
# FINANCIAL REPORT
## First half
## 2019

Simple Personal Fair

Santander

# Financial report

Santander

First half

**2019**



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

This report was approved by the Board of Directors on 21 July 2019, following a favourable report from the Audit Committee.

Important information regarding this report can be found on pages 83 and 84.

# Key consolidated data

| BALANCE SHEET (EUR million) | Jun-19 | Mar-19 | % | Jun-19 | Jun-18 | % | Dec-18 |
|---|---|---|---|---|---|---|---|
| Total assets | **1,512,096** | 1,506,151 | 0.4 | **1,512,096** | 1,433,833 | 5.5 | 1,459,271 |
| Loans and advances to customers | **908,235** | 910,195 | (0.2) | **908,235** | 862,092 | 5.4 | 882,921 |
| Customer deposits | **814,751** | 808,361 | 0.8 | **814,751** | 774,425 | 5.2 | 780,496 |
| Total funds | **1,032,769** | 1,019,878 | 1.3 | **1,032,769** | 981,363 | 5.2 | 980,562 |
| Total equity | **109,985** | 110,365 | (0.3) | **109,985** | 104,445 | 5.3 | 107,361 |

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

| INCOME STATEMENT (EUR million) | Q2'19 | Q1'19 | % | H1'19 | H1'18 | % | 2018 |
|---|---|---|---|---|---|---|---|
| Net interest income | **8,954** | 8,682 | 3.1 | **17,636** | 16,931 | 4.2 | 34,341 |
| Total income | **12,351** | 12,085 | 2.2 | **24,436** | 24,162 | 1.1 | 48,424 |
| Net operating income | **6,522** | 6,327 | 3.1 | **12,849** | 12,680 | 1.3 | 25,645 |
| Profit before tax | **2,929** | 3,602 | (18.7) | **6,531** | 6,899 | (5.3) | 14,201 |
| Attributable profit to the parent | **1,391** | 1,840 | (24.4) | **3,231** | 3,752 | (13.9) | 7,810 |

Changes in constant euros: Q2'19 / Q1'19: NII: +3.9%; Total income: +3.0%; Net operating income: +4.0%; Attributable profit: -23.2%
H1'19 / H1'18: NII: +5.5%; Total income: +2.8%; Net operating income: +3.2%; Attributable profit: -11.7%

| UNDERLYING INCOME STATEMENT (1) (EUR million) | Q2'19 | Q1'19 | % | H1'19 | H1'18 | % | 2018 |
|---|---|---|---|---|---|---|---|
| Net interest income | **8,954** | 8,682 | 3.1 | **17,636** | 16,931 | 4.2 | 34,341 |
| Total income | **12,351** | 12,085 | 2.2 | **24,436** | 24,162 | 1.1 | 48,424 |
| Net operating income | **6,522** | 6,327 | 3.1 | **12,849** | 12,680 | 1.3 | 25,645 |
| Profit before tax | **3,895** | 3,684 | 5.7 | **7,579** | 7,480 | 1.3 | 14,776 |
| Attributable profit to the parent | **2,097** | 1,948 | 7.6 | **4,045** | 4,052 | (0.2) | 8,064 |

Variations in constant euros: Q2'19 / Q1'19: NII: +3.9%; Total income: +3.0%; Net operating income: +4.0%; Attributable profit: +8.7%
H1'19 / H1'18: NII: +5.5%; Total income: +2.8%; Net operating income: +3.2%; Attributable profit: +2.1%

| EPS, PROFITABILITY AND EFFICIENCY (%) | Q2'19 | Q1'19 | % | H1'19 | H1'18 | % | 2018 |
|---|---|---|---|---|---|---|---|
| EPS (euro) | **0.076** | 0.104 | (26.7) | **0.181** | 0.216 | (16.4) | 0.449 |
| Underlying EPS (euros) (1) | **0.120** | 0.111 | 8.1 | **0.231** | 0.235 | (1.6) | 0.465 |
| RoE | **7.79** | 7.85 | | **7.41** | 8.24 | | 8.21 |
| RoTE | **11.02** | 11.15 | | **10.51** | 11.79 | | 11.70 |
| Underlying RoTE (1) | **12.03** | 11.31 | | **11.68** | 12.24 | | 12.08 |
| RoA | **0.63** | 0.63 | | **0.60** | 0.65 | | 0.64 |
| RoRWA | **1.56** | 1.54 | | **1.48** | 1.55 | | 1.55 |
| Underlying RoRWA (1) | **1.67** | 1.56 | | **1.62** | 1.60 | | 1.59 |
| Efficiency ratio | **47.2** | 47.6 | | **47.4** | 47.5 | | 47.0 |

| SOLVENCY AND NPL RATIOS (%) | Jun-19 | Mar-19 | | Jun-19 | Jun-18 | | Dec-18 |
|---|---|---|---|---|---|---|---|
| CET1 (2) | **11.30** | 11.23 | | **11.30** | 10.80 | | 11.30 |
| Fully loaded Total ratio (2) | **14.80** | 14.82 | | **14.80** | 14.24 | | 14.77 |
| NPL ratio | **3.51** | 3.62 | | **3.51** | 3.92 | | 3.73 |
| Coverage ratio | **68** | 68 | | **68** | 69 | | 67 |

| MARKET CAPITALISATION AND SHARES | Jun-19 | Mar-19 | % | Jun-19 | Jun-18 | % | Dec-18 |
|---|---|---|---|---|---|---|---|
| Shares (millions) | **16,237** | 16,237 | — | **16,237** | 16,136 | 0.6 | 16,237 |
| Share price (euros) | **4.081** | 4.145 | (1.5) | **4.081** | 4.592 | (11.1) | 3.973 |
| Market capitalisation (EUR million) | **66,253** | 67,292 | (1.5) | **66,253** | 74,097 | (10.6) | 64,508 |
| Tangible book value per share (euros) | **4.30** | 4.30 | | **4.30** | 4.10 | | 4.19 |
| Price / Tangible book value per share (X) | **0.95** | 0.96 | | **0.95** | 1.12 | | 0.95 |
| P/E ratio (X) | **11.29** | 9.94 | | **11.29** | 10.62 | | 8.84 |

| OTHER DATA | Jun-19 | Mar-19 | % | Jun-19 | Jun-18 | % | Dec-18 |
|---|---|---|---|---|---|---|---|
| Number of shareholders | **4,054,208** | 4,089,097 | (0.9) | **4,054,208** | 4,152,125 | (2.4) | 4,131,489 |
| Number of employees | **201,804** | 202,484 | (0.3) | **201,804** | 200,961 | 0.4 | 202,713 |
| Number of branches | **13,081** | 13,277 | (1.5) | **13,081** | 13,482 | (3.0) | 13,217 |

(1) In addition to financial information prepared in accordance with International Financial Reporting Standards (IFRS) and derived from our consolidated financial statements, this report contains certain financial measures that constitute alternative performance measures (APMs) as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 and other non-IFRS measures, including the figures related to "underlying" results, as they are recorded in the separate line of "net capital gains and provisions", above the line of attributable profit to the parent. Further details are provided on page 12 of this report.

For further details of the APMs and non-IFRS measures used, including its definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS, please see 2018 Annual Financial Report, published in the CNMV on 28 February 2019, our 20-F report for the year ending 31 December 2018 registered with the SEC in the United States as well as the "Alternative performance measures" section of the annex to this report.

(2) 2019 and 2018 data applying the IFRS 9 transitional arrangements. As indicated by the consolidating supervisor a pay-out of 50%, the maximum within the target range (40%-50%), was applied for the calculation of the capital ratios in 2019. Previously, the average cash pay-out for the last three years was considered.

# SANTANDER VISION AND CORPORATE CULTURE

## Our success is based on a clear purpose, aim and approach to business.

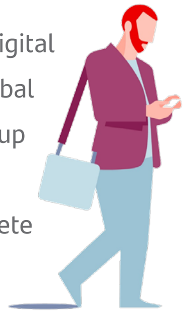
We are building a more responsible bank

| Our purpose | Our aim as a bank | Our how |
|---|---|---|
| To help people and businesses **prosper**. | To be the best open financial services **platform**, by acting **responsibly** and earning the lasting **loyalty** of our people, customers, shareholders and communities. | Everything we do should be **Simple, Personal and Fair**. |

## A digital Santander.

To continue growing in a sustainable and profitable way and to accelerate execution, we will remain focused on our digital transformation.

Santander expects to accelerate its digital transformation and the launch of global platforms, which will enable the Group to offer new solutions, products and services to our customers, and compete in the open market for new ones.



International transfers | Payment platform | Trading platform

## Strong corporate culture.

The **Santander Way** is our global culture, fully aligned to our corporate strategy. It includes our purpose, our aim, and how we do business.

**Our corporate culture includes eight corporate behaviours...**

Show respect | Truly listen | Talk straight | Keep promises | Support people | Embrace change | Actively collaborate | Bring passion

**...and a strong risk culture where everyone is personally responsible for managing their risks in their day to day work**

**risk pro**

...Everyone´s business

# Generating confidence and operating responsibly, we contribute value to all our **stakeholders**

## People

- At 30 June 2019 Grupo Santander had 201,804 professionals throughout the world, with an average age of 38, 55% of them women and 45% men.
- The aim of our human resources strategy is to be a reference employer, working on these strategic drivers: a common culture (the *Santander Way*), dynamic management of talent (*Workday*, the new central global platform for employees and their skills) and talent for the future (*Strategic Workforce Planning*).
- Significant progress is being made in various initiatives within the priorities of culture and commitment (such as *Flexiworking*, *StarMeUp*, commitment surveys); attraction and recruitment (such as remuneration plans that involve shares); retaining and developing talent (such as *Young Leaders*, learning platforms, succession plans, international mobility), as well as diversity and inclusion (gender salary equity, development of diversity and inclusion principles, etc.).

## Customers

- We continued to focus on improving customer loyalty and experience. Progress was reflected in the increase of 1.9 million loyal customers, greater penetration over active clients and 6.4 million digital customers in the last 12 months.
- With the creation of Santander Global Platform, we are taking a further step forward in our digital transformation, which aligns our reporting structure with our organisation and strategy..
- We also continued to strengthen our traditional branches and develop new models (*SMART*, *Súper Ágil* and *Work Café*), while investing in new generation ATMs and in contact centres.

## Shareholders

- *Extel* recognised Banco Santander as one of the three best banks in Europe for investor relations, based on a survey of more than 14,000 investment professionals. *IR Magazine* awarded the Santander Investor Relations team its Best Crisis Management Prize.
- The Bank maintains a constant communication commitment with its investors and shareholders. In line with this strategy, analysts and investors in Spain and the UK took part in a survey to assess the rollout of the Group's corporate culture.
- The Bank launched the XI edition of the Universia Foundation Scholarships, which help university students with disabilities who are Santander shareholders or relatives of shareholders.

## Community

- The Group announced new responsible banking commitments for 2019-2025. These include, among other things: make available EUR 120,000 million of green financing, eliminate single use unnecessary plastic in all the Group's buildings, increase the consumption of renewable energy to 100% in those countries where it is possible to certify its origin and raise the number of women in senior management. Further details in page 46.
- Grupo Santander is classified as first in the Spanish ranking of sustainable debt issues, after acting as bookrunner in the majority of the green bond issues in Spain, according to Dealogic.
- Santander is also very actively involved in syndicated loans of sustainable bonds in Spain, and has a range of ESG mutual funds (*Santander Sostenible*) that make us the leader with a 66% market share.

# GROUP PERFORMANCE

"The Bank has delivered its strongest underlying quarterly performance in eight years, reflecting the progress we have made in our commercial and digital transformation."

"We are satisfied with the trends in the quarter: underlying profit increased 8%, we maintained high levels of profitability, improved credit quality and continued to generate capital organically"

## GROWTH

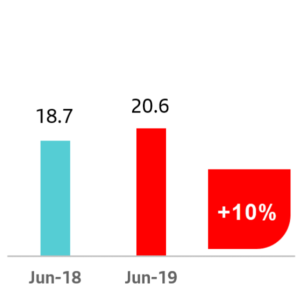
The Group's strategy is driving growth in loyal and digital customers and is reflected in greater activity in almost all markets

Further increase in loyal customers to more than 20 million in June 2019, 1.9 million more than at the end of June 2018 (+10%), with individuals up 11% and companies 7%.

The faster pace of digitalisation is producing notable growth in digital customers, whose number increased by 6.4 million (+22%) in the 12 months since June 2018 to nearly 35 million. There was also strong growth in the number of online and mobile phone accesses in the first half to 3,725 million (+28% year-on-year) and in monetary and voluntary transactions to 1,062 million (+25%).

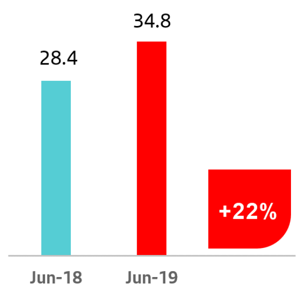
### Loyal customers

Millions




### Digital customers

Millions



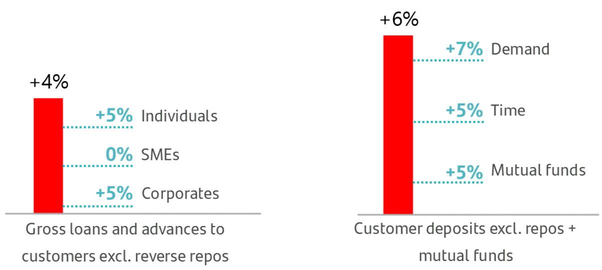

Volumes (at constant exchange rates) increased in the second quarter both gross loans and advances to customers (excluding reverse repos), as well as customer funds (+2% and +3%, respectively).

Compared to June 2018 (at constant exchange rates), gross loans and advances to customers (excluding reverse repos) grew 4% and increased in seven of the 10 core units. Customer funds (+6% year-on-year) rose in all of them. Growth in demand and time deposits as well as mutual funds.

Solid funding structure and liquidity: net loan-to-deposit ratio of 111% (the same as in June 2018).

### Activity: Jun-19 vs. Jun-18

% change in constant euros



# GROUP PERFORMANCE

## PROFITABILITY

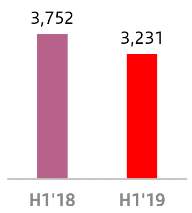
Solid business model which enables us to generate value based on profitability, efficiency and innovation, and obtain profits on a recurring basis

The positive trends in results were maintained in the current context, with solid customer revenue. Of note, growth in net interest income, costs which reflect the first synergies in some countries and stable provisions.

Second quarter attributable profit of EUR 1,391 million, affected by EUR 706 million of net charges, mainly in restructuring costs. Excluding this impact, underlying profit was EUR 2,097 million (+8% quarter-on-quarter). Excluding the contribution to the Single Resolution Fund (SRF) underlying profit would have risen 16% (+17% in constant euros).

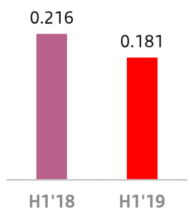
### Attrib. profit to the parent

EUR million




### Earnings per share

Euros

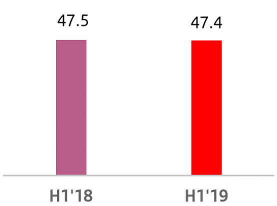



First half attributable profit of EUR 3,231 million, affected by net charges of EUR 814 million in 'net capital gains and provisions' (see page 12). Excluding them, underlying attributable profit (EUR 4,045 million) was stable in euros (+2% in constant euros), after absorbing the markets' negative performance, higher costs for foreign currency hedging, the impact of implementing IFRS 16 and the high inflation adjustment in Argentina. Profit rose in seven of the 10 core units.

The efficiency ratio remained at around 47%, one of the best among our peers, the RoTE was 10.5% and underlying RoTE 11.7%. Lastly, RoRWA of 1.48% and underlying RoRWA of 1.62%.

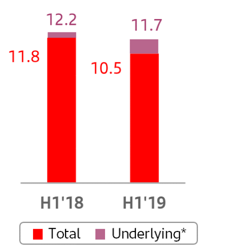
### Efficiency ratio

%




### RoTE

%




(*) Not including net capital gains and provisions.

## STRENGTH

Santander is strengthening its capital ratios and improving credit quality while maintaining a high level of profitability

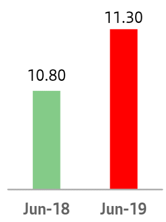
The CET1 ratio stood at 11.30% after organically generating 11 basis points in the second quarter and absorbing regulatory impacts and restructuring costs (-20 bps). The CET1 ratio was 50 basis points higher year-on-year.

Tangible equity per share (TNAV) was EUR 4.30 in June 2019, 5% higher than a year earlier.

In addition, and in terms of value creation per shareholder, the recording between the two dates of the cash dividend should be taken into account. Including it, the TNAV per share increased 10% in the last 12 months.

### CET1 *

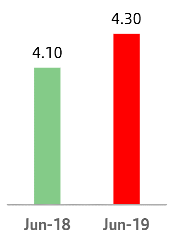
%




(*) Using the IFRS 9 transitional arrangements

### Tangible equity per share

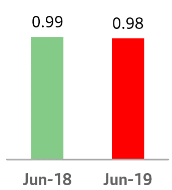
Euros




Credit quality improved in the quarter and in the last 12 months. The cost of credit ended June below 1% (0.98% in June 2019) and the NPL ratio dropped for the eighth consecutive quarter (-11 bps in the second quarter and -41 bps since June 2018). Coverage remained at 68%.

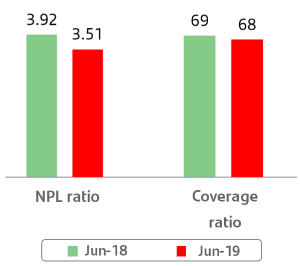
### Cost of credit

%




### NPL ratio and coverage

%



# GRUPO SANTANDER RESULTS

- Second quarter attributable profit to the Parent of EUR 1,391 million, affected by EUR -706 million of net charges that are outside the ordinary course performance of our business, mainly restructuring costs. Excluding this charge, underlying profit was 8% higher (+9% excluding exchange rates).
- First half attributable profit was 14% lower year-on-year at EUR 3,231 million (-12% in constant euros) after recording net results that are outside the ordinary course performance of our business, amounting to EUR -814 million in 2019 and EUR -300 million in 2018. Excluding these results, the underlying attributable profit was EUR 4,045 million, very similar to that in the same period of 2018 (+2% in constant euros).
- At the end of June 2019, the results continued to reflect a solid underlying trend. Customer revenue increased and costs began to show the synergies obtained in various units. The efficiency ratio continued to be one of the best in the sector (47.4%).
- The cost of credit remained at very low levels (0.98%) and profitability ratios were high: RoTE of 10.5% (underlying RoTE of 11.7%) and RoRWA of 1.48% (underlying RoRWA of 1.62%).

## Grupo Santander. Summarised income statement

EUR million

| | | | Change | | | | Change | |
|---|---|---|---|---|---|---|---|---|
| | Q2'19 | Q1'19 | % | % excl. FX | H1'19 | H1'18 | % | % excl. FX |
| Net interest income | 8,954 | 8,682 | 3.1 | 3.9 | 17,636 | 16,931 | 4.2 | 5.5 |
| Net fee income (commission income minus commission expense) | 2,932 | 2,931 | 0.0 | 1.0 | 5,863 | 5,889 | (0.4) | 2.3 |
| Gains or losses on financial assets and liabilities and exchange differences (net) | 234 | 277 | (15.5) | (14.3) | 511 | 854 | (40.2) | (37.2) |
| Dividend income | 295 | 66 | 347.0 | 346.8 | 361 | 264 | 36.7 | 37.2 |
| Share of results of entities accounted for using the equity method | 153 | 153 | — | 0.7 | 306 | 354 | (13.6) | (11.2) |
| Other operating income / expenses | (217) | (24) | 804.2 | 905.8 | (241) | (130) | 85.4 | 131.7 |
| **Total income** | **12,351** | **12,085** | **2.2** | **3.0** | **24,436** | **24,162** | **1.1** | **2.8** |
| Operating expenses | (5,829) | (5,758) | 1.2 | 1.8 | (11,587) | (11,482) | 0.9 | 2.4 |
| Administrative expenses | (5,099) | (5,011) | 1.8 | 2.3 | (10,110) | (10,265) | (1.5) | (0.0) |
| *Staff costs* | *(3,074)* | *(3,006)* | *2.3* | *2.7* | *(6,080)* | *(5,960)* | *2.0* | *3.3* |
| *Other general administrative expenses* | *(2,025)* | *(2,005)* | *1.0* | *1.7* | *(4,030)* | *(4,305)* | *(6.4)* | *(4.7)* |
| Depreciation and amortisation | (730) | (747) | (2.3) | (1.7) | (1,477) | (1,217) | 21.4 | 23.0 |
| Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss (net) | (2,122) | (2,246) | (5.5) | (4.8) | (4,368) | (4,352) | 0.4 | 1.5 |
| *o/w: net loan-loss provisions* | *(2,141)* | *(2,172)* | *(1.4)* | *(0.7)* | *(4,313)* | *(4,297)* | *0.4* | *1.4* |
| Impairment on other assets (net) | (7) | (20) | (65.0) | (69.2) | (27) | (96) | (71.9) | (72.6) |
| Provisions or reversal of provisions | (1,451) | (465) | 212.0 | 214.4 | (1,916) | (1,262) | 51.8 | 54.8 |
| Gain or losses on non financial assets and investments, net | 31 | 219 | (85.8) | (85.8) | 250 | 23 | 987.0 | 987.0 |
| Negative goodwill recognised in results | — | — | — | — | — | — | — | — |
| Gains or losses on non-current assets held for sale not classified as discontinued operations | (44) | (213) | (79.3) | (79.3) | (257) | (94) | 173.4 | 173.4 |
| **Profit or loss before tax from continuing operations** | **2,929** | **3,602** | **(18.7)** | **(17.5)** | **6,531** | **6,899** | **(5.3)** | **(3.1)** |
| Tax expense or income from continuing operations | (1,092) | (1,357) | (19.5) | (18.3) | (2,449) | (2,378) | 3.0 | 6.1 |
| **Profit from the period from continuing operations** | **1,837** | **2,245** | **(18.2)** | **(17.1)** | **4,082** | **4,521** | **(9.7)** | **(7.9)** |
| Profit or loss after tax from discontinued operations | — | — | — | — | — | — | — | — |
| **Profit for the period** | **1,837** | **2,245** | **(18.2)** | **(17.1)** | **4,082** | **4,521** | **(9.7)** | **(7.9)** |
| Attributable profit to non-controlling interests | (446) | (405) | 10.1 | 10.7 | (851) | (769) | 10.7 | 10.3 |
| **Attributable profit to the parent** | **1,391** | **1,840** | **(24.4)** | **(23.2)** | **3,231** | **3,752** | **(13.9)** | **(11.7)** |
| | | | | | | | | |
| **EPS (euros)** | **0.076** | **0.104** | **(26.7)** | | **0.181** | **0.216** | **(16.4)** | |
| **Diluted EPS (euros)** | **0.076** | **0.104** | **(26.7)** | | **0.180** | **0.216** | **(16.4)** | |
| | | | | | | | | |
| *Memorandum items:* | | | | | | | | |
| Average total assets | 1,500,703 | 1,488,505 | 0.8 | | 1,492,954 | 1,438,444 | 3.8 | |
| Average stockholders' equity | 98,659 | 97,886 | 0.8 | | 98,191 | 94,662 | 3.7 | |

## First half of 2019 results compared to the first half of 2018

The underlying trends of the P&L remained solid compared to the first half of 2018, with customer revenue growing, mainly net interest income, costs beginning to reflect the synergies obtained in various units and a cost of credit still at historically low levels.

This good performance, however, is not fully reflected in the year-on-year comparison for attributable profit because of the recording of a net negative amount of EUR 814 million for charges that are outside the ordinary course performance of our business, mainly restructuring costs for ongoing integrations, as set out on page 12 of this report. In addition, the comparison is also affected by the poorer performance of gains on financial transactions, implementing IFRS 16 and the high inflation adjustment in Argentina.

This performance is explained in detail below:

### Revenue

- Our revenue structure, where net interest income and net fee income generate more than 96% of total income in 2019, well above the average of our competitors, enables us to grow consistently and recurrently, limiting the impact that bouts of high volatility could have on our results from financial operations. Total income grew 1% (+3% without the FX impact), as follows:

  - **Net interest income** rose 4%. Excluding the FX impact, growth was 6% and due to greater lending and deposits, mainly in developing countries where, overall, they increased at double-digit rates in constant euros, and management of spreads in a low interest rate environment in mature markets and which fell in some countries in the last 12 months. There was also a negative impact of around EUR 150 million from IFRS 16 application.

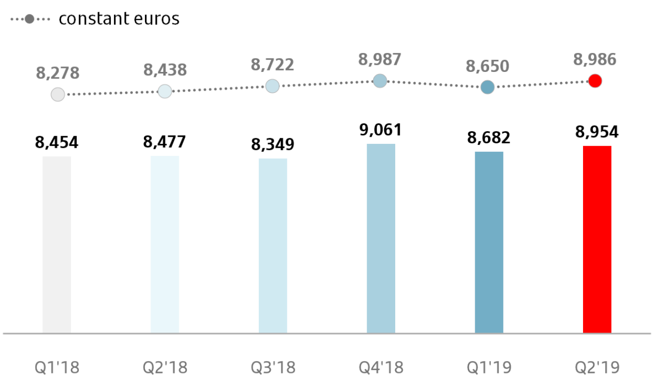
    All units rose in local currency terms, except the UK which was affected by the pressure of spreads in new mortgage loans and SVR balances (Standard Variable Rate), Portugal, due to low interest rates and the impact of ALCO portfolio sales, and Chile because of lower inflation. Mexico, Uruguay, Argentina and Poland increased at double digit rates and Brazil, and the US at around 7%.

  - **Net fee income** fell 0.4%. The increase without the FX impact was 2%, reflecting the greater customer loyalty combined with the growth strategy in services and higher value-added products. Of note was the growth in the most transactional businesses from cards, insurance, custody, foreign currency and cheques and transfers. On the other hand, decline in net fee income from advising operations and guarantees, affected by reduced activity in the markets.

  - **Gains on financial transaction**s and other operating income (dividends, equity method income and others), which accounted for less than 4% of total income, fell 30% in euros and 29% without the FX impact because of lower activity in the first half of 2019, combined with a higher cost of foreign currency hedging compared to a very good first quarter in 2018 in the markets and higher income from the ALCO portfolio sales.

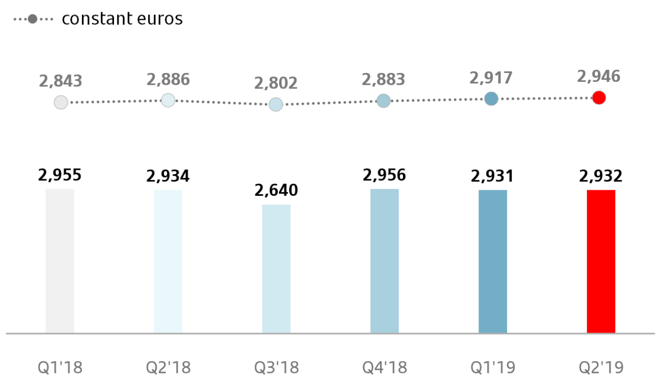
### Net interest income

EUR million




### Net fee income

EUR million



### Costs

- Costs grew 1% in euros and 2% without the FX impact, as a result of investments in transformation and digitalisation, the improvements made to the distribution networks, the slight perimeter impact from the integration of the retail and SME businesses acquired from Deutsche Bank Polska and the impact on Argentina of high inflation.

- In real terms (excluding inflation), costs were 2% lower (excluding the FX impact). The Group's aim is to improve our operational capacity and at the same time manage our costs more efficiently adapted to each area, via an exemplary execution of the integrations currently underway and fostering the use of shared services, mainly in Europe, where costs are beginning to reflect the first synergies of integrations, and fell 3% in real terms, underpinned by decreases in Spain (-9%), the UK (-3%) and Portugal (-5%). Of note among other countries was the US, where costs fell 2% in real terms backed by an improvement in operational leveraging, as well as Brazil and Chile whose costs were controlled despite the ongoing investment to improve the distribution capacity.

  The efficiency ratio continued to be a reference in the sector at 47.4%, virtually unchanged from 47.5% in the first half of 2018.

### Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss (net)

- The impairment or reversal of impairment of financial assets not measured at fair value through profit or loss (net) amounted to EUR 4,368 million, 0.4% more year-on-year (1% without the FX impact).

- As part of this item, loan-loss provisions were the same in euros and 1% higher without the FX impact. By units, Brazil, Portugal, SCF, Chile and the UK declined, while those that increased are linked mainly to countries with stronger growth in volumes.

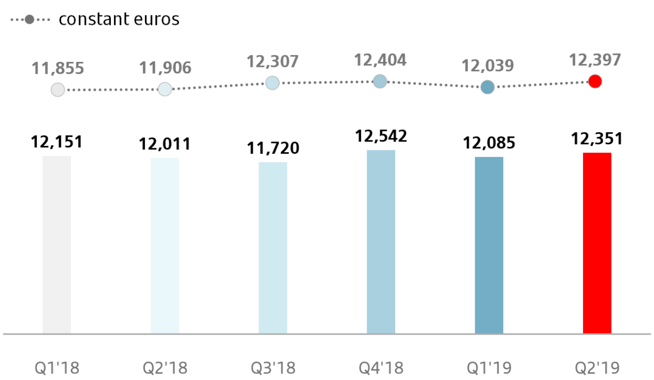
- The cost of credit inched down from 0.99% in June 2018 to 0.98% a year later. In year-on-year terms all units improved or remained stable, except for Argentina.

### Impairment on other assets (net)

- The impairment on other assets (net) in the first half of 2019 was EUR 27 million (EUR 96 million in the same period of 2018).

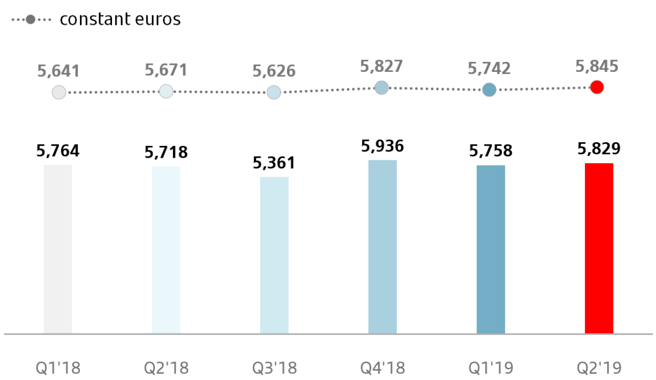
## Total income

EUR million




## Operating expenses

EUR million



### Provisions or reversal of provisions

- Provisions (net of reversal of provisions) amounted to EUR 1,916 million in the first half of 2019 (EUR 1,262 million in the same period of 2018). The increase was mainly due to restructuring charges in Spain, the UK and Poland, which are set out on page 12 of this report.

### Gains or losses on non-financial assets and investments (net)

- This item reflects a profit of EUR 250 million in 2019 (EUR 23 million in the first half of 2018). The increase was mainly due to the recording of capital gains from the sale of 51% our stake in Prisma Medios de Pago S.A. and the revaluation of the rest of the stake (49%), with a positive net tax impact in the first half of EUR 150 million.

### Gains or losses on non-current assets held for sale not classified as discontinued operations

- This item, which mainly includes the sale and deterioration of foreclosed assets recorded during the quarter, amounted to EUR -257 million in the first half (EUR -94 million in the same period of 2018).The difference was mainly due to the recording of capital losses from the sale of a portfolio of real estate to a subsidiary of Cerberus.

### Profit before tax

- First half profit before tax was EUR 6,531 million, 5% lower year-on-year. Excluding the FX impact, the fall was 3%, largely due to the non-recurring charges already mentioned.

### Income tax

- Income tax was EUR 2,449 million, 3% higher than in the first half of 2018.

### Attributable profit to non-controlling interests

- This amounted to EUR 851 million, 11% more year-on-year. Excluding the FX impact, it was 10% higher, mainly due to Brazil, the US, Mexico and Santander Consumer Finance.

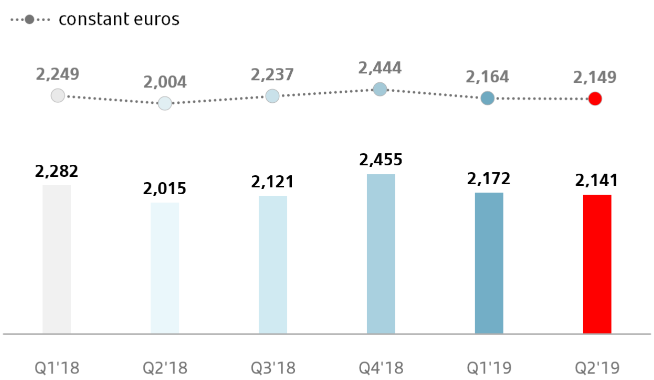
### Attributable profit to the parent

- Profit attributed to the Parent was EUR 3,231 million, 14% less than in the first half of 2018. Excluding the FX impact it was 12% lower.

- RoE was 7.4%, RoTE 10.5% and RoRWA 1.48% (8.2%, 11.8% and 1.55%, respectively, in the first half of 2018). Earnings per share were EUR 0.181 (EUR 0.216in the first half of 2018).

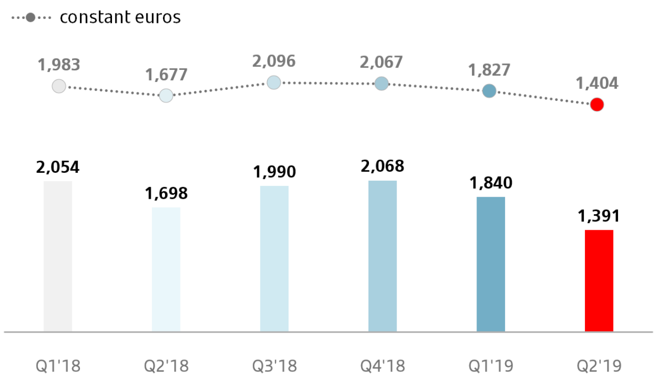
## Net loan-loss provisions

EUR million




## Attributable profit to the parent

EUR million



### → Underlying attributable profit to the parent

- Underlying profit attributed to the parent was affected in 2019 and 2018 by the following net results, which are outside the ordinary course performance of our business and which distort year-on-year comparisons:

**First half 2019:**

1. Restructuring costs in Spain as part of the plan to integrate Banco Popular's commercial networks amounting to EUR 600 million, recorded in the second quarter.
2. Charges in the UK of EUR 172 million were recorded in the first half for restructuring costs related to its optimisation plan and PPI provisions (of which EUR 106 million of were charged in the second quarter).
3. Net capital losses of EUR 180 million for the sale of real estate assets in the first quarter.
4. We also recorded restructuring costs of EUR 12 million in the first quarter for the integration process in Poland in the first quarter.
5. Lastly, capital gains from the sale of 51% of our stake in the Argentinian entity Prisma Medios de Pago S.A. and the revaluation of the remaining 49%, generating a capital gain of EUR 150 million in the first quarter.

**First half 2018:**

1. Positive results from the integration in Portugal (EUR 20 million), recorded in the second quarter.
2. Charges for restructuring costs: EUR -280 million in Spain and EUR -40 million in the Corporate Centre, both related to Popular's integration, recorded in the second quarter.

Excluding these results from the various P&L lines where they are recorded, and incorporating them separately in the line 'net capital gains and provisions', adjusted profit or underlying profit attributed to the parent was EUR 4,045 million in the first half of 2019, almost the same as a year earlier and 2% higher without the FX impact.

Seven of the 10 core units increased in their local currencies, and at double digit rates in Brazil, Mexico, the US and Portugal.

Profit decreased in the UK (mainly because of competitive pressure on revenue), in Poland (impacted by the higher contribution to the Bank Guarantee Fund and Banking Tax) and in Santander Consumer Finance, the last two falling 1% each in constant euros.

As a result, the Group's underlying RoTE was 11.7%, the underlying RoRWA 1.62% and underlying earnings per share EUR 0.231 (EUR 0.235 in the first half of 2018).

## Summarised underlying income statement (EUR million)

| | | | Change | | | | Change | |
|---|---|---|---|---|---|---|---|---|
| | Q2'19 | Q1'19 | % | % excl. FX | H1'19 | H1'18 | % | % excl. FX |
| Net interest income | 8,954 | 8,682 | 3.1 | 3.9 | 17,636 | 16,931 | 4.2 | 5.5 |
| Net fee income | 2,932 | 2,931 | 0.0 | 1.0 | 5,863 | 5,889 | (0.4) | 2.3 |
| Gains (losses) on financial transactions (1) | 234 | 277 | (15.5) | (14.3) | 511 | 854 | (40.2) | (37.2) |
| Other operating income | 231 | 195 | 18.5 | 16.5 | 426 | 488 | (12.7) | (15.4) |
| **Total income** | **12,351** | **12,085** | **2.2** | **3.0** | **24,436** | **24,162** | **1.1** | **2.8** |
| Administrative expenses and amortisations | (5,829) | (5,758) | 1.2 | 1.8 | (11,587) | (11,482) | 0.9 | 2.4 |
| **Net operating income** | **6,522** | **6,327** | **3.1** | **4.0** | **12,849** | **12,680** | **1.3** | **3.2** |
| Net loan-loss provisions | (2,141) | (2,172) | (1.4) | (0.7) | (4,313) | (4,297) | 0.4 | 1.4 |
| Other gains (losses) and provisions | (486) | (471) | 3.2 | 4.2 | (957) | (903) | 6.0 | 10.2 |
| **Profit before tax** | **3,895** | **3,684** | **5.7** | **6.8** | **7,579** | **7,480** | **1.3** | **3.4** |
| Tax on profit | (1,353) | (1,326) | 2.0 | 3.4 | (2,679) | (2,659) | 0.8 | 3.2 |
| **Profit from continuing operations** | **2,542** | **2,358** | **7.8** | **8.8** | **4,900** | **4,821** | **1.6** | **3.6** |
| Net profit from discontinued operations | — | — | — | — | — | — | — | — |
| **Consolidated profit** | **2,542** | **2,358** | **7.8** | **8.8** | **4,900** | **4,821** | **1.6** | **3.6** |
| Non-controlling interests | (445) | (410) | 8.5 | 9.0 | (855) | (769) | 11.2 | 10.8 |
| **Underlying attributable profit to the parent** | **2,097** | **1,948** | **7.6** | **8.7** | **4,045** | **4,052** | **(0.2)** | **2.1** |
| Net capital gains and provisions | (706) | (108) | 553.7 | 536.6 | (814) | (300) | 171.3 | 171.3 |
| **Attributable profit to the parent** | **1,391** | **1,840** | **(24.4)** | **(23.2)** | **3,231** | **3,752** | **(13.9)** | **(11.7)** |

(1) Includes exchange differences.

### Second quarter results compared to the first quarter of 2019

The second quarter's attributable profit to the parent was 24% lower than the first quarter's in euros and 23% lower without the FX impact. This comparison is conditioned by those amounts that are outside the ordinary course performance of our business (EUR -706 million), which are explained in previous pages.

Excluding these results, underlying attributable profit to the parent was 8% higher quarter-on-quarter in euros and 9% higher without the FX impact, as follows:

- **Total income** increased 3% due to growth in customer revenue.

– Net interest income was 4% higher, mainly due to the good performance in Brazil, the recovery of inflation in Chile and rises at Santander Consumer Finance and the US because of larger volumes.

– Net fee income increased 1% after absorbing the decrease derived from wholesale markets. The main increase was in Brazil.

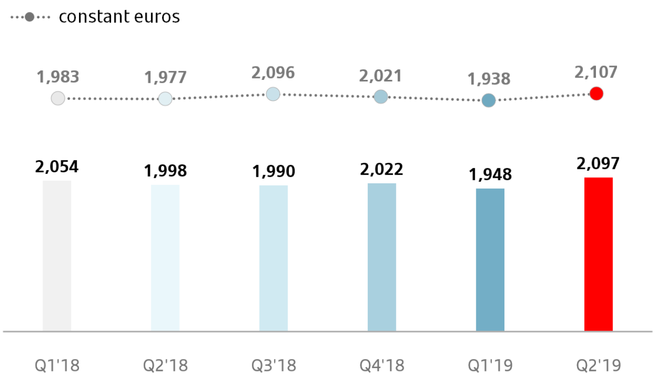
– Gains on financial transactions and other operating income remained virtually flat, after absorbing the contribution to the Single Resolution Fund (SRF) in the second quarter.

- Operating expenses rose 2% driven by North America, South America (partly due to high inflation in Argentina) and Santander Global Platform (investments made in the initial phase), while Europe decreases, with falls in the UK, Spain and Portugal.

- Loan-loss provisions decreased 1%, due to falls in Europe and the US.

### Underlying attributable profit to the parent*

EUR million




(*) Excluding net capital gains and provisions.

## Grupo Santander. Condensed balance sheet

EUR million

| Assets | Jun-19 | Jun-18 | Absolute change | % | Dec-18 |
|---|---|---|---|---|---|
| Cash, cash balances at central banks and other demand deposits | 104,104 | 107,687 | (3,583) | (3.3) | 113,663 |
| Financial assets held for trading | 102,574 | 112,947 | (10,373) | (9.2) | 92,879 |
| Debt securities | 33,343 | 27,005 | 6,338 | 23.5 | 27,800 |
| Equity instruments | 11,133 | 17,670 | (6,537) | (37.0) | 8,938 |
| Loans and advances to customers | 300 | 5,103 | (4,803) | (94.1) | 202 |
| Loans and advances to central banks and credit institutions | — | 7,172 | (7,172) | (100.0) | — |
| Derivatives | 57,798 | 55,997 | 1,801 | 3.2 | 55,939 |
| Financial assets designated at fair value through profit or loss | 78,813 | 53,306 | 25,507 | 47.9 | 68,190 |
| Loans and advances to customers | 23,407 | 20,289 | 3,118 | 15.4 | 23,796 |
| Loans and advances to central banks and credit institutions | 46,915 | 25,131 | 21,784 | 86.7 | 32,325 |
| Other (debt securities an equity instruments) | 8,491 | 7,886 | 605 | 7.7 | 12,069 |
| Financial assets at fair value through other comprehensive income | 118,062 | 120,831 | (2,769) | (2.3) | 121,091 |
| Debt securities | 111,891 | 116,520 | (4,629) | (4.0) | 116,819 |
| Equity instruments | 2,789 | 2,766 | 23 | 0.8 | 2,671 |
| Loans and advances to customers | 3,382 | 1,545 | 1,837 | 118.9 | 1,601 |
| Loans and advances to central banks and credit institutions | — | — | — | — | — |
| Financial assets measured at amortised cost | 981,046 | 922,948 | 58,098 | 6.3 | 946,099 |
| Debt securities | 39,382 | 39,524 | (142) | (0.4) | 37,696 |
| Loans and advances to customers | 881,146 | 835,155 | 45,991 | 5.5 | 857,322 |
| Loans and advances to central banks and credit institutions | 60,518 | 48,269 | 12,249 | 25.4 | 51,081 |
| Investments in subsidiaries, joint ventures and associates | 7,788 | 9,262 | (1,474) | (15.9) | 7,588 |
| Tangible assets | 33,755 | 23,461 | 10,294 | 43.9 | 26,157 |
| Intangible assets | 28,794 | 27,893 | 901 | 3.2 | 28,560 |
| Goodwill | 25,613 | 25,035 | 578 | 2.3 | 25,466 |
| Other intangible assets | 3,181 | 2,858 | 323 | 11.3 | 3,094 |
| Other assets | 57,160 | 55,498 | 1,662 | 3.0 | 55,044 |
| **Total assets** | **1,512,096** | **1,433,833** | **78,263** | **5.5** | **1,459,271** |

| Liabilities and shareholders' equity | Jun-19 | Jun-18 | Absolute change | % | Dec-18 |
|---|---|---|---|---|---|
| Financial liabilities held for trading | 74,187 | 75,350 | (1,163) | (1.5) | 70,343 |
| Customer deposits | — | 5,777 | (5,777) | (100.0) | — |
| Debt securities issued | — | — | — | — | — |
| Deposits by central banks and credit institutions | — | 558 | (558) | (100.0) | — |
| Derivatives | 58,341 | 54,892 | 3,449 | 6.3 | 55,341 |
| Other | 15,846 | 14,123 | 1,723 | 12.2 | 15,002 |
| Financial liabilities designated at fair value through profit or loss | 60,237 | 58,153 | 2,084 | 3.6 | 68,058 |
| Customer deposits | 37,849 | 31,881 | 5,968 | 18.7 | 39,597 |
| Debt securities issued | 3,117 | 2,309 | 808 | 35.0 | 2,305 |
| Deposits by central banks and credit institutions | 19,141 | 23,535 | (4,394) | (18.7) | 25,707 |
| Other | 130 | 428 | (298) | (69.6) | 449 |
| Financial liabilities measured at amortized cost | 1,224,194 | 1,153,918 | 70,276 | 6.1 | 1,171,630 |
| Customer deposits | 776,902 | 736,767 | 40,135 | 5.4 | 740,899 |
| Debt securities issued | 251,672 | 224,466 | 27,206 | 12.1 | 244,314 |
| Deposits by central banks and credit institutions | 160,808 | 164,164 | (3,356) | (2.0) | 162,202 |
| Other | 34,812 | 28,521 | 6,291 | 22.1 | 24,215 |
| Liabilities under insurance contracts | 731 | 936 | (205) | (21.9) | 765 |
| Provisions | 14,571 | 13,758 | 813 | 5.9 | 13,225 |
| Other liabilities | 28,191 | 27,273 | 918 | 3.4 | 27,889 |
| **Total liabilities** | **1,402,111** | **1,329,388** | **72,723** | **5.5** | **1,351,910** |
| Shareholders' equity | 120,054 | 117,935 | 2,119 | 1.8 | 118,613 |
| Capital stock | 8,118 | 8,068 | 50 | 0.6 | 8,118 |
| Reserves | 108,705 | 107,164 | 1,541 | 1.4 | 104,922 |
| Attributable profit to the Group | 3,231 | 3,752 | (521) | (13.9) | 7,810 |
| *Less: dividends* | — | *(1,049)* | *1,049* | *(100.0)* | *(2,237)* |
| Other comprehensive income | (21,425) | (23,885) | 2,460 | (10.3) | (22,141) |
| Minority interests | 11,356 | 10,395 | 961 | 9.2 | 10,889 |
| **Total equity** | **109,985** | **104,445** | **5,540** | **5.3** | **107,361** |
| **Total liabilities and equity** | **1,512,096** | **1,433,833** | **78,263** | **5.5** | **1,459,271** |

# GRUPO SANTANDER BALANCE SHEET

- Compared to June 2018, gross loans and advances to customers (excluding reverse repos) as well as customer funds increased.
- Gross loans and advances to customers excluding reverse repos rose 4% year-on-year, both in euros and in constant euros, with growth in seven of the 10 core countries, particularly in developing markets (+12%).
- Customer funds increased 7% year-on-year in euros. In constant euros up 6%, with rises in the 10 core units. Deposits (excluding repos) grew in all units and mutual funds in most of them, due to the better performance in recent months (+4% in constant euros in the quarter and 9% since December 2018).

## Loans and advances to customers

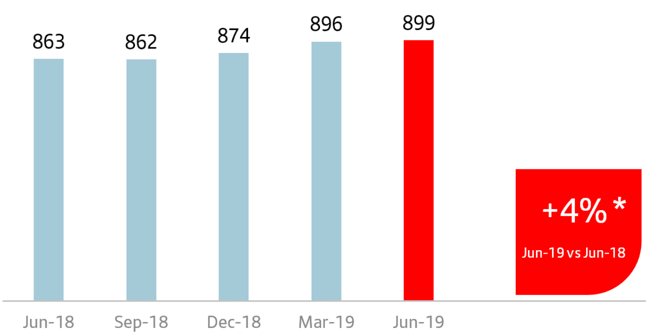
**Gross loans and advances to customers** rose to EUR 908,234 million, 5% growth year-on-year.

The Group uses g**ross loans and advances to customers excluding reverse repos** for the purpose of analysing traditional commercial banking loans.

- **Compared to June 2018,** gross loans and advances to customers excluding reverse repos and the exchange rate impact increased 4%, with the following evolution by countries:
  - Increase in seven of the 10 core units, particularly all developing countries, which overall grew 12%: Poland (+26%), partly because of the increased perimeter, Argentina (+14%), due to peso balances as well as the impact of the currency's depreciation on dollar balances, Brazil (+9%), Mexico (+8%) and Chile (+7%).
  - As regards mature markets, notable growth in the United States (+10%, with growth in SC USA and SBNA) and Santander Consumer Finance (+7%), with rises in all countries that comprise it. The UK's balances remained stable, as mortgage and other retail loan growth was partially offset by the reduction of commercial real estate exposure.
  - The only declines were in Portugal and Spain, markets that continued to deleverage and where gross loans and advances to customers excluding reverse repos fell by 1% and 4%, respectively. Portugal was affected by the sale of non-productive portfolios, and Spain was affected by lower wholesale balances and with institutions.
- **Quarter-on-quarter,** gross loans and advances to customers excluding reverse repos increased 2%. Growth of 3% in Santander Consumer Finance and in the US, 2% in Poland, Mexico and Chile and around 1% in the UK and Brazil. Spain remained stable in the quarter and Argentina decreased 2%.
- Loans and advances to customers maintained a balanced structure at the end of the semester: individuals (46%), consumer credit (17%), SMEs and companies (25%) and SCIB (12%).

### Gross loans and advances to customers (Excl. reverse repos)

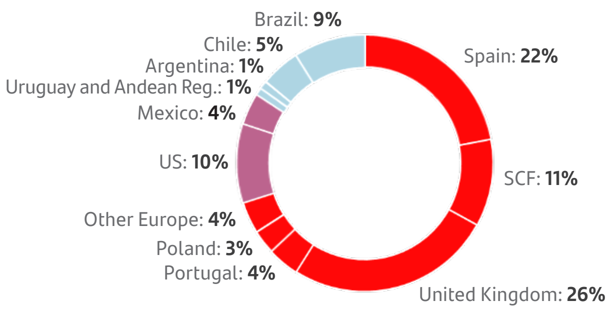
EUR billion




(*) In constant EUR: +4%

### Gross loans and advances to customers (Excl. reverse repos)

% operating areas. June 2019



## Customer funds

**Customer deposits** amounted to EUR 814,751 million, 5% growth in the last 12 months.

The Group uses **customer funds** (customer deposits excluding repos, and including mutual funds) for the purpose of analysing traditional retail banking funds.

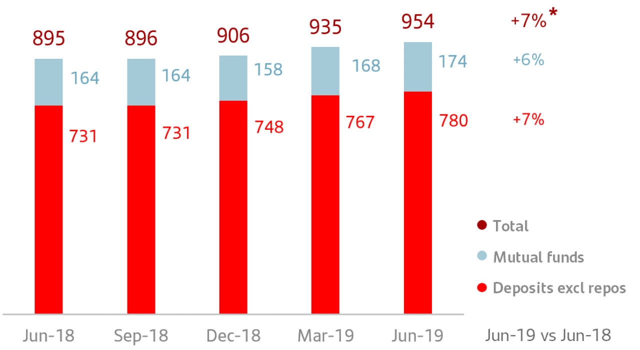
- **Compared to June 2018,** customer funds increased 7%. Excluding the exchange rate impact, growth was 6%, as follows:
  - By units, funds rose in all of them, particularly Argentina (+40%), Poland (+22%), Brazil (+11%) and the US (+10%). More moderate growth of between 3% and 5% in Santander Consumer Finance, Spain and Chile. Balances in the UK and Mexico rose 2%.
  - Demand deposits increased 7%, with growth in all units except Mexico. Time deposits rose 5% mainly due to the US and South American countries, particularly Brazil, which grew 14% under its strategy of replacing *letras financeiras* with customer deposits in order to optimise the cost of funds. Mutual funds rose 5%, recovering growth in 2019 in most of the units after the fall in markets in 2018.
- **In the second quarter,** customer funds increased 2% (+3% excluding exchange rate impacts). Deposits grew 3% and mutual funds grew 4%. By countries, and in local currency, there was an increase in the 10 core units, with the following detail by product:
  - As regards deposits, without repos, notable growth in Brazil (+8%), Argentina (+6%), and the US (+4%). Rises in all of them in demand as well as time deposits.
  - Mutual funds grew strongly in all the units.
- Customer funds continued to be well diversified by products: 60% are demand deposits, 22% time deposits and 18% mutual funds.

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 the first half, the Group issued:
  - Medium- and long-term senior debt amounting to EUR 12,254 million and covered bonds placed in the market of EUR 4,511 million.
  - There were EUR 7,885 million of securitisations placed in the market.
  - Issuances to meet the TLAC (Total Loss-Absorbing Capacity) requirement amounting to EUR 1,947 million, in order to strengthen the Group's situation (senior non-preferred: EUR 885 million, preferred: EUR 1,062 million).
  - Maturities of medium- and long-term debt of EUR 13,918 million.
- The net loan-to-deposit ratio was 111% (111% in June 2018). The ratio of deposits plus medium- and long-term funding to the Group's loans was 115%, underscoring the comfortable funding structure.

### Customer funds

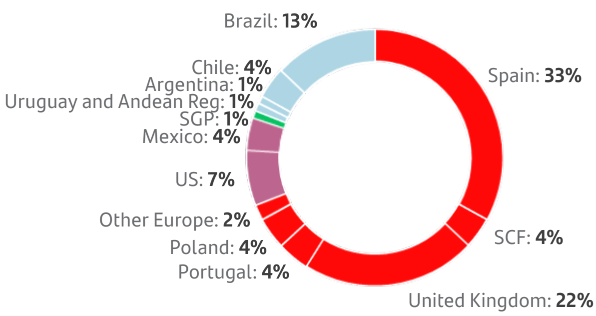
EUR billion




(*) In constant EUR: +6%

### Customer funds

% operating areas. June 2019



# SOLVENCY RATIOS

- The CET1 ratio reached 11.30% following the organic generation of 11 bps in the quarter and absorbing -20 basis points of regulatory impacts and restructuring costs.
- Tangible equity per share was EUR 4.30.
- The fully loaded leverage ratio was 5.0%, almost the same quarter-on-quarter.

At the end of June 2019, the total phased-in capital ratio stood at 14.83% and the CET1 ratio (phased-in and fully loaded) at 11.30%, comfortably meeting the minimum levels required by the European Central Bank on a consolidated basis (13.187% for the total capital ratio and 9.687% for the CET1 ratio).

In the quarter, we continued to generate capital organically, +11 basis points, as a result of underlying profits and the active management of risk weighted assets. As such, the organic generation in the first half of the year was 29 basis points.

This, together with favourable market movements benefiting the held to collect and sell portfolio (due to falling interest rates), compensated the negative accounting and regulatory impacts registered in the year to date (-36 basis points, principally due to IFRS 16 application and TRIM), as well as the negative 13 basis point impact from restructuring costs, mainly in Spain.

Had the IFRS 9 transitional arrangement not been applied, the total impact on the CET1 would have been -23 basis points.

In April 2019, the European Central Bank published the aggregate result of its Supervisory Review and Evaluation Process (SREP) carried out in 2018. Santander has lower capital requirements than the average of SSM banks. This positive differential was wider in 2018 than in 2017.

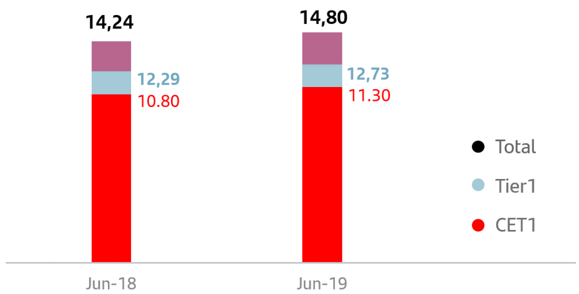
## Eligible capital. June 2019*

EUR million

| | Phased-in | Fully loaded |
|---|---|---|
| CET1 | 68,406 | 68,406 |
| Basic capital | 77,915 | 77,096 |
| **Eligible capital** | **89,782** | **89,640** |
| Risk-weighted assets | 605,470 | 605,470 |
| **CET1 capital ratio** | **11.30** | **11.30** |
| **T1 capital ratio** | **12.87** | **12.73** |
| **Total capital ratio** | **14.83** | **14.80** |

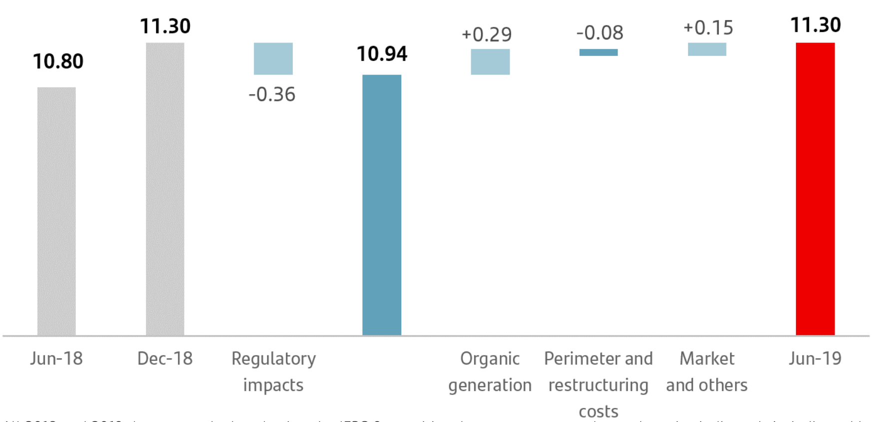
## Fully-loaded capital ratio*

%




## CET1*

%




(*) All 2018 and 2019 data was calculated using the IFRS 9 transitional arrangements, unless otherwise indicated. As indicated by the consolidating supervisor a pay-out of 50%, the maximum within the target range (40%-50%), was applied for the calculation of the capital ratios in June 2019. Previously, the average cash pay-out for the last three years was considered.

# RISK MANAGEMENT

- Santander maintained its medium-low risk profile in the second quarter with an enhanced credit quality, low risk market activity focused on our customers and limited exposure to operational risk events.
- The Group's credit quality improved: NPL ratio decreased to 3.51% and cost of credit is still below 1%. Coverage remained stable at 68%.
- Market risk exposure remained at low levels despite continued volatility and uncertainty.
- The operational risk profile remained stable, with a similar distribution of losses by category in the quarter.

### Credit risk management

The positive trend in credit quality continued, underpinned by the good year-on-year evolution of the NPL ratios, coverage and cost of credit in the second quarter.

Non-performing loans amounted to EUR 34,421 million at the end of June 2019, 3% lower than in the first quarter. Excluding the exchange-rate impact, the volume of NPLs also decreased by 3%, with reductions in Europe, and similar levels in North and South America. Both net inflows to NPLs and charge-offs were reduced on a year-on-year basis.

The Group's NPL ratio continued to fall (-11 bps in the quarter to 3.51% and -41 bps since June 2018). Significant reductions have been observed in Spain, Chile, Portugal and Poland, while Argentina showed an increase due to the country's complex economic situation.

Loan-loss provisions made in the second quarter amounted to EUR 2,141 million, 1% lower than in the first quarter.

Cumulative loan-loss reserves remained stable year-on-year at EUR 4,313 million (+1% in constant euros) with improvements in most of the geographies.

The cost of credit remained below 1% (0.98%), with falls in seven of the 10 core units in the second quarter.

## Credit risk

EUR million

| | Jun-19 | Jun-18 | Var. % | Dec-18 |
|---|---|---|---|---|
| Non-performing loans | 34,421 | 36,654 | (6.1) | 35,692 |
| NPL ratio (%) | 3.51 | 3.92 | | 3.73 |
| Loan-loss allowances | 23,432 | 25,148 | (6.8) | 24,061 |
| *For impaired assets* | *14,723* | *15,849* | *(7.1)* | *15,148* |
| *For other assets* | *8,709* | *9,298* | *(6.3)* | *8,913* |
| Coverage ratio (%) | 68 | 69 | | 67 |
| Cost of credit (%) | 0.98 | 0.99 | | 1.00 |

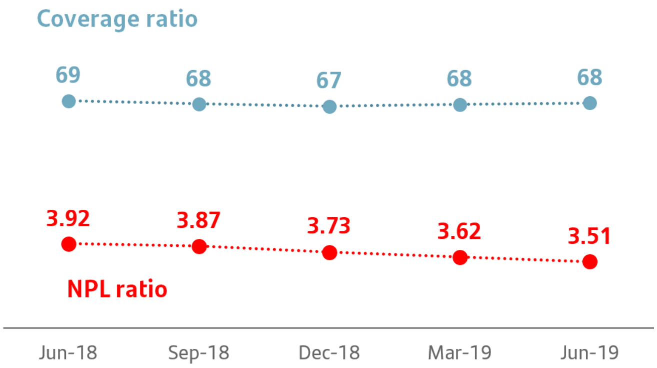
## Key metrics geographic performance. June 2019

%

| | NPL ratio | Change (bps) QoQ | Change (bps) YoY | Coverage ratio |
|---|---|---|---|---|
| Spain | 7.02 | (27) | (60) | 43 |
| SCF | 2.24 | (9) | (20) | 106 |
| United Kingdom | 1.13 | (4) | — | 32 |
| Portugal | 5.00 | (77) | (255) | 53 |
| Poland | 4.21 | (18) | (37) | 70 |
| USA | 2.32 | (9) | (59) | 158 |
| Mexico | 2.21 | 9 | (37) | 127 |
| Brazil | 5.27 | 1 | 1 | 106 |
| Chile | 4.52 | (15) | (34) | 59 |
| Argentina | 3.79 | 29 | 139 | 126 |

## NPL and coverage ratios. Total Group

%



Total loan-loss reserves amounted to EUR 23,432 million. Coverage at the end of June 2019 was 68% for the Group. Also taking into account that in Spain and the UK, a large part of their portfolios have real estate collateral, which justifies lower coverage levels.

The Group's coverage by IFRS 9 stages remained stable on a year-on-year basis, with no significant movements.

## Coverage ratio by stage

EUR billion

| | Exposure* | Coverage | |
|---|---|---|---|
| | Jun-19 | Jun-19 | Jun-18 |
| *Stage 1* | 870 | 0.5% | 0.6% |
| *Stage 2* | 53 | 8.5% | 8.5% |
| *Stage 3* | 34 | 42.8% | 43.2% |

(*) Exposure subject to impairment. Additionally, there are EUR 24 billion in loans and advances to customers not subject to impairment recorded at mark to market with changes through P&L.

## Non-performing loans by quarter

EUR million

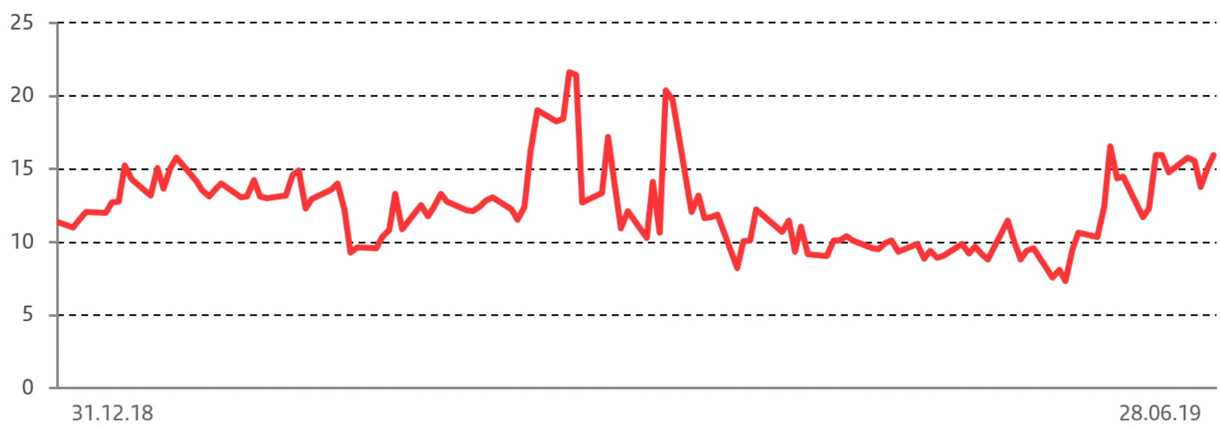
| | Q1'18 | Q2'18 | Q3'18 | Q4'18 | Q1'19 | Q2'19 |
|---|---|---|---|---|---|---|
| Balance at beginning of period | 37,596 | 37,407 | 36,654 | 36,332 | 35,692 | 35,590 |
| Net additions | 2,340 | 2,906 | 2,528 | 3,136 | 2,147 | 2,511 |
| Increase in scope of consolidation | — | — | — | 177 | — | — |
| Exchange rate differences and other | 361 | (409) | (140) | (130) | 479 | (162) |
| Write-offs | (2,890) | (3,250) | (2,710) | (3,823) | (2,728) | (3,518) |
| **Balance at period-end** | **37,407** | **36,654** | **36,332** | **35,692** | **35,590** | **34,421** |

### Market risk

In the second quarter, the global corporate banking trading activity risk, which is mainly interest rate driven and focused on servicing our customer's needs, measured in daily VaR terms at 99%, fluctuated around an average value of EUR 11.4 million and reached EUR 20.4 million mainly as a result of increased volatility and the exposure to interest rate and FX risk in Brazil, and always within the established limits. These figures are low compared to the size of the Group's balance sheet and activity. In addition, there are other positions classified for accounting purposes as trading (total VaR of EUR 16.6 million at the end of June 2019).

## Trading portfolios*. VaR performance

EUR million




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

## Trading portfolio*. VaR by geographic region

EUR million

| | 2019 | | 2018 |
|---|---|---|---|
| Second quarter | Average | Latest | Average |
| **Total** | **11.4** | **16.0** | **9.5** |
| Europe | 5.8 | 5.9 | 5.5 |
| North America | 3.6 | 4.9 | 3.9 |
| South America | 8.6 | 10.8 | 6.9 |

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

## Trading portfolio*. VaR by market factor

EUR million

| Second quarter 2019 | Min. | Avg. | Max. | Last |
|---|---|---|---|---|
| **Total VaR** | **7.3** | **11.4** | **20.4** | **16.0** |
| *Diversification effect* | *(0.4)* | *(6.4)* | *(12.0)* | *(11.1)* |
| Interest rate VaR | 7.0 | 8.9 | 15.5 | 15.5 |
| Equity VaR | 1.0 | 1.7 | 3.2 | 3.2 |
| FX VaR | 1.8 | 3.4 | 7.2 | 4.8 |
| Credit spreads VaR | 2.9 | 3.7 | 4.8 | 3.5 |
| Commodities VaR | 0.0 | 0.0 | 0.1 | 0.0 |

(*) Activity performance in Corporate & Investment Banking markets.

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

### Structural and liquidity risk

- With regards to **structural exchange rate risk**, Santander's CET1 ratio coverage remained around 100% in order to protect it from foreign currency movements.
- In **structural interest rate risk**, during the second quarter a positive impact was generated in the value of the structural debt portfolio that was close to EUR 800 million, given the downward pressure on interest rates due to trade disputes, greater geopolitical tensions and increased expectations of new stimuli by the ECB and the Fed, as well as implementation of the economic reforms proposed in Brazil.
- In **liquidity risk** during the second quarter, the Group maintained a comfortable position, supported by a robust and diversified liquidity buffer, with ratios well above regulatory limits.

### Operational risk

- The operational risk profile remained stable in the second quarter, although the volume of losses increased slightly due to the PPI claims in the UK, given that the deadline to present claims is approaching. Nevertheless, accumulated losses in the first half are lower than in the previous half year.
- In relative terms, levels of losses by Basel categories were similar, mainly those derived from civil claims with customers and external fraud.
- Specific risk-monitoring frameworks continued to improve such as those for suppliers or the most significant change management processes, as well as implementing measures to mitigate fraud in the main units (Mexico, UK and Brazil).
- Cybersecurity, a key area for the Group, continues to improve. Progress continued to be made in the first half of 2019 in our cybersecurity transformation programme in order to strengthen the detection, response and protection mechanisms.

# GENERAL BACKGROUND

Economic activity slowed in the second quarter of 2019, particularly in mature economies, as a result of trade tensions which hit exports and investment and some one-off factors. Growth was noticeably slower in EU countries. The forecast for global growth in 2019 is around 3.25% (3.6% in 2018).

Slower growth together with downside risks and inflation generally below target produced a downward change in markets' expectations on official interest rates – reinforced by central banks – which now discount cuts in the Fed's and ECB's benchmark rates. Latin American central banks thus have greater leeway.

| Country | GDP change [1] | Economic performance |
|---|---|---|
| Eurozone | +1.2% | Growth weakened, affected by idiosyncratic factors in some countries combined with a weakening of global trade and greater uncertainties. Inflation fell to 1.2% in June as a result of lower energy prices. The European Central Bank held its very soft monetary policy and is contemplating, if necessary, expansive measures. |
| Spain | +2.4% | Economic growth remained stronger than the Eurozone's, despite weakening a little. Job creation was still notable. The unemployment rate continued to fall. Inflation slipped to 0.4% in June. |
| Poland | +4.7% | GDP growth in the first quarter was brisk and based on solid foundations. The jobless rate is close to a historic low (3.9% in the first quarter). Inflation was 2.6% in June, exceeding the 2.5% inflation target for the first time in seven years. The benchmark rate, however, remained at 1.5%. |
| Portugal | +1.8% | Growth quickened slightly in the first quarter, but was not enough to keep on reducing the unemployment rate which is 6.8%, due to lower employment growth. Inflation was low at 0.4% in June. The fiscal deficit fell to 0.5% in 2018. |
| United Kingdom | +1.8% | The economy grew strongly in the first quarter (+0.5% over Q4'18). Inflation was 2.0% in June, in line with the Bank of England's target and the unemployment rate inched down to 3.8%. The base rate remained at 0.75%, pending the outcome of Brexit. |
| Brazil | +0.5% | Growth slowed in the first quarter, due to weaker investment. Inflation eased to 3.4% in June, after rising in the first quarter and is expected to be below the 4.25% target. The central bank held its key rate at 6.50% (a historic low) but introduced a downward bias at its June meeting. The pension reform was passed the first vote in Congress. |
| Mexico | +1.2% | The economy slowed in the first quarter. Inflation was 3.9% in June and the expectations are anchored at around 3.5%. The central bank held its key rate at 8.25%, but at its June meeting a member of the monetary committee voted to cut it by 25 bps. |
| Chile | +1.6% | GDP growth decelerated in the first quarter, due to lower growth in investment and a fall in exports. The central bank cut its benchmark rate by 25 bps in June to 2.5% and left the bias neutral, suggesting stability. Inflation remained low (2.3% in June). |
| Argentina | -5.8% | The economy continued its adjustment process in order to reduce inflation and the fiscal and external imbalances. Activity seems to have reached a cyclical low in the first quarter, as April's indicators suggest. Inflation shows incipient signs of easing in the second quarter, underpinned by a stable exchange rate. |
| United States | +3.2% | GDP growth gathered pace due to temporary factors in the first quarter. The unemployment rate was 3.7% in June and inflation remained below the Fed's target (underlying rate of 1.6% in May), which kept interest rates stable at 2.25-2.5%, but gave a downward bias to its messages. |

(1) Year-on-year change Q1'19.

# DESCRIPTION OF SEGMENTS

The segment reporting is based on financial information presented to the chief operating decision maker, which excludes certain items included in the statutory results that distort year-on-year comparisons and are not considered for management reporting purposes. This financial information (underlying basis) is computed by adjusting reported results for the effects of certain gains and losses (e.g.: capital gains, write-downs, impairment of goodwill, etc.). These gains and losses are items that management and investors ordinarily identify and consider separately to better understand the underlying trends in the business.

The Group has aligned the information in this operating segment section in a manner consistent with the underlying information used internally for management reporting purposes and with that presented throughout the Group's other public documents.

The Group executive committee has been determined to be the chief operating decision maker for the Group. The Group's operating segments reflect the organisational and management structures. The Group executive committee reviews the internal reporting based on these segments in order to assess performance and allocate resources.

The segments are differentiated by the geographic area where profits are earned, and by type of business. The financial information of each reportable segment is prepared by aggregating the figures for the Group's various geographic areas and business units. The information relates to both the accounting data of the units integrated in each segment and that provided by management information systems. In all cases, the same general principles as those used in the Group are applied.

The businesses included in each of the business areas in this report and the accounting principles under which their results are presented here may differ from the businesses included and accounting principles applied in the financial information separately prepared and disclosed by our subsidiaries (some of which are publicly listed) which in name or geographical description may seem to correspond to the business areas covered in this report. Accordingly, the results of operations and trends shown for our business areas in this document may differ materially from those of such subsidiaries.

At the beginning of July 2019, we announced that, starting with the financial information for the first half of 2019, we would carry out a change in our reported segments to reflect our current organisational and management structure.

This change in our reported segments aims to align the segment information to how segments and units are managed and has no impact on accounting figures at the Group level. The main changes, which have been applied to segment information for all periods included in the consolidated financial statements, are the following:

**Primary segments**

1. Creation of the new geographic segment Europe that includes the existing units under the previous Continental Europe segment (Spain, Portugal, Poland and Santander Consumer Finance) plus the UK (that was previously a segment on its own and is now a unit under the segment Europe).

   – The UK is aligned with the ring-fencing structure, including products and services distributed to our retail customers and the majority of our business customers. The businesses excluded are now incorporated in the rest of Europe.

   – Spain now includes the Real Estate Activity Spain unit, previously included in the rest of Europe, and it excludes some treasury businesses now reported in the rest of Europe and the online bank Openbank is now incorporated in the new digital segment (Santander Global Platform).

   – Rest of Europe, included within the Europe segment, comprises mainly (i) CIB businesses such as Banco Santander, S.A. branches outside of Spain (including the businesses excluded from the UK as a result of ring-fencing) as well as Spain's treasury business and (ii) Private Banking's Wealth Management & Insurance businesses in Switzerland, mutual funds in Luxemburg and Insurance in Zurich.

2. Creation of the new geographic segment North America that comprises the existing units under the previous US segment plus Mexico.

3. Creation of the new geographic segment South America that comprises the existing units under the previous Latin America segment except for Mexico.

4. Creation of a new reporting unit segment, Santander Global Platform, which includes our global digital services under a single unit:

   - Our fully digital native bank Openbank and Open Digital Services.

   - Global Payments Services: payments platform to better serve our customers with value propositions developed globally, including Superdigital, *Pago FX* and our recently launched global businesses (Global Merchant Services and Global Trade Services).

   - Digital Assets: common digital assets and Centres of Digital Expertise which help our banks in their digital transformation.

**Secondary segments**

5. The Real Estate Activity Spain unit, that was previously a segment reported on its own, is now included in Retail Banking.

6. The insurance business, previously included in Retail Banking, is now included in the Wealth Management segment, which was renamed Wealth Management & Insurance.

7. The new digital segment (Santander Global Platform) is also incorporated as a secondary segment.

8. Finally, the change in reported segments also includes adjustments of the clients of the Global Customer Relationship Model between Retail Banking and Santander Corporate & Investment Banking and between Retail Banking and Wealth Management & Insurance.

The changes in the secondary segments have no impact on the primary segments.

To allow better quarter-on-quarter and year-on-year comparability, and as was published in the Relevant Fact in July 2019, the Group has provided the quarterly 2018 and first quarter of 2019 data on a new basis, in accordance with the new structure of the Group.

After these changes, the operating business areas are structured in two levels:

**Primary segments**

This primary level of segmentation, which is based on the Group's management structure, comprises five reportable segments: four operating areas plus the Corporate Centre. The operating areas are:

Europe: which comprises all the business activities carried out in the region. Detailed financial information is provided on Spain, Portugal, Poland, Santander Consumer Finance (which incorporates all the region's business, including the three countries mentioned herewith) and the UK.

North America: which comprises all the business activities carried out in Mexico and the US, which includes the holding company (SHUSA) and the businesses of Santander Bank, Santander Consumer USA, Banco Santander Puerto Rico, the specialised unit Banco Santander International and the New York branch.

South America: includes all the financial activities carried out by the Group through its banks and subsidiary banks in the region. Detailed information is provided on Brazil, Chile, Argentina, Uruguay, Peru and Colombia.

Santander Global Platform: includes our fully digital bank Openbank and Open Digital Services, Global Payments Services (Superdigital, *Pago FX*, Global Merchant Services, Global Trade Services) and Digital Assets (Centres of Digital Expertise, InnoVentures and Digital Assets).

**Secondary segments**

At this secondary level of segment reporting, the Group is structured into Retail Banking, Santander Corporate & Investment Banking, Wealth Management & Insurance and Santander Global Platform.

Retail Banking: this covers all customer banking businesses, including consumer finance, except those of corporate banking, which are managed through Santander Corporate & Investment Banking, and asset management, private banking and insurance, which are managed by Wealth Management & Insurance. 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 & Investment Banking (SCIB): This business reflects revenue 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 equity business.

Wealth Management & Insurance: Includes the asset management business (Santander Asset Management), the corporate unit of Private Banking and International Private Banking in Miami and Switzerland and the insurance business (Santander Insurance).

Santander Global Platform: includes our fully digital bank Openbank and Open Digital Services, Global Payments Services (Superdigital, *Pago FX*, Global Merchant Services, Global Trade Services) and Digital Assets (Centres of Digital Expertise, InnoVentures and Digital Assets).

In addition to these operating units, which report by geographic area and businesses, the Group continues to maintain the area of Corporate Centre, that includes 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.

As described on the previous page, the results of our business areas presented below are provided on the basis of underlying results only and including the impact of foreign exchange rate fluctuations. However, for a better understanding of the actual changes in the performance of our business areas, we provide and discuss the year-on-year changes to our results excluding such impact.

On the other hand, certain figures contained in this report, including financial information, have been subject to rounding to enhance their presentation. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this report may not conform exactly to the total figure given for that column or row.

# First half 2019

## Main items of the underlying income statement

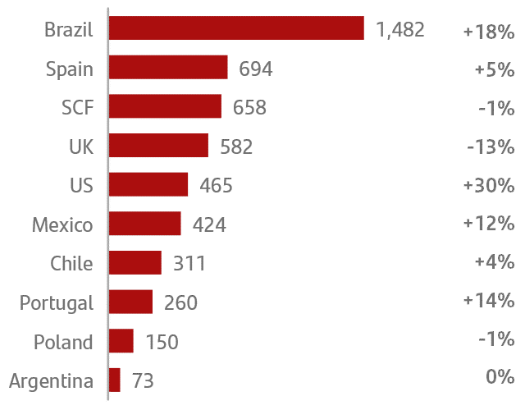
EUR million

| Primary segments | Net interest income | Net fee income | Total income | Net operating income | Profit before tax | Underlying attributable profit to the parent |
|---|---|---|---|---|---|---|
| **EUROPE** | **7,141** | **2,630** | **10,413** | **4,822** | **3,549** | **2,354** |
| Spain | 2,018 | 1,247 | 3,706 | 1,661 | 936 | 694 |
| Santander Consumer Finance | 1,911 | 415 | 2,321 | 1,286 | 1,117 | 658 |
| United Kingdom | 1,919 | 423 | 2,388 | 946 | 792 | 582 |
| Portugal | 429 | 197 | 712 | 400 | 379 | 260 |
| Poland | 565 | 230 | 817 | 467 | 293 | 150 |
| Other | 299 | 118 | 469 | 62 | 33 | 10 |
| **NORTH AMERICA** | **4,403** | **901** | **5,672** | **3,286** | **1,594** | **889** |
| US | 2,860 | 479 | 3,734 | 2,154 | 891 | 465 |
| Mexico | 1,543 | 423 | 1,938 | 1,132 | 703 | 424 |
| **SOUTH AMERICA** | **6,647** | **2,355** | **9,134** | **5,825** | **3,661** | **1,961** |
| Brazil | 4,979 | 1,855 | 6,864 | 4,637 | 2,846 | 1,482 |
| Chile | 940 | 200 | 1,255 | 731 | 560 | 311 |
| Argentina | 511 | 241 | 720 | 289 | 127 | 73 |
| Other | 217 | 60 | 295 | 168 | 128 | 94 |
| **SANTANDER GLOBAL PLATFORM** | **46** | **2** | **39** | **(69)** | **(70)** | **(51)** |
| **CORPORATE CENTRE** | **(600)** | **(27)** | **(822)** | **(1,015)** | **(1,155)** | **(1,108)** |
| **TOTAL GROUP** | **17,636** | **5,863** | **24,436** | **12,849** | **7,579** | **4,045** |

| Secondary segments | Net interest income | Net fee income | Total income | Net operating income | Profit before tax | Underlying attributable profit to the parent |
|---|---|---|---|---|---|---|
| **RETAIL BANKING** | **16,553** | **4,583** | **21,528** | **11,816** | **6,776** | **3,856** |
| **CORPORATE & INVESTMENT BANKING** | **1,354** | **730** | **2,606** | **1,488** | **1,396** | **889** |
| **WEALTH MANAGEMENT & INSURANCE** | **283** | **574** | **1,085** | **630** | **632** | **459** |
| **SANTANDER GLOBAL PLATFORM** | **46** | **2** | **39** | **(69)** | **(70)** | **(51)** |
| **CORPORATE CENTRE** | **(600)** | **(27)** | **(822)** | **(1,015)** | **(1,155)** | **(1,108)** |
| **TOTAL GROUP** | **17,636** | **5,863** | **24,436** | **12,849** | **7,579** | **4,045** |

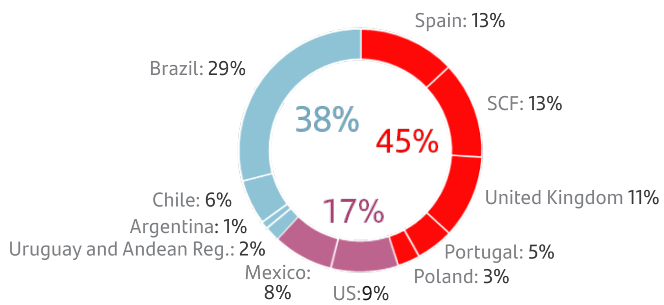
## Underlying attributable profit H1'19. Core markets

EUR million. % change YoY in constant euros




## Underlying attributable profit geographic distribution*

H1'19




(*) Excluding Corporate Centre and Santander Global Platform.

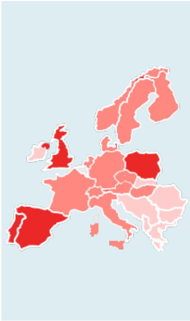
# First half 2018

## Main items of the underlying income statement

EUR million

| Primary segments | Net interest income | Net fee income | Total income | Net operating income | Profit before tax | Underlying attributable profit to the parent |
|---|---|---|---|---|---|---|
| **EUROPE** | **7,010** | **2,754** | **10,524** | **4,858** | **3,610** | **2,422** |
| Spain | 1,995 | 1,340 | 3,746 | 1,540 | 871 | 661 |
| Santander Consumer Finance | 1,843 | 403 | 2,266 | 1,248 | 1,096 | 667 |
| United Kingdom | 2,052 | 459 | 2,590 | 1,150 | 944 | 665 |
| Portugal | 435 | 189 | 688 | 363 | 324 | 229 |
| Poland | 487 | 227 | 731 | 414 | 280 | 155 |
| Other | 198 | 137 | 504 | 142 | 95 | 45 |
| **NORTH AMERICA** | **3,802** | **809** | **4,947** | **2,766** | **1,265** | **690** |
| US | 2,501 | 434 | 3,248 | 1,773 | 676 | 334 |
| Mexico | 1,301 | 376 | 1,699 | 993 | 589 | 357 |
| **SOUTH AMERICA** | **6,557** | **2,340** | **9,151** | **5,790** | **3,499** | **1,846** |
| Brazil | 4,906 | 1,792 | 6,768 | 4,499 | 2,603 | 1,317 |
| Chile | 985 | 227 | 1,282 | 751 | 568 | 307 |
| Argentina | 447 | 263 | 807 | 381 | 198 | 136 |
| Other | 218 | 58 | 294 | 160 | 129 | 85 |
| **SANTANDER GLOBAL PLATFORM** | **38** | **2** | **34** | **(28)** | **(29)** | **(23)** |
| **CORPORATE CENTRE** | **(477)** | **(17)** | **(494)** | **(706)** | **(866)** | **(884)** |
| **TOTAL GROUP** | **16,931** | **5,889** | **24,162** | **12,680** | **7,480** | **4,052** |

| Secondary segments | | | | | | |
|---|---|---|---|---|---|---|
| **RETAIL BANKING** | **15,972** | **4,502** | **21,029** | **11,302** | **6,430** | **3,677** |
| **CORPORATE & INVESTMENT BANKING** | **1,141** | **819** | **2,561** | **1,523** | **1,360** | **858** |
| **WEALTH MANAGEMENT & INSURANCE** | **256** | **583** | **1,032** | **589** | **584** | **424** |
| **SANTANDER GLOBAL PLATFORM** | **38** | **2** | **34** | **(28)** | **(29)** | **(23)** |
| **CORPORATE CENTRE** | **(477)** | **(17)** | **(494)** | **(706)** | **(866)** | **(884)** |
| **TOTAL GROUP** | **16,931** | **5,889** | **24,162** | **12,680** | **7,480** | **4,052** |



**EUR 2,354 Mn**

Underlying attributable profit

# EUROPE

**Highlights** (changes in constant euros)

- Given the current macroeconomic environment characterised by lower for longer interest rates, we are working on our franchise to simplify our structures and operate in a more integrated way in the medium-term.
- In terms of volumes, growth was moderate (+2%) in gross loans and advances to customers (excluding reverse repos) and +5% customer funds.
- Underlying attributable profit for the period amounted to EUR 2,354 million, down 3% compared to first half of 2018, due to lower gains on financial transactions (markets) and net fee income (mainly CIB). Conversely, net interest income increased and costs and provisions fell.

## Strategy

Santander's subsidiaries in Europe are managed according to their local priorities. At the same time, initiatives are being considered to enable greater integration of businesses, shared services and cost saving measures. For example:

- Integration of the different technological platforms and acceleration of the bank's digital transformation, to help improve the customer experience and expand the distribution channels for our products and services.
- We also continue to work on obtaining additional synergies from the ongoing integration processes, especially in the case of Popular in Spain and the retail and SME business of Deutsche Bank Polska in Poland.
- And finally, simplification of our business model, reducing the number of products to gain efficiency and agility, but maintaining a full value proposition that is capable of meeting the daily needs of our individual customers and offering tailor-made solutions for SMEs and large companies.

All of this, with the medium-term objective to obtain EUR 1 billion of additional savings, based on our global capabilities to strengthen operational efficiency in the region.

## Business performance

- Gross loans and advances to customers (excluding reverse repos) increased by 2%, driven by strong organic growth in SCF (France, Spain and Nordic countries) and the integration of Deutsche Bank Polska's retail and SME business in Poland.
- Customer funds increased by 5% mainly due to higher retail deposits and seasonal factors in Spain in the quarter, and the inclusion of balances from Deutsche Bank Polska in Poland.

## Results

Underlying profit amounted to EUR 2,354 million, 3% less than in the same period of the previous year. By lines:

- Revenue was down 1%. Net interest income increased by 2%, supported by higher volumes in SCF, the increase in Poland and the CIB business. This increase is offset by lower gains on financial transactions (markets) and net fee income (mainly CIB).
- Costs decreased 1% (-3% in real terms) reflecting the first savings from our optimisation processes.
- Provisions fell and cost of credit stood at 0.24%.

**Compared to the previous quarter**, underlying profit rose 2% due to lower provisions.

## Customers

June 2019. Thousands

**Loyal customers**

**9,695**

**35%**

**/active customers**

**Digital customers**

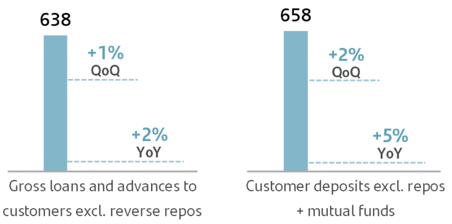
**13,462**

**+13%**

**YoY**

## Activity

June 2019. EUR billion and % change in constant euros




## Underlying income statement

EUR million and % change in constant euros

| | Q2'19 | /Q1'19 | H1'19 | /H1'18 |
|---|---|---|---|---|
| Revenue | 5,188 | -1% | 10,413 | -1% |
| Expenses | -2,789 | 0% | -5,591 | -1% |
| LLPs | -387 | -15% | -844 | -2% |
| PBT | 1,781 | +1% | 3,549 | -2% |
| Underlying attrib. profit | 1,191 | +2% | 2,354 | -3% |

Detailed financial information on page 53

**EUR 694 Mn**
Underlying attributable profit

# Spain

## Highlights

- The integration of Banco Popular with the migration of all offices and customers to the Santander platform was successfully completed. The process of optimising the commercial network, which will be gradually carried out over the coming months, begun.
- Positive evolution of the levels of customer satisfaction in the migration, particularly in transparency, accompanying customers and communication.
- We completed the reorganisation of the strategic insurance business, with the end of the agreement with Allianz and the creation of new joint ventures with Aegon and Mapfre[1].
- The first half underlying profit was 5% higher year-on-year at EUR 694 million, mainly due to lower costs.

(1) Transactions pending regulatory authorisation and other customary conditions.

### Commercial activity

- Sustained commercial dynamism with year-on-year growth in business combined with increased profitability in all segments and products (+15 bps). Of note by products was consumer credit with existing customers (+24% year-on-year), spurred by pre-approval and digital contraction of loans.
- The main drivers of loyalty continued to grow at double digit rates in both Santander and Popular (+13% in cards turnover and +7% from point-of-sale terminals).
- New insurance premium rose 9%, consolidating itself as a strategic driver, while at the same time we completed the reorganisation of this business.
- Mutual funds grew more quickly to almost EUR 5 billion, producing a further gain in market share.
- Launch in April 2019 of the *Smith Plan* in order to be the leader in the non-resident segment, via a differentiated value proposal focused mainly on covering the needs of those who are purchasing a house in Spain.
- Our remote management model, *Santander Personal*, now includes companies, strengthening the digital transformation process.

### Business performance

- Gross loans and advances to customers (excluding reverse repos) were affected by the deleveraging in wholesale banking due to the market environment and the move toward a capital light model, while new mortgages do not yet offset maturities. The stock, however, rose by EUR 600 million in the first half.
- Customer deposits (excluding repos) increased by EUR 13.3 billion in the year, of which EUR 6 billion were retail customer deposits, impacted by seasonality at the end of the quarter.

### Results

**First half** attributable profit was 5% higher year-on-year at EUR 694 million. By lines:

- Net interest income rose 1%, underpinned by retail banking, due to a continued improvement in the customer spread to 1.94% (+23 bps year-on-year), from the fall in the cost of deposits (-15 bps) as well as the rise in the return on loans (+8 bps).
- Net fee income fell 7%, due to lower activity at SCIB.
- Operating expenses continued to fall (-7%) due to the efficiencies resulting from Popular's integration and the optimisation efforts.
- Further decline in the stock of non-performing loans (-12% year-on-year) and fall in the NPL ratio to 7.02%.

**Compared to the first quarter,** underlying profit was 5% lower than the first quarter's because of the SRF contribution. Excluding this impact, it would have been 7% higher.

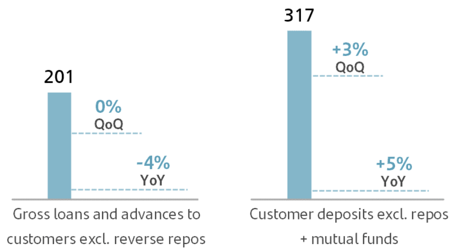
### Customers

June 2019. Thousands

| Loyal customers | Digital customers |
|---|---|
| 2,464 | 4,642 |
| 31% /active customers | +21% YoY |

### Activity

June 2019. EUR billion and % change




### Underlying income statement

EUR million and % change

| | Q2'19 | /Q1'19 | H1'19 | /H1'18 |
|---|---|---|---|---|
| Revenue | 1,849 | 0% | 3,706 | -1% |
| Expenses | -1,020 | 0% | -2,044 | -7% |
| LLPs | -228 | -6% | -470 | +8% |
| PBT | 458 | -4% | 936 | +7% |
| Underlying attrib. profit | 338 | -5% | 694 | +5% |

Detailed financial information on page 54

# Santander Consumer Finance

**EUR 658 Mn**
Underlying attributable profit

**Highlights** (changes in constant euros)

- SCF continues to be the European consumer finance leader, with critical mass and among the Top 3 in its markets in Europe. Gross loans and advances to customers (excluding reverse repos) rose 7% and new lending 4% year-on-year.
- Total income increased 3%, largely due to net interest income and net fee income, which together with cost control pushed up net operating income by 3%.
- First half underlying attributable profit was EUR 658 million, virtually unchanged year-on-year due to the good performance of revenue, operating expenses and the cost of credit (still at low levels for this business).
- Continued high profitability: RoTE of around 15% and RoRWA of more than 2%.

## Commercial activity

- SCF continued its growth based on its solid business model, enabling it to confront new market trends: diversification by country, scale, leadership in efficiency and risk and recovery systems that allow it to maintain a better performance than its European competitors in the key metrics.
- Management continued to focus on boosting auto finance and increasing consumer finance through strengthening digital channels.
- The auto business in SCF continued to grow despite the fall in car sales in Europe (-2% in the first five months), due to the good performance of the brands with which SCF operates, via more than 115 captive agreements.
- The agreement with Hyundai Kia to acquire 51% of the financial entity that both companies own in Germany was completed in March 2019, bolstering our leadership in this market.

## Business performance

- New lending rose 4% year-on-year, underpinned by commercial agreements in several countries. Of note: Italy (+13%), France (+8%) and Spain (+7%).
- Customer deposits (excluding repos) amounted to EUR 37,900 million and continued to be a factor that differentiated us from our competitors. They continued to be stable, due to various measures taken to complete the digital transformation plan.
- Recourse to wholesale funding amounted to EUR 9,934 million in the first half. Customer deposits (excluding repos), issuances and securitisations covered 73% of net loans.

## Results

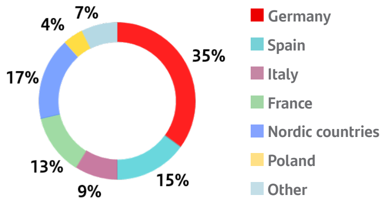
**First half** underlying attributable profit of EUR 658 million, slightly lower than the same period of 2018:

- Net interest income rose 4% due to higher volumes.
- Costs rose more slowly (+2%), improving the efficiency ratio to 44.6%, 33 bps better year-on-year.
- The cost of credit remained at low levels (0.36%), reflecting a conservative risk appetite and a solid credit management policy. The NPL ratio was 2.24%, 20 bps lower than in the first half of 2018.
- The largest profits were generated by the Nordic countries (EUR 177 million), Germany (EUR 157 million) and Spain (EUR 116 million).

**Compared to the first quarter of 2019,** underlying attributable profit was 3% higher due to lower loan-loss provisions.

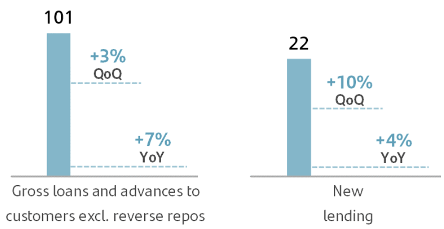
## Customer loans distribution

June 2019




## Activity

June 2019. EUR billion and % change in constant euros




## Underlying income statement

EUR million and % change in constant euros

| | Q2'19 | /Q1'19 | H1'19 | /H1'18 |
|---|---|---|---|---|
| Revenue | 1,154 | -1% | 2,321 | +3% |
| Expenses | -527 | +4% | -1,035 | +2% |
| LLPs | -59 | -51% | -181 | -4% |
| PBT | 556 | -1% | 1,117 | +2% |
| Underlying attrib. profit | 334 | +3% | 658 | -1% |

Detailed financial information on page 55


# United Kingdom

**EUR 582 Mn**

Underlying attributable profit

**Highlights** (changes in constant euros)

- Business performance remained solid: switcher[1] levels above market average, strong increase in digital customers and amongst the best in customer satisfaction.
- In terms of volumes, growth in mortgages due to the strengthening of our activity in a competitive market. Solid trend in customer funds, especially in savings deposits, underpinned by the success of an ISA campaign.
- Underlying attributable profit fell 13%, reflecting the continued competitive pressure on mortgage margins and SVR attrition. On the other hand, the costs and provisions trend improved.

## Commercial activity

- To better meet the needs of our customers and reflect the way customers are banking with us, in 2019 we announced changes to the branch network and the reshaping of the Corporate & Commercial Banking business.
- We continued to focus on customer experience; the bank is second in retail satisfaction and top 3 for corporates. Since its launch in October 2018, we have opened 31,000 new *1|2|3 Business* accounts with switcher[1] levels above market average. The number of loyal customers continued to grow: Individuals +6%, SMEs and corporates +7% and loyal customers as a percentage of total active customers rose 2 percentage points to 31%.
- Digital adoption continues to drive change in the organisation. We attracted more than 420,000 digital customers in the last 12 months (+8%), retained 60% of refinanced mortgage loans online (+6 pp year-on-year), and 44% of current accounts (+3 pp) and 66% of credit cards (+9 pp) were opened through digital channels.

## Business performance

- Gross loans and advances to customers (excluding reverse repos) were stable. Mortgages, consumer and non-CRE trading business volumes increased, while the latter continued to fall.
- Customer deposits (excluding repos) increased by 2%, boosted by higher corporate and retail savings deposits, partly due to a strong ISA campaign (Individual Savings Account - savings product with tax benefits).

## Results

Underlying attributable profit **in the first half** stood at EUR 582 million, down 13% year-on-year.

- Total revenue fell 8% due to continued competitive pressure on mortgage margins and SVR (Standard Variable Rate) attrition, net fee income reduction and lower gains on financial transactions (-67%).
- Costs fell 1%, though in real terms (w/o inflation) fell 3%.
- Loan-loss provisions fell by 22%, with the cost of credit at just 6 basis points. The NPL ratio was stable at 1.13%, supported by prudent approach to risk management and the resilience of the UK economy.

**Compared to the first quarter of 2019,** underlying attributable profit improved by 29%, due to reductions in costs and provisions that more than offset the aforementioned factors affecting revenue.

(1) *Switcher:* clients who change bank as part of the Current Account Switch Service, in which the new bank is in charge of managing the whole process, free of charge, within 7 working days.

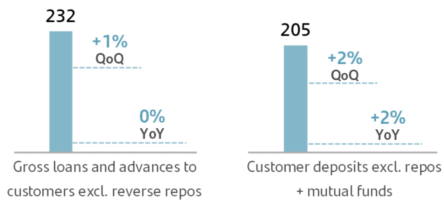
## Customers

June 2019. Thousands

| Loyal customers | Digital customers |
|---|---|
| 4,534 | 5,655 |
| 31% /active customers | +8% YoY |

## Activity

June 2019. EUR billion and % change in constant euros




## Underlying income statement

EUR million and % change in constant euros

| | Q2'19 | /Q1'19 | H1'19 | /H1'18 |
|---|---|---|---|---|
| Revenue | 1,183 | -2% | 2,388 | -8% |
| Expenses | -703 | -5% | -1,442 | -1% |
| LLPs | -19 | -68% | -80 | -22% |
| PBT | 435 | +22% | 792 | -17% |
| Underlying attrib. profit | 327 | +29% | 582 | -13% |

Detailed financial information on page 56

**EUR 260 Mn**

Underlying attributable profit

# Portugal

## Highlights

- The Bank continued its commercial and digital transformation, marketing new products for companies and SMEs and making the granting of new mortgages simpler and faster.
- Market shares in new lending to companies and mortgages reached around 20%, in a market that is still deleveraging.
- Underlying attributable profit increased 14% year-on-year, reflecting revenue growth, lower costs from optimising the structure and a very low cost of credit.

### Commercial activity

The Bank continued its strategy to tailor products and services to customers' needs, focusing on increasing the number of customers and their loyalty:

- The commercial transformation continued to renew the offer and benefits in *Mundo 1|2|3* and strengthened our presence in the agrifood sector. As a result of this strategy, loyal customers already account for 45% of active customers.
- The second *Work Café* was opened in Coimbra, expanding this new customer relationship model which is a driver for increasing attraction and loyalty.
- The Bank continued its policy of local proximity and offering non-financial solutions (*Santander Advance Empresas*). A *Box Santander Advance* was held in Funchal (Madeira), with the active participation of local companies and entities in exchange of experiences, opinions and knowledge workshops.

### Business performance

- Gross loans and advances to customers (excluding reverse repos) were still lower than a year ago, but they rose slightly, aligned with the dynamism of market shares in new mortgages and loans to companies in the first half.
- Customer funds increased 7% year-on-year, spurred by the growth in deposits and mutual funds.

### Results

**The first half** underlying attributable profit rose 14% year-on-year to EUR 260 million. By lines:

- Total income increased 3%, driven by gains on financial transactions that rose more than 50% because of ALCO portfolio sales, and net fee income which offset the fall in net interest income, which was still in line with the year-on-year dynamic of the stock of credit.
- Costs declined further, enabling net operating income to rise 10% and the efficiency ratio to improve 3.3 pp to 43.8%.
- Provisions were slightly positive due to greater recoveries, mainly in the first quarter. The NPL ratio fell to 5.00% from 7.55% in June 2018, and the cost of credit was only 0.03%.

**Compared to the first quarter of 2019,** underlying profit was lower because of reduced revenue, mainly gains on financial transactions, and higher provisions due to greater recoveries in the first quarter.

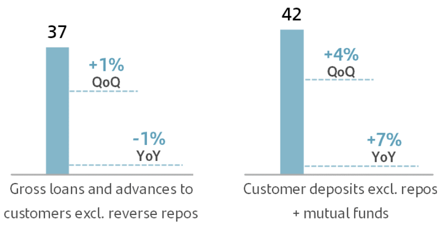
### Customers

June 2019. Thousands

| Loyal customers | Digital customers |
|---|---|
| 768 | 756 |
| 45% /active customers | +13% YoY |

### Activity

June 2019. EUR billion and % change




### Underlying income statement

EUR million and % change

| | Q2'19 | /Q1'19 | H1'19 | /H1'18 |
|---|---|---|---|---|
| Revenue | 354 | -1% | 712 | +3% |
| Expenses | -154 | -2% | -312 | -4% |
| LLPs | -1 | — | 12 | — |
| PBT | 186 | -4% | 379 | +17% |
| Underlying attrib. profit | 125 | -7% | 260 | +14% |

Detailed financial information on page 57

**EUR 150 Mn**

Underlying attributable profit

# Poland

**Highlights** (changes in constant euros)

- As at end of the first half of 2019, Santander is the second largest bank in Poland in terms of assets following the integration of Deutsche Bank Polska's retail and SME business in 2018.
- The main management priorities are increasing revenue in a competitive environment and achieving synergies from the integration.
- In earnings, net operating income (after provisions) increased 12%, which is not reflected in underlying profit (-1%) due to the higher BFG and Banking Tax contribution, the latter adding to fiscal pressures as it is not tax deductible.

## Commercial activity

- Following the integration of Deutsche Bank Polska's retail and SME business in 2018, the Bank is focused on synergy achievement and improving customer relationships.
- The *As I Want It* account continued its strong performance, exceeding 1.5 million accounts since its launch in September 2017.
- In the second quarter the new sales of cash loans increased 63% year-on-year, a record high, and exceeded PLN 2 billion.
- The Bank has introduced pre-limits for selected corporate customers, improving customer relationships shortening the decision-making process and anticipating and accommodating their basic needs better.
- SCIB Poland arranged the first ESG loan in Poland and Central and Eastern Europe, where part of the margin is related to the borrower's compliance with specific social and environmental objectives.

## Business performance

- Strong year-on-year growth (+26%) in gross loans and advances to customers (excluding reverse repos), mainly due to the integration. In the year to end-June 2019, a period not affected by the acquisition, volumes increased by 3%.
- Likewise, customer deposits (excluding repos) increased strongly year-on-year (+24%), with significant growth in corporates, individuals and SMEs. Since year-end, total customer funds have remained stable due to active management relating to liquidity and cost of deposit optimisation.

## Results

Underlying attributable profit **in the first half of 2019** of EUR 150 million, down 1% on the same period of 2018.

- Positive top line performance, supported by the integration of Deutsche Bank Polska's retail and SME business. Net operating income was up 15%. Costs, also impacted by acquisition, increased 12%.
- Loan-loss provisions were up 25%, driven by the review of consumer finance parameters. The cost of credit improved slightly to 0.66%.
- The other results line is affected by the higher Banking Tax contribution, also added to fiscal pressures as it is not tax deductible.

**Compared to the previous quarter,** underlying profit increased by 44%, due to the annual BFG and Banking Tax contributions in the first quarter of the year and the greater (seasonal) collection of dividends in the second quarter.

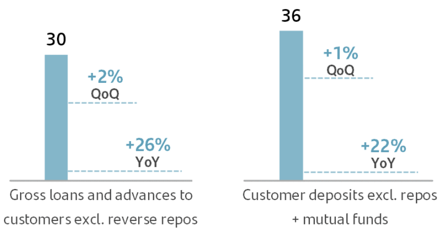
### Customers

June 2019. Thousands

| Loyal customers | Digital customers |
|---|---|
| 1,929 | 2,408 |
| 52% /active customers | +13% YoY |

### Activity

June 2019. EUR billion and % change in constant euros




### Underlying income statement

EUR million and % change in constant euros

| | Q2'19 | /Q1'19 | H1'19 | /H1'18 |
|---|---|---|---|---|
| Revenue | 440 | +16% | 817 | +14% |
| Expenses | -176 | +1% | -349 | +12% |
| LLPs | -64 | +47% | -107 | +25% |
| PBT | 166 | +30% | 293 | +6% |
| Underlying attrib. profit | 89 | +44% | 150 | -1% |

Detailed financial information on page 58

# NORTH AMERICA

**EUR 889 Mn**
Underlying attributable profit

**Highlights** (changes in constant euros)

- In North America, the US and Mexico are managed according to their local strategic priorities, while increasing coordination and cooperation between the two units.
- Volumes grew both in the quarter and over the past twelve months.
- Underlying attributable profit increased 21% year-on-year, driven by total revenue and improved efficiency.

## Strategy

In the United States, SBNA's strategy focuses on improving customer satisfaction through our digital channels and branches, while being the "Lead bank" for our customers. In SC USA, the focus is to drive originations growth and improve profitability via dealers.

In Mexico, the main objectives are to improve the distribution network and develop digital channels to attract new customers and increase their loyalty.

Coordination between the units has increased. We are analysing new joint projects and initiatives, such as:

- Approval of financing for SBNA customers granted by Santander México and vice versa.
- Further develop the USMX trade corridor, for example, by increasing capabilities for DCM and ECM transactions.
- Launch of a same-day remittance service from Santander US branches to any bank in Mexico.

## Business performance

- Gross loans and advances to customers (excluding reverse repos) increased by 10%, with similar growth rates in both units.
- Customer funds grew in both countries, driven by time deposits, especially at SBNA and the New York branch. Demand deposits from individuals in Mexico continued their solid performance. Mutual funds increased by 6%.

## Results

**In the first half of the year,** underlying attributable profit was EUR 889 million (17% of the Group's total operating areas), up 21% year-on-year.

- Good performance in total income at both units, with growth driven by both net interest income (+8%) and net fee income (+4%).
- Expenses grew less than revenue, resulting in an improved efficiency ratio from 44% in the first half of 2018 to 42% at present. Mexico increased its costs due to the investment plan and while they were stable in the US (-2% in real terms).
- Provisions were up 6% on the back of higher volumes. The cost of credit was stable at 2.95%, the NPL ratio fell to 2.29% and coverage remained around 150%.

**In the quarter,** the underlying attributable profit increased by 29% due to good performance in revenue and lower provisions.

## Customers

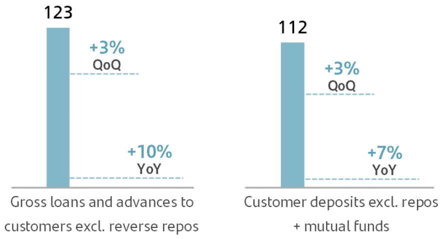
June 2019. Thousands

**Loyal customers**
3,218
29%
/active customers

**Digital customers**
4,491
+43%
YoY

## Activity

June 2019. EUR billion and % change in constant euros




## Underlying income statement

EUR million and % change in constant euros

| | Q2'19 | /Q1'19 | H1'19 | /H1'18 |
|---|---|---|---|---|
| Revenue | 2,918 | +5% | 5,672 | +7% |
| Expenses | -1,214 | +2% | -2,386 | +2% |
| LLPs | -793 | -3% | -1,597 | +6% |
| PBT | 881 | +22% | 1,594 | +18% |
| Underlying attrib. profit | 503 | +29% | 889 | +21% |

Detailed financial information on page 60

**EUR 465 Mn**

Underlying attributable profit

# United States

## Highlights (changes in constant euros)

- The strategy is focused on improving customer satisfaction at SBNA and at SC USA on the relationship with distributors to increase originations.
- Following the strong gains in the quarter, the year-on-year volume trend in both gross loans and advances to customers (excluding reverse repos) and customer deposits (excluding repos) was more pronounced.
- Underlying attributable profit increased by 30% in the first half compared to the same period of 2018, due to a strong top line performance, with total revenue up 7% and costs remaining flat.

### Commercial activity

In 2019, Santander US remains focused on the following strategic priorities:

**Santander Bank**: Commercial Banking's "Lead Bank" strategy continues to show gains in primary customers. Better customer satisfaction scores are being achieved as a result of improved product offerings in both digital channels and branches. The joint initiative with SC USA in auto finance continues to generate high volumes, having originated almost USD 3 billion in the first half of the year.

**Santander Consumer USA**: The key levers to drive profitability remain increase in originations and management of credit risk and prices. In addition, the agreement with Fiat Chrysler was amended strengthening its partnership establishing an operating framework for the remainder of the contract, which ends in 2023. In addition, a plan has been approved to repurchase USD 1.1 billion in common stock and to increase the cash dividend to USD 0.22 from Q3 2019 to Q2 2020.

### Business performance

- Volumes improved in the quarter due to lending growth in retail banking (auto) and commercial banking. Originations increased 5% year-on-year in SC USA, mainly due to Chrysler loans (+25%).
- Customer funds rose 10%, boosted by strong growth in time deposits at SBNA and the New York branch.

### Results

Underlying attributable profit **in the first half** of 465 million euros, 30% more than in the same period of 2018. The year-on-year comparison of net interest income and provisions is affected by methodological changes in the accrual of TDRs made at the end of 2018, though with almost no impact on bottom line results.

- Total income was up 7% (+4% ex. TDRs) due to higher loan and leasing volumes.
- Costs remained under control, virtually flat compared to the same period of 2018. As a result, efficiency improved by 3 percentage points to 42%.
- Loan-loss provisions increased 7%. Excluding the impact of TDRs, they fell 1% partly favoured by a provisions release related to auto finance business in SC USA. The NPL ratio improved and coverage increased to 158%. The cost of credit remained stable at 3.09%.

**Compared to the previous quarter,** underlying attributable profit rose 55% as a result of higher loan and leasing volumes, higher gains on financial transactions and lower provisions.

### Customers (1)

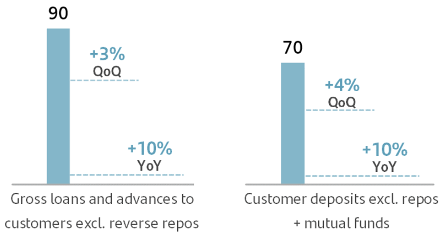
June 2019. Thousands

| Loyal customers | Digital customers |
|---|---|
| **340** | **987** |
| 19% /active customers | +9% YoY |

(1) Santander Bank + Puerto Rico.

### Activity

June 2019. EUR billion and % change in constant euros

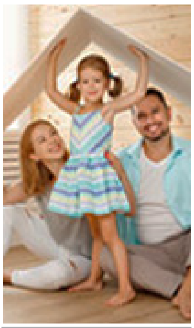



### Underlying income statement

EUR million and % change in constant euros

| | Q2'19 | /Q1'19 | H1'19 | /H1'18 |
|---|---|---|---|---|
| Revenue | 1,920 | +5% | 3,734 | +7% |
| Expenses | -805 | +3% | -1,581 | +0% |
| LLPs | -568 | -8% | -1,178 | +7% |
| PBT | 521 | +40% | 891 | +23% |
| Underlying attrib. profit | 284 | +55% | 465 | +30% |

Detailed financial information on page 61



**EUR 424 Mn**

Underlying attributable profit

# Mexico

**Highlights** (changes in constant euros)

- The strategy continued to focus on the digital and operational transformation, reflected in greater customer attraction and increased loyalty.
- Faster growth in gross loans and advances to customers (excluding reverse repos), notably to large companies (+15%) and payroll (+15%). The rise in customer funds continued to be spurred by deposits from individuals and SMEs.
- Underlying attributable profit was up 12%, underpinned by the good performance of net interest income, net fee income and loan-loss provisions, which more than offset the rise in costs.

## Commercial activity

The commercial strategy remained focused on boosting the use of digital channels, attracting new customers and increasing their loyalty with new products and services:

- As regards the distribution model, we transformed 428 branches, and the number of latest generation full function ATMs reached 921.
- The *Santander Plus* programme has captured more than 5.7 million customers since May 2016, 53% of them new ones.
- In digital strategy, *SúperMóvil* has new functionalities, notably *Santander Tap*, a system for transfers via instant messaging for sending money to customers of other banks, at any time and free of charge.
- Launch of the *Legacy* credit card for private banking customers. Santander is the first and only bank in the country to have an alliance with American Express.
- We continued to drive growth in deposits of individuals by launching promotions such as *Arma tu Kit* in order to reward customer loyalty and the campaign *Champions* to attract customer funds.

Strong year-on-year growth of digital and mobile banking customers (+68%). Penetration of loyal customers over active ones increased significantly (+5 pp).

## Business performance

- Gross loans and advances to customers (excluding reverse repos) increased 8% year-on-year, while maintaining the focus on profitability. Loans to individuals rose 7% with notable growth in payroll loans (+15%) and mortgages (+8%). Total corporate loans increased 9%, driven by large companies (+15%), corporates (+7%) and SMEs (+4%).
- Customer funds increased slightly, backed by time deposits (+13%) which offset the fall in demand deposits, affected by the rise in interest rates. Those of individuals were up 11%.

## Results

**First half** underlying profit of EUR 424 million was 12% higher than in the same period of 2018, as follows:

- Net interest income rose 11%, driven by increased volumes and higher interest rates. Net fee income grew 6%, mainly from cards and insurance, and gains on financial transactions fell because of a weak quarter in the markets.
- Operating expenses increased 7%, reflecting the ongoing investment plans.
- Loan-loss provisions increased slightly, with good credit quality in all metrics.

**Compared to the first quarter of 2019,** profit was 5% higher due to higher net fee income and the recovery of gains on financial transactions.

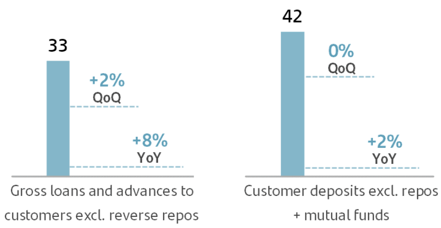
## Customers

June 2019. Thousands

| Loyal customers | Digital customers |
|---|---|
| 2,878 | 3,504 |
| 31% /active customers | +57% YoY |

## Activity

June 2019. EUR billion and % change in constant euros




## Underlying income statement

EUR million and % change in constant euros

| | Q2'19 | /Q1'19 | H1'19 | /H1'18 |
|---|---|---|---|---|
| Revenue | 999 | +5% | 1,938 | +7% |
| Expenses | -409 | +2% | -806 | +7% |
| LLPs | -225 | +15% | -419 | +1% |
| PBT | 360 | +3% | 703 | +12% |
| Underlying attrib. profit | 219 | +5% | 424 | +12% |

Detailed financial information on page 62

# SOUTH AMERICA

**EUR 1,961 Mn**
Underlying attributable profit

**Highlights** (changes in constant euros)

- In South America, the focus is to accelerate profitable growth and lead the retail financial industry. To this end, we have a strategy that seeks to strengthen a more connected regional network and facilitate the expansion of successful businesses to other countries in the region.
- In activity, there was a volume growth in the last 12 months. Increases in all countries, where we are capturing new business opportunities.
- Regarding results, underlying attributable profit increased by 15% year-on-year, boosted by revenue and an improvement in the cost of credit.

## Strategy

The units in the region continued identifying initiatives that allow the businesses to expand, further leveraging positive experiences in other markets, for example:

- In **auto financing**, we will use the Group's experience and the development of this business in Brazil to boost growth in other neighbouring countries. In terms of **financing goods and services**, we plan to export Uruguay's successful model to Brazil and to other major regions. We will also accelerate growth in consumer finance in Peru and Colombia.
- In **payment methods**, where Santander is one of the largest credit card issuers and merchant acquirers in the region, we are exploring e-commerce strategies, instant domestic and international transfers in some countries and the roll-out of *Getnet*, our acquiring business in Brazil, to the rest of Latin America. We are also launching Superdigital in other countries (starting with Chile).
- Further develop the **retail franchise**, in particular the mass market segment, through increased penetration of new channels. Sales through digital channels already account for a high percentage of the total in Brazil and Argentina, with a significant upside in Chile, where the Life model is being developed to provide a 100% digital service to customers. The *Work Café* experience developed in Chile will be accelerated in countries such as Argentina and Brazil.

## Business performance

- Year-on-year increase in gross loans and advances to customers (excluding reverse repos) in all units. With regard to June 2018, Brazil grew 9%, Chile 7%, Uruguay 20% and Argentina 14%. Colombia and Peru present very high growth rates but from smaller bases.
- Customer funds also rose in the last 12 months and in all units. Demand deposits (+16%), time deposits (+11%) and mutual funds (+9%) increased year-on-year.

## Results

Underlying attributable profit **in the first half of the year** amounted to EUR 1,961 million (38% of the Group's total operating areas), up 15% year-on-year due to:

- Total income increased 9%, underpinned by the sound performance by commercial revenue, driven by higher volumes, spread management and increased loyalty. Net interest income rose 9% and net fee income increased by 11%.
- Costs reflect commercial transformation plans, greater digitalisation of the retail network, reviews of collective wage agreements and high inflation in Argentina.
- Loan-loss provisions increased at a slower pace than credit, enabling the cost of lending to improve by 23 bps in the last twelve months to 2.87%. In credit quality, the NPL ratio was stable (4.81%) and coverage was 93%.

**In the quarter,** underlying attributable profit rose 15% driven by the good performance of revenue, which grew more than costs.

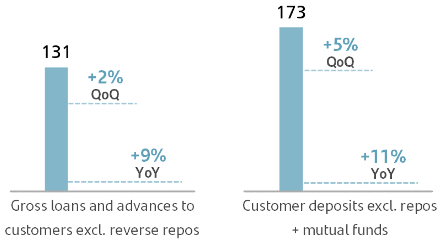
## Customers

June 2019. Thousands

| Loyal customers | Digital customers |
|---|---|
| 7,534 | 16,364 |
| 26% /active customers | +26% YoY |

## Activity

June 2019. EUR billion and % change in constant euros




## Underlying income statement

EUR million and % change in constant euros

| | Q2'19 | /Q1'19 | H1'19 | /H1'18 |
|---|---|---|---|---|
| Revenue | 4,647 | +6% | 9,134 | +9% |
| Expenses | -1,664 | +4% | -3,309 | +9% |
| LLPs | -956 | +9% | -1,859 | +2% |
| PBT | 1,876 | +8% | 3,661 | +12% |
| Underlying attrib. profit | 1,035 | +15% | 1,961 | +15% |

Detailed financial information on page 63

**EUR 1,482 Mn**

Underlying attributable profit

# Brazil

**Highlights** (changes in constant euros)

- Generating results supported by a business model focused on improving customer attention and loyalty leading to profitable market share gains.
- Strong revenue, underpinned by increased volumes, while costs remained under control thereby achieving the best efficiency among our local peers.
- Prudent risk management produced growth in gross loans and advances (excluding reverse repos) and a controlled cost of credit.
- Profit growing sustainably reaching EUR 1,482 million in the first half of the year (+18% year-on-year), with RoTE of 22%.

## Commercial activity

We continued to progress in our strategic actions, including:

- The customer base continued to expand to 24.6 million active clients.
- We announced *Santander Duo*, a new product with a differentiated offer for small entrepreneurs, which combines accounts of legal and natural persons.
- In cards, turnover continued to increase at double digit rates (+21%) and gained market share year-on-year (+86 bps).
- In acquiring, launch of a new offer for SMEs and microbusinesses, where merchants are credited within two working days and charged the same rate for debit and credit cards. As a result we captured 200,000 new customers.
- In consumer finance, we remained the leader (market share in vehicles loans for individuals of 25.3% in May 2019).
- In our new businesses, *Pi*, a digital investment platform, already offers close to 180 fixed income products and began to distribute mutual funds. *Ben*, focused on food benefits, started to operate (77,000 cards issued and 143,000 commercial establishments accredited).
- We are committed to using renewable energy in all our offices by 2021 and in administrative buildings and processing centres by 2025.

## Business performance

- Gross loans and advances (excluding reverse repos) grew 9% year-on-year, with profitable gains in market share. This was mainly due to business with individuals and consumer finance which increased at double digit rates.
- Customer deposits (excluding repos) rose 13% year-on-year.

## Results

**First half** underlying attributable profit of EUR 1,482 million (+18% YoY). Of note:

- Net interest income rose 7%, with better net interest income from credit and liabilities, partly offset by lower market interest income.
- Net fee income grew 9% year-on-year, with rises in almost all lines. Of note: cards (+13%), insurance (+17%) and securities (+32%).
- Operating expenses increased 3%, which helped improve the efficiency ratio to 32.4% (-108 bps year-on-year).
- Our solid risk management is reflected in stable provisions. The cost of credit dropped to 3.84%, the NPL ratio was 5.27% and coverage 106%.

**Compared to the first quarter of 2019,** underlying attributable profit was 9% higher, underpinned by higher customer revenue.

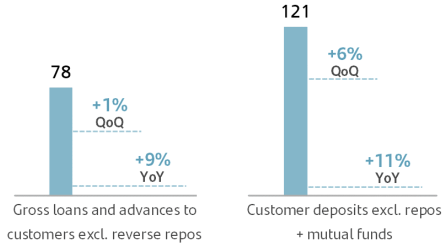
### Customers

June 2019. Thousands

| Loyal customers | Digital customers |
|---|---|
| 5,417 | 12,705 |
| 22% /active customers | +33% YoY |

### Activity

June 2019. EUR billion and % change in constant euros




### Underlying income statement

EUR million and % change in constant euros

| | Q2'19 | /Q1'19 | H1'19 | /H1'18 |
|---|---|---|---|---|
| Revenue | 3,453 | +4% | 6,864 | +6% |
| Expenses | -1,102 | +1% | -2,227 | +3% |
| LLPs | -761 | +10% | -1,471 | -2% |
| PBT | 1,438 | +5% | 2,846 | +15% |
| Underlying attrib. profit | 762 | +9% | 1,482 | +18% |

Detailed financial information on page 64


**EUR 311 Mn**
Underlying attributable profit

# Chile

**Highlights** (changes in constant euros)

- We continued the commercial and branch network transformation, based on technological developments in order to attract new customers and boost loyalty. Loyal customers already account for 46% of total active clients.
- Growth in business volumes at a faster pace, mainly with individuals, companies and institutions.
- Underlying attributable profit increased 4% year-on-year, benefiting from the performance of markets and lower provisions. Higher inflation in the second quarter spurred net interest income.

## Commercial activity

Santander is the leading privately-owned bank in Chile in terms of assets and customers. The Group continued its strategy in the first half, focused on offering an attractive profitability in a stable and low risk country where the economy is growing:

- We continued to transform the network, opening more *Work Café* offices in the quarter and continuing with the pilot of *Work Café 2.0*, with good initial results in efficiency and productivity.
- We launched new products under the *Santander Life* programme, including a digital demand account and a new credit card associated with the *Meritolife* programme which also allows accumulation of Latam air miles. The *Santander Life* products are centred on promoting good credit performance and deepening financial education.
- Launch of a new *Súper Hipoteca*, aimed at individuals under the age of 35.

## Business performance

- Gross loans and advances to customers (excluding reverse repos) rose 7% year-on-year, underpinned by mortgages (+12%), consumer finance (+12%) and large corporates (+6%). Cards increased 4% and SMEs 6%.
- Customer funds rose 5%, with 10% growth in demand deposits and mutual funds. Time deposits remained stable.

## Results

**First half of 2019** underlying attributable profit of EUR 311 million, 4% higher year-on-year. Of note were:

- Net interest income recovered in the second quarter due to larger volumes and higher inflation. Net fee income declined 9% year-on-year partly because of wholesale business. Gains on financial transactions rose due to customer treasury and the sale of ALCO portfolios.
- Operating expenses rose slightly because of investments in technology and branches.
- Loan-loss provisions were lower and the cost of credit was 1.10% (-8 bps). The NPL ratio decreased to around 4.5% and coverage was 59%.

Compared to the **first quarter of 2019**, attributable profit was 11% higher due to net interest income, which more than offset the seasonal growth in costs.

## Customers

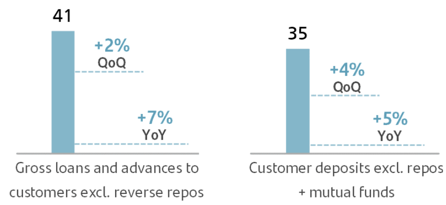
June 2019. Thousands

**Loyal customers**
677
46%
/active customers

**Digital customers**
1,167
+12%
YoY

## Activity

June 2019. EUR billion and % change in constant euros




## Underlying income statement

EUR million and % change in constant euros

| | Q2'19 | /Q1'19 | H1'19 | /H1'18 |
|---|---|---|---|---|
| Revenue | 656 | +11% | 1,255 | +1% |
| Expenses | -269 | +7% | -524 | +2% |
| LLPs | -105 | +4% | -208 | -9% |
| PBT | 281 | +2% | 560 | +1% |
| Underlying attrib. profit | 163 | +11% | 311 | +4% |

Detailed financial information on page 65


# Argentina

**EUR 73 Mn**
Underlying attributable profit

**Highlights** (changes in constant euros)

- The Bank announced the change of its commercial brand from Santander Río to Santander.
- We continued to focus on our four strategic pillars: growth, risk control, efficiency and customer experience.
- Santander is the largest privately-owned bank in Argentina by volume of business (loans + deposits + mutual funds).
- First half underlying profit of EUR 73 million after earning EUR 63 million in the second quarter. The year-on-year comparison is impacted by the adjustment for inflation included starting from the third quarter of 2018.

## Commercial activity

The commercial strategy during the first half focused on transactional business and customer service improvements, notably a campaign to increase direct debit sign-ups, which enabled the stock to increase 50% in a month.

We continued advance in the digital transformation of the main processes and products. Loyal customers accounted for 47% of active clients and digital ones 74% (+3% year-on-year). In individuals, new accounts and product package openings are done digitally in more than 60% of our branches.

We launched *Women*, a comprehensive proposal for financial and non-financial services, which focuses on female entrepreneurs, owners of SMEs and professionals.

## Business performance

Gross loans and advances to customers (excluding reverse repos) was impacted by the economic recession and higher interest rates (+14% year-on-year), below inflation in this period. The peso denominated portfolio increased, driven by inflation-adjusted products (mortgages, auto finance, personal finance) and by cards, while dollar balances declined in the currency of origin.

Customer deposits (excluding repos) rose 45%, in both the portfolio in pesos (+27% in demand deposits and +41% in interest-bearing accounts and time deposits) and in foreign currency deposits (+58%; 8% in dollars). The excess liquidity is placed in Central Bank treasury bonds.

## Results

**First half** underlying profit stable at EUR 73 million, including a negative EUR 74 million impact from the high inflation adjustment.

As regards the main income statement lines:

- Revenue rose 67%, growing above inflation, driven by customer revenue (+98%). Net interest income rose 113%, underpinned by the larger position in public securities and higher interest rates, while net fee income increased 71% driven by greater foreign currency transactions and income from accounts and cash deposits.
- Costs surged 89%, hit by the inflationary environment and the peso's depreciation.
- Loan-loss provisions stood at EUR 143 million, with an NPL ratio of 3.79% and a coverage ratio of126%.

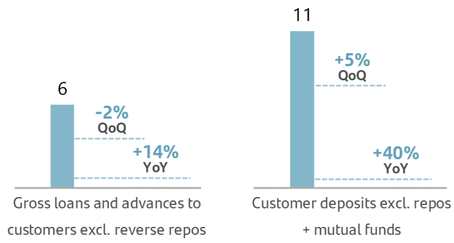
### Customers

June 2019. Thousands

| Loyal customers | Digital customers |
|---|---|
| 1,345 | 2,127 |
| 47% /active customers | +3% YoY |

### Activity

June 2019. EUR billion and % change in constant euros




### Underlying income statement

EUR million and % change in constant euros

| | Q2'19 | /Q1'19 | H1'19 | /H1'18 |
|---|---|---|---|---|
| Revenue | 389 | +22% | 720 | +67% |
| Expenses | -229 | +17% | -431 | +89% |
| LLPs | -70 | +1% | -143 | +114% |
| PBT | 94 | — | 127 | +20% |
| Underlying attrib. profit | 63 | — | 73 | 0% |

Detailed financial information on page 66

# Uruguay

**EUR 71 Mn**
Underlying attributable profit

**Highlights** (changes in constant euros)

- The Group is the country's leading privately-owned bank, doing business with all segments and with a strategy focused on retail banking, improving efficiency and enhancing the quality of service.
- Underlying attributable profit rose 13%, spurred by the good performance of customer revenue and improved efficiency.

### Commercial activity and business performance

- Santander continued to focus on improving customer satisfaction and increasing loyalty. Loyal customers rose 19% and now account for 24% of active clients.
- We continued to advance in our digital transformation strategy and in modernising channels. The number of digital customers increased 9% (digital penetration of 48%, up from 45% in June 2018) while transactions via digital channels rose 36% year-on-year.
- The Group's consumer finance companies now lead the local market, with a market share of more than 22%. Commercial activity continued to grow briskly, with significant growth in the customer base. In line with our strategy of innovation and contributing to people's progress, we launched Prosperá, which provides microcredits to small businesses.
- Gross loans and advances to customer (excluding reverse repos) grew in target segments, products and currencies: +14% in consumer credit and cards and +19% in the national currency portfolio. Customer deposits (excluding repos) in pesos grew 11% and foreign currency deposits increased 4% year-on-year.

### Results

**First half of 2019** underlying attributable profit of EUR 71 million, 13% higher year-on-year.

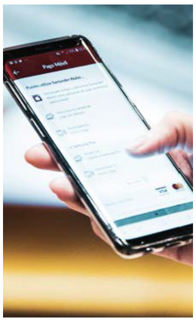
- Gross income rose 15%, driven by customer revenue, with increases in both net interest income and net fee income.
- Operating expenses rose at a slower pace than total income, improving the efficiency ratio to 43% (-63 bps year-on-year).
- Loan-loss provisions increased 9%, however the NPL ratio remained at a low level (3.46%), coverage was high (109%) and the cost of credit was 2.60%.

# Peru **Highlights** (changes in constant euros)

- The strategy remained focused on the corporate segment, the country's large companies and the Group's global customers.
- The auto loan financial entity continued to expand its business within the Group's strategy of increasing its presence in this business.
- **First half** underlying attributable profit of EUR 19 million (+8% year-on-year). Total income rose 23% underpinned by higher net interest income, net fee income and gains on financial transactions. Operating expenses increased 12% and the efficiency ratio was 33.3% (-3.3 pp year-on-year).
- The NPL ratio was 0.81%, coverage was very high and the cost of credit only 0.30%.

# Colombia **Highlights** (changes in constant euros)

- Activity in Colombia remained focused on SCIB clients, large companies and corporates, contributing solutions in treasury, risk hedging, foreign trade, confirming, custody and development of investment banking products supporting the country's infrastructure plan.
- Auto finance is also increasing. The origination share reached 2.3% (+60 bps in 12 months), in line with the strategy to attain the critical mass needed to consolidate ourselves in this market. We signed an alliance with Chekar.co, a fully digital platform for buying and selling vehicles. We will begin to grant consumer loans in the coming quarters.
- Gross loans and advances to customers (excluding reverse repos) more than doubled, with growth in all business segments. Of note was the fivefold rise in auto finance. Customer deposits (excluding repos) rose 75%.
- **The first half** underlying attributable profit was EUR 5 million (EUR 2 million in the same period of 2018). Total income grew 66%, underpinned by net interest income and net fee income, thanks to greater commercial activity.



**EUR -51 Mn**
Underlying attributable profit

# SANTANDER GLOBAL PLATFORM (SGP)

## Highlights

- With the creation of Santander Global Platform, we are taking a further step forward in our digital transformation, which aligns our reporting structure with our organisation and strategy.
- Our goal is to extend the benefits of the talent and scale of the Group to the payment and digital businesses with higher growth, building platforms only once for all of our banks which allow us to offer the best digital services aimed at retail customers, merchants and SMEs.
- In making our Santander Global Platform results public, we are improving the transparency around our digital investments and accelerate the execution of our initiatives.

## Strategy

In 2019, the unit is focused on the following priorities:

• **Openbank and Open Digital Services (ODS):**

– Openbank, our digital bank in Spain, has a large base of 1.2 million customers and is increasing strongly the number of transactions (29%) and volumes. All of this with high levels of transactionality and productivity per customer and employee.

– Open Digital Services (ODS) is creating a new banking platform with a complete range of products for individuals. This platform will be used for Openbank's international expansion. In a first phase, it will be available in Germany, Portugal, the Netherlands, Argentina and Mexico.

• **Global Payments Services:**

– Superdigital: is aimed at the unbanked population. In a first phase, it is expected to be rolled out in Mexico and Chile, leveraging the experience in Brazil. We currently have more than 500,000 active users.

– *Pago FX:* aims to create an app for the open market, with low cost, transparent, same day or next day international transfers. The first phase is expected to be launched in three European countries.

– Global Merchant Services is developing a global acquiring solution, a segment that already has more than one million active customers. Taking advantage of Getnet's capabilities, it will be installed in a first phase in Mexico and followed by the rest of Latin America.

– At Global Trade Services, we want to continue being the partner for our more than 200,000 companies that are growing and doing international business with us. The aim is to develop the platform in 2019 and an initial roll-out in the UK, Spain, Brazil and Chile. In the future, we hope to capture business in the rest of Santander geographies and the open market.

• **Digital Assets:**

– The Centres of Digital Expertise continue leveraging the Group's scale and ensuring all countries have access to the most innovative technologies.

– *InnoVentures*, our venture capital investments in the fintech ecosystem, had approximately USD 100 million invested in 24 companies in June.

– Finally, in the rest of Digital Assets, we continued to advance in *Globile*, our shared mobile phone platform, with more than 20 components implemented in six countries. We also progressed in *Open Platform*, a new cloud based technological platform used to develop corporate projects.

Openbank
Grupo Santander

| | |
|---|---|
| Customers **1.2 Mn** | # transactions **+29% YoY** |
| Loans: **+164%** Deposits: **+22%** | Business / customer[1] **EUR 36,200** |

(1) Loyal.

superdigital

**> 500,000** active users

Global Merchant Services

**> 1.0 Mn** active customers

Global Trade Services

**> 200,000** companies

Detailed financial information on page 68

# CORPORATE CENTRE

EUR -1,108 Mn
Underlying attributable profit

## Highlights

- The Corporate Centre's objective is to aid the operating units by contributing value and carrying out the corporate function of oversight and control. It also carries out functions related to financial and capital management.
- The underlying attributable loss was higher compared to the first half of 2018, mainly due to higher costs related to foreign currency hedging and increased stock of issuances.

### 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 generating economies of scale. This enables us to be one of the most efficient banks.
- 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 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 the different funding sources (issuances and other), always maintaining an adequate profile in volumes, maturities and costs. The price at which these operations are made with other Group units is the market rate (Euribor or mid-swap) plus the premium, which in liquidity terms, 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 in equity and dynamic in the countervalue of the units' annual results in euros. Net investments in equity are currently covered by EUR 24,990 million (mainly Brazil, the UK, Mexico, Chile, the US, Poland and Norway) with different instruments (spot, fx, forwards).
- **Management of total capital and reserves:** capital allocated to each of the units.

### Results

**First half** underlying attributable loss of EUR 1,108 million, 25% higher than in the same period of 2018, largely because of three factors: the higher costs related to foreign currency hedging, the higher stock of issuances and, to a lesser extent, IFRS 16.

Operating expenses were 9% lower driven by ongoing streamlining and simplification measures.

## Corporate Centre

EUR million

| | Q2'19 | Q1'19 | Chg. | H1'19 | H1'18 | Chg. |
|---|---|---|---|---|---|---|
| Gross income | -423 | -399 | +6% | -822 | -494 | +66% |
| Net operating income | -519 | -497 | +4% | -1,015 | -706 | +44% |
| PBT | -595 | -559 | +6% | -1,155 | -866 | +33% |
| Underlying attrib. profit | -592 | -517 | +15% | -1,108 | -884 | +25% |

Detailed financial information on page 69

# RETAIL BANKING

**EUR 3,856 Mn**
Underlying attributable profit

**Highlights** (changes in constant euros)

- The Group continued to focus on customer loyalty, with new products and services that cover the current needs of our customers. At end of June 2019, the Group had 142 million customers, more than 20 million of whom are loyal.
- Underlying attributable profit of EUR 3,856 million in the first half, 6% higher than in the same period of 2018 due to the positive customer revenue dynamics and controlled costs.
- Santander was named the Best Bank in Latin America and the Best SME Bank in Western Europe by *Euromoney*.

## Commercial activity

The Group had 142 million customers at the end of June 2019 (including 24 million consumer finance customers), almost all of whom are from the retail banking segment. In 2019, the focus remains on customer loyalty, already exceeding 20 million loyal customers, equivalent to 30% of active ones.

Santander wants to be the reference bank for customers of all income levels, offering them the services and products that best meet their needs. Furthermore, we are fostering entrepreneurship, helping SMEs and other companies via loans and non-financial support such as training and access to our networks.

As a universal bank, we continued to reinforce our business with new products and services. Of note in the second quarter were:

- In Spain, launch of *Cuenta Mundo* for non-residents, via a differential value proposition with a package of innovative products and services. We also extended *Santander Personal*, the remote management model, for individuals and companies.
- In Poland, we launched a new commercial website. Santander's online service is now also available in more languages.
- In Portugal, the commercial transformation continued with the renewal of the offer and benefits in *Mundo 1|2|3* and a stronger presence in the agrifood sector.
- In Mexico, *SuperMóvil* incorporates new functionalities, notably *Santander Tap*, a transfer system by instant message for operations between customers and for sending money to customer of other banks, at any time and with no fees.
- In Brazil, *Santander Duo* was announced for small entrepreneurs, which combines accounts of a legal and natural person and has a single customer service manager.
- In Chile, launch of the *Súper Hipoteca* for those under the age of 35 and new *Santander Life* products. Branches continued to be opened based on the *Work Café* model.

All of these measures helped to boost the number of loyal customers (+11% individuals and +7% companies year-on-year).

## Results

**The first half** underlying attributable profit rose 6%, driven by the good dynamics in customer revenue (+5%) and controlled costs. Of note was the performance of North America and South America.

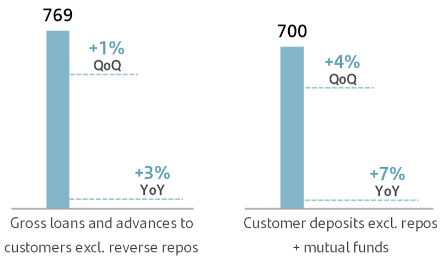
### Customers

June 2019. Thousands

| Loyal customers | Digital customers |
|---|---|
| 20,640 | 34,795 |
| 30% /active customers | +22% YoY |

### Activity

June 2019. EUR billion and % change in constant euros




### Underlying income statement

EUR million and % change in constant euros

| | Q2'19 | /Q1'19 | H1'19 | /H1'18 |
|---|---|---|---|---|
| Revenue | 10,881 | +3% | 21,528 | +4% |
| Expenses | -4,882 | +2% | -9,712 | +2% |
| LLPs | -2,090 | -3% | -4,251 | +5% |
| PBT | 3,512 | +9% | 6,776 | +7% |
| Underlying attrib. profit | 2,053 | +15% | 3,856 | +6% |

Detailed financial information on page 70

# CORPORATE & INVESTMENT BANKING

**EUR 889 Mn**

Underlying attributable profit

**Highlights** (changes in constant euros)

- Santander is among the leaders in Latin America and Europe, particularly in export & agency finance, and structured financing.
- In capital markets, we are one of the main bookrunners of green bonds in Spain and Europe.
- We continued to advance in our mission to help our global customers in their capital issuances, providing them with financing solutions and transaction services. We also continued to adapt our offer of products to the Bank's digital transformation.
- Underlying attributable profit was 10% higher year-on-year, driven by growth in revenue and lower loan-loss provisions.

## Commercial activity

- **Cash management**: we consolidated our leadership in our main countries, particularly in Latin America. We also grew strongly in the US, the result of strengthening our product capacities.
- **Trade & Working Capital Solutions**: strong growth in all products, particularly in receivables finance, structured trade and trade funding. Of note was the positive evolution in the US where we secured growth with our local clients and in Latin America.
- **Corporate Finance:** Notable participation in the re-IPO of *CPFL Energía*, the largest operation this year in Brazil, where Santander was the main global coordinator, thereby strengthening our position in the Brazilian market. We maintained our leadership in Spain, Portugal, Mexico and Poland.
- **Debt Capital Markets:** Santander continued to be the leader in Latin America and was among the Top 5 in European corporate issuances. Also noteworthy was our increased participation in dollar issues and the focus on activities linked to sustainable finance, making us one of the leading bookrunners of green bonds in Spain and Europe.
- **Syndicated Corporate Loans**: Santander continued to play a key role in corporate financing, although the volumes of financing acquisitions were very affected by the lack of M&A activity. In line with our responsible banking strategy, Santander is increasing its range of sustainable finance products via green loans and/or linked to sustainable indices such as that of Merlín, Spain's largest syndicated real estate loan so far, or Goldwind which launched the first syndicated green loan in Asia.
- **Structured Financing**: the Group held its global leadership position in Project Bonds, having issued more globally than any other bank. In structured loans, Santander is the leader by volume in Latin America and the third in Europe.
- The contribution from **markets' activity** remained stable: the positive evolution of markets in the Americas offset the reduced activity in Europe. Good sales performance in Brazil, Chile, and Argentina, as well as management of books in the UK, US, Argentina and Chile.

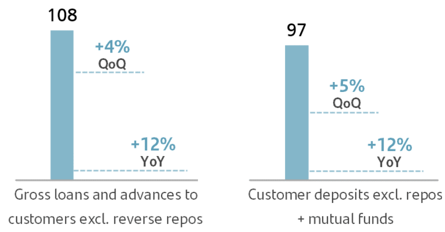
## Results

**The first half** underlying attributable profit was 10% higher at EUR 889 million, underpinned by the good results of Global Transaction Banking and maintaining operations in Global Markets, which offset the lower activity in Global Debt Finance.

Revenue growth and lower provisions absorbed the higher costs in transformational projects.

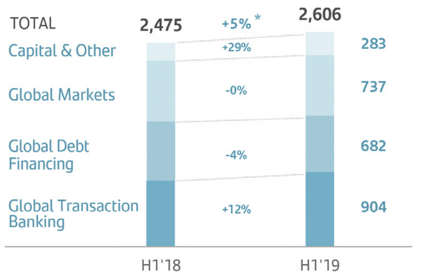
## Activity

June 2019. EUR billion and % change in constant euros




## Total income breakdown

Constant EUR million



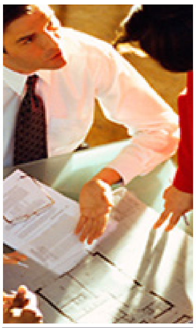

(*) In euros: +2%

## Underlying income statement

EUR million and % change in constant euros

| | Q2'19 | /Q1'19 | H1'19 | /H1'18 |
|---|---|---|---|---|
| Revenue | 1,313 | +2% | 2,606 | +5% |
| Expenses | -559 | 0% | -1,119 | +9% |
| LLPs | -46 | +375% | -55 | -56% |
| PBT | 693 | 0% | 1,396 | +8% |
| Underlying attrib. profit | 434 | -3% | 889 | +10% |

Detailed financial information on page 70



**EUR 459 Mn**
Underlying attributable profit

# WEALTH MANAGEMENT & INSURANCE

**Highlights** (changes in constant euros)

- Insurance business was incorporated into this Division during the second quarter, having restated previous periods for comparison purposes.
- The first half underlying attributable profit was 10% higher than in the same period of 2018.
- Total contribution (net profit + fee income) amounted to EUR 1,227 million, 8% more than in the first half of 2018.
- Assets under management amounted to EUR 377,000 million, +3% year-on-year.

## Commercial activity

- We continued to progress in our strategy to make us the best wealth manager in Europe and Latin America:
  - **Santander Asset Management** (SAM): is developing its own rating methodology in order to make the alignment of all our funds with the market's ESG criteria transparent. In Spain, we are the leaders with 66% share of ESG mutual funds and in Latin America we continue to develop the offering.
  - In **Private Banking**: we are developing a global platform. The *SPB Desk* will provide customer attention and service offering across geographies to our global clients. Our digital tools for clients (*Virginia*) and bankers (*SPiRIT*) were recognised for providing the best solutions in Latin America in the Financial Times 2019 Wealth Tech Awards.
  - In **Insurance,** we are completing our value proposition with the aim to become the leaders in bancassurance in all our markets. Of note is the creation of a joint company with MAPFRE to provide car insurance and specific products for SMEs in Spain, and the alliance with HDI in car business in Brazil.

## Business performance

- Total assets under management at the end of June 2019 amounted to EUR 377 billion (+3% year-on-year), with increases in Private Banking as well as in SAM:
  - In 2019, SAM increased its market share in almost all countries, notably in Spain and Chile.
  - Of note in Private Banking grew in Brazil (+13%) and Chile (+10%). Loans and advances to customers grew 9%.
- In Insurance, in the first half of 2019, premium volumes grew 10% compared to the same period last year. Of note was the growth in Spain, Mexico and Brazil.

## Results

**The first half** underlying attributable profit was EUR 459 million, 10% more year-on-year:

- Higher revenue, from growth in net interest income, in line with greater lending, as well as the larger contribution from insurance.
- Flat operating expenses, due to optimisation measures which offset investments in platforms.
- Recovery of provisions from reduced doubtful loan positions, mainly in Spain.

When the total fee income generated by this business is added to net profit, the total contribution to the Group was EUR 1,227 million, 8% more year-on-year.

The total fee income generated, including those transferred to the commercial network, represents 30% of the Group's total and rose 4%.

## Total profit contribution

% change in constant euros

**Q2'19: EUR 628 Mn** — +5% / Q1'19

**H1'19: EUR 1,227Mn** — +8% / H1'18

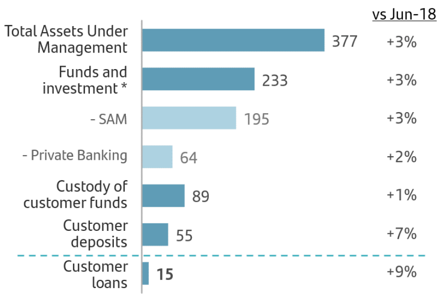
## Distributed insurance premiums

% change in constant euros

+10% / H1'18

## Business performance

June 2019. 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 2019 and 2018

## Underlying income statement

EUR million and % change in constant euros

| | Q2'19 | /Q1'19 | H1'19 | /H1'18 |
|---|---|---|---|---|
| Revenue | 560 | +7% | 1,085 | +6% |
| Expenses | -226 | -2% | -455 | +2% |
| LLPs | 0 | — | 7 | — |
| PBT | 332 | +12% | 632 | +10% |
| Underlying attrib. profit | 241 | +11% | 459 | +10% |

Detailed financial information on page 71

# RESPONSIBLE BANKING

In 2018, the responsible banking, sustainability & culture committee (RBSCC) was created to ensure that, wherever we operate, our manage teams are aware of the need to be responsible in all that we do and in the management of the challenges we face. We have identified two challenges: adapt to the new business environment and support inclusive and sustainable growth.

**→ Santander is helping to address today's main global challenges**

- Our activity and investments help us to address a number of the United Nations' Sustainable Development Goals, and support the Paris Agreement's aim to combat climate change and adapt to its effects. We are:


- Promoting the UNEP FI Principles for Responsible Banking, embedding sustainability across all its business areas and contributing to develop methods to align with the Paris Agreement.
- Incorporating the UN Global Compact principles into our policies and procedures, fulfilling our fundamental responsibilities in the areas of human rights, labour, environment and anticorruption.
- Supporting the Task Force for Climate-related Financial Disclosure (TCFD) recommendations, identifying and assessing risk and opportunities developing a forward looking climate strategy and disclosing to stakeholders.
- Included in various sustainability indices, providing non-financial information to markets, investors and analysts on ESG:


**→ Two key challenges have been identified and we have recently published our commitments regarding these challenges:**

**→ Challenge 1: Adapt to the new business environment:**

- Our commitments:

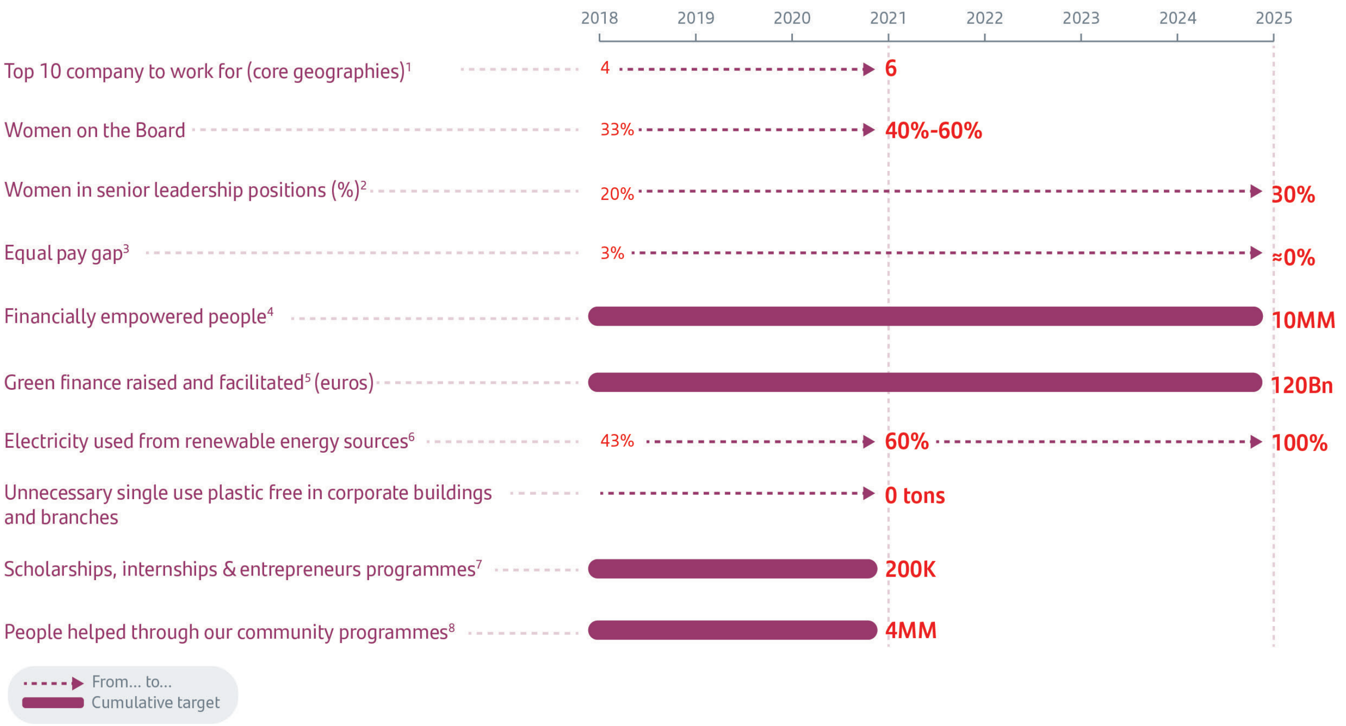
- Be one of the top 10 companies to work for in at least 6 of the core geographies where we operate by 2021.
- Have 40% - 60% of women members on our Group Board by 2021; and have at least 30% of women in senior leadership positions by 2025.
- Achieve gender pay equality by 2025.

**→ Challenge 2: Support inclusive and sustainable growth:**

- Our commitments:

- Financial empowerment of more than 10 million people from 2019 to 2025.
- Mobilisation of EUR 120 billion from 2019 to 2025, and EUR 220 bn from 2019 to 2030 in green finance to help tackle climate change.
- Eliminate unnecessary single use plastic in our branches and corporate buildings by 2021 and by 2025 have 100% of our electricity from renewable sources.
- Fund 200,000 scholarships, internships and entrepreneurs programmes from 2019 to 2021.
- Help 4 million people through our community programmes from 2019 to 2021.

## Santander Responsible banking targets




*1. According to a well-known external source in each country (Great Place to Work, Top Employer, Merco, etc.).*

*2. Senior positions represent 1% of total workforce.*

*3. Calculation of equal pay gap compares employees of the same job, level and function.*

*4. Financially empowered people (mostly unbanked and underbanked), through products and services and social investment initiatives, to get access to the financial system, receive tailored finance and increase their knowledge and resilience through financial education.*

*5. Includes Santander overall contribution to green finance: project finance, syndicated loans, green bonds, capital finance, export finance, advisory, structuring and other products to help our clients in the transition to a low carbon economy. Commitment from 2019 to 2030 is EUR 220 billion.*

*6. In those countries where it is possible to certify renewable sourced electricity for the properties occupied by the Group.*

*7. People supported through Santander Universities initiative (students who will receive a Santander scholarship, will achieve an internship in an SME or participate in entrepreneurship programmes supported by the bank).*

*8. People helped through our community investment programmes (excluded Santander Universities and financial education initiatives).*

## First half 2019 highlights

SCIB financed Acciona's first ESG loan in the Chilean market in May 2019 for USD 30 million. In Spain, Santander is classified as first in the Spanish ranking of sustainable debt issues according to Dealogic, after participating as a joint bookrunner in Telefónica, Iberdrola, Adif, ICO and the Basque Country government.

Santander Wealth Management & Insurance has a range of ESG mutual funds (*Santander Sostenible*) that make us the leader with a 66% market share.

# 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

## → Extraordinary General Meeting of Shareholders

An extraordinary general meeting was called on 21 June for 23 July 2019 (second call) in order to submit for shareholders' approval the capital increases needed to carry out the offer to acquire all the share capital of Banco Santander México, S.A., Institución de Banca Multiple, Grupo Financiero Santander México, which are not owned by Grupo Santander, as announced on 12 April 2019.

In order to facilitate the informed participation of shareholders at this meeting, all the proposed agreements, relevant administrator reports and the necessary legal documentation were published on the Group's website (www.santander.com) when the meeting was called. The contents of our website are not incorporated into this report.

## → Changes in the board in the second quarter

As of 1 May 2019, Mr. Rodrigo Echenique Gordillo no longer exercises his executive functions in the Group and ceases to be a deputy chairman of the board and a member of its executive committee. As such, he becomes a non-executive director (neither proprietary nor independent).

On 19 June 2019, authorisation was received from the European Central Bank to appoint Mr. Henrique de Castro as a director of the Bank, who will join the Board on 17 July 2019.

## → Changes to the composition of the board's committees in the second quarter

As of 1 May 2019, Mr. Rodrigo Echenique Gordillo is a member of the appointments committee.

On 23 July 2019, Mr. Henrique de Castro will join the innovation and technology committee.

## → Changes to the Group's senior management in the second quarter

Ms. Mónica López-Monis Gallego was appointed on 7 May 2019 the new head of supervisory and regulatory relations.

# SIGNIFICANT EVENTS SINCE QUARTER END

From 1 July 2019 until the approval date of the interim financial statements for the six-month period ended 30 June 2019, no significant events other than those indicated in the interim financial statements have occurred.

# SANTANDER SHARE

### → Shareholder remuneration

The fourth dividend of EUR 0.065 per share charged to 2018's earnings was paid in cash in May 2019.

This brought the total shareholder remuneration for 2018 to EUR 0.23 per share, 4.5% more than in 2017.

This remuneration represents a return on the average share price in 2019 of 5.5%.

In order to align us with the current practices of our peers in Europe, the board's target is to maintain in the medium term a pay-out ratio of 40%-50%, up from the previous 30%-40% target, and, as announced at the 2018 annual general meeting, make two payments charged to 2019's earnings. The board expects to announce the interim 2019 dividend after its meeting in September 2019.

### → Share price performance

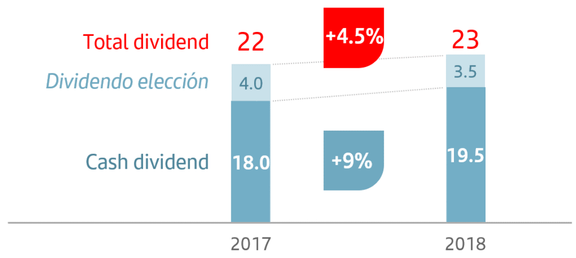
The Santander share is listed in five markets, in Spain, Mexico and Poland as an ordinary share, in the UK as a CDI and in the US as an ADR.

In Spain, the main market where the Bank is listed, the share price ended June 2019 at EUR 4.081, 2.7% higher than at the end of 2018. This performance was below that of the Ibex 35 benchmark Spanish index, which rose 7.7%, and that of the DJ Stoxx 50 and MSCI World Banks (+15.2% and +9.5%, respectively), but above DJ Stoxx Banks, the main European banking index (+0.9%).

In terms of total return, the Santander share increased 5.8% in the first half, better than the DJ Stoxx Banks (+5.0%).

## Dividend

Euro cents / share




**23** euro cents per share in 2018

| First dividend | Second dividend | Third dividend | Fourth dividend |
|---|---|---|---|
| 6.5 cents / share | 3.5 cents / share | 6.5 cents / share | 6.5 cents / share |
| Paid in August 2018 in cash | Paid in November 2018. **Script Dividend Programme** | Paid in February 2019 in cash | Paid as of May 2019 in cash |

Yield: 5.5%

## Dividend 2019

Targeted pay-out ▲ 40-50%

Expected announcement of the interim dividend in September 2019

## Share price

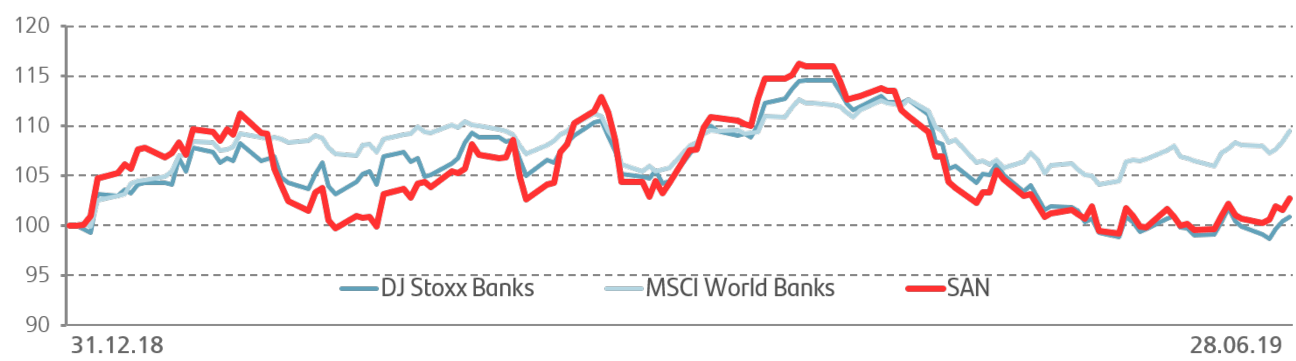
**START** 31/12/2018 € 3.973

**END** 28/06/2019 € 4.081

**Maximum** 17/04/2019 € 4.682

**Minimum** 02/01/2019 € 3.830

## Comparative share performance



# SANTANDER SHARE

### → Market capitalisation and trading

By 28 June 2019, Santander was the largest bank in the Eurozone by market capitalisation and the 19th in the world among financial entities (EUR 66,253 million).

The share's weighting in the DJ Stoxx 50 at the end of June 2019 was 1.8%, 8.1% in the DJ Stoxx Banks and 13.9% in the Ibex 35.

A total of 10,262 million Santander shares were traded in the first half for an effective value of EUR 43,668 million, the largest figure among the shares that comprise the EuroStoxx (liquidity ratio of 63%).

The daily trading volume was 82 million shares with an effective value of EUR 349 million.

1st Bank in the Eurozone by market capitalisation

EUR 66,253 million

### The Santander share

June 2019

| Shares and trading data | |
|---|---|
| Shares (number) | 16,236,573,942 |
| Average daily turnover (number of shares) | 82,094,277 |
| Share liquidity (%) | 63 |
| (Number of shares traded during the year / number of shares) | |

| Stock market indicators | |
|---|---|
| Price / Tangible book value (X) | 0.95 |
| P/E ratio (X) | 11.29 |
| Free float (%) | 99.98 |

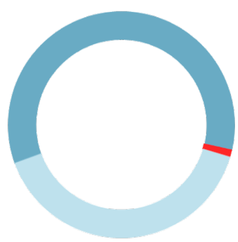
### → Shareholder base

The total number of Santander shareholders on 30 June 2019 was 4,054,208 of which 3,809,676 were European (77.1% of the capital stock) and 228,225 from the Americas (21.9%).

Excluding the board, which holds 1.1% of the Bank's capital stock, retail shareholders account for 39.5% and institutional shareholders 59.4%.

### Share capital distribution by type of shareholder

June 2019



Institutional
59.41%

Board (*)
1.13%

Retail
39.46%

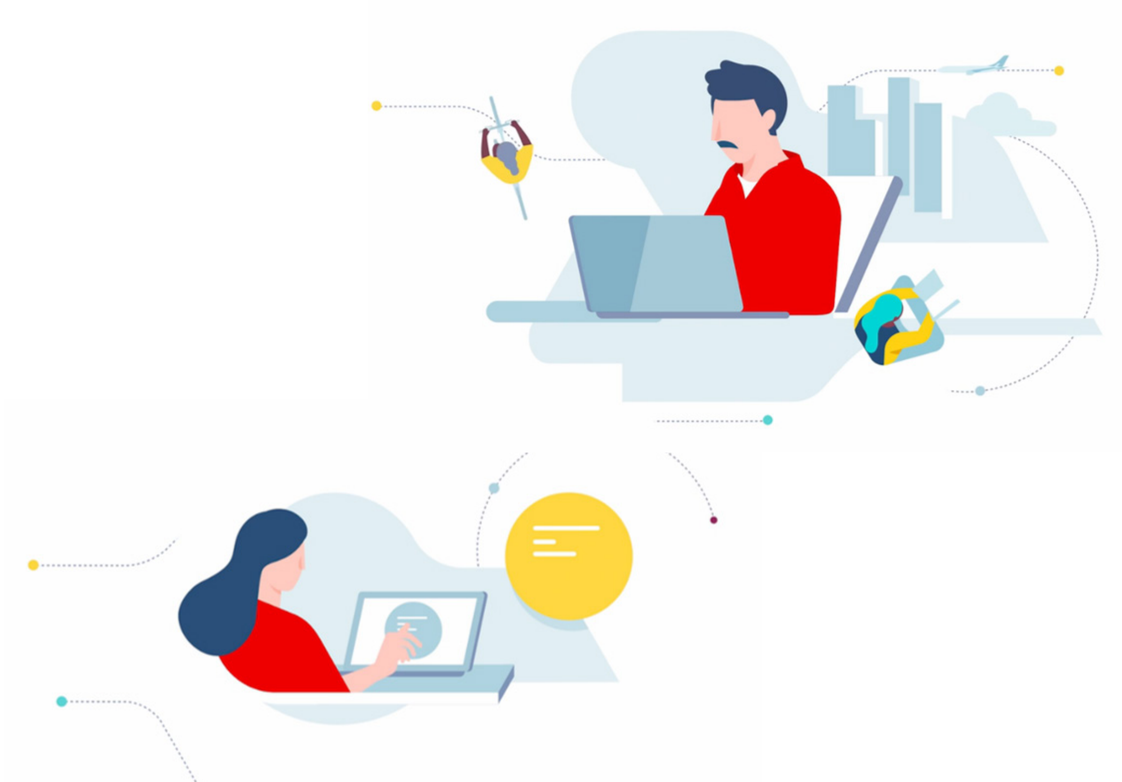
(*) Shares owned or represented by directors.

### Share capital distribution by geographic area

June 2019

| The Americas | Europe | Other |
|---|---|---|
| 21.90% | 77.10% | 1.00% |

# Financial report first half 2019



# APPENDIX



## Net fee income. Consolidated

EUR million

| | Q2'19 | Q1'19 | Chg. % | H1'19 | H1'18 | Chg. % |
|---|---|---|---|---|---|---|
| Fees from services | 1,734 | 1,779 | (2.5) | 3,513 | 3,603 | (2.5) |
| Wealth management and marketing of customer funds | 962 | 936 | 2.8 | 1,898 | 1,840 | 3.2 |
| Securities and custody | 236 | 216 | 9.3 | 452 | 446 | 1.3 |
| **Net fee income** | **2,932** | **2,931** | **0.0** | **5,863** | **5,889** | **(0.4)** |

## Operating expenses. Consolidated

EUR million

| | Q2'19 | Q1'19 | Chg. % | H1'19 | H1'18 | Chg. % |
|---|---|---|---|---|---|---|
| Staff costs | 3,074 | 3,006 | 2.3 | 6,080 | 5,960 | 2.0 |
| Other general administrative expenses | 2,025 | 2,005 | 1.0 | 4,030 | 4,305 | (6.4) |
| Information technology | 562 | 551 | 2.0 | 1,113 | 763 | 46.0 |
| Communications | 132 | 132 | — | 264 | 262 | 0.9 |
| Advertising | 168 | 157 | 7.0 | 325 | 310 | 4.8 |
| Buildings and premises | 218 | 211 | 3.3 | 429 | 927 | (53.7) |
| Printed and office material | 31 | 32 | (3.1) | 63 | 62 | 2.3 |
| Taxes (other than tax on profits) | 138 | 126 | 9.5 | 264 | 287 | (7.9) |
| Other expenses | 776 | 796 | (2.5) | 1,572 | 1,695 | (7.3) |
| **Administrative expenses** | **5,099** | **5,011** | **1.8** | **10,110** | **10,265** | **(1.5)** |
| Depreciation and amortisation | 730 | 747 | (2.3) | 1,477 | 1,217 | 21.4 |
| **Operating expenses** | **5,829** | **5,758** | **1.2** | **11,587** | **11,482** | **0.9** |

(1) In H1'19, impact of the IFRS 16 application.

## Operating means. Consolidated

| | Employees | | | Branches | | |
|---|---|---|---|---|---|---|
| | Jun-19 | Jun-18 | Var. | Jun-19 | Jun-18 | Var. |
| **Europe** | **91,488** | **92,521** | **(1,033)** | **6,427** | **6,912** | **(485)** |
| Spain | 30,682 | 31,393 | (711) | 4,247 | 4,468 | (221) |
| Santander Consumer Finance | 14,494 | 15,083 | (589) | 424 | 442 | (18) |
| United Kingdom | 25,761 | 25,829 | (68) | 659 | 779 | (120) |
| Portugal | 6,736 | 6,940 | (204) | 553 | 672 | (119) |
| Poland | 11,488 | 11,494 | (6) | 532 | 540 | (8) |
| Other | 2,327 | 1,782 | 545 | 12 | 11 | 1 |
| **North America** | **36,917** | **36,270** | **647** | **2,062** | **2,072** | **(10)** |
| US | 17,381 | 17,191 | 190 | 646 | 670 | (24) |
| Mexico | 19,536 | 19,079 | 457 | 1,416 | 1,402 | 14 |
| **South America** | **71,158** | **69,997** | **1,161** | **4,591** | **4,497** | **94** |
| Brazil | 48,118 | 46,672 | 1,446 | 3,643 | 3,490 | 153 |
| Chile | 11,797 | 12,023 | (226) | 380 | 420 | (40) |
| Argentina | 9,183 | 9,222 | (39) | 469 | 482 | (13) |
| Other | 2,060 | 2,080 | (20) | 99 | 105 | (6) |
| **Santander Global Platform** | **597** | **427** | **170** | **1** | **1** | **—** |
| **Corporate Centre** | **1,644** | **1,746** | **(102)** | | | |
| **Total Group** | **201,804** | **200,961** | **843** | **13,081** | **13,482** | **(401)** |

## Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss (net)

EUR million

| | Q2'19 | Q1'19 | Chg. % | H1'19 | H1'18 | Chg. % |
|---|---|---|---|---|---|---|
| Net loan-loss provisions | 2,141 | 2,172 | (1.4) | 4,313 | 4,297 | 0.4 |
| Non-performing loans | 2,637 | 2,515 | 4.9 | 5,152 | 5,112 | 0.8 |
| Country-risk | (2) | 1 | — | (1) | 9 | — |
| Recovery of written-off assets | (494) | (344) | 43.6 | (838) | (823) | 1.8 |
| Other impairment | (19) | 74 | (125.7) | 55 | 55 | (134.8) |
| **Total** | **2,122** | **2,246** | **(5.5)** | **4,368** | **4,352** | **(51.2)** |

## Loans and advances to customers. Consolidated

EUR million

| | | | Change | | |
|---|---|---|---|---|---|
| | Jun-19 | Jun-18 | Absolute | % | Dec-18 |
| Commercial bills | 34,275 | 30,301 | 3,974 | 13.1 | 33,301 |
| Secured loans | 495,091 | 475,428 | 19,663 | 4.1 | 478,068 |
| Other term loans | 270,244 | 261,538 | 8,706 | 3.3 | 265,696 |
| Finance leases | 34,534 | 29,804 | 4,730 | 15.9 | 30,758 |
| Receivable on demand | 8,689 | 9,936 | (1,247) | (12.6) | 8,794 |
| Credit cards receivable | 23,031 | 20,728 | 2,303 | 11.1 | 23,083 |
| Impaired assets | 33,045 | 35,150 | (2,105) | (6.0) | 34,218 |
| **Gross loans and advances to customers (excl. reverse repos)** | **898,909** | **862,885** | **36,024** | **4.2** | **873,918** |
| Reverse repos | 32,049 | 23,523 | 8,526 | 36.2 | 32,310 |
| **Gross loans and advances to customers** | **930,958** | **886,408** | **44,550** | **5.0** | **906,228** |
| Loan-loss allowances | 22,723 | 24,316 | (1,593) | (6.6) | 23,307 |
| **Loans and advances to customers** | **908,235** | **862,092** | **46,143** | **5.4** | **882,921** |

## Total funds. Consolidated

EUR million

| | | | Change | | |
|---|---|---|---|---|---|
| | Jun-19 | Jun-18 | Absolute | % | Dec-18 |
| Demand deposits | 573,079 | 535,084 | 37,995 | 7.1 | 548,711 |
| Time deposits | 206,431 | 196,154 | 10,277 | 5.2 | 199,025 |
| Mutual funds | 174,294 | 163,790 | 10,504 | 6.4 | 157,888 |
| **Customer funds** | **953,804** | **895,028** | **58,776** | **6.6** | **905,624** |
| Pension funds | 15,602 | 15,900 | (298) | (1.9) | 15,393 |
| Managed portfolios | 28,122 | 27,248 | 874 | 3.2 | 26,785 |
| Repos | 35,241 | 43,187 | (7,946) | (18.4) | 32,760 |
| **Total funds** | **1,032,769** | **981,363** | **51,406** | **5.2** | **980,562** |

## Eligible capital (fully loaded)

EUR million

| | | | Change | | |
|---|---|---|---|---|---|
| | Jun-19* | Jun-18 | Absolute | % | Dec-18 |
| Capital stock and reserves | 117,699 | 116,371 | 1,327 | 1.1 | 114,147 |
| Attributable profit | 3,231 | 3,752 | (521) | (13.9) | 7,810 |
| Dividends | (1,615) | (1,635) | 19 | (1.2) | (3,292) |
| Other retained earnings | (22,937) | (25,341) | 2,404 | (9.5) | (23,606) |
| Minority interests | 6,893 | 6,567 | 325 | 5.0 | 6,981 |
| Goodwill and intangible assets | (28,810) | (28,726) | (84) | 0.3 | (28,644) |
| Other deductions | (6,054) | (6,741) | 687 | (10.2) | (6,492) |
| **Core CET1** | **68,406** | **64,248** | **4,158** | **6.5** | **66,904** |
| Preferred shares and other eligible T1 | 8,690 | 8,824 | (134) | (1.5) | 8,934 |
| **Tier 1** | **77,096** | **73,072** | **4,024** | **5.5** | **75,838** |
| Generic funds and eligible T2 instruments | 12,544 | 11,646 | 897 | 7.7 | 11,669 |
| **Eligible capital** | **89,640** | **84,718** | **4,921** | **5.8** | **87,506** |
| Risk-weighted assets | 605,470 | 594,754 | 10,716 | 1.8 | 592,319 |
| | | | | | |
| **CET1 capital ratio** | **11.30** | **10.80** | **0.50** | | **11.30** |
| **T1 capital ratio** | **12.73** | **12.29** | **0.44** | | **12.80** |
| **Total capital ratio** | **14.80** | **14.24** | **0.56** | | **14.77** |

(*) Applying a 50% pay-out in the calculation of the capital ratios.

## EUROPE

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Net interest income | 3,580 | 0.5 | 0.5 | 7,141 | 1.9 | 1.8 |
| Net fee income | 1,304 | (1.7) | (1.8) | 2,630 | (4.5) | (4.6) |
| Gains (losses) on financial transactions [1] | 146 | (21.1) | (21.3) | 332 | (31.1) | (31.3) |
| Other operating income | 158 | 4.1 | 4.2 | 310 | 11.5 | 11.3 |
| **Total income** | **5,188** | **(0.7)** | **(0.7)** | **10,413** | **(1.1)** | **(1.1)** |
| Administrative expenses and amortisations | (2,789) | (0.5) | (0.5) | (5,591) | (1.3) | (1.5) |
| **Net operating income** | **2,399** | **(1.0)** | **(1.0)** | **4,822** | **(0.7)** | **(0.7)** |
| Net loan-loss provisions | (387) | (15.3) | (15.4) | (844) | (1.8) | (1.7) |
| Other gains (losses) and provisions | (231) | 17.0 | 17.0 | (429) | 10.5 | 10.5 |
| **Profit before tax** | **1,781** | **0.7** | **0.7** | **3,549** | **(1.7)** | **(1.7)** |
| Tax on profit | (475) | (3.5) | (3.5) | (967) | (0.9) | (0.9) |
| **Profit from continuing operations** | **1,306** | **2.3** | **2.3** | **2,583** | **(2.0)** | **(2.0)** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **1,306** | **2.3** | **2.3** | **2,583** | **(2.0)** | **(2.0)** |
| Non-controlling interests | (116) | 2.1 | 1.9 | (229) | 7.4 | 8.0 |
| **Underlying attributable profit to the parent** | **1,191** | **2.4** | **2.4** | **2,354** | **(2.8)** | **(2.8)** |

| Balance sheet | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 650,061 | (0.9) | 0.9 | 650,061 | 2.4 | 2.8 |
| Cash, central banks and credit institutions | 200,873 | 10.6 | 12.5 | 200,873 | 13.2 | 13.7 |
| Debt instruments | 113,844 | (1.8) | (0.4) | 113,844 | (2.7) | (2.5) |
| Other financial assets | 51,503 | (5.4) | (2.6) | 51,503 | (11.3) | (10.7) |
| Other asset accounts | 42,961 | (4.1) | (3.1) | 42,961 | (8.1) | (8.0) |
| **Total assets** | **1,059,243** | **0.6** | **2.4** | **1,059,243** | **2.4** | **2.8** |
| Customer deposits | 589,590 | 0.4 | 2.0 | 589,590 | 3.3 | 3.6 |
| Central banks and credit institutions | 204,741 | 1.4 | 3.3 | 204,741 | 0.1 | 0.4 |
| Marketable debt securities | 129,654 | 0.4 | 2.7 | 129,654 | 4.9 | 5.6 |
| Other financial liabilities | 63,161 | 4.8 | 7.3 | 63,161 | 3.4 | 4.4 |
| Other liabilities accounts | 17,466 | (5.2) | (4.2) | 17,466 | (15.1) | (15.0) |
| **Total liabilities** | **1,004,613** | **0.7** | **2.6** | **1,004,613** | **2.4** | **2.9** |
| **Total equity** | **54,629** | **(1.8)** | **(0.5)** | **54,629** | **2.1** | **2.2** |
| *Memorandum items:* | | | | | | |
| Gross loans and advances to customers [2] | 638,237 | (0.2) | 1.5 | 638,237 | 2.0 | 2.3 |
| Customer funds | 658,498 | 0.9 | 2.3 | 658,498 | 4.7 | 5.0 |
| *Customer deposits* [3] | *573,618* | *0.7* | *2.2* | *573,618* | *5.1* | *5.4* |
| *Mutual funds* | *84,880* | *2.6* | *3.0* | *84,880* | *2.6* | *2.6* |

| Ratios (%) and operating means | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Underlying RoTE | 9.80 | 0.19 | | 9.72 | (0.76) | |
| Efficiency ratio | 53.7 | 0.1 | | 53.7 | (0.2) | |
| NPL ratio | 3.48 | (0.13) | | 3.48 | (0.49) | |
| NPL coverage | 49.9 | 0.4 | | 49.9 | (3.0) | |
| Number of employees | 91,488 | (1.7) | | 91,488 | (1.1) | |
| Number of branches | 6,427 | (4.0) | | 6,427 | (7.0) | |

(1) Includes exchange differences.
(2) Excluding reverse repos.
(3) Excluding repos.

## Spain

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | H1'19 | s/ H1'18 % |
|---|---|---|---|---|
| Net interest income | 1,009 | (0.0) | 2,018 | 1.1 |
| Net fee income | 624 | 0.1 | 1,247 | (6.9) |
| Gains (losses) on financial transactions (1) | 214 | 79.1 | 333 | 22.8 |
| Other operating income | 2 | (97.6) | 107 | (23.0) |
| **Total income** | **1,849** | **(0.4)** | **3,706** | **(1.1)** |
| Administrative expenses and amortisations | (1,020) | (0.5) | (2,044) | (7.3) |
| **Net operating income** | **829** | **(0.3)** | **1,661** | **7.9** |
| Net loan-loss provisions | (228) | (6.0) | (470) | 7.7 |
| Other gains (losses) and provisions | (143) | 28.1 | (255) | 9.7 |
| **Profit before tax** | **458** | **(4.1)** | **936** | **7.4** |
| Tax on profit | (120) | (0.9) | (242) | 15.4 |
| **Profit from continuing operations** | **338** | **(5.2)** | **694** | **4.9** |
| Net profit from discontinued operations | — | — | — | — |
| **Consolidated profit** | **338** | **(5.2)** | **694** | **4.9** |
| Non-controlling interests | 0 | 110.6 | 0 | — |
| **Underlying attributable profit to the parent** | **338** | **(5.1)** | **694** | **5.0** |

| Balance sheet | Q2'19 | / Q1'19 % | H1'19 | s/ H1'18 % |
|---|---|---|---|---|
| Loans and advances to customers | 194,417 | 0.1 | 194,417 | (3.9) |
| Cash, central banks and credit institutions | 87,193 | 8.3 | 87,193 | 14.7 |
| Debt instruments | 39,289 | (6.3) | 39,289 | (24.2) |
| Other financial assets | 1,469 | (23.7) | 1,469 | (53.6) |
| Other asset accounts | 22,464 | (9.1) | 22,464 | (14.8) |
| **Total assets** | **344,831** | **0.4** | **344,831** | **(4.1)** |
| Customer deposits | 252,057 | 3.9 | 252,057 | 5.8 |
| Central banks and credit institutions | 38,002 | (18.6) | 38,002 | (41.5) |
| Marketable debt securities | 24,841 | 6.2 | 24,841 | 2.7 |
| Other financial liabilities | 8,842 | 10.2 | 8,842 | 19.2 |
| Other liabilities accounts | 6,090 | (18.7) | 6,090 | (38.7) |
| **Total liabilities** | **329,833** | **0.5** | **329,833** | **(4.3)** |
| **Total equity** | **14,999** | **(1.5)** | **14,999** | **0.3** |
| *Memorandum items:* | | | | |
| Gross loans and advances to customers (2) | 201,058 | (0.1) | 201,058 | (4.5) |
| Customer funds | 317,169 | 3.4 | 317,169 | 4.8 |
| *Customer deposits (3)* | *251,170* | *3.8* | *251,170* | *5.7* |
| *Mutual funds* | *65,999* | *1.7* | *65,999* | *1.6* |

| Ratios (%) and operating means | Q2'19 | / Q1'19 % | H1'19 | s/ H1'18 % |
|---|---|---|---|---|
| Underlying RoTE | 8.99 | (0.62) | 9.31 | 0.66 |
| Efficiency ratio | 55.2 | (0.0) | 55.2 | (3.7) |
| NPL ratio | 7.02 | (0.27) | 7.02 | (0.60) |
| NPL coverage | 42.9 | (0.4) | 42.9 | (4.6) |
| Number of employees | 30,682 | (2.1) | 30,682 | (2.3) |
| Number of branches | 4,247 | (2.7) | 4,247 | (4.9) |

(1) Includes exchange differences.

(2) Excluding reverse repos.

(3) Excluding repos.

## Santander Consumer Finance

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Net interest income | 971 | 3.1 | 3.0 | 1,911 | 3.7 | 4.1 |
| Net fee income | 201 | (6.1) | (6.1) | 415 | 2.9 | 3.0 |
| Gains (losses) on financial transactions (1) | (1) | — | — | 1 | (95.1) | (95.1) |
| Other operating income | (17) | — | — | (6) | — | — |
| **Total income** | **1,154** | **(1.2)** | **(1.3)** | **2,321** | **2.4** | **2.8** |
| Administrative expenses and amortisations | (527) | 3.6 | 3.5 | (1,035) | 1.7 | 2.0 |
| **Net operating income** | **627** | **(4.9)** | **(4.9)** | **1,286** | **3.0** | **3.4** |
| Net loan-loss provisions | (59) | (51.3) | (51.4) | (181) | (4.3) | (4.3) |
| Other gains (losses) and provisions | (12) | — | — | 12 | (68.4) | (68.5) |
| **Profit before tax** | **556** | **(1.0)** | **(1.1)** | **1,117** | **1.9** | **2.3** |
| Tax on profit | (155) | (2.7) | (2.7) | (314) | 5.5 | 5.9 |
| **Profit from continuing operations** | **401** | **(0.3)** | **(0.4)** | **803** | **0.6** | **1.0** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **401** | **(0.3)** | **(0.4)** | **803** | **0.6** | **1.0** |
| Non-controlling interests | (67) | (14.0) | (14.0) | (145) | 10.6 | 10.8 |
| **Underlying attributable profit to the parent** | **334** | **3.0** | **2.9** | **658** | **(1.4)** | **(1.0)** |

| Balance sheet | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 98,395 | 2.7 | 2.7 | 98,395 | 7.1 | 7.3 |
| Cash, central banks and credit institutions | 6,799 | 7.9 | 8.0 | 6,799 | 30.8 | 31.3 |
| Debt instruments | 3,288 | (4.5) | (4.6) | 3,288 | 2.0 | 1.8 |
| Other financial assets | 38 | 14.2 | 14.3 | 38 | 78.1 | 78.6 |
| Other asset accounts | 4,102 | 10.0 | 10.1 | 4,102 | 14.6 | 14.7 |
| **Total assets** | **112,622** | **3.1** | **3.1** | **112,622** | **8.4** | **8.6** |
| Customer deposits | 37,896 | 2.7 | 2.7 | 37,896 | 3.1 | 3.2 |
| Central banks and credit institutions | 25,104 | 1.4 | 1.4 | 25,104 | (0.3) | (0.2) |
| Marketable debt securities | 33,946 | 5.8 | 5.9 | 33,946 | 24.2 | 24.4 |
| Other financial liabilities | 1,395 | 16.8 | 16.8 | 1,395 | 40.3 | 40.0 |
| Other liabilities accounts | 3,905 | 4.0 | 4.0 | 3,905 | 5.9 | 6.0 |
| **Total liabilities** | **102,247** | **3.6** | **3.6** | **102,247** | **8.8** | **8.9** |
| **Total equity** | **10,375** | **(2.1)** | **(2.2)** | **10,375** | **4.8** | **4.9** |
| *Memorandum items:* | | | | | | |
| Gross loans and advances to customers (2) | 100,752 | 2.7 | 2.7 | 100,752 | 6.8 | 7.0 |
| Customer funds | 37,896 | 2.8 | 2.8 | 37,896 | 3.2 | 3.3 |
| *Customer deposits (3)* | *37,896* | *2.8* | *2.8* | *37,896* | *3.2* | *3.3* |
| *Mutual funds* | — | — | — | — | *(100.0)* | *(100.0)* |

| Ratios (%) and operating means | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Underlying RoTE | 15.83 | 0.98 | | 15.36 | (1.64) | |
| Efficiency ratio | 45.6 | 2.1 | | 44.6 | (0.3) | |
| NPL ratio | 2.24 | (0.09) | | 2.24 | (0.20) | |
| NPL coverage | 105.9 | 0.6 | | 105.9 | (1.8) | |
| Number of employees | 14,494 | (2.0) | | 14,494 | (3.9) | |
| Number of branches | 424 | (2.1) | | 424 | (4.1) | |

(1) Includes exchange differences.

(2) Excluding reverse repos.

(3) Excluding repos.

## United Kingdom

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Net interest income | 944 | (3.2) | (2.9) | 1,919 | (6.5) | (7.2) |
| Net fee income | 207 | (4.3) | (4.0) | 423 | (7.7) | (8.4) |
| Gains (losses) on financial transactions [1] | 20 | — | — | 20 | (66.3) | (66.6) |
| Other operating income | 12 | (16.4) | (16.2) | 26 | 36.7 | 35.7 |
| **Total income** | **1,183** | **(1.9)** | **(1.7)** | **2,388** | **(7.8)** | **(8.4)** |
| Administrative expenses and amortisations | (703) | (4.8) | (4.5) | (1,442) | 0.1 | (0.6) |
| **Net operating income** | **479** | **2.6** | **2.8** | **946** | **(17.7)** | **(18.3)** |
| Net loan-loss provisions | (19) | (67.9) | (67.7) | (80) | (21.7) | (22.3) |
| Other gains (losses) and provisions | (25) | (50.2) | (50.0) | (75) | (27.4) | (27.9) |
| **Profit before tax** | **435** | **21.9** | **22.2** | **792** | **(16.2)** | **(16.8)** |
| Tax on profit | (102) | 5.2 | 5.5 | (199) | (25.2) | (25.8) |
| **Profit from continuing operations** | **333** | **28.2** | **28.4** | **593** | **(12.6)** | **(13.3)** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **333** | **28.2** | **28.4** | **593** | **(12.6)** | **(13.3)** |
| Non-controlling interests | (5) | 2.5 | 2.7 | (11) | (20.6) | (21.2) |
| **Underlying attributable profit to the parent** | **327** | **28.7** | **29.0** | **582** | **(12.5)** | **(13.1)** |

| Balance sheet | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 251,543 | (4.6) | (0.3) | 251,543 | 1.0 | 2.2 |
| Cash, central banks and credit institutions | 40,536 | 7.3 | 12.1 | 40,536 | (23.8) | (22.9) |
| Debt instruments | 23,609 | (0.4) | 4.0 | 23,609 | (10.8) | (9.7) |
| Other financial assets | 1,092 | 44.9 | 51.3 | 1,092 | (84.7) | (84.6) |
| Other asset accounts | 10,328 | 0.7 | 5.1 | 10,328 | 1.7 | 2.9 |
| **Total assets** | **327,109** | **(2.7)** | **1.7** | **327,109** | **(5.5)** | **(4.3)** |
| Customer deposits | 211,025 | (2.7) | 1.7 | 211,025 | (3.6) | (2.5) |
| Central banks and credit institutions | 24,521 | (2.9) | 1.5 | 24,521 | 2.0 | 3.2 |
| Marketable debt securities | 65,236 | (3.4) | 0.9 | 65,236 | (2.0) | (0.8) |
| Other financial liabilities | 4,875 | 10.3 | 15.2 | 4,875 | (68.7) | (68.4) |
| Other liabilities accounts | 4,470 | (2.2) | 2.1 | 4,470 | 4.4 | 5.7 |
| **Total liabilities** | **310,128** | **(2.7)** | **1.7** | **310,128** | **(5.9)** | **(4.8)** |
| **Total equity** | **16,981** | **(2.6)** | **1.8** | **16,981** | **2.7** | **4.0** |
| *Memorandum items:* | | | | | | |
| Gross loans and advances to customers [2] | 232,150 | (3.4) | 0.9 | 232,150 | (0.9) | 0.3 |
| Customer funds | 205,064 | (2.3) | 2.1 | 205,064 | 0.5 | 1.7 |
| *Customer deposits* [3] | *196,925* | *(2.3)* | *2.1* | *196,925* | *0.6* | *1.8* |
| *Mutual funds* | *8,139* | *(1.7)* | *2.7* | *8,139* | *(3.0)* | *(1.9)* |

| Ratios (%) and operating means | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Underlying RoTE | 8.68 | 1.76 | | 7.81 | (2.12) | |
| Efficiency ratio | 59.5 | (1.8) | | 60.4 | 4.8 | |
| NPL ratio | 1.13 | (0.04) | | 1.13 | — | |
| NPL coverage | 31.9 | 1.0 | | 31.9 | (1.9) | |
| Number of employees | 25,761 | 1.1 | | 25,761 | (0.3) | |
| Number of branches | 659 | (12.6) | | 659 | (15.4) | |

(1) Includes exchange differences.

(2) Excluding reverse repos.

(3) Excluding repos.

## Portugal

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | H1'19 | s/ H1'18 % |
|---|---|---|---|---|
| Net interest income | 213 | (1.2) | 429 | (1.4) |
| Net fee income | 99 | 0.8 | 197 | 4.1 |
| Gains (losses) on financial transactions [1] | 42 | (15.4) | 91 | 58.6 |
| Other operating income | 0 | — | (6) | — |
| **Total income** | **354** | **(0.9)** | **712** | **3.5** |
| Administrative expenses and amortisations | (154) | (1.9) | (312) | (3.8) |
| **Net operating income** | **200** | **(0.1)** | **400** | **10.0** |
| Net loan-loss provisions | (1) | — | 12 | — |
| Other gains (losses) and provisions | (13) | (34.9) | (33) | 6.1 |
| **Profit before tax** | **186** | **(3.9)** | **379** | **16.9** |
| Tax on profit | (60) | 3.4 | (118) | 25.9 |
| **Profit from continuing operations** | **126** | **(7.0)** | **261** | **13.3** |
| Net profit from discontinued operations | — | — | — | — |
| **Consolidated profit** | **126** | **(7.0)** | **261** | **13.3** |
| Non-controlling interests | (1) | 17.2 | (1) | (24.6) |
| **Underlying attributable profit to the parent** | **125** | **(7.1)** | **260** | **13.5** |

| Balance sheet | | | | |
|---|---|---|---|---|
| Loans and advances to customers | 35,734 | 0.9 | 35,734 | 0.5 |
| Cash, central banks and credit institutions | 4,025 | (4.0) | 4,025 | (7.7) |
| Debt instruments | 13,238 | 0.3 | 13,238 | 12.2 |
| Other financial assets | 1,809 | (1.7) | 1,809 | (6.5) |
| Other asset accounts | 1,941 | (1.6) | 1,941 | (20.9) |
| **Total assets** | **56,747** | **0.2** | **56,747** | **1.1** |
| Customer deposits | 38,975 | 1.9 | 38,975 | 5.1 |
| Central banks and credit institutions | 8,064 | (1.1) | 8,064 | (10.8) |
| Marketable debt securities | 3,426 | (19.0) | 3,426 | (20.9) |
| Other financial liabilities | 326 | 14.1 | 326 | 24.2 |
| Other liabilities accounts | 1,701 | 20.0 | 1,701 | 14.3 |
| **Total liabilities** | **52,491** | **0.3** | **52,491** | **0.6** |
| **Total equity** | **4,256** | **(0.7)** | **4,256** | **8.4** |
| *Memorandum items:* | | | | |
| Gross loans and advances to customers [2] | 36,691 | 0.6 | 36,691 | (1.0) |
| Customer funds | 41,784 | 3.8 | 41,784 | 6.6 |
| *Customer deposits [3]* | *38,975* | *1.9* | *38,975* | *5.1* |
| *Mutual funds* | *2,809* | *40.5* | *2,809* | *32.0* |

| Ratios (%) and operating means | | | | |
|---|---|---|---|---|
| Underlying RoTE | 11.96 | (1.09) | 12.54 | 0.98 |
| Efficiency ratio | 43.6 | (0.4) | 43.8 | (3.3) |
| NPL ratio | 5.00 | (0.77) | 5.00 | (2.55) |
| NPL coverage | 52.9 | 2.2 | 52.9 | 0.2 |
| Number of employees | 6,736 | 0.0 | 6,736 | (2.9) |
| Number of branches | 553 | (1.4) | 553 | (17.7) |

(1) Includes exchange differences.

(2) Excluding reverse repos.

(3) Excluding repos.

## Poland

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Net interest income | 284 | 1.0 | 0.6 | 565 | 16.0 | 18.0 |
| Net fee income | 117 | 2.7 | 2.3 | 230 | 1.5 | 3.2 |
| Gains (losses) on financial transactions (1) | 21 | 12.1 | 11.6 | 39 | 102.7 | 106.2 |
| Other operating income | 18 | — | — | (18) | 756.6 | 771.2 |
| **Total income** | **440** | **16.6** | **16.1** | **817** | **11.7** | **13.6** |
| Administrative expenses and amortisations | (176) | 1.8 | 1.3 | (349) | 10.2 | 12.0 |
| **Net operating income** | **263** | **29.2** | **28.7** | **467** | **12.9** | **14.8** |
| Net loan-loss provisions | (64) | 47.1 | 46.5 | (107) | 23.0 | 25.1 |
| Other gains (losses) and provisions | (34) | 1.4 | 0.9 | (68) | 42.7 | 45.1 |
| **Profit before tax** | **166** | **30.6** | **30.0** | **293** | **4.7** | **6.5** |
| Tax on profit | (36) | (3.8) | (4.3) | (73) | 23.3 | 25.4 |
| **Profit from continuing operations** | **130** | **44.9** | **44.4** | **219** | **(0.4)** | **1.3** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **130** | **44.9** | **44.4** | **219** | **(0.4)** | **1.3** |
| Non-controlling interests | (41) | 46.2 | 45.7 | (69) | 6.2 | 8.0 |
| **Underlying attributable profit to the parent** | **89** | **44.3** | **43.8** | **150** | **(3.1)** | **(1.5)** |

| Balance sheet | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 29,345 | 3.3 | 2.0 | 29,345 | 29.9 | 26.3 |
| Cash, central banks and credit institutions | 2,987 | 11.8 | 10.5 | 2,987 | 84.7 | 79.5 |
| Debt instruments | 10,367 | (8.0) | (9.0) | 10,367 | 23.4 | 19.9 |
| Other financial assets | 565 | 3.9 | 2.7 | 565 | 0.9 | (1.9) |
| Other asset accounts | 1,326 | 1.3 | 0.1 | 1,326 | 29.6 | 26.0 |
| **Total assets** | **44,591** | **0.9** | **(0.3)** | **44,591** | **30.4** | **26.7** |
| Customer deposits | 32,758 | 1.0 | (0.2) | 32,758 | 27.6 | 24.0 |
| Central banks and credit institutions | 3,243 | (3.2) | (4.3) | 3,243 | 89.7 | 84.3 |
| Marketable debt securities | 2,091 | 16.6 | 15.2 | 2,091 | 107.0 | 101.2 |
| Other financial liabilities | 814 | 8.6 | 7.3 | 814 | 90.3 | 84.9 |
| Other liabilities accounts | 894 | 9.1 | 7.8 | 894 | 16.6 | 13.3 |
| **Total liabilities** | **39,800** | **1.7** | **0.5** | **39,800** | **34.5** | **30.7** |
| **Total equity** | **4,791** | **(5.3)** | **(6.4)** | **4,791** | **4.0** | **1.1** |
| *Memorandum items:* | | | | | | |
| Gross loans and advances to customers (2) | 30,278 | 3.3 | 2.0 | 30,278 | 29.5 | 25.8 |
| Customer funds | 36,060 | 2.5 | 1.3 | 36,060 | 25.4 | 21.9 |
| *Customer deposits (3)* | *31,867* | *2.4* | *1.2* | *31,867* | *27.5* | *23.9* |
| *Mutual funds* | *4,193* | *3.1* | *1.8* | *4,193* | *11.6* | *8.4* |

| Ratios (%) and operating means | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Underlying RoTE | 11.44 | 3.68 | | 9.61 | (1.32) | |
| Efficiency ratio | 40.1 | (5.8) | | 42.8 | (0.6) | |
| NPL ratio | 4.21 | (0.18) | | 4.21 | (0.37) | |
| NPL coverage | 69.7 | 2.1 | | 69.7 | (2.4) | |
| Number of employees | 11,488 | (8.5) | | 11,488 | (0.1) | |
| Number of branches | 532 | (6.8) | | 532 | (1.5) | |

(1) Includes exchange differences.

(2) Excluding reverse repos.

(3) Excluding repos.

## Other Europe

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | / Q1'19 % w/o FX | H1'19 | / H1'18 % | / H1'18 % w/o FX |
|---|---|---|---|---|---|---|
| Net interest income | 159 | 14.4 | 14.3 | 299 | 50.8 | 49.0 |
| Net fee income | 56 | (8.6) | (8.9) | 118 | (13.7) | (15.4) |
| Gains (losses) on financial transactions (1) | (149) | — | — | (153) | — | — |
| Other operating income | 142 | 122.8 | 122.7 | 205 | 79.0 | 78.4 |
| **Total income** | **209** | **(20.1)** | **(20.3)** | **469** | **(6.8)** | **(8.2)** |
| Administrative expenses and amortisations | (208) | 4.2 | 4.0 | (408) | 12.8 | 11.1 |
| **Net operating income** | **0** | **(99.2)** | **(99.3)** | **62** | **(56.7)** | **(57.3)** |
| Net loan-loss provisions | (16) | 612.4 | 612.5 | (18) | (50.5) | (50.7) |
| Other gains (losses) and provisions | (4) | (37.5) | (37.5) | (11) | (5.1) | (8.3) |
| **Profit before tax** | **(19)** | **—** | **—** | **33** | **(65.1)** | **(65.6)** |
| Tax on profit | (2) | (91.9) | (91.9) | (20) | (58.1) | (58.5) |
| **Profit from continuing operations** | **(21)** | **—** | **—** | **13** | **(72.5)** | **(73.1)** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **(21)** | **—** | **—** | **13** | **(72.5)** | **(73.1)** |
| Non-controlling interests | (1) | 12.7 | 11.9 | (3) | 141.0 | 127.1 |
| **Underlying attributable profit to the parent** | **(22)** | **—** | **—** | **10** | **(78.1)** | **(78.5)** |

| Balance sheet | Q2'19 | / Q1'19 % | / Q1'19 % w/o FX | H1'19 | / H1'18 % | / H1'18 % w/o FX |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 40,627 | 5.6 | 7.5 | 40,627 | 21.5 | 21.8 |
| Cash, central banks and credit institutions | 59,334 | 18.2 | 21.9 | 59,334 | 60.0 | 60.8 |
| Debt instruments | 24,053 | 7.3 | 11.1 | 24,053 | 57.5 | 59.0 |
| Other financial assets | 46,529 | (5.7) | (2.7) | 46,529 | 2.9 | 3.7 |
| Other asset accounts | 2,801 | (0.2) | 0.6 | 2,801 | (12.1) | (13.0) |
| **Total assets** | **173,344** | **6.2** | **9.2** | **173,344** | **29.1** | **29.9** |
| Customer deposits | 16,880 | (17.1) | (15.3) | 16,880 | 19.5 | 19.9 |
| Central banks and credit institutions | 105,808 | 12.8 | 16.3 | 105,808 | 33.0 | 33.5 |
| Marketable debt securities | 114 | 11.0 | 11.9 | 114 | (16.2) | (17.9) |
| Other financial liabilities | 46,909 | 2.9 | 5.8 | 46,909 | 29.0 | 30.4 |
| Other liabilities accounts | 405 | 8.1 | 9.9 | 405 | (3.0) | (3.0) |
| **Total liabilities** | **170,116** | **6.2** | **9.2** | **170,116** | **30.2** | **31.0** |
| **Total equity** | **3,228** | **6.5** | **8.1** | **3,228** | **(10.5)** | **(11.1)** |
| *Memorandum items:* | | | | | | |
| Gross loans and advances to customers (2) | 37,309 | 10.2 | 11.8 | 37,309 | 40.3 | 40.3 |
| Customer funds | 20,525 | (12.7) | (11.2) | 20,525 | 18.2 | 18.5 |
| *Customer deposits (3)* | *16,785* | *(16.3)* | *(14.5)* | *16,785* | *20.8* | *21.2* |
| *Mutual funds* | *3,739* | *7.8* | *7.8* | *3,739* | *7.8* | *7.8* |

| Resources | Q2'19 | / Q1'19 % | / Q1'19 % w/o FX | H1'19 | / H1'18 % | / H1'18 % w/o FX |
|---|---|---|---|---|---|---|
| Number of employees | 2,327 | 7.3 | | 2,327 | 30.6 | |

(1) Includes exchange differences.

(2) Excluding reverse repos.

(3) Excluding repos.

## NORTH AMERICA

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Net interest income | 2,230 | 2.6 | 1.4 | 4,403 | 15.8 | 8.3 |
| Net fee income | 463 | 5.5 | 4.3 | 901 | 11.4 | 4.2 |
| Gains (losses) on financial transactions [1] | 50 | 312.8 | 310.4 | 62 | (44.4) | (47.9) |
| Other operating income | 176 | 35.5 | 34.4 | 306 | 36.9 | 27.7 |
| **Total income** | **2,918** | **6.0** | **4.8** | **5,672** | **14.7** | **7.2** |
| Administrative expenses and amortisations | (1,214) | 3.5 | 2.3 | (2,386) | 9.4 | 2.3 |
| **Net operating income** | **1,705** | **7.8** | **6.6** | **3,286** | **18.8** | **11.1** |
| Net loan-loss provisions | (793) | (1.4) | (2.5) | (1,597) | 13.0 | 5.7 |
| Other gains (losses) and provisions | (31) | (51.5) | (52.3) | (95) | 7.8 | 0.8 |
| **Profit before tax** | **881** | **23.5** | **22.1** | **1,594** | **26.0** | **17.9** |
| Tax on profit | (217) | 15.7 | 14.4 | (405) | 21.4 | 13.5 |
| **Profit from continuing operations** | **664** | **26.2** | **24.8** | **1,189** | **27.6** | **19.4** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **664** | **26.2** | **24.8** | **1,189** | **27.6** | **19.4** |
| Non-controlling interests | (161) | 15.4 | 14.0 | (300) | 24.1 | 16.1 |
| **Underlying attributable profit to the parent** | **503** | **30.1** | **28.7** | **889** | **28.8** | **20.6** |

| Balance sheet | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 126,478 | 1.7 | 2.8 | 126,478 | 20.9 | 17.3 |
| Cash, central banks and credit institutions | 25,352 | (22.5) | (21.8) | 25,352 | 1.5 | (2.1) |
| Debt instruments | 26,739 | 8.8 | 9.9 | 26,739 | 0.3 | (3.2) |
| Other financial assets | 9,483 | 12.0 | 13.0 | 9,483 | (9.6) | (13.0) |
| Other asset accounts | 21,451 | 6.1 | 7.4 | 21,451 | 33.5 | 29.8 |
| **Total assets** | **209,503** | **(0.4)** | **0.7** | **209,503** | **14.6** | **11.0** |
| Customer deposits | 98,362 | (2.2) | (1.1) | 98,362 | 12.7 | 9.0 |
| Central banks and credit institutions | 28,072 | 20.1 | 21.3 | 28,072 | 28.8 | 24.6 |
| Marketable debt securities | 41,825 | (10.4) | (9.3) | 41,825 | 21.4 | 18.0 |
| Other financial liabilities | 11,912 | 9.2 | 10.1 | 11,912 | (0.5) | (4.4) |
| Other liabilities accounts | 5,884 | 4.5 | 5.6 | 5,884 | 1.5 | (1.8) |
| **Total liabilities** | **186,055** | **(0.6)** | **0.5** | **186,055** | **15.3** | **11.6** |
| **Total equity** | **23,447** | **0.9** | **2.0** | **23,447** | **9.1** | **5.9** |
| *Memorandum items:* | | | | | | |
| Gross loans and advances to customers [2] | 122,869 | 1.9 | 3.0 | 122,869 | 13.0 | 9.6 |
| Customer funds | 111,544 | 1.8 | 2.8 | 111,544 | 10.2 | 6.6 |
| *Customer deposits* [3] | *90,533* | *1.4* | *2.5* | *90,533* | *10.1* | *6.6* |
| *Mutual funds* | *21,011* | *3.5* | *4.4* | *21,011* | *10.4* | *6.4* |

| Ratios (%) and operating means | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Underlying RoTE | 10.56 | 2.11 | | 9.54 | 1.28 | |
| Efficiency ratio | 41.6 | (1.0) | | 42.1 | (2.0) | |
| NPL ratio | 2.29 | (0.04) | | 2.29 | (0.53) | |
| NPL coverage | 150.3 | (3.1) | | 150.3 | 3.8 | |
| Number of employees | 36,917 | (0.6) | | 36,917 | 1.8 | |
| Number of branches | 2,062 | (0.4) | | 2,062 | (0.5) | |

(1) Includes exchange differences.

(2) Excluding reverse repos.

(3) Excluding repos.

## United States

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Net interest income | 1,453 | 3.3 | 2.2 | 2,860 | 14.3 | 6.8 |
| Net fee income | 244 | 4.4 | 3.3 | 479 | 10.4 | 3.1 |
| Gains (losses) on financial transactions (1) | 23 | 46.8 | 45.5 | 39 | (0.0) | (6.7) |
| Other operating income | 199 | 26.3 | 25.1 | 357 | 30.3 | 21.7 |
| **Total income** | **1,920** | **5.8** | **4.7** | **3,734** | **15.0** | **7.4** |
| Administrative expenses and amortisations | (805) | 3.8 | 2.7 | (1,581) | 7.2 | 0.1 |
| **Net operating income** | **1,115** | **7.3** | **6.2** | **2,154** | **21.5** | **13.4** |
| Net loan-loss provisions | (568) | (7.1) | (8.1) | (1,178) | 15.0 | 7.4 |
| Other gains (losses) and provisions | (26) | (55.3) | (56.1) | (84) | 15.7 | 8.0 |
| **Profit before tax** | **521** | **40.8** | **39.6** | **891** | **31.9** | **23.1** |
| Tax on profit | (138) | 24.9 | 23.7 | (248) | 21.1 | 13.1 |
| **Profit from continuing operations** | **383** | **47.7** | **46.3** | **643** | **36.5** | **27.5** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **383** | **47.7** | **46.3** | **643** | **36.5** | **27.5** |
| Non-controlling interests | (99) | 27.2 | 26.0 | (178) | 29.6 | 21.0 |
| **Underlying attributable profit to the parent** | **284** | **56.4** | **55.1** | **465** | **39.4** | **30.2** |

| Balance sheet | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 93,133 | 2.0 | 3.3 | 93,133 | 22.2 | 19.3 |
| Cash, central banks and credit institutions | 13,790 | (23.7) | (22.7) | 13,790 | 18.3 | 15.4 |
| Debt instruments | 13,849 | 3.1 | 4.4 | 13,849 | (3.5) | (5.8) |
| Other financial assets | 3,913 | 10.3 | 11.8 | 3,913 | (9.3) | (11.5) |
| Other asset accounts | 17,888 | 5.5 | 6.9 | 17,888 | 34.4 | 31.2 |
| **Total assets** | **142,572** | **(0.5)** | **0.8** | **142,572** | **19.0** | **16.2** |
| Customer deposits | 64,373 | (0.7) | 0.5 | 64,373 | 19.2 | 16.4 |
| Central banks and credit institutions | 17,495 | 34.1 | 35.8 | 17,495 | 31.0 | 27.9 |
| Marketable debt securities | 35,261 | (13.6) | (12.5) | 35,261 | 23.6 | 20.7 |
| Other financial liabilities | 4,277 | 17.4 | 18.9 | 4,277 | 8.1 | 5.5 |
| Other liabilities accounts | 3,722 | 0.9 | 2.2 | 3,722 | 2.5 | 0.1 |
| **Total liabilities** | **125,129** | **(0.7)** | **0.5** | **125,129** | **20.9** | **18.1** |
| **Total equity** | **17,443** | **1.1** | **2.4** | **17,443** | **6.7** | **4.1** |
| *Memorandum items:* | | | | | | |
| Gross loans and advances to customers (2) | 89,636 | 2.1 | 3.5 | 89,636 | 12.7 | 10.0 |
| Customer funds | 69,967 | 2.9 | 4.3 | 69,967 | 12.5 | 9.8 |
| *Customer deposits (3)* | *60,470* | *2.7* | *4.0* | *60,470* | *12.5* | *9.8* |
| *Mutual funds* | *9,497* | *4.4* | *5.8* | *9,497* | *12.6* | *9.9* |

| Ratios (%) and operating means | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Underlying RoTE | 7.65 | 2.58 | | 6.38 | 1.27 | |
| Efficiency ratio | 41.9 | (0.8) | | 42.3 | (3.1) | |
| NPL ratio | 2.32 | (0.09) | | 2.32 | (0.59) | |
| NPL coverage | 158.4 | (2.6) | | 158.4 | 1.5 | |
| Number of employees | 17,381 | 0.6 | | 17,381 | 1.1 | |
| Number of branches | 646 | (2.0) | | 646 | (3.6) | |

(1) Includes exchange differences.

(2) Excluding reverse repos.

(3) Excluding repos.

## Mexico

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Net interest income | 777 | 1.4 | (0.1) | 1,543 | 18.6 | 11.2 |
| Net fee income | 218 | 6.9 | 5.4 | 423 | 12.5 | 5.6 |
| Gains (losses) on financial transactions (1) | 27 | — | — | 23 | (68.4) | (70.4) |
| Other operating income | (23) | (17.2) | (18.5) | (51) | 1.1 | (5.1) |
| **Total income** | **999** | **6.4** | **4.9** | **1,938** | **14.0** | **7.0** |
| Administrative expenses and amortisations | (409) | 3.0 | 1.5 | (806) | 14.1 | 7.1 |
| **Net operating income** | **590** | **8.8** | **7.3** | **1,132** | **14.0** | **6.9** |
| Net loan-loss provisions | (225) | 16.7 | 15.2 | (419) | 7.7 | 1.1 |
| Other gains (losses) and provisions | (5) | (11.2) | (12.6) | (10) | (30.3) | (34.6) |
| **Profit before tax** | **360** | **4.7** | **3.3** | **703** | **19.2** | **11.9** |
| Tax on profit | (79) | 2.7 | 1.2 | (156) | 21.7 | 14.2 |
| **Profit from continuing operations** | **280** | **5.3** | **3.9** | **547** | **18.5** | **11.2** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **280** | **5.3** | **3.9** | **547** | **18.5** | **11.2** |
| Non-controlling interests | (61) | 0.2 | (1.3) | (122) | 17.0 | 9.8 |
| **Underlying attributable profit to the parent** | **219** | **6.9** | **5.4** | **424** | **19.0** | **11.6** |

| Balance sheet | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 33,345 | 0.9 | 1.5 | 33,345 | 17.3 | 11.8 |
| Cash, central banks and credit institutions | 11,563 | (21.1) | (20.6) | 11,563 | (13.2) | (17.2) |
| Debt instruments | 12,890 | 15.7 | 16.4 | 12,890 | 4.7 | (0.2) |
| Other financial assets | 5,570 | 13.3 | 13.9 | 5,570 | (9.8) | (14.0) |
| Other asset accounts | 3,563 | 9.1 | 9.7 | 3,563 | 29.0 | 23.0 |
| **Total assets** | **66,930** | **(0.2)** | **0.4** | **66,930** | **6.2** | **1.3** |
| Customer deposits | 33,989 | (4.8) | (4.2) | 33,989 | 2.0 | (2.7) |
| Central banks and credit institutions | 10,576 | 2.4 | 3.0 | 10,576 | 25.4 | 19.6 |
| Marketable debt securities | 6,565 | 12.5 | 13.2 | 6,565 | 10.7 | 5.5 |
| Other financial liabilities | 7,635 | 5.1 | 5.7 | 7,635 | (4.7) | (9.2) |
| Other liabilities accounts | 2,161 | 11.3 | 12.0 | 2,161 | (0.3) | (4.9) |
| **Total liabilities** | **60,927** | **(0.2)** | **0.4** | **60,927** | **5.3** | **0.4** |
| **Total equity** | **6,004** | **0.4** | **1.0** | **6,004** | **16.8** | **11.4** |
| *Memorandum items:* | | | | | | |
| Gross loans and advances to customers (2) | 33,234 | 1.1 | 1.7 | 33,234 | 13.8 | 8.5 |
| Customer funds | 41,577 | (0.1) | 0.5 | 41,577 | 6.5 | 1.6 |
| *Customer deposits (3)* | *30,063* | *(1.2)* | *(0.6)* | *30,063* | *5.7* | *0.8* |
| *Mutual funds* | *11,514* | *2.7* | *3.3* | *11,514* | *8.8* | *3.7* |

| Ratios (%) and operating means | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Underlying RoTE | 20.71 | 0.60 | | 20.47 | 0.60 | |
| Efficiency ratio | 40.9 | (1.3) | | 41.6 | 0.0 | |
| NPL ratio | 2.21 | 0.09 | | 2.21 | (0.37) | |
| NPL coverage | 126.9 | (3.2) | | 126.9 | 10.8 | |
| Number of employees | 19,536 | (1.7) | | 19,536 | 2.4 | |
| Number of branches | 1,416 | 0.3 | | 1,416 | 1.0 | |

(1) Includes exchange differences.
(2) Excluding reverse repos.
(3) Excluding repos.

## SOUTH AMERICA

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Net interest income | 3,425 | 6.3 | 9.2 | 6,647 | 1.4 | 9.4 |
| Net fee income | 1,178 | (0.0) | 2.9 | 2,355 | 0.6 | 10.9 |
| Gains (losses) on financial transactions (1) | 130 | (18.8) | (16.5) | 289 | 13.1 | 40.7 |
| Other operating income | (85) | 18.1 | 21.7 | (157) | — | — |
| **Total income** | **4,647** | **3.6** | **6.5** | **9,134** | **(0.2)** | **8.7** |
| Administrative expenses and amortisations | (1,664) | 1.1 | 4.0 | (3,309) | (1.6) | 9.1 |
| **Net operating income** | **2,984** | **5.0** | **7.9** | **5,825** | **0.6** | **8.5** |
| Net loan-loss provisions | (956) | 5.9 | 8.8 | (1,859) | (5.1) | 2.4 |
| Other gains (losses) and provisions | (151) | (1.7) | 1.8 | (306) | (8.2) | 4.6 |
| **Profit before tax** | **1,876** | **5.1** | **8.0** | **3,661** | **4.6** | **12.3** |
| Tax on profit | (672) | (2.9) | (0.1) | (1,363) | 1.9 | 8.9 |
| **Profit from continuing operations** | **1,205** | **10.2** | **13.0** | **2,297** | **6.3** | **14.4** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **1,205** | **10.2** | **13.0** | **2,297** | **6.3** | **14.4** |
| Non-controlling interests | (169) | 1.3 | 3.7 | (336) | 7.0 | 11.5 |
| **Underlying attributable profit to the parent** | **1,035** | **11.8** | **14.7** | **1,961** | **6.2** | **14.9** |

| Balance sheet | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 124,950 | 1.3 | 1.4 | 124,950 | 8.3 | 9.5 |
| Cash, central banks and credit institutions | 49,995 | 12.5 | 12.2 | 49,995 | 12.4 | 13.0 |
| Debt instruments | 48,204 | 4.8 | 4.2 | 48,204 | 9.5 | 7.7 |
| Other financial assets | 11,508 | 28.4 | 28.3 | 11,508 | 36.2 | 34.6 |
| Other asset accounts | 16,456 | 4.5 | 4.1 | 16,456 | 16.9 | 15.8 |
| **Total assets** | **251,113** | **5.3** | **5.1** | **251,113** | **10.9** | **11.2** |
| Customer deposits | 116,739 | 4.7 | 4.7 | 116,739 | 7.6 | 9.2 |
| Central banks and credit institutions | 37,872 | (2.4) | (2.8) | 37,872 | (0.7) | (2.0) |
| Marketable debt securities | 31,983 | 3.2 | 3.0 | 31,983 | 12.9 | 12.1 |
| Other financial liabilities | 31,372 | 21.1 | 20.5 | 31,372 | 34.9 | 33.5 |
| Other liabilities accounts | 10,320 | 15.8 | 15.3 | 10,320 | 34.0 | 32.4 |
| **Total liabilities** | **228,286** | **5.6** | **5.4** | **228,286** | **10.8** | **11.2** |
| **Total equity** | **22,827** | **2.3** | **2.1** | **22,827** | **11.7** | **11.4** |
| *Memorandum items:* | | | | | | |
| Gross loans and advances to customers (2) | 130,953 | 1.5 | 1.5 | 130,953 | 8.4 | 9.5 |
| Customer funds | 173,298 | 5.7 | 5.4 | 173,298 | 10.6 | 11.4 |
| *Customer deposits (3)* | *105,299* | *5.8* | *5.8* | *105,299* | *10.5* | *12.9* |
| *Mutual funds* | *67,999* | *5.5* | *4.9* | *67,999* | *10.7* | *9.2* |

| Ratios (%) and operating means | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Underlying RoTE | 21.98 | 2.40 | | 20.76 | 0.95 | |
| Efficiency ratio | 35.8 | (0.9) | | 36.2 | (0.5) | |
| NPL ratio | 4.81 | (0.02) | | 4.81 | (0.01) | |
| NPL coverage | 93.0 | (1.1) | | 93.0 | (1.4) | |
| Number of employees | 71,158 | 1.7 | | 71,158 | 1.7 | |
| Number of branches | 4,591 | 1.8 | | 4,591 | 2.1 | |

(1) Includes exchange differences.

(2) Excluding reverse repos.

(3) Excluding repos.

## Brazil

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Net interest income | 2,520 | 2.5 | 5.5 | 4,979 | 1.5 | 6.6 |
| Net fee income | 924 | (0.7) | 2.3 | 1,855 | 3.5 | 8.7 |
| Gains (losses) on financial transactions (1) | 45 | (22.0) | (19.4) | 103 | 24.0 | 30.2 |
| Other operating income | (36) | (2.0) | 1.0 | (72) | 456.3 | 484.2 |
| **Total income** | **3,453** | **1.2** | **4.2** | **6,864** | **1.4** | **6.5** |
| Administrative expenses and amortisations | (1,102) | (2.0) | 1.0 | (2,227) | (1.8) | 3.1 |
| **Net operating income** | **2,351** | **2.8** | **5.9** | **4,637** | **3.1** | **8.2** |
| Net loan-loss provisions | (761) | 7.1 | 10.2 | (1,471) | (6.4) | (1.7) |
| Other gains (losses) and provisions | (153) | (8.8) | (6.0) | (320) | (1.4) | 3.6 |
| **Profit before tax** | **1,438** | **2.1** | **5.1** | **2,846** | **9.3** | **14.8** |
| Tax on profit | (581) | (1.9) | 1.1 | (1,173) | 4.8 | 10.1 |
| **Profit from continuing operations** | **856** | **4.9** | **8.0** | **1,673** | **12.7** | **18.3** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **856** | **4.9** | **8.0** | **1,673** | **12.7** | **18.3** |
| Non-controlling interests | (94) | (1.4) | 1.6 | (190) | 14.0 | 19.7 |
| **Underlying attributable profit to the parent** | **762** | **5.7** | **8.8** | **1,482** | **12.6** | **18.2** |

| Balance sheet | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 73,175 | 2.0 | 1.2 | 73,175 | 12.1 | 8.7 |
| Cash, central banks and credit institutions | 37,661 | 13.0 | 12.1 | 37,661 | 8.8 | 5.5 |
| Debt instruments | 42,738 | 4.1 | 3.3 | 42,738 | 11.9 | 8.5 |
| Other financial assets | 6,822 | 20.3 | 19.3 | 6,822 | 24.5 | 20.7 |
| Other asset accounts | 12,474 | 5.2 | 4.4 | 12,474 | 9.1 | 5.8 |
| **Total assets** | **172,869** | **5.6** | **4.8** | **172,869** | **11.5** | **8.1** |
| Customer deposits | 74,698 | 6.3 | 5.5 | 74,698 | 10.7 | 7.3 |
| Central banks and credit institutions | 28,908 | (2.6) | (3.4) | 28,908 | (5.7) | (8.5) |
| Marketable debt securities | 20,584 | 2.9 | 2.1 | 20,584 | 15.5 | 12.0 |
| Other financial liabilities | 24,148 | 13.5 | 12.6 | 24,148 | 30.5 | 26.5 |
| Other liabilities accounts | 8,620 | 19.2 | 18.2 | 8,620 | 36.3 | 32.2 |
| **Total liabilities** | **156,958** | **5.7** | **4.9** | **156,958** | **11.5** | **8.1** |
| **Total equity** | **15,912** | **4.7** | **3.9** | **15,912** | **12.2** | **8.8** |
| *Memorandum items:* | | | | | | |
| Gross loans and advances to customers (2) | 77,835 | 2.0 | 1.1 | 77,835 | 12.0 | 8.6 |
| Customer funds | 121,485 | 6.8 | 5.9 | 121,485 | 14.5 | 11.0 |
| *Customer deposits (3)* | *63,417* | *8.6* | *7.8* | *63,417* | *16.7* | *13.1* |
| *Mutual funds* | *58,069* | *4.8* | *4.0* | *58,069* | *12.2* | *8.7* |

| Ratios (%) and operating means | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Underlying RoTE | 22.40 | 1.42 | | 21.65 | 1.76 | |
| Efficiency ratio | 31.9 | (1.0) | | 32.4 | (1.1) | |
| NPL ratio | 5.27 | 0.01 | | 5.27 | 0.01 | |
| NPL coverage | 105.5 | (2.2) | | 105.5 | (3.2) | |
| Number of employees | 48,118 | 2.8 | | 48,118 | 3.1 | |
| Number of branches | 3,643 | 2.3 | | 3,643 | 4.4 | |

(1) Includes exchange differences.

(2) Excluding reverse repos.

(3) Excluding repos.

## Chile

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Net interest income | 500 | 13.5 | 15.0 | 940 | (4.6) | (1.7) |
| Net fee income | 97 | (5.9) | (4.5) | 200 | (12.1) | (9.4) |
| Gains (losses) on financial transactions [1] | 59 | 7.9 | 9.4 | 113 | 96.0 | 101.9 |
| Other operating income | 0 | (82.6) | (81.7) | 2 | (80.7) | (80.1) |
| **Total income** | **656** | **9.4** | **10.8** | **1,255** | **(2.1)** | **0.9** |
| Administrative expenses and amortisations | (269) | 5.4 | 6.8 | (524) | (1.3) | 1.7 |
| **Net operating income** | **387** | **12.3** | **13.8** | **731** | **(2.6)** | **0.3** |
| Net loan-loss provisions | (105) | 2.8 | 4.2 | (208) | (12.0) | (9.4) |
| Other gains (losses) and provisions | (1) | — | — | 37 | (31.8) | (29.8) |
| **Profit before tax** | **281** | **0.5** | **1.9** | **560** | **(1.5)** | **1.5** |
| Tax on profit | (43) | (28.0) | (26.8) | (103) | (10.0) | (7.3) |
| **Profit from continuing operations** | **237** | **8.3** | **9.8** | **456** | **0.7** | **3.7** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **237** | **8.3** | **9.8** | **456** | **0.7** | **3.7** |
| Non-controlling interests | (74) | 4.9 | 6.3 | (145) | (0.7) | 2.3 |
| **Underlying attributable profit to the parent** | **163** | **9.9** | **11.4** | **311** | **1.3** | **4.4** |

| Balance sheet | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 40,081 | 1.1 | 2.3 | 40,081 | 4.8 | 7.0 |
| Cash, central banks and credit institutions | 4,742 | 18.4 | 19.8 | 4,742 | 21.8 | 24.4 |
| Debt instruments | 3,949 | 4.4 | 5.7 | 3,949 | (5.8) | (3.8) |
| Other financial assets | 4,551 | 43.7 | 45.5 | 4,551 | 55.1 | 58.4 |
| Other asset accounts | 2,880 | (0.9) | 0.3 | 2,880 | 57.4 | 60.8 |
| **Total assets** | **56,203** | **5.0** | **6.3** | **56,203** | **10.0** | **12.4** |
| Customer deposits | 27,122 | 1.4 | 2.7 | 27,122 | 2.2 | 4.4 |
| Central banks and credit institutions | 5,586 | (6.6) | (5.5) | 5,586 | 6.6 | 8.8 |
| Marketable debt securities | 11,076 | 3.5 | 4.8 | 11,076 | 11.5 | 13.9 |
| Other financial liabilities | 6,417 | 72.0 | 74.2 | 6,417 | 64.7 | 68.2 |
| Other liabilities accounts | 1,025 | (3.3) | (2.1) | 1,025 | 13.7 | 16.1 |
| **Total liabilities** | **51,226** | **6.2** | **7.5** | **51,226** | **10.2** | **12.5** |
| **Total equity** | **4,977** | **(6.0)** | **(4.9)** | **4,977** | **8.6** | **10.9** |
| *Memorandum items:* | | | | | | |
| Gross loans and advances to customers [2] | 41,182 | 0.9 | 2.2 | 41,182 | 4.5 | 6.8 |
| Customer funds | 35,215 | 3.1 | 4.3 | 35,215 | 3.2 | 5.4 |
| *Customer deposits [3]* | *26,964* | *1.1* | *2.3* | *26,964* | *1.8* | *3.9* |
| *Mutual funds* | *8,251* | *10.3* | *11.6* | *8,251* | *8.1* | *10.3* |

| Ratios (%) and operating means | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Underlying RoTE | 18.75 | 2.41 | | 17.63 | (0.56) | |
| Efficiency ratio | 41.0 | (1.6) | | 41.8 | 0.3 | |
| NPL ratio | 4.52 | (0.15) | | 4.52 | (0.34) | |
| NPL coverage | 59.1 | (0.6) | | 59.1 | (0.9) | |
| Number of employees | 11,797 | (0.8) | | 11,797 | (1.9) | |
| Number of branches | 380 | — | | 380 | (9.5) | |

(1) Includes exchange differences.

(2) Excluding reverse repos.

(3) Excluding repos.

## Argentina

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Net interest income | 298 | 39.6 | 43.8 | 511 | 14.2 | 113.4 |
| Net fee income | 125 | 8.1 | 11.8 | 241 | (8.4) | 71.3 |
| Gains (losses) on financial transactions (1) | 14 | (61.9) | (59.5) | 52 | (44.8) | 3.3 |
| Other operating income | (47) | 34.1 | 38.2 | (83) | — | — |
| **Total income** | **389** | **17.7** | **21.5** | **720** | **(10.7)** | **66.9** |
| Administrative expenses and amortisations | (229) | 13.0 | 16.7 | (431) | 1.1 | 89.0 |
| **Net operating income** | **161** | **25.1** | **29.0** | **289** | **(24.0)** | **42.1** |
| Net loan-loss provisions | (70) | (2.9) | 0.5 | (143) | 14.7 | 114.5 |
| Other gains (losses) and provisions | 3 | — | — | (19) | (66.4) | (37.1) |
| **Profit before tax** | **94** | **178.5** | **185.1** | **127** | **(35.9)** | **19.7** |
| Tax on profit | (30) | 31.7 | 35.7 | (54) | (12.3) | 64.0 |
| **Profit from continuing operations** | **63** | **502.8** | **515.0** | **74** | **(46.5)** | **0.1** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **63** | **502.8** | **515.0** | **74** | **(46.5)** | **0.1** |
| Non-controlling interests | (0) | 84.1 | 89.1 | (0) | (60.1) | (25.4) |
| **Underlying attributable profit to the parent** | **63** | **508.4** | **520.8** | **73** | **(46.4)** | **0.3** |

| Balance sheet | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 5,755 | (5.2) | (6.0) | 5,755 | (23.8) | 9.8 |
| Cash, central banks and credit institutions | 5,198 | 7.9 | 7.1 | 5,198 | 42.5 | 105.3 |
| Debt instruments | 917 | 114.3 | 112.7 | 917 | (2.6) | 40.4 |
| Other financial assets | 125 | 10.2 | 9.4 | 125 | 411.2 | 636.6 |
| Other asset accounts | 909 | 12.1 | 11.3 | 909 | 58.5 | 128.4 |
| **Total assets** | **12,903** | **5.4** | **4.6** | **12,903** | **1.3** | **46.0** |
| Customer deposits | 9,384 | 6.4 | 5.6 | 9,384 | 0.5 | 44.8 |
| Central banks and credit institutions | 992 | 2.9 | 2.2 | 992 | (0.5) | 43.4 |
| Marketable debt securities | 257 | 4.2 | 3.5 | 257 | (52.1) | (31.0) |
| Other financial liabilities | 762 | (10.6) | (11.3) | 762 | (6.9) | 34.1 |
| Other liabilities accounts | 415 | 4.9 | 4.1 | 415 | 74.5 | 151.5 |
| **Total liabilities** | **11,809** | **4.7** | **4.0** | **11,809** | **(1.0)** | **42.7** |
| **Total equity** | **1,094** | **12.9** | **12.0** | **1,094** | **35.4** | **95.1** |
| *Memorandum items:* | | | | | | |
| Gross loans and advances to customers (2) | 5,858 | (0.8) | (1.6) | 5,858 | (21.0) | 13.8 |
| Customer funds | 11,030 | 6.2 | 5.4 | 11,030 | (2.6) | 40.3 |
| *Customer deposits (3)* | *9,384* | *6.4* | *5.6* | *9,384* | *0.5* | *44.8* |
| *Mutual funds* | *1,646* | *5.0* | *4.2* | *1,646* | *(17.2)* | *19.3* |

| Ratios (%) and operating means | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Underlying RoTE | 27.09 | 22.01 | | 16.95 | (13.90) | |
| Efficiency ratio | 58.7 | (2.4) | | 59.8 | 7.0 | |
| NPL ratio | 3.79 | 0.29 | | 3.79 | 1.39 | |
| NPL coverage | 126.4 | 7.8 | | 126.4 | 4.9 | |
| Number of employees | 9,183 | (0.9) | | 9,183 | (0.4) | |
| Number of branches | 469 | 0.2 | | 469 | (2.7) | |

(1) Includes exchange differences.
(2) Excluding reverse repos.
(3) Excluding repos.

## Other South America

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | / Q1'19 % w/o FX | H1'19 | / H1'18 % | / H1'18 % w/o FX |
|---|---|---|---|---|---|---|
| Net interest income | 108 | (1.3) | 2.4 | 217 | (0.4) | 4.5 |
| Net fee income | 32 | 10.8 | 14.8 | 60 | 3.2 | 9.2 |
| Gains (losses) on financial transactions (1) | 12 | 14.3 | 17.2 | 22 | 0.9 | 5.6 |
| Other operating income | (2) | 4.2 | 8.8 | (5) | 22.3 | 32.6 |
| **Total income** | **149** | **2.0** | **5.8** | **295** | **0.2** | **5.2** |
| Administrative expenses and amortisations | (64) | 1.1 | 5.0 | (127) | (6.1) | (1.3) |
| **Net operating income** | **85** | **2.7** | **6.4** | **168** | **5.4** | **10.7** |
| Net loan-loss provisions | (20) | 9.5 | 13.5 | (38) | 45.4 | 59.1 |
| Other gains (losses) and provisions | (1) | (31.2) | (27.0) | (3) | (40.6) | (37.5) |
| **Profit before tax** | **64** | **1.7** | **5.2** | **128** | **(1.0)** | **3.1** |
| Tax on profit | (17) | 1.9 | 5.2 | (33) | (23.2) | (21.6) |
| **Profit from continuing operations** | **48** | **1.6** | **5.2** | **95** | **10.1** | **15.9** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **48** | **1.6** | **5.2** | **95** | **10.1** | **15.9** |
| Non-controlling interests | (0) | (2.5) | (3.7) | (1) | 30.3 | 24.4 |
| **Underlying attributable profit to the parent** | **47** | **1.6** | **5.3** | **94** | **10.0** | **15.8** |

| Balance sheet | Q2'19 | / Q1'19 % | / Q1'19 % w/o FX | H1'19 | / H1'18 % | / H1'18 % w/o FX |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 5,939 | 1.4 | 4.8 | 5,939 | 37.2 | 44.6 |
| Cash, central banks and credit institutions | 2,395 | 5.4 | 10.7 | 2,395 | 2.8 | 9.2 |
| Debt instruments | 601 | (18.3) | (14.3) | 601 | (12.4) | (4.9) |
| Other financial assets | 10 | 9.9 | 12.7 | 10 | 5.2 | 12.2 |
| Other asset accounts | 193 | 6.9 | 11.7 | 193 | (18.9) | (15.2) |
| **Total assets** | **9,137** | **0.9** | **4.9** | **9,137** | **20.4** | **27.5** |
| Customer deposits | 5,535 | (2.5) | 2.3 | 5,535 | 7.5 | 15.1 |
| Central banks and credit institutions | 2,386 | 8.8 | 10.3 | 2,386 | 90.6 | 94.6 |
| Marketable debt securities | 67 | 12.5 | 12.9 | 67 | 30.8 | 28.2 |
| Other financial liabilities | 46 | (3.9) | 0.7 | 46 | 23.8 | 34.5 |
| Other liabilities accounts | 260 | 17.0 | 22.6 | 260 | 9.1 | 15.9 |
| **Total liabilities** | **8,293** | **1.2** | **5.2** | **8,293** | **23.3** | **30.7** |
| **Total equity** | **844** | **(1.8)** | **2.4** | **844** | **(2.7)** | **2.5** |
| *Memorandum items:* | | | | | | |
| Gross loans and advances to customers (2) | 6,079 | 1.3 | 4.8 | 6,079 | 36.1 | 43.4 |
| Customer funds | 5,567 | (2.4) | 2.4 | 5,567 | 7.6 | 15.1 |
| *Customer deposits (3)* | *5,535* | *(2.5)* | *2.3* | *5,535* | *7.5* | *15.1* |
| *Mutual funds* | *32* | *(1.5)* | *5.0* | *32* | *10.4* | *20.9* |

| Resources | Q2'19 | / Q1'19 % | / Q1'19 % w/o FX | H1'19 | / H1'18 % | / H1'18 % w/o FX |
|---|---|---|---|---|---|---|
| Number of employees | 2,060 | 1.9 | | 2,060 | (1.0) | |

(1) Includes exchange differences.

(2) Excluding reverse repos.

(3) Excluding repos.

## SANTANDER GLOBAL PLATFORM

EUR million

| Underlying income statement | Q2'19 | Q1'19 | % | H1'19 | H1'18 | % |
|---|---|---|---|---|---|---|
| Net interest income | 23 | 22 | 5.3 | 46 | 38 | 19.4 |
| Net fee income | 1 | 2 | (52.0) | 2 | 2 | (0.4) |
| Gains (losses) on financial transactions (1) | (0) | (1) | (67.6) | (2) | 0 | — |
| Other operating income | (4) | (4) | (4.4) | (7) | (7) | 6.8 |
| **Total income** | **20** | **19** | **7.6** | **39** | **34** | **14.5** |
| Administrative expenses and amortisations | (67) | (41) | 62.4 | (108) | (62) | 75.0 |
| **Net operating income** | **(47)** | **(22)** | **108.3** | **(69)** | **(28)** | **149.2** |
| Net loan-loss provisions | (0) | (0) | 114.6 | (0) | 0 | — |
| Other gains (losses) and provisions | (0) | (1) | (56.8) | (1) | (1) | (21.1) |
| **Profit before tax** | **(47)** | **(23)** | **103.8** | **(70)** | **(29)** | **145.0** |
| Tax on profit | 7 | 12 | (41.9) | 19 | 6 | 216.8 |
| **Profit from continuing operations** | **(40)** | **(11)** | **266.6** | **(51)** | **(23)** | **125.6** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **(40)** | **(11)** | **266.6** | **(51)** | **(23)** | **125.6** |
| Non-controlling interests | — | — | — | — | — | — |
| **Underlying attributable profit to the parent** | **(40)** | **(11)** | **266.6** | **(51)** | **(23)** | **125.6** |

| Balance sheet | Q2'19 | Q1'19 | % | H1'19 | H1'18 | % |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 515 | 417 | 23.5 | 515 | 193 | 166.8 |
| Cash, central banks and credit institutions | 8,938 | 8,673 | 3.1 | 8,938 | 7,567 | 18.1 |
| Debt instruments | — | — | — | — | — | — |
| Other financial assets | 147 | 152 | (3.0) | 147 | 139 | 5.7 |
| Other asset accounts | 132 | 129 | 2.6 | 132 | 91 | 45.7 |
| **Total assets** | **9,732** | **9,370** | **3.9** | **9,732** | **7,990** | **21.8** |
| Customer deposits | 9,106 | 8,804 | 3.4 | 9,106 | 7,477 | 21.8 |
| Central banks and credit institutions | 130 | 75 | 73.2 | 130 | 83 | 57.6 |
| Marketable debt securities | — | — | — | — | — | — |
| Other financial liabilities | 67 | 41 | 65.0 | 67 | 45 | 48.0 |
| Other liabilities accounts | 81 | 60 | 34.1 | 81 | 131 | (38.0) |
| **Total liabilities** | **9,384** | **8,980** | **4.5** | **9,384** | **7,736** | **21.3** |
| **Total equity** | **348** | **390** | **(10.9)** | **348** | **254** | **36.8** |
| *Memorandum items:* | | | | | | |
| Gross loans and advances to customers (2) | 518 | 420 | 23.4 | 518 | 196 | 164.4 |
| Customer funds | 9,500 | 9,183 | 3.5 | 9,500 | 8,082 | 17.5 |
| *Customer deposits (3)* | *9,106* | *8,804* | *3.4* | *9,106* | *7,477* | *21.8* |
| *Mutual funds* | *394* | *379* | *3.9* | *394* | *605* | *(34.9)* |

| Resources | Q2'19 | Q1'19 | % | H1'19 | H1'18 | % |
|---|---|---|---|---|---|---|
| Number of employees | 597 | 545 | 9.5 | 597 | 427 | 39.8 |

(1) Includes exchange differences.

(2) Excluding reverse repos.

(3) Excluding repos.

## CORPORATE CENTRE

EUR million

| Underlying income statement | Q2'19 | Q1'19 | % | H1'19 | H1'18 | % |
|---|---|---|---|---|---|---|
| Net interest income | (304) | (296) | 2.9 | (600) | (477) | 25.8 |
| Net fee income | (13) | (14) | (6.1) | (27) | (17) | 53.8 |
| Gains (losses) on financial transactions [1] | (92) | (79) | 15.7 | (171) | 5 | — |
| Other operating income | (14) | (11) | 31.8 | (25) | (5) | 422.9 |
| **Total income** | **(423)** | **(399)** | **5.9** | **(822)** | **(494)** | **66.4** |
| Administrative expenses and amortisations | (96) | (97) | (1.5) | (193) | (212) | (9.1) |
| **Net operating income** | **(519)** | **(497)** | **4.4** | **(1,015)** | **(706)** | **43.7** |
| Net loan-loss provisions | (5) | (8) | (38.8) | (13) | (67) | (81.1) |
| Other gains (losses) and provisions | (72) | (55) | 31.4 | (127) | (93) | 36.5 |
| **Profit before tax** | **(595)** | **(559)** | **6.5** | **(1,155)** | **(866)** | **33.3** |
| Tax on profit | 3 | 33 | (90.1) | 36 | (18) | — |
| **Profit from continuing operations** | **(592)** | **(526)** | **12.5** | **(1,118)** | **(884)** | **26.5** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **(592)** | **(526)** | **12.5** | **(1,118)** | **(884)** | **26.5** |
| Non-controlling interests | 1 | 10 | (94.1) | 10 | 0 | — |
| **Underlying attributable profit to the parent** | **(592)** | **(517)** | **14.5** | **(1,108)** | **(884)** | **25.4** |

| Balance sheet | Q2'19 | Q1'19 | % | H1'19 | H1'18 | % |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 6,231 | 6,138 | 1.5 | 6,231 | 7,012 | (11.1) |
| Cash, central banks and credit institutions | 31,895 | 26,755 | 19.2 | 31,895 | 39,060 | (18.3) |
| Debt instruments | 952 | 954 | (0.2) | 952 | 351 | 171.4 |
| Other financial assets | 2,446 | 2,207 | 10.9 | 2,446 | 2,240 | 9.2 |
| Other asset accounts | 132,086 | 132,551 | (0.4) | 132,086 | 120,821 | 9.3 |
| **Total assets** | **173,610** | **168,605** | **3.0** | **173,610** | **169,484** | **2.4** |
| Customer deposits | 953 | 163 | 485.9 | 953 | 231 | 311.9 |
| Central banks and credit institutions | 14,650 | 16,920 | (13.4) | 14,650 | 29,012 | (49.5) |
| Marketable debt securities | 51,326 | 43,441 | 18.2 | 51,326 | 40,421 | 27.0 |
| Other financial liabilities | 2,617 | 2,321 | 12.8 | 2,617 | 1,622 | 61.3 |
| Other liabilities accounts | 9,743 | 8,356 | 16.6 | 9,743 | 7,763 | 25.5 |
| **Total liabilities** | **79,290** | **71,201** | **11.4** | **79,290** | **79,050** | **0.3** |
| **Total equity** | **94,320** | **97,404** | **(3.2)** | **94,320** | **90,433** | **4.3** |
| *Memorandum items:* | | | | | | |
| Gross loans and advances to customers [2] | 6,331 | 6,414 | (1.3) | 6,331 | 7,134 | (11.3) |
| Customer funds | 964 | 176 | 449.3 | 964 | 238 | 304.7 |
| *Customer deposits* [3] | *953* | *163* | *485.9* | *953* | *231* | *311.9* |
| *Mutual funds* | *11* | *13* | *(15.8)* | *11* | *7* | *59.2* |

| Resources | Q2'19 | Q1'19 | % | H1'19 | H1'18 | % |
|---|---|---|---|---|---|---|
| Number of employees | 1,644 | 1,757 | (6.4) | 1,644 | 1,746 | (5.8) |

(1) Includes exchange differences.
(2) Excluding reverse repos.
(3) Excluding repos.

## RETAIL BANKING

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Net interest income | 8,390 | 2.8 | 3.5 | 16,553 | 3.6 | 4.8 |
| Net fee income | 2,269 | (2.0) | (0.9) | 4,583 | 1.8 | 5.2 |
| Gains (losses) on financial transactions (1) | 180 | 91.8 | 89.3 | 273 | (9.9) | (8.1) |
| Other operating income | 42 | (44.8) | (48.8) | 118 | (53.0) | (56.4) |
| **Total income** | **10,881** | **2.2** | **2.9** | **21,528** | **2.4** | **3.9** |
| Administrative expenses and amortisations | (4,882) | 1.1 | 1.7 | (9,712) | (0.2) | 1.5 |
| **Net operating income** | **5,999** | **3.1** | **4.0** | **11,816** | **4.5** | **5.9** |
| Net loan-loss provisions | (2,090) | (3.3) | (2.6) | (4,251) | 3.6 | 4.7 |
| Other gains (losses) and provisions | (397) | 1.3 | 2.4 | (789) | 2.8 | 7.6 |
| **Profit before tax** | **3,512** | **7.6** | **8.5** | **6,776** | **5.4** | **6.5** |
| Tax on profit | (1,073) | (1.9) | (0.6) | (2,166) | 3.6 | 5.4 |
| **Profit from continuing operations** | **2,439** | **12.4** | **13.1** | **4,610** | **6.2** | **7.1** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **2,439** | **12.4** | **13.1** | **4,610** | **6.2** | **7.1** |
| Non-controlling interests | (386) | 5.1 | 5.4 | (754) | 13.6 | 12.7 |
| **Underlying attributable profit to the parent** | **2,053** | **13.9** | **14.7** | **3,856** | **4.9** | **6.0** |

(1) Includes exchange differences.

## CORPORATE & INVESTMENT BANKING

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Net interest income | 701 | 7.3 | 8.0 | 1,354 | 18.6 | 22.5 |
| Net fee income | 377 | 6.8 | 7.6 | 730 | (10.9) | (9.3) |
| Gains (losses) on financial transactions (1) | 113 | (51.0) | (49.4) | 343 | (31.6) | (26.6) |
| Other operating income | 123 | 115.7 | 115.7 | 180 | 80.5 | 83.4 |
| **Total income** | **1,313** | **1.6** | **2.5** | **2,606** | **1.8** | **5.3** |
| Administrative expenses and amortisations | (559) | (0.1) | 0.3 | (1,119) | 7.8 | 9.1 |
| **Net operating income** | **754** | **2.9** | **4.2** | **1,488** | **(2.3)** | **2.6** |
| Net loan-loss provisions | (46) | 379.0 | 375.1 | (55) | (56.2) | (55.7) |
| Other gains (losses) and provisions | (16) | (25.5) | (25.1) | (36) | (1.8) | (1.8) |
| **Profit before tax** | **693** | **(1.4)** | **(0.1)** | **1,396** | **2.6** | **8.4** |
| Tax on profit | (212) | 2.0 | 3.5 | (420) | (0.6) | 5.4 |
| **Profit from continuing operations** | **481** | **(2.8)** | **(1.5)** | **976** | **4.1** | **9.7** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **481** | **(2.8)** | **(1.5)** | **976** | **4.1** | **9.7** |
| Non-controlling interests | (47) | 15.5 | 16.9 | (87) | 9.2 | 11.3 |
| **Underlying attributable profit to the parent** | **434** | **(4.4)** | **(3.2)** | **889** | **3.6** | **9.5** |

(1) Includes exchange differences.

## WEALTH MANAGEMENT & INSURANCE

EUR million

| Underlying income statement | Q2'19 | / Q1'19 % | / Q1'19 % excl. FX | H1'19 | / H1'18 % | / H1'18 % excl. FX |
|---|---|---|---|---|---|---|
| Net interest income | 144 | 3.1 | 3.4 | 283 | 10.6 | 10.7 |
| Net fee income | 298 | 8.1 | 8.5 | 574 | (1.5) | (0.8) |
| Gains (losses) on financial transactions (1) | 34 | (0.0) | 0.5 | 67 | 51.1 | 53.4 |
| Other operating income | 84 | 9.8 | 10.7 | 160 | 8.2 | 10.2 |
| **Total income** | **560** | **6.5** | **6.9** | **1,085** | **5.2** | **5.9** |
| Administrative expenses and amortisations | (226) | (1.7) | (1.7) | (455) | 2.8 | 2.3 |
| **Net operating income** | **334** | **12.9** | **13.7** | **630** | **6.9** | **8.7** |
| Net loan-loss provisions | (0) | — | — | 7 | — | — |
| Other gains (losses) and provisions | (1) | (55.6) | (54.7) | (4) | (7.2) | (8.0) |
| **Profit before tax** | **332** | **10.9** | **11.6** | **632** | **8.2** | **10.1** |
| Tax on profit | (79) | 11.9 | 12.7 | (149) | 10.7 | 12.6 |
| **Profit from continuing operations** | **254** | **10.5** | **11.3** | **483** | **7.4** | **9.3** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **254** | **10.5** | **11.3** | **483** | **7.4** | **9.3** |
| Non-controlling interests | (13) | 9.5 | 11.6 | (24) | (6.3) | (3.1) |
| **Underlying attributable profit to the parent** | **241** | **10.6** | **11.3** | **459** | **8.3** | **10.1** |

(1) Includes exchange differences.

# ALTERNATIVE PERFORMANCE MEASURES (APM)

In addition to the financial information prepared under IFRS, this consolidated directors' report contains financial measures that constitute alternative performance measures ('APMs') to comply with the guidelines on alternative performance measures issued by the European Securities and Markets Authority on 5 October 2015 and non-IFRS measures.

The financial measures contained in this consolidated directors' report that qualify as APMs and non-IFRS measures have been calculated using the financial information from Santander but are not defined or detailed in the applicable financial information framework or under IFRS and have neither been audited nor reviewed by our auditors.

We use these APMs and non-IFRS measures when planning, monitoring and evaluating our performance. We consider these APMs and non-IFRS financial measures to be useful metrics for management and investors to facilitate operating performance comparisons from period to period. While we believe that these APMs and non-IFRS financial measures are useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute of IFRS measures. In addition, other companies, including companies in our industry, may calculate such measures differently, which reduces their usefulness as comparative measures.

The APMs and non-IFRS measures we use in this document can be categorised as follows:

**Underlying results**

In addition to IFRS results measures, we present some results measures which are non-IFRS measures and which we refer to as underlying measures. These underlying measures allow in our view a better year-on-year comparability as they exclude items outside the ordinary course performance of our business which are grouped in the non-IFRS line management adjustments and are further detailed on page 12 of this report.

In addition, the results by business areas in the 'Geographic businesses' section are presented only on an underlying basis in accordance with IFRS 8, and reconciled on an aggregate basis to our IFRS consolidated results to the consolidated financial statements.

## Reconciliation of underlying results to statutory results

EUR million

| | First half 2019 | | |
|---|---|---|---|
| | Underlying results | Adjustments | Statutory results |
| Net interest income | 17,636 | — | 17,636 |
| Net fee income | 5,863 | — | 5,863 |
| Gains (losses) on financial transactions (1) | 511 | — | 511 |
| Other operating income | 426 | — | 426 |
| **Total income** | **24,436** | **—** | **24,436** |
| Administrative expenses and amortisations | (11,587) | — | (11,587) |
| **Net operating income** | **12,849** | **—** | **12,849** |
| Net loan-loss provisions | (4,313) | — | (4,313) |
| Other gains (losses) and provisions | (957) | (1,048) | (2,005) |
| **Profit before tax** | **7,579** | **(1,048)** | **6,531** |
| Tax on profit | (2,679) | 230 | (2,449) |
| **Profit from continuing operations** | **4,900** | **(818)** | **4,082** |
| Net profit from discontinued operations | — | — | — |
| **Consolidated profit** | **4,900** | **(818)** | **4,082** |
| Non-controlling interests | (855) | 4 | (851) |
| **Attributable profit to the parent** | **4,045** | **(814)** | **3,231** |

(1) Includes exchange differences.

Explanation of adjustments:

Net capital gains from the sale of our stake in Prisma of EUR 150 million, net capital losses of EUR 180 million for the sale of real estate assets, restructuring costs in the United Kingdom, Poland and Spain for a net impact of EUR 704 million and PPI provisions for a net amount of EUR 80 million.

## Reconciliation of underlying results to statutory results

EUR million

| | First half 2018 | | |
|---|---|---|---|
| | Underlying results | Adjustments | Statutory results |
| Net interest income | 16,931 | — | 16,931 |
| Net fee income | 5,889 | — | 5,889 |
| Gains (losses) on financial transactions (1) | 854 | — | 854 |
| Other operating income | 488 | — | 488 |
| **Total income** | **24,162** | **—** | **24,162** |
| Administrative expenses and amortisations | (11,482) | — | (11,482) |
| **Net operating income** | **12,680** | **—** | **12,680** |
| Net loan-loss provisions | (4,297) | — | (4,297) |
| Other gains (losses) and provisions | (903) | (581) | (1,484) |
| **Profit before tax** | **7,480** | **(581)** | **6,899** |
| Tax on profit | (2,659) | 281 | (2,378) |
| **Profit from continuing operations** | **4,821** | **(300)** | **4,521** |
| Net profit from discontinued operations | — | — | — |
| **Consolidated profit** | **4,821** | **(300)** | **4,521** |
| Non-controlling interests | (769) | — | (769) |
| **Attributable profit to the parent** | **4,052** | **(300)** | **3,752** |

(1) Includes exchange differences.

Explanation of adjustments:

Restructuring costs: The net impact of EUR -300 million on profit relates to restructuring costs in connection with the integration of Grupo Banco Popular, as follows EUR -280 million in Spain, EUR -40 million in Corporate Centre and EUR 20 million in Portugal.

### Profitability and efficiency ratios

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.

| Ratio | Formula | Relevance of the metric |
|---|---|---|
| **RoE** (Return on equity) | Attributable profit to the parent / Average stockholders' equity (1) (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) | Attributable profit to the parent / Average stockholders' equity (1) (excl. minority interests) - intangible assets | This is a very common indicator, used to evaluate the profitability of the company as a percentage of 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** | Attributable profit to the parent / Average stockholders' equity(1) (excl. minority interests) - intangible assets | This indicator measures the profitability of the tangible equity of a company arising from ordinary activities, i.e. excluding results from non-recurring operations. |
| **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 non-recurring results) to the bank's risk weighted assets. |
| **Efficiency ratio** | Operating expenses (2) / Total 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 total income. |

(1) Stockholders' equity = Capital and Reserves + Accumulated other comprehensive income + Attributable profit to the parent + Dividends.

(2) Operating expenses = Administrative expenses + amortisations.

## Profitability and efficiency (1) (2) (3) (4)

| | Q2'19 | Q1'19 | H1'19 | H1'18 |
|---|---|---|---|---|
| **RoE** | **7.79%** | **7.85%** | **7.41%** | **8.24%** |
| Attributable profit to the parent | 7,681 | 7,684 | 7,276 | 7,804 |
| Average stockholders' equity (excluding minority interests) | 98,659 | 97,886 | 98,191 | 94,662 |
| **RoTE** | **11.02%** | **11.15%** | **10.51%** | **11.79%** |
| Attributable profit to the parent | 7,681 | 7,684 | 7,276 | 7,804 |
| Average stockholders' equity (excluding minority interests) | 98,659 | 97,886 | 98,191 | 94,662 |
| (-) Average intangible assets | 28,965 | 28,978 | 28,952 | 28,472 |
| Average stockholders' equity (excl. minority interests) - intangible assets | 69,694 | 68,908 | 69,239 | 66,190 |
| **Underlying RoTE** | **12.03%** | **11.31%** | **11.68%** | **12.24%** |
| Attributable profit to the parent | 7,681 | 7,684 | 7,276 | 7,804 |
| (-) Management adjustments | (706) | (108) | (814) | (300) |
| Underlying attributable profit to the parent | 8,388 | 7,792 | 8,090 | 8,104 |
| Average stockholders' equity (excl. minority interests) - intangible assets | 69,694 | 68,908 | 69,239 | 66,190 |
| **RoA** | **0.63%** | **0.63%** | **0.60%** | **0.65%** |
| Consolidated profit | 9,464 | 9,318 | 8,981 | 9,342 |
| Average total assets | 1,500,703 | 1,488,505 | 1,492,954 | 1,438,444 |
| **RoRWA** | **1.56%** | *1.54%* | **1.48%** | **1.55%** |
| Consolidated profit | 9,464 | 9,318 | 8,986 | 9,342 |
| Average risk weighted assets | 608,697 | 603,340 | 605,979 | 603,424 |
| **Underlying RoRWA** | **1.67%** | **1.56%** | **1.62%** | **1.60%** |
| Consolidated profit | 9,464 | 9,318 | 8,986 | 9,342 |
| (-) Management adjustments | (701) | (113) | (814) | (300) |
| Underlying consolidated profit | 10,169 | 9,431 | 9,800 | 9,642 |
| Average risk weighted assets | 608,697 | 603,340 | 605,979 | 603,424 |
| **Efficiency ratio** | **47.2%** | **47.6%** | **47.4%** | **47.5%** |
| Underlying operating expenses | 5,829 | 5,758 | 11,587 | 11,482 |
| Operating expenses | 5,829 | 5,758 | 11,587 | 11,482 |
| Management adjustments impact in operating expenses | — | — | — | — |
| Underlying total income | 12,351 | 12,085 | 24,436 | 24,162 |
| Total income | 12,351 | 12,085 | 24,436 | 24,162 |
| Management adjustments impact in total income | — | — | — | — |

(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 March to June in Q2 and December to March in Q1) and 7 months in the case of H1 data (from December to June).

(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).

## Efficiency ratio

| | H1'19 | | | H1'18 | | |
|---|---|---|---|---|---|---|
| | % | Total income | Operating expenses | % | Total income | Operating expenses |
| **Europe** | **53.7** | **10,413** | **5,591** | **53.8** | **10,524** | **5,666** |
| Spain | 55.2 | 3,706 | 2,044 | 58.9 | 3,746 | 2,205 |
| Santander Consumer Finance | 44.6 | 2,321 | 1,035 | 44.9 | 2,266 | 1,018 |
| United Kingdom | 60.4 | 2,388 | 1,442 | 55.6 | 2,590 | 1,440 |
| Portugal | 43.8 | 712 | 312 | 47.2 | 688 | 324 |
| Poland | 42.8 | 817 | 349 | 43.4 | 731 | 317 |
| **North America** | **42.1** | **5,672** | **2,386** | **44.1** | **4,947** | **2,181** |
| US | 42.3 | 3,734 | 1,581 | 45.4 | 3,248 | 1,475 |
| Mexico | 41.6 | 1,938 | 806 | 41.6 | 1,699 | 706 |
| **South America** | **36.2** | **9,134** | **3,309** | **36.7** | **9,151** | **3,361** |
| Brazil | 32.4 | 6,864 | 2,227 | 33.5 | 6,768 | 2,269 |
| Chile | 41.8 | 1,255 | 524 | 41.5 | 1,282 | 531 |
| Argentina | 59.8 | 720 | 431 | 52.8 | 807 | 426 |

## Underlying RoTE

| | H1'19 | | | H1'18 | | |
|---|---|---|---|---|---|---|
| | % | Underlying attributable profit to the parent | Average stockholders' equity (excl. minority interests) - intangible assets | % | Underlying attributable profit to the parent | Average stockholders' equity (excl. minority interests) - intangible assets |
| **Europe** | **9.72** | **4,707** | **48,442** | **10.48** | **4,844** | **46,225** |
| Spain | 9.31 | 1,388 | 14,915 | 8.65 | 1,322 | 15,288 |
| Santander Consumer Finance | 15.36 | 1,316 | 8,565 | 17.00 | 1,335 | 7,851 |
| United Kingdom | 7.81 | 1,164 | 14,901 | 9.93 | 1,330 | 13,390 |
| Portugal | 12.54 | 520 | 4,150 | 11.56 | 459 | 3,967 |
| Poland | 9.61 | 300 | 3,119 | 10.93 | 309 | 2,831 |
| **North America** | **9.54** | **1,779** | **18,637** | **8.26** | **1,381** | **16,713** |
| US | 6.38 | 930 | 14,578 | 5.11 | 667 | 13,054 |
| Mexico | 20.47 | 849 | 4,145 | 19.87 | 713 | 3,589 |
| **South America** | **20.76** | **3,922** | **18,894** | **19.81** | **3,693** | **18,643** |
| Brazil | 21.65 | 2,965 | 13,696 | 19.89 | 2,634 | 13,247 |
| Chile | 17.63 | 623 | 3,532 | 18.19 | 615 | 3,379 |
| Argentina | 16.95 | 146 | 863 | 30.86 | 273 | 884 |

### Credit risk indicators

The credit risk indicators measure the quality of the credit portfolio and the percentage of non-performing loans covered by provisions.

| Ratio | Formula | Relevance of the metric |
|---|---|---|
| **NPL ratio** (Non-performing loans) | Non-performing loans and advances to customers, customer guarantees and customer commitments granted / Total Risk [(1)] | 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. |

(1) Total risk = Total loans and advances and guarantees to customers (performing and non-performing) + non-performing contingent liabilities.

| Credit risk | Jun-19 | Mar-19 | Jun-19 | Jun-18 |
|---|---|---|---|---|
| **NPL ratio** | **3.51%** | **3.62%** | **3.51%** | *3.92%* |
| Non-performing loans and advances to customers customer guarantees and customer commitments granted | 34,421 | 35,590 | 34,421 | 36,654 |
| Total risk | 980,885 | 983,790 | 980,885 | 934,388 |
| **Coverage ratio** | **68%** | **68%** | **68%** | *69%* |
| Provisions to cover impairment losses on loans and advances to customers, customer guarantees and customer commitments granted | 23,432 | 24,129 | 23,432 | 25,148 |
| Non-performing loans and advances to customers customer guarantees and customer commitments granted | 34,421 | 35,590 | 34,421 | 36,654 |
| **Cost of credit** | **0.98%** | **0.97%** | **0.98%** | *0.99%* |
| Allowances for loan-loss provisions over the last 12 months | 8,889 | 8,762 | 8,889 | 8,729 |
| Average loans and advances to customers over the last 12 months | 910,753 | 899,201 | 910,753 | 880,329 |

## NPL ratio

| | Jun-19 | | | Jun-18 | | |
|---|---|---|---|---|---|---|
| | % | Non-performing loans and advances to customers customer guarantees and customer commitments granted | Total risk | % | Non-performing loans and advances to customers customer guarantees and customer commitments granted | Total risk |
| **Europe** | **3.48** | **24,156** | **694,083** | **3.97** | **27,042** | **681,565** |
| Spain | 7.02 | 15,619 | 222,449 | 7.62 | 17,778 | 233,356 |
| Santander Consumer Finance | 2.24 | 2,263 | 100,974 | 2.44 | 2,307 | 94,473 |
| United Kingdom | 1.13 | 2,863 | 253,953 | 1.13 | 2,842 | 252,124 |
| Portugal | 5.00 | 1,916 | 38,362 | 7.55 | 2,938 | 38,907 |
| Poland | 4.21 | 1,353 | 32,129 | 4.58 | 1,129 | 24,631 |
| **North America** | **2.29** | **3,120** | **136,013** | **2.82** | **3,183** | **112,858** |
| US | 2.32 | 2,317 | 99,660 | 2.91 | 2,375 | 81,551 |
| Mexico | 2.21 | 803 | 36,353 | 2.58 | 808 | 31,307 |
| **South America** | **4.81** | **6,909** | **143,638** | **4.82** | **6,399** | **132,635** |
| Brazil | 5.27 | 4,571 | 86,736 | 5.26 | 4,093 | 77,797 |
| Chile | 4.52 | 1,969 | 43,537 | 4.86 | 2,024 | 41,659 |
| Argentina | 3.79 | 231 | 6,102 | 2.40 | 188 | 7,853 |

## Coverage ratio

| | Jun-19 | | | Jun-18 | | |
|---|---|---|---|---|---|---|
| | % | 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 | % | 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 |
| **Europe** | **49.9** | **12,047** | **24,156** | **52.9** | **14,318** | **27,042** |
| Spain | 42.9 | 6,699 | 15,619 | 47.5 | 8,450 | 17,778 |
| Santander Consumer Finance | 105.9 | 2,397 | 2,263 | 107.7 | 2,484 | 2,307 |
| United Kingdom | 31.9 | 914 | 2,863 | 33.8 | 962 | 2,842 |
| Portugal | 52.9 | 1,015 | 1,916 | 52.7 | 1,550 | 2,938 |
| Poland | 69.7 | 942 | 1,353 | 72.1 | 815 | 1,129 |
| **North America** | **150.3** | **4,689** | **3,120** | **146.5** | **4,665** | **3,183** |
| US | 158.4 | 3,670 | 2,317 | 156.9 | 3,727 | 2,375 |
| Mexico | 126.9 | 1,019 | 803 | 116.1 | 938 | 808 |
| **South America** | **93.0** | **6,429** | **6,909** | **94.4** | **6,039** | **6,399** |
| Brazil | 105.5 | 4,821 | 4,571 | 108.7 | 4,449 | 4,093 |
| Chile | 59.1 | 1,165 | 1,969 | 60.0 | 1,215 | 2,024 |
| Argentina | 126.4 | 292 | 231 | 121.5 | 229 | 188 |

### Other indicators

The market capitalisation indicator provides information on the volume of tangible equity per share. 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.

| Ratio | Formula | Relevance of the metric |
|---|---|---|
| **TNAV per share** (Tangible equity net asset value per share) | Tangible book value [(1)] / 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. |
| **Price / tangible book value per share (X)** | Share price / TNAV per share | Is one of the most commonly used ratios by market participants for the valuation of listed companies both in absolute terms and relative to other entities. This ratio measures the relationship between the price paid for a company and its accounting equity value. |
| **LTD ratio** (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 & Insurance)** | Net profit + fees paid from Santander Asset Management to Santander, net of taxes, excluding Private Banking customers | Metric to assess Wealth Management & Insurance's total contribution to Grupo Santander profit. |

(1) Tangible book value = Stockholders' equity - intangible assets

| Others | Jun-19 | Mar-19 | Jun-19 | Jun-18 |
|---|---|---|---|---|
| **TNAV (tangible book value) per share** | **4.30** | **4.30** | **4.30** | **4.10** |
| Tangible book value | 69,835 | 69,731 | 69,835 | 66,157 |
| Number of shares excl. treasury stock (million) | 16,233 | 16,235 | 16,233 | 16,125 |
| **Price / Tangible book value per share (X)** | **0.95** | **0.96** | **0.95** | **1.12** |
| Share price (euros) | 4.08 | 4.14 | 4.08 | 4.59 |
| TNAV (tangible book value) per share | 4.30 | 4.30 | 4.30 | 4.10 |
| **Loan-to-deposit ratio** | **111%** | **113%** | **111%** | **111%** |
| Net loans and advances to customers | 908,235 | 910,195 | 908,235 | 862,092 |
| Customer deposits | 814,751 | 808,361 | 814,751 | 774,425 |

| | Q2'19 | Q1'19 | H1'19 | H1'18 |
|---|---|---|---|---|
| **PAT + After tax fees paid to SAN (in WM&I) (Constant EUR million)** | **628** | **599** | **1,227** | **1,136** |
| Profit after tax | 254 | 229 | 483 | 442 |
| Net fee income net of tax | 374 | 370 | 744 | 694 |

**Local currency measures**

We make use of certain financial measures in local currency to help in the assessment of our ongoing operating performance. These non-IFRS financial measures include the results of operations of our subsidiary banks located outside the Eurozone, excluding the impact of foreign exchange. Because changes in foreign currency exchange rates do not have an operating impact on the results, we believe that evaluating their performance on a local currency basis provides an additional and meaningful assessment of performance to both management and the company's investors.

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 for the first half of 2019 to all periods contemplated in the analysis.

The Group presents, at both the Group level as well as the business unit level, the changes in euros 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 the first half of 2019 to all periods contemplated in the analysis.

The average and period-end exchange rates for the main currencies in which the Group operates are set out in the table below.

## Exchange rates: 1 euro / currency parity

| | Average (Income statement) | | Period-end (balance sheet) | | |
|---|---|---|---|---|---|
| | H1'19 | H1'18 | Jun-19 | Mar-19 | Jun-18 |
| US dollar | 1.130 | 1.210 | 1.138 | 1.124 | 1.166 |
| Pound sterling | 0.873 | 0.880 | 0.897 | 0.858 | 0.886 |
| Brazilian real | 4.341 | 4.134 | 4.351 | 4.387 | 4.488 |
| Mexican peso | 21.647 | 23.073 | 21.820 | 21.691 | 22.882 |
| Chilean peso | 762.804 | 740.383 | 773.897 | 764.435 | 757.828 |
| Argentine peso | 46.643 | 25.832 | 48.291 | 48.659 | 33.517 |
| Polish zloty | 4.292 | 4.220 | 4.250 | 4.301 | 4.373 |

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- CONSOLIDATED BALANCE SHEET
- CONSOLIDATED INCOME STATEMENT

NOTE: The financial information for the first half 2019 and 2018 (attached herewith) corresponds to that included in the interim condensed consolidated financial statements at these dates, prepared 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, and subsequent modifications, and the International Financial Reporting Standards issued by the International Accounting Standards Board (IFRS-IASB).

## Interim condensed consolidated balance sheet

EUR million

| Assets | Jun-19 | Dec-18 | Jun-18 |
|---|---|---|---|
| Cash, cash balances at central banks and other deposits on demand | 104,104 | 113,663 | 107,687 |
| Financial assets held for trading | 102,574 | 92,879 | 112,947 |
| *Memorandum items: lent or delivered as guarantee with disposal or pledge rights* | *28,424* | *23,495* | *30,793* |
| Non-trading financial assets mandatorily at fair value through profit or loss | 5,393 | 10,730 | 5,263 |
| *Memorandum items: lent or delivered as guarantee with disposal or pledge rights* | — | — | — |
| Financial assets designated at fair value through profit or loss | 73,420 | 57,460 | 48,043 |
| *Memorandum items: lent or delivered as guarantee with disposal or pledge rights* | *8,221* | *6,477* | *5,831* |
| Financial assets at fair value through other comprehensive income | 118,062 | 121,091 | 120,831 |
| *Memorandum items:lent or delivered as guarantee with disposal or pledge rights* | *26,458* | *35,558* | *32,499* |
| Financial assets at amortised cost | 981,046 | 946,099 | 922,948 |
| *Memorandum items: lent or delivered as guarantee with disposal or pledge rights* | *20,466* | *18,271* | *23,176* |
| Hedging derivatives | 8,451 | 8,607 | 8,348 |
| Changes in the fair value of hedged items in portfolio hedges of interest risk | 1,621 | 1,088 | 1,143 |
| Investments | 7,788 | 7,588 | 9,262 |
| Joint ventures companies | 962 | 979 | 2,047 |
| Associated entities | 6,826 | 6,609 | 7,215 |
| Assets under insurance or reinsurance contracts | 311 | 324 | 345 |
| Tangible assets | 33,755 | 26,157 | 23,461 |
| Property, plant and equipment | 32,651 | 24,594 | 21,792 |
| For own-use | 14,522 | 8,150 | 7,787 |
| Leased out under an operating lease | 18,129 | 16,444 | 14,005 |
| Investment property | 1,104 | 1,563 | 1,669 |
| *Of which: Leased out under an operating lease* | *794* | *1,195* | *1,272* |
| *Memorandum items: acquired in financial lease* | *6,608* | *98* | *96* |
| Intangible assets | 28,794 | 28,560 | 27,893 |
| Goodwill | 25,613 | 25,466 | 25,035 |
| Other intangible assets | 3,181 | 3,094 | 2,858 |
| Tax assets | 30,102 | 30,251 | 30,051 |
| Current tax assets | 6,502 | 6,993 | 6,403 |
| Deferred tax assets | 23,600 | 23,258 | 23,648 |
| Other assets | 12,140 | 9,348 | 10,068 |
| Insurance contracts linked to pensions | 207 | 210 | 223 |
| Inventories | 5 | 147 | 164 |
| Other | 11,928 | 8,991 | 9,681 |
| Non-current assets held for sale | 4,535 | 5,426 | 5,543 |
| **TOTAL ASSETS** | **1,512,096** | **1,459,271** | **1,433,833** |

## Interim condensed consolidated balance sheet

EUR million

| Liabilities | Jun-19 | Dec-18 | Jun-18 |
|---|---|---|---|
| Financial liabilities held for trading | 74,187 | 70,343 | 75,350 |
| Financial liabilities designated at fair value through profit or loss | 60,237 | 68,058 | 58,153 |
| *Memorandum items: subordinated liabilities* | — | — | — |
| Financial liabilities at amortised cost | 1,224,194 | 1,171,630 | 1,153,918 |
| *Memorandum items: subordinated liabilities* | *21,419* | *23,820* | *23,939* |
| Hedging derivatives | 7,267 | 6,363 | 6,728 |
| Changes in the fair value of hedged items in portfolio hedges of interest rate risk | 296 | 303 | 317 |
| Liabilities under insurance or reinsurance contracts | 731 | 765 | 936 |
| Provisions | 14,571 | 13,225 | 13,758 |
| Pensions and other post-retirement obligations | 6,216 | 5,558 | 5,465 |
| Other long term employee benefits | 1,708 | 1,239 | 1,525 |
| Taxes and other legal contingencies | 3,153 | 3,174 | 3,084 |
| Contingent liabilities and commitments | 728 | 779 | 855 |
| Other provisions | 2,766 | 2,475 | 2,829 |
| Tax liabilities | 9,838 | 8,135 | 7,659 |
| Current tax liabilities | 3,230 | 2,567 | 2,481 |
| Deferred tax liabilities | 6,608 | 5,568 | 5,178 |
| Other liabilities | 10,790 | 13,088 | 12,569 |
| Liabilities associated with non-current assets held for sale | — | — | — |
| **TOTAL LIABILITIES** | **1,402,111** | **1,351,910** | **1,329,388** |

| EQUITY | | | |
|---|---|---|---|
| Shareholders´ equity | 120,054 | 118,613 | 117,935 |
| Capital | 8,118 | 8,118 | 8,068 |
| Called up paid capital | 8,118 | 8,118 | 8,068 |
| Unpaid capital which has been called up | — | — | — |
| Share premium | 50,993 | 50,993 | 51,053 |
| Equity instruments issued other than capital | 581 | 565 | 542 |
| Equity component of the compound financial instrument | — | — | — |
| Other equity instruments issued | 581 | 565 | 542 |
| Other equity | 155 | 234 | 215 |
| Accumulated retained earnings | 61,049 | 56,756 | 56,967 |
| Revaluation reserves | — | — | — |
| Other reserves | (4,061) | (3,567) | (1,552) |
| (-) Own shares | (12) | (59) | (61) |
| Profit attributable to shareholders of the parent | 3,231 | 7,810 | 3,752 |
| (-) Interim dividends | — | (2,237) | (1,049) |
| Other comprehensive income | (21,425) | (22,141) | (23,885) |
| Items not reclassified to profit or loss | (3,625) | (2,936) | (2,751) |
| Items that may be reclassified to profit or loss | (17,800) | (19,205) | (21,134) |
| Non-controlling interest | 11,356 | 10,889 | 10,395 |
| Other comprehensive income | (1,149) | (1,292) | (1,377) |
| Other elements | 12,505 | 12,181 | 11,772 |
| **TOTAL EQUITY** | **109,985** | **107,361** | **104,445** |
| **TOTAL LIABILITIES AND EQUITY** | **1,512,096** | **1,459,271** | **1,433,833** |

| **MEMORANDUM ITEMS** | | | |
|---|---|---|---|
| Loans commitment granted | 223,954 | 218,083 | 210,977 |
| Financial guarantees granted | 12,077 | 11,723 | 13,247 |
| Other commitments granted | 94,785 | 74,389 | 73,061 |

## Interim condensed consolidated income statement

EUR million

| | H1'19 | H1'18 |
|---|---|---|
| Interest income | 28,669 | 26,904 |
| Financial assets at fair value through other comprehensive income | 2,020 | 2,548 |
| Financial assets at amortised cost | 24,396 | 23,011 |
| Other interest income | 2,253 | 1,345 |
| Interest expense | (11,033) | (9,973) |
| **Net interest income** | **17,636** | **16,931** |
| Dividend income | 361 | 264 |
| Share of results of entities accounted for using the equity method | 306 | 354 |
| Commission income | 7,502 | 7,475 |
| Commission expense | (1,639) | (1,586) |
| Gain or losses on financial assets and liabilities not measured at fair value through profit or loss, net | 350 | 326 |
| Financial assets at amortised cost | 105 | 16 |
| Other financial assets and liabilities | 245 | 310 |
| Gain or losses on financial assets and liabilities held for trading, net | (12) | 1,197 |
| Reclassification of financial assets at fair value through other comprehensive income | — | — |
| Reclassification of financial assets at amortised cost | — | — |
| Other gains (losses) | (12) | 1,197 |
| Gains or losses on non-trading financial assets and liabilities mandatorily at fair value through profit or loss | 215 | 56 |
| Reclassification of financial assets at fair value through other comprehensive income | — | — |
| Reclassification of financial assets at amortised cost | — | — |
| Other gains (losses) | 215 | 56 |
| Gain or losses on financial assets and liabilities measured at fair value through profit or loss, net | (207) | 132 |
| Gain or losses from hedge accounting, net | (26) | 33 |
| Exchange differences, net | 191 | (890) |
| Other operating income | 855 | 813 |
| Other operating expenses | (1,136) | (979) |
| Income from assets under insurance and reinsurance contracts | 1,630 | 1,756 |
| Expenses from liabilities under insurance and reinsurance contracts | (1,590) | (1,720) |
| **Total income** | **24,436** | **24,162** |
| Administrative expenses | (10,110) | (10,265) |
| Staff costs | (6,080) | (5,960) |
| Other general administrative expenses | (4,030) | (4,305) |
| Depreciation and amortisation cost | (1,477) | (1,217) |
| Provisions or reversal of provisions, net | (1,916) | (1,262) |
| Impairment or reversal of impairment at financial assets not measured at fair value through profit or loss, net | (4,368) | (4,352) |
| Financial assets at fair value with changes in other comprehensive income | (6) | (1) |
| Financial assets at amortised cost | (4,362) | (4,351) |
| Impairment of investments in subsidiaries, joint ventures and associates, net | — | — |
| Impairment on non-financial assets, net | (27) | (96) |
| Tangible assets | (19) | (33) |
| Intangible assets | (2) | (64) |
| Others | (6) | 1 |
| Gain or losses on non financial assets and investments, net | 250 | 23 |
| Negative goodwill recognised in results | — | — |
| Gains or losses on non-current assets held for sale not classified as discontinued operations | (257) | (94) |
| **Profit or loss before tax from continuing operations** | **6,531** | **6,899** |
| Tax expense or income from continuing operations | (2,449) | (2,378) |
| **Profit for the period from continuing operations** | **4,082** | **4,521** |
| Profit or loss after tax from discontinued operations | — | — |
| **Profit for the period** | **4,082** | **4,521** |
| Profit attributable to non-controlling interests | 851 | 769 |
| Profit attributable to the parent | 3,231 | 3,752 |
| | | |
| **Earnings per share** | | |
| Basic | 0.181 | 0.216 |
| Diluted | 0.180 | 0.216 |

# GLOSSARY

- **Active customer:** Those customers who comply with balance, income and/or transactionality demanded minima defined according to the business area
- **ALCO:** Assets and Liabilities Committee
- **APM:** Alternative Performance Measures
- **Banco Popular/Popular:** Banco Popular Español, S.A., a bank whose share capital was acquired by Banco Santander, S.A. on 7 June 2017 and was merged into Santander in September 2018
- **bps**: basis points
- **CAGR:** Compound annual growth rate
- **CEO**: Chief Executive Officer
- **CET1**: Core equity tier 1
- **CFO**: Chief Financial Officer
- **CNMV:** Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*)
- **Digital customers**: Every consumer of a commercial bank's services who has logged on to their personal online banking and/or mobile banking in the last 30 days
- **ECB**: European Central Bank
- **EIB**: European Investment Bank
- **ESG**: Environmental, Social and Governance
- **EPS**: Earnings Per Share
- **ESMA**: European Securities and Markets Authority
- **Fed**: Federal Reserve
- **FX**: Foreign Exchange
- **GDP**: Gross Domestic Product
- **GRI**: Global Reporting Initiative
- **IFRS 9**: International Financial Reporting Standard 9, regarding financial instruments
- **IFRS 16**: International Financial Reporting Standard 16, regarding leases
- **IT&O:** Information technology and operations
- **LCR:** Liquidity Coverage Ratio
- **Loyal customers:** Active customers who receive most of their financial services from the Group according to the commercial segment that they belong to. Various engaged customer levels have been defined taking profitability into account.
- **NPLs:** Non-performing loans
- **P/E ratio:** Price / earnings per share ratio
- **pp:** percentage points
- **Repos:** Repurchase agreements
- **RoA**: Return on assets
- **RoE**: Return on equity
- **RoRAC**: Return on risk adjusted capital
- **RoRWA**: Return on risk weighted assets
- **RoTE**: Return on tangible equity
- **RWAs**: Risk weighted assets
- **SAM**: Santander Asset Management
- **SBNA**: Santander Bank N.A.
- **SCF**: Santander Consumer Finance
- **SCIB**: Santander Corporate & Investment Banking
- **SC USA**: Santander Consumer USA
- **SEC**: Securities and Exchanges Commission
- **SRF**: Single Resolution Fund
- **SGP**: Santander Global Platform
- **SHUSA**: Santander Holdings USA, Inc.
- **SMEs**: Small or medium enterprises
- **SPB**: Santander Private Banking
- **SPF**: Simple, Personal and Fair
- **SSM**: Single Supervisory Mechanism, the system of banking supervision in Europe. It comprises the ECB and the national supervisory authorities of the participating countries
- **T1**: Tier 1
- **TLAC**: The total loss absorption capacity requirement which is required to be met under the CRD V package
- **TNAV**: Tangible net asset value
- **TRIM**: Targeted review of internal models
- **UK**: United Kingdom
- **US**: United States of America
- **VaR**: Value at Risk
- **WM&I**: Wealth Management & Insurance

# Important information

**Non-IFRS and alternative performance measures**

In addition to the financial information prepared in accordance with International Financial Reporting Standards ("IFRS"), this report contains certain financial measures that constitute alternative performance measures ("APMs") as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 (ESMA/2015/1415en) and other non-IFRS measures ("Non-IFRS Measures"). The financial measures contained in this report that qualify as APMs and non-IFRS measures have been calculated using the financial information from Santander Group but are not defined or detailed in the applicable financial reporting framework and have neither been audited nor reviewed by our auditors. We use these APMs and non-IFRS measures when planning, monitoring and evaluating our performance. We consider these APMs and non-IFRS measures to be useful metrics for management and investors to facilitate operating performance comparisons from period to period. While we believe that these APMs and non-IFRS measures are useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute of IFRS measures. In addition, other companies, including companies in our industry, may calculate or use such measures differently, which reduces their usefulness as comparative measures. For further details of the APMs and non-IFRS Measures used, including its definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS, please see 2018 Annual Financial Report, published in the CNMV on 28 February 2019, our 20-F report for the year ending 31 December 2018 registered with the SEC in the United States as well as the section "Alternative performance measures" of the annex to this report.

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

**Forward-looking statements**

Santander cautions that this 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. The following important factors, in addition to those discussed elsewhere in this report, and in our annual report on Form 20-F for the year ended December 31, 2018, filed with the U.S. Securities and Exchange Commission, could affect our future results and could cause outcomes to differ materially from those anticipated in any forward-looking statement: (1) general economic or industry conditions in areas in which we have significant business activities or investments, including a worsening of the economic environment, increasing in the volatility of the capital markets, inflation or deflation, and changes in demographics, consumer spending, investment or saving habits; (2) exposure to various types of market risks, principally including interest rate risk, foreign exchange rate risk, equity price risk and risks associated with the replacement of benchmark indices; (3) potential losses associated with prepayment of our loan and investment portfolio, declines in the value of collateral securing our loan portfolio, and counterparty risk; (4) political stability in Spain, the UK, other European countries, Latin America and the US (5) changes in laws, regulations or taxes, including changes in regulatory capital and liquidity requirements, including as a result of the UK exiting the European Union and increased regulation in light of the global financial crisis; (6) our ability to integrate successfully our acquisitions and the challenges inherent in diverting management's focus and resources from other strategic opportunities and from operational matters while we integrate these acquisitions; and (7) changes in our ability to access liquidity and funding on acceptable terms, including as a result of changes in our credit spreads or a downgrade in our credit ratings or those of our more significant subsidiaries. Numerous factors could affect the future results of Santander and could result in those results deviating materially from those anticipated in the forward-looking statements. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

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.

**No offer**

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.

**Historical performance is not indicative of future results**

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 period. Nothing in this report should be construed as a profit forecast.

This document is a translation of a document originally issued in Spanish. Should there be any discrepancies between the English and the Spanish versions, only the original Spanish version should be binding.

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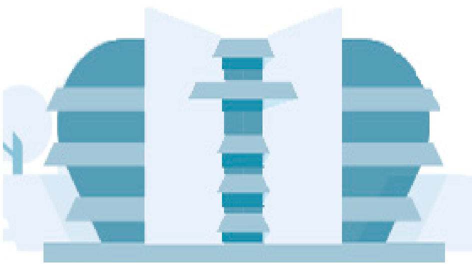

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