

February 2024

Mortgage Covered Bonds Investor Presentation

Banco Santander Totta S.A.



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The information contained herein is in accordance with the Bank of Portugal's criteria. Unless otherwise stated, data in this presentation refers to consolidated figures for Santander Portugal, the group's holding company in Portugal. BST is Santander Portugal's main operating unit, aggregating the group's retail banking business in Portugal.

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Santander Portugal

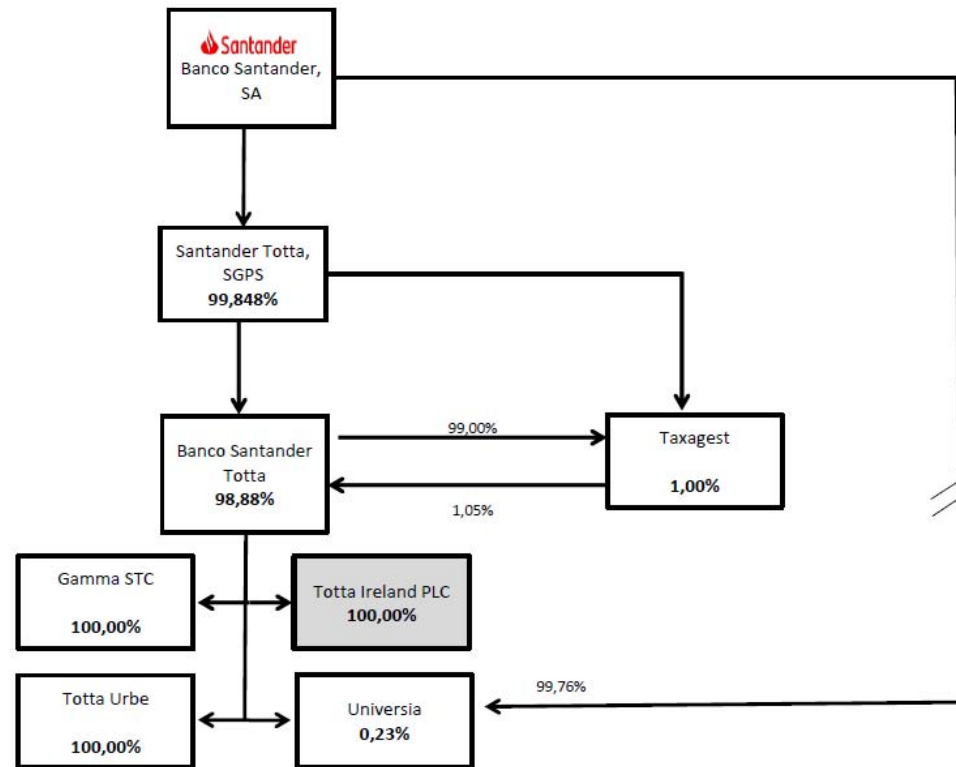


01

Santander Portugal: a long and successful history of bank integration

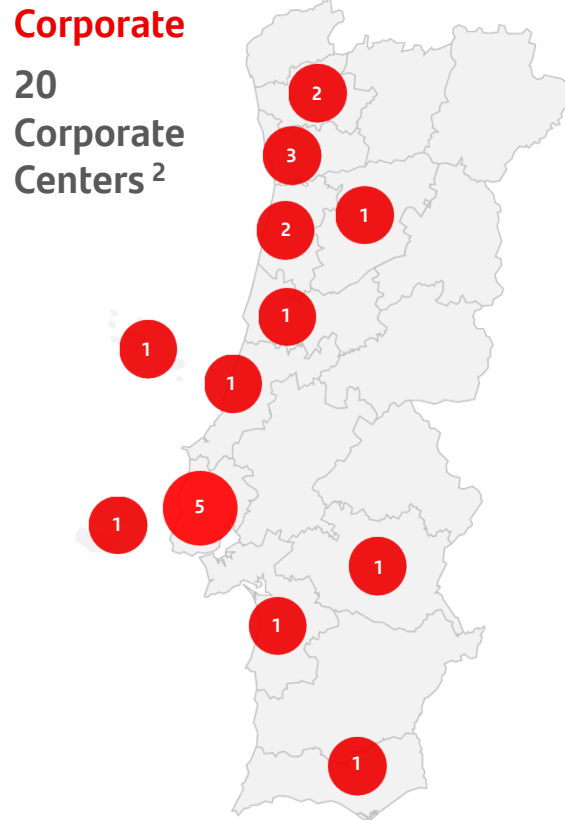
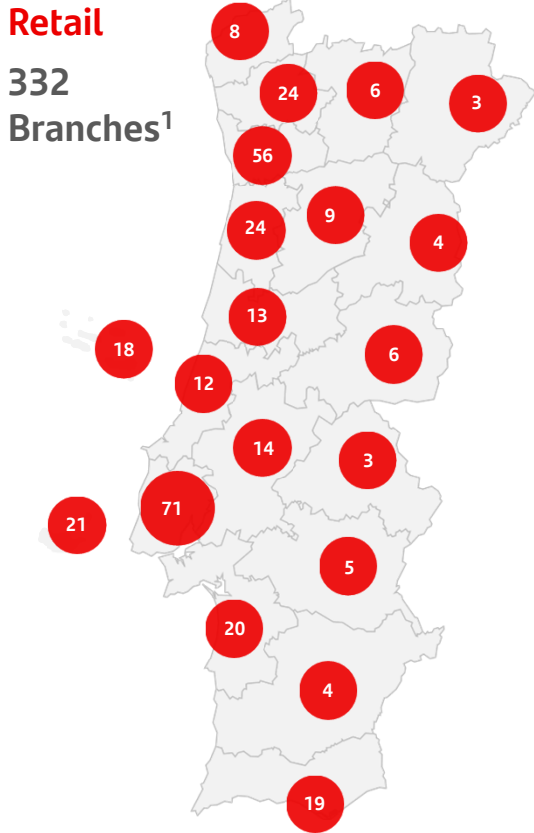
1988	Santander acquires BCI – Banco de Comércio e Indústria
1998	Rebranding of BCI into Banco Santander Portugal
2000	Acquisition of Totta & Açores and Crédito Predial Português Totta, founded in 1843, was the oldest commercial bank in Portugal, and was the result of the merger of several institutions 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
2023	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



Não Residentes

Santander has a capilar branch network in Portugal



1. Retail branches: 332 branches as of Dec 2023

2. Corporate Centers: Large Corporate Centers not included

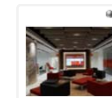
Branches types (new concepts)

From a traditional network to ...

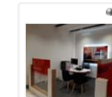
Traditional branches

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

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	2023	YoY Var.
 Customer loans (gross)	€44.6 bn	+3.0%
 Customer Deposits	€35.2 bn	-8.5%
 Attributable profit	€894.6 mn	+57.3%
 RoTE ¹	20.9%	+5.9 pp
 Efficiency ratio	26.6%	-11.1 pp
 Loans market share ²	16.8%	-63 bps
 Deposits market share ²	13.4%	-95 bps
 Total customers	2.9 mn	-0.5%
 Digital customers	1.2 mn	+5.6%
 Branches ³	332	-2.1%
 Employees ³	4,615	-0.6%

(1) Excluding reverse repos.

(2) Excluding repos.

(3) As at Jun-22

(4) Branches in Portugal



Awards – 2023



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

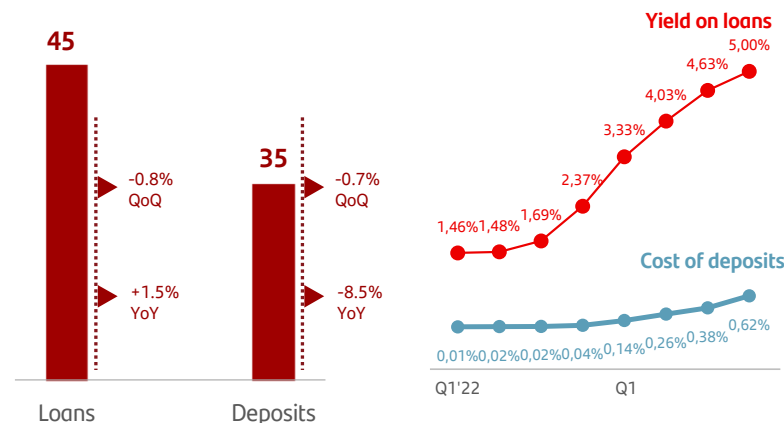
P&L (€ mn)

	2023	% 2022
Net interest income	1,491.0	+90.5
Net fees	457.0	-2.8
Gross Income	1,956.2	+51.5
Operating costs	-519.8	+7.0
Impairment	-73.3	-
Profit before taxes	1,311.2	+60.3
Consolidated net income	894.6	+57.3

- ▶ **Attributable profit increased to 894.6mn**
- ▶ Gross income improvement led by NII, given the management of the cost of deposits, while net fee income declined, also due to the temporary freeze on some fees
- ▶ LLPs increased, with a moderate cost of risk, in alignment with the conservative risk policy and risks related to the high interest rate context
- ▶ Volumes affected by the high interest rate environment
- ▶ 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

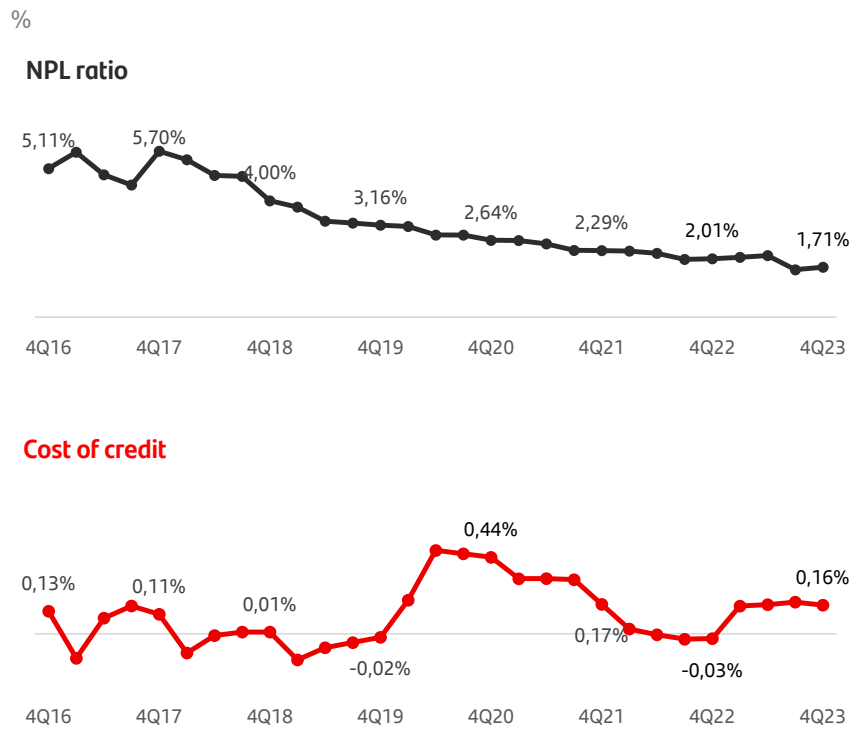
ACTIVITY

Volumes in EUR bn

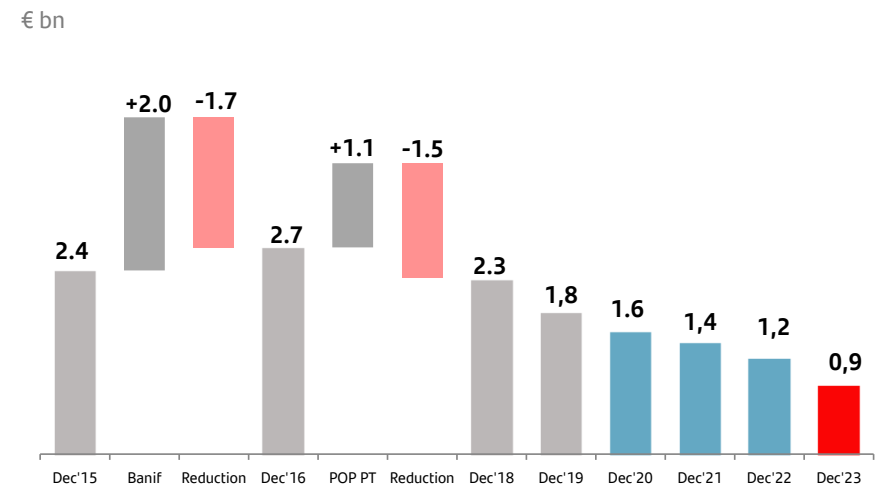


Asset quality ratios continue improving, without any visible impact from the sharp increase in interest rates observed in 2022/23

Credit quality ratios – Portugal

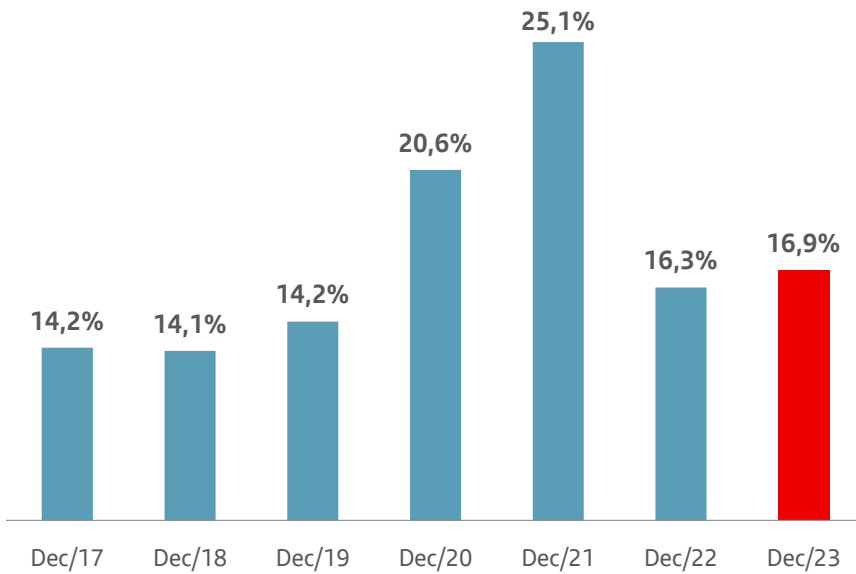


Stock of NPL

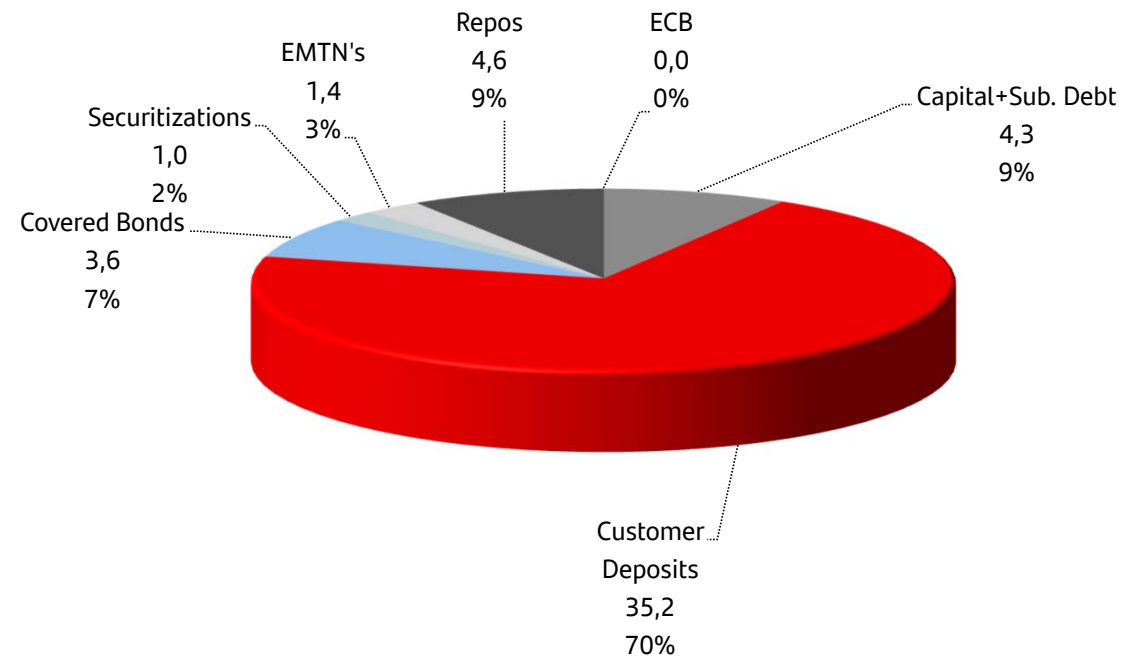


Sound capital base and adequate funding structure

CET1 (Fully Loaded)







Funding Structure



Banco Santander Totta S.A. ratings

Long Term Ratings – Senior Debt

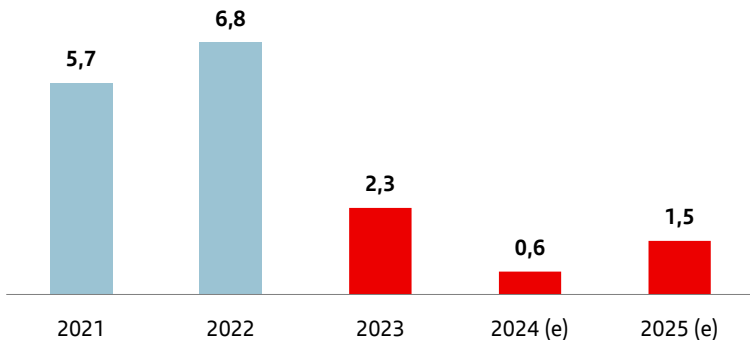
DBRS		Fitch		Moody's		S&P	
A		A-	 Bank 3	A3		BBB+	 Bank 3
AL		BBB+		Baa1	 Bank 1 Bank 3	BBB	
BBBH	Bank 1	BBB		Baa2	Bank 2	BBB-	Bank 2
BBB		BBB-	Bank 1	Baa3		BB+	
BBBL	Bank 2	BB+	Bank 2	Ba1	Bank 4	BB	
BBH	Bank 4	BB		Ba2		BB-	
BB		BB-		Ba3		B+	
BBL		B+		B1		B	
BH		B		B2		B-	
B		B-		B3		CCC+	
BL		CCC+		Caa1		CCC	

Macroeconomic Environment in Portugal

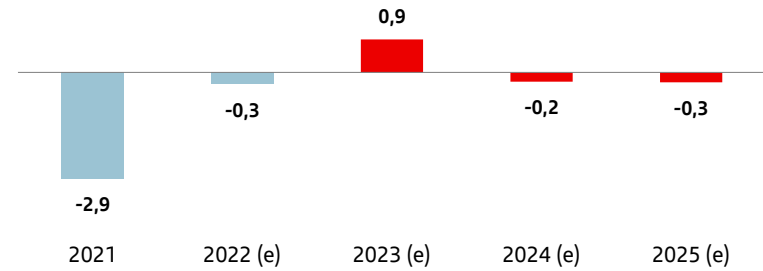
02

The economy is slowing, as past increases in interest rates and weak growth in Europe have a toll on short term growth

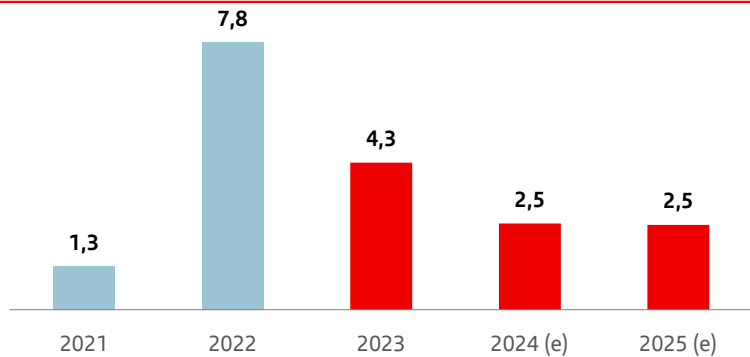
Annual GDP Growth (real, %)



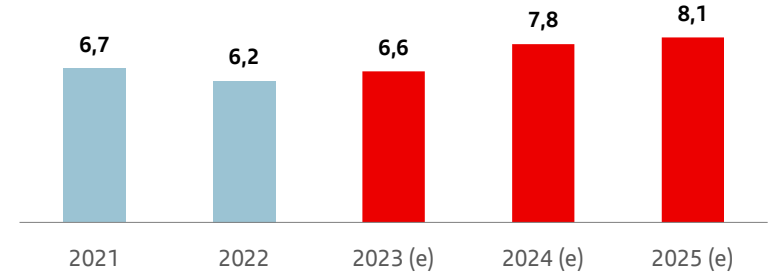
Fiscal Balance (% of GDP)



Annual inflation rate (%)

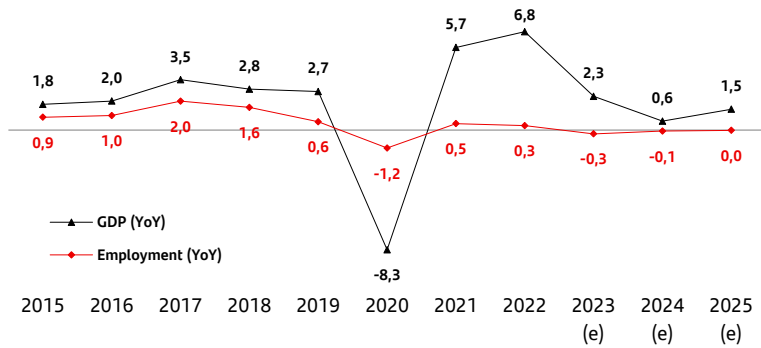


Unemployment Rate (% , annual average)

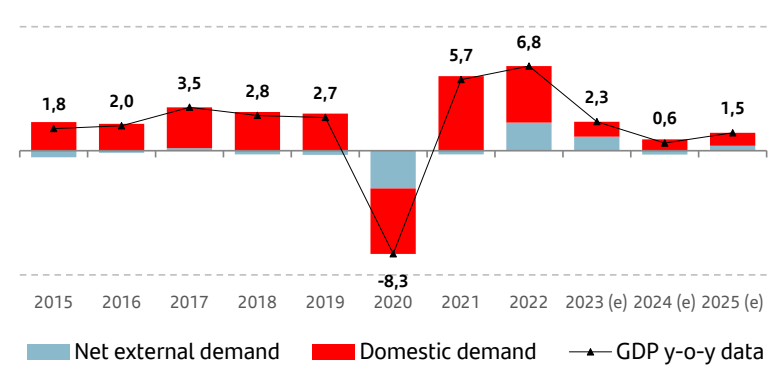


Despite the slowdown in growth, the key economic drivers remain in place, with a more export-oriented economy

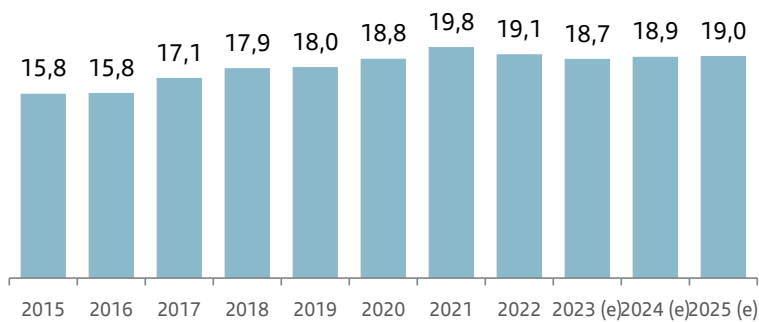
Real Growth and Job dynamics



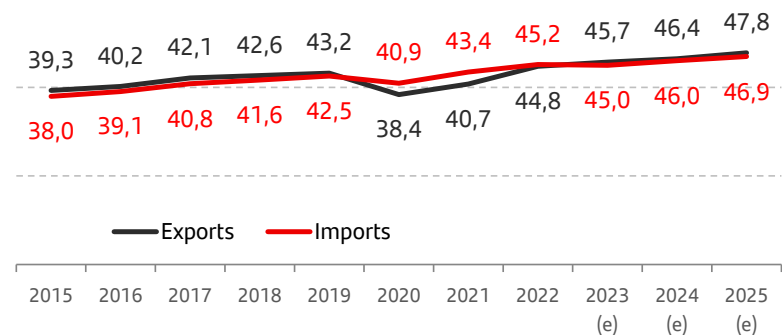
Contribution to GDP growth (% YoY)



Investment (% GDP)



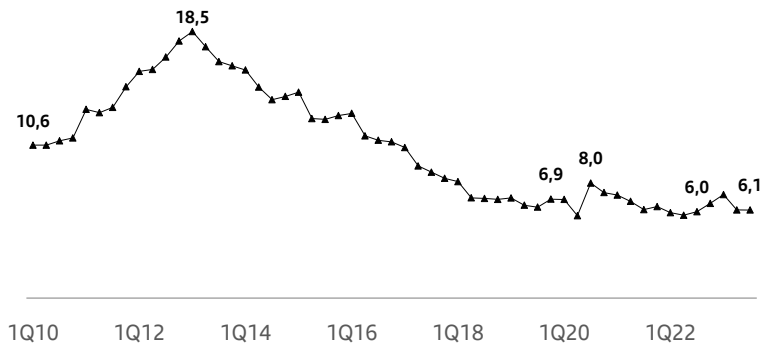
Exports and Imports (% GDP)



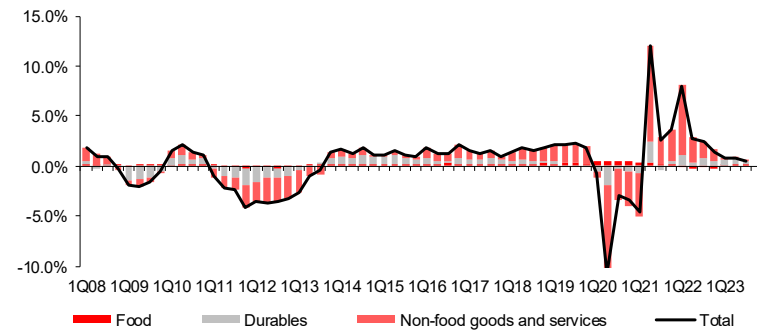
Source: Santander Research Department

Household conditions remain supported by low unemployment, stable (despite low) savings and much lower debt levels

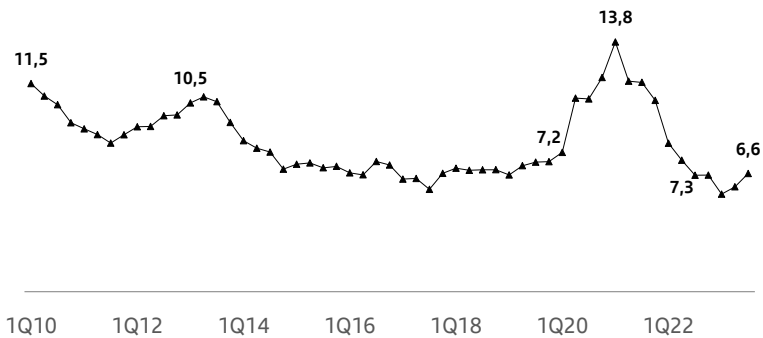
Unemployment Rate (%)



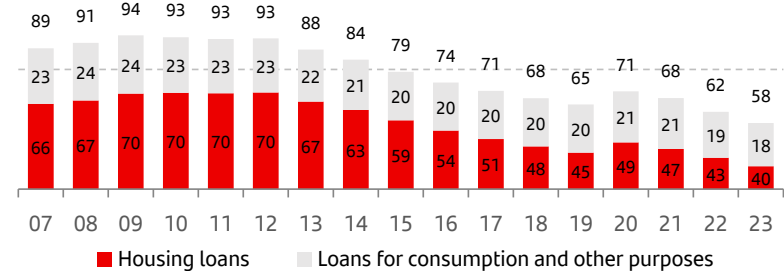
Private Consumption (% YoY)



Savings Rate (% disposable Income)



Household Debt (% GDP)

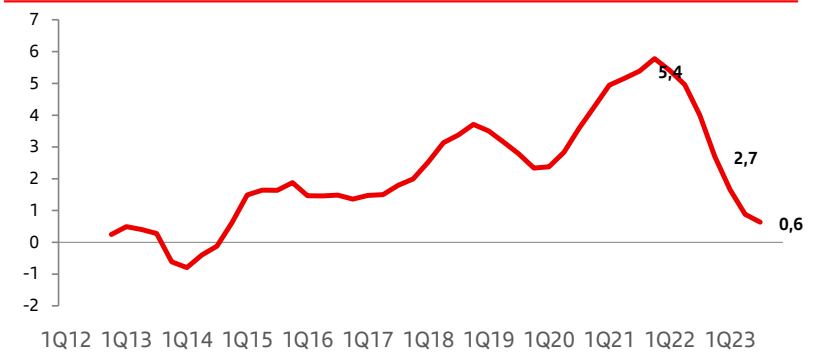


High inflation, so far, has not been translated into much higher wages. Households have positive net wealth, allowing to cope with the challenging economic context

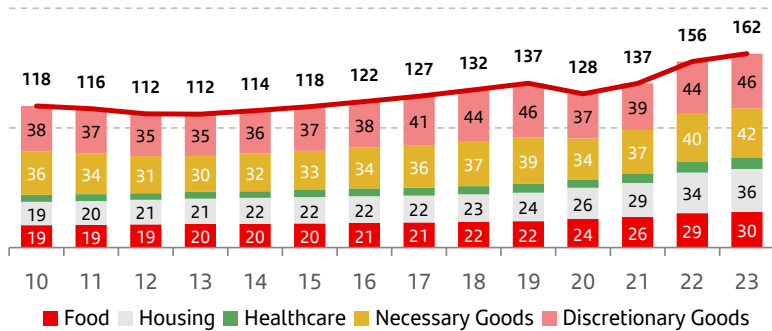
CPI (% YoY)



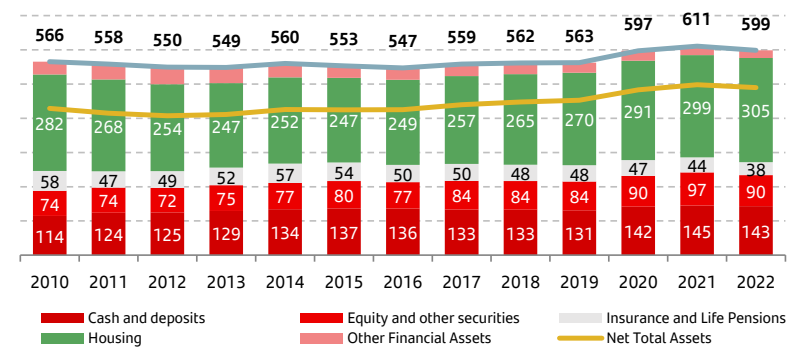
Wages (% YoY)



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

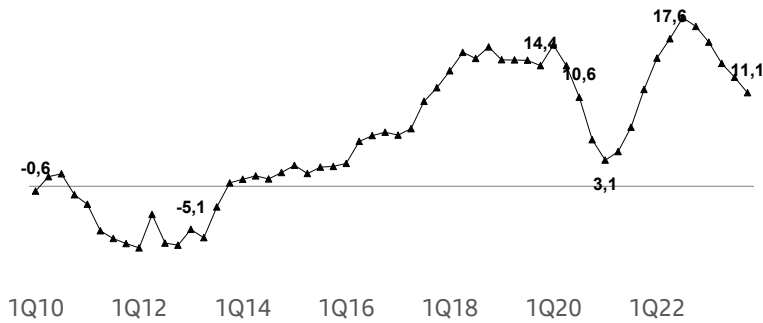


Household Wealth (% disposable income)

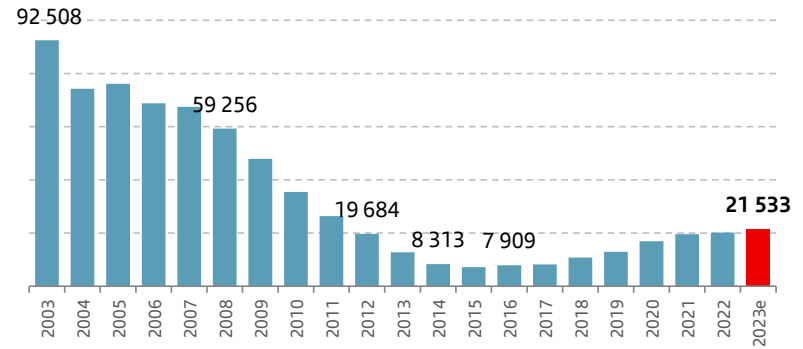


The residential market is characterized by still low new supply of housing, which coupled with resilient demand lead to higher prices. Mortgage NPLs are at an all-time low

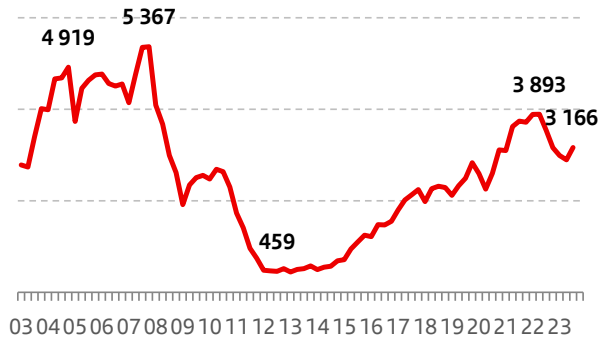
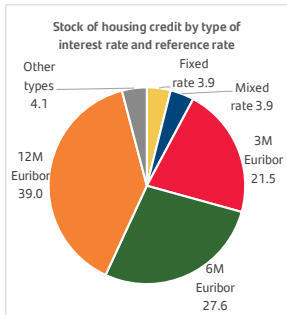
Housing Prices (% YoY)



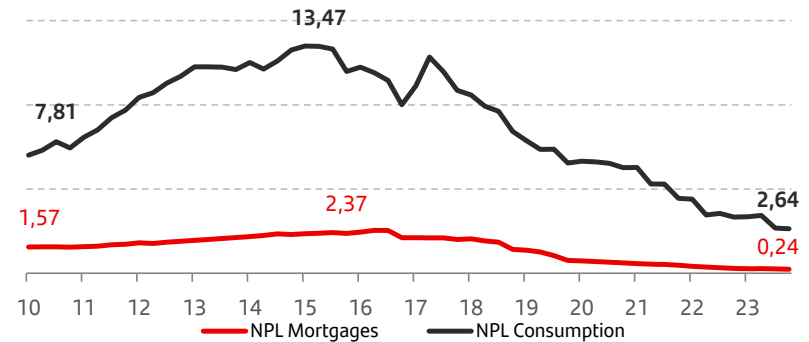
Housing Construction - Dwellings (#)



New Mortgages (€ mn)



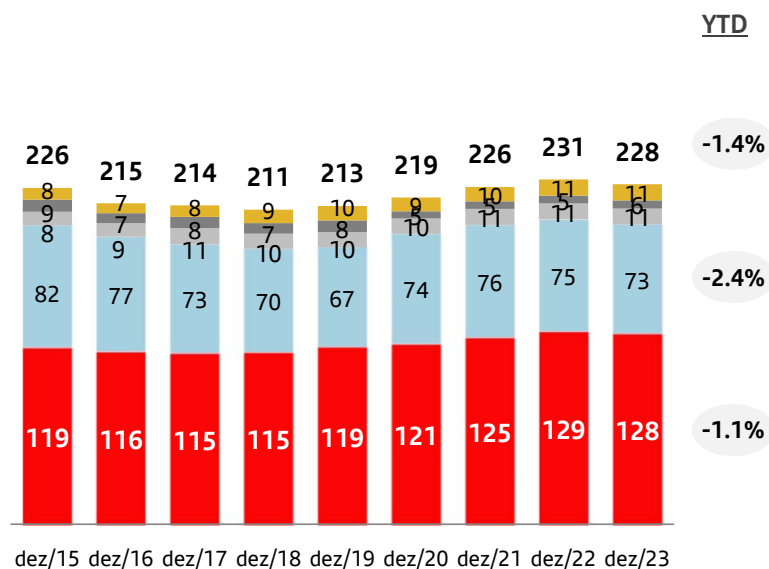
Household Debt NPLs (%)



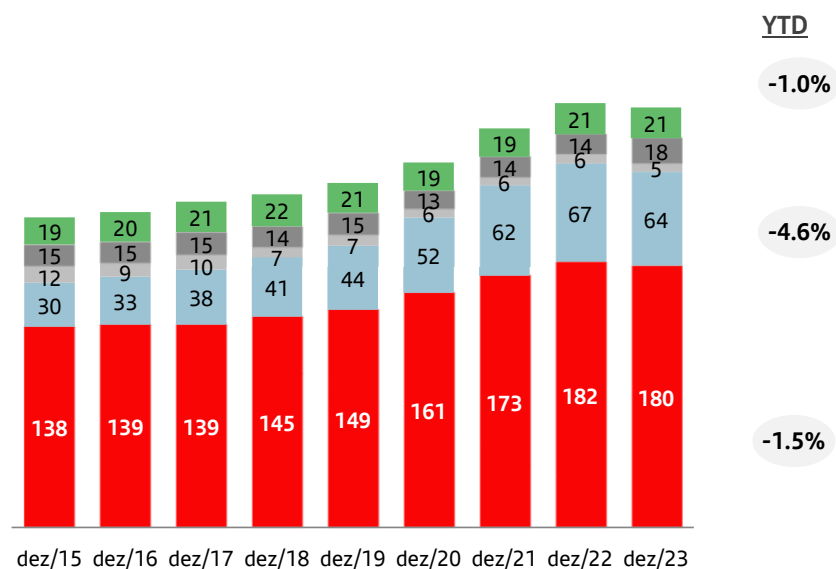
Source: Santander Research Department

In 2023, the economy has deleveraged, with households and companies using their deposit base to early redeem loans, as interest rates increased at a faster pace in early 2023

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



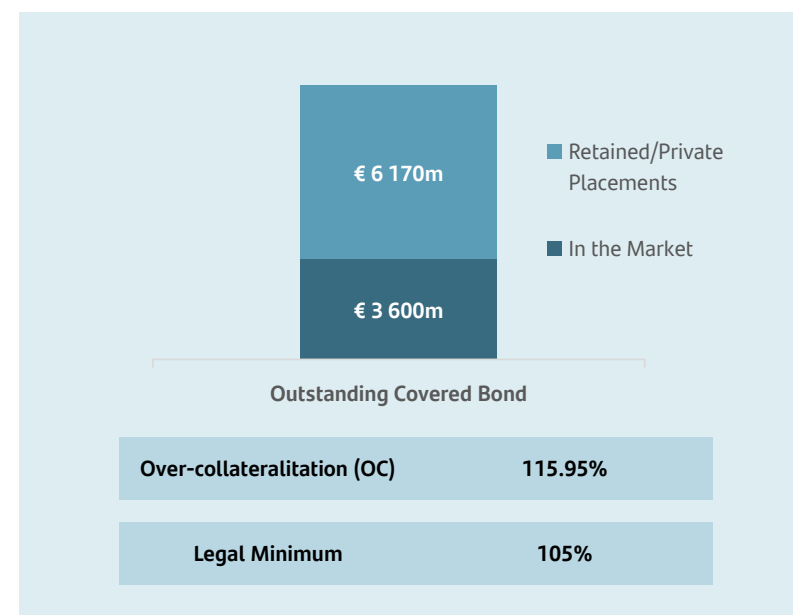
03

Cover Pool – General Information

Mortgage Cover pool	
Cover Pool Size (m)	11,328.4 € ⁽¹⁾
<i>Residential Assets</i>	11,283.9 €
<i>Commercial Assets</i>	0 €
Outstanding Covered Bonds (m)	9,769.9 €
Number of Loans	176,730
Average Loan Size	63,848 €
WA LTV	54.17%
WA Seasoning (Months)	92.62
WA Remaining life (Months)	325.9
WA Interest Rate	4.77%
<i>Floating Rates Notes</i>	99%
<i>Fixed Rates Notes</i>	1%
WA Life (Years)	27.2

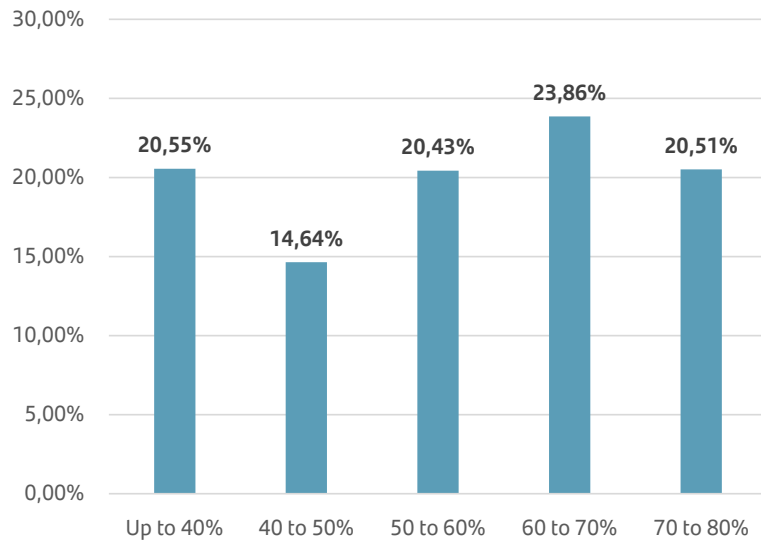
(1): 44.5m€ are accounted as Domestic Substitute Assets

Covered Bonds & OC

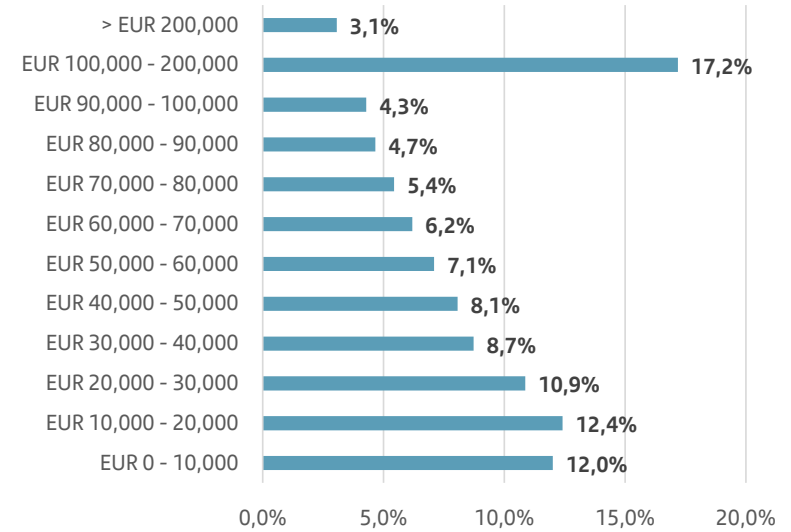


Cover Pool – LTV Breakdown and Loans Balance

LTV Breakdown

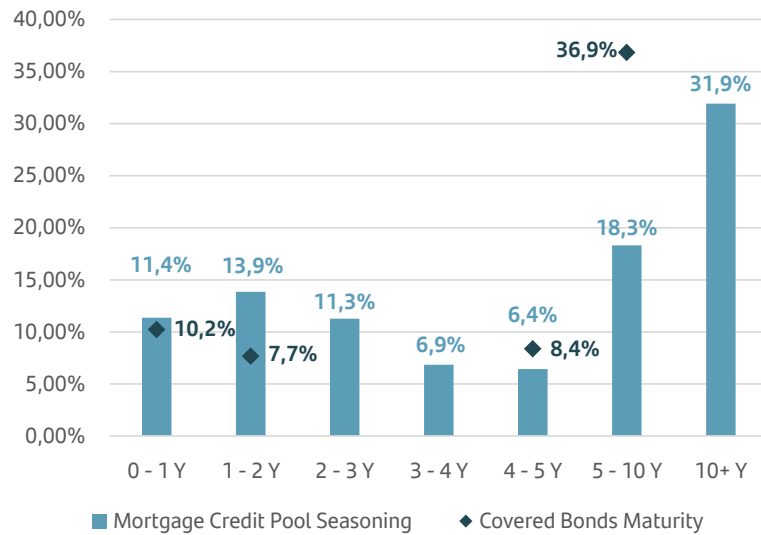


Loans Balance

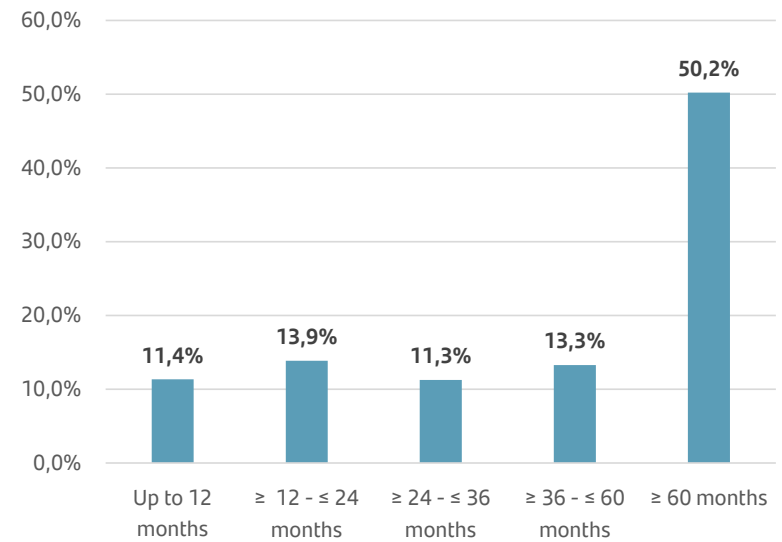


Cover Pool – Maturity Structure and Seasoning

Maturity Structure

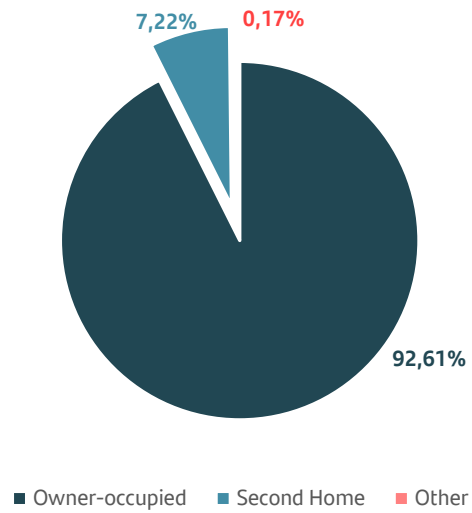


Seasoning (months)

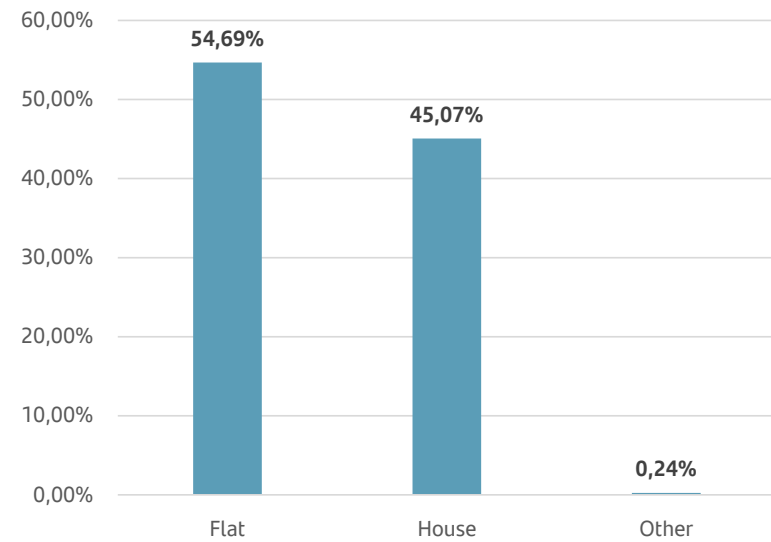


Cover Pool – Loan Purpose and Property Type

Loan Purpose

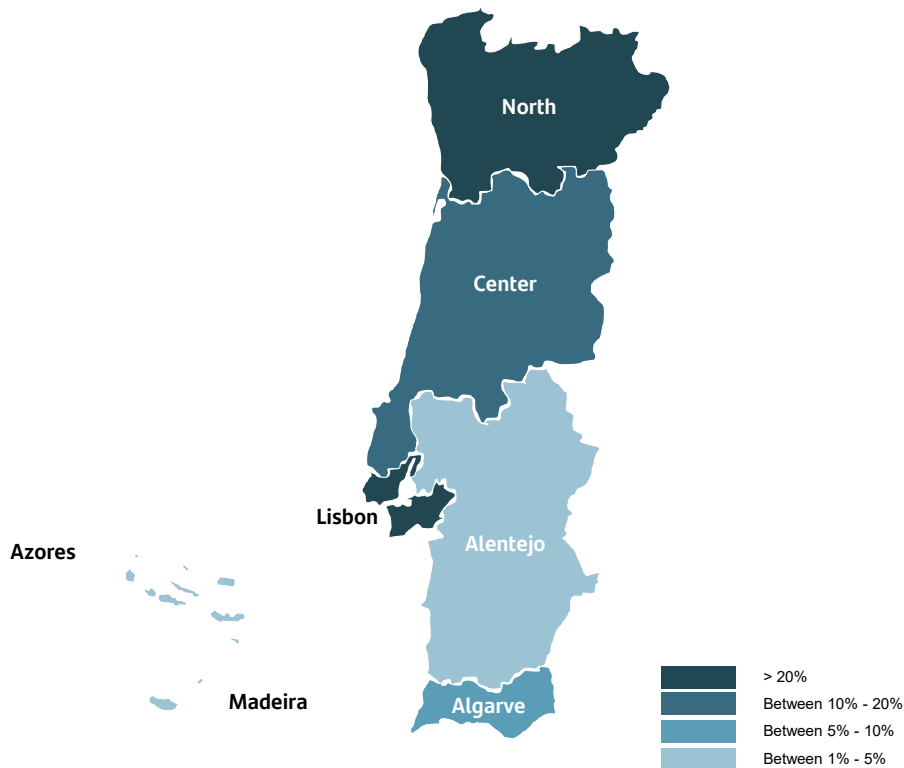


Residential Property Type



Cover Pool – Geographical Distribution

Geographical Distribution



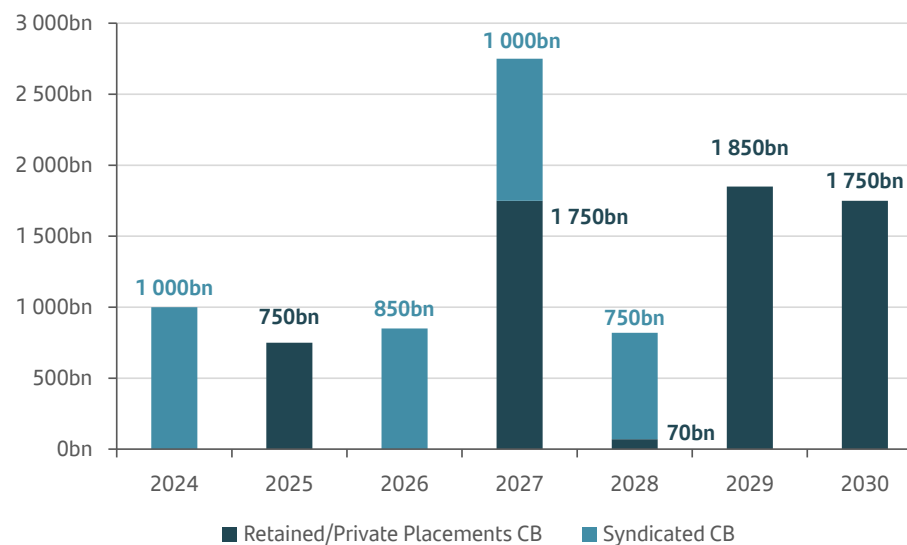
Geographical Distribution	Number of Loans	% Total Loans
North	57,681	31.35%
Center	34,449	17.16%
Lisbon	57,037	36.18%
Alentejo	10,620	4.94%
Algarve	9,695	6.21%
Madeira	3,829	2.56%
Azores	2,419	1.60%

Cover Pool – Covered Bonds Outstanding

Covered Bonds Outstanding

Syndicated Covered Bonds Issues			
Security Description	Issue Date	Amount	Maturity
SANTAN 0.875% 04/25/24	25/04/2017	1,000,000,000	25/04/2024
SANTAN 3.750% 09/11/26	11/09/2023	850,000,000	11/09/2026
SANTAN 1.250% 09/26/27	26/09/2017	1,000,000,000	26/09/2027
SANTAN 3.375% 04/19/28	19/04/2023	750,000,000	19/04/2028

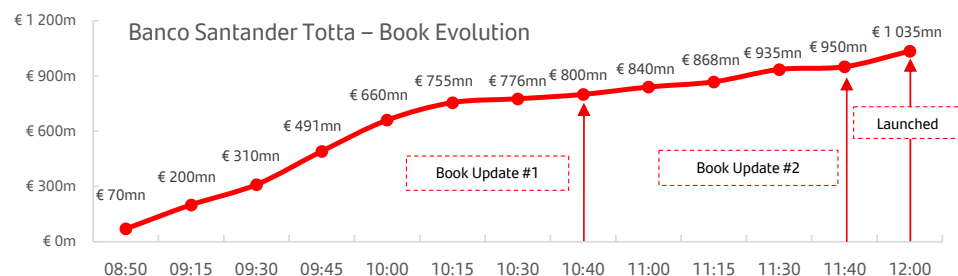
Retained/Private Placements Covered Bonds Issues			
Security Description	Issue Date	Amount	Maturity
SANTAN 0.505% 03/27/25	27/03/2020	750,000,000	27/03/2025
SANTAN 1.481% 04/10/27	10/04/2017	1,000,000,000	10/04/2027
SANTAN 1.201% 12/07/27	07/12/2017	750,000,000	07/12/2027
SANTAN 3.854% 10/16/28	16/10/2023	25,700,000	16/10/2028
SANTAN 3.738% 11/15/28	15/11/2023	27,300,000	15/11/2028
SANTAN 3.050% 12/28/28	28/12/2023	16,900,000	28/12/2028
SANTAN 0.639% 03/04/29	04/03/2022	750,000,000	04/03/2029
SANTAN 0.412% 07/05/29	05/07/2019	1,100,000,000	05/07/2029
SANTAN 3.549% 06/02/30	02/06/2023	1,000,000,000	02/06/2030
SANTAN 0.000% 10/28/30	28/10/2020	750,000,000	28/10/2030



Case Study: Banco Santander Totta's EUR 750mn 5-year Obrigações Cobertas transaction

Transaction Highlights

- On April 11th, 2023, Banco Santander Totta announced a 5-year € Benchmark Obrigações Cobertas - European Covered Bonds (Premium) transaction, for next day execution. On Wednesday 12th, Guidance was set at MS +45bps area, later to tighten 2bps to price at MS +43bps.
- This transaction represents the issuer's return to the primary market since September 19th 2017, when Banco Santander Totta issued a 10-year €1bn Covered Bond at MS +48bps. It also represents the first CB transaction from a Portuguese issuer since 2019 and the first after the European directive implementation in the country.
- The issuer chose to conduct a 1.5 day execution strategy in order to flag the transaction to investors and provide time for accounts to check the borrower's latest results. This turned out excellent for BST, who managed to collect feedback from more than 35 accounts after the announcement.
- On the tenor, Banco Santander Totta decided to issue a 5-year as it fits perfectly with the borrower's redemption profile and, as seen in the recent dynamics, turns out to be the sweet spot for investors in this asset class.
- The issuer offered a very attractive initial concession of ~15bps from a FV at low 30's, which along with the feedback, caught the investors' attention and enabled a strong start of the bookbuild, with over €650m of orders in the first hour. This positive dynamic continued, but in a more stabilized way, achieving over €1bn at the time the transaction was launched.
- Overall, the book was of very good quality and granularity, with over 50 investors, which helped close the final size of the book at €750mn.



Execution Timeline

- 08.55 CET – Guidance MS +45bps area €€€
- 10.40 CET – Update #1 | Books > €800mn (incl. 80m JLM)
- 11.35 CET – Update #2 | Books > €950mn (incl. 80m JLM) | Spread set at MS +43bps
- 12.00 CET – Launched | Books > €1bn (incl. 80m JLM) | Spread MS +43 bps | Final size €750mn

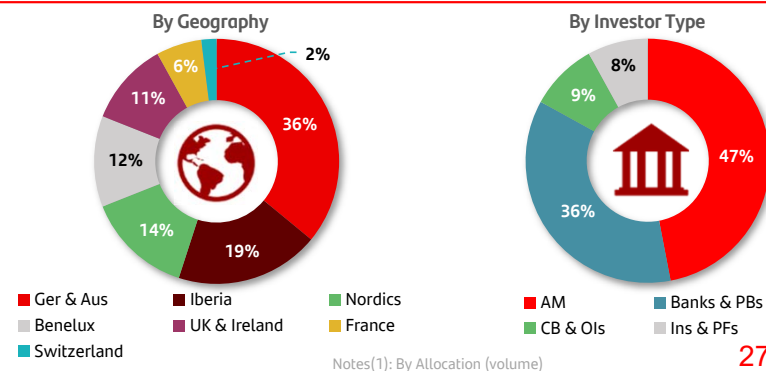
Terms and Conditions

Issuer	Banco Santander Totta S.A. (SANTAN)
Expected Issue Ratings	Aa2 (Moody's) / AA- (Fitch) / AA (DBRS)
Pricing Date	12 April 2023
Settlement Date	19 April 2023 (T+5)
Instrument	Obrigações Cobertas - European Covered Bond (Premium)
Form	Reg S, Nominative dematerialised book entry form
Re-offer Price / Yield	99.521% / 3.481%
Tenor	5-year
Maturity	19 April 2028
Amount	EUR 750mn
ISIN	PTBSPAOM0008
Coupon	3.375 %, Annually, Act/Act (ICMA) Following, Unadjusted
Reoffer Spread	MS +43bps

Orderbook Analysis

# of Investors	56
Orderbook size	> €1bn
Oversubscription	1.3x
Final Spread	MS +43bps

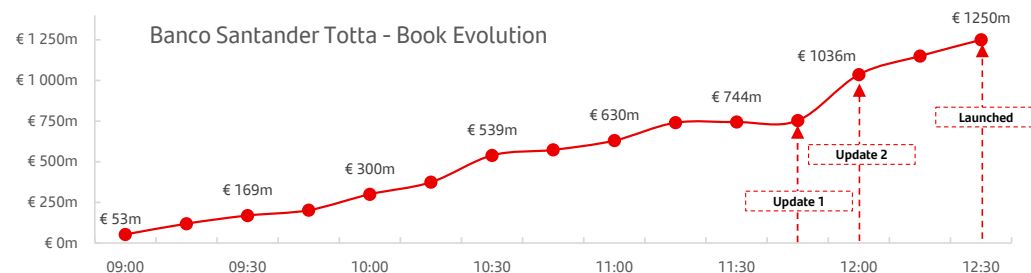
Breakdown by Geography & Investor Type⁽¹⁾



Case Study: Banco Santander Totta's EUR 850mn 3-year Obrigações Cobertas transaction

Transaction Highlights

- On September 4th 2023, Banco Santander Totta announced their second Obrigações Cobertas - European Covered Bonds (Premium) transaction of this year, this time with a 3-year tenor which priced at MS +40bps.
- At announcement, the fair value of the transaction was assessed at MS +30bps, therefore offering a adequate 10bps of new issue premium which allowed the issuer to print the transaction they were looking for, given the price sensitivity we have been seeing from investors recently.
- This transaction marks the second time the borrower has accessed the Covered Bond market this year, following the successful €750mn 5-years priced at MS +43bps back in April. This is a relevant landmark given the fact that the issuer had been absent from the market since 2017, which remarks Banco Santander Totta's intention to of becoming one of the most active and leading players in the Portuguese market.
- In contrast to the strategy followed back in April, a 1.5 day execution approach was not necessary this time around, given that investors already knew the borrower's profile and the more defensive nature due to the shorter tenor. Also, an intraday strategy would take out the possible overnight risk and limit the unplanned competing supply on what we expect to be a crowded week in terms of supply.
- The book grew steadily throughout the course of the morning, boosted by the two updates set by the syndicate group which helped the book to reach the final and maximum amount of €1.25bn, with excellent great quality and granularity.



Execution Timeline

- 09:00 CET – Guidance MS +40bps area €€€
- 11:45 CET – Update #1 | Books > €750mn (incl. 115m JLM) // Spread Set at MS +40# bps
- 12:05 CET – Update #2 | Books > €1bn (incl. 115m JLM) | Books Subject
- 13:05 CET – Launched | Books > €1.25bn (incl. 115m JLM) // MS +40 bps // Final Size €850mn

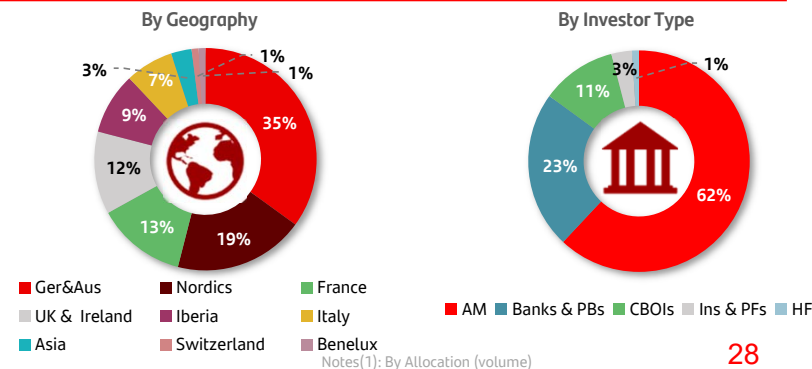
Terms and Conditions

Issuer	Banco Santander Totta S.A. (SANTAN)
Expected Issue Ratings	Aa2 (Moody's) / AA- (Fitch) / AA (DBRS)
Pricing Date	04 September 2023
Settlement Date	11 September 2023 (T+5)
Instrument	Obrigações Cobertas - European Covered Bond (Premium)
Form	Reg S, Nominative dematerialised book entry form
Re-offer Price / Yield	99.763% / 3.835%
Tenor	3-year
Maturity	11 September 2026
Amount	EUR 850mn
ISIN	PTBSPCOM0006
Coupon	3.750 %, Annually, Act/Act (ICMA) Following, Unadjusted
Reoffer Spread	MS +40bps

Orderbook Analysis

# of Investors	> 60
Orderbook size	> €1.25bn
Oversubscription	1.5x
Final Spread	MS +40bps

Breakdown by Geography & Investor Type⁽¹⁾



This presentation has been prepared by Santander Portugal solely for information purposes.

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



MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

