

H1 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, as these measures exclude items outside the ordinary course performance of our business, which are grouped in the “management adjustment” line and are further detailed in Section 3.2. of the Economic and Financial Review in our Directors’ Report included in our Annual Report on Form 20-F for the year ended 31 December 2019. While we believe that these APMs and non-IFRS measures are useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute of IFRS measures. In addition, other companies, including companies in our industry, may calculate or use such measures differently, which reduces their usefulness as comparative measures. For further details of the APMs and Non-IFRS Measures used, including its definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS, please see the 2019 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission on 6 March 2020, as well as the section “Alternative performance measures” of the annex to the Banco Santander, S.A. (“Santander”) Q2 2020 Financial Report, published as Inside Information on 29 July 2020. These documents are available on Santander’s website (www.santander.com). Underlying measures, which are included in this presentation, are non-IFRS measures.

The businesses included in each of our geographic segments and the accounting principles under which their results are presented here may differ from the included businesses and local applicable accounting principles of our public subsidiaries in such geographies. Accordingly, the results of operations and trends shown for our geographic segments may differ materially from those of such subsidiaries.

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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, changes in demographics, consumer spending, investment or saving habits, and the effects of the COVID-19 pandemic in the global economy; (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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**COVID-19 & H1
summary**



Santander
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Glossary



Following a sharp slowdown in Q1 and early Q2, pre-COVID activity gradually began to return as lockdowns were lifted in the latter part of the quarter..

% Branches open

		Peak lockdown	June	
Europe		26%	78%	Lockdown restrictions eased
		77%	99%	
		69%	83%	
		97%	99%	
		84%	99%	
North America		72%	81%	Some lockdown restrictions remain
		57%	77%	
South America		74%	95%	
		67%	70%	
		99% ¹	100%	

Nearly full operational activity in our:

Branches: c. 90% Group's branches open

ATMs: full availability throughout the crisis

PoS: recovering to near pre-crisis levels, following 25% turnover growth from low reached in April

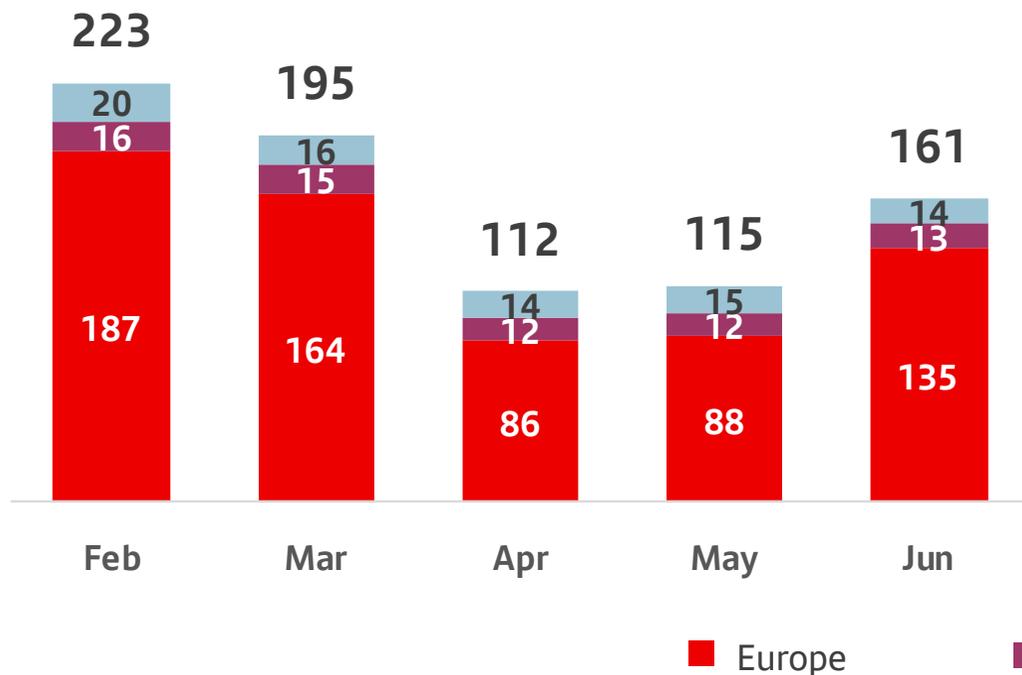
Contact Centres: significant improvement as recovering activity levels.

Our priority is to continue to ensure the health and protection of all employees and customers as well as our business continuity

... which is reflected in signs of normalisation in new retail lending, particularly in Europe...

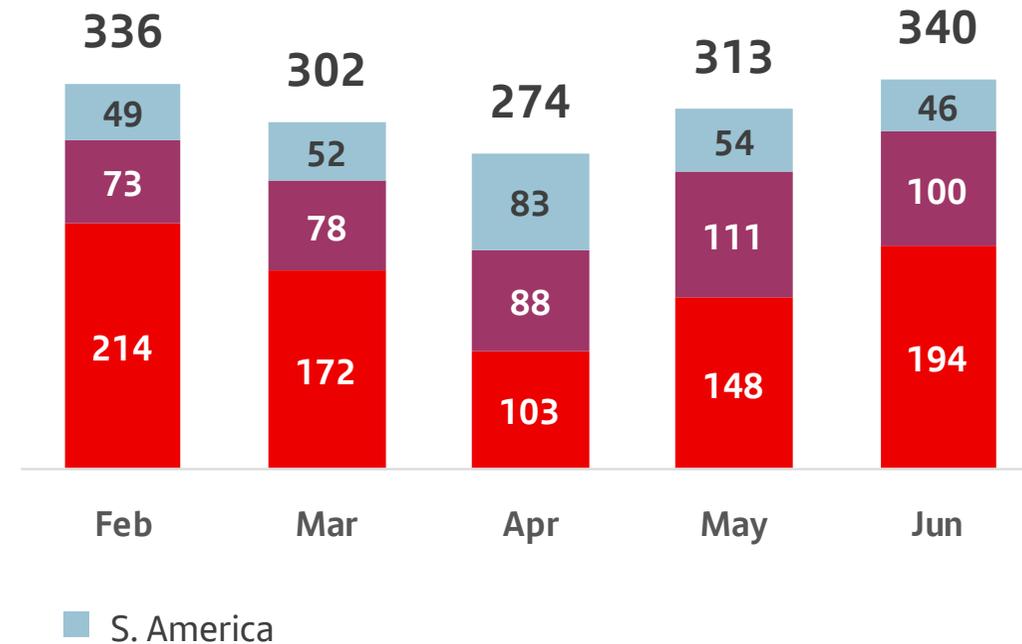
New Mortgage lending¹

(daily average, constant EUR mn)



New Consumer lending¹

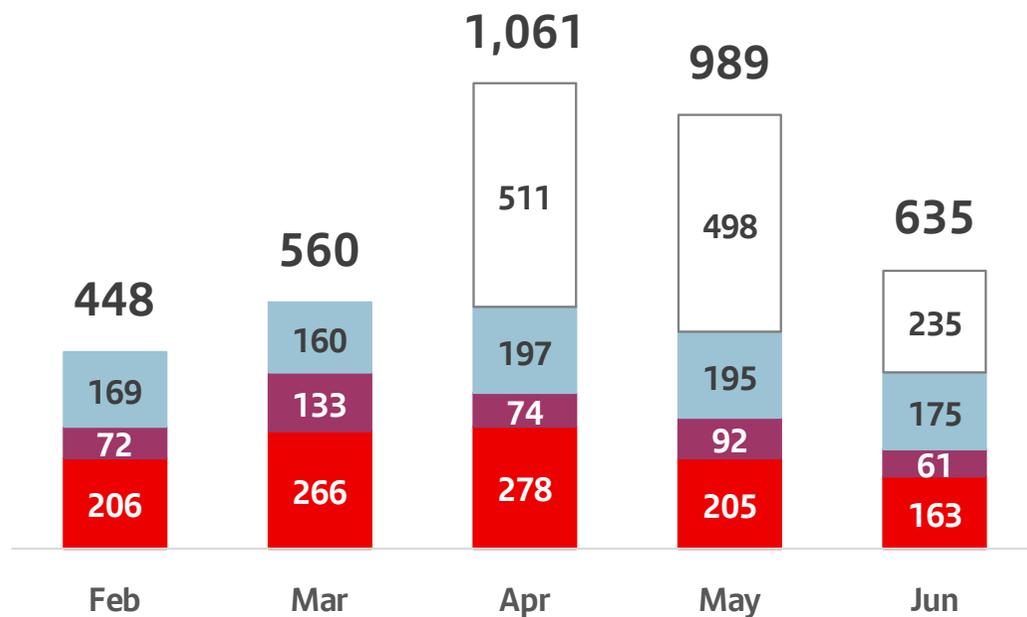
(daily average, constant EUR mn)



... while corporate lending, which has been supported by government guarantees, and CIB volumes have reduced from their peak in April

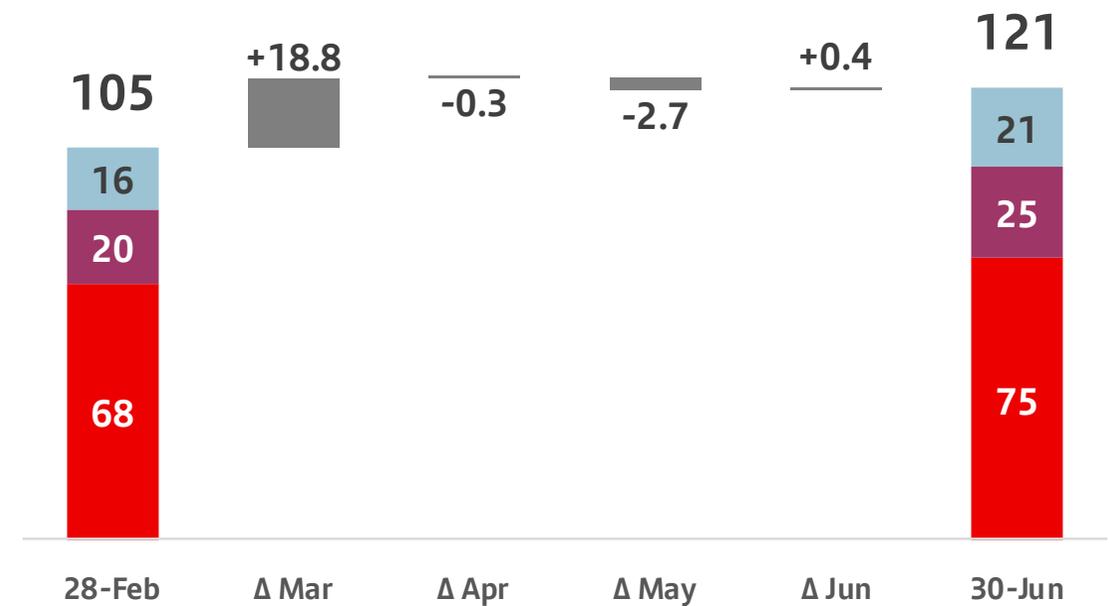
New SME and Corporates lending¹

(daily average, constant EUR mn)



CIB change stock of loans

(L&A to customers excluding reverse repos, constant EUR billion)



■ Europe
 ■ N. America
 ■ S. America
 □ Gov. backed



Note: Geographic regions are calculated as the sum of the largest markets
 (1) Contracts which have been paid in the reporting period which are reflected in stock of loans

In this challenging environment, top line growth remained resilient though profit was impacted by COVID-related provisions and accounting valuation adjustments

EUR mn	H1'20	H1'19	% change	
			Euros	Constant Euros
Net interest income	16,202	17,636	-8	0
Net fee income	5,136	5,863	-12	-4
Customer revenue	21,338	23,499	-9	-1
Trading and other income	1,180	937	26	26
Total income	22,518	24,436	-8	0
Operating expenses	-10,653	-11,587	-8	-2
Net operating income	11,865	12,849	-8	2
Loan-loss provisions ¹	-7,027	-4,313	63	78
Other results	-997	-957	4	12
Underlying PBT	3,841	7,579	-49	-44
Net capital gains and provisions ²	-12,706	-814	—	—
Attributable profit	-10,798	3,231	—	—
Underlying attributable profit	1,908	4,045	-53	-48

Resilient customer revenue even with lower business activity

Strong performance in CIB in the quarter

Accelerating the reduction in our cost base

LLPs impacted by COVID-19 charges

Impairments arising from the deterioration of the macroeconomic scenario related to COVID-19

Detail of net capital gains and provisions

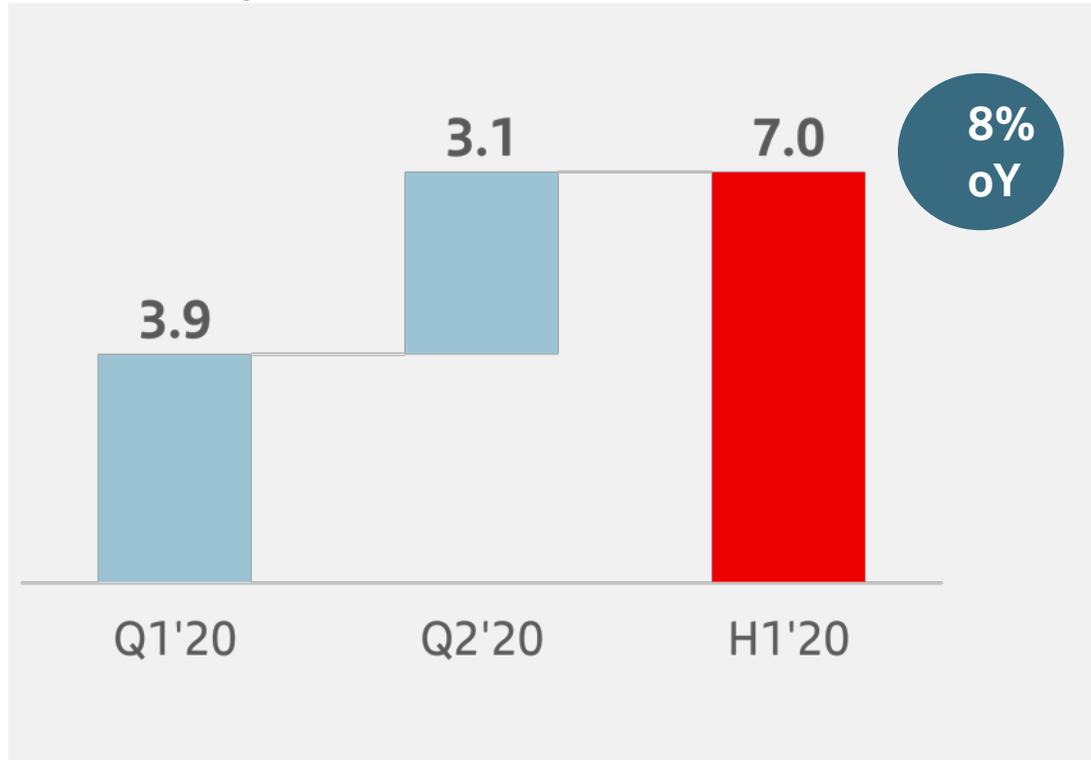
H1'19	
Capital gains Prisma (Argentina)	+150
Restructuring costs	-704
<ul style="list-style-type: none"> • Spain: -600 • UK: -92 • Poland: -12 	
Property sales (Corporate Centre)	-180
PPI ¹ (UK)	-80
Group total	-814

H1'20	
Goodwill impairment	-10,100
<ul style="list-style-type: none"> • UK: -6,101 • US: -2,330 • Poland: -1,192 • SCF (Nordics and others): -477 	
Deferred tax assets	-2,500
Restructuring costs + Others	-106
<ul style="list-style-type: none"> • UK: -33 • SCF: -28 • Poland: -5 • Other: -40 	
Group total	-12,706

Credit quality remains robust despite these circumstances, supported by mitigation measures and volume increases

Loan-loss provisions

EUR bn and YoY growth %



Credit quality ratios

	Jun-19	Mar-20	Jun-20
Cost of credit	0.98%	1.17% ⁽¹⁾	1.26%
NPL ratio	3.51%	3.25%	3.26%
Coverage ratio	68%	71%	72%

(1) Considering annualised YTD provisions and loan portfolio average of the period: 1.62% in Q1'20, 1.46% in H1'20

We are confident in our strengths and business model and the pillars of our strategy remain unchanged

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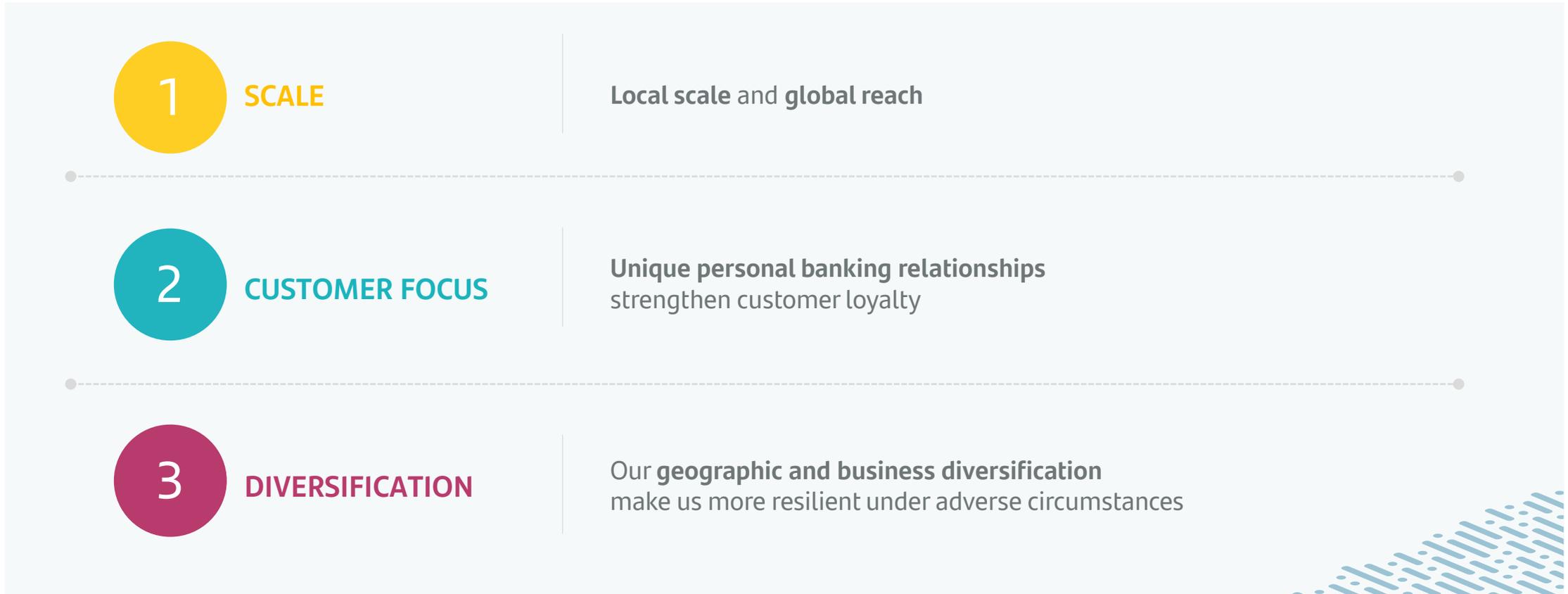
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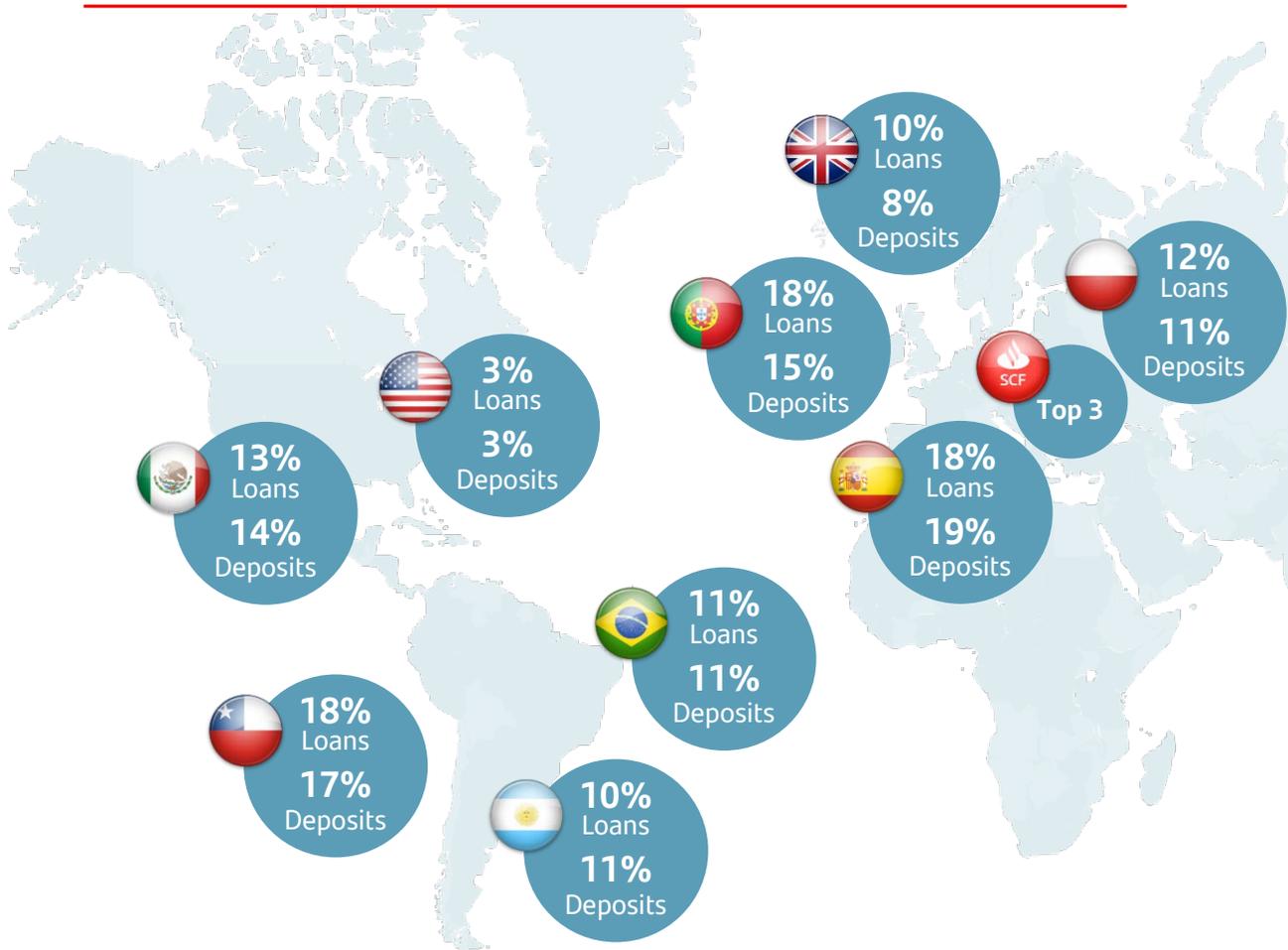


Our business model drives predictable and profitable growth



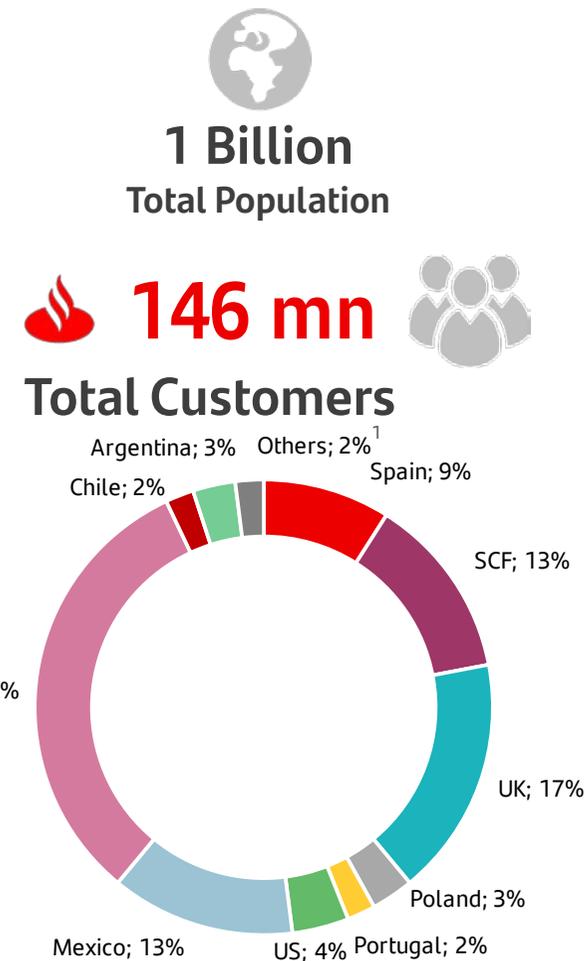
We have in-market scale in our core markets, with customers distributed across geographies with high growth potential

Market shares



Customers distributed across geographies

Jun-20

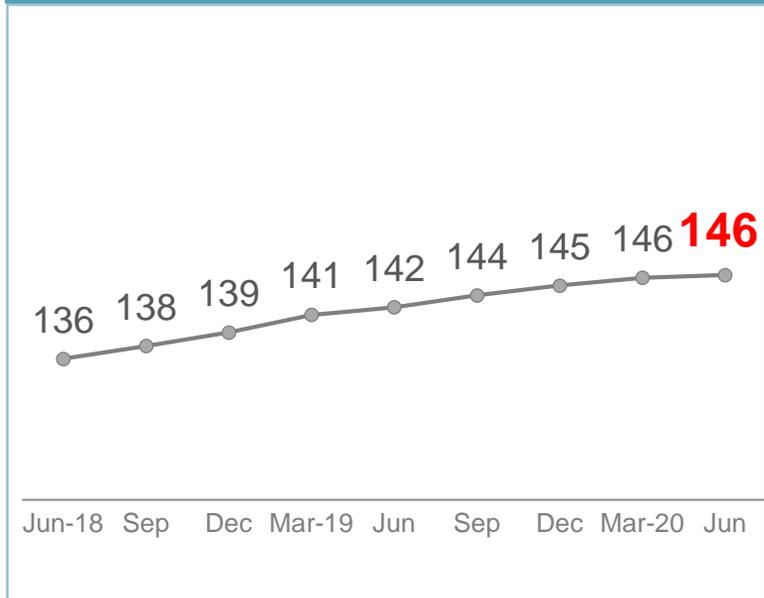


Market share data: As at Mar-20 and the US, SCF, Spain and Argentina latest available. Spain: includes SAN Spain (public criteria) + Openbank + Hub Madrid + SC Spain. The UK: includes London Branch. Poland: including SCF business in Poland. The US: in all states where Santander Bank operates. Brazil: deposits including debenture, LCA (agribusiness notes), LCI (real estate credit notes), financial bills (*tetras financieras*) and COE (*certificates of structured operations*)

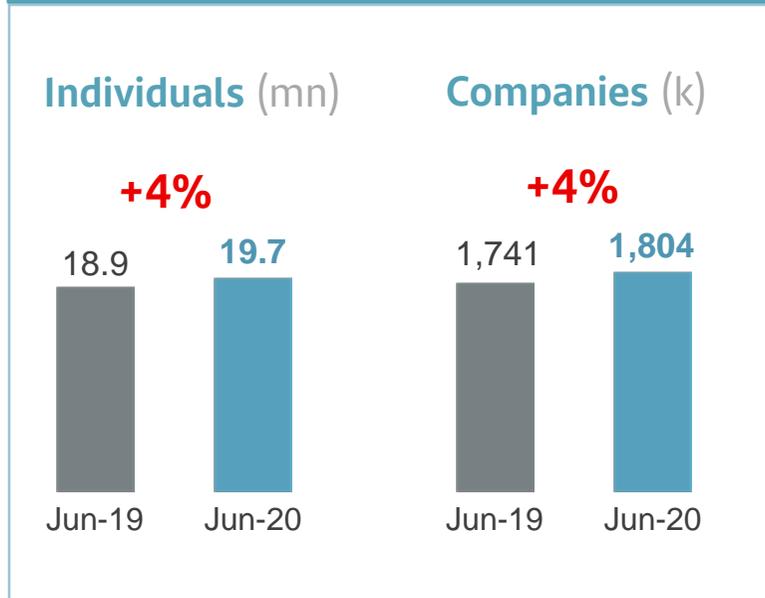
(1) Includes SGP

Our focus on increasing customer loyalty via unique personal banking relationships...

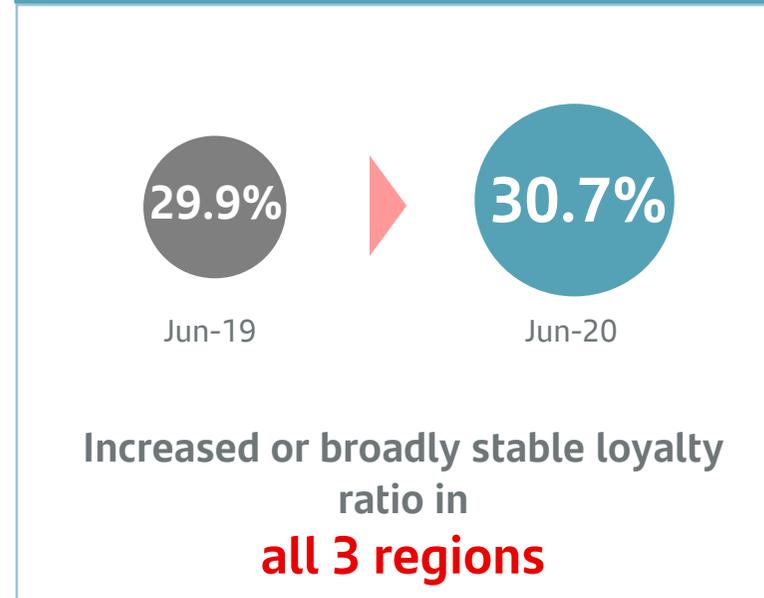
 **Total customers**
146 mn (+3%)



 **Loyal customers**
21.5 mn (+4%)



 **Loyal / Active customers**



... together with an acceleration in digital adoption...



39.9 mn (+15% YoY)
Digital customers¹

Steady growth in our digital customers: **+3.1 mn in H1'20**
vs. +2.0 mn in H2'19

Strong engagement and digital sales:



47% in Q2'20
(44% in H1'20 and 36% in 2019)

Digital sales² as % of total sales



+27% YoY

Accesses³
(online & mobile)



+23% YoY

Transactions⁴
(monetary & voluntary)

Digital customers:



4.6 mn



6.1 mn



5.1 mn



14.5 mn

Strong mobile customer growth:



32.2 mn (+22% YoY)
Mobile customers

+5.8 mn YoY
+3.0 mn YTD

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

Culture

Engagement

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

Women

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



Leader

Sustainability

>EUR 20 bn

mobilised in Green finance (2019-Q1'20)

EUR 1 bn

Santander first green bond issuance (Oct-19)

EUR 1 bn

Santander second green bond issuance (June-20)

Most sustainable bank in the world



Dow Jones index²

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 microentrepreneurs³ (+73% vs. 2018)



PRINCIPLES FOR RESPONSIBLE BANKING



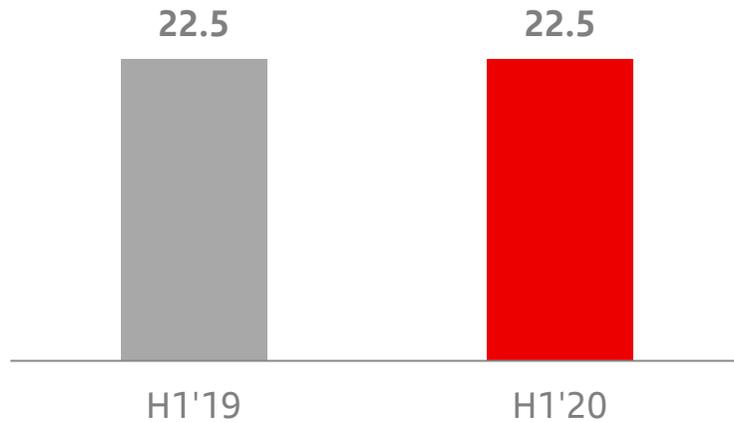
MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM



... improves operational excellence by helping to deliver resilient top line performance and increased cost savings

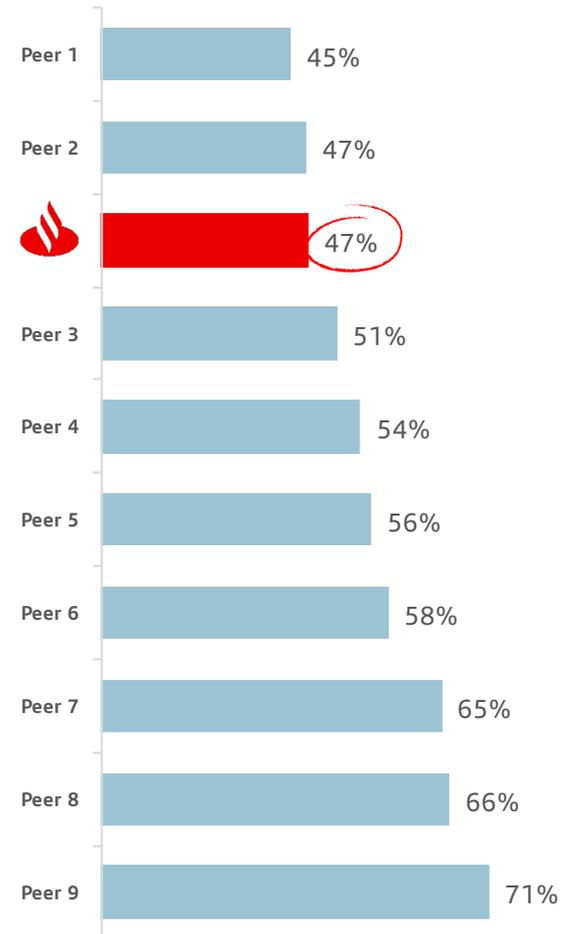
Resilient revenue despite COVID crisis...

Total income, constant EUR mn



...with one of the best cost-to-income among peers¹

Cost-to-income, Peer data Q1'19, Santander Q2'20

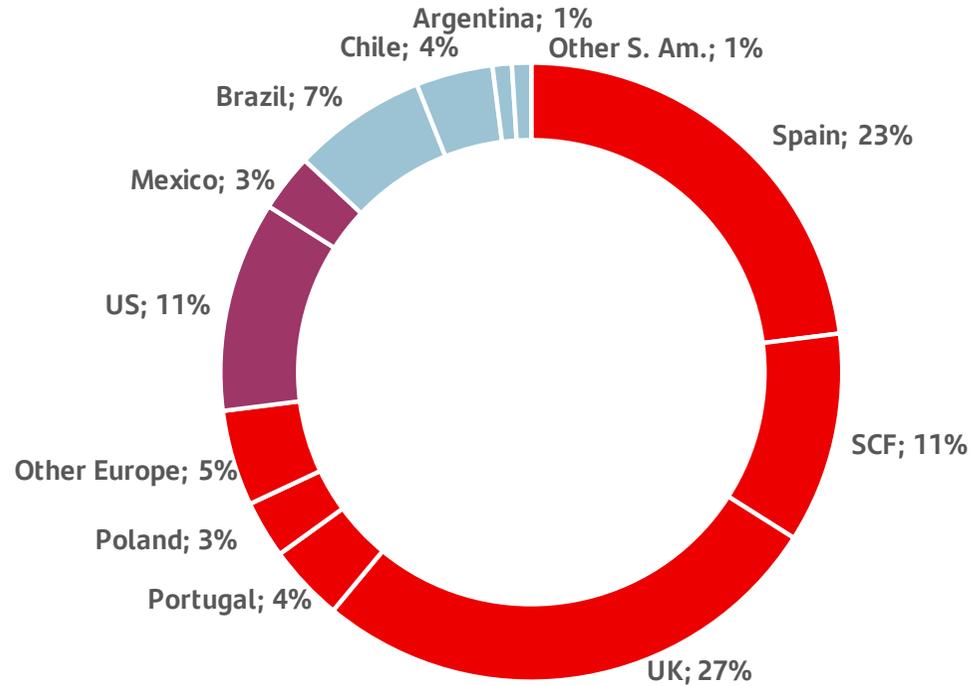


 **10 pp**
better than peer avg.

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

Loan portfolio by country

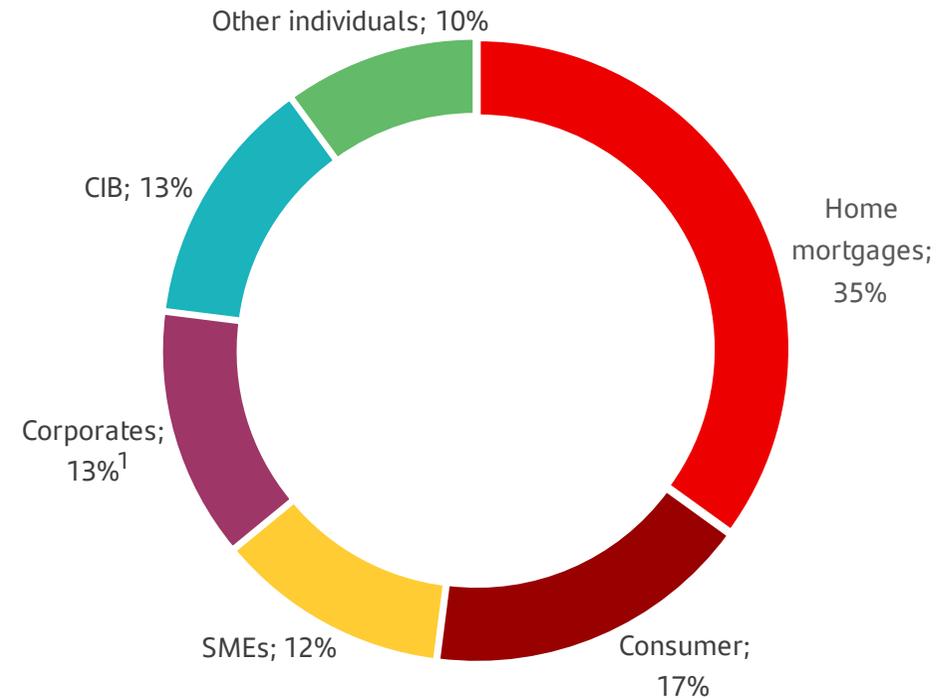
Breakdown of total gross loans excluding reverse repos, % of operating areas ex. SGP Jun-20



- ▶ Total gross loans excluding reverse repos: EUR 909 bn
- ▶ RWAs as of Jun-20: EUR 567 bn

Loan portfolio by business

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

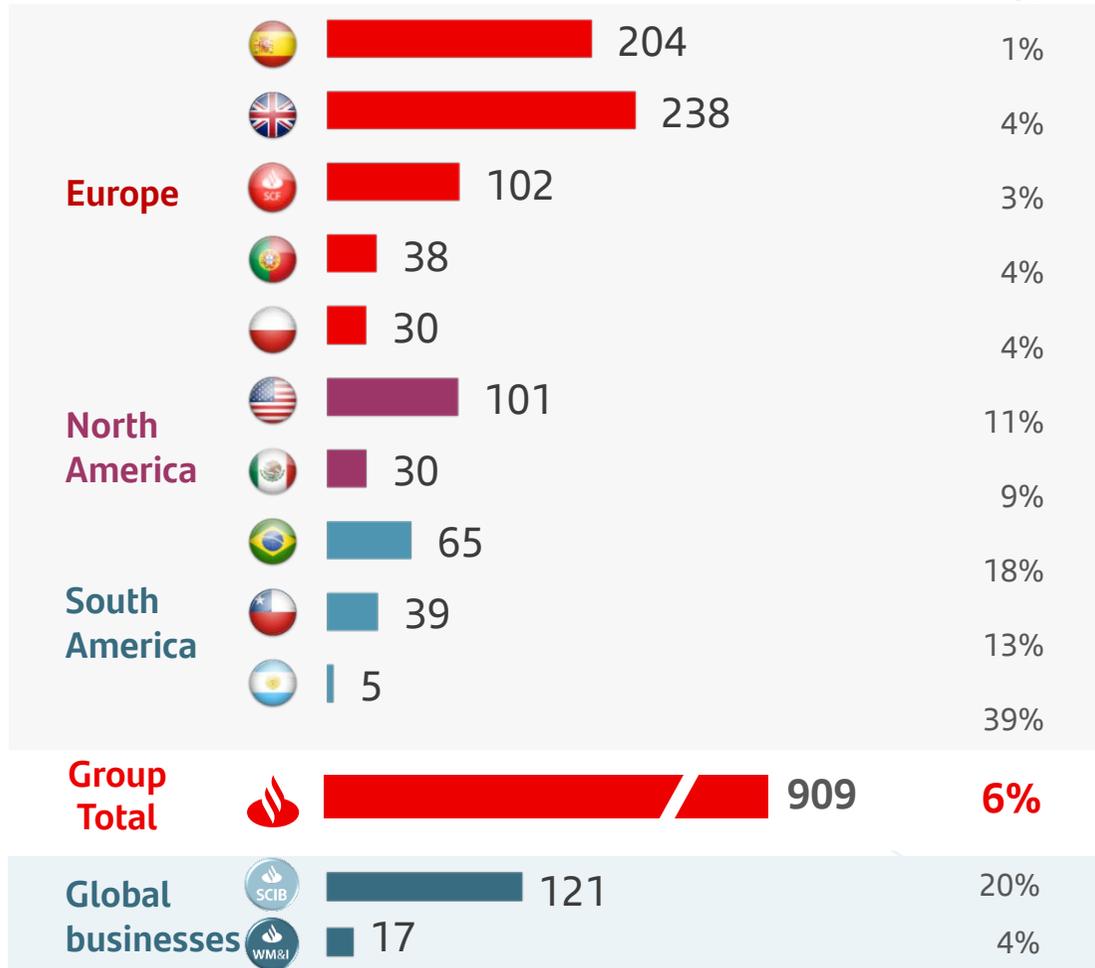


- ▶ 87% of loan portfolio is Retail, 13% Wholesale

... with strong balance sheet growth...

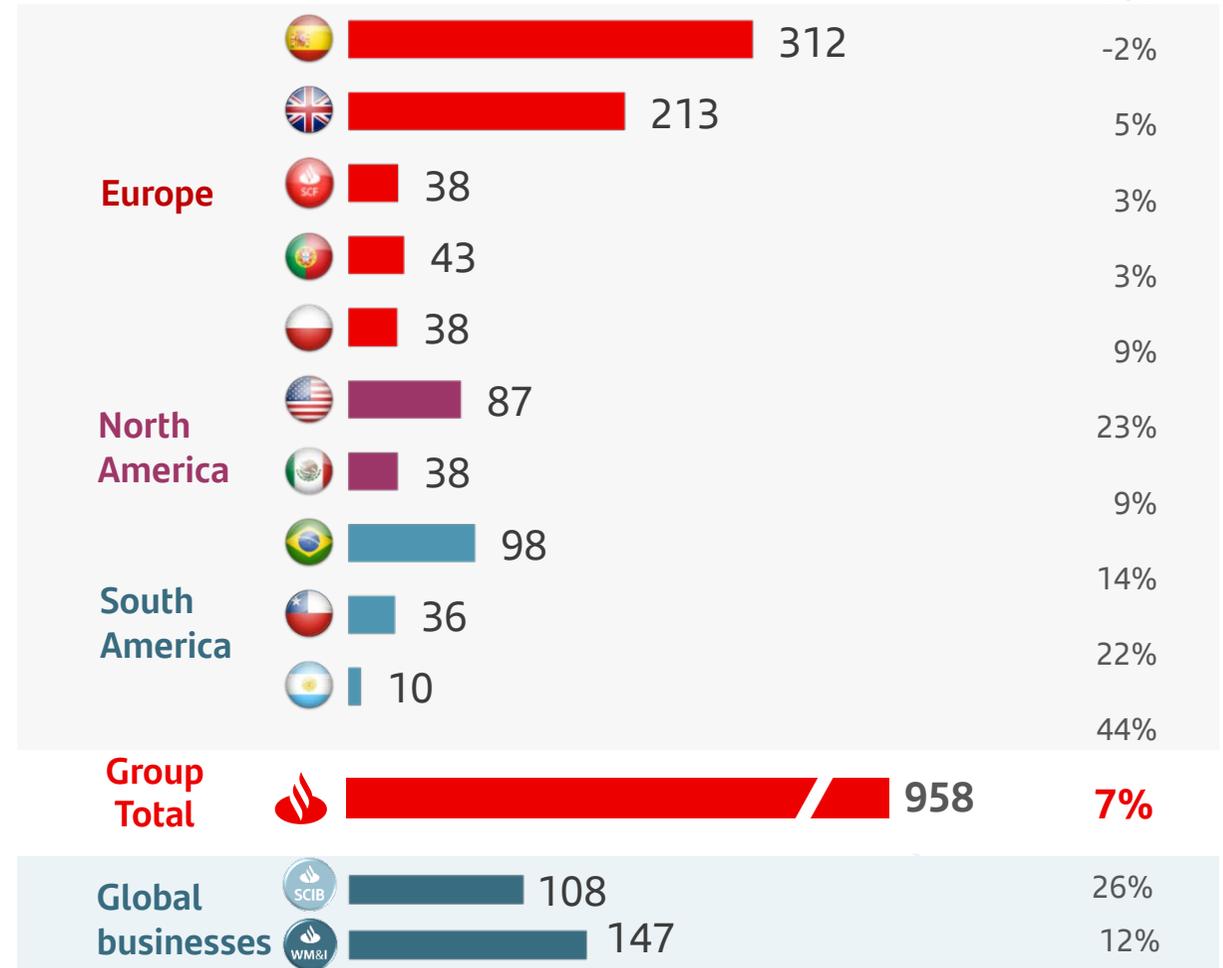
Loans and advances to customers in core markets

EUR bn and YoY growth %, Jun-20



Customer funds in core markets

EUR bn and YoY growth %, Jun-20



Note: Loans and advances to customers excluding reverse repos. Customer funds: customer deposits excluding repos + marketed mutual funds
 Europe includes Rest of Europe (mainly SCIB) with loans: EUR 44 bn (+19% YoY), customer funds: EUR 29 bn (+39%)

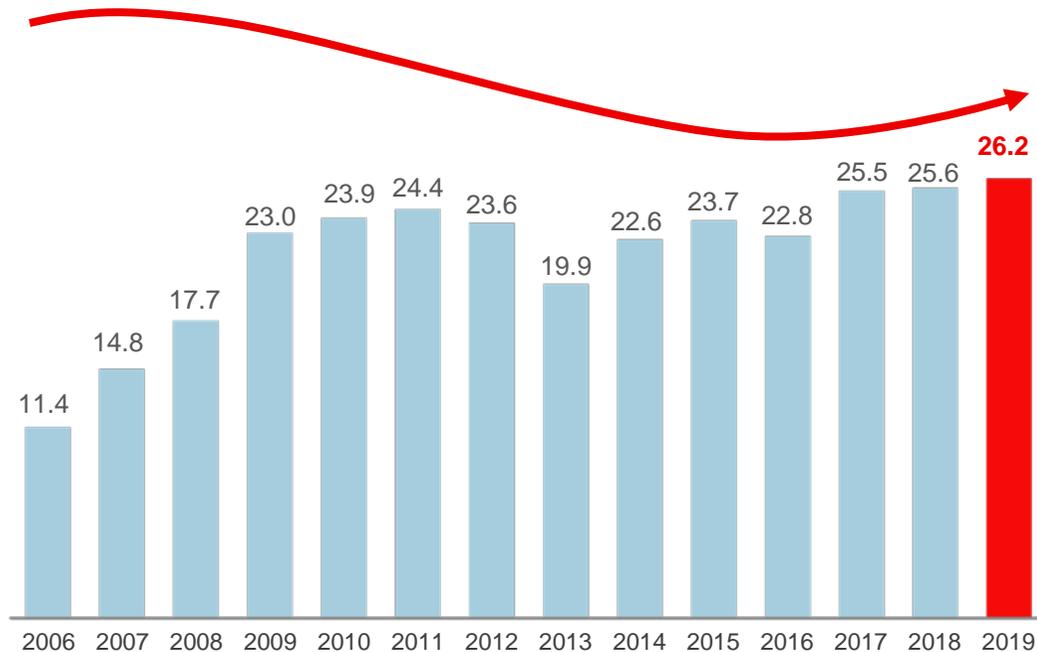
... support Group net operating income growth ...

H1'20 (vs. H1'19)	Net operating income (EUR mn)	Underlying attributable profit (EUR mn)	Contribution to Group's Underlying profit
 Europe	4,314 -10%	1,075 -54%	 35%
 North America	3,301 +2%	617 -29%	 20%
 South America	5,093 +8%	1,383 -13%	 45%
Global businesses	1,683	928	Enhancing our local scale with global reach
 SCIB	+32%	+23%	
 WM&I	605 +7%	427 +3%	

... which is resilient throughout the cycle

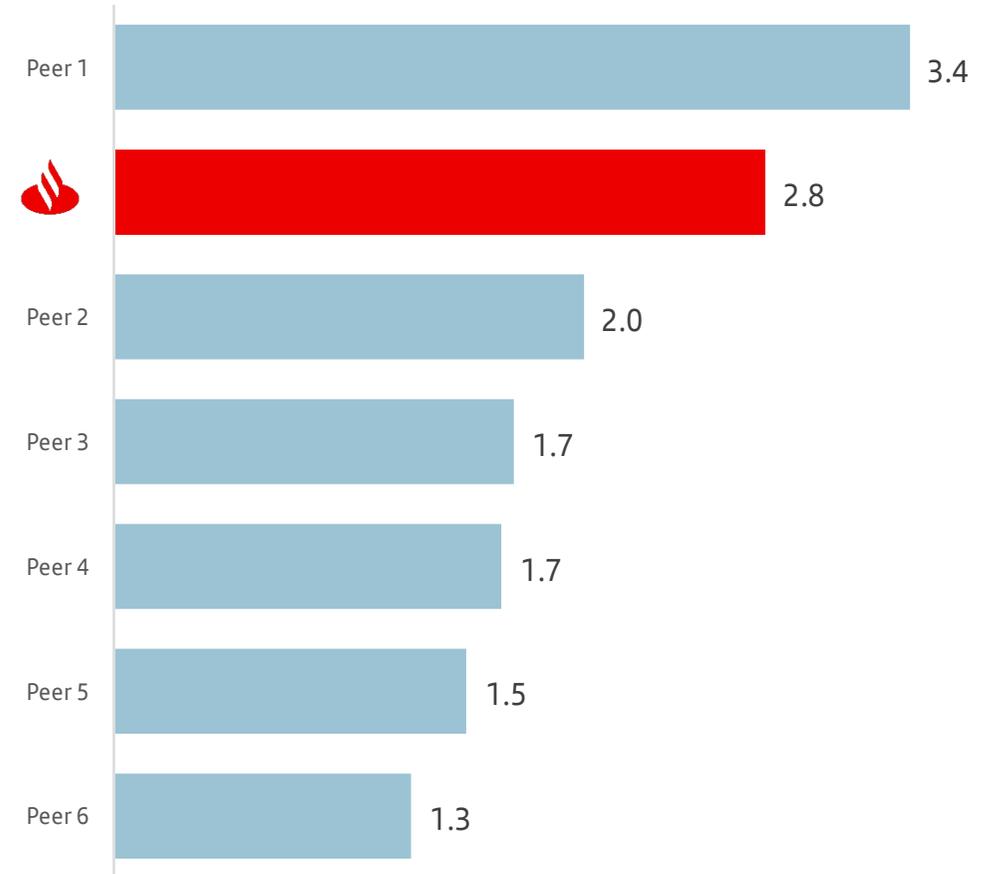
Resilient profit generation throughout the cycle

Group pre-provision profit, EUR bn



PPP/Loans well above most European peers¹

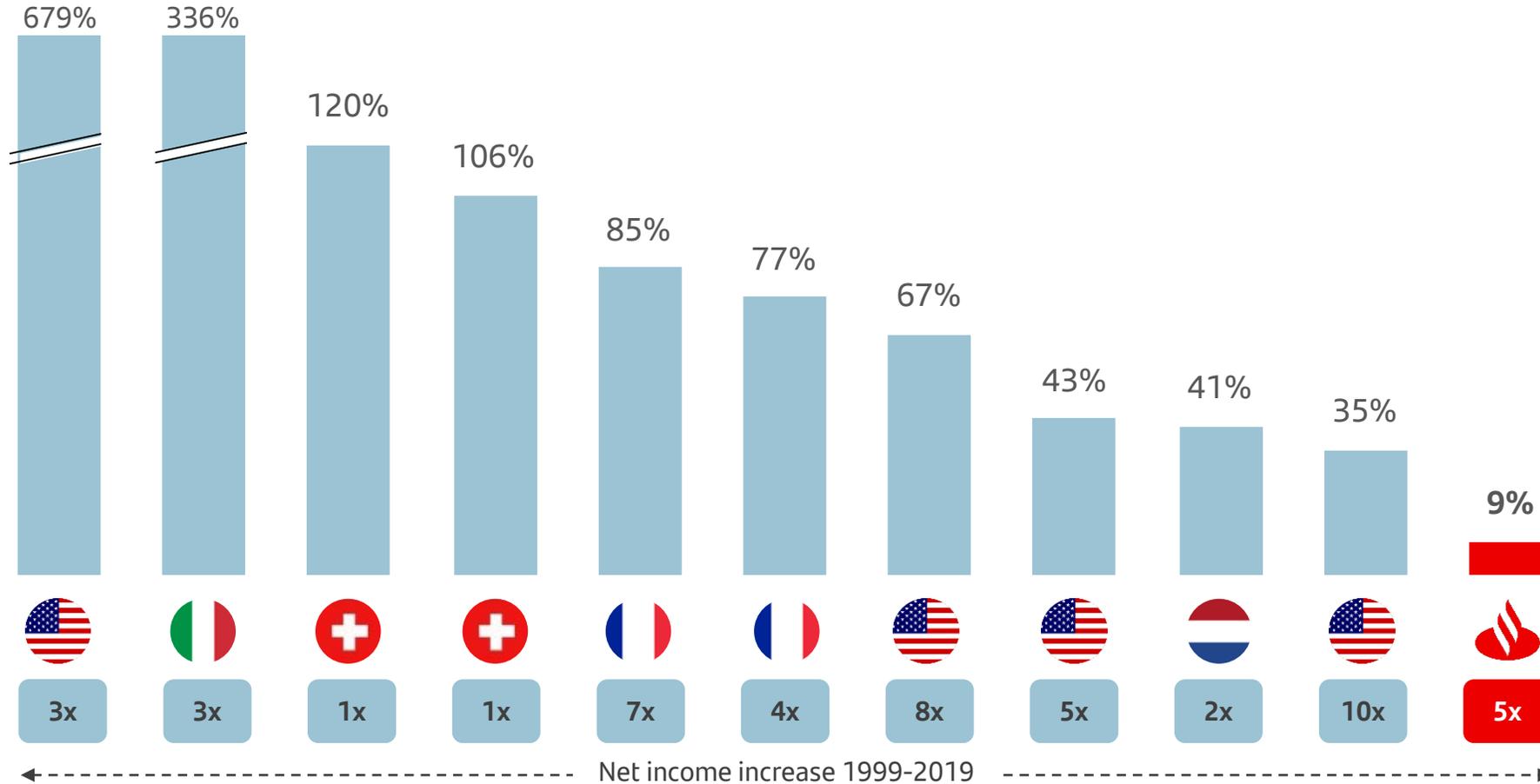
%, Peers Mar-20, Santander data Jun-20



Moreover, our results show long-term stable and predictable growth

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

Quarterly reported EPS volatility¹, 1999-Q1'20



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



Global Merchant Services

Enhance our competitive position in E-commerce (Getnet reached a market share of around 22% in Brazil)
Further additional functionalities included to complete the roll-out in Mexico and the rest of countries
>1 mn active merchants. H1'20 revenue of EUR 242 mn



Global Trade Services

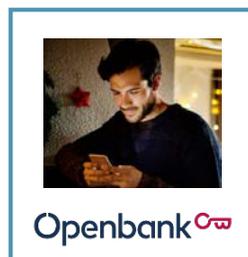
Santander OneTrade connected three countries (Brazil, Spain and the UK) and launched more services & products
Following the completion of the operation, **GTS and Ebury teams** are working on a joint services and commercial plan, defining synergies and identifying complementary aspects
>200 k SME customers trading internationally. H1'20 revenue of EUR 640 mn (+11% YoY)

Individuals



Banking without a bank

Operates in **Brazil, Mexico and Chile**
Active customers grew **91% YoY**, whereas **H1'20 transactions** are growing by **55% YoY**
Our goal is to scale the business to reach over 5 mn active customers across 7 markets in the medium term



Global Digital Banking

Openbank is already in **Spain, Germany, the Netherlands and Portugal. Argentina obtained its banking licence** and is expected to start operations in the first half of 2021
Loan growth +57% YoY, **deposits** +10% YoY, # of **securities transactions** +108% YoY and **brokerage accounts** x3
New customer growth +95% (H1'20 vs. H1'19) - average of 4.6 products per customer

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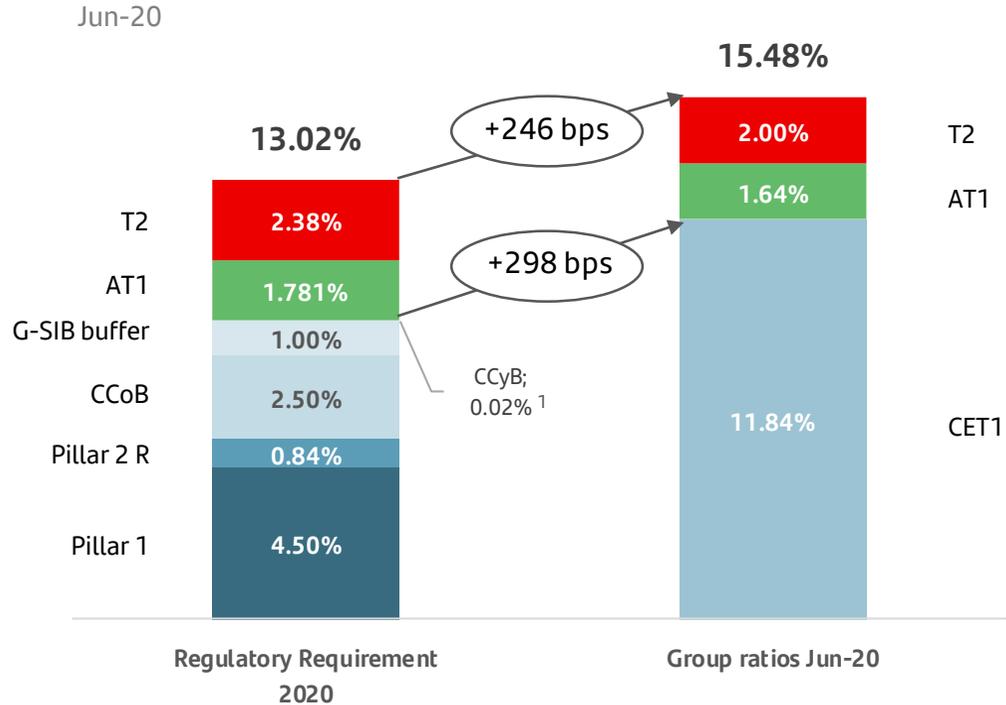
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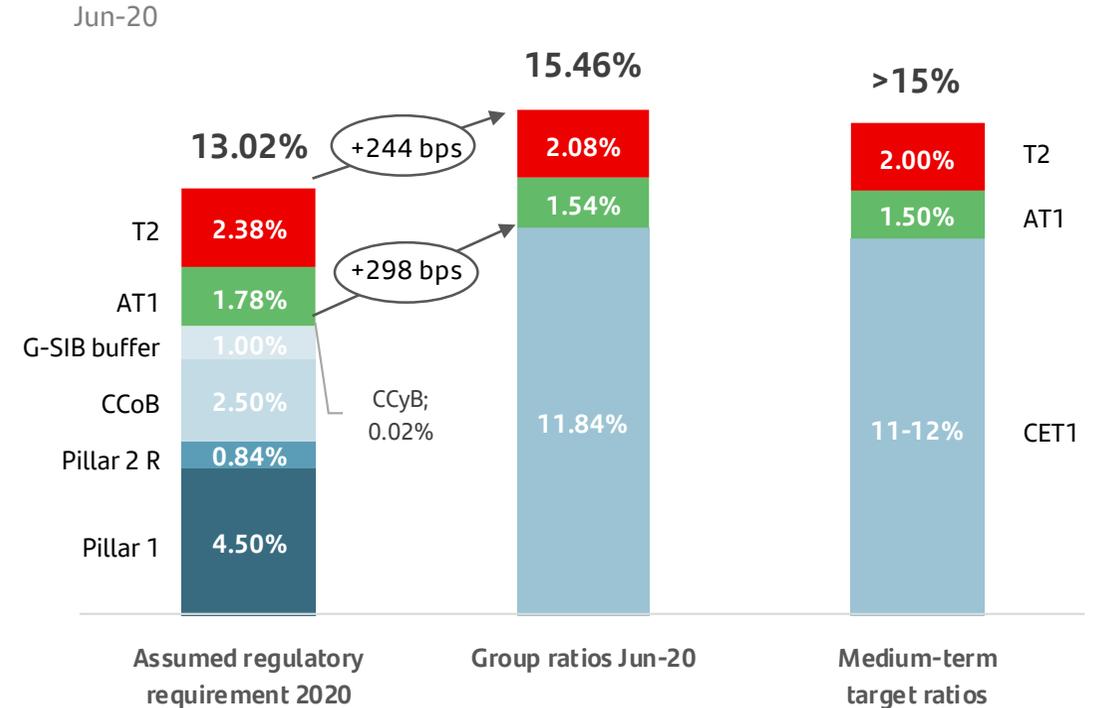


Santander's capital levels, both phased-in and fully loaded, exceed minimum regulatory requirements

SREP capital requirements and MDA



Assumed capital requirements (fully loaded)

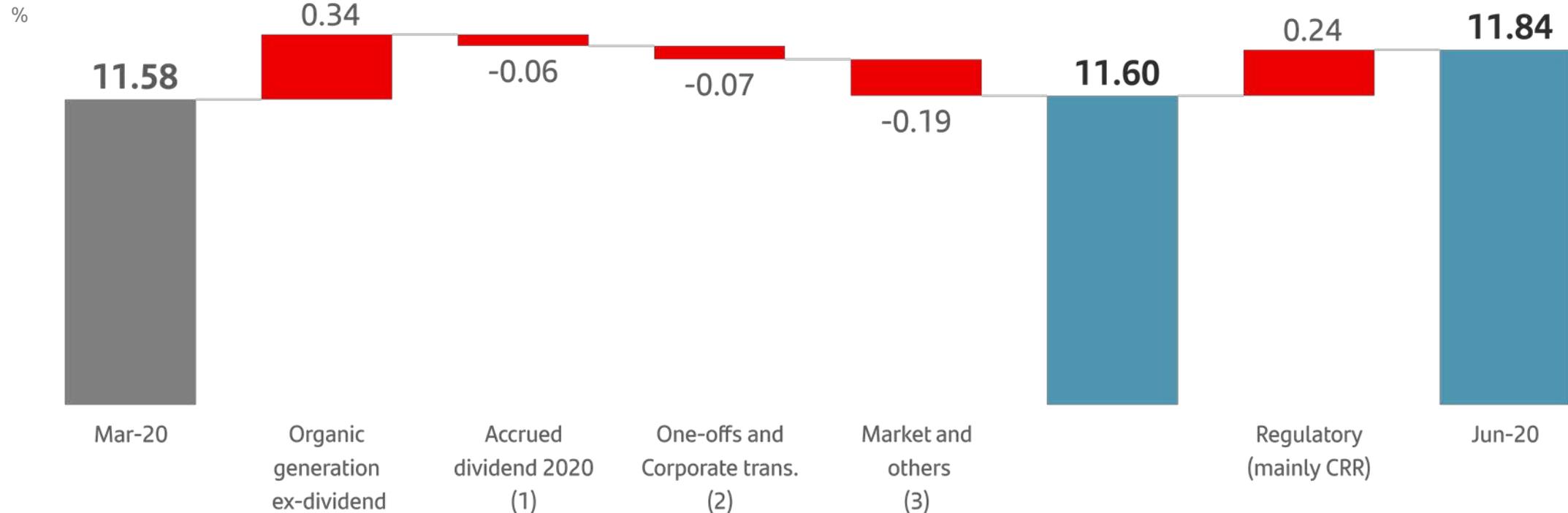


- ▶ Following regulatory changes in March in response to the COVID-19 crisis, the **minimum CET1** to be maintained by the Group is **8.86%** (was 9.69% pre-changes)
- ▶ As of Jun-20, the distance to the MDA is 246 bps² and the CET1 management buffer increased to 298 bps

- ▶ AT1 and T2 issuance to target 1.5% and 2% of RWAs respectively is close to zero assuming constant RWAs

We have solid capital ratios: CET1 in Q2 at the top end of our 11-12% target after strong organic capital generation in the quarter

CET1 ratio



	<u>H1'19</u>	<u>H1'20</u>	<u>Diff.</u>
CET1 ratio	11.30%	11.84%	54 bps
FL Total capital ratio	14.80%	15.46%	66 bps
FL Leverage ratio	4.97%	4.78%	-19 bps



(1) Accrual of 6 basis points in the quarter to allow the flexibility to pay a cash dividend against 2020 results, as soon as market conditions normalise and subject to regulatory approvals and guidance.

(2) Includes Ebury -0.05

(3) Markets -0.08, Pensions -0.06 and other deductions -0.05

Note: Data applying the IFRS 9 transitional arrangements

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 Jun-20, the **distance to the MDA** is **2.46%**²
- ▶ Targeting a **comfortable management buffer to MDA of >100 bps at all times**, in line with Santander's business model and predictable results

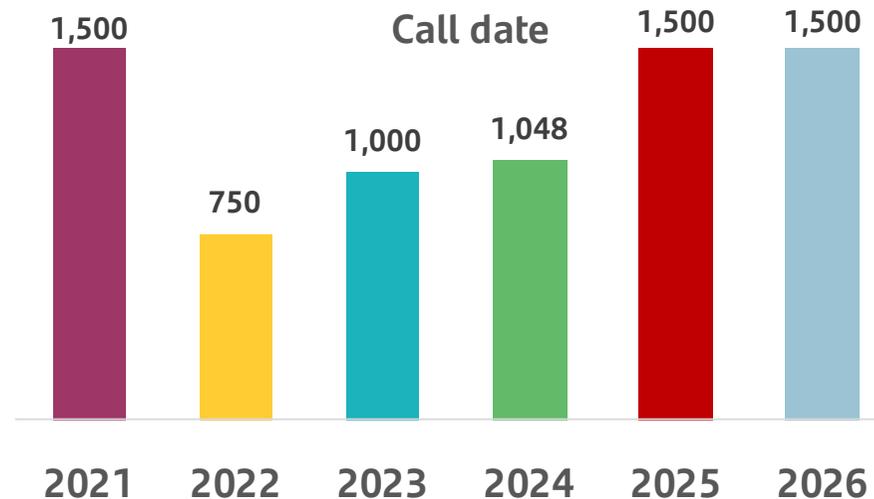
ADIs

- ▶ Santander Parent Bank has **EUR 57.0 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

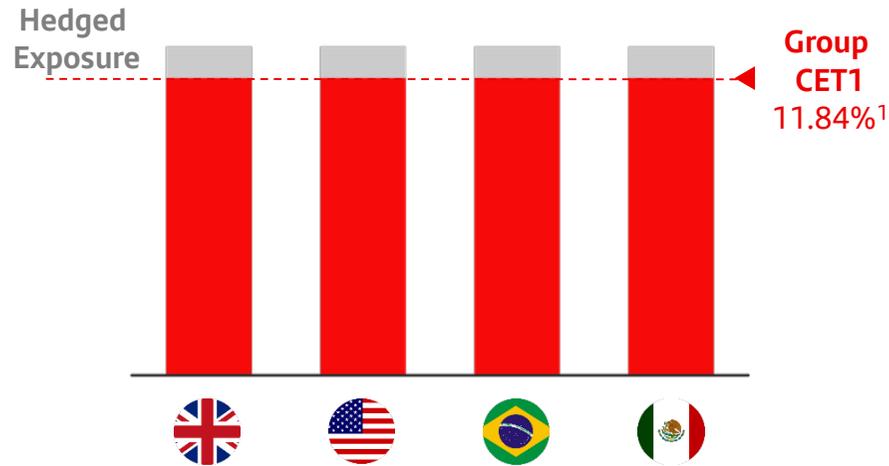
AT1 issuances outstanding at Jun-20

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

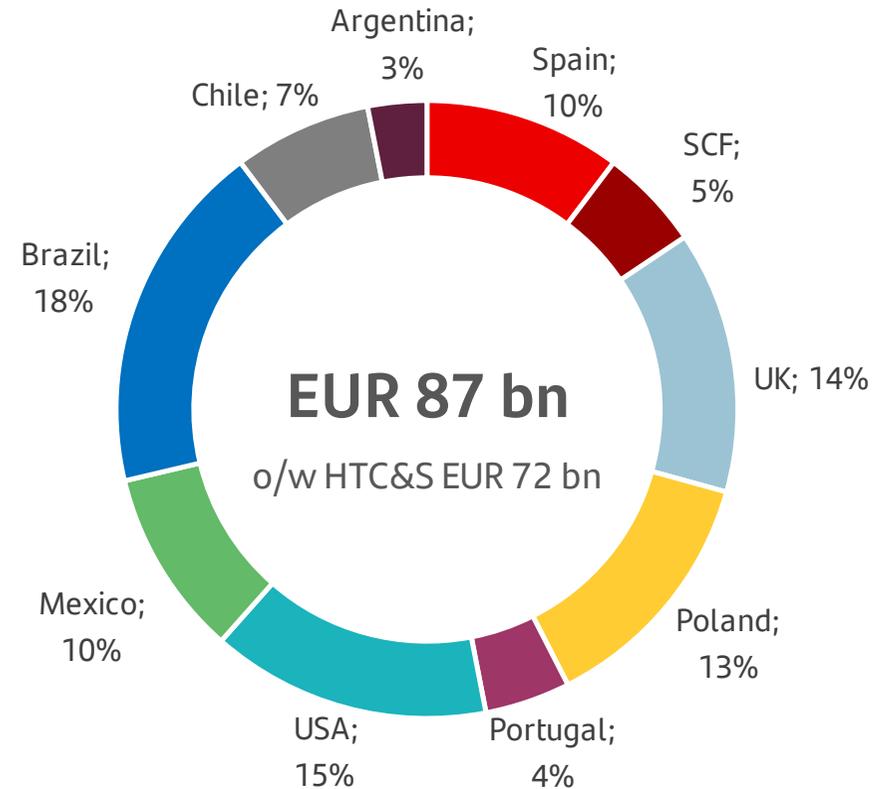
Mostly positive interest rate sensitivity

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

	+100 bps	-100 bps
 ¹	+774	-275
 ²	+238	-107
 ³	+104	-34
	-112	+112

ALCO portfolios reflect our geographic diversification

Distribution of ALCO portfolios by country
%, Jun-20



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Cost of credit estimation of 140-150 bps at year-end reiterated. Credit quality supported by volume increases and mitigation measures

Credit quality ratios



NPL ratios by country

	Q2 2019	Q2 2020
Spain	7.02	6.55
SCF	2.24	2.52
UK	1.13	1.08
Poland	4.21	4.57
Portugal	5.00	4.43
US	2.32	1.49
Mexico	2.21	2.50
Brazil	5.27	5.07
Chile	4.52	4.99
Argentina	3.79	3.15

Cost of credit ratios by country

	Q2 2019	Q2 2020
Spain	0.41	0.68
SCF	0.36	0.78
UK	0.06	0.23
Poland	0.66	0.96
Portugal	0.03	0.30
USA	3.09	3.30
Mexico	2.61	2.95
Brazil	3.84	4.67
Chile	1.10	1.46
Argentina	4.33	5.67

Santander is supporting customers' financial challenges, in many cases via moratoria, of which c. 80% are to individuals (c. 90% of which secured)

30 Jun 20	# clients (mn) o/w government programmes	Total amount o/w government programmes (EUR bn)	% lending portfolio
Mortgages	0.5 0.3	69 55	23%
Consumer	4.6 1.4	22 7	10%
SMEs & Corporates	0.3 0.2	25 10	6%
Total	5.4 1.9	116 72	12%

- c. **60% are residential mortgages**, mainly concentrated in **UK** (c. EUR 41 bn) with **low average LTVs** (41%)
- c. **65% of consumer loans are auto loans** (c. EUR 14 bn)
- **SMEs & Corporate** moratoria based on internal rating and sectorial drivers and complemented with liquidity facilities with **government guarantees**

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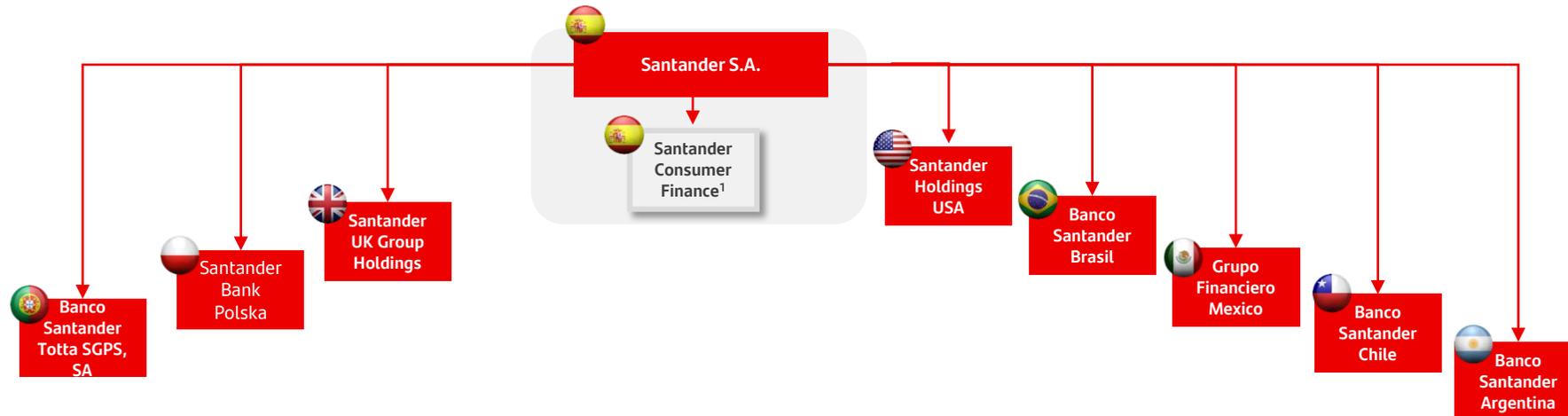
Glossary



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

Legal autonomy structure

Dec-19

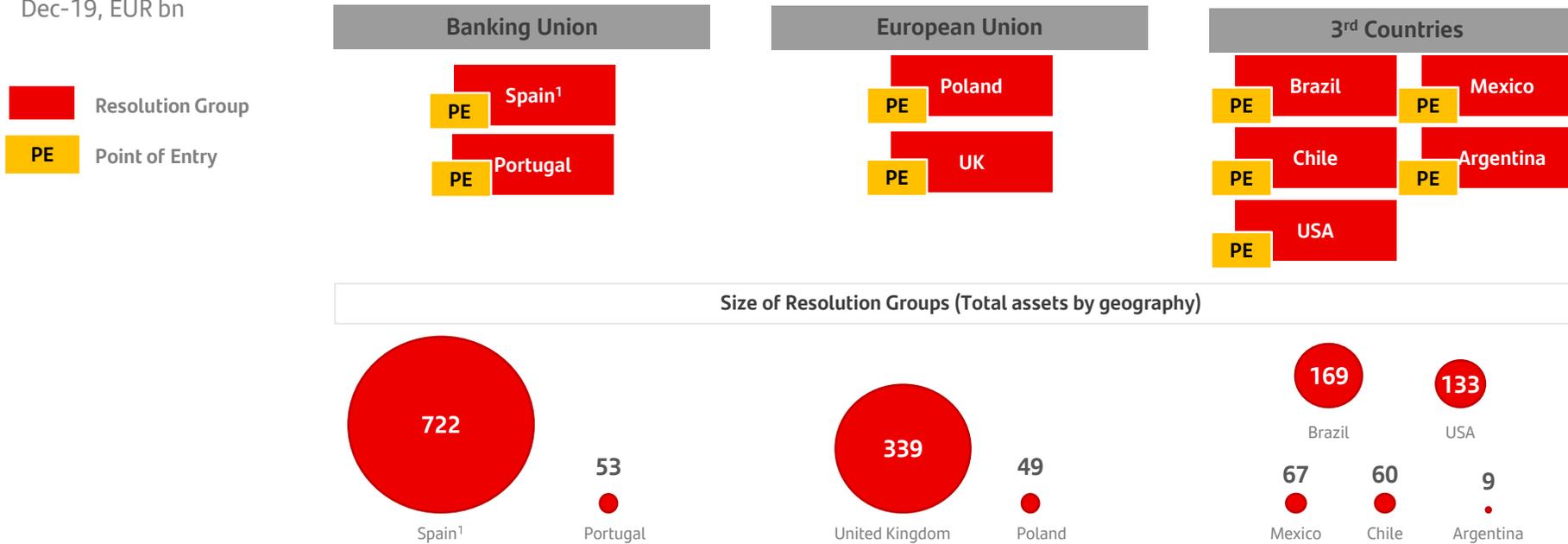


- ▶ **Legal autonomy:** There are no legal commitments that entail financial support
- ▶ **Financial autonomy:** Financial interconnections are limited and at market prices
- ▶ **Operational autonomy:** Shared services are limited and carried out through autonomous factories. Access to FMIs through other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

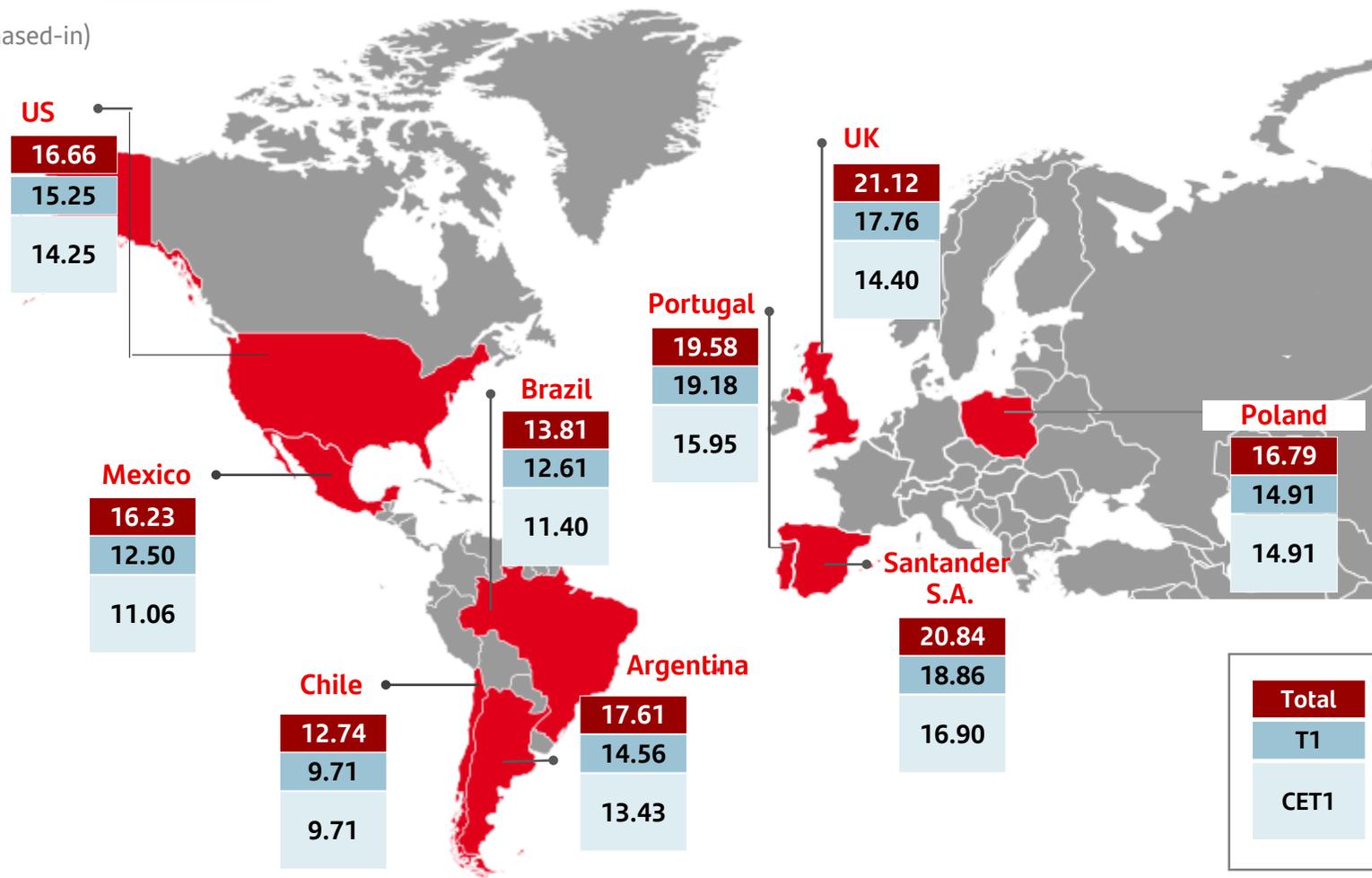


- ▶ We have defined the **Resolution Groups (RGs) mirroring the model of autonomous financial groups** so that all entities have been assigned to one RG
- ▶ Each RG comprises the entity identified as the entry point in resolution and the entities that belong to it

Santander follows an autonomous capital and liquidity model

Capital ratios by country

Mar-20, %, local figures (phased-in)



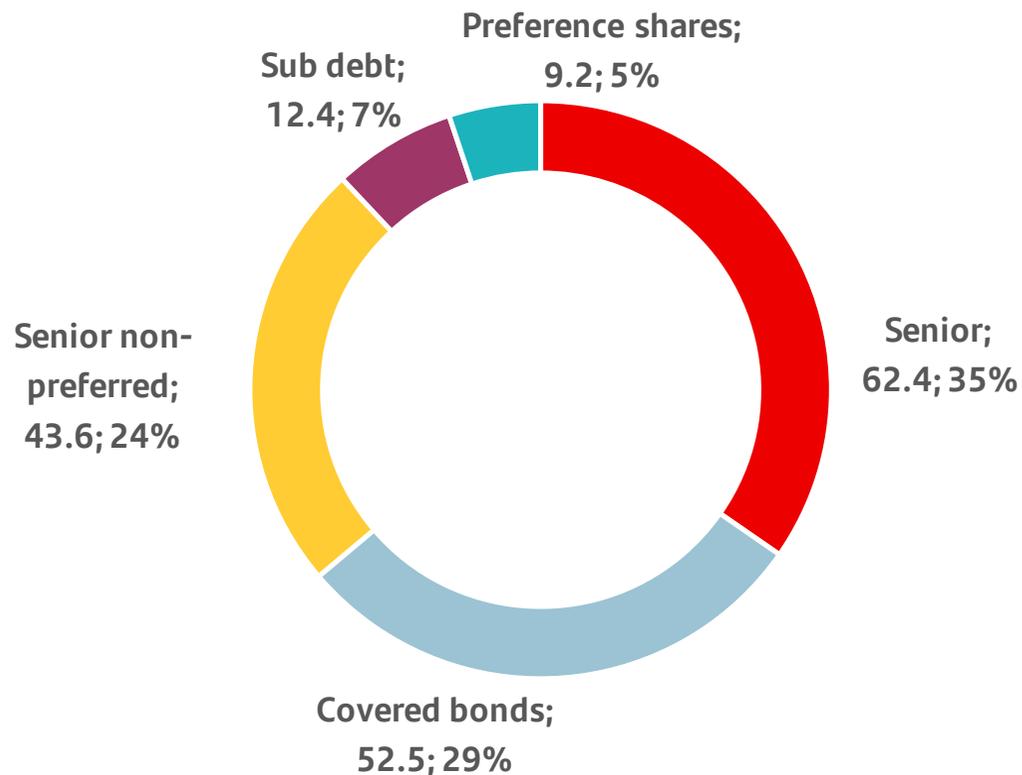
Santander's liquidity management is based on the following principles

- ▶ 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

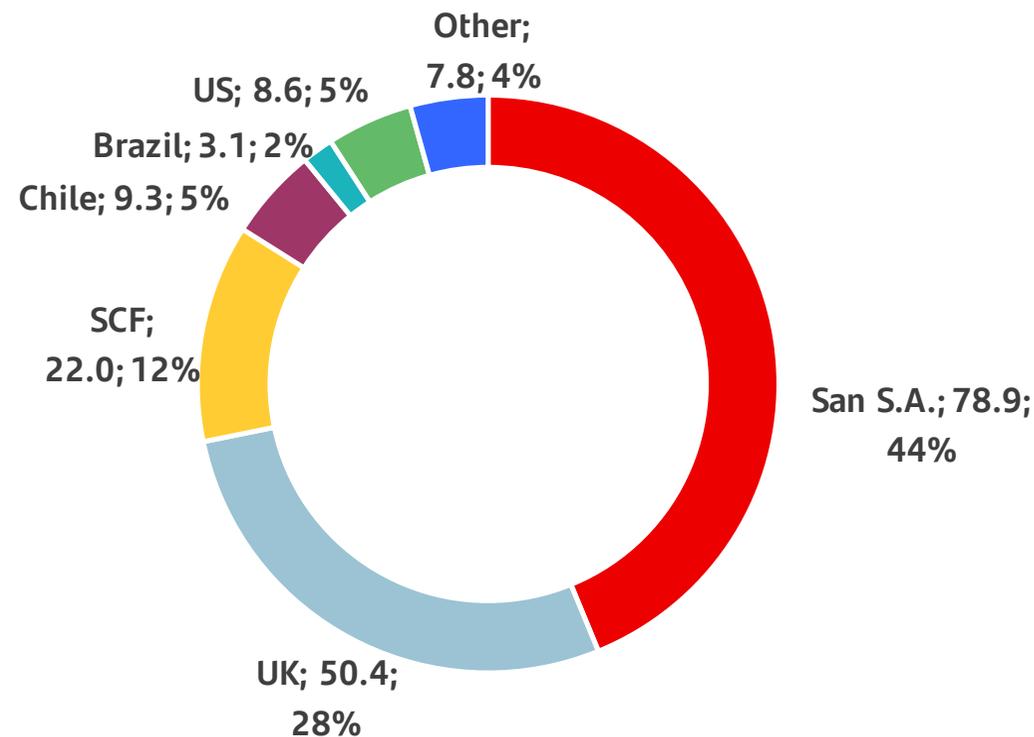
Debt outstanding by type

EUR bn and %, Jun-20



Debt outstanding by issuer entity

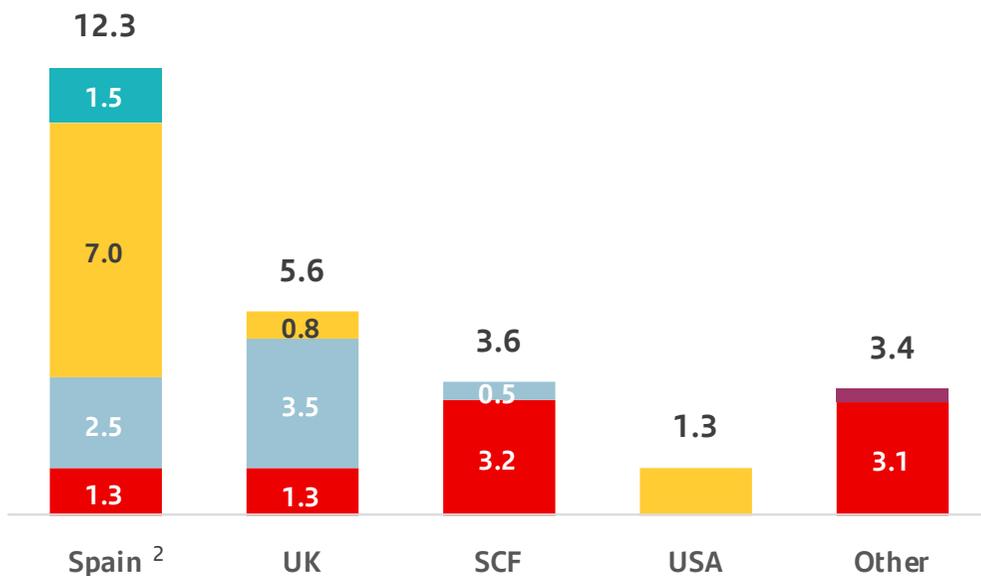
EUR bn and %, Jun-20



Conservative and decentralised liquidity and funding model

EUR 26 bn¹ issued in public markets in H1'20

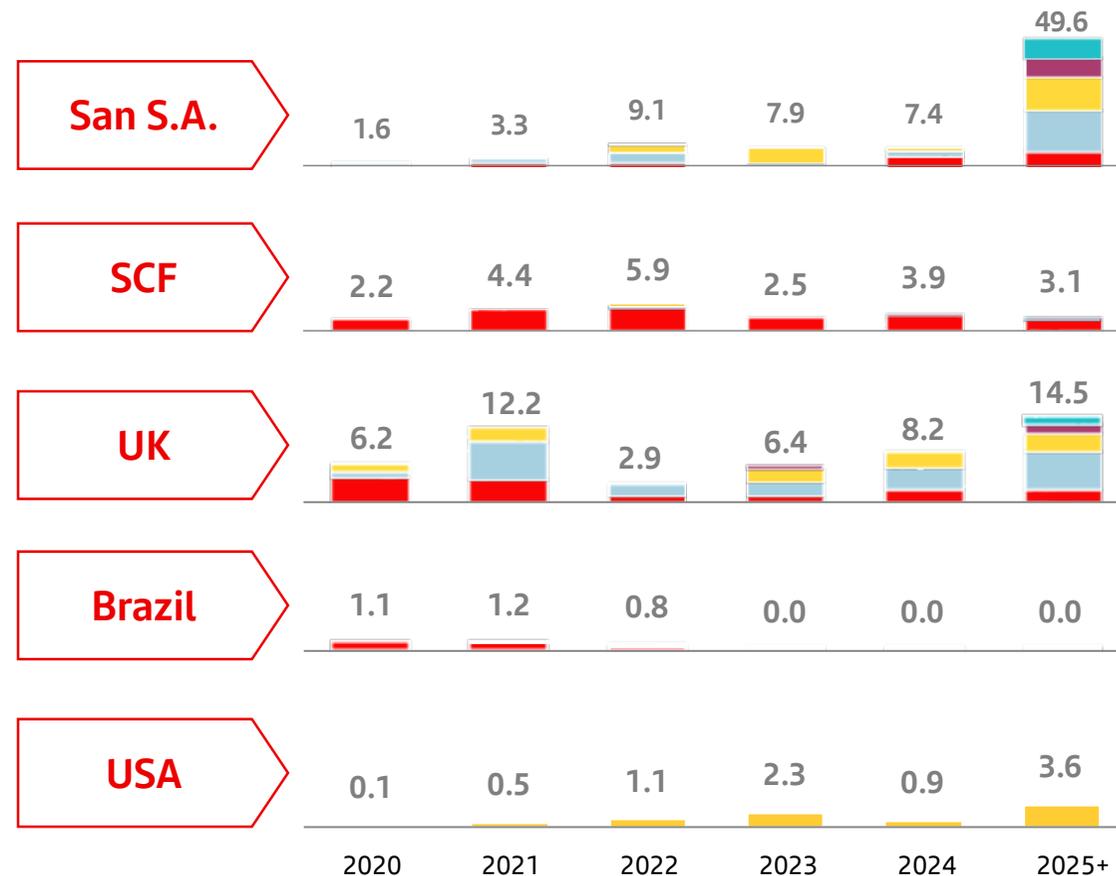
EUR bn, Jun-20



▶ Other public market issuances includes a USD 1.75 bn issuance in Mexico, and other issuances in Brazil, Chile and Poland

Very manageable maturity profile

EUR bn, Jun-20



■ Senior Debt ■ Covered bond ■ Senior TLAC ■ Subordinated ■ Preferred stock

(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, Jun-20

	Covered Bonds + Senior		Senior Non-Preferred		Hybrids		TOTAL	
	Plan	Issued	Plan	Issued	Plan	Issued	Plan	Issued
Santander S.A	4-5	3.0	7-8	7.0	1-2	1.5 ¹	12-15	11.5
SCF	6-8	3.6	-	0.0	-	0.0	6-8	3.6
UK	6-8	4.8	2-3	0.8	-	0.0	8-11	5.6
SHUSA	-	-	1-2	1.3	-	0.0	1-2	1.3
TOTAL	16-21	11.4	10-13	9.1	1-2	1.5	27-36	22.0 ²

- Frontloading of issuances in the first half of the year, having issued EUR 22 billion², particularly focused on TLAC eligible issuances.
- Through the issuances YTD and access to central bank facilities, many countries have now largely covered their funding needs for the year and future liquidity needs will be assessed depending on market situation/conditions
- Liquidity position remains solid, with LCR above minimum regulatory requirements and ample liquidity buffers in all of our units.

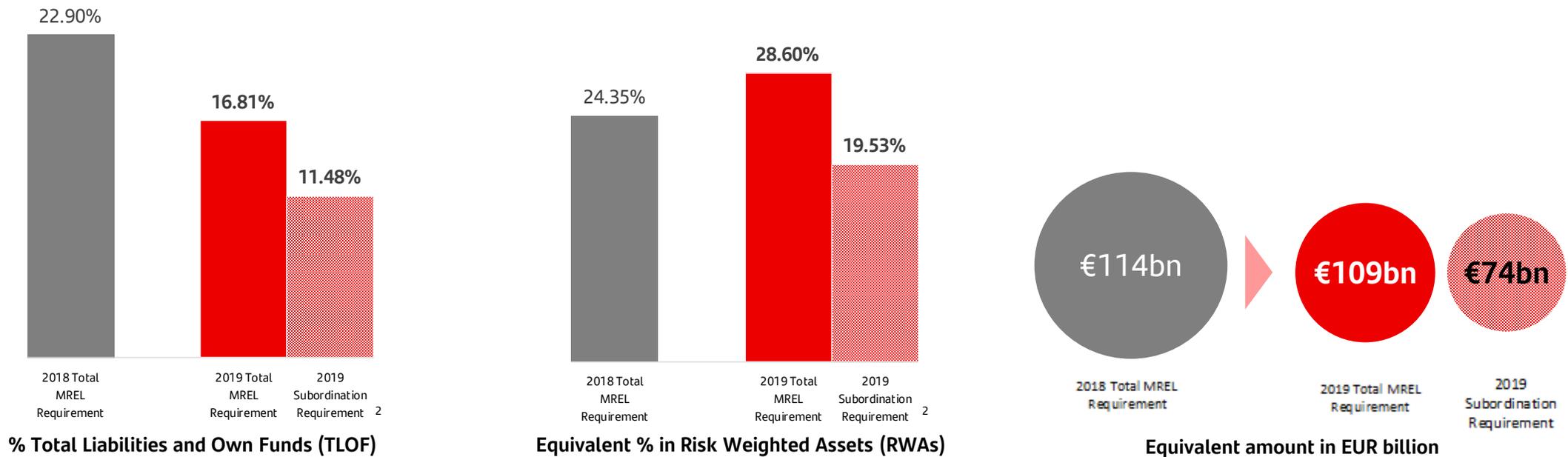


Note: Issuance plan subject to, amongst other considerations, market conditions and regulatory requirements. Other secured issuances (for example ABS, RMBS, etc) are not considered in the table above

(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 22 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

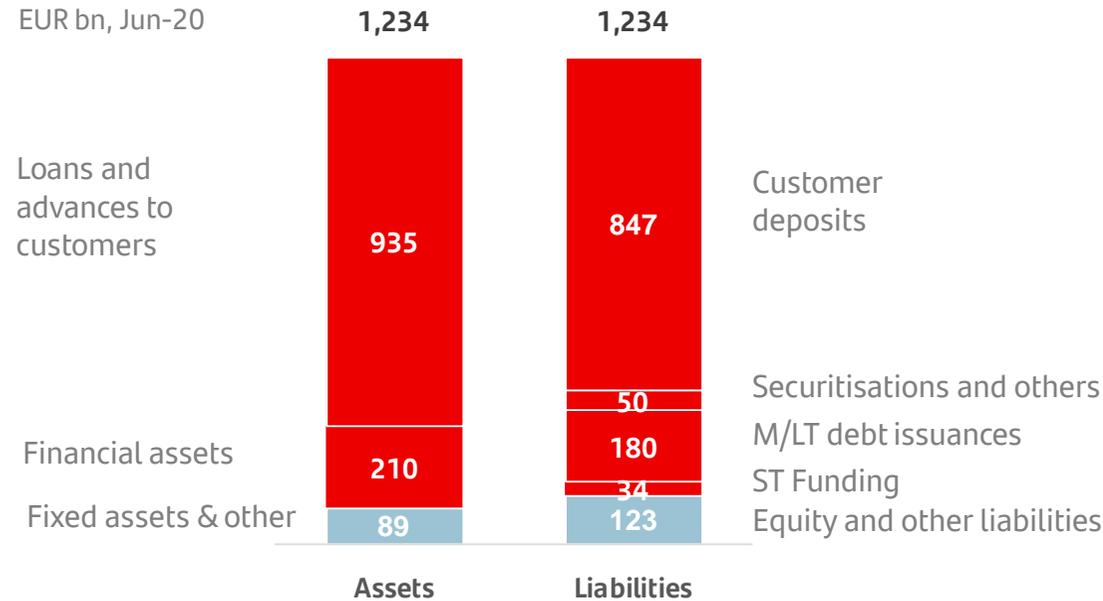
EUR mn

	Dec-19	Mar-20
Own Funds	91,294	91,550
of which: Common Equity Tier 1 (CET1) capital	75,683	75,821
of which: Additional Tier 1 (AT1) capital	7,742	7,829
of which: Tier 2 (T2) capital	7,869	7,900
Eligible Liabilities	24,138	26,271
Subordinated instruments	673	685
Non preferred senior debt	16,473	18,452
Preferred senior debt and equivalent instruments	6,992	7,134
TLAC BEFORE DEDUCTIONS	115,431	117,821
Deductions	62,405	61,567
TLAC AFTER DEDUCTIONS	53,026	56,254
Risk Weighted Assets (RWAs)	279,680	285,354
TLAC RATIO (% RWAs)	19.0%	19.7%
Leverage Exposure (LE)	672,721	699,813
TLAC RATIO (% LE)	7.9%	8.0%

- The TLAC ratio as at 31-Mar-20 increased by 75 bps to 19.71%¹ (compared to an expected year-end requirement of 19.52%)
- The EUR 2 billion increase in the stock of senior non-preferred debt was partially offset by an increase in RWAs of approximately EUR 6 billion
- The TLAC ratio as a percentage of the leverage exposure remained stable as growth in eligible liabilities was offset by growth in the leverage exposure (EUR 27 billion)

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, Jun-20

HQLAs Level 1	212.3
HQLAs Level 2	12.3
▶ Level 2A	6.4
▶ Level 2B	5.9

	Liquidity Coverage Ratio (LCR)		Net Stable Funding Ratio (NSFR)
	Jun-20 ¹	Dec-19	Mar-20
Spain ²	193%	143%	105%
SCF	297%	248%	111%
UK ²	149%	145%	124%
Portugal	172%	134%	106%
Poland	188%	149%	130%
US	133%	133%	116%
Mexico	169%	133%	121%
Brazil	169%	122%	109%
Chile	161%	143%	109%
Argentina	214%	196%	180%
Group	175%	147%	111%

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

Evolution of key liquidity metrics¹

	2016	2017	2018	2019	Jun-20
Loans ² / net assets	75%	75%	76%	77%	76%
Loan ² -to-deposit ratio (LTD)	114%	109%	113%	114%	110%
Customer deposits and medium- and long-term funding / loans ²	114%	115%	114%	113%	115%
Short-term wholesale funding / net liabilities	3%	2%	2%	3%	3%
Structural liquidity surplus / net liabilities	14%	15%	13%	13%	14%
Encumbrance	25%	28%	25%	24%	25% ³

LTD and MLT funding metrics by geography

Jun-20

	(Deposits + M/LT funding)	
	LTD Ratio	/ Loans ²
Spain	80%	166%
SCF	259%	69%
UK	116%	108%
Portugal	93%	117%
Poland	85%	124%
US	132%	113%
Mexico	86%	128%
Brazil	89%	128%
Chile	133%	99%
Argentina	58%	173%
GROUP	110%	115%



(1) Balance sheet for liquidity management purposes
 (2) Loans and advances to customers
 (3) Latest data Mar-20

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	11/06/2012	↓

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	↑	NEG	A	17/07/2018	↑	NEG
San UK PLC	Aa3	21/12/2016	↑	NEG	A	09/06/2015	↓	NEG	A+	20/12/2019	↑	NEG
San UK Group Holding PLC	(P)Baa1	16/09/2015	↑	NEG	BBB	10/04/2015	↓	NEG	A	20/12/2019	↑	NEG
Santander Consumer Finance	A2	17/04/2018	↑	STABLE	A-	06/04/2018	↑	NEG	A-	29/05/2014	↑	NEG
Banco Santander Totta SA	Baa3	16/10/2018	↑	STABLE	BBB	18/03/2019	↑	STABLE	BBB+	21/12/2017	↑	NEG
Santander Holding US	Baa3	18/10/2016	↓	STABLE	BBB+	06/04/2018	↑	NEG	BBB+	17/11/2017	↑	NEG
Banco Santander Mexico	Baa1	22/04/2020	↓	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

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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 well 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 reinforced further: Compliance with regulatory liquidity requirements established at Group and subsidiary levels ahead of schedule, with high availability of liquidity reserves

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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 businesses 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