



Portugal



9M'20

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

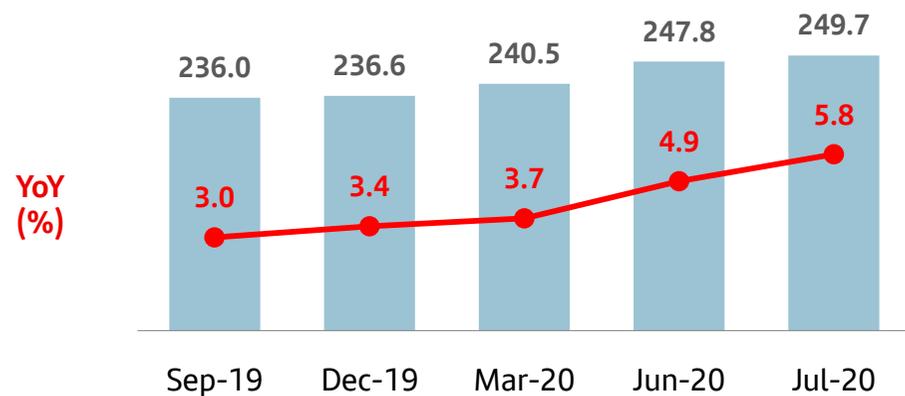
Credit dynamics reflect Covid-19 measures: loans with State guarantee and moratoria

Total loans (EUR bn)



- ▶ Loans have increased given the support measures adopted to mitigate the COVID-19 effects: (i) around EUR 7 bn of credit lines with State guarantee for the corporate sector; and (ii) moratoria on loans to households and corporates

Total deposits (EUR bn)



- ▶ Deposits accelerate, reflecting (i) lower spending by households, due to precautionary saving and less spending on leisure activities; and (ii) higher deposits by corporates, associated with the credit lines

Strategy and business



02

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

	KEY DATA*	9M'20	YoY
Var.			
	Customer loans ¹	EUR 42.5 bn	+5.4%
	Customer Deposits ²	EUR 36.3 bn	+3.9%
	Underlying att. profit	EUR 254.5 mn	-34.8%
	Underlying RoTE	8.5%	-370 bps
	Efficiency ratio	44.6%	+10 bps
	Loans market share ³	17.9%	+25 bps
	Deposits market share ³	15.4%	-32 bps
	Loyal customers	800 k	+3.3%
	Digital customers	903 k	+16.8%
	Branches ⁴	491	-8.9%
	Employees	6,077	-3.1%

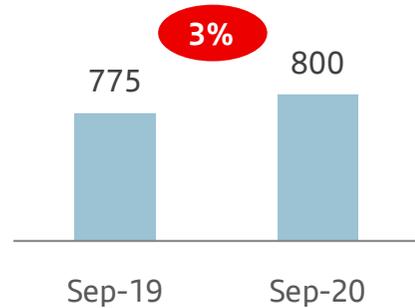


STRATEGIC PRIORITIES

- ▶ Deepen the digital and commercial transformation of the Bank to make it simpler, agile and closer to customers
- ▶ Maintain an appropriate risk policy, with enhanced follow-up procedures, to keep the cost of credit under control
- ▶ Continue focused on gaining profitable market share, improving our position as leading private sector bank and leveraging our position in the corporate sector, especially in SMEs
- ▶ Improve efficiency, leveraging on the digital capability to better serve customers
- ▶ Keep a solid capital and liquidity position, in the current challenging environment

Reinforced focus on digital customers is supporting the increase in customer loyalty

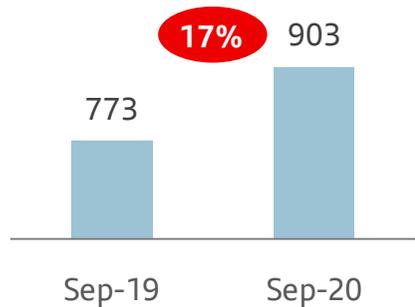
Loyal (k)



Loyal / Active: 47% (+2 pp YoY)

- ▶ The customer oriented strategy continues to support the sustained growth in the number of loyal customers, both at the level of individuals (+3% YoY)...
- ▶ ... and also in the corporate segment (+7% YoY), where the evolution of loyal customers is aligned with the market shares in new lending

Digital customers (k)



Digital sales / total: 39% (+5 pp YoY)

- ▶ The extensive offer of digital functionalities allowed the Bank to continue to provide its support to individual and corporate customers, during the pandemic
- ▶ The number of digital customers has accelerated its growth, to 903 k (+17% YoY) by the end of Q3, while digital sales represent 39% of total
- ▶ Mobile customers up 30% YoY

Retail and digital services

Awards



Santander has been appointed as one of the 25 "World's Best Workplace 2020" Santander Portugal is the Best Bank to Work for in Portugal

Euromoney elects Santander as "Best Bank in the World for SMEs" and for "Diversity and Inclusion"

Individuals



Santander customers can open their **123 Account** online, and request a debit card

University students can also open an account online, using videocall or "digital mobile key", and request their #Global U debit card

Corporates

Santander Portugal provides its customers the **Santander Financiamento com Garantia – Linha FEI AGRI**, to provide an additional credit line to support to investments in the Agriculture sector



Solução Agrícola
Financiamento em vários campos

Digital Payments

Chegou o Apple Pay

Tem iPhone ou Apple Watch? Já pode fazer pagamentos de forma rápida e segura.

Digitalização



Santander Portugal's customers can securely make their payments using Apple Pay.

Apple Pay is available for contactless payments using the iPhone or the Apple Watch.

Customers can also pay for online shopping with the iPhone, iPad and Mac.

Insurance

Santander Portugal's customers can subscribe online the "SafeCare Saúde Viva Mais" health insurance, which provides additional coverage in case of serious illness.



Outono mais Seguro
Neste outono, proteja-se para todas as estações do ano.

Santander Portugal and MAPFRE constitute a joint-venture to reinforce the offer of non-life insurance to Santander's customers, including auto and solutions for SMES

Responsible banking



Santander launches the first online programme of the "Bolsas Emerging Leaders", to support Women Excellence and Leadership

The Santander NOVA Collaborative Research Programme awards projects related to the post-Covid-19 rehabilitation of patients and to Artificial Intelligence

We continue doing business in a more responsible and sustainable way

Culture

Great Place to Work

- **Best Bank to Work in Portugal** for the 4th consecutive year & **Top 3** of the Best Large Companies, by the **Great Place to Work Institute**.
- Santander Portugal has renewed its certification as an **Empresa Familiarmente Responsável** (Familiarly Responsible Company) by the **MásFamilia Foundation**.
- **24%** Women in senior leadership positions
- **86%** of employees proud to work for Santander

Green finance & Env. footprint

- **100%** Electricity used from renewable energy sources
- Launched **Green Mortgages**. Reduction in the spread for mortgages in which the houses have the best environmental ratings.
- **Biodegradable bank cards** with the CarbonNeutral® quality seal.
- Santander Portugal promotes **sustainable mobility**: minibuses for employees as well as parking space for bicycles

Communities - COVID-19 initiatives

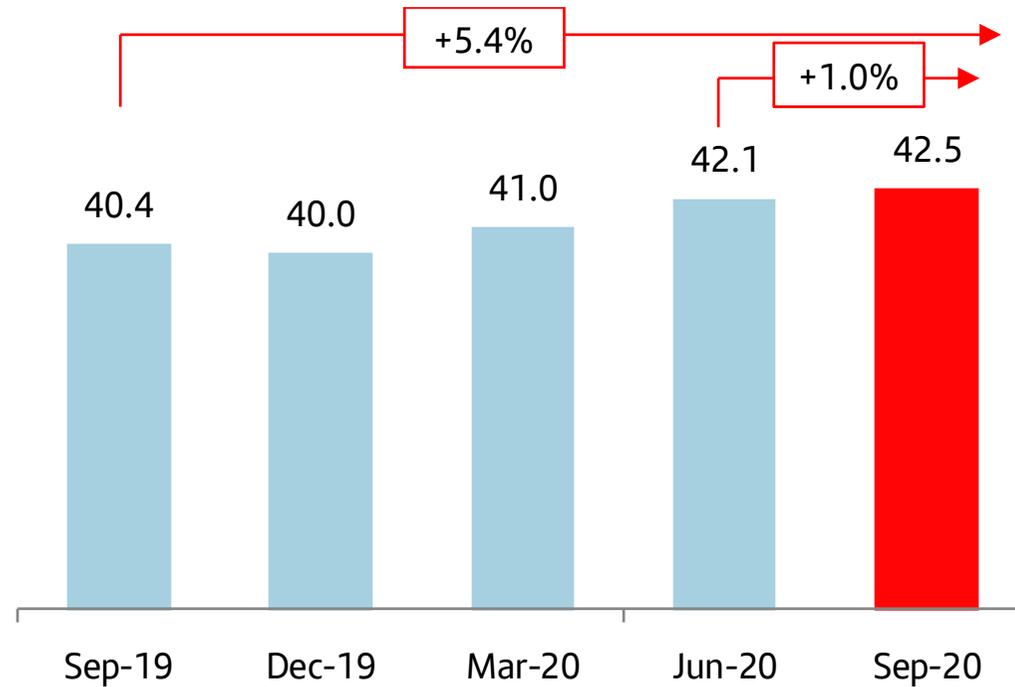
- Santander Portugal has **supported over 120 NGOs**
- **37,000 people helped** through our community programmes. (9M'20)
- Since the beginning of the COVID-19 crisis, **Santander Portugal has tripled its budget in CSR**, namely regarding the donations to social institutions
- Launched **800 social grants - Bolsas Santander Futuro** - aimed at helping University students affected by the Coronavirus Crisis .
- **Santander Women Emerging Leaders Grant**, a programme focused on networking and developing negotiation skills as part of the leadership trajectory

Financial inclusion

- **157,613** people financially empowered (2019-H1'20)
- Launch of a **financial literacy blog** with articles on savings and investment

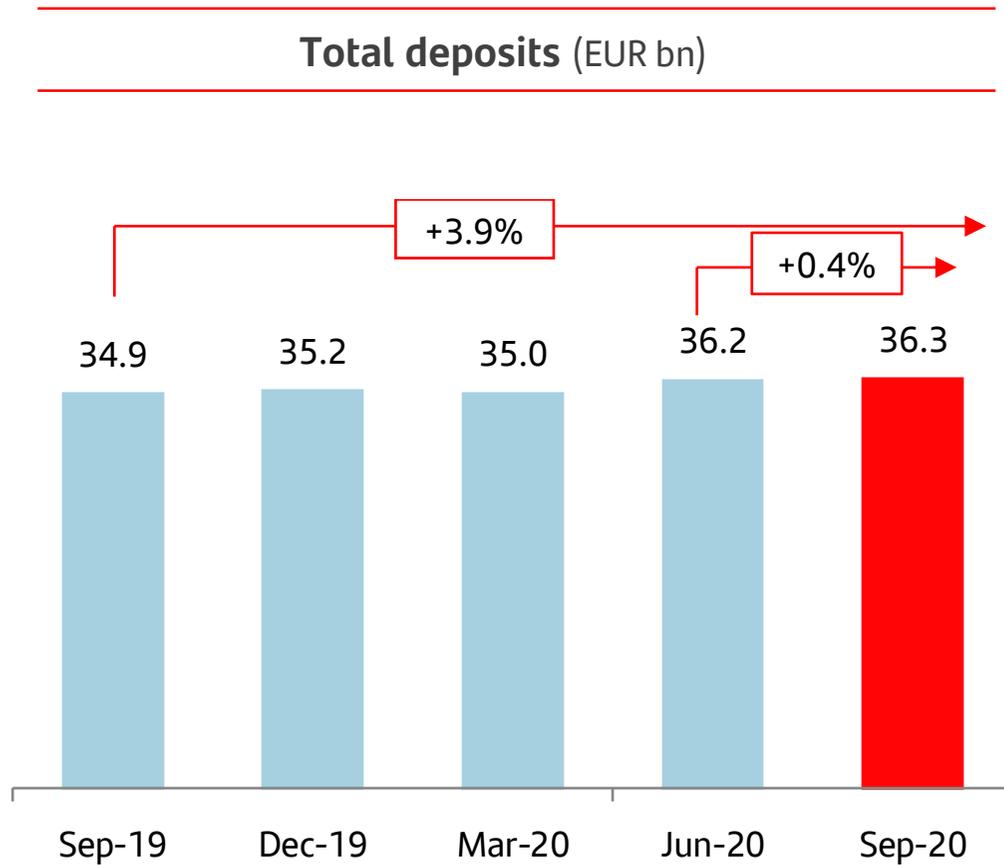
Higher loans, especially to SMEs, supported by the guaranteed credit lines

Total loans (EUR bn)



	Sep-20	YoY (%)	QoQ (%)
Individuals	22.5	+4.0	+1.4
Mortgage	20.4	+4.3	+1.6
Consumer and other	2.1	+1.0	-0.6
Corporates	16.5	+5.1	+0.3

Growth in the deposit base, in the context of higher savings



	Sep-20	YoY (%)	QoQ (%)
Deposits	36.3	+3.9	+0.4
Off Balance Sheet Resources	7.0	-4.9	+1.4
Investment Funds	3.0	-4.4	+3.4
Insurance and other	4.0	-5.3	-0.0
Total Customer Funds	43.3	+2.4	+0.5

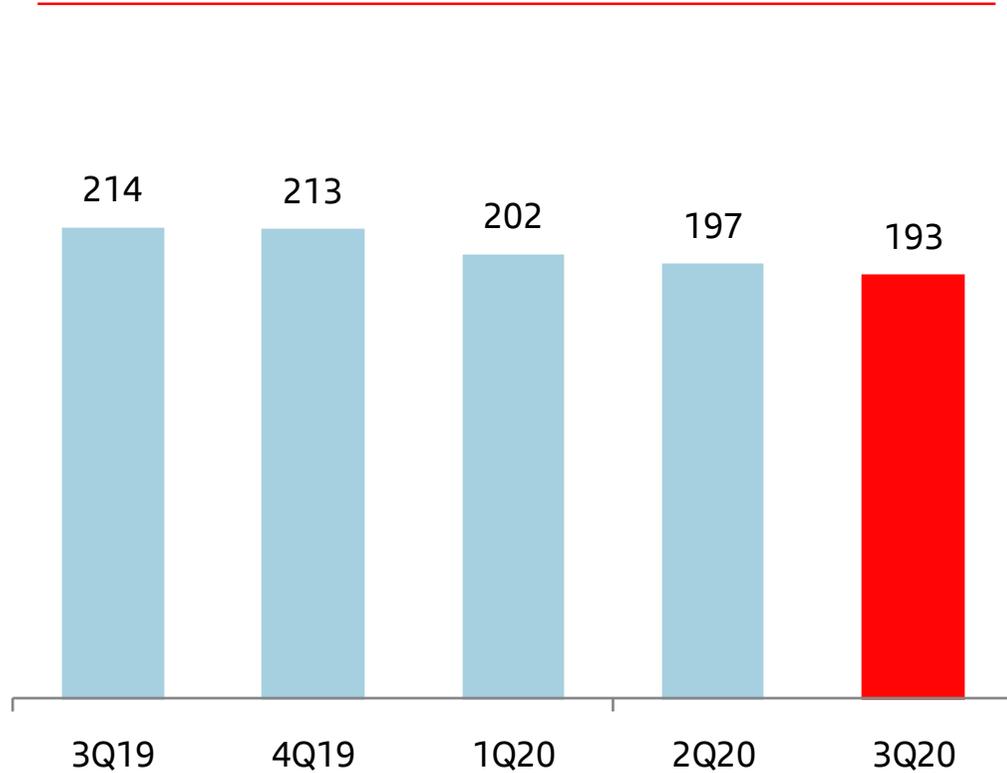
Results



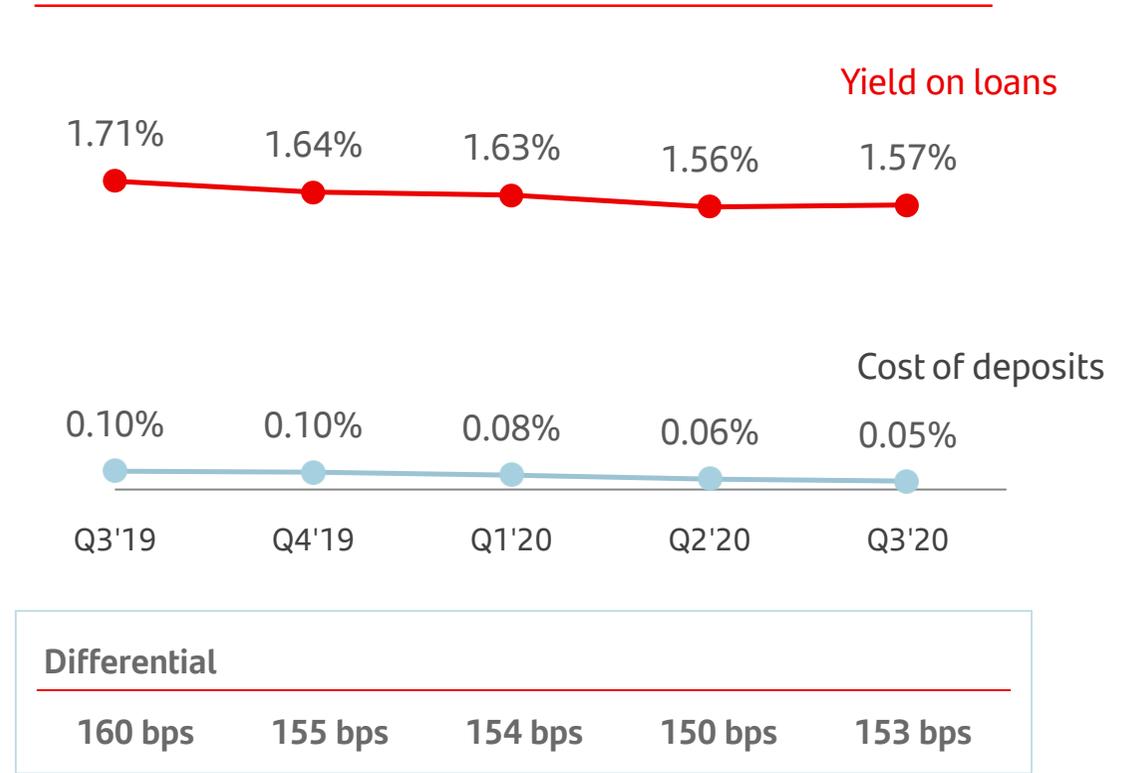
03

Lower NII, given lower Euribor rates and narrower spreads

Net interest income (EUR mn)

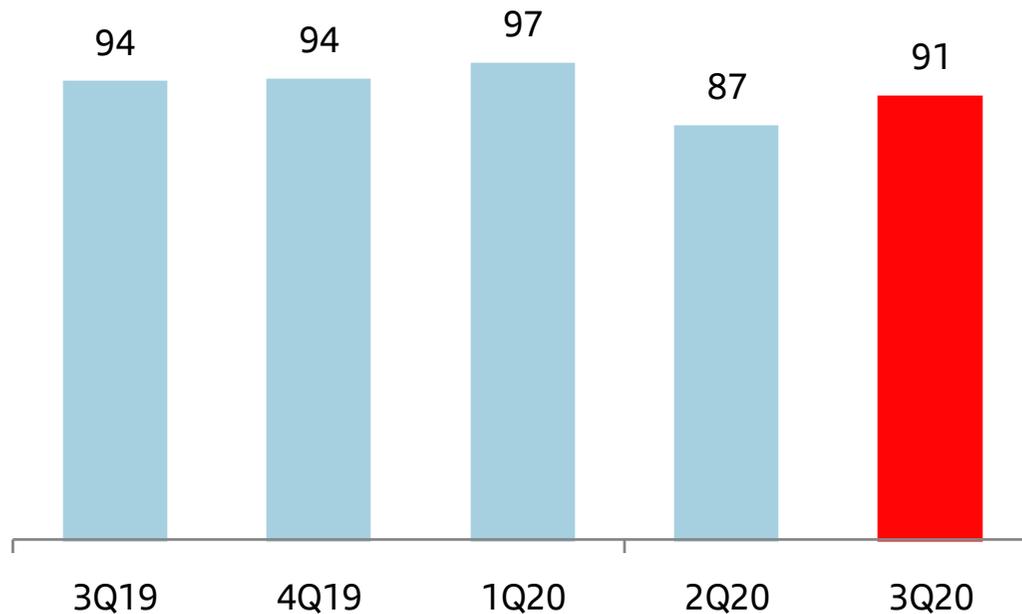


Yields and costs (%)



Net fee income improves in Q3'20 as economic activity began to recover

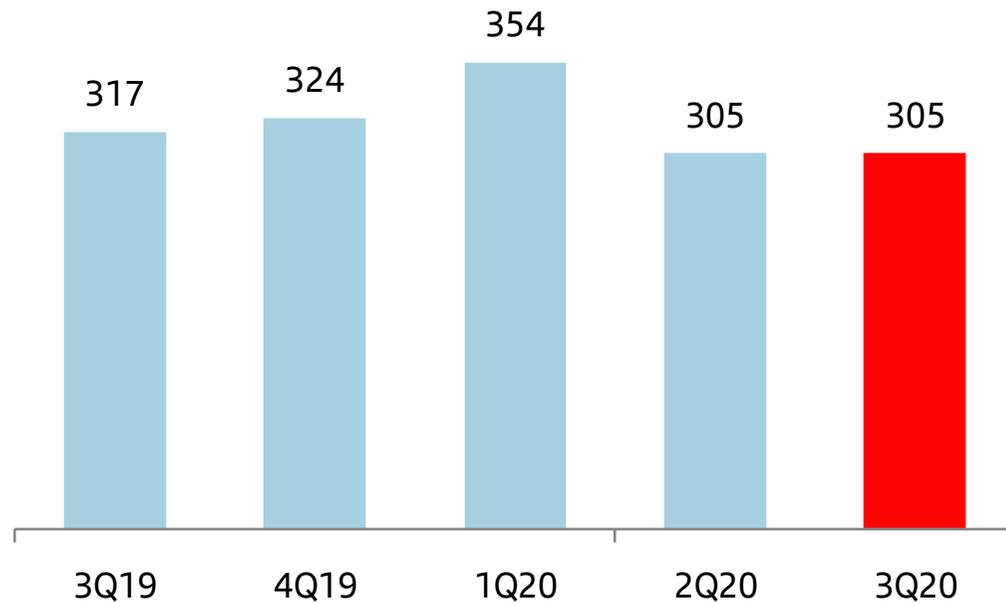
Net fees (EUR mn)



	Q3'20	Q3'19	YoY (%)	QoQ (%)
Credit	69	77	-10.1	-10.9
Credit cards	66	74	-10.3	+29.8
Mutual funds	22	19	+11.8	+5.9
Insurance	78	78	-0.3	+1.1
Other	39	38	+3.5	+6.1
Total	274	286	-4.2	+5.4

Total income declined YoY due to impact of the pandemic in NII and net fee income, although customer revenue stabilises in Q3'20

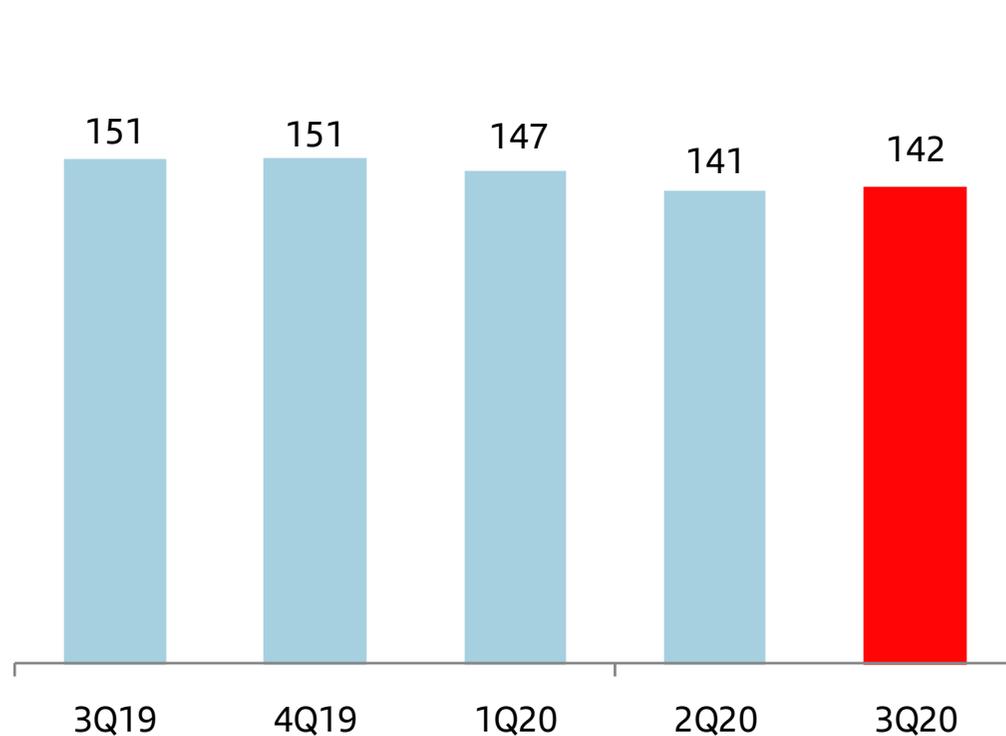
Total income (EUR mn)



	Q3'20	Q3'19	YoY (%)	QoQ (%)
Net interest income	594	644	-7.9	-3.2
Net Fees	274	286	-4.2	+5.4
Customer revenue	868	931	-6.8	-0.6
Other	96	90	+7.2%	+37.5%
Total income	964	1,021	-5.5	+1.6

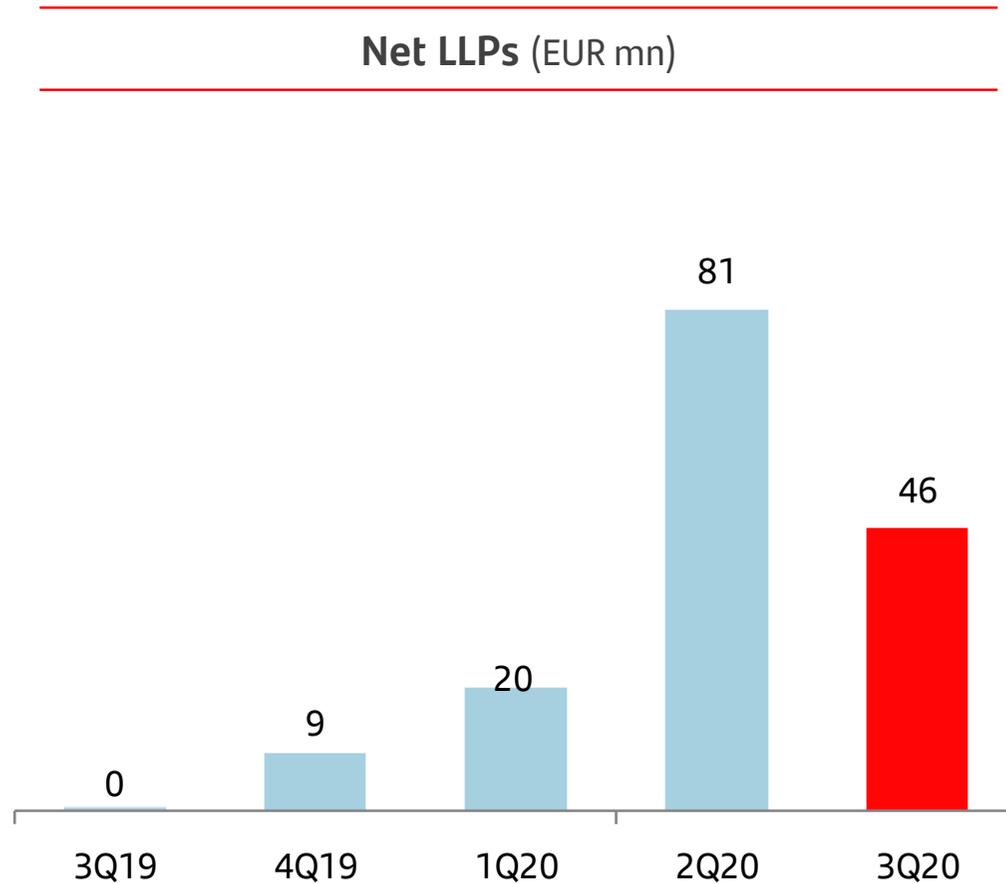
Costs dropped 5% driven by the ongoing transformation process

Operating expenses (EUR mn)



	Q3'20	Q3'19	YoY (%)	QoQ (%)
General and admin. expenses	391	417	-6.3	+0.8
Depreciation and amortization	39	37	+6.3	+1.4
Operating Expenses	430	454	-5.3	+0.9
Efficiency ratio (with amortisations)	44.6%	44.5%	+0.1pp	+1.0pp
Branches (#)	491	539	-48	-26
Employees (#)	6,077	6,271	-194	-194

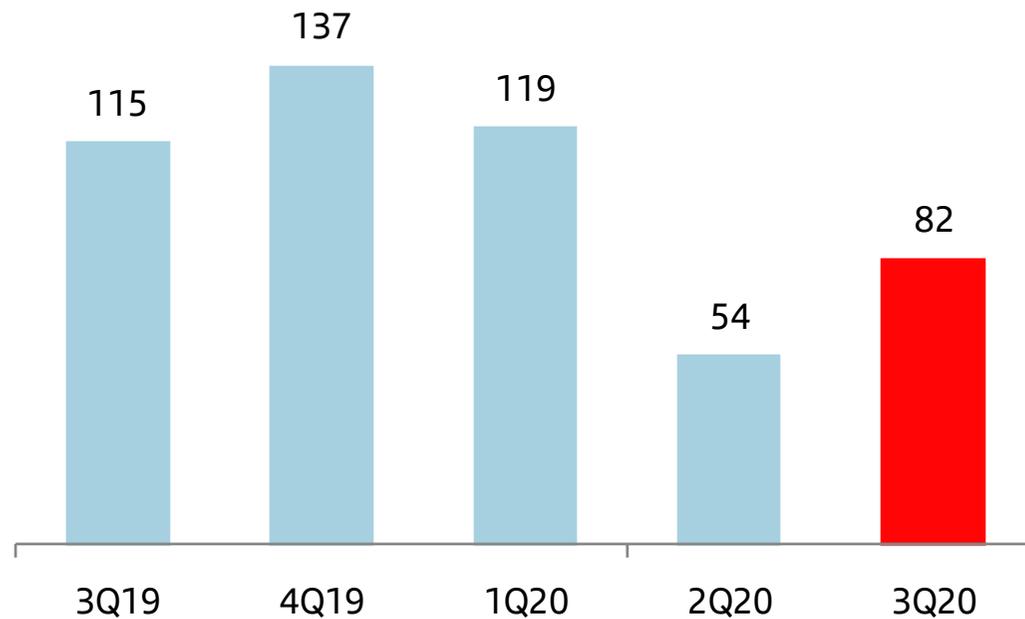
Continued preemptive reinforcement of LLPs, despite the lower NPL ratio



	Q3'20	Q3'19	YoY (%)	QoQ (%)
Net Operating Income	525	560	-6.2	+1.2
LLPs	-147	16	-	-43.7
Net Operating Income after LLPs	379	576	-34.2	+47.4
NPE ratio	2.8%	3.2%	-0.5pp	-0.0pp
NPE coverage ratio	64.5%	52.0%	+12.5pp	+3.4pp
Cost of Credit ⁽¹⁾	0.38%	-0.04%	-	-

Underlying attributable profit declined 35% YoY, reflecting Covid-19 related impacts on revenues and provisions

Attributable profit (EUR mn)



	Q3'20	Q3'19	YoY (%)	QoQ (%)
Profit before taxes	349	551	-36.6	+82.6
Taxes and MI	95	160	-40.9	> 200
Attributable Profit	254	391	-34.8	+51.1

Resilient results and higher business volumes, despite the challenging environment

Financial System

- ▶ Economic activity is recovering at a gradual pace, with Q3 GDP showing improvement, but still differentiated between sectors. Europe has approved a relevant support package, but it should be operational only in 2021-22
- ▶ Loan volumes and asset quality short term dynamics positively influenced by the moratoria.

Strategy & Business

- ▶ Santander Totta maintains its strong position as the largest privately-owned bank in Portugal, with its market share in new lending to corporates and mortgages at around 20%.
- ▶ Santander Totta remains focused on its digital transformation process, including continuous deliveries on digital channels and simplification of internal processes and commercial offering.
- ▶ Sound capital and liquidity bases, which allows us to better tackle the current uncertainty and challenges and to continue supporting our customers. In addition, we maintained the best risk ratings by the rating agencies, aligned with or above the sovereign's.
- ▶ Growth in loans and deposits, boosted by the sustained growth in individuals and companies loans and demand deposits.

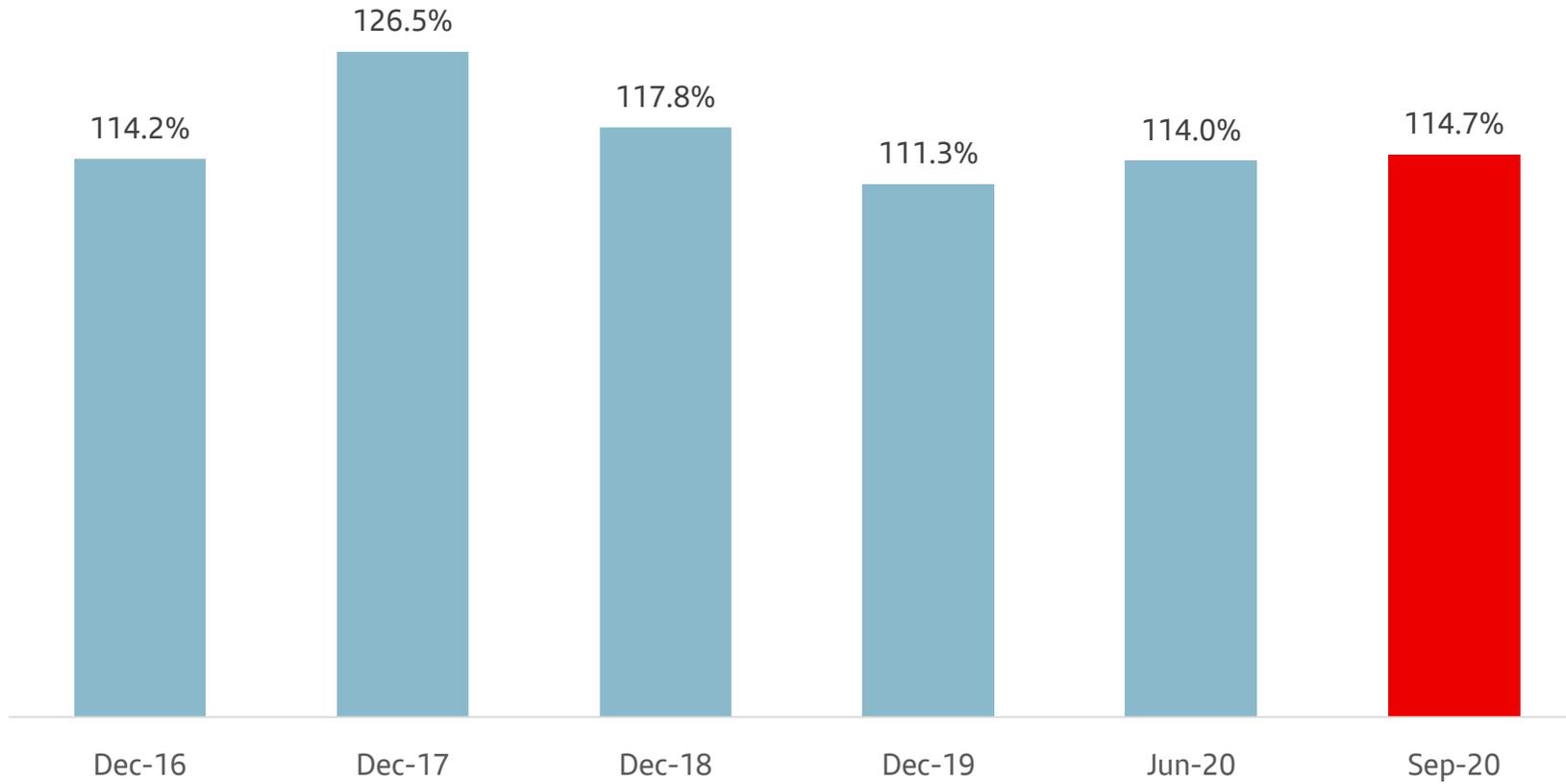
Results

- ▶ Lower total income due to adverse effects from the pandemic, partly offset by lower costs.
- ▶ Preemptive increase of LLPs, while the NPL ratio continues to decline.
- ▶ Underlying attributable profit declined 37%, impacted by lower NII and higher LLPs.

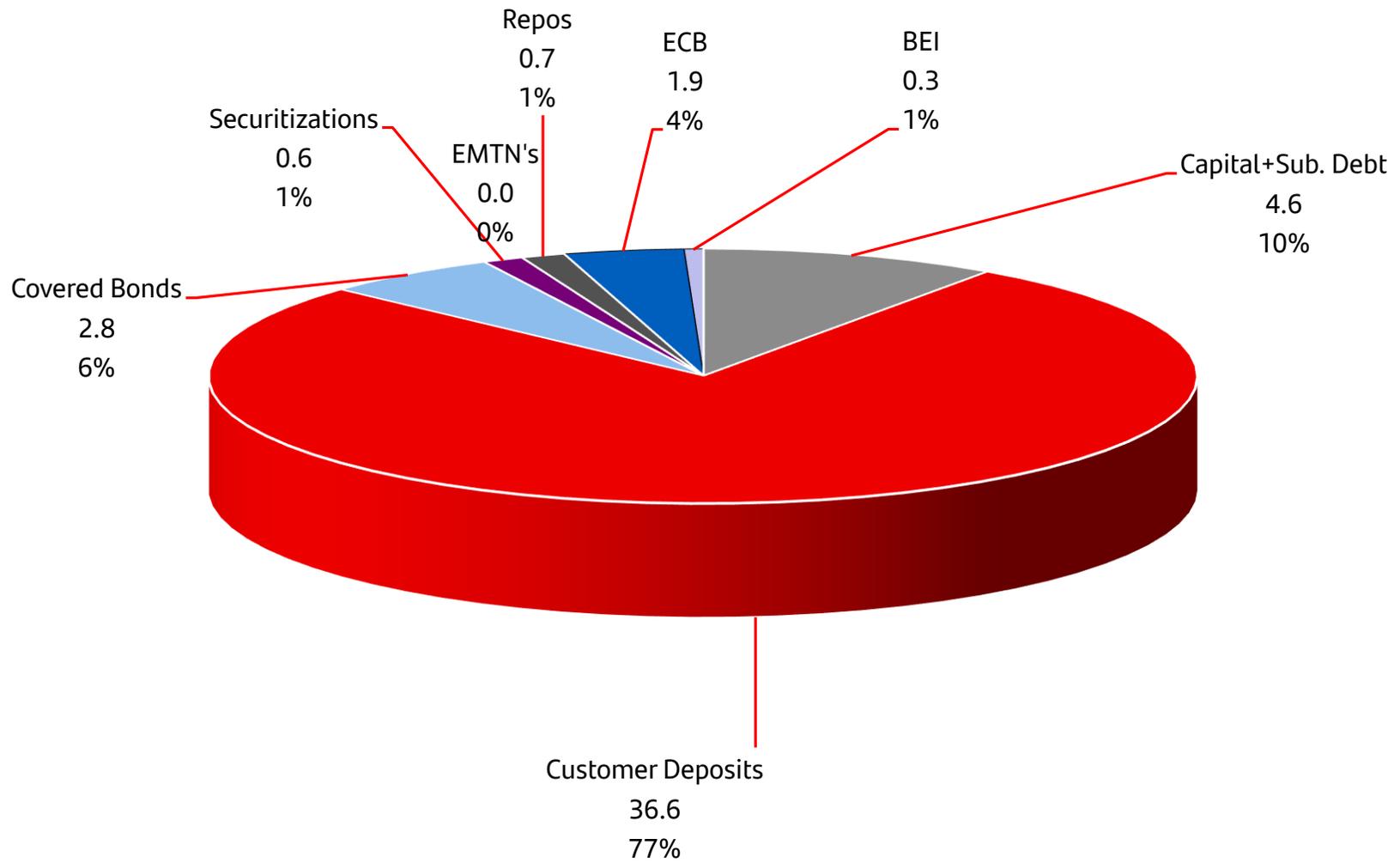
Financial and liquidity management

04

Loans to Deposit Ratio

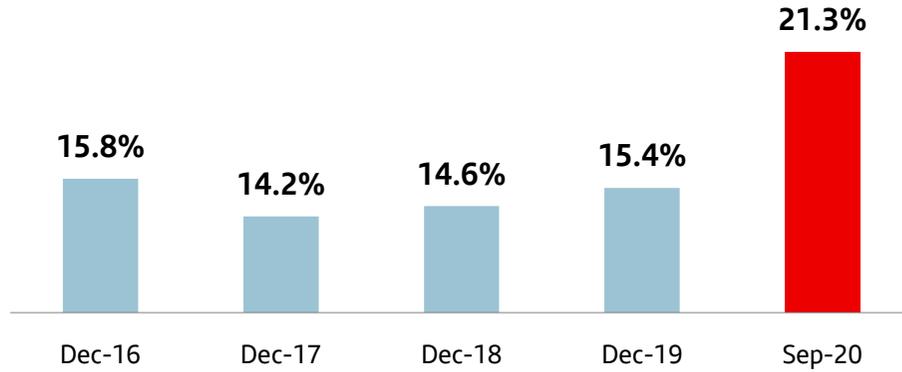


Funding structure

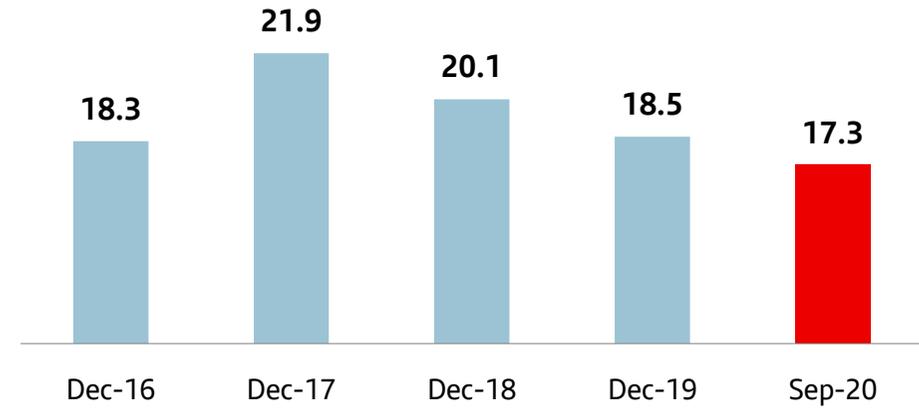


As of Sep/20

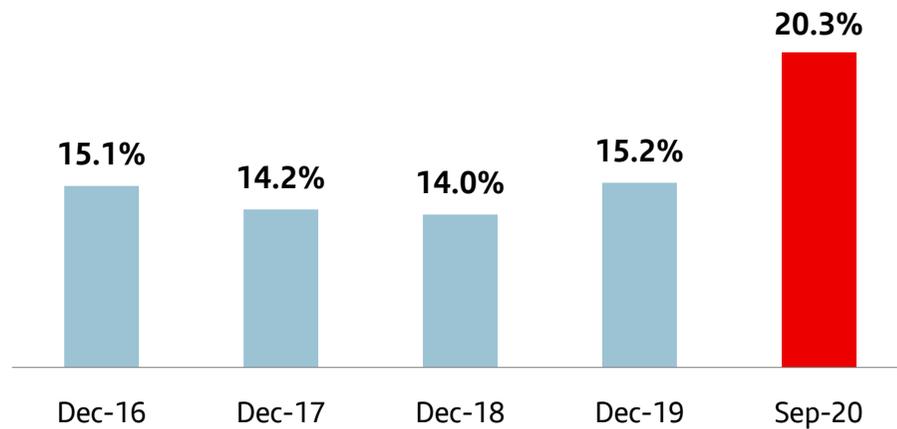
CET 1 – phasing in



RWA (bn€)



CET 1 – full implemented



In Dec/17 impact of Popular Portugal integration

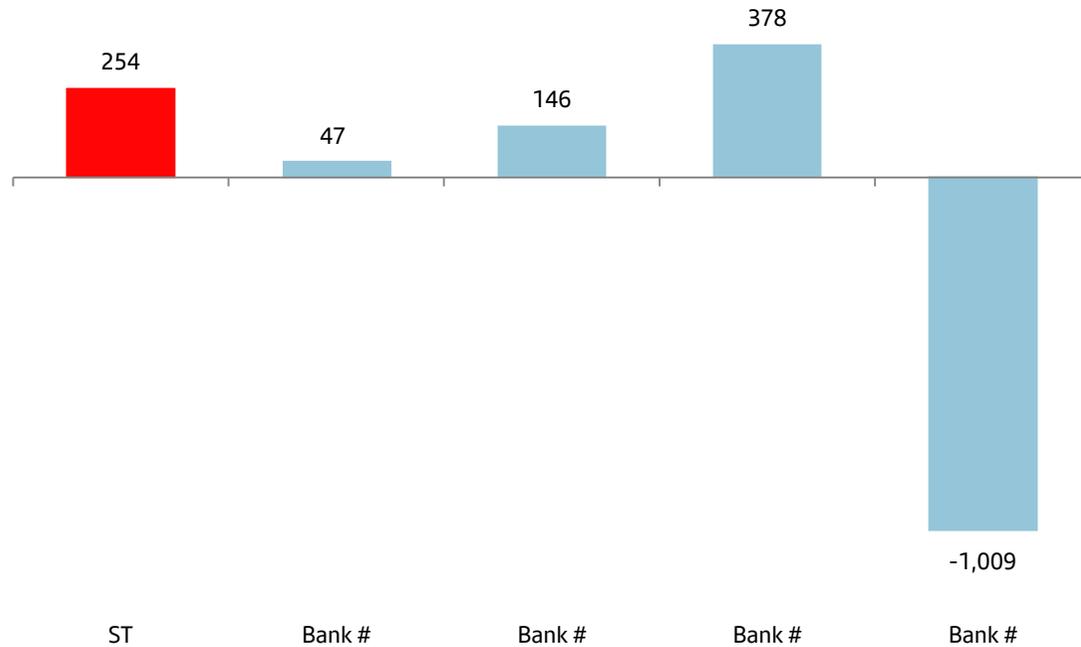
Benchmarking



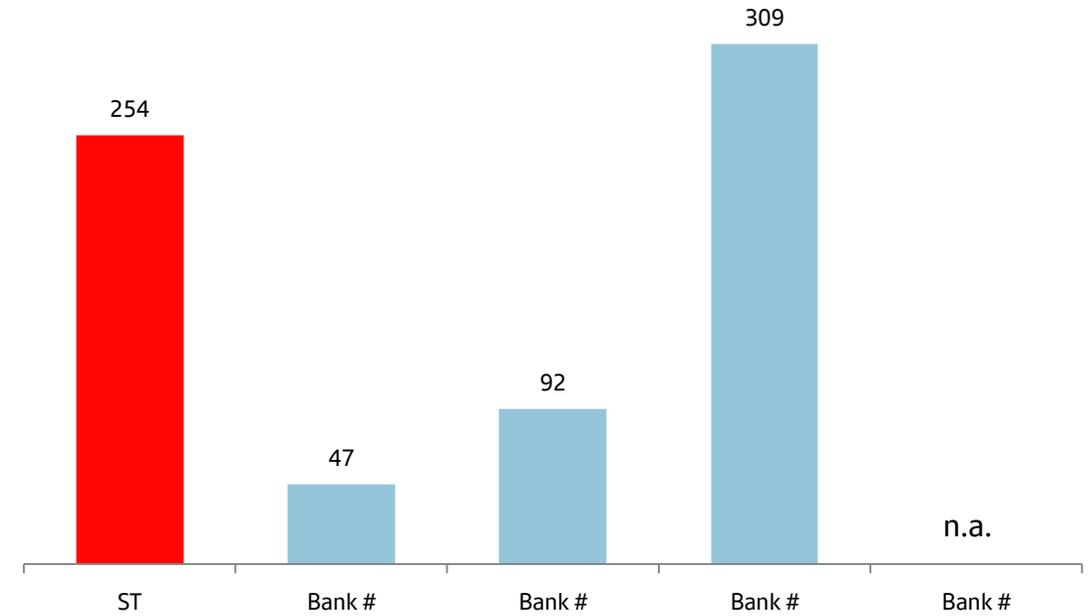
05

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

Net Income – Consolidated (M€)

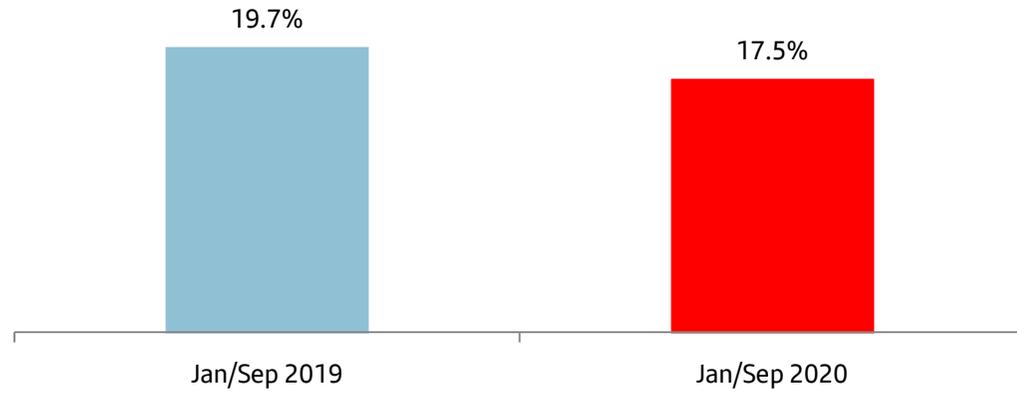


Net Income – Domestic (M€)

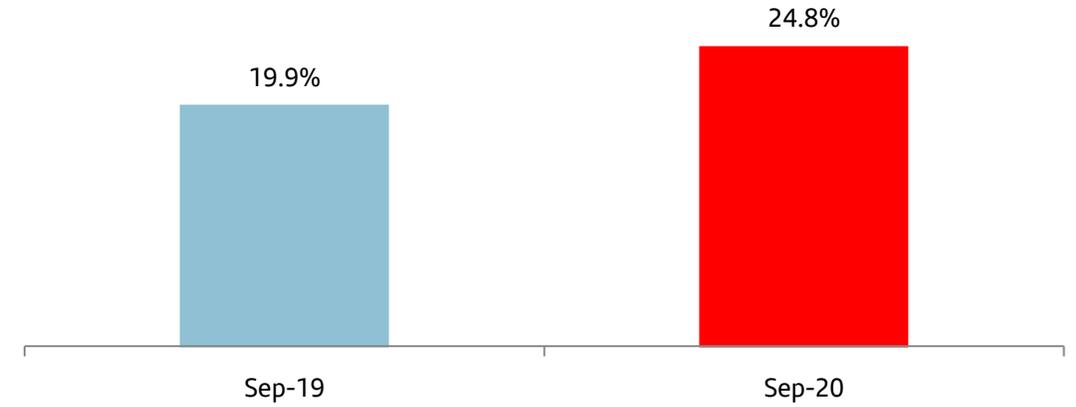


As at Sep/20

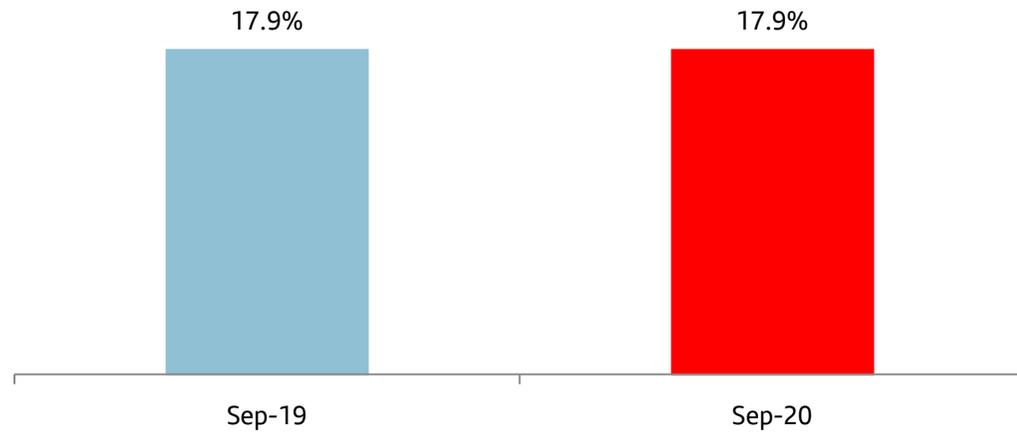
Corporates – New Production



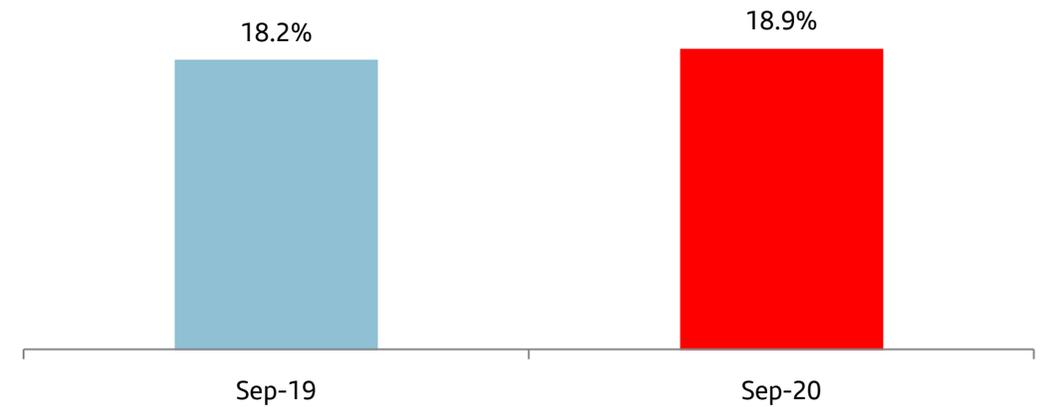
Mortgages – New Production



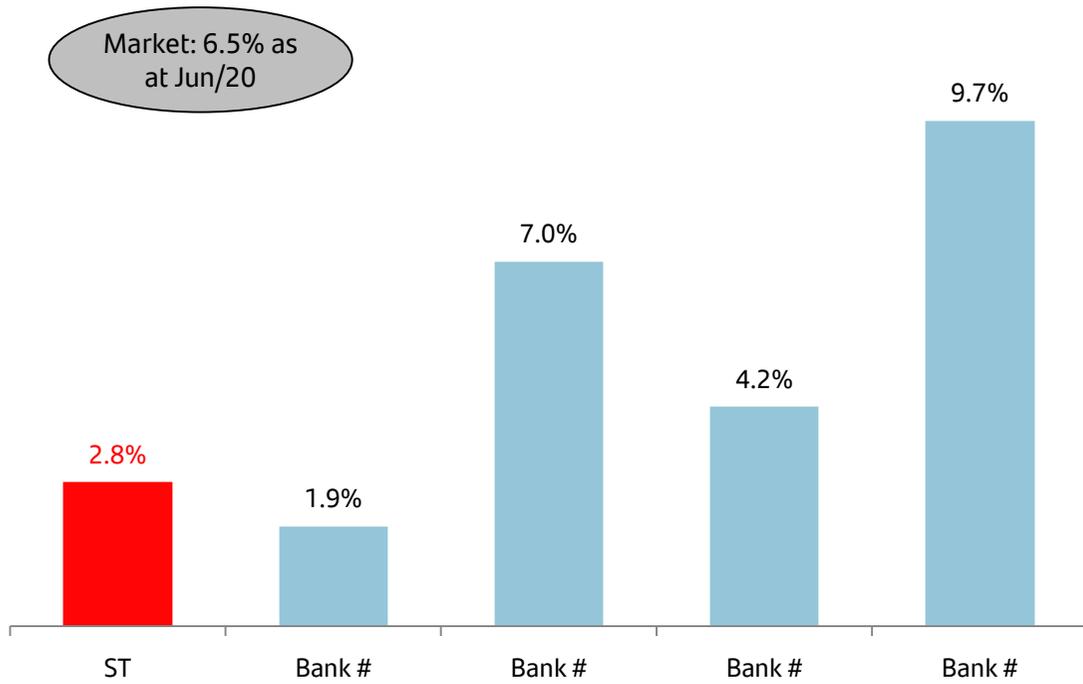
Corporates – Stock



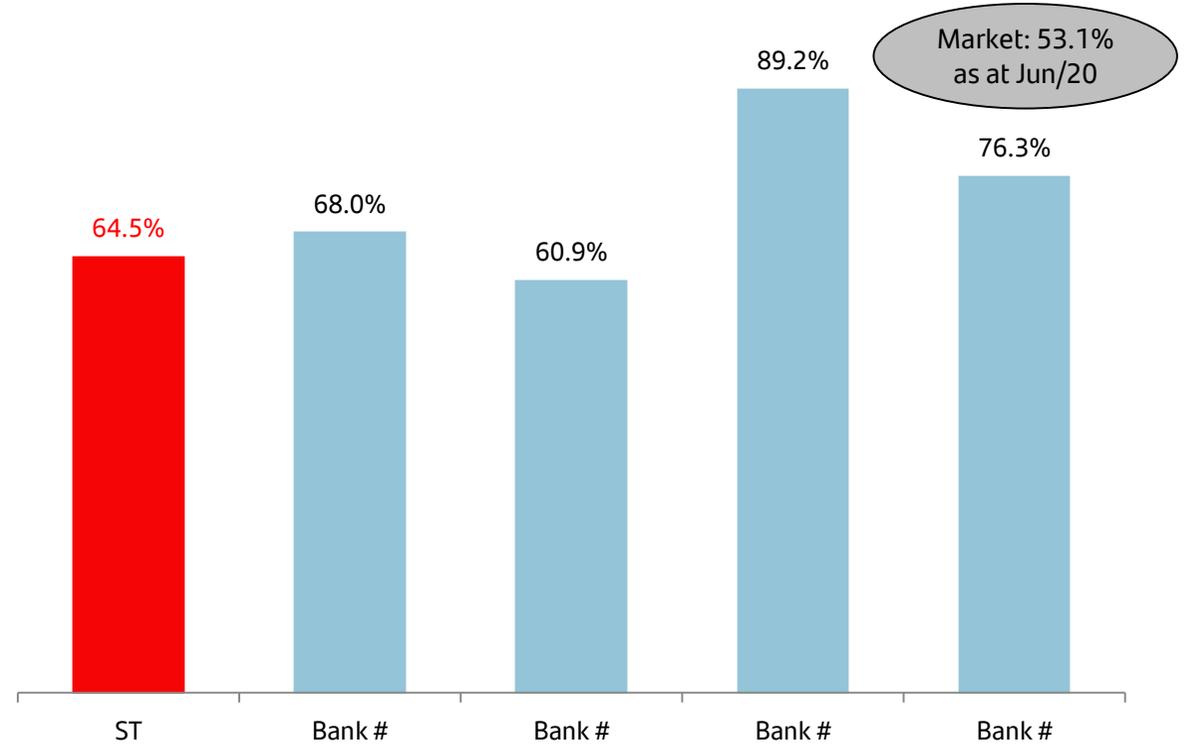
Mortgages – Stock



NPE Ratio

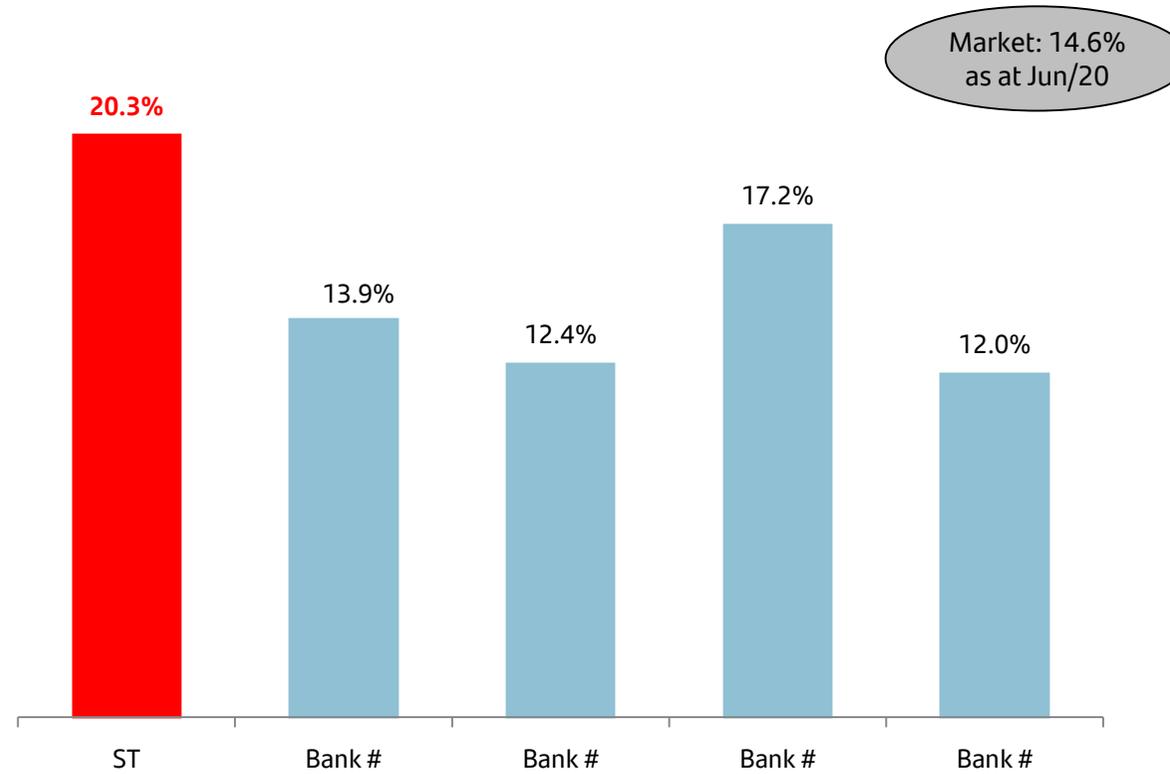


NPE Coverage Ratio



As at Sep/20

CET 1 (full implemented)



As at Sep/20

DBRS		Fitch		Moody's		S&P	
A		BBB+		Baa2		BBB	
Al		BBB	Bank 3 	Baa3	 	BBB-	Bank 3 
BBBH		BBB-		Ba1	Bank 1 Bank 2	BB+	
BBB	Bank 1	BB+	Bank 1	Ba2		BB	Bank 2
BBBL	Bank 2	BB	Bank 2	Ba3		BB-	
BBH		BB-		B1		B+	
BB		B+		B2		B	
BBL		B		B3		B-	
BH	Bank 4	B-	Bank 5	Caa1	Bank 5	CCC+	
B	Bank 5	CCC+		Caa2	Bank 4	CCC	
BL		CCC		Caa3		CCC-	

Appendix



06

Santander Totta, SGPS

Balance Sheet (million euros)	Sep-20	Sep-19	Var.
Cash, cash balances at central banks and other demand deposits	5,366	2,702	+98.6%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	12,380	11,210	+10.4%
Financial assets at amortised cost	39,830	40,601	-1.9%
Investments in subsidiaries, joint ventures and associates	111	110	+1.0%
Tangible assets	623	668	-6.8%
Intangible assets	40	32	+26.3%
Tax assets	635	691	-8.1%
Non-current assets held for sale	58	50	+14.3%
Other assets	280	832	-66.4%
Total Assets	59,322	56,895	+4.3%
Financial liabilities held for trading	913	1,224	-25.4%
Other financial liabilities mandatory at fair value through profit or loss	3,238	3,461	-6.4%
Financial liabilities at amortised cost	47,905	45,089	+6.2%
Resources from Central Banks and Credit Institutions	8,024	6,399	+25.4%
Customer deposits	36,301	34,932	+3.9%
Debt securities issued	3,328	3,451	-3.5%
Of which: subordinated debt	8	8	+0.0%
Other financial liabilities	252	307	-18.0%
Provisions	210	263	-20.2%
Technical provisions	727	764	-4.9%
Tax liabilities	473	493	-4.1%
Other liabilities	1,239	1,206	+2.7%
Total Liabilities	54,705	52,500	+4.2%
Share capital attributable to ST SGPS shareholders	4,615	4,393	+5.0%
Non controlling interests	2	2	-9.6%
Total Shareholders' Equity	4,617	4,395	+5.0%
Total Shareholders' Equity and Total Liabilities	59,322	56,895	+4.3%

Santander Totta, SGPS

Proforma Income Statement* (million euros)	Sep-20	Sep-19	Var.
Net interest income (without dividends)	591.9	642.7	-7.9%
Dividends from equity instruments	1.7	1.8	-1.7%
Net interest income	593.7	644.5	-7.9%
Results from Associates	9.1	7.0	+28.5%
Net comissions	274.4	286.5	-4.2%
Other banking income	-27.7	-24.3	+13.9%
Insurance activity	11.7	18.5	-36.9%
Gain/loss on financial transactions	103.0	88.4	+16.6%
Operating income	964.1	1,020.5	-5.5%
Total operating expenses	(429.8)	(453.7)	-5.3%
Personnel expenses	(241.6)	(260.5)	-7.3%
General expenses	(149.1)	(156.4)	-4.7%
Depreciation	(39.2)	(36.8)	+6.3%
Net operating income	534.4	566.9	-5.7%
Impairment	(146.5)	16.1	-
Net provisions and other	(38.8)	(32.4)	+19.9%
Income before taxes and MI	349.0	550.5	-36.6%
Taxes	(94.4)	(159.8)	-40.9%
Minority interests	(0.1)	(0.2)	-41.3%
Consolidated net income	254.5	390.6	-34.8%

(*) 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