

April 2023

Mortgage Covered Bonds Investor Presentation

Banco Santander Totta S.A.



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Santander Portugal

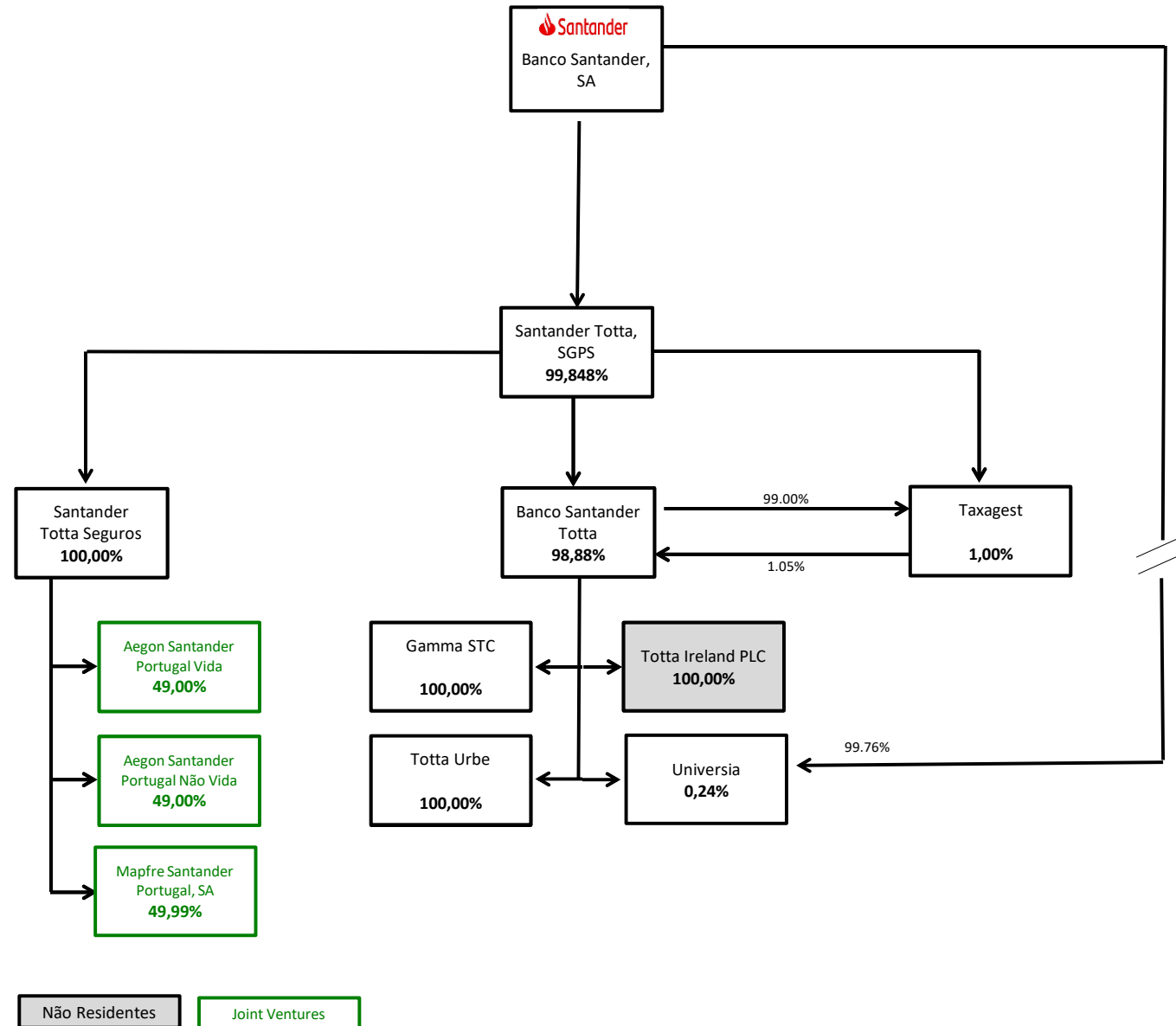


01

Santander Portugal: a long and successful history of bank integration

1988	Santander acquires BCI – Banco de Comércio e Indústria
1998	Rebranding of BCI into Banco Santander Portugal
2000	Acquisition of Totta & Açores and Crédito Predial Português Totta, founded in 1843, was the oldest commercial bank in Portugal, and was the result of the merger of several institutions between 1950 and 1970 (the latest, the merger of two of the largest banks in Portugal: Banco Totta & Aliança and Banco Lisboa & Açores) The market share increases from ~1.5% to 10%
2004	Merger of BSP, BTA and CPP, with single brand Santander Totta
2015	Acquisition of the assets and liabilities of Banif, becoming largest bank in Azores and Madeira, with market share increasing from 12% to 15%
2017	Acquisition of Banco Popular Portugal. Market share increases to 18%.
2018	Rebranding to Santander
2020	Largest privately owned bank by loans
2022	Santander in Portugal continues to be the most efficient, solid and profitable bank in Portugal

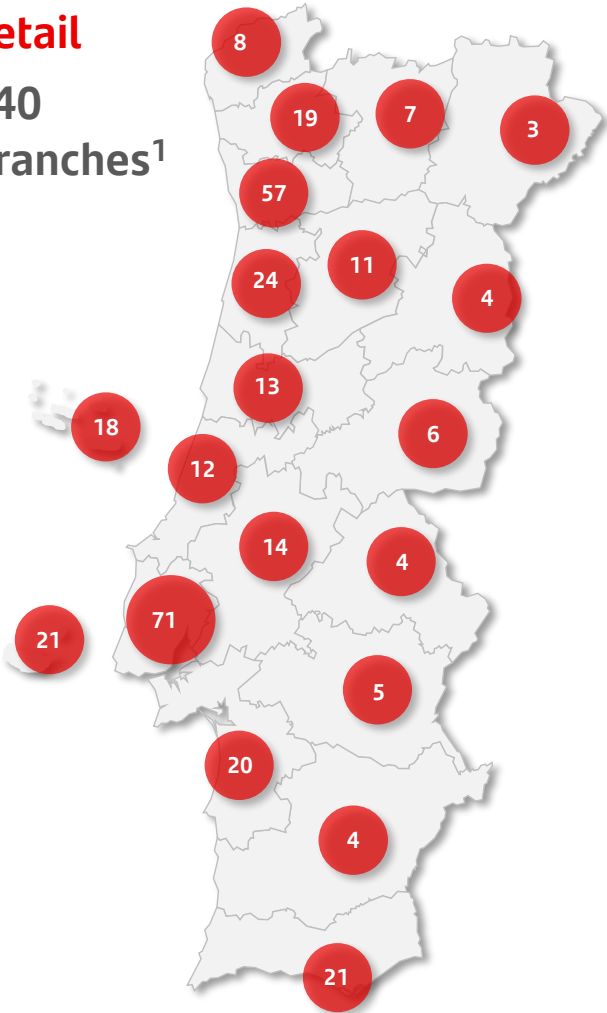
Santander Portugal is Grupo Santander's fully owned commercial bank in Portugal



Santander has a capilar branch network in Portugal

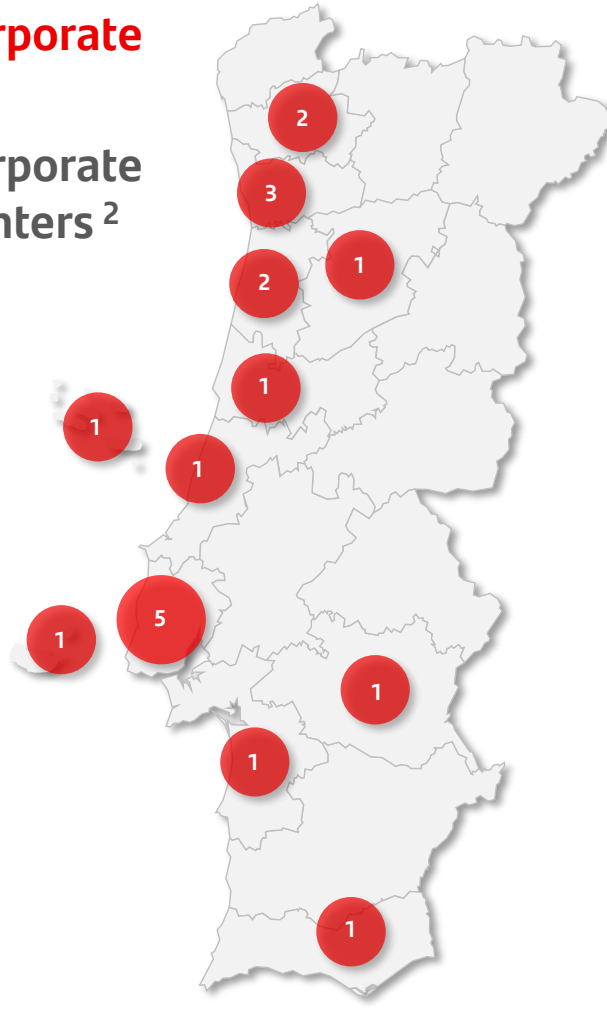
Retail

340 Branches¹



Corporate

20 Corporate Centers²



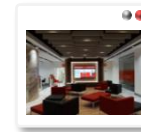
Branches types (new concepts)

From a traditional network to ...

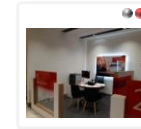
Traditional branches

Yearly classification revision considering three criteria: Business Volume, Revenues and Headcount.

... embrace new concepts focused to provide a better Client service



Smart Red
Full Concept



Smart Red
Agile



Work Café (#3)
Lisbon, Coimbra and Espinho














Remote branch

1. Retail branches: 340 branches as of Out 2022

2. Corporate Centers: Large Corporate Centers not included

Santander Portugal is the largest privately owned bank, by loans, and its strategy is focused on digital transformation to better serve its customers

KEY DATA	2022	YoY Var.
 Customer loans	€41.0 bn	+1.5%
 Customer Deposits	€38.5 bn	+0.2%
 Attributable profit	€606.7 mn	+103.2%
 RoTE ¹	15.0%	+1.8 pp
 Efficiency ratio	37.6%	-247 bps
 Loans market share ²	17.9%	-9 bps
 Deposits market share ²	13.4%	+4 bps
 Total customers	2.9 mn	-4.5%
 Digital customers	1.1 mn	+11.5%
 Branches ³	339	-2.6%
 Employees ³	4,644	-3.4%

(1) Excluding reverse repos.

(2) Excluding repos.

(3) As at Jun-22

(4) Branches in Portugal

Awards – 2022



Best Retail Bank in Portugal, also recognizing the Bank's digital transformation process

Digilosofia



Santander in Portugal has 1 mn digital customers, the result of the deep digital and commercial transformation process, aiming to better serve its customer base

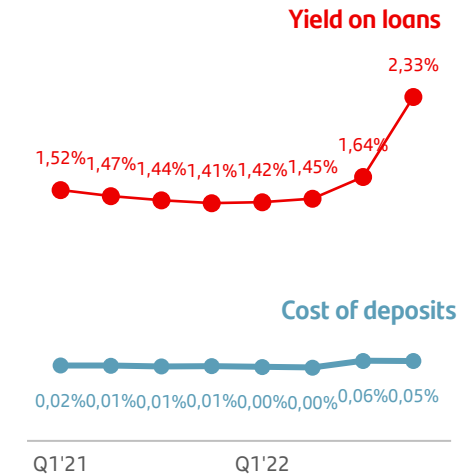
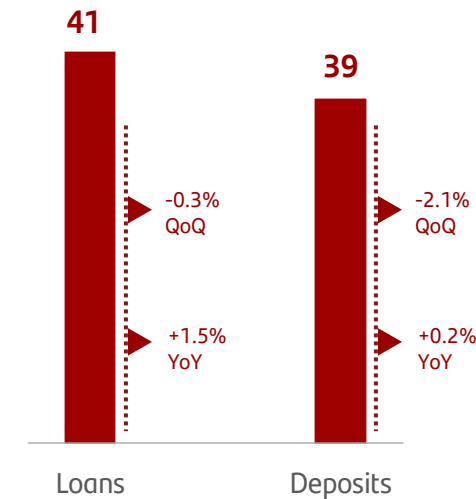
Strong profitability, led by resilient commercial revenue, streamlining of structure and controlled asset quality

P&L (€ mn)

	2022	% 2021
Net interest income	782.9	+7.3
Net fees	470.3	+10.2
Gross Income	1,346.9	+2.2
Operating costs	-486.0	-8.1
Impairment	12.0	-
Profit before taxes	873.5	+100.8
Consolidated net income	606.7	+103.2

ACTIVITY

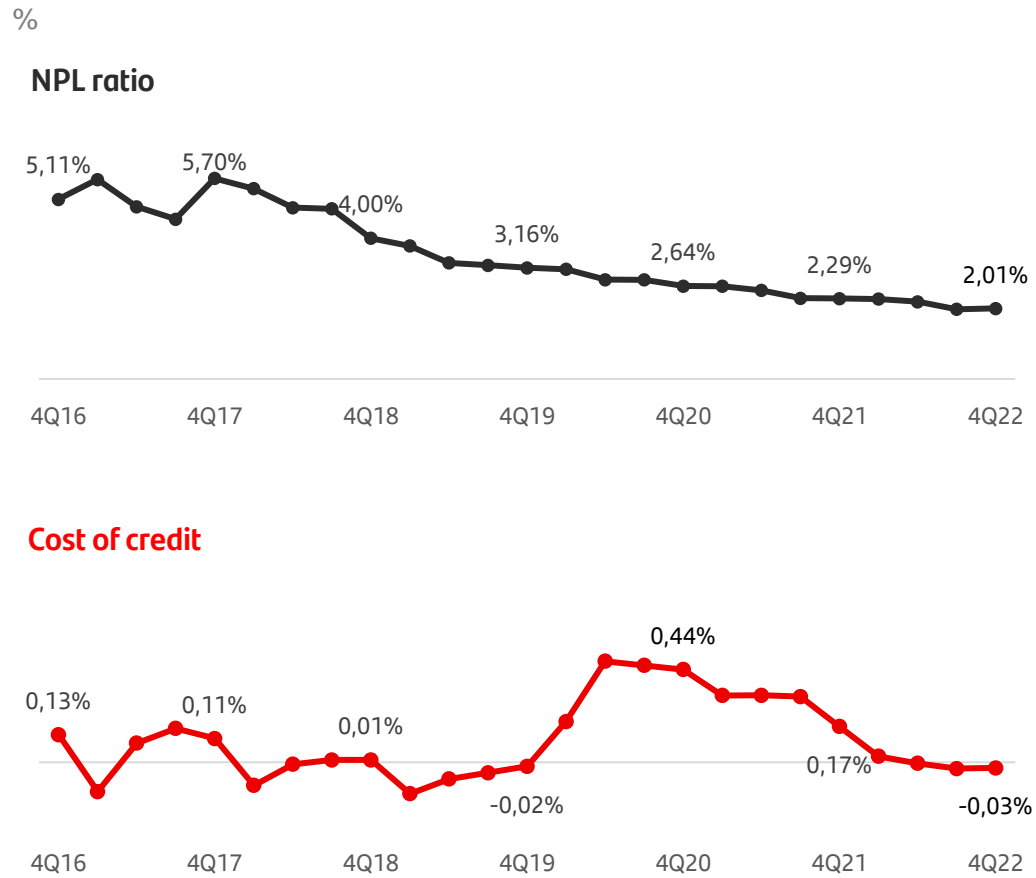
Volumes in EUR bn



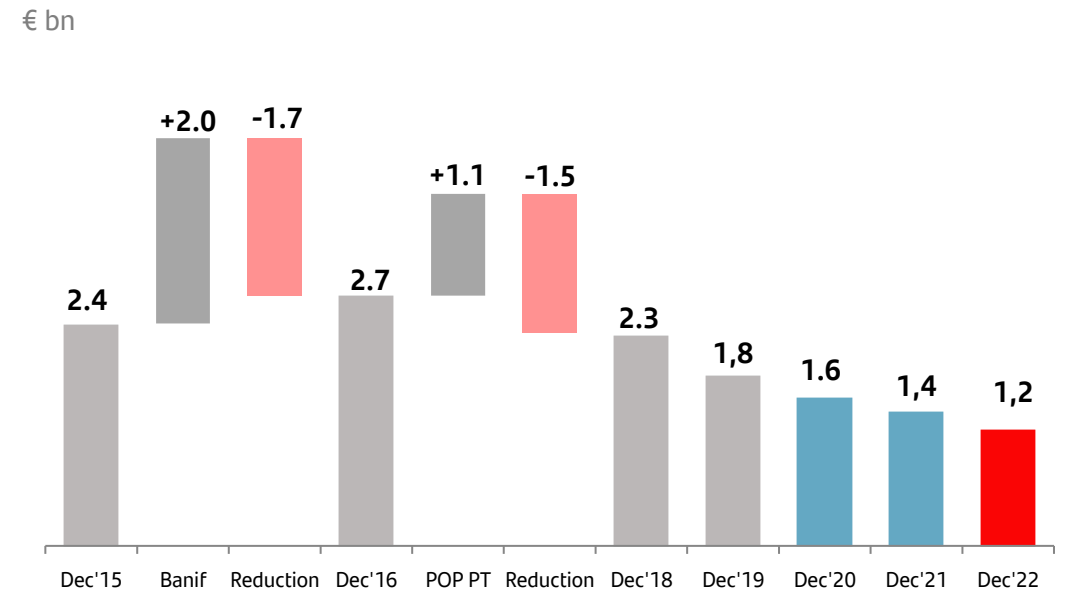
- ▶ **Attributable profit increased to 606.7mn**
- ▶ Gross income improvement led by NII and net fee income. On the downside, lower capital gains (base effect from ALCO portfolio sales in 2021)
- ▶ Low LLPs reflecting resilient underlying economic conditions, namely low unemployment
- ▶ Volumes increased moderately
- ▶ The Bank remains focused in **maintaining an appropriate risk policy**, with high credit quality and strong capital position
- ▶ Santander Portugal **continues focused on organic growth in terms of profitable market share**, improving our position as leading private sector bank, as well as market leaders in efficiency, improving the cost base

Asset quality ratios continue improving, without any visible impact either from the end of the moratoria, in Sep'21, or the war in Ukraine and the inflation acceleration

Credit quality ratios – Portugal

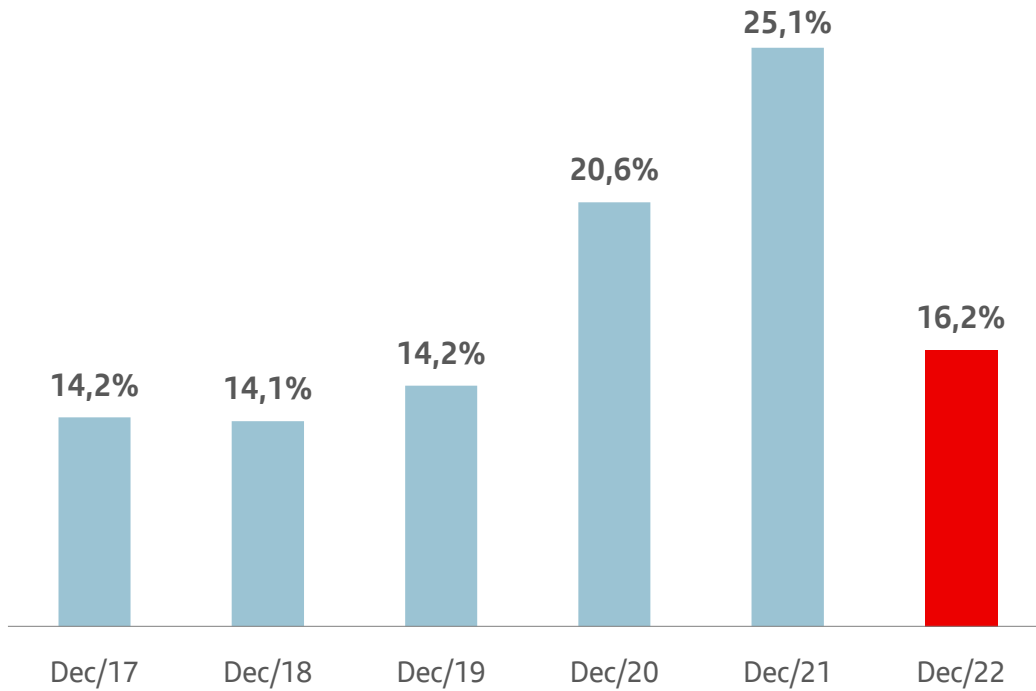


Stock of NPL

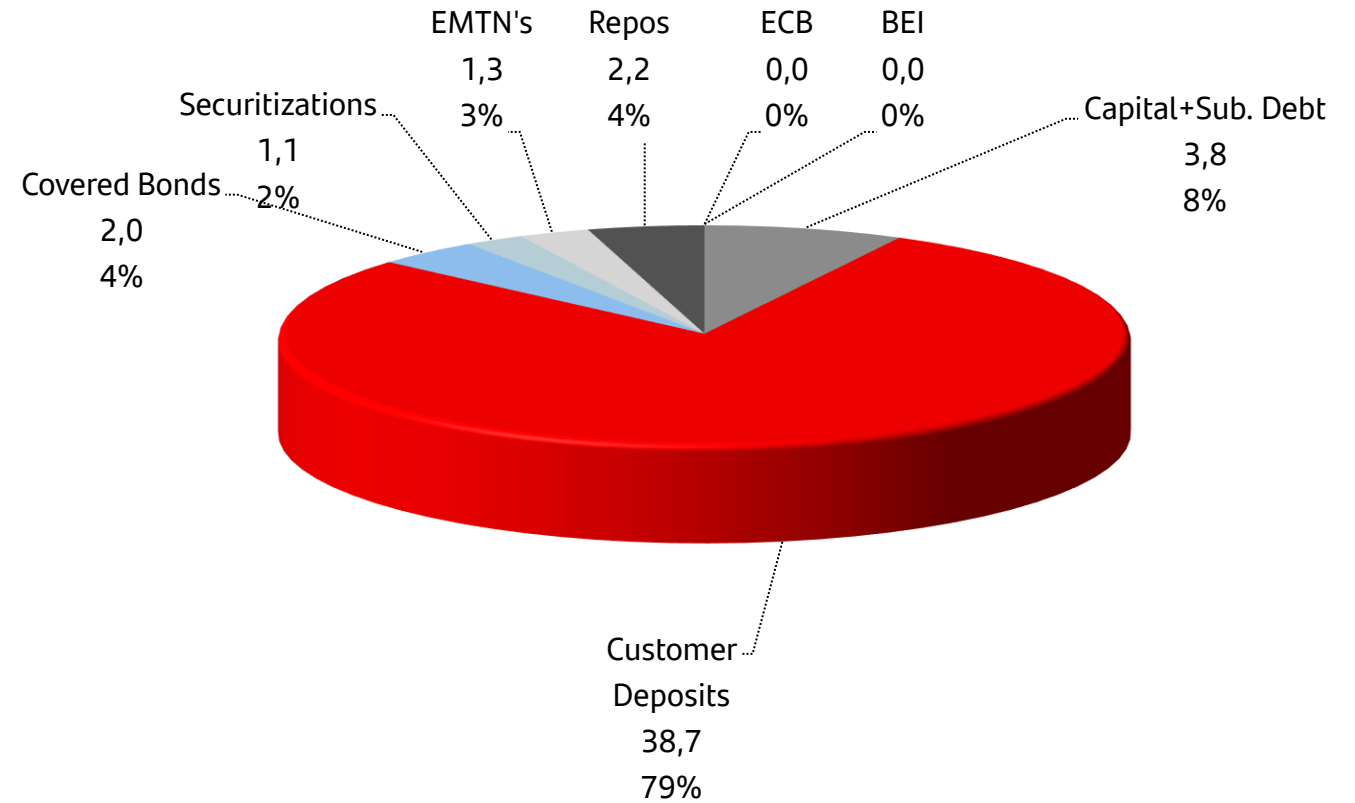


Sound capital base and adequate funding structure

CET1 (Fully Loaded)









Funding Structure



Banco Santander Totta S.A. ratings

Long Term Ratings – Senior Debt

DBRS		Fitch		Moody's		S&P	
A		A-		Baa2	 Bank 1 Bank 3 	BBB+	 Bank 3 
AL		BBB+	 Bank 3	Baa3	Bank 2	BBB	
BBBH		BBB		Ba1		BBB-	
BBB	Bank 1	BBB-	Bank 1	Ba2		BB+	Bank 2
BBBL	Bank 2	BB+		Ba3		BB	
BBH		BB	Bank 2	B1		BB-	
BB		BB-		B2		B+	
BBL		B+		B3	Bank 4	B	
BH	Bank 4	B		Caa1		B-	
B		B-		Caa2		CCC+	
BL		CCC+				CCC	

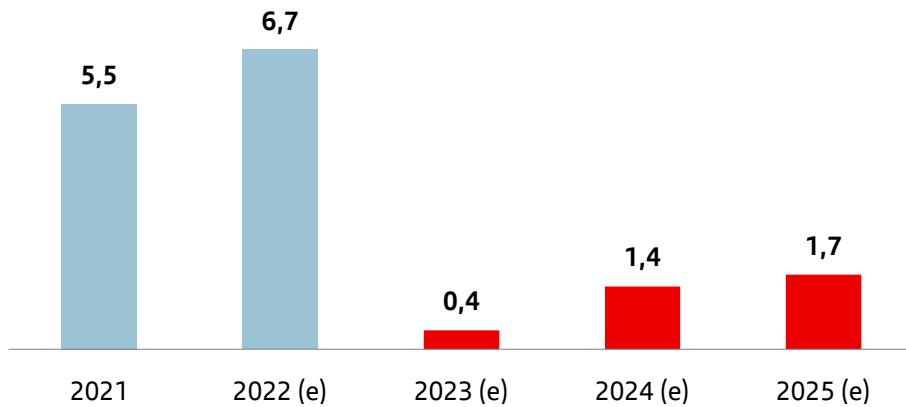
Macroeconomic Environment in Portugal



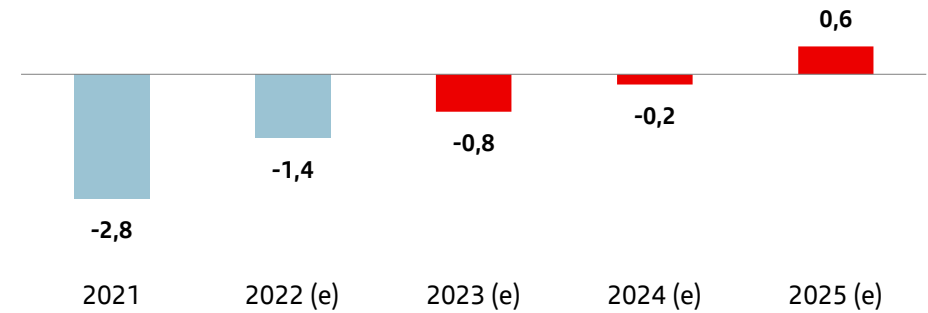
02

The war in Ukraine and the increase in prices will likely have the major impacts at the turn of the year, resulting in slower growth in 2023, but unemployment should increase only moderately

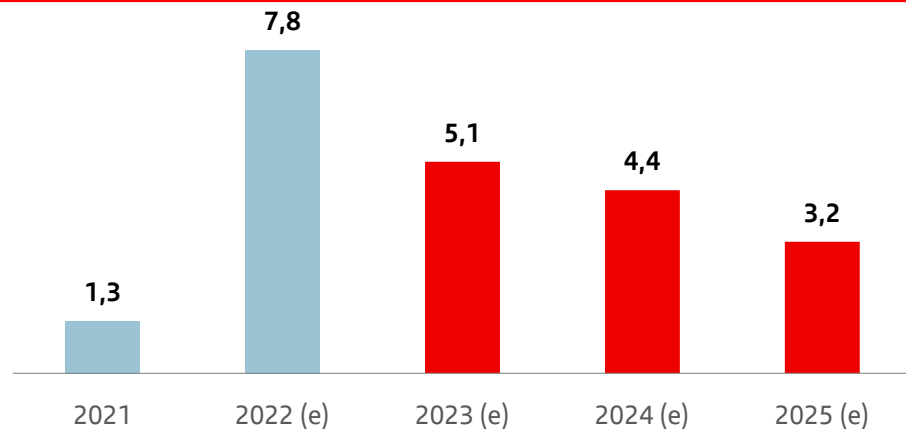
Annual GDP Growth (real, %)



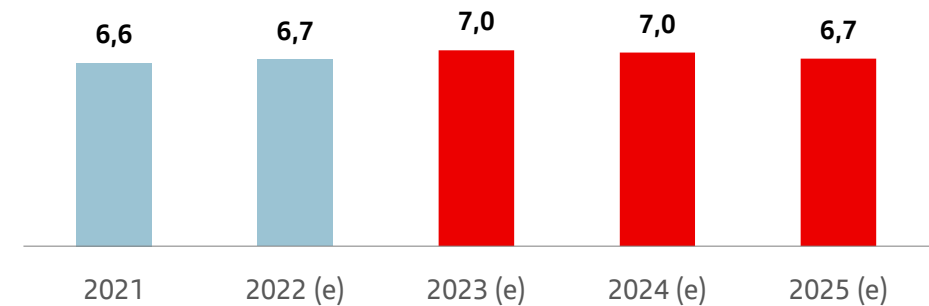
Fiscal Balance (% of GDP)



Annual inflation rate (%)

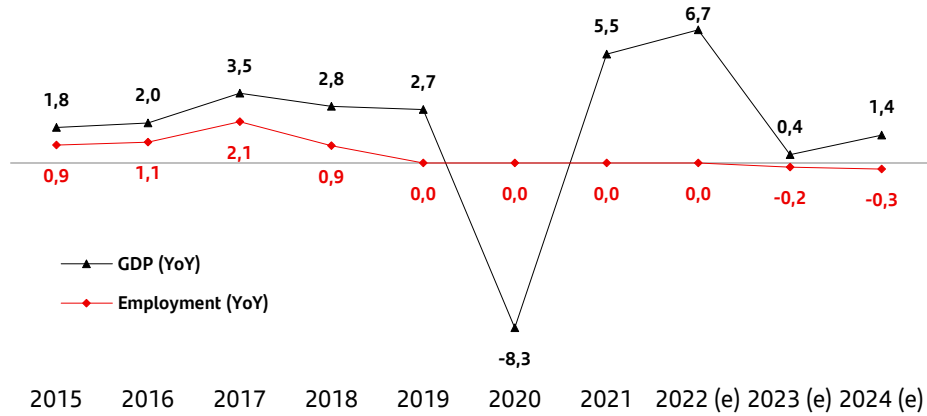


Unemployment Rate (% , annual average)

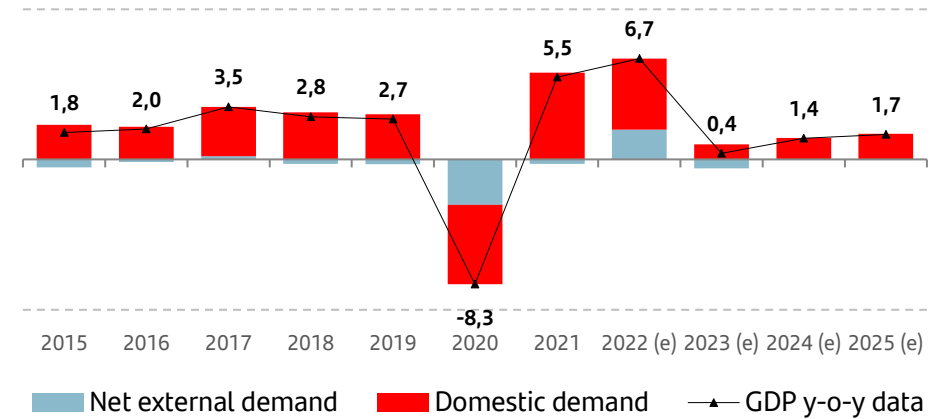


The combined effects of the war, higher prices and higher interest rates will affect domestic demand. Exports should continue contributing to growth

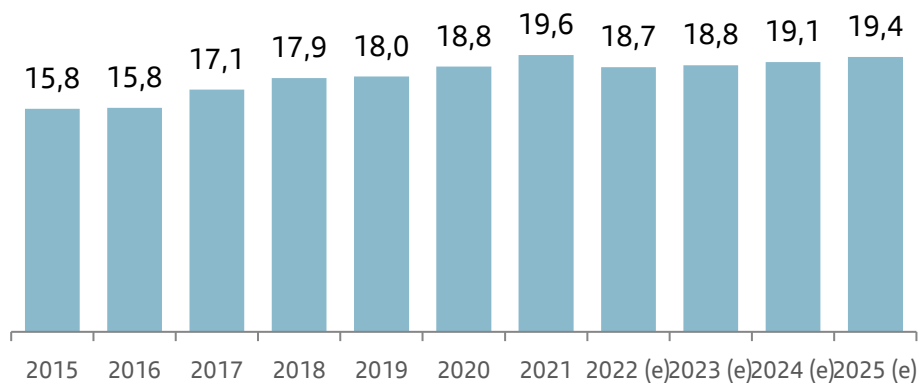
Real Growth and Job dynamics



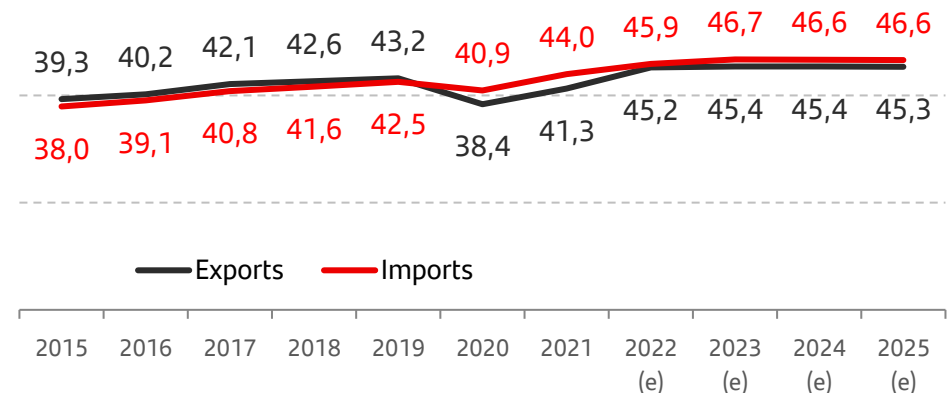
Contribution to GDP growth (% YoY)



Investment (% GDP)

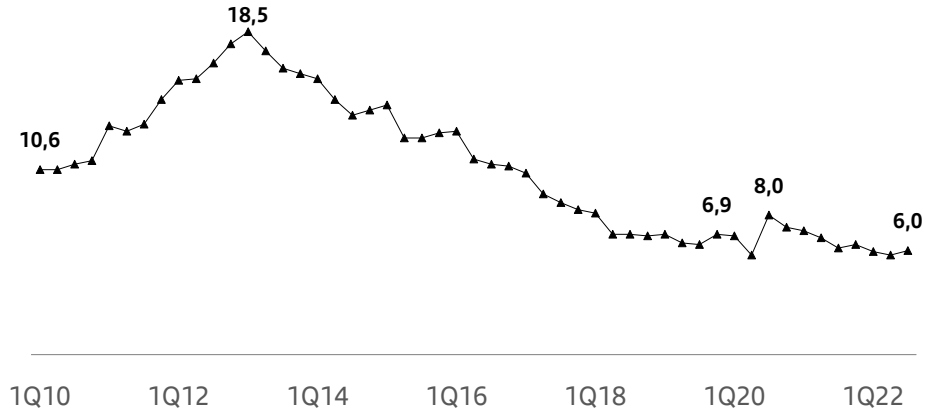


Exports and Imports (% GDP)

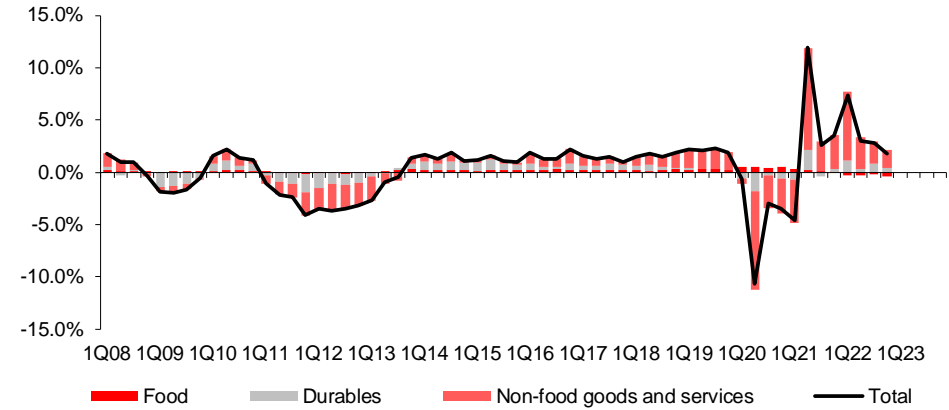


Despite the pandemic, household conditions have benefited from low unemployment and higher savings, combined with lower debt levels

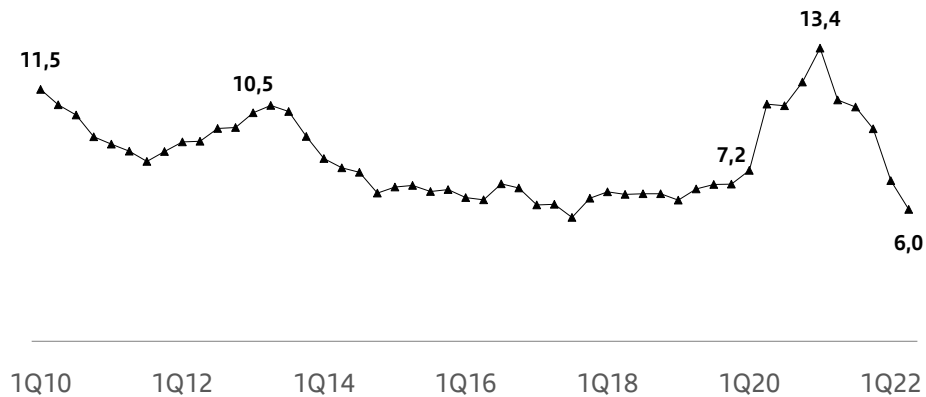
Unemployment Rate (%)



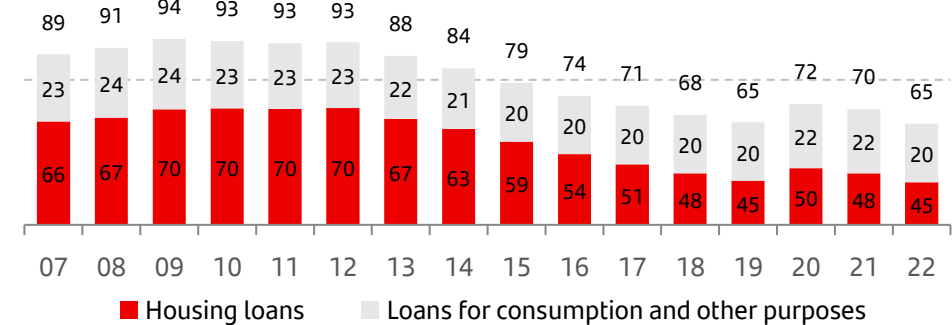
Private Consumption (% YoY)



Savings Rate (% disposable Income)



Household Debt (% GDP)



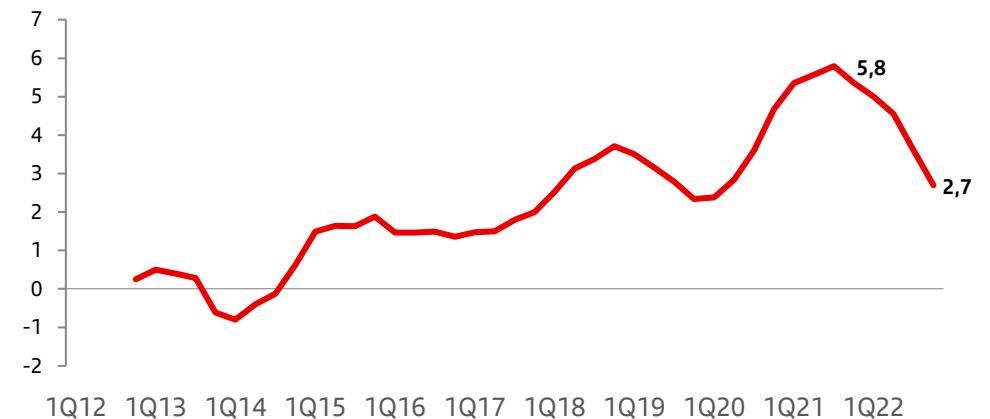
Source: Santander Research Department

High inflation, so far, has not been translated into much higher wages. Households have positive net wealth, allowing to cope with the challenging economic context

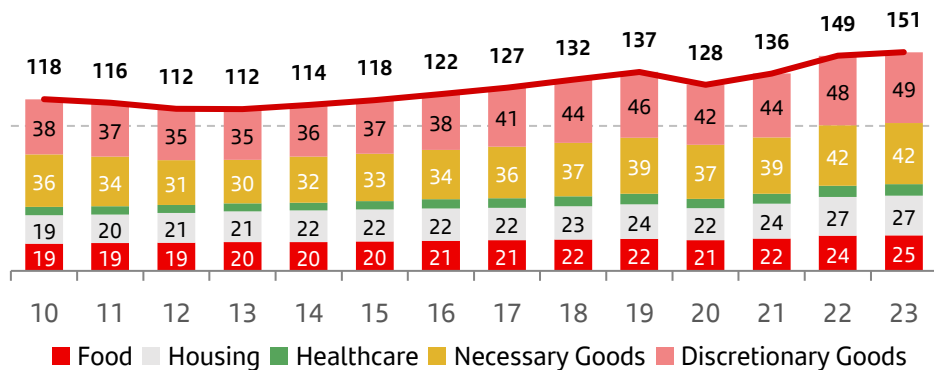
CPI (% YoY)



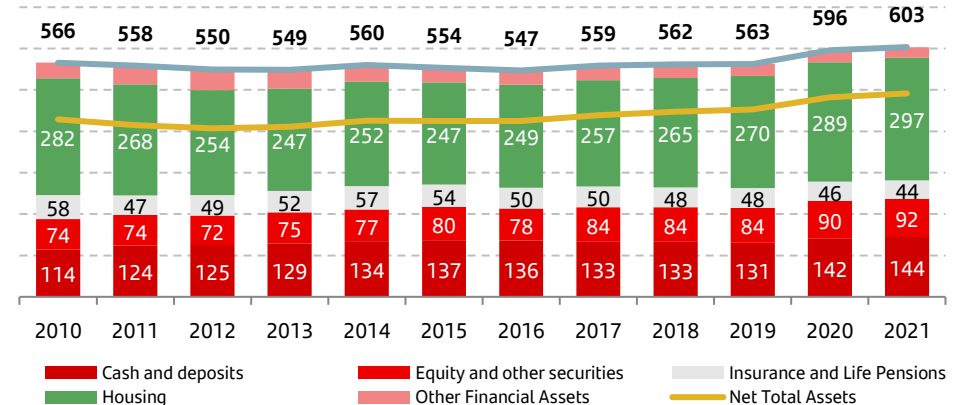
Wages (% YoY)



Private Consumption (€ bn, by type of goods and services)

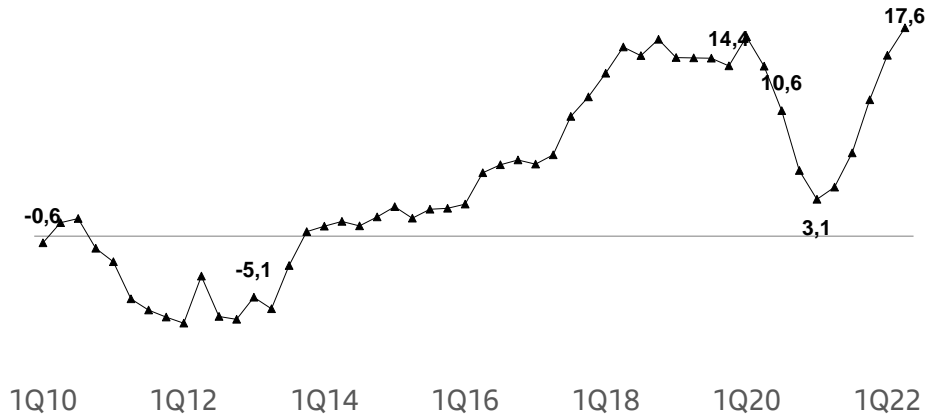


Household Wealth (% disposable income)

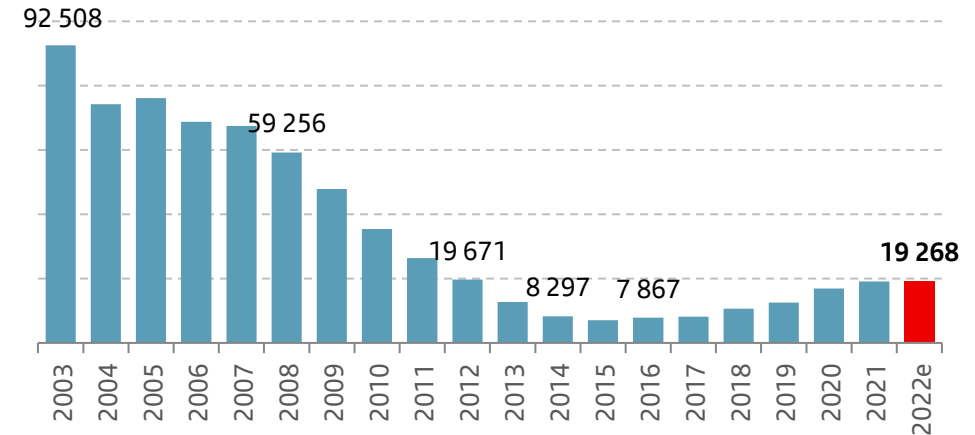


The residential market is characterized by still low new offer, which coupled with resilient demand leads to higher prices. Mortgage NPLs are at an all time low

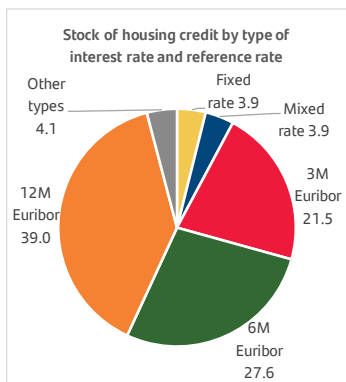
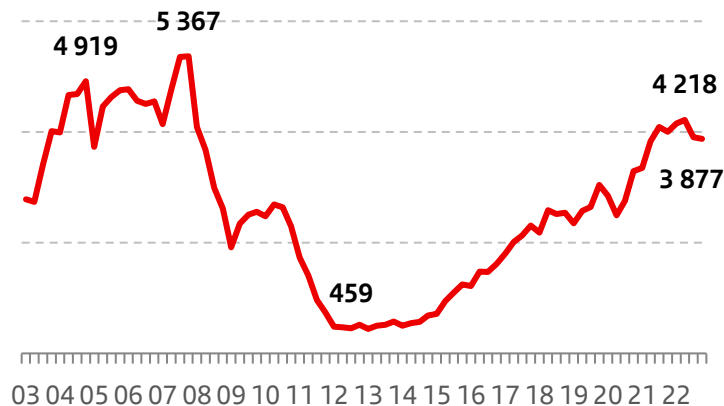
Housing Prices (% YoY)



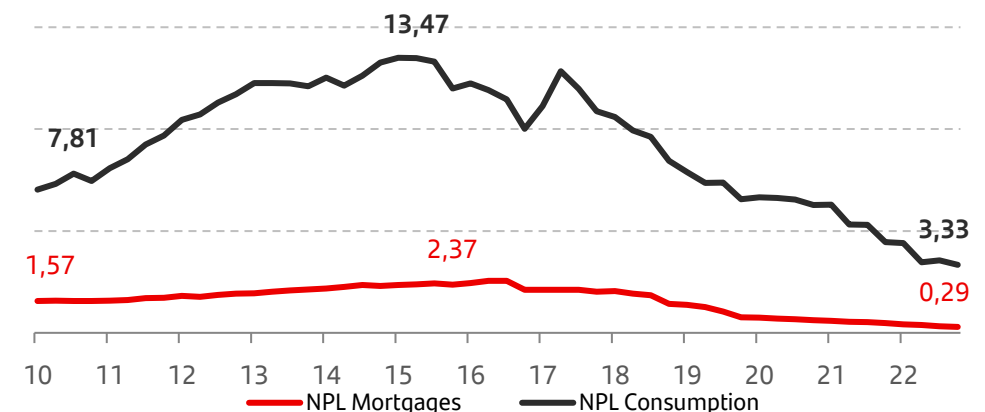
Housing Construction - Dwellings (#)



New Mortgages (€ mn)



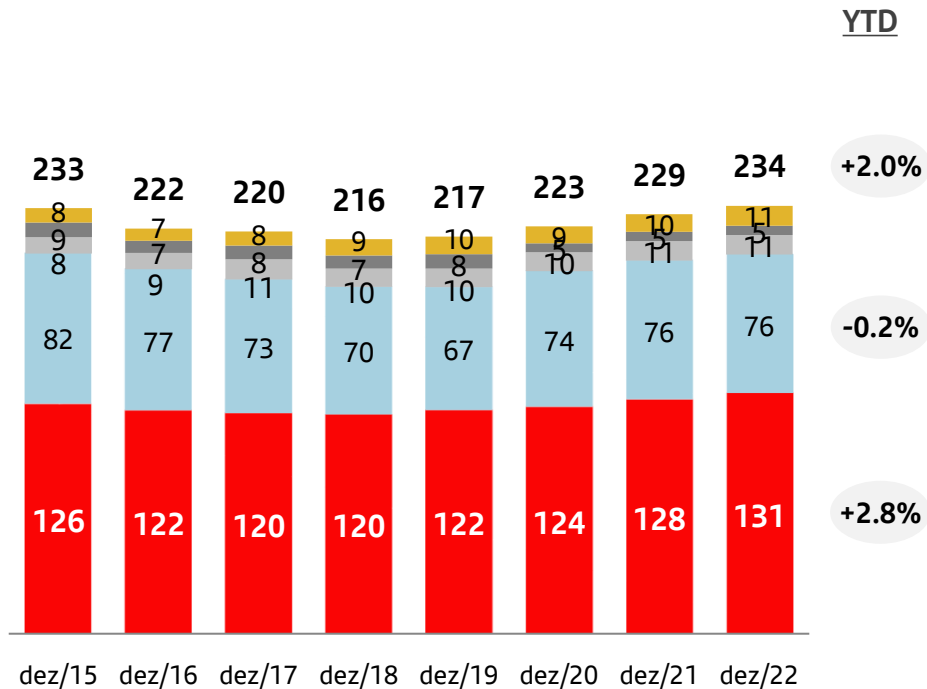
Household Debt NPLs (%)



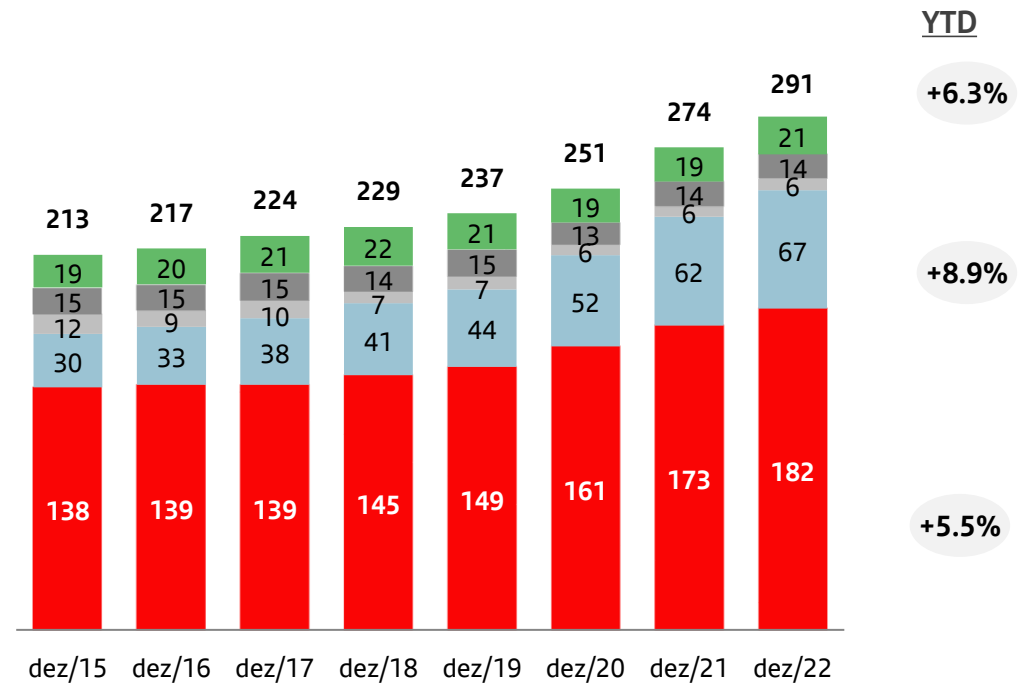
Source: Santander Research Department

Loans are increasing at a more moderate pace, while deposits continue to increase, underpinned by still high savings by households and high corporate liquidity

Loans to customers (EUR bn)



Customer Deposits (EUR bn)



■ Households
 ■ Non-financial corporates
 ■ General Govt
 ■ Non-monetary financial institutions
 ■ Non-resident sectors

Mortgage Covered Bonds



03

Cover Pool – General Information

Mortgage Cover pool

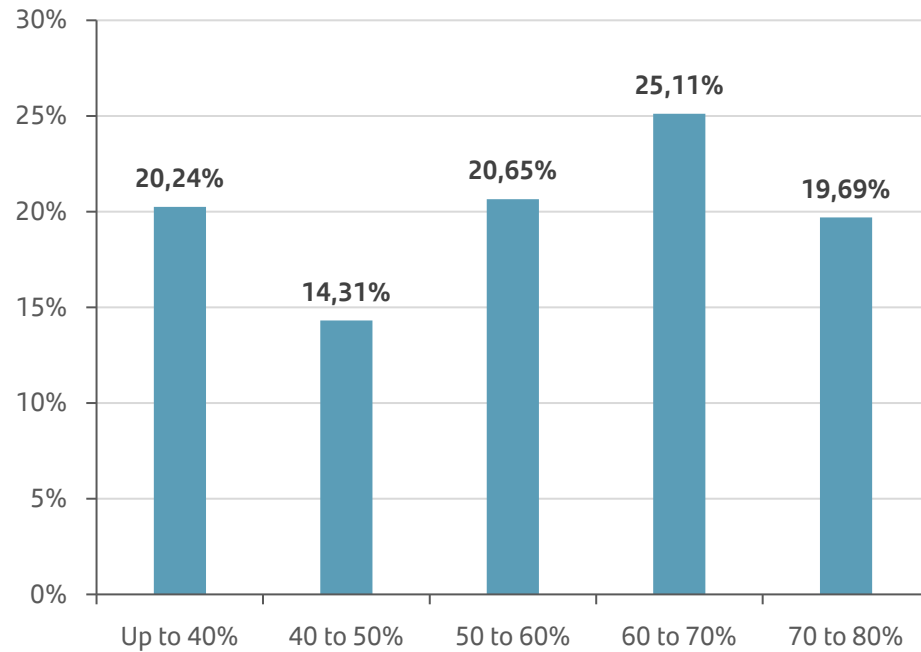
Cover Pool Size (m)	10,237 €
<i>Residential Assets</i>	10,237 €
<i>Commercial Assets</i>	0 €
Outstanding Covered Bonds (m)	8,600 €
Number of Loans	165,968
Average Loan Size	61,680 €
WA LTV	54.2%
WA Seasoning (Months)	100.09
WA Remaining life (Months)	323.63
WA Interest Rate	2.16%
<i>Floating Rates Notes</i>	99.1%
<i>Fixed Rates Notes</i>	0.9%
WA Life (Years)	26.6

Covered Bonds & OC

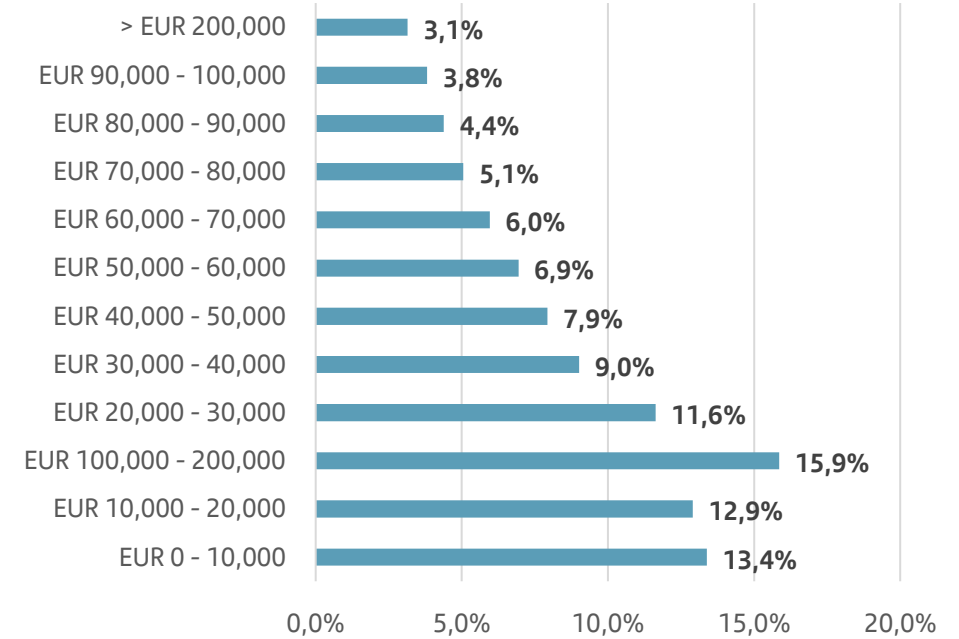


Cover Pool – LTV Breakdown and Loans Balance

LTV Breakdown

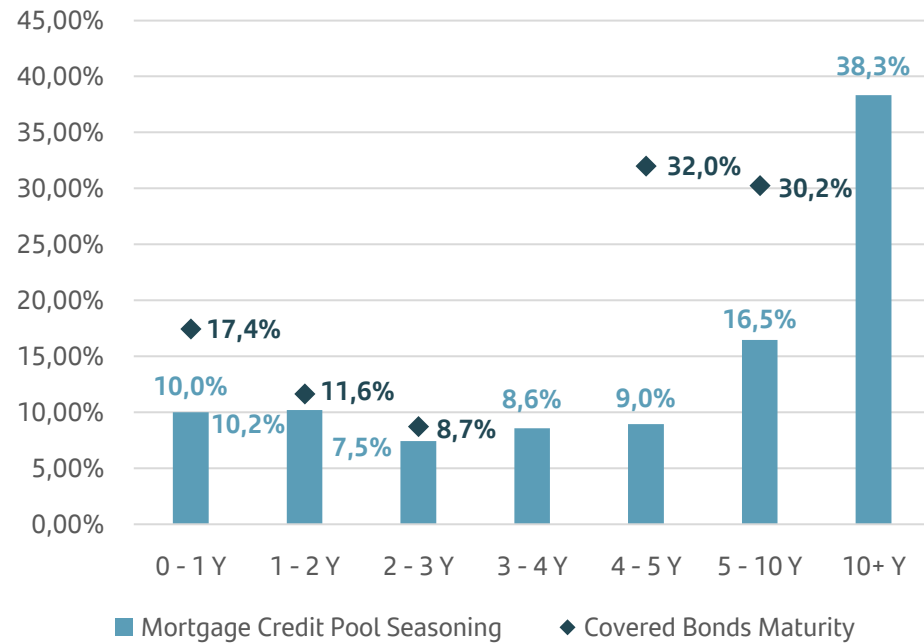


Loans Balance

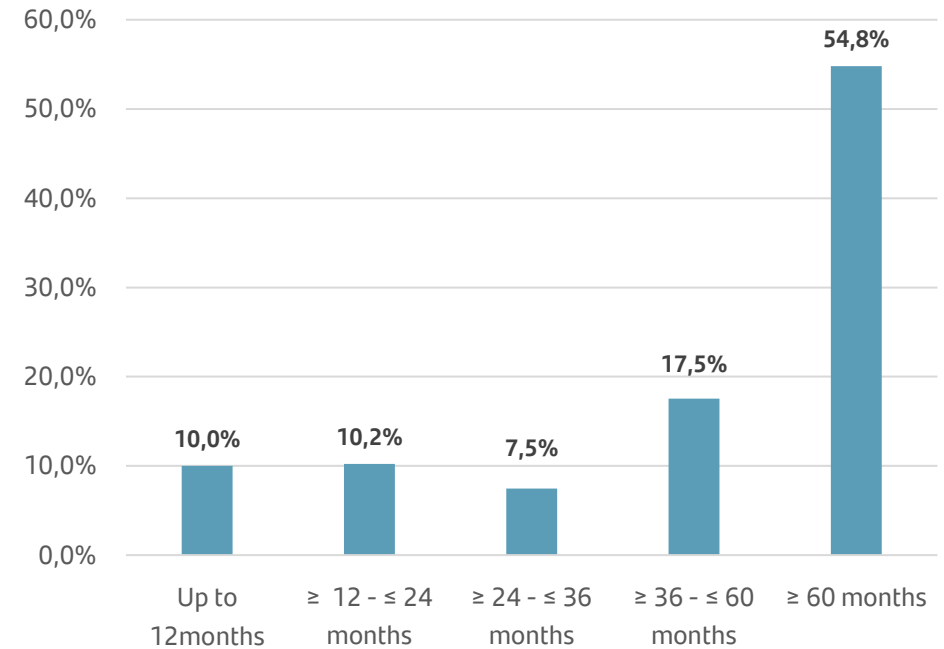


Cover Pool – Maturity Structure and Seasoning

Maturity Structure

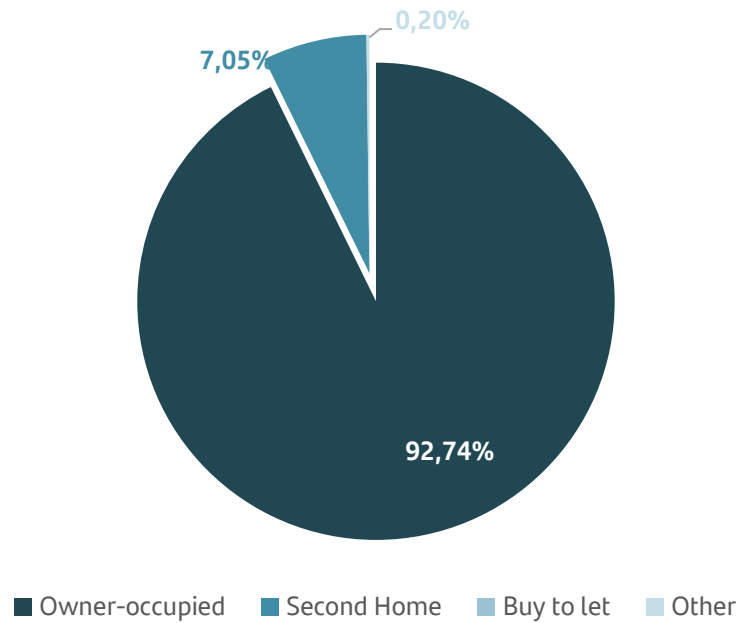


Seasoning (months)

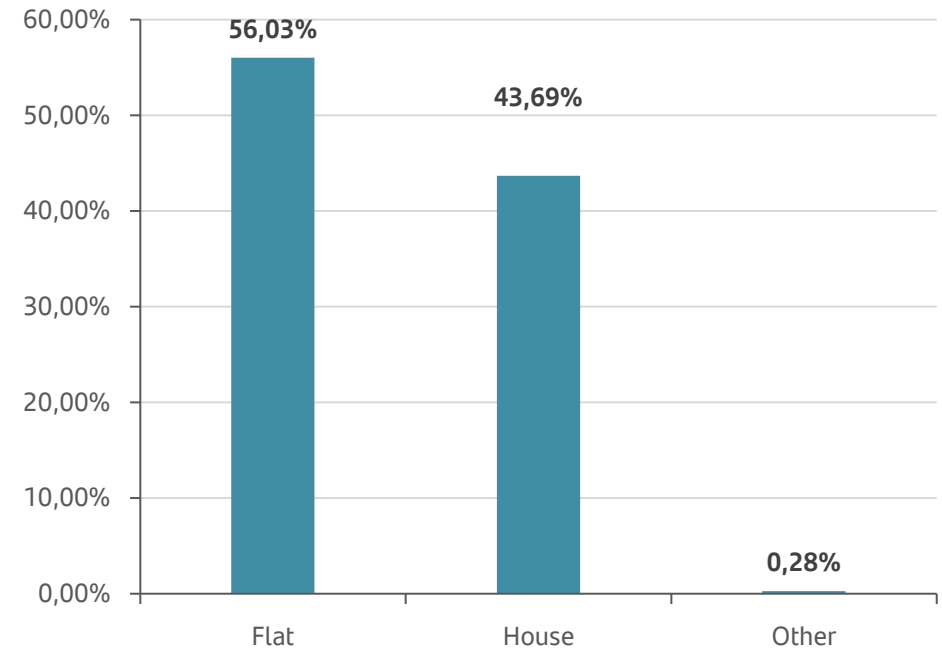


Cover Pool – Geographical Distribution, Loan Purpose and Property Type

Loan Purpose

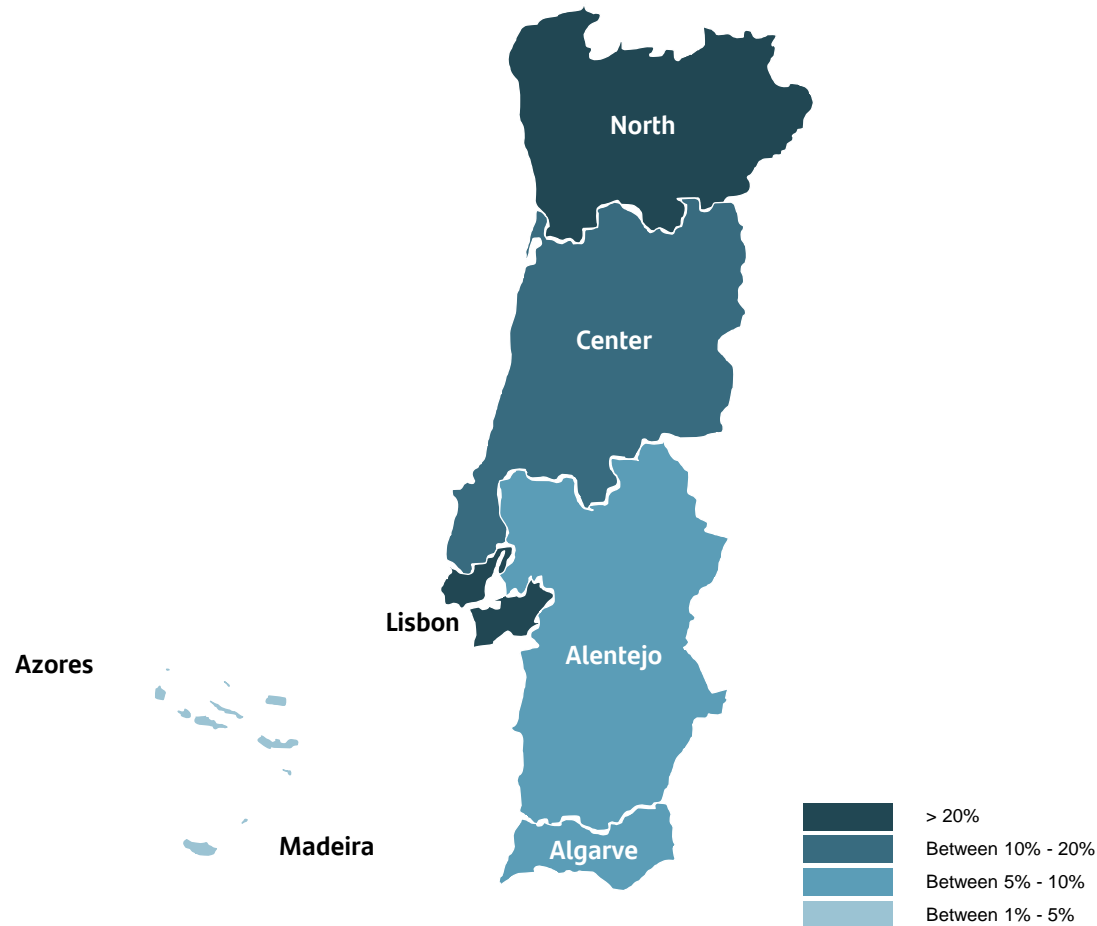


Residential Property Type



Cover Pool – Geographical Distribution, Loan Purpose and Property Type

Geographical Distribution



Geographical Distribution	Number of Loans	% Total Loans
North	54,103	32.60%
Center	32,457	19.56%
Lisbon	54,605	32.90%
Alentejo	10,456	6.30%
Algarve	9,288	5.60%
Madeira	3,301	1.99%
Azores	1,758	1.06%

Legal Regime of Covered Bonds – main legal changes

04

The new Legal Regime of Covered Bonds was approved by DL 31/2022, of 6 May 2022, transposing the Covered Bonds Directive (Directive (EU) 2019/2162).

The key principles of the Legal Regime of Covered Bonds are as follows:

- **Public supervision** - From 1 July 2022 onwards, CMVM is the sole supervisory authority, replacing the Bank of Portugal. Regulations established by the Bank of Portugal remain in force until substituted by CMVM regulations and the CMVM has published a draft regulation on covered bonds, whose public consultation is already underway.
- **Extendable maturity structures** – issuers shall specify in the T&Cs the non-discretionary conditions for extension. Maturity extensions shall not affect the ranking of covered bond investors or modify the sequencing of the original maturity schedule of the covered bond programme. Such extensions shall be automatic and can only be triggered if either (i) the Issuer fails to redeem the relevant Series of Covered Bonds on the applicable maturity date and it is foreseeable that such failure will continue for 5 Business Days thereafter or (ii) the authorisation of the issuer as a credit institution is revoked by the competent banking supervisory authority, and in each case, notice thereof has been given to CMVM. If within 10 calendar days of receiving such notice, CMVM opposes to such extension, the extension will cease to apply and each covered bond shall, as at the date of such cessation.
- **Liquidity Buffer:** comprised by liquidity assets to cover all payment outflows falling due on one day net of all payment inflows falling due on the same day accumulated over the next 180 days, provided that (i) uncollateralised claims from exposures considered in default pursuant to article 178 of the CRR cannot contribute to the liquidity buffer, and (ii) if an extended maturity date is specified in the applicable final terms, principal repayments under the covered bonds shall be considered due on the relevant extended maturity date. The OC will never be lower than 5%, that will be the regulatory minimum and the liquidity buffer will be part of the OC and can be a deposit at the issuer entity or group or at the Bank of Portugal.
- **Common representative** – No longer expressly benefits from the creditors privilege but continues to benefit of the concept of autonomous estate. Its powers are now more strengthened as in case of acceleration of any covered bonds outstanding, it may have access to the list of assets making up the cover pool allocated to the relevant covered bonds.

Thank you.

Our purpose is to help people
and business prosper.

Our culture is based on believing
that everything we do should be

Simple Personal Fair



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