



Portugal



H1'21

Earnings Presentation

Important Information

Non-IFRS and alternative performance measures

This presentation contains, in addition to the financial information prepared in accordance with International Financial Reporting Standards (“IFRS”) and derived from our financial statements, 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”). These financial measures that qualify as APMs and non-IFRS measures have been calculated with information from Santander Group; however those financial measures are not defined or detailed in the applicable financial reporting framework nor have been audited or 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 our management and investors to compare operating performance between accounting periods, as these measures exclude items outside the ordinary course performance of our business, which are grouped in the “management adjustment” line and are further detailed in Section 3.2 of the Economic and Financial Review in our Directors’ Report included in our Annual Report on Form 20-F for the year ended 31 December 2020. Nonetheless, these APMs and non-IFRS measures should be considered supplemental information to, and are not meant to substitute IFRS measures. Furthermore, companies in our industry and others may calculate or use APMs and non-IFRS measures differently, thus making them less useful for comparison purposes. For further details on APMs and Non-IFRS Measures, 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 2020 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission on 26 February 2021, as well as the section “Alternative performance measures” of the annex to the Banco Santander, S.A. (“Santander”) Q2 2021 Financial Report, published as Inside Information on 28 July 2021. These documents are available on Santander’s website (www.santander.com). Underlying measures, which are included in this presentation, are non-IFRS measures.

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.

Forward-looking statements

Santander advises that this presentation contains “forward-looking statements” as per the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements may be identified by words like “expect”, “project”, “anticipate”, “should”, “intend”, “probability”, “risk”, “VaR”, “RoRAC”, “RoRWA”, “TNAV”, “target”, “goal”, “objective”, “estimate”, “future” and similar expressions. Found throughout this presentation, they include (but are not limited to) statements on our future business development, economic performance and shareholder remuneration policy. However, a number of risks, uncertainties and other important factors may cause actual developments and results to differ materially from our expectations. The following important factors, in addition to others discussed elsewhere in this presentation, could affect our future results and could cause materially different outcomes from those anticipated in forward-looking statements: (1) general economic or industry conditions of areas where we have significant operations or investments (such as a worse economic environment; higher volatility in the capital markets; inflation or deflation; changes in demographics, consumer spending, investment or saving habits; and the effects of the COVID-19 pandemic in the global economy); (2) exposure to various market risks (particularly interest rate risk, foreign exchange rate risk, equity price risk and risks associated with the replacement of benchmark indices); (3) potential losses from early repayments on our loan and investment portfolio, declines in value of collateral securing our loan portfolio, and counterparty risk; (4) political stability in Spain, the United Kingdom, other European countries, Latin America and the US (5) changes in legislation, regulations, taxes, including regulatory capital and liquidity requirements, especially in view of the UK exit of the European Union and increased regulation in response to financial crisis; (6) our ability to integrate successfully our acquisitions and related challenges that result from the inherent diversion of management’s focus and resources from other strategic opportunities and operational matters; and (7) changes in our access to liquidity and funding on acceptable terms, in particular if resulting from credit spreads shifts or downgrade in credit ratings for the entire group or significant subsidiaries.

Important Information

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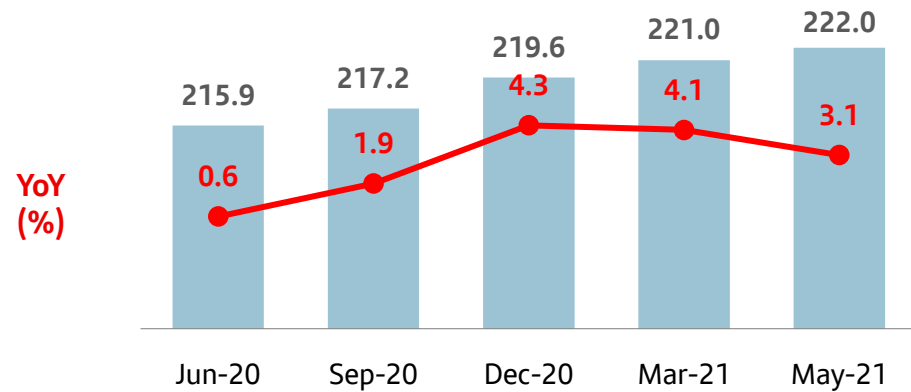
Appendix





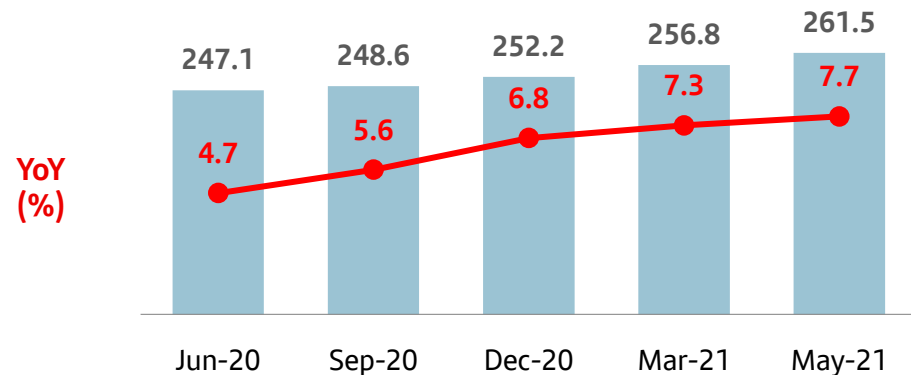
Credit dynamics still reflecting covid-19 related measures, benefitting also from strong new originations. Household savings at two-decades high

Total loans (EUR bn)



- ▶ Loans increased in 2020 due to the support measures implemented, namely credit lines with state guarantees for the corporate sector; and moratoria on loans to households and corporates
- ▶ In 2021, new mortgage production recorded its highest level since 2008

Total deposits (EUR bn)



- ▶ The pandemic resulted into a significant increase in saving, with the savings rate rising to 14.2% of disposable income, the highest since the 2000s.
- ▶ Deposits continued to grow, due to precautionary savings, and despite diversification into off-balance resources.

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Santander Portugal is the country's largest privately-owned bank by loans

| KEY DATA* | H1'21 | YoY Var. |
|--|-------------|----------|
|  Customer loans ¹ | EUR 39.9 bn | +4.6% |
|  Customer funds ² | EUR 45.4 bn | +5.8% |
|  Underlying att. profit | EUR 239 mn | +49.7% |
|  Underlying RoTE | 11.9% | +3.4 pp |
|  Efficiency ratio | 39.6% | -474 bps |
|  Loans market share ³ | 17.9% | +6 bps |
|  Deposits market share ³ | 14.4% | -103 bps |
|  Loyal customers | 834 k | +6.5% |
|  Digital customers | 981 k | +13.3% |
|  Branches | 418 | -20.4% |
|  Employees | 6,049 | -7.0% |



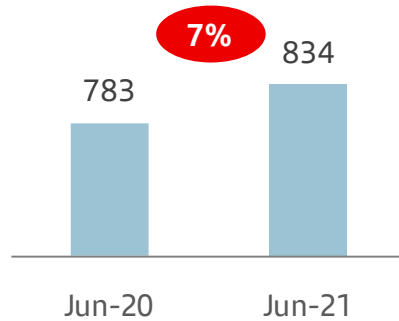
STRATEGIC PRIORITIES

- ▶ 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



Digitalization and customer satisfaction reflected in increased customer loyalty

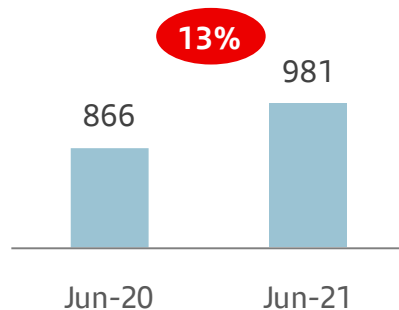
Loyal customers (k)



Loyal / Active: 49% (+3 pp YoY)

- ▶ Continued growth in the number of loyal customers (+7% YoY), supported by the commercial and digital transformation process, which is recognized by customers in terms of higher satisfaction, both at the level of
 - ▶ Loyal individuals (+5% YoY)
 - ▶ and in the corporate segment (+24% YoY)

Digital customers (k)



Digital sales / total¹: 59% (+21 pp YoY)

- ▶ The Bank continues extending its offering through digital channels, leveraging the change in customer behaviour that was accelerated by the pandemic
 - ▶ Further growth in digital customers, to 981 k (+13% YoY) by the end of Q2'21
 - ▶ Digital sales represent 59% of total sales, an increase of 21 pp YoY
- ▶ Mobile customers up 26% YoY



Retail and digital services

Awards – 2021



Best Bank in Portugal
Best Investment Bank
in Portugal 2021



Best Retail Bank
in Portugal 2021



Banking most
reputed and
relevant brand
in Portugal 2021

Individuals



Seguro PerFORMA
PPR - Equilibrado



Seguro ConFORMA
PPR - Conservador



Seguro PPR
Crescimento

With household savings at two decades high it is the moment to plan for retirement, with Santander making available to its customers a wide range of long-term savings products

Corporates



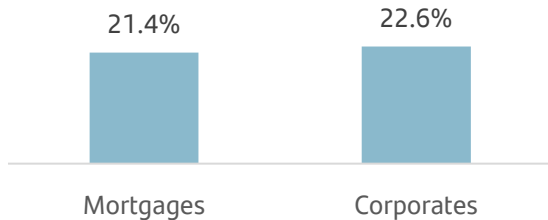
Supporting the internationalization of Portuguese Companies, with Santander Trade Finance solutions

IFRRU 2020: Santander is the leading bank in the credit line for urban renewal and energy efficiency



Helping people and businesses prosper

Santander in Portugal maintains strong market shares in loan origination (Jan-May 21)



Insurance



Complete offer in insurance for individuals: Healthcare, Home, Household and Personal Accidents

Responsible banking



Santander is supporting the climate transition of its corporate customers, providing a credit line for the installation of solar panels to generate electricity, in agreement with EDP



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 people¹ 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.

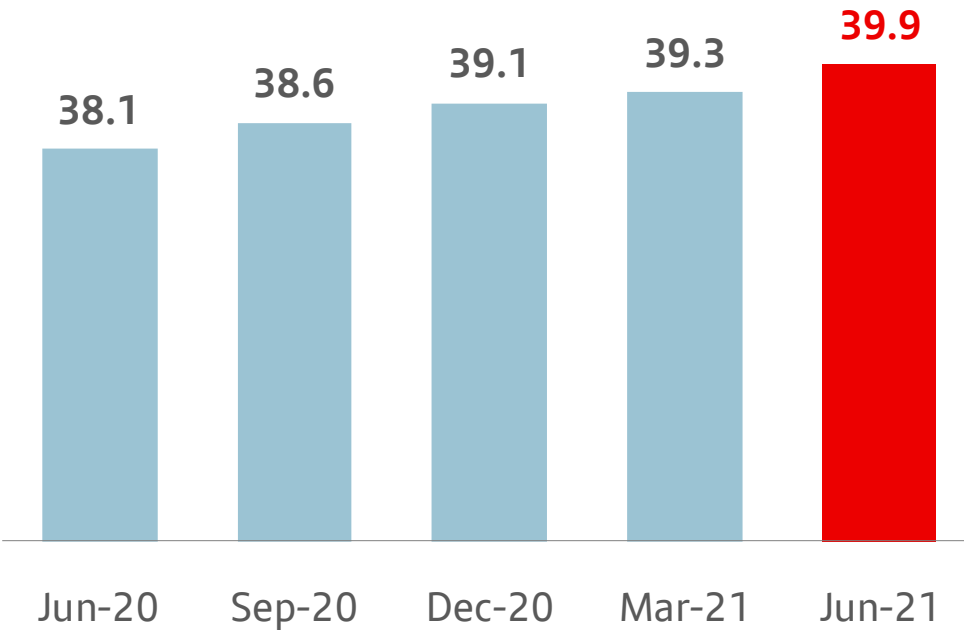
An independent, diverse Board

43% women on the Board



Loan growth continued to be driven by resilient mortgage and SME new lending. Dynamic mortgage origination in Q2'21

Total customer loans¹ (EUR bn)

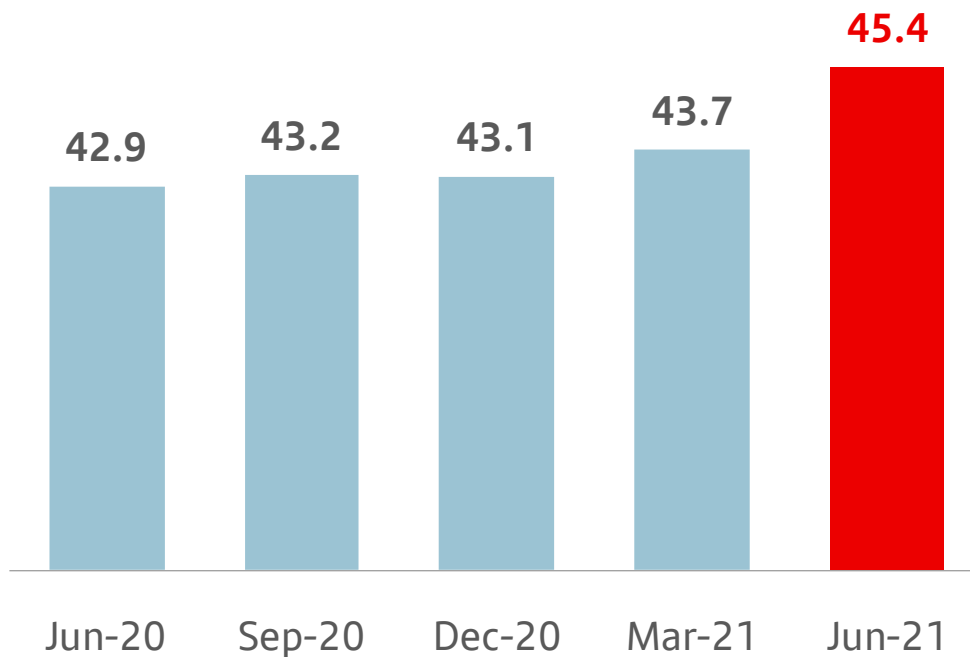


| | Jun-21 | Jun-20 | YoY (%) | QoQ (%) |
|-----------------------------|-------------|-------------|------------|------------|
| Individuals ² | 23.6 | 22.4 | 5.5 | 1.7 |
| o/w Mortgages | 21.0 | 19.8 | 6.3 | 1.7 |
| SMEs | 6.2 | 5.8 | 6.7 | 1.1 |
| Corporates & Institutions | 3.7 | 3.8 | -4.0 | 0.0 |
| CIB | 2.8 | 2.7 | 3.5 | 3.0 |
| Other | 3.6 | 3.4 | 5.7 | 1.0 |
| Total customer loans | 39.9 | 38.1 | 4.6 | 1.5 |
| Commercial Paper (CP) | 3.9 | 4.2 | -8.1 | -5.4 |
| Customer loans + CP | 43.7 | 42.3 | 3.3 | 0.8 |



Higher customer funds, aligned with higher household savings. Diversification into off-balance resources

Total customer funds (EUR bn)



| | Jun-21 | Jun-20 | YoY (%) | QoQ (%) |
|-----------------------------------|-------------|-------------|------------|------------|
| Demand | 23.2 | 21.3 | 8.8 | 6.8 |
| Time ¹ | 18.2 | 18.7 | -2.5 | -0.5 |
| Total deposits | 41.5 | 40.0 | 3.5 | 3.4 |
| Mutual Funds | 3.9 | 2.9 | 36.6 | 9.3 |
| Total customer funds | 45.4 | 42.9 | 5.8 | 3.9 |
| <i>of which:</i> | | | | |
| Financial Insurance | 3.9 | 3.9 | 0.0 | 0.8 |
| Deposits ex-Fin. Insurance | 37.6 | 36.1 | 3.9 | 3.7 |

Additionally, the Bank also includes Securities placed (EUR 2.5 bn, -24.0% YoY) and other managed funds² (EUR 5.7 bn, +23.9% YoY) in its management of customer funds.

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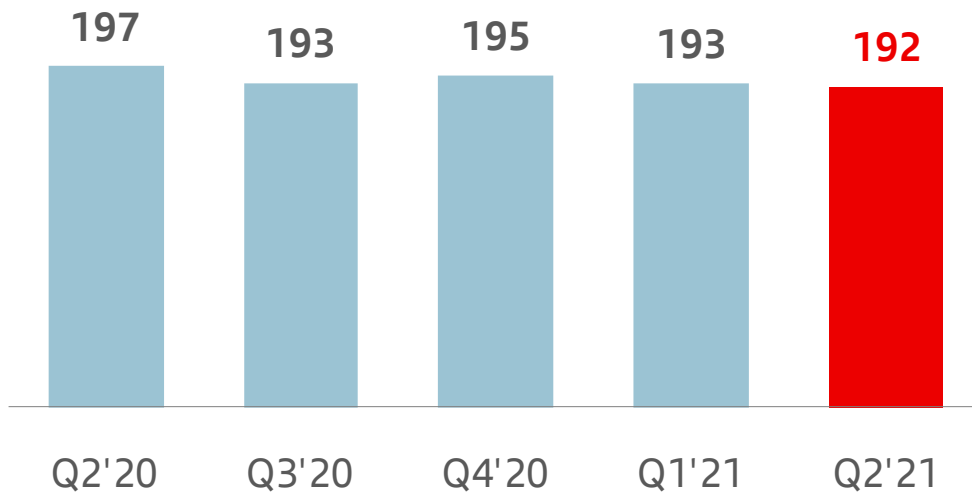
Appendix





NII stabilizing QoQ due to higher volumes, although spread compression on loans continued, while remuneration on deposits was close to zero

Net interest income (EUR mn)



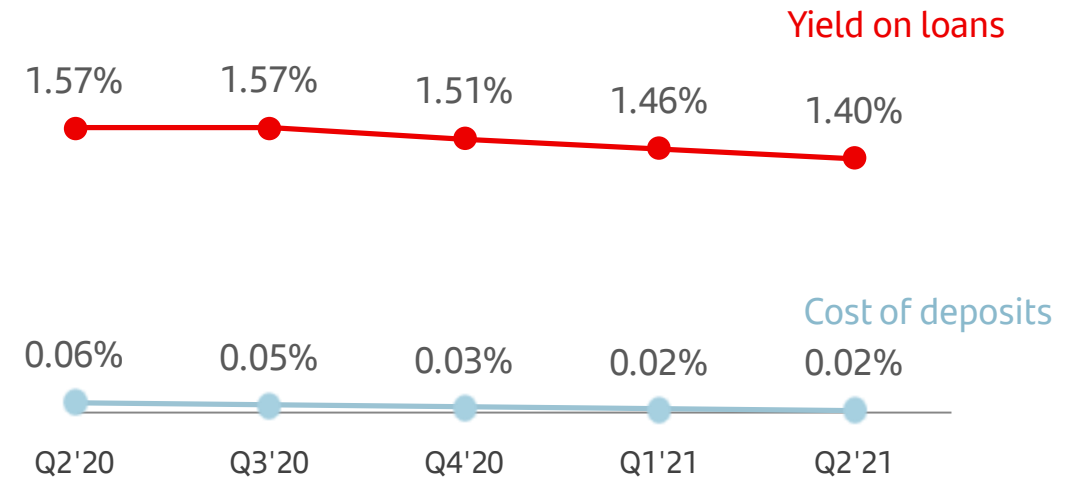
NIM¹

| | | | | |
|-------|-------|-------|-------|-------|
| 1.37% | 1.29% | 1.33% | 1.33% | 1.31% |
|-------|-------|-------|-------|-------|

Central Bank interest rate

| | | | | |
|-------|-------|-------|-------|-------|
| 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
|-------|-------|-------|-------|-------|

Yields and costs (%)

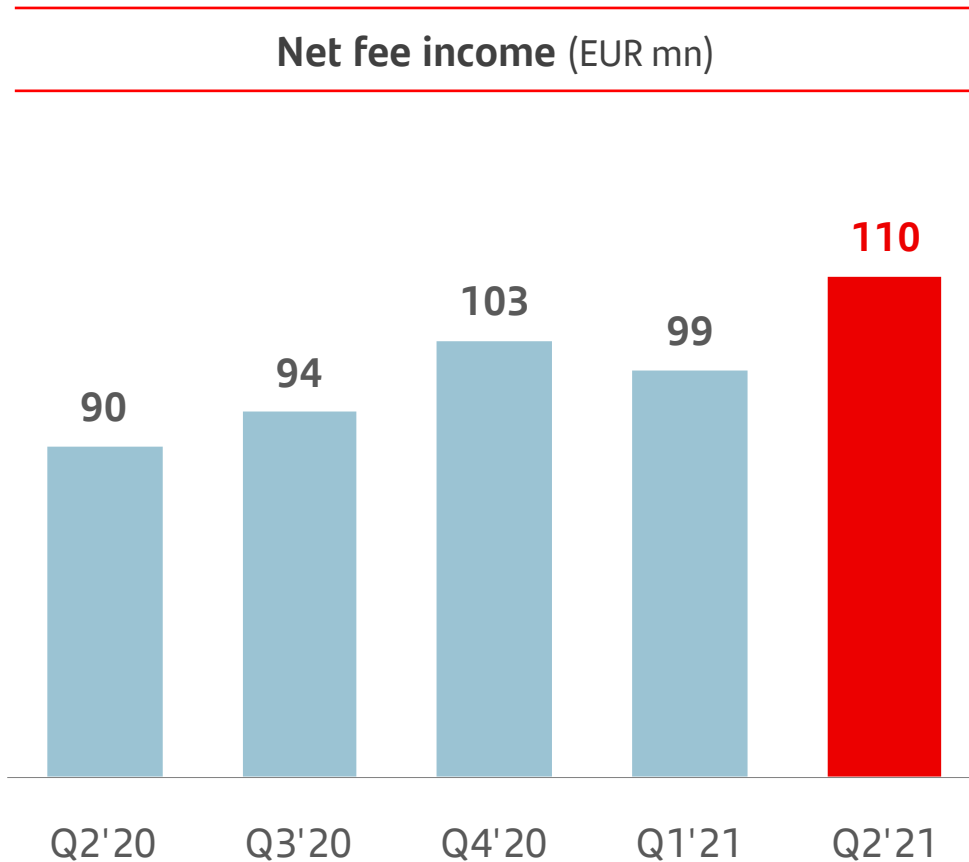


Differential

| | | | | |
|---------|---------|---------|---------|---------|
| 151 bps | 152 bps | 148 bps | 143 bps | 138 bps |
|---------|---------|---------|---------|---------|



Net fee income improved, with increased loan volumes and customer transactionality associated with the economic recovery

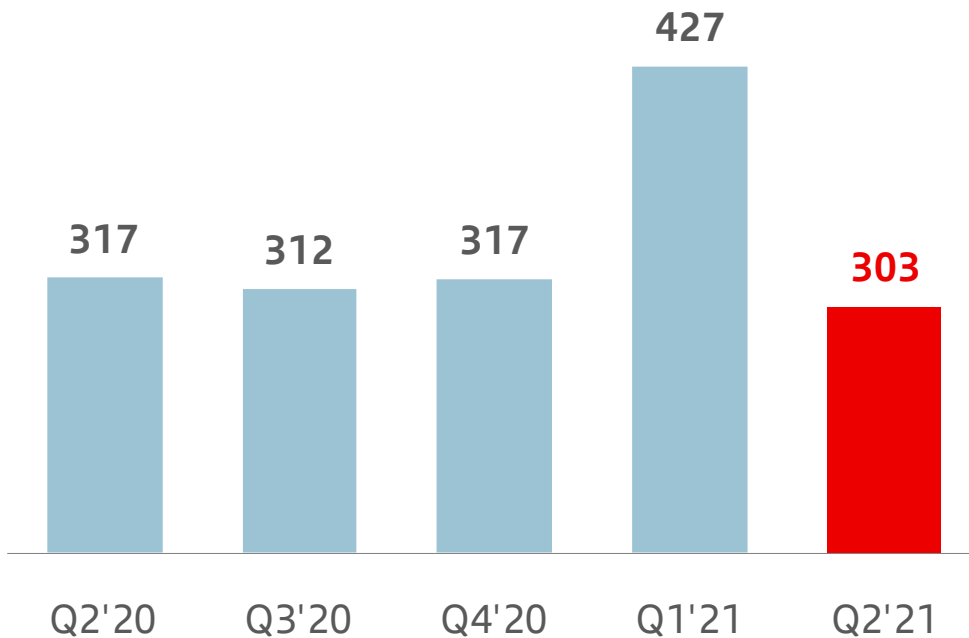


| | H1'21 | H1'20 | YoY (%) | QoQ (%) |
|--|------------|------------|--------------|--------------|
| Transactional fees | 128 | 116 | 10.5 | 13.8 |
| Payment methods | 49 | 42 | 16.1 | 22.5 |
| Account admin. and maintenance | 39 | 31 | 26.6 | 0.0 |
| Exchange and commercial bills | 22 | 23 | -2.5 | 29.4 |
| Other transactional | 17 | 20 | -11.3 | 4.6 |
| Investment and pension funds | 21 | 17 | 19.1 | 14.9 |
| Insurance | 55 | 51 | 8.0 | 3.5 |
| Securities and custody services | 3 | 4 | -17.8 | -32.0 |
| Other | 3 | 3 | -12.5 | - |
| Total net fee income | 210 | 191 | 9.7 | 11.5 |



Total income increased 9% YoY boosted mainly by ALCO portfolio sales in Q1'21

Total income (EUR mn)

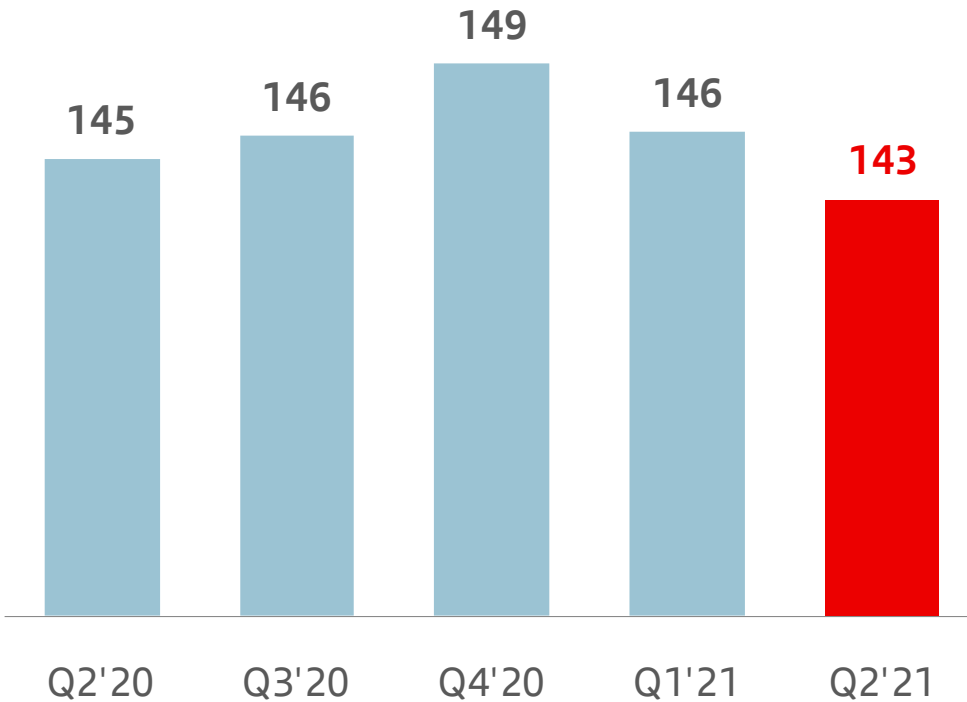


| | H1'21 | H1'20 | YoY (%) | QoQ (%) |
|-------------------------|------------|------------|------------|--------------|
| Net interest income | 384 | 399 | -3.8 | -0.5 |
| Net fee income | 210 | 191 | 9.7 | 11.5 |
| Customer revenue | 594 | 590 | 0.6 | 3.5 |
| Other ¹ | 136 | 77 | 76.4 | -99.5 |
| Total income | 730 | 668 | 9.3 | -29.1 |



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

Operating expenses (EUR mn)



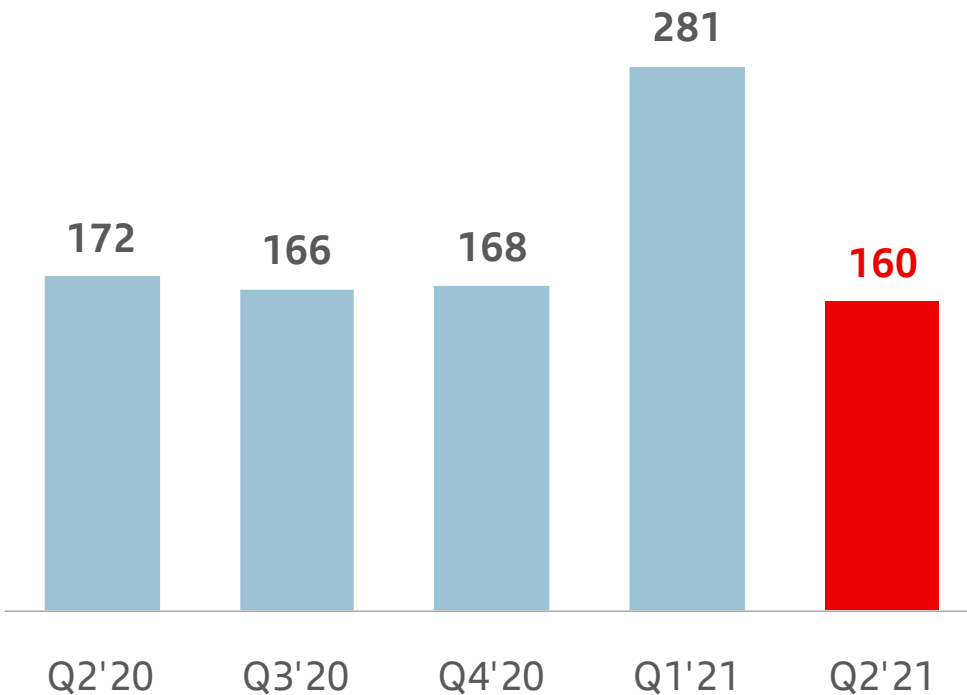
| | H1'21 | H1'20 | YoY (%) | QoQ (%) |
|---------------------------|------------|------------|-------------|-------------|
| Operating Expenses | 289 | 296 | -2.4 | -2.0 |

| | | | | |
|---------------|-------|-------|-------|------|
| Branches (#) | 418 | 525 | -20.4 | -4.6 |
| Employees (#) | 6,049 | 6,506 | -7.0 | -3.1 |



Improving efficiency benefiting from the reduction trend in costs. Net operating income declined QoQ impacted by lower gains on financial transactions

Net operating income (EUR mn)

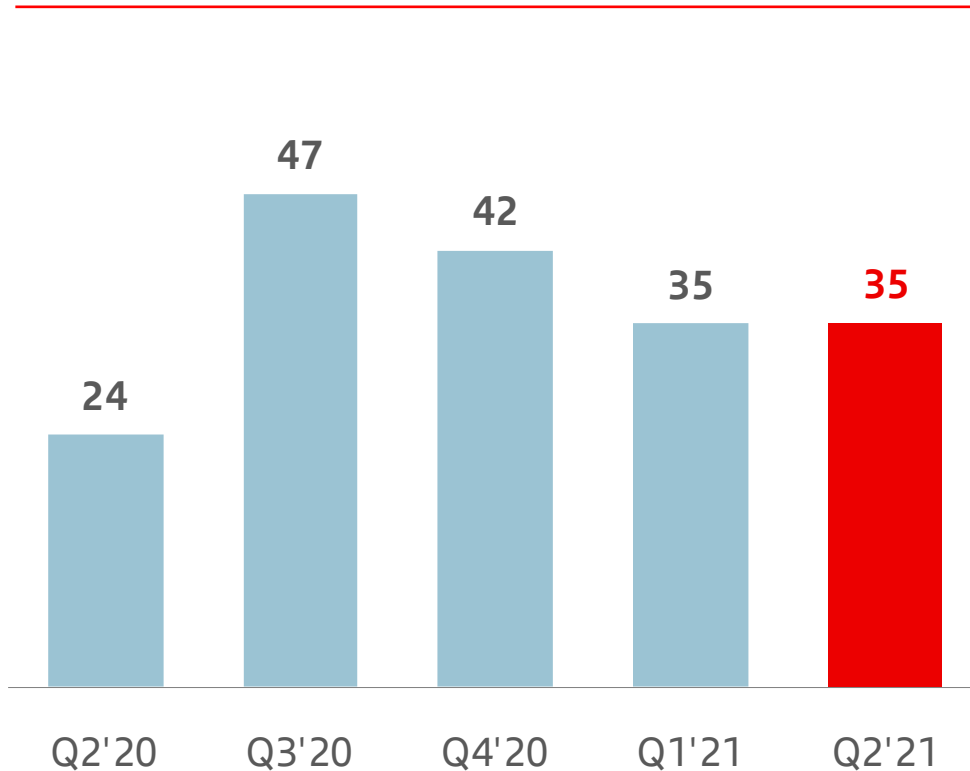


| | H1'21 | H1'20 | YoY (%) | QoQ (%) |
|-----------------------------|------------|------------|-------------|--------------|
| Total income | 730 | 668 | 9.3 | -29.1 |
| Operating Expenses | (289) | (296) | -2.4 | -2.0 |
| Net operating income | 441 | 372 | 18.6 | -43.2 |
| Efficiency ratio | 39.6% | 44.3% | -474 bps | |



LLPs fell by 34% YoY, despite industry moratoria ending. Asset quality remained stable with a further decline of the NPL ratio

Net LLPs (EUR mn)



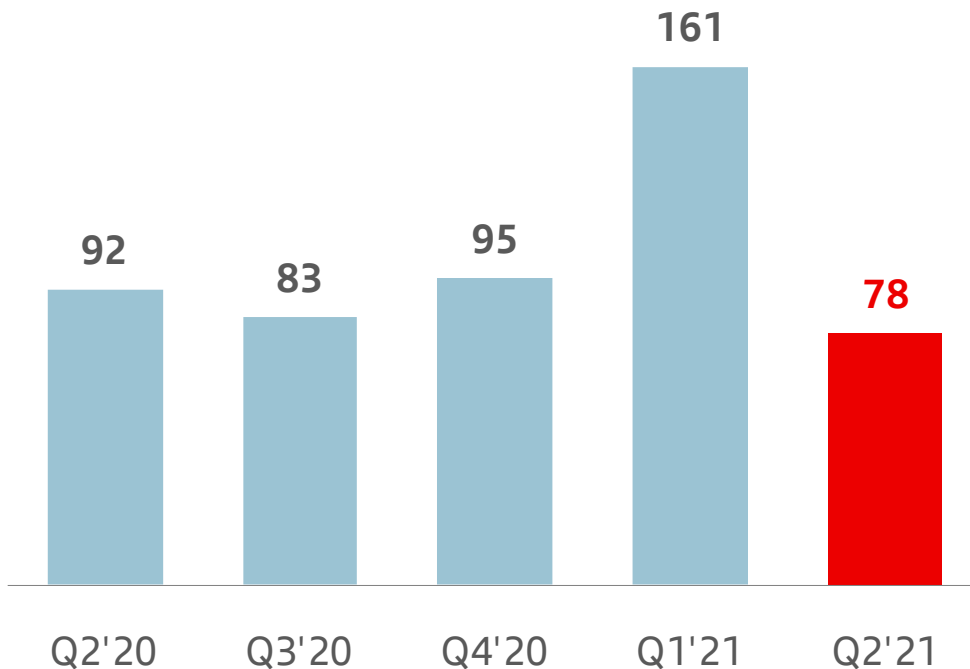
| | H1'21 | H1'20 | YoY (%) | QoQ (%) |
|--|------------|------------|-------------|--------------|
| Net operating income | 441 | 372 | 18.6 | -43.2 |
| Loan-loss provisions | (69) | (105) | -33.5 | 0.4 |
| Net operating income after provisions | 371 | 267 | 39.0 | -49.3 |

| | | | | |
|-----------------------------|-------|-------|---------|---------|
| NPL ratio | 3.71% | 4.43% | -72 bps | -13 bps |
| Cost of credit ¹ | 0.41% | 0.30% | 11 bps | 2 bps |
| Coverage ratio | 73% | 61% | 12.1 pp | 3.8 pp |



Underlying attributable profit increased 50% YoY. Previous quarter reflected higher capital gains on the ALCO portfolio

Underlying Attributable Profit (EUR mn)



| | H1'21 | H1'20 | YoY (%) | QoQ (%) |
|---------------------------------------|------------|------------|-------------|--------------|
| PBT | 347 | 230 | 50.8 | -51.3 |
| Tax on profit | (108) | (70) | 53.4 | -51.2 |
| Consolidated profit | 239 | 160 | 49.6 | -51.4 |
| Minority interests | (0) | (0) | 29.2 | 29.0 |
| Underlying attributable profit | 239 | 160 | 49.7 | -51.4 |

| | | | |
|--------------------|-------|-------|--------|
| Effective tax rate | 31.0% | 30.5% | 0.5 pp |
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Santander Portugal volumes supported by mortgages and corporates. Profitability benefitting from the transformation process

Financial System

- ▶ Economic activity recovered in Q2'21, as the economy reopened following Q1 lockdown measures. Domestic demand and exports of goods are the drivers behind the recovery, while hospitality will remain the laggard
- ▶ Resilient loan growth, with new mortgage origination at its highest level since 2008
- ▶ Deposits continued to grow, aligned with higher household savings (14.2% in Q1'21)

Strategy & Business

- ▶ Santander Portugal maintains its support to households and companies, with market shares in new lending to corporates and mortgages over 20% in Q2'21, sustaining its strong position as the largest privately-owned bank in Portugal by loans. Growth in deposits, but also with a focus on diversification of household resources into off-balance products.
- ▶ Santander Portugal remains focused on its digital transformation process, including continuous deliveries on digital channels and simplification of internal processes and commercial offering.
- ▶ 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. Other result dynamics associated with ALCO portfolio sales in Q1
- ▶ LLPs declined on a yearly basis as the NPL ratio maintained its downward trend
- ▶ Underlying attributable profit increased 50% YoY due to improved customer revenue, ALCO portfolio sales, and cost control

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Balance sheet

| EUR million | Jun-21 | Jun-20 | Variation | |
|---|---------------|---------------|----------------|--------------|
| | | | Amount | % |
| Loans and advances to customers | 38,785 | 37,082 | 1,704 | 4.6 |
| Cash, central banks and credit institutions | 8,725 | 8,769 | (44) | (0.5) |
| Debt instruments | 9,026 | 11,782 | (2,756) | (23.4) |
| Other financial assets | 1,453 | 1,530 | (77) | (5.0) |
| Other asset accounts | 1,382 | 1,659 | (277) | (16.7) |
| Total assets | 59,371 | 60,822 | (1,451) | (2.4) |
| Customer deposits | 41,452 | 40,038 | 1,414 | 3.5 |
| Central banks and credit institutions | 9,490 | 11,584 | (2,094) | (18.1) |
| Marketable debt securities | 2,483 | 3,268 | (785) | (24.0) |
| Other financial liabilities | 219 | 256 | (37) | (14.6) |
| Other liabilities accounts | 1,693 | 1,784 | (91) | (5.1) |
| Total liabilities | 55,336 | 56,930 | (1,594) | (2.8) |
| Total equity | 4,035 | 3,892 | 142 | 3.7 |
| Other managed customer funds | 5,738 | 4,631 | 1,107 | 23.9 |
| Mutual funds | 3,940 | 2,884 | 1,056 | 36.6 |
| Pension funds | 1,342 | 1,298 | 44 | 3.4 |
| Managed portfolios | 456 | 448 | 7 | 1.6 |



Income statement

| EUR million | H1'21 | H1'20 | Variation | |
|---|------------|------------|------------|-------------|
| | | | Amount | % |
| Net interest income | 384 | 399 | (15) | (3.8) |
| Net fee income | 210 | 191 | 18 | 9.7 |
| Gains (losses) on financial transactions | 153 | 91 | 62 | 68.5 |
| Other operating income | (17) | (14) | (3) | 24.2 |
| Total income | 730 | 668 | 62 | 9.3 |
| Operating expenses | (289) | (296) | 7 | (2.4) |
| Net operating income | 441 | 372 | 69 | 18.6 |
| Net loan-loss provisions | (69) | (105) | 35 | (33.5) |
| Other gains (losses) and provisions | (24) | (37) | 13 | (34.5) |
| Underlying profit before tax | 347 | 230 | 117 | 50.8 |
| Tax on profit | (108) | (70) | (38) | 53.4 |
| Underlying profit from continuing operations | 239 | 160 | 79 | 49.6 |
| Net profit from discontinued operations | — | — | — | — |
| Underlying consolidated profit | 239 | 160 | 79 | 49.6 |
| Non-controlling interests | (0) | (0) | (0) | 29.2 |
| Underlying attributable profit to the parent | 239 | 160 | 79 | 49.7 |



Quarterly income statements

EUR million

| | Q1'20 | Q2'20 | Q3'20 | Q4'20 | Q1'21 | Q2'21 |
|---|------------|------------|------------|------------|------------|------------|
| Net interest income | 202 | 197 | 193 | 195 | 193 | 192 |
| Net fee income | 101 | 90 | 94 | 103 | 99 | 110 |
| Gains (losses) on financial transactions | 56 | 35 | 15 | 6 | 147 | 6 |
| Other operating income | (9) | (5) | 10 | 13 | (12) | (5) |
| Total income | 350 | 317 | 312 | 317 | 427 | 303 |
| Operating expenses | (151) | (145) | (146) | (149) | (146) | (143) |
| Net operating income | 199 | 172 | 166 | 168 | 281 | 160 |
| Net loan-loss provisions | (80) | (24) | (47) | (42) | (35) | (35) |
| Other gains (losses) and provisions | (21) | (16) | 1 | 7 | (13) | (11) |
| Underlying profit before tax | 98 | 132 | 120 | 133 | 234 | 114 |
| Tax on profit | (30) | (41) | (37) | (38) | (72) | (35) |
| Underlying profit from continuing operations | 68 | 92 | 83 | 95 | 161 | 78 |
| Net profit from discontinued operations | — | — | — | — | — | — |
| Underlying consolidated profit | 68 | 92 | 83 | 95 | 161 | 78 |
| Non-controlling interests | (0) | (0) | (0) | (0) | (0) | (0) |
| Underlying attributable profit to the parent | 68 | 92 | 83 | 95 | 161 | 78 |

Thank You.

Our purpose is to help people and businesses prosper.

Our culture is based on believing that everything we do should be:

Simple Personal Fair



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**Dow Jones
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