



Spain



Q1'20
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 2019 Annual Financial Report, filed with the Comisión Nacional del Mercado de Valores of Spain (CNMV) on 28 February 2020, as well as the section “Alternative performance measures” of the annex to the Banco Santander, S.A. (“Santander”) 2020 1Q Financial Report, published as Relevant Fact on 28 April 2020. These documents are available on Santander’s website (www.santander.com).

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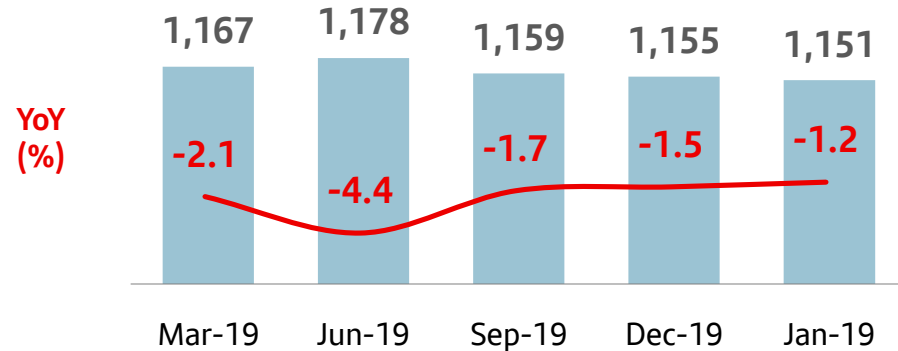
Appendix





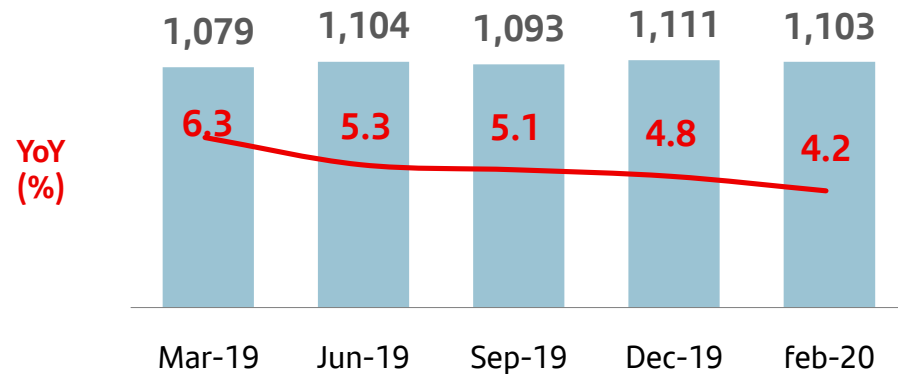
Deleveraging continues, reducing the stock of loans

Total loans (EUR bn)



- ▶ Demand for **housing** loans declined in Q4'19. The factors that explain this decline are, mainly, lower consumer confidence and the worsening outlook in the housing market, and also, to a lesser extent, higher funding by own funds and greater use of loans from other institutions.
- ▶ Demand for **consumer credit** declined slightly due to a decrease in consumer confidence, lower spending on consumer durables, and a higher use of loans from other entities and own funds. Demand for funds from **companies** declined in the fourth quarter, in both SMEs and corporates.

Total deposits (EUR bn)



- ▶ In **savings**, slight decrease in volumes with varied performance by product: migration from time to demand deposits, mainly in households.

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Santander in Spain remains committed to maintaining its leadership by supporting individual customers, SMEs and Corporates, specially to overcome the COVID-19 crisis

| KEY DATA | Q1'20 | YoY Var. |
|--|--------------|----------|
|  Customer loans ¹ | EUR 192.5 bn | -4.4% |
|  Customer funds ² | EUR 293.9 bn | -4.2% |
|  Underlying att. Profit | EUR 352 mn | -1.1% |
|  Underlying RoTE | 9.0% | -61 bps |
|  Efficiency ratio | 52.8% | -239 bps |
|  Loans market share ³ | 17.4% | -21 bps |
|  Deposits market share ³ | 18.9% | +13 bps |
|  Loyal customers | 2.5 mn | +4.2% |
|  Digital customers | 4.9 mn | +6.0% |
|  Branches | 3,222 | -26.2% |
|  Employees | 27,354 | -12.7% |



STRATEGIC PRIORITIES

- ▶ **Positive commercial dynamism** pre-COVID with **double digit growth in all products and segments** until mid-march and ending the quarter with a **+14% YoY activity growth**
- ▶ During the covid crisis, we have been able to maintain business activity with **80% of employees and 100% of contact centers teleworking** and only **26% of branches opened**, reflecting the value of Santander Spain digital capacities, and allowing customers remote signing of products including ICO lines and repayments holiday plans
- ▶ **Helping the society to recover from the coronavirus crisis** by being part of the solution and **reviewing our strategy in order to adapt it to new normal post-COVID** maintaining the focus on:
 - **Strengthening our balance**
 - **Focus on loyalty and customer**
 - **Keep accelerating digital transformation**

(1) Excluding reverse repos.

(2) Excluding repos.

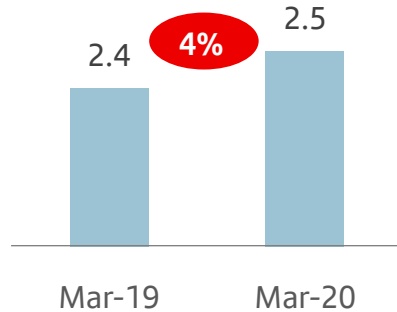
(3) Spain market share (as of Dec-19) includes: SAN Spain (public criteria) + Openbank + Hub Madrid + SC Spain. Other Resident sectors in Deposits.

(4) In terms of total assets



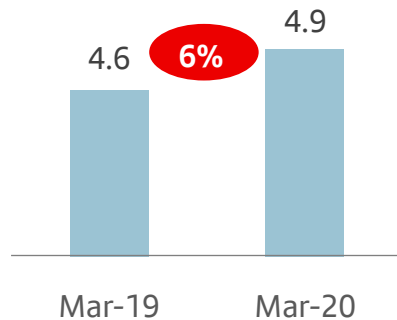
Loyalty continues to increase leveraged on our enhanced digital offering

Loyal (mn)



Loyal / Active: 32% (+2 pp YoY)

Digital customers (mn)



Digital sales / total: 33% (+6 pp YoY)

- ▶ Our loyal individual customers base continues to grow +5%YoY driven by a strong digital offer and our focus on customer satisfaction
 - ▶ +23% YoY new insurance premiums
 - ▶ POS turnover +12%YoY during January and February and in March affected by COVID crisis
- ▶ Loyal SMEs and corporate customers base, growing loyalty +2% YoY and international business activity +21% YoY
- ▶ Digital customer penetration 61%
- ▶ Development of new end-to-end digital processes and digital remote signature for additional products, specially in SMEs
- ▶ Improving ATM functionalities leveraging in the App: new money withdrawal pre-defined in App
- ▶ Empowering digital customer transformation with Santander Personal as the symbiosis between on & offline relationship model, for Individuals and also for SMEs and Private Banking
- ▶ Mobile only customers: +74% YoY



Strong Santander Spain digital capacities to support commercial dynamism

Santander Spain digital capacities allowing to overcome COVID situation



80% Employees & 100% Contact centers teleworking

61% Digital customers

Remote signature capacities for individuals and corporates

99 mn Accesses to digital channels in March
(monthly record)

ATM`s: pioneer system in Spain to **allow money withdrawal up to EUR 300** by **predefining it in the App** and **scanning a QR code** in the ATMs



Strong commercial dynamism pre COVID



+13% YoY SMEs activity growth

+22% YoY in Corporates



+15% YoY housing mortgages activity

+150 bps YoY mortgage market share

COVID measures to support customers



Legal mortgage and UPL repayment holiday implemented together **with complementary banking sector plans**



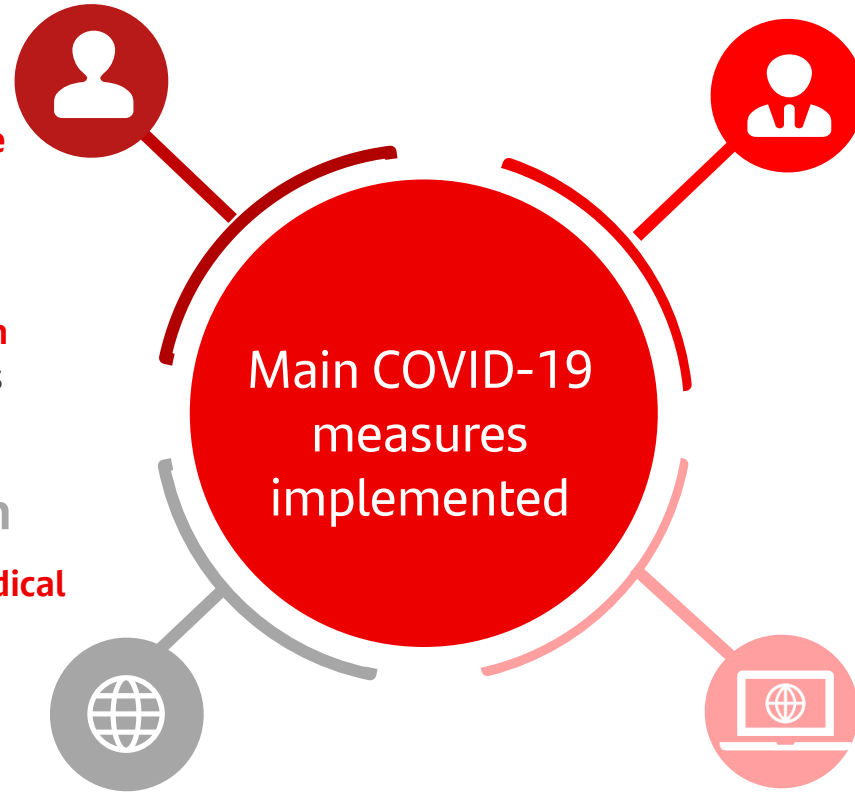
Pioneers launching of ICO COVID for Tourism sector and ICO lines supporting customers with EUR 9.6 bn in 60,000 transactions



Supporting employees and customers to overcome the COVID-19 crisis

Employees

- **80%** employees teleworking
- **26%** of branches opened
- **Medical care service and remote advice & guidance from specialists** for employees and families
- Santander Spain **committed to maintain employment** and to support contractors continuity



Customers

- **Pioneers launching ICO COVID** for Tourism sector
- Launch **ICO COVID lines supporting customers with EUR 9.6 bn** in 60,000 transactions
- **EUR 20 bn fund** to cover SMEs liquidity needs
- **Legal mortgage and UPL repayment holiday** implemented
- Launch of **complementary banking sector** to support customers in addition to legal measures

Society: Be part of the solution

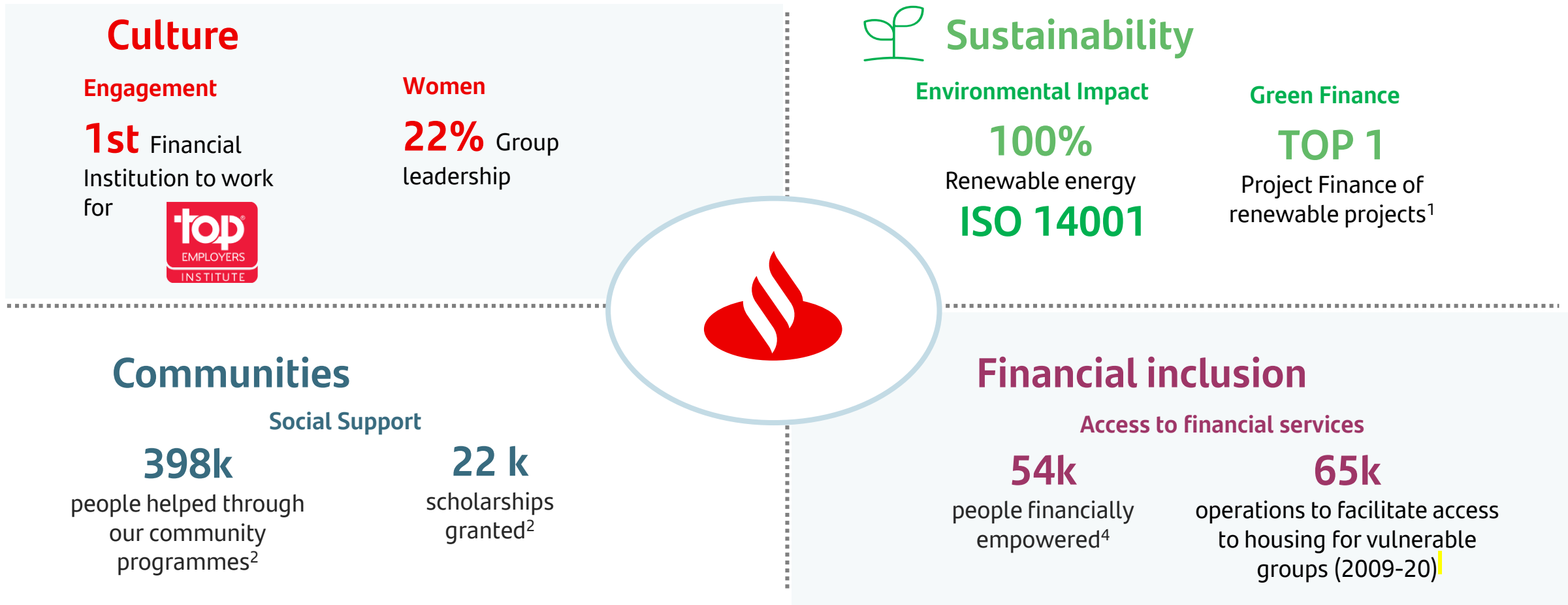
- Supporting **Autonomous regions with medical supplies acquisitions**
- Supporting **IFEMA field Hospital**
- Supporting **Seniors and vulnerable customers** with advanced unemployment and retirements payments
 - **Fund raising: Employees Solidarity Fund "Juntos"** and **La Liga Santander Fest concert** (EUR 1 mn)

Digital Channels

- **Reinforcement** of remote channels: **contact centers and Santander Personal**
- **Acceleration of remote signature capacities** for individuals and corporates
- **Free ATMs withdrawal** for customers in all ATMs across country, including competitors



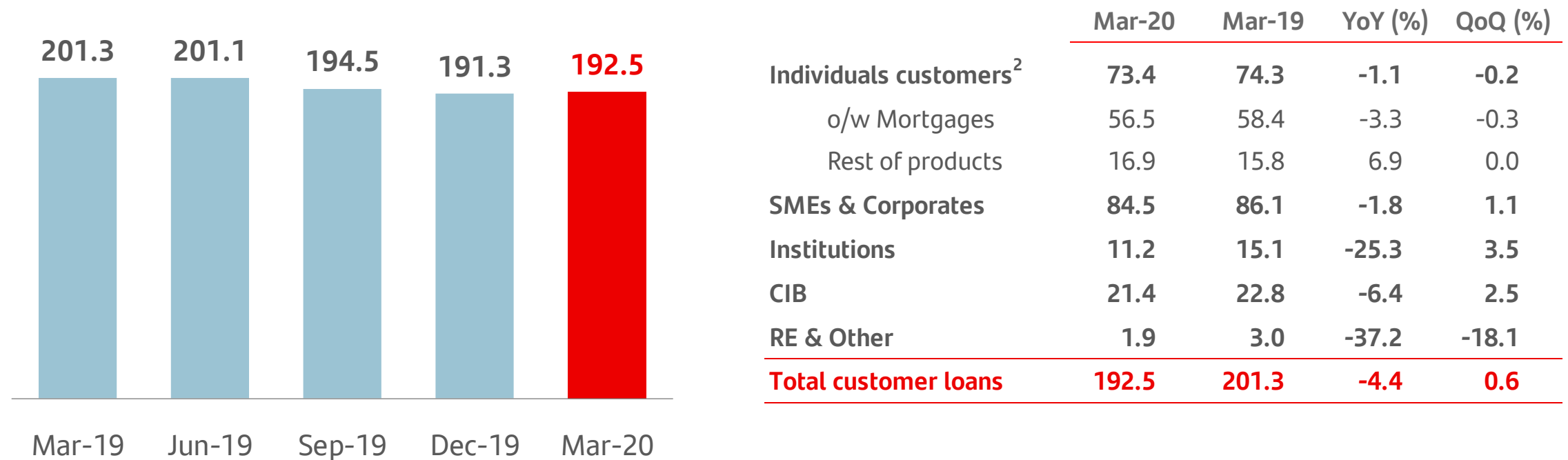
We continue doing business in a more responsible and sustainable way



Loans affected by deleveraging in institutions and CIB. Also the new lending in mortgages do not offset maturities. QoQ up due to SMEs and Corporates



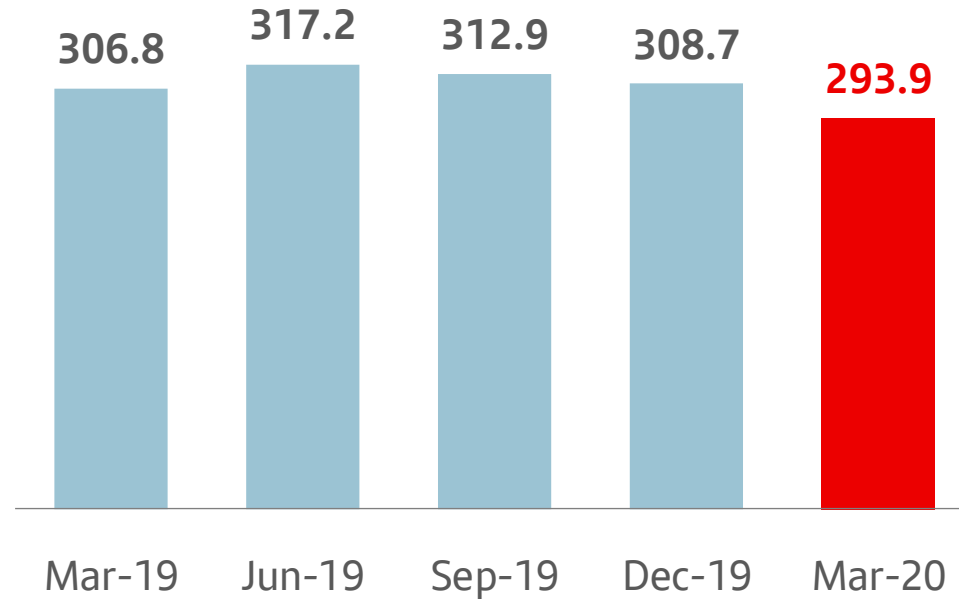
Total customer loans¹ (EUR bn)



Drop in customer funds, with demand and time deposits decreasing, impacted mainly by institutions



Total customer funds (EUR bn)



| | Mar-20 | Mar-19 | YoY (%) | QoQ (%) |
|-----------------------------|--------------|--------------|-------------|-------------|
| Demand | 200.6 | 202.2 | -0.8 | -1.6 |
| Time | 34.1 | 39.7 | -14.2 | -6.0 |
| Total deposits | 234.7 | 241.9 | -3.0 | -2.3 |
| Mutual Funds | 59.2 | 64.9 | -8.8 | -13.8 |
| Total customer funds | 293.9 | 306.8 | -4.2 | -4.8 |

Additionally, the Bank also includes Pension funds in its management of customer funds which were down YoY at EUR 13 bn.

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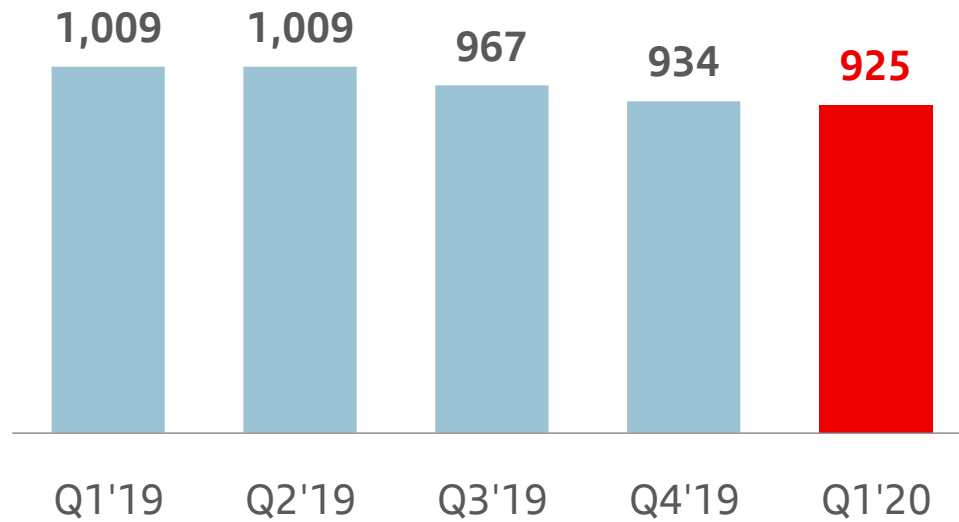
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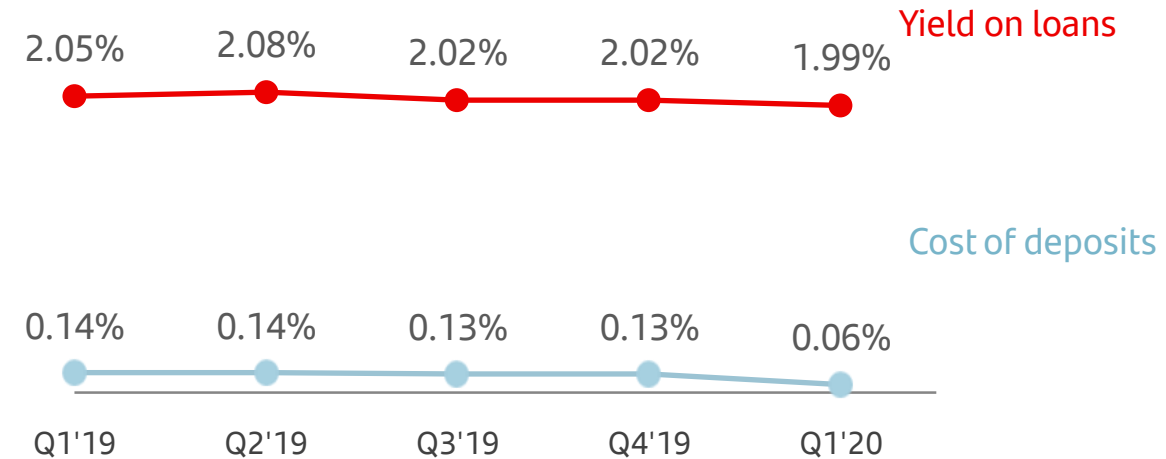


NII fell 8% due to smaller ALCO portfolio and lower stock in wholesale banking

Net interest income (EUR mn)



Yields and costs (%)



NIM¹

| | | | | |
|-------|-------|-------|-------|-------|
| 1.18% | 1.18% | 1.15% | 1.13% | 1.17% |
|-------|-------|-------|-------|-------|

Central Bank interest rate

| | | | | |
|-------|-------|-------|-------|-------|
| 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
|-------|-------|-------|-------|-------|

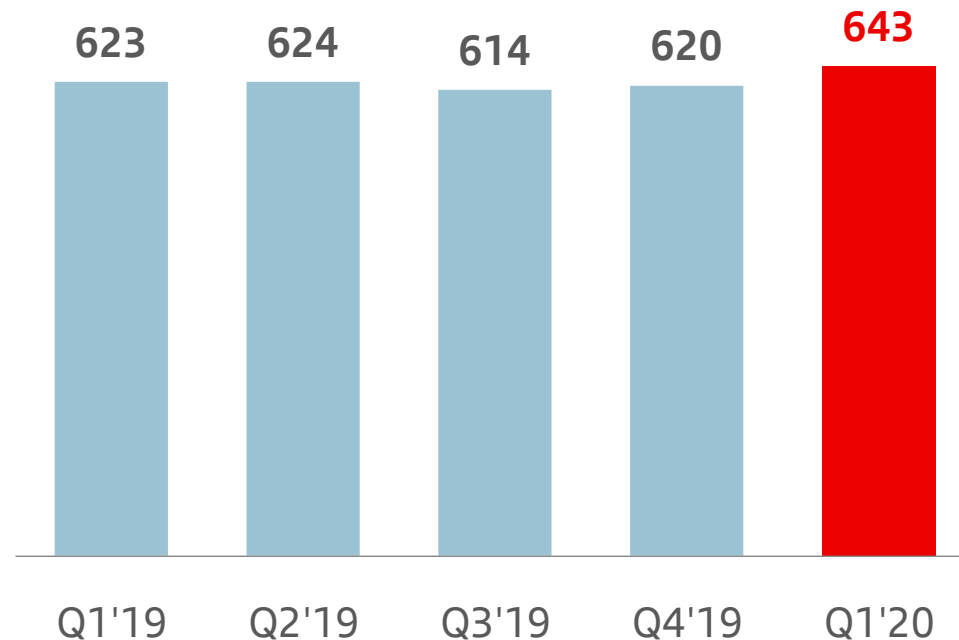
Differential

| | | | | |
|---------|---------|---------|---------|---------|
| 191 bps | 194 bps | 189 bps | 189 bps | 192 bps |
|---------|---------|---------|---------|---------|

Net fee income up 3% YoY: higher activity in funds and transactional. On the other hand, fees negatively impacted by the change in *11213* account conditions



Net fee income (EUR mn)

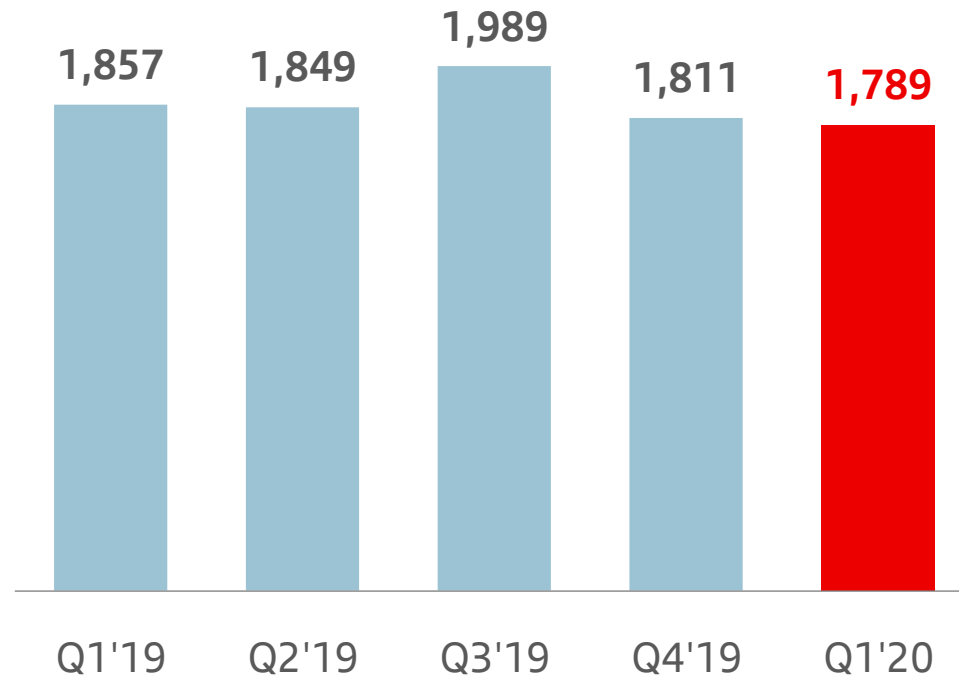


| | Q1'20 | Q1'19 | YoY (%) | QoQ (%) |
|------------------------------|------------|------------|------------|------------|
| Transactional fees | 145 | 132 | 9.7 | 3.5 |
| Investment and pension funds | 224 | 191 | 17.5 | 5.6 |
| Insurance | 66 | 77 | -14.4 | 9.4 |
| Other fees ² | 120 | 142 | -15.5 | -5.9 |
| Total Retail | 555 | 542 | 2.4 | 2.8 |
| CIB & Other (FN) | 89 | 82 | 8.2 | 11.1 |
| Total net fee income | 643 | 623 | 3.2 | 3.8 |

Total income down 4% YoY due to customer revenue. Higher GFT² were offset by lower other operating income (negatively impacted by the real estate business)



Total income (EUR mn)

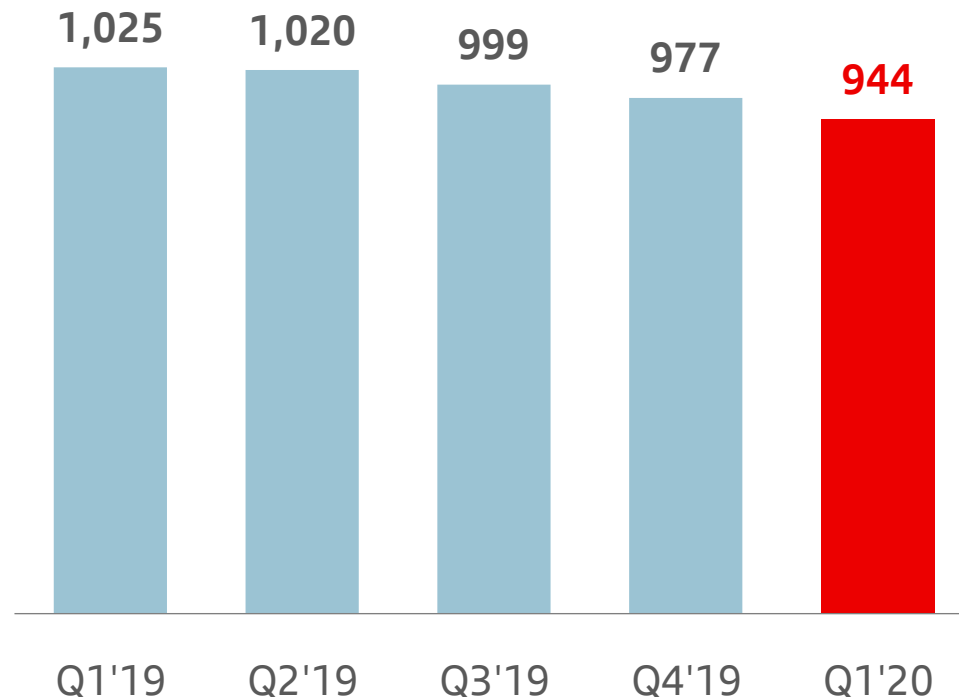


| | Q1'20 | Q1'19 | YoY (%) | QoQ (%) |
|-------------------------|--------------|--------------|-------------|-------------|
| Net interest income | 925 | 1,009 | -8.3 | -0.9 |
| Net fee income | 643 | 623 | 3.2 | 3.8 |
| Customer revenue | 1,569 | 1,632 | -3.9 | 1.0 |
| Other ¹ | 220 | 224 | -1.8 | -14.7 |
| Total income | 1,789 | 1,857 | -3.7 | -1.3 |

Cost reduction efforts were reflected in an 8% decrease year-on-year, delivering on our efficiency plan



Operating expenses (EUR mn)



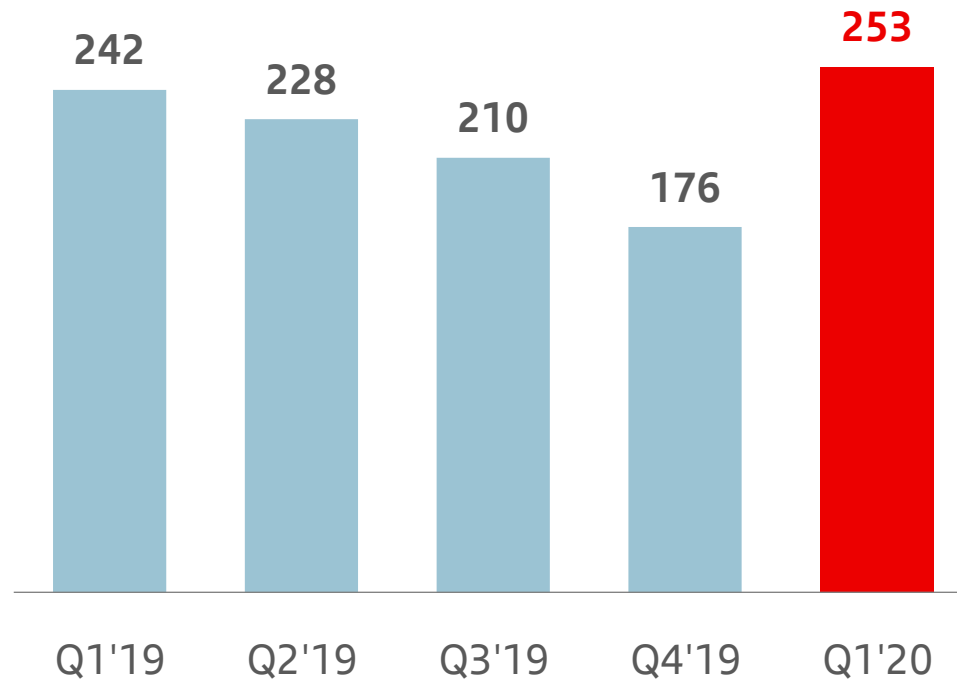
| | Q1'20 | Q1'19 | YoY (%) | QoQ (%) |
|---------------------------|------------|--------------|-------------|-------------|
| Operating Expenses | 944 | 1,025 | -7.8 | -3.4 |

| | | | | |
|------------------|--------|--------|----------|------|
| Efficiency ratio | 52.8% | 55.2% | -239 bps | |
| Branches (#) | 3,222 | 4,365 | -26.2 | -0.4 |
| Employees (#) | 27,354 | 31,325 | -12.7 | -1.0 |

The NPL ratio improved 41 bps YoY. Further decline in the stock of non-performing loans (-9% YoY) and slight increase in cost of credit



Net LLPs (EUR mn)



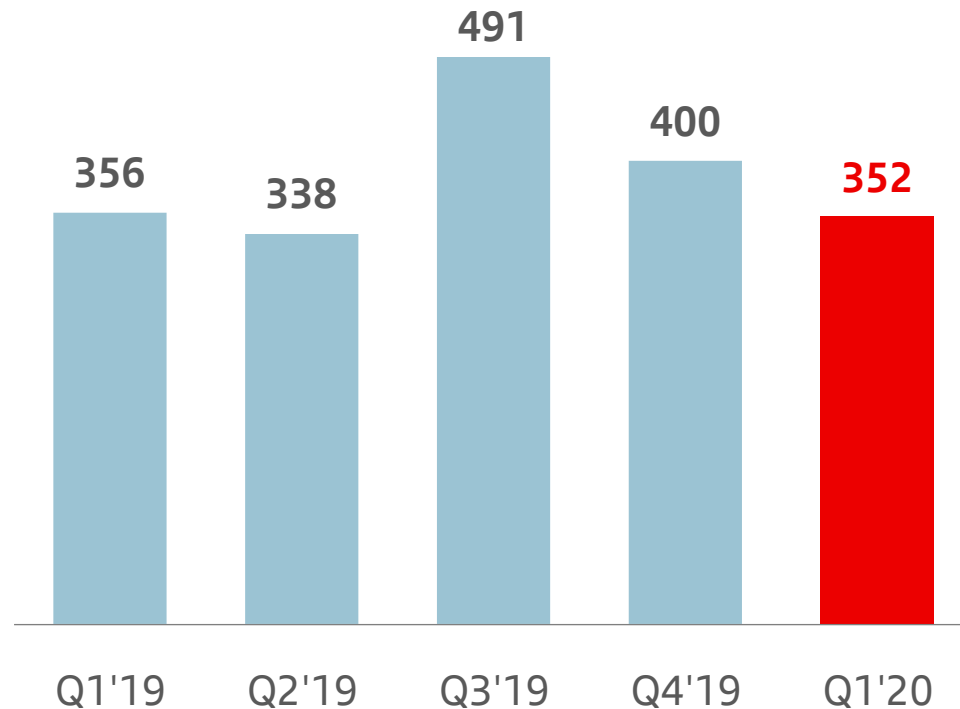
| | Q1'20 | Q1'19 | YoY (%) | QoQ (%) |
|--|------------|------------|------------|--------------|
| Net operating income | 844 | 832 | 1.5 | 1.2 |
| Loan-loss provisions | (253) | (242) | 4.5 | 43.7 |
| Net operating income after provisions | 591 | 589 | 0.2 | -10.2 |

| | | | | |
|-----------------------------|-------|-------|---------|--------|
| NPL ratio | 6.88% | 7.29% | -41 bps | -6 bps |
| Cost of credit ¹ | 0.44% | 0.40% | 4 bps | 1 bp |
| Coverage ratio | 42% | 43% | -1.3 pp | 0.9 pp |



Underlying profit was 1% lower YoY, impacted by higher tax rate. PBT up 2% YoY.

Underlying Attributable Profit (EUR mn)



| | Q1'20 | Q1'19 | YoY (%) | QoQ (%) |
|---------------------------------------|------------|------------|-------------|--------------|
| PBT | 487 | 478 | 2.0 | -12.6 |
| Tax on profit | (135) | (122) | 10.9 | -14.1 |
| Consolidated profit | 352 | 356 | -1.1 | -12.0 |
| Minority interests | (0) | 0 | - | -93.7 |
| Underlying attributable profit | 352 | 356 | -1.1 | -12.0 |

| | | | | |
|--------------------|-------|-------|--------|---------|
| Effective tax rate | 27.7% | 25.5% | 2.2 pp | -0.5 pp |
|--------------------|-------|-------|--------|---------|

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Growth in new business volumes, boosted by SMEs and consumer credit

Financial System

- ▶ Demand for housing loans declined in Q4'19, mainly due to lower consumer confidence and the worsening outlook in the housing market. Demand for consumer credit declined slightly due to a decrease in consumer confidence, lower spending on consumer durables, and a higher use of loans from other entities and own funds
- ▶ In savings, slight decrease in volumes with varied performance by product: migration from time to demand deposits, mainly in households

Strategy & Business

- ▶ Positive commercial dynamism pre-COVID with double digit growth in all products and segments until mid-march and ending the quarter with a +14% YoY activity growth
- ▶ Our loyal individual customers base continues to grow +5% YoY and SMEs and corporates growing +2% YoY, driven by a strong digital offer and our focus on customer satisfaction.
- ▶ During the COVID crisis, we have been able to maintain business with 80% of employees and 100% of contact centers teleworking and only 26% of branches opened
- ▶ We are reviewing our strategy in order to adapt it to new normal post-COVID maintaining the focus on: balance sheet strength, customer loyalty and digital transformation

Results

- ▶ NII down due to smaller ALCO portfolio and lower stock in wholesale banking
- ▶ Cost reduction efforts were reflected in an 8% decrease year-on-year, delivering on our efficiency plan
- ▶ The NPL ratio improved 41 bps YoY. Further decline in the stock of non-performing loans (-9% YoY) and slight increase in cost of credit
- ▶ Underlying profit was 1% lower YoY, impacted by higher tax rate. PBT up 2% YoY

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Balance sheet



| EUR million | Mar-20 | Mar-19 | Change | |
|--|----------------|----------------|-----------------|--------------|
| | | | Amount | % |
| Customer loans | 186,296 | 194,308 | (8,012) | (4.1) |
| Cash, central banks and credit institutions | 78,407 | 80,513 | (2,106) | (2.6) |
| Debt securities | 24,458 | 41,929 | (17,470) | (41.7) |
| Other financial assets | 1,407 | 1,925 | (517) | (26.9) |
| Other assets | 25,209 | 24,712 | 497 | 2.0 |
| Total assets | 315,778 | 343,386 | (27,608) | (8.0) |
| Customer deposits | 234,716 | 242,570 | (7,854) | (3.2) |
| Central banks and credit institutions | 20,341 | 46,692 | (26,351) | (56.4) |
| Debt securities issued | 29,503 | 23,386 | 6,117 | 26.2 |
| Other financial liabilities | 8,968 | 8,027 | 941 | 11.7 |
| Other liabilities | 6,231 | 7,491 | (1,260) | (16.8) |
| Total liabilities | 299,759 | 328,166 | (28,407) | (8.7) |
| Total equity | 16,019 | 15,220 | 799 | 5.2 |
| Other managed and marketed customer funds | 85,362 | 89,760 | (4,398) | (4.9) |
| Mutual funds | 59,173 | 64,870 | (5,697) | (8.8) |
| Pension funds | 13,206 | 14,350 | (1,144) | (8.0) |
| Managed portfolios | 12,983 | 10,540 | 2,443 | 23.2 |



Income statement

| EUR million | Q1'20 | Q1'19 | Variation | |
|---|--------------|--------------|-------------|--------------|
| | | | Amount | % |
| Net interest income | 925 | 1,009 | (84) | (8.3) |
| Net fees | 643 | 623 | 20 | 3.2 |
| Gains (losses) on financial transactions | 156 | 119 | 37 | 30.9 |
| Other operating income | 64 | 105 | (41) | (39.1) |
| Gross income | 1,789 | 1,857 | (68) | (3.7) |
| Operating expenses | (944) | (1,025) | 80 | (7.8) |
| Net operating income | 844 | 832 | 12 | 1.5 |
| Net loan-loss provisions | (253) | (242) | (11) | 4.5 |
| Other income | (104) | (112) | 8 | (7.3) |
| Underlying profit before taxes | 487 | 478 | 9 | 2.0 |
| Tax on profit | (135) | (122) | (13) | 10.9 |
| Underlying profit from continuing operations | 352 | 356 | (4) | (1.1) |
| Net profit from discontinued operations | — | — | — | - |
| Underlying consolidated profit | 352 | 356 | (4) | (1.1) |
| Minority interests | (0) | 0 | (0) | - |
| Underlying attributable profit to the Group | 352 | 356 | (4) | (1.1) |



Quarterly income statements

EUR million

| | Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 |
|---|--------------|--------------|--------------|--------------|--------------|
| Net interest income | 1,009 | 1,009 | 967 | 934 | 925 |
| Net fees | 623 | 624 | 614 | 620 | 643 |
| Gains (losses) on financial transactions | 119 | 214 | 326 | 387 | 156 |
| Other operating income | 105 | 2 | 83 | (129) | 64 |
| Gross income | 1,857 | 1,849 | 1,989 | 1,811 | 1,789 |
| Operating expenses | (1,025) | (1,020) | (999) | (977) | (944) |
| Net operating income | 832 | 829 | 990 | 834 | 844 |
| Net loan-loss provisions | (242) | (228) | (210) | (176) | (253) |
| Other income | (112) | (143) | (100) | (100) | (104) |
| Underlying profit before taxes | 478 | 458 | 681 | 557 | 487 |
| Tax on profit | (122) | (120) | (190) | (157) | (135) |
| Underlying profit from continuing operations | 356 | 338 | 491 | 401 | 352 |
| Net profit from discontinued operations | — | — | — | — | — |
| Underlying consolidated profit | 356 | 338 | 491 | 401 | 352 |
| Minority interests | 0 | 0 | (0) | (0) | (0) |
| Underlying attributable profit to the Group | 356 | 338 | 491 | 400 | 352 |

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