

 **Portugal**

Q1'19 Earnings Presentation



Disclaimer

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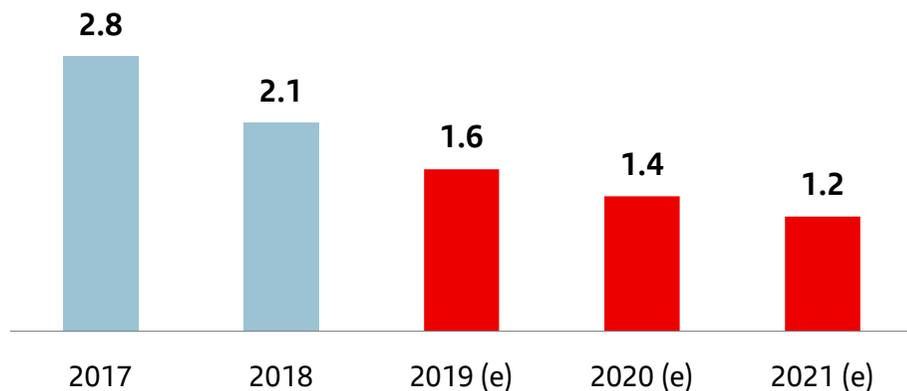
The information contained herein is in accordance with the Bank of Portugal's criteria. Unless otherwise stated, data in this presentation refers to consolidated figures for Santander Totta SGPS, the group's holding company in Portugal. BST is Santander Totta SGPS' main operating unit, aggregating the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

Macroeconomic environment and financial system

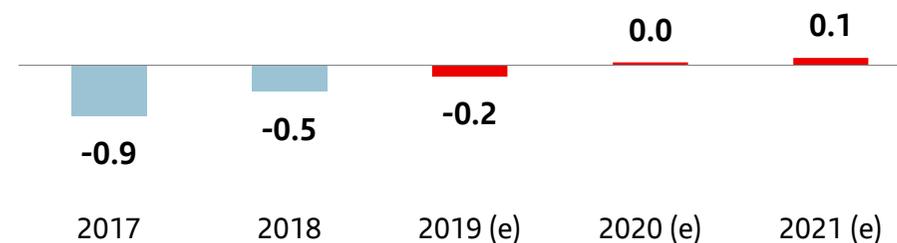
01

GDP growing around potential, with stable unemployment

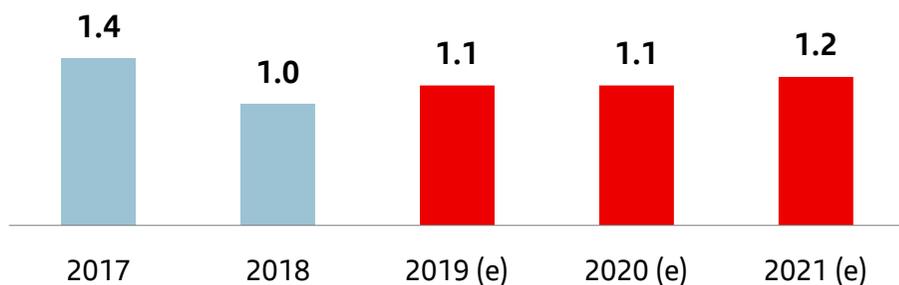
Annual GDP Growth (real, %)



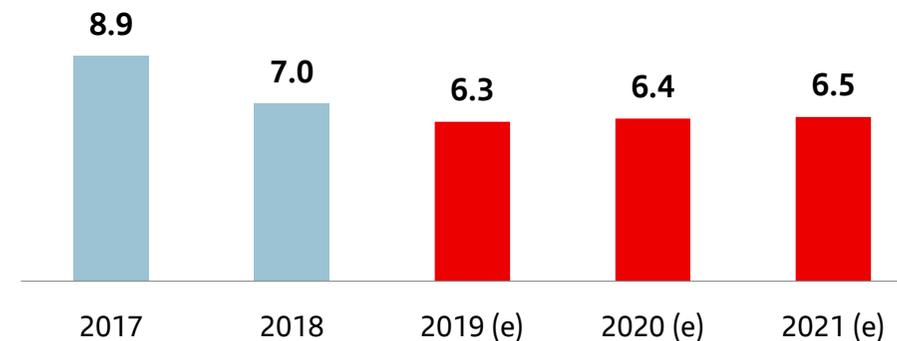
Fiscal Balance (% of GDP)



Annual inflation rate (%)

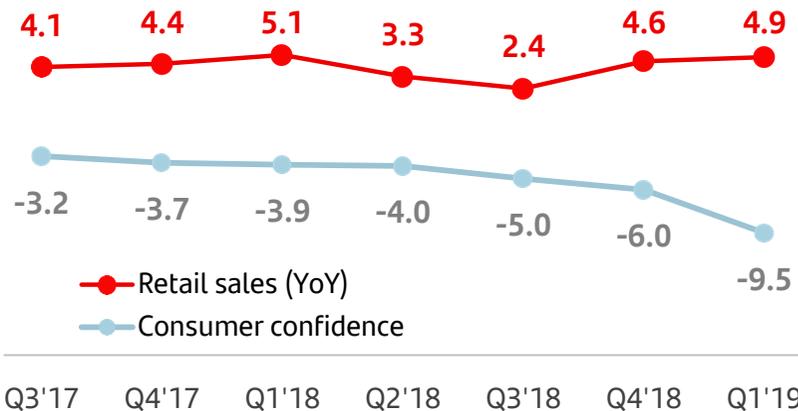


Unemployment Rate (% , annual average)

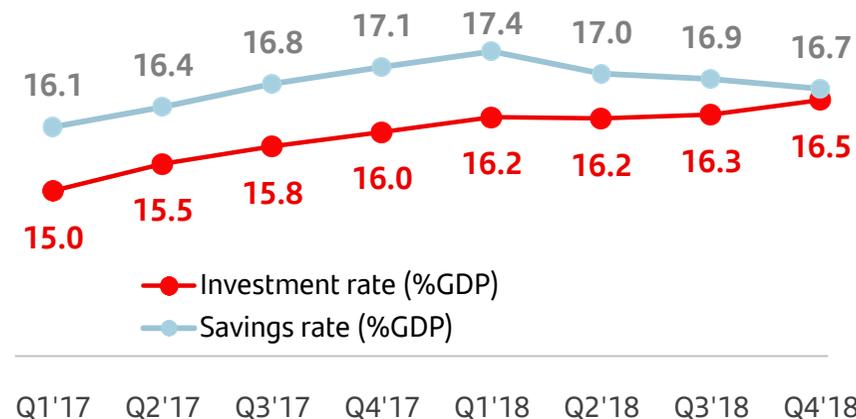


GDP continues to be driven by exports and investment

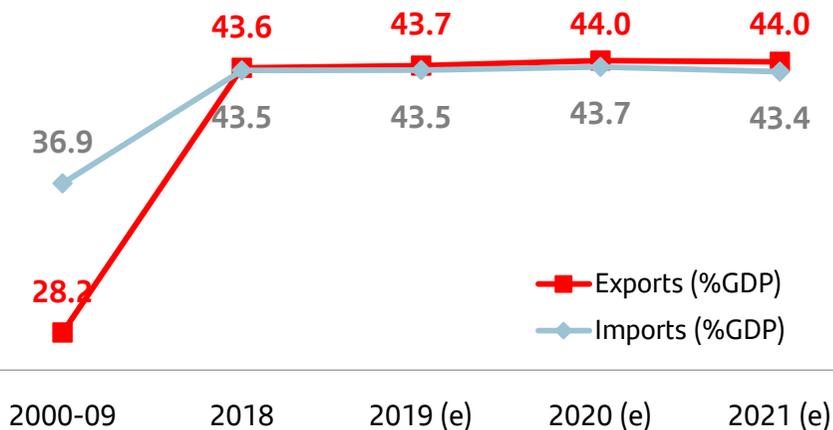
Consumer dynamics



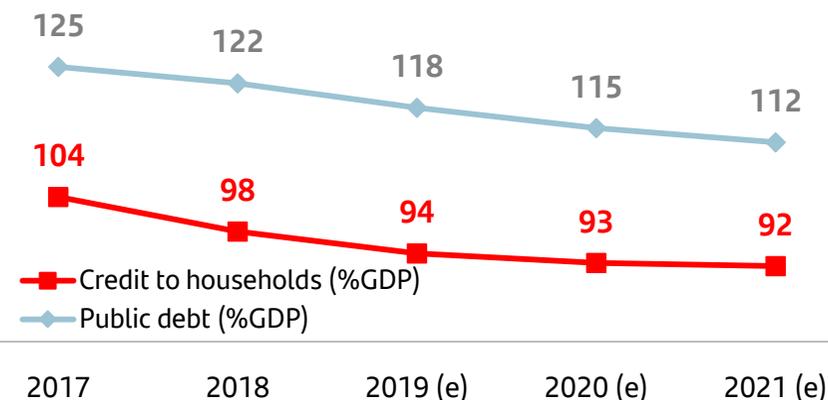
Investment dynamics (total economy)



Tradable sector dynamics

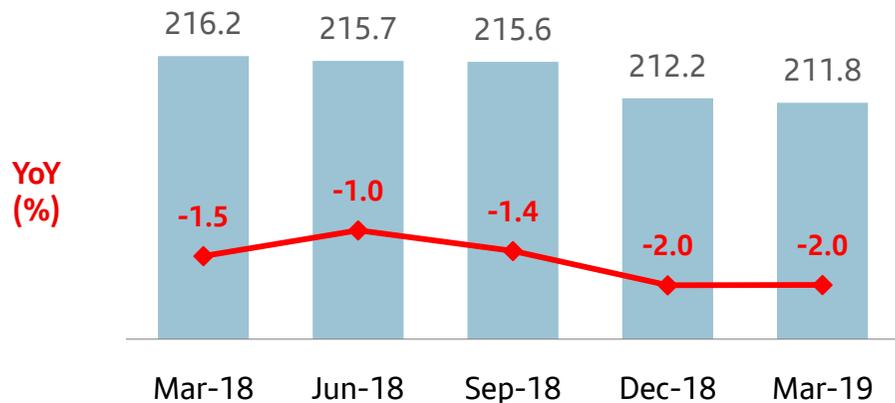


Deleveraging dynamics



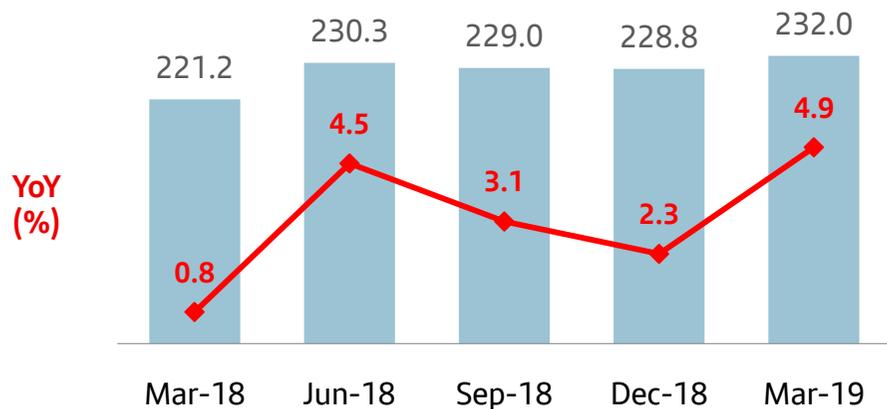
Steeper decline of NPLs in late 2018 affecting short term dynamics of loans

Total loans (EUR bn)



- ▶ Faster pace of NPL reduction in late 2018 impacting the dynamics. In Q4'18, the NPL ratio declined to 9.4%
- ▶ The economy continues to deleverage but indebtedness remains a constraint for the private sector credit growth

Total deposits (EUR bn)



- ▶ Deposits continue to increase, despite low interest rates and competition from Government retail debt, and corporates continue financing their investments with own funds

Strategy and business



02

Santander Totta is the first privately owned bank in Portugal, by assets and loans



STRATEGIC PRIORITIES

- ▶ Continue the transformation process of the Bank to simplify it, bring it closer to customers and make it more efficient
- ▶ Continue gaining profitable market share, improving our position as leading private bank and leveraging our position in the corporate sector, especially in SMEs
- ▶ Improve efficiency and maintain a low cost of credit
- ▶ Maintain a solid capital position, managing it in line with the new regulatory requirements



- (1) EUR mn
- (2) Underlying RoTE
- (3) As of Mar2019
- (4) Thousands
- (5) Includes representatives' offices abroad

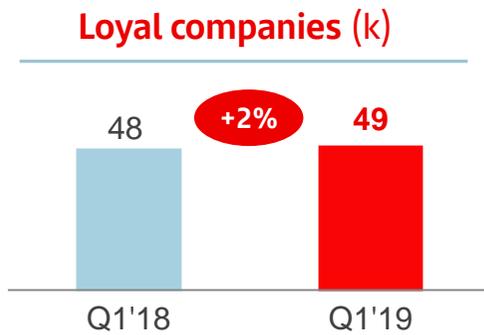
KEY DATA (local criteria)

	Q1'19	YoY Var.
 Gross loans ¹	40,476	-2.4%
 Deposits ¹	34,221	+8.9%
 Attributable profit	137.3	+5.2%
 RoTE ²	13.4%	+30bps
 Efficiency ratio	43.3%	-400bps
 Loans' market share ³	18.2%	-7bps
 Deposits' market share ³	15.8%	+61bps
 Loyal customers ⁴	760	+6.8%
 Digital customers ⁴	757	+15.9%
 Branches ⁵	561	-17.0%
 Employees	6,391	-5.9%

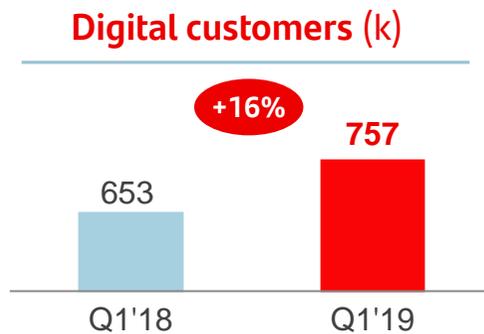
Growth in the most valuable customer segments



- ▶ Continued growth in the number of loyal customers, supported by the focus on the 1|2|3 strategy...



- ▶ ... as well as in corporates, where the increase of customers is aligned with the strong market shares in new loans



- ▶ The improved availability of digital functionalities for both households and corporates is supporting the increase in the number of digital customers

Retail and digital services



Linha de Crédito Capitalizar Mais
**Empresas inovadoras
 são o nosso maior capital**



Protocol Credit Lines

New campaign focused on the “Capitalizar Mais” line of credit, reflecting the Bank’s commitment to the Business segment and the strong support given to the economy.

Best Private Banking 2019

Santander Portugal Private Banking was considered Best Private Banking in 2019, by Euromoney. It is the 8th consecutive time that Santander Portugal receives this award, reflecting the customers’ perception of the quality of service



Social Responsibility and Environment

Santander volunteers help reforest with 2,000 pine trees the Pinhal de Leiria, which was deeply devastated in the 2017 wild fires



Work Café – Coimbra

Santander opened its second work café in Coimbra, its new concept of relationship between the Bank and its customers. The network will be expanded in coming quarters, with new openings across the country

Eliminate single use plastic

Santander is also committed to the reduction of single use plastic, providing its workers with glass bottles



S&P Global Ratings

S&P upgraded the rating of Santander in Portugal to BBB, aligned with that of the Republic. Santander holds the best ratings of the Portuguese banking system, in line with the Republic for S&P and Moodys, and above it for Fitch and DBRS.

Best Bank 2019 – Global Finance

Santander has been awarded “Best Bank in Portugal” by Global Finance

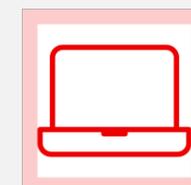


Santander Advance Portugal

The Santander Advance Box was in Leiria, in March, with various presentations and debates with local authorities and companies, discussing the economic potential of the region



CrediSimples Negócios
Crédito online de um clique para o outro

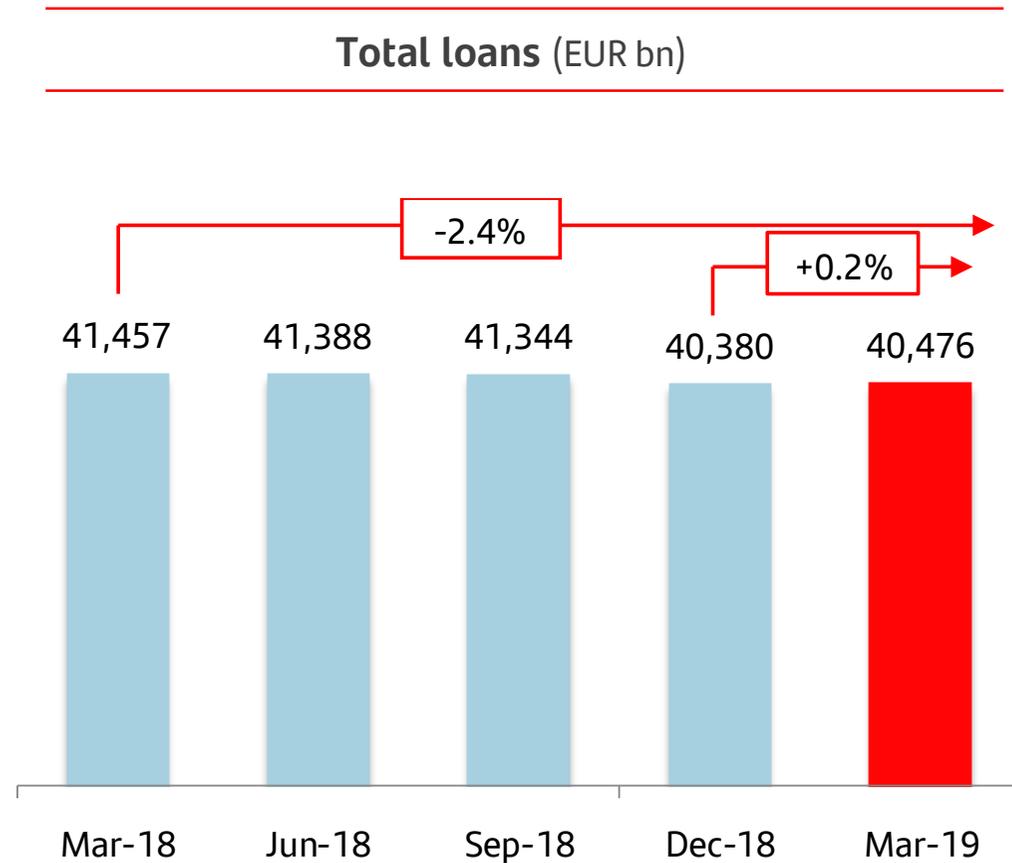


A More Digital Bank

Santander launched a new digital offer to its business customers – “CrediSimples Empresas”, by which they can negotiate and hire a loan through online banking

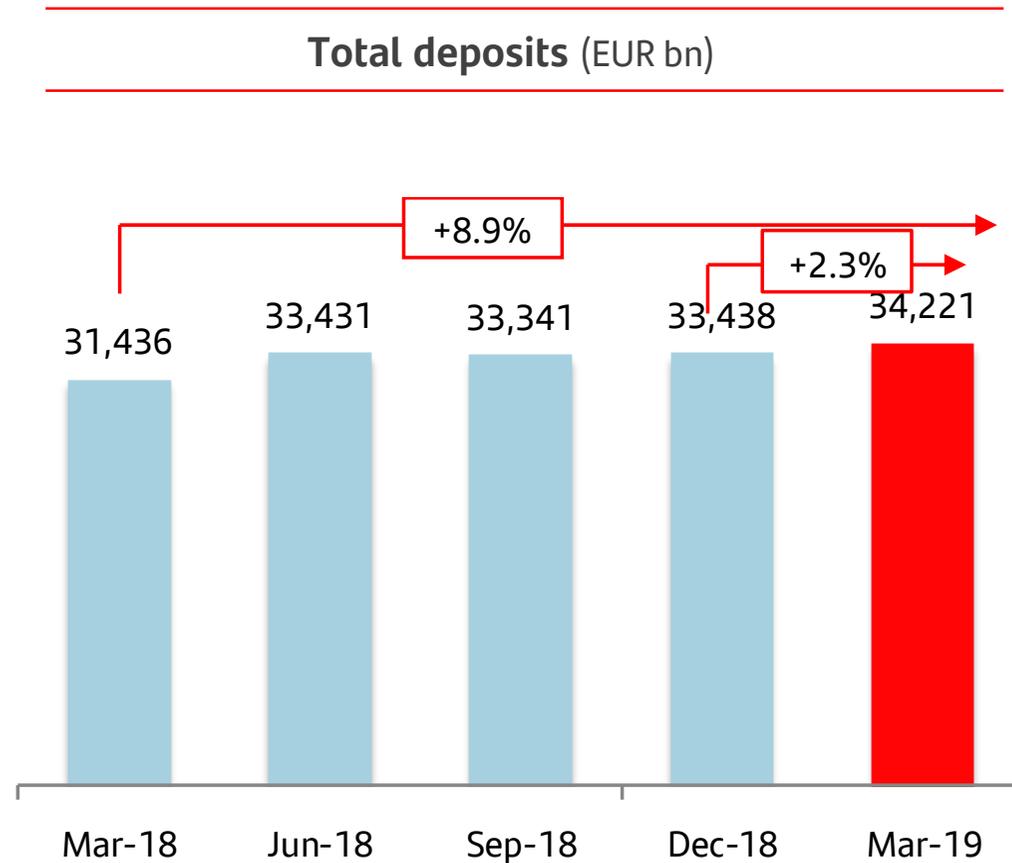
Santander has made available its first APIs in SIBS API Market, contributing to the full implementation of PSD2

The loan book stabilised QoQ. YoY fall due to the sale of portfolios in 2018



	Mar-19	YoY (%)	QoQ (%)
Individuals	21,527	+0.3	-0.1
Mortgage	19,474	+1.7	+0.1
Consumer and other	2,053	-11.3	-1.7
Corporates	18,071	-6.0	+0.1
Other	879	+14.5	+12.7
Total	40,476	-2.4	+0.2

Continued increase in customer funds



	Mar-19	YoY (%)	QoQ (%)
Deposits	34,221	+8.9	+2.3
Off Balance Sheet Resources	6,188	+11.9	+4.4
Investment Funds	1,982	-6.8	+2.9
Insurance and other	4,205	+23.6	+5.0
Total Customer Funds	40,409	+9.3	+2.6

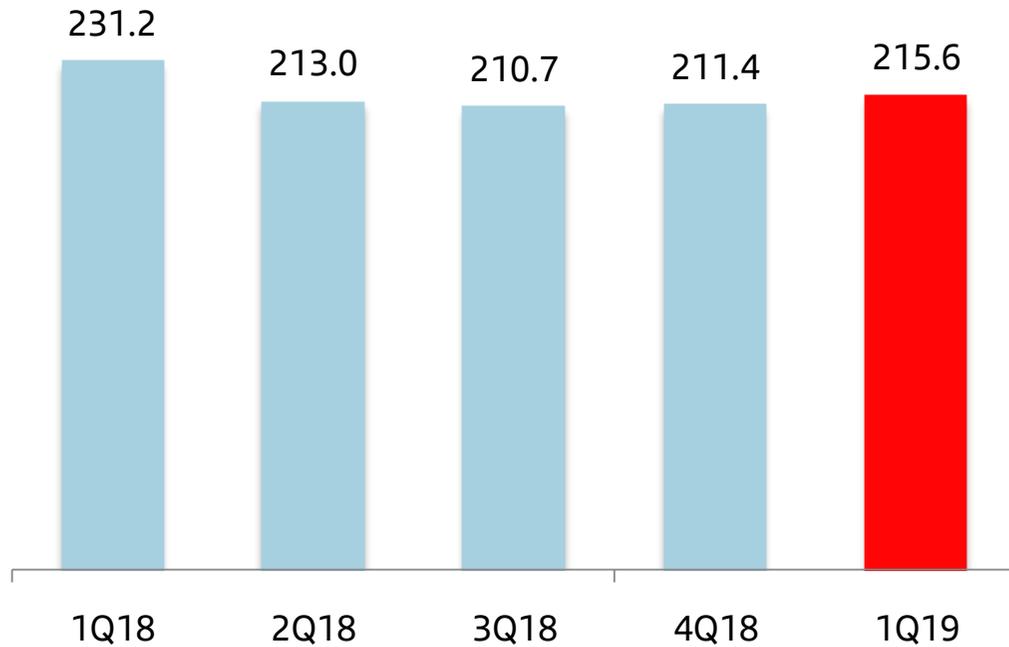
Results



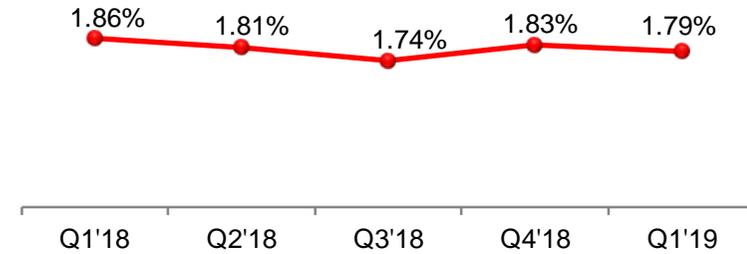
03

NII increased QoQ. YoY evolution was in line with that of the stock of credit

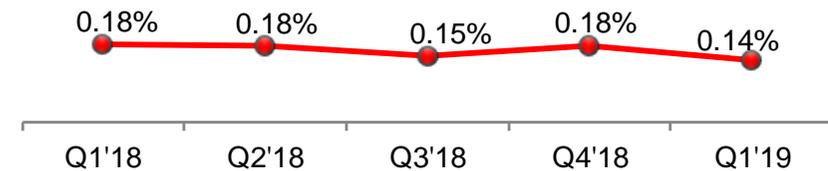
Net interest income (EUR mn)



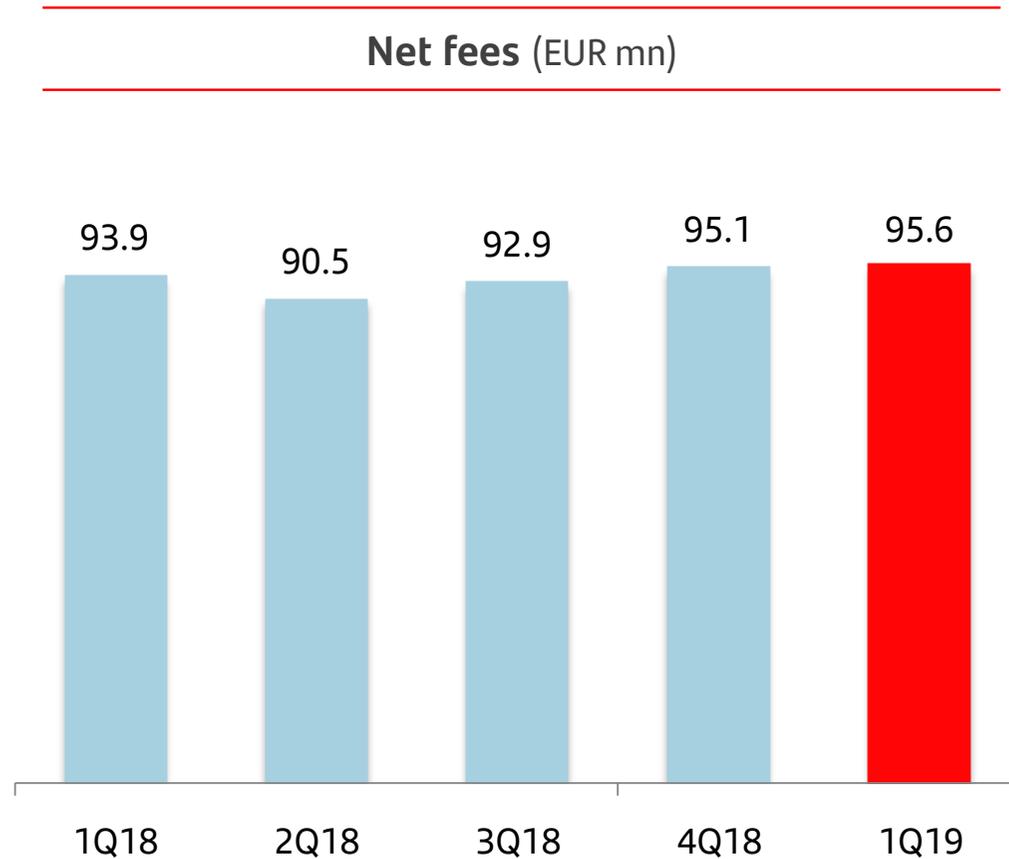
Yield on loans (%)



Cost of deposits (%)



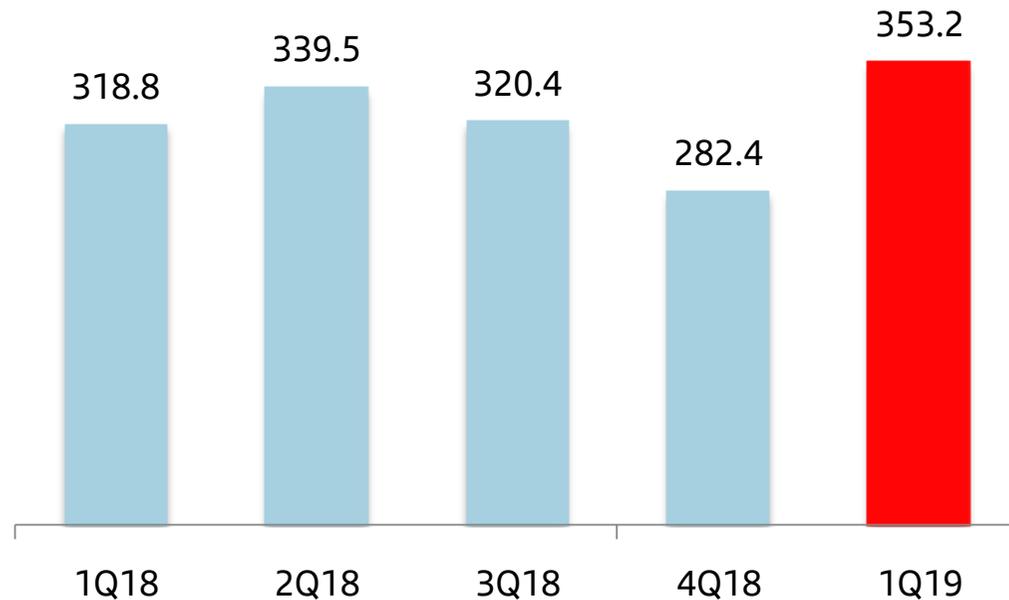
Net fees improved YoY boosted by credit cards



	Q1'19	Q1'18	YoY (%)	QoQ (%)
Credit	23.2	22.9	+1.3	-0.8
Credit cards	24.5	21.4	+14.8	-5.4
Mutual funds	6.1	6.0	+2.4	-1.2
Insurance	26.0	24.7	+5.3	-0.5
Other	15.9	19.0	-16.7	+28.7
Total	95.6	93.9	+1.8	+0.6

Gross income improved, driven by gains on financial transactions from ALCO portfolio sales

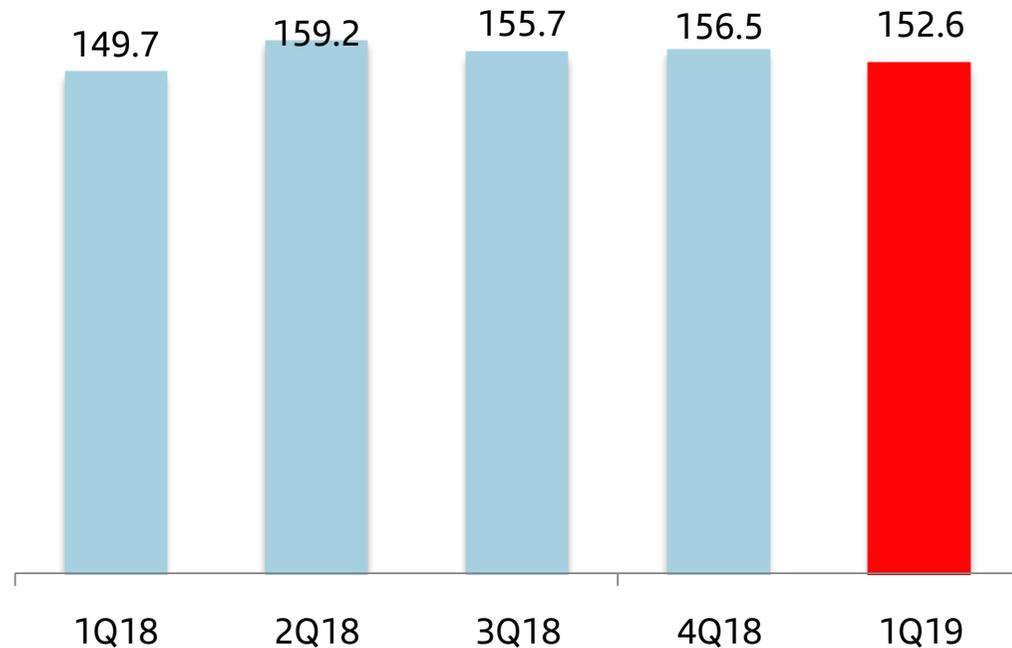
Gross income (EUR mn)



	Q1'19	Q1'18	YoY (%)	QoQ (%)
Net interest income	215.6	231.2	-6.7	+2.0
Net Fees	95.6	93.9	+1.8	+0.6
Subtotal	311	325	-4.2	+1.6
Other	41.3	-8.8	-	-
Gross income	352.6	316.3	+11.5	+25.0

Costs declined, as the commercial structure continues to be optimised

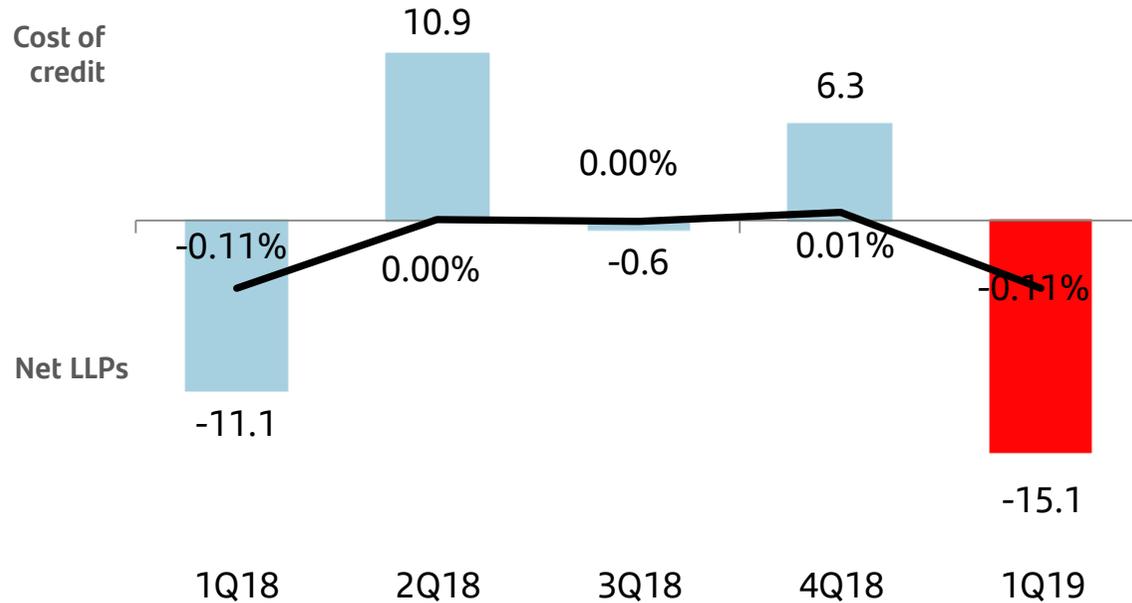
Operating expenses (EUR mn)



	Q1'19	Q1'18	YoY (%)	QoQ (%)
General and admin. expenses	140.3	139.2	+0.8	-3.7
Depreciation and amortization	12.3	10.6	+15.9	+14.4
Total	152.6	149.7	+1.9	-2.5
Efficiency ratio (with amortisations)	43.3%	47.3%	-4.0pp	-5.9pp
Number of branches	561	676	-115	-1.9
Number of employees	6,391	6,791	-400	-0.7

Low cost of credit, and provisions were positive due to recoveries

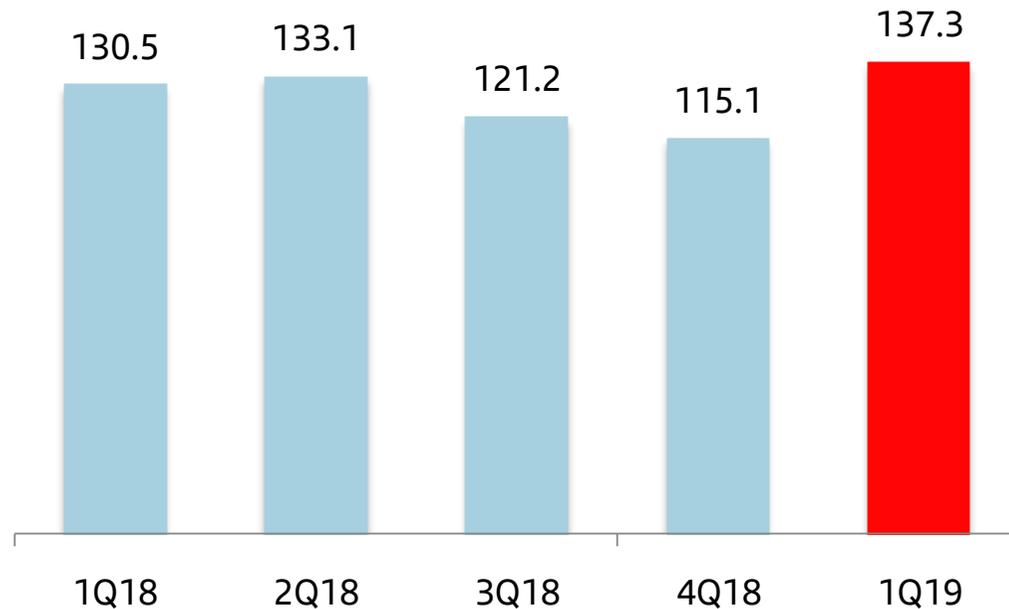
LLPs and cost of credit (EUR mn, %)



	Q1'19	Q1'18	YoY (%)	QoQ (%)
Net Operating Income	200.0	166.6	+20.1	+59.2
LLPs	15.1	11.1	+36.3	-
Net op. Income after LLPs	215.1	177.7	+21.1	+80.2
NPE ratio	3.8%	5.4%	-1.6pp	-0.2pp
NPE coverage ratio	51.1%	57.0%	-5.9pp	+0.1pp

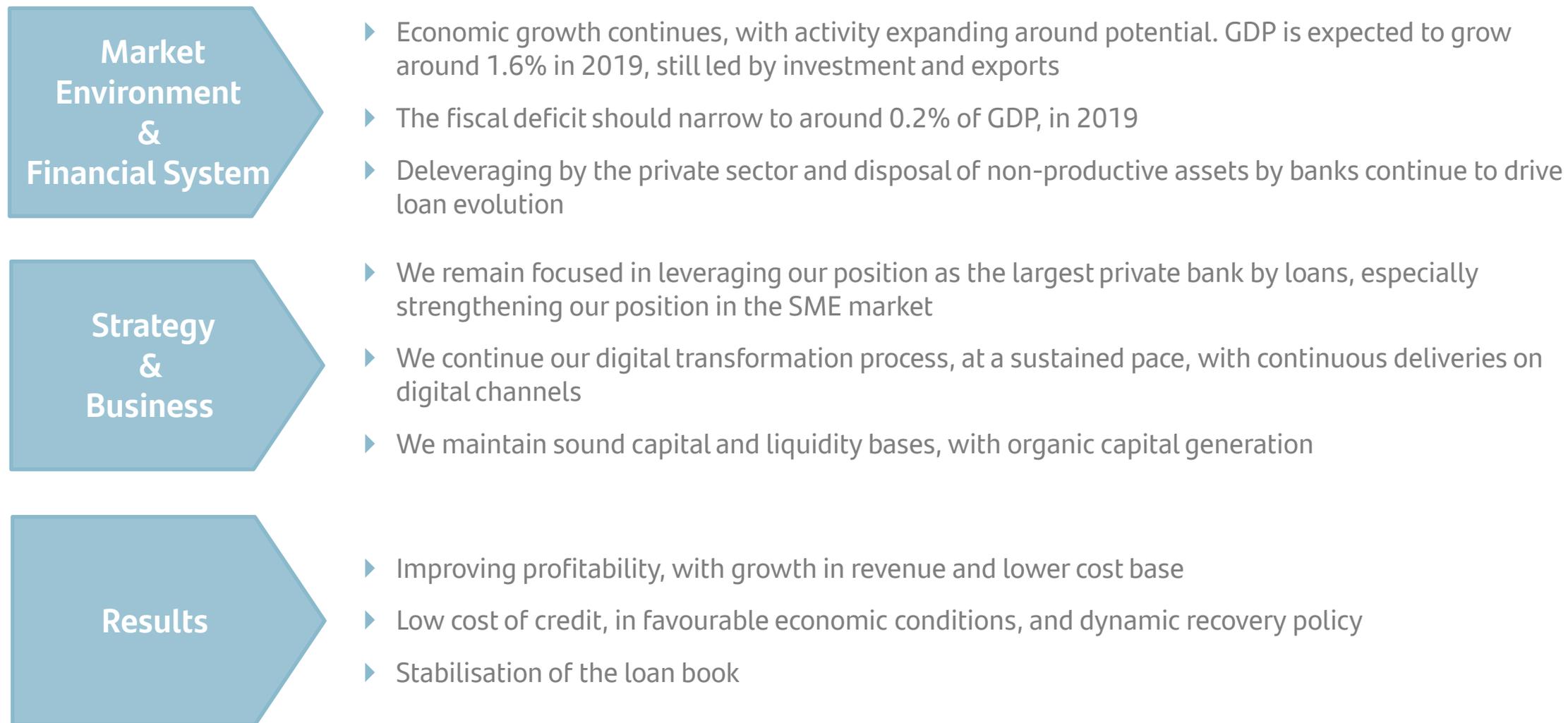
Attributable profit increased 5%, reflecting revenue growth, lower costs and reduced cost of credit

Attributable profit (EUR mn)



	Q1'19	Q1'18	YoY (%)	QoQ (%)
Profit before taxes	213.6	173.2	+23.4	+24.3
Taxes and MI	76.3	42.6	+78.9	+34.4
Other non recurrent net income	0.0	0.0	-	-
Net income	137.3	130.5	+5.2	+19.3

Strong results and stable business

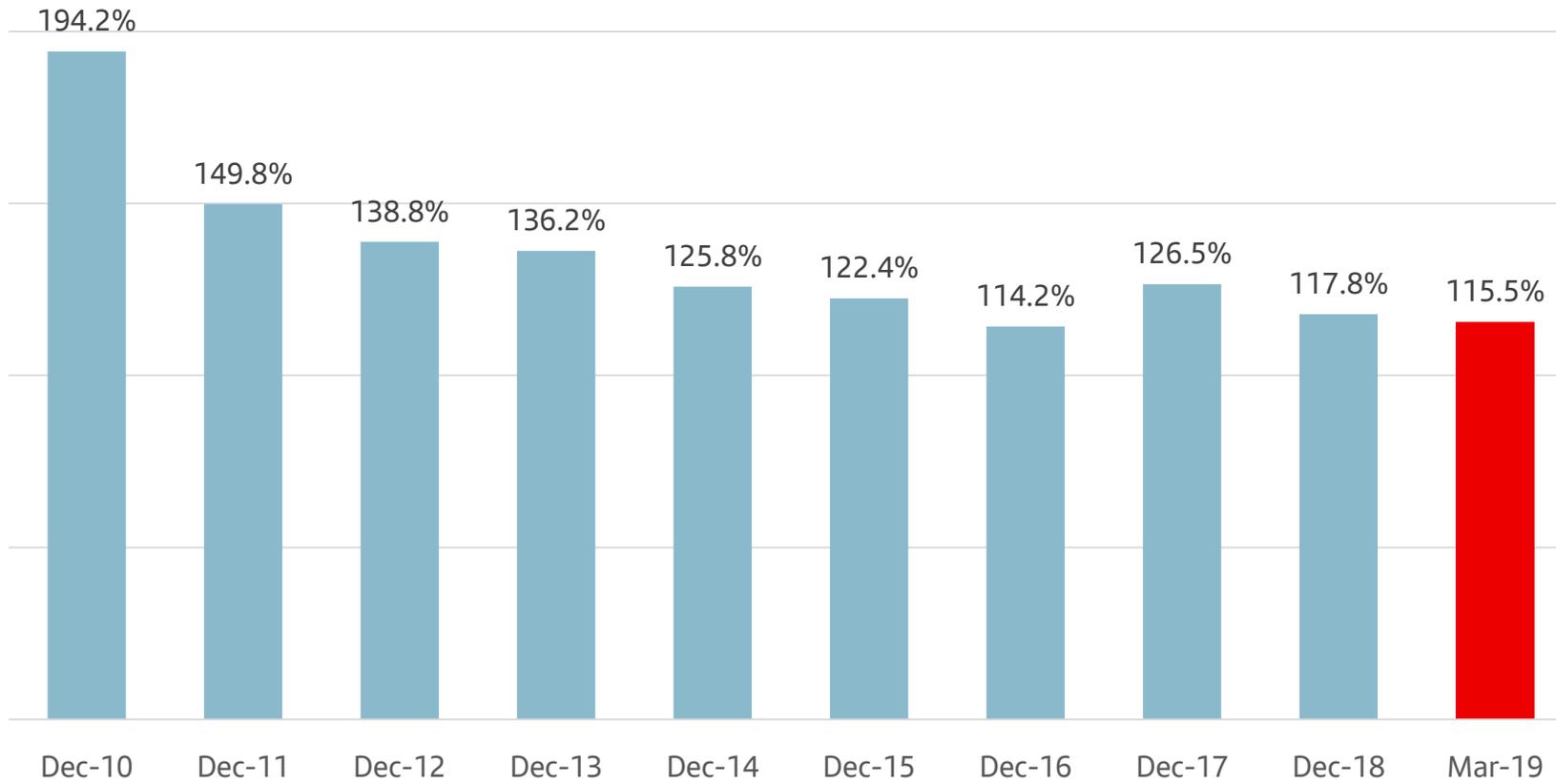


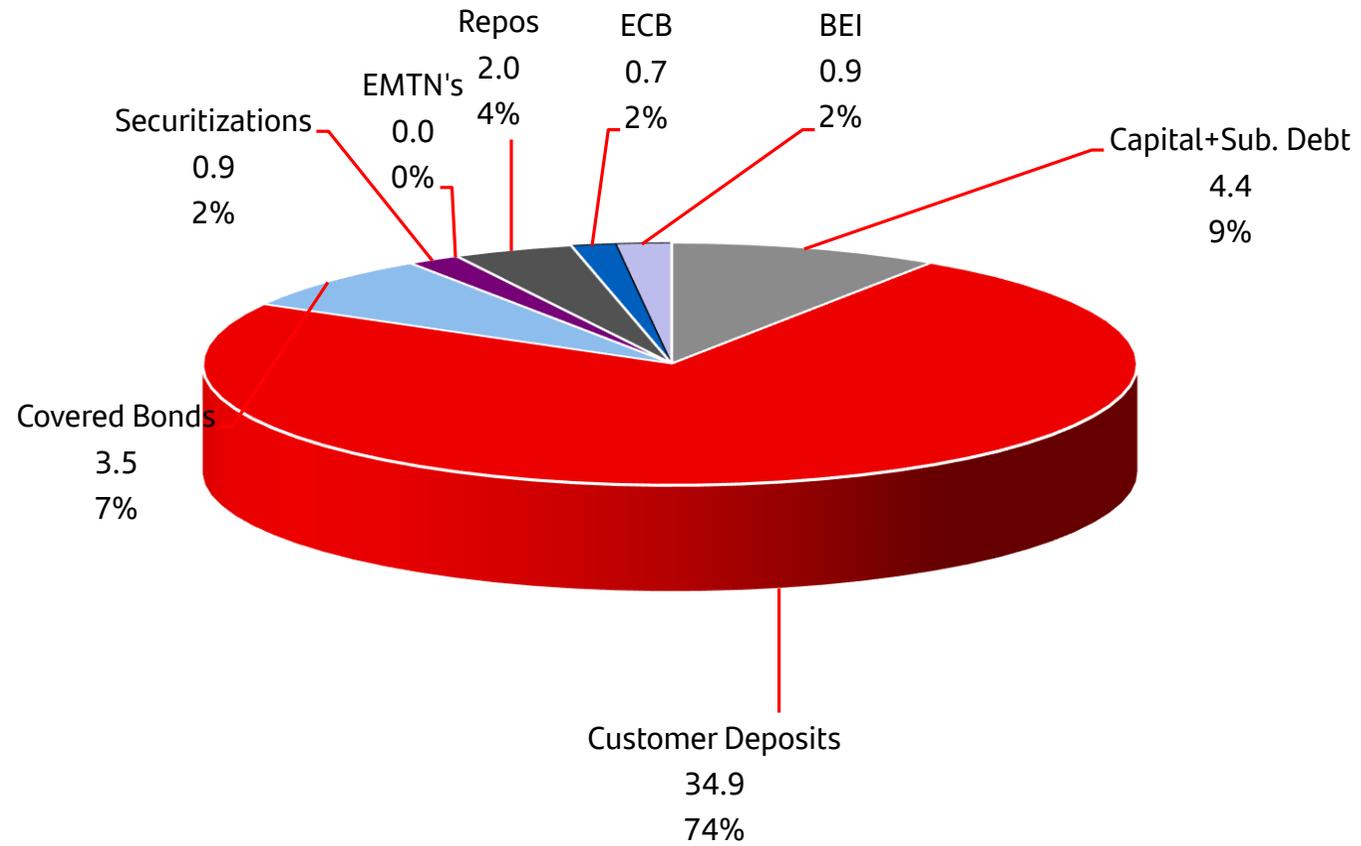
Financial and liquidity management



04

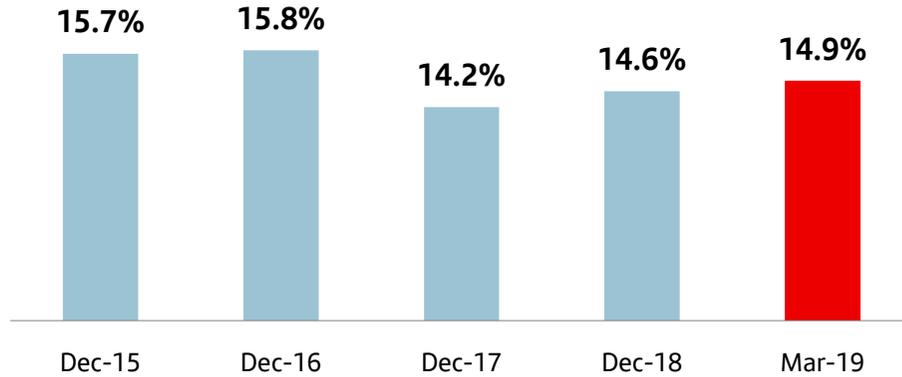
Loan to Deposit Ratio



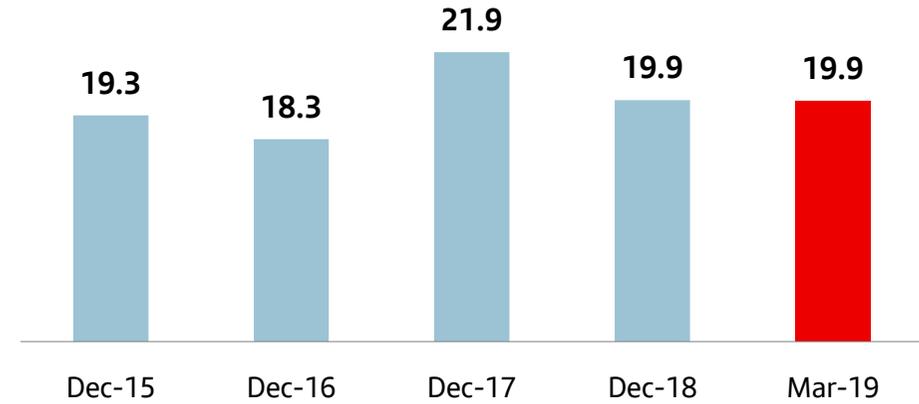


As of Mar/19

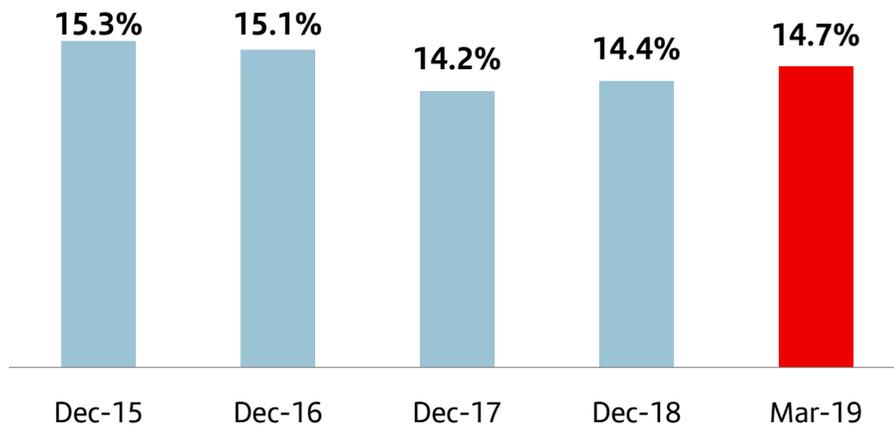
CET 1 – phasing in



RWA (bn€)



CET 1 – full implemented



In Dec/17 impact of Popular Portugal integration

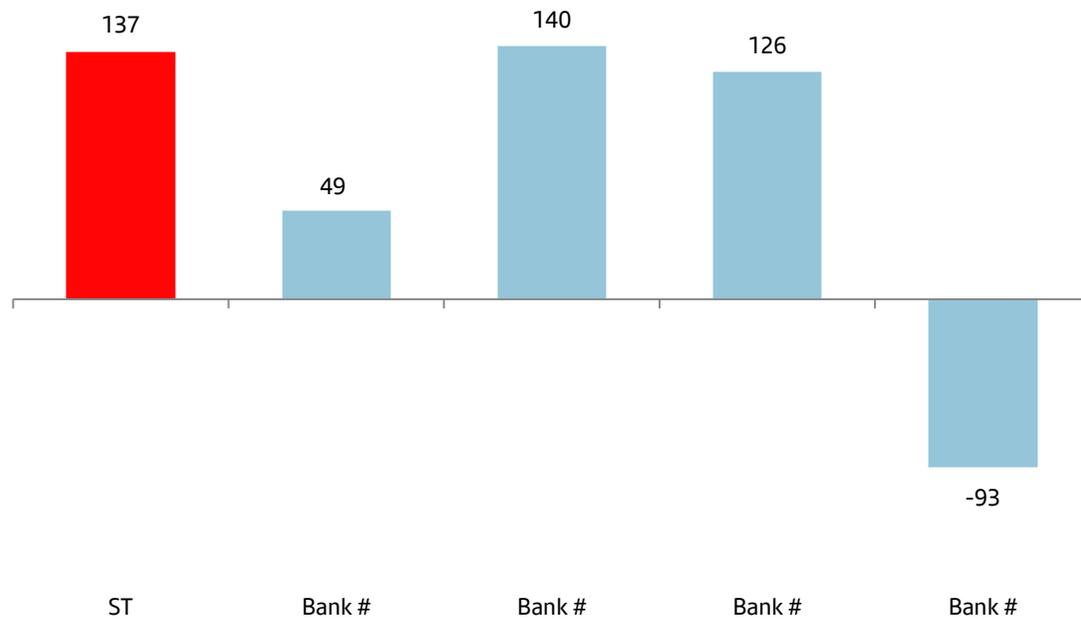
Benchmarking



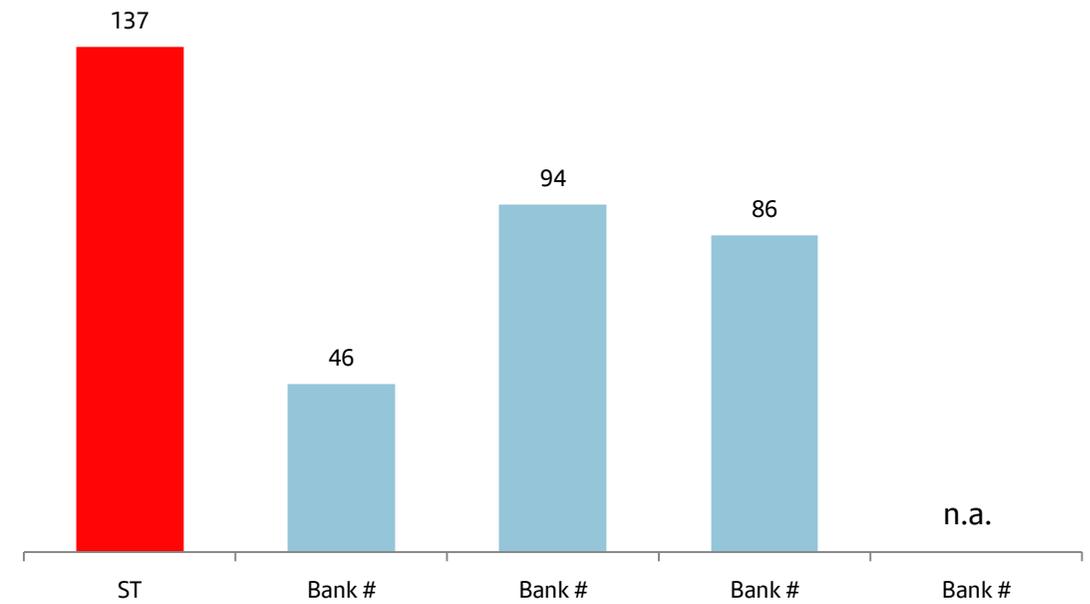
05

ST continues to stand out vis-à-vis its competitors, in terms of recurrent domestic activity

Net Income – Consolidated (M€)

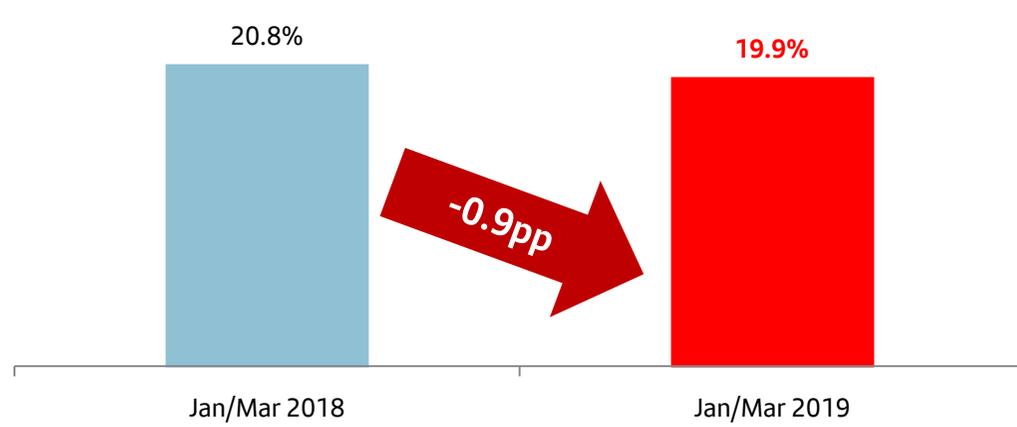


Net Income – Domestic (M€)

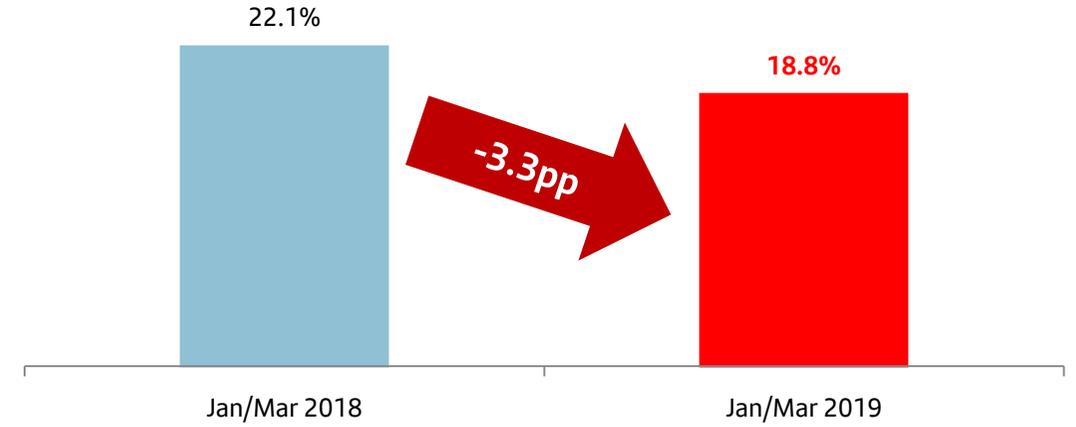


As at Mar/19

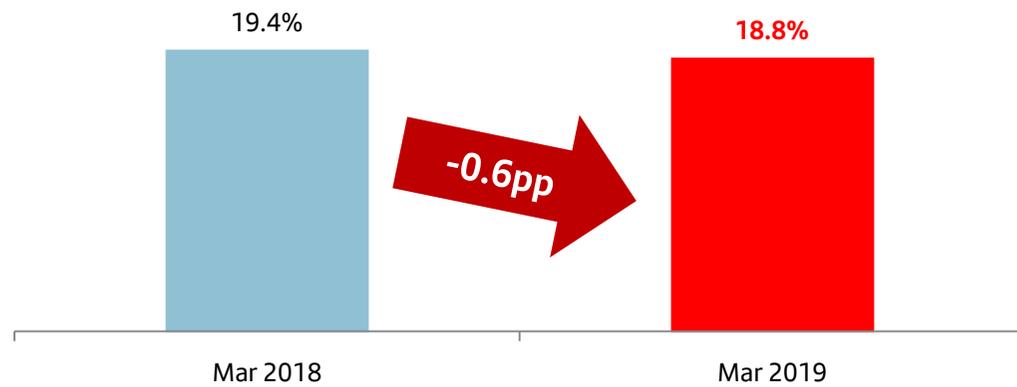
Corporates – New Production



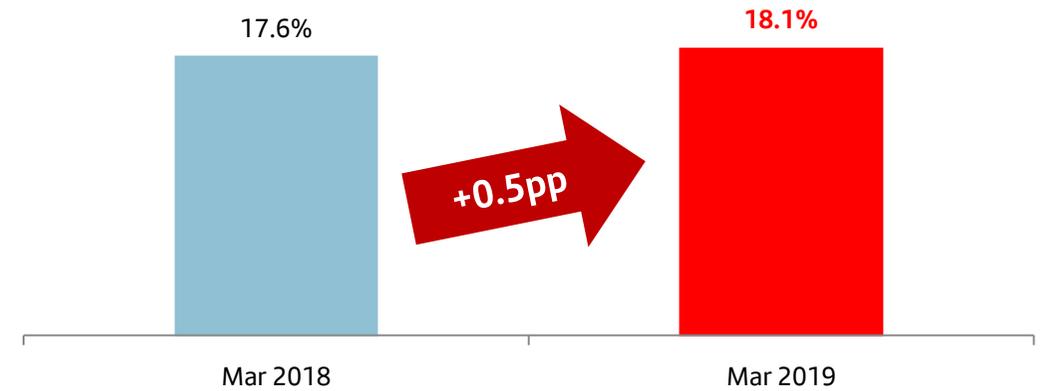
Mortgages – New Production



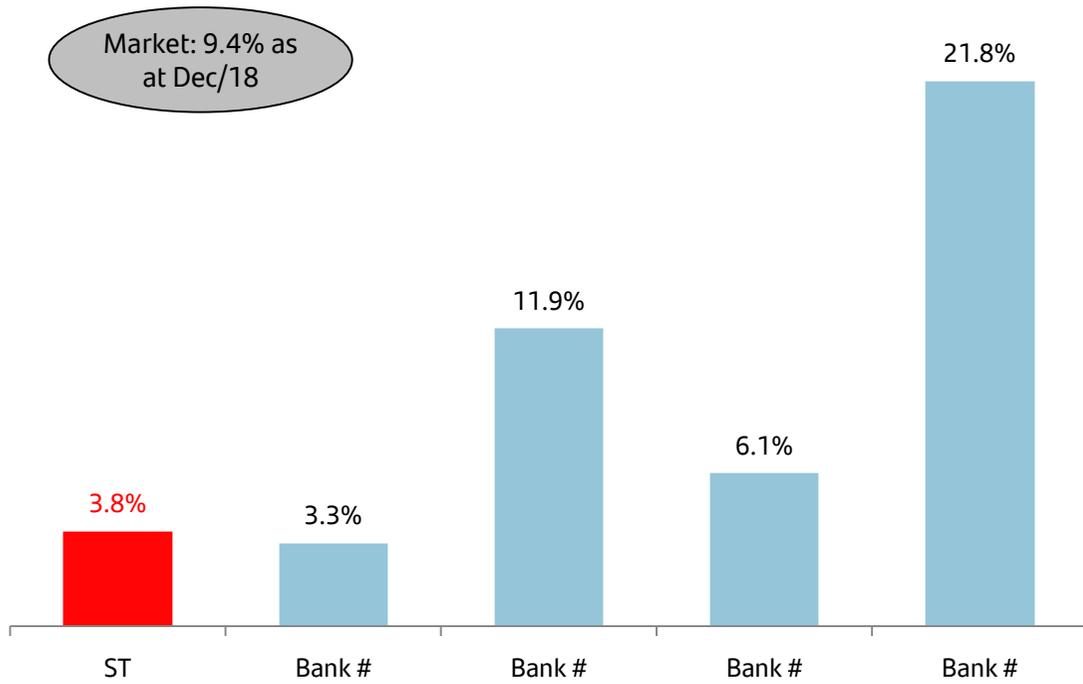
Corporates – Stock



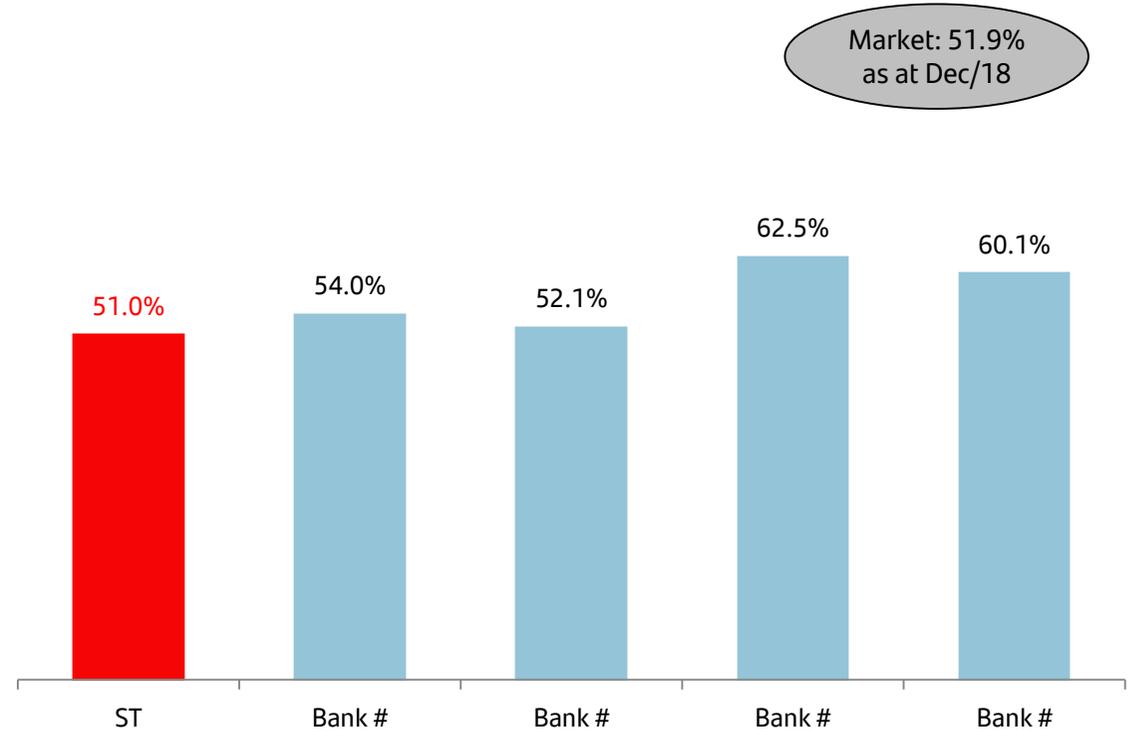
Mortgages – Stock



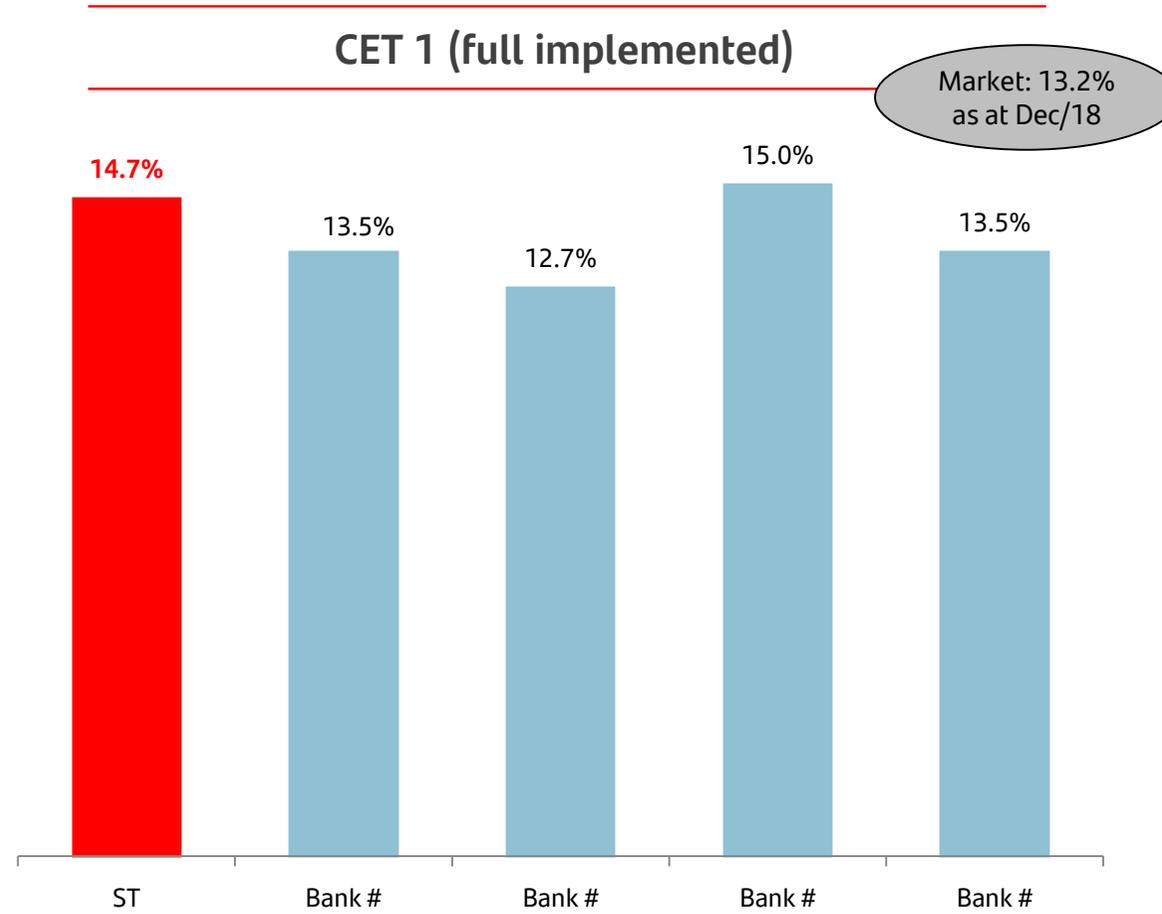
NPE Ratio



NPE Coverage Ratio



As at Mar/19



As at Mar/19

Appendix



06

Santander Totta, SGPS

Balance Sheet (million euros)	Mar-19	Mar-18	Var.
Cash, cash balances at central banks and other demand deposits	3,296	1,695	+94.5%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	10,900	9,821	+11.0%
Financial assets at amortised cost	40,297	40,717	-1.0%
Of which:			
Loans to Customers	39,419	39,793	-0.9%
Investments in subsidiaries, joint ventures and associates	115	126	-9.4%
Tangible assets	676	693	-2.4%
Intangible assets	30	34	-11.6%
Tax assets	685	569	+20.5%
Non-current assets held for sale	68	82	-16.9%
Other assets	552	586	-5.8%
Total Assets	56,618	54,323	+4.2%
Financial liabilities held for trading	1,206	1,478	-18.4%
Other financial liabilities mandatory at fair value through profit or loss	3,401	3,090	+10.1%
Financial liabilities at amortised cost	45,424	43,599	+4.2%
Resources from Central Banks and Credit Institutions	6,632	7,526	-11.9%
Customer deposits	34,221	31,436	+8.9%
Debt securities issued	4,308	4,440	-3.0%
Of which: subordinated debt	8	8	+0.0%
Other financial liabilities	264	197	+33.9%
Provisions	288	212	+36.1%
Technical provisions	751	716	+4.8%
Tax liabilities	362	393	-8.0%
Other liabilities	779	648	+20.2%
Total Liabilities	52,211	50,137	+4.1%
Share capital attributable to ST SGPS shareholders	4,405	4,183	+5.3%
Non controlling interests	2	2	-6.2%
Total Shareholders' Equity	4,407	4,186	+5.3%
Total Shareholders' Equity and Total Liabilities	56,618	54,323	+4.2%

Santander Totta, SGPS

Proforma Income Statement* (million euros)	Mar-19	Mar-18	Var.
Net interest income (without dividends)	215.6	231.2	-6.7%
Dividends from equity instruments	0.0	0.0	-100.0%
Net interest income	215.6	231.2	-6.7%
Net comissions	95.6	93.9	+1.8%
Other banking income	-15.3	-21.0	-27.1%
Insurance activity	6.6	5.8	+14.1%
Commercial revenue	302.5	309.9	-2.4%
Gain/loss on financial transactions	50.0	6.5	>200%
Operating income	352.6	316.3	+11.5%
Total operating expenses	(152.6)	(149.7)	+1.9%
Personnel expenses	(87.3)	(87.6)	-0.3%
General expenses	(53.0)	(51.6)	+2.7%
Depreciation	(12.3)	(10.6)	+15.9%
Net operating income	200.0	166.6	+20.1%
Impairment, net provisions and other	10.5	1.8	>200%
Equity	3.1	4.8	-35.3%
Income before taxes and MI	213.6	173.2	+23.4%
Taxes	(76.3)	(42.8)	+78.3%
Minority interests	(0.1)	0.1	-
Consolidated net income	137.3	130.5	+5.2%

(*) Not audited

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



FTSE4Good