



Portugal



2020

Earnings Presentation

Disclaimer

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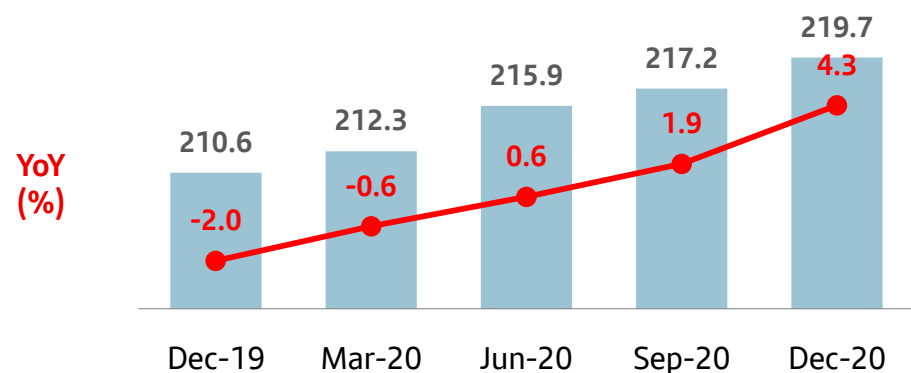
The information contained herein is in accordance with the Bank of Portugal's criteria. Unless otherwise stated, data in this presentation refers to consolidated figures for Santander Totta SGPS, the group's holding company in Portugal. BST is Santander Totta SGPS' main operating unit, aggregating the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

Macroeconomic environment and financial system

01

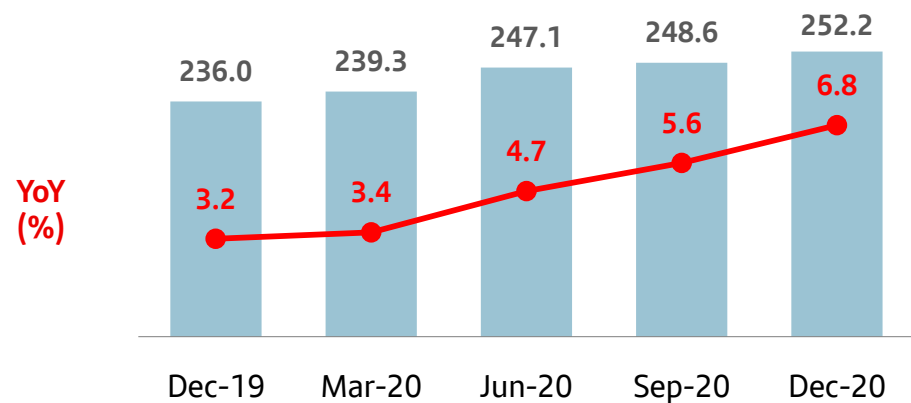
Credit dynamics reflect covid-19 measures: loans with State guarantee and moratoria

Total loans (EUR bn)



- ▶ Loans have increased given the support measures adopted to mitigate the covid-19 effects: (i) credit lines with State guarantee for the corporate sector; and (ii) moratoria on loans to households and corporates

Total deposits (EUR bn)














- ▶ Deposits accelerate, reflecting (i) lower spending by households, due to precautionary saving and less spending on leisure activities; and (ii) higher deposits by corporates, associated with the credit lines

Strategy and business



02

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

KEY DATA*	2020	YoY Var.
 Customer loans ¹	EUR 42.7 bn	+6.8%
 Customer Deposits ²	EUR 36.0 bn	+2.3%
 Underlying att. profit	EUR 295.6 mn	-43.9%
 Underlying RoTE	8.7%	-407 bps
 Efficiency ratio	43.8%	-10 bps
 Loans market share ³	18.0%	+37 bps
 Deposits market share ³	15.0%	-76 bps
 Loyal customers	812 k	+4.3%
 Digital customers	930 k	+20.0%
 Branches ⁴	469	-11.8%
 Employees	5,980	-3.4%

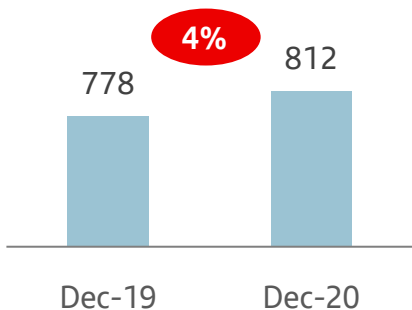


STRATEGIC PRIORITIES

- ▶ 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
- ▶ Continue 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 on the digital capability to better serve customers
- ▶ Keep a solid capital and liquidity position, in the current challenging environment

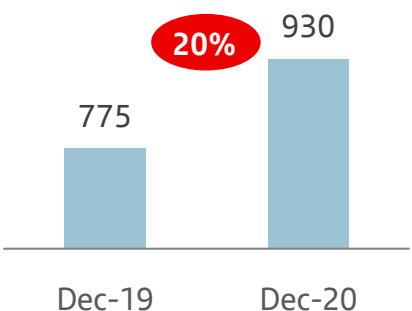
Digitalization and customer satisfaction reflected in increased customer loyalty

Loyal (k)



Loyal / Active: 48% (+2 pp YoY)

Digital customers (k)



Digital sales / total: 43% (+8 pp YoY)

- ▶ The customer oriented strategy, focused on improved customer satisfaction, continues to support the sustained growth in the number of loyal customers, both at the level of individuals (+4% YoY)...
- ▶ ... and also in the corporate segment (+9% YoY), where the evolution of loyal customers is aligned with the market shares in new lending
- ▶ #1 NPS: focus on improving service quality, resulting in the best NPS in Portugal

- ▶ The extensive offer of digital functionalities allowed the Bank to continue to provide its support to individual and corporate customers, during the pandemic
- ▶ The number of digital customers has accelerated its growth, to 930 k (+20% YoY) by the end of 2020, while digital sales represent 43% of total
- ▶ Mobile customers up 28% YoY

Retail and digital services

Awards – 2020



Best Bank in Portugal
Best Investment Bank



Best Bank in Portugal



Best Retail Bank in Portugal

Digilosofia



In 2020, **Digilosofia**, our digital philosophy, allowed:

More than 812 thousand personal customers used the App or NetBanco

More than 1.7 million digital payments, through mobile and gadgets

More than 79 thousand customers above 65 years assisted in their daily banking, including usage of digital channels

Individuals



A relação do futuro é a que anda sempre consigo
O seu Banco Digital



Santander is expanding Santander Proximo, our digital branch:

- Personalized service, extended working hours
- Simple access, through email, phone or video
- Swift and Easy: the customer can subscribe all products and services, with digital signing through the NetBanco platform

Corporates

Santander Portugal launched its Freemium Business campaign, with special offers to support the daily banking of corporates and businesses:

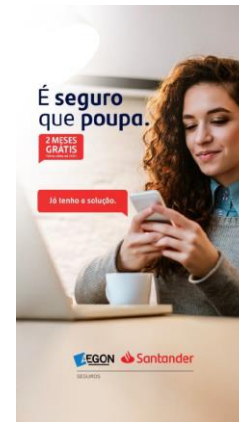
- Wage processing
- Cartão Refeição (meal allowance)
- Electronic payment management
- POS



Insurance

Santander Portugal provides its customers a wide range of life and non-life insurance, available through the online channels:

- Life Protection
- SafeCare Life
- SafeCare Health
- Home Protection



Responsible banking



Several **ESG** products: Green mortgages, Credit to Renewable Energies, Credit Line for Decarbonization and Circular Economy, Auto Financing, with favourable conditions for electric and hybrid vehicles, Fundo Santander Sustentável

Biodegradable bank card with CarbonNeutral® quality sign

Electricity sources 100% renewable

Compromise Lisbon Green Capital 2020 – Climate Action Lisbon 2030, an initiative by the Lisbon City Council to contribute to the sustainability in the city of Lisbon

We continue doing business in a more responsible and sustainable way

Culture

Great Place to Work

- **Best Bank to Work in Portugal** for the 4th consecutive year & **Top 3** of the Best Large Companies, by the **Great Place to Work Institute**.
- Santander Portugal has renewed its certification as an **Empresa Familiarmente Responsável** (Familiarly Responsible Company) by the **MásFamilia Foundation**.
- **24%** Women in senior leadership positions
- **86%** of employees proud to work for Santander

Green finance & Env. footprint

- **100% Electricity** used from renewable energy sources
- Launched **Green Mortgages**. Reduction in the spread for mortgages in which the houses have the best environmental ratings
- **Biodegradable bank cards** with the CarbonNeutral® quality seal
- Santander Portugal promotes **sustainable mobility**: minibuses for employees as well as parking space for bicycles
- Santander Portugal signed the Commitment for the **Lisbon European Green Capital 2020**, an initiative promoted by the Lisbon City Council, which challenges companies, citizens and all organizations to contribute to a more sustainable city
- Sustainable Christmas trees in Santander Portugal. Through this initiative, we **will replant 14,000 trees** across the country in two years

Communities

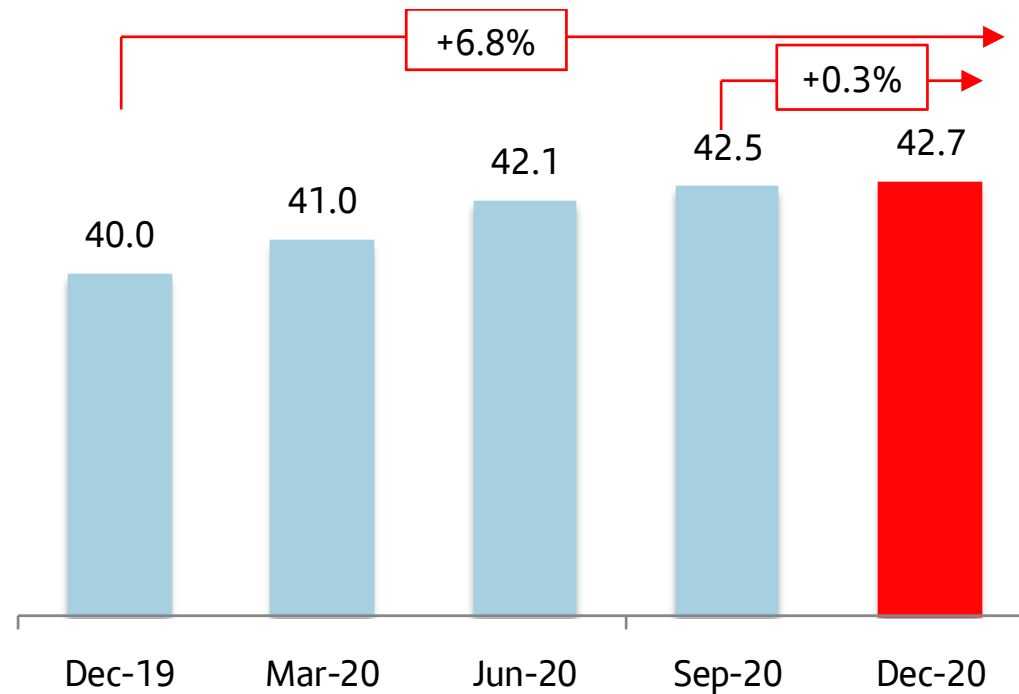
- Santander Portugal **supported 365 NGOs**
- **54,169 people helped** through our community programmes
- Since the beginning of the covid-19 crisis, **Santander Portugal tripled its budget in CSR**, namely regarding the donations to social institutions
- **Here and Now Programme - "Let's get people talking" initiative** – in cooperation with the branches, Santander Portugal attributed **580 tablets and communication cards to nursing homes**, so that the elderly can talk to their families
- Approximately **4,000 beneficiaries of Santander Universidades scholarships**; **50 protocols** with higher education institutions

Financial inclusion

- **233,075** people financially empowered (2019-20)
- Launch of a **financial literacy blog** with articles on savings and investment
- Launch of the **Junior Achievement financial literacy courses** in an **online format**.

Sustained loan growth, both at the level of households and SMEs, supported by strong mortgage origination and state-guaranteed credit lines

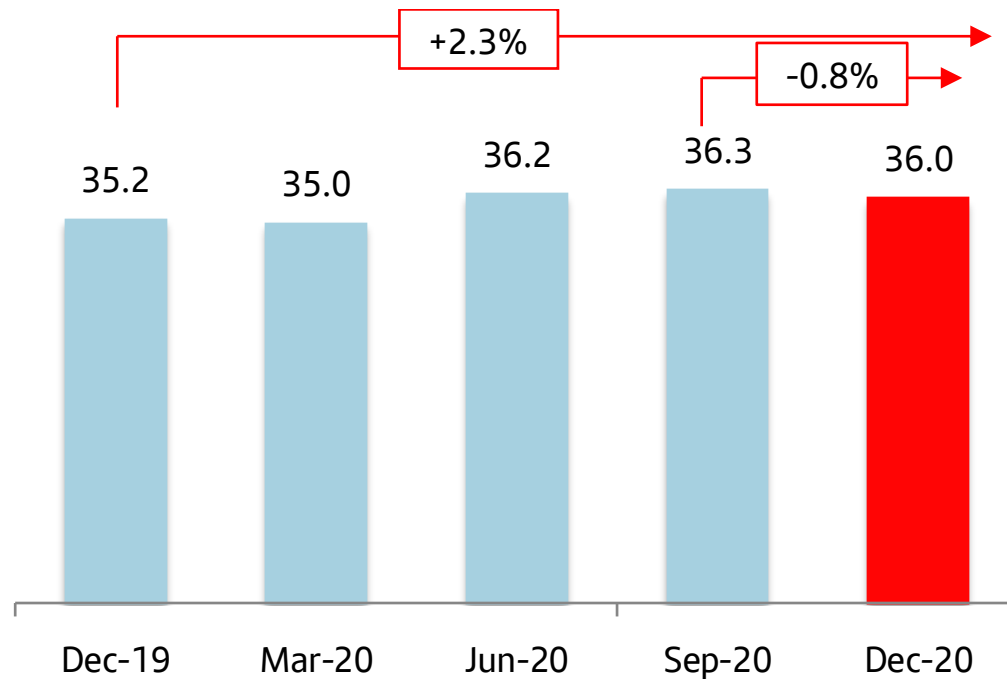
Total loans (EUR bn)



	Dec-20	YoY (%)	QoQ (%)
Individuals	22.8	+4.5	+1.1
Mortgage	20.7	+5.2	+1.3
Consumer and other	2.1	-1.8	-1.1
Corporates	16.4	+6.7	-1.0

Higher customer resources mostly due to demand deposits and mutual funds, aligned with higher household savings

Total deposits (EUR bn)



	Dec-20	YoY (%)	QoQ (%)
Deposits	36.0	+2.3	-0.8
Off Balance Sheet Resources	7.3	-0.4	+4.0
Investment Funds	3.3	+6.1	+9.1
Insurance and other	4.0	-5.2	+0.2
Total Customer Funds	43.3	+1.9	-0.0

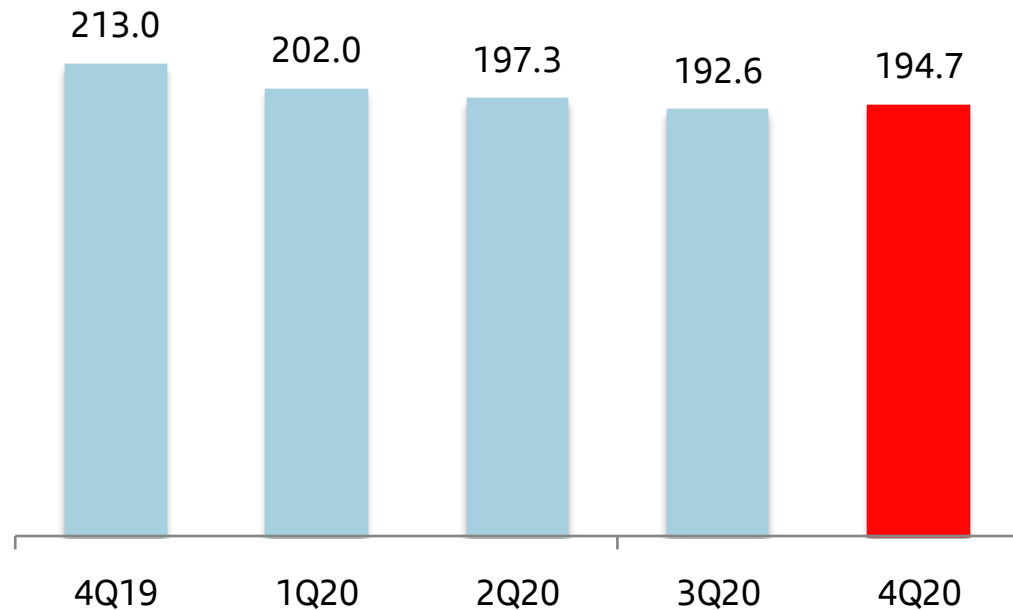
Results



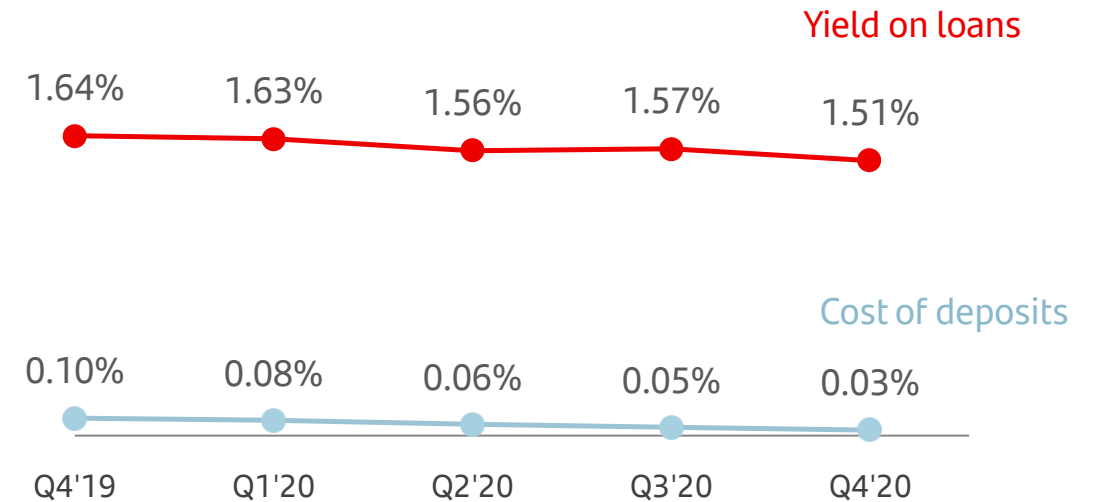
03

Lower NII, given lower Euribor rates and narrower spreads in a competitive market environment. Stabilization of short-term rates halted the decline in NII in 4Q20

Net interest income (EUR mn)



Yields and costs (%)

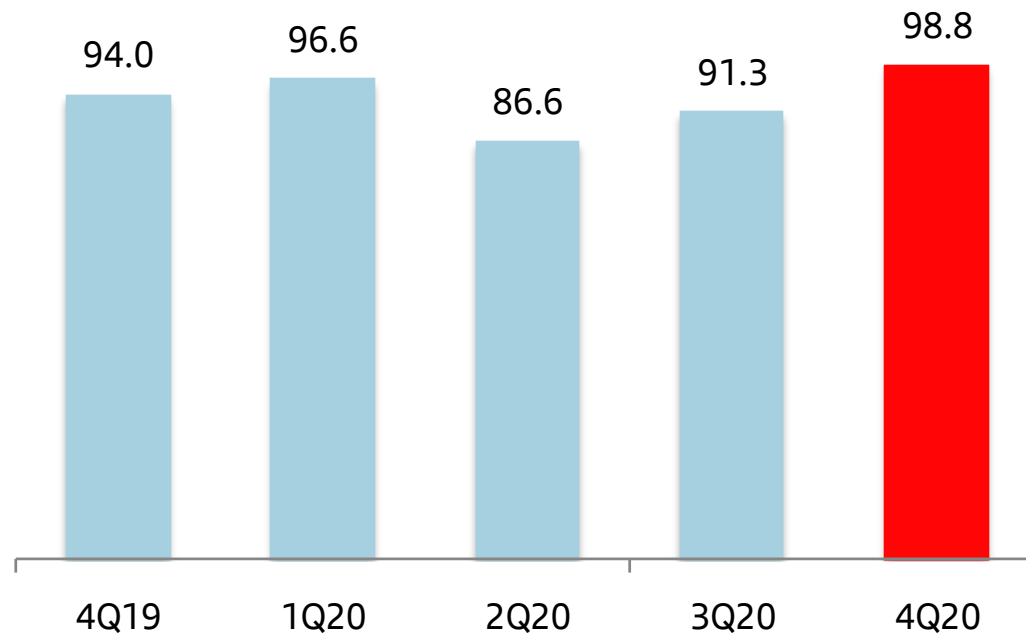


Differential

155 bps	154 bps	150 bps	153 bps	148 bps
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Net fee income declined in the year, given the adverse impacts of the pandemic.
QoQ improvement due to stronger activity in H2

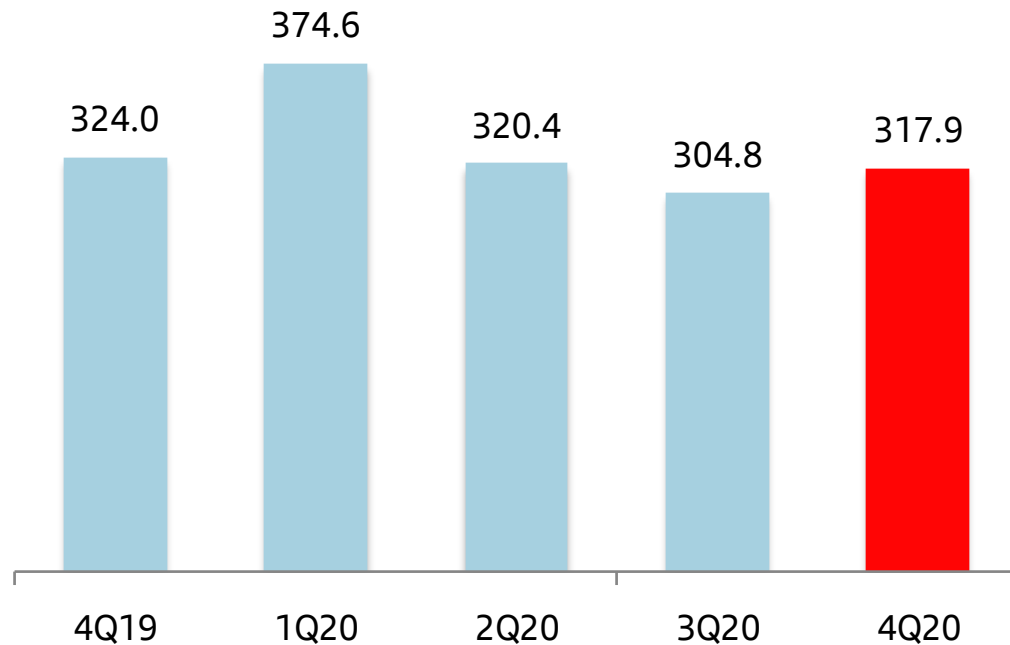
Net fees (EUR mn)



	Q4'20	Q4'19	YoY (%)	QoQ (%)
Credit	92	108	-15.4	+12.4
Credit cards	90	97	-6.8	-1.7
Mutual funds	29	27	+9.7	+4.5
Insurance	104	105	-1.3	+1.7
Other	58	44	+33.8	+32.5
Total	373	381	-1.9	+8.2

Total income declined YoY largely due to the impact of the pandemic on NII. QoQ improvement of customer revenues

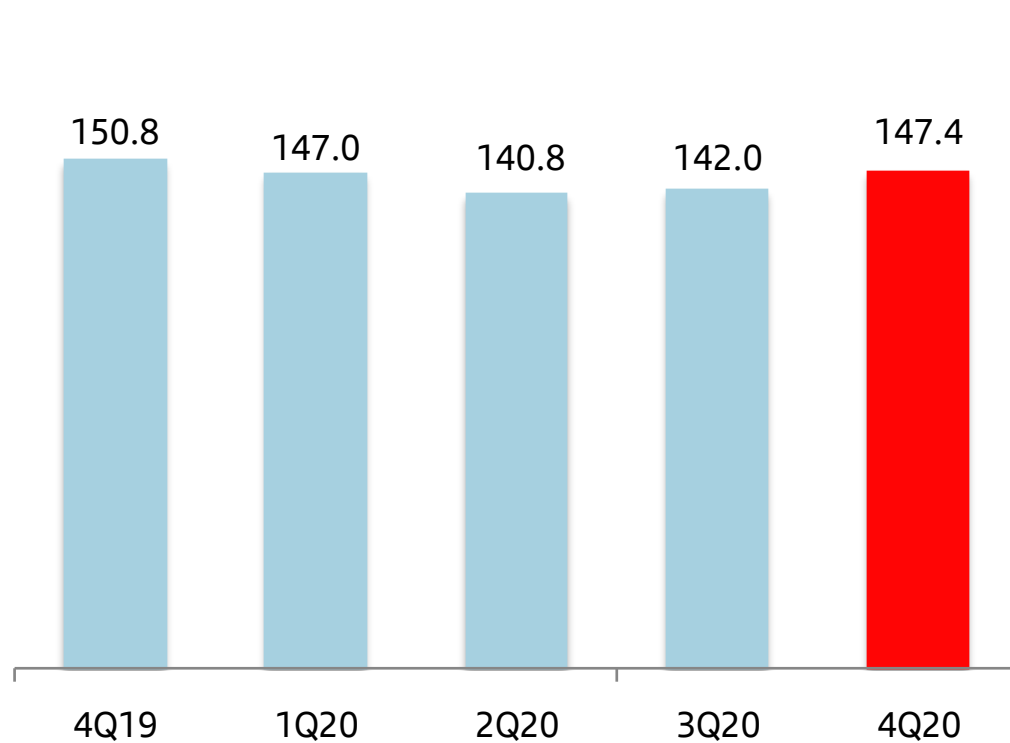
Total income (EUR mn)



	Q4'20	Q4'19	YoY (%)	QoQ (%)
Net interest income	788	858	-8.1	+1.1
Net Fees	373	381	-1.9	+8.2
Customer revenue	1,162	1,238	-6.2	+3.4
Other	156	139	+12.2%	-23.5%
Total income	1,318	1,377	-4.3	+1.3

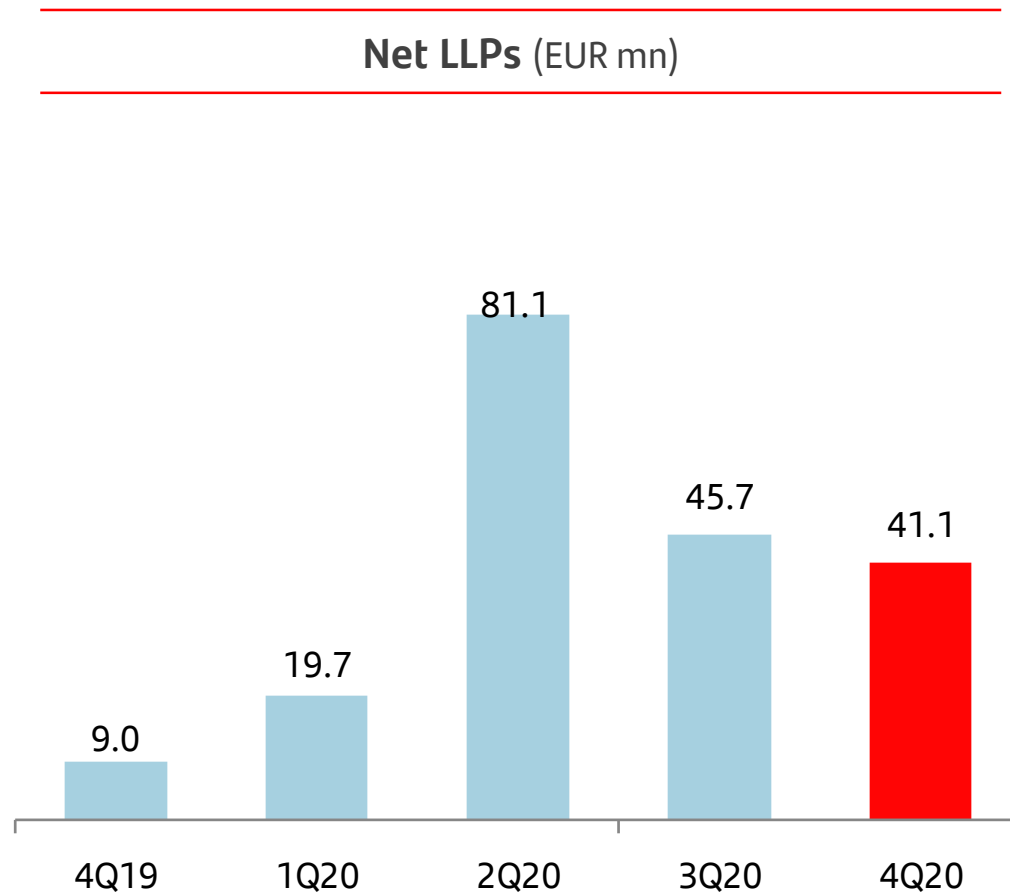
Costs declined 4.5% in 2020, driven by the ongoing digital and commercial transformation process

Operating expenses (EUR mn)



	Q4'20	Q4'19	YoY (%)	QoQ (%)
General and admin. expenses	525	555	-5.4	+4.2
Depreciation and amortization	52	50	+5.6	-0.1
Operating Expenses	577	604	-4.5	+3.8
Efficiency ratio (with amortisations)	43.8%	43.9%	-0.1pp	+0.8pp
Branches (#)	469	532	-63	-22
Employees (#)	5,980	6,188	-208	-291

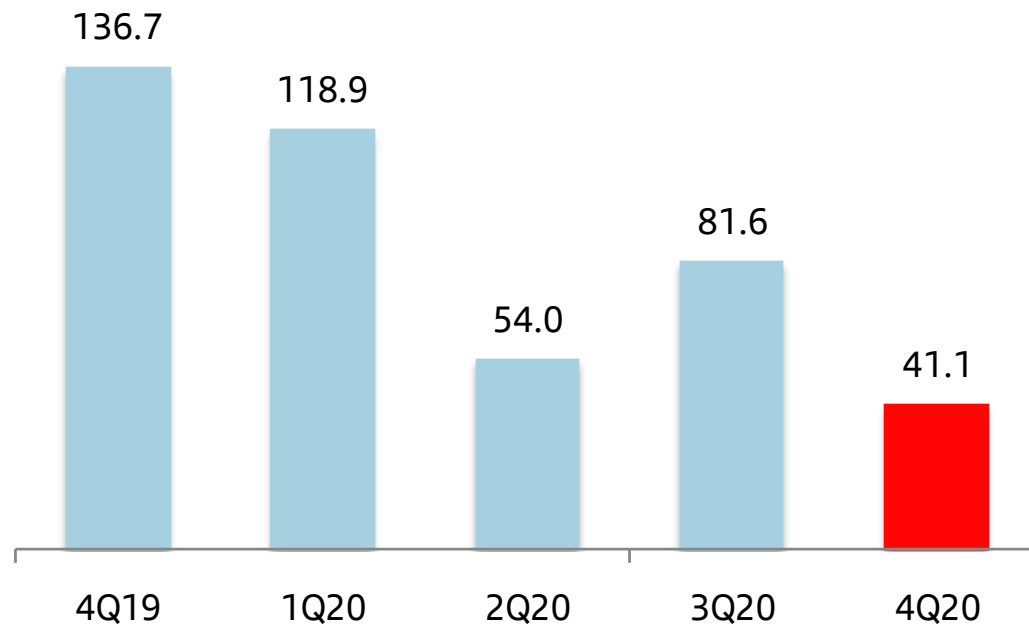
Reinforcement of LLPs for possible future impacts of the pandemic, while NPLs continue to decline



	Q4'20	Q4'19	YoY (%)	QoQ (%)
Net Operating Income	726	762	-4.7	-1.9
LLPs	-188	7	-	-10.0
Net Operating Income after LLPs	538	769	-30.0	+1.3
NPE ratio	2.6%	3.2%	-0.6pp	-0.2pp
NPE coverage ratio	66.8%	53.1%	+13.7pp	+2.3pp
Cost of Credit ⁽¹⁾	0.45%	-0.02%	-	-

Underlying attributable profit declined YoY, reflecting covid-19 related impacts on revenues, especially on provisions

Attributable profit (EUR mn)



	Q4'20	Q4'19	YoY (%)	QoQ (%)
Profit before taxes	405	740	-45.3	+3.9
Taxes and MI	109	213	-48.5	-3.3
Attributable Profit	296	527	-43.9	-49.6

Santander Portugal maintained resilient profitability, despite the challenging environment due to the pandemic, and increased business volumes

Financial System

- ▶ Economic activity was recovering at a gradual pace, but the current wave of the pandemic will delay the recovery
- ▶ Loan volumes and asset quality short term dynamics positively influenced by the moratoria, and also by the credit lines with state guarantee
- ▶ Deposits continue to grow, supported by higher household savings

Strategy & Business

- ▶ Santander Portugal maintains its support to households and companies, with market shares in new lending to corporates and mortgages above 20% in Q4'20, sustaining its strong position as the largest privately-owned bank in Portugal
- ▶ Santander Portugal remains focused on its digital transformation process, including continuous deliveries on digital channels and simplification of internal processes and commercial offering, which has been translated into the best NPS
- ▶ Sound capital and liquidity bases, which allows us to better tackle the current uncertainty and challenges and to continue supporting our customers. In addition, we maintained the best risk ratings by the rating agencies, aligned with or above the sovereign's
- ▶ Growth in loans and deposits, boosted by the sustained growth in individuals and companies loans and demand deposits

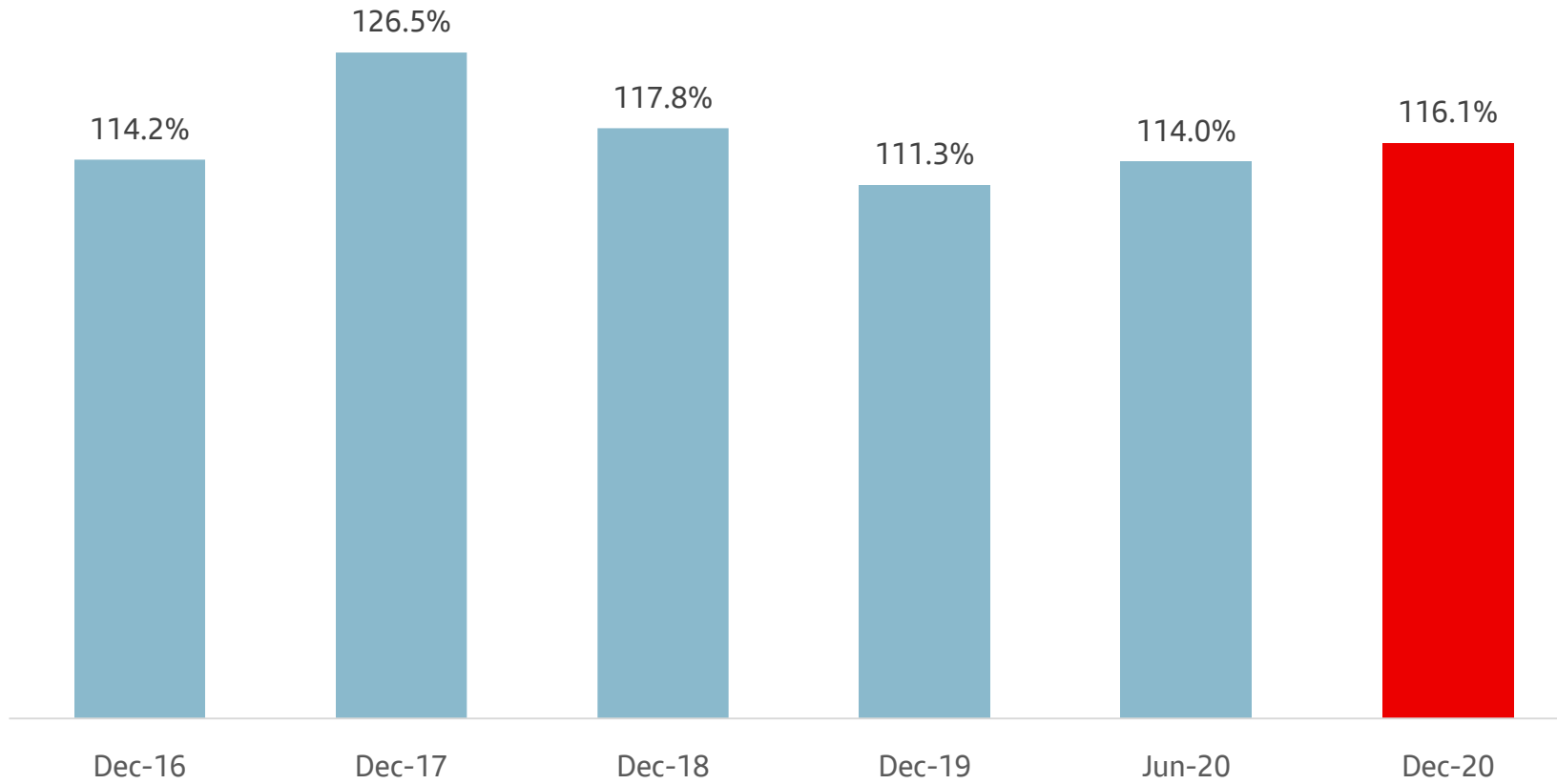
Results

- ▶ Lower total income due to adverse effects from the pandemic, especially in terms of NII, partly offset by lower costs.
- ▶ Reinforcement of LLPs for possible future impacts of the pandemic, while NPLs continue to decline
- ▶ Attributable profit declined 44% YoY, impacted by lower NII and higher LLPs

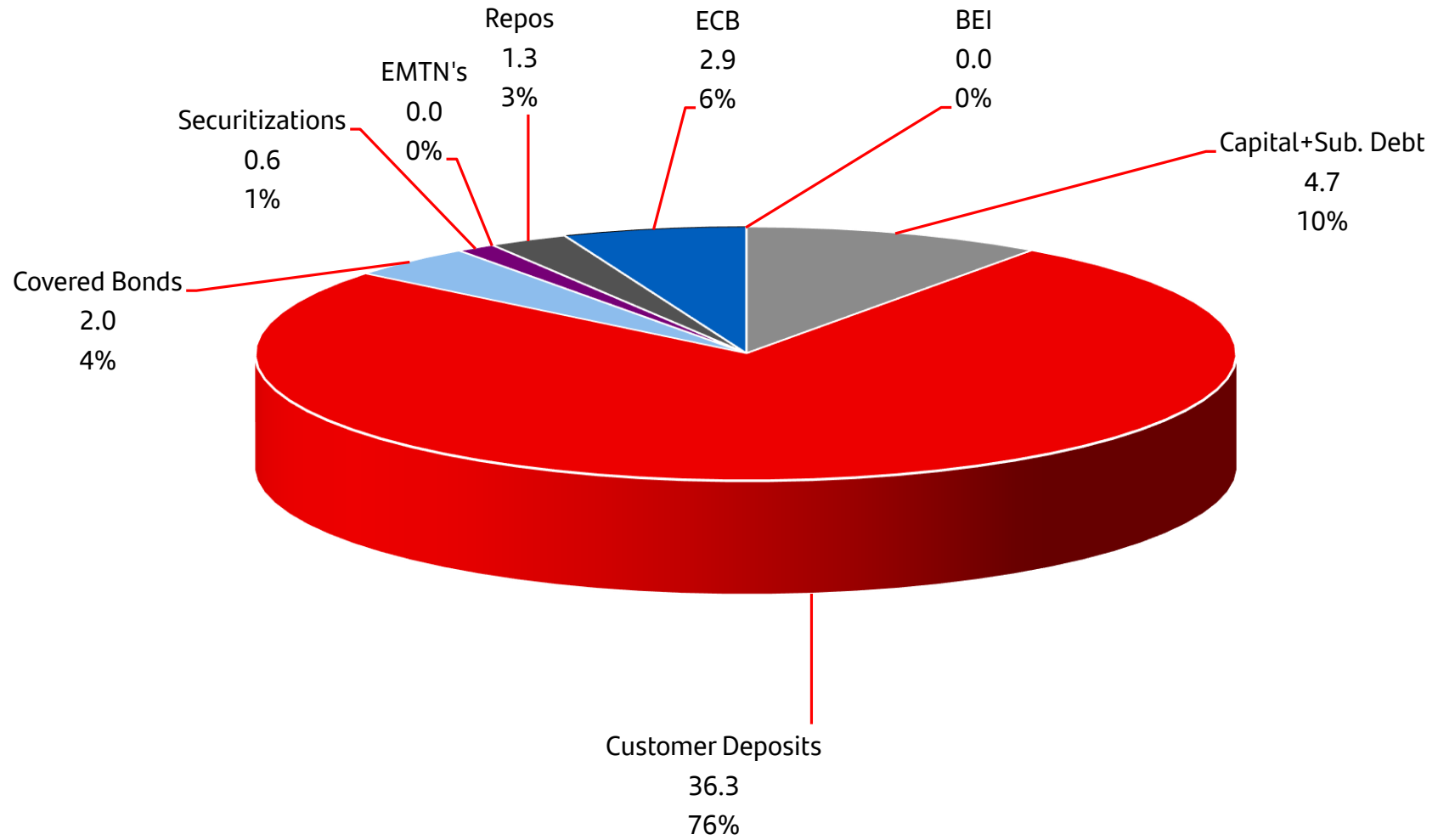
Financial and liquidity management

04

Loans to Deposit Ratio

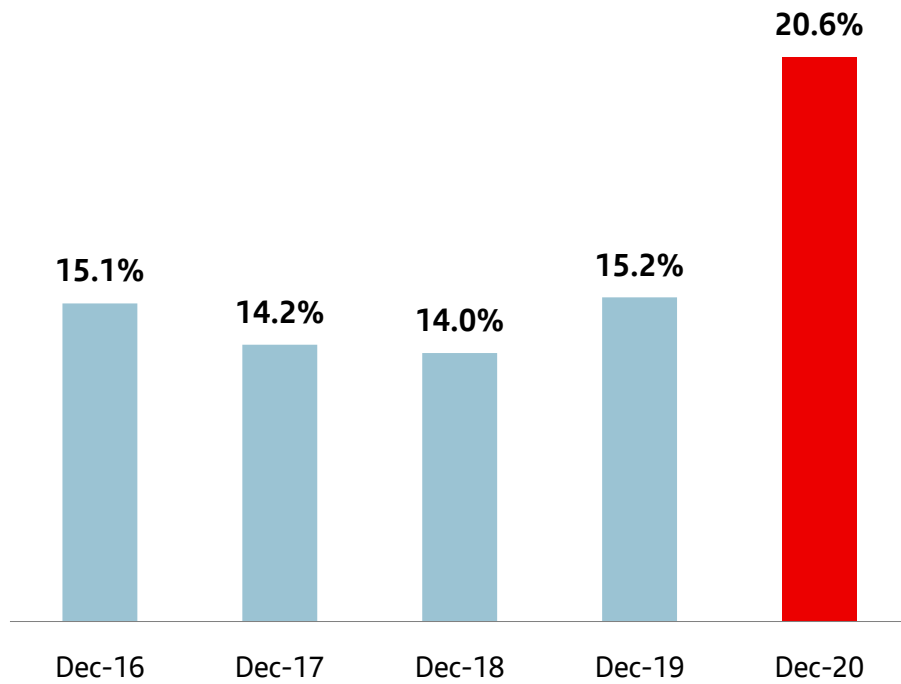


Funding structure

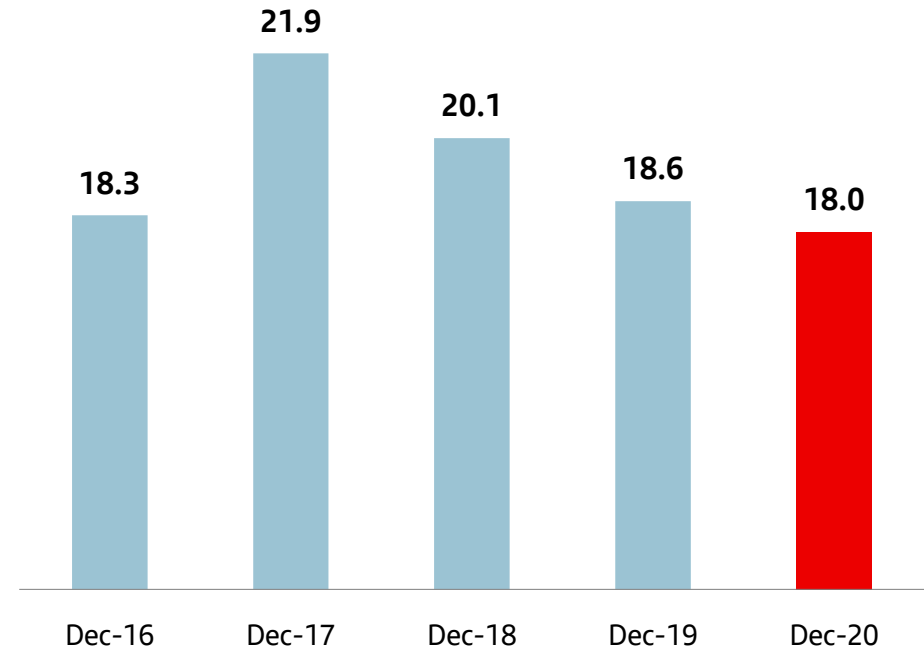


As of Dec/20

CET 1 – full implemented



RWA (bn€)



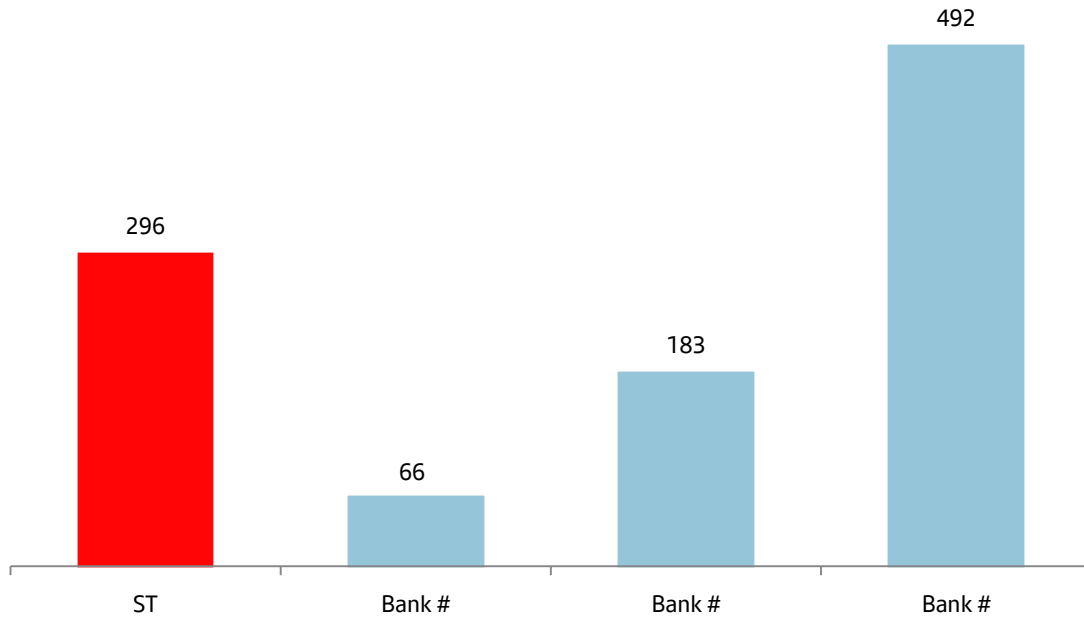
Benchmarking



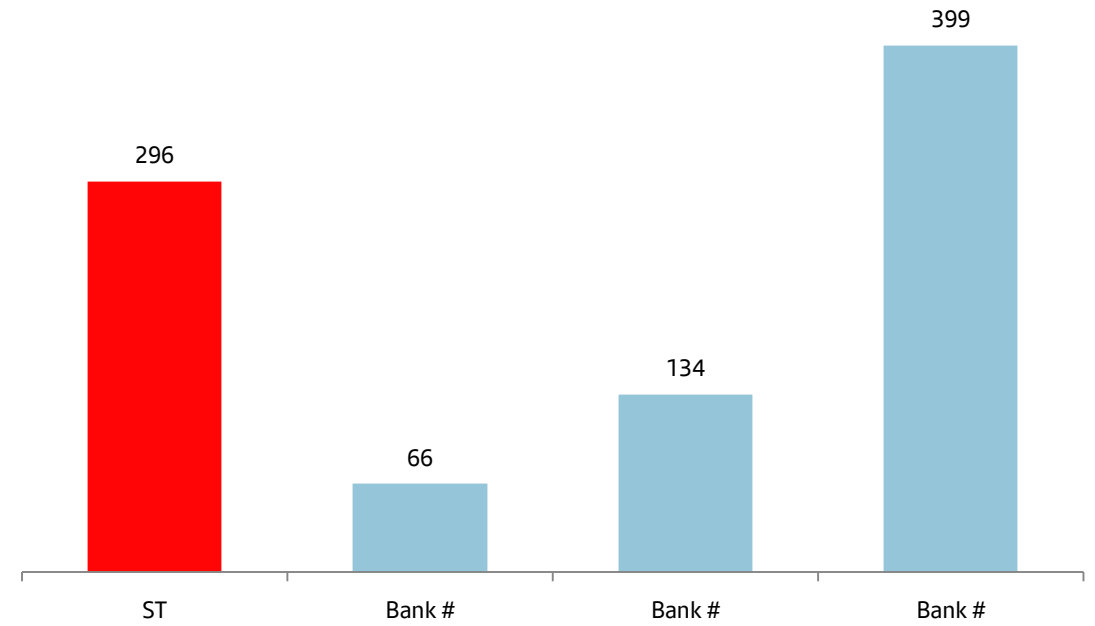
05

Resilient and sustained profitability

Net Income – Consolidated (M€)

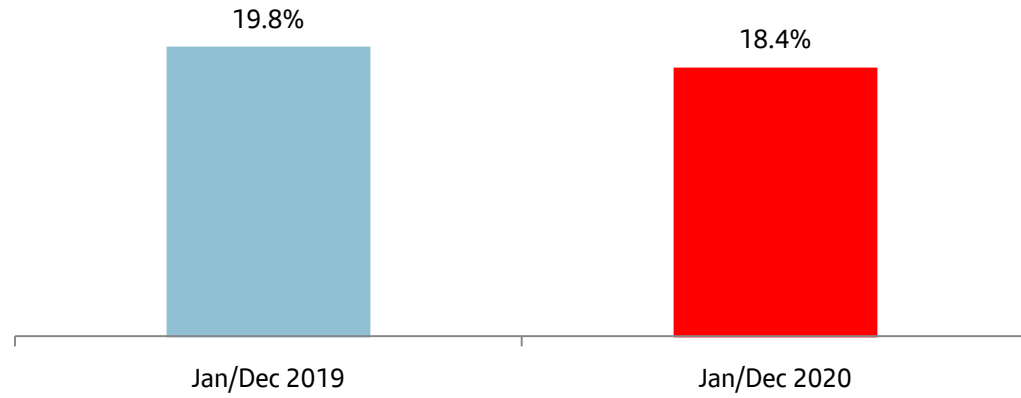


Net Income – Domestic (M€)

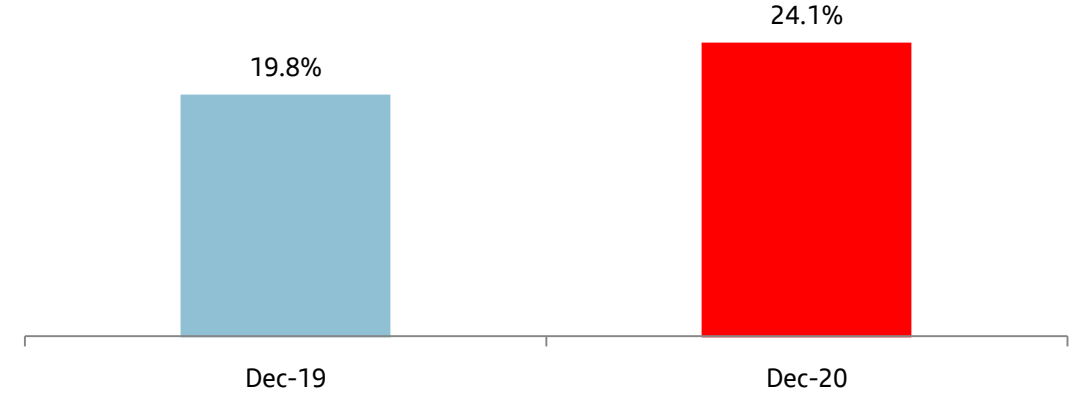


As at Dec/20

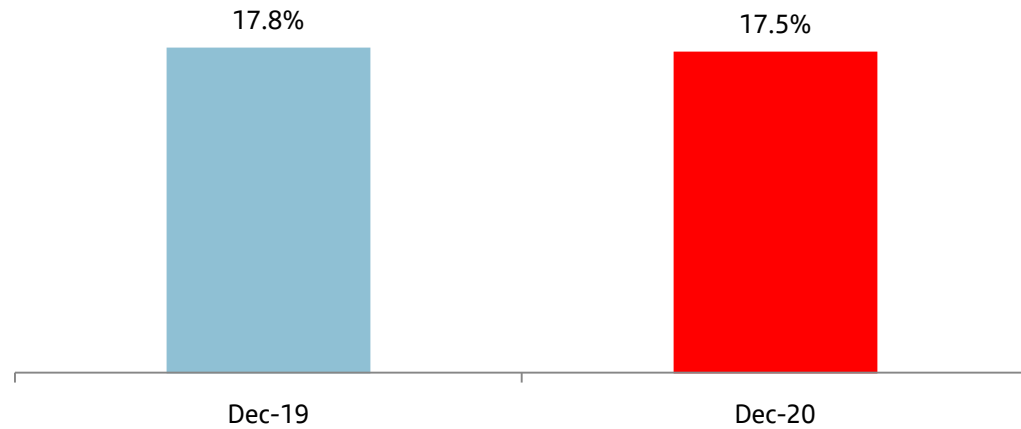
Corporates – New Production



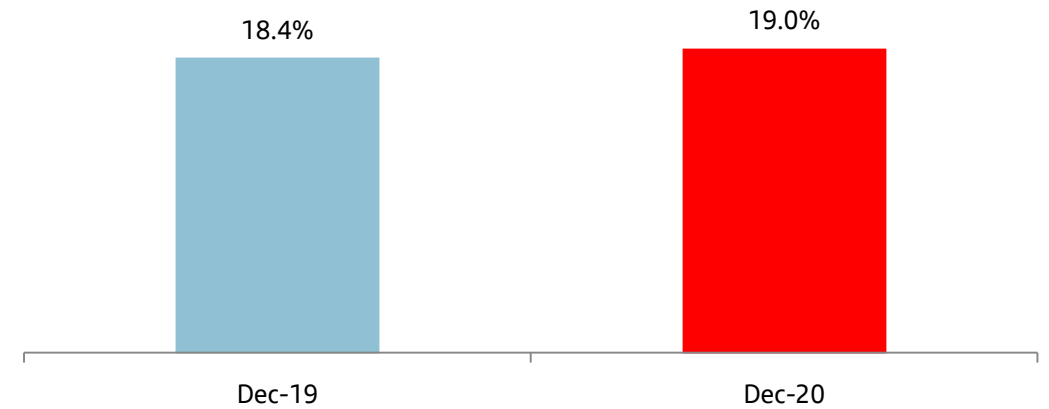
Mortgages – New Production



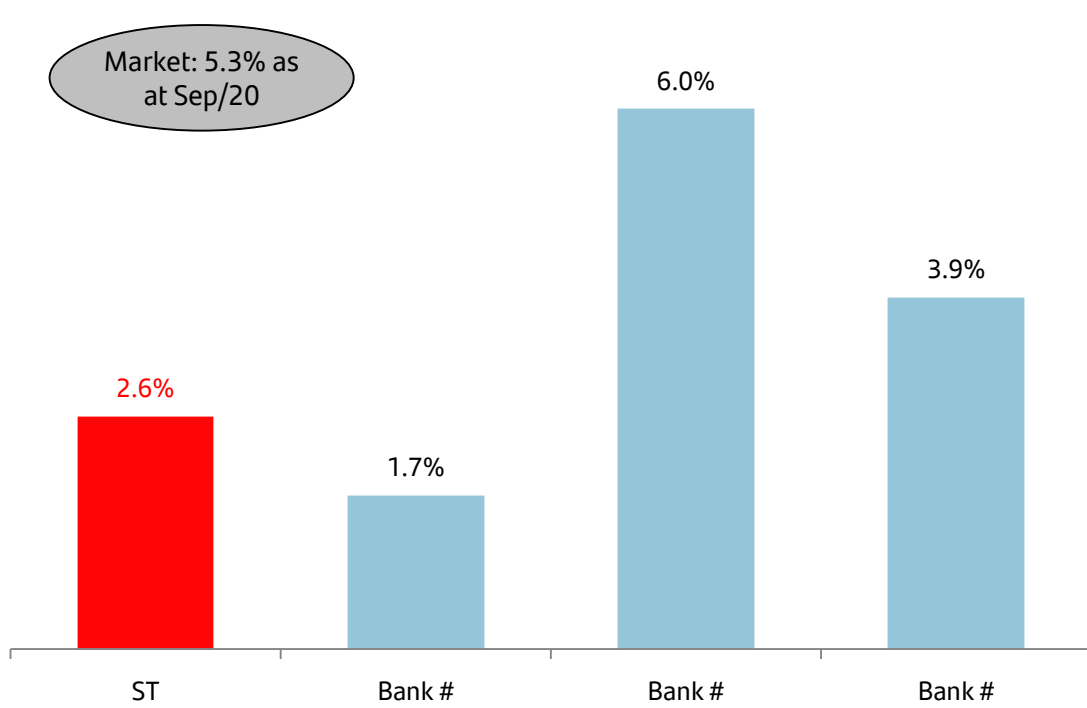
Corporates – Stock



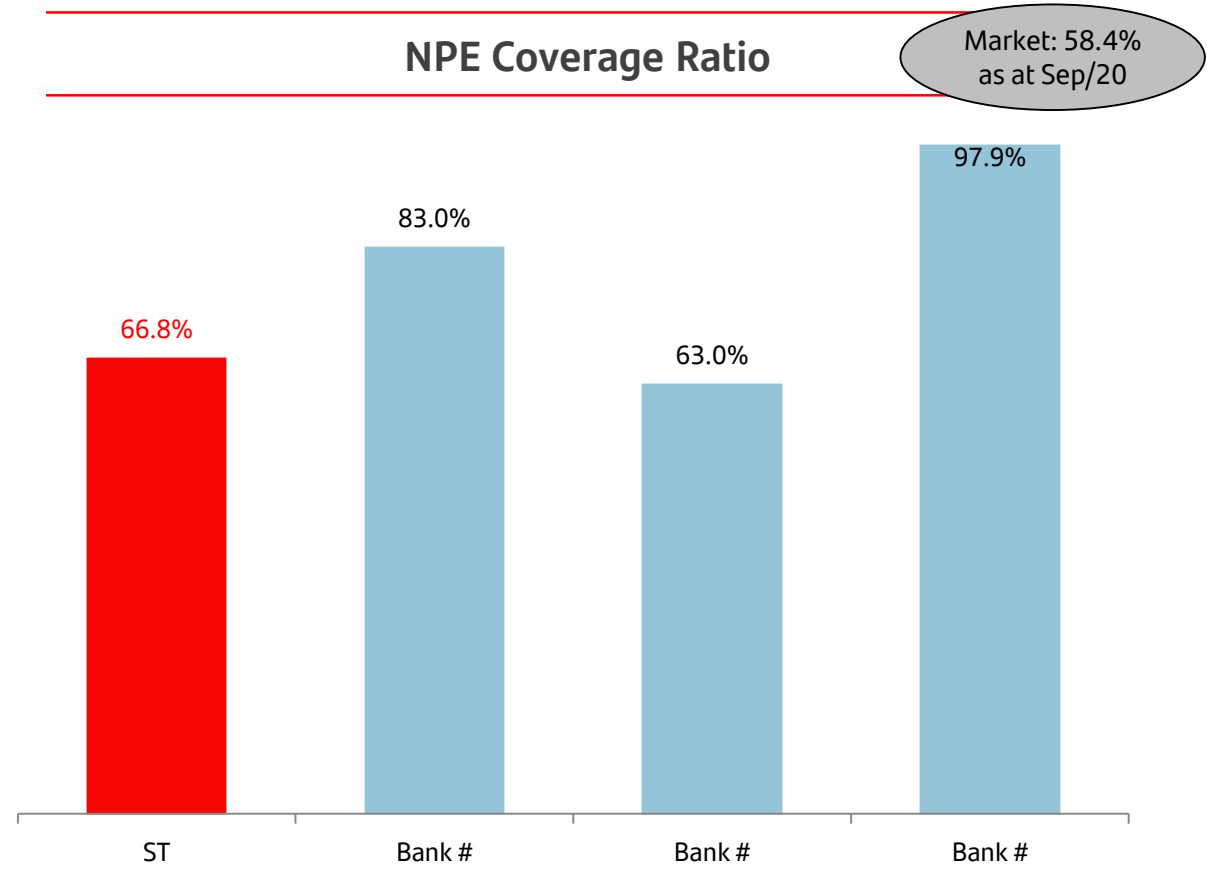
Mortgages – Stock



NPE Ratio

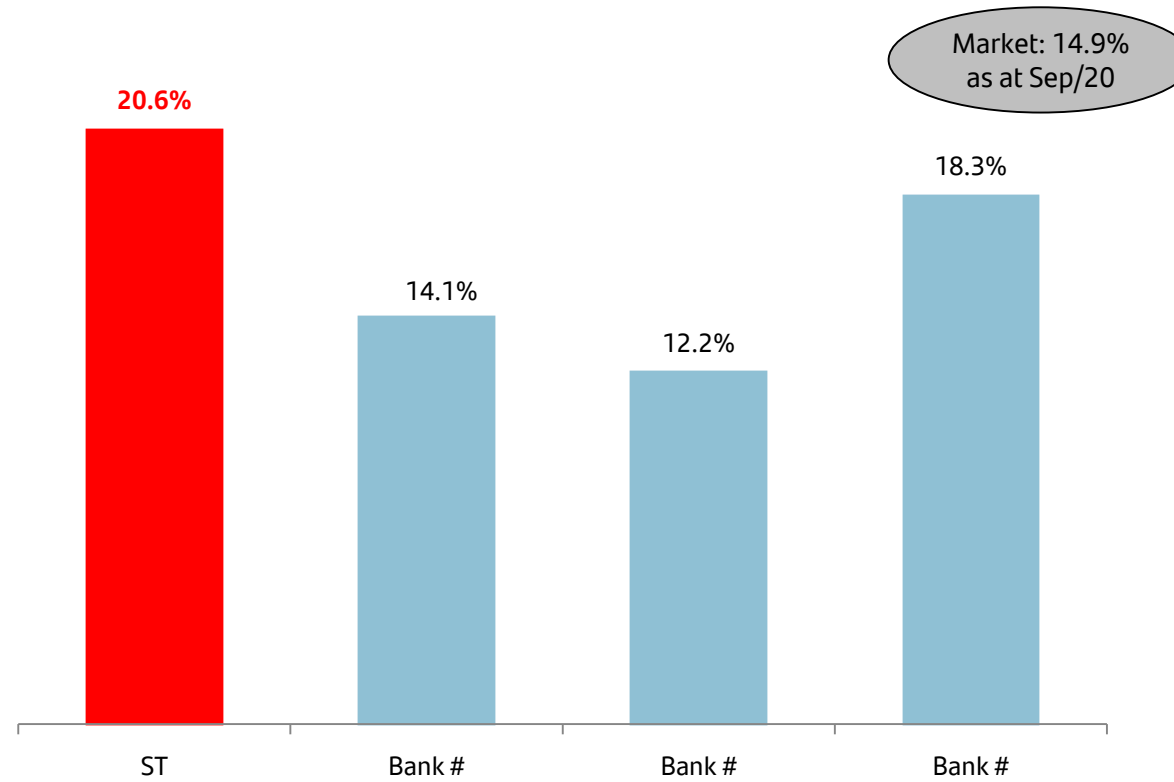


NPE Coverage Ratio





As at Dec/20

CET 1 (full implemented)



As at Dec/20

DBRS		Fitch		Moody's		S&P	
A		BBB+		Baa2		BBB	
AL		BBB	Bank 3 	Baa3	 	BBB-	Bank 3 
BBBH		BBB-		Ba1	Bank 1 Bank 2	BB+	
BBB	Bank 1	BB+	Bank 1	Ba2		BB	Bank 2
BBBL	Bank 2	BB	Bank 2	Ba3		BB-	
BBH		BB-		B1		B+	
BB		B+		B2		B	
BBL		B		B3		B-	
BH	Bank 4	B-	Bank 5	Caa1	Bank 5	CCC+	
B	Bank 5	CCC+		Caa2	Bank 4	CCC	
BL		CCC		Caa3		CCC-	

Appendix



06

Santander Totta, SGPS

Balance Sheet (million euros)	Dec-20	Dec-19	Var.
Cash, cash balances at central banks and other demand deposits	4,544	3,500	+29.8%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	12,554	10,761	+16.7%
Financial assets at amortised cost	39,833	40,077	-0.6%
Investments in subsidiaries, joint ventures and associates	131	112	+16.8%
Tangible assets	602	629	-4.3%
Intangible assets	39	33	+18.1%
Tax assets	394	605	-34.9%
Non-current assets held for sale	51	44	+16.8%
Other assets	238	321	-25.9%
Total Assets	58,387	56,083	+4.1%
Financial liabilities held for trading	921	1,097	-16.1%
Other financial liabilities mandatory at fair value through profit or loss	3,261	3,432	-5.0%
Financial liabilities at amortised cost	47,053	45,017	+4.5%
Resources from Central Banks and Credit Institutions	8,279	6,170	+34.2%
Customer deposits	36,001	35,182	+2.3%
Debt securities issued	2,561	3,431	-25.4%
Of which: subordinated debt	8	8	+0.0%
Other financial liabilities	212	233	-8.9%
Provisions	257	234	+9.9%
Technical provisions	711	730	-2.7%
Tax liabilities	391	394	-0.7%
Other liabilities	1,072	915	+17.2%
Total Liabilities	53,666	51,819	+3.6%
Share capital atributable to ST SGPS shareholders	4,719	4,262	+10.7%
Non controlling interests	2	2	+13.0%
Total Shareholders' Equity	4,720	4,264	+10.7%

Santander Totta, SGPS

Income Statement* (million euros)	Dec-20	Dec-19	Var.
Net interest income (without dividends)	786.6	855.7	-8.1%
Dividends from equity instruments	1.7	1.8	-3.1%
Net interest income	788.4	857.5	-8.1%
Results from Associates	14.6	10.8	+34.7%
Net commissions	373.2	380.5	-1.9%
Other banking income	9.6	11.4	-15.7%
Insurance activity	17.2	21.7	-20.5%
Gain/loss on financial transactions	114.7	95.2	+20.5%
Operating income	1,317.7	1,377.1	-4.3%
Total operating expenses	(577.2)	(604.4)	-4.5%
Personnel expenses	(324.4)	(346.0)	-6.2%
General expenses	(200.4)	(208.8)	-4.0%
Depreciation	(52.4)	(49.6)	+5.6%
Net operating income	740.5	772.7	-4.2%
Impairment of financial assets at amortised cost	(187.6)	7.0	-
Net provisions and other results	(147.8)	(39.9)	>200%
Income before taxes and MI	405.0	739.8	-45.3%
Taxes	(109.3)	(212.3)	-48.5%
Minority interests	(0.1)	(0.2)	-49.7%
Consolidated net income	295.6	527.3	-43.9%

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