



Portugal



Q1'20
Earnings Presentation

Important Information

Non-IFRS and alternative performance measures

In addition to the financial information prepared in accordance with International Financial Reporting Standards (“IFRS”) and derived from our financial statements, this presentation contains certain financial measures that constitute alternative performance measures (“APMs”) as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 (ESMA/2015/1415en) and other non-IFRS measures (“Non-IFRS Measures”). The financial measures contained in this presentation that qualify as APMs and non-IFRS measures have been calculated using the financial information from Santander Group but are not defined or detailed in the applicable financial reporting framework and have neither been audited nor reviewed by our auditors. We use these APMs and non-IFRS measures when planning, monitoring and evaluating our performance. We consider these APMs and non-IFRS measures to be useful metrics for management and investors to facilitate operating performance comparisons from period to period. While we believe that these APMs and non-IFRS measures are useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute of IFRS measures. In addition, other companies, including companies in our industry, may calculate or use such measures differently, which reduces their usefulness as comparative measures. For further details of the APMs and Non-IFRS Measures used, including its definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS, please see the 2019 Annual Financial Report, filed with the Comisión Nacional del Mercado de Valores of Spain (CNMV) on 28 February 2020, as well as the section “Alternative performance measures” of the annex to the Banco Santander, S.A. (“Santander”) 2020 1Q Financial Report, published as Relevant Fact on 28 April 2020. These documents are available on Santander’s website (www.santander.com).

The businesses included in each of our geographic segments and the accounting principles under which their results are presented here may differ from the included businesses and local applicable accounting principles of our public subsidiaries in such geographies. Accordingly, the results of operations and trends shown for our geographic segments may differ materially from those of such subsidiaries

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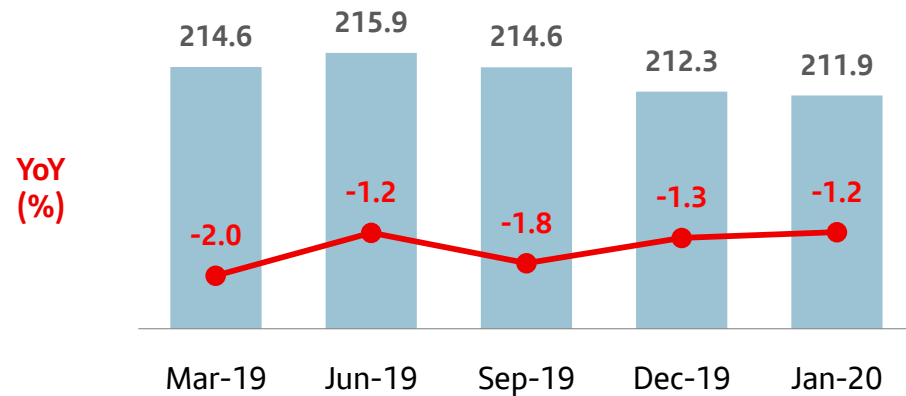
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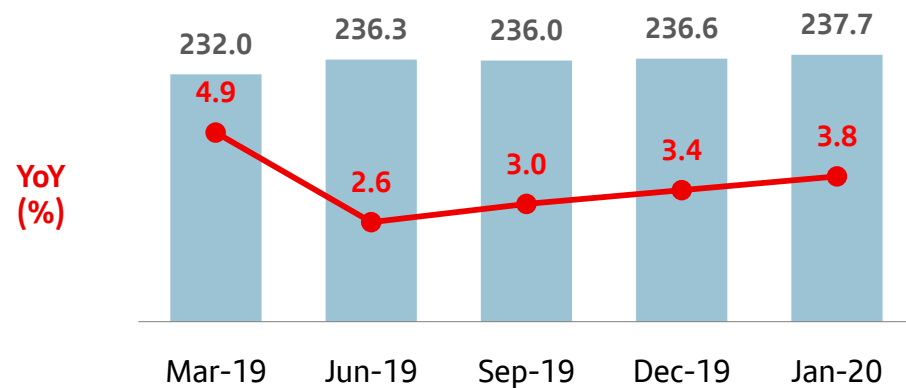
Deleveraging at a slower pace, with improving loans to households

Total loans (EUR bn)



- ▶ The pace of deleveraging continues moderating, in the context of (i) a lower NPL ratio, at 7.7% as of September 19 (down from 17% in 2016); (ii) credit to households starting to rebound; and (iii) corporates credit demand remaining subdued.
- ▶ Loan dynamics to be led by COVID-19 effects, namely credit lines with guarantee from the State and payment holidays

Total deposits (EUR bn)



- ▶ Deposits remain at high levels, and are reflecting market dynamics and the switch from off-balance resources into deposits

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

KEY DATA*	Q1'20	YoY Var.
 Customer loans ¹	EUR 37.3 bn	+2.2%
 Customer funds ²	EUR 41.6 bn	+3.3%
 Underlying att. profit	EUR 120 mn	-11.3%
 Underlying RoTE	12.9%	-14 bps
 Efficiency ratio	43.1%	-90 bps
 Loans market share ³	17.6%	-77 bps
 Deposits market share ³	15.8%	+21 bps
 Loyal customers	782 k	+2.9%
 Digital customers	797 k	+5.4%
 Branches	529	-5.7%
 Employees	6,512	-3.3%



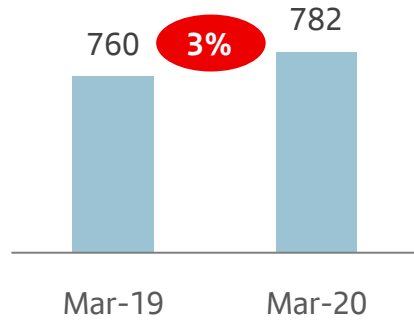
STRATEGIC PRIORITIES

- ▶ Continue the transformation process of the Bank to simplify it, bring it closer to customers and make it more efficient
- ▶ Continue gaining profitable market share, improving our position as leading private sector bank and leveraging our position in the corporate sector
- ▶ Keep on growing SMEs and corporate segments backed by Banco Popular's capabilities
- ▶ Improve efficiency and maintain the cost of credit under control
- ▶ Maintain a solid capital position, managing it in line with the new regulatory requirements



We continue to grow in the most valuable customer segments

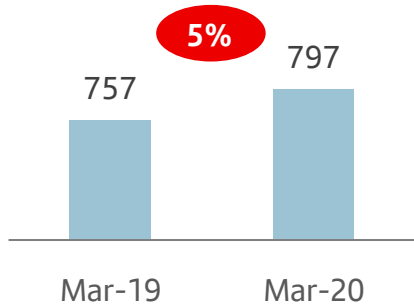
Loyal (k)



Loyal / Active: 46% (+1 pp YoY)

- ▶ Sustained growth in the number of loyal customers, backed by the focus on the 1 | 2 | 3 strategy contributing to a 3% increase in loyal individuals YoY...
- ▶ ... and also in the corporate segment (+7% YoY), where the evolution of loyal customers is aligned with the strong market shares in new lending
- ▶ NPS: Top 3

Digital customers (k)



Digital sales / total: 38% (+3 pp YoY)

- ▶ The commercial and digital transformation, where process and product simplification is complemented by the continuous availability of digital functionalities, is supporting the increase in the number of digital customers
- ▶ Mobile only customers: +25% YoY



Retail and digital services

Awards



Santander Portugal is the **“Best Bank to Work for”** in Portugal, while being in the Top 3 of Large Corporates to Work for, in 2020, consolidating its position, by receiving the award for the 4th consecutive time.



Santander Portugal was awarded **“Best Bank in Trade Finance”**, being “Market Leader” and “Best Service”. The award is granted based on customer opinion.

“Serviço Médico Online”



Santander Portugal provides to its customers and workers the “Online Healthcare Service”, through which they can have video medical appointments, analyse symptoms and ask questions about COVID-19.

Several insurance plans now cover risks related to COVID-19.

COVID-19 – Payment Holidays



Santander Portugal has announced payment holidays for its customers, under which they can ask for a holiday on capital payments for a period of up to six months.

Customers can apply through NetBanco, our online channel.

Digital Banking



COVID-19

Unir esforços pela prevenção.

Com os meios digitais Santander passa bem com o seu Banco em casa.



Santander is actively promoting the use of its digital channels, in order to prevent COVID-19 related risks. Customers are incentivised to switch to contactless cards, and online and mobile transfers are temporarily exempt from fees.

State Guaranteed Credit Lines

COVID-19
Medidas para apoiar empresas



Santander is actively participating in the State Guaranteed Credit Lines, in the total amount of EUR 6 bn, to support the liquidity needs of its business and corporate customers.

Responsible banking



The Bank sponsors several charities assisting those affected by COVID-19, and also has donated medical equipment, including kits to test for the illness.



We continue doing business in a more responsible and sustainable way

Culture

Great Place to Work

Santander Portugal has been considered the **Best Bank to Work for in Portugal** for the 4th consecutive year, being simultaneously in the **Top 3** of the Best Large Companies (+1,000 employees) to work in the country, by the *Great Place to Work Institute*.

Ranking based on the employees' responses & on the analysis of the policies and practices of companies in terms of people management.

Communities - Covid-19 initiatives

EUR 700,000 to buy hospital material and support vulnerable people

Santander Solidarity Fund (internal): Employees can contribute to guarantee the **access to meals** to vulnerable people and families. The Bank will double the amount raised (so far Eur 40,000)

"Here & Now" Service to support **elderly customers** (+65), especially those unfamiliar with digital channels.

#Nevergiveup Campaign to raise **funds to feed families**. Santander Portugal has made a Eur 50 000 donation, to be split between the Portuguese Red Cross and *Banco Alimentar's* Emergency network.

Sustainability

Green Hybrid Bond

Santander was part of a group of banks that participated in the launch of the 1st corporate hybrid of 2020 - the new Green Hybrid Bond - launched by EDP

Santander was the financial advisor for the **largest solar asset transaction in Portugal**

Credit Line for **Decarbonization and Circular Economy**

First **biodegradable bank cards** with the CarbonNeutral® quality seal.

Universities

EUR 1.5 mn to help students affected by COVID-19.

Funds will be made available for **students that are already in an economic emergency situation.**

Purchase of **computers** for students & professors.

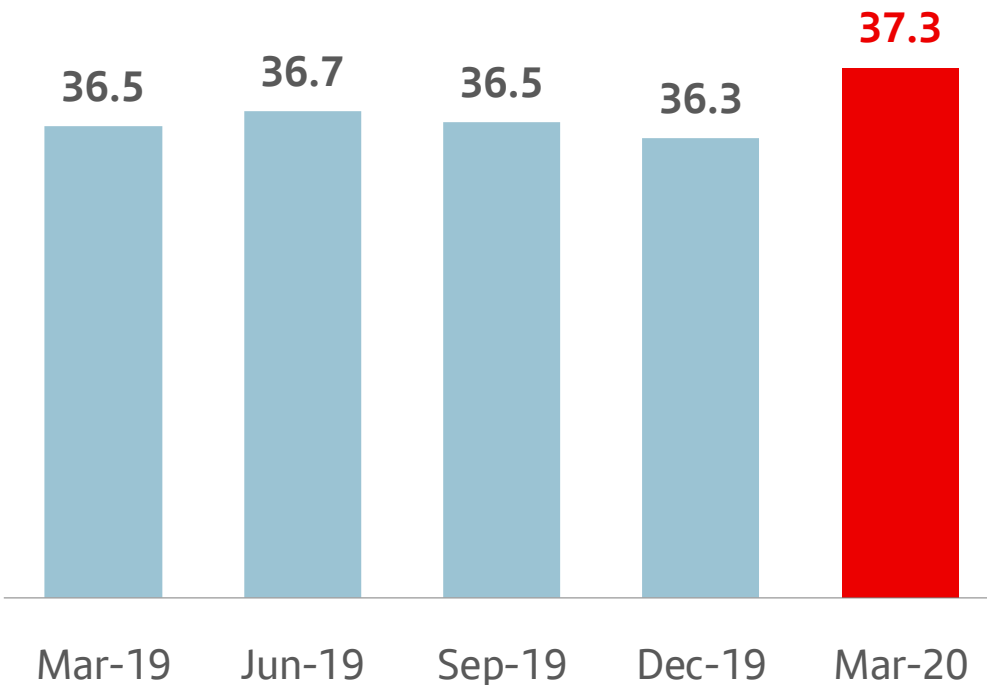
Funds can also be used to **adapt university laboratories** to produce screening tests and, using 3D printers, to produce protective equipment for healthcare professionals, which is lacking in the market.

Santander will create a **fund for immediate allocation** to accelerate the social impact of projects related to COVID-19, which are being developed by university volunteers.



Higher loans to households and CIB

Total customer loans¹ (EUR bn)

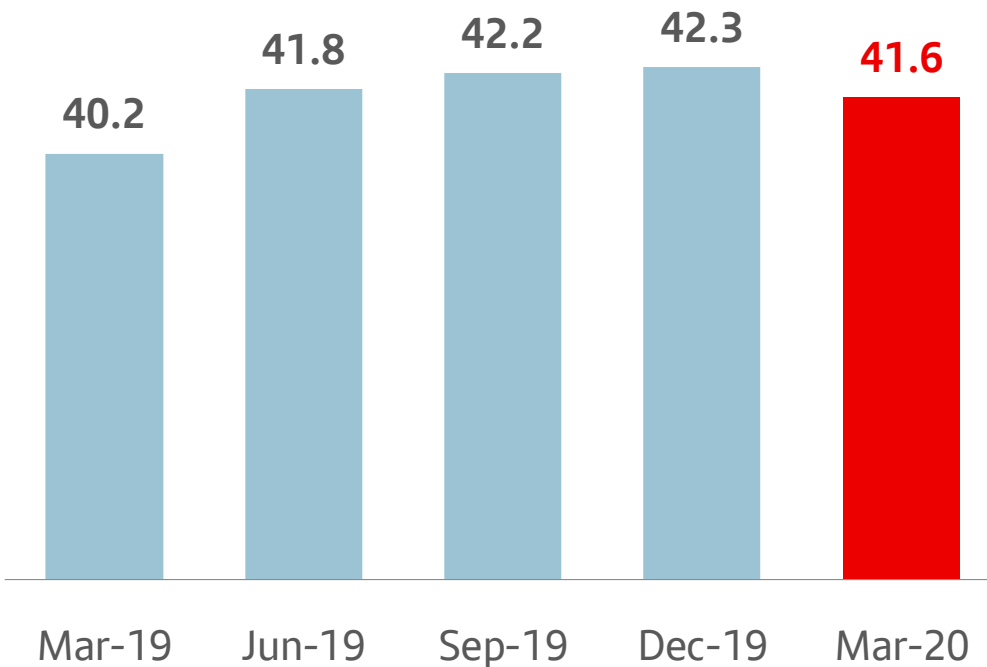


	Mar-20	Mar-19	YoY (%)	QoQ (%)
Individuals ²	22.1	21.7	1.8	0.8
o/w Mortgages	19.5	19.1	1.7	0.8
SMEs	5.4	5.4	0.3	1.4
Corporates & Institutions	3.6	3.8	-6.4	-3.2
CIB	2.8	2.6	9.9	9.6
Other	3.3	3.0	13.4	21.7
Total customer loans	37.3	36.5	2.2	2.7
Commercial Paper (CP)	3.9	4.3	-9.3	3.0
Customer loans + CP	41.2	40.8	1.0	2.7



Resilient deposits, while mutual funds reflect market dynamics

Total customer funds (EUR bn)



	Mar-20	Mar-19	YoY (%)	QoQ (%)
Demand	19.4	15.9	21.5	6.0
Time ¹	19.5	22.3	-12.5	-7.0
Total deposits	38.9	38.2	1.7	-1.0
Mutual Funds	2.7	2.0	35.0	-11.9
Total customer funds	41.6	40.2	3.3	-1.8
<i>of which:</i>				
Financial Insurance	3.9	4.1	-4.1	-4.8
Deposits ex-Fin. Insurance	35.0	34.2	2.4	-0.5

Additionally, the Bank also includes Securities placed (EUR 3.3 bn, -21% YoY) and other managed funds² (EUR 4 bn, +20% YoY) in its management of customer funds.

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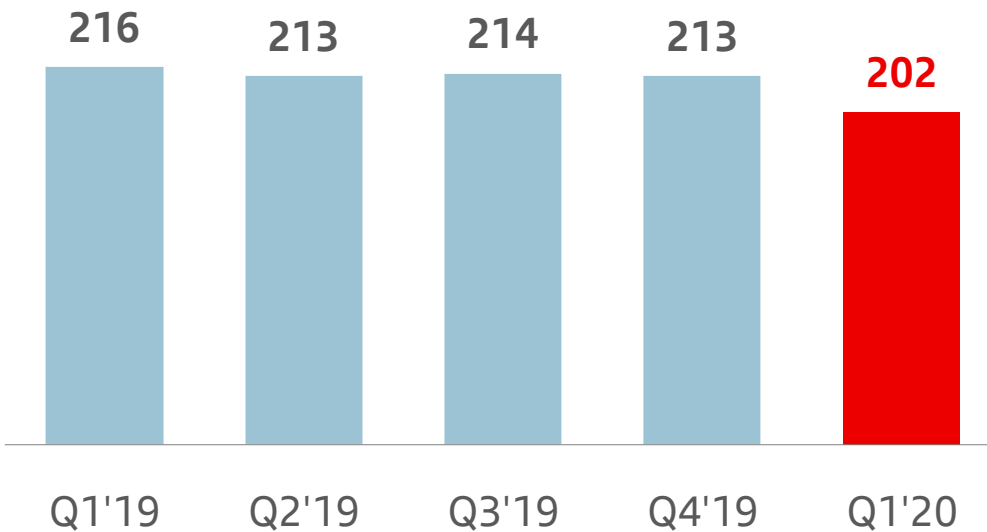
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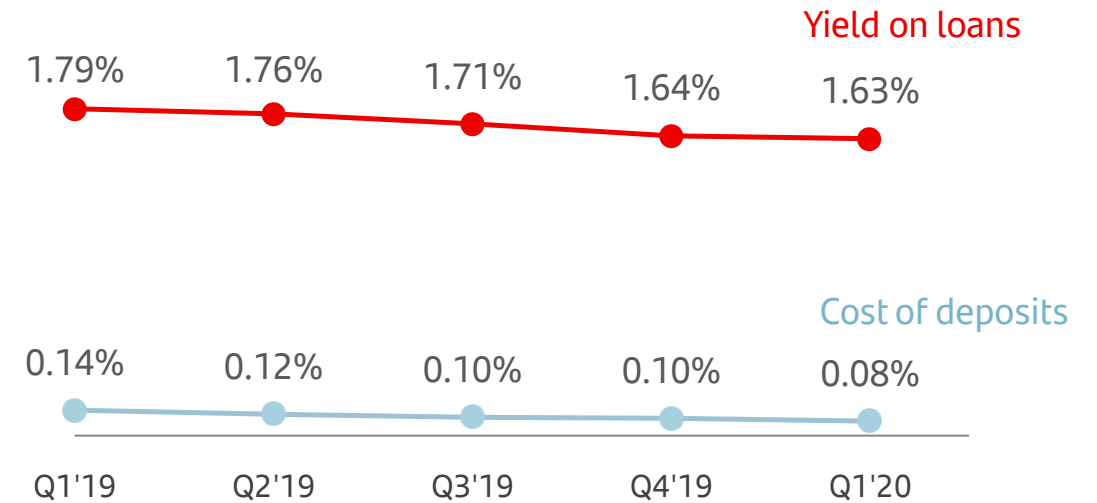
NII declined, reflecting narrower spreads on loans

Net interest income (EUR mn)



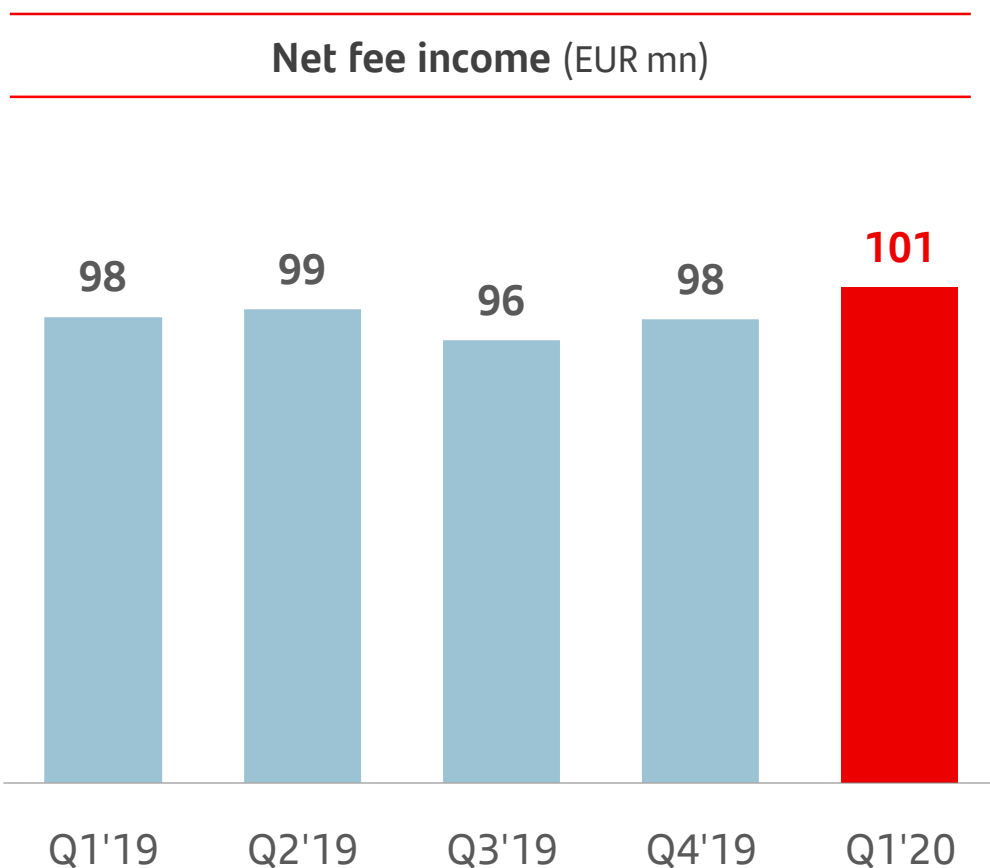
NIM ¹				
1.54%	1.51%	1.50%	1.51%	1.46%
Central Bank interest rate				
0.00%	0.00%	0.00%	0.00%	0.00%

Yields and costs (%)



Differential				
165 bps	164 bps	160 bps	155 bps	154 bps

Sustained growth in net fee income, led by revenues from accounts and wealth management

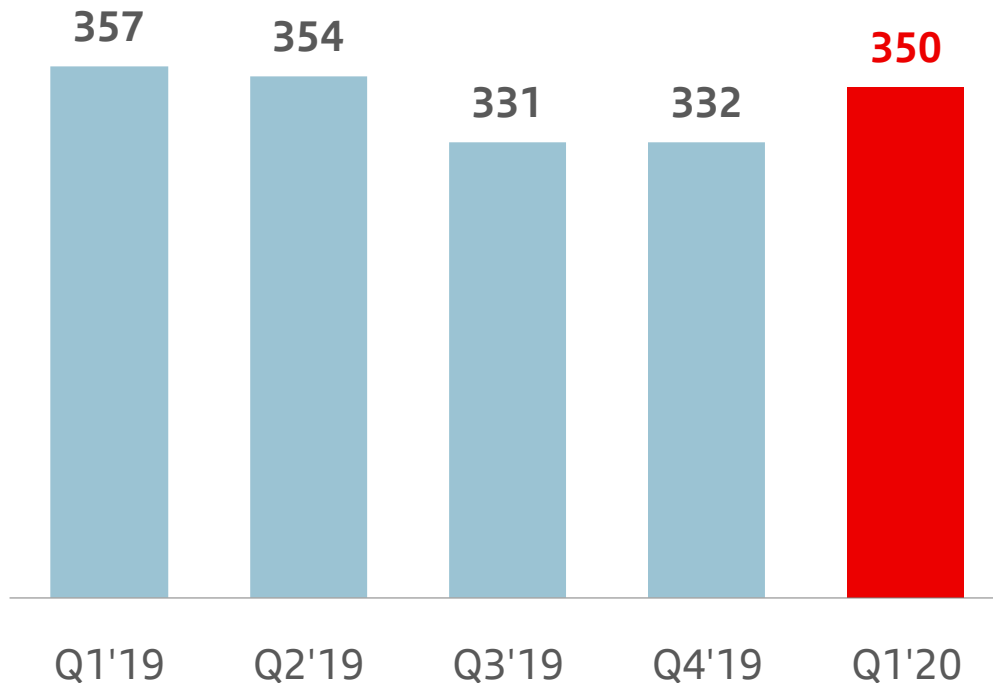


	Q1'20	Q1'19	YoY (%)	QoQ (%)
Transactional fees	69	65	5.6	-4.7
Payment methods	23	25	-6.3	-0.1
Account admin. and maintenance	14	12	24.2	0.8
Exchange and commercial bills	25	17	51.1	5.6
Other transactional	7	13	-47.9	-42.2
Investment and pension funds	9	7	28.8	6.2
Insurance	27	26	5.7	2.0
Securities and custody services	2	2	9.4	23.2
Other	(7)	(2)	182.6	-44.3
Total net fee income	101	98	3.1	3.4

Gross income improved QoQ, supported by fees and capital gains on the ALCO portfolio



Total income (EUR mn)

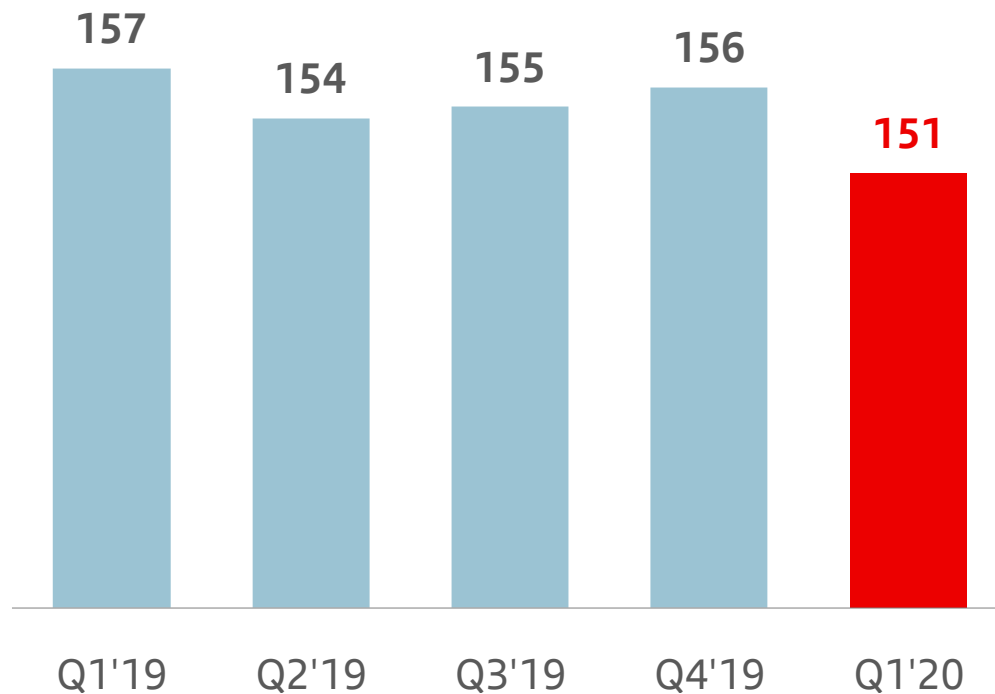


	Q1'20	Q1'19	YoY (%)	QoQ (%)
Net interest income	202	216	-6.4	-5.2
Net fee income	101	98	3.1	3.4
Customer revenue	303	314	-3.4	-2.5
Other ¹	47	44	8.1	128.2
Total income	350	357	-2.0	5.6



Lower operating costs, supported by commercial and digital transformation

Operating expenses (EUR mn)



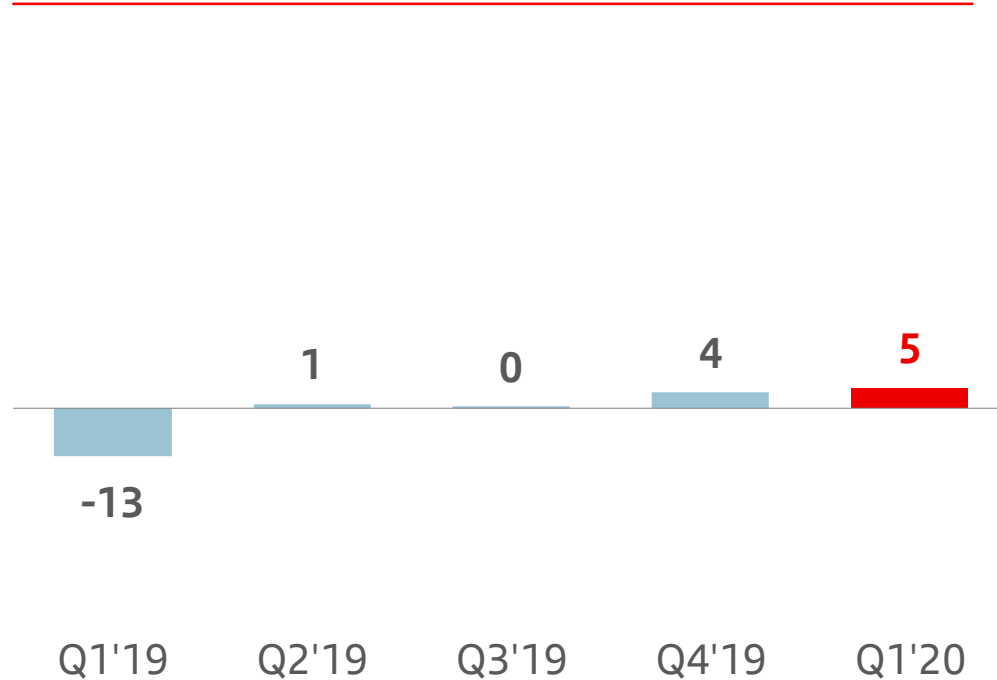
	Q1'20	Q1'19	YoY (%)	QoQ (%)
Operating Expenses	151	157	-4.0	-3.3

Efficiency ratio	43.1%	44.0%	-90 bps	
Branches (#)	529	561	-5.7	-2.4
Employees (#)	6,512	6,735	-3.3	-1.1



The cost of credit remained at minimum levels

Net LLPs (EUR mn)



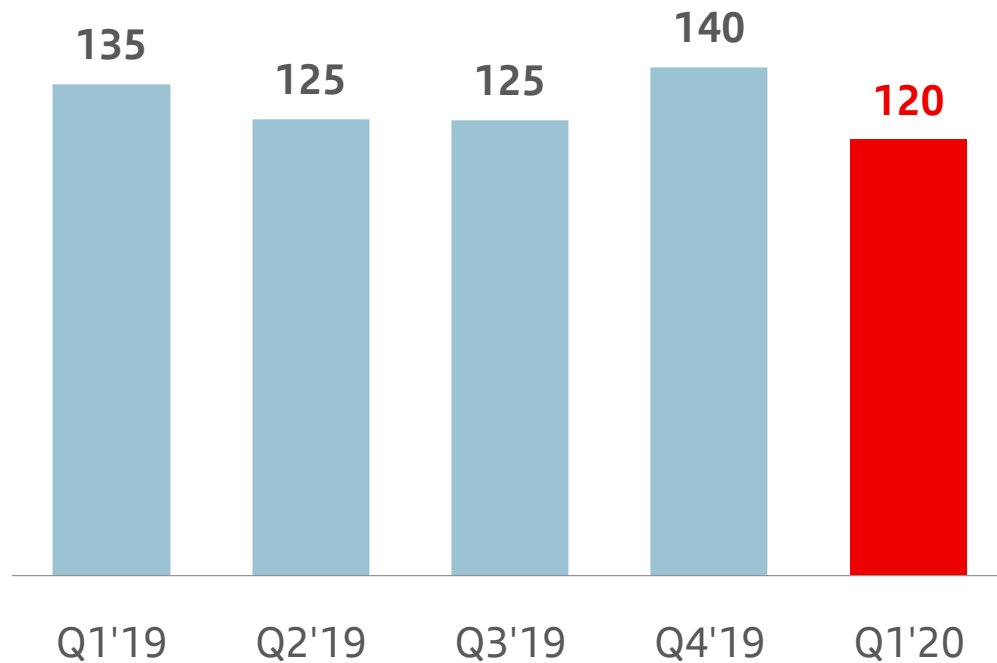
	Q1'20	Q1'19	YoY (%)	QoQ (%)
Net operating income	199	200	-0.4	13.6
Loan-loss provisions	(5)	13	-	31.1
Net operating income after provisions	194	213	-9.1	13.2

NPL ratio	4.56%	5.77%	-121 bps	-27 bps
Cost of credit ¹	0.03%	0.03%	0 bps	5 bps
Coverage ratio	55%	51%	4.1 pp	2.0 pp



Underlying attributable profit declined 11.3% YoY, impacted by lower NII

Underlying Attributable Profit (EUR mn)



	Q1'20	Q1'19	YoY (%)	QoQ (%)
PBT	173	193	-10.6	-10.1
Tax on profit	(53)	(58)	-9.0	1.6
Consolidated profit	120	135	-11.4	-14.4
Minority interests	(0)	(0)	-18.5	-44.1
Underlying attributable profit	120	135	-11.3	-14.3

Effective tax rate	30.6%	30.0%	0.6 pp	3.5 pp
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Resilient results and stable business volumes, despite the challenging environment

Financial System

- ▶ The COVID19 pandemic and containment measures is having an adverse impact on GDP. The Government has announced a wide support package, aiming to support the economy and induce a faster recovery.
- ▶ In 2019, the budget reached surplus of 0.2% of GDP.
- ▶ Loan dynamics begin stabilizing, as NPLs haven reduced significantly in 2019.

Strategy & Business

- ▶ Santander Totta maintains its strong position as the largest privately-owned bank in Portugal, with its market share in new lending to companies and mortgages at around 20%.
- ▶ Santander Totta remains focused on its digital transformation process, including continuous deliveries on digital channels and simplification of internal processes and commercial offering.
- ▶ We maintain sound capital and liquidity bases, with organic capital generation. In addition, we maintained the best risk ratings by the rating agencies, aligned with or above the sovereign's.
- ▶ Our strengths in terms of capital and liquidity will allow us to weather the adverse economic environment and to continue supporting our customers

Results

- ▶ Resilient profitability, with stable revenue and lower cost base.
- ▶ Low cost of credit.
- ▶ Growth in loans to households and CIB. Stable deposit base.
- ▶ Underlying attributable profit declined 11%, impacted by lower NII

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Balance sheet

EUR million			Variation	
	Mar-20	Mar-19	Amount	%
Loans and advances to customers	36,366	35,417	949	2.7
Cash, central banks and credit institutions	5,138	4,193	945	22.5
Debt instruments	11,346	13,198	(1,852)	(14.0)
Other financial assets	1,552	1,841	(289)	(15.7)
Other asset accounts	1,684	1,971	(287)	(14.6)
Total assets	56,086	56,620	(534)	(0.9)
Customer deposits	38,882	38,242	640	1.7
Central banks and credit institutions	7,997	8,156	(159)	(1.9)
Marketable debt securities	3,337	4,232	(895)	(21.1)
Other financial liabilities	301	285	15	5.3
Other liabilities accounts	1,666	1,418	248	17.5
Total liabilities	52,183	52,333	(150)	(0.3)
Total equity	3,903	4,287	(384)	(9.0)
Other managed customer funds	4,408	3,662	747	20.4
Mutual funds	2,700	2,000	701	35.0
Pension funds	1,268	1,176	92	7.8
Managed portfolios	440	486	(46)	(9.4)



Income statement

EUR million	Q1'20	Q1'19	Variation	
			Amount	%
Net interest income	202	216	(14)	(6.4)
Net fee income	101	98	3	3.1
Gains (losses) on financial transactions	56	50	6	12.8
Other operating income	(9)	(6)	(3)	47.5
Total income	350	357	(7)	(2.0)
Operating expenses	(151)	(157)	6	(4.0)
Net operating income	199	200	(1)	(0.4)
Net loan-loss provisions	(5)	13	(19)	—
Other gains (losses) and provisions	(21)	(20)	(1)	6.0
Underlying profit before tax	173	193	(21)	(10.6)
Tax on profit	(53)	(58)	5	(9.0)
Underlying profit from continuing operations	120	135	(15)	(11.4)
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	120	135	(15)	(11.4)
Non-controlling interests	(0)	(0)	0	(18.5)
Underlying attributable profit to the parent	120	135	(15)	(11.3)



Quarterly income statements

EUR million

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Net interest income	216	213	214	213	202
Net fee income	98	99	96	98	101
Gains (losses) on financial transactions	50	42	9	10	56
Other operating income	(6)	0	13	10	(9)
Total income	357	354	331	332	350
Operating expenses	(157)	(154)	(155)	(156)	(151)
Net operating income	200	200	176	175	199
Net loan-loss provisions	13	(1)	(0)	(4)	(5)
Other gains (losses) and provisions	(20)	(13)	2	21	(21)
Underlying profit before tax	193	186	178	192	173
Tax on profit	(58)	(60)	(53)	(52)	(53)
Underlying profit from continuing operations	135	126	125	140	120
Net profit from discontinued operations	—	—	—	—	—
Underlying consolidated profit	135	126	125	140	120
Non-controlling interests	(0)	(1)	(0)	(1)	(0)
Underlying attributable profit to the parent	135	125	125	140	120

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