



Portugal



9M'21

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.

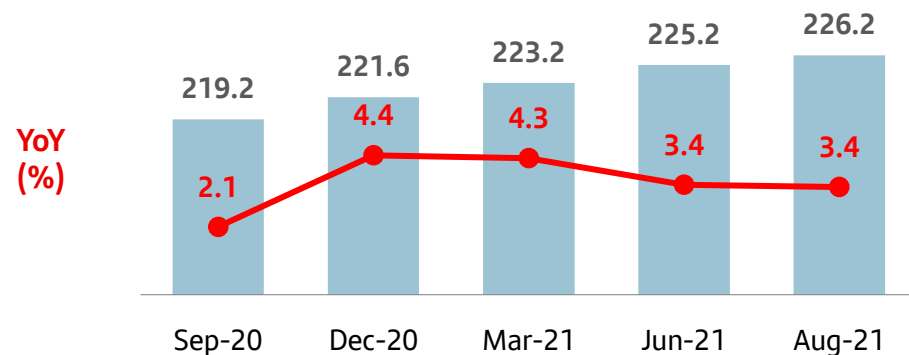
# Macroeconomic environment and financial system



01

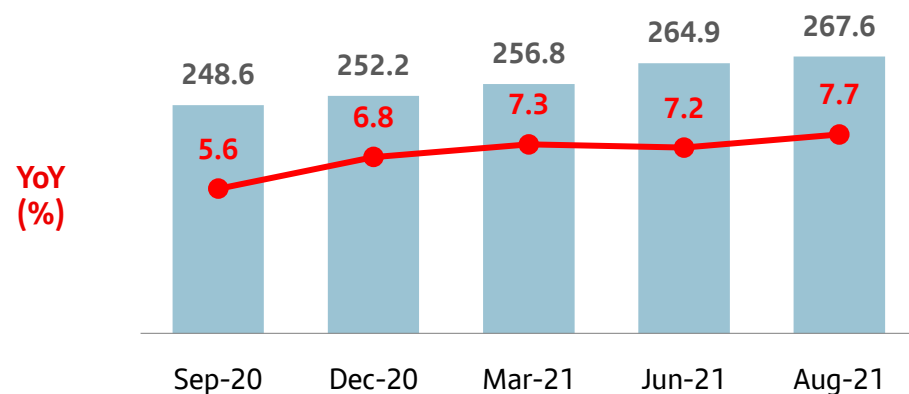
## Credit dynamics underpinned by strong new originations, especially for mortgages. Deposits reflect the historically high household savings rate.

**Total loans** (EUR bn)



- ▶ Loans grew on a yearly basis due to the policy measures implemented, credit lines with state guarantees for the corporate sector and moratoria on loans to households and corporates (which ended in September 2021)
- ▶ In 2021, mortgage production recorded its highest level since 2008

**Total deposits** (EUR bn)














- ▶ The pandemic resulted in a significant increase in the savings rate to 11.5% of disposable income in Q2'21, the highest since the 2000s
- ▶ As a result, 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 <sup>1</sup>	EUR 40.5 bn	+2.6%
 Customer Deposits <sup>2</sup>	EUR 37.9 bn	+4.5%
 Attributable profit	EUR 172.2 mn	-32.3%
 Underlying RoTE	11.2%	+2.7 pp
 Efficiency ratio	41.1%	-350 bps
 Loans market share <sup>3</sup>	17.9%	-2 bps
 Deposits market share <sup>3</sup>	14.5%	-82 bps
 Loyal customers	845 k	+5.5%
 Digital customers	980 k	+8.6%
 Branches <sup>4</sup>	350	-22.2%
 Employees <sup>4</sup>	5,439	-10.5%

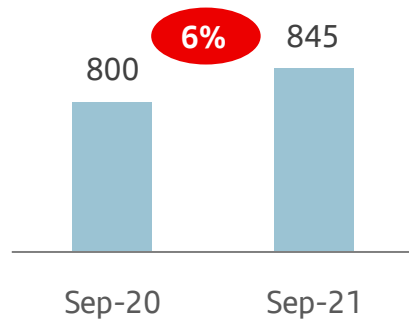


## STRATEGIC PRIORITIES

- ▶ 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

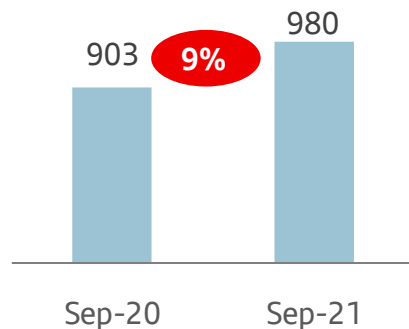
# Improving customer loyalty underpinned by the ongoing digital transformation

## Loyal customers (k)



Loyal / Active: 50% (+3 pp YoY)

## Digital customers (k)



Digital sales / total<sup>1</sup>: 58% (+19 pp YoY)

- ▶ The commercial and digital transformation process aimed at providing first class service to customers continues to support loyalty growth (+6% YoY), both in:
  - ▶ Loyal individuals (+4% YoY)
  - ▶ and in the corporate segment (+21% YoY)
- ▶ 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 980 k (+9% YoY) by the end of Q3'21
  - ▶ Digital sales represent 58% of total sales, an increase of 19 pp YoY
- ▶ Mobile customers up 22% YoY

# Retail and digital services

## Awards – 2021



Best Bank for Financial Inclusion



Safest Bank in Portugal, by Global Finance

## Individuals



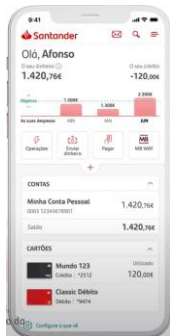
Santander Boutique continued to expand its offer of products. Customer can apply immediately for a loan, with flexibility in terms of its payment plan

## Corporates



“Together we promote the Recovery”  
Santander is working closely with its corporate customers to provide them with the best financial solutions to boost their investments eligible for the European financing under the Programmes “Portugal 2020”, “PRR- Recovery and Resilience Plan” and “Portugal 2030”

## Digilosofia



Santander in Portugal released a new mobile app, which offers a more personalized, simpler and secure experience. It materializes the common vision and strategy of 4 European countries where Santander operates

## Insurance



Seguro Financeiro Future Wealth



Seguro Financeiro Equilibrado



Seguro Financeiro Ações Crescimento



Seguro Financeiro Casa-Reforma

Wide-range offer of open financial insurance products, which combine savings and protection products.

## Responsible banking



Santander Universities in Portugal since 2013:

- More than 12,500 scholarships
- More than EUR 50 mn in investments
- Approx. 50 agreements with Portuguese Universities



## 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** people<sup>1</sup> since 2019

#### Supporting society

**>84 k** people helped in H1'21      **>1.1k** scholarships in H1'21

**Support line** for social sector

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

**150** blood collections

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



### Governance: doing business the right way

#### A strong culture

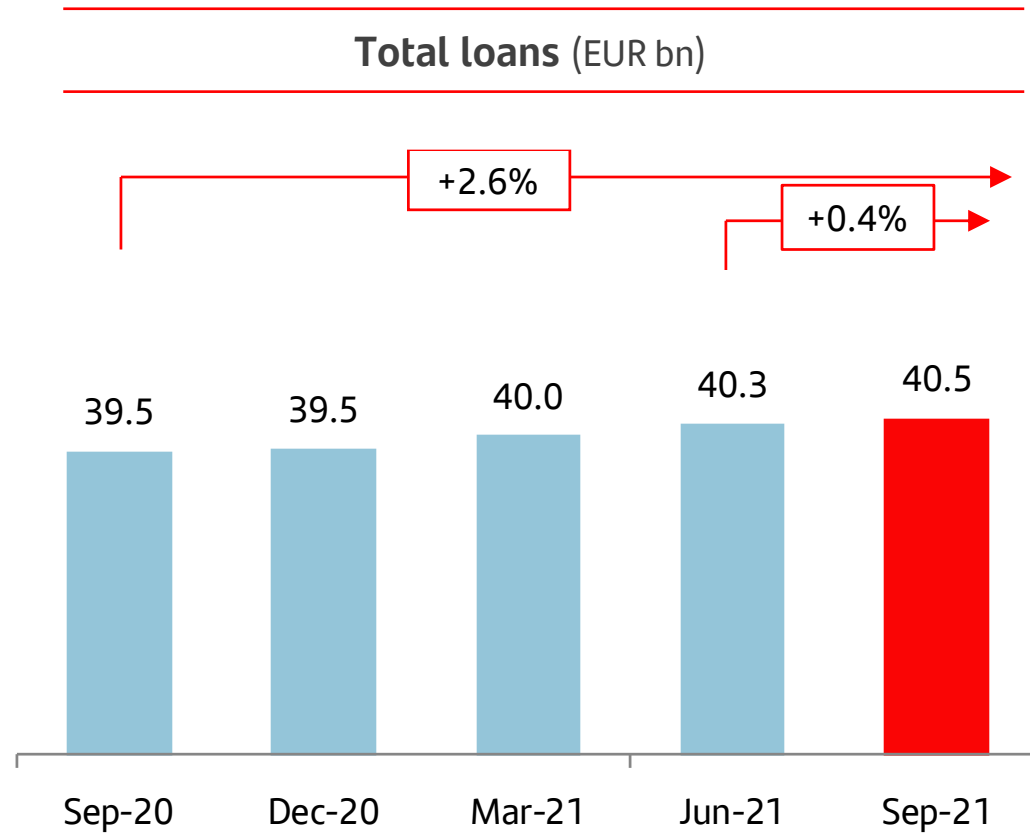
Simple, Personal, Fair

**Family-Responsible Company** – certificate of excellence efrA.

#### An independent, diverse Board

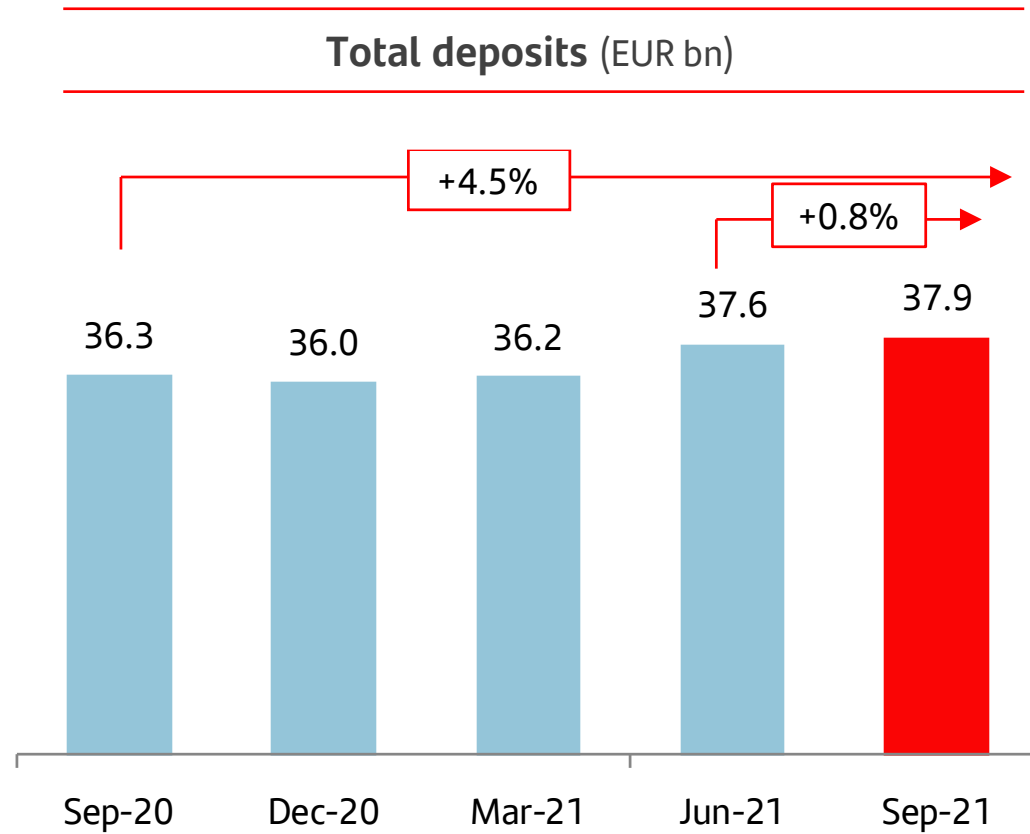
**43%** women on the Board

# Sustained loan growth, especially in mortgages, SMEs and CIB, underpinned by strong new lending volumes



Loans at amortised cost (Eur bn)	Sep-21	YoY (%)	QoQ (%)
<b>Individuals</b>	<b>23.7</b>	<b>+5.2</b>	<b>+1.5</b>
Mortgage	21.6	+5.9	+1.7
Consumer and other	2.1	-1.8	+0.2
<b>Corporates</b>	<b>16.5</b>	<b>-0.5</b>	<b>-0.7</b>

# Customer funds increased 7% YoY, with significant diversification into mutual funds



	Sep-21	YoY (%)	QoQ (%)
<b>Deposits</b>	<b>37.9</b>	<b>+4.5</b>	<b>+0.8</b>
<b>Off Balance Sheet Resources</b>	<b>8.3</b>	<b>+18.3</b>	<b>+3.7</b>
Investment Funds	4.2	+39.7	+5.7
Insurance and other	4.1	+2.3	+1.8
<b>Total Customer Funds</b>	<b>46.2</b>	<b>+6.7</b>	<b>+1.3</b>

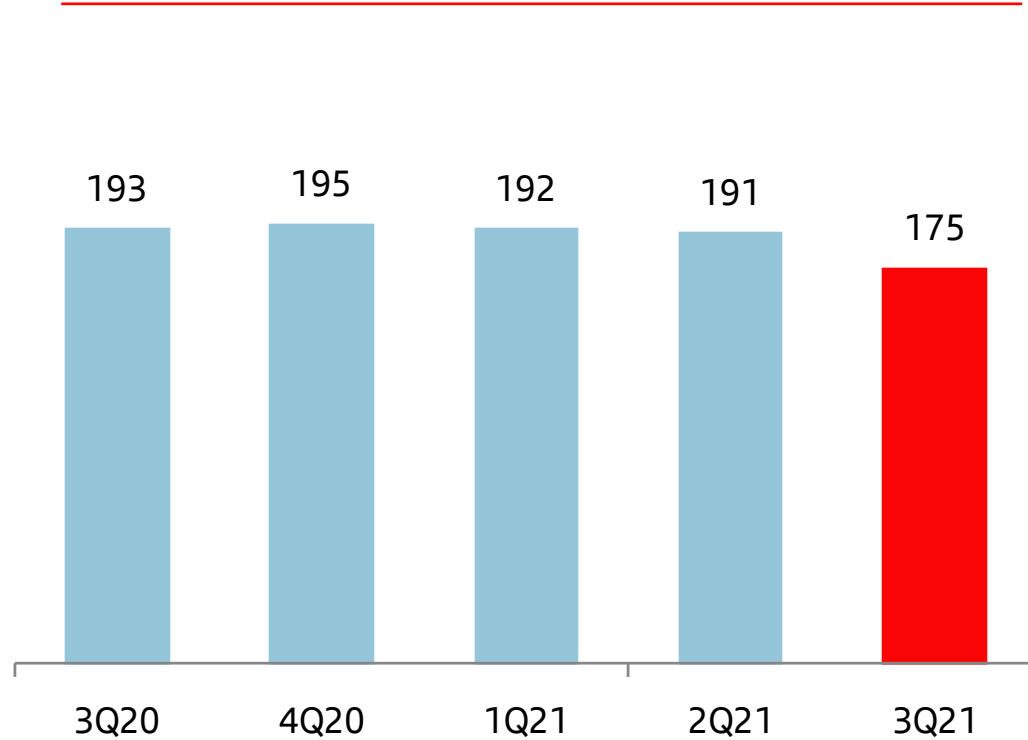
Results



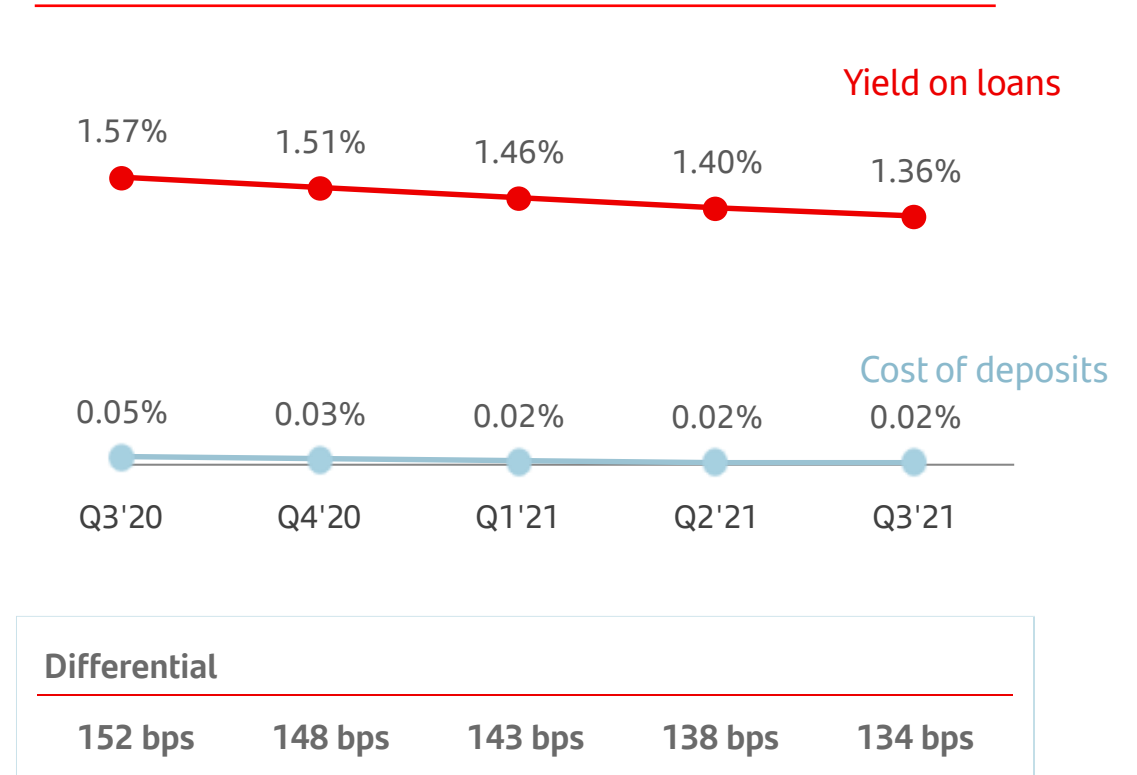
03

# NII continued to be impacted by the spread compression on loans and negative Euribor rates

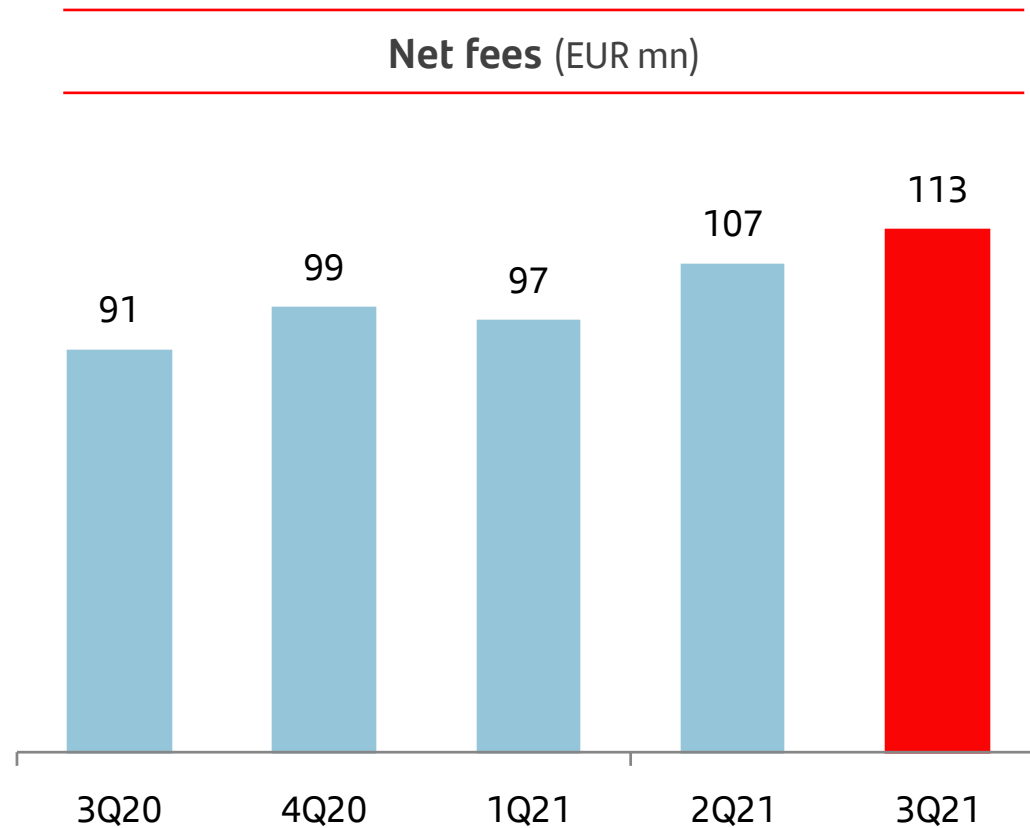
**Net interest income (EUR mn)**



**Yields and costs (%)**



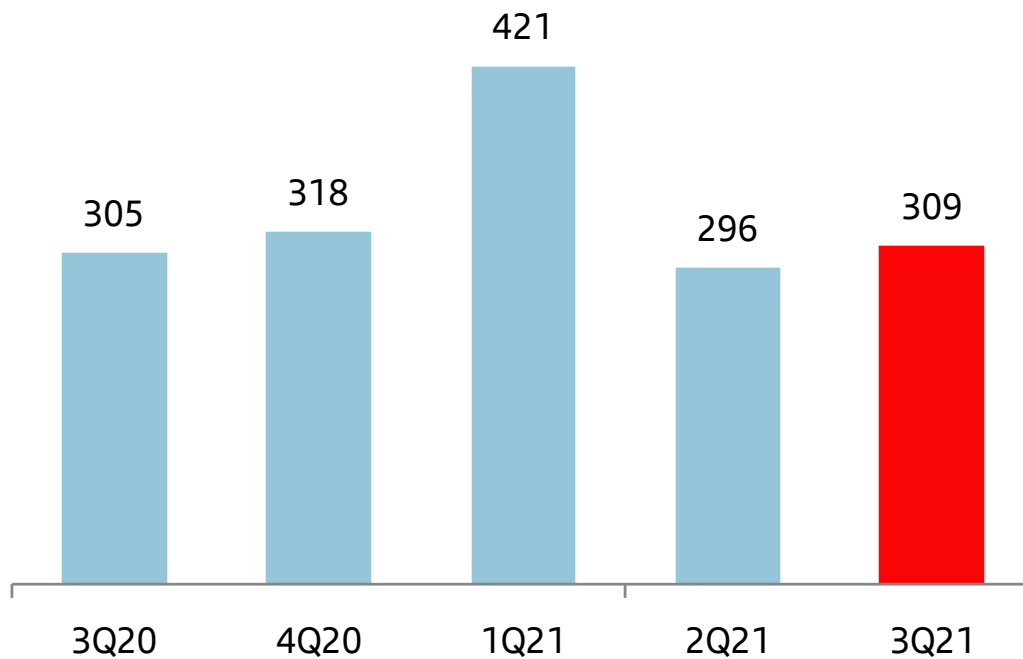
## Net fee income increased 15% YoY, supported by the economic recovery and higher customer transactionality



	9M'21	9M'20	YoY (%)	QoQ (%)
Credit	52	50	+5.0	-0.8
Credit cards	74	67	+10.6	-7.8
Mutual funds	27	22	+22.7	+6.2
Insurance	84	76	+11.0	+3.0
Other	79	60	+30.7	+29.0
<b>Total</b>	<b>316</b>	<b>274</b>	<b>+15.0</b>	<b>+5.7</b>

Total income increased 6% YoY, with customer revenue supported by net fee income growth more than offsetting the interest rate pressure on NII

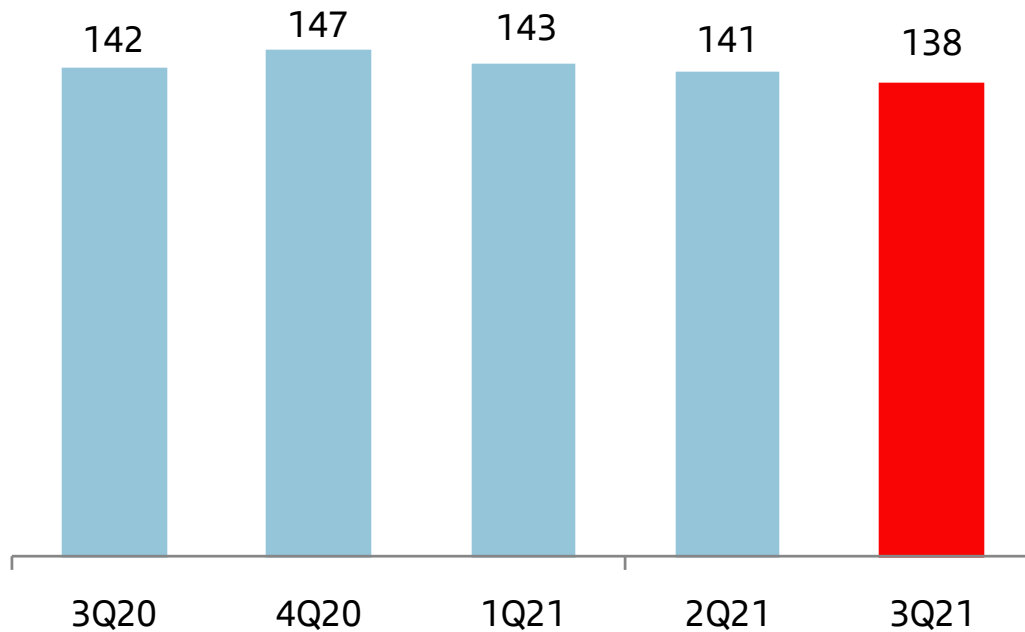
Total income (EUR mn)



	9M'21	9M'20	YoY (%)	QoQ (%)
Net interest income	559	592	-5.6	-8.3
Net Fees	316	274	+15.0	+5.7
<b>Customer revenue</b>	<b>874</b>	<b>866</b>	<b>+0.9</b>	<b>-3.3</b>
Other	151	98	+54.9	-204.9
<b>Total income</b>	<b>1,026</b>	<b>964</b>	<b>+6.4</b>	<b>+11.1</b>

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

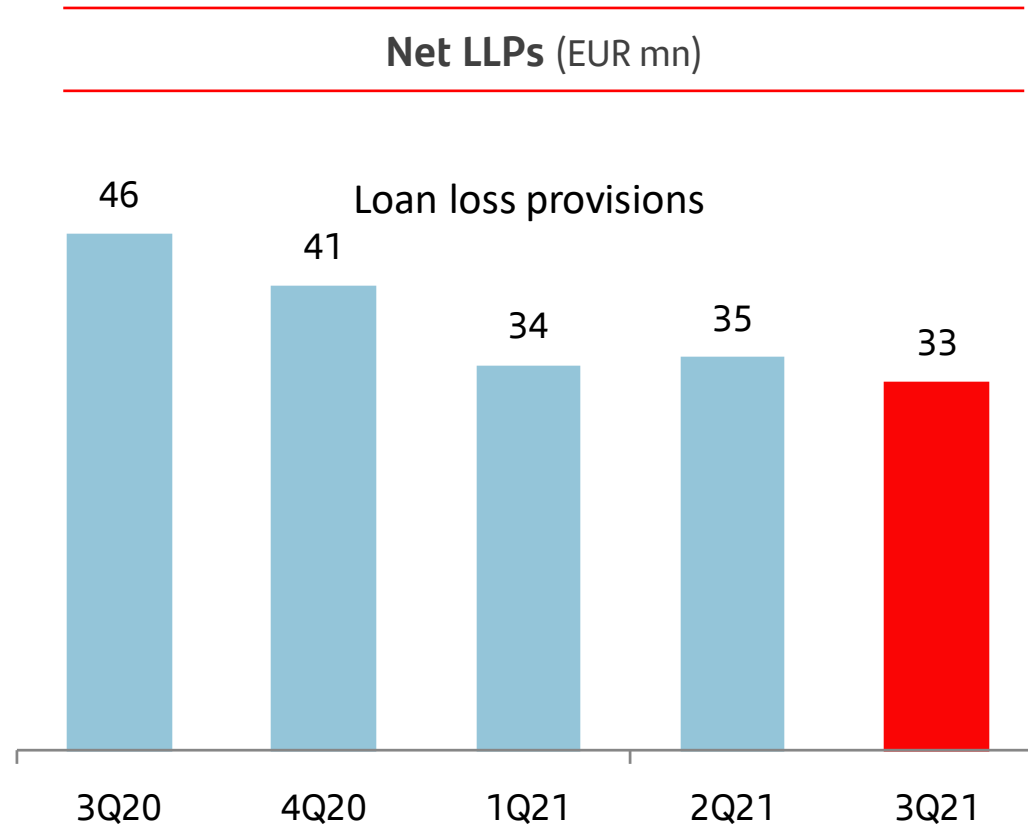
Operating expenses (EUR mn)



	9M'21	9M'20	YoY (%)	QoQ (%)
<b>Operating Expenses</b>	<b>422</b>	<b>430</b>	<b>-1.8</b>	<b>-2.2</b>
Efficiency ratio (with amortisations)	41.1%	44.6%	-3.5pp	-6.1pp
Branches in Portugal (#)	350	450	-100	-5,445
Employees in Portugal (#)	5,439	6,077	-638	-326



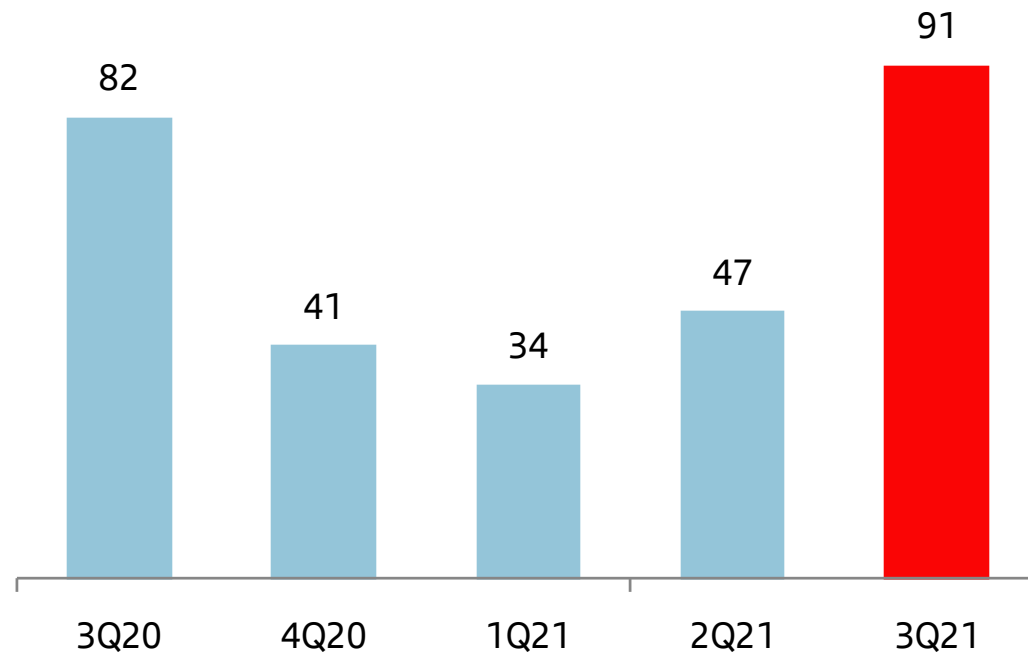
## LLPs fell by 31% YoY, with improving asset quality. The NPL ratio and the cost of credit continued to decline



	9M'21	9M'20	YoY (%)	QoQ (%)
<b>Net Operating Income</b>	<b>610</b>	<b>529</b>	<b>+15.3</b>	<b>+98.6</b>
LLPs	-101	-147	-30.8	-6.1
<b>Net Operating Income after LLPs</b>	<b>509</b>	<b>383</b>	<b>+32.9</b>	<b>+169.6</b>
NPE ratio	2.3%	2.8%	-0.5pp	-0.2pp
NPE coverage ratio	83.4%	69.2%	+14.1pp	+4.2pp
Cost of Credit <sup>(1)</sup>	0.33%	0.38%	-0.1pp	-0.0pp

## Attributable profit decreased 32% YoY, reflecting one-off charges relating to the transformation program

Attributable profit (EUR mn)



	9M'21	9M'20	YoY (%)	QoQ (%)
<b>Profit before taxes</b>	<b>247</b>	<b>349</b>	<b>-29.3</b>	<b>+123.2</b>
Taxes and MI	-75	-95	-21.1	+50.3
<b>Attributable Profit</b>	<b>172</b>	<b>254</b>	<b>-32.3</b>	<b>+209.5</b>

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

### Financial System

- ▶ Economic activity consolidation in Q3'21, as the economy reopened further. Domestic demand and exports of goods are the drivers behind the recovery, while tourism begins to recover, with the improving vaccination rates (85% of Portuguese population fully vaccinated in October)
- ▶ Resilient loan growth, with new mortgage origination at its highest level since 2008
- ▶ Deposits continued to grow, aligned with the higher household savings rate (11.5% in Q2'21 – highest since the 2000s)

### Strategy & Business

- ▶ Santander Portugal maintained its support to households and companies, with market shares in new lending to corporates and mortgages over 20% in Q3'21, 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 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
- ▶ LLPs declined YoY, as the NPL ratio maintained its downward trend
- ▶ Attributable profit decreased 32% YoY reflecting one-off charges relating to the transformation program

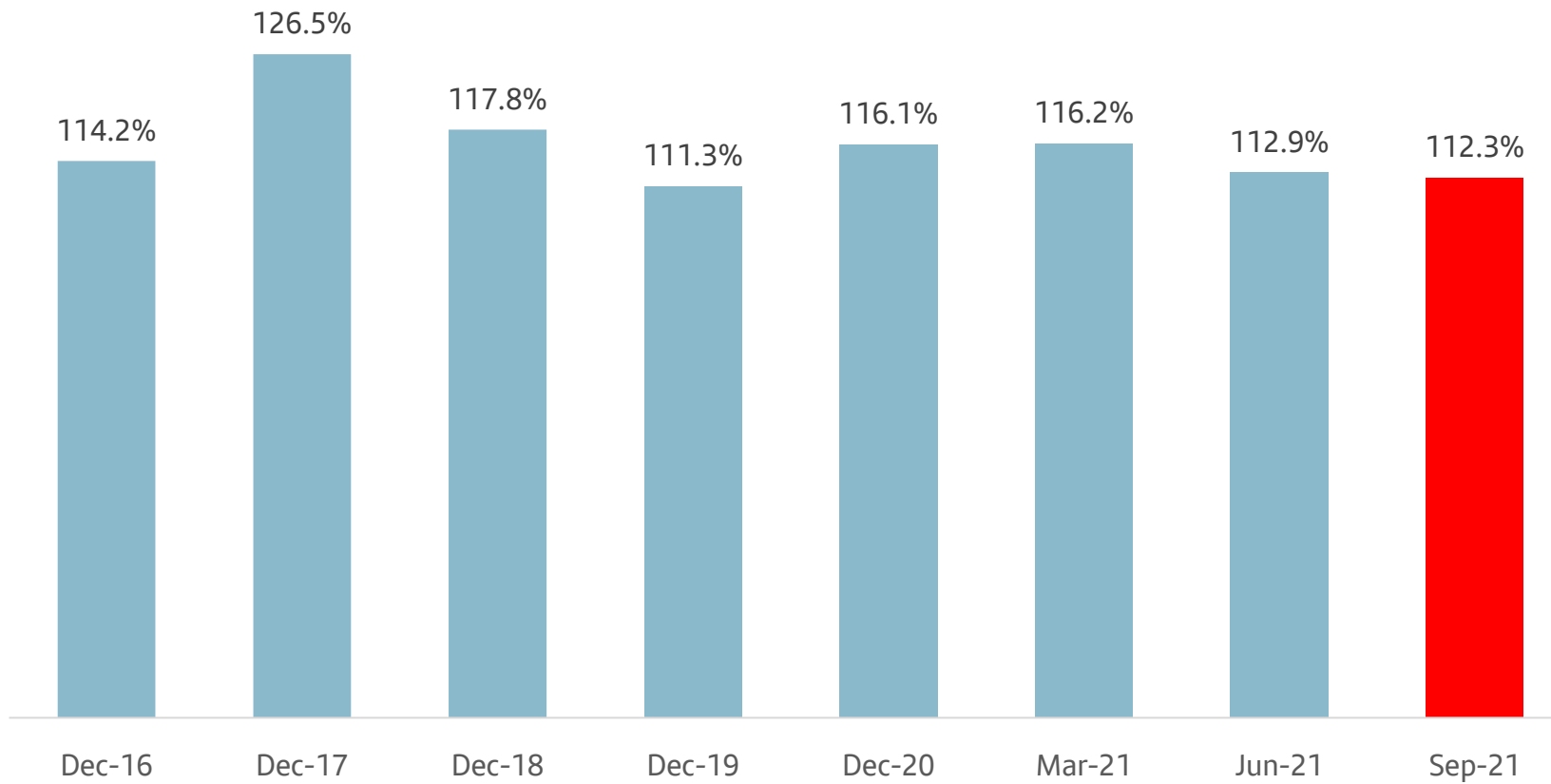
# Financial and liquidity management

04

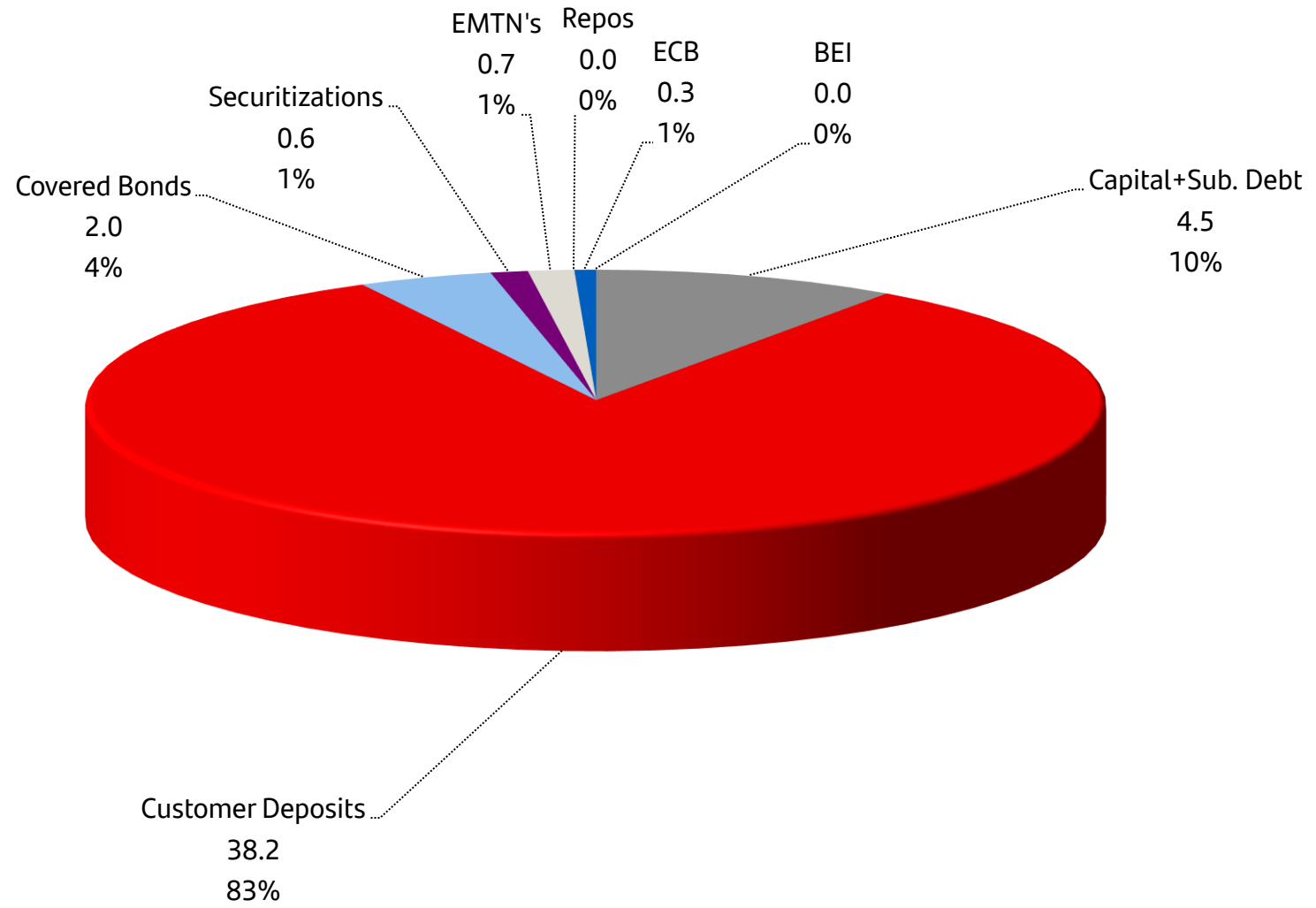
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### Loans to Deposit Ratio

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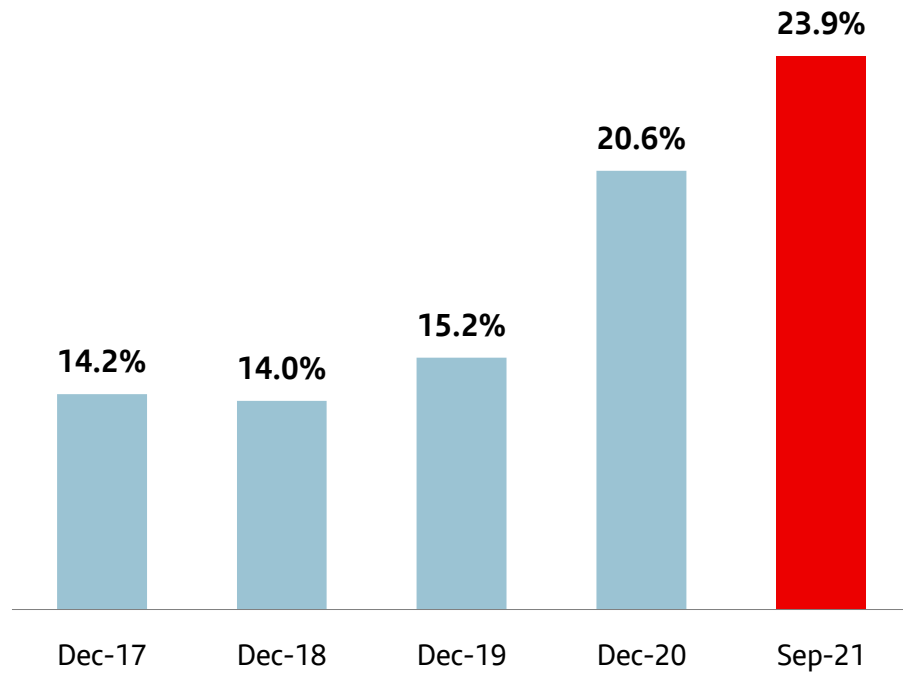


# Funding structure

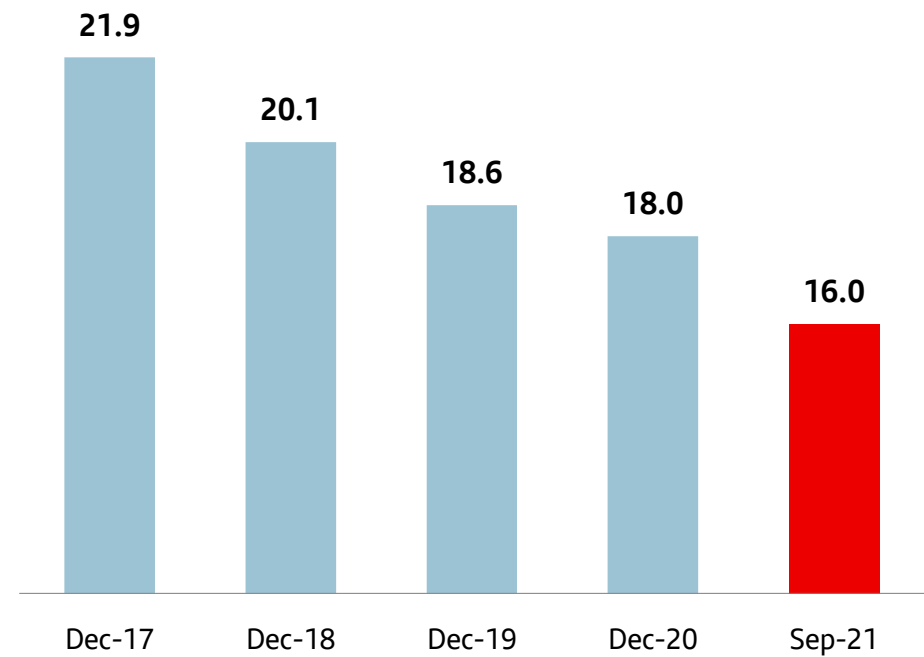


As of Sep/21

### CET 1 – full implemented



### RWA (bn€)



# Benchmarking

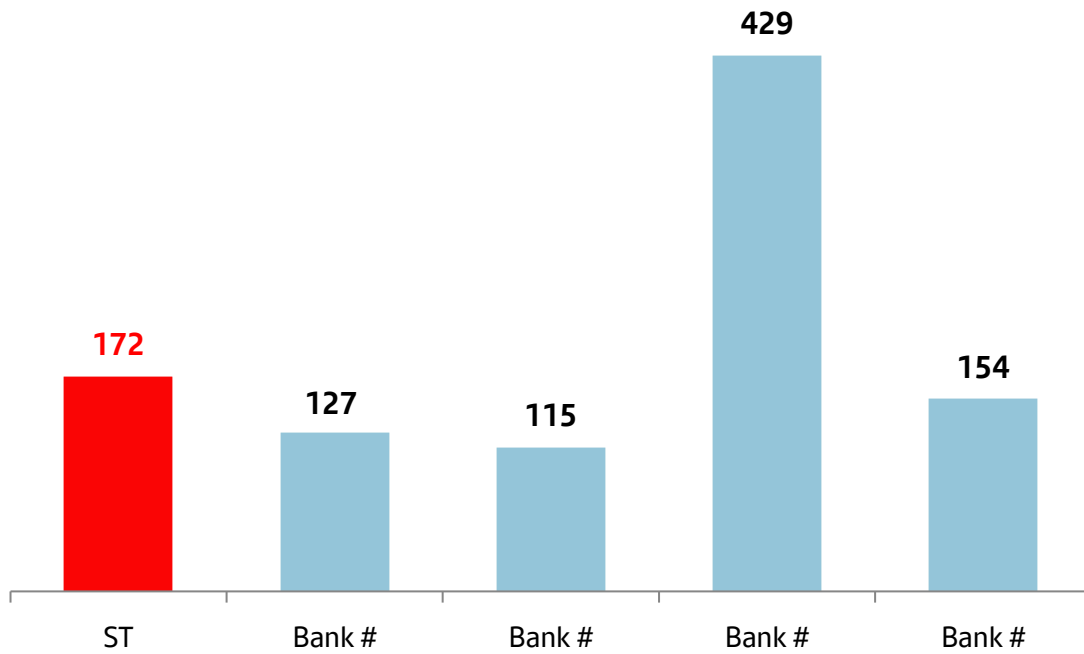


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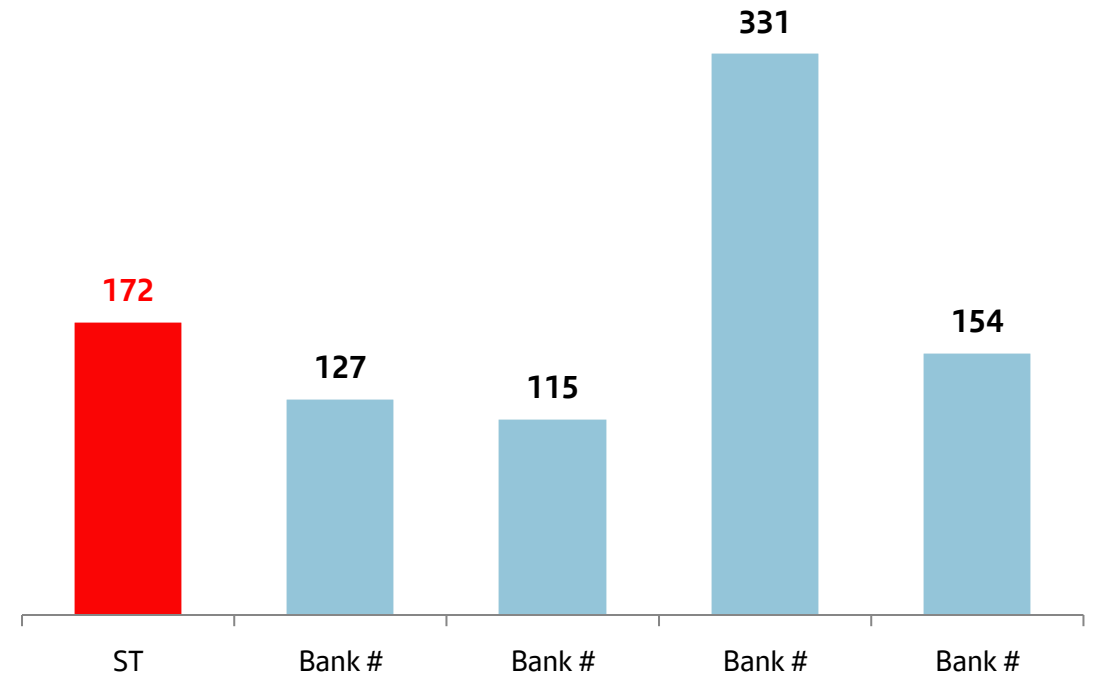


# Resilient and sustained profitability

Net Income – Consolidated (M€)

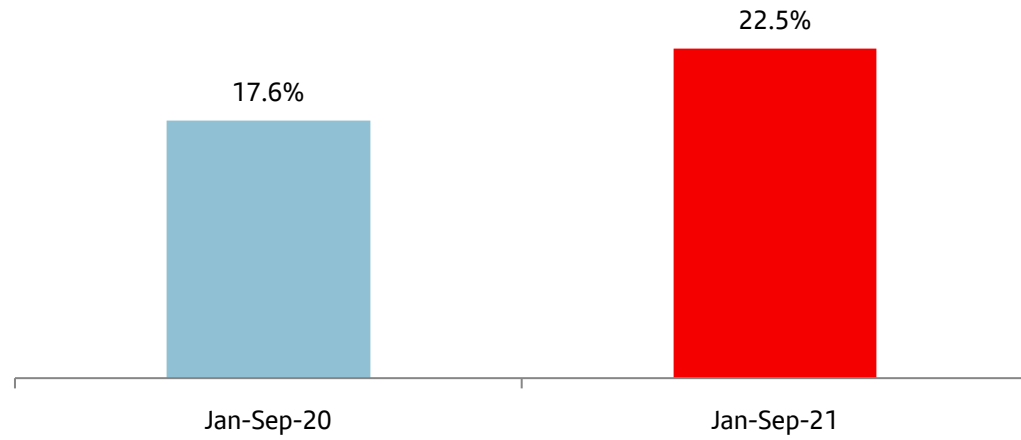


Net Income – Domestic (M€)

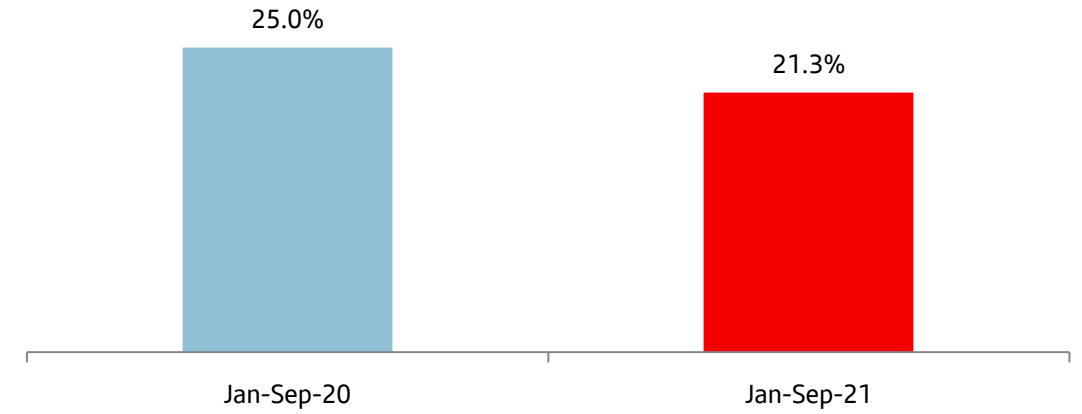


As at Sep/21

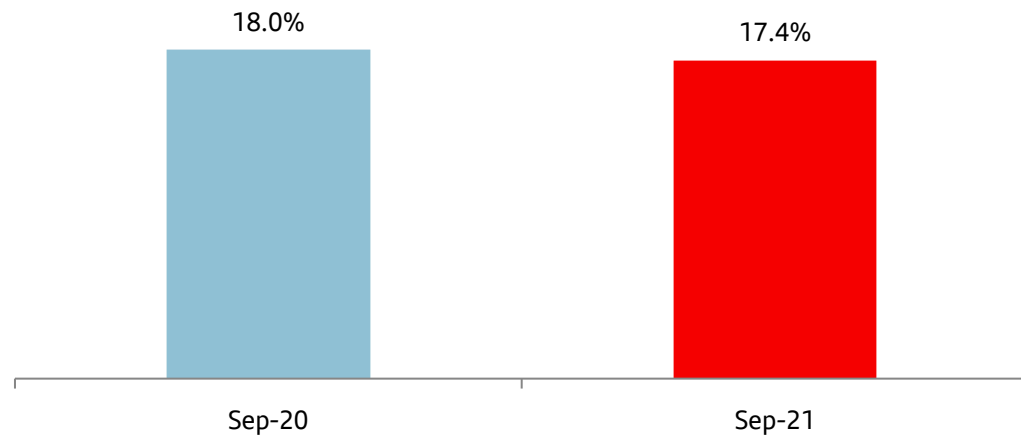
### Corporates – New Production



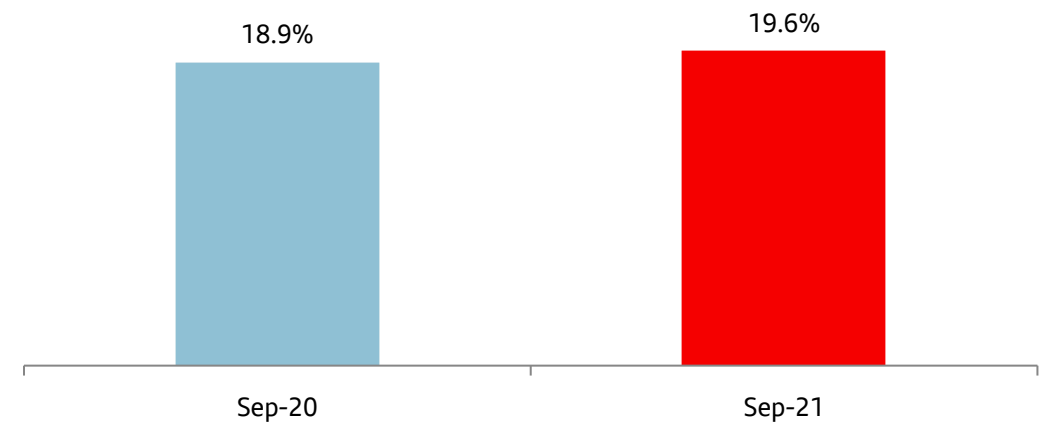
### Mortgages – New Production



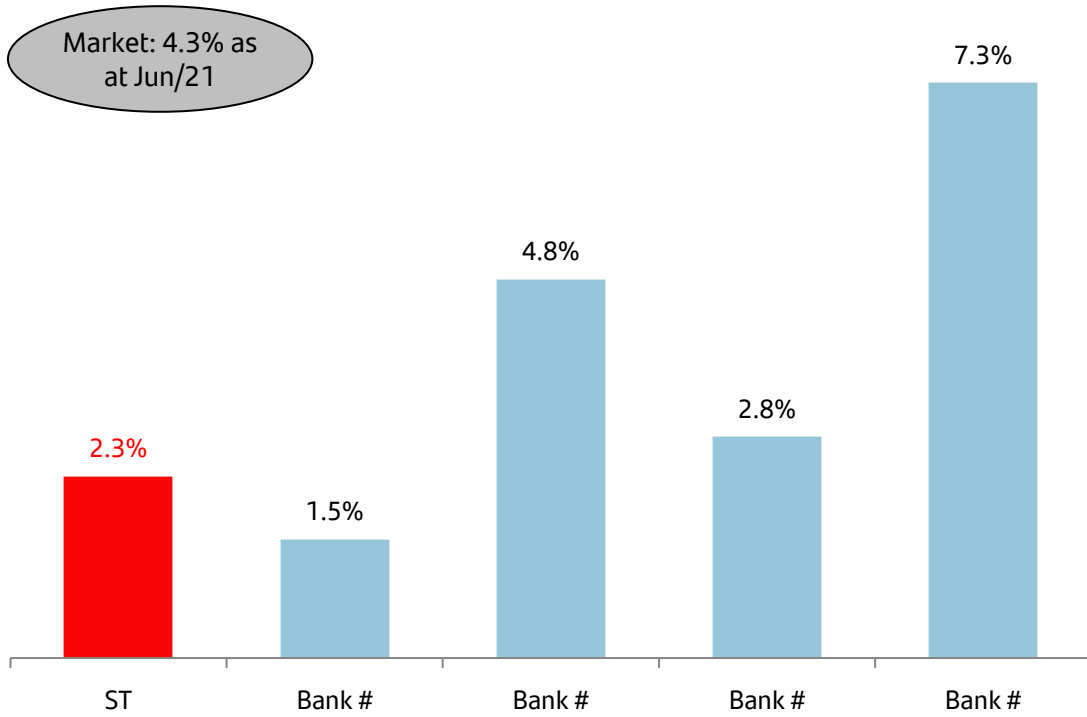
### Corporates – Stock



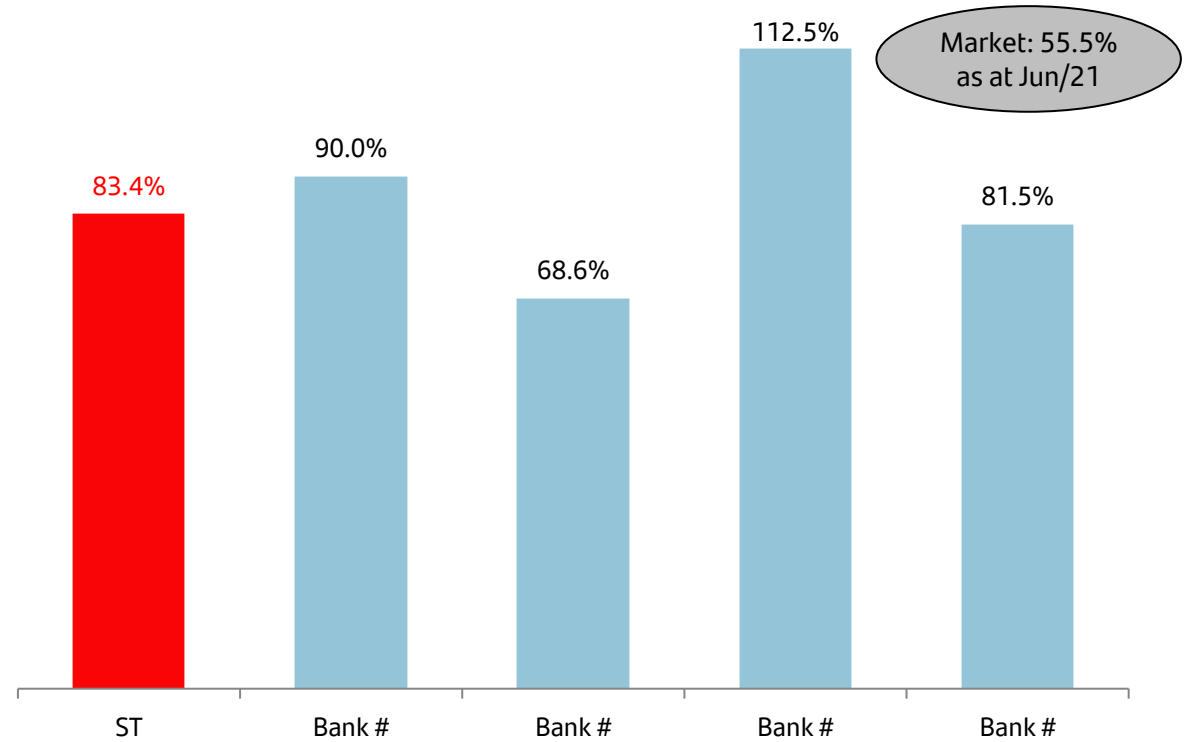
### Mortgages – Stock



### NPE Ratio

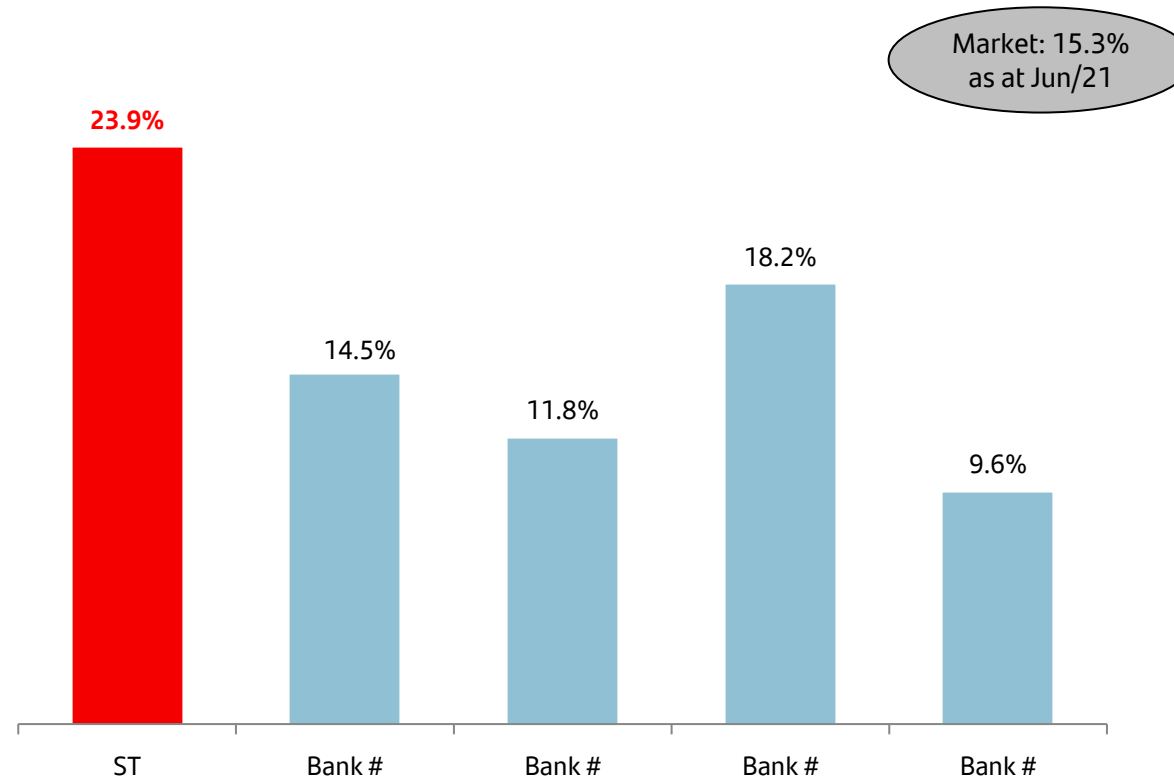


### NPE Coverage Ratio




As at Sep/21

### CET 1 (full implemented)





As at Sep/21



**DBRS**

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



**Fitch**

BBB+	 Bank 1   Bank 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

<b>Balance Sheet</b> (million euros)	<b>Sep-21</b>	<b>Sep-20</b>	<b>Var.</b>
Cash, cash balances at central banks and other demand deposits	8,144	5,366	+51.8%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	9,977	12,380	-19.4%
Financial assets at amortised cost	40,526	39,830	+1.7%
Investments in subsidiaries, joint ventures and associates	107	111	-3.3%
Tangible assets	574	623	-7.8%
Intangible assets	35	40	-13.2%
Tax assets	391	635	-38.3%
Non-current assets held for sale	50	58	-12.8%
Other assets	175	280	-37.6%
<b>Total Assets</b>	<b>59,979</b>	<b>59,322</b>	<b>+1.1%</b>
Financial liabilities held for trading	650	913	-28.8%
Other financial liabilities mandatory at fair value through profit or loss	3,299	3,238	+1.9%
Financial liabilities at amortised cost	49,078	47,905	+2.4%
Resources from Central Banks and Credit Institutions	7,689	8,024	-4.2%
Customer deposits	37,931	36,301	+4.5%
Debt securities issued	3,189	3,328	-4.2%
Of which: subordinated debt	8	8	+0.0%
Other financial liabilities	269	252	+6.7%
Provisions	301	210	+43.6%
Technical provisions	693	727	-4.6%
Tax liabilities	376	473	-20.4%
Other liabilities	1,051	1,239	-15.1%
<b>Total Liabilities</b>	<b>55,449</b>	<b>54,705</b>	<b>+1.4%</b>
Share capital attributable to ST SGPS shareholders	4,529	4,615	-1.9%
Non controlling interests	2	2	+2.5%
<b>Total Shareholders' Equity</b>	<b>4,531</b>	<b>4,617</b>	<b>-1.9%</b>
<b>Total Shareholders' Equity and Total Liabilities</b>	<b>59,979</b>	<b>59,322</b>	<b>+1.1%</b>

## Santander Totta, SGPS

<b>Income Statement*</b> (million euros)	<b>Sep-21</b>	<b>Sep-20</b>	<b>Var.</b>
<b>Net interest income (without dividends)</b>	<b>558.5</b>	<b>591.9</b>	<b>-5.6%</b>
Dividends from equity instruments	1.5	1.7	-11.6%
<b>Net interest income</b>	<b>560.0</b>	<b>593.7</b>	<b>-5.7%</b>
Results from Associates	11.4	9.1	+25.5%
Net commissions	315.7	274.4	+15.0%
Other banking income	-29.7	-27.7	+7.1%
Insurance activity	12.5	11.7	+7.4%
Gain/loss on financial transactions	155.7	103.0	+51.1%
<b>Operating income</b>	<b>1,025.7</b>	<b>964.1</b>	<b>+6.4%</b>
Total operating expenses	(422.0)	(429.8)	-1.8%
Personnel expenses	(234.7)	(241.6)	-2.8%
General expenses	(149.3)	(149.1)	+0.1%
Depreciation	(38.0)	(39.2)	-3.0%
<b>Net operating income</b>	<b>603.7</b>	<b>534.4</b>	<b>+13.0%</b>
Impairment of financial assets at amortised cost	(101.4)	(146.5)	-30.8%
Net provisions and other results	(255.6)	(38.8)	>200%
<b>Income before taxes and MI</b>	<b>246.7</b>	<b>349.0</b>	<b>-29.3%</b>
Taxes	(74.5)	(94.4)	-21.1%
Minority interests	(0.1)	(0.1)	-38.3%
<b>Consolidated net income</b>	<b>172.2</b>	<b>254.5</b>	<b>-32.3%</b>

(\*) 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