

Mexico 

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). 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.

Forward-looking statements

Santander advises that this presentation contains “forward-looking statements” as per the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements may be identified by words like “expect”, “project”, “anticipate”, “should”, “intend”, “probability”, “risk”, “VaR”, “RoRAC”, “RoRWA”, “TNAV”, “target”, “goal”, “objective”, “estimate”, “future” and similar expressions. Found throughout this presentation, they include (but are not limited to) statements on our future business development, economic performance and shareholder remuneration policy. However, a number of risks, uncertainties and other important factors may cause actual developments and results to differ materially from our expectations. The following important factors, in addition to others discussed elsewhere in this presentation, could affect our future results and could cause materially different outcomes from those anticipated in forward-looking statements: (1) general economic or industry conditions of areas where we have significant operations or investments (such as a worse economic environment; higher volatility in the capital markets; inflation or deflation; changes in demographics, consumer spending, investment or saving habits; and the effects of the COVID-19 pandemic in the global economy); (2) exposure to various market risks (particularly interest rate risk, foreign exchange rate risk, equity price risk and risks associated with the replacement of benchmark indices); (3) potential losses from early repayments on our loan and investment portfolio, declines in value of collateral securing our loan portfolio, and counterparty risk; (4) political stability in Spain, the United Kingdom, other European countries, Latin America and the US (5) changes in legislation, regulations, taxes, including regulatory capital and liquidity requirements, especially in view of the UK exit of the European Union and increased regulation in response to financial crisis; (6) our ability to integrate successfully our acquisitions and related challenges that result from the inherent diversion of management’s focus and resources from other strategic opportunities and operational matters; and (7) changes in our access to liquidity and funding on acceptable terms, in particular if resulting from credit spreads shifts or downgrade in credit ratings for the entire group or significant subsidiaries.

Important Information

Numerous factors could affect our future results and could cause those results deviating 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.

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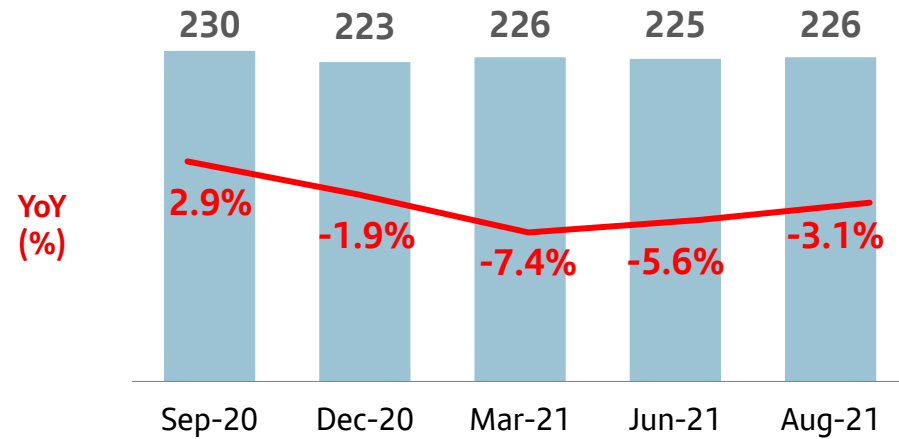
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Marginal sequential growth in deposits while contraction in loan growth continues, but at a slower pace

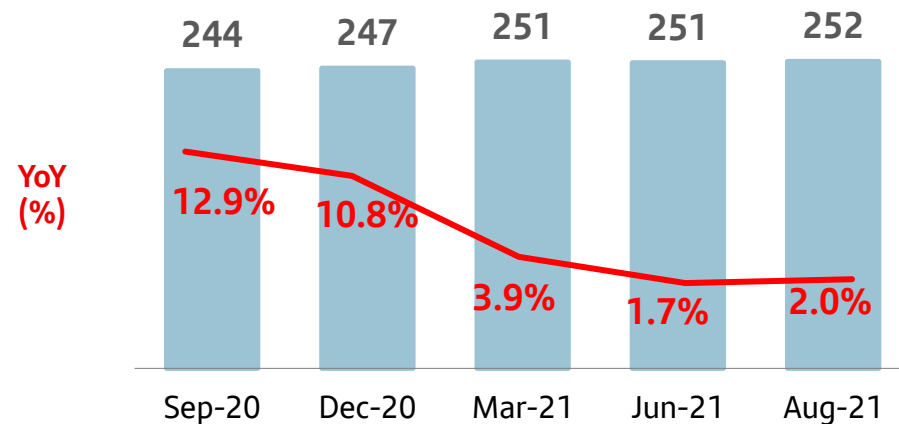


Total loans (Constant EUR bn¹)



- ▶ Decline in system loan volumes in most segments, except mortgages and government
- ▶ Consumer loans remain weak, but trend still improving

Total deposits (Constant EUR bn¹)



- ▶ Slower system deposit growth reflects a base effect from a heightened need for liquidity among households and companies in Sep-20
- ▶ Low-rate environment drove growth in demand deposits (+9.2% YoY), while term deposits still reflect a strong decline (-13.7% YoY)

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Santander México: one of the leading financial groups in the country

KEY DATA	9M'21	YoY Var. ⁴
 Customer loans ¹	EUR 31.8 bn	-2.1%
 Customer funds ²	EUR 43.1 bn	+4.7%
 Underlying att. Profit	EUR 602 mn	+0.9%
 Underlying RoTE	13.6%	-1.6 pp
 Efficiency ratio	44.2%	+325 bps
 Loans market share ³	13.3%	+2 bps
 Deposits market share ³	12.9%	-59 bps
 Loyal customers	3.8 mn	+11.0%
 Digital customers	5.3 mn	+11.5%
 Branches	1,374	-3.9%
 Employees	27,027	+24.1%



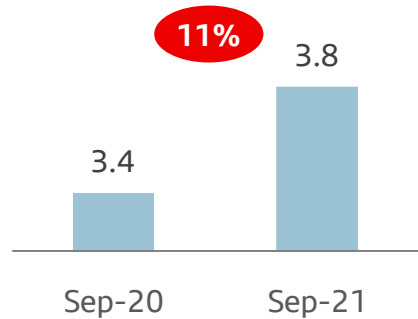
STRATEGIC PRIORITIES

- ▶ To become the leading bank in terms of customer experience, leveraging new tools and process improvement
- ▶ Maintain strong growth rates in loyal customers, as well as increase presence in high-potential businesses
- ▶ Strengthen our corporate business to maintain our position as market leaders in value-added products
- ▶ Accelerate technological transformation and digitalization, by increasing our capabilities to improve the operating model, IT performance and information security



Expanding loyal and digital customers, further strengthening our retail franchise

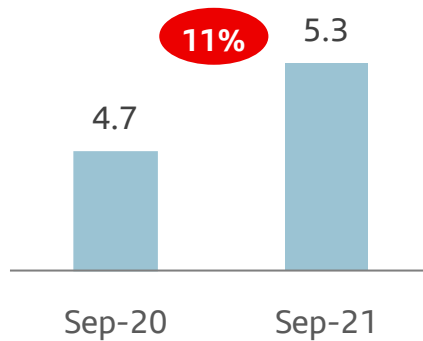
Loyal customers (mn)



Loyal / Active: 40% (+4 pp YoY)

- ▶ Maintain strong focus on increasing loyalty, while attracting new customers through innovative products such as *Hipoteca Plus*
- ▶ Loyal individuals: +11% YoY leveraging our large number of products
- ▶ Improved customer experience: Redesigned the loyalty website, with improvements in user experience, look and feel and SEO / SEM strategy.

Digital customers (mn)



Digital sales / total¹: 51% (+13 pp YoY)

- ▶ Improved digital onboarding process in branches and optimization in our digital adoption marketing campaigns
- ▶ Mobile customers up 13% YoY
- ▶ 64% of credit card bill payments were through digital channels as of Sep-21
- ▶ Digital sales reached 54% of total sales in Q3'21
- ▶ Launch of LikeU a credit card with a fully online contracting process



Driving innovation and attracting customers

Auto finance

Auto financing through "Super Auto Santander" together with commercial alliances with strategic partners enable further penetration of the auto loan market

~10% market share reached in Aug-21 vs. 2.9% in Aug-20 Becoming the **#4** player in the market



Distribution model

Shift to an omni-channel banking experience to attract and retain customers

Improved value proposition of our collections and payments business by including new commercial alliances with the main convenience store chains, with more than **28,000 points of service**



Mortgages

HIPOTECA PLUS

Hipoteca
FREE

The only bank in Mexico to offer a tailored interest rate based on the customer's profile

Strong performance of *Hipoteca Plus*, accounted for **57%** of **mortgage new lending** as of Sep-21. *Hipoteca Plus* rewards new loyal customers who keep their payrolls and other financial products with one of the lowest rates in the market, 7.75%

"Best Mortgages Banking Brand" award in 2021 by Global Brands Magazine

Digitalization

SuperNET | SuperMóvil | Súper Wallet

Upgrading online and mobile banking platforms to offer customers innovative and high-quality services that satisfy their dynamic demands

- Our *Supermóvil* mobile app is the most transactional channel of the bank and we continue working to improve the digital experience of our customers with more features and improving the transactional journeys

Credit card customer attraction



First bank in Mexico to offer info-less cards to its customers (without numbers and complemented by the digital card with dynamic CVX -Dynamic Security Code-)

Launch of LikeU credit card, which combines a unique digital experience. The first in Mexico that can be personalized, with the highest security specifications, on demand services and a strong social component. In addition, it has no annuity

Corporate & Investment Banking



Continuing to position our Corporate & Investment Banking business as one of the top three players in Mexico

Best Investment Bank in Mexico in 2021 by Euromoney



Further embedding ESG to build a more responsible bank



Environmental: supporting the green transition

Helping customers go green

- **ESG Solutions:** Financial advisor::

1 Sustainability Linked bond

Co-ESG advisor (Coca-Cola Femsa)
First in Mexican Market.

- Recognized as **Outstanding Leader in Sustainable Finance in Latin America** by *Global Finance Magazine*.
- **LikeU Credit Cards:** clients contribute to social and environmental causes.

Going green ourselves

Carbon Neutral
in our own operations



Social: building a more inclusive society

Talented & diverse team

Top **9** company to work for **18%** women in leadership positions

Financially empowering people

c. 1.4 mn people since 2019 Recognized by *International Finance Magazine* as **Best Financial Inclusion Bank** in Mexico.

Supporting society

> 152 k people helped since 2019 **> 65 k** scholarships granted since 2019



Governance: doing business the right way

A strong culture

Simple, Personal, Fair

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

An independent, diverse Board

68% Independent directors¹ **36%** Women on Board

Other programmes:

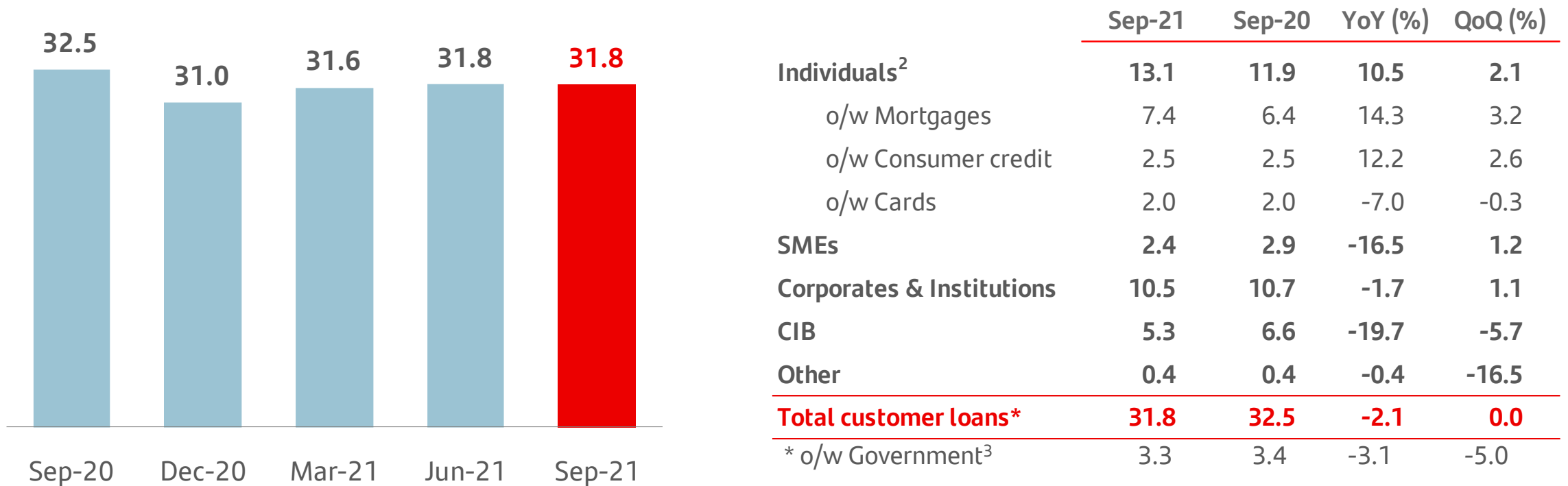
D&I Committee with 4 sponsors:

1. Female Talent
2. LGBT+
3. Disabilities
4. Generational Talent



Strong growth in mortgage loans, gaining market share, although the total loan portfolio reduced in line with the system, which is still affected by corporate loans normalization

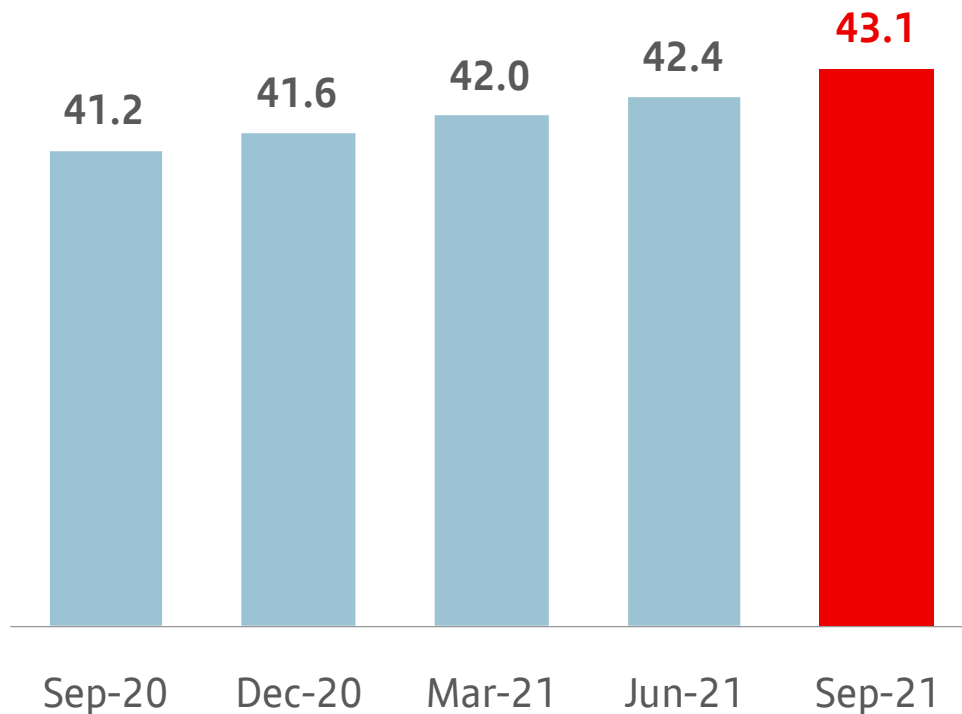
Total customer loans (Constant EUR bn)¹





Sustained improvement in our funding mix towards demand deposits and mutual funds

Total customer funds (Constant EUR bn)¹



	Sep-21	Sep-20	YoY (%)	QoQ (%)
Demand	22.6	20.4	11.2	1.8
Time	8.7	9.9	-11.6	2.2
Total deposits	31.4	30.2	3.8	1.9
Mutual Funds	11.8	11.0	7.2	0.9
Total customer funds	43.1	41.2	4.7	1.6

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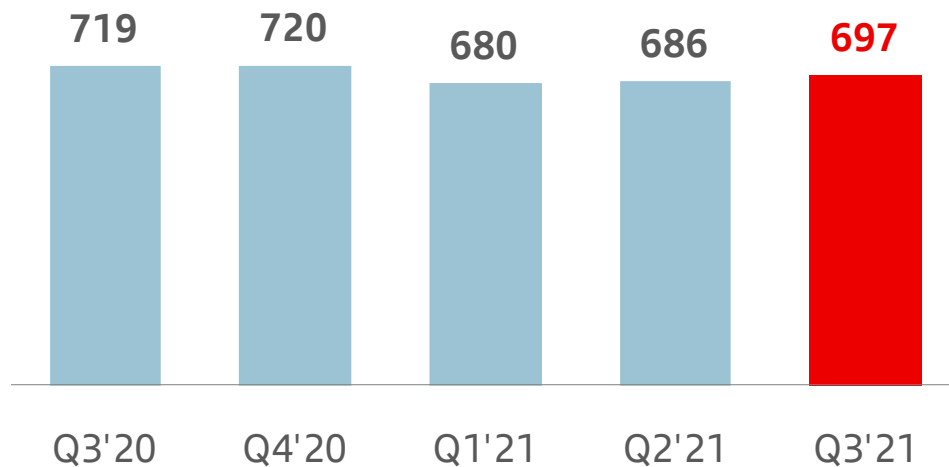
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YoY decrease in NII as a result of interest rate cuts and lower credit volumes. Continued improvement in NII quarterly trend

Net interest income (Constant EUR mn)¹



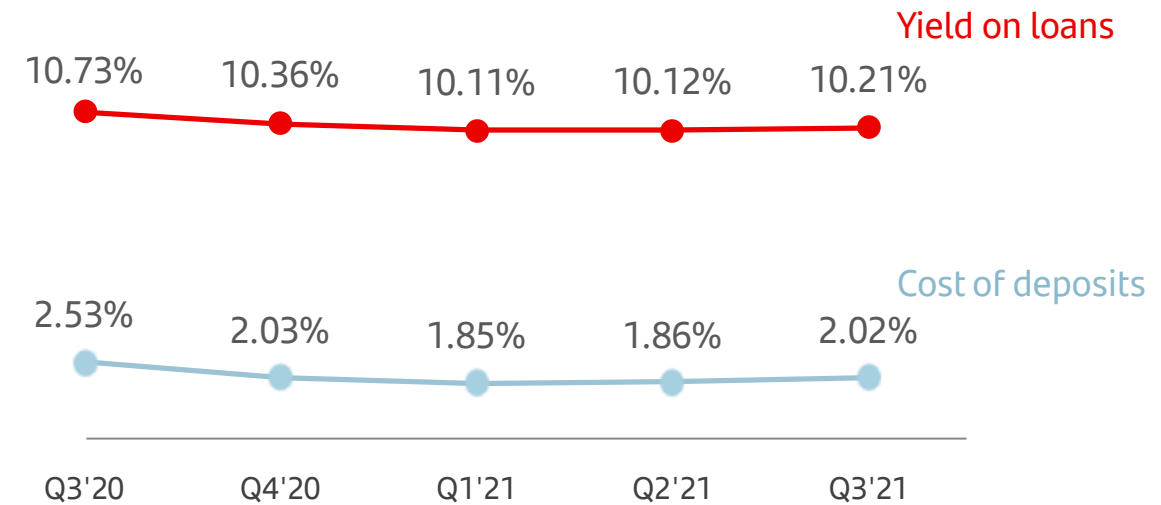
NIM²

3.41%	3.47%	3.43%	3.66%	3.87%
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Official interest rate (TIIE)³

4.98%	4.51%	4.37%	4.30%	4.64%
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Yields and Costs (%)



Differential

8.2 pp	8.3 pp	8.3 pp	8.3 pp	8.2 pp
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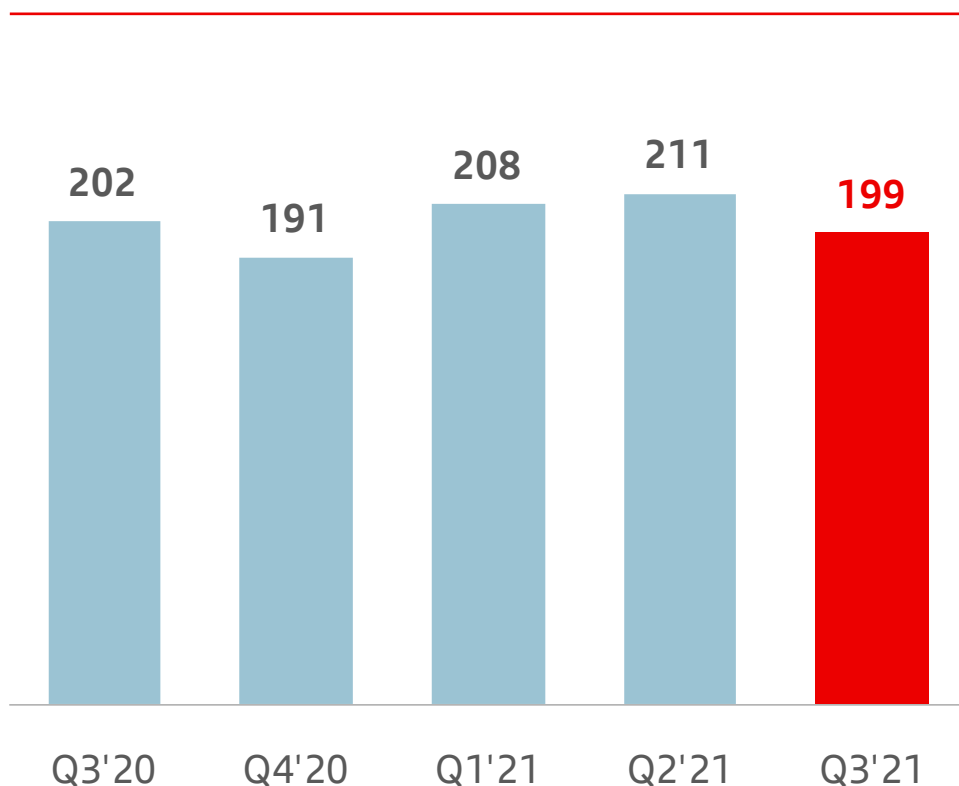


- (1) Average exchange rate as at 9M'21.
 (2) Group criteria.
 (3) Quarterly average.

Net fee income growth mainly driven by transactional banking fees. QoQ performance was impacted by insurance fees seasonality in Q2 and lower financial advisory fees



Net fee income (Constant EUR mn)¹

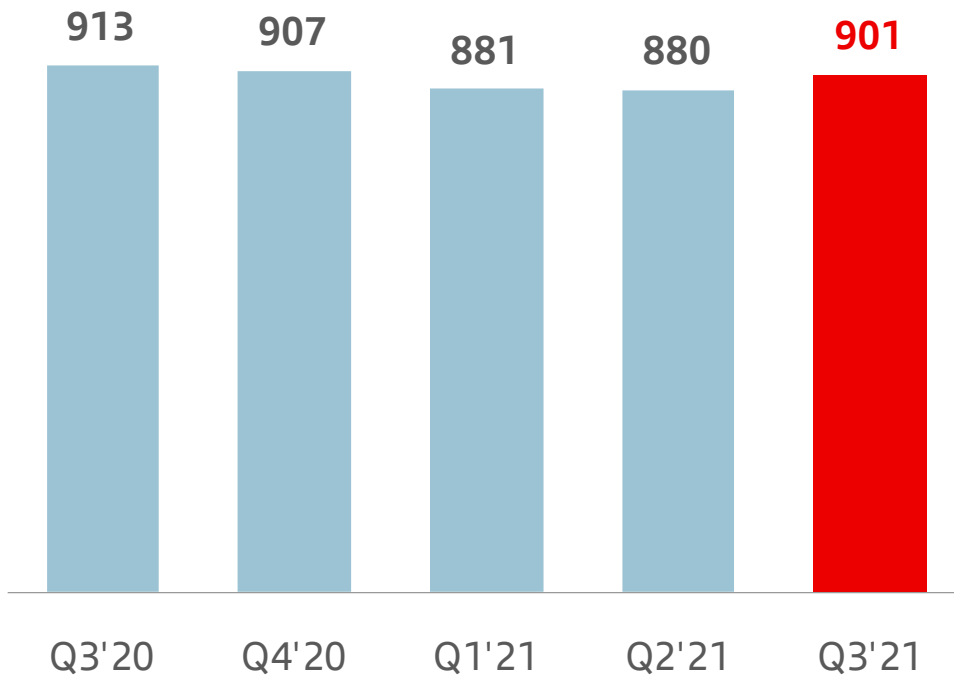


	9M'21	9M'20	YoY (%)	QoQ (%)
Transactional fees	334	325	2.8	-4.9
Payment methods	172	165	4.2	-0.7
Transfers, drafts, cheques and other orders	60	59	2.5	-6.7
Account admin + Packs plans	80	81	-1.3	-6.7
Other transactional	23	21	7.4	-23.8
Investment and pension funds	80	74	7.9	4.0
Insurance	166	159	4.2	-9.4
Securities and custody services	30	26	14.6	20.7
Other	7	5	29.9	-
Total net fee income	617	590	4.6	-5.8



Total income performance YoY affected by NII pressures and lower trading gains due to ALCO sales in 2020

Total income (Constant EUR mn)¹

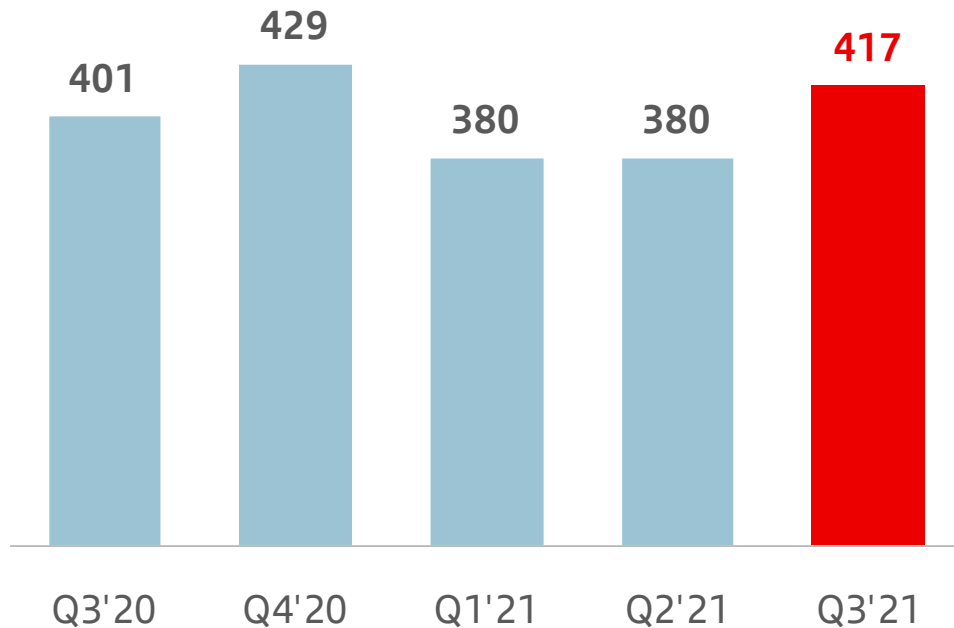


	9M'21	9M'20	YoY (%)	QoQ (%)
Net interest income	2,063	2,140	-3.6	1.7
Net fee income	617	590	4.6	-5.8
Customer revenue	2,680	2,730	-1.8	-0.1
Other ²	(18)	59	-	-
Total income	2,662	2,788	-4.5	2.4



Costs increased well below inflation YoY. Quarterly increase impacted by IT projects and internalization of personnel

Operating expenses (Constant EUR mn)¹



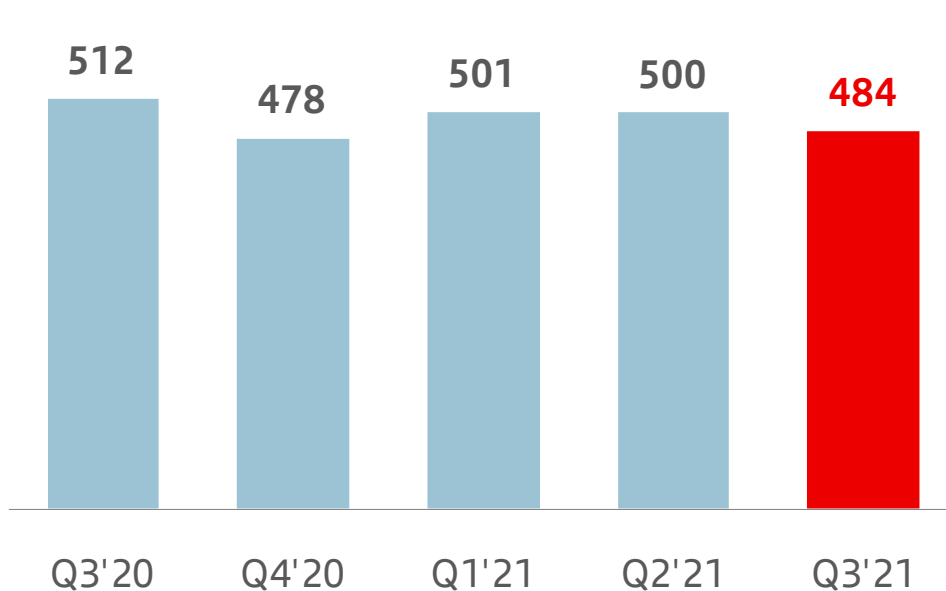
	9M'21	9M'20	YoY (%)	QoQ (%)
Operating Expenses	1,177	1,142	3.0	9.9

Branches (#)	1,374	1,430	-3.9	-0.1
Employees (#)	27,027	21,770	24.1	5.8



Net operating income YoY performance affected by NII pressure, lower trading gains and technology investments. Quarterly performance impacted by higher costs

Net operating income (Constant EUR mn)¹

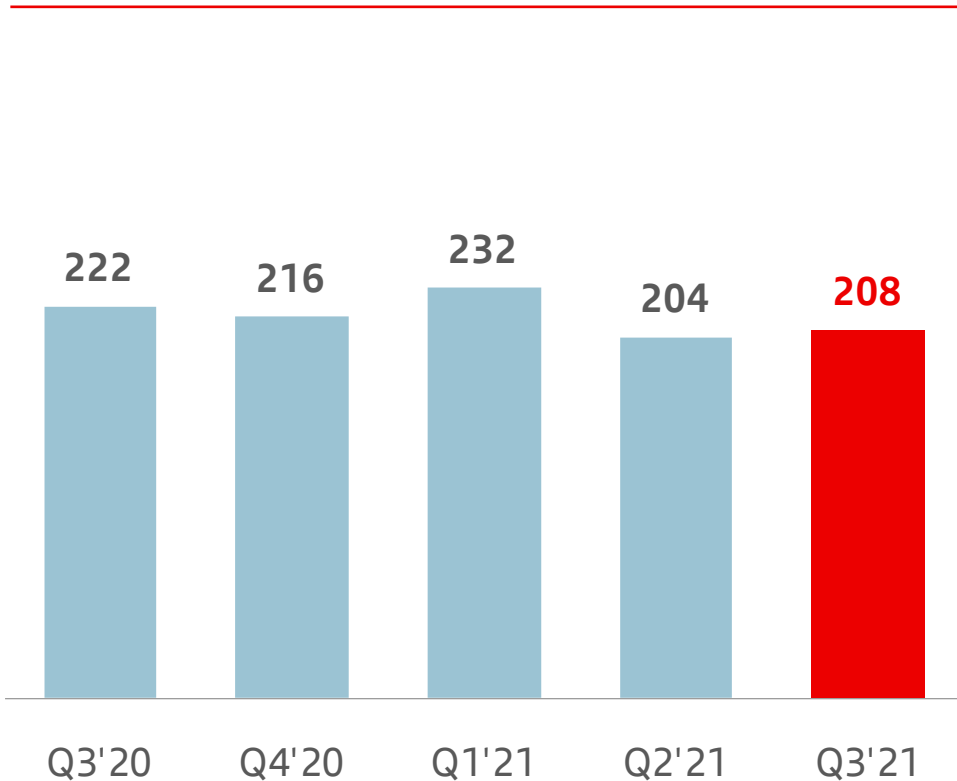


	9M'21	9M'20	YoY (%)	QoQ (%)
Total income	2,662	2,788	-4.5	2.4
Operating Expenses	(1,177)	(1,142)	3.0	9.9
Net operating income	1,485	1,646	-9.8	-3.2
Efficiency ratio	44.2%	41.0%	325 bps	

Loan-loss provisions dropped 17% YoY due to higher covid-19 related charges in 2020, leading to a cost of credit well below 3%



Net LLPs (Constant EUR mn)¹



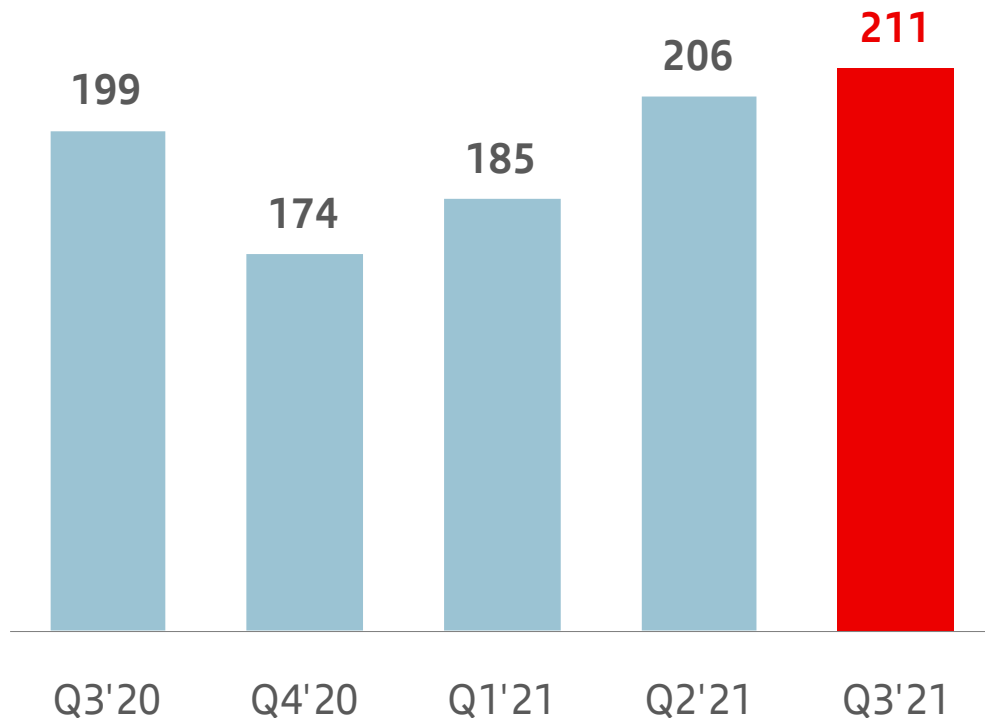
	9M'21	9M'20	YoY (%)	QoQ (%)
Net operating income	1,485	1,646	-9.8	-3.2
Loan-loss provisions	(645)	(775)	-16.9	1.9
Net operating income after provisions	841	871	-3.5	-6.8

NPL ratio	3.14%	2.33%	80 bps	3 bps
Cost of credit ¹	2.69%	2.97%	-28 bps	-5 bps
Coverage ratio ²	90%	133%	-42.5 pp	-0.5 pp



Slight profit increase YoY driven by lower LLPs and net fee income. Q3 profit up with improved trends in NII and gains on financial transactions

Underlying Attributable Profit (Constant EUR mn)¹



	9M'21	9M'20	YoY (%)	QoQ (%)
PBT	828	853	-2.9	-5.2
Tax on profit	(179)	(208)	-13.9	-29.7
Consolidated profit	649	644	0.6	2.3
Minority interests	(47)	(48)	-2.1	-2.6
Underlying attributable profit	602	597	0.9	2.7
Effective tax rate	21.7%	24.4%	-2.8 pp	

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Earnings supported by lower LLPs, net fee income and cost discipline as we progress in key initiatives and maintain a strong balance sheet and liquidity

Financial System

- ▶ System loan volumes continue to contract but at a slower pace in most segments, except mortgages and government
- ▶ Consumer loans also continued to contract, especially credit cards and personal loans
- ▶ Slower system deposit growth reflects a base effect from a heightened need for liquidity among households and companies in Sep-20
- ▶ Lower interest rates favour strong growth in demand deposits

Strategy & Business

- ▶ Continued focus on loyalty and digitalization to improve customer experience
- ▶ Well positioned with strong capital and liquidity levels
- ▶ Strong growth in mortgage loans, gaining market share, although the total loan portfolio reduced, which is still affected by corporate loans normalization
- ▶ Sustained improvement in our funding mix towards demand deposits and mutual funds

Results

- ▶ Total income performance YoY affected by NII pressures and lower trading gains due to ALCO sales in 2020
- ▶ Costs increased well below inflation YoY. Quarterly increase impacted by IT projects and personnel internalization
- ▶ Loan-loss provisions dropped 17% YoY due to higher covid-19 related charges in 2020, leading to a cost of credit well below 3%
- ▶ Slight profit increase YoY driven by lower LLPs and net fee income. Q3 profit up with improved trends in NII and gains on financial transactions

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Balance sheet



Constant EUR million ¹	Variation			
	Sep-21	Sep-20	Amount	%
Loans and advances to customers	32,368	31,501	867	2.8
Cash, central banks and credit institutions	9,682	12,779	(3,097)	(24.2)
Debt instruments	21,343	24,235	(2,893)	(11.9)
Other financial assets	6,880	13,464	(6,585)	(48.9)
Other asset accounts	3,300	3,323	(23)	(0.7)
Total assets	73,572	85,303	(11,732)	(13.8)
Customer deposits	35,581	38,046	(2,465)	(6.5)
Central banks and credit institutions	13,625	15,243	(1,618)	(10.6)
Marketable debt securities	6,187	8,050	(1,863)	(23.1)
Other financial liabilities	9,144	14,783	(5,639)	(38.1)
Other liabilities accounts	2,077	2,757	(680)	(24.7)
Total liabilities	66,615	78,880	(12,265)	(15.5)
Total equity	6,957	6,424	533	8.3
Other managed customer funds	12,063	11,289	774	6.9
Mutual funds	11,754	10,965	789	7.2
Pension funds	82	89	(7)	(7.7)
Managed portfolios	226	235	(8)	(3.6)



Income statement

Constant EUR million ¹	9M'21	9M'20	Variation	
			Amount	%
Net interest income	2,063	2,140	(77)	(3.6)
Net fee income	617	590	27	4.6
Gains (losses) on financial transactions	76	133	(57)	(42.5)
Other operating income	(94)	(74)	(20)	26.4
Total income	2,662	2,788	(126)	(4.5)
Operating expenses	(1,177)	(1,142)	(35)	3.0
Net operating income	1,485	1,646	(161)	(9.8)
Net loan-loss provisions	(645)	(775)	131	(16.9)
Other gains (losses) and provisions	(13)	(18)	6	(30.4)
Underlying profit before tax	828	853	(25)	(2.9)
Tax on profit	(179)	(208)	29	(13.9)
Underlying profit from continuing operations	649	644	4	0.6
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	649	644	4	0.6
Non-controlling interests	(47)	(48)	1	(2.1)
Underlying attributable profit to the parent	602	597	5	0.9



Quarterly income statement

Constant EUR million¹

	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21
Net interest income	726	694	719	720	680	686	697
Net fee income	192	196	202	191	208	211	199
Gains (losses) on financial transactions	20	88	25	2	29	12	36
Other operating income	(22)	(20)	(33)	(6)	(35)	(28)	(31)
Total income	916	959	913	907	881	880	901
Operating expenses	(378)	(363)	(401)	(429)	(380)	(380)	(417)
Net operating income	539	596	512	478	501	500	484
Net loan-loss provisions	(249)	(305)	(222)	(216)	(232)	(204)	(208)
Other gains (losses) and provisions	(7)	(7)	(5)	(20)	(5)	(6)	(1)
Underlying profit before tax	283	284	286	242	264	290	275
Tax on profit	(67)	(70)	(71)	(54)	(64)	(68)	(48)
Underlying profit from continuing operations	216	214	215	188	200	222	227
Net profit from discontinued operations	—	—	—	—	—	—	—
Underlying consolidated profit	216	214	215	188	200	222	227
Non-controlling interests	(16)	(16)	(16)	(14)	(15)	(16)	(16)
Underlying attributable profit to the parent	200	198	199	174	185	206	211

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

