Santander

JANUARY - MARCH 2021 RESULTS

Santander Portugal achieves net profit of €34.2 million (-71.2% yoy)

"The results for the 1st quarter 2021 demonstrate much of what we have been anticipating about the Bank and the reality in which we currently live, with the Bank maintaining its solidity and its resilience in the face of a very adverse business context.

On the one hand, we have the economic effects of the pandemic along with the negative interest rate environment, which have affected the Bank's recurring revenue generation and the cost of risk that has to be recognized.

On the other hand, we are experiencing a profound transformation of the banking business, and in the way customers relate to banks, which is increasingly digital.

In order to face this situation, Santander has been making an extra effort to control costs, and to adapt its operation to its clients' needs, namely by implementing a transformation plan whose primary objective is to keep serving our clients in the best possible way.

In order to accelerate this transformation plan we recorded an extraordinary cost of €164.5 million in the 1st quarter, which represents the investment to be made in 2021, namely in processes and technology, in a much-required optimization of the branch network and in the global restructuring of our business.

Despite the challenging and fast changing times we are living in, our mission of supporting families, companies and general society in Portugal remains strong, namely with the data on the evolution of credit, deposits and client growth showing the confidence placed in the work we have been developing.

We also keep presenting high levels of capitalization, with the best ratings, and we will always keep solidly supporting the development of the Portuguese economy."

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

Lisbon, April 28, 2021 - PRESS RELEASE

Highlights

- At the end of the first quarter of 2021, the **net profit** of Santander Totta, SGPS amounted to **€ 34.2 million**, a year-on-year decrease of 71.2%.
- A € 164.5 million provision (net of taxes) was recorded to cover the bank's restructuring operation, in particular of its human resources.
- On the other hand, the results for the 1st quarter are positively influenced by the non-recurring impact of about € 140 million from the management of the bank's securities portfolio.

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- The Bank kept supporting families, companies and society, as the core of its activity, within the continuing pandemic context, namely through its commercial network, complemented by digital channels, and by participating in the moratoria mechanisms on credit to private individuals and companies, as well as in providing credit facilities guaranteed by the State. At the end of March, the moratoria, both legal and private, covered about 54 thousand customers, for a total amount of **€ 6.4 billion of credit (16% of the total portfolio)**, which corresponds to a 25% reduction compared to the end of 2020, with the expiration of the private moratoria. Within the scope of **credit facilities with State guarantee**, the Bank approved a set of operations in the amount of approximately **€ 2.1 billion**, covering approximately 15 thousand customers.
- Total **customer loans**[1] **amounted to € 43.0 billion,** equivalent to a 5.0% increase over the same period last year.
- The **market share of new loans to companies and housing** stood at **21.5% and 21.9%**, respectively.
- Customer resources amounted to € 43.8 billion, an increase of 5.0% over the same period last year, an evolution determined by the increase of **3.5% in deposits and 12.5% in off-balance sheet resources**.
- The number of **digital customers increased by 21.7%** over the same period, reaching 970 thousand, while the number of **main bank customers grew by 4.4%**, reaching 816 thousand.
- The reduction in the generation of recurring commercial revenues kept reflecting the difficulties of the economic context, as a result of the increased competitive environment, the negative level of long-term interest rates, and the lower use of banking services, as well as the profound, structural changes in the way clients interact with the bank – a trend that has accelerated sharply in recent quarters as a result of changing consumer habits when looking for banking services. Revenues in the 1st quarter are positively influenced by the generation of non-recurring revenues associated with the management of the securities portfolio.
- The **efficiency ratio stood at 34.1%** (7.4pp below the figure reached in March 2020).
- The net profit for the quarter is also affected by the need for constituting impairments to face the unfavourable economic situation.
- The fully implemented **CET1 ratio stood at 20.1%**, an increase of 4.3pp compared to March 2020.
- During the first quarter of 2021, Santander was distinguished as the "**Best Bank in Portugal**" by the North American magazine Global Finance, within the scope of the "World's Best Banks 2021". It was also distinguished as the "**Most Reputed and Relevant Bank Brand in Portugal,**" according to the most recent Global RepScore Pulse study, prepared by the consultancy OnStrategy. In the Corporate area, Euromoney again distinguished Santander as the "**Best Trade Finance Bank in Portugal**," by winning in the categories of "Market Leader" and "Best Service." The same publication also distinguished Santander Private Banking with the "**Best Private Banking Services Overall in Portugal 2021**" award. With regard to Corporate and Investment Banking activity, Santander Portugal won two awards at this year's edition of the **Euronext Lisbon Awards**, in the categories of "Settlement & Custody," and of "Book Runner Bond."
- Santander remains committed to supporting the community, with a special focus on supporting the most vulnerable sectors of society and projects from Higher Education Institutions. In the first quarter of 2021, in terms of supporting society, 15,233 people were supported.

[1]Total credit to clients (gross)

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- Santander Totta has the **best financial ratings in the sector**. The Bank's current long-term debt rating notations, compared to those of the Portuguese Republic, are as follows: Fitch – BBB+ (Portugal – BBB); Moody's – Baa3 (Portugal – Baa3); Standard & Poor's – BBB (Portugal – BBB); and DBRS – A (Portugal – BBB high).).

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Main Indicators

Santander Totta, SGPS

Balance Sheet and Income Statement (million euros)	**Mar-21**	Mar-20	**Var.**
Net assets	58,127	56,134	+3.6%
Total Gross Loans [1]	43,029	40,986	+5.0%
Resources	43,824	41,754	+5.0%
Net interest income (without dividends)	192.5	202.0	-4.7%
Net comissions	96.5	96.6	-0.0%
Operating income	420.8	354.5	+18.7%
Total operating expenses	(143.3)	(147.0)	-2.5%
Net operating income	277.5	207.5	+33.7%
Income before taxes and MI	22.5	167.2	-86.5%
Consolidated net income	34.2	118.9	-71.2%

RATIOS (million euros)	**Mar-21**	Mar-20	**Var.**
ROE	2.9%	11.2%	-8.3 p.p.
Efficiency ratio (incl. depreciation)	34.1%	41.5%	-7.4 p.p.
CET 1 ratio fully implemented	20.1%	15.8%	+4.3 p.p.
Non-Performing Exposure ratio [2]	2.6%	3.0%	-0.5 p.p.
Non-Performing Exposure coverage ratio	69.1%	55.9%	+13.2 p.p.
Cost of Credit [3]	0.32%	0.20%	+0.12 p.p.

OTHER DATA (million euros)	**Mar-21**	Mar-20	**Var.**
Number of employees in Portugal	5,954	6,169	-215
Total Branches in Portugal	386	482	-96

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

[1] Total loans to customers (gross)
[2] According to EBA criteria
[3] 12 month average

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Business Framework

In 2020, the need for protecting public health during the 1st pandemic wave led to the enforcement of general lockdown measures, by stopping all non-essential economic and social activities between March and May 2020. Consequently, it caused the greatest economic contraction recorded in a single year (-7.6%) compared to what had happened during other periods of crisis.

However, the recessive effects on economic activity have been partially mitigated through measures to support household income and company liquidity, which has prevented: (1) an immediate deterioration in labour market conditions, which has kept the unemployment rate in 2020 below 7%; and (2) an increase in non-performing loans to the financial sector.

However, Portugal had to face a 2nd pandemic wave in the 1st quarter of 2021, more serious than the 1st wave in 2020. On January 15, 2021 the Government had to again enforce general lockdown measures, which lasted until the end of March 2021. The economic impact of the lockdown measures would then materialize in a contraction of GDP between 7% to 6% in year-on-year terms, with a stronger impact on private consumption and exports.

As far as the evolution of turnover in the services sector, it precipitated a drop of 16.5% and 20%, in year-on-year terms – for the 3rd consecutive month – in January and February 2021, respectively. In February, the evolution of the employment, wages, and worked hours indices recorded year-on-year decreases of 9.5%, 8.3% and 25%, respectively. The services that suffered the most from the slowdown of economic activity were again trade, hospitality, restaurants, and transports. As far as employment is concerned, the hospitality and catering sector recorded the largest year-on-year decline (-21.7% in February, after -19.7% in January) compared to the remaining sectors, which showed drops below 10%.

The evolution of electronic and cash transactions recorded a quarterly drop of 23%, with a greater impact on the catering and fashion sectors, with year-on-year drops of over 30%. Conversely, transactions in traditional commerce, grocery stores and mini-markets grew by more than 20% year-on-year.

Regarding the impact on the evolution of employment, in January and February 2021, the employed population decreased by 2.2% and 1.7%, respectively, in year-on-year terms, which, associated to a decrease in the unemployed population, contributed to a drop in the number of the active population. In this sense, the new unemployed replaced those who moved over to the discouraged category, and consequently the unemployment rate remained unchanged (6.9%), but the rate of underutilization of work came close to 14%.

The vaccination process in the Euro Area is evolving at a slow pace when compared to other developed economic regions, as a result of delays in the delivery of vaccines, and the management of side effects after inoculation. In Portugal, the rate of vaccination remains in line with that of other European partners, with 2.3 million doses already administered, of which 1.6 million people (16.2% of the population) have received the first dose, and 700 thousand people (6.2% of the population) have received the full dose. Health authorities remain committed to achieving herd immunity throughout the 3rd quarter of 2021, allowing for greater ease of the social lockdown measures.

This is an important development, as the implementation of the European Recovery and Resilience Plan (RRP) is quite delayed. It is worth recalling the significant dimension of this Plan, with a financial envelope of € 750 billion, of which € 390 billion are grants to States. It is expected that the funds will be able to start reaching the different member states in the second half of 2021, and that they will effectively contribute to relaunching the pillars of the economy, and to leveraging the pace of economic recovery pari passu with the process of lifting lockdown restrictions.

From this financial package, Portugal will receive a sum of more than € 15 billion in non-repayable subsidies (of which 14 billion through the RRP), and the Government intends to use € 2.7 billion of the more than € 15 billion in available loans. Together with the new multiannual financial framework and the remaining PT2020 funds, Portugal will have access to almost € 58 billion in community funds to be used over the next decade.

In terms of monetary policy, the ECB, in response to the recent increase in sovereign interest rates, decided to accelerate the asset purchase program under the PEPP during the 2nd quarter of 2021, as well as to reinforce the objective of using the € 1,850 billion of the programme by the end of March 2022. It claims to be prepared to improve and create monetary stimulus to preserve favourable financing conditions throughout the pandemic period, and for all economic sectors. The decrease in the financial and liquidity uncertainty factors will contribute to promoting the confidence of economic agents, an essential condition to stimulate consumption and investment during the economic recovery stage.

The ECB still maintains a context of negative interest rates, the strengthening of guidelines on maintaining the level of interest rates (forward guidance), the possibility of increasing asset acquisitions (in the amount and duration of the programme), and a wide provision of liquidity.

In the first two months of 2021, sovereign yields in the Euro Area increased by 28 bps, with the German yield for 10-year maturity remaining stable at about -0.30% in March 2021. The Portuguese sovereign yield for the ten-year tenor stands at 0.387% (as of April 15, 2021), an increase of 30 bps compared to the rate at the end of 2020. The spread vis-à-vis the German sovereign remains close to 60 bps. The Country's credit rating by the agencies S&P, Fitch and Moody's is BBB (stable), BBB (stable) and Baa3, respectively. DBRS maintains a BBB - high (stable) rating.

Results

At the end of the first quarter of 2021, Santander Totta, SGPS (in this Press Release referred to as the "Bank" or "Santander Portugal") achieved a net profit of € 34.2 million, a 71.2% drop compared to the figure achieved in the same period last year. In the first quarter, an extraordinary cost of € 164.5 million (net of taxes) was recorded in order to cover the ongoing transformation plan, with the optimization of the branch network and investments in processes and technology.

Operating income reached € 420.8 million, representing an increase of 18.7%, and operating costs decreased by 2.5%, totalling € 143.3 million, in the same period, and thus operating results increased by 33.7%, and the efficiency ratio decreased by 7.4pp, to 34.1%. 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 difficulties in the evolution of recurring commercial revenues, as a result of the evolution of the economic environment and the level of negative interest rates.

The net interest margin amounted to € 192.5 million, a decrease of 4.7% compared to the same period last year. As in previous quarters, the competitive environment is still reflected in a reduction in credit spreads, which more than compensates for the growth in volumes.

Net fees and commissions totalled € 96.5 million, in line with the amount recorded in the same period last year. The dynamics of account commissions, with the offer of package accounts with a wide range of associated services, helped offset the reduction in commissions from means of payment, as well as from credit granted, which were affected due to the context of the pandemic and the lockdown in force during the first quarter of 2021.

The other banking business results amounted to € -19.5 million, an increase of 17.2% compared to the same period last year, also reflecting the higher costs with the National and the Single Resolution Funds. The results of insurance activity, in the amount of € 4.3 million, recorded an increase of 7.6%, reflecting the focus placed on the commercial offer of Protection. The results on financial operations recorded a significant increase, to € 144.1 million, reflecting the management of the bank's securities portfolio.

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The 2.5% drop in operating costs, compared to the same period last year, results from changes of -5.4% in staff costs, plus 2% in general administrative expenses, and -0.6% in depreciations.

The net impairment of financial assets at amortized cost amounted to € -34.0 million, continuing to reflect the incorporation of the forward-looking component of the most adverse macroeconomic scenario, as shown in the different projections made by national and international institutions, which also show a gradual economic recovery and high unemployment. The variation compared to the same period last year reflects a preventive reinforcement, since credit quality remains solid, materialized in a reduction of the NPE ratio to 2.6%, compared to 3.0% in March 2020.

Net provisions and other results include the constitution of an extraordinary provision, related to the implementation and acceleration of the Bank's transformation plan, aimed at adapting its activity to its clients' needs, using the results obtained with the management of the public debt portfolio for this purpose. This plan covers investments in processes, digitalization and technology, including optimization of the branch network, with the consequent reduction in the number of employees.

The optimization of the branch network implied a reduction from 427 to 386 branches (between December 2020 and March 2021), with the Bank entering 68 exit agreements with employees. On this date, procedures have been initiated towards an unilateral reduction that will include other employees whose functions have become redundant, a measure that will include between 100 and 150 employees.

In addition, there is a general voluntary exit program for employees aged 55 or above – the 55+ Plan. In June, after the completion of this Plan, a restructuring plan will be approved, the scope and dimension of which will be determined according to the results of the 55+ Plan.

The Bank currently has about 950 employees aged over 55 years.

Income before taxes and minority interests amounted to € 22.6 million, corresponding to an annual reduction of 86.5%.

Balance Sheet and Business

At the end of the first quarter of 2021, the loan portfolio amounted to € 43.0 billion, a 5.0% increase over the same period last year. This evolution continues to reflect not only the application of moratoria on credit to families and companies, but also the high production of credit facilities to support the economy, in the context of the health crisis that we are currently experiencing, as well as the sustained rhythms of mortgage credit production.

Mortgage loans amounted to € 20.9 billion, corresponding to an increase of 5.5% in year-on-year terms, and consumer credit, amounting to € 1.7 billion, recorded a 4.1% decrease compared to March 2020, reflecting the reduction in household discretionary spending. In the first quarter of the year, the Bank originated about € 707 million in mortgages, with a market share of 21.9% (average for the first two months of the year).

Loans to companies amounted to € 16.6 billion, representing an annual increase of 5.9%, partly associated with the agreed credit facilities, with emphasis on the facilities created under the COVID-19 pandemic.

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Credit (1) (million euros)	Mar-21	Mar-20	Var.
Credit to Individuals	22,971	21,956	+4.6%
from which			
Mortgage	20,917	19,822	+5.5%
Consumer credit	1,637	1,706	-4.1%
Credit to Companies	16,581	15,661	+5.9%

(1) Credit at amortised cost

The Non-Performing Exposure (NPE) ratio, calculated according to the EBA criterion, stood at 2.6% in March 2020, recording a 0.5 pp reduction compared to the same period last year, with the respective coverage setting at 69.1%.

Customer resources totalled € 43.8 billion, equivalent to a 5.0% growth compared to the figure reached in March 2020, reflecting the positive contribution of the evolution of deposits (+ 3.5%), and the significant increase in investment funds (+ 33.5%).

Resources (million euros)	Mar-21	Mar-20	Var.
Customers' Resources	43,824	41,754	+5.0%
On-balance sheet resources	36,233	35,007	+3.5%
Deposits	36,233	35,007	+3.5%
Off-balance sheet resources	7,591	6,747	+12.5%
Investment funds managed or marketed by the Bank	3,605	2,700	+33.5%
Insurance and other resources	3,985	4,047	-1.5%

Liquidity and Solvency

Santander Portugal's policy is to maximise the available liquidity cushion to cope with adverse liquidity events. In the first quarter of 2021, the solid liquidity position was kept, with an increase of about € 0.3 billion in customer deposits. Exposure to the Eurosystem stood at € 1.8 billion, and the liquidity cushion ended the quarter at about € 15.5 billion.

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.

Short-term financing, either through repurchase agreements or through institutional deposits, was practically reduced to zero during the first quarter.

As far as long-term financing, in addition to the € 7.5 billion with the ECB, Santander Portugal ends the first quarter of 2021 with about € 0.6 billion in securitizations, and € 2.0 billion worth of mortgage bonds.

The LCR (Liquidity Coverage Ratio), calculated in accordance with CRD IV rules, stood at 133%, thus meeting the regulatory requirement on the fully-implemented basis.

The Common Equity Tier 1 ratio (CET1), calculated according to CRR / CDR IV standards, rose to 20.1% (fully implemented) in March 2021 (an increase of 4.3pp 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 Portugal decided not to distribute dividends in 2020.

The Bank is thus maintaining very high levels of capitalization, which represent a very comfortable gap in view of the minimum requirements required by the ECB under the SREP (in 2021, CET1 of 8.3%, Tier 1 of 10.1%, and Total 12.5%, in full implementation).

Capital *(fully implemented)* (million euros)	**Mar-21**	Mar-20
Common Equity Tier 1	3,581	2,933
Tier 1	3,881	3,533
Total Capital	3,958	3,607
Risk Weighted Assets (RWA)	17,823	18,568
CET 1 ratio	20.1%	15.8%
Tier 1 ratio	21.8%	19.0%
Total Capital Ratio	22.2%	19.4%

Business Activity

Individuals, Business, Companies and Institutional

The first quarter of 2021 proved to be another challenging quarter for the commercial areas, as a result of the worsening of the pandemic, which imposed an additional effort by the various teams to keep the commercial activity open and running, and, in particular, to reinforce the level of customer service

The business activity for Individual customers was mainly based on the following priorities:

- Maintain the focus on being the best Bank in NPS (Net Promotor Score), with the improvement of customer satisfaction and experience in all interactions. The path of the commercial area in this indicator has been growing and has remained consistent.
- Support customers in Digitizing their relationship with the Bank. At a time when mobility and physical contact have limitations, this aspect takes on special relevance. The growth in digital customers and App users over the first quarter has accelerated, maintaining the growing trajectory that had already occurred in 2020. In March, the total digital customers reached 970 thousand, an increase of 40 thousand in the quarter.
- Inform, manage and prepare customers who have joined private moratoria (which ended in late March) for the resumption of their debt service. In some cases, it was necessary to adjust the payment plan, since the impact of the closure of some activities made it impossible for some families to return to their normal income levels and meet their responsibilities.
- Increase productivity and sales of the main products sought by customers (protection insurance, savings and investment, means of payment, and mortgage loans).

  In terms of Protection Insurance, it is worth highlighting health insurance, which showed a great dynamic this quarter, with a significant growth, representing 50% of all insurance sales. However, it is also worth highlighting the good performance in all ranges of protection products, with placements in the 1st quarter above that seen in the previous quarter;

  In terms of Savings, the highlight was the placement of investment funds, with subscriptions net of redemptions close to € 300 million in the first quarter;

In terms of Means of Payment, we would highlight the simplification of the cards offer, which now have a new image and are biodegradable;

In terms of Mortgage Loans, the OpenHouse contracting platform was consolidated, and the leadership position in the production of new Housing Loans was reinforced.

- Transformation of the branch network and product hiring processes, thus reducing costs and improving customer and employee experience. Through the SIMPLER Program, a vast set of procedural improvements have begun this quarter, which will make life easier at our branches, and improve customer experience. The main areas for improvement in this quarter were: Voice (commercial systematic system), the launch of the End-to-End insurance process, and the new contracting processes for Mifid products and cards.

With regard to the activity of the Business segment, Santander keeps its objective of strengthening its presence in this segment, remaining at the forefront in supporting Portuguese companies, with a focus on initiatives promoted by the Government (credit facilities guaranteed by the State), to face the short-term financial difficulties of companies, as a result of the strong slowdown in their activity caused by the Covid-19 pandemic.

Santander has been strengthening its omnichannel approach, complementing the service provided by the physical network with a strong investment in digital channels, thus contributing to increase the degree of customer satisfaction and autonomy, as well as their loyalty to Banco Santander.

As a result of this positioning of proximity and customer support by the Bank, the credit portfolio of the Business segment recorded an increase of 2% in 2021.

In the Companies segment, Santander's commitment to the Portuguese business community is based on providing a vast financial and non-financial offer to its customers, as well as a commercial network composed of experienced professionals, always available to find the solutions that best suit their needs.

In terms of credit, and in response to the profound impact of the Covid-19 pandemic on Companies, the Bank remains committed to improving its internal procedures in order to provide liquidity to companies in a swift and timely manner, so that they can face their commitments, especially with their employees and suppliers.

With regard to Institutional Banking, Santander maintains its commitment to customers in this segment, both in terms of Public Entities – due to its strong presence in the Autonomous Regions and Municipalities –, as well as with Private Entities, with a special focus on the Social Economy, which has played a key role in supporting families with less resources during this pandemic period.

Wealth Management and Insurance

After a difficult and atypical year in 2020, in which most business indicators ended up having a positive performance, the first quarter of 2021 proved to be quite positive for the *Private Banking* area.

The favourable macroeconomic context, based on an expectation of global economic recovery, and the ongoing vaccination process, which, despite suffering some fluctuations, has proved effective in combating Covid-19, favoured the general appreciation of the stock markets, despite the possible inflationary fears having impacted the interest rate markets in some way.

Thus, for most Santander *Private Banking* business indicators, the first quarter of 2021 proved to be very positive, namely i) the volume of assets managed, with a 4% growth during the quarter, ii) disintermediation products (funds, insurance and discretionary portfolio management), with a 9% growth during the quarter, and iii) a robust increase in

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the customer base, based not only on external prospecting activity, but also on the important collaboration of the branch network and business centres that identified customers in this segment.

Several initiatives are underway to improve the commercial efficiency of *Private Banking* managers, namely mobility projects, as well as initiatives that will improve customer experience, which will contribute to maintaining the high standard of service provided to customers.

In the investment component, Santander Asset Management (SAM) kept its active management policy for securities investment funds, with the aim of maximizing the return of participants. In terms of offer, SAM's range of funds was complemented by the launch of two new innovative solutions, Santander Global Investment, and Santander Multi-Strategy.

With regard to real estate investment funds, the capital reduction operation of the Novimovest Fund, carried out in January, stands out.

Regarding commercial business, there was an increase in the investment funds portfolio of about € 288 million, with SAM reaching a market share of 17.7% in March (vs 17.5% in December 2020). Retirement solutions were a very important commercial focus. This type of product grew by € 58 million in Fund format (FPR's), and by € 16 million in Insurance format (PPR's), during the quarter.

In the Financial Insurance area, open financial insurance was promoted, which ended the quarter with € 668 million of assets under management, having benefited from net subscriptions of € 17 million. It is worth highlighting the volume of maturities in the period, which amounted to € 119 million.

Throughout the quarter, the Bank continued to give priority to improving service quality and customer experience, with developments in the new contracting process that will allow clients to contract anywhere, swiftly, and in a simple manner. On the other hand, there was a high rate of internal and external webinars on markets and financial products.

Corporate and Investment Banking

The first quarter of 2021 was marked by strong activity in the *Corporate & Investment Banking* area. The pandemic has forced us to reinvent our relationships with our clients. In this regard, proximity and innovation in offering solutions remain as critical lines of action.

The focus on digital remains as one of the Bank's major commitments, and during this period it witnessed a reinforcement in the use of the NetBanco Companies electronic platform, for contracting foreign exchange operations.

As from the beginning of the year, the loan portfolio increased by 2.2%, underlining the support to the economy and to our customers. Compared to the same period last year, revenues showed a 4.9% reduction, justified by the delay in the completion of non-recurring operations.

In the area of *Global Debt Financing*, the first three months of 2021 were marked by the presence of Santander as *Bookrunner*, in the issuance of a new *Hybrid Green Bond* for EDP, with a 60-year maturity and an amount of € 750 million. This was the third issuance of this type for EDP, with Santander participating as *Bookrunner* in all three operations.

During the first quarter, 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 property development for student residences and the retail sector.

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In terms of the *Corporate Finance* area, it continued to develop an intense activity throughout the first quarter of 2021. In this period, the completion of the financial advisory service to the Impresa Group in the appraisal of SIC and Impresa Publishing stands out.

During the first quarter, the portfolio of Mergers & Acquisitions and ECM operations was also strengthened, and several advisory processes on transactions are underway, to be concluded in the coming months.

With regards to Treasury, and in particular in the *Corporate and Commercial Banking* area, this quarter represented the consolidation of the paradigm shift initiated throughout 2020 in supporting customer activity. Changing commercial processes, negotiation methodologies, contact ways and support structures, but always with a focus on enhanced service quality and on the availability that customers expect from us, were decisive for the growth of Banco Santander's business in exchange rate and interest rate risk management instruments in the first quarter of 2021.

Specifically, in the Foreign Exchange area, the "migration" of customers from traditional trading channels to the digital channel was maintained. This alternative, available through NetBanco Companies, assumed a strong prominence, having represented approximately 50% of the spot FX operations contracted at the Bank. This expansion of instruments made available to Bank customers, allowing the efficient management of their activities, has been an asset widely recognized by Companies that entrust their exchange management needs to Banco Santander.

The Bank has always maintained all means of contracting foreign exchange transactions available, ensuring an adequate response to our customers' needs, namely through a dedicated team permanently in the Trading Desk, plus the commercial network teams, and the electronic platform available at NetBanco Companies.

In the interest rate risk management section, in the first quarter of 2021, there was a "normalization" of credit granting, after a period of application of moratoria to ongoing financing, and the availability of support facilities to the economy (LAE) that occurred throughout 2020.

The context of macroeconomic uncertainty has justified an even closer relationship with companies when renewing financing or contracting new credit operations, materialized through a significant growth in formalized credit operations at fixed rate throughout the first quarter of 2021, which is a demonstration of the availability of credit alternatives and decision support for Entrepreneurs.

In the *Cash Equities* area, the volumes traded on the equity markets in 1Q21 recorded a significant growth compared to the previous year. According to data released by CMVM [the Portuguese Securities Market Commission], the volume of orders on shares received by FIs in Portugal grew by approximately 31% year-on-year, totalling about € 6,559 million (5,002 million in 2020). In the same period, Santander grew by 24.2%, to € 520 million, which represents a market share of 7.9% (8.4% in the same period of 2020).

In the online business (Internet Website), the market grew by 37.1% to € 4,635 million, Santander having contributed with € 495 million, a 91% increase over the same period in 2020, and a share of 10.7% (compared to 7.7% in the same period last year). Santander's business continued to show better performance than the market, evidenced by its increased market share.

Responsible Banking

Banco Santander maintains all its commitments to society, and its mission to help businesses and families prosper, while also contributing to the fight against climate change.

In the first quarter of 2021, Santander remained committed to supporting the community, with a special focus on supporting the most vulnerable sectors of society, as well as projects of Higher Education Institutions.

In terms of supporting society, 15,233 people were supported. Between the 8th and 12th of March, the campaign "Let's give blood with our heart" was carried out, in a partnership with the Portuguese Blood and Transplantation Institute, plus three local hospitals. The initiative took place in Lisbon, Coimbra, Porto, Faro, Funchal and Ponta Delgada, and resulted in about 150 blood harvests.

The Covid-19 Social Sector Support Line was extended until March 31, 2021, as Santander recognizes the fundamental role that the social sector plays in supporting the community, especially in the current context of the health and economic crisis that we are experiencing.

The Bank also remains committed to promoting responsible business practices towards customers. Thus, in order to celebrate customers over 65 who have been with the Bank for more than 50 years, the "Santander Golden 50" initiative was launched, which consists of offering its main transactions products, with the clear goal of supporting their day-to-day.

Also, in order to help clients make more informed and conscious decisions about their finances, new content was made available on the financial literacy blog, to include information on arrears, insurance and financial management.

Another of the fundamental axes of action is the Bank's support to Education and to projects of Higher Education Institutions. In this context, Santander Universities and the University of Porto have just launched the online training 'U.Porto Santander Inspire Yourself,' aimed at encouraging the development of university projects with a positive impact on the community.

Applications were also made for the more than 360 Santander Future 2021 Scholarships, intended to support university students with limited economic resources enrolled in one of the 50 Higher Education Institutions benefiting from Banco Santander's patronage and that have joined the program.

The 11th Edition of *Santander Women Scholarships* | W50 was also launched. It includes 50 scholarships that offer a unique opportunity to contact a diverse community of women from all over the world, through a programme focused on developing negotiation skills as part of leadership training.

Within the scope of Entrepreneurship, two projects were launched to support innovative, sustainable, environmentally friendly solutions. The Santander *X Environmental Challenge* aims to support entrepreneurs committed to the environment. In order to apply, all they need is innovative ideas that contribute to building a more sustainable future, in line with the objective of accelerating the transition to a low carbon economy, thus supporting Santander's commitment to the Paris Agreement on climate change. The Santander '*Startups, The Agro Call*' programme aims to lead companies to present innovative projects that respond to two major challenges in the agri-food sector: digitization and sustainability. The solutions are aimed at a transition towards more profitable products, professionalization of farms, optimization and efficient use of water, phytosanitary products, and efficient solutions for the cultivation, distribution and generation of demand for ecologically sustainable products.

The Bank keeps supporting its clients in the transition to a low carbon economy. The offer of biodegradable bank cards with the CarbonNeutral® quality seal was extended to the Classic Debit Card and to the World 123 Credit Card.

Santander Universities supported the installation of 708 photovoltaic panels at the Engineering School of the University of Porto (FEUP). In addition to contributing to the implementation of sustainable energy policies and a reduction in costs related to electricity consumption, these panels will also contribute to the reduction of carbon emissions.

Also, as part of the Bank's internal activities, this concern with the environment is particularly present. The electricity consumed by Santander is 100% from renewable energy sources. In 2020, there was a significant reduction in global carbon emissions – 45% less than in the previous year. Recently, in order to reduce paper printing and usage, it was decided to reduce 75% of print outs compared to what was done before the pandemic, and the sharing of contacts by digital means was encouraged, instead of with paper business cards.

External Recognition

In the first quarter of 2021, Santander was distinguished 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 Reputed and Relevant Bank Brand in Portugal", according to the most recent Global RepScore Pulse study, prepared by the consultancy OnStrategy, which distinguishes the brands that stood out the most in 2020, within a pandemic context.

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

With regard to Corporate and Investment Banking business, Santander Portugal won two awards in this year's edition of the Euronext Lisbon Awards. The Bank stood out in the Settlement Custody category, which distinguishes the financial intermediary that made the largest number of issuances of shares and bonds registered 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 highest number of issuances and amounts placed in the securities identified in this category, quoted on Euronext Lisbon.

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Santander Totta, SGPS

Balance Sheet (million euros)	Mar-21	Mar-20	Var.
Cash, cash balances at central banks and other demand deposits	6,566	4,092	+60.4%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	10,094	12,258	-17.7%
Financial assets at amortised cost	39,998	38,063	+5.1%
Investments in subsidiaries, joint ventures and associates	129	114	+13.7%
Tangible assets	592	627	-5.6%
Intangible assets	38	35	+8.2%
Tax assets	431	544	-20.9%
Non-current assets held for sale	52	46	+12.8%
Other assets	227	354	-35.8%
Total Assets	58,127	56,134	+3.6%
Financial liabilities held for trading	835	1,094	-23.6%
Other financial liabilities mandatory at fair value through profit or loss	3,215	3,245	-0.9%
Financial liabilities at amortised cost	46,858	44,811	+4.6%
Resources from Central Banks and Credit Institutions	7,870	6,158	+27.8%
Customer deposits	36,233	35,007	+3.5%
Debt securities issued	2,539	3,407	-25.5%
Of which: subordinated debt	8	8	+0.0%
Other financial liabilities	216	239	-9.8%
Provisions	427	239	-9.8%
Technical provisions	703	718	-2.2%
Tax liabilities	376	463	-18.8%
Other liabilities	982	1,077	-8.8%
Total Liabilities	53,396	51,648	+3.4%
Share capital atributtable to ST SGPS shareholders	4,730	4,484	+5.5%
Non controlling interests	2	2	+3.3%
Total Shareholders' Equity	4,732	4,486	+5.5%
Total Shareholders' Equity and Total Liabilities	58,127	56,134	+3.6%

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Santander Totta, SGPS

Income Statement* (million euros)	**Mar-21**	Mar-20	**Var.**
Net interest income (without dividends)	192.5	202.0	-4.7%
Dividends from equity instruments	0.0	0.0	-
Net interest income	192.5	202.0	-4.7%
Results from Associates	2.8	2.7	+3.7%
Net comissions	96.5	96.6	-0.0%
Other banking income	-19.5	-16.7	+17.2%
Insurance activity	4.3	4.0	+7.6%
Gain/loss on financial transactions	144.2	65.9	+118.9%
Operating income	420.8	354.5	+18.7%
Total operating expenses	(143.3)	(147.0)	-2.5%
Personnel expenses	(80.2)	(84.8)	-5.4%
General expenses	(50.4)	(49.4)	+2.0%
Depreciation	(12.7)	(12.8)	-0.6%
Net operating income	277.5	207.5	+33.7%
Impairment of financial assets at amortised cost	(34.0)	(19.7)	+72.5%
Net provisions and other results	(220.9)	(20.6)	>200%
Income before taxes and MI	22.5	167.2	-86.5%
Taxes	11.7	(48.2)	-
Minority interests	(0.0)	(0.0)	-49.7%
Consolidated net income	34.2	118.9	-71.2%

(*) Not audited

Santander Totta, SGPS

De acordo com a definição constante das instruções 16/2004 do Banco de Portugal com as alterações da instrução 6/2018

Ratios	**Mar-21**	Mar-20	Var.
Profitability			
Income before taxes and MI/Average net assets	0.2%	1.2%	-1.0 p.p.
Operating income/Average net assets	2.9%	2.5%	+0.4 p.p.
Income before taxes and MI/Average equity	2.0%	15.5%	-13.5 p.p.
Efficiency			
Total operating expenses/Operating income	34.1%	41.5%	-7.4 p.p.
Personnel expenses/Operating income	19.1%	23.9%	-4.8 p.p.
Transformation			
Credit (net)/Deposits	116.2%	114.7%	+1.5 p.p.

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