

# Digital Consumer Bank

9M'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 (the “SEC”) on 26 February 2021, as updated by the Form 6-K filed with the SEC on 14 April 2021 in order to reflect our new organizational and reporting structure, as well as the section “Alternative performance measures” of the annex to the Banco Santander, S.A. (“Santander”) Q3 2021 Financial Report, published as Inside Information on 27 October 2021. These documents are available on Santander’s website ([www.santander.com](http://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.

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# Important Information

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# Digital Consumer Bank is one of Santander's strategic growth initiatives

KEY DATA	9M'21	YoY Var. <sup>4</sup>
 Customer loans <sup>1</sup>	EUR 114.4 bn	-0.6%
 Customer funds <sup>2</sup>	EUR 56.6 bn	+10.6%
 Underlying att. profit	EUR 935 mn	+17.5%
 Underlying RoTE	13.2%	+2.3 pp
 Efficiency ratio*	45.4%	-3 bps
 Market share	#1 European Consumer Bank	
 Countries <sup>3</sup>	18	
 Active customers	19.1 mn	-4.5%
 Employees	15,920	-1.1%



## STRATEGIC PRIORITIES

- ▶ **Grupo Santander's vision:** create the largest digital consumer bank by combining SCF's leadership in consumer finance with Openbank's digital capabilities.
- ▶ **Auto:** strengthen auto financing leadership, reinforce leasing and subscription services and lead online mobility financing solutions for auto. EUR 87 bn loan book in September
- ▶ **Consumer Non-Auto:** gain market share in consumer financing leveraging our position in offline to grow in e-commerce checkout lending and BNPL. EUR 19 bn loan book in September
- ▶ **Retail:** improve digital capabilities to increase customer engagement of our digital platforms, currently with EUR 37.8 bn in customer funds in Sep-21
- ▶ **Cost reduction and Simplification:** accelerate digitalization to transform the business and improve efficiency. Main drivers:
  - Organizational simplification: transition from banking licenses to branches in the Western Hub
  - Streamline IT leveraging Openbank's IT capabilities
  - Evolve our distribution model and increase process automatization

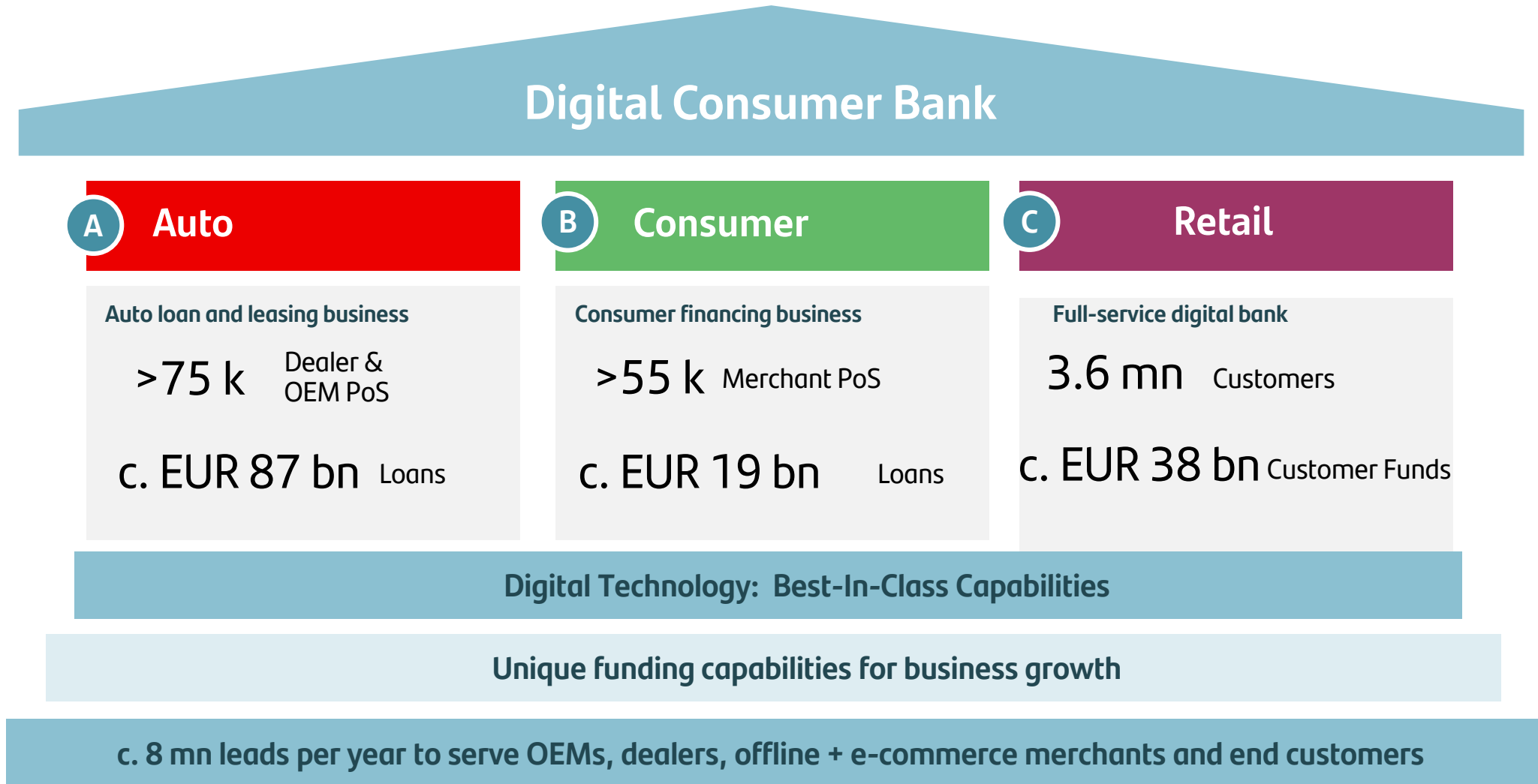


(1) Gross loans excluding reverse repos.  
 (2) Excluding repos.  
 (3) Footprint in the following countries: Austria, Belgium, Canada, China, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, UK, China and Canada.  
 (4) Constant euros.

\* Excluding Digital ODS: Efficiency ratio at 42.8%.



Note.- Digital ODS (Open Digital Services S.L.) is the technology company of Openbank

# Santander Digital Consumer Bank: sound foundations with three building blocks



# Europe's consumer finance leader: solid business model, geographic diversification and leading market shares in auto/mobility finance and in personal finance/e-commerce

▶ **Monoliner consumer businesses with >130,000 point of sale partners**

- A** **Auto** (c. 75,000 PoS): Long-standing base of European captive agreements (>110) with several OEMs 
- B** **Consumer/Non-Auto** (c. 55,000 PoS): Agreements with main retailer chains, model evolving based on digitalization 







**C** **Openbank: Santander 100% digital bank**   
 Leader among its European competitors in deposits

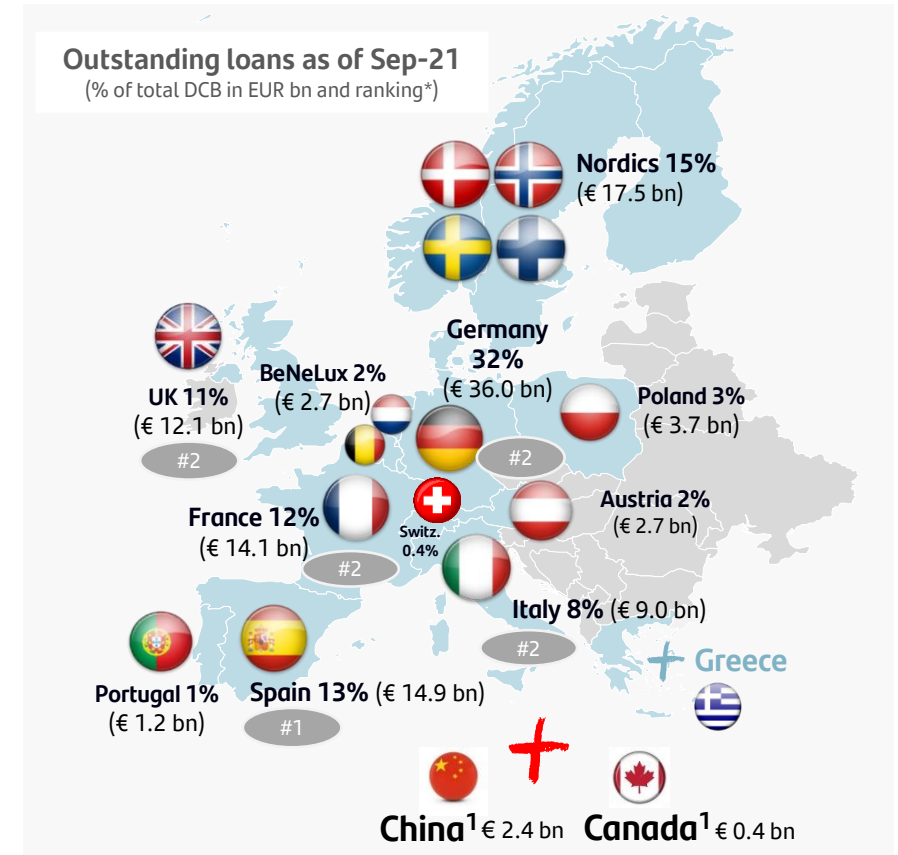
- ▶ **New technology stack: Openbank's** efficient customer acquisition and engagement platform.
- ▶ **More than 19 million customers with >19 mn loan contracts**
- ▶ **Presence in 16 European countries plus China and Canada**



**Top Employer Europe 2021**



- (SC Austria  SC Germany  SC France   
 SC Belgium  SC Netherlands  SC Poland 



(\*) Retail Car Finance position in local market as of FY2020 (Calculated as market share of New + Used retail cars financed by DCB in the country / Total Market units financed for individuals in the country). Source: internal estimates based on information from local associations, magazines and market knowledge. DCB Management perimeter (now includes SC UK).  
 (1) Equity accounting method



# Digital Consumer Bank: Key initiatives

## A Auto

- › **Delivering mobility solutions:** enhancement of auto **leasing and subscription service** development
- › **Digital online financing platform** for dealers and OEMs
- › **Enhancement of value propositions for our key partners:** digital, loyalty tools, etc.
- › **Used Car business growth** across Europe planning expansion through online platforms

## B Consumer

- › **Launched TIMFIN Joint-Venture in Q1'2021**, reaching more than 2,000 points of sale
- › **Created an e-commerce platform** serving merchants, customers and third-party players
- › **New Verticals development:** Bicycles, Education, Green Energy (Solar, Wall Box, etc.) and Health & Beauty

## C Retail

- › **Run a retail banking business without the need of an extensive branch network**, to serve our customers throughout the full customer journey, customer acquisition to engagement, retention and sale of all banking products (mortgages, wealth, etc.).
- › **Openbank Argentina Launch in 2021**
- › **Openbank Europe: optimize synergies with SCF Consumer business**

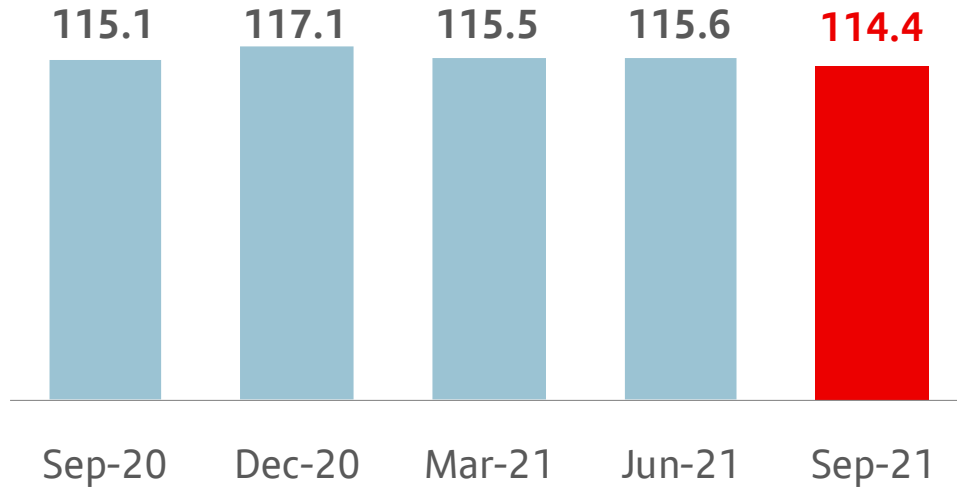
## Technology Platform

- › **Launch Regional EU BuyNowPayLater (BNPL) Product/APIs**
- › Enhance **Retail banking capabilities** leveraging **Openbank's platform**
- › **Set-up new efficient IT structure for Western Hub** as we transition from banking licenses to branches



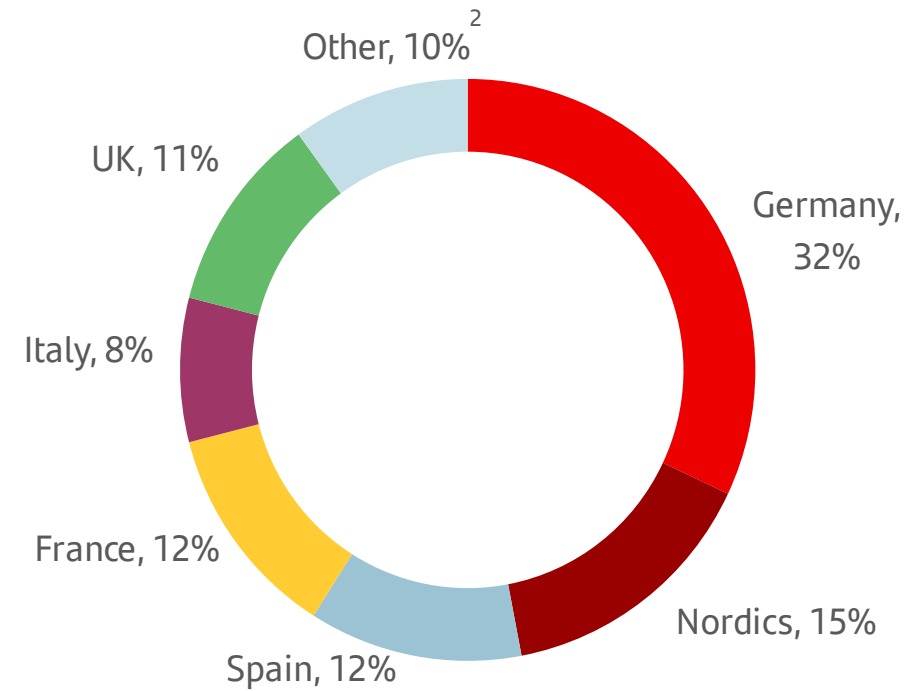
# Customer loans flat YoY. New business +11% YoY but Q3 impacted by microchip shortage. Expect H2 above pre-covid levels

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



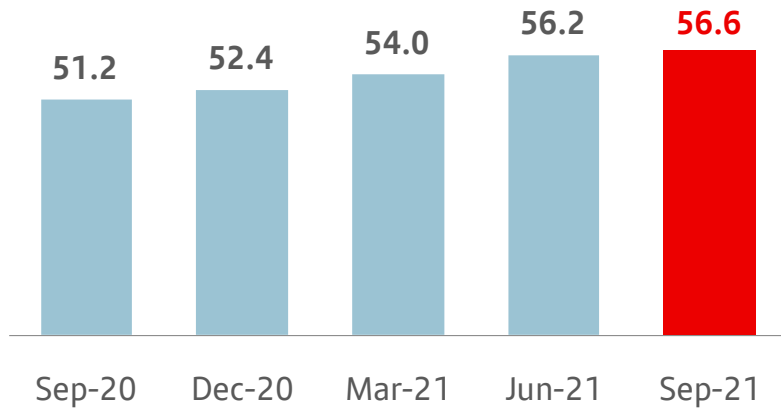
	Sep-21	Sep-20	YoY (%)	QoQ (%)
Auto	86.7	86.4	0.4	-1.5
Consumer business	19.1	20.0	-4.4	0.5
Others and Retail <sup>3</sup>	8.6	8.7	-1.6	0.6
<b>Total customer loans</b>	<b>114.4</b>	<b>115.1</b>	<b>-0.6</b>	<b>-1.0</b>

**Geographical diversification** (% Total loans, Sep-21)



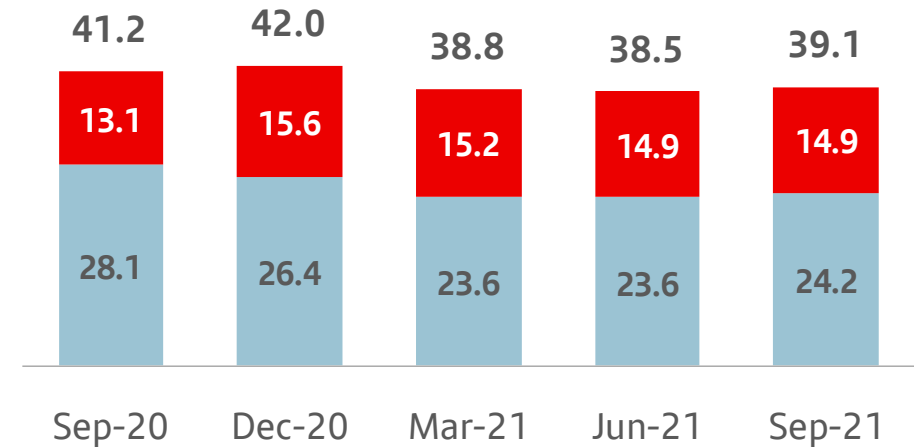
# Customer funds increased 11% YoY. Wholesale funding costs remain very low with rates and spreads at minimum levels

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



	Sep-21	Sep-20	YoY (%)	QoQ (%)
Demand	44.7	40.2	11.3	1.9
Time	9.7	10.5	-7.6	-4.9
Total deposits	54.4	50.6	7.4	0.6
Mutual Funds	2.2	0.6	-	3.9
<b>Total customer funds</b>	<b>56.6</b>	<b>51.2</b>	<b>10.6</b>	<b>0.7</b>
Managed portfolios	0.7	0.4	66.0	0.0

### Wholesale market funding<sup>2</sup> (EUR bn)



■ Secured ■ Unsecured

	Sep-21	Sep-20	YoY (%)	QoQ (%)
Unsecured	24.2	28.1	-13.9	2.6
Secured	14.9	13.1	14.1	0.0
<b>Total wholesale</b>	<b>39.1</b>	<b>41.2</b>	<b>-5.0</b>	<b>-65.0</b>

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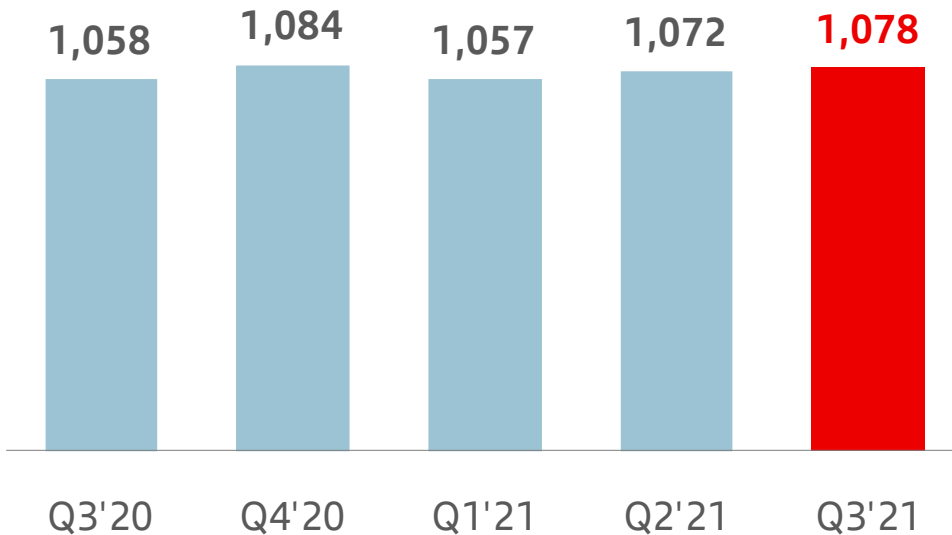


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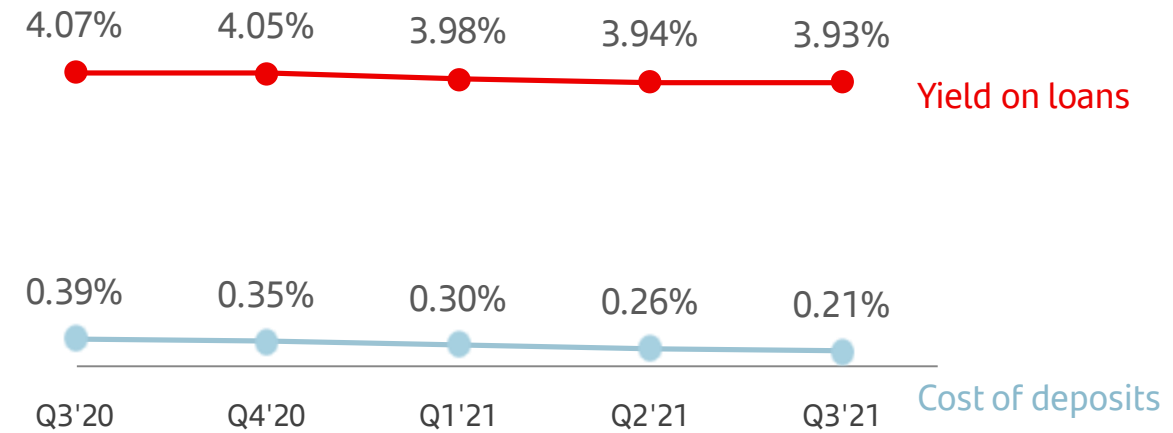


NII marginally down YoY on a cumulative basis, absorbing volume impacts at the beginning of the year with positive income performance in Q2 and Q3

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



Yields and Costs (%)



NIM<sup>2</sup>

2.96%	2.96%	2.83%	2.81%	2.81%
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Central Bank interest rate<sup>3</sup>

-0.50%	-0.50%	-0.50%	-0.50%	-0.50%
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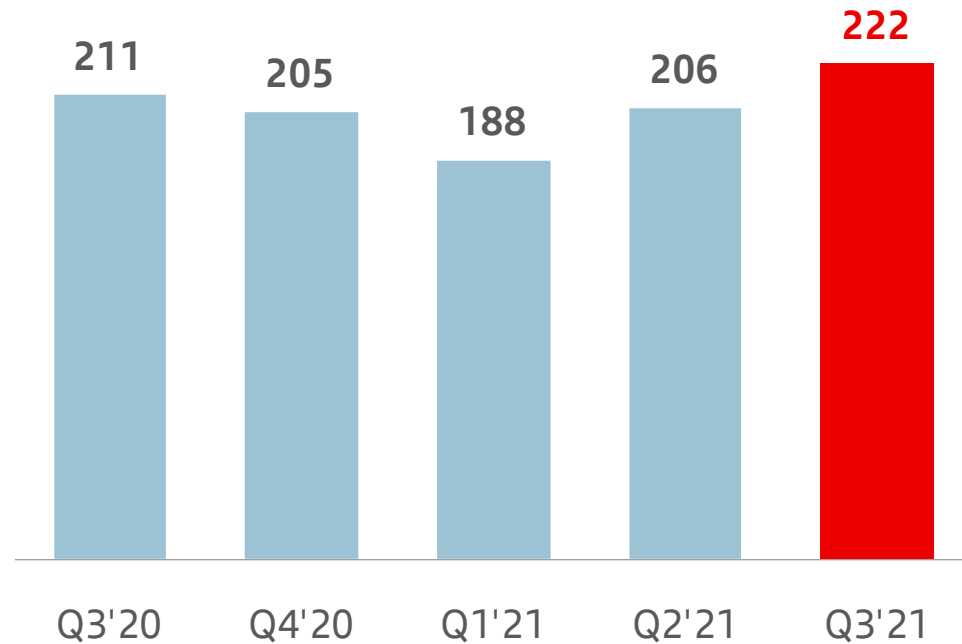
(1) Average exchange rates as at 9M'21. Q1'21 includes less days for accrual of interest than previous year.

(2) Group criteria. NIM is calculated as Net Interest Income / Total Average Assets.

(3) Quarter average, ECB deposit facility.

Net fee income increased 9% benefitting from increased activity vs 9M'20 as lockdowns were lifted. QoQ growth driven by Germany

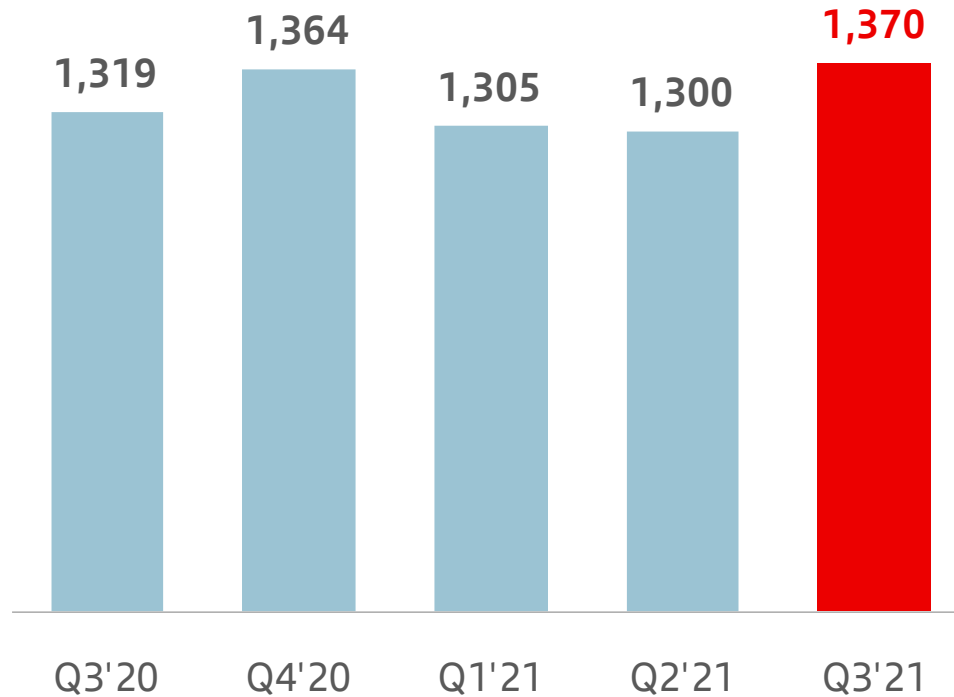
Net fee income (Constant EUR mn)<sup>1</sup>



	9M'21	9M'20	YoY (%)	QoQ (%)
Insurance	518	492	5.4	11.2
Other	98	75	30.9	-11.9
<b>Total net fee income</b>	<b>616</b>	<b>567</b>	<b>8.8</b>	<b>7.5</b>

# Total income up 4% YoY supported by net fee income (increased activity) and greater leasing income

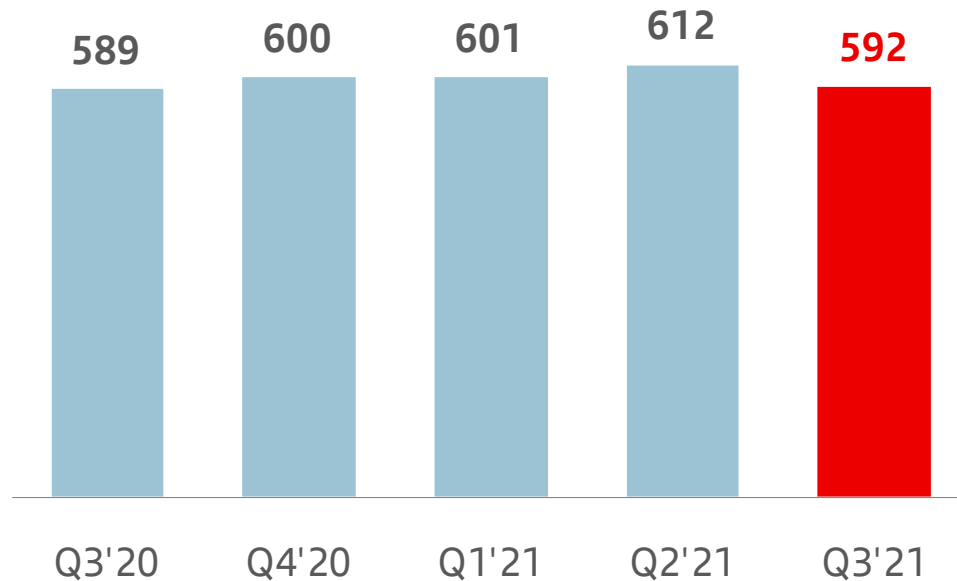
**Total income** (Constant EUR mn)<sup>1</sup>



	9M'21	9M'20	YoY (%)	QoQ (%)
Net interest income	3,207	3,211	-0.1	0.5
Net fee income	616	567	8.8	7.5
<b>Customer revenue</b>	<b>3,824</b>	<b>3,777</b>	<b>1.2</b>	<b>1.7</b>
Other <sup>2</sup>	151	58	160.0	-
<b>Total income</b>	<b>3,975</b>	<b>3,835</b>	<b>3.6</b>	<b>5.4</b>

Costs increased 4% mainly due to perimeter effect and investment in our digital transformation. Good performance QoQ (-3%)

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

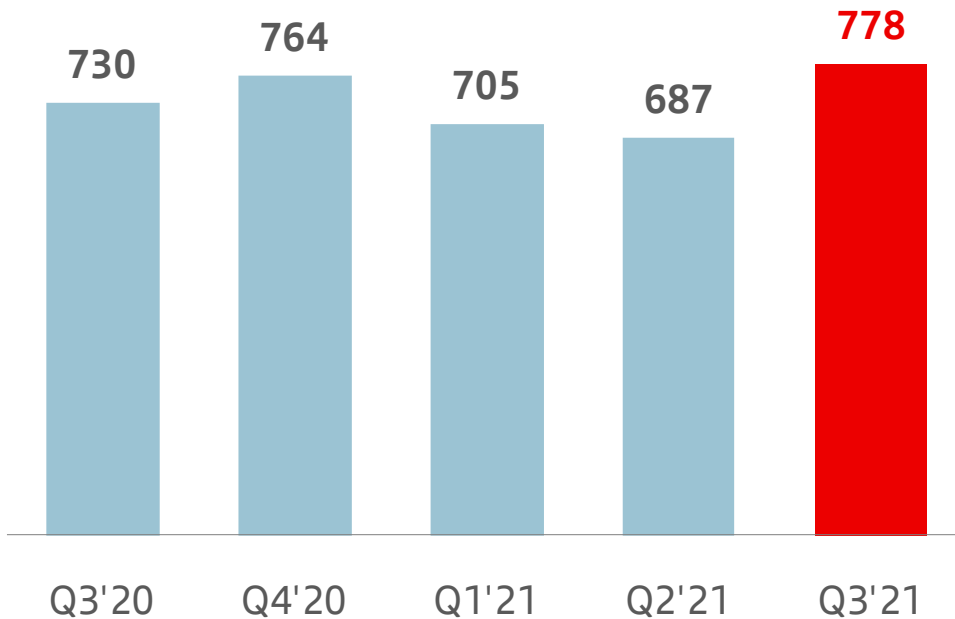


	9M'21	9M'20	YoY (%)	QoQ (%)
Operating Expenses	1,805	1,741	3.7	-3.4
Employees (#)	15,920	16,101	-1.1	0.5



# Strongest quarterly net operating income in last two years. Efficiency flat at 45.4%

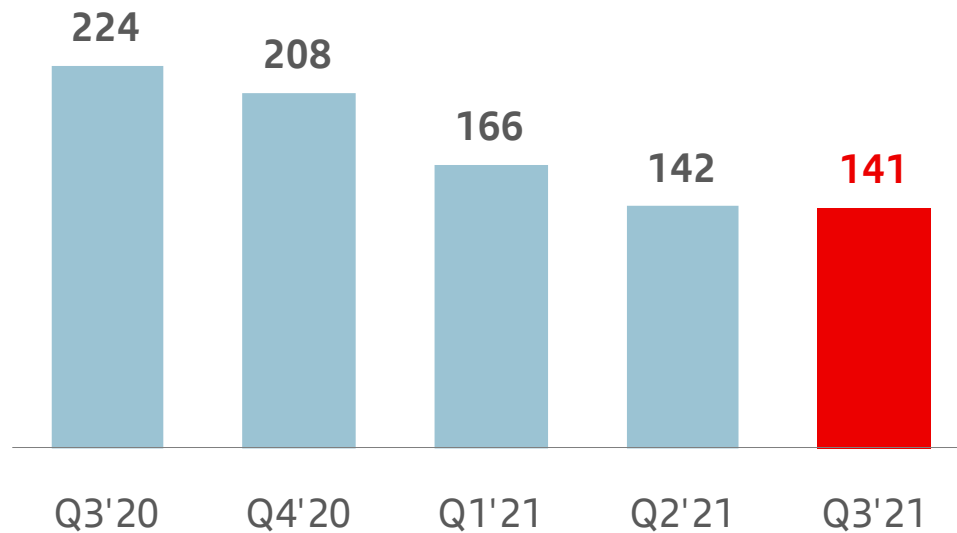
## Net operating income (Constant EUR mn)<sup>1</sup>



	9M'21	9M'20	YoY (%)	QoQ (%)
Total income	3,975	3,835	3.6	5.4
Operating Expenses	(1,805)	(1,741)	3.7	-3.4
<b>Net operating income</b>	<b>2,170</b>	<b>2,094</b>	<b>3.6</b>	<b>13.3</b>
Efficiency ratio *	45.4%	45.4%	-3 bps	

# LLP reduction YoY following covid-19-related provisions in 2020. Positive credit risk performance given current environment, maintaining a high-quality portfolio

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

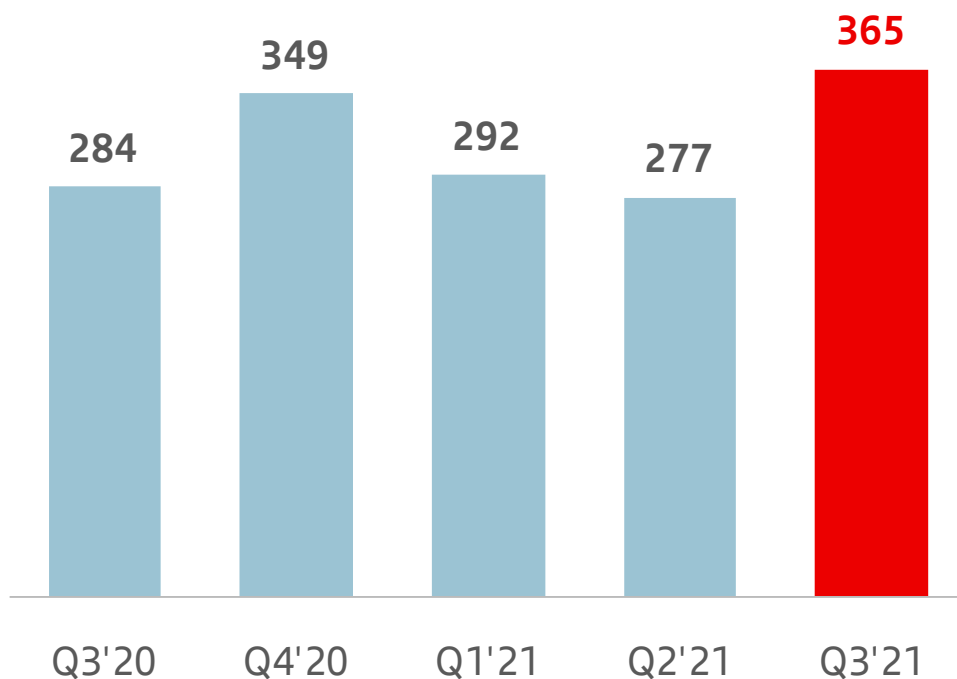


	9M'21	9M'20	YoY (%)	QoQ (%)
Net operating income	2,170	2,094	3.6	13.3
Loan-loss provisions	(449)	(757)	-40.7	-0.4
<b>Net operating income after provisions</b>	<b>1,721</b>	<b>1,337</b>	<b>28.7</b>	<b>16.8</b>

NPL ratio	2.15%	2.29%	-14 bps	-3 bps
Cost of credit <sup>2</sup>	0.57%	0.79%	-22 bps	-7 bps
Coverage ratio	113%	111%	2.3 pp	0.9 pp

# Underlying attributable profit up 17% YoY on the back of net operating income and lower LLPs, both due to improved performance and outlook

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



	9M'21	9M'20	YoY (%)	QoQ (%)
PBT	1,602	1,381	16.0	18.5
Tax on profit	(398)	(363)	9.5	1.6
<b>Consolidated profit</b>	<b>1,204</b>	<b>1,018</b>	<b>18.3</b>	<b>24.5</b>
Minority interests	(269)	(222)	21.4	2.5
<b>Underlying attributable profit</b>	<b>935</b>	<b>796</b>	<b>17.5</b>	<b>31.9</b>

Effective tax rate	24.8%	26.4%	-1.5 pp
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# DCB is delivering profitable results in 2021...

## Financial System

- ▶ **The covid-19 pandemic has caused a significant deterioration in the economic environment backdrop.**
- ▶ As of September 2021, European car registrations grew 7% year-on-year<sup>1</sup> following a year of unprecedented declines across the region (FY2020 decrease of -24%) consequence of the covid-19 pandemic. Despite steep declines continuing in the first two months of the year, a strong Q2 offset the negative trend, but again faltered in Q3 due to microchip shortage (car production bottlenecks). YoY growth in new car registrations as of 9M'21: Italy +21%, Spain +9%, France +8%, the UK+6% and Germany -1%.

## Strategy & Business

- ▶ **Santander Digital Consumer Bank: building on the strong foundation of Santander Consumer Finance and Openbank businesses with the ambition of creating the most innovative consumer lending business in Europe**
  - **SCF is the leader in consumer finance in Europe:** high geographic diversification and critical mass and top positions in core markets. Focused on RoRWA optimization while maintaining strong market positions.
  - **Openbank is Santander's 100% digital bank:** leader among its European competitors in deposits, using an innovative and efficient banking platform built inside Santander.
- ▶ **Strategic priorities:**
  - Strengthening **auto and mobility leadership including leasing, subscription and online distribution**
  - **Gaining market share in consumer lending solutions**, both offline and e-commerce.
  - **Retail:** increase active customers to enhance activity of digital banks while reinforcing deposits franchise.
  - **Cost reduction and simplification**, leveraging Openbank's platform, in order to transform the business and improve efficiency.
- ▶ **New lending in 9M'21 +11% YoY although covid-19 lockdowns had a significant impact at the beginning of the year, but activity in H2 is expected to be at pre-covid levels. The stock of credit fairly stable year-on-year.**

## Results

- ▶ Most of DCB's markets were affected by the impact of the covid-19 pandemic early in the year. Nevertheless, **signs of recovery** in overall business activity as lockdowns across our markets ended.
- ▶ **NII marginally lower YoY** after absorbing activity impacts at the beginning of the year. **Net fee income** increased 9% YoY benefitting from increased activity vs 9M'20 as lockdowns were eased or lifted in most markets.
- ▶ **Costs** increased 4% mainly due to perimeter effect (Sixt, TIMFIN) and investment in our digital transformation.
- ▶ **LLP reduction YoY following covid-19-related provisions in 2020. Positive credit risk performance given current environment:** better cost of credit at 0.57% (low for this type of business) and an NPL ratio of 2.15%.
- ▶ **Underlying attributable profit was EUR 935 mn in 9M'21 (+17% year-on-year).**

# ...doing business in a responsible and sustainable way



## Environmental: supporting the green transition

**Helping customers go green**  
**>33 k electric**  
 vehicles financed in the year to May

Our **green finance offer** includes: financing of electric vehicles, carbon compensation services in all countries, financing of electric chargers, solar panels, green heating systems...

**Going green ourselves**  
**SEK 1,500 mn** **Carbon Neutral**  
 green bond issued in our own operations

First workshop with Technical **University of Munich** in the **3-year research** project that will investigate the **future of mobility** and Car Ownership and how a greener attitude will affect car ownership and finance



## Social: building a more inclusive society

**Talented & diverse team**  
 Top Employer in **6** geographies **c. 20%** women in leadership positions

**Gender diversity** considered in talent succession plans to improve Women in Senior Positions metric in the 2020 – 2025 period

**Financially empowering people**  
**>50 k** people in H1'21

**Supporting society**  
**>21 k** people helped in H1'21 **1.8 k** scholarships granted in H1'21



## Governance: doing business the right way

**A strong culture**  
 Simple, Personal, Fair

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

**An independent, diverse Board**  
**20%** Independent directors  
**27%** women on Board  
**Governance embedded** to deliver on **ESG**

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# Balance sheet

Constant EUR million <sup>1</sup>	Sep-21	Sep-20	Variation	
			Amount	%
Loans and advances to customers	111,667	112,224	(557)	(0.5)
Cash, central banks and credit institutions	29,690	20,761	8,929	43.0
Debt instruments	5,117	5,589	(471)	(8.4)
Other financial assets	46	34	12	35.5
Other asset accounts	6,700	6,494	206	3.2
<b>Total assets</b>	<b>153,221</b>	<b>145,102</b>	<b>8,119</b>	<b>5.6</b>
Customer deposits	54,396	50,639	3,757	7.4
Central banks and credit institutions	46,553	39,914	6,640	16.6
Marketable debt securities	34,259	36,300	(2,041)	(5.6)
Other financial liabilities	1,447	1,673	(226)	(13.5)
Other liabilities accounts	4,335	4,124	211	5.1
<b>Total liabilities</b>	<b>140,990</b>	<b>132,650</b>	<b>8,341</b>	<b>6.3</b>
<b>Total equity</b>	<b>12,231</b>	<b>12,452</b>	<b>(222)</b>	<b>(1.8)</b>
<b>Other managed customer funds</b>	<b>2,974</b>	<b>1,017</b>	<b>1,957</b>	<b>192.3</b>
Mutual funds	2,232	570	1,662	291.4
Pension funds	—	—	—	—
Managed portfolios	742	447	295	66.0

## Income statement

Constant EUR million <sup>1</sup>	9M'21	9M'20	Change	
			Amount	%
Net interest income	3,207	3,211	(3)	(0.1)
Net fee income	616	567	50	8.8
Gains (losses) on financial transactions	7	(2)	9	—
Other operating income	144	60	84	140.2
<b>Total income</b>	<b>3,975</b>	<b>3,835</b>	<b>139</b>	<b>3.6</b>
Operating expenses	(1,805)	(1,741)	(64)	3.7
<b>Net operating income</b>	<b>2,170</b>	<b>2,094</b>	<b>76</b>	<b>3.6</b>
Net loan-loss provisions	(449)	(757)	308	(40.7)
Other gains (losses) and provisions	(119)	43	(163)	—
<b>Underlying profit before tax</b>	<b>1,602</b>	<b>1,381</b>	<b>221</b>	<b>16.0</b>
Tax on profit	(398)	(363)	(34)	9.5
<b>Underlying profit from continuing operations</b>	<b>1,204</b>	<b>1,018</b>	<b>187</b>	<b>18.3</b>
Net profit from discontinued operations	—	0	(0)	(100.0)
<b>Underlying consolidated profit</b>	<b>1,204</b>	<b>1,018</b>	<b>187</b>	<b>18.3</b>
Non-controlling interests	(269)	(222)	(47)	21.4
<b>Underlying attributable profit to the parent</b>	<b>935</b>	<b>796</b>	<b>139</b>	<b>17.5</b>

# Quarterly income statements

Constant EUR million <sup>1</sup>	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21
Net interest income	1,086	1,067	1,058	1,084	1,057	1,072	1,078
Net fee income	192	164	211	205	188	206	222
Gains (losses) on financial transactions	(12)	3	7	17	8	1	(3)
Other operating income	23	(6)	43	58	51	20	73
<b>Total income</b>	<b>1,289</b>	<b>1,227</b>	<b>1,319</b>	<b>1,364</b>	<b>1,305</b>	<b>1,300</b>	<b>1,370</b>
Operating expenses	(595)	(557)	(589)	(600)	(601)	(612)	(592)
<b>Net operating income</b>	<b>694</b>	<b>670</b>	<b>730</b>	<b>764</b>	<b>705</b>	<b>687</b>	<b>778</b>
Net loan-loss provisions	(331)	(202)	(224)	(208)	(166)	(142)	(141)
Other gains (losses) and provisions	40	23	(20)	7	(31)	(45)	(43)
<b>Underlying profit before tax</b>	<b>404</b>	<b>491</b>	<b>486</b>	<b>562</b>	<b>507</b>	<b>501</b>	<b>594</b>
Tax on profit	(107)	(130)	(126)	(134)	(135)	(130)	(133)
<b>Underlying profit from continuing operations</b>	<b>297</b>	<b>361</b>	<b>360</b>	<b>428</b>	<b>372</b>	<b>370</b>	<b>461</b>
Net profit from discontinued operations	—	—	0	(0)	—	—	—
<b>Underlying consolidated profit</b>	<b>297</b>	<b>361</b>	<b>360</b>	<b>428</b>	<b>372</b>	<b>370</b>	<b>461</b>
Non-controlling interests	(63)	(83)	(76)	(79)	(80)	(93)	(96)
<b>Underlying attributable profit to the parent</b>	<b>234</b>	<b>278</b>	<b>284</b>	<b>349</b>	<b>292</b>	<b>277</b>	<b>365</b>

# Thank You.

Our purpose is to help people and businesses prosper.

Our culture is based on believing that everything we do should be:

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