

28 April 2020



Argentina



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](http://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

## 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, and changes in demographics, consumer spending, investment or saving habits; (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. 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.

# Important Information

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



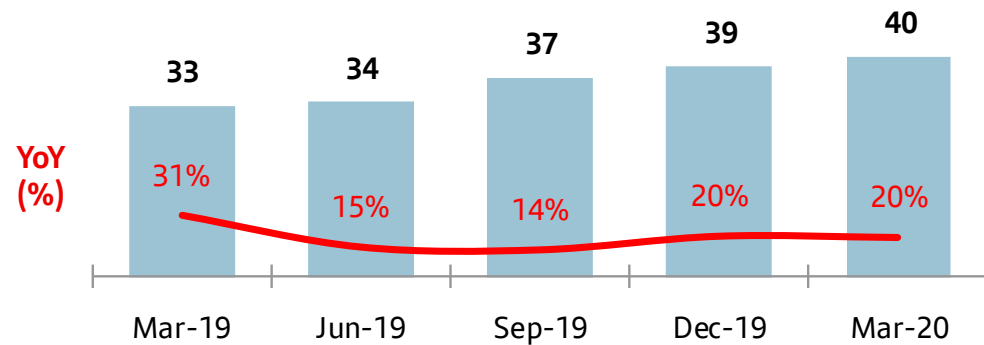
Appendix



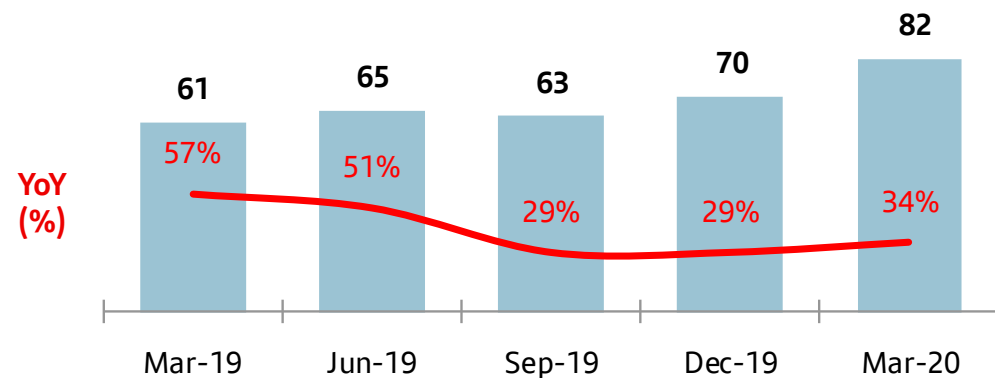
# Transactional and well capitalised financial system with deposits growing faster than credit demand



### Total loans (Constant EUR bn)<sup>1</sup>



### Total customer funds (Constant EUR bn)<sup>1,2</sup>



- ▶ Loans/GDP<sup>3</sup>: 11.9%.
- ▶ Deposits/GDP<sup>3</sup>: 18.8%.
- ▶ Loans: 35% growth YoY in local currency and -15% fall in dollar-denominated portfolio (in local currency).
- ▶ Deposits: 33% growth YoY, 60% in local currency and -12% fall in dollar-denominated portfolio (in local currency).
- ▶ Mutual funds: 36% YoY.
- ▶ Liquid assets/Deposits<sup>3</sup>: 52%. BIS ratio<sup>3</sup>: 17.5%. CET1 Ratio<sup>3</sup>: 15.5%.
- ▶ Private sector NPL ratio<sup>3</sup>: 5.6% (coverage<sup>3</sup>: 98%).
- ▶ 12M Inflation: 46.9%.



# Index



Financial  
system



**Strategy and  
business**



Results














Concluding  
remarks



Appendix



# Santander Argentina: The leading private bank in Argentina by business volume

KEY DATA	Q1'20	YoY Var. <sup>4</sup>
 Customer loans <sup>1</sup>	EUR 4,724 mn	+15.9%
 Customer funds <sup>2</sup>	EUR 9,569 mn	+33.6%
 Underlying att. Profit	EUR 59 mn	+745.1%
 Underlying RoTE	30.1%	+25 pp
 Efficiency ratio	58.5%	-263 bps
 Loans market share <sup>3</sup>	10.1%	+95 bps
 Deposits market share <sup>3</sup>	11.8%	-16 bps
 Loyal customers	1.3 mn	-4.6%
 Digital customers	2.2 mn	+6.7%
 Branches	438	-6.4%
 Employees	9,290	+0.2%



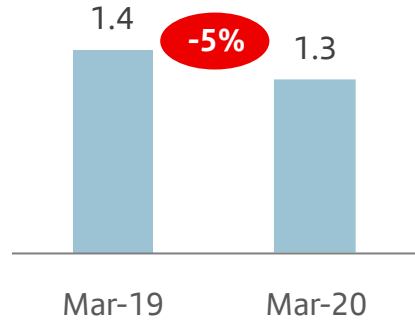
## STRATEGIC PRIORITIES

- ▶ Profitable growth increasing revenue with efficient capital allocation
- ▶ Customer-centric decisions, helping people and businesses prosper
- ▶ Progressing towards a simpler and more efficient model, driven by digital transformation
- ▶ Be agile and collaborative, with challenging goals and clear priorities



# Sustainable expansion of our customer base through higher quality services

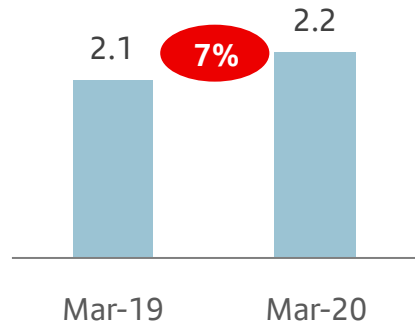
## Loyal (mn)



**Loyal / Active: 46% (-1 pp YoY)**

- ▶ Loyal individuals: YoY decrease explained by re-segmentation of our customers towards higher segments with more strict loyalty criteria
- ▶ 46% of our active customer base is loyal
- ▶ Loyal corporates and SMEs: Reinforce assistance model through technology
- ▶ Loyal customers: SMEs 53% - Middle market companies 47% of active companies
- ▶ NPS: 4 #

## Digital customers (mn)



**Digital sales / total: 65% (-3 pp YoY)**

- ▶ 65% of total sales are made through digital channels
- ▶ Mobile customers: +22% YoY
- ▶ 61% of our digital customers are mobile banking users
- ▶ Best digital bank<sup>1</sup> in Argentina for 17 consecutive years





# Customer-centric strategy

## New segments launched adding value to different audiences



Financial and non-financial benefits, aiming to increase our female entrepreneur customer base



Designed for young people, includes financial benefits and other non-financial advantages



Pre-paid card designed for teens (from 13 to 17 years old)



Products and services to simplify daily operations of independent professionals and businesses

## Enhancing our network model

- ▶ Work Café
- ▶ Financial inclusion branches
- ▶ 2.0 branches: closer to our customers supported by technology
- ▶ Expanding our non-banking correspondent network

## Reward and benefit programmes

- ▶ Miles fidelity programme co-branded with AAdvantage®



## Recognitions



- ▶ Best Digital Bank
- ▶ 2007 to 2017
- ▶ Best Bank 2018



- ▶ Best Bank 2019



- ▶ Top 5 in GPTW for 12 years





# We continue doing business in a responsible and sustainable way

## Culture

**Launch** of Diversity strategy <sup>(1)</sup>

**2,924** courses carried out in **ACADEMIA** related to remote work and COVID-19

**Women**  
27% Executive Committee

**42** volunteer participating in Bs. As. city adult assistance programme

## Sustainability

**EUR 44 mn**

Santander involved in the country's first **green bond** issuance

**4 new lines**

**Green Products** for SMEs

**Goal: to improve our reputation**

*Local Indexes*

## Communities

**EUR 85 k**  
community investment programmes with a focus on **education and employment**

**EUR 156 k**  
destined for **universities scholarships**

## Financial inclusion

**1,316**  
people financially **empowered** through financial training

**Women Entrepreneurs Fair**  
EUR 5 k in sales by **22 entrepreneurs** in 2020 first edition

**7** financial inclusion branches

**70** entrepreneurs with EUR 15.5 k microcredits approved <sup>(2)</sup>



(1) Focus on 4 communities: Gender, LGBT, Disability and Vulnerability  
(2) Total amount. Via Bana project



# Social measures to mitigate COVID-19 impacts

## Employees

**71%** of total employees connected **remotely**

**Internal communication** related to prevention and personal hygiene

Independent and dedicated **line to provide assistance** during lockdown

## Individuals

**New features** in **APP** to help customers operate remotely

**Benefits** to customers **shifted to food, primary care** and **delivery apps**

**Launched White Account:** helping **health care professionals**. Priority contact centre, higher benefits in food

## Corporates

**EUR 14 mn** loan facility for micro, small and medium sized businesses to enable **remote working**

**EUR 142 mn** granted loans to **SMEs** (to pay 175,000 salaries) and **medical services providers**

## Society

**EUR 1.1 mn** contribution including last EUR 285 k as part of Universities research

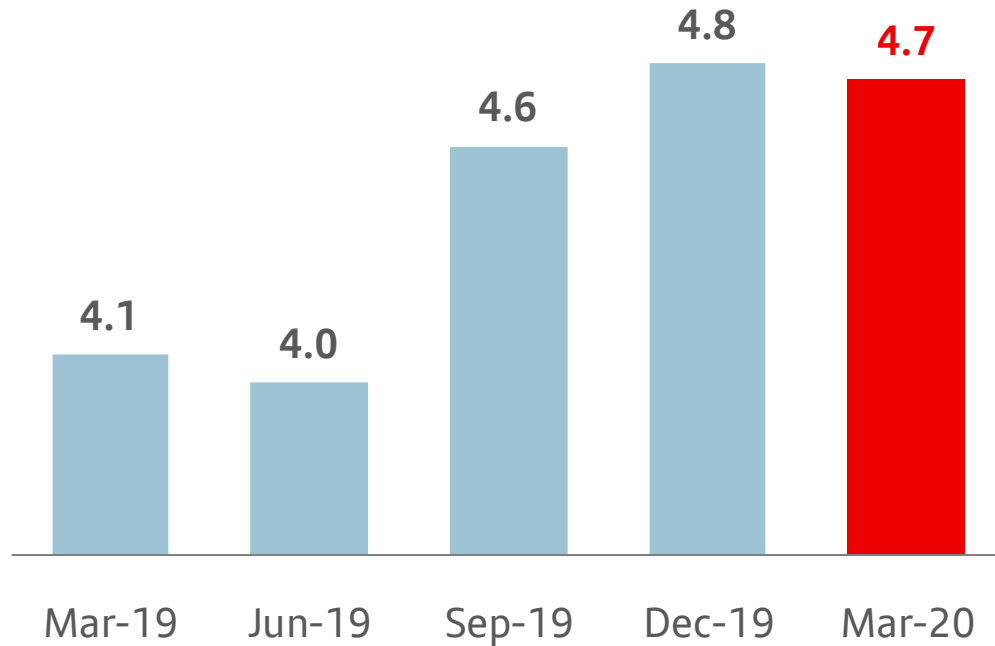
**Collaboration** with Government to **pay social benefits** through our ATM network

**Santander Academia** platform solution available for health workers (nurses and staff) to be trained on COVID



## Loans to individual grew 33% YoY

### Total customer loans (Constant EUR bn)<sup>1</sup>

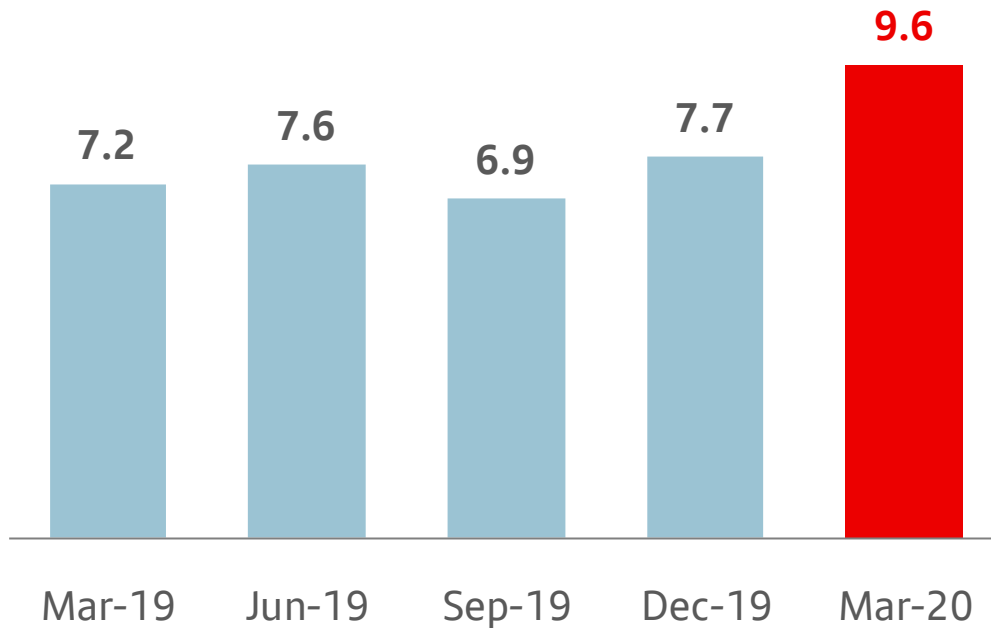


	Mar-20	Mar-19	YoY (%)	QoQ (%)
<b>Individuals<sup>2</sup></b>	<b>2.2</b>	<b>1.6</b>	<b>33.3</b>	<b>0.9</b>
o/w Mortgages	0.3	0.2	42.9	7.6
o/w Cards & Consumer Credit	1.8	1.2	42.5	4.6
<b>SMEs</b>	<b>0.4</b>	<b>0.4</b>	<b>0.2</b>	<b>-5.4</b>
<b>Corporates &amp; Institutions</b>	<b>0.6</b>	<b>0.7</b>	<b>-17.4</b>	<b>-12.1</b>
<b>CIB</b>	<b>1.5</b>	<b>1.3</b>	<b>15.2</b>	<b>1.6</b>
<b>Other</b>	<b>0.1</b>	<b>0.1</b>	<b>46.7</b>	<b>27.5</b>
<b>Total customer loans</b>	<b>4.7</b>	<b>4.1</b>	<b>15.9</b>	<b>-0.8</b>



## Total deposits +37% YoY driven by local currency ones

### Total customer funds (Constant EUR bn)<sup>1</sup>



	Mar-20	Mar-19	YoY (%)	QoQ (%)
Demand	6.0	4.7	29.7	25.2
Time	2.3	1.4	59.2	22.3
<b>Total deposits</b>	<b>8.3</b>	<b>6.1</b>	<b>36.6</b>	<b>24.4</b>
Mutual Funds	1.3	1.1	16.9	20.9
<b>Total customer funds</b>	<b>9.6</b>	<b>7.2</b>	<b>33.6</b>	<b>23.9</b>



# Index



Financial  
system



Strategy and  
business



**Results**



Concluding  
remarks



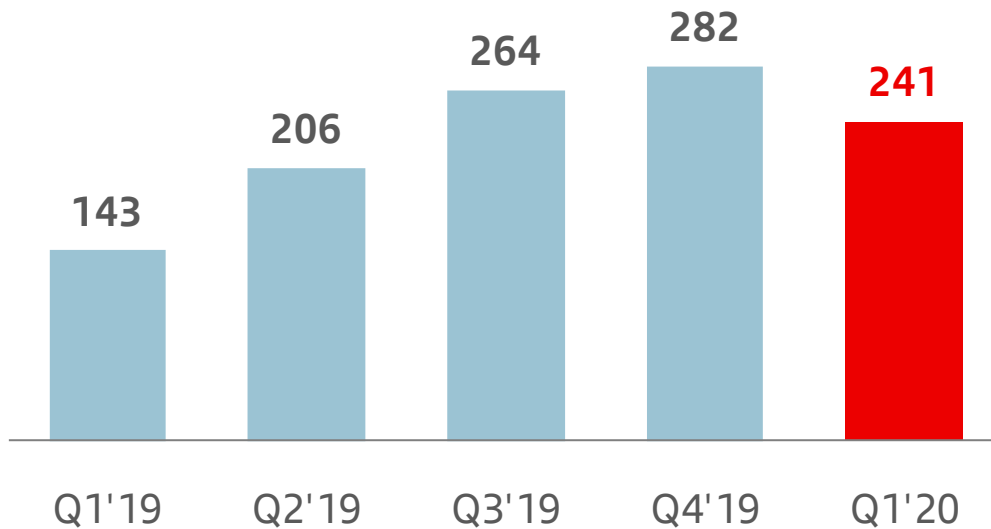
Appendix



# Net interest income increased 68% YoY, driven by solid deposits growth and lower cost of funding



## Net interest income (Constant EUR mn)<sup>1</sup>



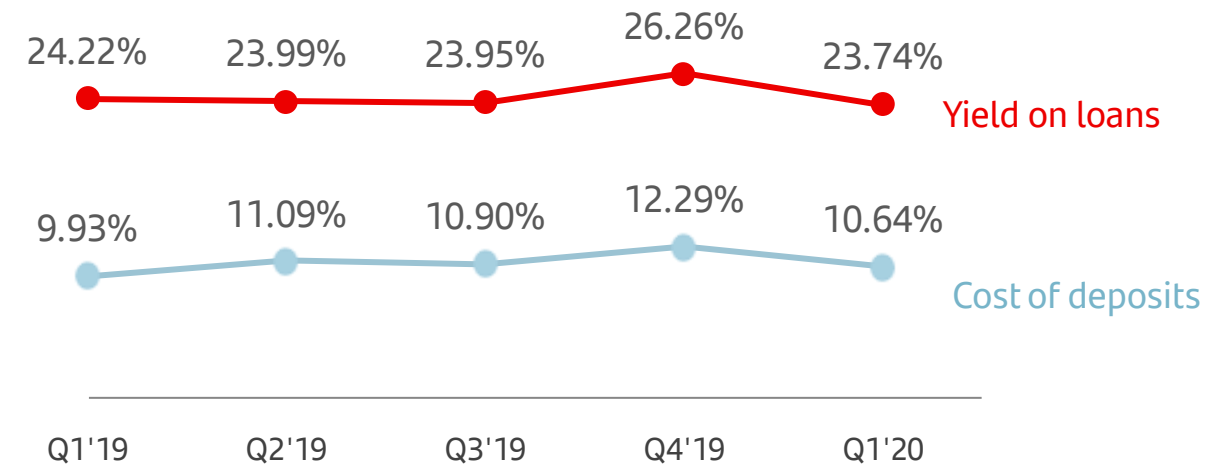
### NIM<sup>2</sup>

7.28%	9.33%	11.72%	12.64%	9.21%
-------	-------	--------	--------	-------

### Official interest rate<sup>3</sup>

41.83%	50.82%	54.67%	48.06%	33.25%
--------	--------	--------	--------	--------

## Yields and Costs (%)



### Differential

14.3 pp	12.9 pp	13.1 pp	14.0 pp	13.1 pp
---------	---------	---------	---------	---------

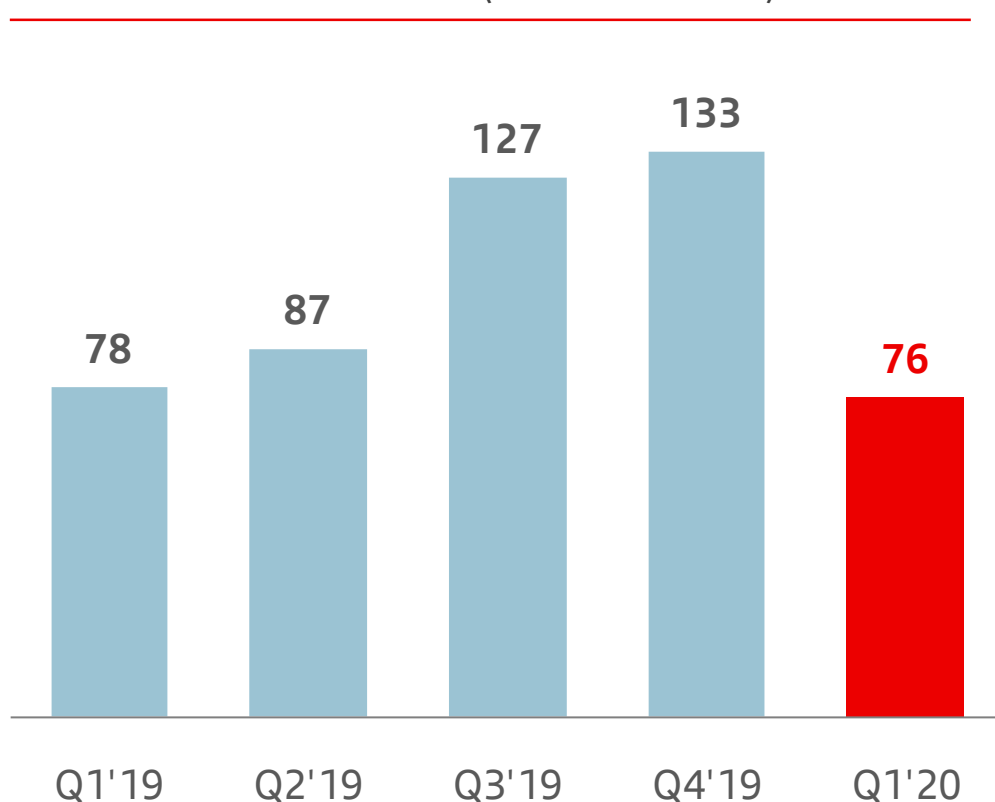


- (1) Average exchange rate as at Q1'20
- (2) Group criteria
- (3) Badlar rates quarterly average

# Net fee income slightly decreased impacted by lower foreign currency transactions and stronger regulation



**Net fee income** (Constant EUR mn)<sup>1</sup>

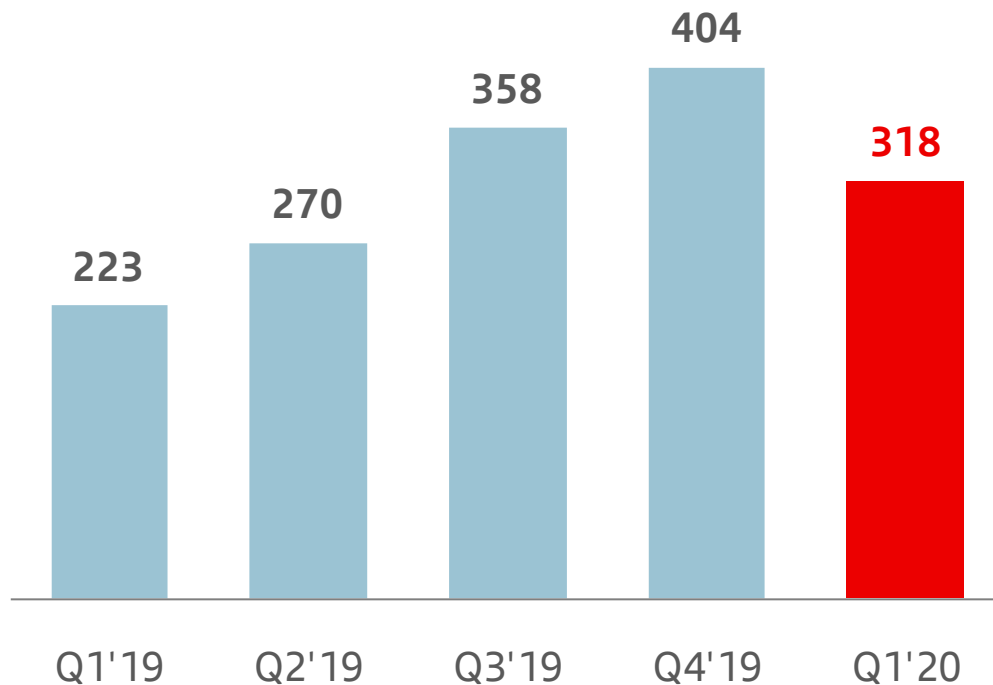


	Q1'20	Q1'19	YoY (%)	QoQ (%)
<b>Transactional fees</b>	<b>58</b>	<b>67</b>	<b>-13.6</b>	<b>-34.3</b>
Payment methods	16	14	8.2	-19.3
Transfers, drafts, cheques and other orders	16	19	-17.3	-10.7
Foreign exchange currencies	2	16	-86.1	-92.6
Other transactional	24	17	37.2	11.9
<b>Investment and pension funds</b>	<b>4</b>	<b>3</b>	<b>48.7</b>	<b>42.5</b>
<b>Insurance</b>	<b>7</b>	<b>5</b>	<b>30.8</b>	<b>16.5</b>
<b>Securities and custody services</b>	<b>1</b>	<b>1</b>	<b>160.8</b>	<b>2.0</b>
<b>Other</b>	<b>6</b>	<b>3</b>	<b>111.2</b>	<b>-84.4</b>
<b>Total net fee income</b>	<b>76</b>	<b>78</b>	<b>-2.9</b>	<b>-43.3</b>

# Gross income increased 43% YoY on the back of NII growth which more than offset the slight decrease in fee income



## Total income (Constant EUR mn)<sup>1</sup>

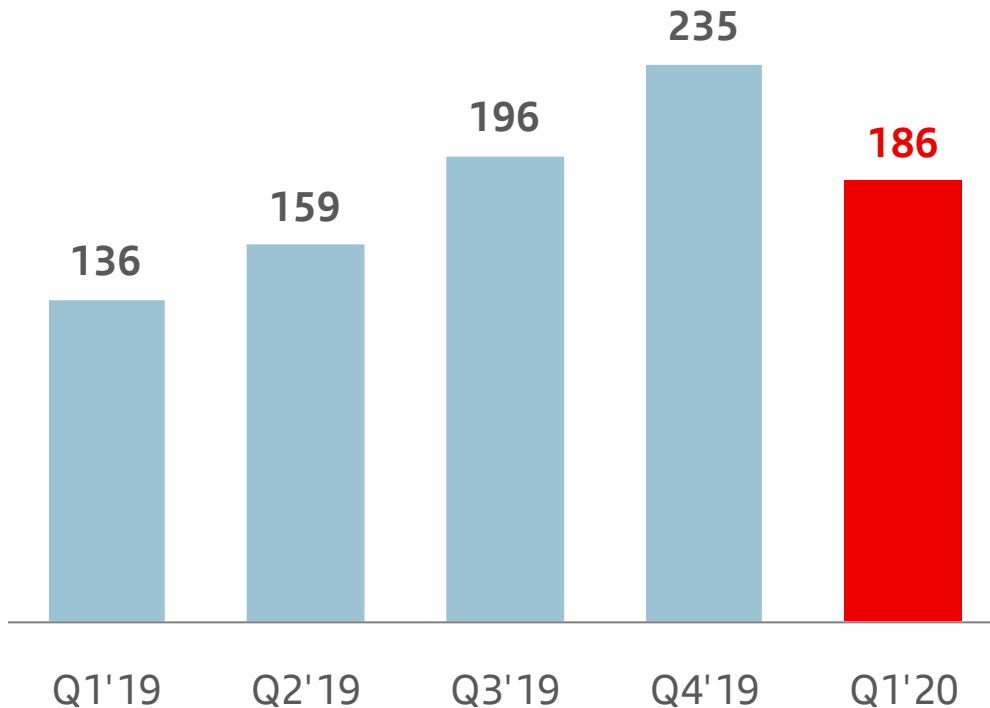


	Q1'20	Q1'19	YoY (%)	QoQ (%)
Net interest income	241	143	68.0	-14.7
Net fee income	76	78	-2.9	-43.3
<b>Customer revenue</b>	<b>316</b>	<b>221</b>	<b>43.0</b>	<b>-23.9</b>
Other <sup>2</sup>	1	1	-13.1	-
<b>Total income</b>	<b>318</b>	<b>223</b>	<b>42.7</b>	<b>-21.3</b>

Costs rose 37% YoY, hit by high inflation and the peso's depreciation. Strong efficiency ratio improvement. Stable number of employees moving towards IT developers



### Operating expenses (Constant EUR mn)<sup>1</sup>



	Q1'20	Q1'19	YoY (%)	QoQ (%)
<b>Operating Expenses</b>	<b>186</b>	<b>136</b>	<b>36.5</b>	<b>-20.9</b>

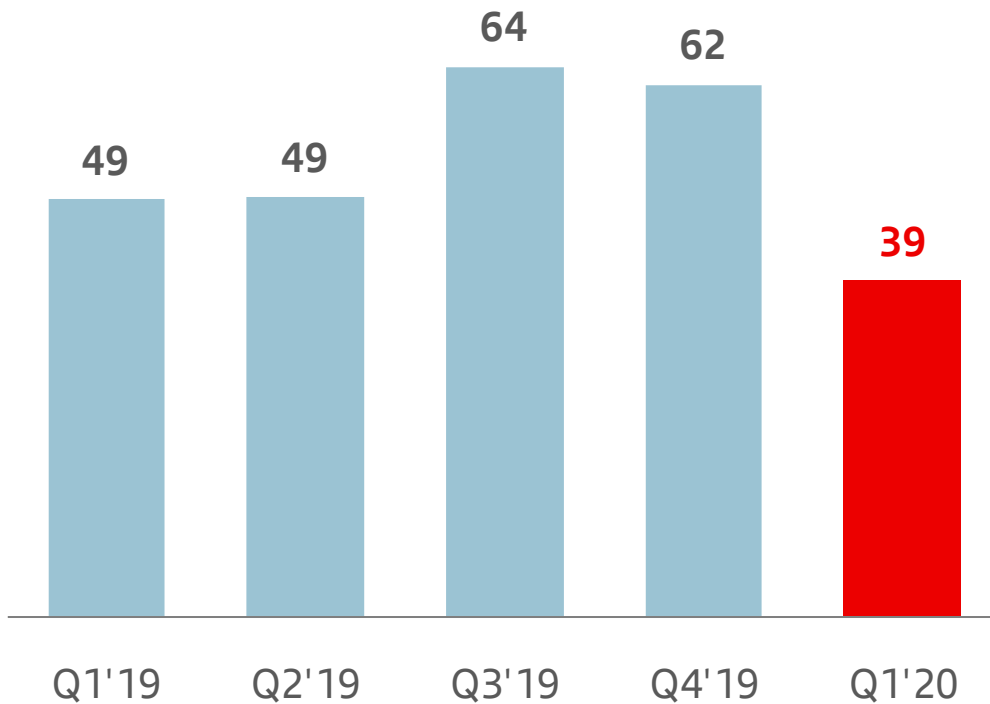
Efficiency ratio	58.5%	61.1%	-263 bps	
Branches (#)	438	468	-6.4	0.0
Employees (#)	9,290	9,271	0.2	1.2





## Lower provisions due to the lack of relevant impacts from one-offs in the quarter

### Net LLPs (Constant EUR mn)<sup>1</sup>



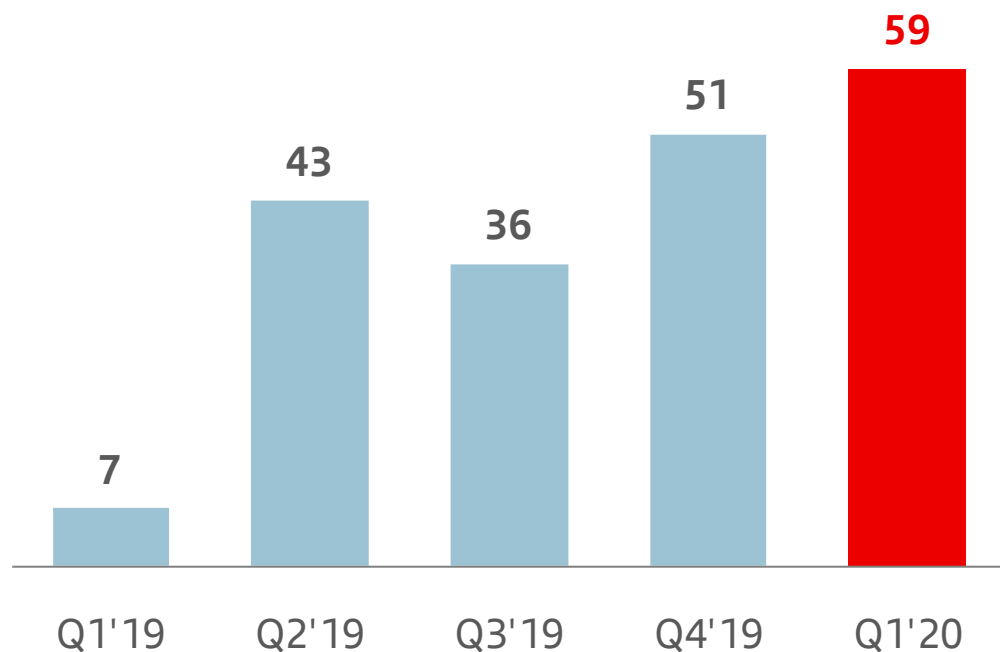
	Q1'20	Q1'19	YoY (%)	QoQ (%)
Net operating income	132	86	52.3	-21.9
Loan-loss provisions	(39)	(49)	-19.6	-37.0
<b>Net operating income after provisions</b>	<b>93</b>	<b>38</b>	<b>145.4</b>	<b>-13.0</b>

NPL ratio	3.97%	3.50%	47 bps	58 bps
Cost of credit <sup>2</sup>	4.71%	4.02%	69 bps	-38 bps
Coverage ratio	113%	119%	-6.1 pp	-11.5 pp

Underlying attributable profit reached EUR 59 mn vs. EUR 7 mn in Q1'19, boosted by higher NII, lower provisions and efficiency ratio improvement



### Underlying Attributable Profit (Constant EUR mn)<sup>1</sup>



	Q1'20	Q1'19	YoY (%)	QoQ (%)
PBT	79	23	249.8	51.7
Tax on profit	(20)	(16)	28.0	-
<b>Consolidated profit</b>	<b>59</b>	<b>7</b>	<b>739.5</b>	<b>14.7</b>
Minority interests	(0)	(0)	323.7	-21.9
<b>Underlying attributable profit</b>	<b>59</b>	<b>7</b>	<b>745.1</b>	<b>15.1</b>

Effective tax rate	25.2%	68.8%	-43.6 pp	36.0 pp
--------------------	-------	-------	----------	---------

# Index



Financial  
system



Strategy and  
business



Results



Concluding  
remarks



Appendix





## Concluding remarks

### Financial System

- ▶ Expansive policy stance to engineer a short-term pick-up in activity
- ▶ Transactional and well capitalised financial system with deposits growing faster than credit demand
- ▶ YoY volumes growth in local currency, decreasing in dollar-denominated portfolio

### Strategy & Business

- ▶ Santander's strategy will continue to be focused on 4 pillars: profitable growth, customer experience, operational excellence and culture & talent
- ▶ New segments launched adding value to different audiences
- ▶ Expanding our non-banking correspondent network
- ▶ Volumes growth boosted by local currency portfolios with foreign currency ones declining, in line with the market

### Results

- ▶ Underlying attributable profit reached EUR 59 mn vs. EUR 7mn in Q1'19, driven by higher NII, lower provisions and the efficiency ratio improvement
- ▶ Net interest income increased 68% YoY, driven by solid deposits growth and lower cost of funding
- ▶ YoY positive jaws with a strong efficiency ratio improvement
- ▶ Provisions fell 20% YoY as there were no relevant impacts from one-offs in the quarter

# Index



Financial  
system



Strategy and  
business



Results



Concluding  
remarks



**Appendix**







# Balance sheet

Constant EUR million<sup>1</sup>

	Mar-20	Mar-19	Variation	
			Amount	%
Loans and advances to customers	4,521	4,189	332	7.9
Cash, central banks and credit institutions	3,395	3,323	71	2.1
Debt instruments	2,226	295	1,931	654.5
Other financial assets	77	79	(2)	(2.3)
Other asset accounts	824	559	265	47.4
<b>Total assets</b>	<b>11,042</b>	<b>8,445</b>	<b>2,597</b>	<b>30.8</b>
Customer deposits	8,305	6,081	2,224	36.6
Central banks and credit institutions	686	665	21	3.2
Marketable debt securities	87	170	(83)	(48.9)
Other financial liabilities	631	588	44	7.4
Other liabilities accounts	388	273	115	42.2
<b>Total liabilities</b>	<b>10,097</b>	<b>7,776</b>	<b>2,321</b>	<b>29.8</b>
<b>Total equity</b>	<b>945</b>	<b>669</b>	<b>276</b>	<b>41.3</b>
<b>Other managed customer funds</b>	<b>1,264</b>	<b>1,082</b>	<b>182</b>	<b>16.9</b>
Mutual funds	1,264	1,082	182	16.9
Pension funds	—	—	—	—
Managed portfolios	—	—	—	—



# Income statement

Constant EUR million <sup>1</sup>	Q1'20	Q1'19	Variation	
			Amount	%
Net interest income	241	143	97	68.0
Net fee income	76	78	(2)	(2.9)
Gains (losses) on financial transactions	23	25	(2)	(8.5)
Other operating income	(22)	(24)	2	(8.2)
<b>Total income</b>	<b>318</b>	<b>223</b>	<b>95</b>	<b>42.7</b>
Operating expenses	(186)	(136)	(50)	36.5
<b>Net operating income</b>	<b>132</b>	<b>86</b>	<b>45</b>	<b>52.3</b>
Net loan-loss provisions	(39)	(49)	10	(19.6)
Other gains (losses) and provisions	(14)	(15)	2	(10.7)
<b>Underlying profit before tax</b>	<b>79</b>	<b>23</b>	<b>56</b>	<b>249.8</b>
Tax on profit	(20)	(16)	(4)	28.0
<b>Underlying profit from continuing operations</b>	<b>59</b>	<b>7</b>	<b>52</b>	<b>739.5</b>
Net profit from discontinued operations	—	—	—	—
<b>Underlying consolidated profit</b>	<b>59</b>	<b>7</b>	<b>52</b>	<b>739.5</b>
Non-controlling interests	(0)	(0)	(0)	323.7
<b>Underlying attributable profit to the parent</b>	<b>59</b>	<b>7</b>	<b>52</b>	<b>745.1</b>



## Quarterly income statement

Constant EUR million<sup>1</sup>

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Net interest income	143	206	264	282	241
Net fee income	78	87	127	133	76
Gains (losses) on financial transactions	25	10	22	19	23
Other operating income	(24)	(33)	(56)	(31)	(22)
<b>Total income</b>	<b>223</b>	<b>270</b>	<b>358</b>	<b>404</b>	<b>318</b>
Operating expenses	(136)	(159)	(196)	(235)	(186)
<b>Net operating income</b>	<b>86</b>	<b>112</b>	<b>161</b>	<b>169</b>	<b>132</b>
Net loan-loss provisions	(49)	(49)	(64)	(62)	(39)
Other gains (losses) and provisions	(15)	2	(29)	(54)	(14)
<b>Underlying profit before tax</b>	<b>23</b>	<b>64</b>	<b>68</b>	<b>52</b>	<b>79</b>
Tax on profit	(16)	(21)	(32)	(1)	(20)
<b>Underlying profit from continuing operations</b>	<b>7</b>	<b>43</b>	<b>36</b>	<b>52</b>	<b>59</b>
Net profit from discontinued operations	—	—	—	—	—
<b>Underlying consolidated profit</b>	<b>7</b>	<b>43</b>	<b>36</b>	<b>52</b>	<b>59</b>
Non-controlling interests	(0)	(0)	(1)	(1)	(0)
<b>Underlying attributable profit to the parent</b>	<b>7</b>	<b>43</b>	<b>36</b>	<b>51</b>	<b>59</b>

# 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