

29 July 2020

# Santander Consumer Finance

H1'20

Earnings Presentation

# Important Information

## Non-IFRS and alternative performance measures

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, 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 2019. 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 Report on Form 20-F filed with the U.S. Securities and Exchange Commission on 6 March 2020, as well as the section "Alternative performance measures" of the annex to the Banco Santander, S.A. ("Santander") Q2 2020 Financial Report, published as Inside Information on 29 July 2020. 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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# SCF is the consumer finance leader in Europe



KEY DATA	H1'20	YoY Var. <sup>5</sup>
 Customer loans <sup>1</sup>	EUR 102.0 bn	+2.8%
 Customer funds <sup>2</sup>	EUR 38.3 bn	+3.2%
 Underlying att. profit	EUR 477 mn	-25.8%
 Underlying RoTE	11.0%	-4.3 pp
 Efficiency ratio	43.4%	-120 bps
 Market share <sup>3</sup>	Top 3	
 Countries <sup>4</sup>	15	
 Active customers	18.4 mn	-4.3%
 Employees	13,716	-5.4%

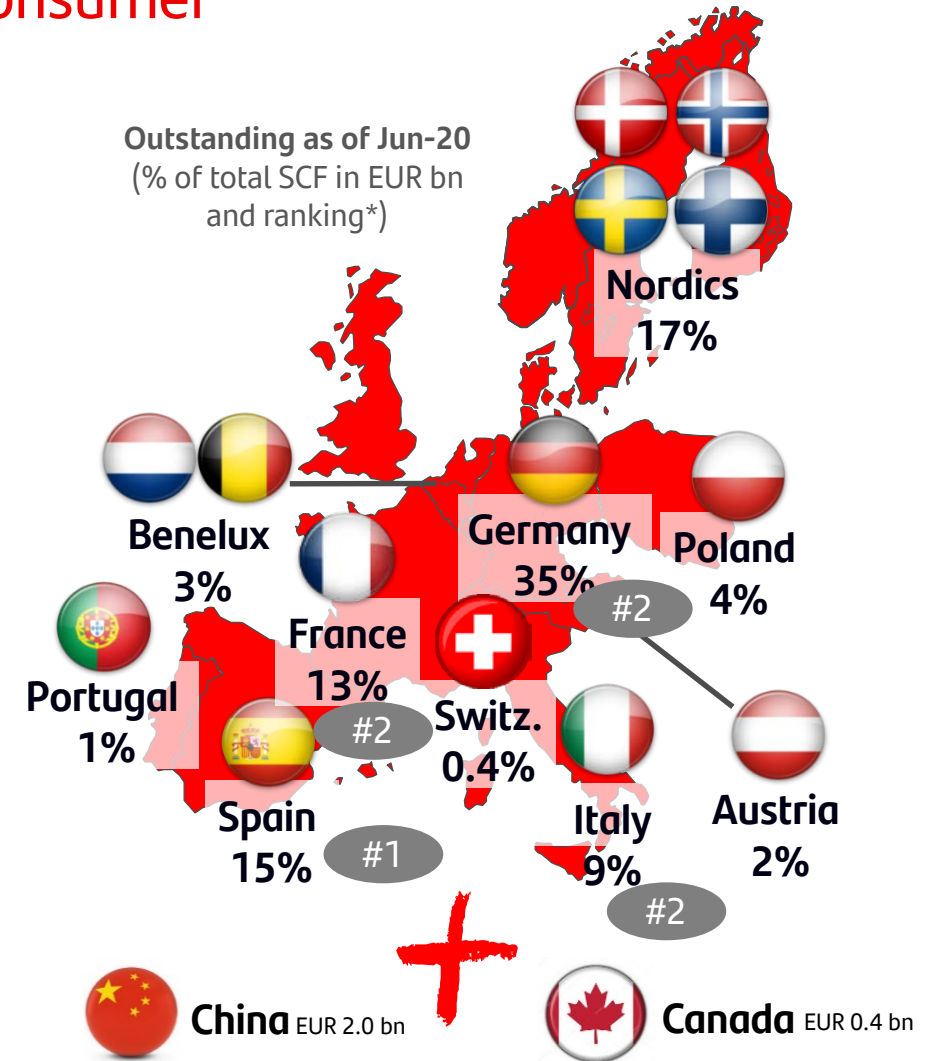


## STRATEGIC PRIORITIES

- ▶ Provide best service to our auto partners, OEMs and car dealers, via digital projects to support our dealers & brands with their transformation plans
- ▶ Reinforce our position in consumer finance and e-commerce. SCF digital business model converging on-line and off-line payments and financing to support our merchant partners
- ▶ Simplification, digitalisation & transformation projects to maximise efficiency and customer experience

# Solid business model: geographic diversification with leading positions, advanced captive car finance and a strong foothold in consumer

- ▶ Present in 15 European countries
- ▶ Monoliner businesses with c. 130,000 point of sale partners
  - **Auto** (c. 75,000 PoS): Long-standing base of European captive agreements (>110) with several OEMs 
  - **Non-Auto** (c. 55,000 PoS): Agreements with main retailers chains, model evolution based on digitalisation 
- ▶ We have >18 million customers and had more 19 million existing loan contracts in 2019



**Top Employer Europe 2020**  
(SC Austria, SC Belgium, SC Germany, SC Italy, SC Netherlands, SC Poland)



# SCF does business in a responsible and sustainable way

## Culture

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### Engagement

**74%** of employees  
proud to work for Santander

### Women

**26%** SCF Boards

Plans in place in all units to improve **Global Engagement Survey** results and share best practices

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

## Sustainability

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**SEK 1 bn** Santander Consumer Finance's first green bond issuance

**>25 k** Electric and hybrid vehicles financed H1 2020

Our **green finance offer** includes: financing of electric vehicles, electric chargers, solar panels, green heating systems,...

3-year agreement with Technical University of Munich for a research project that will investigate the **future of mobility** and how a greener attitude will affect car ownership and finance

## Communities

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**92 k**  
people helped through our community programmes



**861<sup>1</sup>**  
scholarships granted in Germany



# COVID-19 crisis impacts

## COVID-19 Main Actions

- ▶ During the second quarter, SCF's team continued to proactively manage the situation created by COVID-19.
- ▶ **Priorities** have been: (1) to protect employee's health; (2) to ensure business continuity and service in branches and call centres, and (3) to support customers and partners (OEMs, dealers and retailers) to be able to return to normality as and when required by them.

## COVID-19 Consumer Business Impact

- ▶ **All markets in which SCF operates have been significantly affected by COVID-19**, with a drop in new loan production starting in mid-March due to gradual lockdowns in most of the European countries.
- ▶ In this environment, the decrease in new lending year-on-year at SCF was half that of European new passenger cars.
- ▶ **Registrations of passenger cars** by county were down year-on-year across countries: **Germany -35% in H1'20 vs H1'19**, **France - 39%** (with Jun-20 greater than Jun-19), **Italy -46%** and **Spain -51%**.

## H1'2020 business impacts on SCF countries

In H1 2020, new business fell by 18% compared to the same period one year ago (better than European new car sales, -39% as of June), however the stock of credit rose.

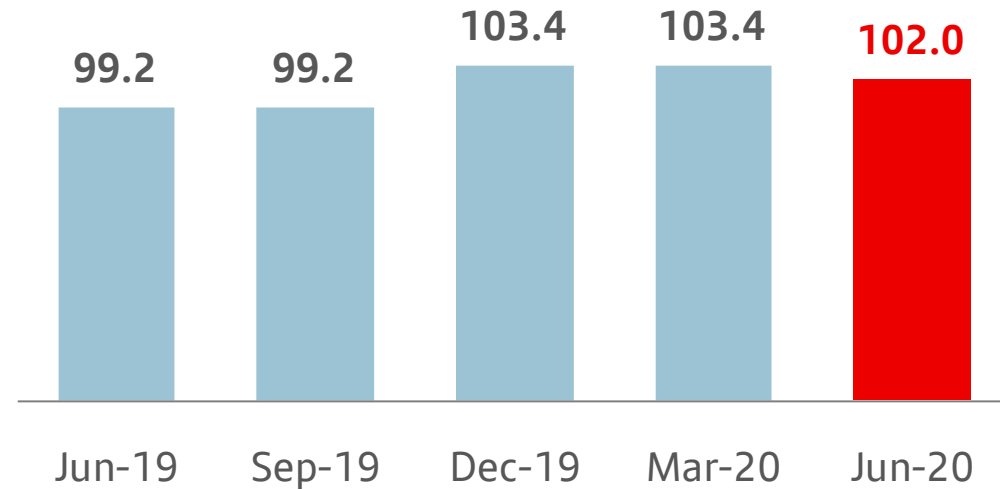
- ▶ **The largest falls in SCF's new lending were recorded in Portugal (-46%), Spain (-38%), Poland (-27%) and Italy (-28%)**, countries more affected in the quarter by the isolation measures and decreased activity.
- ▶ **Northern European markets behaved much better than Southern Europe**, as the levels of economic lockdown were softer. In **Germany new lending fell 6%** and in the **Nordic countries fell 11%** in local currency.
- ▶ **China, the first country affected, recovered its usual levels in April** and now is maintaining productions well above those of last year.
- ▶ **Italy, the first European country impacted by the coronavirus, after 14 weeks had levels of production in line with last year. The Spanish market is catching up** though still showing weak behaviour.

**Ongoing SCF business initiatives to stay close to customers:** OEMs, dealers, retailers and retail customers by offering them tailored refinancing alternatives to improve their payment affordability.



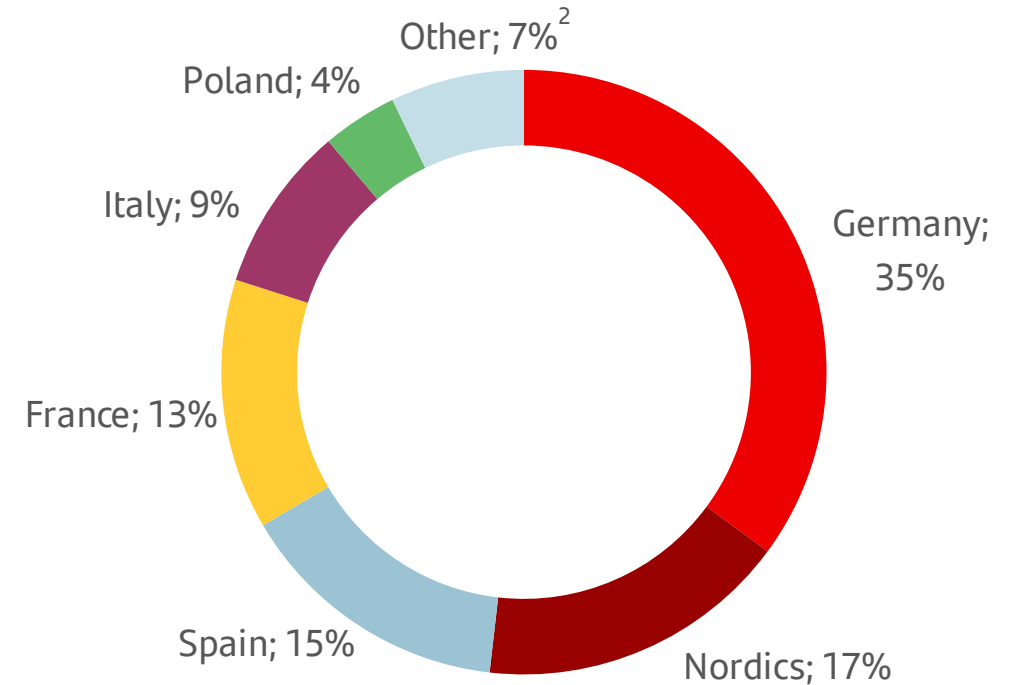
# Customer loans fell 1% QoQ due to reduced activity in Q2 resulting from the health crisis, however 3% growth YoY

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



	Jun-20	Jun-19	YoY (%)	QoQ (%)
Auto	73.5	69.6	5.6	-0.7
Consumer business	20.1	20.5	-1.8	-1.5
Other	8.3	9.1	-8.1	-6.8
<b>Total customer loans</b>	<b>102.0</b>	<b>99.2</b>	<b>2.8</b>	<b>-1.4</b>

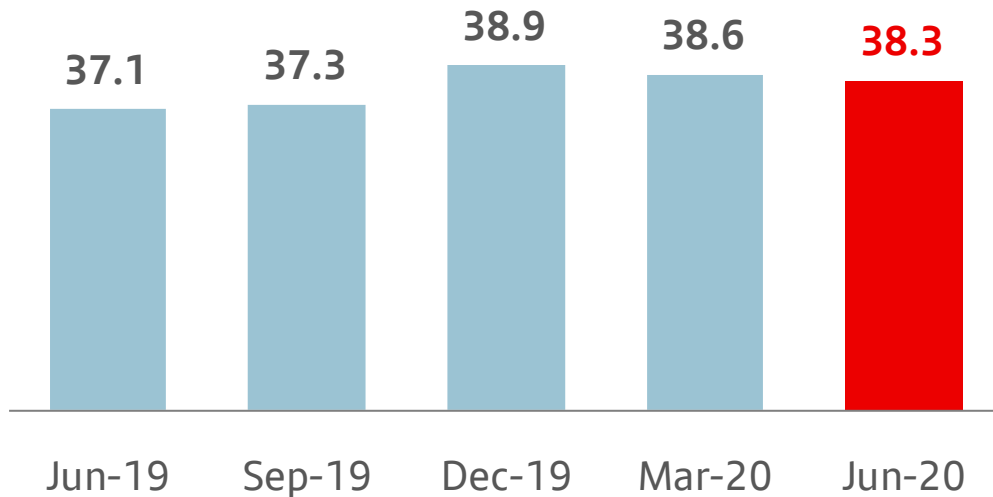
**Geographical diversification** (% Total loans, Jun-20)



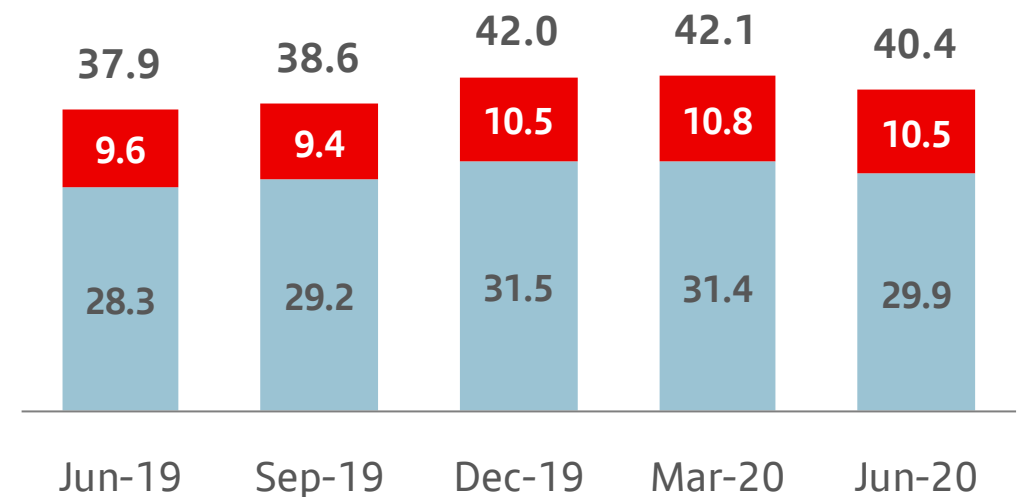
# Customer deposits, a product that sets Santander apart from its competitors, increased 3% YoY and was relatively steady QoQ. Wholesale funding increased driven by secured



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



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



■ Secured    ■ Unsecured

	Jun-20	Jun-19	YoY (%)	QoQ (%)
Demand	28.2	25.9	8.6	1.6
Time	10.1	11.2	-9.3	-6.3
<b>Total customer funds</b>	<b>38.3</b>	<b>37.1</b>	<b>3.2</b>	<b>-0.7</b>

	Jun-20	Jun-19	YoY (%)	QoQ (%)
Unsecured	29.9	28.3	5.6	-4.8
Secured	10.5	9.6	9.5	-2.4
<b>Total wholesale</b>	<b>40.4</b>	<b>37.9</b>	<b>6.6</b>	<b>-4.2</b>



Group criteria.

(1) Excludes repos. End period exchange rate as at Jun-20.

(2) Unsecured: short and medium term unsecured issuances and subordinated debt. Secured: Asset-Backed Security bonds placed in the market, Repos, Covered bonds and others.

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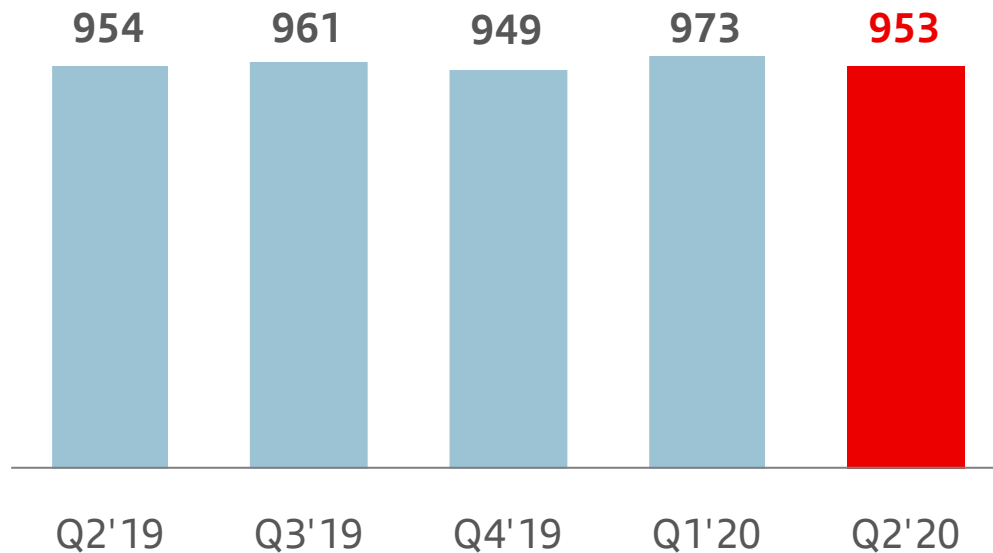


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NII remained robust YoY (+3%), driven by greater volumes and revenue actions, particularly in our Northern European countries

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



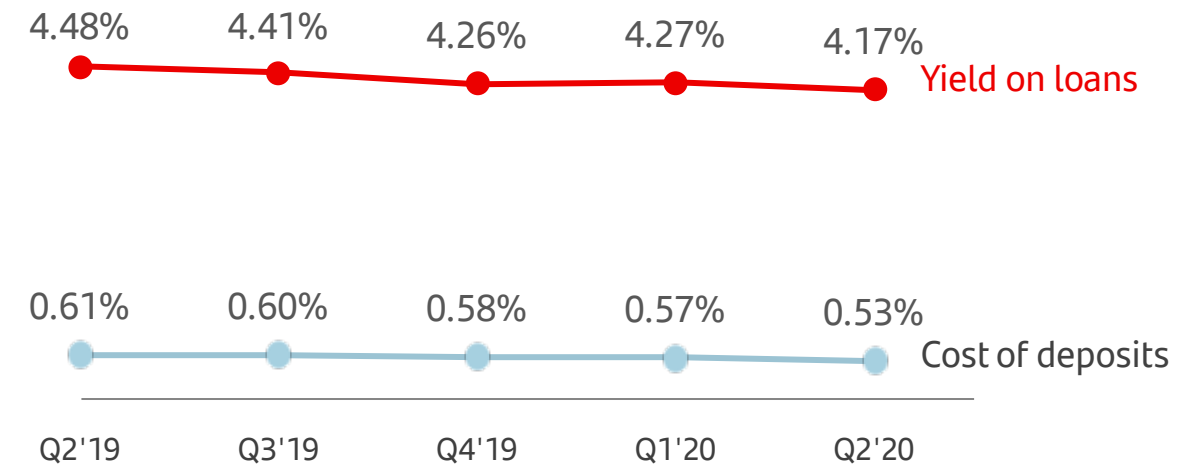
### NIM<sup>2</sup>

3.52%	3.49%	3.35%	3.31%	3.22%
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### Central Bank interest rate<sup>3</sup>

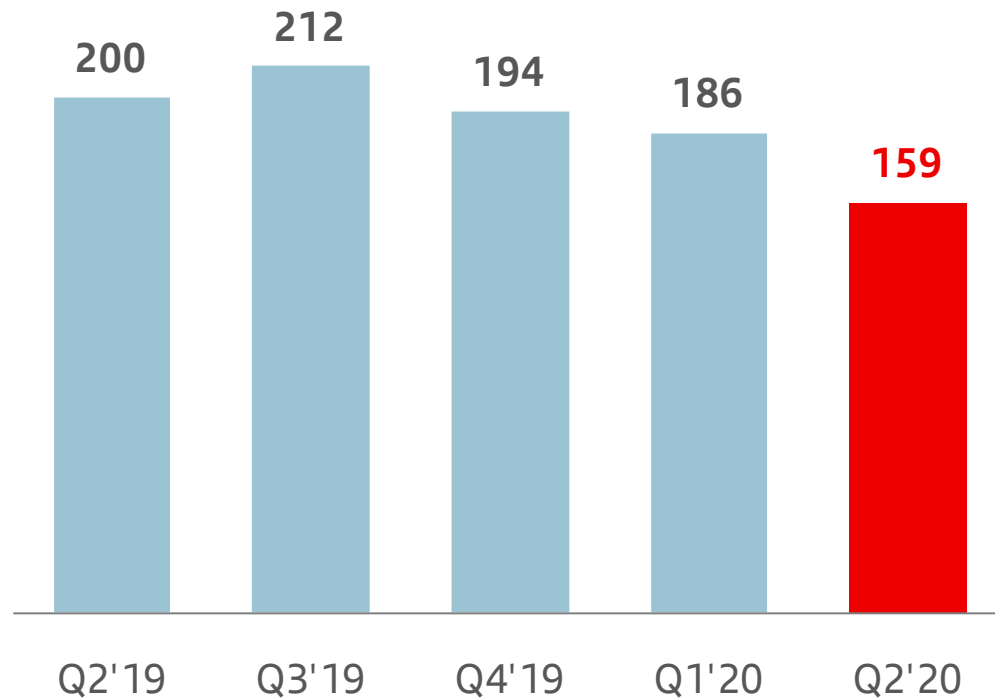
-0.40%	-0.41%	-0.50%	-0.50%	-0.50%
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### Yields and Costs (%)



Net fee income fell in Q2, mainly due to lower new business volumes as a result of the lockdown. Signs of recovery towards the end of the quarter

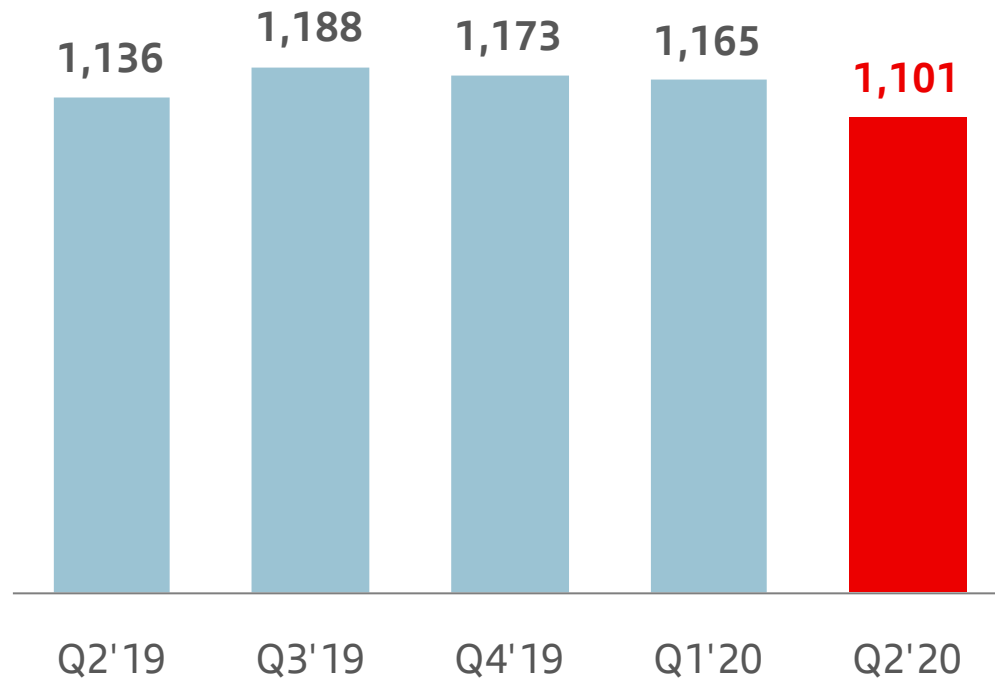
Net fee income (Constant EUR mn)<sup>1</sup>



	H1'20	H1'19	YoY (%)	QoQ (%)
Insurance	304	348	-12.7	-13.6
Other	41	65	-35.7	-21.5
<b>Total net fee income</b>	<b>345</b>	<b>413</b>	<b>-16.3</b>	<b>-14.6</b>

Total income fell slightly YoY as NII growth was not enough to offset fall in net fee income. Q2 greatly impacted by COVID with ongoing income mitigation actions

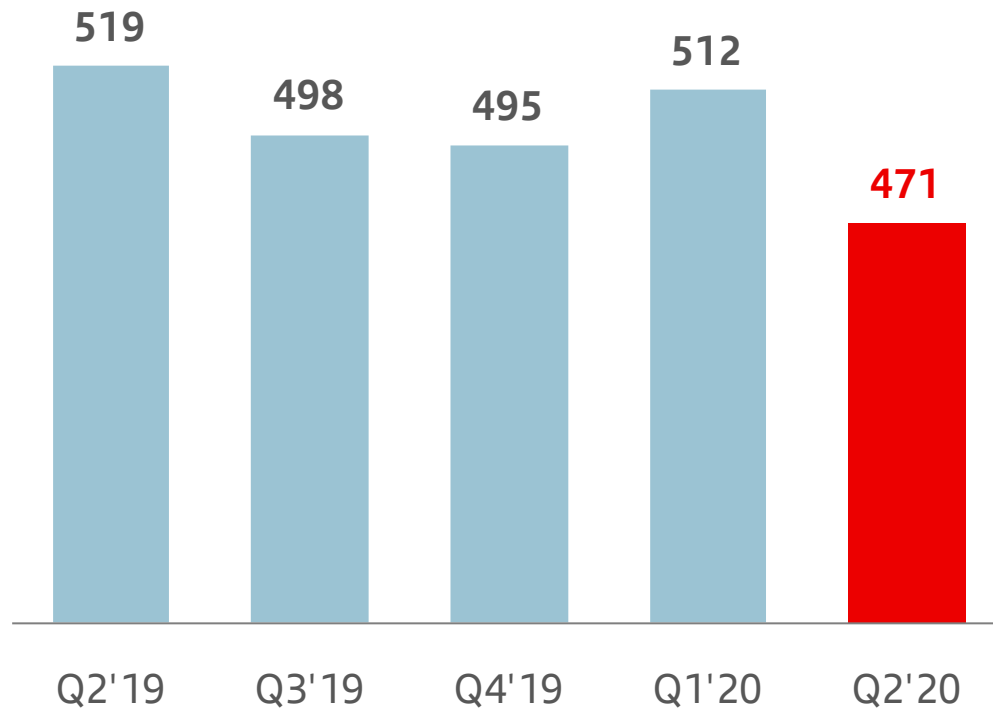
### Total income (Constant EUR mn)<sup>1</sup>



	H1'20	H1'19	YoY (%)	QoQ (%)
Net interest income	1,926	1,878	2.5	-2.0
Net fee income	345	413	-16.3	-14.6
<b>Customer revenue</b>	<b>2,271</b>	<b>2,291</b>	<b>-0.9</b>	<b>-4.0</b>
Other <sup>2</sup>	(5)	(5)	-0.2	-
<b>Total income</b>	<b>2,266</b>	<b>2,285</b>	<b>-0.9</b>	<b>-5.4</b>

# Costs down significantly both YoY and QoQ thanks to COVID-19 mitigation actions on top of continued delivery on our efficiency programmes in progress

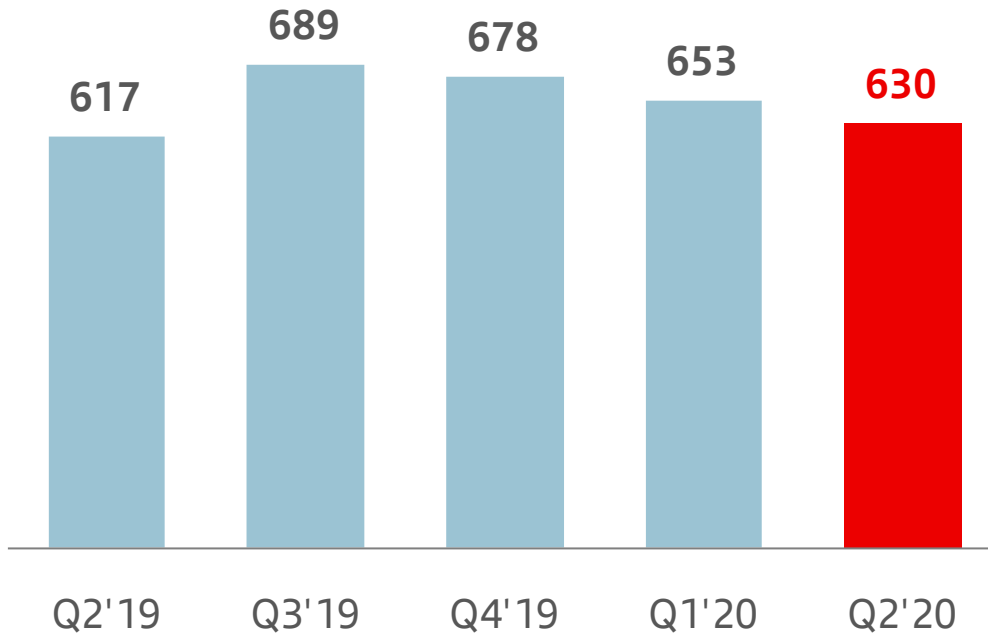
## Operating expenses (Constant EUR mn)<sup>1</sup>



	H1'20	H1'19	YoY (%)	QoQ (%)
<b>Operating Expenses</b>	<b>983</b>	<b>1,020</b>	<b>-3.6</b>	<b>-7.9</b>
Employees (#)	13,716	14,494	-5.4	-1.0

Net operating income has remained solid driven by cost savings which more than offset income pressure. Efficiency improved to 43%

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

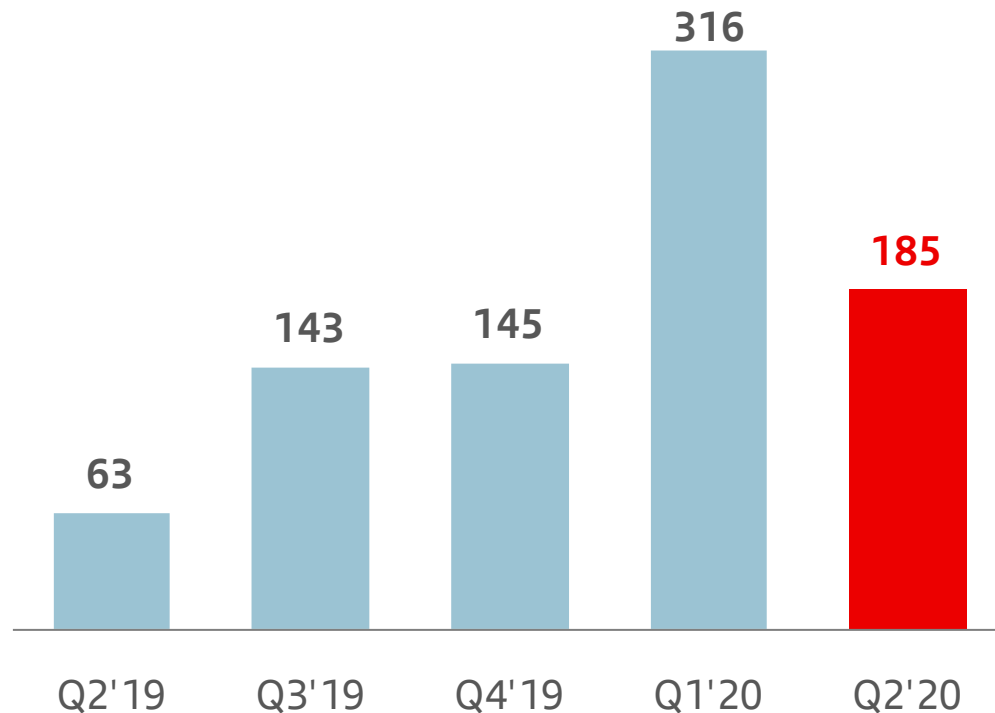


	H1'20	H1'19	YoY (%)	QoQ (%)
Total income	2,266	2,285	-0.9	-5.4
Operating Expenses	(983)	(1,020)	-3.6	-7.9
<b>Net operating income</b>	<b>1,283</b>	<b>1,265</b>	<b>1.4</b>	<b>-3.5</b>
Efficiency ratio	43.4%	44.6%	-120 bps	



LLPs up significantly mainly due to COVID-related provisions particularly in Q1 and higher portfolio sales in 2019, though cost of credit remains low for this type of business

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

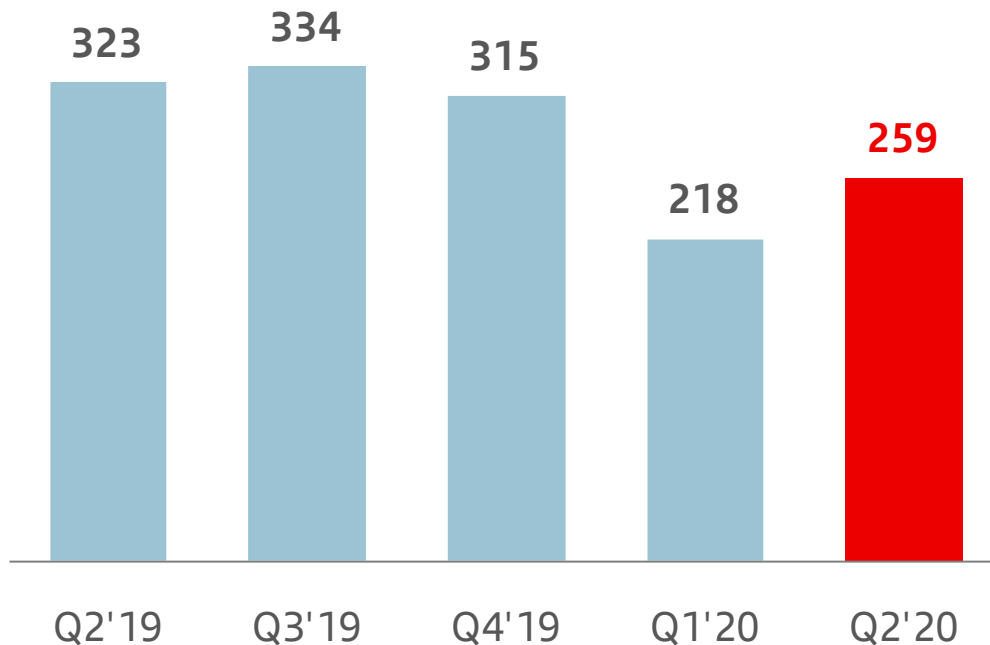


	H1'20	H1'19	YoY (%)	QoQ (%)
Net operating income	1,283	1,265	1.4	-3.5
Loan-loss provisions	(501)	(181)	177.1	-41.4
<b>Net operating income after provisions</b>	<b>782</b>	<b>1,085</b>	<b>-27.9</b>	<b>32.0</b>

NPL ratio	2.52%	2.24%	28 bps	9 bps
Cost of credit	0.78%	0.36%	42 bps	12 bps
Coverage ratio	106%	106%	0.2 pp	-3.5 pp

# Despite net operating income growth, underlying attributable profit fell 26% driven greater LLPs stemming from the COVID crisis

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



	H1'20	H1'19	YoY (%)	QoQ (%)
PBT	849	1,097	-22.6	22.6
Tax on profit	(239)	(309)	-22.6	24.2
<b>Consolidated profit</b>	<b>610</b>	<b>788</b>	<b>-22.6</b>	<b>21.9</b>
Minority interests	(133)	(145)	-8.5	32.9
<b>Underlying attributable profit</b>	<b>477</b>	<b>643</b>	<b>-25.8</b>	<b>19.1</b>

Effective tax rate	28.2%	28.1%	0.1 pp	0.5 pp
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# SCF continues to deliver recurrent profit through the cycle

## Financial System

- ▶ **COVID-19 pandemic has caused a significant deterioration in the economic environment backdrop.**
- ▶ In June, car registrations had fallen by 39%<sup>1</sup> year-on-year following four months of unprecedented declines across the region as a consequence of COVID-19 crisis. Decreases in Germany -35%, France -39%, Italy -46% and Spain -51%. June was the best since February as many dealerships opened for business again after lifting of lockdown measures (-24% vs Jun-19, compared with previous March -52%, April -78% and May -57%).
- ▶ Consumer demand has not fully recovered, and most countries showed declines, though in France registrations were higher this June than last year (+1%).

## Strategy & Business

- ▶ **Leader in consumer finance in Europe:** High geographic diversification and critical mass & top positions in core markets.
- ▶ We have a diversified and stable funding mix, with banking licenses in most markets, with a comfortable liquidity situation.
- ▶ Focused on RoRWA optimisation while maintaining strong market positions.
- ▶ **Strategic priorities:** car digital projects to support dealers & brands' transformation plans. Reinforcement of e-commerce position. Projects to maximise efficiency and CX.
- ▶ In H1 2020, SCF and Hyundai-Kia JV in Germany launched an offer for Sixt Leasing which completed on 16 July. Also, launch of strategic JV with TIM in Italy to provide consumer services to TIM's 25mn customers in Italy.
- ▶ **18% YoY (constant euros) fall in new lending due to COVID-19 crisis** (better than European new car sales, -39% as of June).

## Results

- ▶ **All the markets in which SCF operates are being significantly affected by the impact of coronavirus pandemic. June results already showing recovery.**
- ▶ NII (+3% YoY) increased due to loan growth prior to the COVID-19 crisis (volumes +3% YoY) mainly in Germany and the Nordics. Net fee income fell in H1 in line with lower new business volumes in Q2 due to lockdowns.
- ▶ Costs were down -4% YoY and -8% in the quarter due to COVID-19 mitigation actions implemented in Q2, on top of efficiency plans started in previous quarters.
- ▶ LLPs up from historically low levels, driven by COVID crisis and higher portfolio sales in 2019. Cost of credit of 0.78%, remaining low for this type of business
- ▶ **As a result, underlying attributable profit was EUR 477 mn (-26% YoY).**

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# Balance sheet

Constant EUR million <sup>1</sup>	Jun-20	Jun-19	Variation	
			Amount	%
Loans and advances to customers	99,255	96,849	2,406	2.5
Cash, central banks and credit institutions	9,831	6,657	3,174	47.7
Debt instruments	4,565	3,185	1,380	43.3
Other financial assets	31	37	(7)	(17.8)
Other asset accounts	4,117	4,059	58	1.4
<b>Total assets</b>	<b>117,799</b>	<b>110,787</b>	<b>7,011</b>	<b>6.3</b>
Customer deposits	38,307	37,125	1,183	3.2
Central banks and credit institutions	29,094	24,827	4,267	17.2
Marketable debt securities	34,691	33,452	1,238	3.7
Other financial liabilities	1,411	1,387	24	1.7
Other liabilities accounts	3,610	3,865	(254)	(6.6)
<b>Total liabilities</b>	<b>107,113</b>	<b>100,655</b>	<b>6,457</b>	<b>6.4</b>
<b>Total equity</b>	<b>10,686</b>	<b>10,132</b>	<b>554</b>	<b>5.5</b>
<b>Other managed customer funds</b>	<b>424</b>	<b>—</b>	<b>424</b>	<b>—</b>
Mutual funds	—	—	—	—
Pension funds	—	—	—	—
Managed portfolios	424	—	424	—

# Income statement

Constant EUR million <sup>1</sup>	H1'20	H1'19	Change	
			Amount	%
Net interest income	1,926	1,878	48	2.5
Net fees	345	413	(67)	(16.3)
Gains (losses) on financial transactions	(5)	1	(5)	—
Other operating income	(1)	(6)	5	(88.8)
<b>Gross income</b>	<b>2,266</b>	<b>2,285</b>	<b>(20)</b>	<b>(0.9)</b>
Operating expenses	(983)	(1,020)	37	(3.6)
<b>Net operating income</b>	<b>1,283</b>	<b>1,265</b>	<b>17</b>	<b>1.4</b>
Net loan-loss provisions	(501)	(181)	(320)	177.1
Other income	67	12	55	450.1
<b>Underlying profit before taxes</b>	<b>849</b>	<b>1,097</b>	<b>(248)</b>	<b>(22.6)</b>
Tax on profit	(239)	(309)	70	(22.6)
<b>Underlying profit from continuing operations</b>	<b>610</b>	<b>788</b>	<b>(178)</b>	<b>(22.6)</b>
Net profit from discontinued operations	—	—	—	—
<b>Underlying consolidated profit</b>	<b>610</b>	<b>788</b>	<b>(178)</b>	<b>(22.6)</b>
Minority interests	(133)	(145)	12	(8.5)
<b>Underlying attributable profit to the Group</b>	<b>477</b>	<b>643</b>	<b>(166)</b>	<b>(25.8)</b>

## Quarterly income statements

Constant EUR million <sup>1</sup>	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20
Net interest income	925	954	961	949	973	953
Net fees	213	200	212	194	186	159
Gains (losses) on financial transactions	1	(1)	(5)	(3)	(9)	4
Other operating income	11	(17)	20	33	15	(16)
<b>Gross income</b>	<b>1,150</b>	<b>1,136</b>	<b>1,188</b>	<b>1,173</b>	<b>1,165</b>	<b>1,101</b>
Operating expenses	(501)	(519)	(498)	(495)	(512)	(471)
<b>Net operating income</b>	<b>649</b>	<b>617</b>	<b>689</b>	<b>678</b>	<b>653</b>	<b>630</b>
Net loan-loss provisions	(118)	(63)	(143)	(145)	(316)	(185)
Other income	24	(12)	43	(33)	44	23
<b>Underlying profit before taxes</b>	<b>555</b>	<b>542</b>	<b>589</b>	<b>500</b>	<b>381</b>	<b>468</b>
Tax on profit	(157)	(151)	(173)	(109)	(107)	(132)
<b>Underlying profit from continuing operations</b>	<b>398</b>	<b>390</b>	<b>416</b>	<b>390</b>	<b>275</b>	<b>335</b>
Net profit from discontinued operations	—	—	—	—	—	—
<b>Underlying consolidated profit</b>	<b>398</b>	<b>390</b>	<b>416</b>	<b>390</b>	<b>275</b>	<b>335</b>
Minority interests	(78)	(67)	(82)	(75)	(57)	(76)
<b>Underlying attributable profit to the Group</b>	<b>320</b>	<b>323</b>	<b>334</b>	<b>315</b>	<b>218</b>	<b>259</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



MEMBER OF  
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