

**RESULTS JANUARY – JUNE 2021****Santander in Portugal achieves net profit of €81.4 million (-52.9% YoY)**

*"The results for the first half of 2021 keep reflecting the pandemic situation and its effects on economic activity in general.*

*The 1<sup>st</sup> half of 2021 was very challenging for all our teams. Conducting a digital transformation in a pandemic environment is a long, difficult, but urgent work. However, we know that our customers demand it from us, and we want to remain as our customers' bank of choice.*

*As a result of this collective effort, plus the trust placed on our Bank, the figures for the first six months of the year show a growth in both digital and loyal customers, in credit and in resources. We maintained robust market shares in new credit production, at 22.6% and 21.4%, for companies and mortgage loans, respectively.*

*This semester, and despite the drop by more than 52% in profits, the Bank maintained a solid liquidity position and very high capitalization levels. Compared to the same period of the previous year, there was a slight increase in the commercial revenue, as a result of the positive evolution of commissions and fees, which more than offset the reduction in net interest income.*

*We cannot hesitate when it comes to managing our resources well, to controlling costs, and to ensuring the Bank's future sustainability. The transformation and restructuring process has been conducted responsibly, with concern for people, maintaining dialogue and pushing the commitment we have with our employees to the limit.*

*I believe that in the coming months—once the vaccination process is completed—we will be able to start a new cycle of hope for companies, for households, and for the economy. Banco Santander will be here — as always — supporting, innovating and helping the Portuguese economy grow."*

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

Lisbon, July 28, 2021 - PRESS RELEASE

**Highlights**

- At the end of first half of 2021 the **net profit** of Santander Totta, SGPS, amounted to **€81.4 million**, a 52.9% drop year-on-year.
- At the end of June, the moratoria covered about 43 thousand customers, for a global amount of **€ 6.1 billion of credit (14% of the total portfolio)**, which corresponds to a 28% reduction compared to the figure recorded in December 2020, with the expiration of the industry moratoria at the end of March.

Credit facilities guaranteed by the State amounted to € 1.6 billion, covering about 14 thousand customers.

- Total loans to clients<sup>1</sup> amounted to € 43.4 billion, a 3% increase compared to the same period of the previous year, with a noteworthy growth in mortgage loans of 5.9%.
- The market shares of new loans to companies and mortgage loans (accumulated up to the end of May) amounted to 22.6% and 21.4%, respectively.
- Customer resources amounted to €45.6 billion, a YoY growth of 5.9% compared to the same period last year, an evolution underpinned by the 4% increase of deposits and 15.6% in off-balance sheet resources.
- The number of digital customers increased by 13.3% compared to the same period of the previous year, to 981 thousand (58% of the total number of loyal customers). In turn, sales through digital channels represent 59% of the total, in accumulated figures since the beginning of the year, which represents an increase of 22pp compared to the same period of the previous year.
- The efficiency ratio stood at 39.7% (4.0pp below the figure reached in June 2020).
- The fully implemented CET1 ratio stood at 21.8%, an increase of 2.1pp compared to June 2020.
- Santander was recently distinguished as the “Best Bank in Portugal” and the “Best Investment Bank in Portugal” by Euromoney magazine. During the first half of the year, the Bank also received other awards, namely the “Best Bank in Portugal” by the North American magazine Global Finance, within the scope of the “World's Best Banks 2021.” It was also distinguished as the “Most Reputable and Relevant Banking Brand in Portugal,” according to the most recent Global RepScore Pulse study, prepared by the consultant OnStrategy. In the Companies’ area, Euromoney once again distinguished Santander as the “Best Trade Finance Bank in Portugal,” winning in the categories of “Market Leader” and “Best Service.” The same publication also distinguished Santander's Private Banking with the award “Best Private Banking Services Overall in Portugal 2021.” Regarding Corporate and Investment Banking, Santander Portugal won two awards at this year's Euronext Lisbon Awards, in the Settlement & Custody and Book Runner Bond categories.”
- Banco Santander is committed to its mission of contributing to the development of people and companies, supporting inclusive, sustainable growth. In the 1<sup>st</sup> half of 2021, Santander kept supporting the Community, with special emphasis on supporting the most vulnerable sectors of society, and projects by Higher Education Institutions. As far as supporting society, 84,066 people were supported during this period.
- 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).

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

## Key Indicators

### Santander Totta, SGPS

<b>Balance Sheet and Income Statement</b> (million euros)	<b>Jun-21</b>	<b>Jun-20</b>	<b>Var.</b>
Net assets	59,335	60,833	-2.5%
Total Gross Loans <sup>(1)</sup>	43,380	42,121	+3.0%
Resources	45,582	43,057	+5.9%
Net interest income (without dividends)	383.4	399.3	-4.0%
Net commissions	203.1	183.1	+10.9%
Operating income	716.6	659.4	+8.7%
Total operating expenses	(284.2)	(287.8)	-1.2%
Net operating income	432.4	371.6	+16.3%
Income before taxes and MI	104.2	231.5	-55.0%
Consolidated net income	81.4	172.9	-52.9%

<b>RATIOS</b> (million euros)	<b>Jun-21</b>	<b>Jun-20</b>	<b>Var.</b>
ROE	3.5%	8.2%	-4.7 p.p.
Efficiency ratio (incl. depreciation)	39.7%	43.6%	-4.0 p.p.
CET 1 ratio fully implemented	21.8%	19.7%	+2.1 p.p.
Non-Performing Exposure ratio <sup>(2)</sup>	2.5%	2.8%	-0.3 p.p.
Non-Performing Exposure coverage ratio	73.3%	61.0%	+12.2 p.p.
Cost of Credit <sup>(3)</sup>	0.36%	0.27%	+0.09 p.p.

<b>OTHER DATA</b> (million euros)	<b>Jun-21</b>	<b>Jun-20</b>	<b>Var.</b>
Number of employees in Portugal	5,765	6,163	-398
Total Branches in Portugal	368	476	-108

#### **RATING** (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 Environment**

The deterioration of the health situation as a result of the pandemic, at the beginning of the year, required a new lockdown period of about 10 weeks, with negative effects on business, especially on services, and, in particular, on those most dependent on social proximity, such as accommodation, restaurants and catering, and transports, among others. The industrial sector contracted only slightly, and the construction sector kept its growth profile. Thus, in the 1<sup>st</sup> quarter of 2021, the Portuguese economy retreated by -3.3% (-5.4% year-on-year).

The impact of the second lockdown period was less pronounced compared to the first one (in the 2<sup>nd</sup> quarter of 2020), with GDP varying +10% between the 1<sup>st</sup> quarter of 2021 and the 2<sup>nd</sup> quarter of 2020. The possible better adaptation of companies and families to a lockdown situation was aided by a set of public policies to support employment and the cashflow of Portuguese companies, and by a more favourable external environment, in turn leveraged by the ECB monetary policy.

With the gradual lifting of lockdown measures, throughout the 2<sup>nd</sup> quarter of 2021, there was an improvement in economic activity compared to the previous quarter, associated with the reopening to the public of restaurants, non-essential commerce, cultural events, and education in person. Objectively, some economic activity indicators confirm a recovery in private consumption as well as a positive evolution of investment. Transactions via electronic operations on the ATM/POS networks more than recovered from the drop in the previous quarter, recording a year-on-year growth of 34.6% and 53.1% in April and May, respectively. Sales of passenger cars grew by 158% year-on-year in the 2<sup>nd</sup> quarter (+62% year-on-year). The greater predisposition of households towards consumption indicates increased optimism and an attempt to recover some postponed expenditures. Even so, the household savings rate in the 1<sup>st</sup> quarter of 2021 was 14.2% of the disposable income, an increase of 6.4pp compared to the same period of the previous year and remaining at historically high levels.

Cement and commercial vehicle sales continued to show positive growth rates in capital expenditure, signalling an increased investment in machinery and equipment, transport materials, and construction.

The manufacturing industry survey points to an increase in expectations for export orders in the next 3 months. Therefore, exports of goods are expected to keep recovering. Service exports may recover slightly, but the intermittence (and uncertainty) regarding the opening of the air corridor with the United Kingdom could affect tourism flows.

Thus, GDP in the 2<sup>nd</sup> quarter of 2021 recorded a year-on-year growth of about 15%, surpassing the levels recorded in the 4<sup>th</sup> quarter of 2020.

With 60% of the population vaccinated with at least one dose of vaccine, and 42% of the population with two doses, it is expected that the target of 70% of the population inoculated with one dose of vaccine will be met by September. Compared with the vaccination trend in the European Union, Portugal is one of the countries whose vaccination rate is evolving at the best rate. Additionally, in July, the European Union approved the use of the digital vaccination certificate as an unlocking mechanism for the movement of people between member states.

This is an important development, as the implementation of the European Recovery and Resilience Plan is quite delayed. The important dimension of the plan should be recalled, with a financial envelope of € 750 billion, of which € 390 billion in State grants, while for Portugal the plan includes funds in the amount of about € 16.6 billion.

In July, the European Council approved the first twelve national plans, including Portugal, and it is expected that the funds will start to reach the different member states in the second half of 2021, and that they will effectively contribute to strengthening the pillars of the economy, and leverage the pace of economic recovery *pari passu* with the process of opening up of activities.

On July 8, 2021, the ECB publicly presented its review of the monetary policy strategy, with the aim of readjusting its strategy to the profound changes that have taken place in the euro zone since 2003. These changes include an extended environment of low inflation, low growth potential, and low interest rates. The pre-2020 strategy was grounded in a context to deal with high inflation rates, which was prevalent in the early euro area.

At the ECB's July 22 press conference, two main points were addressed: the first, related to the implications of the forward guidance strategic review (i.e., symmetrical target of a 2% inflation rate over a medium-term horizon) on the benchmark interest rate policy; and the second, an appreciation of the economic conditions and evolution of the pandemic.

Regarding the first point, the main message is that the medium-term inflation rate outlook remains below the 2% target, and thus the monetary policy will remain unchanged until the inflation target is reached in a sustained way. Regarding the economic situation, the trend towards economic recovery in the euro zone was reinforced, in a context of greater dissemination of the delta variant of the virus, offset by the evolution of the vaccination process, allowing the gradual lifting of social restrictions and increased mobility.

Additionally, the ECB reaffirmed its policy stance, in terms of acquisition of assets under the PEPP throughout the 2<sup>nd</sup> quarter of 2021, with a higher volume of purchases in the current quarter compared to the beginning of the year. Its intervention will help lower the financial uncertainty and liquidity factors, and will contribute to promoting the economic agents' trust, an essential condition for stimulating consumption and investment during the economic recovery stage.

Currently, sovereign yields in the euro zone have reversed the upward trajectory they showed in the beginning of the year, with the German 10-year maturity yield curve decreasing to -0.408% (as of July 22, 2021). The Portuguese 10-year sovereign rate stands at 0.221% (as of July 22, 2021), a decrease of about 40bp compared to the peaks observed last May. The difference against the German sovereign remains close to 60bp. Portugal's credit rating assigned by the agencies S&P, Fitch and Moody's is BBB (stable), BBB (stable), and Baa3, respectively. DBRS maintains the BBB – high (stable) rating.

## Results

At the end of the 1<sup>st</sup> half of 2021, Santander Totta, SGPS (in this press release referred to as "Bank" or "Santander in Portugal") achieved a net profit of €81.4 million, a 52.9% decrease YoY. In the 1<sup>st</sup> quarter, an extraordinary expenditure was recorded, in the amount of €164.5 million (net of taxes), to cover the ongoing transformation plan, with the optimization of the branch network, and investments in processes and technology.

Compared to the same period of the previous year, the banking product increased by 8.7%, reaching €716.6 million, and operating costs decreased by 1.2%, totalling €284.2 million, thus operating income rose by 16.3% and the efficiency ratio decreased by 4.0pp, to 39.7%. This evolution of the efficiency ratio reflects the one-off impact of non-recurring income from the management of the securities portfolio, in a context of difficulty in the evolution of recurring commercial income, as a result of the uncertain economic environment in the context of the pandemic and negative interest rates.

Net interest income amounted to €383.4 million, equivalent to a 4% decrease YoY, an evolution that is essentially attributable to the reduction in credit spreads.

Net fees and commissions increased by 10.9%, to €203.1 million at the end of the semester. The most significant positive evolutions were recorded in account fees, with the offer of bundled accounts with a wide range of associated services, in payment methods, and in funds and insurance, reflecting the diversification of client resources and the strategic focus in autonomous insurance.

Other results of banking activity amounted to -€34.0 million, a 14.8% increase compared to the same period of the previous year, also reflecting the higher expenditures with the National and Single Resolution Funds. Income from the insurance business, in the amount of € 8.5 million, recorded an increase of 9.7%, and income from financial operations rose significantly, to €147.5 million, reflecting the management of the public debt securities portfolio (concentrated in the 1<sup>st</sup> quarter of the year).

The 1.2% decrease in operating costs, compared to the same period of the previous year, resulted from variations of -1.6% in personnel costs, -0.4% in general administrative expenses, and -1.9% in depreciations.

Net impairment of financial assets at amortized cost amounted to -€68.8 million, reflecting the incorporation of the forward-looking component of the macroeconomic scenario, as shown in the different projections made by national and international institutions, which show a gradual recovery of the activity, although differentiated between business sectors. Credit quality remains solid, materialized in a reduction in the NPE ratio to 2.5%, compared to 2.8% in June 2020.

Net provisions and other results include extraordinary expenditures related to the implementation of the Bank's transformation plan, including the optimization of the branch network and investments in processes, digitization and technology, with the consequent reduction in the number of employees.

Profit before taxes and minority interests amounted to €104,2 million, corresponding to a YoY reduction of 55%.

## **Balance Sheet and Business**

At the end of June 2021, the loans portfolio totalled €43.4 billion, with a growth rate of 3% YoY, reflecting not only the application of moratoria on loans to households and businesses, but also the high production of credit facilities for supporting the economy in the context of the health crisis we are experiencing, as well as the sustained production pace of mortgage credit.

Mortgage credit reached €21.3 billion, equivalent to an increase of 5.9% year-on-year, and consumer credit, in the amount of €1.7 billion, decreased by 0.7% compared to June 2020, reflecting the reduction in household discretionary spending. In the 1<sup>st</sup> half of the year, the Bank originated around €1.5 billion in mortgages, with a market share of 21.4% (average for the first five months of the year).

Loans to companies amounted to €16.6 billion, representing an annual increase of 0.5%, an evolution that was mitigated by the decrease in Large Companies.

<b>Credit</b> <sup>(1)</sup> (million euros)	<b>Jun-21</b>	<b>Jun-20</b>	<b>Var.</b>
<b>Credit to Individuals</b>	<b>23,332</b>	<b>22,168</b>	<b>+5.3%</b>
<i>from which</i>			
Mortgage	21,253	20,070	+5.9%
Consumer credit	1,668	1,679	-0.7%
<b>Credit to Companies</b>	<b>16,569</b>	<b>16,488</b>	<b>+0.5%</b>

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

The Non-Performing Exposure (NPE) ratio, calculated in accordance with the EBA criterion, stood at 2.5% in June 2021, a YoY decrease of 0.3pp, the respective coverage standing at 73.3%.

Customer funds amounted to €45.6 billion, a YoY growth of 5.9%, reflecting the positive contribution of deposits (+4%), and the significant increase in investment funds (+36.6%).

<b>Resources</b> (million euros)	<b>Jun-21</b>	<b>Jun-20</b>	<b>Var.</b>
<b>Customers' Resources</b>	<b>45,582</b>	<b>43,057</b>	<b>+5.9%</b>
<b>On-balance sheet resources</b>	<b>37,615</b>	<b>36,164</b>	<b>+4.0%</b>
Deposits	37,615	36,164	+4.0%
<b>Off-balance sheet resources</b>	<b>7,967</b>	<b>6,893</b>	<b>+15.6%</b>
Investment funds managed or marketed by the Bank	3,940	2,884	+36.6%
Insurance and other resources	4,027	4,009	+0.5%

## Liquidity and Solvency

In the 2<sup>nd</sup> quarter of 2021, the solid liquidity position was maintained, with an annual increase of around €1.4 billion in customer deposits, raising the liquidity reserve to about €16.2 billion, in line with what has been the Bank's usual precautionary strategy.

The funding obtained from the European Central Bank was maintained exclusively for long-term operations, and fully through the new funding programme promoted by the ECB (TLTRO III), in the amount of €7.5 billion. The net exposure to the Eurosystem stood at €0.7 billion.

Short-term funding, either through repurchase agreements or through institutional deposits, dropped to zero during the 2<sup>nd</sup> quarter.

In terms of long-term financing, in addition to the €7.5 billion with the ECB, the Bank ended the 2<sup>nd</sup> quarter of 2021 with about €0.6 billion of securitizations, €2.0 billion of covered bonds and € 0.5 billion of senior non-preferred issues.

The LCR (*Liquidity Coverage Ratio*), calculated in accordance with the CRD IV rules, stood at 132%, 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 21.8% (fully implemented), in June 2021 (an increase of 2.1pp compared to the same period in 2020), reflecting the capacity for organic capital generation, as well as the management of risk-weighted assets. Considering 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.

The Bank thus maintains fairly high capitalization levels, which represent a very comfortable margin over and above the minimum requirements imposed by the ECB under the SREP (in 2021, CET1 of 8.3%, Tier 1 of 10.1%, and Total of 12.5%, in full implementation).

<b>Capital (fully implemented)</b> (million euros)	<b>Jun-21</b>	<b>Jun-20</b>
Common Equity Tier 1	3,827	3,463
Tier 1	4,227	4,063
Total Capital	4,307	4,133
<b>Risk Weighted Assets (RWA)</b>	<b>17,522</b>	<b>17,540</b>
<b>CET 1 ratio</b>	<b>21.8%</b>	<b>19.7%</b>
Tier 1 ratio	24.1%	23.2%
Total Capital Ratio	24.6%	23.6%

## Business Activity

### Individuals, Business, Companies and Institutional

The 1<sup>st</sup> half of 2021 was quite challenging for the commercial departments, not only due to the ongoing pandemic situation, but also due to the acceleration of the transformation process of such commercial areas, mainly in the Individuals and Business network.

Commercial activity for **Individual** customers kept its positive trajectory in the 2<sup>nd</sup> quarter, both in terms of Customer Experience (NPS) and in terms of commercial performance. New customer service models were also created with the introduction of remote tools at branches, and the reinforced weight of Santander Próximo (a 100% digital branch), together with an important improvement in processes and in the technological capacity of the Bank's branches.

The focus on customer experience in all commercial banking activities and the constant measurement of NPS through *Qualtrics* has resulted in a gradual and consistent increase in NPS levels, both regarding Bank NPS, branch NPS, and manager NPS. During the 1<sup>st</sup> quarter, Bank NPS grew by 3.8 points in the branch network, standing at 57.3 (in a maximum of 100).

### *New Service Models and Process Improvement*

In March this year, a new customer service model was launched – *Hubs Select* – a team of qualified managers in large branches with remote management and contracting tools, aimed at serving customers with a digital nature and high financial capacity. This service is being offered to customers who had their account at that branch or in smaller surrounding branches where they could not find this specialized service. With this new model, customers can carry out all operations remotely, but if they need or want to meet in person with an account manager at the branch, they can do so, under prior appointment.

The *Hubs Select* thus complete the existing service models for customers with high financial capacity, which already existed through *Select* account managers (a fully face-to-face service at the branch) or through Santander Próximo (a fully digital, remote service).

Under the **SIMPLER** Programme, which started in the 1<sup>st</sup> quarter of the year, a significant set of new processes came into effect, which will facilitate business activity at branches and improve customer experience. Under this programme, new self-banking machines were also installed, with emphasis on the **VTM** (automatic machines for depositing banknotes and coins, and for change), and several advanced cashiers and corporate cashiers were implemented (with greater efficiency in processing deposits at branches). On the other hand, a series of paperless internal processes were consolidated. The main examples are **@credito** (a personal credit facility), a new card issuing process (for individuals and companies), a new **car insurance contracting** platform, and **online account opening** via an APP, among others.

### *Individuals*

With the end of the industry moratoria (APB) at the end of March, the 2<sup>nd</sup> quarter necessarily started with special attention to customers who resumed their debt service. In some cases, the Bank had to adjust the payment plan, as the impact of the closure of some activities made it impossible for some families to return to their normal income to meet their responsibilities. This process took place without major surprises, in close proximity to customers and very low default levels.

In the 2<sup>nd</sup> quarter, the business activity was continued at branches and through remote sales, especially with regards to the following families of banking products:

- **Protection insurance**, with greater highlight to the impact of the current situation on raising customers' awareness for the need of personal and family protection in the various dimensions of their lives. In this context, life and health insurance stood out, which saw their coverage reinforced within the context of the pandemic. A new car insurance was also launched (through the Mapfre Santander partnership) on the new contracting platform, which, in the future, will be common to all protection insurances in all channels.
- **Savings & Investment**, with a greater growth of household savings (caused by the reduction in consumption). Term deposits kept their minimal interest rates, which meant that investment funds remained as the most sought-after way by customers to diversify their savings.
- **Means of Payment**, with a very positive evolution in customers who make monthly payments through Santander. We highlight the improvement in customer experience in all payment journeys, whether transfers, direct debits, purchases or payments for services, capitalizing on digital and mobile payments. There was also a quite positive evolution of customers who intensified their relationship with Santander, thus increasing their loyalty and relationship. Another highlight was the simplified card offer, with a new image, with significant growth in debit and credit cards, with a relevant contribution from World 123 — a world with more and more advantages.
- **Mortgage Loans** — despite the various limitations resulting from the pandemic, the mortgage loan market kept its upwards trajectory, and Banco Santander followed such growth, consolidating its leadership in the production of new mortgage loans, with production market shares above 20%.

With the development of online trade in goods, it is also worth mentioning Boutique Santander in this 2<sup>nd</sup> quarter, through which customers can buy all types of items with a quality service, while being able to finance their purchases directly.

### *Companies and Institutional*

Santander remained focused on strengthening its presence in the **Companies** segment, committed to contributing to its sustainable development. In the current context, of sharp slowdown in economic activity,

resulting from the impact that is still being caused by the pandemic, making the initiatives promoted by the Government (credit facilities with State Guarantee) reach companies remained as a priority for the Bank.

Among other initiatives, Santander launched the **Agricultural Equipment Renewal Plan** in the 2<sup>nd</sup> quarter, to accelerate the digitization and sustainability of Portuguese agriculture, in order to enable investment in equipment with precision techniques, through which farmers can reduce up to 25% of CO<sub>2</sub> emissions and induce cost savings in farm consumables.

The Bank kept its commitment to improving internal procedures and processes in order to ensure the availability of liquidity to companies in a quick and timely manner, so that they can meet their commitments to third parties, namely employees, suppliers and the State.

The Bank has also strengthened its omni-channel approach, in addition to the service provided by the physical network, with a strong investment in digital channels, which has greatly contributed to increasing the degree of customer autonomy, satisfaction and loyalty. This positioning of greater proximity and quality of customer service allowed the sustained growth of the business in the Companies segment throughout the 1<sup>st</sup> half of 2021.

Regarding international business, the *Trade Finance* expert teams reinforced their proximity to Portuguese companies with a presence in foreign markets, seeking to support customers in all their difficulties caused by the current situation. Support in operating foreign trade processes is worth highlighting, involving different countries and international operators, where the Bank had to keep developing a joint, coordinated work in order to successfully complete import and export operations.

Santander Portugal keeps a solid market share in most *Trade Finance* operations, an unmistakable sign of our customers' trust in the Bank's professional structure, thus also demonstrating Santander Portugal's image of solidity and credibility in international markets.

It is also worth noting the swift GPI offer to Portuguese companies, enabling the traceability of both issued and received international transfers. Santander Portugal is the 1<sup>st</sup> and only Portuguese bank offering this new capability to its clients, enabling real-time validation of the tracking and execution of international payments, as well as verification of the status of transfers to be received from abroad.

Regarding Institutional Banking, Santander kept its commitment to its clients in this segment, both in terms of public entities, due to its strong presence in the autonomous regions and municipalities, as well as private entities, with a special focus on the Social Economy, which entities have played a key role in supporting poorer families during this pandemic period.

### ***Foreigners and Residents Abroad***

Portugal remains as a quite attractive country for foreigners interested in investing in Portugal or in living in Portugal permanently or with regular residence. On the other hand, the community of Portuguese emigrants residing abroad has a very significant importance.

Attentive to these two segments, the Bank has a team whose main objective is the creation of strong commercial ties and greater proximity with the communities of Portuguese and Portuguese descendants residing abroad, as well as the promotion and attraction of foreign customers who choose Portugal to invest and/or establish their residence.

In May this year, Santander launched a new remote service dedicated to customers residing abroad – ***Santander Próximo International***. It is a digital desk, dedicated to customers residing abroad, which provides an innovative customer service, using all the technology required for remote monitoring, and a team 100% dedicated to these clients.

With this solution, any Santander customer residing abroad can interact with the Bank without any restrictions, exactly as a customer living in Portugal. With this service, and with the geographic coverage of the Santander Group in several countries, the network of representative offices has become redundant, and, as such, was gradually downsized. Since the end of June, all customers in Germany are already being supported through this service model.

### ***Wealth Management and Insurance***

After a 1<sup>st</sup> quarter with robust growth in all business indicators, the 2<sup>nd</sup> quarter of the year confirmed this trend, with Santander Portugal's *Private Banking* having achieved, on June 30, very positive performances in most business indicators.

The macroeconomic environment remained quite favourable, confirming the expectation of global economic recovery, and the effectiveness of vaccines in protecting against Covid19, as well as a significant reduction in serious situations and deaths. The main concern was focused on possible inflationary pressures on both sides of the Atlantic, bringing some volatility to equity markets, without changing the direction and the positive feeling of recovery, as evidenced by the appreciation of the Eurotox50 (Europe) and S&P500 (USA) indexes, with valuations close to 15% in the year.

Thus, for most of Santander's *Private Banking* business indicators, the 1<sup>st</sup> half of 2021 was quite positive, with a 7% growth in assets under management, as well as an 18% growth in off-balance sheet resources (funds, insurance, and discretionary portfolio management).

It is also worth noting the robust growth of the *Private Banking* customer base, based not only on external prospecting, but also on strong collaboration and support from the branch network and corporate centres in identifying customers in this segment.

For its part, Santander Asset Management (SAM) sought to actively manage its securities investment funds (FIM) and promote new solutions, within a framework marked by favourable investor feelings. In this regard, we highlight the launch of two new funds, Santander Investimento Global, and Santander Multi-Estratégia.

The semester was marked by a strong dynamic in the demand for investment funds, with net subscriptions of about €597 million. At the end of June 2021, the market share in securities investment funds reached 17.6%.

Regarding real estate investment funds, they totalled €281 million in June 2021, compared to €329 million at the end of 2020. Part of this drop was the result of a capital reduction operation in the Novimovest Fund, carried out at the beginning of the year.

Retirement solutions were a very important focus of the Bank's commercial activity, not least because of the needs that this pandemic brought to light, and because of a significant increase in the savings rate in Portugal. Products grew by €94 million in Fund format (FPR's), and by €29 million in Insurance format (PPR's) in the year.

As far as financial insurance, the open financial insurance was promoted quite actively, in order to mitigate the maturities of insurance with defined maturity that occurred during the period, in the amount of about €216

million. An innovative product was also launched, the *Santander Future Wealth*, geared towards new trends, namely technology, sustainability and health.

The strategy developed had the desired effects, with the financial insurance portfolio increasing by seven million euros, reaching €3,571 million.

### **Corporate and Investment Banking**

In the **Corporate & Investment Banking** area, the focus remained on being close to our customers, and on offering solutions suited to their needs. The focus on digital channels, highlighting the digital foreign exchange contracting platform (via NetBanco Corporate), proved to be critical in terms of customer access to the Bank.

Since the beginning of the year, the credit portfolio has grown by 0.7%. Revenues decreased by 4.5% year-on-year, explained by the delay in carrying out non-recurring operations. The net interest margin grew by 4.5%, compared to the same period in 2020.

It is worth noting the distinction as "**Best Investment Bank Portugal 2021**" awarded by *Euromoney*.

In the **Global Debt Financing** area, the first half of 2021 was marked by Santander as a *bookrunner* in the following debt issuances: (i) EDP: issuance of a new hybrid *green bond*, with a 60-year maturity, in the amount of €750 million; (ii) REN: issuance of a new *green bond*, with an 8-year maturity, in the amount of €300 million.

During the semester, several relevant financing operations were concluded in a wide range of sectors, of which various financing operations in the real estate sector stood out, namely real estate development for student residences, the retail sector, telecommunications infrastructures, and hospital infrastructures.

In the **Corporate Finance** area, it is worth noting the successful completion of financial advisory services to Atlantia, namely through the announced sale of the 17.2% stake held in Lusoponte to MM Capital Partners, a subsidiary of Marubeni Corporation.

In the **Treasury** area, particularly in the **Corporate and Commercial Banking** area, the 1<sup>st</sup> half of 2021 represented the consolidation of an alternative client monitoring model, designed, tested and correctly implemented throughout 2020. Commercial dynamics and negotiation methodologies were renewed, new communication channels were implemented, and areas of collaboration were brought closer to each other, with the same focus and objective of maintaining the quality of service and availability that our customers expect from us.

The swift adaptation to this new reality was decisive for the growth of Banco Santander's activity in exchange rate and interest rate risk management instruments, during the first six months of 2021. Specifically in the **Foreign Exchange Area**, it was possible to achieve activity growth, based on the different contracting channel alternatives available to all clients. In this section, it is particularly noteworthy that, despite the widespread isolation that has kept many Banco Santander clients working from their homes, all means for contracting foreign exchange transactions remained always available, with a team permanently available in the Market Room, plus the commercial teams at the branches and commercial departments, and the electronic platform, available through NetBanco Corporate, ensuring an adequate response to the needs of all clients.

The gradual reopening of trade, tourism and other economic activities, which took place throughout the quarter, supported the growth of spot and forward exchange contracting operations, and thus the 1<sup>st</sup> half of 2021 has been one of the most active periods in terms of traded volume, number of operations and active clients, over the last 5 years.

Increased volatility in most financial markets, in a context of macroeconomic uncertainty, has justified an even greater proximity to companies when they renew their financing or when they contract new credit operations. The predictable escalation of the inflation rate, the sharp increase in the value of commodities (with Brent in the spotlight), and the uncertainty surrounding the policies that will be followed by Central Banks, give rise to a greater need for hedging interest rate risk, either for new financing or for those already in progress.

In this context, we have witnessed a significant growth in formalized fixed-rate credit operations throughout the 1<sup>st</sup> half of 2021, which demonstrates the availability of credit alternatives and support for entrepreneurs' decisions.

In the **Cash Equities** area, the volumes traded on the equity markets in the period from January to May, recorded a significant growth compared to the previous year. In the online business, Santander continued to outperform the market, having had a slight gain in the share of stock orders volume. According to data released by the Portuguese Securities Market Commission (CMVM), the volume of share orders received by FIs in Portugal grew by approximately 18% year-on-year, totalling about €9,668 million. In the same period, Santander grew by 21.9%, to €779 million, which represents a market share of 8.1% (7.8% in the same period of 2020).

In the online business (Internet Website), the market grew by 20%, to €6,922 million, with Santander contributing with €689 million, representing a 38.7% increase compared to the same period of 2020, and a share of 10% in the first five months of the year (8.6% in the same period of 2020). Santander's business continued to outperform the market, as evidenced by the rise in its market share.

## Responsible Banking

Banco Santander is committed to its mission of contributing to the development of people and companies, supporting inclusive, sustainable growth.

In the 1<sup>st</sup> half of 2021, Santander continued to support the Community, with special focus on supporting the most vulnerable sectors of society and projects by Higher Education Institutions. In terms of support to society, **84,066 people** were supported during this period.

Santander actively participated in initiatives such as the **#TodosJuntos** campaign, which brought together 10 banks and more than 30 companies to raise funds for essential foodstuffs and medicines for vulnerable people and families. Through this initiative, €2,500,000 were raised, and more than 74,000 people were supported.

Santander also participated in the **"Global Response to Covid-19 – Donors Conference,"** organized by the European Commission, with the aim of accelerating the development, production and equitable access to vaccines, diagnoses and treatments. The Santander Group participated with €500,000, an amount shared between Santander Portugal and the parent.

Since one of the Bank's main concerns is everyone's inclusion in society, a partnership was established for the next three-year period with the Portuguese Rugby Federation. An alliance in which the Bank and the Federation, through the sharing of values, intend to support and inspire inclusion and social responsibility initiatives. Within this same rationale, the protocol between Santander and the Salvador Association was renewed for two more years, whose objective is to promote the employability of people with physical disabilities.

Internally, the Bank promoted the 4<sup>th</sup> edition of **Participatory Donation**, a project in which employees vote on the social and environmental projects they consider should be supported by the Bank. Associação Alzheimer Portugal, Casa dos Rapazes, Ocean Alive, and Projecto Hipoterapia were selected to receive a prize of €7,500 each.

Education remains as one of Santander's main focus, namely in promoting equal opportunities, such as through the **Santander Future Scholarships**, aimed at young university students in need of financial support for beginning or pursuing their Higher Education studies, and the **Santander Global Scholarships**, aimed at supporting university students wishing to have an international experience. Santander recently launched the **Sara Carreira Association Scholarships**, aimed at children and young people aged between 12 and 21, with financial constraints. For 2021, 4,000 scholarships are expected to be awarded.

The Bank also supports educational projects of an innovative nature, such as **42 Lisbon**, a revolutionary programming academy with international prestige and entirely free for students; the "**U. Porto Santander Inspire Yourself**" training, aimed at encouraging the development of university projects with a positive impact on the community; or the Santander **Skills | Innovation in Teaching** Scholarships, in partnership with Laspau, aimed at university professors from 11 countries, for learning new teaching models from an innovative perspective.

Santander keeps supporting and encouraging the climate transition, having recently launched a new offer of biodegradable cards for the corporate segment, with a new image and various functionalities, in line with its commitment to sustainable, responsible banking.

As previously mentioned, Santander was a *joint bookrunner* in the issuance of € 750 million of green hybrid debt bonds by EDP, as well as in the issuance of € 300 million of *green bonds* by REN.

In order to contribute to the sustainable development of the agricultural sector, the Bank participated in the 1<sup>st</sup> Iberian Summit on Agriculture, supporting the sector with its financial and non-financial offer. In this area, the Agricultural Equipment Renewal Plan was also made available to accelerate the digitization and sustainability of Portuguese agriculture.

Santander was also present at the 15<sup>th</sup> Edition of **Green Fest Portugal**, the country's largest sustainability festival. To celebrate the Environment Day, an initiative was launched at branches across the country that participated in the collection of small household appliances and electrical equipment delivered to local Voluntary Fire-Brigade Associations. In a partnership with Electrão, the recycling of such equipment will raise funds and enable the purchase of a fire fighting vehicle.

This concern for the environment is also particularly present in the Bank's internal activities. The electricity consumed by Santander comes 100% from renewable energy sources, and, since 2020, Santander has been carbon neutral by offsetting all the emissions generated by its daily activity.

In order to help customers make more informed decisions on their finances, Santander has made its financial literacy blog available, having recently launched "O Salto – o blog da Comunidade Santander" [The Leap – the Santander Community blog]. In this space, the Bank provides content on a wide range of topics, including information on savings, moratoria, insurance, financial management or scholarships.

### **External recognition**

During the 1<sup>st</sup> half of 2021, Santander was distinguished as the "Best Bank in Portugal" by the Euromoney magazine, and by the North American magazine Global Finance, in the latter case, within the scope of the "World's Best Banks 2021." It was also distinguished as the "Best Investment Bank in Portugal" by the Euromoney magazine, and as the "Most Reputable and Relevant Banking Brand in Portugal," according to the latest Global RepScore Pulse study, prepared by the consultancy OnStrategy, which highlights the brands that stood out the most in 2020, in a pandemic scenario.,



In the Companies field, Euromoney once again distinguished Santander as the "Best Trade Finance Bank in Portugal," winning in the categories of "Market Leader" and "Best Service." The same publication also distinguished Santander's Private Banking with the award "Best Private Banking Services Overall in Portugal 2021." This award joins that of Global Finance, which, in November, also distinguished the institutions with the best private banking service in the world, in "The World's Best Private Banks Awards for 2021."

Regarding the Corporate and Investment Banking business, Santander Portugal won two awards in this year's Euronext Lisbon Awards. The Bank stood out in the Settlement Custody category, which distinguishes the financial intermediary that carried out the largest number of share and bond issuances recorded with Interbolsa (and not admitted to trading), weighted by the respective amounts. It also won in the Book Runner Bonds category, as it is the financial intermediary with the largest number of issuances and amounts placed in securities identified in this category, listed on Euronext Lisbon.

**Santander Totta, SGPS**

<b>Balance Sheet</b> (million euros)	<b>Jun-21</b>	<b>Jun-20</b>	<b>Var.</b>
Cash, cash balances at central banks and other demand deposits	7,638	7,556	+1.1%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	10,003	12,407	-19.4%
Financial assets at amortised cost	40,314	39,184	+2.9%
Investments in subsidiaries, joint ventures and associates	128	106	+20.7%
Tangible assets	587	626	-6.2%
Intangible assets	38	40	-6.7%
Tax assets	401	579	-30.8%
Non-current assets held for sale	53	55	-3.2%
Other assets	173	279	-38.1%
<b>Total Assets</b>	<b>59,335</b>	<b>60,833</b>	<b>-2.5%</b>
Financial liabilities held for trading	741	1,008	-26.5%
Other financial liabilities mandatory at fair value through profit or loss	3,246	3,230	+0.5%
Financial liabilities at amortised cost	48,497	49,504	-2.0%
Resources from Central Banks and Credit Institutions	7,619	9,753	-21.9%
Customer deposits	37,615	36,164	+4.0%
Debt securities issued	3,022	3,347	-9.7%
Of which: subordinated debt	8	8	+0.0%
Other financial liabilities	241	240	+0.4%
Provisions	388	219	+77.0%
Technical provisions	696	724	-3.8%
Tax liabilities	365	510	-28.5%
Other liabilities	973	1,158	-15.9%
<b>Total Liabilities</b>	<b>54,907</b>	<b>56,353</b>	<b>-2.6%</b>
Share capital attributable to ST SGPS shareholders	4,426	4,479	-1.2%
Non controlling interests	2	2	+3.9%
<b>Total Shareholders' Equity</b>	<b>4,428</b>	<b>4,480</b>	<b>-1.2%</b>
<b>Total Shareholders' Equity and Total Liabilities</b>	<b>59,335</b>	<b>60,833</b>	<b>-2.5%</b>

**Santander Totta, SGPS**

<b>Income Statement*</b> (million euros)	<b>Jun-21</b>	<b>Jun-20</b>	<b>Var.</b>
<b>Net interest income (without dividends)</b>	<b>383.4</b>	<b>399.3</b>	<b>-4.0%</b>
Dividends from equity instruments	1.5	1.7	-11.5%
<b>Net interest income</b>	<b>384.9</b>	<b>401.1</b>	<b>-4.0%</b>
Results from Associates	6.4	5.1	+27.2%
Net commissions	203.1	183.1	+10.9%
Other banking income	-34.0	-29.6	+14.8%
Insurance activity	8.5	7.8	+9.7%
Gain/loss on financial transactions	147.5	91.9	+60.6%
<b>Operating income</b>	<b>716.6</b>	<b>659.4</b>	<b>+8.7%</b>
Total operating expenses	(284.2)	(287.8)	-1.2%
Personnel expenses	(158.7)	(161.3)	-1.6%
General expenses	(100.1)	(100.6)	-0.4%
Depreciation	(25.4)	(25.9)	-1.9%
<b>Net operating income</b>	<b>432.4</b>	<b>371.6</b>	<b>+16.3%</b>
Impairment of financial assets at amortised cost	(68.8)	(100.9)	-31.8%
Net provisions and other results	(259.4)	(39.2)	>200%
<b>Income before taxes and MI</b>	<b>104.2</b>	<b>231.5</b>	<b>-55.0%</b>
Taxes	(22.8)	(58.5)	-61.1%
Minority interests	(0.0)	(0.1)	-67.6%
<b>Consolidated net income</b>	<b>81.4</b>	<b>172.9</b>	<b>-52.9%</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>Jun-21</b>	<b>Jun-20</b>	<b>Var.</b>
<b>Profitability</b>			
Income before taxes and MI/Average net assets	0.4%	0.8%	-0.4 p.p.
Operating income/Average net assets	2.5%	2.3%	+0.2 p.p.
Income before taxes and MI/Average equity	4.5%	10.6%	-6.1 p.p.
<b>Efficiency</b>			
Total operating expenses/Operating income	39.7%	43.6%	-4.0 p.p.
Personnel expenses/Operating income	22.1%	24.5%	-2.4 p.p.
<b>Transformation</b>			
Credit (net)/Deposits	112.9%	114.0%	-1.1 p.p.