Strategic overview

Annual Report

2019

Santander

Message from **Ana Botín**

Dear Fellow Shareholders,

Each year I select a theme for my letter. This year it is "continuity and change". I am going to address the things about Santander that are unchanging: the fundamentals of our business and our strategy which have made us one of the most predictable and profitable banks. And then I will look at how we are embracing change, particularly technological transformation, in order to continue to seize the new opportunities ahead of us.

This year is a particularly good moment for reflection as 2020 marks both the beginning of a new decade and the fifth anniversary of my appointment as leader of Santander. Looking back over those five years, I am struck by what has changed – the world of 2014 was very different to the world of 2019. But I am also impressed by what our Group has achieved in this time of disruption; growing, becoming even stronger and more profitable, and running our business more responsibly, all of which have enabled us to increase cash dividend per share 2.3 times since 2014, proposing to the 2020 Annual General Meeting a total dividend per share charged to 2019 results of €0.23, of which €0.20 would be paid in cash, a c.3% increase in our cash dividend per share this year. I believe the market does not yet recognise this progress.

Meanwhile, although our purpose – to help people and businesses prosper - remains unchanged, our aim now reflects the challenge of the digital era: to be the best open financial services platform by acting responsibly and earning the lasting loyalty of our people, customers, shareholders and communities. Later in the letter I will describe what building that financial services platform means in practice. First, I want to cover the fundamental strengths of our business, and how they are delivering growth and value.

Part 1: Continuity

A solid investment in an unpredictable world

2019 was another year of global volatility, with an economic slowdown, continued regulatory pressure and negative interest rates in Europe, a trade war between the US and China, and Brexit-related uncertainty. While this instability affected Europe and European banks disproportionally, we once again comfortably met our growth, profitability and strength targets thanks to the disciplined execution of our strategy.

- **Growth.** We grew loyal[1] and digital customers by 9% and 15%, respectively and, as a result, our customer revenues grew by €1.7 billion in the last year – or 4%, year-on-year in constant euros.

- **Profitability.** Our top-line growth, together with our unrelenting focus on efficiency and improved capital allocation, enabled us to deliver an underlying return on tangible equity (RoTE) of 11.8% at the end of 2019, on a higher capital base.

- **Strength.** Our growth and profitability helped us further strengthen the Bank. We delivered a fully loaded Common Equity Tier 1 (FL CET1) capital ratio of 11.65%, generating a record 97 basis points of gross capital in 2019. We are very comfortable with our capital levels and the buffers we have in excess of the regulatory requirements and are well positioned to take advantage of the significant profitable growth opportunities we see across the Group, while maintaining an attractive remuneration policy for our shareholders.

Since 2014, we have increased our FL CET1 ratio by 338 basis points while growing the business and returning €17 billion in capital to our shareholders and AT1 bondholders – a significant achievement considering the significant increase in regulatory capital requirements, including the interest rate environment which in the beginning of 2014 was 80 basis points higher than by the end of 2019.

A bank with strong foundations

Our success over the past five years is built on three foundations that are at the core of our strategy.

The first is **our customer-centric approach**, focusing relentlessly on helping people and businesses prosper. When I was appointed, we adopted values across the Group that ensure we deliver for customers, commit all our teams to a common culture, and work in a way that is **Simple, Personal and Fair**. **Simple** means giving our customers accessible products and services that they understand. **Personal** means designing products and services that are suited to the specific needs of our customers, treating them as people, not numbers. **Fair** means honouring our promises, being transparent, and treating all our stakeholders with respect. Taken together, we call this **The Santander Way**, and believe it is this approach that generates the most valuable asset of the company: customer loyalty.

Our customers have never had more choice in how they bank, and they will have even more options over the years ahead as new players leverage their digital positions or carve out niche offers to enter the market. We have some powerful assets we can deploy, but none is more important than the loyalty we earn from customers, not just by keeping

Underlying Profit:
EUR 8.3 bn
from EUR 5.8 bn in 2014
from EUR 4.2 bn in 2013

FL CET1: 11.65%
from 8.27% in 2014

Cash DPS: 2.3x since 2014

EPS: +22% since 2014

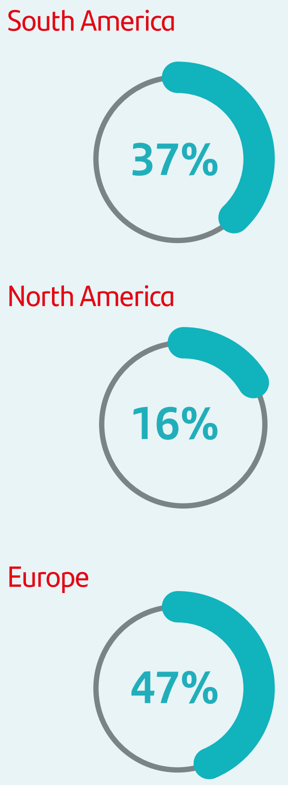
TNAV: +19% since 2014
per share

Euribor 12m January 2014: +0.56%

Euribor 12m January 2020: -0.25%

[1] Active customers who receive most of their financial services from the Group according to the commercial segment to which belong.

2019 underlying attributable profit by region



their money and their data safe, but by offering products and services that meet their financial needs. This loyalty generates both more predictable returns and insight, enabling us to continue to improve our service.

The second foundation is our **scale**. Banking has always been a business where scale matters, and that is even truer in the digital world. As a Group, we have one of the largest customer bases in Europe and the Americas, serving 145 million customers. The majority (99%) of our customers and profits come from nine geographies and Santander Consumer Finance in Europe (SCF). Locally, we are the leading bank (by lending market share) in five of the countries in which we operate, and we are in the top three in four other markets. The combination of global and local scale is a competitive advantage, as it gives us the potential to profitably grow our customer base and, as a result, our volumes and revenues, with minimal additional costs.

With today's technologies, we can now leverage our global scale to benefit our local businesses so that we can focus on being the lowest "unit cost" player in each market.

Sometimes the benefits of scale relate to our strength in specific markets, and sometimes they relate to our strength across markets. It is our scale as a Group, for instance, that enables us to build profitable global businesses, such as Corporate and Investment Banking (CIB), Wealth Management & Insurance (WM&I) and, more recently, the Santander Global Platform (SGP).

By working as a group, we are able to invest in new technology at scale, developing solutions globally, using best practices across all our countries and, therefore, reducing unit costs and the time it takes to launch new services as well as being able to attract top teams to build a world-class user and customer experience.

The benefits of our scale are evident in the efficiency of our operations, yielding a best-in-class cost-to-income ratio of 47% compared to an average ratio of 56% for our global peers.

The third and final element of our success is our **diversification**. Our assets and profit generation are well balanced in terms of geography, customer type and product. We are present in both emerging and mature markets, offering a broad range of products and services that cater to the needs of individuals, small to medium-sized enterprises (SMEs) and large corporations. As a result, we are prepared to adapt quickly to changing market conditions. When a new opportunity emerges within one demographic or geography, we can rapidly move resources and redeploy our capital. And we can do the same when a geography or demographic is threatened, either strengthening our offer in the face of a more challenging environment or, if necessary, investing elsewhere where the returns are higher.

Our diversification means half of our profits and 78% of our loans come from mature markets that tend to produce more stable returns and cash flows. The other half comes from higher growth emerging markets, which today represent only 22% of our loans, and tend to require investing capital so we can offer more banking services to a burgeoning middle class.

Our customer focus, scale and diversification has allowed us to deliver more predictable and profitable growth. Over the last 20 years we have increased profits by a multiple of five, while maintaining the lowest quarterly earnings volatility of our global peers. This greater predictability means we need less capital than banks with more volatile results. This was born out by the European Banking Authority's annual stress test which, in 2019, showed once again that Santander has the most resilient balance sheet of all the banks tested.

Part 2: Change

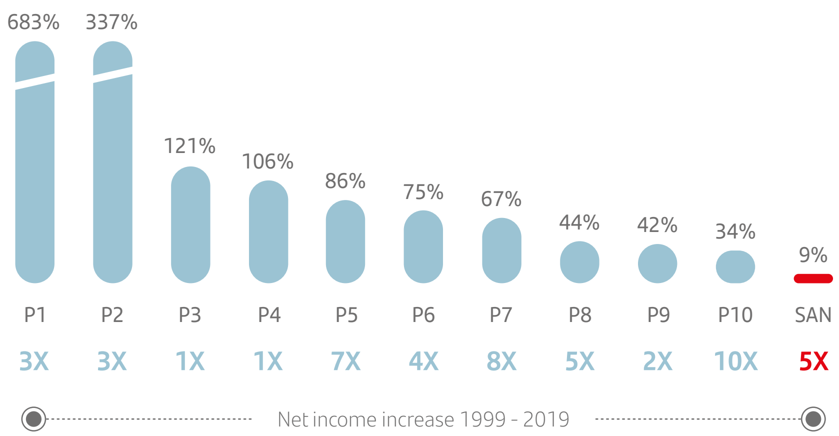
Reinforcing our foundations

As a result of the decisions we have made over the past five years we are in a stronger position to continue succeeding in the years to come. To do this we need to change, so that we can re-enforce our strong foundations.

Our strategy has been – and remains - focused on three pillars:

- Improving operational performance by leveraging our diversification and scale across all our markets;
- Continuing to redeploy capital to our most profitable businesses; and

Quartely reported EPS volatility. 1999-2019



- Accelerating the digitalisation of our business and services to improve customer experience through Santander Global Platform.

By focusing on these three priorities, we aim to grow earnings and improve our profitability from where we are today – among the most profitable European banks – to levels normally associated with banks in the US, which means achieving a RoTE of 13-15% and an efficiency ratio between 42-45% in the medium-term.

To achieve these targets, in 2019 we simplified our management structure, which has resulted in greater agility; more effective collaboration within and across geographies; and strong executive team succession planning. Throughout the year, we took additional steps to further improve our organisation, including further training of our team members, with a special focus on digital skills, and the deployment of tools designed specifically to enhance collaboration.

Europe

Loans[1]	Underlying RoTE
EUR 651 bn (+2% vs 2018)	10%

North America

Loans[1]	Underlying RoTE
EUR 131 bn (+10% vs 2018)	13%[2]

South America

Loans[1]	Underlying RoTE
EUR 131 bn (+9% vs 2018)	21%

[1] Loans and advances to customers
[2] Adjusted for excess of capital in the US. Otherwise 9%

Let me now take each of these three pillars in turn and discuss them in the context of our performance in 2019.

Improving operational performance

In 2019, we made significant progress leveraging the scale and talent of our Group to improve our overall operational performance in Europe, North America and South America, as well as in our global businesses.

In **Europe**, we have a common vision for Individual and SME banking, which is successfully delivering a transformation programme that generated approximately €200 million of net savings in 2019, achieving 20% of our €1 billion net cost savings target. Except for the UK, which has been affected by Brexit uncertainties and the impact of ring-fencing regulation, all of our markets produced underlying profit growth. Europe as a region, including UK, maintained an underlying RoTE of 10%.

In **North America**, we are producing strong profitable growth. Mexico has made outstanding progress in its transformation, having completed a 3-year investment programme, which strengthened our retail franchise with loyal and digital customers growing by 26% and 45%, respectively, while maintaining the highest satisfaction metrics among all our subsidiaries. This progress is reflected in its profitability, with Mexico contributing to 9% of Group's profits in 2019. We are confident in its continued growth in the medium-term, with a current approximate 21% RoTE, which led us to increase our stake in Santander Mexico up to 91.65% in 2019.

U.S. financial performance improved for the third straight year with ordinary attributable profit up 24% in 2019 and RoTE (adjusted for excess capital) improving to c.9% from 3% in 2016.

Santander Consumer USA (SC USA), the #5 retail auto finance origination business in the US, continues to deliver solid profitability with over $30 billion in annual auto originations in 2019, a stable and attractive adjusted RoTE of 20%, and a scalable servicing platform that we are leveraging to grow our 3rd party servicing portfolio.

Santander Bank National Association (SBNA), our retail and commercial banking business, increased its number of loyal customers and improved customer experience. While the current interest rate and competitive environment are headwinds to overall profitability, we continue to be focused on becoming more efficient, optimising the branch network, and leveraging the Group to deliver enhanced digital capabilities to our US customers.

In **South America**, the number of loyal and digital customers grew by 7% and 15% respectively in 2019, and we now have 54 million customers. Profits increased from €3.5 billion to €3.9 billion in the same period (37% of total Group) with total loans of only €131 billion (15% of the Group). Our growth in this region has been led by Brazil, which delivered its best results ever in 2019.

Supporting our three regions are our **global businesses**: Corporate and Investment Banking (CIB), Wealth Management & Insurance (WM&I), that together contributed 26% of the Group's profits, and Santander Global Platform (SGP), which increasingly enables us to offer a "One Santander" proposition to customers worldwide. Together, they drive network effects and enhance the competitiveness of our local offerings.

CIB continues to demonstrate strong growth, leveraging its customer-centric approach and capital-light model. Underlying attributable profit was 10% higher year-on-year, driven by strong growth in revenues and lower loan-loss provisions, while the return on risk-weighted assets (RoRWA) improved to 1.8% - one of the best amongst our competitors in this business. Today 42% of global CIB clients' revenues come from cross-border transactions. We have been recognized as leaders in renewables financing per number of deals on Dealogic league tables. In 2019 CIB issued the first ever end-to-end Blockchain bond, opening the door to a new technology with endless possibilities.

WM&I continues to steadily close the gap with our retail market share. Total assets under management grew 13% to €395 billion in 2019, and underlying attributable profit grew 11% in constant euros to €1.0 billion, while total contribution to profit after tax reached €2.5 billion (including profit after tax and net fee income generated by this business). In Private Banking we launched a global value proposition so clients can access a global platform of products and services that cover their worldwide needs, and we were recognised as the best Private Bank by Euromoney in Spain, Portugal, Chile, Mexico and Argentina. In Asset Management, we gained market share with c.€6 billion in net positive sales, and in Insurance Gross Written Premiums exceeded €8 billion, up 13%. As part of our responsible banking initiatives, we launched our Wealth Management environmental, social and governance (ESG) sustainable value proposition, and we already have c.€7 billion in this category.

Reweighting capital to our most profitable businesses

We deployed more capital in North and South America, where we see our highest return-on-equity and profitable growth potential, especially in countries with young populations and low banking penetration, such as Mexico and Brazil.

At the same time, we have been investing more capital in high growth, high return businesses (such as insurance and asset management), and we divested capital where we saw less opportunities. We also combined low growth businesses with partners to make them even more competitive and improve returns on capital, such as the strategic agreement to combine our securities services business with CACEIS. As a result, more than 70% of our capital delivered double-digit returns in 2019, with more than 30% delivering an underlying RoTE above 20%.

#1 renewable energy Project Finance in 2019

(according to Dealogic league tables)

Digital vs. branch channel: unit cost comparison examples

Cost of money transfer	-99%
Cost of opening an account	-72%

The improvement in our operating performance, combined with a continuation in optimising capital allocation, enabled us to enhance profitability from a segment and portfolio perspective. In 2019, 73% of the Group's risk-weighted assets generated returns above a reference RoRWA of 1.20% which is well above our cost of equity, and our Group underlying RoRWA increased to 1.61% from 1.59%.

Accelerating digitalisation

Underpinning our profitability and growth in 2019 is the progress we have made to digitalise our banks. We have a clear strategy to transform how we interact with our customers by rethinking the way we use information to power our customer insights. This is enabling us to personalise and customise our service, enhance the way we manage risk, and protect customers' data even more securely. As a result, we are able to deliver the best customer experience in every product and service, creating loyalty amongst customers who are better served by us, and reducing the costs of our operations as we can deliver products more efficiently while improving quality of service. I am particularly pleased that we have achieved the top 3 Net Promoter Score (NPS) in 6 out of 9 geographies.

Our digital performance in 2019 improved across the board. The number of digital customers has increased dramatically, both in absolute terms and as a share of our overall customer base. We now have 37 million digital customers, a 15% year-on-year increase, representing 51.7% of our active customers.

Mobile is again fuelling this growth with mobile customers growing at 40% year-on-year.

Digital customer engagement, including the number of transactions made, is increasing as well. Digital customers engage online 5 times per week, resulting in approximately 700 million digital "touchpoints" per month. In addition, mobile sales have grown at twice the rate of 2018. As a result, 36% of new products sold in 2019 were through digital channels, growing steadily and reaching 39% in December 2019, a 7 percentage points increase compared to the same month in 2019.

This level of engagement gives us more data and therefore greater insight into our customers, enabling us to better answer to their needs, and improve our underwriting and enhance returns as a result.

This in turn creates greater loyalty and better profitability: our digital customers are already more loyal than our branch-only customers and are also 2-3 times more profitable.

Santander Global Platform

I have already briefly mentioned our newest global business, Santander Global Platform (SGP), but I would like to explain it in greater detail, as it will transform the Group, driving our growth in the medium and long-term. Our vision for SGP is to be a single, open platform that provides payment and other services, in a software as a service (SaaS) model across our global footprint, first to customers and our banks, and over time to third parties and external developers. By collaborating across our regions and leveraging our scale and expertise in payments and financial services, we can quickly and efficiently build our own digital assets and fintech solutions that can be scaled across the Group. This will enable us to build a global leader in payments and digital banking solutions, which are key drivers of customer loyalty both for individuals and SMEs.

Today, SGP's value proposition for SMEs and individuals is based on high-growth, large addressable markets in which we are already delivering results:

Global Merchant Services (GMS) is our global acquiring solution built on the back of Brazil's Getnet.

Our single platform will allow us to integrate multiple markets and third parties in a multi-tenant structure with a single competitive catalogue of payment products and value-added services.

Our plans aim to reduce our average cost per transaction by c.30% by 2022, to increase our competitiveness in our local markets as well as in the regional and global e-commerce space, where specialisation and scale are key to compete.

Getnet's proven success in Brazil, coupled with our global scale (€150 billion equivalent acquiring turnover annually) and market presence (12% market share in Brazil, 16% in Mexico, 15% in Spain[1] and 20% in Portugal), should enable us to successfully execute our expansion strategy to 8 countries in Latin America and Europe by 2021.

Global Trade Services is our single global platform to serve SMEs that trade internationally and require international payments and FX; trade finance; and multi-country accounts. This is a large, high growth market in which we already have 200,000 SME customers.

To accelerate our plans, last November we announced the acquisition of a 50.1% stake in Ebury, a best-in-class trade and foreign exchange facilitator for small and medium-sized companies. We expect the transaction to close in the next few months, once we receive regulatory approvals.

Ebury brings best-in-class technology, a top-notch team who shares our values and vision and a high growth track record, with customers increasingly transacting with them (+20% transactions per customer in the last 2 years) resulting in significant top-line growth (+45% revenue year-on-year).

By combining the strengths and customers of Santander with those of Ebury, we aim to become the leading proposition for international SMEs in Europe and the Americas. After GTS's initial service launch in 2020, we plan to extend GTS to 20 markets in the medium-term.

In terms of SGP's offer for individuals, we have two complementary digital banking solutions that allow us to serve the full spectrum of individual customers.

[1]Excluding Popular EVO

Getnet

Accumulated investment in Getnet
EUR 535 mn

ROI to date
52%

	2019	2019 Investor Day Mid-term goals
Loyal customers[1]	22 mn	c.26 mn
Digital customers[2]	37 mn	c.50 mn
Digital sales[3]	36%	>50%
C/I	47%	42-45%
FL CET1	11.65%	11-12%
Underlying RoTE	11.8%	13-15%
Underlying RoRWA	1.61%	1.8-2.0%
Pay-out	40-50%	40-50%

1. Active customer who receive most of their financial services from the Group according to the commercial segment that they belong to.
2. Every physical or legal person, that, being part of a commercial bank, has logged in its personal area of internet banking or mobile phone or both in the last 30 days.
3. The percentage of new business carried out through digital channels in the period.

For individuals who require a simple, flexible "pre-banking" service, SGP offers **Superdigital**, our financial inclusion platform that enables us to meet the financial needs of the underserved in a cost-effective way, providing them with basic financial products and a path to access credit, and thus serving them responsibly and profitably.

Superdigital also integrates with GMS for small merchants – just one example of the power of SGP, where our solutions work together for more seamless, personalised experiences and deeper customer relationships.

With a special focus on Latin America, where there are around 300 million unbanked and underbanked consumers, Superdigital is one of the best examples of responsible banking as it delivers profit with purpose.

As of today, Superdigital operates in Brazil, Mexico, and Chile and is growing active customers at c.60% annually and transactions almost 2 times faster. Our goal for Superdigital is to scale the business across 7 markets in Latin America in the medium-term.

Finally, we have Openbank, our global, full-service digital bank that covers most of the usual financial needs of both the mass and affluent markets. Openbank offers a superior experience compared to neobanks due to its full suite of products that go beyond the traditional digital current account and simple card.

Openbank customers are more loyal and engaged, 42% of total active customers are loyal, and these customers on average use 4.4 products versus one to two products in the case of neobanks. Meanwhile, payroll accounts are growing at 16% year-on-year. We are seeing very strong growth trends both in assets and deposits, with mortgage sales growing at 134%, and revenues growing 12% over the last 12 months.

Openbank is already operating in Spain, Germany, the Netherlands and Portugal and we plan to scale it to 10 markets in the medium-term, including in the Americas.

Part 3: Looking Ahead

We will continue to change as we strengthen our core foundations – customer focus, scale, and diversification – to ensure sustained success. We need to change the way we work, even what we do, and fully embed a more collaborative culture to achieve our medium-term goals, including delivering a high single digit EPS CAGR over the next 3 years.

To achieve these targets, our approach is simple: we will continue to execute against the three pillars that have served us well in 2019.

In **Europe** we are building towards our 2025 vision of banking for individuals and SMEs based on a simplified product structure and an even greater customer-based approach leveraging both our digital and physical capabilities.

We expect profitable and efficient growth as we launch Openbank in new markets in Europe and leverage the Openbank platform across Santander Consumer Finance business franchises to deliver full banking services to its customers while running our consumer business on a modern, efficient and state-of-the-art tech platform. These initiatives, together with the execution of the second phase of our common European banking platform, as well as the expansion of CIB and WM&I across the continent, make us confident of achieving our 12-14% underlying RoTE mid-term target in Europe.

In **North America**, we will continue to deploy capital to Mexico in 2020 to capture the expected high market growth, and in our U.S. business, we expect to continue growing profit at double digits in 2020. We are optimistic about our U.S. business with one of our highest priorities being transforming SBNA. We are also focused on growing our CIB and Wealth Management businesses in the U.S. We are on track to meet our Investor Day targets by leveraging our competitive strengths and collaborating as a Group on Digital transformation and on our global value proposition for clients.

As in previous years, we expect to continue to redeploy capital to **South America** given high long-term RoTE expectations as a result of high credit demand in the region that will be supported by the progressive development of the middle classes. One case in point is Brazil where, in a stable macro environment, its low banking penetration means that banking is a leveraged play to the economy.

We have been successfully implementing a payment strategy in South America with the roll-out of a regional credit card positioning, the launch of Superdigital and Getnet in Chile, and in the years to come in the whole region. We are also focusing on rolling out our successful long-standing consumer finance model in Brazil operating successfully for decades, to all countries in which we are present in South America, exporting similar digital experience and risk models.

In our global businesses, our goal for 2020 is to continue transforming CIB by becoming strategic advisors to our global clients; accelerating the originate to distribute model; and reinforcing our commitment to the responsible banking agenda, achieving double-digit growth in profits and maintaining profitability.

We expect Wealth Management & Insurance to deliver double-digit growth in profits in 2020 as we expand our global platform for Private Banking. In Asset Management, we will grow by offering new products, and by combining our physical distribution with our digital platforms in the UK, Spain, Brazil and Openbank. We expect our Insurance business to grow across all sectors but especially in our non-credit related products, with digitalisation playing a key role, especially in South America.

High-single digit EPS
3Y-CAGR[1]

c.12%
FL CET1 in 2020

1. 2019-22 underlying EPS CAGR

Key 2019 inorganic transactions

Mexico minorities

Ebury

caceis

Allianz

One of the 25 best companies to work for at global level

Most sustainable bank in the world

On the digital front, we will continue to progress in 2020 with the aim of building out common technology platforms across the Group as our top priority, to drive greater efficiency and agility while deepening our customer relationships and strengthening loyalty. This will be driven in large part by the development of SGP and the digital transformation teams across the Group working with our Group T&O to ensure convergence both amongst our regions, as well as between SGP and other banks in the medium-term. As set out in the previous section, we are already seeing that SGP is positioning Santander to access new markets and sources of value creation. But this is only the beginning. More global solutions for both businesses and individuals are in various stages of development, all with an eye towards providing Simple, Personal and Fair products and services that help us deliver for our clients the Santander Way.

As a result of continued execution on our strategy and considering our 2019 FL CET1 of 11.65% as well as our historical 5-year track record of generating on average 40 basis points of capital per annum, we would expect to be close to a FL CET1 of 12% by the end of 2020. This would place us at the top end of our 11-12% medium-term goal. We expect some quarterly volatility in 2020 associated with the closure of several transactions. Reaching the top end of our capital goal would mean that we no longer need to accumulate capital, thus providing additional strategic flexibility in terms of deploying capital toward organic profitable growth across our footprint or returning capital to shareholders.

Part 4: Profit with Purpose

The expectations of banks and large companies are changing – our commitment to our communities, the economies we serve and the environment we all depend on is now permanently at the centre of social and political expectations of us. As a large business we have unique ability to make a positive contribution to big social and economic challenges. I want Santander to be a leader in this area - and I am convinced that we will return value to you by doing so.

Ensuring that we run our business responsibly, and that we deliver profit with purpose, has been core to Santander's approach to banking for generations. Although there is always more to do, we have received global recognition for our efforts. Last year we were named one of Forbes's "2000 best regarded companies", and we were the most sustainable bank in the Dow Jones Sustainability Index. As well as this, we were named one of the top 5 most trustworthy banks in the Financial Times' Annual Bank Image Survey, and one of the world's 25 best workplaces by Fortune and Great Place to Work.

This final accolade is worth flagging. A great place to work is a business where the team shares a sense of purpose, which motivates them to go the extra mile for customers, earning their loyalty. To do that, we must do the basics of banking brilliantly. We also need to show that we are doing what we can, as part of our day to day operations, to tackle today's global challenges and improve local communities.

This is about much more than just words. It is about the actions we take. For many years we have supported universities, making us the largest corporate sponsor to higher education in the world. Our support is focused on 3 Es: Education, Entrepreneurship and Employability. In 2019 alone, we supported nearly 70,000 university students through scholarships, entrepreneurship programmes and internships and access to jobs - proof of how we are fulfilling our purpose of helping people and businesses prosper.

Now we want to go further and do more to help address the big global challenges we face. Many of these present commercial opportunities, such as climate change or financial inclusion. For example, last year we raised and facilitated €18.6bn in green finance; issued our first green bond (of €1bn); financially empowered 2.0 million people; and supported micro-entrepreneurs with €277 million of lending balance by the end of the year. These activities deliver profit with purpose.

In 2019, we published our pledge on responsible banking, in which we made a number of commitments to which we expect to be held accountable. By 2025, for example, we aim to financially empower 10 million people through programmes to deliver banking services to those who were previously unbanked. Tackling climate change is a responsibility for each of us, and for every company. It poses an existential challenge to our communities and economies. This is an emergency, and we need to act as if it is one. We are doing our part, helping our clients in the transition to a low carbon economy, stepping up plans to contribute to the Paris Agreement goal to keep the increase in global average temperature well below 2°C above pre-industrial levels pursuing efforts to limit the temperature increase to 1.5 °C, as well as increasing transparency and disclosure in line with the recommendations of the Taskforce for Climate Related Financial Disclosures.

We have committed to be "net 0" in carbon emissions as a Bank in 2020, both by reducing our own emissions and compensating the balance.

Conclusion

Santander has generated profits and paid dividends to its shareholders for more than 50 consecutive years. This is a company - and an investment - that benefits from a combination of strength, profitability and more predictable and sustainable growth than its peers. In this year's letter, I have shown why. First, the unchanging foundations that underpin that performance: our customer focus, our scale and our diversification, measured both geographically and by our range of customer segments and products. And second, a culture which drives our ability to embrace change, to build, to grow and, in some cases reinvent, the foundations with each passing year. Only by seizing change will we be able to maintain the strong foundations on which the success of our business is built.

I am immensely proud of what the team has achieved over the past five years. But I am also convinced that, for all the dramatic change we have seen in the last decade, the next decade will bring even more. Our business model, our competitors and the global economy are all evolving. The basics of banking may not change, but almost everything else about banking is changing, or will change. Our customers will continue to look to us to be a source of stability, just as you will continue to look to us to deliver value. I am committed to delivering both.

Let me end by saying thank you to each and every member of the Santander team: you make the bank what it is - and our success is powered by your dedication, energy and commitment. Thanks to the Board of Directors for your insights and guidance – and especially to Guillermo de la Dehesa, Ignacio Benjumea and Carlos Fernández who are standing down from the Board after many years' service. And, finally, thanks to you our shareholders, for your loyalty to Santander.

Ana Botín
Executive Chairman

Message from **José Antonio Álvarez**

Banking industry challenges in 2019 and Santander's strategic actions

In 2019, **the banking industry**, mainly in Europe, continued to carry out its business in a difficult environment, driven both by exogenous factors and by factors endogenous to the sector itself.

A macroeconomic situation shaped by slower economic growth, a low interest rate environment (which is lasting longer than expected) and the challenges inherent to the banking business were discussed and debated in various economic fora.

The year was characterised by a **slowdown in the global economy**, which has reduced 2020 growth expectations for both global GDP and the most significant regions.

This slowdown is partly due to greater uncertainty generated by geopolitical and commercial tensions. The largest economies have responded by reviving expansionary monetary policies, reflecting to low levels of inflation.

In addition, other disruptions affected global GDP growth, including socio-economic factors such as an ageing population in developed countries, lack of investment, a lack of stimulus for new companies and a lower yield on productive resources, among others.

However, in the last few months of the year, we received more positive news, including some easing of trade tensions following the rapprochement between the US and China. In addition to this is the improvement in some economic indicators, mainly related to confidence, which had dampened growth in countries such as Brazil and Mexico in the previous months.

This changing macroeconomic environment continues to have a direct effect on the performance of the financial industry. It is therefore necessary **to focus on the specific issues that affect us as a sector**.

1) The first is low profitability.

Our duty is to increase the appeal of the banking sector in order to improve share prices at European banks, which are valued lower than other regions.

At Santander we have developed and implemented a series of **measures aimed at improving profitability**, which will help us to lay the foundations for the future growth of the bank:

- Firstly, **an improvement in efficiency**, thanks, on the one hand, to the unification of various technological platforms and the simplification of our business model, taking advantage of additional synergies from the ongoing integration processes. And, on the other hand, to greater generation of customer revenue, stemming from the increase in loyal and digital customers.

- Secondly, **active management of the least profitable portfolios** through the sale of those activities considered to be non-core and stricter profitability requirements on new lending in all segments and countries.

- Thirdly, **via the optimisation of capital allocation** with operations aimed at increasing funds in businesses with a high return on tangible equity.

- Lastly, **the reduction in non-performing assets**, through the strategic sale of foreclosed mortgage assets (especially in Spain), or one-off transactions, such as the agreement reached in 2018 with Blackstone for the sale of Banco Popular's real estate business. In the last two years, we have managed to reduce foreclosed assets on the balance sheet by 60% (close to EUR 7 billion), which helps us to cut costs and use these funds in other, more productive activities.

2) The second challenge is to boost inclusive and sustainable growth.

All companies are responsible for addressing the current global challenges. This is especially true of financial institutions.

Our customers must perceive that, in addition to being financial service providers, we are also **social welfare providers**. Our objective is to continue being loyal to our stakeholders, meeting their needs and helping to overcome the challenges that will arise in the future, reinforcing the commitment to environmental sustainability and real equality between men and women. All of this must be reflected in our internal governance.

To give some more specific figures, by 2021 we have committed to supporting **200 thousand people through Santander Universities** (with scholarships, internships and entrepreneurs programmes) and **4 million people through our community programmes**.

However, in addition to sustainability, I would like emphasise the importance of **transparency**. We must bear in mind that traditional banks, with a banking licence and years of experience, are still the main institutions in whom **savers and investors place their trust**. It is one thing to apply for a

"Main measures aimed at improving profitability:

- improvement in efficiency
- active management of the least profitable portfolios
- capital allocation optimisation
- reduction of non-performing assets"

"All companies are responsible for addressing the current global challenges"

"In addition to sustainability, transparency is important. We are still the main institutions in whom savers and investors place their trust"

"In order to foster banking consolidation, to create stronger and more solvent pan-European banks, it is necessary to expand our horizons and become more self-demanding"

consumer loan or open a secondary current account with a new entrant, but another to deposit retirement savings or apply for a mortgage for their home.

To resolve one of the weaknesses in the public's perception of banks, work must be done in terms of transparency, not only in the wording and drafting of contracts, but also in communications with the public and in advertising.

Our responsibility is to evaluate **the suitability and appropriateness** of all the products and services we offer to customers, with an honest and transparent design, marketing and application processes.

At Santander, we will continue to work on improving **the planning, monitoring and control** of these values, reinforcing internal processes and teams, as ultimately they are responsible for safeguarding the ethical behaviours and those responsible for the Organisation. With all these, we will contribute to **improve the sector's reputation.**

3) Another key point is to progress in integration of Europe, the Banking Union and the Single Market.

The outbreak of the crisis in 2007 strengthened without a doubt the initial goal of the European project: greater political and economic integration in Europe. Seeing the consequences of this approach, national banks, regulators and governments concluded that there was a need to strengthen the common framework for banking supervision and resolution and to advance toward a European system to safeguard depositors' savings.

With the entry into force of the Single Supervisory Mechanism in 2013 and the Single Resolution Mechanism in 2014, all that is left is to lay the foundations for the third pillar; a **European deposit guarantee scheme** which is essential to increase citizens' trust in the area's banking system.
But we should not stop there. To foster banking consolidation, to create stronger, more solvent and profitable pan-European banks, able to compete with other large international banks, **it is necessary to expand their horizons and demand more of ourselves.**

Of particular importance is the **removal of the barriers that limit, and in some cases prevent, liquidity and capital movements** between countries, not only because it would diversify the risks in the event of a potential disruption and reduce the link between sovereign risk and that of the banks themselves, but also because it would allow a more efficient allocation of financial resources.

Promoting **a single regulatory framework** for insolvency or for crucial elements, such as the prevention of money laundering and terrorist financing or consumer protection, is essential to remove obstacles and provide greater legal certainty. This must be accompanied by structural reforms in the field of taxation and the labour market.

We still have a long way to go, but the challenge is undoubtedly exciting. I am optimistic that we will all work together towards common goals, and achieve a strong, integrated banking market.

4) Understand what factors influence consumers, successfully taking on the new digital age.

Commercial experience, both in **physical channels** and in the **digital** world, are two examples of this.

With regard to the former, and as part of the ongoing commercial transformation process, we are renovating a large part of our branch network. With initiatives such as *Work Café* in several Group countries, *Smart Red* and *Súper Ágil*, we have managed to expand the available technology and accessibility in these establishments, with an innovative and functional design that makes them more comfortable, thereby progressing in a new customer relationship model.

And with regard to the latter, I would like to point out that one of the most important challenges we face as a sector in the coming years is **digital disruption.**

Not only must we be able to offer our services in the most agile and simplest way possible, with personalised (and customisable) products, but we must also understand the consumption patterns of the younger generations, anticipate their needs, which change faster and are more dynamic than those of the rest, and predict this segment's trends. Opening communication channels, listening to their opinions and ideas, accelerating response times and, above all, analysing data that define these behaviour patterns or models will allow us to **leap forward in brand positioning and satisfaction indices**. For example, and with regard to the latter, we reiterated our medium-term objective of positioning ourselves in **the Top 3 in Net Promoter Score (NPS)** in our main markets.

To this end, we created **the Data Management and Data Science function at the end of 2018**. Our daily activity generates a huge amount of data. A detailed and prudent analysis of these data is key to achieving success in today's business world, even more so in digital platforms. Seeking solutions based on tools such as **machine learning, artificial intelligence** and **big data** will help us to provide tailored offerings, gaining a unique competitive advantage through an instant user experience, in order to achieve excellence and generate the maximum added value.

"With initiatives such as ***Work Café***, ***SmartRed*** or ***Súper Ágil***, we have managed to expand the available technology and accessibility, with an innovative and functional design"

"Analysing customer data will allow us to leap forwards in satisfaction indices"

"We are treating the flood of **fintechs** and **bigtechs** in the financial sector as a change of collaboration and learning"

"Combining traditional banking with new businesses, associating ourselves with these companies enables us to improve the services our retail banks offer and compete in the best possible conditions"

We must do all of this while coexisting with fintechs and bigtechs. The strong evolution of technological innovations in the financial sector has allowed the entry of new competitors, such as **large tech companies** and those known generically as **fintechs**. The **payments business** is generally at the forefront for most of these companies when it comes to competing with traditional banks. This is why we consider the development and growth of **Santander Global Platform to be essential in our strategic agenda**, especially as it is a catalyst for attracting and engaging customers, and it becomes a fundamental pillar for generating Group revenue.

At Santander, we are treating the flood of new entrants in the financial sector as **a chance for collaboration and learning** rather than as a threat. Some examples are:

- the announced acquisition of 50.1% of **Ebury**,
- the **Santander Consumer USA** partnership with **Autofi**, a company that provides a point of sale solution for financing a vehicle online in the U.S.,
- the agreement with **eBay** in the UK, to provide eBay's SME customers access to financial services which are simple, seamless and easy to manage on-the-go,
- **or Santander InnoVentures**' investment in **Trulioo**, a Vancouver-based global identity verification provider.

In short, combining traditional banking with new businesses, investing and associating ourselves with these companies enables us to improve the services our retail banks offer and, consequently, to compete in the best possible conditions.

In addition, **our size and greater access to funding in wholesale markets** highlight the significant gap between fintechs and neobanks regarding capacity to invest in technology (at the last Investor Day we announced **EUR 20 billion over the next four years**), as Santander is a benchmark amongst the large global banks.

Therefore, **to conclude, taking into account the rapid progress made by the industry and the challenges we expect** (summed up in these four key points), **I would like to highlight the robustness of our results and our future strategy to face those challenges**.

The Group's performance in 2019

The Group's good performance, has consistently and sustainably been reflected in the achievement of **the key performance indicators** we set for 2019.

In **terms of efficiency**, we are the industry leader, with a ratio of 47%, thanks to revenue growth and efforts to contain costs.

As for credit quality, the **NPL** ratio improved once again, by 41 basis points during the year, to 3.32%, while maintaining the cost of credit at a record low of 1%. Coverage was 68%.

The Group's profitability is still one of the best among our peers, with **an underlying RoTE of 11.8% and an underlying RoRWA of 1.61%**, above the 2018 figure.

Tangible net asset value (TNAV) per share at year-end was EUR 4.36. In terms of shareholder value creation, the recording of dividend remuneration should be taken into account. Including that, the TNAV per share increased 8% year-on-year.

Banco Santander continues to be a global reference in banking, with a solid presence focused on ten core markets in Europe and the Americas, with 4 million shareholders and nearly 200,000 employees that serve 145 million customers.

As a result, the **underlying attributable profit** was **EUR 8,252 million in the year**, up 2% on 2018, or up 3% in constant euros. By line and without taking into account the impact of exchange rates, the earnings performance is as follows:

- **Revenue** increased 3% in the year, driven by net interest income, which was 4% greater (on the back of improved volumes and management of spreads) and fees, which rose by 5% due to greater activity and customer loyalty.

- Our **cost** control efforts are reflected in a 0.4% drop in expenses in real terms, consistent with the investment and digital transformation plans.

- **Loans-loss provisions** increased by 5%, in line with growth in volumes and maintaining high credit quality, with an improvement in the NPL ratio and coverage ratio mentioned earlier.

However, this sound performance across the main P&L lines is not reflected in **attributable profit**, which fell 17% (down 16% in constant euros) to **EUR 6,515 million**. This decrease is mainly due to the adjustment of the goodwill ascribed to the United Kingdom of EUR 1,491 million in September 2019. Excluding this impact, the other non-recurring charges total a negative net figure of EUR 246 million, similar to that recorded 2018.

With regard to the **Group's balance sheet, loans to customers** were up in eight of the 10 main geographies, with a balanced structure between individuals (64%), SMEs and companies

Evolution of the Group in 2019

Growth

Underlying attributable profit

EUR 8,252 Mn
+3%

Total income

EUR 49,494 Mn
+3%

Profitability

Underlying RoTE

11.8%
-29 bps

Underlying RoRWA

1.61%
+2 bps

Strength

FL CET1

11.65%
+35 bps

TNAV

EUR 4.36
+EUR 0.17

All changes in the highlights of these pages exclude the exchange rate impact, unless otherwise indicated.

Evolution of the business units in 2019

Europe

Spain
Underlying profit
EUR 1,585 Mn (+2%)

SCF
Underlying profit
EUR 1,314 Mn (+2%)

United Kingdom
Underlying profit
EUR 1,077 Mn (-16%)

Portugal
Underlying profit
EUR 525 Mn (+10%)

Poland
Underlying profit
EUR 349 Mn (+19%)

(24%) and large corporates (12%). Customer funds increased in nine of the 10 main units: **Deposits** were up 4% while **mutual funds** grew faster, up 15%, against a backdrop of falling interest rates in most countries.

And **in terms of capital adequacy**, the Group's fully-loaded CET1 ratio closed 2019 at **11.65%**, having increased 35 basis points in the year despite the strong regulatory impacts, such as the entry into force of IFRS 16 or the review of internal capital models. These impacts were able to have been absorbed thanks **to the strong 79 basis points of organic capital generation**.

This organic growth is due to underlying profit, proactive management of risk weighted assets and improved resource allocation to the most profitable regions and segments.

Moreover, according to the latest communication from the European Central Bank on prudential minimum capital requirements as at 1 January 2020, at the consolidated level and with year-end data, our fully-loaded CET1 ratio is 196 basis points above the regulatory requirement, which again highlights the strength of our subsidiary model, prudence in risk management and distribution capacity for dividends throughout the cycle.

Performance by segment and management priorities in 2020

The Group's size and presence in mature and in other high-growth markets is a key element that differentiates Santander from its competitors. By geographical area, Europe accounted for 47% of attributable profit, South America for 37% and North America for 16%.

In **Europe** we are working on our franchises to simplify our business model and structures in order to operate in a more integrated way in the medium term. **Underlying profit** stood at **EUR 4,878 million**, down 3% on the previous year due to weak revenue, mainly in **the UK** which was affected by competitive pressure on mortgage spreads and the steady decline in Standard Variable Rate (SVR) volumes.

The other units increased their profits, offsetting the impact on net interest income of low interest rates in **Spain and Portugal** by reducing operating expenses and the cost of credit to a record low. Overall, costs fell 2.4% in Europe excluding inflation, as a result of the cost optimisation measures underway.

In **2020**, in an environment of low demand for credit and low interest rates, we expect limited revenue growth and a minimal cost of credit. We will focus our efforts on defending financial margins and improving efficiency, through cost reduction.

In **North America**, underlying profit was **EUR 1,667 million**, 21% more than in 2018, with double-digit growth in **both the US and Mexico**, due to good revenue performance (supported by volumes that offset interest rate cuts) and the improvement in the cost of credit in both countries.

In an attractive and large market, in **2020** we will continue to develop cross-border initiatives that bring value to companies that operate in both countries, such as the USMX commercial corridor.

In the United States, we will focus on cutting costs and boosting the growth of originations at Santander Consumer USA. In Mexico, we will take advantage of the strong growth in the customer base, a result of the effort put in over the last few years, to increase revenue and improve efficiency.

In **South America**, the region's units have continued business expansion, which is reflected in the strong increase in profits.

Underlying attributable profit increased by 18% year-on-year in constant euro terms to **EUR 3,924 million**, with all countries posting double-digit growth, except **Chile**, impacted by the country's situation in the latter part of the year.

Customer revenue in the region continued to show healthy momentum, supported by the increase in volumes, coupled with a decline in the cost of credit thanks to our selective and prudent business volume growth.

Profitability continues to be high, with RoTEs between 18% and 22% in the main regions. **Brazil**, which continues to be the country that contributes the most to Group profit (28%), performed better than the financial system, with an effective and profitable model that has enabled us to continue growing sustainably and reach levels of profitability comparable to market leaders.

In a region with high and growing profitability, we will continue to take advantage of the strong position in all the markets in which we operate.

The strategy in **2020** is aimed at improving the branch network, expanding our customer base and supporting the financial inclusion of unbanked sectors, which should translate into significant increases in volumes and customer revenue.

Evolution of the business units in 2019

North America

United States
Underlying profit
EUR 717 Mn (+24%)

Mexico
Underlying profit
EUR 950 Mn (+19%)

South America

Brazil
Underlying profit
EUR 2,939 Mn (+16%)

Chile
Underlying profit
EUR 630 Mn (+7%)

Argentina
Underlying profit
EUR 144 Mn (+224%)

Global businesses

SCIB
Underlying profit
EUR 1,761 Mn (+10%)

WM&I
Underlying profit
EUR 960 Mn (+11%)

"In 2019, **SCIB** achieved a clear leadership position in Latin America and in our traditional markets in Europe"

"Our objective is to be the best and most responsible **Wealth Manager** in Europe and the Americas"

Regarding **global businesses**:

Santander Corporate & Investment Banking (SCIB) includes income from global corporate banking, investment banking and markets businesses worldwide.

Earnings were buoyant in the year, better than its competitors, resulting in **attributable profit** of **EUR 1,761 million**, up 10% on 2018 (in constant euros), mainly on the back of increased commercial revenue and a significant reduction in provisions.

In 2019, SCIB achieved a clear leadership position in Latin America and in our traditional markets in Europe.

In **2020**, we want to strengthen the international business between Latin America and Iberia and the rest of Europe, the United States and the United Kingdom. Our targets also involve increasing the volume of institutional clients and continuing to execute our capital efficient model and increasing returns. This should enable us to grow revenue at a good pace during the year.

Wealth Management & Insurance has operations in more than 10 countries. Its main objective is to make Santander the best and most responsible Wealth Manager in Europe and the Americas. **Underlying attributable profit in 2019 was EUR 960 million**, up 11% on 2018 in constant euros, accounting for 30% of the Group's fee income.

The **insurance business** has high growth potential and we think that we can double our business in the long term. To achieve that, we want to be the first choice insurer of our clients in our markets.

In **Private Banking**, we launched the *All Access* platform which allows us to service our customers globally, and we increased shared business between countries 36%.

Finally in **Asset Management**, where we achieved for the first time assets under management of over EUR 200 billion, we will focus on products and markets in which we have a competitive advantage and we will choose specialist portfolio managers for the remaining products.

With all of this, in **2020** we are confident that we will be able to continue with growth across all businesses.

Santander Global Platform includes our digital bank Openbank and Open Digital Services (ODS), Global Payment Services and Digital Assets. Since its creation, it has focused on extending the benefits of the Group's scale and talent to the fastest-growing payments and digital businesses, in order to offer better services to our customers.

Our aim in **2020** is to continue working and progressing on strengthening and expanding Openbank and our GTS, GMS and Superdigital platforms.

Closing

My most sincere **thanks goes to our teams** for their dedication and to our shareholders for the trust placed in the Bank's management.

2020 is going to be another year full of challenges and opportunities. A year in which we will continue to make progress towards achieving our medium-term objectives, which will require the involvement of our professionals in a project that will drive Santander into the new digital era. We are in a more global phase of development and committed to delivering on the issues that most concern our main stakeholders.

I believe that the Santander's share price does not currently reflect our results, capability and medium-term growth potential. I am sure that, with the efforts of everyone who works for the Group, we will be able to offer our shareholders the profitability that they deserve.

José Antonio Álvarez
Vice chairman and Chief executive officer

"In 2020, we will continue to make progress towards achieving our medium-term objectives"

"We are in a more global phase of development and committed to delivering on the issues that most concern our main stakeholders"

"I believe that the Santander's share price does not currently reflect our results, capability and medium-term growth potential"

We want to help people and businesses prosper by doing everything in a Simple, Personal and Fair way

Our purpose

To help people and businesses **prosper**.

Our aim

To be the best open financial services **platform**, by acting **responsibly** and earning the lasting **loyalty** of our people, customers, shareholders and communities.

Our how

Everything we do should be **Simple, Personal and Fair**.


ласкаво просимо
WELCOME
marimari добро пожаловать
BIENVENUE
WILLKOMMEN

2019: another year of delivering growth, profitability and strength to meet our commitments

	Total customers	Loyal customers
Growth	145 mn	21.6 mn
		(+9%)
	Underlying attributable profit	Underlying RoTE
Profitability	EUR 8,252 mn	11.8%
	(+3%)[1]	(-29 bps)
	FL CET1	NPL ratio
Strength	11.65%	3.3%
	(+35 bps)	(-41 bps)

Note: Changes are 2019 vs 2018.
1. In constant euros.
2. Excluding RWA inflation in 2019 from TRIM and other regulatory impacts, otherwise +2 bps increase.
3. The board of directors has resolved to submit to the 2020 AGM that the second payment of remuneration against the results of 2019 amounts to 0.13 euros per share by means of (1) a final dividend in cash of 0.10 euros per share (the "Final Cash Dividend") and (2) a scrip dividend (under the 'Santander Dividendo Elección' scheme) (the "SDE Scheme") that will entail the payment in cash, for those shareholders who so choose, of 0.03 euros per share. In November 2019, shareholders received the first dividend charged to 2019 earnings, totalling 0.10 euros per share in cash. The total dividend for 2019 would be 0.23 euros per share (0.20 euros in cash and 0.03 euros in scrip).

Digital customers

37 mn

(+15%)

Customer revenues

EUR 47,062 mn

(+4%)[1]

Underlying RoRWA

1.61%

(+5 bps)[2]

Cost-to-income

47.0%

(Unchanged)

Cash dividend per share[3]

EUR 0.20

(c.+3%)

Total shareholder remuneration[3]

EUR 3,822 mn

Strong operating performance across our regions

2019[1] vs 2018

Europe

Loyal customers	9.9 mn	+6%
Loans	EUR 650,552 mn	+2%
Underlying profit	EUR 4,878 mn	-3%
Underlying RoTE	10%	-86 bps

Stable revenues while implementing cost synergy opportunities.

North America

Loyal customers	3.5 mn	+22%
Loans	EUR 130,592 mn	+10%
Underlying profit	EUR 1,667 mn	+21%
Underlying RoTE	13%[2]	+112 bps

Improving capabilities and high operational leverage.

South America

Loyal customers	7.9 mn	+7%
Loans	EUR 131,048 mn	+9%
Underlying profit	EUR 3,924 mn	+18%
Underlying RoTE	21%	+179 bps

Double-digit growth in earnings and returns.

1. YoY change in constant euros. Loans excluding reverse repos.
2. Adjusted for excess of capital in the US. Otherwise 9%.

Our global businesses are driving network effects and contributing 26% of the Group's earnings

Corporate & Investment Banking

Global business for corporate and institutional customers who require tailored services or value-added wholesale products adapted to their complex and sophisticated nature.

Wealth Management & Insurance

Asset management, private banking and insurance with an efficient business model based on capital discipline and very high growth potential.

Santander Global Platform

Faster, better global payments and digital banking solutions to SMEs and individuals to fuel growth.

Note: variations on a YoY basis; in constant euros.
1. Transaction closing expected in mid-2020 subject to regulatory approvals.
2. Net revenues CAGR fiscal year 2015-2016 to fiscal year 2018-2019.

Santander

Underlying attributable profit

EUR 1.8 bn

+10%

RoRWA

1.8%

+18 bps

Customer-centric and capital-light model.

Underlying attributable profit

EUR 1.0 bn

+11%

RoRWA

8.9%

+1 pp

Closing the gap to our natural market share.

International SMEs / GTS

Ebury[1]

+40%

Revenues CAGR[2]

Individuals – Mass market

superdigital

640,000

active customers

+59% YoY

We are earning the loyalty of all our stakeholders, generating a virtuous circle of growth

People

196,419

A loyal and motivated team...

86%

feel proud to work for Santander[1].

Customers

145 million

...generates customer loyalty...

21.6 million

loyal customers.

1. 2019 Global Engagement Survey.
2. EUR 20 cents cash dividend in 2019 compared to EUR 8.6 cents in 2014 (coming from the cash take-up of the 2014 EUR 60 cents scrip dividends). The board of directors has resolved to submit to the 2020 AGM that the second payment of remuneration against the results of 2019 amounts to 0.13 euros per share by means of (1) a final dividend in cash of 0.10 euros per share (the "Final Cash Dividend") and (2) a scrip dividend (under the 'Santander Dividendo Elección' scheme) (the "SDE Scheme") that will entail the payment in cash, for those shareholders who so choose, of 0.03 euros per share. In November 2019, shareholders received the first dividend charged to 2019 earnings, totalling EUR 0.10 per share in cash.

Shareholders

4 million

...leading to strong financial results for our shareholders...

2.3x

cash dividend per share paid vs 2014[2].

Communities

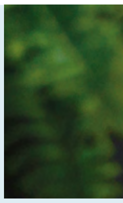
in 10 main markets

...we can support our communities, motivating our team

2.0 million

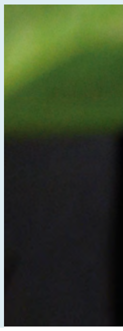
people financially empowered in 2019.

People



We want to be the best company to work for

Our workforce is increasingly diverse and our employees benefit from a number of initiatives to support their professional development in an increasingly open and agile work environment.



Our medium-term goal:
To rank among the top 10 companies to work for in 6 of our geographies.

How we are achieving this:

We have a strong common culture: "The Santander Way"

This culture encompasses our purpose, aim and way of working across the Group: always Simple, Personal and Fair.

Top 10 companies
to work for in 5 countries in 2019.

82%
employee engagement[1].

83%
of our employees feel motivated to contribute to **building a bank that is Simple, Personal and Fair**[1].

1. Results from the 2019 Global Engagement Survey.

Santander

25 best global companies to work for in the world.

Leader

Supporting the talent and development of our employees

Committing to diversity and inclusion

85%

feel they have **a good work-life balance**[1].
10 basic principles of flexiworking created.

55%

of our total workforce are **women**.

280

Implemented the **Young Leaders Programme**, targeting 280 young leaders from across the Group.

100%

of employees **received training** in 2019.

85%

say that Santander has created an environment where **people of diverse backgrounds can succeed**[1].

Customers

We want to be the bank of choice for our customers, offering the best service to earn their loyalty

Our medium-term goals:
Loyal customers:[1] c.26 million.
Digital customers:[2] c.50 million.
Digital sales:[3] >50%.

How we are achieving this:

We are enhancing our digital channels to offer a faster and more efficient service

Creating products and services to satisfy all our customers

By creating **Santander Global Platform**, we have taken a further step in our digital transformation, which will enable us to offer better digital services to retail and corporate customers.

Top 3
in NPS[4] in 6 countries.

1. Active customers who receive most of their financial services from the Group according to the commercial segment that they belong to.
2. Every physical or legal person, that, being part of a commercial bank, has logged into its personal area of internet banking or mobile phone or both in the last 30 days.
3. The percentage of new business carried out through digital channels in the period.
4. Customer satisfaction internal benchmark of active customers audited by Stiga/Deloitte. NPS = Net Promoter Score.

Innovating our traditional branches

Work Café, SMART and Súper Ágil offer services that are better, faster, more accessible and more personal.

12,000

branches across all our geographies.

More than

100,000

employees talking to our customers every day.

At the same time, we are investing in next-generation ATMs and in our contact centres.

Customers

Thanks to improvements in our digital channels, products and service, we are:

Earning more customer's loyalty

Total customers

145 mn

+28 mn vs 2014

We have more customers than any other bank in Europe and the Americas, and the potential to become the bank of choice of **1 billion people** in our markets.

Increasing customer activity

Active customers[1]

58%

+2 pp vs 2014

We have the opportunity to make **all our customers active**.

1. Customers who meet the minimum levels in terms of balances and/or transactions, as defined by the respective business areas.
2. In constant euros.

Becoming more customers' main bank

Loyal customers

21.6 mn

+72% vs 2014

3.4x higher revenue per customer vs non-loyal customers.

More customers who are loyal and satisfied generate better results

Customer revenues

47,062 mn

+35%[2] vs 2014

Loans to customers

+30%[2] vs 2014

Customer deposits

+43%[2] vs 2014

Shareholders

We want to continue to be one of the most efficient and profitable banks in the world

Our medium-term goals:

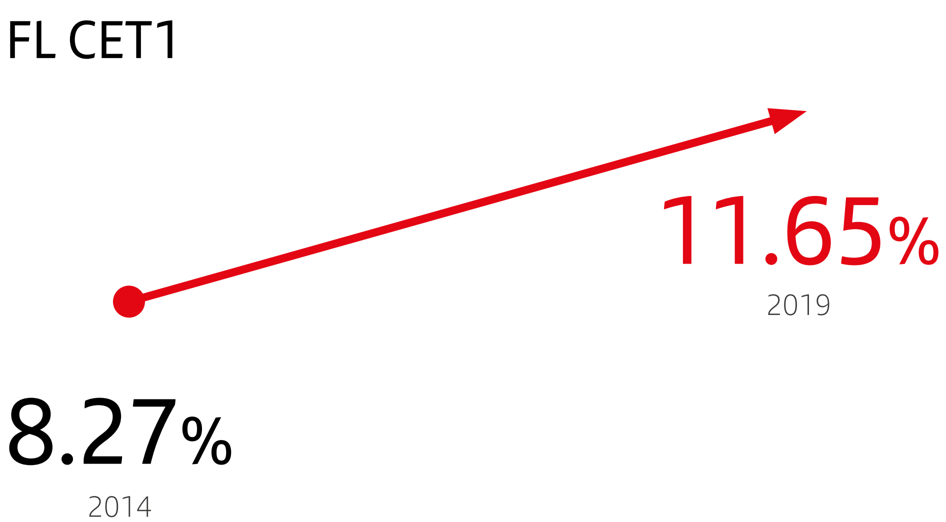
Underlying RoTE: 13% - 15%.
Underlying RoRWA: 1.8% - 2.0%.
Cost-to-income: 42% - 45%.
FL CET1: 11% - 12%.
Pay-out: 40% - 50%.

How we are achieving this:

Generating more capital

Since 2014, we have adopted a **strong capital allocation** approach of adding value in low-rate scenarios.

Fully loaded **CET1 increased by 338 bps** as the Group accumulated EUR 22 bn[1] of capital.



1. FL CET1 (EUR mn) accumulated since 2014, including January 2015 ABB (EUR 7.5 bn).
2. In constant euros, adjusted for the increase in the number of shares as a result of scrip dividends.
3. Adjusted for the increase in the number of shares as a result of scrip dividends.

Improving profitability and efficiency

Underlying RoTE

11.8% +84 bps vs 2014

Underlying RoRWA

1.61% +34 bps vs 2014

Cost-to-income ratio

47.0% Unchanged vs 2014

One of the most profitable and efficient banks in Europe.

Increasing the value we bring to our shareholders

EPS[2]

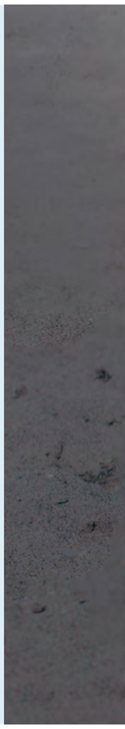
+22%
2014-2019

TNAV[3] per share

+19%
2014-2019

A leading bank in the eurozone by market value.

Communities



We want to help tackle the major global challenges

As a founding signatory of the **United Nations Principles for Responsible Banking**, we have a strategy to support inclusive and sustainable growth.

How we are achieving this:

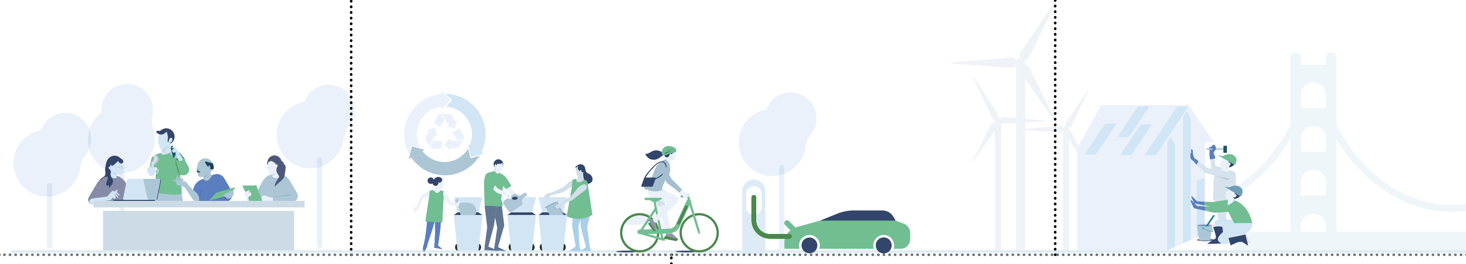
Delivering profit with purpose

Top 1 bank
for renewables financing[1].

8,036 MW of renewable energy financed.

1.6 million

people helped through our community programmes.



Green finance
raised or facilitated
19 bn.

EUR 1 billion
Santander's first green bond issuance.

Note: figures as of 2019.
1. As indicated by Dealogic and Bloomberg New Energy Finance league tables for project financing within the Lead Arranger category.
2. Fortune 500 Change the World report.
3. Microentrepreneurs are already included in the financially empowered people metric.

Santander

For the first time, Santander has been named the most sustainable bank in the world according to the DJSI.

2.0 million

people financially empowered.

$15.5\%\ CO_2$

reduction from 2018.

50% of our internal consumption of electricity comes from renewable sources.

68,671

beneficiaries of Santander scholarships, internships and entrepreneurship programmes.

We have been recognised as the **company that invests most in education** in the world.[2]

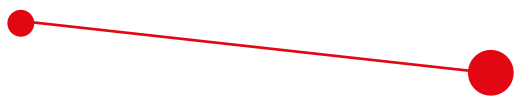
EUR 277 million

in outstanding credit to micro-entrepreneurs at the end of 2019[3].

(+73% vs 2018)

To build a more responsible bank, which is able to help more people and businesses prosper, risk management and control is critical

Non-performing loans



3.73% 2018

3.32% 2019

The NPL ratio continued to fall in 2019 supported by the positive trend in credit quality.

Cost of credit

1.00% 2018

1.00% 2019

Stable cost of credit reflecting our **medium-low risk profile.**

Coverage ratio

67% 2018

68% 2019

Adequate NPL coverage in line with our portfolio characteristics.

Risk culture

93%

of employees state that they are able to identify, and feel responsible for, the risks that they face in their day-to-day work.

risk pro
Everyone's business

Climate change and risk management

Our risk management and control model is a key driver of Santander's contribution to sustainable economic growth.

Our commitments to build a more responsible bank

	2018	2019	2020	2021	2025
Top 10 company to work for[1]	4	**5**		6	
Women on the board	33%	**40%**		40% - 60%	
Women in senior leadership positions[2]	20%	**23%**			30%
Equal pay gap[3]	3%	**2%**			~0%
Financially empowered people[4]		**2.0 mn**			10 mn
Green finance raised and facilitated[5] (EUR)		**19 bn**			120 bn
Electricity used from renewable energy sources[6]	43%	**50%**		60%	100%
Becoming carbon neutral in our own operations			0%		
Unnecessary single use plastic reduction free in corporate buildings and branches		**75%**		100%	
Scholarships, internships and entrepreneurship programmes[7]		**69,000**		200,000	
People helped through our community programmes[8]		**1.6 mn**		4 mn	

Cumulative target — From... to...

1. According to relevant external indexes in each country (Great Place to Work, Top Employer, Merco, etc.). 2. Senior positions represent 1% of total workforce. 3. Calculation of equal pay gap compares employees of the same job, level and function. 4. Financially empowered people (mostly unbanked and underbanked), through products and services and social investment initiatives, to get access to the financial system, receive tailored finance and increase their knowledge and resilience through financial education. 5. Includes Santander overall contribution to green finance: project finance, syndicated loans, green bonds, capital finance, export finance, advisory, structuring and other products to help our clients in the transition to a low carbon economy. Commitment from 2019 to 2030 is 220 bn. 6. In those countries where it is possible to certify renewable sourced electricity for the properties occupied by the Group. 7. People supported through Santander Universities initiative (students who will receive a Santander scholarship, will achieve an internship in an SME or participate in entrepreneurship programmes supported by the bank). 8. People helped through our community investment programmes (excluded Santander Universities and financial education initiatives).

Corporate governance

The Group's corporate governance safeguards our stakeholders' interests and aims to deliver long-term success

Our board of directors has:

Independence

60%

independent directors.

Gender equality

40%

women
33% in 2015.

International outlook

Directors of
4 nationalities

Spanish, US,
Portuguese and British.

1. Executive, Responsible banking, sustainability and culture, Innovation and technology, Remuneration, Audit, Nominations, Risk supervision, regulation and compliance.

Our board of directors has a balanced and diverse composition so we are able to address and make the most of the opportunities and challenges that the future holds

More support

An external advisory board and 7 committees[1] support the board.

Complementary skills

Balance between the directors' **knowledge, skills and experience.**

Complementary roles

Complementarity of the different **roles of the chairman and the CEO,** and balanced by our **lead independent director**.

Focus on stakeholders' interests

Focus on responsible business practices and attention to all stakeholders' interests. Transparency of remuneration with performance metrics aligned with shareholder interest.

Our business model, based on scale, customer focus and diversification, has driven stable and profitable growth

Scale

145 million

total customers in Europe and the Americas.

Top 3 bank[1]

in 9 markets.

Customer focus

Top 3

in NPS[2] in 6 countries.

+72%

loyal customers 2014 -2019.

Diversification

Good balance

between mature and emerging markets and a good mix of products for individuals and companies.

2019 underlying attributable profit[3]

47% Europe

16% North America

37% South America

1. Market share in lending as of Q32019 includes only privately owned banks. UK benchmark covers the mortgage market.
2. Customer satisfaction internal benchmark of active customers audited by Stiga/Deloitte. NPS = Net Promoter Score.
3. Underlying profit weight excludes Corporate Centre (EUR -2,096 mn) and Santander Global Platform.

Disciplined execution has delivered stable and profitable growth since 2014

Strong performance in the last 5 years

Growth

EPS[1]	+22%
TNAV per share[2]	+19%

Profitability

RoTE	+84 bps
RoRWA	+34 bps

Strength

FL CET1	+EUR 22 bn[3]

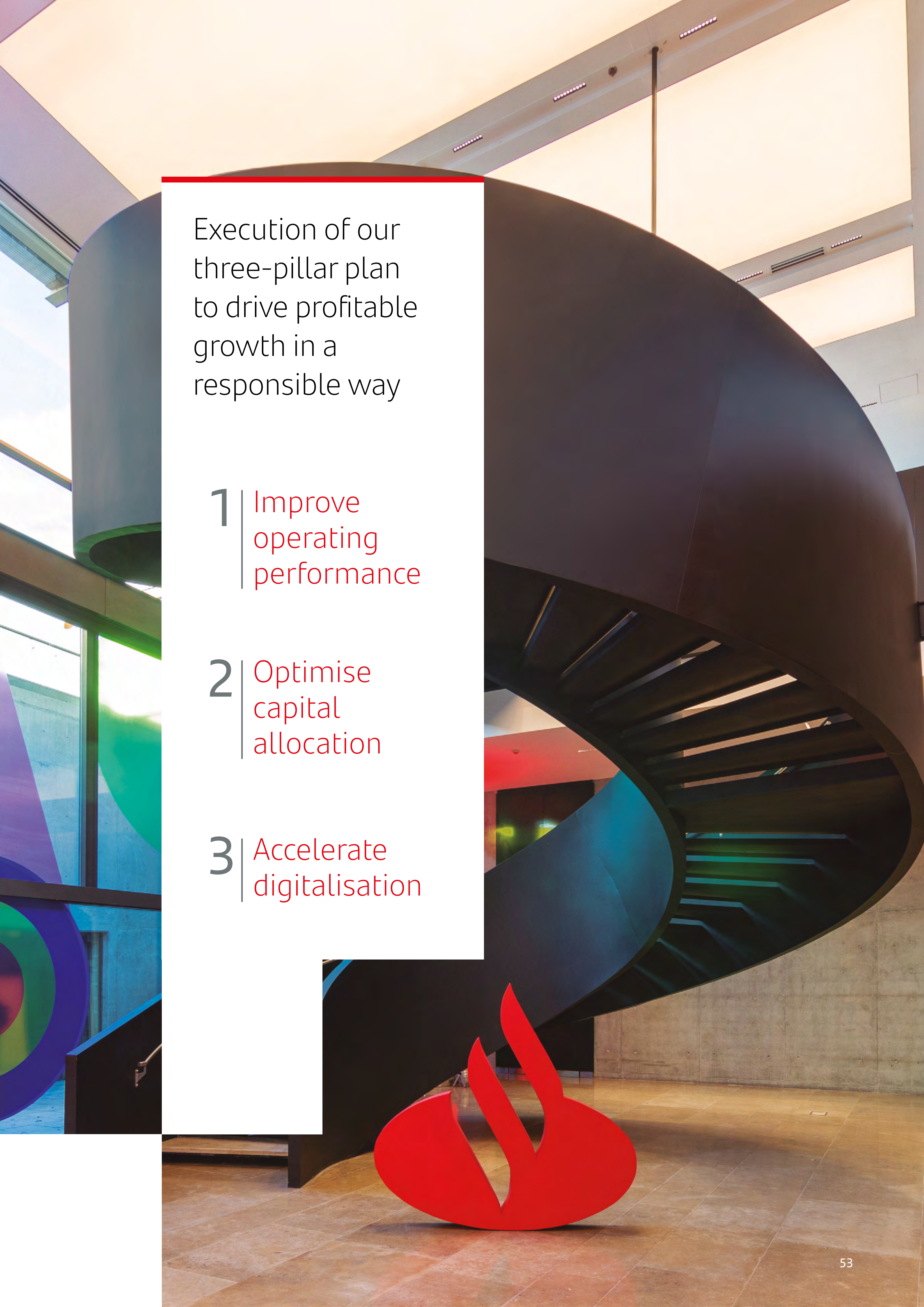
While increasing **2.3x** cash DPS[4]

Looking ahead: Our medium-term goals

	2019	Mid-term goals
Loyal customers[5]	22 mn	c.26 mn
Digital customers[6]	37 mn	c.50 mn
Digital sales[7]	36%	>50%
Cost-to-income	47%	42-45%
FL CET1	11.65%	11-12%
Underlying RoTE	11.8%	13-15%
Underlying RoRWA	1.61%	1.8-2.0%
Pay-out[8]	40–50%	40-50%

1. In constant euros, adjusted for the increase in the number of shares as a result of scrip dividends.
2. Adjusted for the increase in the number of shares as a result of scrip dividends.
3. FL CET1 (EUR mn) accumulated since 2014, including January 2015 ABB (EUR 7.5 bn).
4. EUR 20 cents cash dividend in 2019 compared to EUR 8.6 cents in 2014 (coming from the cash take-up of the 2014 EUR 60 cents scrip dividend). The board of directors has resolved to submit to the 2020 AGM that the second payment of remuneration against the results of 2019 amounts to 0.13 euros per share by means of (1) a final dividend in cash of 0.10 euros per share (the "Final Cash Dividend") and (2) a scrip dividend (under the 'Santander Dividendo Elección' scheme) (the "SDE Scheme") that will entail the payment in cash, for those shareholders who so choose, of 0.03 euros per share. In November 2019, shareholders received the first dividend charged to 2019 earnings, totalling EUR 0.10 per share in cash.
5. Active customers who receive most of their financial services from the Group according to the commercial segment that they belong to.
6. Every physical or legal person, that, being part of a commercial bank, has logged into its personal area of internet banking or mobile phone or both in the last 30 days.
7. The percentage of new business carried out through digital channels in the period.

8. Dividends charged to the results of the year divided by the underlying attributable profit.



Execution of our three-pillar plan to drive profitable growth in a responsible way

1 | Improve operating performance

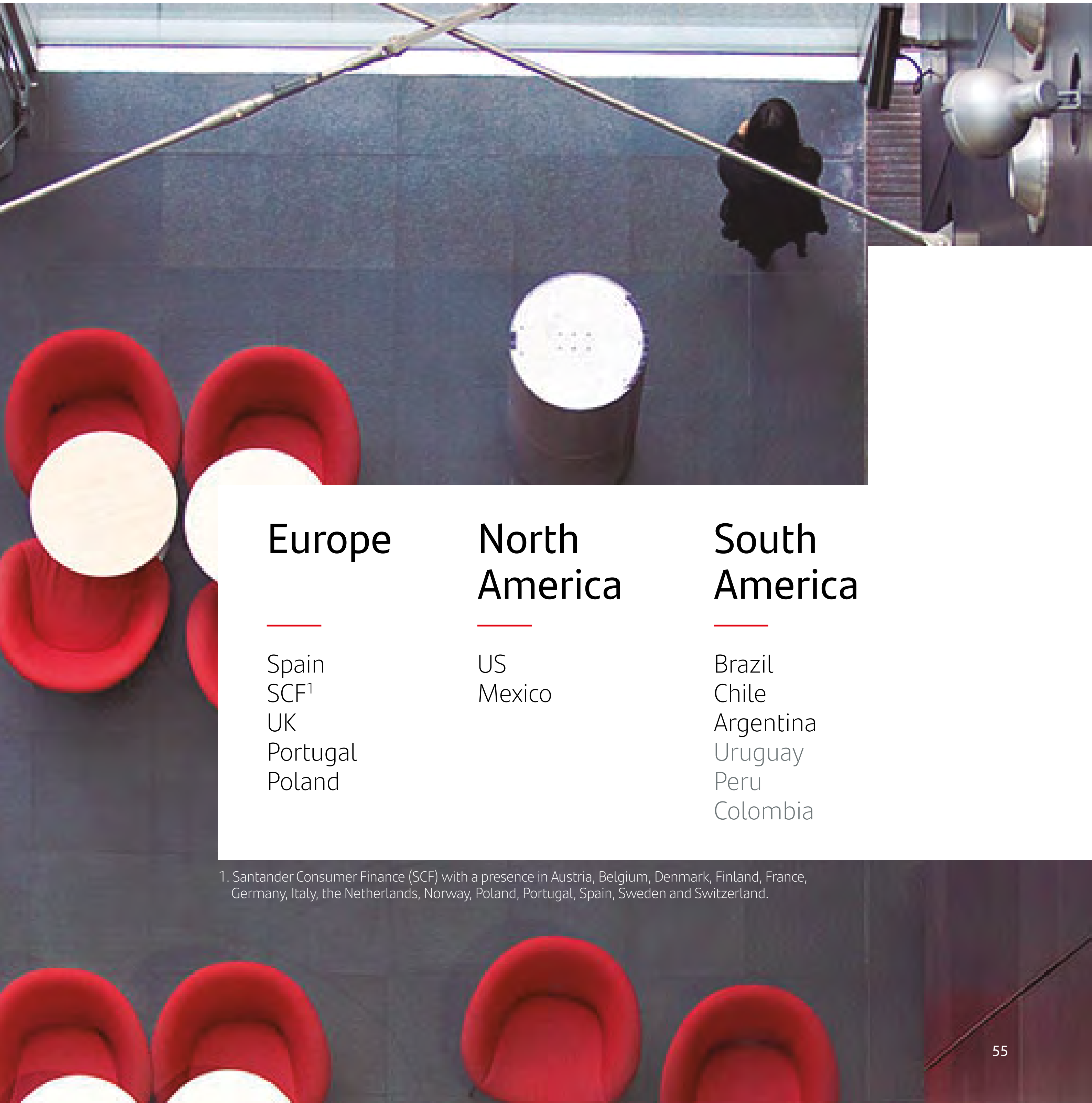
2 | Optimise capital allocation

3 | Accelerate digitalisation

1 | Improve operating performance

New organisational structure based on three regions: Europe, North America and South America

Under this structure, we can take better advantage of our scale, investing in digital tools and technology across the world, sharing costs and best practices between our banks, and speeding up execution.



Europe

Spain
SCF[1]
UK
Portugal
Poland

North America

US
Mexico

South America

Brazil
Chile
Argentina
Uruguay
Peru
Colombia

1. Santander Consumer Finance (SCF) with a presence in Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden and Switzerland.

Improving operating performance leveraging One Santander

Europe	Building one European banking platform, with enhanced profitability.
North America	Investing together to improve commercial capabilities.
South America	Natural reweighting and high profitable growth opportunity.

	2019	Mid-term goal
Underlying RoTE	10%	12-14%
Efficiency	53%	47-49%
Underlying RoTE	13%[1]	14-16%[2]
Efficiency	43%	39-41%
Underlying RoTE	21%	20-22%
Efficiency	36%	33-35%

1. Adjusted for excess of capital in the US. Otherwise 9%.
2. Adjusted for excess of capital in the US.

2 | Optimise capital allocation

Ongoing capital allocation optimisation to improve profitability

Rebalancing to more profitable regions and businesses.

+

Improved pricing, processes and governance.

+

Active management and senior team alignment.

Santander

Profitability improvement leading to higher capital generation capacity

Underlying Group RoRWA

2014

1.3%

2019

1.6%

Mid-term goal

1.8 - 2.0%

FL CET1 11.65%

2019

Already in the upper end of our 11–12% mid-term target.

3 | Accelerate digitalisation

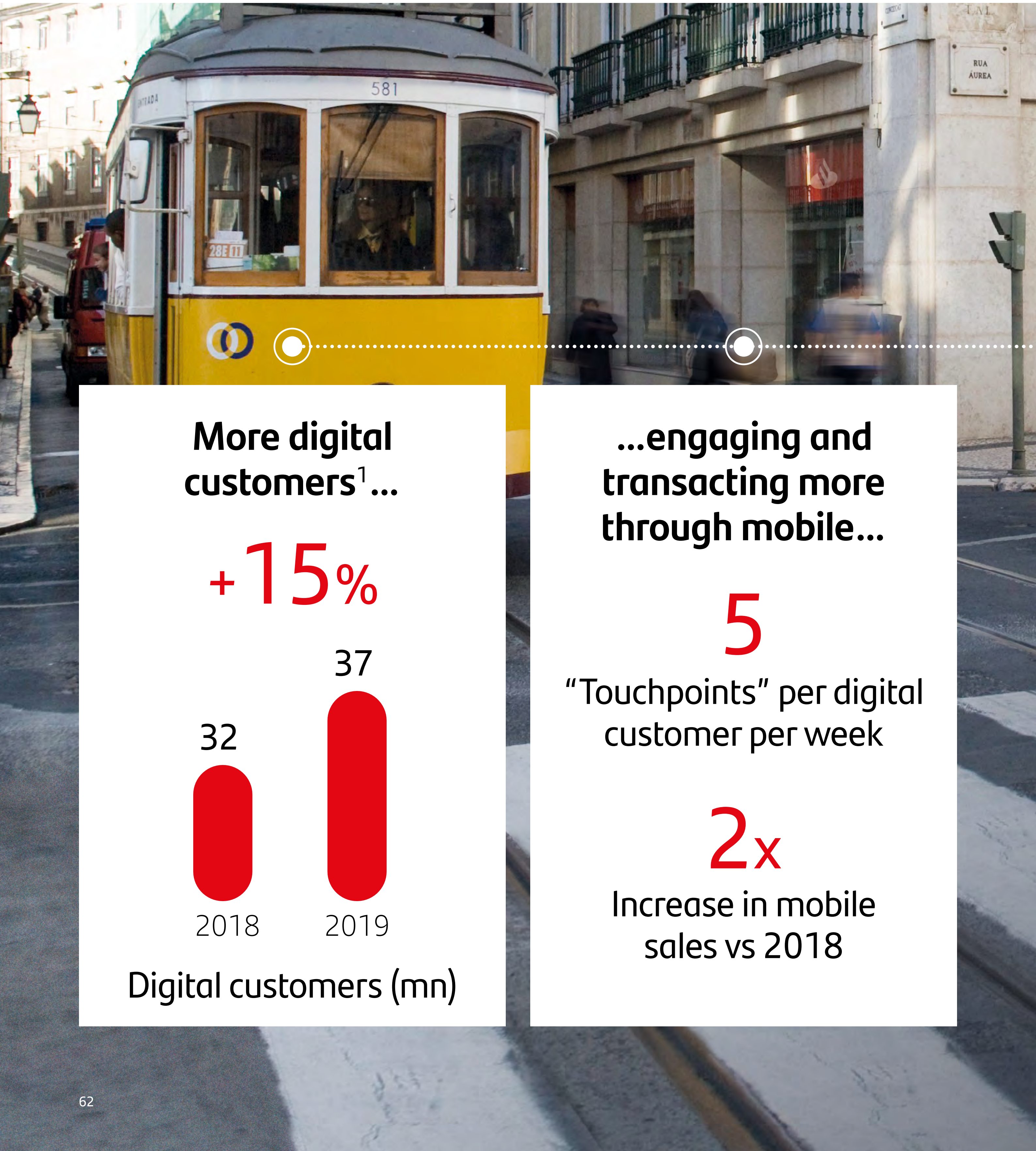
Two-pronged approach to the Group's digital transformation:

Accelerate the transformation of our core banks.

Accelerate digitalisation through Santander Global Platform.


VIVE
Spoiler Alert_
Robo-Advisor with ISG Funds
Solidarity Card
Available 365 days a year
Zero fees
Password Manager
PFM
Card Control
Mobile Payments
Device Control

Returns on digitalisation and Santander Global Platform supporting exponential growth of mobile channel and fueling engagement and digital sales



More digital customers[1]...

+15%

2018	2019
32	37

Digital customers (mn)

...engaging and transacting more through mobile...

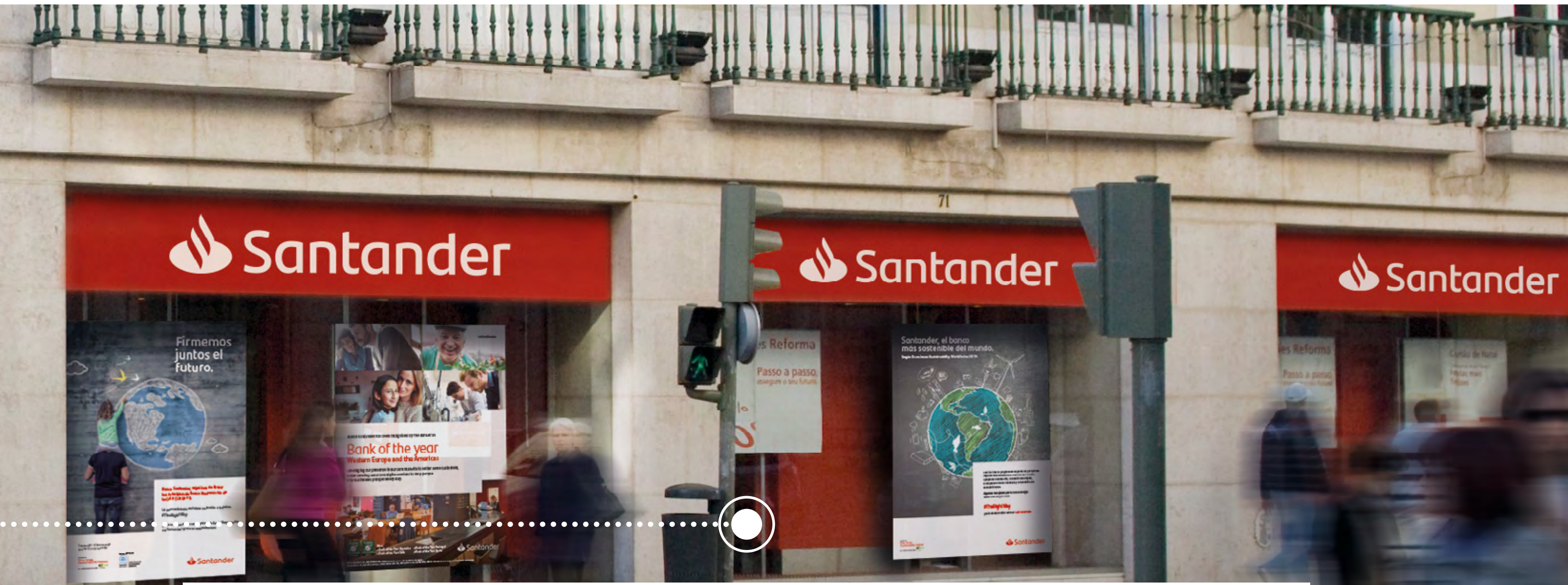
5

"Touchpoints" per digital customer per week

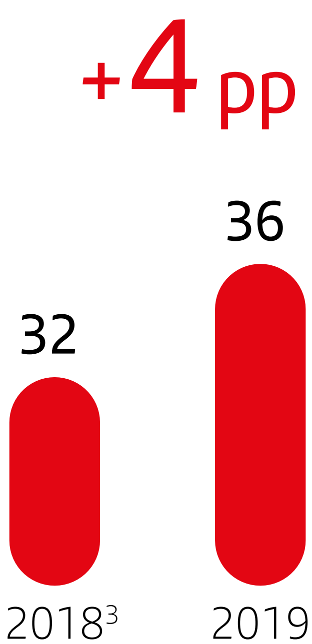
2x

Increase in mobile sales vs 2018

Santander



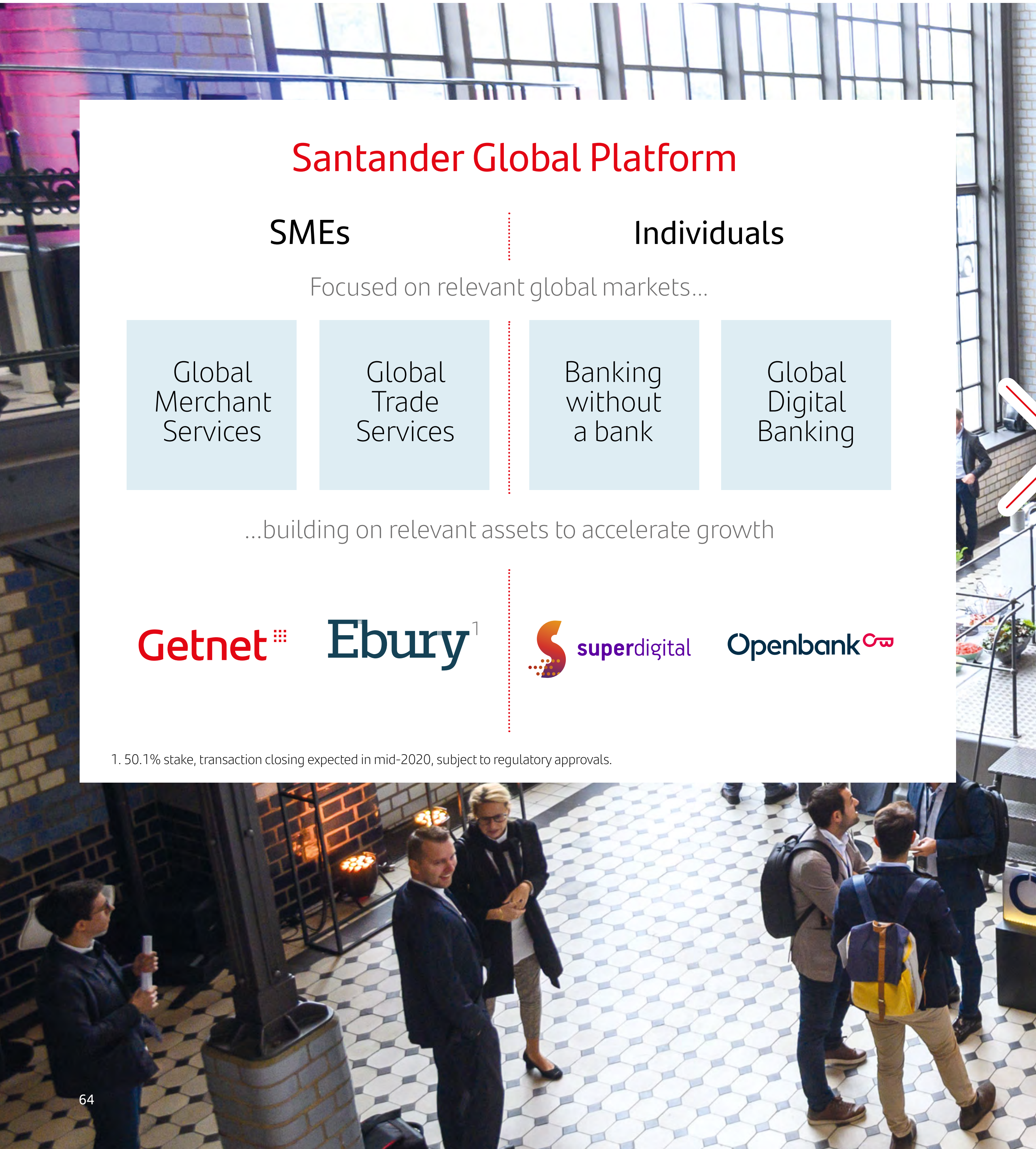
...resulting in increased digital sales[2]



Digital sales as % of total sales

1. Every physical or legal person, that, being part of a commercial bank, has logged into its personal area of internet banking or mobile phone or both in the last 30 days.
2. The percentage of new business carried out through digital channels in the period.
3. Figure in December 2018.

Best-in-class global payments and digital banking solutions to SMEs and individuals



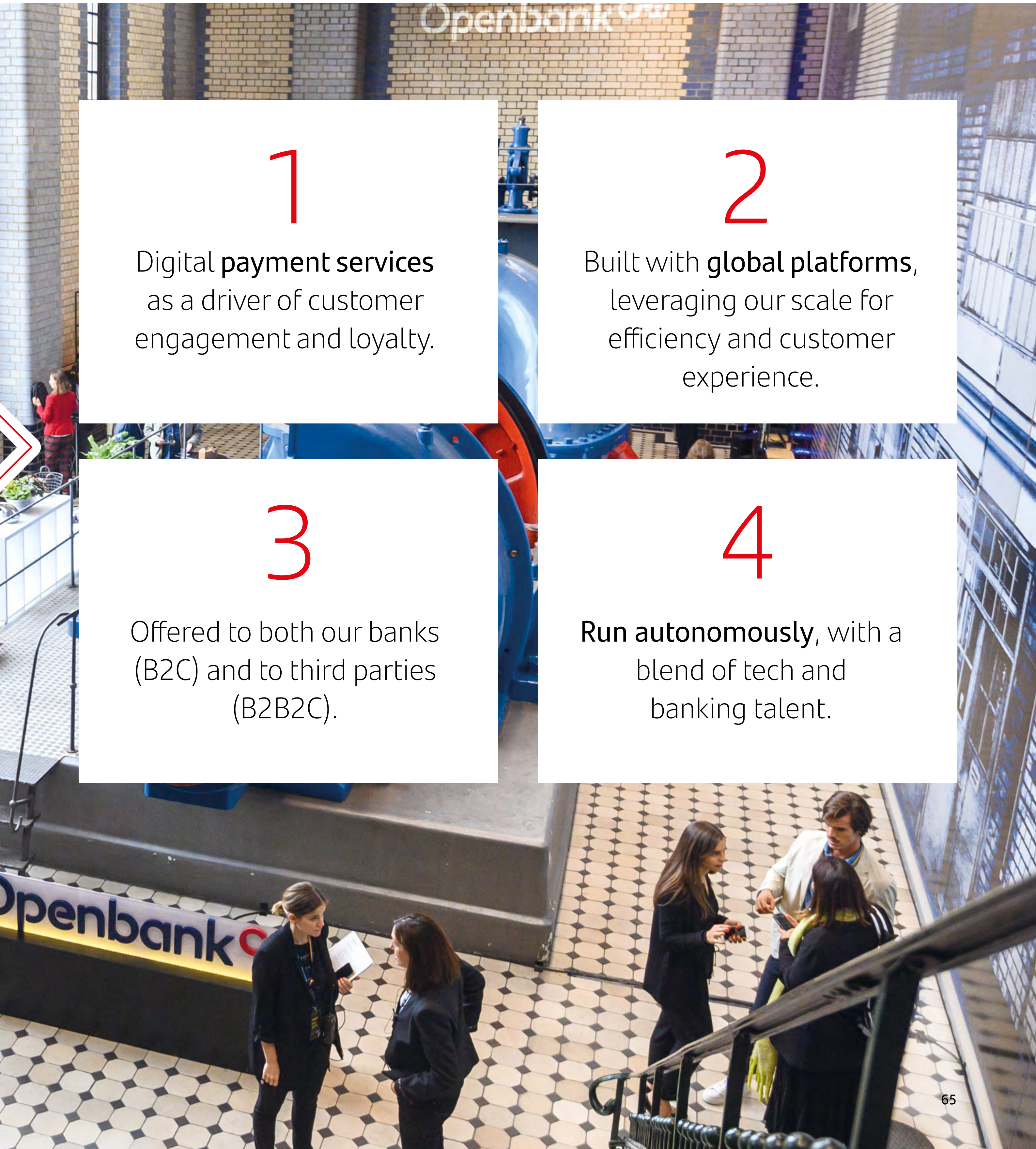
Santander Global Platform

SMEs		Individuals	
Global Merchant Services	Global Trade Services	Banking without a bank	Global Digital Banking
Getnet	Ebury[1]	superdigital	Openbank

Focused on relevant global markets...

...building on relevant assets to accelerate growth

1. 50.1% stake, transaction closing expected in mid-2020, subject to regulatory approvals.



1

Digital **payment services** as a driver of customer engagement and loyalty.

2

Built with **global platforms**, leveraging our scale for efficiency and customer experience.

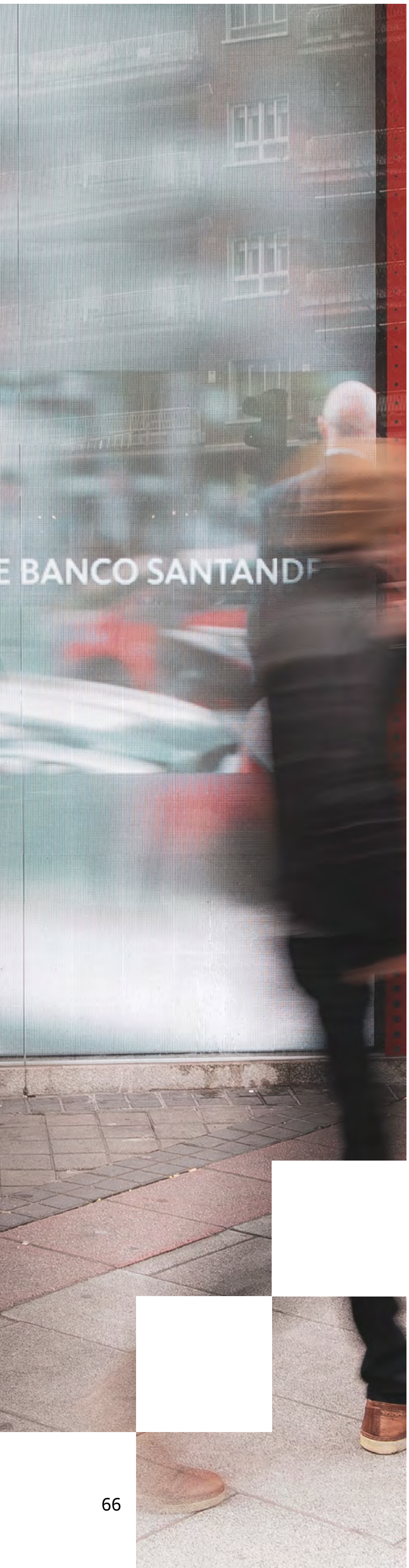
3

Offered to both our banks (B2C) and to third parties (B2B2C).

4

Run autonomously, with a blend of tech and banking talent.

Bringing best-in-class global payments solutions to SMEs



High growth and
large addressable market...

Global Merchant Services

Leveraging Getnet to build Global Merchant Services

EUR 42 bn

Revenue pool for global merchant services[1].

c.7%

Expected revenue pool CAGR[2].

Global Trade Services

One global platform to serve international SMEs

USD 200 bn

Revenue pool for Global Transaction Banking services.

>200,000

Santander SMEs customers trading internationally.

1. EMEA + Americas revenue pools in merchant acquiring services incl. Net MDR and rental terminals.
2. CAGR 2018-2023.
3. 50.1% stake, transaction closing expected in mid-2020 subject to regulatory approvals.

...with interesting propositions with high potential...

...and ambitious mid-term goals

Getnet (Brazil)

High engagement

2x

Market share in Brazil in 5 years.

High growth

+30%

2013-2019 transaction volume CAGR.

Scaling from **1** to **8** markets.

Ebury[3]

High engagement

+20%

2017-2019 transactions per customer CAGR.

High growth

+45%

Revenue growth YoY.

Scale to serve over **20** markets.

Offering fully digital banking solutions to individuals

High growth and large addressable market...

superdigital

Financial inclusion platform to cost-effectively serve the bottom of the pyramid

>300 mn

Underserved[1] population in LatAm.

c.60 mn

Middle class[2] expansion by 2030 (+20%).

Openbank

Our global, full-service digital bank

1 bn

Population in the markets the Group operates.

68%

Of total assets in Europe held in current accounts.

1. Including 200 mn + unbanked and 100 mn + underbanked.
2. USD $10-50 per capita daily income (PPP); Source: Interamerican Development Bank, 2016.
3. Active customers (30 days).

...with interesting propositions with high potential...

...and ambitious mid-term goals

(Brazil, Mexico and Chile)

High engagement

1.8x

Transactions growth over customers[3] growth.

High growth

+105%

Annual transaction growth.

Targeting **>5 mn** active customers in **7** markets.

(Spain, Germany, Netherland and Portugal)

High engagement

4.4

Average products per loyal customer.

High growth

+134%

Mortgage sales growth over last 12m.

Scale from **4** to **10** markets in Europe and Americas.

Glosary

2020 AGM Our annual general shareholders' meeting that has been called for 2 or 3 April 2020, at first or second call respectively.

Active customer Customers who meet the minimum levels in terms of balances and/or transactions, as defined by the respective business areas.

ATM Automated teller machine.

B2B2C Business to business to customer.

B2C Business to customer.

bn Billion (1,000,000,000).

bps basis points.

CAGR Compound annual growth rate.

CEO Chief executive officer.

Digital customers Every consumer of a commercial bank's services who has logged on to their personal online banking and/or mobile banking in the last 30 days.

EMEA Europe, the Middle East and Africa.

EPS Earnings Per Share.

FL CET1 Fully loaded common equity tier 1 / Fully loaded CET1.

GTS Global Trade Services.

Loyal customers Active customers who receive most of their financial services from the Group according to the commercial segment to which they belong. Various engaged customer levels have been defined taking profitability into account.

mn Million.

NPLs Non-performing loans.

NPS Net promoter score.

Pay-out Dividends charged to the results of the year divided by the underlying attributable profit.

People supported in our communities The Bank has devised a corporate methodology tailored to Santander's requirements and specific model for contributing to society. This methodology identifies a series of principles, definitions and criteria to allow the Bank to consistently keep track of those people who have benefited from the programmes, services and products with a social and/or environmental component promoted by the Bank. This methodology has been reviewed by an external auditor.

pp percentage point.

RoRWA Return on risk weighted assets.

RoTE Return on tangible equity.

RWAs Risk weighted assets.

SCF Santander Consumer Finance.

SCIB Santander Corporate & Investment Banking.

SDE Santander Dividendo Elección scheme.

SMEs Small and medium enterprises.

TNAV Tangible Net Asset Value.

TRIM Targeted Review of Internal Models.

WM&I Wealth Management and Insurance.

Santander

General information

Corporate information

Banco Santander, S.A. is a Spanish bank, incorporated as sociedad anónima in Spain and is the parent company of Grupo Santander. Banco Santander, S.A. operates under the commercial name Santander.

The Bank's Legal Entity Identifier (LEI) is 5493006QMFDDMYWIAM13 and its Spanish tax identification number is A-390000013. The Bank is registered with the Companies Registry of Cantabria, and its Bylaws have been adapted to the Spanish Companies Act by means of the notarial deed instrument executed in Santander on 29 July 2011 before the notary Juan de Dios Valenzuela García, under number 1209 of his book and filed with the Companies Registry of Cantabria in volume 1006 of the archive, folio 28, page number S-1960, entry 2038.

The Bank is also registered in the Official registry of entities of Bank of Spain with code number 0049.

The Bank's registered office is at:

Paseo de Pereda, 9-12. 39004 Santander, Spain

The Bank's principal executive offices are located at:

Santander Group City
Avda. de Cantabria s/n. 28660 Boadilla del Monte
Madrid, Spain
Telephone: (+34) 91 259 65 20

Corporate history

The Bank was established in the city of Santander by public deed before the notary José Dou Martínez on 3 March 1856, which was later ratified and amended in part by a second public deed dated 21 March 1857 executed before the notary José María Olarán. The Bank commenced operations upon incorporation on 20 August 1857 and, according to article 4 of the Bylaws, its duration shall be for an indefinite period. It was transformed into a credit corporation (sociedad anónima de crédito) by public deed, executed before notary Ignacio Pérez, on 14 January 1875 and registered in the Companies Registry Book of the Government's Trade Promotion Section in the province of Santander. The Bank amended its Bylaws to conform to the Spanish public companies act of 1989 by means of a public deed executed in Santander on 8 June 1992 before the notary José María de Prada Díez and recorded in his notarial record book under number 1316.

On 15 January 1999, the boards of directors of Santander and Banco Central Hispanoamericano, S.A. agreed to merge Banco Central Hispanoamericano, S.A. into Santander, and to change Banco Santander's name to Banco Santander Central Hispano, S.A. The shareholders of Santander and Banco Central Hispanoamericano, S.A. approved the merger on 6 March 1999, at their respective general meetings and the merger became effective in April 1999.

The Bank's general shareholders' meeting held on 23 June 2007 approved the proposal to change back the name of the Bank to Banco Santander, S.A.

As indicated above, the Bank brought its Bylaws into line with the Spanish Companies Act by means of a public deed executed in Santander on 29 July 2011.

The Bank's general shareholders' meeting held on 22 March 2013 approved the merger by absorption of Banco Español de Crédito, S.A.

On 7 June 2017, Santander acquired the entire share capital of Banco Popular Español, S.A. in an auction in connection with a resolution plan adopted by the European Single Resolution Board (the European banking resolution authority) and executed by the FROB (the Spanish banking resolution authority) following a determination by the European Central Bank that Banco Popular was failing or likely to fail, in accordance with Regulation (EU) 806/2014 establishing a framework for the recovery and resolution of credit institutions and investment firms. On 24 April 2018, the Bank announced that the boards of directors of Banco Santander, S.A. and Banco Popular Español, S.A.U. had agreed to an absorption of Banco Popular by Banco Santander. The legal absorption was effective on 28 September 2018.

Shareholder and investor relations

Santander Group City
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Madrid, Spain
Telephone: (+34) 91 259 65 14
investor@gruposantander.com
accionistas@santander.com

Hard copies of the Bank's annual report can be requested by shareholders free of charge at the address and phone number indicated above.

Media enquiries

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Avda. de Cantabria, s/n. 28660 Boadilla del Monte
Madrid, Spain
Telephone: (+34) 91 289 52 11
comunicacion@gruposantander.com

Customer service department

Calle Princesa, 25
Edificio Hexágono, 2ª planta. 28008 Madrid, Spain
Telephone: (+34) 91 759 48 36
atenclie@gruposantander.com

Banking Ombudsman in Spain (Defensor del cliente en España)

Mr José Luis Gómez-Dégano
Apartado de Correos 14019. 28080 Madrid, Spain

Important information

Non-IFRS and alternative performance measures

In addition to the financial information prepared in accordance with International Financial Reporting Standards ("IFRS"), this document 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 document 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. 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 2018 Annual Financial Report, published in the CNMV on 28 February 2019, our 20-F report for the year ending 31 December 2018 registered with the SEC in the United States.

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 cautions that this document contains statements that constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as "expect", "project", "anticipate", "should", "intend", "probability", "risk", "VaR", "RoRAC", "RoRWA", "TNAV", "target", "goal", "objective", "estimate", "future" and similar expressions. These forward-looking statements are found in various places throughout this document and include, without limitation, statements concerning our future business development and economic performance and our shareholder remuneration policy. While these forward-looking statements represent our judgment and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. The following important factors, in addition to those discussed elsewhere in this document, and in our annual report on Form 20-F for the year ended December 31, 2018, filed with the U.S. Securities and Exchange Commission, could affect our future results and could cause outcomes to differ materially from those anticipated in any forward-looking statement: (1) general economic or industry conditions in areas in which we have significant business activities or investments, including a worsening of the economic environment, increasing in the volatility of the capital markets, inflation or deflation, and changes in demographics, consumer spending, investment or saving habits; (2) exposure to various types of market risks, principally including interest rate risk, foreign exchange rate risk, equity price risk and risks associated with the replacement of benchmark indices; (3) potential losses associated with prepayment of our loan and investment portfolio, declines in the value of collateral securing our loan portfolio, and counterparty risk; (4) political stability in Spain, the UK, other European countries, Latin America and the US (5) changes in laws, regulations or taxes, including changes in regulatory capital and liquidity requirements, including as a result of the UK exiting the European Union and increased regulation in light of the global financial crisis; (6) our ability to integrate successfully our acquisitions and the challenges inherent in diverting management's focus and resources from other strategic opportunities and from operational matters while we integrate these acquisitions; and (7) changes in our ability to access liquidity and funding on acceptable terms, including as a result of changes in our credit spreads or a downgrade in our credit ratings or those of our more significant subsidiaries. Numerous factors could affect the future results of Santander and could result in those results deviating materially 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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Photographs:
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Production:
Sprint

Legal deposit:
M-7729-2019

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