



Spain



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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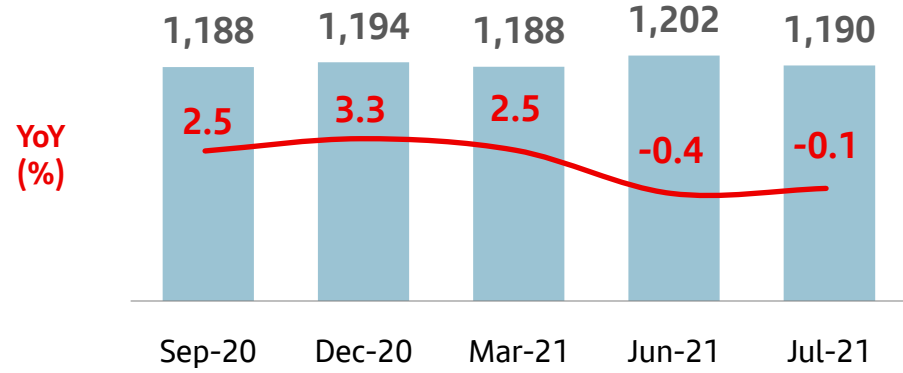
**Appendix**



# Loan growth remained negative in the Spanish market

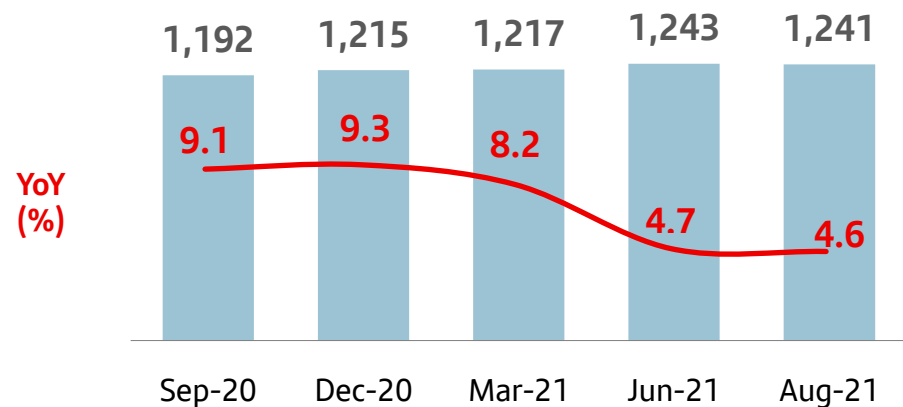


## Total loans (EUR bn)



- ▶ Stock of loans performed negatively mainly due to **asset-backed loans** (primarily mortgages) which decreased volumes by EUR 5.9 bn on a yearly basis (data as of July).
- ▶ On the other hand, **commercial loans** grew by EUR 3 bn for the same period, supported by new business and refinancing. As global trade remains uncertain for Spanish dealers, FX lending still contracting (-10% YoY).

## Total deposits (EUR bn)



- ▶ Structural trends for **deposits** remained active, as **time deposits** decreased driven by lower for longer interest rates, while **demand deposits** grew, but slowed its growth rate due to seasonal effects.

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# Santander España is focused on creating a better bank where our customers and people feel a deep connection to Santander while delivering sustainable value to all stakeholders

KEY DATA	9M'21	YoY Var.
 Customer loans <sup>1</sup>	EUR 199.6 bn	+0.3%
 Customer funds <sup>2</sup>	EUR 335.6 bn	+6.0%
 Underlying att. Profit	EUR 730 mn	+47.0%
 Underlying RoTE	6.5%	+2.3 pp
 Efficiency ratio	47.3%	-575 bps
 Loans market share <sup>3</sup>	17.2%	-36 bps
 Deposits market share <sup>3</sup>	17.9%	-56 bps
 Loyal customers	2.8 mn	+6.4%
 Digital customers	5.3 mn	+3.3%
 Branches	1,948	-37.4%
 Employees	23,038	-14.8%



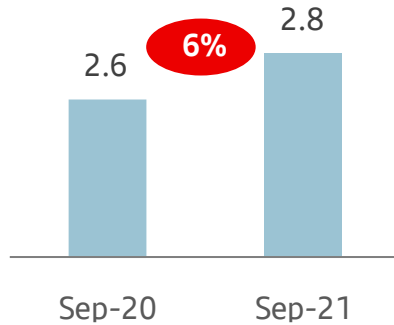
## STRATEGIC PRIORITIES

- ▶ Deliver the best experience to all our customers across all channels
- ▶ Achieve profitable growth through differentiated strategies for each of our businesses
- ▶ Simplify and automate our operations, technology and value proposition to enhance operational excellence
- ▶ Leverage our scale across One Europe to grow our business and build a common operating model
- ▶ Continue contributing to the economic recovery supporting our customers



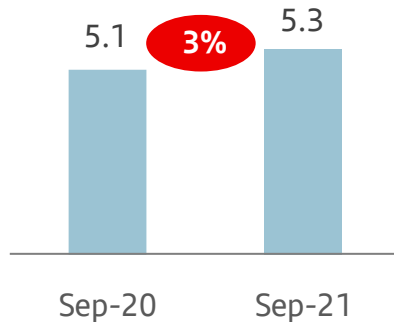
# Sustained loyalty growth, driven by enhanced service quality and digital offering

## Loyal customers (mn)



**Loyal / Active: 36% (+3 pp YoY)**

## Digital customers (mn)



**Digital sales / total<sup>1</sup>: 41% (+8 pp YoY)**

- ▶ Continued growth in loyal customers, mainly driven by the following levers:
  - ▶ Transactionality: increasing our positioning in PoS (+159 bps market share<sup>1</sup>) with a +40% YoY growth in turnover. Additionally, 16% YoY increase in cards turnover
  - ▶ Insurance business: sustained double-digit growth (+54% YoY), with high-performance in life, home, health and auto
  - ▶ Funds: continued positive trend over the last 6 quarters, increasing our portfolio by 18% YoY
  
- ▶ Consolidated leadership position in Aqmetrix Q3'21 as the best in all functionality and performance rankings, both in online banking and best app for individuals and SMEs
- ▶ Sustained growth of digital sales, reaching 41% of total sales, mainly driven by UPLs, commercial lending and deferrals of card payments
- ▶ Continued enhancing digital customer experience with innovative processes, such as Santander Key to confirm Bizum and online payments which is being used for >70 k operations a day
- ▶ Continue evolving our digital capabilities, such a new UPL process, investment funds transfer in only 3-steps and an increased number of digitalized documents (DNI, FATCA CRS ...)

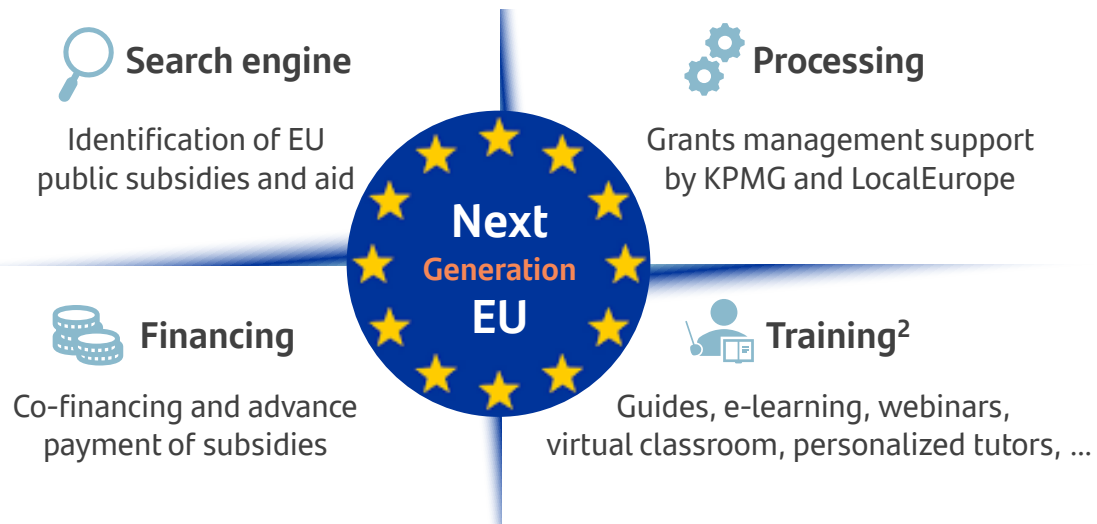




# Santander España is committed to supporting its customers in their post-covid-19 recovery and maximizing the opportunity coming from Next Generation EU funds

## Contributing to build the future of Spain and the EU...

**Unique platform** to offer a 360° service for **Next generation EU funds**, for customers and non-customers



### Main metrics <sup>1</sup>

> <b>110 k</b> visits	> <b>7.7 k</b> users registered	> <b>500</b> Requests received
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## ... while supporting our customers to overcome the crisis

**ICO financing:** ~EUR 32.4 bn ICO-guaranteed financing still outstanding, ~47% with 1-year grace period extension granted

**Commercial lending:** recovering to pre-covid levels, mainly driven by Factoring (+58% YoY) and Confirming (+17% YoY)

## Continued strong commercial dynamism in individuals

**Residential mortgage:** +117% YoY activity growth and +334 bps YTD in market share<sup>3</sup>, reaching a new monthly production record over the last 3 years

**UPLs:** +55% YoY growth in activity and +304 bps YTD in market share<sup>3</sup>, reaching monthly highs since Jan-20

**Private Banking:** strengthening our leadership, ~EUR 665 mn growth YTD in credits & loans and ~EUR 10.3 bn YTD in AuM



# Further embedding ESG to build a more responsible bank



## Environmental: supporting the green transition

### Helping customers go green

- Green finance**
  - #1 Financing renewable projects<sup>1</sup>
  - Renewables
  - Green Buildings
  - Clean mobility
  - Sustainable Agro
- EUR >5 bn<sup>2</sup>**
- AuM SAM ESG Funds**

### Going green ourselves

> 270 k trees

contributing to social and environmental impact reforestation in Spain (Project Motor Verde)

**100%** renewable energy      Single-use **plastic free**



## Social: building a more inclusive society

### Talented & diverse team

**1.6 k** participants in our mentoring platform: **Mujeres con S**      **26%** women in leadership positions

### Financially empowering people

**>350 k<sup>2</sup>** people since 2019      **The Banker** Most innovative entity in financial inclusion Award

### Supporting society

**>1.2 mn** people helped since 2019      **>76 k<sup>2</sup>** scholarships granted since 2019



## Governance: doing business the right way

### A strong culture

Simple, Personal, Fair  
**Ethical Channel** channel

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

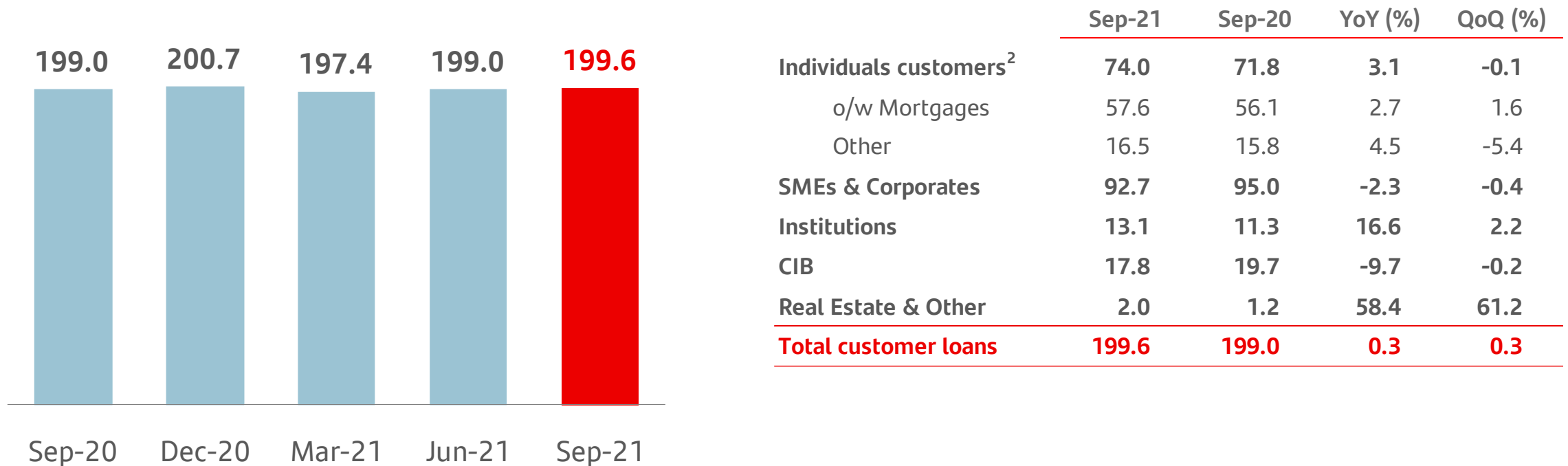
### An independent, diverse Board

**20%** women on Board  
**Governance embedded** to deliver on **ESG**



## Our attractive commercial offer for individuals, especially in mortgages (+EUR 1.5 bn), partially offset deleveraging in private firm

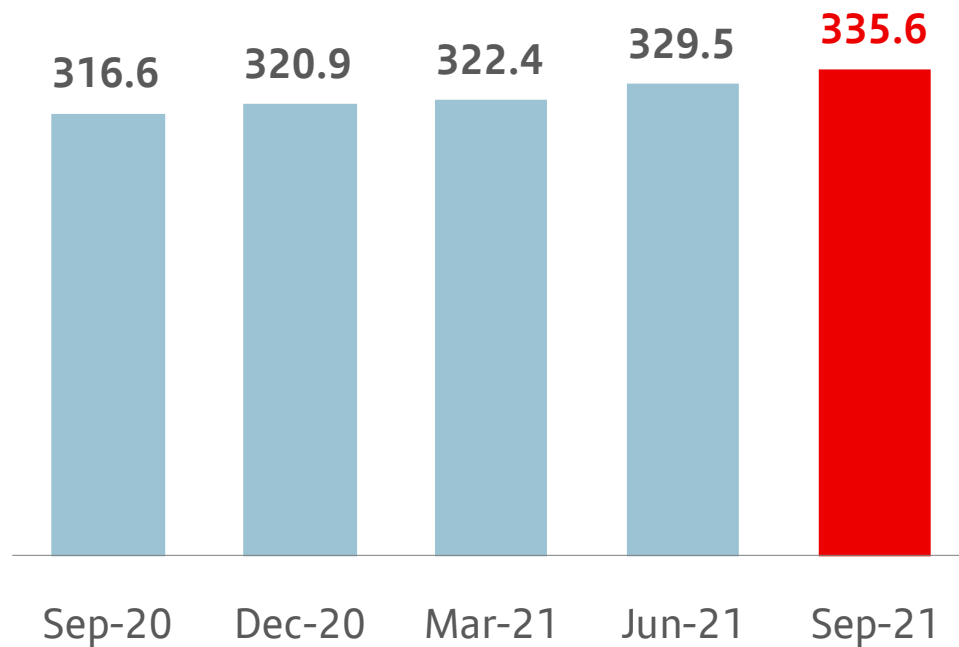
### Total customer loans<sup>1</sup> (EUR bn)



Customer funds grew 6% YoY, mainly due to demand deposits (+6%) and mutual funds (+18%), driven by sustained net positive inflows in the last 6 quarters



### Total customer funds (EUR bn)



	Sep-21	Sep-20	YoY (%)	QoQ (%)
Demand	232.7	218.8	6.4	3.2
Time	24.8	31.6	-21.5	-10.7
<b>Total deposits</b>	<b>257.5</b>	<b>250.4</b>	<b>2.8</b>	<b>1.7</b>
Mutual Funds	78.2	66.2	18.0	2.5
<b>Total customer funds</b>	<b>335.6</b>	<b>316.6</b>	<b>6.0</b>	<b>1.9</b>

Additionally, the Bank includes Pension Funds as assets under management, EUR 14.4 bn in September 21, +EUR 720 mn YoY

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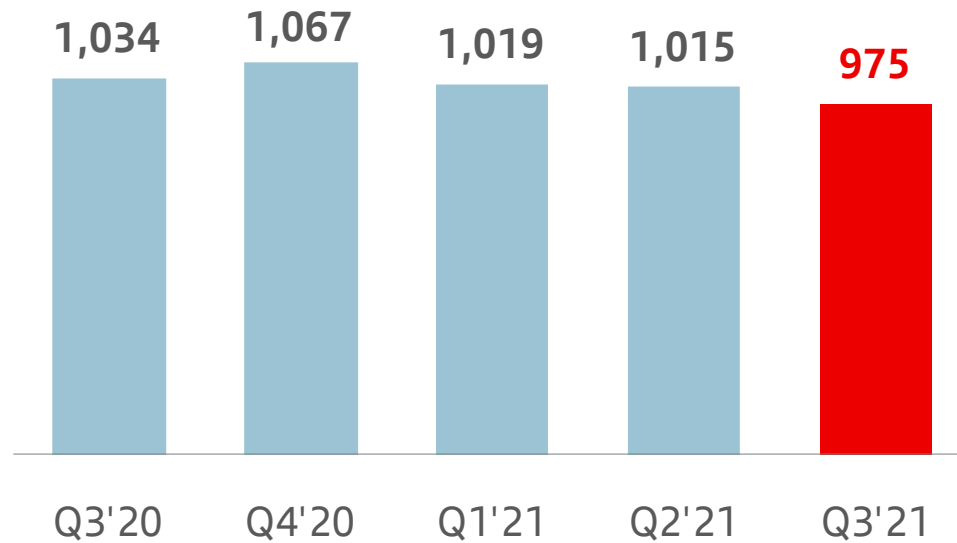
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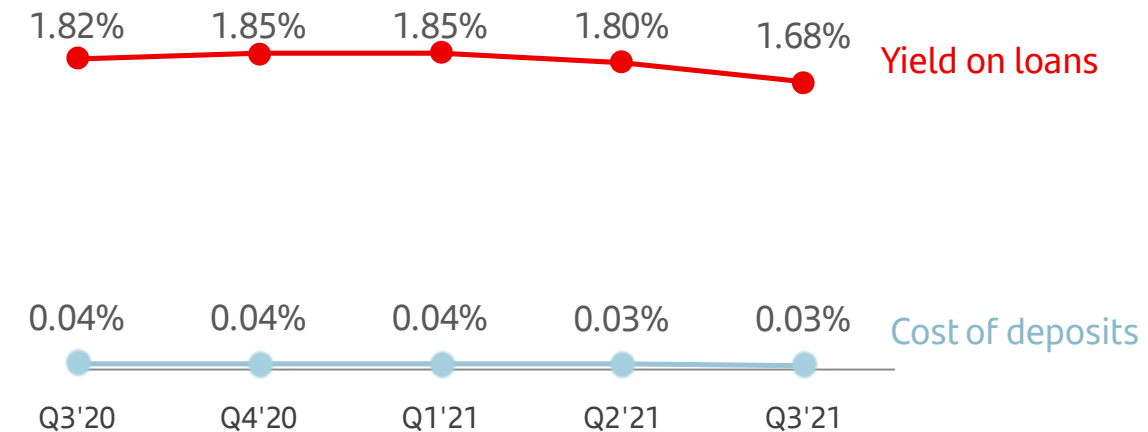
## The Spanish banking environment, with negative rates in a mature and highly competitive market was reflected in the NII evolution in the quarter

### Net interest income (EUR mn)



NIM <sup>1</sup>				
1.17%	1.21%	1.16%	1.14%	1.09%
Central Bank interest rate				
0.00%	0.00%	0.00%	0.00%	0.00%

### Yields and costs (%)

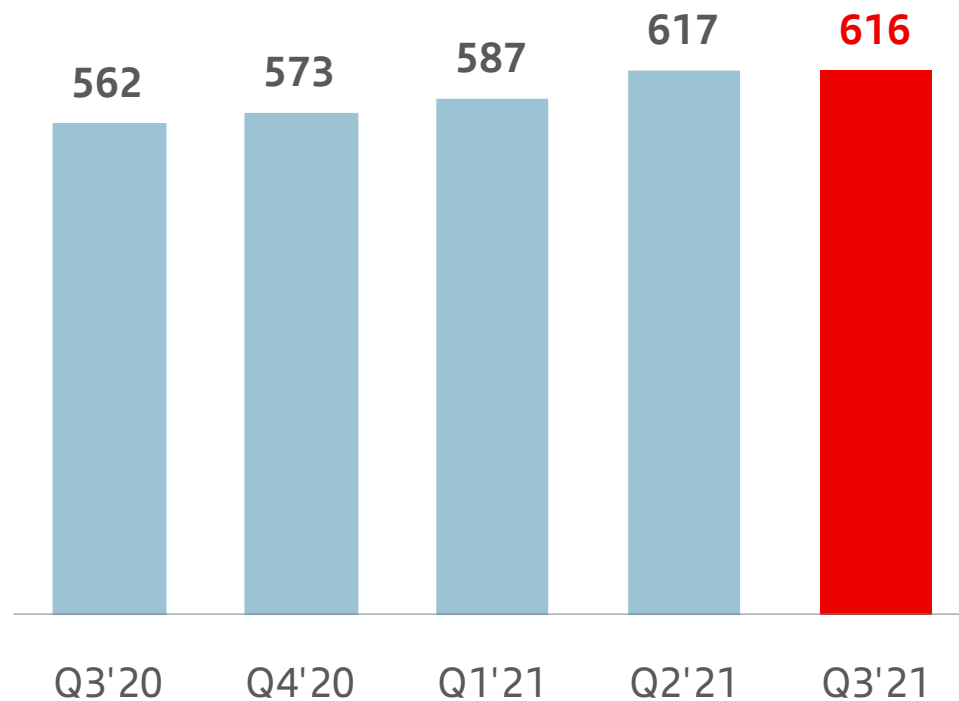


Differential				
178 bps	181 bps	181 bps	176 bps	165 bps



Net fee income QoQ was affected by seasonality in retail products. On a YoY, basis growth is explained by transactionally, insurance and mutual funds

### Net fee income (EUR mn)

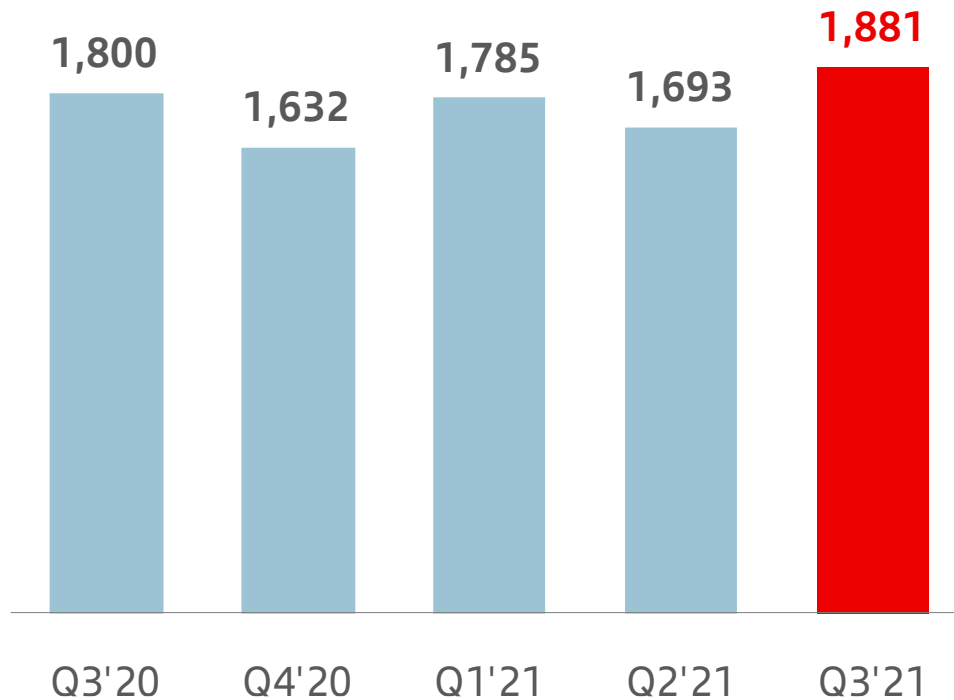


	9M'21	9M'20	YoY (%)	QoQ (%)
<b>Transactional fees</b>	<b>347</b>	<b>290</b>	<b>19.9</b>	<b>-19.5</b>
Investment and pension funds	656	612	7.2	-0.5
Insurance	231	179	29.1	-2.1
Payments and Other fees <sup>1</sup>	338	414	-18.3	5.3
<b>Total Retail</b>	<b>1,573</b>	<b>1,494</b>	<b>5.3</b>	<b>-4.0</b>
CIB & Other (FN)	248	246	0.8	28.2
<b>Total net fee income</b>	<b>1,821</b>	<b>1,740</b>	<b>4.6</b>	<b>-0.1</b>



# Total income recovered to pre-pandemic levels in the quarter and continued YoY growth

**Total income (EUR mn)**



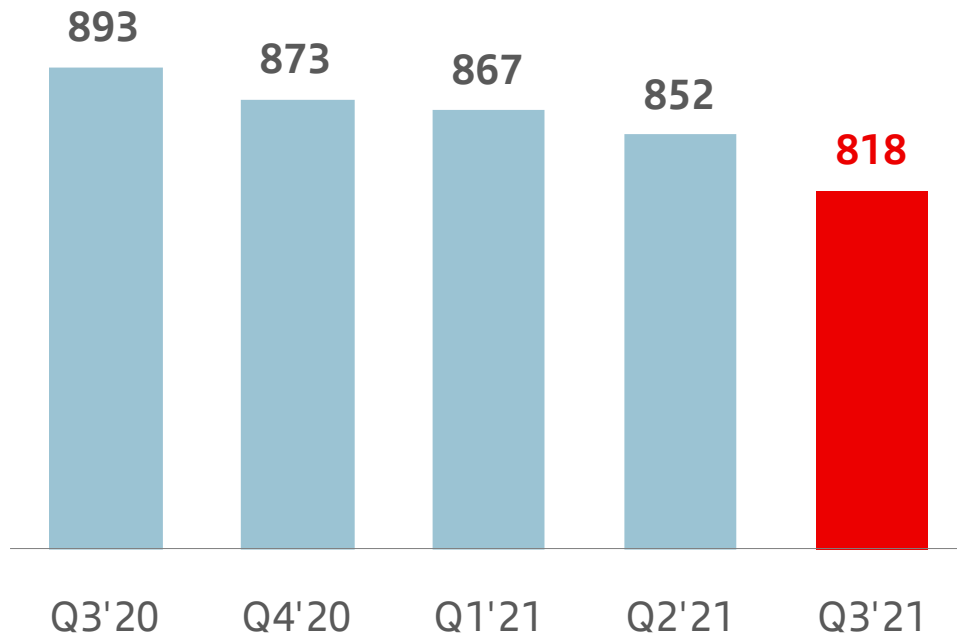
	9M'21	9M'20	YoY (%)	QoQ (%)
Net interest income	3,009	2,890	4.1	-3.9
Net fee income	1,821	1,740	4.6	-0.1
<b>Customer revenue</b>	<b>4,830</b>	<b>4,630</b>	<b>4.3</b>	<b>-2.4</b>
Other <sup>1</sup>	529	520	1.8	-
<b>Total income</b>	<b>5,359</b>	<b>5,150</b>	<b>4.1</b>	<b>11.1</b>





## Our cost reduction plans remained on track, reflected in the quarterly (-4%) and yearly (-7%) reductions

### Operating expenses (EUR mn)



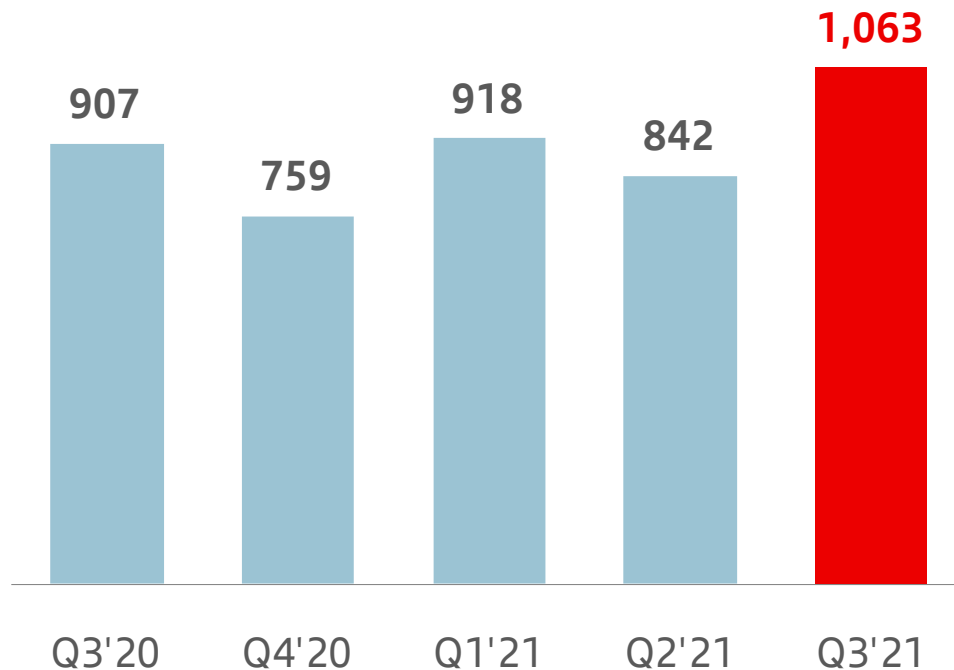
	9M'21	9M'20	YoY (%)	QoQ (%)
<b>Operating Expenses</b>	<b>2,537</b>	<b>2,734</b>	<b>-7.2</b>	<b>-4.0</b>

Branches (#)	1,948	3,110	-37.4	0.1
Employees (#)	23,038	27,053	-14.8	-2.7



# Net operating income grew at double digits, supported on the execution of our efficiency plans

## Net operating income (EUR mn)

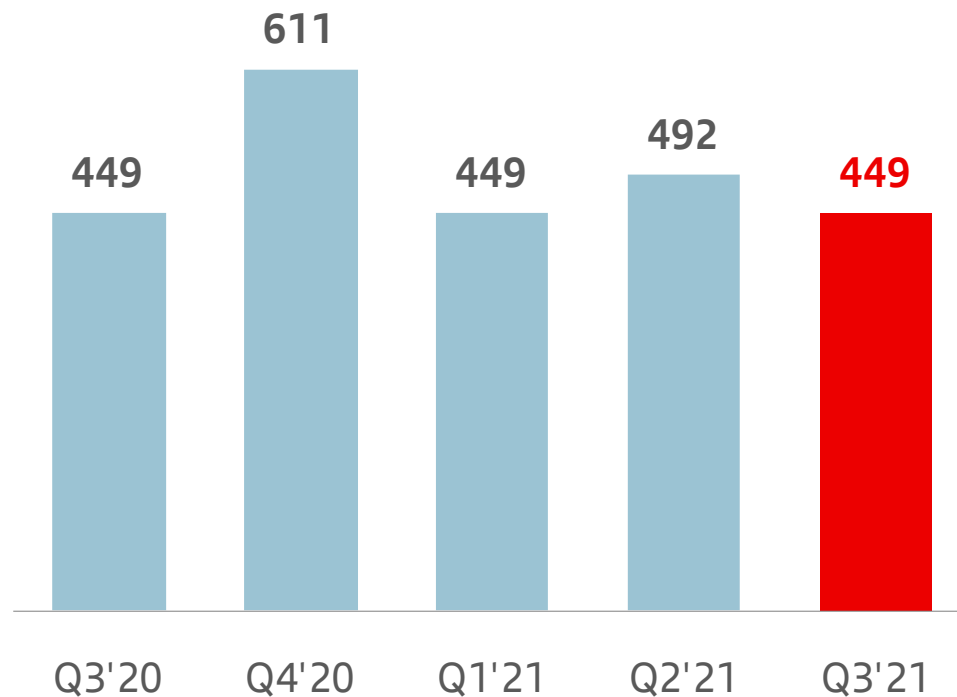


	9M'21	9M'20	YoY (%)	QoQ (%)
Total income	5,359	5,150	4.1	11.1
Operating Expenses	(2,537)	(2,734)	-7.2	-4.0
<b>Net operating income</b>	<b>2,822</b>	<b>2,417</b>	<b>16.8</b>	<b>26.3</b>
Efficiency ratio	47.3%	53.1%	-575 bps	



Backed by our great operating performance, we maintained a cautious approach to risk management to face uncertainty around economic recovery in the coming quarters

### Net LLPs (EUR mn)



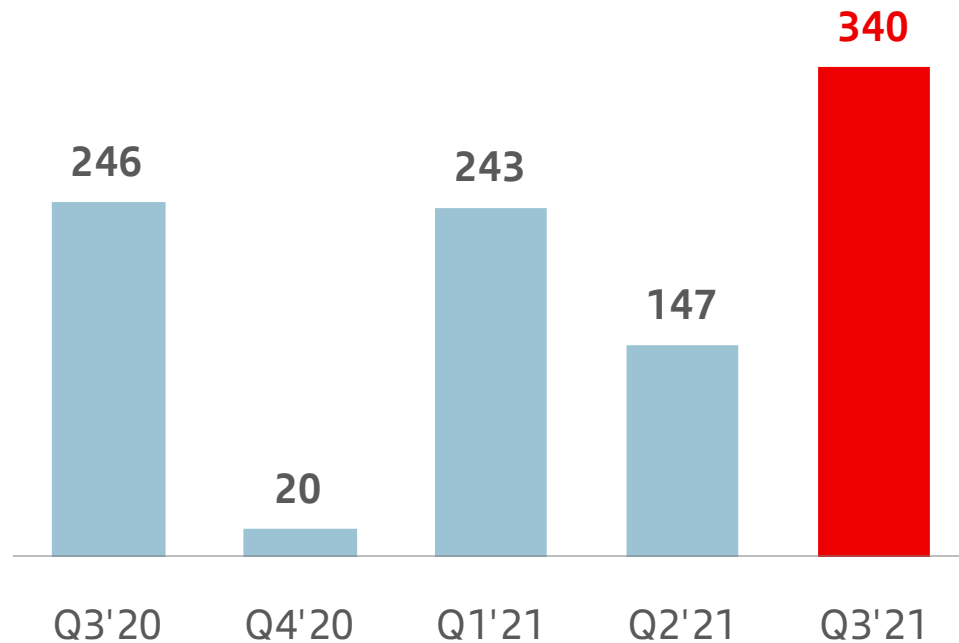
	9M'21	9M'20	YoY (%)	QoQ (%)
Net operating income	2,822	2,417	16.8	26.3
Loan-loss provisions	(1,390)	(1,390)	0.0	-8.7
<b>Net operating income after provisions</b>	<b>1,433</b>	<b>1,027</b>	<b>39.6</b>	<b>75.7</b>

NPL ratio	5.99%	5.98%	1 bp	-23 bps
Cost of credit <sup>1</sup>	1.01%	0.80%	21 bps	0 bps
Coverage ratio	49%	46%	2.8 pp	2.8 pp



# Underlying profit soared based on our excellent operating performance

## Underlying Attributable Profit (EUR mn)



	9M'21	9M'20	YoY (%)	QoQ (%)
PBT	995	696	42.9	123.7
Tax on profit	(265)	(200)	32.7	-
<b>Consolidated profit</b>	<b>730</b>	<b>496</b>	<b>47.1</b>	<b>130.7</b>
Minority interests	0	0	-15.7	-93.7
<b>Underlying attributable profit</b>	<b>730</b>	<b>497</b>	<b>47.0</b>	<b>130.5</b>

Effective tax rate	26.6%	28.7%	-2.1 pp
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# Uncertainty on recovery restrains volumes

## Financial System

- ▶ The stock of **loans performed negatively** mainly due to asset-backed loans (primarily mortgages). Commercial loans grew by EUR 3 bn supported by new business and refinancing. FX lending still contracting (-10% YoY)
- ▶ **Structural trends for time deposits** continued, decreasing volumes on the back of lower for longer interest rates. Demand deposits slowed their growth rate, affected by seasonality

## Strategy & Business

- ▶ We are focused on delivering the **best experience** to all our customers across all channels, including new ones, which will support our new distribution model
- ▶ In a complex environment, our purpose is to **continue contributing to the economic recovery** supporting our customers
- ▶ To achieve this, we continue to **simplify and automate our operations**, technology and value proposition to enhance operational excellence
- ▶ Leverage our scale across One Europe to grow our business and build a **common operating model**
- ▶ Delivering all the above with **profitable growth** through differentiated strategies for each of our businesses

## Results

- ▶ Negative rates and a highly competitive market drove a decrease in **NII**. **Fee income** boosted by the normalization of economic activity following the pandemic in 2020
- ▶ **Efficiency programme** remained well on track, reflected in the quarterly and yearly dynamics
- ▶ We **maintained a cautious approach to LLPs** in order to face uncertainties surrounding the economic recovery with a stronger balance sheet
- ▶ **Underlying profit soared 47% YoY** based on our excellent operating performance. On the quarterly comparison, profit doubled, boosted by the SRF contribution recorded in Q2 and continued cost reductions

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# Balance sheet

EUR million	Sep-21	Sep-20	Change	
			Amount	%
Loans and advances to customers	193,129	192,894	235	0.1
Cash, central banks and credit institutions	133,062	112,338	20,724	18.4
Debt instruments	15,869	21,766	(5,897)	(27.1)
Other financial assets	2,459	2,571	(113)	(4.4)
Other asset accounts	17,644	22,727	(5,084)	(22.4)
<b>Total assets</b>	<b>362,161</b>	<b>352,296</b>	<b>9,866</b>	<b>2.8</b>
Customer deposits	257,488	250,369	7,120	2.8
Central banks and credit institutions	50,581	47,536	3,045	6.4
Marketable debt securities	25,840	26,141	(301)	(1.2)
Other financial liabilities	8,604	7,858	745	9.5
Other liabilities accounts	4,046	4,012	35	0.9
<b>Total liabilities</b>	<b>346,559</b>	<b>335,916</b>	<b>10,643</b>	<b>3.2</b>
<b>Total equity</b>	<b>15,602</b>	<b>16,380</b>	<b>(778)</b>	<b>(4.7)</b>
<b>Other managed customer funds</b>	<b>106,047</b>	<b>90,464</b>	<b>15,583</b>	<b>17.2</b>
Mutual funds	78,158	66,228	11,930	18.0
Pension funds	14,404	13,684	720	5.3
Managed Portfolios	13,486	10,552	2,933	27.8





## Income statement

EUR million	9M'21	9M'20	Variation	
			Amount	%
Net interest income	3,009	2,890	119	4.1
Net fee income	1,821	1,740	80	4.6
Gains (losses) on financial transactions	351	601	(249)	(41.5)
Other operating income	178	(80)	259	-
<b>Total income</b>	<b>5,359</b>	<b>5,150</b>	<b>209</b>	<b>4.1</b>
Operating expenses	(2,537)	(2,734)	197	(7.2)
<b>Net operating income</b>	<b>2,822</b>	<b>2,417</b>	<b>406</b>	<b>16.8</b>
Net loan-loss provisions	(1,390)	(1,390)	0	(0.0)
Other gains (losses) and provisions	(438)	(331)	(107)	32.4
<b>Underlying profit before tax</b>	<b>995</b>	<b>696</b>	<b>299</b>	<b>42.9</b>
Tax on profit	(265)	(200)	(65)	32.7
<b>Underlying profit from continuing operations</b>	<b>730</b>	<b>496</b>	<b>234</b>	<b>47.1</b>
Net profit from discontinued operations	—	—	—	-
<b>Underlying consolidated profit</b>	<b>730</b>	<b>496</b>	<b>234</b>	<b>47.1</b>
Non-controlling interests	0	0	(0)	(15.7)
<b>Underlying attributable profit to the parent</b>	<b>730</b>	<b>497</b>	<b>233</b>	<b>47.0</b>



## Quarterly income statements

EUR million

	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21
Net interest income	925	931	1,034	1,067	1,019	1,015	975
Net fee income	643	535	562	573	587	617	616
Gains (losses) on financial transactions	156	250	194	180	132	123	95
Other operating income	64	(154)	10	(188)	45	(62)	194
<b>Total income</b>	<b>1,789</b>	<b>1,562</b>	<b>1,800</b>	<b>1,632</b>	<b>1,785</b>	<b>1,693</b>	<b>1,881</b>
Operating expenses	(944)	(896)	(893)	(873)	(867)	(852)	(818)
<b>Net operating income</b>	<b>844</b>	<b>665</b>	<b>907</b>	<b>759</b>	<b>918</b>	<b>842</b>	<b>1,063</b>
Net loan-loss provisions	(628)	(313)	(449)	(611)	(449)	(492)	(449)
Other gains (losses) and provisions	(104)	(115)	(112)	(128)	(129)	(147)	(162)
<b>Underlying profit before tax</b>	<b>112</b>	<b>237</b>	<b>346</b>	<b>20</b>	<b>340</b>	<b>202</b>	<b>453</b>
Tax on profit	(22)	(77)	(100)	1	(97)	(55)	(113)
<b>Underlying profit from continuing operations</b>	<b>90</b>	<b>160</b>	<b>246</b>	<b>20</b>	<b>243</b>	<b>147</b>	<b>340</b>
Net profit from discontinued operations	—	—	—	—	—	—	—
<b>Underlying consolidated profit</b>	<b>90</b>	<b>160</b>	<b>246</b>	<b>20</b>	<b>243</b>	<b>147</b>	<b>340</b>
Non-controlling interests	(0)	0	0	(0)	0	0	0
<b>Underlying attributable profit to the parent</b>	<b>90</b>	<b>161</b>	<b>246</b>	<b>20</b>	<b>243</b>	<b>147</b>	<b>340</b>

# 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



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