



RESULTS JANUARY – DECEMBER 2020

Santander in Portugal achieves net profits of €295.6 million (-43.9% YoY)

"The Bank's results in 2020 were, as expected, strongly affected by the Covid-19 pandemic. But, despite the challenging year we all had to face, these results were only possible because Santander is a solid Bank, with high levels of capitalization, the best ratings, a strong reputation, and is well prepared to face the challenges of transforming our business model.

Our priority remains intact: supporting households, companies, and society in Portugal. Our clients' trust is also reflected in the positive evolution of deposits, of credit granted, and the growing use of our digital platforms (representing 42% of sales), which accompany a change in client behaviour, who are increasingly demanding and looking for better, more effective and more efficient services that facilitates their day-to-day activities.

In our support to society, and since the beginning of the Covid-19 crisis, we have tripled our social responsibility budget as far as donations to institutions that support those in most need. We provided more than €3 million to help fight the disease, in particular for research, purchase of hospital equipment, support for the most vulnerable sectors of society, and projects of Higher Education Institutions.

As in 2020, the coming months will be very demanding, but we firmly uphold our mission of supporting the economy, to help its development, safeguarding the savings of the Portuguese, and protecting our employees. The vaccines already available allow us to foresee some hope."

Pedro Castro e Almeida, Chief Executive Chairman of Banco Santander Portugal

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Highlights

- At the end of 2020 the **net profit** of Santander Totta, SGPS, amounted to **€295.6 million**, a 43.9% drop year-on-year.
- In the context of a pandemic, the Bank kept the support for families, companies and society as a priority, providing, among other measures, moratoria for credit to individuals and companies, in addition to the legal moratorium, in order to adjust the costs of these loans to the evolution of its customers' income. At the end of December, the moratoria, both legal and private, covered 87 thousand customers, for a total amount of **€8.6 billion of credit (21% of the total portfolio)**. Within the scope of the **credit facilities**

with State guarantee, aimed at mitigating the effects of the pandemic, the Bank has already approved a set of operations in the amount of about **€1.6 billion**.

- Total customer loans¹ amounted to **€42.7 billion**, equivalent to an increase of 6.8% over the same period last year.
- The market shares of new loans to companies and mortgage loans amounted to **18.4%** and **24.1%** respectively.
- Customer resources amounted to €43.3 billion, a growth of 1.9% compared to the same period last year, an evolution underpinned by the **2.3% increase of deposits**.
- The number of **digital customers saw an YoY growth of 20%**, to stand at 930 thousand, while the number of **main bank customers grew by 4.3%**, to stand at 812 thousand.
- At the end of 2020, the number of Santander cards digitized on the electronic platforms Apple, Garmin, Fitbit, and Online Trade amounted to 950 thousand.
- The **cost-to-income ratio stood at 43.8%**, in line with the figure recorded in the same period last year.
- The **CET 1 ratio stood at 20.6%** (fully implemented), an increase of 5.6pp compared to December 2019.
- Santander in Portugal was distinguished for its financial performance, namely as the "**Best Bank in Portugal**", awarded by *Euromoney* and *Global Finance*. Also noteworthy are the various business segment awards, including "**Best Investment Bank**" (*Euromoney* 2020), "**Best Trade Finance Bank**" (*Euromoney* 2021), and "**Best Private Banking**" (*Euromoney* 2020 and *Global Finance* 2021).
- With regard to **Brand** reputation, the recent evaluation as "**Most Reputed Banking Brand in Portugal 2021**" stands out, within the scope of the RepScore ranking, by the consultancy firm Onstrategy.
- As an employer, Santander in Portugal was considered "**Best Bank to Work for in Portugal**" for the fourth consecutive year, and saw its certification for "Level of Excellence - grade A" renewed as a **Family Responsible Company**, a certification awarded by the MásFamilia Foundation and ACHIEVE.
- Since the beginning of the COVID-19 crisis, Santander Portugal **has tripled its social responsibility budget** in terms of donations to institutions that support those in most need, having made available about €1 million for research, for purchase of hospital supplies, and to support the most vulnerable sectors of society. Santander Universities and Higher Education Institutions in Portugal allocated about €2 million for initiatives that support university students and Portuguese families, in order to respond to the social, economic and public health needs arising from the pandemic.
- Santander in Portugal has the best ratings in the sector. The Bank's current long-term debt ratings, compared to the levels of Portugal as a country, are as follows: Fitch - BBB + (Portugal - BBB); Moody's - Baa3 (Portugal - Baa3); S&P - BBB (Portugal - BBB); and DBRS - A (Portugal - BBB high).

¹Total loans to clients (gross)



Key Indicators

Santander Totta, SGPS

Balance Sheet and Income Statement (million euros)	Dec-20	Dec-19	Var.
Net assets	58,387	56,083	+4.1%
Total Gross Loans ⁽¹⁾	42,683	39,984	+6.8%
Resources	43,270	42,483	+1.9%
Net interest income (without dividends)	786.6	855.7	-8.1%
Net commissions	373.2	380.5	-1.9%
Operating income	1,317.7	1,377.1	-4.3%
Total operating expenses	(577.2)	(604.4)	-4.5%
Net operating income	740.5	772.7	-4.2%
Income before taxes and MI	405.0	739.8	-45.3%
Consolidated net income	295.6	527.3	-43.9%

RATIOS (million euros)	Dec-20	Dec-19	Var.
ROE	6.9%	12.7%	-5.8 p.p.
Efficiency ratio (incl. depreciation)	43.8%	43.9%	-0.1 p.p.
CET 1 ratio fully implemented	20.6%	15.0%	+5.6 p.p.
Non-Performing Exposure ratio ⁽²⁾	2.6%	3.2%	-0.6 p.p.
Non-Performing Exposure coverage ratio	66.8%	53.1%	+13.7 p.p.
Cost of Credit ⁽³⁾	0.45%	-0.02%	+0.47 p.p.

OTHER DATA (million euros)	Dec-20	Dec-19	Var.
Number of employees in Portugal	5,980	6,188	-208
Total Branches in Portugal	443	505	-62

RATING (long term debt)

FitchRatings	BBB+
Moody's	Baa3
Standard & Poor's	BBB
DBRS	A

⁽¹⁾ Total loans to customers (gross)

⁽²⁾ According to EBA criteria

⁽³⁾ 12 month average

Business Framework

In the last quarter of 2020, Portugal faced the emergence of a second wave of the pandemic, which began to gain special relevance from November, with the doubling of weekly cases, the tripling of deaths, and that forced health authorities to implement greater restrictions on mobility. Telework, restrictions on traveling between municipalities, and the closure of all commercial businesses at 1 pm on weekends were some of the main measures. Until Christmas, the measures allowed a 30% reduction in the number of cases, and a moderate increase in mortality.

The impact of these mitigation measures, in November, penalized economic activity, especially visible in terms of the global amount of national withdrawals, payments for services, and purchases in point-of-sales terminals, which dropped by 11.8% YoY, and by 6.3% compared to October. Car sales also decreased by -27.9% YoY. However, as of December, there was a lesser contraction in economic activity fuelled by the Christmas effect, which helped to cancel the adverse dynamics of November.

In this sense, in the 4th quarter of 2020, the Portuguese GDP recorded a moderate growth of 0.4%, resulting in an annual contraction of 5.9%. In the year as a whole, GDP shrank by 7.6%, with a general reduction in demand, both domestic and foreign. The conditions of the labour market, namely as shown by the evolution of unemployment, have remained relatively stable. In December, the unemployment rate stood at 6.5% (-0.6pp compared to November), despite the underutilization rate of labour standing at 13.4% (less 0.6pp compared to November, benefiting from a 10% reduction in unemployment), and employment showing a downward trend of 1.1% YoY.

During the Christmas period (between December 24 and 26) the government lifted all restrictions on mobility, facilitating the traditional family gatherings. The restrictions were again implemented between December 27, 2020 and January 4, 2021 (i.e. during the New Year period).

As a result, along with the spread of the British variant of the virus, the health situation in Portugal worsened significantly in January, with very high incidence and mortality rates (the highest in Europe, if not worldwide), leading to great pressure on the health system, already overstressed, and requiring a new lockdown, very similar to that of March-April 2020, to be extended until March, and which is expected to have strong adverse impacts on business in the 1st quarter of 2021, despite the extension of public support measures, namely the simplified layoff.

Still from a health point of view, the vaccination process has already started in Portugal and in most countries, which may contribute to a situation of group immunity from the third quarter of 2021.

This is an important development, as the implementation of the European recovery and resilience plan is quite delayed. It is worth recalling the significant scope of the plan, with a financial envelope of €750 billion, of which €390 billion are grants to States. It is expected that the funds will start reaching the different member states in the second quarter of 2021, and that they will effectively contribute to relaunching the pillars of the economy, along with the ongoing vaccination plan.

From this financial package, Portugal will receive a sum of more than €15 billion in non-repayable subsidies, and will be able to access an additional €15 billion in loans. Together with the new multiannual financial framework and the remaining PT2020 funds, Portugal is expected to earn almost € 58 billion in community funds to be used over the next decade.

In terms of monetary policy, the ECB states it is prepared to refine and create new monetary stimuli to preserve favourable financing conditions throughout the pandemic period, for all economic sectors. The lesser financial

and liquidity uncertainty factors will contribute to promoting trust among economic agents, an essential condition to stimulate consumption and investment during the economic recovery stage.

The ECB is still maintaining a context of negative interest rates, strengthening its guidelines on maintaining the level of interest rates (forward guidance), increased asset acquisitions (in the amount and duration of the programme), and a broad provision of liquidity.

To address possible risk-aversion peaks, the ECB maintains its financial assets acquisition programmes: the existing APP was increased by €120 billion, and the PEPP enlarged to €1.850 billion. Purchases under the PEPP will remain as long as deemed necessary, at least until March 2022, along with a plan to reinvest mature assets until the end of 2023. Additionally, given the tightening of the financing conditions for companies, the ECB came to be able to buy commercial paper with maturity between 1 and 6 months, thus supporting an important market segment by ensuring the short-term financing needs of companies.

At present, the yields on public debt in the Euro Zone have remained at a minimum (albeit with a slight upward trend), with the yield on Portuguese public debt over 10 years standing at 0.20% (as of February 18, 2021), and with the difference compared to German sovereign standing at 56bps. Portugal's current credit ratings by the agencies S&P, Fitch and Moody's is BBB (stable), BBB (stable) and Baa3 (positive), respectively. DBRS keeps a BBB –high (stable) rating.

Results

At the end of 2020, Santander Totta, SGPS (in this statement referred to as the "Bank" or "Santander in Portugal") achieved a net profit of €295.6 million, a 43.9% decrease YoY. The result includes an extraordinary charge in the amount of €46.2 million (net of taxes), recorded in the fourth quarter, therefore the recurring net profit amounted to €341.8 million (-35.2%).

Operating income reached €1.318 billion, corresponding to a 4.3% year-on-year decrease, and operating costs decreased by 4.5% in the same period, totalling €577.2 million, and therefore operating results decreased by 4.2%, and the efficiency ratio stabilized at 43.8%.

The financial margin amounted to €786.6 million, an YoY decline of 8.1%. This evolution is essentially the result of the reduction in credit spreads, due to the still highly competitive context, the decrease in short-term interest rates, the decrease in the demand for credit by companies outside the scope of State guaranteed credit facilities, and also management of the public debt portfolio.

Net commissions amounted to €373.2 million, decreasing by 1.9% compared to December 2019, despite the recovery that occurred in the second half of the year, and especially in the fourth quarter of 2020, with a growth of 8.2% compared to the previous quarter, and 5.1% compared to the same quarter of 2019. In terms of payment methods commissions, the annual dynamics reflected the effects of the pandemic, which were more pronounced in the second quarter of the year.

The Other results of banking activity decreased by 15.7%, and the results of insurance activity, in the amount of €17.2 million, decreased by 20.5%, as a result of the transfer of a portfolio of the former Eurovida to Aegon Santander Seguros. Results from financial operations amounted to €114.7 million, up by 20.5% YoY.

Operating costs decreased by 4.5% compared to the figure recorded in 2019, reflecting the 6.2% reduction in personnel costs and of 4.0% in general expenses. On the other hand, depreciations grew by 5.6% over the same period last year.

The net impairment of financial assets at amortized cost amounted to €187.6 million, reflecting the incorporation of the forward-looking component of the more adverse macroeconomic scenario, as can be seen in various projections made by national and international institutions. This evolution reflects a preventive reinforcement, to the extent that loan quality remains solid, reflected in the 2.6% NPE ratio.

Net Provisions and Other Results include contributions to the Deposit Guarantee Fund and Resolution Funds, national and single, which were previously recorded in Other Results of banking activity.

Profit before taxes and minority interests amounted to €405 million, a YoY reduction of 45.3%.

Balance Sheet and Business

At the end of 2020, the loan portfolio totalled €42.7 billion, with growth of 6.8% YoY, reflecting not only the application of moratoria on loans to households and businesses, but also the high production of credit facilities to support the economy in the context of the health crisis we are experiencing, as well as the sustained pace of new origination of mortgage credit.

Mortgage loans amounted to €20.7 billion, corresponding to an increase of 5.2% over the same period last year, and consumer credit amounted to €1.7 billion, a 1.5% drop compared to December 2019, reflecting the reduction in household discretionary spending.

Loans to businesses reached €16.4 billion, which represented a 6.7% annual increase, associated with the agreed credit facilities, including those created in the context of the COVID-19 pandemic.

Credit ⁽¹⁾ (million euros)	Dec-20	Dec-19	Var.
Credit to Individuals	22,767	21,789	+4.5%
from which			
Mortgage	20,670	19,654	+5.2%
Consumer credit	1,680	1,707	-1.5%
Credit to Companies	16,371	15,345	+6.7%

⁽¹⁾ Credit at amortised cost

The Non-Performing Exposure (NPE) ratio, calculated in accordance with the EBA criterion, stood at 2.6% in December 2020, a YoY decrease of 0.6pp, the respective coverage standing at 66.8%.

Customer funds amounted to €43.3 billion, a YoY growth of 1.9%, reflecting the positive contribution of deposits (+2.3%). In turn, the total of investment funds managed or marketed by the Bank and insurance and other resources decreased by 0.4%, partly reflecting the dynamics of the underlying financial markets.

Resources (million euros)	Dec-20	Dec-19	Var.
Customers' Resources	43,270	42,483	+1.9%
On-balance sheet resources	36,001	35,182	+2.3%
Deposits	36,001	35,182	+2.3%
Off-balance sheet resources	7,269	7,301	-0.4%
Investment funds managed or marketed by the Bank	3,252	3,066	+6.1%
Insurance and other resources	4,017	4,235	-5.2%



Liquidity and Solvency

The solid liquidity position continued to be strengthened in 2020. Support to Portuguese households and companies absorbed about €2.0 billions of liquidity, through both moratoria and additional credit, which was partially accommodated by an increase of about €0.4 billion in customer deposits.

Santander in Portugal has a policy of maximizing the available liquidity buffer to face adverse liquidity events. Active measures for the generation of eligible assets, combined with the flexibility program for the use of collateral promoted by the ECB, increased the available liquidity reserve to €13.2 billion.

There was an increase in the commercial gap in 2020 due to increased credit granting, therefore the loans to deposits ratio at the end of the year increased to 116%, compared to 111% at the end of 2019.

Financing obtained from the European Central Bank, totalling €6.8 billion, remained exclusively in long-term operations through the new financing programme promoted by the ECB (TLTRO III), compared to €3.1 billion of financing via TLTRO II, in 2019. The additional liquidity obtained was used to respond to immediate liquidity needs of families and businesses, materialized in the aforementioned reinforced granting of credit by €2.0 billion, as well as to guarantee a liquidity cushion to reinforce this response in the future.

The policy of diversification of sources and maturities was maintained in respect of short-term funding, as was the diversification of collateral allocated in transactions with repurchase agreement with financial institutions.

In terms of long-term financing, in addition to the €6.8 billion with the ECB, the Bank ended 2020 with about €0.6 billion of securitizations and €2.0 billions of covered bonds.

The LCR (Liquidity Coverage Ratio), calculated in accordance with the CRD IV rules, stood at 122%, thus meeting the regulatory requirements on a fully-implemented basis.

The Common Equity Tier 1 ratio (CET 1), calculated in accordance with CRR / CDR IV rules, rose to 20.6% (fully implemented), at the end of 2020, reflecting the capacity for organic capital generation, as well as the management of risk-weighted assets. Taking into account the recommendation of the European Central Bank (ECB/2020/19) of March 27, 2020, the Board of Directors of Santander in Portugal decided not to distribute dividends in 2020.

The Bank thus maintains fairly high capitalization levels, which represents a very comfortable margin over and above the minimum requirements imposed by the ECB under the SREP (in 2020, CET1 of 8.3%, Tier 1 of 10.5%, and Total of 12.5%, in full implementation).

Capital (fully implemented) (million euros)	Dec-20	Dec-19
Common Equity Tier 1	3,697	2,804
Tier 1	4,297	3,404
Total Capital	4,373	3,477
Risk Weighted Assets (RWA)	17,958	18,648
CET 1 ratio	20.6%	15.0%
Tier 1 ratio	23.9%	18.3%
Total Capital Ratio	24.4%	18.6%

Business Activity

Individuals, Business, Corporate and Institutional

2020 was a year of adaptation and resilience, very challenging for everyone, especially for the commercial departments, which remained at the forefront of customer relations. Naturally, this relationship underwent changes, as a result of the pandemic. Despite all the constraints, the branches have always kept their doors open to the public, even during lockdown periods. At the same time, new working methods were developed, more digital and more remote.

The Bank maintains its purpose of supporting the development of households and companies, and the ambition of being the best Bank for employees, customers and society.

The strategy for **Individuals** aimed at strengthening the Bank's leadership in mortgage loans, through the Open House platform, and to boost commercial activity in the areas of **Protection (insurance)**, **Savings**, and **Payments**.

Despite the pandemic context, the accumulated production of mortgage loans grew by 31% compared to 2019, a growth rate higher than that of the market, thus the Bank increased its origination market share from 20% to 24%. On the other hand, the production of personal loans amounted to €378 million (-28% compared to 2019), with emphasis on the online solution CrediSimples, which represented 40% of all personal loans granted.

In the **Protection (insurance)** area, Santander in Portugal has been developing global solutions in all branches (health, life, car, home, among others), through Aegon Santander and through partnerships with other insurance companies. In a pandemic context, exceptional measures were taken to offer free online medical services to all the Bank's customers through the SafeCare Saúde App, and to remove the exclusion of pandemics from health, life and income protection insurances. Also, in this context, a commercial offer campaign was launched with preferential conditions (offer of 3 monthly payments in the 1st annuity) during the second and third quarters.

There was also a strengthening of the partnership model to increase supply. Thus, the first product of JV Mapfre Santander (Multi-Risk Business Protection Insurance) was launched, and a partnership was created with Aon for customized services for large companies.

Finally, the evolution in the digital transformation of protection insurance also stood out, with increased availability of the offer to individual customers on digital channels, namely through the launch of the home protection insurance and SafeCare Saúde Viva Mais, at NetBanco Individuals.

In terms of **Savings**, due to its characteristics, 2020 was a year in which the savings of households and companies grew significantly (by more than €3 billion). Despite the instability of financial markets at the beginning of the pandemic, it is worth noting the diversification of off-balance sheet investments, mainly in mutual funds and retirement savings.

The **Payments** area focused on positioning Santander as the digital payments bank, through the launch of solutions that allow customers to pay for their purchases with any mobile device worldwide, in a simple, fast, secure way. The innovations began with the launch of the Santander Wallet on the Santander App, which, in addition to sending and receiving money via a mobile phone number, makes it possible to pay for shopping at the store via NFC (near field communication) technology or by capturing a QR Code.

Additionally, Santander customers were offered the possibility of digitizing their cards in the payment wallets of Apple, Garmin, Fitbit, and Online Trade. These innovations are based on tokenization technology and help increase the levels of transaction security. The number of Santander cards digitized on these electronic platforms has already reached more than 950,000.



With a view to improving its customer experience, and with the goal of not having to wait for one's plastic card to arrive home in order to start using it, the Bank made a digital card available immediately that allows the client to view the card details and pay with the Santander App.

The Bank continued investing in the development of immediate transfers, complementing its simple, flexible, package-based offer, through a connection to the *Target Instant Payment Settlement* (TIPS), which enables immediate transfers to adhering banks in countries within the SEPA area.

There was also a concern and focus in terms of point-of-sales terminals (POS), taking into account the challenges of the pandemic and the growth on online business. Therefore, Gateway Online was promoted for accepting cards, payment of services and MBway, and a simpler, quicker solution was installed at merchant facilities called "vTerminal", which, together with marketing through digital channels and a very competitive offer, resulted in an increase of the market share to 20%.

Finally, within the scope of PSD2, and of the opportunities generated by Open Banking, the Bank was focused on ensuring regulatory impositions and, in addition, allowed its customers to use Santander channels as aggregators of information from other banks. In other words, it is now possible to view the account statement or initiate payment of accounts from other banks directly from the Santander channels.

The **Daily Banking** area is responsible for managing the offer of all services provided by the Bank to its customers, and whose fundamental priority is to provide a simple, secure, accessible payment experience in any channel, promoting the simplification of the account and card portfolio, in order to make its offer simpler and more competitive.

The development of digital channels was one of the main priorities in 2020, in which the opening of a digital account with a digital mobile key stands out, and, for University students, by videoconference.

Still within the scope of digital transformation, the concept and area of **Digilosophy** was created, whose mission is to disseminate a strong digital culture in the daily lives of the Bank, People and Companies. All initiatives carried out within the context of digital transformation were crucial to reach more than 930 thousand digital customers and a global digital penetration rate (over active customers) of 55%. This percentage reflects a growth rate of digital customers of about 20% compared to the previous year. The number of users of the Santander App reached 604 thousand users (20% more than at the end of 2019).

Also noteworthy is the positive evolution in the number of customers of World 123 Private (clients with an account, card and protection insurance), which surpassed 300 thousand customers, of which more than 80% have Santander as their first bank. In 2020, the Bank returned benefits, in the form of cashback in the card account, to 77% of these customers for a total amount of €15 million.

In a context characterized by great uncertainties and strong constraints to the economy, with a strong impact on entrepreneurs and smaller businesses, the Bank – in addition to remaining committed to its objective of strengthening its presence in the **Business** segment – has been leading the way in supporting Portuguese companies. To this end, in addition to providing a wide range of innovative solutions, since the very beginning of its inception, it has joined the initiatives promoted by the Government (moratoria and credit facilities guaranteed by the State) to help companies face the short-term financial difficulties resulting from the strong slowdown in their activity caused by the COVID-19 pandemic.

In parallel, and in order to ensure greater autonomy for its customers in the use of certain banking products and services for the management of their day-to-day activity, be it through the online granting of loans – CrediSimples Business – be it through favouring the use of digital payment means, the Bank has strengthened



and deepened its omni-channel approach, complementing the service provided by the physical network with a major investment in digital channels, thus contributing to the increase of the customer's degree of satisfaction and strengthening their loyalty to Banco Santander.

As a result of this positioning of greater proximity and customer support by the Bank, the credit portfolio of the Business segment recorded an increase of 18.4% in 2020.

In the **Corporate and Institutional** area, Banco Santander in Portugal maintains a strong commitment to the Portuguese business fabric, providing its clients with a wide financial and non-financial offer, as well as a commercial network comprised of experienced professionals, always available to find the solutions that best suit the needs of their customers. Complementary, the availability of new products and services on digital channels by Santander, in addition to strengthening the digital customer base, has resulted in an increased number of more satisfied and, consequently, more loyal customers.

In the loan business, and in response to the profound impact of the pandemic on the economy and companies, Santander in Portugal, in conjunction with the State and the relevant public entities, has been at the forefront in supporting companies and institutions, optimizing processes and improving internal procedures to quickly put the agreed credit facilities at the disposal of its customers, thus contributing to freeing up liquidity quickly and in a timely manner for companies to be able to meet their immediate commitments, particularly before their employees and suppliers.

As regards the supply of credit products for companies, we would underscore the strengthening of the range of solutions of the Santander Agro offer with the launch of the Santander Funding with Guarantee – EIF AGRI Facility –, a solution to finance investment guaranteed by the European Investment Fund (EIF) for the agricultural and agro-industrial sectors, and the Agrofácil Tesouraria, a short-term financing facility.

With regard to Institutional Banking, Santander in Portugal maintains its commitment to the customers of this segment, both with regard to Public Entities with a strong presence in the Azores and Madeira Regions and in Municipalities, as well to Private Entities, with a special focus on Religious Institutions and on the Social Economy, which entities have played a fundamental role in supporting households of fewer resources during this pandemic period. Also, in this area, the Bank has played a very active role in the disclosure and placement of the Covid-19 Social Sector Support agreed credit facility, between the Social Security Financial Management Institute (IGFSS), the Portuguese Mutual Guarantee System (SPGM), the Mutual Guarantee Societies (SGMs), namely Garval, Lisgarante and Norgarante, and Santander, with an overall allocation of €165 million. In 2020, the turnover of the Institutional client segment grew by 2.6%, with special emphasis on Resources, with an increase of 10.8%.

Wealth Management and Insurance

Santander's Private Banking activity was particularly affected by the pandemic, with an initial impact of devaluations and redemptions of very significant risky assets. On the other hand, the firmness and dimension of the articulated policies followed by the main European Central Banks, brought to the markets the feeling that the instruments required for economic recovery would be available. Thus, after sharp initial declines, the markets embarked on a sustained (although volatile) recovery path, which remained until the end of the year. Despite a difficult and atypical year, most of the business indicators have shown a positive performance, namely the volume of assets managed, including funds and insurance, and growth in the number of customers.



All initiatives in progress to improve commercial efficiency were maintained, freeing up more time for advisory and monitoring activities for Private Banking customers, thus improving the excellent service that characterizes this segment. In recognition of its service excellence and customer service, Santander Portugal Private Banking was distinguished as the best Private Banking operating in Portugal, for the 10th consecutive year, according to Euromoney magazine, and a similar distinction for the 6th consecutive year by Global Finance magazine.

2020 was a very unusual year in terms of investment. Throughout the year, Santander Asset Management (SAM) actively sought to manage its mutual funds (FIM), with the aim of maximizing its participants' returns. The year ended with about 144 million net subscriptions, and around €2.558 million of assets under management, representing a market share of 17.5%, compared to 17.9% in the same period last year. The Bank continued to foster a service attitude, with an intensive plan of initiatives aimed at improving customer experience.

Real-estate investment funds totalled about €329 million in assets under management at the end of 2020.

In financial insurance, the focus remained on the active management of "Open Financial Insurance", which ended the year with 642 million assets under management, and the high number of maturities over the course of 2020, which amounted to 321 million. Retirement solutions continued to record a very significant focus on commercial activity, increasing €96 million in fund format (FPR's) and €47 million in secure format (PPR's) in 2020.

Corporate and Investment Banking

In the Corporate & Investment Banking area, in the face of an adverse scenario caused by the pandemic, the Bank had to reinforce its proximity with and commitment to its customers. The loan portfolio recorded an increase of 8.7% compared to 2019, and the revenues showed a 0.8% drop compared to the same period last year, mainly due to the negative impact of the economic downturn.

Santander's focus on digital channels, underscoring the digital currency contracting platform (via NetBanco Companies), provides an appropriate response to the needs of users in this context of social distancing.

It is also worth noting the recognition by *Euromoney* with the "Best Investment Bank Portugal 2020" award.

In the Global Debt Financing area, 2020 was marked by the following significant operations:

- Participation of Santander Totta, as Bookrunner, in the issue of a Hybrid Green Bond for EDP, with a 60-year maturity in the amount of €750 million;
- First green issue of a Residential Mortgage Backed Security in Portugal, in this case for the amount of €270 million for UCI;
- Financing the acquisition, by Morgan Stanley Infrastructure, of the Altice Portugal fibre network, in which Santander took part as Mandated Lead Arranger;
- Financing the purchase of six hydro plants with a total capacity of 1.7GW, from EDP by Engie, Mirova, and Credit Agricole Assurances;
- Financing the purchase, by Finerge, of several PV solar parks acquired from Glennmont Partners and Martifer, in Portugal and Spain;
- The refinancing of Iberwind, the third largest renewables group in Portugal, following its acquisition by JP Morgan Infra (Ventient).

During the period under review several significant financing transactions were also completed in a wide range of sectors, with emphasis on several financing and refinancing operations in the real-estate sector, including shopping centres and property development for student residences.

In the Corporate Finance area, we would underscore the successful completion of the following financial advisory operations:

- Advising Cellnex on the acquisition of Omtel from Morgan Stanley Infrastructure and Altice;
- Advising Sonae Sierra and APG on the sale of 50% of Sierra Prime to Allianz and Elo;
- Advising Glennmont Partners on the sale of a photovoltaic portfolio in Portugal to Finerge;
- Advising NOS on the sale of NOS Towering's portfolio of towers to Cellnex;
- Advising EDP on the sale of 2 CCGTs and on the B2C client business in Spain to Total;
- Advising Efanor and acting as Financial Intermediary in the public take-over bid launched on Sonae Capital.

As far as Treasury, despite the atypical and unpredictable context faced in 2020, constant and effective support was maintained in responding to all the needs faced by companies, namely by recording a significant increased activity.

The Treasury activity, both foreign exchange and interest rate, started the year with a year-on-year growth, but the state of emergency ordered in March required an adjustment of the customer follow-up model in order to ensure the same service quality and excellence, but with greater proximity and swifter response.

The first lockdown period, and the consequent reduction in activity, resulted in a decrease in the formalization of new financing, as well as in foreign exchange operations, amplified by the very strong contraction in the tourism sector. The subsequent reopening of the main commercial activities (with greater difficulty in some sectors of activity, namely, in the hospitality and tourism sectors) allowed a normalization of the Treasury operations with customers, with an increase in the number of foreign exchange operations and credit operations with interest rate risk coverage, with special relevance in the last quarter of 2020, with an increase in the number and volume of operations compared to the same quarter of the previous year.

In the foreign exchange area, 2020 meant a huge transformation in the supply of available contracting channels, with emphasis on the strong increase in the number of spot foreign exchange operations resulting from the growth in activity originated in the exchange contracting platform provided through the NetBanco Companies channel. This platform, complemented by a team permanently in the trading room, offered customers permanent access to all means of contracting foreign exchange transactions, even from their homes, ensuring an adequate response to their needs.

In terms of interest rate operations, the context of increasing uncertainty meant that a significant percentage of credit granted was formalized at a fixed rate.

The Corporate and Commercial Banking area ended the year with new records in terms of volume and contracted operations, in both the foreign exchange heading and in interest rate operations.

In the Cash Equities area, despite all the instability resulting from the pandemic context, the elections in the United States, and the conclusion of the agreement between the United Kingdom and the European Union regarding Brexit, the volumes traded in the stock markets in 2020 recorded an expressive growth compared to the previous year. After a third quarter that seemed to signal a return to "normality", the fourth quarter of the year recorded record volumes similar to those of the second quarter. Santander's business continued to show

better performance than the market, evidenced by its increased market share. According to the data released by the Portuguese Securities Market Regulator (CMVM), the volume of orders on shares received by FIs in Portugal recorded an increase of approximately 70.9% YoY, totalling about €18.612 million. In the same period, Santander grew by 124.9%, to €1.313 million, which represents a market share of 7.1% (5.4% in 2019).

In the online business (Internet Website), the market grew by 59% to €12.863 million, with Santander having contributed €1.148 million, a 135% increase over the same period of 2019 and a market share of 8.9% (6.0% in the same period last year).¹

Responsible Banking

Banco Santander is committed to society and to its mission of helping businesses and families prosper by changing peoples' lives and contributing to a greener future. In this sense, Santander has established 11 objectives that reflect its commitment to contribute to the UN Sustainable Development Goals, and to ensure that it develops its activity in a responsible manner.

In 2020, Santander invested about €7.7 million in community support projects, through sustainability actions and Santander Universities. With these investments the Bank has supported, both directly and indirectly, 365 Associations in projects related to education, protection of minors, healthcare, disability, social inclusion, and care for the elderly, which result in a direct impact upon 54,169 people in the local community.

The Bank also promotes financial education initiatives and supports people in underprivileged socio-economic situations. Since 2019, 233,075 people have received financial training.

2020 was strongly marked by the COVID-19 pandemic, and, in this context, Santander in Portugal took on its role as a responsible Bank with great intensity, namely by supporting healthcare professionals and institutions, NGOs and Private Social Solidarity Institutions (IPSSs) that support the most vulnerable sectors of society, and also Universities.

Since the beginning of the pandemic, the Bank's social responsibility budget has tripled in terms of donations to institutions that support the neediest. Santander in Portugal allocated about €1 million for research, acquisition of hospital supplies, and support to the most vulnerable sectors of society.

In 2020, as a result of the pandemic context, within the scope of Santander's support to Higher Education Institutions, which amounted to €5.5 million, about €2 million were allocated to joint initiatives to support university students and Portuguese families, in order to respond to the social, economic and public health needs arising from COVID-19. Since September, 800 social grants have been awarded – the "Santander Future Scholarships."

Also, within the scope of support to Higher Education, it should be noted that the Bank has protocols with 50 of the main Higher Education institutions in Portugal, and that the grants awarded by Santander Universities reached about 4,000 beneficiaries.

The Bank has played an important role in sustainable financing in Portugal. Over the past 5 years, it has provided financing worth over €510,000 in several operations with a positive impact on the environment and on society, such as in the production of energy through renewable sources, in waste treatment, in water supply and

1 - Source: CMVM, Monthly order reception indicators (December 2020)



treatment, in the circular economy, in health or in education. All of these operations have been carried out by using different financing structures, adapted to the needs of each project (Project Finance, Project Bonds, Bonds, and Real Estate Finance).

Also, in the mass market, the Bank already offers several ESG products (Environmental, Social, and Governance), namely Green Housing Credit, Renewable Energy Credit, a Decarbonization and Circular Economy Credit Facility, Auto Solutions with special conditions for electric and hybrid vehicles, the Santander Sustainable Fund, among several others.

Another of Santander's major concerns in Portugal has to do with reducing the environmental footprint of its activity. In this sense, it started the distribution of the first biodegradable bank cards, with the CarbonNeutral® quality seal – a certificate granted to companies that manage to offset the carbon emissions of a given product, until its environmental impact is reduced to zero – having reached the goal of acquiring 100% of the electricity consumed at the Bank from renewable sources in 2020.

External recognition

In 2020 Santander in Portugal was recognized for its financial performance, for its client service, for its ability to adapt to new market conditions, and also, at corporate level, for its response in the fight against the COVID-19 pandemic.

The distinction as "Best Bank in Portugal 2020", by the London magazine *Euromoney*, which highlights the development in digital transformation and the new working methods that the Bank has been implementing, as well as by the North American magazine *Global Finance* stand out as the most significant. Santander was recognized as the "Most Reputed Bank Brand 2021 in Portugal", within the scope of the *Global RepScore Pulse 2020* ranking, prepared by the *On Strategy* consultant, which recognised the brands that stood out in 2020 within a pandemic scenario, based on attributes such as notoriety, admiration, relevance, trust, preference, and recommendation.

In the Company support area, it is worth highlighting the distinction as the "Best Investment Bank in Portugal 2020", awarded by the *Euromoney* magazine, pointing out that "business advisory and capital markets activity" meant that, despite the competition by other international banks, "the country's best Investment Bank came to the fore." In the Trade Finance area, Santander received the "Best Trade Finance Bank" award in Portugal, winning in the "Market Leader" and "Best Service" categories.

In Private Banking, the Bank had already been recognized as "Best Private Banking Services Overall in Portugal in 2020", by *Euromoney* and "Best Private Bank in Portugal 2020", by *Global Finance*.

In customer service, the Santander Contact Centre in Portugal was considered the best in the sector, within the scope of the Best Awards 2020, promoted by the *Portuguese Contact Centre Association* (APCC). It is worth highlighting the service provided by the Service Centre to Companies (with the gold distinction) and by the SuperLinha (with the bronze distinction). These awards aim to distinguish organizations that stood out for the implementation and adoption of good organizational practices within the Contact Centres activity in Portugal, both in terms of strategic, operational and technological management, and in terms of human capital, contributing to enhance the recognition and value of the sector.

As an employer, the Bank was also considered the "Best Bank to Work For in Portugal" for the fourth consecutive year and, simultaneously, in the Top 3 of the best large companies" (with over 1,000 employees) to work for in the country by the *Great Place to Work Institute*. As a Family Responsible Company (EFR), its certification for



"Level of Excellence - grade A" was renewed, a certification granted by the *MásFamilia* Foundation and by ACEGE. The assessment took into account a set of indicators: employment quality, working hours and spatial flexibility, inclusion and balance between work and family life, family support, personal and professional development, and equal opportunities.

At world level, for the second consecutive year, Banco Santander is included in the world's list of the 25 companies considered as a "Great Place to Work," according to the "World's Best Workplaces 2020." The Bank was selected from among more than 10,000 companies from 92 countries, for providing an exceptional experience to its employees, with relationships of maximum trust, and fair and equal working environments for all.

As part of the response to the pandemic crisis caused by COVID-19, the Santander Group was recognized with the "Excellence in Leadership in Western Europe" award, by the London magazine *Euromoney*. Also, at corporate level, Banco Santander was voted the "World's Best Bank in Diversity and Inclusion," and the "World's Best Bank for SMEs", in the 2020 edition of the "Excellence in Leadership" awards by the *Euromoney* magazine. It is the third time, in five years, that Santander is distinguished for the services provided to SMEs, and the first time it has been awarded in the Diversity and Inclusion category.

Santander Totta, SGPS

Balance Sheet (million euros)	Dec-20	Dec-19	Var.
Cash, cash balances at central banks and other demand deposits	4,544	3,500	+29.8%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	12,554	10,761	+16.7%
Financial assets at amortised cost	39,833	40,077	-0.6%
Investments in subsidiaries, joint ventures and associates	131	112	+16.8%
Tangible assets	602	629	-4.3%
Intangible assets	39	33	+18.1%
Tax assets	394	605	-34.9%
Non-current assets held for sale	51	44	+16.8%
Other assets	238	321	-25.9%
Total Assets	58,387	56,083	+4.1%
Financial liabilities held for trading	921	1,097	-16.1%
Other financial liabilities mandatory at fair value through profit or loss	3,261	3,432	-5.0%
Financial liabilities at amortised cost	47,053	45,017	+4.5%
Resources from Central Banks and Credit Institutions	8,279	6,170	+34.2%
Customer deposits	36,001	35,182	+2.3%
Debt securities issued	2,561	3,431	-25.4%
Of which: subordinated debt	8	8	+0.0%
Other financial liabilities	212	233	-8.9%
Provisions	257	234	+9.9%
Technical provisions	711	730	-2.7%
Tax liabilities	391	394	-0.7%
Other liabilities	1,072	915	+17.2%
Total Liabilities	53,666	51,819	+3.6%
Share capital attributable to ST SGPS shareholders	4,719	4,262	+10.7%
Non controlling interests	2	2	+13.0%
Total Shareholders' Equity	4,720	4,264	+10.7%
Total Shareholders' Equity and Total Liabilities	58,387	56,083	+4.1%

Income Statement* (million euros)	Dec-20	Dec-19	Var.
Net interest income (without dividends)	786.6	855.7	-8.1%
Dividends from equity instruments	1.7	1.8	-3.1%
Net interest income	788.4	857.5	-8.1%
Results from Associates	14.6	10.8	+34.7%
Net commissions	373.2	380.5	-1.9%
Other banking income	9.6	11.4	-15.7%
Insurance activity	17.2	21.7	-20.5%
Gain/loss on financial transactions	114.7	95.2	+20.5%
Operating income	1,317.7	1,377.1	-4.3%
Total operating expenses	(577.2)	(604.4)	-4.5%
Personnel expenses	(324.4)	(346.0)	-6.2%
General expenses	(200.4)	(208.8)	-4.0%
Depreciation	(52.4)	(49.6)	+5.6%
Net operating income	740.5	772.7	-4.2%
Impairment of financial assets at amortised cost	(187.6)	7.0	-
Net provisions and other results	(147.8)	(39.9)	>200%
Income before taxes and MI	405.0	739.8	-45.3%
Taxes	(109.3)	(212.3)	-48.5%
Minority interests	(0.1)	(0.2)	-49.7%
Consolidated net income	295.6	527.3	-43.9%

(*) Not audited

Note: in line with Finrep 2.9, the contributions to Resolution Funds and Deposit Insurance Schemes have been reclassified from "Other banking income" to "Net provisions and other results", and so, for comparability, the 2019 values have been restated accordingly.

Santander Totta, SGPS

In accordance with the definition contained in instructions 16/2004 of the Bank of Portugal with the changes in instruction 6/2018

Ratios	Dec-20	Dec-19	Var.
Profitability			
Income before taxes and MI/Average net assets	0.7%	1.3%	-0.6 p.p.
Operating income/Average net assets	2.3%	2.4%	-0.1 p.p.
Income before taxes and MI/Average equity	9.0%	17.1%	-8.1 p.p.
Efficiency			
Total operating expenses/Operating income	43.8%	43.9%	-0.1 p.p.
Personnel expenses/Operating income	24.6%	25.1%	-0.5 p.p.
Transformation			
Credit (net)/Deposits	116.1%	111.3%	+4.8 p.p.