

29 January 2020



2019 Earnings Presentation



Important Information

Non-IFRS and alternative performance measures

In addition to the financial information prepared in accordance with International Financial Reporting Standards (“IFRS”) and derived from our financial statements, this presentation contains certain financial measures that constitute alternative performance measures (“APMs”) as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 (ESMA/2015/1415en) and other non-IFRS measures (“Non-IFRS Measures”). The financial measures contained in this presentation that qualify as APMs and non-IFRS measures have been calculated using the financial information from Santander Group but are not defined or detailed in the applicable financial reporting framework and have neither been audited nor reviewed by our auditors. We use these APMs and non-IFRS measures when planning, monitoring and evaluating our performance. We consider these APMs and non-IFRS measures to be useful metrics for management and investors to facilitate operating performance comparisons from period to period. While we believe that these APMs and non-IFRS measures are useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute of IFRS measures. In addition, other companies, including companies in our industry, may calculate or use such measures differently, which reduces their usefulness as comparative measures. For further details of the APMs and Non-IFRS Measures used, including its definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS, please see the 2018 Annual Financial Report, filed with the Comisión Nacional del Mercado de Valores of Spain (CNMV) on 28 February 2019, as well as the section “Alternative performance measures” of the annex to the Banco Santander, S.A. (“Santander”) 2019 4Q Financial Report, published as Relevant Fact on 29 January 2020. These documents are available on Santander’s website (www.santander.com).

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

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Important Information

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- 1. Macroeconomic environment and financial system**
- 2. Strategy and business**
- 3. Results**
- 4. Appendix**

Macroeconomic environment and financial system

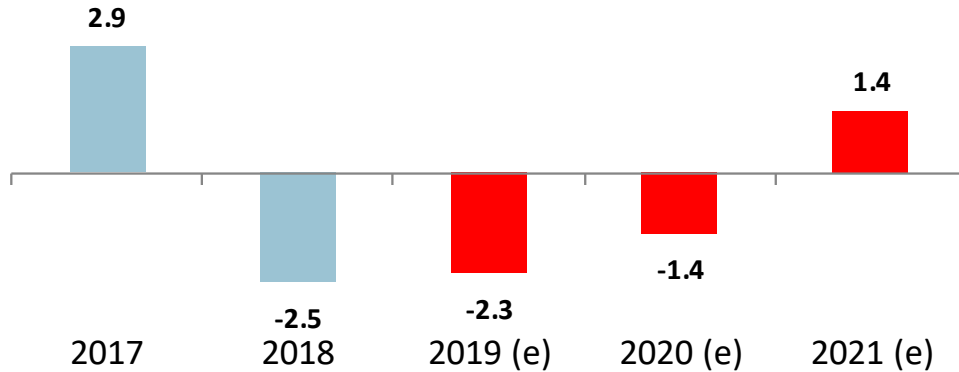


01

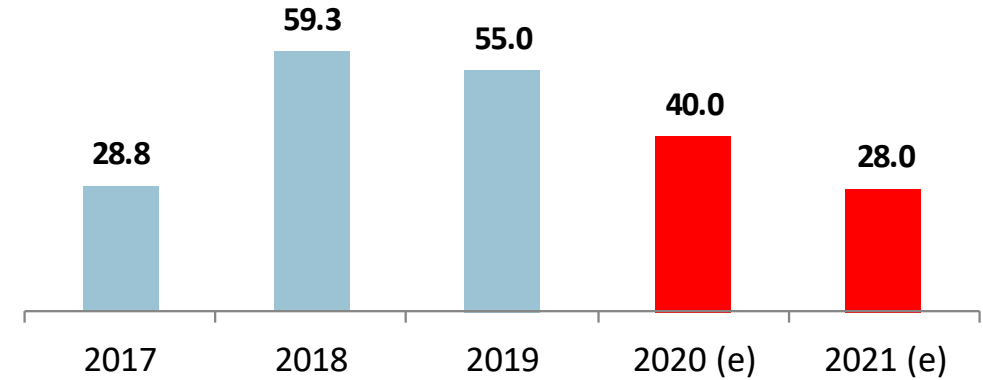


The new Administration's recent measures are positive to stabilise the economy

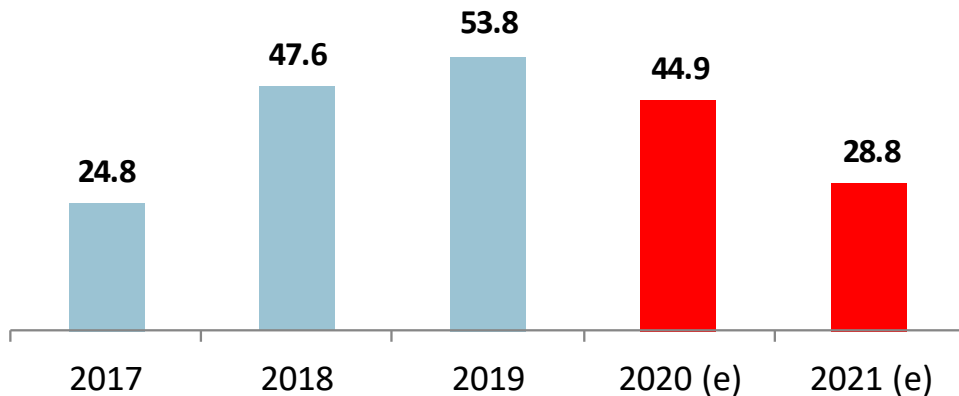
Annual GDP Growth (real, %)



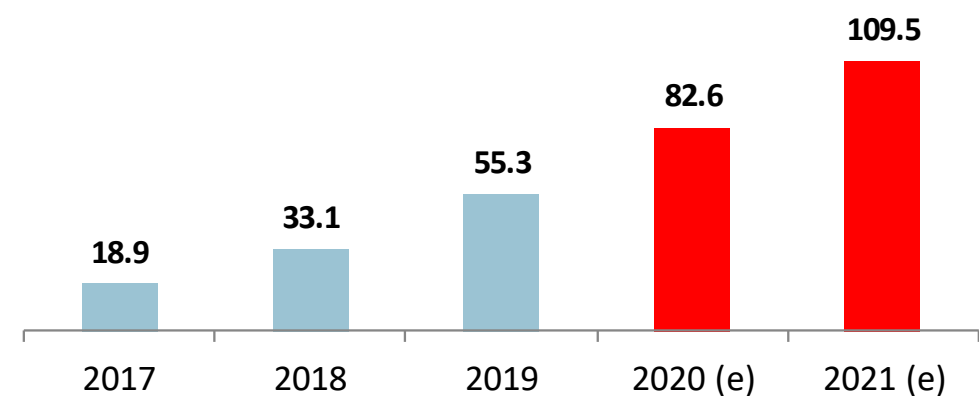
Interest rates (year end, %)



Annual inflation rate (year end, %)



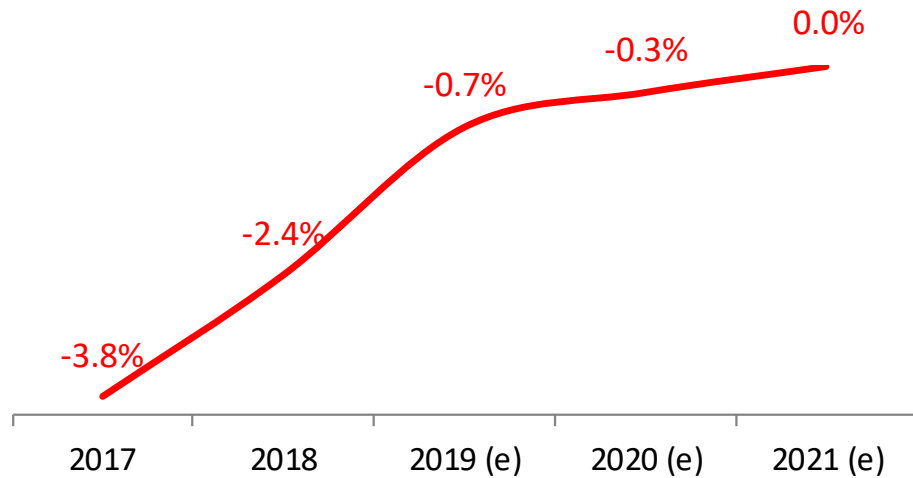
Average exchange rate (ARS / EUR)



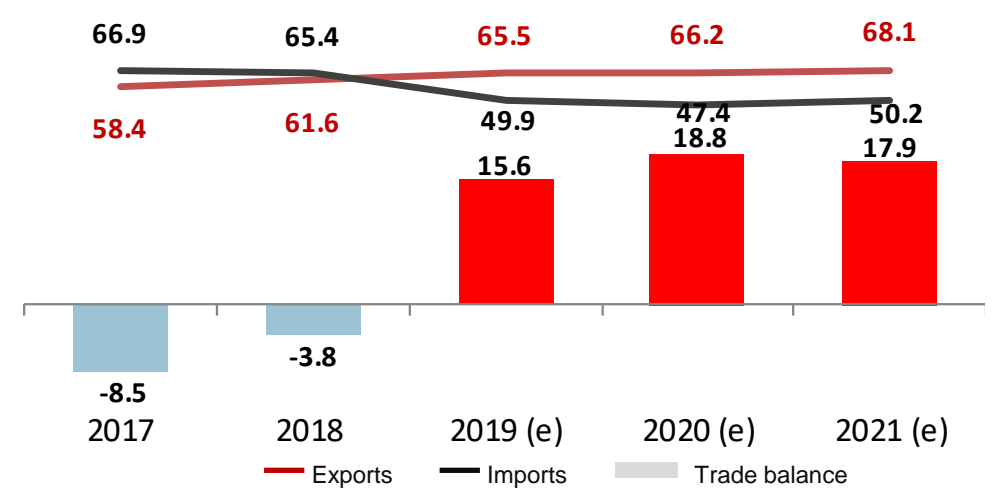


Expansive policy stance to engineer a short-term pick-up in activity

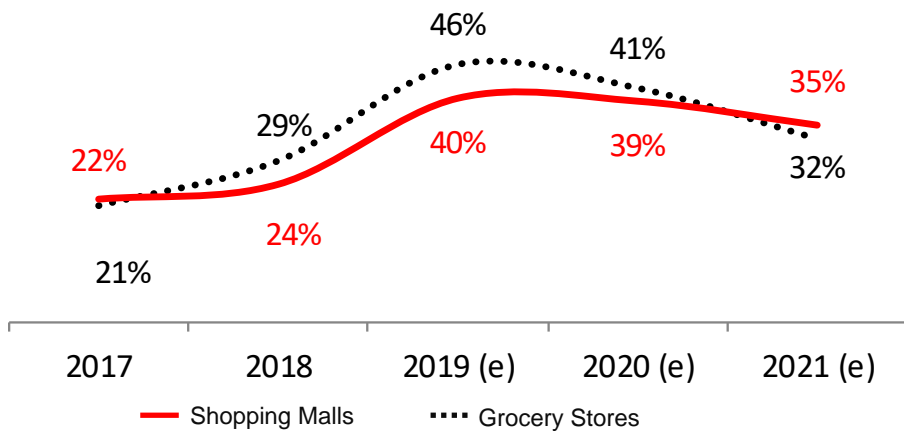
Fiscal surplus / deficit (% of GDP)



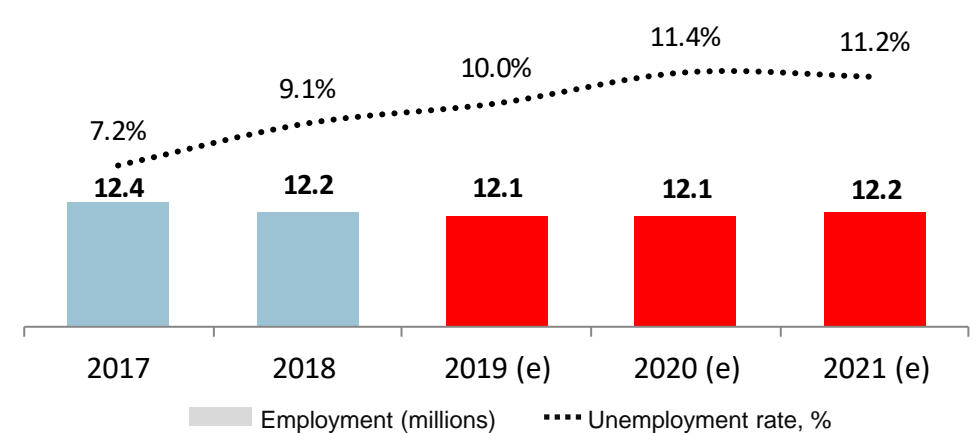
External sector (USD bn)



Consumer spending (% YoY)



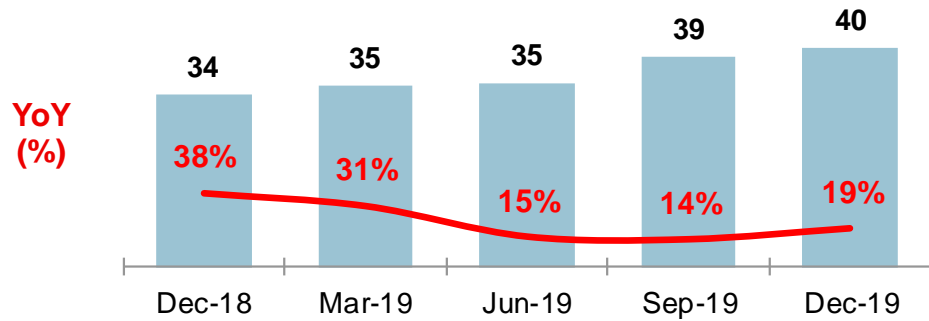
Employment



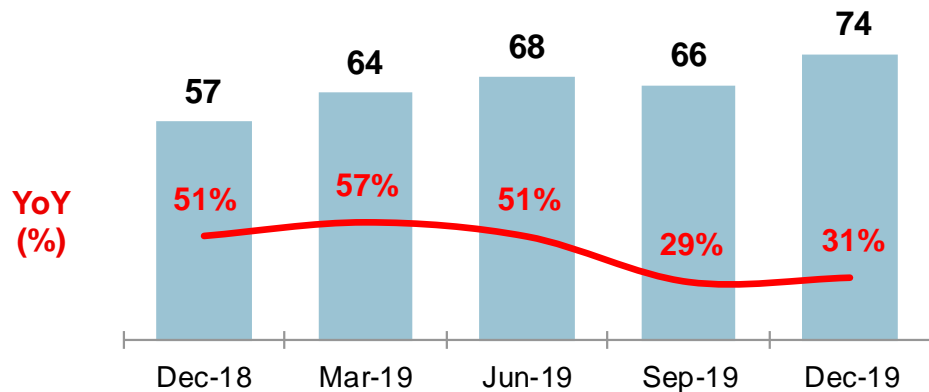


Transactional and well capitalised financial system with low demand for credit. Dollar-denominated deposits stabilised after USD liquidity stress

Total loans (Constant EUR bn¹)



Total customer funds² (Constant EUR bn¹)



- ▶ **Loans/GDP³**: 11.7%.
- ▶ **Deposits/GDP³**: 20.5%.
- ▶ **Loans**: 25% growth YoY in local currency and -34% fall in foreign currency.
- ▶ **Deposits**: 26% growth YoY, 36% in local currency and -29% fall in foreign currency.
- ▶ **Mutual funds**: 41% YoY.
- ▶ Liquid assets/Deposits³: 49%. BIS ratio³: 16.3%. CET1 Ratio³: 14.3%.
- ▶ Private sector NPL ratio: 4.6% (coverage: 93%).
- ▶ 2019 Inflation: 53,8%.
- ▶ Financial system net income trend:

	2015	2016	2017	2018	9M'19
Net Income ⁴	5.8	4.6	4.1	5.6	3.5
RoE	32%	30%	23%	37%	42%

Strategy and business



02

Santander Argentina: The leading private bank in Argentina by business volume



STRATEGIC PRIORITIES

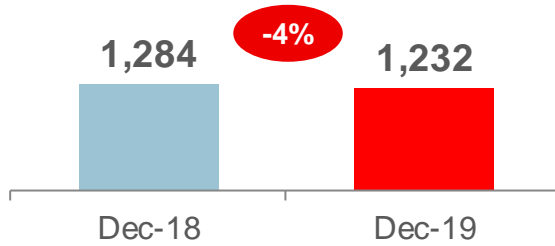
- ▶ **Profitable growth** increasing revenue with efficient capital allocation
- ▶ **Customer-centric** decisions, helping people and businesses prosper
- ▶ Progressing towards a **simpler** and **more efficient** model, driven by **digital transformation**
- ▶ Be **agile** and **collaborative**, with challenging goals and clear priorities

KEY DATA	2019	YoY Var. ³
Gross loans ¹	4,993	+40%
Deposits ¹	7,002	+24%
Underlying profit ¹	144	+224%
RoTE	22.2%	+11 pp
Efficiency ratio	57.9%	-423 bps
Loans market share ⁴	10.1%	-7 bps
Deposits market share ⁴	11.4%	-202 bps
Loyal customers ²	1,363	-4%
Digital customers ²	2,196	+5%
Branches	438	-6%
Employees	9,178	-2%



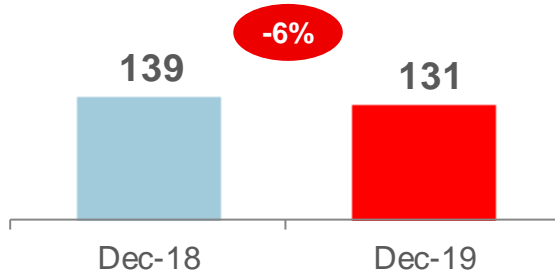
Customer experience and digitalisation at the core of our strategy

Loyal individuals (k)



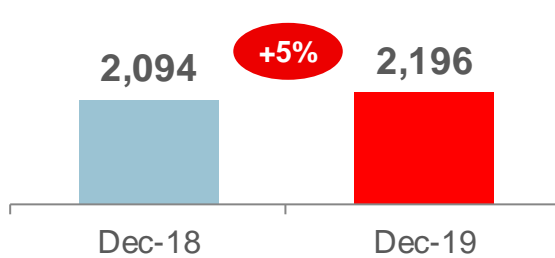
- ▶ More customised products and services to improve loyalty
- ▶ 46% of our active customer base is loyal

Loyal companies (k)



- ▶ Reinforce assistance model through technology
- ▶ Loyal customers: SMEs 56% - Middle market companies 52% of active companies

Digital customers (k)



- ▶ 64% of total sales are made through digital channels
- ▶ 60% of our digital customers are mobile banking users
- ▶ Best digital bank in Argentina for 17 consecutive years¹



Growth driven by our customer-centric strategy

New segments launched adding value to different audiences



Financial and non-financials benefits, aiming to increase our **female entrepreneur** customer base



Designed for **young people** that includes financial benefits and other non-financial advantages



Pre-paid card designed for **teens** (between 13 and 17 years old)



Products and services to simplify daily operations of **independent professionals** and **businesses**

Changing our network model

- **Work Café**
- **Financial inclusion branches**
- **2.0 branches:** closer to our customers supported by technology
- Expanding our **non-banking correspondent** network

Reward and benefit programmes

- Miles fidelity programme co-branded with AAdvantage®
- Strengthen the Bank's positioning in high income segments



Recognitions



Best Digital banking 2007 to 2017
Best Bank 2018

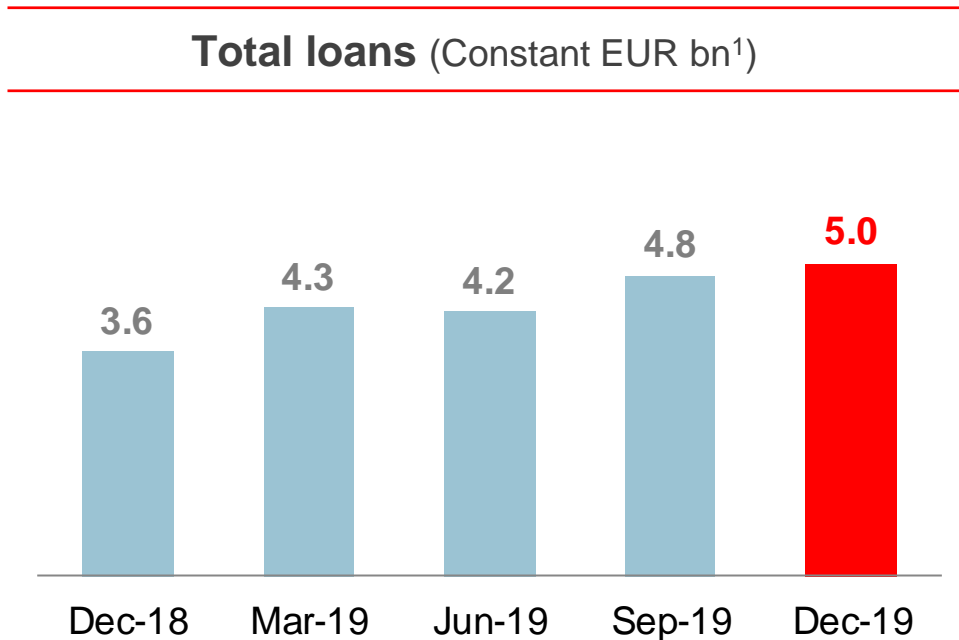


Best Bank 2019



Top 5 in GPTW for 12 years

Total loans grew 40% YoY, driven by an environment characterised by weak economic activity. Individuals +38% supported by inflation adjusted loans

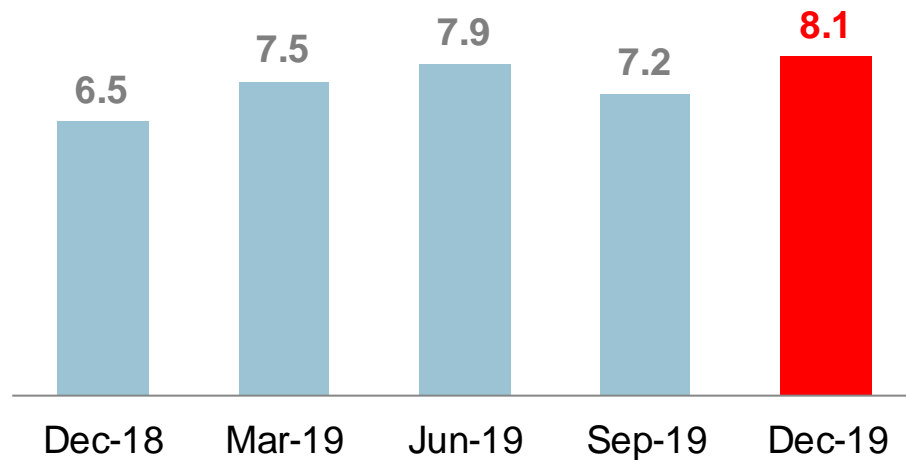


	Dec-19	YoY (%)	QoQ (%)
Individuals	2.2	38%	17%
Mortgage	0.3	55%	12%
Consumer Credit	1.9	35%	18%
Companies	2.8	41%	-4%
SMEs	0.4	11%	7%
Corporates	0.7	16%	-10%
CIB	1.7	66%	-4%
Total Loans	5.0	40%	4%



**Total deposits +24% YoY: Local currency deposits +58% YoY (demand deposits).
USD-denominated deposits -42% but stabilised after USD liquidity stress**

Total customer funds¹ (Constant EUR bn²)



	Dec-19	YoY (%)	QoQ (%)
Demand	2.0	54%	4%
Savings	3.1	3%	7%
Time	1.9	40%	27%
Total deposits	7.0	24%	11%
Mutual Funds	1.1	24%	22%
Total customer funds	8.1	24%	12%

Results

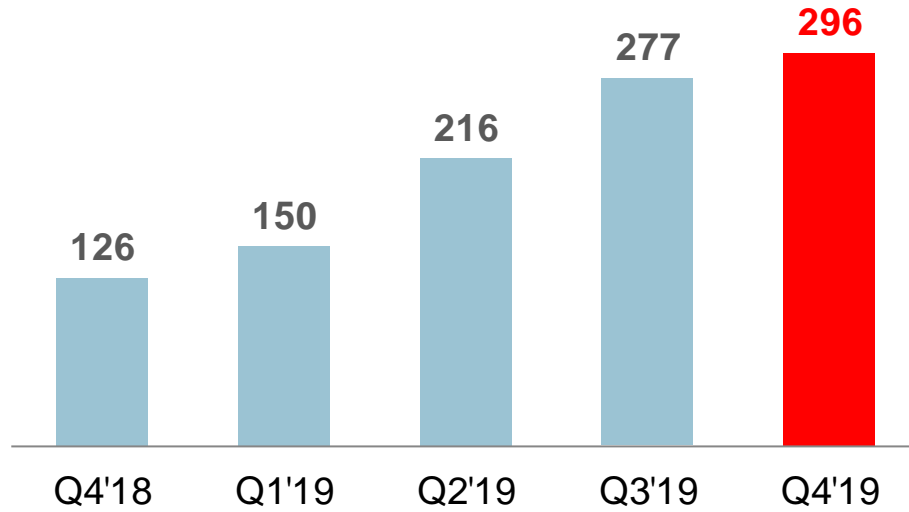


03

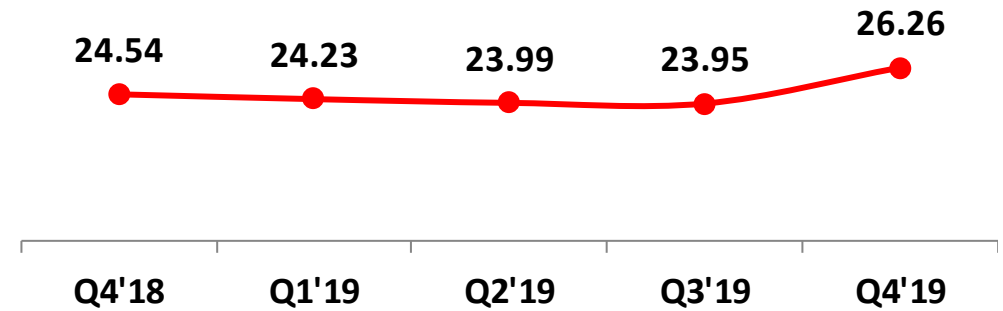
Net interest income increased 127% YoY, underpinned by the larger position in Central Bank notes and higher interest rates



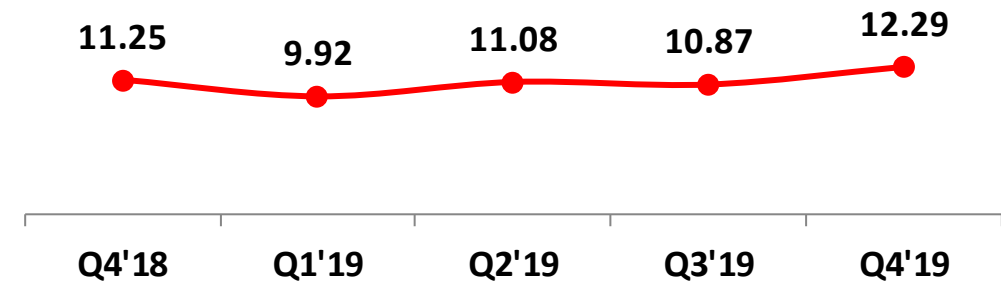
Net interest income (Constant EUR mn¹)



Yield on loans (%)



Cost of deposits (%)

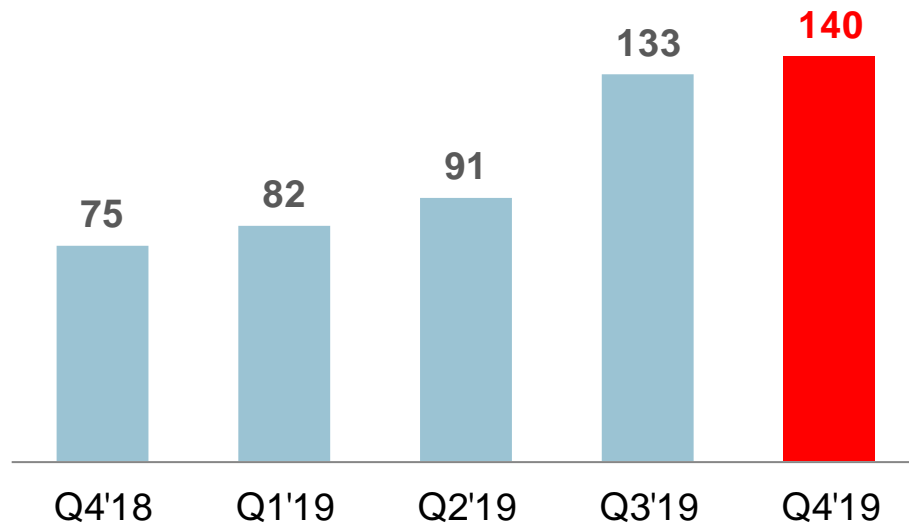


NIM ² (%)				
6.58%	7.28%	9.33%	11.72%	12.64%
Official interest rate ³ (%)				
50.2%	41.2%	50.8%	54.3%	48.3%

Net fee income rose 84% driven by foreign currency transactions and cash management



Net fee income (Constant EUR mn¹)

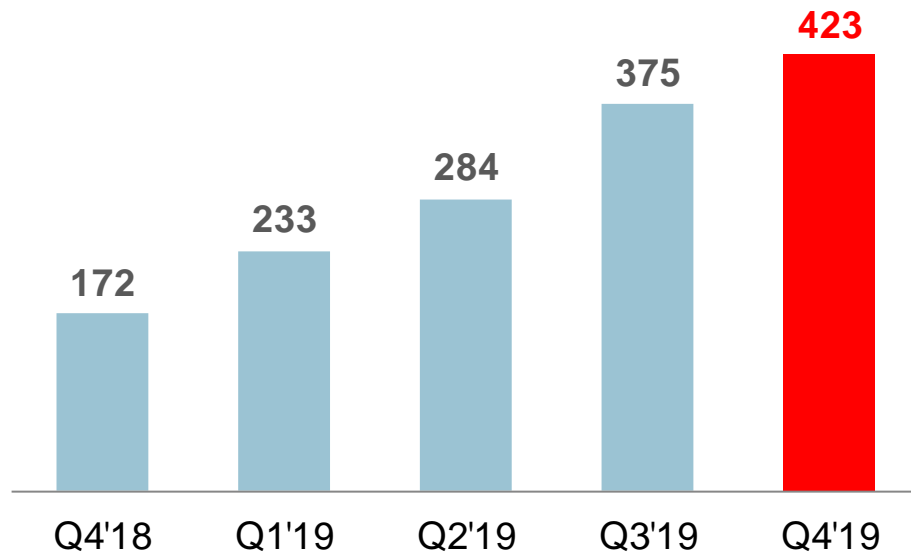


	2019	2018	YoY (%)	QoQ (%)
Credit cards	68	52	31%	6%
Account management	57	47	23%	7%
Insurance	22	19	11%	13%
Payments & collections	68	48	42%	13%
Other	231	76	203%	2%
Total	446	242	84%	5%



Gross income increased 102% YoY, growing above inflation. Other income includes the high inflation adjustment accounting impact

Gross income (Constant EUR mn¹)

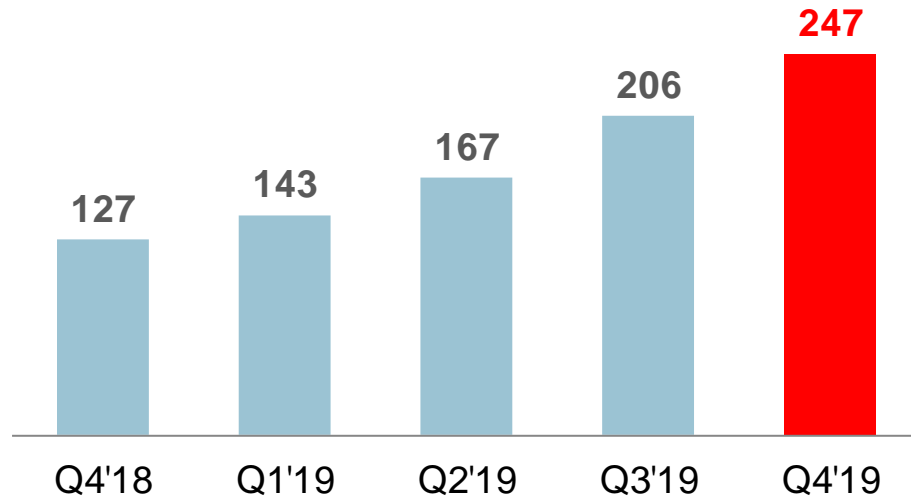


	2019	2018	YoY (%)	QoQ (%)
NII	940	415	127%	7%
Fee income	446	242	84%	5%
Subtotal	1,386	657	111%	6%
Other ²	-70	-4	1681%	-64%
Gross Income	1,316	653	102%	13%



Costs up 88%, driven by inflationary environment and peso depreciation. Higher amortisation as a result of technology investments. Positive jaws

Operating expenses (Constant EUR mn¹)



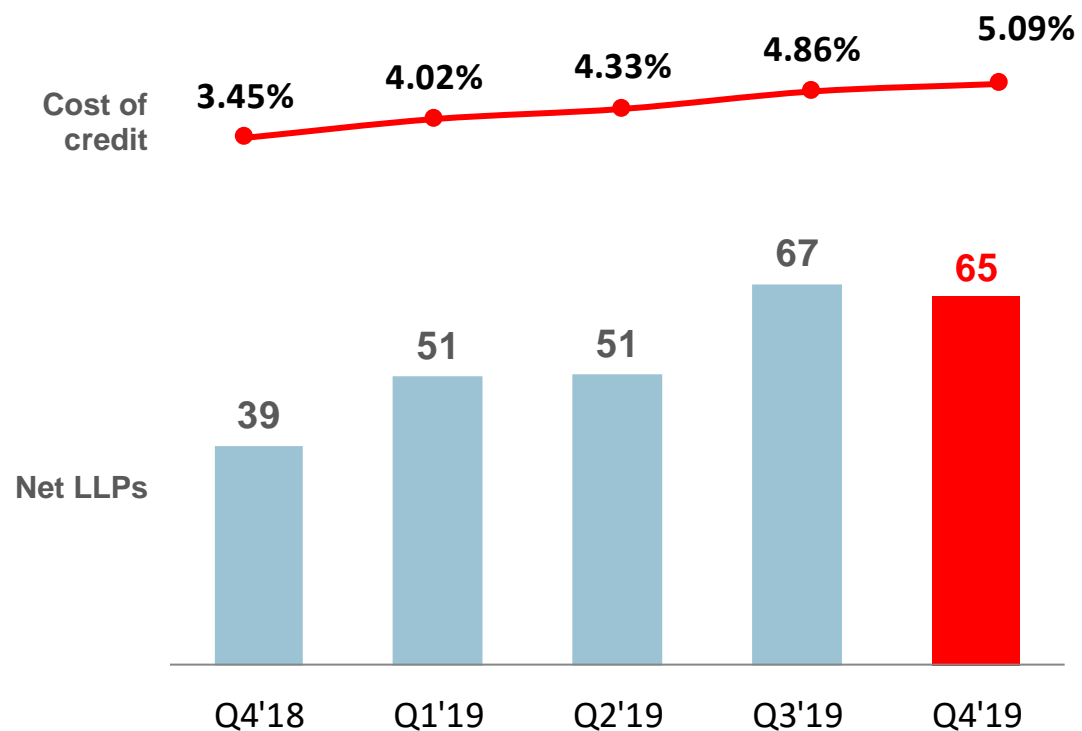
	2019	2018	YoY (%)	QoQ (%)
Operating expenses	762	406	88%	20%

Efficiency ratio	57.9%	62.1%
Employees (#)	9,178	9,324
Branches (#)	438	468



The NPL ratio remained relatively stable in a low credit growth environment in real terms

LLPs and cost of credit (Constant EUR mn¹, %)



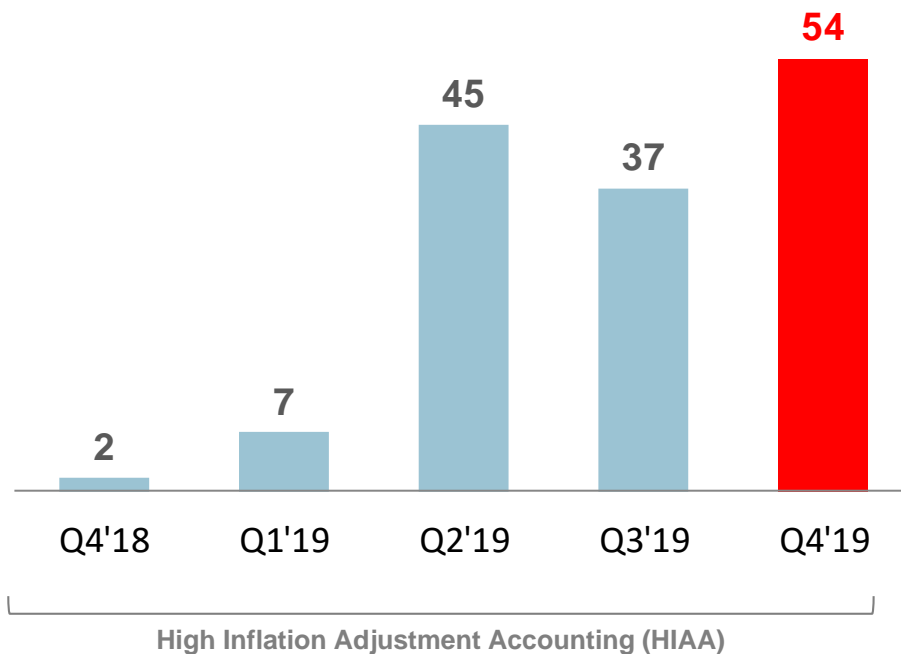
	2019	2018	YoY (%)	QoQ (%)
Net Operating Income	554	247	124%	5%
LLP's	-235	-125	89%	-3%
Net op. Income after LLPs	319	123	160%	10%

NPL ratio	3.39%	3.17%
NPL Coverage ratio	124%	135%



Underlying attributable profit reached EUR 144 mn. High inflation-adjusted RoTE despite the macro environment

Underlying profit (Constant EUR mn¹)



	2019	2018	YoY (%)	QoQ (%)
PBT	217	99	121%	-24%
Tax on profit	-72	-54	34%	-98%
Consolidated profit	145	45	225%	41%
Underlying att. Profit	144	44	224%	43%
Effective tax rate	33.2%	54.6%		



Concluding remarks

Market Environment & Financial System

- ▶ A challenging political, macro and financial environment
- ▶ The new Administration's recent measures are positive to stabilise the economy. Expansive policy stance in the short term
- ▶ Transactional and well capitalised financial system
- ▶ Low credit demand. Dollar-denominated deposits stabilised after USD liquidity stress

Strategy & Business

- ▶ Santander's strategy will continue to be focused on 4 pillars: profitable growth, customer experience, operational excellence and culture & talent
- ▶ Customer experience: Goal to recover Top 3 position
- ▶ New segments launched adding value to different audiences
- ▶ Expanding our non-banking correspondent network
- ▶ Strong growth across all lines impacted by high inflation and very high interest rates. Profit rose due to greater NII and efficiency improvement

Appendix



04

Balance sheet



Constant EUR million ¹	31-Dec-19	31-Dec-18	Variation	
			Amount	%
Loans and advances to customers	4,792	3,420	1,372	40.1
Cash, central banks and credit institutions	3,911	3,267	644	19.7
Debt instruments	429	529	(100)	(18.9)
Other financial assets	87	4	83	—
Other asset accounts	836	476	360	75.8
Total assets	10,054	7,695	2,359	30.7
Customer deposits	7,002	5,648	1,354	24.0
Central banks and credit institutions	1,033	545	488	89.6
Marketable debt securities	71	271	(200)	(73.9)
Other financial liabilities	747	477	270	56.6
Other liabilities accounts	392	197	195	99.0
Total liabilities	9,244	7,137	2,107	29.5
Total equity	810	558	252	45.1
Other managed customer funds	1,097	886	211	23.8
Mutual funds	1,097	886	211	23.8
Pension funds	—	—	—	—
Managed portfolios	—	—	—	—



Income statement

Constant EUR million¹

	2019	2018	Variation	
			Amount	%
Net interest income	940	415	525	126.7
Net fee income	446	242	204	84.3
Gains (losses) on financial transactions	80	92	(11)	(12.3)
Other operating income	(150)	(96)	(55)	57.4
Total income	1,316	653	663	101.6
Operating expenses	(762)	(406)	(357)	87.9
Net operating income	554	247	307	124.1
Net loan-loss provisions	(235)	(125)	(111)	88.9
Other gains (losses) and provisions	(101)	(24)	(77)	321.2
Underlying profit before tax	217	99	119	120.6
Tax on profit	(72)	(54)	(18)	34.1
Underlying profit from continuing operations	145	45	100	224.8
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	145	45	100	224.8
Non-controlling interests	(2)	(0)	(1)	364.8
Underlying attributable profit to the parent	144	44	99	223.7

Income statement



Constant EUR million¹

	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
Net interest income	77	95	116	126	150	216	277	296
Net fee income	46	54	66	75	82	91	133	140
Gains (losses) on financial transactions	13	23	36	20	26	11	23	20
Other operating income	(1)	2	(48)	(49)	(25)	(34)	(58)	(33)
Total income	136	174	171	172	233	284	375	423
Operating expenses	(79)	(85)	(115)	(127)	(143)	(167)	(206)	(247)
Net operating income	57	89	56	45	91	117	169	177
Net loan-loss provisions	(18)	(30)	(38)	(39)	(51)	(51)	(67)	(65)
Other gains (losses) and provisions	(6)	(16)	(13)	11	(16)	2	(30)	(57)
Underlying profit before tax	33	43	5	17	24	68	71	55
Tax on profit	(9)	(14)	(15)	(15)	(16)	(22)	(33)	(1)
Underlying profit from continuing operations	24	29	(10)	1	7	45	38	54
Net profit from discontinued operations	—	—	—	—	—	—	—	—
Underlying consolidated profit	24	29	(10)	1	7	45	38	54
Non-controlling interests	(0)	(0)	(0)	0	(0)	(0)	(1)	(1)
Underlying attributable profit to the parent	24	29	(10)	2	7	45	37	54

Thank you.

Our purpose is to help people
and business prosper.

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

Simple Personal Fair



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



FTSE4Good