



Portugal



9M'22

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.

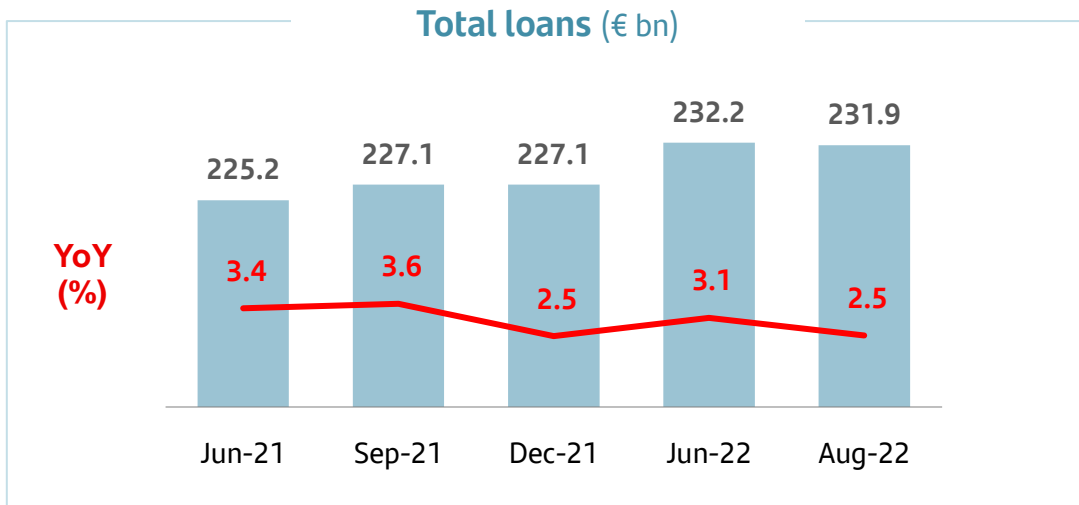


# Macroeconomic environment and financial system

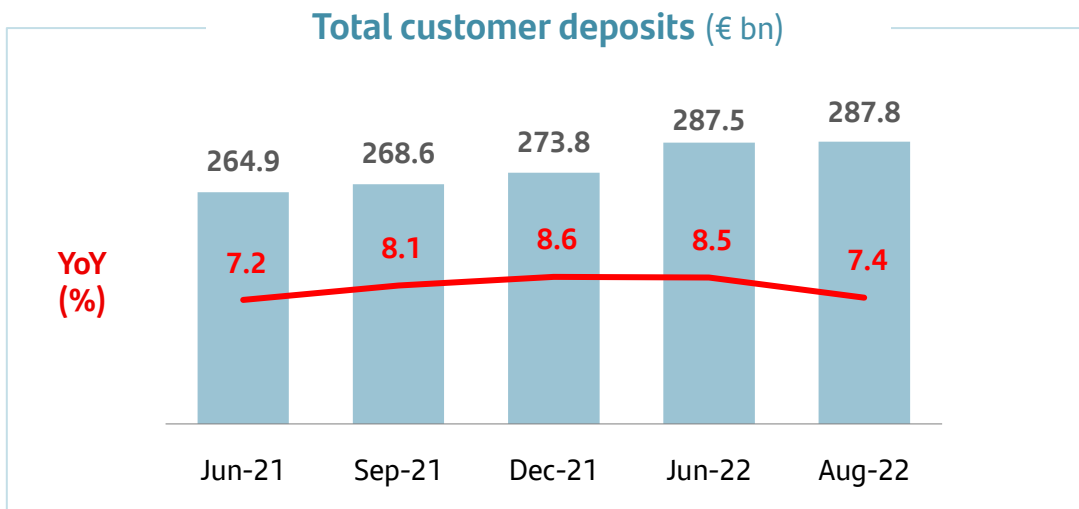


01

# Loans continued growing driven by strong mortgage dynamics, despite the recent normalization. Deposits reached historically high levels



- ▶ Household credit demand continued to be driven by new mortgage production strong dynamics, with monthly new business around €1.3bn, gradually normalizing.
- ▶ New loans to Corporates are also decelerating, with the monthly average declining to below €2bn in Q3.














- ▶ The stock of deposits continued to mark new record highs, with household deposits registering a resilient YoY growth of around 6%, while corporate deposits increased by 10% YoY in August.

# Strategy and business



02

# Santander Portugal aims to provide best-in-class service to its customers, maintaining a leadership position in lending

KEY DATA	9M'22	YoY Var.
 Customer loans	€41.1 bn	+1.6%
 Customer Deposits	€39.3 bn	+3.6%
 Attributable profit	€385.1 mn	+123.7%
 RoTE <sup>1</sup>	15.0%	+5.5 pp
 Efficiency ratio	39.0%	-210 bps
 Loans market share <sup>2</sup>	17.9%	-4 bps
 Deposits market share <sup>2</sup>	13.4%	-0 bps
 Total customers	3.0 mn	-0.4%
 Digital customers	1.1 mn	+9.4%
 Branches <sup>3</sup>	340	-2.9%
 Employees <sup>3</sup>	4,638	-14.1%



## Strategic Priorities

- ▶ Consolidate the commercial and digital integration model
- ▶ Grow organically in terms of profitable market share, improving our lending leadership position
- ▶ Maintain our position as market leaders in efficiency, improving the cost base
- ▶ Maintain an appropriate risk policy with high credit quality and strong capital position



# Santander Portugal continues to increase its digital footprint: a key lever to increase customer loyalty and service quality perception

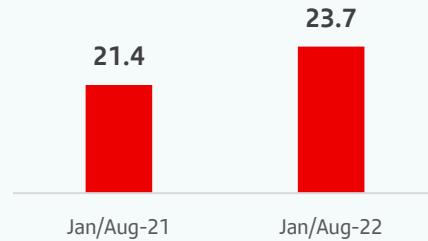


- ▶ Our commercial and digital transformation aiming at providing first-class service to customers continues to be reflected in sustained growth in the number of loyal customers (+7%)
- ▶ We aim to provide a seamless experience across channels, translated into the continued increase in digital customers (+9%)
- ▶ Significant investment in Virtual Teller Machines (VTMs), to cover a significant part of the retail network, providing customers with 24/7 self-banking service, including deposits of coins and banknotes

# Santander Portugal is fully committed to helping people and businesses to prosper...

## People

### New Mortgages – Market Share (%)



Each Summer, Santander welcomes Portuguese Emigrants in their annual visit to Portugal, while providing full-year service through **Santander Próximo**



**#SomosAsEscolhasQueFazemos**  
Our mission: to support our customers in their **choices** towards their progress

## Businesses



**Best Bank in Trade Finance**, as Market Leader and Best Service, recognizing Santander's continued support of the internationalization of Portuguese companies

Protocol with the **European Investment Bank** to provide **€820mn** in loans to small and mid cap companies

Leading Position in urban renewal lines (IFRRU)

## Better Service



**Best Retail Bank in Portugal**, also recognizing the bank's digital transformation process

**Santander Portugal Private Banking** recognized as Best Private Banking Services Overall for the 11<sup>th</sup> time



**Most relevant banking brand** in mortgage loans



... while further embedding ESG in its strategy to build a more responsible bank



## Environmental: supporting the green transition

### Green Confirming

Santander launched the 1<sup>st</sup> sustainable confirming solution in Portugal, with SONAE and Ecovadis

**€220mn**

Debt Refinancing of a wind farm portfolio of Generg (Total Group)

**€233mn<sup>1</sup>**

Green Mortgages

### Most Responsible Bank - ESG

1<sup>st</sup> place in the sector in Merco's ESG ranking 2021



## Social: building a more inclusive society

### 500 scholarships for refugees

To support Ukrainian refugees in Portugal by offering Portuguese language courses

### 2,800 scholarships

in tech, entrepreneurship and languages

**>474k**

financially empowered people 2019-H1'22

**37%**

women in senior positions



## Governance: doing business the right way

### Embedding new Corporate behaviours

Social & environmental team buildings to promote teamwork and engagement

### #1 NPS

The bank with the best recommendation index in Portugal by Stiga / Deloitte

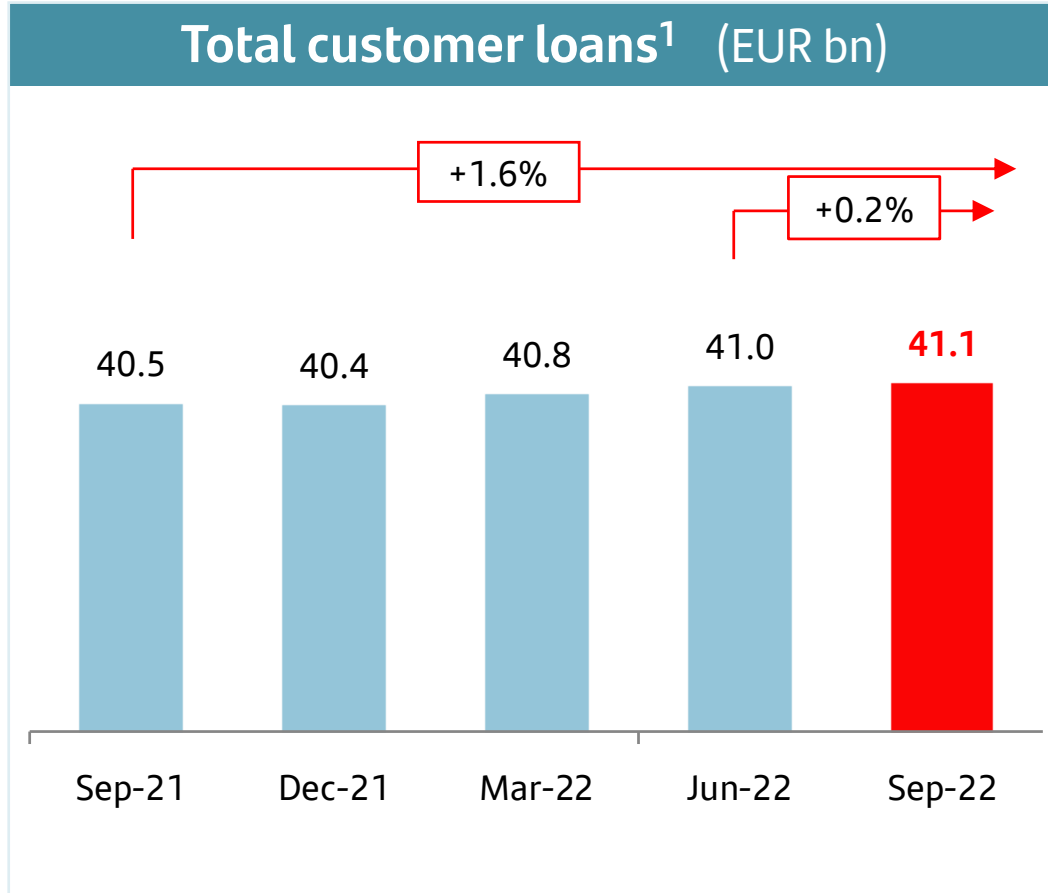
### SuperLinha Sénior

Service line specifically for non-digital customers over 70 years old

**43%**

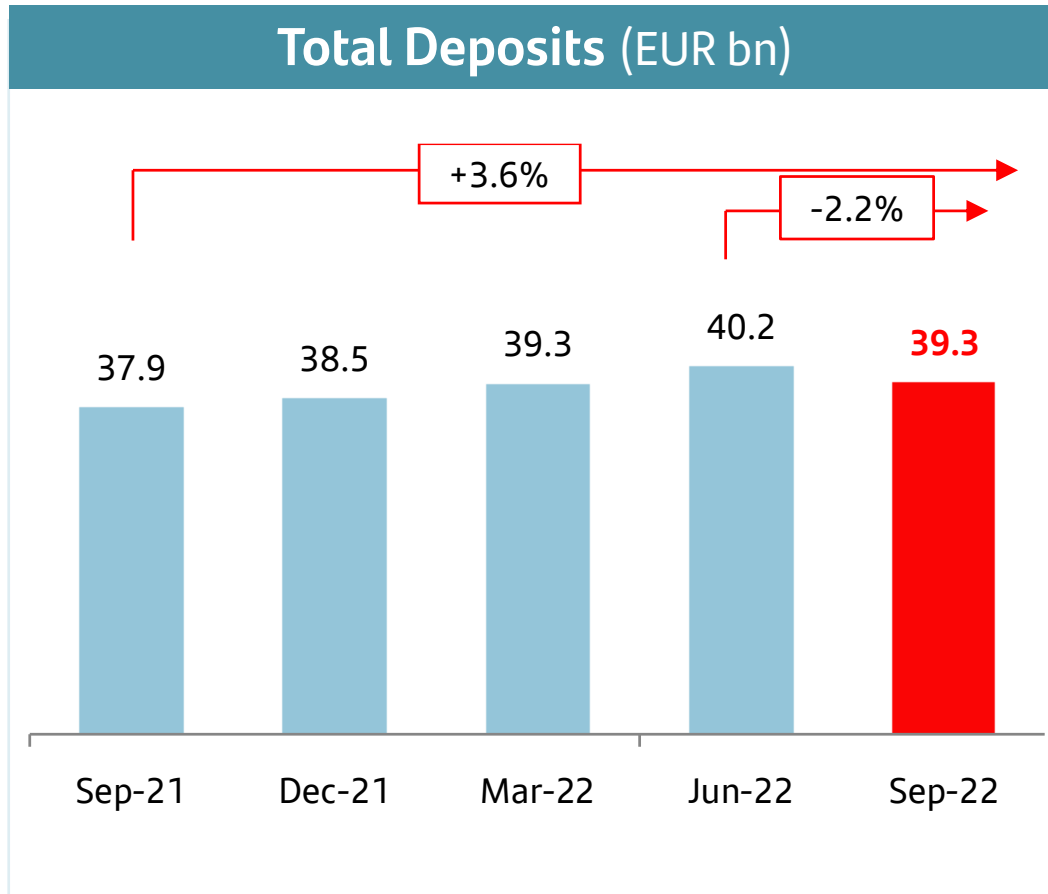
women on the board

# Strong increase in mortgages was partially offset by lower demand from corporates



	Sep-22	YoY (%)	QoQ (%)
<b>Individuals</b>	<b>25.3</b>	<b>+6.6</b>	<b>+1.5</b>
Mortgage	23.1	+6.7	+1.6
Consumer and other	2.2	+5.5	+1.1
<b>Corporates</b>	<b>15.7</b>	<b>-4.1</b>	<b>-1.8</b>

# More moderate growth YoY in customer funds driven by a QoQ decrease in deposits, while mutual funds affected by volatile market conditions



	Sep-22	YoY (%)	QoQ (%)
<b>Deposits</b>	<b>39.3</b>	<b>+3.6</b>	<b>-2.2</b>
<b>Off Balance Sheet Resources</b>	<b>7.4</b>	<b>-10.3</b>	<b>-2.6</b>
Investment Funds	3.7	-11.3	-2.3
Insurance and other	3.7	-9.2	-2.9
<b>Total Customer Funds</b>	<b>46.7</b>	<b>+1.2</b>	<b>-2.3</b>

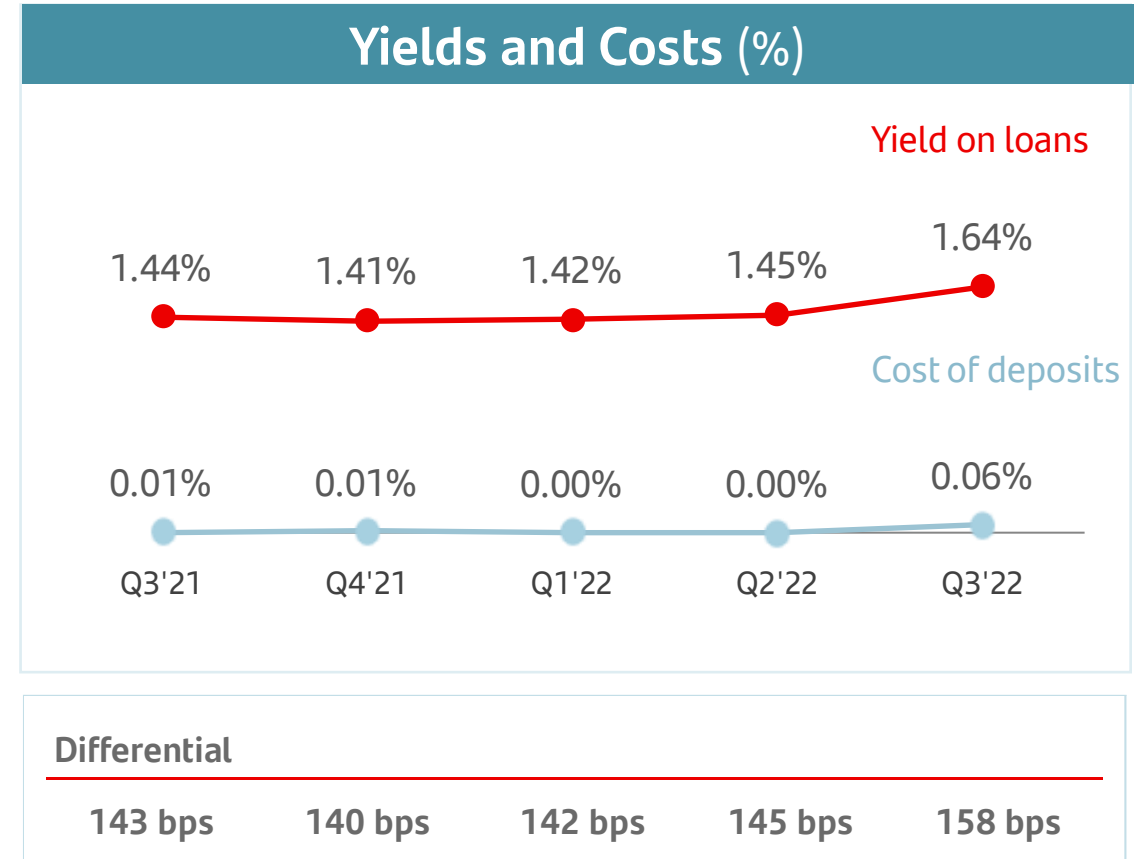
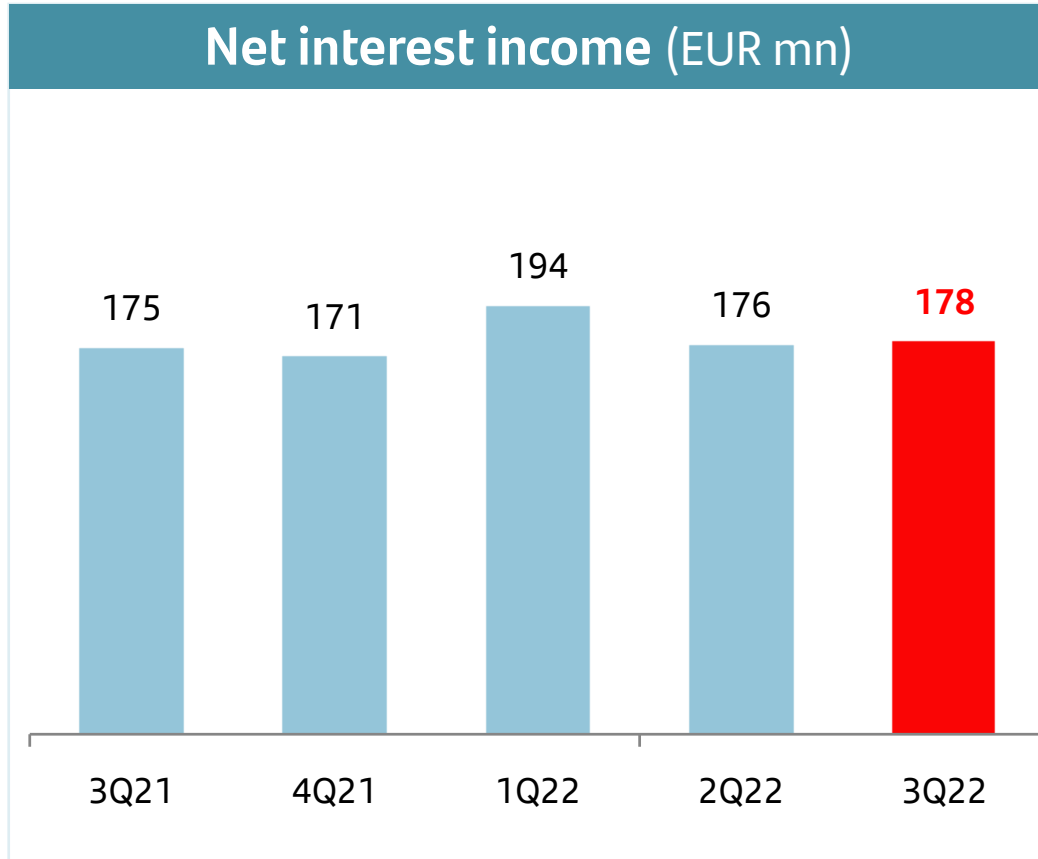
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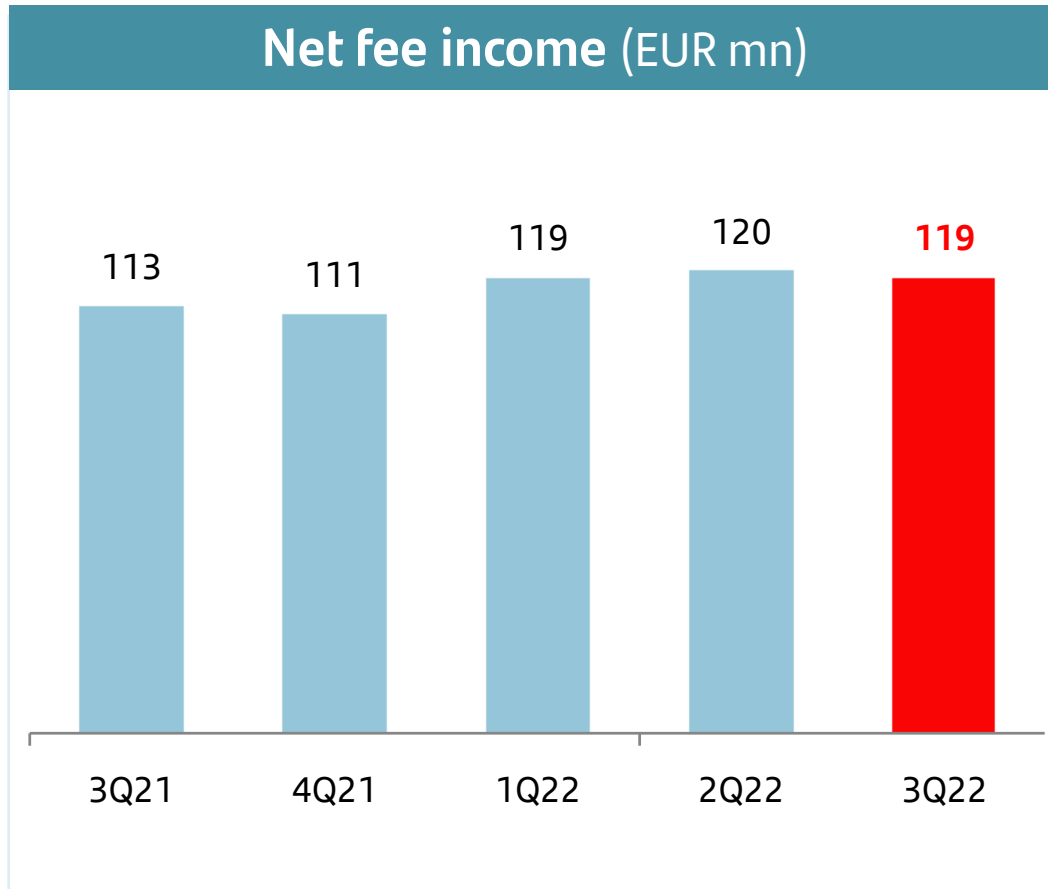
03



# NII grew QoQ reflecting the positive effect of higher interest rates

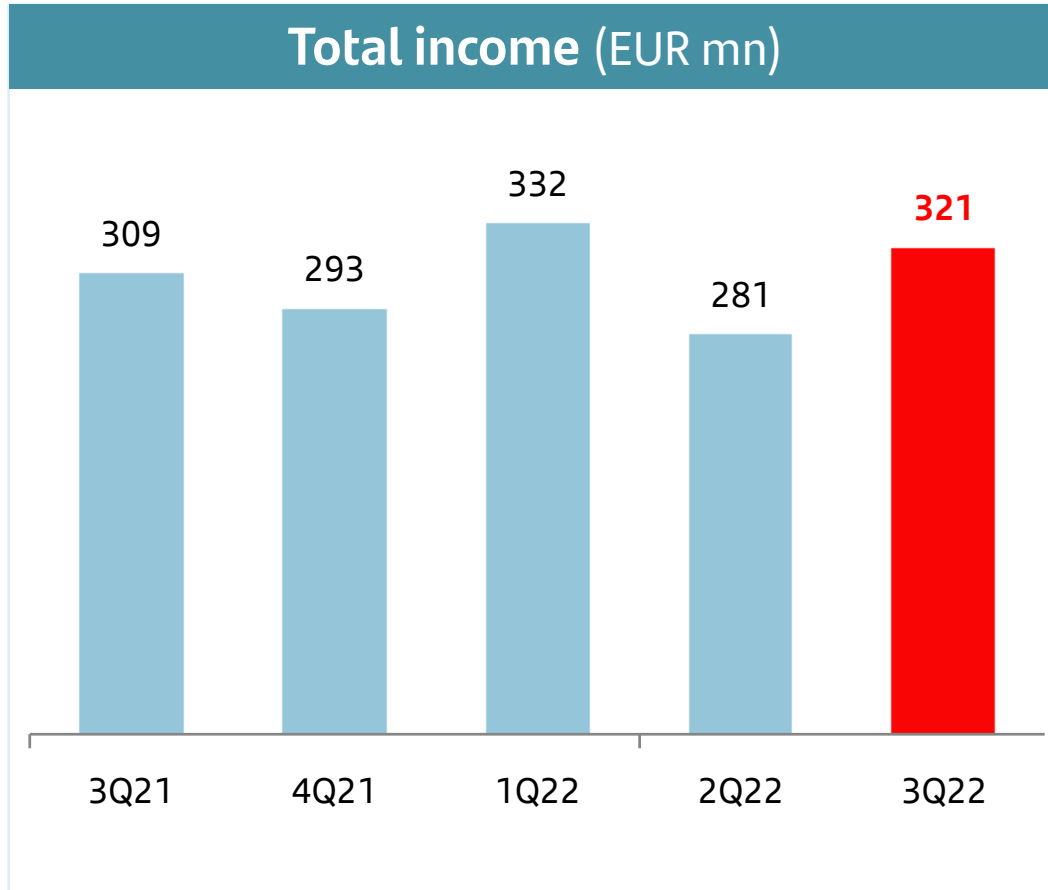


## Net fee income maintained its positive trajectory driven by resilient growth from transactional fees, reflecting the economic recovery



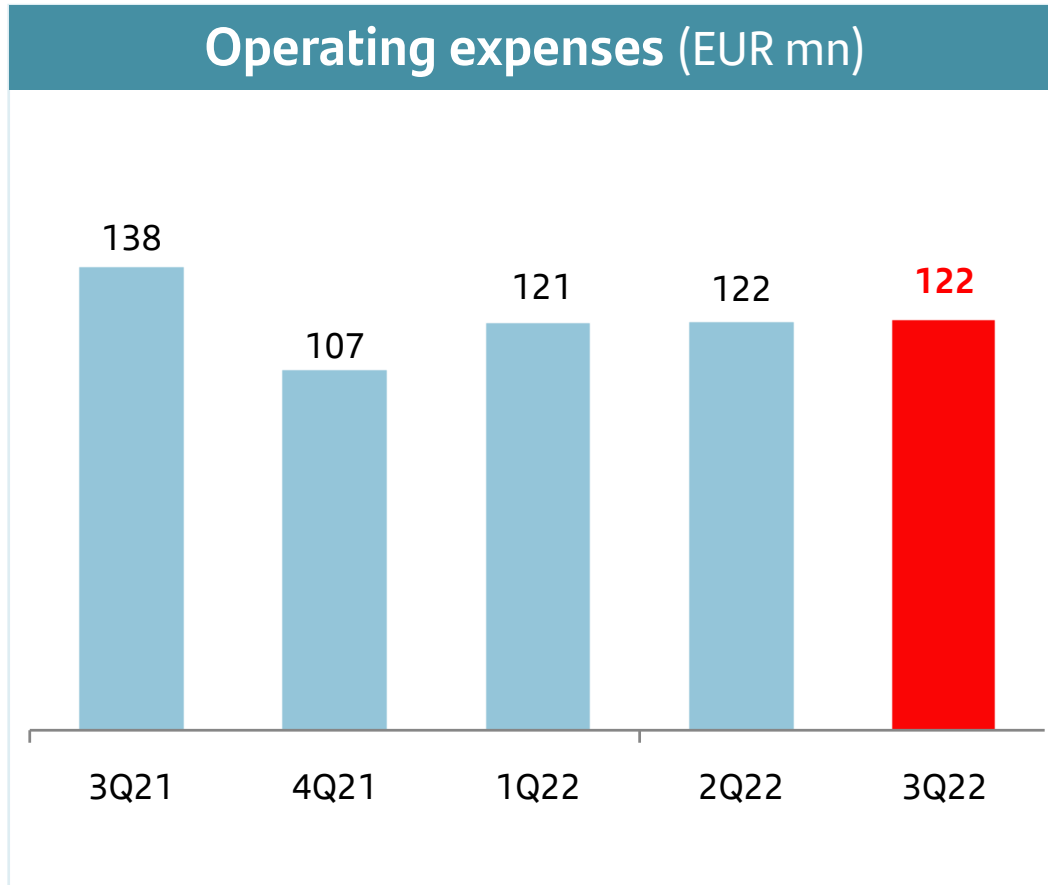
	9M'22	9M'21	YoY (%)	QoQ (%)
Credit	59	52	+13.2	-4.9
Means of Payment	87	73	+18.7	+3.1
Mutual funds	28	27	+6.0	-2.2
Insurance	95	84	+13.6	+0.1
Other	89	80	+11.6	-3.9
<b>Total net fee income</b>	<b>359</b>	<b>316</b>	<b>+13.6</b>	<b>-1.2</b>

# Total income accelerated QoQ, reflecting the growth in NII and the effect from the SRF contribution in Q2



	9M'22	9M'21	YoY (%)	QoQ (%)
Net interest income	548	559	-1.9	+0.8
Net Fees	359	316	+13.6	-1.2
<b>Customer revenue</b>	<b>906</b>	<b>874</b>	<b>+3.7</b>	<b>-0.0</b>
Other	27	151	-82.1	-
<b>Total income</b>	<b>934</b>	<b>1,026</b>	<b>-9.0</b>	<b>+14.1</b>

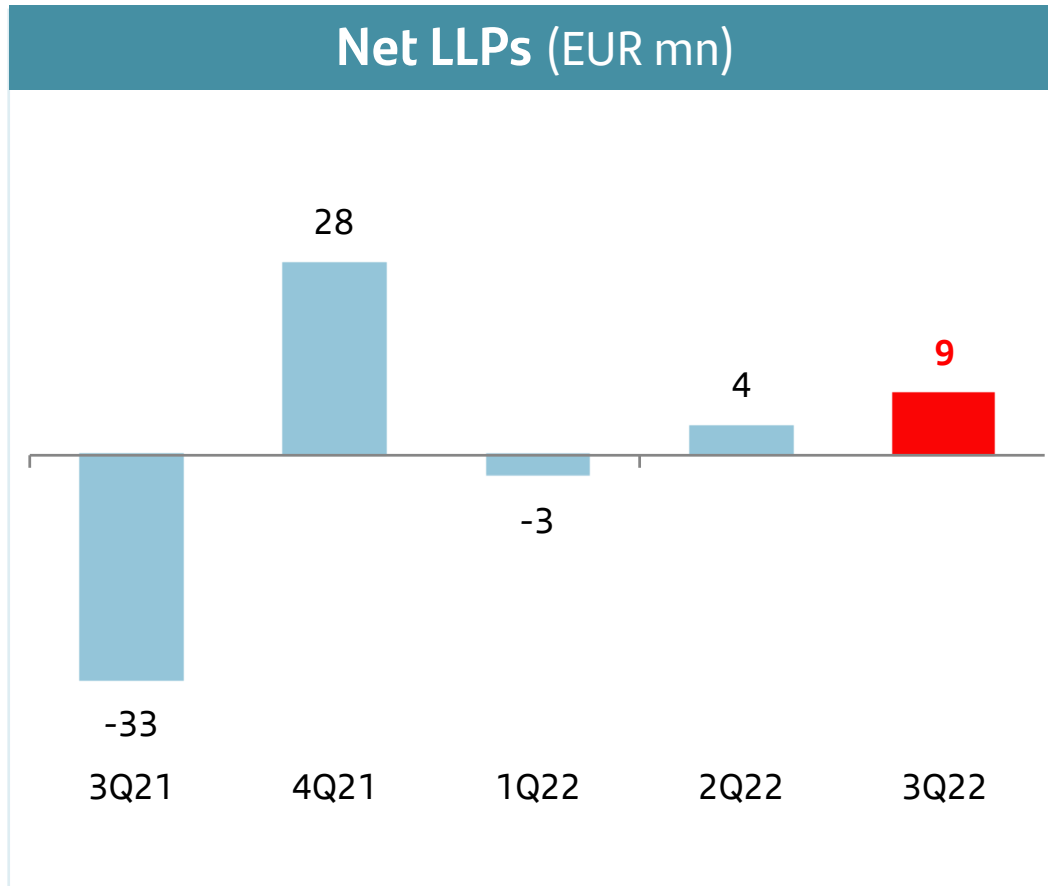
# Operating expenses continued to improve YoY, reflecting our commercial and digital transformation



	9M'22	9M'21	YoY (%)	QoQ (%)
<b>Operating Expenses</b>	<b>365</b>	<b>422</b>	<b>-13.6</b>	<b>+0.2</b>
Efficiency ratio (with amortisations)	39.0%	41.1%	-2.1pp	-5.2pp
Branches in Portugal (#)	340	350	-2.9	-0.3
Employees in Portugal (#)	4,638	5,397	-14.1	-0.5

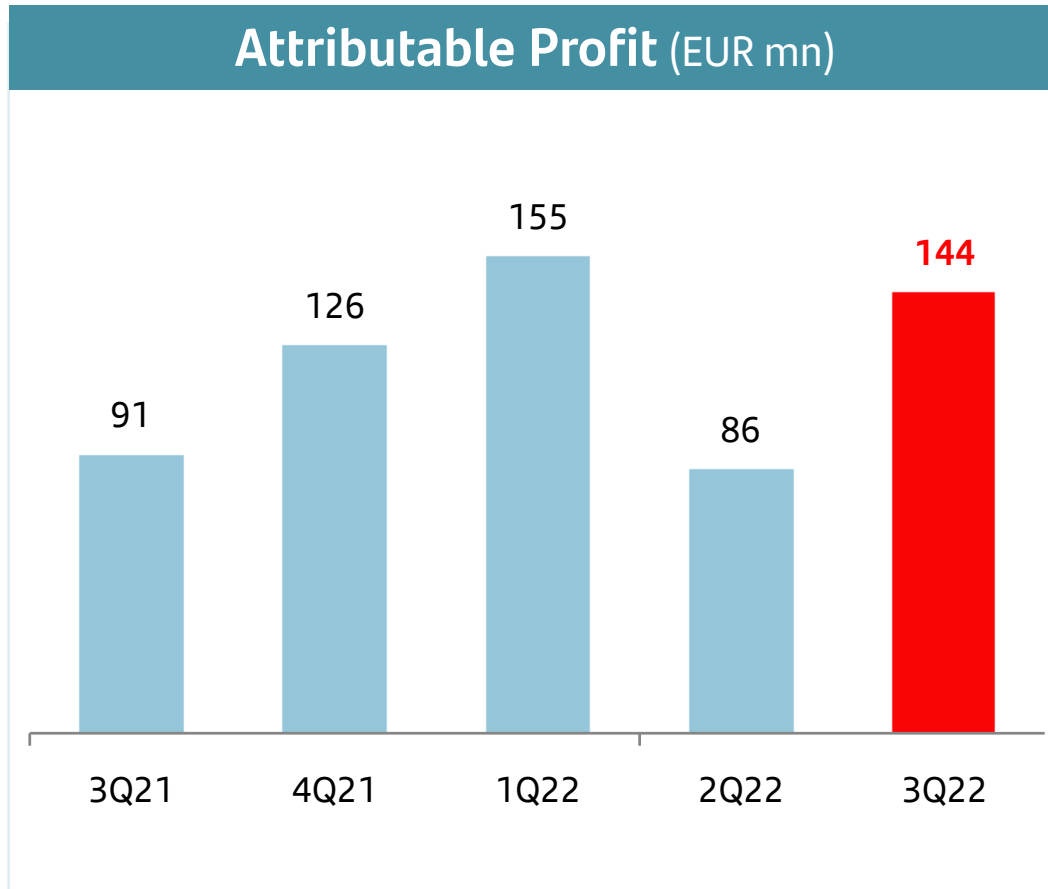


# LLPs remain at very low levels, reflecting the strength of our balance sheet and a resilient labour market



	9M'22	9M'21	YoY (%)	QoQ (%)
<b>Net Operating Income</b>	<b>569</b>	<b>604</b>	<b>-5.7</b>	<b>+24.6</b>
LLPs	10	-101	-	+110.9
<b>Net Operating Income after LLPs</b>	<b>579</b>	<b>502</b>	<b>+15.3</b>	<b>+26.8</b>
NPE ratio	2.0%	2.3%	-0.3pp	-0.2pp
NPE coverage ratio	84.8%	83.4%	+1.5pp	+2.8pp
Cost of Credit <sup>(1)</sup>	-0.09%	0.33%	-0.42pp	-0.10pp

Underlying profit increased 75% QoQ driven by the recovery in total income, combined with flat cost base and low provisioning



	9M'22	9M'21	YoY (%)	QoQ (%)
<b>Profit before taxes</b>	<b>558</b>	<b>247</b>	<b>+126.3</b>	<b>+68.0</b>
Taxes and MI	-173	-75	+132.4	+69.5
<b>Attributable Profit</b>	<b>385</b>	<b>172</b>	<b>+123.7</b>	<b>+67.3</b>

# Santander Portugal's transformation resulted in greater customer loyalty and transactions, as well as one of the best efficiency ratios in the Portuguese banking system



## Financial System

- ▶ Economic activity continues operating above its potential, driven by private consumption and the post-pandemic recovery in tourism. The persistently high level of inflation is penalizing households' purchasing power, which is already affecting economic sentiment and future investment decisions
- ▶ The abrupt and fast monetary policy tightening is contributing to a faster-than-expected increase in interest rates which will have a mixed effect on the banking system's trajectory, with a favourable impact on NII but a potentially negative effect on provisions



## Strategy & Business

- ▶ Santander Portugal's comprehensive transformation programme allowed it to increase customer loyalty, with the improvement in net fee income, high new origination volumes, controlled costs and strict asset quality management
- ▶ We remain focused on our digital transformation process, with the aim of achieving top customer satisfaction, best-in-class efficiency ratio and attractive financial performance, including sound capital and liquidity



## Results

- ▶ Total income accelerated QoQ, supported by growth in NII, reflecting the positive effect of higher interest rates and the effect from the SRF contribution in Q2. YoY comparison continued to be affected by ALCO sales in 2021
- ▶ Operating expenses continued to improve YoY, reflecting our commercial and digital transformation. Efficiency ratio improved by 2.1pp
- ▶ LLPs remain at very low levels, reflecting the strength of our balance sheet and a resilient labour market
- ▶ Attributable profit increased 67% QoQ, driven by the recovery in total income, combined with a flat cost base and low provisioning

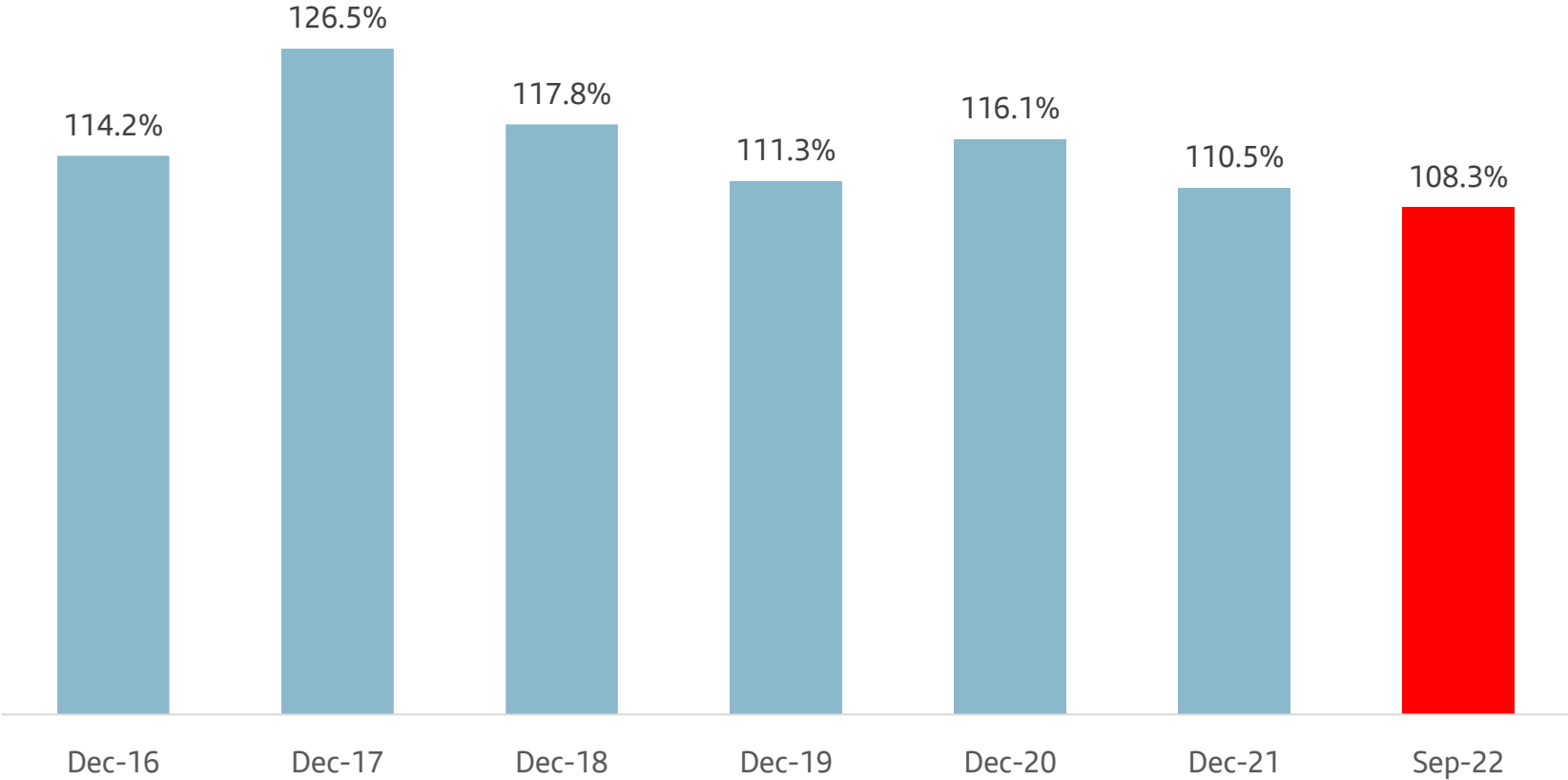
# Financial and liquidity management



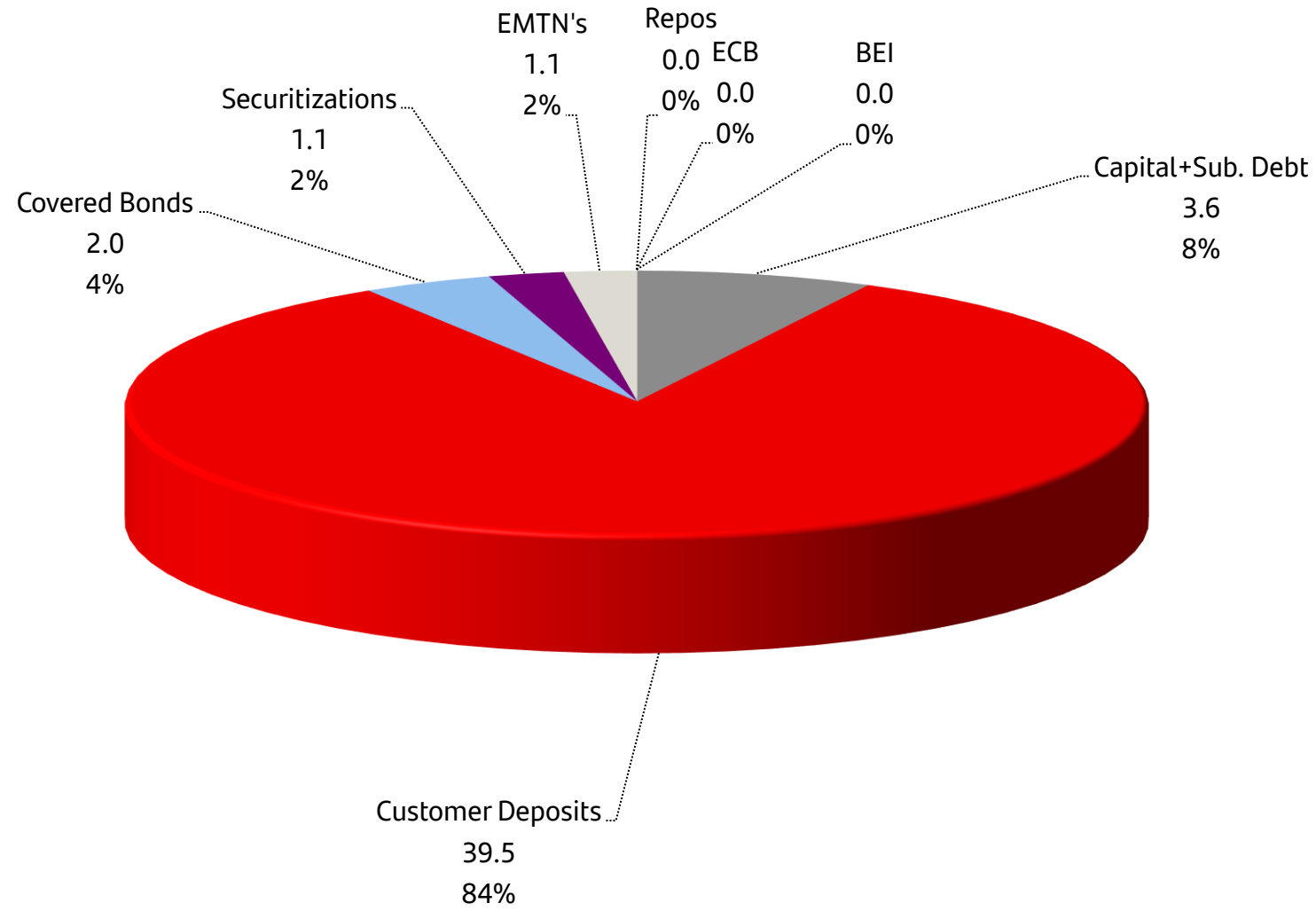
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Loans to Deposit Ratio

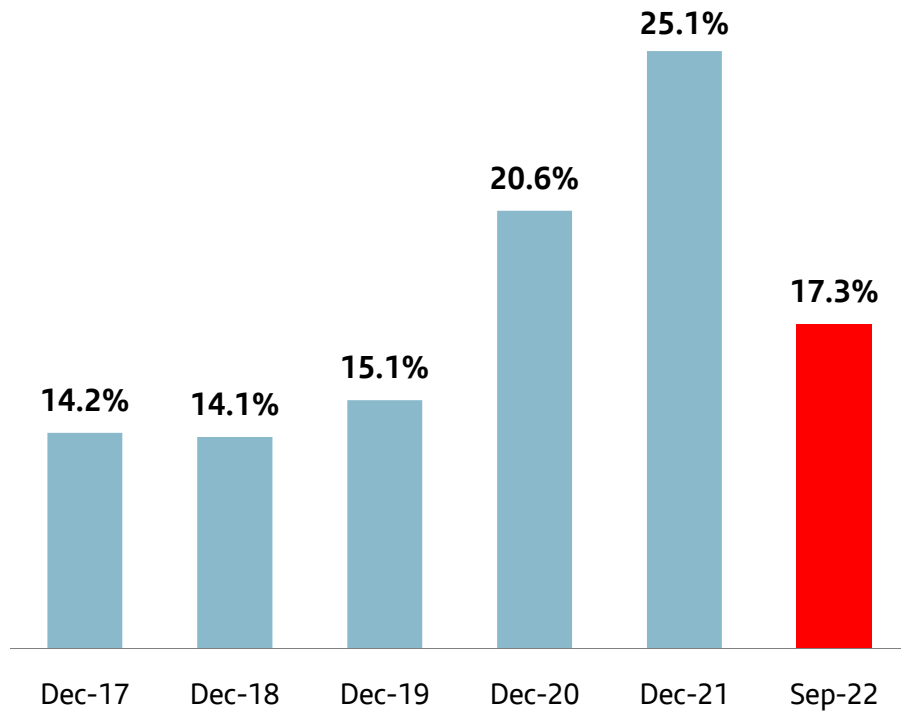


# Funding structure

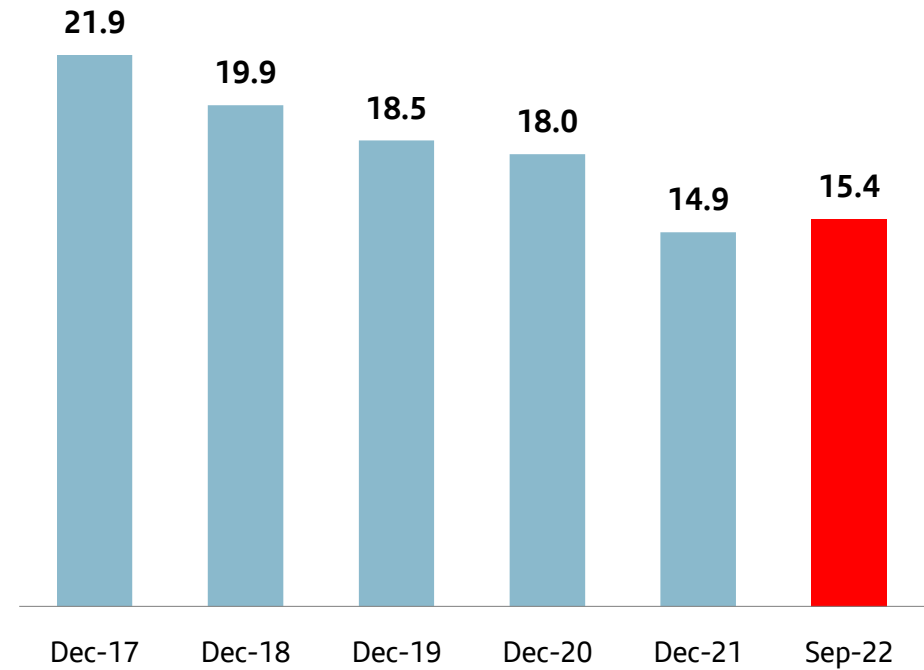


As of Sep/22

### CET 1 – full implemented



### RWA (bn€)



# Benchmarking

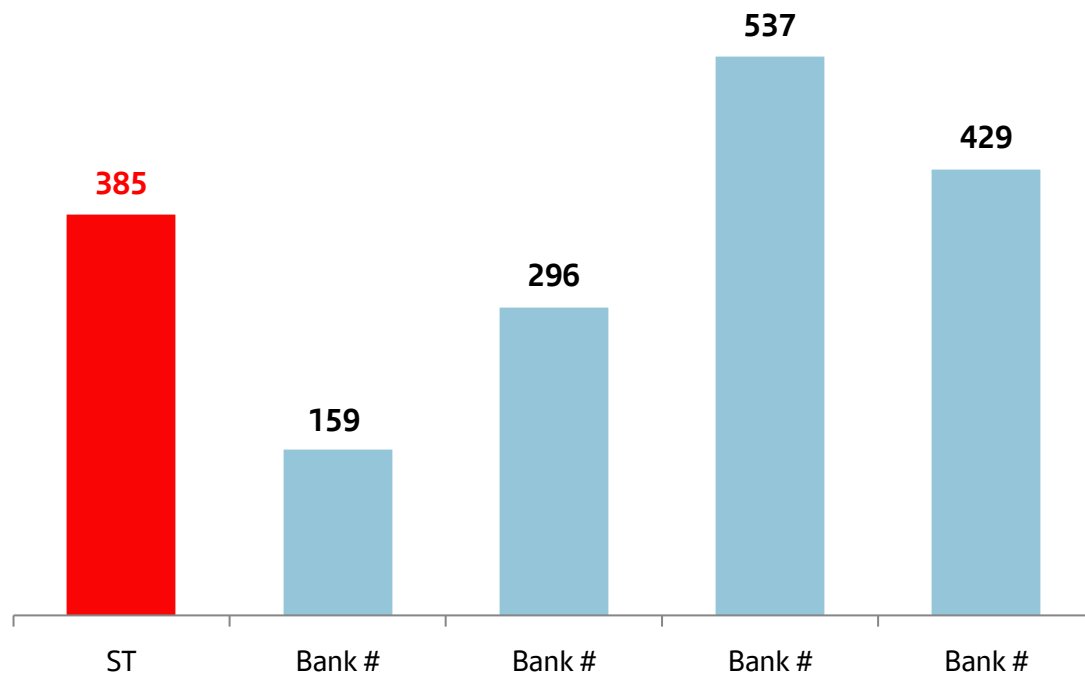


05

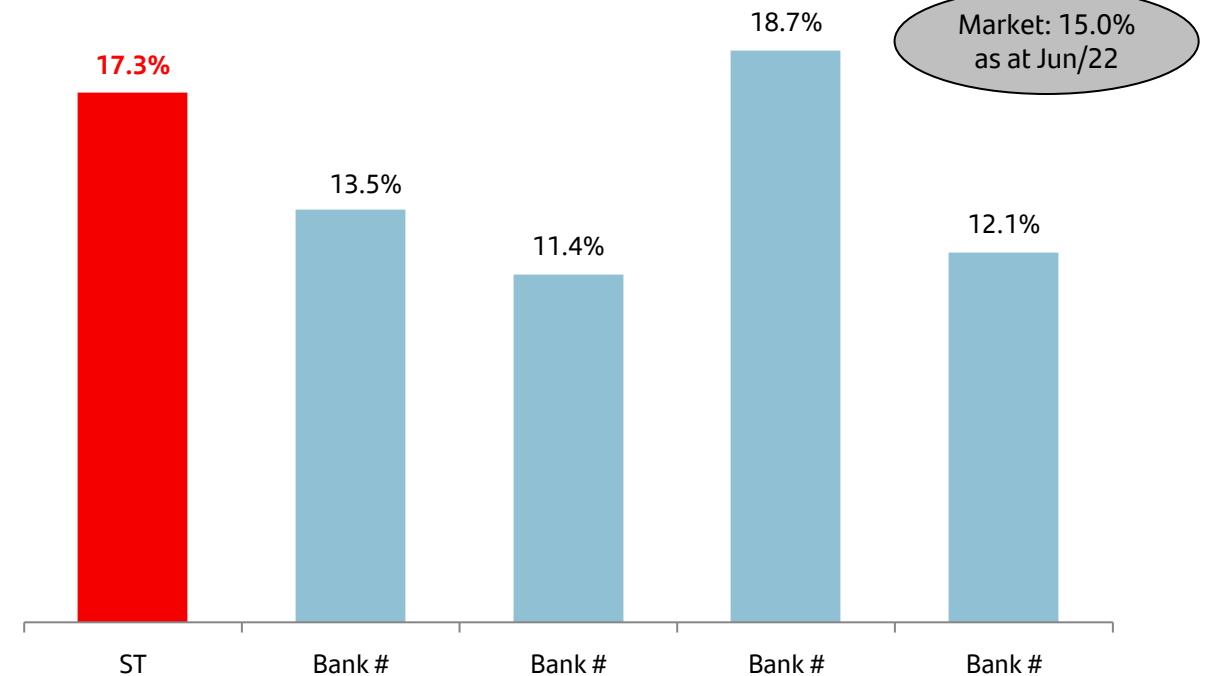


# Sustained profitability and strong capital position

Net Income – Domestic (M€)

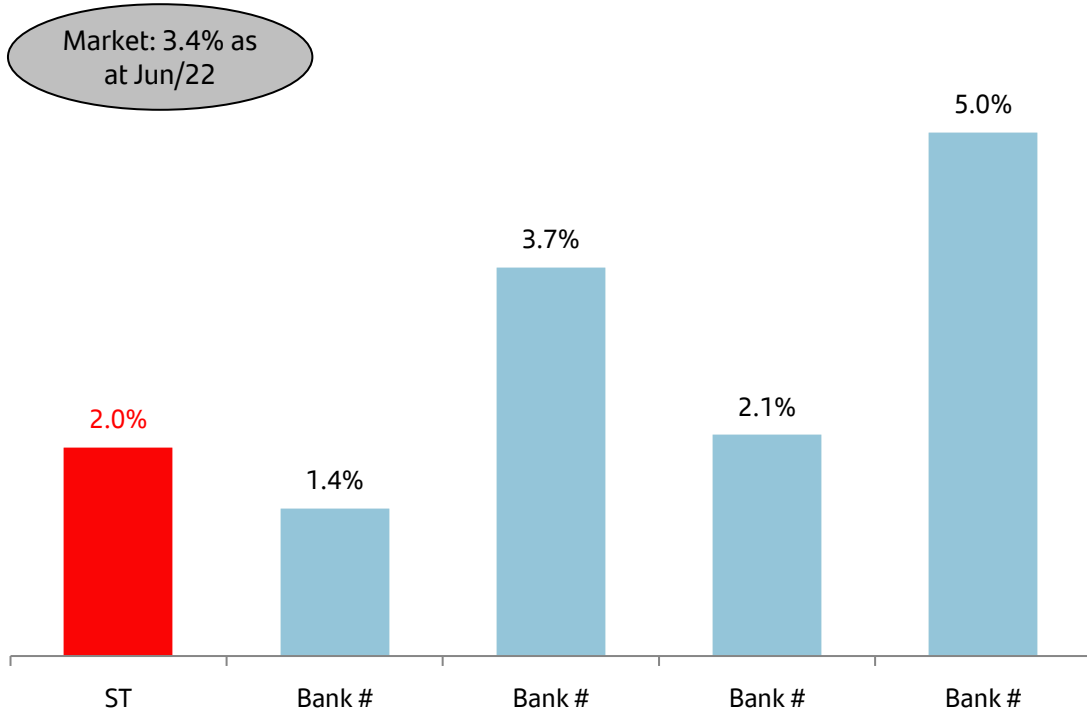


CET 1 (full implemented)

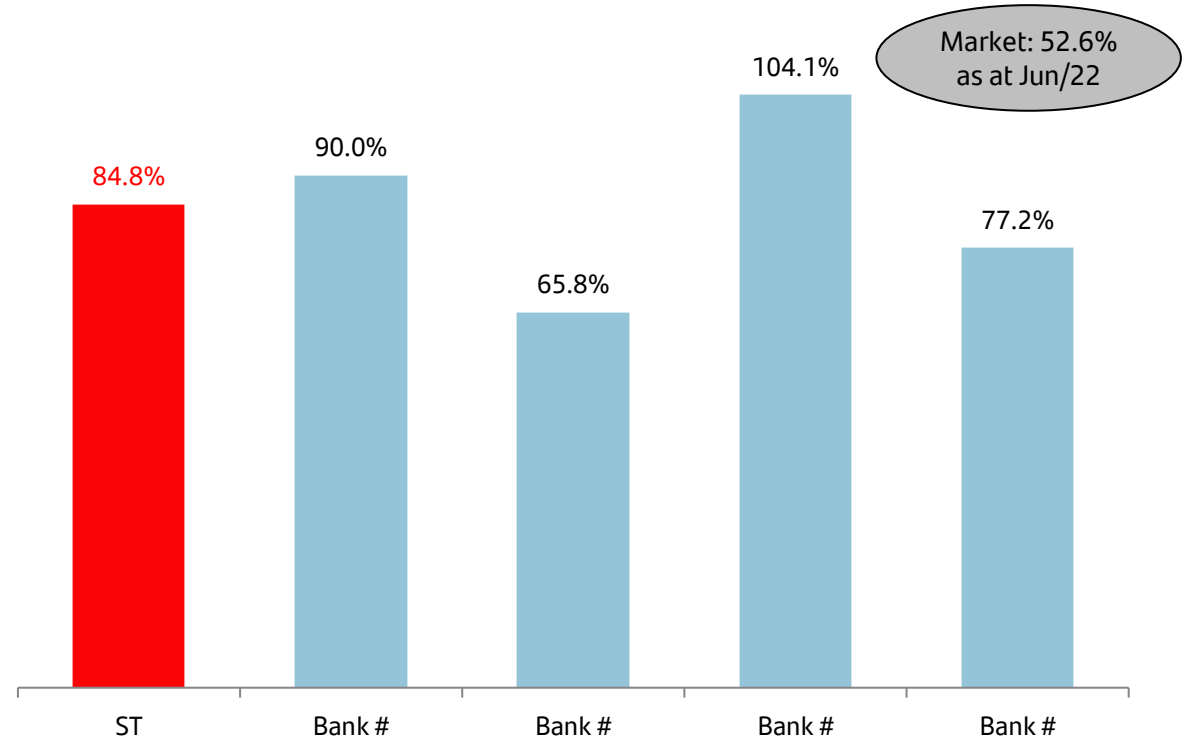


As at Sep/22

### NPE Ratio



### NPE Coverage Ratio



As at Sep/22

## Long Term Ratings – Senior Debt

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

Appendix



06

## Santander Totta, SGPS

<b>BALANCE SHEET</b> (million euro)	<b>Sep-22</b>	<b>Sep-21</b>	<b>Var.</b>
<b>Cash, cash balances at central banks and other demand deposits</b>	10,176	8,144	+25.0%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	8,405	9,977	-15.8%
Financial assets at amortised cost	41,090	40,526	+1.4%
Investments in subsidiaries, joint ventures and associates	109	107	+1.6%
Tangible assets	468	574	-18.5%
Intangible assets	37	35	+4.2%
Tax assets	322	391	-17.6%
Non-current assets held for sale	14	50	-71.6%
Other assets	734	175	>200%
<b>Total Assets</b>	<b>61,355</b>	<b>59,979</b>	<b>+2.3%</b>
Financial liabilities held for trading	438	650	-32.6%
Other financial liabilities mandatory at fair value through profit or loss	2,861	3,299	-13.3%
Financial liabilities at amortised cost	52,635	49,078	+7.2%
Resources from Central Banks and Credit Institutions	8,140	7,689	+5.9%
Customer deposits	39,314	37,931	+3.6%
Debt securities issued	4,676	3,189	+46.6%
Other financial liabilities	505	269	+87.9%
Provisions	171	301	-43.3%
Technical provisions	642	693	-7.4%
Tax liabilities	325	376	-13.7%
Other liabilities	708	1,051	-32.6%
<b>Total Liabilities</b>	<b>57,781</b>	<b>55,449</b>	<b>+4.2%</b>
Share capital attributable to ST SGPS shareholders	3,573	4,529	-21.1%
Non controlling interests	1	2	-31.2%
<b>Total Shareholders' Equity</b>	<b>3,574</b>	<b>4,531</b>	<b>-21.1%</b>
<b>Total Shareholders' Equity and Total Liabilities</b>	<b>61,355</b>	<b>59,979</b>	<b>+2.3%</b>



## Santander Totta, SGPS

<b>CONSOLIDATED INCOME STATEMENTS*</b> (million euro)	<b>Sep-22</b>	<b>Sep-21</b>	<b>Var.</b>
<b>Net interest income</b>	<b>547.9</b>	<b>558.5</b>	<b>-1.9%</b>
Income from equity instruments	3.7	1.5	+144.4%
Results from associates	17.1	11.4	+50.3%
Net fees	358.6	315.7	+13.6%
Other operating results	-32.8	-29.7	+10.3%
Insurance activity	8.3	12.5	-33.6%
<b>Commercial revenue</b>	<b>902.9</b>	<b>869.9</b>	<b>+3.8%</b>
Gain/losses on financial assets	30.7	155.7	-80.3%
<b>Net Income from Banking Activities</b>	<b>933.6</b>	<b>1,025.7</b>	<b>-9.0%</b>
Operating costs	-364.5	-422.0	-13.6%
Staff expenses	-196.9	-234.7	-16.1%
Other Administrative Expenses	-133.1	-149.3	-10.8%
Depreciation	-34.5	-38.0	-9.2%
<b>Net operating Income</b>	<b>569.1</b>	<b>603.7</b>	<b>-5.7%</b>
Impairment (net) of financial assets at amortised cost	10.0	-101.4	-
Net provisions and other results	-20.8	-255.6	-91.9%
<b>Income before taxes and non-controlling interests</b>	<b>558.3</b>	<b>246.7</b>	<b>+126.3%</b>
Taxes	-173.1	-74.5	+132.4%
Non-controlling interests	-0.1	-0.1	+135.7%
<b>Consolidated net income</b>	<b>385.1</b>	<b>172.2</b>	<b>+123.7%</b>

(1) Includes the costs with the Resolution and Deposit Guarantee Funds

(\*) 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