



Poland 

Q1'20

Earnings Presentation

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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).

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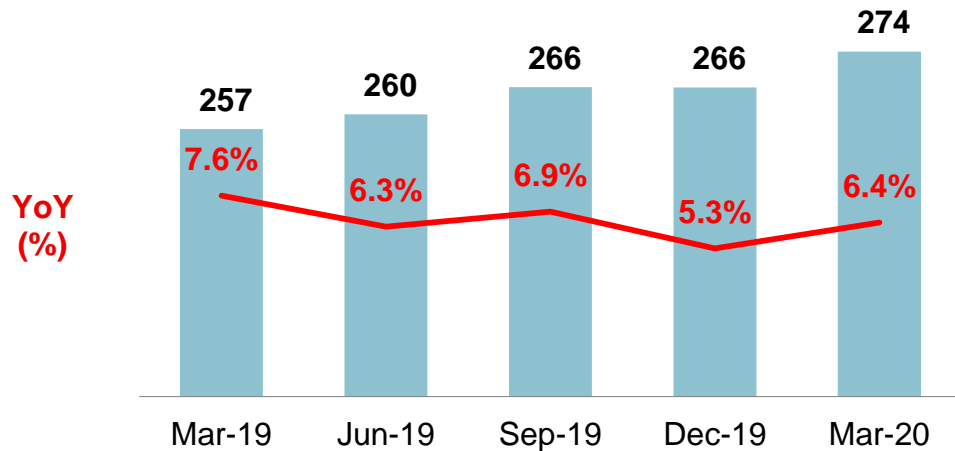
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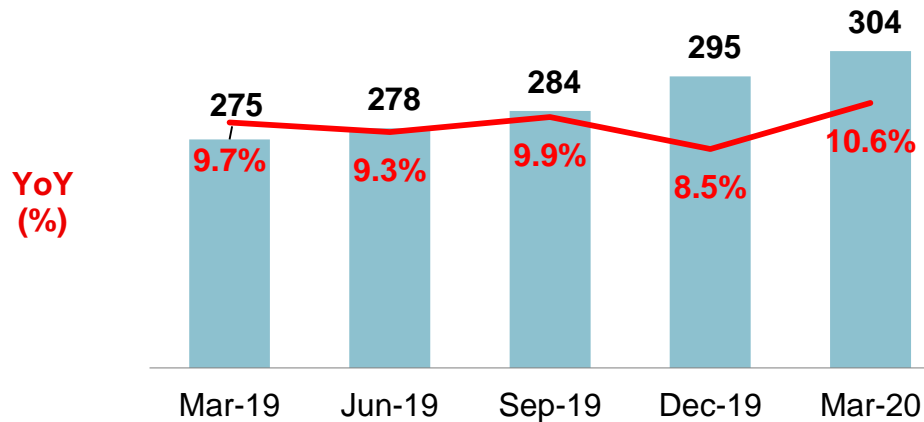


Continued solid growth of loans and deposits

Total loans (Constant EUR bn¹)



Total customer deposits (Constant EUR bn¹)



- ▶ Total loan growth accelerated in March, but mainly due to PLN depreciation. After FX adjustment growth slowed to 4.7% YoY.
- ▶ Consumer loans slowed to 6.6% YoY, its 2.5-year low, while PLN-denominated mortgage loans accelerated to 12.7% YoY, highest since mid-2015. Total loan to individuals slowed to 6.1% YoY after FX adjustment.
- ▶ In the corporate sector, the loan growth (after FX adjustment) rose to 3.7% YoY.
- ▶ Deposit growth accelerated to 10.6% YoY in March, with demand deposits rising by 21% YoY and term deposits declining 9% YoY
- ▶ Deposits from individuals increased 9.1% YoY, while business deposits were up 13% YoY (from non-financial firms up by 18%).
- ▶ March saw also massive rise in cash in circulation: 21.3% YoY, up from c.10% in the previous months.

(1) End period exchange rate as of Mar-20, Source: National Bank of Poland, Santander Bank Polska

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Santander Bank Polska S.A. – 2nd largest bank in Poland

KEY DATA	Q1'20	YoY Var. ⁴
 Customer loans ¹	EUR 30.1 bn	+8.5%
 Customer funds ²	EUR 34.7 bn	+4.2%
 Underlying att. Profit	EUR 38 mn	-38.2%
 Underlying RoTE	4.7%	-303 bps
 Efficiency ratio	47.1%	+111 bps
 Loans market share ³	11.9%	-5 bps
 Deposits market share ³	11.6%	-44 bps
 Loyal customers	2.0 mn	+3.7%
 Digital customers	2.6 mn	+8.6%
 Branches	535	-6.3%
 Employees	11,034	-12.1%



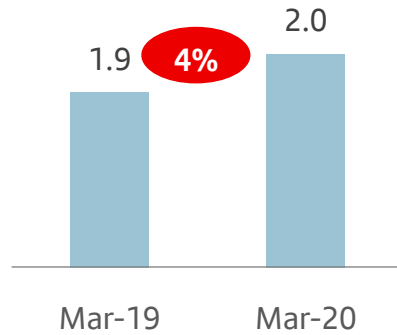
STRATEGIC PRIORITIES

- ▶ Optimisation of the network of channels and maintain the position of the best traditional, private banking and investment bank in Poland.
- ▶ Build long-term relationships with customers based on trust, loyalty and enhanced customer experience
- ▶ Anticipate and respond to customers' needs with tailored products, services and solutions
- ▶ Modernise banking services through digital transformation, including end-to-end processes and change the operating model to a more effective and less capital-intensive one
- ▶ Focus on the growth of profitable business, strengthening its position in the key market segments through organic growth and by embracing opportunities of inorganic growth



Good growth in loyal customers across all segments

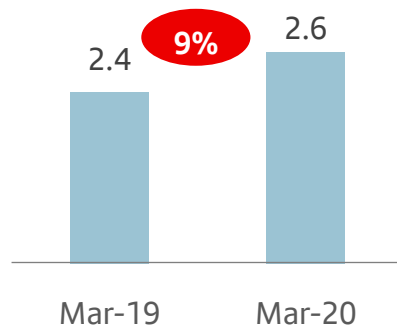
Loyal (mn)



Loyal / Active: 52% (flat YoY)

- ▶ Significant increase in loyal customers YoY (+4%) reflecting our strategy to increase income from loyal customers and to build long term relationships
- ▶ Loyal individual customers: +3% YoY
- ▶ Loyal corporates and SMEs customers: Significant increase in loyal companies numbers YoY (+15%) as we enhance value proposition and non-risk based revenue and provide service excellence and continuous quality improvement

Digital customers (mn)



Digital sales / total: 49% (+3 pp YoY)

- ▶ Mobile only customers: +47% YoY
- ▶ Digital framework: delivering efficiency and broadening product range in digital channels



Retail Banking Q1'20 Summary

Key products performance

Strong sales and acquisition, including digital, growth in January and February. Slowdown in March due to Covid-19 outbreak, but quarter sales results still better than in Q1'2019

Cash loans sales volume **+10%** vs. Q1'19

Bancassurance premium **+14%** vs. Q1'19

Challenging **investments funds** market – huge redemptions level resulted in Santander TFI assets fall by 29pp vs. Dec'19

SME accounts **+69%** vs. Q1'19



Digital channels development

2.6 m digital customers **(+9% YoY)**

1.6 m active mobile users **(+18% YoY)**

25.0 m mobile transactions **(+65% YoY)**

Digital sales growth ... vs. Q1'2019:

- Personal accounts **x4**, share of sale increased to **33%**

- SME accounts **x12**, share of sale increased to **37%**

Improved functionality of mobile and internet banking

Business transformation

4P Programme to facilitate further optimization of the processes digitalization and costs ... SMS confirmation of cash transactions in branches launch

Further optimization the retail distribution ... reduction of branches network :

-4% in Q1

-6% YoY



SME

Opening SME activity and account in digital channel in 5 minutes in several easy steps



Private Banking



5 stars for Santander Private Banking in prestigious "Forbes" ranking ... first choice private banking in Poland

And we continue doing business in a more responsible and sustainable way



Sustainability

- Green bonds of the Ministry of Finance worth **EUR 2 billion**
- Provide Poland's first ESG-linked corporate loan
- Green lease – **100%** lease financing for electric cars

Inclusive banking

- **15 K beneficiaries** of financial education projects – Finansiaki, education of seniors, volunteering
- The only bank in Poland which provides **services in Ukrainian&Belarusian**
- **Lease offer for female entrepreneurs** – a project financed using the funds acquired from the IFC program

Corporate Culture

- **84%** of employees **proud to work for Santander**
- **33,3 % women** in top management positions
- Transformation of the organization according to **the Agile methodology** (implementation of agile structures and new ways of work)

Communities

- **200 actions and 2 k employees** in Foundation of Santander Bank Polska volunteering programme
- New grant programme „**Here I Live, Here I make green**”
- **250 k beneficiaries** of our community programmes and **EUR 1,2 Mb** of community engagement



ranking
odpowiedzialnych
firm



WIG-ESG



Retail business vs. Covid-19 outbreak

Communication to customers

Dedicated communication to all customers (SMS/electronic channels)

- Assuring that customers and their financial safety is our priority
- Confirming availability of cash in ATMs
- Promoting digital channels usage and avoiding cyber-attacks
- Informing about changes in branch openings and working hour

Special information service at www.santander.pl/koronawirus

Information of bank charity action and hospitals support



Support for Individual customers

- Enabling suspension of capital installments for cash loans, mortgages for 3 or 6 months via internet
- Temporary promotion - free of charge withdrawals from all ATM's in Poland
- Increased limit of contactless payments at point of sale without PIN (PLN 100)
- Webinar with investment advisor from brokerage house to explain situation on capital markets

Distribution network

- Temporary closures of 10-20% branch network
- Shorter opening hours
- Additional security measures: masks, disinfection fluids, cleaning, plexi
- Changed motivation scheme – service focus, no sales campaigns / targets
- High-risk COVID-19 employees asked to stay at home/use holidays
- Call Center ready for remote service in 3 cities, absence rate under control

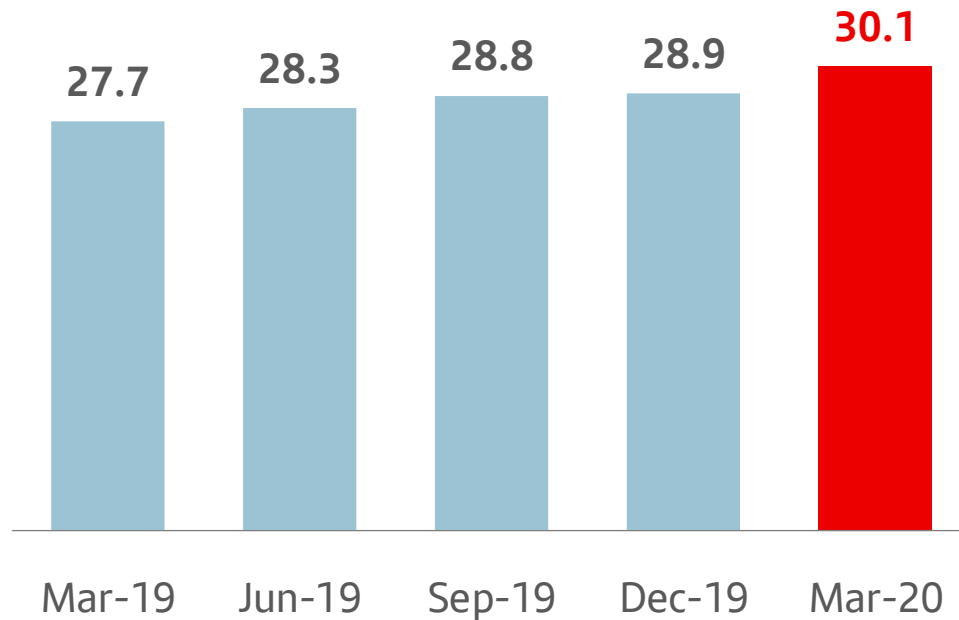
Support for entrepreneurs

- Enabling suspension of capital installments for SME loans and leasing for 3 or 6 months via internet
- Automatic prolongation of overdraft repayment for 2 months
- Removal of fee for SME account for 3 months
- Webinar with experts to explain rules of government anti-crises support

Loan growth YoY supported by individuals business and CIB. The latter was also the driver of QoQ growth



Total customer loans (Constant EUR bn)¹

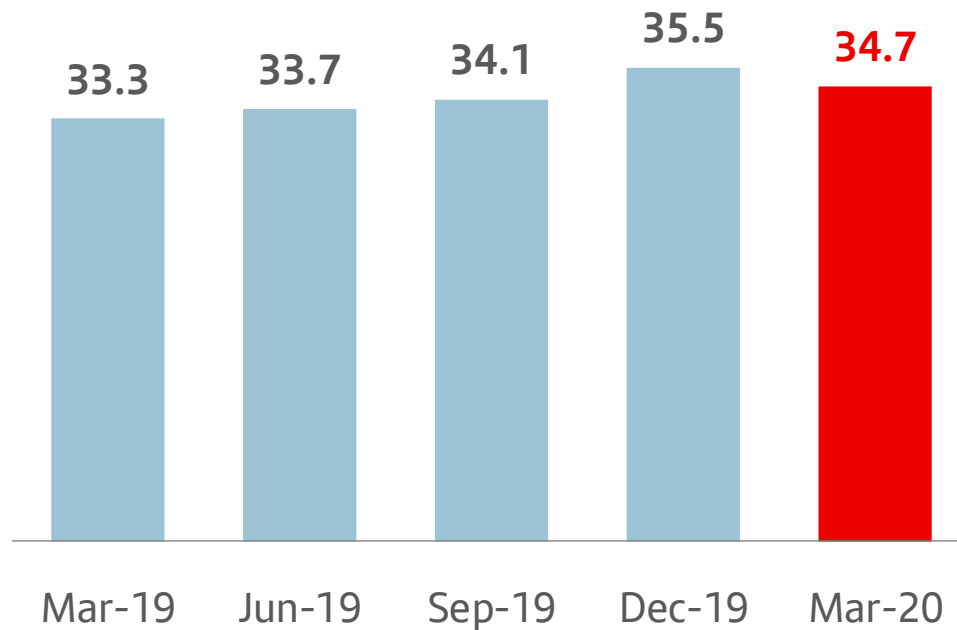


	Mar-20	Mar-19	YoY (%)	QoQ (%)
Individuals²	14.8	13.6	8.5	2.2
o/w Mortgages	11.1	10.5	5.7	2.3
o/w Consumer credit	3.2	2.7	20.5	2.9
SMEs	3.3	3.0	10.1	3.0
Corporates & Institutions	8.0	8.1	-1.7	3.1
CIB	3.5	2.9	23.0	10.3
Other	0.4	0.1	—	62.6
Total customer loans	30.1	27.7	8.5	4.0



Solid growth of customer funds YoY. Focus on optimisation of deposit base and costs

Total customer funds (Constant EUR bn)¹



	Mar-20	Mar-19	YoY (%)	QoQ (%)
Demand	23.3	19.5	19.3	4.8
Time	8.4	9.9	-15.3	-7.9
Total deposits	31.7	29.4	7.7	1.1
Mutual Funds	3.0	3.8	-22.3	-28.1
Total customer funds	34.7	33.3	4.2	-2.3

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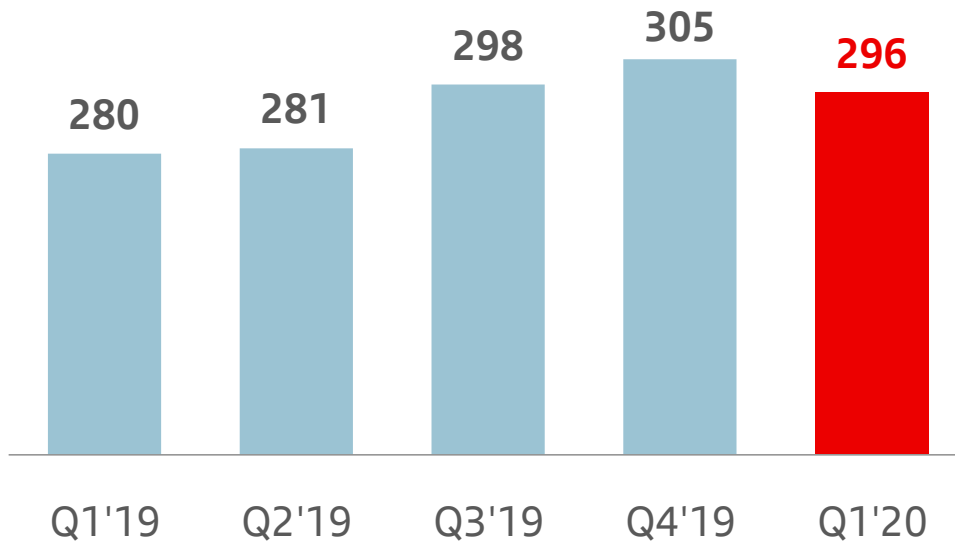
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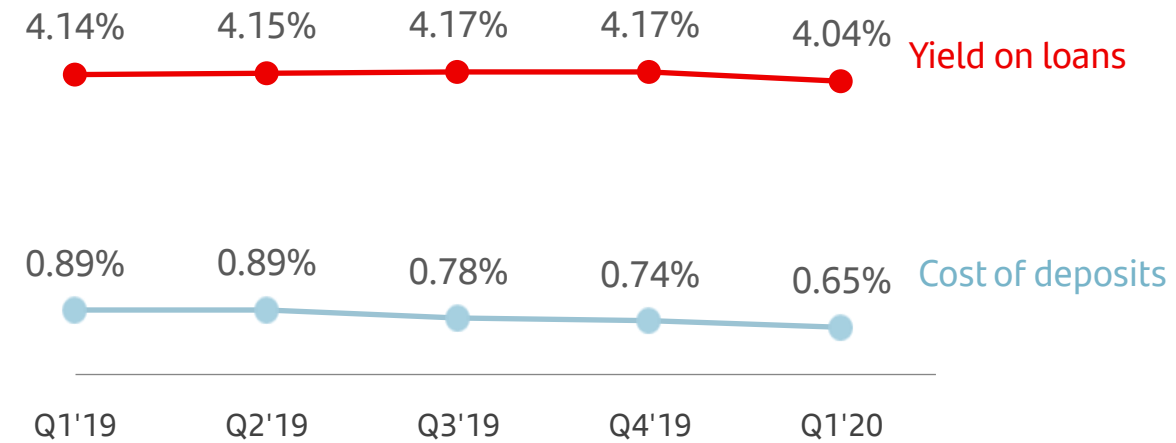
NII up 6% YoY, favoured by the adjustment of the cost of deposits and by the changes in the loan mix towards more profitable products



Net interest income (Constant EUR mn)¹



Yields and costs (%)



NIM²

2.58%	2.56%	2.73%	2.80%	2.67%
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Official target interest rate³

1.50%	1.50%	1.50%	1.50%	1.50%
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Differential

3.2 pp	3.3 pp	3.4 pp	3.4 pp	3.4 pp
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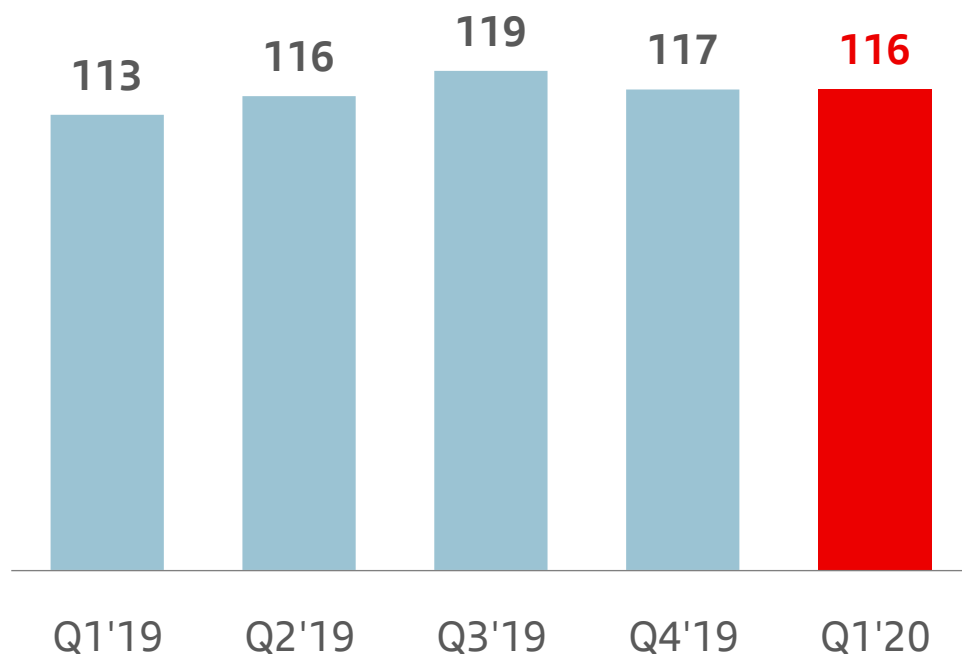


(1) Average exchange rate as at Q1'20.
 (2) Group criteria.
 (3) Quarterly average.

Fee income growth +3% YoY. Good performance in securities and custody and FX fees



Net fee income (Constant EUR mn)¹

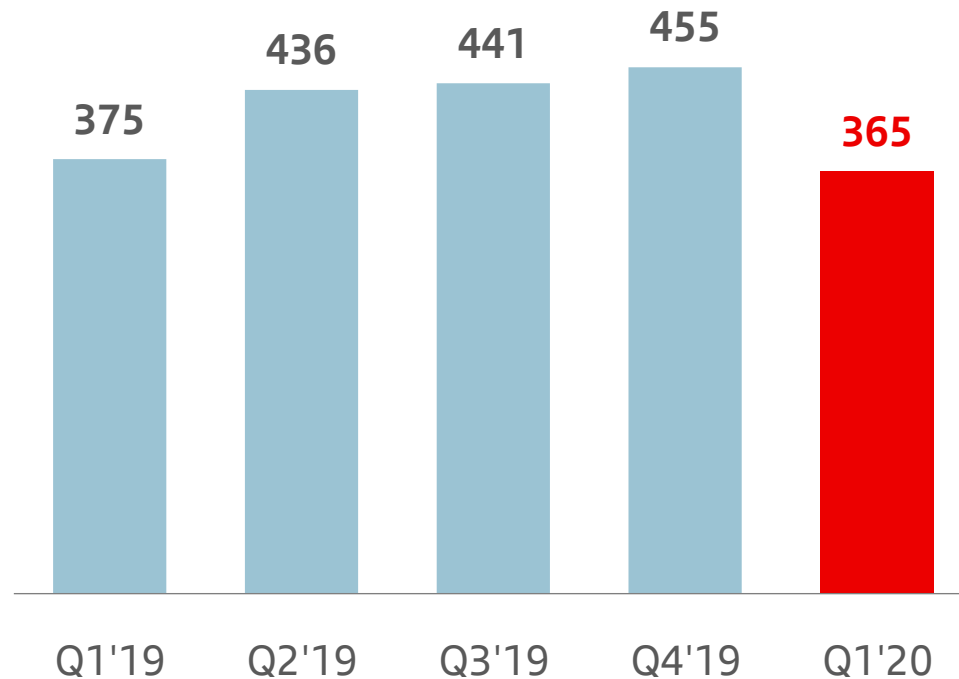


	Q1'20	Q1'19	YoY (%)	QoQ (%)
Transactional fees	74	72	2.5	-4.6
Payment methods	16	16	2.1	-5.6
Transfers, drafts, cheques and other orders	12	14	-15.2	-16.3
Foreign exchange currencies	28	25	13.7	11.6
Other transactional	18	17	1.4	-15.4
Investment and pension funds	15	15	0.8	-19.4
Insurance	3	3	-3.1	21.9
Securities and custody services	7	4	91.4	193.5
Other	18	19	-8.6	12.9
Total net fee income	116	113	3.1	0.0

Higher customer revenue was offset by lower gains on financial transactions and higher BFG contribution



Total income (Constant EUR mn)¹

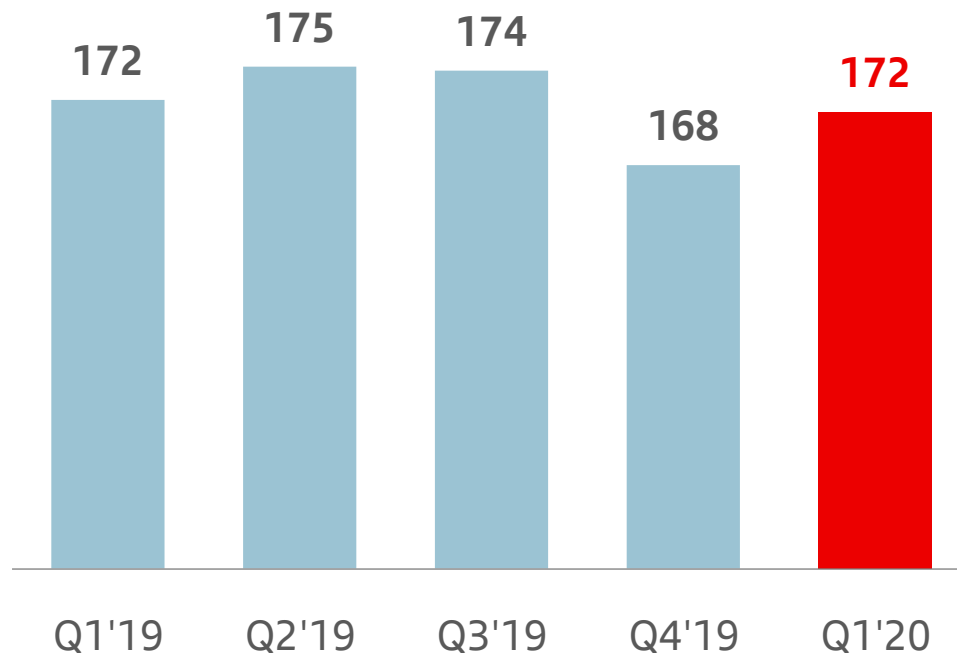


	Q1'20	Q1'19	YoY (%)	QoQ (%)
Net interest income	296	280	5.8	-2.9
Net fee income	116	113	3.1	0.0
Customer revenue	412	393	5.0	-2.1
Other ²	(48)	(18)	172.8	-
Total income	365	375	-2.8	-19.9

Operating expenses under control YoY, despite higher costs for strategic projects, investments and salary pressures



Operating expenses (Constant EUR mn)¹



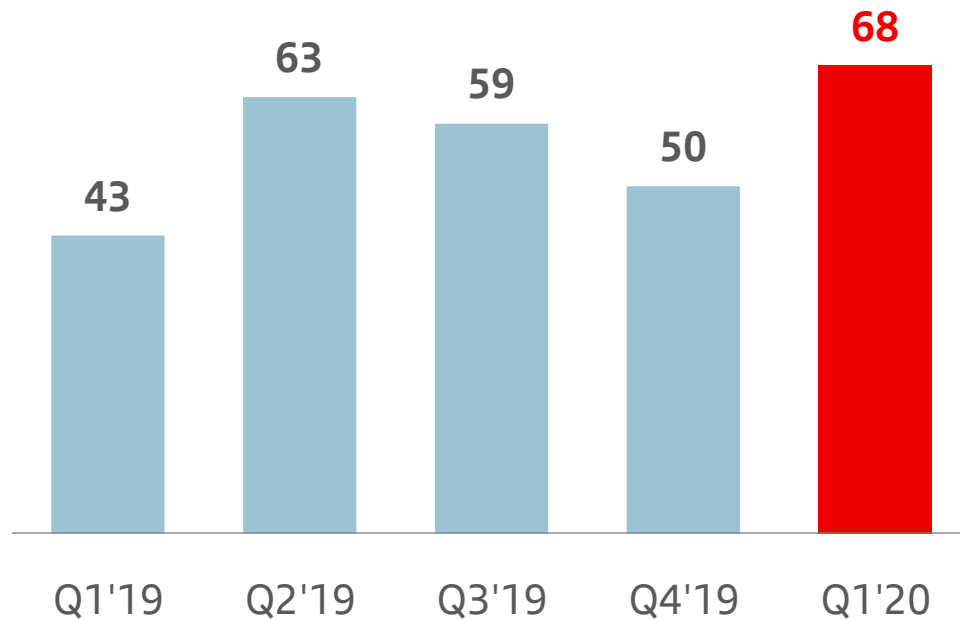
	Q1'20	Q1'19	YoY (%)	QoQ (%)
Operating Expenses	172	172	-0.5	2.2

Efficiency ratio	47.1%	45.9%	111 bps	
Branches (#)	535	571	-6.3	3.9
Employees (#)	11,034	12,551	-12.1	-0.1

LLPs increased 57% YoY, mainly due higher charges in the retail and a single name in corporates



Net LLPs (Constant EUR mn)¹



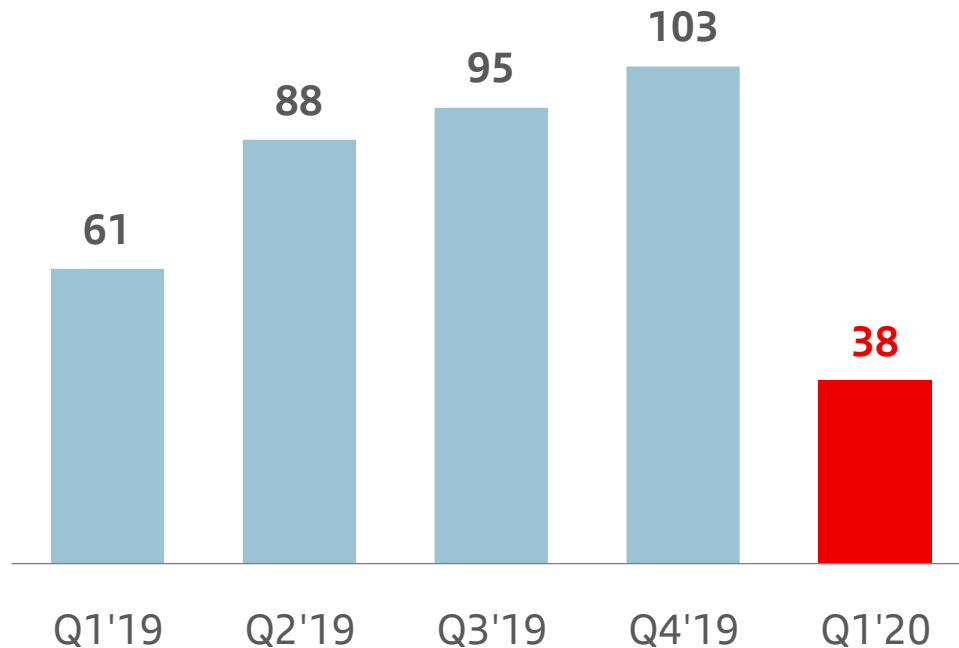
	Q1'20	Q1'19	YoY (%)	QoQ (%)
Net operating income	193	203	-4.8	-32.8
Loan-loss provisions	(68)	(43)	57.2	34.6
Net operating income after provisions	126	160	-21.5	-47.1

NPL ratio	4.29%	4.39%	-10 bps	-2 bps
Cost of credit ²	0.79%	0.61%	18 bps	7 bps
Coverage ratio	66%	68%	-1.4 pp	-0.6 pp



Underlying attributable profit -38% YoY, impacted by higher LLPs and lower revenue

Underlying Attributable Profit (Constant EUR mn)¹



	Q1'20	Q1'19	YoY (%)	QoQ (%)
PBT	90	126	-29.1	-55.9
Tax on profit	(35)	(37)	-6.2	-32.4
Consolidated profit	55	89	-38.7	-63.9
Minority interests	(17)	(28)	-39.8	-65.0
Underlying attributable profit	38	61	-38.2	-63.4

Effective tax rate	39.0%	29.5%	9.5 pp	13.6 pp
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Final remarks

Financial System

- ▶ Total loan growth accelerated in March, mainly due to PLN depreciation. After FX adjustment growth slowed to 4.7% YoY.
- ▶ Consumer loans slowed to 6.6% YoY, its 2.5-year low, while PLN-denominated mortgage loans accelerated to 12.7% YoY, highest since mid-2015. Total loan to individuals slowed to 6.1% YoY after FX adjustment.
- ▶ Deposit growth accelerated to 10.6% YoY in March, with demand deposits rising by 21% YoY and term deposits declining 9% YoY

Strategy & Business

- ▶ Business strategy is focused on gathering new customers through the development of our multi-channel approach. Build long-term relationships with customers based on trust, loyalty and enhanced customer experience.
- ▶ Anticipate and respond to customers' needs with tailored products, services and solutions.
- ▶ Focus on the growth of profitable business, strengthening its position in the key market segments through organic growth and by embracing opportunities of inorganic growth.
- ▶ Combine the increase of shareholder value with the commitment to the growth of local communities

Results

- ▶ NII up 6% YoY, favoured by the adjustment of the cost of deposits and by the changes in the loan mix towards more profitable products
- ▶ Operating expenses under tight control, however impacted by strategic projects and wage pressures.
- ▶ LLPs increased 57% YoY, mainly due higher charges in the retail and a single name in corporates.
- ▶ Underlying attributable profit -38% YoY, impacted by higher LLPs, lower revenue, the greater BFG and Banking Tax contributions.

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Balance sheet



Constant EUR million ¹	Mar-20	Mar-19	Variation	
			Amount	%
Loans and advances to customers	29,220	26,860	2,361	8.8
Cash, central banks and credit institutions	3,547	2,524	1,023	40.5
Debt instruments	8,574	10,644	(2,069)	(19.4)
Other financial assets	741	514	227	44.1
Other asset accounts	1,334	1,238	97	7.8
Total assets	43,417	41,779	1,638	3.9
Customer deposits	31,687	30,657	1,030	3.4
Central banks and credit institutions	2,475	3,164	(689)	(21.8)
Marketable debt securities	2,360	1,695	665	39.2
Other financial liabilities	826	708	118	16.7
Other liabilities accounts	1,217	775	443	57.2
Total liabilities	38,565	36,999	1,566	4.2
Total equity	4,852	4,780	72	1.5
Other managed customer funds	3,263	4,212	(949)	(22.5)
Mutual funds	2,988	3,845	(858)	(22.3)
Pension funds	—	—	—	—
Managed portfolios	275	366	(92)	(25.0)



Income statement

Constant EUR million ¹	Variation			
	Q1'20	Q1'19	Amount	%
Net interest income	296	280	16	5.8
Net fee income	116	113	4	3.1
Gains (losses) on financial transactions	8	18	(10)	(54.7)
Other operating income	(56)	(36)	(20)	56.2
Total income	365	375	(11)	(2.8)
Operating expenses	(172)	(172)	1	(0.5)
Net operating income	193	203	(10)	(4.8)
Net loan-loss provisions	(68)	(43)	(25)	57.2
Other gains (losses) and provisions	(36)	(34)	(2)	7.2
Underlying profit before tax	90	126	(37)	(29.1)
Tax on profit	(35)	(37)	2	(6.2)
Underlying profit from continuing operations	55	89	(34)	(38.7)
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	55	89	(34)	(38.7)
Non-controlling interests	(17)	(28)	11	(39.8)
Underlying attributable profit to the parent	38	61	(23)	(38.2)



Quarterly income statement

Constant EUR million¹

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Net interest income	280	281	298	305	296
Net fee income	113	116	119	117	116
Gains (losses) on financial transactions	18	21	24	30	8
Other operating income	(36)	18	0	5	(56)
Total income	375	436	441	455	365
Operating expenses	(172)	(175)	(174)	(168)	(172)
Net operating income	203	261	267	287	193
Net loan-loss provisions	(43)	(63)	(59)	(50)	(68)
Other gains (losses) and provisions	(34)	(34)	(24)	(34)	(36)
Underlying profit before tax	126	164	183	203	90
Tax on profit	(37)	(36)	(44)	(52)	(35)
Underlying profit from continuing operations	89	129	139	151	55
Net profit from discontinued operations	—	—	—	—	—
Underlying consolidated profit	89	129	139	151	55
Non-controlling interests	(28)	(41)	(44)	(48)	(17)
Underlying attributable profit to the parent	61	88	95	103	38

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