



Portugal



2021

Institutional Presentation

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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.

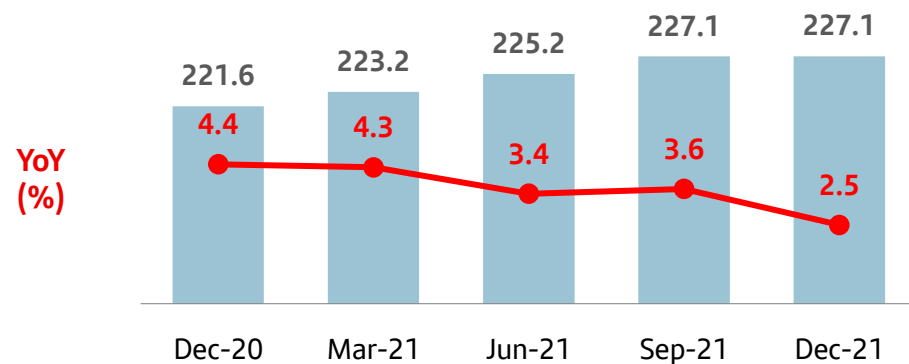
Macroeconomic environment and financial system



01

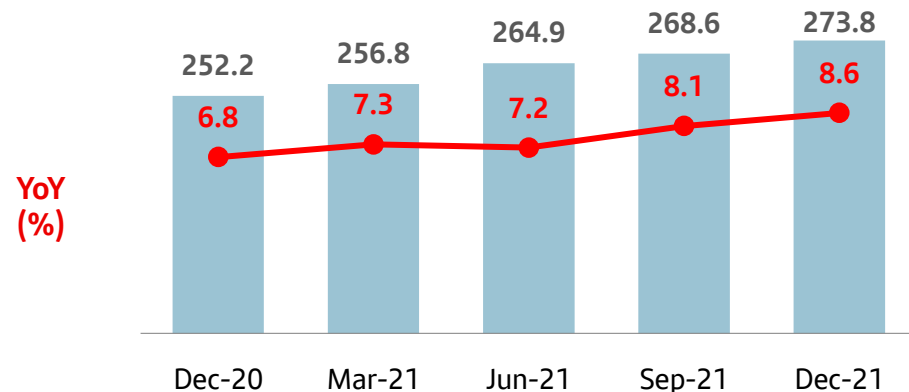
Loan growth supported by strong new business, especially in mortgages. Deposits continued to increase, aligned with the historically high household savings rate

Total loans (EUR bn)



- ▶ In 2021, new mortgage loans continued to increase (+34% YoY), recording its highest level since 2007, while the stock expanded 1.6% YoY.
- ▶ Loans grew on a yearly basis, initially supported by the additional provision of credit lines with state guarantee for the corporate sector and also by the moratoria on loans to households and corporates. The latter ended in September 2021, with a normal return to scheduled payments.

Total deposits (EUR bn)














- ▶ Household savings have increased significantly during the pandemic, due to global or partial lockdowns, and also for precautionary reasons, reaching 10.9% of disposable income in 2021, still above pre-pandemic levels.
- ▶ As a result, deposits continued to grow, despite diversification into off-balance resources (+24% YoY).

Strategy and business



02

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

KEY DATA*	2021	YoY Var.
 Customer loans ¹	EUR 40.4 bn	+2.3%
 Customer Deposits ²	EUR 38.5 bn	+6.8%
 Attributable profit	EUR 298.2 mn	+0.9%
 Underlying RoTE	11.9%	+3.1 pp
 Efficiency ratio	40.1%	-490 bps
 Loans market share ³	17.9%	-6 bps
 Deposits market share ³	14.5%	-54 bps
 Loyal customers	860 k	+6.0%
 Digital customers	1,000 k	+7.5%
 Branches ⁴	348	-18.5%
 Employees ⁴	4,805	-19.6%

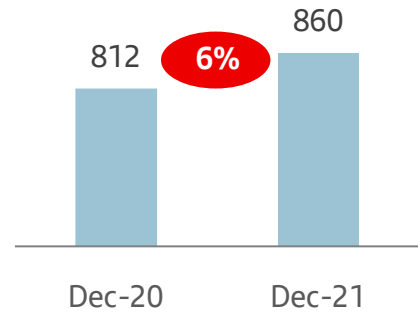


STRATEGIC PRIORITIES

- ▶ Deepen the Bank's digital and commercial transformation 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 our customers
- ▶ Keep a solid capital and liquidity position, as the current environment remains challenging

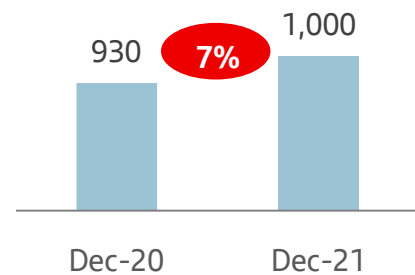
The digital transformation process is a lever for customer loyalty

Loyal customers (k)



- ▶ The commercial and digital transformation process aimed at providing first class service to customers continued to support loyalty growth (+6% YoY), both in:
 - ▶ Loyal individuals (+5% YoY)
 - ▶ and in the corporate segment (+19% YoY)

Digital customers (k)



- ▶ The Bank continued to expand its product and service offering, as well as additional self-service capabilities through digital channels, leveraging the change in customer behaviour which accelerated during the pandemic:
 - ▶ Sustained growth in digital customers, to 1 mn (+7% YoY) by the end of Q4'21
 - ▶ Digital sales represented 56% of total sales, an increase of 13 pp YoY
- ▶ Mobile customers up 20% YoY

Digital sales / total¹: 56% (+13 pp YoY)

Retail and digital services

Awards – 2021



Best Bank In Portugal, in 2021, by *The Banker*, *Euromoney*, and *Global Finance*

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

Individuals



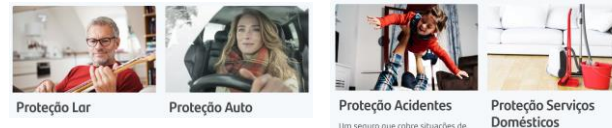
Santander offers its customers a wide range of mutual funds, allowing them to diversify their savings in the context of negative interest rates.

Corporates



Santander Portugal's customers have a global offering of financial and non-financial solutions available to support their business and the transition towards a more sustainable activity

Insurance



Santander provides its customers a complete range of protection insurance, namely Household, Home, Life and Auto, covering all aspects of their daily life.

Responsible banking



Fundação Santander Portugal

Santander Portugal announced the creation of a Foundation to develop programmes with significant social, economic and environmental impacts. The Foundation will have an initial allowance of EUR 22.5 million, to invest in the areas of Education, Employment and Environment.

Further embedding ESG to build a more responsible bank



Environmental: supporting the green transition

Energy Transition

100% of electricity from renewable sources.

EUR 1.55 bn of **hybrid green bonds**

Products

Mortgage loans, with spread reduction for homes with best energy efficiency assessments

Personal loans for renewable energy especially focused on those willing to invest in alternative energy sources, at a reduced spread

Solutions of **Clean mobility solutions available in Boutique Santander.**

Biodegradable and CarbonNeutral® **Cards**



Social: building a more inclusive society

Talented & diverse team

37% women in leadership positions **c. 2%** employees with disabilities

Financially empowering people

>445 k people¹ since 2019

Supporting society

50 agreements with Higher Education Institutions **c. 4.7 k** beneficiaries of merit, scientific, social, employment and social mobility grants

> 112 k People helped in 2021



Governance: doing business the right way

A strong culture

Simple, Personal, Fair

77% of employees feel proud to work for Santander

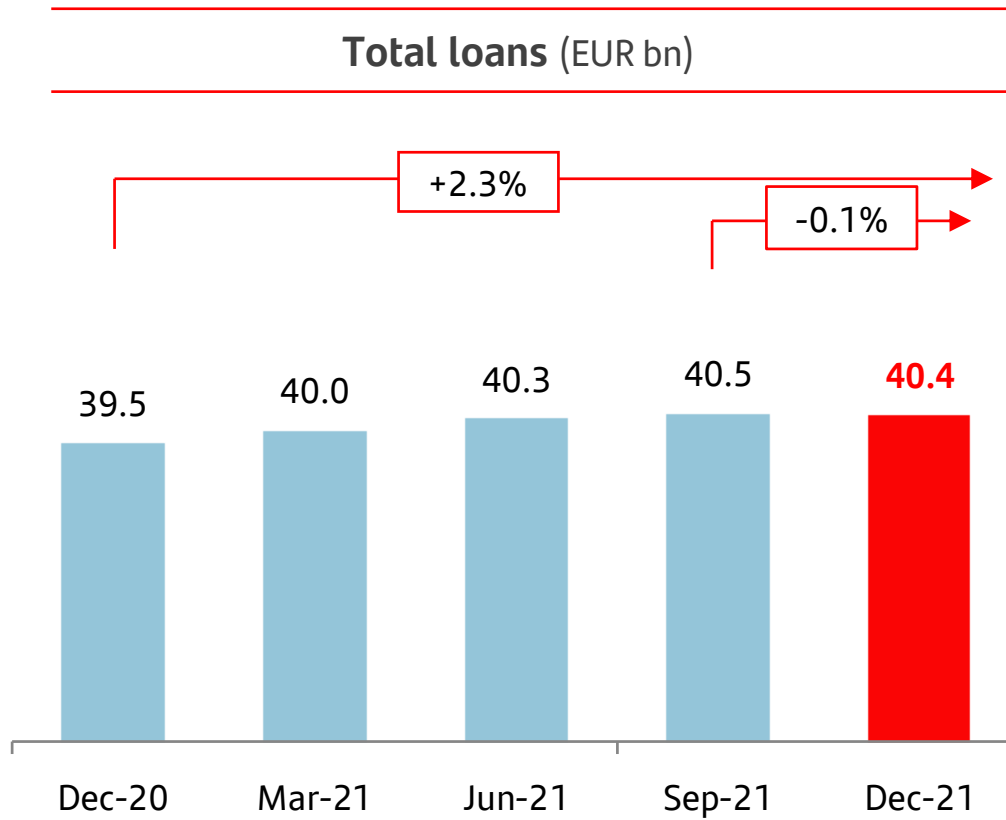
75 Measures as a **Family Responsible Company** – efr, by Fundação MásFamília

Best Bank to Work for in Portugal, for the 4th consecutive year, and Top 3 in the category of Large Corporates, by Great Place to Work Institute

An independent, diverse Board

43% women on the Board

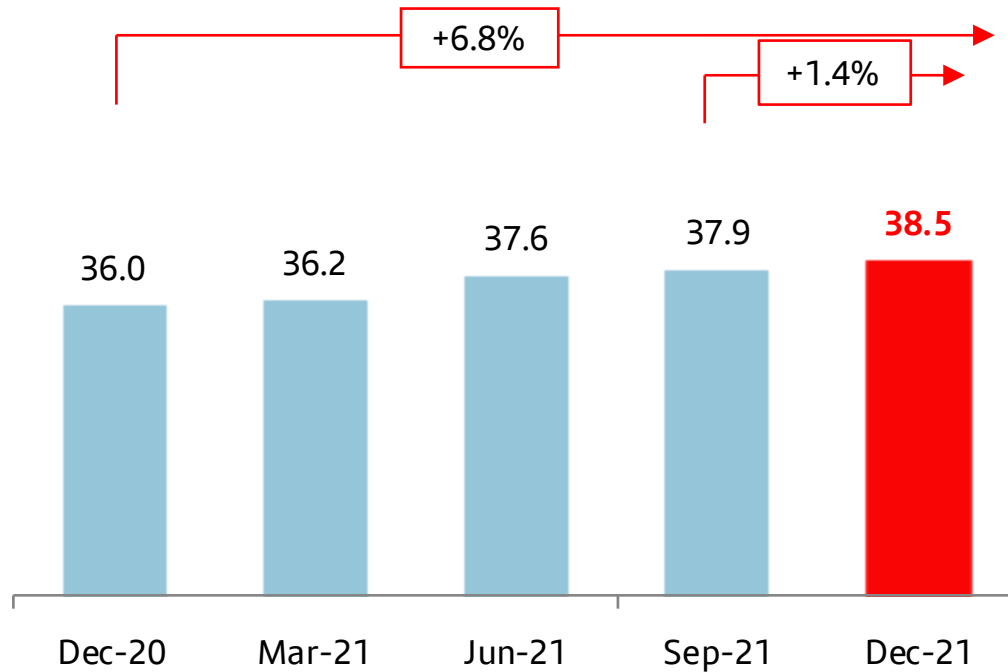
Sustained loan growth, especially in mortgages, underpinned by strong new lending volumes



Loans at amortised cost (Eur bn)	Dec-21	YoY (%)	QoQ (%)
Individuals	24.0	+5.6	+1.5
Mortgage	21.9	+6.0	+1.4
Consumer and other	2.1	+0.8	+1.5
Corporates	16.1	-1.6	-2.1

Customer funds increased 8.5% YoY, with significant diversification into mutual funds

Total deposits (EUR bn)



	Dec-21	YoY (%)	QoQ (%)
Deposits	38.5	+6.8	+1.4
Off Balance Sheet Resources	8.5	+16.6	+2.6
Investment Funds	4.3	+33.4	+4.2
Insurance and other	4.1	+3.1	+0.9
Total Customer Funds	46.9	+8.5	+1.6

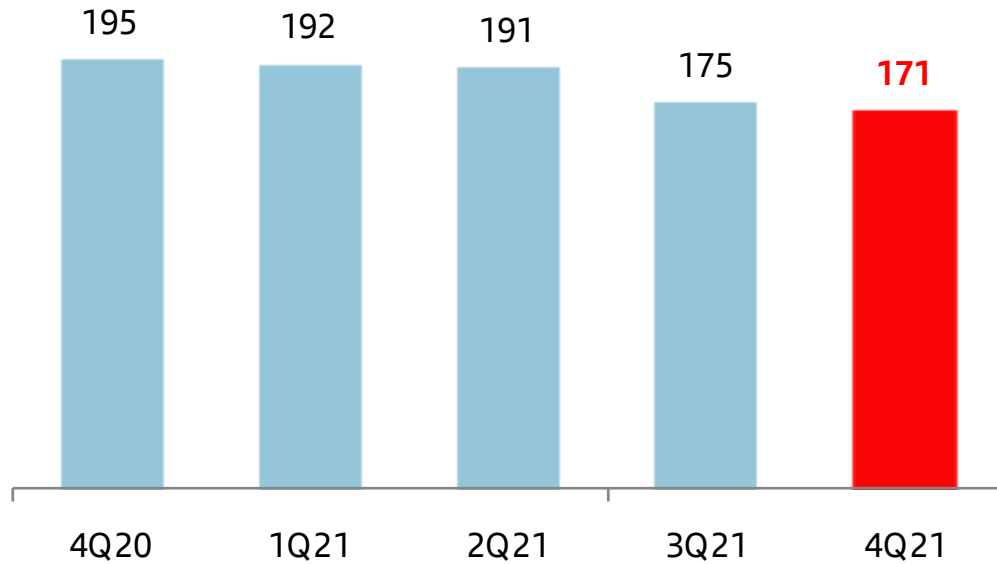
Results



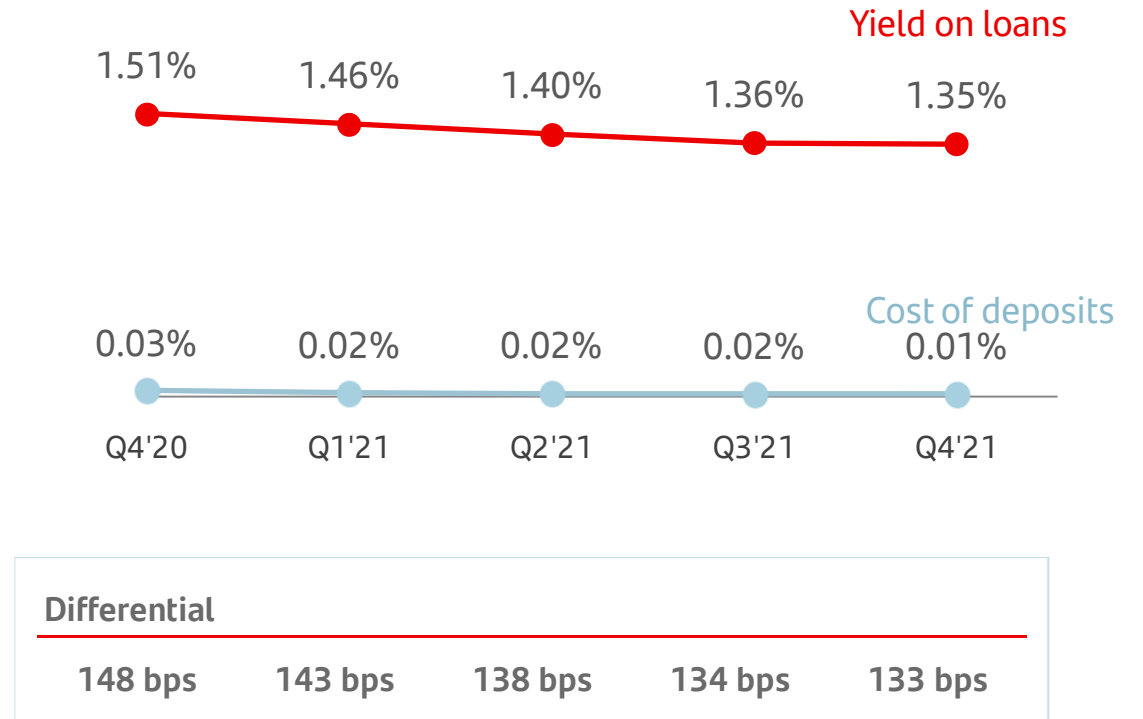
03

Lower for longer interest rates affected NII through negative Euribor rates, which compressed loan spreads

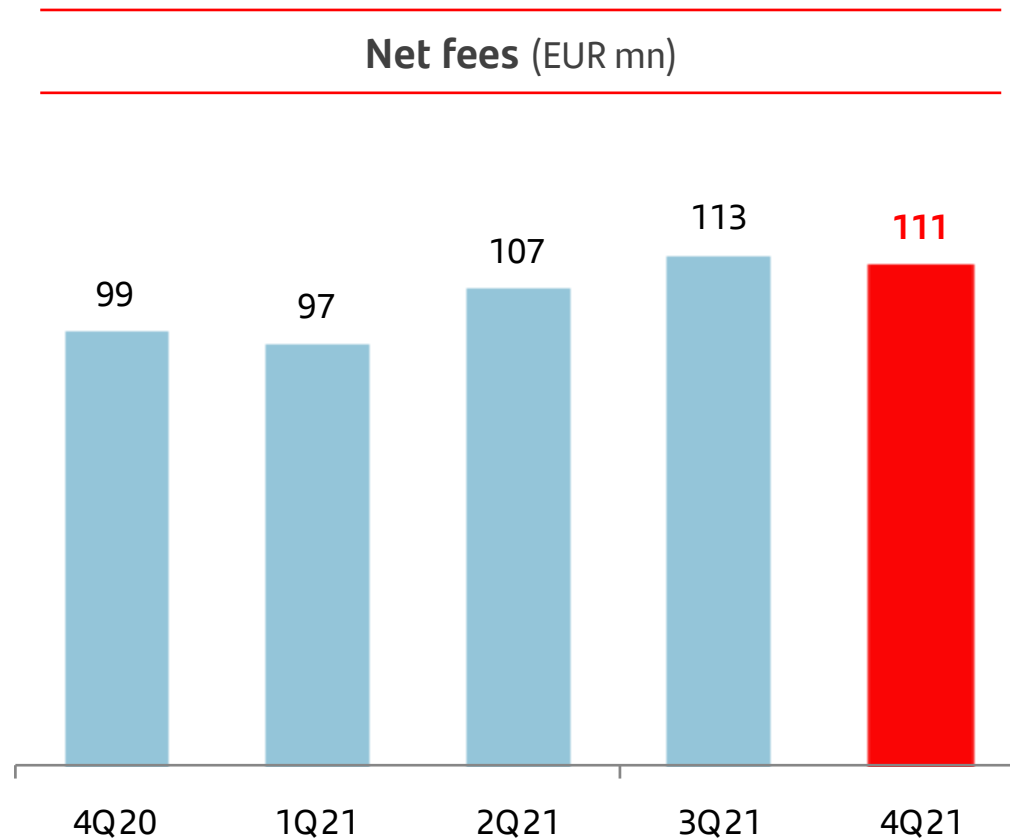
Net interest income (EUR mn)



Yields and costs (%)



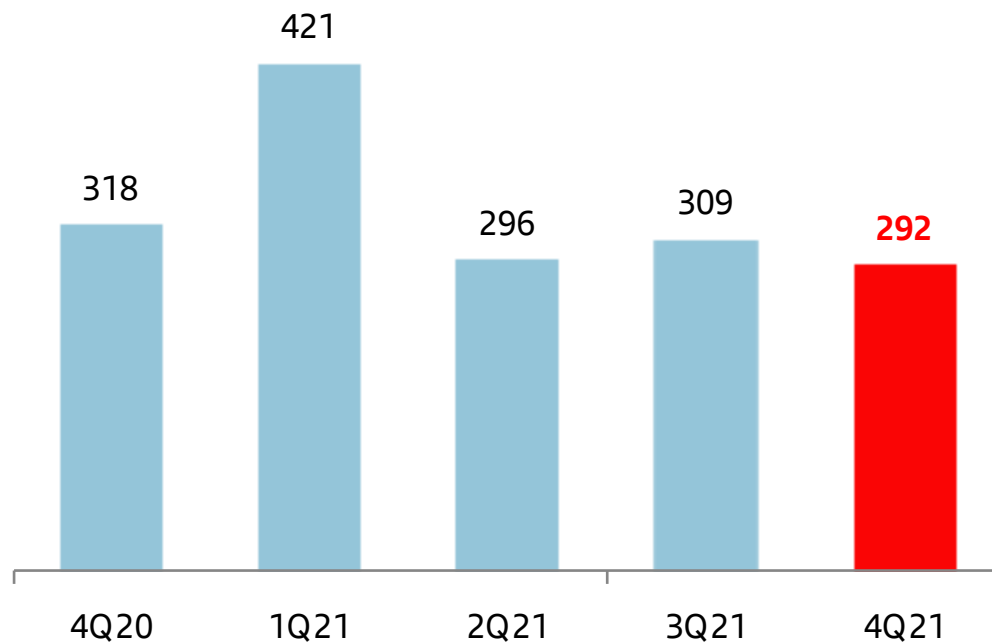
Net fee income increased 14% YoY boosted by normalization of transactionality levels and strong growth in WM&I products



	2021	2020	YoY (%)	QoQ (%)
Credit	71	67	+7.2	+3.5
Credit cards	100	92	+9.2	+2.1
Mutual funds	37	29	+25.8	+7.3
Insurance	114	101	+13.4	+5.0
Other	104	85	+22.5	-16.3
Total	427	373	+14.3	-1.5

Total income increased 3% YoY in 2021, as a result of higher net fee income and ALCO sales in Q1, which more than offset NII performance

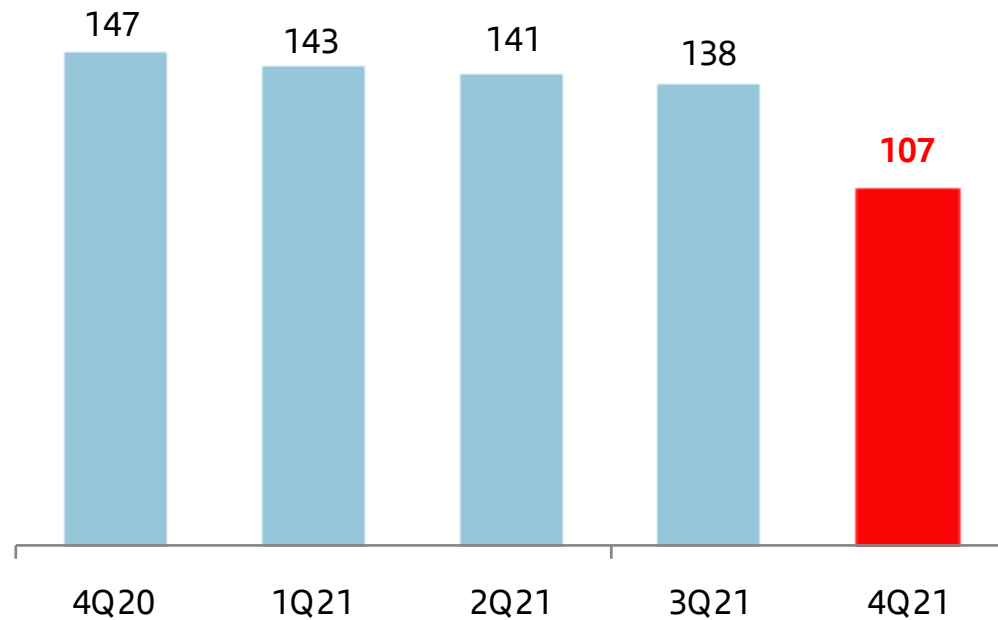
Total income (EUR mn)



	2021	2020	YoY (%)	QoQ (%)
Net interest income	730	787	-7.2	-2.3
Net Fees	427	373	+14.3	-1.5
Customer revenue	1,156	1,160	-0.3	-2.0
Other	162	122	+32.5	-56.8
Total income	1,318	1,282	+2.8	-5.7

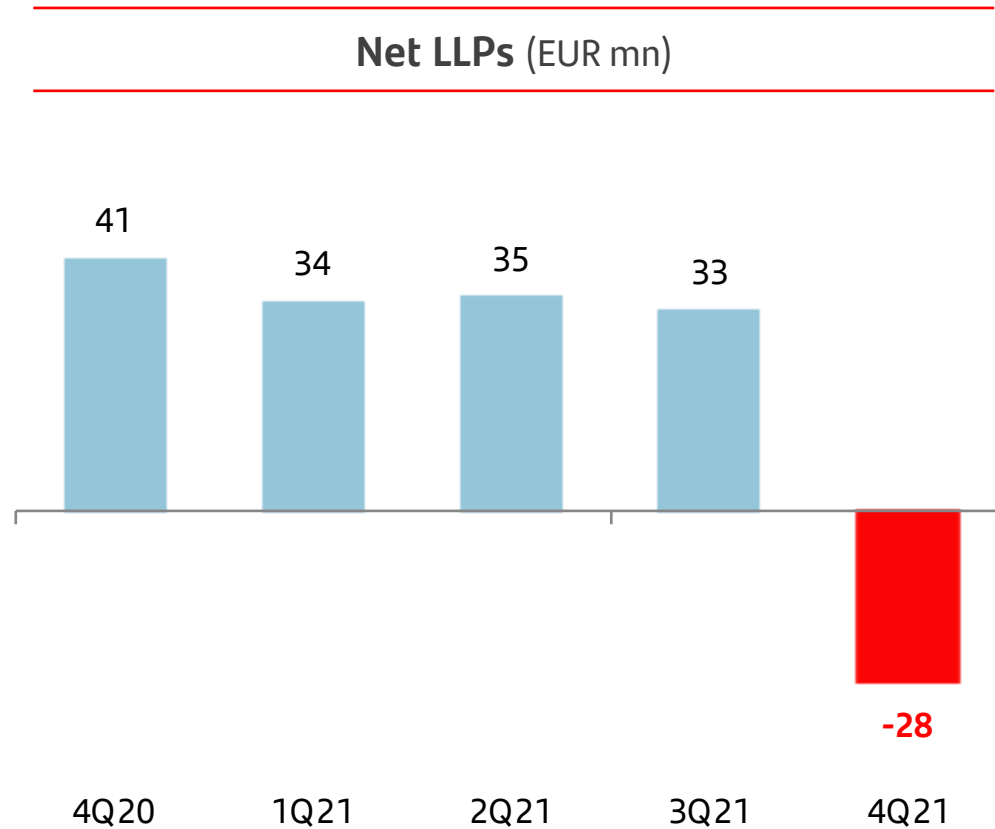
Operating expenses declined 8% in 2021, aligned with the ongoing optimization and digital transformation plans

Operating expenses (EUR mn)



	2021	2020	YoY (%)	QoQ (%)
Operating Expenses	529	577	-8.4	-22.5
Efficiency ratio (with amortisations)	40.1%	45.0%	-4.9pp	-8.0pp
Branches in Portugal (#)	348	427	-79	-2
Employees in Portugal (#)	4,805	5,980	-1,175	-634

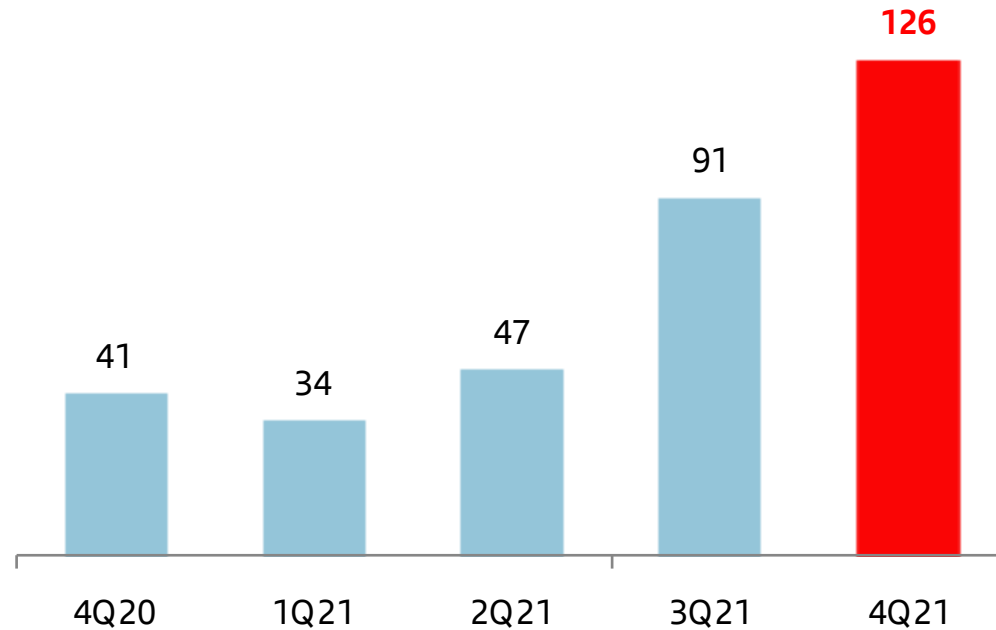
Asset quality continued to improve, LLPs fell by 60.8% YoY following Q4 releases



	2021	2020	YoY (%)	QoQ (%)
Net Operating Income	787	694	+13.4	+345.2
LLPs	-74	-188	-60.8	-
Net Operating Income after LLPs	713	506	+40.9	+2318.8
NPE ratio	2.3%	2.6%	-0.4pp	-0.0pp
NPE coverage ratio	81.0%	72.3%	+8.8pp	-2.3pp
Cost of Credit ⁽¹⁾	0.17%	0.45%	-0.3pp	-0.2pp

Underlying attributable profit increased 1% YoY, reflecting our top operating performance and the reduction in the cost of credit

Attributable profit (EUR mn)



	2021	2020	YoY (%)	QoQ (%)
Profit before taxes	435	405	+7.3	+31.4
Taxes and MI	-136	-109	+24.6	+19.4
Attributable Profit	298	296	+0.9	+38.3

Santander Portugal volumes supported by mortgages and corporates. Efficiency benefitted from the transformation process, while asset quality improved

Financial System

- ▶ Economic activity continued expanding at a solid pace in Q4'21, despite some restrictive measures to control the pandemic being introduced during the Christmas and New Year period
- ▶ Resilient loan growth, with new mortgage origination at its highest level since 2007
- ▶ Deposits continued to grow, aligned with the higher household savings rate (11.3% in Q3'21 – highest since the 2000s), and despite some diversification into off-balance resources

Strategy & Business

- ▶ Santander Portugal maintained its support to households and companies, with market shares in new lending to corporates and mortgages over 20% in Q4'21, sustaining its strong position as the largest privately-owned bank in Portugal by loans. Growth in funds, with a focus on diversification of household funds into off-balance products
- ▶ Santander Portugal remained focused on its digital transformation process, including continuous delivery on digital channels and simplification of internal processes and commercial offering, to provide first class business to customers
- ▶ Sound capital and liquidity, 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

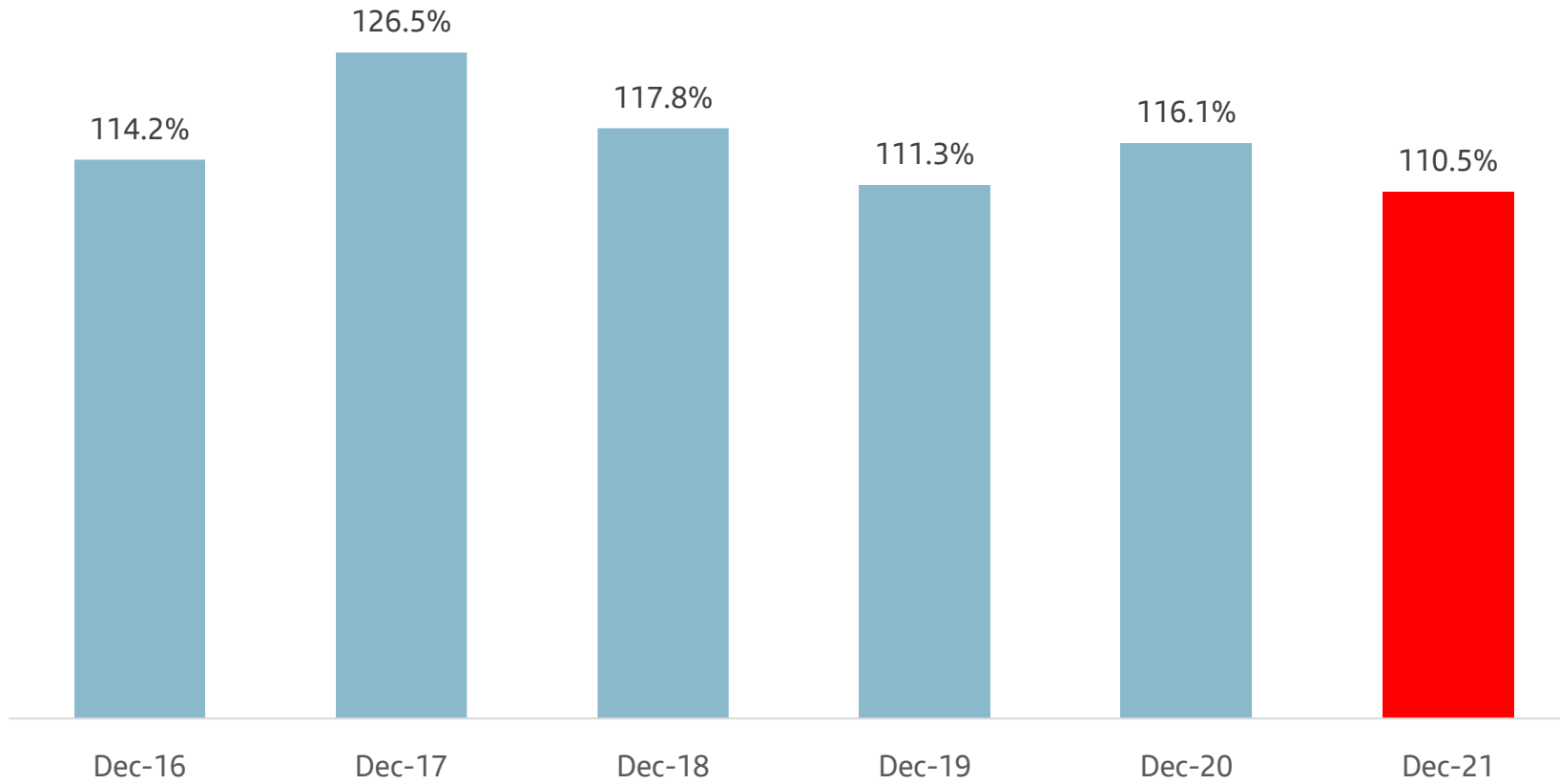
- ▶ Higher customer revenue led by strong growth in net fee income, driven by improved commercial activity and customer transactionality, which more than offset the reduction in NII
- ▶ The transformation process contributed to simplify the bank and bring down operating costs
- ▶ LLPs declined 60.8% YoY, as better asset quality allowed a partial release of provisions in Q4'21
- ▶ Attributable profit increased 0.9% YoY reflecting one-off charges relating to the transformation program

Financial and liquidity management

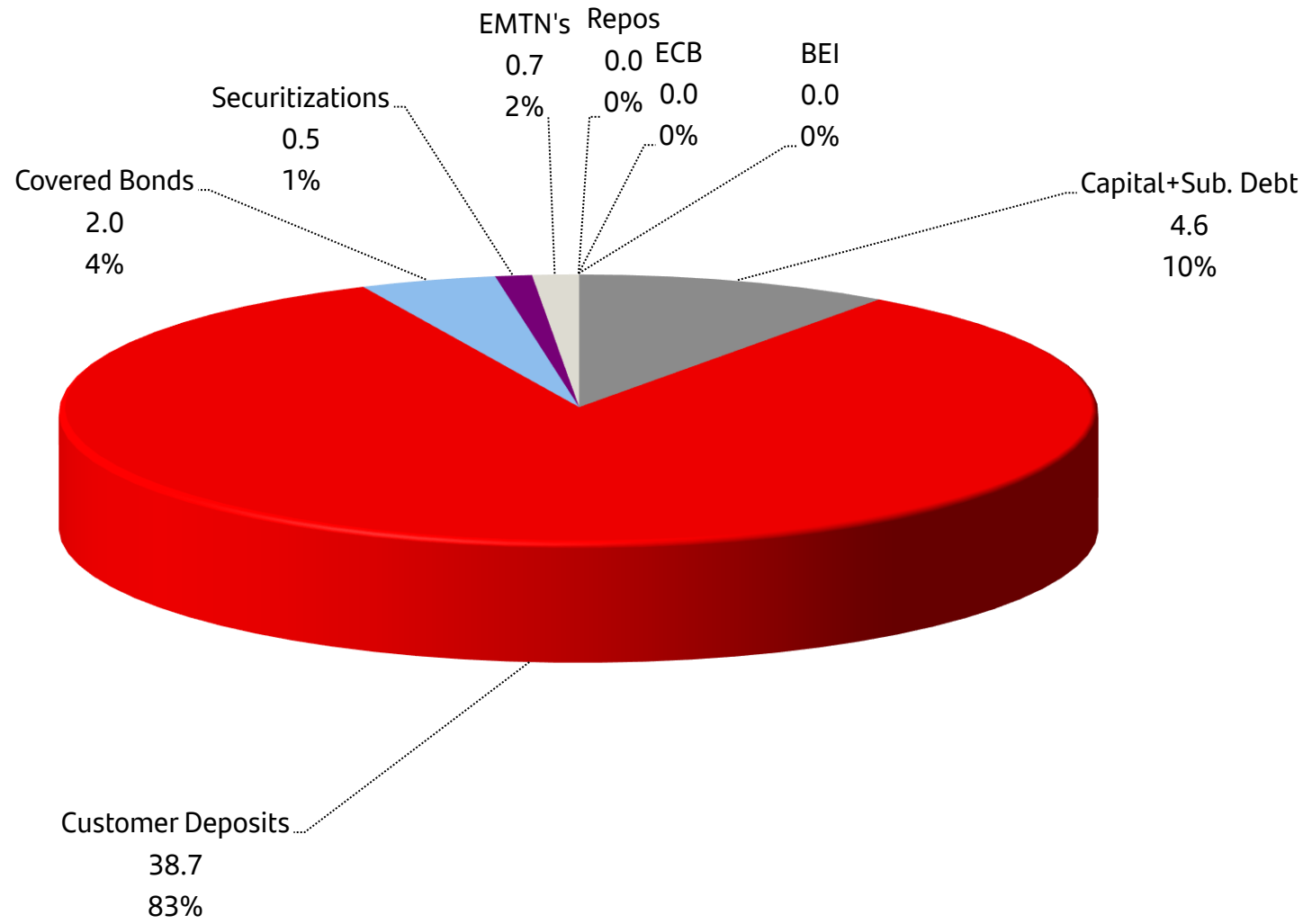


04

Loans to Deposit Ratio

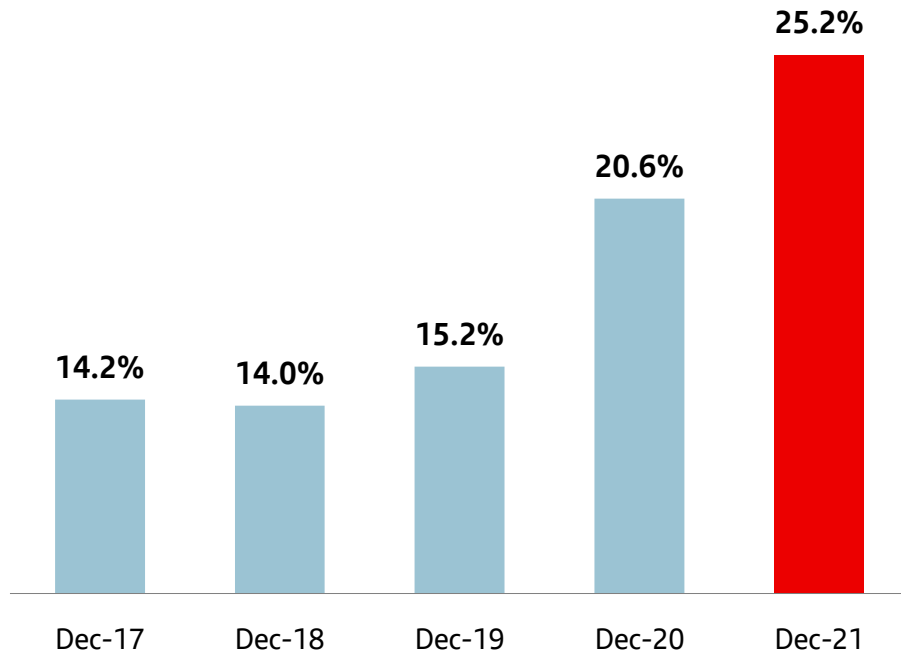


Funding structure

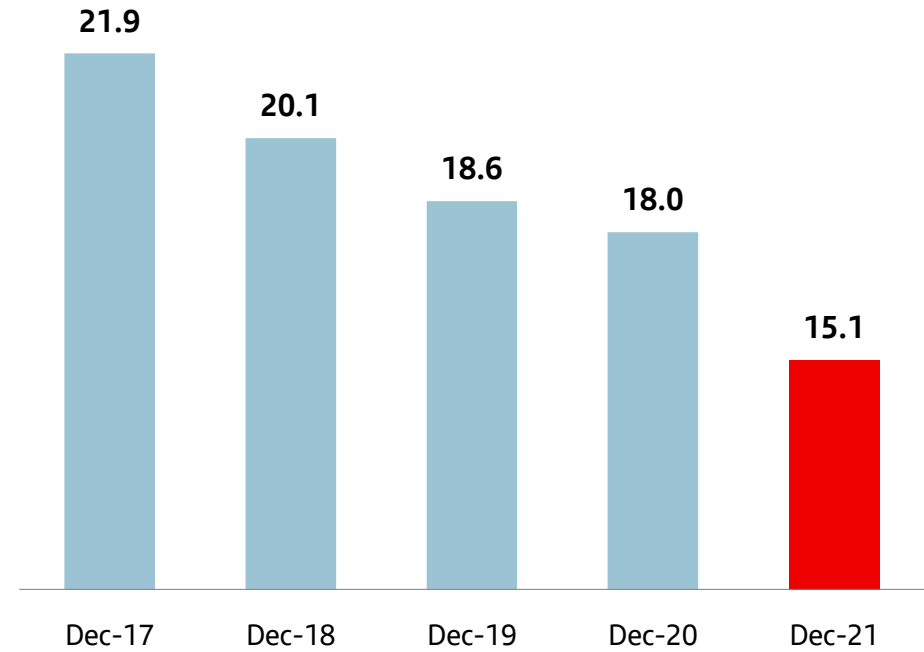


As of Dec/21

CET 1 – full implemented



RWA (bn€)



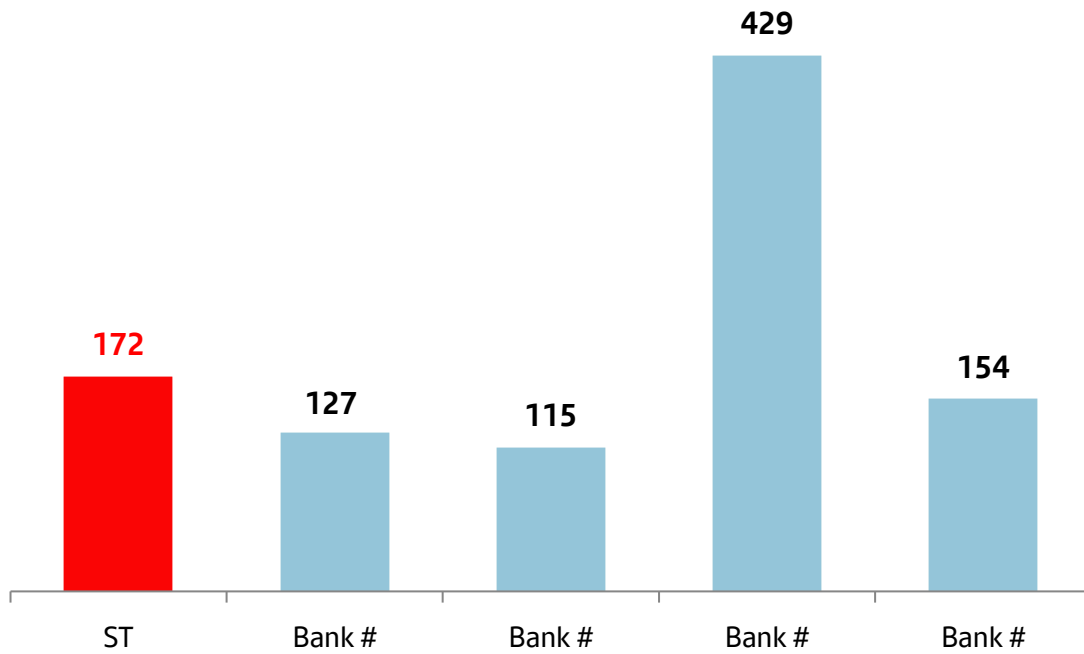
Benchmarking



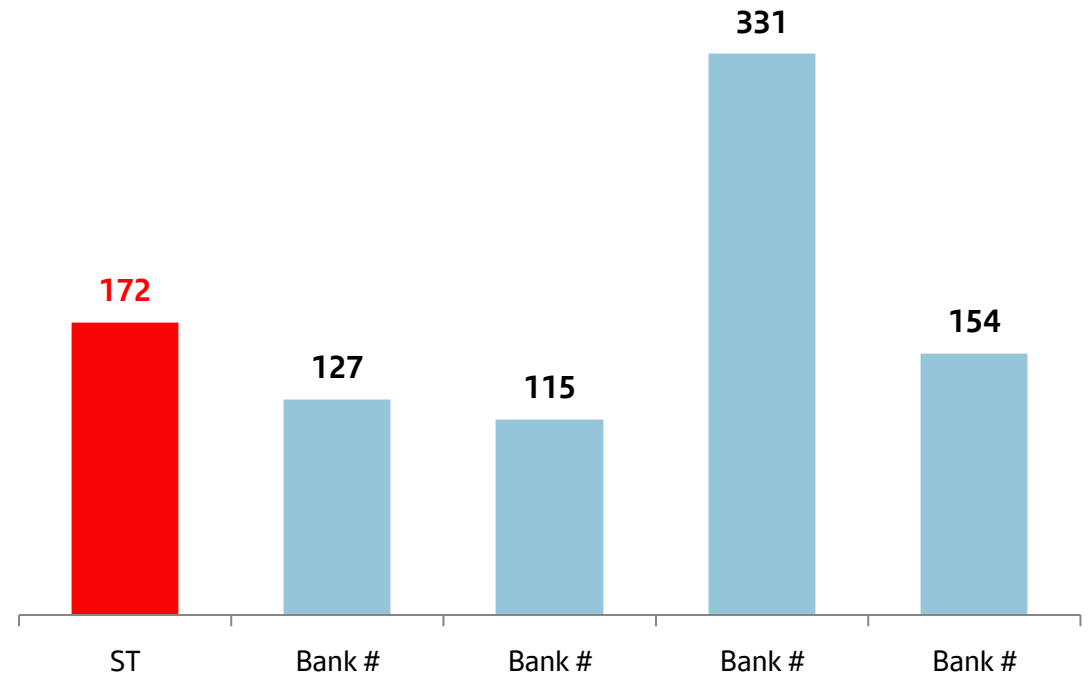
05

Resilient and sustained profitability

Net Income – Consolidated (M€)

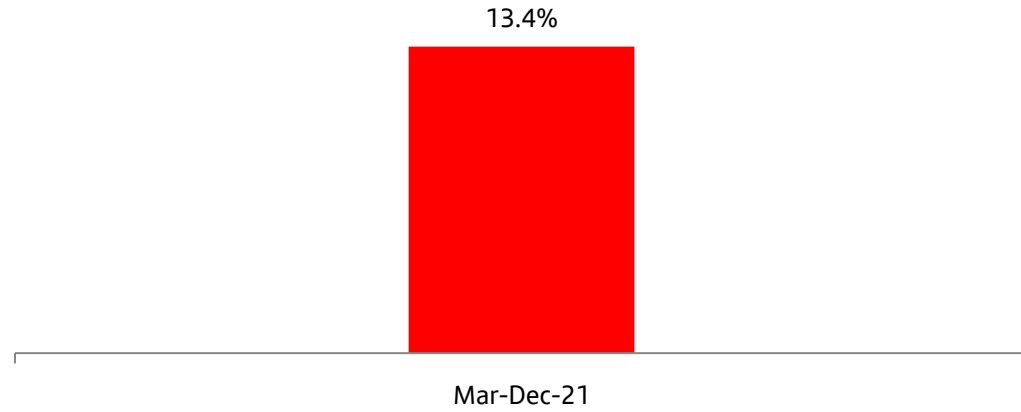


Net Income – Domestic (M€)

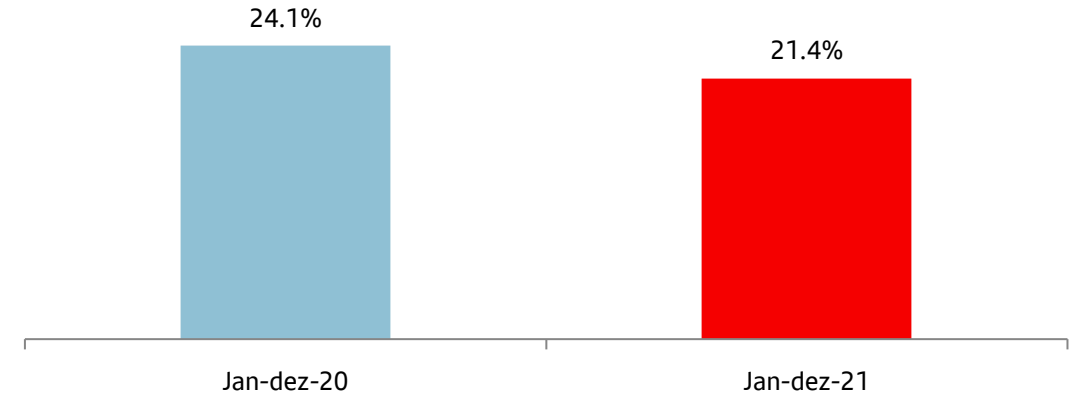


As at Dec/21

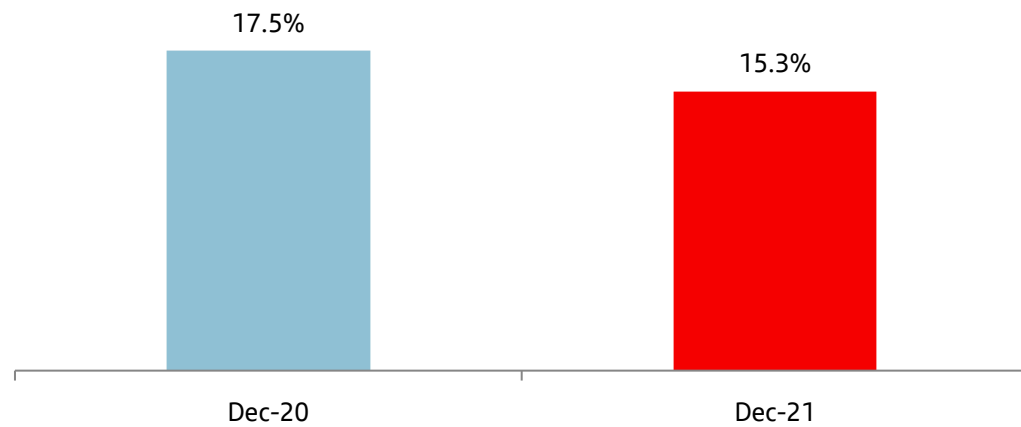
Corporates – New Production¹



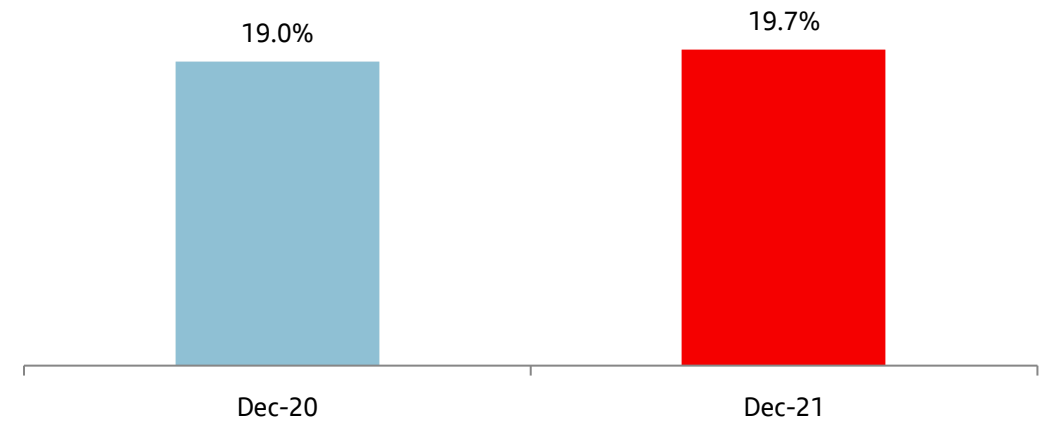
Mortgages – New Production



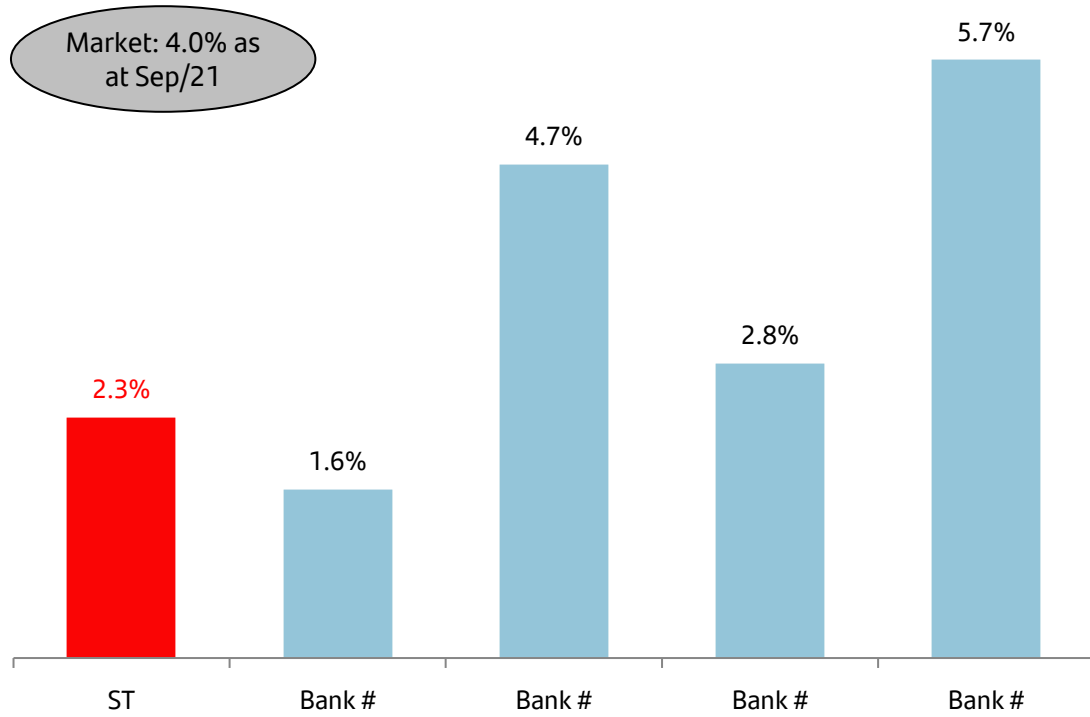
Corporates – Stock



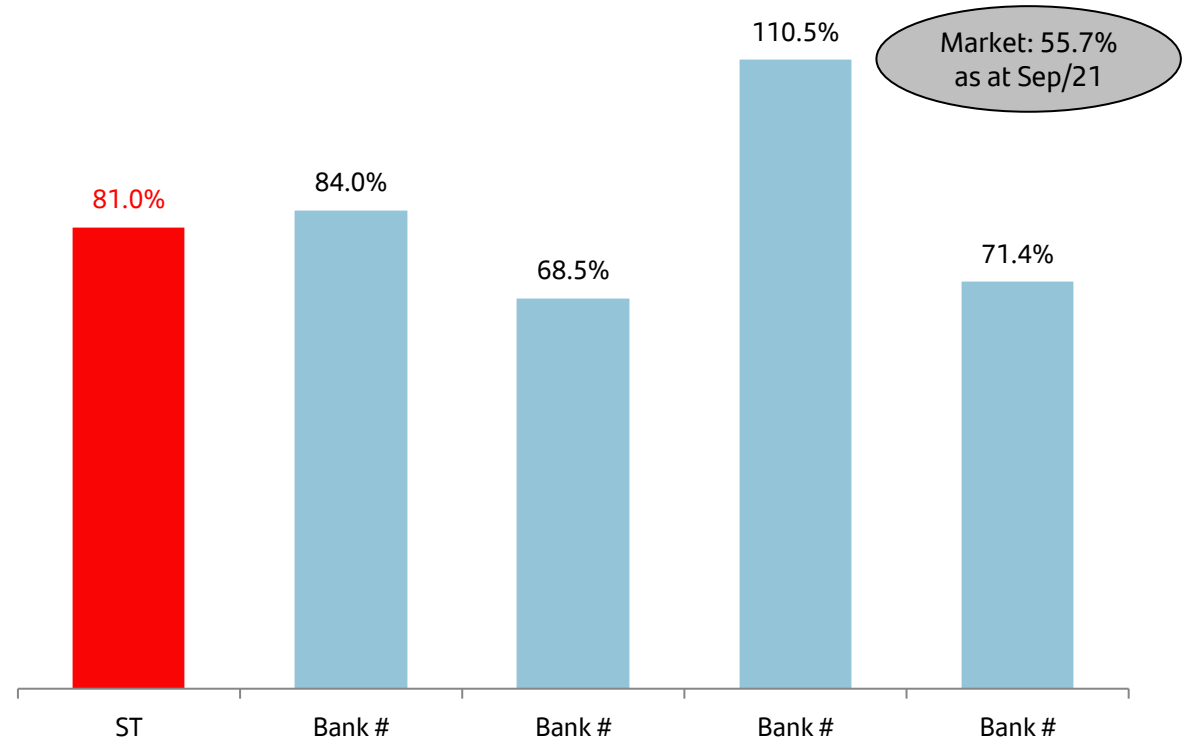
Mortgages – Stock



NPE Ratio

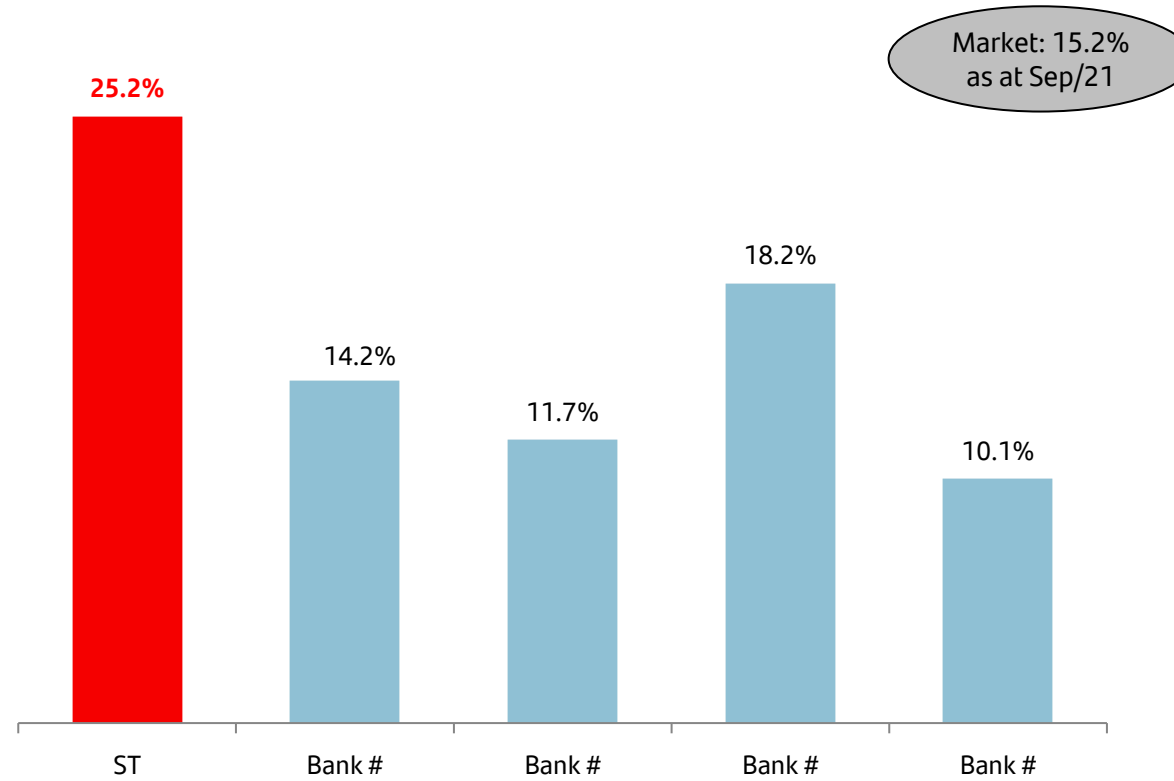


NPE Coverage Ratio



As at Dec/21

CET 1 (full implemented)





As at Dec/21



DBRS

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



Fitch

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

Moody's

Baa2	 Bank 1 Bank 3 
Baa3	
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)	Dec-21	Dec-20	Var.
Cash, cash balances at central banks and other demand deposits	8,719	4,544	+91.9%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	9,877	12,554	-21.3%
Financial assets at amortised cost	40,384	39,833	+1.4%
Investments in subsidiaries, joint ventures and associates	107	131	-18.1%
Tangible assets	498	585	-14.9%
Intangible assets	36	39	-8.8%
Tax assets	313	394	-20.6%
Non-current assets held for sale	75	51	+45.6%
Other assets	177	199	-11.1%
Total Assets	60,185	58,330	+3.2%
Financial liabilities held for trading	571	921	-38.0%
Other financial liabilities mandatory at fair value through profit or loss	3,344	3,261	+2.5%
Financial liabilities at amortised cost	49,618	47,053	+5.5%
Resources from Central Banks and Credit Institutions	7,754	8,279	-6.3%
Customer deposits	38,462	36,001	+6.8%
Debt securities issued	3,180	2,561	+24.2%
Of which: subordinated debt	8	8	+0.0%
Other financial liabilities	222	212	+4.7%
Provisions	209	240	-12.8%
Technical provisions	677	711	-4.8%
Tax liabilities	357	391	-8.6%
Other liabilities	783	1,033	-24.2%
Total Liabilities	55,560	53,610	+3.6%
Share capital attributable to ST SGPS shareholders	4,623	4,719	-2.0%
Non controlling interests	2	2	+2.1%
Total Shareholders' Equity	4,625	4,720	-2.0%
Total Shareholders' Equity and Total Liabilities	60,185	58,330	+3.2%

Santander Totta, SGPS

Income Statement* (million euros)	Dec-21	Dec-20	Var.
Net interest income (without dividends)	729.6	786.6	-7.2%
Dividends from equity instruments	1.5	1.7	-11.4%
Net interest income	731.2	788.4	-7.3%
Results from Associates	15.7	14.6	+8.0%
Net commissions	426.6	373.2	+14.3%
Other banking income	-26.8	-26.0	+3.3%
Insurance activity	16.2	17.2	-5.8%
Gain/loss on financial transactions	155.3	114.7	+35.4%
Operating income	1,318.1	1,282.1	+2.8%
Total operating expenses	(528.7)	(577.2)	-8.4%
Personnel expenses	(282.1)	(324.4)	-13.0%
General expenses	(196.9)	(200.4)	-1.7%
Depreciation	(49.7)	(52.4)	-5.1%
Net operating income	789.4	704.8	+12.0%
Impairment of financial assets at amortised cost	(73.5)	(187.6)	-60.8%
Net provisions and other results	(281.2)	(112.2)	+150.6%
Income before taxes and MI	434.6	405.0	+7.3%
Taxes	(136.3)	(109.3)	+24.6%
Minority interests	(0.1)	(0.1)	+3.5%
Consolidated net income	298.2	295.6	+0.9%

(*) 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