, if it comes to be required, a part of which (50%) is secured by pledge of Portuguese Treasury securities. As at December 31, 2023 and 2022, these liabilities amounted to Euros 7,054 thousand and Euros 6,539 thousand, respectively.

Single Resolution Fund

Within the scope of the single Resolution mechanism, the annual contributions will be transferred to the Single Resolution Fund, in accordance with Article 3(3) of the agreement on the transfer and pooling of the contributions to the Single Resolution Fund, signed in Brussels on May 21, 2014. The Bank of Portugal, as the resolution authority, determines the amount of the contribution of each institution depending on their risk profile. In the first half of 2023 and financial year 2022, and as provided for in a Bank of Portugal letter, the Single Resolution Council (CUR) allowed banking institutions, in these years, to opt for the use of irrevocable payment commitment, in the proportion of 22.5% and 15%, respectively, of the amount of the annual contribution. The contribution for financial years 2023 and 2022 amounted to Euros 21,010 thousand and Euros 33,358 thousand, respectively and the amount recognised in profit or loss amounted to Euros 16,283 thousand and Euros 28,354 thousand, respectively (Note 32).

24. NET INTEREST INCOME

The composition of this caption is as follows:

	2023			2022		
	Income	Expenses	Net	Income	Expenses	Net
Assets						
Cash and deposits at central banks and credit institutions	209,397	-	209,397	35,160	(18,455)	16,705
Financial assets held for trading	145,306	-	145,306	-	-	-
Financial assets at fair value through other comprehensive income						
Loans and advances	71,965	-	71,965	73,301	-	73,301
Debt securities	60,222	-	60,222	61,137	-	61,137
Financial assets at amortised cost						
Loans and advances - Credit institutions	10,131	-	10,131	3,262	-	3,262
Debt securities	141,656	-	141,656	52,863	-	52,863
Loans and advances - Customers	1,543,979	(37,056)	1,506,923	664,853	(25,938)	638,915
Hedge accounting	508,404	(495,141)	13,263	225,951	(245,607)	(19,656)
Other assets	2	-	2	1	-	1
Liabilities						
Financial liabilities held for trading	-	(145,709)	(145,709)	-	-	-
Financial liabilities measured at amortised cost						
Deposits – Central banks	-	(70,749)	(70,749)	57,460	-	57,460
Deposits - Credit institutions	-	(146,366)	(146,366)	-	(9,901)	(9,901)
Deposits - Customers	-	(135,683)	(135,683)	-	(10,629)	(10,629)
Debt securities issued	-	(178,287)	(178,287)	-	(82,915)	(82,915)
Lease liabilities	-	(420)	(420)	-	(468)	(468)
Other	-	(348)	(348)	-	(790)	(790)
Other liabilities	-	(4)	(4)	16	-	16
	2,691,061	(1,209,764)	1,481,297	1,174,004	(394,702)	779,302

25. DIVIDEND INCOME

This caption refers to dividends received and has the following composition:

	2023	2022
SIBS – Sociedade Interbancária de Serviços, S.A.	1,664	3,643
Other	26	182
	1,690	3,825

26. SHARE OF THE PROFIT OR LOSS FROM INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES ACCOUNTED FOR UNDER THE EQUITY METHOD

The composition of this caption is as follows:

	2023	2022
Unicre - Instituição Financeira de Crédito, S.A. (see Note 8)	-	5,140

27. INCOME AND EXPENSES FROM FEES AND COMMISSIONS

The composition of these captions is as follows:

	2023	2022
Fee and commission income	**523,850**	**576,208**
Securities	13,835	16,229
Corporate finance	2,691	881
Asset management	1,738	1,959
Custodianship services	5,639	5,601
Payment services		
Current accounts	113,554	105,928
Credit cards	21,269	20,912
Debit cards and other card payments	92,937	144,748
Transfers and other payment orders	21,443	20,526
Other fee and commission income related to payment services	1,133	1,051
Customer resources distributed but not managed		
Collective investment	31,796	33,313
Insurance products (Note 34)	124,719	126,827
Structured financial instruments	24,059	10,202
Loan commitments granted	8,329	8,029
Financial guarantees given	4,231	4,021
Loans granted	41,902	58,131
Other fee and commission income	14,575	17,850
Fee and commission expenses	**66,849**	**100,618**
Securities	5,392	4,865
Payment services	43,307	71,955
Financial guarantees received	885	4,042
Other fee and commission expenses	17,265	19,756

28. GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES

The composition of these captions is as follows:

	2023	2022
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**15,750**	**754**
Gains or losses on financial assets at fair value through other comprehensive income		
Debt instruments (Note 8)	15,750	-
Financial liabilities measured at amortised cost (Debt instruments)	-	754
Gains or losses on financial assets and liabilities held for trading, net	**33,287**	**9,732**
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**1,504**	**2,530**
Equity instruments (Note 7)	1,504	2,310
Other	-	220
Gains or losses from hedge accounting, net	**-**	**-**
Hedging derivatives	(222,316)	865,373
Hedged element	222,316	(865,373)
Exchange differences, net	**18,095**	**19,959**
Gains or losses on derecognition of investments in subsidiaries, joint ventures and associates, net (Note 8)	**1,386**	**-**

29. GAINS OR LOSSES ON DERECOGNITION OF NON-FINANCIAL ASSETS

The composition of this caption is as follows:

	2023	2022
Gains on investment property	2,791	1,098
Losses on investment property	(1,108)	(1,120)
Gains on derecognition of business lines	-	55,334
	1,683	55,312

In the second half of 2022, the Bank transferred the POS (merchant acquiring) business line to Getnet Europe, Entidad de Pago, S.L.U. for Euros 55,334 thousand.

30. OTHER OPERATING INCOME AND EXPENSES

The composition of these captions is as follows:

	2023	2022
Other operating income		
Income from sundry services rendered	1,945	1,861
Rents earned - Novimovest (Note 12)	8,052	8,753
Fair value changes of investment property (Note 12)	1,318	1,912
Other	4,888	5,118
	16,203	17,644
Other operating expenses		
Fair value changes of investment property (Note 12)	(4,399)	(3,118)
Charges with customers	(3,254)	(3,180)
Other	(2,040)	(1,960)
	(9,693)	(8,258)

The sub-caption “Charges with customers” records expenses with internal and external fraud.

31. ADMINISTRATIVE EXPENSES

The composition of this caption is as follows:

Staff expenses

	2023	2022
Remuneration		
Management and supervisory bodies	7,837	7,627
Employees	180,815	171,435
Other variable remuneration	35,735	22,260
	224,387	201,322
Mandatory social charges		
Charges on remuneration	48,156	46,188
Pension funds (Note 35)	2,699	4,236
Other	920	776
	51,775	51,200
Other staff expenses		
Complementary pension plan (Note 35)	443	459
Staff assignments	680	1,127
Other	7,009	6,844
	8,132	8,430
	284,294	260,952

Other administrative expenses

	2023	2022
External supplies	7,086	6,481
Specialised services	53,382	58,546
Maintenance of IT software and hardware	88,107	73,845
Communications	5,423	5,437
Maintenance and repairs	2,912	2,672
Advertising and publishing	7,164	6,697
Other lease operations (short-term and low-value leases)	2,873	3,619
Travel, accommodation and entertainment expenses	3,965	3,003
Insurance	2,122	2,253
Other	7,171	9,860
	180,205	172,413

Statutory Audit Firm

The fees billed or to be billed by the audit firm and respective firms in the same network, in financial years 2023 and 2022, excluding the Value Added Tax, were as follows:

	2023			2022		
	Banco	Group	Total	Banco	Group	Total
Audit and statutory audit	2,313	64	2,377	2,262	60	2,322
Other assurance services	719	-	719	933	-	933
Tax consulting services	-	-	-	-	-	-
Other services	624	-	624	448	-	448
	3,656	64	3,720	3,643	60	3,703

The caption "Other assurance services" include fees for the following services:

i) Assessment of the impairment of the loan portfolio, as required by Bank of Portugal Instruction No. 5/2013;
ii) Limited review of the quarterly financial information (1st and 3rd quarters of 2023 and 2022) prepared for the consolidation of Banco Santander, S. A.;
iii) Review of procedures for the safeguarding of customer assets, as required under Article 304-C of the Securities Code;
iv) Verification of the information on mortgage / covered bonds, as required by Article 34 of Decree-Law 59/2006, of March 20;
v) *Ex-ante* verification of the information relating to mortgage / covered bonds, as required by Article 17 (1)(b) of the Legal Regime for Covered Bonds;
vi) Verification of the information on monetary policy operations, as required by Article 101 A of Bank of Portugal Instruction No. 3/2015;
vii) Procedures for validating the annual financial flows report for the purposes of the IFRRU 2020 certification;
viii) Verification of a set of indicators included in the Responsible Banking Report;
ix) Support provided to the Bank's Audit Committee in the context of its self-assessment report required by Bank of Portugal Notice No. 3/2020, under the terms provided for in No. 3 of Article 56 of the aforementioned Notice; and
x) Review of the Internal Control System for the prevention of money laundering and financing of terrorism.

The caption "Other services" includes fees related to the following services:

i) Issue of comfort letter for updating the prospectus regarding the mortgage / covered bonds and EMTN programme;
ii) Access to the Inforfisco database containing information on tax law, doctrine and court decisions;
iii) Agreed-upon procedures on the information of the loans included in securitisation operations;
iv) Agreed-upon procedures on the *ex-ante* report to the Sole Resolution Fund;
v) Verification of a set of sustainability indicators; and
vi) Special audit regarding the quality of data.

32. CASH CONTRIBUTIONS TO RESOLUTION FUNDS AND DEPOSIT GUARANTEE SCHEMES

The composition of this caption is as follows:

	2023	2022
Contributions to the Resolution Fund		
National Resolution Fund	6,821	12,552
Single Resolution Fund (Note 23)	16,283	28,354
Contributions to the Deposit Guarantee Fund (Note 23)	321	312
Other	483	440
	23,908	41,658

Decree-Law 24/2013, of February 19, established the regime governing bank contributions to the Resolution Fund, created for the purpose of prevention, mitigation and containment of systemic risk. According to Bank of Portugal Notice No. 1/2013 and Instructions Nos. 6/2013 and 7/2013, payment is laid down of an initial contribution and of periodic contributions to the Resolution Fund.

33. PROFIT OR LOSS ON NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS

The composition of this caption is as follows:

	2023			2022		
	Gains	Losses	Net	Gains	Losses	Net
Assets received as payment in kind	5,445	(2,574)	2,871	8,535	(19,826)	(11,291)
Other non-financial assets	7,495	(7,222)	273	62,861	(31,739)	31,122
	12,940	(9,796)	3,144	71,396	(51,565)	19,831

34. PROVISION OF INSURANCE BROKERAGE SERVICES

Income from the provision of insurance brokerage services relates primarily to commissions billed for the marketing of life and non-life insurance, recorded in the caption "Income and expenses from fees and commissions", as follows:

	2023			2022		
	Life products	Non-life products	Total	Life products	Non-life products	Total
			(Note 27)			(Note 27)
Santander Totta Seguros - Companhia de Seguros de Vida, S.A.	36,115	-	36,115	38,391	-	38,391
Aegon Santander Portugal Vida - Companhia de Seguros de Vida, S.A.	45,371	-	45,371	51,376	-	51,376
Aegon Santander Portugal Não Vida - Companhia de Seguros, S.A.	-	40,774	40,774	-	34,566	34,566
Other	369	2,090	2,459	549	1,945	2,494
	81,855	42,864	124,719	90,316	36,511	126,827

As at December 31, 2023 and 2022, the sub-caption "Other income receivable – other services rendered" (Note 14) includes mainly commissions receivable from insurers as detailed hereunder:

	31-12-2023	31-12-2022
Santander Totta Seguros - Companhia de Seguros de Vida, S.A.	8,972	9,250
Aegon Santander Portugal Vida - Companhia de Seguros de Vida, S.A.	3,878	3,765
Aegon Santander Portugal Não Vida - Companhia de Seguros, S.A.	3,562	3,182
Other	7	8
	16,419	16,205

These amounts refer, essentially, to the commissions calculated and not yet paid in respect of premiums of insurance marketed during the last quarter of 2023 and 2022.

35. EMPLOYEE POST-EMPLOYMENT BENEFITS

To determine the liabilities for past services of the Bank (Santander, BAPOP and Banif plans) in respect of employees in service and those already retired, actuarial studies were conducted by Mercer (Portugal), Limitada. The current value of the past-service liabilities, as well as the related costs of current services, were calculated based on the Projected Unit Credit method.

The Bank's liabilities for retirement pensions, healthcare and death allowances as at December 31, 2023 and 2022, as well as the respective coverage, are detailed as follows:

	Santander		BAPOP		Banif
	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2022
Estimate of liabilities for past services:					
- Pensions:					
. Current employees	166,585	145,899	65,673	62,417	9,442
. Pensioners	76,359	61,044	7,096	6,870	10,749
. Retired staff and early retired staff	687,917	590,938	65,445	62,978	95,620
	930,861	797,881	138,214	132,265	115,811
- Healthcare system (SAMS)	147,137	128,503	8,779	8,068	14,658
- Death allowance	4,773	4,147	432	386	398
- Retirement bonus	6,615	5,345	-	-	683
	1,089,386	935,876	147,425	140,719	131,550
Coverage of liabilities:					
- Net assets of the Fund	1,130,449	1,008,553	186,351	173,365	91,671
Excess / (Insufficient) funding (Note 14)	41,063	72,677	38,926	32,646	(39,879)
Actuarial and financial deviations generated in the period					
- Change in assumptions	23,850	(211,728)	3,279	(43,691)	(29,606)
- Experience adjustments:					
. Other actuarial (gains) or losses	30,054	32,573	3,030	586	(6,548)
. Financial (gains) or losses	(42,159)	108,228	(8,195)	18,611	22,962
	(12,105)	140,801	(5,165)	19,197	16,414
	11,745	(70,927)	(1,886)	(24,494)	(13,192)

On July 5, 2023, the Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF) authorised the extinction through transfer of the Banif pension fund and the change in the constitutive contract of the Santander pension fund. In this sense, as at October 31, 2023, the merger of the Banif pension fund in the Santander pension fund took place

As at December 31, 2023 and 2022, the main assumptions used by the Bank to determine its liabilities for retirement pensions were as follows:

	2023	2022
Mortality Table		
. Female	TV 99/01 (-2)	TV 99/01 (-2)
. Male	TV 88/90	TV 88/90
Technical actuarial rate (discount rate)	3.50%	3.70%
Salary growth rate		
. Year 2023	-	3.00%
. Year 2024	2.50%	2.50%
. Year 2025	2.00%	2.00%
. After 2025	0.75%	0.75%
Pension growth rate		
. Year 2023	-	2.75%
. Year 2024	2.25%	2.25%
. Year 2025	1.75%	1.75%
. After 2025	0.50%	0.50%
Social security's annual salary revalorisation rate		
. No. 1 of Article 27	0.45%	0.45%
. No. 2 of Article 27	0.55%	0.55%

Decree-Law 167-E/2013, of December 31, changed the normal retirement age under the General Social Security Regime; however, the sustainability factor is no longer applicable to beneficiaries who retire at that age.

The discount rate used to determine the liabilities was calculated by reference to the market rates of low-risk corporate bonds of a term comparable to that of the settlement of the liabilities.

The movement in liabilities for past services in financial years 2023 and 2022, can be detailed as follows:

	Santander		BAPOP		Banif
	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2022
Liabilities at beginning of period	1,067,426	1,155,946	140,719	185,616	167,108
Cost of current services	1,316	2,507	386	714	-
Interest expense	37,786	12,256	3,962	1,673	-
Actuarial (gains) or losses	53,903	(179,155)	6,309	(43,105)	(36,154)
Early retirements	5,485	8,415	910	405	596
Amounts paid	(78,942)	(66,324)	(5,361)	(5,077)	-
Employee contributions	2,412	2,231	500	493	-
Liabilities at end of period	1,089,386	935,876	147,425	140,719	131,550

As at December 31, 2023 and 2022, the estimated temporal payments for the coming ten years, are as follows:

	Santander		BAPOP		Banif
Year	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2022
2023		65,251		5,169	9,056
2024	74,430	62,933	5,523	5,244	8,986
2025	72,170	63,524	5,524	5,275	9,077
2026	68,999	60,270	5,453	5,193	8,919
2027	68,632	57,643	5,393	5,116	8,527
2028	66,231	55,564	5,330	5,053	8,149
2029	63,858	53,374	5,391	5,117	8,015
2030	62,371	52,049	5,281	5,040	7,840
2031	61,239	51,238	5,099	4,869	7,682
2032	60,944	50,933	5,281	5,044	7,610
2033	60,325	-	5,447	-	-
	659,199	507,528	53,722	45,951	74,805

The expenses for the financial year relating to pensions include the cost of current services and the net interest expense. In financial years 2023 and 2022, the expense with pensions has the following composition (Note 31):

	2023	2022
Cost of current services	1,702	3,221
Interest expense	41,748	13,929
Income from assets calculated using the discount rate	(41,748)	(13,929)
Defined benefit plan	1,702	3,221
Defined contribution plan	1,039	988
London Branch plan	(42)	27
	2,699	4,236

As from January 1, 2009, the employees taken on by the Bank came to be included in Social Security and are covered by a supplementary defined-contribution pension plan and by the rights acquired under Clause 93 of the CBA. The plan is funded through contributions by employees (1.5%) and by the Bank (1.5%), calculated based on the actual monthly remuneration. For this purpose, each employee can opt for an open pension fund at his or her choice into which the Bank transfers its contribution, except for Banif that has a defined contribution fund.

In 2024, the Bank expects to contribute Euros 3,073 thousand to the defined benefits plan of Santander and BAPOP.

Salary and pension growth estimates were determined considering the historical ratio between inflation and the CBA table growth.

The average duration of pension liabilities of the employees of Santander and BAPOP is 14 years, including those in active service and pensioners.

The movement in actuarial deviations during financial years 2023 and 2022 was as follows:

	Santander		BAPOP		Banif
	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2022
Deviations at beginning of period (Note 20)	715,979	758,860	(22,991)	1,503	41,238
Actuarial (gains) or losses	53,903	(179,155)	6,309	(43,105)	(36,154)
Financial (gains) or losses	(42,159)	108,228	(8,195)	18,611	22,962
Deviations at end of period (Note 20)	727,723	687,933	(24,877)	(22,991)	28,046

The Santander Pension Fund is managed by Santander Pensões - Sociedade Gestora de Fundos de Pensões, S.A., and the BAPOP Pension Fund is managed by Santander Totta Seguros – Companhia de Seguros de Vida, S.A..

As at December 31, 2023 and 2022, the number of participants of the plans was the following:

	Santander		BAPOP		Banif
	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2022
Current employees					
Defined benefits plan	3,217	3,137	626	636	156
Defined contribution plan	1,210	561	87	94	551
Pensioners	1,508	1,365	31	31	122
Retired staff and early retired staff	6,687	6,052	224	215	672
	12,622	11,115	968	976	1,501

The main demographic changes occurring in financial years 2023 and 2022, were as follows:

	Assets											
	Defined contribution plan			Defined benefits plan			Retired staff and early retired staff			Pensioners		
	Santander	Bapop	Banif	Santander	Bapop	Banif	Santander	Bapop	Banif	Santander	Bapop	Banif
Total number as at December 31, 2021	496	98	577	3,272	674	159	6,113	210	695	1,333	31	100
Exits:												
. Of current employees	(67)	(4)	(24)	(81)	(33)	(1)	-	-	-	(10)	(5)	(2)
. Due to mortality	-	-	-	(5)	-	-	(139)	(2)	(18)	(49)	-	(5)
. Other	-	-	-	-	-	-	-	-	(14)	-	-	-
Transfers	(1)	-	(2)	(52)	(5)	(2)	53	5	4	-	-	-
Entries	133	-	-	3	-	-	25	2	5	91	5	29
Total number as at December 31, 2022	561	94	551	3,137	636	156	6,052	215	672	1,365	31	122
Exits:												
. Of current employees	(46)	(7)	-	(37)	(6)	-	-	-	-	(9)	(3)	-
. Due to mortality	(1)	-	-	(4)	(1)	-	(132)	(1)	-	(52)	-	-
. Other	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	549	-	(551)	106	(4)	(156)	724	4	(672)	122	-	(122)
Entries	147	-	-	15	1	-	43	6	-	82	3	-
Total number as at December 31, 2023	1,210	87	-	3,217	626	-	6,687	224	-	1,508	31	-

The movement in the Bank's Pension Funds during financial years 2023 and 2022 was as follows:

	Santander		BAPOP		Banif
	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2022
Fund value at beginning of period	1,100,224	1,164,211	173,365	194,073	92,220
Bank contributions (monetary)	26,810	4,407	5,690	814	22,413
Employee contributions	2,412	2,231	500	493	-
Profit or loss of the fund:					
Income from assets calculated using discount rate	37,786	12,256	3,962	1,673	-
Income of the Fund above / (below) the discount rate	42,159	(108,228)	8,195	(18,611)	(22,962)
Amounts paid	(78,942)	(66,324)	(5,361)	(5,077)	-
Fund value at end of period	1,130,449	1,008,553	186,351	173,365	91,671

The yields of the Pension Funds amounted, in 2023, to 7.39% in Santander and 7.87% in BAPOP, and, in 2022, to -8.4% in Santander, -8.21% in BAPOP and -13.70% in Banif.

The investments and allocation policy of the Pension Funds determines that the asset portfolio be structured in compliance with security, profitability and liquidity criteria, through a diverse set of investments, namely shares, bonds, other debt instruments, holdings in collective-investment institutions, bank deposits, other monetary assets, and land and buildings registered in the land registry.

On the other hand, that policy is guided by risk-diversification and profitability criteria, and the Managing Company may opt for a more or less conservative policy by increasing or decreasing the exposure to shares or bonds, according to its expectations as to the evolution of the markets, and in accordance with the defined investment limits.

The investment policy in force provides for the following limits:

Asset class	Buckets considered
Bonds	40% to 95%
Real estate	0% to 25%
Equities	0% to 20%
Liquidity	0% to 15%
Alternatives	0% to 10%
Commodities	0% to 5%

In December 2023, the Santander and BAPOP Pension Funds were classified as falling under Article 8 of the Sustainable Finance Disclosure Regulation (SFDR).

As at December 31, 2023 and 2022, the composition of the Pension Funds was as follows:

	Santander		BAPOP		Banif
	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2022
Debt instruments:					
. Rating A	30,032	28,827	6,352	7,565	23,818
. Rating AA	45,152	22,644	9,682	5,367	2,216
. Rating AAA	73,445	24,691	19,132	6,055	-
. Rating BBB	239,347	300,806	61,194	74,400	2,074
. Rating BB	7,663	18,270	611	3,354	5,015
. Without rating attributed to the issue or the issuer	9,914	11,427	3,169	1,024	457
Real estate funds	56,936	93,840	331	691	-
Securities funds	565,561	453,468	72,004	67,849	40,947
Deposits	50,679	16,926	14,712	6,595	3,886
Real estate					
. Commercial spaces	32,228	19,634	-	-	12,456
. Land	1,341	1,297	-	-	-
Equity instruments:					
. Portuguese shares – unlisted	458	-	-	-	872
. Foreign shares – listed	-	-	-	-	-
Derivative financial instruments	425	293	61	-	-
Other	17,268	16,430	(897)	465	(70)
	1,130,449	1,008,553	186,351	173,365	91,671

The method for calculating the fair value of the assets and liabilities mentioned above (except for deposits and other), adopted by the Managing Companies, as recommended in IFRS 13 (Note 38), was as follows:

	31-12-2023				31-12-2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt instruments	492,610	-	13,083	505,693	525,102	-	12,908	538,010
Investment funds	637,565	-	57,267	694,832	562,264	-	94,531	656,795
Equity instruments	-	-	458	458	-	-	872	872
Derivative financial instruments	486	-	-	486	293	-	-	293
Real estate	-	-	33,569	33,569	-	-	33,387	33,387
Other	-	-	81,762	81,762	-	-	44,232	44,232
	1,130,661	-	186,139	1,316,800	1,087,659	-	185,930	1,273,589

As at December 31, 2023 and 2022, the Pension Funds' portfolio included the following assets related to companies of the Santander Group in Portugal:

	31-12-2023	31-12-2022
Leased real estate	13,801	13,446
Securities (including units in funds managed)	140,609	200,151
	154,410	213,597

In 2010, insurance was taken out at Santander Totta Seguros – Companhia de Seguros de Vida, S.A., to meet the liabilities of a new supplementary defined-contribution pension plan attributed to the Bank's senior management. The initial contribution to the new plan amounted to Euros 4,430 thousand. In financial years 2023 and 2022, the premium paid by the Bank amounted to Euros 443 thousand and Euros 459 thousand, respectively (Note 31).

This plan covers the contingencies of retirement, death and permanent absolute disability for customary work or invalidity.

For all these contingencies, the benefits to be received by the beneficiaries will equal the accumulated balance in the supplementary plan on the date on which these occur. In the case of the beneficiary's death, this amount will be further increased by Euros 6,000.

Defined benefit pension plan – London Branch

As at December 31, 2023 and 2022, the main assumptions used in the calculation of retirement pension liabilities related to the pension plan covering the employees of the Bank's London Branch were as follows:

	31-12-2023	31-12-2022
Mortality table	100% S3NMA_Light/ 100% S3NFA_Light	100% S3NMA_Light/ 100% S3NFA_Light
Technical actuarial rate (discount rate)	4.5%	4.8%
Salary growth rate	3.0%	3.0%
Pension growth rate	2.1%	2.2%
Inflation rate	2.9%	3.0%

As at December 31, 2023 and 2022, the liabilities for the defined benefit pension plan and their coverage were as follows:

	31-12-2023	31-12-2022
Estimated liabilities for past service	31,175	31,143
Coverage of liabilities	32,815	32,231
Excess / (Insufficient) funding (Note 14)	1,640	1,088

The movement in liabilities for past services in financial years 2023 and 2022, can be detailed as follows:

	31-12-2023	31-12-2022
Liabilities at beginning of period	31,143	52,915
Cost of current services	12	27
Interest expense	1,489	891
Actuarial (gains) or losses	102	(21,476)
Amounts paid	(1,571)	(1,214)
Liabilities at the end of the financial year	31,175	31,143

The movement in the Fund in financial years 2023 and 2022 was as follows:

	31-12-2023	31-12-2022
Book value at beginning of period	32,231	49,938
Profit or loss of the fund:		
. Income from assets calculated using discount rate	1,543	865
. Income of the fund above / (below) the discount rate	586	(17,374)
Bank contributions	26	16
Amounts paid	(1,571)	(1,214)
Book value at the end of the financial year	32,815	32,231

The movement in actuarial deviations for 2023 and 2022 was as follows:

	31-12-2023	31-12-2022
Deviations at beginning of period (Note 20)	7,428	11,530
Actuarial (gains) / losses	102	(21,476)
Financial (gains) / losses	(611)	17,374
Deviations at the end of the financial year (Note 20)	6,919	7,428

As at December 31, 2023 and 2022, the portfolio of the Pension Fund of the former London Branch included the following assets:

	31-12-2023	31-12-2022
Debt instruments	9,929	11,784
Equity instruments	14,662	12,503
Other	8,224	7,944
Fund value	32,815	32,231

The liabilities for defined benefit pension plans expose the Bank to the following risks:

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

- Interest-rate risk – a decrease of the interest rate of bonds will increase the pension liabilities.

- Longevity risk – the updated amount of liabilities is calculated based on the best estimate at the time of the expected mortality of the participants, before and after the retirement date. An increase in life expectancy for plan participants will increase pension liabilities.

- Salary risk - the updated amount of liabilities is calculated based on an estimate of the future salary of the participants. Thus, an increase in participants' salaries will increase pension liabilities.

As at December 31, 2023 and 2022, a sensitivity analysis of the change in the main financial assumptions reported as at these dates would lead to the following impacts on the present value of the responsibilities for past services of Santander, BAPOP and Banif (as at December 31, 2022):

	2023		2022	
	(Decrease) / Increase		(Decrease) / Increase	
	in %	in amount	in %	in amount
Change in discount rate:				
. Increase of 0.5%	(5.3%)	(65,878)	(5.3%)	(63,722)
. Decrease of 0.5%	5.9%	72,818	5.8%	70,438
Change in salary growth rate:				
. Increase of 0.5%	2.6%	32,583	2.5%	30,593
. Decrease of 0.5%	(2.2%)	(27,417)	(2.1%)	(25,467)
Change in pension growth rate:				
. Increase of 0.5%	6.9%	85,087	6.9%	83,810
. Decrease of 0.5%	(6.3%)	(77,700)	(6.3%)	(76,451)
Change in mortality table:				
. Two more years	(5.4%)	(66,719)	(5.1%)	(61,935)
. Two less years	5.3%	65,709	5.0%	60,777

The sensitivity analyses presented above may not be representative of the changes that may come to occur in the future in the defined benefit plan due to being considered in isolation while some are correlated.

36. SECURITISATION OPERATIONS

Description of the operations

Between July 2003 and January 2018, the Bank securitised part of its mortgage-loan portfolio through thirteen operations, with the initial amount of Euros 25,450,000 thousand. In the older transactions the loans were sold at par (book) value to loan securitisation funds denominated Fundos Hipototta FTC. A substantial part of the securitisations was repurchased by the Bank under said agreements, while Hipototta No. 4 and Hipototta No. 5 remain active. In January 2018, the Bank carried out a new securitisation in the amount of Euros 2,266,000 thousand, in which mortgage loans were assigned. The loans were assigned to Gamma – Sociedade de Titularização de Créditos (Gamma STC), which financed the transaction through the issue of Hipototta 13, classes A, B and C bonds, with different levels of subordination and rating and, consequently, remuneration. These bonds were, in their entirety, acquired by the Bank.

The Fundos Hipototta (No. 4 and No. 5) are managed by Navegator – Sociedade Gestora de Fundos de Titularização de Créditos, S.A.. The Bank continues to manage the loan contracts, delivering to the Fundos Hipototta (No. 4 and No. 5) all amounts received under those contracts. The Santander Group has no direct or indirect holding in Navegator.

As a form of funding, the Fundos Hipototta (No. 4 and No. 5) issued securitisation units with an amount identical to the loan portfolios acquired, which were fully subscribed by Fundos Hipototta (No. 4 and No. 5) PLC, having its registered office in Ireland.

On the other hand, Fundos Hipototta (No. 4 and No. 5) FTC delivered all amounts received from the Bank and from the Directorate General of the Treasury to Fundos Hipototta (No. 4 and No. 5) PLC, separating the instalments into principal and interest.

As a form of funding, Fundos Hipototta (No. 4 and No. 5) PLC issued bonds with different levels of subordination and rating and, consequently, of remuneration.

As at December 31, 2023, the outstanding issued bonds have the following characteristics:

Hipototta nº 4 PLC

Issued debt	Amount - Initial	Amount - Current	Rating - Fitch	Redemption date	Early redemption date	Remuneration - Up to early redemption date	Remuneration - After early redemption date
Class A	2,616,040	281,562	A+	September, 2048	December, 2014	Euribor 3 m + 0.12%	Euribor 3 m + 0.24%
Class B	44,240	10,753	A+	September, 2048	December, 2014	Euribor 3 m + 0.19%	Euribor 3 m + 0.40%
Class C	139,720	33,960	BBB+	September, 2048	December, 2014	Euribor 3 m + 0.29%	Euribor 3 m + 0.58%
	2,800,000	326,275					
Class D	14,000	7,000	NR	September, 2048	December, 2014	Residual income of the securitised portfolio	
	2,814,000	333,275					

Hipototta nº 5 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 A1	200,000	-			February, 2060	February, 2014	Euribor 3 m + 0.05%	Euribor 3 m + 0.10%
Class A2	1,693,000	244,809	A	Aaa	February, 2060	February, 2014	Euribor 3 m + 0.13%	Euribor 3 m + 0.26%
Class B	26,000	26,000	A	Aa1	February, 2060	February, 2014	Euribor 3 m + 0.17%	Euribor 3 m + 0.34%
Class C	24,000	24,000	A	Aa1	February, 2060	February, 2014	Euribor 3 m + 0.24%	Euribor 3 m + 0.48%
Class D	26,000	26,000	A	Aa1	February, 2060	February, 2014	Euribor 3 m + 0.50%	Euribor 3 m + 1.00%
Class E	31,000	31,000	A	A3	February, 2060	February, 2014	Euribor 3 m + 1.75%	Euribor 3 m + 3.50%
	2,000,000	351,809						
Class F	10,000	6,000	CCC-	Caa3	February, 2060	February, 2014	Residual income of the securitised portfolio	
	2,010,000	357,809						

The bonds issued by Fundos Hipototta nº 4 PLC earn interest quarterly on March, June, September and December 30 of each year. The bonds issued by Fundos Hipototta nº 5 PLC earn interest quarterly on February 28, and May, August and November 30 of each year.

The Bank has the option to redeem the bonds in advance on the dates indicated above. For all the Hipototta, the Bank has call options to repurchase the loan portfolios at par when these are equal to or less than 10% of the initial amount of the operations.

Additionally, up to 5 days before the interest-payment dates in each quarter, the Hipototta are entitled to make partial repayments of bonds issued of classes A, B and C, as well as of classes D and E in the case of Fundos Hipototta nº 5 PLC, in order to adjust the amount of the liabilities to that of the assets (loan portfolio).

The Hipototta No. 4 class D bonds and the Hipototta No. 5 class F bonds constitute the last liabilities to be settled.

The remuneration of the bonds of these classes corresponds to the difference between the yield of the securitised loan portfolios and the sum of all the expenses of the operations, namely:

- Taxes;
- Expenses and commissions calculated on the value of the portfolios (custody and servicer fees charged by the Bank, and management fees, charged by the Funds);
- Interest on the bonds of the other classes;
- Losses due to default.

On the date on which the securitisations were contracted, subordinated loans were concluded between the Bank and the Hipotottas, which correspond to credit facilities / lines in the event of a need for liquidity on the part of the Hipotottas. Swap Agreements were also concluded between the Santander Group and the securitisation vehicles, and between the Bank and the Santander Group, intended to hedge the interest-rate risk.

Securitisation operations managed by Gamma STC

In the wake of the resolution measure applied to Banif, the Bank acquired several securitisation operations issued by the said entity, and the corresponding securitised loans and bonds issued were transferred.

<u>Atlantes Mortgage nº 2</u>

An operation carried out in March 2008, in which mortgage loans were assigned. The loans were assigned to Gamma STC, which financed the operation through the issue of Atlantes Mortgage No. 2, classes A, B, C and D bonds, with different levels of subordination and rating, and consequently, remuneration.

Atlantes Mortgage nº 2

	Amount		Rating			Remuneration
Issued debt	Initial	Current	S&P	Fitch	Redemption date	Up to early redemption date
Class A	349,100	68,788	AA+	AA+	September, 2060	Euribor 3 m + 0.33%
Class B	18,400	8,564	AA+	AA+	September, 2060	Euribor 3 m + 0.95%
Class C	7,500	3,491	A+	A+	September, 2060	Euribor 3 m + 1.65%
	375,000	80,843				
Class D	16,125	8,332	NR	NR	September, 2060	Residual income of the securitised portfolio
	391,125	89,175				

<u>Atlantes Mortgage nº 3</u>

An operation carried out in October 2008, in which mortgage loans were assigned. The loans were assigned to Gamma STC, which financed the operation through the issue of Atlantes Mortgage No. 3, classes A, B and C bonds, with different levels of subordination and rating, and consequently, remuneration.

Atlantes Mortgage nº 3

	Amount		Rating			Remuneration
Issued debt	Initial	Current	S&P	Fitch	Redemption date	Up to early redemption date
Class A	558,600	120,384	AA+	AA+	August, 2061	Euribor 3 m + 0.2%
Class B	41,400	17,264	NR	NR	August, 2061	Euribor 3 m + 0.5%
	600,000	137,648				
Class C	57,668	33,477	NR	NR	August, 2061	Residual income of the securitised portfolio
	657,668	171,125				

Atlantes Mortgage nº 4

An operation carried out in February 2009, in which mortgage loans were assigned. The loans were assigned to Gamma STC, which financed the operation through the issue of Atlantes Mortgage No. 4, classes A, B and C bonds, with different levels of subordination and rating, and consequently, remuneration.

Atlantes Mortgage nº 4

	Amount		Rating			Remuneration
Issued debt	Initial	Current	S&P	Fitch	Redemption date	Up to early redemption date
Class A	514,250	130,162	AA+	AA+	December, 2064	Euribor 3 m + 0.15%
Class B	35,750	14,334	NR	NR	December, 2064	Euribor 3 m + 0.3%
	550,000	144,496				
Class C	74,250	40,371	NR	NR	December, 2064	Residual income of the securitised portfolio
	624,250	184,867				

Hipototta 13

In January 2018, the Bank carried out a new securitisation in the amount of Euros 2,266,000 thousand, in which mortgage loans were assigned. The loans were assigned to Gamma STC, which financed the transaction through the issue of Hipototta 13, classes A, B and C bonds, with different levels of subordination and rating, and consequently, remuneration. These bonds were acquired, in their entirety, by the Bank.

Hipototta 13

	Amount		Rating			Remuneration
Issued debt	Initial	Current	S&P	Fitch	Redemption date	Up to early redemption date
Class A	1,716,000	475,512	NR	A+(sf)	October, 2072	Euribor 3 m + 0.6%
Class B	484,000	484,000	NR	NR	October, 2072	Euribor 3 m + 1%
	2,200,000	959,512				
Class C	66,000	33,000	NR	NR	October, 2072	Residual income of the securitised portfolio
	2,266,000	992,512				
VFN	0.001	0.001	NR	NR	October, 2072	No remuneration

Consumer Totta 1

In September 2022, the Bank carried out a securitisation operation in the amount of Euros 628,207 thousand, in which consumer loans were assigned from the portfolio that is held in advanced models for the purposes of the Bank's capital ratio. The credits were assigned to Gamma STC, with this entity having financed the operation through the issue of Consumer Totta 1 class A to F and X bonds with different subordination and rating levels and, consequently, remuneration. These bonds were fully placed on the market, with the exception of class X (excess spread) which was acquired by the Bank. This operation will have a revolving period of one year and, for capital purposes, this operation represents a significant transfer of risk.

"Swap Agreements" were also signed between the Santander Group and Gamma and between the Bank and the Santander Group to cover interest-rate risk.

Consumer Totta 1

	Amount		Rating			Remuneration
Issued debt	Initial	Current	Moody's	Fitch	Redemption date	Up to early redemption date
Class A	520,000	462,047	Aa2	AA+(sf)	June, 2033	Euribor 3 m + 0.80%
Class B	25,000	22,214	A3(sf)	AA-(sf)	June, 2033	Euribor 3 m + 1.10%
Class C	40,000	35,542	Baa3	A(sf)	June, 2033	Euribor 3 m +2%
Class D	25,000	22,214	Ba2	BB+(sf)	June, 2033	Euribor 3 m + 8%
Class E	40,000	35,542	NR	NR	June, 2033	Euribor 3 m + 11.85%
Class F	6,500	3,900	NR	NR	June, 2033	Euribor 3 m + 12.5%
	656,500	581,459				
Class X	9,430	4,961	NR	NR	June, 2033	Residual income of the securitised portfolio
	665,930	586,420				

During the financial year 2022, the Azor Mortgage No. 2 and Atlantes Mortgages No. 5 and No. 7 were liquidated.

37. RELATED ENTITIES

The Bank's related entities with which it maintained balances or transactions in financial year 2023 are as follows:

Name of the related entity	Registered office
Entities that directly or indirectly control the Bank	
Santander Totta, SGPS	Portugal
Banco Santander, S.A.	Spain
Entities under direct or indirect common control by the Bank	
Open Bank, S.A.	Spain
Santander Consumer Finance, S.A.	Spain
Banco Santander (Brasil) S.A.	Brazil
Santander Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Portugal
Santander Asset Management, S.A. SGIIC.	Spain
Santander Back-Offices Globales Mayoristas, S.A.	Spain
Santander Global Services, S.L.	Spain
Santander Asset Management S.G.O.I.C, S.A.	Portugal
Santander Totta Seguros, Companhia de Seguros de Vida, S.A.	Portugal
Retama Real Estate, S.A.	Spain
CCPT - ComprarCasa Rede Serviços Imobiliários, S.A.	Portugal
Gesban Servicios Administrativos Globales, S.L.	Spain
UCI Mediação de Seguros, Unipessoal Lda.	Portugal
Getnet Europe, Entidad de Pago, S.L. Unipersonal	Spain
Santander Bank Polska S.A.	Poland
Aegon Santander Portugal Vida - Companhia de Seguros Vida, S.A.	Portugal
Aegon Santander Portugal Não Vida - Companhia de Seguros, S.A.	Portugal
Santander Consumer Services, S.A.	Portugal
Financeira El Corte Inglés, Portugal, S.F.C., S.A.	Portugal
Santander Global Technology and Operations, S.L. Unipersonal	Spain
PagoNxt Trade Services, S.L.	Spain
CACEIS Bank	França
Mapfre Santander Portugal - Companhia de Seguros S.A.	Portugal
Camine D-Services, Unipessoal Lda.	Portugal
Consulteam Consultores de Gestão, Unipessoal, Lda.	Portugal
Santander Bank & Trust Ltd.	Bahamas
Santander Consumer Bank AG	Germany
Banco Santander International SA	Switzerland
Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México	Mexico
Portal Universia Portugal, Prestação de Serviços de Informática, S.A.	Portugal
Ibérica de Compras Corporativas, S.L.	Spain
Unión de Créditos Inmobiliarios, S.A., EFC	Spain
Santander Financial Services plc	United Kingdom

The Bank's related entities with which it maintained balances or transactions in financial year 2022 are as follows:

Name of the related entity	Registered office
Entities that directly or indirectly control the Bank	
Santander Totta, SGPS	Portugal
Banco Santander, S.A.	Spain
Entities significantly influenced by the Bank	
Unicre - Instituição Financeira de Crédito	Portugal
Entities under direct or indirect common control by the Bank	
Santander Financial Services plc	United Kingdom
Aegon Santander Portugal Não Vida - Companhia de Seguros, S.A.	Portugal
Aegon Santander Portugal Vida - Companhia de Seguros Vida, S.A.	Portugal
Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México	Mexico
Banco Santander International SA	Switzerland
Banco Santander (Brasil) S.A.	Brazil
Santander Bank Polska S.A.	Poland
CACEIS Bank	France
CCPT - ComprarCasa Rede Serviços Imobiliários, S.A.	Portugal
Consulteam Consultores de Gestão, Unipessoal, Lda.	Portugal
Financeira El Corte Inglés, Portugal, S.F.C., S.A.	Portugal
Gesban Servicios Administrativos Globales, S.L.	Spain
Getnet Europe, Entidad de Pago, S.L. Unipersonal	Spain
Ibérica de Compras Corporativas, S.L.	Spain
Mapfre Santander Portugal - Companhia de Seguros S.A.	Portugal
Open Bank, S.A.	Spain
PagoNxt Trade Services, S.L.	Spain
Portal Universia Portugal, Prestação de Serviços de Informática, S.A.	Portugal
Santander Consumer Services, S.A.	Portugal
Retama Real Estate, S.A.	Spain
Santander Asset Management S.G.O.I.C, S.A.	Portugal
Santander Asset Management, S.A. SGIIC.	Spain
Santander Back-Offices Globales Mayoristas, S.A.	Spain
Santander Bank & Trust Ltd.	Bahamas
Santander Bank, National Association	USA
Santander Consumer Bank AG	Germany
Santander Consumer Finance, S.A.	Spain
Santander Global Services, S.L.	Spain
Santander Global Technology and Operations, S.L. Unipersonal	Spain
Santander Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Portugal
Santander Totta Seguros, Companhia de Seguros de Vida, S.A.	Portugal
UCI Mediação de Seguros, Unipessoal Lda.	Portugal
Unión de Créditos Inmobiliarios, S.A., EFC	Spain

As at December 31, 2023 and 2022, the balances and transactions maintained during these financial years with related parties were as follows:

	31-12-2023	
	Entities that directly or indirectly control the Bank	Entities under direct or indirect common control by the Bank
Assets:		
Cash balances in other credit institutions	65,457	3,876
Financial assets held for trading	1,391,778	743
Financial assets at amortised cost		
Loans and advances	38,319	56,364
Derivatives - hedge accounting	112,170	-
Intangible assets	-	1,904
Tax assets	42	-
Other assets	14	16,596
Liabilities:		
Financial liabilities held for trading	1,363,534	48,547
Financial liabilities measured at amortised cost		
Deposits - Credit institutions	354,530	18,805
Deposits - Customers	390,779	346,194
Debt securities issued	1,030,522	77,781
Other financial liabilities	-	4,540
Derivatives - hedge accounting	4,770	-
Tax liabilities	377,921	-
Other liabilities	5,293	11,526
Profit or Loss:		
Interest income	523,588	3,222
Interest expenses	495,447	4,245
Fee and commission income	1,243	128,292
Fee and commission expenses		1,286
Gains or losses on financial assets and liabilities at fair value through profit or loss, net	(119,188)	(3,786)
Exchange differences, net	(8,528)	-
Administrative expenses	10,826	51,371
Depreciation	-	3,117
Other operating income and expenses, net	1	4
Off-balance-sheet items:		
Guarantees given and other eventual liabilities	18,523	1,769
Loan commitments granted	109,769	6,356
Other commitments granted	97,979	73,358
Loan commitments received	-	230,061
Foreign exchange operations and derivatives	30,071,508	376,597
Liabilities for services rendered	3,154,904	10,242,359
Customer resources distributed but not managed	-	6,553,117

	31-12-2022		
	Entities that directly or indirectly control the Bank	Entities significantly influenced by the Bank	Entities under direct or indirect common control by the Bank
Assets:			
Cash balances in other credit institutions	119,725	-	4,149
Financial assets held for trading	425,883	-	641
Financial assets at amortised cost	336,639	53,632	125,510
Derivatives - hedge accounting	189,275	-	-
Investments in subsidiaries, joint ventures and associates	-	41,468	-
Intangible assets	-	-	4,210
Tax assets	95	-	-
Other assets	13	-	16,307
Liabilities:			
Financial liabilities held for trading	358,895	-	43,794
Financial liabilities measured at amortised cost			
Deposits - Credit institutions	502,928	-	5,789
Deposits - Customers	391,249	88	272,884
Debt securities issued	1,019,823	-	7,729
Other financial liabilities	-	-	1,454
Derivatives - hedge accounting	1,760	-	-
Tax liabilities	128,834	-	-
Other liabilities	9,303	-	5,665
Profit or Loss:			
Interest income	183,516	535	588
Interest expenses	207,592	-	397
Share of profit or loss from investments in subsidiaries, joint ventures and associates accounted for under the equity method	-	5,140	-
Fee and commission income	1,906	269	129,459
Fee and commission expenses	2,883	-	1,185
Gains or losses on financial assets and liabilities at fair value through profit or loss, net	418,253	-	(15,351)
Exchange differences, net	(14,774)	-	-
Gains or losses on derecognition of non-financial assets, net	-	-	55,334
Other operating income and expenses, net	-	1	140
Administrative expenses	9,303	-	45,815
Depreciation	-	-	2,704
Off-balance-sheet items:			
Financial guarantees given	16,809	-	3,607
Loan commitments granted	28,029	2,010	13,820
Other commitments granted	59,974	-	80,675
Financial guarantees received	1	-	-
Foreign exchange operations and derivatives	28,717,019	-	397,689
Liabilities for services rendered	3,197,204	-	10,211,659
Customer resources distributed but not managed	-	-	5,956,138

Transactions with related entities arise from the normal course of business and are carried out under market conditions.

GOVERNING BODIES

As at December 31, 2023 and 2022, advances or loans granted to members of the Board of Directors of the Bank, amounted to Euros 597 thousand and Euros 1,110 thousand, respectively. The deposits of members of the Board of Directors were granted at market conditions. As at December 31, 2023 and 2022, fixed and variable remuneration totalled Euros 7,837 thousand and Euros 7,627 thousand, respectively.

Regarding post-retirement benefits, the members of the Board of Directors who have an employment tie with the Bank are included in the pension plan of the Collective Bargaining Agreement (CBA) for the banking sector, subscribed by the Bank. The general conditions of this plan are described in Note 1.3. j).

The Shareholders' General Meeting of the Bank on May 30, 2007, approved the "Regulation on the supplementary award of an old-age or disability pension" to the executive members of the former totta Board of Directors who came to become executive members (Executive Committee) of the Bank's Board of Directors in line with that previously defined in the former totta regulation. Members of the Board of Directors whose term of office is at least fifteen consecutive or interpolated years, will be entitled to a pension supplement amounting to 80% of their gross annual salary. For terms of office under fifteen years, the amount of the retirement pension supplement will be determined by the Remuneration Committee. For these persons, it is currently determined that the retirement pension supplement shall be 65% of the annual gross salary, for terms of office equal to or greater than ten years, and 75% of the annual gross salary for terms of office equal to or greater than twelve years. This defined benefit pension plan is a supplementary plan and is dependent on the General Social Security Regime.

As at December 31, 2023 and 2022, liabilities with this plan amounted to Euros 10,508 thousand and Euros 10,260 thousand (Note 17), respectively, and were covered by a provision of the same amount carried in the sub-caption "Provisions - Pensions and other post-employment defined benefit obligations".

Regarding employment-termination benefits, as provided for in the Portuguese Commercial Companies Code, whenever, by decision of the Bank, the term of office of a member of the governing bodies ends early, the Bank shall compensate the member of the governing body with the future remuneration to which he or she is entitled up until the end of his or her term of office.

38. DISCLOSURES WITHIN THE SCOPE OF THE APPLICATION OF THE IFRS 7 AND IFRS 13

Fair value

The following table summarises, for each group of financial assets and liabilities, their fair values with reference to December 31, 2023 and 2022:

	31-12-2023			
	Fair value	Amortised cost	Book value	Fair value
Assets				
Cash, cash balances at central banks and other demand deposits	-	6,284,760	6,284,760	6,282,867
Financial assets held for trading	1,465,544	-	1,465,544	1,465,544
Non-trading financial assets mandatorily at fair value through profit or loss	24,627	-	24,627	24,627
Financial assets at fair value through other comprehensive income	3,847,282	-	3,847,282	3,847,282
Financial assets at amortised cost	-	41,869,686	41,869,686	41,894,666
Derivatives – Hedge accounting	259,831	-	259,831	259,831
	5,597,284	48,154,446	53,751,730	53,774,817
Liabilities				
Financial liabilities held for trading	1,475,977	-	1,475,977	1,475,977
Financial liabilities measured at amortised cost				
Deposits	-	41,378,675	41,378,675	41,351,599
Debt securities issued	-	5,921,731	5,921,731	5,838,349
Other financial liabilities	-	258,937	258,937	258,937
Derivatives – Hedge accounting	26,048	-	26,048	26,048
	1,502,025	47,559,343	49,061,368	48,950,910

	31-12-2022			
	Fair value	Amortised cost	Book value	Fair value
Assets				
Cash, cash balances at central banks and other demand deposits	-	8,407,985	8,407,985	8,404,085
Financial assets held for trading	498,103	-	498,103	498,103
Non-trading financial assets mandatorily at fair value through profit or loss	31,020	-	31,020	31,020
Financial assets at fair value through other comprehensive income	4,423,397	-	4,423,397	4,423,397
Financial assets at amortised cost	-	40,850,964	40,850,964	40,056,906
Derivatives – Hedge accounting	601,827	-	601,827	601,827
	5,554,347	49,258,949	54,813,296	54,015,338
Liabilities				
Financial liabilities held for trading	508,057	-	508,057	508,057
Financial liabilities measured at amortised cost				
Deposits	-	45,989,740	45,989,740	45,972,077
Debt securities issued	-	4,316,483	4,316,483	4,083,480
Other financial liabilities	-	357,332	357,332	357,332
Derivatives – Hedge accounting	183,771	-	183,771	183,771
	691,828	50,663,555	51,355,383	51,104,717

As at December 31, 2023 and 2022, the carrying amount of the financial instruments measured at fair value, by valuation methodology, was as follows:

	31-12-2023			
	Methodology to determine fair value			
	Quotations on active market (Level 1)	Other valuation techniques (Level 2)	(Level 3)	Total
Assets				
Financial assets held for trading	-	1,440,691	24,853	1,465,544
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	24,627	24,627
Financial assets at fair value through other comprehensive income	180,774	3,496,215	170,293	3,847,282
Derivatives – Hedge accounting	-	259,831	-	259,831
	180,774	5,196,737	219,773	5,597,284
Liabilities				
Financial liabilities held for trading	-	1,451,081	24,896	1,475,977
Derivatives – Hedge accounting	-	26,048	-	26,048
	-	1,477,129	24,896	1,502,025

	31-12-2022			
	Methodology to determine fair value			
	Quotations on active market (Level 1)	Other valuation techniques (Level 2)	(Level 3)	Total
Assets				
Financial assets held for trading	-	449,720	48,383	498,103
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	31,020	31,020
Financial assets at fair value through other comprehensive income	174,049	4,106,340	143,008	4,423,397
Derivatives – Hedge accounting	-	601,827	-	601,827
	174,049	5,157,887	222,411	5,554,347
Liabilities				
Financial liabilities held for trading	-	458,587	49,470	508,057
Derivatives – Hedge accounting	-	183,771	-	183,771
	-	642,358	49,470	691,828

For the determination of the fair value of the financial instruments, the valuation methods used consisted of obtaining quotations on active markets or using other valuation techniques, namely the discounting of future cash flows.

The fair value of the financial instruments measured at amortised cost, by valuation methodology, was as follows:

	31-12-2023			
	Methodology to determine fair value			
	Quotations on active market (Level 1)	Other valuation techniques (Level 2)	Other valuation techniques (Level 3)	Total
Assets				
Cash, cash balances at central banks and other demand deposits	-	6,282,867	-	6,282,867
Financial assets at amortised cost	3,946,572	476,338	37,471,756	41,894,666
	3,946,572	6,759,205	37,471,756	48,177,533
Liabilities				
Financial liabilities measured at amortised cost				
Deposits	-	5,760,304	35,591,295	41,351,599
Debt securities issued	-	3,649,547	2,188,802	5,838,349
Other financial liabilities	-	-	258,937	258,937
	-	9,409,851	38,039,034	47,448,885

	31-12-2022			
	Methodology to determine fair value			
	Quotations on active market (Level 1)	Other valuation techniques (Level 2)	Other valuation techniques (Level 3)	Total
Assets				
Cash, cash balances at central banks and other demand deposits	-	8,404,085	-	8,404,085
Financial assets at amortised cost	-	505,351	39,551,555	40,056,906
	-	8,909,436	39,551,555	48,460,991
Liabilities				
Financial liabilities measured at amortised cost				
Deposits	-	6,921,998	39,050,079	45,972,077
Debt securities issued	-	1,856,942	2,226,538	4,083,480
Other financial liabilities	-	-	357,332	357,332
	-	8,778,940	41,633,949	50,412,889

For the determination of the fair value of the financial instruments measured at amortised cost, the valuation methods used consisted of discounting the future cash flows.

The valuation at fair value of the Bank's financial assets and liabilities comprises three levels, under IFRS 13:

- Level 1 – Financial instruments recorded at fair value based on quotes published in active markets, mainly comprising public debt and some private debt.

- Level 2 – Financial instruments recorded at fair value using prices traded on markets that are not active or for which it is necessary to use valuation models or techniques with inputs that can be observed in the market, either directly (such as prices) or indirectly (derived from prices). This category includes some securities in the portfolio of other financial assets at fair value through other comprehensive income measured with indicative market bids or based on internal valuation models and the derivative financial instruments used for hedging and trading. It should be noted that the internal valuation models used mainly correspond to models for updating future cash flows and valuation methodologies based on the "Black-Scholes" model for options and structured products. The models for updating future cash flows ("present value method") update future contractual flows using the interest rate curves of each currency observable in the market, plus the credit spread of the issuer or entity with a similar rating.

  For derivative financial instruments, the main valuation techniques are presented below:

Derivative financial instrument	Main valuation techniques
Forwards	Present value model
Interest rate swaps	Present value model
Currency swaps	Present value model
Equity swaps	Present value model
Exchange rate options	Black-Scholes model, Monte Carlo model
Equity 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

  The Bank calculates the "Credit Value Adjustment" (CVA) and the "Debit Value Adjustment" (DVA) for derivatives held for trading and hedging derivatives from the perspective of aggregate exposure by counterparty. It simulates the evolution of the joint exposure of all derivatives, with a given counterparty, through stochastic processes. This evolution is grouped into time frames that represent the expected positive and negative future exposures (Positive and Negative Expected Future Exposures). To these exposures is applied an expected loss factor and the discount factor for the respective term. The CVA and DVA calculated for each counterparty thus result from the sum of the expected losses in each term.

  Additionally, for the purposes of calculating Credit Value Adjustments and Debit Value Adjustments to derivative financial instruments, the following inputs were used:

  - Counterparties with quoted credit default swaps - Quotes published in active markets;
  - Counterparties without quoted credit default swaps;
  - Quotes published in active markets for counterparties with similar risk; or
  - Probability of default calculated considering the internal rating assigned to the customer (see credit risk section of these Notes) x loss given default (specific for project finance customers and 60% for other customers).

- Level 3 – The Bank classifies in this level financial instruments which are measured using internal models with some inputs that do not correspond to observable market data. In this category were classified, namely, securities not quoted in active markets for which the Bank uses extrapolations of market data and the derivatives entered in the scope of securitisation operations.

The main assumptions used in determining the fair value of the financial instruments measured at amortised cost, by type of financial instrument, were as follows:

- The future cash flows from applications and resources from credit institutions were discounted using interest rate curves for the monetary market;

- For the purposes of discounting future flows from the customer loan portfolio, the fair value of the credit granted was determined taking into account the average spread of the production carried out in the last quarter of the year;

- For customer demand deposits, it was considered that the fair value was equal to the balance sheet value;

- In the case of debt securities issued, future cash flows were discounted based on the market conditions required for similar issues at the end of the year;

- In the case of subordinated liabilities, to discount future cash flows, market interest rates applied to similar issues were considered.

In financial years 2023 and 2022, the movement in financial instruments classified in Level 3 was as follows:

	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets at fair value through other comprehensive income
December 31, 2021	25,234	99,167	73,665
Purchases	-	463	2,103
Sales	-	-	(1,871)
Reimbursements	-	(83,099)	-
Reclassifications	-	-	(2,577)
Fair value changes	23,149	14,489	71,688
December 31, 2022	48,383	31,020	143,008
Purchases	-	51	1,782
Sales	-	-	(2,497)
Reimbursements	-	(10,530)	-
Reclassifications	-	-	38,500
Fair value changes	(23,530)	4,086	(10,500)
December 31, 2023	24,853	24,627	170,293

The interest rate curves for the most representative terms and currencies used in the valuation of financial instruments were as follows:

	31-12-2023		31-12-2022	
	EUR	USD	EUR	USD
Overnight	4.19%	5.64%	1.74%	4.65%
1 month	4.19%	5.60%	1.74%	4.66%
3 months	4.04%	5.58%	2.12%	4.77%
6 months	3.86%	5.41%	2.69%	4.97%
9 months	3.63%	5.22%	3.03%	5.08%
1 year	3.40%	5.03%	3.23%	5.12%
3 years	2.56%	4.02%	3.31%	4.34%
5 years	2.43%	3.79%	3.23%	4.03%
7 years	2.44%	3.73%	3.20%	3.90%
10 years	2.49%	3.71%	3.20%	3.83%

Hedge accounting

As at December 31 2023 and 2022, the detail of hedging derivatives and financial instruments designated as hedged items was as follows:

	31-12-2023					
	Hedged element				Hedging instrument	
	Nominal value	Amount, net of impairment	Fair value changes	Carrying amount	Nominal value	Fair value
Fair value hedging:						
Financial assets at amortised cost	2,783,571	2,791,411	(105,643)	2,685,768	2,722,791	107,165
Financial assets at fair value through other comprehensive income	3,396,000	3,640,133	(60,080)	3,580,053	5,196,000	96,201
Financial liabilities measured at amortised cost						
Deposits - Customers	(131,597)	(132,113)	2,112	(130,001)	131,597	(1,921)
Debt securities issued	(857,431)	(871,572)	(7,179)	(878,751)	857,431	7,483
Cash flow hedging:						
Financial assets at amortised cost	3,000,000	3,000,000	-	3,000,000	3,000,000	24,855
	8,190,543	8,427,859	(170.790)	8,257.069	11,907,819	233,783

	31-12-2022					
	Hedged element				Hedging instrument	
	Nominal value	Amount, net of impairment	Fair value changes	Carrying amount	Nominal value	Fair value
Fair value hedging:						
Financial assets at amortised cost	3,218,057	3,230,941	(198,505)	3,032,436	3,218,057	183,717
Financial assets at fair value through other comprehensive income	4,151,701	4,234,233	(411,799)	3,822,434	7,446,000	408,716
Financial liabilities measured at amortised cost						
Deposits - Customers	(357)	(362)	(1)	(363)	357	4
Debt securities issued	(7,942)	(8,217)	488	(7,729)	7,942	(234)
Cash flow hedging:						
Financial assets at amortised cost	10,000,000	10,000,000	-	10,000,000	10,000,000	(174,147)
	17,361,459	17,456,595	(609,817)	16,846,778	20,672,356	418,056

Cash flow hedging

The expected periods for the occurrence of cash flows that will affect the profit or loss for the financial year present the following detail:

	31-12-2023					
	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 3 years	More than 3 years	Total
Interest rate swaps	-	-	-	24,855	-	24,855

	31-12-2022					
	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 3 years	More than 3 years	Total
Interest rate swaps	(16,728)	(157,419)	-	-	-	(174,147)

The gains and losses recognised in the statements of profit or loss for financial years 2023 and 2022, with fair value hedging transactions, presented the following detail:

	31-12-2023			31-12-2022		
	Hedged element	Hedging instrument	Net	Hedged element	Hedging instrument	Net
Financial assets at amortised cost	90,998	(90,998)	-	(204,312)	204,312	-
Financial assets at fair value through other comprehensive income	136,872	(136,872)	-	(661,699)	661,699	-
Financial liabilities measured at amortised cost						
Deposits - Customers	2,113	(2,113)	-	50	(50)	-
Debt securities issued	(7,667)	7,667	-	588	(588)	-
	222,316	(222,316)	-	(865,373)	865,373	-

RISK MANAGEMENT

CREDIT RISK

Credit-risk management at the Bank covers the identification, measurement, integration and evaluation of the various credit exposures, and an analysis of their profitability adjusted to the respective risk, both from an overall viewpoint, as well as within every area of activity.

Credit-risk management is carried out by an independent body, the Risks Area, which is responsible, namely, for managing the special customer monitoring system, SCAN (Santander Customer Assessment Note), for the segmentation of the credit risk in the light of the characteristics of the customers and of the products, and for the scoring (applicable to mortgage-loan and consumer-loan operations, and credit and business cards) and rating systems used at the Bank.

The counterparty risk consists of the latent credit risk in financial markets transactions corresponding to the possibility of default by the counterparties of the terms contracted and subsequent occurrence of financial losses for the Bank. The types of transactions covered include the purchase and sale of securities, the contracting of repos, securities lending and derivative instruments. Given the high complexity and volume of transactions, as well as the requirements necessary for an adequate control of the consolidated risks in certain customer segments, the control perimeter is defined in accordance with the segments at issue.

Control of these risks is performed daily in accordance with an integrated system that allows the recording of the approved limits and the real-time updating of positions and provides information on the availability of limits and aggregate exposure, also in real time, for the various products and maturities. The system also allows transverse control (at different levels) of risk concentration by groups of customers / counterparties.

The risk in derivative positions (called Credit Risk Equivalent) is calculated as the sum of the present value of each contract (or current replacement cost) with the respective Potential Risk, a component that reflects an estimate of the maximum value expected to maturity, depending on the volatilities of the underlying market factors and the flow structure contracted. The credit risk in derivative positions is captured through determination of the CVA / DVA.

For specific customer segments (namely global corporate customers) emphasis is given to the implementation of economic-capital limits, incorporating in the quantitative control the variables associated with the creditworthiness of each counterparty.

Risk analyses for customers or economic groups where the Bank has an exposure of more than Euros 500,000 are performed by risk analysts who monitor those customers and supported by rating models developed by the Bank and approved by the regulatory entities. Preparation of these models is mandatory. The assignment of various internal rating levels, ranging from 1.0 to 9.3, has subjacent the degree of risk inherent to the customer and a probability of default at one year that the Bank monitors and calibrates on a constant and regular basis.

In concrete terms, the rating is determined by the analysis of the following factors to which are assigned a rating from 1.0 (minimum) to 9.3 (maximum), in accordance with the following weighting:

Split	Weighting
. Demand / Market;	20%
. Partners / Management;	15%
. Access to credit;	10%
. Profitability;	15%
. Flow generation;	25%
. Solvency.	15%

The rating is calculated by the analysts, based on information provided by the customer, general information about the sector and external databases. The final rating is introduced in each of the valuation areas in the Bank's information technology system.

In this way, the Bank's internal rating system can be described as follows:

Rating 1.0 – 3.9: Customer of high-default probability;
Rating 4.0 – 4.9: Customer of moderate-default probability;
Rating 5.0 – 9.3: Customer of low-default probability.

As at December 31, 2023 and 2022, the maximum exposure to the credit risk and the respective carrying amount of the financial instruments was as follows:

	31-12-2023		31-12-2022	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Cash, cash balances at central banks and other demand deposits	6,284,760	6,284,760	8,407,985	8,407,985
Financial assets held for trading	1,465,544	1,465,544	498,103	498,103
Non-trading financial assets mandatorily at fair value through profit or loss	24,627	24,627	31,020	31,020
Financial assets at fair value through other comprehensive income	3,847,282	3,847,282	4,423,397	4,423,397
Financial assets at amortised cost	41,869,686	49,356,887	40,850,964	48,895,288
Derivatives – Hedge accounting	259,831	259,831	601,827	601,827
	53,751,730	61,238,931	54,813,295	62,857,619
Guarantees given (Note 23)				
Financial guarantees and sureties	370,432	370,432	340,191	340,191
Non-financial guarantees and sureties	1,631,183	1,631,183	1,485,832	1,485,832
Documentary credits outstanding	228,694	228,694	242,819	242,819
	2,230,309	2,230,309	2,068,842	2,068,842

The maximum exposure in “Financial assets at amortised cost” is as follows:

	31-12-2023	31-12-2022
Carrying amount	41,869,686	40,850,964
Other commitments granted (Note 23):		
Revocable	6,841,168	7,232,184
Irrevocable	646,033	812,140
Maximum exposure	49,356,887	48,895,288

Impairment losses

The Expected Credit Loss (ECL) calculation incorporates a Forward-Looking perspective by including macroeconomic scenarios (optimistic, base, acid and climate downside) in the PD and LGD models, applying to each scenario a given probability of occurrence. The scenarios are updated at least once a year and mirror the behaviour of macroeconomic variables used in stress models. The main macroeconomic projections used at the 2023 year-end were as follows:

	2023	2024	2025	2026	2027
GDP (annual change)					
Base Scenario	2.30%	1.40%	1.70%	1.80%	1.90%
Optimistic Scenario	2.40%	2.10%	2.40%	2.50%	2.50%
Acid Scenario	2.20%	-0.50%	-1.10%	0.70%	1.50%
Climate Downside Scenario	1.00%	-1.10%	0.20%	0.60%	0.70%
Unemployment (annual change)					
Base Scenario	7.10%	8.00%	8.00%	7.90%	7.70%
Optimistic Scenario	7.10%	7.70%	7.60%	7.40%	7.20%
Acid Scenario	7.20%	8.30%	8.90%	9.00%	8.80%
Climate Downside Scenario	7.10%	8.20%	8.80%	8.90%	8.70%
Real Estate Prices (annual change)					
Base Scenario	6.50%	2.00%	3.10%	3.40%	3.80%
Optimistic Scenario	7.30%	1.40%	3.00%	3.20%	3.70%
Acid Scenario	6.80%	-1.70%	-1.40%	0.90%	2.50%
Climate Downside Scenario	6.80%	-1.60%	-1.40%	0.90%	2.50%
CPI (annual change)					
Base Scenario	4.30%	2.10%	1.90%	1.70%	1.90%
Optimistic Scenario	4.90%	3.10%	2.30%	2.00%	2.10%
Acid Scenario	4.30%	1.60%	1.20%	1.20%	1.50%
Climate Downside Scenario	4.00%	1.50%	1.20%	1.20%	1.50%
10-year Treasury Bonds					
Base Scenario	3.17%	3.39%	3.45%	3.63%	3.84%
Optimistic Scenario	2.89%	2.80%	2.88%	3.04%	3.23%
Acid Scenario	3.31%	3.44%	3.52%	3.62%	3.72%
Climate Downside Scenario	3.30%	3.42%	3.51%	3.62%	3.70%

The Base Scenario considers moderate economic growth following the strong recovery recorded at the beginning of 2023. The aforementioned growth is supported by external demand, which benefits from the recovery of global value chains and a strong and diversified increase in the tourism sector. Domestic demand appears to be subdued as families and investors face higher interest rates and lower purchasing power. In the following years, the economy is expected to gradually converge towards its potential growth.

The Optimistic Scenario is characterised by greater resilience of the economic activity, with positive levers (European funds, more diversified and resilient external demand, greater solidity in the labour market and the banking sector with better liquidity and solvency).

The Acid Scenario is characterised by a contraction in activity in 2024, which could last until 2025, followed by a moderate recovery.

The climate downside scenario incorporates a perspective of the evolution of climate risks in the ECL calculation assuming the occurrence of a disorderly transition scenario in the country.

For sensitivity analysis purposes, a 100% weighting is assumed in extreme scenarios. In a 100% pessimistic (acid) scenario the impact on impairment would be + Euros 46.0 million (+ Euros 23.6 million as at December 31, 2022), in an 100% optimistic scenario it would be - Euros 51.2 million (- Euros 18.8 million as at December 31, 2022), which represents an impact on the total impairment recorded at the December 31, 2023 year-end of +5.5% and -6.1% (+2.4% and -1.9% at the 2022 year-end) respectively.

As at December 31, 2023 and 2022, the concentration by activity sector of the portfolio of loans and advances at amortised cost, was as follows:

	31-12-2023			
Activity sector	**Gross amount**	**Impairment**	**Carrying amount**	**Concentration %**
Agriculture, animal husbandry, hunting, forestry and fisheries	262,041	(8,447)	253,594	0.73%
Extractive industries	13,367	(981)	12,386	0.04%
Manufacturing	1,632,645	(85,535)	1,547,110	4.47%
Electricity, gas, steam, hot and cold water and cold air	214,436	(230)	214,206	0.62%
Water catchment, treatment and distribution; sanitation, waste management and depollution	38,824	(1,738)	37,086	0.11%
Construction	979,104	(51,972)	927,132	2.68%
Wholesale and retail trade; motor vehicle and motorcycle repairs	1,725,610	(73,860)	1,651,750	4.77%
Transport and storage	500,079	(34,042)	466,037	1.35%
Accommodation, catering and similar	1,106,031	(59,942)	1,046,089	3.02%
Information and communication activities	89,881	(2,569)	87,312	0.25%
Real estate activities	1,268,761	(39,316)	1,229,445	3.55%
Consultancy, scientific, technical and similar activities	619,403	(25,710)	593,693	1.71%
Administrative and support activities	304,296	(39,721)	264,575	0.76%
Public administration and defence; mandatory social security	333	(2)	331	0.00%
Education	66,339	(1,300)	65,039	0.19%
Human healthcare and social support activities	226,474	(4,165)	222,309	0.64%
Artistic, shows, sports and recreational activities	66,474	(8,607)	57,867	0.17%
Other services	392,692	(15,186)	377,506	1.09%
Loans and advances - Financial institutions	601,825	(1,152)	600,673	1.73%
Loans and advances - Public sector	882,764	(13,257)	869,507	2.51%
Loans and advances - Individuals:				
. Mortgage	22,143,683	(168,581)	21,975,102	63.46%
. Consumer and other	2,287,028	(158,457)	2,128,571	6.15%
	35,422,090	**(794,770)**	**34,627,320**	**100.00%**

Activity sector	31-12-2022 Gross amount	Impairment	Carrying amount	Concentration %
Agriculture, animal husbandry, hunting, forestry and fisheries	285,277	(15,991)	269,286	0.72%
Extractive industries	19,379	(1,754)	17,625	0.05%
Manufacturing	1,949,894	(160,369)	1,789,525	4.79%
Electricity, gas, steam, hot and cold water and cold air	379,415	(479)	378,936	1.01%
Water catchment, treatment and distribution; sanitation, waste management and depollution	50,091	(1,929)	48,162	0.13%
Construction	1,000,015	(80,412)	919,603	2.46%
Wholesale and retail trade; motor vehicle and motorcycle repairs	1,913,839	(103,205)	1,810,634	4.84%
Transport and storage	557,596	(29,302)	528,294	1.41%
Accommodation, catering and similar	1,191,371	(63,194)	1,128,177	3.02%
Information and communication activities	95,004	(2,893)	92,111	0.25%
Real estate activities	1,259,250	(39,062)	1,220,188	3.26%
Consultancy, scientific, technical and similar activities	844,902	(22,104)	822,798	2.20%
Administrative and support activities	310,967	(31,570)	279,397	0.75%
Public administration and defence; mandatory social security	780	(2)	778	0.00%
Education	73,699	(1,381)	72,318	0.19%
Human healthcare and social support activities	259,222	(3,353)	255,869	0.68%
Artistic, shows, sports and recreational activities	77,402	(10,495)	66,907	0.18%
Other services	552,219	(19,327)	532,892	1.43%
Loans and advances - Financial institutions	830,028	(1,062)	828,966	2.22%
Loans and advances - Public sector	1,055,038	(9,969)	1,045,069	2.80%
Loans and advances - Individuals:				
. Mortgage	23,254,352	(185,805)	23,068,547	61.71%
. Consumer and other	2,361,270	(157,788)	2,203,482	5.89%
	38,321,010	**(941,446)**	**37,379,564**	**100.00%**

In accordance with the requirements set out in Bank of Portugal Instruction No. 4/2018, the Bank began to publish "Non-Performing Exposures" and "Forborne Exposures".

Thus, as at December 31, 2023 and 2022, the breakdown of performing and non-performing exposures was as follows:

	31-12-2023 Gross amount	Impairment	Coverage	31-12-2022 Gross amount	Impairment	Coverage
Performing exposures	41,773,155	(291,606)	0.7%	40,708,982	(339,130)	0.8%
Non-performing exposures						
. Covered loans	-	-		1,255	(1,239)	98.7%
. Individuals	323,900	(148,537)	45.9%	361,434	(195,687)	54.1%
. Companies	569,663	(356,889)	62.6%	725,589	(410,240)	56.5%
	893,563	(505,426)		1,088,278	(607,166)	
	42,666,718	(797,032)		41,797,260	(946,296)	

The degree of coverage of non-performing exposures, net of impairment, by real guarantees was as follows:

	31-12-2023			31-12-2022		
	Carrying amount	Collateral	Coverage	Carrying amount	Collateral	Coverage
Non-performing exposures						
. Covered loans	-	-		16	-	-
. Individuals	175,363	146,989	83.8%	165,747	114,458	69.1%
. Companies	212,774	143,444	67.4%	315,349	214,876	68.1%
Non-performing exposures	388,137	290,433		481,112	329,334	

Forborne exposures

In accordance with Bank of Portugal Instruction No. 04/2018, institutions must identify and mark, in their information systems, loan contracts of a customer in financial difficulties, whenever there are changes to the terms and conditions of such contracts (including extension of the repayment term, introduction of grace periods, capitalisation of interest, reduction of interest rates, pardon of interest or principal) or the institution contracts new credit facilities for the (total or partial) settlement of the service of the existing debt.

As at December 31, 2023 and 2022, the breakdown of forborne exposures was as follows:

	31-12-2023			31-12-2022		
	Gross amount	Impairment	Coverage	Gross amount	Impairment	Coverage
Performing exposures	412,113	(30,374)	7.4%	412,339	(42,441)	10.3%
Non-performing exposures						
. Individuals	128,497	(55,240)	43.0%	147,939	(69,367)	46.9%
. Companies	377,740	(228,964)	60.6%	443,034	(224,701)	50.7%
	506,237	(284,204)		590,973	(294,068)	
	918,350	(314,578)		1,003,312	(336,509)	

The movements occurring during financial years 2023 and 2022 in the forborne exposures were as follows:

	Gross amount	Impairment	Carrying amount
Balances as at December 31, 2021	**1,313,085**	**459,499**	**853,586**
Entry into perimeter	85,252	20,123	65,129
Amortisation of debt	(216,298)	(82,268)	(134,030)
Cures	(121,769)	(16,121)	(105,648)
Portfolio sales	(61,540)	(46,305)	(15,235)
Other changes	4,582	1,581	3,001
Balances as at December 31, 2022	**1,003,312**	**336,509**	**666,803**
Entry into perimeter	185,593	29,016	156,577
Amortisation of debt	(124,969)	(35,699)	(89,270)
Cures	(110,505)	(12,299)	(98,206)
Portfolio sales	(69,551)	(50,127)	(19,424)
Other changes	34,470	47,178	(12,708)
Balances as at December 31, 2023	**918,350**	**314,578**	**603,772**

Encumbered assets

In accordance with the requirements defined in Instruction No. 28/2014, of January 15, 2015, of the Bank of Portugal, the Bank presents below information regarding encumbered assets. An encumbered asset is an asset explicitly or implicitly constituted as collateral or subject to an agreement to guarantee, collateralise or improve credit quality in any operation from which it cannot be freely withdrawn.

As at December 31, 2023 and 2022, the composition of encumbered and unencumbered assets is as follows:

	2023			
	Book value of encumbered assets	Fair value of encumbered assets	Book value of unencumbered assets	Fair value of unencumbered assets
Assets				
Cash balances at central banks and other demand deposits at credit institutions	-	-	5,893,705	-
Equity instruments	-	-	196,864	196,912
Debt securities	488,494	490,717	8,001,028	8,133,219
Loans and advances	13,165,993	-	23,889,216	-
Other assets	-	-	2,951,282	-
	13,654,487	490,717	40,932,095	8,330,131

	2022			
	Book value of encumbered assets	Fair value of encumbered assets	Book value of unencumbered assets	Fair value of unencumbered assets
Assets				
Cash balances at central banks and other demand deposits at credit institutions	-	-	8,100,672	-
Equity instruments	-	-	180,117	180,117
Debt securities	1,253,680	1,225,563	4,223,465	4,194,181
Loans and advances	11,183,160	-	28,464,959	-
Other assets	-	-	2,372,125	-
	12,436,840	1,225,563	43,341,338	4,374,298

As at December 31, 2023 and 2022, liabilities associated with encumbered assets and the collateral received are as follows:

	2023	
	Associated liabilities, contingent liabilities and securities lent	Assets, collateral received and own debt instruments issued excluding own covered bonds or encumbered ABS
Book value of financial liabilities	5,186,885	7,480,966
Other	259,023	998,653
	5,445,908	8,479,619

	2022	
	Associated liabilities, contingent liabilities and securities lent	Assets, collateral received and own debt instruments issued excluding own covered bonds or encumbered ABS
Book value of financial liabilities	6,185,528	8,458,181
Other	205,508	273,115
	6,391,036	8,731,296

As at December 31, 2023 and 2022, the main asset captions presented the following detail by external rating (internal rating for loans granted), according to the rating attributed by Standard & Poor's:

	31-12-2023	31-12-2022
Cash, cash balances at central banks and other demand deposits (Note 5)		
Cash, cash balances at central banks		
Rating S&P		
AAA+ / AAA / AAA-	-	7,850,256
BBB+ / BBB / BBB-	5,669,789	-
Not subject	391,055	307,313
	6,060,844	8,157,569
Other demand deposits		
Rating S&P		
A+ / A / A-	136,682	158,072
AA+ / AA / AA-	36,991	35,380
AAA+ / AAA / AAA-	117	19,722
BB+ / BB / BB-	19	1,358
BBB+ / BBB / BBB-	7,887	28,400
Without external rating	42,220	7,484
	223,916	250,416
	6,284,760	8,407,985
Financial assets at fair value through other comprehensive income (Note 8)		
Rating S&P		
A+ / A / A-		
BBB+ / BBB / BBB-	3,675,045	4,273,932
Without external rating	-	392
	3,675,045	4,274,324

	31-12-2023	31-12-2022
Financial assets at amortised cost (Note 9)		
Debt securities		
Rating S&P		
A+ / A / A-	1,091,674	-
AA+ / AA / AA-	1,164,912	-
BBB+ / BBB / BBB-	1,551,699	173,066
Without external rating	3,436,343	3,303,184
of which with internal rating:		
Reduced credit risk	2,383,922	2,429,103
Medium credit risk	1,043,828	865,617
High credit risk	8,593	9,808
	7,244,628	3,476,250
Loans and advances – Credit institutions		
Rating S&P		
A+ / A / A-	23,310	-
AAA+ / AAA / AAA-	-	1
BB+ / BB / BB-	-	1,356
BBB+ / BBB / BBB-	1,025	19,542
Without external rating	452	2,204
	24,787	23,103
Loans and advances – Customers and other balances receivable		
Internal rating		
Reduced credit risk	29,421,987	30,174,135
Medium credit risk	3,686,779	5,024,251
High credit risk	1,135,634	1,204,667
Unrated	1,152,903	1,894,854
	35,397,303	38,297,907
	42,666,718	41,797,260

Off-balance sheet exposures (Note 23)	31-12-2023	31-12-2022
Reduced credit risk	7,818,583	8,115,898
Medium credit risk	869,993	1,048,461
High credit risk	96,892	118,706
Unrated	932,126	830,185
	9,717,594	10,113,250

For cases where the Standard & Poor's rating was not available, the ratings disclosed by Moody's or Fitch were used.

LIQUIDITY RISK

The balance sheet liquidity-management policy is decided by the 1st level body of the organisational structure responsible for Asset and Liability Management (ALM), the Asset-Liability Committee (ALCO), chaired by the Chair of the Executive Committee, which includes the directors responsible for the Financial and Commercial areas. Committee meetings are held monthly, and at these meetings the balance-sheet risks are analysed, and strategic options decided.

For the ALM area, the following balance-sheet management limits are defined:

- Limits intended to control the interest-rate risk, in particular, the sensitivity of the Net Interest Margin (NIM), and the sensitivity of the Market Value of Equities (MVE) to unexpected interest-rate variations; and

- Limits intended to control the liquidity risk through the net accumulated liquidity and illiquidity coefficient indicators.

The Bank's funding policy considers the evolution of the balance-sheet aggregates, the structural situation of the maturities of assets and liabilities, the net interbank debt level in the light of the available lines, maturity dispersal and minimisation of the costs associated with the funding activity.

It should be noted that the Bank does not perform any liquidity-risk analysis for trading financial instruments.

As at December 31, 2023 and 2022, the breakdown of the projected (not discounted) cash flows of the financial instruments, in keeping with their contractual maturities, was as follows:

	31-12-2023								
	On demand	Up to 3 months	Between 3 months and 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Undetermined	Derivatives	Total
Assets									
Cash, cash balances at central banks and other demand deposits	6,285,326	-	-	-		-	-	-	6,285,326
Financial assets held for trading	-	-	-	-	-	-	-	1,465,544	1,465,544
Non-trading financial assets mandatorily									
at fair value through profit or loss	-	-	-	-	-	-	24,627	-	24,627
Financial assets at fair value through other comprehensive income	2	35,454	74,875	1,265,841	251,208	2,648,155	346,224	-	4,621,759
Financial assets at amortised cost	493,456	2,213,003	5,119,697	10,438,802	6,548,891	39,851,369	-	-	64,665,218
Derivatives – Hedge accounting	-	-	-	-	-	-	-	259,831	259,831
	6,778,784	2,248,457	5,194,572	11,704,643	6,800,099	42,499,524	370,851	1,725,375	77,322,305
Liabilities									
Financial liabilities held for trading	-	-	-	-	-	-	-	1,475,977	1,475,977
Financial liabilities measured at amortised cost									
Deposits - Central banks	-	797,526	-	-	-	-	-	-	797,526
Deposits - Credit institutions	528,008	1,440,087	2,324,828	856,392	-	-	-	-	5,149,315
Deposits - Customers and other loans	20,740,183	5,720,975	8,412,739	641,896	231,979	84,909	-	-	35,832,681
Debt securities issued	-	101,132	1,659,588	1,804,356	2,588,049	388,197	-	-	6,541,322
Derivatives – Hedge accounting	-	-	-	-	-	-	-	26,048	26,048
	21,268,191	8,059,720	12,397,155	3,302,644	2,820,028	473,106	-	1,502,025	49,822,869

	31-12-2022								
	On demand	Up to 3 months	Between 3 months and 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Undetermined	Derivatives	Total
Assets									
Cash, cash balances at central banks and other demand deposits	562,589	-	-	-	7,850,236	-	-	-	8,412,825
Financial assets held for trading	-	-	-	-	-	-	-	498,103	498,103
Non-trading financial assets mandatorily									
at fair value through profit or loss	-	-	-	-	-	-	31,020	-	31,020
Financial assets at fair value through other comprehensive income	2	60,218	214,894	300,225	4,386,221	273,992	170,939	-	5,406,491
Financial assets at amortised cost	414,386	2,407,415	6,310,989	11,525,034	5,396,766	21,645,465	-	-	47,700,055
Derivatives – Hedge accounting	-	-	-	-	-	-	-	601,827	601,827
	976,977	2,467,633	6,525,883	11,825,259	17,633,223	21,919,457	201,959	1,099,930	62,650,321
Liabilities									
Financial liabilities held for trading	-	-	-	-	-	-	-	508,057	508,057
Financial liabilities measured at amortised cost									
Deposits - Central banks	87	-	3,713,694	744,778	-	-	-	-	4,458,559
Deposits - Credit institutions	737,192	980,118	1,140,745	-	-	-	-	-	2,858,055
Deposits - Customers and other loans	25,090,156	6,146,532	5,887,944	1,267,576	710,608	52,121	-	-	39,154,937
Debt securities issued	-	70,760	374,564	1,943,114	1,274,294	1,084,116	-	-	4,746,848
Derivatives – Hedge accounting	-	-	-	-	-	-	-	183,771	183,771
	25,827,435	7,197,410	11,116,947	3,955,468	1,984,902	1,136,237	-	691,828	51,910,227

Determination of the projected cash flows from financial instruments was based on principles and assumptions used by the Bank in the management and control of liquidity arising from its business, namely:

- The projected cash flows of assets and liabilities with variable remuneration associated with the interest rate curve are calculated considering the forward interest rate curve;

- Financial instruments classified as "non-structural" were considered to be payable "on demand" (cash, cash balances at credit institutions). Equity instruments carried as financial assets at fair value through other comprehensive income, were considered as having an indeterminate maturity. For non-trading financial assets mandatorily at fair value through profit or loss and for financial assets and liabilities held for trading, their fair value was considered to be their transactional value on demand, given that their management is based on the control of their exposure to market risk.

- Operations relating to credit lines without defined maturity or periodically renewable, namely bank overdrafts and current account credit facilities, were considered as having an average maturity of 25 months;

- For the subordinated liabilities, the date on which the Bank may make early redemption of the bonds that make up this caption was considered;

- The projected flows relating to demand deposits have been considered as payable on demand.

MARKET RISK

Market risk generally consists of the potential variation of the value of a financial instrument due to unexpected changes of market variables, such as interest rates, exchange rates, credit spreads, and prices of equity instruments, precious metals and commodities.

The standard method applied for the Bank's trading activity is Value at Risk (VaR). The Historic Simulation standard is used as the basis, with a confidence level of 99% and a time horizon of one day, statistical adjustments being applied to include the more recent events that condition the risk levels assumed.

The calculated VaR is a daily estimate of the maximum potential loss under normal market conditions (individually by portfolios / business areas, and for the entirety of the positions), within the assumptions defined in the construction of the model.

At the same time, other measures are implemented that allow additional monitoring of the market risk. For unusual market conditions, scenarios are analysed (Stress Testing), which consists of defining extreme scenarios for the behaviour of different financial variables and obtaining their potential impact on profit or loss. In short, the scenario analysis seeks to identify the potential risk under extreme market conditions, and in the fringes of probable occurrence not covered by the VaR.

In parallel, there is daily monitoring of the positions, and an exhaustive control is performed of the changes that occur in the portfolios, to detect the possible impacts that may exist for their correction. The daily preparation of the profit or loss account is intended to identify the impact of variations in the financial variables or of the alteration of the composition of the portfolios.

The Bank also uses sensitivity measures and equivalent positions. In the case of the interest rate, use is made of the Basis Point Value (BPV) – estimated impact on profit or loss for parallel movements in the interest-rate curves. For the control of derivatives activities, due to their atypical nature, specific daily sensitivity measures are carried out, including calculation and analysis of sensitivities to movements of the price of the underlying item (delta and gamma), volatility (Vega), and time (theta).

Quantitative limits are used for the trading portfolios, which are classified into two groups, in the light of the following objectives:

- Limits intended to control the volume of potential future losses (VaR, equivalent positions, and sensitivities); and

- Limits intended to control the volume of actual losses or to protect the profit or loss levels already achieved during the year (Loss Triggers and Stop Losses).

Regarding the structural interest-rate risk, it is measured through modelling the asset and liability positions sensitive to interest-rate variations in accordance with their indexing and repricing structure. This model allows the measurement and control of the risks originating directly from the movement of the income curve, namely their impact on net interest income and on the Bank's equity. Additionally, other risk indicators are calculated, such as Value at Risk (VaR) and scenario analysis (Stress Test).

The liquidity risk is measured and controlled through the modelling of present and future flows of payments and receipts, as well as by conducting stress tests that seek to identify the potential risk under extreme market conditions. In parallel, ratios are calculated based on balance sheet positions that act as indicators of structural and short-term liquidity requirements.

INTEREST-RATE RISK

As at December 31, 2023 and 2022, the breakdown of financial instruments by exposure to interest-rate risk was as follows:

	31-12-2023				
	Exposure to				
	Fixed rate	Floating rate	Not remunerated	Derivatives	Total
Assets					
Cash, cash balances at central banks and other demand deposits	-	5,669,789	614,971	-	6,284,760
Financial assets held for trading	-	-	-	1,465,544	1,465,544
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	24,627	-	24,627
Financial assets at fair value through other comprehensive income	3,501,058		346,224	-	3,847,282
Financial assets at amortised cost	10,705,145	31,506,092	(341,551)	-	41,869,686
Derivatives – Hedge accounting	-	-	-	259,831	259,831
	14,206,203	37,175,881	644,271	1,725,375	53,751,730
Liabilities					
Financial liabilities held for trading	-	-	-	1,475,977	1,475,977
Financial liabilities measured at amortised cost					
Deposits - Central banks	692,030	-	14,805	-	706,835
Deposits - Credit institutions	4,015,027	1,026,838	570	-	5,042,435
Deposits - Customers and other loans	15,231,827	20,344,446	53,132	-	35,629,405
Debt securities issued	4,631,130	1,268,748	21,853	-	5,921,731
Derivatives – Hedge accounting	-	-	-	26,048	26,048
	24,570,014	22,640,032	90,360	1,502,025	48,802,431

	31-12-2022				
	Exposure to				
	Fixed rate	Floating rate	Not remunerated	Derivatives	Total
Assets					
Cash, cash balances at central banks and other demand deposits	-	7,850,256	557,729	-	8,407,985
Financial assets held for trading	-	-	-	498,103	498,103
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	31,020	-	31,020
Financial assets at fair value through other comprehensive income	4,252,067	391	170,939	-	4,423,397
Financial assets at amortised cost	7,743,798	33,843,854	(736,688)	-	40,850,964
Derivatives – Hedge accounting	-	-	-	601,827	601,827
	11,995,865	41,694,501	23,000	1,099,930	54,813,296
Liabilities					
Financial liabilities held for trading	-	-	-	508,057	508,057
Financial liabilities measured at amortised cost					
Deposits - Central banks	4,113,714	-	-	-	4,113,714
Deposits - Credit institutions	166,946	2,647,112	354	-	2,814,412
Deposits - Customers and other loans	14,302,686	24,753,230	5,698	-	39,061,614
Debt securities issued	2,961,741	1,370,753	(16,011)	-	4,316,483
Derivatives – Hedge accounting	-	-	-	183,771	183,771
	21,545,087	28,771,095	(9,959)	691,828	50,998,051

As at December 31, 2023 and 2022, the detail of the financial instruments by exposure to interest-rate risk, by rate intervals, is as follows:

	2023							
	Rate intervals					Not subject to		
	[<1%]	[1%-3%]	[3%-5%]	[5%-10%]	[>10%]	Interest-rate risk	Derivatives	Total
Assets								
Cash, cash balances at central banks and other demand deposits	576,789	-	5,093,000	-	-	614,971	-	6,284,760
Financial assets held for trading	-	-	-	-	-	-	1,465,544	1,465,544
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	24,627	-	24,627
Financial assets at fair value through other comprehensive income	99,905	31,022	3,370,131	-	-	346,224	-	3,847,282
Financial assets at amortised cost	2,138,782	3,017,095	17,145,227	19,554,381	355,752	(341,551)	-	41,869,686
Derivatives – Hedge accounting	-	-	-	-	-	-	259,831	259,831
	2,815,476	3,048,117	25,608,358	19,554,381	355,752	644,271	1,725,375	53,751,730
Liabilities								
Financial liabilities held for trading	-	-	-	-	-	-	1,475,977	1,475,977
Financial liabilities measured at amortised cost								
Deposits - Central banks	-	-	692,030	-	-	14,805	-	706,835
Deposits - Credit institutions	298,154	4,000	4,735,613	4,098	-	570	-	5,042,435
Deposits - Customers and other loans	26,739,240	4,606,150	4,127,165	103,718	-	53,132	-	35,629,405
Debt securities issued	996,200	1,307,431	3,183,288	65,355	347,604	21,853	-	5,921,731
Derivatives – Hedge accounting	-	-	-	-	-	-	26,048	26,048
	28,033,594	5,917,581	12,738,096	173,171	347,604	90,360	1,502,025	48,802,431

	2022							
	Rate intervals					Not subject to		
	[<1%]	Interest-rate risk	[3%-5%]	[5%-10%]	[>10%]	Interest-rate risk	Derivatives	Total
Assets								
Cash, cash balances at central banks and other demand deposits	-	7,850,256	-	-	-	557,729	-	8,407,985
Financial assets held for trading	-	-	-	-	-	-	498,103	498,103
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	31,020	-	31,020
Financial assets at fair value through other comprehensive income	99,880	31,408	4,121,170	-	-	170,939	-	4,423,397
Financial assets at amortised cost	5,456,513	23,257,665	9,930,966	2,665,495	277,012	(736,688)	-	40,850,964
Derivatives – Hedge accounting	-	-	-	-	-	-	601,827	601,827
	5,556,393	31,139,329	14,052,136	2,665,495	277,012	23,000	1,099,930	54,813,296
Liabilities								
Financial liabilities held for trading	-	-	-	-	-	-	508,057	508,057
Financial liabilities measured at amortised cost								
Deposits - Central banks	-	4,113,714	-	-	-	-	-	4,113,714
Deposits - Credit institutions	31,000	2,648,987	134,071	-	-	354	-	2,814,412
Deposits - Customers and other loans	38,494,578	371,743	189,596	-	-	5,698	-	39,061,614
Debt securities issued	996,201	2,321,139	690,000	278,654	46,500	(16,011)	-	4,316,483
Derivatives – Hedge accounting	-	-	-	-	-	-	183,771	183,771
	39,521,779	9,455,583	1,013,667	278,654	46,500	(9,959)	691,828	50,998,052

As at December 31, 2023 and 2022, the distribution of contractual periods and interest-rate repricing of the sensitive amounts of the Bank's portfolio, through a static GAP, is as follows:

	31-12-2023											
	Date intervals									Not subject to Interest-rate risk	Derivatives	Total
	1 month	3 months	6 months	1 year	2 years	3 years	4 years	5 years	> 5 years			
Assets												
Cash, cash balances at central banks and other demand deposits	5,669,789	-	-	-	-	-	-	-	-	614,971	-	6,284,760
Financial assets held for trading	-	-	-	-	-	-	-	-	-	-	1,465,544	1,465,544
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	-	-	-	-	24,627	-	24,627
Financial assets at fair value through other comprehensive income	-	-	-	-	30,690	1,016,000	99,905	-	2,354,463	346,224	-	3,847,282
Financial assets at amortised cost	5,933,820	9,615,665	10,855,563	5,084,578	1,451,490	2,005,268	1,124,526	702,449	5,437,877	(341,551)	-	41,869,686
Derivatives – Hedge accounting	-	-	-	-	-	-	-	-	-	-	259,831	259,831
	11,603,609	9,615,665	10,855,563	5,084,578	1,482,180	3,021,268	1,224,431	702,449	7,792,339	644,271	1,725,375	53,751,729
Liabilities												
Financial liabilities held for trading	-	-	-	-	-	-	-	-	-	-	1,475,977	1,475,977
Financial liabilities measured at amortised cost												
Deposits - Central banks	692,030	-	-	-	-	-	-	-	-	14,805	-	706,835
Deposits - Credit institutions	956,685	1,597,332	2,487,847	-	-	-	-	-	-	570	-	5,042,435
Deposits - Customers and other loans	4,431,188	4,910,111	5,181,189	3,179,949	417,403	220,776	17,152,778	72,027	10,851	53,132	-	35,629,405
Debt securities issued	69,367	617,918	1,577,663	7,431	-	857,599	1,630,000	819,900	320,000	21,853	-	5,921,731
Derivatives – Hedge accounting	-	-	-	-	-	-	-	-	-	-	26,048	26,048
	6,149,270	7,125,361	9,246,700	3,187,380	417,403	1,078,375	18,782,778	891,927	330,851	90,360	1,502,025	48,802,431

	31-12-2022											
	Date intervals									Not subject to Interest-rate risk	Derivatives	Total
	1 month	3 months	6 months	1 year	2 years	3 years	4 years	5 years	> 5 years			
Assets												
Cash, cash balances at central banks and other demand deposits	7,850,256	-	-	-	-	-	-	-	-	557,729	-	8,407,985
Financial assets held for trading	-	-	-	-	-	-	-	-	-	-	498,103	498,103
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	-	-	-	-	31,020	-	31,020
Financial assets at fair value through other comprehensive income	-	-	-	-	-	30,000	1,766,000	100,000	2,356,458	170,939	-	4,423,397
Financial assets at amortised cost	5,986,469	11,087,853	12,314,256	5,872,274	735,403	2,017,150	1,372,183	522,973	1,679,092	(736,688)	-	40,850,964
Derivatives – Hedge accounting	-	-	-	-	-	-	-	-	-	-	601,827	601,827
	13,836,725	11,087,853	12,314,256	5,872,274	735,403	2,047,150	3,138,183	622,973	4,035,550	23,000	1,099,930	54,813,296
Liabilities												
Financial liabilities held for trading	-	-	-	-	-	-	-	-	-	-	508,057	508,057
Financial liabilities measured at amortised cost												
Deposits - Central banks	-	4,113,714	-	-	-	-	-	-	-	-	-	4,113,714
Deposits - Credit institutions	610,899	973,585	1,229,573	-	-	-	-	-	-	355	-	2,814,412
Deposits - Customers and other loans	27,106,737	4,083,059	3,721,205	2,157,752	835,426	439,370	457,795	252,464	2,108	5,698	-	39,061,615
Debt securities issued	100,719	1,269,952	22	5	1,004,197	-	7,599	980,000	970,000	(16,011)	-	4,316,483
Derivatives – Hedge accounting	-	-	-	-	-	-	-	-	-	-	183,771	183,771
	27,818,355	10,440,310	4,950,800	2,157,757	1,839,623	439,370	465,394	1,232,464	972,108	(9,958)	691,828	50,998,052

Financial Instruments – non-trading

The method of calculation of the sensitivity of the net asset value involves simulation of the change in the market value of the assets and liabilities, based on 100 basis point (bp) shifts of the forward interest-rate curve. This methodology uses the following parameters and assumptions:

- All assets and liabilities sensitive to interest-rate fluctuations are identified, that is, those which value and respective contribution to net interest income may change due to changes in market rates;
- Assets and liabilities are grouped into homogeneous aggregates according to their exposure to interest-rate risk;
- For each sensitive transaction (contract), the future flows duly distributed by repricing dates (variable rate) or maturity date (fixed rate) are calculated;
- For each aggregate defined above, the transactions are grouped by repricing / maturity dates;
- The time intervals intended to measure the interest-rate gap are defined;
- For each aggregate, the cash flows are grouped on the basis of the intervals created;
- For each product considered sensitive but that has no defined maturity, distribution parameters are estimated in keeping with previously studied behaviour models; and
- For each interval, the total flows of assets and liabilities and, by the difference between these, the interest-rate risk gap are calculated.

The interest-rate gap allows an approximation of the sensitivity of the net asset value and of the net interest income in the light of market-rate variations. This approach has the following assumptions:

- The volumes are always maintained in the balance sheet and are renewed automatically;
- It assumes parallel variations in the interest-rate curve, not considering the possibility of specific movements for different periods of the interest-rate curve; and
- It does not consider the different elasticities between the various products.

From the perspective of variation of the net asset value, interest-rate increases entail a decrease of value in the intervals with positive gaps, and an increase of value in the negative gaps. Interest-rate decreases have the opposite effect.

General assumptions of this Interest-rate sensitivity analysis

- Balance-sheet evolution – a static balance sheet is assumed, according to which the amounts of contracts that do not have a fixed maturity date or which renewal is presumed, are replaced with new transactions of the same amount, so that the balance-sheet balances remain constant during the year under analysis;
- Maturities and repricing – the real maturities and repricing of the transactions are considered. Assets and liabilities which contribution to net interest income and which carrying amount does not alter with the interest-rate variations are considered non-sensitive;
- Indices – the indices defined contractually are considered, and the spot curve of the date of analysis with the underlying forward curve is used for the simulation; and
- Characteristics of new business operations (term, repricing, volumes, spread, index, etc.) – the conditions entered in the budget for each product are used. When these characteristics begin to lie outside the market for certain products, the average conditions applied during the previous month or the new commercial guidelines for each of the products in question are used.

As at December 31, 2023 and 2022, the sensitivity of the net asset value of the Bank's financial instruments to positive and negative variations of 100 basis points (bp) for a one-year time horizon was:

	31-12-2023		31-12-2022	
	+100 bp's change	-100 bp's change	+100 bp's change	-100 bp's change
Assets				
Cash and cash balances at central banks	(721)	721	(2,580)	2,368
Financial assets at fair value through other comprehensive income	(227,049)	239,496	(75,865)	79,461
Financial assets at amortised cost	(864,794)	931,367	(688,047)	731,329
	(1,092,564)	1,171,584	(766,492)	813,158
Derivatives – Hedge accounting	72,748	(75,408)	282,550	(307,482)
Liabilities				
Financial liabilities measured at amortised cost				
Deposits - Central banks	(793)	792	(5,911)	5,788
Deposits - Credit institutions	(21,490)	21,695	(6,113)	6,124
Deposits - Customers and other loans	(606,730)	630,102	(1,082,528)	1,146,896
Debt securities issued	(139,204)	144,720	(110,725)	116,268
Other financial liabilities	(16,666)	17,363	(11,776)	11,970
	(784,883)	814,672	(1,217,053)	1,287,046

Financial Instruments – trading

The basic parameters for calculation of the VaR applicable are, in general, besides the calculation method itself, as follows:

- Time horizon: The time period for which potential losses of a portfolio are calculated for the measurement of the (daily) VaR is 1 day.
- Confidence level: both the VaR (potential loss) and the VaE (potential gain) are determined with a confidence level of 99% (1% and 99% percentiles, respectively, of the losses and gains distribution). For purposes of contrast analysis, a VaR and a VaE will also be calculated at a confidence level of 95% (5% and 95% percentiles, respectively).
- Exponential decrease factor: Allows exponential weighting of the variation amounts in market factors over time, giving less weight to observations more distant in time. The exponential decrease factor applied is determined periodically by Market Risk.
- The VaR values used correspond to the highest of those calculated with the decrease factor in force and those calculated using uniform weighting;
- Calculation currency: In the process of calculating the VaR all positions are valued in Euros, which guarantees that the risk-free currency is the local currency. However, VaR values are reported in US dollars (USD) to allow the aggregation of different units; and
- Market data time window: A 2-year time window is used, or at least 520 data obtained from the VaR calculation reference date going back in time.

The calculation of the VaR Percentile gives equal weighting to the set of 520 observations considered. The Weighted Percentile VaR gives a significantly higher weighting to the most recent observations in relation to the reference date of the analysis.

Historical simulation consists of using the historical variations as the distribution model of possible variations in the risk factors. For this reason, the chosen period is sufficiently long and significant, such that all interactions between the market factors, their volatilities and the correlations between them, are duly mirrored in the historical period selected.

On the other hand, the complete revaluation of the portfolio requires a valuation of each of the instruments, using the respective mathematical expression to obtain the market value of each individual position. In using forms of revaluation, non-linear effects implicit in certain financial products as a result of changes in market factors are calculated and collected on the VaR values.

As at December 31, 2023 and 2022, the VaR associated with the interest-rate risk corresponded to:

	31-12-2023	31-12-2022
VaR 99% percentile	2	3

EXCHANGE-RATE RISK

The profile defined for the exchange-rate risk is quite conservative and is embodied in the hedging policy used. Its implementation is the responsibility of the Treasury area, so the risks involved are not very relevant, and it is implemented primarily using currency swaps. Risk limits are stipulated for the exchange-rate risk that are controlled by the Market Risks Area.

As at December 31, 2023 and 2022, the detail of the financial instruments by currency was as follows:

	31-12-2023			
	Euros	US dollars	Other currencies	Total
Assets				
Cash, cash balances at central banks and other demand deposits	6,196,444	35,493	52,823	6,284,760
Financial assets held for trading	1,465,217	-	327	1,465,544
Non-trading financial assets mandatorily at fair value through profit or loss	24,627	-	-	24,627
Financial assets at fair value through other comprehensive income	3,847,282	-	-	3,847,282
Financial assets at amortised cost	41,469,918	375,224	24,544	41,869,686
Derivatives – Hedge accounting	239,612	19,799	420	259,831
	53,243,100	430,516	78,114	53,751,730
Liabilities				
Financial liabilities held for trading	1,476,212	-	(235)	1,475,977
Financial liabilities measured at amortised cost				
Deposits - Central banks	706,835	-	-	706,835
Deposits - Credit institutions	5,022,967	8,197	11,271	5,042,435
Deposits - Customers and other loans	34,410,970	973,324	245,111	35,629,405
Debt securities issued	5,921,731	-	-	5,921,731
Other financial liabilities	258,937	-	-	258,937
Derivatives – Hedge accounting	26,048	-	-	26,048
	47,823,700	981,521	256,147	49,061,368

	31-12-2022			
	Euros	US dollars	Other currencies	Total
Assets				
Cash, cash balances at central banks and other demand deposits	8,291,904	62,843	53,238	8,407,985
Financial assets held for trading	496,069	-	2,034	498,103
Non-trading financial assets mandatorily at fair value through profit or loss	31,020	-	-	31,020
Financial assets at fair value through other comprehensive income	4,423,337	60	-	4,423,397
Financial assets at amortised cost	40,369,605	449,578	31,781	40,850,964
Derivatives – Hedge accounting	570,805	30,484	538	601,827
Investments in subsidiaries, joint ventures and associates	41,468	-	-	41,468
	54,224,208	542,965	87,591	54,854,764
Liabilities				
Financial liabilities held for trading	506,126	-	1,931	508,057
Financial liabilities measured at amortised cost				
Deposits - Central banks	4,113,714	-	-	4,113,714
Deposits - Credit institutions	2,516,382	297,613	417	2,814,412
Deposits - Customers and other loans	37,677,246	1,156,676	227,692	39,061,614
Debt securities issued	4,316,483	-	-	4,316,483
Other financial liabilities	357,332	-	-	357,332
Derivatives – Hedge accounting	183,771	-	-	183,771
	49,671,054	1,454,289	230,040	51,355,383

As at December 31, 2023 and 2022, the VaR associated with the exchange-rate risk corresponded to:

	31-12-2023	31-12-2022
VaR 99% percentile	9	13

ASSET-PRICE RISK

Financial instruments – trading

As at December 31, 2023 and 2022, the Bank had no risk associated with asset prices with regard to its trading financial instruments, and so the VaR associated with this risk is zero.

Offsetting of financial assets and liabilities

As at December 31, 2023 and 2022, the value of the derivative financial instruments, negotiated on the off-the-counter market, compensated by related financial derivatives, by type of counterpart, is as follows:

	31-12-2023			
	Financial assets / liabilities presented in the financial statements	Related amounts not offset in the financial statements		
Counterpart		Financial instruments	Cash collateral handed in as guarantee	Net amount
Financial institutions	122,485	-	16,033	138,518
Group companies	87,841	-	(157,313)	(69,472)
	210,326	-	(141,280)	69,046

	31-12-2022			
	Financial assets / liabilities presented in the financial statements	Related amounts not offset in the financial statements		
Counterpart		Financial instruments	Cash collateral handed in as guarantee	Net amount
Financial institutions	229,464	-	6,641	236,105
Group companies	211,350	-	(256,228)	(44,878)
	440,814	-	(249,587)	191,227

As at December 31, 2023 and 2022, the value of the repo operations, by type of counterpart, is as follows:

	31-12-2023			
	Financial liabilities presented in the financial statements	Related amounts not offset in the financial statements		
Counterpart		Financial instruments	Cash collateral handed in as guarantee	Net amount
Financial institutions	(4,496,595)	4,605,758	14,598	123,761

	31-12-2022			
	Financial liabilities presented in the financial statements	Related amounts not offset in the financial statements		
Counterpart		Financial instruments	Cash collateral handed in as guarantee	Net amount
Financial institutions	(2,071,901)	2,088,148	29,364	45,611

39. CAPITAL MANAGEMENT

The Bank has a solid capital position, coherent with its business model, balance sheet structure, risk appetite and regulatory requirements. The strength of the balance sheet and the profitability of the Bank allow us to exercise our activity of financing the economy and generate capital organically. The various capital metrics are stable, with ratios comfortably above regulatory requirements and aligned with the risk appetite approved by top management.

The management and adequacy of capital aims to ensure solvency and maximise profitability, as well as compliance with regulatory requirements. Capital management is a key strategic tool for decision making. There is a governance framework approved by top management where the criteria, policies, functions, metrics and processes related to capital management are established.

At the end of 2023, the CET1 phasing in ratio is 18.9% and the total capital phasing in ratio is 21.5%, comfortably meeting the minimum requirements of 8.34% and 12.5%, respectively.

In recent financial years, the Bank has carried out several synthetic securitisation operations originated by it. Underlying these operations are portfolios of Corporates, SMEs, ENIs (Sole proprietors) and Mortgages, in relation to which the Bank purchases protection corresponding to a mezzanine tranche with an attachment point and a detachment point. The mezzanine tranches were entirely placed with foreign institutional investors, in the form of a CLN issued directly by the Bank or in the form of a financial guarantee / insurance contract, with a specific premium.

The following table summarises the composition of the regulatory capital and prudential ratios of the Bank as at December 31, 2023 and 2022 (both in BIS III - Phasing in):

Amounts in millions of Euros

	Dec/23	Dec/22
A – LEVEL 1 OWN FUNDS (TIER I)	2,929	3,003
Eligible Capital (includes additional instruments eligible as Tier I)	1,941	1,941
Eligible Reserves and Results (excl. Non-controlling Interests)	1,243	1,080
Eligible Non-controlling Interests	-	-
Deductions from Base Own Funds	(255)	(18)
B – LEVEL 2 OWN FUNDS (TIER II)	393	387
Subordinated liabilities with undetermined maturity	329	328
Eligible Non-controlling Interests	-	-
Other Elements / Deductions from Complementary Own Funds	63	59
C – DEDUCTIONS FROM TOTAL OWN FUNDS	-	-
D - TOTAL ELIGIBLE OWN FUNDS (A+B+C)	3,321	3,390
E – RISK-WEIGHTED ASSETS	15,467	15,877
RATIOS		
TIER I (A/E)	18.9%	18.9%
CORE CAPITAL (CET1)	16.3%	16.4%
TIER II (B/E)	2.5%	2.4%
CAPITAL ADEQUACY RATIO (D/E)	21.5%	21.4%
LEVERAGE	5.5%	5.5%

Note: the amounts presented in the table above are unaudited

40. COMPETITION AUTHORITY

In 2012, administrative-offence proceedings were instituted by the Competition Authority ("AdC"), for alleged signs of infringement of Article 9 of Law 19/2012, of May 8 (Competition Act).

Within the scope of these proceedings, search and seizure measures were carried out at the premises of the Bank and of other credit institutions, on March 6, 2013, and indiscriminate documentation was seized to determine possible evidence of infringement of the aforesaid legal precept.

On June 3, 2015, the Bank, like other 14 credit institutions, was notified of the Statement of Objections issued by the AdC regarding the administrative-offence process under appraisal (Case No. PRC 9/2012), accused of taking part in an exchange of certain commercially sensitive information between competitors. This exchange of information was sanctioned as an "infringement by object", that is, the Competition Authority considered this conduct to be unlawful even without the demonstration of any effects on consumers.

On September 9, 2019, the AdC issued the final decision, essentially maintaining the theory presented in the 2015 Statement of Objections, namely the presumption of anti-competitive conduct based on the exchange of information between competitors on Mortgage Loans, Consumer Loans and Loans to Companies. Bank Santander Totta was sentenced to a fine of Euros 35 million, plus a fine of Euros 650 thousand applied to Banco Popular Portugal.

The fine imposed - which could amount to a maximum equivalent to 10% of the annual turnover of the infringing company in the year before the decision -, came to be applied for an amount corresponding to about 2.02% of that indicator (considering not only the penalty imposed on the Bank, but also on Banco Popular Portugal).

Nevertheless, on October 21, 2019, the Bank judicially challenged the final decision of the AdC, with the case now pending before the Competition, Regulation and Supervision Court.

In the scope of the judicial challenge, the amount and type of collateral to be provided, to suspend the contested decision was set. In this regard, the Bank presented a bank guarantee in the amount of Euros 17,825 thousand, issued by the Bank itself, to fulfil the mentioned collateral.

The trial hearing sessions took place between October 2021 and March 2022, with the Court of Competition, Regulation and Supervision making a first decision on April 28, 2022. In this decision, although generally confirming the facts included in the sanctioning decision of the AdC on the alleged exchange of non-public information on spreads and credit production, the Competition Court recognised, as alleged by Santander, that a preliminary ruling on this matter by the Court of Justice of the European Union (CJEU) was justified, due to the absence of case law and decision-making practice considering autonomous exchanges of information between competitors, such as the one at issue in this case, as infringements of competition law “by object”, that is, regardless of its effects on the market.

Consequently, the Competition Court suspended its judgment and final decision while the preliminary issue is being decided by the CJEU, which will be resumed after the latter court clarifies the issues raised by the Competition Court.

This decision confirms that the alleged infringement is not as clear as the Competition Authority tried to maintain, since the Competition Court itself has doubts about the applicable legal framework.

In accordance with the regular proceedings of that process before the CJEU, the written opinion of Banco Santander Totta was filed on August 30, 2022.

The parties' oral arguments were presented on June 22, 2023, the Advocate General's opinion was issued on October 5, 2023; and it is expected that the final decision will be issued in the first half of 2024.

The Bank will await the CJEU decision and, subsequently, the decision on the judicial challenge lodged, not waiving the exercise of all the legal and judicial faculties that ensure the protection of its interests.

In line with what has been its position throughout the proceedings, the Bank strongly refutes all the arguments underlying the decision of the AdC, and its judicial challenge through the Competition, Regulation and Supervision Court has been supported, namely, by the opinion of distinguished Law Professors, attesting to the absence of any unlawful conduct by the institution.

Taking the foregoing into consideration, the Bank’s Board of Directors is convinced that the likelihood of the Bank not being ordered to pay a fine by the end of the proceedings are greater than those of being so ordered, and therefore no provision for this case has been recorded in the financial statements as at December 31, 2023.

41. SUBSEQUENT EVENTS

It is the intention of the Santander Group in Portugal ("Group"), in 2024, to begin a reorganisation process of the economic group. The reorganisation process involves the merger of Taxagest, SGPS, S.A. in the Bank and a subsequent merger of Santander Totta, SGPS, S.A. in the Bank. Having carried out a strategic, economic and operational analysis of the Group's structure, it was found that the current corporate structure appears to be redundant and susceptible to optimisation.

The merger by incorporation of Taxagest, SGPS, S.A. and Santander Totta, SGPS, S.A. in BST is intended, in particular, to:

- simplify the corporate structure, avoiding overlapping intermediate structures and procedures;
- implement a single governance system for the Group, more effective, efficient and appropriate, considering its nature as a supervised banking group;
- obtain synergies through the better structuring and organisation that the prospective merger will provide;
- make the structure and management of the Group's financing, own funds and eligible liabilities more efficient;
- simplify the Group's structure for the purposes of national and European banking supervision.

The production of effects of the projected merger operations is subject to applicable regulatory authorisations, including authorisation to be issued by the European Central Bank. If any of these conditions are not met, the definitive registration of the merger will not be carried out and, therefore, the merger will not take effect.

Additionally, the definitive registration of mergers and their consequent production of effects are also subject to the verification of other conditions resulting from the applicable legal regime, as well as the verification of the assumptions, namely tax or others, that justify the relevance of the merger operations.

The Bank was notified, in March and April 2024, of civil compensation claims under cases 2/24.1YQSTR and 6/24.4YQSTR, filed by Associação Ius Omnibus, and case 10/24.2YQSTR, filed by AMPEMEP - Associação de Micro, Pequenas e Médias Empresas em Portugal, with these cases being filed against several credit institutions. These cases fall under the jurisdiction of the Competition, Regulation and Supervision Court and concern the compensation for alleged overpricing in terms of consumer credit, housing credit and credit to SMEs, resulting from the alleged sharing of information, sanctioned by decision of the Competition Authority ("AdC") in the case PRC 2012/09, currently under appeal. Despite including general estimates based on economic studies, the cases do not include precise requests of compensation from each of the defendants, making the aforementioned calculation dependent on the application of the alleged overpricing to the offer in the relevant period.

Considering that the factuality and legal classification of the conduct are under appeal and that, in any of the cases, as follows from the AdC's own decision, there is no evidence that the sharing of information in question had an impact on the market, given that the sanction concerns an alleged infringement by object, as well as the complexity of the offer and the insufficient demonstration of damages and the causal link, the award of compensation within the scope of the above cases, in the Bank's understanding, is unlikely.

42. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on April 23, 2024.

43. NOTE ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in the Portuguese language. In the event of discrepancies, the Portuguese language version prevails.

APPENDIX I

As at December 31, 2023, the conditions of the structured, mortgage / covered bonds, issued in the scope of securitisation operations, other and of subordinated liabilities are as follows:

Securities issued	Currency	Issue amount: Issued	Issue amount: Subscribed by the Group	Issue amount: Balance sheet	Interest payable / Deferred commissions	Value adjustments through hedging operations	Total	Interest rate	Date issued	Date maturing	Index
Structured bonds											
Ob.BST Index linked notes 2024	EUR	8,227	796	7,431	342	(238)	7,535	Floating	20-12-2019	23-12-2024	BST Index - linked note due 2024
Credit Linked Notes due August 2037	EUR	85,080	-	85,080	1,716	-	86,796	Floating	26-07-2021	15-08-2037	Euribor3M (floored at 0) + 9%
Credit Linked Notes due January 2042	EUR	69,391	-	69,391	2,029	-	71,420	Floating	31-05-2022	31-01-2042	Euribor3M + 8.7%
Credit Linked Notes due August 2037	EUR	28,477	-	28,477	441	-	28,918	Floating	13-04-2023	15-08-2037	Euribor3M + 6%
Credit Linked Notes due May 2043	EUR	103,000		103,000	927	-	103,927	Floating	03-08-2023	02-05-2043	Euribor3M + 9%
Total		**294,175**	**796**	**293,379**	**5,455**	**(238)**	**298,596**				
Mortgage / Covered bonds											
Hipotecárias XX - 1ª	EUR	750,000	750,000	-	(554)	-	(554)	1.201%	07-12-2017	07-12-2027	Fixed rate
Hipotecárias XXI	EUR	1,000,000	1,000,000	-	(619)	-	(619)	1.481%	10-04-2017	10-04-2027	Fixed rate
Hipotecárias XXII	EUR	1,000,000	3,800	996,200	5,545	-	1,001,745	0.875%	25-04-2017	25-04-2024	Fixed rate
Hipotecária XXIII	EUR	1,000,000	20,000	980,000	(1,769)	-	978,231	1.250%	26-09-2017	26-09-2027	Fixed rate
Hipotecária XXIV	EUR	1,100,000	1,100,000	-	(1,120)	-	(1,120)	0.412%	05-07-2019	05-07-2029	Fixed rate
Hipotecária XXV	EUR	750,000	750,000	-	(178)	-	(178)	0.505%	27-03-2020	27-03-2025	Fixed rate
Hipotecária XXVI	EUR	750,000	750,000	-	(934)	-	(934)	0.00%	28-10-2020	28-10-2030	Fixed rate
Hipotecária XXVII	EUR	750,000	750,000	-	(720)	-	(720)	0.64%	04-03-2022	04-03-2029	Fixed rate
Hipotecária XXVIII	EUR	750,000	-	750,000	12,951	-	762,951	3.38%	19-04-2023	19-04-2028	Fixed rate
Hipotecária XXIX	EUR	1,000,000	1,000,000	-	(1,175)	-	(1,175)	3.55%	02-06-2023	02-06-2030	Fixed rate
Hipotecária XXX	EUR	850,000	-	850,000	6,620	7,417	864,037	3.75%	11-09-2023	11-09-2026	Fixed rate
Hipotecária XXXI	EUR	25,700	-	25,700	186	-	25,886	3.85%	16-10-2023	16-10-2028	Fixed rate
Hipotecária XXXII	EUR	27,300	-	27,300	107	-	27,407	3.74%	15-11-2023	15-11-2028	Fixed rate
Hipotecária XXXIII	EUR	16,900	-	16,900	(10)	-	16,890	3.05%	28-12-2023	28-12-2028	Fixed rate
Total		**9,769,900**	**6,123,800**	**3,646,100**	**18,330**	**7,417**	**3,671,847**				
Bonds issued under securitisation operations											
Hipototta 4 - Class A - Notes	EUR	281,562	206,045	75,517	(250)	-	75,267	Floating	09-12-2005	30-12-2048	Euribor 3m+0.12% (until Dec 2014); Euribor 3m+0.24% (after)
Hipototta 4 - Class B - Notes	EUR	10,753	10,753	-	-	-	-	Floating	09-12-2005	30-12-2048	Euribor 3m+0.19% (until Dec 2014); Euribor 3m+0.40% (after)
Hipototta 4 - Class C - Notes	EUR	33,960	33,960	-	-	-	-	Floating	09-12-2005	30-12-2048	Euribor 3m+0.29% (until Dec 2014); Euribor 3m+0.58% (after)
Hipototta 4 - Class D - Notes	EUR	7,000	7,000	-	-	-	-	Floating	09-12-2005	30-12-2048	Residual return generated by securitised portfolio

Securities issued	Currency	Issue amount: Issued	Issue amount: Subscribed by the Group	Balance sheet	Interest payable / Deferred commissions	Value adjustments through hedging operations	Total	Taxa de Juro	Date issued	Date maturing	Index
Hipototta 5 - Class A2 - Notes	EUR	244,809	200,800	44,009	54	-	44,063	Floating	22-03-2007	28-02-2060	Euribor 3m+0.13% (until Feb 2014); Euribor 3m+0.26% (after)
Hipototta 5 - Class B - Notes	EUR	26,000	26,000	-	-	-	-	Floating	22-03-2007	28-02-2060	Euribor 3m+0.17% (until Feb 2014); Euribor 3m+0.34% (after)
Hipototta 5 - Class C - Notes	EUR	24,000	24,000	-	-	-	-	Floating	16-03-2007	28-02-2060	Euribor 3m+0.24% (until Feb 2014); Euribor 3m+0.48% (after)
Hipototta 5 - Class D - Notes	EUR	26,000	26,000	-	-	-	-	Floating	22-03-2007	28-02-2060	Euribor 3m+0.50% (until Feb 2014); Euribor 3m+1.00% (after)
Hipototta 5 - Class E - Notes	EUR	31,000	31,000	-	-	-	-	Floating	22-03-2007	28-02-2060	Euribor 3m+1.75% (until Feb 2014); Euribor 3m+3.50% (after)
Hipototta 5 - Class F - Notes	EUR	6,000	6,000	-	-	-	-	Floating	22-03-2007	28-02-2060	Residual return generated by securitised portfolio
Atlantes Mortgage 2 - Class A	EUR	68,788	-	68,788	(8,103)	-	60,685	Floating	05-03-2008	18-09-2060	Euribor 3m + 0.33%
Atlantes Mortgage 2 - Class B	EUR	8,564	8,564	-	-	-	-	Floating	05-03-2008	18-09-2060	Euribor 3m + 0.95%
Atlantes Mortgage 2 - Class C	EUR	3,491	3,491	-	-	-	-	Floating	05-03-2008	18-09-2060	Euribor 3m + 1.65%
Atlantes Mortgage 2 - Class D	EUR	8,332	8,332	-	-	-	-	Floating	05-03-2008	18-09-2060	Residual return generated by securitised portfolio
Atlantes Mortgage 3 - Class A	EUR	120,384	37,519	82,865	(5,572)	-	77,293	Floating	30-10-2008	20-08-2061	Euribor 3m + 0.20%
Atlantes Mortgage 3 - Class B	EUR	17,264	17,264	-	-	-	-	Floating	30-10-2008	20-08-2061	Euribor 3m + 0.50%
Atlantes Mortgage 3 - Class C	EUR	33,477	33,477	-	-	-	-	Floating	30-10-2008	20-08-2061	Residual return generated by securitised portfolio
Atlantes Mortgage 4 - Class A	EUR	130,162	-	130,162	(16,503)	-	113,659	Floating	16-02-2009	30-12-2064	Euribor 3m + 0.15%
Atlantes Mortgage 4 - Class B	EUR	14,334	14,334	-	-	-	-	Floating	16-02-2009	30-12-2064	Euribor 3m + 0.30%
Atlantes Mortgage 4 - Class C	EUR	40,371	40,371	-	-	-	-	Floating	16-02-2009	30-12-2064	Residual return generated by securitised portfolio
Hipototta nº13 Class A	EUR	475,512	475,512	-	-	-	-	Floating	09-01-2018	23-10-2072	Euribor 3m + 0.60%
Hipototta nº13 Class B	EUR	484,000	484,000	-	-	-	-	Floating	09-01-2018	23-10-2072	Euribor 3m + 1%
Hipototta nº13 Class C	EUR	33,000	33,000	-	-	-	-	Floating	09-01-2018	23-10-2072	Residual return generated by securitised portfolio
Hipototta nº13 Class D	EUR	0	0	-	-	-	-	Floating	09-01-2018	23-10-2072	
Consumer Totta 1 class A	EUR	462,047	-	462,047	243	-	462,290	Floating	30-09-2022	28-06-2033	Euribor 3m + 0.80%
Consumer Totta 1 class B	EUR	22,214	-	22,214	12	-	22,226	Floating	30-09-2022	28-06-2033	Euribor 3m + 1.10%
Consumer Totta 1 class C	EUR	35,542	-	35,542	23	-	35,565	Floating	30-09-2022	28-06-2033	Euribor 3m + 2%
Consumer Totta 1 class D	EUR	22,214	-	22,214	29	-	22,243	Floating	30-09-2022	28-06-2033	Euribor 3m + 8%
Consumer Totta 1 class E	EUR	35,542		35,542	62	-	35,604	Floating	30-09-2022	28-06-2033	Euribor 3m + 11.85%
Consumer Totta 1 class F	EUR	3,900		3,900	7	-	3,907	Floating	30-09-2022	28-06-2033	Euribor 3m + 12.5%
Consumer Totta 1 class X	EUR	4,961	4,961	-	-	-	-	Floating	30-09-2022	28-06-2033	Residual return generated by securitised portfolio

Securities issued	Currency	Issue amount: Issued	Issue amount: Subscribed by the Group	Issue amount: Balance sheet	Interest payable / Deferred commissions	Value adjustments through hedging operations	Total	Interest rate	Date issued	Date maturing	Index
Total		**2,715,183**	**1,732,383**	**982,800**	**(29,998)**	**-**	**952.802**				
Other bonds issued											
OB. BST VAR SR 2	EUR	650,000	-	650,000	15,675	-	665,675	4.51%	20-06-2022	20-06-2028	Fixed rate
Total		**650,000**	**-**	**650,000**	**15,675**	**-**	**665,675**				
Subordinated liabilities											
OB.BST SA 7.5%	EUR	7,599	-	7,599	136	-	7,735	7.50%	06-10-2016	06-10-2026	Fixed rate
OB. BST 2030 TIER2	EUR	320,000	-	320,000	5,076	-	325,076	1.58%	31-12-2020	31-12-2030	Fixed rate
Total		**327,599**	**-**	**327,599**	**5,212**	**-**	**332,811**				
TOTAL		**13.756.857**	**7,856,979**	**5,899,878**	**14,674**	**7,179**	**5,921,731**				

Reports and Opinions on the Consolidated Financial Statements

Statutory Audit Report and Auditors' Report

(Free translation from a report originally issued in Portuguese language. In case of doubt, the Portuguese version will always prevail)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Banco Santander Totta, S.A. (the "Group" or "Bank"), which comprise the consolidated balance sheet as at December 31, 2023 (which shows total assets of Euros 54,586,582 thousand and total equity of Euros 4,116,088 thousand including a profit attributable to owners of the parent of Euros 931,407 thousand), the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Banco Santander Totta, S.A. as at December 31, 2023, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law, we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Portuguese Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	Summary of the Audit Approach
Impairment losses of loans and advances to customers at amortized cost *Measurement and disclosures related to impairment losses of loans and advances to customers at amortized cost presented in notes 1.3 c), 2, 9, 17 and 38 attached to the Bank's consolidated financial statements*	
The significant amounts of loans and advances to customers and associated impairment losses, which require the application of a set of complex assumptions and judgments by management in relation to the identification of customers with a significant increase in credit risk or in default, as well as the corresponding amount of impairment losses, justify that these constitute key matters for the purpose of our audit. As at December 31, 2023, the gross amount of loans and advances to customers amounted to Euros 35,397,303 thousand and the corresponding impairment losses recognized at that date amounted to Euros 794,669 thousand. Impairment losses of loans and advances to customers are determined by management on an individual basis, through a case-by-case analysis of a significant component of the total loan portfolio, and for the remaining portfolio impairment losses are determined through a collective analysis. For the most significant exposures, determined in terms of the total amount of the exposures and of indications of creditworthiness deterioration, the Bank performs an individual impairment measurement analysis, which includes an individual staging assessment, to validate the automatically attributed indication of stage (stage 1, 2 or 3), as well as an individual impairment measurement analysis. For the latter, the analysis is performed for exposures classified as stage 3, and the amount of impairment losses is determined through a detailed analysis of the economic and financial position of each customer, with reference to (i) the estimated cash flows that may be generated in the future from the fulfilment of their responsibilities; or (ii) the valuation attributed to the collateral received in the scope of the credit granted, whenever the recovery is expected to occur through the assignment, execution and/or sale of the collateral, less the costs inherent to its recovery and sale.	The audit procedures developed included the identification, understanding and assessment of the policies and procedures established by the Bank for the purpose of measuring impairment losses of the loans and advances to customers portfolio as well as its key controls with respect to the approval, recording and monitoring of credit risk and the timely identification, measurement and recording of impairment losses. On a sample basis, we analysed a group of customers within the Bank's individual analysis perimeter, based on the criteria defined in internal regulations, with the objective of: (i) reviewing the conclusions and results obtained by the Bank in the individual analysis of stage and in the individual analysis of impairment measurement; (ii) formulating our own judgment as to the existence of situations of significant increase in credit risk and default; and (iii) assessing how the impairment losses were timely identified, measured and recognized by management. In this process, we also confirmed that the individual analysis perimeter included all the exposures that met the criteria defined by the Bank in its methodology. For a sample of exposures classified as stage 3, extracted from the credit population subject to individual analysis by the Bank as at December 31, 2023, the procedures developed consisted of: (i) reviewing the available documentation on credit processes; (ii) verifying the match of the financial plans used to determine impairment losses with those reflected in the contractual support; (iii) analysing the contractual support and the most relevant collaterals and confirming their registration in favour of the Bank; (iv) analysing the most recent valuations of these collaterals; (v) reviewing the incorporation of forward looking information; (vi) performing a critical analysis of the discounted cash flows underlying the calculation of impairment losses; (vii) assessing the evolution of exposures; and (viii) understanding management's views regarding the economic and financial situation of the customers, the predictability

Key Audit Matter	Summary of the Audit Approach
For exposures not covered by the individual analysis, the Bank developed collective analysis models to calculate expected impairment losses, considering IFRS 9 requirements, which include the classification of exposures into different stages according to the evolution of their credit risk since the date of their concession, and not according to the credit risk at the reporting date (stages 1, 2 or 3). These models are based on the internal historical information of defaults and recoveries and, in order to be representative of the current economic context and simultaneously incorporate a perspective of the future economic evolution, these models also use forward looking information such as (i) the GDP growth rate; (ii) the expected unemployment rate; (iii) the evolution of the Euribor; and/or (iv) the prospects for the real estate market. Based on these macroeconomic data, potential scenarios are developed that allow estimating the expected loss in each segment of the Bank's loan portfolio, based on a probability of occurrence. The specificity and uncertainty of the current macroeconomic and geopolitical situation led to an increase in the complexity of determining impairment losses. In these circumstances, the internal models developed by the Bank were adapted to incorporate new criteria and other judgments, in particular the updating of prospective information, through an adjustment to the models (*post* model adjustments), in order to reflect the potential effects of the current adverse macroeconomic context, marked by the persistence of a significant level of geopolitical uncertainty, with risks predominantly of an external nature, as well as the reflection of the expected relationship of this information with the risk parameters of the collective analysis models developed by the Bank. Considering all the above, changes in the assumptions or methodologies used by the Bank in the analysis and quantification of impairment losses of loans and advances to customers, as well as different recovery strategies, condition the estimation of recovery flows and the timing of their receipt, and may have a material impact on the determination of the amount of impairment losses recognized in each period.	of expected cash flows from the respective businesses, as well as the collectability prospects of the credits. Whenever we concluded for the need to review some assumption used by management, we recalculated the estimated amount of impairment losses and compared the results obtained with those calculated by the Bank, to assess the existence of possible material divergences. In addition, we selected a sample of debtors for specific analysis of the criteria used to determine a significant increase in credit risk (stage 2) and an impairment situation (stage 3), on an individual basis. For the portfolio which impairment losses are assessed through the collective analysis model, specific procedures were developed with the objective of evaluating how the assumptions considered by management include all the risk variables, considering for the effect the historic performance and recoveries of the Bank's loans and advances to customers portfolio, namely: (i) review of the methodology documentation regarding the development and validation of the models; (ii) analysis of the documentation of the risk parameters' back testing exercise and its results; (iii) review and testing of the portfolio segmentation; (iv) analysis of the Bank's definition of default and of the criteria applied in the classification of staging, on a sample basis, including the additional criteria established and the sectoral analyses developed by the Bank for the economic sectors most affected by the current macroeconomic and geopolitical situation; (v) review and testing of the main risk parameters, as well as the review of available prospective information and its update applying the estimated economic effects, including the analysis of the methodologies defined by the Bank for the determination of *post* model adjustments arising from the current adverse macroeconomic context; (vi) critical analysis of the main assumptions and sources of information used to estimate the future recoveries incorporated in the LGD ("Loss Given Default"), including the testing of historical recoveries incorporated in this calculation, on a sample basis; and (vii) recalculation of the Expected Credit Loss ("ECL") for the loans and advances to customers portfolio, with reference to December 31, 2023.

Key Audit Matter	*Summary of the Audit Approach*
	Our audit procedures also included a review of the disclosures for loans and advances to customers, as well as the related impairment losses, contained in the accompanying notes to the Bank's consolidated financial statements, considering the applicable accounting standards in force.
Other receivables related to the resolution measure applied to Banif *Measurement of the amount receivable related to the resolution measure applied to Banif and related disclosures presented in notes 1.3 c), 9 and 13 attached to the Bank's consolidated financial statements* As mentioned in Note 13, in the scope of the resolution measure applied to Banif - Banco Internacional do Funchal, S.A. ("Banif") arising from the decision of the Board of Directors of Banco de Portugal of December 20, 2015 ("transaction"), and bearing in mind the understandings and subsequent clarifications communicated to the Bank by the Banco de Portugal, and the approval by the Ministry of Finance of the request for the transfer of Banif's tax losses, the Bank submitted, on May 29, 2018, a replacement corporate income tax return (Declaração Modelo 22 - IRC) for the 2015 financial year. Subsequently, through an Order of the Deputy Director of the Major Taxpayers Unit (Unidade dos Grandes Contribuintes), the Bank was only granted the right to use Banif's tax losses for the years 2009 through 2014. Following the decision of the Ministry of Finance of June 30, 2020 rejecting the hierarchical appeal presented by the Bank in relation to the aforementioned Order, the Bank demanded, in 2020, compensation in the amount of Euros 157,699 thousand, in cash or in treasury bills, within the scope of the transaction and the agreement entered into with the Portuguese authorities involved in the resolution measure applied to Banif, having then proceeded, as mentioned in Note 13, to reclassify that amount to "Financial assets at amortised cost - Loans and advances – Sundry debtors and other cash equivalents" (Note 9) . Due to its relevance in the context of the Bank's consolidated financial statements, and the significant change in the form and strategy of recovering the balance in question, this was a relevant matter for the purpose of our audit.	The audit procedures developed for this matter included the identification and understanding of the processes and key controls implemented by the Bank to monitor same, as well as the assessment of the assumptions adopted by the management regarding the form of recovery and respective amount. In view of the relevance of the judgments required of the management, within the scope of our audit we carried out, among others, the following procedures: (i) meetings with the management to analyse the evaluation carried out by the Bank regarding the situation and evolution of the referred process; (ii) appreciation of correspondence exchanged with the Banco de Portugal and the Ministry of Finance; and (iii) meetings with the Bank's external lawyers and analysis of their opinions. Our audit procedures also included a review of the disclosures on this subject, contained in the accompanying notes to the Bank's consolidated financial statements, considering the applicable accounting standards in force.

Key Audit Matter	Summary of the Audit Approach
Fair value of financial instruments measured at value not quoted in an active market – level 3 of the fair value hierarchy *Measurement of the fair value of financial instruments not listed in an active market classified as level 3 of the fair value hierarchy and related disclosures presented in notes 1.3 c), 2, 6, 7, 8 and 38 attached to the Bank's consolidated financial statements* Due to its relevance in the context of the Bank's consolidated financial statements and the associated level of judgment, the fair value measurement of financial instruments not quoted in an active market classified as level 3 of the fair value hierarchy was a relevant matter for the purpose of our audit. As at December 31, 2023, the balance sheet balances of these financial instruments amount to Euros 219,773 thousand of assets and Euros 24,896 thousand of liabilities. The financial instruments thus classified comprise (i) trading or hedging derivatives; and (ii) equity instruments. For these financial instruments classified as level 3 of the fair value hierarchy, and when observable market data is not available, the Bank determines fair value using valuation models based on discounted cash flows techniques, which usually involve a high level of judgment in defining the assumptions and inputs to be used. In this context, changes in the assumptions and in the measurement techniques used by management may give rise to material impacts on the determination of the fair value of the financial instruments recognized in the Bank's consolidated financial statements.	The audit procedures developed included the identification and understanding of key controls established by the Bank underlying the fair value methodologies adopted and the selection and determination of the main assumptions used in the calculation of fair value for the financial instruments not quoted in an active market and classified as level 3 of the fair value hierarchy. For a sample of instruments which measurement was based substantially on unobservable data (level 3), our procedures also included: (i) the understanding of the methodologies and main assumptions used by the Bank; (ii) the assessment of whether the models developed by the Bank and the data and assumptions used are reasonable in the circumstances, having compared the data subject to observation with market information collected from external and independent sources, whenever available; and (iii) the analytical review of the fair value of those financial instruments, comparing the results with the homologous period and with the latest financial information available and respective audit reports, whenever available. Our audit procedures also included a review of the disclosures on financial instruments not quoted in an active market and classified as level 3 of the fair value hierarchy, contained in the accompanying notes to the Bank's consolidated financial statements, considering the applicable accounting standards in force.
Employees' post-employment benefits *Measurement and disclosures related to employees' post-employment benefits presented in notes 1.3 j), 2, 14 and 35 attached to the Bank's consolidated financial statements* As at December 31, 2023, the Bank's liabilities for past services regarding its directors, employees and pensioners amounted to Euros 1,267,986 thousand, mainly covering retirement and survivors' pensions,	The audit procedures developed included the identification and understanding of the key controls instituted by the Bank to ensure that the information

Key Audit Matter	Summary of the Audit Approach
disability, healthcare and death benefits, as provided for in the Acordo Coletivo de Trabalho ("ACT") for the banking sector. These liabilities are estimated based on actuarial valuations performed by an actuary certified by the Insurance and Pension Funds Supervisory Authority ("ASF"). These valuations incorporate a set of financial and actuarial assumptions, such as discount rate, inflation rate, mortality and disability tables, pension and salary growth rates, among others, defined by management and adjusted to the characteristics of the benefits and the population of directors, employees and pensioners, and to the current and future behaviour of these variables. In the specific case of the discount rate used in the actuarial studies, same is determined based on the market rates for high-quality entities in terms of credit risk, denominated in the currency in which the benefits will be paid (euros) and with a similar maturity to the duration of the payment of the benefits of the plan. In this context, future changes in the assumed financial and actuarial assumptions may give rise to material impacts on the measurement of the liabilities, so this issue was considered a key matter for the purpose of our audit.	collected and provided to the independent actuary to calculate the plan's liabilities is correct and complete. The audit work included meetings with management and the independent actuary to identify the methodologies and options considered in the definition of the main financial and actuarial assumptions adopted. Given the relevance of the judgments required of management, we proceeded to evaluate the reasonableness of the main assumptions, comparing them with data we were able to independently obtain. A conformity review was performed of: (i) the employees' historical information used for calculating the liabilities; and (ii) the accounting recognition of plan curtailments or liquidations, costs related to past services and other changes in assumptions and estimates that occurred during the year. Finally, we analysed the actuarial study prepared by the independent actuary with reference to December 31, 2023, considering, for the purpose, the results of the procedures referred to above. Our audit procedures also included a review of the disclosures on the post-employment benefits of directors, employees and pensioners, contained in the accompanying notes to the Bank's consolidated financial statements, considering the applicable accounting standards in force.
Contingent liabilities *Disclosures related to contingent liabilities presented in notes 1.3.i), 2 and 40 attached to the Bank's consolidated financial statements* Contingent liabilities disclosed in Note 40, as at December 31, 2023, are detailed as follows: Portuguese Competition Authority In 2012 the Portuguese Competition Authority (Autoridade da Concorrência) launched an administrative proceeding against several banks, including Banco Santander Totta, S.A., for alleged restrictive competition practices. On September 9, 2019, the Portuguese Competition Authority notified the banks of its decision, condemning same and applying a penalty, which in the case of the Bank amounted to Euros 36 million. The Bank considers	The audit procedures developed in this area included the identification and understanding of the processes and key controls established by the Bank with respect to the identification and monitoring of the contingent liabilities. Regarding the process initiated by the Portuguese Competition Authority, our work included (i) analysing the Bank's assessment of the nature and situation of said process, which underlies the non-constitution of provisions, and (ii) assessing the information obtained from the Bank's external lawyers handling the process.

Key Audit Matter	*Summary of the Audit Approach*
that it did not commit the imputed infraction and thus filed, in October 2019, an appeal against that decision to the Competition, Regulation and Supervision Court (“CRSC”). In May 2020, by decision of said Court, the Bank provided a surety deposit of part of the penalty imposed, which is provisional in nature pending the decision on the judicial appeal presented by the Bank. In April 2022, the CRSC issued a decision ruling that certain facts had been proven, but did not rule on any sanctions, suspended the process and proceeded to refer it for a preliminary ruling to the Court of Justice of the European Union, for the latter to rule on issues involving the interpretation of the Treaty on the Functioning of the European Union, which process is still pending. The consolidated financial statements as at December 31, 2023 reflect management’s expectations that the probabilities that the process initiated by the Portuguese Competition Authority will end without the Bank having to pay a fine are higher than those of the opposite occurring. Contingent liabilities may evolve differently from that originally expected, so they are subject to continuous review to determine whether the eventuality of the outflow of resources has become probable. In these circumstances, the assessment of these contingent liabilities implies that management employs complex estimates and judgments regarding the probability of the materialization and the quantification of the amounts of liabilities that may result from litigation and contingencies to which the Bank is a party, and, to that extent, this was a matter considered relevant for the purpose of our audit.	We also analysed the information available on developments after December 31, 2023 on the most relevant litigations. Our audit procedures also included a review of the disclosures on provisions and contingent liabilities, contained in the accompanying notes to the Bank’s consolidated financial statements, considering the applicable accounting standards in force.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the consolidated financial position, the consolidated financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors’ report, the corporate governance report and the consolidated non-financial statement, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities. The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law on corporate governance matters, and verifying that the consolidated non-financial statement was presented.

Report on other legal and regulatory requirements

Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Directors' report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the corporate governance report includes the information required under article No. 29-H of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs 1 c), d), f), h), i) and l) of that article.

European Single Electronic Format (ESEF)

The Entity's consolidated financial statements for the year ended on December 31, 2023 must comply with the applicable requirements established in Commission Delegated Regulation (EU) 2019/815, of December 17, 2018 (ESEF Regulation).

The management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements included in the annual report are presented in accordance with the requirements of the ESEF Regulation.

Our procedures took into account the Portuguese Institute of Statutory Auditors' Technical Application Guide on ESEF reporting and included, among others:

a) obtaining an understanding of the financial reporting process, including the annual report presentation in valid XHTML format; and

b) the identification and assessment of the risks of material misstatement associated with the tagging of information in the consolidated financial statements, in XBRL format using iXBRL technology. This assessment was based on an understanding of the process implemented by the entity to tag the information.

In our opinion, the consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.

Consolidated non-financial statement

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Group prepared a separate report of the Directors' report that includes the consolidated non-financial statement set forth in article No. 508-G of the Portuguese Company Law, which was disclosed together with the Directors' report.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Banco Santander Totta, S.A. at the Shareholders' General Meeting of May 31, 2016 for the period from 2016 to 2018, having remained in functions until the current period. Our last appointment was at the Shareholders' General Meeting of November 23, 2021 for the period from 2022 to 2024.

b) The management has confirmed to us that it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the consolidated financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of April 29, 2024.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 1 of article No. 5 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014 and that we remain independent of the Group in conducting our audit.

April 29, 2024

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

[Original in Portuguese signed by]

José Manuel Henriques Bernardo, Statutory Auditor (ROC) no. 903
Registered with the Portuguese Securities Market Commission under no. 20160522