



Mexico

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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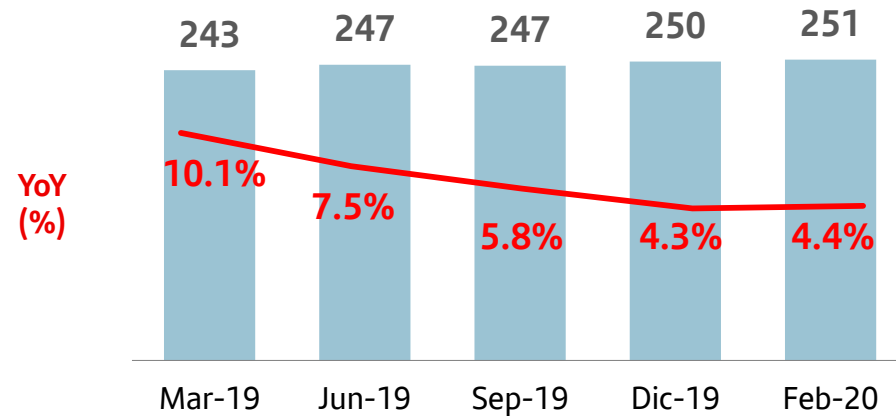
Appendix





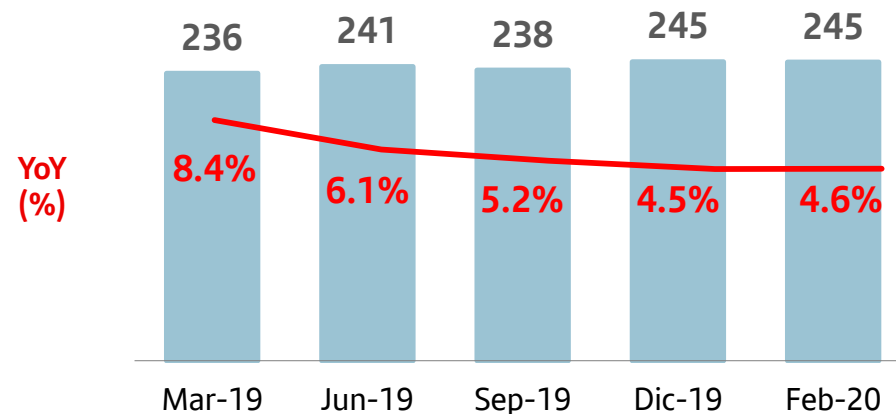
Slight uptick in system loan and deposit growth

Total loans (Constant EUR bn¹)



- ▶ Slight recovery in system loan growth mainly supported by corporate loans
- ▶ Consumer loans continue to slowdown while mortgage growth remained solid at double-digit

Total deposits (Constant EUR bn¹)



- ▶ Improvement in demand deposits growth was partially offset by slowdown in term deposits
- ▶ All in all, total deposits grew 4.6% year-on-year, slightly higher than in Dec-19

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Santander México: one of the leading financial groups in the country

KEY DATA	Q1'20	YoY Var. ⁴
 Customer loans ¹	EUR 30.8 bn	+13.0%
 Customer funds ²	EUR 37.8 bn	+9.7%
 Underlying att. Profit	EUR 249 mn	+22.0%
 Underlying RoTE	18.0%	-215 bps
 Efficiency ratio	41.2%	-106 bps
 Loans market share ³	13.2%	+3 bps
 Deposits market share ³	13.0%	-62 bps
 Loyal customers	3.3 mn	+24.4%
 Digital customers	4.4 mn	+37.8%
 Branches	1,429	+1.2%
 Employees	20,121	+1.3%



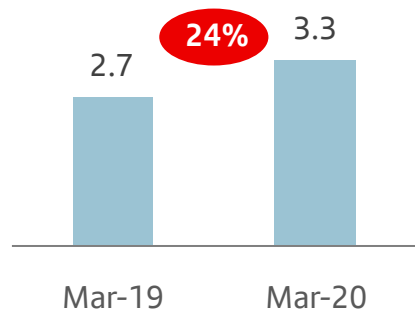
STRATEGIC PRIORITIES

- ▶ Improve customer experience by leveraging both the new tools and methodologies as well as improving operating processes
- ▶ Maintain strong growth rates in loyal customers (through initiatives to attract payrolls and collectives) and digital customers (by promoting new platforms, channels and customer care models, as well as our new payment platforms)
- ▶ Strengthen our corporate businesses to continue to be the reference in the market in value-added products
- ▶ Increase revenue through greater volumes and lower cost of deposits
- ▶ Enhance customer service quality across the Bank



Expanding loyal and digital customers further strengthening our retail franchise

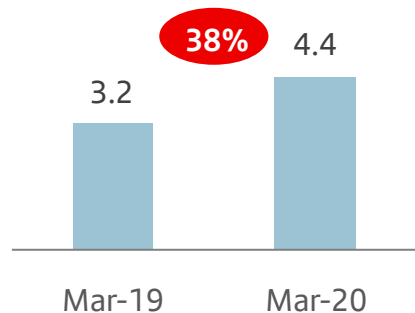
Loyal (mn)



Loyal / Active: 34% (+5 pp YoY)

- ▶ Maintain strong focus on increasing loyalty, while attracting new customers through innovative products such as Santander Plus and Hipoteca Plus
- ▶ Loyal individuals: +25% YoY leveraging number of products opportunities
- ▶ Focus on increasing penetration
- ▶ CRM platform for SMEs and an online onboarding process that enhances the customer journey

Digital customers (mn)



Digital sales / total: 30% (+6 pp YoY)

- ▶ Improving onboarding processes to new channels and adding new functionalities to the digital platform
- ▶ Launch of new products and services through digital channels
- ▶ Mobile only customers up 55% YoY
- ▶ Mobile accounting for 92% of digital monetary transactions



Driving innovation and attracting customers

Loyalty



Innovative programme focused on customer attraction, transactionality, loyalty and digitalisation

+6.9 mn customers since its launch in May 2016
52% of which are **new customers**

Distribution network transformation

Shift to an omni-channel banking experience to attract and retain customers

Transformed **560 branches**. New branch layout is more efficient, user friendly, promotes use of digital, self-services and P&L per branch



Mortgages



The only bank in Mexico to offer a tailored interest rate based on the customer's profile

Strong performance of *Hipoteca Plus*, accounted for close to **63%** of **mortgage originations** as of March-20. *Hipoteca Plus* rewards new loyal customers who keep their payrolls and other financial products with the lowest rate in the market 7.99%

Digitalisation



Upgrading online and mobile banking platforms to offer customers innovative and high quality services that satisfy their dynamic demands

- New functionalities for *our Supermóvil* and *Superwallet* mobile apps including cardless cash withdrawal, payroll portability, activation of credit and debit cards quickly and safely, payments with rewards points, among others
- Full digital onboarding for new payroll customers, reducing the time to open new accounts

Credit card customer attraction



First bank in Mexico to offer the card without numbers to its clients. This innovation is complemented by the digital card with dynamic CVX (Dynamic Security Code)

Corporate & Investment Banking



Continuing to position our Corporate Investment Banking business as one of the top three players in Mexico



Doing business in a responsible way

Continue embedding our Culture in all Stakeholders...

- Adhesion to Women´s Empowerment Principles (WEPs).
- **95%** (+2) of employees proud to work for Santander.
- **Main initiatives:**
 - **Way we work:** Labor schedule close time 18:00, Women 360 program, inclusive Linkers, “*Ser padres Santander*”, *Academia* training platform.
 - **Cultural Transformation** initiative with *Faros* as ambassadors across the country.
 - **Speaking up:** 900 reports. 98% of employees have favorable opinion towards *Línea Ética*.



... supporting our customers in their transition to a low carbon economy...

- SCIB México **Top 1** in Project Finance (league tables).
- **Top 2** in renewables.
 - Delaro Project: Wind farm with 117 MW capacity.
 - Equivalent of 282,000 illuminated households.
- **Only ones** in Roads and Water & Waste financing.
- Participation in 3 **Green Bond** issuances in 2019.
- **Purchase Power Agreement (wind power)** to reach 24% of renewable energy in 2020 and 30% in 2021.
 - Approximate reduction of 24,295 t CO₂e.



... and investing in the communities while continue supporting higher education

- **128 million pesos** invested in Higher Education Plan (PAES). **6,300** scholarships granted.
- **67.3 million pesos** invested in community programs. **73,608** people benefited.



FTSE4Good

- “**Leader Enterprise in Social Responsibility**” Sustainability Index of the Mexican Stock Exchange, second consecutive year.
- Member of **FTSE4Good Index**, second consecutive year.

... promoting financial inclusion and empowerment ...

- **Tuiio:**
 - **138,703** microcredits loaned in 2019.
 - **82,675** customers 2019.
 - **105,018** cumulative customers since beginning of operations (2017).
- **55,350** people benefited through **financial education** programs such as Tuiio apps, educational brigades and online courses.





Initiatives Implemented to Mitigate the COVID-19 Pandemic

Employees



Established work-from-home protocols for business continuity

Employees



- Critical personnel works remotely or split into teams working on alternative schedules or at alternate work sites



Branch employees are split into teams

Branch employees working from...



Additional IT resources channeled into remote operating tools and cybersecurity



Special support line for confidential counseling



Customers



Operational readiness for servicing customers through all digital channels and contact centers



Debtor Relief Program for Individuals and SMEs. The portfolio under support represents 13% of the total loan book accounting for Ps.102Bn



Participation in Federal Program to Support Small Businesses



Zero Interest Payments in Credit Cards for 3 months for purchases at on-line supermarkets and 5 to 10 months on purchases at pharmacies, laboratories and hospitals



Bank's health insurance products offer coverage for the COVID-19 pandemic



Initiatives Implemented to Mitigate the COVID-19 Pandemic

Government & Regulators



Debtors support program for individuals and SMEs will not have impact on loan loss provisions nor NPLs during the grace period



Flexibility for using the capital conservation buffer of 2.5% without triggering any regulatory corrective measures



Liquidity requirements regulation exceptions include no corrective actions taken against financial institutions whose Liquidity Coverage Ratio falls below 100%



Recommendation to abstain from paying dividends and repurchasing shares to enhance financial position



Santander will participate in Federal Program to Support small businesses together with other 2 financial institutions in Mexico, leveraging the expertise of our financial inclusion program Tuio; loans will be funded by NAFIN

Community



Launch of campaigns to encourage people to stay at home and an appreciation campaign aimed at health professionals

#YoMeQuedoEnCasa
#HéroesConBata



Esto lo superamos juntos

Santander launched a support website as a resource guide to help people and companies overcome the COVID-19 crisis



+ Ps.55 million from *Santander Universidades* program channeled to support digital learning platforms at universities and scholarships for students

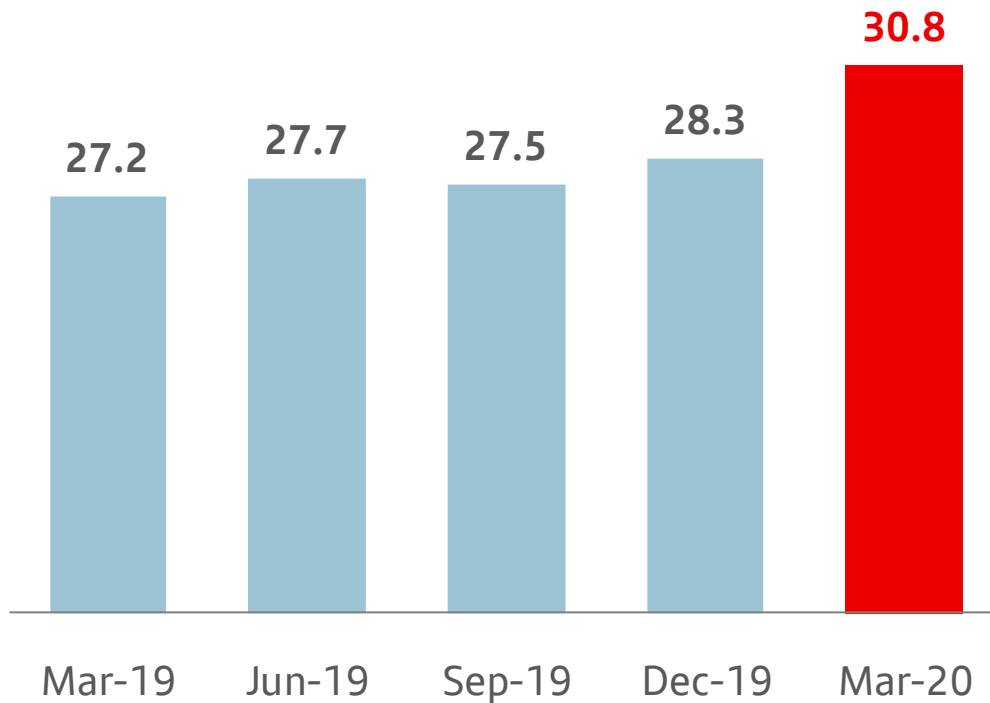


Launch of a fund to collect resources from employees to aid those in need and the Bank will double the amount collected



Strong loan portfolio growth driven by Corporates and CIB

Total customer loans (Constant EUR bn)¹

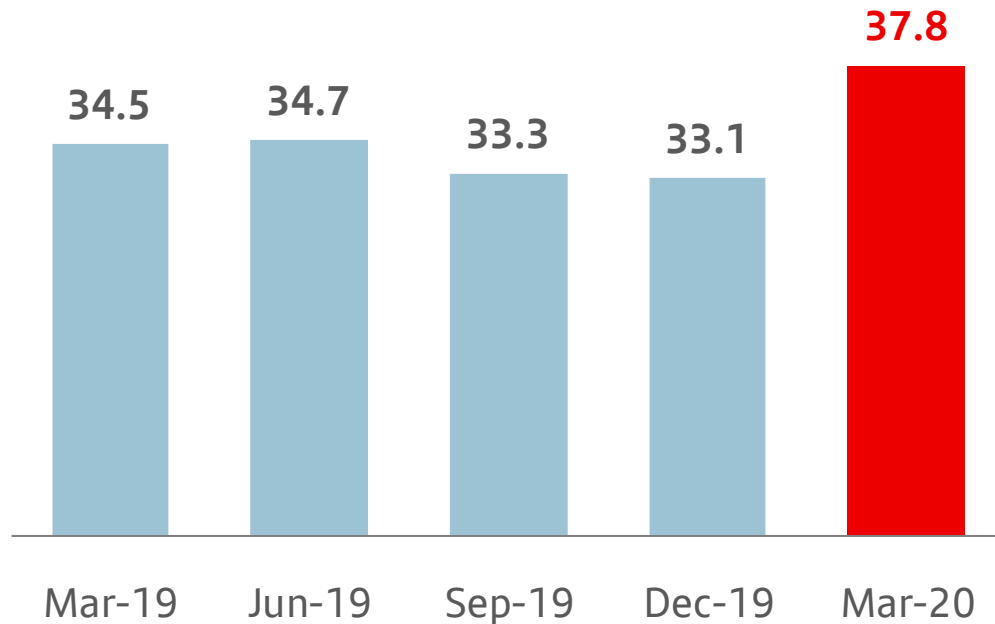


	Mar-20	Mar-19	YoY (%)	QoQ (%)
Individuals²	10.6	10.1	5.1	0.8
o/w Mortgages	5.9	5.2	13.1	6.6
o/w Consumer credit	2.2	2.1	8.1	4.5
o/w Cards	2.2	2.1	6.4	1.1
SMEs	2.8	3.0	-4.6	-2.1
Corporates & Institutions	10.0	8.5	18.5	12.9
CIB	6.9	5.5	26.7	17.8
Other	0.3	0.2	52.7	84.0
Total customer loans*	30.8	27.2	13.0	8.9
* o/w Government ³	2.9	2.4	22.1	8.7



Deposits increase was also boosted by Corporates and CIB

Total customer funds (Constant EUR bn)¹



	Mar-20	Mar-19	YoY (%)	QoQ (%)
Demand	19.1	17.0	12.3	17.9
Time	9.4	8.2	14.8	20.3
Total deposits	28.5	25.2	13.1	18.7
Mutual Funds	9.3	9.3	0.4	2.9
Total customer funds	37.8	34.5	9.7	14.4

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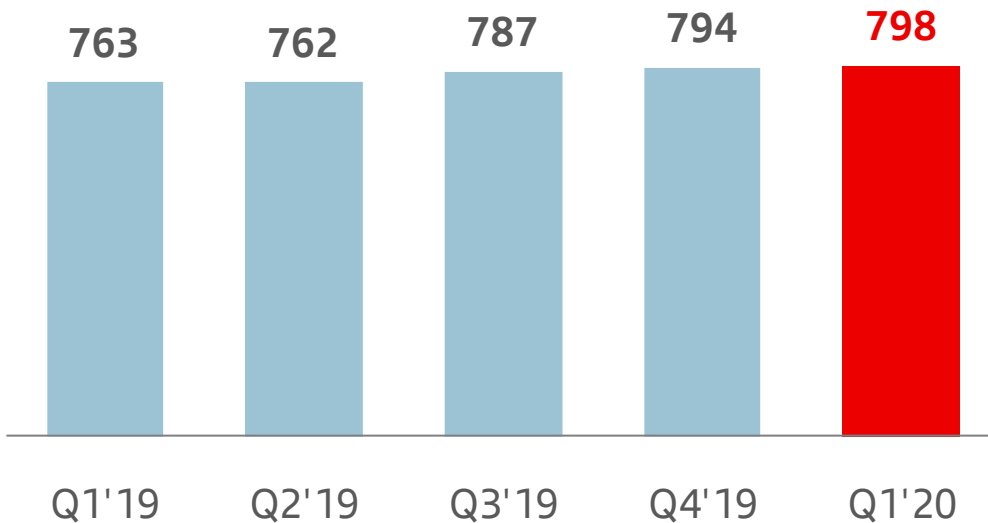
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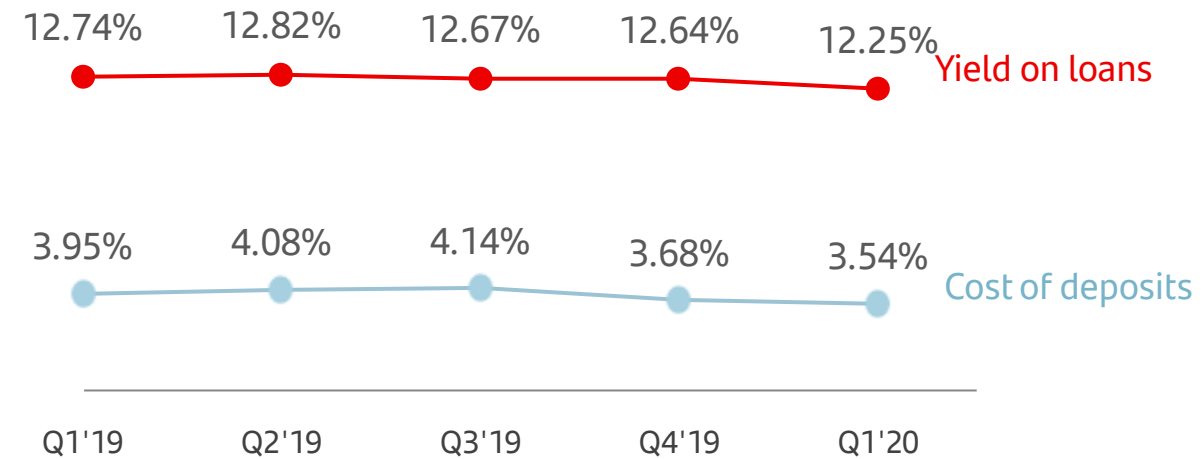


NII growth YoY underpinned by higher volumes

Net interest income (Constant EUR mn)¹



Customer spread (%)



NIM²

4.50%	4.59%	4.66%	4.42%	4.27%
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Official interest rate (TIIE)³

8.56%	8.50%	8.35%	7.86%	7.35%
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Differential

8.8 pp	8.7 pp	8.5 pp	9.0 pp	8.7 pp
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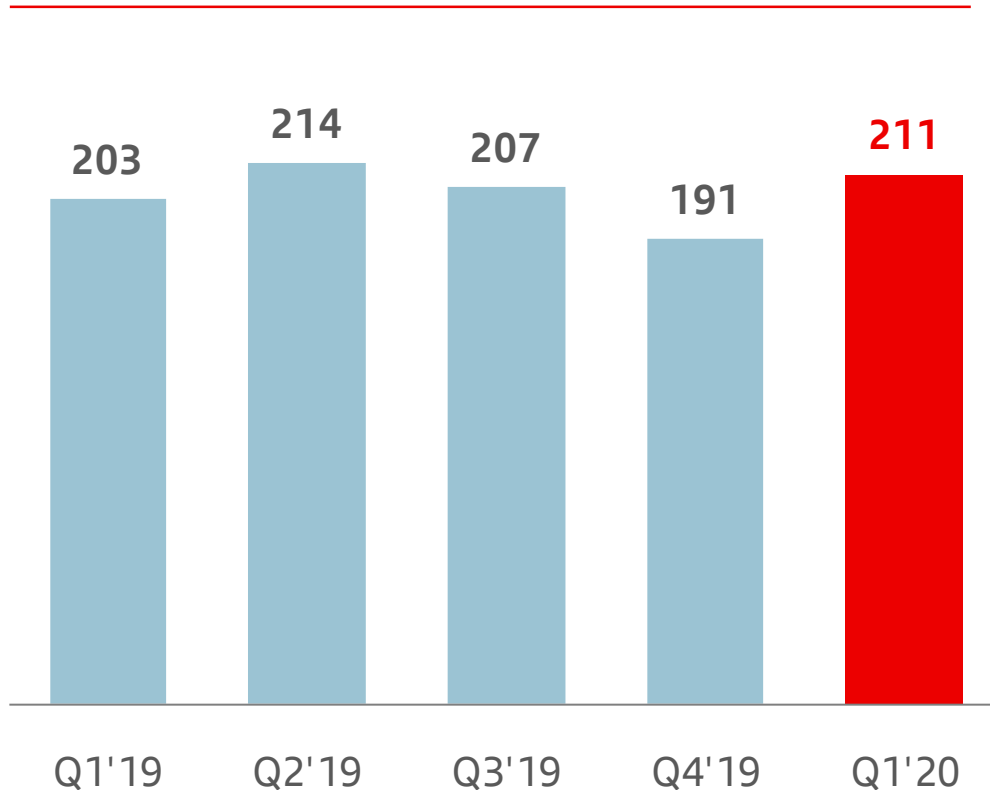


- (1) Average exchange rate as at Q1'20.
- (2) Group criteria.
- (3) Quarterly average.



Net fee income growth mainly driven by transactional banking

Net fee income (Constant EUR mn)¹

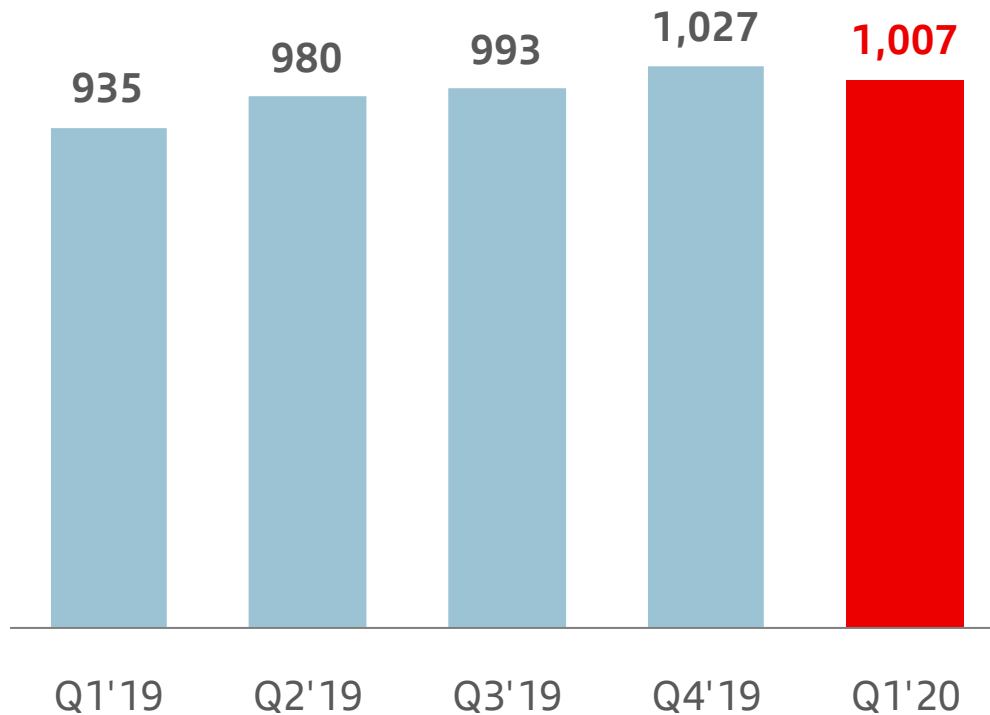


	Q1'20	Q1'19	YoY (%)	QoQ (%)
Transactional fees	114	105	8.8	1.7
Payment methods	52	51	0.6	-10.1
Transfers, drafts, cheques and other orders	25	20	24.4	25.0
Account admin + Packs plans	29	26	12.5	1.7
Other transactional	8	7	11.3	40.1
Investment and pension funds	27	26	2.2	-2.5
Insurance	55	52	5.5	-3.4
Securities and custody services	9	7	36.7	1.0
Other	6	14	-56.8	-
Total net fee income	211	203	3.6	10.2



Total income up YoY boosted by NII and gains on financial transactions

Total income (Constant EUR mn)¹

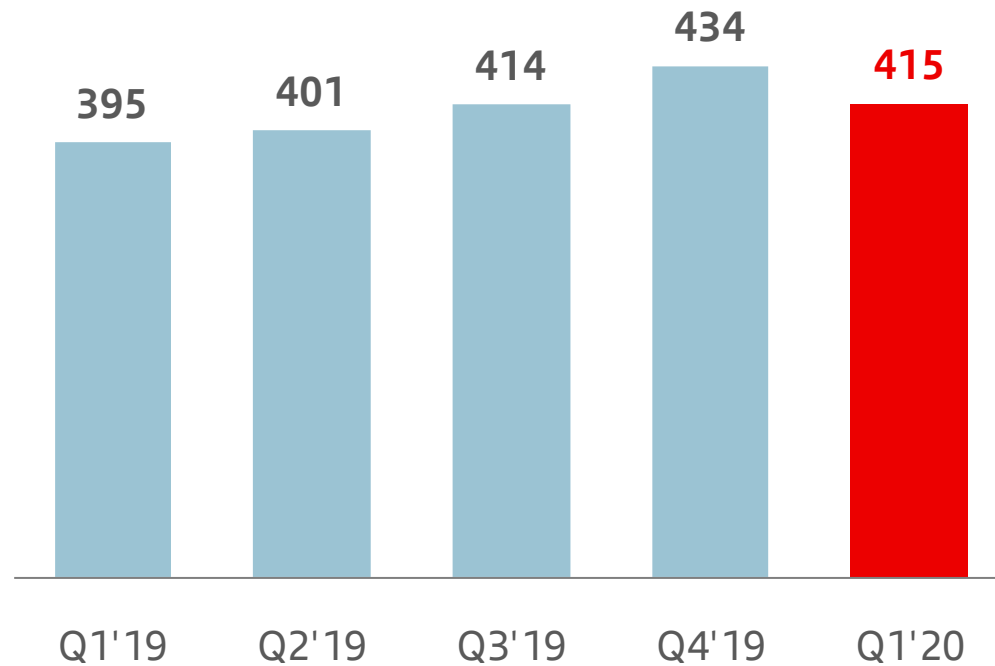


	Q1'20	Q1'19	YoY (%)	QoQ (%)
Net interest income	798	763	4.7	0.5
Net fee income	211	203	3.6	10.2
Customer revenue	1,009	966	4.5	2.4
Other ²	(2)	(31)	-92.5	-
Total income	1,007	935	7.7	-1.9



Costs were up due to increased amortisations and higher technology investments

Operating expenses (Constant EUR mn)¹



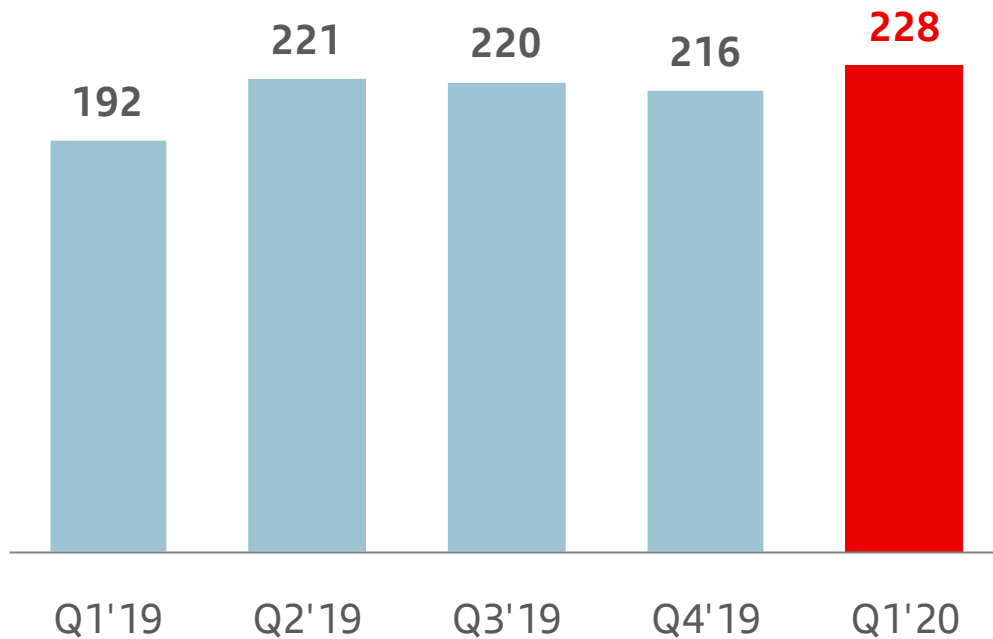
	Q1'20	Q1'19	YoY (%)	QoQ (%)
Operating Expenses	415	395	5.0	-4.3

Efficiency ratio	41.2%	42.3%	-106 bps	
Branches (#)	1,429	1,412	1.2	0.5
Employees (#)	20,121	19,870	1.3	-1.8

Good credit quality in all metrics. LLPs YoY increase was affected by a mortgage portfolio sale in Q1'19



Net LLPs (Constant EUR mn)¹



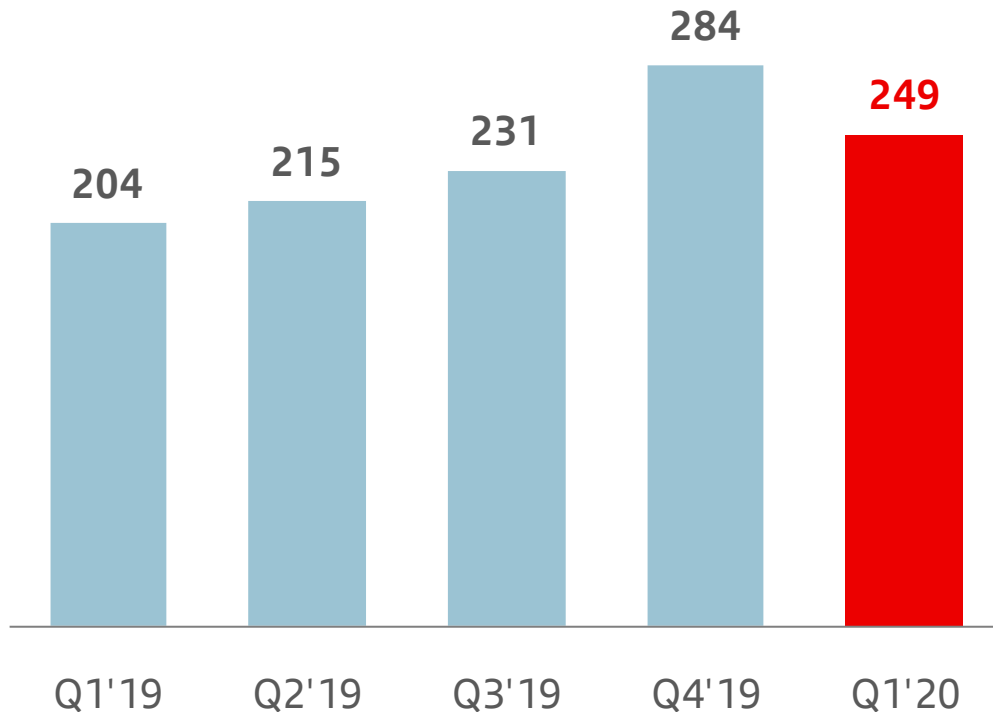
	Q1'20	Q1'19	YoY (%)	QoQ (%)
Net operating income	592	540	9.7	-0.2
Loan-loss provisions	(228)	(192)	18.4	5.5
Net operating income after provisions	364	347	4.9	-3.5

NPL ratio	2.07%	2.12%	-5 bps	-12 bps
Cost of credit ¹	2.56%	2.62%	-6 bps	7 bps
Coverage ratio	128%	130%	-1.7 pp	0.1 pp

Underlying attributable profit grew 22% YoY driven by the solid performance of total income and reduced non-controlling interests, following the increased stake in H2'19



Underlying Attributable Profit (Constant EUR mn)¹



	Q1'20	Q1'19	YoY (%)	QoQ (%)
PBT	357	342	4.3	-7.4
Tax on profit	(88)	(77)	14.2	9.4
Consolidated profit	269	265	1.5	-11.8
Minority interests	(20)	(61)	-67.3	-6.1
Underlying attributable profit	249	204	22.0	-12.3

Effective tax rate	24.6%	22.5%	2.1 pp	3.8 pp
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Our focus on improving our distribution and service model has resulted in double-digit customer and profit growth



Financial System

- ▶ Slight recovery in system loan growth mainly supported by corporate loans
- ▶ Consumer loans continue to slowdown while mortgage growth remained solid at double-digit
- ▶ Improvement in demand deposits growth was partially offset by slowdown in term deposits

Strategy & Business

- ▶ Driving innovation to become a more customer-centric bank and the most profitable in Mexico
- ▶ Strengthening position in retail banking and consolidating leadership in key products and markets, while realising the potential of our investment and corporate banking businesses
- ▶ Improving technology and infrastructure, culture, talent, quality, processes and branding
- ▶ Maintaining strong focus on profitability

Results

- ▶ Loan and deposits growth driven by corporates and CIB
- ▶ Total income up YoY boosted by NII and gains on financial transactions
- ▶ Good credit quality in all metrics. LLPs YoY increase was affected by a mortgage portfolio sale in Q1'19
- ▶ Underlying attributable profit grew 22% YoY driven by the solid performance of total income and reduced non-controlling interests, following the increased stake in H2'19

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Balance sheet



Constant EUR million ¹	Variation			
	Mar-20	Mar-19	Amount	%
Loans and advances to customers	30,937	27,390	3,546	12.9
Cash, central banks and credit institutions	13,408	12,143	1,264	10.4
Debt instruments	14,303	9,234	5,069	54.9
Other financial assets	10,901	4,075	6,826	167.5
Other asset accounts	3,286	2,706	580	21.4
Total assets	72,834	55,549	17,286	31.1
Customer deposits	34,066	29,571	4,494	15.2
Central banks and credit institutions	12,862	8,557	4,305	50.3
Marketable debt securities	5,938	4,835	1,102	22.8
Other financial liabilities	12,152	6,019	6,133	101.9
Other liabilities accounts	2,398	1,609	789	49.0
Total liabilities	67,416	50,592	16,824	33.3
Total equity	5,418	4,957	461	9.3
Other managed customer funds	9,604	9,595	9	0.1
Mutual funds	9,325	9,289	36	0.4
Pension funds	75	80	(5)	(6.2)
Managed portfolios	204	226	(22)	(9.6)



Income statement

Constant EUR million ¹	Q1'20	Q1'19	Variation	
			Amount	%
Net interest income	798	763	36	4.7
Net fee income	211	203	7	3.6
Gains (losses) on financial transactions	22	(4)	25	—
Other operating income	(24)	(28)	4	(13.2)
Total income	1,007	935	72	7.7
Operating expenses	(415)	(395)	(20)	5.0
Net operating income	592	540	52	9.7
Net loan-loss provisions	(228)	(192)	(35)	18.4
Other gains (losses) and provisions	(8)	(5)	(2)	38.6
Underlying profit before tax	357	342	15	4.3
Tax on profit	(88)	(77)	(11)	14.2
Underlying profit from continuing operations	269	265	4	1.5
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	269	265	4	1.5
Non-controlling interests	(20)	(61)	41	(67.3)
Underlying attributable profit to the parent	249	204	45	22.0

Quarterly income statement



Constant EUR million¹

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Net interest income	763	762	787	794	798
Net fee income	203	214	207	191	211
Gains (losses) on financial transactions	(4)	26	27	48	22
Other operating income	(28)	(23)	(29)	(7)	(24)
Total income	935	980	993	1,027	1,007
Operating expenses	(395)	(401)	(414)	(434)	(415)
Net operating income	540	579	578	593	592
Net loan-loss provisions	(192)	(221)	(220)	(216)	(228)
Other gains (losses) and provisions	(5)	(5)	(3)	8	(8)
Underlying profit before tax	342	353	356	385	357
Tax on profit	(77)	(78)	(74)	(80)	(88)
Underlying profit from continuing operations	265	275	282	305	269
Net profit from discontinued operations	—	—	—	—	—
Underlying consolidated profit	265	275	282	305	269
Non-controlling interests	(61)	(60)	(51)	(21)	(20)
Underlying attributable profit to the parent	204	215	231	284	249

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