Financial Report 2018

JANUARY - DECEMBER

#SimplePersonalFair

Santander

January - December 2018

FINANCIAL REPORT

All customers, shareholders and the general public can use Santander's official social network channels in all the countries in which the Bank operates.

GRUPO SANTANDER. KEY CONSOLIDATED DATA

BALANCE SHEET (EUR million)	Dec-18	Sep-18	%	Dec-18	Dec-17	%	Dec-16
Total assets	**1,459,271**	1,444,687	1.0	**1,459,271**	1,444,305	1.0	1,339,125
Loans and advances to customers	**882,921**	866,226	1.9	**882,921**	848,914	4.0	790,470
Customer deposits	**780,496**	778,751	0.2	**780,496**	777,730	0.4	691,111
Total funds	**980,562**	986,199	(0.6)	**980,562**	985,703	(0.5)	873,618
Total equity	**107,361**	105,668	1.6	**107,361**	106,832	0.5	102,699

Note: Total funds includes customer deposits, mutual funds, pension funds and managed portfolios

INCOME STATEMENT (EUR million)	Q4'18	Q3'18	%	2018	2017	%	2016
Net interest income	**9,061**	8,349	8.5	**34,341**	34,296	0.1	31,089
Gross income	**12,542**	11,720	7.0	**48,424**	48,392	0.1	43,853
Net operating income	**6,606**	6,359	3.9	**25,645**	25,473	0.7	22,766
Underlying profit before tax (1)	**3,546**	3,750	(5.4)	**14,776**	13,550	9.0	11,288
Underlying attributable profit to the Group (1)	**2,022**	1,990	1.6	**8,064**	7,516	7.3	6,621
Attributable profit to the Group	**2,068**	1,990	3.9	**7,810**	6,619	18.0	6,204

Variations in constant euros: Q4'18 / Q3'18: NII: +3.0%; Gross income: +0.7%; Net operating income: -1.8%; Underlying attributable profit: -3.3%; Attributable profit: -1.1%
2018 / 2017: NII: +8.7%; Gross income: +8.9%; Net operating income: +10.6%; Underlying attributable profit: +18.5%; Attributable profit: +32.1%.

EPS (2), PROFITABILITY AND EFFICIENCY (%)	Q4'18	Q3'18	%	2018	2017	%	2016
Underlying EPS (euro) (1)	**0.116**	0.115	1.1	**0.465**	0.463	0.6	0.429
EPS (euro)	**0.119**	0.115	3.6	**0.449**	0.404	11.2	0.401
RoE	**8.46**	8.43		**8.21**	7.14		6.99
Underlying RoTE (1)	**11.93**	11.95		**12.08**	11.82		11.08
RoTE	**12.00**	11.95		**11.70**	10.41		10.38
RoA	**0.65**	0.66		**0.64**	0.58		0.56
Underlying RoRWA (1)	**1.60**	1.59		**1.59**	1.48		1.36
RoRWA	**1.60**	1.59		**1.55**	1.35		1.29
Efficiency ratio (with amortisations)	**47.3**	45.7		**47.0**	47.4		48.1

SOLVENCY AND NPL RATIOS (%)	Dec-18	Sep-18	%	Dec-18	Dec-17	%	Dec-16
Fully loaded CET1 (3)	**11.30**	11.11		**11.30**	10.84		10.55
Phased-in CET1 (3)	**11.47**	11.29		**11.47**	12.26		12.53
NPL ratio	**3.73**	3.87		**3.73**	4.08		3.93
Coverage ratio	**67.4**	67.9		**67.4**	65.2		73.8

MARKET CAPITALISATION AND SHARES	Dec-18	Sep-18	%	Dec-18	Dec-17	%	Dec-16
Shares (millions)	**16,237**	16,136	0.6	**16,237**	16,136	0.6	14,582
Share price (euros) (2)	**3.973**	4.336	(8.4)	**3.973**	5.479	(27.5)	4.877
Market capitalisation (EUR million)	**64,508**	69,958	(7.8)	**64,508**	88,410	(27.0)	72,314
Tangible book value per share (euro) (2)	**4.19**	4.16		**4.19**	4.15		4.15
Price / Tangible book value per share (X) (2)	**0.95**	1.04		**0.95**	1.32		1.17
P/E ratio (X) (2)	**8.84**	9.83		**8.84**	13.56		12.18

OTHER DATA	Dec-18	Sep-18	%	Dec-18	Dec-17	%	Dec-16
Number of shareholders	**4,131,489**	4,190,808	(1.4)	**4,131,489**	4,029,630	2.5	3,928,950
Number of employees	**202,713**	201,101	0.8	**202,713**	202,251	0.2	188,492
Number of branches	**13,217**	13,414	(1.5)	**13,217**	13,697	(3.5)	12,235

(1) In this document we present the figures related to "underlying" results, which exclude non-recurring items, as they are recorded in the separate line of "Net capital gains and provisions", above the line of "attributable profit to the Group". Further details on that line are provided in pages 10 and 11 as well as in the Alternative Performance Measures section as follows below.

(2) 2016 data adjusted for the capital increase in July, for like-on-like comparisons with 2017 and 2018 data.

(3) 2018 data applying the IFRS 9 transitional arrangements.

Note: The financial information in this report was approved by the Board of Directors, following a favourable report from the Audit Committee.

In accordance with the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority on 5 October 2015 (Guidelines on Alternative Performance Measures, ESMA/2015/1415en), we are attaching herewith a glossary with the definitions and the conciliation with the items presented in the income statement of certain alternative performance measures used in this document. Please refer to "Alternative Performance Measures Glossary" on page 60.

SANTANDER AIM

Simple Personal Fair

"Helping people and businesses prosper"

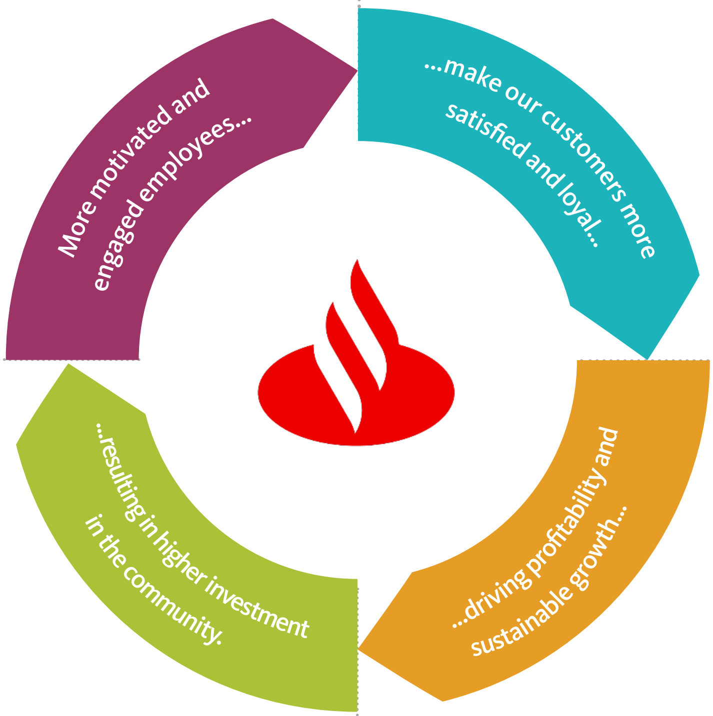
83%
of employees perceive that their colleagues behave in a more Simple, Personal and Fair way

82%
engaged employees

19.9 (+15%[1])
million loyal customers

32.0 (+26%[1])
million digital customers

People
202,713



Customers
144
million

Communities[3]
2.3
million people helped in 2018

Shareholders
4.1
millones

> 72,000
scholarships granted in 2018

~ 1,200
agreements with universities and academic institutions in 21 countries

11.30%[2]
Fully loaded CET1 ratio

+5%
dividend per share growth expected for 2018

(1) Year-on-year % change
(2) Calculated using the IFRS 9 transitional arrangements
(3) Provisional data

SANTANDER AIM

Simple Personal Fair

People

- 82% of employees showed their commitment to the Group (six percentage points more than the financial industry's average), and in seven countries we were among the best three banks to work for, according to the GPTW ranking.
- The 360 assessment process, in which employees are evaluated by their peers, direct subordinates and line managers, became widespread.
- Progress was made in installing the *Workday* platform, which enables teams and people to be managed globally in a homogeneous way.
- Once the pilot phase of the *Strategic Workforce Planning* in the UK, Mexico and the corporate centre was concluded, action plans were launched in the rest of countries.
- A new campaing to strengthen the Group`s image and make it more attractive to capture talent was developed (*Efecto Santander*). We launched iniciatives to attract digital talents (*Digital Cellar*) and launched a programme that identified 280 employees for their youth (younger than 35 years old) and potential to contribute to the Group's future evolution (*Young Leaders*).

Customers

- Various strategies continued to be developed under the commercial transformation programme in order to improve customer loyalty and the customer experience. The number of loyal customers rose by 2.6 million in 2018 and digital ones by 6.6 million, and in seven of our core countries we were in the Top 3 in customer satisfaction.
- Of note among the commercial actions was the launch of various current accounts (*Conta SIM* in Portugal, *1/2/3 business* for SME in the UK, *1/2/3 Profesional* in Spain) and the first digital account for SME with SAS (*Sociedad por Acciones Simplificadas*) status in Mexico, together with other products and services such as mortgages, investment products, services and advice.
- We continued to strengthen our traditional branches, as well as developing new ones (*SMART*, *Super Ágil* y *Work Café)*, while investing in new generation ATMs and our contact centres.
- As regards digitalisation, progress in all countries with apps, platforms, products and services. Of note globally was the expansion of *Openbank*, our fully digital bank, the launch of *OnePay Fx*, a blockchain-based service and the development of *Superdigital*, an alternative solution to traditional banking mainly focused on the unbanked population of Latin America.

Shareholders

- The total dividend per share charged to 2018's earnings was scheduled at EUR 0.23 via a scrip dividend and three payments in cash, 4.5% more than that for 2017*.
- We continued to strenghten measures that increased and enhanced communication with our shareholders and fostered transparency through the use of new technologies. Of note was the creation of a new personal service channel via video conference.
- Santander was recognised as one of the best companies and European banks in the area of investor relations, corporate events, website and multimedia use by *Institutional Investor, IR Magazine* and *Global Capital* and by the *Extel* survey, conducted among more than 11,000 investment professionals.

Community

- Banco Santander is ranked the world's third best bank and the first in Europe in the Dow Jones Sustainability Index (DJSI), the reference index in which Santander has been present for 18 straight years, and which measures companies' performance in sustainability matters, in its three dimensions (economic, social and environmental).
- The magazine *Fortune* included Santander in its 2018 *Change the World* ranking, which includes a small group of companies that "combine success with their contribution to society" by generating a positive social impact with initiatives that form part of their business strategy.
- Santander Universities held its fourth international meeting of rectors, a reference event in academic world and launched the new *Santander Scholarships* portal. A record number of scholarships (almost 55,000) were granted in 2018 and close to 19,000 entrepreneurs were supported by *Santander X*

(*) Final dividend charge to 2018 earnings is subject to the Board of Directors and 2019 AGM approval.

GROUP PERFORMANCE

“

2018 has been an excellent year for the Group. We have successfully completed our three year strategic plan, and our focus on earning customer loyalty and digital transformation has been central to our success

”

“

We boosted our profit and profitability in 2018 and at the same time improved credit quality and increased our capital ratio to 11.30%

”

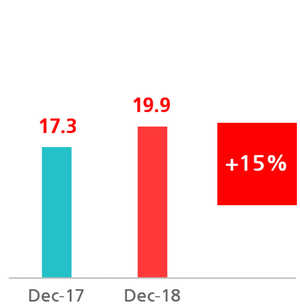
GROWTH

The commercial transformation is driving growth in loyal and digital customers, reflected in greater business in almost all markets

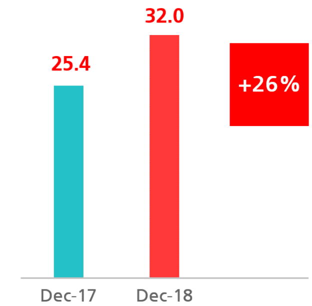
Santander's strategy remained focus on customer loyalty. The number of **loyal customers** continued to rise in the quarter close to 20 million, 2.6 million more than at the end of 2017 (+15%), with individuals as well as companies rising.

The number of **digital customers** rose by 6.6 million in 2018 (+26% in the last 12 months) to 32 million, underscoring the strength of our multichannel strategy. Penetration of digital clients, the use of mobile devices, and the weight of digital sales are growing notably.

LOYAL CUSTOMERS *
Millions



DIGITAL CUSTOMERS *
Millions



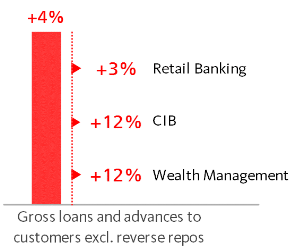
(*) Banco Popular customer integration in March 2018.

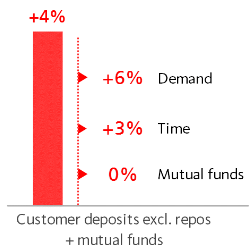
Growth in lending and customer funds in the fourth quarter, benefiting slightly from the acquisition of the retail and SME business of Deutsche Bank Polska.

Loans grew in the whole of 2018 (at constant exchange rate) in eight of the ten core units and funds also in eight, with rises in demand and time deposits and mutual funds remained stable, affected by the market environment.

Solid funding and liquidity structure. **Net loan-to-deposit ratio** of 113% (109% in December 2017).

DEC-18 VERSUS DEC-17
% change in constant euros





GROUP PERFORMANCE

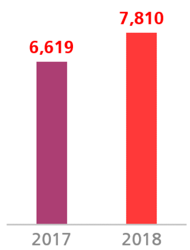
PROFITABILITY

Santander is a predictable, profitable and efficient bank, with a business model that enables us to obtain higher profits in a recurring way

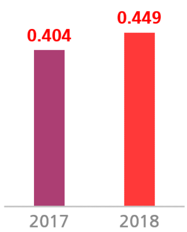
The fourth quarter attributable profit of EUR 2,068 million, 4% more quarter-on-quarter, despite the contribution to the Deposit Guarantee Fund in Spain. Excluding this charge, the quarter's profit would have been 12% higher (+7% in constant euros).

The full year attributable profit was up 18% at EUR 7,810 million (+32% in constant euros). Earnings per share were EUR 0.449 (+11%).

ATTRIBUTABLE PROFIT
EUR million



EARNING PER SHARE
Euros

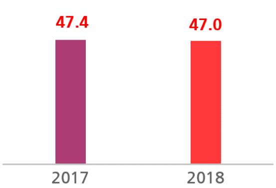


Excluding the non-recurring results, the **underlying attributable profit was EUR 8,064 million**, 7% higher (+18% in constant euros), and rose in seven of the ten core markets.

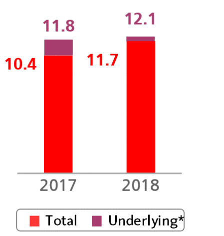
The **efficiency ratio improved to 47.0%**. The continued growth in customer revenue in all quarters of 2017 and 2018 (in constant euros), together with operational excellence enabled us to combine one of the sector's best efficiency ratios and be among the Top 3 in customer satisfaction in seven of our main countries.

The Group's profitability is one of the highest of European banks. with a **RoTE** of 11.7% (12.1% underlying). Both the RoTE and the **RoRWA** (1.55%; 1.59% underlying) improved in 2018.

EFFICIENCY RATIO
%



RoTE
%



(*) Not including net capital gains and provisions

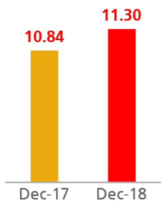
STRENGTH

Santander is strengthening its capital ratios and improving credit quality while remaining among the leading banks in profitability.

In 2018 we continued to increase our capital ratios quarter-on-quarter. The **fully loaded CET1**, applying the IFRS 9 transitional arrangement, was 11.30%, after generating during 2018 46 bps, mainly organically (+64 bps).

In addition, the stress test conducted by the EBA, reflected once more that thanks thanks to our business model and geographic diversification, we showed itself capable of generating profits for shareholders and meeting the most demanding regulatory requirements in adverse scenarios.

FULLY LOADED CET1*
%



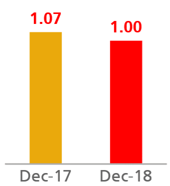
(*) Using the IFRS 9 transitional arrangements

TANGIBLE CAPITAL PER SHARE
Euros

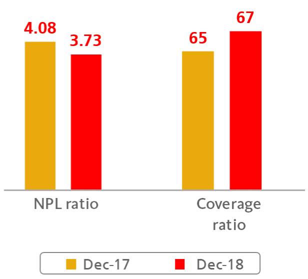
Tangible capital per share was EUR 4.19. The comparison with December 2017 is affected by a negative impact of EUR 0.08 from the first IFRS 9 implementation. Additionally, in terms of value creation for shareholders, a cash remuneration of EUR 0.20 paid in that period should be considered. Including both, TNAV would have increased 8% in the year.

Credit quality improved. The cost of credit ended 2018 at 1.00% (1.07% a year earlier). The NPL ratio fell for the sixth quarter running (-14 bps) and -35 bps since December 2017. Coverage rose by 2 pp.

CREDIT QUALITY
Euros



NPL RATIO AND COVERAGE
%



MAIN BUSINESS AREAS PERFORMANCE

(Greater detail on pages 22 to 38 and in the appendix)

(Changes in constant euros)

EUROPE

- **Continental Europe:** generated an attributable profit of EUR 3,428 million, 22% more year-on-year after recording the charges in 2017 and 2018 associated with integrations, mainly restructuring costs.

  Excluding these impacts, underlying attributable profit was EUR 3,642 million (+14% year-on-year), largely due to the increase in customer revenue and also partially benefiting from Banco Popular's integration.

  Underlying attributable profit was 4% lower quarter-on-quarter, due to the recording in the fourth quarter of EUR 158 million net of tax for the contribution to the Deposit Guarantee Fund in Spain. Excluding this, profit would have been 12% higher given the good evolution of customer revenue and lower loan-loss provisions.

- **United Kingdom:** in a highly competitive environment with some remaining uncertainties on Brexit, attributable profit was 8% lower in 2018 at EUR 1,362 million. This was due to pressure on spreads and investments in regulatory and strategic projects. The cost of credit remained stable at just 7 bps.

  The fourth quarter underlying attributable profit was 26% lower quarter-on-quarter, due to the recording of historical probate and bereavement processes and others related to consumer credit business operations, as the rest of the P&L lines were virtually at the same levels as in the third quarter.

THE AMERICAS

- **Latin America:** attributable profit of EUR 4,228 million in 2018, 16% higher year-on-year. Growth in volumes, spreads management and increased loyalty underpinned the good evolution, both in net interest income and fee income. Notable improvement in the cost of credit.

  Operating expenses grew mainly due to plans relating to the expansion, commercial transformation and increased digitalisation of our retail networks.

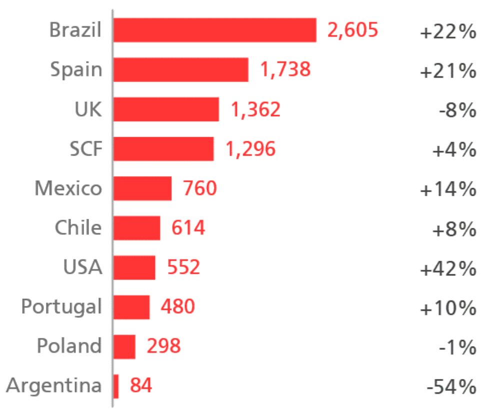
  The fourth quarter profit was 2% higher quarter-on-quarter, due to the good performance of customer revenue, particularly fee income, and taxes, and was partially offset by higher costs (seasonal in the quarter) and lower gains on financial transactions.

- **United States**: attributable profit of EUR 552 million in 2018, 74% more year-on-year, impacted by extraordinary net charges of EUR 76 million.

  Excluding this, underlying attributable profit increased 42%, due to higher income from leasing and lower costs and provisions.

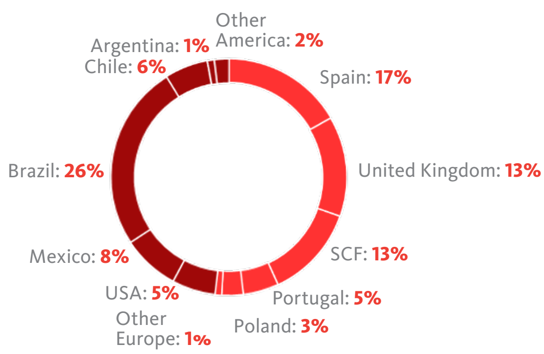
  The fourth quarter underlying attributable profit was 29% lower, due to higher provisions because of the strong growth in lending, together with seasonal factors of SC USA. In addition, there was a change in methodology in the fourth quarter in the accrual of troubled debt restructuring (TDR) that affected net interest income and provisions (both increased). This impact, of around EUR 180 million, corresponds to the whole year.

UNDERLYING ATTRIBUTABLE PROFIT*. 2018
EUR million. % change YoY in constant euros



(*) Not including net capital gains and provisions

UNDERLYING ATTRIBUTABLE PROFIT GEOGRAPHIC DISTRIBUTION*. 2018



(*) % operating areas excluding Spain Real Estate Activity and Corporate Centre

GENERAL BACKGROUND

Grupo Santander developed its business in 2018 in a generally dynamic economic environment. However, as the year advanced so it became clearer that the peak of the expansive cycle had been reached, giving rise to instability in the markets. The countries where the Group conducts its business performed in a less similar fashion although they are generally growing.

Trade tensions, despite the agreement reached in the renegotiation of NAFTA, and the tightening of US monetary policy were the main causes of greater uncertainty, which triggered tensions of varying intensity, particularly in developing markets such as Argentina and Turkey and, to a lesser extent, in Brazil and Mexico, also affected by the electoral cycle in most of the year.

Other factors such as the Brexit negotiations and the shape of Italy's fiscal policy also weighed on the tone of the markets.

Country	GDP[1] change	Economic performance
Eurozone	+1.9%	Economic activity could not maintain the strong rhythm of 2017. Yet growth in 2018 was above the potential. The jobless rate came down to 7.9%. After the hike in inflation because of energy prices, it eased at the end of the year (1.6%).
Spain	+2.5%	The economy slowed in 2018, although Spain remained one of the euro zone's most dynamic economies. Job creation was very strong and the unemployment rate continued to fall. Inflation ended the year at 1.2%.
Poland	+5.1%	Growth remained strong, mainly due to consumption and the lack of imbalances. The unemployment rate was below 4% (an historic low) and inflation (1.0%) remained below the central bank's 2.5% target. The central bank held its key interest rate at 1.5%.
Portugal	+2.2%	The economy slowed a little, but growth was still solid. Robust domestic demand was fuelled by consumption and investment, while exports fell. The jobless rate was below 7% and inflation ended the year at 0.7%.
United Kingdom	+1.3%	The economy lost strength in 2018 because of the uncertainty over Brexit, whose ups and downs were reflected in sterling (GBP 0.9/Euro). Inflation (2.1%) eased and the unemployment rate of 4% was effectively full employment. The Bank of England's base rate ended the year at 0.75%.
Brazil	+1.3%	Growth picked up a little, despite the impact of the transport strike. Investment recovered after four years of falling and private consumption and exports accelerated. Inflation was 3.75% in December 2018, below the central bank's 4.5% target and the Selic remained at an historic low (6.5%).
Mexico	+2.1%	The economy grew by around 2%, spurred by a recovery in investment and exports. The central bank raised its key rate by 100 bps in order to prevent the effects of the peso's depreciation and moderate inflation. Mexico, the US and Canada reached a new trade agreement, which has yet to be ratified.
Chile	+4.0%	The economy was strong, spurred by private consumption, investment and exports. Inflation rose to 2.6% (below the 3% target) and the central bank began to normalise its monetary policy, with a rise of 25 bps in its key rate to 2.75%.
Argentina	-2.4%	Thanks to financial aid from the IMF, the economy began to show signs of stabilising, with an easing of inflation, a significant fiscal consolidation and relative exchange rate stability. The economy shrank 2.4% and is expected to gradually recover in 2019.
United States	+3.0%	GDP grew at a faster pace (3%) and the jobless rate was down to 3.7% at the end of the year. Inflationary pressures increased, aligning underlying inflation with the target of the Fed, which raised interest rate by 100 bps.

(1) Year-on-year change 2018 (estimated)

EXCHANGE RATES: 1 EURO / CURRENCY PARITY

	Average (income statement)		Period-end (balance sheet)		
	2018	2017	Dec-18	Sep-18	Dec-17
US dollar	1.180	1.127	1.145	1.158	1.199
Pound sterling	0.885	0.876	0.895	0.887	0.887
Brazilian real	4.294	3.594	4.444	4.654	3.973
Mexican peso	22.688	21.291	22.492	21.780	23.661
Chilean peso	756.661	731.538	794.630	765.301	736.922
Argentine peso	31.164	18.566	43.121	47.635	22.637
Polish zloty	4.261	4.256	4.301	4.277	4.177

GRUPO SANTANDER RESULTS

Fourth quarter attributable profit of EUR 2,068 million, affected by the contribution to the Deposit Guarantee Fund in Spain. Excluding this charge, the profit would have been 12% higher quarter-on-quarter (7% in constant euros)

Attributable profit for the full year was 18% higher at EUR 7,810 million (+32% in constant euros), after recording extraordinary results of EUR -254 million (EUR -897 million in 2017). Earnings per share increased 11%

Underlying attributable profit was EUR 8,064 million, 7% more than in 2017 and 18% more in constant euros. These results reflect solid customer revenue, an efficiency ratio of 47.0%, among the best of our peers, and an improved cost of credit at 1.00%

RoTE of 11.7% (underlying RoTE of 12.1%), and RoRWA of 1.55% (underlying RoRWA of 1.59%). Both were better than in 2017

GRUPO SANTANDER. INCOME STATEMENT

EUR million

	Q4'18	Q3'18	Change %	Change % excl. FX	2018	2017	Change %	Change % excl. FX
Net interest income	9,061	8,349	8.5	3.0	34,341	34,296	0.1	8.7
Net fee income	2,956	2,640	12.0	3.0	11,485	11,597	(1.0)	8.5
Gains (losses) on financial transactions	438	505	(13.3)	(25.5)	1,797	1,703	5.5	18.0
Other operating income	87	226	(61.5)	(54.0)	801	796	0.6	4.9
Dividends	78	28	178.6	165.8	370	384	(3.7)	(1.0)
Income from equity-accounted method	205	178	15.2	7.8	737	704	4.7	14.2
Other operating income/expenses	(196)	20	—	—	(306)	(291)	5.0	19.8
Gross income	**12,542**	**11,720**	**7.0**	**0.7**	**48,424**	**48,392**	**0.1**	**8.9**
Operating expenses	(5,936)	(5,361)	10.7	3.7	(22,779)	(22,918)	(0.6)	7.0
General administrative expenses	(5,285)	(4,804)	10.0	3.0	(20,354)	(20,325)	0.1	8.0
Personnel	*(3,068)*	*(2,837)*	*8.1*	*2.1*	*(11,865)*	*(11,972)*	*(0.9)*	*6.2*
Other general administrative expenses	*(2,217)*	*(1,967)*	*12.7*	*4.1*	*(8,489)*	*(8,353)*	*1.6*	*10.6*
Depreciation and amortisation	(651)	(557)	16.9	9.8	(2,425)	(2,593)	(6.5)	(0.8)
Net operating income	**6,606**	**6,359**	**3.9**	**(1.8)**	**25,645**	**25,473**	**0.7**	**10.6**
Net loan-loss provisions	(2,455)	(2,121)	15.7	8.7	(8,873)	(9,111)	(2.6)	7.2
Impairment losses on other assets	(100)	(49)	104.1	89.7	(207)	(414)	(50.0)	(46.7)
Other income	(505)	(439)	15.0	4.6	(1,789)	(2,398)	(25.4)	(17.7)
Underlying profit before tax	**3,546**	**3,750**	**(5.4)**	**(9.7)**	**14,776**	**13,550**	**9.0**	**19.7**
Tax on profit	(1,177)	(1,394)	(15.6)	(19.8)	(5,230)	(4,587)	14.0	25.2
Underlying profit from continuing operations	**2,369**	**2,356**	**0.6**	**(3.7)**	**9,546**	**8,963**	**6.5**	**16.9**
Net profit from discontinued operations	—	—	—	—	—	—	—	—
Underlying consolidated profit	**2,369**	**2,356**	**0.6**	**(3.7)**	**9,546**	**8,963**	**6.5**	**16.9**
Minority interests	347	366	(5.2)	(6.2)	1,482	1,447	2.4	9.1
Underlying attributable profit to the Group	**2,022**	**1,990**	**1.6**	**(3.3)**	**8,064**	**7,516**	**7.3**	**18.5**
Net capital gains and provisions*	46	—	—	—	(254)	(897)	(71.7)	(71.6)
Attributable profit to the Group	**2,068**	**1,990**	**3.9**	**(1.1)**	**7,810**	**6,619**	**18.0**	**32.1**
Underlying EPS (euros)	**0.116**	**0.115**	**1.1**		**0.465**	**0.463**	**0.6**	
Underlying diluted EPS (euros)	**0.116**	**0.114**	**1.1**		**0.464**	**0.461**	**0.6**	
EPS (euros)	**0.119**	**0.115**	**3.6**		**0.449**	**0.404**	**11.2**	
Diluted EPS (euros)	**0.118**	**0.114**	**3.7**		**0.448**	**0.403**	**11.2**	
Pro memoria:								
Average total assets	1,459,756	1,431,897	1.9		1,442,861	1,407,681	2.5	
Average stockholders' equity	96,187	94,391	1.9		95,071	92,638	2.6	

(*) In 2018, costs associated to integrations (mainly restructuring costs), net of tax impacts, in Spain (EUR -280 million), Corporate Centre (EUR -40 million) and Portugal (EUR 20 million) and badwill in Poland for the integration of Deutsche Bank Polska (EUR 45 million). In 2017, integration costs (Popular: EUR -300 million and Germany: EUR -85 million), charges for equity stakes and intangible assets (EUR -130 million), capital gains from the disposal of the stake in Allfunds Bank (EUR 297 million), USA fiscal reform (EUR 73 million), goodwill charges (EUR -603 million) and in the US provisions for hurricanes, increased stake in Santander Consumer USA and other (EUR -149 million).

QUARTERLY INCOME STATEMENT
EUR million

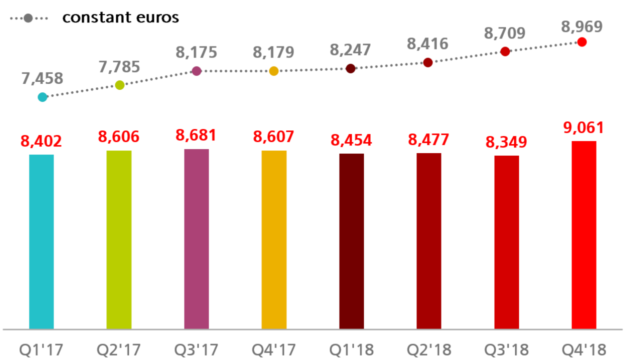
	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18
Net interest income	8,402	8,606	8,681	8,607	8,454	8,477	8,349	9,061
Net fee income	2,844	2,916	2,888	2,949	2,955	2,934	2,640	2,956
Gains (losses) on financial transactions	573	286	422	421	493	361	505	438
Other operating income	211	240	260	85	249	239	226	87
Dividends	41	238	31	75	35	229	28	78
Income from equity-accounted method	133	160	188	223	178	176	178	205
Other operating income/expenses	37	(157)	42	(213)	36	(166)	20	(196)
Gross income	**12,029**	**12,049**	**12,252**	**12,062**	**12,151**	**12,011**	**11,720**	**12,542**
Operating expenses	(5,543)	(5,648)	(5,766)	(5,961)	(5,764)	(5,718)	(5,361)	(5,936)
General administrative expenses	(4,915)	(4,983)	(5,161)	(5,267)	(5,151)	(5,114)	(4,804)	(5,285)
Personnel	*(2,912)*	*(2,943)*	*(3,000)*	*(3,116)*	*(3,000)*	*(2,960)*	*(2,837)*	*(3,068)*
Other general administrative expenses	*(2,002)*	*(2,039)*	*(2,161)*	*(2,151)*	*(2,151)*	*(2,154)*	*(1,967)*	*(2,217)*
Depreciation and amortisation	(629)	(665)	(605)	(694)	(613)	(604)	(557)	(651)
Net operating income	**6,486**	**6,401**	**6,486**	**6,101**	**6,387**	**6,293**	**6,359**	**6,606**
Net loan-loss provisions	(2,400)	(2,280)	(2,250)	(2,181)	(2,282)	(2,015)	(2,121)	(2,455)
Impairment losses on other assets	(68)	(63)	(54)	(230)	(24)	(34)	(49)	(100)
Other income	(707)	(785)	(591)	(315)	(392)	(453)	(439)	(505)
Underlying profit before tax	**3,311**	**3,273**	**3,591**	**3,375**	**3,689**	**3,791**	**3,750**	**3,546**
Tax on profit	(1,125)	(1,129)	(1,243)	(1,090)	(1,280)	(1,379)	(1,394)	(1,177)
Underlying profit from continuing operations	**2,186**	**2,144**	**2,347**	**2,285**	**2,409**	**2,412**	**2,356**	**2,369**
Net profit from discontinued operations	—	—	—	—	—	—	—	—
Underlying consolidated profit	**2,186**	**2,144**	**2,347**	**2,285**	**2,409**	**2,412**	**2,356**	**2,369**
Minority interests	319	395	371	362	355	414	366	347
Underlying attributable profit to the Group	**1,867**	**1,749**	**1,976**	**1,924**	**2,054**	**1,998**	**1,990**	**2,022**
Net capital gains and provisions*	—	—	(515)	(382)	—	(300)	—	46
Attributable profit to the Group	**1,867**	**1,749**	**1,461**	**1,542**	**2,054**	**1,698**	**1,990**	**2,068**
Underlying EPS (euros) **	**0.120**	**0.112**	**0.118**	**0.113**	**0.120**	**0.115**	**0.115**	**0.116**
Underlying diluted EPS (euros) **	**0.120**	**0.111**	**0.119**	**0.111**	**0.119**	**0.115**	**0.114**	**0.116**
EPS (euros) **	**0.120**	**0.112**	**0.084**	**0.088**	**0.120**	**0.096**	**0.115**	**0.119**
Diluted EPS (euros) **	**0.120**	**0.111**	**0.085**	**0.087**	**0.119**	**0.096**	**0.114**	**0.118**

(*) Including the following amounts, net of tax:

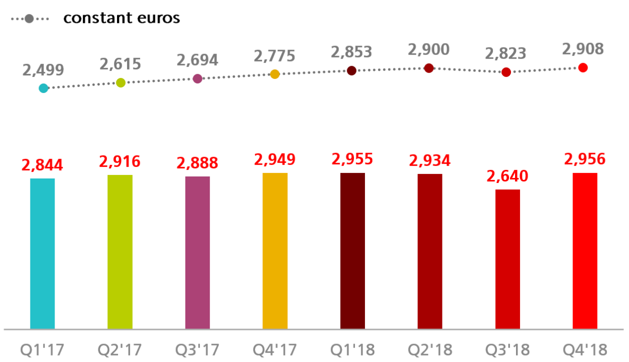
- In Q3'17, integration costs (Banco Popular EUR -300 million, Germany EUR -85 million) and charge for equity stakes and intangible assets (EUR -130 million).
- In Q4'17, capital gains from the disposal of the stake in Allfunds Bank (EUR 297 million), tax reform in the US (EUR 73 million), goodwill charges (EUR -603 million) and provisions for hurricanes, repurchase of a minority stake in Santander Consumer USA and others in the US (EUR -149 million).
- In Q2'18, charges associated with integrations (mainly restructuring costs) net of tax impact in Spain (EUR -280 million), Corporate Centre (EUR -40 million) and Portugal (EUR 20 million).
- In Q4'18, recording of badwill from DBP's integration in Poland (EUR 45 million).

(**) The figures for the first and second quarters of 2017 are adjusted to the July 2017 capital increase in order to make them comparable with the rest of quarters.

NET INTEREST INCOME
EUR million



FEE INCOME
EUR million



Fourth quarter results compared to the third quarter of 2018

The fourth quarter attributable profit was 4% higher than the third quarter's at EUR 2,068 million. Eliminating the exchange rate impact, it was 1% lower. The evolution was affected by the contribution in the fourth quarter to the Deposit Guarantee Fund in Spain (EUR 226 million or EUR 158 million after tax). Without this impact, profit would have risen 12% and without the exchange rate impact it would have been 7% higher, with the following detail:

- Net interest income increased for the seventh consecutive quarter, backed by Spain and benefiting from the change in methodology in the recording of TDRs in the US already mentioned, and which meant an increase in both this line as well as in loan-loss provisions. Fee income grew 3%, with a positive seasonal impact from Brazil. Gains on financial transactions were lower than in the third quarter when they were the highest for the year.

- Operating expenses were up 4%, affected by the seasonality that is usually registered in the fourth quarter in some countries such as Brazil (marketing campaigns, applying the salary agreement), the US and SCF.

- Provisions rose mainly in the US because there was a sharp rise in new loans in the quarter, both at SBNA and SC USA and some seasonality in the latter. The aforementioned change in methodology in net interest income should also be taken into account.

- In addition, badwill was recorded in the fourth quarter for DBP's retail and SME business integration in Poland and some charges, mainly related to restructuring costs.

Evolution of results compared to 2017

The attributable profit of EUR 7,810 million in 2018 was 18% higher in euros and 32% in constant euros.

The results reflect the favourable impact of the acquisition of Banco Popular, the larger stake in Santander Asset Management (SAM) and the negative impact of exchange rates and of the still low interest rates in mature markets. In addition, profit was affected in 2018 and 2017 by the results included in the "Net capital gains and provisions" item (net of taxes), which are set out on pages 10 and 11 of this report.

Excluding these results, underlying attributable profit was EUR 8,064 million (+7% in euros and +18% in constant euros). The P&L performance by line was as follows. To facilitate analysis and comparisons of management actions, all changes exclude exchange rate impacts.

Gross income

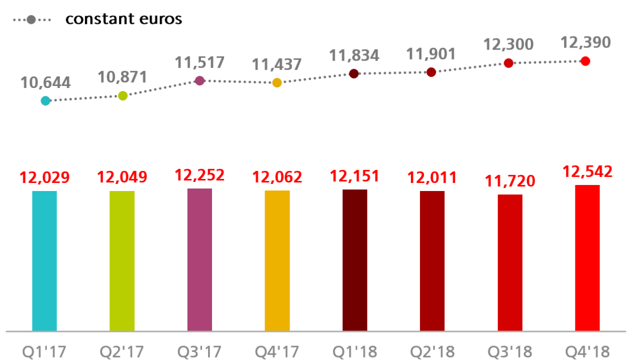
- The structure of our gross income, where net interest income and fee income accounted for 95% of total revenue in 2018, well above the average of our competitors, continues to enable us to grow in a consistent and recurring way, limiting the impact that periods of high volatility can have on gains on financial transactions. Gross income increased 9%, as follows:

  – **Net interest income** rose 9%, due to greater lending and deposit volumes, mainly in developing countries which overall grew at double-digit rate in local currency, and management of spreads.

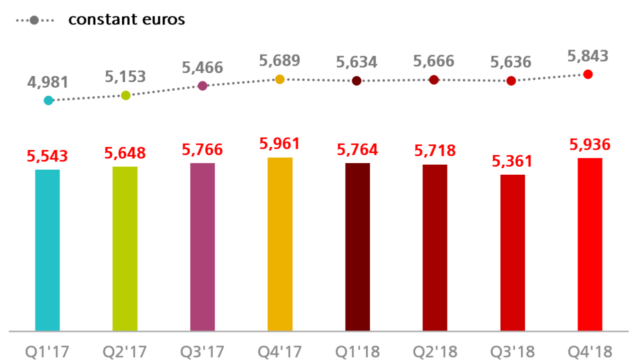
  By countries, all units increased except for the United Kingdom, affected by pressure on spreads on new mortgages and standard variable rate (SVR) balances.

  – **Fee income** was up 9%, reflecting greater activity and customer loyalty, in addition to our strategy of growth in services and higher value-added products, and in areas of low capital consumption. Growth in fee income from Retail Banking (+6%), Corporate & Investment Banking (+0.3%) and Wealth Management (+63%).

GROSS INCOME
EUR million



OPERATING EXPENSES
EUR million



– **Gains on financial transactions,** which account for less than 4% of gross income, increased 18%, while the sum of dividends, equity-accounted income and other income rose 5%,due to higher income from leasing in the United States and by the equity accounted method.

Operating expenses

- Operating expenses rose 7% as a result of higher inflation in some countries, investments in transformation and digitalisation, and the perimeter effect. In real terms (excluding inflation and perimeter effect), costs were 0.5% lower. Of note by units was the fall in costs in the United States, mainly due to lower depreciation, and in Spain, Portugal and SCF, all of them related to integration processes.

  The main rises were in Mexico and Chile, due to investments in infrastructure, and Poland, because of transformation projects and pressure on salaries.

  The measures to optimise costs, as part of the ongoing integration processes, will be reflected in greater synergies in the future. This evolution is enabling us to combine the investments made to enhance the customer experience with an operational efficiency that continues to be the sector's reference.

Loan-loss provisions

- Good evolution of credit quality ratios. The NPL ratio, as well as the coverage ratio and the cost of credit, improved in the last 12 months.

- By countries, provisions fell in the US and Mexico, in Brazil they rose at a slower pace than lending, while the UK and Portugal maintained a cost of credit below 10 bps.

  The main rises in provisions were in Spain, due to the greater perimeter, in SCF, because of higher releases and portfolio sales in 2017, although it maintained a cost of credit below the standards for its business, and Argentina due to higher provisions for individual borrowers and the impact of the peso's depreciation on dollar balances.

- The cost of credit dropped from 1.07% in 2017 to 1.00% in 2018.

Other results and provisions

- Other results and provisions were EUR -1,996 million, 22% lower than in 2017. This item records different kinds of provisions, as well as capital gains, capital losses and asset impairment.

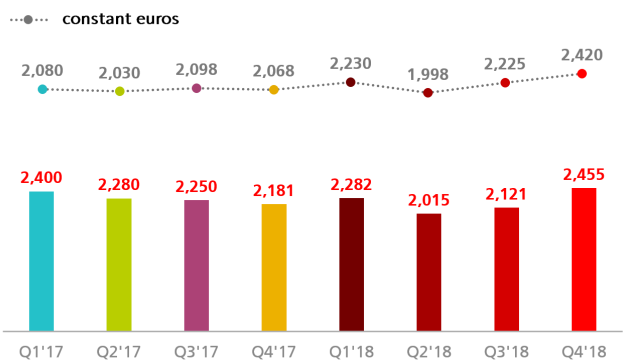
- The improvement over 2017 was largely due to lower provisions for legal and labour claims (*trabalhistas*) recorded in Brazil, lower charges in the UK stemming from potential customer complaints, and at SCF because in 2017 provisions for legal claims, customer complaints and restructuring in some countries were higher.

Profit and profitability

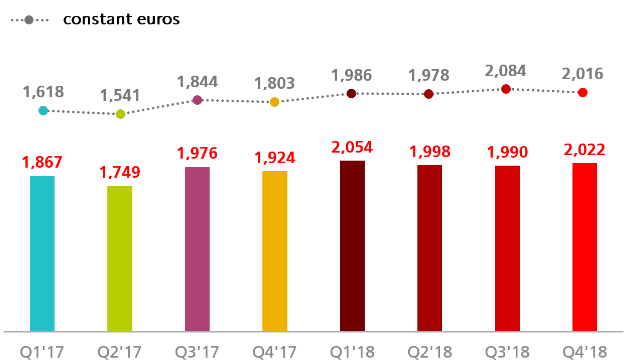
- Underlying attributable profit rose 18% (+7% in euros). Underlying RoTE rose to 12.1% and underlying RoRWA to 1.59%.

- Considering the results included in the "Net capital gains and provisions" item, attributable profit increased 32% (+18% in euros), and earnings per share were EUR 0.449 (+11% year-on-year in euros). RoTE was 11.7% and RoRWA 1.55%, in both cases higher than in 2017.

LOAN-LOSS PROVISIONS
EUR million



UNDERLYING ATTRIBUTABLE PROFIT TO THE GROUP *
EUR million



(*) Excluding net capital gains and provisions

GRUPO SANTANDER. BALANCE SHEET

EUR million

Assets	Dec-18	Dec-17	Absolute change	%	Dec-16
Cash, cash balances at central banks and other demand deposits	113,663	110,995	2,668	2.4	76,454
Financial assets held for trading	92,879	125,458	(32,579)	(26.0)	148,187
Debt securities	27,800	36,351	(8,551)	(23.5)	48,922
Equity instruments	8,938	21,353	(12,415)	(58.1)	14,497
Loans and advances to customers	202	8,815	(8,613)	(97.7)	9,504
Loans and advances to central banks and credit institutions	—	1,696	(1,696)	(100.0)	3,221
Derivatives	55,939	57,243	(1,304)	(2.3)	72,043
Financial assets designated at fair value through profit or loss	68,190	34,781	33,409	96.1	31,609
Loans and advances to customers	23,796	20,475	3,321	16.2	17,596
Loans and advances to central banks and credit institutions	32,325	9,889	22,436	226.9	10,069
Other (debt securities an equity instruments)	12,069	4,417	7,652	173.2	3,944
Financial assets at fair value through other comprehensive income	121,091	133,271	(12,180)	(9.1)	116,774
Debt securities	116,819	128,481	(11,662)	(9.1)	111,287
Equity instruments	2,671	4,790	(2,119)	(44.2)	5,487
Loans and advances to customers	1,601	—	1,601	—	—
Loans and advances to central banks and credit institutions	—	—	—	—	—
Financial assets measured at amortised cost	946,099	916,504	29,595	3.2	854,472
Debt securities	37,696	31,034	6,662	21.5	27,705
Loans and advances to customers	857,322	819,625	37,697	4.6	763,370
Loans and advances to central banks and credit institutions	51,081	65,845	(14,764)	(22.4)	63,397
Investments in subsidaries, joint ventures and associates	7,588	6,184	1,404	22.7	4,836
Tangible assets	26,157	22,975	3,182	13.9	23,286
Intangible assets	28,560	28,683	(123)	(0.4)	29,421
Goodwill	25,466	25,769	(303)	(1.2)	26,724
Other intangible assets	3,094	2,914	180	6.2	2,697
Other assets	55,044	65,454	(10,410)	(15.9)	54,086
Total assets	**1,459,271**	**1,444,305**	**14,966**	**1.0**	**1,339,125**

Liabilities and shareholders' equity					
Financial liabilities held for trading	70,343	107,624	(37,281)	(34.6)	108,765
Customer deposits	—	28,179	(28,179)	(100.0)	9,996
Debt securities issued	—	—	—	—	—
Deposits by central banks and credit institutions	—	574	(574)	(100.0)	1,395
Derivatives	55,341	57,892	(2,551)	(4.4)	74,369
Other	15,002	20,979	(5,977)	(28.5)	23,005
Financial liabilities designated at fair value through profit or loss	68,058	59,617	8,441	14.2	40,263
Customer deposits	39,597	28,945	10,652	36.8	23,345
Debt securities issued	2,305	3,056	(751)	(24.6)	2,791
Deposits by central banks and credit institutions	25,707	27,027	(1,320)	(4.9)	14,127
Other	449	589	(140)	(23.7)	—
Financial liabilities measured at amortized cost	1,171,630	1,126,069	45,561	4.0	1,044,240
Customer deposits	740,899	720,606	20,293	2.8	657,770
Debt securities issued	244,314	214,910	29,404	13.7	226,078
Deposits by central banks and credit institutions	162,202	162,714	(512)	(0.3)	133,876
Other	24,215	27,839	(3,624)	(13.0)	26,516
Liabilities under insurance contracts	765	1,117	(352)	(31.5)	652
Provisions	13,225	14,490	(1,265)	(8.7)	14,459
Other liabilities	27,889	28,556	(667)	(2.3)	28,047
Total liabilities	1,351,910	1,337,472	14,438	1.1	1,236,426
Shareholders' equity	118,613	116,265	2,348	2.0	105,977
Capital stock	8,118	8,068	50	0.6	7,291
Reserves	104,922	103,608	1,314	1.3	94,149
Attributable profit to the Group	7,810	6,619	1,191	18.0	6,204
Less: dividends	*(2,237)*	*(2,029)*	*(208)*	*10.2*	*(1,667)*
Other comprehensive income	(22,141)	(21,777)	(364)	1.7	(15,039)
Minority interests	10,889	12,344	(1,455)	(11.8)	11,761
Total equity	107,361	106,832	529	0.5	102,699
Total liabilities and equity	**1,459,271**	**1,444,305**	**14,966**	**1.0**	**1,339,125**

NOTE: Due to the application of IFRS 9 from 1 January 2018 and the decision to not restate the accounts, as permitted in the regulation, the balance sheet from December 2018 is not comparable with previous reporting periods. As such, for comparative purposes, and given the portfolio reclassification and the corresponding nomenclature changes were not significant, the 2017 accounts have been reorganised in accordance with the new aims and valuation methods. The initial impact as of 1 January 2018 was a 1.8% increase in fair value portfolios and a 0.8% decrease in portfolios valued at amortised cost, including a EUR 2 billion increase in impairment losses. The resulting decrease in equity was just under EUR 1.5 billion.

GRUPO SANTANDER BALANCE SHEET

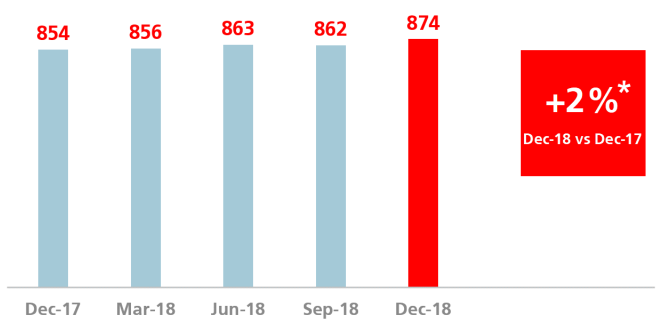
Lending increased 4% in 2018 (excluding exchange rate impact) in eight of the ten core units, particularly in developing countries (+14%)
Customer funds rose 4% (excluding exchange rate impact), with growth in eight of the ten core units (basically flat in the other two). Demand and time deposits, in particular, grew. Mutual funds remained virtually unchanged because of the market environment
The evolution of exchange rates in the fourth quarter had no impact. In year-on-year terms, there was a negative impact of 2 pp on loans and funds. Slight positive impact from the consolidation of Deutsche Bank Polska's retail and SME business balances

Gross customer loans and advances (excluding reverse repos)

Gross customer loans and advances excluding reverse repos remained evenly balanced: individuals (45%), consumer credit (17%), SME and companies (27%) and SCIB (11%).

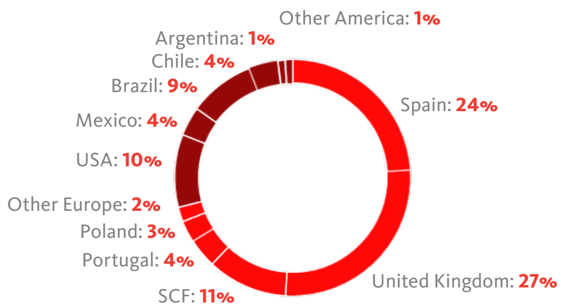
- **Quarter-on-quarter**, and excluding the exchange rate impact, loans increased 1%, with the following performance by country:
  - Increase of 5% in balances of developing countries, with growth of 4% in Brazil, 1% in Mexico and Chile and 20% in Poland, and a fall of 13% in Argentina, partly due to the impact of the peso's appreciation on dollar balances.
  - Balances in mature countries increased 1%, very conditioned by Spain (-2%), due to wholesale balances and institutions.
- **Compared to December 2017**, there was a 4% increase (eliminating the exchange rate impact), with the following performance by country:
  - There were rises in eight of the ten core countries. Of note were all the developing markets which grew 14%: Argentina (+40%), due to balances in pesos as well as the impact of the peso's depreciation on dollar balances, Poland (+30%), partially due to perimeter effect, Brazil (+13%), and Mexico and Chile (both +10%).
  - More moderate growth in the US and the UK (+6% and +1%, respectively).
  - Portugal and Spain's banking sector continued to deleverage with a credit decreased around 3%. In this context, we recorded declines. In Portugal, down 2%, because of the sale of non-productive portfolios and Spain by 4% because it was affected by the already commented evolution in the quarter.

GROSS LOANS AND ADVANCES TO CUSTOMERS (Excl. reverse repos)
EUR billion



(*) In constant EUR: +4%

GROSS LOANS AND ADVANCES TO CUSTOMERS (Excl. reverse repos)
% operating areas. December 2018



Customer funds

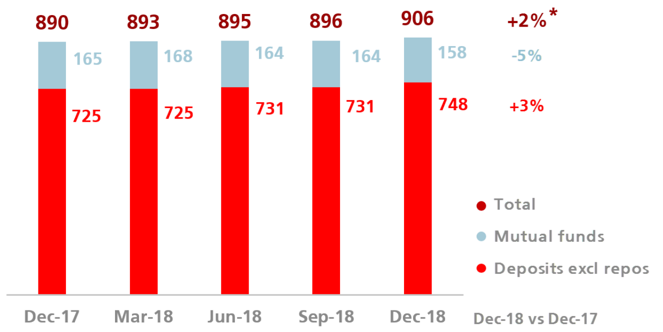
Customer funds are well diversified by products: 61% are demand deposits, 22% time deposits and 17% mutual funds.

- **In the fourth quarter**, total deposits excluding repos and mutual funds increased slightly (+1%) excluding exchange rate impacts. By countries:
  - In developing markets, there was a 19% rise in Poland, in part due to the consolidation of Deutsche Bank Polska, and 6% in Chile. Brazil and Mexico declined 1% .
  - In mature markets, they grew 2% in the US and the UK. Portugal was virtually unchanged, and there was a fall of 1% in Spain, where the strategy of combining a reduction in the expensive balances (the cost of deposits was 1 bps lower in the fourth quarter and 21 bps since the end of 2017) with a rise in demand deposits continued.
- **Compared to December 2017**, year-on-year growth was 4% excluding the exchange rate impact.
  - Demand deposits were up 6% with growth in almost all countries. Time deposits rose 2% due to Latin American countries, particularly Brazil, which increased 29% as part of the strategy of replacing *letras financeiras* with customer deposits in order to optimise the cost of funds. These rises offset the falls in the UK and, above all, in Spain. On the other hand, mutual funds were virtually stable (-0.4%) impacted by the falls in the markets.
  - By units, total funds rose in eight of the ten core units. The largest increases were in Argentina (+51%), Poland (+32%), Brazil (+15%), Portugal and Chile (both +8%).
  - More moderate growth of around 3%-4% in Santander Consumer Finance, Mexico and the US.
  - Balances in Spain and the UK hardly changed, because of the sharp fall in time deposits (and savings in the UK's case), which cancelled out the 8% growth in demand deposits in Spain and the 2% rise in demand deposits in the UK.

As well as capturing customer deposits, Grupo Santander, for strategic reasons, maintains a selective policy of issuing securities in the international fixed income markets and strives to adapt the frequency and volume of its market operations to the structural liquidity needs of each unit, as well as to the receptiveness of each market.

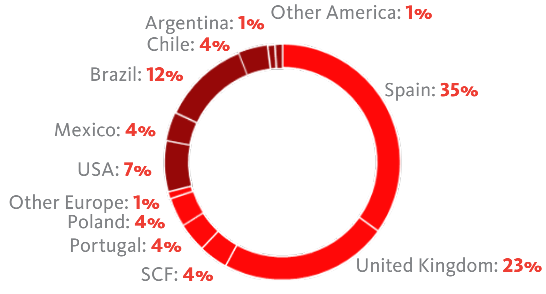
- In 2018, the Group **issued**:
  - Medium- and long-term senior debt amounting to EUR 17,585 million and covered bonds placed in the market of EUR 6,376 million.
  - Issuances to meet the TLAC (Total Loss-Absorbing Capacity) requirement amounting to EUR 13,544 million, in order to strengthen the Group's situation, consisting of senior non-preferred: EUR 10,284 million; subordinated debt: EUR 1,760 million and preferred: EUR 1,500 million.
  - Maturities of medium- and long-term debt of EUR 21,711 million.
  - Additionally, there were EUR 20,554 million of securitisations placed in the market, and extended the maturity of others for EUR 2,069 million. Total securitisations amounted EUR 22,623 million.
- The net loan-to-deposit ratio was 113% (109% in December 2017). The ratio of deposits plus medium- and long-term funding to the Group's loans was 114%, underscoring the comfortable funding structure.

CUSTOMER FUNDS
EUR billion



(*) In constant EUR: +4%

CUSTOMER FUNDS
% operating areas. December 2018



SOLVENCY RATIOS

The fully loaded CET1 ratio reached 11.30%, up 19 bps in the quarter and 46 bps in the year
Tangible equity per share was EUR 4.19, an increase of 1% in the quarter after the payment of dividends
The fully loaded leverage ratio was 5.1% (5.0% in December 2017)

At the end of 2018, the total phased-in capital ratio stood at 14.99% and the phased-in CET1 ratio at 11.47%, comfortably meeting the minimum levels required by the European Central Bank on a consolidated basis (12.315% for the total capital ratio and 8.815% for the CET1 ratio).

On 1 January 2018 the IFRS 9 came into force, which implied several accounting changes affecting the capital ratios. Santander chose to apply the phased-in under a dynamic approach, which means a five-year transition period. Applying this criteria, the fully loaded CET1 was 11.30% at the end of 2018.

The fourth quarter generated 19 bps (11 bps organically) and the favourable impact of WiZink (8 bps).

After this increase, the fully loaded CET1 rose 46 bps in 2018, with a notable 64 bps generated organically, which was partially offset by the net negative impact among corporate operations (+21 bps mainly Blackstone and WiZink), regulatory effects/one-offs (-25 bps mainly SC USA minority interests and restructuring costs) and markets and others (-14 bps, AFS, intangible assets).

Had the IFRS 9 transitional arrangement not been applied, the total impact on the fully loaded CET1 at end December would have been -27 bps.

In accordance with the TLAC issuance plan, there were three issuances in 2018, with impact on the capital ratios. In February we issued EUR 1.25 billion of subordinated (Tier 2) debt maturing in 2028. In March we completed a EUR 1.5 billion issuance of contingent convertible capital securities (CoCos), which contribute towards additional tier 1 (AT1) capital levels, and in April 10-year PLN 1 billion of subordinated debt (Tier 2) was issued in Poland.

Lastly, as a result of the implementation of the IFRS 16, which came into force in January 2019, the Group estimated an impact on the CET1 ratio of around -20 bps.

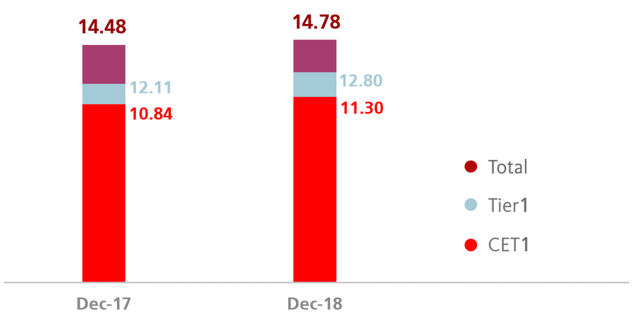
ELIGIBLE CAPITAL. DECEMBER 2018

EUR million

	Phased-in	Fully loaded
CET1	67,962	66,904
Basic capital	77,705	75,826
Eligible capital	**88,788**	**87,569**
Risk-weighted assets	592,319	592,319
CET1 capital ratio	**11.47**	**11.30**
T1 capital ratio	**13.12**	**12.80**
Total capital ratio	**14.99**	**14.78**

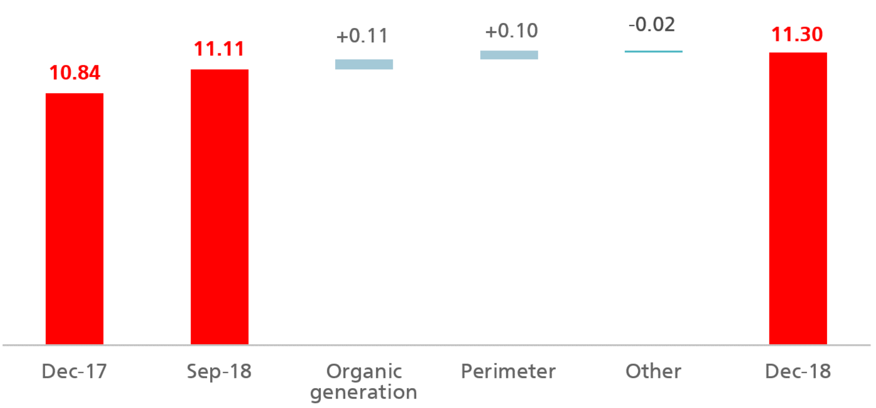
FULLY LOADED CAPITAL RATIO

%



FULLY LOADED CET1

%



NOTE: All 2018 data calculated using the IFRS 9 transitional arrangements, unless otherwise indicated.

STRESS TEST

In November, the European Banking Authority (EBA) published the results of the stress test for the European Union's 48 main banks.

This stress exercise presented two macroeconomic scenarios (baseline and adverse), taking as a starting point the banks' balance sheet at the end of 2017 and a three-year time frame ending in 2020. This time, there was no minimum capital threshold to meet.

The adverse scenario, very unlikely to occur, sets out a sharp macroeconomic and financial markets downturn, both in Europe and in other countries where Banco Santander operates. For example, the fall in the euro zone's GDP was put at 2.7%, the unemployment rate rose to 9.7% in 2020 and house prices plummeted by 19.1%.

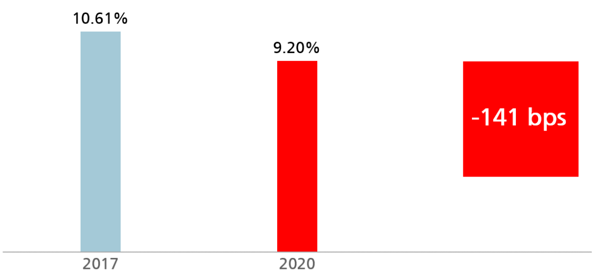
Since 2008, Grupo Santander has been submitted to seven stress tests in all of which it has demonstrated its strength and solvency in the face of the most extreme and severe macroeconomic scenarios. In all of them, thanks to its business model and geographic diversification, it showed itself capable of generating profits for its shareholders and meeting the most demanding regulatory requirements.

In the latest stress test:

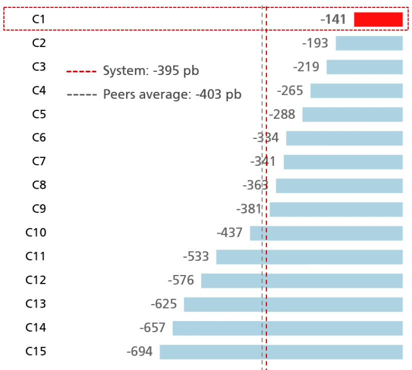
- Under the adverse scenario, Santander was the bank with the least capital destroyed (-141 bps) among its peers and also less so than in the test in 2016.
- In the baseline scenario, the Group was the bank that generated the most capital among its peers.
- Lastly, in both scenarios, Santander generated the largest net profit among its peers.

ADVERSE SCENARIO

FULLY LOADED CET1 RATIO
%

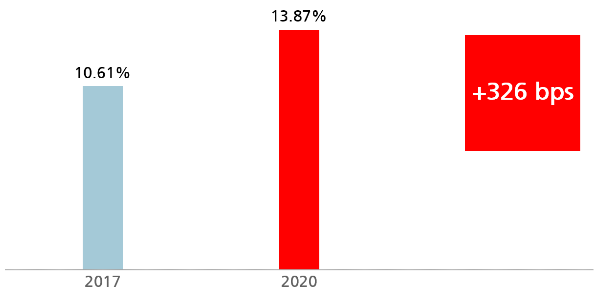


FL CET1 RATIO 2017 vs 2020
bps

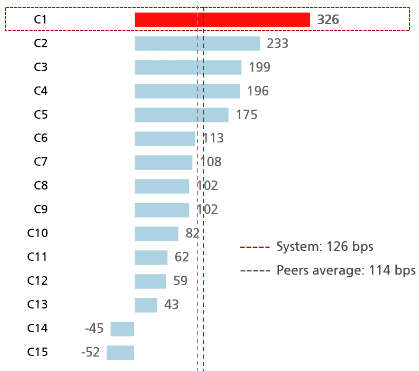


BASELINE SCENARIO

FULLY LOADED CET1 RATIO
%



FL CET1 RATIO 2017 vs 2020
bps



Peers: BBVA, Intesa San Paolo, Nordea, BNP, Unicredit, Commerzbank, Société Générale, ING, C.Agricole, HSBC, Deutsche Bank, RBS, Barclays and Lloyds.

RISK MANAGEMENT

The Group's NPL ratio continued to show a positive trend (14 bps lower in the fourth quarter) and ended the year at 3.73%
The cost of credit also improved, falling 7 bps in the year to 1.00%
In 2018 loan-loss provisions amounted to EUR 8,873 million and coverage was 67%

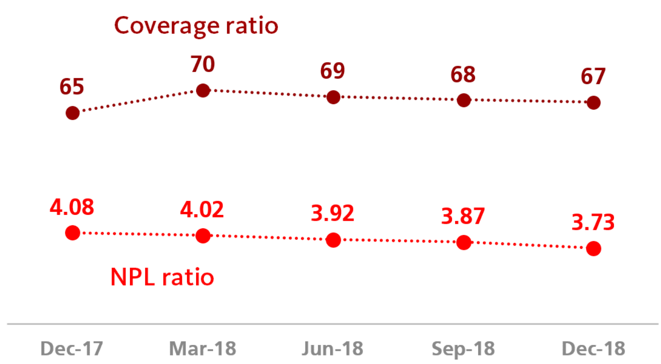
Credit risk management

- Non-performing loans fell 2% in the fourth quarter to EUR 35,692 million (-5% for the whole year).
- Cost of credit improved to 1.00%. The NPL ratio was 3.73%, after a 35 bps reduction throughout the year.
- Loan-loss provisions amounted to EUR 24,061 million and coverage was 67% at the end of 2018, bearing in mind that a significant part of the UK and Spain's loan portfolios are secured by real estate collateral and therefore require fewer provisions.
- The Group's coverage in terms of each IFRS 9 stage is as follows: Stage 1: 0.5%, Stage 2: 9.2% and Stage 3: 42.4%.

CREDIT RISK MANAGEMENT
EUR million

	Dec-18	Dec-17	Chg. %	Dec-16
Non-performing loans	35,692	37,596	(5.1)	33,643
NPL ratio (%)	3.73	4.08		3.93
Loan-loss allowances	24,061	24,529	(1.9)	24,835
For impaired assets	*15,148*	*16,459*	*(8.0)*	*15,466*
For other assets	*8,913*	*8,070*	*10.4*	*9,369*
Coverage ratio (%)	67.4	65.2		73.8
Cost of credit (%)	1.00	1.07		1.18

NPL AND COVERAGE RATIOS. TOTAL GROUP
%



COVERAGE RATIO BY STAGE
EUR billion

	Exposure*	Coverage	
	Dec-18	Dec-18	Jan-18
Stage 1	845	0.5%	0.6%
Stage 2	53	9.2%	8.6%
Stage 3	36	42.4%	44.2%

(*) Exposure subject to impairment expressed in EUR bn. Additionally, there are EUR 24 bn in customer loans not subject to impairment recorded at mark to market with changes through P&L

NON-PERFORMING LOANS BY QUARTER
EUR million

	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18
Balance at beginning of period	33,643	32,158	50,714	39,442	37,596	37,407	36,654	36,332
Net additions	1,583	2,255	2,499	1,933	2,340	2,906	2,528	3,136
Increase in scope of consolidation	18	20,969	(10,954)	—	—	—	—	177
Exchange rate differences and other	536	(854)	(150)	(358)	361	(409)	(140)	(130)
Write-offs	(3,623)	(3,813)	(2,667)	(3,420)	(2,890)	(3,250)	(2,710)	(3,823)
Balance at period-end	**32,158**	**50,714**	**39,442**	**37,596**	**37,407**	**36,654**	**36,332**	**35,692**

The following table sets out the NPL and coverage ratios of the main countries where the Group operates:

CREDIT RISK MANAGEMENT. DECEMBER 2018
%

	NPL ratio	Change (bps) QoQ	Change (bps) YoY	Coverage ratio
Spain	6.19	(4)	(13)	45.0
Spain's real estate activity	97.05	147	652	33.7
Santander Consumer Finance	2.29	(16)	(21)	106.4
Poland	4.28	5	(29)	67.1
Portugal	5.94	(149)	(157)	50.5
United Kingdom	1.05	(5)	(28)	33.0
Brazil	5.25	(1)	(4)	106.9
Mexico	2.43	2	(26)	119.7
Chile	4.66	(12)	(30)	60.6
Argentina	3.17	70	67	135.0
USA	2.92	(8)	13	142.8

Spain's NPL ratio fell slightly in the fourth quarter, mainly due to the better performance of retail portfolios and the improvements in the financial situation of companies.

Santander Consumer Finance's NPL ratio decreased thanks to the good performance of new loans.

Poland's NPL ratio remained virtually unchanged in the fourth quarter, once the integration of DB Polska's retail and SME business portfolio was completed.

Portugal's NPL ratio continued to decline following the integration of Popular's portfolios into Santander Totta's usual management and also driven by the sales of distressed portfolios.

The favourable evolution in **the UK** observed in previous quarters continued.

Brazil's NPL ratio remained unchanged, thanks to preventive management of the non-performing loan portfolio entries and growth in lending, focused on individuals and consumer finance as well as on singular transactions with companies and SCIB.

Mexico's NPL ratio was stable in the quarter and was 26 bps lower year-on-year due to the good performance of the portfolio of individuals (mainly cards and consumer loans).

Chile's NPL ratio decreased again in the quarter driven by the good performance of the main portfolios.

Argentina's NPL ratio rose due to the deterioration observed in the individuals portfolio, and to a lesser extent companies portfolio, both of which were affected by the macroeconomic environment. Lending slowed because of lower demand following a hike in interest rates.

In **the US**, the increase in investment and credit quality of new lending contributed to the NPL ratio improvement in the quarter.

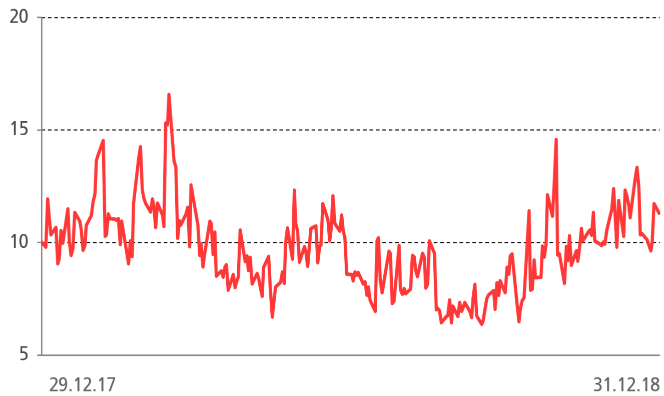
Foreign exchange rate structural risk

Santander covers approximately 100% of its core capital ratio in order to hedge from exchange rate movements.

Market risk

- The global corporate banking trading activity's risk, measured in daily VaR terms at a 99% confidence level, fluctuated between EUR 14.6 million and EUR 6.5 million. These figures are low compared to the size of the Group's balance sheet and activity. The average VaR was slightly higher in the second part of the quarter due to market volatility, temporarily increasing the exposure to interest rate and FX risks, although they always remained within the established limits.
- In addition, there are other positions classified for accounting purposes as trading. The total VaR of trading of this accounting perimeter at the end of 2018 was EUR 11.8 million.
- The fourth quarter was marked by increased market volatility. A positive impact was generated in the structural debt portfolio, mainly in Brazil, as a result of the strong positive market reaction to the general election results.

TRADING PORTFOLIOS*. VaR performance
EUR million



(*) Santander Corporate & Investment Banking performance in financial markets.

TRADING PORTFOLIOS*. VaR by geographic region
EUR million

	2018		2017
Fourth quarter	Average	Latest	Average
Total	**10.1**	**11.3**	**16.9**
Europe	5.6	6.3	6.5
USA and Asia	1.5	1.8	2.0
Latin America	10.1	12.0	16.6
Global activities	0.9	0.5	0.4

(*) Santander Corporate & Investment Banking performance in financial markets.

TRADING PORTFOLIOS*. VaR by market factor
EUR million

Fourth quarter	Min.	Avg.	Max.	Last
VaR total	**6.5**	**10.1**	**14.6**	**11.3**
Diversification effect	*(5.5)*	*(9.6)*	*(13.0)*	*(11.5)*
Interest rate VaR	7.1	8.9	11.9	9.7
Equity VaR	*1.7*	*3.8*	*6.3*	*2.8*
FX VaR	2.6	4.0	6.2	6.2
Credit spreads VaR	2.3	3.1	4.2	4.1
Commodities VaR	—	0.0	0.4	0.0

(*) Santander Corporate & Investment Banking performance in financial markets.

NOTE: In Latin America, United States and Asia portfolios, VaR corresponding to the credit spreads factor that is not related to sovereign risk is not relevant and is included in the interest rate factor.

Real estate exposure (1)

- The Spain Real Estate Activity unit's gross exposure stood at EUR 9.3 billion and provisions of EUR 4.6 billion represented coverage of 50%.
- The net value is 4.7 billion, equivalent to 1% of the balance of businesses in Spain.
- This unit recorded losses of EUR 242 million in 2018, down from EUR 308 million in 2017 because of lower provisioning needs.
- Management continued to be aimed at reducing these assets, particularly loans and foreclosed assets. In 2018, the Group reached agreement with a subsidiary of Cerberus Capital Management to sell 35,700 properties for approximately EUR 1,535 million, with no material impact on profit and capital expected. This transaction is expected to be finalised by the first quarter of 2019.

REAL ESTATE EXPOSURE NET VALUE (1)
EUR billion

	Dec-2018
Real estate assets	**3.8**
- Foreclosed	2.6
- Rentals	1.2
Non-performing real estate loans	**0.9**
Assets + non-performing real estate	**4.7**

(1) Spain Real Estate Activity

DESCRIPTION OF BUSINESS

In 2018 Grupo Santander maintained the same general criteria applied in 2017, as well as the business segments, with the following exceptions:

- Banco Popular's financial results and balance sheet have been allocated to the corresponding geographic areas. In 2017, starting from the integration date, Banco Popular was reported separately. The main affected areas are: Spain, Portugal and Spain Real Estate Activity.
- The Wealth Management unit, created at the end of 2017, is reported independently as a global business. This unit was previously included in Retail Banking. This change has no impact on the geographic segments.
- Annual adjustment of the Global Customer Relationship Model's perimeter, between Retail Banking and Corporate and Investment Banking, with no impact on the geographic businesses.

These changes have no impact on the Group's figures. However, for comparative purposes, the figures of previous periods have been restated including changes in the affected geographic and global businesses.

Moreover, the balance sheets have been adjusted to the new IFRS 9 regulation. Since retroactive application of this rule is not mandatory, certain lines of the 2018 balance sheet are not comparable with previously reported periods. For comparative purposes, and given the scant significance of portfolio reclassifications and their nomenclature changes, the 2017 accounts have been reorganised in accordance with their purpose and valuation method.

The financial statements of each business unit have been drawn up by aggregating the Group's basic operating units. The information relates to both the accounting data of the units integrated in each segment, as well as that provided by the management information systems. In all cases, the same general principles as those used in the Group are applied.

The operating business areas are structured into two levels:

- **Geographic businesses**. The operating units are segmented by geographical areas. This coincides with the Group's first level of management and reflects Santander's positioning in the world's three main currency areas (euro, sterling and dollar). The segments reported on are:
  - **Continental Europe**. This covers all businesses in the area. Detailed financial information is provided on Spain, Portugal, Poland and Santander Consumer Finance (which incorporates all the region's business, including the three countries mentioned herewith).
  - **United Kingdom**. This includes the businesses developed by the Group's various units and branches in the country.
  - **Latin America**. This embraces all the Group's financial activities conducted via its banks and subsidiaries in the region. The financial statements of Brazil, Mexico, Chile and Argentina are set out.
  - **United States**. Includes the holding Santander Holdings USA (SHUSA) and its subsidiaries Santander Bank, Banco Santander Puerto Rico, Santander Consumer USA, Banco Santander International, Santander Investment Securities and the New York branch.
- **Global businesses**. The activity of the operating units is distributed by the type of business: Retail Banking, Santander Corporate and Invesment Banking, Wealth Management and Spain Real Estate Activity.
  - **Retail Banking**. This covers all customer banking businesses, including consumer finance, except those of corporate banking, which are managed through the SCIB, and asset management and private banking, which are managed by Wealth Management. The results of the hedging positions in each country are also included, conducted within the sphere of each one's Assets and Liabilities Committee.
  - **Santander Corporate and Investment Banking (SCIB)**. This business reflects the revenues from global corporate banking, investment banking and markets worldwide including treasuries managed globally (always after the appropriate distribution with Retail Banking customers), as well as equities business.
  - **Wealth Management.** Includes the asset management business (Santander Asset Management), the new corporate unit of Private Banking and International Private Banking in Miami and Switzerland.

In addition to these operating units, which report by geographic area and by businesses, the Group continues to maintain the area of **Corporate Centre.** This area incorporates the centralised activities relating to equity stakes in financial companies, financial management of the structural exchange rate position, assumed within the sphere of the Group's Assets and Liabilities Committee, as well as management of liquidity and of shareholders' equity via issuances.

As the Group's holding entity, this area manages all capital and reserves and allocations of capital and liquidity with the rest of businesses. It also incorporates amortisation of goodwill but not the costs related to the Group's central services (charged to the areas), except for corporate and institutional expenses related to the Group's functioning.

The figures of the Group's various units have been drawn up in accordance with these criteria, and so do not coincide individually with those published by each unit.

NET OPERATING INCOME

EUR million	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Continental Europe	**1,940**	**(4.5)**	**(4.5)**	**7,604**	**12.6**	**12.9**
o/w: Spain	770	(23.9)	(23.9)	3,414	21.1	21.1
Santander Consumer Finance	693	1.7	1.7	2,625	4.8	5.3
Poland	225	6.7	6.6	851	4.5	4.7
Portugal	172	3.9	3.9	702	11.3	11.3
United Kingdom	**593**	**(6.9)**	**(7.4)**	**2,426**	**(15.0)**	**(14.2)**
Latin America	**3,324**	**7.8**	**(3.0)**	**13,204**	**(4.3)**	**12.7**
o/w: Brazil	2,205	2.6	(2.7)	8,863	(3.6)	15.2
Mexico	521	(4.8)	(2.6)	2,064	(0.7)	5.8
Chile	364	(2.8)	(2.2)	1,491	(0.5)	3.0
Argentina	149	—	(19.9)	460	(40.8)	15.8
USA	**1,172**	**18.7**	**17.1**	**3,934**	**4.6**	**9.5**
Operating areas	**7,029**	**4.3**	**(1.1)**	**27,168**	**(0.0)**	**9.2**
Corporate Centre	(423)	11.3	11.3	(1,523)	(10.2)	(10.2)
Total Group	**6,606**	**3.9**	**(1.8)**	**25,645**	**0.7**	**10.6**

ATTRIBUTABLE PROFIT TO THE GROUP

EUR million	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Continental Europe*	**946**	**(4.4)**	**(4.4)**	**3,642**	**13.7**	**14.1**
o/w: Spain*	432	(18.0)	(18.0)	1,738	20.8	20.8
Santander Consumer Finance*	296	(10.8)	(10.7)	1,296	3.4	4.1
Poland*	62	(23.4)	(23.2)	298	(0.7)	(0.6)
Portugal*	136	18.9	18.9	480	10.3	10.3
United Kingdom	**286**	**(25.7)**	**(26.1)**	**1,362**	**(9.1)**	**(8.2)**
Latin America	**1,068**	**12.8**	**2.4**	**4,228**	**(1.6)**	**16.5**
o/w: Brazil	663	7.1	1.4	2,605	2.4	22.3
Mexico	206	5.5	8.0	760	7.0	14.0
Chile	153	0.6	1.2	614	4.9	8.5
Argentina	17	—	—	84	(76.7)	(54.5)
USA*	**92**	**(26.4)**	**(28.9)**	**552**	**35.4**	**41.7**
Operating areas*	**2,391**	**(2.2)**	**(6.1)**	**9,785**	**4.0**	**12.5**
Corporate Centre*	(369)	(18.9)	(18.9)	(1,721)	(8.9)	(8.9)
Total Group*	2,022	1.6	(3.3)	8,064	7.3	18.5
Net capital gains and provisions	46	—	—	(254)	(71.7)	(71.6)
Total Group	**2,068**	**3.9**	**(1.1)**	**7,810**	**18.0**	**32.1**

(*) In the units, underlying attributable profit (excluding net capital gains and provisions)

GROSS LOANS AND ADVANCES TO CUSTOMERS EX. REV. REPOS

EUR million	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Continental Europe	**390,794**	**1.5**	**1.7**	**390,794**	**1.7**	**1.9**
o/w: Spain	209,630	(2.2)	(2.2)	209,630	(4.1)	(4.1)
Santander Consumer Finance	97,707	3.4	4.1	97,707	5.7	6.0
Poland	29,033	19.2	19.9	29,033	26.4	30.1
Portugal	36,568	(1.4)	(1.4)	36,568	(2.5)	(2.5)
United Kingdom	**235,753**	**(0.6)**	**0.2**	**235,753**	**(0.0)**	**0.8**
Latin America	**157,022**	**3.3**	**2.4**	**157,022**	**2.4**	**11.9**
o/w: Brazil	75,282	8.8	3.9	75,282	1.3	13.3
Mexico	31,192	(2.1)	1.1	31,192	15.7	10.0
Chile	39,019	(2.8)	1.0	39,019	2.0	10.0
Argentina	5,574	(3.9)	(13.0)	5,574	(26.7)	39.5
USA	**83,696**	**3.7**	**2.6**	**83,696**	**11.0**	**6.0**
Operating areas	**867,264**	**1.4**	**1.5**	**867,264**	**2.2**	**3.7**
Total Group	**873,916**	**1.4**	**1.4**	**873,916**	**2.3**	**3.8**

CUSTOMER FUNDS (CUSTOMER DEP. EX. REPOS + MUTUAL FUNDS)

EUR million	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Continental Europe	**436,913**	**0.6**	**0.7**	**436,913**	**2.7**	**2.9**
o/w: Spain	315,351	(1.1)	(1.1)	315,351	(0.5)	(0.5)
Santander Consumer Finance	36,531	(0.3)	0.5	36,531	3.2	3.5
Poland	35,554	18.5	19.1	35,554	27.9	31.7
Portugal	39,143	(0.1)	(0.1)	39,143	8.4	8.4
United Kingdom	**206,630**	**0.7**	**1.5**	**206,630**	**(1.7)**	**(0.9)**
Latin America	**197,598**	**1.8**	**(0.0)**	**197,598**	**1.3**	**11.8**
o/w: Brazil	110,243	3.4	(1.3)	110,243	3.1	15.3
Mexico	38,630	(4.4)	(1.3)	38,630	8.7	3.3
Chile	33,279	2.5	6.4	33,279	0.5	8.4
Argentina	10,191	9.9	(0.5)	10,191	(20.7)	51.0
USA	**64,239**	**3.6**	**2.5**	**64,239**	**8.3**	**3.4**
Operating areas	**905,380**	**1.1**	**0.9**	**905,380**	**1.7**	**3.8**
Total Group	**905,624**	**1.1**	**0.9**	**905,624**	**1.7**	**3.8**

SPAIN

Highlights

EUR 1,458 Mn
Attributable profit

Banco Popular's integration is progressing as scheduled: the legal integration was completed, central services and regional teams unified and a single technological platform put in place where we started the migration of customers
Progress was made on digital transformation and the customer relationship model (4.8 million digital customers, launch of the first *Work Café* in Spain and reinforcement of *Santander Personal*)
Strong growth in SME and companies: New lending increased 17% in 2018 and the stock by EUR 1,800 million
Underlying attributable profit rose 21% in 2018, with better efficiency, a cost of credit at around 30 bps and a favourable perimeter impact

Commercial activity

- Loyal customers rose 40%, with double-digit rise in the main transactional drivers: new insurance premiums increased 30%, turnover of cards 14% and point-of-sale terminals 11%.
- Commercial dynamism in the high value-added segments: new lending to SME increased 17% and 30% in Private Banking. In SCIB, we were first in loans to large companies, with more than 80 syndicated loans signed in the year.
- The digital transformation enabled us to position ourselves as leaders in mobile phone and website functionalities for banking with individuals (*Aqmetrix benchmark*) as well as enabling us to strengthen our competitive advantage in SME with new digital functionalities: fully digital on-boarding, online remittances in just one click, pre-granted loans in three clicks, etc.
- Launch of *Smartbank*, new relationship model with the more than 600,000 millennial customers, offering them a tailored financial proposal (guarantees and loans to facilitate getting on the property ladder) and non-financial proposals (*CV* advisory services through *Santander Universidades*).

Business performance

- The core retail banking investment increased diven by SME and companies (EUR 1.8 billion) and private banking (EUR 400 million). However, total lending decreased 4% compared to 2017 due to SCIB and institutions.
- Customer deposits were slightly up compared to 2017. Demand deposits rose 8%, driven by the *1/2/3 account* (up EUR 5.3 billion in the year), offseting the fall in time deposits following the strategy of reducing the cost of funding.

Results

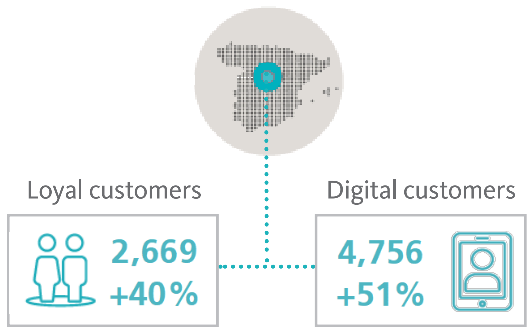
Underlying attributable profit **in 2018** was 21% higher at EUR 1,738 million, as follows:

- Gross income was up 15%, notably net interest income (+15%) driven by the sustained improvement in the customer spreads, due to the reduction in the cost of deposits (-21 bps in the year). Fee income grew 13%, favoured by the increase in transactions. Gains on financial transactions increased 28%, mainly thanks to management of the ALCO portfolios.
- Operating expenses rose 11%. In the quarter, the first synergies from the optimisation measures being implemented in the integration process began to be registered.
- Loan-loss provisions increased 21%, mainly due to the perimeter. The cost of credit was only 33 bps at the end of 2018.

The **fourth quarter's** results were affected by the EUR 226 million contribution to the Deposit Guarantee Fund (before tax).

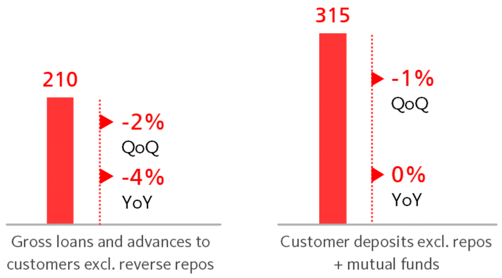
CUSTOMERS

Thousands and % change vs December 2017

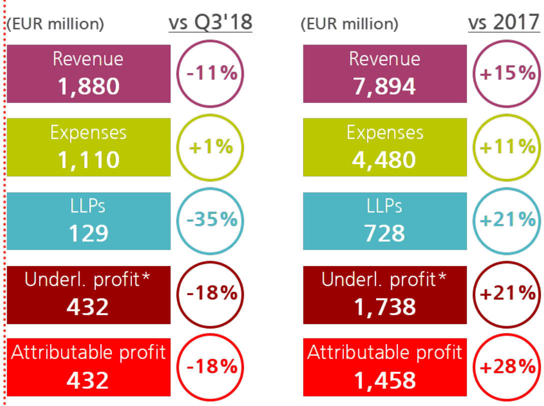


ACTIVITY

EUR billion and % change



INCOME STATEMENT



(*) Excluding net capital gains and provisions

Detailed financial information on page 46

SANTANDER CONSUMER FINANCE

EUR 1,296 Mn
Attributable profit

Highlights (changes in constant euros)

Santander is the European leader in consumer finance

The main focal points were: to remain leader in the auto finance, supporting producers and dealers in their digital transformation process, and to increase consumer finance

Underlying attributable profit rose 4% in 2018 in constant euros. High profitability (RoTE of 16%; RoRWA at 2.3%), cost of credit at historic lows and high geographic diversification with critical mass in markets

Commercial activity

- SCF continued to gain market share, backed by a solid business model, as well as the signing and development of new agreements. SCF focused on supporting both retail distributors as well as producers in their commercial transformation process, and hence, in increasing the value proposal for the final customer.
- In consumer business, we launched two core projects: the *e-commerce* platform, which helps our partners to create, manage and grow their business; and digital interaction, which optimises the relationship between agents and customers.
- The plan to integrate the retail networks of SC Germany progressed as scheduled.
- SCF was recognised with the Top Employer Europe 2018 stamp in Austria, Belgium, Germany, Italy, the Netherlands and Poland.

Business performance

- New lending increased 7% in 2018. Growth in almost all countries, suporting producers and retail chains in their commercial policy. Of note were France, Poland, the Nordic countries and Italy.
- SCF is benefiting from having banking licenses in most of the countries in which it operates, enabling it to take deposits in many of them. It also has a high diversification of funding sources, with a good structure that enables it to access markets through securitisations and other issues.

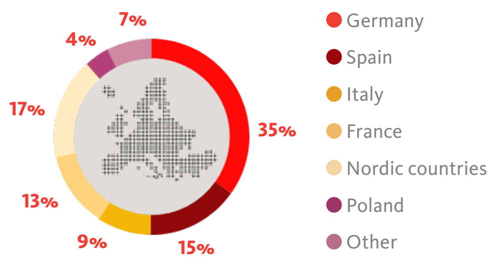
Results

Underlying attributable profit of EUR 1,296 million **in 2018**, 4% higher, with the following detail:

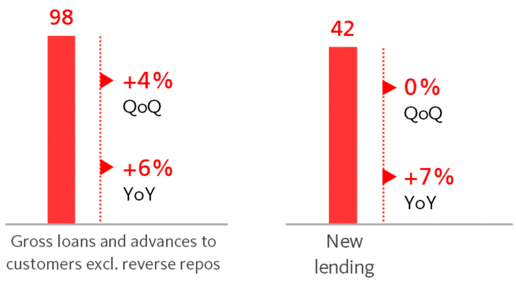
- Gross income grew 3%, due to net interest income (+5%) thanks to higher volumes and lower funding costs. Fee income dropped 9%, mainly due to the adaptation of insurance business.
- Operating expenses grew 1% and the efficiency ratio ended the year at 43.1%.
- Loan-loss provisions increased 36%, due to the positive impact in 2017 of the sale of portfolios and other releases. The cost of credit remained low at 0.38%.
- Other results and provisions amounted to EUR -74 million, 38% lower than in 2017 (in that year SCF recorded provisions for possible litigation and customers' complaints).
- The largest profits were generated in Germany (EUR 349 million), Spain (EUR 246 million) and the Nordic countries (EUR 331 million).

The **fourth quarter** profit was impacted by positive non-recurring results, such as the sale of written-off portfolios in Germany and in Nordic countries, and negative ones as the anticipated deterioration of intangible assets and transformation projects.

CUSTOMER LOANS BY GEOGRAPHIC AREA
December 2018



ACTIVITY
EUR billion and % change in constant euros



INCOME STATEMENT (% change in constant euros)

(EUR million)	vs Q3'18
Revenue 1,187	+3%
Expenses 494	+4%
LLPs 47	-62%
Underl. profit* 296	-11%
Attributable profit 296	-11%

(EUR million)	vs 2017
Revenue 4,610	+3%
Expenses 1,985	+1%
LLPs 360	+36%
Underl. profit* 1,296	+4%
Attributable profit 1,296	+12%

(*) Excluding net capital gains and provisions

Detailed financial information on page 47

POLAND

Highlights (changes in constant euros)

EUR 343 Mn
Attributable profit

The Group strengthened its position in Poland with the integration of the retail and SME businesses acquired from Deutsche Bank Polska (DBP). BZ WBK was renamed Santander Bank Polska S.A.
Strong growth in volumes reflected in market share gains in a very competitive environment
Third bank in Poland in customer satisfaction and also leading positions in employee satisfaction
Underlying attributable profit fell slightly (-1%) due to the sale of portfolios in 2017, the cost of rebranding in 2018 and the charges associated with the integration in November of Deutsche Bank Polska. Including badwill (EUR 45 million), attributable profit rose 14%

Commercial activity

- The Bank continued its strategy to become the Bank of First Choice, responding to and predicting customer expectations.
- The digital transformation continued with the launch of *mSignature*, a mobile authorisation app and digitalisation of post-sale services related to credit cards and loans.
- The *As I Want It Account* was successfully launched (more than one million openings in the year). It was recognised as the best account for young people in the financial portal *money.pl*.
- We made significant headway in the implementation of the *agile* methodology in the Retail Banking division.
- All these actions enabled us to be accorded important recognitions in Poland, notably Bank of the Year in Poland by *The Banker* and second place in the *Banking Stars* ranking (third in 2017). We continued to increase the number of our loyal and digital customers.

Business performance

- Volumes were positively impacted by the acquisition of DPB. Loans increased 30% in 2018 backed by all target segments: SME (+59%), individuals (+37%), companies (+14%) and SCIB (+10%).
- Deposits rose 36%, with double-digit growth in those from SME and companies as well as individuals. Total customer funds increased 32%.

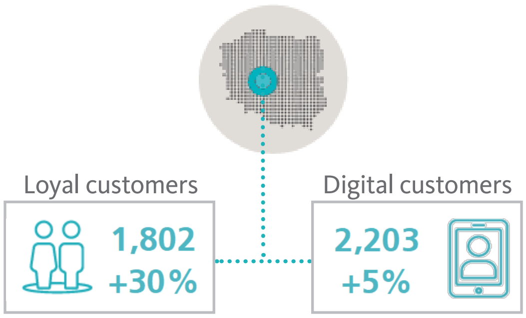
Results

The **fourth quarter** was affected by the integration of DBP. Attributable profit for **the year** was EUR 343 million, 14% higher than in 2017, with the following detail:

- Gross income rose 5% driven by net interest income (+7%) and fee income (+2%), while the gain on financial transactions fell 15%.
- Operating expenses grew 5% due to transformation project costs and pressure on salaries.
- Higher loan-loss provisions, partly because of the sale of a non-performing loan portfolio in the first half of 2017.
- The NPL ratio dropped to 4.28% from 4.57% in 2017 and the cost of credit was 0.65% (0.62% at the end of 2017).

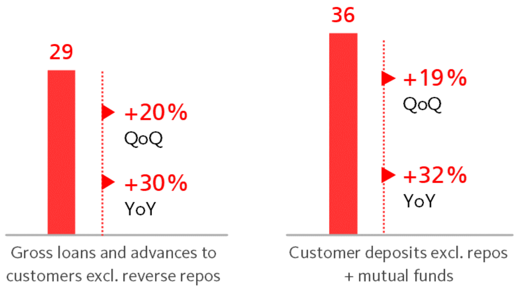
CUSTOMERS

Thousands and % change vs December 2017



ACTIVITY

EUR billion and % change in constant euros



INCOME STATEMENT (% change in constant euros)

(EUR million)	Q4'18	vs Q3'18	2018	vs 2017
Revenue	390	+6%	1,488	+5%
Expenses	165	+5%	636	+5%
LLPs	41	+24%	161	+17%
Underl. profit*	62	-23%	298	-1%
Attributable profit	107	+32%	343	+14%

(*) Excluding net capital gains and provisions

Detailed financial information on page 48

PORTUGAL

Highlights

EUR 500 Mn
Attributable profit

The operational and technological integration of Banco Popular Portugal completed in October 2018 strengthened Santander Totta's position as the country's largest privately owned bank by assets and loans in domestic activity
The digital and commercial transformation continued, boosting sales via digital channels and spurring growth in loyal and digital customers
Underlying attributable profit increased 10% due to the improvement in efficiency and lower provisions. The NPL ratio improved significantly and the cost of credit was only 9 bps

Commercial activity

The strategy of adjusting the range of products and services to customers' needs was maintained in 2018, with the focus on boosting loyalty:

- We launched new digital platforms such as the *Santander Empresas* app, push mobile notifications, real-time alerts for cards and accounts, card blocking services and credit card payments in instalments (*PagaSimples*).
- In personal credit, *CreditSimples* already accounts for around 28% of new loans.
- In funds, deposits grew faster than the market average, with the consequent gain in market share. The Bank launched the *Conta SIM*, a simple and more digital account.

As a result, loyal customers increased 9% and digital ones 32%. Additionally, Santander continued to be recognised by *Global Finance* as the Best Bank in Portugal in 2018 and by *World Finance* as the Best Retail Bank in Portugal. It was also recently recognised as the Best Private Bank 2019 by *Global Finance*.

Credit rating agencies also improved their ratings during 2018.

Business performance

- Growth in loans remained strong. Our market share of new loans to companies increased to 20% (+2.7 pp over 2017). In financing lines to SME, the Bank remains the market leader with a market share of 23%. The market share of mortgage lending reached 22% (+0.9 pp).
- The stock of lending, however, fell 2%, hit by the sale of unprofitable portfolios.
- Deposits rose 10% in 2018, favoured by the campaign to capture funds (demand deposits: +15% and time: +5%).

Results

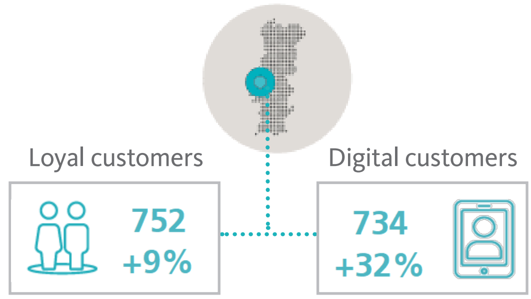
Attributable profit increased 15% **in 2018**. Excluding the non-recurring impacts associated with the second quarter's inorganic operations, underlying profit was 10% higher, due to:

- Gross income increased 8% largely driven by net interest income (+9%).
- Costs rose to a lesser extent, enabling net operating income to increase 11% and the efficiency ratio to improve to 47.8% (-1.6 pp year-on-year).
- Provisions increased, but the cost of credit was only 0.09%. The NPL ratio was 5.94% (7.51% at the end of 2017) and coverage 50%.

Year-on-year growth rates were impacted by the incorporation of Popular.

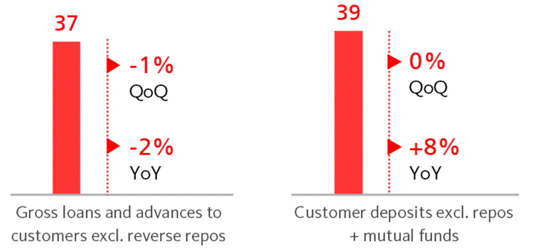
CUSTOMERS

Thousands and % change vs December 2017



ACTIVITY

EUR billion and % change



INCOME STATEMENT

(EUR million)		vs Q3'18	(EUR million)		vs 2017
Revenue	334	+3%	Revenue	1,344	+8%
Expenses	162	+3%	Expenses	642	+5%
LLPs	12	+8%	LLPs	32	n.a.
Underl. profit*	136	+19%	Underl. profit*	480	+10%
Attributable profit	136	+19%	Attributable profit	500	+15%

(*) Excluding net capital gains and provisions

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UNITED KINGDOM

EUR 1,362 Mn
Attributable profit

Highlights (changes in constant euros)

In an uncertain environment, we continued to prioritise growth in lower risk areas whilst actively managing costs in order to improve operational efficiency and the customer experience
Good business evolution: growth in retail current account balances and mortgages in a highly competitive market, while further reducing commercial real estate exposure
Our results reflect competitive income pressures and higher regulatory, risk and control costs, as well as strategic investment in business transformation and digital enhancement. Cost of credit at just 7 basis points

Commercial activity

- We continued to focus on expanding our multi-channel investment proposition: *Digital Investment Adviser* (easy access to online investment advice), *1l2l3 Business* current account (innovative proposition to UK SMEs). We further developed our international offering with 3 trade corridors established in 2018.
- In addition, we enhanced our digital proposition improving our metrics: we retained 55% of refinanced mortgage loans online, we also opened 43% of current accounts and 65% of credit cards through digital channels.
- We continued to gain loyal customers: retail (+3%) and corporates (+5%). We attracted around 467,000 digital customers.
- In 2018 we completed the transition to our ring-fence compliant structure.

Business performance

- Customer lending increased slightly driven by strong mortgage growth with a management focus on customer service and retention, partially offset by active management of CRE exposures.
- Customer deposits fell 1%, with growth in current accounts (+2%) offset by savings and time deposits due to management pricing actions. Mutual funds down 11% predominately driven by negative market movements and reduced net flows this year.

Results

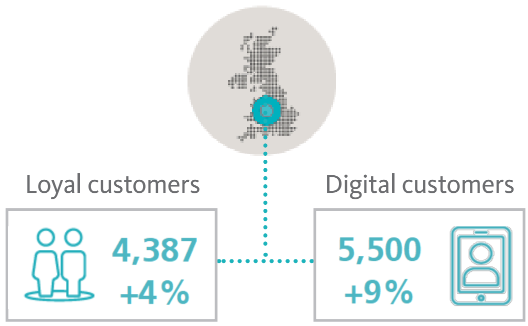
Underlying attributable profit amounted to EUR 1,362 million **in the year**, 8% lower year-on-year, due to:

- Gross income declined 4% with competitive pressure on mortgage spreads, continued SVR attrition and lower gains on financial transactions, largely due to absence of capital gains recorded in 2017. Fee income, on the other hand, rose 3% backed by income from asset management, partly offset by lower SCIB income.
- Operating expenses rose 6% driven by increased regulatory, risk and control project costs and ongoing investment in strategic and digital transformation projects.
- Provisions decreased 14%, with a cost of credit of just 7 bps. The NPL and coverage ratios improved, backed by our prudent approach to risk and the resilience of the UK economy.
- Other income and provisions had a positive impact in the year (-26%), with reduced conduct charges, predominantly for payment protection insurance.

Results in the **quarter** were affected by lower gains on financial transactions due to the market environment, a charge of historical probate and bereavement processes and additional provision for consumer credit business operations.

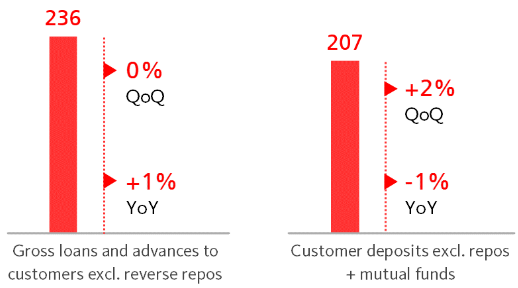
CUSTOMERS

Thousands and % change vs December 2017



ACTIVITY

EUR billion and % change in constant euros



INCOME STATEMENT (% change in constant euros)

(EUR million)		vs Q3'18
Revenue	1,332	-3%
Expenses	738	+1%
LLPs	44	+70%
Underl. profit*	286	-26%
Attributable profit	286	-26%

(EUR million)		vs 2017
Revenue	5,420	-4%
Expenses	2,995	+6%
LLPs	173	-14%
Underl. profit*	1,362	-8%
Attributable profit	1,362	-8%

(*) Excluding net capital gains and provisions

Detailed financial information on page 50

BRAZIL

EUR 2,605 Mn
Attributable profit

Highlights (changes in constant euros)

Santander Brasil is the third largest privately owned bank and the largest foreign bank in the country
We are leaders in customer satisfaction in all segments. In less than four years, we have succeeded in strategically repositioning retail banking, and there is still potential to improve further
Prudent risk management underscored by the growth in lending. Profitable market share gains, compatible with lower NPL ratio and cost of credit
Underlying attributable profit rose 22% and profitability improved (RoTE of 19.8%), reflecting greater productivity and the best efficiency ratio of recent years

Commercial activity

We progressed in commercial and digital actions:

- In the digital strategy, we launched *Select Direct* and the app *Meus Compromissos*. For the fourth consecutive year, we held the Santander Black Week.
- In payroll credit (*consignado*), new lending rose 28%, notably that by digital channels that increased exponentially.
- In acquiring business, we implemented the *PoS digital* and *SuperGet* maintained a notable growth in revenue (+32% year-on-year), which produced a gain in market share to 14.4% (+292 bps).
- In cards, increase in revenue (20%) and in market share. The *Santander Way* app is one of the main instruments in the customer relationship and digitalisation.
- We strengthened our brand and culture, and for the third year running, we were recognised as one of the best companies to work for in the *GPTW* ranking.

Business performance

- Loans rose 13% in 2018, with growth in individuals, consumer finance, SME, where we gained market share, and SCIB, where we increased the customer base and diversified revenue.
- Deposits were up 23%, with strong growth in time deposits (+29%) and savings (+14%), offsetting the fall in *letras financieras*. This evolution was reflected in market share gains on the liabilities side, mainly in savings, time deposits and agribusiness letters of credit.

Results

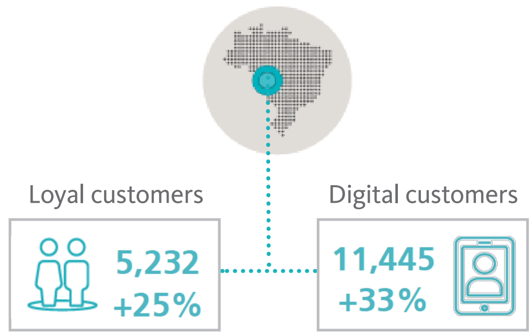
Underlying attributable profit of EUR 2,605 million **in 2018**, 22% more, with the following detail:

- Net interest income rose 16% due to larger volumes. Fee income grew 15%, with a positive evolution in almost all lines notably cards (+16%), current accounts (+11%), mutual funds (+54%) and insurance (+13%).
- Operating expenses rose 5%, in line with business growth. The efficiency ratio was the best of the last five years at 33.6%.
- Credit quality ratios improved: the cost of credit declined to 4.06% from 4.36% in December 2017. The NPL ratio improved to 5.25% from 5.29% a year earlier and the coverage ratio rose to 107% from 93%.

The fourth quarter profit was 1% higher than the third quarter's. Of note was the good performance of fee income, mainly cards and seasonal revenue in insurance. Net interest income was lower due to market factors, as the customer NII rose. Operating expenses increased because of end-of-year marketing campaigns and implementing the salary agreement.

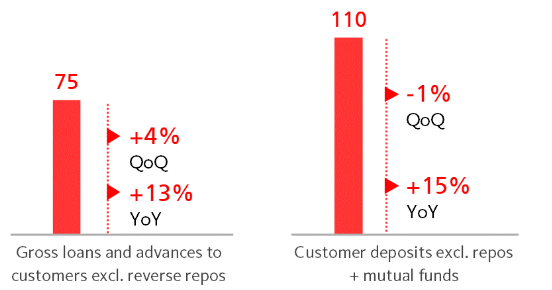
CUSTOMERS

Thousands and % change vs December 2017

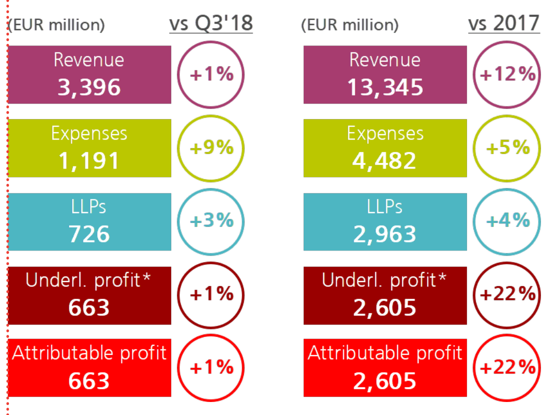


ACTIVITY

EUR billion and % change in constant euros



INCOME STATEMENT (% change in constant euros)



(*) Excluding net capital gains and provisions

Detailed financial information on page 52

MEXICO

Highlights (changes in constant euros)

EUR 760 Mn
Attributable profit

The strategy continued to focus on the transformation of the branch network and the launch of new business such as auto finance, reflected in greater customer attraction and increased loyalty

In volume terms, growth in lending, notably to companies (+12%) and SME (8%). In customer funds, growth continued to be driven by deposits from individuals and SME

Good trend in profit. Underlying attributable profit rose 14% in 2018, driven by the good performance of net interest income, fee income and loan-loss provisions

Commercial activity

We continued to improve multichanneling, strengthening the distribution model and launching new commercial initiatives to drive the digital channels and boosting loyalty and attracting new customers, with new products and services:

- As regards the distribution model, we transformed 314 branches during the year. We also launched the *Agile Branch* model and the digital transformation of payroll programme. The number of latest generation full function ATMs reached 817.
- In digitalisation, we launched the *Campaña Libertad*, to reduce operations in branches and free up time for business activities. We also continued to strengthen functionalities in mobile phones, both in *Súper Móvil*, *Súper Wallet* and contactless payments.
- We launched a new electronic banking system for SME and medium-sized firms, becoming the first bank in Mexico to launch a digital account for SME under the SAS regime (*Sociedad por Acciones Simplificadas*).
- Our commercial strategy was backed by new products and services, such as: *Hipoteca Plus*, *Súper Auto* and *Select Me*. *Santander Plus* registered more than 4.7 million clients, 55% of them new.

All these actions were reflected in strong growth in loyal and digital customers. Of note was the 61% growth in mobile banking.

Business performance

- Lending grew 10% in 2018, with the focus on profitability. Loans to individuals (consumer credit: +4%; cards: +4% and mortgages: +9%) as well as to SME, companies, and large companies rose.
- Customer funds increased due to demand deposits that rose 5% and time deposits 9%.

Results

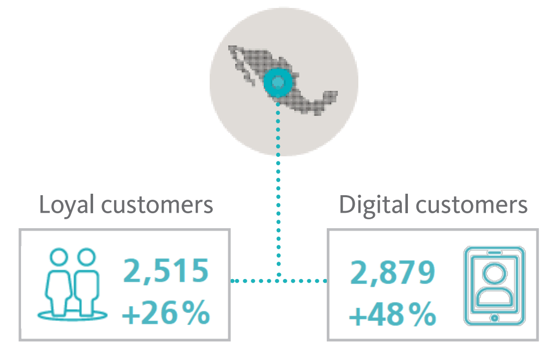
The underlying attributable profit **in the year** was EUR 760 million, 14% higher, as follows:

- Net interest income rose 13%, driven by increased volumes and higher interest rates. Fee income grew 8%, mainly from credit cards, mutual funds and insurance.
- Operating expenses increased in line with the ongoing investment plans.
- The cost of credit improved to 2.75% and the NPL ratio was also lower.

Compared to the third quarter, attributable profit was 8% higher, backed by the good performance of net interest income and provisions, which offset the lower gains on financial transactions.

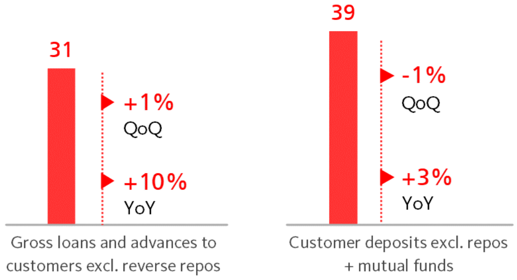
CUSTOMERS

Thousands and % change vs December 2017



ACTIVITY

EUR billion and % change in constant euros



INCOME STATEMENT (% change in constant euros)

(EUR million)	Q4'18	vs Q3'18	2018	vs 2017
Revenue	897	-1%	3,527	+9%
Expenses	376	0%	1,462	+13%
LLPs	215	-3%	830	-2%
Underl. profit*	206	+8%	760	+14%
Attributable profit	206	+8%	760	+14%

(*) Excluding net capital gains and provisions

Detailed financial information on page 53

CHILE

EUR 614 Mn
Attributable profit

Highlights (changes in constant euros)

We continued the transformation of the branch network, driving digitalisation and increasing our value offer with new products and services
Growth in business volumes, at a faster pace in some segments. Of note the rise in loans to companies and the growth in fee-generating businesses in SCIB
Underlying attributable profit increased 8% in 2018, driven by net interest income and fee income

Commercial activity

Santander is the leading privately owned bank in Chile in terms of assets and customers. In 2018, the strategy continued to focus on offering an attractive return in a low risk country, where economic growth is accelerating.

We focused on the *phygital* transformation, a proposal that combines the best of the digital and physical worlds, and with which we made the following headway:

- We continued opening *Work Café* branches, launched the *Work Café 2.0* pilot and a new branch model for the segments of *Select* and Private Banking.
- Under the digitalisation strategy, we launched the new 2.0 app with significant improvements, and *Santander Wallet*, the first app for mobile payments in Chile. We also signed an alliance with Amazon in order to be able to manage purchases in its platform with Santander cards.
- Promoting of *Digital Onboarding* platform, the first fully digital platform to attract non-customers and turn them into loyal ones.
- We continued offering specialised propositions for each segment, such as: *Onepay* for companies and the launch of *Santander Life 2.0*, with greater benefits for customers that are already part of the programme.

As a result, both loyal and digital customers increased 7% each.

Business performance

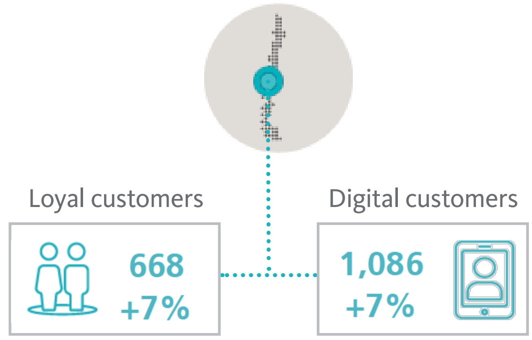
- Loans increased 10% compared to 2017, backed by those to individuals and companies.
- Deposits increased 7%. Of note was the 11% increase in demand deposits (+11%), backed by the *Select* segment. Mutual funds grew 12%.

Results

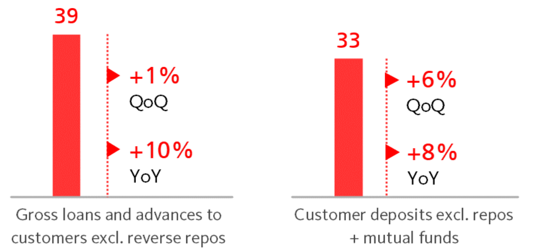
Underlying attributable profit in **the year** was 8% higher at EUR 614 million. Of note were:

- Gross income rose underpinned by net interest income (+5%, due to increased volumes, higher interest rates and a better mix of funds) and fee income (+12%, due to that from insurance, mutual funds and greater use of cards).
- Operating expenses increased slightly more than gross income, keeping the efficiency ratio at around 41%.
- The cost of credit remained stable, the NPL ratio dropped to 4.66% and coverage was 61%.

CUSTOMERS
Thousands and % change vs December 2017



ACTIVITY
EUR billion and % change in constant euros



INCOME STATEMENT (% change in constant euros)

(EUR million)		vs Q3'18
Revenue	622	-1%
Expenses	258	+1%
LLPs	120	+3%
Underl. profit*	153	+1%
Attributable profit	153	+1%

(EUR million)		vs 2017
Revenue	2,535	+4%
Expenses	1,045	+5%
LLPs	473	+6%
Underl. profit*	614	+8%
Attributable profit	614	+8%

(*) Excluding net capital gains and provisions

Detailed financial information on page 54

ARGENTINA

Highlights (changes in constant euros)

EUR 84 Mn
Attributable profit

Santander Río consolidated itself as the leading privately owned bank in Argentina by banking business
The business focus was on digital transformation, customer experience and key segments: *Select* and *Pymes Advance*, reflected in growth in loyal and digital customers and in high levels of digital penetration
Underlying attributable profit was EUR 84 million, affected by the impact of the high inflation adjustment and the peso's depreciation

Commercial activity

Santander Río consolidated its position as Argentina's largest privately owned bank in terms of loans and deposits.

The Bank focused on fulfilling its four strategic pillars: growth, risk control, operational excellence and the customer experience, via loyalty and digitalisation, with new products and services.

Loyal customers increased 6% and digital ones 7%, who already account for 47% and 71% of active customers, respectively.

Launch of the new *Online Banking*, improved functionalities in *Mobile Banking*, inaugurating the *Remote Attention Centre* for *Select* clients and start of the process for approving the licence for *Openbank* Argentina and opening the first *Santander Work Café* branch.

The magazine *Global Finance* again chose us as the Best Digital Bank in Argentina, *The Banker* and *Global Finance* named us the Best Bank in Argentina and we were ranked one of the five best companies to work for by *GPTW*.

Business performance

- Year-on-year growth of peso balances: loans rose 18% (mainly mortgages, auto finance and companies) and deposits 33%.
- Moreover, volumes were positively impacted by dollar balances (impact of the peso's depreciation).
- These increases were lower than in previous quarter because of the strategy of selective growth started in the fourth quarter.

Results

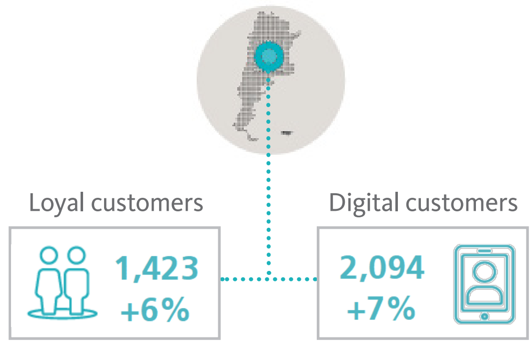
Following the third quarter loss, the **fourth** recorded a profit of EUR 17 million after a high inflation adjustment of EUR -70 million.

Underlying attributable profit **for the year** was EUR 84 million, after including a negative extraordinary adjustment of EUR 239 million as Argentina has a high inflation economy (EUR -193 million for monetary adjustment and EUR -46 million for the exchange rates). As regards business performance:

- Net interest income grew 52%, driven by greater volumes in an environment of high inflation and higher interest rates.
- Fee income rose 47%, spurred by greater foreign currency activity in a volatile exchange rate environment and fee income for cash deposits.
- The growth in costs reflected investments in digitalisation projects, the automatic revision of salary agreements because of the rise in inflation and peso's depreciation against the dollar.
- Provisions rose because of individual borrowers, especially medium and low income customers. The NPL ratio rose to 3.2% and coverage from 100% to 135%. The fourth quarter's provisions stabilised.

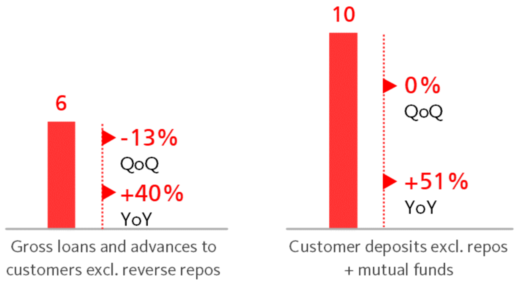
CUSTOMERS

Thousands and % change vs December 2017

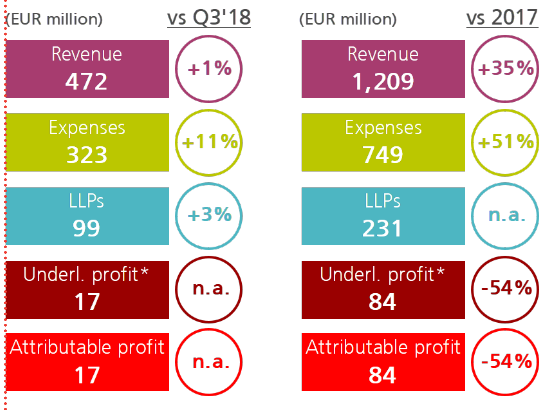


ACTIVITY

EUR billion and % change in constant euros



INCOME STATEMENT (% change in constant euros)



(*) Excluding net capital gains and provisions

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URUGUAY

Highlights (changes in constant euros)

Banco Santander continued to be the leading privately owned bank in the country, focused on growing in retail banking and improving efficiency and the quality of service
Underlying attributable profit rose 43% spurred by the good performance of customer revenue

Commercial activity

- Santander continued to focus on increasing loyalty and improving customer satisfaction, where we are ranked second.
- We continued to advance in our digital transformation strategy: the number of digital customers increased 30% and digital penetration was 58% (49% in 2017). Consumer finance companies increased lending via digital channels. At *Creditel* they already account for 30% of new loans. Santander is also the leading private sector bank in the business of families and mortgages, thanks to the specialised home and car centre.
- Loans up 25%, driven by growth in target segments, products and currencies: +20% in consumer credit and cards and +18% in the national currency portfolio. Deposits rose 13%, with peso balances up 12% and foreign currency ones 1%.

Results

The underlying attributable profit was 43% higher **in 2018** at EUR 132 million. High RoTE of 27.0%.

- Gross income rose 17%, driven by net interest income and in general, by the main revenue lines. The efficiency ratio was 44.6%, 3.9 pp better than in 2017.
- Despite the rise in provisions because of the entry into force of IFRS 9 regulation and other impacts, the NPL ratio remained at a low level (3.4%), coverage was high (112%) and the cost of credit was 2.80%.

PERU

Highlights (changes in constant euros)

- We expanded the base of products and customers in all business segments, diversified funding sources and increased treasury services for customers through exchange rate operations, forwards and other derivatives.
- Santander continued to contribute to the development of public infrastructure and participated in a USD 2 billion international bond issue of the Peruvian state.
- Lending rose 43% in 2018 and deposits 16%.
- Underlying attributable profit in **the year** was 8% higher at EUR 41 million (RoTE of 22.2%). The good performance of fee income, net interest income and gains on financial transactions more than offset the rise in costs from the incorporation of corporate projects. The efficiency ratio was 33.1% and coverage remained high (224%).

COLOMBIA

Highlights (changes in constant euros)

- Business activity in Colombia remained focus on SCIB customers, large companies and corporates, contributing solutions in treasury, risk hedging, foreign trade and confirming, and developing investment banking products and supporting the country's infrastructure plan. In order to fulfill this offer, *Santander Securities Services Colombia* already has all the authorisations needed to begin to offer custody services in 2019.
- We continued the strategy to consolidate the auto financing business. This will enable us to have the critical mass needed to position ourselves in this market.
- Lending increased 107% in 2018 with a good evolution of peso loans, while deposits rose 46% thanks to demand and especially time deposits (+116%).
- Attributable profit was EUR 9 million **in 2018** (+61%). Of note was the good performance of gross income (+67%), driven by growth in net interest income, fee income and gains on financial transactions.

UNITED STATES

EUR 552 Mn
Attributable profit

Highlights (changes in constant euros)

The Federal Reserve terminated the 2015 Written Agreement with Santander Holdings USA, demonstrating the significant improvements the US has made to the way it operates. SHUSA also passed the Federal Reserve's capital stress test for the second consecutive year
Lending increased year-on-year both at Santander Bank (9%) and SC USA (5%)
Santander US underlying attributable profit amounted to EUR 552 million, 42% higher than in 2017 excluding exchange rate impact, driven by higher income from leasing and loans, lower costs and improved cost of credit

Commercial activity

In 2018, Santander US achieved significant regulatory milestones, strengthened business performance and improved profitability. We remained focused on the following priorities:

Santander Bank improved customer experience and product offering across the digital and physical channels. We also improved earning asset mix to drive improvements to the margin.

Santander Consumer USA focused on dealer experience and pricing, which drove strong growth in originations across all channels. In addition, SC nearly completed USD 200 million share repurchase programme in 2018.

Business performance

- Lending rose supported by higher origination volumes at SC USA, and growth in Consumer, companies, and SCIB at Santander Bank.
- Deposits increased 5%, as the outflow of public sector balances and higher interest rates were more than offset by the increase in time deposits.

Results

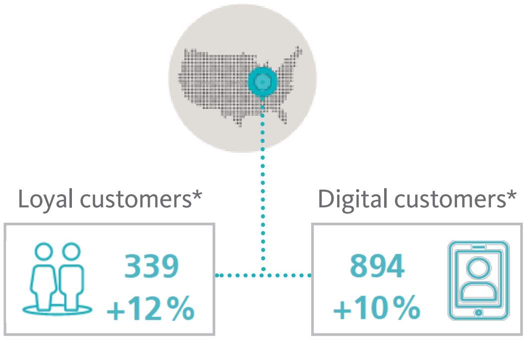
Underlying attributable profit **in the year** was EUR 552 million, 42% higher year-on-year, driven by the strong growth in Santander Bank and SC USA. By lines:

- Gross income increased 5%. Net interest income rose 1% due to higher loan volume, despite lower spreads on loans in SC USA and higher cost of funding in SBNA. Fee income decreased (-7%) due to lower fees at SC USA and the New York branch.
- Gains on financial transactions amounted to EUR 72 million (they were close to zero in 2017). Other revenue increased 60% due to higher income from leasing.
- The cost trend continued to improve (-1%) mainly because of lower technology depreciation.
- Loan-loss provisions decreased 1%. The cost of credit ratio improved to 3.27% from 3.42% in December 2017.

In the fourth quarter, underlying attributable profit was 29% lower than in the third, due to higher provisions from strong loan growth, together with seasonal factors of SC USA. In addition, there was a change in methodology in the fourth quarter in the accrual of troubled debt restructuring (TDR) that affected net interest income and provisions (both increased). This impact, of around EUR 180 million, corresponds to the whole year.

CUSTOMERS

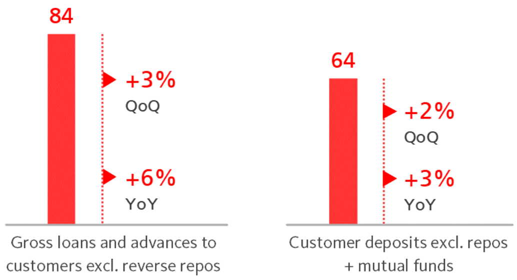
Thousands and % change vs December 2017



(*) Santander Bank

ACTIVITY

EUR billion and % change in constant euros



INCOME STATEMENT (% change in constant euros)

(EUR million)		vs Q3'18
Revenue	1,967	+12%
Expenses	795	+4%
LLPs	945	+44%
Underl. profit*	92	-29%
Attributable profit	92	-29%

(EUR million)		vs 2017
Revenue	6,949	+5%
Expenses	3,015	-1%
LLPs	2,618	-1%
Underl. profit*	552	+42%
Attributable profit	552	+74%

(*) Excluding net capital gains and provisions

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CORPORATE CENTRE

Highlights

EUR -1,761 Mn
Attributable profit

The Corporate Centre's objective is to aid the operating units by contributing value-added and carrying out the corporate function of oversight and control. It also develops functions related to financial and capital management

The underlying attributable loss was 9% lower in 2018, due to the reduced cost of hedging exchange rates

Strategy and functions

The Corporate Centre contributes value to the Group in various ways:

- It makes the Group's governance more solid, through global control frameworks and supervision.
- Fostering the exchange of best practices in management of costs and economies of scale. This enables us to be one of the most efficient banks in the sector.
- The Corporate Centre contributes to the Group's revenue growth, by sharing the best commercial practices, launching global commercial initiatives and accelerating the digital transformation simultaneously in all countries.

It also coordinates the relationship with the European regulators and develops functions related to financial and capital management, as follows:

- **Financial Management functions:**
  - Structural management of liquidity risk associated with funding the Group's recurring activity, stakes of a financial nature and management of net liquidity related to the needs of some business units.
  - This activity is carried out by diversifying the different funding sources (issuances and other), maintaining an adequate profile at each moment in volumes, maturities and costs. The price at which these operations are made with other Group units is the market rate (euribor or swap) plus the premium, which in the concept of liquidity, the Group supports by immobilising funds during the term of the operation.
  - Interest rate risk is also actively managed in order to soften the impact of interest rate changes on net interest income, conducted via high credit quality, very liquid and low capital consumption derivatives.
  - Strategic management of the exposure to exchange rates on equity and dynamic on the countervalue of the units' results in euros for the next 12 months. Net investments in equity are currently covered by EUR 23,025 million (mainly Brazil, UK, Mexico, Chile, US, Poland and Norway) with different instruments (spot, fx, forwards).
- **Management of total capital and reserves: capital allocated to each of the units.**

Results

Attributable loss in the year of EUR 1,761 million (net of tax), down from a loss of EUR 2,326 million in 2017. 2018 included restructuring costs and 2017 writedown of stakes and intangible assets, the capital gain from the sale of Allfunds Bank and writedown of goodwill.

Excluding these impacts, loss of EUR 1,721 million in 2018 compared to EUR 1,889 million in 2017. This improvement was mainly due to lower costs of hedging exchange rates.

On the other hand, net interest income was hit by the volume of issuances made under the funding plan, largely focused on eligible TLAC instruments, and costs related to the greater liquidity buffer requirements.

Operating expenses increased 4% as a result of two effects that offset each other: the streamlining and simplification measures and the investment in global projects for the Group's digital transformation.

CORPORATE CENTRE

EUR million	Q4'18	Q3'18	Chg. %	2018	2017	Chg. %
Gross income	(295)	(257)	14.7	(1,028)	(1,220)	(15.7)
Net operating income	(423)	(380)	11.3	(1,523)	(1,696)	(10.2)
Underlying attributable profit to the Group	(369)	(456)	(18.9)	(1,721)	(1,889)	(8.9)
Attributable profit to the Group	(369)	(456)	(18.9)	(1,761)	(2,326)	(24.3)

Detailed financial information on page 57

RETAIL BANKING

EUR 7,579 Mn
Attributable profit

Highlights (changes in constant euros)

The Group continued to focus on customer loyalty and digital transformation, with new products and services that cover the current needs of our customers
At the end of 2018, the Group had almost 20 million loyal customers and 32 million digital customers
Underlying attributable profit of EUR 7,793 million, boosted by the good dynamics of customer revenue, improved efficiency and the perimeter effect of Banco Popular's incorporation

Commercial activity

Santander is immersed in a commercial transformation process which rests on two main priorities to continue to deliver the best customer service: to make all our products and services digital and do it in the fastest and most efficient way. To this end, our core banks are focused in 5 key areas:

- Transforming the front.
- Transforming the back.
- Evolving our IT architecture and systems.
- Onboarding new technologies.
- Becoming an agile and data driven organisation. In 2018, the agile methodology was already used in 35% of our projects.

As regards digital platforms and apps, of note were:

- In Poland, launch of *Działalnosc.pl* designed to support businesspeople and *mSignature*, a mobile app authorisation tool as an alternative for SMS code.
- In Brazil, the *Santander Way* app is regarded as the best financial market app.
- The UK installed a new digital clearing system that offers customers faster clearance of cheques.
- In Mexico, *Súper Wallet* now incorporates payment of purchases done with rewards points.

On the other hand, we are also developing new independent digital businesses in order to support the core banks as well as to offer disruptive products and services:

- *Openbank*, Grupo Santander's fully digital bank, began to be expanded to other countries.
- *OnePay Fx*, based on blockchain and which makes it possible for retail customers in UK, Spain, Brazil and Poland to complete international transfers in the same day or by the next day.
- *Superdigital*, a low-cost financial solution alternative to traditional banking, mainly focused on the unbanked population of Latin America.

Thanks to these measures, digital customers increased 26% in 2018, which already amount to half of our active customers. Loyal customers rose 15%, with an improved experience.

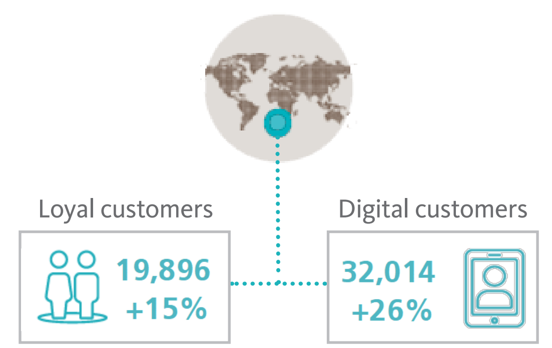
In addition, we continued to transform the traditional network, improving customer experience and cutting waiting time. We also invested in new generation full function ATMs, in contact centres, in making the CRM more robust and better after-sale service. As a recognition, our contact centre in Spain was awarded the Gold CRC for excellence in customer attention.

Results (in constant euros)

Underlying attributable profit was up 12%, driven by the good dynamics in customer revenue. Operating expenses increased due to the ongoing commercial transformation and greater digitalisation, while credit quality ratios improved in almost all units.

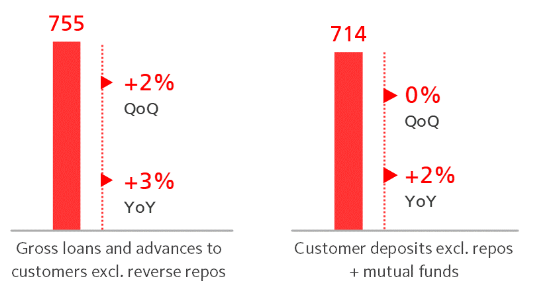
CUSTOMERS

Thousands and % change vs December 2017



ACTIVITY

EUR billion and % change in constant euros



INCOME STATEMENT (% change in constant euros)

(EUR million)	Q4'18	vs Q3'18	2018	vs 2017
Revenue	11,106	+1%	42,832	+8%
Expenses	5,025	+4%	19,255	+6%
LLPs	2,354	+9%	8,461	+13%
Underl. profit*	1,863	-8%	7,793	+12%
Attributable profit	1,909	-5%	7,579	+16%

(*) Excluding net capital gains and provisions

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CORPORATE & INVESTMENT BANKING

Highlights (changes in constant euros)

EUR 1,705 Mn
Attributable profit

Strategy focused on the expansion of our product offer and development of our franchises in the United Kingdom and the United States, the consolidation of Continental Europe as a single business unit and the implementation of the Multinational Coverage Model (MNC)
Good progress in the Global Infrastructure Programme (GIP) and completion of the banking structural reform project in the UK. The retail banking network integration and enhanced offer of value-added products drove business growth (+21%)
Underlying attributable profit was 8% higher in 2018, due to higher customer revenue and lower provisions

Commercial activity and business performance

Main actions performed during the year by lines:

- **Cash management**: double-digit growth, both in transactional business as well as in funds. *Santander Cash Nexus* was consolidated with a record one million transactions per month, increasing our active customer base exponentially.
- **Export & agency finance**: Santander consolidated its leadership as one of the world's greatest banks by volume of managed assets. We also worked during the year in new origination in the Group's non-core markets where this business has a high potential.
- **Trade & working capital solutions**: strong growth due to increased international transactions in the countries where the Group operates. We consolidated our leadership in Spain, Brazil, Mexico and the UK, while expanding our business towards new markets such as the US and Asia.
- **Debt capital markets**: Santander held its leadership in Latin America, leading placements of sovereign bonds in euros in Mexico and Chile as well as corporate issuances and financial institutions such as the Brazilian Development Bank.
- **Syndicated corporate loans**: of note was the acquisition of Gemalto by Thales and Westfield by Unibail, as well as the merger between Telecom Argentina and Cablevision. Also, support for sustainable financing in restructuring the assets of Enel Green Power and the loan to Generali.
- **Structured financing**: the Group remained the global leader in Latin America, Europe and the United States. We also topped the global ranking of financial advice by number of operations.
- **Global markets**: activity decreased slightly. Nevertheless, positive evolution of sales continued, mainly in the corporate sector and maintaining a greater contribution from management of books in Argentina, the US and Asia.

Results (in constant euros)

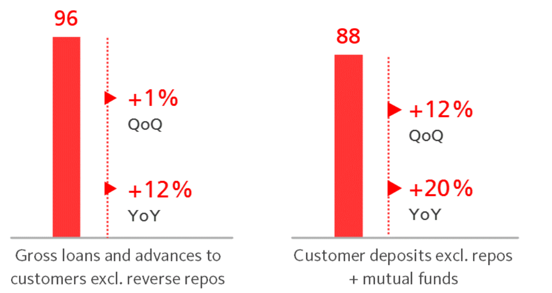
Underlying attributable profit of EUR 1,705 million in **the year**, 8% higher:

- Gross income grew because of the 8% rise in net interest income (good performance in the fourth quarter), partially offset by lower gains on financial transactions, which were high in the first quarter of 2017.
- Higher costs associated with transformation projects.
- Provisions were significantly lower in Spain, the UK ,Brazil and the US.
- Better results from global transactional banking and global debt financing, while income from global markets decreased.

The **fourth quarter** profit was slightly lower, but net interest income rose 12%, offset by lower gains on financial transactions.

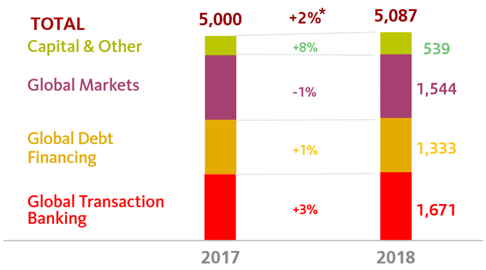
ACTIVITY

EUR billion and % change in constant euros



GROSS INCOME BREAKDOWN

Constant EUR million



(*) In euros: -8%

INCOME STATEMENT (% change in constant euros)

(EUR million)	vs Q3'18	(EUR million)	vs 2017
Revenue 1,343	0%	Revenue 5,087	+2%
Expenses 551	-1%	Expenses 2,105	+11%
LLPs 56	+21%	LLPs 217	-66%
Underl. profit* 447	-2%	Underl. profit* 1,705	+8%
Attributable profit 447	-2%	Attributable profit 1,705	+8%

(*) Excluding net capital gains and provisions

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WEALTH MANAGEMENT

Asset Management and Private Banking

EUR 528 Mn
Attributable profit

Highlights (changes in constant euros)

Total contribution to profit (net profit + fee income) amounted to EUR 1,015 million, 13% more than that estimated for 2017
The volumes of collaboration among countries grew 19% in 2018 to EUR 3,727 million
Lending rose 12%, spurred by development of the Private Wealth segment, which offers a differential service to the Group's largest clients

Commercial activity

- In its first year, Wealth Management carried out the following commercial initiatives:

  – **Private Banking**: development of a global and connected proposal, taking advantage of Santander's presence in over 10 countries. Thanks to this, business volumes among countries increased 19% in 2018 to EUR 3,727 million. Moreover, the Private Wealth (UHNW – Ultra High Net Worth) segment was launched during the year, offering a differential service to the Group's most valued clients.

  For the second year running *The Banker* and *Global Finance* chose Santander Private Banking as the Best Private Bank in Spain. *Global Banking* also recognised Santander Private Banking Portugal as the country's Best Private Bank.

  – **Santander Asset Management** (SAM) improved and expanded its range of products. Of note were its investment strategies in Spain and Latin America, where *Citywire* recognised SAM as the Best Manager of Equities in Spain, and we have the best Latin American fixed income fund in its class (Latin American Corporate Bond Fund).

- **Digital transformation:** we installed in Mexico, Brazil and Chile the global private banker tool SPiRIT and launched our new front of Virginia clients in International Private Banking. SAM began the migration of our investment platform to the most differential solution in the market: *Aladdin*.

Business performance

- Total assets under management amounted to EUR 329 billion, 2% lower than in 2017, affected by the instability in markets, which generated depreciation of assets, particularly in custody, but also in marketed investment products.

  In Private Banking 6% growth in customer deposits and 12% in loans, driven by development of Private Wealth.

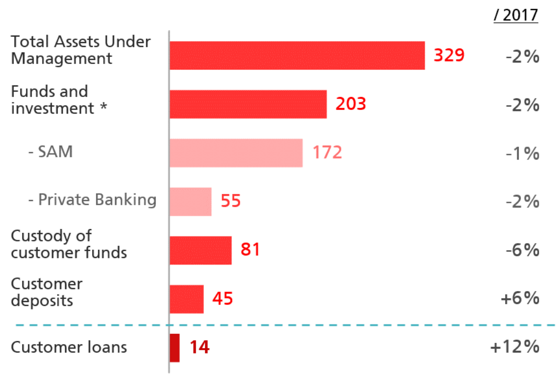
Results

The underlying attributable profit was EUR 528 million **in the year**, 17% more:

- Net interest income rose 12% and fee income increased 63%, spurred by value-added volumes under management.
- Increase in operating expenses, partly affected by investments in the Private Wealth (UHNW) project.
- The increase in revenue and costs was affected by the greater stake in Santander Asset Management.
- By units, of note in profit growth were Brazil (+16%) and International Private Banking (+12%).

Santander Private Banking — Santander Asset Management

BUSINESS PERFORMANCE
EUR billion and % change in constant euros



(*) Total adjusted for funds from private banking customers managed by SAM
Note: Total assets marketed and/or managed in 2018 and 2017

TOTAL PROFIT CONTRIBUTION
(% change in constant euros)

(EUR million)	vs Q3'18	(EUR million)	vs 2017
Contribution 253	-1	Contribution 1,015	+13%

INCOME STATEMENT (% change in constant euros)

(EUR million)	vs Q3'18	(EUR million)	vs 2017
Revenue 393	+1%	Revenue 1,543	+34%
Expenses 181	-2%	Expenses 730	+46%
LLPs 5	n.a.	LLPs 9	-2%
Underl. profit* 136	0%	Underl. profit* 528	+17%
Attributable profit 136	0%	Attributable profit 528	+21%

(*) Excluding net capital gains and provisions

Detailed financial information on page 59

CORPORATE GOVERNANCE

A responsible bank has a solid governance model with well-defined functions, it manages risks and opportunities prudently and defines its long-term strategy watching out for the interests of all its stakeholders and society in general.

Balanced composition of the Board

Respect for shareholders' rights

Maximum **transparency** in remuneration

At the **forefront** of best corporate governance practices

The changes in the Board of Directors and in the organisational structure of the Group's senior management agreed in the fourth quarter are set out below:

Changes in the board's composition

- There were no changes in the board in the fourth quarter of 2018.
- The change already announced and effective after the end of the year is set out below:
  - As of 1 January 2019, Mr Juan Miguel Villar Mir ceased to be a member of Banco Santander's board.
- The following changes were agreed by the board and announced on 15 January 2019:
  - The appointment of Mr. Andrea Orcel as a new member of the board and as chief executive officer of Banco Santander, S.A., agreed on 25 September 2018, was left without effect.
  - Mr. José Antonio Álvarez Álvarez will continue to be the CEO of Banco Santander, S.A., and has also been appointed vice chairman of the board, leaving without effect his appointment as chairman of Santander Spain, also agreed on 25 September 2018.
  - Mr. Rodrigo Echenique Gordillo, who was scheduled to stop being chairman of Santander Spain as of March, will continue in the post until his successor is appointed and will remain vice chairman of Banco Santander's board.
  - Mr. Guillermo de la Dehesa Romero will remain director of the Bank but is no longer vice chairman.

Changes in the composition of the board's committees

- There were no changes in the Group's senior management in the fourth quarter of 2018.
- Changes effective after the end of the year are set out below:
  - Mr. Enrique Álvarez Labiano, Global Head of Strategy and of the Executive Chairman's Office, has been appointed head of Strategy, Corporate Development and Development of New Businesses at Santander UK, a post he will take up on 15 February 2019.
  - Mr. José Luis de Mora Gil-Gallardo, head of Corporate Development and Planning, will also assume as of 15 February 2019 the function of the Group's Strategy, becoming responsible for Corporate Development and Strategy.
  - As of 1 January 2019, Mr. Javier San Félix García, the former head of Retail and Commercial Banking at Santander UK, became head of Global Strategic Initiatives within the Group's Technology and Operations division.

SUSTAINABILITY

We develop our activity in a responsible way, contributing to the economic and social progress of the communities in which we operate, taking into account our impact on the environment and fostering stable relationships with our main stakeholders.

Grupo Santander continued to develop new measures within its corporate social responsibility commitment. The main ones in the fourth quarter were:

Sustainable governance

- Santander supports the Responsible Banking Principles, together with 27 other large banks from five continents, in order to adapt the financial sector to the UN's Sustainable Development Goals and to the Paris agreement on climate change. The principles are currently in a phase of public consultation. As of their signing in September 2019, banks will commit to publically assume them.

Indexes and analysts

- Banco Santander is ranked the third bank in the world and the first in Europe in the Dow Jones Sustainability Index (DJSI), the reference international index that measures companies' performance in the sphere of sustainability in the economic, social and environmental dimensions.
- The DJSI accorded Santander the maximum score (100) in aspects such as financial inclusion and energy efficiency, among other sustainability management elements. The bank has formed part of the index for 18 consecutive years, and for the eighth year running Santander was in first place among Spanish banks.

Investment in communities

- Santander Asset Management launched *Santander Equality Acciones*, the first mutual fund in Spain in favour of gender equality.
- Santander took part in the International Day of Persons with Disabilities through various initiatives and programmes that promote education, entrepreneurship, employability and the social wellbeing of this collective. In 2018, more than 4,800 people with disabilities benefited from the programmes that Santander promotes via the Universia Foundation.
- Santander celebrated International Volunteer Day, with many initiatives in the countries where it operates. In Spain alone, and at the Corporate Centre, more than 1,000 employees participated in various solidarity activities.
- The Global Compact Network Spain recognised *Santander X*, the international university entrepreneurial project, promoted by Santander Universities, as one of the best good practices for its contribution to the 2030 Sustainable Development Goals.

Environment and climate change

- Santander is participating in advising and funding various renewable energy projects, including the transaction under which Atlantica Yield acquired 50 MW of wind-power in Uruguay, financing the Moray East wind-power park, one of the largest in the high seas, and leading ENCE Energía's mega project, as well as being the only bookrunner in the green financing for building a new 46MW biomass plant, both in Puertollano.
- SCIB was also joint bookrunner in the launch of the sustainable Italian EUR 500 million bond issued by Cassa Depositi e Prestiti, the first Italian sustainable bond in accordance with the guidelines of the International Capital Markets Association (IMCA) and the UN's Sustainable Development Goals in matters of clean water and sanitation.

SANTANDER SHARE

Shareholder remuneration

- Shareholders in November were able to opt to receive, under the Santander Scrip Dividend programme for 2018, the second interim dividend of EUR 0.035 per share in cash or the equivalent amount in shares. Some 76.55% of the capital chose the latter option.
- The board agreed to pay, as of 1 February, the third interim dividend of EUR 0.065 per share charged to 2018's earnings.

(*) The options, time periods and procedures indicated can present particularities for holders of Santander shares on foreign stock markets where the Bank is listed.

Share price performance

- Markets ended 2018 much lower, after a start to the year with rises driven by the positive impact of the US's tax reform. This positive environment, however, dissipated in the following months because of greater volatility in stock markets mainly due to: (i) the political uncertainty in Italy and Brazil; (ii) the lack of agreement over Brexit, (iii) the increase in financial tensions in developing countries because of the dollar's appreciation, after the Fed raised its interest rates and the ECB continued its policy of monetary normalisation and announced the end of quantitative easing, and (iv) the escalation of trade tensions between the US and China and its possible impact on confidence and the global economy. Fears of slowdown in the global economy, coupled with the partial shutdown of the US government, intensified the fall in shares in the last part of the year.
- In this context, the main indices and the Santander share ended lower. The Santander share was down 27.5% at EUR 3.973, while Euro Stoxx Banks and Stoxx Banks fell 33.3% and 28.0%, respectively. The Ibex 35 benchmark index of the Madrid Stock Exchange declined 15.0%, the DJ Stoxx 50 13.1% and the MSCI World Banks 19.7%.
- Santander's total shareholder return was 24.3% lower.
- The share price as we went to press was EUR 4.344 up 9.3% in the month.

Market capitalisation and trading

- As of 31 December, Santander was the largest bank in the eurozone by market capitalisation (EUR 64,508 million) and the 16th in the world.
- The share's weighting in the DJ Stoxx 50 was 1.94%, 7.98% in the DJ Stoxx Banks and 14.52% in the Ibex 35.
- A total of 19,040 million Santander shares were traded in 2018 for an effective value of EUR 95,501 million, the largest amount among the shares that comprise the EuroStoxx (liquidity ratio of 118%). The average daily trading volume was EUR 375 million (75 million shares on average).

Shareholder base

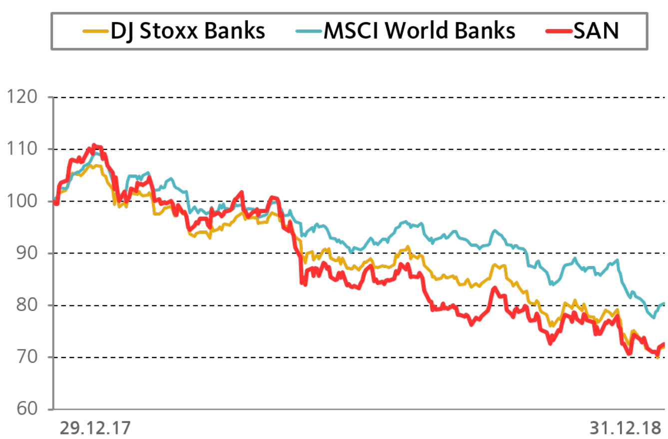
- The total number of Santander shareholders at the end of 2018 was 4,131,489 of which 3,857,687 were European (77.3% of the capital stock) and 256,366 from the Americas (21.6%).
- At the end of the year, excluding the board of Grupo Santander, which represents 1.1% of the Bank's capital stock, retail shareholders hold 39.8% and institutional shareholders 59.1%.

THE SANTANDER SHARE. December 2018

Shareholders and trading data	
Shareholders (number)	4,131,489
Shares (number)	16,236,573,942
Average daily turnover (number of shares)	74,665,290
Share liquidity (%)	118
(Number of shares traded during the year / number of shares)	
Price movements during the year	
Highest	6.093
Lowest	3.800
Last (31.12.18)	3.973
Market capitalisation (millions) (31.12.18)	64,508
Stock market indicators	
Price / Tangible book value (X)	0.95
P/E ratio (X)	8.84
Yield* (%)	4.65

(*) Last three dividends paid and one announced / 2018 average share price

COMPARATIVE SHARE PERFORMANCE



Financial information

APPENDIX

NET FEE INCOME. CONSOLIDATED

EUR million

	Q4'18	Q3'18	Chg. %	2018	2017	Chg. %
Fees from services	1,829	1,605	14.0	7,037	7,350	(4.2)
Wealth management and marketing of customer funds	940	874	7.4	3,654	3,406	7.3
Securities and custody	187	161	16.1	794	841	(5.6)
Net fee income	**2,956**	**2,640**	**12.0**	**11,485**	**11,597**	**(1.0)**

OPERATING EXPENSES. CONSOLIDATED

EUR million

	Q4'18	Q3'18	Chg. %	2018	2017	Chg. %
Personnel expenses	3,068	2,837	8.1	11,865	11,972	(0.9)
General expenses	2,217	1,967	12.7	8,489	8,353	1.6
Information technology	441	347	27.2	1,550	1,257	23.4
Communications	145	120	20.0	527	529	(0.5)
Advertising	193	143	35.3	646	757	(14.6)
Buildings and premises	492	427	15.2	1,846	1,798	2.7
Printed and office material	33	28	19.4	122	133	(8.2)
Taxes (other than tax on profits)	152	118	28.6	557	583	(4.5)
Other expenses	761	784	(2.9)	3,240	3,296	(1.7)
Personnel and general expenses	**5,285**	**4,804**	**10.0**	**20,354**	**20,325**	**0.1**
Depreciation and amortisation	651	557	16.9	2,425	2,593	(6.5)
Operating expenses	**5,936**	**5,361**	**10.7**	**22,779**	**22,918**	**(0.6)**

OPERATING MEANS

	Employees			Branches		
	Dec-18	Dec-17	Chg.	Dec-18	Dec-17	Chg.
Continental Europe	**67,572**	**67,922**	**(350)**	**5,998**	**6,298**	**(300)**
o/w: Spain	32,313	33,271	(958)	4,366	4,485	(119)
Santander Consumer Finance	14,865	15,131	(266)	438	546	(108)
Poland	12,515	11,572	943	611	576	35
Portugal	6,705	6,822	(117)	572	681	(109)
United Kingdom	**25,872**	**25,971**	**(99)**	**756**	**808**	**(52)**
Latin America	**90,196**	**89,014**	**1,182**	**5,803**	**5,908**	**(105)**
o/w: Brazil	46,914	47,135	(221)	3,438	3,465	(27)
Mexico	19,859	18,557	1,302	1,418	1,401	17
Chile	12,008	11,675	333	381	439	(58)
Argentina	9,324	9,277	47	468	482	(14)
USA	**17,309**	**17,560**	**(251)**	**660**	**683**	**(23)**
Operating areas	**200,949**	**200,467**	**482**	**13,217**	**13,697**	**(480)**
Corporate Centre	1,764	1,784	(20)			
Total Group	**202,713**	**202,251**	**462**	**13,217**	**13,697**	**(480)**

NET LOAN-LOSS PROVSIONS. CONSOLIDATED

EUR million

	Q4'18	Q3'18	Chg. %	2018	2017	Chg. %
Non-performing loans	2,919	2,395	21.9	10,426	10,726	(2.8)
Country-risk	(5)	1	—	5	5	(7.6)
Recovery of written-off assets	(460)	(275)	67.2	(1,558)	(1,621)	(3.9)
Net loan-loss provisions	**2,455**	**2,121**	**15.7**	**8,873**	**9,111**	**(2.6)**

LOANS AND ADVANCES TO CUSTOMERS. CONSOLIDATED

EUR million

	Dec-18	Dec-17	Absolute change	%	Dec-16
Commercial bills	33,301	29,287	4,014	13.7	23,894
Secured loans	478,067	473,935	4,132	0.9	454,676
Other term loans	265,680	257,441	8,239	3.2	232,289
Finance leases	30,758	28,511	2,247	7.9	25,357
Receivable on demand	8,794	6,721	2,073	30.8	8,102
Credit cards receivable	23,076	21,809	1,267	5.8	21,363
Impaired assets	34,241	36,280	(2,039)	(5.6)	32,573
Gross loans and advances to customers (excl. reverse repos)	**873,917**	**853,985**	**19,932**	**2.3**	**798,254**
Reverse repos	32,310	18,864	13,446	71.3	16,609
Gross loans and advances to customers	**906,227**	**872,848**	**33,379**	**3.8**	**814,863**
Loan-loss allowances	23,306	23,934	(628)	(2.6)	24,393
Loans and advances to customers	**882,921**	**848,914**	**34,007**	**4.0**	**790,470**

TOTAL FUNDS. CONSOLIDATED

EUR million

	Dec-18	Dec-17	Absolute change	%	Dec-16
Demand deposits	548,711	525,072	23,639	4.5	467,261
Time deposits	199,025	199,650	(625)	(0.3)	181,089
Mutual funds	157,888	165,413	(7,525)	(4.5)	147,416
Customer deposits excl. repos + Mutual funds	**905,624**	**890,135**	**15,489**	**1.7**	**795,766**
Pension funds	15,393	16,166	(773)	(4.8)	11,298
Managed portfolios	26,785	26,393	392	1.5	23,793
Subtotal	**947,802**	**932,694**	**15,108**	**1.6**	**830,858**
Repos	32,760	53,009	(20,249)	(38.2)	42,761
Total funds	**980,562**	**985,703**	**(5,141)**	**(0.5)**	**873,618**

ELIGIBLE CAPITAL (FULLY LOADED)

EUR million

	Dec-18	Dec-17	Absolute change	%	Dec-16
Capital stock and reserves	114,148	111,362	2,786	2.5	101,437
Attributable profit	7,810	6,619	1,191	18.0	6,204
Dividends	(3,292)	(2,998)	(295)	9.8	(2,469)
Other retained earnings	(23,606)	(23,108)	(498)	2.2	(16,116)
Minority interests	6,892	7,228	(336)	(4.6)	6,784
Goodwill and intangible assets	(28,644)	(28,537)	(107)	0.4	(28,405)
Other deductions	(6,404)	(5,004)	(1,400)	28.0	(5,368)
Core CET1	**66,904**	**65,563**	**1,341**	**2.0**	**62,068**
Preferred shares and other eligible T1	8,923	7,730	1,193	15.4	5,767
Tier 1	**75,826**	**73,293**	**2,534**	**3.5**	**67,834**
Generic funds and eligible T2 instruments	11,743	14,295	(2,552)	(17.9)	13,749
Eligible capital	**87,569**	**87,588**	**(19)**	**(0.0)**	**81,584**
Risk-weighted assets	592,319	605,064	(12,745)	(2.1)	588,088
CET1 capital ratio	**11.30**	**10.84**	**0.46**		**10.55**
T1 capital ratio	**12.80**	**12.11**	**0.69**		**11.53**
Total capital ratio	**14.78**	**14.48**	**0.30**		**13.87**

CONTINENTAL EUROPE

(EUR million)

		QoQ			YoY	
Income statement	**Q4'18**	**%**	**% excl. FX**	**2018**	**%**	**% excl. FX**
Net interest income	2,609	2.7	2.7	10,107	9.5	9.8
Net fee income	1,073	(2.2)	(2.2)	4,419	6.1	6.2
Gains (losses) on financial transactions	276	(1.1)	(1.2)	916	46.4	47.0
Other operating income	44	(70.1)	(70.1)	440	11.5	11.8
Gross income	**4,002**	**(1.5)**	**(1.5)**	**15,881**	**10.2**	**10.4**
Operating expenses	(2,061)	1.6	1.5	(8,278)	8.0	8.3
General administrative expenses	(1,933)	3.4	3.4	(7,658)	7.9	8.1
Personnel	(1,074)	6.0	5.9	(4,158)	12.9	13.2
Other general administrative expenses	(860)	0.3	0.3	(3,500)	2.4	2.6
Depreciation and amortisation	(128)	(19.9)	(19.9)	(620)	10.0	10.3
Net operating income	**1,940**	**(4.5)**	**(4.5)**	**7,604**	**12.6**	**12.9**
Net loan-loss provisions	(262)	(31.1)	(31.1)	(1,399)	26.2	26.4
Other income	(280)	95.7	95.5	(704)	(5.7)	(5.6)
Underlying profit before tax	**1,398**	**(7.3)**	**(7.3)**	**5,501**	**12.3**	**12.6**
Tax on profit	(361)	(12.2)	(12.2)	(1,461)	11.1	11.3
Underlying profit from continuing operations	**1,037**	**(5.5)**	**(5.5)**	**4,040**	**12.7**	**13.1**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**1,037**	**(5.5)**	**(5.5)**	**4,040**	**12.7**	**13.1**
Minority interests	91	(15.3)	(15.3)	397	4.1	4.2
Underlying attributable profit to the Group	946	(4.4)	(4.4)	3,642	13.7	14.1
Net capital gains and provisions*	46	—	—	(214)	(44.4)	(44.4)
Attributable profit to the Group	**992**	**0.3**	**0.3**	**3,428**	**21.7**	**22.2**

(*) In 2018, charges related to integrations (mainly restructuring costs), net of tax impacts, in Spain (EUR -280 million) and Portugal (EUR 20 million) and badwill in Poland (EUR 45 million). In 2017, integration costs (Popular: EUR -300 million and Germany: EUR -85 million)

Balance sheet	Q4'18	%	% excl. FX	2018	%	% excl. FX
Loans and advances to customers	383,020	1.4	1.6	383,020	0.8	1.0
Cash, central banks and credit institutions	142,813	3.9	3.9	142,813	24.2	24.2
Debt securities	89,030	(1.5)	(1.4)	89,030	(10.7)	(10.6)
o/w: designated at fair value through other comprehensive income	*61,855*	*2.8*	*2.9*	*61,855*	*(14.7)*	*(14.5)*
Other financial assets	36,012	5.0	5.0	36,012	(9.8)	(9.8)
Other assets	31,011	(14.6)	(14.6)	31,011	(28.6)	(28.6)
Total assets	**681,887**	**0.9**	**1.0**	**681,887**	**0.6**	**0.7**
Customer deposits	369,730	2.4	2.5	369,730	4.9	5.1
Central banks and credit institutions	158,761	(2.1)	(2.0)	158,761	(0.6)	(0.8)
Debt securities issued	62,018	7.7	8.1	62,018	1.3	1.5
Other financial liabilities	37,142	(10.1)	(10.1)	37,142	(19.1)	(19.1)
Other liabilities	14,827	(3.5)	(3.4)	14,827	(14.3)	(14.2)
Total liabilities	**642,479**	**0.8**	**0.9**	**642,479**	**0.9**	**1.0**
Total equity	**39,408**	**2.1**	**2.4**	**39,408**	**(4.7)**	**(4.4)**
Other managed and marketed customer funds	**97,774**	**(6.0)**	**(6.0)**	**97,774**	**(4.2)**	**(4.2)**
Mutual funds	70,562	(6.7)	(6.7)	70,562	(4.7)	(4.5)
Pension funds	15,295	(3.2)	(3.2)	15,295	(5.4)	(5.4)
Managed portfolios	11,917	(5.4)	(5.4)	11,917	0.0	(0.3)
Pro memoria:						
Gross loans and advances to customers excl. reverse repos	390,794	1.5	1.7	390,794	1.7	1.9
Funds (customer deposits excl. repos + mutual funds)	436,913	0.6	0.7	436,913	2.7	2.9

Ratios (%) and operating means	Q4'18	%	% excl. FX	2018	%	% excl. FX
Underlying RoTE	10.94	(0.54)		10.64	0.82	
Efficiency ratio (with amortisations)	51.5	1.5		52.1	(1.0)	
NPL ratio	5.25	(0.32)		5.25	(0.57)	
NPL coverage	52.2	(2.2)		52.2	(2.2)	
Number of employees	67,572	1.5		67,572	(0.5)	
Number of branches	5,998	(0.6)		5,998	(4.8)	

SPAIN

(EUR million)

Income statement	Q4'18	% QoQ	2018	% YoY
Net interest income	1,150	3.0	4,360	15.2
Net fee income	634	(3.0)	2,631	12.8
Gains (losses) on financial transactions	95	(58.1)	560	28.4
Other operating income	1	(99.2)	343	11.8
Gross income	**1,880**	**(11.1)**	**7,894**	**15.1**
Operating expenses	(1,110)	0.7	(4,480)	10.9
General administrative expenses	(1,061)	3.2	(4,191)	11.1
Personnel	(629)	9.9	(2,371)	19.9
Other general administrative expenses	(432)	(5.2)	(1,820)	1.4
Depreciation and amortisation	(49)	(34.6)	(289)	7.4
Net operating income	**770**	**(23.9)**	**3,414**	**21.1**
Net loan-loss provisions	(129)	(34.7)	(728)	20.7
Other income	(70)	(31.6)	(362)	68.3
Underlying profit before tax	**571**	**(19.9)**	**2,325**	**16.1**
Tax on profit	(139)	(25.2)	(586)	7.3
Underlying profit from continuing operations	**432**	**(18.0)**	**1,739**	**19.4**
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	**432**	**(18.0)**	**1,739**	**19.4**
Minority interests	0	(67.8)	1	(96.8)
Underlying attributable profit to the Group	432	(18.0)	1,738	20.8
Net capital gains and provisions*	—	—	(280)	(6.8)
Attributable profit to the Group	**432**	**(18.0)**	**1,458**	**28.1**

(*) In 2018, restructuring costs (EUR -280 million). In 2017, integration costs (EUR -300 million)

Balance sheet	Q4'18	% QoQ	2018	% YoY
Loans and advances to customers	206,776	(2.6)	206,776	(6.2)
Cash, central banks and credit institutions	117,215	2.8	117,215	28.3
Debt securities	60,720	(5.0)	60,720	(20.9)
o/w: designated at fair value through other comprehensive income	*44,020*	*(1.3)*	*44,020*	*(22.8)*
Other financial assets	32,727	5.4	32,727	(10.9)
Other assets	16,644	(21.7)	16,644	(36.8)
Total assets	**434,082**	**(1.9)**	**434,082**	**(3.9)**
Customer deposits	255,402	0.9	255,402	1.0
Central banks and credit institutions	93,854	(7.4)	93,854	(6.8)
Debt securities issued	24,608	4.5	24,608	(6.4)
Other financial liabilities	35,054	(10.7)	35,054	(19.5)
Other liabilities	8,878	(1.7)	8,878	(20.9)
Total liabilities	**417,796**	**(2.0)**	**417,796**	**(3.9)**
Total equity	**16,286**	**0.8**	**16,286**	**(5.1)**
Other managed and marketed customer funds	**85,973**	**(6.7)**	**85,973**	**(4.8)**
Mutual funds	61,406	(7.5)	61,406	(5.2)
Pension funds	14,142	(3.5)	14,142	(5.6)
Managed portfolios	10,425	(5.9)	10,425	(1.2)
Pro memoria:				
Gross loans and advances to customers excl. reverse repos	209,630	(2.2)	209,630	(4.1)
Funds (customer deposits excl. repos + mutual funds)	315,351	(1.1)	315,351	(0.5)

Ratios (%) and operating means	Q4'18	% QoQ	2018	% YoY
Underlying RoTE	10.83	(2.37)	10.81	0.51
Efficiency ratio (with amortisations)	59.1	6.9	56.8	(2.1)
NPL ratio	6.19	(0.04)	6.19	(0.13)
NPL coverage	45.0	(2.7)	45.0	(1.8)
Number of employees	32,313	(0.3)	32,313	(2.9)
Number of branches	4,366	(0.7)	4,366	(2.7)

SANTANDER CONSUMER FINANCE

(EUR million)

Income statement	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Net interest income	943	0.6	0.7	3,723	4.3	4.9
Net fee income	189	(8.5)	(8.5)	798	(9.1)	(9.0)
Gains (losses) on financial transactions	35	—	—	55	—	—
Other operating income	21	66.4	65.5	34	6.8	8.3
Gross income	**1,187**	**2.7**	**2.7**	**4,610**	**2.8**	**3.3**
Operating expenses	(494)	4.1	4.1	(1,985)	0.4	0.9
General administrative expenses	(456)	5.5	5.5	(1,817)	1.1	1.6
Personnel	(221)	5.7	5.8	(870)	2.6	3.1
Other general administrative expenses	(235)	5.3	5.3	(948)	(0.3)	0.1
Depreciation and amortisation	(39)	(10.0)	(9.9)	(168)	(6.7)	(6.2)
Net operating income	**693**	**1.7**	**1.7**	**2,625**	**4.8**	**5.3**
Net loan-loss provisions	(47)	(62.5)	(62.4)	(360)	35.4	36.1
Other income	(166)	—	—	(125)	(20.4)	(20.5)
Underlying profit before tax	**480**	**(14.6)**	**(14.5)**	**2,140**	**2.8**	**3.3**
Tax on profit	(122)	(22.1)	(22.0)	(577)	(1.9)	(1.4)
Underlying profit from continuing operations	**358**	**(11.7)**	**(11.6)**	**1,564**	**4.6**	**5.2**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**358**	**(11.7)**	**(11.6)**	**1,564**	**4.6**	**5.2**
Minority interests	62	(15.8)	(15.8)	268	10.9	10.9
Underlying attributable profit to the Group	296	(10.8)	(10.7)	1,296	3.4	4.1
Net capital gains and provisions*	—	—	—	—	(100.0)	(100.0)
Attributable profit to the Group	**296**	**(10.8)**	**(10.7)**	**1,296**	**10.9**	**11.7**

(*) In 2017, integration costs (EUR -85 million)

Balance sheet	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Loans and advances to customers	95,366	3.6	4.3	95,366	5.9	6.1
Cash, central banks and credit institutions	6,096	5.4	6.5	6,096	24.5	24.9
Debt securities	3,325	(3.5)	(2.6)	3,325	3.2	4.0
o/w: designated at fair value through other comprehensive income	*1,898*	*(0.7)*	*(0.5)*	*1,898*	*(41.1)*	*(40.6)*
Other financial assets	31	56.8	58.4	31	44.8	45.2
Other assets	2,890	(6.4)	(5.9)	2,890	(17.6)	(17.3)
Total assets	**107,708**	**3.2**	**3.9**	**107,708**	**5.9**	**6.2**
Customer deposits	36,579	(0.3)	0.5	36,579	3.2	3.5
Central banks and credit institutions	24,966	(1.0)	(0.4)	24,966	7.0	7.2
Debt securities issued	31,281	13.6	14.5	31,281	9.0	9.3
Other financial liabilities	771	(11.8)	(11.6)	771	(22.6)	(22.4)
Other liabilities	3,520	(6.9)	(6.5)	3,520	(3.2)	(3.0)
Total liabilities	**97,117**	**3.2**	**4.0**	**97,117**	**5.4**	**5.7**
Total equity	**10,591**	**2.5**	**3.5**	**10,591**	**10.1**	**10.5**
Other managed and marketed customer funds	**—**	**—**	**—**	**—**	**(100.0)**	**(100.0)**
Mutual funds	—	—	—	—	(100.0)	(100.0)
Pension funds	—	—	—	—	(100.0)	(100.0)
Managed portfolios	—	—	—	—	—	—
Pro memoria:						
Gross loans and advances to customers excl. reverse repos	97,707	3.4	4.1	97,707	5.7	6.0
Funds (customer deposits excl. repos + mutual funds)	36,531	(0.3)	0.5	36,531	3.2	3.5

Ratios (%) and operating means	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Underlying RoTE	13.70	(2.18)		15.86	(0.58)	
Efficiency ratio (with amortisations)	41.6	0.6		43.1	(1.1)	
NPL ratio	2.29	(0.16)		2.29	(0.21)	
NPL coverage	106.4	—		106.4	5.0	
Number of employees	14,865	0.0		14,865	(1.8)	
Number of branches	438	(0.7)		438	(19.8)	

POLAND

(EUR million)

Income statement	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Net interest income	265	9.0	8.8	996	7.3	7.4
Net fee income	115	3.4	3.2	453	2.2	2.3
Gains (losses) on financial transactions	9	(37.3)	(37.0)	44	(15.4)	(15.3)
Other operating income	0	—	—	(4)	35.8	36.0
Gross income	**390**	**6.1**	**6.0**	**1,488**	**4.8**	**4.9**
Operating expenses	(165)	5.3	5.1	(636)	5.2	5.3
General administrative expenses	(151)	6.2	6.0	(578)	5.6	5.8
Personnel	(90)	8.2	8.1	(338)	5.9	6.0
Other general administrative expenses	(61)	3.2	3.1	(241)	5.2	5.4
Depreciation and amortisation	(14)	(3.1)	(3.2)	(58)	0.6	0.7
Net operating income	**225**	**6.7**	**6.6**	**851**	**4.5**	**4.7**
Net loan-loss provisions	(41)	24.4	23.8	(161)	17.3	17.4
Other income	(61)	132.3	131.1	(135)	40.0	40.2
Underlying profit before tax	**123**	**(18.9)**	**(18.8)**	**555**	**(4.4)**	**(4.3)**
Tax on profit	(34)	(7.9)	(7.8)	(131)	(11.3)	(11.2)
Underlying profit from continuing operations	**88**	**(22.5)**	**(22.4)**	**424**	**(2.0)**	**(1.9)**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**88**	**(22.5)**	**(22.4)**	**424**	**(2.0)**	**(1.9)**
Minority interests	27	(20.5)	(20.4)	126	(4.8)	(4.7)
Underlying attributable profit to the Group	62	(23.4)	(23.2)	298	(0.7)	(0.6)
Net capital gains and provisions*	45	—	—	45	—	—
Attributable profit to the Group	**107**	**32.8**	**32.4**	**343**	**14.4**	**14.5**

(*) In 2018, badwill (EUR 45 million)

Balance sheet	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Loans and advances to customers	28,164	19.1	19.8	28,164	26.8	30.5
Cash, central banks and credit institutions	3,260	53.2	54.1	3,260	96.3	102.2
Debt securities	10,570	8.8	9.4	10,570	55.8	60.4
o/w: designated at fair value through other comprehensive income	*8,239*	*11.8*	*12.4*	*8,239*	*38.3*	*42.4*
Other financial assets	534	15.2	15.8	534	8.7	12.0
Other assets	1,140	5.3	5.9	1,140	12.4	15.8
Total assets	**43,669**	**17.9**	**18.6**	**43,669**	**35.7**	**39.8**
Customer deposits	33,417	19.2	19.9	33,417	37.8	41.9
Central banks and credit institutions	2,163	31.8	32.6	2,163	127.2	134.0
Debt securities issued	1,789	17.2	17.8	1,789	117.9	124.4
Other financial liabilities	558	22.1	22.8	558	6.8	10.0
Other liabilities	809	10.3	10.9	809	18.3	21.8
Total liabilities	**38,736**	**19.6**	**20.3**	**38,736**	**42.2**	**46.5**
Total equity	**4,933**	**6.1**	**6.7**	**4,933**	**(0.1)**	**2.9**
Other managed and marketed customer funds	**4,384**	**12.5**	**13.1**	**4,384**	**9.4**	**12.7**
Mutual funds	4,012	5.6	6.2	4,012	2.9	5.9
Pension funds	—	—	—	—	—	—
Managed portfolios	373	277.6	279.7	373	246.0	256.3
Pro memoria:						
Gross loans and advances to customers excl. reverse repos	29,033	19.2	19.9	29,033	26.4	30.1
Funds (customer deposits excl. repos + mutual funds)	35,554	18.5	19.1	35,554	27.9	31.7

Ratios (%) and operating means	Q4'18	QoQ		2018	YoY	
Underlying RoTE	8.20	(3.00)		10.29	(1.27)	
Efficiency ratio (with amortisations)	42.2	(0.3)		42.8	0.1	
NPL ratio	4.28	0.05		4.28	(0.29)	
NPL coverage	67.1	(4.5)		67.1	(1.1)	
Number of employees	12,515	10.9		12,515	8.1	
Number of branches	611	17.7		611	6.1	

PORTUGAL

(EUR million)

Income statement	Q4'18	% QoQ	2018	% YoY
Net interest income	211	0.1	858	8.9
Net fee income	96	4.5	377	4.7
Gains (losses) on financial transactions	12	112.8	75	(1.0)
Other operating income	14	2.4	34	61.4
Gross income	**334**	**3.5**	**1,344**	**8.0**
Operating expenses	(162)	3.0	(642)	4.5
General administrative expenses	(151)	2.8	(600)	4.4
Personnel	(94)	2.4	(372)	6.1
Other general administrative expenses	(57)	3.4	(228)	1.8
Depreciation and amortisation	(11)	5.9	(42)	5.5
Net operating income	**172**	**3.9**	**702**	**11.3**
Net loan-loss provisions	(12)	7.9	(32)	160.6
Other income	36	186.6	18	—
Underlying profit before tax	**196**	**17.3**	**688**	**19.8**
Tax on profit	(59)	14.1	(205)	50.5
Underlying profit from continuing operations	**137**	**18.8**	**483**	**10.3**
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	**137**	**18.8**	**483**	**10.3**
Minority interests	1	(4.5)	2	9.5
Underlying attributable profit to the Group	136	18.9	480	10.3
Net capital gains and provisions*	—	—	20	—
Attributable profit to the Group	**136**	**18.9**	**500**	**14.9**

(*) In 2018, provisions and restructuring costs associated with inorganic operations, net of tax impacts (EUR 20 million)

Balance sheet				
Loans and advances to customers	35,470	(0.4)	35,470	(0.6)
Cash, central banks and credit institutions	3,454	8.2	3,454	14.5
Debt securities	12,303	3.7	12,303	4.2
o/w: designated at fair value through other comprehensive income	*5,904*	*14.2*	*5,904*	*6.8*
Other financial assets	1,877	(3.3)	1,877	2.6
Other assets	1,904	(17.2)	1,904	(32.1)
Total assets	**55,007**	**0.2**	**55,007**	**(0.2)**
Customer deposits	37,217	0.2	37,217	9.5
Central banks and credit institutions	8,007	2.5	8,007	(20.1)
Debt securities issued	4,259	(1.1)	4,259	(21.3)
Other financial liabilities	257	5.8	257	(21.6)
Other liabilities	1,197	(13.4)	1,197	(4.8)
Total liabilities	**50,937**	**0.1**	**50,937**	**(0.1)**
Total equity	**4,070**	**1.4**	**4,070**	**(1.2)**
Other managed and marketed customer funds	**3,541**	**(7.1)**	**3,541**	**(6.4)**
Mutual funds	1,926	(5.8)	1,926	(9.6)
Pension funds	1,154	0.7	1,154	(1.7)
Managed portfolios	462	(25.5)	462	(4.1)
Pro memoria:				
Gross loans and advances to customers excl. reverse repos	36,568	(1.4)	36,568	(2.5)
Funds (customer deposits excl. repos + mutual funds)	39,143	(0.1)	39,143	8.4

Ratios (%) and operating means				
Underlying RoTE	13.50	1.91	12.06	0.41
Efficiency ratio (with amortisations)	48.5	(0.2)	47.8	(1.6)
NPL ratio	5.94	(1.49)	5.94	(1.57)
NPL coverage	50.5	(2.9)	50.5	(11.6)
Number of employees	6,705	(3.0)	6,705	(1.7)
Number of branches	572	(14.2)	572	(16.0)

UNITED KINGDOM

(EUR million)

Income statement	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Net interest income	1,033	(0.0)	(0.6)	4,136	(5.2)	(4.3)
Net fee income	257	(0.3)	(0.9)	1,023	2.0	2.9
Gains (losses) on financial transactions	16	(75.0)	(75.0)	199	(29.4)	(28.7)
Other operating income	26	95.9	94.6	62	(7.9)	(7.0)
Gross income	**1,332**	**(2.6)**	**(3.2)**	**5,420**	**(5.2)**	**(4.3)**
Operating expenses	(738)	1.2	0.5	(2,995)	4.7	5.7
General administrative expenses	(618)	(7.8)	(8.4)	(2,604)	3.6	4.6
Personnel	(403)	(0.9)	(1.5)	(1,628)	19.9	21.1
Other general administrative expenses	(214)	(18.6)	(19.0)	(976)	(15.6)	(14.8)
Depreciation and amortisation	(121)	102.6	99.7	(391)	12.4	13.5
Net operating income	**593**	**(6.9)**	**(7.4)**	**2,426**	**(15.0)**	**(14.2)**
Net loan-loss provisions	(44)	73.1	70.4	(173)	(15.3)	(14.5)
Other income	(155)	148.8	147.2	(327)	(30.0)	(29.3)
Underlying profit before tax	**394**	**(28.3)**	**(28.6)**	**1,926**	**(11.8)**	**(11.0)**
Tax on profit	(103)	(35.2)	(35.4)	(539)	(18.6)	(17.8)
Underlying profit from continuing operations	**291**	**(25.5)**	**(25.9)**	**1,387**	**(8.9)**	**(8.0)**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**291**	**(25.5)**	**(25.9)**	**1,387**	**(8.9)**	**(8.0)**
Minority interests	5	(12.5)	(13.1)	25	0.7	1.6
Underlying attributable profit to the Group	286	(25.7)	(26.1)	1,362	(9.1)	(8.2)
Net capital gains and provisions	—	—	—	—	—	—
Attributable profit to the Group	**286**	**(25.7)**	**(26.1)**	**1,362**	**(9.1)**	**(8.2)**

Balance sheet	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Loans and advances to customers	257,284	0.7	1.5	257,284	5.6	6.5
Cash, central banks and credit institutions	39,843	(3.5)	(2.7)	39,843	(29.8)	(29.2)
Debt securities	29,190	8.5	9.3	29,190	11.5	12.4
o/w: designated at fair value through other comprehensive income	*14,789*	*(0.7)*	*0.1*	*14,789*	*49.6*	*50.8*
Other financial assets	13,397	(35.2)	(34.7)	13,397	(45.7)	(45.3)
Other assets	9,638	4.9	5.8	9,638	(3.4)	(2.6)
Total assets	**349,353**	**(1.2)**	**(0.4)**	**349,353**	**(3.3)**	**(2.5)**
Customer deposits	210,388	(2.8)	(2.0)	210,388	(8.7)	(8.0)
Central banks and credit institutions	33,430	7.8	8.6	33,430	20.1	21.1
Debt securities issued	67,556	(0.5)	0.3	67,556	10.5	11.5
Other financial liabilities	16,583	(7.5)	(6.8)	16,583	(21.7)	(21.0)
Other liabilities	4,181	6.3	7.1	4,181	(3.0)	(2.2)
Total liabilities	**332,137**	**(1.5)**	**(0.7)**	**332,137**	**(3.7)**	**(2.9)**
Total equity	**17,216**	**4.5**	**5.4**	**17,216**	**5.6**	**6.5**
Other managed and marketed customer funds	**7,672**	**(9.6)**	**(8.8)**	**7,672**	**(11.4)**	**(10.7)**
Mutual funds	7,576	(9.5)	(8.8)	7,576	(11.3)	(10.6)
Pension funds	—	—	—	—	—	—
Managed portfolios	96	(12.8)	(12.0)	96	(16.2)	(15.5)
Pro memoria:						
Gross loans and advances to customers excl. reverse repos	235,753	(0.6)	0.2	235,753	(0.0)	0.8
Funds (customer deposits excl. repos + mutual funds)	206,630	0.7	1.5	206,630	(1.7)	(0.9)

Ratios (%) and operating means	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Underlying RoTE	7.70	(2.77)		9.32	(0.94)	
Efficiency ratio (with amortisations)	55.4	2.1		55.2	5.2	
NPL ratio	1.05	(0.05)		1.05	(0.28)	
NPL coverage	33.0	(0.1)		33.0	1.0	
Number of employees	25,872	0.3		25,872	(0.4)	
Number of branches	756	(1.4)		756	(6.4)	

LATIN AMERICA

(EUR million)

Income statement	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Net interest income	4,115	11.8	0.4	15,654	(2.1)	15.1
Net fee income	1,436	30.3	8.5	5,253	(4.4)	15.7
Gains (losses) on financial transactions	140	6.0	(35.7)	600	(40.8)	(28.5)
Other operating income	(154)	53.5	22.1	(306)	—	—
Gross income	**5,537**	**15.0**	**0.6**	**21,201**	**(5.9)**	**11.6**
Operating expenses	(2,213)	27.9	6.7	(7,996)	(8.3)	9.9
General administrative expenses	(2,002)	28.2	7.0	(7,237)	(8.4)	9.9
Personnel	(1,061)	19.2	1.3	(3,989)	(9.0)	8.6
Other general administrative expenses	(941)	40.1	14.2	(3,249)	(7.7)	11.5
Depreciation and amortisation	(212)	25.1	3.9	(759)	(7.3)	10.1
Net operating income	**3,324**	**7.8**	**(3.0)**	**13,204**	**(4.3)**	**12.7**
Net loan-loss provisions	(1,183)	14.0	1.7	(4,567)	(8.2)	7.1
Other income	(160)	0.7	(23.4)	(666)	(49.9)	(38.8)
Underlying profit before tax	**1,981**	**5.0**	**(3.6)**	**7,971**	**6.3**	**25.3**
Tax on profit	(695)	(5.8)	(13.9)	(2,904)	21.7	45.3
Underlying profit from continuing operations	**1,286**	**11.9**	**3.0**	**5,067**	**(0.8)**	**16.1**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**1,286**	**11.9**	**3.0**	**5,067**	**(0.8)**	**16.1**
Minority interests	218	7.9	6.1	840	3.2	14.2
Underlying attributable profit to the Group	1,068	12.8	2.4	4,228	(1.6)	16.5
Net capital gains and provisions	—	—	—	—	—	—
Attributable profit to the Group	**1,068**	**12.8**	**2.4**	**4,228**	**(1.6)**	**16.5**

Balance sheet	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Loans and advances to customers	150,544	2.9	2.1	150,544	1.8	11.3
Cash, central banks and credit institutions	60,721	5.8	2.9	60,721	8.3	20.9
Debt securities	59,367	7.1	5.0	59,367	2.7	9.9
o/w: designated at fair value through other comprehensive income	*30,351*	*10.7*	*8.7*	*30,351*	*(7.8)*	*(1.1)*
Other financial assets	14,994	10.5	10.7	14,994	5.4	9.5
Other assets	17,731	6.3	3.6	17,731	2.6	13.2
Total assets	**303,356**	**4.8**	**3.3**	**303,356**	**3.4**	**12.8**
Customer deposits	142,576	0.3	(1.2)	142,576	(0.5)	9.3
Central banks and credit institutions	48,104	7.1	5.5	48,104	21.4	30.6
Debt securities issued	37,698	8.1	7.1	37,698	9.5	18.4
Other financial liabilities	36,851	17.7	15.4	36,851	2.1	10.9
Other liabilities	10,867	9.5	7.0	10,867	(1.4)	7.6
Total liabilities	**276,095**	**4.9**	**3.4**	**276,095**	**4.4**	**13.9**
Total equity	**27,261**	**4.1**	**2.5**	**27,261**	**(5.8)**	**3.0**
Other managed and marketed customer funds	**78,322**	**0.2**	**(2.4)**	**78,322**	**(3.0)**	**7.1**
Mutual funds	71,568	(0.2)	(2.9)	71,568	(3.9)	6.1
Pension funds	98	—	—	98	—	—
Managed portfolios	6,657	3.9	2.5	6,657	5.7	16.4
Pro memoria:						
Gross loans and advances to customers excl. reverse repos	157,022	3.3	2.4	157,022	2.4	11.9
Funds (customer deposits excl. repos + mutual funds)	197,598	1.8	(0.0)	197,598	1.3	11.8

Ratios (%) and operating means	Q4'18	QoQ		2018	YoY	
Underlying RoTE	19.08	1.15		19.12	1.18	
Efficiency ratio (with amortisations)	40.0	4.0		37.7	(1.0)	
NPL ratio	4.34	0.01		4.34	(0.12)	
NPL coverage	97.3	0.2		97.3	12.3	
Number of employees	90,196	0.7		90,196	1.3	
Number of branches	5,803	(2.4)		5,803	(1.8)	

BRAZIL

(EUR million)

Income statement	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Net interest income	2,475	4.1	(1.2)	9,758	(3.2)	15.7
Net fee income	929	19.8	12.7	3,497	(3.9)	14.8
Gains (losses) on financial transactions	21	(32.0)	(36.0)	136	(73.4)	(68.2)
Other operating income	(29)	613.9	549.1	(46)	—	—
Gross income	**3,396**	**6.8**	**1.2**	**13,345**	**(6.5)**	**11.7**
Operating expenses	(1,191)	15.5	9.1	(4,482)	(11.8)	5.4
General administrative expenses	(1,091)	16.6	10.2	(4,065)	(11.1)	6.3
Personnel	(576)	6.6	0.9	(2,277)	(11.2)	6.0
Other general administrative expenses	(515)	30.3	22.9	(1,789)	(10.8)	6.5
Depreciation and amortisation	(101)	5.1	(0.9)	(417)	(18.2)	(2.3)
Net operating income	**2,205**	**2.6**	**(2.7)**	**8,863**	**(3.6)**	**15.2**
Net loan-loss provisions	(726)	9.3	2.8	(2,963)	(12.7)	4.2
Other income	(198)	13.6	8.3	(697)	(41.2)	(29.7)
Underlying profit before tax	**1,281**	**(2.2)**	**(7.0)**	**5,203**	**12.8**	**34.8**
Tax on profit	(529)	(13.6)	(17.3)	(2,264)	31.2	56.7
Underlying profit from continuing operations	**752**	**7.7**	**2.0**	**2,940**	**1.8**	**21.7**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**752**	**7.7**	**2.0**	**2,940**	**1.8**	**21.7**
Minority interests	89	12.5	6.6	335	(2.2)	16.8
Underlying attributable profit to the Group	663	7.1	1.4	2,605	2.4	22.3
Net capital gains and provisions	—	—	—	—	—	—
Attributable profit to the Group	**663**	**7.1**	**1.4**	**2,605**	**2.4**	**22.3**

Balance sheet	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Loans and advances to customers	70,850	9.0	4.1	70,850	0.6	12.5
Cash, central banks and credit institutions	37,015	3.1	(1.6)	37,015	6.0	18.6
Debt securities	40,718	16.3	11.1	40,718	5.2	17.7
o/w: designated at fair value through other comprehensive income	*19,221*	*15.5*	*10.3*	*19,221*	*(9.9)*	*0.8*
Other financial assets	6,133	18.3	13.0	6,133	5.8	18.3
Other assets	11,320	1.6	(3.0)	11,320	(4.3)	7.1
Total assets	**166,036**	**9.0**	**4.1**	**166,036**	**2.7**	**14.9**
Customer deposits	68,306	(1.1)	(5.5)	68,306	(2.5)	9.0
Central banks and credit institutions	29,758	19.5	14.2	29,758	26.1	41.1
Debt securities issued	21,218	16.8	11.6	21,218	5.8	18.3
Other financial liabilities	24,241	24.2	18.6	24,241	1.9	14.0
Other liabilities	7,237	14.4	9.3	7,237	(4.0)	7.4
Total liabilities	**150,760**	**9.3**	**4.4**	**150,760**	**3.9**	**16.3**
Total equity	**15,276**	**6.8**	**2.0**	**15,276**	**(8.3)**	**2.6**
Other managed and marketed customer funds	**57,174**	**2.0**	**(2.6)**	**57,174**	**(2.2)**	**9.4**
Mutual funds	52,811	1.2	(3.3)	52,811	(3.6)	7.8
Pension funds	—	—	—	—	—	—
Managed portfolios	4,363	12.4	7.3	4,363	17.9	31.9
Pro memoria:						
Gross loans and advances to customers excl. reverse repos	75,282	8.8	3.9	75,282	1.3	13.3
Funds (customer deposits excl. repos + mutual funds)	110,243	3.4	(1.3)	110,243	3.1	15.3

Ratios (%) and operating means	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Underlying RoTE	19.30	(0.68)		19.77	2.86	
Efficiency ratio (with amortisations)	35.1	2.7		33.6	(2.0)	
NPL ratio	5.25	(0.01)		5.25	(0.04)	
NPL coverage	106.9	(2.2)		106.9	14.3	
Number of employees	46,914	0.5		46,914	(0.5)	
Number of branches	3,438	(3.2)		3,438	(0.8)	

MEXICO

(EUR million)

		QoQ			YoY	
Income statement	**Q4'18**	**%**	**% excl. FX**	**2018**	**%**	**% excl. FX**
Net interest income	733	0.7	3.0	2,763	6.2	13.2
Net fee income	181	(8.9)	(6.6)	756	0.9	7.5
Gains (losses) on financial transactions	2	(93.4)	(93.6)	101	(32.5)	(28.0)
Other operating income	(20)	(16.9)	(14.6)	(94)	135.3	150.7
Gross income	**897**	**(3.7)**	**(1.4)**	**3,527**	**1.9**	**8.6**
Operating expenses	(376)	(2.0)	0.3	(1,462)	5.8	12.8
General administrative expenses	(339)	(3.4)	(1.1)	(1,329)	5.6	12.5
Personnel	(176)	(2.4)	(0.2)	(679)	4.1	10.9
Other general administrative expenses	(163)	(4.4)	(2.2)	(649)	7.2	14.3
Depreciation and amortisation	(37)	13.5	16.5	(134)	8.0	15.1
Net operating income	**521**	**(4.8)**	**(2.6)**	**2,064**	**(0.7)**	**5.8**
Net loan-loss provisions	(215)	(5.4)	(3.3)	(830)	(8.2)	(2.2)
Other income	17	—	—	(3)	(91.3)	(90.8)
Underlying profit before tax	**323**	**2.5**	**5.1**	**1,230**	**8.5**	**15.6**
Tax on profit	(61)	(5.9)	(3.5)	(255)	10.9	18.2
Underlying profit from continuing operations	**262**	**4.7**	**7.3**	**975**	**7.9**	**14.9**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**262**	**4.7**	**7.3**	**975**	**7.9**	**14.9**
Minority interests	56	2.1	4.7	215	11.1	18.4
Underlying attributable profit to the Group	206	5.5	8.0	760	7.0	14.0
Net capital gains and provisions	—	—	—	—	—	—
Attributable profit to the Group	**206**	**5.5**	**8.0**	**760**	**7.0**	**14.0**

Balance sheet						
Loans and advances to customers	30,632	(2.6)	0.6	30,632	15.8	10.0
Cash, central banks and credit institutions	12,403	8.2	11.7	12,403	24.6	18.4
Debt securities	14,142	(9.2)	(6.3)	14,142	3.4	(1.7)
o/w: designated at fair value through other comprehensive income	*6,868*	*3.6*	*7.0*	*6,868*	*(1.5)*	*(6.3)*
Other financial assets	5,683	2.4	5.8	5,683	1.0	(4.0)
Other assets	3,016	3.7	7.1	3,016	21.6	15.5
Total assets	**65,876**	**(1.6)**	**1.6**	**65,876**	**13.2**	**7.6**
Customer deposits	34,327	0.1	3.3	34,327	12.9	7.4
Central banks and credit institutions	9,536	(16.3)	(13.6)	9,536	15.6	9.9
Debt securities issued	6,194	(0.8)	2.4	6,194	19.9	13.9
Other financial liabilities	8,281	13.1	16.8	8,281	7.8	2.5
Other liabilities	2,168	6.9	10.4	2,168	21.9	15.9
Total liabilities	**60,507**	**(1.3)**	**1.9**	**60,507**	**13.6**	**8.0**
Total equity	**5,369**	**(5.0)**	**(1.9)**	**5,369**	**8.8**	**3.4**
Other managed and marketed customer funds	**10,022**	**(10.8)**	**(7.9)**	**10,022**	**1.0**	**(3.9)**
Mutual funds	9,925	(11.6)	(8.8)	9,925	0.1	(4.9)
Pension funds	98	—	—	98	—	—
Managed portfolios	—	—	—	—	—	—
Pro memoria:						
Gross loans and advances to customers excl. reverse repos	31,192	(2.1)	1.1	31,192	15.7	10.0
Funds (customer deposits excl. repos + mutual funds)	38,630	(4.4)	(1.3)	38,630	8.7	3.3

Ratios (%) and operating means						
Underlying RoTE	21.33	1.32		20.35	0.85	
Efficiency ratio (with amortisations)	41.9	0.7		41.5	1.5	
NPL ratio	2.43	0.02		2.43	(0.26)	
NPL coverage	119.7	(0.8)		119.7	22.2	
Number of employees	19,859	1.9		19,859	7.0	
Number of branches	1,418	0.6		1,418	1.2	

CHILE

(EUR million)

Income statement	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Net interest income	477	(0.7)	(0.1)	1,944	1.9	5.4
Net fee income	95	(6.2)	(5.6)	424	8.3	12.0
Gains (losses) on financial transactions	46	3.6	4.5	149	(30.1)	(27.7)
Other operating income	3	(33.7)	(32.5)	19	62.3	67.8
Gross income	**622**	**(1.5)**	**(0.9)**	**2,535**	**0.5**	**3.9**
Operating expenses	(258)	0.4	1.0	(1,045)	1.9	5.4
General administrative expenses	(229)	(0.8)	(0.2)	(937)	2.1	5.6
Personnel	(136)	(7.0)	(6.2)	(573)	(0.2)	3.3
Other general administrative expenses	(93)	10.0	10.3	(364)	6.0	9.6
Depreciation and amortisation	(28)	11.1	11.5	(107)	(0.3)	3.1
Net operating income	**364**	**(2.8)**	**(2.2)**	**1,491**	**(0.5)**	**3.0**
Net loan-loss provisions	(120)	2.5	3.1	(473)	2.5	6.0
Other income	31	63.2	61.6	103	345.6	360.9
Underlying profit before tax	**275**	**(0.6)**	**(0.0)**	**1,121**	**5.8**	**9.5**
Tax on profit	(49)	(13.1)	(12.3)	(220)	10.0	13.7
Underlying profit from continuing operations	**226**	**2.5**	**3.0**	**901**	**4.9**	**8.5**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**226**	**2.5**	**3.0**	**901**	**4.9**	**8.5**
Minority interests	73	6.9	7.3	287	4.9	8.5
Underlying attributable profit to the Group	153	0.6	1.2	614	4.9	8.5
Net capital gains and provisions	—	—	—	—	—	—
Attributable profit to the Group	**153**	**0.6**	**1.2**	**614**	**4.9**	**8.5**

Balance sheet	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Loans and advances to customers	37,908	(2.7)	1.0	37,908	2.0	10.0
Cash, central banks and credit institutions	4,247	10.9	15.2	4,247	(1.7)	6.0
Debt securities	3,106	(17.4)	(14.2)	3,106	(25.0)	(19.2)
o/w: designated at fair value through other comprehensive income	*3,009*	*(7.6)*	*(4.0)*	*3,009*	*(13.8)*	*(7.0)*
Other financial assets	3,164	12.4	16.8	3,164	13.4	22.3
Other assets	2,486	33.5	38.7	2,486	27.6	37.5
Total assets	**50,911**	**(0.6)**	**3.2**	**50,911**	**1.1**	**9.0**
Customer deposits	25,908	1.9	5.8	25,908	(0.5)	7.3
Central banks and credit institutions	5,867	(5.1)	(1.5)	5,867	6.8	15.2
Debt securities issued	9,806	(2.4)	1.3	9,806	9.4	17.9
Other financial liabilities	3,535	(5.9)	(2.3)	3,535	(1.8)	5.9
Other liabilities	919	(13.1)	(9.8)	919	(24.8)	(18.9)
Total liabilities	**46,035**	**(1.0)**	**2.8**	**46,035**	**1.6**	**9.5**
Total equity	**4,876**	**2.6**	**6.5**	**4,876**	**(3.1)**	**4.4**
Other managed and marketed customer funds	**9,712**	**1.1**	**5.0**	**9,712**	**(0.5)**	**7.3**
Mutual funds	7,419	4.7	8.7	7,419	3.6	11.7
Pension funds	—	—	—	—	—	—
Managed portfolios	2,294	(9.0)	(5.6)	2,294	(11.7)	(4.8)
Pro memoria:						
Gross loans and advances to customers excl. reverse repos	39,019	(2.8)	1.0	39,019	2.0	10.0
Funds (customer deposits excl. repos + mutual funds)	33,279	2.5	6.4	33,279	0.5	8.4

Ratios (%) and operating means	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Underlying RoTE	18.29	(0.74)		18.39	0.50	
Efficiency ratio (with amortisations)	41.5	0.8		41.2	0.6	
NPL ratio	4.66	(0.12)		4.66	(0.30)	
NPL coverage	60.6	1.0		60.6	2.4	
Number of employees	12,008	0.0		12,008	2.9	
Number of branches	381	(6.6)		381	(13.2)	

ARGENTINA

(EUR million)

Income statement	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Net interest income	327	—	8.8	768	(22.0)	52.5
Net fee income	192	—	12.3	448	(24.8)	47.0
Gains (losses) on financial transactions	60	258.6	(45.1)	170	15.2	125.3
Other operating income	(106)	41.5	2.5	(177)	—	—
Gross income	**472**	**—**	**0.6**	**1,209**	**(30.8)**	**35.4**
Operating expenses	(323)	—	10.7	(749)	(22.8)	51.0
General administrative expenses	(283)	—	12.1	(662)	(26.4)	43.9
Personnel	(139)	—	17.5	(324)	(27.3)	42.1
Other general administrative expenses	(144)	—	7.4	(338)	(25.5)	45.6
Depreciation and amortisation	(41)	304.7	2.0	(87)	23.7	141.8
Net operating income	**149**	**—**	**(19.9)**	**460**	**(40.8)**	**15.8**
Net loan-loss provisions	(99)	—	2.7	(231)	45.4	184.4
Other income	9	101.0	—	(45)	(51.5)	(5.2)
Underlying profit before tax	**58**	**—**	**183.8**	**185**	**(64.9)**	**(31.4)**
Tax on profit	(41)	—	2.6	(100)	(39.0)	19.2
Underlying profit from continuing operations	**17**	**—**	**—**	**84**	**(76.7)**	**(54.4)**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**17**	**—**	**—**	**84**	**(76.7)**	**(54.4)**
Minority interests	(0)	(76.9)	—	1	(71.9)	(45.2)
Underlying attributable profit to the Group	17	—	—	84	(76.7)	(54.5)
Net capital gains and provisions	—	—	—	—	—	—
Attributable profit to the Group	**17**	**—**	**—**	**84**	**(76.7)**	**(54.5)**

Balance sheet	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Loans and advances to customers	5,334	(10.5)	(18.9)	5,334	(31.7)	30.1
Cash, central banks and credit institutions	5,096	26.3	14.3	5,096	6.9	103.7
Debt securities	825	72.4	56.1	825	498.9	—
o/w: designated at fair value through other comprehensive income	*806*	*86.2*	*68.5*	*806*	*569.6*	—
Other financial assets	6	(64.8)	(68.2)	6	(9.7)	72.1
Other assets	742	25.6	13.7	742	1.4	93.2
Total assets	**12,003**	**8.3**	**(1.9)**	**12,003**	**(10.8)**	**70.0**
Customer deposits	8,809	9.4	(1.0)	8,809	(13.9)	64.0
Central banks and credit institutions	848	(20.8)	(28.3)	848	41.4	169.4
Debt securities issued	422	12.4	1.7	422	105.0	290.4
Other financial liabilities	743	11.9	1.3	743	(24.3)	44.3
Other liabilities	307	16.5	5.5	307	26.0	139.9
Total liabilities	**11,130**	**6.7**	**(3.4)**	**11,130**	**(9.3)**	**72.8**
Total equity	**872**	**34.2**	**21.5**	**872**	**(26.3)**	**40.5**
Other managed and marketed customer funds	**1,382**	**13.5**	**2.8**	**1,382**	**(47.3)**	**0.4**
Mutual funds	1,382	13.5	2.8	1,382	(47.3)	0.4
Pension funds	—	—	—	—	—	—
Managed portfolios	—	—	—	—	—	—
Pro memoria:						
Gross loans and advances to customers excl. reverse repos	5,574	(3.9)	(13.0)	5,574	(26.7)	39.5
Funds (customer deposits excl. repos + mutual funds)	10,191	9.9	(0.5)	10,191	(20.7)	51.0

Ratios (%) and operating means	Q4'18	QoQ %		2018	YoY %	
Underlying RoTE	1.43	n.s.		11.83	(20.19)	
Efficiency ratio (with amortisations)	68.5	n.s.		61.9	6.4	
NPL ratio	3.17	0.70		3.17	0.67	
NPL coverage	135.0	11.0		135.0	34.9	
Number of employees	9,324	(0.4)		9,324	0.5	
Number of branches	468	(2.7)		468	(2.9)	

UNITED STATES

(EUR million)

Income statement	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Net interest income	1,553	16.1	14.5	5,391	(3.2)	1.3
Net fee income	217	4.7	2.9	859	(11.6)	(7.4)
Gains (losses) on financial transactions	11	(48.7)	(51.3)	72	669.2	705.0
Other operating income	185	9.9	8.0	628	53.1	60.3
Gross income	**1,967**	**13.4**	**11.6**	**6,949**	**(0.1)**	**4.5**
Operating expenses	(795)	6.3	4.5	(3,015)	(5.7)	(1.3)
General administrative expenses	(742)	7.9	6.1	(2,787)	(3.0)	1.5
Personnel	(402)	1.1	(0.7)	(1,580)	(5.1)	(0.6)
Other general administrative expenses	(340)	17.1	15.5	(1,208)	(0.3)	4.4
Depreciation and amortisation	(53)	(12.1)	(14.2)	(228)	(29.6)	(26.3)
Net operating income	**1,172**	**18.7**	**17.1**	**3,934**	**4.6**	**9.5**
Net loan-loss provisions	(945)	45.5	44.0	(2,618)	(5.8)	(1.4)
Other income	(57)	(17.6)	(19.7)	(199)	122.1	132.5
Underlying profit before tax	**170**	**(36.6)**	**(39.2)**	**1,117**	**25.2**	**31.0**
Tax on profit	(47)	(49.3)	(52.1)	(347)	35.5	41.9
Underlying profit from continuing operations	**123**	**(29.8)**	**(32.3)**	**770**	**21.1**	**26.7**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**123**	**(29.8)**	**(32.3)**	**770**	**21.1**	**26.7**
Minority interests	31	(38.1)	(40.8)	218	(4.5)	(0.0)
Underlying attributable profit to the Group	92	(26.4)	(28.9)	552	35.4	41.7
Net capital gains and provisions*	—	—	—	—	(100.0)	(100.0)
Attributable profit to the Group	**92**	**(26.4)**	**(28.9)**	**552**	**66.2**	**74.0**

(*) In 2017, fiscal reform, provisions for hurricanes, increased stake in Santander Consumer USA and other (EUR 76 million)

Balance sheet	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Loans and advances to customers	85,564	7.1	5.9	85,564	18.9	13.5
Cash, central banks and credit institutions	16,442	15.0	13.7	16,442	23.6	18.0
Debt securities	13,160	(0.7)	(1.8)	13,160	(4.9)	(9.2)
o/w: designated at fair value through other comprehensive income	*9,822*	*(0.0)*	*(1.1)*	*9,822*	*(16.6)*	*(20.4)*
Other financial assets	4,291	(15.9)	(16.8)	4,291	27.4	21.6
Other assets	15,585	6.4	5.3	15,585	30.8	24.9
Total assets	**135,043**	**6.2**	**5.0**	**135,043**	**18.1**	**12.7**
Customer deposits	57,568	(2.3)	(3.3)	57,568	12.5	7.4
Central banks and credit institutions	16,505	25.5	24.1	16,505	3.9	(0.8)
Debt securities issued	37,564	22.3	21.0	37,564	43.5	37.0
Other financial liabilities	3,098	(29.8)	(30.6)	3,098	23.8	18.2
Other liabilities	3,798	(0.6)	(1.7)	3,798	10.5	5.5
Total liabilities	**118,532**	**6.8**	**5.6**	**118,532**	**19.5**	**14.1**
Total equity	**16,511**	**2.0**	**0.9**	**16,511**	**8.6**	**3.7**
Other managed and marketed customer funds	**16,291**	**(2.9)**	**(3.9)**	**16,291**	**(0.9)**	**(5.3)**
Mutual funds	8,176	(3.3)	(4.3)	8,176	(2.3)	(6.7)
Pension funds	—	—	—	—	—	—
Managed portfolios	8,115	(2.5)	(3.6)	8,115	0.6	(3.9)
Pro memoria:						
Gross loans and advances to customers excl. reverse repos	83,696	3.7	2.6	83,696	11.0	6.0
Funds (customer deposits excl. repos + mutual funds)	64,239	3.6	2.5	64,239	8.3	3.4

Ratios (%) and operating means	Q4'18	QoQ		2018	YoY	
Underlying RoTE	2.58	(1.04)		4.12	0.99	
Efficiency ratio (with amortisations)	40.4	(2.7)		43.4	(2.6)	
NPL ratio	2.92	(0.08)		2.92	0.13	
NPL coverage	142.8	(2.7)		142.8	(27.4)	
Number of employees	17,309	0.0		17,309	(1.4)	
Number of branches	660	(0.6)		660	(3.4)	

CORPORATE CENTRE

(EUR million)

Income statement	Q4'18	Q3'18	%	2018	2017	%
Net interest income	(249)	(241)	3.5	(947)	(851)	11.3
Net fee income	(28)	(24)	14.6	(69)	(38)	82.4
Gains (losses) on financial transactions	(4)	10	—	11	(227)	—
Other operating income	(14)	(2)	497.4	(23)	(104)	(78.1)
Gross income	**(295)**	**(257)**	**14.7**	**(1,028)**	**(1,220)**	**(15.7)**
Operating expenses	(128)	(123)	4.2	(495)	(476)	3.9
Net operating income	**(423)**	**(380)**	**11.3**	**(1,523)**	**(1,696)**	**(10.2)**
Net loan-loss provisions	(21)	(28)	(24.9)	(115)	(45)	154.9
Other income	47	(55)	—	(101)	(181)	(44.5)
Underlying profit before tax	**(397)**	**(463)**	**(14.2)**	**(1,739)**	**(1,923)**	**(9.6)**
Tax on profit	29	7	308.2	20	32	(36.8)
Underlying profit from continuing operations	**(368)**	**(456)**	**(19.2)**	**(1,718)**	**(1,890)**	**(9.1)**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**(368)**	**(456)**	**(19.2)**	**(1,718)**	**(1,890)**	**(9.1)**
Minority interests	1	(0)	—	2	(1)	—
Underlying attributable profit to the Group	**(369)**	**(456)**	**(18.9)**	**(1,721)**	**(1,889)**	**(8.9)**
Net capital gains and provisions*	—	—	—	(40)	(436)	(90.8)
Attributable profit to the Group	**(369)**	**(456)**	**(18.9)**	**(1,761)**	**(2,326)**	**(24.3)**

(*) In 2018, restructuring costs (EUR -40 million). In 2017, charges for equity stakes and intangible assets (EUR -130 million)

Balance sheet	Q4'18	Q3'18	%	2018	2017	%
Debt securities	377	330	14.5	377	1,768	(78.7)
Goodwill	25,466	24,956	2.0	25,466	25,769	(1.2)
Capital assigned to Group areas	81,112	81,336	(0.3)	81,112	81,791	(0.8)
Other financial assets	14,763	20,307	(27.3)	14,763	7,841	88.3
Other assets	17,917	14,417	24.3	17,917	14,929	20.0
Total assets	**139,634**	**141,346**	**(1.2)**	**139,634**	**132,099**	**5.7**
Debt securities issued	41,783	42,948	(2.7)	41,783	35,030	19.3
Other financial liabilities	1,568	916	71.2	1,568	2,127	(26.3)
Other liabilities	8,206	7,922	3.6	8,206	8,092	1.4
Total liabilities	**51,557**	**51,786**	**(0.4)**	**51,557**	**45,248**	**13.9**
Total equity	**88,077**	**89,561**	**(1.7)**	**88,077**	**86,850**	**1.4**
Other managed and marketed customer funds	**7**	**7**	**0.6**	**7**	**2**	**239.5**
Mutual funds	7	7	0.6	7	2	239.5
Pension funds	—	—	—	—	—	—
Managed portfolios	—	—	—	—	—	—

Resources	Q4'18	Q3'18	%	2018	2017	%
Number of employees	1,764	1,805	(2.3)	1,764	1,784	(1.1)

RETAIL BANKING
(EUR million)

Income statement	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Net interest income	8,500	7.3	2.4	32,522	0.6	8.8
Net fee income	2,334	12.9	3.1	8,946	(3.9)	6.0
Gains (losses) on financial transactions	238	8.9	0.9	720	6.0	11.0
Other operating income	34	(83.4)	(76.7)	644	11.0	15.7
Gross income	**11,106**	**6.7**	**1.2**	**42,832**	**(0.2)**	**8.3**
Operating expenses	(5,025)	12.0	4.4	(19,255)	(2.1)	5.8
Net operating income	**6,081**	**2.6**	**(1.4)**	**23,577**	**1.5**	**10.5**
Net loan-loss provisions	(2,354)	15.7	8.6	(8,461)	2.2	13.0
Other income	(608)	59.2	42.4	(1,707)	(28.7)	(20.7)
Underlying profit before tax	**3,119**	**(11.1)**	**(12.4)**	**13,408**	**6.8**	**14.6**
Tax on profit	(960)	(19.4)	(21.6)	(4,329)	12.6	22.2
Underlying profit from continuing operations	**2,159**	**(6.8)**	**(7.7)**	**9,080**	**4.2**	**11.3**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**2,159**	**(6.8)**	**(7.7)**	**9,080**	**4.2**	**11.3**
Minority interests	296	(7.8)	(8.5)	1,287	2.4	8.4
Underlying attributable profit to the Group	1,863	(6.7)	(7.5)	7,793	4.5	11.7
Net capital gains and provisions*	46	—	—	(214)	(51.6)	(51.3)
Attributable profit to the Group	**1,909**	**(4.4)**	**(5.3)**	**7,579**	**8.1**	**16.0**

(*) In 2018, charges related to integrations (mainly restructuring costs), net of tax impacts, in Spain (EUR -280 million) and Portugal (EUR 20 million) and Badwill in Poland (EUR 45 million). In 2017, integration costs (Popular: EUR -300 million and Germany: EUR -85 million), USA fiscal reform (EUR 73 million) and in the US provisions for hurricanes, increased stake in Santander Consumer USA and other (EUR -149 million)

CORPORATE & INVESTMENT BANKING
(EUR million)

Income statement	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Net interest income	713	24.4	12.2	2,378	(2.6)	7.6
Net fee income	379	14.8	7.1	1,512	(7.1)	0.3
Gains (losses) on financial transactions	179	(31.8)	(46.0)	1,004	(17.2)	(5.8)
Other operating income	72	153.0	144.1	194	(12.6)	(11.1)
Gross income	**1,343**	**12.5**	**0.3**	**5,087**	**(7.6)**	**1.7**
Operating expenses	(551)	5.1	(1.3)	(2,105)	3.8	10.7
Net operating income	**792**	**18.2**	**1.4**	**2,982**	**(14.2)**	**(3.7)**
Net loan-loss provisions	(56)	33.9	21.0	(217)	(68.5)	(66.1)
Other income	(43)	78.7	76.3	(108)	49.2	64.8
Underlying profit before tax	**693**	**14.7**	**(2.6)**	**2,657**	**(2.0)**	**11.1**
Tax on profit	(205)	12.1	(5.5)	(792)	5.6	21.8
Underlying profit from continuing operations	**488**	**15.9**	**(1.3)**	**1,865**	**(5.0)**	**7.2**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**488**	**15.9**	**(1.3)**	**1,865**	**(5.0)**	**7.2**
Minority interests	41	11.1	6.8	160	(12.2)	(2.8)
Underlying attributable profit to the Group	447	16.3	(2.0)	1,705	(4.2)	8.2
Net capital gains and provisions	—	—	—	—	—	—
Attributable profit to the Group	**447**	**16.3**	**(2.0)**	**1,705**	**(4.2)**	**8.2**

WEALTH MANAGEMENT

(EUR million)

Income statement	Q4'18	QoQ %	QoQ % excl. FX	2018	YoY %	YoY % excl. FX
Net interest income	109	4.7	(1.6)	420	4.0	11.9
Net fee income	271	1.8	(1.8)	1,097	56.7	62.7
Gains (losses) on financial transactions	25	90.6	74.0	62	64.5	74.2
Other operating income	(11)	23.2	17.8	(36)	—	—
Gross income	**393**	**5.2**	**0.5**	**1,543**	**27.3**	**34.1**
Operating expenses	(181)	0.8	(1.9)	(730)	38.3	45.6
Net operating income	**212**	**9.2**	**2.7**	**813**	**18.8**	**25.3**
Net loan-loss provisions	(5)	—	—	(9)	(4.9)	(1.6)
Other income	2	—	—	(8)	(5.3)	(2.7)
Underlying profit before tax	**209**	**10.2**	**3.5**	**797**	**19.5**	**26.0**
Tax on profit	(64)	19.3	12.0	(234)	41.9	49.5
Underlying profit from continuing operations	**145**	**6.6**	**0.2**	**563**	**12.1**	**18.3**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**145**	**6.6**	**0.2**	**563**	**12.1**	**18.3**
Minority interests	9	5.3	3.4	35	42.0	54.0
Underlying attributable profit to the Group	136	6.7	(0.0)	528	10.6	16.5
Net capital gains and provisions*	—	—	—	—	(100.0)	(100.0)
Attributable profit to the Group	**136**	**6.7**	**(0.0)**	**528**	**15.1**	**21.3**

(*) Tax reform in the US in 2017

ALTERNATIVE PERFORMANCE MEASURES (APM)

Below we set out information on alternative performance measures in order to comply with the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority, ESMA, on 5 October 2015 (Guidelines on Alternative Performance Measures, ESMA/2015/1415en).

- The Group uses the following indicators for managing its business. They enable profitability and efficiency, credit portfolio quality, the volume of tangible equity per share and the net loan-to-deposit ratio to be measured, analysing their evolution over time and comparing them with those of our competitors.
  - The purpose of the **profitability and efficiency** ratios is to measure the ratio of profit to capital, to tangible capital, to assets and to risk weighted assets, while the efficiency ratio measures how much general administrative expenses (personnel and other) and amortisation costs are needed to generate revenue.
  - The **credit risk** indicators measure the quality of the credit portfolio and the percentage of non-performing loans covered by provisions.
  - The **capitalisation** indicator provides information on the volume of tangible equity per share.
  - **Other indicators** are also included. The loan-to-deposit ratio (LTD) identifies the relationship between net customer loans and advances and customer deposits, assessing the proportion of loans and advances granted by the Group that are funded by customer deposits. The Group also uses gross customer loan magnitudes excluding reverse repurchase agreements (repos) and customer deposits excluding repos. In order to analyse the evolution of the traditional commercial banking business of granting loans and capturing deposits, repos and reverse repos are excluded, as they are mainly treasury business products and highly volatile.
- Impact of exchange rate movements on profit and loss accounts

  The Group presents, at both the Group level as well as the business unit level, the real changes in the income statement as well as the changes excluding the exchange rate effect, as it considers the latter facilitates analysis, since it enables businesses movements to be identified without taking into account the impact of converting each local currency into euros.

  Said variations, excluding the impact of exchange rate movements, are calculated by converting P&L lines for the different business units comprising the Group into our presentation currency, the euro, applying the average exchange rate of 2018 to all periods contemplated in the analysis. The average exchange rates for the main currencies in which the Group operates are set out on page 9.
- Impact of exchange rate movements on the balance sheet

  The Group presents, at both the Group level as well as the business unit level, the real changes in the balance sheet as well as the changes excluding the exchange rate effect for loans and advances to customers excluding reverse repos and customer funds (which comprise deposits and mutual funds) excluding repos. As with the income statement, the reason is to facilitate analysis by isolating the changes in the balance sheet that are not caused by converting each local currency into euros.

  These changes excluding the impact of exchange rate movements are calculated by converting loans and advances to customers excluding reverse repos and customer funds excluding repos, into our presentation currency, the euro, applying the closing exchange rate on the last working day of December 2018 to all periods contemplated in the analysis. The end-of-period exchange rates for the main currencies in which the Group operates are set out on page 9.
- Impact of non-recurring items on the consolidated profit and loss accounts

  With regard to the results, a summary of the consolidated profit and loss accounts for 2018 and 2017 can be found on page 66. In these accounts, results are included in their corresponding accounting item, even when, in the Group's opinion, they distort the comparison between periods.

  Therefore, summarised profit and loss accounts for 2018 and of 2017 and for the previous two quarters of 2018 on page 10. In these accounts, results, including those of said items, net of tax and minority interests, are included in a separate line which the Group names net capital gains and provisions just above the Group's attributable profit. The Group believes that this statement explains more clearly the changes in the income statement. Those capital gains and provisions considered as non-recurring are subtracted from each of the income statement lines where they were naturally recorded.

Additionally, for informational purposes, the following table reconciles attributable profit by isolating the non-recurring impacts in the given periods. Further information on "net capital gains and provisions" is included on pages 10 and 11.

ADJUSTED ATTRIBUTABLE PROFIT TO THE GROUP

EUR Million

	Q4'18	Q3'18	Chg. (%)	2018	2017	Chg. (%)
Unadjusted attributable profit to the Santander Group	**2,068**	**1,990**	**+4%**	**7,810**	**6,619**	**+18%**
(-) Net capital gains and provisions	46	—	—	(254)	(897)	(72%)
Adjusted attributable profit to the Santander Group	**2,022**	**1,990**	**+2%**	**8,064**	**7,516**	**+7%**

The definitions of each of the previously-mentioned indicators and how they are calculated are given below:

Profitability and Efficiency

Ratio	Formula	Relevance of the metric
RoE (Return on equity)	Group's attributable profit / Average stockholders' equity* (excl. minority interests)	This ratio measures the return that shareholders obtain on the funds invested in the entity and as such measures the company's ability to pay shareholders.
RoTE (Return on tangible equity)	Group's attributable profit / Average stockholders' equity* (excl. minority interests) - intangible assets	This is a very common indicator, used to evaluate the profitability of the company as a percentage of a its tangible equity. It's measured as the return that shareholders receive as a percentage of the funds invested in the entity less intangible assets.
Underlying RoTE	Group's underlying attributable profit / Average stockholders' equity* (excl. minority interests) - intangible assets	This indicator measures the profitability of the tangible equity of a company arising from ordinary activities, i.e. excluding net capital gains and provisions.
RoA (Return on assets)	Consolidated profit / Average total assets	This metric, commonly used by analysts, measures the profitability of a company as a percentage of its total assets. It is an indicator that reflects the efficiency of the company's total funds in generating profit over a given period.
RoRWA (Return on risk weighted assets)	Consolidated profit / Average risk weighted assets	The return adjusted for risk is an derivative of the RoA metric. The difference is that RoRWA measures profit in relation to the bank's risk weighted assets.
Underlying RoRWA	Underlying consolidated profit / Average risk weighted assets	This relates the underlying profit (excluding net capital gains and provisions) to the bank's risk weighted assets.
Efficiency	Operating expenses** / Gross income	One of the most commonly used indicators when comparing productivity of different financial entities. It measures the amount of funds used to generate the bank's operating income.

Credit risk

Ratio	Formula	Relevance of the metric
NPL ratio (Non-performing loans ratio)	Non-performing loans and advances to customers, customer guarantees and customer commitments granted / Total Risk***	The NPL ratio is an important variable regarding financial institutions' activity since it gives an indication of the level of risk the entities are exposed to. It calculates risks that are, in accounting terms, declared to be non-performing as a percentage of the total outstanding amount of customer credit and contingent liabilities.
Coverage ratio	Provisions to cover impairment losses on loans and advances to customers, customer guarantees and customer commitments granted / Non-performing loans and advances to customers, customer guarantees and customer commitments granted	The coverage ratio is a fundamental metric in the financial sector. It reflects the level of provisions as a percentage of the non-performing assets (credit risk). Therefore it is a good indicator of the entity's solvency against client defaults both present and future.
Cost of Credit	Allowances for loan-loss provisions over the last 12 months / Average loans and advances to customers over the last 12 months	This ratio quantifies loan-loss provisions arising from credit risk over a defined period of time for a given loan portfolio. As such, it acts as an indicator of credit quality.

Market Capitalisation

Ratio	Formula	Relevance of the metric
TNAV per share (Tangible net asset value per share)	Tangible book value**** / Number of shares excluding treasury stock	This is a very commonly used ratio used to measure the company's accounting value per share having deducted the intangible assets. It is useful in evaluating the amount each shareholder would receive if the company were to enter into liquidation and had to sell all the company's tangible assets.

Other indicators

Ratio	Formula	Relevance of the metric
LtD (Loan-to-deposit)	Net loans and advances to customers / Customer deposits	This is an indicator of the bank's liquidity. It measures the total (net) loans and advances to customers as a percentage of customer funds.
Loans and advances (excl. reverse repos)	Gross loans and advances to customers excluding reverse repos	In order to aid analysis of the commercial banking activity, reverse repos are excluded as they are highly volatile treasury products.
Deposits (excl. repos)	Customer deposits excluding repos	In order to aid analysis of the commercial banking activity, repos are excluded as they are highly volatile treasury products.
PAT + After tax fees paid to SAN (in Wealth Management)	Net profit + Fees paid from Santander Asset Management to Santander, net of taxes, excluding Private Banking customers	Metric to assess Wealth Management's total contribution to Grupo Santander profits

(*) Stockholders' equity = Capital and Reserves + Accumulated other comprehensive income + Group attributable profit + Dividends
(**) Operating expenses: General administrative expenses + Depreciation and amortisation
(***) Total risk = Total loans & advances and guarantees to customers (performing and non-performing) + non-performing contingent liabilities
(****) Tangible book value = Stockholders' equity - intangible assets

Finally, below the numerical value of each indicator is given for each period.

Profitability and efficiency	Q4'18	Q3'18	2018	20'17
RoE	**8.46%**	**8.43%**	**8.21%**	**7.14%**
Attributable profit to the Group	8,138	7,957	7,810	6,619
Average stockholders' equity (excluding minority interests)	96,187	94,391	95,071	92,638
RoTE	**12.00%**	**11.95%**	**11.70%**	**10.41%**
Attributable profit to the Group	8,138	7,957	7,810	6,619
Average stockholders' equity (excl. minority interests) - intangible assets	67,815	66,578	66,740	63,594
Underlying RoTE	**11.93%**	**11.95%**	**12.08%**	**11.82%**
Underlying attributable profit to the Group	8,092	7,957	8,064	7,516
Average stockholders' equity (excl. minority interests) - intangible assets	67,815	66,578	66,740	63,594
RoA	**0.65%**	**0.66%**	**0.64%**	**0.58%**
Consolidated profit	9,522	9,424	9,292	8,205
Average total assets	1,459,756	1,431,897	1,442,861	1,407,681
RoRWA	**1.60%**	**1.59%**	**1.55%**	**1.35%**
Consolidated profit	9,522	9,424	9,292	8,205
Average risk weighted assets	593,562	592,061	598,741	606,308
Underlying RoRWA	**1.60%**	**1.59%**	**1.59%**	**1.48%**
Underlying consolidated profit	9,476	9,424	9,546	8,963
Average risk weighted assets	593,562	592,061	598,741	606,308
Efficiency ratio	**47.3%**	**45.7%**	**47.0%**	**47.4%**
Operating expenses	5,936	5,361	22,779	22,918
Gross income	12,542	11,720	48,424	48,392

Credit risk	Dec-18	Sep-18	Dec-18	Dec-17
NPL ratio	**3.73%**	**3.87%**	**3.73%**	**4.08%**
Non-performing loans and advances to customers customer guarantees and customer commitments granted	35,692	36,332	35,692	37,596
Total risk	958,153	939,685	958,153	920,968
Coverage ratio	**67.4%**	**67.9%**	**67.4%**	**65.2%**
Provisions to cover impairment losses on loans and advances to customers, customer guarantees and customer commitments granted	24,061	24,685	24,061	24,529
Non-performing loans and advances to customers customer guarantees and customer commitments granted	35,692	36,332	35,692	37,596
Cost of credit	**1.00%**	**0.98%**	**1.00%**	**1.07%**
Allowances for loan-loss provisions over the last 12 months	8,873	8,600	8,873	9,111
Average loans and advances to customers over the last 12 months	887,028	879,772	887,028	853,479

Market capitalization	Dec-18	Sep-18	Dec-18	Dec-17
TNAV (tangible book value) per share	**4.19**	**4.16**	**4.19**	**4.15**
Tangible book value	67,912	67,122	67,912	66,985
Number of shares excl. treasury stock (million)	16,224	16,125	16,224	16,132

Other	Dec-18	Sep-18	Dec-18	Dec-17
Loan-to-deposit ratio	**113%**	**111%**	**113%**	**109%**
Net loans and advances to customers	882,921	866,226	882,921	848,914
Customer deposits	780,496	778,751	780,496	777,730

	Q4'18	Q3'18	2018	2017
PAT + After tax fees paid to SAN (in Wealth Management) (Constant EUR million)	**253**	**255**	**1,015**	**902**
Profit after taxes	143	142	563	476
Net fee income net of tax	111	113	452	426

Notes:

(1) Averages included in the RoE, RoTE, RoA and RoRWA denominators are calculated using 4 months' worth of data in the case of quarterly figures (from September to December in Q4 and June to September in Q3) and 13 months in the case of annual figures (December to December).

(2) For periods less than one year, and if there are results in the net capital gains and provisions line, the profit used to calculate RoE and RoTE is the annualised underlying attributable profit to which said results are added without annualising.

(3) For periods less than one year, and if there are results in the net capital gains and provisions line, the profit used to calculate RoA and RoRWA is the annualised underlying consolidated profit, to which said results are added without annualising.

(4) The risk weighted assets included in the denominator of the RoRWA metric are calculated in line with the criteria laid out in the CRR (Capital Requirements Regulation).

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- CONSOLIDATED BALANCE SHEET
- CONSOLIDATED INCOME STATEMENT

NOTE: The financial information for 2018 and 2017 (attached herewith) corresponds to that included in the consolidated summarised financial statements at these dates, drawn up in accordance with the International Accounting Standards (IAS) 34, Interim Financial Information. The accounting policies and methods used are those established by the International Financial Reporting Standards adopted by the European Union (IFRS-EU), Circular 4/2017 of the Bank of Spain, which replaces Circular 4/2004 for those years starting as of 1 January 2018, and the International Financial Reporting Standards issued by the International Accounting Standards Board (IFRS-IASB).

CONDENSED CONSOLIDATED BALANCE SHEET (EUR million)

Assets	Dec-18	Dec-17
Cash, cash balances at central banks and other deposits on demand	113,663	110,995
Financial assets held for trading	92,879	125,458
Memorandum items:lent or delivered as guarantee with disposal or pledge rights	*23,495*	*50,891*
Non-trading financial assets mandatorily at fair value through profit or loss	10,730	
Memorandum items:lent or delivered as guarantee with disposal or pledge rights	—	
Financial assets designated at fair value through profit or loss	57,460	34,782
Memorandum items:lent or delivered as guarantee with disposal or pledge rights	*6,477*	*5,766*
Financial assets at fair value through other comprehensive income	121,091	
Memorandum items:lent or delivered as guarantee with disposal or pledge rights	*35,558*	
Financial assets available-for-sale		133,271
Memorandum items:lent or delivered as guarantee with disposal or pledge rights		*43,079*
Financial assets at amortised cost	946,099	
Memorandum items:lent or delivered as guarantee with disposal or pledge rights	*18,271*	
Loans and receivables		903,013
Memorandum items:lent or delivered as guarantee with disposal or pledge rights		*8,147*
Investments held-to-maturity		13,491
Memorandum items:lent or delivered as guarantee with disposal or pledge rights		*6,996*
Hedging derivates	8,607	8,537
Changes in the fair value of hedged items in portfolio hedges of interest risk	1,088	1,287
Investments	7,588	6,184
Joint ventures companies	979	1,987
Associated entities	6,609	4,197
Assets under insurance or reinsurance contracts	324	341
Tangible assets	26,157	22,974
Property, plant and equipment	24,594	20,650
For own-use	8,150	8,279
Leased out under an operating lease	16,444	12,371
Investment property	1,563	2,324
Of which Leased out under an operating lease	1,195	1,332
Memorandum ítems:acquired in financial lease	*98*	*96*
Intangible assets	28,560	28,683
Goodwill	25,466	25,769
Other intangible assets	3,094	2,914
Tax assets	30,251	30,243
Current tax assets	6,993	7,033
Deferred tax assets	23,258	23,210
Other assets	9,348	9,766
Insurance contracts linked to pensions	210	239
Inventories	147	1,964
Other	8,991	7,563
Non-current assets held for sale	5,426	15,280
TOTAL ASSETS	**1,459,271**	**1,444,305**

CONDENSED CONSOLIDATED BALANCE SHEET (EUR million)

Liabilities	Dec-18	Dec-17
Financial liabilities held for trading	70,343	107,624
Financial liabilities designated at fair value through profit or loss	68,058	59,616
Memorandum ítems:subordinated liabilities	—	—
Financial liabilities at amortised cost	1,171,630	1,126,069
Memorandum ítems:subordinated liabilities	23,820	21,510
Hedging derivates	6,363	8,044
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	303	330
Liabilities under insurance or reinsurance contracts	765	1,117
Provisions	13,225	14,489
Pensions and other post-retirement obligations	5,558	6,345
Other long term employee benefits	1,239	1,686
Taxes and other legal contingencies	3,174	3,181
Contingent liabilities and commitments	779	617
Other provisions	2,475	2,660
Tax liabilities	8,135	7,592
Current tax liabilities	2,567	2,755
Deferred tax liabilities	5,568	4,837
Other liabilities	13,088	12,591
Liabilities associated with non-current assets held for sale	—	—
TOTAL LIABILITIES	**1,351,910**	**1,337,472**

Equity		
Shareholders´ equity	118,613	116,265
Capital	8,118	8,068
Called up paid capital	8,118	8,068
Unpaid capital which has been called up	—	—
Share premium	50,992	51,053
Equity instruments issued other than capital	565	525
Equity component of the compound financial instrument	—	—
Other equity instruments issued	565	525
Other equity	234	216
Accumulated retained earnings	56,756	53,437
Revaluation reserves	—	—
Other reserves	(3,566)	(1,602)
(-) Own shares	(59)	(22)
Profit attributable to shareholders of the parent	7,810	6,619
(-) Interim dividends	(2,237)	(2,029)
Other comprehensive income	(22,141)	(21,776)
Items not reclassified to profit or loss	(2,936)	(4,034)
Items that may be reclassified to profit or loss	(19,205)	(17,742)
Non-controlling interest	10,889	12,344
Other comprehensive income	(1,292)	(1,436)
Other elements	12,181	13,780
TOTAL EQUITY	**107,361**	**106,833**
TOTAL LIABILITIES AND EQUITY	**1,459,271**	**1,444,305**

MEMORANDUM ITEMS		
Loans commitment granted	218,083	207,671
Financial guarantees granted	11,723	14,499
Other commitments granted	74,389	64,917

CONDENSED CONSOLIDATED INCOME STATEMENT (EUR million)

	2018	2017
Interest income	54,325	56,041
Financial assets at fair value through other comprehensive income	4,481	4,384
Financial assets at amortised cost	47,560	49,096
Other interest income	2,284	2,561
Interest expense	(19,984)	(21,745)
Net interest income	34,341	34,296
Dividend income	370	384
Share of results of entities accounted for using the equity method	737	704
Commission income	14,664	14,579
Commission expense	(3,179)	(2,982)
Gain or losses on financial assets and liabilities not measured at fair value through profit or loss, net	604	404
Financial assets at amortised cost	39	
Other financial assets and liabilities	565	
Gain or losses on financial assets and liabilities held for trading, net	1,515	1,252
Reclassification of financial assets at fair value thorugh other comprehensive income	—	
Reclassification of financial assets at amortised cost	—	
Other gains (losses)	1,515	
Gains or losses on non-trading financial assets and liabilities mandatorily at fair value through profit or loss	331	
Reclassification of financial assets at fair value thorugh other comprehensive income	—	
Reclassification of financial assets at amortised cost	—	
Other gains (losses)	331	
Gain or losses on financial assets and liabilities measured at fair value through profit or loss, net	(57)	(85)
Gain or losses from hedge accounting, net	83	(11)
Exchange differences, net	(679)	105
Other operating income	1,643	1,618
Other operating expenses	(2,000)	(1,966)
Income from assets under insurance and reinsurance contracts	3,175	2,546
Expenses from liabilities under insurance and reinsurance contracts	(3,124)	(2,489)
Gross income	**48,424**	**48,355**
Administrative expenses	(20,354)	(20,400)
Staff costs	(11,865)	(12,047)
Other general administrative expenses	(8,489)	(8,353)
Depreciation and amortisation cost	(2,425)	(2,593)
Provisions or reversal of provisions, net	(2,223)	(3,058)
Impairment or reversal of impairment at financial assets not measured at fair value through profit or loss, net	(8,986)	(9,259)
Financial assets at fair value with changes in other comprehensive income	(1)	
Financial assets at amortized cost	(8,985)	
Financial assets measured at cost		(8)
Financial assets available-for-sale		(10)
Loans and receivables		(9,241)
Held-to-maturity investments		—
Impairment of investments in subsidiaries, joint ventures and associates, net	(17)	(13)
Impairment on non-financial assets, net	(190)	(1,260)
Tangible assets	(83)	(72)
Intangible assets	(117)	(1,073)
Others	10	(115)
Gain or losses on non financial assets and investments, net	28	522
Negative goodwill recognised in results	67	—
Gains or losses on non-current assets held for sale not classified as discontinued operations	(123)	(203)
Profit or loss before tax from continuing operations	**14,201**	**12,091**
Tax expense or income from continuing operations	(4,886)	(3,884)
Profit for the period from continuing operations	**9,315**	**8,207**
Profit or loss after tax from discontinued operations	—	—
Profit for the period	**9,315**	**8,207**
Profit attributable to non-controlling interests	1,505	1,588
Profit attributable to the parent	7,810	6,619
Earnings per share		
Basic	0.449	0.404
Diluted	0.448	0.403

NOTE

i. Important information

In addition to the financial information prepared under International Financial Reporting Standards ("IFRS"), this report certain alternative performance measures ("APMs") as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415en) as well as non-IFRS measures ("Non-IFRS Measures"). The APMs and Non-IFRS Measures are performance measures that have been calculated using the financial information from the Santander Group but that are not defined or detailed in the applicable financial information framework and therefore have neither been audited nor are capable of being completely audited. These APMs and Non-IFRS Measures are been used to allow for a better understanding of the financial performance of the Santander Group but should be considered only as additional information and in no case as a replacement of the financial information prepared under IFRS. Moreover, the way the Santander Group defines and calculates these APMs and Non-IFRS Measures may differ to the way these are calculated by other companies that use similar measures, and therefore they may not be comparable. 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 also see Section 26 of the Documento de Registro de Acciones for Banco Santander, S.A. ("Santander") filed with the Spanish Securities Exchange Commission (the "CNMV") on 28 June 2018 (the "Share Registration Document") and Item 3A of the Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission of the United States of America (the "SEC") on 28 March 2018 (the "Form 20-F"). 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.

Santander cautions that this financial report 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 report 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. These factors include, but are not limited to: (1) general market, macro-economic, industry, governmental and regulatory trends; (2) movements in local and international securities markets, currency exchange rates and interest rates; (3) competitive pressures; (4) technological developments; and (5) changes in the financial position or credit worthiness of our customers, obligors and counterparties. Numerous factors, including those reflected in the Form 20-F– under "Key Information-Risk Factors"- and in the Share Registration Document–under "Risk Factors"- could affect the future results of Santander and could result in other 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.

Forward-looking statements speak only as of the date of this report and are based on the knowledge, information available and views taken on such date; such knowledge, information and views may change at any time. Santander does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

The information contained in this report is subject to, and must be read in conjunction with, all other publicly available information, including, where relevant any fuller disclosure document published by Santander. Any person at any time acquiring securities must do so only on the basis of such person's own judgment as to the merits or the suitability of the securities for its purpose and only on such information as is contained in such public information having taken all such professional or other advice as it considers necessary or appropriate in the circumstances and not in reliance on the information contained in this report. No investment activity should be undertaken on the basis of the information contained in this report. In making this report available Santander gives no advice and makes no recommendation to buy, sell or otherwise deal in shares in Santander or in any other securities or investments whatsoever.

Neither this report nor any of the information contained therein constitutes an offer to sell or the solicitation of an offer to buy any securities. No offering of securities shall be made in the United States except pursuant to registration under the U.S. Securities Act of 1933, as amended, or an exemption therefrom. Nothing contained in this report is intended to constitute an invitation or inducement to engage in investment activity for the purposes of the prohibition on financial promotion in the U.K. Financial Services and Markets Act 2000.

Note: Statements as to historical performance or financial accretion are not intended to mean that future performance, share price or future earnings (including earnings per share) for any period will necessarily match or exceed those of any prior year. Nothing in this report should be construed as a profit forecast.

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