



Portugal



H1'21

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.

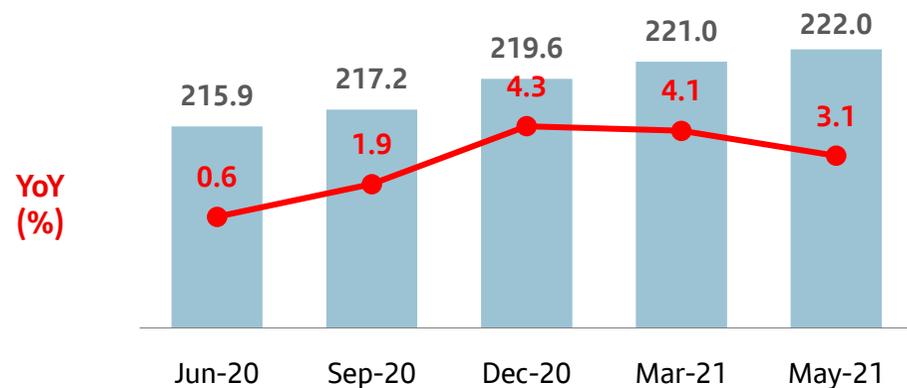
Macroeconomic environment and financial system



01

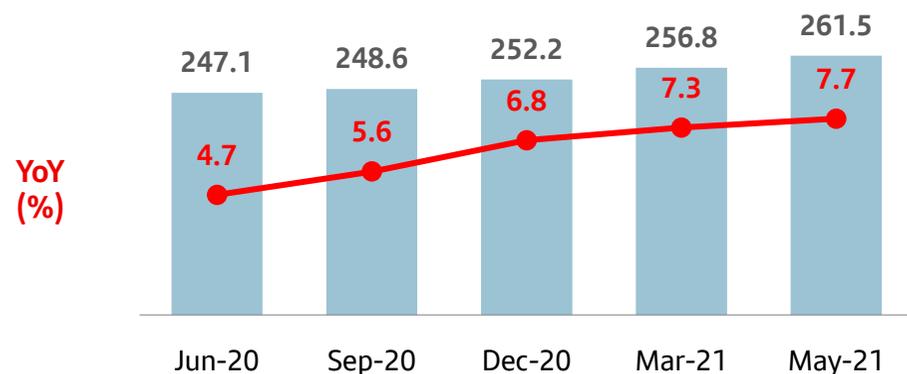
Credit dynamics still reflecting covid-19 related measures, benefitting also from strong new originations. Household savings at two-decades high

Total loans (EUR bn)



- ▶ Loans increased in 2020 due to the support measures implemented, namely credit lines with state guarantees for the corporate sector; and moratoria on loans to households and corporates
- ▶ In 2021, new mortgage production recorded its highest level since 2008

Total deposits (EUR bn)



- ▶ The pandemic resulted into a significant increase in saving, with the savings rate rising to 14.2% of disposable income, the highest since the 2000s.
- ▶ Deposits continued to grow, due to precautionary savings, and despite diversification into off-balance resources.

Strategy and business



02

Santander Portugal is the largest privately owned bank in Portugal by loans

KEY DATA*	1Q21	YoY Var.
 Customer loans ¹	EUR 43.4 bn	+3.0%
 Customer Deposits ²	EUR 37.6 bn	+4.0%
 Attributable profit	EUR 81.4 mn	-52.9%
 Underlying RoTE	11.9%	+3.4 pp
 Efficiency ratio	39.7%	-390 bps
 Loans market share ³	17.9%	+6 bps
 Deposits market share ³	14.4%	-103 bps
 Loyal customers	834 k	+6.5%
 Digital customers	981 k	+13.3%
 Branches ⁴	368	-22.7%
 Employees ⁴	5,765	-6.5%

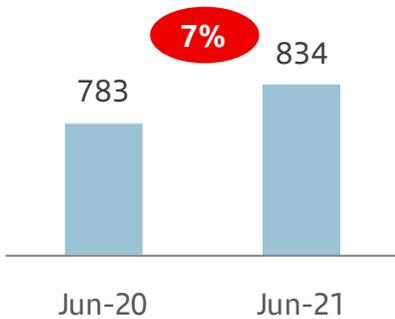


STRATEGIC PRIORITIES

- ▶ Deepen the digital and commercial transformation of the Bank to make it simpler, more agile and closer to customers
- ▶ Maintain an appropriate risk policy, with enhanced follow-up procedures, to keep the cost of credit under control
- ▶ Remain 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 digital capabilities to better serve customers
- ▶ Keep a solid capital and liquidity position, in the current challenging environment

Digitalization and customer satisfaction reflected in increased customer loyalty

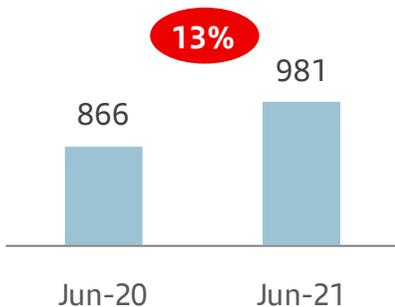
Loyal customers (k)



Loyal / Active: 49% (+3 pp YoY)

- ▶ Continued growth in the number of loyal customers (+7% YoY), supported by the commercial and digital transformation process, which is recognized by customers in terms of higher satisfaction, both at the level of
 - ▶ Loyal individuals (+5% YoY)
 - ▶ and in the corporate segment (+24% YoY)

Digital customers (k)



Digital sales / total¹: 59% (+21 pp YoY)

- ▶ The Bank continues extending its offering through digital channels, leveraging the change in customer behaviour that was accelerated by the pandemic
 - ▶ Further growth in digital customers, to 981 k (+13% YoY) by the end of Q2'21
 - ▶ Digital sales represent 59% of total sales, an increase of 21 pp YoY
- ▶ Mobile customers up 26% YoY

Retail and digital services

Awards – 2021



Best Bank in Portugal
Best Investment Bank
in Portugal 2021



Best Retail Bank
in Portugal 2021



Banking most
reputed and
relevant brand
in Portugal 2021

Individuals



Seguro PerFORMA
PPR - Equilibrado



Seguro ConFORMA
PPR - Conservador



Seguro PPR
Crescimento

With household savings at two decades high it is the moment to plan for retirement, with Santander making available to its customers a wide range of long-term savings products

Corporates



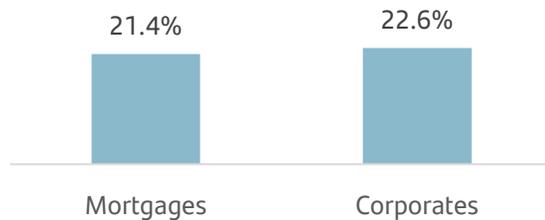
Supporting the internationalization of Portuguese Companies, with Santander Trade Finance solutions

IFRRU 2020: Santander is the leading bank in the credit line for urban renewal and energy efficiency



Helping people and businesses prosper

Santander in Portugal maintains strong market shares in loan origination (Jan-May 21)



Insurance



Complete offer in insurance for individuals: Healthcare, Home, Household and Personal Accidents

Responsible banking



Santander is supporting the climate transition of its corporate customers, providing a credit line for the installation of solar panels to generate electricity, in agreement with EDP

Further embedding ESG to build a more responsible bank



Environmental: supporting the green transition

Helping customers go green

Biodegradable & CarbonNeutral®

credit & debit cards, also for corporates

Participated in EDP's **issuance of EUR 750 mn green hybrid debt** and acted as joint bookrunner in the **EUR 300 mn green bond** for REN

708 photovoltaic panels placed at the Porto University

Environmental footprint

-45% carbon emissions in 2020.

Goal of **75%** reduction in prints

Carbon Neutral

in our own operations

100% of electricity

from renewable sources



Social: building a more inclusive society

Talented & diverse team

24% women in leadership positions

c. 2% employees with disabilities

Financially empowering people

>318 K people¹ since 2019

Supporting society

>84 k people helped in H1'21

Support line for social sector

150 blood collections

95% local suppliers & **300** suppliers certified last year

>1.1k scholarships in H1'21

Santander Golden for clients >65 who have been with the Bank for over 50 years



Governance: doing business the right way

A strong culture

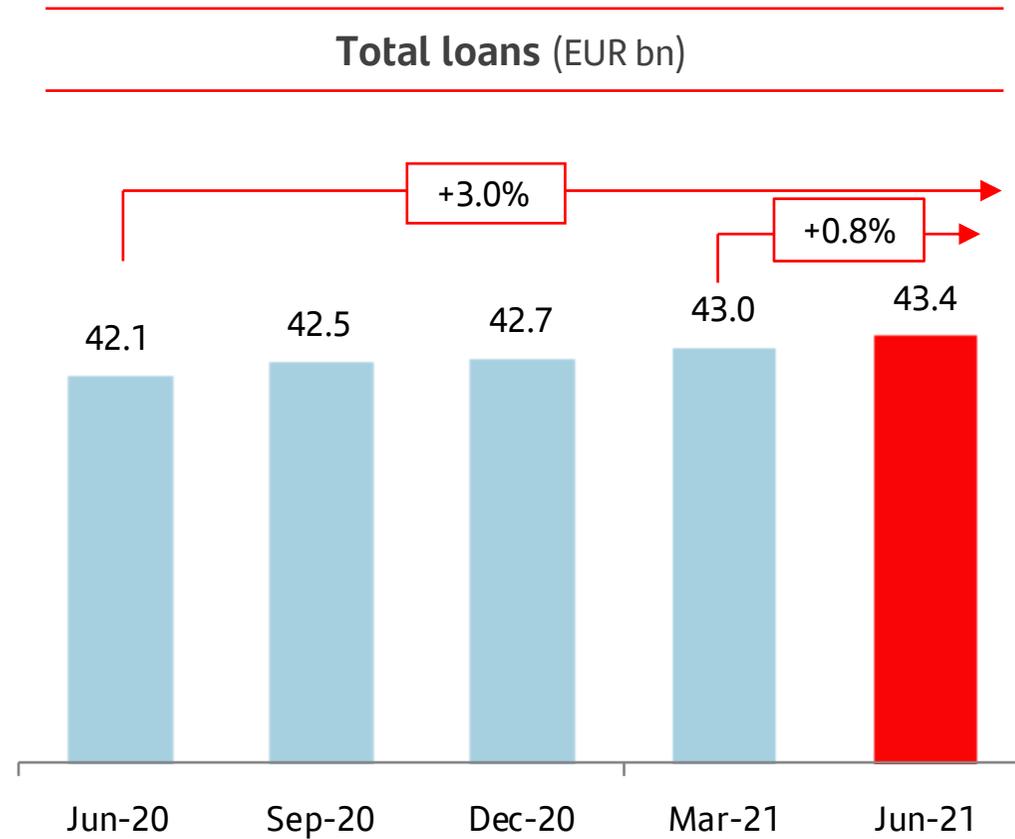
Simple, Personal, Fair

Family-Responsible Company – certificate of excellence efrA.

An independent, diverse Board

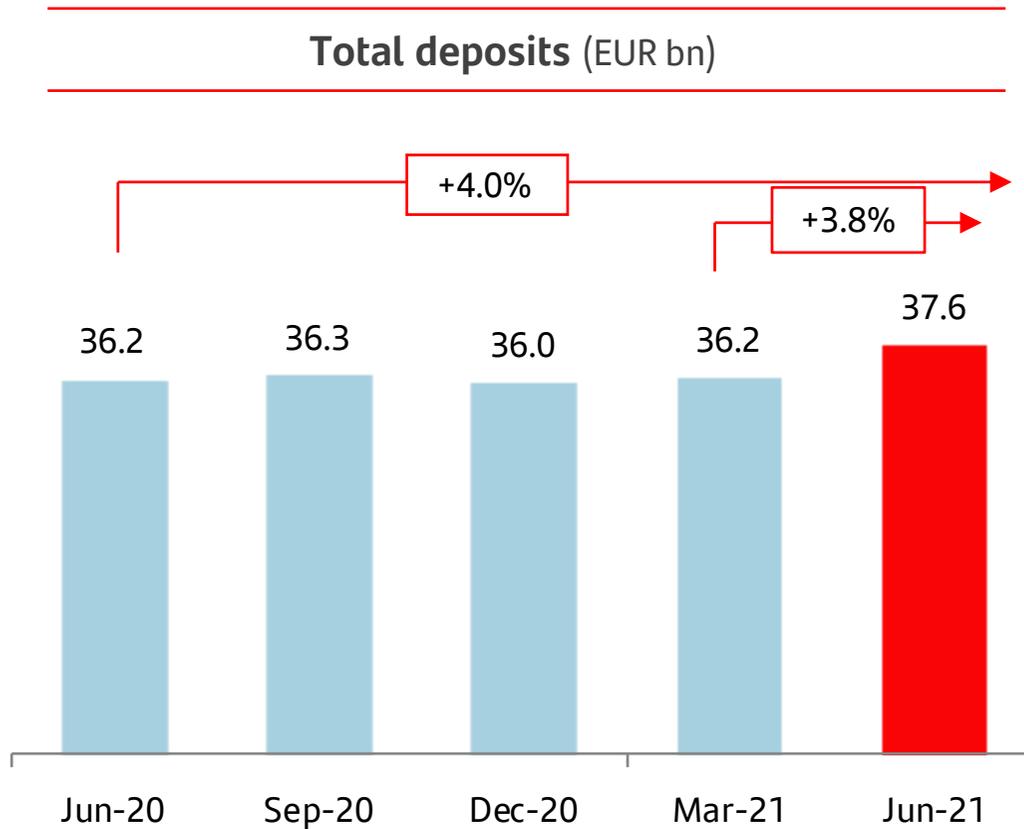
43% women on the Board

Loan growth continued to be driven by resilient mortgage and SME new lending. Dynamic mortgage origination in Q2'21



Loans at amortised cost (Eur bn)	Jun-21	YoY (%)	QoQ (%)
Individuals	23.3	+5.3	+1.6
Mortgage	21.3	+5.9	+1.6
Consumer and other	2.1	-0.9	+1.2
Corporates	16.6	+0.5	-0.1

Higher customer funds, aligned with higher household savings. Diversification into off-balance resources



	Jun-21	YoY (%)	QoQ (%)
Deposits	37.6	+4.0	+3.8
Off Balance Sheet Resources	8.0	+15.6	+5.0
Investment Funds	3.9	+36.6	+9.3
Insurance and other	4.0	+0.5	+1.1
Total Customer Funds	45.6	+5.9	+4.0

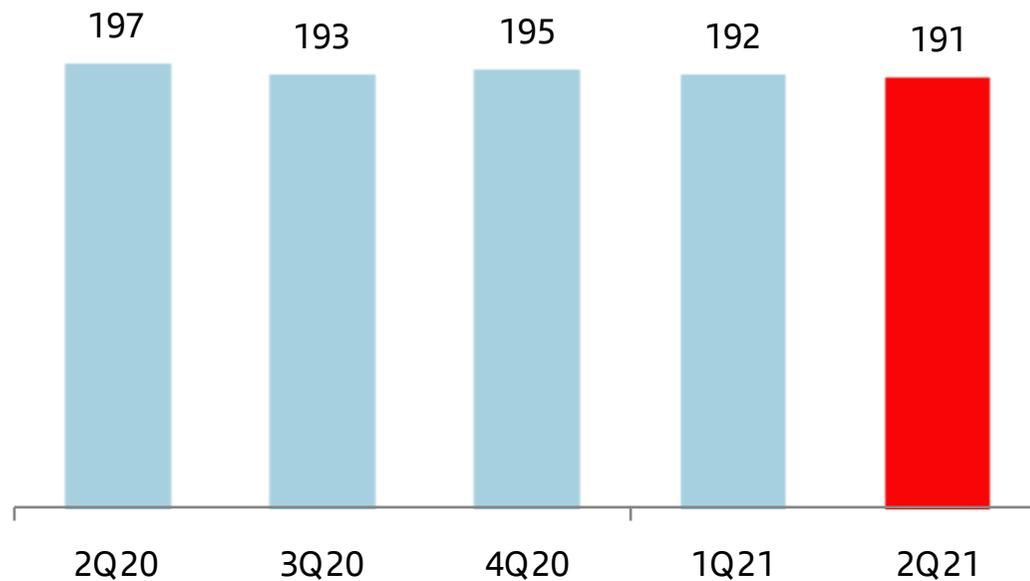
Results



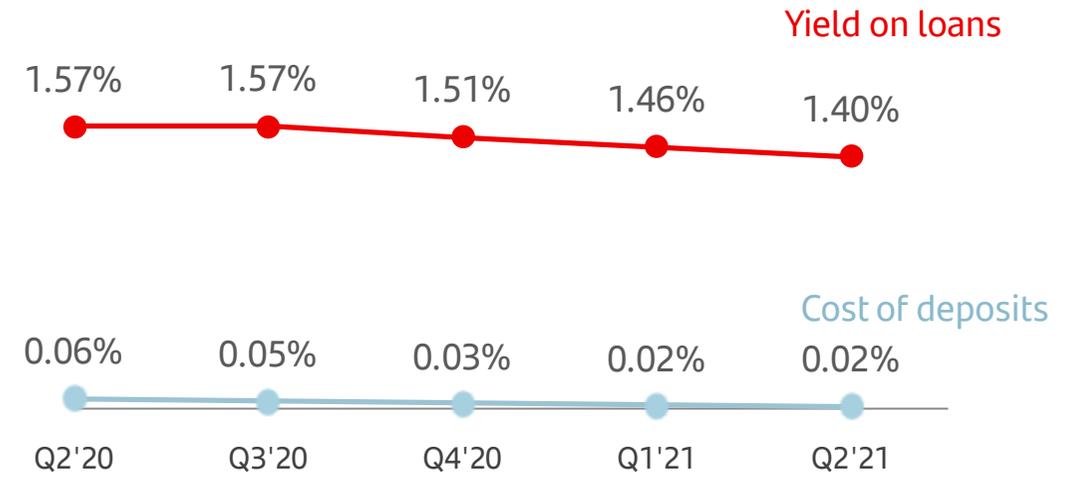
03

NII stabilizing QoQ due to higher volumes, although spread compression on loans continued, while remuneration on deposits was close to zero

Net interest income (EUR mn)



Yields and costs (%)

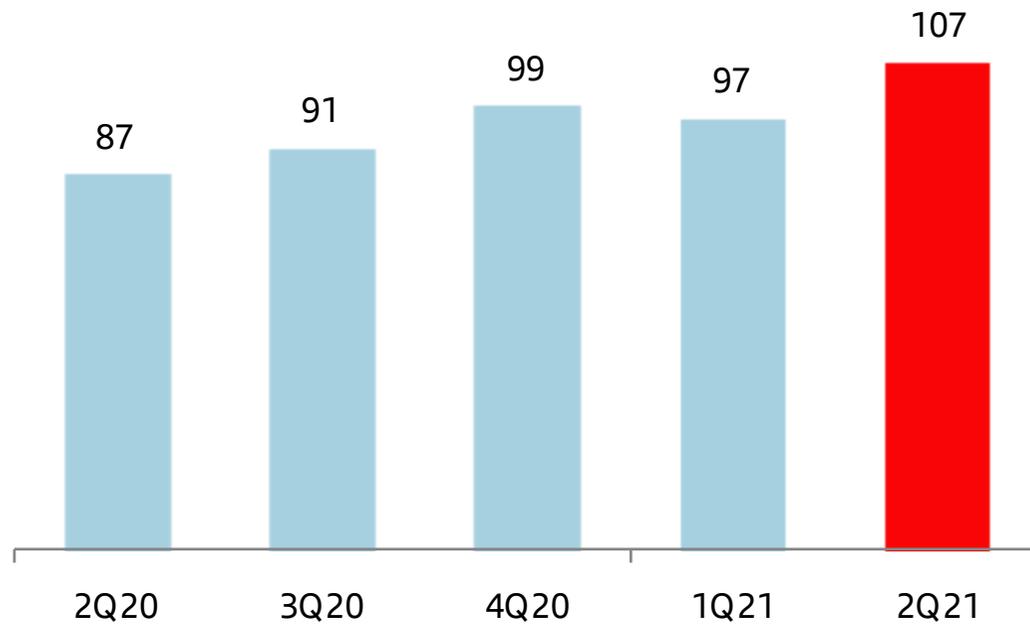


Differential

151 bps	152 bps	148 bps	143 bps	138 bps
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Net fee income improved, with increased loan volumes and customer transactionality associated with the economic recovery

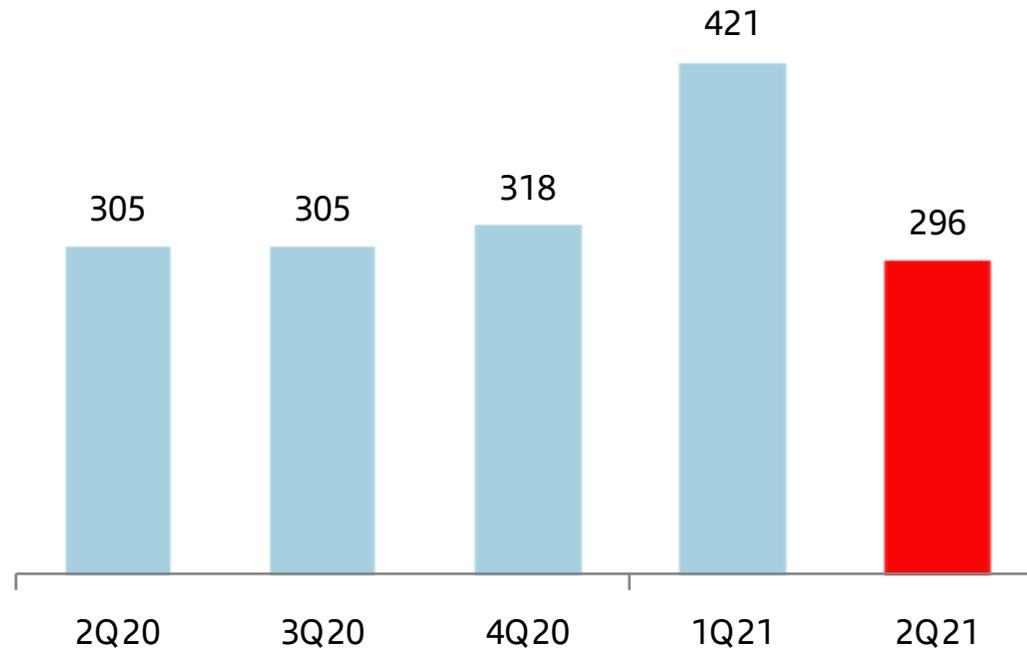
Net fees (EUR mn)



	H1'21	H1'20	YoY (%)	QoQ (%)
Credit	16	18	-15.3	+19.4
Credit cards	22	23	-5.0	+22.5
Mutual funds	8	7	+7.4	+12.8
Insurance	27	27	+1.5	+3.5
Other	130	107	+21.4	+0.2
Total	203	183	+10.9	+10.4

Total income increased 9% YoY boosted mainly by ALCO portfolio sales in Q1'21

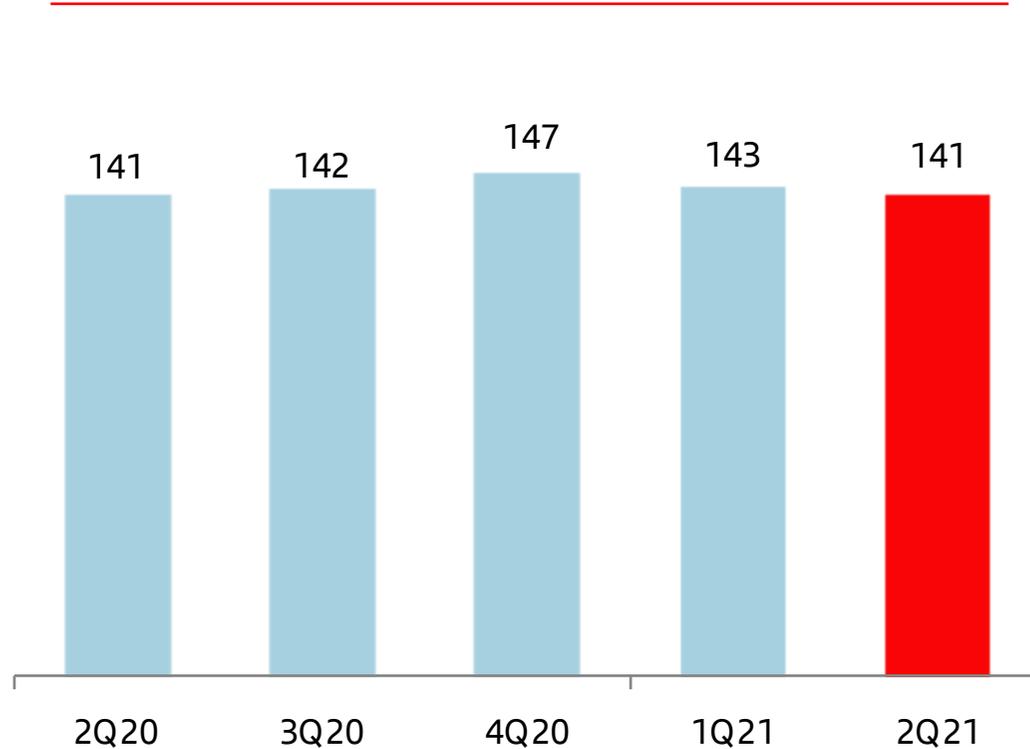
Total income (EUR mn)



	H1'21	H1'20	YoY (%)	QoQ (%)
Net interest income	383	399	-4.0	-1.1
Net Fees	203	183	+10.9	-2.3
Customer revenue	586	582	+0.7	-1.5
Other	130	77	+69.2	>200
Total income	717	659	+8.7	+32.4

Lower operating expenses, aligned with the structure optimization driven by the digital and commercial transformation process

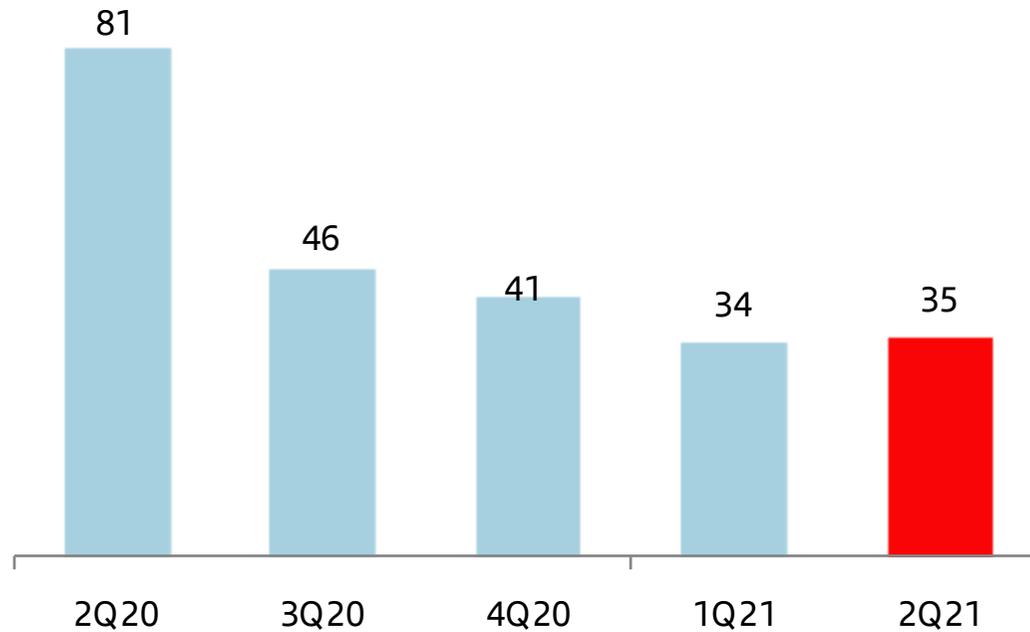
Operating expenses (EUR mn)



	H1'21	H1'20	YoY (%)	QoQ (%)
General and admin. expenses	259	262	-1.2	-2.7
Depreciation and amortization	25	26	-1.9	-3.8
Operating Expenses	284	288	-1.2	-2.8
Efficiency ratio (with amortisations)	39.7%	43.6%	-3.9pp	-12.3pp
Branches in Portugal (#)	368	476	-108	-18
Employees in Portugal (#)	5,765	6,163	-398	-189

LLPs fell by 32% YoY, despite industry moratoria ending. Asset quality remained stable with a further decline of the NPE ratio

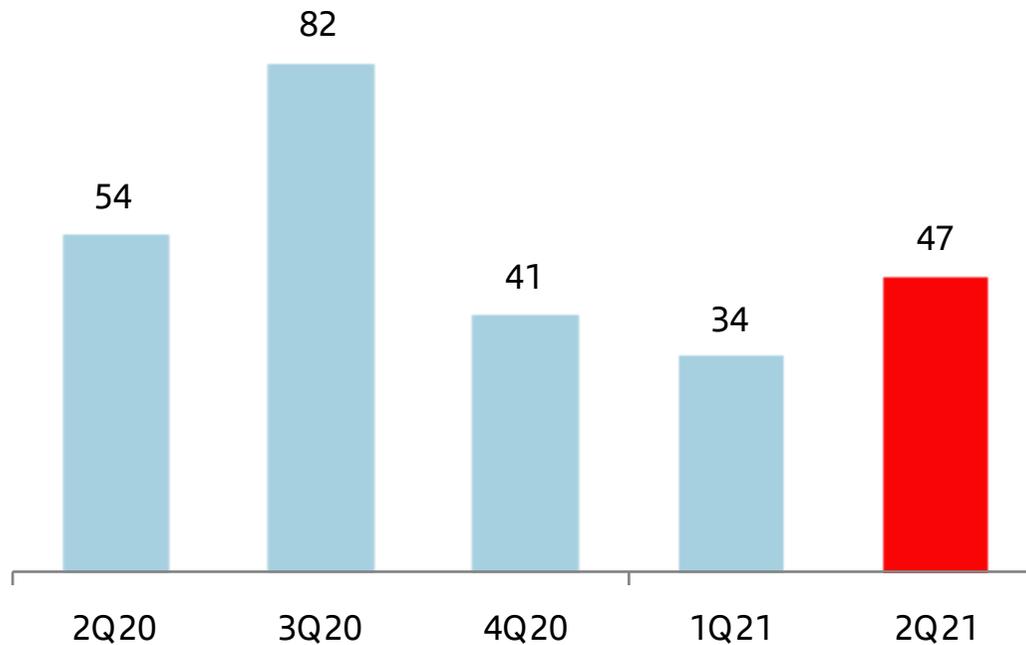
Net LLPs (EUR mn)



	H1'21	H1'20	YoY (%)	QoQ (%)
Net Operating Income	432	372	+16.3	+62.7
LLPs	-69	-101	-31.8	-17.2
Net Operating Income after LLPs	364	271	+34.3	+88.1
NPE ratio	2.5%	2.8%	-0.3pp	-0.1pp
NPE coverage ratio	73.3%	61.0%	+12.2pp	+4.2pp
Cost of Credit ⁽¹⁾	0.36%	0.27%	+0.1pp	+0.0pp

Underlying attributable profit decreased 53% YoY, reflecting one-off charges relating to the transformation program

Attributable profit (EUR mn)



	H1'21	H1'20	YoY (%)	QoQ (%)
Profit before taxes	104	232	-55.0	-59.8
Taxes and MI	-23	-59	-61.1	-
Attributable Profit	81	173	-52.9	-16.7

Santander Portugal volumes supported by mortgages and corporates. Profitability benefitting from the transformation process

Financial System

- ▶ Economic activity recovered in Q2'21, as the economy reopened following Q1 lockdown measures. Domestic demand and exports of goods are the drivers behind the recovery, while hospitality will remain the laggard
- ▶ Resilient loan growth, with new mortgage origination at its highest level since 2008
- ▶ Deposits continued to grow, aligned with higher household savings (14.2% in Q1'21)

Strategy & Business

- ▶ Santander Portugal maintains its support to households and companies, with market shares in new lending to corporates and mortgages over 20% in Q2'21, sustaining its strong position as the largest privately-owned bank in Portugal by loans. Growth in deposits, but also with a focus on diversification of household resources into off-balance products.
- ▶ Santander Portugal 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 puts Santander in a leading position to support its customers to develop their projects and take advantage of the economic recovery. Santander Portugal also maintained the best risk ratings by the rating agencies, aligned with or above the sovereign's

Results

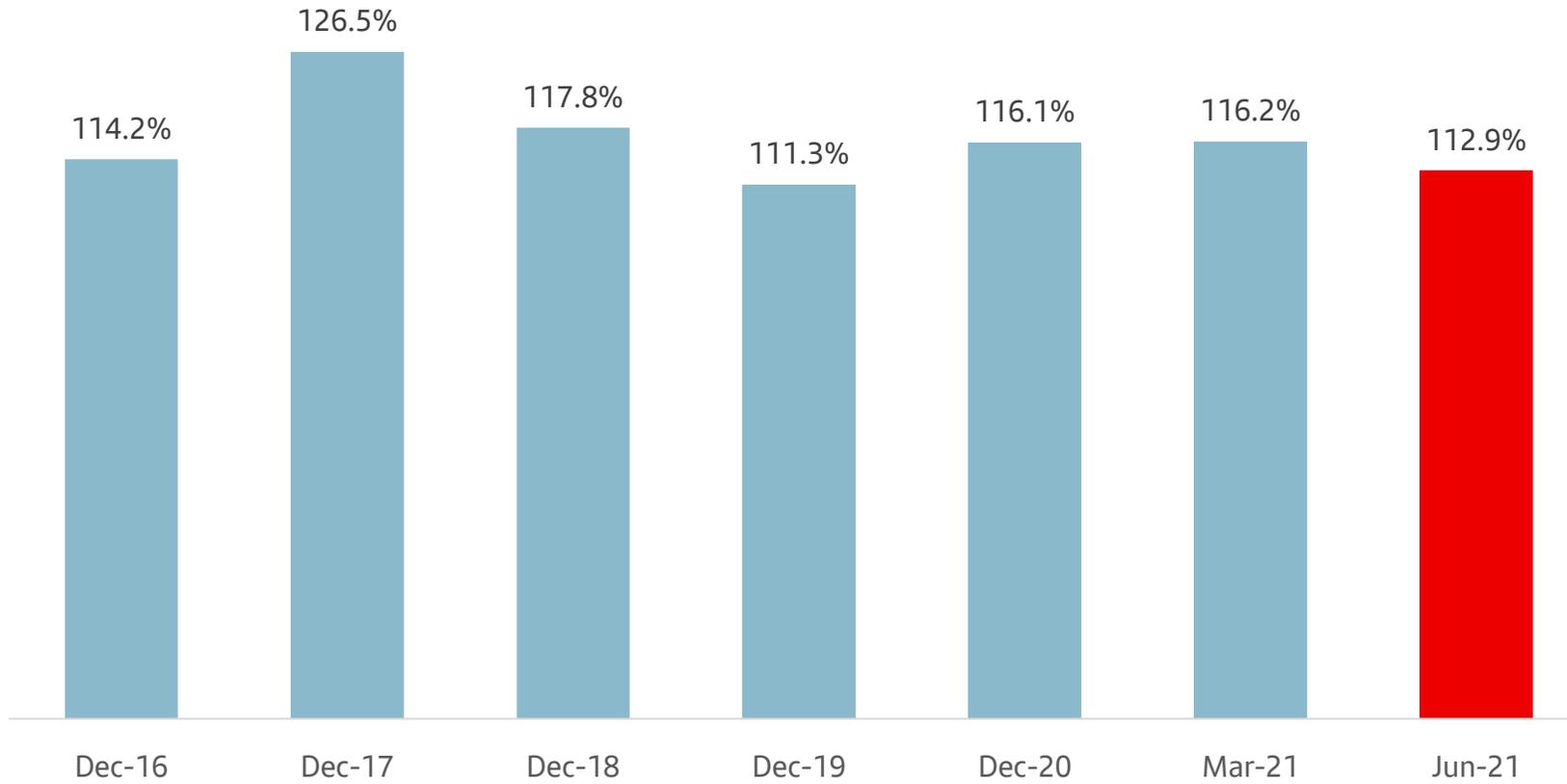
- ▶ Higher customer revenue led by strong growth in net fee income, driven by improved commercial activity and transactionality, which offset the reduction in NII. Other result dynamics associated with ALCO portfolio sales in Q1
- ▶ LLPs declined on a yearly basis as the NPL ratio maintained its downward trend
- ▶ Attributable profit decreased 53% YoY reflecting one-off charges relating to the transformation program

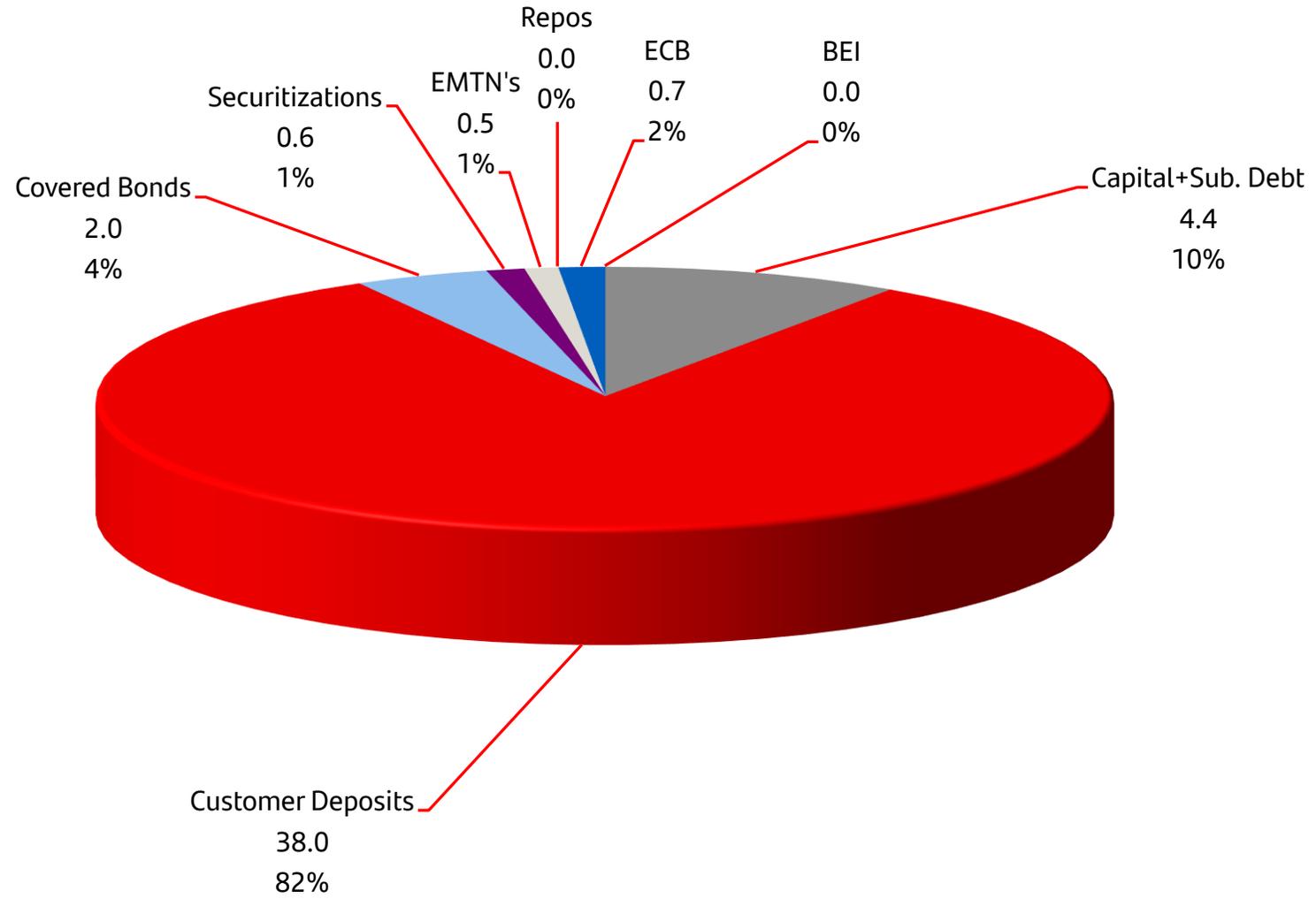
Financial and liquidity management



04

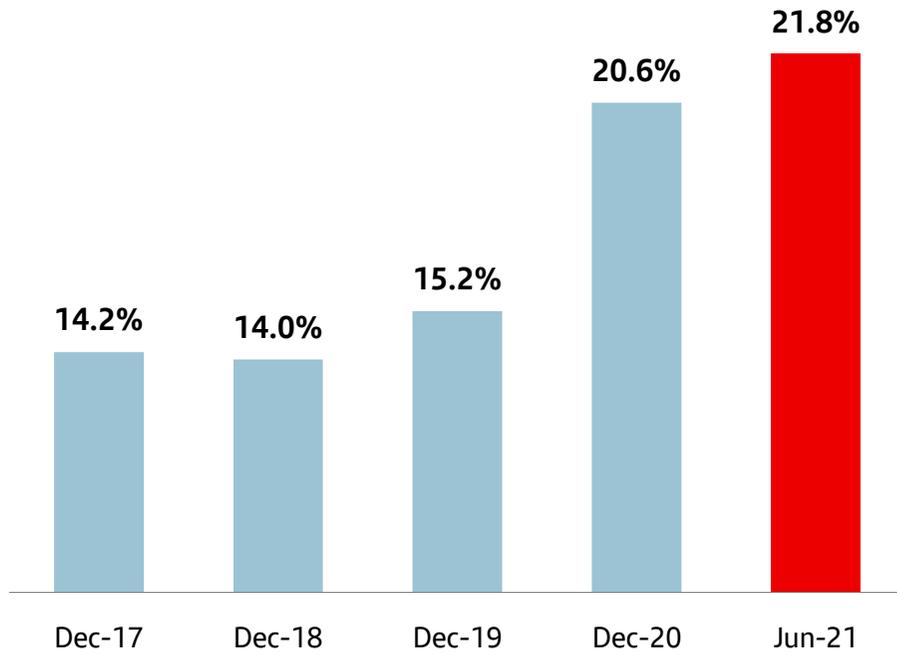
Loans to Deposit Ratio



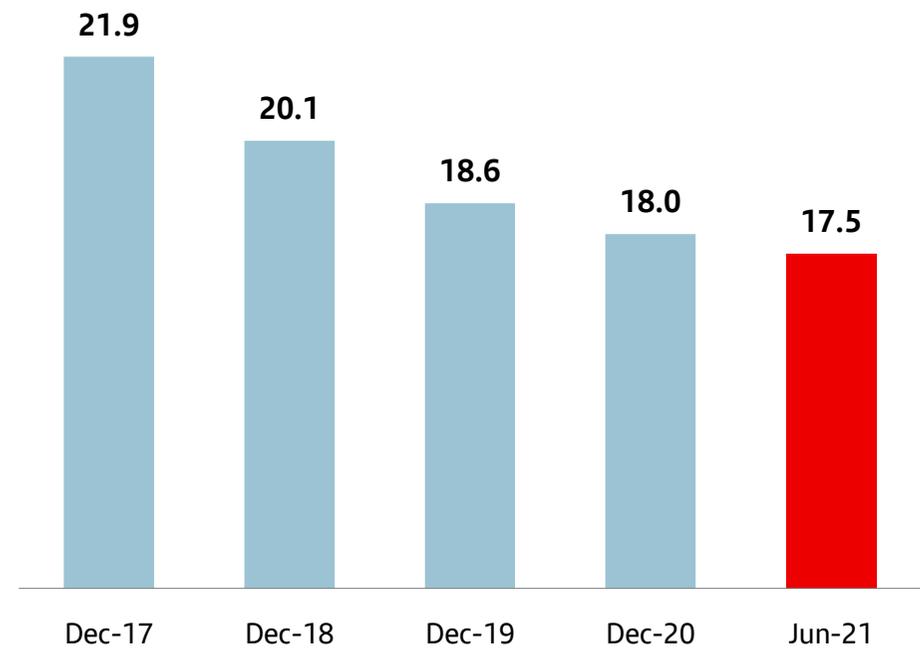


As of Jun/21

CET 1 – full implemented



RWA (bn€)



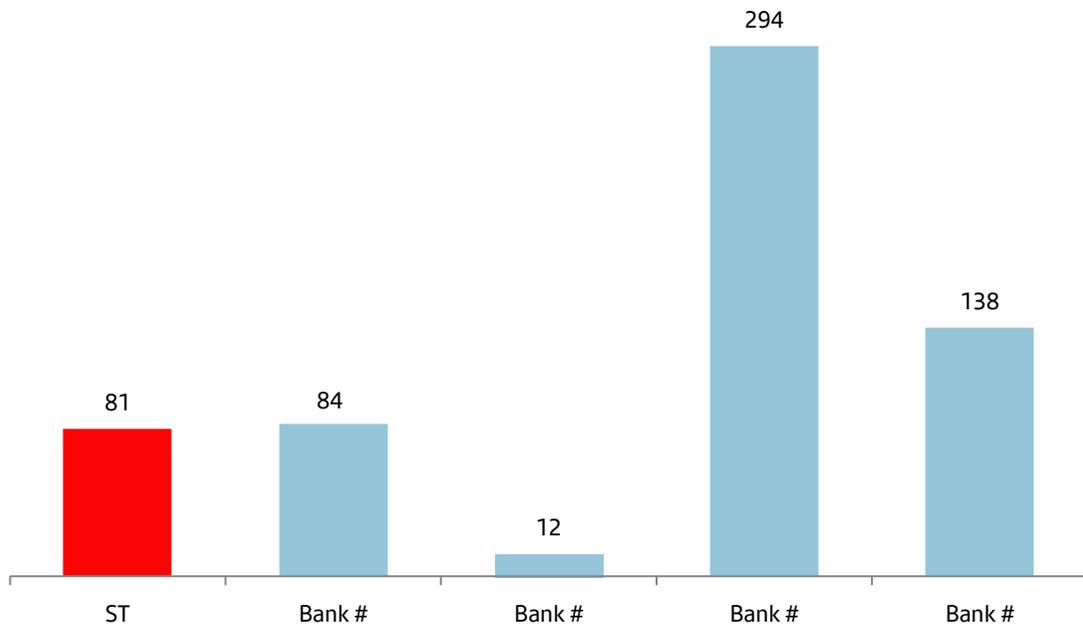
Benchmarking



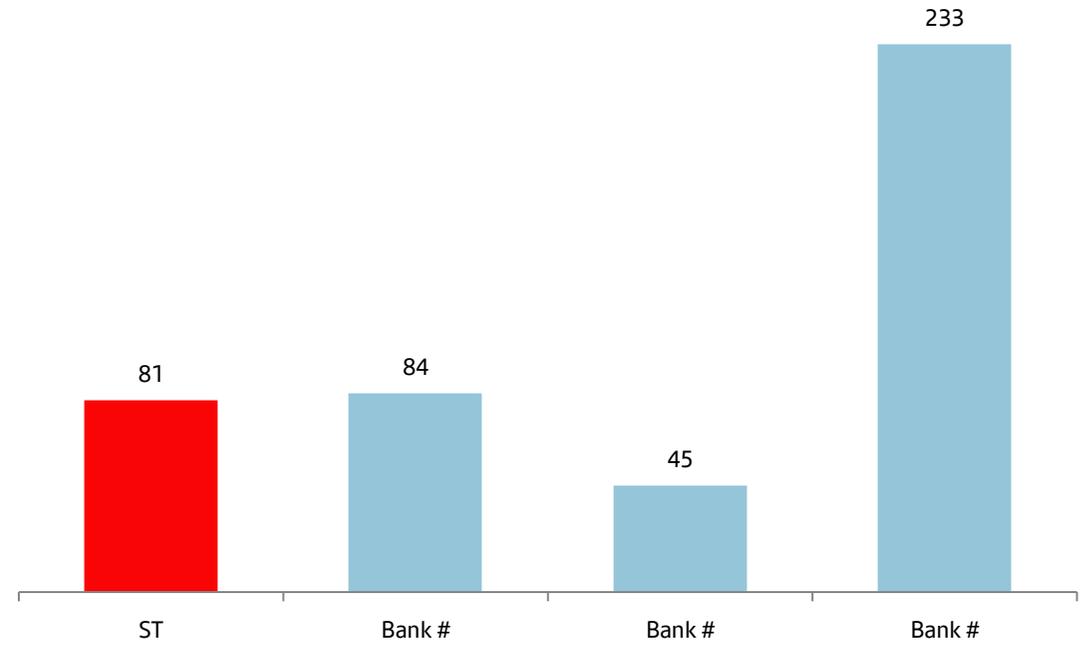
05

Resilient and sustained profitability

Net Income – Consolidated (M€)

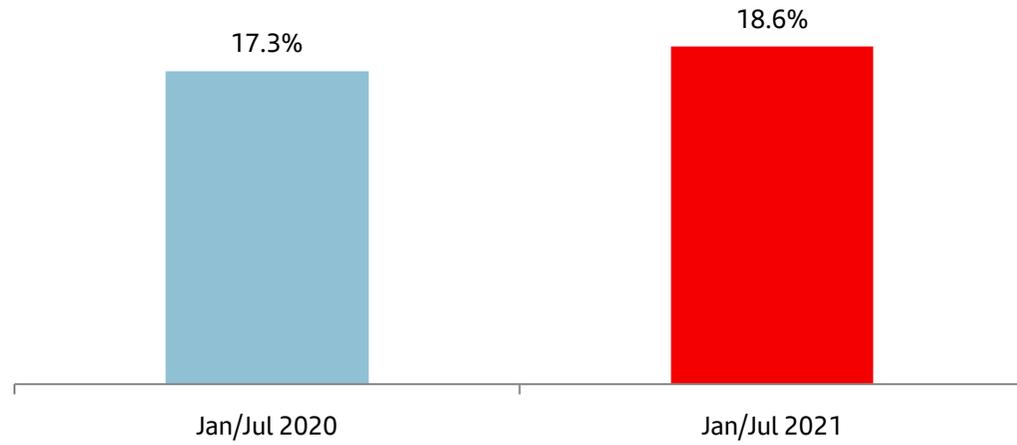


Net Income – Domestic (M€)

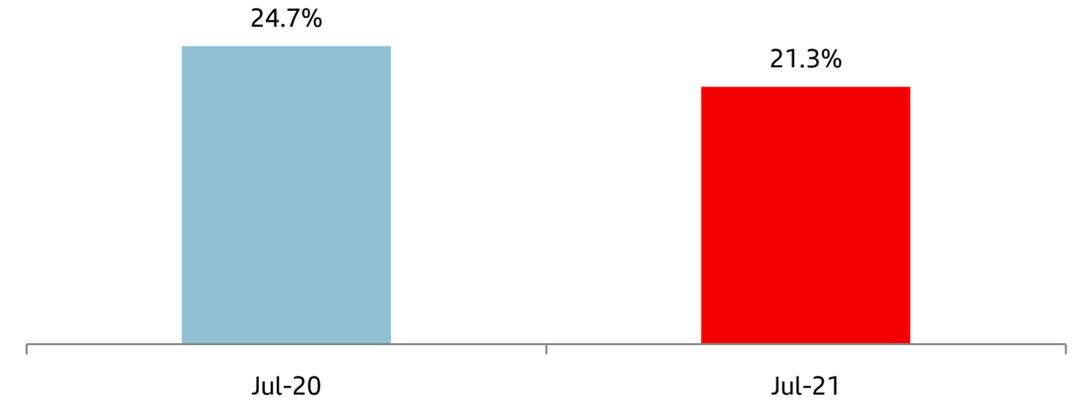


As at Jun/21

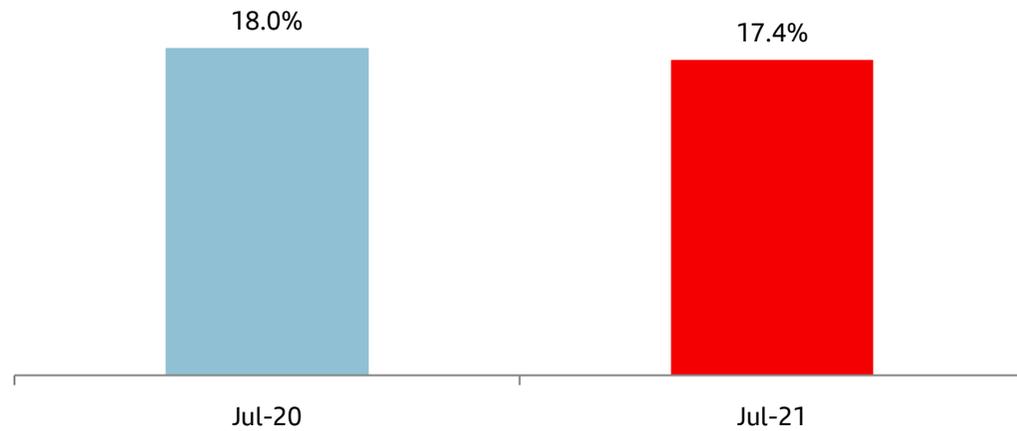
Corporates – New Production



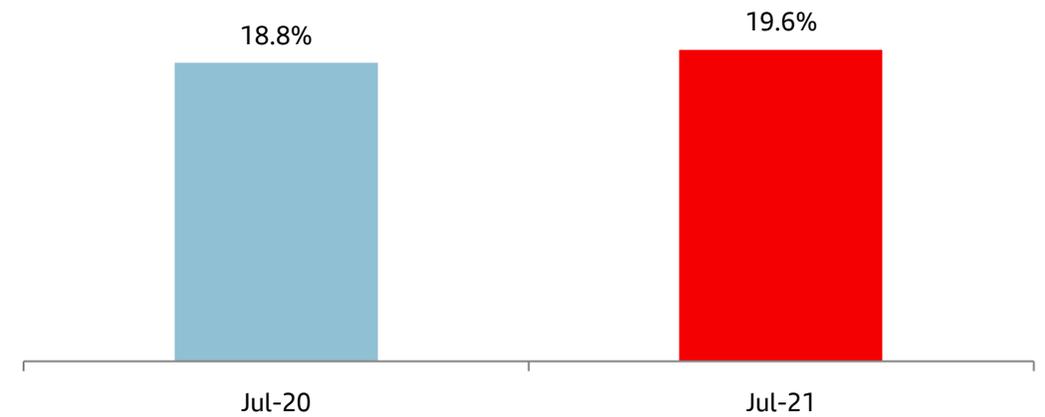
Mortgages – New Production



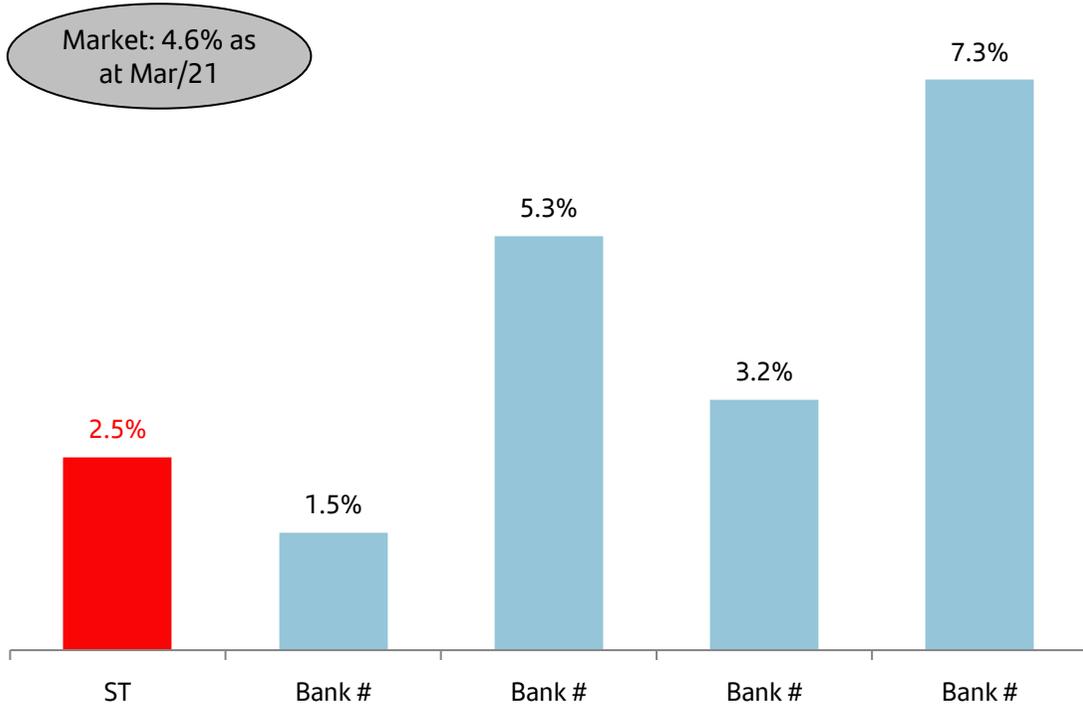
Corporates – Stock



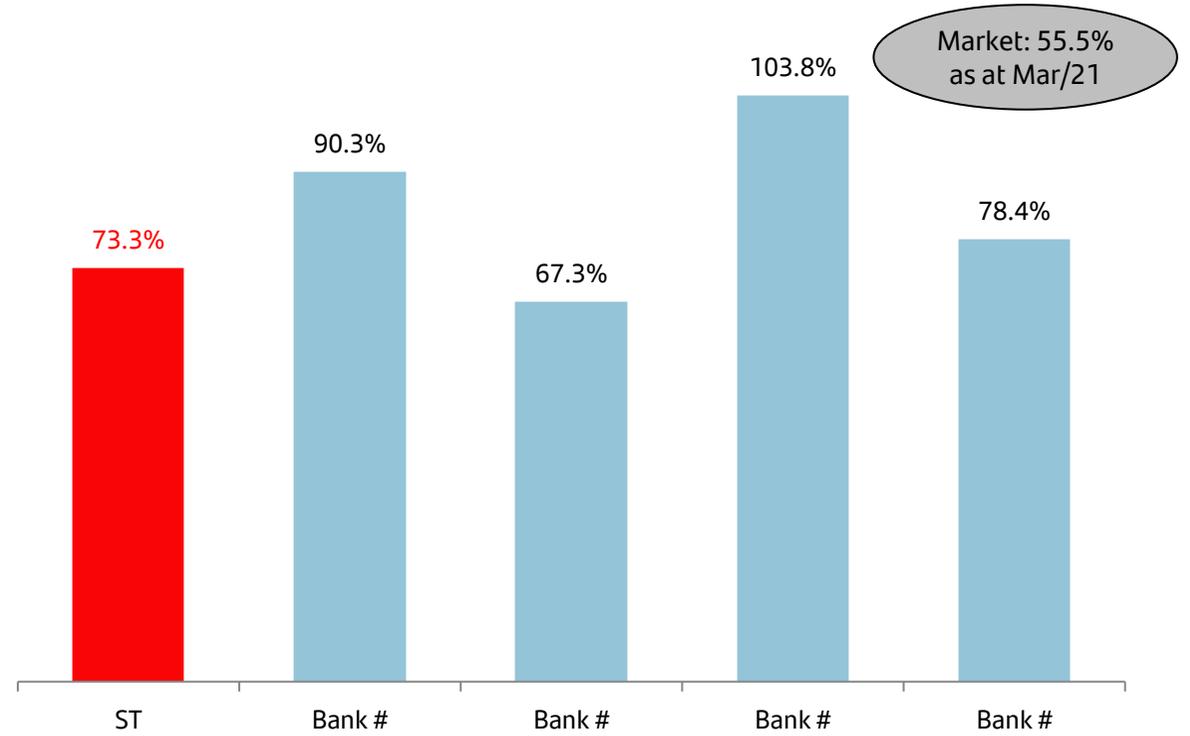
Mortgages – Stock



NPE Ratio

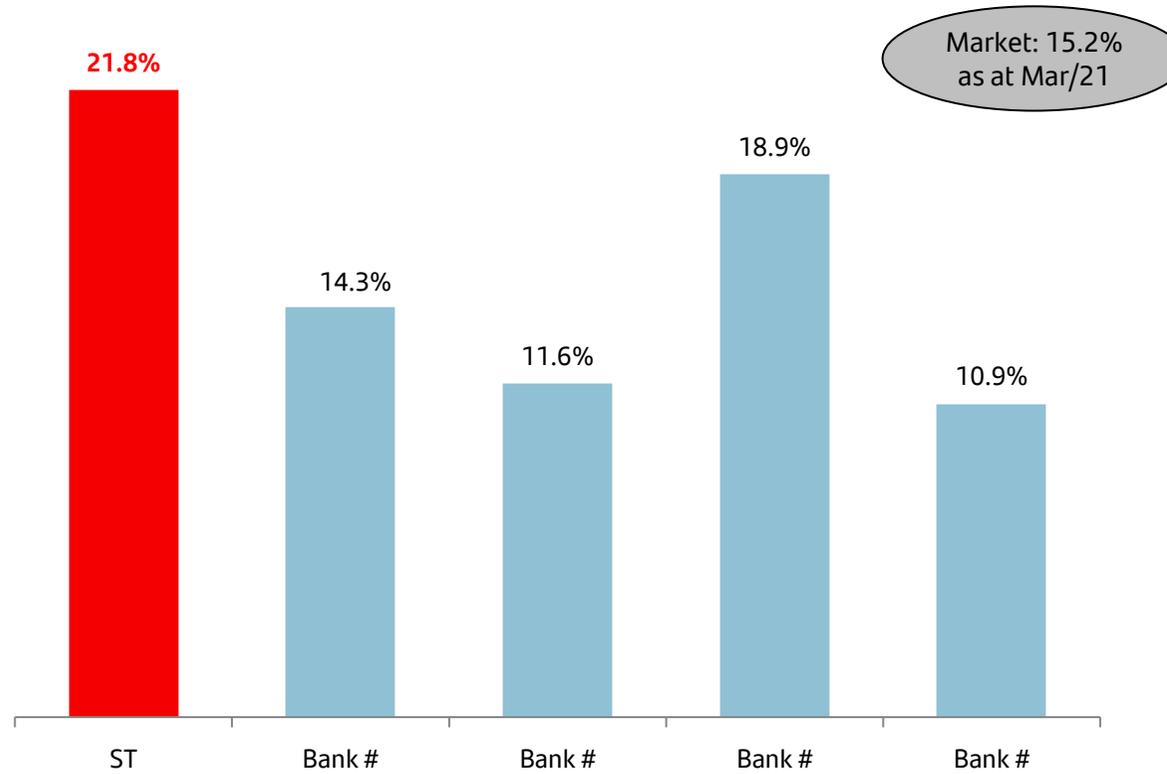


NPE Coverage Ratio



As at Jun/21

CET 1 (full implemented)



As at Jun/21

DBRS

A	
AI	
BBBH	
BBB	Bank 1
BBBL	Bank 2
BBH	
BB	
BBL	
BH	Bank 4
B	
BL	

Fitch

BBB+	
BBB	Bank 3 
BBB-	
BB+	Bank 1
BB	Bank 2
BB-	
B+	
B	
B-	
CCC+	
CCC	

Moody's

Baa2	Bank 3
Baa3	  Bank 1
Ba1	Bank 2
Ba2	
Ba3	
B1	
B2	
B3	
Caa1	
Caa2	Bank 4

S&P

BBB	 Bank 3 
BBB-	
BB+	
BB	Bank 2
BB-	
B+	
B	
B-	
CCC+	
CCC	
CCC-	

Appendix



06

Santander Totta, SGPS

Balance Sheet (million euros)	Jun-21	Jun-20	Var.
Cash, cash balances at central banks and other demand deposits	7,638	7,556	+1.1%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	10,003	12,407	-19.4%
Financial assets at amortised cost	40,314	39,184	+2.9%
Investments in subsidiaries, joint ventures and associates	128	106	+20.7%
Tangible assets	587	626	-6.2%
Intangible assets	38	40	-6.7%
Tax assets	401	579	-30.8%
Non-current assets held for sale	53	55	-3.2%
Other assets	173	279	-38.1%
Total Assets	59,335	60,833	-2.5%
Financial liabilities held for trading	741	1,008	-26.5%
Other financial liabilities mandatory at fair value through profit or loss	3,246	3,230	+0.5%
Financial liabilities at amortised cost	48,497	49,504	-2.0%
Resources from Central Banks and Credit Institutions	7,619	9,753	-21.9%
Customer deposits	37,615	36,164	+4.0%
Debt securities issued	3,022	3,347	-9.7%
Of which: subordinated debt	8	8	+0.0%
Other financial liabilities	241	240	+0.4%
Provisions	388	219	+77.0%
Technical provisions	696	724	-3.8%
Tax liabilities	365	510	-28.5%
Other liabilities	973	1,158	-15.9%
Total Liabilities	54,907	56,353	-2.6%
Share capital attributable to ST SGPS shareholders	4,426	4,479	-1.2%
Non controlling interests	2	2	+3.9%
Total Shareholders' Equity	4,428	4,480	-1.2%
Total Shareholders' Equity and Total Liabilities	59,335	60,833	-2.5%

Santander Totta, SGPS

Income Statement* (million euros)	Jun-21	Jun-20	Var.
Net interest income (without dividends)	383.4	399.3	-4.0%
Dividends from equity instruments	1.5	1.7	-11.5%
Net interest income	384.9	401.1	-4.0%
Results from Associates	6.4	5.1	+27.2%
Net commissions	203.1	183.1	+10.9%
Other banking income	-34.0	-29.6	+14.8%
Insurance activity	8.5	7.8	+9.7%
Gain/loss on financial transactions	147.5	91.9	+60.6%
Operating income	716.6	659.4	+8.7%
Total operating expenses	(284.2)	(287.8)	-1.2%
Personnel expenses	(158.7)	(161.3)	-1.6%
General expenses	(100.1)	(100.6)	-0.4%
Depreciation	(25.4)	(25.9)	-1.9%
Net operating income	432.4	371.6	+16.3%
Impairment of financial assets at amortised cost	(68.8)	(100.9)	-31.8%
Net provisions and other results	(259.4)	(39.2)	>200%
Income before taxes and MI	104.2	231.5	-55.0%
Taxes	(22.8)	(58.5)	-61.1%
Minority interests	(0.0)	(0.1)	-67.6%
Consolidated net income	81.4	172.9	-52.9%

(*) 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