

JANUARY – MARCH 2020 RESULTS

Santander in Portugal returns net income of €118.9 million (-13.4% yoy)

"The first quarter of 2020 results already showed a slight impact associated with the Covid-19 pandemic. But our liquidity and solvency remained robust. We recorded new growth of the customer base and both deposits and loans and advances also performed well. We were recognized externally once again, and received several awards such as the Best Bank in Portugal and the Banking Brand with Best Reputation. We were in the front line with the definition of concrete measures to support our employees, customers and suppliers, with a view to minimizing the effects of the pandemic. We strongly supported the Portuguese economy. Outside the scope of Covid-19, we granted more than €500 million of loans and advances in March, and, in the Capitalizar 2018 – Covid-19 line, we were leaders in the number of transaction placed, providing €120 million, with a market share of 31%. We strengthened our impact on society. Since the crisis began, we tripled the amount of our social responsibility budget, in donations to institutions that support those most in need. By early May, we had provided €3.2 million to various initiatives – including universities – in order to help fight Covid-19. The coming months of 2020 will be quite challenging, but we are ready to continue to support the economy, safeguarding always the savings of the Portuguese who entrust their money to us, and protecting our employees. We reiterate our spirit of permanent mission to support the households and businesses of Portugal".

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

Lisbon, May 14, 2020

Key highlights of the first quarter

- At the end of the first quarter of 2020 the **net income** of Santander Totta, SGPS, amounted to **€118.9 million**.
- With the declaration of the Covid-19 pandemic caused by the SARS-CoV-2 virus, the Bank has defined as its first priority the support for people, particularly for employees, customers and suppliers, in order to mitigate the effects of the pandemic. Santander in Portugal not only implemented moratoriums on mortgage and corporate loans, in line with the decisions taken by the Portuguese government, but also adopted an additional set of extraordinary and temporary measures, with emphasis on:
 - Maintenance of all contracted credit limits, resulting in the availability of an additional €4 billion of credit, with no alteration of the spread or of other associated commissions;

- Possibility of individual and corporate customers signing up for a moratorium on principal and interest on all loans, which customers can access through NetBanco, with an approval rate in excess of 90%;
 - For all retailers, suspension of collection of the monthly POS charge and exemption from the application of a minimum amount on transactions carried out and support in the use of "contactless" transactions, also suspending the collection of all commissions of the MB Way service via the POS;
 - For all individual customers, Santander encourages the use of its digital app or NetBanco platforms, making contactless payments convenient and secure and, to this end, all payments made via the digital channels are exempt.
- Excluding loans granted under the Covid-19 lines, Santander in Portugal extended credit to the economy by more than €500 million in March.
 - Within the scope of credit lines guaranteed by the State, aimed at mitigating the effects of the pandemic, the Bank received over 13,000 requests in the amount of more than €2.2 billion.
 - With regard to the Capitalizar 2018 – Covid-19 line, which is already closed, Santander in Portugal was leading in the number of transactions placed (415), with a market share of 36% of the companies supported. In terms of amount, the Bank provides €120 million, with a market share of 31%.
 - Customers' resources totalled €41.8 billion, a yoy growth of 1.5% compared to the same period last year, the result of the **2.3% increase of deposits**. Deposits stabilized during the quarter.
 - **Loans to customers amounted to €41.0 billion**, an increase of 1.3% compared to March 2019. During the quarter, the loan portfolio grew by 2.5%, especially in the corporate segment.
 - The **market shares of new loans to companies and mortgage loans** amounted to **19.1% and 23.4%** respectively, up to the end of March.
 - The number of **loyal customers** and the number of **digital customers** returned annual growths of **2.9%** and **5.4%** respectively, in yoy terms.
 - **Operating income was practically stable yoy**, in an adverse context of low interest rates, which affected net interest income, and of the impact of the pandemic on commissions.
 - The **cost-to-income ratio stood at 41.5%**, an improvement of 1.5pp compared to March 2019, the result of the growth of operating income and of the reduction of operating costs (3.7%).
 - The **CET 1 ratio stood at 15.8%** (fully implemented), a yoy increase of 1.2pp.
 - During the first quarter of 2019, Santander was distinguished as the "Best Bank in Portugal 2020" by the North American *Global Finance* magazine. It was also distinguished as the "Most Reputable Banking Brand in Portugal", in the *Global RepScore Pulse 2020* ranking, prepared by consultant *OnStrategy*.
 - In the Companies area, *Euromoney* distinguished Santander as the "*Best Trade Finance Bank*" in Portugal, coming first in the "Market Leader" and "Best Service" categories. At the beginning of the year the publication had already highlighted Santander's Private Banking as the "*Best Private Banking Services Overall* in Portugal 2020".
 - As employer, Santander was considered the "Best Bank to Work For in Portugal" for the fourth consecutive time and, simultaneously, it was in 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*.

- Within the context of the Covid-19 pandemic, the **Bank's support to society amounts to €3.2 million euros**, an amount that was allocated to the purchase of ventilators, hospital supplies and protection equipment, to the solidarity campaigns related to the Food Bank, to the Red Cross and to other associations in the field, including Universities and Polytechnics, providing financial and technological support to students in a more vulnerable economic situation, and to projects in the health sector that can directly impact on the solution of the pandemic.
- The **Santander Solidarity Fund** was created, through which employees helped to ensure access to food by vulnerable people and households, in which the Bank doubled the amount. In total, €80,000 were raised, which are already being made available to charitable organisations currently in the field.
- For the community as a whole, in Portugal Santander launched the **"Overcome Together"** website, a space accessible to any person or company, whether or not a customer of the Bank, containing information and content in order to help in overcoming the situation created by Covid-19.
- 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).

Key Indicators

Balance Sheet (million euros)	Mar-20	Mar-19	Var.
Net assets	56,134	56,618	-0.9%
Total Gross Loans	40,986	40,476	+1.3%
Resources	41,754	41,125	+1.5%
Net interest income (without dividends)	202.0	215.6	-6.3%
Net comissions	96.6	95.6	+0.9%
Operating income	354.5	355.1	-0.2%
Total operating expenses	(147.0)	(152.6)	-3.7%
Net operating income	207.5	202.5	+2.5%
Income before taxes and MI	167.2	196.2	-14.8%
Consolidated net income	118.9	137.3	-13.4%

RATIOS (million euros)	Mar-20	Mar-19	Var.
ROE	11.2%	13.4%	-2.2 p.p.
Efficiency ratio (incl. depreciation)	41.5%	43.0%	-1.5 p.p.
CET 1 ratio fully implemented	15.8%	14.7%	+1.1 p.p.
Non-Performing Exposure ratio(1)	3.3%	4.0%	-0.7 p.p.
Non-Performing Exposure coverage ratio	55.9%	51.1%	+4.9 p.p.
Cost of Credit	0.20%	-0.15%	+0.35 p.p.

OTHER DATA (million euros)	Mar-20	Mar-19	Var.
Number of employees in Portugal	6,169	6,391	-222
Total Branches and Corporate Centers in Portugal	501	524	-23

RATING (long term debt)

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

(1) According to EBA criteria

External recognition

During the first quarter of 2020, Santander was distinguished as the "Best Bank in Portugal 2020" by the North American Global Finance magazine. It was also distinguished as the "Most Reputable Banking Brand in Portugal", in the Global RepScore Pulse 2020 ranking prepared by consultant OnStrategy.

In the Companies area, Euromoney distinguished Santander as the "Best Trade Finance Bank" in Portugal, coming first in the "Market Leader" and "Best Service" categories. At the beginning of the year the publication had already highlighted Santander's Private Banking as the "Best Private Banking Services Overall in Portugal 2020".

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Results

At the end of March 2020, Santander Totta, SGPS (referred to as "Bank" or "Santander in Portugal" in this press release) returned a consolidated net income of €118.9 million, a year-on-year reduction of 13.4%.

Operating income was practically stable compared to March 2019 (down 0.2%), while operating expenses decreased 3.7%, thus contributing to the improvement of net operating income (up 2.5%), as well of as the cost-to-income ratio (down 1.5pp).

Net interest income amounted to €202.0 million, a decrease of 6.3% in year-on-year terms, largely justified by the economic and competitive framework, marked by great competitive pressure on prices in a framework of low interest rates and moderate demand for credit.

Net commissions, amounting to €96.6 million, grew by 0.9% compared to March 2019, the month of March having already been affected by the effects of the pandemic and by the suspension of a set of commissions within the scope of the measures to support businesses and households. Emphasis is given to the favourable evolution of account-management fees, as well as to the funds and insurance marketed by the Bank.

Other banking income amounted to -€16.7 million, largely reflecting the contributions to the Single and National Resolution Funds. The results of the insurance activity, in the amount of €4.0 million, decreased by 38.6%, resulting from the transfer of a portfolio of the former Eurovida to Aegon Santander Seguros. The results of financial transactions amounted to €65.9 million, including also the results of the management of the public-debt portfolios.

Total operating expenses totalled €147.0 million in the first quarter, an annual decrease of 3.7%, the result of the 2.9% reduction of personnel expenses and the 6.8% reduction of general expenses. Depreciation grew by 4.6% in yoy terms.

The impairment dynamics, when compared to the same period last year, reflects the past-due loan recoveries and the gains on sales of non-performing loans during the first quarter of 2019.

The cost-to-income ratio evolved favourably, down at 41.5% at the end of March 2020, benefiting from the stabilization of revenue and the reduction of operating costs.

Income before tax and minority interests amounted to €167.2 million, down 14.8% yoy.

Balance Sheet and Business

At the end of March 2020, the loan portfolio (gross) amounted to €41.0 billion, an increase of 1.3% over the same period of 2019. This growth was especially noticeable in the loan to individuals portfolio, which grew 1.6%, in line with the increase of the shares in new loan production.

Mortgage loans amounted to €19.8 billion, an increase of 1.4% over the same period last year, and consumer credit amounted to €1.7 billion, a growth of 6.0% compared to March 2019. Compared to the preceding quarter, the changes amounted to 0.9% and -0.1%, respectively.

Loans to companies amounted to €18.0 billion at the end of March 2020. Despite the 1.3% yoy reduction, compared to the end of 2019, loans to companies portfolio grew by 1.7%.

Credit (million euros)	Mar-20	Mar-19	Var.
Credit (gross)	40,986	40,476	+1.3%
<i>from which</i>			
Credit to Individuals	21,955	21,618	+1.6%
Mortgage	19,822	19,555	+1.4%
Consumer credit	1,705	1,608	+6.0%
Credit to Companies	17,961	18,192	-1.3%

The Non-Performing Exposure (NPE) ratio, calculated in accordance with the EBA criterion, stood at 3.3%, in March 2020, a decrease of 0.7pp compared to March 2019, the respective coverage standing at 55.9%.

Customers' resources amounted to €41.8 billion, a year-on-year increase of 1.5% compared to the same period last year, reflecting the positive contribution of the evolution of deposits (up 2.3% to €35.0 billion). The investment funds marketed stabilized compared to the amount last time, while insurance and other resources decreased by 3.8% compared to March 2019.

Resources (million euros)	Mar-20	Mar-19	Var.
Customers' Resources	41,754	41,125	+1.5%
On-balance sheet resources	35,007	34,221	+2.3%
Deposits	35,007	34,221	+2.3%
Off-balance sheet resources	6,747	6,904	-2.3%
Investment funds managed or marketed by the Bank	2,700	2,699	+0.1%
Insurance and other resources	4,047	4,205	-3.8%

Liquidity and Solvency

Santander in Portugal's policy is to maximise the buffer available to cope with any unexpected events having an impact on the Bank's liquidity situation. During the first quarter of 2020, the Bank continued to reinforce its solid liquidity position, with a reduction of the (net) exposure to the Eurosystem to zero, and with an increase of €0.3 billion of the liquidity buffer.

The LCR (Liquidity Coverage Ratio), calculated in accordance with the CRD IV rules, stood at 140%, thus complying with the regulatory requirements on a fully-implemented basis.

The Common Equity Tier 1 (CET 1), calculated in accordance with the CRR/CDR IV rules, stood at 15.8% (fully implemented) and at 15.9% (phased-in) in March 2020, reflecting the capacity for organic generation of capital, as well as the management of risk-weighted assets. The Bank maintains fairly high capitalization levels, representing a very comfortable margin over and above the minimum requirements set by the ECB under the SREP (in 2020, CET1 of 9.0%, Tier 1 of 10.5% and Total of 12.5%, in full).

Capital (fully implemented) (million euros)	Mar-20	Mar-19
Common Equity Tier 1	2,933	2,929
Tier 1	3,533	3,529
Total Capital	3,607	3,572
Risk Weighted Assets (RWA)	18,568	19,925
CET 1 ratio	15.8%	14.7%
Tier 1 ratio	19.0%	17.7%
Total Capital Ratio	19.4%	17.9%

Commercial Banking

Individuals and Businesses

In the first quarter of 2020, and within the current pandemic context, the Bank had to quickly reset its priorities, strengthening its support to households, businesses and companies and society in general.

Quickly and in an agile manner, the Bank provided a moratorium on mortgage loans and personal loans, complementing the Government's moratorium (in accordance with Decree-Law 10-J/2020 of March 26), for the purpose of reducing the charges on these loans for customers whose income was negatively impacted by the pandemic. Use of this solution can be entirely enacted by digital means up until June 30, 2020.

Additionally, the Bank put in place a set of measures to support households:

1. Simplifying the use of digital channels and access to banking transactions without leaving home, with complete confidentiality, ease and security. Examples of this measure are the exemption from payment of commissions on domestic transfers through the Bank's digital channels, including sending money by MB Way until April 30, free-of-charge replacement of cards without contactless technology by cards having this technology, and exemption from the commission on the provision of new credit or debit cards up until September 30;
2. Ensuring access to banking services, keeping open the vast majority of the bank branches, though with shorter opening hours and compliance with the safety rules to ensure the safety of the Bank's employees and customers;

3. Supporting customers over the age of 65, who are not digital, with the creation of the AQUI E AGORA programme. This programme is intended to be even closer to the customers who have greater difficulty in the use of the digital channels, identifying their needs in this connection, supporting adherence to channels, and streamlining the day-to-day banking operations without a need to visit the branches.

With regard to the customer base there was an increase of 3,700 loyal customers, with a major contribution by customers of the Select segment. With regard to the number of digital customers, users of the Santander App and/or NetBanco, there was an increase 20,000 customers in the first quarter to 797,000, or 45% of the main bank customer base. As a result of the context and of the solutions and measures that the Bank has been developing, transactions via the digital channels continue to increase, with greater emphasis on payments using the Santander App.

Also to be underscored is the positive evolution of the Mundo 123 customers (customers having an account, a card and protection insurance). Mundo 123 is a multi-product solution directed at individual customers that, besides 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 of the Businesses area, the Bank immediately took measures to alleviate the effects of Covid-19 pandemic on its customers, in addition to the moratorium and to the credit lines provided with a Government guarantee, overhauling customer service and contacts, simplifying processes with a major focus on the digital. This set of extraordinary and temporary measures for businesses includes suspension of the collection of the monthly POS charge; exemption from application of the minimum charge on transactions, exemption from collection of the fixed charge per transaction on the POS packages (where applicable) and exemption from collection of the merchant's service charge on MB WAY transactions carried out via the POS.

At the end of March, the turnover of the Businesses segment increased by €223 million compared to last time, an increase of 2.6%.

Companies and Institutionals

In 2020 Santander in Portugal maintains the focus on supporting the Business sector through a comprehensive financial offer and a non-financial offer that aims to strengthen the qualifications of companies, rendering the relationship with customers increasingly global and ever closer.

The Santander Empresas Non-Financial Solutions are a differentiating offering that is outstanding in the financial market, at the disposal of companies and entrepreneurs, allowing the ongoing training of their staff and employees, support to internationalisation and strengthening presence in the digital area. They also promote among young people their employability through an internship scholarship programme.

Under the Internship Scholarship programme 81 internships were awarded during the first quarter of 2020, in a business environment, making this programme a true platform for access to the employment market for final-year university students, about 40% of the youths involved in the programme having maintained their connection with the company with which they carried out their internship, reflecting their fitness to meet the needs of the companies.

The offer of online training, in partnership with two certified entities of renown in the market, allows free access to more than 15 courses in five different areas, provided a total of 17 degrees during the first three months of 2020.

The positioning and focus the Bank's support for companies is also to be seen in the number of transactions and amounts falling within the scope of the Mutual Guarantee Societies, to support investment projects or financing cash, in the most varied economic sectors.

Through the IFRRU 2020 line, in which Santander manages the market's biggest line, support has been maintained for the development of several urban rehabilitation projects promoted by companies and individuals.

Support for customer internationalization is a major point, and for the purpose it has specific tools to support international business, such as the Santander Trade portal and the International Desk.

The Bank continues to support the cash management of companies through factoring and confirming products for both the largest Portuguese companies and also for small and medium-sized enterprises, accompanying customers with solutions tailored to their business and to support the opening of new markets in a context of increasingly demanding requests by companies, providing via the NetBanco Empresas platform a generalist offering covering the entire range of sub-products existing in the market.

With regard to Institutional Banking, Santander maintained its commitment to the customers of this segment, both with regard to public entities, maintaining a strong presence in the Azores and Madeira Regions and with the Municipalities, as well with private entities, with a special focus on Religious Institutions and on the Social Economy institutions, designing tailored solutions for these institutions in order to meet their needs.

At the end of the first quarter, the turnover in the institutional customer segment performed quite well, especially in terms of resources, with a growth of 26.8% since the beginning of the year.

As part of the contingency measures to deal with the Covid-19 pandemic, Santander went ahead with the extension of the limits of customers of the Business, Companies and CIB segment until July 1, 2020; as well as the suspension, of an extraordinary nature, of the change of the pricing of Companies' accounts until April 30, 2020.

In conjunction with public entities involved, the Bank provided its customers with the COVID-19 lines, created to support their cash requirements with an increase of the working capital of the SMEs. Until May 7, the Bank received over 13,000 requests, amounting to more than €2.2 billion.

With regard to the 2018 Capitalizar – Covid-19 Line, now closed, the Bank was at the forefront in the number of transactions placed (415), with a market share of 36% of the companies supported. In terms of amount, the Bank provides €120 million, with a market share of 31%.

Investment Funds and Insurance marketed

As mentioned earlier, the first quarter of 2020 was marked by the 19-Covid pandemic, which caused a significant economic slowdown impacting on the financial markets, on subjecting the world's major economies to containment policies. Within this context, Santander Asset Management – SGOIC, SA (SAM) sought to manage its mutual funds actively, with the goal of minimizing losses for its participants.

It is noteworthy that during this period, SAM came to be owned by Santander Asset Management UK Holdings Limited, which, at a general meeting, approved the merger by incorporation of POPULAR Gestão de Ativos – SGOIC, SA, into SAM – SGOIC, SA, with effect as from March 31, 2020. SAM ended the quarter with a share of 18.5% compared to 17.5% last time (on a comparable basis).

Real-estate investment funds totalled about €422 million at the end of March.

In the Financial Insurance area the focus continued to be on active management of the open financial insurance products with different investment profiles for medium- to long-term investment, ending the period with assets amounting to €582 million.

In order to meet customer needs, retirement solutions continued to focus mainly on commercial activity, with an increase of about 7,000 customers and a total volume of net subscriptions of €31.5 million.

The Bank continued to foster a service attitude, with an intensive plan of after-sales initiatives aimed at ongoing improvement of service quality and customer experience.

The business of the protection insurance area was focused on supporting customers from a total protection perspective, with an increase of the team of advisors. A commercial offering campaign was launched with preferential conditions, and the protection insurance digital transformation strategy continued, coming to provide 100% of the offering for individual customers via the digital channels. Exceptional measures were also implemented within the scope of Covid-19, involving the offer of free-of-charge online medical services through the SafeCare Health App, eliminating the pandemic exclusion from health insurance, life insurance and salary protection plan.

Corporate and Investment Banking

The first quarter of 2020 was marked by intense activity in the Corporate & Investment Banking area, in a framework of maintenance of negative interest rates and high pressure on spreads. In March, with the onset of the Covid-19 pandemic, the strengthening of the proximity and commitment to customers was essential. Thus, processes were adapted, ensuring for customers a fast and appropriate response to their needs, besides the focus on the digital channels, with emphasis on the digital foreign-exchange contracting platform (via NetBanco Empresas), allowing, in this framework of containment, adequate response to the needs of the users.

We would underscore the strengthening of financial advisory operations, especially (1) exclusive advice to Glenmont Partners in the sale to Finerge of four solar parks in Portugal. The largest transaction of solar assets undertaken in Portugal and (2) advice to Cellnex on the acquisition of OMTEL.

In the Global Debt Financing area, the first quarter of 2020 was marked by the participation of Santander, as Bookrunner, in the issue of a Hybrid Green Bond for EDP, with a maturity of 60 years, for an amount of €750 million. During the quarter several significant financing transactions were also completed in a wide range of sectors, with emphasis on several loans and refinancing in the real-estate sector, including shopping centres and property development for student residences.

In the Corporate Finance area, attention is drawn to the successful completion of financial advisory operations in the telecommunications, shopping centres and energy sectors. Several other advisory processes are underway involving transactions to be concluded in the coming months.

In Treasury, the Corporate and Commercial Banking area maintained the growth trend seen since 2018, based on the finalisation of interest-rate risk hedging operations and also by enlargement of the offer of foreign-exchange operations contracting alternatives.

During the first quarter of 2020 there was a sharp growth of the volume of loans and of the number of fixed-rate transactions formalized. The fact that the interest rates in the euro area remain in negative territory contributed to the trend of increased demand for risk-management solutions. In March, the pandemic led to a substantial increase of uncertainty, which usually contributes to greater demand for risk-mitigation solutions.

In the foreign exchange area, the pandemic has led to a natural downturn of the turnover of domestic customers, fundamentally with Asian countries, and there was a slight decrease of the volume and number of foreign-exchange transactions, in contrast with the expectations of consolidation of foreign-exchange transactions of the early months.

In the Cash Equity area, the beginning of the year with moderate gains gave way to high levels of uncertainty and volatility, with the worsening of the pandemic. As investors tried to anticipate the real impact of the shutdown of the global economy, the fall of the indices was sudden and sharp, as reflected by the devaluations of over 35% of the S&P 500 (US) and Stoxx 600 (EU) indices in March.

Despite this dramatic correction, there was a sharp increase of trading volumes, which in March almost doubled the average monthly volumes of the previous year. The CMVM data for the first quarter of 2020 revealed that the volumes of orders on shares received by financial institutions in Portugal grew by approximately 80% year on year, totalling about €5 billion euros. Santander contributed with a growth of 152.5%, to €418 million, representing a market share of 8.4% in the first quarter. In the online business, the market grew 178% to €1.901 billion, Santander having contributed €259 million, an increase of 205% over the same period of 2019 and a share of 7.65% in the first quarter of 2020 (6.64% in the same period last year)¹.

Responsible Banking

The beginning of 2020 was unexpectedly marked by the calamity caused by the Covid-19 pandemic, which caused an emergency in public health and in the Portuguese and international economy.

In this connection, support to the community came to be primarily centred on two vectors: (i) initiatives to provide professionals and health facilities, as well as social organizations, with the necessary equipment to combat Covid-19 (masks, personal protective equipment, disinfectant, ventilators, screening tests for Covid-19); and (ii) assisting people in a situation of particular vulnerability and socio-economic distress as a result of the pandemic, with food products.

The following initiatives are highlighted:

- In Portugal, the Bank has already provided more than €600,000 for the purchase of hospital supplies, in order to meet the needs of hospitals to acquire ventilators, analysis systems and personal protective equipment;
- Launch of the "Ajude-nos a Ajudar" Solidarity Fund – Internal fund through which employees can actively contribute to ensure access to food by vulnerable people and households, with their donations (the Bank puts up twice the amount). In total, €80,000 have already been raised, which are already being made available to charitable organisations currently in the field.
- Financial partner of the #Nunca Desistir initiative, making a donation of €50,000 to be divided between the two participating entities (Portuguese Red Cross and the Emergency Food Network);
- Association with the European "Global Response to Covid-19" initiative – donors' conference, with a view to accelerating the development and production of and equitable access to vaccines, diagnoses and treatments, contributing with a €500,000 donation.
- To support customers over the age of 65, unfamiliar with the adherence to and the operation of the digital channels, the Bank launched the "Aqui e Agora" service, through which all commercial managers and other

¹ Source: CMVM, Monthly order reception indicators, March 2020

employees will help these customers in particular, in all procedures for registration with and operation of the digital channels;

- With regard to the Universities segment, Santander and the Higher Education Institutions in Portugal channelled about €2 million to initiatives to support Portuguese students and households meeting the economic, social and public health needs resulting from the Covid-19. The University of Évora created a solidarity fund of €200,000 and the University of Trás-os-Montes installed a Temporary Shelter to accommodate the elderly from care-homes affected by the pandemic. In total, the building can receive 150 people. The Setúbal Polytechnic Institute will provide equipment to perform tests, produce protective masks and alcohol gel;
- For the community as a whole, in Portugal Santander launched the "Overcome Together" website, a website accessible to any person or company, whether or not a customer of the Bank, containing information and content in order to help in overcoming the situation created by Covid-19.

Business Framework

The world changed dramatically in the early months of 2020 as the Covid-19 extended to all continents.

The first outbreak, which emerged in the region of Wuhan, China, quickly extended to other regions and continents. The second focus was located in Europe, with the epicentre in Italy, which quickly spread to other countries, especially Spain, France, Germany and the United Kingdom. All countries have reacted by implementing very stringent containment measures since March 2020. The lower rate of transmission and pressure on health systems has allowed some of the restrictions to be lifted, depending on the evolution of the transmission and recovery rate (the R_0 parameter). Currently, the North and South American continents are the main epicentres of the disease, in particular the US and Brazil.

With over 50% of the world GDP in lockdown the International Monetary Fund expects the global economy to contract at least 3% in 2020, with the developed economies falling 6.1% and the emerging economies falling 1.1%, considering a pandemic context that will last throughout 2020. It can be expected that the recovery will be almost total in 2021, although at rates that differ between the developed and emerging economies, while the risks of a second wave are still high and, consequently, in the worst scenario, the economy could contract again.

Faced with an unprecedented global crisis, governments, central banks and other institutions have sought to develop and implement measures to support the economy, transferring liquidity to businesses and households, at a time when economic activity – movement of people and goods – is limited to what is essential.

In the euro zone, the ECB has increased liquidity to member states through the creation of new monetary policy mechanisms, the PELTROs – Pandemic Emergency Longer-term Refinancing Operations – starting in May 2020 and up to July/September 2021, a fixed refinancing rate and 25bp below the average of the rates recorded in the MRO - Main Refinancing Operation. Additionally, the refinancing conditions of the TLTRO III were revised, with refinancing rates to be reduced by 50 basis points compared to the average of the MRO rates, for transactions carried out between June 2020 and June 2021. At the end of March, the PEPP – Pandemic Emergency Purchase Programme – came into effect in the amount of €750 billion, which came to leverage the monetary transmission response of the APP – asset purchase programme – currently in force.

During the first quarter of 2020, GDP in the euro zone contracted 3.8% in quarterly terms, the result of the lockdown measures implemented. In this sense, the scenario of economic recession foreseen by the ECB for the Euro zone is set to range between -5% and -12% in 2020, with expectations of a gradual recovery and

normalization of the economic conditions in subsequent years. The intensity of the downturn will be dependent on the duration and success of the containment measures and on the way in which the productive capacity and demand have been permanently affected, which, in turn, will depend on the effectiveness and success of the measures to support households and businesses in each member state.

In Portugal, economic activity in the first quarter of 2020 will probably reflect the first shock waves of the pandemic, with the economy partially shut down since mid-March. Thus, GDP is expected to have contracted by at least 2% QoQ, resulting in a yoy contraction of around 1%. Investment and private consumption are set to be the components most affected by the containment measures, with QoQ falls that may be greater than 3.5% and 10%, respectively.

The sharp drop of domestic demand can be partially offset by net exports, in that until February exports were accelerating and imports were slowing, resulting in a net positive contribution to growth.

Conditions in the labour market show signs of deterioration, with companies falling back on the simplified layoff system in order to avoid mass destruction of jobs, despite a salary reduction of about 1/3. A rise of the unemployment rate can be expected in 2020, the size of which will depend on the effectiveness and success of the government's measures. In February, the unemployment rate stood at 6.4%.

The inevitable drop of household income and the perception of risk associated with a potential second wave of the outbreak, within the context of the absence of a vaccine and/or treatment until at least the first quarter of 2021, is set to condition the consumption and investment prospects, resulting in a recovery that will be slow and gradual.

The prosperity and competitiveness gains recorded in the Portuguese economy in recent years have allowed a reduction of the level of private and public indebtedness, through a positive and recurrent net worth since 2013, due to the increase of the global savings rate from 14% to 19 % in 2019.

The budget balance in 2019 recorded a positive overall balance of 0.2% of GDP, with a primary surplus of almost 4% of GDP. The tax burden was nearly 36% of GDP, and debt servicing weighs about 9% of tax revenues. The public debt to GDP ratio was 117% in 2019.

The current pandemic crisis increased the macroeconomic risks, raising the perception of the sovereign risk. The 10-year sovereign debt was priced at 0.84%, a spread of 144 basis points against Germany (as of May 2, 2020). The risk notation of the Republic assigned by the S&P, Fitch and Moody's agencies is BBB (stable, revised from positive), BBB (negative, revised from stable) and Baa3 (positive), respectively. The DBRS agency maintains the BBB – high (stable) rating.

Santander Totta, SGPS

Balance Sheet (million euros)	Mar-20	Mar-19	Var.
Cash, cash balances at central banks and other demand deposits	4,092	3,296	+24.2%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	12,258	10,900	+12.5%
Of which:			
Loans to Customers	2,981	0	-
Financial assets at amortised cost	38,063	40,297	-5.5%
Of which:			
Loans to Customers	37,072	39,419	-6.0%
Investments in subsidiaries, joint ventures and associates	114	115	-0.7%
Tangible assets	627	676	-7.3%
Intangible assets	35	30	+18.6%
Tax assets	544	685	-20.6%
Non-current assets held for sale	46	68	-31.8%
Other assets	354	552	-35.9%
Total Assets	56,134	56,618	-0.9%
Financial liabilities held for trading	1,094	1,206	-9.3%
Other financial liabilities mandatory at fair value through profit or loss	3,245	3,401	-4.6%
Financial liabilities at amortised cost	44,811	45,424	-1.3%
Resources from Central Banks and Credit Institutions	6,158	6,632	-7.1%
Customer deposits	35,007	34,221	+2.3%
Debt securities issued	3,407	4,308	-20.9%
Of which: subordinated debt	8	8	+0.0%
Other financial liabilities	239	264	-9.2%
Provisions	239	288	-17.0%
Technical provisions	718	751	-4.4%
Tax liabilities	463	362	+28.1%
Other liabilities	1,077	779	+38.2%
Total Liabilities	51,648	52,211	-1.1%
Share capital attributable to ST SGPS shareholders	4,484	4,405	+1.8%
Non controlling interests	2	2	-12.8%
Total Shareholders' Equity	4,486	4,407	+1.8%
Total Shareholders' Equity and Total Liabilities	56,134	56,618	-0.9%

Santander Totta, SGPS

Proforma Income Statement* (million euros)	Mar-20	Mar-19	Var.
Net interest income (without dividends)	202.0	215.6	-6.3%
Dividends from equity instruments	0.0	0.0	-
Net interest income	202.0	215.6	-6.3%
Results from Associates	2.7	2.5	+7.9%
Net commissions	96.6	95.6	+0.9%
Other banking income	-16.7	-15.3	+8.7%
Insurance activity	4.0	6.6	-38.6%
Gain/loss on financial transactions	65.9	50.0	+31.6%
Operating income	354.5	355.1	-0.2%
Total operating expenses	(147.0)	(152.6)	-3.7%
Personnel expenses	(84.8)	(87.3)	-2.9%
General expenses	(49.4)	(53.0)	-6.8%
Depreciation	(12.8)	(12.3)	+4.6%
Net operating income	207.5	202.5	+2.5%
Impairment	(19.7)	15.1	-
Net provisions and other	(20.6)	(21.5)	-4.3%
Income before taxes and MI	167.2	196.2	-14.8%
Taxes	(48.2)	(58.8)	-18.0%
Minority interests	(0.0)	(0.1)	-8.4%
Consolidated net income	118.9	137.3	-13.4%

(*) 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

Ratios	Mar-20	Mar-19	Var.
Profitability			
Income before taxes and MI/Average net assets	1.2%	1.4%	-0.2 p.p.
Operating income/Average net assets	2.5%	2.6%	-0.1 p.p.
Income before taxes and MI/Average equity	15.5%	19.1%	-3.6 p.p.
Efficiency			
Total operating expenses/Operating income	41.5%	43.0%	-1.5 p.p.
Personnel expenses/Operating income	23.9%	24.6%	-0.7 p.p.
Transformation			
Credit (net)/Deposits	114.7%	115.5%	-0.8 p.p.