

JANUARY – SEPTEMBER 2022 RESULTS

Santander Portugal achieves net profit of € 385.1 million

We are going through challenging times, which lead us to strengthen our commitment to our purpose: helping people and businesses prosper. Thus, it is with great satisfaction that we keep showing the results of a planned strategy, focused on sustainable profitability growth, reflected in solid, above-average balance sheet indicators. In this way, we have all the conditions to not only support our customers in overcoming these challenging times, within a safe, committed framework, but also to promote a culture based on excellence service.

Throughout 2022, new loan origination remained quite stable, and resources recorded a slight growth, driven by deposits. Digital customers kept growing, with emphasis on the last quarter, in which we received 15 to 20 thousand new customers per month.

We follow the current situation closely and we have a solid and personal structure, and appropriate mechanisms to manage the impacts of global economic uncertainty, with a special concern for our employees, having already launched a set of financial support measures this month, with a view to mitigating the impacts of inflation on the loss of disposable income by their households.

In the third quarter we also launched a new branding campaign, which says a lot about who we are and what we want to achieve. At Santander, we chose to be by our customers' side, investing in innovation, technological capacity, simplification, and talent, as tools to providing a better quality of service. We also chose to foster inclusive, sustainable growth in Portugal, supporting society in education, in social well-being, and in the green transition.

Pedro Castro e Almeida, CEO of Banco Santander Portugal

Lisbon, October 26, 2022 - PRESS RELEASE

Highlights

- At the end of September 2022, the **net income** of Santander Totta, SGPS amounted to **€ 385.1 million**, compared to € 172.2 million in the same period last year.

- Total **loans and advances to customers¹** amounted to **€ 43.5 billion**, a slight 0.1% decrease, compared to the same period in 2021. In the **mortgage loan** segment, the portfolio grew by 6.7% year-on-year, reflecting the dynamic production of new housing loans, where the Bank maintains a market share of 23.7% (cumulative value until August).
- **Customer resources stood at € 46.7 billion**, up by 1.2% year-on-year, with the contribution from deposits (+3.6% compared to September 2021) being partially cancelled out by the dynamics of off-balance sheet resources, which decreased by 10.3% in the same period, as a result of the financial markets context.
- Commercial and digital transformation continues to materialize in the growth of digital clients (+9.4% year-on-year), which already represent about 61% of the main Bank's customer base.
- The **efficiency ratio stood at 39.0%**, a 2.1 pp decrease compared to September 2021.
- The **fully implemented CET1 ratio** stood at 17.3%, a 6.5 pp decrease year-on-year.
- The North American magazine *Global Finance* awarded Santander the title of "**Best Bank in Portugal**" within the scope of "**The World's Best Banks 2022**," while the magazine World Finance distinguished Santander as the "**Best Retail Bank**" in Portugal, within the scope of the "**World Finance Banking Awards 2022**." In turn, the magazine Euromoney distinguished Santander for the third consecutive year as the "**Best Trade Finance Bank**" in Portugal, winning in the "**Market Leader**" and "**Best Service**" categories. The same publication also mentioned the *Private Banking* area in "**The World's Best Private Banks Awards 2022**," which reward institutions with the best private banking service worldwide.
- At the beginning of the year, it received the **Five Star Award** in the "**Large Banks**" and **Mortgage Loan** categories.
- In line with the established objectives of promoting a more inclusive society and of combating the risk of poverty through Education, the Santander Portugal Foundation established several partnerships, such as with **Academia do Johnson**, in the fight against juvenile delinquency; with **EPIS – Empresários para a Inclusão Social**, whose program aims to combat school failure and promote entrepreneurship among students in need; and with the **Centro Comunitário Padre Amadeu Pinto** or the **Academia TEN**.
- As part of Santander's humanitarian response to the war, last September the Santander Foundation **launched a fundraising campaign**, accompanied by a solidarity concert, to support **UNICEF's work in Ukraine**, especially in favour of children impacted by the war in that country. The money raised was fully allocated to UNICEF Portugal.
- In terms of **sustainable financing**, Santander financed Onex Holdings with more than € 360 million, for the refinancing and acquisition of 5 wind farms from EDP Renewables, and carried out the first Green Confirming operation in Portugal, together with SONAE. Additionally, the Santander Group prepared a debt refinancing of Generg's wind farm portfolio, in a total amount of € 220 million.
- Santander Portugal has the best ratings in the sector. The Bank's current long-term debt ratings, compared to the levels of Portugal as a country, are as follows: Fitch - BBB+ (Portugal - BBB); Moody's - Baa2 (Portugal - Baa2); S&P - BBB+ (Portugal - BBB+); and DBRS - A (Portugal - A low).

¹ Total loans to clients (gross)

Key Indicators

Santander Totta, SGPS

BALANCE SHEET AND RESULTS (million euro)	Sep-22	Sep-21	Var.
Total Net Assets	61,355	59,979	+2.3%
Loans and advances to customers (gross) ⁽¹⁾	43,461	43,496	-0.1%
Customers' Resources	46,732	46,197	+1.2%
Net Interest Income (without dividends)	547.9	558.5	-1.9%
Net Fees	358.6	315.7	+13.6%
Net Income from Banking Activities ⁽²⁾	933.6	1,025.7	-9.0%
Operating costs	-364.5	-422.0	-13.6%
Net Operating Income	569.1	603.7	-5.7%
Income before taxes and non-controlling interests	558.3	246.7	+126.3%
Consolidated net income	385.1	172.2	+123.7%

RATIOS	Sep-22	Sep-21	Var.
ROE	11.1%	4.9%	+6.2 p.p.
Efficiency ratio	39.0%	41.1%	-2.1 p.p.
CET I ratio (fully implemented)	17.3%	23.8%	-6.5 p.p.
Non-Performing Exposure Ratio ⁽³⁾	2.0%	2.3%	-0.3 p.p.
Non-Performing Exposure coverage ratio	84.8%	83.4%	+1.4 p.p.
Cost of credit ⁽⁴⁾	-0.09%	0.33%	-0.42 p.p.

Other Data	Sep-22	Sep-21	Var.
Employees in Portugal	4,638	5,397	-759
Total Branches in Portugal	340	350	-10

RATING	Sep-22
FitchRatings	BBB+
Moody's	Baa2
Standard & Poor's	BBB
DBRS	A

⁽¹⁾ Total loans to customers (gross)

⁽²⁾ Includes the costs with the Resolution and Deposit Guarantee Funds

⁽³⁾ In accordance with to EBA criteria

⁽⁴⁾ 12 month average

Framework of the Business

The global economy is still going through a period of high instability, as a result of the intensification of the war that followed the Russian invasion of Ukraine, and of expectations that it will last for an extended period of time.

The economic constraints resulting from the sanctions on Russia, together with the current energy crisis, with a special impact on the flow of gas to Europe, have led to an abrupt, persistent rising inflation in developed economies, which has forced the various central banks to respond with progressively more restrictive monetary policies, through faster increases in reference interest rates, and reduction of the excess liquidity previously created.

The combined deterioration of purchasing power, as a result of inflation, and the rapid rise in interest rates, has contributed to lower levels of confidence of economic agents, which is already starting to impact the main drivers of economic growth, such as private consumption, investment, and exports.

Thus, the International Monetary Fund, in October 2022, again trimmed its economic growth forecasts for the world economy in 2023 to 2.7% (0.2 pp less than the July 2022 forecasts), compared to the 3.2% estimated for 2022. The slowdown in 2023 should be common to all economies, with the three largest economies — the United States, China and the Euro Area — decelerating more sharply. The shocks that emerged in 2022 could thus further extend the economic vulnerabilities arising from the pandemic.

In the United States, the worsening of monetary and financial conditions in 2023, are expected to slow economic growth to 1%. In China, growth is expected to stand at about 4.4%, due to the weakening of the real estate sector and the continuous lockdowns. In the Euro Area, the slowdown is expected to be even sharper, since the energy crisis caused by the war could continue to have a strong impact, bringing the growth rate down to 0.5% in 2023.

Despite the economic slowdown, inflation pressures are proving to be broader and more persistent than anticipated. Headline inflation could reach 9.5% in 2022, before decelerating to 4.1% in 2024. Inflation is also spreading far beyond food and energy.

Global risks remain high, with the most pressing being: (1) the risk of miscalibrating monetary, fiscal or financial policies; (2) global financial conditions could further deteriorate; (3) inflation may prove to be more persistent, especially if labour market conditions remain favourable; (4) the war in Ukraine continues and further escalation could exacerbate the energy crisis.

In Portugal, the economic climate indicator remained on a downward trend in 3Q2022, due to a significant drop in confidence in the Services sector, although it improved in Construction and Public Works, in the Manufacturing Industry, and in Trade.

Consumer confidence remained on a downwards trend, having reached the lowest level since the beginning of the pandemic in April 2020, reflecting the deterioration in the perception of the current and future financial situation of households, of the future evolution of the country's economic context, and of major purchases by households. Entrepreneurs' expectations regarding the future evolution of sales prices increased significantly.

The inflation rate rose to 9.3% last September, the highest since October 1992, with the core inflation rate (i.e., excluding food and energy) rising to 6.9%. The inflation rate for energy products increased to 22.2%, while the inflation rate for unprocessed foodstuffs rose to 16.9% last September.

The labour market continued to operate quite dynamically, with an increase in the working population (+1% compared to the same period in 2021), and a reduction in unemployment (-4.3% in the same period). The

unemployment rate stood at 6.0% in July, with the rate of underutilization of human resources standing at 11.4%. Both indicators are consistent with a situation of full employment.

Despite the growing risks of recession in the Euro Area, economic activity indicators for the Portuguese economy for 3Q 2022 are beginning to indicate a trend towards a deceleration of the economy, although the post-pandemic recovery trend is still going on.

As far as the 2023 State Budget, it is worth mentioning the government's commitment to keep decreasing the budget deficit (to 0.9% of GDP), and the public debt ratio (to 110.8% of GDP).

In the current inflationary context, with adjustments of the monetary policy by the ECB, public debt yields in the Euro Area keep rising, with the German 10-year yield standing at 2.362% (as of October 19, 2022). The 10-year Portuguese sovereign rate rose to 3.44%, a 296 bp increase compared to December 31, 2021 (0.485%). The difference against the German sovereign rate also doubled to 108 bp, compared to 66 bp recorded on December 31, 2021. Portugal's credit rating is Baa2 by Moody's, BBB (stable) by Fitch, BBB+ by S&P (recently revised upwards).

Results

At the end of September 2022, Santander Totta, SGPS (in this Press Release referred to as the "Bank" or as "Santander Portugal") achieved a net profit of € 385.1 million, compared to the € 172.2 million it achieved in the same period last year. This amount includes an extraordinary expenditure in the amount of € 164.5 million (net of taxes), recorded in the first quarter of 2021, to cover the ongoing transformation plan, with the optimization of the branch network, and investments in processes and technology.

Net income from banking activities¹, in the amount of € 933.6 million, recorded a 9% reduction compared to the same period last year. This evolution was largely explained by the evolution of results from financial operations, which dropped by 80% compared to the same period last year, when they had reached a very high figure, as a result of securities portfolio management.

In the first nine months of the year, recurring revenues of a commercial nature recorded a 3.7% growth compared to the same period in 2021. Operating costs amounted to € 364.5 million, a 13.6% drop compared to the same period last year, translating into operating income in the amount of € 569.1 million (-5.7% compared to the same period in 2021). The efficiency ratio rose to 39.0% (-2.1 pp).

Net interest income, in the amount of € 547.9 million, decreased by 1.9% compared to the first nine months of 2021, reflecting, on the one hand, the strong competitive environment, which kept pressing credit spreads downwards, and, on the other hand, the changes in the relative composition of the credit portfolio, as a result of the greater dynamic of mortgage credit. The rise in interest rates is still too recent to have a material impact on this revenue item.

Net fees amounted to € 358.6 million, representing a 13.6% growth compared to the same period last year. The positive dynamics reflects the focus on the protection strategy, with emphasis on the distribution of autonomous risk insurance, with emphasis on the offer of car insurance for individuals and companies, as well as the improved transactions by customers, and also the evolution of credit granted, in particular mortgage credit, although with lower volumes than those seen in the first half of the year.

¹ Net income from banking activities includes charges with Resolution Funds, and with the Deposit Guarantee Fund

The other results of banking activity, in the amount of € -32.8 million, largely reflect the charges with both national and single resolution funds. Income from insurance activity amounted to € 8.3 million (-36.6% year-on-year), while the results from financial operations dropped by 80.3% (down to 30.7 million), compared to the same period in 2021. This dynamics reflects the revenue associated with management operations of the public debt securities portfolio recorded in 1Q 2021.

Operating costs, in the amount of € 364.5 million, were 13.6% below the figures recorded in the same period in 2021, as a result of the reduction of staff costs by 16.1%, of general expenses by 10.8%, and of depreciations by 9.2%, during the same time horizon. In 2021, the Bank carried out a comprehensive operational and commercial transformation plan, seeking to adjust its structure and processes to changes in the way customers interact with banking entities, with a particular focus on simplifying procedures and improving service quality. Compared to December 2021, the branch network decreased by 8 customer service points, while the number of employees decreased by 126 persons.

Net impairment of financial assets at amortized cost amounted to € 10.0 million, an improvement compared to the -101.4 million recorded in the same period last year, reflecting the current economic conditions, materialized in a stable unemployment rate of about 6%, during the first eight months of 2022. Until now, the complex economic context has not yet generated a noticeable impact on the quality of the loan portfolio, which is reflected in the reduction of the NPE ratio to 2.0% at the end September, that is, 0.3 pp below the NPE ratio observed at the end of 3Q and 4Q 2021.

The dynamics of net provisions and other results largely reflects the effect of the extraordinary charges related to the implementation of the aforementioned Bank's transformation plan, which were recorded in the 1st quarter of 2021, and also includes the charges for the extraordinary contribution on the banking sector and the solidarity surcharge.

Income before taxes and minority interests amounted to € 558.3 million, compared to the € 246.7 million in the same period in 2021.

Balance Sheet and Business

At the end of September 2022, the loan portfolio amounted to € 43.5 billion, recording a slight 0.1% decrease year-on-year. In 3Q2022, the Bank maintained a good pace of origination of new mortgage loans —although below those observed in the first months of the year — materialized in market shares consistently above 23%. In terms of loans to companies, it is worth highlighting the Bank's participation in the FEI credit facilities. At the end of the third quarter, the Bank agreed with the EIB on a new facility of € 820 million intended for mid-caps).

Mortgage loans grew by 6.7%, compared to the same period last year, standing at € 23.1 billion; and consumer credit amounted to € 1.8 billion, an 8.9% increase in the same period. In the first nine months of 2022, the Bank originated about € 2.6 billion in mortgages, recording an average market share of 23.7%.

Loans to companies, in the amount of € 15.7 billion, recorded a 4.1% reduction compared to the same period in 2021, still largely reflecting the high liquidity accumulated by companies, as well as a set of scheduled maturities for larger companies.

LOANS¹ (million euro)	Sep-22	Sep-21	Var.
Loans to individuals	25,259	23,690	+6.6%
of which			
Mortgage	23,061	21,607	+6.7%
Consumer	1,825	1,676	+8.9%
Loans to corporates	15,660	16,322	-4.1%

(1) Loans at amortized cost

The Non-Performing Exposure (NPE) ratio, calculated in accordance with the EBA criterion (regarding balance sheet exposure), fell to 2.0% in September 2022, a YoY decrease of 0.3 pp, the respective coverage standing at 84.8%.

Customer resources amounted to € 46.7 billion, which means a 1.2% growth compared to the same period in 2021. Deposits maintained a sustained growth rate of 3.6% throughout this period, while off-balance sheet resources — reflecting the context of a more volatile market and greater uncertainty (as previously described, associated with the scenario of war, energy crisis, and tighter monetary policy) — recorded a 10.3% drop.

RESOURCES (million euro)	Sep-22	Sep-21	Var.
Customers' resources	46,732	46,197	+1.2%
Deposits	39,314	37,931	+3.6%
Off-balance sheet resources	7,418	8,266	-10.3%
Investment funds	3,693	4,165	-11.3%
Insurance and other resources	3,725	4,101	-9.2%

Liquidity and Solvency

Santander Portugal keeps pursuing its liquidity management strategy geared towards maximizing the liquidity cushion available to deal with adverse events. In the third quarter of 2022, the Bank's solid liquidity position was maintained. Exposure to the Eurosystem amounted to € -1.9 billion (a surplus position), and the liquidity cushion reached about € 16.3 billion.

The Bank has maintained its funding structure. The funding obtained from the ECB, in the amount of € 7.5 billion, remained exclusively in long-term operations, entirely through TLTRO III. Short-term funding, either through repurchase agreements or through institutional deposits, remains at zero. In terms of long-term funding, and in addition to operations with the ECB, Santander Portugal ended 3Q 2022 with about € 1.0 billion of securitisations, € 2.0 billion of mortgage bonds, and € 1.1 billion of Senior HoldCo issuances, plus € 0.2 billion of subordinated issuances and € 0.3 billion of Credit Linked Notes.

The LCR (*Liquidity Coverage Ratio*), calculated in accordance with CRD IV rules, stood at 149.4%, thus meeting the regulatory requirements on a fully-implemented basis.

The Common Equity Tier 1 (CET1) ratio, calculated in accordance with CRR/CDR IV standards, reached 17.3% (fully implemented) in September 2022, reflecting a 6.5 pp reduction over the same period in 2021, associated with the decision of the Board of Directors of Santander Portugal of resuming the distribution of dividends in 2022, since the recommendation of the European Central Bank (ECB/2020/19), of March 27, 2020, on shareholder remuneration has been lifted. The Bank's solvency also reflects its capacity for generating organic capital, as well as the management of risk-weighted assets.

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

In terms of MREL, as of September 30, Santander Totta SGPS recorded a ratio of 27.4%, above the fully implemented requirement of 23.77% (including the 3% Combined Buffer Requirement (CBR) of TREA), required as of January 31st, 2022.

CAPITAL (fully implemented) (million euro)	Sep-22	Sep-21
Common Equity Tier I	2,671	3,823
Tier I Capital	3,071	4,223
Total Capital	3,133	4,289
Risk Weighted Assets (RWA)	15,422	16,055
CET I ratio	17.3%	23.8%
Tier I ratio	19.9%	26.3%
Total Capital Ratio	20.3%	26.7%

Business Activity

Private, Business, Corporate and Institutional

The 3rd quarter of the year always has especial features, since it includes the traditional summer holidays period, when consumption increases, savings decrease, and the presence of many emigrants that return to the country brings much activity to the Branches.

This year there has also been a significant increase in immigration, to meet the demand for labour in sectors such as tourism and catering. This phenomenon, which was further intensified in the 3rd quarter, significantly influenced commercial activity at our Branches, with the opening of thousands of new accounts.

With regard to the management of customer savings, the last quarter was characterized by a strong reduction in funds, caused not only by the seasonality of holidays, but also by the correction in the financial markets, which contributed to the reduction of the off-balance sheet funds portfolio, as well as of new subscriptions.

Mortgage loans — despite the increase in Euribor interest rates, the main index for this type of loans —, kept a strong activity in new deeds, reaching about € 980 million last quarter, although recording a 7% reduction compared to the previous quarter. As a result, the loans to individuals portfolio grew significantly.

Customer digitization remained as one of the main focuses of commercial activity. The number of digital customers kept growing throughout this quarter, at a rate of 15 to 20 thousand new customers every month, bringing the number of customers using digital channels to over 1.070 thousand.

Investment in Selfbanking machines is still a main priority for the Bank, in order to offer customers a 24/7 self-service cashier service. During the 3rd quarter, 19 new VTM's (Virtual Teller Machines) machines were installed, which allow deposits and withdrawals of banknotes, coins and cheques, among several other operations.

As a corollary of all the activity and process transformation that the Bank has carried out over the last few quarters, the Branch Transactional NPS kept its positive trajectory, reaching 71.7 in September, and the Marktest NPS reached 33.3 (corresponding to the second best position in the system).

As mentioned above, the summer always corresponds to a period when many emigrants visit Portugal and take the opportunity to take care of their personal finances. Associated with this movement, the Bank launched the campaign "This summer, keep Santander in your heart," and was present at several parties dedicated to welcoming emigrants, with emphasis on the activity of "Próximo International," the remote branch recently created to serve this customer segment.

In terms of Protection Insurance, during the third quarter, activity focused on improving the offer and processes, boosting commercial activity (both over-the-counter and digital), and optimizing customer experience.

In terms of Autonomous Insurance, the Bank strengthened its digital offer by making Insurance for Serious Illnesses available through the App (native journey), plus the introduction of Accident Insurance sales through NetBanco Individuals. At the same time, training sessions were promoted for the Network, as well as various commercial campaigns, with emphasis on the Car Insurance Summer Campaign, with preferential conditions for Individuals and Companies. Finally, an initiative was launched to improve after-sales customer experience, reminding all customers with Santander insurance of the benefits of its use, such as, for instance, free video call consultations for customers with Health Insurance.

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

Business, Corporate and Institutional

The activity of companies kept up with its dynamics, stimulated above all by the demand for Portugal as a tourism destination, to which political and social stability contributed greatly.

Funds from the Recovery and Resilience Programme and from State support to families must have also had a positive impact on the sustainability of many companies.

On the other hand, the current context is also characterized by the combination of several negative factors, to which, in addition to the consequences of Post-Covid and the War in Ukraine, are added the consequent energy crisis and the lack of manpower, which is impacting the country mainly in 4 major sectors: Tourism, Agriculture, Social Economy, and Construction.

Recognizing the huge challenges faced by Portuguese companies, Banco Santander provides its customers with support mechanisms to help them develop their businesses and become more competitive, being an important step towards generating more wealth, more employment, and contributing to the recovery and growth of the Portuguese economy. The recent protocol signed with the European Investment Bank (EIB) to support SMEs and Mid-Caps in Portugal with € 820 million is a clear proof of this.

In addition to this recent protocol with the EIB, there is a set of credit facilities already in force with the European Investment Fund (EIF), and with the Banco Português de Fomento / National Mutual Guarantee System, whose benefits from the guarantees are transferred to customers through advantageous market conditions, allowing funding to reach a greater number of companies, under the most favourable conditions possible.

Credit for the corporate segment, with a foreseeable reduction of investment in the current situation, has dropped, with stability in short-term and specialized credit products (Factoring and Confirming) being offset by a reduction in medium and long-term credit, mainly in protocolled facilities.

In terms of **International Business**, the Bank reinforced its proximity to companies, seeking to support customers in the current complex environment, while pursuing the activity of business origination and structuring of more complex operations with national importers and exporters. Santander Portugal maintains a solid market share in most *Trade Finance* operations, an unequivocal sign of customer confidence in the Bank's professional structure, and of its solid, credible image in international markets.

As part of SWIFT's comprehensive solution for Cross-border Communication and Payments, Santander Portugal is in the final stage of developing its ecosystem for a timely, robust adoption of ISO 20022. Communications via XML will help transport and structure information in a more optimized way, increasing process efficiency.

The *International Desk* remains focused on opening foreign company customer accounts in Portugal, for which it continued to organize/participate in various events, reinforcing its support for exports and imports, and for the internationalization of Portuguese companies.

Wealth Management and Insurance

In the 3rd quarter of 2022, the risk factors that had already been identified in the first half of the year still remained. Indeed, high inflation and the aggressive policies of raising interest rates followed by main central banks (FED and ECB) with a view to halting the rise of inflation, plus the unfolding of the war in Ukraine, marked the course of the markets. There were strong corrections in all equity markets, however, at the same time, the more conservative classes were also impacted by this context, with reference interest rates undergoing sharp corrections. As an example, the 10-year rate on German public debt went from negative levels at the beginning of the year to values above 2% by the end of September. In turn, the US dollar appreciated very strongly against the Euro, which is currently (on October 19) below par, a situation that has not occurred since 2002, largely influenced by the perception that it is still a safe haven asset at times of greater uncertainty. This volatility and synchrony between the various asset classes has proved to be a very big challenge for the management of customers' financial assets.

It is in this difficult context that Santander's *Private Banking* activity has unfolded throughout 2022, requiring even greater proximity and more recurrent monitoring of customer portfolios.

The segment's assets under management, remained practically stable in the first nine months of the year, with a 6% growth in balance sheet resources, driven by the adverse market environment, and a 3.7% growth in funds, in insurance, and in discretionary mandates (with no market effect).

The growth of the *Private Banking* customer base is quite remarkable, which continues to show strong growth dynamics, largely based on a model of collaboration of this segment with the branch network and with corporate centres, but also on strong external prospecting activity.

In this context of high market volatility, Santander Asset Management (SAM) kept actively managing its securities investment funds (SIF), with the aim of minimizing the losses of its participants in a highly challenging scenario.

As a result of high market volatility, net redemptions in about € 130 million of SAM's security funds have been recorded. The portfolio of assets under management and commercialization amounted to € 3,693 million, representing a market share of 16.2%.

In the area of Financial Insurance, the focus remained on mixed product solutions, both for the private banking segment, where there were significant inflows, and for retail. Since the beginning of the year, there have been

net outflows of € 72 million, with the portfolio ending the period at € 3,725 million. During the entire period there was a reduced volume of maturities, of about 34 million.

Retirement solutions were a relevant commercial focus, with a view to making customers aware of the importance of savings with a view to a better future. Throughout the period, there was an increase in retirement customers with scheduled deliveries, to more than 5 thousand.

In the third quarter, the Bank maintained its focus on improving service quality and customer experience. In a period characterised by extreme market volatility, numerous face-to-face sessions were held with customers in order to share relevant information on the evolution of the financial products in the portfolio. Internally, at the end of the quarter, a digital training programme was launched for managers, aimed at training them to provide an outstanding service.

Corporate and Investment Banking

The year of 2022 has been particularly challenging, with very relevant macroeconomic changes, with emphasis on the acceleration of the inflation rate and the reaction of central banks, as well as the fall in the Euro's parity against the US dollar.

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

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

The loan portfolio recorded a -6.4% reduction compared to the same period in the previous year, justified by the programmed reduction of some operations.

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

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

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

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

In terms of **Debt Capital Markets**, the *Global Debt Financing* area maintained its leadership position in the Portuguese market, participating in the sale of € 3 billion of 10-year debt for the Portuguese Republic, and in the sale of a 5-year 500 million USD Green Bond for EDP.

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

- Advising Atlantia on the sale of the 17.2% stake held in Lusoponte to MM Capital Partners, a subsidiary of Marubeni Corporation;
- Advising Penta Flex in the spin-off operation between Cordex and Flex 2000;
- Financial advice to Altri and Greenvolt in the Greenvolt spin-off process;
- Acting as Joint Global Coordinator in the capital increase/Public Subscription Offer of Greenvolt, in the amount of € 100 million.

In the **Markets** area, particularly in the *Corporate and Commercial Banking* area, the activity growth trend that has been observed in recent years was further increased. This growth is based on the support given to customers in managing interest rate risk, and in supporting the foreign exchange activity of the Companies with which the Bank works.

In the **Foreign Exchange** segment, as a result of greater volatility and uncertainty, there was a significant increase in the number of operations, in volume traded, and in the number of customers operating with the Bank. In this regard, it is worth mentioning the success of the digitalization strategy followed by the Bank, embodied in the exchange platform available on NetBanco, whose growth has been quite significant in recent years.

In the **Interest Rate** segment, it is worth noting the relevance that rate fixing operations, formalized with customers in recent years, currently take up in the management of many Companies' Treasury. In this regard, the support provided to companies on their decisions in risk management resulted in enormous added value for customers, especially in this new paradigm of positive interest rates and central banks raising benchmark rates.

In the **Structured Products** area for retail, three products were launched since the beginning of the year, the DUO 80-30 "Ageing Population," the DUO 80-20 "Auto Callable Equity Basket," and the "Return Note on SX5E OCT 2025," which raised a total of more than € 30 million.

In the **Cash Equities**, area, the equity market, after a slightly lower start to the year than in the first months of 2021, justified by the reduction in orders for the North American markets, showed a recovery during the second and third quarters of 2022. From March, volumes transacted online surpassed the volumes in the corresponding months of 2021, demonstrating the greater dynamic of digital channels.

Responsible Banking

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

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

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

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

As part of Santander's humanitarian response to the war, last September the Santander Portugal Foundation **launched a fundraising campaign**, accompanied by a solidarity concert, to support **UNICEF's work in Ukraine**, especially in favour of children impacted by the war in that country. The money raised was fully allocated to UNICEF Portugal.

Santander volunteers participate in the **Speak programme**, a social start-up that has been supporting the integration of migrants for 8 years. A group of about 40 volunteers have been guiding and offering informal Portuguese classes to small groups of refugees from Ukraine, Afghanistan, and from various African countries, spread throughout the country. Each programme has twelve 90-minute sessions.

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

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

The Santander Portugal Foundation was established in 2022 to transform the lives of people and companies. Its aim is to invest in the future of Portugal, supporting the education of all generations and promoting social mobility for a more just, inclusive, and sustainable society.

In this sense, several programmes were launched, and more than 4,000 scholarships were awarded in Portugal with the aim of providing both university students and the adult population in general with a set of relevant skills for their professional and personal development. It is worth highlighting the 1,000 *Santander Digital Business Development grants*, from Técnico+, aimed at all people wishing to acquire and deepen their digital skills.

In July and August, a new edition of the **European Innovation Academy (EIA)** was held, the largest technological and digital entrepreneurship programme in the world, which brought to Porto speakers from Silicon Valley, and nationally and internationally renowned mentors, namely with speakers representing companies such as TikTok, Amazon or Spotify, among others.

In line with the established objectives of promoting a more inclusive society and of combating the risk of poverty through Education, the Santander Portugal Foundation established several partnerships, such as with **Academia do Johnson**, in the fight against juvenile delinquency; with **EPIS – Empresários para a Inclusão Social**, whose program aims to combat school failure and promote entrepreneurship among students in need; and with the **Centro Comunitário Padre Amadeu Pinto** or the **Academia TEN**.

In September, the book “**Maria e o Segredo da Poupança**”, was published, aimed at helping youngsters understand the basic concepts of how money and savings work, within the framework of Santander Portugal's strategy to promote financial literacy.

In order to promote culture and open the Bank's historic headquarters to the public, the Santander Portugal Foundation features the **1st season of concerts “Música nos Leões,”** at its headquarters in the Edifício dos Leões – Espaço Santander –, with a cast of Portuguese artists such as Rita Redshoes, Tatanka, Ensemble of the Hot Club of Portugal, Saint Dominic's Gospel Choir, and ALMA by the Orchestra Without Borders.



The Bank is committed to building a greener economy, and to that end it is supporting its customers in making sustainable choices, and in the transition to a *netzero* business model.

In terms of **sustainable financing**, Santander financed Onex Holdings, with more than € 360 million, for the refinancing and acquisition of 5 wind farms from EDP Renewables, and carried out the first Green Confirming operation in Portugal, together with SONAE. Additionally, the Santander Group prepared a debt refinancing of Generg's wind farm portfolio, in the total amount of € 220 million.

Santander is also **the Bank that granted the most funding under the IFRRU 2020 programme – Financial Instrument for Urban Rehabilitation and Revitalization, both in terms of number of contracts signed and of amount awarded**, in a total of € 452 million.

Finally, Santander continued to offer its customers quite advantageous conditions for sustainable products, such as green housing loans, electric and hybrid car leasing, or personal loans for renewable energy. Of note is the financing of **green housing credit** (for houses with energy certificates category A or A+), which totalled € 233 million during the 1st nine months of the year.

External recognition

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

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

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

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

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

Santander Totta, SGPS

BALANCE SHEET (million euro)	Sep-22	Sep-21	Var.
Cash, cash balances at central banks and other demand deposits	10,176	8,144	+25.0%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	8,405	9,977	-15.8%
Financial assets at amortised cost	41,090	40,526	+1.4%
Investments in subsidiaries, joint ventures and associates	109	107	+1.6%
Tangible assets	468	574	-18.5%
Intangible assets	37	35	+4.2%
Tax assets	322	391	-17.6%
Non-current assets held for sale	14	50	-71.6%
Other assets	734	175	>200%
Total Assets	61,355	59,979	+2.3%
Financial liabilities held for trading	438	650	-32.6%
Other financial liabilities mandatory at fair value through profit or loss	2,861	3,299	-13.3%
Financial liabilities at amortised cost	52,635	49,078	+7.2%
Resources from Central Banks and Credit Institutions	8,140	7,689	+5.9%
Customer deposits	39,314	37,931	+3.6%
Debt securities issued	4,676	3,189	+46.6%
Other financial liabilities	505	269	+87.9%
Provisions	171	301	-43.3%
Technical provisions	642	693	-7.4%
Tax liabilities	325	376	-13.7%
Other liabilities	708	1,051	-32.6%
Total Liabilities	57,781	55,449	+4.2%
Share capital attributable to ST SGPS shareholders	3,573	4,529	-21.1%
Non controlling interests	1	2	-31.2%
Total Shareholders' Equity	3,574	4,531	-21.1%
Total Shareholders' Equity and Total Liabilities	61,355	59,979	+2.3%

Santander Totta, SGPS

CONSOLIDATED INCOME STATEMENTS* (million euro)	Sep-22	Sep-21	Var.
Net interest income	547.9	558.5	-1.9%
Income from equity instruments	3.7	1.5	+144.4%
Results from associates	17.1	11.4	+50.3%
Net fees	358.6	315.7	+13.6%
Other operating results	-32.8	-29.7	+10.3%
Insurance activity	8.3	12.5	-33.6%
Commercial revenue	902.9	869.9	+3.8%
Gain/losses on financial assets	30.7	155.7	-80.3%
Net Income from Banking Activities	933.6	1,025.7	-9.0%
Operating costs	-364.5	-422.0	-13.6%
Staff expenses	-196.9	-234.7	-16.1%
Other Administrative Expenses	-133.1	-149.3	-10.8%
Depreciation	-34.5	-38.0	-9.2%
Net operating Income	569.1	603.7	-5.7%
Impairment (net) of financial assets at amortised cost	10.0	-101.4	-
Net provisions and other results	-20.8	-255.6	-91.9%
Income before taxes and non-controlling interests	558.3	246.7	+126.3%
Taxes	-173.1	-74.5	+132.4%
Non-controlling interests	-0.1	-0.1	+135.7%
Consolidated net income	385.1	172.2	+123.7%

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

(*) Not audited

Santander Totta, SGPS

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

Ratios*	Sep-22	Sep-21	Var.
Profitability			
Income before taxes and MI/Average net assets	1.2%	0.6%	+0.6 p.p.
Net income from banking activity/Average net assets	2.2%	2.4%	-0.2 p.p.
Income before taxes and MI/Average equity	17.9%	7.1%	+10.8 p.p.
Efficiency			
Operating expenses/Net income from banking activity	39.0%	41.1%	-2.1 p.p.
Staff expenses/Net income from banking activity	21.1%	22.9%	-1.8 p.p.
Transformation			
Credit (net)/Deposits	108.3%	112.3%	-4.0 p.p.