



Poland



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.

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Important Information

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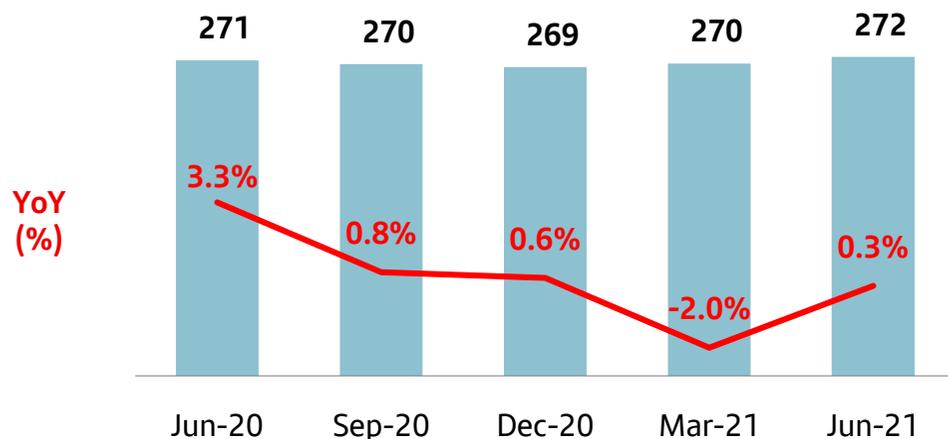
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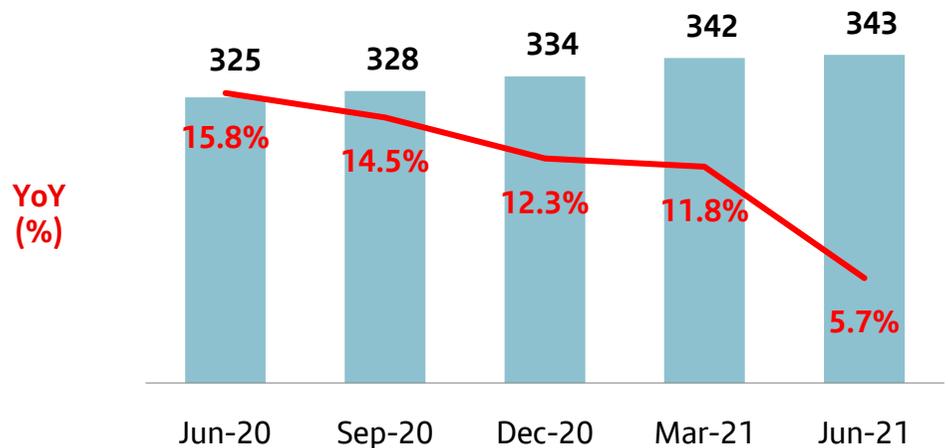
Loan growth slowing, deposits surged



Total loans (Constant EUR bn¹)



Total customer deposits (Constant EUR bn¹)



- ▶ Total annual loan growth turned positive in June and rose by +0.3% YoY compared to -2.0% YoY in March.
- ▶ Consumer loans were stable on annual basis in June compared to -2.7% YoY in March. PLN-denominated mortgage loans continued to rise (c.10% YoY). Total loans to individuals accelerated to 3.8% YoY from 2.5% YoY in March after FX adjustment.
- ▶ In the corporate sector, loan growth (after FX adjustment) declined by 5.4% YoY in June. Rebound vs -9.4% YoY in March was mostly driven by base effect, as volumes continued to fall.
- ▶ Deposit growth slowed down in H1'21, rising 5.7% YoY in June 2021 vs 12.3% YoY in December 2020. Demand deposits surged by 18% YoY and term deposits declined 30% YoY.
- ▶ Deposits from individuals increased 5.6% YoY, while business deposits were up 6.0% YoY (through non-financial firms, up 4.9%).

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Santander Bank Polska S.A. – 3rd largest bank in Poland

KEY DATA	H1'21	YoY Var. ⁴
 Customer loans ¹	EUR 29.9 bn	+0.8%
 Customer funds ²	EUR 40.8 bn	+10.2%
 Underlying att. Profit	EUR 54 mn	-23.9%
 Underlying RoTE	3.3%	-1.3 pp
 Efficiency ratio	41.5%	-87 bps
 Loans market share ³	11.8%	-4 bps
 Deposits market share ³	11.6%	+20 bps
 Loyal customers	2.2 mn	+6.9%
 Digital customers	2.8 mn	+8.1%
 Branches	471	-11.0%
 Employees	9,932	-9.4%



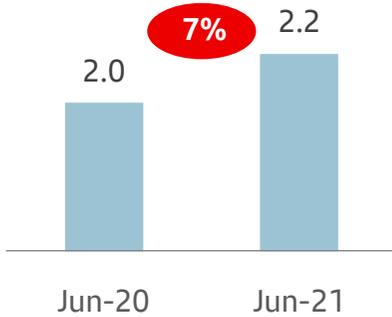
STRATEGIC PRIORITIES

- ▶ **Simplifying** organization: **systems, structures and processes** based on the One Purpose - One Process approach
- ▶ **Maximizing customers' self-service** and enhancing availability of remote processes & increasing digital customer base
- ▶ Improving customer satisfaction to maintain **the Top 3 position in NPS** on the Polish market
- ▶ **Ensuring sustainable growth** of the Bank through safety & long lasting trust of our customers and communities by continuing the involvement in **CSR activities & cybersecurity**
- ▶ Strengthen **employees' engagement** to support the Bank's transformation
- ▶ Striving to be the Best Financial Services Platform-supporting further **evolution to the Open Platform**
- ▶ Increasing profitability through effective net interest income management, higher fee income and cost control



Good growth in loyal customers across all segments

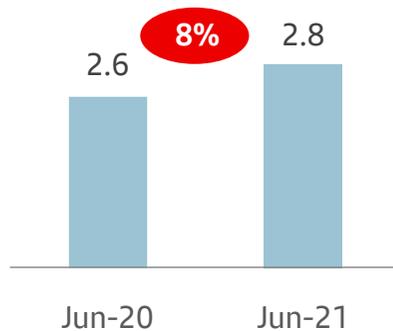
Loyal customers (mn)



Loyal / Active: 55% (+1 pp YoY)

- ▶ Significant rise in loyal customers YoY (+7%) reflecting our strategy to increase income from loyal customers and to build long term relationships
- ▶ Loyal individuals: +6% YoY
- ▶ Loyal corporates and SMEs: significant increase in loyal companies YoY (+16%) as we enhance our value proposition and non-risk based revenue and provide service excellence and continuous quality improvement

Digital customers (mn)



Digital sales / total¹: 59% (+7 pp YoY)

- ▶ Mobile customers: +18% YoY
- ▶ Digital framework: delivering efficiency and broadening the product range in digital channels

Retail Banking Q2'21 Summary



Key product performance

Covid-19 pandemic impact decreased with countrywide lockdown relaxation - customer activity increased.

Higher customer acquisition and sales volumes in key business lines.

Personal account sales **+1%** vs. Q1'21; **+38%** vs. Q2'20

Personal loan sales vol. **+15%** vs. Q1'21; **+44%** vs. Q2'20

Mortgage loan sales vol. **+56%** vs Q1'21; **+76%** vs. Q2'20

Bancassurance premiums **+22%** vs. Q1'21; **+58%** vs. Q2'20

SME loan sales vol. **+21%** vs. Q1'21; **+65%** vs. Q2'20

Awards in prestigious Polish ranking Gold Banker 2021: Santander #2 in Service quality ranking, with 4 additional distinctions: #1 advertising commercial, #2 Personal Account; #2 Credit Card, #2 Socially Responsible Bank.

Digital channel development

2.8 mn digital customers (**+8%** YoY)

2.0 mn mobile customers (**+18%** YoY)

Product and process improvements to maximize self-service, increase digital acquisition and sales.



Charity campaign

Action to support psychiatric hospitals for children and youth.

PLN 2 mn collected.



New products and processes

Improved Personal Account opening process in branches and franchise network.

Biometrics in mobile authorization using a fingerprint (Android) or TouchID and FaceID (iOS).

Increased **accessibility of consumer loans** based on new Machine Learning risk model.

Life and Health insurance in mobile app.

New **value-added services for SME**: eLeasing with a fully online process and eHealth – medical care for SME owners & employees.

Video Advisor for Private Banking Customers in internet banking.

Business transformation

Strategic programmes focused on **digital acceleration and simplification** in progress.

Further **optimization** of the retail network: **6%** reduction of own branches network in H1 (31 branches closed).

Further embedding ESG to build a more responsible bank



Environmental: supporting the green transition

Helping customers go green

EUR 385 mn Green Finance since 2020
1st ESG-linked loan in Poland

1st SDG-linked bonds in Poland

Going green ourselves

100% electricity from renewable sources
Carbon Neutral in our own operations

0% of single use plastic



Social: building a more inclusive society

Talented & diverse team

Top Employer Certificate
35% women in leadership positions

Financially empowering people

c. 98 k people since 2019

Supporting society

>700 k people helped since 2019
7,986 scholarships granted since 2019



Governance: doing business the right way

A strong culture

Simple, Personal, Fair

Taking ESG criteria into account when determining **remuneration**

ESG governance

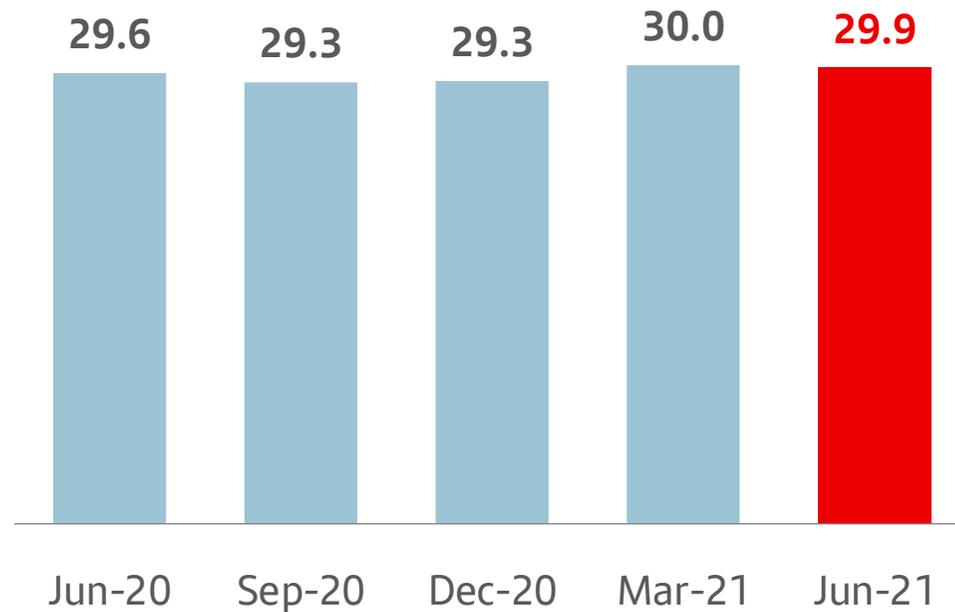
ESG indicator as a part of the process of evaluating **products and services**

40% women in Supervisory Board



Loans remained broadly stable during the last 12 months, despite strong growth in SMEs (+6% YoY)

Total customer loans (Constant EUR bn)¹

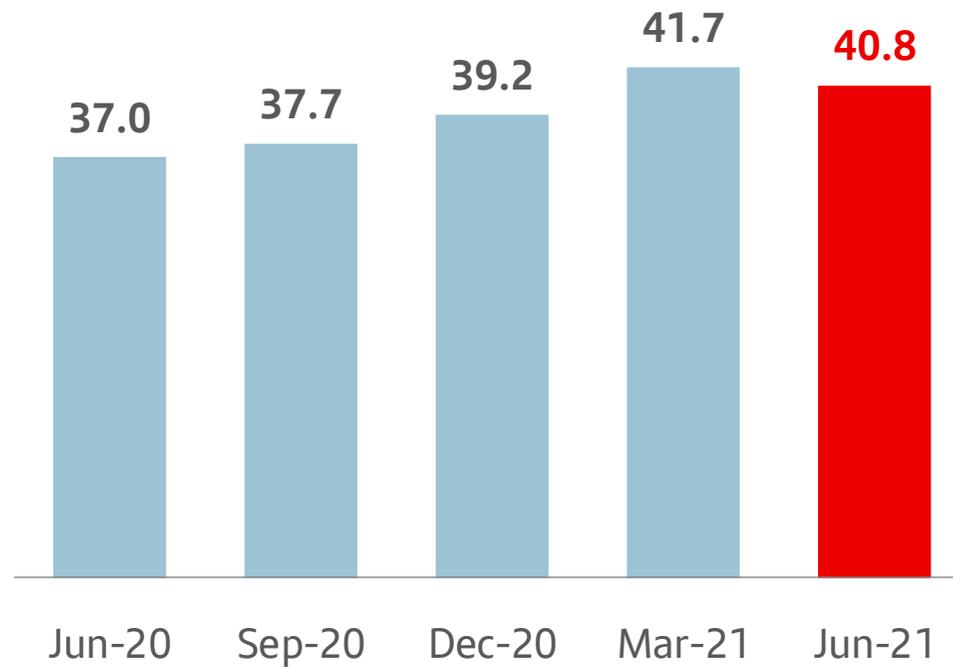


	Jun-21	Jun-20	YoY (%)	QoQ (%)
Individuals²	15.0	14.8	1.5	1.0
o/w Mortgages	11.1	11.0	1.4	0.8
o/w Consumer credit	3.0	3.0	-1.0	1.2
SMEs	3.5	3.3	6.4	3.1
Corporates & Institutions	7.4	7.6	-2.2	-1.2
CIB	3.4	3.4	1.3	-8.7
Other	0.5	0.5	-13.1	15.5
Total customer loans	29.9	29.6	0.8	-0.3

Customer funds grew 10% YoY, driven by mutual funds (+45%), SME deposits (+12%) and BCB (+15%)



Total customer funds (Constant EUR bn)¹



	Jun-21	Jun-20	YoY (%)	QoQ (%)
Demand	33.1	26.8	23.9	-2.4
Time	2.9	7.0	-58.9	-11.7
Total deposits	36.0	33.7	6.8	-3.2
Mutual Funds	4.7	3.3	45.5	5.6
Total customer funds	40.8	37.0	10.2	-2.2

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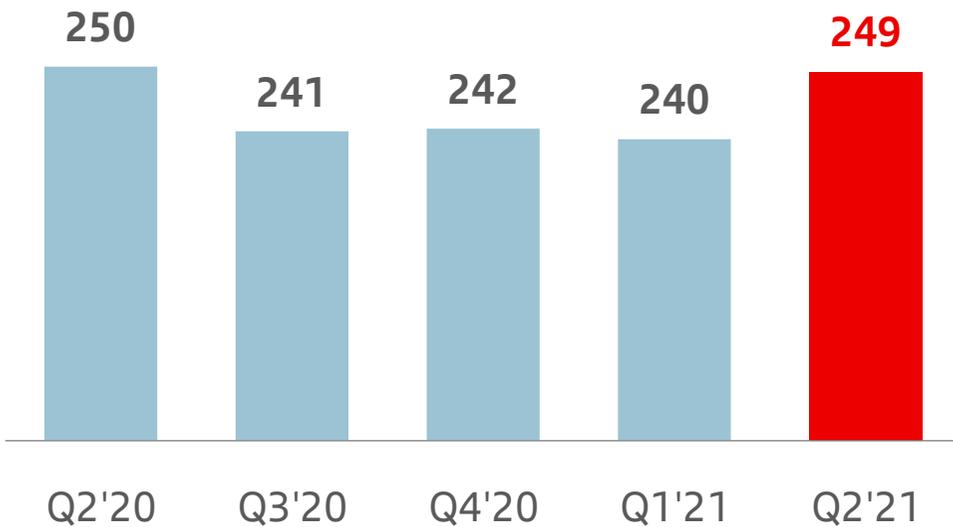
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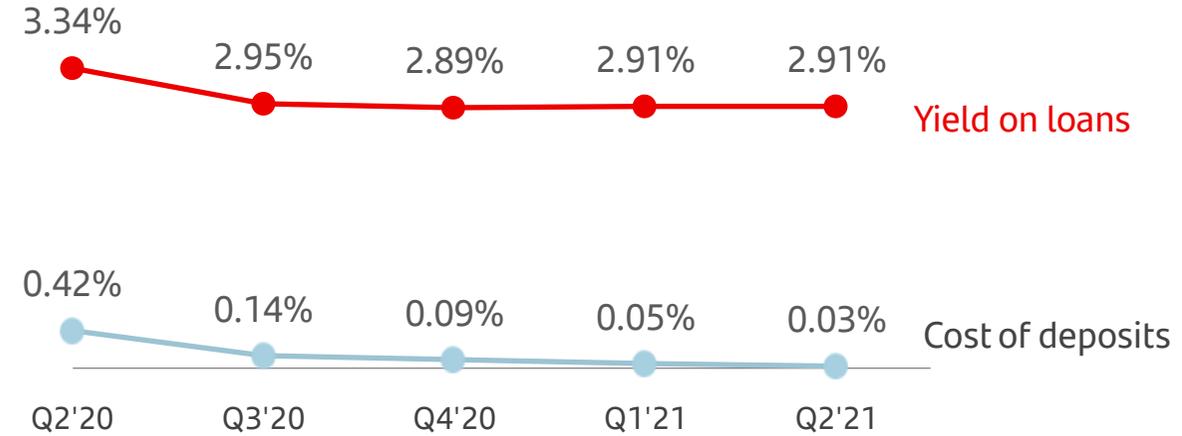
Despite interest rate cuts, active spread management increased NIM, delivering a higher NII in the quarter



Net interest income (Constant EUR mn)¹



Yields and costs (%)



NIM²

2.26% 2.14% 2.10% 2.03% 2.06%

Official target interest rate³

0.23% 0.10% 0.10% 0.10% 0.10%

Differential

2.9 pp 2.8 pp 2.8 pp 2.9 pp 2.9 pp

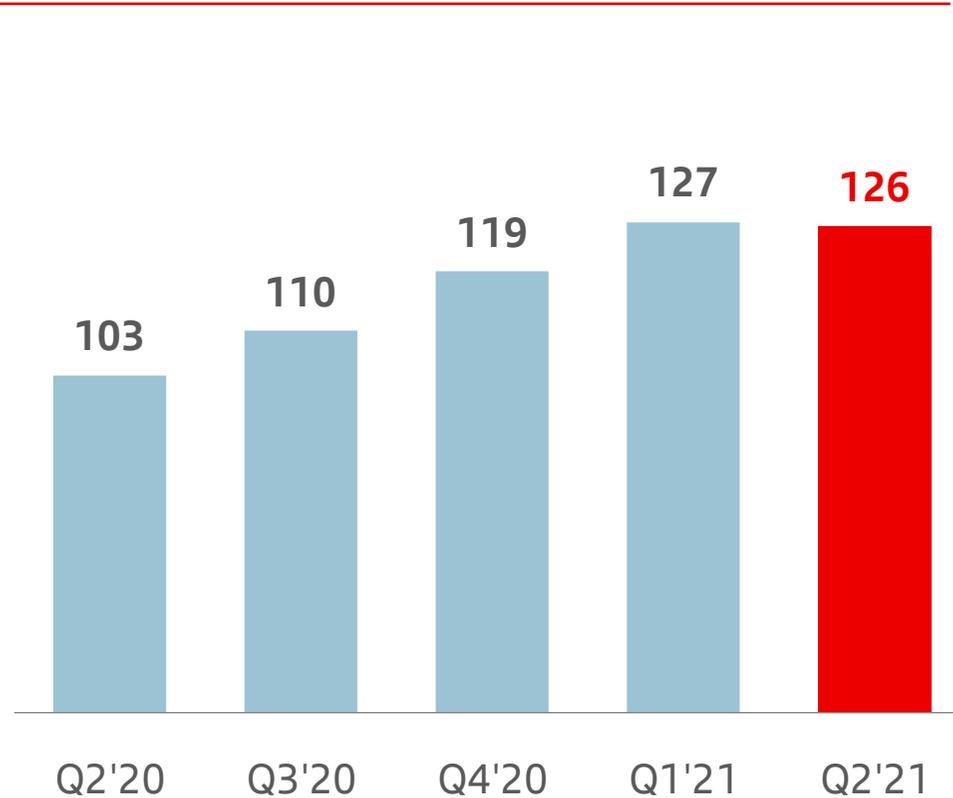


(1) Average exchange rate as at 6M'21.
 (2) Group criteria.
 (3) Quarterly average.



Fee income up 18% YoY, boosted by transactional fees, cards, FX and securities services

Net fee income (Constant EUR mn)¹

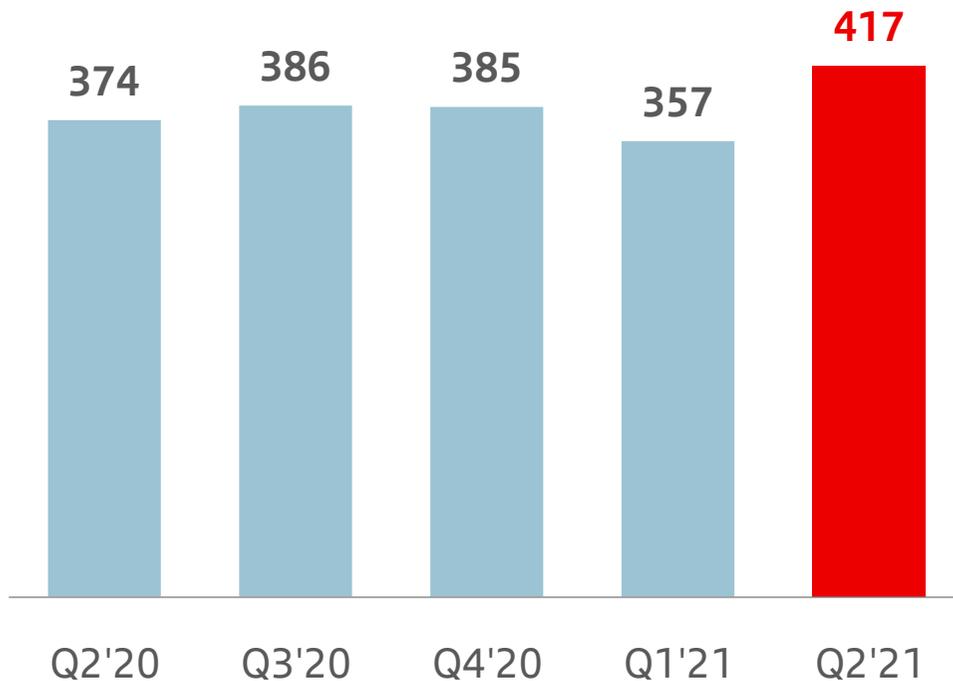


	H1'21	H1'20	YoY (%)	QoQ (%)
Transactional fees	167	135	23.6	2.4
Payment methods	38	31	25.8	0.6
Transfers, drafts, cheques and other orders	25	22	10.5	5.3
Foreign exchange currencies	57	50	13.6	14.1
Other transactional	48	33	45.5	-10.0
Investment and pension funds	29	25	16.2	11.4
Insurance	14	10	31.8	10.1
Securities and custody services	18	13	41.1	-4.8
Other	25	30	-17.1	-30.5
Total net fee income	253	214	18.4	-0.6

Total income surged YoY on the back of higher fee income, dividend collection and lower BFG contribution (recorded in Q1'21)



Total income (Constant EUR mn)¹

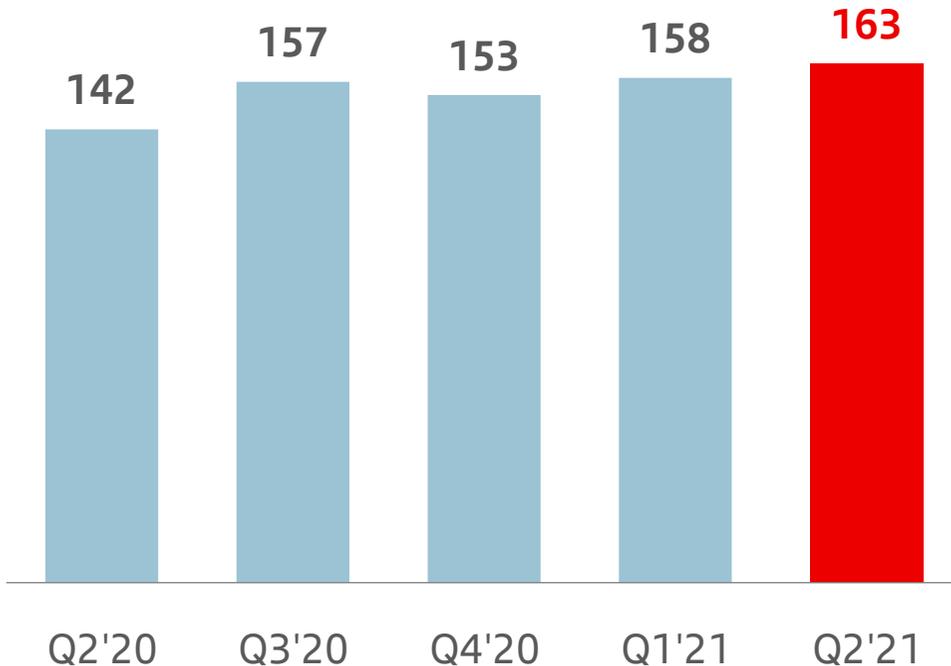


	H1'21	H1'20	YoY (%)	QoQ (%)
Net interest income	490	532	-7.9	3.7
Net fee income	253	214	18.4	-0.6
Customer revenue	743	746	-0.4	2.2
Other ²	31	(24)	-	-
Total income	774	721	7.3	16.7

Costs increased by 5% YoY, mainly due to higher personnel expenses related to better commercial activity. 3% growth QoQ mainly by business-related expenses (marketing)



Operating expenses (Constant EUR mn)¹

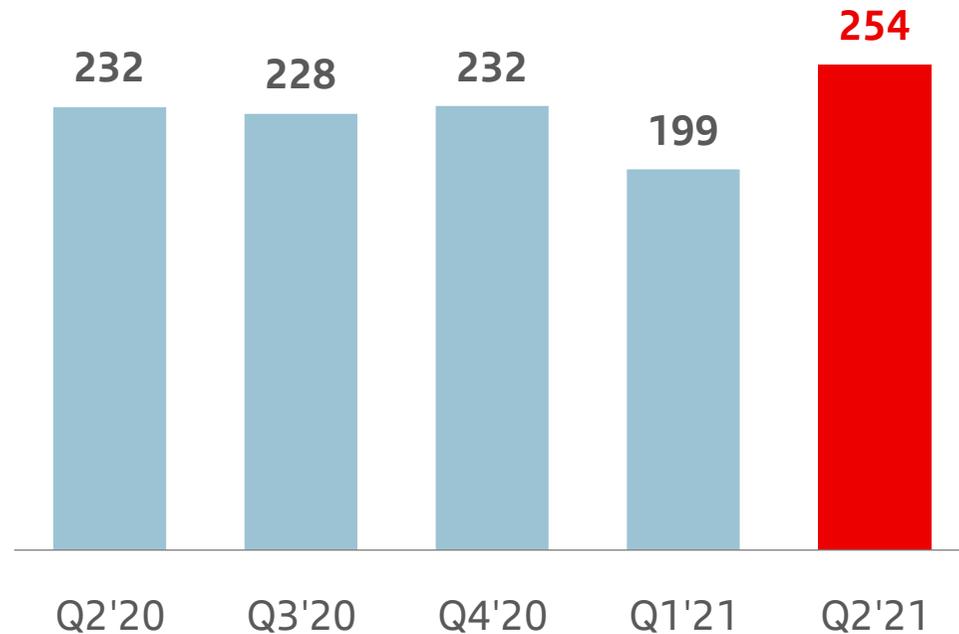


	H1'21	H1'20	YoY (%)	QoQ (%)
Operating Expenses	321	306	5.1	2.9

Branches (#)	471	529	-11.0	-3.9
Employees (#)	9,932	10,968	-9.4	-3.6

Net operating income up 9% YoY driven by stronger revenue (fee income and dividends), which offset the increase in costs

Net operating income (Constant EUR mn)¹

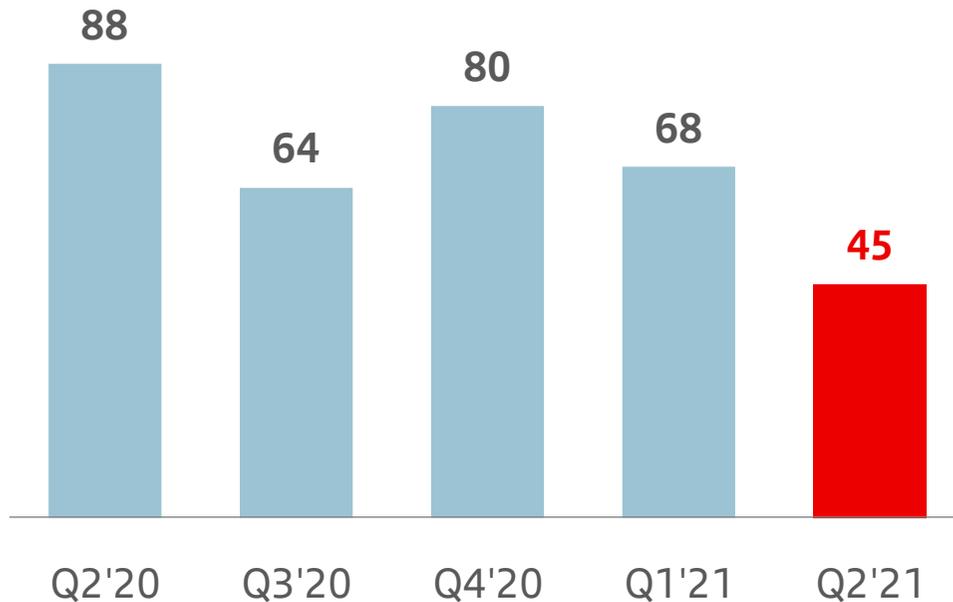


	H1'21	H1'20	YoY (%)	QoQ (%)
Total income	774	721	7.3	16.7
Operating Expenses	(321)	(306)	5.1	2.9
Net operating income	453	416	8.9	27.6
Efficiency ratio	41.5%	42.4%	-87 bps	



LLPs down 37% YoY, mainly due to lower charges in individuals, SMEs and BCB, leading to a net operating income after LLPs increase of 43%

Net LLPs (Constant EUR mn)¹



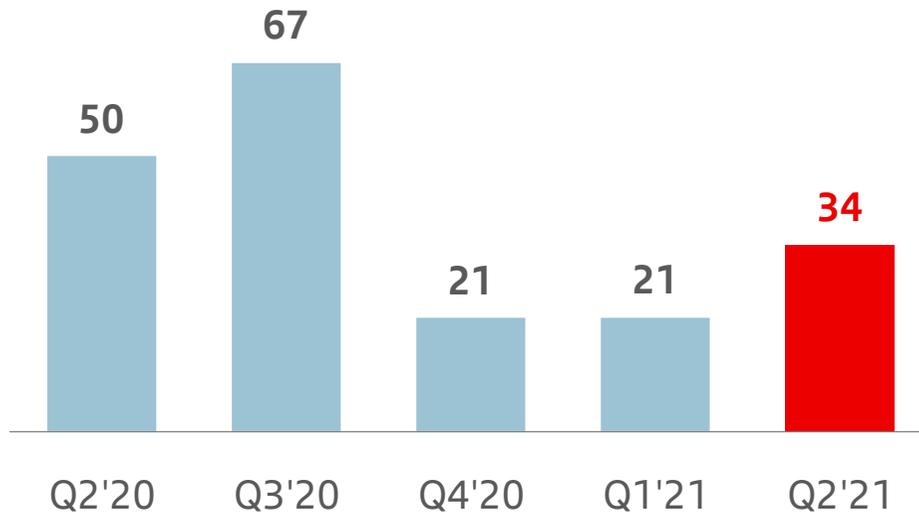
	H1'21	H1'20	YoY (%)	QoQ (%)
Net operating income	453	416	8.9	27.6
Loan-loss provisions	(113)	(179)	-36.6	-33.6
Net operating income after provisions	339	237	43.2	59.4

NPL ratio	4.58%	4.57%	1 bp	-24 bps
Cost of credit ²	0.88%	0.96%	-9 bps	-15 bps
Coverage ratio	72%	69%	3.4 pp	2.2 pp

Underlying attributable profit decreased 24% YoY, impacted by the charge regarding Swiss franc mortgages



Underlying Attributable Profit (Constant EUR mn)¹



	H1'21	H1'20	YoY (%)	QoQ (%)
PBT	141	163	-13.2	42.2
Tax on profit	(67)	(59)	11.9	3.7
Consolidated profit	75	103	-27.7	91.3
Minority interests	(20)	(32)	-36.2	-
Underlying attributable profit	54	71	-23.9	63.3

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Final remarks



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- ▶ Total **loan growth** improved its annual growth rate in May and fell by +0.3% YoY compared to -2.0% YoY in March.
- ▶ Consumer loans were stable on annual basis in June compared to -2.7% YoY in March. PLN-denominated mortgage loans continued to rise (c.10% YoY). In the corporate sector, loan growth (after FX adjustment) declined by 5.4% YoY in June. Rebound vs -9.4% YoY in March was mostly driven by base effect, as volumes still go down.
- ▶ Deposit growth slowed in H1'21, rising 5.7% YoY in June 2021 vs 12.3% YoY in December 2020. Demand deposits surged by 18% YoY and term deposits declined 30% YoY.

Strategy & Business

- ▶ We are executing an optimization plan of our retail network (6% reduction of branches in H1) on the back of the **further digitalization and simplification of our business**, which enabled us to deliver better customer experience
- ▶ For example, we have **improved our mobile app** by adding biometric authorizations, included **new products** such as Life and Health insurance and a new **fully online processes for SME** customers (eLeasing and eHealth)
- ▶ **Customer activity** improved, although it was still affected by the pandemic. Increased customer acquisition and new lending in all key business lines (mortgages +76% YoY , SMEs +65% YoY, Bancassurance +58% YoY and personal loans +44% YoY)

Results

- ▶ Active **spread management** increased NIM delivering a higher NII in the quarter. **Fee income** boosted by transactional fees
- ▶ **Costs** increased by 3% QoQ, mainly due to higher personnel expenses related to better commercial activity
- ▶ **LLPs** down 37% YoY, mainly due to lower charges in individuals, SMEs and BCB, driving **net operating income growth** +43%
- ▶ **Underlying attributable profit** decreased 24% YoY, impacted by the charge regarding Swiss franc mortgages

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Balance sheet



Constant EUR million ¹			Variation	
	Jun-21	Jun-20	Amount	%
Loans and advances to customers	28,891	28,701	191	0.7
Cash, central banks and credit institutions	1,889	2,954	(1,066)	(36.1)
Debt instruments	15,171	11,926	3,245	27.2
Other financial assets	778	503	275	54.7
Other asset accounts	1,287	1,344	(57)	(4.2)
Total assets	48,016	45,428	2,588	5.7
Customer deposits	36,015	33,746	2,269	6.7
Central banks and credit institutions	2,276	2,848	(572)	(20.1)
Marketable debt securities	2,464	2,022	442	21.8
Other financial liabilities	844	668	176	26.3
Other liabilities accounts	1,240	1,163	77	6.7
Total liabilities	42,839	40,447	2,392	5.9
Total equity	5,177	4,981	196	3.9
Other managed customer funds	5,002	3,535	1,467	41.5
Mutual funds	4,749	3,265	1,484	45.5
Pension funds	—	—	—	—
Managed portfolios	253	270	(17)	(6.4)



Income statement

Constant EUR million ¹	Variation			
	H1'21	H1'20	Amount	%
Net interest income	490	532	(42)	(7.9)
Net fee income	253	214	39	18.4
Gains (losses) on financial transactions	41	29	12	43.2
Other operating income	(10)	(53)	43	(81.0)
Total income	774	721	53	7.3
Operating expenses	(321)	(306)	(16)	5.1
Net operating income	453	416	37	8.9
Net loan-loss provisions	(113)	(179)	65	(36.6)
Other gains (losses) and provisions	(198)	(74)	(124)	167.1
Underlying profit before tax	141	163	(22)	(13.2)
Tax on profit	(67)	(59)	(7)	11.9
Underlying profit from continuing operations	75	103	(29)	(27.7)
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	75	103	(29)	(27.7)
Non-controlling interests	(20)	(32)	12	(36.2)
Underlying attributable profit to the parent	54	71	(17)	(23.9)



Quarterly income statement

Constant EUR million¹

	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21
Net interest income	282	250	241	242	240	249
Net fee income	111	103	110	119	127	126
Gains (losses) on financial transactions	8	21	34	25	20	21
Other operating income	(53)	0	1	(1)	(30)	20
Total income	347	374	386	385	357	417
Operating expenses	(163)	(142)	(157)	(153)	(158)	(163)
Net operating income	184	232	228	232	199	254
Net loan-loss provisions	(91)	(88)	(64)	(80)	(68)	(45)
Other gains (losses) and provisions	(34)	(40)	(31)	(86)	(72)	(126)
Underlying profit before tax	59	104	133	66	58	83
Tax on profit	(28)	(31)	(35)	(32)	(33)	(34)
Underlying profit from continuing operations	31	73	98	34	26	49
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	31	73	98	34	26	49
Non-controlling interests	(9)	(23)	(31)	(13)	(5)	(15)
Underlying attributable profit to the parent	22	50	67	21	21	34

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