



Portugal



Q1'23

Earnings Presentation

Important Information

Non-IFRS and alternative performance measures

This presentation contains financial information prepared according to International Financial Reporting Standards (IFRS) and taken from our consolidated financial statements, as well as 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, and other non-IFRS measures. The APMs and non-IFRS measures were calculated with information from Grupo Santander; however, they are neither defined or detailed in the applicable financial reporting framework nor audited or reviewed by our auditors.

We use these APMs and non-IFRS measures when planning, monitoring and evaluating our performance. We consider them to be useful metrics for our management and investors to compare operating performance between periods.

Nonetheless, the APMs and non-IFRS measures are supplemental information; their purpose is not 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. APMs with ESG content have not been calculated in accordance with the Taxonomy Regulation or with the indicators for principal adverse impact in SFDR.

For further details on APMs and Non-IFRS Measures, including their 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 2022 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the SEC) on 1 March 2023, as well as the section "Alternative performance measures" of the Banco Santander, S.A. (Santander) Q1 2023 Financial Report, published on 25 April 2023. 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 businesses included 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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1

**Financial
system**

2

Strategy and
business

3

Results

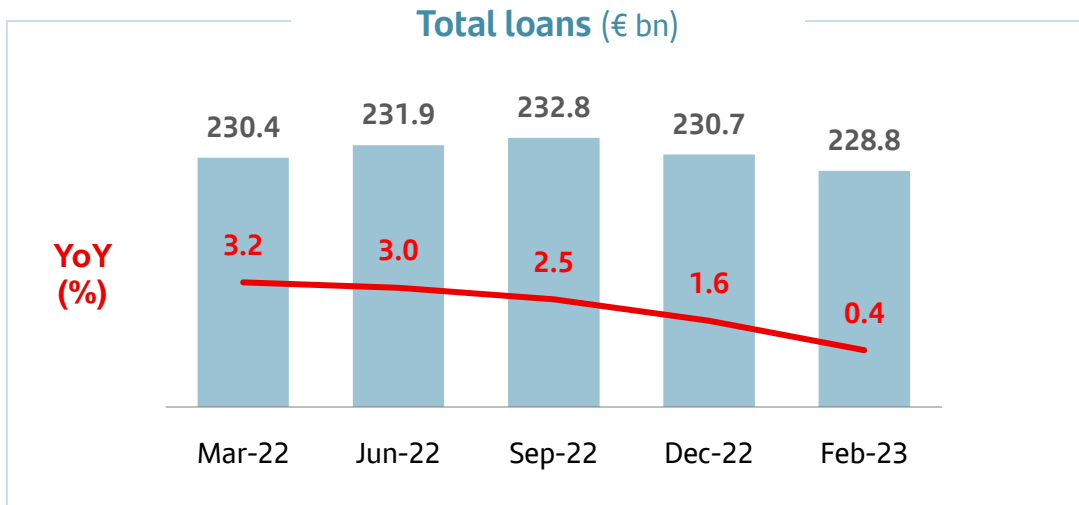
4

Concluding
remarks

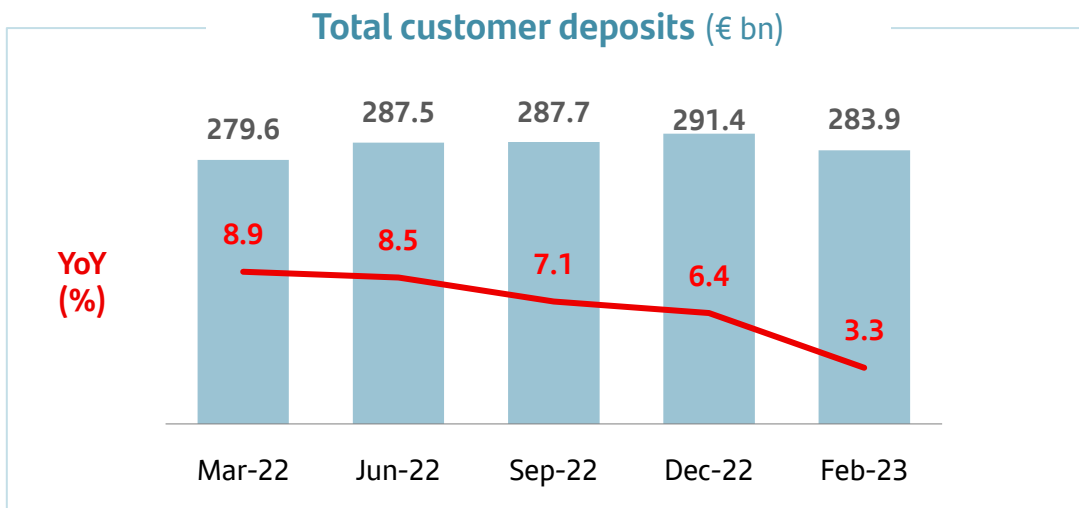
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Appendix

Higher interest rates contributed to the early redemption of loans and subsequent decline in the deposit base



- ▶ The increase in interest rates is starting to impact demand for loans, with new loan origination levels declining to the lowest levels since early 2020, both for mortgages and corporate loans.
- ▶ Both households and non-financial corporations are beginning to redeem their loans early, as financing costs, mostly at floating rate, rise in line with higher interest rates.
- ▶ Asset quality remains at historically low levels.



- ▶ 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 saving products (Saving Certificates), which have a higher remuneration than deposits.



Financial system



Strategy and business



Results



Concluding remarks



Appendix

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



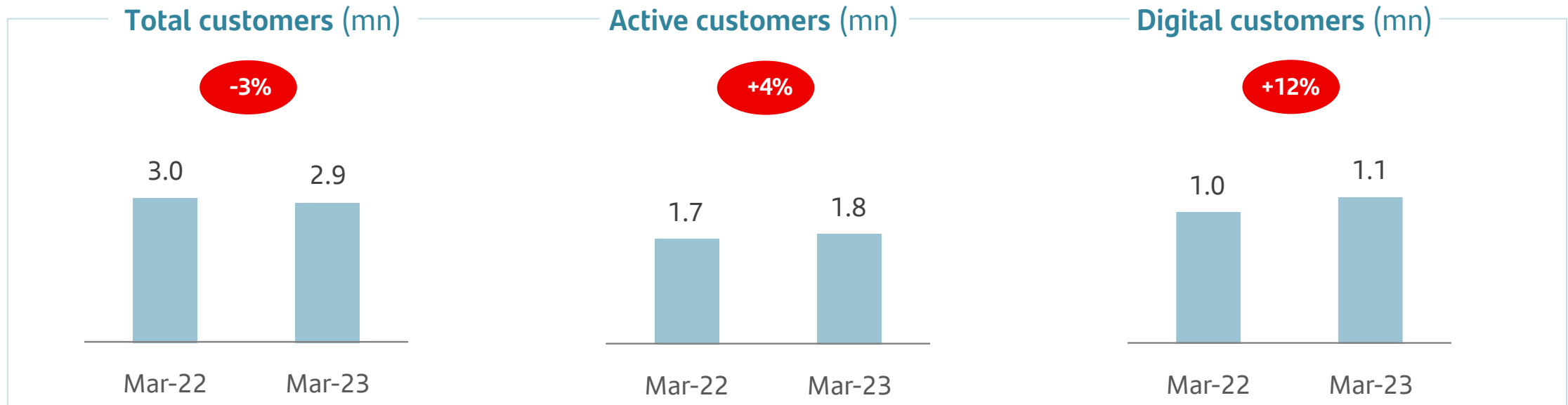
KEY DATA	Q1'23	YoY Var.
Customer loans ¹	€39.3bn	-2.1%
Customer funds ²	€41.1bn	-5.1%
Attributable profit	€180mn	+21.4%
RoTE	20.9%	+5.9pp
Efficiency ratio	32.6%	-5.0pp
Loans market share ³	17.4%	-11bps
Deposits market share ³	13.9%	-80bps
Total customers	2.9mn	-3.3%
Digital customers	1.1mn	+11.6%
Branches	377	-3.1%
Employees	4,957	-1.0%



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 increase its digital footprint: a key lever to drive 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 active customers (+4%)
- ▶ We aim to provide a seamless experience across channels, translated into the continued increase in digital customers (+12%)
- ▶ 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

We are fully committed to helping people and businesses prosper



Individuals

Rewards para si

Conheça os reembolsos e descontos para poupar mais no dia a dia, para si que é cliente Santander.

Santander Rewards

Marketplace where Santander customers can purchase goods and services from top brands with cashback

Depósito a Prazo Crescente Premium

Saving accounts

Personalized offer of savings products

O seu crédito habitação vale compras para a casa

Best offering in mortgage loans

Businesses

EXCLUSIVA ONLINE

Conta Ready

Uma conta para abrir online, para quem acaba de criar o seu negócio

A MAIS POPULAR

Conta Start

A conta mais popular, onde pode incluir tudo o que precisa para gerir o seu negócio

A MAIS COMPLETA

Conta Grow

A conta mais completa, para quem quer juntar os produtos e serviços mais úteis

Online accounts with the best offer for your business



Factoring



Confirming

Leadership position in cash management solutions



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

Better Service



Best Bank in Portugal

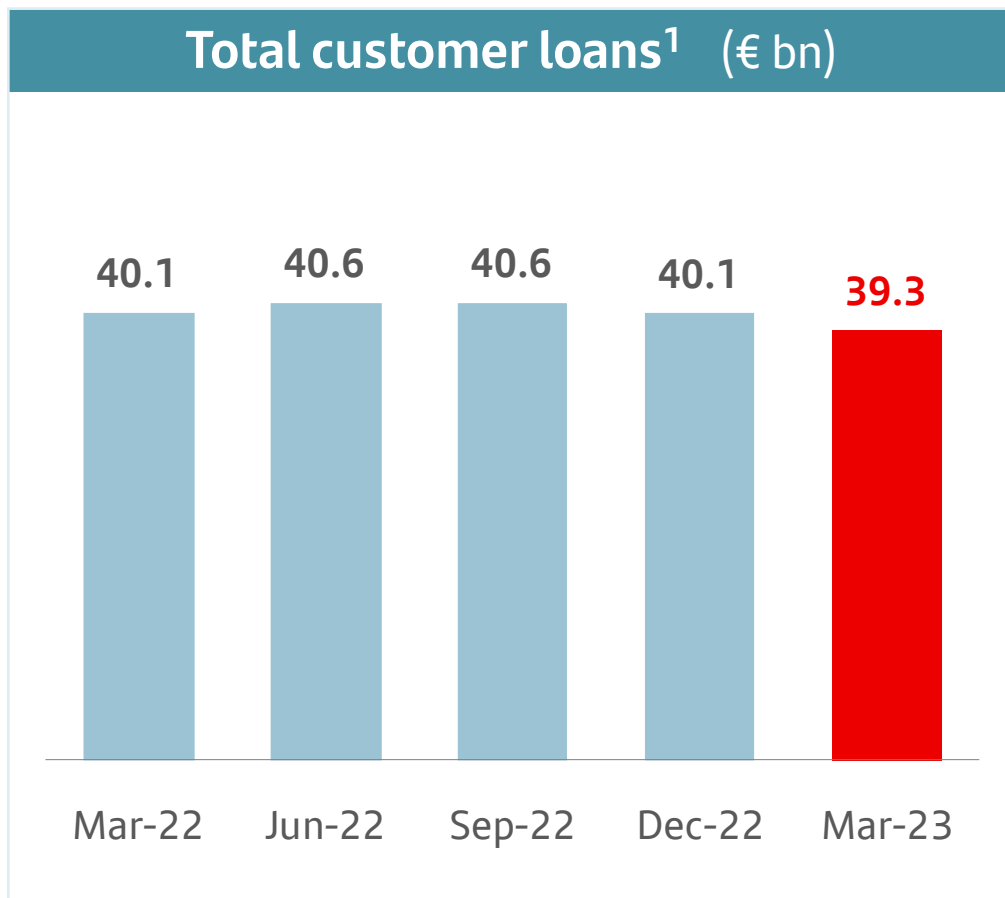


Best International Private Banking in Portugal



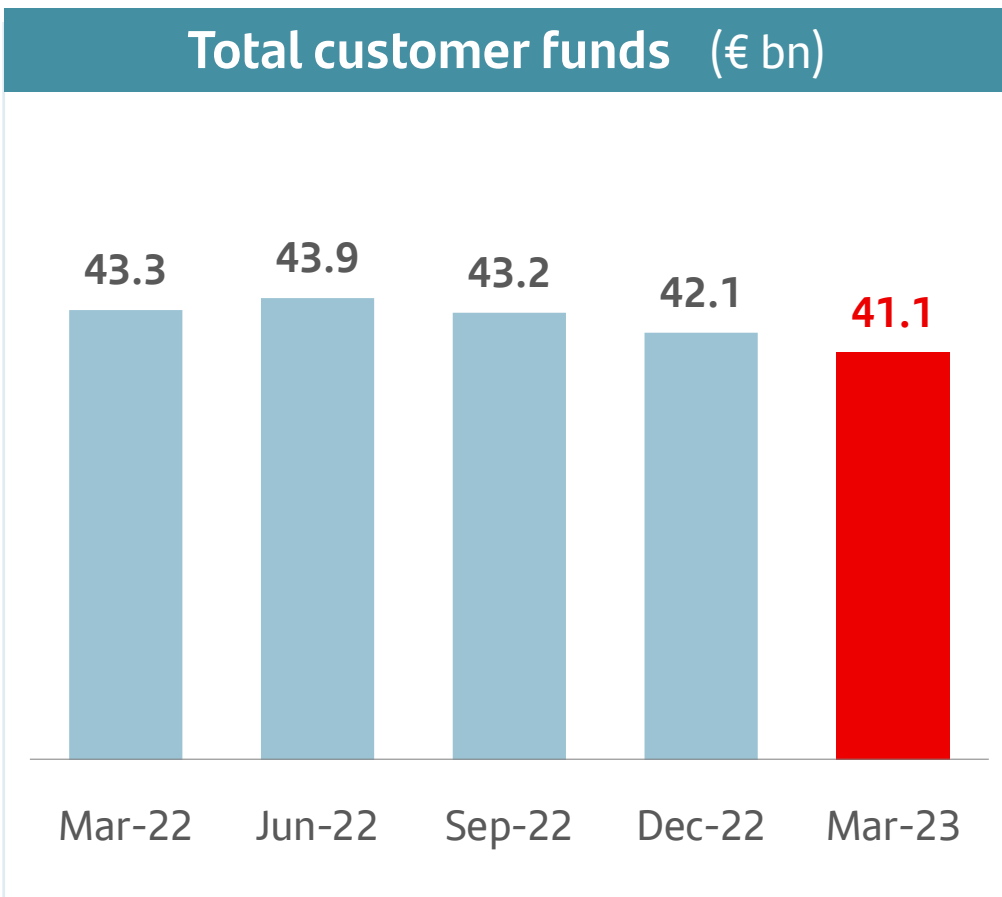
Most Responsible Bank in Portugal

Stock of loans impacted by higher rates driving customers to prepay their mortgages



	Mar-23	Mar-22	YoY (%)	QoQ (%)
Individuals ²	25.2	24.7	1.9	-1.8
o/w Mortgages	22.5	22.1	2.0	-1.9
SMEs	5.9	6.3	-6.1	-2.4
Corporates & Institutions	3.0	3.3	-10.5	-5.4
CIB	2.3	2.4	-2.7	-6.7
Other	2.9	3.4	-14.8	5.9
Total customer loans	39.3	40.1	-2.1	-1.9
Commercial Paper (CP)	3.5	3.8	-7.2	0.8
Customer loans + CP	42.8	43.9	-2.1	-1.9

Mortgage prepayments also affect deposit base as customers prepaid with savings



	Mar-23	Mar-22	YoY (%)	QoQ (%)
Demand	22.7	24.5	-7.2	-6.2
Time ¹	14.6	14.7	-1.0	2.2
Total deposits	37.3	39.2	-4.9	-3.1
Mutual Funds	3.8	4.1	-7.6	4.5
Total customer funds	41.1	43.3	-5.1	-2.5



Financial system



Strategy and business



Results

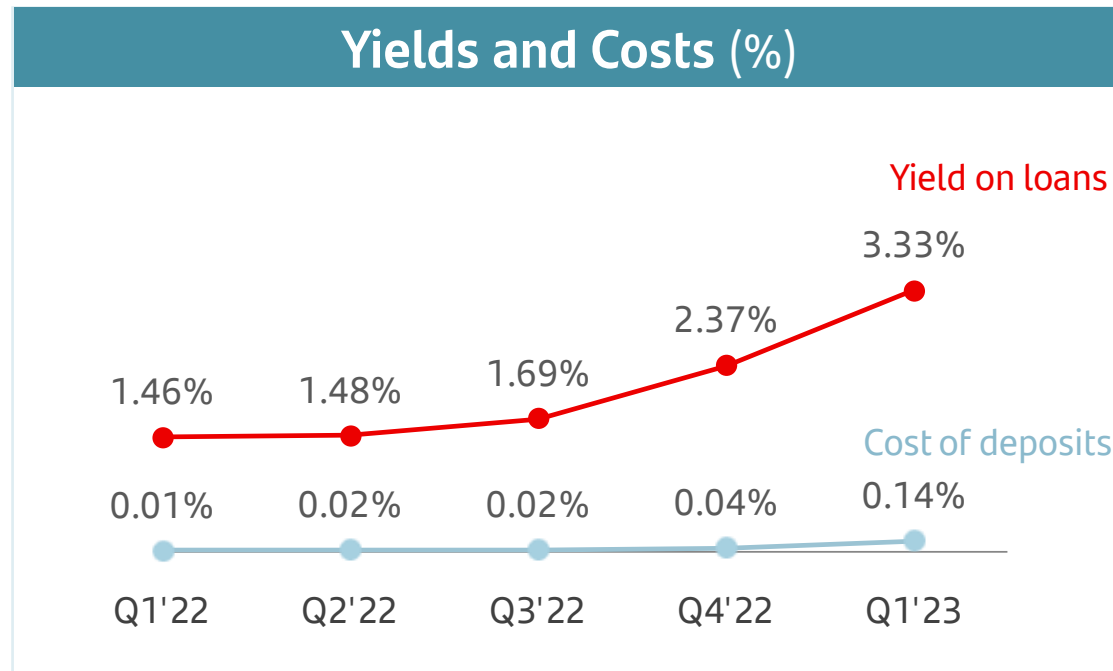
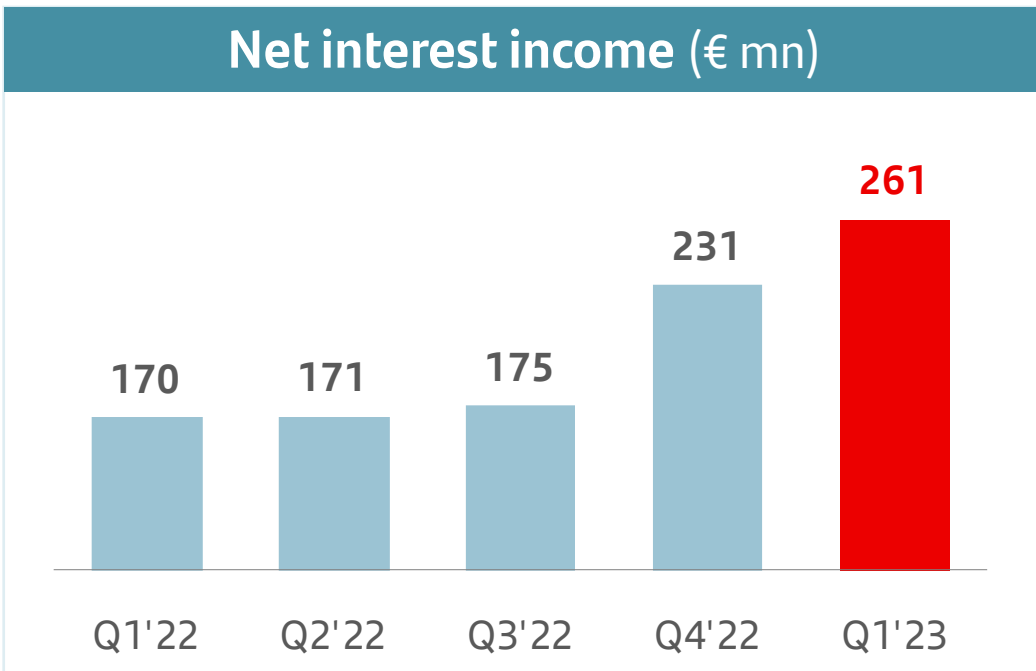


Concluding remarks



Appendix

NII grew strongly reflecting higher interest rates and controlled cost of deposits

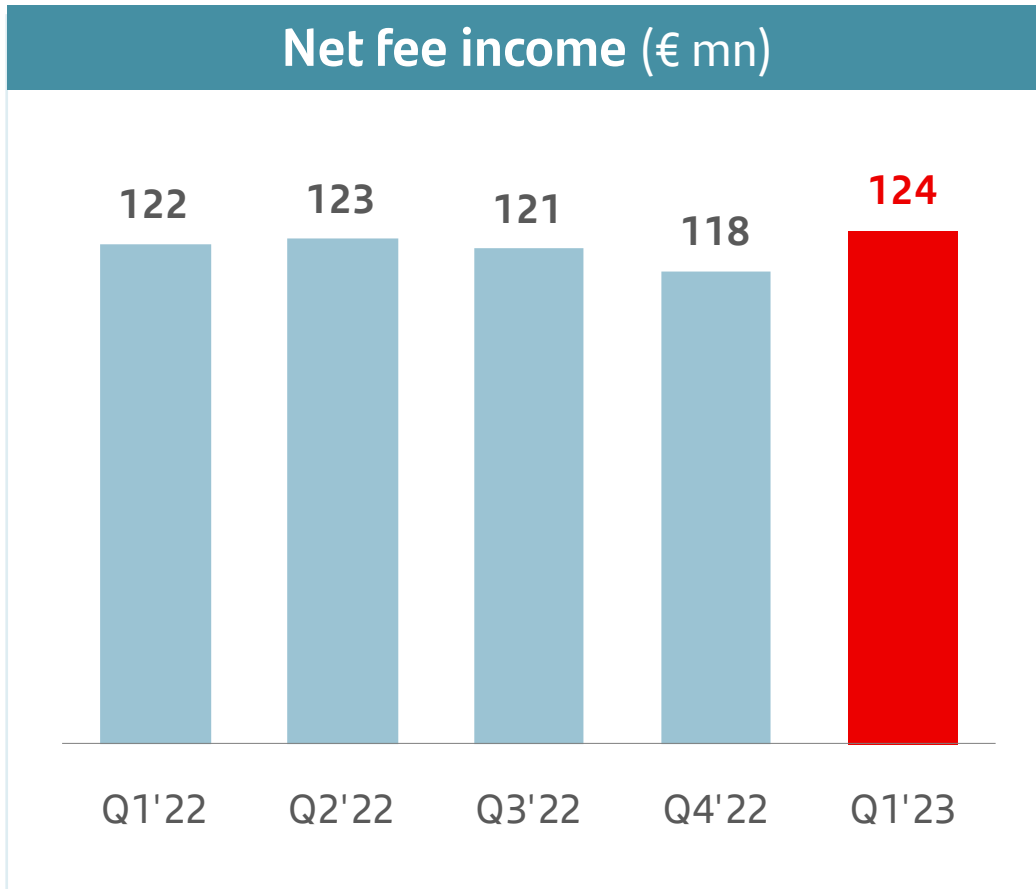


NII / Average earning assets				
1.18%	1.17%	1.20%	1.59%	1.85%
Central Bank interest rate				
0.00%	0.00%	1.25%	2.50%	3.00%

Differential				
1.4pp	1.5pp	1.7pp	2.3pp	3.2pp

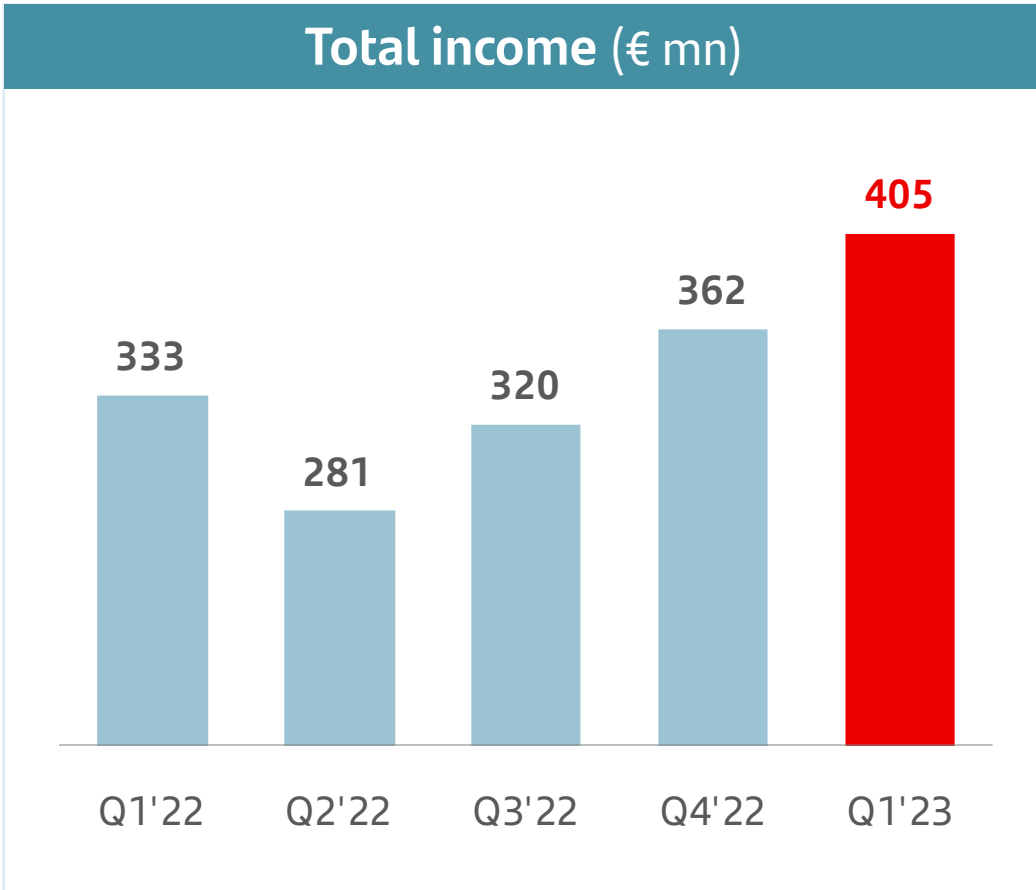


Net fee income remained broadly stable as advisory service fees offset lower transactional fees due to lower new lending



	Q1'23	Q1'22	YoY (%)	QoQ (%)
Transactional fees	66	70	-5.4	-6.8
Payment methods	27	28	-1.4	-9.4
Account admin. and	19	20	-5.5	-3.4
Exchange and commercial bills	9	12	-25.2	-13.9
Other transactional	10	9	8.9	1.8
Investment and pension funds	10	11	-11.0	1.1
Insurance	31	31	-2.2	-0.9
Securities and custody services	2	1	25.2	-32.2
Other	16	9	83.7	283.0
Total net fee income	124	122	1.6	5.0

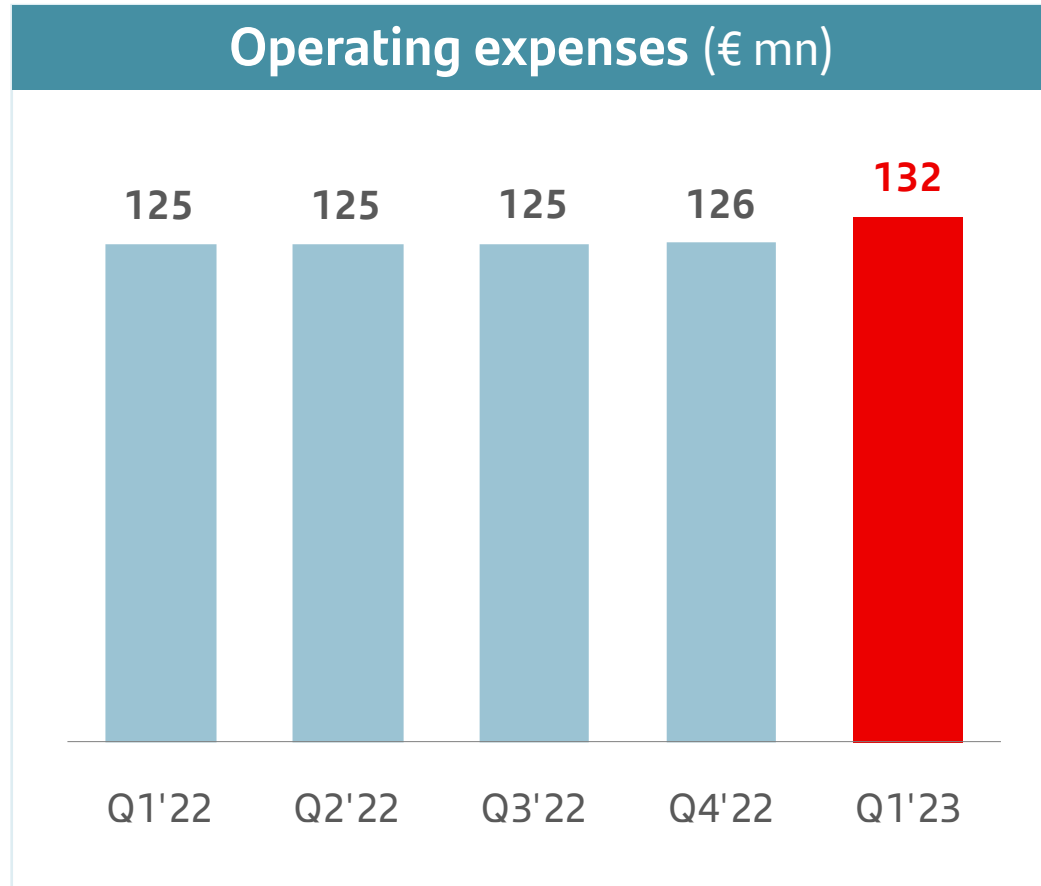
Double-digit growth in total income supported by strong NII performance



	Q1'23	Q1'22	YoY (%)	QoQ (%)
Net interest income	261	170	53.6	13.0
Net fee income	124	122	1.6	5.0
Customer revenue	385	292	31.9	10.3
Other ¹	20	41	-50.2	53.9
Total income	405	333	21.8	11.8



Expenses increased due to inflationary pressures, in real terms costs came down 3%, reflecting our transformation programme

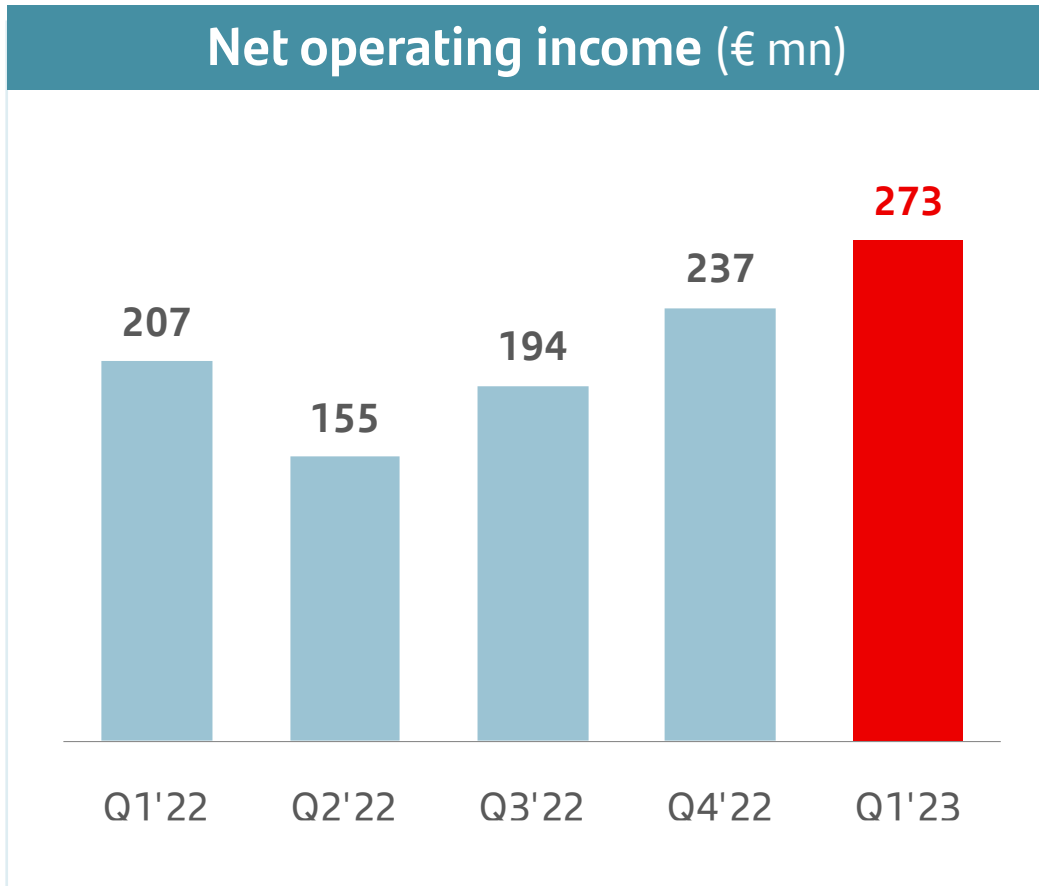


	Q1'23	Q1'22	YoY (%)	QoQ (%)
Operating Expenses	132	125	5.5	5.2

Branches (#)	377	389	-3.1	-1.6
Employees (#)	4,957	5,009	-1.0	0.1

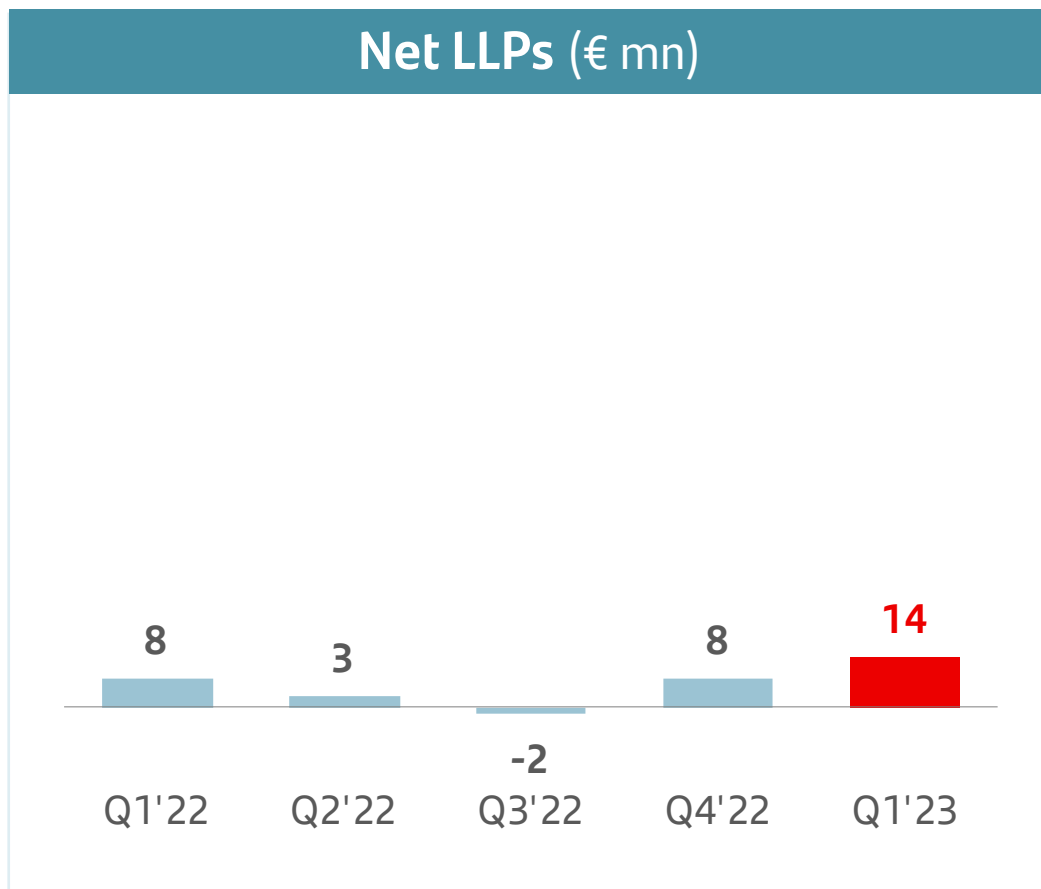


Net operating income grew strongly on the back of improved efficiency (-5pp) as revenue grew much faster than costs



	Q1'23	Q1'22	YoY (%)	QoQ (%)
Total income	405	333	21.8	11.8
Operating Expenses	(132)	(125)	5.5	5.2
Net operating income	273	207	31.7	15.4
Efficiency ratio	32.6%	37.7%	-5.0pp	

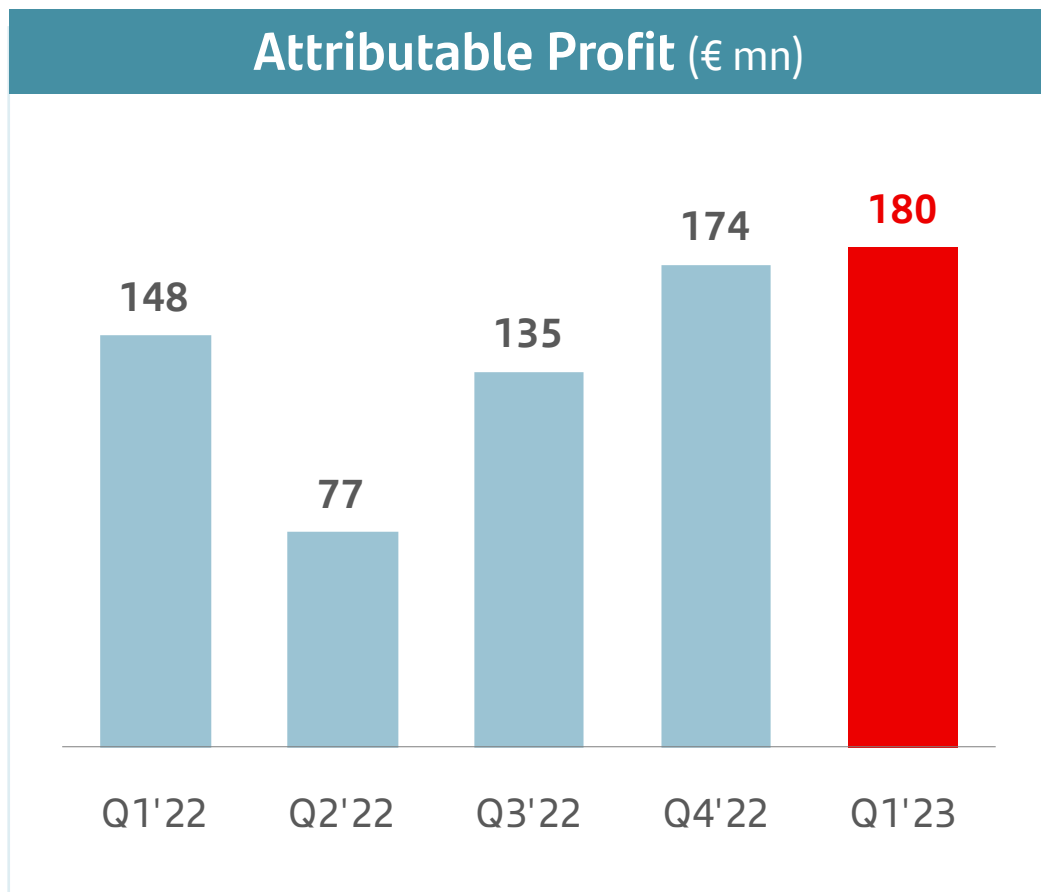
LLPs remained at very low levels, reflecting the strength of our balance sheet. The NPL and coverage ratios continued to improve. CoR remained very low



	Q1'23	Q1'22	YoY (%)	QoQ (%)
Net operating income	273	207	31.7	15.4
Loan-loss provisions	(14)	(8)	72.8	75.3
Net operating income after provisions	259	199	30.1	13.3

Cost of risk ¹	0.06%	0.03%	3bps	1bp
NPL ratio	3.05%	3.42%	-37bps	6bps
Coverage ratio	80%	73%	7.4pp	0.9pp

Profit increased 21% YoY driven by greater efficiency and controlled CoR



	Q1'23	Q1'22	YoY (%)	QoQ (%)
PBT	261	215	21.3	3.6
Tax on profit	(81)	(67)	21.5	4.3
Consolidated profit	180	148	21.2	3.3
Minority interests	0	0	-57.7	-60.9
Attributable profit	180	148	21.4	3.5
Effective tax rate	31.0%	31.0%	0.1pp	

1

Financial
system

2

Strategy and
business

3

Results

4

**Concluding
remarks**

5

Appendix

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 origination levels 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 saving products (Saving Certificates), which have a higher remuneration 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
- ▶ Net operating income grew strongly on the back of improved efficiency (-5pp) as revenue grew much faster than costs
- ▶ LLPs remained at very low levels, reflecting the strength of our balance sheet. The NPL and coverage ratios continued to improve
- ▶ Profit increased 21% YoY driven by greater efficiency and controlled CoR

1

Financial system

2

Strategy and business

3

Results

4

Concluding remarks

5

Appendix

Balance sheet



€ million	Variation			
	Mar-23	Mar-22	Amount	%
Loans and advances to customers	38,336	39,123	(787)	(2.0)
Cash, central banks and credit institutions	9,698	10,026	(329)	(3.3)
Debt instruments	7,959	8,544	(585)	(6.8)
Other financial assets	1,128	1,434	(306)	(21.3)
Other asset accounts	1,350	1,252	98	7.8
Total assets	58,471	60,379	(1,908)	(3.2)
Customer deposits	37,311	39,228	(1,918)	(4.9)
Central banks and credit institutions	9,617	9,236	381	4.1
Marketable debt securities	3,251	2,619	632	24.1
Other financial liabilities	304	255	49	19.3
Other liabilities accounts	4,642	5,238	(596)	(11.4)
Total liabilities	55,125	56,576	(1,452)	(2.6)
Total equity	3,346	3,802	(456)	(12.0)
Other managed customer funds	5,511	5,866	(355)	(6.1)
Mutual funds	3,784	4,096	(311)	(7.6)
Pension funds	1,328	1,313	15	1.1
Managed portfolios	399	457	(58)	(12.8)

Underlying income statement



€ million	Variation			
	Q1'23	Q1'22	Amount	%
Net interest income	261	170	91	53.6
Net fee income	124	122	2	1.6
Gains (losses) on financial transactions	9	30	(21)	(69.6)
Other operating income	11	11	0	0.9
Total income	405	333	73	21.8
Operating expenses	(132)	(125)	(7)	5.5
Net operating income	273	207	66	31.7
Net loan-loss provisions	(14)	(8)	(6)	72.8
Other gains (losses) and provisions	1	15	(14)	(91.5)
Profit before tax	261	215	46	21.3
Tax on profit	(81)	(67)	(14)	21.5
Profit from continuing operations	180	148	31	21.2
Net profit from discontinued operations	—	—	—	—
Consolidated profit	180	148	31	21.2
Non-controlling interests	(0)	(0)	0	(57.7)
Profit attributable to the parent	180	148	32	21.4

Quarterly underlying income statement



€ million

	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Net interest income	170	171	175	231	261
Net fee income	122	123	121	118	124
Gains (losses) on financial transactions	30	14	10	2	9
Other operating income	11	(27)	13	11	11
Total income	333	281	320	362	405
Operating expenses	(125)	(125)	(125)	(126)	(132)
Net operating income	207	155	194	237	273
Net loan-loss provisions	(8)	(3)	2	(8)	(14)
Other gains (losses) and provisions	15	(40)	1	23	1
Profit before tax	215	112	196	252	261
Tax on profit	(67)	(35)	(61)	(78)	(81)
Profit from continuing operations	148	78	136	174	180
Net profit from discontinued operations	—	—	—	—	—
Consolidated profit	148	78	136	174	180
Non-controlling interests	(0)	(0)	(0)	(0)	(0)
Profit attributable to the parent	148	77	135	174	180

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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