

## Santander Portugal achieves net profit of € 241.3 million

*Santander kept showing positive results during the first six months of the year, which provides us with the necessary grounds to keep performing in the best way our mission of contributing to the development of families and businesses, while supporting inclusive, sustainable growth.*

*The difficult times predicted for after the pandemic were further worsened by the war in Ukraine, with impacts on economic growth and household budgets. We remain very attentive to this reality, but at the same time we know we have to be well prepared for what awaits us.*

*Our restructuring process was difficult, but it is now over, and it has placed us in a more solid position, focused on our purpose of helping families and companies prosper.*

*We will keep innovating, improving the technological capacity of our branches and services, and investing in talent. The world is under constant change, and Santander will not only keep adapting itself to new realities, but will also stand a partner to support the digital and energy transformation of the society where it operates.*

*Regarding the future, we are optimistic about our activity, and are prepared for new challenges and changes, always with the ambition of being the best bank for our customers, employees and society.*

*Pedro Castro e Almeida, CEO of Banco Santander Portugal*

Lisbon, July 28, 2022 - PRESS RELEASE

### Highlights

- At the end of June 2022, the **net income** of Santander Totta, SGPS, amounted to **€ 241.3 million**, compared to € 81.4 million in the same period last year.
- Total **loans to customers<sup>1</sup>** stood at **€ 43.6 billion**, representing a 0.5% increase compared to the same period last year, with a noteworthy growth of 6.8% in **mortgage loans**.
- The **market share of new mortgage loans** (accumulated until the month of May) stood at **22.9%**.

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

- **Customers' resources stood at € 47.8 billion**, a 4.9% increase compared to the same period in 2021, which dynamics is the result of a 6.9% growth in deposits, while off-balance sheet resources declined by 4.4%, influenced by greater volatility in the financial markets.
- The commercial and digital transformation continues to materialize in the growth of digital customers, which already represent about 60% of the main Bank's customer base.
- The **efficiency ratio stood at 39.6%** (-0.1 pp compared to June 2021).
- The **fully implemented CET1 ratio (stood at 21.4%)**, a decrease of 0.4 pp compared to June 2021.
- The North American magazine **Global Finance** awarded Santander the title of "**Best Bank in Portugal**" within the scope of "*The World's Best Banks 2022*," while the magazine **World Finance** distinguished Santander as the "**Best Retail Bank**" in Portugal, within the scope of the "*World Finance Banking Awards 2022*." In turn, the magazine **Euromoney** distinguished Santander for the third consecutive year as the "**Best Trade Finance Bank**" in Portugal, winning in the "Market Leader" and "Best Service" categories. The same publication also mentioned the **Private Banking** area in "*The World's Best Private Banks Awards 2022*", which reward institutions with the best private banking service worldwide.
- At the beginning of the year, it received the **Five Star Award** in the Large Banks and Mortgage Loan categories.
- At a global level, Santander was distinguished with the **Euromoney Financial Inclusion** award, as a result of the Bank's initiatives in terms of access, financing and increasing people's resilience in the markets where it operates. In line with the global strategy of the Santander Group, more than 474,000 people have already been empowered in Portugal since 2019.
- In the current context of humanitarian crisis, last April, **Santander Portugal joined the Lisbon Parish of Campo Grande, and arranged to bring from Poland 178 Ukrainian refugees with family ties in Portugal.** It also launched and implemented new measures such as **500 Portuguese Scholarships for refugees** from Ukraine, aimed at supporting the integration in Portugal of people impacted by the war.
- In terms of sustainable financing, Santander carried out the **first Green Confirming operation** in Portugal, together with SONAE.
- Additionally, the Santander Group prepared a debt refinancing of Generg's wind farm portfolio, with a total capacity of 461 MW, in the total amount of € 220 million.
- Santander is also the Bank that granted the most funding under the IFRRU 2020 programme — a Financial Instrument for Urban Rehabilitation and Revitalization —, in terms of number of contracts signed and amount awarded, with a total of € 433 million.
- Santander 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 - Baa2 (Portugal - Baa2); S&P - BBB (Portugal - BBB); and DBRS - A (Portugal - BBB high).

## Key Indicators

### Santander Totta, SGPS

<b>Balance Sheet and Income Statement</b> (million euros)	<b>jun/22</b>	<b>jun/21</b>	<b>Var.</b>
Net assets	61,945	59,335	+4.4%
Total Gross Loans <sup>(1)</sup>	43,577	43,380	+0.5%
Resources	47,833	45,582	+4.9%
Net interest income (without dividends)	370.3	383.4	-3.4%
Net fees	239.5	203.1	+17.9%
Net income from banking activities <sup>(2)</sup>	612.9	716.6	-14.5%
Operating costs	(242.6)	(284.2)	-14.6%
Net operating income	370.3	432.4	-14.4%
Income before taxes and MI	349.7	104.2	>200%
Consolidated net income	241.3	81.4	+196.5%

<b>RATIOS</b> (million euros)	<b>jun/22</b>	<b>jun/21</b>	<b>Var.</b>
ROE	10.5%	3.5%	+7.0 p.p.
Efficiency ratio (incl. depreciation)	39.6%	39.7%	-0.1 p.p.
CET 1 ratio fully implemented	21.4%	21.8%	-0.4 p.p.
Non-Performing Exposure ratio <sup>(3)</sup>	2.2%	2.5%	-0.3 p.p.
Non-Performing Exposure coverage ratio	82.1%	79.2%	+2.9 p.p.
Cost of Credit <sup>(4)</sup>	0.01%	0.36%	-0.36 p.p.

<b>OTHER DATA</b> (million euros)	<b>jun/22</b>	<b>jun/21</b>	<b>Var.</b>
Number of employees in Portugal	4,696	5,765	-1,069
Total Branches in Portugal	341	368	-27

### **RATING** (long term debt)

FitchRatings	BBB+
Moody's	Baa2
Standard & Poor's	BBB
DBRS	A

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

<sup>(2)</sup> Includes the costs with the Resolution and Deposit Guarantee Funds

<sup>(3)</sup> In accordance with to EBA criteria

<sup>(4)</sup> 12 month average

## **Business Environment**

The invasion of Ukraine by Russia, on February 24, 2022, keeps penalizing the confidence of economic agents, as a result of the impact it keeps having on the prices of raw material, food and energy, coupled with the phenomenon of geo-economic disruption that continues to be fuelled by the conflict. Additionally, the intensification and increasing severity of economic sanctions applied to Russia is having a negative boomerang effect on developed economies, namely in the Euro Area, given its strong dependence on energy.

The energy crisis created by the war is forcing the acceleration of the energy transition process in the Euro Area, contributing to increased pressure on oil and gas prices in international markets, which, as a result of its persistence and duration, is contributing to a general rise in producer and consumer prices, especially in the more developed economies.

In the US, the inflation rate rose again in June, to 9.1%, in a context in which the labour market continues to record historically low unemployment rates (3.8% in June 2022), forcing companies to increase wages in face of the difficulty in hiring people available to work. Although economic activity continues to evolve at a moderate pace after the contraction recorded in Q1 2022, the Federal Reserve continues to tighten the monetary policy, by raising the reference interest rates (by 75 bp in June, to 1.75%, the biggest increase since 1994), and by reducing the excess liquidity in the economy, with the aim of bringing the inflation rate towards the 2% target, and of anchoring inflation expectations.

In the Euro Area, the pressures arising from rising energy and food prices have continued to contribute to the upward trend in the inflation rate, which, in June, reached 8.6% year-on-year — a new all-time high. The price surge is currently widespread, impacting all goods and services. The de-anchoring of inflation expectations from the 2% goal in the medium term, in a context of economic activity evolving at a moderate pace, with a low unemployment rate (from 6.6% in May 2022), and with increasing upward wage pressures, creates the necessary conditions for the ECB to adjust its monetary policy instruments. Thus, the ECB ended the asset purchase programme on July 1<sup>st</sup>, and raised the benchmark interest rates by 50 bp at the meeting held on July 21<sup>st</sup>, i.e., above the 25 bp it had pre-committed itself to, and has also anticipated a new hike next September. In view of the increased intra-euro fragmentation pressures, due to the worsening of sovereign spreads vis-à-vis Germany, the ECB also announced the new instrument to protect the transmission of monetary policy last July, in addition to continuing with the asset reinvestment programme.

In Portugal, the economic context in Q2 2022 was characterized by a decrease in the economic climate indicator, due to a sharp drop in confidence indicators in the Construction and Public Works sector, despite their rise in Manufacturing Industry sectors, and in Trade and Services.

In Manufacturing, the improved confidence in Q2 was due to the positive contribution of the production perspectives, mitigating the negative impacts related to the evolution of internal and external demand. In the Construction sector, the sharp drop in confidence indicators was due to the negative contribution of the order book and employment prospects. In the Trade sector, the increased confidence resulted from improvements in sales volumes and in companies' business perspectives, mitigated by the deterioration in the assessment of the volume of stocks. In the Services sector, the increased confidence was due to the positive appreciation of companies' business, which more than offset the negative contribution to the evolution of the order book and prospects for the evolution of demand.

The inflation rate rose to 8.7% last June, the highest since December 1992, with the core inflation rate (i.e., excluding food and energy) rising to 6%. The inflation rate for energy products increased to 31.7%, the highest rate since August 1984, while the inflation rate for unprocessed foodstuffs rose to 11.9% last June.

The labour market was characterized by a favourable, stabilizing situation, with the unemployment rate standing at 6.1% in May (an increase of 0.2 pp compared to the previous month). The labour underutilization rate stood at 11.5%, 0.1 pp more than in April, and on an upward trend. But both indicators are consistent with a situation of full employment.

Despite the growing risks of recession in the Euro Area, economic activity indicators for the Portuguese economy for Q2 2022 showed signs that the post-pandemic recovery trend would continue. Business activity in the Services sector continued at a good pace, with turnover rising by 24% (YoY) in May 2022, with the Accommodation and Restaurant sector growing by 64.5% (YoY), thus reaching pre-pandemic levels. The level of industrial turnover rose by 29% in May (YoY), continuing to reflect rising prices in the industry and an overall demand that remains apparently resilient.

The political stability achieved with the parliamentary elections in January 2022, with the government being supported by a parliamentary majority, is an essential factor for Portugal to be able to overcome the new times of geopolitical and geoeconomic instability caused by the war in Europe, in order to be able to implement the required reforms for the country's economic and social development and prosperity. Additionally, it is important to leverage the level of efficiency in the application and use of European funds, namely those arising from the Portuguese Recovery and Resilience Programme.

In the current inflationary context, with adjustments of the monetary policy by the ECB, public debt yields in the Euro Area kept rising, with the German 10-year yield standing at 1.23%, as of July 13, 2022. The 10-year Portuguese sovereign rate rose to 2.32%, a variation of 186 bp compared to the end of 2021. The difference against the German sovereign rate also doubled to 109 bp, compared to 60 bp recorded at the beginning of the year. Portugal's credit rating is Baa2 by Moody's, BBB (stable) by S&P and Fitch, and BBB (high) by DBRS.

## Results

At the end of June 2022, Santander Totta, SGPS (in this Press Release referred to as the "Bank" or "Santander Portugal") achieved a net profit of € 241.3 million, compared to the € 81.4 million it achieved in the same period last year. This amount includes an extraordinary expenditure in the amount of € 164.5 million (net of taxes), recorded in the first quarter of 2021, to cover the ongoing transformation plan, with the optimization of the branch network, and investments in processes and technology.

Operating income<sup>1</sup> amounted to € 612.9 million, recording a year-on-year drop of 14.5%, largely explained by the evolution of results from financial operations, which fell by 94% compared to the same period in the previous year, when they had reached a very high figure, as a result of the management of the securities portfolio, as recurring revenues of a commercial nature recorded a growth of 4.0% in the first half of the year, compared to the same period in 2021. Operating costs, amounting to € 242.6 million, dropped by 14.6%, and thus the operating result dropped by 14.4%, to € 370.3 million. The efficiency ratio rose to 39.6% (-0.1 pp).

Net interest income recorded a reduction of 3.4% compared to the end of June 2021, down to € 370.3 million, reflecting, on the one hand, the competitive context, which continued to put downward pressure on credit spreads, and, on the other hand, the change in the relative composition of the loan portfolio, as a result of the greater momentum of mortgage credit.

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<sup>1</sup> Operating income includes charges with Resolution Funds, and with the Deposit Guarantee Fund

Net commissions amounted to € 239.5 million, an increase of 17.9% over the same period last year. The good performance reflects, on the one hand, the dynamics of credit granted, in particular of mortgage loans, as well as the focus on the protection strategy, with emphasis on the distribution of autonomous risk insurance, with emphasis on the offer of car insurance for individuals and companies.

The other results of banking activity, in the amount of € -35.2 million, largely reflect the charges with the national and single resolution funds. Income from insurance activity dropped by 36.6% year-on-year, down to € 5.4 million, while income from financial operations, amounting to € 19.4 million, dropped by 86.9%. This dynamic reflects the revenue associated with management operations of the public debt securities portfolio recorded in Q1 2021.

Operating costs amounted to € 242.6 million, a 14.6% reduction compared to the same period in 2021, as a result of the reduction of staff costs by 17.7%, of general expenses by 11.1%, and of depreciations by 9.2%, in the same time horizon. In 2021, the Bank carried out a comprehensive operational and commercial transformation plan, seeking to adjust its structure and processes to changes in the way customers interact with banking entities, with a particular focus on simplifying processes and procedures, and improving service quality. Compared to December 2021, the branch network was reduced by 7 customer service points, while the number of employees was reduced by 109 people.

The net impairment of financial assets at amortized cost amounted to € 1.2 million, which compares with € -68.8 million in the same period last year, reflecting the improved economic conditions, in particular the stability of the unemployment rate at about 6% in the first five months of 2022. The end of the moratoria, at the end of Q3 2021, continued to not result in a noticeable deterioration in credit quality. In fact, the Non-Performing Exposure (NPE) ratio dropped to 2.2% at the end of June, a reduction of 0.1 pp compared to December 2021, and 0.3 pp below the ratio observed at the end of June 2021.

The dynamics of net provisions and other results reflects the effect of extraordinary charges related to the implementation of the aforementioned Bank's transformation plan, which were recorded in Q1 2021.

Income before taxes and minority interests amounted to € 349.7 million, compared to € 104.2 million in the same period in 2021.

### **Balance Sheet and Business**

At the end of June 2022, the loan portfolio amounted to € 43.6 billion, a year-on-year growth of 0.5%. Throughout the first half of 2022, the Bank maintained solid volumes of origination of new mortgage loans, materialized in market shares consistently above 20%. In terms of loans to companies, it is worth highlighting the Bank's participation in the FEI.

Mortgage loans grew by 6.8%, compared to the same period last year, standing at € 22.7 billion; and consumer credit amounted to € 1.8 billion, a 7.5% increase in the same period. In the first five months of 2022, the Bank originated about € 1.5 billion in mortgages, with an average market share of 22.9%.

Loans to companies amounted to € 16,0 billion, a 2.8% reduction compared to the end of June 2021, still largely reflecting the high liquidity accumulated by companies in 2021.

<b>Credit</b> <sup>(1)</sup> (million euros)	<b>jun/22</b>	<b>jun/21</b>	<b>Var.</b>
<b>Credit to Individuals</b>	<b>24,877</b>	<b>23,332</b>	<b>+6.6%</b>
<i>from which</i>			
Mortgage	22,703	21,253	+6.8%
Consumer credit	1,793	1,668	+7.5%
<b>Credit to Companies</b>	<b>15,950</b>	<b>16,408</b>	<b>-2.8%</b>

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

The Non-Performing Exposure (NPE) ratio, calculated in accordance with the EBA criterion (regarding balance sheet exposure), dropped to 2.2% in June 2022, a YoY decrease of 0.3 pp, the respective coverage standing at 82.1%.

Customers' resources amounted to € 47.8 billion, an increase of 4.9% compared to the end of June 2021. Deposits maintained a sustained growth of 6.9% throughout this period, while off-balance sheet resources declined by 4.4%, in a particularly complex market context, characterized by high volatility, associated, on the one hand, with the ongoing war scenario, and, on the other hand, with inflationary risks and the reaction of central banks in terms of monetary policy response.

<b>Resources</b> (million euros)	<b>jun/22</b>	<b>jun/21</b>	<b>Var.</b>
<b>Customers' Resources</b>	<b>47,833</b>	<b>45,582</b>	<b>+4.9%</b>
<b>On-balance sheet resources</b>	<b>40,214</b>	<b>37,615</b>	<b>+6.9%</b>
Deposits	40,214	37,615	+6.9%
<b>Off-balance sheet resources</b>	<b>7,619</b>	<b>7,967</b>	<b>-4.4%</b>
Investment funds managed or marketed by the Bank	3,781	3,940	-4.0%
Insurance and other resources	3,838	4,027	-4.7%

## Liquidity and Solvency

Santander Portugal keeps pursuing its liquidity management strategy geared towards maximizing the liquidity cushion available to deal with adverse events. In the first half of 2022, the Bank's solid liquidity position was maintained, with an increase of about € 1.6 billion in client deposits. Exposure to the Eurosystem amounted to € -2.6 billion (a surplus position), and the liquidity cushion reached about € 17.6 billion.

The Bank has maintained its funding structure. The funding obtained from the ECB, in the amount of € 7.5 billion, remained exclusively in long-term operations, entirely through TLTRO III. Short-term funding, either through repurchase agreements or through institutional deposits, remains at zero. In terms of long-term funding, and in addition to operations with the ECB, Santander Portugal ended the first half of 2022 with about € 0.5 billion of securitisations, € 2.0 billion of mortgage bonds, and € 1.1 billion of Senior HoldCo issuances, plus € 0.2 billion of subordinated issuances.

The LCR (Liquidity Coverage Ratio), calculated in accordance with CRD IV rules, stood at 154.8%, thus meeting the regulatory requirements on a fully implemented basis.

The Common Equity Tier 1 (CET1) ratio, calculated in accordance with CRR/CDR IV standards, reached 21.4% (fully implemented) in June 2022 (a 0.4 pp reduction over the same period in 2021), reflecting the ability to generate organic capital, as well as the management of risk-weighted assets. Compared to the end of 2021,

the CET1 capital ratio dropped by 3.8 pp, reflecting the decision of the Board of Directors of Santander Portugal of resuming the distribution of dividends in 2022, following the recommendation of the European Central Bank (ECB/2020/19), of March 27, 2020, on shareholder remuneration.

The Bank still has very high capitalization levels, clearly above the minimum requirements set by the ECB under the SREP (in 2022, CET1 - 8.344%, Tier 1 - 10.125%, and Total - 12.5%, fully implemented).

In terms of MREL, as of June 30, Santander Totta SGPS recorded a ratio of 32.2%, above the fully implemented requirement of 23.77% (including the 3% Combined Buffer Requirement (CBR) of TREA), required as of January 31<sup>st</sup>, 2022.

<b>Capital (fully implemented)</b> (million euros)	<b>jun/22</b>	<b>jun/21</b>
Common Equity Tier 1	3,508	3,824
Tier 1	3,908	4,224
Total Capital	3,978	4,303
<b>Risk Weighted Assets (RWA)</b>	<b>16,387</b>	<b>17,534</b>
<b>CET 1 ratio</b>	<b>21.4%</b>	<b>21.8%</b>
Tier 1 ratio	23.8%	24.1%
Total Capital Ratio	24.3%	24.5%

## Business Activity

### Individuals, Business, Corporate and Institutional

Commercial activity, in the first half of 2022, was particularly impacted by two relevant facts. On the one hand, negatively, by the war in Ukraine, with a downturn in the investment component. On the other hand, the resumption of face-to-face life without restrictions had a positive impact, above all, on the dynamics of commerce and on customers coming to Branches.

In the **Individuals segment**, despite the progressive rise in interest rates, as a reaction to the ECB's monetary policy changes, **mortgage loans** maintained a very strong dynamic, with production growing again in the 2<sup>nd</sup> quarter, overcoming the threshold of € 1 billion. Thus, new production of mortgage loans ended the semester close to € 2 billion, with a market share above 22%.

The Bank, through its "Buy a Home" area, has increasingly improved its Customer service through the Open House process, along with a structure of technical support specialists for contracting this product.

Along the same line, **personal loans** also followed an upward trajectory, reaching a production above € 300 million during the semester, with emphasis on the contracting of online personal credit, representing more than 25% of all personal loans granted, plus the contribution of the Digital Sales area (sales via remote channels), in addition to traditional credit contracting at Branches.

In terms of Protection Insurance in the first half of 2022, business activity focused on improving the offer and processes, strengthening network support tools, and boosting commercial activity.

With regard to Autonomous Insurance, the Bank launched the new Corporate Vehicles Insurance, and an engagement initiative was set up to strengthen the association of the Santander brand with the Health topic. At the same time, new commercial tools were developed, namely the 360 view for consultation by managers, which includes an integrated perspective of the client's insurances. Lastly, the new commercial dynamics — 1



insurance champion per branch — was extended to all branches, and several commercial campaigns were carried out with preferential conditions for Individuals and Companies.

With regard to Credit-Associated Insurance, emphasis should be placed on the improved credit days with insurance in context, on the availability of commercial sets of arguments, and on improved follow-up of new credit operations with insurance.

### **Transformation of Branches and Simplification of Processes and Procedures**

The Bank continues with the improvement and empowerment process of its Branches, as well as adjusting to the changing behaviour and needs of its customers.

Throughout the semester, the Bank invested heavily in the availability of new VTMs (Virtual Teller Machines) that allow customers to make their deposits in notes and coins, as well as to exchange coins, in self-service regime 24/7. A total of 57 VTMs have already been installed, and 30 more are in the process of being installed, in addition to the 110 MDR (which allow deposits of banknotes), and the 186 ATM-DV, with the possibility of making deposits. Over 80% of the Branches are now able to accept self-service deposits and withdrawals 24/7.

As a result of these trends, and of the growing use of digital channels, the Bank also took the decision of decreasing the number of opening hours to the public in some of its Branches, keeping the self-service area always available and with appropriate machines.

### **Business, Corporate and Institutional**

The constant uncertainty and changes in the economic context requires that the Bank constantly undertakes great efforts to adjust its support to the activity of Companies and Businesses, both in the assessment of impacts that follow from the changes, and in the identification and availability of financial instruments and solutions that support them in minimizing such impacts, in strengthening their economic and financial situation, and in supporting the transition to a more efficient and environmentally sustainable economy.

Thus, once again, Santander Portugal is at the forefront in implementing the public policies that counter economic and social impacts, committed to its role of providing the financial instruments launched by the Portuguese State, as well as of providing a complete and innovative financial and non-financial offer that supports Companies and Businesses in adapting to new realities along the different stages of their value chain, contributing both to their swift adaptation to change and to greater efficiency in the management of their treasury cycles (in particular, factoring and confirming), or for financing productive investments and the transition to a more efficient, sustainable economy.

In this regard, the Bank remains committed to supporting Companies and Businesses in accessing European Funds, whether from the Recovery and Resilience Plan (RRP), or those that will be made available through the new European Multiannual Financial Framework – PT 2030 –, as well as by providing access to the best financing conditions, namely by making available a set of facilities along with the European Investment Fund (EIF), the European Investment Bank (EIB), and the Banco Português de Fomento/Sistema Nacional de Garantia Mútua [Portuguese Development Bank / Portuguese Mutual Guarantee System], whose benefits from the guarantees are transferred to customers, through advantageous market conditions, thus making the financing facilities reach a greater number of companies.

Banco Santander is also committed to the transition to a more efficient and more sustainable economy, namely by reinforcing the available value offer with financing solutions under conditions that motivate Companies and Businesses to contribute to the climate transition, and indirectly support compliance with Portugal's commitment to achieving carbon neutrality by 2050.

With regard to **International Business**, the *Trade Finance* teams strengthened their proximity to companies, continuing their business origination activity and structuring of more complex operations with national importers and exporters, thus maintaining a solid presence in most *Trade Finance* operations, an unmistakable sign of customer confidence, and of the Bank's solid image and credibility in international markets.

*SWIFT GPI*, which allows real-time validation of the status, execution, and receipt of international payments, as well as verification of the status of transfers being sent/received from abroad, continues to be a unique, innovative offer on the market, which already counts on a high number of registered customers, corresponding to issuers of more than 40% of SWIFT payments.

In March 2022, for the third consecutive year, Santander Portugal was once again distinguished by *Euromoney* magazine with the award for **Best Trade Finance Bank in Portugal**, winning in the "Market Leader" and "Best Service" categories."

### **Wealth Management and Insurance**

The first half of 2022 was highly conditioned by the above-identified factors, namely the invasion of Ukraine by Russia and its repercussions on rising inflation and on the way monetary policy is conducted. The focus placed on fighting inflation led Central Banks, the Fed, and the ECB to communicate more or less aggressive increases in their key interest rates, raising the issue of the impact that these may have on economic growth and a possible recession.

Volatility was a clear feature of the first half of the year, with the main equity indices showing marked devaluations during the semester. Also, in the interest rate markets, correction and volatility were constant throughout the semester, with the yield of the 10-year German public debt changing from negative rates at the beginning of the year to figures above 1% at the end of the semester. In turn, the US dollar appreciated very strongly against the Euro, not only because it was perceived as a safe haven asset in times of greater uncertainty, but also as a result of economic expectations for each market. This volatility and synchrony between the various asset classes has proved to be a challenge for the management of customer financial assets.

The evolution of most *Private Banking* business indicators of Santander Portugal in the first half of 2022 was necessarily influenced by this macroeconomic context, forcing an even greater proximity to customers and more recurrent monitoring of client portfolios and positions. The segment's managed assets grew by about 2% in the first half of the year, including a 2% growth in funds, insurance, and discretionary mandates (without market effect).

Growth in the *Private Banking* customer base kept a good momentum throughout the first half of the year, based on strong external prospecting activity, and a great deal of collaboration and support from the Branch network and Corporate centres.

In this context of high market volatility, in terms of Santander Asset Management (SAM), the activity during the first semester was marked by redemptions of off-balance sheet resources in the amount of about € 64 million, representing less than 1% of the total portfolio. During this period, SAM sought to actively manage its mutual investment funds (FIM) with the goal of minimizing its participants' losses, having recorded a portfolio value in the market of about € 3,781 million, corresponding to a market share of 16.2%.

Retirement solutions remained as a very important commercial focus, with the aim of raising awareness among customers to the importance of implementing saving habits. Santander recorded an important share in this type of product, exceeding 20%.

In the area of Financial Insurance, diversified or mixed products were promoted, aimed at various segments of the Bank. This type of product ended the semester with 3,781 million assets under management, with a relatively low number of maturities, only amounting to € 25 million.

During this period, the Bank remained on its path towards improving service quality and Customer experience. Thus, a process of contracting financial products at a distance was developed, thus enhancing the service provided by the Bank. Additionally, this period required greater proximity to customers, with numerous face-to-face information sessions being held with the aim of conveying and sharing information on the evolution of markets and investment products.

### **Corporate and Investment Banking**

In recent years, customer relations have changed, and the Bank has speeded up the digital transition and has improved its platforms, allowing for more useful and more effective communications. The Bank has presented new, innovative solutions, with emphasis on ESG and Export Finance projects, and has renewed its commitment to its customers by supporting their main operations.

Within the scope of ESG, it is important to mention the conclusion of the first green confirming carried out in Portugal, for Sonae, maintaining the focus on converting the portfolio into sustainable financing. In Export Finance, it is worth highlighting the Lead arranger and lender mandate for 3 operations with ECAs (Export Credit Agencies).

The loan portfolio recorded a -4.2% reduction compared to the same period in the previous year, justified by the programmed reduction of some operations, in a context of high liquidity capacity of our customers.

In the **Global Debt Financing** area, during the first six months of 2022, Santander secured a total of € 362 million for the acquisition of a portfolio of wind farms by Onex Holdings from EDP. Additionally, the Bank also supported Generg, of the Total Eren Group, by refinancing the entire debt of its main portfolio of renewable energies. Part of the debt associated with these two operations, which together totalled more than € 580 million, was subsequently placed with other credit institutions.

With these two credit operations, Santander once again showed its ability to ensure the financing of its customers' strategic projects, as well as its credibility with other national and international credit institutions.

Additionally, the Global Debt Financing area played a decisive role in the presentation of innovative, dynamic solutions for the decarbonization goals of the Portuguese economy, of which it is worth highlighting financial advice to the first industrial projects that include green hydrogen in their production chain.

During this period, several other relevant financing operations were concluded in a wide range of sectors, with emphasis on several financing operations in the real estate sector and in the industrial sector.

In 2022, the **Corporate Finance** area continued to develop an intense activity in Merger & Acquisition operations, of which it is worth highlighting the successful completion of the following financial advisory operations:

- Advising Atlantia on the sale of the 17.2% stake held in Lusoponte to MM Capital Partners, a subsidiary of Marubeni Corporation;

- Advising Penta Flex in the spin-off operation between Cordex and Flex 2000;
- Financial advice to Altri and Greenvolt in the Greenvolt spin-off process;
- Acting as Joint Global Coordinator in the capital increase/Public Subscription Offer of Greenvolt, in the amount of € 100 million.

As far as **Treasury**, particularly in the *Corporate and Commercial Banking* area, the first half of 2022 was marked by growing activity in a particularly challenging market context. The escalation of inflation in the main economies resulted in a quick readjustment of expectations in the sense of sharper interest rate hikes, which increased the cost of hedging interest rate risk at a time when Euribor rates had not yet started the upwards movement.

In the **Foreign Exchange** segment, the pace of growth of digital channels continued, with a 21% increase in the number of customers using NetBanco's foreign exchange platform since the beginning of the year.

In terms of **interest rate risk** management, the rise in long-term interest rates, compared to the dynamics of Euribor rates, was a challenge for business activity during the second quarter, but the contracting of interest rate risk management solutions kept the growth trend of recent quarters.

In the **Structured Products** area for retail, two products were launched in the first half of 2022, the DUO 80-20 "Ageing Population," and the DUO 80-20 "Auto Callable Equity Basket," which raised a total of more than € 20 million.

In the **Cash Equities**, area, the equity market — after a slightly lower start below that of the first months of 2021, justified by less orders for the North American markets — showed a recovery throughout the semester. In recent months, volumes traded online exceeded the average for 2021. During this period, it is worth noting the growing volumes traded in bonds and ETFs.

## Responsible Banking

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

The various initiatives in this field have been distinguished with various awards that have been received recently.

At a global level, Santander was distinguished with the **Euromoney Financial Inclusion** award as a result of the Bank's initiatives in terms of access, financing, and increasing people's resilience in the markets where it operates. In line with the Santander Group's global strategy, since 2019 the Bank has already empowered more than 474,000 people in Portugal.

**Euromoney** also distinguished Santander as the "**Best Bank in Corporate Responsibility**" in Central and Eastern Europe in its "*Awards for Excellence 2022*", in recognition of the Bank's contribution to the humanitarian response to the war in Ukraine, with particular emphasis on initiatives carried out in Portugal.

In the current context of humanitarian crisis, in April, **Santander Portugal joined the Parish of Campo Grande and helped bring from Poland 178 Ukrainian refugees with family connections in Portugal.** The initiative had the support of Santander Volunteers in accompanying refugees from Poland, and in referring Ukrainian families to their relatives in Portugal.

Santander Portugal employees contributed to a **financial support fund for refugees, to be delivered to the Portuguese Red Cross**, which amount was doubled by Santander.

The Bank has also launched and implemented new measures such as **500 Portuguese scholarships for Ukrainian refugees**, aimed at supporting the integration in Portugal of people affected by the war.

In support of Ukrainian customers, a **help line in Ukrainian** was implemented, as well as the **exemption of commissions on international transfers to and from Ukraine** until the end of 2022, in addition to the **exemption of the basic account commission (minimum services) for 12 months**.

In order to respond to the specific needs of its customers, last June, Santander launched the **SuperLine Senior**, a special help line for non-digital customers over 70 years old, which will serve 195 thousand customers.

The recently created Santander Portugal Foundation has chosen Education as the central pillar for promoting socio-economic mobility, and the transition of the Portuguese economy to a low carbon model.

Several programmes were launched, and about 3,000 scholarships were awarded in Portugal with the aim of providing both university students and the adult population in general with a set of relevant skills for their professional and personal development. It is worth highlighting the **Santander Erasmus+ Scholarship Programme**, to encourage students to experience an international, multicultural exchange, and enrich their academic and professional curriculum through participation in mobility programmes.

In line with the established objectives of promoting a more inclusive society and countering the risk of poverty through Education, the Santander Portugal Foundation established several partnerships such as i) with the **Johnson Academy** for fighting juvenile delinquency, through a pilot project called "Parents' Workshop," aimed at accompanying families who educate their children in risky environments; ii) the **EPIS – Entrepreneurs for social inclusion**, whose programme is intended to fight school failure and promote entrepreneurship among students in need.

The partnership with the **Orchestra Without Borders** has been renewed, which aims to promote both the employability of young musicians and the dissemination of music in the Raya region.

The Bank is committed to building a greener economy, and to that end it is helping its customees make sustainable choices, and is supporting them in the transition to a *NetZero* business model.

In terms of **sustainable financing**, Santander carried out the first Green Confirming operation in Portugal, together with SONAE.

Additionally, the Santander Group prepared a debt refinancing of Genereg's wind farm portfolio, with a total capacity of 461 MW, in the total amount of € 220 million.

Santander is also **the Bank that granted the most funding under the IFRRU 2020 programme – Financial Instrument for Urban Rehabilitation and Revitalization, both in terms of number of contracts signed and of amount awarded**, in a total of € 433 million, 47 % of the total amount contracted by the sector.

Finally, Santander continued to offer its customers quite advantageous conditions for sustainable products, such as green housing loans, electric and hybrid car leasing, or personal loans for renewable energy. Something to highlight is the financing of **green mortgage loans** (housing with energy certificates category A or A+), which totalled € 155 million during the 1<sup>st</sup> half of the year.

### External recognition

In the first half of 2022, 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 2022"*. Santander was also distinguished as the **"Best Retail Bank"** in Portugal by the **World Finance** magazine, within the scope of the *"World Finance Banking Awards 2022"*. Portuguese consumers considered Santander as the most relevant brand in the Large Banks and Mortgage Loan categories in the 2022 edition of the **Five Stars Award**.

In the **Corporate** area, the **Euromoney** magazine once again distinguished Santander as the **"Best Trade Finance Bank in Portugal"**, which won in the **"Market Leader"** and **"Best Service"** categories. The publication also awarded Santander's *Private Banking* as the **"Best in Portugal."**

Santander was distinguished as the **Most Responsible ESG Bank in Portugal**, taking the first position in the sector in the Merco ESG 2021 ranking.

The Bank was awarded, for the 3<sup>rd</sup> consecutive year, at the **Euronext Lisbon Awards**, in which it won in the **Settlement & Custody** category. This category distinguishes the Financial Intermediary that carried out the largest number of share and bond issuances registered with Interbolsa (and not admitted to trading), weighted by the respective amounts.

Santander achieved the highest score in the financial sector and ranks second in the **2022 Gender Equality Index**, promoted by Bloomberg (*the Bloomberg Gender-Equality Index, GEI*), which acknowledges excellence and commitment in the field of gender equality, which positions the Bank as one of the most advanced companies in the world in this field.

**Santander Totta, SGPS**

<b>Balance Sheet</b> (million euros)	<b>jun/22</b>	<b>jun/21</b>	<b>Var.</b>
Cash, cash balances at central banks and other demand deposits	10,801	7,638	+41.4%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	8,840	10,003	-11.6%
Financial assets at amortised cost	40,786	40,314	+1.2%
Investments in subsidiaries, joint ventures and associates	100	128	-22.4%
Tangible assets	487	587	-17.0%
Intangible assets	35	38	-7.4%
Tax assets	382	401	-4.8%
Non-current assets held for sale	22	53	-59.2%
Other assets	493	173	+185.6%
<b>Total Assets</b>	<b>61,945</b>	<b>59,335</b>	<b>+4.4%</b>
Financial liabilities held for trading	460	741	-38.0%
Other financial liabilities mandatory at fair value through profit or loss	2,996	3,246	-7.7%
Financial liabilities at amortised cost	52,313	48,497	+7.9%
Resources from Central Banks and Credit Institutions	7,786	7,619	+2.2%
Customer deposits	40,214	37,615	+6.9%
Debt securities issued	4,030	3,022	+33.3%
Of which: subordinated debt	209	8	>200%
Other financial liabilities	284	241	+17.6%
Provisions	188	388	-51.6%
Technical provisions	645	696	-7.3%
Tax liabilities	386	365	+5.7%
Other liabilities	740	973	-23.9%
<b>Total Liabilities</b>	<b>57,729</b>	<b>54,907</b>	<b>+5.1%</b>
Share capital attributable to ST SGPS shareholders	4,215	4,426	-4.8%
Non controlling interests	1	2	-30.6%
<b>Total Shareholders' Equity</b>	<b>4,217</b>	<b>4,428</b>	<b>-4.8%</b>
<b>Total Shareholders' Equity and Total Liabilities</b>	<b>61,945</b>	<b>59,335</b>	<b>+4.4%</b>

**Santander Totta, SGPS**

<b>Income Statement*</b> (million euros)	<b>jun/22</b>	<b>jun/21</b>	<b>Var.</b>
<b>Net interest income (without dividends)</b>	<b>370.3</b>	<b>383.4</b>	<b>-3.4%</b>
Dividends from equity instruments	3.7	1.5	+138.5%
<b>Net interest income</b>	<b>373.9</b>	<b>384.9</b>	<b>-2.9%</b>
Results from Associates	9.9	6.4	+54.0%
Net fees	239.5	203.1	+17.9%
Other banking income	-35.2	-34.0	+3.8%
Insurance activity	5.4	8.5	-36.6%
<b>Commercial revenue</b>	<b>593.5</b>	<b>569.0</b>	<b>+4.3%</b>
Gain/loss on financial assets	19.4	147.5	-86.9%
<b>Net income from banking activities<sup>(1)</sup></b>	<b>612.9</b>	<b>716.6</b>	<b>-14.5%</b>
Operating costs	(242.6)	(284.2)	-14.6%
Staff expenses	(130.5)	(158.7)	-17.7%
Other administrative expenses	(89.0)	(100.1)	-11.1%
Depreciation	(23.1)	(25.4)	-9.2%
<b>Net operating income</b>	<b>370.3</b>	<b>432.4</b>	<b>-14.4%</b>
Impairment of financial assets at amortised cost	1.2	(68.8)	-
Net provisions and other results	(21.7)	(259.4)	-91.6%
<b>Income before taxes and MI</b>	<b>349.7</b>	<b>104.2</b>	<b>&gt;200%</b>
Taxes	(108.3)	(22.8)	>200%
Minority interests	(0.1)	(0.0)	>200%
<b>Consolidated net income</b>	<b>241.3</b>	<b>81.4</b>	<b>+196.5%</b>

(1) Includes the costs with the Resolution and Deposit Guarantee Funds

(\*) 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/22</b>	<b>jun/21</b>	<b>Var.</b>
<b>Profitability</b>			
Income before taxes and MI/Average net assets	1.2%	0.4%	+0.8 p.p.
Net income from banking activity/Average net assets	2.2%	2.6%	-0.4 p.p.
Income before taxes and MI/Average equity	16.1%	4.5%	+11.6 p.p.
<b>Efficiency</b>			
Operating expenses/Net income from banking activity	39.6%	39.7%	-0.1 p.p.
Staff expenses/Net income from banking activity	21.3%	22.1%	-0.8 p.p.
<b>Transformation</b>			
Credit (net)/Deposits	106.3%	112.9%	-6.6 p.p.