



Portugal



H1'20

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, 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 2019. 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 Report on Form 20-F filed with the U.S. Securities and Exchange Commission on 6 March 2020, as well as the section “Alternative performance measures” of the annex to the Banco Santander, S.A. (“Santander”) Q2 2020 Financial Report, published as Inside Information on 29 July 2020. 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 cautions that this presentation contains statements that constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as “expect”, “project”, “anticipate”, “should”, “intend”, “probability”, “risk”, “VaR”, “RoRAC”, “RoRWA”, “TNAV”, “target”, “goal”, “objective”, “estimate”, “future” and similar expressions. 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 and our shareholder remuneration policy. 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. The following important factors, in addition to those discussed elsewhere in this presentation, could affect our future results and could cause outcomes to differ materially from those anticipated in any forward-looking statement: (1) general economic or industry conditions in areas in which we have significant business activities or investments, including a worsening of the economic environment, increasing in the volatility of 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 types of market risks, principally including interest rate risk, foreign exchange rate risk, equity price risk and risks associated with the replacement of benchmark indices; (3) potential losses associated with prepayment of our loan and investment portfolio, declines in the value of collateral securing our loan portfolio, and counterparty risk; (4) political stability in Spain, the UK, other European countries, Latin America and the US (5) changes in laws, regulations or taxes, including changes in regulatory capital and liquidity requirements, including as a result of the UK exiting the European Union and increased regulation in light of the global financial crisis; (6) our ability to integrate successfully our acquisitions and the challenges inherent in diverting management’s focus and resources from other strategic opportunities and from operational matters while we integrate these acquisitions; and (7) changes in our ability to access liquidity and funding on acceptable terms, including as a result of changes in our credit spreads or a downgrade in our credit ratings or those of our more significant subsidiaries.

Important Information

Numerous factors could affect the future results of Santander and could result in those results deviating materially from those anticipated in the forward-looking statements. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

Forward-looking statements speak only as of the date of this presentation and are based on the knowledge, information available and views taken on such date; such knowledge, information and views may change at any time. Santander does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

No offer

The information contained in this presentation is subject to, and must be read in conjunction with, all other publicly available information, including, where relevant any fuller disclosure document published by Santander. Any person at any time acquiring securities must do so only on the basis of such person's own judgment as to the merits or the suitability of the securities for its purpose and only on such information as is contained in such public information having taken all such professional or other advice as it considers necessary or appropriate in the circumstances and not in reliance on the information contained in this presentation. No investment activity should be undertaken on the basis of the information contained in this presentation. In making this presentation available Santander gives no advice and makes no recommendation to buy, sell or otherwise deal in shares in Santander or in any other securities or investments whatsoever.

Neither this presentation nor any of the information contained therein constitutes an offer to sell or the solicitation of an offer to buy any securities. No offering of securities shall be made in the United States except pursuant to registration under the U.S. Securities Act of 1933, as amended, or an exemption therefrom. Nothing contained in this presentation is intended to constitute an invitation or inducement to engage in investment activity for the purposes of the prohibition on financial promotion in the U.K. Financial Services and Markets Act 2000.

Historical performance is not indicative of future results

Statements as to historical performance or financial accretion are not intended to mean that future performance, share price or future earnings (including earnings per share) for any period will necessarily match or exceed those of any prior period. Nothing in this presentation should be construed as a profit forecast.

Third Party Information

In particular, regarding the data provided by third parties, neither Santander, nor any of its administrators, directors or employees, either explicitly or implicitly, guarantees that these contents are exact, accurate, comprehensive or complete, nor are they obliged to keep them updated, nor to correct them in the case that any deficiency, error or omission were to be detected. Moreover, in reproducing these contents in by any means, Santander may introduce any changes it deems suitable, may omit partially or completely any of the elements of this presentation, and in case of any deviation between such a version and this one, Santander assumes no liability for any discrepancy.

Index



**Financial
system**



**Strategy and
business**



Results



**Concluding
remarks**



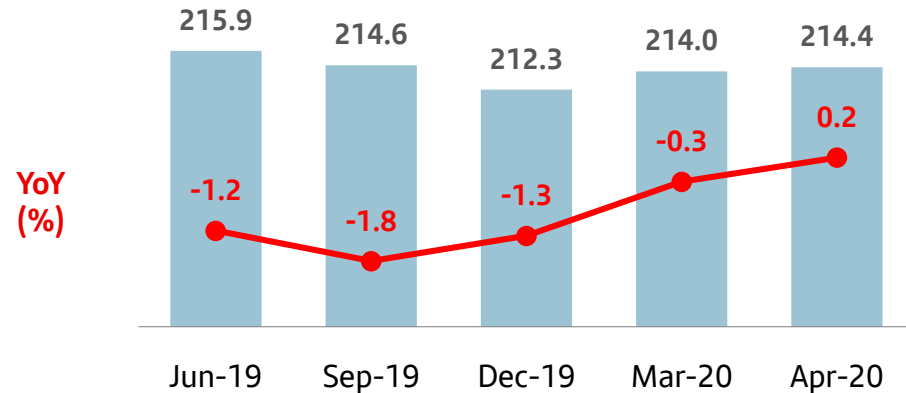
Appendix





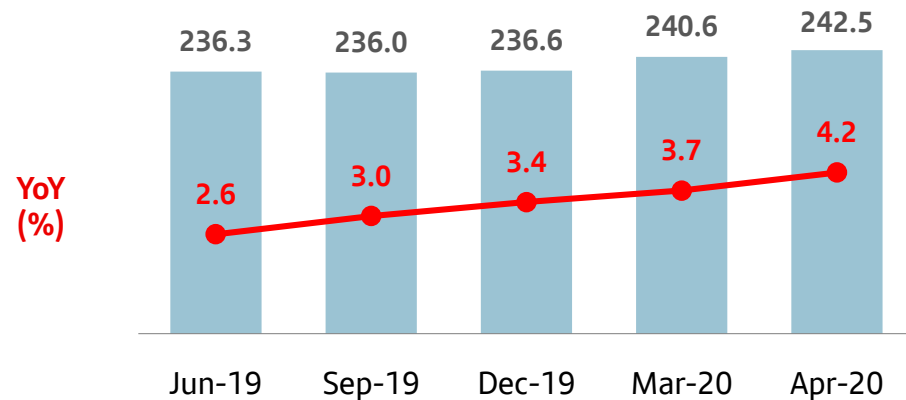
Loan book increases, also due to COVID credit lines

Total loans (EUR bn)



- ▶ Mild growth in the loan book: (i) in the early months of the year, resilient growth in mortgages; and (ii) from April onwards, with credit lines with Government guarantees
- ▶ During the remainder of 2020, dynamics will be led by guaranteed credit lines and the moratoria on both household and corporate loans

Total deposits (EUR bn)



- ▶ Deposits continue to grow at a steady pace, despite the low interest environment, also reflecting market dynamics and the switch from off-balance sheet resources into deposits

Index



Financial
system



**Strategy and
business**



Results














Concluding
remarks



Appendix



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

KEY DATA*	H1'20	YoY Var.
 Customer loans ¹	EUR 38.1 bn	+3.8%
 Customer funds ²	EUR 42.9 bn	+2.7%
 Underlying att. profit	EUR 160 mn	-38.6%
 Underlying RoTE	8.5%	-4.0 pp
 Efficiency ratio	44.3%	+50 bps
 Loans market share ³	17.8%	-38 bps
 Deposits market share ³	15.5%	-31 bps
 Loyal customers	783 k	+2.0%
 Digital customers	866 k	+14.5%
 Branches	525	-5.1%
 Employees	6,506	-3.4%



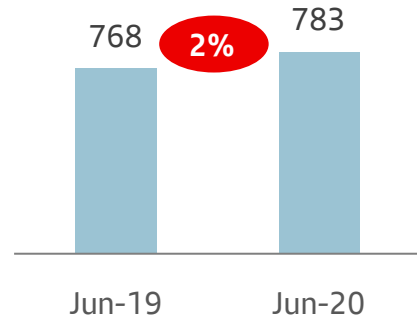
STRATEGIC PRIORITIES

- ▶ Deepen the digital and commercial transformation of the Bank to make it simpler, 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



We continue to grow in the most valuable customer segments

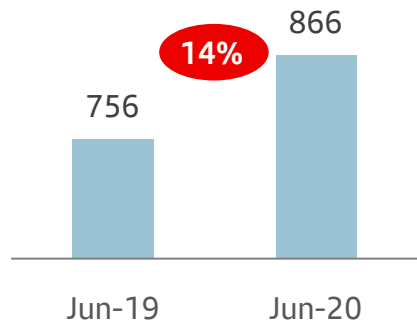
Loyal (k)



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 2% increase in loyal individuals YoY...
- ▶ ... and also in the corporate segment (+4.5% YoY), where the evolution of loyal customers is aligned with the market shares in new lending
- ▶ NPS: Top 3

Digital customers (k)



Digital sales / total: 38% (+2 pp YoY)

- ▶ 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 866 k (+14% YoY) by the end of Q2, while digital sales represent 38% of total
- ▶ Mobile customers up 33% YoY



Retail and digital services

Awards



Santander Portugal is the **“Best Bank in Portugal 2020”**, according to **Euromoney Magazine**. It’s the 18th time Santander receives the award.

Euromoney Magazine acknowledged Santander’s focus on digital channels and new work methodologies that allowed the time until a mortgage loan is granted. Santander Portugal was also awarded **“Best Investment Bank in Portugal 2020”** due to its activities in corporate advisory and capital markets.

COVID-19 – Support for Individuals



Santander has supported individuals with a wide range of measures:

- (i) free exchange of debit cards to ones with contactless technology;
- (ii) free payments and transfers using Santander Wallet; and
- (iii) the moratoria on mortgage and personal loans, requested by 75 k customers

COVID-19 – Support for Corporates

Santander Portugal has supported its corporate customers with various initiatives:

COVID-19
Medidas para apoiar empresas



- (i) exemption of fees on POS;
- (ii) strong placement of credit lines with Government guarantee
- (iii) the moratoria on corporate loans, requested by 16 k customers

Digital Payments



Santander Portugal’s customers can use their smartphones or digital wearables (such as Garmin or Fitbit), through NFC or QR code, for their payments.

FREE GO!

Pago com liberdade. Sem carteira, sem trocos e livre de preocupações.

Disponível para os cartões em contacto, apenas em estabelecimentos que aceite pagamentos por contacto.



Upon request of a new debit card, the customer immediately receives a digital card, available in the Santander Wallet.

Complemented with 3D security, these functionalities provide our customers a simple and safe way for daily payments

Insurance



Joint-venture

Santander Portugal and MAPFRE constitute a joint-venture to reinforce the offer of non-life insurance to Santander’s customers, including auto and solutions for SMES

Responsible banking



Santander supported financially, with more than EUR 3 mn, various community initiatives to help fight the adverse impacts of COVID-19, though the acquisition of medical and protection equipment and support to households

Santander has been reconfirmed as a **Familarly Responsible Company (EFR)**, this year having been rated at **Excellence level**



We continue doing business in a more responsible and sustainable way

Culture

Great Place to Work

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 for in the country, by the Great Place to Work Institute.

Empresa Familiarmente Responsável – Más Família Foundation

Santander Portugal has renewed its certification as an **Empresa Familiarmente Responsável** (Familiarly Responsible Company) by the **MásFamília Foundation**. Santander Portugal receives this distinction since 2010 and, this year, we have been rated at the **Excellence level**.

Sustainability

Green Mortgages recently launched in Portugal. **Reduction in the spread for mortgages in which the houses have the best environmental ratings (A and A+).**

Santander Portugal signed a commitment to promote the objectives of **Lisbon Green Capital 2020**.

Santander Portugal signed the manifesto **'Leveraging the crisis to launch a new sustainable development paradigm'**.

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

Communities - COVID-19 initiatives

About EUR 1 mn to buy hospital material, support medical research and support vulnerable people

Santander Portugal supported, (with the joint participation of the corporate Together in Solidarity Fund) the initiative **"Coronavirus Global Response – Pledging Event"** to **develop, produce and ensure equal access to vaccines, diagnoses and treatments**.

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

Santander Solidarity Fund (internal): The Bank doubled the amount raised by employees, reaching EUR 84,000. Together, we were able to support over 5,370 people. In total, the Fund benefited more than 30 ONGs across the country

Universities

EUR 2 mn to help students affected by COVID-19.

Funds will be made available for **students that are already in an economic emergency situation**. **1,000 scholarships** will be made available in September.

Purchase of **computing equipment** for students & professors.

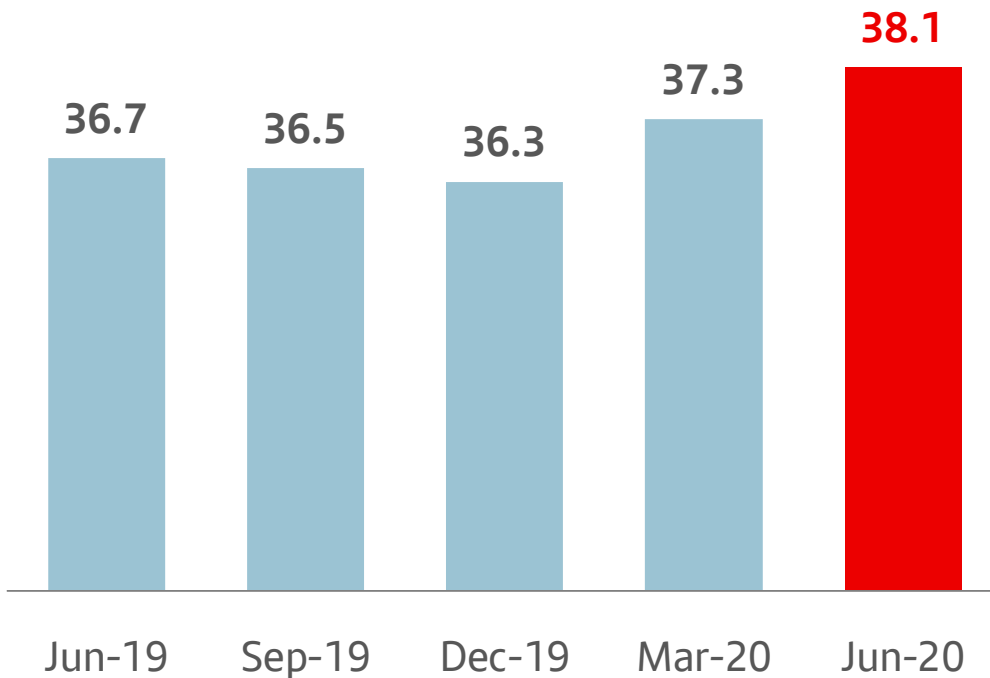
Funds were also used to **adapt university laboratories** to produce screening tests and, using 3D printers, to produce protective equipment for healthcare professionals, which is lacking in the market.

Santander UNI COVID 19 – Prize created aiming to **accelerate projects with social impact related to COVID-19**, being developed by **University students as volunteers**. 335 groups of students applied and the Bank has distinguished **14 projects** all over the country.



Higher loans to SMEs, supported by the strong position in credit lines with Government guarantees

Total customer loans¹ (EUR bn)

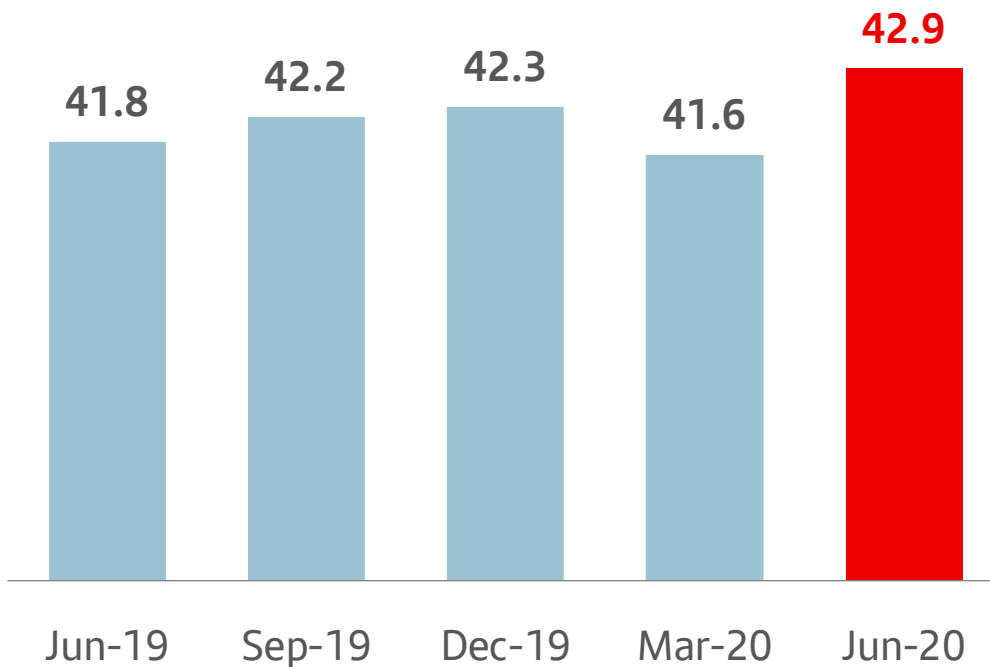


	Jun-20	Jun-19	YoY (%)	QoQ (%)
Individuals ²	22.3	21.7	2.9	1.0
o/w Mortgages	19.8	19.2	3.0	1.5
SMEs	5.9	5.4	10.9	9.9
Corporates & Institutions	3.6	3.9	-8.7	-0.5
CIB	2.8	2.8	1.9	0.0
Other	3.4	2.9	16.9	2.1
Total customer loans	38.1	36.7	3.8	2.2
Commercial Paper (CP)	4.2	4.2	1.0	7.6
Customer loans + CP	42.3	40.8	3.5	2.7



Increase of the deposit base, in the context of higher savings, driven by growth in demand deposits

Total customer funds (EUR bn)



	Jun-20	Jun-19	YoY (%)	QoQ (%)
Demand	21.3	17.3	23.5	10.2
Time ¹	18.7	21.7	-13.8	-4.2
Total deposits	40.0	39.0	2.7	3.0
Mutual Funds	2.9	2.8	2.7	6.8
Total customer funds	42.9	41.8	2.7	3.2
<i>of which:</i>				
Financial Insurance	3.9	4.1	-5.6	-0.4
Deposits ex-Fin. Insurance	36.1	34.8	3.7	3.3

Additionally, the Bank also includes Securities placed (EUR 3.3 bn, -4.6% YoY) and other managed funds² (EUR 4.6 bn, +3.5% YoY) in its management of customer funds.

Index



Financial
system



Strategy and
business



Results



Concluding
remarks



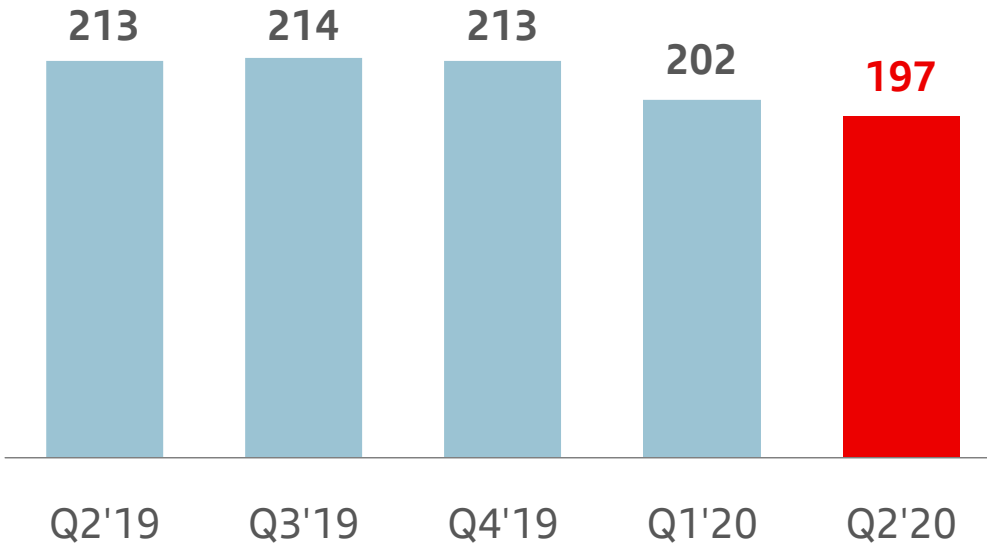
Appendix



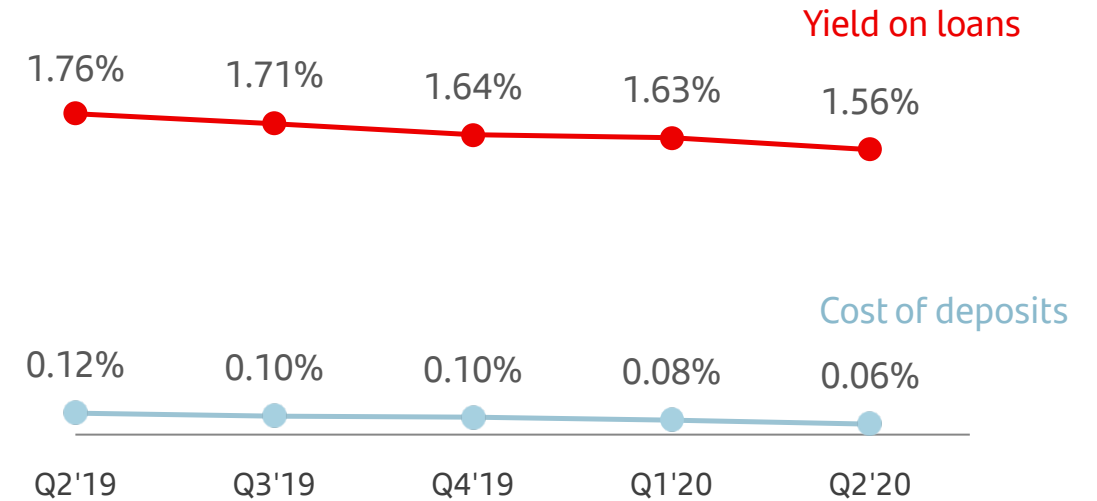


Lower NII, with lower spreads offsetting higher loan volumes

Net interest income (EUR mn)



Yields and costs (%)



NIM¹

1.51%	1.50%	1.51%	1.46%	1.37%
-------	-------	-------	-------	-------

Central Bank interest rate

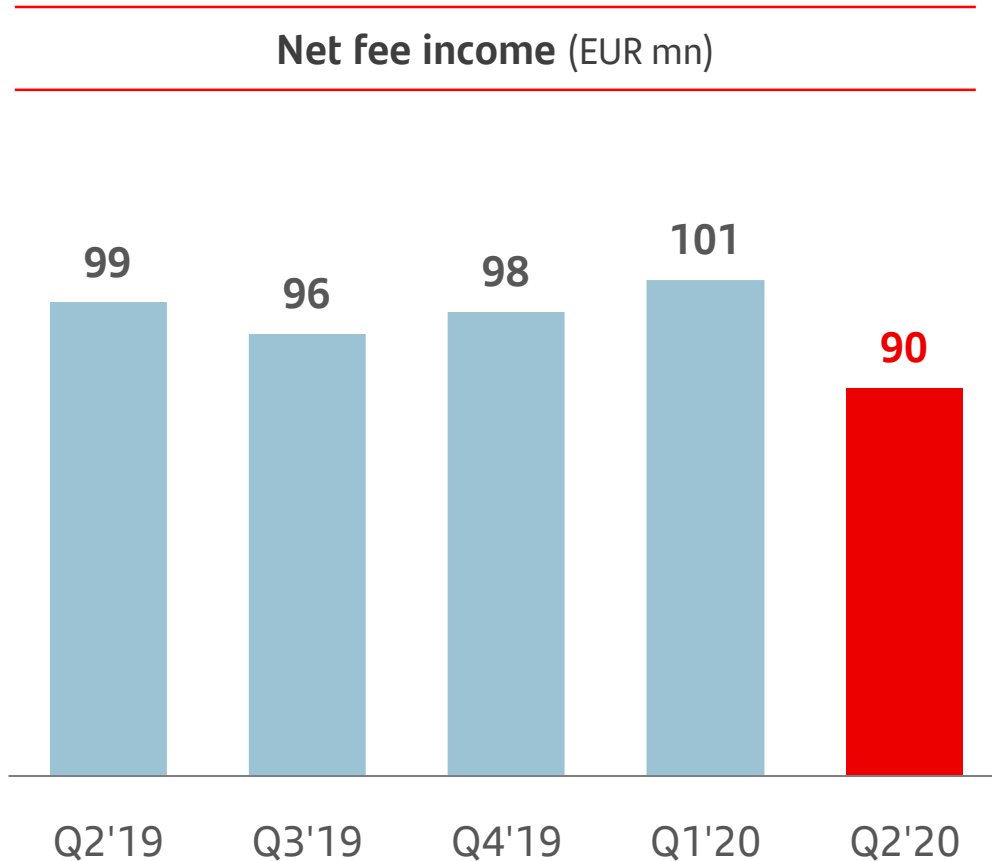
0.00%	0.00%	0.00%	0.00%	0.00%
-------	-------	-------	-------	-------

Differential

164 bps	160 bps	155 bps	154 bps	150 bps
---------	---------	---------	---------	---------



Net fee income negatively impacted by the pandemic, with the suspension of fees on electronic payments and credit renewals, and lower activity

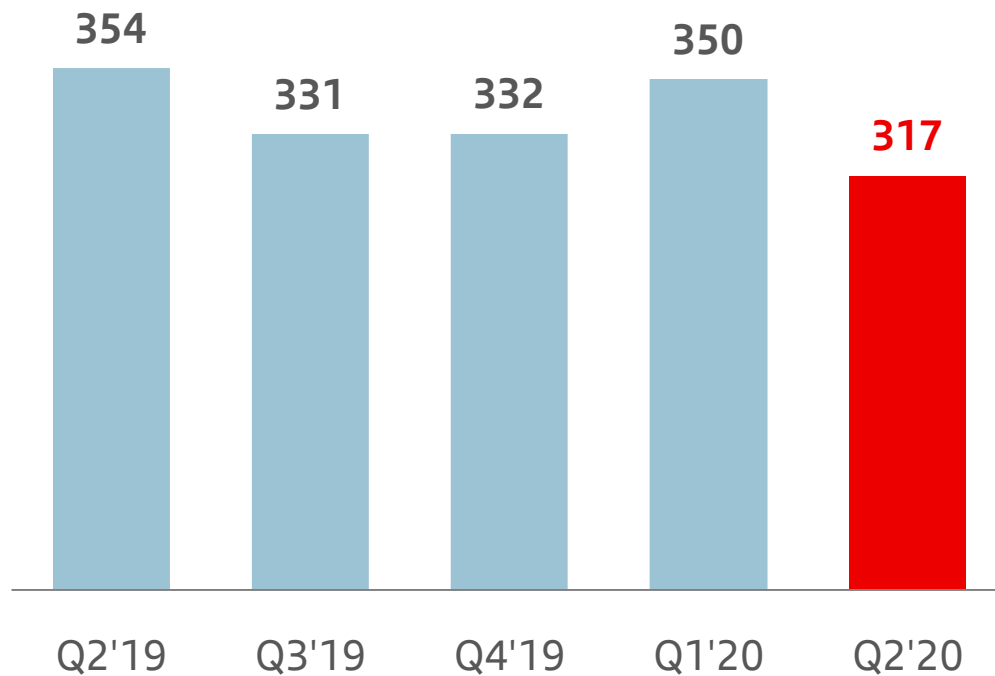


	H1'20	H1'19	YoY (%)	QoQ (%)
Transactional fees	129	136	-5.4	-13.6
Payment methods	42	49	-14.7	-18.1
Account admin. and maintenance	31	26	18.0	11.9
Exchange and commercial bills	44	36	20.4	-25.6
Other transactional	13	25	-49.0	-8.6
Investment and pension funds	17	14	26.2	-8.2
Insurance	53	52	0.5	-8.7
Securities and custody services	4	4	8.1	-2.2
Other	(12)	(9)	28.3	-22.2
Total net fee income	191	197	-2.9	-11.0



Total income declined due to lower NII, fees, lower activity and higher contribution to the SRF

Total income (EUR mn)

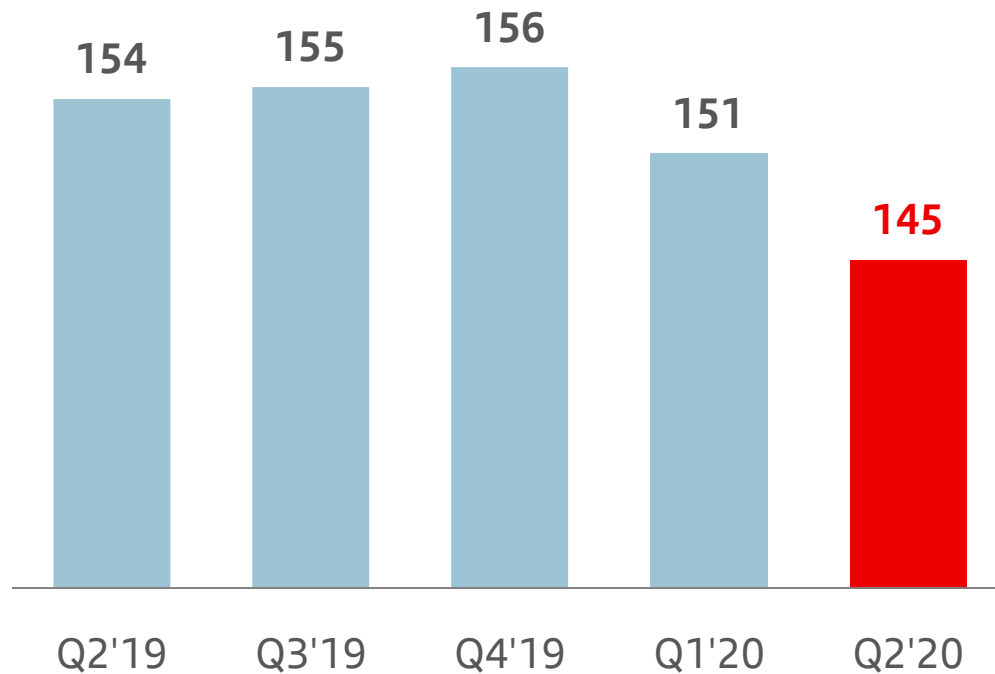


	H1'20	H1'19	YoY (%)	QoQ (%)
Net interest income	399	429	-6.9	-2.3
Net fee income	191	197	-2.9	-11.0
Customer revenue	590	626	-5.7	-5.2
Other ¹	77	86	-10.2	-36.7
Total income	668	712	-6.2	-9.4



Operating costs continue to improve, with a leaner and more agile structure

Operating expenses (EUR mn)



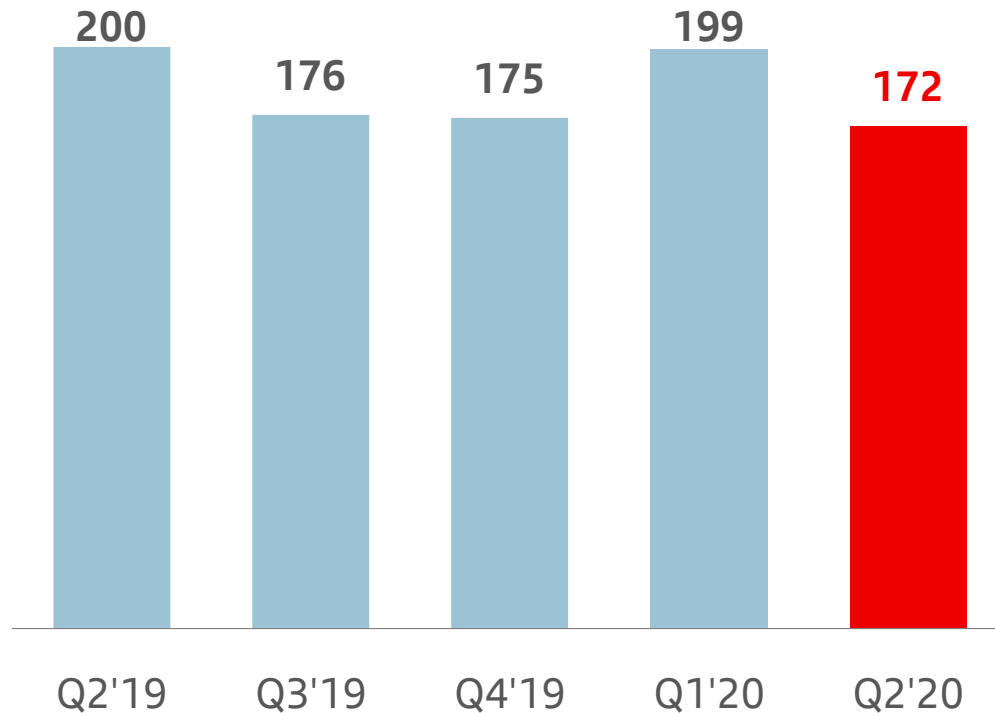
	H1'20	H1'19	YoY (%)	QoQ (%)
Operating Expenses	296	312	-5.1	-4.2

Branches (#)	525	553	-5.1	-0.8
Employees (#)	6,506	6,736	-3.4	-0.1



Lower net operating income, despite the reduction in operating expenses

Net operating income (EUR mn)

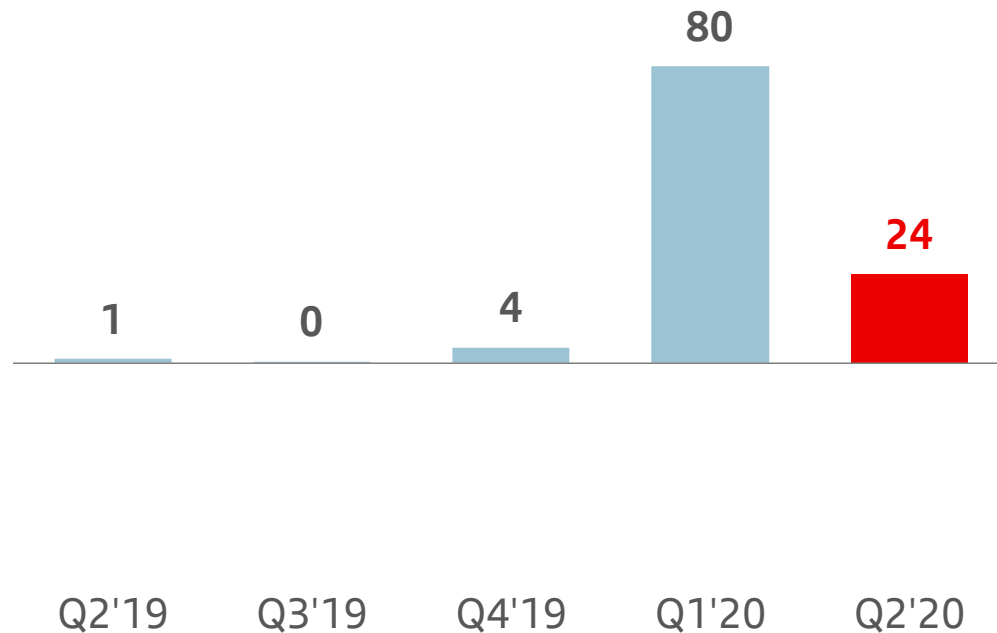


	H1'20	H1'19	YoY (%)	QoQ (%)
Total income	668	712	-6.2	-9.4
Operating Expenses	(296)	(312)	-5.1	-4.2
Net operating income	372	400	-7.0	-13.4
Efficiency ratio	44.3%	43.8%	50 bps	



Preemptive reinforcement of LLPs in view of the challenging economic environment, while the NPL ratio continues to fall

Net LLPs (EUR mn)



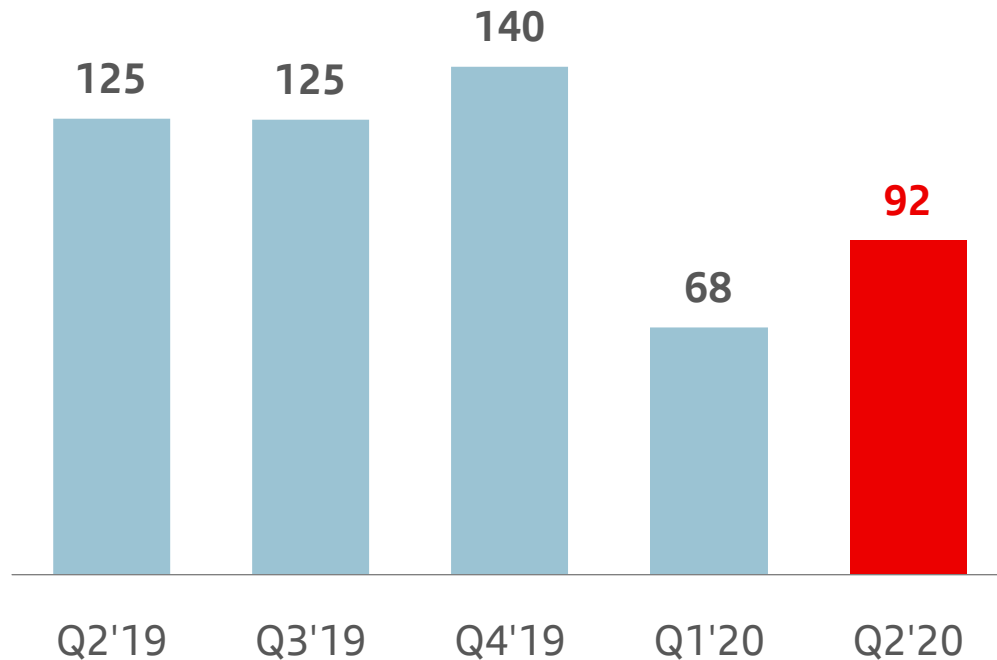
	H1'20	H1'19	YoY (%)	QoQ (%)
Net operating income	372	400	-7.0	-13.4
Loan-loss provisions	(105)	12	-	-70.0
Net operating income after provisions	267	412	-35.1	24.9

NPL ratio	4.43%	5.00%	-57 bps	-13 bps
Cost of credit ¹	0.30%	0.03%	27 bps	7 bps
Coverage ratio	61%	53%	8.0 pp	1.9 pp



Underlying attributable profit declined 39% YoY, mainly impacted by lower revenues and higher LLPs

Underlying Attributable Profit (EUR mn)



	H1'20	H1'19	YoY (%)	QoQ (%)
PBT	230	379	-39.3	35.2
Tax on profit	(70)	(118)	-40.6	36.9
Consolidated profit	160	261	-38.7	34.5
Minority interests	(0)	(1)	-64.4	-99.1
Underlying attributable profit	160	260	-38.6	35.2

Effective tax rate	30.5%	31.2%	-0.6 pp	0.4 pp
--------------------	-------	-------	---------	--------

Index



Financial
system



Strategy and
business



Results



Concluding
remarks



Appendix





Resilient results and higher business volumes, despite the challenging environment

Financial System

- ▶ The COVID19 pandemic and containment measures had an adverse impact on GDP in Q2, with early signs of rebound in June/July. Stronger recovery also dependent on the response at the European levels.
- ▶ The Government presented a supplementary budget, materialising its economic support package, aiming to support the economy and induce a faster recovery. The budget will move to a deficit of 7% of GDP in 2020.
- ▶ Loan volumes and asset quality short term dynamics positively influenced by the moratoria.

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.
- ▶ 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, partly offset by lower costs.
- ▶ Preemptive increase of LLPs, however, lower NPL ratio.
- ▶ Underlying attributable profit declined 39%, impacted by lower NII and higher LLPs.

Index



Financial
system



Strategy and
business



Results



Concluding
remarks



Appendix





Balance sheet

EUR million			Variation	
	Jun-20	Jun-19	Amount	%
Loans and advances to customers	37,082	35,734	1,347	3.8
Cash, central banks and credit institutions	8,769	4,025	4,745	117.9
Debt instruments	11,782	13,238	(1,456)	(11.0)
Other financial assets	1,530	1,809	(279)	(15.4)
Other asset accounts	1,659	1,941	(281)	(14.5)
Total assets	60,822	56,747	4,075	7.2
Customer deposits	40,038	38,975	1,063	2.7
Central banks and credit institutions	11,584	8,064	3,520	43.6
Marketable debt securities	3,268	3,426	(157)	(4.6)
Other financial liabilities	256	326	(70)	(21.4)
Other liabilities accounts	1,784	1,701	83	4.9
Total liabilities	56,930	52,491	4,439	8.5
Total equity	3,892	4,256	(363)	(8.5)
Other managed customer funds	4,631	4,474	157	3.5
Mutual funds	2,884	2,809	75	2.7
Pension funds	1,298	1,180	118	10.0
Managed portfolios	448	485	(37)	(7.5)



Income statement

EUR million	H1'20	H1'19	Variation	
			Amount	%
Net interest income	399	429	(30)	(6.9)
Net fee income	191	197	(6)	(2.9)
Gains (losses) on financial transactions	91	91	(1)	(0.8)
Other operating income	(14)	(6)	(8)	145.1
Total income	668	712	(44)	(6.2)
Operating expenses	(296)	(312)	16	(5.1)
Net operating income	372	400	(28)	(7.0)
Net loan-loss provisions	(105)	12	(117)	—
Other gains (losses) and provisions	(37)	(33)	(4)	13.3
Underlying profit before tax	230	379	(149)	(39.3)
Tax on profit	(70)	(118)	48	(40.6)
Underlying profit from continuing operations	160	261	(101)	(38.7)
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	160	261	(101)	(38.7)
Non-controlling interests	(0)	(1)	1	(64.4)
Underlying attributable profit to the parent	160	260	(101)	(38.6)



Quarterly income statements

EUR million

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20
Net interest income	216	213	214	213	202	197
Net fee income	98	99	96	98	101	90
Gains (losses) on financial transactions	50	42	9	10	56	35
Other operating income	(6)	0	13	10	(9)	(5)
Total income	357	354	331	332	350	317
Operating expenses	(157)	(154)	(155)	(156)	(151)	(145)
Net operating income	200	200	176	175	199	172
Net loan-loss provisions	13	(1)	(0)	(4)	(80)	(24)
Other gains (losses) and provisions	(20)	(13)	2	21	(21)	(16)
Underlying profit before tax	193	186	178	192	98	132
Tax on profit	(58)	(60)	(53)	(52)	(30)	(41)
Underlying profit from continuing operations	135	126	125	140	68	92
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	135	126	125	140	68	92
Non-controlling interests	(0)	(1)	(0)	(1)	(0)	(0)
Underlying attributable profit to the parent	135	125	125	140	68	92

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



MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



FTSE4Good