



Portugal



9M'23

Institutional Presentation

# Disclaimer

Santander Totta SGPS, S.A. ("Santander Totta") cautions that this presentation contains forward looking statements. These forward looking statements are found in various places throughout this presentation and include, without limitation, statements concerning our future business development and economic performance. While these forward looking statements represent our judgment and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, (1) general market, macro-economic, governmental and regulatory trends, (2) movements in local and international securities markets, currency exchange rates, and interest rates, (3) competitive pressures, (4) technological developments, (5) changes in the financial position or credit worthiness of our customers, obligors and counterparties, The risk factors and other key factors that we have indicated could adversely affect our business and financial performance contained in our past and future filings and reports, including those with the Securities and Exchange Commission of Portugal.

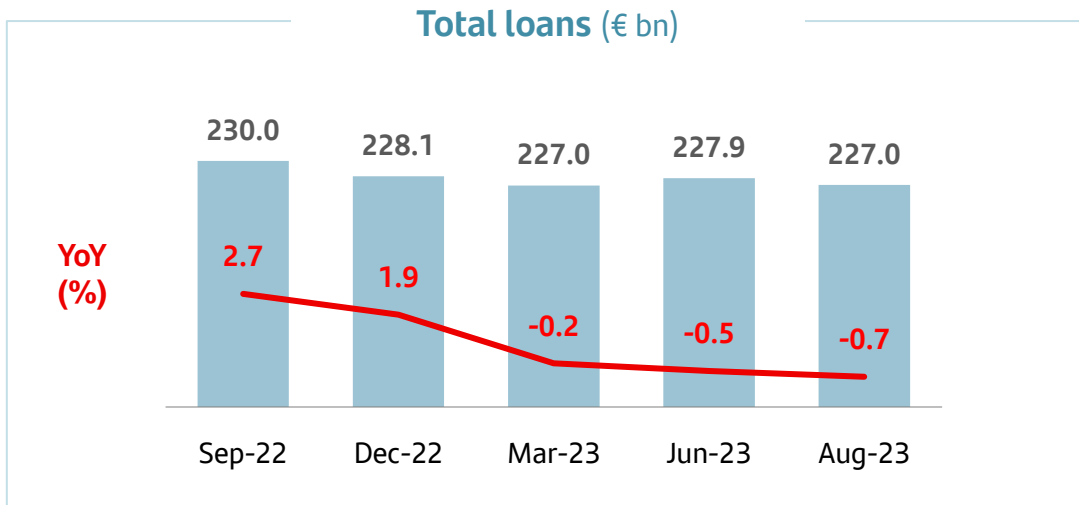
The information contained herein is in accordance with the Bank of Portugal's criteria. Unless otherwise stated, data in this presentation refers to consolidated figures for Santander Totta SGPS, the group's holding company in Portugal. BST is Santander Totta SGPS' main operating unit, aggregating the group's retail banking business in Portugal.

# Macroeconomic environment and financial system

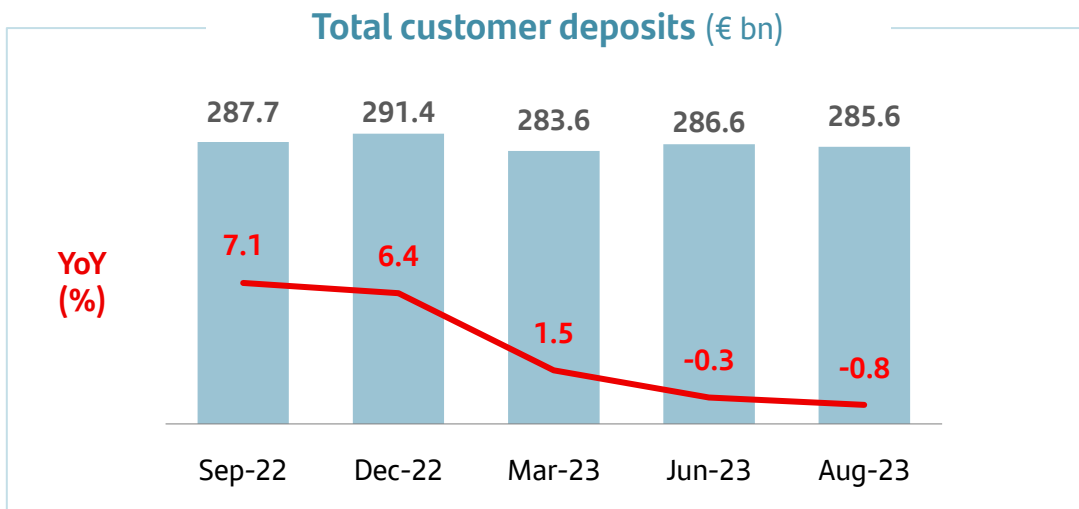


01

# Tight monetary policy is conducting to a deleveraging of the banking sector



- ▶ The stock of loans is declining at a faster pace, as economic agents react to the high interest rate environment. On the one hand, new loan demand has declined compared to the same period of last year, but shows signs of stabilization in recent months.
- ▶ On the other hand, households and companies continue to early redeem their loans, as financing costs, mostly at floating rate, rose.
- ▶ Asset quality continued to hold at historically low levels.














- ▶ Deposits decline YoY, as households and corporates partly repay in advance their loans.
- ▶ In June, the Government revised the interest rate paid on Saving Certificates, to a maximum of 2.5%, with a significant decline in new subscriptions. The banking sector continues to gradually increase the interest rates paid on deposits.

# Strategy and business



02

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

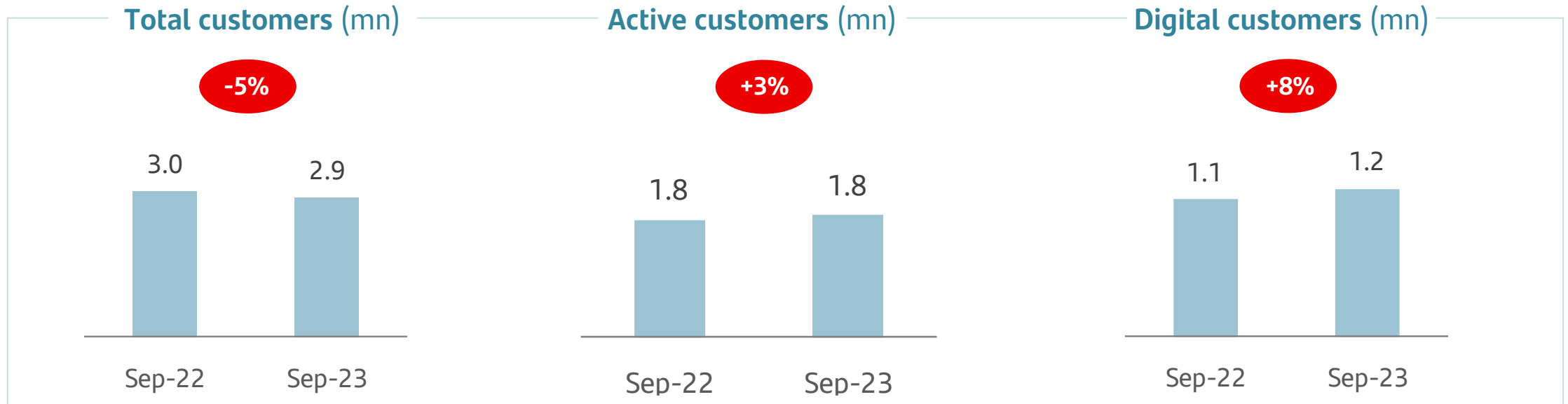
KEY DATA	9M'23	YoY Var.
 Customer loans (gross)	€44.9 bn	+3.4%
 Customer Deposits	€35.5 bn	-9.7%
 Attributable profit	€621.7 mn	+61.5%
 RoTE <sup>1</sup>	20.9%	+5.9 pp
 Efficiency ratio	27.5%	-11.5 pp
 Loans market share <sup>2</sup>	17.1%	-32 bps
 Deposits market share <sup>2</sup>	13.9%	-94 bps
 Total customers	2.9 mn	-4.8%
 Digital customers	1.2 mn	+7.4%
 Branches <sup>3</sup>	332	-2.4%
 Employees <sup>3</sup>	4,662	-0.3%



## Strategic Priorities

- ▶ Continue to implement our transformation plan with the aim of improving service quality and increasing our customer base
- ▶ Grow organically in terms of profitable market share and with adequate capital remuneration
- ▶ 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 drive its commercial and digital transformation, boosting customer loyalty and experience



- ▶ The Bank continues executing its commercial and digital transformation, aiming at providing first-class service to customers, by simplifying its offer and processes, which is:
- ▶ Contributing to the sustained growth in the number of active customers (+3%);
- ▶ Translated into the continued increase in digital customers (+7%), underpinned by our focus in providing a seamless experience across channels.

# We are fully committed to helping people and businesses prosper

## Individuals

**Mortgage Loans**  
The Bank stands close to its customers to mitigate the impacts of higher interest rates

Escolha a casa, as preocupações ficam à porta

Conheça as novas soluções de crédito habitacional, agora com mais tempo e taxas mais reduzidas. Também para transferências. Pedidos até 31/12.

Conhecer campanha

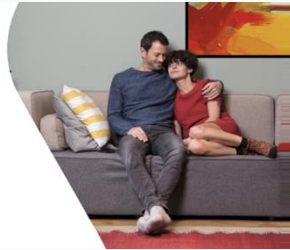


### Current accounts

**Domiciliar o ordenado no Santander dá mais**

Conheça tudo o que pode receber ao abrir uma conta à ordem com domiciliação de ordenado até 31/12.

Conhecer campanha



### University Students

Campaign to acquire new customers focused on new college students

## Businesses

Financing solutions for small business

**CrediSimple Negócios dá-lhe liquidez imediata**

Se precisa de uma resposta rápida para avançar com projetos da sua empresa, simule agora as suas mensalidades 100% online. TAE desde 12,7%.



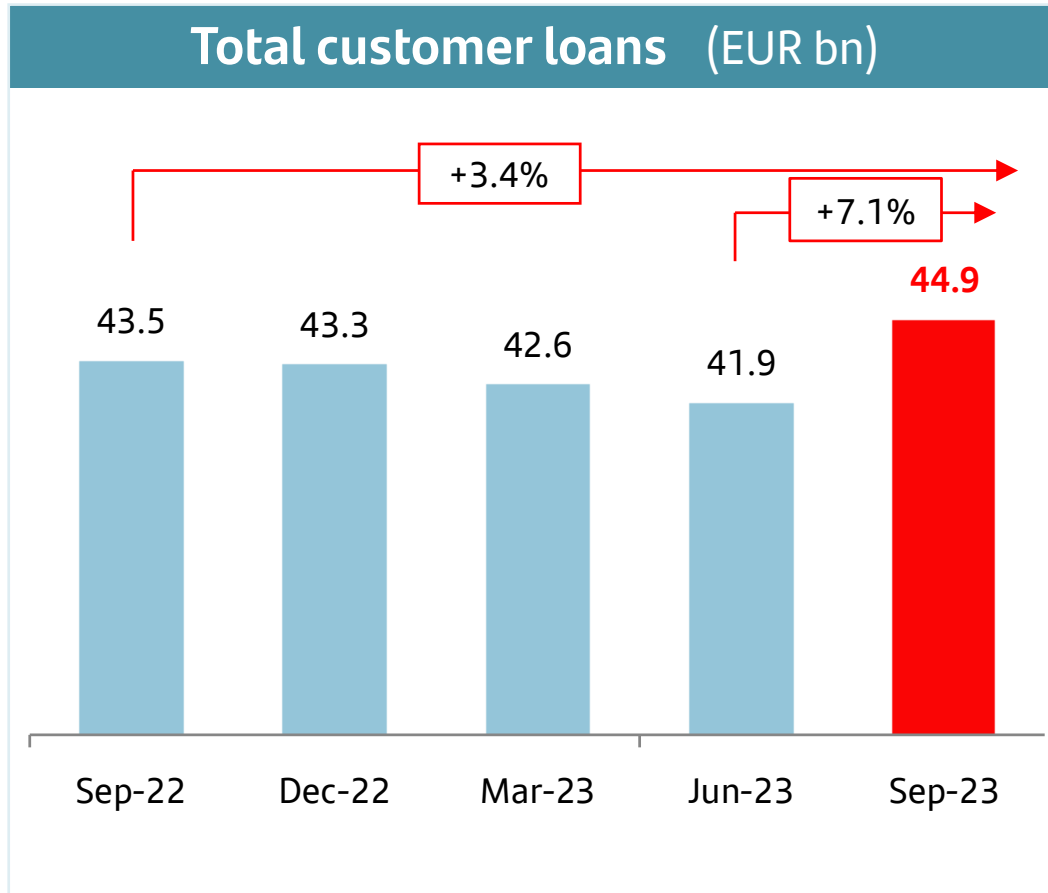
**New BEI line, in the amount of €400mn, which will allow Mid-Caps to fund investment projects up to €560mn**

## Better Service



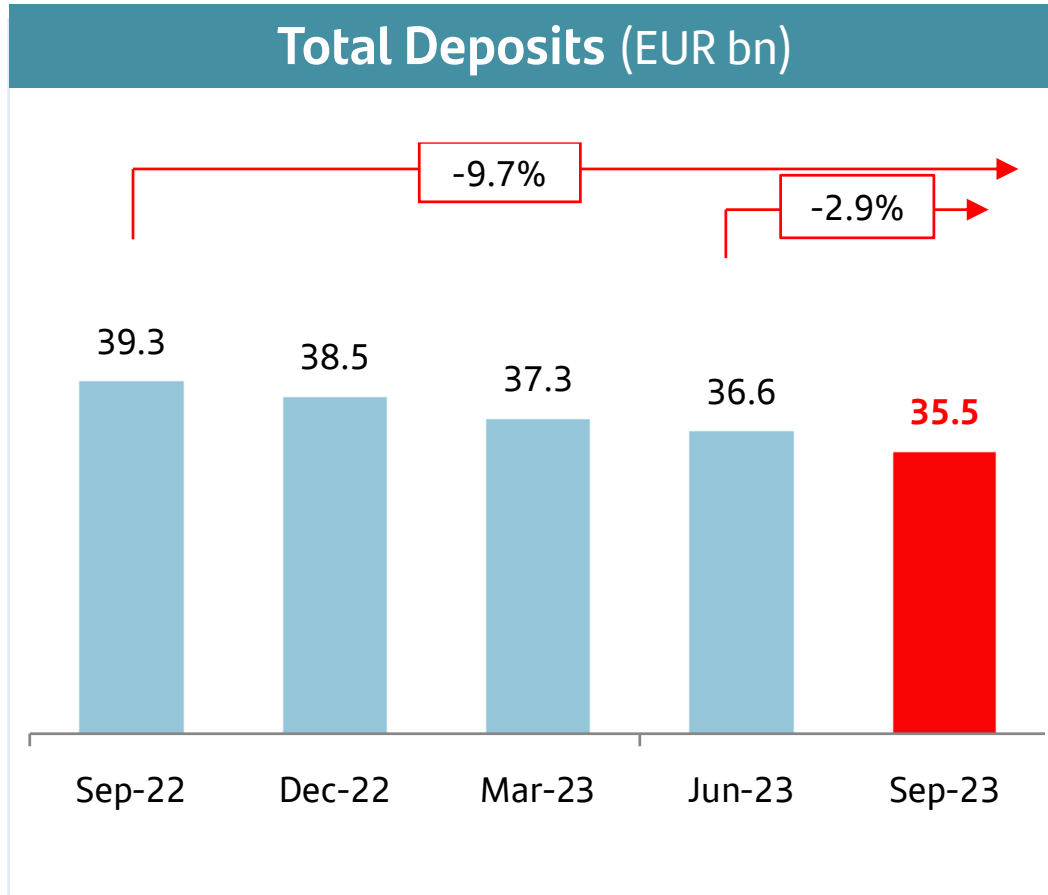


# Ongoing deleveraging at the level of households, but offset by the growth in corporate and institutional loan book



	Sep-23	Sep-22	YoY (%)	QoQ (%)
<b>Individuals</b>	<b>24.2</b>	<b>25.3</b>	<b>-4.2</b>	<b>-1.6</b>
Mortgage	22.1	23.1	-4.0	-1.3
Consumer and other	2.0	2.2	-6.8	-4.8
<b>Corporates and Institucionals</b>	<b>20.7</b>	<b>18.2</b>	<b>+13.9</b>	<b>+19.5</b>

# Deposit volumes affected by excess liquidity in the system, the deleveraging by households and increased net new money in mutual funds



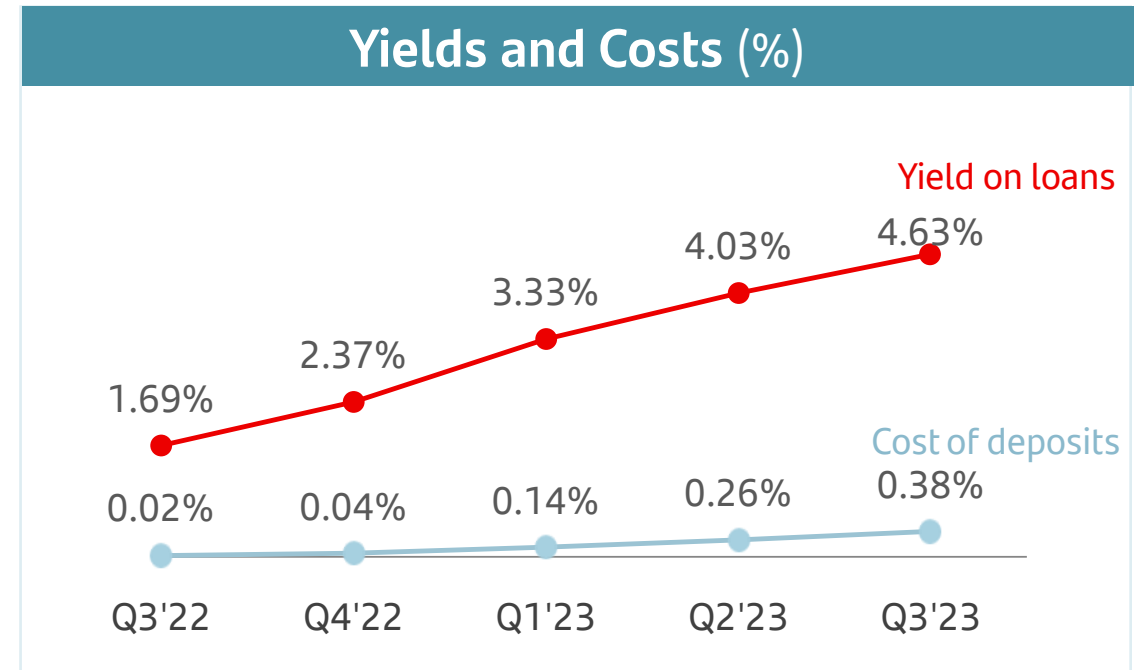
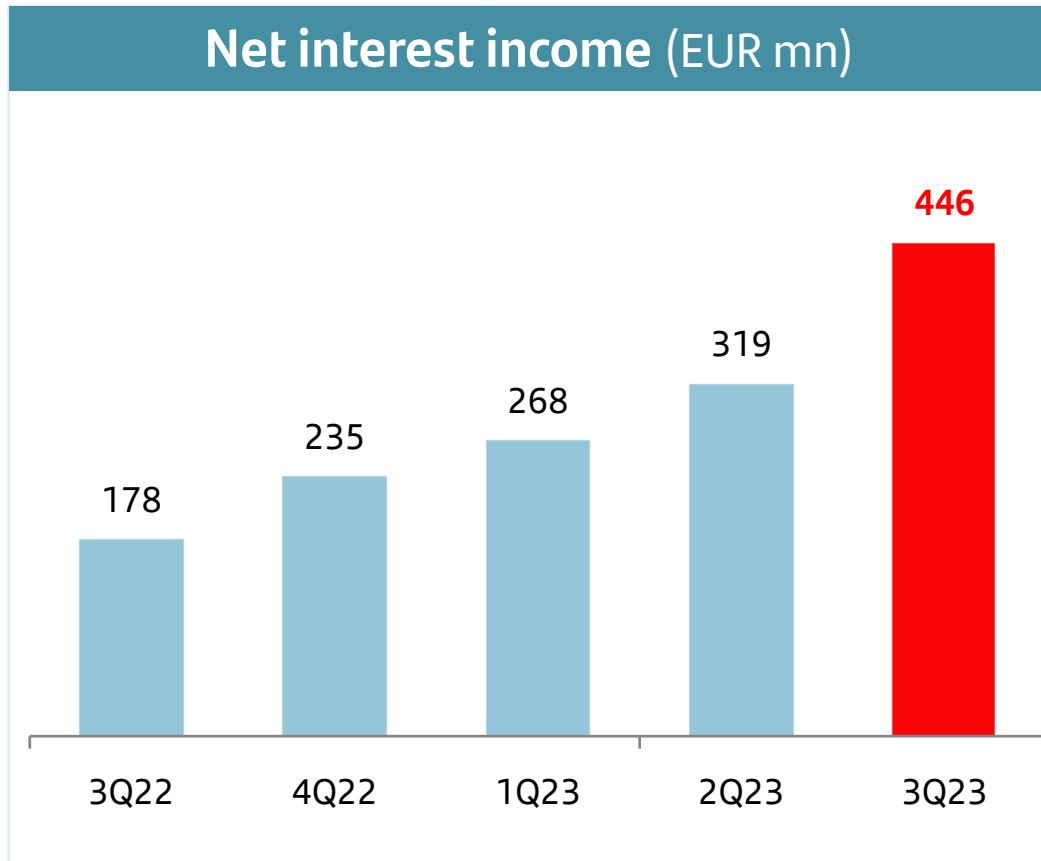
	Sep-23	Sep-22	YoY (%)	QoQ (%)
<b>Deposits</b>	35.5	39.3	-9.7	-2.9
<b>Off Balance Sheet Resources</b>	7.7	7.4	+4.2	+0.3
Investment Funds	4.0	3.7	+9.6	+2.5
Insurance and other	3.7	3.7	-1.3	-2.0
<b>Total Customer Funds</b>	<b>43.2</b>	<b>46.7</b>	<b>-7.5</b>	<b>-2.4</b>

Results



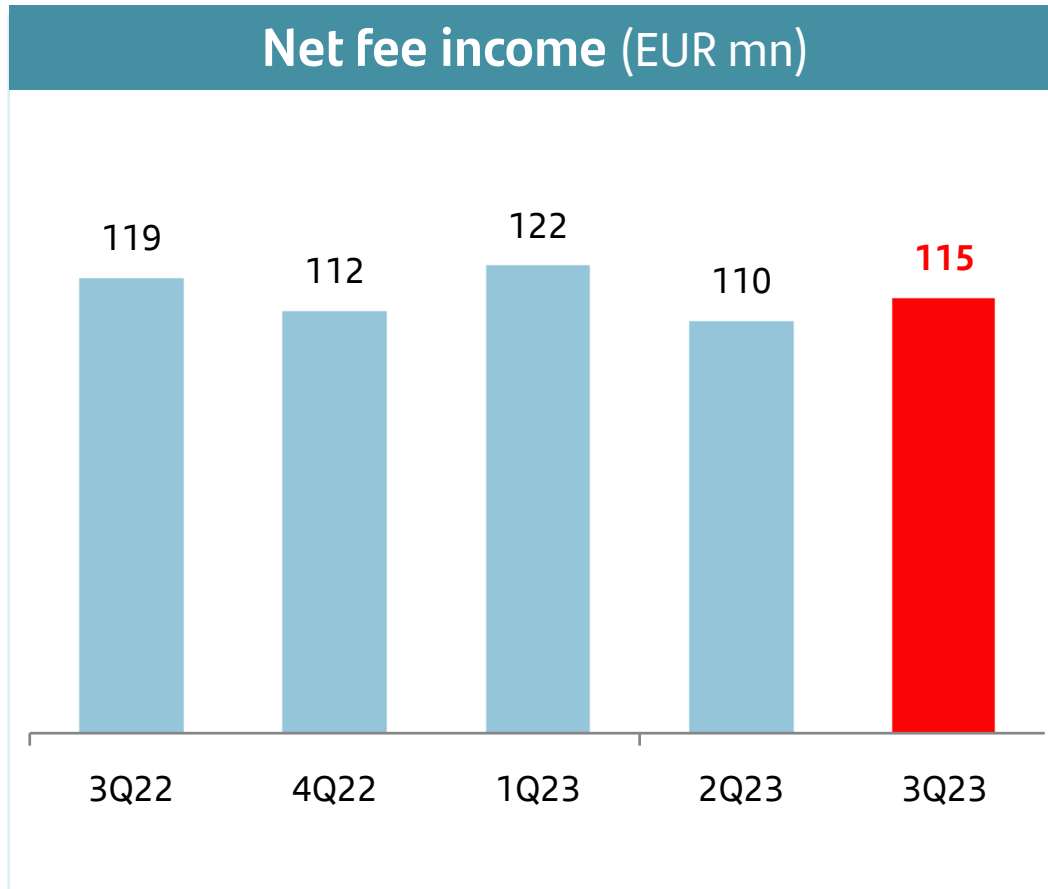
03

# NII grew strongly, continuing to reflect higher interest rates and low deposit betas



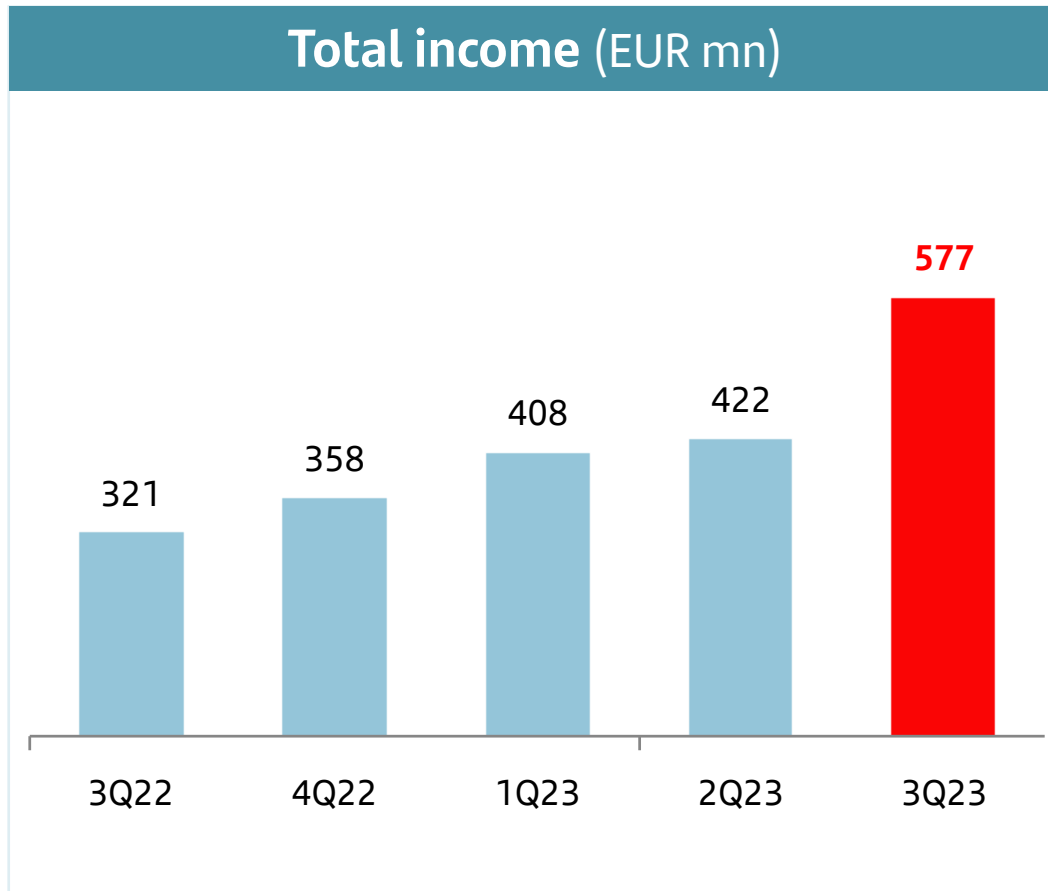
Differential
1.7pp
2.3pp
3.2pp
3.8pp
4.2pp

# Net fee income declined, mainly affected by lower activity and new regulation on mortgage prepayment fees



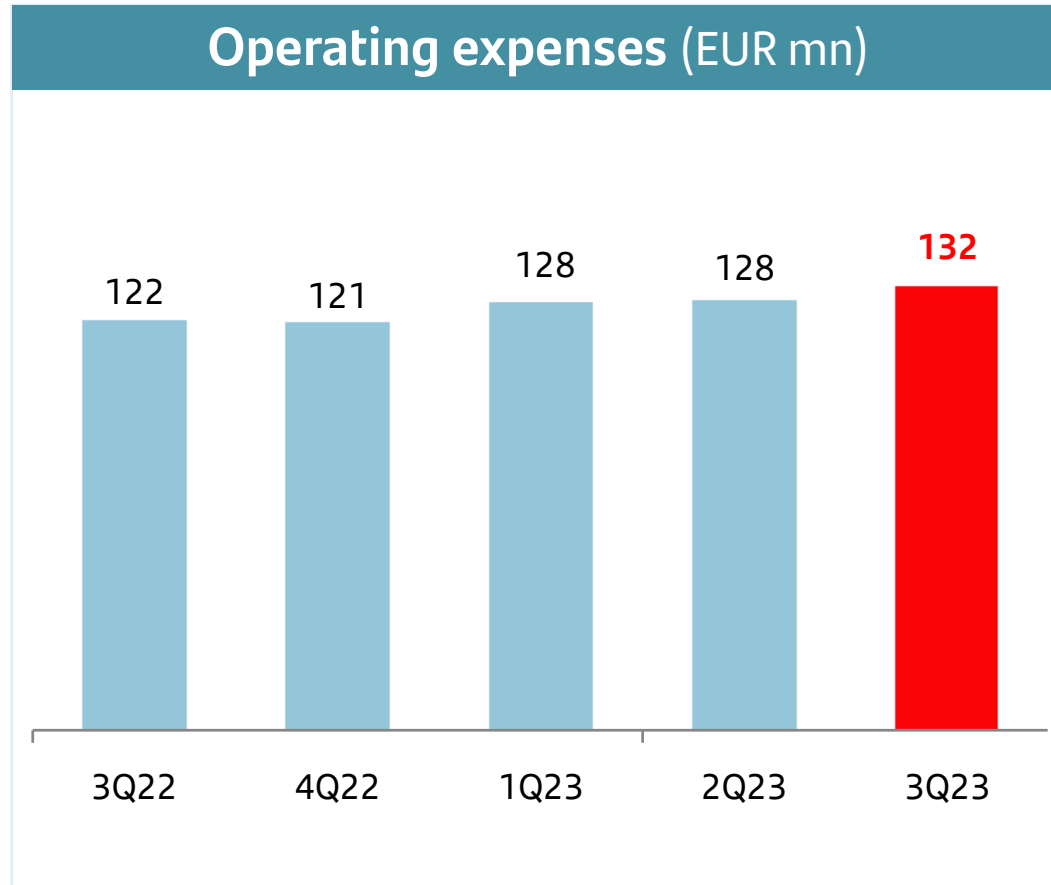
	9M'23	9M'22	YoY (%)	QoQ (%)
Credit	45	59	-24.3	-10.7
Means of Payment	80	87	-7.8	-2.6
Mutual funds	26	28	-8.0	+2.3
Insurance	92	95	-3.3	+1.5
Other	103	89	+15.6	+23.8
<b>Total net fee income</b>	<b>346</b>	<b>359</b>	<b>-3.6</b>	<b>+4.6</b>

Total income continued to increase supported by strong NII growth. On a quarterly basis revenue was also boosted by SRF contribution recorded in Q2



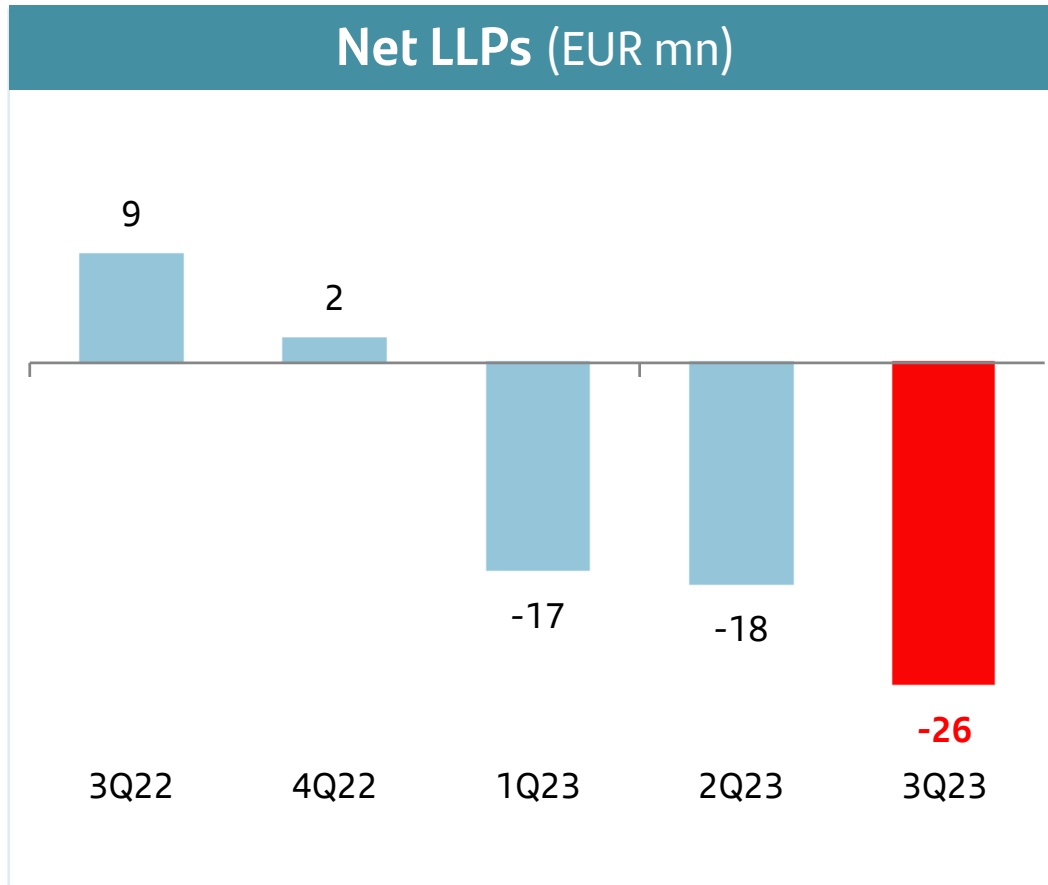
	9M'23	9M'22	YoY (%)	QoQ (%)
Net interest income	1,033	548	+88.5	+40.1
Net Fees	346	359	-3.6	+4.6
<b>Customer revenue</b>	<b>1,379</b>	<b>906</b>	<b>+52.1</b>	<b>+31.0</b>
Other	29	27	+6.9	-
<b>Total income</b>	<b>1,408</b>	<b>934</b>	<b>+50.8</b>	<b>+36.6</b>

## Expenses increased due to inflationary pressures but remained stable in real terms as a result of our transformation efforts



	9M'23	9M'22	YoY (%)	QoQ (%)
<b>Operating Expenses</b>	<b>387</b>	<b>365</b>	<b>+6.3</b>	<b>+3.3</b>
Efficiency ratio (with amortisations)	27.5%	39.0%	-11.5pp	-7.4pp
Branches in Portugal (#)	332	340	-2.4	-0.3
Employees in Portugal (#)	4,662	4,674	-0.3	-0.1

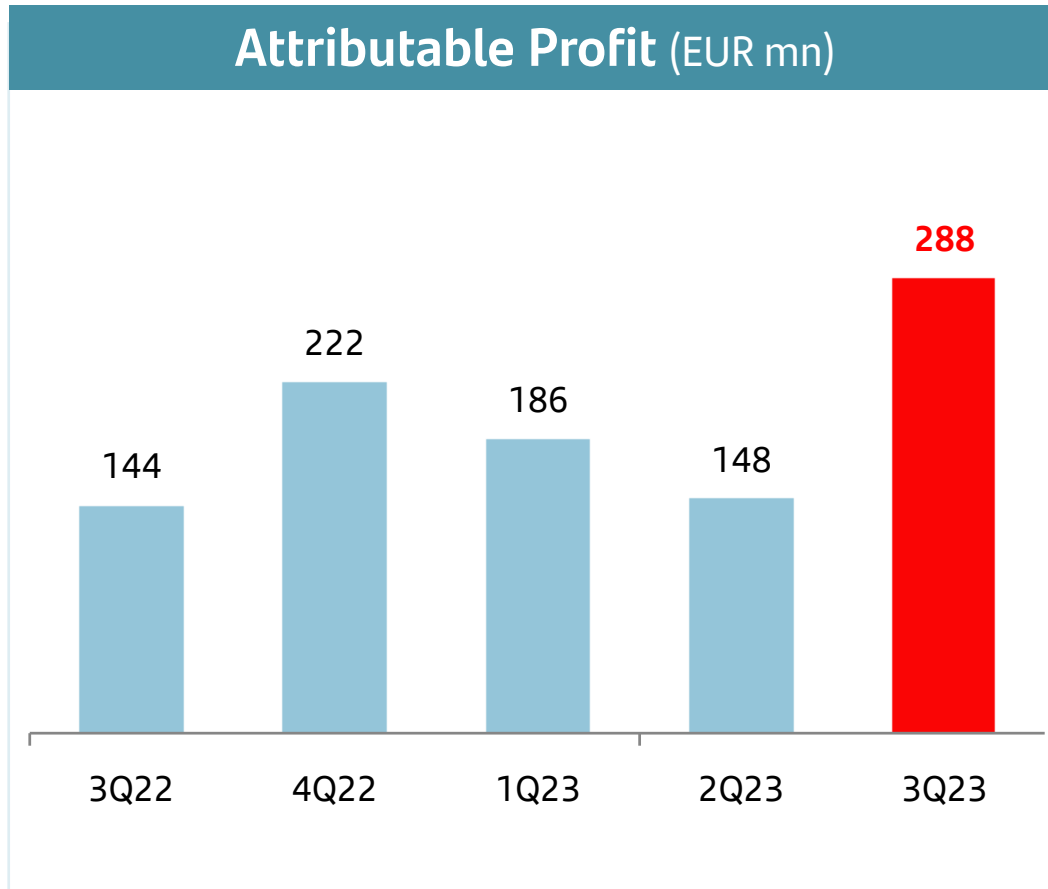
# Credit fundamentals remained robust and NPL ratio continued to reduce. LLPs and CoR remain well under control despite increased due to very low levels in 2022



	9M'23	9M'22	YoY (%)	QoQ (%)
<b>Net Operating Income</b>	<b>1,020</b>	<b>569</b>	<b>+79.3</b>	<b>+51.1</b>
LLPs	-61	10	-712.9	+45.7
<b>Net Operating Income after LLPs</b>	<b>959</b>	<b>579</b>	<b>+65.6</b>	<b>+51.5</b>
NPE ratio	1.6%	2.0%	-0.4pp	-0.5pp
NPE coverage ratio	93.2%	84.8%	+8.3pp	+4.6pp
Cost of Credit <sup>(1)</sup>	0.14%	-0.09%	+0.23pp	+0.08pp



Profit increased YoY driven by higher revenue on the back higher net operating income supported by NII growth and tight risk management



	9M'23	9M'22	YoY (%)	QoQ (%)
<b>Profit before taxes</b>	<b>914</b>	<b>558</b>	<b>+63.7</b>	<b>+78.4</b>
Taxes and MI	-292	-173	+68.7	+49.2
<b>Attributable Profit</b>	<b>622</b>	<b>385</b>	<b>+61.5</b>	<b>+94.9</b>

# Santander Portugal's transformation drove increased customer loyalty and transactions, as well as one of the best efficiency ratios



## Financial System

- ▶ The increase in interest rates is starting to impact demand for loans, with new loan originations declining to the lowest levels since early 2020, both for mortgages and corporate loans
- ▶ Deposits are growing at a slower pace, as households and non-financial corporates begin to use their savings to pay down loans. Households are also diversifying part of their savings into Government Savings Certificates, which have higher interest rates than deposits



## Strategy & Business

- ▶ Continue to implement our transformation plan with the aim of improving service quality and increasing our customer base
- ▶ Grow organically in terms of profitable market share and with adequate capital remuneration
- ▶ 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



## Results

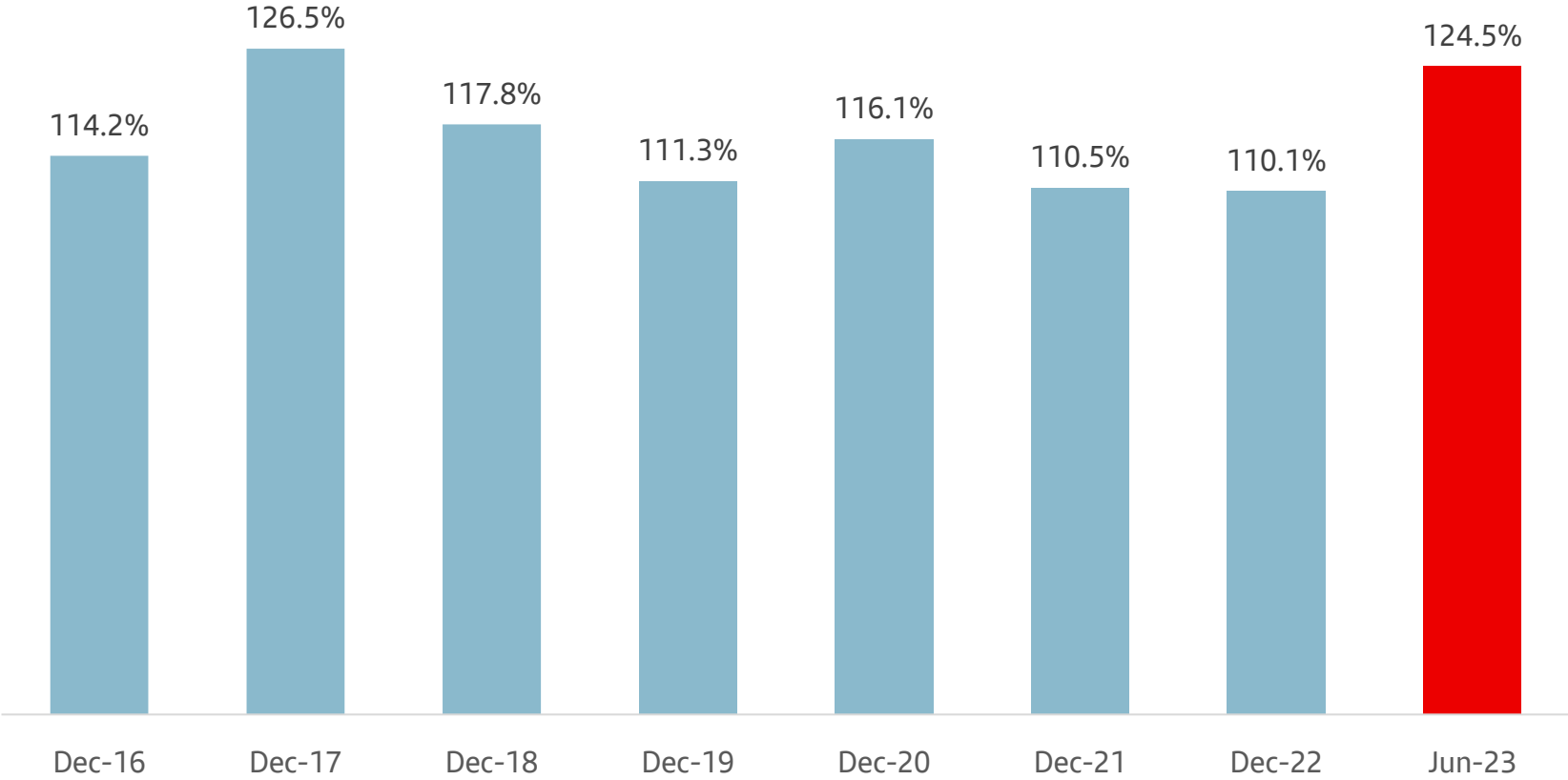
- ▶ Double-digit growth in total income supported by strong NII performance reflecting higher interest rates and low deposit betas
- ▶ Net operating income grew strongly on the back of improved efficiency (-12pp) as revenue grew much faster than costs
- ▶ Credit fundamentals remained robust and NPL ratio continued to reduce. LLPs and CoR remain well under control despite increased due to very low levels in 2022
- ▶ Profit increased YoY driven by higher revenue on the back higher net operating income supported by NII growth and tight risk management

# Financial and liquidity management

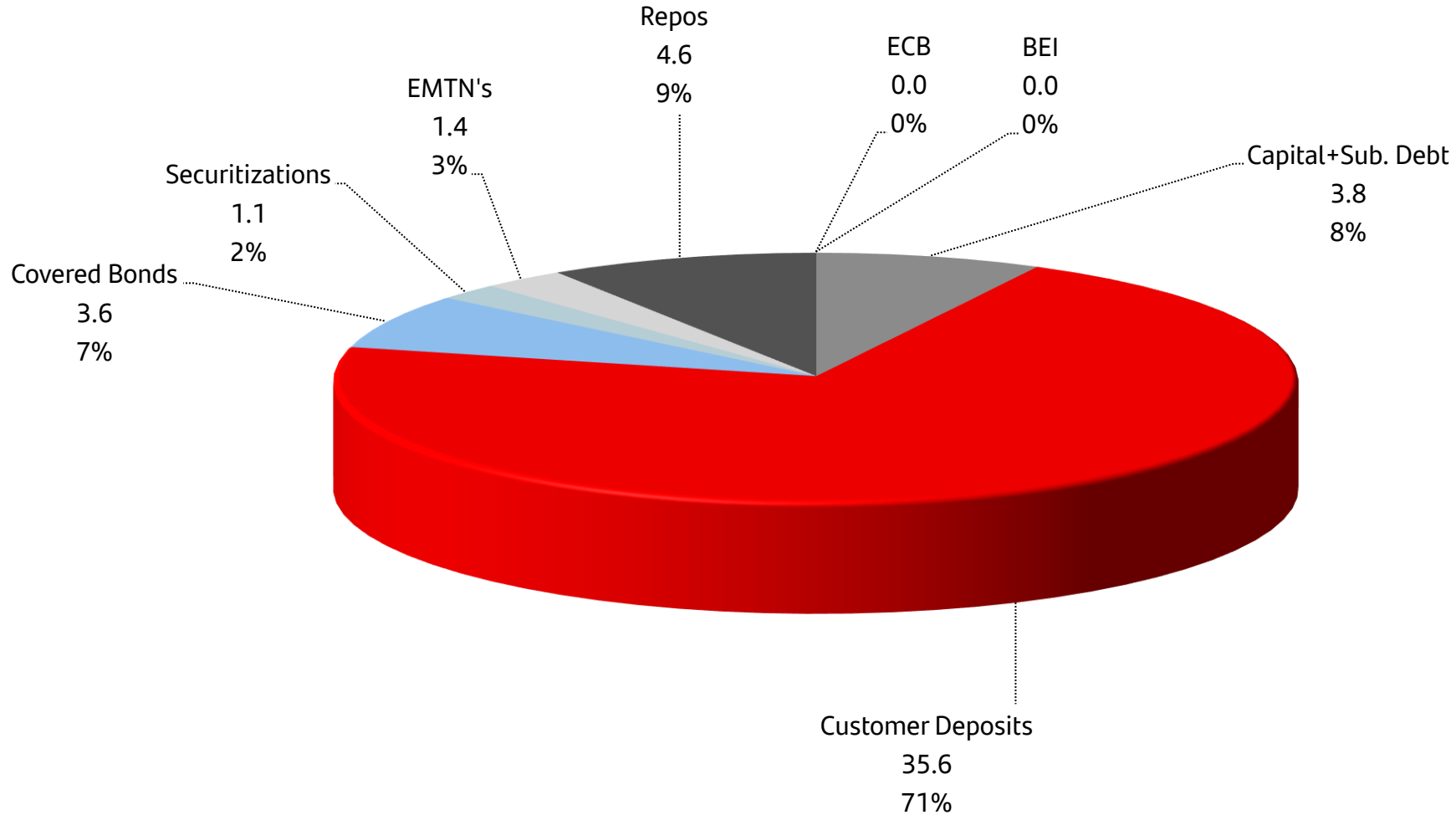


04

Loans to Deposit Ratio



# Funding and liquidity structure



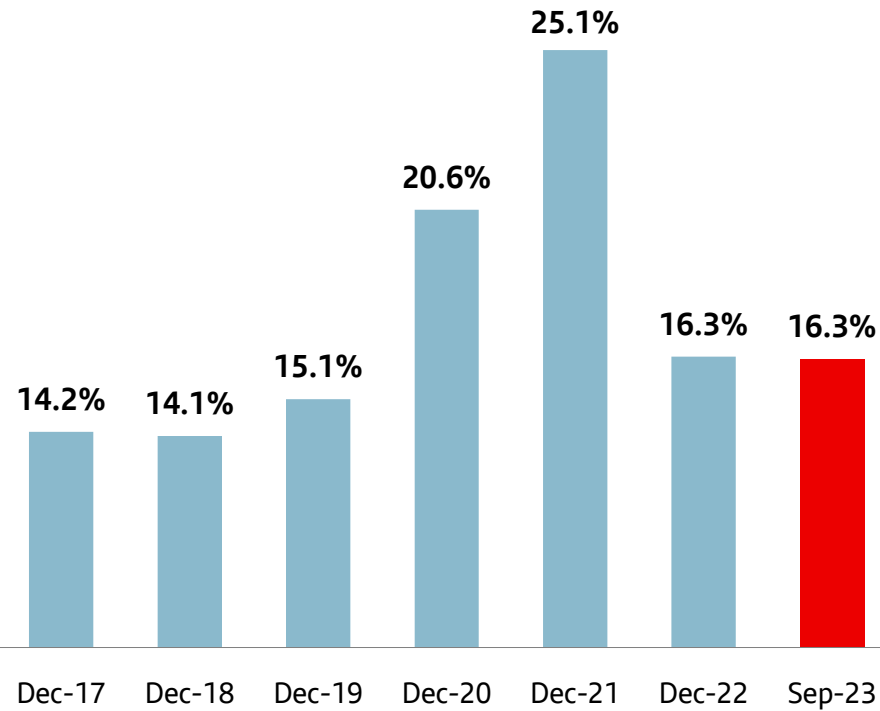
**LCR**  
**139%**

**NSFR**  
**118%**

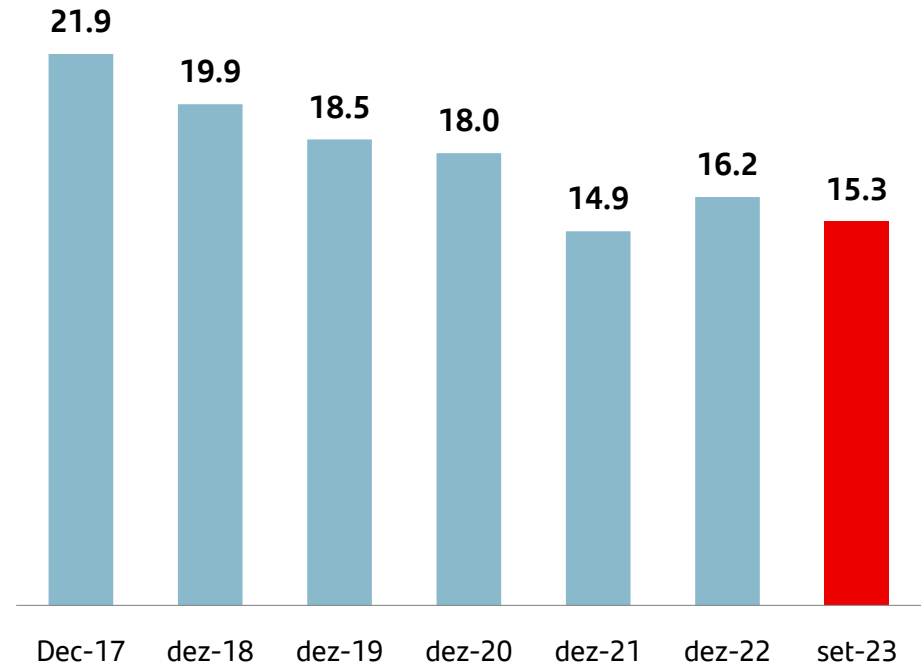
**Liquidity Buffer**  
(% of deposits)  
**49%**

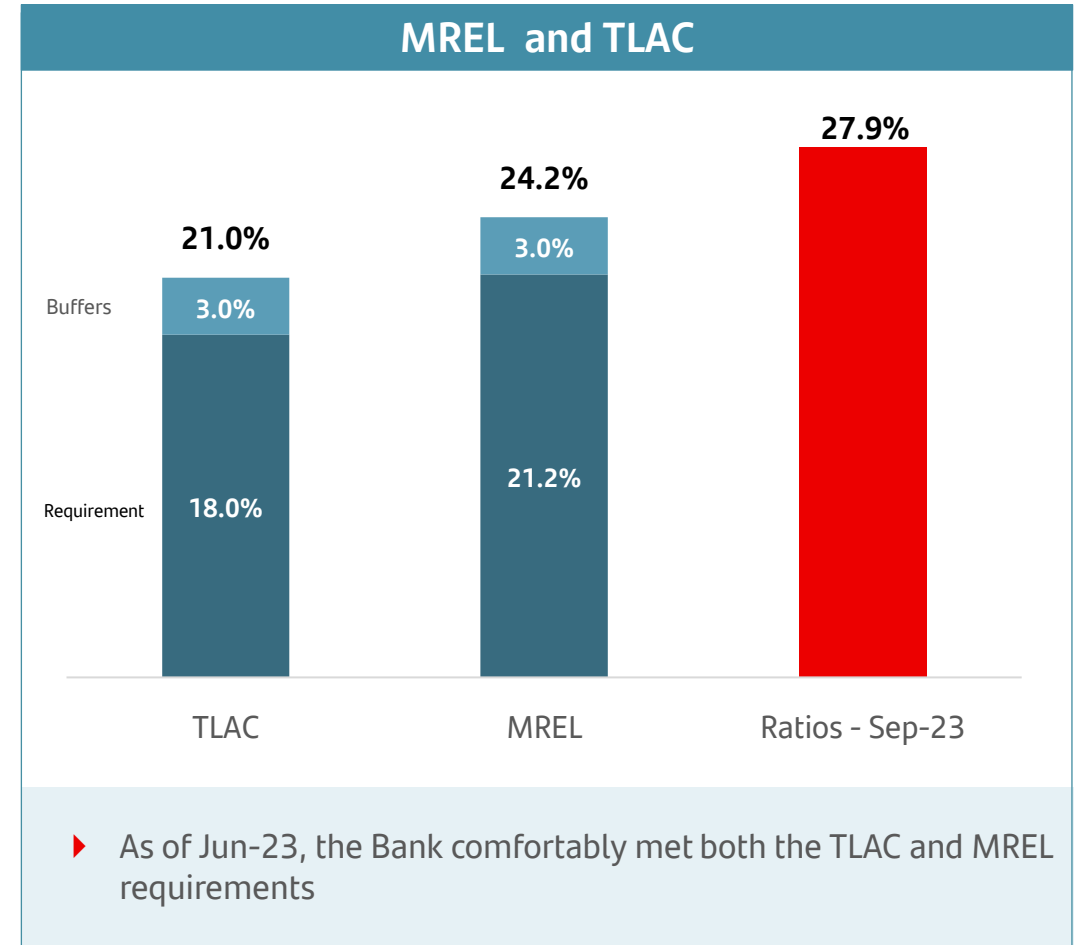
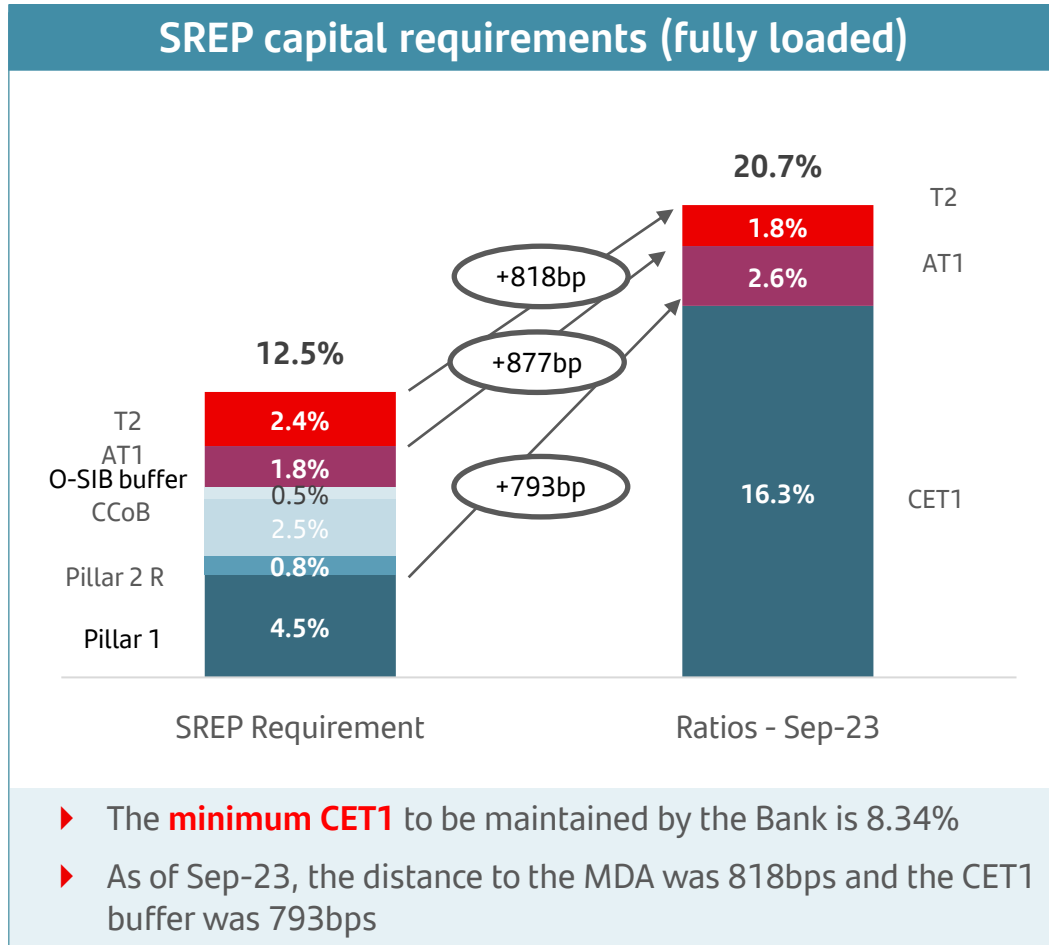
As of Sep/23

### CET 1 – full implemented



### RWA (bn€)





# Benchmarking

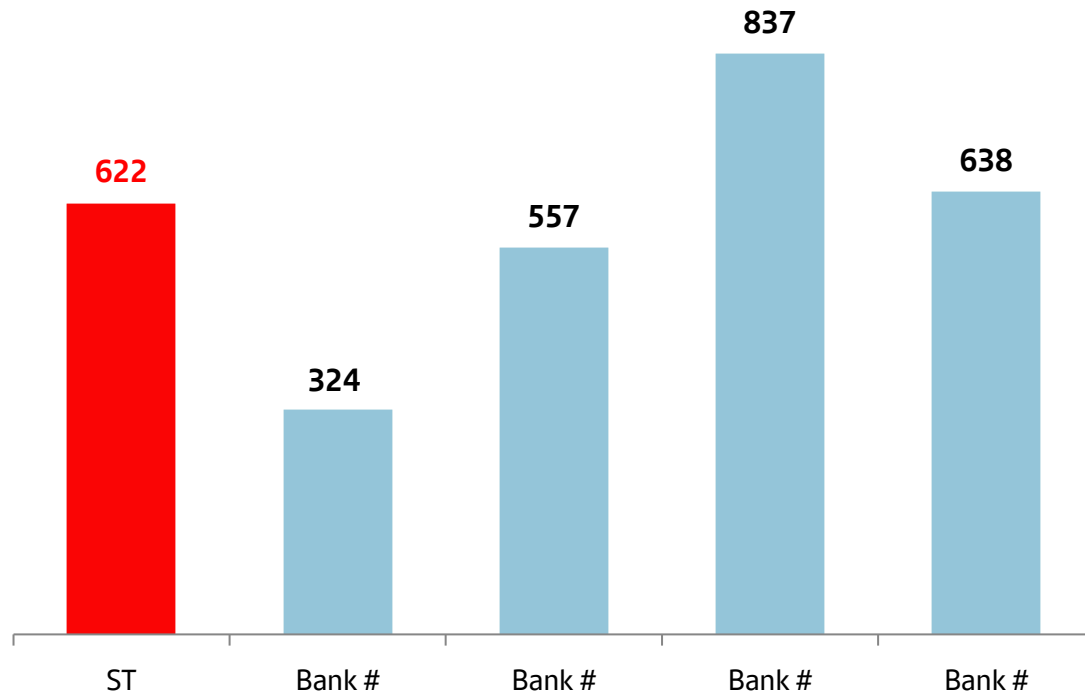


05

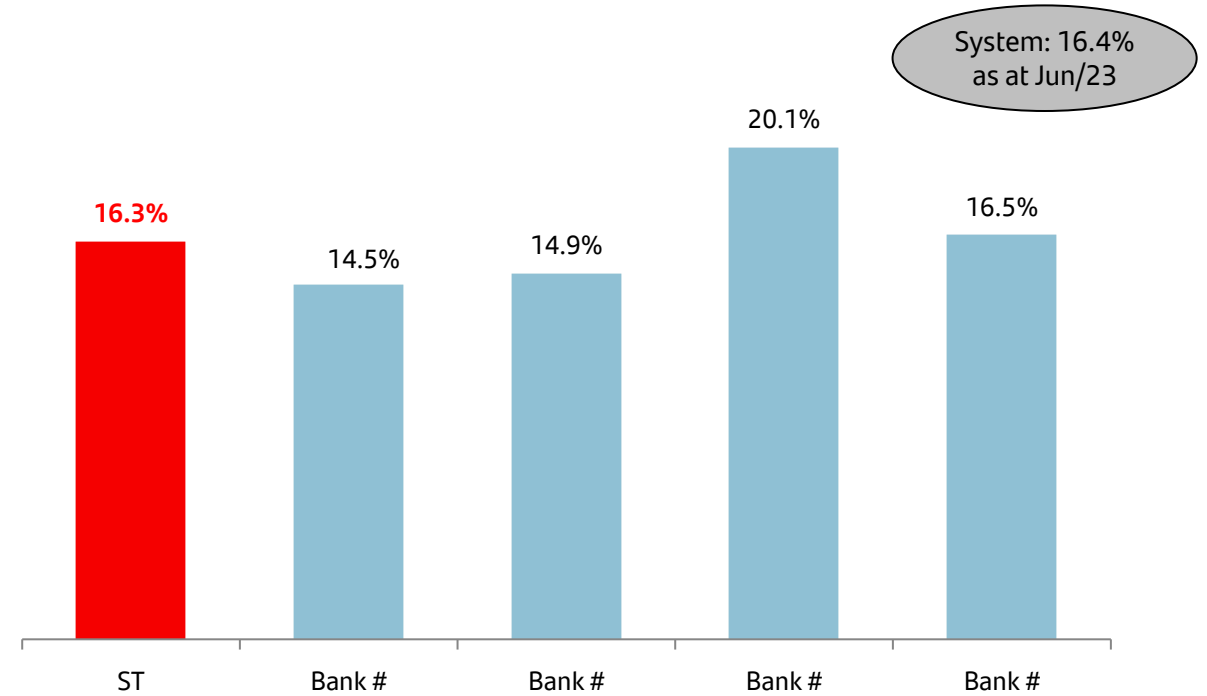


# Sustained profitability and strong capital position

Net Income – Domestic (M€)

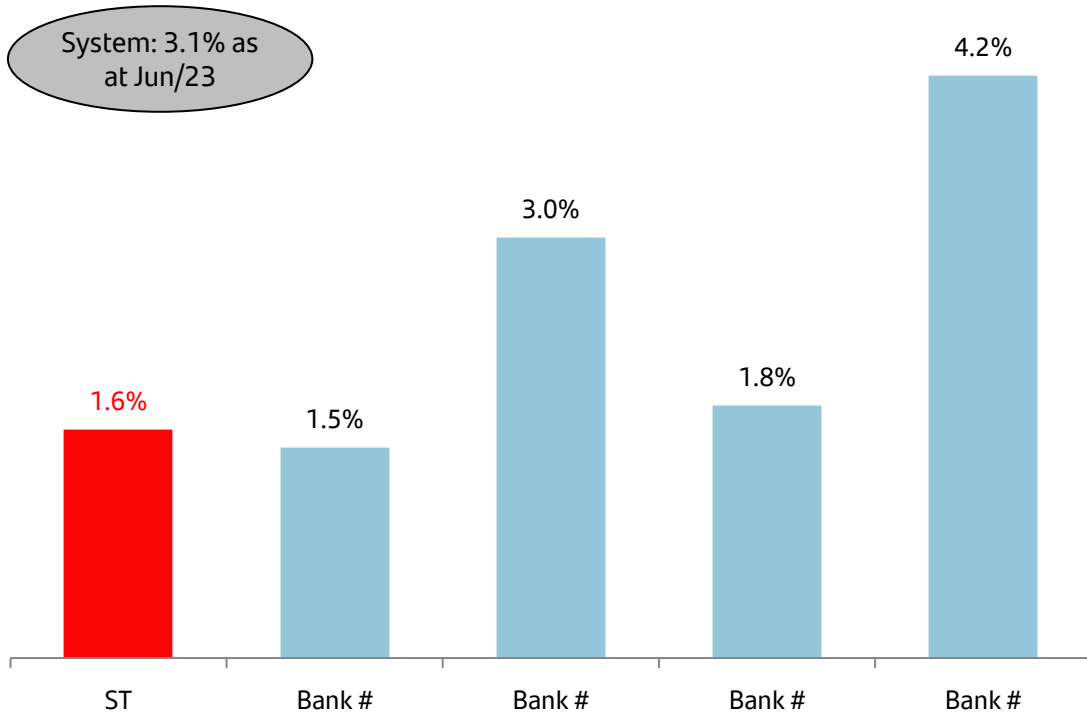


CET 1 (full implemented)

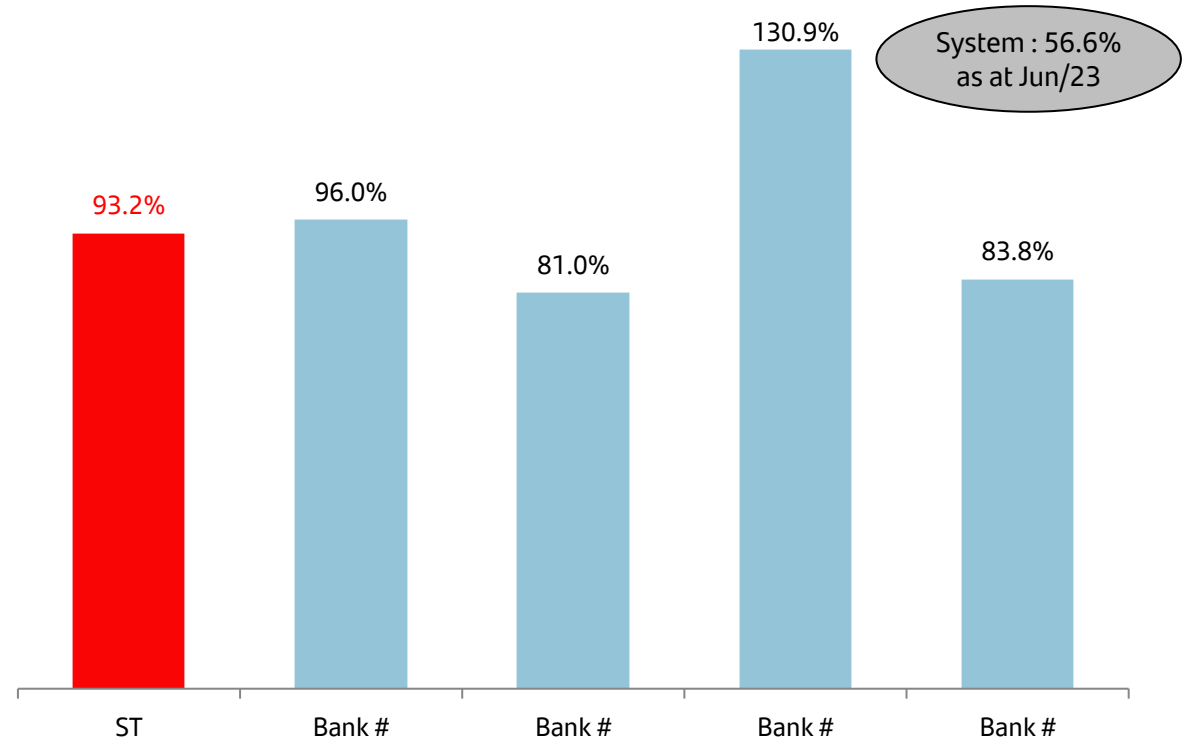


As at Sep/23

### NPE Ratio





### NPE Coverage Ratio



As at Sep/23

## Long Term Ratings – Senior Debt

DBRS		Fitch		Moody's		S&P	
A		A-	 Bank 3	A3		BBB+	 Bank 3
AL		BBB+		Baa1	 Bank 1 Bank 3	BBB	
BBBH	Bank 1	BBB		Baa2	Bank 2	BBB-	Bank 2
BBB		BBB-	Bank 1	Baa3		BB+	
BBBL	Bank 2	BB+	Bank 2	Ba1	Bank 4	BB	
BBH		BB		Ba2		BB-	
BB		BB-		Ba3		B+	
BBL	Bank 4	B+		B1		B	
BH		B		B2		B-	
B		B-		B3		CCC+	
BL		CCC+		Caa1		CCC	

# Appendix



06

## Santander Totta, SGPS

<b>BALANCE SHEET (million euro)</b>	<b>Sep-23</b>	<b>Sep-22</b>	<b>Var.</b>
Cash, cash balances at central banks and other demand deposits	4,700	10,176	-53.8%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	9,028	8,405	+7.4%
Financial assets at amortised cost	42,405	41,090	+3.2%
Investments in subsidiaries, joint ventures and associates	70	109	-36.0%
Tangible assets	414	468	-11.6%
Intangible assets	36	37	-1.7%
Tax assets	311	322	-3.6%
Non-current assets held for sale	43	14	+198.4%
Other assets	530	734	-27.8%
<b>Total Assets</b>	<b>57,535</b>	<b>61,355</b>	<b>-6.2%</b>
Financial liabilities held for trading	1,187	438	+170.9%
Other financial liabilities mandatory at fair value through profit or loss	2,825	2,861	-1.3%
Financial liabilities at amortised cost	47,916	52,635	-9.0%
Resources from Central Banks and Credit Institutions	5,822	8,140	-28.5%
Customer deposits	35,494	39,314	-9.7%
Debt securities issued	6,252	4,676	+33.7%
Other financial liabilities	349	505	-30.8%
Provisions	150	171	-12.3%
Technical provisions	573	642	-10.7%
Tax liabilities	414	325	+27.4%
Other liabilities	622	708	-12.2%
<b>Total Liabilities</b>	<b>53,687</b>	<b>57,781</b>	<b>-7.1%</b>
Share capital attributable to ST SGPS shareholders	3,847	3,573	+7.7%
Non controlling interests	1	1	+10.6%
<b>Total Shareholders' Equity</b>	<b>3,848</b>	<b>3,574</b>	<b>+7.7%</b>
<b>Total Shareholders' Equity and Total Liabilities</b>	<b>57,535</b>	<b>61,355</b>	<b>-6.2%</b>

## Santander Totta, SGPS

<b>CONSOLIDATED INCOME STATEMENTS* (million euro)</b>	<b>Sep-23</b>	<b>Sep-22</b>	<b>Var.</b>
<b>Net interest income</b>	<b>1,033.0</b>	<b>547.9</b>	<b>+88.5%</b>
Income from equity instruments	1.7	3.7	-55.0%
Results from associates	12.6	17.1	-26.3%
Net fees	345.7	358.6	-3.6%
Other operating results	-18.9	-32.8	-42.3%
Insurance activity	14.0	8.3	+67.9%
<b>Commercial revenue</b>	<b>1,388.0</b>	<b>902.9</b>	<b>+53.7%</b>
Gain/losses on financial assets	19.6	30.7	-36.2%
<b>Net Income from Banking Activities (1)</b>	<b>1,407.6</b>	<b>933.6</b>	<b>+50.8%</b>
Operating costs	-387.4	-364.5	+6.3%
Staff expenses	-209.9	-196.9	+6.6%
Other Administrative Expenses	-144.3	-133.1	+8.4%
Depreciation	-33.2	-34.5	-3.7%
<b>Net operating Income</b>	<b>1,020.1</b>	<b>569.1</b>	<b>+79.3%</b>
Impairment (net) of financial assets at amortised cost	-61.3	10.0	-
Net provisions and other results	-44.9	-20.8	+116.1%
<b>Income before taxes and non-controlling interests</b>	<b>913.9</b>	<b>558.3</b>	<b>+63.7%</b>
Taxes	-292.0	-173.1	+68.7%
Non-controlling interests	-0.2	-0.1	+65.4%
<b>Consolidated net income</b>	<b>621.7</b>	<b>385.1</b>	<b>+61.5%</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