

30/10/19

# Santander Bank Polska SA Group

Financial results during 1-3Q 2019



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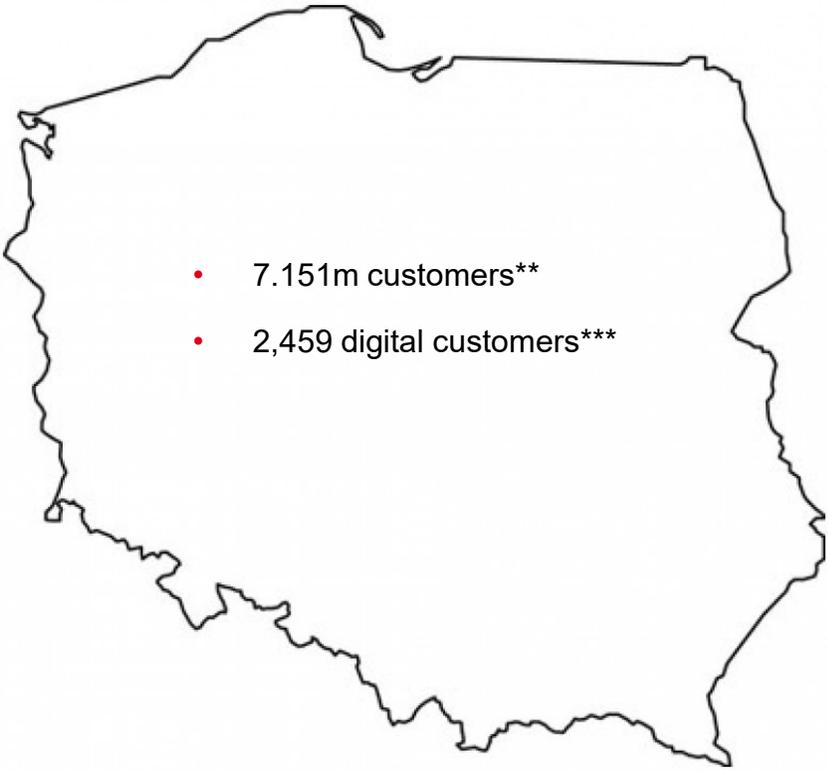
1. Strategy and business
2. Macroeconomic environment
3. Santander Group Results
4. Appendix

# Strategy and business

01

# Branch network and basic financial data

	30.09.2019	YoY
<b>Business and results</b>		
<i>PLN</i>		
Gross Loans	148.9 bn	+22%
Deposits	151.0 bn	+21%
Total customer funds	167.3 bn	+19%
Assets	204.1 bn	+15%
<b>Market Share*</b>		
Gross loans	11.8%	
Deposits	11.8%	
<b>Network and Employees</b>		
	<b>Santander Bank Polska S.A.</b>	<b>SCB</b>
Branches	525	150
Employees	10.9k	2.5k



\* Market share for Santander Bank Polska S.A . Group as of end of June 2019.  
 \*\* Including SCB.  
 \*\*\* Excluding SCB. Digital: customers: clients who have logged in at least once in a given month.

# 1-3Q 2019 Basic financial highlights

■ Net Interest Income

vs. 2018

+17%

■ Fee income

vs. 2018

+2%

■ Total income PLN 7 094m

vs. 2018

+14%

■ Attributable profit PLN 1 584m

vs. 2018

-1%  
**+10.6% underlying\***

# 1-3Q2019 Basic financial highlights

- Strong capital position well above PFSA criteria

<b>TCR</b>	<b>16.14%</b>
<b>CET1</b>	<b>14.31%</b>

- ROE, ROA – leading position in Peer Group Banks

<b>ROE</b>	<b>10.8%</b>
<b>ROA</b>	<b>1.2%</b>

- Secure funding position (L/D ratio)

<b>Santander Bank Polska Group</b>	<b>95.2%</b>
<b>Santander Bank Polska S.A.</b>	<b>85.7%</b>

# Successes in key business areas

**+20%**

vs. 09'18  
YTD

Accounts As I Want sales growth

**+78%**

vs. 09'18  
YTD

Dynamic Cash loans sales growth  
**6.4 bn** (09'19 YTD)

**+26%**

vs. 09'18

Deposits growth;  
volume **83.2 bn** (09'19)

**+44%**

vs. 09'18  
YTD

Strong growth of Insurance  
new business  
**405 mln** written premium (09'19 YTD)

**+8%**

vs. 12'18

Santander TFI Investment Funds  
assets growth  
AuM **16.3 bn** (09'19)

## We are awarded



**#1** in Newsweek's  
**Friendly Bank** ranking

in the Traditional Banking category

## Work Café ... the new dimension of banking

Combination of a modern bank  
branch, a cafe and a co-working  
space in Warsaw, Złota 44



# Digital channels development

## Internet Banking

#2 in Newsweek's  
Friendly Bank ranking



## Mobile Banking

Wide range of mobile payments  
BLIK, Apple Pay, Google Pay,  
Garmin Pay, Fitbit Pay



## Strong growth of accounts on-line acquisition share:

- Personal accounts ... **2-times** growth vs. 2018; share **12.5%**
- SME accounts ... **4-times** growth vs. 2018; share **27%**

## New solutions

- The same one login for individual and business services
- Facility for own customer login setting for internet and mobile banking
- SCA (Strong customer authentication)



**2.5**  
mln

Active digital customers  
**+13%** vs. 09'18

**1.5**  
mln

Mobile users  
**+23%** vs. 09'18

**51.9**  
mln

Transactions  
in mobile banking  
**+84%** vs. 09'18 YTD

**708**  
ths

Cards in digital wallets  
**+116%** vs. 09'18

## Good business results

**+58%**

vs. 09'18  
YTD

Strong sales growth  
of **SME Installment loans**  
**4.7 bn** (09'19 YTD)

**+21%**

vs. 09'18

**SME financing**  
performing portfolio growth;  
volume **13.2 bn** (09'19)

**+32%**

vs. 09'18

**Deposits** volume growth  
**14.6 bn** (09'19)

**+44%**

vs. 09'18  
YTD

Dynamic **POS terminals**  
sales growth  
**5.4 ths** (09'19 YTD)

**9 ths**

New **eAccounting** users  
(09'19 YTD)

## Business banking awarded as well



**#2** in Forbes  
**Best Business Bank** ranking

## Promotion for entrepreneurs till end of 2019

An advertisement for Santander's business account promotion. It features a man in a blue shirt and apron looking at a tablet. The text includes: 'Konto Firmowe Godne Polecenia', 'Promocja', 'Konto firmowe za 0 zł z premią i dodatkowymi korzyściami', '• 0 zł za prowadzenie konta', '• do 900 zł premii', and 'Otwórz konto firmowe'. A small box on the right says 'Jest wiele powodów by polecić Santander Bank Polska' with a thumbs up icon.

# Business and Corporate Banking Division

**18%**

YoY growth in Strategic Sectors revenues

**16%**

YoY growth in International Business revenues

**33.2 bn**

Performing assets  
16% y/y; -2% q/q

**27.4 bn**

Deposits  
13%y/y; +3% q/q

- Good momentum in most business lines in Q3 (revenues higher by 8% q/q including Treasury services +23% and Transactional Banking fees +5% q/q)
- Leveraging on Santander footprint - Increased activity with trade missions for international customers
- Continued very good credit quality in the portfolio

# Corporate & Investment Banking

## Chosen products' sales

Y/Y revenue increase\*

41%

Cash management services

39%

Trade finance products

13%

Syndicated lending

## Sustainable banking at the heart of CIB

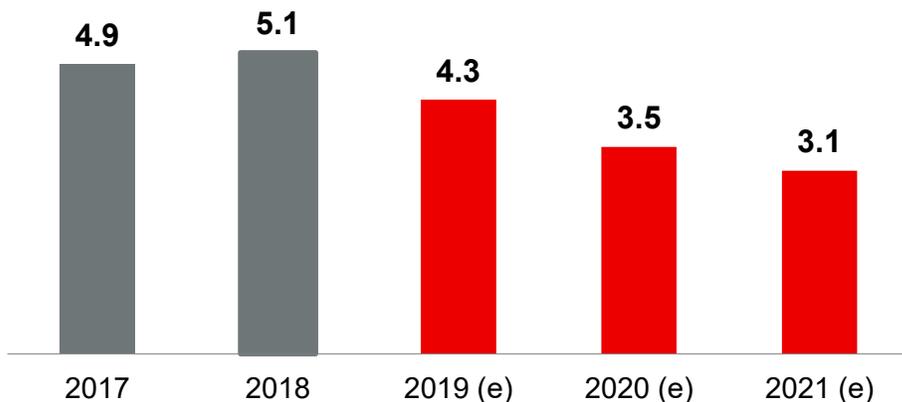
**Poland strategy:** Santander-led consortium of 5 banks signed the **first ESG loan in Poland and the CEE region** – margin dependent on Environmental, Social and Governance criteria fulfilled by the borrower

# Macroeconomic environment

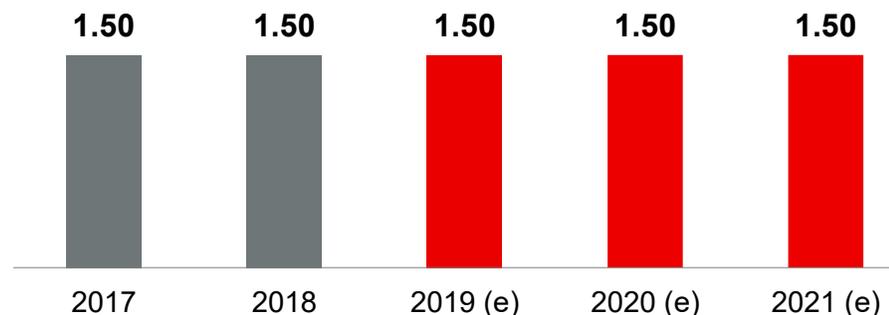
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# GDP growth gently slowing, CPI above the NBP target

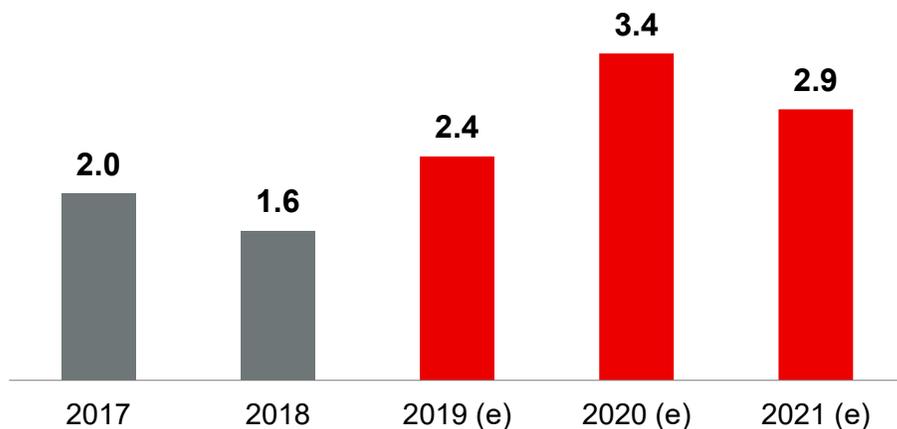
Annual GDP Growth (real, %)



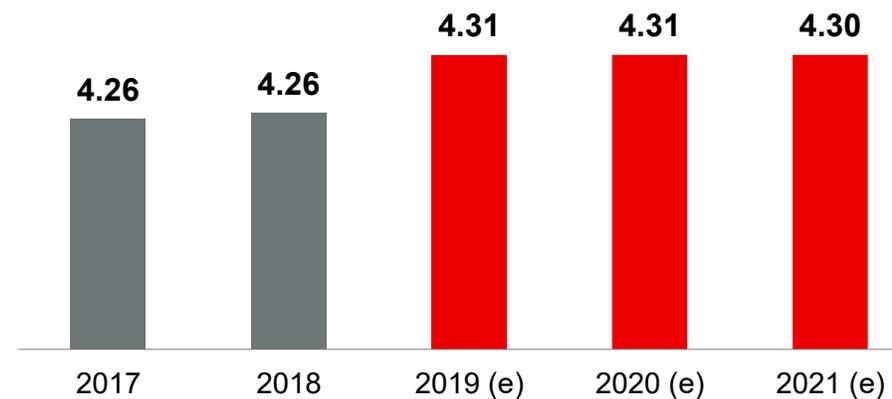
Central Bank Monetary Policy (year end, %)



Annual inflation rate (average, %)

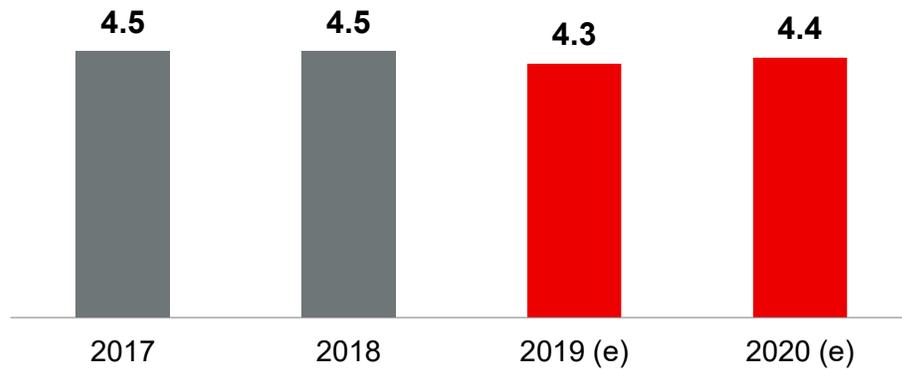


Average exchange rate (EUR / PLN)

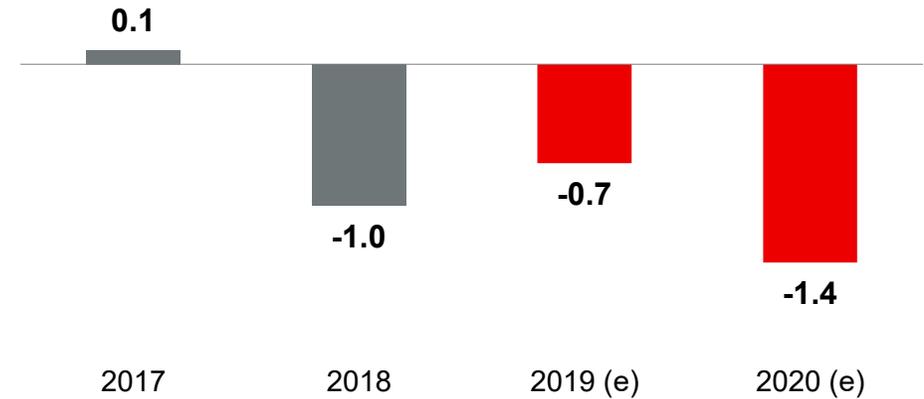


# Consumption to stay strong, investments slowing, record low unemployment

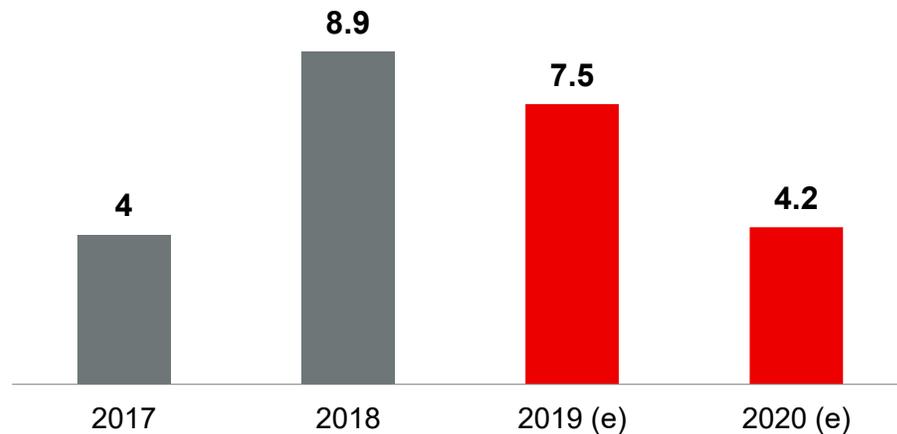
Private Consumption Growth (real, %)



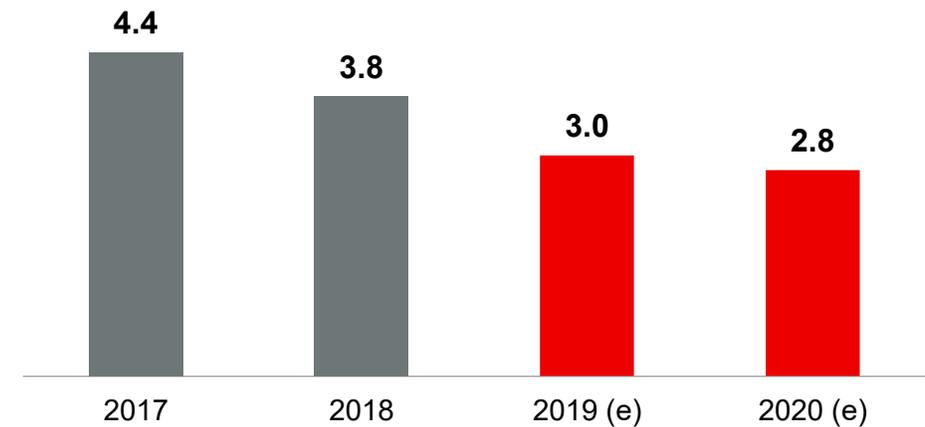
Current Account Balance (year end, % GDP)



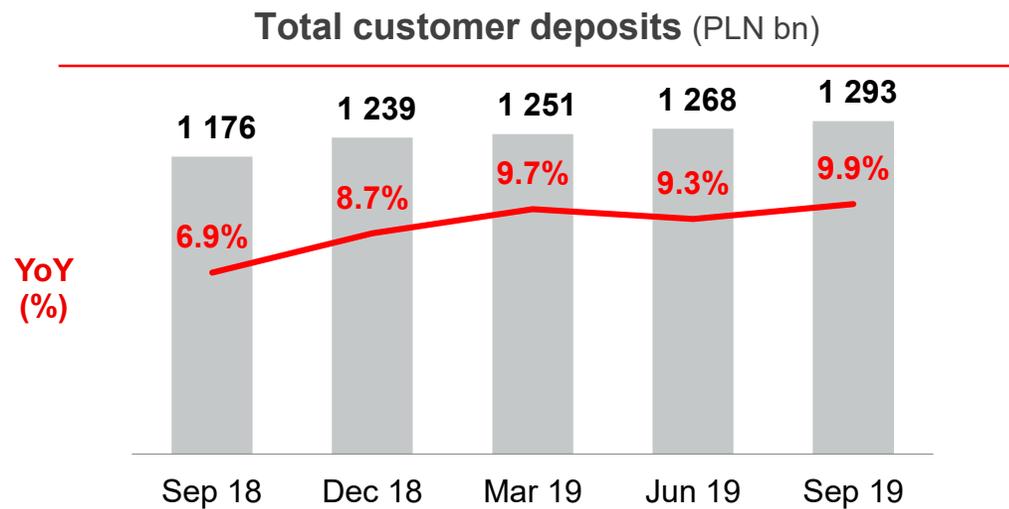
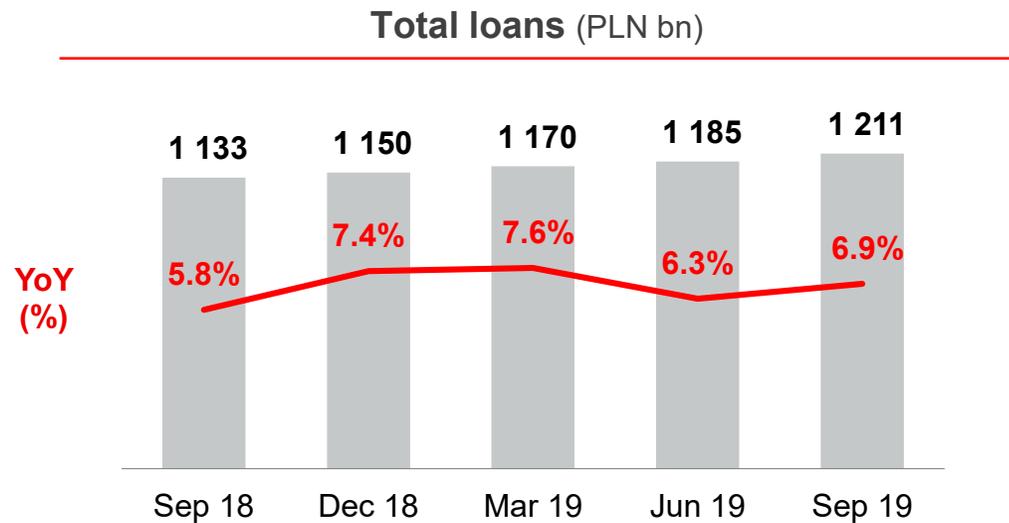
Annual Investment Growth (real, %)



Unemployment (year-end, %)



# Continued solid growth of loans and deposits



- Total loan growth still solid, and stable around 7% y/y after correcting for exchange rate movements.
- Consumer loans grew by 9.0% y/y in September 2019, with growth rate more or less unchanged versus the previous months. PLN-denominated mortgage loan growth remained high, reaching 12.0% y/y in September 2019.
- In the corporate sector, the loan growth (after FX adjustment) was at 4.2% y/y, slightly slower than in the previous months. Current loans rose by about 5% y/y after rising in two-digit pace at the start of the year, while investment loans accelerated to c3.5% y/y after starting the year in a stagnation.
- Deposit growth at 9.9% y/y in September, with demand deposits rising by 15.5% y/y and term deposits by 0.5% y/y
- Individuals' deposits advanced by 11.1% y/y, while business deposits added 8.0% y/y.

# Santander Group Results

03

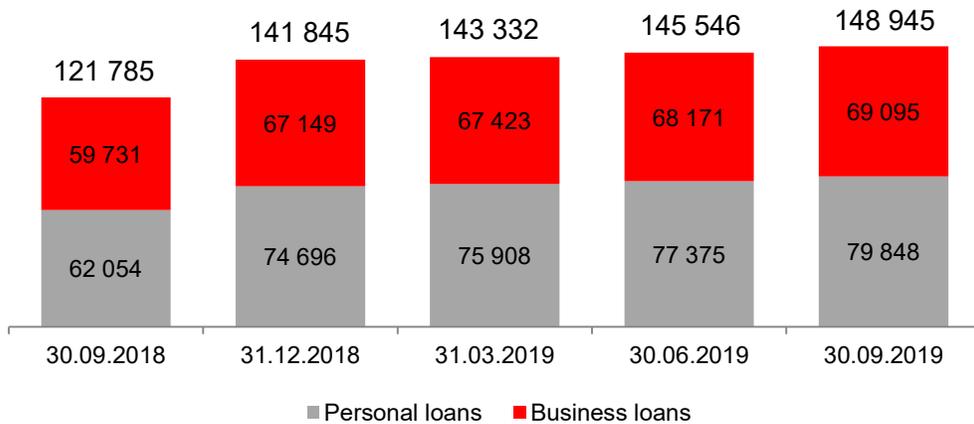
# Loan Performance

## Gross Loans +22% YoY and +2% QoQ

### Total gross loans

PLN m

+22%



**SCB gross loans PLN 19bn (+11% YoY)**  
**Mortgage portfolio -5% YoY (CHF mortgage loans -9% YoY)**  
**SCB loans (excluding mortgage) +16% YoY**

	30.09.2019	30.09.2018	YoY (%)	Q/Q (%)
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<b>Individuals</b>	<b>79 848</b>	<b>62 054</b>	<b>29%</b>	<b>3%</b>
Mortgage	51 207	40 008	28%	2%
Other personal	28 641	22 046	30%	5%
<b>Business</b>	<b>69 095</b>	<b>59 731</b>	<b>16%</b>	<b>1%</b>
<b>Total gross loans</b>	<b>148 943</b>	<b>121 785</b>	<b>22%</b>	<b>2%</b>

### Comment

- **Santander Bank Polska S.A. gross loans: +22 YoY:**
  - Mortgage loans +31% YoY and +2% QoQ
  - CHF mortgage loans -9% YoY (in PLN -2% YoY)
  - Cash loans +66% YoY and +7% QoQ
  - SME (including leasing and factoring) +20% YoY and +2% QoQ
  - Corporate (BCB) portfolio +19% YoY and -2% QoQ
  - CIB +8% YoY and +7% QoQ.

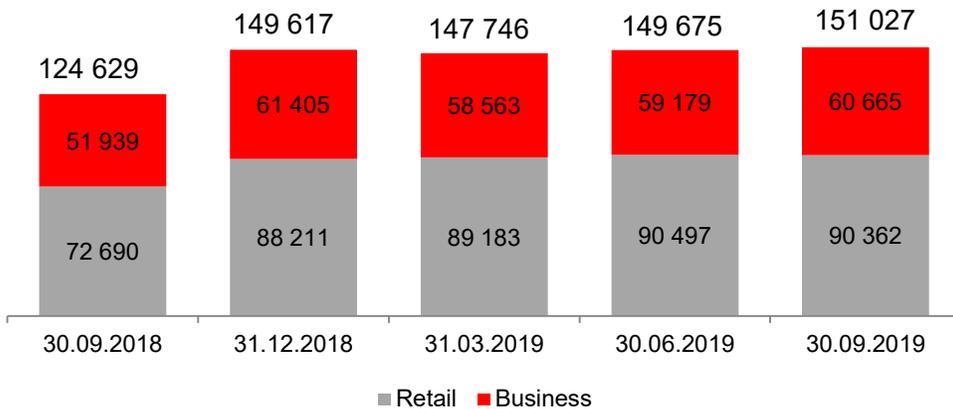
# Total Customer Funds

## Total Customer Funds +19% YoY and 1% QoQ

### Total Deposits

PLNm

+21%



**SCB deposits: PLN 9.5bn  
(+12% YoY)**

	30.09.2019	30.09.2018	YoY (%)	QoQ (%)
Demand	51 844	41 006	26%	2%
Savings	38 470	27 010	42%	2%
Time	60 712	56 613	7%	0%
<b>Total</b>	<b>151 027</b>	<b>124 629</b>	<b>21%</b>	<b>1%</b>
Funds under management	16 319	16 199	1%	3%
<b>Total Customer Funds</b>	<b>167 346</b>	<b>140 828</b>	<b>19%</b>	<b>1%</b>

### Comment

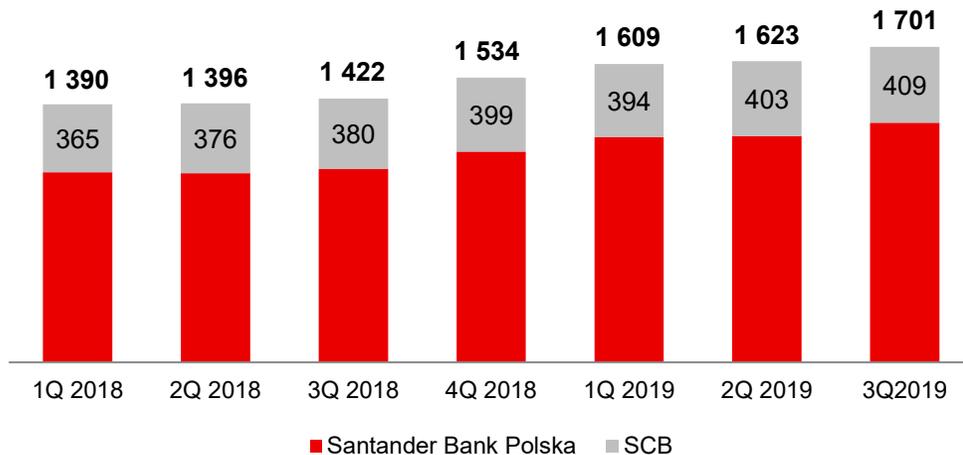
- **Santander Bank Polska Group deposits:**
  - Retail +24% YoY and stable QoQ
  - Business +17%YoY and +3% QoQ
- **Mutual Funds +1% YoY and +3% QoQ**

# Net Interest Income and Net Interest Margin

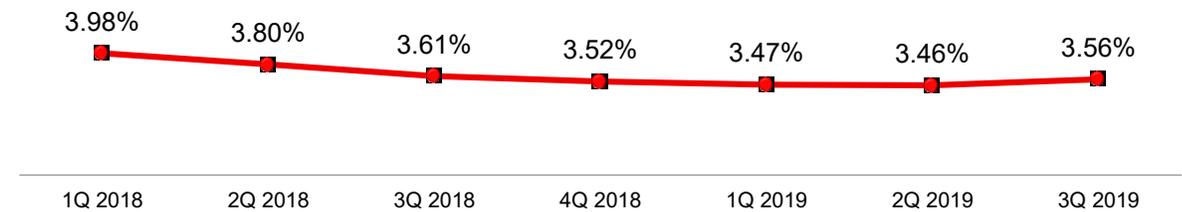
**Net Interest Income +17% YoY and +5% QoQ.**

## Net Interest Income

PLN/PLN



## Net Interest Margin (%)\*



SCB Group accounted for PLN 1 205m in 1-3 2019 and PLN 1 121m in 1-3Q 2018

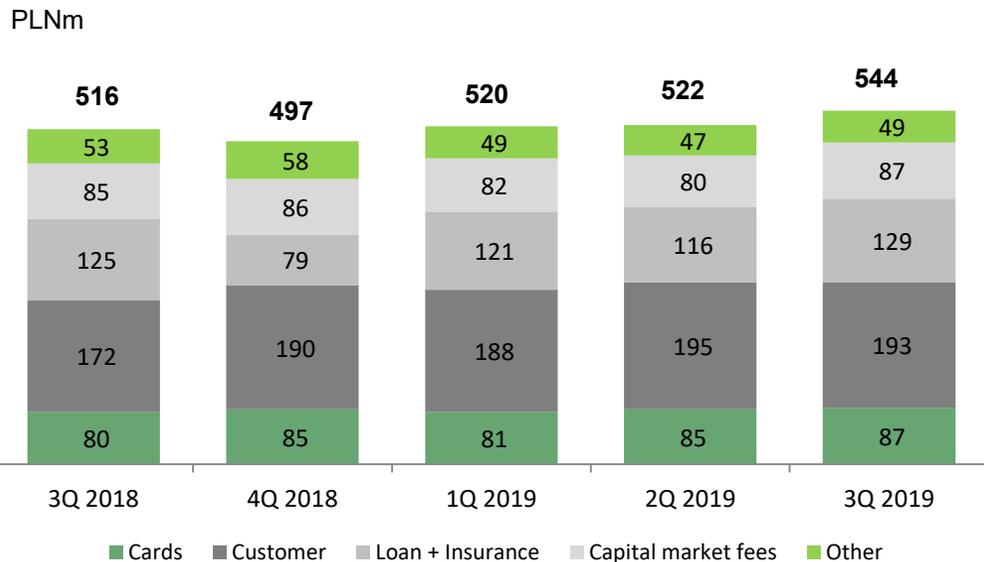
## Comment

- Net Interest Income +17% YoY / +5% QoQ.
- In Q3 2019, the annualised quarterly net interest margin was 3.56% and increased QoQ from 3.46% due to optimisation of the deposit offer and dynamic growth of the credit portfolio (notably personal cash loans). Quarterly dynamics of interest income was 2.3% q/q and interests costs decreased by 5.6%.

# Net fees

**Net fees +2% YoY and +4% QoQ.**

## Net fees



## Main items

	1-3Q 2019	1-3Q 2018	YoY (%)	QoQ (%)
Cards	252	240	5%	3%
Customer + Other	576	523	10%	-1%
Loan + Insurance	365	368	-1%	11%
Capital market fees*	248	272	-9%	8%
Other	145	157	-8%	3%
<b>Total</b>	<b>1 586</b>	<b>1 561</b>	<b>2%</b>	<b>4%</b>

**SCB Group accounted for PLN 87m in 1-3Q 2019 and PLN 123m in 1-3Q 2018.**

## Comment

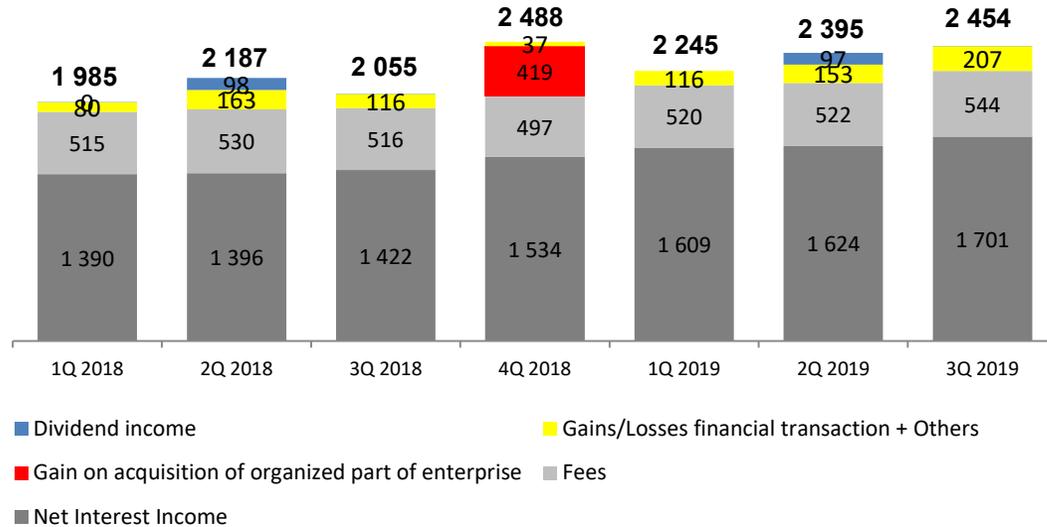
- Fee income +2% YoY and +4% QoQ.
- Good performance especially in fx fees (+16%YoY) and credit card fees (+8% YoY), debit cards and money transfers +3% YoY in each category, on quarterly basis significant growth in credit commissions +18 % QoQ.
- Fees connected with capital markets with decrease YoY, with significant improvement in the last quarter in management fees (+3% QoQ).
- SCB fees impacted by different recognition of one-off fees for partners in relation to development of retail sales network (mainly in 2Q). Costs of securitisation presented in fee and commission line in amount of PLN 6.5m in 3Q 2019.

# Gross Income

**Gross Income +14% YoY and +2% QoQ**

## Gross income

PLNm



	1-3Q 2019	1-3Q 2018	YoY (%)	QoQ (%)
Net Interest Income	4 933	4 208	17%	5%
Net Fees	1 586	1 561	2%	4%
<b>Subtotal</b>	<b>6 520</b>	<b>5 769</b>	<b>13%</b>	<b>5%</b>
Gains/losses on financial transactions	280	179	56%	15%
Dividends	99	100	-1%	-
Other operating income	197	180	9%	66%
<b>Gross Income</b>	<b>7 095</b>	<b>6 227</b>	<b>14%</b>	<b>2%</b>

**SCB Group accounted for PLN 1 294m in 1-3Q 2019 and PLN 1 269m in 1-3Q 2018**

## Comment

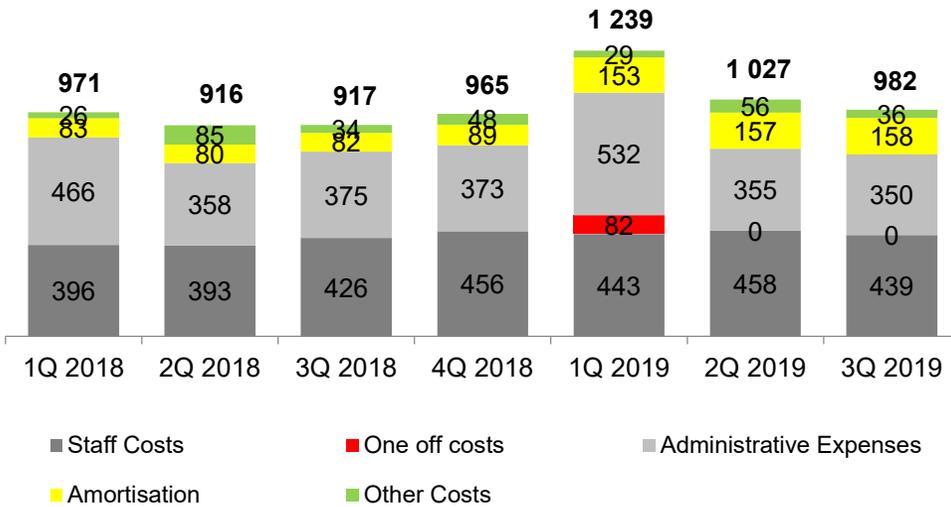
- Total income +14% YoY and higher by 2% QoQ. Dividends at the similar level as in the previous year. Quarterly dynamic impacted by Aviva Group dividend booked in Q2 2019.
- Profit on sale of debt securities of PLN 86m (PLN 22min 1-3Q 2018).
- Positive change in fair value of VISA Inc. shares of PLN 40m (PLN30m in 1-3Q 2018).
- As part of transformation of the business model, on 27 September 2019 Santander Bank Polska S.A. sold an organised part of the bank's enterprise, namely the Investment Services Centre (a separate organisational unit) providing professional transfer agent services to Santander TFI. The income on sale of PLN 50m was booked in 3Q 2019.

# Operating Expenses

Expenses impacted by regulatory costs, labour marker pressure, total costs -4% QoQ.

## Operating expenses

PLNm



	1-3Q 2019	1-3Q 2018	YoY (%)	QoQ (%)
General and administrative expenses	(2 659)	(2 414)	10%	-3%
<i>Staff costs</i>	(1 422)	(1 215)	17%	-4%
<i>Administration costs</i>	(1 237)	(1 200)	3%	-2%
Depreciation + Other	(589)	(389)	51%	-10%
<b>Total expenses</b>	<b>(3 248)</b>	<b>(2 804)</b>	<b>16%</b>	<b>-4%</b>

SCB Group accounted for PLN 461m in 1-3Q 2019 and PLN 435m in 1-3Q 2018.

## Komentarz

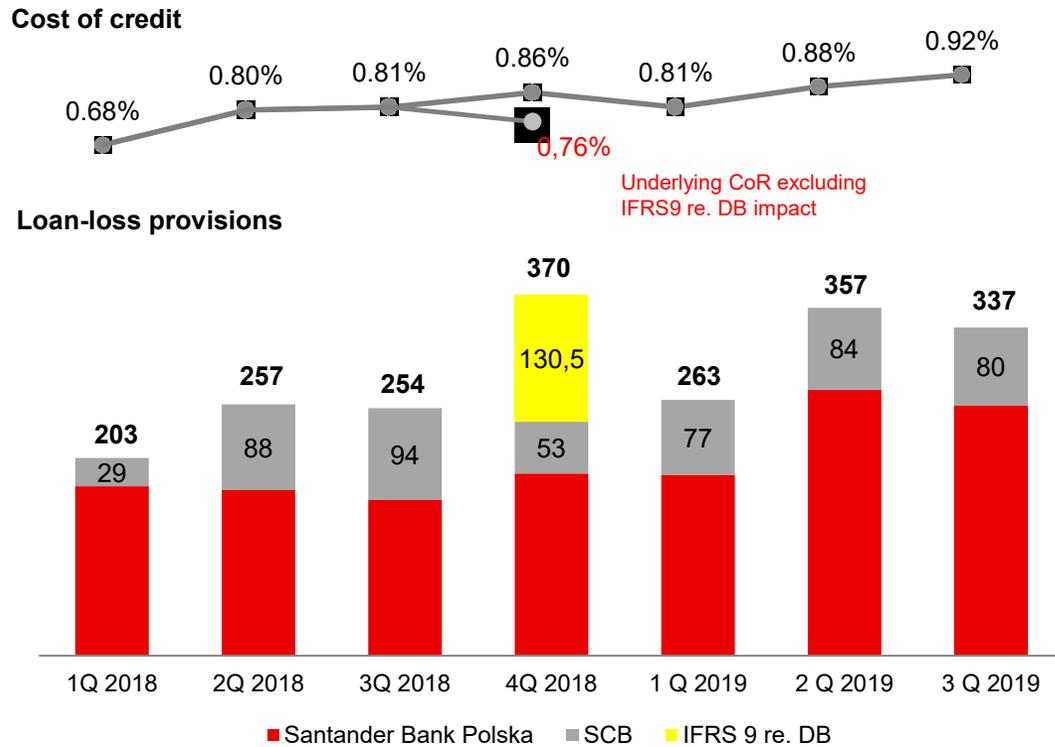
- Administration costs impacted by regulatory costs, which in 1-3Q 2019 were PLN 285m (increase of 49% YoY).
- On quarterly basis decrease of Staff costs by 4% and administration costs by 2% - decreases in the following items: buildings and premises, postal, marketing, data transmission.
- The increase of depreciation costs in 2019 (with decrease of administration costs at the same time) due to IFRS16 introduction.
- In 1H 2019 bank booked PLN 80m of restructurisation provision due to collective redundancies.
- SCB saw increase in operating costs YoY mainly due to increased regulatory costs, IT investment, pressure on labour market and restructurisation provision of PLN8m.

# Loan-loss provisions (LLPs) and Credit Quality

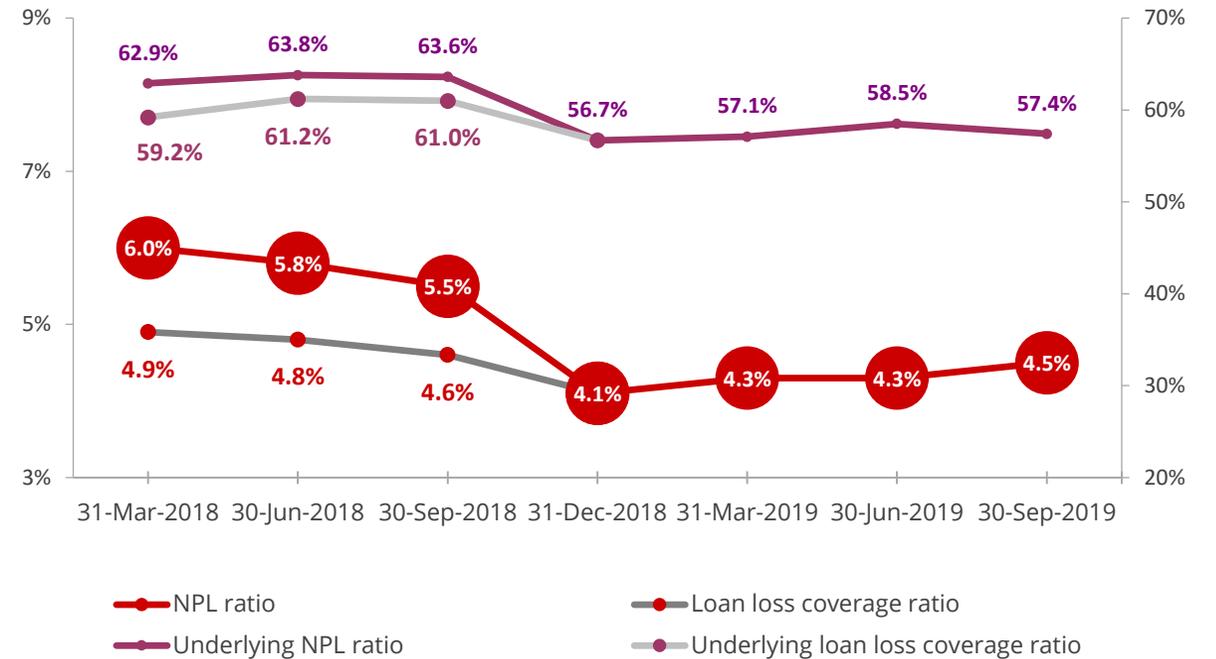
## Cost of risk in line with expectations

mln PLN

### LLPs and Cost of credit

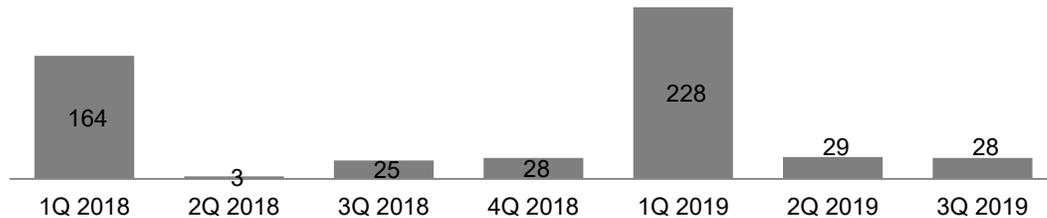


### NPL and Coverage ratio\*



# Bank Tax, Regulatory Costs and NPL Sales

## Costs related to BGF and PFSA



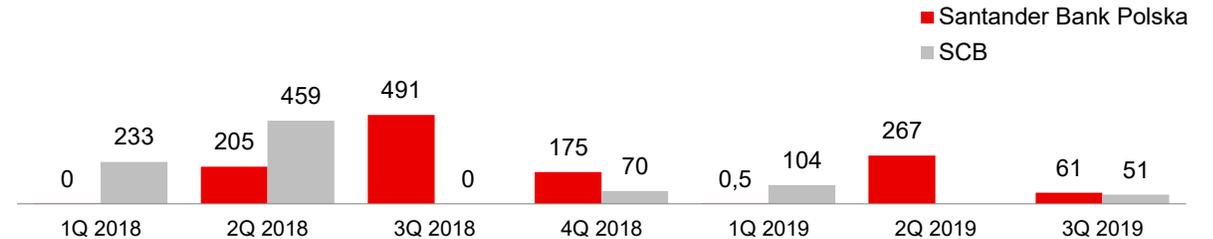
Resolution Fund contribution:  
 2018: SBP PLN 97m; SCB PLN 12m  
 2019: SBP PLN 199m; SCB PLN 26m.

## Banking tax

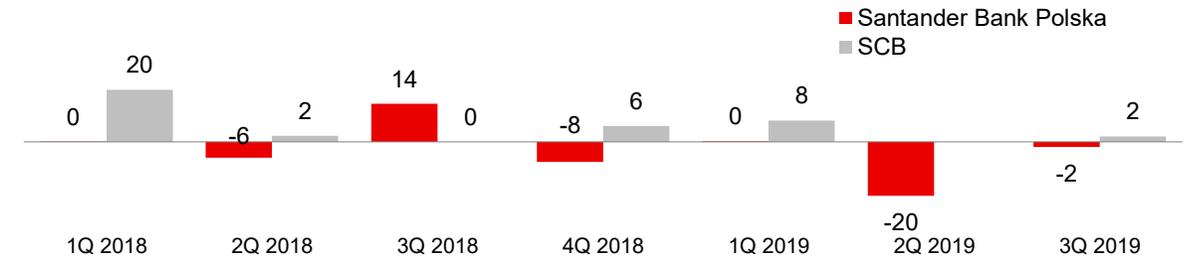
Pursuant to the Act on tax imposed on certain financial institutions, bank assets are subject to tax of 0.0366% per month, effective from 1 February 2016. In 2019, the total tax charged to Santander Bank Polska SA and SCB in this respect was PLN 283m (PLN 262m and PLN 21m respectively).

## NPL Sales\*

- **Santander Bank Polska:** 1-3Q 2019 NPL sales of PLN 329m, PBT impact PLN -22m.
- **SCB:** 1-3Q 2019 NPL sales of PLN 155m, PBT gain of PLN 10m.



## P&L impact (PBT) of sale of NPL



# 1-3Q 2019: Significant increase of the Net operating income YoY.

## 1-3Q 2019 result under influence of significant regulatory and restructuring costs

mln zł

	1-3Q 2019	1-3Q 2018	2019%	Underlying*
NII + Fee income	6 520	5 769	13,0%	13,0%
Gross Income	7 095	6 227	13,9%	13,1%
Operating expenses	-3 248	-2 804	15,8%	9,8%
Net operating income	3 847	3 424	12,4%	17,9%
Loan-loss provisions	-956	-715	33,7%	33,7%
Tax on financial institutions	-499	-334	49,7%	49,7%
<b>Gross profit</b>	<b>2 440</b>	<b>2 417</b>	<b>1,0%</b>	<b>8,9%</b>
Tax	-618	-559	10,6%	10,6%
<b>Net profit of Santander Bank Polska S.A. shareholders</b>	<b>1 584</b>	<b>1 598</b>	<b>-0,9%</b>	<b>10,6%</b>

Effective Tax Rate

25.3%

23.1%

**Good growth in core income**

**Costs driven by one offs  
(BGF and collective redundancies)  
Further strong focus on efficiency**

**Cost of credit annual increase results from low  
base effect of 2018**

**Profit lowered by regulatory and restructurisation  
costs**

**Effective tax rate impacted by regulatory factors**

# Conclusions

## Market Environment & Financial System

- GDP growth strong yet decelerating in 2019, with still strong private consumption, fuelled by robust labour market, high consumer confidence and welfare spending. Growth rate of investments high, but most likely the peak in the investing cycle is over. Global economic slowdown and strong internal demand likely to result in a widening trade deficit.
- CPI inflation climbing beyond the NBP target (2.5%) due to rising core inflation, shocks in energy and food prices.
- Main interest rates to stay unchanged at 1.5% in the next few years.
- Total loan growth after FX adjustment stabilised at slightly below 7% YoY. Coming quarters may see a stabilisation or even slight deceleration, amid lower nominal GDP growth.

## Strategy & Business

- Strategy based on existing course of action in line with the same values and behaviours. Focus on business and digital transformation, as well as strategic projects.
- The strategy promotes customer-centric culture in business management, excellent customer service and product range, operational effectiveness, simple, clear and innovative solutions, and corporate culture that strengthens employees' engagement and motivation.

## Results

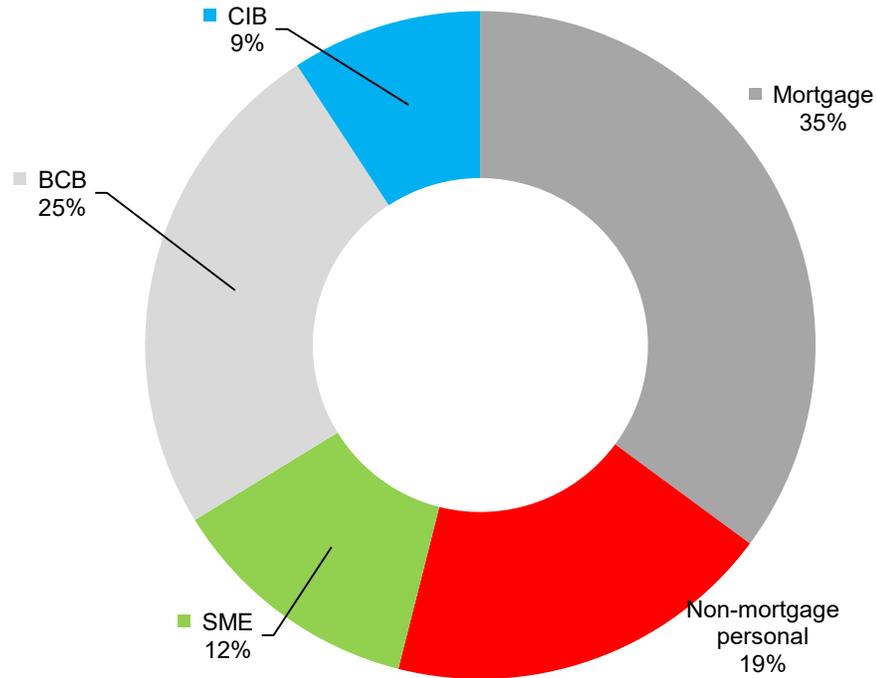
- Increase in income on core business (interest and fee income ) +12% YoY.
  - Efficient management of interest income: net interest income +16% YoY.
  - Increase in fee income by stable YoY – demanding competitive environment.
- Increased cost of risk in 3Q 2019 due to individual cases in corporate banking.
- The net profit of PLN 958m impacted by regulatory costs and restructuring provision.

# Appendix

04

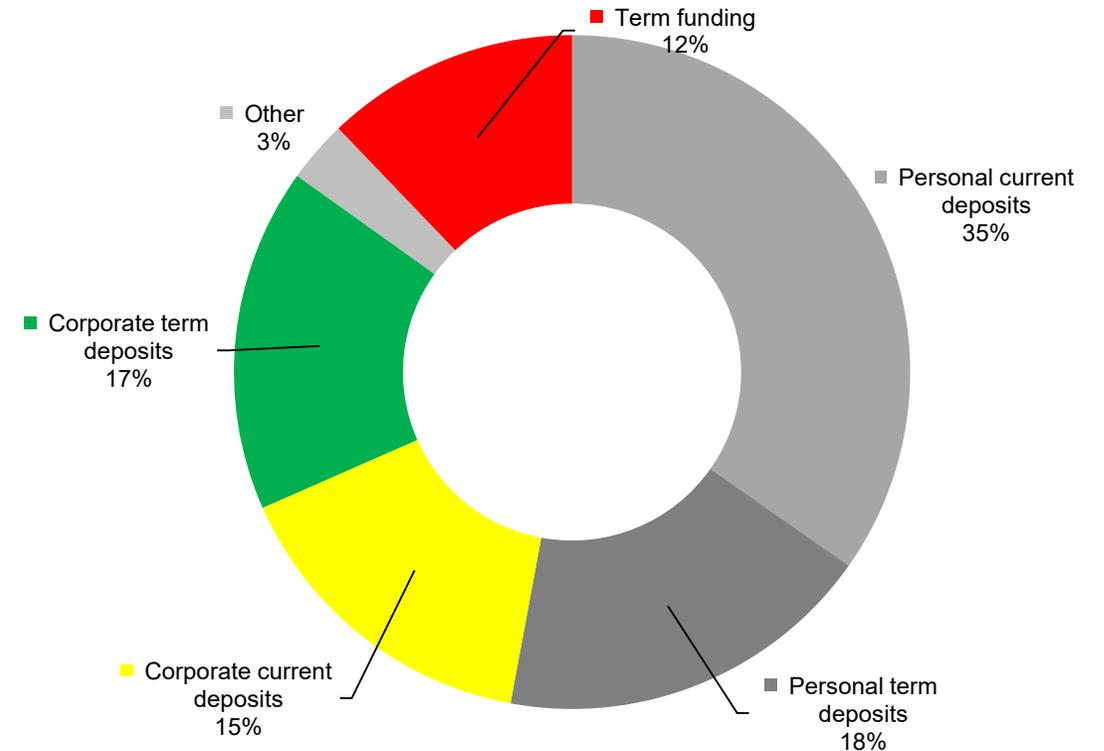
# Structure of Loans and Deposits / Term Funding

## Gross Loans\*



Total PLN 149bn

## Deposits & Term Funding\*

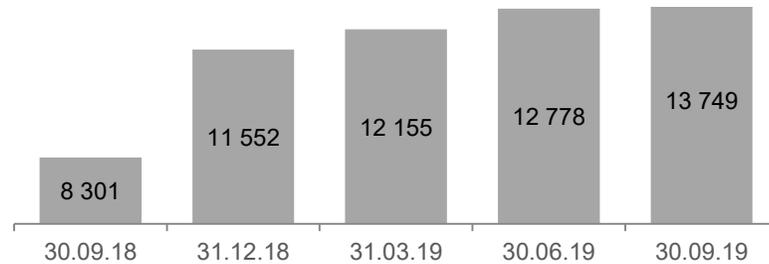


Total PLN 170bn

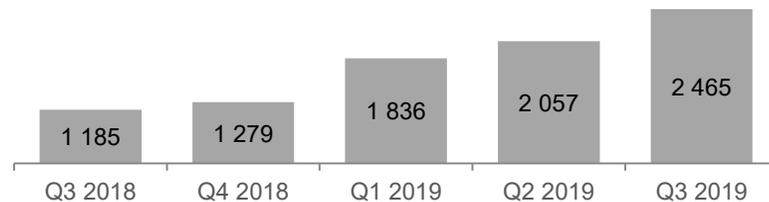
# Credit action growth

PLN mln

### Cash loans portfolio (gross)

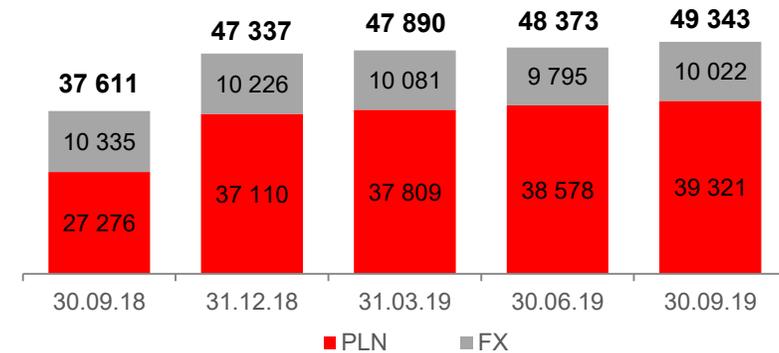


### Cash loans - sales

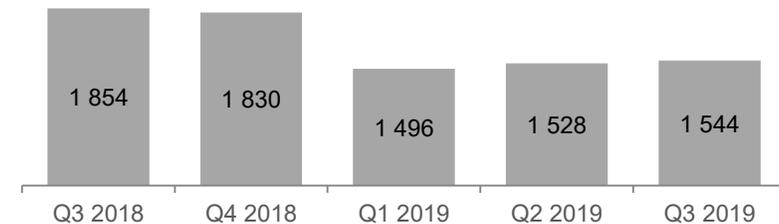


- Cash loans portfolio **+66%** YoY
- Cash loans sales **+108%** Q3 19 / Q3 18

### Mortgage loans portfolio (gross)



### Mortgage loans - sales

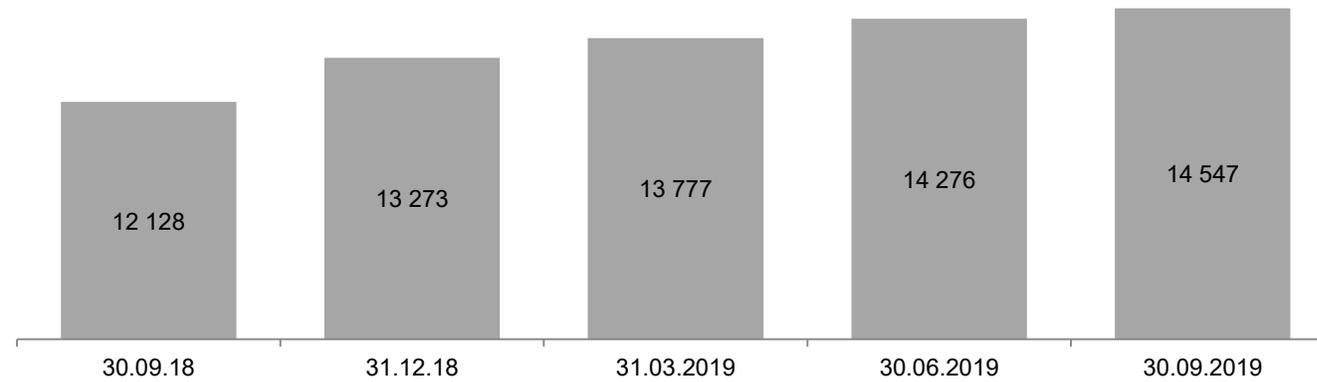


- PLN mortgage loans portfolio **+44%** YoY
- FX mortgage loans portfolio **-3%** YoY
- Mortgage loans sales **-17%** Q3 19 / Q3 18
- Stable market share in mortgage sales: **10.1%\***

# SME (excluding SCB)

## SME Loans (gross)

PLNm



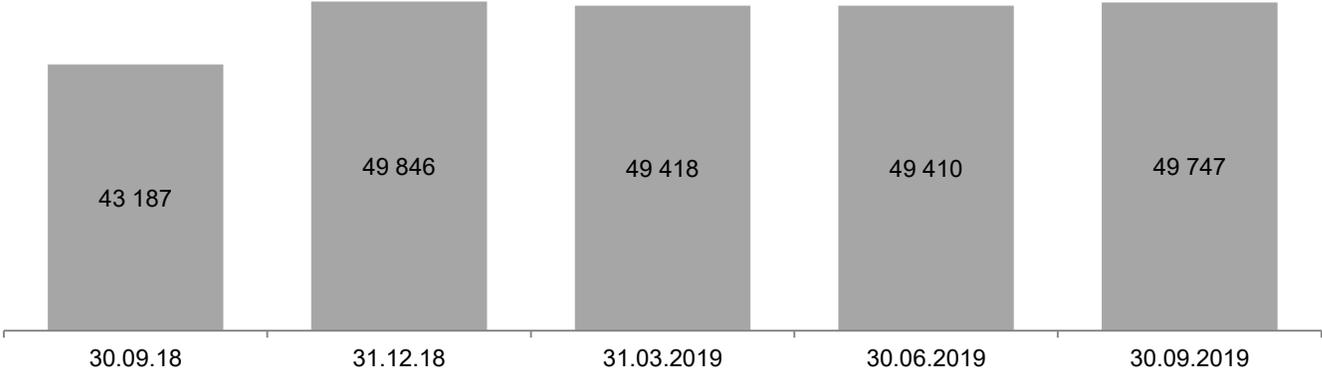
## Comment

- SME portfolio YoY increase due to Core DB Polska acquisition. Portfolio growth by 2% QoQ.

# Corporate & CIB

## Corporate & CIB (gross)

PLNm



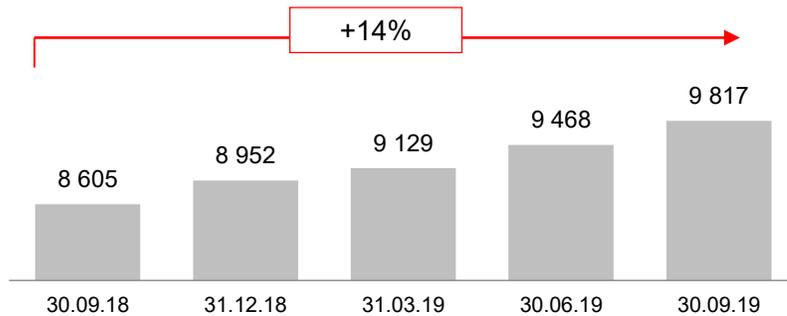
## Comment

- Corporate and CIB gross loan portfolio +15% YoY: Corporate loans +19% YoY and CIB +8% YoY.

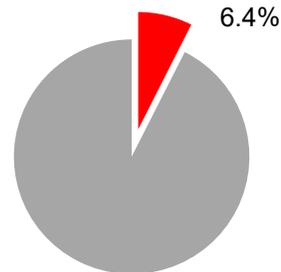
# Leasing & Factoring (excluding SCB)

## Leasing – empowering the 5<sup>th</sup> position on the market\*

Leasing Portfolio (PLN m)



Market share\* (%)

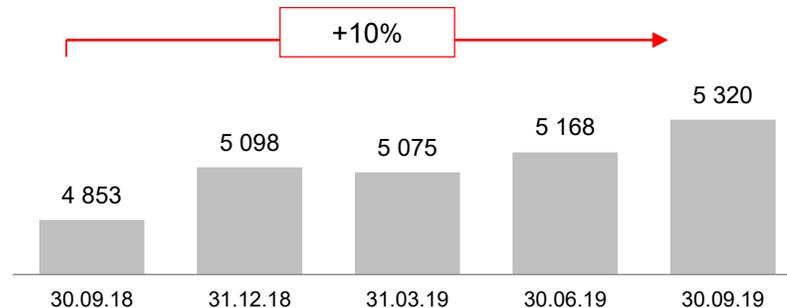


Comment

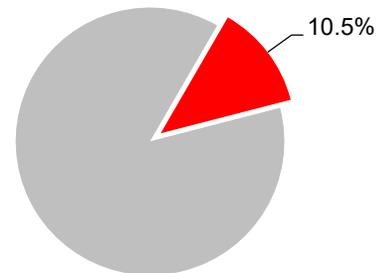
- Leasing portfolio PLN 9,8bn, i.e. +14% y/y
- Total Income growth +13% y/y
- Excellent cost efficiency C/I 33%
- Net value of financed assets in 1-3 2019 PLN 3.8bn

## Factoring – 4<sup>th</sup> position on the market

Portfolio (PLN m)



Market share\* (%)

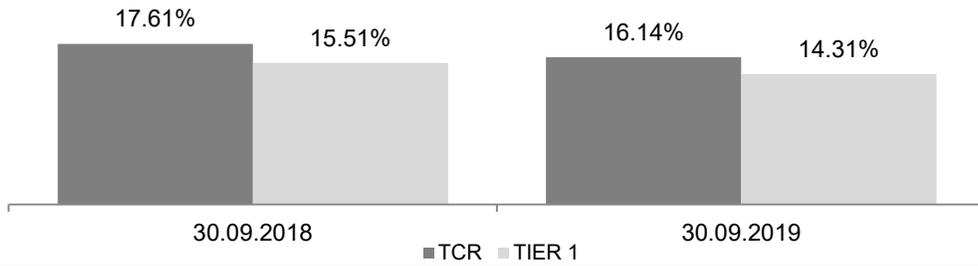


Comment

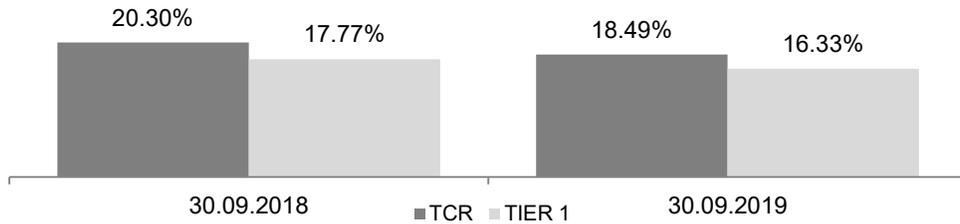
- Portfolio + 10% YoY
- Turnover + 10% YoY
- Market position – 4th position
- Confirming / Reverse Factoring market leader with 28% market share

# Capital & Liquidity Position

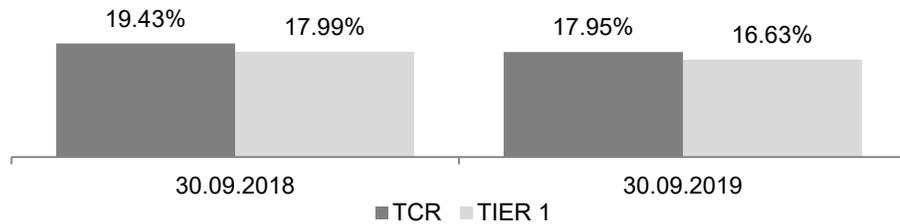
## Santander Group Capital Ratio



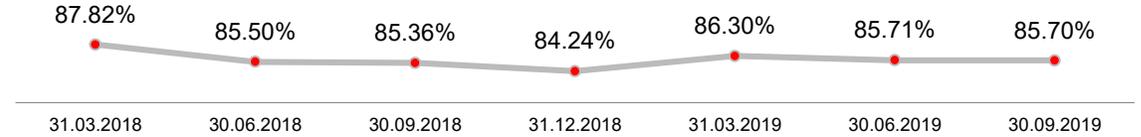
## Santander Bank Capital Ratio



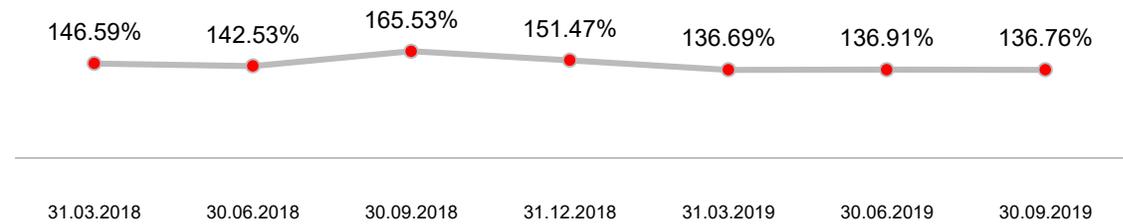
## SCB Capital Ratio



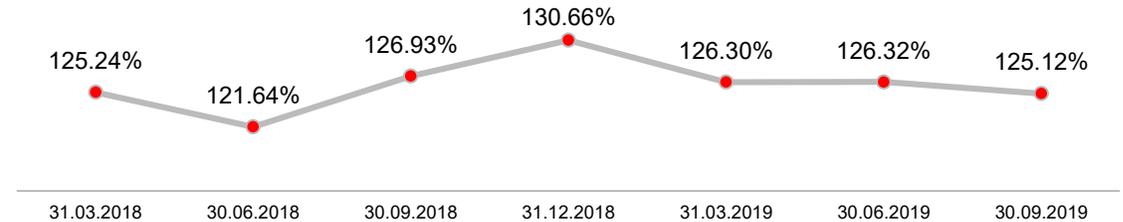
## Santander Bank Polska (excl. SCB ) Loan to Deposits Ratio (L/D)



## Santander Bank Polska Liquidity Coverage Ratio (LCR)



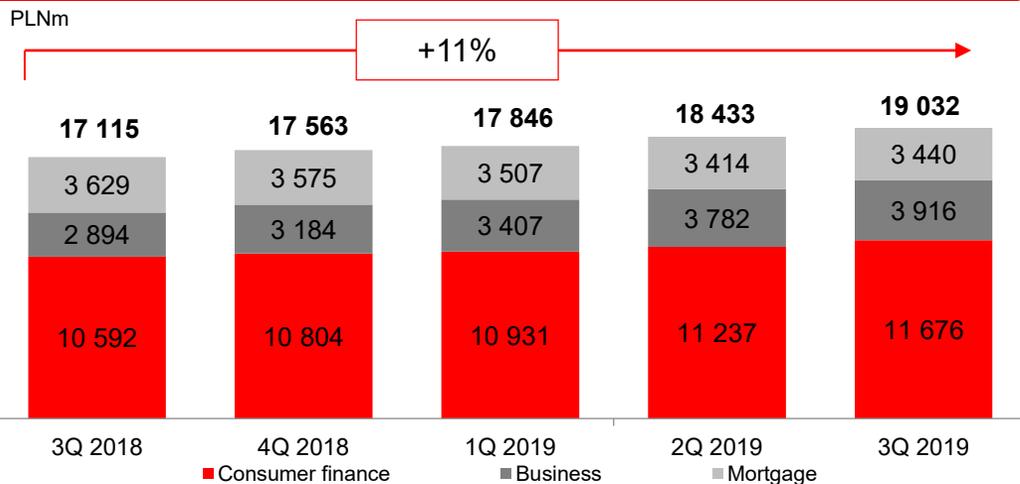
## Santander Bank Polska Net Stable Funding Ratio (NSFR)



# SCB Group - Loans

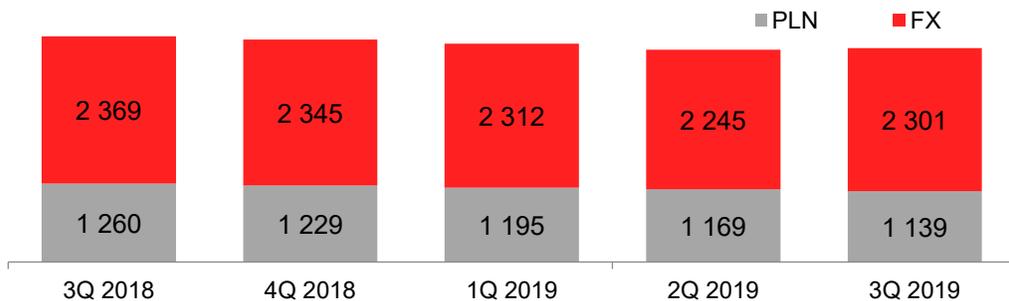
## Gross Loans SCB +11% YoY

### Total gross loans



	30.09.2019	30.09.2018	YoY (%)	QoQ (%)
<b>Individuals</b>	<b>15 116</b>	<b>14 221</b>	<b>6%</b>	<b>5%</b>
Mortgage	3 440	3 629	-5%	-4%
Consumer finance	11 676	10 592	10%	8%
<b>MSP/Leasing</b>	<b>3 916</b>	<b>2 894</b>	<b>35%</b>	<b>23%</b>
<b>Total gross loans</b>	<b>19 032</b>	<b>17 115</b>	<b>11%</b>	<b>3%</b>

### Gross mortgage portfolio



### Comment

- **Total gross loans: +11% YoY:**
  - Mortgage portfolio -5% YoY
  - CHF mortgage loans -9% YoY (ca. CHF 60 m)
  - Consumer finance loans +10% YoY
  - Business loans +35% YoY

# SCB Group - Key Financial Results 1-3Q 2019

PLNm	1-3Q 2019	1H-3Q2018
Assets	21 103	19 396
Net Loans	17 048	15 346
Deposits	9 638	8 577
Total equity	3 322	3 332
Net profit	428	459
L/D (%)	176.9%	178.9%
C/I (%)*	37.4%	35.7%
ROE (%)	16.8%	18.4%
ROA (%)	2.8%	3.2%
TCR (%)**	17.9%	19.4%



Contacts:

Maciej Reluga  
CFO, Chief Economist  
[maciej.reluga@santander.pl](mailto:maciej.reluga@santander.pl)

Agnieszka Dowżycka  
Investor Relations Director  
[agnieszka.dowzycka@santander.pl](mailto:agnieszka.dowzycka@santander.pl)