

Strategic Overview

**Annual report
2020**

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All Together Now





Ana Botín,
Executive chairman

Dear Fellow Shareholders,

This has been a year unlike any other. Covid-19 presented all of us with unique challenges and hardships.

A time when core values were tested, I am proud of the inspiring efforts of the Santander teams: they responded with determination and creativity, helping our customers in innovative ways, and supporting those facing financial difficulties. We have remained true to our purpose - to help people and businesses prosper- while delivering on our commitments to our stakeholders.

In this letter, I would like to share with you my views about how and why Santander coped so well during the worst global crisis in recent times. I will also discuss the Santander of Tomorrow: the three strategic growth initiatives which we expect to substantially improve the growth and profitability of our business. I will share with you our 2021 and medium-term outlook. And I will explain how we continue to build a more responsible Santander, embedding an approach to environmental, social and governance issues in all we do.

Navigating the Covid-19 pandemic

Our purpose has been our North Star, guiding our response to the pandemic and the economic crisis. We have prioritized the wellbeing of our employees and their families, customers and shareholders and supported our communities and, in doing so, we have built trust and strengthened loyalty in the process.

Our initial priority was to tackle the health emergency while continuing to serve our customers. We quickly sprang into action: we split teams into shifts, increased our capacity to handle greater demand for online banking and calls to our contact centres, and within a few weeks arranged for more than 100,000 employees to work from home. In our workplaces we introduced clear protocols, including health checks and tracking and tracing systems; as a result, employees in some countries have been able to return to their offices. Our employees' contribution helped raise €105 million to support government initiatives and charities in the fight against the virus.

Our next priority was helping our customers. Although approximately 70% of our branches remained open during the pandemic, most customers chose to bank with us online. The number of digital customers was growing before the crisis, but the pandemic dramatically accelerated this trend. In 2020, 44% of our sales were through digital channels (versus 36% in 2019). We served more than 42 million digital customers (a 15% year-over-year increase); and more than 35 million of our customers used mobile banking (+21% YoY).

Meanwhile, we lent an average of €1 billion in new loans every day during the pandemic - which is proof that, unlike the 2008 crisis, banks are a critical part of the solution this time. It was gratifying that Euromoney recognized our efforts by naming us the "World's Best Bank for Small and Medium-sized Enterprises."

Credit quality has remained robust, and we closed the year with our cost of credit at 1.28%, slightly better than the improved guidance we provided in the third quarter. In addition to providing liquidity and credit facilities to businesses, we also granted payment and repayment deferrals to support our customers. We have also temporarily reduced or suspended certain fees and, working with specialized teams, we have supported customers who were facing particular financial difficulty. We granted moratoria on loans totalling €112 billion, of which 79% have expired, and only 3% was classified as having a significant probability of default. Of the €23 billion that remained under moratoria, as of December 31, 2020, 78% was secured and 83% was in Europe.

During 2020, as a result of the pandemic, global banking stocks underperformed compared to the broader market. In addition, European banks were negatively impacted by the European Central Bank's guidance regarding the cancellation of dividends and share buyback programs.

Against that backdrop, Santander shares delivered a total shareholder return in line with our global peer group. There were, however, two very clearly different periods during the year. In the first three quarters, our share price was not just impacted by the pandemic, but also by historically high currencies depreciations in Latin America. However, since we published third quarter earnings, our share price strengthened both in absolute (up 54%) and relative terms compared to the European and the global banking sectors (which we outperformed by +29pp and +20pp respectively). In terms of valuation, Santander ended 2020 trading at market multiples in line with those of our global peer group and the European banking sector.

Digital sales

44%
vs. 36% in 2019

Mobile banking customers

35mn
+21% vs. 2019

We lent an average of

€1 billion
in new loans every day
during the pandemic

Financial performance

Although all our markets suffered the impact of the pandemic, Santander's businesses have weathered the storm well. Our customer focus, scale and geographical and business diversification have enabled us to deliver strong underlying results in an extremely challenging year.

Growth

More digital customers

42 mn

+15% vs. 2019

The Group ended the year with almost 23 million loyal customers and (as I mentioned) 42 million digital customers (+15%). Our commercial activity was close to pre-pandemic levels. Lending was up 5% year-over-year on a constant currency basis, with growth of 4% in Europe, 2% in North America and 15% in South America.

Profitability

Underlying
attributable profit

€5.1 billion

Total income remained stable as the decrease in activity and lower interest rates were offset by higher volumes (+5% in lending), the lower cost of deposits (+9% customer funds) and good performance in global businesses. Although loan-loss provisions were up to almost 50%, to €12.2 billion, underlying attributable profit was €5.1 billion, which highlights the Group's ability to generate results in very adverse circumstances. Our retail and commercial business demonstrated great resilience: improving our efficiency ratio to 47%, setting the basis for higher future profitability while increasing our net operating income by 2% to €23.6 billion, all in constant currency terms. Our underlying RoTE closed the year above 7%, up from the mid-year low of 5%. We are confident of a return to pre-crisis levels soon.

As a result of the overall economic environment and other factors, we made a €12.6 billion non-cash accounting adjustment, most of it related to acquisitions made 15 years ago, which had an impact on our statutory profit. However, this adjustment had no impact on our liquidity and was neutral in terms of our capital ratio (CET1). We remain confident in our strategy to create value for our shareholders in each of our regions and markets.

Strength

Rock-solid balance sheet

12.34%

+69 bps CET1

Throughout the crisis, our balance sheet has remained rock-solid, and we have continued to deliver robust results. Our non-performing loan ratio declined 11 bps to 3.21%. We continued to generate capital, ending the year with a Common Equity Tier 1 (CET1) ratio of 12.34%, which is above our target range, and a 69 bps increase over 2019 which, given the trading conditions, is impressive.

These results highlight Santander's three enduring strengths – customer focus, scale and diversification.

Customer focus

Our products and mix of traditional and digital distribution channels continue to attract, gain, and retain customers' loyalty. Customer

satisfaction, measured by Net Promoter Score (NPS), has remained strong, ranking top three in six countries, including Portugal and Chile, where we are now the market leader in NPS.

Scale

With one of the largest customer bases in Europe and America, we serve 148 million customers around the world. We have a best-in-class cost-to-income ratio compared to our global and European peers.

148 million
customers worldwide

Diversification

Our geographic and business diversification gives Santander the resilience to withstand the impact of the pandemic, which has differed by region and sector. We operate in markets and businesses with high growth potential, (such as Brazil, Mexico, wealth management and payments), as well as mature markets (such as Germany, the Nordics or the UK).

In Europe, we have grown our business supporting our customers and focusing on capital efficient opportunities, including Santander Corporate & Investment Banking (SCIB). We grew loans by 4% up to €658 billion. In Spain, lending was up 5%, mainly to small and medium-sized enterprises (SMEs) and corporates; in the UK, lending was up 3%, driven by new mortgages and government schemes for corporates. Overall, NPL decreased 10 bps to 3.15%.

In North America, we have focused on improving profitability. The aim is to attract more customers by improving the quality of service and enhance productivity. Loans grew by 2% up to €121 billion. Overall, the underlying RoTE of the region adjusted for excess capital was 10.7%. In the US franchise we achieved a statutory attributable profit of \$1.2 billion, and an underlying RoTE adjusted for excess capital of 8.4%. Cooperation between Mexico and the US was reinforced with initiatives including joint technology programmes, and the development of the USMX trade corridor (revenues: SCIB +29%; Commercial +30%).

South America continues to be a growth engine. The net operating income for the region improved by 5% driven by higher net interest income and improved cost-to-income. The underlying RoTE of the region was 18.1%. We did this the right way, increasing our loyal customers by 9% to 8.6 million. We grew loans by 15% and deposits by 30%. In Brazil, Santander has once again recorded an excellent year, both in terms of results and volumes, with underlying RoTE remaining high at 19%. We are now focused on ensuring our South American businesses work together to build common platforms and capture business opportunities, such as in consumer finance or insurance.

Our global businesses had a particularly strong year thanks, in part, to their focus on deepening customer relationships and improved customer acquisition, with SCIB and WM&I increasing net operating income in constant euros by 30% and 6% respectively. The fees generated by SCIB and WM&I represented close to half of the Group's fees.

As a result of our underlying financial results and our strong capital position, the board of directors approved a scrip dividend equivalent to €10 cents per share which was paid in December 2020. Given the restrictions imposed on the banking sector by the European Central Bank in 2020, the board proposed this course of action to honour our commitment to retail shareholders. In light of the ECB's recommendation made in December 2020 about cash dividend distribution, the board of directors' intention is to pay €2.75 cents per share to our shareholders in 2021, which is the maximum under the established limits.

Outlook for 2021

While uncertainty remains, we expect to continue to grow and create value for shareholders in 2021 thanks to our business model, our strategy and the strong leadership of our teams.

We currently project a gradual global economic recovery in 2021, based on recent IMF and OECD economic forecasts. That said, if Covid-19 vaccines become more widely available this year, the economic recovery should accelerate.

Under this gradual recovery scenario, we expect revenue to increase in 2021, driven by higher lending volumes (mainly in the Americas), positive asset repricing, and lower funding costs offsetting lower rates. SCIB and WM&I are expected to remain key growth drivers for fee income. We expect to grow our loyal customers by 5% and our digital customers by 12%, and to deliver on our efficiency plan in Europe which will lead us to a Group efficiency ratio below 47%.

Based on our current projections, we expect the cost of credit to trend downwards for this year versus 1.28% in 2020. After taking unusually high credit provision levels last year, and with (as I mentioned) a rock-solid balance sheet, we believe we are very well positioned for 2021.

As a result, we expect underlying RoTE to be between 9% and 10%.

2021 targets

Cost-to-income ratio

<47%

Cost of credit

<1.28%

Underlying RoTE

9%-10%

Santander of Tomorrow: Sustainable growth and increasing profitability

Our unrelenting focus on our customers, backed by our €5 billion investment in technology since 2019, has enabled us to design our business, systems and services to meet customers' evolving needs. Now we plan to accelerate our transformation so we can increase Group earnings per share and tangible net asset value per share, which will underpin future dividends.

In 2020, we continued to allocate capital to our most profitable geographies (mainly the Americas) and to our fee generating businesses such as SCIB, WM&I and Payments. We have been setting minimum profitability thresholds in all segments; working on faster asset rotation; and aligning top management remuneration with our

profitability goals. As a result, in 2020 c.40% of our capital invested has delivered double digit underlying RoTE despite a very challenging environment.

Having achieved a CET1 ratio above our target range, we can now allocate even more capital to high growth opportunities and focus on **our three strategic growth initiatives – One Santander, PagoNxt and Digital Consumer Bank**. These initiatives are critical if we are to achieve our aim: to be the world's best open financial services platform. I will cover each in turn.

Our three strategic growth initiatives are essential pillars of our future growth and will reshape Santander. From now on we plan to update you on their progress every quarter.

1. One Santander

We are transforming how we serve our customers, providing a simpler, and much better, customer experience by creating One Santander - a new and common operational and business model.

Critical to this is leveraging our scale. We want to create simple, global products and services whenever possible. To enable us to move at speed, and harness our talent and innovations effectively, in 2019 we appointed regional heads for Europe, North America and South America.

In this new model, branches continue to have an important role but will evolve to meet the needs of customers better, reflecting their preference for a digital experience. The branches of the future will look different – our Work Cafes are a good example - but they will continue to serve a critical function in banking: building deeper customer relationships.

With One Santander, we aspire in the medium-term to become the leader in NPS in our markets; generate more than 50% of our sales through digital channels; and significantly improve our efficiency ratio to approximately 40%.

We have started this journey **in Europe**, where we expect to grow our business by serving our customers better, simplifying and transforming our mass market business and accelerating our digital agenda to support our omnichannel strategy. This business transformation coupled with the move towards a common operating model across the region will enable us to make €1 billion in efficiency savings in the next 2 years. As a result, we expect to deliver a 10% to 12% underlying RoTE and c.45% efficiency ratio in Europe in the medium-term.

In North America, our operations both in Mexico and the US are increasing the scope of their collaboration in commercial banking, auto financing and other retail segments. They are also establishing a shared services model. As a result, we expect to deliver a 11% to 13% underlying RoTE and c.40% efficiency ratio in North America in the medium-term.

Strategic growth initiatives:
One Santander, PagoNxt and Digital Consumer Bank

Medium-term goals

Europe

Underlying RoTE

10%-12%

Efficiency ratio

c.45%

North America

Underlying RoTE

11%-13%

Efficiency ratio

c.40%

South America

Underlying RoTE

19%-21%

Efficiency ratio

c.35%

PagoNxt

Potential market

€500Bn

We have already seen the potential of this regional approach **in South America**. There we have established a robust regional platform for payments as well as for Consumer Finance - to expand quickly into new markets across the region. As a result, we expect to deliver a 19% to 21% underlying RoTE and c.35% efficiency ratio in South America in the medium-term.

2. PagoNxt

Payments are critical if we are to grow and reinforce customer engagement and loyalty. So, PagoNxt is an essential pillar of both our One Santander and of our growth strategy. An autonomous global payments platform, it will become the common "backbone" of our banks around the world and is a critical element in building the One Santander. PagoNxt working as ONE with our banks but having operating autonomy is critical to its success: it can develop faster, with full accountability and transparency, and will facilitate the attraction of external talent. Additionally, in a second stage, PagoNxt would aim to service not only our banks, but also third parties, which would help it maximize its growth and profitability potential. By bringing our most disruptive global payment initiatives under a single umbrella, we can realise opportunities in a potential market of €500 billion. In the near term, we will focus on building scale across our core banks through common applications, data and systems, while ensuring we have the right talent, processes and governance.

PagoNxt will focus on accelerating growth in three business areas.

Merchant solutions

Merchant solutions already has more than 1.1 million merchant customers, and it builds on the success of our merchant businesses in Brazil (Getnet) and in Spain (SEMS). Getnet has grown active customers by 76% on a compound annual basis over the last 3 years, and now has 900,000 active customers, a market share by volume of 15%, and an e-commerce market share of 22%. SEMS has grown its customer base at a compound average annual rate of 88% over the last 3 years, and a market share by number of customers with POS (point of sale) of 17%.

In 2021, in **South America** we will be serving our customers with Getnet (merchant services) in all our core geographies (Brazil, Chile, Argentina and Uruguay). In Brazil we will continue to focus on growing our market share by volume (from 15% to 16%) and customer base, while delivering cost efficiency operations and profitability.

In **Europe** we are currently working at full speed to complete the integration and transformation of our current acquiring unit into a pan-European player (Getnet Europe), leveraging on our recently acquired technological assets and talent from Wirecard. During 2021 we will revamp our commercial activity under the Getnet brand and extend our activity throughout the whole European market, focusing first on ecommerce and mid and large merchants.

2020

Getnet in Brazil

22% ecommerce market share

900,000+76% CAGR' Active customers

In **North America** we will complete our Mexico's customer base migration into our global platform (which is already in production). Our aim is to grow our overall market share beyond 15% and accelerate our activity in the ecommerce and open market space.

Trade solutions

Trade solutions combines different product offerings in a single platform to serve SMEs globally. We have more than 4 million SME customers, 200,000 of whom trade internationally. Trade solutions aims to offer all of them fast, efficient trade finance, supply chain and FX payments solutions that were once only accessible to corporates. Our significant investments in Ebury and Mercury will strengthen our trade offering.

In 2021, instant FX payment services between our key geographies (Euro zone, UK, Brazil, Mexico) will be accessible to all our SME customers in a common platform, OneTrade. In OneTrade customers will also be able to manage their FX positions, and access existing and new trade and supply chain financing options, all through digital channels and integrated in a single experience.

Consumer digital products and services

Builds on the success of Superdigital, our solution for the unbanked in Latin America, which is already available in 5 markets. We aim to provide simple, user-friendly payment solutions for individuals, so we become an integral part of our customers' daily lives.

In 2021, Superdigital operations will be deployed in 4 additional countries in the region: Colombia, Peru, Argentina and Uruguay. All the countries will be served through a single global platform. The goal is to achieve a customer base in excess of 1 million active users.

3. Digital Consumer Bank

The third of our strategic growth initiatives is the integration of our fast-growing consumer lending business, Santander Consumer Finance (SCF) with our Openbank digital platform, to create the leading Digital Consumer Bank.

SCF, Europe's consumer finance leader, serves over 18 million customers in 15 European markets. The lending business is rapidly moving online, with over 6 million new customers a year across different industries signing up with Santander for loans. Openbank, Europe's largest fully digital bank, is outperforming – and outgrowing – other European digital banks in deposits, with a full-fledged retail product suite marketed on an innovative, scalable and efficient banking platform, using software built by us. On average, each customer uses more than 4 products accessed through the platform, well above the market average.

By combining these two businesses, our medium-term goal is to create a consumer finance business servicing off-line and e-commerce

Medium-term goals

Profit after taxes

2x

Underlying RoTE

c.15%

Efficiency ratio

39%

merchants, as well as the largest full-service digital bank, while growing auto loans and lease servicing. In the mid-term, we expect to double our profit after taxes, achieve an underlying RoTE of 15% and reduce our cost to income ratio to 39% in this segment.

Having the right talent is critical to this transformation. We are focused on attracting people with digital expertise, who can work alongside those with more traditional banking skills to build the best open financial platform. In 2020, we hired more than 2,000 digital experts, and right now 17% of our workforce (excluding branches) have tech or data skills. We are implementing Dojo, a state-of-the-art learning experience platform to provide Santander employees with access to content for upskilling and reskilling. At the same time, we are introducing a global platform to manage our talent better by harmonising and simplifying our employees offer, from career opportunities to international and cross functional mobility.

Responsible banking: embedding ESG in all we do

As we emerge from the Covid-19 crisis, we will spare no efforts to build a more inclusive and sustainable world, while acting responsibly in everything we do each day. We are making progress toward fulfilling the public commitments on this agenda that we made in 2019; and we are encouraged that investors are increasingly focused on **environmental, social and governance (ESG) issues**.

We are already playing a major role in helping to tackle climate change and hasten the transition to the green economy. As a supporter of the Paris Agreement and a signatory to the UN's Collective Commitment to Climate Action, our strategy has three elements.

First, we are focused on measuring and disclosing our progress toward Paris, and ensuring our policies and practices help us achieve that. As we implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we have disclosed new data about our lending related to sectors most exposed to climate change, and in this report we disclose our performance on material metrics according to the Sustainable Accounting Standards Board (SASB), in addition to the Global Reporting Initiative (GRI). As to our policies and practices related to sensitive sectors, in Brazil we are working with our customers and other banks to deliver sustainable development in the Amazon region.

Second, we are supporting the green transition. We are a world leader in financing renewables, and in 2020 we financed renewable energy projects capable of powering the equivalent of 10.3 million households a year. We also launched our second €1 billion green bond, created a taxonomy to classify which of our credit activities are "green", and established a new ESG team in SCIB.

Financed
renewable
energy projects
capable of powering the
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10.3 million
households a year

The third element is reducing our own impact on the environment. Renewable sources now supply 57% of our energy. In 2020, we offset all remaining emissions, making our Group's own operations net carbon neutral for the first time.

While supporting the green transition, economic growth must also be inclusive – which brings me to the S, the social aspects of ESG. More people need to be empowered to make the most out of life's opportunities. We do this in three ways.

First, at Santander itself we are implementing our strategy to promote diversity and inclusion, which includes global standards for parental leave; unconscious bias training; gender-neutral shortlists for vacancies; targets to employ people with disabilities – all these measures, and more, will help us build a workforce that better reflects and understands the societies we serve, ensuring we promote social mobility.

Second, we are helping people gain access to the financial system, while also working to help them understand how to use financial services prudently. In 2020, we made over 4,500 new microfinance loans every day across Latin America. Overall, we helped to financially empower 2.9 million people.

Third, our world-leading universities programme supports students as well as entrepreneurs. In 2020 we granted more than 150,000 scholarships, which means we have already surpassed our 2019 commitment to give 200,000 scholarships by the end of 2021.

Finally, the "G" – the critically important subject of governance. To ensure any member of our Group can speak up if they have a concern, we completed the roll out of "Canal Abierto" across all our markets: this is a simple way for employees to escalate matters anonymously.

We have also taken further steps to ensure our customers are treated fairly. In 2020 we ensured our Consumer Protection Policy (which sets out 10 principles that embody how we expect our teams to handle customer relationships) as well as our vulnerable customers guidelines are being implemented across the Group. We are working on a pilot process of adding onboarding criteria to ensure our 400 main suppliers meet our ESG requirements.

Turning to the board itself, we've made it more diverse while strengthening its expertise in digital, information technology and the financial sector.

Last year R. Martin (Marty) Chavez and Gina Diez Barroso joined as independent directors. Marty is the founder of several technology companies and former Chief Financial Officer and Chief Technology Officer at Goldman Sachs. Gina was a member of the Board of Directors of Santander Mexico until April 2020 and has more than twenty years of experience in the real estate and education sectors and is a powerful advocate for diversity. Sergio Agapito Lires Rial, the

Second
green bond
launched of **€1 billion**

**"World's
best bank for
diversity and
inclusion, and
for SMEs"**



regional head of South America, joined the board as an executive director. Luis Isasi, Chairman of Santander Spain, also joined the board as a non-executive director.

Together, their arrival means the board's members are Spanish, British, Brazilian, Mexican, American and Portuguese, while 40% are women. Marty, Gina, Sergio and Luis replace Esther Gimenez-Salinas, Rodrigo Echenique, Ignacio Benjumea and Guillermo de la Dehesa, who have served as highly valued members of our board for many years, and whom I would like on behalf of the Board to thank again for their valuable contributions to Santander.

Ambition to achieve
net zero carbon
emissions across
the Group by **2050**

Looking ahead, it's clear that much more needs to be done to address the climate emergency. As I said, we're already committed to supporting the Paris Agreement's targets. Now we are going a step further, and are committing to an ambition to achieve net zero carbon emissions across the Group by 2050. The ambition applies to all the group's own operations, which are already net-zero, and all customer emissions that result from any lending, advisory or investment services provided by Santander.

This is a bold ambition. We have set out the first steps we will take. These include ensuring that, by 2030, our power generation portfolio will be aligned to meet the Paris Agreement. To do this, we will stop providing financial services to power generation customers who depend on thermal coal for more than 10% of the revenue in 2030; and we will reduce to zero our exposure to thermal coal mining worldwide. Meanwhile, we will keep supporting people and businesses to go green, in particular by delivering on our target to raise or facilitate €120 billion in green finance by 2025. We will set out more details of our roadmap later in the year.

2025 targets

€120 billion
in green finance

10 million people
financially empowered

As we ramp up our initiatives to support the green transition, we will continue to focus on meeting the other public targets we set in 2019 – a number of which we have already met a year earlier, as I mentioned. For example, we will keep working towards our target to financially empower 10 million people by 2025.

ESG is an enormous, challenging and exciting agenda - and our strategy reflects that. We are determined to build a more responsible bank, and do all we can to support inclusive, sustainable growth.

Conclusion and medium-term outlook

2020 was one of the most challenging years in Santander's 163-year history. The pandemic has buffeted millions of people and businesses around the world. We have weathered the storm thanks to our superb team, our resilient business model and the strong foundations we have laid over many decades. We ended 2020 with more loyal customers and more digital customers than ever before, and with a rock-solid balance sheet.

The post-Covid world will be different. We will not bank, live or work as before. Our economies will take time to rebuild, and they will become greener and more digital. We will also have more unemployment and more government debt. But the big picture is clear: the economic recovery is on the way as the rollout of vaccines allows restrictions on social distancing to be relaxed and economies to re-open. Consumers will spend more, companies will reinvent themselves, new entrepreneurs will appear, and new jobs will be created.

Generous fiscal packages and ambitious investment programs in the US and the EU will help to accelerate growth, inclusion and the transition to lower carbon dependence. China, which was the only big economy to grow during the pandemic, is now expected to grow by more than 8% in 2021. A strong recovery in the developed world will benefit immensely emerging economies thanks to more trade, better commodity prices and more financing. So, while risks and uncertainty obviously remain, there are good reasons to expect the world will become more prosperous in 2021.

As this happens, we will focus on accelerating our transformation. By doing so, in the medium-term we expect to have the best-in-class NPS, grow revenues, and improve our cost to income ratio. Overall, we are targeting an underlying RoTE of between 13% to 15% with a stable CET1 ratio in the 11% to 12% range. And we plan to return 40% to 50% of our annual underlying profit to shareholders as soon as regulators permit.

While our plans involve changes for our business, our purpose, aim and values remain constant. We are committed to helping people and businesses prosper in the years ahead, and we will do all we can to support governments to build back better. In doing this we will seize opportunities to help address global challenges such as inequality and climate change. That is the right thing to do, it is the responsible thing to do, and it will generate enduring value for our stakeholders.

2020 has tested all of us. Santander has passed that test with distinction. I would like to end by reiterating my gratitude to our extraordinary team members who work so hard to serve our customers; to our board for their continued counsel and support; and by thanking you, our shareholders, for standing with us.



Ana Botín,
Executive chairman



José Antonio Álvarez,
Vice chairman and chief executive officer

"We are confident that our business model will allow us to continue to successfully navigate the global changes while seizing opportunities to create value for our stakeholders"

I'd like to begin by expressing my support and sympathy for all the families suffering as a result of this unprecedented pandemic.

The covid-19 pandemic has brought to the forefront something that was becoming evident, **the importance of digitalization in society**, in line with our customers' requirements. In Santander's case it has also highlighted the strength of our business model and its resilience and agility in adapting to change. As we look to the future, we are confident that our model will allow us to continue to successfully navigate the **changing global landscape** while seizing opportunities to create value for our stakeholders over the near and long term.

Our action plans respond to these two challenges, leaving us in a strong position to make further strides in our global strategy aimed at increasing profitability, prioritizing diversified growth (both by business and by region), improving efficiency and developing Environmental, Social and Governance (ESG) solutions. To do so, we must:

1) Develop our distribution model to boost growth

We have a three-pronged approach:

- a) **Adapting channels** to new business trends under a hybrid model that prioritizes digital customer service, and combines it with the activity carried out by physical branches (especially in certain areas) which are well equipped to handle the more

complex operations and those that require greater advisory services from our professionals.

- b) **Building a flexible workforce**, capable of adapting to new requirements, boosting talent and meritocracy. This involves training in new technologies, rotating teams between functions, embedding a flexible working culture and attracting young talent that identifies with new generations to make headway in the digital sphere.
- c) **Reviewing and improving internal procedures** to make and execute decisions faster. We are automating low value-added processes and enhancing our teams' access to the resources they need to seamlessly connect outside of the office, as we have seen them do during the pandemic.

2) **Simplify more products and services, tailored to each customer**

We're further strengthening our relationship with customers by offering simpler products that meet their current and future needs. In 2020, we supported our individual and corporate customers boost their finances by providing liquidity, anticipating potential socio-economic changes and proactively recommending different investment and product strategies to better suit their risk and preferences amid the changing landscape.

What's more, we are ramping up our Corporate & Investment Banking and Wealth Management & Insurance businesses, where we have highly capital efficient growth opportunities, which will bolster our revenue streams and further improve customer service.

"We are adapting channels to new business trends, to make an execute decisions faster"

"We're strengthening our relationship with customers by offering simpler products that meet their current and future needs"

"We're certain that swift reactions and the implementation of our action plans will place us at the forefront of change"

3) Accelerate our technological transformation to contend with new competitors

The banking sector is highly competitive due to new entrants in the digital sphere (including the so-called Big Techs). We're certain that swift reactions and the implementation of our action plans will place us at the forefront of change.

- a) Our **148 million customers** is a figure that sets us apart from our peers. We must offer customers better products than other tech competitors can to generate more stable, longer-lasting customer relationships. One great example that showcases the potential of our global scale is the combination of Openbank's platform and services with Santander Consumer Finance's (SCF) ability to capture customers.
- b) We will continue to strengthen the **trust** of our stakeholders making use of our sectoral know-how and expertise, highlighting our contribution to society, particularly during this pandemic, in which banks have taken on a key role in providing households and businesses with liquidity and funding.
- c) The Big Techs are mainly entering the sector in the **payments business**. We have not been left behind and we are transforming Santander Global Platform into PagoNxt, the company that will bring together our payments businesses to better compete with fintechs, large online platforms and other banks.
- d) We are **investing** in growth opportunities that advance our **digitalization**, collaborating with or acquiring smaller, highly specialized fintechs. Our investments in Ebury and Mercury, coupled with the acquisition of technology-based assets from Wirecard, will fast track the growth of our world-class payment platform.
- e) Finally, although strictly out of our scope, we will continue to advocate for **fairer regulation to level the regulatory playing field**, where the Big Techs are currently afforded more flexibility and fewer restrictions (such as data sharing regulations, which currently only force banks to let authorized third parties access customer data but does not allow the customer to benefit from the data stored by these other companies).

4) Aid the green transition and the fight against climate change

Grupo Santander has always had ambitious social responsibility plans. We believe in the importance of building a more responsible bank that responds to all our stakeholder's demands on ESG issues. We have set medium-term goals and commitments to fully embed inclusive and sustainable growth in services and management across our footprint.

One such initiative is our commitment to raise and mobilize EUR 220 billion by 2030 in green finance. To do this, we've created a team in Santander Corporate & Investment Banking that will focus on ESG propositions.

In summary, we want to break new ground in banking and lead the transformation the sector needs. This will put us in a strong position to grow faster than our competitors but sustainably and profitably.

"We believe in the importance of building a more responsible bank that responds to all our stakeholder's demands on ESG sustainability issues"

2020 strategy execution

Given the current difficult macroeconomic situation, only groups like Santander, that are highly diversified and capable of executing policies and strategies, have been able to successfully surmount the challenges it poses. **In 2020, we focused our efforts on six key areas:**

1) Business continuity.

Since the beginning of the pandemic we have, and will continue to, put our employees' health and safety first at all times, without taking an eye off our operations and quality of service.

Thanks to Grupo Santander's crisis management plans, we were able to swiftly activate procedures and protocols that were critical to ensuring our business continued to operate uninterrupted.

In February, we convened our top crisis committees to provide a global response in all geographies, with action plans to coordinate efforts. We involved all board chairpersons, country heads and global and local crisis committee members in these efforts.

"Every unit identified critical businesses and executed contingency plans"

Every unit identified critical businesses and executed contingency plans, segregating teams and technology infrastructure, and, among other initiatives, creating shift patterns for key employees and their stand-ins.

Our technology teams enhanced systems, while also providing the necessary equipment to accommodate remote working, which proved a great success.

We made sure our most strategically important suppliers had contingency plans in place as well.

2) Liquidity management.

Since the onset of the crisis, **we've carefully tracked** the parent and subsidiaries' **liquidity**, and we have taken measures to strengthen our buffers to respond to any potential hike in demand from our customers.

This helped us support our large corporate clients by extending over EUR 20 billion in credit in March, a time of colossal uncertainty. We also lent EUR 38 billion to individuals and businesses through state-backed programmes via 700,000 transactions.

We maintained high liquidity ratios throughout the year. In December, Grupo Santander's LCR ratio was 168%; the parent's was 175%; and it was above 120% at all our subsidiaries, all well above the minimum requirement.

3) Solvency management.

In 2020 we once again demonstrated our **ability to generate capital organically** (104 basis points), due to underlying profit and management of risk-weighted assets, which enabled us to end the year with CET1 ratio of 12.34%, above our 11-12% target.

4) Revenue management.

We increased lending to counter the effects of the pandemic and very low interest rates – even lower this year – on economic activity and introduced initiatives to manage margins (especially funding costs), foreign exchange hedging and market volatility. This helped offset the drop in net fee income, due to reduced activity during lockdowns, and the payment holidays we gave to help our customers.

Strength

CET 1 ratio

(Compared to 2019)

12.34% +69 bps

Revenue remained stable year-on-year (in constant euros), a sign of Grupo Santander's strength and geographic and business diversification.

5) Cost management.

Costs fell 2% in 2020, down in most units led by Spain, Poland, the UK and the US. Our cost saving measures in recent years, coupled with the steps we've taken since the outbreak of the pandemic, enabled us to reach the savings goals we set for Europe two years ago earlier than expected. Grupo Santander's efficiency ratio, at 47%, makes us one of the world's most efficient banks.

6) Risk management.

To mitigate the financial and economic impacts of the crisis, we called on teams to maintain our quality and strength, pinpointing the most vulnerable customers, groups and sectors. From there, we kept close watch on their situation and needs, analyzed scenarios to assess ramifications and bolstered our collections teams.

During the year, we supported our customers through 5 million payment holidays, of which more than 1.5 million operations were via of government programmes and over 3 million from Grupo Santander itself.

At year end, nearly 80% of payment holidays had expired, with strong credit risk performance.

2020 closed with our **cost of credit at 1.28%**, in line with the goal we announced in October. As a result, the credit loss allowance increased from EUR 20.4 billion in 2019 to EUR 24.3 billion at the end of 2020 (in constant euros). We believe the provisions we took in 2020 alongside our capacity to continue generating solid net operating income, stand us in good stead for what's to come in 2021.

By managing these areas, we generated underlying attributable profit of EUR 5,081 million for the year, a solid result in a challenging environment. While this represents a 38% drop against 2019 (or 29% in constant euros), it can be explained by the greater loan-loss provisions. Our revenue and cost management led to a 2% rise in net operating income year-on-year (in constant euros).

Results

(% var. vs 2019 on a constant currency basis)

Revenue

EUR 44,600 mn
+0.3%

Costs

EUR 20,967 mn
-2.0%

Net operating income

EUR 23,633 mn
+2.5%

"Underlying attributable profit of EUR 5,081 million for the year, a solid result in a challenging environment"

Profitability

2020 Underlying RoTE

(Compared to 2019)

7.44% -4.35 pp

We also revised the historical valuation of the goodwill ascribed to the group units (most notably the UK) by EUR 10.1 billion, as well as that of the deferred tax assets of the consolidated tax group in Spain, with a negative impact of EUR 2.5 billion.

Despite these substantial sums, there was no cash outlay or material impact on capital. These adjustments mirror the weaker macroeconomic outlook and the enduring, lower-than-expected interest rates. I must stress, however, that this does not alter the strategic importance of the markets in which we operate, and whose goodwill has been adjusted.

These revisions resulted in an accounting loss for 2020 of EUR 8,771 million.

To end the group summary with a nod to profitability, our underlying RoTE closed the year in 7.44%, up from the mid-year low of 5%. We have reiterated our medium-term underlying RoTE goal of 13-15%.

Progress in 2020 and goals for 2021

In **Europe** we continued to press on with our strategy to increase group-wide collaboration, supported by **One Santander**, which will initially focus on Europe, and is helping us to accelerate our business transformation in the region with streamlined products, operations and structures.

Underlying profit in Europe was EUR 2,656 million, clearly beset by the pandemic.

Starting in **Spain**, since the state of emergency came into effect, we have mobilized almost EUR 100 billion to households, sole traders and companies (EUR 31 billion backed by the Instituto Oficial de Crédito). Despite the complicated year, we still managed to improve slightly interest income and reduced operating costs by double-digit figures – the fruits of our updated distribution model in recent years –, and hope to continue the trend this year. We also reinforced our provisions levels anticipating potential NPL increases.

In the **UK**, despite the impact of the pandemic and the uncertainty associated with Brexit, we significantly increased lending volumes. New mortgages and business lending volumes were

strongly supported by government aid programmes. Results improved as the year went on, particularly underlying profit in Q3 and Q4, helped by the measures taken in relation to 1|2|3 account remuneration, volumes and the efficiencies achieved through transformation programmes.

In **Portugal**, we reinforced our leadership position in the country thanks to sustained business lending and mortgage growth. Nevertheless, as with the rest of our geographies, the crisis had a particular impact on provisions.

Things were a little tougher in **Poland**, where significant interest rate cuts and heightened regulatory pressures exacerbated an already challenging environment. Positive cost performance, successful implementation of our digital strategy and a strong increase in mobile transactions in the year offset some of these pressures.

Looking at **SCF**, it had an excellent year. We managed to gain significant market share given the 12% decline in new business due to lockdown measures were considerably better than the 24% slump in new vehicle registrations across Europe. Moreover, the second half of the year saw a return to pre-crisis new business levels in many countries.

To offset the dip in consumption, we launched revenue initiatives (focused on pricing and cost of funding) and maintained our disciplined cost and credit risk management. We achieved all this while helping our partners and customers to find immediate solutions to overcome the difficulties created by the general situation and strengthening their links with SCF.

In **2021**, our plan for **Europe** is to create a better bank that delivers sustainable shareholder value, working to leverage our global scale to open up growth opportunities and increase productivity.

Additionally, we are launching **Digital Consumer Bank** with the aim of creating a new global digital consumer finance business leveraging Santander Consumer Finance's strengths and Openbank's digital platform. In **2021**, we will focus on growth and transformation, through the simplification and redefinition of our distribution model, and IT optimization. We will work to strengthen our leadership position in the auto sector and consumer finance capabilities, and focus on executing the strategic deals struck in 2020 and accelerating the digitalization of the combined businesses.

Europe

(% var. vs 2019 on a constant currency basis)

Spain

Underlying profit

EUR 517 mn

-67.4%

United Kingdom

Underlying profit

EUR 530 mn

-50.2%

Portugal

Underlying profit

EUR 338 mn

-35.5%

Poland

Underlying profit

EUR 162 mn

-52.0%

SCF

Underlying profit

EUR 1,085 mn

-15.9%

North America

(% var. vs 2019 on a constant currency basis)

United States

Underlying profit

EUR 731 mn

+3.8%

Mexico

Underlying profit

EUR 762 mn

-9.3%

In **North America**, our joint initiatives are driving better coordination between units. In the US and Mexico, net operating income increased, with growth in loans and customer funds for combined earnings of EUR 1,492 million (down just 3% in constant euros).

In the **US**, the second half of the year witnessed a significant jump in underlying profit, thanks to strong net interest income, cost control, stable cost of credit and lower minority interests. Our auto, wholesale and private banking businesses performed particularly well in terms of customer revenue and are well positioned to benefit from the current market conjuncture. Underlying profit rose 4% in the year on a constant currency basis.

In **Mexico**, revenue was up 3%, with increases in all business lines despite the difficult backdrop. We continued to invest in technology to increase transactionality, multi-channel innovation and digital channels to add more weight to our products and services, leading to better loyalty and reaching 5 million digital customers. Furthermore, we posted a solid performance in terms of profitability, outperforming our peers' average.

In **2021**, we will step up execution of our strategy for **North America**, increase profitability and work towards achieving efficiency objectives by centralizing the technology function, removing duplication and optimizing costs.

In **South America**, our strategy was to seize business opportunities and boost regional growth via the sharing of positive experiences between units with a focus on revenue and cost synergies. This effort is reflected in increased activity and double-digit growth in lending and deposits.

The strong results in South America propelled the region as the main driver of Grupo Santander's top line, with higher revenue in all countries. In Brazil, this was spearheaded by greater volumes and revenue management; in Chile, by increased credit volumes and better funding costs; in Argentina, by net interest income; and in the Andean region, by new lending.

Also of note was the general boost to efficiency and improved net operating income (+5%). This positive performance and our ability to adapt to the new environment, enabled us to absorb the impact of covid-19 provisions and earn an underlying profit of EUR 2,927 million, down only 4% on 2019 in constant euros.

Brazil's economy performed better than expected despite the pandemic. Against this backdrop, Santander eclipsed its main competitors and maintained high profitability.

Retail lending in the second half of the year overtook pre-covid levels, leading to annual revenue growth and greater market shares in customer funds, loans to individuals and, in particular, to corporates. Moreover, we reached our best customer satisfaction levels, as measured by the Net Promoter Score (NPS).

In **Chile**, we held on to our position as the country's leading privately-owned bank in assets and customers. Our continued focus on online banking and better customer service resulted in record new account openings and the top spot in NPS.

In **Argentina**, we continued to develop an open financial services platform through Getnet, launched Consumer Finance and had Openbank's licence approved. We maintained a high liquidity ratio in dollars and pesos, as well as seeing better results on the back of robust revenue management and a boost in returns.

Uruguay, Peru and Colombia increased profits, thanks to the strong performance of their main revenue streams and significant growth in lending and improved efficiency, due to the digital transformation.

In **2021**, our plan for **South America** is to carry on projects that foster interaction across the region in pursuit of more profitable growth. We will export prosperous initiatives to other countries, like Brazil's consumer and vehicle financing platform; develop inclusive and sustainable businesses like Prospera, which landed in Peru and is already thriving in Brazil and Uruguay; and make ground in developing joint propositions between CIB and companies to enhance relationships with multinationals. Moreover, let's not forget our digital transformation and product and service innovation to improve customer service and drive continued strong growth in loyal customers.

South America

(% var. vs 2019 on a constant currency basis)

Brazil

Underlying profit

EUR 2,113 mn

-5.2%

Chile

Underlying profit

EUR 432 mn

-21.2%

Argentina

Underlying profit

EUR 179 mn

+91.1%

Global segments

(% var. vs 2019 on a constant currency basis)

CIB

Underlying profit

EUR 1,823 mn

+22.7%

WM&I

Underlying profit

EUR 868 mn

+2.3%

As for our global segments, **Corporate & Investment Banking** had a fantastic year generating double-digit revenue growth and a gain in market share in a year marked by the pandemic. We have focused on accompanying and maintaining support for our customers through tailor-made solutions during the difficult environment. We ensured prudent cost control and kept a lid on provisions which, despite the need to increase them in the pandemic, continued to have a minimal impact on revenue.

In **2021**, we will continue on our path to becoming our customers' strategic advisors, broadening our product and value-added service range and accelerating the digitalization of our business in a robust control environment. We will continue to develop a powerful platform for projects that meet ESG criteria, and accompany our customers as they transition to more sustainable business models. In Europe, we want to create a regional platform to become one of the leading wholesale banks in the region, while strengthening our leadership position in South America and accelerating growth in the US.

WM&I rounded off a stronger value proposition in Private Banking and Santander Asset Management. In Insurance, the focus was on expanding non-credit-related business, where fee income increased 9%, and distribution through digital channels. Despite current challenges, plus the downturn in the most turbulent months of the pandemic, we more or less matched 2019 results, and taking into account the total fees generated, WM&I's contribution to Grupo Santander's profit exceeded EUR 2 billion.

In **2021**, we will continue to develop our global synergistic model in Private Banking, driving digitalization and developing our **Private Wealth** business by focusing on product innovation and our alternative offerings of **Future Wealth** and **ESG**. Santander Asset Management is creating hubs in Latin America and Europe and developing new platforms such as Santander Go, which already manages more than EUR 2 billion of assets. In Insurance, we will continue to increase client penetration, gain business in vehicles and SMEs, and digitalize channels.

Lastly, we announced the creation of **PagoNxt**, where we will combine our payments businesses into an autonomous company, providing global technological solutions for our banks and new open market customers.

In **2021**, PagoNxt will develop its product offering and global platforms: **Getnet** will be rolled out into additional countries in Latin America and Europe; our **One Trade** platform will be further developed to serve additional customers covering our entire footprint; **Superdigital** will continue to promote financial inclusion and **PagoFX** will continue to improve its simple, low cost and secure international payment solution.

Close

When I sat down 12 months ago to write last year's letter, picturing the year ahead, I couldn't have begun to imagine how different and unforgettable 2020 would turn out to be. If, like others before it, this crisis has taught us anything, it is to always be prepared for contingencies, instability and change, given the unpredictability that the economy, markets and life throw at us (sometimes more often than we'd like).


I feel prouder than ever of our teams' efforts in these testing times. Therefore, I'd like to end this letter by dedicating a few words to each and every Santander employee: None of this would have been possible without your perseverance, hard work, flexibility and, above all, commitment to our customers and our communities. Thank you.

While there's still so much to do in 2021, **we know where we're heading and what we want get to achieve, which once again demonstrates our determination to safeguard the needs and interests of our shareholders, people, companies and institutions.**

Dearest shareholders, thank you for your trust, your support and for being a part of Grupo Santander.



José Antonio Álvarez,
Vice chairman and chief executive officer



We were there for
all our stakeholders
during an extremely
challenging year.

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.




An engaged
and motivated
team...

... generates
customer
loyalty...

We create value for
all our stakeholders

... and support for our
communities,
motivating
our team.

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



**During the covid-19 crisis,
we have fulfilled our
responsibility by supporting
our teams, our customers
and society while delivering
sustainable returns to our
shareholders.**




■ ■

We are
determined to
help people
and businesses
across the world
build back better,
supporting
inclusive and
sustainable
growth

■ ■

**Santander, World's Best Bank
for SMEs**, for its support during
the covid-19 crisis.



A photograph of two women in a modern office setting. The woman on the right is standing, wearing a white button-down shirt, dark patterned trousers, and a blue surgical mask. She has long brown hair and is looking slightly to the side. The woman on the left is partially visible, wearing a yellow top and a blue surgical mask, with her hands raised in a gesture. The background features large windows with a grid pattern, wooden floors, and office furniture. A white rectangular frame is overlaid on the image, containing the text and a gear icon.

**Covid-19 has
fast-forwarded the
digital revolution,
changing customers'
needs, and how they
interact with us.**



Our focus:

1

Helping people and businesses overcome the crisis.

2

Accelerating our transformation to a digital and more responsible bank.

1 | Helping people and businesses Fight against covid-19

People

We prioritized keeping our employees healthy and safe, offering them financial and personal support.

>100,000

**employees working remotely
at the height of the pandemic.**

We gave them the tools to work from home.

>90%

branches open.

Our strategy for safe workplaces:



Health and safety protocols, including mass testing.



Focus on raising awareness through communication campaigns.



Track and trace using our internal MyReturn app.

Customers

We launched an ambitious plan to provide our customers with liquidity.

c.6 mn
customers supported.

EUR c.175 bn
in new loans.



Payment holidays for mortgages and loans.



Higher credit card and overdraft limits.



Lower fees.



Better digital customer service channels.

c.80%

of payment holidays expired.

EUR 38 bn

liquidity government measure mobilization.

1 | Helping people and businesses

Fight against covid-19

Shareholders

We took measures to minimize the impact on our capital, liquidity, risk, revenues and costs.

4 mn shareholders

+30,000 vs 2019.



We believe the best way to support our shareholders is to prioritize the health and safety of our employees, help customers and society and ensure profitable business continuity.



We held AGMs without compromising shareholders' rights.

Virtual AGM in April.

Hybrid GSM in October.

AENOR

Our AGMs hold AENOR UNE ISO20121 Event Sustainability certification. AENOR also certified the protocol followed at the GSM in October given the covid-19 restrictions.

Communities

We mobilize aid where
it is needed most.



Santander All. Together. Now.
Support for communities: EUR >100 mn in aid.

EUR 54 mn

donated by employees and the bank to
provide essential health equipment and
materials.

EUR 30 mn

to help universities
during the crisis.

EUR 21 mn

to support vulnerable
communities.

1 | Helping people and businesses

We delivered strong operating performance in a challenging year.

2020 vs 2019

Growth

Loyal customers

22.8 mn
+6%

Digital customers

42.4 mn
+15%

Profitability

Efficiency ratio

47%
-3 bps

Net operating income

EUR
23.6 bn
+2%¹

Strength

CET1³

12.34%
+69 bps

Cost of credit⁴

1.28%
+28 bps



Customer revenues

EUR
42 bn

+0%¹

Customers loans

EUR **>1** bn
per day in new
lending for SMEs and
Corporates.

Underlying attributable profit

EUR
5,081 mn

Shareholder remuneration

Fully-paid capital distribution of
**new shares equivalent to EUR
0.10 per share in 2020**, as well
as a **EUR 2.75 cents per share to
be paid in cash** as shareholder
remuneration against year 2020.²

1. Changes in constant euros.

2. The board of directors' intention is for the final remuneration against year 2020 to be the indicated amount, which is the maximum according to the latest ECB recommendation (2020/63 of 15 December).

3. Data applying the IFRS 9 transitional arrangements.

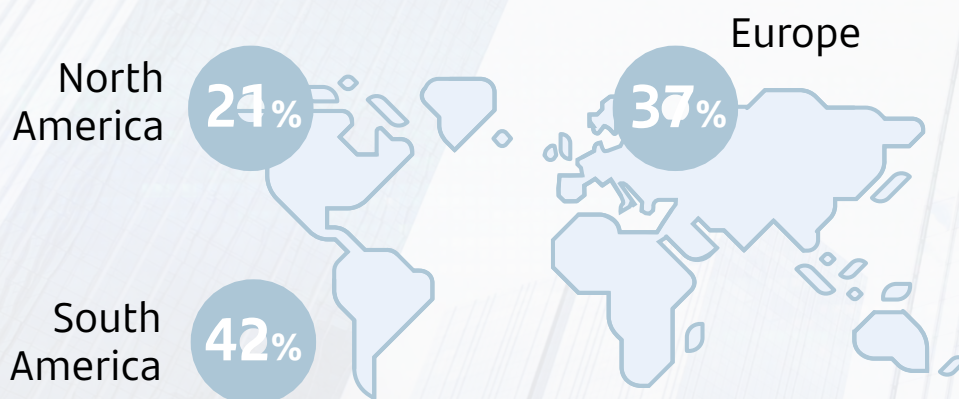
4. Provisions to cover losses due to impairment of loans in the last 12 months / average customer loans and advances of the last 12 months.

1 | Helping people and businesses

Our business model continues to add value.

Diversification

Balanced geographic¹ diversification between mature and emerging markets.



Business diversification

among customer segments (individuals, SMEs, mid-market companies and large corporates).

Customer focus

Unique, personal banking relationships strengthen customer loyalty.

Top 3  in customer satisfaction (NPS²) in 6 markets.

+81%
loyal
customers.

x3
digital
customers.

2014 vs 2020

Scale

Local scale and leadership.

>148 mn
total customers in Europe
and the Americas.

Top 3³
in 9 of our core markets.

Worldwide reach through our global businesses (SCIB and WM&I).

1. 2020 underlying attributable profit by region. Operating areas excluding Corporate Centre and SGP.
2. NPS – Customer Satisfaction internal benchmark of active customers' experience and satisfaction audited by Stiga / Deloitte.
3. Market share in lending as of September 2020 including only privately-owned banks. UK benchmark refers to the mortgage market.

1 | Helping people and businesses

Diversification in our markets and businesses underpins our stability and resilience.

2020 vs 2019 ¹	Loyal customers (mn)	Customers loans (EUR bn)
Europe	10.0 +1%	658 +4%
North America	3.9 +13%	121 +2%
South America	8.6 +9%	119 +15%
Global businesses		
SCIB		113 +9%
WM&I	AUMs	370 +0%
Digital Consumer Bank ²		116 +1%



Net operating
income
(EUR mn)

Contribution to
Group's underlying
profit¹

9,379
-5%

37%

6,379
+1%

21%

9,533
+5%

42%

3,328
+30%

1,229
+6%

2,834
+1%

YoY changes in constant euros
Global Businesses included in Europe,
North America, and South America. Digital
Consumer Bank included in Europe's
perimeter.

1. Underlying profit contribution excludes
Corporate Centre (EUR -1,844 mn) and
Santander Global Platform. South America's
weight includes Uruguay & Andean Region
(EUR 203 mn).

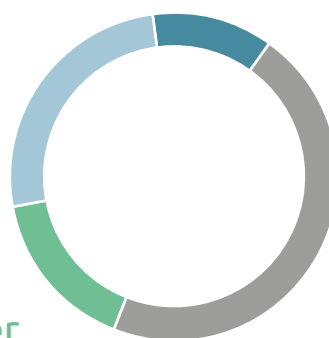
2. Proforma.

SCIB
26%

WM&I
12%

Digital
Consumer
Bank
16%

Retail
Banking
46%



1 | Helping people and businesses

At Santander, our risk and compliance management and control model, are key to building a more robust, safe and responsible bank that helps people and businesses prosper.



Non-performing loans

Loan growth and customer support programmes drove down our NPL ratio.

Cost of credit

Improved from early estimates at the beginning of the pandemic.

NPL coverage ratio

Increased coverage aligned with the macroeconomic situation.

2019

3.32%

1.00%

68%

2020

3.21%

1.28%

76%



Covid-19 pandemic

Anticipating the impact of covid-19 on our customers' finances is critical for maintaining our solid capital and liquidity position.

EUR 112 billion in payment holidays granted to support vulnerable customers and industries. c.80% already expired and performing as expected.

Climate change and risk management

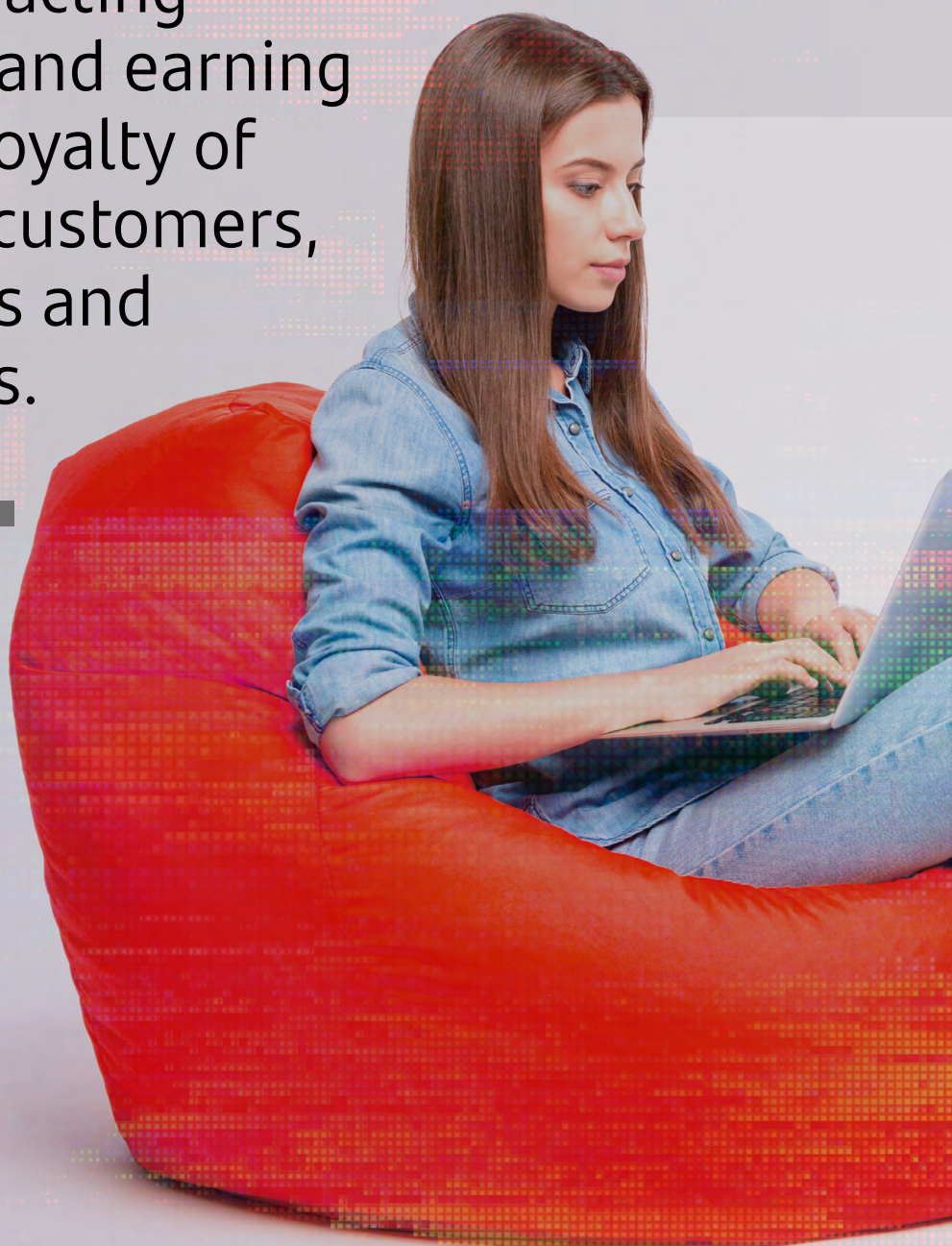
Santander's risk management, compliance and control function is fully **committed to our sustainable economic growth goals.**

Risk culture – Risk PRO

Our strong risk culture is based on the principle that all Santander employees are responsible for managing risk, no matter their level or function.

risk pro

Our aim is to be the best open financial services platform by acting responsibly and earning the lasting loyalty of our people, customers, shareholders and communities.



■ ■ EUR 5 bn invested in technology since 2019 ■ ■

Sustained growth of digital customers

42.4 mn **+15%** vs 2019

Increase in digital sales

44%

digital sales over total sales in 2020

36% in 2019

Sharp increase in mobile customers

>35 mn **+21%** vs 2019





The Santander of Tomorrow
3 priorities for profitable
growth:

One Santander
PagoNxt
Digital Consumer Bank



One Santander

Building a common operating and business model for the entire Group, starting in Europe. Our vision is to have 148 million customers that see us in the same way.

One Santander: creating a better bank for our customers with a new operating model...

Improving our customer service...	... strengthening our relationship with customers...	... creating a common operating model
Simpler mass market value proposition	New distribution model	Shared processes and best-in-class technology

Medium-term goal:

Top 3 NPS¹ in 9 countries

Digital sales/total >50%

Efficiency ratio c.40%



A new way to serve our customers, leveraging our global scale to deliver a better customer experience, supported by a common culture and higher degrees of commonality, technology being one



... will deliver customer growth and higher productivity.

Medium - term goals

Europe²

Underlying RoTE:
10%-12%

Efficiency ratio:
c.45%

North America

Underlying RoTE³:
11%-13%

Efficiency ratio:
c.40%

South America

Underlying RoTE:
19%-21%

Efficiency ratio:
c.35%

1. Net Promoter Score.

2. Excluding SCF+Openbank, which would have an efficiency ratio of c.39% and a RoTE of 13%-15%. Europe, including SCF+Openbank, would have an efficiency ratio of c.43% and a RoTE of 12%-13%.

3. Adjusted RoTE for excess capital in the US.



Our Group technology “backbone” solutions with payments at the core. Our vision is to promote simple payments for our customers with an engaging customer experience.

Payments is a **sizeable**
and **fast-growth market...**

Merchant Acquiring

Our merchant payment services on one global platform.

+11%

Expected annual growth in e-commerce.

EUR 80 bn

Merchant acquiring global revenue pool.

International Trade

To build a single platform to serve SMEs globally. We have made significant investments in 4 key assets which strengthen our trade offering: One Trade, Ebury, PaymentsHub and Mercury.

+3%

Annual growth international trade.

EUR 350 bn

International trade revenue pool¹.

Consumers

Offering simple and attractive payment solutions for individuals.

Leveraging our Superdigital proposition. Solution aimed at unbanked people in Latin America.

1. As of 2019.

... in which Santander
already has significant scale

>1.1mn

Active Merchant
business customers.

c. 60mn

Active credit
and debit cards.

>4mn

Group SME
customers.

>200,000

Group SME
customers trading int.

With a high growth in
active customers and
transactions value in 2019.



Payments are central to our
loyalty strategy and a driver
of growth in all our markets.
We will offer the service to
Santander banks first, and
then to new customers and
third parties



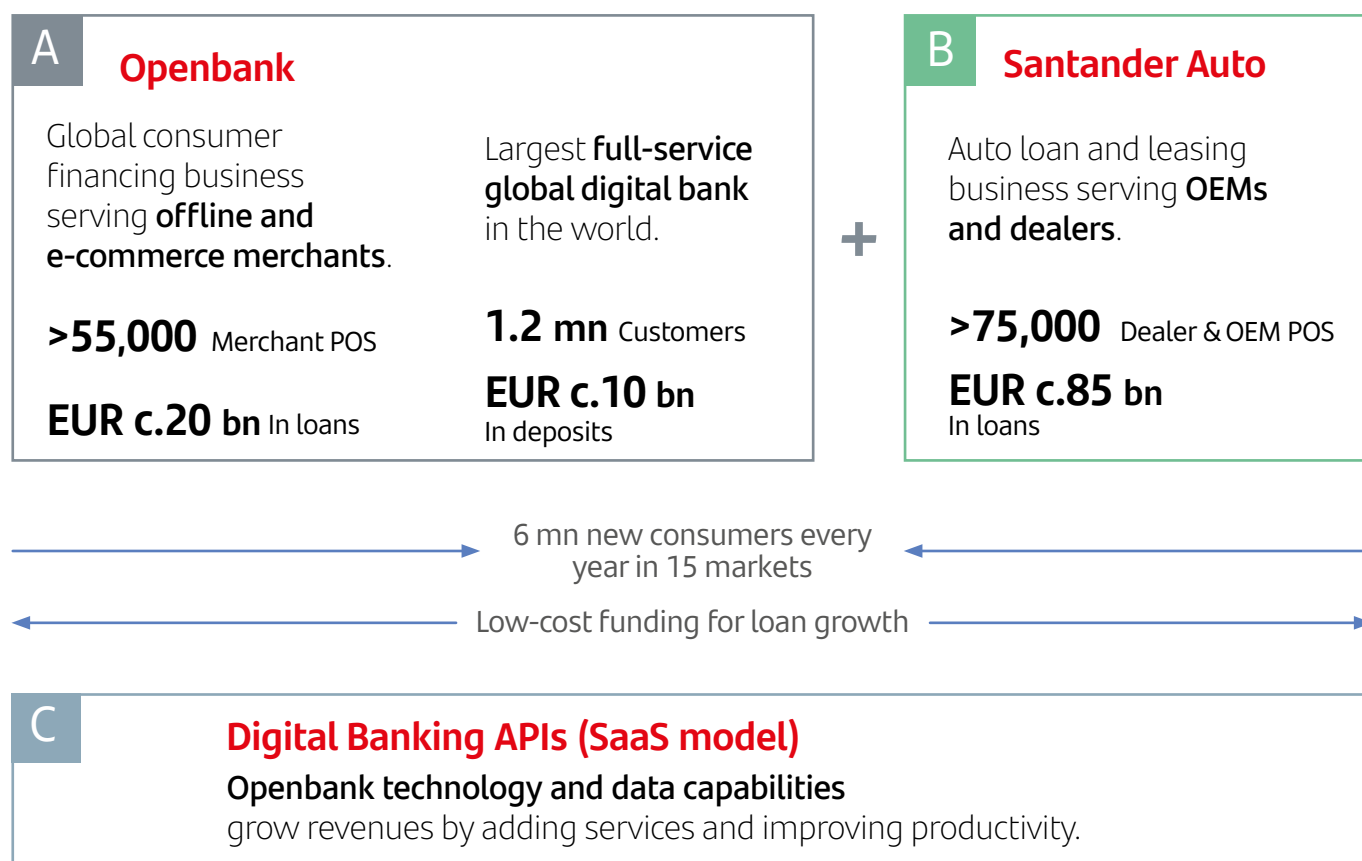
2 | Accelerating our transformation

Digital Consumer Bank

Combining the scale and leadership of Santander Consumer in Europe with the Openbank platform. Our vision is to become the largest digital consumer bank in the world.

■ ■ Capture synergies to expand to new markets ■ ■

Our Digital Consumer Bank: building on a strong foundation.





Our ambition: to grow revenues and x2 PAT¹ in the medium term and build the most innovative consumer lending business in Europe.



Great potential

c.18 mn Active customers.

Medium-term goals

c.15% Underlying RoTE.



Great potential

4.5 Avg. products per customer.

Medium-term goals

39% Efficiency ratio.

Reiterate our medium-term goals and a goal of 9-10% RoTE¹ for 2021.

Our 2021 goals...



Cost income ratio

<47%



Cost of credit

<1.28%



Underlying ROTE

9%-10%

... and the medium-term impact of the new model...



Best-in-class NPS



Mid-single digit revenue growth²



13%-15%

Underlying RoTE

11%-12%

CET1

40%-50%

**cash dividend pay-out
(underlying profit)⁴**

... allow us to reiterate our medium-term goals³

1. Underlying RoTE.

2. Constant euros.

3. April 2019 Investor Day.

4. The board's intention is to restore in the mid-term a payout of 40-50% of the underlying profit. With respect to the remuneration against 2021 results, the intention is, in line with the announcement made in April 2020, to maintain the suspension of the dividend policy while the ECB 2020/63 recommendation of December 15th applies.

Note: Based on IMF World Economic outlook reports (January 2021) and OECD Economic outlook (December 2020).

We build loyalty by being responsible towards our environment and society and in our day-to-day operations.

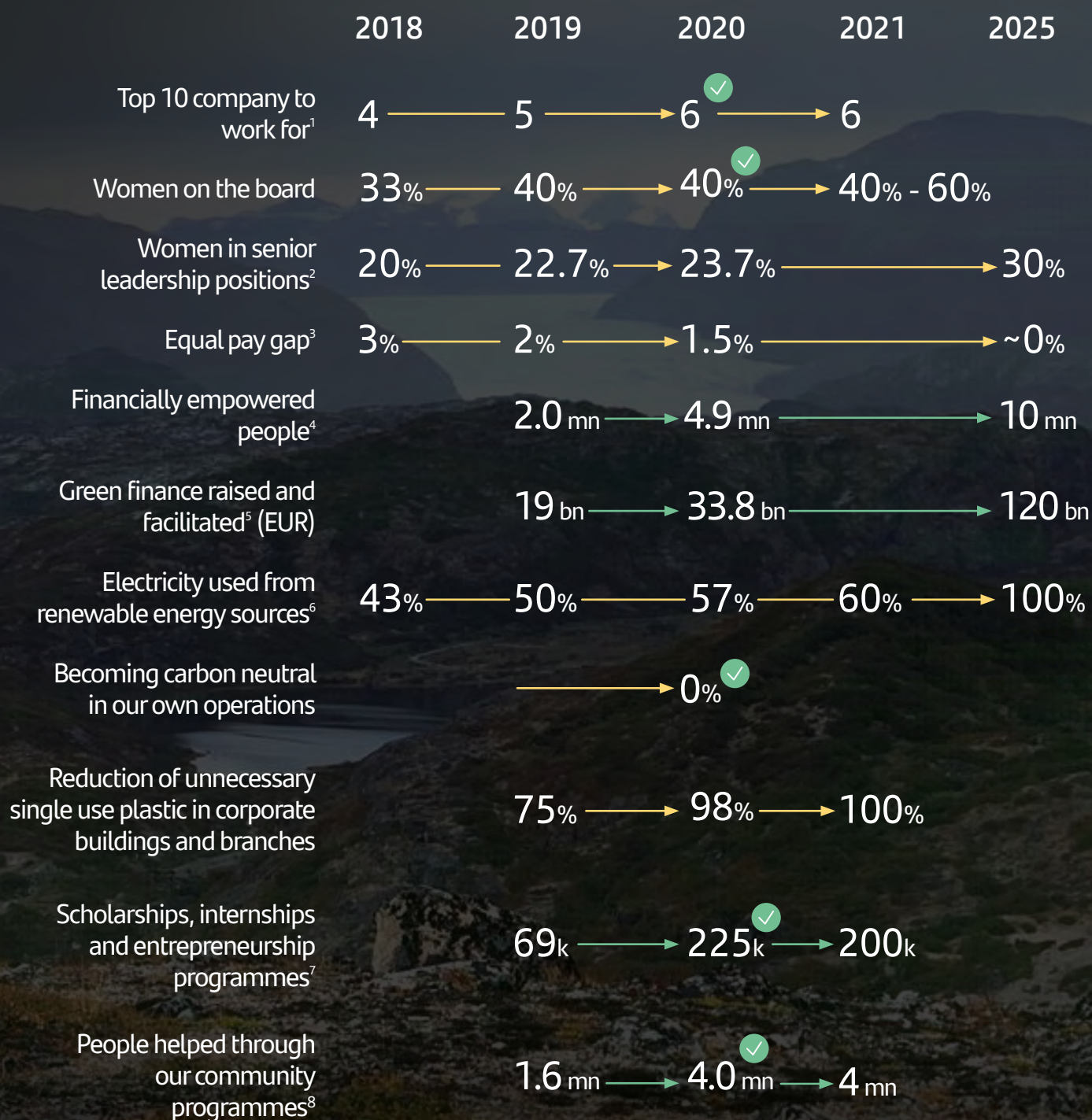


Santander Group sets ambition to be net zero by 2050, supported by first decarbonization targets.

"The ambition applies to all the Group's own operations, which are already net-zero, and all client emissions that result from any lending, advisory or investment services provided by Santander.

This is a bold ambition. We have set out the first steps we will take. These include ensuring that, by 2030, our power generation portfolio will be aligned to meet the Paris Agreement. To do this, we will stop providing financial services to power generation clients who depend on thermal coal for more than 10% of the revenue in 2030; and we will reduce to zero our exposure to thermal coal mining worldwide."

Ana Botín



→ Cumulative target

→ From... to...

✓ Commitment achieved

1. According to external indexes in each country (Great Place to Work, Top Employer, Merco, etc.). 2. Senior leadership positions make up 1% of the total workforce. 3. Equal pay gap based on same jobs, levels and functions. 4. Unbanked, underbanked or financially vulnerable individuals receive tailored finance solutions and can increase their knowledge and resilience through financial education. 5. Includes Grupo Santander's contribution to green finance: project finance; syndicated loans; green bonds; capital finance; export finance, advisory services, structuring and other products, to help customers transition to a low-carbon economy. EUR 220bn committed from 2019 to 2030. 6. In countries where we can confirm electricity from renewable sources at properties occupied by Grupo Santander. 7. Beneficiaries of Santander Universities (students given a Santander scholarship will do a work placement in an SME or take part in entrepreneurship programmes Grupo Santander endorses). 8. Beneficiaries of our community investment programmes (not including Santander Universities and financial education initiatives).

We continue to help people and businesses prosper.

Environmental: supporting the green transition

Helping our customers go green

EUR **33.8** bn
Green Finance
since 2019.

EUR **6.9** bn
AUM Social
Responsible Investment.

Going green ourselves

EUR **1** bn
Green Bond issued
(2nd since 2019).

**Carbon
neutral**
in our own operations.

Aligning with Paris targets

1st **CCCA**¹
report.

1st **TCFD**²
report.



PRINCIPLES FOR
RESPONSIBLE
BANKING

PRI Principles for
Responsible
Investment



Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA

EUROMONEY
AWARDS FOR EXCELLENCE
2020

Social: building a more inclusive society

Talented and diverse team

Top 10³ in **6**
geographies.

23.7% Women
in leadership
positions.

Financially empowering people

4.9 mn
people⁴
since 2019.

EUR 469 mn
credit to
microentrepreneurs
in 2020.

Supporting society

4 mn
people helped
since 2019.

225k
scholarships granted
since 2019.

Governance: doing business the right way

A strong culture

Simple Personal Fair

86%
employees
proud to work
at Santander.

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

An independent, diverse board

>60% independent directors.

40%
women on
Group Board.

**Governance
embedded**
to deliver on ESG.

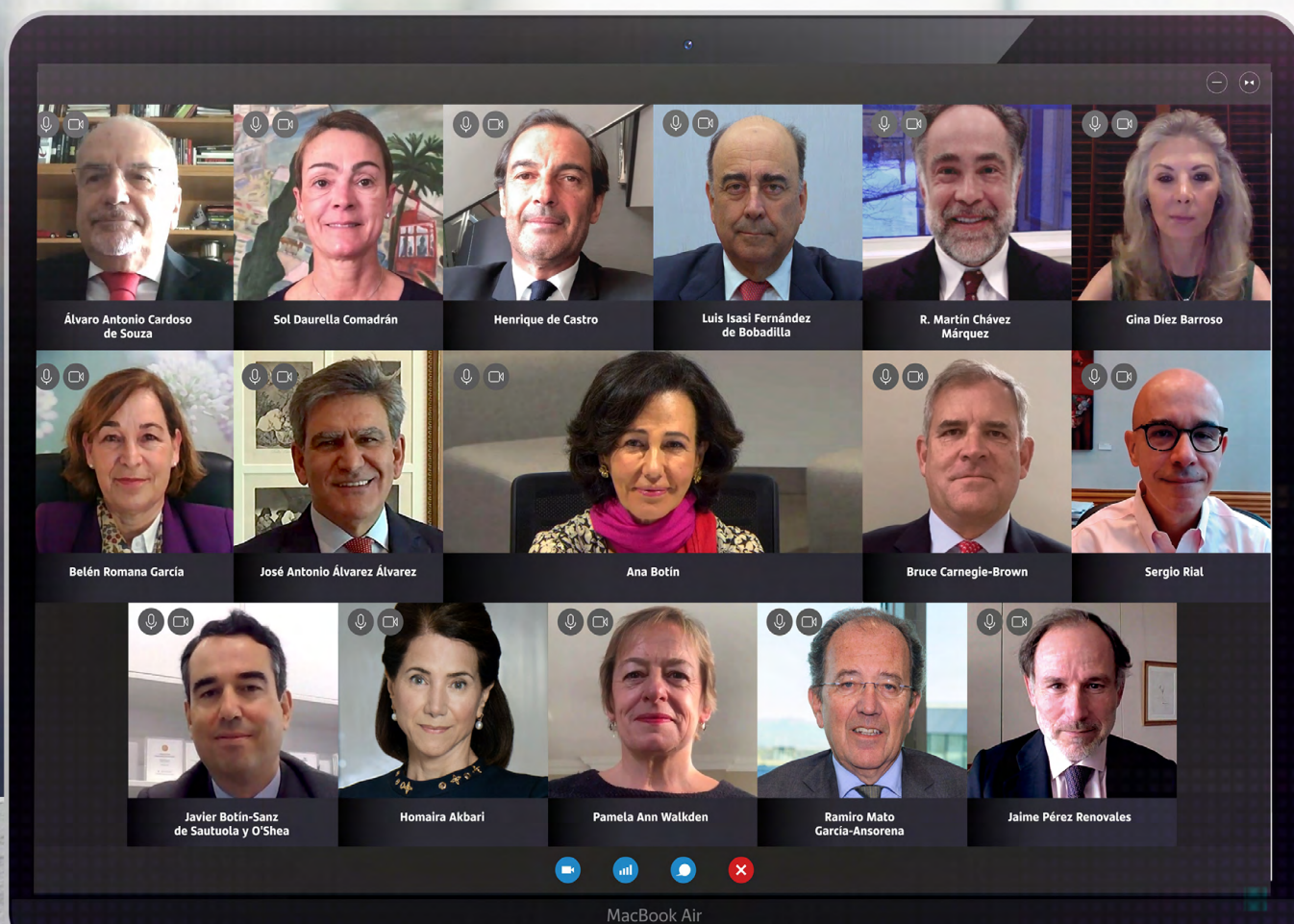
1. Collective Commitment to Climate Action.
2. Task Force on Financial Climate Disclosure.
3. Top 10 company to work for.
4. People financially empowered through Santander initiatives.

Our board of directors is well balanced and diverse. It attends to the interests of all our stakeholders and the long-term success of our business.

15
board
members

6
nationalities

>60%
independent
directors



■ ■ Core strengths of our corporate governance ■ ■

1 Diversified and well-balanced shareholder base

2 Effective engagement with our shareholders

High shareholder turnout at general meetings.

Commitment to quality reporting.

Remuneration in line with shareholders' interests.

3 Effective board

Balance of education, skills and experience.

Complementary functions held by the executive chairman and the CEO, rounded out by our lead independent director.

Support from seven committees and an external advisory board.

4 Focus on responsible business practices

Publicly disclosed **responsible banking targets**.

Specific governance focused on responsible banking, sustainability and culture.

