

Q1 2020

FIXED INCOME INVESTORS PRESENTATION

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Important information

Non-IFRS and alternative performance measures

In addition to the financial information prepared in accordance with International Financial Reporting Standards (“IFRS”) and derived from our financial statements, this presentation contains certain financial measures that constitute alternative performance measures (“APMs”) as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 (ESMA/2015/1415en) and other non-IFRS measures (“Non-IFRS Measures”). The financial measures contained in this presentation that qualify as APMs and non-IFRS measures have been calculated using the financial information from Santander Group but are not defined or detailed in the applicable financial reporting framework and have neither been audited nor reviewed by our auditors. We use these APMs and non-IFRS measures when planning, monitoring and evaluating our performance. We consider these APMs and non-IFRS measures to be useful metrics for management and investors to facilitate operating performance comparisons from period to period. While we believe that these APMs and non-IFRS measures are useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute of IFRS measures. In addition, other companies, including companies in our industry, may calculate or use such measures differently, which reduces their usefulness as comparative measures. For further details of the APMs and Non-IFRS Measures used, including its definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS, please see the 2020 1Q Financial Report, published as Relevant Fact on 28 April 2020, and the 2019 Annual Financial Report, filed with the Comisión Nacional del Mercado de Valores of Spain (CNMV) on 28 February 2020. These documents are available on Santander’s website (www.santander.com).

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 presentation 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 presentation 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 presentation, 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.

Important information

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Index



**Q1 summary &
COVID-19**



Santander
Business
Model &
Strategy



Capital



Asset
Quality



Liquidity &
Funding



Concluding
Remarks



Appendix



Q1'20 Highlights

COVID-19

- ▶ The COVID-19 outbreak has caused an unprecedented **worldwide health crisis**. Today's financial system is more resilient and banks are part of the solution to the current economic situation
- ▶ We have implemented **specific measures for each of our stakeholders** to help protect our employees, customers, shareholders and investors, ensure business continuity and mitigate economic and social costs

Growth

- ▶ **Steady growth in volumes YoY** (loans +7%, deposits +6%). **Pick up in March:** loans +EUR 26 bn and deposits +EUR 24 bn. New lending exceeded typical monthly levels, driven by corporates and SCIB
- ▶ **Our digital products and services have been more important than ever:** strong quarterly increase in our **digital customer base** (+1.5 mn) and **digital sales** stood at 43% of the total sales in March. **Accesses and transactions** grew +23% and +22% YoY

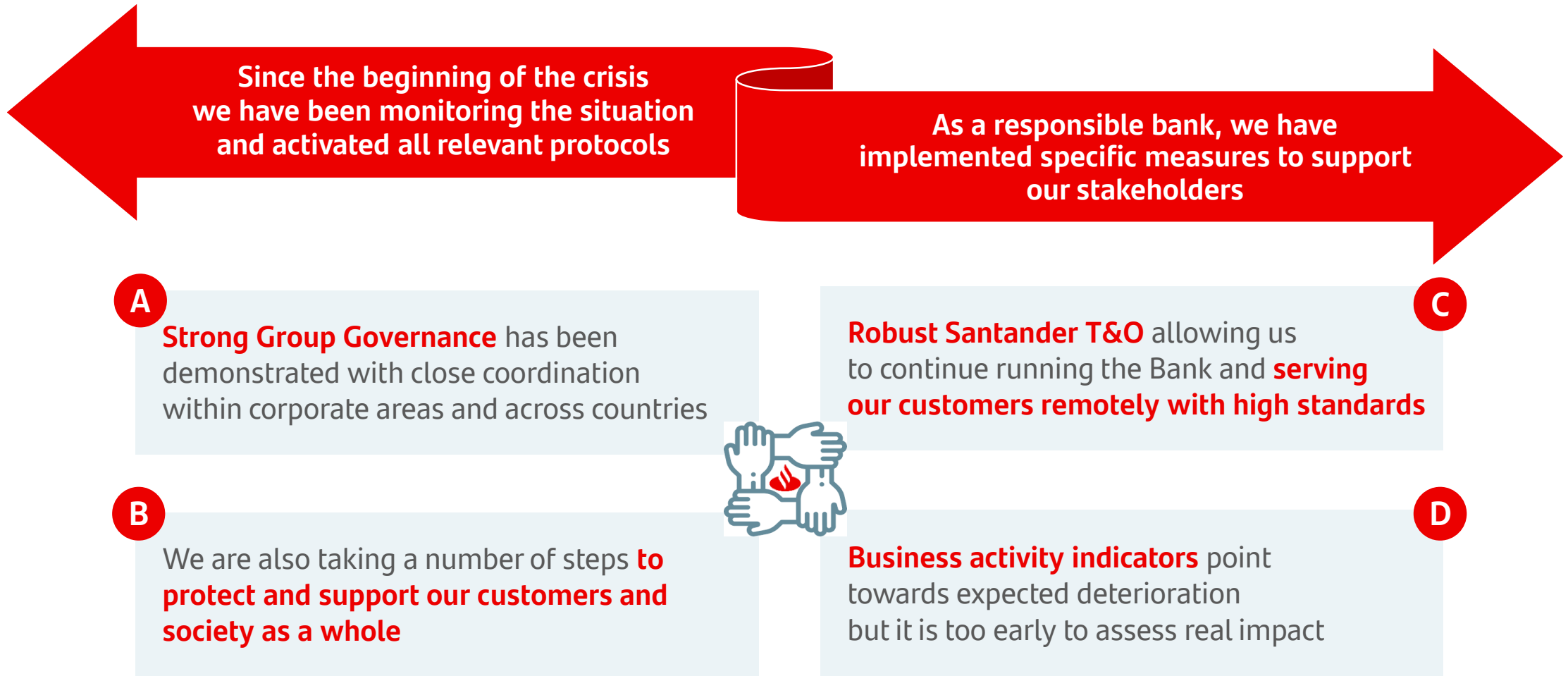
Profitability

- ▶ Q1'20 **underlying attributable profit** of **EUR 1,977 mn** (+8% YoY), driven by increased revenue, cost control and stable cost of credit. Delivered a solid **underlying RoTE of 11.1%**
- ▶ Q1'20 **attributable profit** of **EUR 331 mn**, affected by a **provisions overlay of EUR 1,600 mn related to COVID-19**

Strength

- ▶ **Credit quality maintained in Q1'20:** NPL ratio (3.25%), Coverage ratio (71%) and Cost of credit (1.00%)
- ▶ **Mar-20 CET1 ratio: 11.58%.** Continued organic generation and dividend measures reinforced the ratio (+36 bps). However, significantly affected by strong increase in volumes, together with regulatory, corporate transactions and markets impacts

COVID-19. How Santander is contributing to tackle this outbreak



We have progressively adopted measures in all our markets across four dimensions



Health & Contagion Prevention

Large scale telecommuting & branch closure strategy

- ▶ 112 k employees working from home
- ▶ c.70% of branches opened and employees working in a rotation scheme
- ▶ Progress in contact centres home working (inbound and collections). Remote agents: >50%
- ▶ 95% of ATMs working



Business Preventive Plans

Implementing and adapting them to the real situation

- ▶ Plans that we had for mainly operational issues, identifying critical services, people, buildings and suppliers, etc.



Communication Plans

We have published information in our internal and external channels

- ▶ >500 communications since the beginning of the crisis
- ▶ To keep our people, customers, shareholders and investors informed at all times









Risk & Financial Preparedness

Anticipating changes in the risk profile & defining strategies to mitigate negative impacts is key to preserve our solid position, particularly in terms of capital and liquidity

We are also taking care of society as a whole: EUR 100 mn has been dedicated in the fight against COVID-19



<p>All Together Fund: support the health crisis</p>	<p>Santander has pulled together EUR 54 mn to provide essential equipment and materials to support the global effort to fight the pandemic</p>  <ul style="list-style-type: none"> ▶ Resources come from senior management salary reductions & board compensation; direct donations from the Bank and employee donation funds ▶ Donation channels and tools to facilitate the collaboration of customers and society in general. In collaboration with non-governmental organisations that work to help the most vulnerable groups
<p>Support vulnerable communities</p>	 <ul style="list-style-type: none"> ▶ Some local units (US and the UK) have devoted EUR 16 mn to support vulnerable communities specifically impacted by COVID-19
<p>Santander universities</p>	 <ul style="list-style-type: none"> ▶ Santander Universities: EUR 30 mn to support the response of universities to the COVID-19 crisis, whether in health, education or social issues; promote online education; and mobilise the entrepreneurial community to identify solutions to social challenges posed by COVID-19
<p>Digital solutions</p>	 <ul style="list-style-type: none"> ▶ “Overcome Together”, a resource centre which contains information and resources to help support the fight against coronavirus. (Live in ) ▶ Self-diagnosis app to manage the impact of the virus among the population. Working with the Mexican Government, supporting the Spanish Government with Telefonica’s solution and collaborating with 

Robust Santander technology, allowing us to continue running the Bank and serving our customers remotely



Global Tech Technology & Operations (T&O) is keeping the business up and running



38.3 mn (+13% YoY)

Digital customers¹

Improving our T&O capacity

Increased

bandwidth / VPN capacity

Initial 51 k

maximum users

Today 247 k

supported by VPN

Supporting our remote working

>780 k

video calls a day

>3 mn

chats a day

127 k

laptops

Digital customers

+1.5 mn in Q1'20

Digital sales² as % of total sales

43% in March-20

(36% in 2019)

Accesses³

(online & mobile)

+23% YoY

Transactions⁴

(monetary & voluntary)

+22% YoY

Contact centres

Service volumes +21% on average

(154% highest)

- 4.9 mn digital customers (+139 k YTD)**. Accelerated launch of new products to serve our current customer needs
- 71% digital sales in Mar-20** (61% in Dec-19; 57% in Mar-19) and 1.7 k new mobile users per day
- 55% digital sales in Mar-20** (50% in Dec-19) and mobile transactions +80% YoY

Note: data as of Mar-20 and year-on-year changes






1. 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
2. Percentage of new contracts executed through digital channels during the period
3. Private accesses. Logins of bank's customers on Santander internet banking or apps. ATM accesses by mobile are not included
4. Customer interaction through mobile or internet banking which resulted in a change of balance. ATM transactions are not included

We have taken a number of steps to protect and support customers: individuals and self-employed



Mortgage payment holidays

	# Operations requested	% of portfolio
	45 k	8%
	207 k	15%
 SBNA	1.6 k	5%



Consumer payment holidays

	# Operations requested	% of portfolio
	46 k	9%
	171 k	2%
 SC USA	409 k	14%
	506 k	5%

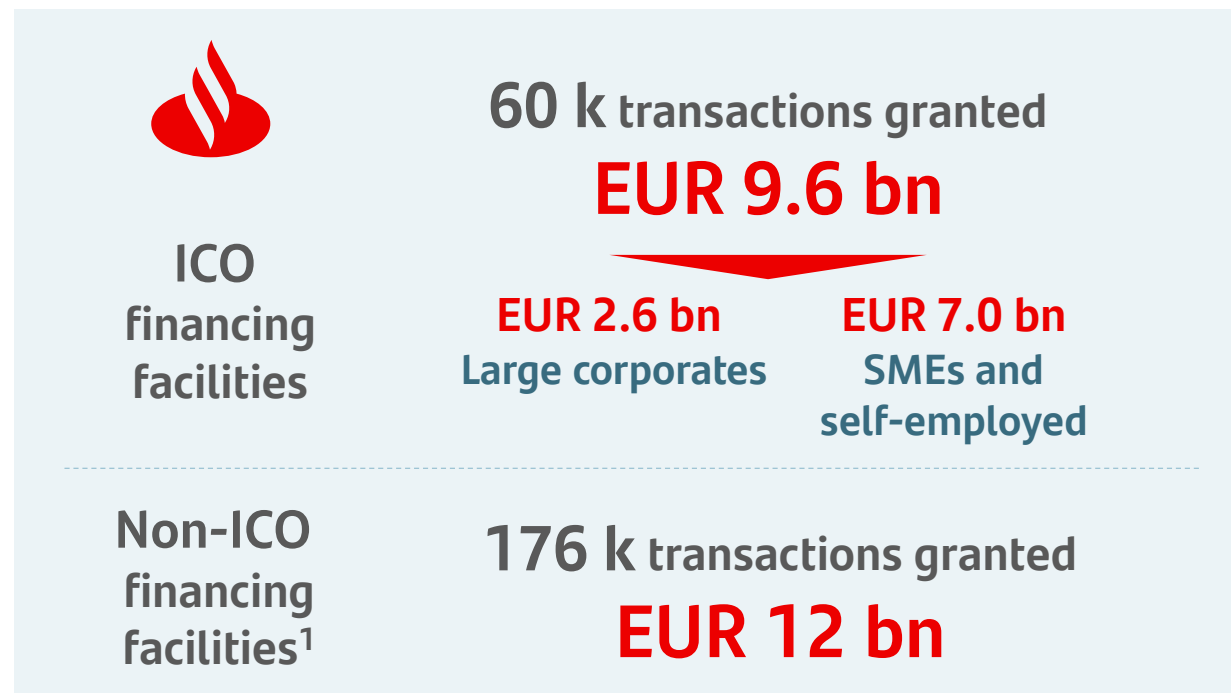
We have taken a number of steps supported by Government Guarantee Programmes

Government Guarantee Programmes

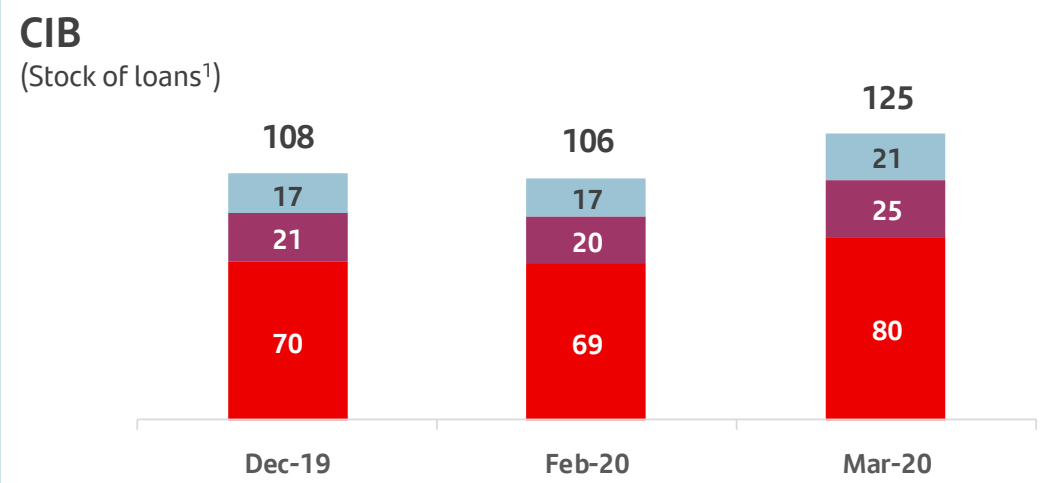
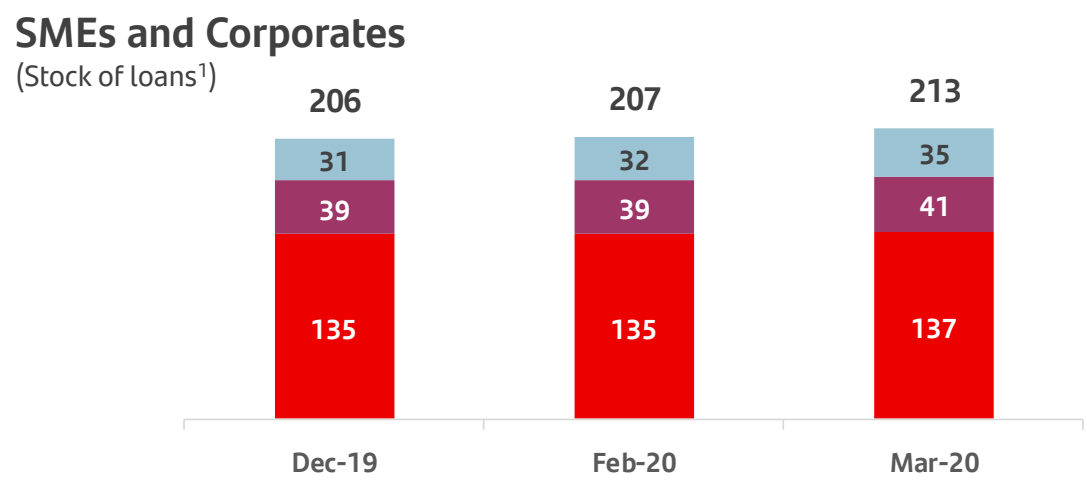
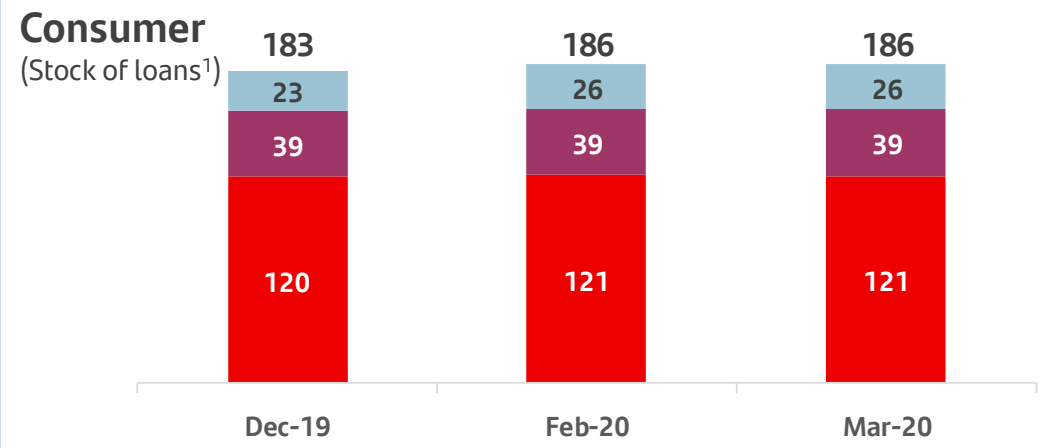
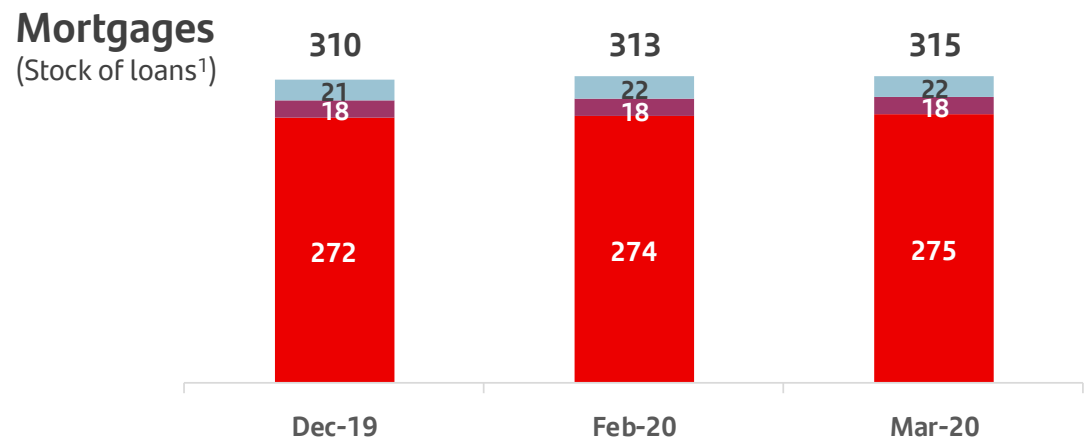
Country	Guarantee
	✓ EUR 100 bn
	✓ GBP 330 bn
	✓ EUR 820 bn
	✓ EUR 750 bn
	✓ USD 950 bn
	✓ BRL 40 bn
	✓ CLP 24 bn



Example: Santander Spain



In the quarter we have supported our customers, having increased credit across all segments



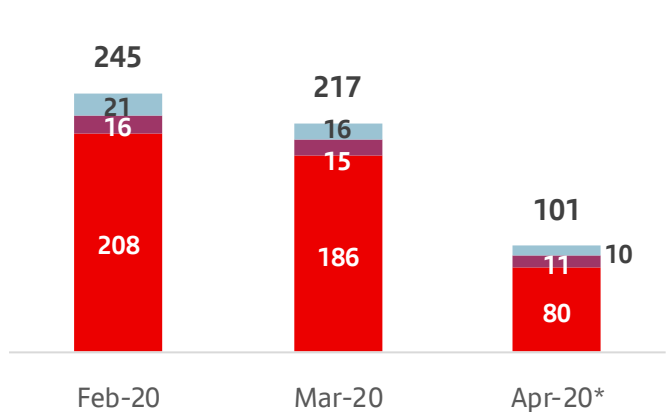
■ Europe ■ N. America ■ S. America



1. Stock of loans and advances to customers excluding reverse repos. In constant EUR billion

In recent weeks, new RETAIL lending has been affected by the crisis...

New Mortgage lending¹ (daily average, constant EUR mn)



April vs February

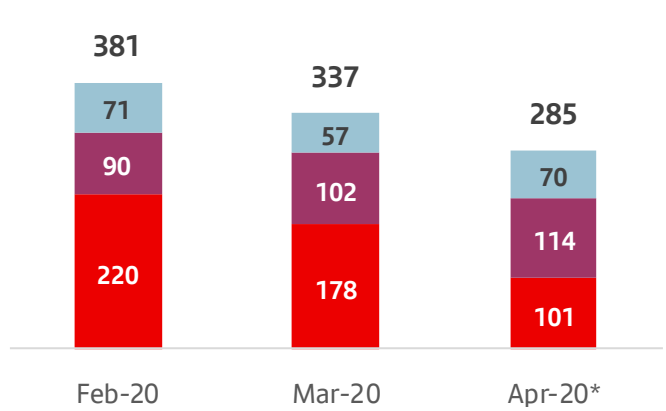


Applications:

(Applications in the last few weeks compared to pre-crisis levels)



New Consumer lending¹ (daily average, constant EUR mn)



April vs February



Applications:

(Applications in the last few weeks compared to pre-crisis levels)



Note: Geographic regions are calculated as the sum of the largest markets

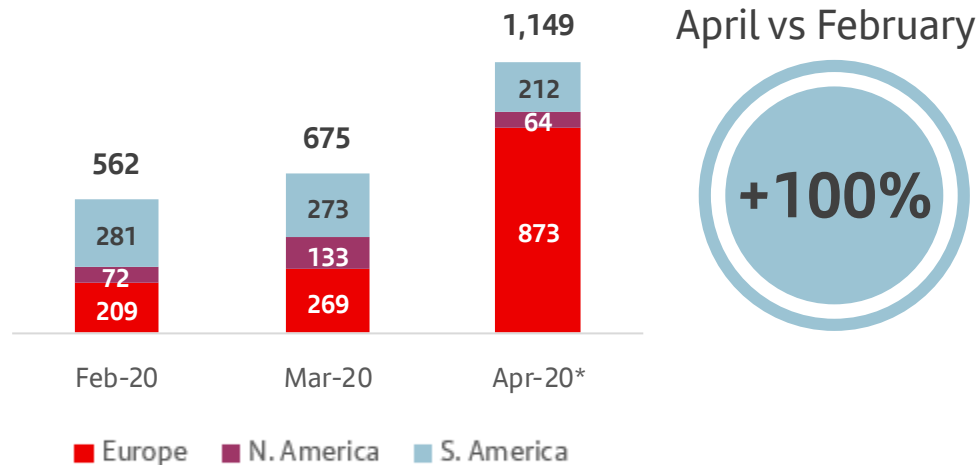
* As of 22 April 2020

1. Contracts which have been paid in the reporting period which are reflected in stock of loans

... while new credit to businesses and CIB has increased

New SME and Corporate lending¹

(daily average, constant EUR mn)



- ▶ In **Europe**, growth in corporate and SME new business was driven by Spain and Portugal. In April, growth accelerated further due to **ICO** loans in Spain
- ▶ In **North America**, in March, Mexico nearly doubled its usual volume
- ▶ In **South America**, mixed performance with strong growth in Chile and Argentina in part offset by reductions in Brazil

New lending¹ + drawdowns in CIB

(constant EUR mn)

April* vs February



- ▶ In March, there was a surge across all countries
- ▶ ~80% of growth was from drawdowns on existing credit facilities and ~20% in new lines granted
- ▶ Stable balance sheet in April

Key takeaways

The best way to support our shareholders is to prioritise the health and safety of our employees, help our customers and communities, and ensure a profitable business continuity

We are confident about our strengths and business model to ease the COVID-19 impact on our business:

- **Scale:** we maintain a leadership position in our 10 core markets (Top 3 bank in 9 of our 10 core markets)
- **Customer focus:** 146 million of customers with a unique personal banking relationship
- **Geographic and business diversification:** makes us more resilient under adverse circumstances
- **Digital transformation:** continued execution of our plans to be the best open financial services platform is critical

While it is too early to be conclusive about the macro and financial effects of the current health crisis, **the pillars of our strategy remain unchanged:**

- Improving operating performance
- Optimising capital allocation to the regions and businesses that generate the highest returns
- Accelerating the Group's digital transformation

Our **strong pre-provision profit** across the cycle, combined with our resilient balance sheet and capital position, are the key levers to manage the economic downturn. In addition, we are **activating management actions** in revenue and costs

Index



Q1 summary &
COVID-19



**Santander
Business
Model &
Strategy**



Capital



Asset
Quality



Liquidity &
Funding



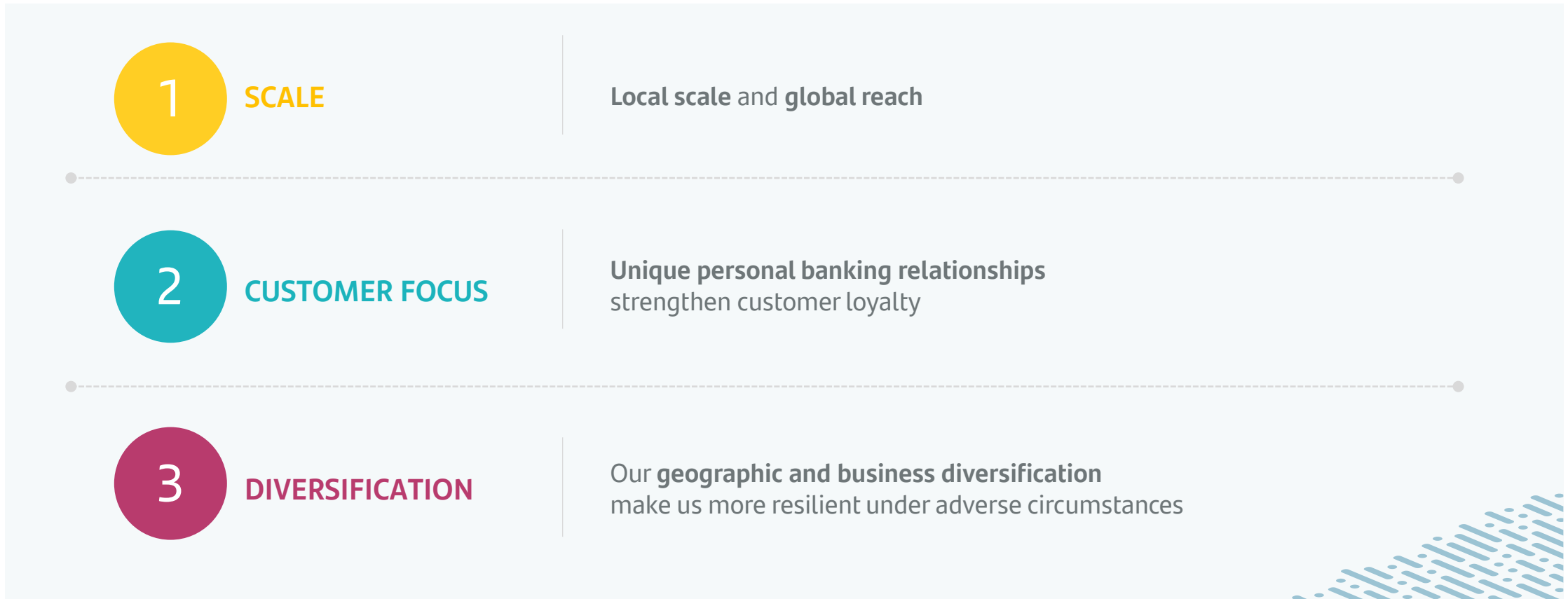
Concluding
Remarks



Appendix

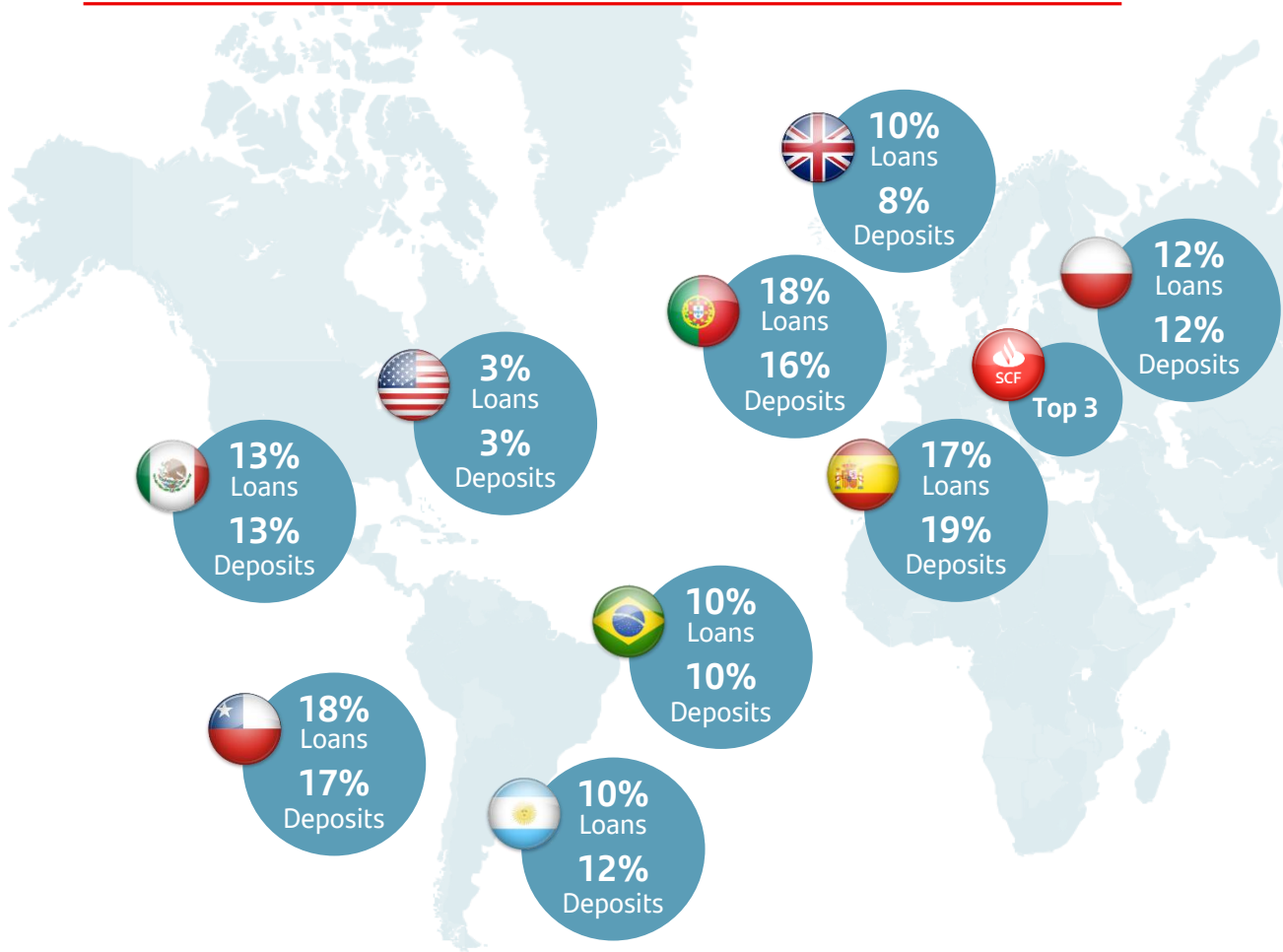


Our business model drives predictable and profitable growth



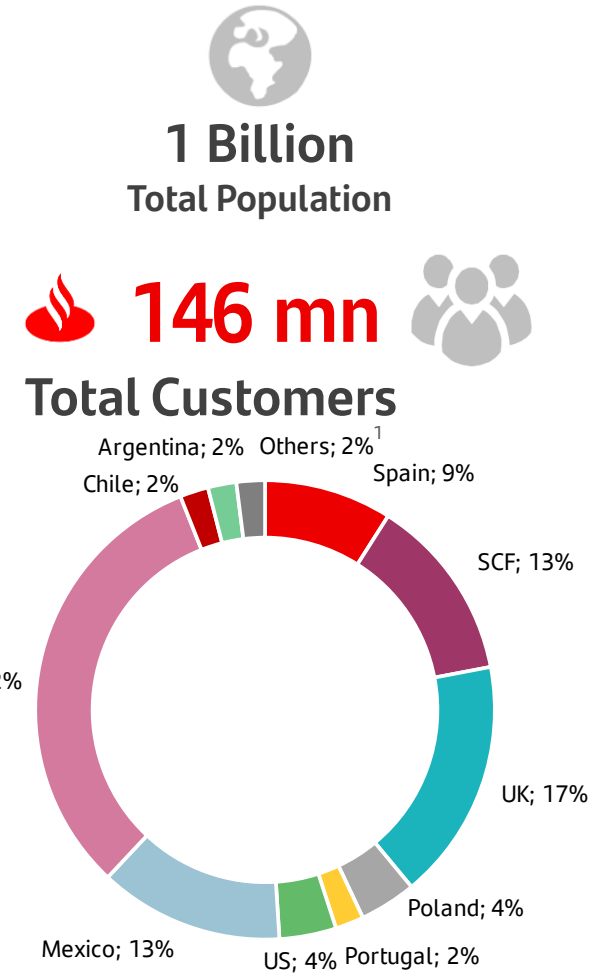
We have in-market scale in our core markets, with customers distributed across geographies with high growth potential

Market shares



Customers distributed across geographies

Mar-20



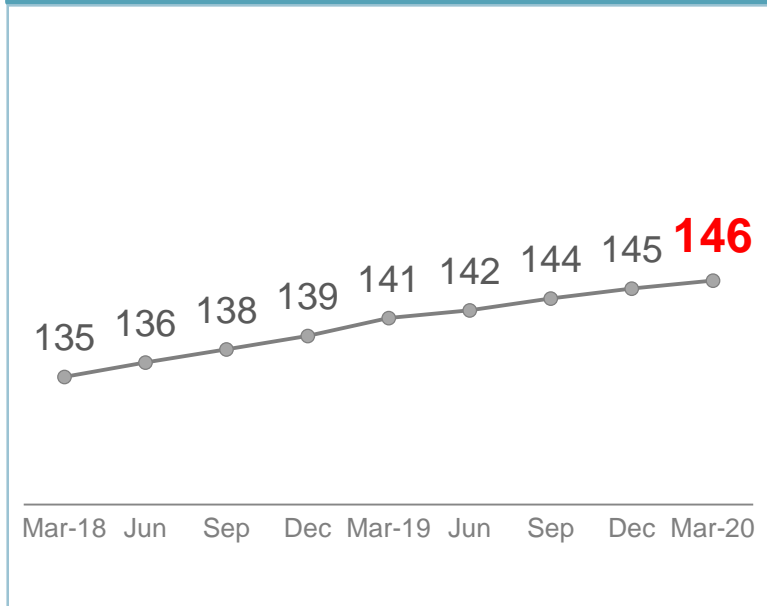
Market share data: As at Dec-19 and the US and SCF latest available. Spain: includes SAN Spain (public criteria) + Openbank + Hub Madrid + SC Spain. The UK: includes London Branch. Poland: including SCF business in Poland. The US: in all states where Santander Bank operates. Brazil: deposits including debenture, LCA (agribusiness notes), LCI (real estate credit notes), financial bills (*letras financieras*) and COE (*certificates of structured operations*)

1. Includes SGP

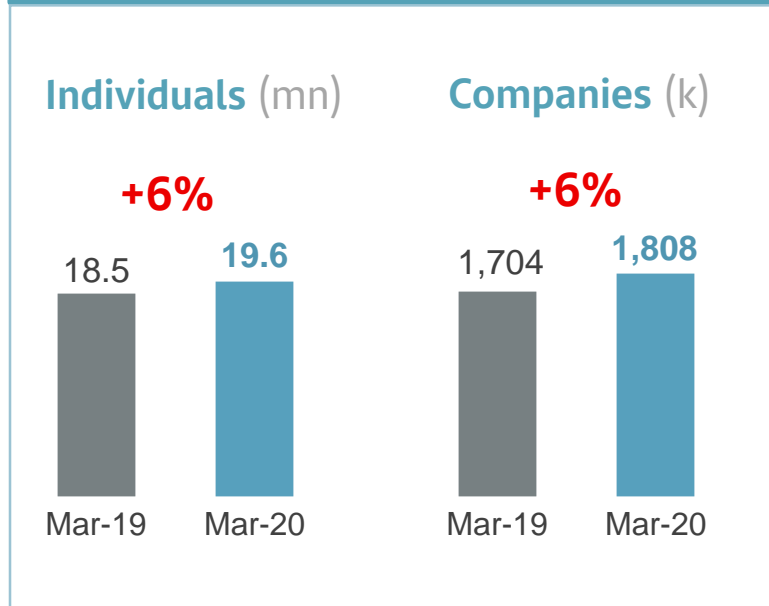
Focus on increasing customer loyalty via unique personal banking relationships...



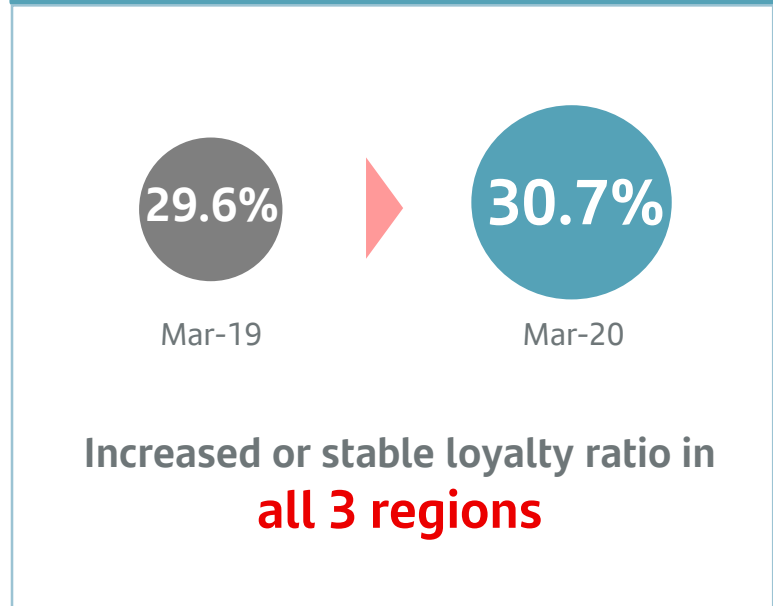
Total customers
146 mn (+3%)



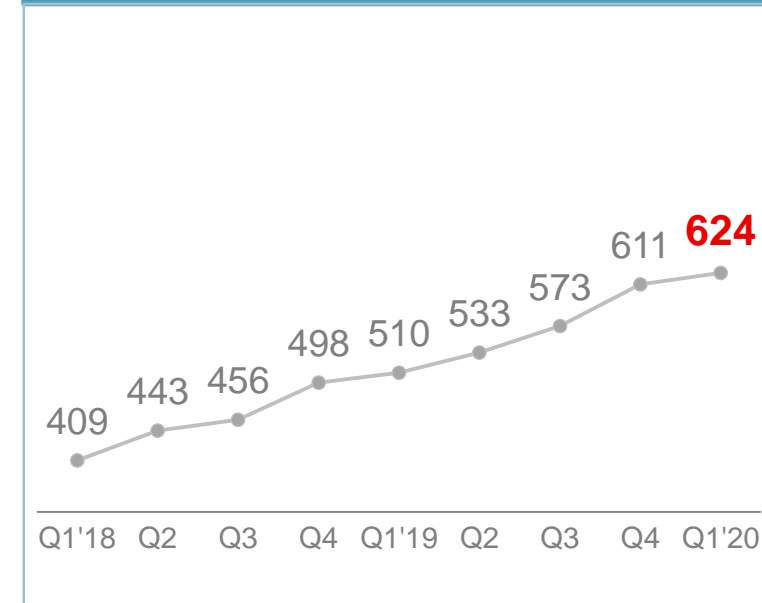
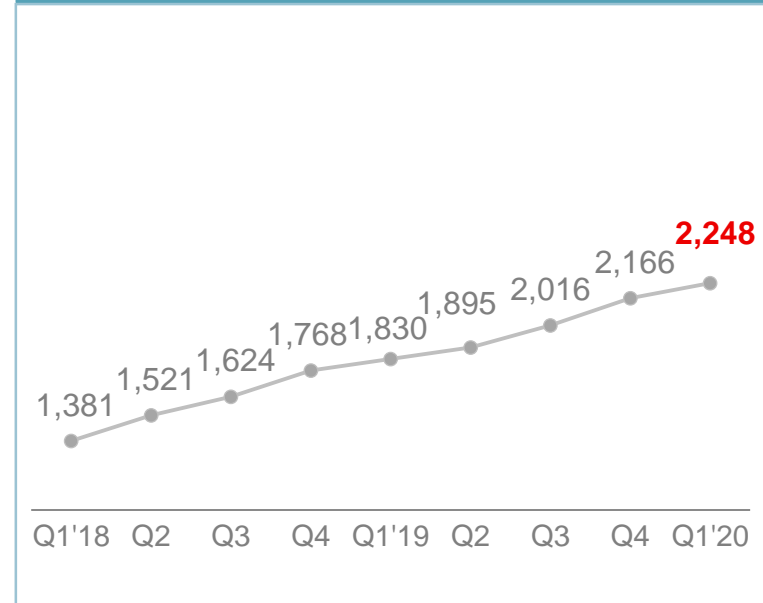
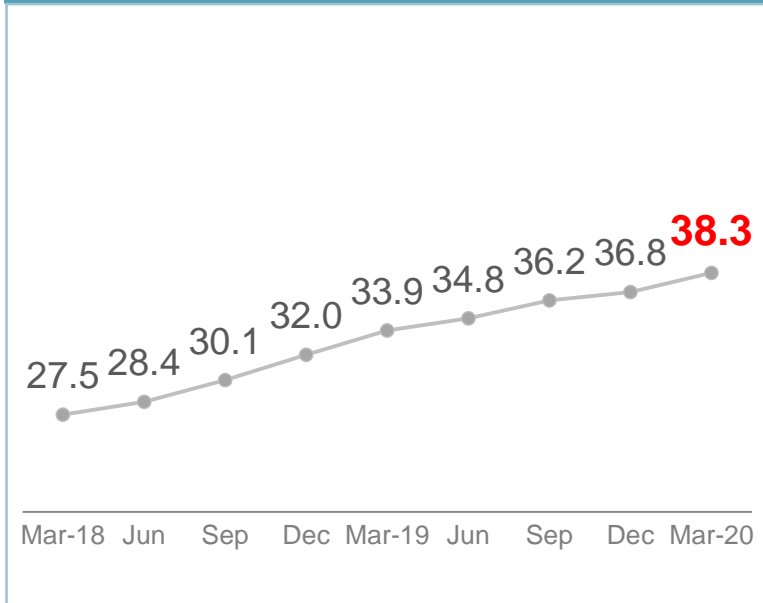
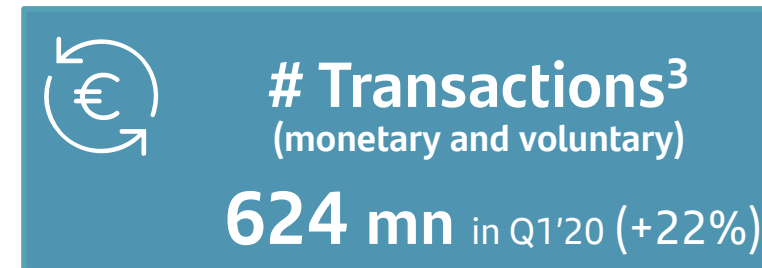

Loyal customers
21.5 mn (+6%)




Loyal / Active customers



... together with increased digitalisation...



Note: YoY changes.

1. Data as of 31 December. Every natural or legal person that, being part of a commercial bank, has logged in to their personal area of internet banking or mobile phone (or both) in the last 30 days.
2. Private accesses. Logins of bank's customers on Santander internet banking or apps. ATM accesses by mobile are not included.
3. Customer interaction through mobile or internet banking which resulted in a change of balance. ATM transactions are not included.

...and doing business in a more responsible and sustainable way...

Culture

Engagement

86% of employees proud to work for Santander (+1pp vs 2018)

Women

40% Group Board
23% Group leadership (+2pp vs. 2018)



Sustainability

EUR 19 bn

mobilised in Green finance

EUR 1 bn

Santander first green bond issuance

Most sustainable bank in the world

Dow Jones index¹

Communities

1.6 mn

people helped through our community programmes

69 k

scholarships granted

Financial inclusion

2.0 mn

people financially empowered

EUR 277 mn

credit to microentrepreneurs² (+73% vs. 2018)



More information on Group's Overview of our Corporate Governance presentation.

Note: figures as of 2019 and changes on a YoY basis (2019 vs. 2018)

- 1. Dow Jones Sustainability index 2019
- 2. Microentrepreneurs are already included in the people financially empowered metric



PRINCIPLES FOR RESPONSIBLE BANKING



MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM



... improves operational excellence by helping to deliver sustained top line growth and increase cost savings

Increased customer revenue...

Constant EUR mn

Net interest income

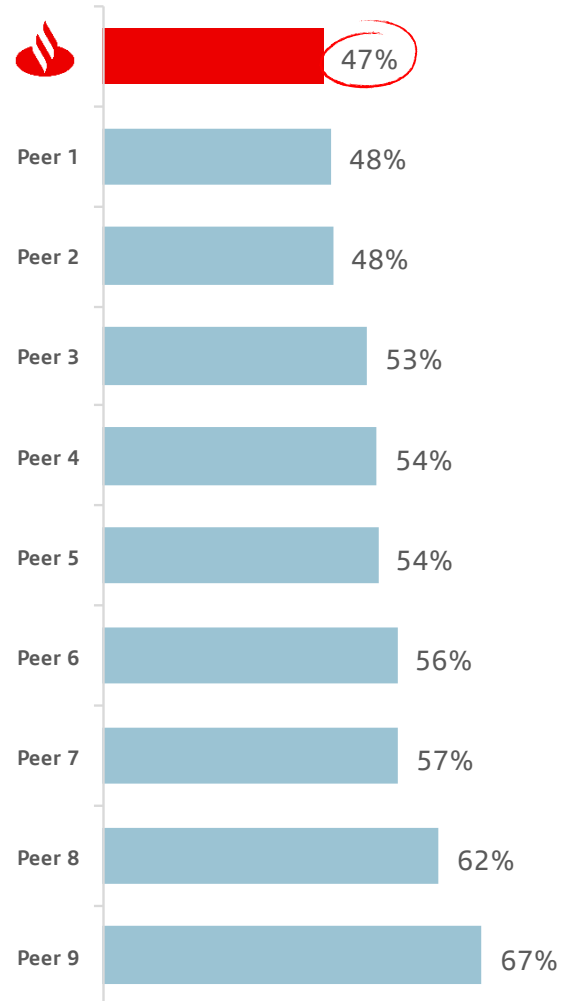


Net fee income



...with better cost-to-income than peers¹

Cost-to-income, Peer data FY2019, Santander Q1'20



8 pp
better than peer avg.

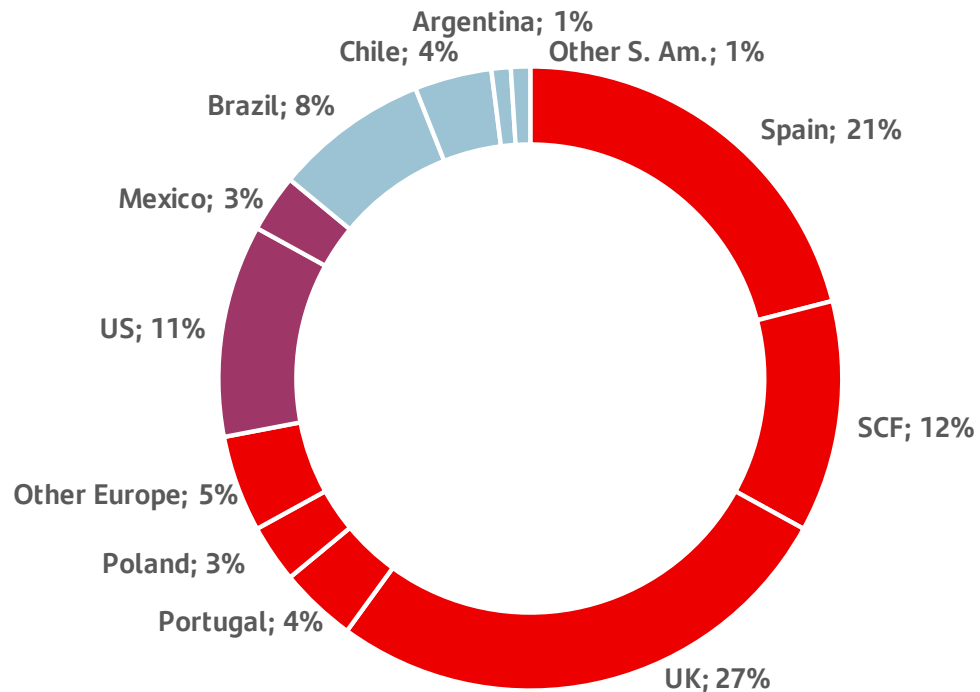


1. Peers included are: BBVA, BNP Paribas, Citibank, Credit Agricole, HSBC, ING, Itaú, Scotiabank and Unicredit. Santander calculations

Our geographic and business diversification, coupled with our subsidiaries model...

Loan portfolio by country

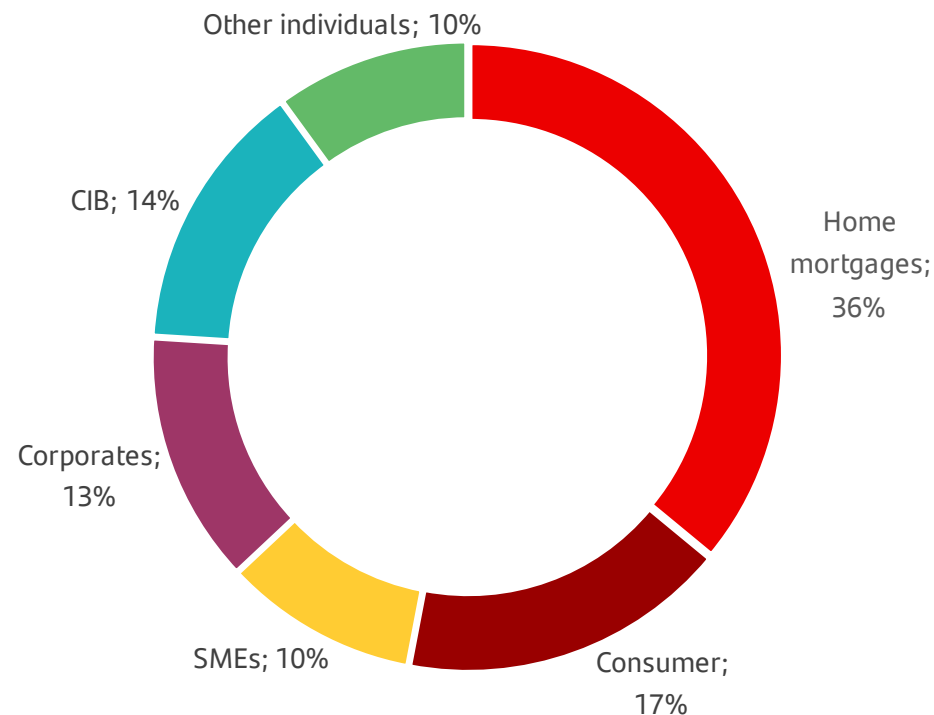
Breakdown of total gross loans excluding reverse repos, % of operating areas ex. SGP Mar-20



- ▶ Total gross loans excluding reverse repos: EUR 909 bn
- ▶ RWAs as of Mar-20: EUR 591 bn

Loan portfolio by business

Breakdown of total gross loans excluding reverse repos, Mar-20



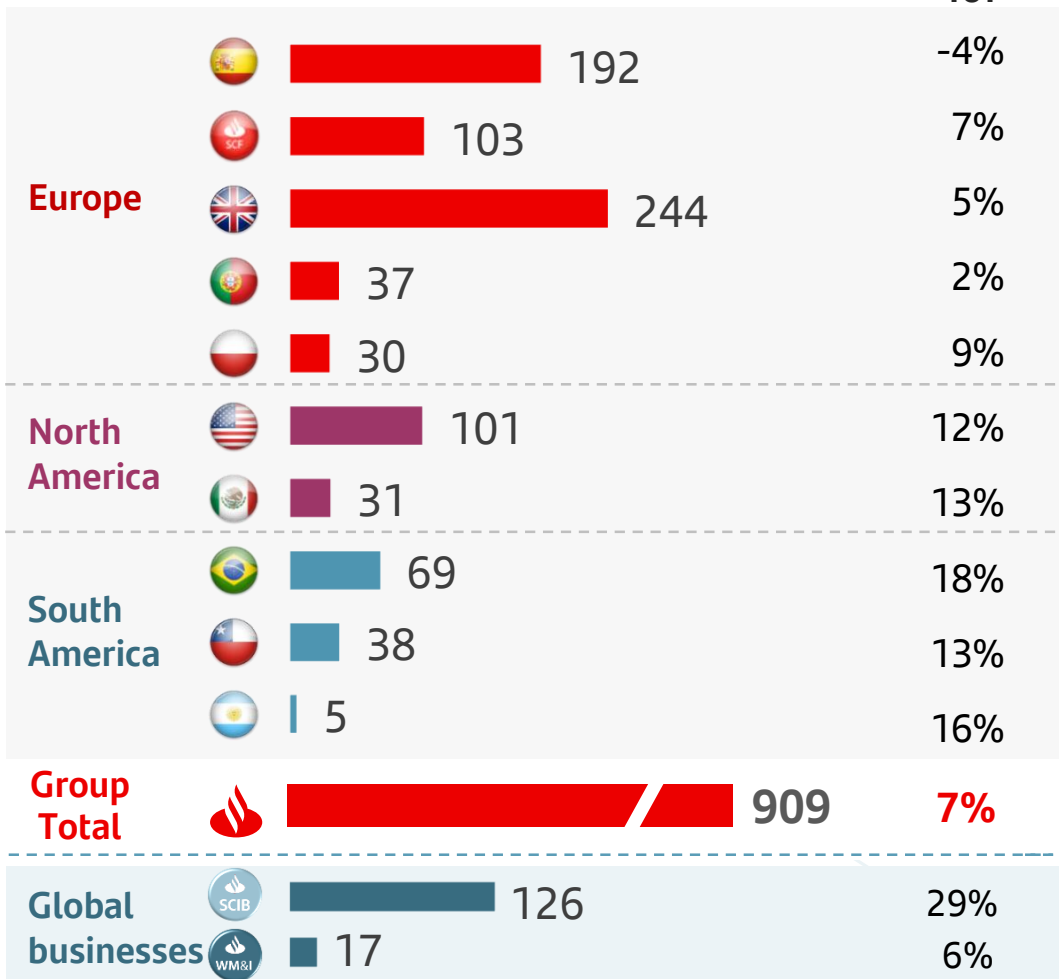
- ▶ 86% of loan portfolio is Retail, 14% Wholesale

... with strong balance sheet growth...

Loans and advances to customers in core markets

EUR bn and YoY growth %, Mar-20

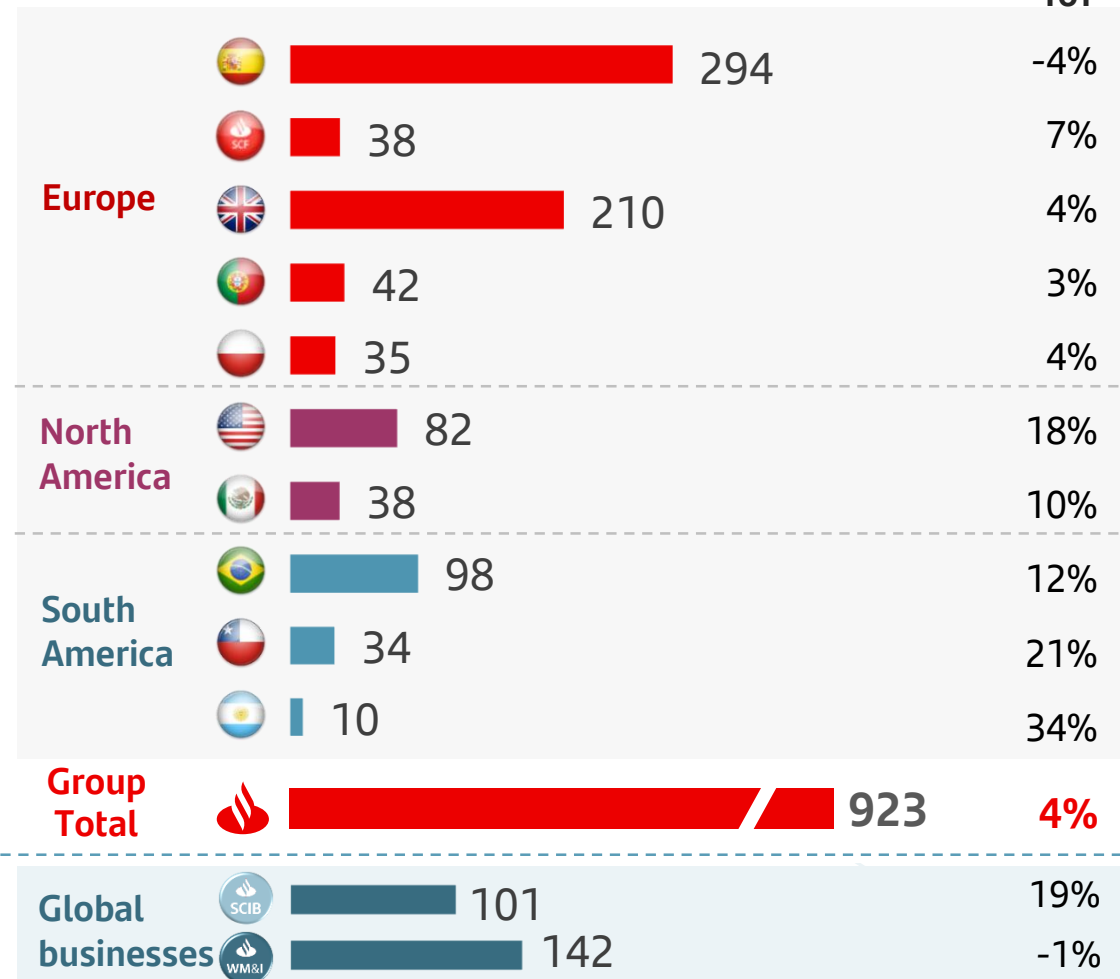
YoY



Customer funds in core markets

EUR bn and YoY growth %, Mar-20

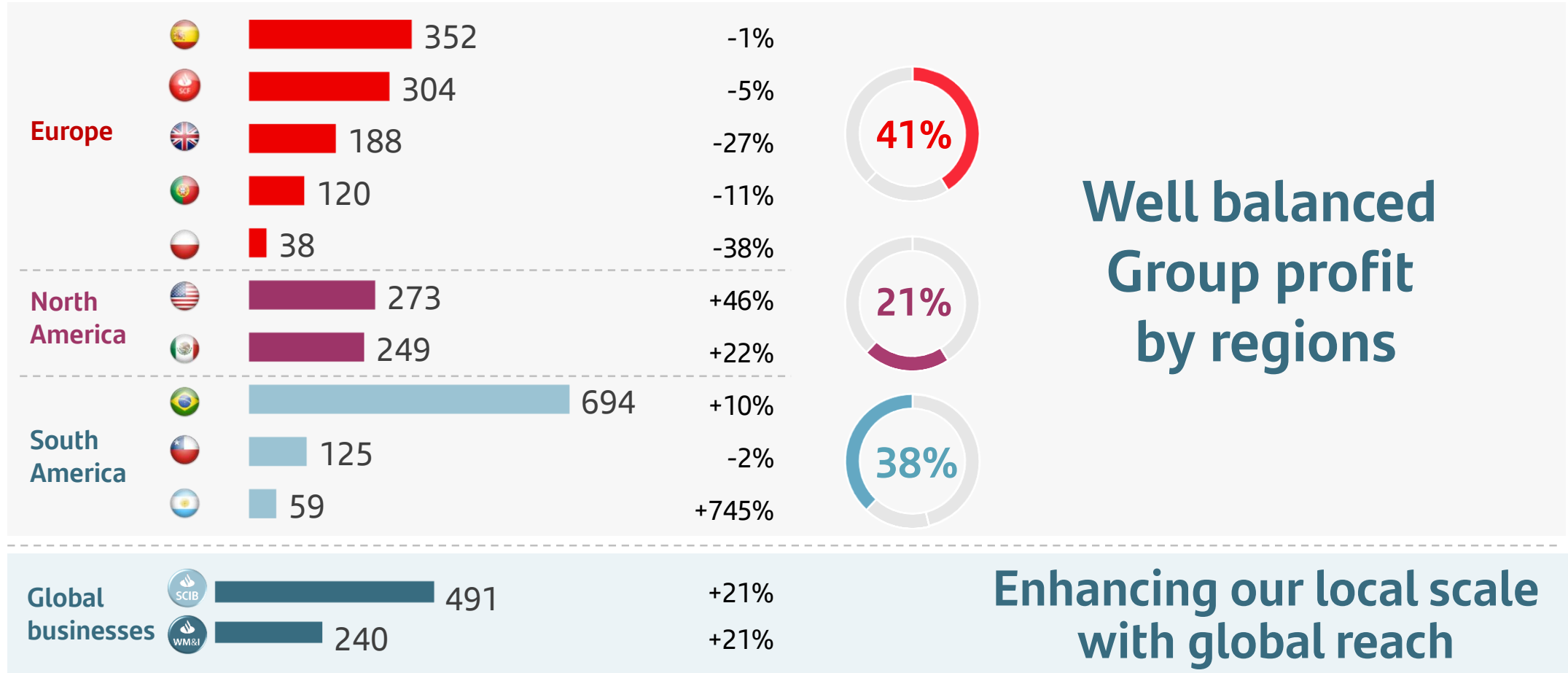
YoY



... and underlying attributable profit distributed across regions...

Q1'20 Underlying attributable profit

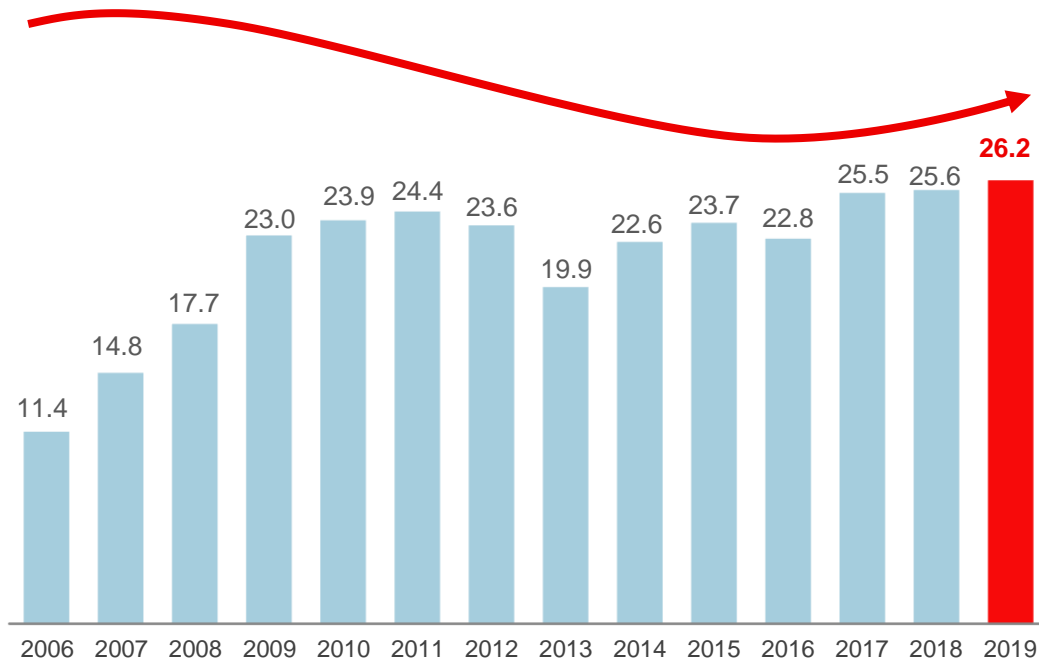
EUR mn and % change vs. Q1'19 in constant EUR



... has allowed us to generate high and recurring pre-provision profit, leading to resilient growth through the economic cycle...

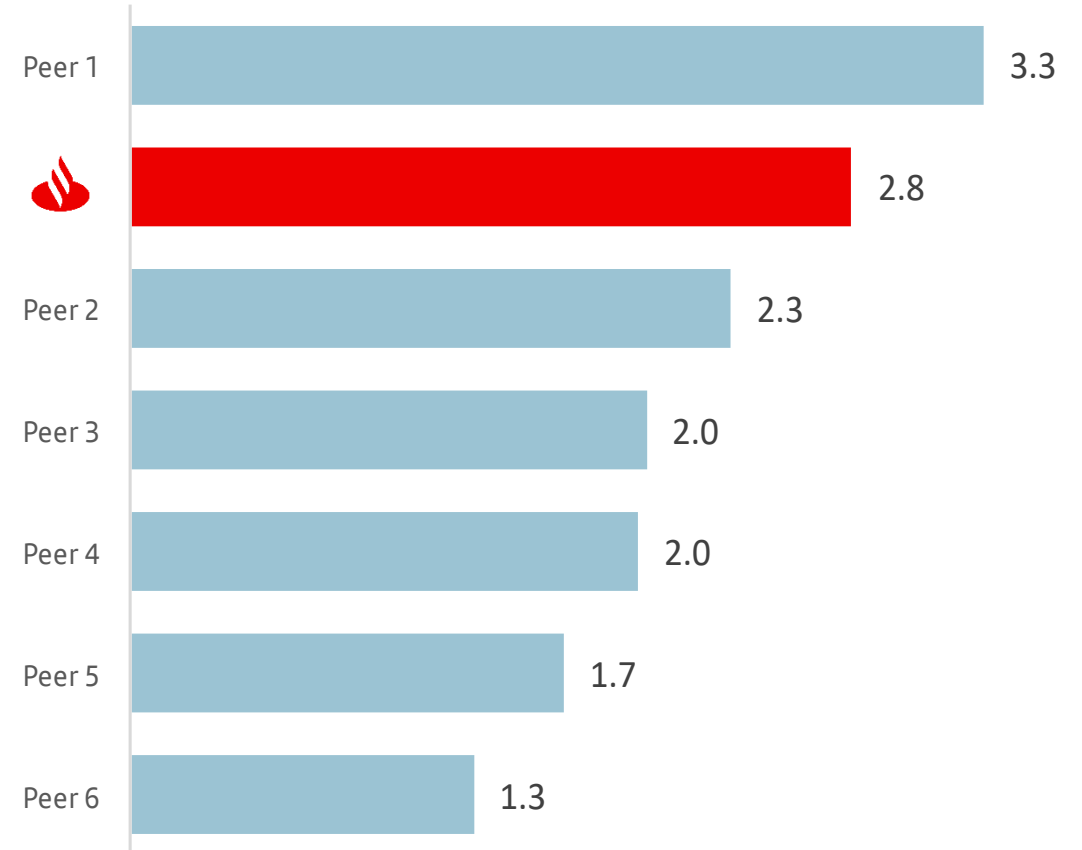
Resilient profit generation throughout the cycle

Group pre-provision profit, EUR bn



PPP/Loans well above most European peers¹

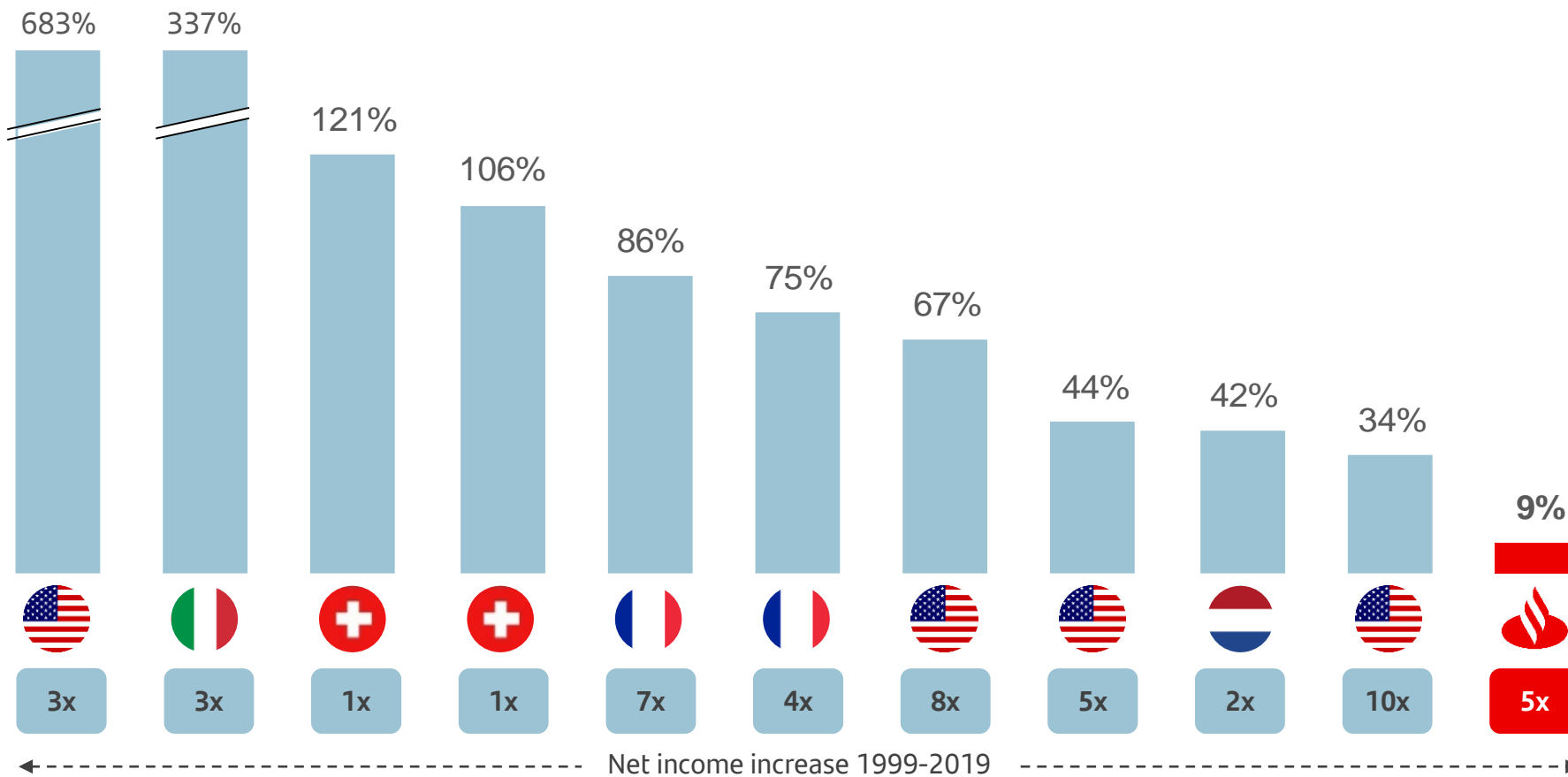
%, Dec-19



... and to generate stable and predictable growth

Predictable results with the lowest volatility among peers coupled with growth in earnings

Quarterly reported EPS volatility¹, 1999-2019



The Group's medium-term strategy is based on three main pillars to drive profitable growth in a responsible way



**Improve
operating
performance**



**Optimise
capital
allocation**



**Accelerate
digitalisation through
Santander Global
Platform**



**Continue building a more Responsible
Bank**



Improving operational performance: Further leveraging our diversification and scale and adding value via our global businesses and shared capabilities



Global capabilities to enhance operating efficiency across the Group



Medium-term efficiency expected, mainly in Europe:

- IT & Operations
- Shared services & Others

Continuing to improve capital allocation: Ongoing capital allocation optimisation to improve profitability



**Rebalancing to
more profitable
regions and
businesses**



**Improved
pricing,
processes and
governance**




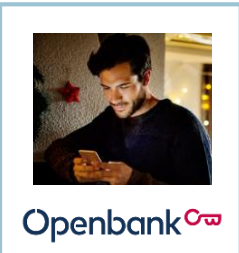


**Active management
and senior team
alignment**

**Strong profitability improvement leading
to higher capital generation capacity**

Accelerating Digitalisation: Best-in-class Global payments and digital banking solutions for SMEs and Individuals



SMEs	 <p>Global Merchant Services</p>	<p>Finalised the development of the platform with Getnet functionalities and new features (i.e. architecture cloud)</p> <p>Rolled-out in Mexico. In addition, acquisition of Elavon Mexico (currently 100% Santander)</p> <p>>1 mn active merchants. Q1'20 revenue of EUR 144 mn</p>
	 <p>Global Trade Services</p>	<p>1st services launched in April and new services will be extended throughout the year</p> <p>Acquisition of a majority stake of Mercury TFS (software solutions for trade finance) announced</p> <p>>200 k SME customers trading internationally. Q1'20 revenue of EUR 307 mn</p>
Individuals	 <p>Banking without a bank</p>	<p>Operates in Brazil, Mexico and Chile</p> <p>Active customers grew c.60% YoY, whereas transactions are growing by c.70% YoY</p> <p>Our goal is to scale the business to reach over 5 mn active customers across 7 markets in the medium term</p>
	 <p>Global Digital Banking</p>	<p>Openbank is already in Spain, Germany, the Netherlands and Portugal</p> <p>Loan growth +84% YoY and deposits +9%YoY</p> <p>New customer growth +78% (Q1'20 vs. Q1'19) - average of 4.4 products per customer</p>

Index



Q1 summary &
COVID-19



Santander
Business
Model &
Strategy



Capital



Asset
Quality



Liquidity &
Funding



Concluding
Remarks

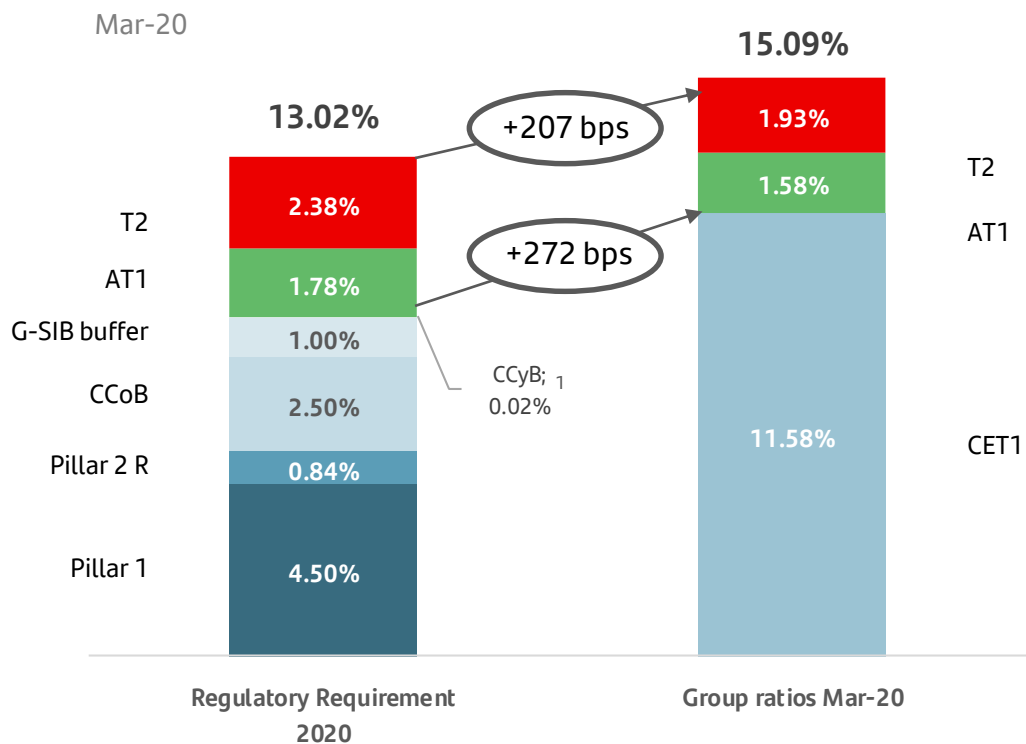


Appendix

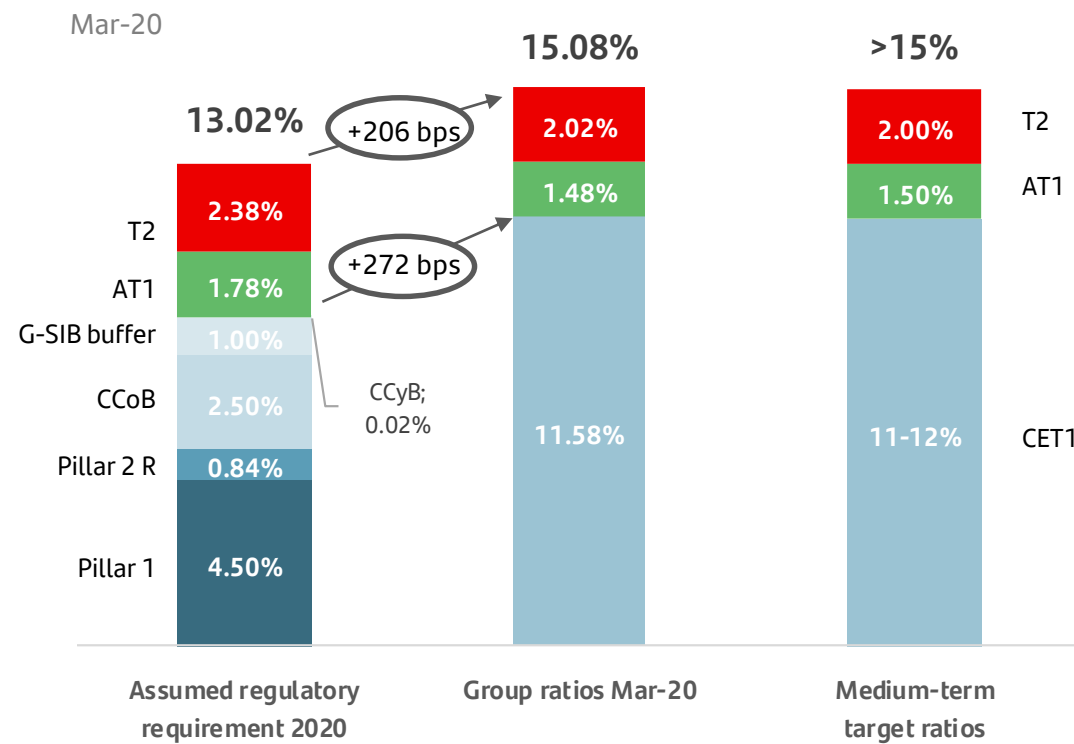


Santander's capital levels, both phased-in and fully loaded, exceed minimum regulatory requirements

SREP capital requirements and MDA



Assumed capital requirements (fully loaded)



- ▶ Following regulatory changes in March in response to the COVID-19 crisis, the **minimum CET1** to be maintained by the Group is **8.86%** (was 9.69% pre-changes)
- ▶ As of Mar-20, the distance to the MDA for 2019 is 207 bps² and the CET1 management buffer increased to 272 bps

- ▶ AT1 and T2 issuance to target 1.5% and 2% of RWAs respectively is close to zero assuming constant RWAs
- ▶ As of Dec-19, **Santander S.A. meets the minimum required eligible liabilities (MREL)³ and TLAC requirements⁴**

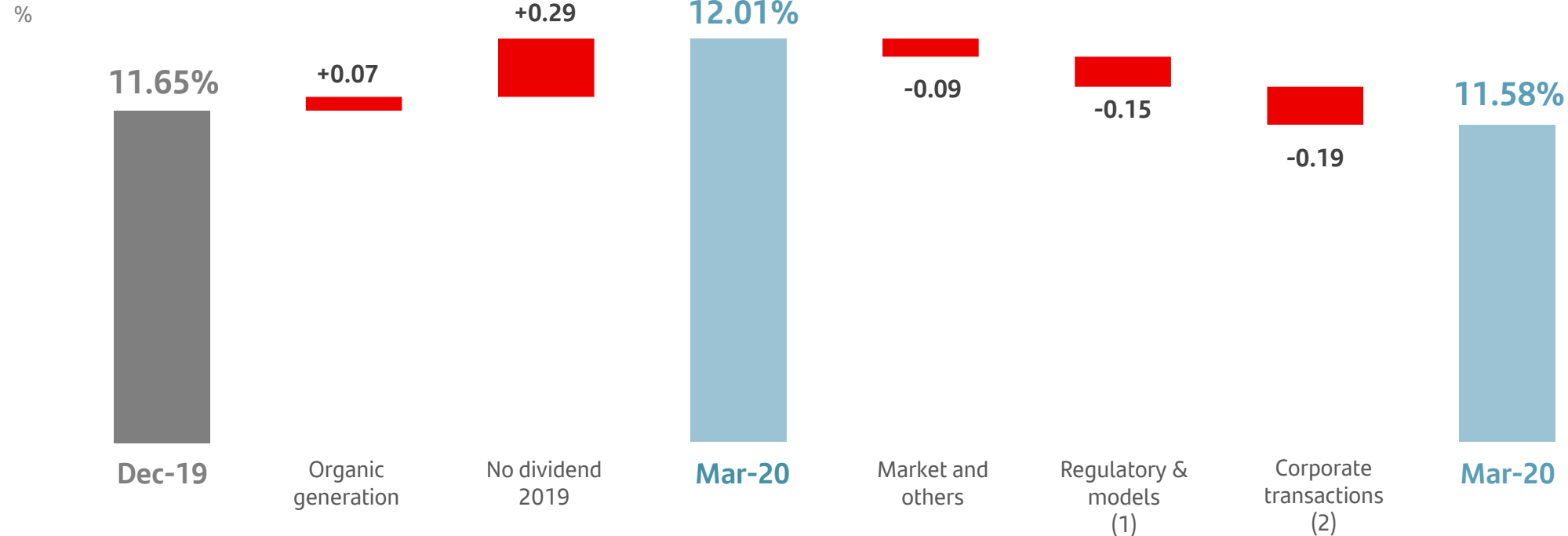
Note: Data calculated using the IFRS 9 transitional arrangements.



1. Estimated Countercyclical buffer.
2. MDA trigger = 2.72% - 0.20% - 0.45% = 2.07% (20 bps of AT1 and 45 bps of T2 shortfall is covered with CET1).
3. Parent bank, preliminary data, on the basis of Santander's understanding of current SRB MREL Policy and under existing recovery and resolution rules. See slide 50 for more details.
4. For more details see slide 51.

We have solid capital ratios: In Q1, continued organic generation and dividend measures were offset by non-recurring items

CET1 ratio



	<u>Q1'19</u>	<u>Q1'20</u>	<u>Diff.</u>
CET1 ratio	11.23%	11.58%	35 bps
FL Total capital ratio	14.82%	15.08%	26 bps
FL Leverage ratio	5.07%	5.04%	-3 bp
Underlying RoRWA³	1.56%	1.52%	-4 bps
Underlying RoTE⁴	11.31%	11.06%	-25 bps
Density	40%	38%	-189 bps



1. New securitisations framework (-0.06), Brazil models (-0.05) and IFRS 9 (-0.04)

3. Statutory RoRWA Q1'19: 1.54% and Q1'20: 1.25%

Note: Data applying the IFRS 9 transitional arrangements

2. Corporate transactions: Allianz (-0.09), Put Olé (-0.03) and Elavon & Other (-0.07)

4. Statutory RoTE Q1'19: 11.2% and Q1'20: 8.8%

Strong fundamentals for AT1 bond holders

Distance to trigger¹

- ▶ Santander Group's CET1 levels are well above the **minimum loss absorption trigger** of 5.125%: **EUR 38 bn**
- ▶ The first line of defense is the Group's strong pre-provision profitability providing a high capacity to absorb provisions during crisis periods

MDA

- ▶ As of Mar-20, the **distance to the MDA** is **2.07%**²
- ▶ Targeting a **comfortable management buffer to MDA of >100 bps at all times**, in line with Santander's business model and predictable results

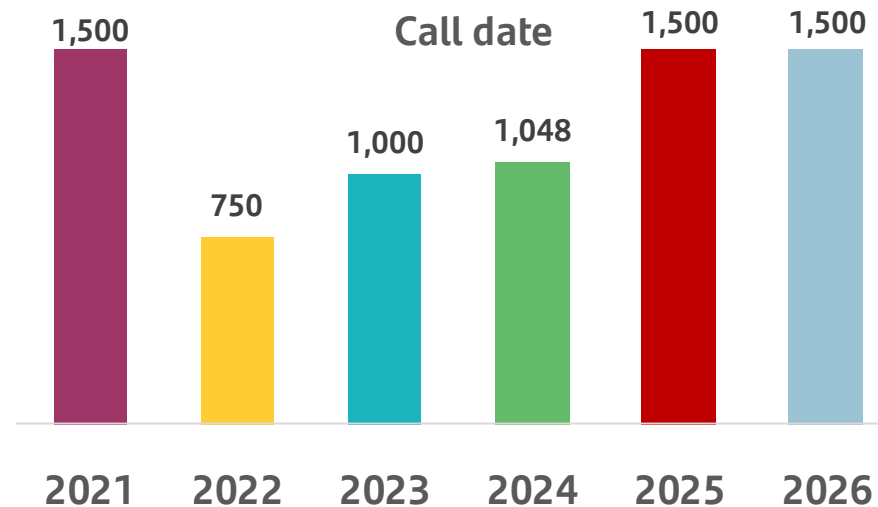
ADIs

- ▶ Santander Parent Bank has **EUR 58.0 bn in Available Distributable Items**
- ▶ This amount of ADI represents c.120x times the 2020 full AT1 cost of the Parent
- ▶ Santander has never been prohibited from making a Tier 1 payment or dividend due to insufficient ADIs. Santander has never cancelled the payment of coupons of any of its Tier 1 securities

AT1 issuances distributed by call date

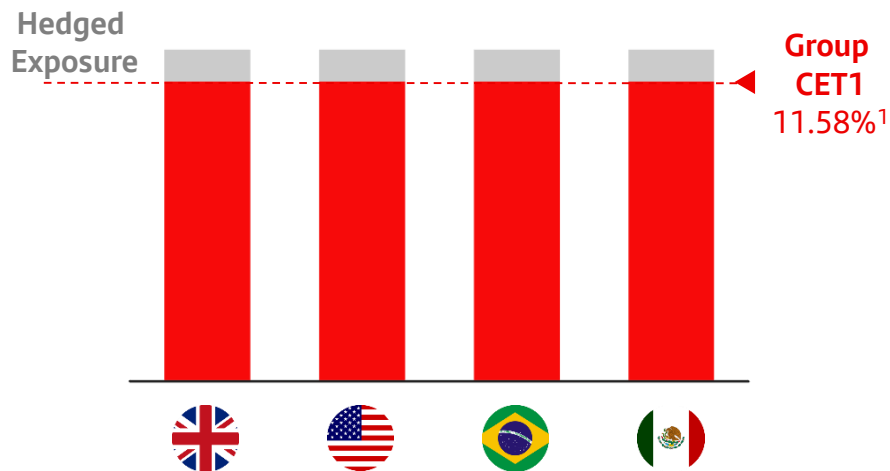
AT1 issuances outstanding at Mar-20

EUR mn	Currency	Nominal			Structure	Next call date	Reset
		EUR	Coupon				Spread
Banco Santander S.A.	EUR	1,500	6.25%		PNC7	11-Sep-21	564 bps
Banco Santander S.A.	EUR	750	6.75%		PNC5	25-Apr-22	680.3 bps
Banco Santander S.A.	EUR	1,000	5.25%		PNC6	29-Sep-23	499.9 bps
Banco Santander S.A.	EUR	1,500	4.75%		PNC7	19-Mar-25	409.7 bps
Banco Santander S.A.	USD	1,048	7.50%		PNC5	8-Feb-24	498.9 bps
Banco Santander S.A.	EUR	1,500	4.38%		PNC6	14-Jan-26	453.4 bps



FX hedging policy on capital ratio and P&L...

Stable capital ratio hedge



- ▶ Managed to mitigate FX volatility in our CET1 ratio
- ▶ Based on Group regulatory capital and RWAs by currency

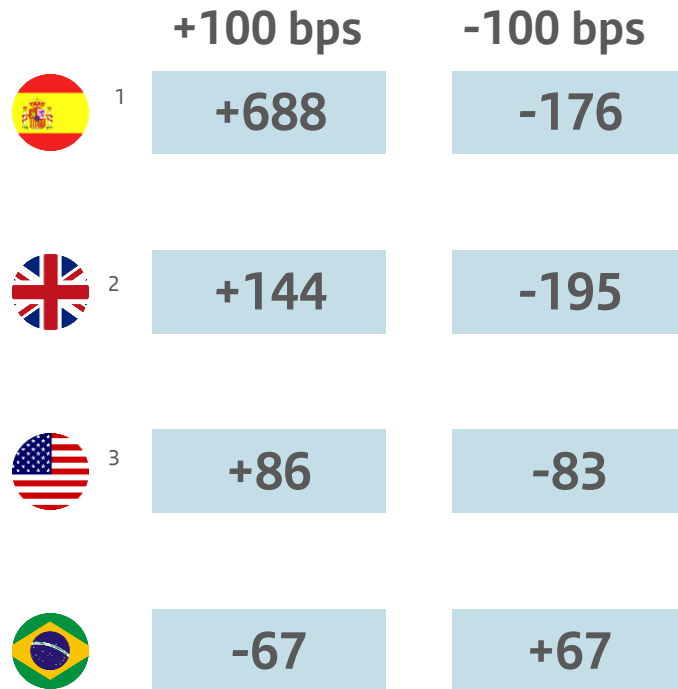
Our P&L Policy

- ▶ Strategic management of the exposure to exchange rates on equity and dynamic on the countervalue of the units' annual results in euros
- ▶ Mitigate impact of FX volatility
- ▶ Corporate Centre assumes all hedging costs

... and interest rate risk hedging

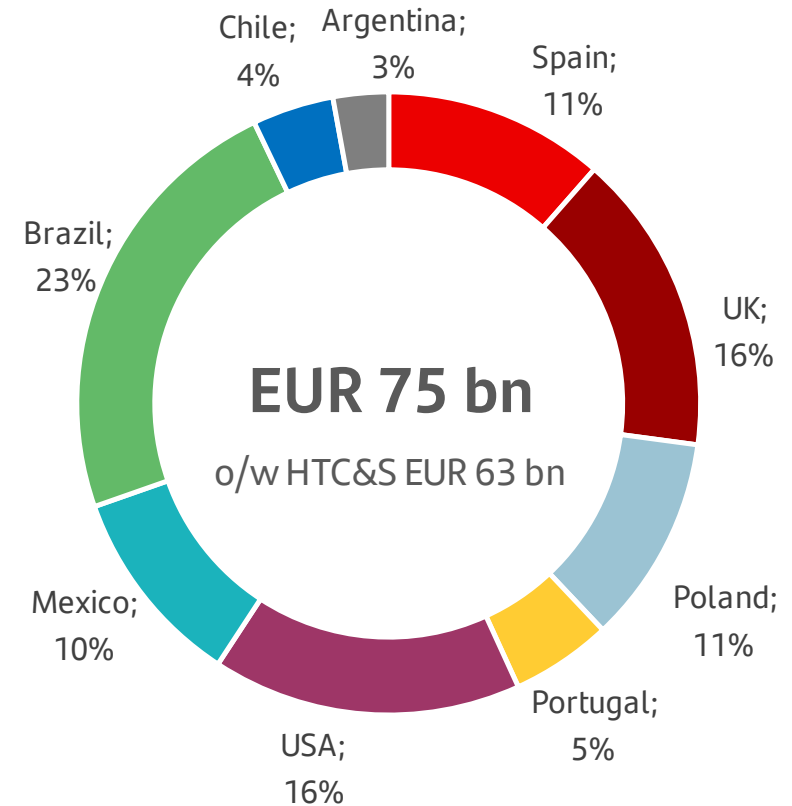
Mostly positive interest rate sensitivity

Net interest income sensitivity to a +/-100 bp parallel shift
EUR mn, Feb-20



ALCO portfolios reflect our geographic diversification

Distribution of ALCO portfolios by country
%, Mar-20



Index



Q1 summary &
COVID-19



Santander
Business
Model &
Strategy



Capital



**Asset
Quality**



Liquidity &
Funding



Concluding
Remarks



Appendix



Continued credit quality improvement on a YoY and QoQ basis...



Credit quality ratios

	Mar-19	Dec-19	Mar-20
NPL ratio	3.62%	3.32%	3.25%
Coverage ratio	68%	68%	71%
Cost of credit	0.97%	1.00%	1.00%



NPL ratio fell QoQ and YoY in most markets



High level of **allowances to total loans**

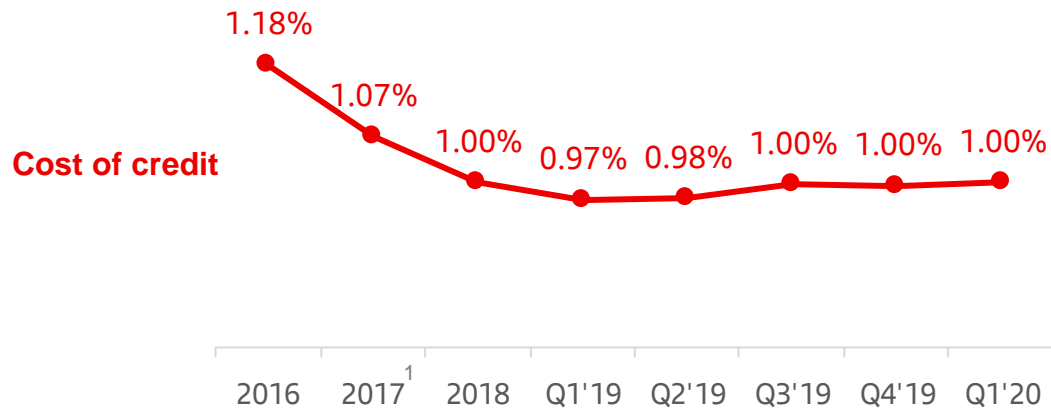
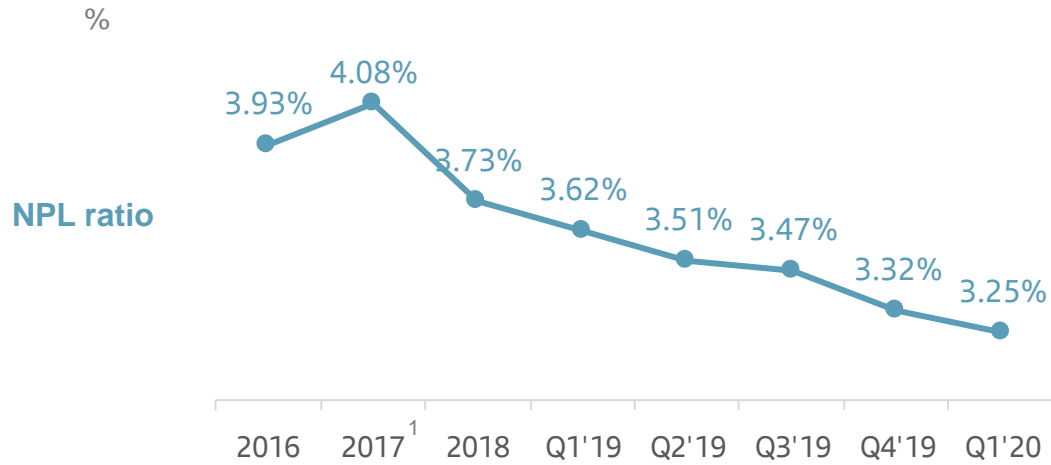


Roughly stable **cost of credit** QoQ in most markets

COVID-19 impacts have not yet been reflected

...to levels well below previous years, supported by generalised improvements across geographies

Credit quality ratios



1. Acquisition of Banco Popular in 2017

NPL ratios by country

	Q1 2019	Q1 2020
Spain	7.29	6.88
SCF	2.33	2.43
UK	1.17	0.96
Poland	4.39	4.29
Portugal	5.77	4.56
US	2.41	2.00
Mexico	2.12	2.07
Brazil	5.26	4.93
Chile	4.67	4.63
Argentina	3.50	3.97

Cost of credit ratios by country

	Q1 2019	Q1 2020
Spain	0.40	0.44
SCF	0.38	0.52
UK	0.07	0.09
Poland	0.61	0.79
Portugal	0.03	0.03
USA	3.11	2.81
Mexico	2.62	2.56
Brazil	3.88	3.93
Chile	1.13	1.10
Argentina	4.02	4.71

Index



Q1 summary &
COVID-19



Santander
Business
Model &
Strategy



Capital



Asset
Quality



**Liquidity &
Funding**



Concluding
Remarks



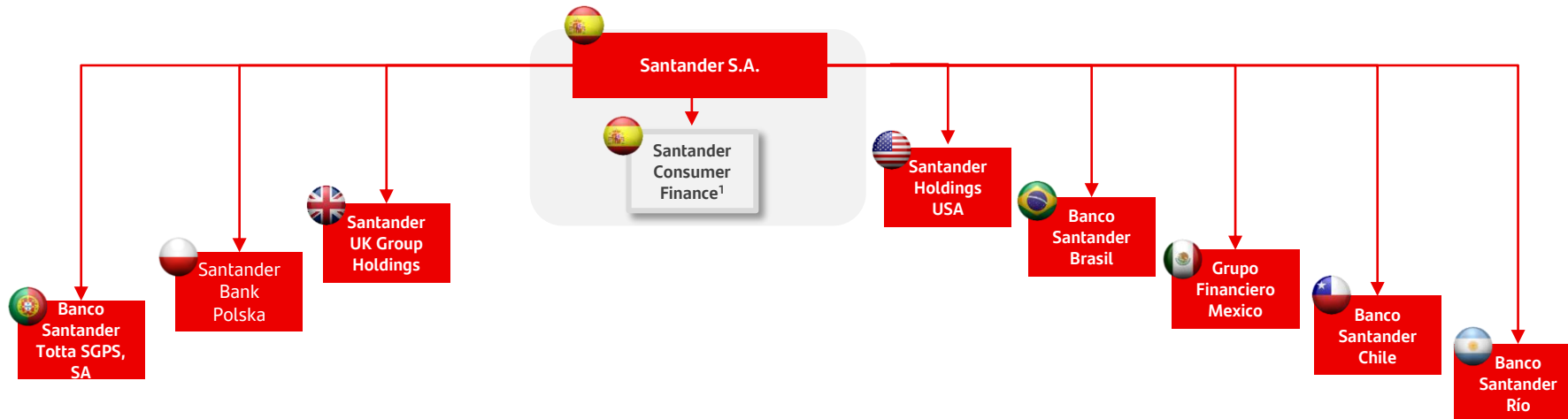
Appendix



The Group's business model combines local knowledge with global best practices through legally, financially and operationally autonomous subsidiaries...

Legal autonomy structure

Dec-19

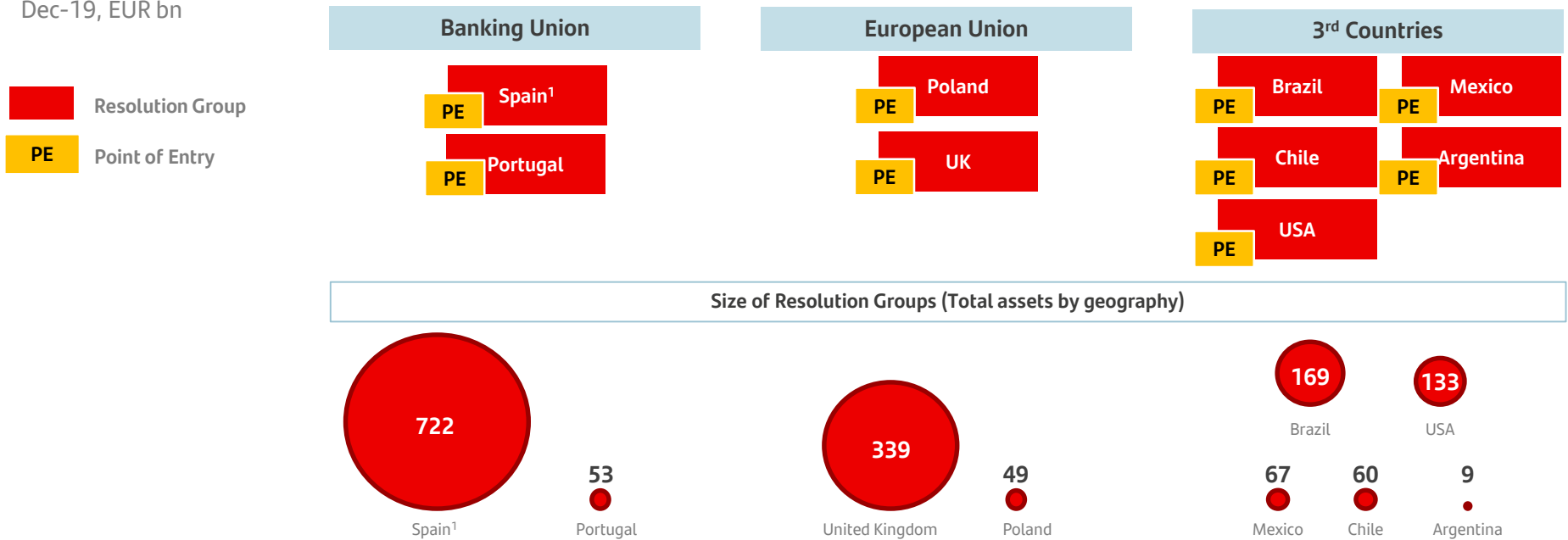


- ▶ **Legal autonomy:** There are no legal commitments that entail financial support
- ▶ **Financial autonomy:** Financial interconnections are limited and at market prices
- ▶ **Operational autonomy:** Shared services are limited and carried out through autonomous factories. Access to FMIs through other Group entities is very limited

... divided into different resolution groups that can be resolved separately though multiple entry points

MPE resolution strategy

Dec-19, EUR bn

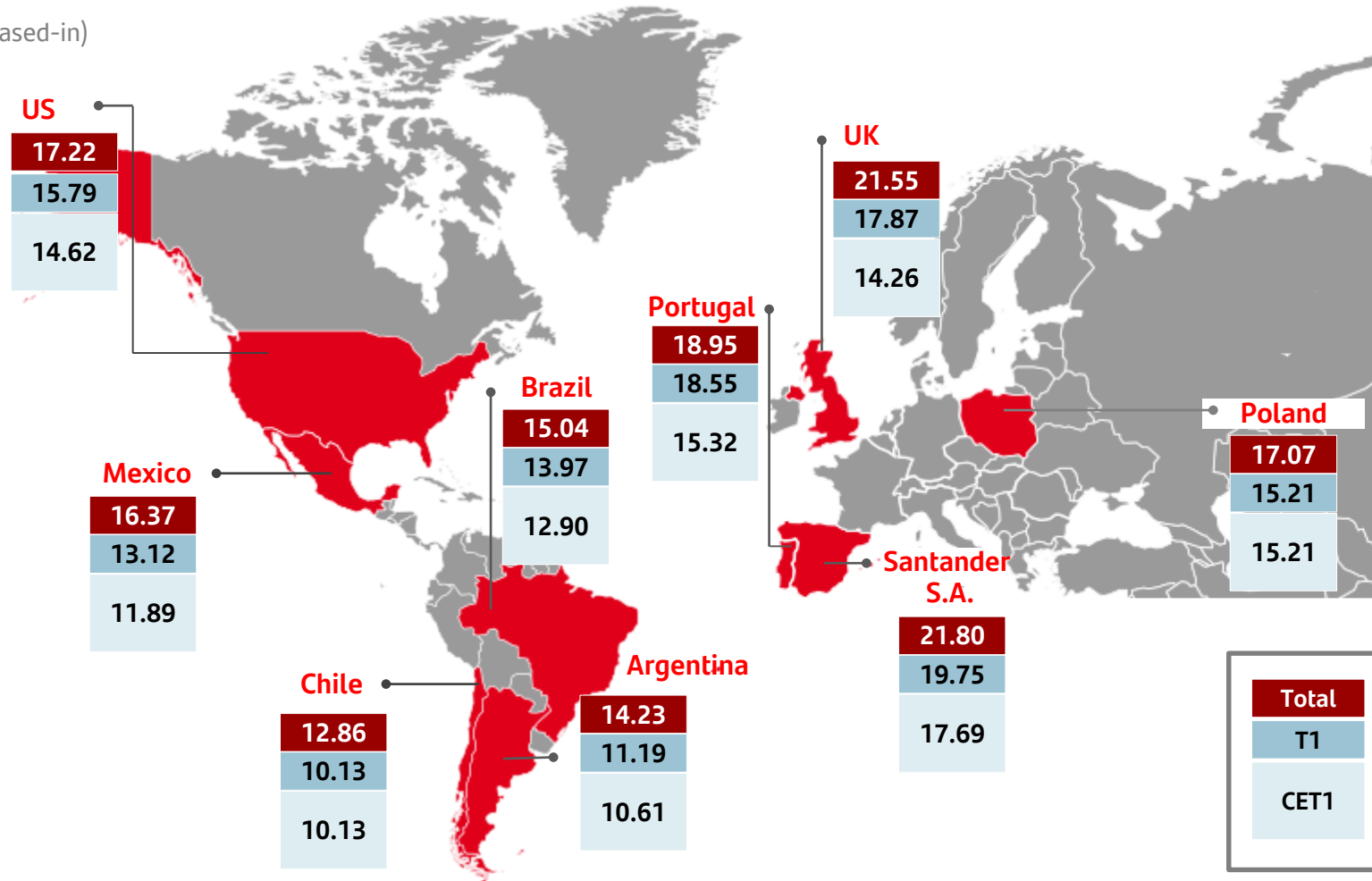


- ▶ We have defined the **Resolution Groups (RGs) mirroring the model of autonomous financial groups** so that all entities have been assigned to one RG
- ▶ Each RG comprises the entity identified as the entry point in resolution and the entities that belong to it

Santander follows an autonomous capital and liquidity model

Capital ratios by country

Dec-19, %, local figures (phased-in)



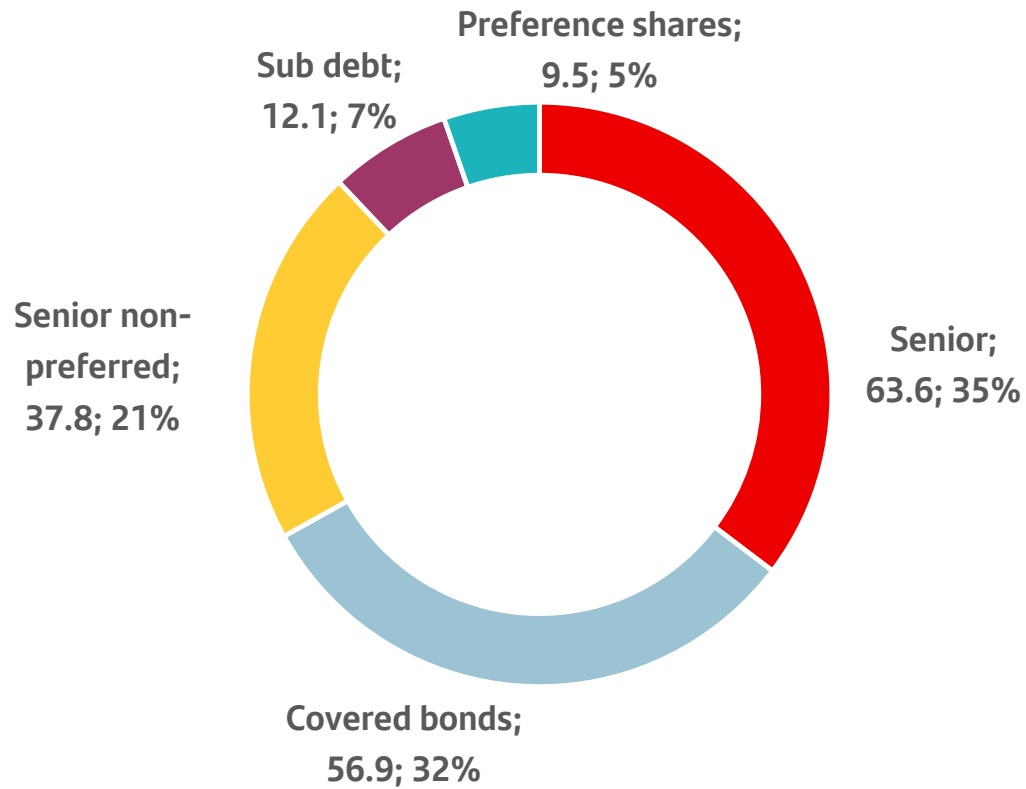
Santander's liquidity management is based on the following principles

- ▶ Decentralised liquidity model
- ▶ Needs derived from medium- and long-term activity must be financed by medium- and long-term instruments
- ▶ High contribution from customer deposits, due to the retail nature of the balance sheet
- ▶ Diversification of wholesale funding sources by instruments/investors, markets/currencies and maturities
- ▶ Limited recourse to wholesale short-term funding
- ▶ Availability of sufficient liquidity reserves, including the discount window / standing facility in central banks to be used in adverse situations
- ▶ Compliance with regulatory liquidity requirements both at Group and subsidiary level, as a new conditioning management factor

Stock of issuances shows diversification across instruments and entities

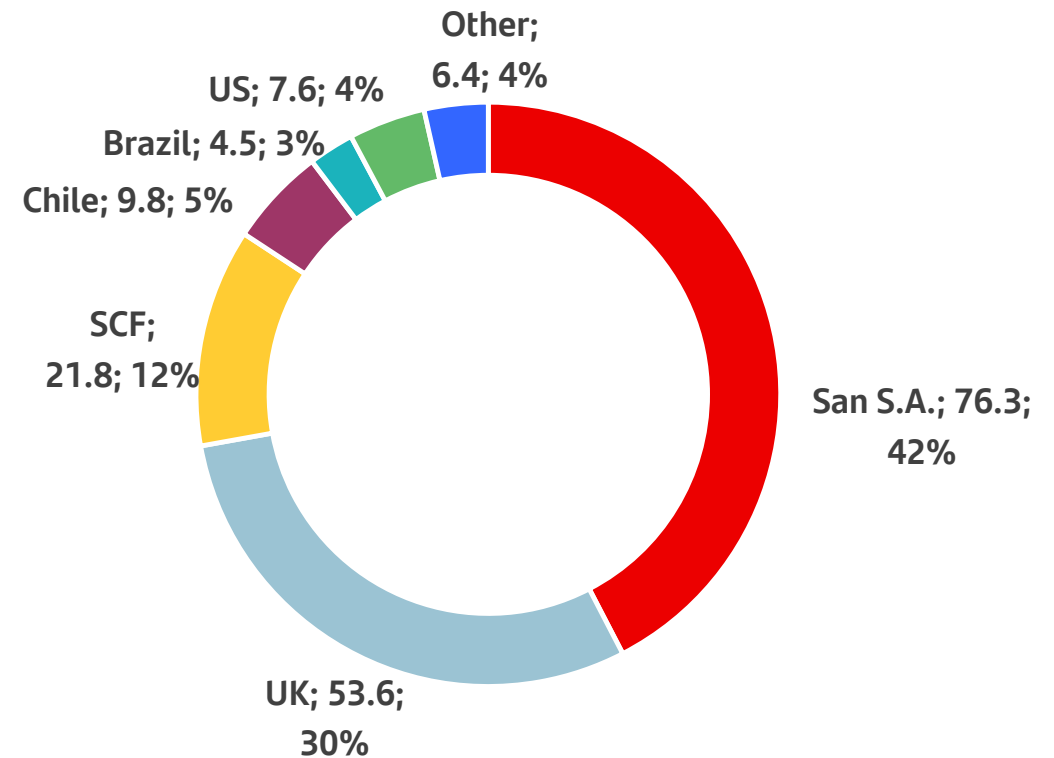
Debt outstanding by type

EUR bn and %, Mar-20



Debt outstanding by issuer entity

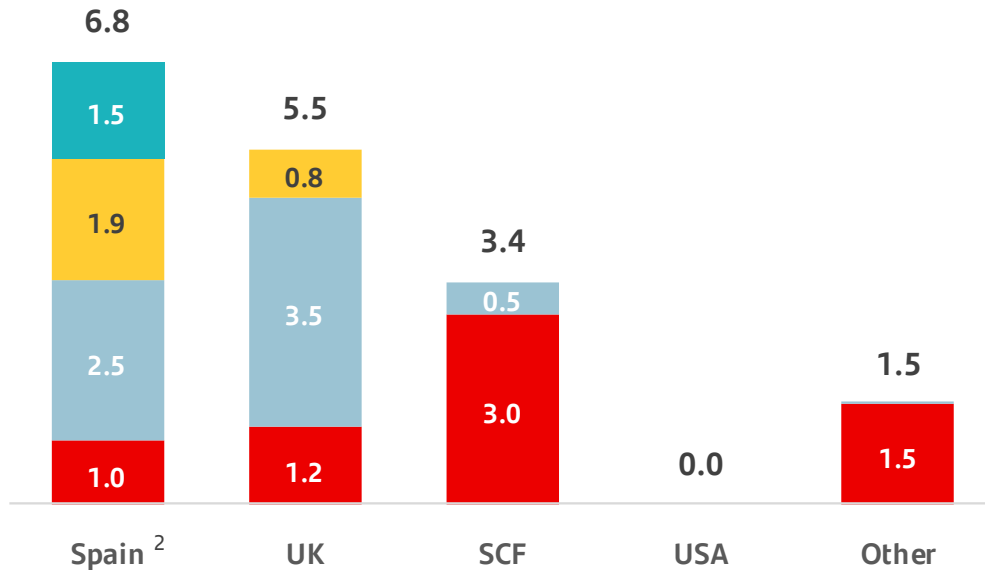
EUR bn and %, Mar-20



Conservative and decentralised liquidity and funding model

EUR 17 bn¹ issued in public markets in Q1'20

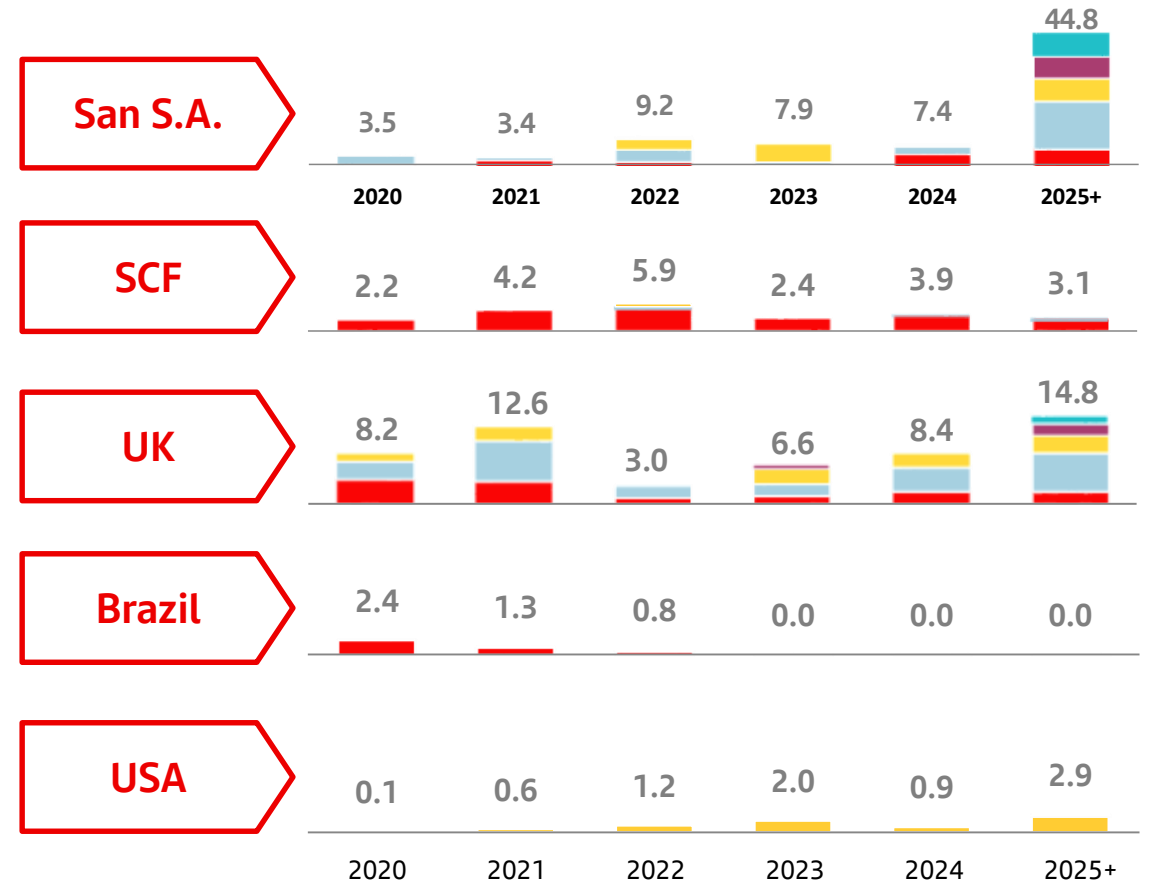
EUR bn, Mar-20



▶ Other public market issuances in Chile and Poland

Very manageable maturity profile

EUR bn, Mar-20



1. Data include public issuances from all units with period-average exchange rates. Excludes securitisations
Note: preference shares also includes other AT1 instruments.

2. Includes Banco Santander S.A. and Santander International Products PLC

Issuances YTD against funding plan

2020 Funding plan and issuances

EUR bn, Mar-20

	Covered Bonds + Senior		Senior Non-Preferred		Hybrids		TOTAL	
	Plan	Issued	Plan	Issued	Plan	Issued	Plan	Issued
Santander S.A	4-5	2.9	7-8	1.9	1-2	1.5 ¹	12-15	6.3
SCF	6-8	3.4	-	0.0	-	0.0	6-8	3.4
UK	6-8	4.8	2-3	0.8	-	0.0	8-11	5.5
SHUSA	-	-	1-2	0.0	-	0.0	1-2	0.0
TOTAL	16-21	11.1	10-13	2.6	1-2	1.5	27-36	15.3²

- Frontloading of issuances in the first quarter, having issued EUR 16 billion² despite recent volatility and uncertainty
- Liquidity position remains solid, with LCR above minimum regulatory requirements and ample liquidity buffers in all of our units. Future liquidity needs will be funded through a combination of new issuances and access to central bank facilities depending on market situation/conditions

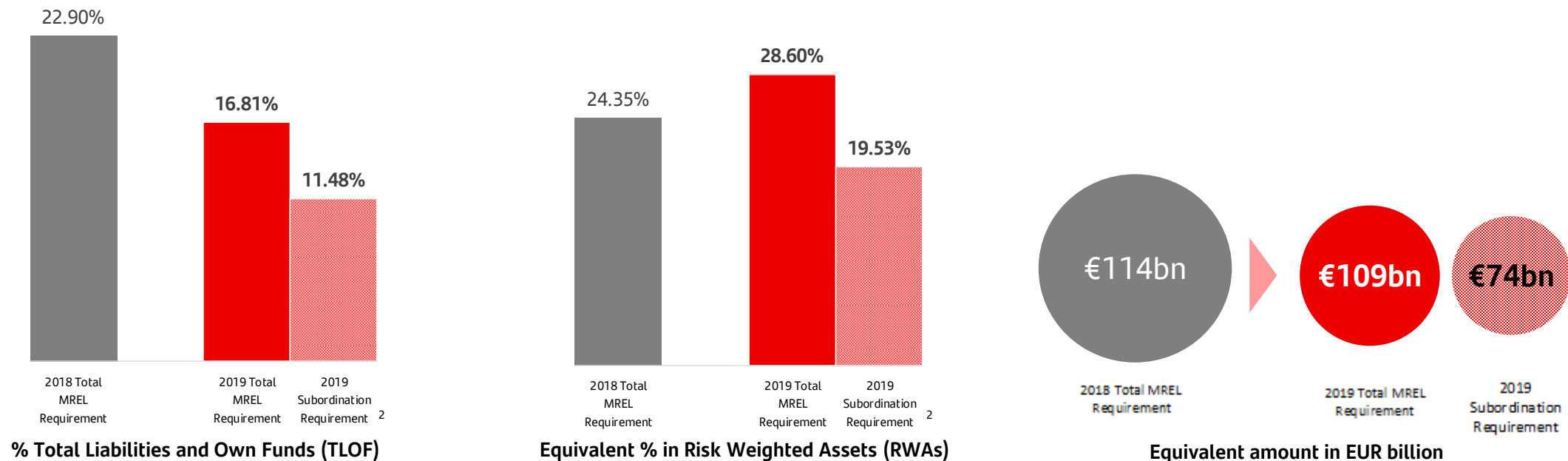


Note: Issuance plan subject to, amongst other considerations, market conditions and regulatory requirements. Other secured issuances (for example ABS, RMBS, etc) are not considered in the table above

1. Issuance of EUR 1.5 bn AT1 (4.375%) in January 2020, replacing the EUR 1.5 billion AT1 (5.481%) that was called in March, therefore not within the scope of funding plan

2. EUR 16 billion refers to the four entities given in the table. See previous slide for full Group figures

Santander S.A. MREL requirement¹



The variation in the MREL requirement with respect to 2018 is accounted for mainly by two factors:

- A change in the scope of consolidation of the Resolution Group, which now includes new companies
- A modification in the calculation of capital consumption due to equity risk

According to our estimates, the **Resolution Group complies with the new MREL requirement and the subordination requirement.** Future requirements are subject to ongoing review by the resolution authority

Note: 2018 values as communicated 24/05/18, 2019 values as communicated 28/11/19.

1. The Resolution Group comprises Banco Santander, S.A. and the entities that belong to the same European resolution group (Santander Consumer Finance. S.A.) At 31 December 2017, the Resolution Group had risk-weighted assets amounting to EUR 379,835 million and TLOF amounting to EUR 646,233 million

2. The SRB considers that the subordination requirement can be covered by non-subordinated instruments in an amount equivalent to 2.5% of risk-weighted assets, 1.47% in terms of TLOF, having considered the absence of material adverse impact on resolvability. If this allowance were taken into account, the requirement that would have to be covered by subordinated instruments would be 10.01% in terms of TLOF and 17.03% in terms of RWAs, using data as of December 2017 as a reference

TLAC ratios for the Resolution Group headed by Banco Santander, S.A.

TLAC Ratio

EUR mn, 31 December 2019

Own Funds	91,294
of which: Common Equity Tier 1 (CET1) capital	75,683
of which: Additional Tier 1 (AT1) capital	7,742
of which: Tier 2 (T2) capital	7,869
Eligible Liabilities	24,138
Subordinated instruments	673
Non preferred senior debt	16,473
Preferred senior debt and equivalent instruments	6,992
TLAC BEFORE DEDUCTIONS	115,431
Deductions	62,405
TLAC AFTER DEDUCTIONS	53,026
Risk Weighted Assets (RWAs)	279,680
TLAC RATIO (% RWAs)	19.0%
Leverage Exposure (LE)	672,721
TLAC RATIO (% LE)	7.9%

TLAC ratio as at 31-Dec-19:

- 19%¹ of RWAs vs 16% requirement
- 7.9% of leverage ratio exposure vs 6% requirement

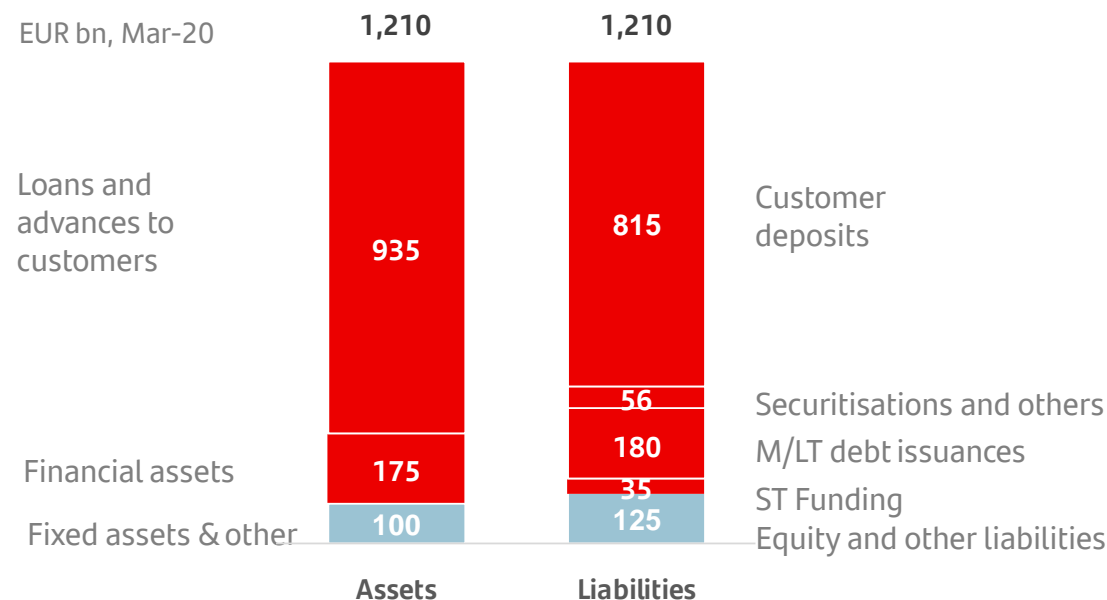
Breakdown of own funds and eligible liabilities

EUR mn, 31 December 2019

	Most subordinated → Most senior						Total
	1	3	4	5	6	7	
1 Description of creditor ranking (free text)	Shares	AT1 instruments	Tier 2 instruments	Other sub debt	Senior non-preferred debt	Senior preferred debt	Total
2 Total capital and liabilities net of credit risk mitigation	67,952	8,250	7,600	75	16,473	166,048	266,398
3 Subset of row 2 that are excluded liabilities	0	0	0	0	0	109,899	109,899
4 Total capital and liabilities less excluded liabilities (row 2 - row 3)	67,952	8,250	7,600	75	16,473	56,149	156,499
5 Subset of row 4 that are potentially eligible as TLAC	67,952	8,250	7,600	75	16,473	10,925	111,274
6 Subset of row 5 with 1 year ≤ residual maturity < 2 yrs	0	0	0	63	0	1,564	1,627
7 Subset of row 5 with 2 yrs ≤ residual maturity < 5 yrs	0	0	66	0	10,439	5,880	16,385
8 Subset of row 5 with 5 yrs ≤ residual maturity < 10 yrs	0	0	7,534	0	5,103	2,657	15,294
9 Subset of row 5 with residual maturity ≥ 10 yrs, excl. perpetual securities	0	0	0	0	931	824	1,754
10 Subset of row 5 that is perpetual securities	67,952	8,250	0	12	0	0	76,214

Well-funded, diversified, prudent and highly liquid balance sheet (large % contribution from customer deposits), actively reinforcing already strong LCR ratios following COVID -19 crisis

Liquidity Balance Sheet



HQLAs³

EUR bn, Mar-20

HQLAs Level 1	199.8
HQLAs Level 2	14.0
▶ Level 2A	6.9
▶ Level 2B	7.1

	Liquidity Coverage Ratio (LCR)		Net Stable Funding Ratio (NSFR)
	Mar-20 ¹	Dec-19	Dec-19
Spain ²	134%	143%	103%
SCF	280%	248%	106%
UK ²	142%	145%	124%
Portugal	135%	134%	104%
Poland	143%	149%	130%
US	153%	133%	111%
Mexico	125%	133%	121%
Brazil	135%	122%	112%
Chile	188%	143%	108%
Argentina	178%	196%	154%
Group	146%	147%	112%

The main metrics show the strength and stability of the Group's liquidity position

Evolution of key liquidity metrics¹

	2016	2017	2018	2019	Mar-20
Loans ² / net assets	75%	75%	76%	77%	77%
Loan-to-deposit ratio (LTD) ²	114%	109%	113%	114%	115%
Customer deposits and medium- and long-term funding / loans ²	114%	115%	114%	113%	112%
Short-term wholesale funding / net liabilities	3%	2%	2%	3%	3%
Structural liquidity surplus / net liabilities	14%	15%	13%	13%	12%
Encumbrance	25%	28%	25%	24%	24% ³

LTD and MLT funding metrics by geography

Mar-20

	(Deposits + M/LT funding)	
	LTD Ratio	/ Loans ²
Spain	79%	167%
SCF	262%	68%
UK	124%	103%
Portugal	94%	116%
Poland	92%	115%
US	125%	119%
Mexico	91%	117%
Brazil	102%	116%
Chile	135%	101%
Argentina	54%	184%
GROUP	115%	112%

Banco Santander S.A. ratings

	Moody's			S&P			Fitch		
	Rating	Date last change	Direction last change	Rating	Date last change	Direction last change	Rating	Date last change	Direction last change
Covered Bonds	Aa1	03/12/2019	↑	-	-	-	AA	04/12/2019	↑
Senior Debt	(P)A2	17/04/2018	↑	A	06/04/2018	↑	A	17/07/2018	↑
Senior Non-preferred	Baa1	27/09/2017	↑	A-	06/04/2018	↑	A-	09/02/2017	Initial
Subordinated	(P)Baa2	04/03/2014	↑	BBB+	06/04/2018	↑	BBB	27/03/2020	↓
AT1	Ba1	20/04/2017	↑	-	-	-	BB+	27/03/2020	↑
Short Term Debt	P-1	17/04/2018	↑	A-1	06/04/2018	↑	F2	17/07/2018	↓

Santander Parent & Subsidiaries' Senior Debt Ratings

	Moody's				S&P				Fitch			
	Rating	Date last change	Direction last change	Outlook	Rating	Date last change	Direction last change	Outlook	Rating	Date last change	Direction last change	Outlook
Group	(P)A2	17/04/2018	↑	STABLE	A	06/04/2018	↑	STABLE	A	17/07/2018	↑	NEG
San UK PLC	Aa3	21/12/2016	-	NEG	A	09/06/2015	↑	STABLE	A+	20/12/2019	↑	NEG
San UK Group Holding PLC	(P)Baa1	16/09/2015	↓	NEG	BBB	10/04/2015	↑	STABLE	A	20/12/2019	↑	NEG
Santander Consumer Finance	A2	17/04/2018	-	STABLE	A-	06/04/2018	-	STABLE	A-	29/05/2014	↑	NEG
Banco Santander Totta SA	Baa3	16/10/2018	↓	STABLE	BBB	18/03/2019	↑	POS	BBB+	21/12/2017	↑	NEG
Santander Holding US	Baa3	18/10/2016	↓	STABLE	BBB+	06/04/2018	↑	STABLE	BBB+	17/11/2017	↑	NEG
Banco Santander Mexico	A3	14/06/2016	↑	NEG	-	-	-	-	BBB+	13/06/2012	↓	NEG
Banco Santander Chile	A1	27/07/2018	↓	NEG	A	04/08/2017	↑	NEG	A	17/08/2017	↓	NEG
Santander Bank Polska	A3	03/06/2019	↑	STABLE	-	-	-	-	BBB+	18/09/2018	Initial	NEG
Banco Santander Brasil	Ba1	25/02/2016	↓	STABLE	BB-	12/01/2018	↓	STABLE	-	-	-	-
Kingdom of Spain*	Baa1	13/04/2018	↑	STABLE	Au	20/09/2019	↑	STABLE	A-	19/01/2018	↑	STABLE

Index



Q1 summary &
COVID-19



Santander
Business
Model &
Strategy



Capital



Asset
Quality



Liquidity &
Funding



**Concluding
Remarks**



Appendix



Concluding Remarks

- ▶ The Group's stable capital generation has been supported by strong pre-provision profits providing Santander with a high capacity to absorb provisions
- ▶ Strong capital levels in line with Santander's business model based on geographic diversification, solid market positions in areas where it operates and independent subsidiary model in terms of capital and liquidity
- ▶ The Group is above the regulatory capital requirement with significant payment capacity from available distributable items, while maintaining comfortable margins to conversion and MDA triggers
- ▶ According to our estimates, the Santander S.A. Resolution Group complies with the new MREL and subordination requirements¹, TLAC² and Group capital buffers
- ▶ Comfortable liquidity position: Compliance with regulatory liquidity requirements established at Group and subsidiary levels ahead of schedule, with high availability of liquidity reserves

Index



Q1 summary &
COVID-19



Santander
Business
Model &
Strategy



Capital



Asset
Quality



Liquidity &
Funding



Concluding
Remarks



Appendix



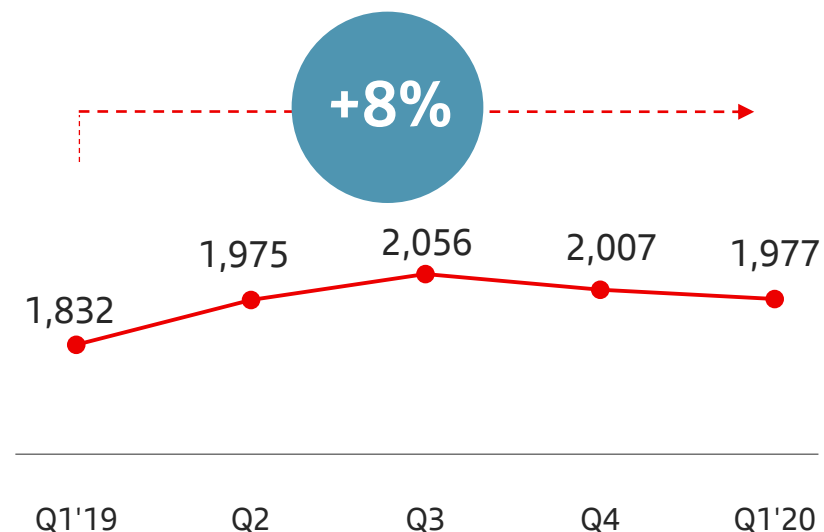
Q1'20 underlying results continued to grow, marginally affected by the crisis

EUR mn	Q1'20	% vs. Q1'19	
		Euros	Constant euros
Net interest income	8,487	-2	3
Net fee income	2,853	-3	3
Customer revenue	11,340	-2	3
Trading and other income	474	0	2
Total income	11,814	-2	3
Operating expenses	-5,577	-3	1
Net operating income	6,237	-1	5
Loan-loss provisions	-2,309	6	12
Other results	-372	-21	-17
Underlying PBT	3,556	-3	3
Underlying attributable profit	1,977	1	8
Net capital gains and provisions ¹	-1,646	—	—
Attributable profit	331	-82	-80

(1) In Q1'20: Provisions overlay EUR 1,600 mn related to COVID-19 and restructuring costs of EUR 46 mn.

Underlying attributable profit

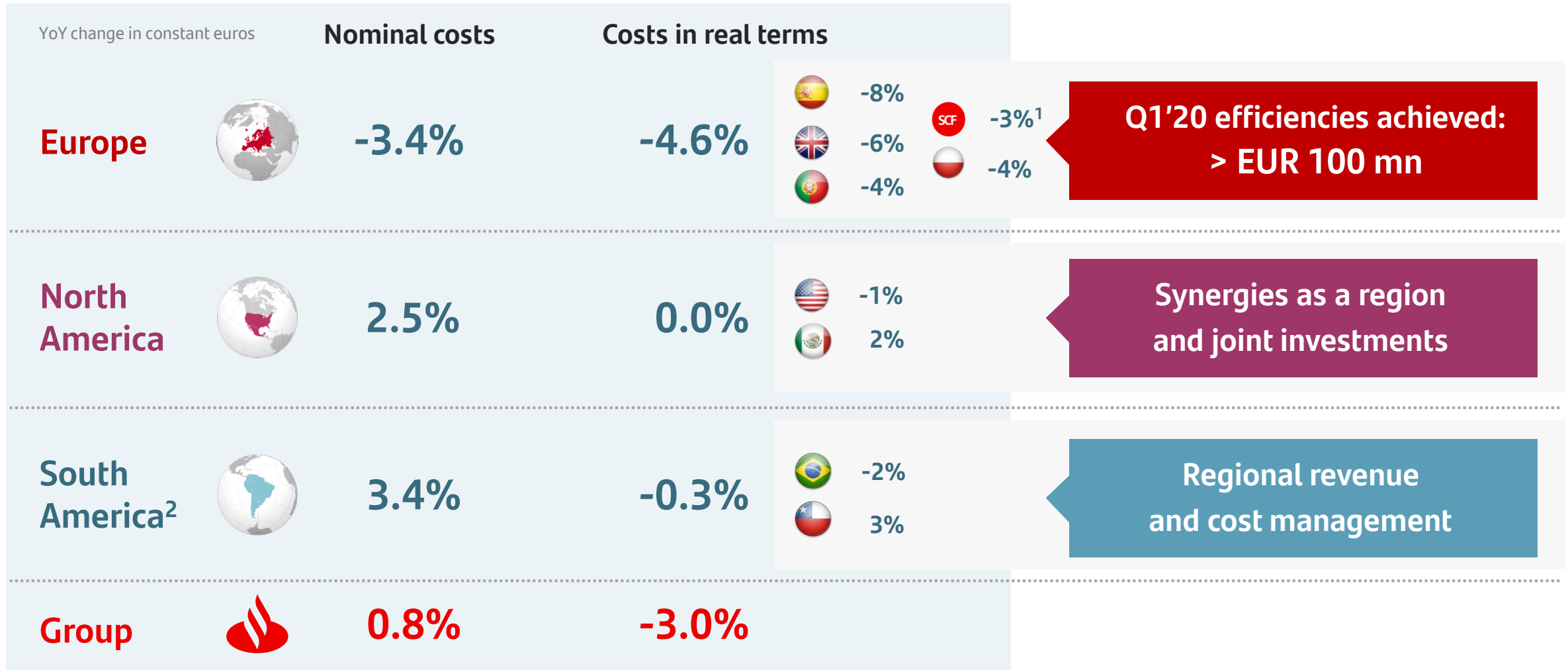
Constant EUR mn



Attributable profit

1,675	1,269	450	2,656	331
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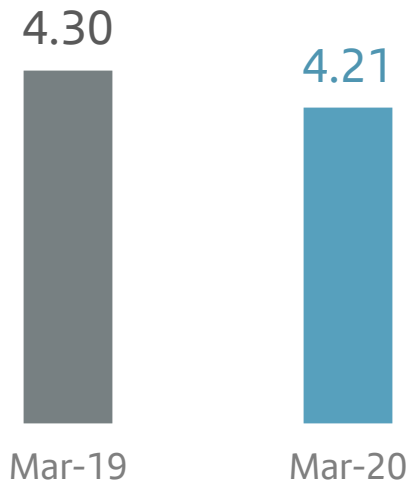
We are on track to meet our efficiency plan



Resilient underlying profitability in Q1'20

TNAV per share

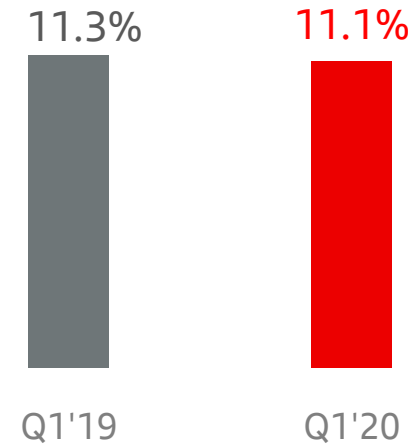
EUR



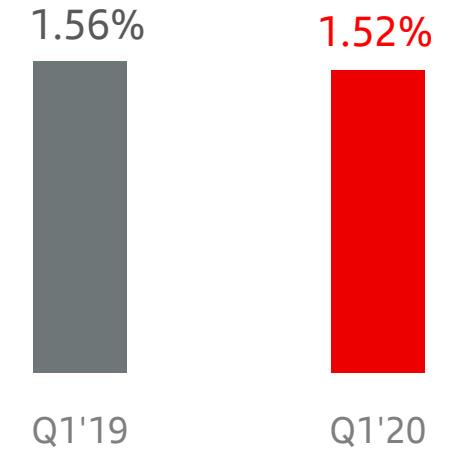
**TNAV per share + Dividend per share:
+1.8% YoY**

Profitability ratios

Underlying RoTE¹



Underlying RoRWA¹



1. Statutory RoTE Q1'19 11.2% and Q1'20 8.8%. Statutory RoRWA Q1'19 1.54% and Q1'20 1.25%.

Notes: The averages for the Q1 RoTE and RoRWA denominators are calculated on the basis of 4 months from December to March.

For periods of less than a year, and in the event of non-recurring results existing, the profit used to calculate the statutory RoTE is the annualised underlying attributable profit (excluding non-recurring results), to which are added non-recurring results without annualising them.

For periods of less than a year, and in the event of non-recurring results existing, the profit used to calculate the statutory RoRWA is the annualised underlying consolidated result (excluding non-recurring results), to which is added non-recurring results without annualising them.

Total assets and profit generation by geography

Total assets by geography

Constant EUR bn, Mar-20

	Total	YoY Change ex. FX	
		abs.	%
Spain	315,778	-27,608	-8.0
SCF	118,911	12,351	11.6
UK	335,852	10,442	3.2
Portugal	56,086	-534	-0.9
Poland	43,417	1,638	3.9
US	167,759	20,789	14.1
Mexico	72,834	17,286	31.1
Brazil	152,267	26,348	20.9
Chile	66,372	22,602	51.6
Argentina	11,042	2,597	30.8

Profitability by geography

Underlying attributable profit in constant EUR mn, Underlying RoTE in %, Mar-20

	Total	YoY Change ex. FX		RoTE
		abs.	%	
Spain	352	-4	-1.1	9.0
SCF	304	-17	-5.3	13.9
UK	188	-70	-27.1	5.2
Portugal	120	-15	-11.3	12.9
Poland ¹	38	-23	-38.2	4.7
USA ²	273	86	46.1	7.0
Mexico	249	45	22.0	18.0
Brazil	694	63	10.1	22.0
Chile	125	-2	-1.6	15.1
Argentina	59	52	745.1	30.1

The Group's inaugural Green Bond Issuance was completed 1 Oct 2019, supporting Santander's Responsible Banking agenda

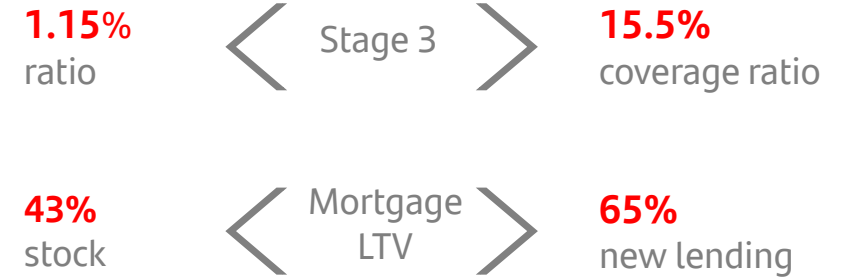
Bond Issuance	<table border="0"> <tr> <td data-bbox="621 282 1192 389"> Issuer: Banco Santander Rating: A2/A/A (Moody's/S&P/Fitch) Notional: EUR 1 bn </td> <td data-bbox="1205 282 1775 389"> Type: Senior Preferred Maturity: 7 years Fix/Float: Fixed </td> <td data-bbox="1788 282 2354 389"> Coupon: 0.300% Re-offer spread: MS + 65 bps Re-offer price / yield: 99.779%/0.332% </td> </tr> </table>	Issuer: Banco Santander Rating: A2/A/A (Moody's/S&P/Fitch) Notional: EUR 1 bn	Type: Senior Preferred Maturity: 7 years Fix/Float: Fixed	Coupon: 0.300% Re-offer spread: MS + 65 bps Re-offer price / yield: 99.779%/0.332%
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Use of proceeds	<p>Financing and refinancing loans related to Renewable Energy:</p> <ul style="list-style-type: none"> • Solar: photovoltaic plants and concentrated solar power • Wind: onshore and offshore 			
Governance	<ul style="list-style-type: none"> • Sustainable Bond Steering Group, comprising Financial Management, Sustainability, Risk and CIB: Review use of proceeds and ensure compliance with the Global Sustainable Bonds Framework (link) • Dedicated Project Finance department for renewable energy: selection and financing of green bond eligible assets 			
Management of proceeds	<ul style="list-style-type: none"> • Portfolio of eligible assets at least equal to the outstanding amount of green bonds • Share of refinancing not to exceed 50% • Intention to allocate the net proceeds within 36 months after settlement • Unallocated proceeds managed in line with normal liquidity management policy 			
Reporting	<p>Annual reporting on:</p> <ul style="list-style-type: none"> • Proceeds allocation (type of asset, annual energy produced and capacity installed) • Environmental impact (e.g.CO₂ avoided/reduced) 			
External review	<p>Vigeo Eiris</p> <ul style="list-style-type: none"> • Second party opinion on the sustainability credentials of the sustainable bond programme • Annual verification on the allocation of funds and CO₂ avoided 			

Credit quality remains very good, supported by our prudent approach to risk

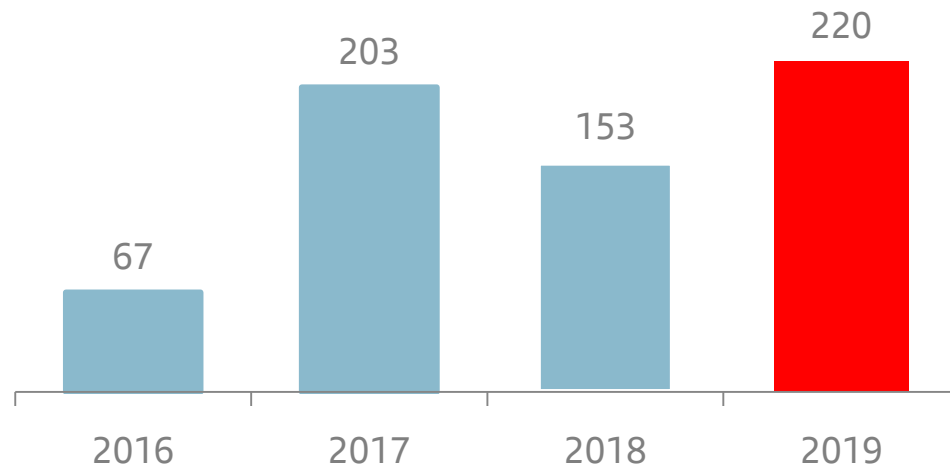
Cost of risk¹ (bps)



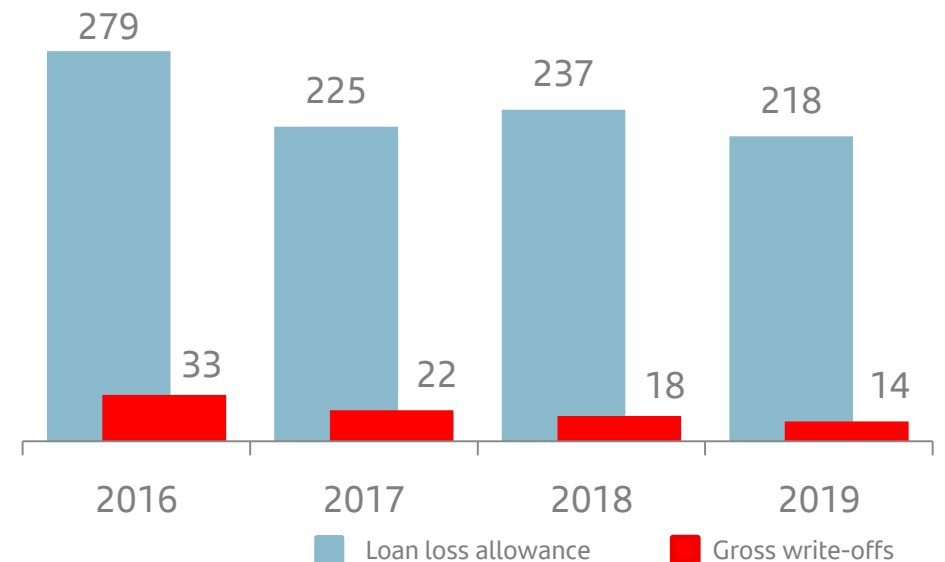
Outlook: Impairments likely to increase slightly



Credit impairment losses (£m)

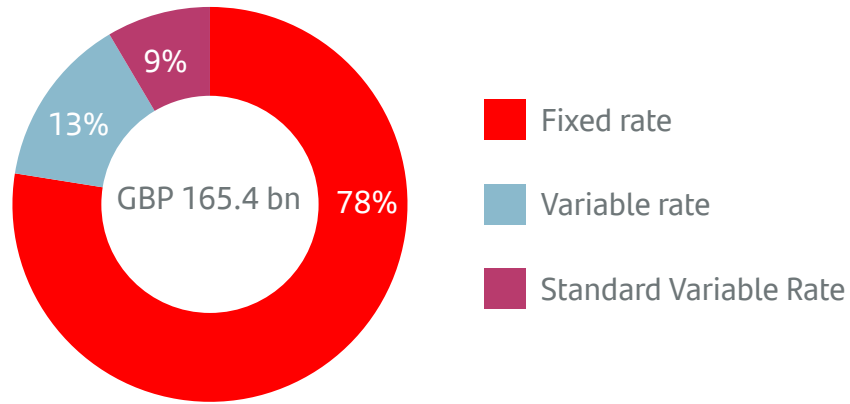


Mortgage loan loss allowance and gross write-offs (£m)

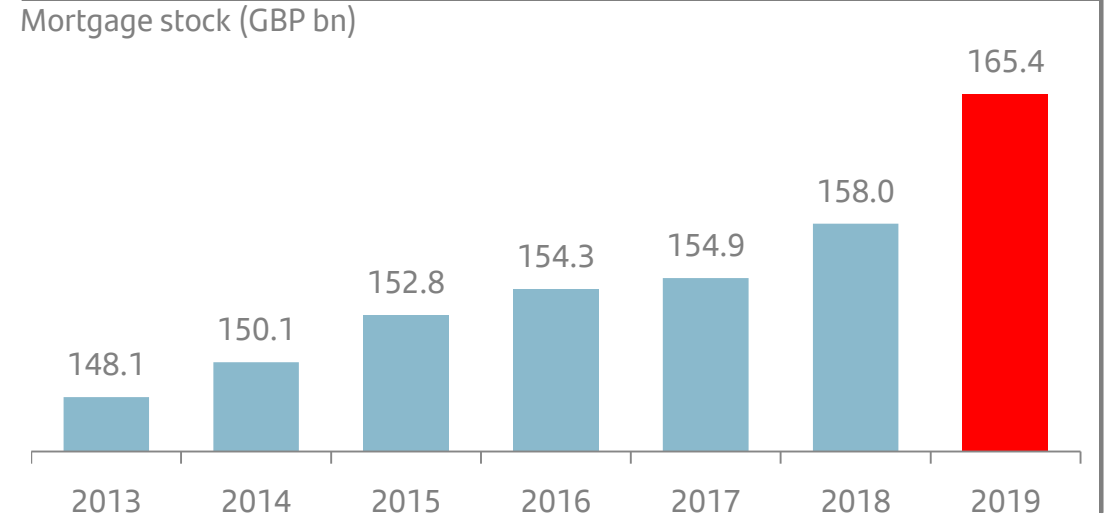


Strongest mortgage growth in a decade with £7.4bn net lending in 2019

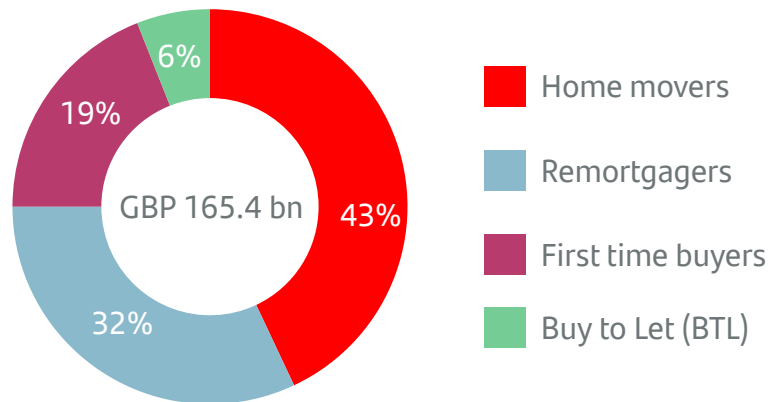
Residential mortgage product profile (Dec-19)



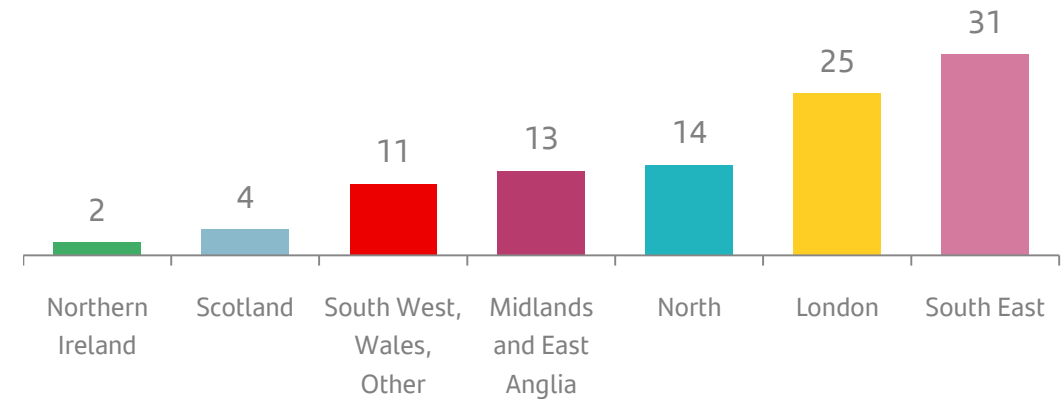
Outlook: Net mortgage lending likely to be in line with market



Residential mortgage borrower profile (Dec-19)



Geographical distribution stock %, (Dec-19)



Glossary and Acronyms

- **ADIs:** Available distributable items
- **bn:** Billion
- **bps:** Basis points
- **BTL:** Buy-to-Let
- **CCoB:** Capital Conservation Buffer
- **CCyB:** Countercyclical buffer
- **CET1:** Common equity tier 1
- **CIB:** Corporate & Investment Banking
- **COVID-19:** Corona Virus Disease 19
- **DGF:** Deposit Guarantee Fund
- **DPS:** Dividend per share
- **EPS:** Earning per share
- **FL:** Fully loaded
- **G-SIBs:** Global Systemically Important Banks
- **HTC:** Held to collect portfolio
- **HTC&S:** Held to collect & sell portfolio
- **k:** thousands
- **LTV:** Loan-to-Value
- **LLPs:** Loan-loss provisions
- **MDA:** Maximum distributable amount
- **M/LT:** Medium- and long-term
- **mn:** Million
- **MPE:** Multiple Point of Entry
- **MREL:** Minimum Required Eligible Liabilities
- **NII:** Net interest income
- **NPL:** Non-performing loans
- **PBT:** Profit before tax
- **P&L:** Profit and loss
- **PPP:** Pre-Provision Profit
- **QoQ:** Quarter-on-Quarter
- **RoRWA:** Return on risk-weighted assets
- **RWA:** Risk-weighted assets
- **RoTE:** Return on tangible equity
- **SCF:** Santander Consumer Finance
- **SMEs:** Small and Medium Enterprises
- **SRB:** Single Resolution Board
- **SRF:** Single Resolution Fund
- **ST:** Short term
- **SVR:** Standard variable rate
- **TLAC:** Total Loss-Absorbing Capacity
- **TNAV:** Tangible net asset value
- **YoY:** Year-on-Year

Thank you.

Our purpose is to help people
and business prosper.

Our culture is based on believing
that everything we do should be

Simple Personal Fair



MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



FTSE4Good