

RESULTS JANUARY – SEPTEMBER 2020

## **Santander in Portugal returns net income of €254.5 million (-35% YoY)**

*"The results for the first nine months of the year fell as a result of the impact of Covid-19 pandemic on our business, although we sense an improvement when comparing the third quarter with the previous one. Emphasis is given to the evolution of deposits, of loans and of the customer base, all of which performed well.*

*In digital transformation, we would underscore the growth of digital payments functionalities which accelerated this entire process. Changing customer behaviour, requiring an increasingly more effective and efficient digital relationship that provides a better service, has been materialized in the 17% growth of the digital customers universe to 903,000 and of sales via the digital channels, which now account for 40% of the total.*

*Despite the pandemic that continues to affect the normal functioning of the economy, the liquidity and solvency indicators remained robust. We also have the sector's best ratings and were, once again, distinguished by various national and international entities for our financial performance, customer service and brand reputation.*

*We keep firm our mission to contribute to the progress of households and businesses in Portugal. Proof of this is the fact that we supported through moratoriums close to 90,000 customers, involving an amount of €9 billion, and have increased our social responsibility budget to €3 million to support those most in need.*

*In these uncertain times, we are strongly committed to the protection of our teams, providing them with all the conditions to continue to best serve all who come into contact with us and thus continue to unequivocally warrant the trust that our customers have in our Bank."*

*Pedro Castro e Almeida, Chief Executive Officer of Banco Santander Portugal*

Lisbon, November 4, 2020 - PRESS RELEASE

### **Highlights**

- At the end of the first nine months of 2020 the **net income** of Santander Totta, SGPS, amounted to **€254.5 million**.
- Within the context of the current pandemic the Bank's priority continues to be to strengthen its support for households, businesses, companies and society in general, providing, inter alia, moratoria on loans to individuals and businesses, complementing the State's moratorium, in order to permit the reduction of the charges on these loans for our customers. By the end of September the moratoria, legal and private, had covered more than 88,000 customers, corresponding to an amount of loans greater than **€9.0 billion (about 21% of the total portfolio)**. Within the scope of the **credit lines 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 **€1.4 billion**.

- Total **Loans and advances to customers**<sup>1</sup> amounted to **€42.5 billion**, an increase of 5.4% YoY and 6.4% compared to the end of last year.
- The **market shares of new loans to companies and mortgage loans** amounted to **17.4% and 25.0%** respectively, up to the end of August.
- Customer resources amounted to €43.3 billion, a YoY growth of 2.4% compared to the same period last year, an evolution underpinned by the **3.9% increase of deposits**.
- The number of **digital customers registered** an annual growth of **16.8%**, to 903,000, while the number of **main bank customers grew by 3.2%**, to stand at 800,000.
- In the 3rd quarter of 2020, the number of **Santander cards digitalised at the Apple, Garmin, Fitbit and Online Shops electronic platforms** amounted to **350,000** and, at transactional level, there was an average monthly increase of 156%.
- The **cost-to-income ratio stood at 44.6%** compared to 44.5% the previous year.
- The **CET 1 ratio stood at 20.3%** (fully implemented), an increase of 3.61 pp compared to September 2019.
- Banco Santander was elected as the "**World's Best Bank in Diversity and Inclusion**" by the *Euromoney* magazine, in the edition 2020 of the "*Excellence in Leadership*" awards. The magazine highlighted the Bank's ambitious objectives in this field and the merit in implementing them worldwide. In the same issue, Santander was also distinguished as the "**World's Best Bank for SMEs**".
- Recently, Banco Santander was voted one of **25 best places to work in the world**, in accordance with the *World's Best Workplaces 2020*.
- Since the beginning of the COVID-19 crisis, Santander Portugal tripled its **social responsibility budget**, in respect of donations to institutions, **having provided more than €3 million to help in the fight against the disease**, in particular for research, purchase of hospital equipment and support for the most vulnerable sectors of society and Higher Education Institutions projects.
- Santander in Portugal has the **sector's best ratings**. The Bank's current long-term debt rating notations in comparison with the levels of the Portuguese Republic are as follows: Fitch – BBB+ (Portugal – BBB); Moody's – Baa3 (Portugal – Baa3); S&P – BBB (Portugal – BBB); and DBRS – A (Portugal – BBB high).

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<sup>1</sup>Total loans to customers (gross)

## Key Indicators

<b>Balance Sheet and Income Statement</b> (million euros)	<b>Sep-20</b>	<b>Sep-19</b>	<b>Var.</b>
Net assets	59,322	56,895	+4.3%
Total Gross Loans <sup>(1)</sup>	42,542	40,357	+5.4%
Resources	43,291	42,284	+2.4%
Net interest income (without dividends)	591.9	642.7	-7.9%
Net commissions	274.4	286.5	-4.2%
Operating income	964.1	1,020.5	-5.5%
Total operating expenses	(429.8)	(453.7)	-5.3%
Net operating income	534.4	566.9	-5.7%
Income before taxes and MI	349.0	550.5	-36.6%
Consolidated net income	254.5	390.6	-34.8%

<b>RATIOS</b> (million euros)	<b>Sep-20</b>	<b>Sep-19</b>	<b>Var.</b>
ROE	8.0%	12.5%	-4.5 p.p.
Efficiency ratio (incl. depreciation)	44.6%	44.5%	+0.1 p.p.
CET 1 ratio fully implemented	20.3%	16.7%	+3.6 p.p.
Non-Performing Exposure ratio <sup>(1)</sup>	2.8%	3.2%	-0.5 p.p.
Non-Performing Exposure coverage ratio	64.5%	52.0%	+12.5 p.p.
Cost of Credit	0.38%	-0.04%	+0.42 p.p.

<b>OTHER DATA</b> (million euros)	<b>Sep-20</b>	<b>Sep-19</b>	<b>Var.</b>
Number of employees in Portugal	6,077	6,271	-194
Total Branches and Corporate Centers in Portugal	465	511	-46

<b>RATING</b> (long term debt)	
FitchRatings	BBB+
Moody's	Baa3
Standard & Poor's	BBB
DBRS	A

<sup>(1)</sup> Total loans to customers (gross)

<sup>(2)</sup> According to EBA criteria

<sup>(3)</sup> 12 month average

## **Business Framework**

The pandemic continues to affect the normal functioning of the world economy, the result of restrictions on the free movement of people and goods, in order to mitigate the transmission of the virus and, consequently, to halt the increase of loss of human lives. The best prospects for the emergence of a vaccine or effective treatment suggest the second half of 2021, although the levels of uncertainty remain very high.

The virus propagation speed has proved to be inversely related to the effectiveness of public health measures implemented and the ability of the political power to plan and communicate the pandemic combat strategy.

In Portugal, during the first wave of the outbreak, the government was forced to implement the State of National Emergency in order to curb the spread of the virus, using the extreme measure of lockdown of the economy, with people forced to remain at home during almost two months.

During the lockdown period the economy almost stopped, the gross domestic product having fallen by an historic high of 17% (variation between 4Q2019 and 2Q2020), causing it to retreat to 1999 levels. During this period private consumption fell by 16%, public consumption by 4.3%, investment declined by 7.6% and exports by a significant 41%.

The extraordinary context required the State to implement measures to support the economy, with emphasis on:

- The simplified layoff, with the State bearing part of the costs of the workers, enabling companies to maintain jobs;
- The public moratorium on loans to households and businesses, up to the end of September 2021, supplemented by private moratoria; and
- The credit lines with State Guarantee for companies, with a maximum amount of €13 billion.

Between June and September, the Portuguese economy was characterized by a progressively less intense downturn of economic activity, in YoY terms, although the pace of recovery proved to be slower in September than in the preceding months. The consumer confidence indicator declined in September, though the economic climate maintained a trend of recovery. In terms of the Construction and Services sectors, the activity indicators were less negative, while Retail and Manufacturing Industry activity fell once again.

The total amount of national withdrawals, payment of services and purchases using the POS network terminals moderated the pace of decline to just 4.5% YoY in September. Sales of motor vehicles have undergone a QoQ recovery, though insufficient to reverse the YoY decline.

Monthly estimates of the Employment Survey suggest a continuation of the rise in the unemployment rate to 8.1% in August (+0.2pp compared to July). The work under-utilization rate stood at 15.3% in August (-0.3pp compared to July), the result of the decrease of the inactive population available to work but do not seek employment, which more than offset the increase of the unemployed population. The growth of employed population was weak in monthly terms, maintaining the downward trend in the number of jobs YoY (-3.0% in compared to -3.1% in July).

As regards the third quarter of 2020, the expectation is one of recovery at a very gradual pace, with the economy being able to return a chain growth of around 4% to 5%, which should also result in a YoY contraction of around 13% and, therefore, only very partially reversing the decline of the preceding quarters. The main drivers of growth stem from the recovery of private consumption and exports, while investment is expected to have fallen.

Given the economic, social and health circumstances, extremely difficult at European level, an economic recovery plan has been drawn up with a budget of €750 billion, with a grant component to the States of €390 billion (lower than the initial proposal of €500 billion). Additionally, the Multi-annual Financial Framework for the 2021-27 period was approved, which amounts to €1,074 billion.

Of this financial package, Portugal is set to receive an amount greater than €15 billion in grants and the possibility of obtaining another €15 billion in loans. Together with the new multi-annual budget framework and the remaining funds of the PT2020, Portugal is set to receive almost €58 billion of EU funds for use over the coming decade.

The magnitude of the pandemic crisis required the ECB to pursue an accommodative monetary policy, with negative interest rates, a strengthening of the guidelines on the maintenance of the interest rate level (forward guidance), an increase of asset purchases (of the amount and duration of the programme) and ample 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 €1.350 billion. The purchases under the PEPP will take place as deemed necessary and at least until June 2021. Additionally, given the tightening of the financing conditions for companies, the ECB came to be able to buy commercial paper with a maturity of between 1 and 6 months, thus supporting an important market segment by ensuring the short-term financing needs of companies.

Consequently, public debt yields in the euro area have come to decline, with the yield of Portuguese 10-year public debt falling to 0.186% (as of October 22, 2020) with the spread against German sovereign debt standing at 77pb. The risk notation of the Republic assigned by the S&P, Fitch and Moody's agencies is BBB (stable), BBB (stable) and Baa3 (positive). The DBRS agency maintains the BBB-high (stable) rating.

## Results

At the end of September 2020, Santander Totta, SGPS (referred to as "Bank" or "Santander in Portugal" in this press release) returned a net income of €254.5 million, a year-on-year reduction of 34.8%.

Operating income amounted to €964.1 million, down 5.5% YoY, and operating costs, amounting to €429.8 million, fell by 5.3% YoY. The combined evolution of revenues and costs resulted in a 5.7% decrease of operating income and an increase in the cost-to-income ratio of 0.1pp, to 44.6%.

Net interest income stood at €591.9 million, a YoY reduction of 7.9%, essentially reflecting the decline of the spreads on loans, in a context of still high competition, as well as the fall of short-term interest rates, the decrease of demand for loans by companies outside the scope of the lines with State guarantee, and the management of the public debt portfolio.

Net commissions and fees, which stood at €274.4 million, decreased 4.2% compared to the same period last year, now fully reflecting the effects of the pandemic on the business. Comparing the last two quarters, we would underscore the 5.4% increase of commissions, mainly based on the evolution of the payment-means commissions that accompany the recovery of private consumption in the third quarter.

The other results of the banking business amounted to -€27.7 million, largely reflecting the contributions to the Single and National Resolution Funds, the charge of which increased year-on-year. The results of the insurance business, in the sum of €11.7 million, were down 36.9% due to the assignment of a portfolio of the

former Eurovida to Aegon Santander Seguros. The results of financial operations amounted to €103.0 million, up 16.6% year on year.

Operating costs decreased by 5.3% compared to the amount achieved in September 2019, reflecting declines of 7.3% of staff costs and 4.7% of overheads. Depreciation, in turn, grew by 6.3% YoY.

The net impairment of financial assets at amortized cost amounted to €146.5 million, reflecting the incorporation of the forward-looking component of the more adverse macroeconomic scenario, also highlighted in the various economic projections made by national and international institutions. This reflects a preventive reinforcement, to the extent that loan quality remains solid, reflected in an NPE ratio of 2.8%.

Profit before taxes and minority interests amounted to €34.0 million, a YoY reduction of 36.6%.

### Balance Sheet and Business

At the end of September 2020, the loan portfolio totalled €42.5 billion, with growths of 5.4% YoY and 6.4% in relation to December 2019, reflecting not only the application of moratoria on loans to households and businesses but also the high production of credit lines to support the economy in the context of the health crisis we are experiencing.

Mortgage loans amounted to €20.4 billion, an increase of 4.3% over the same period last year, and consumer credit amounted to €1.7 billion, a growth of 1.8% compared to September 2019.

Corporate loans stood at €16.5 billion at the end of September 2020, an increase of 5.1% YoY and 7.8% compared to December of the preceding year.

<b>Credit <sup>(1)</sup> (million euros)</b>	<b>Sep-20</b>	<b>Sep-19</b>	<b>Var.</b>
<b>Credit to Individuals</b>	<b>22,522</b>	<b>21,649</b>	<b>+4.0%</b>
<i>from which</i>			
Mortgage	20,401	19,550	+4.3%
Consumer credit	1,689	1,659	+1.8%
<b>Credit to Companies</b>	<b>16,543</b>	<b>15,736</b>	<b>+5.1%</b>

<sup>(1)</sup> Credit at amortised cost

The Non-Performing Exposure (NPE) ratio, calculated in accordance with the EBA criterion, stood at 2.8% in September 2020, a YoY decrease of 0.5pp, the respective coverage standing at 64.5%.

Customer funds amounted to €43.3 billion, a YoY growth of 2.4%, reflecting the positive contribution of deposits (up 3.9% to €36.3 billion). Over the same period, investment funds marketed and insurance and other resources decreased by 4.4% and 5.3%, respectively.

<b>Resources</b> (million euros)	<b>Sep-20</b>	<b>Sep-19</b>	<b>Var.</b>
<b>Customers' Resources</b>	<b>43,291</b>	<b>42,284</b>	<b>+2.4%</b>
<b>On-balance sheet resources</b>	<b>36,301</b>	<b>34,932</b>	<b>+3.9%</b>
Deposits	36,301	34,932	+3.9%
<b>Off-balance sheet resources</b>	<b>6,990</b>	<b>7,352</b>	<b>-4.9%</b>
Investment funds managed or marketed by the Bank	2,982	3,119	-4.4%
Insurance and other resources	4,008	4,233	-5.3%

## Liquidity and Solvency

Santander in Portugal continues its policy to maximise the liquidity reserve available to cope with adverse liquidity events. At the end of September, exposure to the Eurosystem stood at €1.9 billion and the liquidity reserve at around €14.4 billion.

The funding obtained from the European Central Bank in the amount of €6.8 billion, was fully based on long-term operations through the new funding programme promoted by the ECB (TLTRO III).

Regarding short-term financing, the policy was maintained of diversification of sources and terms, as well as diversification of collateral allocated in operations with repurchase agreements obtained from financial institutions.

In terms of long-term funding, besides the €6.8 billion by the ECB, Santander in Portugal closed the third quarter of 2020 with about €0.63 billion of securitisations, €0.3 billion of loans provided by the European Investment Bank with a view financing structural projects of the Portuguese economy, and also €2.75 billion 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 (CET 1) ratio, calculated in accordance with the CRR/CDR IV rules, stood at 20.3% (fully implemented) and at 21.3% (phased-in) in September 2020, reflecting the capacity for organic generation of capital, 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).

<b>Capital (fully implemented)</b> (million euros)	<b>Sep-20</b>	<b>Sep-19</b>
Common Equity Tier 1	3,525	3,137
Tier 1	4,125	3,737
Total Capital	4,194	3,801
<b>Risk Weighted Assets (RWA)</b>	<b>17,350</b>	<b>18,779</b>
<b>CET 1 ratio</b>	<b>20.3%</b>	<b>16.7%</b>
Tier 1 ratio	23.8%	19.9%
Total Capital Ratio	24.2%	20.2%

## Commercial Banking

### Individuals and Businesses

During the first nine months of 2020 and in the current context of a pandemic, the Bank quickly redefined its priorities, in an agile manner, increasing its support to households, businesses and companies and society in general.

The Bank provided a moratorium on mortgage loans and personal loans (as part of the private moratoria agreed at the level of the APB (Portuguese Banks Association)), complementing the State's moratorium (in accordance with Decree-Law 10-J/2020 of March 26), in order to allow the reduction of the charges on these loans for customers that, as a result of the adverse effects of the pandemic, experienced a decrease of their income.

Digital transformation is a fundamental axis of the Bank's strategic development. The current context clearly shows the importance of digital transformation for the day-to-day lives of our customers. Because of its importance, the Bank launched DIGILOSOFIA, Santander's digital philosophy, accompanied by an advertising campaign directed at the importance of the digital channels and the role they play in the comfort of the customers' relationship with the Bank.

The number of digital customers, users of Santander App and/or NetBanco, increased by 128,000 during the first nine months, to 903,000, an increase of 16%. As a result of the context and of the solutions and measures that the Bank has developed, there continues to be a trend of more transactions via the digital channels (578,000 digital transactional customers), with greater emphasis on payments via the Santander App.

In September, immediate transfers grew by 74% over the same period last year. Santander is the only bank to offer the subscription of immediate-transfer packages that allow customers to enjoy this service at little cost. In October, the service also came to be available for banks of countries in the SEPA area.

Also to be highlighted is the positive evolution of the Mundo 123 customers (customers having an account, a card and insurance protection), in which there are now more than 293,200 customers, reflecting a growth of 19,600 since the start of the year. **Mundo 123** is a multiproduct solution directed at individual customers that, in addition to the advantages of the 123 account, can provide an additional set of benefits, via cash-back, in the Mundo 123 card account.

Also with regard to the activity in the Business area, Banco Santander in Portugal continues to be strongly committed to strengthening the relationship with this segment of activity, providing its customers with a differentiated offer of high added value, focusing on proximity in our relationship with and knowledge of our customers and their needs. Since the beginning of the pandemic, the Bank has taken a number of measures to mitigate its effects on customers, in addition to the moratorium and the credit lines with State guarantee, overhauling the service and contact with the customer and simplifying processes. This set of extraordinary and temporary measures for businesses involves suspension of collection of the monthly POS charge, exemption from application of the minimum charge on transactions, exemption from collection of the fixed charge per operation on the POS packages (where applicable) and exemption from the collection of the trader's service charge on MB WAY transactions carried out via the POS.

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 grant of loans – CrediSimple 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 customers' degree of satisfaction and strengthening their loyalty to Banco Santander.

At the end of September, the turnover of the Business segment recorded a growth of 17% over the close of the previous year.

Risk insurance business continued to streamline its customer protection activity, extending the commercial offer campaign with preferential conditions (offer of 3 monthly instalments in the 1st year), continuing to evolve in the digital transformation of protection insurance, an example of which is the launch, at NetBanco, the SafeCare Health Viva Mais insurance. The exceptional measures taken within the scope of COVID-19 were maintained, which came to offer free-of-charge online medical services through the SafeCare Health App and eliminated the pandemic exclusion in health insurance, life insurance and salary protection plan.

### **Companies and Institutionals**

Banco Santander has a strong commitment to the Portuguese business fabric, providing its customers with a broad financial and non-financial offer as well as a commercial network of experienced professionals, always ready, in partnership with the customers, to find solutions best suited to their needs.

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 Privileged Credit Lines 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 for their employees and suppliers.

In the first nine months of the year, Santander was quite active in financing Portuguese companies, and its loan portfolio increased by 7.8%.

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 Financiamento com Garantia – EIF AGRI Line, a solution to finance investment guaranteed by the European Investment Fund (EIF) for the agricultural and agro-industrial sectors, and the Tesouraria Agrofácil, a short-term financing solution.

Also mentioned is the Bank's participation in Agroglobal, the largest professional agricultural event in our country, which was attended by Pedro Castro e Almeida, at the "Portugal in the future, a strategic vision for Agriculture, Food and Territory" Summit, held on September 11, at which the "2020 Santander Notable Agro Awards" were delivered. As regards international business, the Bank continued to support over 34,000 Portuguese companies, with the specialist Trade Finance teams increasing their proximity to companies, seeking to support customers in all the difficulties caused by the pandemic.

Emphasis is given to the support in the foreign-trade processes operative, involving different countries and international operators, at which joint and co-ordinated work had to be undertaken to be able to finalize import and export operations successfully.

In the 3rd quarter of 2020, there was an increase of the market share in most Trade Finance operations, a clear sign of the customers' trust in the Bank's professional structure and of the image of solidity and credibility of Santander Portugal in the international markets.

Attention is also drawn to the enlargement of the membership by Portuguese companies of the Trade Club Alliance, a global digital support platform for international trade between customers of 14 major international banks present in 60 countries, covering 65% of the leading international trade corridors. More than 1,050 Portuguese companies are present on the platform, which has come to be one of the distribution channels of their products in the international markets.

With regard to Institutional Banking, the Bank 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 with the Municipalities, as well to Private Entities, with a special focus on Religious Institutions and on the Social Economy, institutions, which have played a fundamental role in supporting households of fewer resources during this pandemic period.

Also in this area, Banco Santander is playing a very active role in the disclosure and placement of the Covid-19 Social Sector Support credit line with State Guarantee, between the Social Security Financial Management Institute (IGFSS), the SPGM, the SGMs (Garval, Lisgarante and Norgarante) and Santander. It is a guaranteed line, with a total budget of €165 million, and it remains in force until December 31, 2020.

At the end of September, turnover in the institutional customer segment showed a very positive trend (up 15%), with special emphasis on resources, with a growth of 26% since the beginning of the year.

### **Wealth Management**

After an auspicious start, 2020 has been seen to be a year of enormous challenges. For the Wealth Management / Private Banking areas, the uncertainties arising from the pandemic caused by the SARS-COV-2 virus initially had a major impact on assets under management.

The sharp devaluation of the markets, at first, had an impact on the Funds and Insurance headings, in the order of €230 million, of which €175 million directly associated with the behaviour of the markets. After this initial impact, although in an environment of uncertainty, this heading began a sustained recovery, Funds and Insurance production in the third quarter having recouped almost all the losses suffered in March and April (-1%), with a 3.4% YoY growth.

The third quarter of 2020 was marked by the progressive reopening of the world's major economies, with a favourable impact on the financial markets. Over the period there was a gradual stabilization of investment products brokerage business, with net subscriptions of around €29 million.

In this context, Santander Asset Management (SAM) sought to manage its mutual funds actively, with the goal of maximizing the gains of their participants following the impacts arising from Covid-19. The quarter closed with a market share of 18.0%, compared to 17.9% in the same period last year.

Real-estate investment funds totalled about €418 million at the end of September.

In the Financial Insurance area the focus was maintained on active management of the open financial insurance and of the maturities, which amounted to €90 million. We would underscore the launch of the July 2020 Financial Income Insurance, which attracted about €31 million.

Retirement solutions continued to play a very important role in the commercial activity, with an increase of €44 million in fund format (FPR's) and €24 million in insurance format (PPR's) as from the beginning of the year.

## Corporate and Investment Banking

In the Corporate & Investment Banking area, faced with the adverse scenario caused by the pandemic, it was necessary to strengthen the proximity with and commitment to the customers and to find new solutions enabling support for the customers in their business.

As from the beginning of the year, the loan portfolio increased by 7%, underlining the support to the economy and to our customers. Compared to the same period last year, revenues fell by 8%, primarily due to the negative impact of the downturn of economic activity in the last two quarters.

We would underscore the strengthening of financial advisory operations, with emphasis on (1) advising, on an exclusive basis, Glenmont Partners in the sale to Finerge of four solar parks in Portugal, the largest transaction of solar assets to take place in Portugal, (2) advising Cellnex in the acquisition of OMTEL, and (3) advising EDP in the sale of two CCGTs of the B2C customers deal in Spain to Total.

Santander's focus on the 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.

In the Global Debt Financing area, the main transactions in the first nine months of 2020 were as follows:

- Santander's Participation, as Bookrunner, in the issue of a Hybrid Green Bond for EDP, with a maturity of 60 years in the amount of €750 million;
- First green issue of a Residential Mortgage Backed Security in Portugal, in the amount of €270 million for UCI;
- Financing the acquisition by Morgan Stanley Infra 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.

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 Treasury, after an initial phase in which it had to respond to the immediate challenge of defining new ways to support the Bank's customers despite the decreed confinement, with the return to the "new normal" the Corporate and Commercial Banking area faced the important challenge of addressing the urgent issues with which the customers were faced a very adverse environment. With the end of the State of Emergency, there was a slight recovery of economic activity, reflected immediately in transactions in foreign currency, trading volumes returning to a level closer to those seen in the first three months of the year.

In the matter of interest-rate risk management, the strong growth in the volume of fixed -rate loans formalized until April underwent a marked slowdown in May, June and during the summer. In this area the impact was visible of the moratoria applied to the loans, which resulted in fewer new loans granted.

In the FX area, 2020 is the year of transformation of available contracting channels. The Bank's focus on digital transformation – Digilosofia Santander – is reflected in the sharp increase in spot foreign exchange transactions due to the growth of business originated on the foreign-exchange contracting platform available in the NetBanco Companies channel.

Volumes traded on the equity markets, which continue to record significant growth over the previous year, signalled a return to 'normality' in the third quarter, thereby benefiting the Cash Equities business. Santander's business continued to outperform the market, seen in the increase of its market share. According to data

released by the CMVM, the volume of orders on shares received by financial institutions in Portugal grew by approximately 70% year on year, totalling about €13,726 million (up until September 30). In the same period, Santander grew 119.6% to €983 million, representing a market share of 7.2% (5.6% in the same period of 2019).

In the online business (Internet Site), the market grew by 61% to €9,620 million, Santander having contributed with €853 million, a 129% increase over the same period of 2019 and a share of 8.9% in first five months of the year (6.2% in the same period last year)<sup>1</sup>.

## Responsible Banking

The year under review has been strongly marked by the pandemic and, in this context, Santander in Portugal assumed its role as responsible Bank before the health professionals and institutions, the NGOs and the IPSS (private social solidarity institutions) that support the most vulnerable sectors of society, and also the Universities, to confront the impacts of the pandemic.

With its investment in community support projects, the Bank directly and indirectly supported more than 120 IPSS in projects related to education, protection of minors, health, disability, social inclusion and care for the elderly, with a direct impact on 37,000 people in the local community.

Attention is drawn to the financial culture and financial literacy initiatives and support for people in poor socio-economic situations. Since 2019, 157,613 people were financially enabled.

Santander, through its current business and its community-support programmes, contributes to meeting the Sustainable Development Goals established by the United Nations as priorities and aspirations in global sustainable development for 2030.

Key highlights in the third quarter of 2020:

- Since the beginning of the pandemic, Santander Portugal has tripled its social responsibility budget, in the matter of donations to institutions, having provided more than €3 million to help in the fight against COVID-19, with particular emphasis on research, purchase of hospital equipment, support for the most vulnerable sectors of society and Higher Education Institutions projects.
- Under Santander's patronage of the Champions League, Santander in Portugal drew up the "Solidarity Shot" initiative, in which the funds raised were donated to Academia Johnson, a non-governmental organization that aims to promote human development and well-being by personalized monitoring of children and youths of fragile family and social backgrounds and their families.
- In order to help customers in making more conscious and informed decisions on their finances, Santander created a page with several financial literacy contents that bring together articles from different countries on this subject. In Portugal, the Bank created a financial-literacy blog with information on savings and investment.
- For the second consecutive year, the Santander Group is included in the world's list of the 25 companies considered Great Place to Work, according to the "World's Best Workplaces 2020". The Group was selected from more than 10,000 companies of 92 countries, for providing an exceptional experience to its

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<sup>1</sup> Source: CMVM, Monthly order reception indicators, September 2020

employees, with relations of maximum trust and fair working environments equal for all. In Portugal, Santander was awarded the level of Excellence as a Responsible Family Company – efr – a certification granted by the MásFamilia Foundation and ACEGE.

- Santander, through Santander Universities and in collaboration with the London School of Economics, launched the first online edition of the Santander Women Emerging Leaders Scholarships. They are 125 scholarships that provide a unique opportunity for contact with a diverse community of women from around the world, through a programme centred on developing negotiation skills as part of their path to leadership.
- The Bank was also one of the founding partners of the 42 Lisboa Academy, considered the world's best programming school. This innovative and inclusive institution is entirely free for students, and it is funded by patrons.
- Santander Universities Portugal also launched 850 social scholarships – Santander Future Scholarships – to support university students affected by the Coronavirus crisis.
- Also delivered was the Santander NOVA Collaborative Research Prize, in the amount of €15,000, which distinguishes projects developed by NOVA junior researchers and involving at least two of the University's organic units. The winners of this edition were projects related to rehabilitation of post-Covid-19 patients and Artificial Intelligence.

### External recognition

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

We would also highlight the distinctions as "Best Bank in Portugal 2020", by the London *Euromoney* magazine, reflecting the development in digital transformation and the new work methods that the Bank has been implementing. The Bank was also elected "Best 'Bank in Portugal 2020" by the North American *Global Finance* magazine, and "Most Reputable Banking Brand in Portugal" within the scope of the 2020 *Global RepScore Pulse* ranking, by consultant *On Strategy*.

In the Company support area, attention is drawn to 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 of 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" in Portugal award, coming first in the "Market Leader" and "Best Service" categories.

In Private Banking too, at the beginning of the year 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 the North American publication *Global Finance*.

As employer, Santander recently obtained renovation of its certification for "Level of Excellence – Note A", as a Responsible Family Company, certification awarded by the MásFamilia Foundation and ACEGE. The assessment took into account a set of indicators: employment quality, working hours and spatial flexibility, inclusion and reconciliation of family life and work, family support, personal and professional development and equal opportunities.



Santander was also considered the "Best Bank to Work For in Portugal" for the fourth consecutive time and, simultaneously, one of the Top 3 of the best large companies" (over 1,000 employees) to work for in the country by the Great Place to Work Institute.

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 *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 elected in the Diversity and Inclusion category.

In the Human Resources area, Banco Santander is included in the world's list of the 25 companies considered Great Place to Work, according the "*World's Best Workplaces 2020*". The Bank was selected from more than 10,000 companies of 92 countries, for providing an exceptional experience to its employees, with relations of maximum trust and fair working environments equal for all.

**Santander Totta, SGPS**

<b>Balance Sheet</b> (million euros)	<b>Sep-20</b>	<b>Sep-19</b>	<b>Var.</b>
Cash, cash balances at central banks and other demand deposits	5,366	2,702	+98.6%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	12,380	11,210	+10.4%
Financial assets at amortised cost	39,830	40,601	-1.9%
Investments in subsidiaries, joint ventures and associates	111	110	+1.0%
Tangible assets	623	668	-6.8%
Intangible assets	40	32	+26.3%
Tax assets	635	691	-8.1%
Non-current assets held for sale	58	50	+14.3%
Other assets	280	832	-66.4%
<b>Total Assets</b>	<b>59,322</b>	<b>56,895</b>	<b>+4.3%</b>
Financial liabilities held for trading	913	1,224	-25.4%
Other financial liabilities mandatory at fair value through profit or loss	3,238	3,461	-6.4%
Financial liabilities at amortised cost	47,905	45,089	+6.2%
Resources from Central Banks and Credit Institutions	8,024	6,399	+25.4%
Customer deposits	36,301	34,932	+3.9%
Debt securities issued	3,328	3,451	-3.5%
Of which: subordinated debt	8	8	+0.0%
Other financial liabilities	252	307	-18.0%
Provisions	210	263	-20.2%
Technical provisions	727	764	-4.9%
Tax liabilities	473	493	-4.1%
Other liabilities	1,239	1,206	+2.7%
<b>Total Liabilities</b>	<b>54,705</b>	<b>52,500</b>	<b>+4.2%</b>
Share capital atributable to ST SGPS shareholders	4,615	4,393	+5.0%
Non controlling interests	2	2	-9.6%
<b>Total Shareholders' Equity</b>	<b>4,617</b>	<b>4,395</b>	<b>+5.0%</b>
<b>Total Shareholders' Equity and Total Liabilities</b>	<b>59,322</b>	<b>56,895</b>	<b>+4.3%</b>

**Santander Totta, SGPS**

<b>Income Statement*</b> (million euros)	<b>Sep-20</b>	<b>Sep-19</b>	<b>Var.</b>
<b>Net interest income (without dividends)</b>	<b>591.9</b>	<b>642.7</b>	<b>-7.9%</b>
Dividends from equity instruments	1.7	1.8	-1.7%
<b>Net interest income</b>	<b>593.7</b>	<b>644.5</b>	<b>-7.9%</b>
Results from Associates	9.1	7.0	+28.5%
Net commissions	274.4	286.5	-4.2%
Other banking income	-27.7	-24.3	+13.9%
Insurance activity	11.7	18.5	-36.9%
Gain/loss on financial transactions	103.0	88.4	+16.6%
<b>Operating income</b>	<b>964.1</b>	<b>1,020.5</b>	<b>-5.5%</b>
Total operating expenses	(429.8)	(453.7)	-5.3%
Personnel expenses	(241.6)	(260.5)	-7.3%
General expenses	(149.1)	(156.4)	-4.7%
Depreciation	(39.2)	(36.8)	+6.3%
<b>Net operating income</b>	<b>534.4</b>	<b>566.9</b>	<b>-5.7%</b>
Impairment of financial assets at amortised cost	(146.5)	16.1	-
Net provisions and other	(38.8)	(32.4)	+19.9%
<b>Income before taxes and MI</b>	<b>349.0</b>	<b>550.5</b>	<b>-36.6%</b>
Taxes	(94.4)	(159.8)	-40.9%
Minority interests	(0.1)	(0.2)	-41.3%
<b>Consolidated net income</b>	<b>254.5</b>	<b>390.6</b>	<b>-34.8%</b>

(\*) Not audited

**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

<b>Ratios</b>	<b>Sep-20</b>	<b>Sep-19</b>	<b>Var.</b>
<b>Profitability</b>			
Income before taxes and MI/Average net assets	0.8%	1.3%	-0.5 p.p.
Operating income/Average net assets	2.2%	2.4%	-0.2 p.p.
Income before taxes and MI/Average equity	10.5%	17.2%	-6.7 p.p.
<b>Efficiency</b>			
Total operating expenses/Operating income	44.6%	44.5%	+0.1 p.p.
Personnel expenses/Operating income	25.1%	25.5%	-0.4 p.p.
<b>Transformation</b>			
Credit (net)/Deposits	114.7%	113.3%	+1.4 p.p.