

JANUARY – SEPTEMBER 2021 RESULTS

Santander Portugal achieves net profit of €172.2 million (-32.3% YoY)

The results for the first nine months of the year recorded a year-on-year decrease above 30%. Despite a recovery in commissions – due to the increase in our customers' transactions – as well as a decrease in costs, net interest income continued on the downward trajectory seen in recent quarters, conditioned by the current level of market interest rates.

Recurrent revenues of a commercial nature seem to remain affected by the adverse context, as a result of the uncertain economic situation resulting from the pandemic, and above all from the negative interest rates.

Deposits and credit volumes maintained a positive trend, with increases of 4.5% and 2.2%, respectively. We now have almost one million digital customers that every day contribute to increased sales through totally safe digital channels, which have already exceeded 60% of total sales. We maintain very robust quotas in the origination of loans for companies and housing credit, clearly above 20%.

Despite the challenging year we are all facing, this evolution makes us remain particularly optimistic about the future and reflects the trust placed by our customers in Banco Santander, which is working every day to deliver the best customer experience, with the aim of promoting the development of the economy and the country.

2022 is just around the corner. Banco Santander is prepared for a new year — and for a new cycle. The Bank is presently a stronger institution, better structured, and endowed with the necessary means to remain as the partner of choice for Portuguese families and companies.

Pedro Castro e Almeida, CEO of Banco Santander Portugal

Lisbon, October 27, 2021 - PRESS RELEASE

Highlights

- At the end of the first 9 months of 2021 the **net profit** of Santander Totta, SGPS, amounted to **€172.2 million**, a 32.3% drop year-on-year.

- Total loans to customers¹ amounted to € 43.5 billion, equivalent to a 2.2% increase compared to September 2020 with a noteworthy growth in mortgage loans of 5.9%.
- The market shares of new loans to companies and mortgage loans (accumulated until the month of August) amounted to 22.1% and 21.3%, respectively.
- With regard to credit facilities guaranteed by the State, more than 15 thousand customers were supported, for a global amount of 1.8 billion euros.
- Customer resources amounted to €46.2 billion, a YoY growth of 6.7%, an evolution underpinned by the 4.5% increase of deposits and 18.3% in off-balance sheet resources.
- The number of digital customers increased by 8.6% compared to the same period last year, representing 58% of the total number of loyal customers. In line with this trend, sales through digital channels reached 61% of the total, in accumulated figures since the beginning of the year, which is equivalent to a YoY increase of 22pp.
- The efficiency ratio stood at 41.1% (3.4pp below the figure reached in September 2020).
- The CET 1 ratio stood at 23.9% (fully implemented), an increase of 3.5pp compared to September 2020.
- During the first nine months of the year, Santander was distinguished as the “Best Bank in Portugal” and the “Best Investment Bank in Portugal” by Euromoney magazine. It also received the awards for the “Best Bank in Portugal”, within the scope of the “World’s Best Banks 2021,” and for the “Most Secure Bank in Portugal”, both awarded by North American magazine Global Finance. Santander was recently 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 make financial services more accessible. Also in 2021, Santander was recognized as the holder of the “Most Reputable and Relevant Banking Brand in Portugal”, according to the Global RepScore Pulse study, prepared by the consultant OnStrategy. In the Companies area, it was once again distinguished by Euromoney as the “Best Trade Finance Bank in Portugal,” winning in the “Market Leader” and “Best Service” categories. The same publication also distinguished Santander’s Private Banking with the award of “Best Private Banking Services Overall in Portugal 2021.” With regard to Corporate and Investment Banking, Santander Portugal won two awards at this year’s Euronext Lisbon Awards, in the Settlement & Custody and Book Runner Bond categories.
- In the third quarter of 2021, Santander continued to support the Community, with special emphasis on supporting the most vulnerable sectors of society, and projects by Higher Education Institutions.
- During this year’s bicycle Tour of Portugal, of which Santander was a sponsor, the Bank was present in several initiatives of solidarity and proximity to the population, such as through the delivery of 22 tablets to the Santas Casas da Misericórdia of the locations where each stage of the bicycle tour would arrive.
- In the first nine months of 2021, Santander took part in two issuances, of €750 million and €1,250 million, respectively, both of EDP’s hybrid green debt, and also in the issuance 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).

¹Total loans to customers (gross)

Key Indicators

Balance Sheet and Income Statement (million euros)	Sep-21	Sep-20	Var.
Net assets	59,979	59,322	+1.1%
Total Gross Loans ⁽¹⁾	43,496	42,542	+2.2%
Resources	46,197	43,291	+6.7%
Net interest income (without dividends)	558.5	591.9	-5.6%
Net comissions	315.7	274.4	+15.0%
Operating income	1,025.7	964.1	+6.4%
Total operating expenses	(422.0)	(429.8)	-1.8%
Net operating income	603.7	534.4	+13.0%
Income before taxes and MI	246.7	349.0	-29.3%
Consolidated net income	172.2	254.5	-32.3%

RATIOS (million euros)	Sep-21	Sep-20	Var.
ROE	4.9%	8.0%	-3.1 p.p.
Efficiency ratio (incl. depreciation)	41.1%	44.6%	-3.4 p.p.
CET 1 ratio fully implemented	23.9%	20.4%	+3.5 p.p.
Non-Performing Exposure ratio ⁽²⁾	2.3%	2.8%	-0.5 p.p.
Non-Performing Exposure coverage ratio	83.4%	69.2%	+14.1 p.p.
Cost of Credit ⁽³⁾	0.33%	0.38%	-0.05 p.p.

OTHER DATA (million euros)	Sep-21	Sep-20	Var.
Number of employees in Portugal	5,439	6,077	-638
Total Branches in Portugal	350	450	-100

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

In the second quarter of 2021, the Portuguese economy recorded a quarterly growth of 4.5% (year-on-year growth of 16.2%). After five consecutive quarters with GDP declining YoY, the economy is beginning to show signs of normalizing its activity, as a result of the progressive lifting of all restrictions on mobility, in line with the vaccination process (currently more than 85% population have complete vaccination). The first drivers of economic activity to recover with the lifting of lockdown measures were private consumption and investment, which together contributed with 14.4pp to the year-on-year growth in the second quarter of 2021. Exports recorded a year-on-year growth of 40%, but its contribution to growth was more than offset by rising imports.

The conditions in the labour market remain relatively stable, with the unemployment rate standing at 6.4% until last August, thus maintaining a downward trajectory since the third quarter of 2020. Employment only showed a positive YoY growth rate in the second quarter of 2021, having already surpassed the levels recorded in 2019. The trade, restaurants, and accommodation sectors are still recording the biggest drop in number of jobs, despite the first signs of stabilization seen in the second quarter of 2021.

Regarding the third quarter, the economic climate indicator points to a slight slowdown in the pace of activity growth, with GDP expected to have grown by about 3.4% quarter on year, resulting in a year-on-year growth of 4.8%. Consumer confidence continued to be gradually less pessimistic until September 2021, contributing to a recovery in private consumption, materialized in monthly increases in the volume of sales in retail trade of about 6%. The number of sales of light passenger vehicles, up to September 2021, exceeded 112 thousand cars sold, up by 6.5% compared to the same period of the previous year. The Bank of Portugal's private consumption coincident indicator continues to signal a steady trend for improvement.

The investment confidence indicator showed a continued trend for improvement throughout the third quarter of 2021, with various investment indicators, namely those related to the manufacturing sector, to imports of investment goods, to bank evaluation of house prices, as well as sales volume of commercial vehicles recording very strong growth rates, however still insufficient to cancel the deviation from 2019.

External demand indicators continue to show signs of recovery in exports, with exports of goods maintaining strong growth rates, while exports of services show signs of negative growth, in accumulated terms, until July 2021. The tourism sector showed signs of recovery over the second and third quarters of 2021, with overnight stays in hotels exceeding 347% year-on-year, with domestic demand representing about two thirds of the total.

The implementation of the European recovery and resilience plan is just starting. It is worth recalling the important dimension of the plan, with a financial envelope of €750 billion, of which €390 billion in grants to States, while in Portugal the plan includes funds of about €16.6 billion. The Portuguese Plan was approved by the European Council in July, and the country has already received the first tranche, in the amount of €2.2 billion. The quick 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 process of easing the lockdown measures.

At the meeting of ECB Governors, on September 9, 2021, it was considered — taking into account the financing conditions and inflation prospects — to moderate the pace of net acquisition of assets under the asset purchase program under the *PEPP* — *Pandemic Emergency Purchase Programme* — up to a total amount of at least €1,850 billion, to be executed by the end of March 2022. Regarding the asset purchase program (APP), they will continue at a monthly pace of €20 billion, whose acquisitions are expected to stop shortly before the ECB starts raising its reference interest rates.

The inflation rate in the Euro Area accelerated to 3% in August, and the ECB anticipates that it will continue on an upward trend throughout the fourth quarter of 2021. However, these rises reflect temporary base effects

related to the rise in oil prices (which fell sharply last year during the lockdown periods), the reversal of the temporary VAT reduction in Germany, the delay of summer sales in 2020, and pressure on costs stemming from the temporary shortage of materials and equipment. In the course of 2022, these factors are expected to dissipate, contributing to a slowdown of the inflation rate. The underlying inflation rate also accelerated slightly, as a result of the resumption of economic activity, but whose rise should be gradual. In this sense, it will take some time for the economy to get back to normal in its operating rhythm and reach full capacity, and therefore wages should only grow moderately. Long-term expectations continue to rise, but still remain below the 2% target.

Currently, sovereign yields in the Euro Area maintain the upward trajectory resumed in August 2021, with the German yield curve for the 10-year maturity decreasing to -0.146% (as of October 18, 2021). The 10-year Portuguese sovereign rate stands at 0.385% (as of October 18, 2021), an increase of about 30bp compared to the minimum figures observed in August 2021. The difference against the German sovereign continues to vary between 50 and 60bp. The Republic's credit rating attributed by the rating agency Moody's was positively revised from Baa3 to Baa2, while S&P and Fitch both maintained the rating at BBB (stable). DBRS maintains the BBB – high (stable) rating.

Results

At the end of the 1st nine months of 2021, Santander Totta, SGPS (in this Press Release referred to as the "Bank" or "Santander Portugal") achieved a net profit of €172.2 million, a 32.3% decrease year-on-year. 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, with the optimization of the branch network, and investments in processes and technology.

Operating income amounted to €1,025.7 million, up by 6.4%, and operating costs decreased by 1.8%, totalling €422.0 million, and thus net operating income rose by 13% and the efficiency ratio decreased by 3.4pp, to 41.1%. Operating income is heavily influenced by non-recurring income resulting from the management of the securities portfolio, as the evolution of recurring commercial income continues to be affected by an adverse environment, as a result of the uncertain economic environment in the context of the pandemic and, above all, the negative interest rates.

Net interest income amounted to €558.5 million, equivalent to a YoY decrease of 5.6%, an evolution that continues to reflect the low levels of short-term interest rates and the sustained reduction in credit spreads, in a business environment that remains quite competitive.

Net commissions totalled €315.7 million, a growth of 15% over the same period in 2020, which reflects the increase in client transaction levels, in a context of economic recovery, and the strategy of diversification of resources with greater focus on funds and financial insurance, as well as on the distribution of autonomous risk insurance.

Other results of banking activity amounted to €-29.7 million, a 7.1% YoY increase, also reflecting the higher expenses with the National and Single Resolution Funds. Income from the insurance business, in the amount of €12.5 million, recorded an increase of 7.4%, and income from financial transactions rose significantly, to €155.7 million, reflecting the management of the public debt securities portfolio (concentrated in the 1st quarter of the year).

Operating expenses, which totalled €422.0 million, at the end of the first nine months of 2021, decreased by 1.8% YoY, and result from variations of -2.8% in staff costs, from +0.1% in general administrative expenses, and -3.0% in depreciations.

Net impairment of financial assets at amortized cost amounted to €-101.4 million, reflecting the incorporation of the forward looking component of the macroeconomic scenario, as shown in the different projections made by national and international institutions, which show a gradual recovery of economic activity, although differentiated between business sectors. Credit quality remains solid, materialized in a reduction of the NPE ratio to 2.3%, compared to 2.8% in September 2020.

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

Profit before taxes and minority interests amounted to €246.7 million, corresponding to a YoY reduction of 29.3%.

Balance Sheet and Business

In September 2021, the loan portfolio amounted to €43.5 billion, up by 2.2% YoY. During the third quarter, the Bank maintained solid volumes of new mortgage and corporate credit origination, materialized in market shares consistently above 20%.

September 30 represented the end of the legal credit moratorium, covering mortgage and corporate credit, amounting to approximately €6 billion. Customers resumed normal compliance with their payment plans, with no impact on credit quality, but requiring the usual follow-up in these adjustment stages, and after a quite long moratorium period in Portugal (up to 18 months, in the case of the legal moratorium).

Mortgage credit reached €21.6 billion, equivalent to an increase of 5.9% year-on-year, and consumer credit, in the amount of €1.7 billion, decreased by 0.8% compared to September 2020, reflecting the reduction in household discretionary spending. In the 1st nine months of the year, the Bank originated about €2.5 billion in mortgages, with a market share of 21.3% (average for the first eight months of the year).

Credit to companies reached €16.5 billion, down by 0.5%, due to the decrease in Large Companies.

Credit ⁽¹⁾ (million euros)	Sep-21	Sep-20	Var.
Credit to Individuals	23,690	22,522	+5.2%
<i>from which</i>			
Mortgage	21,607	20,401	+5.9%
Consumer credit	1,676	1,689	-0.8%
Credit to Companies	16,461	16,543	-0.5%

⁽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 0.5pp, the respective coverage standing at 83.4%.

Customers' resources amounted to €46.2 billion, a YoY growth of 6.7%, reflecting the positive contribution of deposits (+4.5%), and the significant increase in off-balance sheet resources (+18.3%). The latter is the result of the strategy that has been pursued, of diversification of resources, in a context of negative interest rates.

Resources (million euros)	Sep-21	Sep-20	Var.
Customers' Resources	46,197	43,291	+6.7%
On-balance sheet resources	37,931	36,301	+4.5%
Deposits	37,931	36,301	+4.5%
Off-balance sheet resources	8,266	6,990	+18.3%
Investment funds managed or marketed by the Bank	4,165	2,982	+39.7%
Insurance and other resources	4,101	4,008	+2.3%

Liquidity and Solvency

As in previous quarters, the Bank maintained its prudent liquidity management strategy, resulting in an increase of about €0.2 billion in client deposits, with the liquidity cushion rising to €16.7 billion at the end of September.

The Bank's financing structure remained broadly unchanged. Financing 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, with net exposure to the Eurosystem standing at €0.3 billion at the end of the third quarter.

Short-term funding, whether through repurchase agreements or institutional deposits, remains at zero.

In terms of long-term financing, in addition to the € 0.6 billion with the ECB, Santander Portugal ended the 3rd quarter of 2021 with about €0.6 billion of securitizations, €2.0 billion of covered bonds, and €0.5 billion of Senior HoldCo issuances.

The LCR (*Liquidity Coverage Ratio*), calculated in accordance with the CRD IV rules, stood at 132%, thus meeting the regulatory requirements on a fully-implemented basis.

The Common Equity Tier 1 ratio (CET 1), calculated in accordance with CRR / CRR IV rules, rose to 23.9% (fully implemented), in September 2021 (an increase of 3.5pp 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 in 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).

Capital (fully implemented) (million euros)	Sep-21	Sep-20
Common Equity Tier 1	3,823	3,532
Tier 1	4,223	4,132
Total Capital	4,289	4,201
Risk Weighted Assets (RWA)	16,003	17,345
CET 1 ratio	23.9%	20.4%
Tier 1 ratio	26.4%	23.8%
Total Capital Ratio	26.8%	24.2%

Business Activity

Individuals, Businesses, Corporate and Institutional

The third quarter of 2021 was characterized by yet another period of growth in the Bank's main business items, albeit with a slowdown in resources, typical of the seasonal and holidays context during this quarter. NPS levels remain stable. It is also worth highlighting the final execution of the transformation process started at the end of 2020, which involved optimizing the commercial structure and launching new, simpler, more digital processes.

Individuals and Businesses

Commercial activity for **Individual and Business** customers showed significant year-on-year increases in credit, especially mortgage loans, and in resources. As for business activity in terms of other products and services, the same priorities of the previous quarter were maintained, namely:

- **Protection insurance** — In autonomous insurance, the new auto insurance was made available on digital channels, and a new offer of health insurance for companies was launched, with a competitive solution that meets the needs of this high-growth segment. With regard to credit-related insurance, the entire contracting journey (both for home loans and personal loans) was reviewed, reinforcing the contextualisation of insurance, and highlighting the importance of protection.
- **Savings & Investment** — Highlighting the placement of investment funds, as the main financial asset sought by customers to diversify their savings.
- **Means of Payment** — Very positive evolution in number of customers making monthly payments through Santander. It is worth highlighting the improvement in customer experience in all payment paths, whether transfers, direct debits, purchases or payment for services, capitalizing on digital and mobile payments. Customer loyalty and relationship with the Bank were also intensified, with emphasis on the simplification of the offer of cards, which display a new image, and with significant growth in debit and credit cards. These keep benefiting from the relevant contribution of World 123, which allows customers to access an ecosystem that is increasingly more advantageous.
- **Mortgage Loans** — The mortgage loan market continued on an overall upward trend, with Banco Santander following this trend, with the production of new mortgage loans reaching market shares above 21%.

Under the **SIMPLER** programme, which was started in the first quarter this year, a significant set of new processes came into effect which will make life easier at branches and improve customer experience. The installation of advanced teller and corporate cashiers has already been completed under this programme, and, with the slight increase in transactions last September, it was decided to increase the number of **VTM**

(automatic banknote deposit machines, and coins and change providers) at branches. The credit decision process at branches was also simplified, as well as the daily administrative tasks of branch sub-directors.

In order to optimize and centralize tasks, sub-director hubs were created, to provide services to smaller branches.

It is also worth highlighting the launch of a new, modern, more intuitive **Individuals' APP**, with new features, which involved an effort by the commercial teams with Bank customers, in terms of explanation and support for the migration from the old to the new APP.

During the last quarter, the new model of in-branch remote service for Select customers — *Hub Select* — was also extended and consolidated in 15 branches more. This service is being offered to customers who had their account at that branch or at smaller nearby branches where they could not have a specialized select account manager. With this new model, customers can now do everything remotely, but if they need or want to meet in person with an account manager at the branch, they can do so, subject to prior appointment.

With the end of the moratoria on September 30, the third quarter was also marked by information and support for customers with a moratorium, both individuals and small businesses.

Companies and Institutional

Santander remained focused on strengthening its presence in the Companies segment, and on its commitment to contributing to their sustainable development.

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

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

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

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

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

With regard to Institutional Banking, Santander kept its commitment to its customers in this segment, both in terms of Public Entities — due to its strong presence in the autonomous regions and municipalities —, as well

as Private Entities, with a special focus on the Social Economy, which entities have played a key role in supporting the most affected families during this pandemic period.

Foreigners and Residents Abroad

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

With this solution, any Santander customer living abroad will be able to interact with the Bank without any restrictions, just like any resident customer. By the end of October, customers from France and Switzerland will be added to this service.

Wealth Management and Insurance

The third quarter of 2021 turned out to be a confirmation of the good moment seen in the two previous quarters, with very positive performances in all main business indicators.

The macroeconomic environment remained favourable, confirming the expectation of global economic recovery, with robust growth in the main economic blocs. However, the inflationary pressure felt on both sides of the Atlantic, caused by a demand shock with impacts on the prices of transports and goods, brought some volatility to the markets during the last months of the 3rd quarter. Even so, it did not change the trend of the main indicators, as evidenced by the end-September valuations of the Eurotox50 (Europe) and S&P500 (US) indices.

Thus, for most of Santander Portugal's Private Banking business indicators, the first nine months of 2021 were quite positive, with a growth in assets under management of 7% in the first three quarters of 2021, as well as a growth of 25% of off-balance sheet resources (funds, insurance and discretionary portfolio management).

It is also important to point out the strong growth of the Private Banking client base, based on strong external prospecting activity, and on great collaboration and support from the branch and corporate centre network.

Santander Asset Management (SAM) sought to actively manage its securities investment funds (SIF), and to promote new solutions. In this regard, it is worth highlighting the change in the investment policy of the Select/Private, Santander Multicredit, and FPR Valorization funds, which came into force last September. This change was aimed at providing participants with the possibility of investing in a broader range of assets, with higher ranges of action and greater geographic diversification, enabling them to offer a solution more suited to the current context, marked by the existence of structurally reduced interest rates.

The first nine months of the year were marked by strong dynamics in the demand for investment funds, with net subscriptions of about €829 million, ending the period with €4,461 million of assets under management.

With regard to real estate investment funds, they totalled €282 million in September 2021, compared to €330 million at the end of 2020. Part of this drop was caused by a capital reduction operation in the Novimovest Fund, carried out at the beginning of the year.

The retirement solutions were a very important focus in commercial business. The choice was to change the names of the three PPR's, and to launch an internal and external communication plan to make customers aware of the value proposition of this type of products. Retirement products grew €131 million in Fund format (FPR's) and €15 million in secure format (PPR's) throughout the year.

In the financial insurance area, financial insurances opened in the private and business network were promoted in a particularly active way, with net subscriptions of € 115 million, and the Master Policy in *Private Banking*, with net subscriptions of €178 million. This dynamic was decisive in mitigating the volume of maturities that occurred during the period, of about €270 million. In the first 9 months of the year, the financial insurance portfolio grew €64 million reaching €3,628 million.

Throughout the period, the Bank implemented more measures to improve service quality and customer experience. In fact, the Bank developed a new paperless contracting process allowing customers to contract financial products more expeditiously, plus a training program geared towards higher value segments, namely Private Banking and Select.

Finally, we highlight the high number of webinars, with the aim of making the main trends in the financial markets known to managers and their customers.

Corporate and Investment Banking

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

Since the beginning of the year, the loan portfolio has grown by +0.5%. Banking income increased by 6.5% year-on-year, explained by the increase in non-recurring commissions in the 3rd quarter. Net interest income grew by 3.2% compared to the same period in 2020.

In the **Global Debt Financing** area, the first nine months of 2021 were 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;
- REN: issuance of a new *Green Bond*, with an 8-year maturity, in the amount of €300 million.

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

In this period, the **Corporate Finance** area registered an intense activity related to Mergers & Acquisitions and Equity Capital Markets, highlighting the successful completion of the following financial advisory operations: (i) advisory services to Atlantia in the announced sale of the 17.2% interest held in Lusoponte to MM Capital Partners, a subsidiary of Marubeni Corporation; (ii) acting as Joint Bookrunner in Greenvolt's IPO; and (iii) advising Teak Capital and Tangor Capital in the acquisition of Cerealis.

In **Treasury**, particularly in the **Corporate and Commercial Banking** area, the first nine months of 2021 marked the consolidation of an alternative customer monitoring model, designed, tested and correctly implemented throughout 2020. This relationship model allowed the Bank to continue to support its customers, by offering solutions that best respond to the needs of Companies.

Specifically in the **Foreign Exchange** area, it was possible to achieve year-on-year business growth, based on the various alternative contracting channels available to all customers, and materialized in the positive evolutions in the number of customers who choose to use digital channels (platform of exchange contracting

available at NetBanco), in the volume traded, and in active customers originated by the commercial teams, and in the volume traded with customers with direct access to the Trading Room.

The reopening of trade and tourism, as well as of other economic activities, which we witnessed throughout the third quarter of 2021, enhanced the growth trend that was already seen in the first half of the year, compared to the same period of the previous year, or in the volume traded or in the number of active customers.

In the interest rate risk management section, the demand for fixed rate credit solutions has been enhanced, namely with the protocolled facilities recently made available (European Investment Fund facility).

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

In this context, there has been a significant growth in formalized fixed-rate credit operations throughout the 1st nine months of 2021, which demonstrates the availability of credit alternatives and support for entrepreneurs' decisions.

In the **Cash Equities** area, the volumes traded on the equity markets in the first nine months of 2021 recorded a significant growth compared to the previous year. In online business, Santander performed better than the market, having obtained a slightly greater share in the volume of stock orders.

In the **Retail Structured Products** area, after a long period of adaptation to the new reality of negative interest rates, the marketing of products to customers was resumed, with the issuance of €40.4 million indexed, among others, to ESG criteria and different sectors of the stock market.

Responsible Banking

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

In the third quarter of 2021, Santander continued to support the Community, with special emphasis on supporting the most vulnerable sectors of society and projects by Higher Education Institutions.

During this year's bicycle **Tour of Portugal**, of which Santander was a sponsor, the Bank was present in several initiatives of solidarity and proximity to the population, such as through the **gift of 22 tablets to the Santas Casas da Misericórdia** of the locations where each stage of the bicycle tour would arrive. The aim of this initiative is to make the residents of these institutions feel closer to their family and friends.

As part of the **partnership between Santander and the Portuguese Rugby Federation**, Santander Portugal promoted an **inclusive rugby training with the national team "Os Lusitanos"** for a group of children and youngsters aged between 10 and 17, from the Father Amadeu Pinto Youth and Community Centre. In addition to the joy of being with the rugby players, the youngsters came in touch with values such as respect, mutual help, and solidarity, conveyed by rugby and which will certainly be structuring elements in their education.

In the third quarter of the year, the **Santander Mais Comunidade Award** was launched, whose objective is to acknowledge social or environmental projects promoted by non-profit organizations engaged in promoting the well-being of the communities where we operate. The 6 finalist projects selected by a Bank jury are submitted

to public voting on the website. The projects with the most votes in the 1st edition were the **Social Support and Welcoming Centre**, working to integrate children and youngsters from Ribeira Grande, and **Innovate Autism**, whose mission is the inclusion of autistic children, youngsters, and adults.

Another of Santander's big bets is on **Education**, with a focus on **promoting equal opportunities**. Santander is one of the sponsors of the **Associação Sara Carreira Scholarships**, aimed at children and youngsters aged between 12 and 21, with financial limitations. For 2021, **4,000 scholarships are expected to be awarded**.

The Bank also supports **educational projects with an innovative nature**, such as the first **Portugal Data Challenge**. This programme is organized by UPTec — the Science and Technology Park of the Porto University —, and by UC Business of the University of Coimbra, with the aim of **supporting business ideas that develop solutions for industry challenges in the field of data**.

Santander takes on a **leading role in the climate transition of our economy** and wants to “walk” side by side with its customers along this path. Thus, the Bank was present at the **15th Edition of Green Fest Portugal**, the largest sustainability festival in the country, where topics such as decarbonisation, green entrepreneurs, sustainability strategy, circular economy, and social and environmental impacts were debated.

Santander was also present at the **Agroglobal** agricultural fair, where the **relevance of sustainable agriculture and green financing were highlighted**. In this event, the Bank offset its carbon emissions by participating in the **Neurology Initiative**.

In the first nine months of 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.

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

In order to promote financial education and help customers manage their savings and take decisions related to their investments, as well as to promote more conscious consumption and prevent fraud in an increasingly digital world, the **Financial Education podcast “Time is money. Do you have a few minutes?”** was launched, in which specialists from Santander present some areas of the Bank, to show how we work, in a transparent way.

External recognition

During the 1st nine months of 2021, Santander was distinguished as the **“Best Bank in Portugal”** by Euromoney magazine, and by the North American magazine Global Finance, in the latter case, within the scope of the “World's Best Banks 2021.” Both publications also distinguished it as the **“Best Investment Bank in Portugal,”** namely by Euromoney magazine, and as the **“Most Secure Bank in Portugal,”** by Global Finance. This year Santander was distinguished as the **“Most Reputable and Relevant Banking Brand in Portugal,”** according to the latest Global RepScore Pulse study, prepared by the consultancy OnStrategy, which highlights the brands that stood out the most in 2020, in a pandemic scenario.

Santander was recently 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 make financial services more accessible.

In the Companies area, *Euromoney* once again distinguished Santander as the **“Best Trade Finance Bank ”** in Portugal, which won in the categories of “Market Leader” and “Best Service”. The same publication also



distinguished Santander's *Private Banking* with the award of "**Best Private Banking Services Overall 2021** in Portugal."

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

Balance Sheet (million euros)	Sep-21	Sep-20	Var.
Cash, cash balances at central banks and other demand deposits	8,144	5,366	+51.8%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	9,977	12,380	-19.4%
Financial assets at amortised cost	40,526	39,830	+1.7%
Investments in subsidiaries, joint ventures and associates	107	111	-3.3%
Tangible assets	574	623	-7.8%
Intangible assets	35	40	-13.2%
Tax assets	391	635	-38.3%
Non-current assets held for sale	50	58	-12.8%
Other assets	175	280	-37.6%
Total Assets	59,979	59,322	+1.1%
Financial liabilities held for trading	650	913	-28.8%
Other financial liabilities mandatory at fair value through profit or loss	3,299	3,238	+1.9%
Financial liabilities at amortised cost	49,078	47,905	+2.4%
Resources from Central Banks and Credit Institutions	7,689	8,024	-4.2%
Customer deposits	37,931	36,301	+4.5%
Debt securities issued	3,189	3,328	-4.2%
Of which: subordinated debt	8	8	+0.0%
Other financial liabilities	269	252	+6.7%
Provisions	301	210	+43.6%
Technical provisions	693	727	-4.6%
Tax liabilities	376	473	-20.4%
Other liabilities	1,051	1,239	-15.1%
Total Liabilities	55,449	54,705	+1.4%
Share capital attributable to ST SGPS shareholders	4,529	4,615	-1.9%
Non controlling interests	2	2	+2.5%
Total Shareholders' Equity	4,531	4,617	-1.9%
Total Shareholders' Equity and Total Liabilities	59,979	59,322	+1.1%

Income Statement* (million euros)	Sep-21	Sep-20	Var.
Net interest income (without dividends)	558.5	591.9	-5.6%
Dividends from equity instruments	1.5	1.7	-11.6%
Net interest income	560.0	593.7	-5.7%
Results from Associates	11.4	9.1	+25.5%
Net commissions	315.7	274.4	+15.0%
Other banking income	-29.7	-27.7	+7.1%
Insurance activity	12.5	11.7	+7.4%
Gain/loss on financial transactions	155.7	103.0	+51.1%
Operating income	1,025.7	964.1	+6.4%
Total operating expenses	(422.0)	(429.8)	-1.8%
Personnel expenses	(234.7)	(241.6)	-2.8%
General expenses	(149.3)	(149.1)	+0.1%
Depreciation	(38.0)	(39.2)	-3.0%
Net operating income	603.7	534.4	+13.0%
Impairment of financial assets at amortised cost	(101.4)	(146.5)	-30.8%
Net provisions and other results	(255.6)	(38.8)	>200%
Income before taxes and MI	246.7	349.0	-29.3%
Taxes	(74.5)	(94.4)	-21.1%
Minority interests	(0.1)	(0.1)	-38.3%
Consolidated net income	172.2	254.5	-32.3%

(*) Not audited

Ratios*	Sep-21	Sep-20	Var.
Profitability			
Income before taxes and MI/Average net assets	0.6%	0.8%	-0.2 p.p.
Operating income/Average net assets	2.4%	2.3%	+0.1 p.p.
Income before taxes and MI/Average equity	7.1%	10.5%	-3.4 p.p.
Efficiency			
Total operating expenses/Operating income	41.1%	44.6%	-3.4 p.p.
Personnel expenses/Operating income	22.9%	25.1%	-2.2 p.p.
Transformation			
Credit (net)/Deposits	112.3%	114.7%	-2.4 p.p.

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