

Santander Portugal achieves net profit of € 298.2 million (+0.9% YoY)

"Banco Santander's net profit recorded a slight growth in 2021, compared to the same period last year. This was yet another year marked by the pandemic and by its impact on the economy. Internally, it was a year devoted to consolidating the implementation of a deep transformation process that will help us face the challenges of the future in a more robust manner. The Bank is presently a stronger institution, much better structured, and equipped with the necessary means to continue to be the partner of Portuguese households and companies.

Despite the challenges of the past year, the data we are disclosing today show that our customers keep trusting our institution, which makes us feel very proud. We reached the mark of one million digital customers, deposits have increased by 6.8%, and off-balance sheet resources by 16.6%. We maintained relevant market shares in new corporate loans and in mortgage loans, which stood at 22.7% and 21.2%, respectively. In Community support initiatives, we invested about 6.7 million euro in various projects related to education, protection of minors, health, disability, social inclusion, and care for the elderly, which directly supported more than 112,000 people.

These figures reflect the transformation that has been carried out, both at operational and commercial level, with a focus on simplifying processes and technology, oriented towards improving our customers' experience and satisfaction, within a new, more competitive, more digital context, and with increasingly demanding customers. All this dynamic is based on a strong, strengthened position in terms of capital and liquidity, as well as with the best credit ratings in the sector.

Regarding 2022, we feel quite optimistic. We are aware of the challenges that lie ahead, as well as of our capabilities and of the strategy we have implemented, so that, in this unique moment of economic recovery, we may continue to develop our purpose of helping people and companies to prosper."

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

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Highlights

- At the end of 2021 the **net profit** of Santander Totta, SGPS amounted to **€ 298.2 million**, a 0.9% rise year-on-year.
- Total **loans to customers¹** stood at **€ 43.4 billion**, representing a 1.7% increase compared to December 2020, with a noteworthy **growth of 6.0% in mortgage loans**.
- The **market shares of new loans to companies and mortgage loans** (accumulated until the month of November) amounted to **22.7% and 21.2%**, respectively.
- With regard to **credit facilities guaranteed by the State**, more than 16 thousand clients were supported, for a global amount of € 1.8 billion.
- **Customer resources** amounted to € 46.9 billion, a **YoY growth of 8.5%**, an evolution underpinned by the 6.8% increase of deposits, and 16.6% in off-balance sheet resources.
- The Bank reached the mark of **one million digital customers**, a 7.5% increase compared to the same period in the previous year, representing 59% of the total number of loyal customers. In turn, sales through digital channels represent 56% of the total, in accumulated figures since the beginning of the year, which represents an increase of 13 pp compared to the same period in the previous year. This dynamic reflects the commercial and digital transformation that has been carried out, aiming to improve our customers' experience and satisfaction.
- The **efficiency ratio stood at 40.1%** (4.9 pp below the figure reached in December 2020).
- The **CET 1 ratio stood at 25.2%** (fully implemented), an increase of 4.6 pp compared to December 2020.
- In 2021, Santander was distinguished as the **"Bank of the Year"** in Portugal by *The Banker* magazine, of the *Financial Times Group*, in "The Banker Awards 2021". It was also distinguished as the **"Best Bank"** in Portugal by *Euromoney* and *Global Finance* magazines, as well as the **"Best Retail Bank"** in the country, within the scope of the World Finance Banking Awards 2021. In terms of reputation, it was considered the **"Most Reputed Banking Brand in Portugal"** by *OnStrategy* and by *Merco*. Already this year, it also received the **Five Star Award** in the categories of "Large Banks" and "Home Loans."
- The Bank's business segments also received several awards throughout the year. Santander was distinguished as the **"Best Investment Bank in Portugal"** by *Euromoney* magazine and, in the corporate area, as the **"Best Bank for SMEs"** in the country, awarded for the first time by *Global Finance*. *Euromoney* also distinguished Santander as the **"Best Trade Finance Bank"** in Portugal, winning in the "Market Leader" and "Best Service" categories. In the private banking area, Santander was once again distinguished as the Bank with the **"Best Private Banking"** service, by the *Euromoney* and *Global Finance* magazines.
- In 2021, Santander continued to support the Community, with special emphasis on supporting the most vulnerable sectors of society, as well as projects by Higher Education Institutions, namely by providing **direct support to more than 112 thousand people**.

¹Total loans to clients (gross)

- In December 2021, Santander announced the creation of the Santander Portugal Foundation with the purpose of intervening decisively in the Education, Employability, Ecology and Social Affairs sectors, for which it will have an initial allocation of € 22.5 million.
- In 2021, Santander participated in two issuances, of **€ 750 million** and **€ 1,250 million**, respectively, both of EDP's hybrid green debt; and of **€ 300 million** of REN's green bonds.
- 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

Balance Sheet and Income Statement (million euros)	Dec-21	Dec-20	Var.
Net assets	60,185	58,330	+3.2%
Total Gross Loans ⁽¹⁾	43,415	42,683	+1.7%
Resources	46,941	43,270	+8.5%
Net interest income (without dividends)	729.6	786.6	-7.2%
Net commissions	426.6	373.2	+14.3%
Operating income	1,318.1	1,282.1	+2.8%
Total operating expenses	(528.7)	(577.2)	-8.4%
Net operating income	789.4	704.8	+12.0%
Income before taxes and MI	434.6	405.0	+7.3%
Consolidated net income	298.2	295.6	+0.9%

RATIOS (million euros)	Dec-21	Dec-20	Var.
ROE	6.3%	6.9%	-0.6 p.p.
Efficiency ratio (incl. depreciation)	40.1%	45.0%	-4.9 p.p.
CET 1 ratio fully implemented	25.2%	20.6%	+4.6 p.p.
Non-Performing Exposure ratio ⁽²⁾	2.3%	2.6%	-0.4 p.p.
Non-Performing Exposure coverage ratio	81.0%	72.3%	+8.8 p.p.
Cost of Credit ⁽³⁾	0.17%	0.45%	-0.28 p.p.

OTHER DATA (million euros)	Dec-21	Dec-20	Var.
Number of employees in Portugal	4,805	5,980	-1,175
Total Branches in Portugal	348	427	-79

RATING (long term debt)

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

⁽¹⁾ Total loans to customers (gross)

⁽²⁾ According to EBA criteria

⁽³⁾ 12 month average

Business Environment

The 4th quarter of 2021 was characterized by a slight improvement in the economic environment, which came together with a slight deceleration of the coincident economic activity indicator, which signals a perspective of slower growth for this period, with GDP to grow by about 1.1% quarter-on-quarter, and by 5.0% year-on-year. In 2021 as a whole, the economy grew by 4.5%, leveraged by the recovery in domestic demand, which contributed with about 5.5 pp towards such growth, partially offset by the contribution of net exports, by -1 pp.

The dynamics of household consumption is still characterized by sustained, resilient growth in the consumption of food goods, while expenses with durable and non-food goods show a more volatile pattern, associated with the pandemic control dynamics. As far as investment, the construction sector still remains as the main pillar of the positive trend, with investment in transports and equipment only reasserting itself according to the state of the pandemic. Exports of services started to accelerate in a more sustained manner since the 2nd quarter of 2021, in line with the increased number of vaccinated population, which significantly benefited the tourism sector.

Consumer confidence has recorded a downward trend since October, in reaction to the dissolution of the Portuguese Parliament, and which intensified in November and December with the worsening of the pandemic situation. Likewise, the outlook for the financial situation of households also worsened in the last quarter of 2021, as a result of an acceleration of the inflation rate.

The investment confidence indicator showed a deterioration last autumn, with investment indicators, namely in the industrial sector and imports of investment goods, also decreasing slightly. However, banks' assessment of housing prices and the volume of commercial vehicle sales recorded very strong growth rates, albeit still insufficient to cancel the deviation from 2019 figures.

The indicators of the evolution of external demand kept showing signs of recovery in exports, especially in terms of services, while exports of goods moderated their pace. The tourism sector keeps showing signs of recovery, a trend that was still observed in November 2021, with overnight stays in hotels growing by 33% year-on-year in the eleven months of 2021.

Despite the slowdown in economic activity, the conditions in the labour market remained unchanged, with the unemployment rate standing at 6.3% in the 3rd quarter as a whole, a trend that was maintained in the last quarter of the year. Employment continued to record positive year-on-year growth, with special emphasis on the services sector, supported by the recovery of the trade, catering, and accommodation sectors.

The Portuguese Recovery and Resilience Plan (RRP), with an allocation of € 16.6 billion, has already started to be operationalized. So far, 92% of the funds have been contracted, of which 22% have already been approved, and 2% are considered to have been paid. The swift and efficient execution of the Plan is essential to strengthen the pillars of the economy and leverage the pace of economic recovery *pari passu* with the deflation process.

The ECB Governing Council, at its meeting of December 16, 2021, considered that the Euro Area economy continues to recover and that the labour market is improving, supported by broad support from fiscal and monetary policies. The new Omicron variant contributed to once again greater instability of the economic recovery, following the reintroduction of measures to restrict mobility. The continued acceleration of inflation is a factor of concern, although the underlying factors of such growth are strongly correlated with transitory base effects, namely related to energy prices and scarcity of materials, equipment and labour, caused by the pandemic. Therefore, the ECB expects inflation to remain high in the short term, but to slow down over the course of the coming year. The inflation outlook has been revised upwards, while still projecting that inflation will remain below the 2% goal over a 5-year horizon.

The ECB decided to moderate the pace of net asset acquisition in the 1st quarter of 2022 under the Pandemic Emergency Purchase Programme (PEPP), which will expire at the end of March 2022. However, it was decided to extend the reinvestment horizon until, at least, the end of 2024. Within an environment of financial instability caused by the pandemic, reinvestments in the PEPP context can, at any moment, be flexibly adjusted over time, by asset classes and between jurisdictions.

Regarding the Asset Purchase Programme (APP), it will continue at a monthly rate of € 40 billion in the 2nd quarter of 2022, and € 30 billion in the 3rd quarter. From October 2022, the rate will be € 20 billion per month, with acquisitions expected to cease shortly before beginning the cycle of hikes in the ECB's benchmark interest rates.

Currently, sovereign yields in the Euro Area keep rising, with the German yield curve for 10-year maturity standing at -0.06% (as of January 21, 2022). The 10-year Portuguese sovereign rate stands at 0.58% (as of January 21, 2022), an increase of about 60 bp compared to the lowest figure observed in August 2021. The difference against the German sovereign keeps varying between 50 and 60 bp. The Country's credit rating is Baa2 by Moody's, BBB (stable) by S&P and by Fitch, and BBB (high) by DBRS.

Results

At the end of 2021, Santander Totta, SGPS (in this press release referred to as the "Bank" or "Santander Portugal") achieved a net profit of € 298.2 million, a 0.9% increase YoY. In the 1st quarter, an extraordinary expenditure was recorded, in the amount of € 164.5 million (net of taxes), to cover the ongoing transformation plan, including the optimization of the branch network, and investments in processes and technology.

Operating income, in the amount of € 1,318.1 million, increased by 2.8% year-on-year, while operating costs totalled € 528.7 million, a reduction of 8.4%, meaning that net operating income rose by 12% and the efficiency ratio decreased 4.9 pp to 40.1%. Operating income was significantly influenced by non-recurring income resulting from the management of the securities portfolio, since the evolution of recurring commercial income was conditioned by an adverse scenario throughout the year, as a result of the uncertain economic environment caused by the pandemic, and, in particular, by the maintenance of negative interest rates.

Net interest income, in the amount of € 729.6 million, recorded a reduction of 7.2% year-on-year, an evolution quite conditioned by the context of negative interest rates, which reached its lowest levels in 2021 due to the pandemic, as well as by the continued reduction of credit spreads, in a highly competitive environment.

Net fees and commissions amounted to € 426.6 million, an increase of 14.3% compared to the same period in 2020, reflecting, on the one hand, the increase in customer transaction levels, in line with the revival of business activity, and, on the other hand, the strategy of resources diversification, with a greater focus on mutual funds and insurance, as well as on the distribution of autonomous risk insurance.

Other results of banking activity amounted to € -26.8 million, a 3.3% decrease year-on-year, reflecting the higher expenses with the National and Single Resolution Funds. Income from the insurance business, in the amount of € 16.2 million, decreased by 5.8%, while income from financial operations rose significantly, (by 35.4%) to € 155.3 million, reflecting the management of the public debt securities portfolio (concentrated in the 1st quarter of the year).

Operating costs amounted to € 528.7 million in 2021, representing an 8.4% decrease compared to the previous year, as a result of lower staff costs by 13%, lower general administrative expenses by 1.7%, and lower depreciations by 5.1%. In 2021, the Bank implemented a profound operational and commercial transformation

plan, adapting to the new competitive, more digital context, with significant investments in the simplification of processes and in technology, aimed at improving service quality, which also enabled the optimization of the branch network (-79), and the consequent reduction of employees (-1,175).

Net impairment of financial assets at amortized costs totalled € -73.5 million, a decrease of 60.8% compared to the same period in 2020, when an additional overlay of provisions had been made following the inclusion of the forward looking component of the macroeconomic scenario associated with the pandemic context. The recovery of business activity, further consolidated in 2021, and a still marginal impact from the end of the moratoria, at the end of the 3rd quarter, allowed the partial reversal of the overlay that had been preventively prepared. Credit quality remained quite solid in 2021, reflected in the reduction of the NPE ratio to 2.3% at the end of the year, compared to 2.6% at the end of 2020.

Net provisions and other income include extraordinary charges related to the implementation of the aforementioned transformation plan of the Bank.

Profit before taxes and minority interests amounted to € 434.6 million, corresponding to a YoY increase of 7.3%.

Balance Sheet and Business

By the end of 2021, the loan portfolio amounted to € 43.4 billion, up by 1.7% YoY. During the fourth quarter, the Bank maintained solid volumes of new mortgage and corporate loans origination, materialized in market shares consistently above 20%.

In the last quarter, and after the end of the legal moratorium, clients resumed normal compliance with their payment plans, without significant implications in terms of credit quality. However, after such a long moratorium period as that applied in Portugal (up to 18 months, in the case of the legal moratorium), the usual follow-up of clients in this adjustment phase is being maintained.

Mortgage loans amounted to € 21.9 billion, corresponding to an increase of 6% over the same period last year, and consumer credit amounted to € 1.7 billion, representing a 2.1% increase compared to December 2020, reflecting the recovery of household discretionary spending after the lockdown was over. In the period from January to November 2021, the Bank originated around € 2.8 billion of mortgages, with an average market share of 21.2%.

Corporate loans reached € 16.1 billion, down by 1.6% year-on-year, due to the maturity of several operations in the Large Companies segment during the last quarter of the year, in a context of high liquidity.

Credit ⁽¹⁾ (million euros)	Dec-21	Dec-20	Var.
Credit to Individuals	24,035	22,768	+5.6%
<i>from which</i>			
Mortgage	21,921	20,671	+6.0%
Consumer credit	1,716	1,681	+2.1%
Credit to Companies	16,116	16,371	-1.6%

⁽¹⁾ Credit at amortised cost

The Non-Performing Exposure (NPE) ratio, calculated in accordance with the EBA criterion (regarding balance sheet exposure), stood at 2.3% in September 2021, a YoY decrease of 0.3 pp, the respective coverage standing at 81%.

Customer funds amounted to € 46.9 billion, a YoY growth of 8.5%, reflecting the positive contribution of deposits (+6.8%), and the significant increase of off-balance sheet resources (+16.6%). The latter is the result of the strategy that has been pursued, of diversification of resources, into mutual funds and financial insurance, in a context of negative interest rates.

Resources (million euros)	Dec-21	Dec-20	Var.
Customers' Resources	46,941	43,270	+8.5%
On-balance sheet resources	38,462	36,001	+6.8%
Deposits	38,462	36,001	+6.8%
Off-balance sheet resources	8,479	7,269	+16.6%
Investment funds managed or marketed by the Bank	4,340	3,252	+33.4%
Insurance and other resources	4,139	4,017	+3.1%

Liquidity and Solvency

Throughout 2021, the Bank maintained its prudent liquidity management strategy, resulting in an increase of the liquidity cushion by € 3.9 billion, to € 17.1 billion at the end of the year, including an increase in client deposits of about € 2.4 billion.

The Bank's funding structure remained broadly unchanged. The funding obtained from the ECB, in the amount of € 7.5 billion, continues to be fully represented by long-term operations within the framework of TLTRO III, which, together with the growth in deposits, resulted in a surplus net exposure to the Eurosystem, at the end of the year.

Short-term funding, either through repurchase agreements or through institutional deposits, remained at zero. In terms of long-term funding, and in addition to operations with the ECB, Santander Portugal ended 2021 with about € 0.5 billion of securitisations, € 2 billion of mortgage bonds, and € 0.5 billion of Senior HoldCo issuances.

The Liquidity Coverage Ratio (LCR), calculated in accordance with the CRD IV rules, stood at 138.2%, thus meeting the regulatory requirements on a fully implemented basis.

The Common Equity Tier 1 ratio (CET 1), calculated in accordance with CRR / CDR IV rules, rose to 25.2% (fully implemented), in December 2021 (an increase of 4.6 pp compared to the same period in 2020), reflecting the capacity for organic capital generation, as well as the management of risk-weighted assets. Taking into account the recommendation of the European Central Bank (ECB/2020/19) of March 27, 2020, the Board of Directors of Santander Portugal decided not to distribute dividends.

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

In terms of MREL, as of December 31, Santander Totta SGPS recorded a ratio of 31.5%, above the fully implemented requirement of 20.43%, required as of January 1st, 2022.

Capital (fully implemented) (million euros)	Dec-21	Dec-20
Common Equity Tier 1	3,799	3,697
Tier 1	4,199	4,297
Total Capital	4,263	4,373
Risk Weighted Assets (RWA)	15,103	17,958
CET 1 ratio	25.2%	20.6%
Tier 1 ratio	27.8%	23.9%
Total Capital Ratio	28.2%	24.4%

Business Activity

Individuals, Business, Corporate and Institutional

The strategy in the Individuals area involved the simplification of processes, consolidation of new service models, and improving customer experience. The commercial activity results were in line with the objectives for the year, with emphasis on growing the production of Mortgage Loans, increasing productivity in the areas of Protection, Savings and Payments, and improving the levels of customer satisfaction (NPS). These results were clearly leveraged by the Bank's digital transformation process, along with the restructuring of commercial and process areas.

Individuals and Businesses

- **Protection insurance** – In 2021, the Protection Insurance activity focused on expanding the base of protected customers and the level of protection of each customer.

New products were launched in Autonomous Insurance, namely, Auto Insurance, Corporate Liability Insurance, and Corporate Health Insurance, with packages available with quite advantageous conditions in the combined sale of insurance, and an increased offer on digital channels (whose weight in the placement of new policies has doubled).

With regard to Credit-Associated Insurance, it is worth highlighting the review of the entire simulation and contracting process, which is now much simpler and more intuitive, for both Mortgage and Personal Loans. Insurance contracting for personal loans already in progress was also extended in this segment.

- **Savings & Investment** – There was a significant increase in the diversification of off-balance sheet investments, mainly in mutual funds and retirement savings, a process that was helped by the fact that markets experienced a very positive year.
- **Means of Payment** – As far as POS, the Bank focused on developing this service and differentiating payment solutions, namely through digital contracting and new equipment, such as *SmartPOS*. The pandemic context implied keeping the focus on online services, with emphasis on the promotion of the Payment Gateway, which allows the acceptance of cards, payment of services, and MBWay on a single platform.
- **Personal and Mortgage Loans** – Despite the pandemic context, the accumulated production of mortgage loans grew by about 19% compared to 2020, with the Bank's production market share remaining above 21%. The production of personal loans grew by about 10% compared to 2020, with online contracting accounting for 54% of all personal loans granted.

In the **Daily Banking** area, with the aim of improving customer experience, several initiatives were implemented, namely, simplification of the card offer (with an image aligned at European level), sending the

cards' Digital PIN by SMS at the time of activation, the possibility of splitting POS purchases made with credit card into 3, 6 or 12 months, the possibility of requesting a prepaid card through digital channels, exemption of costs in the use of MBWay on any platform, and exemption of costs when making purchases and withdrawing money in foreign currencies up to one thousand euros with debit cards. In terms of enhanced security in online purchases, payments must now be validated with the Santander App (*3D Secure*), and in situations of transactions refused by security blockages, a notification is now sent to the customer, in order to complete the transaction.

Aiming to reduce the environmental footprint, cards are now issued in biodegradable material, with the Carbon Neutral quality seal, and a recycling process for expired cards has been implemented, which will be used to produce urban furniture. Additionally, for each kilogram of cards collected, the Bank ensures the planting of a tree in a protected area, with the guarantee of taking care of it for 5 years.

The **Santander Marketplace** celebrated 1 year of activity, currently counting on 16 partners, and offering credit solutions (personal credit and credit card), with the customer being able to split the purchase up to 36 months.

The launch of the new Santander App in Portugal, in 2021, was a real milestone in terms of **digital transformation**, providing a mobile banking experience model common to several European markets. This new App was based on the structure of the App already launched in Spain, recognized and awarded as the **Best Digital Bank in Western Europe** by *Euromoney*.

This transformation strongly contributed to the continued growth trend in the number of digital customers and, above all, to deepening the Bank–customer digital relationship.

At the end of 2021, the Bank crossed the mark of 1 million digital customers, an increase of 7.5% compared to the same period last year. This figure represents a global digital penetration rate (over active customers) of 59%. At the same time, there was a solid growth in qualitative items — at the end of 2021, compared to the same period last year, the number of transactional digital customers grew by 10%, the number of customers with the mobile App grew by almost 20%, and the number of customers with Wallet grew by more than 75%.

Corporate and Institutional

Banco Santander in Portugal remains faithful to its strong commitment to supporting the Portuguese business community, to training its resources, and to help in the transition towards a more efficient and sustainable economy.

Thus, in a year still marked by the pandemic, making credit facilities with State guarantee available to companies, and supporting public and private investment projects within the scope of European Funds remained as a priority for the Bank. For this purpose, Santander has a page just dedicated to European Funds on its public website, with information on the various programmes, investment agendas, and active application notices, presented in an organized, systematic manner, intended to be a differentiating factor in the clarification and identification of opportunities.

The Agriculture Equipment Renewal Plan was launched in the 2nd quarter, to support and accelerate the digitization and sustainability of Portuguese agriculture, in order to enable investment in precision equipment and other technical equipment.

The Bank also reinforced its **omnichannel** approach, in addition to the service provided by the physical network, with a strong investment in digital channels, which has greatly contributed to increasing the degree of customer autonomy, satisfaction, and loyalty. This positioning of greater proximity and quality of service fostered sustained business growth in the Corporate segment.

With regard to its **International Business**, Santander offers teams of Trade Finance specialists, plus resources and tools (*Trade Club* and *Trade Markets*), to help companies develop a coordinated work, find partners, and successfully complete their global expansion process.

It is worth highlighting the new offer made available to Portuguese companies — the swift GPI —, which enables the traceability of international transfers, both issued and received, validating in real time the execution and tracking of international payments, as well as real-time confirmation of the status of transfers received from abroad. It should be noted that Santander Portugal is the first and only national bank offering this service to its Corporate customers.

With regard to **Institutional Banking**, Santander in Portugal maintains its commitment to supporting customers in this segment, both in terms of public entities — by maintaining a strong presence in the Autonomous Regions and Municipalities —, and in terms of private entities, in particular in religious and social economy institutions, which have played a critical role in supporting households with fewer resources.

Foreigners and Residents Abroad

Santander has a remote service dedicated to customers residing abroad — *Santander Próximo International*. It is a digital desk, dedicated to customers residing abroad, which provides an innovative customer service, using all the technology required for remote monitoring, and a 100% team dedicated to their service.

With this solution, any Santander customer residing abroad is now able to interact with the Bank remotely in the same way as a domestic customer, which has helped the Bank gradually reduce its physical presence, namely with the closure of representative offices in Germany, France and Switzerland. Customers are already being supported through this digital remote service model in these countries.

Wealth Management and Insurance

The year 2021 ended as it had started, conditioned by the news on the development of the pandemic, and by fears that inflationary pressures will prove to be more of a long-term nature than just a short-term issue. In fact, the shock on the demand side, combined with logistic and distribution constraints, led to a general inflation peak, reaching 7% in the US and 5% in Europe. However, these factors did not prevent the main stock indices from closing with very positive performances: S&P500 with an appreciation close to 30%, and Euro Stoxx 50 above 25%, based on expectations of a robust economic growth and the normalization of distribution chains (with normalization of expected inflation levels).

Thus, for most of Santander Portugal's Private Banking business indicators, 2021 was a very positive year, with a 9% growth in assets under management, as well as a 29% growth in Off-Balance Sheet Resources (Funds, Insurance, and Discretionary Portfolio Management).

The strong growth of the customer base is also worth being highlighted, leveraged by both a strong external prospecting activity, as well as by the great collaboration and support of the branch network and business centres.

Initiatives aimed at improving the commercial effectiveness of Private Banking managers have yielded the expected results, freeing up more time for proximity and counselling activity to Private Banking customers, thus improving the excellent service that characterizes this segment.

In recognition for its excellent service and customer care, Santander Portugal's Private Banking was, at the beginning of 2021, distinguished as the best Private Banking operating in Portugal for the 10th consecutive year

by Euromoney magazine. And towards the end of the year, it received the same distinction for the 7th consecutive year, from Global Finance magazine.

Santander Asset Management (SAM) sought to manage its mutual funds (FIM) in an active manner, with the aim of maximizing return for its participants. Thus, numerous initiatives were carried out throughout the year, in particular a change in the investment policies of the mixed and bond Funds with a view to more flexible and global management, and the merging of the Popular Global range funds into the range of Santander Select funds. Additionally, two new innovative funds were launched, namely Santander Global Investment and Santander Multi-Strategy.

The year was marked by a strong demand for mutual funds, which ended with assets under management in the amount of € 4.6 billion, benefiting from a growth of € 1 billion.

Retirement solutions were a very important focus of commercial activity, bearing in mind the growing challenges faced by households in this area. Retirement products grew by € 183 million, benefiting from the rebranding of this type of product.

In the Financial Insurance area, there was a strong dynamic in open financial insurance, both in terms of the Individuals and Business Network, and in terms of the Private Banking segment, closing with global assets worth € 3.7 billion. During this period, the insurance range was complemented with the launching of Santander Future Wealth, an innovative product that provides access to major future trends: technology, sustainability, and health. These various initiatives helped mitigate the volume of maturities that occurred during the year, of about € 315 million.

Throughout the year, the Bank kept promoting initiatives aimed at improving service quality and customer experience, namely with the implementation of paperless contracting processes. Numerous training initiatives were also developed, mostly in webinar format, both internally and for customers, with the aim of promoting greater knowledge on financial markets and on product positioning.

Corporate and Investment Banking

The *Corporate & Investment Banking* area maintained its focus on our customers and on offering solutions suited to their needs. In this section, we highlight the offer of Environmental, Social, Governance (ESG) products and the focus on digital channels, in particular the digital exchange contracting platform (via NetBanco Corporate).

The loan portfolio recorded a decrease of -1.7%, justified by the recovery of economic activity, which led to an increase in customer liquidity. Banking income increased by 1% YoY thanks to the good performance of the recurring business. Net interest income grew by 3% compared to 2020, and commissions saw a recovery in transactional items, in particular ATMs and POS, after a sharp drop in 2020.

It is worth noting the distinction by *Euromoney*, through the award "Best Investment Bank Portugal 2021."

In the *Global Debt Financing* area, 2021 was marked by the presence of Santander as bookrunner, in the following debt issuances:

- EDP: issuance of two new *Hybrid Green Bonds*, in the amounts of € 750 million and € 1,250 million, respectively. These were the third and fourth issuances of this kind for EDP, with Santander participating in all four operations as bookrunner;
- REN: issuance of a new *Green Bond*, with an 8-year maturity, in the amount of € 300 million.

Regarding structured financing activities in 2021, it is worth highlighting the working capital financing operation for Medway Portugal, for the acquisition of new locomotives to enable the company's expansion in the Iberian Peninsula, in the amount of € 122 million, of which Santander financed about € 77 million.

During this period, several relevant financing operations were also concluded in a wide range of sectors, of which various financing operations in the real estate sector stand out, namely real estate development for student residences, the retail sector, telecommunications infrastructures, and hospital infrastructures. Various financing contracts were also awarded in the retail, telecommunications infrastructures, and hospital infrastructure sectors.

In 2021, the **Corporate Finance** area developed an intense activity in Mergers and Acquisitions, and in **Equity Capital Markets** operations, of which it is worth highlighting the successful completion of the following financial advisory operations: (i) consultancy to Atlantia on the announced sale of the 17.2% stake held in Lusoponte by MM Capital Partners, a subsidiary of Marubeni Corporation; (ii) acting as *Joint Bookrunner* in the IPO of Greenvolt; (iii) consultancy to Teak Capital and Tangor Capital in the acquisition of Cerealis; (iv) consultancy to FSI/Finerge on the acquisition of the stakes held by EDF Renewables in 2 wind portfolios in Portugal with 507 MW (193 MW net); and (v) acting as *Global Coordinator* in the capital increase/Public Share Subscription for Ibersol's shares.

As far as **Treasury**, particularly in the **Corporate** and **Commercial Banking** area, 2021 marked the consolidation of an alternative client monitoring model, designed, tested and correctly implemented throughout 2020, which allowed the Bank to keep supporting its customers, by offering solutions that best respond to the needs of Companies.

Specifically in the **Foreign Exchange** area, it was possible to keep up with the business growth trajectory, compared to the same period of the previous year, based on various alternative contracting channels available to all customers, materialized in the positive evolution of the number of customers active in foreign exchange operations in the various segments (Companies, Private and Individuals), of customers who choose to use digital channels (the foreign exchange contracting platform available on NetBanco), and of the volume traded.

In terms of **interest rate** risk management, the search for fixed-rate credit solutions has increased, namely under credit facilities guaranteed by the State made available throughout 2021 (European Investment Fund Facility), whose formalization has taken place mostly in fixed-rate format.

The escalation of the inflation rate that is already occurring in some of the main world economies, the sharp increase in the price of commodities (with Brent in the spotlight), and the uncertainty surrounding the policies that will be followed by Central Banks, give rise to a greater need for interest rate risk coverage, both in new financing and for financing already in progress. In this context, we witnessed a significant growth in formalized fixed-rate credit operations in 2021, which already represent a very significant percentage of financing granted to companies.

In the **Retail Structured Products** area, activity has been resumed after a long period of adaptation to the new context of negative interest rates, namely with the sale of 5 Structured Notes during 2021 for a total amount of € 40.4 million. It should be noted that the first 2 notes of 2021 are green (Santander 360° Sustainable), where all the parties involved (issuer, index, investor, sustainable asset) have a sustainable angle. The capital of these notes was used to fund sustainable projects managed by Banco Santander in accordance with ESG (Environmental, Social, Governance) criteria, and their yield is indexed to the Euro Stoxx® 50 ESG–X Stock Index.

The **Cash Equities** area saw an increase in terms of volume traded on the equity market in 2021. The continuous promotion of the digital contracting platform, available on the NetBanco channel and on the Santander App,

supported a growth in online activity, maintaining the trend of increased volume traded and on the number of operations that had been taking place since the beginning of the pandemic.

Responsible Banking

Banco Santander is committed to society, and to its mission of helping companies and families to thrive, contributing to a more sustainable future. In this sense, in 2021, Santander invested around **€ 6.7 million** in projects to support the community, through sustainability initiatives and through Santander Universities, which helped support more than **112,462 people** directly, in projects related to education, protection of minors, health, disability, social inclusion, and care for the elderly.

In the **Higher Education** area, which continues to be one of the pillars of its operations, the Bank has protocols with 50 of the main Higher Education institutions in Portugal, and **4,666 people have benefited from grants** for social support, international mobility and entrepreneurship, and development of skills relevant to the current job market.

Also in the field of **Education**, with a focus on promoting equal opportunities and enhancing talent, Santander is one of the sponsors of the **Sara Carreira Association Grants**, aimed at children and youngsters aged between 12 and 21. For 18 years now, and with the support of the weekly newspaper *Expresso*, Santander has been distinguishing the best Management, Economics, and Engineering students in the country, through the **Primus Inter Pares Award**, which offers the most promising youngsters the opportunity to access an academic training complement of excellence.

As part of **Santander's partnership with the Portuguese Rugby Federation**, Santander is responding to a series of social challenges using this sport as a **driver of inclusion**, through the values it conveys.

In 2021, Santander launched the **Santander Mais Comunidade Award**, with the purpose of acknowledging social or environmental projects that promote the well-being of the communities where it operates. The shortlisted projects are put to public voting on the Bank's website.

One of Santander's commitments is to build a fairer society, in which **people with disabilities have conditions of employability and autonomy**. Thus, the protocol with the **Salvador Association** was renewed for another two years, whose objective is to **promote the employability of people with physical disabilities**. Santander also joined the **Café Joyeux Portugal** project, which opened its first cafeteria in Lisbon in 2021, to promote **the employability of people with Intellectual and Developmental Disabilities (IDD)**.

To help clients make more informed and conscious decisions on their finances, Santander included a section with articles on **finances and day-to-day management** in **Salto**, the **Santander community blog**, and launched the podcast "**Time is money. Do you have a couple minutes?**", in which experts talk about savings and investments, conscious consumption, the digital world, and many other topics.

To give greater prominence to its **environmental, social and governance (ESG)** initiatives, and in order to share best practices, the Bank has launched the podcast "**Change the World**", and the newsletter **#TheRightWay**.

Santander launched the **Portugal Inspirador | Lado a Lado com as Empresas Award**, with the aim of honouring those companies and people that stand out in the Portuguese business fabric, and to help strengthen the Bank's role in supporting the Portuguese economy. The Award, to be granted annually, will be awarded in 4 different categories: **Agriculture; Tourism and Services; Sustainability and Social Economy; and Innovation, Technology and Industry**.

In 2021, Santander also launched a new offer of **biodegradable cards** for the Corporate segment, in line with its commitment towards the green transition. It also has an important role in **sustainable financing** in Portugal. In 2021, it took part in the issuance of **€ 750 million** and of **€ 1,250 million of green hybrid debt** by EDP, and of **€ 300 million of green bonds** by REN. Additionally, in 2021, Santander **financed renewable energy projects** with a total installed capacity of over 70MW.

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

In December 2021, Santander announced the **creation of the Santander Portugal Foundation**, with the aim of developing programmes with a high social, economic and environmental impact. With an initial allocation of € 22.5 million, the Santander Portugal Foundation will intervene decisively in the fields of Education, Employability, Ecology, and Social Affairs.

External recognition

In 2021, Santander was acknowledged by several national and international publications for its financial performance, brand reputation, and in various business areas. In the 4th quarter, Santander received the **"Portugal Bank of the Year"** award, by *The Banker* magazine, of the *Financial Times Group*. It was also distinguished as the **"Best Bank in Portugal,"** by the *Euromoney* and *Global Finance* magazines. These two publications also distinguished Santander as the **"Best Investment Bank in Portugal,"** namely by *Euromoney*, and as the **"Safest Bank in Portugal,"** awarded by *Global Finance*. The *World Finance* magazine distinguished Santander as the **"Best Retail Bank"** in Portugal, within the scope of the *World Finance Banking Awards 2021*.

In the Corporate area, Santander was distinguished with two important awards for its activity in Portugal: as the **"Best Bank for SMEs"**, by *Global Finance*, and as the **"Best Trade Finance Bank"**, by *Euromoney*, namely in the categories of "Market Leader" and of "Best Service." These two publications also acknowledged Santander's service in the private banking area, namely by distinguishing it as the **"Best Private Banking"** in Portugal.

In 2021, Santander was acknowledged as the holder of the **"Most Reputed and Relevant Banking Brand in Portugal,"** according to the *Global RepScore Pulse* study, prepared by the consultancy firm *OnStrategy*, which distinguishes the brands that stood out the most in 2020, in a scenario of pandemic. In the study by Merco, a reference monitor that assesses companies' reputation, Santander ranked 1st in the banking sector.

With regard to Corporate and Investment Banking business, Santander Portugal won two awards in the 2021 edition of the **Euronext Lisbon Awards**. The Bank stood out in the *Settlement & Custody* category, which distinguishes the financial intermediary that carried out the largest number of share and bond issuances recorded with Interbolsa (and not admitted to trading), weighted by the respective amounts. It also won in the *Book Runner Bonds* category, as it is the financial intermediary with the largest number of issuances and amounts placed in securities identified in this category, listed with Euronext Lisbon.

Santander was also distinguished as the **"Best Global Bank in Financial Inclusion"** in the "Global Awards for Excellence 2021" by *Euromoney* magazine, recognizing the Group's efforts to making financial services more accessible.

Santander Totta, SGPS

Balance Sheet (million euros)	Dec-21	Dec-20	Var.
Cash, cash balances at central banks and other demand deposits	8,719	4,544	+91.9%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	9,877	12,554	-21.3%
Financial assets at amortised cost	40,384	39,833	+1.4%
Investments in subsidiaries, joint ventures and associates	107	131	-18.1%
Tangible assets	498	585	-14.9%
Intangible assets	36	39	-8.8%
Tax assets	313	394	-20.6%
Non-current assets held for sale	75	51	+45.6%
Other assets	177	199	-11.1%
Total Assets	60,185	58,330	+3.2%
Financial liabilities held for trading	571	921	-38.0%
Other financial liabilities mandatory at fair value through profit or loss	3,344	3,261	+2.5%
Financial liabilities at amortised cost	49,618	47,053	+5.5%
Resources from Central Banks and Credit Institutions	7,754	8,279	-6.3%
Customer deposits	38,462	36,001	+6.8%
Debt securities issued	3,180	2,561	+24.2%
Of which: subordinated debt	8	8	+0.0%
Other financial liabilities	222	212	+4.7%
Provisions	209	240	-12.8%
Technical provisions	677	711	-4.8%
Tax liabilities	357	391	-8.6%
Other liabilities	783	1,033	-24.2%
Total Liabilities	55,560	53,610	+3.6%
Share capital attributable to ST SGPS shareholders	4,623	4,719	-2.0%
Non controlling interests	2	2	+2.1%
Total Shareholders' Equity	4,625	4,720	-2.0%
Total Shareholders' Equity and Total Liabilities	60,185	58,330	+3.2%

Santander Totta, SGPS

Income Statement* (million euros)	Dec-21	Dec-20	Var.
Net interest income (without dividends)	729.6	786.6	-7.2%
Dividends from equity instruments	1.5	1.7	-11.4%
Net interest income	731.2	788.4	-7.3%
Results from Associates	15.7	14.6	+8.0%
Net commissions	426.6	373.2	+14.3%
Other banking income	-26.8	-26.0	+3.3%
Insurance activity	16.2	17.2	-5.8%
Gain/loss on financial transactions	155.3	114.7	+35.4%
Operating income	1,318.1	1,282.1	+2.8%
Total operating expenses	(528.7)	(577.2)	-8.4%
Personnel expenses	(282.1)	(324.4)	-13.0%
General expenses	(196.9)	(200.4)	-1.7%
Depreciation	(49.7)	(52.4)	-5.1%
Net operating income	789.4	704.8	+12.0%
Impairment of financial assets at amortised cost	(73.5)	(187.6)	-60.8%
Net provisions and other results	(281.2)	(112.2)	+150.6%
Income before taxes and MI	434.6	405.0	+7.3%
Taxes	(136.3)	(109.3)	+24.6%
Minority interests	(0.1)	(0.1)	+3.5%
Consolidated net income	298.2	295.6	+0.9%

(*) Not audited

Santander Totta, SGPS

In accordance with the definition contained in instructions 16/2004 of the Bank of Portugal with the changes in instruction 6/2018

Ratios*	Dec-21	Dec-20	Var.
Profitability			
Income before taxes and MI/Average net assets	0.7%	0.7%	+0.0 p.p.
Operating income/Average net assets	2.2%	2.2%	+0.0 p.p.
Income before taxes and MI/Average equity	9.4%	9.0%	+0.4 p.p.
Efficiency			
Total operating expenses/Operating income	40.1%	45.0%	-4.9 p.p.
Personnel expenses/Operating income	21.4%	25.3%	-3.9 p.p.
Transformation			
Credit (net)/Deposits	110.5%	116.1%	-5.6 p.p.