Half-Year Report

H1'2024

Banco Santander Totta, S. A.

Banco Santander Totta, S. A.
Rua do Ouro, 88 — 1100-063 Lisbon
Share Capital: € 1,391,779,674
Registered at the Lisbon Commercial Registry, under single registration and
VAT No. 500 844 321
LEI: 549300URJH9VSI58CS32

This report was approved by the Bank's Board of Directors on September 24, 2024

Table of Indicators

BALANCE SHEET AND RESULTS (million euro)	Jun-24	Jun-23	Var.
Total Net Assets	55,883	54,073	+3.3%
Loans and advances to customers (net)	46,284	40,965	+13.0%
Customers' Resources	45,604	44,963	+1.4%
Total shareholders' equity	4,532	3,533	+28.3%
Net Interest Income	852.8	581.2	+46.7%
Net Fees and Other Income	236.9	236.7	+0.1%
Operating Income	1,110.7	831.3	+33.6%
Net Operating Income	845.9	554.6	+52.5%
Income before taxes and non-controlling interests*	806.3	480.7	+67.8%
Consolidated net income attributable to the shareholders of BST	551.8	316.4	+74.4%

RATIOS	Jun-24	Jun-23	Var.
ROE	26.8%	17.5%	+9.3 p.p.
ROA	2.0%	1.2%	+0.8 p.p.
Efficiency ratio	23.3%	31.3%	-8.0 p.p.
CET I ratio*	16.0%	16.1%	-0.1 p.p.
Tier I* ratio	17.9%	18.7%	-0.8 p.p.
Capital* ratio	19.8%	21.2%	-1.4 p.p.
Non-Performing Exposure Ratio	1.6%	2.1%	-0.5 p.p.
Non-Performing Exposure coverage ratio	85.9%	88.6%	-2.7 p.p.
Cost of credit	0.09%	0.06%	+0.04 p.p.
Loans-to-deposits ratio (transformation ratio)	124.5	109.9	+14.5 p.p.

RATING	Jun-24	Jun-23
FitchRatings	A-	A-
Moody´s	Baa1	Baa1
Standard & Poor´s	A-	BBB+
DBRS	A	A

Other Data	Jun-24	Jun-23	Var.
Employees**	4,570	4,630	-60
Employees in Portugal**	4,566	4,626	-60
Branches	374	377	-3
Total Branches and Corporate Centers in Portugal	373	376	-3

* Fully implemented with results net of payout

** Headcount criteria

Message from the Chief Executive Officer

The first six months of 2024 marked yet another chapter in Santander's journey as a bank that is increasingly simple and close to its customers, with the ability to anticipate their needs, while continuing to provide decisive support to the economy and society.

The Bank's business activity kept growing sustainably, which is crucial to maintaining profitability and the right conditions to finance Portuguese families and companies, while preparing us for the challenges ahead. We are now at an inflection point regarding the evolution of interest rates, while the Portuguese economy, although it did maintain a positive trajectory of resilience in the first half of the year, it began to show signs of moderation, with economic growth slowing down in the second quarter.

In recent years, we have laid the foundations to make our business simpler, more competitive and increasingly digital, without losing the human touch that sets us apart. We are working to become a digital bank with branches. A bank where customers go to the branch because they want to, not because they need to. The results are clear: we have been consistently increasing the number of both active and digital customers; our App already has over 1 million users per month; and around 86% of deposits are now made in the new automatic machines available at branches 24/7.

During this period, we also introduced competitive solutions to support Portuguese peoples' projects, such as buying a house. During the first six months of the year, one in four housing loans was granted by Santander, helping more than 9,000 young people to acquire their first home. In terms of protection solutions, we diversified our offer, including an innovative partnership with CUF Health to facilitate access to healthcare, a growing concern among Portuguese people.

In the business sector, we launched the 2nd edition of the Portugal Inspirador Award, an initiative aimed at distinguishing business success stories that stand out for their resilience, innovation and ability to create jobs, thus inspiring the entire country.

Being a healthy bank allows us to give back to society as much as we can. Through the Fundação Santander Portugal, where we invest around € 7 million annually, we are committed to being agents of social change and to building an increasingly equitable and sustainable future. Based on the three E's — Education, Employability and Entrepreneurship — our goal is to provide everyone, without distinction, with the same opportunities. For example, the Santander Open Academy offers more than 100,000 places in courses imparted by some of the best universities in the world. We recently launched an Artificial Intelligence course in partnership with Google, available until the end of 2024.

We believe that the future starts now, as shown by the Bank's new campaign launched last June. We will keep working on the next chapters with the same commitment, to continue to be a solid and profitable bank, which allows us to continue to innovate and grow, while maintaining our investment on people, on companies, and on our economy, which we all want to be increasingly prosperous.

Pedro Castro e Almeida

Corporate Culture, Awards, Distinctions, and Other Relevant Facts in 1S2024

Santander in Portugal

Figure 1 - Santander Portugal

Santander Portugal is a reference bank in the Portuguese financial system, whose mission is to contribute to the development of people and companies. Serving more than 1.8 million customers, Santander's Vision is to be the best open platform for financial services, acting responsibly, and earning the trust of its employees, customers, shareholders, and of society as a whole.

The Bank has been focusing on digitization, simplification of processes and procedures, and innovation, offering a closer, more personalized service to its customers, in order to provide them with the best possible experience. As a result of this commitment, there has been a strong investment in technology, with major impacts on process improvement. More than 1.3 million documents are digitally signed every year, compared to 200,000 around two years ago, and 85 automation solutions are in place, generating more than 115,000 items executed daily. New completely paperless support processes have been implemented, and more capabilities for remote management with customers have been launched.

Investment in self-banking machines has continued, in order to offer our customers a 24/7 self-service cashier service. Altogether, more than 90% branches already offer this service.

This transformation has contributed to the growing number of digital customers, which now exceeds 1.2 million, representing 65% of total customers. OneApp users reached 726 thousand (+17.1% compared to June 2023) and more than one million daily logins were recorded on the private website and on the App.

On the other hand, the Bank is committed to building a greener economy and, to this end, it is helping its customers make sustainable choices and make their transition to a net zero business model.

In terms of sustainable financing, the Bank maintained a significant presence in the first half of the year in financing projects to support the climate transition of its individual and corporate clients, in the amount of € 772 million.

On a social level, the ability to have an impact on Society was largely reinforced through the Santander Portugal Foundation, with the mission of transforming the lives of people and companies. The purpose is to invest in the future of Portugal, supporting the education of all generations, and promoting social mobility towards a more developed, fairer, more inclusive, sustainable society.

Thus, in the first semester, courses and scholarships were awarded to more than 40 thousand people, including courses free of charge to improve some of the skills most sought after by the job market, such as English, AI, and production of code-free website, among others.

Figure 2 — "Começa Agora" [It Starts Here] Campaign

"Começa Agora" a new chapter for the Santander brand

Last June, Santander launched its new global signature in Portugal. The creative concept is based on the assumption that life is made of change, and that each person decides what, when and how they want to do it. Santander will be there to turn these desires and projects into reality, even if seemingly difficult to achieve. In this campaign, the Bank highlights two critical issues in society, and highlights the role it can play in each of them: in Housing, by helping people own their own home, and in Education, by unlocking the social elevator.

Awards, distinctions, and other relevant facts in the 1st half of 2024

Best Bank in Portugal

The North American **Global Finance** magazine distinguished Santander Portugal as the "***Best Bank in Portugal***," within the scope of the "***World's Best Banks 2024***." The winners were recognized for the results achieved, for the variety of services offered, and for their credibility with customers, with the magazine analyzing criteria such as profitability, asset growth, geographic dimension, strategic relationships, and development of new businesses and products.

Santander was distinguished as the **"Best Bank in Portugal**" by the Euromoney magazine, as part of the "***Euromoney Awards for Excellence 2024***." The publication highlights Santander Portugal's performance in 2023. Also within the scope of these awards, Santander was recognized as the **"Best Corporate Responsibility Bank in Portugal."**

Best International Bank in Portugal

Best Retail Bank in Portugal

Santander was distinguished as the **Best Retail Bank in Portugal**, by ***World Finance*** magazine, within the scope of the "***World Finance Banking Awards 2024***." These awards aim to distinguish the best performing banks around the world *which, according to the publication, "are those best placed to set an example and take the lead during the uncertain macroeconomic period we're going through."*
World Finance also distinguished Santander as the "**Best Private Banking**" in Portugal.

Santander received the award "***Best Bank for SMEs***" in Portugal from **Global Finance** magazine for the third consecutive year, as part of the ***"SME Bank Awards 2024***." This award distinguishes the financial institutions that best respond to the needs of SMEs in their markets, recognizing the support provided and the quality of the services offered.

Best Bank for SMEs in Portugal

***Best Private Banking* in Portugal**

Euromoney magazine distinguished Santander as the "***Best International Private Banking***" in Portugal. It is the 13th consecutive year that this publication has distinguished this segment of Santander.

Santander was distinguished as the ***Best Retail Bank in Portugal***, by **"*World Finance*** magazine, within the scope of the ***World Finance Banking Awards 2023***."

Best *Wealth Management* in Portugal

Most Responsible Bank: ESG in Portugal

Santander was considered, for the third consecutive year as the **Most Responsible Bank in Portugal, taking the first position in the sector, in the Merco ESG 2023 ranking.** The study evaluated the companies that, last year, best met environmental, social and governance (ESG) criteria.

Santander was distinguished as ***Top Employer* 2024** in Portugal, by the Top Employers Institute This certification, which the Bank has received for the second consecutive year, is awarded to organizations for their dedication and commitment to implementing excellent HR policies and people management practices, with the aim of improving the labour world.

Top Employer 2024: *Top Employers Institute*

Best Settlement & Custody: *Euronext Lisbon Awards*

Santander was distinguished, for the 5rd consecutive year, at the **"Euronext Lisbon Awards**," in which it won in the ***Settlement & Custody* category**.

Responsible Banking

Highlights

Santander remains committed to its mission of contributing to the development of people and companies, supporting inclusive, sustainable growth. In the 2023 Responsible Banking Report, various priority action plans were defined for 2024 in Environmental, Social and Governance matters.

In order to achieve the environmental goals, various initiatives continued to be developed to strengthen the capacity to carry out environmentally conscious operations. The internal criteria guide — *Sustainable Finance and Investment Classification System* (SFICS) — is constantly reviewed based on the most recent developments in regulatory and market practices, and now also includes criteria related to responsible investment. Inspired by European Taxonomy and by other international standards (namely ICMA, LMA principles, UNEP FI framework, among others), SFICS lays the foundations to support customers in the transition to a low-carbon economy.

In the first half of 2024, the Bank continued to support its customers' environmentally responsible financing, namely through *Sustainability Linked* loan operations, loans indexed to sustainability KPIs, as well as by advising KKR on the bond issuance on the entire capital of Greenvolt, in the amount of € 450 million. In parallel with direct (and indirect) financing operations, the Bank has been improving its product offering. Two lines stand out:

- **EIF InvestEU Sustainability:** up to € 250 million in loans for companies in Portugal;
- **EIB:** € 162 million to support investment projects for the construction and/or renovation of buildings, as well as housing credit financing operations. The focus is on increasing energy efficiency and on the classification of Green Buildings.

Taking into account the objectives defined at corporate level until 2030, during this first half of the year Banco Santander Portugal was focused on evaluating its Housing Credit portfolio and in defining action plans for its decarbonization. At the same time, it remained carbon neutral in terms of its own business, by offsetting its emissions, and once again managed to ensure that 100% of the electricity consumed came from renewable sources. It is also worth highlighting the maintenance of the biodegradable and recyclable cards initiative, as well as the possibility of customers offsetting their carbon footprint directly on the Santander App.

Until the end of the year, the Bank intends to continue to deepen the integration of environmental, social and climate risks into its daily management. To this end, the universe of companies and the scope of new operations subject to ESCC (Environmental, Social and Climate Change) risk assessment has been expanded, new Environmental & Climate Risk Policies have been implemented, and sales teams have started to receive training on the concept of Greenwashing and on sustainable classification systems of operations.

Diversity and Inclusion

Offering a diverse, inclusive workplace that promotes the well-being of employees remains as a strategic priority for Santander. A diverse, inclusive team is absolutely critical for cultural transformation and for fulfilling the Bank's strategy.

In this sense, Santander has defined some areas of action:

- The employment programme for people with special needs was also maintained, under which there are several partnerships with NGOs for identifying candidates. Currently, 2.8% of the Bank's employees have special needs.
- Santander is certified as a family-friendly company by the *Másfamilia* Foundation. More than 80 support measures available to all Santander Employees have contributed to achieving this certification.
- Santander Portugal was certified, for the second consecutive year, as a *Top Employer* company in Portugal, by the *Top Employers Institute*, due to the best global human resources policies and practices;
- The Santander *Women Network* Portugal maintains ongoing actions with the aim of raising awareness, supporting and promoting initiatives that promote gender balance in different areas of life, with an emphasis on the family and professional environment. The Santander *Women Network* Portugal is made up mainly by a group of women, but it is open to the entire community.
- The *Embrace Portugal Community* aims to promote equality, inclusion and diversity, encouraging the development and well-being of employees.

Governing Bodies

BOARD OF THE GENERAL MEETING

Chair:	António Maria Pinto Leite
Deputy-Chair:	Ricardo Andrade Amaro
Secretary	Company Secretary

BOARD OF DIRECTORS

Chair:	José Carlos Brito Sítima
Deputy-Chair:	Pedro Aires Coruche Castro e Almeida
Members:	Amílcar da Silva Lourenço
	Ana Isabel Abranches Pereira de Carvalho Morais
	Cristina Alvarez Alvarez
	Daniel Abel Monteiro Palhares Traça
	Isabel Cristina da Silva Guerreiro
	João Pedro Cabral Tavares
	Manuel António Amaral Franco Preto
	Manuel Maria de Olazábal Albuquerque
	Maria Manuela Machado Costa Farelo Ataíde Marques
	Miguel Belo de Carvalho
	Remedios Ruiz Macia
	Ricardo Lopes da Costa Jorge

AUDIT COMMITTEE

Chair:	Ana Isabel Abranches Pereira de Carvalho Morais
Members:	Daniel Abel Monteiro Palhares Traça
	João Pedro Cabral Tavares
	Manuel Maria de Olazabal y Albuquerque
	Maria Manuela Machado Farelo Ataíde Marques

STATUTORY AUDITOR

PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. represented by the Statutory Auditor Mr. José Manuel Henriques Bernardo

EXECUTIVE COMMITTEE

Chair:	Pedro Aires Coruche Castro e Almeida
Deputy-Chair:	Manuel António Amaral Franco Preto
Members:	Amílcar da Silva Lourenço
	Isabel Cristina da Silva Guerreiro
	Miguel Belo de Carvalho
	Ricardo Lopes da Costa Jorge

RISK COMMITTEE

Chair:	Manuel Maria de Olazábal Albuquerque
Members:	Daniel Abel Monteiro Palhares Traça
	João Pedro Cabral Tavares
	Maria Manuela Machado Costa Farelo Ataíde Marques
	Remedios Ruiz Macia

REMUNERATIONS COMMITTEE

Chair:	João Pedro Cabral Tavares
Members:	Daniel Abel Monteiro Palhares Traça
	Manuel Maria de Olazábal Albuquerque
	Maria Manuela Machado Costa Farelo Ataíde Marques
	Remedios Ruiz Macia

APPOINTMENTS COMMITTEE

Chair:	Daniel Abel Monteiro Palhares Traça
Members:	Ana Isabel Abranches Pereira de Carvalho Morais
	Cristina Alvarez Alvarez
	João Pedro Cabral Tavares
	Manuel Maria de Olazábal Albuquerque

REMUNERATION BOARD

Chair:	Maria Alexandra Teixeira Peres Brandão Palma Cavaco
Member:	Jaime Pérez Renovales

COMPANY SECRETARY

Full Secretary:	Bruno Miguel dos Santos de Jesus
Alternate Secretaries:	Marta Maria Appleton de Serpa Pimentel Marques

Business Environment

International Economy

In the first half of 2024, the global economy continued to show signs of resilience, despite the persistence of risk factors on economic growth. The various economic indicators released generally confirmed a positive trend in the external situation, with the PMI indices of the main economies signalling a recovery.

However, the persistence of adverse factors to global growth, namely the decline in savings, the cooling of the labour market, and the moderation of nominal wage growth in advanced economies, could provide less support to the growth of disposable income; and, in China, domestic demand has remained quite moderate.

On the other hand, after a faster initial slowdown of inflation in 2023, in reaction to the tightening of monetary policy, it has now shown greater resistance to final convergence towards the 2% target, which had implications on the actions of central banks, namely in terms of moderating their tighter monetary policy, as well as for market expectations regarding such action.

Indeed, several factors have contributed — and keep contributing — to this more complex “last mile” of the deflation process, such as (i) the strong momentum of the labour market, which keeps contributing to wage increases and, as a result, to greater resistance in service prices; and (ii) some volatility in energy prices, associated with geopolitical uncertainty, which has impacted Europe, the Middle East, as well as Asia.

The International Monetary Fund, in its July economic outlook update, maintained the scenario it had presented last April, with the global economy growing in line with potential, and with less divergence between regions, as some cyclical factors dissipate.

Thus, the IMF anticipates a convergence of growth rates in developed economies, with a moderation in the US (which could become more evident in the second half of the year), and a progressive recovery in the Euro Area, as well as in the United Kingdom.

In emerging economies, business activity should continue to grow steadily, but with some regional differences, also related to their exposure to US dollar interest rates. China may grow only moderately, due to several persistent internal imbalances, as well as due to the ongoing changes in global value chains.

The IMF considers that the risks are symmetrical, although it highlights higher risks on inflation, resulting from the slower deceleration of prices, associated with wage increases and the evolution of service prices, and from geopolitical uncertainty, which may impact value chains more and contribute to higher import prices.

Thus, risks of higher interest rates for even longer have arised, which was once a dominant aspect of central bank activity.

World Economic Growth

	2023	2024P	2025P
World	3.3	3.2	3.3
Advanced Economies	1.7	1.7	1.8
USA	2.5	2.6	1.9
Euro Area	0.5	0.9	1.5
United Kingdom	0.1	0.7	1.5
Japan	1.9	0.7	1.0
Developing Countries	4.4	4.3	4.3
Africa	3.4	3.7	4.1
Asia	5.7	5.4	5.1
China	5.2	5.0	4.5
Central and Eastern Europe	3.2	3.2	2.6
Middle East	2.0	2.4	4.0
Latin America	2.3	1.9	2.7
Brazil	2.9	2.1	2.4

Source: IMF (Jul 2024)

The **US** economy has maintained a sustained growth rate, with a slowdown in Q1 due to lower private consumption, but in particular due to a reduction in net exports, which was subsequently reversed in Q2. Thus, business activity grew by around 2% on average during the first half of the year (in annualised quarterly variation). The relative strength of the labour market allowed households to cope with the effects of rising interest rates and the loss of purchasing power, thanks to sustained wage increases.

However, the labour market slowed down further last July, with lower job creation and an increase in the unemployment rate (to 4.3%), which generated negative market feelings, and revived expectations of an interest rate cut by the Federal Reserve. At the beginning of 2024, the feeling was that the Federal Reserve could cut benchmark rates more aggressively (in five to six 25 bps cuts each), but the inflation's resistance to decline, based on higher growth in services prices, resulted in rates remaining stable at their historic highs during the first seven months of the year. However, at the end-of-July meeting (prior to the release of the July employment report), Governor Jerome Powell indicated that rates could be targeted for a downward change at the September meeting.

Inflation slowed down to 3.0% last June, and core inflation (which excludes food and energy) slowed down to 3.3%, although non-energy service prices continued to grow by 5.1%, impacted by housing costs.

In the **Euro Area**, real GDP recorded year-on-year growth of 0.6% during the first half of 2024, with two consecutive quarters of more solid growth, which followed five quarters of virtual stagnation of business activity, benefiting from the positive contribution of net exports and domestic demand.

However, industrial production continues to operate below potential, due to weak demand, particularly in more energy-intensive sectors, while the services sector shows signs of widespread improvement. Short-term labour market indicators continue to point to employment growth throughout 2024, with the unemployment rate standing at 6.5%, also reflecting an economy operating at full employment.

Inflation slowed down slightly to 2.5% in June 2024, reinforcing the trend of stabilized domestic price pressures, reflecting weakening profits.

At the Governing Council meeting on June 12, 2024, the European Central Bank implemented the previously signalled reduction (at the March meeting) in reference interest rates by 25 bps, with the refinancing rate standing at 4.25% and the deposit rate at 3.75%.

However, the message conveyed by the ECB — and restated at the July meeting — is that it will adjust its monetary policy based on the information available at any given time, without any pre-defined orientation or pace, although the trend is for interest rates to drop, thus bringing down the restrictive nature of monetary policy.

In the financial markets, and in a context of instability and geopolitical uncertainty, the prevailing sentiment was dominated by the evolution of inflation and by the response of central banks.

At the beginning of the year and in a context of deflation and weaker economic growth — as already mentioned — the expectations were that central banks would begin a cycle of interest rate cuts relatively quickly and sharply, with the possibility of up to 6 cuts of 25 bps each.

However, throughout the semester, economic information revealed an opposite evolution, with a somewhat more solid economic growth, but above all with a slower deflation, due to the resistance observed in the prices of services.

As a result, the expectations of central banks' actions were revised, which resulted in relative stability in short-term interest rates throughout the first half of the year. In the Euro Area, the Euribor interest rates began to decline in April, when the ECB stressed its indication that the key rates could fall in June.

Long-term interest rates, in turn, rose in response to inflation dynamics during the first months of the year. And from the end of the second quarter, and with inflation more under control, sovereign yields began to fall.

Uncertainty remained quite high during the first seven months of the year. In June, the call for early legislative elections in France, following the results of the European elections, brought a period of greater volatility to fixed income markets, with a rise in long-term interest rates in France and contagion to peripheral markets, resulting in a worsening of spreads vis-a-vis Germany. The 2nd round of elections, by confirming that the far right had not obtained a majority (coming in 3rd position), allowed for a certain "normalization," although without returning to previous levels, especially as far as the French interest rates.

On August 9, the German yield stood at 2.22%, and the Portuguese yield, for the 10-year term, at 2.88%. France had a yield of 2.97%, Spain of 3.08%, and Italy of 3.65%, all above Portugal.

Portuguese Economy

In the first half of 2024, the Portuguese economy maintained a positive trajectory in terms of resilience of economic activity, although some indicators begin to signal some moderation. The industrial sector is beginning to reflect the effects of a gradual moderation in domestic and external demand (business volume dropped by 2.6% year-on-year in May), while the services sector maintained sustained growth rates of around 3% year-on-year.

After a GDP growth rate of 0.8% quarter-on-quarter in Q1'2024, occasional signs of moderation in economic activity began to emerge in some sectors of activity, meaning that economic growth in Q2 slowed down quarter-on-quarter (0.2%), although maintaining year-on-year growth (at 1.5%), due to base effects.

Portugal - Macroeconomic Data

	2022	2023	2024P
GDP	6.8	2.3	1.9
Private Consumption	5.6	1.6	1.2
Public Consumption	1.4	1.0	2.2
Investment	3.5	1.0	0.8
Exports	17.4	4.1	3.7
Imports	11.1	2.2	2.5
Inflation (average)	7.8	4.3	3.1
Unemployment	6.1	6.5	6.5
Fiscal Balance (% GDP)	-0.3	1.2	0.1
Public Debt (% GDP)	112.4	99.1	93.3
Current Account Balance (% GDP)	-0.2	2.7	3.6

Source: INE, Banco de Portugal, Ministério das Finanças, Santander Portugal Research

The labour market continued to be characterised by sustained growth in the working population (+1.0% year-on-year in the Q2), supported by employment growth (+0.8%), although the unemployment rate did increase slightly (+1.0%). The unemployment rate stood at 6.1%, the same as in the same period last year, but below the 6.8% observed in Q1'2024.

Wages continued to grow above inflation (wages grew by 6.4%, while the inflation rate was 2.5% in June 2024, year-on-year), contributing to the recovery of purchasing power and, consequently, sustaining the resilience of private consumption as the main driver of economic growth.

Consumer confidence continued to evolve positively, reflecting the improvement in economic agents' perspectives regarding the future slowdown of prices, as well as the future perception of their financial situation and of their purchasing power.

Investment has evolved moderately, continuing to be affected by the slow implementation of the Recovery and Resilience Plan (RRP). By the beginning of August 2024, funds in an amount equivalent to 22% of the financial envelope had been paid (i.e., € 5 billion out of a total of € 22.2 billion).

Inflation, which had slowed quite rapidly in Q4'2023, recovered to levels between 2% and 3% in the first half of 2024, due to several factors, such as the end of the “Zero VAT” measure, which covered a basket of food products, or the volatility in energy prices, as a result of the geopolitical context. Core inflation, in turn, stabilized in a range between 2.0% and 2.5%, also reflecting the existing pressures in some classes of goods and, in particular, services.

In the first half of 2024, households resumed their demand for credit for purchasing their own permanent home, with growth in both the volumes of new credit production and in the stock of mortgage credit, particularly compared to figures at the end of 2023.

The banking sector adjusted its offer to the interest rate context and, in a context of inversion of the yield curve as occurred in the second half of 2023, it made blended-rate solutions available (i.e., loans that have an initial period of 2 to 5 years at a fixed interest rate, followed by a variable rate scheme), and which, in the first half of 2024, represented about 75% of the new credit production.

Households also increased their savings, benefiting from the growth in disposable income, resulting in increased deposits, both year-on-year and compared to the end of 2023.

At corporate level, the amortization of loans continued to dominate, especially those associated with State-guaranteed facilities that had been created during the pandemic.

Indebtedness of the non-financial private sector dropped to 164% of GDP (-16 p.p. compared to Q1'23) in the first quarter, as a result of the reduction in both corporate indebtedness (by 11 p.p., to 108% of GDP), and of household indebtedness (by 5 p.p., to 56% of GDP).

Public debt also dropped, until June, by 9 p.p., to 101% of GDP, the lowest level since 2011, in the middle of the adjustment period.

Budget execution, as of June 2024, reflected the combined effects of several factors, on both the revenue and expenditure sides. Tax revenue dropped, compared to the same period last year, due to time differences in the settlement of corporate income tax (which is 66% lower than in the same period last year), as well as due to the slowdown in inflation, which impacts indirect taxes.

Total expenditure grew by 11.2% in the first six months of the year, reflecting wage updates (staff expenditure grew by 7.2% compared to the same period in 2023) and social benefits (whose expenditure grew by 14.1%). As a result, as of June, the balance of the General Government, from the public accounting perspective, translated into a deficit of € 2.7 billion, corresponding to a positive primary balance of one billion euros.

As previously mentioned, the evolution of Portugal's financing interest rates reflected the market dynamics, with the 10-year yield standing at 2.88%, i.e., a differential of 66 bps compared to the German debt.

Portugal's credit rating was revised by S&P to A- (positive), while the other agencies maintained their ratings, namely A (stable) by DBRS, A- (stable) by Fitch, and A3 (stable) by Moody's.

Note: This report was written with the information available up to August 9, 2024.

Main Risks and Uncertainties for the Second Half of 2024

The main risks and uncertainties for Santander's business in Portugal during the second half of 2024 are closely associated with the factors that had been identified for the current year in the 2023 Annual Report, and their implications for economic activity and the financial system, in particular: (i) geopolitical uncertainty, namely related to the various ongoing conflicts, as well as to the electoral processes in some relevant countries, such as the USA; and (ii) the conduction of monetary policy by central banks, especially in terms of the speed of interest rate cuts.

Recent electoral processes, including the European Parliament elections and, consequently, the early general elections in France, have highlighted their importance for economic policy and, in particular, their impact on markets. In June, following the results of the European elections in France, global financial markets were closed for about two weeks, with no issuance of debt eligible for MREL purposes, not even covered bonds.

In November, the US presidential and congress elections will be equally relevant, as they may have implications for the geopolitical context, which is already quite complex, and with greater volatility in the financial markets.

Throughout the first half of the year, inflation showed greater resistance to decline — generally speaking — especially regarding convergence towards the 2% target, which is why central banks acted more moderately than anticipated at the end of the year, thus meeting the risk referred to in the annual report, "that, as inflation is still above the target, the decline may only occur later, in 2024, given expectations of a more rapid change."

On the one hand, this evolution can mitigate the risks on the quality of the credit portfolio that would arise if interest rates remained at their current levels or rose even further. On the other hand, it could impact the net interest margin, as most of the credit portfolio is still indexed to a floating rate.

Overall, the current combination of risk factors translates into the maintenance of a scenario of high uncertainty, with negative risks for global economic activity, but whose full impacts continue to be difficult to assess, as the economy continues to operate at full employment, which mitigates or delays the emergence of some of its effects.

Likewise, the above-mentioned factors could, with a peak of uncertainty and under certain conditions — currently undetermined — contribute to risk aversion movements in financial markets, with disturbances in risk premiums, with contagion effects on the various segments and sectors of activity. An example of this situation occurred in early August, after the release of some weaker data in the US.

Santander Portugal will carry out its activity in a complex context, with risks of low volume growths, both in terms of credit and deposits, high sensitivity of savings to the remuneration rate, while constantly monitoring credit quality and an appropriate allocation policy of capital in active operations.

Business Areas and Business Support Areas

Individuals and Businesses, Companies and Institutional

Banco Santander maintained a **trajectory of earnings growth** throughout the year, with solid indicators that have allowed us to keep supporting families and companies, which support takes on added importance in the current context of high interest rates and high cost of living.

These results reflect the **transformation that has taken place over the last few years**, which has improved effectiveness and efficiency, as well as customer experience.

In the **Individuals** segment, the trajectory of customer growth stands out quite clearly, as a result of the great customer acquisition effort carried out in the 1st half of 2024, with the launch of several campaigns aimed at loyalty and at attracting new customers.

The Net Promoter Score (NPS) is also worthy of note. This index measures the level of customer satisfaction, and Santander maintained the 2nd position in NPS in Portugal.

In terms of commercial activity, the commercial revitalization programme launched in the last quarter of 2023 was maintained in this segment, which helped to achieve the proposed objectives and with very positive results.

In **Mortgage Credit and Consumer Loans**, Santander's performance was marked by a high production level in the first six months of the year, essentially as a result of the Bank's commercial focus, optimization of the admission rules implemented, and the continued digital transformation of the hiring process.

The **Boutique Santander** (*Marketplace*) showed high growth in credit granted throughout the last semester (+€ 7 million compared to the 1st half of 2023), through the credit solutions available.

This growth was contributed to by the **inclusion of new partners**, such as Samsung, by a major increase in the catalogue made available by partners, as well as by the campaigns in which the Bank has been investing. These initiatives have led to a 34% increase in the number of customers using the Boutique since the beginning of the year to purchase the products they need in their daily lives.

In **Protection Insurance**, the first half of 2024 was marked by the partnership with CUF Saúde, and by the launch of a new product, namely CUF Santander. In this product, Santander, Aegon Santander and CUF, the largest private healthcare provider in Portugal, join forces to launch an innovative health insurance, exclusive to the Bank's customers.

Given the growing relevance of the **non-related Insurance** portfolio, both for individuals and for companies, there is a growing focus on improving relationships with customers, simplifying their interaction with the Bank in all aspects of their day-to-day lives and working to extend and increase their protection with the Bank.

Regarding **credit-related Insurance**, work was done on the competitiveness and attractiveness of the offer with a particular focus on credit transfer processes, whose importance has increased and where the speed of the operation is critical.

In the **Savings and Investment** component, a range of income solutions were made available for all terms and profiles, which allowed growth in all types of products: traditional savings, financial insurance and investment funds. There was a gradual reduction in the remuneration of investments throughout the entire period, as a result of the changes in the monetary policy framework.

Customers

The active customer base grew by 33 thousand so far this year, driven by strong customer acquisition and activation (which reached about 109 thousand in the same period). In particular, the active customer base grew by 1.9%, supported by a high volume of account openings (which reached 75 thousand new accounts); highlights include some campaigns such as the salary capture campaign and the Kids & Teen campaign (young deposit account for new customers). In businesses, the active customer base grew by 0.7% so far this year, supported by account opening campaigns for new customers, focusing on an initial period of exemption from monthly fees on accounts with an associated service package. In total, 63% of individuals' customers and 95% of corporate customers are digital.

Portugal continues to be a country with an attractive environment for foreigners, while the community of Portuguese emigrants living abroad continues to be quite significant. In terms of **customers residing abroad**, the strategy of enhancing and strengthening the service model, namely **Santander Próximo International**, was consolidated, the main objective of which is to create strong, close commercial ties with the communities of Portuguese and Portuguese descendants residing abroad, as well as to promote and attract foreign customers who choose Portugal to invest and/or establish their residence.

Branch Transformation and Process Simplification

The 1st half of 2024 was a period of consolidation, modernization of processes, and of completing the implementation of new service and customer service models in the Branch network.

The branch network, at the end of the 1st half of 2024, was composed of 329 branches, to which were added 15 extensions (+1 than in 2023), coming to a total of 344 points of sale, with 2 closures and 2 mergers carried out in the individuals and businesses network.

The 11 remote service centres (Santander Pronto) remain in operation, including Próximo International, dedicated to non-resident and foreign customers.

Teller and Selfbanking Models

Cash transactions continued their downward trajectory. Digital instruments and cards are increasingly used as payment methods. With this trend of action, at the end of June, the network was made up of:

- 23 branches with Traditional Teller;
- 137 branches with an Advanced Teller (cash station at a commercial service point);
- 27 branches with a Corporate Teller;
- 142 branches with only Selfbanking Service.

This evolution of the Bank's transactional models was accompanied by a strong investment in selfbanking (automatic self-service areas), which allows all customers to make deposits 24 hours a day, 7 days a week, an aspect that led to the reorganization of our service models.

In 2024, 2 new VTMs were installed, totalling 214 machines. VTMs allow customers to make deposits and withdrawals, in both banknotes and coins, at any time that best suits them.

Remote Customer Service

Since the beginning of the year, the Santander Próximo service model, 100% remote, has been consolidated, and the implementation and development of the value customer segment with *Hub Select* has continued.

These specialized remote service centres are located in selected branches, also enabling physical proximity to each geographic context, with face-to-face service and prior appointment. There are currently 28 branches operating with *Hub Select*, with new ones expected to open by the end of the year.

An exclusive Customer Service Hotline has been implemented just for this segment, in order to focus remote management teams on personalized, closer service and, thus, centralize operational processes in specialized teams. With ambition and focus on improving customer experience with the Bank.

Companies and Business

The year of 2024 is a year in which Santander is reinforcing its support to companies, based on proximity, managed by a commercial network of experienced professionals who are qualified to find the solutions that best suit the needs of companies.

Santander sees companies as the main driver of the economy, and **internationalization and exports** are a strong lever for growing the Portuguese business sector. Thus, Santander is strongly committed to supporting companies in their internationalization processes with lower risk.

Directly present in ten geographies, and with several partnerships in other parts of the world, Santander is a global bank but with strong local knowledge, which knowledge has been used to benefit Portuguese companies when exploring new markets, but also to benefit foreign companies that choose to invest in Portugal.

This support is provided by a specialized team connected to the rest of the world, with a wide range of products and services, and also through platforms such as the *Santander Trade* Portal (which allows companies to analyse and make decisions on international markets — market studies, legislation, sectors, etc.), and the *Santander Trade Club*, which connects companies to selected partners around the world.

Throughout 2024, Santander will keep developing initiatives that support companies in their transition to a more socially and environmentally sustainable economy, reinforcing the available value offer, which motivates companies to contribute to climate transition and indirectly support the fulfilment of Portugal's commitment to achieving carbon neutrality by 2050.

Within the scope of application of the European Funds from the RRP and from PT2030, partnerships and initiatives were developed to support companies in preparing their applications and in implementing investment projects, seeking to maximize the timely application of the approved incentives, as well as the sources of financing.

The Bank remained committed to being a financing channel for Portuguese companies. In the first half of the year, it financed more than € 1.6 billion, making a significant contribution to the higher amount of credit available in the financial system.

Supporting companies' liquidity and their timely payments to suppliers is another of Santander's concerns, with emphasis on confirming, which grew by 13%.,

Resources are also a priority, which increased by about one billion euros, combined with the growth of the customer base.

Santander was also one of the banks in Portugal that signed credit facilities to support the economy with Banco Português de Fomento under Invest EU, with a total allocation of € 3.5 billion.

In such a challenging context, it is important to **continue to strengthen competitiveness and the growth strategy** in supporting companies and their transactionality, always based on the continuous improvement of customer experience and satisfaction.

Wealth Management and Insurance

The first half of 2024 continued to be conditioned by the evolution of war scenarios, particularly in the Middle East and Ukraine, as well as by the management of expectations regarding changes in the monetary policies of the main central banks. While the European Central Bank has already made an initial cut of 0.25% in key interest rates, and there are discussions as to whether there will be further cuts during the second half of 2024, in the US interest rate cuts have been postponed, due to some resistance to inflation coming down in this block, and it is starting to be difficult to foresee a cut in the immediate future, mainly conditioned by the US elections next November.

The main equity indices performed generally positively in the first half of 2024, with S&P appreciating by about 15% in the first half and Eurostoxx50 by about 8.5%. In the interest rate markets, volatility has been constant throughout the first semester but confirming the expected downward trend in Europe.

Most business indicators for Santander Portugal's Private Banking during the first half of 2024 evolved in a quite positive way, partly benefiting from the positive performance of most of the markets where Santander has invested, but also from the close relationship that Private managers maintain with their customer portfolio. The segment's managed assets grew by about 7% in the first half of the year, with significant 11% growth in funds, insurance and discretionary mandates.

The growth of the *Private Banking* customer base maintained a quite strong momentum, and significant growth throughout the first half of the year, based on a great collaboration and support from the Branch network and corporate centres, as well as a strong external prospecting activity.

Corporate and Investment Banking

In the first half of 2024, the ***Corporate & Investment Banking*** area maintained its commitment to boosting collaboration between the local team, with recognised skills in the Portuguese wholesale banking market, the regional platform (Europe), and the remaining global teams with knowledge and experience in the various markets and geographies where the Santander Group operates.

This collaboration allows the Bank to position itself as a strategic advisor to customers for local and global transactions, and to maintain a differentiated offer in the Investment Banking segment in Portugal, providing customers with value-added solutions.

The credit portfolio in the 1st half of 2024 is in line with the closure of the previous year (+1%), given that despite the contracting of the ELK Project (Sonae Group), with a credit increase of +€ 115M, the portfolio has a strong amortizable component.

In the ***Global Debt Financing*** area, the first 6 months of the year were marked, among other factors, by the Bank's leadership in the main corporate financing operations in Portugal, with emphasis on the financing of two public acquisition operations, launched by the Sonae Group and by Bondalti, for acquisitions in Finland and Spain, respectively.

Additionally, the Bank was particularly active in reviewing and granting structured financing in the renewable energy and telecommunications infrastructure sectors.

In terms of ***Debt Capital Markets***, the *Global Debt Financing* area maintained its leading position in the Portuguese market, namely by participating in the placement of two public debt issuances, totalling € 7 billion, and in several bond issuances, namely for EDP, of € 750 million, for REN, of € 300 million, and for Montepio, of € 420 million.

In the first half of 2024, the *Corporate Finance* area continued to develop an intense activity in Mergers & Acquisitions and Equity Capital Market operations, of which it is worth highlighting our performance in the following operations:

- KKR's Financial Intermediary in the takeover bid launched on the entire capital of Greenvolt;
- Advisor and Financial Intermediary to Bondalti in the takeover bid launched on the entire capital of Ercros, S. A.;
- Financial advisor to the shareholders of the Sequeira & Sequeira/Lacticínios do Paiva Group in the sale of the company to the Lactalis Group;
- Financial advisor to the Saur/Aquapor Group in the acquisition of the company CTGA/Enviman;
- Financial advisor to the Blueotter Group in the acquisition of Castelbel from Vallis.

In the **Markets** area, there was a growing demand from customers for risk management solutions that help them mitigate the uncertainty and unpredictability of the evolution of interest rates, and also the behaviour of the main currencies against the Euro.

In a context in which central banks on both sides of the Atlantic continued their efforts to stabilise the inflation rate without, however, significantly changing their key rates, together with the growing trade tensions in the main world economies, there was a greater demand from customers for solutions to stabilise flows and reduce uncertainty.

In terms of **interest rate**, in fixed rate operations and/or interest rate derivatives, there was greater demand from most companies, increasing the percentage of financing with interest rate risk coverage. The widespread expectation of a drop in interest rates induced by successive cuts in the key interest rate by the European Central Bank did not materialise, allowing medium and long-term rates to be set, throughout the first half of the year, below the Euribor rates (short term).

In terms of **foreign exchange** operations, the consistent growth seen over recent years was maintained throughout this period.

The Bank's long experience in supporting exporting and importing companies is recognized by the trust of loyal customers, and also by new companies with which partnerships have been initiated for foreign exchange risk management.

With a tested customer support model, in which they are simultaneously granted access to the Trading Room to carry out their operations and, in parallel, access to the NBE Exchange Platform, the Bank has increased the number of active customers in this section, and also the number of formalized operations.

In the **Structured Products** segment for retail, two products were launched since the beginning of the year, raising a total of about € 15 million. It should be noted that the market rates allowed for more attractive payoff levels to be obtained in this type of product, by resorting to more conservative products, with shorter terms. Within the Bank's range of investment products, structured products stand out for being an investment alternative that meets customer expectations regarding profitability levels for the current market.

Individuals Channels

In the first half of 2024, the number of App users reached 943 thousand, of which 715 thousand used this digital channel exclusively. The monthly average number of logins per user on the App was 25.

In the web channel, there was a decrease in the number of users compared to the end of the previous year. NetBanco Individuals closed the semester with 366 thousand users, maintaining an average of 8 monthly logins per user, without variation comparatively to the previous period.

During these first six months of the year, the Bank continued the process of developing the App and of modernising NetBanco. As far as the App is concerned, it is worth highlighting the initiatives of a new onboarding journey, and the new side navigation menu. Regarding the NetBanco channel, the collection of requests for adhering to the Decree Law on "Mais Habitação" legal changes to the legal procedures on accessing funds and PPRs [Retirement Savings Plans], improvement in the presentation of housing credit information, and the possibility of replacing physical cards with purely digital cards were identified as key functionalities. These improvements reflect not only a more modern interface, but also a new information architecture, optimized to meet current customer needs.

Individual customers are also able to sign up to the various insurances offered in a quicker and easier way due to the improved contracting times and, in addition, they now have access to new savings products (term deposits and PPRs).

From now on, customers will also be able to consult independent loan statements and insurance documents through private channels.

Netbanco Individuals now automatically displays the beneficiary's name on national wire transfers. Information on insurance policies that the customer has taken out with the Bank has also been improved.

Corporate Channels

At NetBanco Empresas, the user base remained stable, with 120 thousand users in June 2024, comparable to the figure in the same period last year.

The Companies App continued to show a growth trend, reaching 61 thousand users at the end of the semester.

During the first half of 2024, Netbanco Empresas and the Companies App began to display the name of the beneficiary on national wire transfers, and the possibility of making payments to the Government in amounts of up to 500 thousand euros was opened up over a longer period.

In Netbanco Empresas, new reports were added regarding factoring operations and were carried out in the request for the balance circularization document.

Technology and Operations

The Technology Area, in line with the business areas, implemented digital solutions geared towards its employees and its customers, namely by promoting the adoption of new methodologies, new technologies, global platforms, modern architectures, and agile development approaches. In terms of the regulatory context, it ensured the implementation of initiatives to ensure compliance with legal or regulatory requirements, as well as the implementation of recommendations arising from internal and external audits, critical pillars for the operation of Santander Portugal.

In 2024, boosted by the success of previously implemented enablers, the strategic IT programme was continued, namely, in journeys to the Cloud, digitalization of processes, and the transformation of information systems, allowing Banco Santander to increasingly become a secure digital bank with branches, with a constant focus on improving customer experience. It is also worth highlighting the new features made available on digital channels, insurance onboarding, savings & investment, a new risk assessment process with significant gains in customer response times, and significant improvements in the Commercial Network provided by the provision of capacity in communications networks.

Economic and Financial Information

Consolidated Business

Banco Santander Totta obtained, in the first half of 2024, a net profit of € 551.8 million, compared to 316.4 million at the end of the same period in 2023, representing a growth of 74.4%.

The return on equity (ROE) of 26.8% in June 2023, increased by 9.3 p.p., compared to 17.5% in June 2023. The efficiency ratio reached 23,.3%, 8.0 p.p. below the 31.3% recorded in the same period last year.

Credit to customers (gross), worth € 47.0 billion, grew by 12.1% year-on-year, with mortgage credit rising by 1.0% compared to June 2023. Credit to companies and institutions increased by 28.3%.

The Non-Performing Exposure ratio stood at 1.6%, decreasing by 0.5 p.p., compared to the 2.1% recorded a year earlier, with provisions coverage of 85.9%.

Customer resources totalled € 45.6 billion, representing an 1.4% increase compared to June 2023, due to the stabilization of customer deposits and the 9.4% growth in off-balance sheet resources.

At the end of June 2024, the LCR (*Liquidity Coverage* Ratio) ratio, calculated in accordance with CRD IV rules, stood at 132.7%, thus meeting the regulatory requirement on a fully implemented basis.

The *Common Equity Tier 1* ratio, calculated in accordance with CRR/CDR IV rules, stood at 16.0%, (fully implemented), having stabilized compared to the same period last year.

At the end of the first half of 2024, the liquidity reserve stood at € 17.6 billion, remaining stable comparatively to the amount recorded at the end of 2023.

Short-term financing through repurchase agreements amounted to € 3.8 billion. Long-term financing included € 3.7 billion of covered bonds (a new issuance made in February, worth € 1 billion, which replaced the issuance that matured in April), € 0.65 billions of senior non-preferred issues, € 0.9 billion of securitisations, € 0.6 billion of financing through repurchase agreements, € 0.4 billion of credit linked notes, and € 0.2 billion of subordinated issuances.

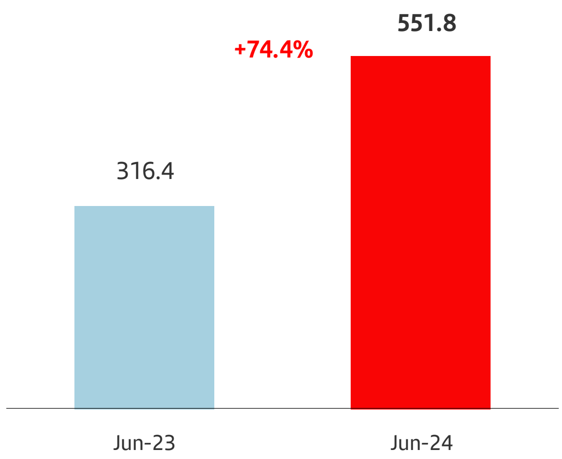
The last tranche worth € 0.7 billion of financing obtained from the European Central Bank, consisting entirely of the third series of targeted longer-term refinancing operations TLTRO III, matured in March 2024.

Santander Portugal has the best financial ratings in the sector. The Santander Totta's current long-term debt ratings compared to those of Portugal are as follows: Fitch – A- (Portugal – A-); Moody's – Baa1 (Portugal – A3); Standard & Poor's – A- (Portugal – A-); and DBRS – A (Portugal – A).

CONSOLIDATED NET INCOME

ATTRIBUTABLE TO THE SHAREHOLDERS OF BST

million euro



Results

CONSOLIDATED INCOME STATEMENTS (million euro)	Jun-24	Jun-23	Var.
Net interest income	**852.8**	**581.2**	**+46.7%**
Income from equity instruments	8.2	1.7	+387.8%
Net fees	232.3	232.7	-0.1%
Other operating results	4.6	4.0	+13.9%
Commercial revenue	**1,098.0**	**819.6**	**+34.0%**
Gain/losses on financial assets	12.7	11.7	+8.8%
Operating income	**1,110.7**	**831.3**	**+33.6%**
Operating costs	(237.9)	(231.0)	+3.0%
Staff Costs	(142.0)	(136.2)	+4.3%
Other Administrative Expenses	(95.9)	(94.9)	+1.1%
Cash contributions to resolution funds and deposit guarantee schemes	(7.7)	(23.6)	-67.4%
Depreciation	(19.2)	(22.0)	-12.7%
Net operating Income	**845.9**	**554.6**	**+52.5%**
Impairment, net provisions and other results	(39.6)	(73.9)	-46.5%
Income before taxes and non-controlling interests	**806.3**	**480.7**	**+67.8%**
Taxes	(254.6)	(164.3)	+54.9%
Income after taxes and before non-controlling interests	**551.8**	**316.4**	**+74.4%**
Non-controlling interests	(0.0)	(0.0)	-
Consolidated net income attributable to the shareholders of BST	**551.8**	**316.4**	**+74.4%**

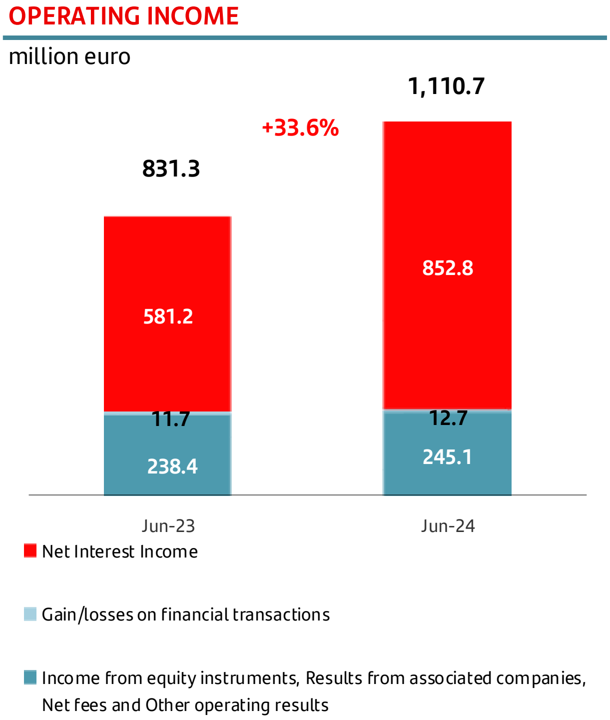
At the end of June 2024, the net interest income reached € 852.8 million, up by 46.7% compared to € 581.2 million obtained in the same period of the previous year. This evolution reflected the impact on the credit portfolio of the trajectory of market interest rates, following the interest rate hike cycle adopted by the European Central Bank between July 2022 and September 2023, as well as the reduction in interest rates observed in recent months, in a competitive context and with high liquidity in the banking system, which maintained downward pressure on credit spreads.

Net fees reached € 232.3 million, stabilising comparatively to the € 232.7 million recorded in June 2023, reflecting the growth in commercial activity, with the consequent increase in the volume of credit business and off-balance sheet resources, of transactionality, with emphasis on the increased number of credit and debit cards issued by the Bank, used to carry out purchases and withdrawals, and of credit-linked insurance and autonomous protection insurance. These factors helped offset the effects of the legal changes that limit the amount of fees charged on some banking services, which came into force in the second half of 2023, and of the lower financial advisory fees.

Commercial revenue amounted to € 1.1 million, growing by 34.0% compared to € 819.6 million recorded at the end of the first half of 2023, benefiting from the positive framework of the evolution of interest rates in net interest income.

Gain/losses on financial assets stood at € 12.7 million, up by 8.8% compared to the € 11.7 million observed in the same period of the previous year, due to the growing business with customers.

Net income from banking activities amounted to € 1,111 million, growing by 33.6% year-on-year, compared to the € 831.3 million recorded in June 2023, reflecting the positive evolution of net interest income and of gain/losses on financial assets and the stabilization of net fees.



At the end of the first half of 2024, operating costs stood at € 257.1 million, up by 1.6% compared to the € 253.1 million recorded in the same period of the previous year, with commercial and digital transformation enabling the reduction of customer service costs and the improvement of operational efficiency. At the end of the period under review, Santander Portugal had a commercial network with 374 service points (3 less than in the same period of the previous year) and 4,570 employees (60 less than at the end of June 2023).

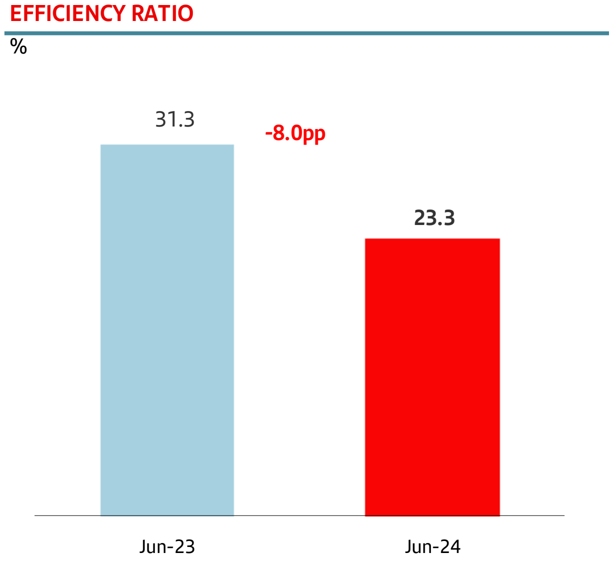
Staff Expenses stood at € 142.0 million, a 4.3% increase compared to the € 136.2 million in the same period last year, due to the wage update implemented in 2024.

Other administrative expenses amounted to € 95.9 million, up by 1.1% compared to the € 94.9 million a year earlier. Along with its strict cost control, the Bank has invested in optimising and simplifying processes and in technological innovation systems to improve the quality of service, adapted to customer needs and market conditions.

Depreciations reached € 19.2 million, decreasing by 12.7%, compared to the € 22.0 million observed in the same period of 2023.

OPERATING COSTS (million euro)	**Jun-24**	**Jun-23**	**Var.**
Staff costs	(142.0)	(136.2)	+4.3%
Other Administrative Expenses	(95.9)	(94.9)	+1.1%
Depreciation	(19.2)	(22.0)	-12.7%
Operating costs	**(257.1)**	**(253.1)**	**+1.6%**
Efficiency ratio	**23.3%**	**31.3%**	**-8.0 p.p.**

At the end of June 2024, the efficiency ratio stood at 23.3%, decreasing by 8.0 pp, compared to 31.3% at the end of the same period in 2023, reflecting the increase in revenues and the moderate increase in operating costs.



Cash contributions to Resolution Funds and Deposit Guarantee Systems amounted to € 7.7 million, a 67.4% decrease compared to the € 23.6 million recorded in the same period last year.

Net operating income totalled € 845.9 million, corresponding to an increase of 52.5%, compared to the € 554.6 million achieved at the end of the first half of 2023.

Impairment, Net Provisions and Other Results recorded a cost of € 39.6 million, compared to the cost of € 73.9 million in the same period of the previous year.

Net provisions, at a cost of € 6.8 million, stabilized compared to the figure recorded a year earlier.

Net impairment of financial assets at amortized cost stood at € -4.4 million at the end of June 2024, compared to the € -35.0 million recorded in the same period of the previous year (-87.4%). This development occurred within the scope of a conservative credit risk control policy and within a macroeconomic framework of full employment, which made it possible to offset the effects of inflation on household purchasing power, contributing to moderate growth in private consumption and to mitigating the impact of rising interest rates on the capacity to service debt. The quality of the credit portfolio remained high, with a *Non-Performing Exposure* (NPE) ratio of 1.6%, down by 0.5 pp compared to 2.1% in the same period last year.

Net Impairment of Non-Financial Assets stood at € 2.5 million, compared to € 3.7 million in the same period last year.

Regulatory costs with the Contribution on the Banking Sector and the Additional Solidarity Contribution on the Banking Sector in the amount of € 35.3 million decreased by 7.9%, compared to the € 38.3 million paid last year.

The result of non-current assets held for sale came up to € 4.5 million, 79.3% more than the € 2.5 million observed in the same period of the previous year.

Profit before taxes and non-controlling interests amounted to € 806.3 million, representing a 67.8% increase, compared to the € 480.7 million recorded in the same period of 2023.

Taxes reached € 254.6 million, 54.9% more than the € 164.3 million recorded a year earlier.

At the end of June 2024, the consolidated net profit for the year attributable to Banco Santander Totta shareholders totalled € 551.8 million, representing a 74.4% growth compared to the € 316.4 million achieved at the end of the first half of 2023.

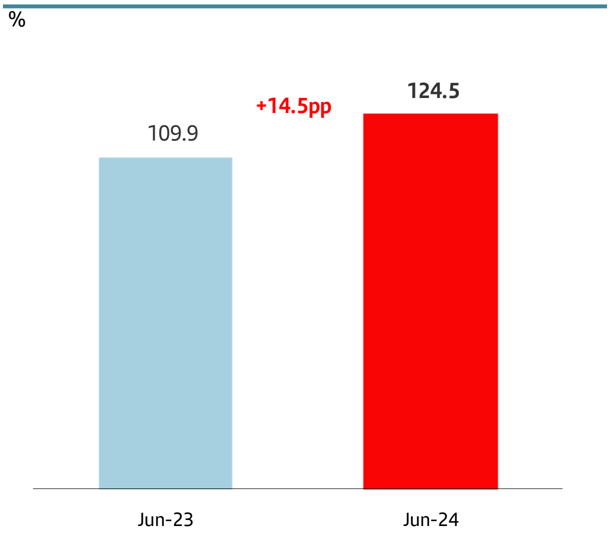
Balance Sheet and Business

At the end of June 2024, business volume amounted to € 92.6 billion, corresponding to a 6.6% increase compared to the € 86.9 billion observed in June 2023, due to a 12.1% increase in credit to customers (gross) and a 1.4% increase in customer resources.

BUSINESS VOLUME (million euro)	Jun-24	Jun-23	Var.
Business Volume	**92,619**	**86,901**	**+6.6%**
Loans and advances to customers (gross)	47,015	41,938	+12.1%
Customers' Resources	45,604	44,963	+1.4%

The Transformation Ratio, measured by the ratio of loans to deposits, stood at 124.5%, ending the first half of 2024 at 14.5 p.p. higher than in the same period last year.

LOAN-TO-DEPOSIT RATIO (Transformation ratio)



At the end of the first half of 2024, loans to customers (gross) amounted to € 47.0 billion, growing by 12.1% compared to the same period last year, with credit to companies and institutions increasing by 28.3%, and loans to individuals growing by 0.7%, in a context of adapting the commercial offer to the needs of customers, which helped capture new credit customers and decrease the rate of early repayments.

LOANS (million euro)	Jun-24	Jun-23	Var.
Loans and advances to customers (gross)	**47,015**	**41,938**	**+12.1%**
of which			
Loans to individuals	24,752	24,589	+0.7%
of which			
Mortgage	22,653	22,436	+1.0%
Consumer	1,836	1,829	+0.4%
Loans to corporates	22,263	17,349	+28.3%

Note: Loans to corporates include credits to institutional and public administrations

Credit to individuals reached € 24.8 billion, increasing by 0.7%, compared to the € 24.6 billion recorded in the same period last year. Housing credit totalled € 22.7 billion, growing by 1.0% year-on-year, helped by the competitive range of products and by new campaigns that were launched, namely the provision of a blend-rate offer, with an initial period of fixed interest rate, as a complement to traditional variable-rate solutions, which allowed for sustained growth in the volume of new credit production, combined with the drop in Euribor interest rates observed in recent months — the main index for this type of credit —, and the reduction of early repayments.

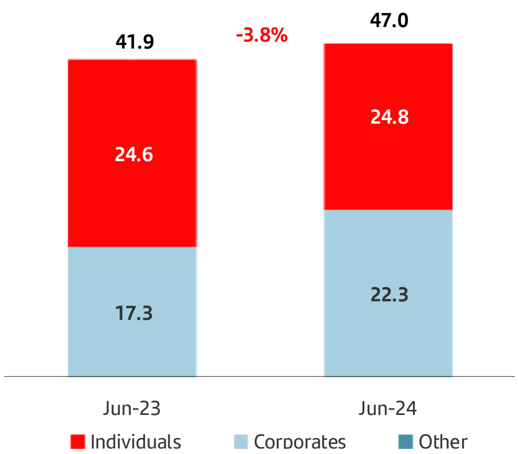
Consumer credit reached € 1.8 billion, a 0.4% increase compared to the previous year.

Credit to companies and institutions amounted to € 22.3 billion, corresponding to a 28.3% increase compared to the same period in the previous year. The Bank continued to pursue its strategy of supporting its customers' projects, through liquidity and treasury management solutions, support for international business, and support for the digital transformation and energy transition of national companies. Santander made available credit facilities under protocols with the European Investment Bank, the European Investment Fund, and the Banco Português de Fomento/Sistema Nacional de Garantia Mútua.

At the end of June 2024, Housing Credit represented 48% of the credit portfolio, Credit to Companies and Institutional 47%, and Consumer Credit and Other Credit 5%.

LOANS AND ADVANCES TO CUSTOMERS (GROSS)

billion euro



The *Non-Performing Exposure (NPE)* ratio, calculated in accordance with the definition of the *European Banking Authority (EBA)*, regarding balance sheet exposure, stood at 1.6% at the end of the first half of 2024, less 0.5 p.p., compared to the 2.1% observed at the end of June 2023.

Impairment coverage stood at 85.9% in June 2024 (down by 2.7 p.p. compared to 88.6% observed in the same period of the previous year).

The cost of credit reached 0.09%, almost stable compared to 0.06% seen a year earlier, reflecting the favourable evolution of credit quality and of the macroeconomic context.

CREDIT RISK RATIOS	Jun-24	Jun-23	Var.
Non-performing exposure Ratio	1.6%	2.1%	-0.5 p.p.
Non Performing Exposure coverage ratio	85.9%	88.6%	-2.7 p.p.
Cost of credit	0.09%	0.06%	+0.04 p.p.

At the end of June 2024, customer resources reached € 45.6 billion, which corresponds to a 1.4% increase compared to the same period in 2023, due to the stabilization of deposits — with a variation of -0.2% —, and to the evolution of off-balance sheet resources, which increased by 9.4% year-on-year, reflecting the provision of a quite wide differentiated offer of savings products in investment funds and financial insurance.

RESOURCES (million euro)	Jun-24	Jun-23	Var.
Customers' resources	**45,604**	**44,963**	**+1.4%**
On-balance sheet resources	37,177	37,259	-0.2%
Deposits	37,177	37,259	-0.2%
Off-balance sheet resources	8,427	7,704	+9.4%
Investment funds marketed by the Bank	4,504	3,952	+14.0%
Insurance and other resources marketed by the Bank	3,923	3,752	+4.5%

Deposits stood at € 37.2 billion, down by 0.2% compared to the € 37.3 billion recorded in the same period last year, reflecting the Bank's competitive offer, adjusted to its customers' needs and preferences, the reduction in the rate of early loan repayment, and also the channelling of savings to investments in off-balance sheet resources.

Off-balance sheet customer resources amounted to € 8.4 billion, growing by 9.4%, compared to the € 7.7 billion recorded a year earlier, in a context of savings diversification.

Investment funds managed or marketed by the Bank totalled € 4.5 billion, a significant increase of +14.0% compared to the € 4.0 billion in the same period last year, due to the growth in net subscriptions and the market appreciation. Insurance and other resources, worth € 3.9 billion, increased by 4.5% year-on-year.

Solvency Ratios

At the end of June 2024, the *Common Equity Tier 1* ratio, calculated in accordance with CRR/CDR IV rules, stood at 16.0%, (fully implemented), stabilising compared to the 16.1% recorded in the previous year, supported by the capacity for organic capital generation and the management of risk-weighted assets.

The Bank has a very high capitalization rate, above the minimum requirements demanded by the European Central Bank (for 2024, CET 1 of 7.0%, Tier 1 of 8.5%, and Total of 10.5% (*fully implemented*)).

CAPITAL (million euro)	Jun-24	Jun-23	Var.
Common Equity Tier 1	**3,323**	**2,525**	**31.6%**
Tier 1 Capital	3,723	2,925	+27.3%
Total Capital	4,114	3,314	+24.1%
Risk Weighted Assets (RWA)	**20,794**	**15,664**	**+32.7%**
CET 1 ratio	16.0%	16.1%	-0.1 p.p.
Tier 1 ratio	17.9%	18.7%	-0.8 p.p.
Total Capital Ratio	19.8%	21.2%	-1.4 p.p.

Relevant Facts After the End of the Period

On 20 September 2024, the Competition, Regulation and Supervision Court issued the final judgment on the administrative offence proceedings by the *Autoridade da Concorrência* ("AdC"), for alleged indications of infringement of Article 9 of Law 19/2012, of 8 May (Competition Law), and upheld the fine imposed on the Bank (and on most other banks) by the AdC. This decision can now be appealed to the Lisbon Court of Appeal, which the Bank will file in due course.

In line with what has been its position throughout the process, the Bank vehemently refutes all the theses underlying the AdC's decision, and its position is supported, in particular, by opinions of eminent Law Professors, who attest to the absence of any unlawful conduct in the conduct pointed out to the institution. In addition, the Bank considers that the administrative offence procedure has been time-barred since at least February 2024, according to the request already submitted in the case file and also supported by the opinion of eminent Law Professors.

Taking into account the above, the Bank's Board of Directors is convinced that the chances that the Bank will not be ordered at the end of the proceedings, to pay a fine are higher than those of the reverse happening, so no provision for this process was recorded in the financial statements as of June 30, 2024.

Risk Management

Risk Management and Monitoring Model

The Bank's risk management and monitoring model is based on a set of common principles, on an integrated risk culture across the Santander Group, on a strong governance structure, and on advanced risk management processes and tools.

Risk Principles and Culture

Risk management and control principles are mandatory and applicable at all times. They take into account regulatory requirements and best market practices. These principles are as follows:

- **A solid risk culture (*Risk Pro*)**, which is part of the "*Santander Way*," and which is followed by all employees, covering all risks and promoting socially responsible management, contributing to the Bank's long-term sustainability.
- **All employees are responsible for risk management and** must know and understand the risks generated by their daily activities, avoiding taking risks whose impact is unknown or exceeds the Bank's risk appetite limits.
- **Involvement of Senior Management** ensuring consistent risk management and control through its conduct, actions, and communications. In addition, it shall promote a risk culture within the Bank, assessing its degree of implementation and checking that the risk profile remains within the levels defined in the Bank's risk appetite.
- **Independence of risk management and control functions**, according to the model with three lines of defence defined in more detail in the Risk Government section.
- **Prior and comprehensive approach to risk management and control** in all businesses and types of risks, analysing trends over different periods and scenarios, and with a forward-looking perspective.
- **Adequate and complete information management** to help identify, assess, manage and communicate risks in an appropriate manner at the corresponding levels.

These principles, together with a series of interrelated tools and processes included in the Bank's strategy planning, such as risk appetite, risk profile assessment, scenario analysis, and the structure of risk reports, plus budgetary processes, form a holistic control structure for the entire Bank.

Risk Identification and Management

The following key risks are established in the Corporate Risk Framework:

- **Credit Risk**: is the risk of financial loss resulting from non-compliance or deterioration of the credit quality of a given customer or counterpart, to whom the Santander has granted credit directly or for whom it took on a contractual obligation;
- **Market Risk**: is the risk incurred as a result of the effects that changes in market factors, interest rates, exchange rates, variable income and commodities, among others, may have on income or capital;
- **Liquidity Risk**: is the risk the Bank incurs if it does not have enough liquid financial resources to meet its obligations on the due date, or if it can only obtain them at a high cost;
- **Structural Risk**: is the risk of changes in the value or margin creation of banking book assets or liabilities as a result of changes in market factors and in the behaviour of the balance sheet. It also includes risks associated with insurance and pensions, and the risk of the Bank not having sufficient capital, either in quantity or quality, to fulfil its internal business goals, regulatory requirements or market expectations;
- **Operational Risk**: is defined as the risk of loss due to the inadequacy or failure of internal processes, personnel and systems, or due to external events, including legal risk, compliance risk, and conduct risk defined in the Corporate Compliance and Conduct Framework;
- **Financial Crime Risk**: is the risk resulting from actions or the use of the Group's means, products and services in activities of a criminal or illegal nature. These activities include, but are not limited to, money laundering, financing of terrorism, infringement of international sanctions programmes, corruption, bribery, and tax evasion;
- **Model Risk**: the risk of potential negative consequences arising from decisions based on poorly developed, poorly implemented or incorrectly used models, which may lead to financial losses, inappropriate business decisions or strategies, or cause damage to the Group's operations;
- **Reputational Risk**: is the risk of immediate or potential negative economic impact for Santander due to damages on the perception of the Bank's image by employees, customers, shareholders / investors, and society in general;
- **Strategic Risk**: the risk of loss or damage resulting from strategic decisions or from their poor implementation, which have an impact on the medium- and long-term positioning of the main stakeholders, or that result from an inability to adapt to external developments.

Additionally, environmental, social and governance issues are considered as factors that may have an impact on existing medium- and long-term risks. Therefore, they should be identified and assessed progressively, in accordance with the degree of development of the regulatory regime and applicable practices, as well as with the implementation of appropriate controls to minimise potential allegations of greenwashing.

The classification of risks is essential for their effective management and control. All identified risks must therefore be associated with the above-mentioned risk categories, in order to organize their management, monitoring and related information.

➔ Risk Governance

Santander has a robust risk management structure that seeks to effectively control its risk profile, in accordance with the appetite defined by the Board of Directors.

This governance structure is based on the distribution of roles between the three lines of defence, a strong committee structure, and a close relationship with the corporation. All of this is supported by the risk culture implemented throughout Santander Portugal — *Risk Pro*.

Defence Lines

The Bank follows a three-pronged model to ensure effective risk management and control:

- **1st Line: Risk-taking** — business, business support, and other functions that take up risks and are primarily responsible for their management;
- **2nd Line**: **Risk Control and Supervision** — risk control functions that control risk exposure, ensuring their supervision and questioning, and enabling a holistic view of the risks involved in the whole business;
- **3rd Line: Risk Assurance** — Internal Audit, which ensures an independent assessment.

While each of the three lines of defence has a separate organizational structure and a certain degree of independence, they must collaborate whenever necessary to ensure that business objectives are met. The Risk, the Compliance and Conduct, and the Internal Audit areas have direct access to the Board of Directors and to its Committees.

➔ First line of defence: Risk taking

The business lines and all support functions that generate risk exposure constitute the first line of defence. This first line of defence identifies, measures, controls, tracks and reports the risks that it gives rise to, and applies the policies, models and procedures that regulate risk management. Risk execution must be in accordance with the approved risk appetite and associated limits. The person in charge of any unit that gives rise to a risk is primarily responsible for managing that risk.

The first line of defence is responsible for the following:

- Establishing an appropriate environment for managing all risks associated with the business;
- Proposing, in collaboration with the second line of defence functions:
- The risk appetite to the Board of Directors, for its approval;
- Lower level limits according to risk appetite, for approval by the corresponding body.
- Implement mechanisms to manage the risk profile within the risk appetite and lower-level limits and controls to ensure their effectiveness;
- Ensuring that operating management models are effective for business needs.

The first line of defence shall support and promote the Bank's risk management culture.

➔ Second Line of Defence: Risk Control and Supervision

The Risk, and the Compliance and Conduct areas, as the second line of defence, will independently oversee and challenge the risk management activities carried out by the first line of defence. This second line of defence shall ensure, within their respective scope of responsibility, that risks are managed in accordance with the risk appetite defined by Top Management and shall promote a strong risk management culture throughout the organisation.

The second line of defence is responsible for:

- Supervising the risk management carried out by the first line of defence and the associated internal controls;
- Checking compliance with established policies and limits, and assessing whether the business remains within the defined risk appetite;
- Questioning business proposals and issuing an opinion on them. It shall provide Top Management and business units with the necessary elements to understand the risks involved in different businesses and activities;
- Providing a consolidated view of risk exposures; including the risk profile;
- Providing detailed material risk assessments and closely monitor emerging risks;
- Defining the metrics that should be used in measuring risk, and reviewing and challenging the risk appetite and the lower limits proposals;
- Checking that adequate policies and procedures have been implemented to manage the business within the defined risk appetite.

Within the Bank's structure, the second line of defence includes the Risk, and the Compliance and Conduct areas, although the organizational structures within the second line of defence may vary with the type of risk.

The responsibilities of the second line of defence include the obligation to report, whenever necessary, risks, risk appetite and excesses thereof, to the corresponding governing bodies.

The second line of defence shall adopt and promote a common risk management culture. It shall also provide guidance, advice and expert judgment on all relevant risk-related matters.

Third Line of Defence: Risk Assurance

Internal Audit is a permanent function, independent of any other function or unit, whose mission is to provide the Board of Directors and Senior Management with an independent assessment on the quality and effectiveness of the internal control, risk management (current or emerging), and governance processes and systems, thus contributing to protecting the organisation's value, solvency, and reputation. To this end, Internal Audit evaluates:

- The effectiveness and efficiency of the processes and systems referred to above;
- Compliance with applicable regulations and supervisor requirements;
- Reliability and integrity of financial and operational information; and
- Patrimonial integrity.

Risk Committee Structure

The Board of Directors is the main responsible for risk management and control and, in particular, for the approval and periodic review of risk appetite and for framing risk, as well as for promoting a strong risk culture throughout the organization. To perform these functions, the Board is supported by a Risk Committee that acts as an independent risk control function.

The Risk Committee is the supporting body of the Board of Directors, and its main responsibilities are to advise, review and provide recommendations on risk appetite and on the overall risk strategy, taking into account the current and foreseeable financial and macroeconomic environment. Consider and recommend actions regarding high-risk issues by the Chief Risk Officer (CRO).

The Chief Risk Officer (CRO) is responsible for monitoring all risks, and for questioning and advising business lines on risk management. The CRO has direct access to the Board of Directors and to the Executive Committee.

Other bodies that together form the highest level of risk governance, with powers delegated by the Executive Committee, are the Executive Risk Committee and the Risk Control Committee, which are detailed below.

- **Executive Risk Committee** (ERC)

  This Committee is the highest body in risk decision-making. The Executive Risk Committee takes decisions on risk-taking at the highest level, ensuring that they are within the limits set by the Bank's risk appetite.

  Chair: Chief Executive Officer (CEO).

- **Risk Control Committee** (RCC)

  This Committee is responsible for risk control, determining whether the risks arising from business lines are managed in accordance with the risk appetite limits set by the Bank, taking into account a holistic view of all risks. Including identifying and monitoring current and emerging risks and assessing their impact on the Bank's risk profile.

  Chair: Chief Risk Officer (CRO)

In addition, each risk factor has its own regular fora and / or Committees to manage and control the relevant risks.

➔ Management Processes and Tools

Santander has several key processes and tools to effectively control and manage risk, as described below.

Risk Appetite and Limit Structure

At the Bank, Risk Appetite (often referred to with the acronym RAS — Risk Appetite Statement), is defined as the amount and type of risks considered prudent to be accepted in the execution of the Bank's business strategy, so that it can carry on with its normal business in case of unexpected events. When establishing this appetite, various adverse scenarios that may have a negative impact on the levels of capital, liquidity, profitability and / or share prices are taken into account.

The Board of Directors establishes the Bank's risk appetite annually, which is then translated into management limits and policies by type of risk, portfolio and business segment, within the defined rules.

Business Model and Fundamentals of Risk Appetite

Risk appetite is consistent with the Santander Group risk culture and business model. The main elements that define this business model, and that support the Bank's risk appetite are the following:

- A medium-low, predictable risk profile based on a business model centred on commercial banking, with an internationally diversified presence and significant market shares, with a wholesale banking business model that gives priority to customer relations in the main markets where the Group operates.

- Generation of stable, recurring earnings and shareholder remuneration, on a strong capital and liquidity basis with an effective diversification of financing sources.
- A structure of independent, autonomous subsidiaries in terms of capital and liquidity, ensuring that no subsidiary has a risk profile that could jeopardise the Group's solvency.
- An independent risk function with the involvement of Top Management that reinforces the strong risk culture and a sustainable return on capital.
- A global, holistic view of all risks within a robust control and monitoring environment: all risks, all companies, and all countries.
- A business model centred on those products in which the Group considers itself as sufficiently knowledgeable and capable of effective management (systems, processes, and resources).
- A model of conduct that takes care of the best interests of employees, customers, shareholders, and of society in general.
- A remuneration policy that aligns the individual interests of employees and managers with the Group's risk appetite and is consistent with the Group's long-term performance.

General Principles of Risk Appetite

Risk appetite, in all entities belonging to the Santander Group, including Santander Portugal, is governed by the following principles:

- Is the responsibility of the Board and Top Management. The Board of Directors is the ultimate responsible for defining the Bank's risk appetite, as well as for monitoring compliance therewith.
- Enterprise-wide risk, comparing and questioning the risk profile. Risk appetite must consider all significant risks, facilitating an aggregated view of the risk profile through the use of quantitative metrics and qualitative indicators.
- Forward-looking view. Risk appetite should consider the desirable risk profile in the short and medium term, taking into account both the most likely circumstances, and the adverse or stress scenarios
- Linked to strategic and business planning. Risk appetite is a fundamental component of strategic and business planning, and it is integrated into management through its translation into management policies and limits, as well as through the participation of all lines of defence in key appetite processes.
- Common principles and a common risk language for the entire organization. The risk appetite of the various units, including that of the Bank, is in line with the Group's risk appetite.
- Periodic review, comparison and adaptation to best practices and regulatory requirements. Follow-up and control mechanisms to maintain the risk profile, and thus adopt the necessary corrective and mitigating measures in case of non-compliance.

Limit, follow-up and control structure

Risk appetite is expressed in qualitative terms and by limits, structured around 5 main axes:

➔ **Income Volatility:**

- Its objective is to control maximum volatility by taking into account the Bank's results. This axis includes metrics that measure the behaviour and evolution of real or potential business losses (by using stress scenarios).

➔ **Solvency:**

- Its objective is to determine the minimum level of capital that the Bank considers it needs to keep, in order to assume potential losses — both under normal and stressful conditions — arising from its activity and from its business and strategic plans. This axis will include metrics that measure the Bank's solvency level (based on regulatory and/or economic criteria), as well as those that limit the impacts on solvency levels and the value of own funds.

➔ **Liquidity:**

- Its objective is to determine the minimum level of liquidity that the Bank must keep, in order to make payments arising from its business, both under normal and stressful conditions, taking into account its business and strategic plans.

➔ **Concentration:**

- Its objective is to limit the impact on capital and revenues of unexpected credit events, determining for this purpose the maximum levels of concentration that the Bank is willing to take on in the development of its activities, considering its business and strategic plans.

➔ **Non-Financial Risks:**

- Its objective is to limit the impact of unexpected non-financial events by defining indicators on the control environment and limits on exposures to non-financial risks.

Compliance with risk appetite limits is monitored regularly. The specialized control areas inform the Board and its Committees on a monthly basis regarding the risk profile.

Linking risk appetite limits to the limits used in managing business units and portfolios is a key element for ensuring the effectiveness of risk appetite as a management tool. Thus, the policies and limits used in management, for the various types and categories of risk, are directly related to the principles and limits defined for risk appetite.

Risk Profile Assessment (RPA)

Exercises are carried out by Santander Portugal to identify and assess the various types of risks to which the Bank is exposed, involving all lines of defence, establishing management standards that comply with regulatory requirements, reflecting the best market practices, and reinforcing the Bank's risk culture.

The results of Risk Identification and Assessment exercises are included in the Bank's risk profile assessment, known as RPA. This exercise assesses the evolution of risks, and identifies areas for improvement in each block:

➔ **Risk Performance**

- Helps to know the residual risk for each type of risk through a set of metrics and indicators calibrated according to international standards.

➔ **Forward-looking analysis**

- Stress metrics or for the identification and assessment of the main threats to the Bank's strategic plan (Top Risks), allowing the establishment of specific action plans to mitigate their potential impacts.

Scenario Analysis

Another fundamental instrument used by the Bank to ensure robust risk management and control is the analysis of the possible impacts arising from different scenarios related to the environment in which Santander operates. These scenarios are expressed both in terms of macroeconomic variables, as well as through other variables that impact the Bank's risk profile.

This "scenario analysis" is a very useful tool for risk management at all levels.

It helps to assess the Bank's resistance to stress scenarios, as well as to identify possible mitigation actions to be implemented, should the forecasted scenarios start to materialize. The objective is to reinforce income stability, as well as that of the capital and liquidity levels.

Risk Management in the 1st half of 2024

For Santander, quality risk management constitutes a fundamental axis of action, in keeping with the corporate policy of the Group to which it belongs.

Prudence in risk management, combined with the use of advanced management techniques was decisive in the first half of 2024 to face challenges arising from global economic volatility, such as continued high inflation, persistent geopolitical tensions, and the demands of financial markets.

The Group's strong Risk Culture, which is embedded across the Bank's entire activity and structure, decisively influences the way in which all processes are carried out, taking into account not only the surrounding environment, but also attitudes, behaviours, values, and the principles that each employee demonstrates in the face of the various types of risks faced by the Bank. Such strong risk culture is especially important in very challenging times, such as the last two years, enabling both the Bank and its various teams to swiftly adapt to different circumstances.

Credit Risk — Main Business Vectors

The first half of 2024 was marked by persistent inflation and a still unstable macroeconomic scenario, which required continuous adaptation by households and companies. In order to address this macroeconomic context, the government made a set of financial measures available to households that allow them to adjust to this new framework and cope with the increased cost of living.

Banco Santander continued to support households at these times of greater financial challenges, providing solutions tailored to their needs. The monitoring and follow-up of customers was maintained, initially carried out by the first line of defence (Commercial Area), then complemented by the second line of defence (Risk Area). For customers (individuals and small businesses), whose credit decisions are mostly made by using decision models considered “automatic,” the effects of inflation and of rising interest rates were monitored, and measures were implemented to mitigate increased credit risk in order to ensure the credit quality of portfolios and the sustainability of the Bank’s balance sheet. The analyses and monitoring of behavioural metrics for these customers were reinforced in order to detect in advance any possible deteriorations in their real payment capacity.

The basic operating principles with regard to the analysis and granting of credit risk remained unchanged:

- Maintaining the principle of segmentation in the processing of credit risk, differentiating the approach to risks according to the characteristics of customers and of their products.
- Maintaining the strictness of the admission criteria and, consequently, of the quality of Risk admitted in each segment, with a view to preserving the good quality of the loan portfolio.
- At the level of Portfolioed Risks the policy was maintained of proximity with the customers, in order to anticipate their credit needs, review their credit lines, and forestall possible problems in their repayment ability.
- The timely action and the loan quality level of the Bank’s customers allowed non-performing loans and credit at risk to be kept under control, at acceptable levels.

- Continuous development of improvements in admission processes, in order to respond to customer requests in a swifter, more effective way.
- The recurrence of customer monitoring and review meetings was maintained, which is Santander's usual practice, and which is included in its internal policies, for the early detection of loan-portfolio alerts.
- Also, in the matter of Standardised Risks, the focus continued to be centred on ensuring portfolio quality, acting on Non-Performing Exposure (NPE) and Overdue Loans, while seeking to anticipate the deterioration of the credit quality of the credit portfolio.
- To this end, the defined admission strategies were maintained in the Bank's decision-making systems, as was the use of behavioural systems for the identification of preventative and new measures to be offered to its customers.
- In terms of Corporate Risk Management, the permanent focus on knowledge and monitoring of the loan portfolio was maintained, with a view to strictly control its risk, seeking to provide adequate, timely management information, in order to allow measures to be taken with a view to proper management of Santander's Risks.
- Attention was also maintained regarding the Bank's in-house models, almost all of which have already been recognised (by Regulators) as advanced (IRB) models for the calculation of the equity requirement, as well as their increasing inclusion in management.
- Finally, the need to adapt internal processes in order to respond to initiatives implemented by the government to support families.

➔ Credit Risk

Credit risk is originated by the possibility of specific losses arising from non-fulfilment of all or part of the financial obligations contracted with Santander by its customers.

The organisation of the credit-risk function at the Bank is specialised according to type of customer, throughout the entire risk-management process, between portfolioed customers (customised), and not portfolioed clients (standardised or mass-treatment).

Portfolioed customers are those that, fundamentally due to their level of risk, are assigned a risk analyst. This group includes Wholesale Banking companies, Financial Institutions, and some of the Retail Banking companies. The assessment of these customers' risk is performed by the risk analyst, supplemented with decision-support tools based on in-house risk-assessment models.

Standardised Customers are those that do not have a risk analyst specifically assigned to monitor them. This group includes Individual Customers, Self-Employed Entrepreneurs, and non-portfolioed Retail Banking companies. Assessment of these risks is based on in-house valuation and automatic decision-making models, complemented by specialised risk-analyst teams whenever required.

➔ Risk measurement metrics and tools

➔ Rating /Scoring Tools

Santander Portugal uses its own in-house solvency ratings or scorings for the various customer segments, in order to measure the credit quality of a customer or transaction, each rating or scoring corresponding to a likelihood of default.

The global rating tools are applied to country-risk, financial institutions, and Global Wholesale Banking segments, both in determining their rating when monitoring the risks that have been considered. These tools assign a certain rating to each customer, following a quantitative or automatic module, based on data/balance sheet ratios or macroeconomic variables, complemented by the analysis performed by the risk analyst assigned to monitor the given customer.

In the case of Retail Banking companies and institutions, ratings are assigned based on the modules referred to above, in this case both quantitative or automatic (analysing the borrowing behaviour of a sample of customers, and its correlation with a set of data and accounting ratios) and qualitative, by a risk analyst who conducts the analysis, and who must then perform a final review of the rating assigned.

The assigned ratings are reviewed periodically, namely by adding new financial information that meanwhile becomes available, as well as, at qualitative level, by adding the experience arising from assessment of the existing credit relationship. This frequency increases in the case of customers for whom the internal risk alert and rating systems so require.

For the standardised risk portfolios, both of Individual customers and of non-portfolioed Businesses, scoring tools and decision-making models are implemented, which automatically assign an assessment/decision of the transactions presented. These decision-making tools can be complemented with a behavioural scoring model — an instrument that allows greater predictability of the risks that were considered, and that are used for commercial initiatives.

➔ Credit risk parameters

Evaluation of the customer and/or transaction by rating or scoring constitutes an assessment of the creditworthiness, which is quantified by the Probability of Default (PD).

In addition to the valuation performed on the customer, the quantitative risk analysis considers other aspects such as the term of the operation, the type of product, and the existing guarantees. What is thus taken into account is not just the probability that the customer may not fulfil its contractual obligations (PD), but that the Exposure At Default (EAD) may be estimated as well as the percentage of the EAD that may not be recovered (Loss Given Default, or LGD).

These are the factors (PD, LGD, and EAD) that constitute the main credit-risk parameters, and which, taken together, enable the calculation of the expected and unexpected loss.

Their combination allows the calculation of the expected loss (or probable loss), which is considered as an additional business cost (reflecting the risk premium), and this cost is duly reflected in the price of transactions.

It also allows the calculation of the unexpected loss, which is the basis for the calculation of regulatory capital in keeping with the rules of the Basel capital accord (BIS II), which, given its nature, is not considered recurrent and must therefore be duly covered by own funds.

PD is defined as the likelihood that a counterpart may not be able to meet its obligations within one year, through statistical observation.

LGD is calculated based on the observation of the process of recovery of defaulting transactions, taking into account not only the revenues and costs associated with this process, but also the point in time when they are produced and the indirect costs arising from the recovery activity.

The EAD estimate is based on the comparison of the use of the compromised lines at the time of default and in a normal situation, in order to identify the real consumption of the credit facilities when the default occurs.

➔ Credit-risk Cycle

The risk-management process consists of identifying, measuring, analysing, controlling, negotiating and deciding on the risks incurred by the Bank's operations.

This process begins in the business areas, which propose a certain propensity to risk. These risks are analysed by special committees, which act under powers delegated by the Executive Committee on the Executive Risk Committee (ERC). The ERC establishes the risk policies and procedures and determines the limits and delegation of powers.

➔ Planning and Establishing Limits

Establishing risk limits is conceived as a dynamic process, which identifies the risk profiles that Santander is willing to take through the assessment of the business proposals and the opinion of the Risks Area, through the definition of Strategic Business Plans (EBPs).

A pre-rating model is used for large corporate groups, based on an economic capital measurement and monitoring system.

In terms of portfolioed risks, management is carried out at the level of the Economic Group, where the risk appetite for such risk is defined, and credit limits are established.

At the level of standardised risks, the planning and limit setting process is undertaken by means of joint preparation, involving the Risk, the Business, and the Strategic Commercial Planning (SCP) areas, where the expected results of the deal in terms of risk and profitability are reflected, as are the limits to which the activity, the management of the associated risks, and the means of support required must be subjected.

➔ Studying the Risk Level, Deciding on the Transaction, and Monitoring and Control

Studying the risk involved is a prerequisite for authorising any credit operation at Santander. This study consists of assessing the customer's ability to fulfil its contractual obligations towards the Bank, which entails assessing the customer's credit worthiness, its credit operations, its solvency, and its profitability. Additionally, a study and review are conducted over the rating assigned when there is an alert or event that affects the customer/transaction.

The purpose of the transactions decision process is their analysis and decision, taking into account the risk profile and the relevant elements of the transaction in the definition of a balance between risk and profitability.

In order to maintain adequate quality control over the loan portfolio, in addition to the actions carried out by Internal Audit, there is a specific Monitoring Function within the Risk Area. This function is also specialised according to customer segmentation and is fundamentally based on a continuous process of observation, allowing advance detection of possible occurrences in the evolution of risk, of transactions, and of the customer, for the purpose of implementing measures, in advance, to mitigate them.

➔ Prevention, Default Management, and Recoveries

At Santander, prevention, management of non-compliances, and recoveries, constitute a strategic, integral, business activity. The specific objectives of prevention, default management and recoveries are as follows:

- Anticipate potential difficulties customers might have, thus mitigating the risk of default;
- Ensure the collection or settlement of outstanding amounts, favouring negotiated solutions for the customer's credit situation to return to normal. If a negotiated solution is not possible, recoveries will make an effort to recover the loans through the court.
- Maintain and strengthen the relationship with customers, safeguarding their behaviour regarding the commitments they have contractually entered into with the Bank.

The prevention, default management, and recoveries activity are structured according to the commercial segmentation of customers: Individuals & Business, and Corporate, with specific management models. The activities thus segmented, also respect the various management stages: preventive management, management of irregularities, management of non-performing loans, and bankruptcies, each of which has specific models, strategies, and circuits. All this activity is shared with the business areas.

Preventive management and management of irregularities of Individuals & Business customers aims to provide the Bank with a massive, anticipatory management capacity of customers not in the portfolio, carried out through strategies and processes in an omnichannel environment (communication channels differentiated according to the type of customer), in a quite sophisticated approach that helps anticipate and improve the speed of response to difficulties of customers who have such issues.

Counterparty Risk

Counterparty risk, latent in contracts entered into in financial markets — organised or over-the counter (OTC) markets — consists of the possibility of counterparties not complying with the contracted terms, and subsequent occurrence of financial losses for the institution.

The types of transactions involved include the purchase and sale of securities, interbank money market transactions, contracting repos, loans of securities and derivative instruments.

Control over these risks is performed through an integrated system that allows approved limits to be recorded and provides information as to their availability for the various products and maturities. The same system also allows transverse control over the concentration of risks by certain groups of customers/counterparts.

The risk in derivative positions, called Credit Risk Equivalent (CRE), is calculated as the combination of the Present Value of each contract (or Current Replacement Cost) with the respective Potential Risk, a component that reflects an estimate of the maximum amount expected until its maturity, depending on the volatilities of the underlying market factors and on the contracted flow structure.

During the first half of 2024, the current exposure of operations over interest rate indexes (Euribor) and exchange rates increased, as a result of the evolution of medium and long-term market rates. Additionally, there was an increase in the volume of interest rate operations (with Financial Groups), as well as the contracting of a new Credit Default Swaps operation (with a new clearing house: LCH SA CDS), although the latter does not represent a large weight in terms of exposure.

➔ Trading, Structural, and Liquidity Market Risk

This chapter focuses on risk management and control activities related to market risk, distinguishing between trading activity, structural risks, and liquidity risks. The main methodologies and metrics used by the Bank for this purpose are also briefly described.

The scope of activities subject to market risk includes the operations where equity risk is assumed as a result of possible changes in market factors (interest rate, exchange rate, variable income, and credit spread, among others), as well as the liquidity risk of the various products and markets in which the Group operates, and the liquidity risk of the balance sheet.

It includes the risks of trading activity and structural risks, both impacted by the movements of the markets.

The measurement and monitoring of these risks are carried out by a body independent from management.

➔ Trading Market Risk Control

- **Activities subject to market risk**:

Trading activity risks arise from financial service activities for customers with non-complex instruments, focusing on hedging of exchange-rate and interest-rate risks. Transactions with customers are hedged with the market, so as to ensure a residual exposure to this type of risk.

- **Methodologies**:

The methodology applied in 2024 by the Bank for the trading activity is the Value at Risk (VaR). The Historic Simulation methodology is used as the basis, with a 99% confidence level and a one-day time horizon; statistical adjustments were applied that allow swift and effective inclusion of the most recent events, and which condition the risk levels that were considered. (

Additionally, Stress Testing is also used, which consists of defining the behavioural scenarios of differing financial variables and obtaining the respective impact on net income when applying them to the portfolios. These scenarios can replicate the behaviour of financial variables in the light of past events (such as crises) or, on the contrary, plausible scenarios can be determined that do not correspond to past events. In short, scenario analysis seeks to identify the potential risk under extreme market conditions, and in the fringes of likelihood of occurrence not covered by the VaR

Several sensitivity measures (BPV and Greeks), and equivalent volumes are also calculated

In parallel, there is daily monitoring of the positions and of the income statement, which includes credit valuation adjustment (CVA), and debit valuation adjustment (DVA).

- **Backtesting:**

Reliability of the VaR model is assessed periodically through a backtesting analysis. Backtesting is a comparative analysis between the calculations of the Value at Risk (VaR) and the daily "clean" results (clean P&L — the result associated with the revaluation of the closing portfolios of the previous day at the closing prices of the next day), where the occasional/episodic deviations of the results found, compared to the estimated measurements, are analysed.

The backtesting analyses performed at Santander comply with the BIS recommendations as regards comparison of the internal systems used in the measurement and management of financial risks. Additionally, hypotheses tests are carried out in backtesting: excess tests, normality tests, average excess measurements, among others.

- **Limits**:

Quantitative limits are used for the trading portfolios, which are classified into two groups, which are established in the light of the following objectives:

➢ Limits to protect the volume of potential future losses. Examples of this type of limits include limits per VaR, on sensitivity measures (BPV and Greeks) or on equivalent positions;

➢ Limits intended to protect/accommodate the volume of actual losses or to protect income levels already achieved during the period. Such limits aim to generate alerts on positions that are generating losses (loss triggers), allowing decisions to be taken before the maximum loss limit is reached (stop loss), from which point it will be considered that the losses have reached an unacceptable level, and the positions will be closed immediately.

- **Quantitative analysis of the VaR during the year**

The *VaR* remained at very low levels, standing at €8,000 euros on June 30, 2024.

➔ Control of the Balance-Sheet Structural Risk

Control of the balance-sheet structural risk is directed at the interest-rate risk and the liquidity risk.

Interest-rate risk arises from mismatches between maturities, the repricing of assets and liabilities, and the impact that adverse movements in interest rates may have on the Bank's economic value or net interest income.

Liquidity risk is the risk that Santander will not have the net financial resources required to meet its obligations when due or that it may incur in excessive costs to meet such obligations.

- **Methodologies**:

Interest rate risk in the consolidated balance sheet is measured through modelling the items in assets and liabilities sensitive to interest-rate variations in accordance with their reference rate and repricing structure. This model allows the measurement and control of the risk originating directly from the movement of the income curve, particularly its impact on net interest income and on the Bank's equity.

Additionally, other risk indicators are calculated, such as Value at Risk (VaR), and the Stress Test.

Liquidity risk is measured and monitored through the modelling of present and future flows of payments and receipts, as well as by conducting stress tests that seek to identify potential risk under extreme market conditions.

In parallel, ratios are calculated on the balance sheet positions, which act as indicators of structural and short-term liquidity requirements, as well as intraday liquidity indicators in normal and stress situations, and early warning indicators.

The Liquidity Coverage Ratio (LCR) calculated in accordance with ECB rules stood at 132.7% on June 28, 2024.

- **Limits**:

Control over balance-sheet risks is ensured by applying a structure of quantitative limits aimed at keeping the various exposures within authorised levels. The limits focus on the following indicators:

➢ **Interest rate**: Sensitivity of net interest income and net worth, stress test of the ALCO portfolio, VaR;

➢ **Liquidity**: Liquidity buffer, stress tests, short-term and structural liquidity ratios, asset encumbrance, and concentration ratios.

Operational Risk

➔ Definition and Objectives

The Bank defines operational risk as the risk of loss arising from shortcomings or errors in internal processes, human resources or internal systems, or derived from external circumstances.

Operational risk is inherent to all products, activities, processes and systems, and is generated in all business and support areas. Thus, all employees are responsible for managing the operational risk inherent to their activities, processes and systems in their regular positions.

The main objective in the matter of operational risk management and control is the identification, evaluation, measurement, monitoring, mitigation and reporting of that risk, while the identification and mitigation of the sources of risk constitute a priority for Santander, regardless of whether they have given rise to actual losses or not.

In accordance with the Capital Requirements Regulation, Santander uses the single standard method, Standardized Measurement Approach (SMA), to calculate own funds requirements for Operational Risk.

➔ Management Model

Santander's organisational model, in terms of management and control of Operational Risk is the result of the Group's adaptation to the Basel II approach.

Supervision and control of operational risk is carried out through its governing bodies. In this regard, the Board of Directors and the Executive Committee periodically include in their management, the review of relevant aspects in the management and mitigation of operational risk.

In order to comply with regulatory requirements, and in accordance with the best practices in the banking sector, the Group has defined an organizational model structured around three lines of defence.

The first line of defence consists of all the business units and support functions and is responsible for the operational risk originated in their areas, the main function of which is the identification, evaluation, monitoring, mitigation, and reporting of this risk.

The second line of defence comprises the area that controls operational risk, and it is responsible, on the one hand, for supervising the actual control of operational risk in its various aspects, and, on the other, for assessing whether it is managed as defined, and whether it complies with the tolerance levels established for the purpose. The second line of defence is an independent function, and it complements the first line management and control functions.

The third line of defence consists of Internal Audit, an independent body with control functions that periodically evaluates whether the policies, methodologies and procedures are properly implemented.

The various stages of the management and control model help with the following:

- Identification of the operational risk involved in all of Santander's activities, products, processes and systems.
- Definition of the operational risk profile, by measuring metrics and indicators by area and time horizon, and by establishing tolerance limits and risk appetite.
- Drawing up and monitoring the operational risk budget.
- Promoting the involvement and integration of all employees in the operational risk culture by conducting training in the matter of operational risk.
- Measuring and assessing operational risk in an objective, continuous, consistent manner, based on regulatory and other requirements (e.g., Basel, Bank of Portugal, others).
- Continuously and systematically monitoring the sources of exposure to risk and implementing the respective control mechanisms to minimize possible losses.
- Establishing mitigation measures and actions that reduce and mitigate operational risk.
- Preparing periodic operational risk presentations and reports and disclosing them to the various management and supervision bodies (internal and external).
- The operational-risk control model implemented provides us with the following benefits.
- Promotes the development of a robust operational risk culture.
- Allows full and effective management of operational risk (identification, measurement/assessment, control/mitigation and reporting).
- Improves knowledge of the operational risks, both real and potential, and establishes their relationship with the business and support lines.
- Enhances the improvement of processes and controls and mitigates/reduces potential losses.
- Facilitates the establishment of operational-risk appetite limits.

As regards the identification, measurement and assessment of operational risk, several quantitative and qualitative instruments were defined, which together facilitate diagnoses in the field of operational risk and rating/ evaluation of the various areas regarding management of their own risk.

Quantitative analysis is mainly conducted through instruments that record and quantify the potential level of losses associated with operational-risk events, in particular:

- Database of internal events, the objective of which is to log operational-risk events, with or without possible accounting impacts. There are accounting-reconciliation procedures that ensure the quality of the information contained in this database.
- Database of external events that provides quantitative and qualitative information and simplifies a more detailed and structured analysis of relevant events that may occur in the sector.
- Scenario analysis, in which various business areas, plus second line and operational-risk co-ordinators take part, with the goal of identifying potential events entailing low likelihood of occurrence and high severity for the institution. The possible impact is assessed, and, if required, additional controls and/or mitigation measures are identified to minimise their impact.

- The RCSA — Risk Control Self-Assessment, the main objective of which is to identify and assess operational risks in relation to existing controls and identify possible mitigation measures.
- Operational Risk Indicators (ORIs) are parameters of a different nature (metrics, indices, and measurements), which provide useful information on risk exposure. These indicators, and the respective limits, are reviewed periodically to warn about changes that might anticipate the materialisation of major risks.
- Recommendations from internal and external audit, from control functions and regulators that provide relevant information on risk, allowing the identification of possible weaknesses and improvement measures.

The Bank also develops specific supervisory and control models in terms of technological and cyber risk management in order to ensure the adequate follow-up of the Bank's information systems, and the reinforcement of cyber protection. Nevertheless, the principle is one of standardisation, and, therefore, the models are perfectly aligned with the tools and with the operational-risk management instruments previously mentioned.

Additionally, there is also a set of various tools that complete and ensure a solid control environment, in particular:

- Policies & procedures;
- Action plans and / or corrective / mitigating actions;
- Crisis management and Business Continuity Plan;
- Risk-transfer mechanisms and insurance;
- Agreement with third parties and supplier control.

The Bank keeps reinforcing the implementation of the advanced operational-risk management programme, with the main objectives of involving all employees and management bodies in monitoring and mitigating operational risk. The implementation and disclosure of Banco Santander Totta's risk culture is a strong priority for the institution, allowing for a more efficient evaluation and monitoring of operational risk, while simplifying decision-making by business areas and Management.

The Bank continues to develop initiatives to improve the effectiveness of the various operational risk management tools, carrying out benchmarking actions with the Corporation and in different geographies of the Group, while simultaneously challenging the 1LoD for the prevention and mitigation of OR, namely by promoting several initiatives which include the promotion of an internal fraud prevention model and awareness towards new emerging risks (external fraud, Cybersecurity, ESG Risks, among others).

Digital operational resilience is a priority, given the way the digitalization of financial services is evolving, whether through the use of digital means by consumers and companies, or due to new players in the market that are using new technologies, or due to the evolution of current business models. It is crucial to strengthen the Bank's ability to prepare, adapt, resist and recover quickly, with minimal downtime and impact from disruptions, whether *cyber-attacks, insider threats, geo-political events, pandemics, weather events, etc*.

Compliance and Conduct

The Compliance and Conduct area embodies the Bank's compliance function, being responsible for managing regulatory compliance risks (including financial crimes), as well as conduct and reputation risks, within the context of a robust risk management structure based on the distribution of functions between three lines of defence — a demanding governance and internal control model in a close relationship with the corporation.

These risks are defined as follows:

- **Regulatory Compliance Risk**: the possibility of non-compliance with legal and regulatory requirements, as well as with the expectations of supervisors, which can result in legal or regulatory sanctions, including fines or other financial consequences.
- **Financial Crime Risk**: resulting from the possible use of the Group's means, products and services in activities of a criminal or illegal nature. These activities include, but are not limited to, money laundering, financing of terrorism, infringement of international sanctions programmes, corruption, bribery, and tax evasion.
- **Conduct Risk**: arises from decisions or behaviours that are not aligned with the Group's values, principles and regulations, taking into account the interests of customers, shareholders and the integrity of the market.
- **Reputation Risk**: the possibility of incurring in negative economic impacts, actual or potential, due to damage resulting from the way the Bank's image is perceived by employees, customers, shareholders / investors or the community in general.

The two essential foundations and objectives of the Compliance and Conduct area are, on the one hand, the prevention, monitoring and control of the above-defined risks, as an autonomous object, although integrated in the broader context of the Bank's activity and, on the other hand, the detection, mitigation and overcoming of any non-conformities.

To this end, in each of these areas, there is a balance between preventive and corrective action, whenever justified, and an appropriate combination of advisory/critical review and monitoring/control activities, both essential to the risk management that defines and characterizes the Compliance function.

Thus, without prejudice to the existence of a stabilized institutional and governance framework, and of a significant set of risk management activities carried out on a recurring basis, the activity of the Compliance and Conduct area is adjusted to the regulatory environment, to the expectations of supervisors, and to the evolution of the Bank's risk profile, according to the activity actually carried out at each point in time, which is all the more relevant as it is certain that there is a permanent high dynamics in these matters which, naturally, also ends up having an impact on the exercise of the function.

For this purpose, an Activity Plan is drawn up and approved annually.

The Plan is the result of a joint exercise (between the Bank's Compliance and Conduct area and the Santander Group's Compliance and Conduct area), with the aim of defining guidelines and, consequently, specific activities to be implemented in each financial year, which add to the set of activities that are carried out on a recurring or permanent basis.

This exercise follows a methodology established within the Santander Group, in accordance with which sources are defined, from which activities are implemented, which are grouped by categories and themes/areas of activity. The execution of the Plan is subject to recurring monitoring.

Without prejudice to all other aspects arising from what has been exposed, the internal regulatory framework on Compliance and Conduct Risks cover, namely, the instruments identified in the list below, which are referred to by their particular impact in the prevention and management of the risks in question.

➔ **Compliance Risk policies and instruments**

- Corporate values that translate into concrete "behaviour," which govern the conduct of all employees;
- Corporate Compliance and Conduct Framework;
- Global Compliance Policy;
- Financial Crime Prevention Policies;
- Codes of conduct (with three dimensions: general; in the relationship with customers; relating to the stock market);
- Marketing and Product Follow-up Policies and Procedures;
- Policy for the Prevention, Communication, and Remediation of Conflicts of Interest;
- Personal Data Protection and Processing Policy;
- Employee training policy, which includes mandatory regulatory, as well as additional, training;
- Corruption Prevention and Corporate Defence Policies (Santander has a Corporate Corruption Prevention Policy, which includes, among others: A whistleblowing channel (Open Channel), through which any employee can confidentially and anonymously report possible breaches of the Codes of Conduct and/or of the Corruption Prevention Policy, and other possible irregularities);
- Corruption Risk Prevention Plan and Related Offenses;

➔ **Reputational Risk Policies**

- Reputational Risk Policy;
- Sensitive Sectors Policy (regulates the financing of certain sectors considered as sensitive because of their possible social, political or cultural repercussions, establishing the guidelines to assess and decide on the degree of involvement with these sectors, in order to be able to identify and prevent the associated reputation risk);
- Policy and Procedures for the Defence Sector (setting the criteria to be followed in financial activities related with this sector, and providing an analysis procedure for all operations and customers covered by the sector).
- Donation Policy (defines the criteria to be followed in the allocation of donations for social purposes).

Additional Information

Prevention of Money Laundering

Santander Portugal's compliance function in terms of money laundering and financing of terrorism (AML/CFT) is embodied in the Financial Crime Compliance (FCC) area, which is integrated in the Compliance and Conduct area, which materializes the compliance function, and that works in an independent, permanent way, and in the Analysis and Resolution Committee, which is an internal control body for the Prevention of Money Laundering and the Financing of Terrorism.

The FCC area has functional autonomy and reports to the Chief Compliance Officer.

Its main objective is to manage compliance risks relating to money laundering, financing of terrorism and sanctions, ensuring that the activity is carried out in accordance with all applicable regulations, in the prevention and minimization of damage, in particular resulting from any sanctions, as well as of a reputational nature.

Thus, the person responsible for the FCC area acts as "The Head of Regulatory Compliance" and counts on a specialized, exclusively dedicated organic structure, plus there are internal regulations and specific procedures and controls that have been implemented, embodying the internal control system in matters of FCC, which is subject to annual audit.

The Head of Regulatory Compliance is responsible for:

- Participating in the definition and issuance of a prior opinion on AML/CFT policies, procedures, and controls;
- Permanently monitoring the adequacy, sufficiency and timeliness of AML/CFT control policies and procedures, proposing the necessary updates;
- Participating in the definition, monitoring, and evaluation of the internal training policy;
- Ensuring the centralization of all relevant information coming from the various business areas of the obliged entity;
- Playing the role of interlocutor with the judicial, police, supervisory and inspection authorities, namely by fulfilling all communication duties, and ensuring the exercise of other communication and collaboration obligations.

The Chief Compliance Officer is responsible, in particular, for coordinating the FCC area and for assessing the situations submitted to him/her by the Head of Regulatory Compliance.

The Analysis and Resolution Committee is responsible for:

- The approval of policies and general objectives of the system for the prevention of Money Laundering and Financing of Terrorism, and of the regulations applicable to the various areas and bodies;
- Following-up the activities in the FCC area;
- Defining any specific procedures that must be adopted on this matter by any area;
- Approving the general guidelines of the training programmes, and monitoring their execution;
- Evaluating the operations submitted to it and defining the measures it deems appropriate, including communicating to the judicial authorities any operations that have not been submitted by the RCN;
- Within the field of its responsibilities, to follow-up on internal and external audit recommendations, as well as, where appropriate, on specific determinations and recommendations from supervisory authorities;
- Assessing any other matters submitted to it by the FCC area;

Shareholder Structure

Shareholder	Number of shares	%
Santander Totta, SGPS, S.A.	1,376,219,267	98.88%
Taxagest - SGPS, S.A.	14,593,315	1.05%

Treasury shares

In keeping with the resolution passed by the Annual General Meeting held on May 27, 2024, Banco Santander Totta, S. A., may directly or through a dependent company, acquire treasury shares as well as sell those purchased up to the limit and under other conditions set by law.

On December 31, 2023, Banco Santander Totta, S. A., held 435,492 treasury shares corresponding to 0.031% of its Share Capital. During the first half of 2024, Banco Santander Totta S. A. did not buy any own shares.

TRANSACTION WITH OWN SHARES - FIRST HALF 2023				
Banco Santander Totta, S.A.	**Number of shares**	**Average Unit Price (€)**	**Book Value**	**% of share Capital**
31/12/2023	435,492	5.14	2,239,096	0.031%
Share purchases	0	0.00	0	0.0000%
30/06/2023	435,492	5.14	2,239,096	0.031%

Alternative Performance Indicators

A set of Alternative Performance Indicators (API) used in the Management Report is presented, prepared in accordance with guidelines issued by ESMA (European Securities and Markets Authority) on October 5, 2015 (ESMA/2015/1415pt).

For management analysis the Bank uses a set of indicators to measure profitability, efficiency, and business volume dynamics. Most of these indicators are derived from the financial information disclosed in accordance with the accounting standards in force (IFRS information), but others are calculated using management information (MIS information), not directly relatable to the IFRS information. Similarly, some indicators might be calculated by correcting non-recurrent movements, aiming to translate the underlying dynamics of the Bank's business, profitability and efficiency.

The indicators are detailed hereunder with reference, as far as possible, to the IFRS information.

Net interest income

"Interest income" less "Interest expenses", as presented in the Statement of Profit or Loss.

Income from equity instruments

"Dividend income," as presented in the Statement of Profit or Loss.

Results from Associates

"Part of the profit or loss of investments in subsidiaries, joint ventures and associates, accounted for by using the equity method", as presented in the Statement of Profit or Loss.

Net fees

"Fee and commission income" less "Fee and commission expenses," as presented in the

Statement of Profit or Loss.

Other Operating Results

"Other operating income" less "Other operating expenses," as presented in the Statement of Profit or Loss.

Commercial Revenue

Sum of "Net interest income," "Income from equity instruments," "Results from associates," "Net fees," and "Other operating results."

Gain/losses on financial assets

Sum of "Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net," plus "Gains or losses on financial assets and liabilities, held for trading, net," plus "Gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net," plus "Gains or losses on hedge accounting, net," plus "Exchange rate gains or losses, net," plus "Gains or losses on derecognition of investments in subsidiaries, joint ventures and associates", plus "Gains or losses on derecognition of non-financial assets, net," as presented in the Statement of Profit or Loss.

Net operating income

"Commercial Revenue" plus "Gain/losses on financial assets."

Operating Costs

Sum of "Staff Costs" plus "Other Administrative Expenses" plus "Depreciation," as presented in the Statement of Profit or Loss.

Net Operating Income

"Net income from banking activities" minus "Operating costs" minus "Cash contributions to resolution funds and deposit guarantee schemes," as shown in the Statement of Profit or Loss.

Impairment, net provisions and other results

Sum of "Provisions or reversal of provisions," plus "Impairments or reversal of impairments of financial assets not measured at fair value through profit or loss," plus "Impairments or reversal of impairments of non-financial assets," plus "Other profit or loss, net," plus "Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations," as presented in the Statement of Profit or Loss.

Net Provisions

“Provisions or reversal of provisions,” as shown in the Statement of Profit or Loss.

Net impairment of financial assets at amortized cost

“Impairments or reversal of impairments of financial assets not measured at fair value through profit or loss — Financial assets at amortized cost,” as shown in the Statement of Profit or Loss.

Net impairment of non-financial assets

“Impairments or reversal of impairments of non-financial assets,” as shown in the Statement of Profit or Loss.

Income Before Taxes and Non-controlling Interests

“Net operating income” minus “Impairment, net provisions and other results.”

Taxes

“Tax expenses or income related to profit or loss from operating operations,” as presented in the Statement of Profit or Loss.

Income after taxes and before non-controlling interests

"Income before taxes and non-controlling interests," less "Taxes."

Non-Controlling Interests

“Profit or loss for the year - attributable to minority interest [non-controlling interests],” as presented in the Statement of Profit or Loss.

Consolidated Net Income Attributable to BST Shareholders

“Income after taxes and before non-controlling interests,” less "Non-controlling interests."

Results from non-current assets held for sale

“Profits or loss on non-current assets and disposal groups classified as held for sale not eligible as discontinued operating units,” as shown in the Statement of Profit or Loss.

Efficiency Ratio

Ratio between “operating costs” and “Net income from banking activities” minus “Cash contributions to resolution funds and deposit guarantee schemes,” as shown in the Statement of Profit or Loss.

Loans / Deposits Ratio (Transformation Ratio)

Calculated in accordance with Bank of Portugal Instruction 6/2018.

Business Volume

Sum of "Loans and advances to customers (gross)" and "Customer resources."

Loans & advances to customers (gross)

Corresponds to the sum of the following balance sheet items: “Financial assets at fair value through other comprehensive income – Loans and advances," plus "Financial assets at amortized cost – debt securities," plus "Financial assets at amortized cost – Loans and advances," excluding “Other balances receivable,” “Loans and advances – Credit institutions,” as set out in Note 9 of the Chapter “Notes to the Consolidated Financial Statements,” and in Note 8 of the Chapter “Notes to the Separate Financial Statements.” Amounts before impairments.

Net loans and advances to customers (net)

Customer loans (gross), net of impairments. Impairments correspond to the sum of “Impairments for debt securities,” plus “Impairments for loans and advances - customers and other balances receivable,” as set out in note 9 of the chapter “Notes to the Consolidated Financial Statements,” and in note 8 of the chapter “Notes to the Separate Financial Statements,” deducted from the impairment relating to “Other balances receivable.”

Loans to individuals (mortgage and consumer) and companies

Defined in accordance with the Management Information System (MIS).

Non-Performing Exposure Ratio

Non-performing exposure (NPE), defined in accordance with the document "Guidance to banks on non-productive loans" of the European Central Bank (March 2017), as a ratio of total exposure, including off-balance sheet items.

Cost of Credit

Ratio between “Impairments or reversal of impairments of financial assets not measured at fair value through profit or loss - Financial assets carried at amortized cost” (from the Statement of Profit or Loss) and the average of “Loans and advances to customers (gross)” (from the balance sheet).

Non-performing Exposure Coverage Ratio

Impairments of non-performing exposures in relation to total non-productive exposures (NPE).

Deposits

Corresponds to the item "Customer Deposits" - see note 16 (in the chapter of the Notes to the Consolidated Financial Statements), and note 15 (in the chapter of the Notes to the Separate Financial Statements)

Off-balance sheet resources

Sum of “Investment funds managed or sold by the Bank,” plus “Insurance and other resources,” whose information is obtained through Santander Asset Management and/or the Management Information System (MIS).

Balance sheet resources

Corresponds to “Deposits,” as defined in this section.

Customer’s Resources

Sum of “Balance sheet resources” plus "Off-balance sheet resources."

Liquidity Coverage Ratio (LCR)

The LCR (liquidity coverage ratio), in accordance with article 412(1) of Regulation (EU) No. 575/2013, shall be equal to the ratio of the liquidity reserve of a credit institution and its net liquidity outflows during a 30-calendar day stress period.

Return on Equity (RoE)

Ratio between “Consolidated Net Income Attributable to BST Shareholders” and “Total equity” at the beginning of the period, as presented in the statement of financial position.

Return on Assets (RoA)

Ratio between “Consolidated Net Income Attributable to BST Shareholders” and ”Total Assets.”

Declaration to which Article 29(1)(c) of the Securities Code refers

Article 29(1)(c) of the Securities Code determines that each Company officer should issue a declaration, the content of which is defined therein.

The members of the Board of Directors of Banco Santander Totta, S. A., identified by name herein, each signed the declaration transcribed hereunder:

"I hereby declare, under the terms of and for the purposes set out in Article 29(1)(c) of the Securities Code that, to the best of my knowledge, the condensed financial statements for the 1st six months of year 2024 were prepared in accordance with the applicable accounting standards, providing a true and fair view of all assets and liabilities, financial position, and results of Banco Santander Totta, S. A., and of the companies included in the consolidation perimeter, and that the interim management report faithfully sets out the information required under Article 29(2) of the Securities Code."

José Carlos Brito Sítima

Chair

Pedro Aires Coruche Castro e Almeida

Deputy-Chair

Amílcar da Silva Lourenço

Member

Ana Isabel Abranches Pereira de Carvalho Morais

Member

Cristina Alvarez Alvarez

Member

Daniel Abel Monteiro Palhares Traça

Member

Isabel Cristina da Silva Guerreiro

Member

João Pedro Cabral Tavares

Member

Manuel António Amaral Franco Preto

Member

Manuel Maria de Olazabal y Albuquerque

Member

Maria Manuela Machado Costa Farelo Ataíde Marques

Member

Miguel Belo de Carvalho

Member

Remedios Ruiz Macia

Member

Ricardo Lopes da Costa Jorge

Member

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CONSOLIDATED FINANCIAL STATEMENTS

The accounts for the first half of 2024 were not the object of a limited review or the issue of an opinion by the Bank's auditors.

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2024 AND DECEMBER 31, 2023

(Amounts expressed in thousands of Euros - tEuros)

	Notes	30-06-2024	31-12-2023
ASSETS			
Cash, cash balances at central banks and other demand deposits	5	**4,770,950**	**6,284,760**
Financial assets held for trading	6	**1,776,609**	**1,465,544**
Non-trading financial assets mandatorily at fair value through profit or loss	7	**22,777**	**24,627**
Equity instruments		22,777	24,627
Financial assets at fair value through other comprehensive income	8	**3,775,185**	**3,847,282**
Equity instruments		175,330	172,237
Debt securities		1,209,366	1,247,156
Loans and advances		2,390,489	2,427,889
Financial assets at amortised cost	9	**44,484,224**	**41,869,686**
Debt securities		9,031,817	7,242,366
Loans and advances		35,452,407	34,627,320
Derivatives – Hedge accounting	10	**183,681**	**259,831**
Tangible assets	11	**392,359**	**403,833**
Investment property		133,550	138,032
Property, Plant and Equipment		258,809	265,801
Intangible assets	11	**32,362**	**32,133**
Tax assets	12	**164,193**	**165,989**
Other assets	13	**242,720**	**197,332**
Non-current assets and disposal groups classified as held for sale	14	**37,565**	**35,565**
TOTAL ASSETS		**55,882,625**	**54,586,582**
LIABILITIES			
Financial liabilities held for trading	6	**1,783,312**	**1,475,977**
Financial liabilities measured at amortised cost	15	**48,483,153**	**47,559,343**
Deposits		42,185,006	41,378,675
Debt securities issued		5,960,547	5,921,731
Other financial liabilities		337,600	258,937
Derivatives – Hedge accounting	10	**25,353**	**26,048**
Provisions	16	**119,005**	**133,457**
Commitments and guarantees given		50,475	53,263
Other provisions		68,530	80,194
Tax liabilities	12	**350,724**	**532,902**
Share capital repayable on demand	17	**33,385**	**37,303**
Other liabilities	18	**555,257**	**705,464**
TOTAL LIABILITIES		**51,350,189**	**50,470,494**
EQUITY			
Capital	19	**1,391,780**	**1,391,780**
Share premium	19	**193,390**	**193,390**
Equity instruments issued other than capital	19	**400,000**	**400,000**
Accumulated other comprehensive income	19	**(272,006)**	**(173,214)**
Items that will not be reclassified to profit or loss		(451,417)	(444,125)
Items that may be reclassified to profit or loss		179,411	270,911
Retained earnings	19	**1,219,204**	**401,045**
Other reserves	19	**1,091,785**	**1,015,173**
Treasury shares	19	**(44,122)**	**(44,122)**
Profit or loss attributable to owners of the parent	20	**551,774**	**931,407**
Minority interests [Non-controlling interests]	21	**631**	**629**
TOTAL EQUITY		**4,532,436**	**4,116,088**
TOTAL EQUITY AND TOTAL LIABILITIES		**55,882,625**	**54,586,582**

The accompanying notes form an integral part of the consolidated balance sheet for the half-year ended June 30, 2024.

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE HALF-YEARS ENDED JUNE 30, 2024 AND 2023

(Amounts expressed in thousands of Euros - tEuros)

	Notes	30-06-2024	30-06-2023
Interest income	23	1,698,409	1,129,535
Interest expenses	23	(845,569)	(548,305)
NET INTEREST INCOME		**852,840**	**581,230**
Dividend income	24	8,216	1,684
Fee and commission income	25	270,639	277,661
Fee and commission expenses	25	(38,311)	(44,990)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	26	-	-
Gains or losses on financial assets and liabilities held for trading, net	26	3,087	817
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	26	196	970
Gains or losses from hedge accounting, net	26	-	-
Exchange differences, net	26	9,433	8,694
Gains or losses on derecognition of non-financial assets, net	27	29	1,235
Other operating income	28	9,223	8,763
Other operating expenses	28	(4,645)	(4,742)
TOTAL OPERATING INCOME, NET		**1,110,707**	**831,322**
Administrative expenses	29	**(237,858)**	**(231,034)**
Staff expenses		(141,979)	(136,169)
Other administrative expenses		(95,879)	(94,865)
Cash contributions to resolution funds and deposit guarantee schemes	30	**(7,713)**	**(23,644)**
Depreciation	11	**(19,245)**	**(22,045)**
Provisions or reversal of provisions	16	**(6,834)**	**(6,750)**
Commitments and guarantees given		2,788	1,166
Other provisions		(9,622)	(7,916)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	16	**(4,397)**	**(35,014)**
Financial assets at fair value through other comprehensive income		-	24
Financial assets at amortised cost		(4,397)	(35,038)
Impairment or reversal of impairment on non-financial assets	16	**2,649**	**3,657**
Other profit or loss, net	1.3 l)	**(35,303)**	**(38,316)**
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	31	**4,329**	**2,487**
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS		806,335	480,663
Tax expense or income related to profit or loss from continuing operations	12	**(254,559)**	**(164,294)**
PROFIT OR LOSS FOR THE PERIOD		**551,776**	**316,369**
Attributable to minority interests [non-controlling interests]		**2**	**1**
Attributable to owners of the parent	20	**551,774**	**316,368**

The accompanying notes form an integral part of the consolidated statement of profit or loss for the half-year ended June 30, 2024.

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEARS ENDED JUNE 30, 2024 AND 2023

(Amounts expressed in thousands of Euros - tEuros)

	Notes	30-06-2024		30-06-2023	
		Attributable to the shareholders of the Bank	Attributable to non-controlling interests	Attributable to the shareholders of the Bank	Attributable to non-controlling interests
Profit or loss for the period		**551,774**	**2**	**316,368**	**1**
Other comprehensive income	19	**(98,792)**	**-**	**148,154**	**-**
Items that will not be reclassified to profit or loss					
Actuarial gains or losses on defined benefit pension plans	19				
. Gross amount		(7,339)	-	20,604	-
. Tax effect		-	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income					
. Gross amount	8	68	-	2,132	-
. Tax effect		(21)	-	(661)	-
Items that may be reclassified to profit or loss					
Cash flow hedges	19				
. Gross amount		(18,874)	-	152,884	-
. Tax effect		5,851	-	(47,394)	-
Debt instruments at fair value through other comprehensive income					
Valuation gains or losses					
. Gross amount		(20,758)	-	(4,685)	-
. Tax effect		6,383	-	1,400	-
Loans and advances at fair value through other comprehensive income					
Valuation gains or losses					
. Gross amount		(92,901)	-	34,600	-
. Tax effect		28,799	-	(10,726)	-
Total comprehensive income for the period		**452,982**	**2**	**464,522**	**1**

The accompanying notes form an integral part of the consolidated statement of other comprehensive income for the half-year ended June 30, 2024.

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED JUNE 30, 2024 AND THE FINANCIAL YEAR OF 2023

(Amounts expressed in thousands of Euros - tEuros)

	Capital	Share premium account	Equity instruments issued other than capital	Accumulated other comprehensive income		Retained earnings	Other reserves	Treasury shares	Profit or loss attributable to owners of the parent	Minority interests	Total
				Fair value	Taxes						
Balances as at December 31, 2022	**1,391,780**	**193,390**	**400,000**	**(426,425)**	**142,972**	**402,736**	**960,532**	**(44,110)**	**586,559**	**626**	**3,608,060**
Appropriation of profit or loss (Note 19)											
. Transfer to reserves	-	-	-	-	-	500,826	85,733	-	(586,559)	-	-
. Distribution of dividends	-	-	-	-	-	(502,516)	-	-	-	-	(502,516)
Distribution of dividends - "Additional Tier 1 Instruments" (Note 19)	-	-	-	-	-	-	(36,636)	-	-	-	(36,636)
Acquisition of treasury shares (Note 19)	-	-	-	-	-	-	-	(12)	-	-	(12)
Sale of portfolio equity instruments at fair value through other comprehensive income	-	-	-	(6,952)	2,155	-	4,797	-	-	-	-
Transfer between comprehensive income and other reserves, due to loss of significant influence over an investee	-	-	-	113	(861)	-	748	-	-	-	-
Other	-	-	-	-	-	(1)	(1)	-	-	-	(2)
Consolidated comprehensive income in 2023	-	-	-	176,873	(61,089)	-	-	-	931,407	3	1,047,194
Balances as at December 31, 2023	**1,391,780**	**193,390**	**400,000**	**(256,391)**	**83,177**	**401,045**	**1,015,173**	**(44,122)**	**931,407**	**629**	**4,116,088**
Appropriation of profit or loss (Note 19)											
. Transfer to reserves	-	-	-	-	-	818,159	113,248	-	(931,407)	-	-
Distribution of dividends - "Additional Tier 1 Instruments" (Note 19)	-	-	-	-	-	-	(36,636)	-	-	-	(36,636)
Consolidated comprehensive income for the first half of 2024	-	-	-	(139,804)	41,012	-	-	-	551,774	2	452,984
Balances as at June 30, 2024	**1,391,780**	**193,390**	**400,000**	**(396,195)**	**124,189**	**1,219,204**	**1,091,785**	**(44,122)**	**551,774**	**631**	**4,532,436**

The accompanying notes form an integral part of the consolidated statement of changes in equity for the half-year ended June 30, 2024.

BANCO SANTANDER TOTTA, S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEARS ENDED JUNE 30, 2024 AND 2023

(Amounts expressed in thousands of Euros - tEuros)

	Notes	30-06-2024	30-06-2023
CASH FLOW FROM OPERATING ACTIVITIES:			
Interest and commissions received		1,937,839	1,300,341
Payments of interest and commissions		(775,341)	(450,616)
Payments to staff and suppliers		(239,932)	(233,719)
Pension Fund contributions	33	(1,218)	-
Foreign exchange and other operating results		6,297	(12,391)
Recovery of uncollectable loans		2,128	1,461
Operating results before changes in operating assets and liabilities		929,773	605,076
(Increase) / Decrease in operating assets:			
Loans and advances to credit institutions		8,280	8,238
Financial assets held for trading		(311,065)	(331,789)
Credit granted and other balances receivable at amortised cost		(2,639,677)	1,673,844
Assets and liabilities at fair value through profit or loss		118,763	(116,756)
Non-current assets and disposal groups classified as held for sale		4,050	(1,663)
Investment property		4,482	17,103
Other assets		(67,218)	(17,379)
		(2,882,385)	1,231,598
Increase / (Decrease) in operating liabilities:			
Resources from credit institutions and central banks		(736,932)	(890,977)
Resources from customers and other debts		1,517,380	(1,815,868)
Financial liabilities held for trading		307,335	323,100
Other liabilities		(156,704)	213,222
		931,079	(2,170,523)
Net cash flow from operating activities before income taxes		(1,021,533)	(333,849)
Income tax paid		(429,228)	(169,736)
Net cash flow from operating activities		(1,450,761)	(503,585)
CASH FLOW FROM INVESTING ACTIVITIES:			
Dividends received	24	8,216	1,684
Purchase of financial assets at fair value through other comprehensive income		(2,995)	4,116
Sale of financial assets at fair value through other comprehensive income		503	891
Income from financial assets at fair value through other comprehensive income		34,846	59,631
Purchase of tangible and intangible assets	12	(13,496)	(20,921)
Sale of property, plant and equipment	12	1,012	364
Net cash flow from investing activities		28,086	45,765
CASH FLOW FROM FINANCING ACTIVITIES:			
Dividends paid	19	-	(502,516)
Interest paid on "Additional Tier 1 Instruments"	19	(36,636)	(36,636)
Redemption/issue of debt securities and subordinated debt		56,064	702,190
Interest paid on debt issued		(108,091)	(57,327)
Interest paid on subordinated debt		(2,472)	(2,363)
Net cash flow from financing activities		(91,135)	103,348
Net increase / (decrease) in cash and cash equivalents		(1,513,810)	(354,472)
Cash and cash equivalents at the beginning of the period	5	6,284,760	8,407,985
Cash and cash equivalents at the end of the period	5	4,770,950	8,053,513

The accompanying notes form an integral part of the consolidated statement of cash flows for the half-year ended June 30, 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Banco Santander Totta, S.A. (hereinafter also referred to as “Bank” or “Group”) was incorporated in 1864 and was formerly known as Companhia Geral de Crédito Predial Português, S.A. (CPP) and it has its registered office in Portugal at Rua do Ouro, 88, Lisbon. The Bank was nationalised in 1975 and transformed into a state-owned public limited company in 1990. On December 2, 1992, the Bank's capital was privatised by means of a public share offering at a special session of the Lisbon Stock Exchange.

As from December 2000, the Bank joined the Santander Group, following the acquisition of Banco Totta & Açores, S.A. (totta) by the latter. The main balances and transactions maintained with companies of the Santander Group during the first half of 2024 and the financial year of 2023 are detailed in Note 35. The Bank is included in the Banco Santander, S.A. (ultimate parent) consolidation.

On December 16, 2004, the Totta demerger/merger operation was registered, under which its financial holdings in Foggia, SGPS, S.A. and in Totta Seguros – Companhia de Seguros de Vida, S.A., were spun off, the remainder of its business, together with Banco Santander Portugal, S.A. (BSP), having been incorporated by merger into CPP, which changed its name to the present one.

On May 3, 2010, the Bank carried out the merger by incorporation of Banco Santander de Negócios Portugal, S.A. (BSN). The transaction was recorded for accounting purposes with reference to January 1, 2010.

On April 1, 2011, the Bank carried out the merger by incorporation of Totta Crédito Especializado – Instituição Financeira de Crédito, S.A. (Totta IFIC).

On December 20, 2015, following the resolution measure applied by the Bank of Portugal to Banif – Banco Internacional do Funchal, S.A. (Banif), the Bank acquired the banking business and a set of assets, liabilities, off-balance-sheet items and assets under management of this entity.

Following the decision of the Single Resolution Board with regard to the application of a resolution measure to Banco Popular Español, S.A., taken on June 7, 2017, through the instrument for the sale of the whole of the business, with the transfer of the entirety of the shares representing the share capital of Banco Popular Español, S.A., to Banco Santander, S.A., the latter came to hold, indirectly, the entire share capital and voting rights of Banco Popular Portugal, S.A. (BAPOP). In this regard, on December 27, 2017, the Bank purchased the entire capital and voting rights of BAPOP, carrying out on that date the merger by incorporation.

The Bank is engaged in obtaining third-party financial resources, in the form of deposits and otherwise, which it invests, together with its own funds, in every sector of the economy, mainly in the form of extending credit or in securities, while also providing other banking services in the country and abroad.

The Bank has a nationwide network of 329 branches (332 branches as at December 31, 2023). It also has several branches and representation offices abroad, and holdings in subsidiaries and associates.

The Bank's financial statements for the first half of 2024 were approved at the Board of Directors’ meeting on September 24, 2024.

1. BASES OF PRESENTATION AND MAIN ACCOUNTING POLICIES

1.1. Bases of Presentation of the Accounts

The Group's consolidated financial statements have been prepared on a going concern basis, based on the books and accounting records maintained in accordance with the principles enshrined in the International Financial Reporting Standards (IAS / IFRS), as endorsed by the European Union and effective as at January 1, 2024, in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, of July 19, transposed into Portuguese law by Decree-Law 35/2005, of February 17, and by the Bank of Portugal Notice No. 5/2005, of December 30. As regards Group companies that use different accounting standards, adjustments are made for conversion to the IAS / IFRS.

The accounting policies used by the Bank when preparing the consolidated financial statements as at June 30, 2024, are consistent with those used in preparing the consolidated financial statements with reference to December 31, 2023, with the specific application of IAS 34 (interim financial reporting).

As from financial year 2020, the Bank has presented its financial statements according to the guidelines of Execution Regulation (EU) 2017/1443 of the Commission, of June 29, 2017, revoked by Execution Regulation (EU) 2021/451 of the Commission, of December 17, 2020.

The consolidated financial statements are presented in thousands of Euros, rounded to the nearest thousand, except where otherwise indicated.

When preparing the financial statements, the Bank follows the historical cost convention, modified when applicable, by measuring the fair value of: - Financial assets held for trading; - Non-trading financial assets mandatorily at fair value through profit or loss; - Financial assets at fair value through other comprehensive income; - Financial liabilities held for trading; - Derivatives - hedge accounting; and Investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, also implying judgement by the Board as to the application of the Group's accounting policies. The areas of the financial statements involving a greater degree of judgement or complexity, or the areas in which the assumptions and estimates are significant in the preparation of this set of financial statements are detailed in Note 2.

The Bank's financial statements have been prepared on a going concern basis, as the Board of Directors considers that the Bank has the necessary resources to continue operating. The assessment made by the Board of Directors is based on a wide range of information related to current and future conditions, including projections of future profitability, cash flows, capital requirements and sources of financing.

Within the scope of the application of the IFRS as approved by the European Union, the Bank adopted the following standards, amendments and interpretations with reference to January 1, 2024:

- **IAS 1** (amendment), 'Classification of liabilities as non-current and current' and 'Non-current liabilities with covenants'. These amendments clarify that liabilities are classified as either current or non-current balances depending on the rights that an entity must defer its settlement for at least 12 months after the reporting date. They also clarify that the covenants that an entity is required to comply with, on or before the reporting date, affect the classification of a liability as current or non-current, even if the covenants are only assessed after the entity's reporting date. When an entity classifies liabilities arising from loan arrangements as non-current and those liabilities are subject to covenants, it is required to disclose information that enables investors to assess the risk that the liabilities could become repayable within 12 months, such as: a) the carrying amount of the liabilities; b) the nature of the covenants and the compliance date; and c) the facts and circumstances that indicate the entity may have difficulty complying with covenants when it is required to do so. These amendments are applied retrospectively.

- **IAS 7** (amendment) and **IFRS 7** (amendment), 'Supplier finance arrangements'. These amendments require an entity to provide additional disclosures about its supplier finance arrangements to enable: i) the assessment of how supplier finance arrangements affect an entity's liabilities and cash flows; and ii) the understanding of the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available. The additional requirements complement presentation and disclosure requirements already existing in IFRS as set out in the IFRS IC's Agenda decision of December 2020.

- **IFRS 16** (amendment), 'Lease liability in a sale and leaseback'. The amendment introduces guidance for the subsequent measurement of the lease liabilities, in the scope of sale and leaseback transactions that qualify as "sales" under IFRS 15, with higher impact when some or all the lease payments are variable and do not depend on an index or rate. On subsequently measuring lease liabilities, seller-lessees determine "lease payments" and "revised lease payments" in a way that does not result in the recognition of any gains / (losses) relating to the Right-of-use asset retained. This amendment is applied retrospectively.

With the adoption of the standards and interpretations no material impacts were identified on the consolidated financial statements.

Standards (new and amendments) published, which application is mandatory for annual periods beginning on or after January 1, 2025, and that the European Union has not yet endorsed:

- **IAS 21** (amendment), 'The effects of changes in foreign exchange rates: Lack of Exchangeability'. This amendment adds requirements for determining whether a currency can be exchanged for another currency (exchangeability) and defining how to determine the spot exchange rate to be used when it is not possible to exchange a currency for a long period of time. This change also requires the disclosure of information that allows understanding how the currency that cannot be exchanged for another currency affects, or is expected to affect, the financial performance, financial position and cash flows of the entity, in addition to the spot exchange rate used on the reporting date and how it was determined.

- **IFRS 7** and **IFRS 9** (amendments), ‘Classification and measurement of financing’. The amendments refer to: i) clarification of the concept of recognition and derecognition date of some financial assets and liabilities, introducing a new exception for financial liabilities settled through an electronic payment system; ii) clarification and example of when a financial asset meets the criterion that contractual cash flows correspond to “only the payment of principal and interest” (“SPPI”), such as: 1) non-recourse assets; 2) contractually linked instruments; and 3) instruments with features linked to the achievement of environmental, social and governance (“ESG”) goals; iii) new disclosure requirements for instruments with contractual terms that may change cash flows in terms of period and amount; and iv) new disclosures required for equity instruments designated at fair value through other comprehensive income. These amendments apply on the date they become effective without restating the comparative.

- **IFRS 18** (new standard), ‘Presentation and disclosure in financial statements'. IFRS 18 will replace the current IAS 1. While maintaining many of the principles in IAS 1, IFRS 18 places greater focus on specifying a structure for the income statement, consisting of mandatory categories and subtotals. Income statement items will be classified into one of three categories: operating, investing, financing. Specified subtotals and totals will be required, with the main change being the mandatory inclusion of the subtotal “Operating income”. This standard also includes improvements in the disclosure of management performance measures, including reconciliation with the closest subtotal required by IFRS. This standard also reinforces the guidance on the principles of aggregation and disaggregation of information contained in the financial statements and related notes, based on their shared characteristics. This standard applies retrospectively.

- **IFRS 19** (new standard), ‘Non-publicly reporting subsidiaries: Disclosures’. IFRS 19 is a voluntary standard that allows eligible subsidiaries to use IFRS with reduced disclosure requirements. IFRS 19 is a disclosure-only standard and is applied in conjunction with the requirements of other IFRS for recognition, measurement and presentation purposes. A subsidiary is considered eligible if (i) it is not subject to a public reporting obligation; and (ii) the parent entity prepares consolidated financial statements for public presentation in accordance with IFRS. IFRS 19 can be applied by eligible subsidiaries in the preparation of their own consolidated, separate or individual financial statements. Full comparative information is required unless an exemption applies.

With the adoption of the standards and interpretations no material impacts were identified on the consolidated financial statements.

1.2. <u>Consolidation of subsidiaries and entities under joint control, and recording of associates (IFRS 10, IFRS 11, IAS 28 and IFRS 3)</u>

The consolidated financial statements now presented reflect the assets, liabilities, income, expenses, other comprehensive income and cash flows of the Group and of the entities directly or indirectly controlled by it (Note 4), including special-purpose entities.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it has the power to direct the relevant activities of the entity, and when it is exposed or entitled to, the variability in returns arising from its involvement with that entity and can take those over through the power it has over relevant activities of that entity. The financial statements of subsidiaries are consolidated using the full consolidation method from the moment the Group takes control over their activities until the moment when the control ceases. Transactions and balances between the companies subject to consolidation have been eliminated. In addition, when applicable, consolidation adjustments are made to ensure consistency in the application of accounting principles. The amount corresponding to third-party shareholdings in the subsidiaries consolidated using the full consolidation method is presented in the caption “Non-controlling interests” (Note 21). Additionally, as a result of the application of IFRS 10 – “Consolidated Financial Statements”, the Group includes in its consolidation perimeter special purpose entities, namely vehicles and funds created in the scope of securitisation operations, when exercising effective financial and operating control over them and when it is exposed to the majority of the risks and benefits associated with the respective activity.

The accumulated losses of a subsidiary are allocated to the non-controlling interests in the proportion held, which might imply recognition of non-controlling interests of a negative amount.

In a step-acquisition transaction resulting in the acquisition of control, any non-controlling interest previously held is revalued at fair value with a contra entry in profit or loss at the time of calculation of the goodwill. At the time of a partial sale, resulting in loss of control over a subsidiary, any remaining non-controlling interest held is revalued at fair value on the date of sale and the gain or loss resulting from such revaluation is recorded with a contra entry in profit or loss. At the time of a partial purchase or partial sale that does not result in a change of control, the result of that transaction is recognised against retained earnings.

On the other hand, the Group manages assets held by investment funds, which units are held by third parties. The financial statements of investment funds are not included in the Group's consolidation perimeter, except when the latter holds control of these investment funds, namely when it has more than 50% of its investment units, in which case those funds are consolidated by the full consolidation method. In accordance with IAS 32 and IFRS 10, the amount corresponding to third-party participation in investment funds consolidated by the full consolidation method is presented as a liability in the caption “Share capital redeemable at sight”. The profit or loss of the Novimovest Fund, not controlled by the Group, are recognised as a deduction from the captions “Other operating income / expenses”, considering the nature of the main income earned by that fund.

Financial investments in associates are measured using the equity method as from the moment the Group comes to have significant control until such time as it ceases. Associates are entities over which the Group has significant influence but does not control them.

Significant influence is understood to exist when one has a (direct or indirect) financial holding of more than 20% but less than 50% (with voting rights proportionate to the holding) or the power to take part in decisions on the financial and operational policies of an entity, but without control or joint control over it.

Under the equity method, the consolidated financial statements include the portion attributable to the Group of the total equity and of the profits and losses recognised by the associates. Dividends attributed by associates reduce the amount of the investment made by the Group. The Group performs impairment tests for its investments in associates whenever there are signs of impairment. Impairment losses recorded in prior years may be reversible, up to the limit of the accumulated losses. The Group recognises impairment for its investments in associates if it has assumed obligations, or if it has made payments to third parties for the benefit of the associates.

The accounting policies of subsidiaries and associates are changed, whenever necessary, to ensure that they are applied consistently by all Group companies.

1.3. Summary of the Material Accounting Policies

The material accounting policies used in the preparation of the attached financial statements were as follows:

a) Accrual accounting

The Bank uses the accrual-accounting principle for most captions of the financial statements. Thus, expenses and income are recorded as and when generated, regardless of the time of payment or receipt.

b) Foreign currency transactions

The Bank's accounts are prepared in the currency of the economic environment in which it operates ("functional currency") and are stated in Euros.

Transactions in currencies other than the functional currency, and the corresponding income and expenses, are recorded at the exchange rate ruling on the date on which they occur. On each reporting date, assets and liabilities stated in a currency other than the functional currency are translated at the closing exchange rate (Bank of Portugal fixing).

As at June 30, 2024 and December 31, 2023, the exchange rates of the main currencies other than the functional currency were:

	30-06-2024	31-12-2023
Currency		
USD	1.0705	1.1050
GBP	0.8464	0.8690

c) Financial instruments

The classification of **financial assets** follows three main criteria:

- The business model under which financial assets are managed;
- The type of financial instrument, that is (i) derivative financial instruments, (ii) equity instruments or (iii) financial debt instruments; and
- The contractual cash flow characteristics of the financial debt instruments (which represent only payments of principal and interest).

In this context, the categories of financial assets laid down for financial debt instruments are:

- A financial debt instrument that (i) is managed under a business model which objective involves keeping the financial assets in the portfolio and receiving all of their contractual cash flows and (ii) has contractual cash flows on specific dates that correspond exclusively to the payment of principal and of interest on the outstanding principal – must be measured at amortised cost unless designated at fair value through profit or loss under the fair value option – "Hold to Collect".

- A financial debt instrument that (i) is managed under a business model which objective is achieved either through the receipt of contractual cash flows or through the sale of financial assets and (ii) include contractual clauses that give rise to cash flows that correspond exclusively to the payment of principal and of interest on the outstanding principal – must be measured at fair value through other comprehensive income ("FVTOCI"), unless it is designated at fair value through profit or loss under the fair value option – "Hold to Collect & Sale".

- All other financial debt instruments must be measured at fair value through profit or loss ("FVTPL").

The Bank assessed its business models based on a broad set of indicators of which emphasis is given to its business plan and current risk-management policies. For the "Hold to Collect" business model, to assess the frequency and materiality of the sales, quantitative thresholds were defined based on past experience. The sales projected for the financial assets classified in this business model do not exceed the thresholds defined by the Bank.

The other financial instruments, specifically equity instruments and derivatives, the latter by definition, are classified at fair value through profit or loss. For equity instruments, there is the irrevocable option of designating that all fair value variations are recognised under other comprehensive income, in which case, only the dividends are recognised in profit or loss, because gains and losses are not reclassified to profit or loss even when they are derecognised / sold.

Reclassifications between financial instrument portfolios

According to the requirements of IFRS 9, reclassification between financial instrument portfolios can only take place if the Bank decides to change the business model to manage a portfolio of financial assets. According to said standard, these changes must be infrequent and must comply with the following requirements, namely:

- The change in the respective business model must be made by Management;
- This change is expected to have a significant impact on the entity's operations; and
- The change must be demonstrable to external entities.

Sale of loans

Gains and losses obtained on the sale of loans on a definitive basis are recorded in the statement of profit or loss caption “Impairment of financial assets at amortised cost”. These gains or losses correspond to the difference between the selling price that was set and the carrying amount of those assets, net of impairment losses.

Securitised loans not derecognised

The Bank does not derecognise from assets loans sold in securitisation operations when:

- It maintains the control over the operations;
- It continues to receive a substantial part of their remuneration; and
- It maintains a substantial part of the risk of the loans transferred.

Loans sold and not derecognised are carried under “Financial assets at amortised cost – loans and advances” and are subject to accounting criteria identical to other credit operations. Interest and commissions associated with the securitised loan portfolio are accrued in keeping with the respective term of the credit operations.

Maintenance of the risk and/or benefit is represented by bonds of a higher risk issued by the securitisation vehicle. The amount carried under assets and liabilities represents the proportion of the risk / benefit held by the Bank (ongoing involvement).

The bonds issued by securitisation vehicles and held by Group entities are eliminated in the consolidation process.

Derecognition

Assets are derecognised when (i) the Bank's contractual right to receive their cash flows expires, (ii) the Bank has substantially transferred all the risks and benefits inherent in holding them; or (iii) notwithstanding retaining a part, but not substantially the whole, of the risks and benefits inherent in holding them, the Bank has transferred control over the assets.

Guarantees provided and irrevocable commitments

Liabilities for guarantees provided and irrevocable commitments are recorded in off-balance-sheet accounts for the value-at-risk, and interest flows, commissions or other income are recorded in profit or loss over the life of these transactions.

Guarantees provided are initially recognised at fair value, which is normally evidenced by the amount of the fees received over the duration of the contract. At the time of the contractual breach, the Bank has the right to reverse the guarantee, with the amounts being recognised under Financial assets at amortised cost after the transfer of the loss compensation to the beneficiary of the guarantee.

Recognition of income and expenses from fees and commissions

Income from fees and commissions obtained in the execution of a significant act, such as commissions on loan syndications, are recognised in profit or loss when the significant act has been finalised.

Income from fees and commissions obtained as the services are provided are recognised in profit or loss for the financial year to which it refers.

Income from fees and commissions that form an integral part of the remuneration of financial instruments are recorded in profit or loss using the effective interest rate method.

Recognition of expenses with fees and commissions is measured using the same criteria adopted for income.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity and debt instruments that are recorded at the time of their initial recognition at fair value, plus transaction expenses, and subsequently measured at fair value. Gains and losses related to subsequent changes in fair value are reflected under a specific equity caption named "Accumulated other comprehensive income" until their sale, when they are reclassified to profit or loss for the financial year, except for equity instruments that remain in equity.

The interest is calculated in accordance with the effective interest-rate method and carried in profit or loss under Interest income.

Income from floating-rate securities is recognised in the statement of profit or loss under Dividend income on the date when they are attributed. In accordance with this criterion, interim dividends are recorded as income in the year in which their distribution is decided.

Financial assets and liabilities held for trading and non-trading financial assets mandatorily at fair value through profit or loss

Financial assets held for trading include floating income securities traded on active markets acquired for the purpose of their sale in the short term. Economic and trading derivatives with net amount receivable (positive fair value), as well as options bought are included under Financial assets held for trading. Economic and trading derivatives with net amount payable (negative fair value), as well as options sold are included under Financial liabilities held for trading.

Financial assets and liabilities held for trading and non-trading financial assets mandatorily at fair value through profit or loss are initially recognised at fair value, with the expenses associated with the transactions being recognised in profit or loss at the initial moment. Gains and losses arising from subsequent valuation at fair value are recognised in the statement of profit or loss, under the captions "Gains or losses on financial assets and liabilities held for trading, net" and "Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net", respectively.

The fair value of financial assets held for trading and traded on active markets is their most representative bid-price, within the bid-ask interval, or their closing price on the reporting date. If a market price is not available, the fair value of the instrument is estimated based on valuation techniques, including price valuation models or discounted cash flow techniques. When discounted cash flow techniques are used, the future financial flows are estimated in keeping with management's expectations, and the discount rate used corresponds to the market rate for financial instruments of similar characteristics. In the price valuation models, the data used correspond to information on market prices.

The fair value of derivative financial instruments that are not traded on the stock market, including the credit risk component assigned to the parties involved in the transaction (Credit Value Adjustments and Debit Value Adjustments), is estimated based on the amount that would be received or paid to settle the contract on the date in question, considering current market conditions, as well as the credit rating of the parties involved.

Financial liabilities measured at amortised cost

Financial liabilities are initially recognised at their fair value, which normally corresponds to the consideration received, net of transaction costs, and are measured at amortised cost, in accordance with the effective interest rate method.

Financial liabilities correspond mainly to resources of central banks and other credit institutions, customers' deposits and debt securities issued.

<u>Repo operations</u>

Securities sold with repurchase agreement are kept in the portfolio where they were originally recorded. Funds received are recorded on the settlement date, in a specific account under liabilities, with accrual of the respective interest payable.

<u>Secondary market transactions</u>

The Bank repurchases bonds issued in the secondary market. Purchases and sales of own bonds are included proportionally under the respective bonds issued captions (principal, interest and commissions) and the differences between the amount settled and the respective carrying amount are immediately recognised in profit or loss.

Hedge accounting

The IFRS 9 hedge accounting model aims not only to simplify the process of creating and maintaining hedging relationships, but also to align the accounting of these relationships with the risk-management activities of each institution, extend the eligibility of a greater number of hedged and hedging instruments, but also types of risk.

IFRS 9 still does not provide rules for the accounting of the so-called macro-hedges, with these still to be defined by the IASB. Because of this limitation of IFRS 9, and regarding hedge accounting, institutions may choose to maintain the accounting principles of IAS 39 (only for hedge accounting) until completion of the macro-hedging project by the IASB. In this context, the Bank decided to continue applying the hedge accounting defined within the scope of IAS 39.

The Bank uses derivative financial instruments, namely, to hedge the interest-rate risk arising from financing and investing activities. Derivatives that qualify for hedge accounting are measured at their fair value and gains or losses are recognised in accordance with the Bank's hedge-accounting model.

Under the terms of the standard, the application of hedge accounting is only possible when all the following requirements are met:

- Existence of formal documentation of the hedging relationship and of the Bank's risk-management strategy;
- Initial expectation that the hedging relationship is highly effective;
- The effectiveness of the hedge can be reliably measured;
- The hedge is valued on a continuous basis and effectively determined as being highly effective throughout the financial reporting period; and
- Regarding the hedging of a planned transaction, the latter is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Hedge accounting is only applied when all those requirements are met. Likewise, if at any time the hedge effectiveness ceases to be in the range between 80% and 125%, hedge accounting is discontinued.

Fair value hedges

Gains or losses on the revaluation of a hedging derivative financial instrument are recognised in profit or loss. Should the hedge be effective, the gains or losses resulting from the fair value changes of the hedged item relative to the risk being hedged are also recognised in profit or loss.
If a hedging instrument matures or is terminated early, the gain or loss recognised on the valuation of the hedged risk as value adjustments of the hedged items is amortised over its remaining term. If the hedged asset or liability is sold or settled, all amounts recognised on the valuation of the hedged risk are recognised in profit or loss for the financial year and the derivative financial instrument is transferred to the trading portfolio. If the hedge is no longer effective, the gains or losses recognised as value adjustments of the hedged items are amortised through profit or loss during their remaining term.

In the case of exchange-rate hedges of monetary items, hedge accounting is not applied, and the gain or loss on the derivative is recognised in the statement of profit or loss, as are foreign-exchange variations of the monetary items.

Cash flow hedges

Cash flow hedges are understood to be the hedge of an exposure relating to the variability of future cash flows, which may be assigned to a specific risk associated with a recognised asset or liability, or to a highly probable future transaction, and may affect profit or loss.

In this sense, the Bank contracted financial derivatives to hedge the future interest flows of part of its mortgage loan portfolio remunerated at a floating rate.

The application of cash flow hedge accounting is subject to the general requirements referred to above for hedge accounting and entails the following records:

- The gain or loss on the hedging instrument in the part considered effective is recognised directly in a specific caption of equity; and
- The non-effective part is recorded in profit or loss.

Additionally, the gain or loss on the hedging instrument recognised in equity corresponds to the lesser of the following amounts:

- The accumulated change in the fair value of the hedging instrument from the start of the hedge; and
- The accumulated change in the fair value of the hedged item, related to the risk hedged, from the start of the hedge.

In this sense, and if applicable, the part not recognised in equity of the gain or loss on the hedging instrument is reflected in profit or loss.

Cash flow hedge accounting must be discontinued if the hedging instrument expires or is terminated early if the hedge ceases to be effective or if it is decided to terminate the designation of the hedging relationship. In these cases, the cumulative gain or loss resulting from the hedging instrument must continue to be separately recognised in equity and is reflected in profit or loss in the same period of time as the recognition in profit or loss of the gains or losses of the hedged item. Should the Bank hedge a transaction that is not expected to be realised, the amount of the derivative still recognised in equity is immediately transferred to profit or loss, with the derivative being transferred to the Bank's trading portfolio.

Loan impairment

IFRS 9 determines that the concept of impairment based on expected losses is to be applied to all financial assets except for financial assets at fair value through profit or loss and equity instruments measured at fair value through other comprehensive income.

The Bank applies the IFRS 9 concept to financial assets at amortised cost, debt instruments and loans and advances at fair value through other comprehensive income, off-balance-sheet exposures, finance leasing, other receivables, financial guarantees and loan commitments not measured at fair value.

Except for purchased or originated credit-impaired financial assets (referred to as POCI) (which are described separately below), impairment losses must be estimated through a provision for losses of an amount equal to:

- expected credit-risk loss at 12 months, that is, the total estimated loss resulting from default events of the financial instrument that are possible within 12 months of the reporting date (called Stage 1);

- or expected credit-risk loss to maturity, that is, the total estimated loss resulting from all possible default events throughout the life of the financial instrument (referred to as Stage 2 and Stage 3). A provision for expected credit-risk loss to maturity is required for a financial instrument if the credit risk of that financial instrument has increased significantly since the initial recognition or if the financial instrument is impaired.

The expected credit-risk loss is a probability-weighted estimate of the present value of the loan losses. This estimate results from the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the effective interest rate of the financial instruments.

The Bank measures the expected loss individually or on a collective basis for portfolios of financial instruments that share similar risk characteristics. The measurement of the provision for losses is based on the present value of the expected cash flows of the asset determined using the original effective interest rate of the asset, regardless of being measured individually or collectively.

Impaired financial assets

A financial asset is impaired when one or more events that have a negative impact on the estimated future cash flows of the financial asset have occurred. Financial assets with a reduction of the recoverable amount of the loans are referred to as Stage 3 assets. The Bank adopted in 2021 the new definition of default as the criterion for the identification of Stage 3 loans, following the recommendation of EBA GL 2017/06. The internal definition of non-performing loans is governed by objective and subjective criteria and is used for the calculation of the regulatory capital using advanced credit-risk methods.

Purchased or originated credit impaired (POCI) financial assets

Financial assets classified as POCI are treated differently on initial recognition as at the acquisition date, since they are in an impaired situation. In the revaluation of the assets, the expected loss to maturity is applied. The associated interest is calculated by applying the effective interest rate to the net amount.

Significant increase of the credit risk

The Bank monitors all financial assets to assess whether there has been a significant increase of the credit risk since their initial recognition. If there has been a significant increase of the credit risk, the Bank estimates the provision for expected credit-risk loss to maturity (PDLT (lifetime)) and not over 12 months.

The Bank uses scoring and rating systems for internal credit-risk management. These ratings allow an assessment of the risk level of the transactions or of the customer at all times and are considered in the credit-risk approval and monitoring decisions. The models are based on several series of data that are considered predictors of the risk of default and which apply judgements, that is, the credit-risk ratings are defined using qualitative and quantitative factors that are indicative of the risk of default. The ratings consider current characteristics and past events, and their significance for the level of risk is studied.

The Bank uses different criteria to determine if the credit risk has increased significantly per asset portfolio, in particular:

- Limits of relative variation of the accumulated PD for the residual maturity of the transaction. The limits of relative variation are differentiated by PD level to the extent that variations of risk in very low risk transactions may not represent a significant increase of the risk. It should be noted that customers with no alteration of the credit-risk rating can have a significant deterioration (accumulated PD variation above the defined limit) due to the evolution of the residual term (sensitivity of the transactions differentiated over time) or due to changes in future expectations regarding the economy.

- Regardless of the outcome of the aforesaid assessment, the Bank assumes that the credit risk of a financial asset has increased significantly since initial recognition when there are contractual payments overdue by more than 30 days, as well as other indicators that point to the deterioration of the credit quality of the customers (e.g., loans identified as restructured due to financial difficulties, customers with exposures in arrears in the Bank of Portugal’s Central Credit Register).

Measurement of expected credit-risk loss for impairment-loss purposes

Credit risk parameters

The main concepts used to measure the expected credit-risk loss are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These concepts are calculated through statistical models developed internally and are adjusted to reflect prospective information.

PD is an estimate of the likelihood of default over a given time horizon. The models that have been developed estimate this probability over sufficiently broad horizons for application to the residual maturity of the financial assets. The calculation is based on statistical classification models (rating and scoring) that detail the level of risk of different counterparties. The classification models (rating and scoring) are used in the management and are based on internal data comprising both quantitative and qualitative factors. The estimate is based on current conditions, adjusted to consider the estimates of future conditions that will affect the PD.

LGD is an estimate of the total loss, should the asset enter default. It is based on the difference between the contractual cash flows due and those that the Bank expects to receive, considering the cash flows of existing guarantees. The LGD models for secured assets consider the valuation of the guarantees, considering selling expenses, the time to execute the guarantees, collateralisation level, etc. The LGD models for unsecured assets consider recovery time, recovery rates and recovery expenses. The calculation is based on cash flows discounted at the original effective interest rate of the loan. The estimate is based on current conditions, adjusted to consider the estimates of future conditions that will affect the LGD.

EAD is an estimate of exposure on a date of future default, considering the expected changes in the exposure after the reporting date. The Bank’s modelling approach for EAD reflects the expected changes in the outstanding balance over the loan's lifetime exposure allowed by the current contractual terms, such as amortisation profiles, total or partial early repayment, and changes in the use of unused commitments before entry into default.

The Bank assesses the expected credit-risk loss for impairment-loss purposes, considering the risk of default during the maximum contractual period during which the entity is exposed to the credit risk. However, for financial instruments such as credit cards, credit lines and overdraft facilities that include a loan and an unused commitment component, the Bank’s contractual ability to demand repayment and to cancel the unused commitment does not limit the Bank’s exposure to loan losses during the contractual notice period. For such financial instruments, the Bank measures the expected credit-risk loss for the period historically observed to be the average life of these instruments.

Collective analysis

When the expected credit-risk loss is measured collectively, the financial instruments are grouped based on common risk characteristics, such as instrument type, customer type, credit-risk level as measured by the rating or scoring system, type of collateral, date of initial recognition, relationship between loan and value of the guarantee (LTV) and incorporation of forward-looking information.

The groupings are reviewed regularly to ensure that each group comprises homogeneous exposures.

In relation to the calculation of the expected loss through collective analysis, the same results from the product of the financial asset's PD, LGD and EAD, discounted at the original effective interest rate of the asset.

Individual analysis

The process of impairment loss quantification through individual analysis is applied to customers with individually significant (exposure greater than 1 million Euros or lower when approved) Stage 3 exposure (assets impaired and in default).

The process involves the calculation of an estimated loss, considering foreseeable future cash flows under several different scenarios, each using specific factors and circumstances of the customers, namely execution of guarantees in situations in which customers do not generate sufficient cash flows for the payment of the debt, or projection and discounting of the cash flows of the deal for the remaining customers. The net present value of the cash flows is calculated considering the original effective interest rate of the contracts.

This assessment process is updated at least every quarter but occurs more frequently if there are changes of circumstances that may affect the cash flow scenarios.

Incorporation of forward-looking information

The Bank's Office of Economic Studies models economic-forecast scenarios for the Bank's various planning exercises, namely budgeting, strategic planning and ICAAP. In this context, different macroeconomic scenarios are generated, including two acid (pessimistic) scenarios, one base scenario and two optimistic scenarios.

For impairment-loss purposes, an acid (pessimistic) scenario (21.9%), a base scenario (48.7%), an optimistic scenario (12.7%) and a climate/downside scenario (16.7%) are used. The Bank applies probabilities to the forecast scenarios identified. The base scenario is the most likely outcome and consists of information used by the Bank for strategic planning and budgeting. The estimates are updated at least once a year and are subject to annual monitoring exercises.

d) Leases

Right of use and lease liability measurement method

IFRS 16 defines a set of requirements, namely regarding the classification and measurement of lease transactions from the lessee's perspective. As a lessee, the Bank records a right-of-use asset that is recognised in the captions "Property, plant and equipment" and "Intangible assets" (Note 11) and a lease liability that is recognised in the caption "Financial liabilities measured at amortised cost - other financial liabilities - commitments for future rents" (Note 15), on the date of entry into force of the respective transaction:

i. The lease liability is measured at the present value of the future rents to be incurred during the term of the contract, using a discount rate differentiated by maturity. Fixed payments, variable payments that depend on a rate or index, values relating to the exercise of the call option, are considered when estimating the liability, when the Bank is reasonably certain that it will exercise its right.

   The lease liability is remeasured whenever a contractual change occurs, and the moment the lease liability is revalued the effects of the revaluation are recognised against the right-of-use (asset). If there is a change in the term of the contract or a change in the assessment of the exercise of the option, a new discount rate must be estimated, and the liability is consequently remeasured.

ii. The right of use is initially measured at cost by the value of the lease liability, adjusted for subsequent contractual changes, being depreciated using the straight-line method until the end of the contract, and subject to impairment tests. The expenses to be incurred with the dismantling or removal of these assets become part of the right-of-use asset.

Use of practical expedients provided for in the standard

The Bank applies a set of practical expedients provided for in the standard, namely: low-value leases; short-term leases and the non-inclusion of initial direct expenses incurred in calculating the right of use; when measuring lease liabilities, the non-lease components included in lease contracts are not separated.

e) Property, plant and equipment

Property, plant and equipment used by the Bank to carry on its business are measured at purchase cost (including directly attributable expenses), less accumulated depreciation and impairment losses, when applicable.

Depreciation of property, plant and equipment is accrued systematically, in monthly instalments, over the period of the estimated useful life of the assets, which corresponds to the period during which the assets are expected to be available for use, as detailed hereunder:

	Years of useful life
Property for own use	50
Equipment	4 to 10

Non-recoverable expenditures incurred with construction work on buildings that are not owned by the Bank (leased) are depreciated over a period compatible with their expected useful life, or the lease contract, if less, which on average corresponds to a period of ten years. Maintenance and repair expenses are recognised under the caption “Administrative expenses - Other administrative expenses”.

Whenever there is an indication that property, plant and equipment may be impaired, an estimate of their recoverable value is made. To this end, the branches are considered cash flow generating units, and impairment losses are recorded in situations where the recoverable amount of the property where the branch is located, through its use in the operations or through its sale, is less than its net carrying amount. Impairment losses are recognised in the statement of profit or loss, and they are reversed in subsequent reporting periods when the reasons for their initial recognition cease. To this end, the new depreciable amount shall not exceed its carrying amount had impairment losses not been assigned to the asset, considering the depreciation that it would have undergone.

The criteria followed in the valuation of property normally consider the market comparison method, and the valuation amount corresponds to the market value of the property in its current state.

The own-use properties not allocated to the operations with promissory purchase / sale agreements are accounted in the caption “Non-current assets and disposal groups classified as held for sale” and those that are available for sale are accounted for under Other assets. These assets are transferred at their net carrying amount in accordance with IAS 16 (purchase cost, net of accumulated depreciation and impairment losses), being tested for impairment at the time of the reclassification and subsequently undergoing periodic valuations to determine possible impairment losses.

Gains and losses on the sale of these assets are recognised under “Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations”.

f) Intangible assets

The Bank records under this caption expenditure incurred during the development stage of projects relating to information technologies implemented and being implemented, as well as those relating to software purchased; in every case where their expected impact will be reflected in years subsequent to that in which they are realised.

Amortisation of intangible assets is accrued, monthly, over their estimated period of useful life, which is three years on average.

Internally developed software is recognised under intangible assets when, among other requirements, it can be verified that they are usable and capable of being sold and, additionally, that they are identifiable, and it is possible to demonstrate their ability to generate future economic benefits.

g) Investment property

Investment property comprise buildings and land held by Novimovest - Fundo de Investimento Imobiliário Aberto (hereinafter also referred to as “Novimovest Fund” or “Novimovest Real Estate Fund”) to earn income or for capital appreciation or both, and not for use in the provision of goods or services or for management purposes.

Investment properties are measured at fair value, determined by periodic valuations performed by specialised independent entities. Changes in the fair value of investment property are recognised directly in the statement of profit or loss for the financial year.

Expenses incurred with investment property in use, namely maintenance, repairs, insurance and property taxes (municipal property tax) are recognised in the statement of profit or loss for the financial year to which they refer. Betterments that are expected to generate additional future economic benefits are capitalised.

h) Non-current assets and disposal groups classified as held for sale

The Bank essentially recognises under the caption “Non-current assets and disposal groups classified as held for sale” real estate (elsewhere also referred to as property), equipment and other assets received by way of payment in kind for the payment of overdue loan transactions when they are available for immediate sale in their present condition and there is a likelihood of their sale within a one-year period. If they do not meet these criteria, those assets are carried under the caption “Other assets” (Note 13).

Regarding assets received as payment in kind, they are initially recognised at the lower of their fair value, less expected selling expenses and the carrying amount of the loans granted constituting the object of the recovery. On the other hand, assets recovered following the termination of finance lease contracts are recorded in assets at the value of the principal owed at the date of termination of the contract. Subsequently, these assets are measured at the lower of the initial recognition amount and fair value less selling expenses, and they are not depreciated. Unrealised losses on these assets, thus determined, are recorded in profit or loss.

Real estate is subject to periodic valuations performed by independent appraisers. As described in Note 14 the methodology most frequently used by the Bank to value this type of asset is the market method. Under this method, the market comparison criterion is based on transaction values of real estate similar and comparable to the real estate under study obtained through market prospecting carried out in the area where it is located.

If, on a subsequent date, the facts that led to the recording of impairment losses no longer exist due to an increase of the fair value less selling expenses, the impairment losses will be reverted up to the limit of the amount that the assets would have had they not been reclassified to this caption.

The Bank does not recognise potential gains on these assets.

i) Provisions

A provision is recognised when there is a present (legal or constructive) obligation resulting from past events in respect of which there will be a probable outflow of funds that can be determined reliably. The amount of the provision corresponds to the best estimate of the amount to be disbursed to settle the liability on the reporting date, in accordance with the information provided by the Bank's legal and tax consultants.

In this way, the caption "Provisions" includes provisions set aside to cover, namely, the post-employment benefits specific to certain former members of the Bank's Board of Directors, restructuring plans approved by the Executive Committee, ongoing legal proceedings and other specific risks arising from its business.

j) Employee post-employment benefits

The Bank endorsed the Collective Bargaining Agreement (CBA) for the banking industry, and therefore its employees or their families are entitled to retirement, disability and survivor pensions.

For employees admitted to the Bank up until December 31, 2008, the existing pension plan was a defined benefit plan, in that it established the criteria for the determination of the value of the pension that an employee would receive during retirement based on the length of service provided and the respective remuneration on retirement, the pensions being updated annually on the basis of the remuneration provided for in the CBA for personnel in service. For these employees, the Bank is liable for the full amount of the pensions provided for in the CBA.

To cover the liabilities under this defined benefit plan, the Bank has a Pension Fund.

As from January 1, 2009, employees taken on by the Bank came to be included in Social Security and are covered by a supplementary defined-contribution pension plan and by the rights acquired under Clause 93 of the CBA. The plan is funded through contributions by employees (1.5%) and by the Bank (1.5%), calculated based on the actual monthly remuneration. For this purpose, each employee can opt for an open pension fund at his or her choice.

Employees of the former totta have always been enrolled in Social Security, and therefore the Bank's liability regarding the defined benefit plan in respect of those employees has consisted of the payment of retirement supplements.

In October 2010 an agreement was concluded between the Ministry of Labour and Social Solidarity, the Portuguese Banks Association and the Financial Sector Federation (FEBASE), for the inclusion of banking sector employees in the General Social Security Regime. As a result of that agreement, Decree-Law 1-A/2011, of January 3, was published in 2011, which determined that banking sector workers who were in active service on the date of its entry into force (January 4, 2011) would be covered by the General Social Security Regime, as regards old-age pension and in the event of maternity, paternity and adoption. In view of the supplementary nature laid down in the rules of the Collective Bargaining Agreement of the Banking Sector, the Bank continues to cover the difference between the amount of the benefits paid under the General Social Security Regime for the events included and those laid down under the terms of that Agreement.

Liabilities for past services recognised as at December 31, 2010, were not altered with the publication of the aforesaid Decree-Law, since the reduction of the amount of the pensions payable by the Bank related to workers in active service was applicable to the future services of the employees, beginning on January 1, 2011. Thus, the cost of the current service fell as from that date, but the Bank came to bear the Single Social Charge (TSU) of 23.6%. On the other hand, the Bank is still liable for the payment of invalidity and survivor pensions and healthcare benefits.

Following the approval by the Government of Decree-Law 127/2011, of December 31, a Tripartite Agreement has been established between the Government, the Portuguese Banks Association and the Bank Employees Union on the transfer to the sphere of Social Security of the liabilities for pensions payable to retirees and pensioners as at December 31, 2011.

This Decree-Law established that the liabilities to be transferred correspond to pensions payable as at December 31, 2011, at constant values (update rate of 0%) in the component provided for in the CBA. The liabilities in respect of the updates of the pensions, supplementary benefits, contributions to the SAMS on retirement and survivor pensions, death allowances and deferred survivor pensions are still the responsibility of the institutions.

Additionally, employees of the Bank's former London Branch (now representation office) are covered by a defined benefit pension plan, for which the Bank has a separate pension fund.

On the other hand, in February 2010, a supplementary defined-contribution pension plan was approved for several directors of the Bank, insurance having been taken out for the purpose.

On December 20, 2015, following the resolution measure applied by the Bank of Portugal to Banif, the Bank took over the pension liabilities of several Banif employees.

In June 2022, the Board of Directors of the Insurance and Pension Fund Supervisory Authority (ASF) decided to authorise the extinction of the Bank's stake and, in October 2022, Santander Pensões – Sociedade Gestora de Fundos de Pensões, S.A. began to manage the Banif Pension Fund that includes the defined benefit and defined contribution plans. On July 5, 2023, the ASF authorised the extinction through transfer of the Banif pension fund and the change in the constitutive contract of the Santander pension fund. In this sense, as at October 31, 2023, the merger of the Banif pension fund in the Santander pension fund took place.

On August 8, 2016, the Ministry of Labour published a new CBA in the Work and Employment Bulletin (BTE). The most significant changes were the following:

i) Change in the formula for determining the employer's contribution to the SAMS, which is no longer a percentage of the pension but rather a fixed amount (Euros 94.80 per beneficiary and Euros 41.03 in the case of pensioners); and
ii) Introduction of a new benefit called "End of career bonus" (pension bonus). This benefit, because it is allocated on the date of retirement or in the event of death, is considered a post-employment benefit and therefore comes to form part of the retirement liabilities.

On December 27, 2017, within the scope of the purchase and merger of BAPOP, the Bank assumed the pension liabilities of all employees of this entity.

The Bank's liabilities for retirement pensions are calculated by external experts (Mercer (Portugal), Limitada) based on the Projected Unit Credit method. The discount rate used in actuarial studies is determined based on the market rates of the bonds of companies of high quality in terms of credit risk, denominated in the currency in which the benefits will be paid (Euros) and with maturity similar to the end date of the obligations of the plan. The post-employment benefits of employees also include healthcare (SAMS), as well as the death allowance and the bonus on retirement.

According to IAS 19 - "Employee Benefits" remeasurements are recorded directly in equity (other comprehensive income) and under the caption "Administrative expenses - Staff expenses" of the statement of profit or loss, the following components are recognised:

- Cost of current services;
- Net interest with the pension plan;
- Expenses incurred with early retirement, corresponding to the increase of liabilities on retirement; and
- Gains and losses resulting from the alteration of the conditions of the plan.

The net interest with the pension plan is calculated by the Bank by multiplying the net asset / liability involved in retirement pensions (liabilities less the fair value of the Fund's assets) by the discount rate used in determining the retirement-pension liabilities. Thus, net interest represents the interest cost associated with the retirement-pension liabilities net of the theoretical return on the Fund's assets, both measured based on the discount rate used in the calculation of the liabilities.

Remeasurement gains and losses, namely: (i) actuarial gains and losses resulting from differences between actuarial assumptions used and the amounts actually incurred (gains and losses of experience), as well as changes of actuarial assumptions, and (ii) gains and losses arising from the difference between the theoretical returns on the Fund's assets and the amounts obtained, are recognised in the statement of profit or loss with a contra-entry in "Other comprehensive income".

Retirement-pension liabilities, less the fair value of the assets of the Pension Fund, are carried under the captions "Other assets" or "Other liabilities," depending on the existence of surplus or insufficient funding. Recognition of a surplus of the fair value of the plan's assets over its discounted liabilities depends on the existence of a reduction of future contributions, or on the reimbursement of contributions made.

Bank of Portugal Notice No. 4/2005 determines the obligation of full funding by the Pension Fund of the liabilities for pensions payable and a minimum level of funding of 95% of the past-service liabilities of personnel in service.

k) Corporate Tax

The Bank is subject to the tax system established in the Corporate Tax Code (IRC). Current taxes are calculated based on the Bank's taxable income, determined in accordance with the tax rules approved or substantively approved on the financial reporting date.

Following the promulgation of Law No. 2/2014, of January 16 (IRC Reform) and the wording given by the State Budget Law for 2024 (Law No. 82/2023), the taxation of corporate profits for the financial years 2024 and 2023, is as follows:

- IRC rate of 21% on taxable income;
- Municipal surcharge at a rate between 0% and 1.5% on taxable income;
- State surcharge at a variable rate on taxable income according to the following levels:
  - Up to Euros 1,500 thousand - 0%
  - between n Euros 1,500 thousand and Euros 7,500 thousand - 3%
  - between Euros 7,500 thousand and Euros 35,000 thousand - 5%
  - more than Euros 35,0 00 thousand - 9%.

Therefore, the aforementioned changes implied that the tax rate used by the Bank in calculating and recording deferred taxes was 31%.

According to the State Budget for 2023 (Law no. 24-D/2022), regarding the deduction of tax losses, there is no longer a time limitation for carrying them forward. However, the annual limit for their deduction from taxable income is reduced to 65%, increased by ten percentage points for tax losses determined in the 2020 and 2021 tax periods.

This change applies to the deduction of losses from taxable income for tax periods beginning on or after January 1, 2023, as well as tax losses determined in tax periods prior to that date, for which the deduction period is still ongoing on the date of entry into force of this law.

Law No. 98/2019, of September 4, approved a new regime on impairments of credit and other financial institutions, also establishing the regime applicable to impairment losses recorded in previous tax periods and not yet accepted for tax purposes.

The Santander Group decided to apply, as from financial year 2017, the Special Taxation of Groups of Companies Regime (RETGS). Under this regime, the Group's taxable income / tax loss corresponds to the sum of the taxable income / tax loss that comes to be determined by the controlling company through the algebraic sum of the tax profit or loss determined in the periodic separate statements of each company. The companies covered by this scheme are: Santander Totta, SGPS - the controlling company; and Taxagest, Bank, Totta Urbe and Gamma - controlled companies. The gain obtained by application of the RETGS is allocated to the entities in question in a manner proportional to the taxable income of each company.

Deferred tax assets and liabilities correspond to the amount of the tax recoverable and payable in future years resulting from timing differences between the carrying amount of an asset or liability and its tax base. Tax credits are also recorded as deferred tax assets.

Deferred tax liabilities are recognised on all taxable timing differences, except those related to: i) the initial recognition of goodwill; or ii) the initial recognition of assets and liabilities, which do not result from a business combination, and which at the date of the transaction neither affect the accounting or tax profit or loss, nor give rise to equivalent taxable and deductible timing differences.

The Bank does not recognise deferred tax assets or liabilities for the deductible or taxable timing differences associated with investments in subsidiaries and associates, as it is not likely that the difference will revert in the foreseeable future.

Deferred tax assets are recognised when they are expected to be recoverable and up to the amount that it is likely that there will be future taxable profits that will accommodate the deductible timing differences.

Deferred tax assets and liabilities have been calculated based on the tax rates approved or substantially approved on the reporting date, which constitute the best estimate of the rate to be in force for the financial year when it is expected that the asset will be realised, or the liability incurred.

Current taxes and deferred taxes are reflected in profit or loss, with the exception of taxes relating to transactions directly recorded in equity, namely, potential gains and losses on Financial assets at fair value through other comprehensive income, on cash flow hedging derivatives, as well as those associated with actuarial deviations relating to pension liabilities, which are also recorded in equity captions.

On December 15, 2022, Directive 2022/2523 was approved, guaranteeing a global minimum level of taxation for groups of companies which annual income volume is equal to or greater than Euros 750 million. This Directive, commonly known as the Pillar 2 Directive, follows the model rules developed by the OECD and introduces a new tax on income when the effective tax rate of Group entities in one of its jurisdictions, calculated in accordance with the model rules, is less than 15%. In this context, on May 23, 2023, the European Union published an amendment to IAS 12 – Income taxes, to contemplate the rules of the aforementioned Directive. In Portugal, the transposition deadline of December 31, 2023 was not met, and at the date of these financial statements there were no conditions for this standard to be considered already substantially adopted in this jurisdiction. However, based on the available information and estimates made, the Bank's Board of Directors does not anticipate material impacts resulting from the application of Pillar 2 standards in the sphere of the Group to which the Bank belongs, in Portugal, without prejudice to the relevant administrative burdens that its implementation may entail.

The Board of Directors periodically reviews the position assumed in the preparation of the tax returns in relation to situations in which the application of the tax regime is subject to interpretation and assesses whether it is likely that the Tax Administration will accept the adopted tax treatment. The Bank measures the assets / liabilities arising from uncertain income tax positions, considering the most likely value or the expected value, whichever is more appropriate in each circumstance.

l) Banking sector contribution and Solidarity tax on the banking sector

The Bank is covered by the banking sector contribution scheme defined in Law No. 55-A/2010, of December 31.

With the publication of Law 27-A/2020, of July 27, the Bank is now also covered by the Solidarity tax on the banking sector. This contribution aims to strengthen the financing mechanisms of the social security system.

These contributions have the same calculation basis, the only variant being the rates applied to the bases:

a) The liabilities calculated and approved by the taxpayer less the base ("Tier 1") and ancillary ("Tier 2") capital and the deposits covered by the Deposit Guarantee Fund. From the liabilities thus calculated are deducted:

   - Elements which in accordance with the applicable accounting standards are recognised as equity;
   - Liabilities associated with the recognition of defined benefit plan liabilities;
   - Liabilities for provisions;
   - Liabilities resulting from the revaluation of derivative financial instruments;
   - Deferred income, without considering those related to liability transactions; and
   - Liabilities for assets not derecognised in securitisation transactions.

b) The notional value of derivative financial instruments off balance sheet calculated by taxpayers, except for hedging financial instruments or which exposure is mutually compensated.

For the banking sector contribution, the rates applicable to the incidence bases defined in points a) and b) above are 0.110% and 0.0003%, respectively, as provided for in the amendment made by Ordinance No. 165 - A/2016, of June 14, to Article 5 of Ordinance No. 121/2011, of March 30.

For the Additional solidarity tax on the banking sector, the rates applicable to the bases of incidence defined in points a) and b) above are 0.02% and 0.00005%, respectively.

m) Treasury shares

Treasury shares are recorded as a debit in the capital accounts at the purchase cost and are not subject to revaluation, with the portion of the dividend to be distributed in respect of these shares being retained under equity. Gains and losses realised on the sale of treasury shares, as well as the respective taxes, are recorded directly in equity, not affecting the financial year's profit or loss.

n) Equity instruments

An instrument is classified as an equity instrument when there is no contractual obligation for its settlement to be made through the delivery of cash or another financial asset, regardless of its legal form, showing a residual interest in the assets of an entity after deducting all its liabilities.

Costs directly attributable to the issue of equity instruments are recorded against equity as a deduction from the amount of the issue. Amounts paid and received for purchases and sales of equity instruments are recorded under equity, net of transaction costs. Distributions made on account of equity instruments are deducted from equity as dividends when declared.

o) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the Bank's shareholders by the weighted average number of outstanding common shares, excluding the average number of common shares acquired by the Bank and held as treasury shares.

For the calculation of diluted earnings per share, the weighted average number of outstanding common shares is adjusted to reflect the effect of all potential diluting common shares.

p) Provision of insurance brokerage services

The Bank uses the accrual-accounting principle in relation to income from the provision of insurance brokerage services - commissions. Thus, income is recorded as and when generated, regardless of the time of payment or receipt. The amounts receivable are subject to impairment loss analyses.

The Bank does not collect insurance premiums on behalf of insurers, nor does it handle funds relating to insurance contracts. There is therefore no other asset, liability, income or expense to report in respect of the insurance brokerage business carried on by the Bank, other than those already disclosed.

q) Cash and cash equivalents

For purposes of the preparation of the Statement of cash flows, the Bank considers as “Cash and cash equivalents” the balance of the caption “Cash, cash balances at central banks and other demand deposits” in that the items carried under this caption have a maturity period not exceeding 3 months, and their risk of change of value is immaterial.

2. MAIN ESTIMATES AND UNCERTAINTIES REGARDING THE APPLICATION OF THE ACCOUNTING POLICIES

Estimates and judgements impacting the Bank's consolidated financial statements are continually assessed, representing on each reporting date the Board of Directors' best estimate, considering historical performance, accumulated experience and expectations as to future events that, in the circumstances in question, are believed to be reasonable.

The intrinsic nature of the estimates may lead to that the actual reflection of the situations that have been estimated may, for financial reporting purposes, differ from the estimated amounts.

Employee post-employment benefits (Note 33)

Retirement and survivor pensions are estimated based on actuarial valuations carried out by external experts certified by the Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF). These estimates incorporate a set of financial and demographic assumptions, including the discount rate, mortality and invalidity tables, pension and salary growth, among others. The discount rate used to determine the liabilities was calculated by reference to the market rates of low-risk corporate bonds of a term similar to that of the settlement of the liabilities. Salary and pension growth estimates were determined considering the historical ratio between inflation and the CBA table growth. The mortality table used was based on the recommendation of the actuary.

The assumptions adopted correspond to the best estimate of the Bank's Board of Directors regarding the future behaviour of the variables mentioned above.

Valuation of financial instruments not traded on active markets (Note 36)

Valuation models or techniques are used in the valuation of financial instruments not traded on active markets. Accordingly, the valuations obtained correspond to the best estimate of the fair value of those instruments on the reporting date.

The fair value of the instrument is estimated using valuation techniques that include price valuation models or discounted cash flow techniques. When discounted cash flow techniques are used, the future cash flows are estimated in accordance with management's expectations, and the discount rate used corresponds to the market rate for financial instruments of similar characteristics.

To ensure an appropriate segregation of duties, the value of those financial instruments is determined by a body independent of the trading function.

Determination of impairment losses (Notes 9, 16 and 36)

Impairment losses on loans are calculated as indicated in Note 1.3 (c). In this way, the determination of impairment through individual analysis corresponds to the judgement of the Board of Directors regarding the economic and financial situation of its customers, and to its estimate of the value of the guarantees associated with the respective loans, with the consequent impact on expected future cash flows. The determination of impairment through collective analysis is performed based on parameters for comparable types of operations, such as instrument type, customer type, credit-risk level as measured by the rating or scoring system, type of collateral, date of initial recognition, relationship between loan and value of the guarantee (LTV), and inclusion of prospective information.

Other assets and non-current assets and disposal groups classified as held for sale (Notes 13 and 14)

Property, equipment and other assets received as payment in kind or auction for the payment of overdue loan transactions are initially measured at the lower of their fair value, net of their expected selling costs, and the book value of the loan granted object of the recovery. Property is subject to periodic valuations conducted by independent evaluators that incorporate several assumptions, namely regarding the evolution of the real estate market and, when applicable, expectations as to the development of real-estate projects. The assumptions used in the valuation of these properties have an impact on their valuation and hence on the determination of the impairment. Whenever the value resulting from these valuations (net of selling expenses) is lower than the value at which the properties are accounted for, impairment losses are recorded.

As described in Note 14, the methodology most frequently used by the Bank to value this type of asset is the market method. Under this method, the market comparison criterion is based on transaction values of real estate similar and comparable to the real estate under study obtained through market prospecting carried out in the area where it is located.

Taxes (Note 12)

Recognition of deferred tax assets assumes the existence of profits and future taxable income. Additionally, current and deferred taxes were determined based on the interpretation of current tax legislation. Thus, changes to tax laws or to their interpretation by the relevant authorities may have an impact on the amount of current and deferred taxes. For the purpose of analysis of the recoverability of deferred tax assets (tax losses), the Bank projects taxable profits based on assumptions. Thus, the recoverability of deferred tax assets depends on the implementation of the strategy of the Bank's Board of Directors.

Determination of the outcome of legal proceedings in progress and restructuring (Notes 16 and 38)

The outcome of the legal proceedings in progress, as well as the respective amount of the provision corresponding to the best estimate of the amount to be disbursed to settle the liability on the balance sheet date, is assessed in accordance with the opinion of the Bank's lawyers / legal advisers and decisions of the courts to date, which, however, might not come about. Regarding the restructuring plans, the charges arising from the constructive obligation of reorganising were considered, with the definition of the actions to be developed supported by a detailed formal plan with minimum elements of approach and quantification and identification of the impacted factors.

3. DISCLOSURES BY SEGMENTS

Under the terms of IFRS 8, disclosures by operating segment are presented below in accordance with the information as analysed by the Bank's Management (Executive Committee):

Corporate Investment Banking:

Essentially includes the Bank's business on the financial markets and with large enterprises, involving provision of financial advisory services, namely Corporate and Project Finance, as well as brokering, custody and settlement of securities services.

Retail Banking:

Essentially refers to operations of granting loans and attracting resources related to private customers and businesses with a turnover of less than Euros 10 million, channelled through the branch network, and services provided by complementary channels.

Corporate Banking:

This area comprises businesses with a turnover between Euros 10 million and Euros 125 million. This business is underpinned by the branch network, corporate centres and specialised services, and includes several products, namely loans and project, trade, exports and real-estate financing.

Corporate Activities:

This area includes the entire business carried on at the Bank that supports the main activities but is not directly related to the customers' business areas, including liquidity management, balance-sheet hedging, and the Bank's structural funding.

The breakdown of the consolidated statement of profit or loss by operating segment for the half-years ended June 30, 2024 and 2023, is as follows:

	30-06-2024				
	Corporate Investment Banking	Retail Banking	Corporate Banking	Corporate Activities	Total
Net interest income	45,724	555,445	73,234	178,437	852,840
Dividend income	-	-	-	8,216	8,216
Net fee and commission income	29,193	207,913	14,043	(18,821)	232,328
Gains / Losses on financial operations [1]	10,725	3,730	1,268	(2,978)	12,745
Other operating income / expenses	-	1,343	-	3,235	4,578
Total operating income, net	**85,642**	**768,431**	**88,545**	**168,089**	**1,110,707**
Administrative expenses	(14,694)	(213,161)	(9,000)	(1,003)	(237,858)
Cash contributions to resolution funds and deposit guarantee schemes	-	-	-	(7,713)	(7,713)
Depreciation	(418)	(18,444)	(383)	-	(19,245)
Operating margin	**70,530**	**536,826**	**79,162**	**159,373**	**845,891**
Impairment and provisions, net of reversals [2]	65	(14,709)	7,400	(1,338)	(8,582)
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-	-	-	4,329	4,329
Other profit or loss, net	-	-	-	(35,303)	(35,303)
Profit or loss before tax from continuing operations	**70,595**	**522,117**	**86,562**	**127,061**	**806,335**
Tax expense or income related to profit or loss from continuing operations	(21,884)	(161,856)	(26,834)	(43,985)	(254,559)
Attributable to non-controlling interests	-	-	-	(2)	(2)
Profit or loss for the period	**48,711**	**360,261**	**59,728**	**83,074**	**551,774**

	30-06-2023				
	Corporate Investment Banking	Retail Banking	Corporate Banking	Corporate Activities	Total
Net interest income	53,607	579,508	66,554	(118,439)	581,230
Dividend income	-	-	-	1,684	1,684
Net fee and commission income	34,831	203,938	10,029	(16,127)	232,671
Gains / Losses on financial operations [1]	7,555	4,323	571	(733)	11,716
Other operating income / expenses	11	1,514	-	2,496	4,021
Total operating income, net	**96,004**	**789,283**	**77,154**	**(131,119)**	**831,322**
Administrative expenses	(14,795)	(206,830)	(7,998)	(1,411)	(231,034)
Cash contributions to					
resolution funds and deposit guarantee schemes	-	-	-	(23,644)	(23,644)
Depreciation	(657)	(20,961)	(427)	-	(22,045)
Operating margin	**80,552**	**561,492**	**68,729**	**(156,174)**	**554,599**
Impairment and provisions, net of reversals [2]	2,002	(39,279)	6,786	(7,616)	(38,107)
Profit or loss from non-current assets and disposal groups					
classified as held for sale not qualifying as discontinued operations	-	-	-	2,487	2487
Other profit or loss, net	-	-	-	(38,316)	(38,316)
Profit or loss before tax from continuing operations	**82,554**	**522,213**	**75,515**	**(199,619)**	**480,663**
Tax expense or income related to profit or loss					
from continuing operations	(25,588)	(161,886)	(23,410)	46,590	(164,294)
Attributable to non-controlling interests	-	-	-	(1)	(1)
Profit or loss for the period	**56,966**	**360,327**	**52,105**	**(153,030)**	**316,368**

1 Includes the following captions in the consolidated statement of profit or loss:

- Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net;
- Gains or losses on financial assets and liabilities held for trading, net;
- Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net;
- Gains or losses from hedge accounting, net;
- Exchange differences, net;
- Gains or losses on derecognition of non-financial assets, net.

2 This aggregate includes the following captions in the consolidated statement of profit or loss:

- Provisions or reversal of provisions;
- Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss;
- Impairment or reversal of impairment on non-financial assets.

As at June 30, 2024 and December 31, 2023, the breakdown of the assets and liabilities allocated to each operational segment, in accordance with information analysed by the Bank's Management for decision-making, is as follows:

	30-06-2024				
	Corporate Investment Banking	Retail Banking	Corporate Banking	Corporate Activities	Total
Assets					
Financial assets at fair value through other comprehensive income – loan and advances	-	-	-	2,390,489	2,390,489
Financial assets at amortised cost					
Mortgage loans	-	22,652,625	-	-	22,652,625
Consumer loans	-	1,835,886	-	-	1,835,886
Other loans	2,647,770	5,991,177	5,577,641	5,188,307	19,404,895
Other balances receivable	-	56,440	-	534,377	590,817
Total allocated assets	**2,647,770**	**30,536,128**	**5,577,641**	**8,113,173**	**46,874,712**
Total non-allocated assets					9,007,913
Total Assets					**55,882,625**
Liabilities					
Financial liabilities measured at amortised cost					
Deposits - Credit institutions	-	-	-	5,007,726	5,007,726
Deposits - Customers	798,341	28,351,947	8,026,992	-	37,177,280
Debt securities issued	-	-	-	5,960,547	5,960,547
Total allocated liabilities	**798,341**	**28,351,947**	**8,026,992**	**10,968,273**	**48,145,553**
Total non-allocated liabilities					3,204,636
Total Liabilities					**51,350,189**
Guarantees and sureties given (Off-balance sheet)	**135,410**	**534,809**	**1,349,902**	**-**	**2,020,121**

	31-12-2023				
	Corporate Investment Banking	Retail Banking	Corporate Banking	Corporate Activities	Total
Assets					
Financial assets at fair value through other comprehensive income – loan and advances	-	-	-	2,427,889	2,427,889
Financial assets at amortised cost					
Mortgage loans	-	22,035,220	-	-	22,035,220
Consumer loans	-	1,788,525	-	-	1,788,525
Other loans	2,651,008	5,921,185	5,164,049	3,808,286	17,544,528
Other balances receivable	-	61,689	-	439,724	501,413
Total allocated assets	**2,651,008**	**29,806,619**	**5,164,049**	**6,675,899**	**44,297,575**
Total non-allocated assets					10,289,007
Total Assets					**54,586,582**
Liabilities					
Financial liabilities measured at amortised cost					
Deposits - Central banks	-	-	-	706,835	706,835
Deposits - Credit institutions	-	-	-	5,042,435	5,042,435
Deposits - Customers	728,556	28,238,013	6,382,236	280,600	35,629,405
Debt securities issued	-	-	-	5,921,731	5,921,731
Total allocated liabilities	**728,556**	**28,238,013**	**6,382,236**	**11,951,601**	**47,300,406**
Total non-allocated liabilities					3,170,088
Total Liabilities					**50,470,494**
Guarantees and sureties given (Off-balance sheet)	**143,458**	**577,798**	**1,280,359**	**-**	**2,001,615**

As at June 30, 2024 and December 31, 2023, the Bank did not have relevant business in any geography besides that of the domestic business.

The accounting policies used in preparing the financial information by segments were consistent with those described in Note 1.3 of these Notes to the financial statements.

4. GROUP COMPANIES AND TRANSACTIONS THAT OCCURRED DURING THE YEAR

As at June 30, 2024 and December 31, 2023, the subsidiaries and associates, and their most significant financial data, extracted from the respective financial statements, excluding IAS / IFRS conversion adjustments, can be summarised as follows:

	Direct Shareholding (%)		Effective Shareholding (%)		Net assets		Equity		Profit or loss for the period	
Company	30-06-2024	31-12-2023	30-06-2024	31-12-2023	30-06-2024	31-12-2023	30-06-2024	31-12-2023	30-06-2024	31-12-2023
BANCO SANTANDER TOTTA, S.A.	Holding	Holding	Holding	Holding	57,445,150	56,259,325	4,476,230	4,052,783	558,876	943,190
TOTTA (IRELAND), PLC (1)	100.00	100.00	100.00	100.00	487,636	507,818	459,667	474,720	9,003	1,732
TOTTA URBE - EMP.ADMIN. E CONSTRUÇÕES, S.A. (2)	100.00	100.00	100.00	100.00	89,590	87,620	86,783	85,751	1,022	(1,820)
TAXAGEST, SGPS,SA	99.00	99.00	99.00	99.00	56,241	56,019	56,195	55,993	202	268
NOVIMOVEST - Fundo de Investimento Imobiliário Aberto	78.74	78.74	78.71	78.71	161,213	179,935	157,049	175,464	1,787	3,079
GAMMA, Sociedade Financeira de Titularização de Créditos, S.A.	100.00	100.00	100.00	100.00	8,077	7,837	7,892	7,702	190	372
HIPOTOTTA NO. 4 PLC	-	-	-	-	358,623	387,411	(6,250)	(5,778)	(472)	(3,895)
HIPOTOTTA NO. 5 PLC	-	-	-	-	392,421	418,937	(17,172)	(16,108)	(1,064)	(5,199)
HIPOTOTTA NO. 4 FTC	-	-	-	-	296,237	324,868	294,189	323,226	24	(1,175)
HIPOTOTTA NO. 5 FTC	-	-	-	-	328,540	354,149	325,276	349,935	(13)	(286)
Securitisation operations managed by Gamma STC	-	-	-	-	1,829,853	2,049,963	-	-	-	-

As at June 30, 2024 and December 31, 2023, the business, the location of the registered office, and the consolidation method used for the companies included in the consolidation were as follows:

Company	Activity	Registered office	Consolidation method
BANCO SANTANDER TOTTA, S.A.	Banking	Portugal	Holding
TOTTA (IRELAND), PLC (1)	Investment management	Ireland	Full
TOTTA URBE - Emp.Admin. e Construções, S.A. (2)	Property management	Portugal	Full
TAXAGEST, SGPS, S.A.	Shareholding management	Portugal	Full
HIPOTOTTA nº 4 PLC	Investment management	Ireland	Full
HIPOTOTTA nº 5 PLC	Investment management	Ireland	Full
HIPOTOTTA nº 4 FTC	Securitised loans fund	Portugal	Full
HIPOTOTTA nº 5 FTC	Securitised loans fund	Portugal	Full
Securitisation operations managed by Gamma STC	Securitised loans fund	Portugal	Full
NOVIMOVEST - Fundo de Investimento Imobiliário Aberto	Real Estate Fund	Portugal	Full
GAMMA, Sociedade Financeira de Titularização de Créditos, S.A.	Securitisation management	Portugal	Full

(1) Due to this subsidiary having closed its economic period on November 30, the amounts reflected in the "Profit or loss for the financial year" columns correspond to the Net income determined between December 1, 2023 and June 30, 2024 (December 1, 2023 and December 31, 2023).

(2) The equity of this subsidiary includes supplementary capital contributions amounting to Euros 99,760 thousand.

In accordance with IFRS 10, the Group includes in its consolidated financial statements the special purpose entities (SPEs) created within the scope of the securitisation operations when it controls them, that is, when it holds the majority of the risks and benefits associated with their business, namely, the bonds that they issued with a higher degree of subordination – "equity pieces".

As at June 30, 2024 and December 31, 2023, the Novimovest Fund balance sheet was as follows:

	30-06-2024	31-12-2023
Real estate portfolio	133,550	138,032
Accounts receivable	3,915	4,297
Cash and banks	23,619	37,442
Accruals and deferrals	129	164
	161,213	179,935
Fund capital	157,049	175,464
Adjustments and provisions	1,756	1,842
Accounts payable	1,161	1,141
Accruals and deferrals	1,247	1,488
	161,213	179,935

As at June 30, 2024 and 2023, the consolidated profit or loss includes a gain of Euros 1,407 thousand and Euros 469 thousand, respectively, attributable to the Novimovest Fund (Note 20).

5. CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS

The composition of this caption is as follows:

	30-06-2024	31-12-2023
Cash	387,852	391,055
Demand deposits at central banks		
European Central Bank (ECB)	4,230,352	5,669,789
Other demand deposits at credit institutions		
Demand deposits	232,746	223,916
	4,770,950	6,284,760

According to the current regulations, credit institutions established in the participating Member States are subject to setting aside minimum reserves in accounts held with the participating national central banks. The basis of incidence includes all deposits at central banks and at financial and monetary institutions located outside the Eurozone, and all customer deposits with maturities of less than two years. A coefficient of 1% is applied to this base.

As at June 30, 2024 and December 31, 2023, the caption "Cash balances at central banks" includes funds to meet the requirements of the Eurosystem's Minimum Reserve System and overnight deposits through the Eurosystem's deposit facility. The component of cash available to meet the minimum reserve is not remunerated. As at June 30, 2024 and December 31, 2023, the investments under the overnight liquidity absorption mechanism were remunerated at 3.75% and 4%, respectively.

6. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

The captions of financial assets and liabilities held for trading have the following composition:

	30-06-2024	31-12-2023
Financial assets held for trading		
Derivatives with positive fair value	1,776,609	1,465,544
Financial liabilities held for trading		
Derivatives with negative fair value	1,783,312	1,475,977

As at June 30, 2024 and December 31, 2023, the typologies of the derivatives recorded in these captions, are as follows:

	30-06-2024				31-12-2023			
	Notional value	Assets	Liabilities	Net	Notional value	Assets	Liabilities	Net
Forwards								
Purchases	174,220	1,510	1,090	420	227,357	1,715	1,537	178
Sales	173,775				227,174			
Currency swaps								
Purchases	830,517	1,959	275	1,684	759,211	159	4,057	(3,898)
Sales	828,778				762,662			
Interest rate swaps	28,932,782	1,731,741	1,740,596	(8,855)	27,117,082	1,423,167	1,429,985	(6,818)
Equity swaps	522,525	35,065	35,058	7	541,089	32,876	32,879	(3)
Currency options								
Purchases	105,895	1,112	1,113	(1)	120,850	1,007	942	65
Sales	105,895				120,850			
Equity options								
Purchases	102,103	2,975	2,974	1	96,981	2,649	2,640	9
Sales	102,103				96,981			
Interest rate caps & floors	740,617	2,247	2,206	41	670,466	3,971	3,937	34
	32,619,210	1,776,609	1,783,312	(6,703)	30,740,703	1,465,544	1,475,977	(10,433)

As at June 30, 2024, the captions of financial assets and liabilities held for trading are reduced by, approximately, Euros 1,096 thousand and Euros 2,246 thousand of "Credit Value Adjustments" and "Debit Value Adjustments", respectively (Euros 1,640 thousand and Euros 2,960 thousand as at December 31, 2023, respectively), in accordance with the methodology described in Note 36.

As at June 30, 2024 and December 31, 2023, almost all the trading derivative financial instruments were hedged through a back-to-back strategy with Banco Santander, S.A..

7. NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

The composition of this caption is as follows:

	Fair value	
Description	30-06-2024	31-12-2023
Equity Instruments	22,777	24,627

The movement in this caption during the first half of 2024 and the financial year of 2023 was as follows:

	31-12-2023	Purchases	Redemptions / Amortisations / Liquidations / Sales	Unrealised gains / losses (Note 26)	30-06-2024
Equity Instruments	24,627	23	(1,803)	(70)	22,777

	31-12-2022	Purchases	Redemptions / Amortisations / Liquidations / Sales	Unrealised gains / losses	Realised gains / losses	31-12-2023
Equity Instruments	32,126	51	(9,054)	4,086	(2,582)	24,627

The redemptions that occurred in the first half of 2024 and the financial year of 2023 resulted from the recurring activity of the Bank.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The composition of this caption is as follows:

30-06-2024

	Purchase cost	Interest receivable	Hedge adjustment	Fair Value Reserve: Positive reserve	Fair Value Reserve: Negative reserve	Fair Value Reserve: Total	Other	Impairment (Note 16)	Carrying amount
Debt instruments									
Issued by public residents	1,200,554	13,473	(48,618)	53,574	(8,278)	45,296	(1,339)	-	1,209,366
Equity instruments	113,839	-	-	72,324	(10,833)	61,491	-	-	175,330
Loans and advances	2,300,000	67,803	(3,092)	25,778	-	25,778	-	-	2,390,489
	3,614,393	81,276	(51,710)	151,676	(19,111)	132,565	(1,339)	-	3,775,185

31-12-2023

	Purchase cost	Interest receivable	Hedge adjustment	Fair Value Reserve: Positive reserve	Fair Value Reserve: Negative reserve	Fair Value Reserve: Total	Other	Impairment (Note 16)	Carrying amount
Debt instruments									
Issued by public residents	1,201,058	30,511	(49,254)	72,420	(6,070)	66,350	(1,509)	-	1,247,156
Equity instruments	110,814	-	-	72,256	(10,833)	61,423	-	-	172,237
Loans and advances	2,300,000	31,153	(10,826)	107,562	-	107,562	-	-	2,427,889
	3,611,872	61,664	(60,080)	252,238	(16,903)	235,335	(1,509)	-	3,847,282

The loans and advances correspond to a direct medium- / long-term loan to the Portuguese State.

The movement under this caption during the first half of 2024 and the financial year of 2023 was as follows:

	31-12-2023	Purchases	Redemptions / Amortisations / Liquidations / Sales	Unrealised gains / losses	Interest / Hedging Other	30-06-2024
Equity instruments	172,237	3,055	(30)	68	-	175,330
Debt instruments	1,247,156	-	(504)	(21,054)	(16,232)	1,209,366
	1,419,393	3,055	(534)	(20,986)	(16,232)	1,384,696

	31-12-2022	Purchases	Redemptions / Amortisations / Liquidations /Sales	Transfers	Gains / Losses Realised through Profit or loss	Gains / Losses Unrealised	Gains / Losses Realised through Equity	Interest / Hedging / Other	Impairment	31-12-2023
Equity instruments	149,097	1,782	(2,554)	37,114	1,386	(9,790)	(4,797)	(1)	-	172,237
Debt instruments	2,005,745	-	(766,141)	-	15,750	13,811	-	(22,032)	23	1,247,156
	2,154,842	1,782	(768,695)	37,114	17,136	4,021	(4,797)	(22,033)	23	1,419,393

During the first half of 2023, the Bank transferred Unicre's shareholding from the Investments in subsidiaries, joint ventures and associates portfolio, to the Financial assets at fair value through other comprehensive income portfolio. This transfer was carried out at fair value, determined by external experts and taking as reference the financial statements as at December 31, 2022. The dividends received in the amount of Euros 4,356 thousand was set off against the Investments in subsidiaries, joint ventures and associates portfolio and the remainder was recognised in profit or loss under the caption "Gains or losses on derecognition of investments in subsidiaries, joint ventures and associates, net".

In December 2023, the Bank sold Euros 750,000 thousand of public debt bonds, which generated a gain of Euros 15,750 thousand. The interest-rate risk of this financial asset was hedged, with the early cancellation of the hedging generating an impact on results of Euros 32,023 thousand, recorded under the caption "Gains or losses on financial assets and liabilities held for trading, net", thus complying with the rules of hedge accounting.

The Bank carries out an annual valuation of its material equity instruments.

The sub-caption "Debt instrument issued by public residents" presented the following characteristics:

	30-06-2024				31-12-2023			
Description	Acquisition cost	Interest receivable	Gains / Losses and other	Carrying amount	Acquisitio n cost	Interest receivable	Gains / Losses and other	Carrying amount
National public issuers								
. Maturity up to three years	1,046,498	12,247	2,988	1,061,733	1,046,690	28,660	20,966	1,096,316
. Maturity between three and five years	99,918	497	(6,501)	93,914	99,905	149	(5,511)	94,543
. Maturity between five and ten years	53,653	725	(1,083)	53,295	53,976	1,698	173	55,847
. Maturity over ten years	485	4	(65)	424	487	4	(41)	450
	1,200,554	13,473	(4,661)	1,209,366	1,201,058	30,511	15,587	1,247,156

9. FINANCIAL ASSETS AT AMORTISED COST

The "Debt securities" sub-caption has the following composition:

	30-06-2024	31-12-2023
Securitised credit		
. Commercial paper	2,697,002	2,525,191
. Bonds	6,298,234	4,668,258
Interest receivable	95,866	118,593
Value adjustments of hedged assets	(2,365)	(66,320)
Deferred income	(54,334)	(1,094)
	9,034,404	7,244,628
Impairment of debt securities (Note 16)	(2,587)	(2,262)
	9,031,817	7,242,366

The “Loans and advances” sub-caption has the following composition:

	30-06-2024	31-12-2023
Loans and advances - Customers		
To corporate customers		
Overdrafts and current account loans	1,132,903	980,255
Factoring loans	1,602,236	1,507,087
Commercial book - other	169,988	157,155
Finance leasing	952,086	895,636
Loans	6,634,963	6,906,385
Other advances	36,093	37,202
To individuals		
Overdrafts and current account loans	85,081	84,607
Finance leasing	101,817	115,022
Loans	24,306,032	23,665,200
Other advances	476,441	472,982
	35,497,642	34,821,531
Interest receivable	137,912	138,740
Value adjustments of hedged assets	(38,069)	(39,323)
Deferred income	(7,115)	(7,380)
	92,727	92,037
	35,590,369	34,913,568
Other balances receivable		
Margin / Escrow accounts	268,526	171,475
Cheques to collect	56,440	61,689
Sundry debtors and other cash equivalents	256,286	250,571
	581,252	483,735
Loans and advances - Credit institutions		
Loans	16,503	24,782
Interest receivable and deferred income	3	5
	16,506	24,787
Loans and advances	36,188,127	35,422,090
Impairment of loans and advances - Customers and other balances receivable	(735,645)	(794,669)
Impairment of loans and advances - Credit institutions	(75)	(101)
Impairment of loans and advances (Note 16)	(735,720)	(794,770)
	35,452,407	34,627,320

In the first half of 2024 and the financial year of 2023, portfolios of loans granted to individuals and companies were sold, with a carrying amount of Euros 85,646 thousand and Euros 266,940 thousand, respectively. As a result of these transactions, gains were recorded in the amount of Euros 7,015 thousand and losses in the amount of Euros 18,204 thousand, in the first half of 2024 and the financial year of 2023, respectively (Note 16).

As at June 30, 2024 and December 31, 2023, the caption “Loans and advances - Customers - To individuals” included mortgage loans, assigned to the autonomous net assets of the covered bonds issued by the Bank, in the amounts of Euros 12,577,402 thousand and Euros 11,284,130 thousand, respectively (Note 15).

The sub-caption “Sundry debtors and other cash equivalents” includes Euros 157,699 thousand originating from the tax losses of Banif (Note 12).

The movement in impairment losses during the first half of 2024 and the financial year of 2023 is presented in Note 16.

The division, by stage, of the portfolio of financial assets at amortised cost, has the following breakdown:

	30-06-2024			31-12-2023		
	Gross amount	Impairment	Coverage	Gross amount	Impairment	Coverage
Stage 1	40,864,142	(48,286)	0.12%	37,845,975	(45,550)	0.12%
Stage 2	3,499,031	(212,747)	6.08%	3,927,180	(246,056)	6.27%
Stage 3	859,358	(477,274)	55.54%	893,563	(505,426)	56.56%
	45,222,531	(738,307)		42,666,718	(797,032)	

The non-productive assets, net of impairment, are detailed as follows by counterpart and default date:

30-06-2024

Counterparts	Non-performing exposures, net	With reduced probability of payment, but not overdue or overdue by <= 90 days	Overdue > 90 days <= 180 days	Overdue > 180 days <= 5 years	Overdue > 5 years
Loans and advances					
Public sector	124	124	-	-	-
Credit institutions	139	139	-	-	-
Other financial companies	460	3	10	447	-
Non-financial companies	187,608	123,561	8,692	39,989	15,366
Individuals	193,753	110,023	22,933	56,807	3,990
Total financial assets at amortised cost	**382,084**	**233,850**	**31,635**	**97,243**	**19,356**

31-12-2023

Counterparts	Non-performing exposures, net	With reduced probability of payment, but not overdue or overdue by <= 90 days	Overdue > 90 days <= 180 days	Overdue > 180 days <= 5 years	Overdue > 5 years
Loans and advances					
Public sector	88	88	-	-	-
Credit institutions	118	118	-	-	-
Other financial companies	454	4	421	29	-
Non-financial companies	212,114	140,304	11,883	45,317	14,610
Individuals	175,363	85,603	31,397	54,014	4,349
Total financial assets at amortised cost	**388,137**	**226,117**	**43,701**	**99,360**	**18,959**

The evolution that occurred in the exposure and in the impairment of the financial assets at amortised cost in the first half of 2024 and the financial year of 2023, was as follows:

	Financial assets at amortised cost				Impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as at 31-12-2022	35,735,981	4,973,001	1,088,278	41,797,260	64,379	274,751	607,166	946,296
Transfers:								
Stage 1 to 2	(1,990,668)	1,990,668	-	-	(8,358)	127,883	-	119,525
Stage 1 to 3	(81,385)	-	81,385	-	(761)	-	43,990	43,229
Stage 2 to 3	-	(146,903)	146,903	-	-	(18,520)	70,476	51,956
Stage 2 to 1	688,317	(688,317)	-	-	2,481	(33,084)	-	(30,603)
Stage 3 to 2	-	60,690	(60,690)	-	-	9,589	(32,065)	(22,476)
Stage 3 to 1	2,297	-	(2,297)	-	10	-	(1,000)	(990)
Idiosyncratic overlay 2022	1,688,000	(1,688,000)	-	-	-	(101,000)	-	(101,000)
Mortgages overlay	(59,000)	59,000	-	-	-	7,000	-	7,000
Other	-	-	-	-	-	-	7,010	7,010
Write-offs and sales	-	-	(267,784)	(267,784)	-	-	(203,332)	(203,332)
Origination, net of amortisations	1,862,433	(632,959)	(92,232)	1,137,242	(12,201)	(20,563)	13,181	(19,583)
Balance as at 31-12-2023	37,845,975	3,927,180	893,563	42,666,718	45,550	246,056	505,426	797,032
Transfers:								
Stage 1 to 2	(950,169)	950,169	-	-	(2,657)	51,653	-	48,996
Stage 1 to 3	(29,348)	-	29,348	-	(140)	-	15,517	15,377
Stage 2 to 3	-	(127,558)	127,558	-	-	(22,359)	55,115	32,756
Stage 2 to 1	872,780	(872,780)	-	-	2,600	(46,914)	-	(44,314)
Stage 3 to 2	-	28,768	(28,768)	-	-	4,861	(10,487)	(5,626)
Stage 3 to 1	7	-	(7)	-	-	-	(3)	(3)
Other	-	-	-	-	-	(10,780)	14,560	3,780
Write-offs and sales	-	-	(86,441)	(86,441)	-	-	(67,413)	(67,413)
Origination, net of amortisations	3,124,897	(406,748)	(75,895)	2,642,254	2,933	(9,770)	(35,441)	(42,278)
Balance as at 30-06-2024	40,864,142	3,499,031	859,358	45,222,531	48,286	212,747	477,274	738,307

Bearing in mind the high uncertainty regarding the future impacts of the pandemic, as well as the lack of comparable historical information that may not be properly captured by the models in the calculated risk parameters, the Bank approved, in financial year 2020, a procedure of impairment overlays, which regulates the analysis of impairment in exceptional situations that are not properly captured by the models used in the calculation made by the Bank, due to the nature and/or particularities of same. Under this procedure, as at June 30, 2024 and December 31, 2023, the Bank applied an impairment overlay to the impairment model, with the aim of reflecting the impacts, in a comprehensive and prudent manner:

- Mortgages overlay - as this is a portfolio subject to some systematic risk due to the interest rate context and the uncertainty regarding the evolution of the real estate market, the Bank, after analysis, decided to apply an overlay for customers with a level of income lower than Euros 1,000 and an effort rate higher than 50%, as these customers have higher default rates and transitions to stage 2. This overlay led to a reclassification of Euros 509 million of exposure from stage 1 to stage 2.

10. DERIVATIVES - HEDGE ACCOUNTING

The composition of these captions is as follows:

	30-06-2024					
	Carrying amount		Notional value			
Type of financial instrument	Assets	Liabilities	Up to 3 months	Between 3 months and 1 year	More than 1 year	Total
Hedging derivative instruments						
Fair value hedges						
Interest rate swaps						
Liabilities and loans	91,887	14,338	293,620	689,273	3,387,372	4:370,265
Financial assets at fair value through other comprehensive income	85,523	9,865	1,800,000	-	3,396,000	5,196,000
Equity swaps	232	1,150	-	102,103	-	102,103
Cash flow hedges						
Interest rate swaps	6,039	-	-	-	3,000,000	3,000,000
	183,681	25,353	2,093,620	791,376	9,783,372	12,668,368

	31-12-2023					
	Carrying amount		Notional value			
Type of financial instrument	Assets	Liabilities	Up to 3 months	Between 3 months and 1 year	More than 1 year	Total
Hedging derivative instruments						
Fair value hedges						
Interest rate swaps						
Liabilities and loans	117,411	3,924	20,764	382,089	3,211,985	3,614,838
Financial assets at fair value through other comprehensive income	117,479	21,278	-	1,800,000	3,396,000	5,196,000
Equity swaps	86	846	-	7,431	89,550	96,981
Cash flow hedges						
Interest rate swaps	24,855	-	-	-	3,000,000	3,000,000
	259,831	26,048	20,764	2,189,520	9,697,535	11,907,819

As at June 30, 2024, the captions "Derivatives – hedge accounting" are deducted from approximately Euros 29 thousand and Euros 5 thousand of "Credit Value Adjustments" and "Debit Value Adjustments", respectively (Euros 97 thousand and Euros 1 thousand as at December 31, 2023, respectively), in accordance with the methodology described in Note 36.

The Bank carries out hedging transactions within the scope of its business, managing its own positions based on expectations as to the evolution of the markets, satisfying the needs of its customers, or hedging positions of a structural nature. The interest-rate risk implicit in the securitisation operations and mortgage / covered bond issues are also managed by the Bank through the contracting of derivative financial instruments.

The Bank trades derivatives, namely in the form of exchange-rate or interest-rate contracts or a combination of both. These transactions are carried out in over-the-counter (OTC) markets.

Over-the-counter derivatives trading is usually based on a standard bilateral contract, which encompasses the set of operations over derivatives existing between the parties. In the case of inter-professional relationships, a Master Agreement of the International Swaps and Derivatives Association (ISDA). In the case of relationships with customers, a Bank contract.

In these types of contracts, offsetting liabilities are provided for in the event of default (this offsetting is provided for in the contract and is governed by Portuguese law and, for contracts with foreign counterparties or executed under foreign law, in the relevant jurisdictions).

The derivatives contract may also include a collateralisation agreement of the credit risk generated by the transactions governed by it. It should be noted that the derivatives contract between two parties usually covers all OTC derivative transactions carried out between these two parties, be they used for hedging or not.

In accordance with the standard, parts of operations commonly known as "embedded derivatives" are also separated and accounted for as derivatives, in a manner such as to recognise the fair value of these operations in profit or loss.

All derivatives (embedded or autonomous) are measured at fair value.

Derivatives are also recorded in off-balance-sheet accounts at their theoretical value (notional value). The notional value is the reference value for the calculation of flows of payments and receipts originated by the operation.

The fair value corresponds to the estimated value that the derivatives would have if they were traded on the market on the reference date.

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The composition of this caption is as follows:

Investment property

During the financial year of 2013, following the subscription of several participation units, the Bank came to consolidate, using the full consolidation method, the Novimovest Real Estate Fund, which main assets are rental property.

As at June 30, 2024 and December 31, 2023, the property held by the Novimovest Real Estate Fund had the following characteristics:

	30-06-2024	31-12-2023
Land		
Urbanised	12,748	13,332
Non-urbanised	-	686
Finished constructions		
Leased	110,544	109,491
Non-leased	10,258	14,523
	133,550	138,032

On the other hand, during the first half of 2024 and the financial year of 2023, the property held by the Novimovest Real Estate Fund generated, among other, the following annual income and expenses:

	30-06-2024	31-12-2023
Lease rentals (Note 28)	3,780	8,052
Taxes	(223)	(507)
Condominium charges	(215)	(226)
Maintenance and repairs	(85)	(446)
Insurance	(45)	(102)
	3,212	6,771

The movement under the sub-caption "Investment property", during the first half of 2024 and the financial year of 2023, was as follows:

	2024				
	Balance as at 31-12-2023	Additions	Fair value adjustment	Sales	Balance as at 30-06-2024
Property held by Novimovest Real Estate Fund	138,032	-	(708)	(3,774)	133,550

	2023				
	Balance as at 31-12-2022	Additions	Fair value adjustment	Sales	Balance as at 31-12-2023
Property held by Novimovest Real Estate Fund	179,211	-	(3,081)	(38,098)	138,032

The effect of the valuation at fair value of the property held by the Novimovest Real Estate Fund is recorded in the statement of profit or loss under the caption "Other operating income and expenses" (Note 28).

Investment property held by the Group are valued bi-annually, or more frequently if an event occurs in the meantime raising doubts as to the value of the latest valuation conducted by specialised, independent entities in accordance with the method described in Note 14.

As at June 30, 2024 and December 31, 2023, the form of the determination of the fair value of the investment property in accordance with the levels set out in IFRS 13 is as follows:

	Level 3	
	30-06-2024	31-12-2023
Investment property	133,550	138,032

Property, plant and equipment and Intangible assets

The movement under these captions during the first half of 2024 and the financial year of 2023 can be presented as follows:

	2024												
	31-12-2023				Write-offs and sales		Transfers to other assets			30-06-2024			
	Gross amount	Accumulated depreciation	Impairment	Additions	Gross amount	Accumulated depreciation	Gross amount	Accumulated depreciation	Depreciation	Gross amount	Accumulated depreciation	Impairment	Carrying amount
			(Note 16)				(Note 13)					(Note 16)	
Property, plant and equipment													
Property													
. Property for own use	326,471	(132,679)	(6,146)	45	-	-	(596)	63	(3,133)	325,920	(135,749)	(6,146)	184,025
. Leasehold expenditure	9,999	(7,360)	-	9	(429)	429	-	-	(243)	9,579	(7,174)	-	2,405
. Rights of use (Note 15)	44,932	(25,536)	-	-	-	-	-	-	(2,276)	44,932	(27,812)	-	17,120
. Other property	167	(84)	-	1	-	-	-	-	(1)	168	(85)	-	83
	381,569	(165,659)	(6,146)	55	(429)	429	(596)	63	(5,653)	380,599	(170,820)	(6,146)	203,633
Equipment	112,712	(58,774)	-	4,638	(1,679)	1,177	19	2	(5,018)	115,690	(62,613)	-	53,077
Other property, plant and equipment	2,133	(34)	-	-	-	-	-	-		2,133	(34)	-	2,099
	114,845	(58,808)	-	4,638	(1,679)	1,177	19	2	(5,018)	117,823	(62,647)	-	55,176
	496,414	(224,467)	(6,146)	4,693	(2,108)	1,606	(577)	65	(10,671)	498,422	(233,467)	(6,146)	258,809
Intangible assets													
Software	115,151	(84,178)	-	8,803	-	-	-	-	(8,574)	123,954	(92,752)	-	31,202
Other intangible assets	2,009	(2,009)	-	-	-	-	-	-	-	2,009	(2,009)	-	-
Goodwill	1,160	-	-	-	-	-	-	-	-	1,160	-	-	1,160
	118,320	(86,187)	-	8,803	-	-	-	-	(8,574)	127,123	(94,761)	-	32,362

	2023												
	31-12-2022				Write-offs and sales		Transfers to other assets			31-12-2023			
	Gross amount	Accumulated depreciation	Impairment	Additions	Gross amount	Accumulated depreciation	Gross amount	Accumulated depreciation	Depreciation	Gross amount	Accumulated depreciation	Impairment	Carrying amount
			(Note 16)				(Note 13)					(Note 16)	
Property, plant and equipment													
Property													
. Property for own use	327,742	(127,068)	(6,146)	2	-	-	(1,273)	688	(6,299)	326,471	(132,679)	(6,146)	187,646
. Leasehold expenditure	9,441	(7,272)	-	967	(409)	409	-	-	(497)	9,999	(7,360)	-	2,639
. Rights of use (Note 15)	43,690	(21,104)	-	1,836	(594)	140	-	-	(4,572)	44,932	(25,536)	-	19,396
. Other property	167	(83)	-	-	-	-	-	-	(1)	167	(84)	-	83
	381,040	(155,527)	(6,146)	2,805	(1,003)	549	(1,273)	688	(11,369)	381,569	(165,659)	(6,146)	209,764
Equipment	143,388	(96,836)	-	26,415	(57,074)	55,939	(17)	10	(17,887)	112,712	(58,774)	-	53,938
Other property, plant and equipment	2,176	(77)	-	-	(43)	43	-	-		2,133	(34)	-	2,099
	145,564	(96,913)	-	26,415	(57,117)	55,982	(17)	10	(17,887)	114,845	(58,808)	-	56,037
	526,604	(252,440)	(6,146)	29,220	(58,120)	56,531	(1,290)	698	(29,256)	496,414	(224,467)	(6,146)	265,801
Intangible assets													
Software	157,270	(122,987)	-	21,746	(63,865)	63,865	-	-	(25,056)	115,151	(84,178)	-	30,973
Other intangible assets	2,009	(2,009)	-	-	-	-	-	-	-	2,009	(2,009)	-	-
Goodwill	1,160	-	-	-	-	-	-	-	-	1,160	-	-	1,160
	160,439	(124,996)	-	21,746	(63,865)	63,865	-	-	(25,056)	118,320	(86,187)	-	32,133

12. TAX ASSETS AND LIABILITIES

The composition of these captions is as follows:

	30-06-2024	31-12-2023
Current tax assets	14,814	2,117
Deferred tax assets	149,379	163,872
	164,193	165,989
Current tax liabilities		
Santander Totta, SGPS, S.A.	237,220	377,921
Other	945	1,415
Deferred tax liabilities	112,559	153,566
	350,724	532,902
Deferred taxes	36,820	10,306

Taxes in the statement of profit or loss have the following composition:

	30-06-2024	31-12-2023
Current taxes	(240,060)	(389,573)
Deferred taxes	(14,499)	(29,316)
	(254,559)	(418,889)

The movement in deferred tax assets and liabilities during the first half of 2024 and the financial year of 2023, is as follows:

	Balance as at 31-12-2023	Other comprehensive income	Profit or loss	Balance as at 30-06-2024
Provisions / Impairment temporarily not accepted for tax purposes:				
. Deferred tax assets	63,496	-	(8,327)	55,169
. Deferred tax liabilities	(5,222)	-	-	(5,222)
Revaluation of property, plant and equipment:				
. Deferred tax assets	572	-	(143)	429
. Deferred tax liabilities	(1,477)	-	46	(1,431)
Intangible assets	3,798	-	(1,154)	2,644
Pensions:				
. Early retirement pensions	50,812	-	(3,009)	47,803
. Retirement pensions	3,942	-	59	4,001
. Transfers of pension liabilities to Social Security	2,586	-	(162)	2,424
Financial assets at fair value through other comprehensive income	(113,384)	35,162	-	(78,222)
Hedging derivatives - cash flow	(7,726)	5,851	-	(1,875)
Financial assets at fair value through profit or loss	34,399	-	(2,062)	32,337
Securitisation operations	(22,446)	-	65	(22,381)
Other	956	-	188	1,144
	10,306	41,013	(14,499)	36,820

	Balance as at 31-12-2022	Other comprehensive income	Profit or loss	Balance as at 31-12-2023
Provisions / Impairment temporarily not accepted for tax purposes:				
. Deferred tax assets	86,306	-	(22,810)	63,496
. Deferred tax liabilities	(5,222)	-	-	(5,222)
Revaluation of property, plant and equipment:				
. Deferred tax assets	858	-	(286)	572
. Deferred tax liabilities	(1,576)	-	99	(1,477)
Intangible assets	923	-	2,875	3,798
Pensions:				
. Early retirement pensions	56,501	-	(5,689)	50,812
. Retirement pensions	3,513	-	429	3,942
. Transfers of pension liabilities to Social Security	2,909	-	(323)	2,586
Financial assets at fair value through other comprehensive income	(109,570)	(3,814)	-	(113,384)
Hedging derivatives - cash flows	47,394	(55,120)	-	(7,726)
Financial assets at fair value through profit or loss	38,733	-	(4,334)	34,399
Securitisation operations	(22,777)	-	331	(22,446)
Other	564	-	392	956
	98,556	(58,934)	(29,316)	10,306

To use the deferred taxes carried over from Banif, on May 29, 2018, the Bank submitted a replacement Model 22 (Corporate Income Tax) return, regarding the 2015 financial year. The submission of that tax return was motivated by the calculation of the result of Banif's 2015 financial year and the approval, by the Minister of Finance, of the request for the transfer of Banif's deferred taxes to the Bank (as per Order No. 138/2018/MF, of March 9, 2018). However, by Order of the Deputy Director of the Major Taxpayers Unit dated November 26, 2019 ("Order of the Tax Authority"), the Bank was only recognised the right to use Banif's deferred taxes for the years 2009 through 2014. As it disagreed with the Order of the Tax Authority, on January 13, 2020 the Bank filed a hierarchical appeal to the Minister of Finance. On June 30, 2020, the Sub-Director-General of the Tax Management - Income Taxes area decided to dismiss the hierarchical appeal submitted. Even though the Order of the Tax Authority and the Order of the Sub-Director-General only recognised the Bank's right to take advantage of Banif's deferred taxes in the total amount of Euros 92,301 thousand, the Bank has the right - under the agreement with the Portuguese authorities involved in Banif's resolution proceedings – to a compensation of Euros 157,699 thousand, in cash or treasury bills. To comply with this decision, the Bank transferred, in financial year 2020, the amount in question from this caption to the caption "Financial assets at amortised cost – Loans and advances - Customers - Sundry debtors and other cash equivalents" (Note 9).

Dividends distributed to the Bank by subsidiaries and associates located in Portugal or in a European Union Member State are not taxed within the sphere of the prior as a result of the application of the arrangements provided for in Article 51 of the Corporate Tax Code that provides for the elimination of double taxation of distributed profits.

The tax authorities are entitled to review the Bank's tax situation during a period of four years (five years for Social Security), except in cases where there are tax losses carried forward and any other tax deduction or credit, situations in which the expiry date is that of the financial year in which that right is exercised.

The Bank was subject to tax inspections up to and including the financial year of 2020. The corrections made to taxable income covered various matters and most are merely timing corrections.

As for the additional assessments received, the Bank paid off the amounts assessed. Nevertheless, the majority of the additional assessments were subject to administrative claim and/or judicial review.

The Santander Group decided to apply, as from 2017, the Special Taxation of Groups of Companies Regime (RETGS). This new regime is reflected in the algebraic sum of the tax profit or loss determined in the separate periodic returns of each company. The companies covered by this scheme are: Santander Totta, SGPS - the controlling company; and Taxagest, Bank, Totta Urbe, and Gamma - controlled companies.

13. OTHER ASSETS

The composition of this caption is as follows:

	30-06-2024	31-12-2023
Other income receivable		
Placement of securities funds	4,110	3,912
Credit operations	50	50
Other services rendered	17,521	17,167
Other	2,269	2,270
Promises of payment in kind, auctions and other assets received as payment in kind	42,892	47,747
Gold, other precious metals, coins and medals	3,145	3,145
Deferred expenses	72,971	31,415
Liabilities - pensions and other benefits (Note 33)		
Liabilities - BST	(1,090,894)	(1,089,386)
BST Pension Fund book value	1,111,939	1,130,449
Liabilities – London Branch	(29,834)	(31,175)
London Branch Pension Fund book value	33,588	32,815
Liabilities - ex-Popular	(148,331)	(147,425)
Ex-Popular Pension Fund book value	186,629	186,351
Values in transit and other transactions to be settled	60,511	38,333
	266,566	225,668
Impairment of non-financial assets (Note 16)	(23,846)	(28,336)
	242,720	197,332

The sub-caption “Income receivable – other services rendered” mainly includes fees receivable from insurers for the marketing of their insurance products (Note 32).

The movement in the sub-caption "Promises of payment in kind, auctions and other assets received as payment in kind" during the first half of 2024 and the financial year of 2023 was as follows:

	December 31, 2023							Impairment (Note 16)			June 30, 2024		
	Gross amount	Impairment (Note 16)	Carrying amount	Additions	Sales/ Write-offs	Transfers to/from NCAHFS (Note 14)	Transfers of property, plant and equipment (Note 11)	Increases	Reversals	Use	Gross amount	Impairment (Note 16)	Carrying amount
Assets received as payment in kind													
Real estate	6,532	(3,517)	3,015	-	-	54	-	(39)	188	-	6,586	(3,368)	3,218
Promises of payment in kind	103	(103)	-	-	-	-	-	-	-	-	103	(103)	-
Auctions	3,172	(1,075)	2,097	683	-	(1,534)	-	-	395	-	2,321	(680)	1,641
Other	13,839	(13,169)	670	340	(1,963)	(324)	-	(69)	1,442	549	11,892	(11,247)	645
Own use real estate for sale	11,950	(6,526)	5,424	153	(1,726)	-	512	(257)	191	894	10,889	(5,698)	5,191
Other real estate for sale	12,151	(3,946)	8,205	-	(1,050)	-	-	-	928	268	11,101	(2,750)	8,351
	47,747	(28,336)	19,411	1,176	(4,739)	(1,804)	512	(365)	3,144	1,711	42,892	(23,846)	19,046

	December 31, 2022							Impairment (Note 16)			December 31, 2023		
	Gross amount	Impairment (Note 16)	Carrying amount	Additions	Sales / Write-offs	Transfers to/from NCAHFS (Note 14)	Transfers of property, plant and equipment (Note 11)	Increases	Reversals	Use	Gross amount	Impairment (Note 16)	Carrying amount
Assets received as payment in kind													
Real estate	11,716	(5,283)	6,433	-	-	(5,184)	-	-	1,766	-	6,532	(3,517)	3,015
Promises of payment in kind	186	(186)	-	-	-	(83)	-	-	83	-	103	(103)	-
Auctions	3,917	(1,707)	2,210	1,388	-	(2,133)	-	(60)	655	37	3,172	(1,075)	2,097
Other	21,554	(20,410)	1,144	538	(6,795)	(1,458)	-	(69)	4,099	3,211	13,839	(13,169)	670
Own use real estate for sale	19,507	(10,982)	8,525	32	(8,181)	-	592	(51)	2,192	2,315	11,950	(6,526)	5,424
Other real estate for sale	32,524	(18,733)	13,791	-	(20,373)	-	-	(2,601)	3,217	14,171	12,151	(3,946)	8,205
	89,404	(57,301)	32,103	1,958	(35,349)	(8,858)	592	(2,781)	12,012	19,734	47,747	(28,336)	19,411

The determination of impairment losses is carried out in accordance with the methodology described in Note 15.

As at June 30, 2024 and December 31, 2023, the determination of fair value of "Promises of payment in kind, auctions and other assets received as payment in kind" in accordance with the levels defined in IFRS 13 is as level 3.

14. NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The movement under this caption in the first half of 2024 and the financial year of 2023, was as follows:

	December 31, 2023					Impairment (Note 16)			June 30, 2024		
	Gross amount	Accumulated impairment (Note 16)	Additions	Sales	Transfers from other assets (Note 13)	Increases	Reversals	Use	Gross amount	Accumulated impairment (Note 16)	Carrying amount
Assets received as payment in kind											
Real estate	35,864	(22,910)	2,975	(3,908)	1,804	(61)	29	722	36,735	(22,220)	14,515
Equipment	1,912	(1,746)	357	(435)	-	(259)	161	154	1,834	(1,690)	144
Other assets	22,445	-	851	(390)	-	-	-	-	22,906	-	22,906
	60,221	(24,656)	4,183	(4,733)	1,804	(320)	190	876	61,475	(23,910)	37,565

	December 31, 2022				Transfers from other assets	Impairment (Note 16)			December 31, 2023		
	Gross amount	Accumulated impairment (Note 16)	Additions	Sales	Capital (Note 13)	Increases	Reversals	Use and other	Gross amount	Accumulated impairment (Note 16)	Carrying amount
Assets received as payment in kind											
Real estate	68,490	(42,485)	68	(41,552)	8,858	(3,726)	481	22,820	35,864	(22,910)	12,954
Equipment	1,905	(1,702)	347	(340)	-	(468)	248	176	1,912	(1,746)	166
Other assets	17,541	-	9,801	(4,897)		-	-	-	22,445	-	22,445
	87,936	(44,187)	10,216	(46,789)	8,858	(4,194)	729	22,996	60,221	(24,656)	35,565

The properties are subject to periodic valuations carried out by independent valuers. Whenever the value resulting from these valuations (net of selling expenses) is lower than the value at which the properties are recorded, impairment losses are recorded. If, on a subsequent date, the facts that led the Bank to record impairment losses no longer occur, the Bank will reverse the impairment losses, up to the limit of the value that the assets would have had if they had not been reclassified as non-current assets held for sale.

The valuations of these properties are carried out in accordance with one of the following methods, applied according to the specific situation of the asset:

a) Market method

The market comparison criterion is based on real-estate transaction figures for similar property comparable to the property constituting the object of the study, obtained through market research conducted in the area where the property is located.

b) Income method

This method is intended to estimate the value of the property based on the capitalisation of its net rent, updated to the present moment, using the discounted cash flow method.

The valuations performed of the property referred to above are carried out by independent, specialised entities accredited by the Portuguese Securities Markets Commission (Comissão do Mercado de Valores Mobiliários ("CMVM")).

As at June 30, 2024 and December 31, 2023, the manner of determining the fair value of non-current assets held for sale in accordance with the levels defined in IFRS 13 is as level 3.

15. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

The sub-caption "Deposits" has the following composition:

	30-06-2024	31-12-2023
Deposits - Central banks		
Resources from European Central Bank - Deposits	-	706,835
	-	706,835
Deposits - Credit institutions		
Very short-term resources	15,398	17,262
Deposits	559,030	528,008
Sale operations with repurchase agreement	4,432,710	4,496,595
Interest payable / deferred expenses	588	570
	5,007,726	5,042,435
Deposits - Customers		
Demand deposits	20,668,923	20,255,031
Term deposits	16,061,370	14,883,567
Advance notice deposits	-	6,000
Structured deposits	137,006	131,695
Saving deposits	226,354	299,980
Interest and charges payable	85,499	55,244
Value adjustments for hedging operations	(1,872)	(2,112)
	37,177,280	35,629,405
	42,185,006	**41,378,675**

As at June 30, 2024 and December 31, 2023, the sub-caption "Deposits – Credit institutions – Sales operations with repurchase agreement" is broken down, by type of asset underlying the repo operations, as follows:

	30-06-2024				Remaining period		
	Capital	Interest	Deferred expenses	Total	Up to 3 months	3 months to 1 year	1 to 3 years
Debt instruments of domestic public issuers	-	-	-	-	-	-	-
Debt instruments of foreign public issuers	(1,182,011)	-	12,040	(1,169,971)	(574,866)	(595,105)	-
Debt instruments of other issuers	5,713,710	-	(111,029)	5,602,681	1,692,230	3,543,335	367,116
	4,531,699	-	(98,989)	4,432,710	1,117,364	2,948,230	367,116

	31-12-2023				Remaining period		
	Capital	Interest	Deferred expenses	Total	Up to 3 months	3 months to 1 year	1 to 3 years
Debt instruments of domestic public issuers	31,228	-	(236)	30,992	30,992	-	-
Debt instruments of foreign public issuers	(859,994)	-	10,537	(849,457)	(395,815)	(453,642)	-
Debt instruments of other issuers	5,434,524	-	(119,464)	5,315,060	1,786,596	2,719,638	808,826
	4,605,758	-	(109,163)	4,496,595	1,421,773	2,265,996	808,826

The sub-caption "Debt securities issued" has the following composition:

	30-06-2024			31-12-2023		
	Issued	Reacquired	Balance	Issued	Reacquired	Balance
Covered bonds						
Opening balance	9,769,900	(6,123,800)	3,646,100	8,600,000	(6,623,800)	1,976,200
Issued	2,061,500	(929,200)	1,132,300	2,669,900	(1,000,000)	1,669,900
Redeemed	(1,000,000)	-	(1,000,000)	(1,500,000)	1,500,000	-
Closing balance	10,831,400	(7,053,000)	3,778,400	9,769,900	(6,123,800)	3,646,100
Interest payable	-	-	34,567	-	-	37,199
Cost-related commissions	-	-	(5,394)	-	-	(18,869)
Hedging adjustments	-	-	(5,122)	-	-	7,417
	10,831,400	(7,053,000)	3,802,451	9,769,900	(6,123,800)	3,671,847
Bonds issued in the scope of securitisation operations						
Opening balance	2,715,184	(1,732,384)	982,800	3,182,259	(2,057,561)	1,124,698
Redeemed	(285,494)	130,830	(154,664)	(467,075)	325,177	(141,898)
Closing balance	2,429,690	(1,601,554)	828,136	2,715,184	(1,732,384)	982,800
Interest payable	-	-	246	-	-	1,267
Cost-related commissions	-	-	(28,190)	-	-	(31,265)
	2,429,690	(1,601,554)	800,192	2,715,184	(1,732,384)	952,802
Structured bonds						
Opening balance	294,175	(1,111)	293,064	254,282	(285)	253,997
Issued	112,900	-	112,900	141,600	-	141,600
Reacquired	(34,159)	-	(34,159)	-	(511)	(511)
Redeemed	-	-	-	(101,707)	-	(101,707)
Closing balance	372,916	(1,111)	371,805	294,175	(796)	293,379
Interest payable	-	-	4,790	-	-	5,455
Hedging adjustments	-	-	(123)	-	-	(238)
	372,916	(1,111)	376,472	294,175	(796)	298,596
Other bonds						
Opening balance	650,000	-	650,000	650,000	-	650,000
Closing balance	650,000	-	650,000	650,000	-	650,000
Interest payable	-		883	-		15,675
	650,000	-	650,883	650,000	-	665,675
Subordinated liabilities						
Opening balance	327,599	-	327,599	327,599	-	327,599
Closing balance	327,599	-	327,599	327,599	-	327,599
Interest payable	-	-	2,950	-	-	5,212
	327,599	-	330,549	327,599	-	332,811
	14,611,605	(8,655,665)	5,960,547	13,756,858	(7,856,980)	5,921,731

According to the law, holders of the covered bonds have a special creditor privilege over the autonomous assets and liabilities, which constitutes a guarantee of the debt to which the bondholders will have access in the event of the issuer's insolvency.

The conditions of the Debt securities issued are described in Appendix I.

Between May 2008 and June 2024, the Bank realised thirty-seven covered bond issues under the "€ 12,500,000,000 Covered Bonds Programme". As at June 30, 2024 and December 31, 2023, the covered bonds had an autonomous set of net assets consisting of:

	30-06-2024	31-12-2023
Loans and advances (Note 9)	12,577,402	11,284,130
Loan interest	45,117	42,615
Derivatives	(1,584,379)	(1,263,905)
	11,038,140	10,062,840

The sub-caption "Other financial liabilities" has the following composition:

	30-06-2024	31-12-2023
Cheques and orders payable	98,415	93,855
Creditors and other resources		
Creditors for futures operations	21,144	15,463
Contributions to other healthcare systems	1,704	1,716
Public sector	36,100	34,068
Creditors for factoring contracts	73,054	61,038
Creditors for supplies of goods	17,849	872
Creditors for amounts payables	41,896	6,006
Other	30,013	26,214
Commitments for future rents	17,425	19,705
	337,600	258,937

Commitments for future rents correspond to the adoption of IFRS 16, and their movements during the first half of 2024 and the financial year of 2023, are as follows:

	Lease liabilities	Right of use (Note 11)
Balance as at December 31, 2022	**22,790**	**22,586**
Depreciation 2023	(4,467)	(4,572)
Outs	(454)	(454)
Ins	323	1,836
Rent extensions and modifications	1,513	-
Balance as at December 31, 2023	**19,705**	**19,396**
Depreciation 2024	(2,280)	(2,276)
Balance as at June 30, 2024	**17,425**	**17,120**

During the same periods, the contractual cash flows are as follows:

	30-06-2024	31-12-2023
. Up to 1 year	3,995	4,542
. Up to 2 years	3,296	3,449
. Up to 3 years	3,084	3,144
. Up to 4 years	2,912	3,024
. Up to 5 years	1,914	2,799
. More than 5 years	2,224	2,747
	17,425	19,705

16. MOVEMENTS IN PROVISIONS AND IMPAIRMENT

The movement in Provisions during the first half of 2024 and the financial year of 2023 was as follows

	2024					
	31-12-2023	Increases	Reversals	Use	Transfers / Other	30-06-2024
Impairment for guarantees and commitments given (Note 22)	53,263	3,804	(6,592)	-	-	50,475
Restructuring	40,743	-	-	(14,481)	-	26,262
Other provisions	39,451	10,705	(1,083)	(305)	(6,500)	42,268
	133,457	14,509	(7,675)	(14,786)	(6,500)	119,005

	2023					
	31-12-2022	Increases	Reversals	Use	Transfers / Other	31-12-2023
Impairment for guarantees and commitments given (Note 22)	49,705	8,763	(5,205)	-	-	53,263
Restructuring	65,653	-	(13,500)	(11,410)	-	40,743
Other provisions	39,146	41,062	(8,627)	(2,130)	(30,000)	39,451
	154,504	49,825	(27,332)	(13,540)	(30,000)	133,457

The amount presented under the restructuring concept is intended to cover the commitments already assumed and disclosed to employees and not yet settled.

The sub-caption “Other provisions” presented the following detail:

	30-06-2024	31-12-2023
Pensions and other post-employment defined benefit obligations (Note 35)	10,508	10,508
Tax issues	5,250	5,250
Legal issues and pending tax disputes	4,939	4,644
Other provisions	21,571	19,049
	42,268	39,451

The movement in Impairment during the first half of 2024 and the financial year of 2023 was as follows:

	2024						
	31-12-2023	Increases	Reversals of impairment losses	Use and other	30-06-2024	Recoveries of uncollectibles and other	Gains / Losses on loan sales
Impairment or reversal of impairment of financial assets not measured							
at fair value through profit or loss:							
Impairment of debt securities (Note 9)	2,262	373	(48)	-	2,587	-	-
Impairment of loan and advances (Note 9)	794,770	43,890	(35,550)	(67,390)	735,720	2,747	(7,015)
	797,032	44,263	(35,598)	(67,390)	738,307	2,747	(7,015)
Impairment or reversal of impairment on non-financial assets:							
Property, plant and equipment (Note 11)	6,146	-	-	-	6,146	-	-
Other assets (Note 13)	28,336	365	(3,144)	(1,711)	23,846	-	-
Non-current assets held for sale (Note 14)	24,656	320	(190)	(876)	23,910	-	-
	59,138	685	(3,334)	(2,587)	53,902	-	-

	2023						
	31-12-2022	Increases	Reversals of impairment losses	Use and other	31-12-2023	Recoveries of uncollectibles and other	Gains / Losses on loan sales
Impairment or reversal of impairment of financial assets not measured							
at fair value through profit or loss:							
Impairment of debt securities	4,850	244	(2,832)	-	2,262	-	-
Impairment of loan and advances	941,446	166,549	(107,378)	(205,847)	794,770	(1,477)	18,204
Impairment of financial assets at fair value							
through other comprehensive income	24	-	(24)	-	-	-	-
	946,320	166,793	(110,234)	(205,847)	797,032	(1,477)	18,204
Impairment or reversal of impairment on non-financial assets:							
Property, plant and equipment (Note 11)	6,146	-	-	-	6,146	-	-
Other assets (Note 13)	57,301	2,781	(12,012)	(19,734)	28,336	-	-
Non-current assets held for sale (Note 14)	44,187	4,194	(729)	(22,996)	24,656	-	-
	107,634	6,975	(12,741)	(42,730)	59,138	-	-

17. SHARE CAPITAL REPAYABLE ON DEMAND

As at June 30, 2024 and December 31, 2023, this caption represented the participation units of the Novimovest Fund not owned by the Group.

18. OTHER LIABILITIES

The composition of this caption is as follows:

	30-06-2024	31-12-2023
General administrative expenses	78,586	74,424
Staff expenses	79,628	83,510
Other charges	7,239	7,939
Other deferred income	8,618	7,884
Other		
SEPA transfers	312,055	349,739
Balances to be settled via ATMs	254	182
Other values in transit and other transactions to be settled	68,877	181,786
	555,257	705,464

As at June 30, 2024 and December 31, 2023, the other charges correspond, essentially, to accrued expenses related to the Bank's normal activity.

19. EQUITY

As at June 30, 2024 and December 31, 2023, the Bank's share capital was represented by 1,391,779,674 shares with a par value of one Euro each, fully subscribed and paid up by the following shareholders:

	Number of shares	Shareholding %	Amount
Santander Totta, SGPS, S.A.	1,376,219,267	98.88%	1,376,219
Taxagest, SGPS, S.A.	14,593,315	1.05%	14,593
Treasury shares	435,492	0.03%	436
Other	531,600	0.04%	532
	1,391,779,674	100.00%	1,391,780

During the the financial year of 2023, the Bank purchased 6,404 treasury shares, for Euros 12 thousand.

Under the terms of Order No. 408/99, of June 4, published in the Official Gazette of Portugal – 1st Series B, No. 129, the share premium, in the amount of Euros 193,390 thousand, cannot be used for the attribution of dividends or for the purchase of treasury shares.

On June 29, 2022, Banco Santander Totta issued "€ 400,000,000 Fixed Rate Resettable Perpetual Additional Tier I", perpetual subordinated bonds that qualify for the Tier 1 capital ratio, as Additional Tier 1 Capital, pursuant to Directive 2013/36/EU (or CRD IV – Capital Requirements Directive), with same having been fully acquired by Santander Totta, SGPS, S.A.. This operation has no defined term, has an option for early redemption by the Bank from the end of 5th year, and an interest rate of 9.159% per annum, during the first 5 years. As an Additional Tier 1 instrument, the corresponding interest payment is decided at the discretion of the Bank and is also subject to the observation of a set of conditions, situations that led to its recording under this caption. The amount paid in 2024 totalled Euros 36,636 thousand.

On May 16, 2023, the General Meeting deliberated to distribute dividends in respect of the financial year 2022 in the amount of Euros 508,000 thousand (Euros 502,516 thousand paid).

As at June 30, 2024 and December 31, 2023, the breakdown of the Accumulated other comprehensive income reserves was as follows:

	30-06-2024	31-12-2023
Gross effect of the valorisations		
Items that will not be reclassified to profit or loss		
Actuarial gains or losses on defined benefit pension plans (Note 33)	(717,104)	(709,765)
Fair value changes of equity instruments measured at fair value through other comprehensive income	61,493	61,425
Total of Items that will not be reclassified to profit or loss	(655,611)	(648,340)
Items that may be reclassified to profit or loss		
Cash flow hedges reserve	6,048	24,922
Fair value changes of debt instruments at fair value through other comprehensive income		
Fair value changes of debt securities at fair value through other comprehensive income	44,529	65,287
Fair value changes of loans and advances at fair value through other comprehensive income	208,838	301,739
Total of Items that may be reclassified to profit or loss	259,415	391,948
Tax effect		
Items that will not be reclassified to profit or loss – tax effect		
Actuarial gains or losses on defined benefit pension plans	204,286	204,286
Fair value changes of equity instruments measured at fair value through other comprehensive income	(92)	(71)
Total of Items that will not be reclassified to profit or loss – tax effect	204,194	204,215
Items that may be reclassified to profit or loss – tax effect		
Cash flow hedges reserve	(1,875)	(7,726)
Fair value changes of debt instruments at fair value through other comprehensive income		
Fair value changes of debt securities at fair value through other comprehensive income	(13,389)	(19,772)
Fair value changes of loans and advances at fair value through other comprehensive income	(64,740)	(93,539)
Total of Items that may be reclassified to profit or loss – tax effect	(80,004)	(121,037)
Accumulated other comprehensive income	(272,006)	(173,214)

Deferred taxes were calculated based on legislation currently in force and correspond to the best estimate of the impact of the realisation of the potential gains and losses included in the accumulated other comprehensive income reserves.

Revaluation reserves cannot be used for the attribution of dividends or to increase share capital.

The captions “Retained earnings” and “Other reserves” had the following composition:

	30-06-2024	31-12-2023
Retained earnings	1,219,204	401,045
Other reserves		
Legal reserve	724,379	630,060
Reserves of consolidated companies	119,034	100,203
Reserves of companies consolidated using the equity method	35,539	35,539
Merger reserve		
Through the incorporation of totta and BSP	541,334	541,334
Through the incorporation of BSN	35,405	35,405
Through the incorporation of Totta IFIC	90,520	90,520
Through the incorporation of BAPOP	(8,411)	(8,411)
Other reserves	(446,015)	(409,477)
	1,091,785	1,015,173

Retained earnings

This caption recognises undistributed profits or losses of prior years.

Legal reserve

In accordance with the provisions of Decree-Law 298/92, of December 31, amended by Decree-Law 201/2002, of September 26, the Company had been setting aside a legal reserve until same equalled the share capital, or the sum of the free reserves formed and of the retained earnings, if greater. To this end, a fraction of not less than 10% of the profit or loss for the financial year of the Company's individual activity was annually transferred to this reserve, until achieving said amount. This reserve may only be used to cover accumulated losses or to increase share capital.

Merger reserve

In accordance with legislation in force, the merger reserve is considered equivalent to the legal reserve and may only be used to cover accumulated losses or increase the share capital.

Other reserves

This caption includes the revaluation reserves determined. In 1998, under Decree-Law 31/98, of February 11, the Bank revalued its Property, Plant and Equipment, increasing their value, net of accumulated depreciation, by approximately Euros 23,245 thousand, which was recorded in revaluation reserves. The net amount resulting from the revaluation carried out can only be used for share capital increases or to cover losses, as and when they are used (amortised) or the assets to which they relate are sold. Additionally, this caption includes the impacts of accounting policy changes, the impacts originated by the sale of equity instruments and the distribution of dividends - "Additional Tier 1 Instruments".

20. PROFIT OR LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

In the first half of 2024 and 2023, the determination of the consolidated profit can be summarised as follows:

	30-06-2024		30-06-2023	
	Profit or loss for the period	Contribution to the consolidated profit or loss	Profit or loss for the period	Contribution to the consolidated profit or loss
Profit or loss of the Bank (individual basis)	558,876	558,876	344,234	344,234,000
Profit or loss of other Group companies:				
Totta (Ireland), Plc.	7,271	7,271	12,172	12,172
Novimovest - Fundo de Investimento Imobiliário Aberto	1,787	1,407	595	469
Gamma, Sociedade Financeira de Titularização de Créditos, S.A.	190	190	163	163
Totta Urbe, Empresa de Administração e Construções, S.A.	1,022	1,022	(5,089)	(5,089)
Taxagest, S.A.	202	200	94	93
	10,472	10,090	7,935	7,808
Adjustments to the consolidated results				
Annulment of intergroup dividends received:				
Totta (Ireland), Plc.		(22,323)		(4,862)
Unicre, Instituição Financeira de Crédito, S.A.		-		(4,355)
		(22,323)		(9,217)
Adjustments related to securitisation operations		5,182		4,788
Annulment of the UNICRE valorisation in the Bank		-		(31,184)
Other		(51)		(61)
Profit or loss attributable to the owners of the parent		551,774		316,368

Basic earnings per share are calculated by dividing the consolidated net income attributable to the Bank's shareholders by the weighted average number of common shares in circulation during the period.

	30-06-2024	30-06-2023
Consolidated profit or loss attributable to owners of the parent	551,774	316,368
Weighted average number of ordinary shares issued	1,391,779,674	1,391,779,674
Weighted average number of treasury shares	15,028,807	15,023,044
Weighted average number of ordinary shares outstanding	1,376,750,867	1,376,756,630
Basic earnings per share attributable to shareholders of the Bank (Euros)	0.40	0.23

Basic earnings per share are the same as diluted earnings per share since there are no contingently issuable common shares, namely through options, warrants or equivalent financial instruments as at the reporting date.

21. NON-CONTROLLING INTERESTS

The value of third-party holdings in Group companies is broken down by entity, as follows:

	30-06-2024	31-12-2023
Taxagest, SGPS, S.A.	562	560
Other	69	69
	631	629

22. OFF-BALANCE-SHEET ITEMS

The breakdown of off-balance-sheet liabilities is as follows:

	30-06-2024	31-12-2023
Guarantees given and other contingent liabilities		
Guarantees and sureties (Note 36)	384,496	370,432
Loan commitments granted (Note 36)		
Revocable	5,757,478	6,841,168
Irrevocable	740,911	646,033
	6,498,389	7,487,201
Other commitments granted		
Non-financial guarantees and sureties (Note 36)	1,635,625	1,631,183
Documentary credits outstanding (Note 36)	258,886	228,694
Other commitments granted	84	84
	1,894,595	1,859,961
Irrevocable payment commitments	102,586	102,474
	1,997,181	1,962,435
	8,880,066	9,820,068
Assets pledged as guarantee		
Bank of Portugal	200,000	187,105
Deposit Guarantee Fund	84,074	84,955
Investor Indemnity System	9,342	9,439
Assets pledged as guarantee in monetary policy operations	13,891,023	12,924,529
European Resolution Fund	26,451	26,451
	14,210,890	13,232,479
Liabilities for services provided		
Deposit and custodianship services	47,958,640	44,207,049
Values received for collection	693,753	634,223
	48,652,393	44,841,272

Assets pledged as collateral for monetary policy operations correspond to the collateral pool that the Bank has with the European Central Bank, to secure operational liquidity.

Guarantees provided, commitments assumed in respect of credit granted and other commitments granted, have the following exposure per stage:

	30-06-2024							
	Exposure				Impairment (Note 16)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loan commitments granted	6,132,179	358,992	7,218	6,498,389	7,986	7,708	17	15,711
Financial guarantees and sureties	349,252	17,144	18,100	384,496	550	1,396	13,040	14,986
Other commitments granted	1,732,758	63,269	98,568	1,894,595	459	1,123	18,196	19,778
	8,214,189	439,405	123,886	8,777,480	8,995	10,227	31,253	50,475

	31-12-2023							
	Exposure				Impairment (Note 16)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loan commitments granted	6,953,424	526,997	6,780	7,487,201	5,560	12,060	25	17,645
Financial guarantees and sureties	334,520	17,390	18,522	370,432	436	1,445	13,091	14,972
Other commitments granted	1,699,040	56,269	104,652	1,859,961	483	1,026	19,137	20,646
	8,986,984	600,656	129,954	9,717,594	6,479	14,531	32,253	53,263

In the sub-caption “Irrevocable payment commitments” the Bank records the responsibilities for:

Deposit Guarantee Fund

Pursuant to Decree-Law 298/92, of December 31, the Deposit Guarantee Fund was established in November 1994 to secure the deposits made at credit institutions, in accordance with the limits established in the General Credit Institutions and Financial Companies Regime. The initial contribution to the Fund, established by an Order of the Ministry of Finance, was made through the delivery of cash and deposit securities, and was amortised over 60 months as from January 1995. Except for that referred to in the following paragraph, the regular annual contributions to the Fund are recognised as an expense for the financial year to which they relate.

Until 2011, as permitted by the Bank of Portugal, the Bank paid 90% of the annual contribution to the Deposit Guarantee Fund, having also entered an irrevocable commitment to the Deposit Guarantee Fund to pay up the 10 % of the annual contribution, if and when so requested. The accumulated unpaid amount, in respect of which this commitment was entered into, totalled Euros 68,969 thousand. The assets pledged to the Bank of Portugal are reflected under off-balance-sheet items at their market value. In the first half of 2024 and the financial year of 2023, the Bank paid 100% of the annual contribution in the amounts of Euros 151 thousand and Euros 321 thousand, respectively (Note 30).

Investor Compensation System (SII)

Liabilities to the Investor Compensation System are not recognised as expenses. These liabilities are covered through the acceptance of an irrevocable commitment to make their payment, if it comes to be required, a part of which (50%) is secured by pledge of Portuguese Treasury securities. As at June 30, 2024 and December 31, 2023, these liabilities amounted to Euros 7,166 thousand and Euros 7,054 thousand, respectively.

Single Resolution Fund

Within the scope of the single Resolution mechanism, the annual contributions will be transferred to the Single Resolution Fund, in accordance with Article 3(n.º 3) of the agreement on the transfer and pooling of the contributions to the Single Resolution Fund, signed in Brussels on May 21, 2014. The Bank of Portugal, as the resolution authority, determines the amount of the contribution of each institution depending on their risk profile. In the financial year of 2023, and as provided for in a Bank of Portugal letter, the Single Resolution Council (CUR) allowed banking institutions, in that year, to opt for the use of irrevocable payment commitment, in the proportion of 22.5%, of the amount of the annual contribution. The contribution for the financial year of 2023 amounted to Euros 21,010 thousand and the amount recognised in profit or loss amounted to Euros 16,283 thousand (Note 30). The amount recorded in the first half of 2024 corresponds to regularisations of previous years.

23. NET INTEREST INCOME

The composition of this caption is as follows:

	30-06-2024			30-06-2023		
	Income	Expenses	Net	Income	Expenses	Net
Assets						
Cash and deposits at central banks and credit institutions	171,451	-	171,451	11,305	-	11,305
Financial assets held for trading	85,495	-	85,495	114,890	-	114,890
Financial assets at fair value through other comprehensive income						
Loans and advances	35,925	-	35,925	36,048	-	36,048
Debt securities	17,804	-	17,804	30,049	-	30,049
Financial assets at amortised cost						
Loans and advances - Credit institutions	5,052	-	5,052	5,199	-	5,199
Debt securities	139,114	(485)	138,629	42,925	-	42,925
Loans and advances - Customers	886,928	(17,768)	869,160	678,515	(17,057)	661,458
Hedge accounting	356,640	(255,834)	100,806	210,604	(307,383)	(96,779)
Liabilities						
Financial liabilities held for trading	-	(171,867)	(171,867)	-	(11,335)	(11,335)
Financial liabilities measured at amortised cost						
Deposits – Central banks	-	(6,611)	(6,611)	-	(57,144)	(57,144)
Deposits - Credit institutions	-	(102,893)	(102,893)	-	(42,264)	(42,264)
Deposits - Customers	-	(172,100)	(172,100)	-	(40,480)	(40,480)
Debt securities issued	-	(117,472)	(117,472)	-	(72,150)	(72,150)
Lease liabilities	-	(213)	(213)	-	(217)	(217)
Other	-	(326)	(326)	-	(275)	(275)
	1,698,409	(845,569)	852,840	1,129,535	(548,305)	581,230

24. DIVIDEND INCOME

This caption refers to dividends received and has the following composition:

	30-06-2024	30-06-2023
SIBS – Sociedade Interbancária de Serviços, S.A.	3,934	1,684
Unicre - Instituição Financeira de Crédito, S.A.	4,276	-
Other	6	-
	8,216	1,684

25. INCOME AND EXPENSES FROM FEES AND COMMISSIONS

The composition of these captions is as follows:

	30-06-2024	30-06-2023
Fee and commission income	**270,639**	**277,661**
Securities	7,510	7,186
Corporate finance	2,410	1,820
Asset management	857	884
Custodianship services	3,055	2,804
Payment services		
Current accounts	54,001	52,345
Credit cards	10,743	10,643
Debit cards and other card payments	46,366	62,433
Transfers and other payment orders	10,561	10,681
Other fee and commission income related to payment services	582	568
Customer resources distributed but not managed		
Collective investment	16,662	15,530
Insurance products (Note 32)	66,150	61,489
Structured financial instruments	5,264	15,195
Loan commitments granted	3,773	4,427
Financial guarantees given	2,289	2,022
Loans granted	22,882	22,039
Other fee and commission income	17,534	7,595
Fee and commission expenses	**38,311**	**44,990**
Securities	3,442	3,294
Asset management	185	203
Payment services	22,723	32,009
Financial guarantees received	4,116	566
Other fee and commission expenses	7,845	8,917

26. GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES

The composition of these captions is as follows:

	30-06-2024	30-06-2023
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**-**	**-**
Gains or losses on financial assets and liabilities held for trading, net	**3,087**	**817**
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**196**	**970**
Equity instruments (Note 7)	70	970
Other	126	-
Gains or losses from hedge accounting, net	**-**	**-**
Hedging derivatives	(44,724)	(55,272)
Hedged element	44,724	55,272
Exchange differences, net	**9,433**	**8,694**

27. GAINS OR LOSSES ON DERECOGNITION OF NON-FINANCIAL ASSETS

The composition of this caption is as follows:

	30-06-2024	30-06-2023
Gains on investment property	276	151
Losses on investment property	(247)	(302)
Gains on derecognition of business lines	-	1,386
	29	1,235

28. OTHER OPERATING INCOME AND EXPENSES

The composition of these captions is as follows:

	30-06-2024	30-06-2023
Other operating income		
Income from sundry services rendered	1,343	1,369
Rents earned - Novimovest (Note 11)	3,780	4,108
Fair value changes of investment property (Note 11)	1,335	662
Other	2,765	2,624
	9,223	8,763
Other operating expenses		
Fair value changes of investment property (Note 11)	(2,043)	(2,051)
Charges with customers	(1,815)	(1,742)
Other	(787)	(949)
	(4,645)	(4,742)

The sub-caption “Charges with customers” records expenses with internal and external fraud.

29. ADMINISTRATIVE EXPENSES

The composition of this caption is as follows:

Staff expenses

	30-06-2024	30-06-2023
Remuneration		
Management and supervisory bodies	1,822	1,735
Employees	91,513	90,526
Other variable remuneration	16,554	13,340
	109,889	105,601
Mandatory social charges		
Charges on remuneration	25,459	24,472
Pension funds (Note 33)	1,514	1,370
Other	449	381
	27,422	26,223
Other staff expenses		
Complementary pension plan (Note 33)	205	230
Staff assignments and other	4,463	4,115
	4,668	4,345
	141,979	136,169

Other administrative expenses

	30-06-2024	30-06-2023
External supplies	4,410	4,370
Specialised services	30,570	30,659
Maintenance of IT software and hardware	46,281	41,759
Communications	2,656	2,832
Maintenance and repairs	1,504	1,641
Advertising and publishing	3,406	3,994
Other lease operations (short-term and low-value leases)	955	1,467
Travel, accommodation and entertainment expenses	1,947	1,724
Insurance	1,078	1,223
Other	3,072	5,196
	95,879	94,865

30. CASH CONTRIBUTIONS TO RESOLUTION FUNDS AND DEPOSIT GUARANTEE SCHEMES

The composition of this caption is as follows:

	30-06-2024	30-06-2023
Contributions to the Resolution Fund		
National Resolution Fund	6,932	6,821
Single Resolution Fund (Note 22)	212	16,283
Contributions to the Deposit Guarantee Fund (Note 22)	151	321
Other	418	219
	7,713	23,644

Decree-Law 24/2013, of February 19, established the regime governing bank contributions to the Resolution Fund, created for the purpose of prevention, mitigation and containment of systemic risk. According to Bank of Portugal Notice No. 1/2013 and Instructions Nos. 6/2013 and 7/2013, payment is laid down of an initial contribution and of periodic contributions to the Resolution Fund.

31. PROFIT OR LOSS ON NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS

The composition of this caption is as follows:

	30-06-2024			30-06-2023		
	Gains	Losses	Net	Gains	Losses	Net
Assets received as payment in kind	4,993	(1,146)	3,847	3,473	(1,628)	1,845
Other non-financial assets	1,236	(754)	482	4,770	(4,128)	642
	6,229	(1,900)	4,329	8,243	(5,756)	2,487

32. PROVISION OF INSURANCE BROKERAGE SERVICES

Income from the provision of insurance brokerage services relates primarily to commissions billed for the marketing of life and non-life insurance, recorded in the caption “Income and expenses from fees and commissions”, as follows:

	30-06-2024			30-06-2023		
	Life products	Non-life products	Total	Life products	Non-life products	Total
			(Note 25)			(Note 25)
Santander Totta Seguros - Companhia de Seguros de Vida, S.A.	17,867	-	17,867	18,150	-	18,150
Aegon Santander Portugal Vida - Companhia de Seguros de Vida, S.A.	24,690	-	24,690	22,243	-	22,243
Aegon Santander Portugal Não Vida - Companhia de Seguros, S.A.	-	22,320	22,320	-	19,868	19,868
Other	140	1,133	1,273	188	1,040	1,228
	42,697	23,453	66,150	40,581	20,908	61,489

As at June 30, 2024 and December 31, 2023, the sub-caption “Other income receivable – other services rendered” (Note 13) includes mainly commissions receivable from insurers as detailed hereunder:

	30-06-2024	31-12-2023
Santander Totta Seguros - Companhia de Seguros de Vida, S.A.	8,948	8,972
Aegon Santander Portugal Vida - Companhia de Seguros de Vida, S.A.	3,996	3,878
Aegon Santander Portugal Não Vida - Companhia de Seguros, S.A.	3,795	3,562
Other	8	7
	16,747	16,419

These amounts refer, essentially, to the commissions calculated and not yet paid in respect of premiums of insurance marketed during the second quarter of 2024 and the fourth quarter of 2023.

33. EMPLOYEE POST-EMPLOYMENT BENEFITS

To determine the liabilities for past services of the Bank (Santander, BAPOP and Banif plans) in respect of employees in service and those already retired, actuarial studies were conducted by Mercer (Portugal), Limitada. The current value of the past-service liabilities, as well as the related costs of current services, were calculated based on the Projected Unit Credit method.

The Bank’s liabilities for retirement pensions, healthcare and death allowances as at June 30, 2024 and December 31, 2023, as well as the respective coverage, are detailed as follows:

	Santander		BAPOP	
	30-06-2024	31-12-2023	30-06-2024	31-12-2023
Estimate of liabilities for past services:				
- Pensions:				
. Current employees	170,849	166,585	65,757	65,673
. Pensioners	79,229	76,359	7,233	7,096
. Retired staff and early retired staff	682,620	687,917	65,947	65,445
	932,698	930,861	138,937	138,214
- Healthcare system (SAMS)	146,632	147,137	8,952	8,779
- Death allowance	4,792	4,773	442	432
- Retirement bonus	6,772	6,615	-	-
	1,090,894	1,089,386	148,331	147,425
Coverage of liabilities:				
- Net assets of the Fund	1,111,939	1,130,449	186,629	186,351
Excess / (Insufficient) funding (Note 13)	21,045	41,063	38,298	38,926
Actuarial and financial deviations generated in the period				
- Change in assumptions	-	23,850	-	3,279
- Experience adjustments:				
. Other actuarial (gains) or losses	13,176	30,054	507	3,030
. Financial (gains) or losses	(4,058)	(42,159)	(1,380)	(8,195)
	9,118	(12,105)	(873)	(5,165)
	9,118	11,745	(873)	(1,886)

On July 5, 2023, the Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF) authorised the extinction through transfer of the Banif pension fund and the change in the constitutive contract of the Santander pension fund. In this sense, as at October 31, 2023, the merger of the Banif pension fund in the Santander pension fund took place.

As at June 30, 2024 and December 31, 2023, the main assumptions used by the Bank to determine its liabilities for retirement pensions were as follows:

	2024	2023
Mortality Table		
. Female	TV 99/01 (-2)	TV 99/01 (-2)
. Male	TV 88/90	TV 88/90
Technical actuarial rate (discount rate)	3.50%	3.50%
Salary growth rate		
. Year 2024	0.00%	2.50%
. Year 2025	2.00%	2.00%
. After 2025	0.75%	0.75%
Pension growth rate		
. Year 2024	0.00%	2.25%
. Year 2025	1.75%	1.75%
. After 2025	0.50%	0.50%
Social security's annual salary revalorisation rate		
. No. 1 of Article 27	0.45%	0.45%
. No. 2 of Article 27	0.55%	0.55%

Decree-Law 167-E/2013, of December 31, changed the normal retirement age under the General Social Security Regime; however, the sustainability factor is no longer applicable to beneficiaries who retire at that age.

The discount rate used to determine the liabilities was calculated by reference to the market rates of low-risk corporate bonds of a term comparable to that of the settlement of the liabilities.

The movement in liabilities for past services in the first half of 2024 and the financial year of 2023, can be detailed as follows:

	Santander		BAPOP	
	30-06-2024	31-12-2023	30-06-2024	31-12-2023
Liabilities at beginning of period	1,089,386	1,067,426	147,425	140,719
Cost of current services	762	1,316	209	386
Interest expense	18,274	37,786	1,988	3,962
Actuarial (gains) or losses	13,176	53,903	507	6,309
Early retirements	10,138	5,485	1,292	910
Amounts paid	(42,042)	(78,942)	(3,348)	(5,361)
Employee contributions	1,200	2,412	258	500
Liabilities at end of period	1,090,894	1,089,386	148,331	147,425

The expenses for the financial year relating to pensions include the cost of current services and the net interest expense. In the first half of 2024 and the financial year of 2023, the expense with pensions has the following composition (Note 29):

	30-06-2024	31-12-2023
Cost of current services	971	1,702
Interest expense	20,262	41,748
Income from assets calculated using the discount rate	(20,262)	(41,748)
Defined benefit plan	971	1,702
Defined contribution plan	537	1,039
London Branch plan	6	(42)
	1,514	2,699

As from January 1, 2009, the employees taken on by the Bank came to be included in Social Security and are covered by a supplementary defined-contribution pension plan and by the rights acquired under Clause 93 of the CBA. The plan is funded through contributions by employees (1.5%) and by the Bank (1.5%), calculated based on the actual monthly remuneration. For this purpose, each employee can opt for an open pension fund at his or her choice into which the Bank transfers its contribution, except for Banif that has a defined contribution fund.

Salary and pension growth estimates were determined considering the historical ratio between inflation and the CBA table growth.

The average duration of pension liabilities of the employees of Santander and BAPOP is 14 years, including those in active service and pensioners.

The movement in actuarial deviations during the first half of 2024 and the financial year of 2023 was as follows:

	Santander		BAPOP	
	30-06-2024	31-12-2023	30-06-2024	31-12-2023
Deviations at beginning of period	727,723	715,979	(24,877)	(22,991)
Actuarial (gains) or losses	13,176	53,903	507	6,309
Financial (gains) or losses	(4,058)	(42,159)	(1,380)	(8,195)
Deviations at end of period	736,841	727,723	(25,750)	(24,877)

The Santander Pension Fund is managed by Santander Pensões - Sociedade Gestora de Fundos de Pensões, S.A., and the BAPOP Pension Fund is managed by Santander Totta Seguros – Companhia de Seguros de Vida, S.A..

As at June 30, 2024 and December 31, 2023, the number of participants of the plans was the following:

	Santander		BAPOP	
	30-06-2024	31-12-2023	30-06-2024	31-12-2023
Current employees				
Defined benefits plan	3,142	3,217	612	626
Defined contribution plan	1,241	1,210	85	87
Pensioners	1,522	1,508	47	31
Retired staff and early retired staff	6,678	6,687	227	224
	12,583	12,622	971	968

The movement in the Bank's Pension Funds during the first half of 2024 and the financial year of 2023 was as follows:

	Santander		BAPOP	
	30-06-2024	31-12-2023	30-06-2024	31-12-2023
Fund value at beginning of period	1,130,449	1,100,224	186,351	173,365
Bank contributions (monetary)	-	26,810	-	5,690
Employee contributions	1,200	2,412	258	500
Profit or loss of the fund:				
Income from assets calculated using discount rate	18,274	37,786	1,988	3,962
Income of the Fund above / (below) the discount rate	4,058	42,159	1,380	8,195
Amounts paid	(42,042)	(78,942)	(3,348)	(5,361)
Fund value at end of period	1,111,939	1,130,449	186,629	186,351

The yields of the Pension Funds amounted, in 2024, to 1.99% in Santander and 2.12% in BAPOP, and, in 2023, to 7.39% in Santander and 7.87% in BAPOP.

The investments and allocation policy of the Pension Funds determines that the asset portfolio be structured in compliance with security, profitability and liquidity criteria, through a diverse set of investments, namely shares, bonds, other debt instruments, holdings in collective-investment institutions, bank deposits, other monetary assets, and land and buildings registered in the land registry.

On the other hand, that policy is guided by risk-diversification and profitability criteria, and the Managing Company may opt for a more or less conservative policy by increasing or decreasing the exposure to shares or bonds, according to its expectations as to the evolution of the markets, and in accordance with the defined investment limits.

The investment policy in force provides for the following limits:

Asset class	Buckets considered
Bonds	40% to 95%
Real estate	0% to 25%
Equities	0% to 20%
Liquidity	0% to 15%
Alternatives	0% to 10%
Commodities	0% to 5%

In the financial year of 2023, the Santander and BAPOP Pension Funds were classified as falling under Article 8 of the Sustainable Finance Disclosure Regulation (SFDR).

As at June 30, 2024 and December 31, 2023, the composition of the Pension Funds was as follows:

	Santander		BAPOP	
	30-06-2024	31-12-2023	30-06-2024	31-12-2023
Debt instruments:				
. Rating A	15,404	30,032	11,658	6,352
. Rating AA	55,487	45,152	21,293	9,682
. Rating AAA	60,295	73,445	16,833	19,132
. Rating BBB	193,359	239,347	54,345	61,194
. Rating BB	15,525	7,663	4,562	611
. Without rating attributed to the issue or the issuer	9,036	9,914	-	3,169
Real estate funds	51,801	56,936	333	331
Securities funds	647,087	565,561	74,371	72,004
Deposits	21,561	50,679	4,156	14,712
Real estate				
. Commercial spaces	31,388	32,228	-	-
. Land	1,341	1,341	-	-
Equity instruments:				
. Portuguese shares – unlisted	568	458	-	-
. Foreign shares – listed	-	-	-	-
Derivative financial instruments	558	425	106	61
Other	8,529	17,268	(1,028)	(897)
	1,111,939	1,130,449	186,629	186,351

The method for calculating the fair value of the assets and liabilities mentioned above (except for deposits and other), adopted by the Managing Companies, as recommended in IFRS 13 (Note 36), was as follows:

	30-06-2024				31-12-2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt instruments	448,761	-	9,036	457,797	492,610	-	13,083	505,693
Investment funds	721,458	-	52,134	773,592	637,565	-	57,267	694,832
Equity instruments	-	-	568	568	-	-	458	458
Derivative financial instruments	664	-	-	664	486	-	-	486
Real estate	-	-	32,729	32,729	-	-	33,569	33,569
Other	-	-	33,218	33,218	-	-	81,762	81,762
	1,170,883	-	127,685	1,298,568	1,130,661	-	186,139	1,316,800

As at June 30, 2024 and December 31, 2023, the Pension Funds' portfolio included the following assets related to companies of the Santander Group in Portugal:

	30-06-2024	31-12-2023
Leased real estate	13,805	13,801
Securities (including units in funds managed)	137,543	140,609
	151,348	154,410

In 2010, insurance was taken out at Santander Totta Seguros – Companhia de Seguros de Vida, S.A., to meet the liabilities of a new supplementary defined-contribution pension plan attributed to the Bank's senior management. The initial contribution to the new plan amounted to Euros 4,430 thousand. In the half year ended June 30, 2024 and 2023, the premium paid by the Bank amounted to Euros 205 thousand and Euros 230 thousand, respectively (Note 29).

This plan covers the contingencies of retirement, death and permanent absolute disability for customary work or invalidity.

For all these contingencies, the benefits to be received by the beneficiaries will equal the accumulated balance in the supplementary plan on the date on which these occur. In the case of the beneficiary's death, this amount will be further increased by Euros 6,000.

<u>Defined benefit pension plan – London Branch</u>

As at June 30, 2024 and December 31, 2023, the main assumptions used in the calculation of retirement pension liabilities related to the pension plan covering the employees of the Bank's London Branch were as follows:

	30-06-2024	31-12-2023
Mortality table	100% S3NMA_Light/ 100% S3NFA_Light	100% S3NMA_Light/ 100% S3NFA_Light
Technical actuarial rate (discount rate)	5.2%	4.5%
Salary growth rate	3.1%	3.0%
Pension growth rate	2.1%	2.1%
Inflation rate	3.0%	2.9%

As at June 30, 2024 and December 31, 2023, the liabilities for the defined benefit pension plan and their coverage were as follows:

	30-06-2024	31-12-2023
Estimated liabilities for past service	29,834	31,175
Coverage of liabilities	33,588	32,815
Excess / (Insufficient) funding (Note 13)	3,754	1,640

The movement in liabilities for past services in the first half of 2024 and the financial year of 2023, can be detailed as follows:

	30-06-2024	31-12-2023
Liabilities at beginning of period	31,175	31,143
Cost of current services	6	12
Interest expense	704	1,489
Actuarial (gains) or losses	(1,361)	102
Amounts paid	(690)	(1,571)
Liabilities at end of period	29,834	31,175

The movement occurred in the Fund in the first half of 2024 and the financial year of 2023 was as follows:

	30-06-2024	31-12-2023
Book value at beginning of period	32,815	32,231
Profit or loss of the fund:		
. Income from assets calculated using discount rate	704	1,543
. Income of the fund above / (below) the discount rate	(455)	586
Bank contributions	1,214	26
Amounts paid	(690)	(1,571)
Book value at end of period	33,588	32,815

The movement occurred in actuarial deviations for the first half of 2024 and the financial year of 2023 was as follows:

	30-06-2024	31-12-2023
Deviations at beginning of period (Note 19)	6,919	7,428
Actuarial (gains) / losses	(1,361)	102
Financial (gains) / losses	455	(611)
Deviations at end of period (Note 19)	6,013	6,919

As at June 30, 2024 and December 31, 2023, the portfolio of the Pension Fund of the former London Branch included the following assets:

	30-06-2024	31-12-2023
Debt instruments	10,190	9,929
Equity instruments	13,571	14,662
Other	9,827	8,224
Fund value	33,588	32,815

The liabilities for defined benefit pension plans expose the Bank to the following risks:

- Investment risk – the updated value of liabilities is calculated based on a discount rate determined with reference to high-quality bonds – in terms of credit risk –, denominated in Euros; if the return of the Pension Fund is below that discount rate, it will create a shortfall in the funding of the liabilities.

- Interest-rate risk – a decrease of the interest rate of bonds will increase the pension liabilities.

- Longevity risk – the updated amount of liabilities is calculated based on the best estimate at the time of the expected mortality of the participants, before and after the retirement date. An increase in life expectancy for plan participants will increase pension liabilities.

- Salary risk - the updated amount of liabilities is calculated based on an estimate of the future salary of the participants. Thus, an increase in participants' salaries will increase pension liabilities.

34. SECURITISATION OPERATIONS

Description of the operations

Between July 2003 and January 2018, the Bank securitised part of its mortgage-loan portfolio through thirteen operations, with the initial amount of Euros 25,450,000 thousand. In the older transactions the loans were sold at par (book) value to loan securitisation funds denominated Fundos Hipototta FTC. A substantial part of the securitisations was repurchased by the Bank under said agreements, while Hipototta No. 4 and Hipototta No. 5 remain active. In January 2018, the Bank carried out a new securitisation in the amount of Euros 2,266,000 thousand, in which mortgage loans were assigned. The loans were assigned to Gamma – Sociedade de Titularização de Créditos (Gamma STC), which financed the transaction through the issue of Hipototta 13, classes A, B and C bonds, with different levels of subordination and rating and, consequently, remuneration. These bonds were, in their entirety, acquired by the Bank.

The Fundos Hipototta (No. 4 and No. 5) are managed by Navegator – Sociedade Gestora de Fundos de Titularização de Créditos, S.A. (Navegator). The Bank continues to manage the loan contracts, delivering to the Fundos Hipototta (No. 4 and No. 5) all amounts received under those contracts. The Santander Group has no direct or indirect holding in Navegator.

As a form of funding, the Fundos Hipototta (No. 4 and No. 5) issued securitisation units with an amount identical to the loan portfolios acquired, which were fully subscribed by Fundos Hipototta (No. 4 and No. 5) PLC, having its registered office in Ireland.

On the other hand, Fundos Hipototta (No. 4 and No. 5) FTC delivered all amounts received from the Bank and from the Directorate General of the Treasury to Fundos Hipototta (No. 4 and No. 5) PLC, separating the instalments into principal and interest.

As a form of funding, Fundos Hipototta (No. 4 and No. 5) PLC issued bonds with different levels of subordination and rating and, consequently, of remuneration.

As at June 30, 2024, the outstanding issued bonds have the following characteristics:

Hipototta nº 4 PLC

Issued debt	Amount		Rating			Remuneration	
	Initial	Current	Fitch	Redemption date	Early redemption date	Up to early redemption date	After early redemption date
Class A	2,616,040	252,228	A+	September, 2048	December, 2014	Euribor 3 m + 0.12%	Euribor 3 m + 0.24%
Class B	44,240	10,753	A+	September, 2048	December, 2014	Euribor 3 m + 0.19%	Euribor 3 m + 0.40%
Class C	139,720	33,960	BBB+	September, 2048	December, 2014	Euribor 3 m + 0.29%	Euribor 3 m + 0.58%
	2,800,000	296,941					
Class D	14,000	7,000	NR	September, 2048	December, 2014	Residual income of the securitised portfolio	
	2,814,000	303,941					

Hipototta nº 5 PLC

	Amount		Rating				Remuneration	
Issued debt	Initial	Current	S&P	Moody´s	Redemption date	Early redemption date	Up to early redemption date	After early redemption date
Class A1	200,000	-			February, 2060	February, 2014	Euribor 3 m + 0.05%	Euribor 3 m + 0.10%
Class A2	1,693,000	219,231	A	Aaa	February, 2060	February, 2014	Euribor 3 m + 0.13%	Euribor 3 m + 0.26%
Class B	26,000	26,000	A	Aa1	February, 2060	February, 2014	Euribor 3 m + 0.17%	Euribor 3 m + 0.34%
Class C	24,000	24,000	A	Aa1	February, 2060	February, 2014	Euribor 3 m + 0.24%	Euribor 3 m + 0.48%
Class D	26,000	26,000	A	Aa1	February, 2060	February, 2014	Euribor 3 m + 0.50%	Euribor 3 m + 1.00%
Class E	31,000	31,000	A	A3	February, 2060	February, 2014	Euribor 3 m + 1.75%	Euribor 3 m + 3.50%
	2,000,000	326,231						
Class F	10,000	6,000	CCC-	Caa3	February, 2060	February, 2014	Residual income of the securitised portfolio	
	2,010,000	332,231						

The bonds issued by Fundos Hipototta nº 4 PLC earn interest quarterly on March, June, September and December 30 of each year. The bonds issued by Fundos Hipototta nº 5 PLC earn interest quarterly on February 28, and May, August and November 30 of each year.

The Bank has the option to redeem the bonds in advance on the dates indicated above. For all the Hipototta, the Bank has call options to repurchase the loan portfolios at par when these are equal to or less than 10% of the initial amount of the operations.

Additionally, up to 5 days before the interest-payment dates in each quarter, the Hipototta are entitled to make partial repayments of bonds issued of classes A, B and C, as well as of classes D and E in the case of Fundos Hipototta nº 5 PLC, in order to adjust the amount of the liabilities to that of the assets (loan portfolio).

The Hipototta No. 4 class D bonds and the Hipototta No. 5 class F bonds constitute the last liabilities to be settled.

The remuneration of the bonds of these classes corresponds to the difference between the yield of the securitised loan portfolios and the sum of all the expenses of the operations, namely:

- Taxes;
- Expenses and commissions calculated on the value of the portfolios (custody and servicer fees charged by the Bank, and management fees, charged by the Funds);
- Interest on the bonds of the other classes;
- Losses due to default.

On the date on which the securitisations were contracted, subordinated loans were concluded between the Bank and the Hipotottas, which correspond to credit facilities / lines in the event of a need for liquidity on the part of the Hipotottas. Swap Agreements were also concluded between the Santander Group and the securitisation vehicles, and between the Bank and the Santander Group, intended to hedge the interest-rate risk.

Securitisation operations managed by Gamma STC

In the wake of the resolution measure applied to Banif, the Bank acquired several securitisation operations issued by the said entity, and the corresponding securitised loans and bonds issued were transferred.

Atlantes Mortgage nº 2

An operation carried out in March 2008, in which mortgage loans were assigned. The loans were assigned to Gamma STC, which financed the operation through the issue of Atlantes Mortgage No. 2, classes A, B, C and D bonds, with different levels of subordination and rating, and consequently, remuneration.

Atlantes Mortgage nº 2

	Amount		Rating			Remuneration
Issued debt	Initial	Current	S&P	Fitch	Redemption date	Up to early redemption date
Class A	349,100	64,595	AA+	AAA (sf)	September, 2060	Euribor 3 m + 0.33%
Class B	18,400	8,042	AA+	AAA (sf)	September, 2060	Euribor 3 m + 0.95%
Class C	7,500	3,278	A+	AA- (sf)	September, 2060	Euribor 3 m + 1.65%
	375,000	75,915				
Class D	16,125	8,332	NR	NR	September, 2060	Residual income of the securitised portfolio
	391,125	84,247				

Atlantes Mortgage nº 3

An operation carried out in October 2008, in which mortgage loans were assigned. The loans were assigned to Gamma STC, which financed the operation through the issue of Atlantes Mortgage No. 3, classes A, B and C bonds, with different levels of subordination and rating, and consequently, remuneration.

Atlantes Mortgage nº 3

	Amount		Rating			Remuneration
Issued debt	Initial	Current	S&P	Fitch	Redemption date	Up to early redemption date
Class A	558,600	113,232	AAA	AAA	August, 2061	Euribor 3 m + 0.2%
Class B	41,400	16,239	NR	NR	August, 2061	Euribor 3 m + 0.5%
	600,000	129,471				
Class C	57,668	33,477	NR	NR	August, 2061	Residual income of the securitised portfolio
	657,668	162,948				

Atlantes Mortgage nº 4

An operation carried out in February 2009, in which mortgage loans were assigned. The loans were assigned to Gamma STC, which financed the operation through the issue of Atlantes Mortgage No. 4, classes A, B and C bonds, with different levels of subordination and rating, and consequently, remuneration.

Atlantes Mortgage nº 4

	Amount		Rating			Remuneration
Issued debt	Initial	Current	S&P	Fitch	Redemption date	Up to early redemption date
Class A	514,250	121,554	AAA	AAA	December, 2064	Euribor 3 m + 0.15%
Class B	35,750	13,386	NR	NR	December, 2064	Euribor 3 m + 0.3%
	550,000	134,940				
Class C	74,250	37,804	NR	NR	December, 2064	Residual income of the securitised portfolio
	624,250	172,744				

Hipototta 13

In January 2018, the Bank carried out a new securitisation in the amount of Euros 2,266,000 thousand, in which mortgage loans were assigned. The loans were assigned to Gamma STC, which financed the transaction through the issue of Hipototta 13, classes A, B and C bonds, with different levels of subordination and rating, and consequently, remuneration. These bonds were acquired, in their entirety, by the Bank.

Hipototta 13

	Amount		Rating			Remuneration
Issued debt	Initial	Current	S&P	Fitch	Redemption date	Up to early redemption date
Class A	1,716,000	394,836	NR	A+(sf)	October, 2072	Euribor 3 m + 0.6%
Class B	484,000	484,000	NR	NR	October, 2072	Euribor 3 m + 1%
	2,200,000	878,836				
Class C	66,000	33,000	NR	NR	October, 2072	Residual income of the securitised portfolio
	2,266,000	911,836				
VFN	0.001	0.001	NR	NR	October, 2072	No remuneration

Consumer Totta 1

In September 2022, the Bank carried out a securitisation operation in the amount of Euros 628,207 thousand, in which consumer loans were assigned from the portfolio that is held in advanced models for the purposes of the Bank's capital ratio. The credits were assigned to Gamma STC, with this entity having financed the operation through the issue of Consumer Totta 1 class A to F and X bonds with different subordination and rating levels and, consequently, remuneration. These bonds were fully placed on the market, with the exception of class X (excess spread) which was acquired by the Bank. This operation will have a revolving period of one year and, for capital purposes, this operation represents a significant transfer of risk.

“Swap Agreements” were also signed between the Santander Group and Gamma and between the Bank and the Santander Group to cover interest-rate risk.

Consumer Totta 1

	Amount		Rating			Remuneration
Issued debt	Initial	Current	Moody's	Fitch	Redemption date	Up to early redemption date
Class A	520,000	363,176	Aa2	AA+(sf)	June, 2033	Euribor 3 m + 0.80%
Class B	25,000	17,460	A3(sf)	AA+(sf)	June, 2033	Euribor 3 m + 1.10%
Class C	40,000	27,937	Baa3	A+(sf)	June, 2033	Euribor 3 m +2%
Class D	25,000	17,460	Ba2	BBB (sf)	June, 2033	Euribor 3 m + 8%
Class E	40,000	27,937	NR	NR	June, 2033	Euribor 3 m + 11.85%
Class F	6,500	3,014	NR	NR	June, 2033	Euribor 3 m + 12.5%
	656,500	456,984				
Class X	9,430	4,759	NR	NR	June, 2033	Residual income of the securitised portfolio
	665,930	461,743				

35. RELATED ENTITIES

The Bank's related entities with which it maintained balances or transactions in the first half of 2024 are as follows:

Name of the related entity	Registered office
Entities that directly or indirectly control the Bank	
Santander Totta, SGPS	Portugal
Banco Santander, S.A.	Spain
Entities under direct or indirect common control by the Bank	
Open Bank, S.A.	Spain
Santander Totta Seguros, Companhia de Seguros de Vida, S.A.	Spain
Banco Santander (Brasil) S.A.	Brazil
Santander Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Portugal
Santander Asset Management, S.A., SGIIC	Spain
Santander Back-Offices Globales Mayoristas, S.A.	Spain
Santander Global Services, S.L.	Spain
Santander Asset Management - SGOIC, S.A.	Portugal
Santander Totta Seguros, Companhia de Seguros de Vida, S.A.	Portugal
Retama Real Estate, S.A.	Spain
CCPT - ComprarCasa, Rede Serviços Imobiliários, S.A.	Portugal
Gesban Servicios Administrativos Globales, S.L.	Spain
UCI Mediação de Seguros, Unipessoal Lda.	Portugal
Getnet Europe, Entidad de Pago, S.L. Unipersonal	Spain
Santander Bank Polska S.A.	Poland
Aegon Santander Portugal Vida - Companhia de Seguros Vida, S.A.	Portugal
Aegon Santander Portugal Não Vida - Companhia de Seguros, S.A.	Portugal
Santander Consumer Services, S.A.	Portugal
Financeira El Corte Inglés, Portugal, S.F.C., S.A.	Portugal
Santander Global Technology and Operations, S.L. Unipersonal	Spain
PagoNxt Trade Services, S.L.	Spain
CACEIS	France
Mapfre Santander Portugal - Companhia de Seguros, S.A.	Portugal
Camine D - Services, Unipessoal Lda.	Portugal
Santander Insurance, S.L.	Portugal
Consulteam Consultores de Gestão, Unipessoal, Lda.	Portugal
Santander Consumer Bank AG	Germany
Banco Santander International SA	Switzerland
Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México	Mexico
Portal Universia Portugal, Prestação de Serviços de Informática, S.A.	Portugal
Ibérica de Compras Corporativas, S.L.	Spain
Unión de Créditos Inmobiliarios, S.A., EFC	Spain
Santander Financial Services plc	United Kingdom

The Bank's related entities with which it maintained balances or transactions in the financial year of 2023 are as follows:

Name of the related entity	Registered office
Entities that directly or indirectly control the Bank	
Santander Totta, SGPS	Portugal
Banco Santander, S.A.	Spain
Entities under direct or indirect common control by the Bank	
Open Bank, S.A.	Spain
Santander Consumer Finance, S.A.	Spain
Banco Santander (Brasil) S.A.	Brazil
Santander Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Portugal
Santander Asset Management, S.A. SGIIC.	Spain
Santander Back-Offices Globales Mayoristas, S.A.	Spain
Santander Global Services, S.L.	Spain
Santander Asset Management S.G.O.I.C, S.A.	Portugal
Santander Totta Seguros, Companhia de Seguros de Vida, S.A.	Portugal
Retama Real Estate, S.A.	Spain
CCPT - ComprarCasa Rede Serviços Imobiliários, S.A.	Portugal
Gesban Servicios Administrativos Globales, S.L.	Spain
UCI Mediação de Seguros, Unipessoal Lda.	Portugal
Getnet Europe, Entidad de Pago, S.L. Unipersonal	Spain
Santander Bank Polska S.A.	Poland
Aegon Santander Portugal Vida - Companhia de Seguros Vida, S.A.	Portugal
Aegon Santander Portugal Não Vida - Companhia de Seguros, S.A.	Portugal
Santander Consumer Services, S.A.	Portugal
Financeira El Corte Inglés, Portugal, S.F.C., S.A.	Portugal
Santander Global Technology and Operations, S.L. Unipersonal	Spain
PagoNxt Trade Services, S.L.	Spain
CACEIS Bank	France
Mapfre Santander Portugal - Companhia de Seguros S.A.	Portugal
Camine D-Services, Unipessoal Lda.	Portugal
Consulteam Consultores de Gestão, Unipessoal, Lda.	Portugal
Santander Bank & Trust Ltd.	Bahamas
Santander Consumer Bank AG	Germany
Banco Santander International SA	Switzerland
Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander	Mexico
Portal Universia Portugal, Prestação de Serviços de Informática, S.A.	Portugal
Ibérica de Compras Corporativas, S.L.	Spain
Unión de Créditos Inmobiliarios, S.A., EFC	Spain
Santander Financial Services plc	United Kingdom

As at June 30, 2024 and December 31, 2023, the balances and transactions maintained during these periods with related parties were as follows:

	30-06-2024	
	Entities that directly or indirectly control the Bank	Entities under direct or indirect common control by the Bank
ssets:		
Cash balances in other credit institutions	59,167	3,059
Financial assets held for trading	1,714,977	728
Financial assets at amortised cost		
Loans and advances	37,232	63,205
Derivatives - hedge accounting	95,462	-
Intangible assets	-	1,821
Tax assets	12,187	-
Other assets	13	17,936
Liabilities:		
Financial liabilities held for trading	1,669,654	54,970
Financial liabilities measured at amortised cost		
Deposits - Credit institutions	331,474	40,405
Deposits - Customers	527,215	460,064
Debt securities issued	998,896	208,233
Other financial liabilities	36,636	5,700
Derivatives - hedge accounting	3,594	-
Tax liabilities	237,220	-
Other liabilities	5,369	11,568
Profit or Loss:		
Interest income	423,323	251
Interest expenses	411,524	6,717
Fee and commission income	402	67,992
Fee and commission expenses	3,599	661
Gains or losses on financial assets and liabilities at fair value through profit or loss, net	1,673	(5,668)
Exchange differences, net	1,466	-
Administrative expenses	5,369	26,864
Depreciation	-	545
Other operating income and expenses, net	1	4
Off-balance-sheet items:		
Guarantees given and other eventual liabilities	18,547	1,720
Loan commitments granted	119,269	4,370
Other commitments granted	92,309	28,827
Loan commitments received	-	125,293
Foreign exchange operations and derivatives	31,688,287	364,806
Liabilities for services rendered	3,150,002	9,783,127
Customer resources distributed but not managed	-	6,732,511

	31-12-2023	
	Entities that directly or indirectly control the Bank	Entities under direct or indirect common control by the Bank
Assets:		
Cash balances in other credit institutions	65,457	3,876
Financial assets held for trading	1,391,778	743
Financial assets at amortised cost		
Loans and advances	38,319	56,364
Derivatives - hedge accounting	112,170	-
Intangible assets	-	1,904
Tax assets	42	-
Other assets	14	16,596
Liabilities:		
Financial liabilities held for trading	1,363,534	48,547
Financial liabilities measured at amortised cost		
Deposits - Credit institutions	354,530	18,805
Deposits - Customers	390,779	346,194
Debt securities issued	1,030,522	77,781
Other financial liabilities	-	4,540
Derivatives - hedge accounting	4,770	-
Tax liabilities	377,921	-
Other liabilities	5,293	11,526
Profit or Loss:		
Interest income	523,588	3,222
Interest expenses	495,447	4,245
Fee and commission income	1,243	128,292
Fee and commission expenses	-	1,286
Gains or losses on financial assets and liabilities at fair value through profit or loss, net	(119,188)	(3,786)
Exchange differences, net	(8,528)	-
Administrative expenses	10,826	51,371
Depreciation	-	3,117
Other operating income and expenses, net	1	4
Off-balance-sheet items:		
Guarantees given and other eventual liabilities	18,523	1,769
Loan commitments granted	109,769	6,356
Other commitments granted	97,979	73,358
Loan commitments received	-	230,061
Foreign exchange operations and derivatives	30,071,508	376,597
Liabilities for services rendered	3,154,904	10,242,359
Customer resources distributed but not managed	-	6,553,117

Transactions with related entities arise from the normal course of business and are carried out under market conditions.

GOVERNING BODIES

As at June 30, 2024 and December 31, 2023, advances or loans granted to members of the Board of Directors of the Bank, amounted to Euros 461 thousand and Euros 597 thousand, respectively. The deposits of members of the Board of Directors were granted at market conditions. As at June 30, 2024 and 2023, fixed remuneration totalled Euros 1,822 thousand and Euros 1,735 thousand, respectively.

Regarding post-retirement benefits, the members of the Board of Directors who have an employment tie with the Bank are included in the pension plan of the Collective Bargaining Agreement (CBA) for the banking sector, subscribed by the Bank. The general conditions of this plan are described in Note 1.3. j).

The Shareholders' General Meeting of the Bank on May 30, 2007, approved the "Regulation on the supplementary award of an old-age or disability pension" to the executive members of the former totta Board of Directors who came to become executive members (Executive Committee) of the Bank's Board of Directors in line with what was previously defined in the former totta regulation. Members of the Board of Directors whose term of office is at least fifteen consecutive or interpolated years, will be entitled to a pension supplement amounting to 80% of their gross annual salary. For terms of office under fifteen years, the amount of the retirement pension supplement will be determined by the Remuneration Committee. For these persons, it is currently determined that the retirement pension supplement shall be 65% of the annual gross salary, for terms of office equal to or greater than ten years, and 75% of the annual gross salary for terms of office equal to or greater than twelve years. This defined benefit pension plan is a supplementary plan and is dependent on the General Social Security Regime.

As at June 30, 2024 and December 31, 2023, liabilities with this plan amounted to Euros 10,508 thousand (Note 16) and were covered by a provision of the same amount carried in the sub-caption "Provisions - Pensions and other post-employment defined benefit obligations".

Regarding employment-termination benefits, as provided for in the Portuguese Commercial Companies Code, whenever, by decision of the Bank, the term of office of a member of the governing bodies ends early, the Bank shall compensate the member of the governing body with the future remuneration to which he or she is entitled up until the end of his or her term of office.

36. DISCLOSURES WITHIN THE SCOPE OF THE APPLICATION OF THE IFRS 7 AND IFRS 13

Fair value

The following table summarises, for each group of financial assets and liabilities, their fair values with reference to June 30, 2024 and December 31, 2023:

	30-06-2024			
	Fair value	Amortised cost	Book value	Fair value
Assets				
Cash, cash balances at central banks and other demand deposits	-	4,770,950	4,770,950	4,769,543
Financial assets held for trading	1,776,609	-	1,776,609	1,776,609
Non-trading financial assets mandatorily				
at fair value through profit or loss	22,777	-	22,777	22,777
Financial assets at fair value through other comprehensive income	3,775,185		3,775,185	3,775,185
Financial assets at amortised cost	-	44,484,224	44,484,224	44,303,423
Derivatives – Hedge accounting	183,681	-	183,681	183,681
	5,758,252	49,255,174	55,013,426	54,831,218
Liabilities				
Financial liabilities held for trading	1,783,312	-	1,783,312	1,783,312
Financial liabilities measured at amortised cost				
Deposits	-	42,185,006	42,185,006	42,173,432
Debt securities issued	-	5,960,547	5,960,547	5,845,025
Other financial liabilities	-	337,600	337,600	337,600
Derivatives – Hedge accounting	25,353	-	25,353	25,353
	1,808,665	48,483,153	50,291,818	50,164,722

	31-12-2023			
	Fair value	Amortised cost	Book value	Fair value
Assets				
Cash, cash balances at central banks and other demand deposits	-	6,284,760	6,284,760	6,282,867
Financial assets held for trading	1,465,544	-	1,465,544	1,465,544
Non-trading financial assets mandatorily				
at fair value through profit or loss	24,627	-	24,627	24,627
Financial assets at fair value through other comprehensive income	3,847,282	-	3,847,282	3,847,282
Financial assets at amortised cost	-	41,869,686	41,869,686	41,894,666
Derivatives – Hedge accounting	259,831	-	259,831	259,831
	5,597,284	48,154,446	53,751,730	53,774,817
Liabilities				
Financial liabilities held for trading	1,475,977	-	1,475,977	1,475,977
Financial liabilities measured at amortised cost				
Deposits	-	41,378,675	41,378,675	41,351,599
Debt securities issued	-	5,921,731	5,921,731	5,838,349
Other financial liabilities	-	258,937	258,937	258,937
Derivatives – Hedge accounting	26,048	-	26,048	26,048
	1,502,025	47,559,343	49,061,368	48,950,910

As at June 30, 2024 and December 31, 2023, the carrying amount of the financial instruments measured at fair value, by valuation methodology, was as follows:

	30-06-2024			
	Methodology to determine fair value			
	Quotations on active market (Level 1)	Other valuation techniques (Level 2)	(Level 3)	Total
Assets				
Financial assets held for trading	-	1,761,112	15,497	1,776,609
Non-trading financial assets mandatorily				
at fair value through profit or loss	-	-	22,777	22,777
Financial assets at fair value through other comprehensive income	177,711	3,424,156	173,318	3,775,185
Derivatives – Hedge accounting	-	183,681	-	183,681
	177,711	5,368,949	211,592	5,758,252
Liabilities				
Financial liabilities held for trading	-	1,751,116	32,196	1,783,312
Derivatives – Hedge accounting	-	25,353	-	25,353
	-	1,776,469	32,196	1,808,665

	31-12-2023			
	Methodology to determine fair value			
	Quotations on active market (Level 1)	Other valuation techniques (Level 2)	(Level 3)	Total
Assets				
Financial assets held for trading	-	1,440,691	24,853	1,465,544
Non-trading financial assets mandatorily				
at fair value through profit or loss	-	-	24,627	24,627
Financial assets at fair value through other comprehensive income	180,774	3,496,215	170,293	3,847,282
Derivatives – Hedge accounting	-	259,831	-	259,831
	180,774	5,196,737	219,773	5,597,284
Liabilities				
Financial liabilities held for trading	-	1,451,081	24,896	1,475,977
Derivatives – Hedge accounting	-	26,048	-	26,048
	-	1,477,129	24,896	1,502,025

For the determination of the fair value of the financial instruments, the valuation methods used consisted of obtaining quotations on active markets or using other valuation techniques, namely the discounting of future cash flows.

The fair value of the financial instruments measured at amortised cost, by valuation methodology, was as follows:

	30-06-2024			
	Methodology to determine fair value			
	Quotations on active market (Level 1)	Other valuation techniques (Level 2)	(Level 3)	Total
Assets				
Cash, cash balances at central banks and other demand deposits	-	4,769,543	-	4,769,543
Financial assets at amortised cost	5,261,503	733,416	38,308,504	44,303,423
	5,261,503	5,502,959	38,308,504	49,072,966
Liabilities				
Financial liabilities measured at amortised cost				
Deposits	-	5,015,279	37,158,153	42,173,432
Debt securities issued	-	3,741,085	2,103,940	5,845,025
Other financial liabilities	-	-	337,600	337,600
	-	8,756,364	39,599,693	48,356,057

	31-12-2023			
	Methodology to determine fair value			
	Quotations on active market (Level 1)	Other valuation techniques (Level 2)	(Level 3)	Total
Assets				
Cash, cash balances at central banks and other demand deposits	-	6,282,867	-	6,282,867
Financial assets at amortised cost	3,946,572	476,338	37,471,756	41,894,666
	3,946,572	6,759,205	37,471,756	48,177,533
Liabilities				
Financial liabilities measured at amortised cost				
Deposits	-	5,760,304	35,591,295	41,351,599
Debt securities issued	-	3,649,547	2,188,802	5,838,349
Other financial liabilities	-	-	258,937	258,937
	-	9,409,851	38,039,034	47,448,885

For the determination of the fair value of the financial instruments measured at amortised cost, the valuation methods used consisted of discounting the future cash flows.

The valuation at fair value of the Bank's financial assets and liabilities comprises three levels, under IFRS 13:

- Level 1 – Financial instruments recorded at fair value based on quotes published in active markets, mainly comprising public debt and some private debt.

- Level 2 – Financial instruments recorded at fair value using prices traded on markets that are not active or for which it is necessary to use valuation models or techniques with inputs that can be observed in the market, either directly (such as prices) or indirectly (derived from prices). This category includes some securities in the portfolio of other financial assets at fair value through other comprehensive income measured with indicative market bids or based on internal valuation models and the derivative financial instruments used for hedging and trading. It should be noted that the internal valuation models used mainly correspond to models for updating future cash flows and valuation methodologies based on the "Black-Scholes" model for options and structured products. The models for updating future cash flows ("present value method") update future contractual flows using the interest rate curves of each currency observable in the market, plus the credit spread of the issuer or entity with a similar rating.

  For derivative financial instruments, the main valuation techniques are presented below:

Derivative financial instrument	Main valuation techniques
Forwards	Present value model
Interest rate swaps	Present value model
Currency swaps	Present value model
Equity swaps	Present value model
Exchange rate options	Black-Scholes model, Monte Carlo model
Equity options	Black-Scholes model, Heston model
Interest rate options	Black-Scholes model, Heath-Jarrow-Morton model
Options - other	Black-Scholes model, Monte Carlo model, Heath-Jarrow-Morton model
Caps / Floors	Black-Scholes model, Monte Carlo model, Heath-Jarrow-Morton model

  The Bank calculates the "Credit Value Adjustment" (CVA) and the "Debit Value Adjustment" (DVA) for derivatives held for trading and hedging derivatives from the perspective of aggregate exposure by counterparty. It simulates the evolution of the joint exposure of all derivatives, with a given counterparty, through stochastic processes. This evolution is grouped into time frames that represent the expected positive and negative future exposures (Positive and Negative Expected Future Exposures). To these exposures is applied an expected loss factor and the discount factor for the respective term. The CVA and DVA calculated for each counterparty thus result from the sum of the expected losses in each term.

  Additionally, for the purposes of calculating Credit Value Adjustments and Debit Value Adjustments to derivative financial instruments, the following inputs were used:

  - Counterparties with quoted credit default swaps - Quotes published in active markets;
  - Counterparties without quoted credit default swaps;
  - Quotes published in active markets for counterparties with similar risk; or
  - Probability of default calculated considering the internal rating assigned to the customer (see credit risk section of these Notes) x loss given default (specific for project finance customers and 60% for other customers).

- Level 3 – The Bank classifies in this level financial instruments which are measured using internal models with some inputs that do not correspond to observable market data. In this category were classified, namely, securities not quoted in active markets for which the Bank uses extrapolations of market data and the derivatives entered in the scope of securitisation operations.

The main assumptions used in determining the fair value of the financial instruments measured at amortised cost, by type of financial instrument, were as follows:

- The future cash flows from applications and resources from credit institutions were discounted using interest rate curves for the monetary market;
- For the purposes of discounting future flows from the customer loan portfolio, the fair value of the credit granted was determined taking into account the average spread of the production carried out in the last quarter of the year;
- For customer demand deposits, it was considered that the fair value was equal to the balance sheet value;
- In the case of debt securities issued, future cash flows were discounted based on the market conditions required for similar issues at the end of the year;
- In the case of subordinated liabilities, to discount future cash flows, market interest rates applied to similar issues were considered.

In the first half of 2024 and the financial year of 2023, the movement in financial instruments classified in Level 3 was as follows:

	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets at fair value through other comprehensive income
December 31, 2022	48,383	31,020	143,008
Purchases	-	51	1,782
Sales	-	-	(2,497)
Reimbursements	-	(10,530)	-
Reclassifications	-	-	38,500
Fair value changes	(23,530)	4,086	(10,500)
December 31, 2023	24,853	24,627	170,293
Purchases	-	23	3,055
Sales	-	-	(30)
Reimbursements	-	(1,803)	-
Reclassifications	-	-	-
Fair value changes	(9,356)	(70)	-
June 30, 2024	15,497	22,777	173,318

The interest rate curves for the most representative terms and currencies used in the valuation of financial instruments were as follows:

	30-06-2024		31-12-2023	
	EUR	USD	EUR	USD
Overnight	3.89%	5.58%	4.19%	5.64%
1 month	3.90%	5.58%	4.19%	5.60%
3 months	3.76%	5.57%	4.04%	5.58%
6 months	3.68%	5.50%	3.86%	5.41%
9 months	3.58%	5.40%	3.63%	5.22%
1 year	3.48%	5.29%	3.40%	5.03%
3 years	3.03%	4.56%	2.56%	4.02%
5 years	2.87%	4.31%	2.43%	3.79%
7 years	2.82%	4.22%	2.44%	3.73%
10 years	2.82%	4.18%	2.49%	3.71%

Hedge accounting

As at June 30, 2024 and December 31 2023, the detail of hedging derivatives and financial instruments designated as hedged items was as follows:

	30-06-2024					
	Hedged element				Hedging instrument	
	Nominal value	Amount, net of impairment	Fair value changes	Carrying amount	Nominal value	Fair value
Fair value hedging:						
Financial assets at amortised cost	2,179,683	2,163,059	(40,434)	2,122,625	2,478,219	88,251
Financial assets at fair value through other comprehensive income	3,396,000	3,476,775	(51,710)	3,425,065	5,196,000	75,658
Financial liabilities measured at amortised cost						
Deposits - Customers	(136,933)	(137,059)	1,872	(135,187)	137,033	(2,134)
Debt securities issued	(1,857,116)	(1,895,253)	5,245	(1,890,008)	1,857,116	(9,486)
Cash flow hedging:						
Financial assets at amortised cost	3,000,000	3,000,000	-	3,000,000	3,000,000	6,039
	6,581,634	6,607,522	(85,027)	6,522,495	12,668,368	158,328

	31-12-2023					
	Hedged element				Hedging instrument	
	Nominal value	Amount, net of impairment	Fair value changes	Carrying amount	Nominal value	Fair value
Fair value hedging:						
Financial assets at amortised cost	2,783,571	2,791,411	(105,643)	2,685,768	2,722,791	107,165
Financial assets at fair value through other comprehensive income	3,396,000	3,640,133	(60,080)	3,580,053	5,196,000	96,201
Financial liabilities measured at amortised cost						
Deposits - Customers	(131,597)	(132,113)	2,112	(130,001)	131,597	(1,921)
Debt securities issued	(857,431)	(871,572)	(7,179)	(878,751)	857,431	7,483
Cash flow hedging:						
Financial assets at amortised cost	3,000,000	3,000,000	-	3,000,000	3,000,000	24,855
	8,190,543	8,427,859	(170,790)	8,257,069	11,907,819	233,783

Cash flow hedging

The expected periods for the occurrence of cash flows that will affect the profit or loss for the period present the following detail:

	30-06-2024					
	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 3 years	More than 3 years	Total
Interest rate swaps	-	-	-	6,039	-	6,039

	31-12-2023					
	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 3 years	More than 3 years	Total
Interest rate swaps	-	-	-	24,855	-	24,855

The gains and losses recognised in the statements of profit or loss as at June 30, 2024 and December 31, 2023, with fair value hedging transactions, presented the following detail:

	30-06-2024			31-12-2023		
	Hedged element	Hedging instrument	Net	Hedged element	Hedging instrument	Net
Financial assets at amortised cost	36,519	(36,519)	-	90,998	(90,998)	-
Financial assets at fair value through other comprehensive income	(3,978)	3,978	-	136,872	(136,872)	-
Financial liabilities measured at amortised cost						
Deposits - Customers	(240)	240	-	2,113	(2,113)	-
Debt securities issued	12,423	(12,423)	-	(7,667)	7,667	-
	44,724	(44,724)	-	222,316	(222,316)	-

RISK MANAGEMENT

CREDIT RISK

Credit-risk management at the Bank covers the identification, measurement, integration and evaluation of the various credit exposures, and an analysis of their profitability adjusted to the respective risk, both from an overall viewpoint, as well as within every area of activity.

Credit-risk management is carried out by an independent body, the Risks Area, which is responsible, namely, for managing the special customer monitoring system, SCAN (Santander Customer Assessment Note), for the segmentation of the credit risk in the light of the characteristics of the customers and of the products, and for the scoring (applicable to mortgage-loan and consumer-loan operations, and credit and business cards) and rating systems used at the Bank.

The counterparty risk consists of the latent credit risk in financial markets transactions corresponding to the possibility of default by the counterparties of the terms contracted and subsequent occurrence of financial losses for the Bank. The types of transactions covered include the purchase and sale of securities, the contracting of repos, securities lending and derivative instruments. Given the high complexity and volume of transactions, as well as the requirements necessary for an adequate control of the consolidated risks in certain customer segments, the control perimeter is defined in accordance with the segments at issue.

Control of these risks is performed daily in accordance with an integrated system that allows the recording of the approved limits and the real-time updating of positions and provides information on the availability of limits and aggregate exposure, also in real time, for the various products and maturities. The system also allows transverse control (at different levels) of risk concentration by groups of customers / counterparties.

The risk in derivative positions (called Credit Risk Equivalent) is calculated as the sum of the present value of each contract (or current replacement cost) with the respective Potential Risk, a component that reflects an estimate of the maximum value expected to maturity, depending on the volatilities of the underlying market factors and the flow structure contracted. The credit risk in derivative positions is captured through determination of the CVA / DVA.

For specific customer segments (namely global corporate customers) emphasis is given to the implementation of economic-capital limits, incorporating in the quantitative control the variables associated with the creditworthiness of each counterparty.

Risk analyses for customers or economic groups where the Bank has an exposure of more than Euros 500,000 are performed by risk analysts who monitor those customers and supported by rating models developed by the Bank and approved by the regulatory entities. Preparation of these models is mandatory. The assignment of various internal rating levels, ranging from 1.0 to 9.3, has subjacent the degree of risk inherent to the customer and a probability of default at one year that the Bank monitors and calibrates on a constant and regular basis.

In concrete terms, the rating is determined by the analysis of the following factors to which are assigned a rating from 1.0 (minimum) to 9.3 (maximum), in accordance with the following weighting:

Split	Weighting
. Demand / Market;	20%
. Partners / Management;	15%
. Access to credit;	10%
. Profitability;	15%
. Flow generation;	25%
. Solvency.	15%

The rating is calculated by the analysts, based on information provided by the customer, general information about the sector and external databases. The final rating is introduced in each of the valuation areas in the Bank's information technology system.

In this way, the Bank's internal rating system can be described as follows:

Rating 1.0 – 3.9: Customer of high-default probability;
Rating 4.0 – 4.9: Customer of moderate-default probability;
Rating 5.0 – 9.3: Customer of low-default probability.

As at June 30, 2024 and December 31, 2023, the maximum exposure to the credit risk and the respective carrying amount of the financial instruments was as follows:

	30-06-2024		31-12-2023	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Cash, cash balances at central banks and other demand deposits	4,770,950	4,770,950	6,284,760	6,284,760
Financial assets held for trading	1,776,609	1,776,609	1,465,544	1,465,544
Non-trading financial assets mandatorily				
at fair value through profit or loss	22,777	22,777	24,627	24,627
Financial assets at fair value through other comprehensive income	3,775,185	3,775,185	3,847,282	3,847,282
Financial assets at amortised cost	44,484,224	50,982,613	41,869,686	49,356,887
Derivatives – Hedge accounting	183,681	183,681	259,831	259,831
	55,013,426	61,511,815	53,751,730	61,238,931
Guarantees given (Note 22)				
Financial guarantees and sureties	384,496	384,496	370,432	370,432
Non-financial guarantees and sureties	1,635,625	1,635,625	1,631,183	1,631,183
Documentary credits outstanding	258,886	258,886	228,694	228,694
	2,279,007	2,279,007	2,230,309	2,230,309

The maximum exposure in “Financial assets at amortised cost” is as follows:

	30-06-2024	31-12-2023
Carrying amount	44,484,224	41,869,686
Other commitments granted (Note 22):		
Revocable	5,757,478	6,841,168
Irrevocable	740,911	646,033
Maximum exposure	50,982,613	49,356,887

Impairment losses

The Expected Credit Loss (ECL) calculation incorporates a Forward-Looking perspective by including macroeconomic scenarios (optimistic, base, acid and climate downside) in the PD and LGD models, applying to each scenario a given probability of occurrence. The scenarios are updated at least once a year and mirror the behaviour of macroeconomic variables used in stress models. The main macroeconomic projections used at the 2023 year end and at the first half of 2024 period end were as follows:

	2023	2024	2025	2026	2027
GDP (annual change)					
Base Scenario	*2.30%*	*1.40%*	*1.70%*	*1.80%*	*1.90%*
Optimistic Scenario	*2.40%*	*2.10%*	*2.40%*	*2.50%*	*2.50%*
Acid Scenario	*2.20%*	*-0.50%*	*-1.10%*	*0.70%*	*1.50%*
Climate Downside Scenario	*1.00%*	*-1.10%*	*0.20%*	*0.60%*	*0.70%*
Unemployment (annual change)					
Base Scenario	*7.10%*	*8.00%*	*8.00%*	*7.90%*	*7.70%*
Optimistic Scenario	*7.10%*	*7.70%*	*7.60%*	*7.40%*	*7.20%*
Acid Scenario	*7.20%*	*8.30%*	*8.90%*	*9.00%*	*8.80%*
Climate Downside Scenario	*7.10%*	*8.20%*	*8.80%*	*8.90%*	*8.70%*
Real Estate Prices (annual change)					
Base Scenario	*6.50%*	*2.00%*	*3.10%*	*3.40%*	*3.80%*
Optimistic Scenario	*7.30%*	*1.40%*	*3.00%*	*3.20%*	*3.70%*
Acid Scenario	*6.80%*	*-1.70%*	*-1.40%*	*0.90%*	*2.50%*
Climate Downside Scenario	*6.80%*	*-1.60%*	*-1.40%*	*0.90%*	*2.50%*
CPI (annual change)					
Base Scenario	*4.30%*	*2.10%*	*1.90%*	*1.70%*	*1.90%*
Optimistic Scenario	*4.90%*	*3.10%*	*2.30%*	*2.00%*	*2.10%*
Acid Scenario	*4.30%*	*1.60%*	*1.20%*	*1.20%*	*1.50%*
Climate Downside Scenario	*4.00%*	*1.50%*	*1.20%*	*1.20%*	*1.50%*
10-year Treasury Bonds					
Base Scenario	*3.17%*	*3.39%*	*3.45%*	*3.63%*	*3.84%*
Optimistic Scenario	*2.89%*	*2.80%*	*2.88%*	*3.04%*	*3.23%*
Acid Scenario	*3.31%*	*3.44%*	*3.52%*	*3.62%*	*3.72%*
Climate Downside Scenario	*3.30%*	*3.42%*	*3.51%*	*3.62%*	*3.70%*

The Base Scenario considers moderate economic growth following the strong recovery recorded at the beginning of 2023. The aforementioned growth is supported by external demand, which benefits from the recovery of global value chains and a strong and diversified increase in the tourism sector. Domestic demand appears to be subdued as families and investors face higher interest rates and lower purchasing power. In the following years, the economy is expected to gradually converge towards its potential growth.

The Optimistic Scenario is characterised by greater resilience of the economic activity, with positive levers (European funds, more diversified and resilient external demand, greater solidity in the labour market and the banking sector with better liquidity and solvency).

The Acid Scenario is characterised by a contraction in activity in 2024, which could last until 2025, followed by a moderate recovery.

The climate downside scenario incorporates a perspective of the evolution of climate risks in the ECL calculation assuming the occurrence of a disorderly transition scenario in the country.

For sensitivity analysis purposes, a 100% weighting is assumed in extreme scenarios. In a 100% pessimistic (acid) scenario the impact on impairment would be + Euros 46.0 million, in an 100% optimistic scenario it would be - Euros 51.2 million, which represents an impact on the total impairment recorded at the December 31, 2023 year-end of +5.5% and -6.1% (+2.4% and -1.9% at the 2022 year-end) respectively.

As at June 30, 2024 and December 31, 2023, the concentration by activity sector of the portfolio of loans and advances at amortised cost, was as follows:

	30-06-2024			
Activity sector	**Gross amount**	**Impairment**	**Carrying amount**	**Concentration %**
Agriculture, animal husbandry, hunting, forestry and fisheries	282,181	(6,926)	275,255	0.78%
Extractive industries	12,629	(1,151)	11,477	0.03%
Manufacturing	1,596,118	(88,314)	1,507,804	4.25%
Electricity, gas, steam, hot and cold water and cold air	193,326	(181)	193,145	0.54%
Water catchment, treatment and distribution; sanitation, waste management and depollution	44,717	(1,556)	43,161	0.12%
Construction	935,679	(43,071)	892,607	2.52%
Wholesale and retail trade; motor vehicle and motorcycle repairs	1,742,007	(61,561)	1,680,446	4.74%
Transport and storage	493,855	(34,457)	459,398	1.30%
Accommodation, catering and similar	1,078,854	(55,013)	1,023,841	2.89%
Information and communication activities	95,597	(2,401)	93,196	0.26%
Real estate activities	1,259,373	(38,040)	1,221,332	3.44%
Consultancy, scientific, technical and similar activities	598,979	(15,920)	583,059	1.64%
Administrative and support activities	355,143	(37,639)	317,503	0.90%
Public administration and defence; mandatory social security	369	(2)	367	0.00%
Education	67,580	(1,219)	66,361	0.19%
Human healthcare and social support activities	237,079	(4,130)	232,949	0.66%
Artistic, shows, sports and recreational activities	74,249	(8,799)	65,450	0.18%
Other services	385,486	(15,731)	369,755	1.04%
Loans and advances - Financial institutions	720,130	(1,175)	718,955	2.03%
Loans and advances - Public sector	953,095	(8,597)	944,497	2.66%
Loans and advances - Individuals:				
. Mortgage	22,749,852	(160,064)	22,589,788	63.72%
. Consumer and other	2,311,830	(149,772)	2,162,058	6.10%
	36,188,127	**(735,720)**	**35,452,407**	**100.00%**

	31-12-2023			
Activity sector	**Gross amount**	**Impairment**	**Carrying amount**	**Concentration %**
Agriculture, animal husbandry, hunting, forestry and fisheries	262,041	(8,447)	253,594	0.73%
Extractive industries	13,367	(981)	12,386	0.04%
Manufacturing	1,632,645	(85,535)	1,547,110	4.47%
Electricity, gas, steam, hot and cold water and cold air	214,436	(230)	214,206	0.62%
Water catchment, treatment and distribution; sanitation, waste management and depollution	38,824	(1,738)	37,086	0.11%
Construction	979,104	(51,972)	927,132	2.68%
Wholesale and retail trade; motor vehicle and motorcycle repairs	1,725,610	(73,860)	1,651,750	4.77%
Transport and storage	500,079	(34,042)	466,037	1.35%
Accommodation, catering and similar	1,106,031	(59,942)	1,046,089	3.02%
Information and communication activities	89,881	(2,569)	87,312	0.25%
Real estate activities	1,268,761	(39,316)	1,229,445	3.55%
Consultancy, scientific, technical and similar activities	619,403	(25,710)	593,693	1.71%
Administrative and support activities	304,296	(39,721)	264,575	0.76%
Public administration and defence; mandatory social security	333	(2)	331	0.00%
Education	66,339	(1,300)	65,039	0.19%
Human healthcare and social support activities	226,474	(4,165)	222,309	0.64%
Artistic, shows, sports and recreational activities	66,474	(8,607)	57,867	0.17%
Other services	392,692	(15,186)	377,506	1.09%
Loans and advances - Financial institutions	601,825	(1,152)	600,673	1.73%
Loans and advances - Public sector	882,764	(13,257)	869,507	2.51%
Loans and advances - Individuals:				
. Mortgage	22,143,683	(168,581)	21,975,102	63.46%
. Consumer and other	2,287,028	(158,457)	2,128,571	6.15%
	35,422,090	**(794,770)**	**34,627,320**	**100.00%**

In accordance with the requirements set out in Bank of Portugal Instruction No. 4/2018, the Bank began to publish “Non-Performing Exposures” and “Forborne Exposures”.

Thus, as at June 30, 2024 and December 31, 2023, the breakdown of performing and non-performing exposures was as follows:

	30-06-2024			31-12-2023		
	Gross amount	Impairment	Coverage	Gross amount	Impairment	Coverage
Performing exposures	44,363,173	(261,033)	0.6%	41,773,155	(291,606)	0.7%
Non-performing exposures						
. Individuals	341,338	(147,585)	43.2%	323,900	(148,537)	45.9%
. Companies	518,020	(329,689)	63.6%	569,663	(356,889)	62.6%
	859,358	(477,274)		893,563	(505,426)	
	45,222,531	(738,307)		42,666,718	(797,032)	

The degree of coverage of non-performing exposures, net of impairment, by real guarantees was as follows:

	30-06-2024			31-12-2023		
	Carrying amount	Collateral	Coverage	Carrying amount	Collateral	Coverage
Non-performing exposures						
. Individuals	193,753	164,820	85.1%	175,363	146,989	83.8%
. Companies	188,331	139,299	74.0%	212,774	143,444	67.4%
	382,084	304,119		388,137	290,433	

Forborne exposures

In accordance with Bank of Portugal Instruction No. 04/2018, institutions must identify and mark, in their information systems, loan contracts of a customer in financial difficulties, whenever there are changes to the terms and conditions of such contracts (including extension of the repayment term, introduction of grace periods, capitalisation of interest, reduction of interest rates, pardon of interest or principal) or the institution contracts new credit facilities for the (total or partial) settlement of the service of the existing debt.

As at June 30, 2024 and December 31, 2023, the breakdown of forborne exposures was as follows:

	30-06-2024			31-12-2023		
	Gross amount	Impairment	Coverage	Gross amount	Impairment	Coverage
Performing exposures	338,229	(26,237)	7.8%	412,113	(30,374)	7.4%
Non-performing exposures						
. Individuals	132,759	(57,531)	43.3%	128,497	(55,240)	43.0%
. Companies	325,083	(190,152)	58.5%	377,740	(228,964)	60.6%
	457,842	(247,683)		506,237	(284,204)	
	796,071	(273,920)		918,350	(314,578)	

Encumbered assets

In accordance with the requirements defined in Instruction No. 28/2014, of January 15, 2015, of the Bank of Portugal, the Bank presents below information regarding encumbered assets. An encumbered asset is an asset explicitly or implicitly constituted as collateral or subject to an agreement to guarantee, collateralise or improve credit quality in any operation from which it cannot be freely withdrawn.

As at June 30, 2024 and December 31, 2023, the composition of encumbered and unencumbered assets is as follows:

	30-06-2024			
	Book value of encumbered assets	Fair value of encumbered assets	Book value of unencumbered assets	Fair value of unencumbered assets
Assets				
Cash balances at central banks and other demand deposits at credit institutions	-	-	4,463,098	-
Equity instruments	-	-	198,107	198,288
Debt securities	185,505	184,348	10,055,678	10,115,974
Loans and advances	13,025,617	-	24,817,279	-
Other assets	-	-	3,137,341	-
	13,211,122	184,348	42,671,503	10,314,262

	31-12-2023			
	Book value of encumbered assets	Fair value of encumbered assets	Book value of unencumbered assets	Fair value of unencumbered assets
Assets				
Cash balances at central banks and other demand deposits at credit institutions	-	-	5,893,705	-
Equity instruments	-	-	196,864	196,912
Debt securities	488,494	490,717	8,001,028	8,133,219
Loans and advances	13,165,993	-	23,889,216	-
Other assets	-	-	2,951,282	-
	13,654,487	490,717	40,932,095	8,330,131

As at June 30, 2024 and December 31, 2023, liabilities associated with encumbered assets and the collateral received are as follows:

	30-06-2024	
	Associated liabilities, contingent liabilities and securities lent	Assets, collateral received and own debt instruments issued excluding own covered bonds or encumbered ABS
Book value of financial liabilities	4,432,031	6,840,619
Other	276,135	1,150,645
	4,708,166	7,991,263

	31-12-2023	
	Associated liabilities, contingent liabilities and securities lent	Assets, collateral received and own debt instruments issued excluding own covered bonds or encumbered ABS
Book value of financial liabilities	5,186,885	7,480,966
Other	259,023	998,653
	5,445,908	8,479,619

LIQUIDITY RISK

The balance sheet liquidity-management policy is decided by the 1st level body of the organisational structure responsible for Asset and Liability Management (ALM), the Asset-Liability Committee (ALCO), chaired by the Chair of the Executive Committee, which includes the directors responsible for the Financial and Commercial areas. Committee meetings are held monthly, and at these meetings the balance-sheet risks are analysed, and strategic options decided.

For the ALM area, the following balance-sheet management limits are defined:

- Limits intended to control the interest-rate risk, in particular, the sensitivity of the Net Interest Margin (NIM), and the sensitivity of the Market Value of Equities (MVE) to unexpected interest-rate variations; and

- Limits intended to control the liquidity risk through the net accumulated liquidity and illiquidity coefficient indicators.

The Bank's funding policy considers the evolution of the balance-sheet aggregates, the structural situation of the maturities of assets and liabilities, the net interbank debt level in the light of the available lines, maturity dispersal and minimisation of the costs associated with the funding activity.

It should be noted that the Bank does not perform any liquidity-risk analysis for trading financial instruments.

As at June 30, 2024 and December 31, 2023, the breakdown of the projected (not discounted) cash flows of the financial instruments, in keeping with their contractual maturities, was as follows:

	30-06-2024								
	On demand	Up to 3 months	Between 3 months and 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Undetermined	Derivatives	Total
Assets									
Cash, cash balances at central banks and other demand deposits	4,199,014	571,936	-	-	-	-	-	-	4,770,950
Financial assets held for trading	-	-	-	-	-	-	-	1,776,609	1,776,609
Non-trading financial assets mandatorily									
at fair value through profit or loss	-	-	-	-	-	-	22,777	-	22,777
Financial assets at fair value through other comprehensive income	2	73,304	37,054	1,232,298	251,209	2,646,209	274,631	-	4,514,707
Financial assets at amortised cost	625,091	2,800,047	7,513,075	13,112,398	9,888,284	21,994,568	-	-	55,933,463
Derivatives – Hedge accounting	-	-	-	-	-	-	-	183,681	183,681
	4,824,107	3,445,287	7,550,129	14,344,696	10,139,493	24,640,777	297,408	1,960,290	67,202,187
Liabilities									
Financial liabilities held for trading	-	-	-	-	-	-	-	1,783,312	1,783,312
Financial liabilities measured at amortised cost									
Deposits - Credit institutions	762,489	932,109	3,016,940	405,269	-	-	-	-	5,116,807
Deposits - Customers and other loans	21,695,149	7,711,962	7,478,468	347,846	147,301	51,871	-	-	37,432,597
Debt securities issued	-	245,508	541,664	2,308,095	2,206,152	1,435,851	-	-	6,737,270
Derivatives – Hedge accounting	-	-	-	-	-	-	-	25,353	25,353
	22,457,638	8,889,579	11,037,072	3,061,210	2,353,453	1,487,722	-	1,808,665	51,095,339

	31-12-2023								
	On demand	Up to 3 months	Between 3 months and 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Undetermined	Derivatives	Total
Assets									
Cash, cash balances at central banks and other demand deposits	6,285,326	-	-	-		-	-	-	6,285,326
Financial assets held for trading	-	-	-	-	-	-	-	1,465,544	1,465,544
Non-trading financial assets mandatorily									
at fair value through profit or loss	-	-	-	-	-	-	24,626	-	24,626
Financial assets at fair value through other comprehensive income	2	35,454	74,875	1,265,841	251,208	2,648,155	346,224	-	4,621,759
Financial assets at amortised cost	493,456	2,213,003	5,119,697	10,438,802	6,548,891	39,851,369	-	-	64,665,218
Derivatives – Hedge accounting	-	-	-	-	-	-	-	259,831	259,831
	6,778,784	2,248,457	5,194,572	11,704,643	6,800,099	42,499,524	370,851	1,725,375	77,322,304
Liabilities									
Financial liabilities held for trading	-	-	-	-	-	-	-	1,475,977	1,475,977
Financial liabilities measured at amortised cost									
Deposits - Central banks	-	797,526	-	-	-	-	-	-	797,526
Deposits - Credit institutions	528,008	1,440,087	2,324,828	856,392	-	-	-	-	5,149,315
Deposits - Customers and other loans	20,740,183	5,720,975	8,412,739	641,896	231,979	84,909	-	-	35,832,681
Debt securities issued	-	101,132	1,659,588	1,804,356	2,588,049	388,197	-	-	6,541,322
Derivatives – Hedge accounting	-	-	-	-	-	-	-	26,048	26,048
	21,268,191	8,059,720	12,397,155	3,302,644	2,820,028	473,106	-	1,502,025	49,822,869

Determination of the projected cash flows from financial instruments was based on principles and assumptions used by the Bank in the management and control of liquidity arising from its business, namely:

- The projected cash flows of assets and liabilities with variable remuneration associated with the interest rate curve are calculated considering the forward interest rate curve;

- Financial instruments classified as “non-structural” were considered to be payable “on demand” (cash, cash balances at credit institutions). Equity instruments carried as financial assets at fair value through other comprehensive income, were considered as having an indeterminate maturity. For non-trading financial assets mandatorily at fair value through profit or loss and for financial assets and liabilities held for trading, their fair value was considered to be their transactional value on demand, given that their management is based on the control of their exposure to market risk.

- Operations relating to credit lines without defined maturity or periodically renewable, namely bank overdrafts and current account credit facilities, were considered as having an average maturity of 25 months;

- For the subordinated liabilities, the date on which the Bank may make early redemption of the bonds that make up this caption was considered;

- The projected flows relating to demand deposits have been considered as payable on demand.

MARKET RISK

Market risk generally consists of the potential variation of the value of a financial instrument due to unexpected changes of market variables, such as interest rates, exchange rates, credit spreads, and prices of equity instruments, precious metals and commodities.

The standard method applied for the Bank's trading activity is Value at Risk (VaR). The Historic Simulation standard is used as the basis, with a confidence level of 99% and a time horizon of one day, statistical adjustments being applied to include the more recent events that condition the risk levels assumed.

The calculated VaR is a daily estimate of the maximum potential loss under normal market conditions (individually by portfolios / business areas, and for the entirety of the positions), within the assumptions defined in the construction of the model.

At the same time, other measures are implemented that allow additional monitoring of the market risk. For unusual market conditions, scenarios are analysed (Stress Testing), which consists of defining extreme scenarios for the behaviour of different financial variables and obtaining their potential impact on profit or loss. In short, the scenario analysis seeks to identify the potential risk under extreme market conditions, and in the fringes of probable occurrence not covered by the VaR.

In parallel, there is daily monitoring of the positions, and an exhaustive control is performed of the changes that occur in the portfolios, to detect the possible impacts that may exist for their correction. The daily preparation of the profit or loss account is intended to identify the impact of variations in the financial variables or of the alteration of the composition of the portfolios.

The Bank also uses sensitivity measures and equivalent positions. In the case of the interest rate, use is made of the Basis Point Value (BPV) – estimated impact on profit or loss for parallel movements in the interest-rate curves. For the control of derivatives activities, due to their atypical nature, specific daily sensitivity measures are carried out, including calculation and analysis of sensitivities to movements of the price of the underlying item (delta and gamma), volatility (Vega), and time (theta).

Quantitative limits are used for the trading portfolios, which are classified into two groups, in the light of the following objectives:

- Limits intended to control the volume of potential future losses (VaR, equivalent positions, and sensitivities); and
- Limits intended to control the volume of actual losses or to protect the profit or loss levels already achieved during the year (Loss Triggers and Stop Losses).

Regarding the structural interest-rate risk, it is measured through modelling the asset and liability positions sensitive to interest-rate variations in accordance with their indexing and repricing structure. This model allows the measurement and control of the risks originating directly from the movement of the income curve, namely their impact on net interest income and on the Bank's equity. Additionally, other risk indicators are calculated, such as Value at Risk (VaR) and scenario analysis (Stress Test).

The liquidity risk is measured and controlled through the modelling of present and future flows of payments and receipts, as well as by conducting stress tests that seek to identify the potential risk under extreme market conditions. In parallel, ratios are calculated based on balance sheet positions that act as indicators of structural and short-term liquidity requirements.

INTEREST-RATE RISK

As at June 30, 2024 and December 31, 2023, the breakdown of financial instruments by exposure to interest-rate risk was as follows:

	30-06-2024				
	Exposure to				
	Fixed rate	Floating rate	Not remunerated	Derivatives	Total
Assets					
Cash, cash balances at central banks and other demand deposits	-	4,230,352	540,598	-	4,770,950
Financial assets held for trading	-	-	-	1,776,609	1,776,609
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	22,777	-	22,777
Financial assets at fair value through other comprehensive income	3,500,554	-	274,631	-	3,775,185
Financial assets at amortised cost	12,085,072	32,692,834	(293,682)	-	44,484,224
Derivatives – Hedge accounting	-	-	-	183,681	183,681
	15,585,626	36,923,186	544,324	1,960,290	55,013,426
Liabilities					
Financial liabilities held for trading	-	-	-	1,783,312	1,783,312
Financial liabilities measured at amortised cost					
Deposits - Credit institutions	3,648,647	1,358,491	588	-	5,007,726
Deposits - Customers and other loans	97,008	36,996,645	83,627	-	37,177,280
Debt securities issued	4,763,115	1,192,825	4,607	-	5,960,547
Derivatives – Hedge accounting	-	-	-	25,353	25,353
	8,508,770	39,547,961	88,822	1,808,665	49,954,218

	31-12-2023				
	Exposure to				
	Fixed rate	Floating rate	Not remunerated	Derivatives	Total
Assets					
Cash, cash balances at central banks and other demand deposits	-	5,669,789	614,971	-	6,284,760
Financial assets held for trading	-	-	-	1,465,544	1,465,544
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	24,627	-	24,627
Financial assets at fair value through other comprehensive income	3,501,058		346,224	-	3,847,282
Financial assets at amortised cost	10,705,145	31,506,092	(341,551)	-	41,869,686
Derivatives – Hedge accounting	-	-	-	259,831	259,831
	14,206,203	37,175,881	644,271	1,725,375	53,751,730
Liabilities					
Financial liabilities held for trading	-	-	-	1,475,977	1,475,977
Financial liabilities measured at amortised cost					
Deposits - Central banks	692,030	-	14,805	-	706,835
Deposits - Credit institutions	4,015,027	1,026,838	570	-	5,042,435
Deposits - Customers and other loans	15,231,827	20,344,446	53,132	-	35,629,405
Debt securities issued	4,631,130	1,268,748	21,853	-	5,921,731
Derivatives – Hedge accounting	-	-	-	26,048	26,048
	24,570,014	22,640,032	90,360	1,502,025	48,802,431

Financial Instruments – non-trading

The method of calculation of the sensitivity of the net asset value involves simulation of the change in the market value of the assets and liabilities, based on 100 basis point (bp) shifts of the forward interest-rate curve. This methodology uses the following parameters and assumptions:

- All assets and liabilities sensitive to interest-rate fluctuations are identified, that is, those which value and respective contribution to net interest income may change due to changes in market rates;
- Assets and liabilities are grouped into homogeneous aggregates according to their exposure to interest-rate risk;
- For each sensitive transaction (contract), the future flows duly distributed by repricing dates (variable rate) or maturity date (fixed rate) are calculated;
- For each aggregate defined above, the transactions are grouped by repricing / maturity dates;
- The time intervals intended to measure the interest-rate gap are defined;
- For each aggregate, the cash flows are grouped on the basis of the intervals created;
- For each product considered sensitive but that has no defined maturity, distribution parameters are estimated in keeping with previously studied behaviour models; and
- For each interval, the total flows of assets and liabilities and, by the difference between these, the interest-rate risk gap are calculated.

The interest-rate gap allows an approximation of the sensitivity of the net asset value and of the net interest income in the light of market-rate variations. This approach has the following assumptions:

- The volumes are always maintained in the balance sheet and are renewed automatically;
- It assumes parallel variations in the interest-rate curve, not considering the possibility of specific movements for different periods of the interest-rate curve; and
- It does not consider the different elasticities between the various products.

From the perspective of variation of the net asset value, interest-rate increases entail a decrease of value in the intervals with positive gaps, and an increase of value in the negative gaps. Interest-rate decreases have the opposite effect.

General assumptions of this Interest-rate sensitivity analysis

- Balance-sheet evolution – a static balance sheet is assumed, according to which the amounts of contracts that do not have a fixed maturity date or which renewal is presumed, are replaced with new transactions of the same amount, so that the balance-sheet balances remain constant during the year under analysis;
- Maturities and repricing – the real maturities and repricing of the transactions are considered. Assets and liabilities which contribution to net interest income and which carrying amount does not alter with the interest-rate variations are considered non-sensitive;
- Indices – the indices defined contractually are considered, and the spot curve of the date of analysis with the underlying forward curve is used for the simulation; and
- Characteristics of new business operations (term, repricing, volumes, spread, index, etc.) – the conditions entered in the budget for each product are used. When these characteristics begin to lie outside the market for certain products, the average conditions applied during the previous month or the new commercial guidelines for each of the products in question are used.

As at June 30, 2024 and December 31, 2023, the sensitivity of the net asset value of the Bank's financial instruments to positive and negative variations of 100 basis points (bp) for a one-year time horizon was:

	30-06-2024		31-12-2023	
	+100 bp's change	-100 bp's change	+100 bp's change	-100 bp's change
Assets				
Cash and cash balances at central banks	(451)	451	(721)	721
Financial assets at fair value through other comprehensive income	(328,756)	351,635	(227,049)	239,496
Financial assets at amortised cost	(687,341)	726,642	(864,794)	931,367
	(1,016,548)	1,078,728	(1,092,564)	1,171,584
Derivatives – Hedge accounting	(15,547)	18,159	72,748	(75,408)
Liabilities				
Financial liabilities measured at amortised cost				
Deposits - Central banks	-	-	(793)	792
Deposits - Credit institutions	(20,706)	20,856	(21,490)	21,695
Deposits - Customers and other loans	(585,825)	607,146	(606,730)	630,102
Debt securities issued	(184,024)	192,518	(139,204)	144,720
Other financial liabilities	(7,003)	7,062	(16,666)	17,363
	(797,558)	827,582	(784,883)	814,672

Financial Instruments – trading

The basic parameters for calculation of the VaR applicable are, in general, besides the calculation method itself, as follows:

- Time horizon: The time period for which potential losses of a portfolio are calculated for the measurement of the (daily) VaR is 1 day.
- Confidence level: both the VaR (potential loss) and the VaE (potential gain) are determined with a confidence level of 99% (1% and 99% percentiles, respectively, of the losses and gains distribution). For purposes of contrast analysis, a VaR and a VaE will also be calculated at a confidence level of 95% (5% and 95% percentiles, respectively).
- Exponential decrease factor: Allows exponential weighting of the variation amounts in market factors over time, giving less weight to observations more distant in time. The exponential decrease factor applied is determined periodically by Market Risk.

- The VaR values used correspond to the highest of those calculated with the decrease factor in force and those calculated using uniform weighting;
- Calculation currency: In the process of calculating the VaR all positions are valued in Euros, which guarantees that the risk-free currency is the local currency. However, VaR values are reported in US dollars (USD) to allow the aggregation of different units; and
- Market data time window: A 2-year time window is used, or at least 520 data obtained from the VaR calculation reference date going back in time.

The calculation of the VaR Percentile gives equal weighting to the set of 520 observations considered. The Weighted Percentile VaR gives a significantly higher weighting to the most recent observations in relation to the reference date of the analysis.

Historical simulation consists of using the historical variations as the distribution model of possible variations in the risk factors. For this reason, the chosen period is sufficiently long and significant, such that all interactions between the market factors, their volatilities and the correlations between them, are duly mirrored in the historical period selected.

On the other hand, the complete revaluation of the portfolio requires a valuation of each of the instruments, using the respective mathematical expression to obtain the market value of each individual position. In using forms of revaluation, non-linear effects implicit in certain financial products as a result of changes in market factors are calculated and collected on the VaR values.

As at June 30, 2024 and December 31, 2023, the VaR associated with the interest-rate risk corresponded to:

	30-06-2024	31-12-2023
VaR 99% percentile	1	3

EXCHANGE-RATE RISK

The profile defined for the exchange-rate risk is quite conservative and is embodied in the hedging policy used. Its implementation is the responsibility of the Treasury area, so the risks involved are not very relevant, and it is implemented primarily using currency swaps. Risk limits are stipulated for the exchange-rate risk that are controlled by the Market Risks Area.

As at June 30, 2024 and December 31, 2023, the detail of the financial instruments by currency was as follows:

	30-06-2024			
	Euros	US dollars	Other currencies	Total
Assets				
Cash, cash balances at central banks and other demand deposits	4,693,308	29,195	48,447	4,770,950
Financial assets held for trading	1,776,270	-	339	1,776,609
Non-trading financial assets mandatorily at fair value through profit or loss	22,777	-	-	22,777
Financial assets at fair value through other comprehensive income	3,775,185	-	-	3,775,185
Financial assets at amortised cost	44,094,641	377,116	12,467	44,484,224
Derivatives – Hedge accounting	164,995	18,245	441	183,681
	54,527,176	424,556	61,694	55,013,426
Liabilities				
Financial liabilities held for trading	1,783,763	-	(451)	1,783,312
Financial liabilities measured at amortised cost				
Deposits - Credit institutions	4,936,019	71,426	281	5,007,726
Deposits - Customers and other loans	35,945,347	1,025,739	206,194	37,177,280
Debt securities issued	5,960,547	-	-	5,960,547
Derivatives – Hedge accounting	25,353	-	-	25,353
	48,651,029	1,097,165	206,024	49,954,218

	31-12-2023			
	Euros	US dollars	Other currencies	Total
Assets				
Cash, cash balances at central banks and other demand deposits	6,196,444	35,493	52,823	6,284,760
Financial assets held for trading	1,465,217	-	327	1,465,544
Non-trading financial assets mandatorily at fair value through profit or loss	24,627	-	-	24,627
Financial assets at fair value through other comprehensive income	3,847,282	-	-	3,847,282
Financial assets at amortised cost	41,469,918	375,224	24,544	41,869,686
Derivatives – Hedge accounting	239,612	19,799	420	259,831
	53,243,100	430,516	78,114	53,751,730
Liabilities				
Financial liabilities held for trading	1,476,212	-	(235)	1,475,977
Financial liabilities measured at amortised cost				
Deposits - Central banks	706,835	-	-	706,835
Deposits - Credit institutions	5,022,967	8,197	11,271	5,042,435
Deposits - Customers and other loans	34,410,970	973,324	245,111	35,629,405
Debt securities issued	5,921,731	-	-	5,921,731
Other financial liabilities	258,937	-	-	258,937
Derivatives – Hedge accounting	26,048	-	-	26,048
	47,823,700	981,521	256,147	49,061,368

As at June 30, 2024 and December 31, 2023, the VaR associated with the exchange-rate risk corresponded to:

	30-06-2024	31-12-2023
VaR 99% percentile	8	9

ASSET-PRICE RISK

Financial instruments – trading

As at June 30, 2024 and December 31, 2023, the Bank had no risk associated with asset prices with regard to its trading financial instruments, and so the VaR associated with this risk is zero.

37. CAPITAL MANAGEMENT

The Bank has a solid capital position, coherent with its business model, balance sheet structure, risk appetite and regulatory requirements. The strength of the balance sheet and the profitability of the Bank allow us to exercise our activity of financing the economy and generate capital organically. The various capital metrics are stable, with ratios comfortably above regulatory requirements and aligned with the risk appetite approved by top management.

The management and adequacy of capital aims to ensure solvency and maximise profitability, as well as compliance with regulatory requirements. Capital management is a key strategic tool for decision making. There is a governance framework approved by top management where the criteria, policies, functions, metrics and processes related to capital management are established.

At the end of the first half of 2024, the CET1 phasing in ratio is 23.8% and the total capital phasing in ratio is 26.3%, comfortably meeting the minimum requirements of 8.34% and 12.5%, respectively.

In recent financial years, the Bank has carried out several synthetic securitisation operations originated by the Bank. Underlying these operations are portfolios of Enterprises, SMEs, ENIs (Sole proprietors) and Mortgages, in relation to which the Bank purchases protection corresponding to a mezzanine tranche with an attachment and detachment points. The mezzanine tranches were entirely placed with foreign institutional investors, in the form of a CLN issued directly by the Bank or in the form of a financial guarantee / insurance contract, with a specific premium.

The following table summarises the composition of the regulatory capital and prudential ratios of the Bank as at June 30, 2024 and December 31, 2023 (both in BIS III - Phasing in):

Amounts in millions of Euros

	Jun/24	Dec/23
A – LEVEL 1 OWN FUNDS (TIER I)	3,738	2,929
Eligible Capital (includes additional instruments eligible as Tier I)	1,941	1,941
Eligible Reserves and Results (excl. Non-controlling Interests)	2,039	1,243
Deductions from Base Own Funds	(242)	(255)
B – LEVEL 2 OWN FUNDS (TIER II)	390	393
Subordinated liabilities with undetermined maturity	326	329
Other Elements / Deductions from Complementary Own Funds	64	63
C – DEDUCTIONS FROM TOTAL OWN FUNDS	-	-
D - TOTAL ELIGIBLE OWN FUNDS (A+B+C)	4,128	3,321
E – RISK-WEIGHTED ASSETS	15,710	15,467
RATIOS		
TIER I (A/E)	23.8%	18.9%
CORE CAPITAL (CET1)	21.2%	16.3%
TIER II (B/E)	2.5%	2.5%
CAPITAL ADEQUACY RATIO (D/E)	26.3%	21.5%
LEVERAGE	6.5%	5.5%

Note: the amounts presented in the table above are unaudited

38. COMPETITION AUTHORITY

In 2012, administrative-offence proceedings were instituted by the Competition Authority ("AdC"), for alleged signs of infringement of Article 9 of Law 19/2012, of May 8 (Competition Act).

Within the scope of these proceedings, search and seizure measures were carried out at the premises of the Bank and of other credit institutions, on March 6, 2013, and indiscriminate documentation was seized to determine possible evidence of infringement of the aforesaid legal precept.

On June 3, 2015, the Bank, like other 14 credit institutions, was notified of the Statement of Objections issued by the AdC regarding the administrative-offence process under appraisal (Case No. PRC 9/2012), accused of taking part in an exchange of certain commercially sensitive information between competitors. This exchange of information was sanctioned as an "infringement by object", that is, the AdC considered this conduct to be unlawful even without the demonstration of any effects on consumers.

On September 9, 2019, the AdC issued the final decision, essentially maintaining the theory presented in the 2015 Statement of Objections, namely the presumption of anti-competitive conduct based on the exchange of information between competitors on Mortgage Loans, Consumer Loans and Loans to Companies. Bank Santander Totta was sentenced to a fine of Euros 35 million, plus a fine of Euros 650 thousand applied to Banco Popular Portugal.

The fine imposed - which could amount to a maximum equivalent to 10% of the annual turnover of the infringing company in the year before the decision -, came to be applied for an amount corresponding to about 2.02% of that indicator (considering not only the penalty imposed on the Bank, but also on Banco Popular Portugal).

Nevertheless, on October 21, 2019, the Bank judicially challenged the final decision of the AdC, with the case now pending before the Competition, Regulation and Supervision Court ("TCRS").

In the scope of the judicial challenge, the amount and type of collateral to be provided, to suspend the contested decision was set. In this regard, the Bank presented a bank guarantee in the amount of Euros 17,825 thousand, issued by the Bank itself, to fulfil the mentioned collateral.

The trial hearing sessions took place between October 2021 and March 2022, with the TCRS making a first decision on April 28, 2022. In this decision, although generally confirming the facts included in the sanctioning decision of the AdC on the alleged exchange of non-public information on spreads and credit production, the TCRS recognised, as alleged by the Bank, that a preliminary ruling on this matter by the Court of Justice of the European Union ("CJEU") was justified, due to the absence of case law and decision-making practice considering autonomous exchanges of information between competitors, such as the one at issue in this case, as infringements of competition law "by object", that is, regardless of its effects on the market.

This forwarding of the process to the CJEU confirms that the alleged infringement is not as clear as the AdC tried to maintain, since the TCRS itself has doubts about the applicable legal framework.

The TCRS suspended its judgement and final decision while the preliminary issue was decided by the CJEU, which made itself heard regarding the questions placed on July 29, 2024.

The TCRS issued the final judgment, on September 20, 2024, having maintained the fine imposed on the Bank (and on most of the other banks) by the AdC. This decision can now be appealed to the Lisbon Court of Appeal, which the Bank will file in due course.

In line with what has been its position throughout the proceedings, the Bank strongly refutes all the arguments underlying the decision of the AdC, and its position has been supported, namely, by the opinion of distinguished Law Professors, attesting to the absence of any unlawful conduct by the institution. Additionally, the Bank considers that the administrative offence proceedings have been time-barred since, at least, February 2024, as per the request already presented in the proceedings and also supported by the opinion of eminent Law Professors.

Taking the foregoing into consideration, the Bank's Board of Directors is convinced that the likelihood of the Bank not being ordered to pay a fine by the end of the proceedings are greater than those of being so ordered, and therefore no provision for this case has been recorded in the financial statements as at June 30, 2024.

39. SUBSEQUENT EVENTS

On September 20, 2024, the Competition, Regulation and Supervision Court issued the final judgement regarding the administrative offence proceedings initiated by the Competition Authority ("AdC"), due to alleged evidence of infringement of Article 9 of Law 19/2012, of May 8 (Competition Law), having upheld the fine imposed on the Bank (and on most of the other banks) by the AdC. This decision can now be appealed to the Lisbon Court of Appeal, which the Bank will file in due course.

In line with its position throughout the proceedings, the Bank vehemently refutes all the arguments underlying the AdC's decision, with its position supported, in particular, by opinions from eminent Law Professors, who attest to the absence of any wrongdoing in the conduct alleged against the institution. Furthermore, the Bank considers that the administrative offence proceedings have been time-barred since, at least, February 2024, as per the request already submitted in the proceedings and also supported by the opinion of eminent Law Professors (see Note 38).

40. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on September 24, 2024.

41. NOTE ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in the Portuguese language. In the event of discrepancies, the Portuguese language version prevails.

APPENDIX I

As at June 30, 2024, the conditions of the structured, covered bonds, issued in the scope of securitisation operations, other and of subordinated liabilities are as follows:

Securities issued	Currency	Issue amount: Issued	Issue amount: Subscribed by the Group	Issue amount: Balance sheet	Interest payable / Deferred commissions	Value adjustments through hedging operations	Total	Interest rate	Date issued	Date maturing	Index
Structured bonds											
Ob.BST Index linked notes 2024	EUR	8,227	1,111	7,116	368	(123)	7,361	Floating	20-12-2019	23-12-2024	BST Index - linked note due 2024
Credit Linked Notes due August 2037	EUR	72,313	-	72,313	1,451	-	73,764	Floating	26-07-2021	15-08-2037	Euribor3M (floored at 0) + 9%
Credit Linked Notes due January 2042	EUR	52,272	-	52,272	1,499	-	53,771	Floating	31-05-2022	31-01-2042	Euribor3M + 8.7%
Credit Linked Notes due August 2037	EUR	24,204	-	24,204	373	-	24,577	Floating	13-04-2023	15-08-2037	Euribor3M + 6%
Credit Linked Notes due May 2043	EUR	103,000		103,000	879	-	103,879	Floating	03-08-2023	02-05-2043	Euribor3M + 9%
Credit Linked Notes due December 2043	EUR	112,900		112,900	220	-	113,120	Floating	25-06-2024	27-12-2043	Euribor3M + 8%
Total		**372,916**	**1,111**	**371,805**	**4,790**	**(123)**	**376,472**				
Covered bonds											
Hipotecárias XX - 1ª	EUR	750,000	750,000	-	(482)	-	(482)	1.201%	07-12-2017	07-12-2027	Fixed rate
Hipotecárias XXI	EUR	1,000,000	1,000,000	-	(523)	-	(523)	1.481%	10-04-2017	10-04-2027	Fixed rate
Hipotecária XXIII	EUR	1,000,000	20,000	980,000	4,986	-	984,986	1.250%	26-09-2017	26-09-2027	Fixed rate
Hipotecária XXIV	EUR	1,100,000	1,100,000	-	(1,011)	-	(1,011)	0.412%	05-07-2019	05-07-2029	Fixed rate
Hipotecária XXV	EUR	750,000	750,000	-	(107)	-	(107)	0.505%	27-03-2020	27-03-2025	Fixed rate
Hipotecária XXVI	EUR	750,000	750,000	-	(856)	-	(856)	0.00%	28-10-2020	28-10-2030	Fixed rate
Hipotecária XXVII	EUR	750,000	750,000	-	(645)	-	(645)	0.64%	04-03-2022	04-03-2029	Fixed rate
Hipotecária XXVIII	EUR	750,000	-	750,000	746	-	750,746	3.38%	19-04-2023	19-04-2028	Fixed rate
Hipotecária XXIX	EUR	1,000,000	1,000,000	-	(1,074)	-	(1,074)	3.55%	02-06-2023	02-06-2030	Fixed rate
Hipotecária XXX	EUR	850,000	-	850,000	23,030	1,194	874,224	3.75%	11-09-2023	11-09-2026	Fixed rate
Hipotecária XXXI	EUR	25,700	-	25,700	681	-	26,381	3.85%	16-10-2023	16-10-2028	Fixed rate
Hipotecária XXXII	EUR	27,300	-	27,300	616	-	27,916	3.74%	15-11-2023	15-11-2028	Fixed rate
Hipotecária XXXIII	EUR	16,900	-	16,900	248	-	17,148	3.05%	28-12-2023	28-12-2028	Fixed rate
Hipotecária XXXIV	EUR	11,900	-	11,900	139	-	12,039	3.11%	05-02-2024	05-02-2029	Fixed rate
Hipotecária XXXV	EUR	1,000,000	-	1,000,000	3,646	(6,316)	997,330	3.25%	15-02-2024	15-02-2031	Fixed rate
Hipotecária XXXVI	EUR	49,600	-	49,600	475	-	50,075	3.29%	07-03-2024	07-03-2029	Fixed rate
Hipotecária XXXVII	EUR	1,000,000	933,000	67,000	(696)	-	66,304	3.40%	29-05-2024	29-05-2029	Fixed rate
Total		**10,831,400**	**7,053,000**	**3,778,400**	**29,173**	**(5,122)**	**3,802,451**				

Securities issued	Currency	Issue amount - Issued	Issue amount - Subscribed by the Group	Issue amount - Balance sheet	Interest payable / Deferred commissions	Value adjustments through hedging operations	Total	Interest rate	Date issued	Date maturing	Index
Bonds issued under securitisation operations											
Hipototta 4 - Class A - Notes	EUR	252,228	184,578	67,650	(240)	-	67,410	Floating	09-12-2005	30-12-2048	Euribor 3m+0.12% (until Dec 2014); Euribor 3m+0.24% (after)
Hipototta 4 - Class B - Notes	EUR	10,753	10,753	-	-	-	-	Floating	09-12-2005	30-12-2048	Euribor 3m+0.19% (until Dec 2014); Euribor 3m+0.40% (after)
Hipototta 4 - Class C - Notes	EUR	33,960	33,960	-	-	-	-	Floating	09-12-2005	30-12-2048	Euribor 3m+0.29% (until Dec 2014); Euribor 3m+0.58% (after)
Hipototta 4 - Class D - Notes	EUR	7,000	7,000	-	-	-	-	Floating	09-12-2005	30-12-2048	Residual return generated by securitised portfolio
Hipototta 5 - Class A2 - Notes	EUR	219,231	179,820	39,411	32	-	39,443	Floating	22-03-2007	28-02-2060	Euribor 3m+0.13% (until Feb 2014); Euribor 3m+0.26% (after)
Hipototta 5 - Class B - Notes	EUR	26,000	26,000	-	-	-	-	Floating	22-03-2007	28-02-2060	Euribor 3m+0.17% (until Feb 2014); Euribor 3m+0.34% after)
Hipototta 5 - Class C - Notes	EUR	24,000	24,000	-	-	-	-	Floating	16-03-2007	28-02-2060	Euribor 3m+0.24% (until Feb 2014); Euribor 3m+0.48% (after)
Hipototta 5 - Class D - Notes	EUR	26,000	26,000	-	-	-	-	Floating	22-03-2007	28-02-2060	Euribor 3m+0.50% (until Feb 2014); Euribor 3m+1.00% (after)
Hipototta 5 - Class E - Notes	EUR	31,000	31,000	-	-	-	-	Floating	22-03-2007	28-02-2060	Euribor 3m+1.75% (until Feb 2014); Euribor 3m+3.50% (after)
Hipototta 5 - Class F - Notes	EUR	6,000	6,000	-	-	-	-	Floating	22-03-2007	28-02-2060	Residual return generated by securitised portfolio
Atlantes Mortgage 2 - Class A	EUR	64,595	-	64,595	(7,412)	-	57,183	Floating	05-03-2008	18-09-2060	Euribor 3m + 0.33%
Atlantes Mortgage 2 - Class B	EUR	8,042	8,042	-	-	-	-	Floating	05-03-2008	18-09-2060	Euribor 3m + 0.95%
Atlantes Mortgage 2 - Class C	EUR	3,278	3,278	-	-	-	-	Floating	05-03-2008	18-09-2060	Euribor 3m + 1.65%
Atlantes Mortgage 2 – Class D	EUR	8,332	8,332	-	-	-	-	Floating	05-03-2008	18-09-2060	Residual return generated by securitised portfolio
Atlantes Mortgage 3 - Class A	EUR	113,232	35,290	77,942	(5,219)	-	72,723	Floating	30-10-2008	20-08-2061	Euribor 3m + 0.20%
Atlantes Mortgage 3 - Class B	EUR	16,239	16,239	-	-	-	-	Floating	30-10-2008	20-08-2061	Euribor 3m + 0.50%
Atlantes Mortgage 3 - Class C	EUR	33,477	33,477	-	-	-	-	Floating	30-10-2008	20-08-2061	Residual return generated by securitised portfolio
Atlantes Mortgage 4 - Class A	EUR	121,554	-	121,554	(15,319)	-	106,235	Floating	16-02-2009	30-12-2064	Euribor 3m + 0.15%
Atlantes Mortgage 4 - Class B	EUR	13,386	13,386	-	-	-	-	Floating	16-02-2009	30-12-2064	Euribor 3m + 0.30%
Atlantes Mortgage 4 - Class C	EUR	37,804	37,804	-	-	-	-	Floating	16-02-2009	30-12-2064	Residual return generated by securitised portfolio
Hipototta nº13 Class A	EUR	394,836	394,836	-	-	-	-	Floating	09-01-2018	23-10-2072	Euribor 3m + 0.60%
Hipototta nº13 Class B	EUR	484,000	484,000	-	-	-	-	Floating	09-01-2018	23-10-2072	Euribor 3m + 1%
Hipototta nº13 Class C	EUR	33,000	33,000	-	-	-	-	Floating	09-01-2018	23-10-2072	Residual return generated by securitised portfolio
Hipototta nº13 Class D	EUR	0	0	-	-	-	-	Floating	09-01-2018	23-10-2072	

Securities issued	Currency	Issue amount: Issued	Issue amount: Subscribed by the Group	Issue amount: Balance sheet	Interest payable / Deferred commissions	Value adjustments through hedging operations	Total	Interest rate	Date issued	Date maturing	Index
Consumer Totta 1 class A	EUR	363,176	-	363,176	137	-	363,313	Floating	30-09-2022	28-06-2033	Euribor 3m + 0.80%
Consumer Totta 1 class B	EUR	17,460	-	17,460	7	-	17,467	Floating	30-09-2022	28-06-2033	Euribor 3m + 1.10%
Consumer Totta 1 class C	EUR	27,937	-	27,937	13	-	27,950	Floating	30-09-2022	28-06-2033	Euribor 3m + 2%
Consumer Totta 1 class D	EUR	17,460	-	17,460	17	-	17,477	Floating	30-09-2022	28-06-2033	Euribor 3m + 8%
Consumer Totta 1 class E	EUR	27,937		27,937	36	-	27,973	Floating	30-09-2022	28-06-2033	Euribor 3m + 11.85%
Consumer Totta 1 class F	EUR	3,014		3,014	4	-	3,018	Floating	30-09-2022	28-06-2033	Euribor 3m + 12.5%
Consumer Totta 1 class X	EUR	4,759	4,759	-	-	-	-	Floating	30-09-2022	28-06-2033	Residual return generated by securitised portfolio
Total		**2,429,690**	**1,601,554**	**828,136**	**(27,944)**	**-**	**800,192**				
Other bonds issued											
OB. BST VAR SR 2	EUR	650,000	-	650,000	883	-	650,883	4.51%	20-06-2022	20-06-2028	Fixed rate
Total		**650,000**	**-**	**650,000**	**883**	**-**	**650,883**				
Subordinated liabilities											
OB.BST SA 7.5%	EUR	7,599	-	7,599	419	-	8,018	7.50%	06-10-2016	06-10-2026	Fixed rate
OB. BST 2030 TIER2	EUR	320,000	-	320,000	2,531	-	322,531	1.58%	31-12-2020	31-12-2030	Fixed rate
Total		**327,599**	**-**	**327,599**	**2,950**	**-**	**330,549**				
TOTAL		**14,611,606**	**8,655,665**	**5,955,941**	**9,852**	**(5,245)**	**5,960,547**				