

FY 2019

# FIXED INCOME INVESTORS PRESENTATION

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# 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. This document is available on Santander’s website ([www.santander.com](http://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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- 2. Santander Business Model & Strategy**
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# Markets and Macroeconomic Environment



01

# Tentative signs of stabilisation underpinned by supportive financial conditions

- ▶ Geopolitical and trade policy uncertainties and idiosyncratic stress in developing markets, continue to weigh down on growth, though tentative signs of stabilisation appearing:
  - ▶ **Global economic growth in 2020: 3.3%** (2.9% in 2019)
  - ▶ **Advanced economies** are projected to **grow 1.6%**, in line with 1.7% estimated growth in 2019
  - ▶ **Developing economies** projected to **grow 4.4%**, rebounding from estimated 3.7% in 2019

## IMF GDP Outlook<sup>1</sup>

	2019	2020
<b>World Output</b>	2.9%	3.3%
<b>Euro Area</b>	1.2%	1.3%
<b>UK</b>	1.3%	1.4%
<b>United States</b>	2.3%	2.0%
<b>LatAm and the Caribbean</b>	0.1%	1.6%
<b>Mexico</b>	0.0%	1.0%
<b>Brazil</b>	1.2%	2.2%

*Santander is well-positioned for growth due to its balanced geographic diversification*

### AMERICAS

(**53%** underlying attributable profit<sup>2</sup>)



### EUROPE

(**47%** underlying attributable profit<sup>2</sup>)

# Santander Business Model & Strategy



02

## Our business model has unique competitive advantages

1

**Our scale** provides potential for organic growth

2

**Customer focus. Unique personal banking relationships** strengthen customer loyalty

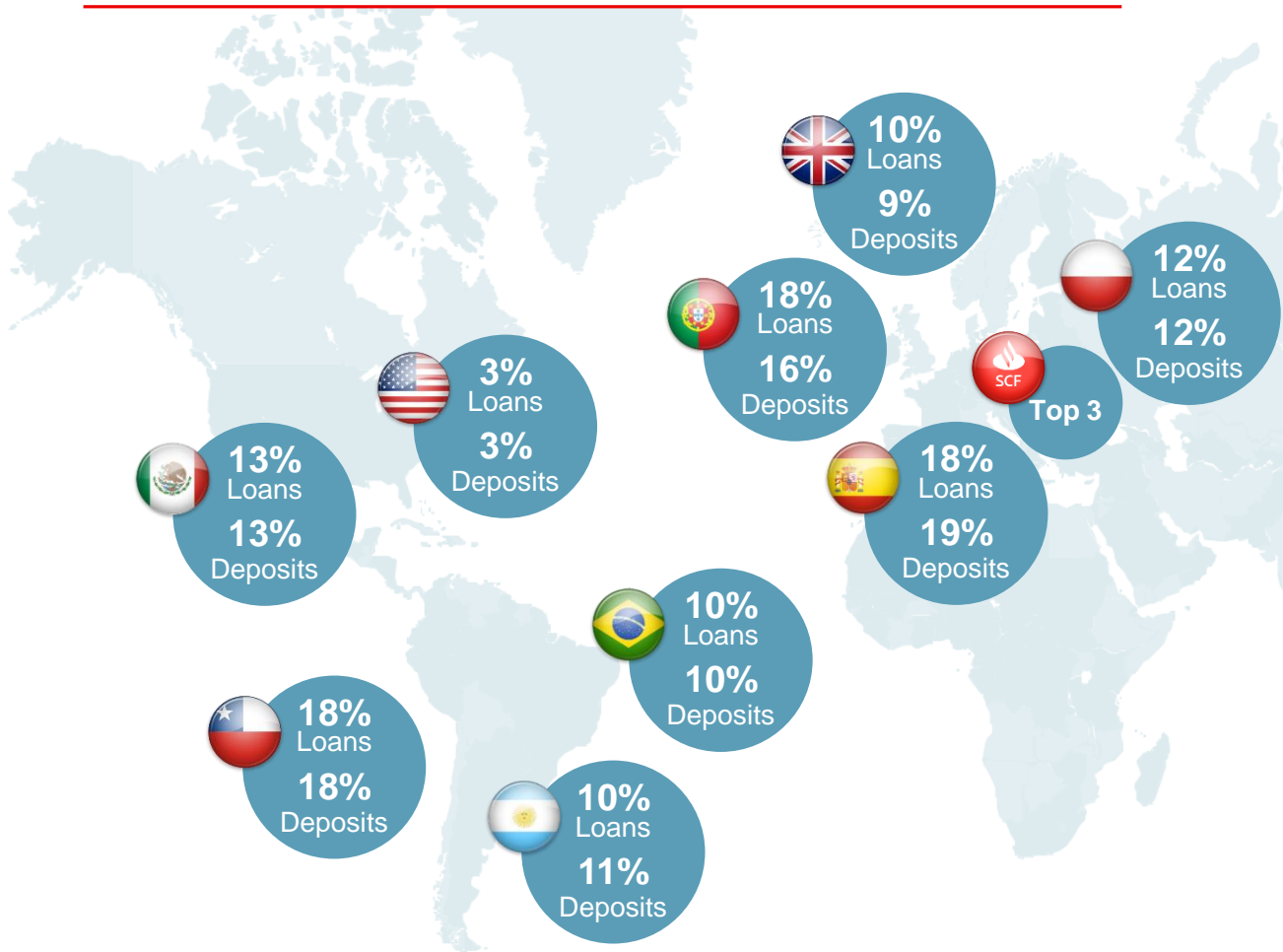
3

Our **geographic and business diversification and our model of subsidiaries** makes us more resilient under adverse circumstances



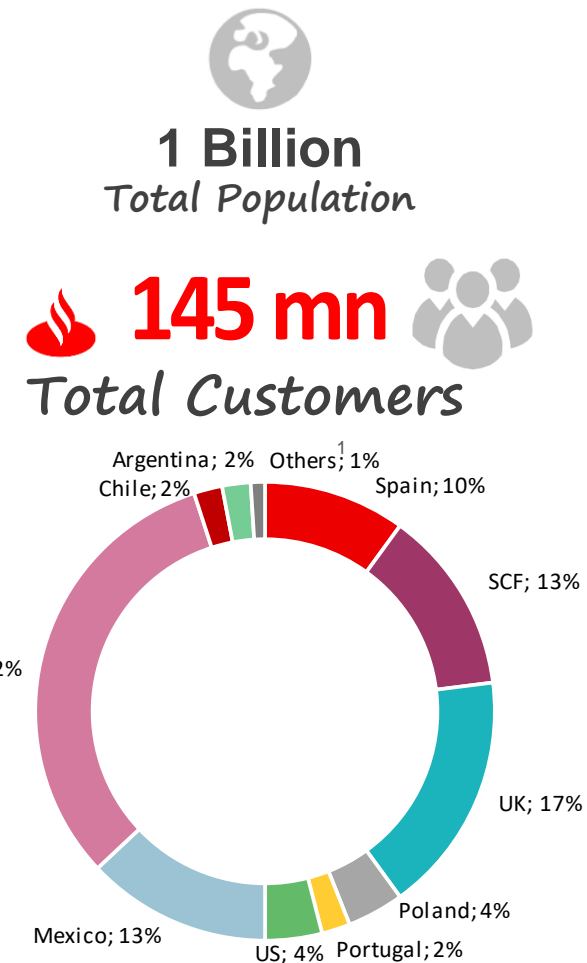
# We have in-market scale in our core markets, with customers distributed across geographies with high growth potential

## Market shares



## Customers distributed across geographies

Dec-19

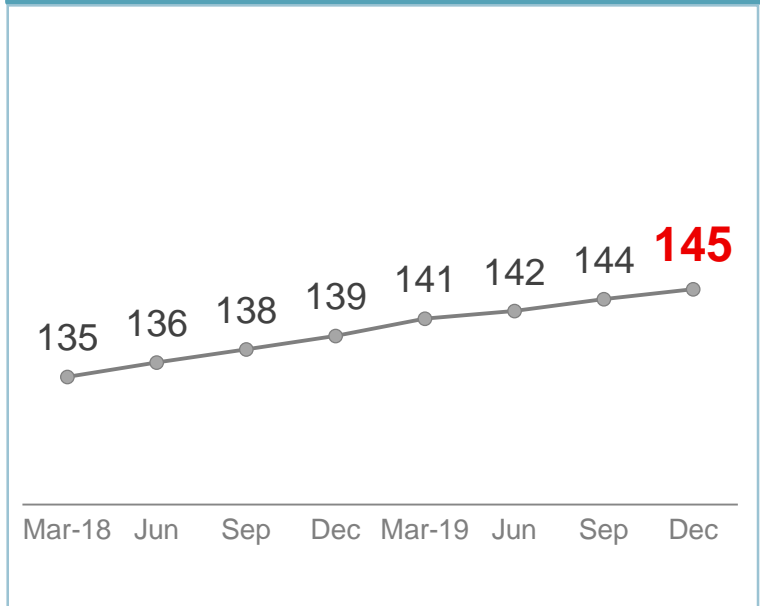


Market share data: As at Sep-19 and the US and SCF latest available. The UK: includes London Branch. Poland: including SCF business in Poland. The US: in all states where Santander Bank operates. Brazil: deposits including debenture, LCA (agribusiness notes), LCI (real estate credit notes), financial bills (*letras financeiras*) and COE (*certificates of structured operations*)

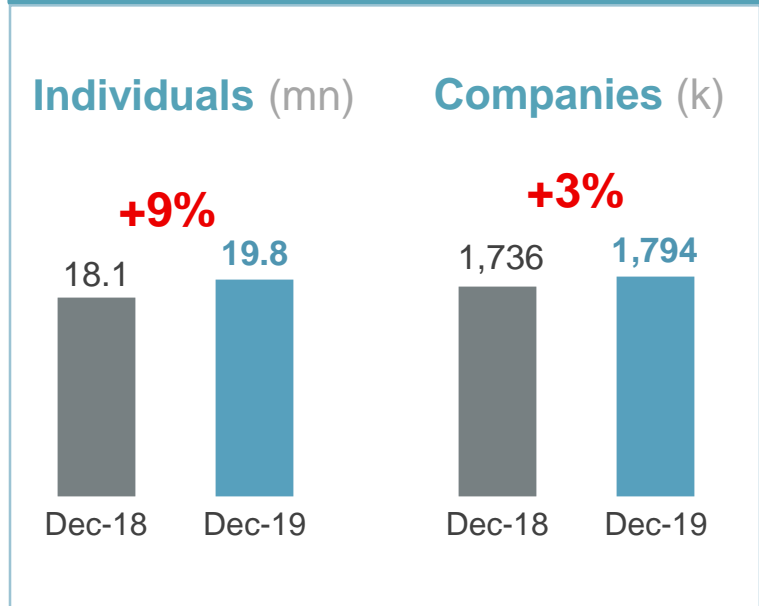
1. Includes SGP

# Focus on increasing customer loyalty via unique personal banking relationships...

 **Total customers**  
**145 mn (+4%)**



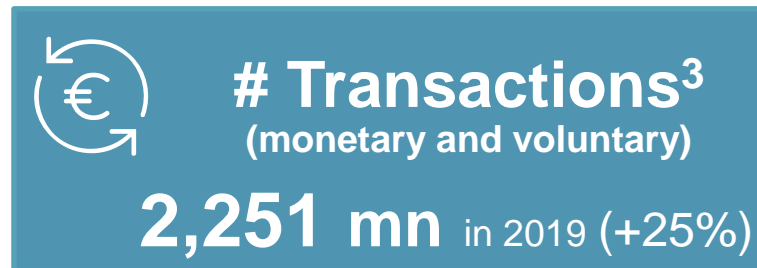
 **Loyal customers**  
**21.6 mn (+9%)**



 **Loyal / Active customers**



... together with increased digitalisation...



Note: YoY changes.



1. Data as of 31 December. Every natural or legal person that, being part of a commercial bank, has logged in to their personal area of internet banking or mobile phone (or both) in the last 30 days. Digital customers in the last 90 days: 40.7 mn.
2. Private accesses. Logins of bank's customers on Santander internet banking or apps. ATM accesses by mobile are not included.
3. Customer interaction through mobile or internet banking which resulted in a change of balance. ATM transactions are not included.

...and doing business in a more responsible and sustainable way...

## Culture

### Engagement

**86%** of employees proud to work for SAN (+1 pp vs 2018)

### Women

**40%** Group Board  
**23%** Group leadership (+2 pp vs. 2018)



Leader

**Most sustainable bank in the world**

Dow Jones index<sup>1</sup>

## Sustainability

**€19bn**

mobilised in Green finance

**€1bn**

Santander first green bond issuance

## Communities

**1.6mn**

people helped through our community programmes

**69k**

scholarships granted

## Financial inclusion

**2.0mn**

people financially empowered

**€277mn**

credit to microentrepreneurs<sup>2</sup> (+73% vs. 2018)

# ... improves operational excellence by helping to deliver sustained top line growth and increase cost savings

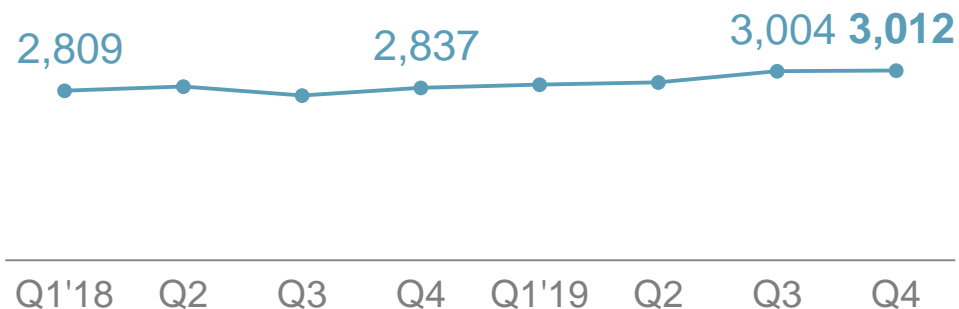
## Increased customer revenue...

Constant EUR mn

### Net interest income

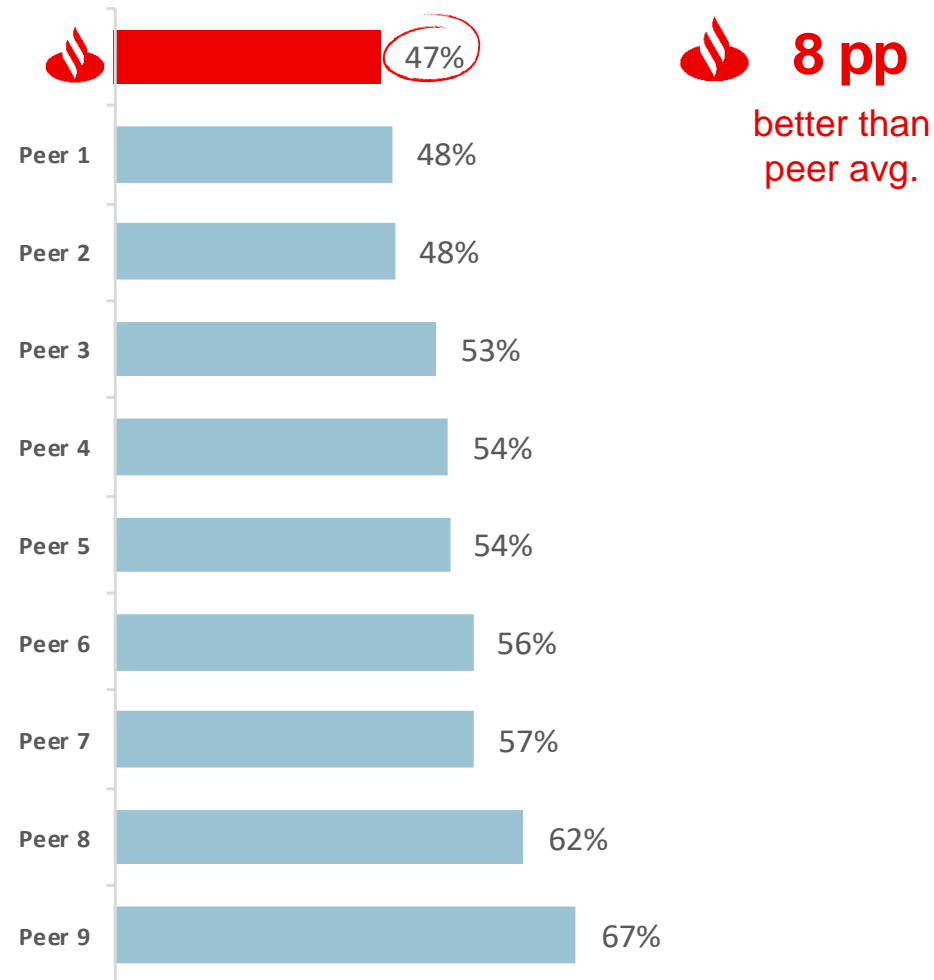


### Net fee income



## ...with better cost-to-income than peers<sup>1</sup>

Cost-to-income, Dec-19

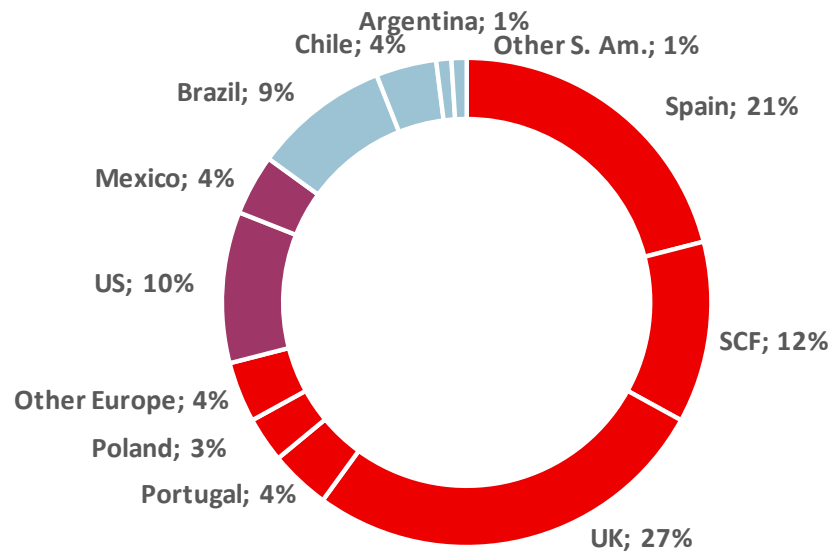


1. Peers included are: BBVA, BNP Paribas, Citibank, Credit Agricole, HSBC, ING, Itaú, Scotiabank and Unicredit. Santander calculations

# Our geographic and business diversification, coupled with our subsidiaries model...

## Loan portfolio by country

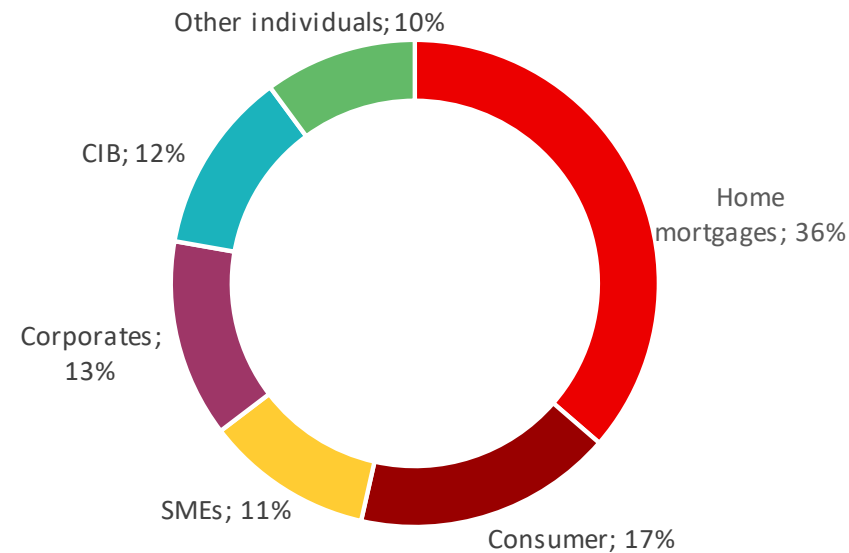
Breakdown of total gross loans excluding reverse repos, % of operating areas ex. SGP Dec-19



- ▶ Total gross loans excluding reverse repos: EUR 919 bn
- ▶ RWAs as of Dec-19: EUR 605 bn

## Loan portfolio by business

Breakdown of total gross loans excluding reverse repos, Dec-19

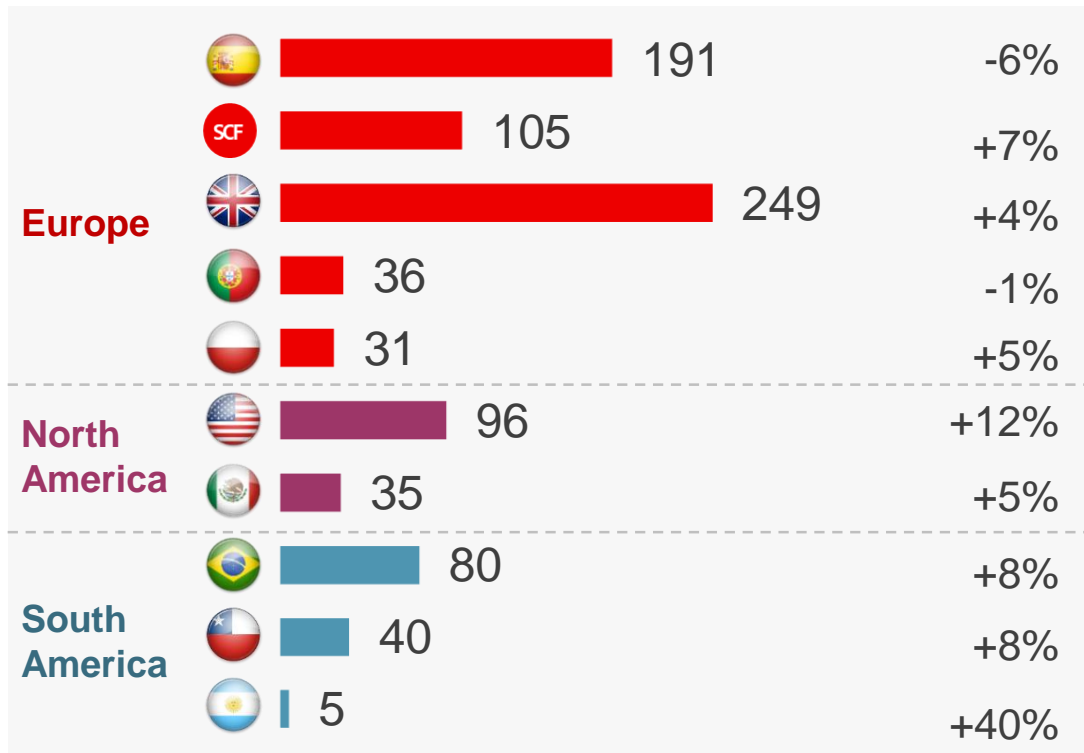


- ▶ 88% of loan portfolio is Retail, 12% Wholesale

... with strong balance sheet growth...

**Loans and advances to customers in core markets**

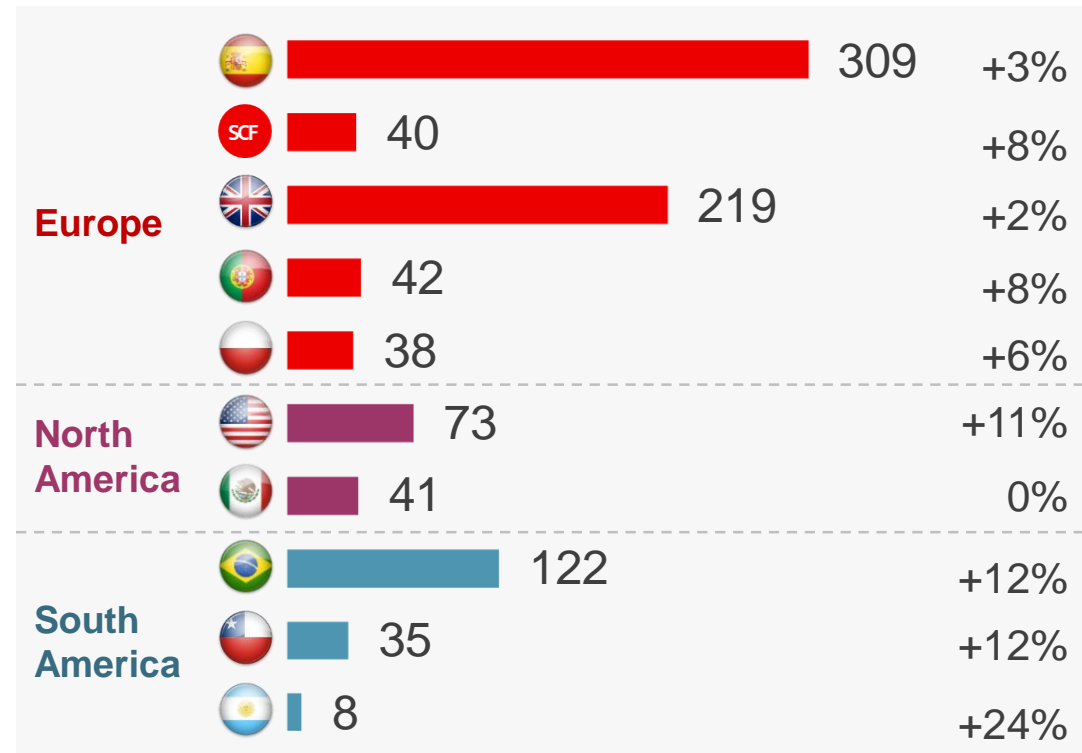
EUR bn and YoY growth %, Dec-19



**+4%**

**Customer funds in core markets**

EUR bn and YoY growth %, Dec-19

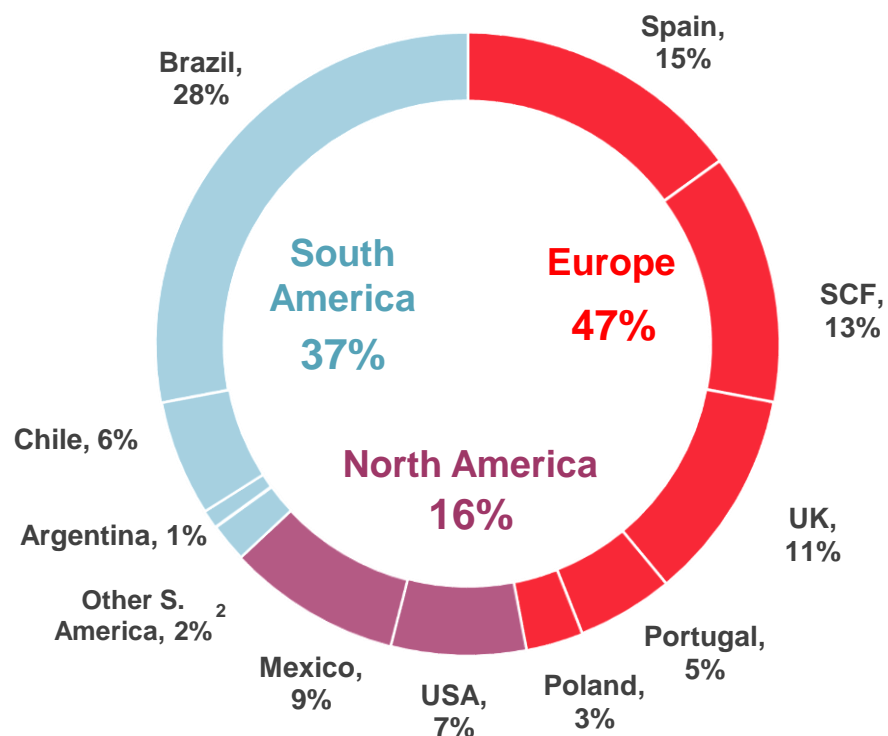


**+6%**

# ... and underlying attributable profit distributed across regions...

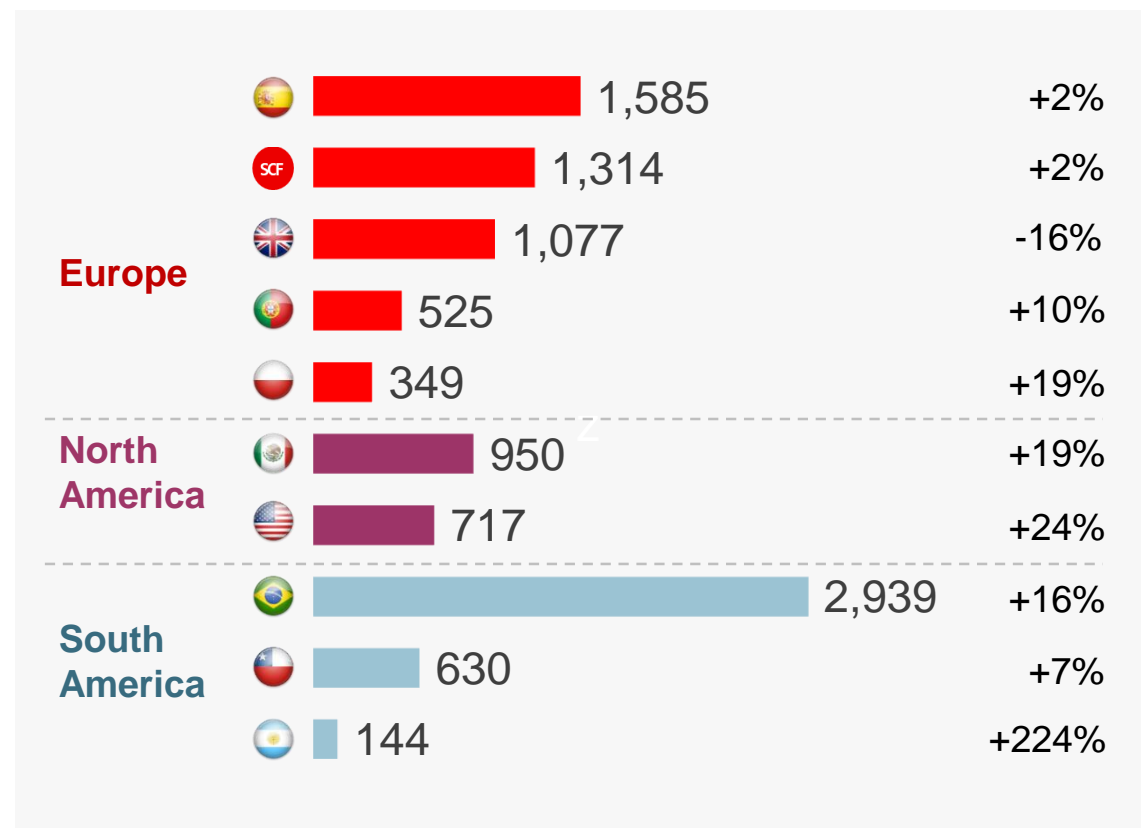
## Underlying attributable profit distribution<sup>1</sup>

% underlying profit, 2019



## 2019 Underlying attributable profit in core markets

EUR mn and % change vs. 2018 in constant euros



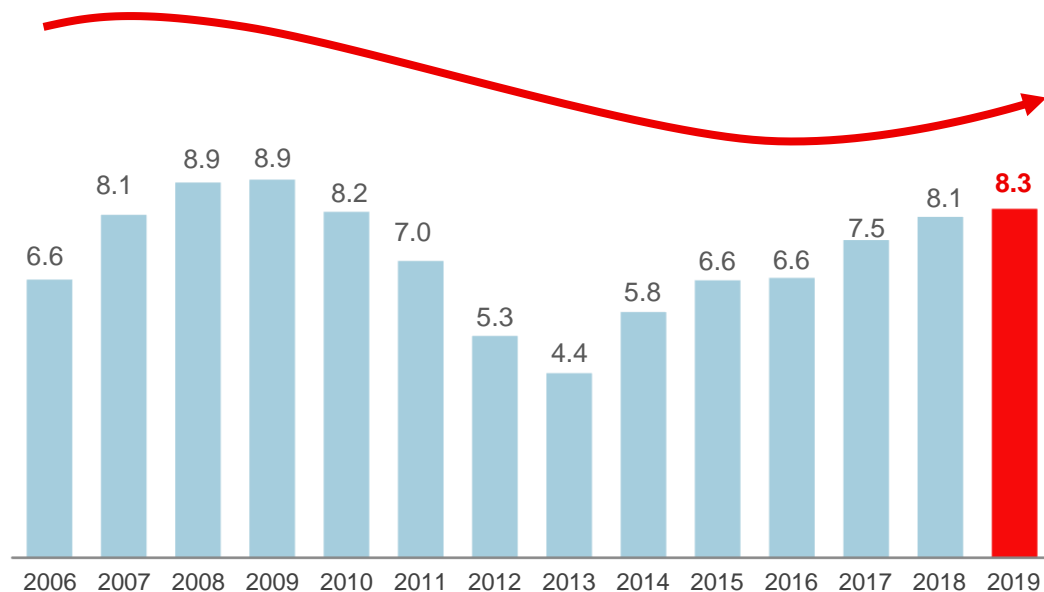
1. Excluding Corporate Centre (EUR -2,096 mn) and Santander Global Platform  
 2. Other South America underlying profit (EUR 213 mn)



... has allowed us to generate high and recurring pre-provision profit, leading to resilient growth through the economic cycle...

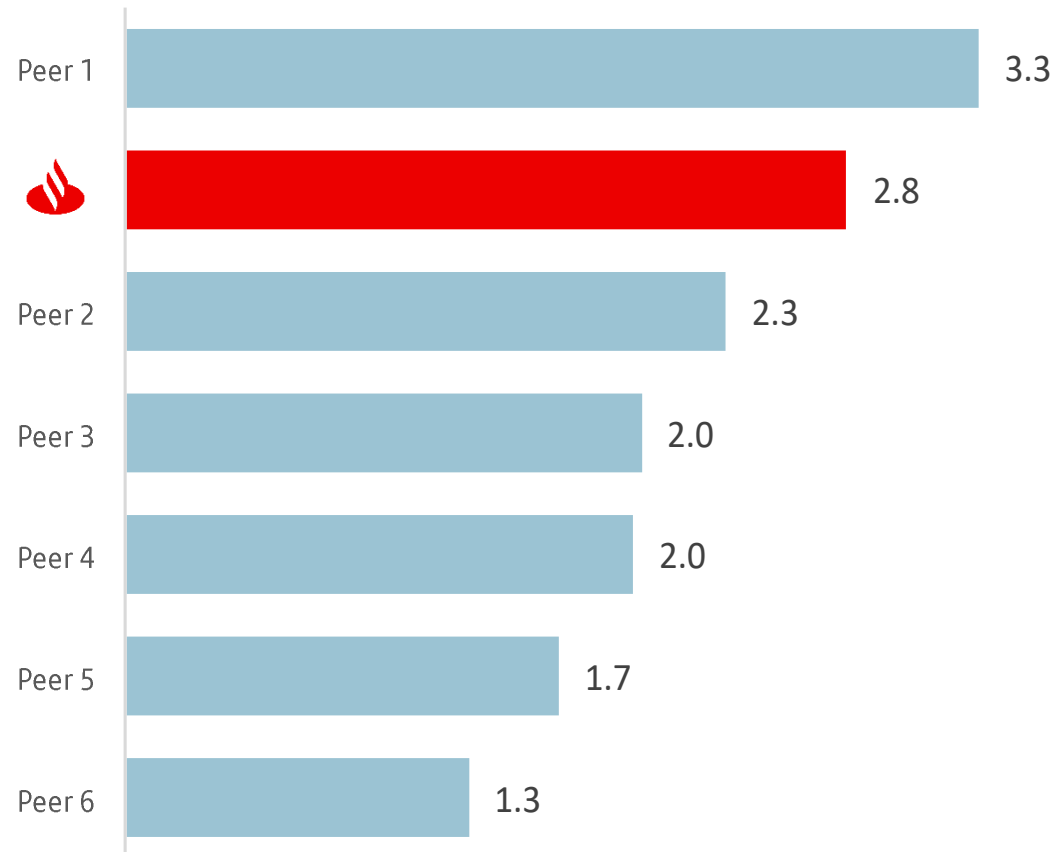
### Resilient profit generation throughout the cycle

Group underlying attributable profit, EUR bn



### PPP/Loans well above most European peers<sup>1</sup>

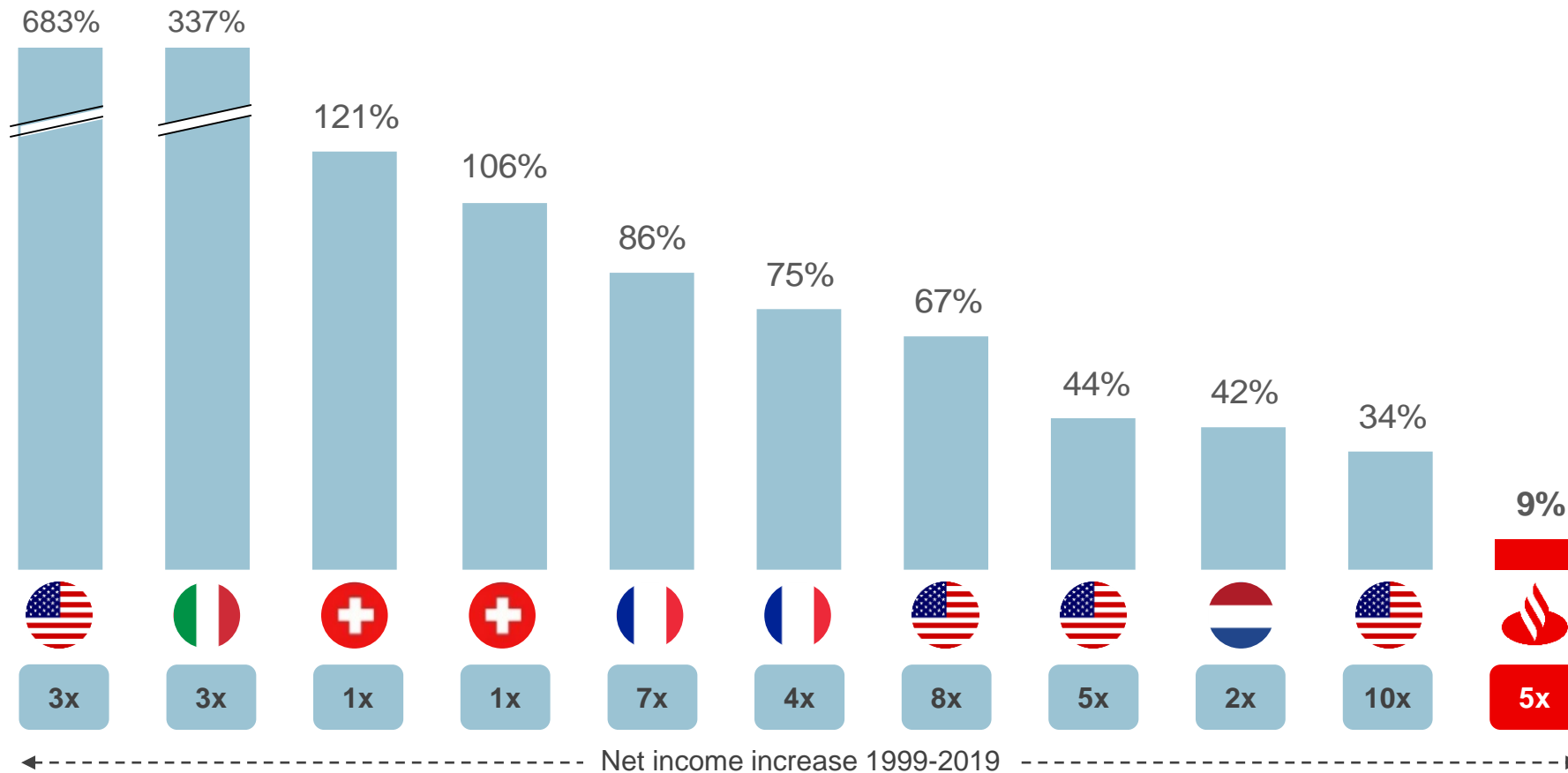
%, Dec-19



# ... and to generate stable and predictable growth

## Predictable results with the lowest volatility among peers coupled with growth in earnings

Quarterly reported EPS volatility<sup>1</sup>, 1999-2019



The Group's medium-term strategy is based on three main pillars to drive profitable growth in a responsible way



**Improve  
operating  
performance**



**Optimise  
capital  
allocation**



**Accelerate  
digitalisation  
through Santander  
Global Platform**



**Continue building a more  
Responsible Bank**

# Improving operational performance: Further leveraging our diversification and scale and adding value via our global businesses and shared capabilities



## Global capabilities to enhance operating efficiency across the Group



### Medium-term efficiency expected, mainly in Europe:

- IT & Operations
- Shared services & Others

# Improving operational performance: Leveraging One Santander



	Europe		North America		South America	
	2019	Mid-term goal	2019	Mid-term goal	2019	Mid-term goal
Underlying RoTE	10%	12-14%	13% <sup>1</sup>	14-16% <sup>2</sup>	21%	20-22%
Efficiency	53%	47-49%	43%	39-41%	36%	33-35%
	Building one European banking platform, with enhanced profitability		Investing together to improve commercial capabilities		Natural reweighting and high profitable growth opportunity	

# Continuing to improve capital allocation: Ongoing capital allocation optimisation to improve profitability



Rebalancing to more profitable regions and businesses



Improved pricing, processes and governance



Active management and senior team alignment

## Strong profitability improvement leading to higher capital generation capacity



  
**Group  
RoRWA<sup>1</sup>**

1.3%

2014

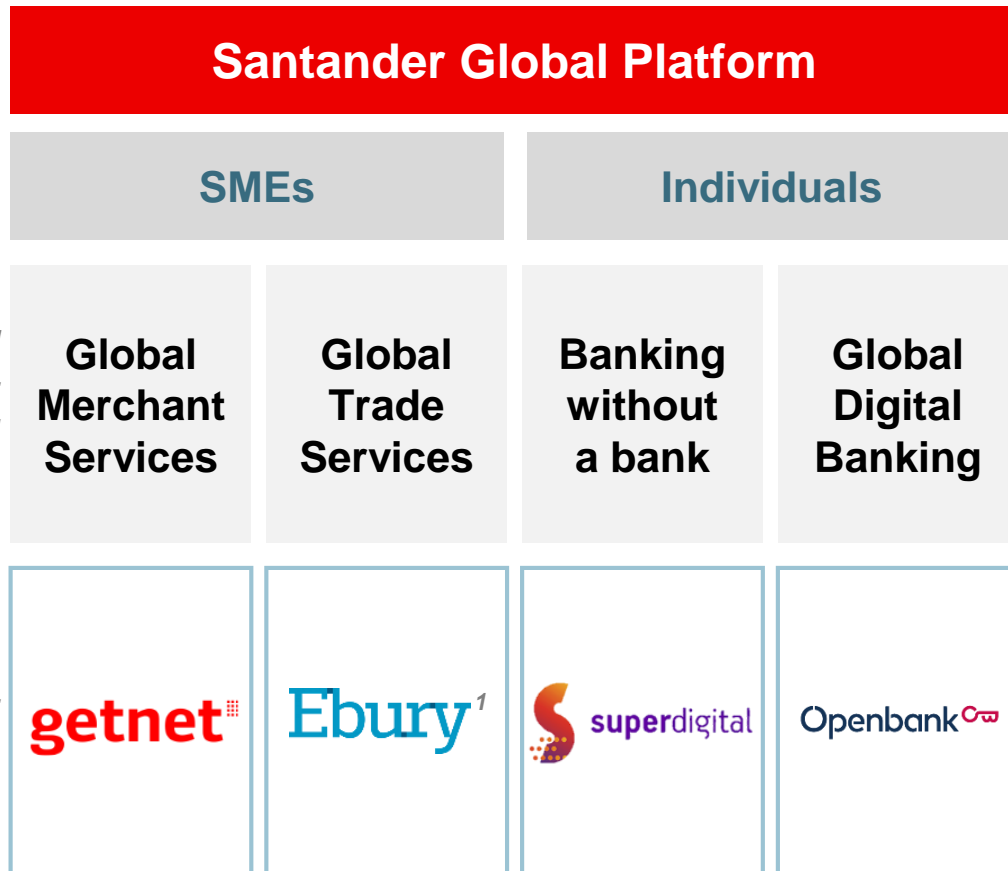
1.6%

2019

1.8-2.0%

Mid-term  
goal

# Accelerating Digitalisation: Best-in-class Global payments and digital banking solutions to SMEs and Individuals



Focused on relevant global markets...

... building on relevant assets to accelerate growth

- 1 **Digital payment services** as a driver of customer engagement and loyalty
- 2 Built with **global platforms**, leveraging our scale for efficiency and customer experience
- 3 Offered to both our banks (B2C) and to third parties (B2B2C)
- 4 **Run autonomously**, with a blend of tech and banking talent

Capital

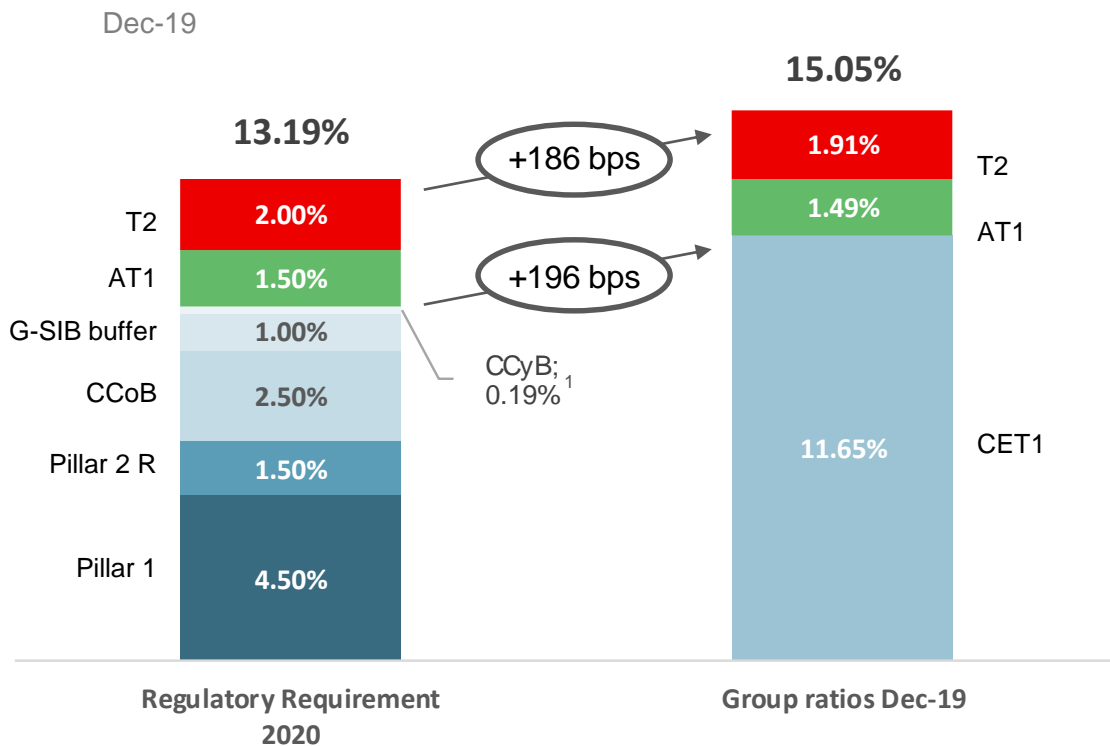


03

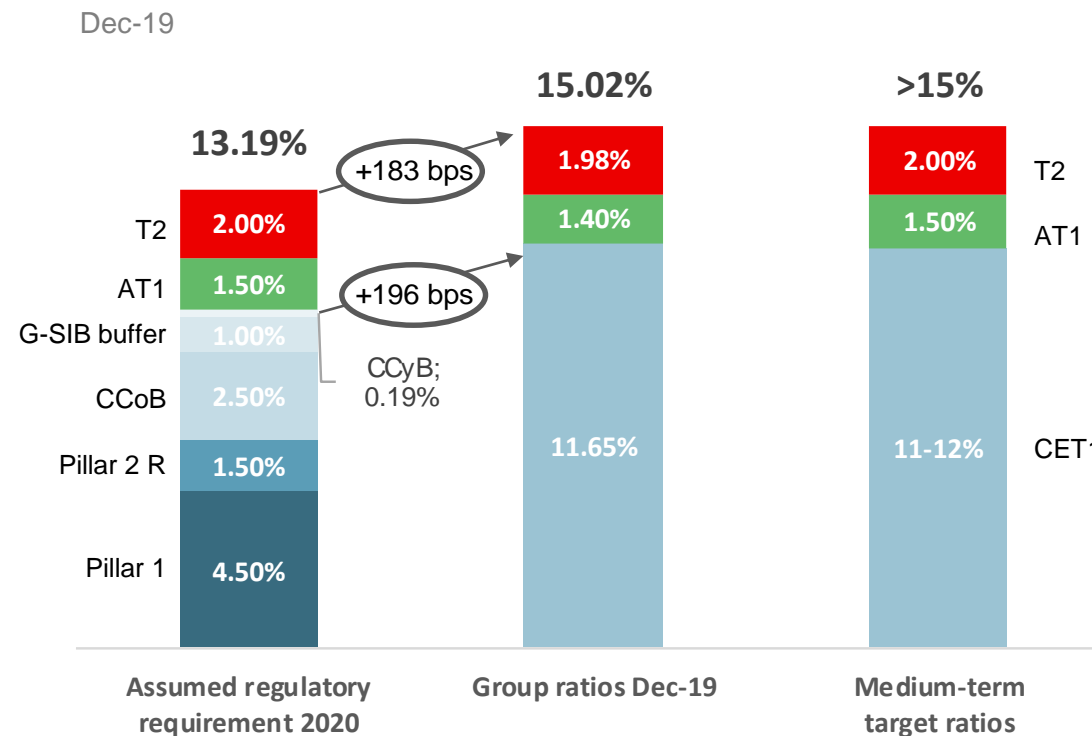


# Santander's capital levels, both phased-in and fully loaded, exceed minimum regulatory requirements

## SREP capital requirements and MDA



## Assumed capital requirements (fully loaded)



- ▶ The **minimum CET1** to be maintained by the Group as for 2019 following the results of the Supervisory Review and Evaluation Process (SREP) is **9.69%**
- ▶ As of Dec-19, the distance to the MDA for 2019 is 186 bps<sup>2</sup>

- ▶ AT1 and T2 issuance to target 1.5% and 2% of RWAs respectively is close to zero assuming constant RWAs
- ▶ As of Dec-19, **Santander S.A. meets the minimum required eligible liabilities (MREL)<sup>3</sup>** following the MREL eligible issuances over the last two years



Note: Data calculated using the IFRS 9 transitional arrangements.

1. Estimated Countercyclical buffer

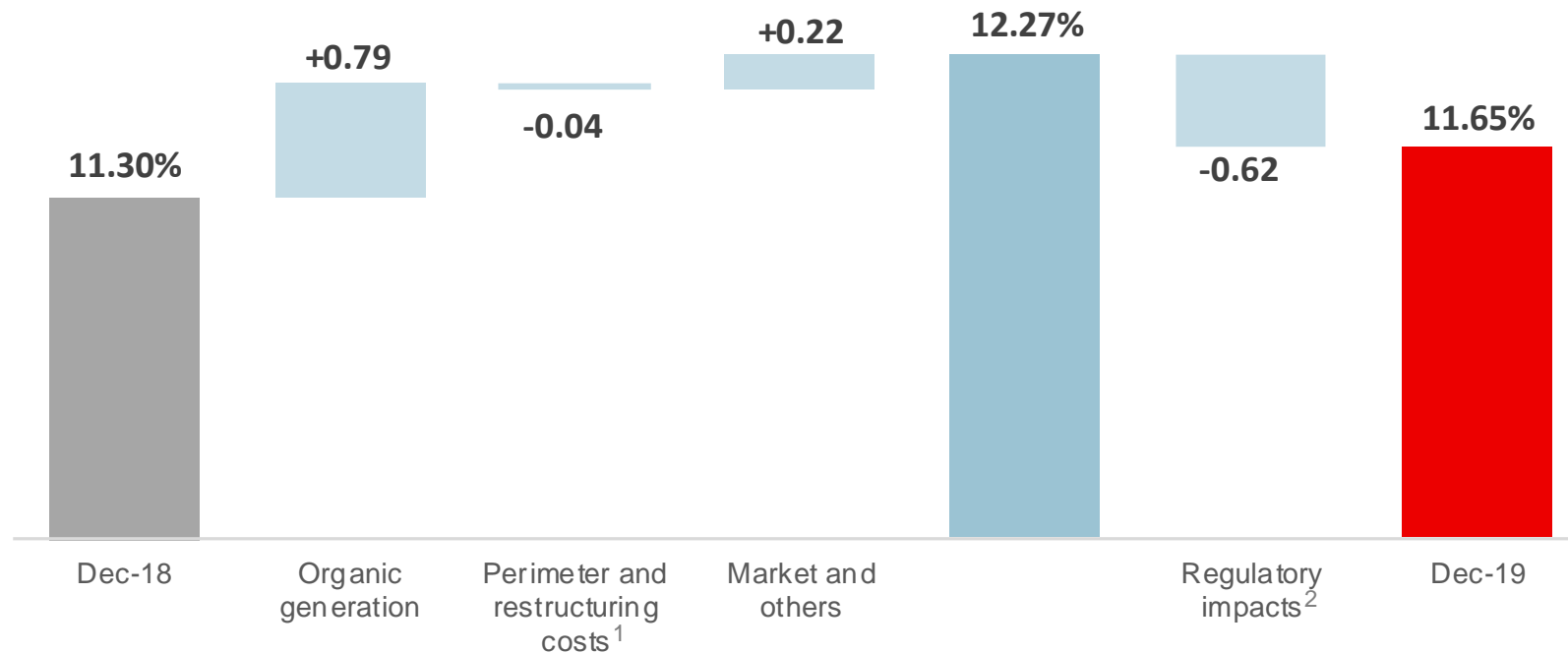
2. MDA trigger = 1.96% - 0.01% - 0.09% = 1.86% (1 bp of AT1 and 9 bps of T2 shortfall is covered with CET1).

3. Parent bank, preliminary data, on the basis of Santander's understanding of current SRB MREL Policy and under existing recovery and resolution rules.

# We consistently generate capital organically

## CET1 ratio

%



	<u>2018</u>	<u>2019</u>	<u>Diff.</u>
<b>CET1 ratio</b>	11.30%	11.65%	35 bps
<b>FL Total capital ratio</b>	14.77%	15.02%	25 bps
<b>FL Leverage ratio</b>	5.10%	5.11%	1 bp
<b>Underlying RoRWA<sup>4</sup></b>	1.59%	1.61%	2 bps
<b>Underlying RoTE<sup>5</sup></b>	12.08%	11.79%	-29 bps
<b>Density</b>	40.59%	39.75%	-84 bps

Santander has a high RoTE with strong capital quality:

- **Higher density** (40% vs 36% European peers<sup>3</sup>)
- **Same FL leverage ratio** (5.1% both SAN and European peers<sup>3</sup>)



1. Restructuring costs (-15 bps); Share buy back Mexico (+4 bps); Custody (+3 bps); Other (+4 bps); 2. IFRS 16 (-19 bps); models and TRIM (-36 bps); Other (-7 bps)  
 3. Peers data as of Dec-19 4. Statutory RoRWA: 1.33% 5. Statutory RoTE: 9.31%  
 Note: 2019 data applying the IFRS 9 transitional arrangements.

# Strong fundamentals for AT1 bond holders

## Distance to trigger<sup>1</sup>

- ▶ Santander Group's CET1 levels are well above the **minimum loss absorption trigger** of 5.125%: **EUR 39 bn**
- ▶ The first line of defense is the Group's strong pre-provision profitability providing a high capacity to absorb provisions during crisis periods

## MDA

- ▶ As of Dec-19, the **distance to the MDA for 2019** is **1.86%**<sup>2</sup>
- ▶ Targeting a **comfortable management buffer to MDA of >100 bps at all times**, in line with Santander's business model and predictable results

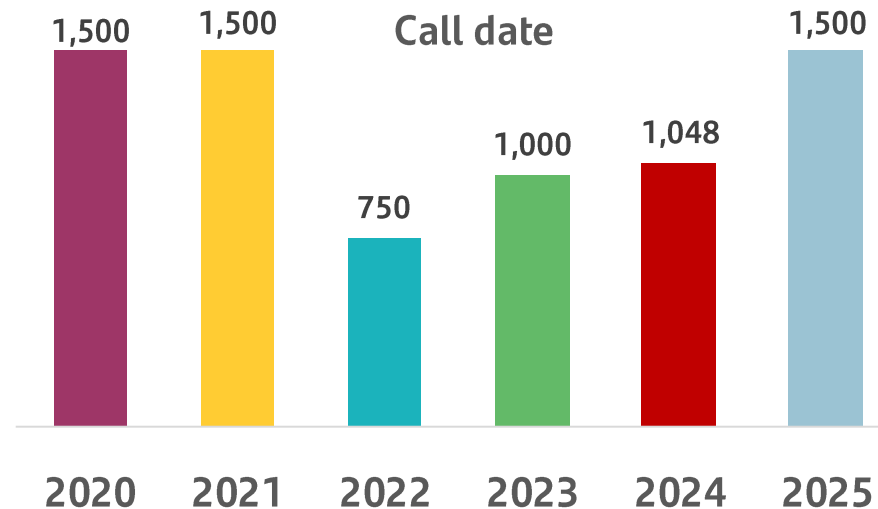
## ADIs

- ▶ Santander Parent Bank has **EUR 57.2 bn in Available Distributable Items**
- ▶ This amount of ADI represents c.115x times the 2019 full AT1 cost of the Parent
- ▶ Santander has never been prohibited from making a Tier 1 payment or dividend due to insufficient ADIs. Santander has never cancelled the payment of coupons of any of its Tier 1 securities

## AT1 issuances distributed by call date

### AT1 issuances outstanding at Dec-19

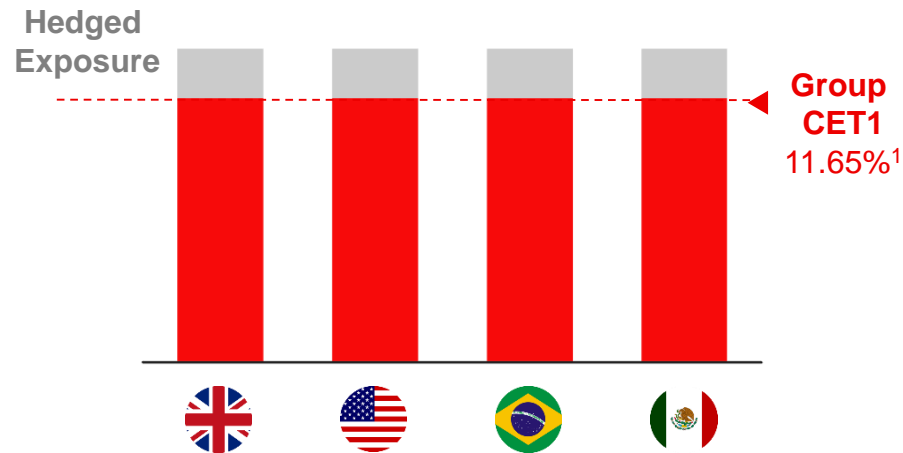
EUR mn	Currency	Nominal EUR	Coupon	Structure	Next call date	Reset Spread
Banco Santander S.A.	EUR	1,500	5.48%	PNC5	12-Mar-20 <sup>1</sup>	541 bps
Banco Santander S.A.	EUR	1,500	6.25%	PNC7	11-Sep-21	564 bps
Banco Santander S.A.	EUR	750	6.75%	PNC5	25-Apr-22	680.3 bps
Banco Santander S.A.	EUR	1,000	5.25%	PNC6	29-Sep-23	499.9 bps
Banco Santander S.A.	EUR	1,500	4.75%	PNC7	19-Mar-25	409.7 bps
Banco Santander S.A.	USD	1,048	7.50%	PNC5	8-Feb-24	498.9 bps



 1. On 15/01/20, Banco Santander S.A. confirmed that it would call the bond on the next call date (12/03/2020).

# FX hedging policy on capital ratio and P&L...

## Stable capital ratio hedge



- ▶ Managed to mitigate FX volatility in our CET1 ratio
- ▶ Based on Group regulatory capital and RWAs by currency

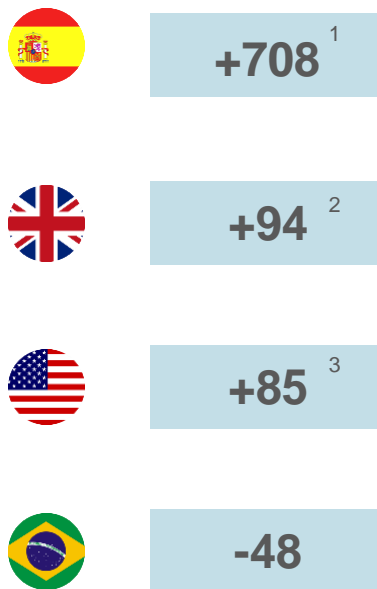
## Our P&L Policy

- ▶ Strategic management of the exposure to exchange rates on equity and dynamic on the countervalue of the units' annual results in euros
- ▶ Mitigate impact of FX volatility
- ▶ Corporate Centre assumes all hedging costs

## ... and interest rate risk hedging

### Mostly positive interest rate sensitivity

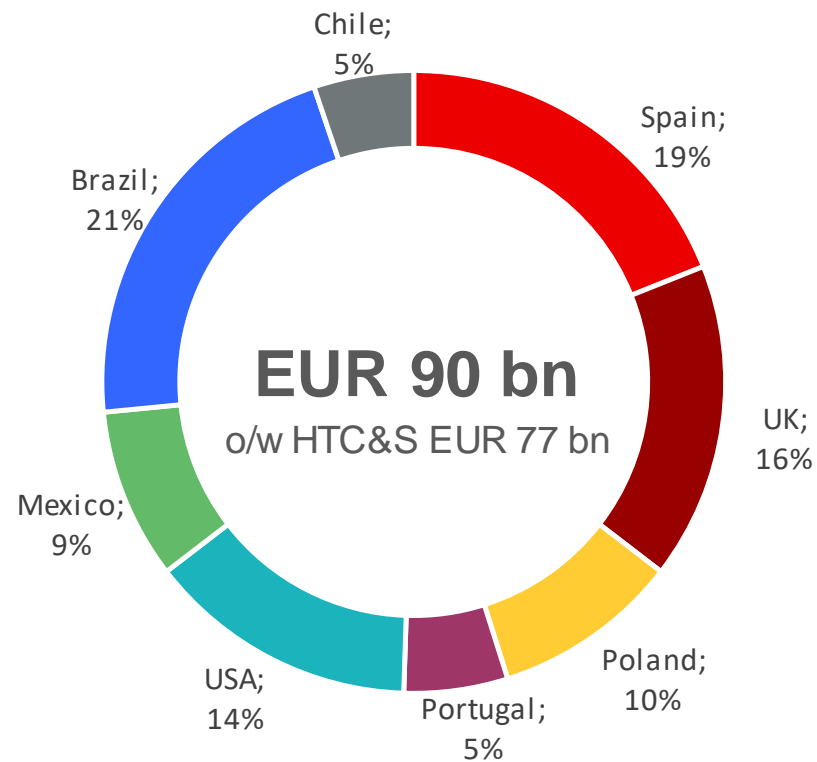
Net interest income sensitivity to a +100 bp parallel shift  
EUR mn, Dec-19



1. Parent bank
2. Ring-fenced bank
3. SBNA

### ALCO portfolios reflect our geographic diversification

Distribution of ALCO portfolios by country  
%, Dec-19



# Asset Quality



04

# Continued credit quality improvement on a YoY and QoQ basis...



## Better credit quality ratios

	2018	2019
Cost of credit	1.0%	1.0%
NPL ratio	3.73%	3.32%
Coverage ratio	67%	68%



Lower or stable **cost of credit** in 8 core markets



**NPL ratio** fell YoY in most markets

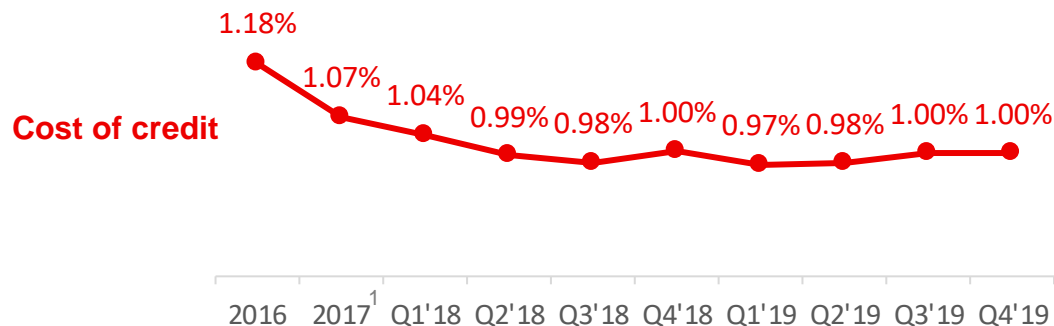
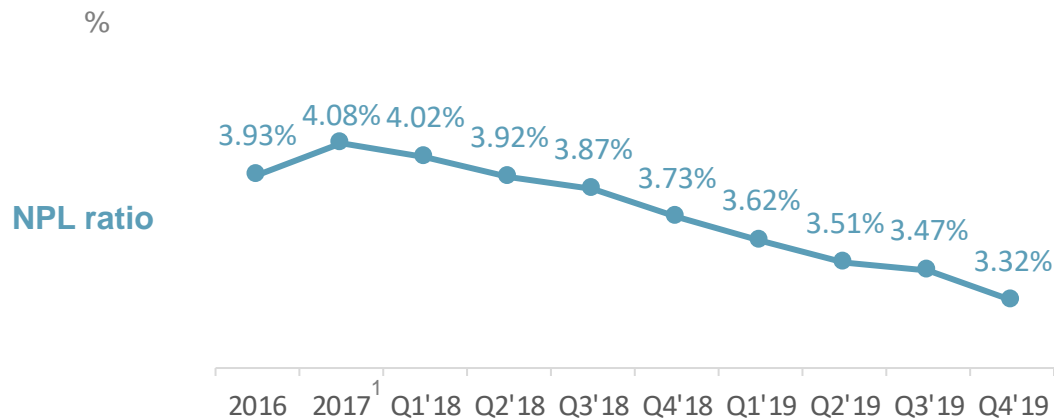


High level of **allowances to total loans**



# ...to levels well below previous years, supported by generalised improvements across geographies

## Credit quality ratios



## NPL ratios by country

	Q4 2018	Q4 2019
Spain	7.32	6.94
SCF	2.29	2.30
UK	1.08	1.01
Poland	4.28	4.31
Portugal	5.94	4.83
US	2.92	2.20
Mexico	2.43	2.19
Brazil	5.25	5.32
Chile	4.66	4.64
Argentina	3.17	3.39

## Cost of credit ratios by country

	Q4 2018	Q4 2019
Spain	0.38	0.43
SCF	0.38	0.48
UK	0.07	0.10
Poland	0.65	0.72
Portugal	0.09	-0.02
USA	3.27	2.85
Mexico	2.75	2.49
Brazil	4.06	3.93
Chile	1.19	1.08
Argentina	3.45	5.09

# Liquidity and Funding

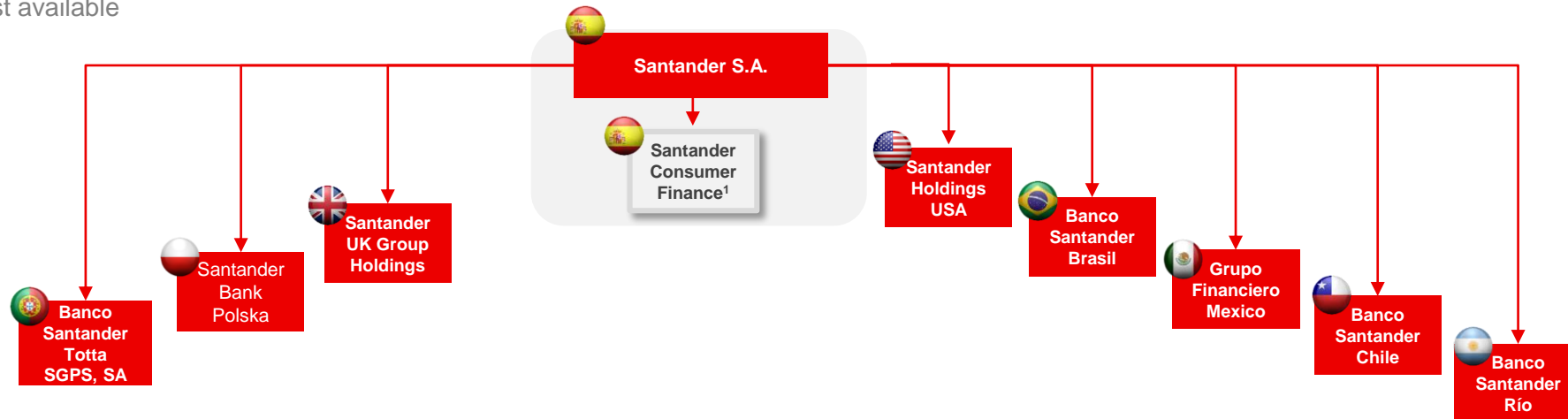


05

The Group's business model combines local knowledge with global best practices through legally, financially and operationally autonomous subsidiaries...

## Legal autonomy structure

Dec-18, the latest available

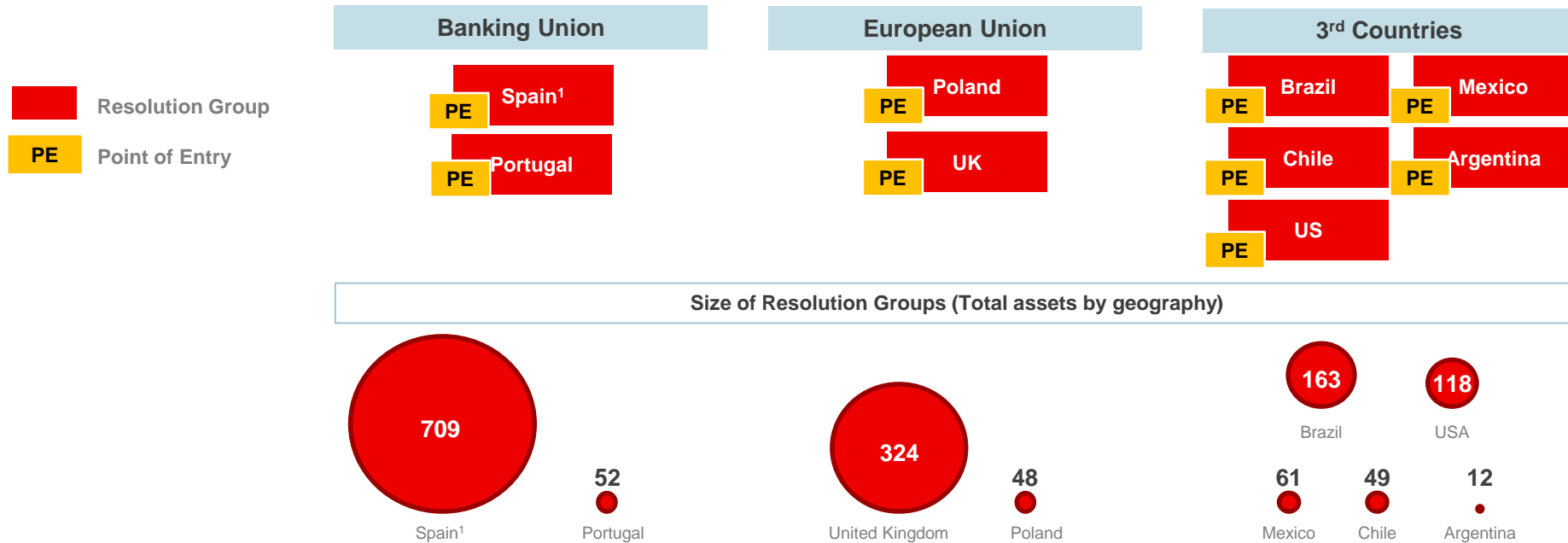


- ▶ **Legal autonomy:** There are no legal commitments that entail financial support
- ▶ **Financial autonomy:** Financial interconnections are limited and at market prices
- ▶ **Operational autonomy:** Shared services are limited and carried out through autonomous factories. Access to FMIs through other Group entities is very limited

... divided into different resolution groups that can be resolved separately though multiple entry points

## MPE resolution strategy

Dec-18, EUR bn - the latest available

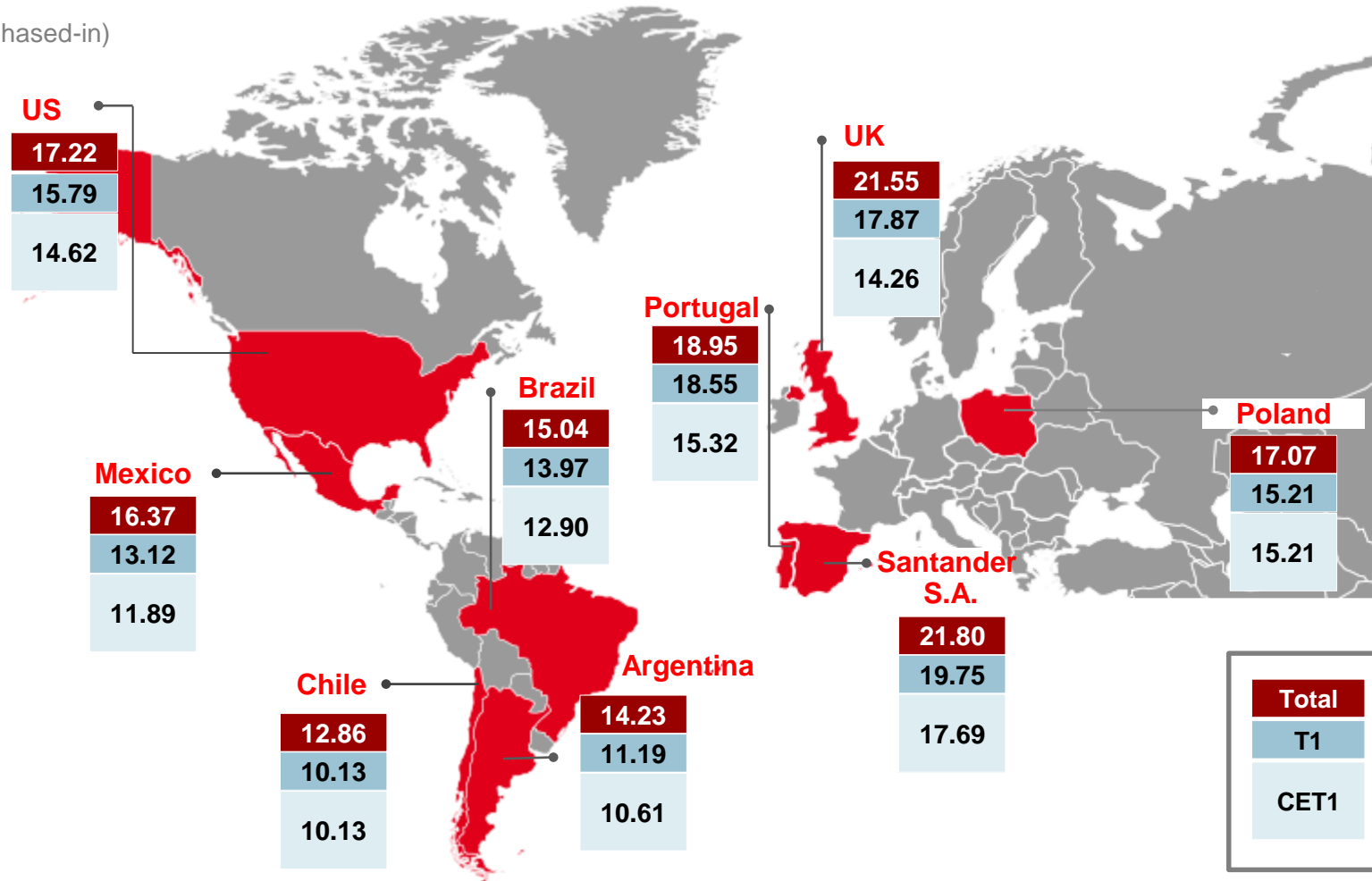


- ▶ We have defined the **Resolution Groups (RGs)** mirroring the model of autonomous financial groups so that all entities have been assigned to one RG
- ▶ Each RG comprises the entity identified as the entry point in resolution and the entities that belong to it

# Santander follows an autonomous capital and liquidity model

## Capital ratios by country

Dec-19, %, local figures (phased-in)



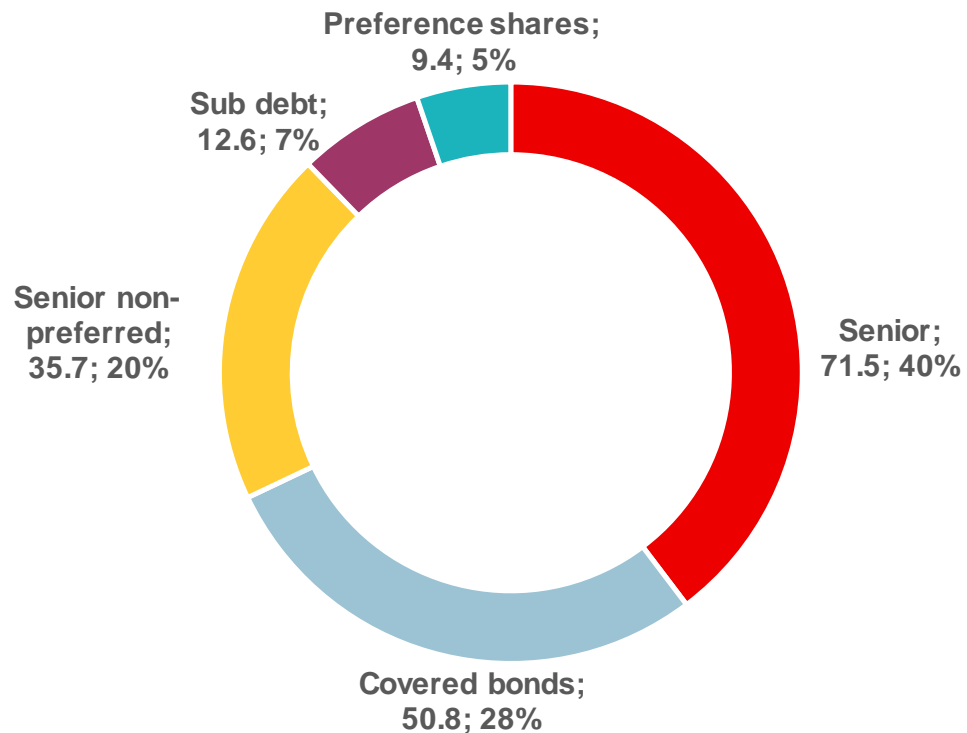
## Santander's liquidity management is based on the following principles

- ▶ Decentralised liquidity model
- ▶ Needs derived from medium- and long-term activity must be financed by medium- and long-term instruments
- ▶ High contribution from customer deposits, due to the retail nature of the balance sheet
- ▶ Diversification of wholesale funding sources by instruments/investors, markets/currencies and maturities
- ▶ Limited recourse to wholesale short-term funding
- ▶ Availability of sufficient liquidity reserves, including the discount window / standing facility in central banks to be used in adverse situations
- ▶ Compliance with regulatory liquidity requirements both at Group and subsidiary level, as a new conditioning management factor

# Stock of issuances shows diversification across instruments and entities

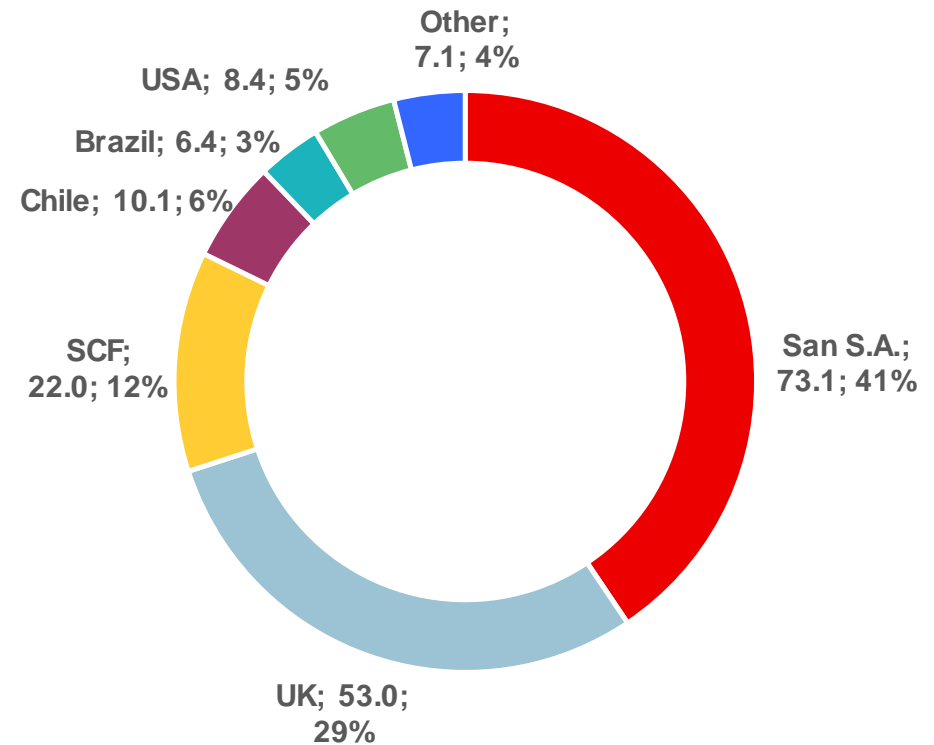
## Debt outstanding by type

EUR bn and %, Dec-19



## Debt outstanding by issuer entity

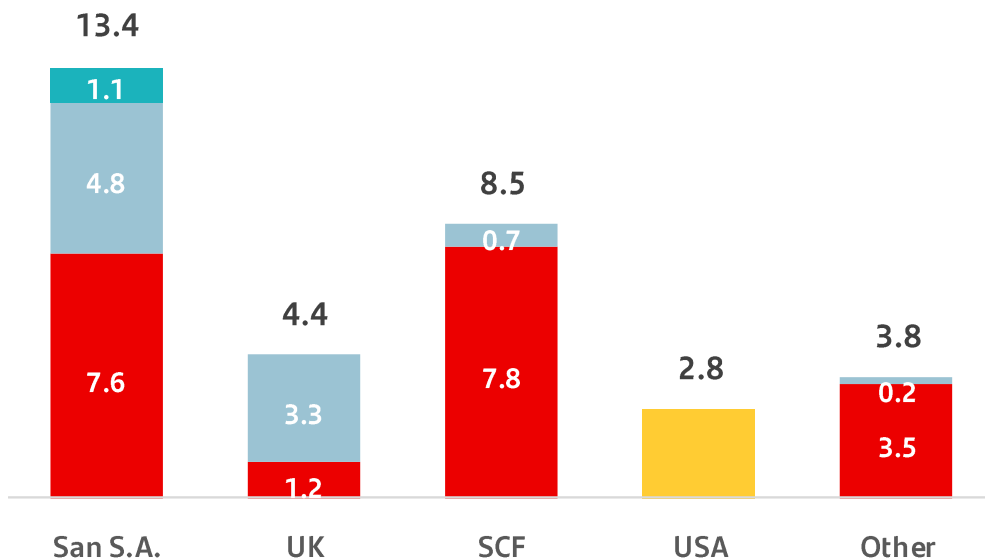
EUR bn and %, Dec-19



# Conservative and decentralised liquidity and funding model

## EUR 33 bn<sup>1</sup> issued in public markets in 2019

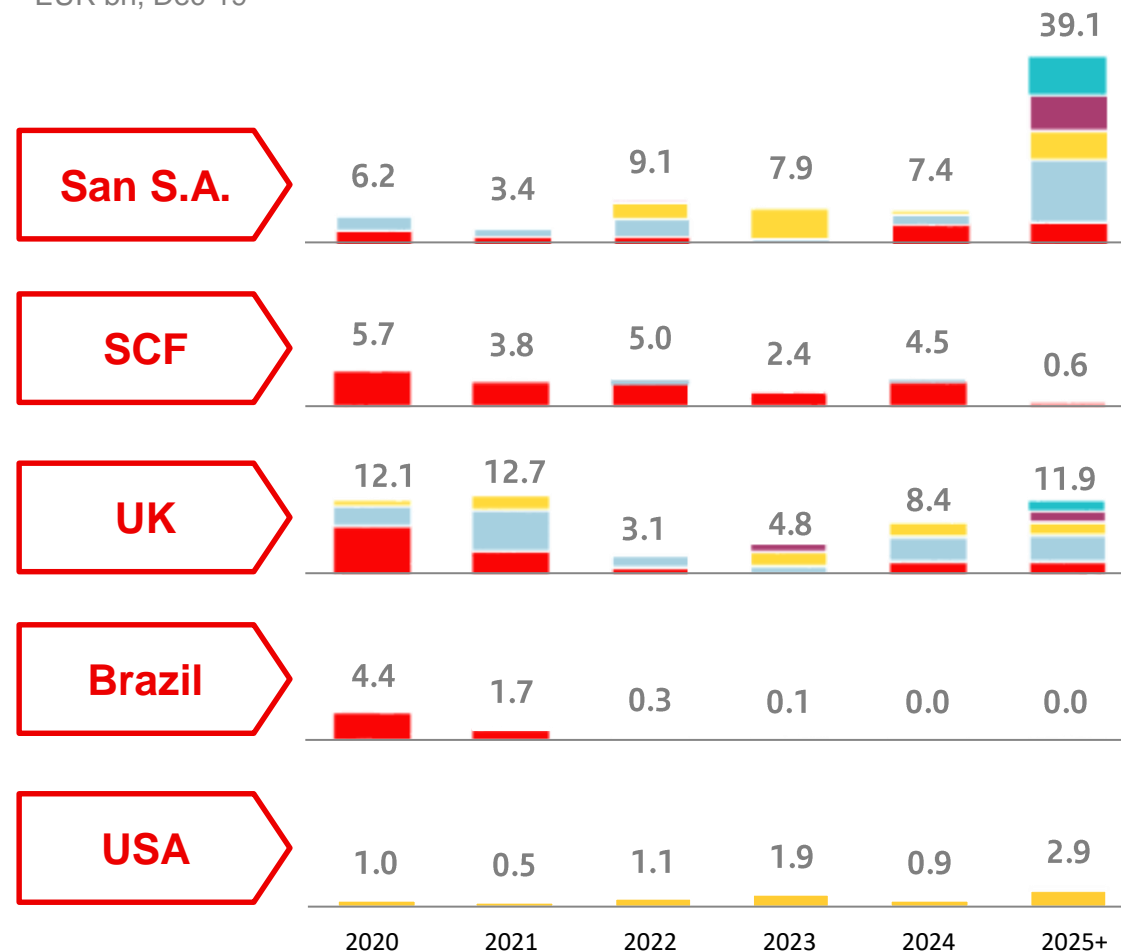
EUR bn, Dec-19



- ▶ Other public market issuances in Brazil, Chile, Mexico and Poland
- ▶ In October, San S.A. issued the Group's first green bond issuance (EUR 1 bn, 7 yr, senior preferred)

## Very manageable maturity profile

EUR bn, Dec-19



1. Data include public issuances from all units with period-average exchange rates. Excludes securitisations



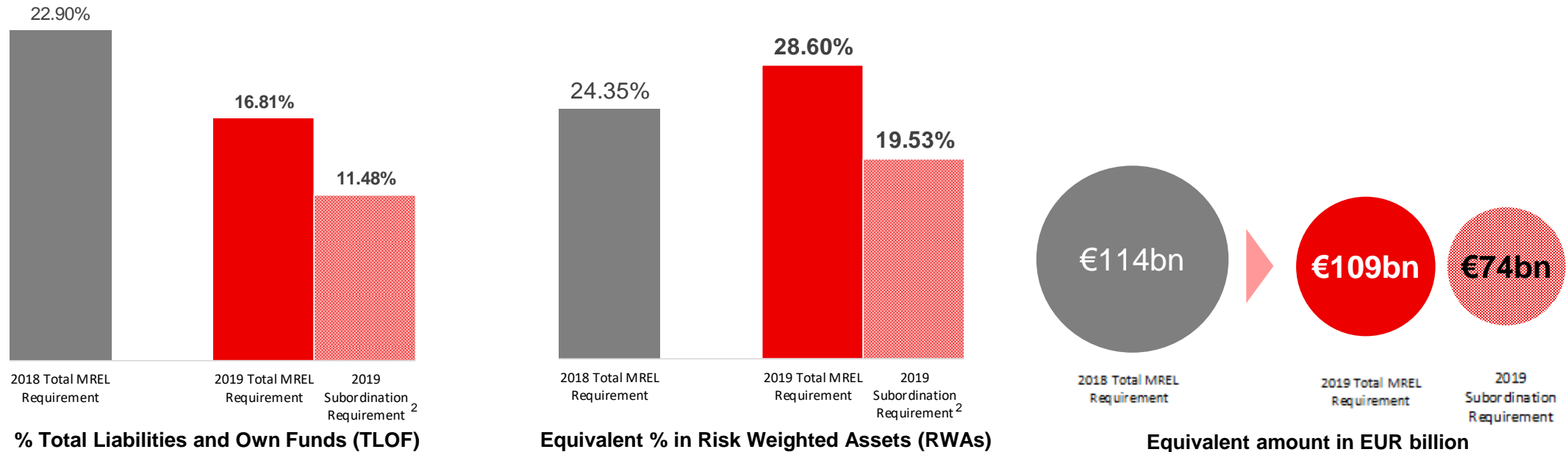
## 2020 and 2021 funding plan by main issuers

EUR bn	2020				2021			
	Snr Preferred + Covered Bonds	Snr Non- Preferred	Hybrids	Total	Snr Preferred + Covered Bonds	Snr Non- Preferred	Hybrids	Total
Santander S.A.	4-5	7-8	1-2	12-15	4-5	4-5	1-2	9-12
SCF	6-8			6-8	7-9			7-9
Santander UK	6-8	2-3		8-11	8-10	2-3		10-13
SHUSA		1-2		1-2		1-2		1-2
<b>Total</b>	<b>16-21</b>	<b>10-13</b>	<b>1-2</b>	<b>27-36</b>	<b>19-24</b>	<b>7-10</b>	<b>1-2</b>	<b>27-36</b>
			<b>Maturities:</b>	<b>32.7</b>			<b>Maturities:</b>	<b>24.3</b>

### Funding plan for Banco Santander S.A. contemplates the following:

- Build up the stock of TLAC in order to manage increasing requirements
- Pre-finance 2017 issuances which lose TLAC eligibility in 2021
- Continue fulfilling the 1.5% AT1 and 2% T2 buffers subject to RWA growth
- This issuance plan contemplates full repayment of TLTRO maturities

# Santander S.A. MREL requirement<sup>1</sup>



The variation in the MREL requirement with respect to 2018 is accounted for mainly by two factors:

- A change in the scope of consolidation of the Resolution Group, which now includes new companies
- A modification in the calculation of capital consumption due to equity risk

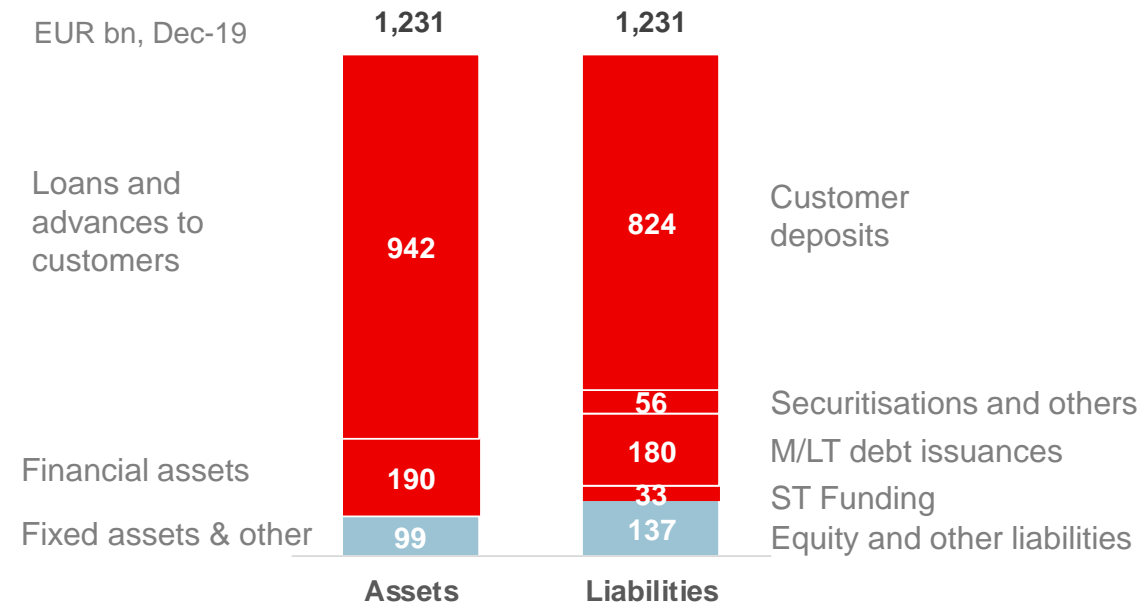
According to our estimates, the **Resolution Group complies with the new MREL requirement and the subordination requirement**. Future requirements are subject to ongoing review by the resolution authority

Note: 2018 values as communicated 24/05/18, 2019 values as communicated 28/11/19.

1. The Resolution Group comprises Banco Santander, S.A. and the entities that belong to the same European resolution group (Santander Consumer Finance, S.A.) At 31 December 2017, the Resolution Group had risk-weighted assets amounting to EUR 379,835 million and TLOF amounting to EUR 646,233 million
2. The SRB considers that the subordination requirement can be covered by non-subordinated instruments in an amount equivalent to 2.5% of risk-weighted assets, 1.47% in terms of TLOF, having considered the absence of material adverse impact on resolvability. If this allowance were taken into account, the requirement that would have to be covered by subordinated instruments would be 10.01% in terms of TLOF and 17.03% in terms of RWAs, using data as of December 2017 as a reference

# Well-funded, prudent and highly liquid balance sheet with large contribution from customer deposits and diversified MLT wholesale debt instruments

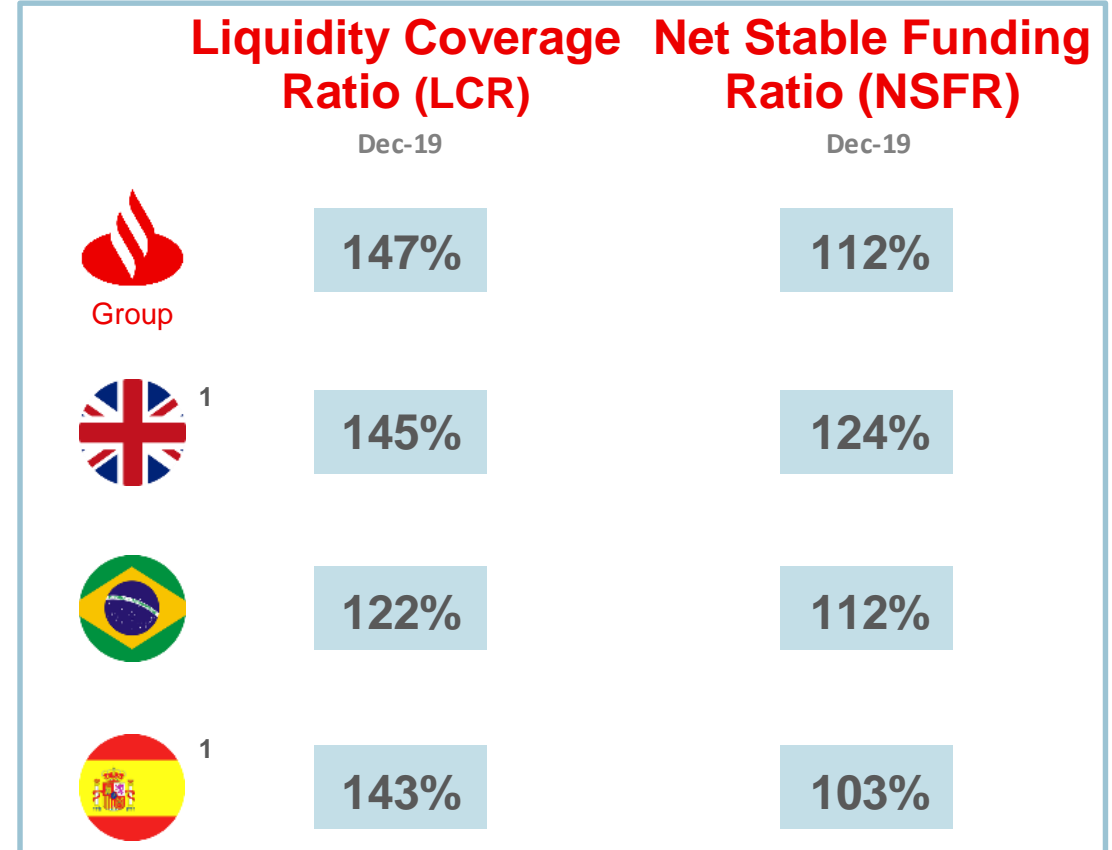
## Liquidity Balance Sheet



## HQLAs<sup>2</sup>

EUR bn, Dec-19

<b>HQLAs Level 1</b>	<b>199.0</b>
<b>HQLAs Level 2</b>	<b>14.9</b>
▶ Level 2A	7.1
▶ Level 2B	7.8



# The main metrics show the strength and stability of the Group's liquidity position

## Evolution of key liquidity metrics<sup>1</sup>

	2015	2016	2017	2018	2019
Loans <sup>2</sup> / net assets	75%	75%	75%	76%	77%
Loan <sup>2</sup> -to-deposit ratio (LTD)	116%	114%	109%	113%	114%
Customer deposits and medium- and long-term funding / loans <sup>2</sup>	114%	114%	115%	114%	113%
Short-term wholesale funding / net liabilities	2%	3%	2%	2%	3%
Structural liquidity surplus / net liabilities	14%	14%	15%	13%	13%
Encumbrance	26%	25%	28%	25%	24%

## LTD and MLT funding metrics by geography

Dec-19

	LTD Ratio	(Deposits + M/MLT funding) / Loans <sup>2</sup>
Spain	77%	170%
SCF	258%	69%
UK	119%	105%
Poland	90%	118%
Portugal	90%	121%
USA	156%	104%
Mexico	99%	109%
Brazil	101%	118%
Chile	141%	97%
Argentina	68%	148%
<b>GROUP</b>	<b>114%</b>	<b>113%</b>

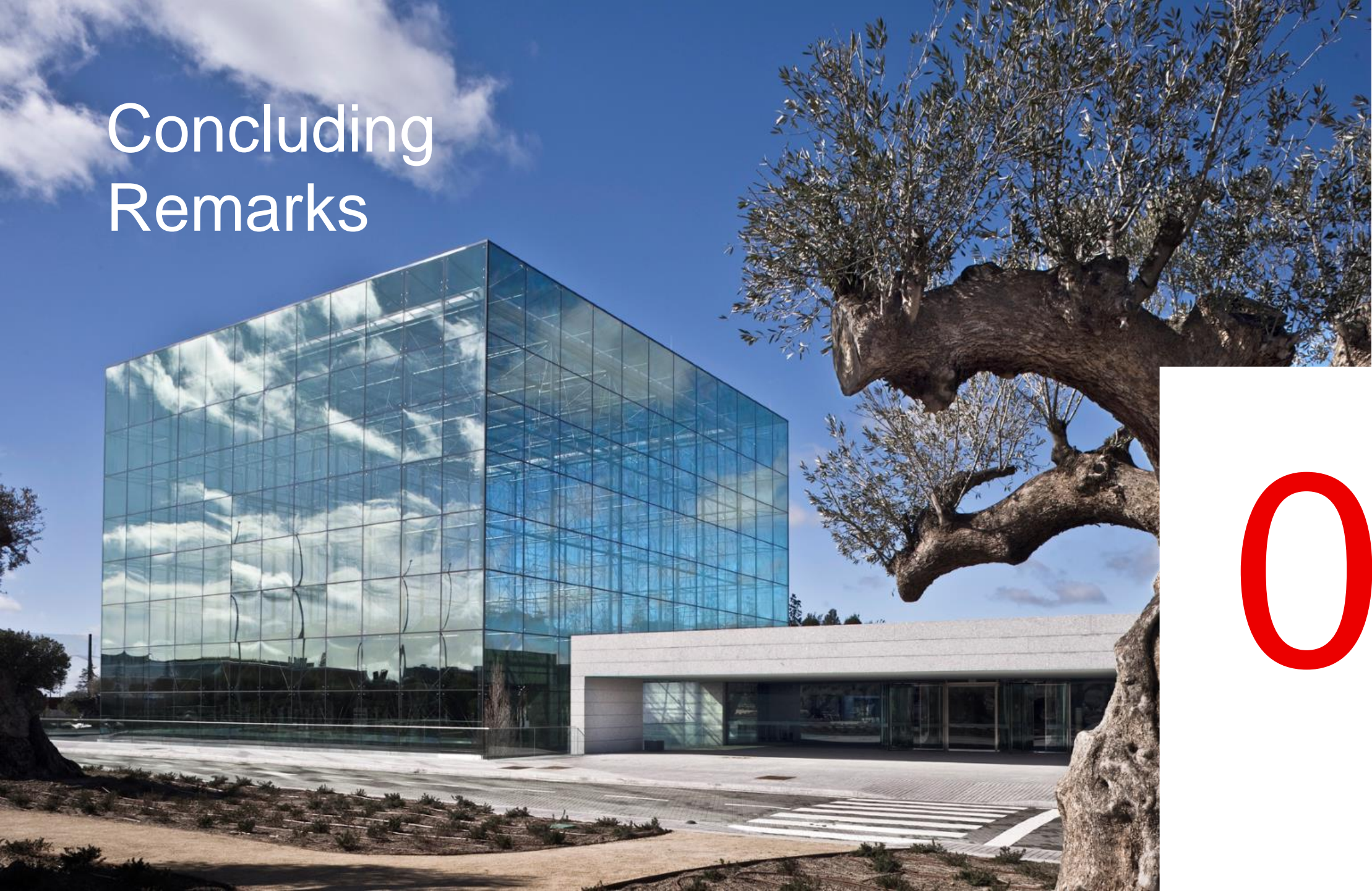
# Banco Santander S.A. ratings

	Moody's			S&P			Fitch		
	Rating	Date last change	Direction last change	Rating	Date last change	Direction last change	Rating	Date last change	Direction last change
Covered Bonds	<b>Aa1</b>	17/04/2018	↑	-	-	-	<b>AA</b>	15/01/2019	↑
Senior Debt	<b>(P) A2</b>	17/04/2018	↑	<b>A</b>	06/04/2018	↑	<b>A</b>	17/07/2018	↑
Senior Non-preferred	<b>Baa1</b>	27/09/2017	↑	<b>A-</b>	04/06/2018	↑	<b>A-</b>	09/02/2017	Initial
Subordinated	<b>(P) Baa2</b>	04/03/2014	↑	<b>BBB+</b>	04/06/2018	↑	<b>BBB+</b>	29/05/2014	↑
AT1	<b>Ba1</b>	17/07/2014	↑	-	-	-	<b>BB</b>	29/05/2014	↑
Short Term Debt	<b>P-1</b>	17/04/2018	↑	<b>A-1</b>	06/04/2018	↑	<b>F2</b>	11/06/2012	↓

# Santander Parent & Subsidiaries' Senior Debt Ratings

	Moody's				S&P				Fitch			
	Rating	Date last change	Direction last change	Outlook	Rating	Date last change	Direction last change	Outlook	Rating	Date last change	Direction last change	Outlook
<b>Group</b>	<b>(P)A2</b>	17/04/2018	↑	STABLE	<b>A</b>	06/04/2018	↑	STABLE	<b>A</b>	17/07/2018	↑	STABLE
San UK PLC	<b>Aa3</b>	21/12/2016	↑	POSITIVE	<b>A</b>	09/06/2015	↑	STABLE	<b>A+</b>	01/03/2019	↓	-
San UK Group Holding PLC	<b>(P)Baa1</b>	16/09/2015	↑	NEG	<b>BBB</b>	10/04/2015	↑	STABLE	<b>A</b>	20/12/2019	↑	STABLE
Santander Consumer Finance	<b>A2</b>	17/04/2018	↑	STABLE	<b>A-</b>	06/04/2018	↑	STABLE	<b>A</b>	28/10/2019	↑	STABLE
Banco Santander Totta SA	<b>Baa3</b>	16/10/2018	↑	STABLE	<b>BBB</b>	18/03/2019	↑	STABLE	<b>BBB+</b>	21/12/2017	↑	STABLE
Santander Holding US	<b>Baa3</b>	18/10/2016	↓	STABLE	<b>BBB+</b>	06/04/2018	↑	STABLE	<b>BBB+</b>	17/11/2017	↑	STABLE
Banco Santander Mexico	<b>A3</b>	14/06/2016	↑	NEG	-	-	-	-	<b>BBB+</b>	13/06/2012	↓	STABLE
Banco Santander Chile	<b>A1</b>	27/07/2018	↓	STABLE	<b>A</b>	04/08/2017	↑	STABLE	<b>A</b>	17/08/2017	↓	STABLE
Santander Bank Polska	<b>A3</b>	03/06/2019	↑	STABLE	-	-	-	-	<b>BBB+</b>	18/09/2018	Initial	STABLE
Banco Santander Brasil	<b>Ba1</b>	25/02/2016	↓	STABLE	<b>BB-</b>	12/01/2018	↓	POS	-	-	-	-
<b>Kingdom of Spain*</b>	<b>Baa1</b>	13/04/2018	↑	STABLE	<b>Au</b>	20/09/2019	↑	STABLE	<b>A-</b>	19/01/2018	↑	STABLE

# Concluding Remarks



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## Concluding Remarks

- ▶ The Group's stable capital generation has been supported by strong pre-provision profits providing Santander with a high capacity to absorb provisions
- ▶ Strong capital levels in line with Santander's business model based on geographic diversification, solid market positions in areas where it operates and independent subsidiary model in terms of capital and liquidity
- ▶ The Group is above the regulatory capital requirement with significant payment capacity from available distributable items, while maintaining comfortable margins to conversion and MDA triggers
- ▶ According to our estimates, the Santander S.A. Resolution Group complies with the new MREL and subordination requirements<sup>1</sup> and Group capital buffers
- ▶ Comfortable liquidity position: Compliance with regulatory liquidity requirements established at Group and subsidiary levels ahead of schedule, with high availability of liquidity reserves



# Appendix



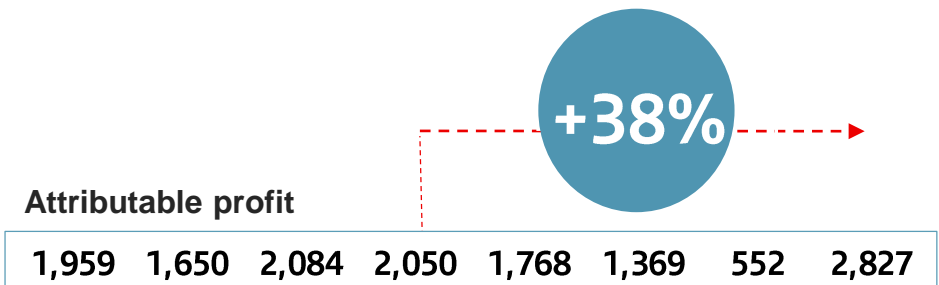
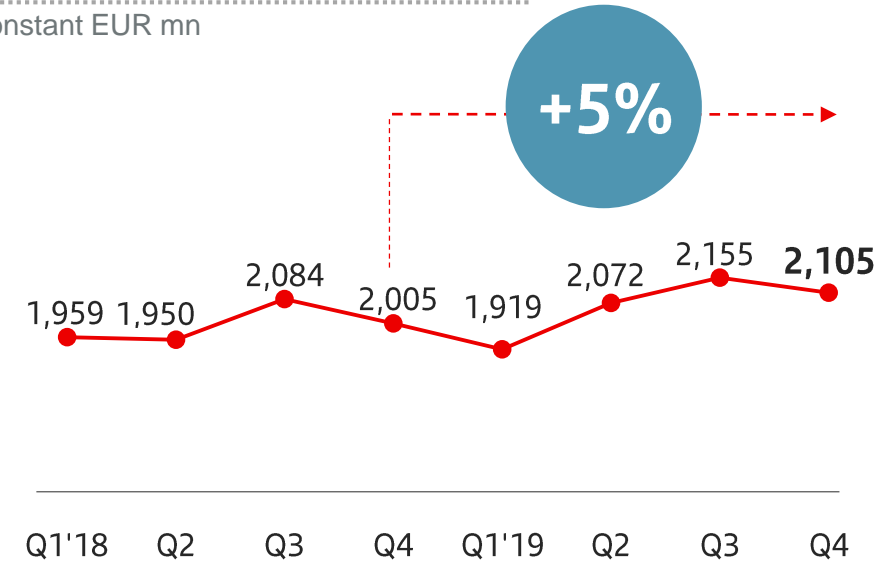
07

## 2019 underlying P&L YoY performance












EUR mn	2019	% vs. 2018	
		Euros	Constant euros
Net interest income	35,283	3	4
Net fee income	11,779	3	5
Customer revenue	47,062	3	4
Trading and other income	2,432	-6	-8
Total income	49,494	2	3
Operating expenses	-23,280	2	3
Net operating income	26,214	2	3
Loan-loss provisions	-9,321	5	5
Other results	-1,964	-2	0
Underlying PBT	14,929	1	2
<b>Underlying attributable profit</b>	<b>8,252</b>	<b>2</b>	<b>3</b>
Net capital gains and provisions <sup>1</sup>	-1,737	---	---
<b>Attributable profit</b>	<b>6,515</b>	<b>-17</b>	<b>-16</b>

### Underlying attributable profit

Constant EUR mn



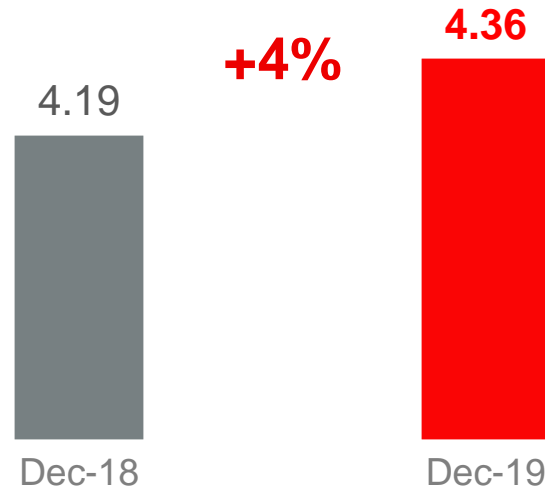
# We continue leveraging our scale and global capabilities to improve productivity and generate new efficiencies

YoY change in constant euros		Nominal costs	Costs in real terms		
<b>Europe</b>		<b>-1.3%</b>	<b>-2.4%</b>	<ul style="list-style-type: none"> <li> -8%</li> <li> -3%</li> <li> -4%</li> </ul>	<b>Operating as “One Europe”</b>
<b>North America</b>		<b>5.1%</b>	<b>2.6%</b>	<ul style="list-style-type: none"> <li> 2%</li> <li> 4%</li> </ul>	<b>Synergies as a region and joint investments</b>
<b>South America<sup>1</sup></b>		<b>4.6%</b>	<b>1.0%</b>	<ul style="list-style-type: none"> <li> 1%</li> <li> 0%</li> </ul>	<b>Regional revenues and cost management</b>
<b>Group</b>		<b>3.4%</b>	<b>-0.4%</b>		

# Creating shareholder value whilst maintaining high profitability

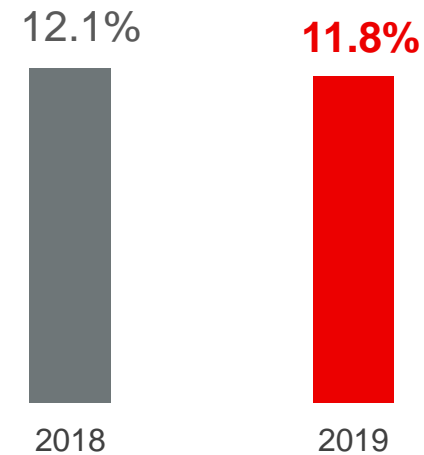
## TNAV per share

EUR

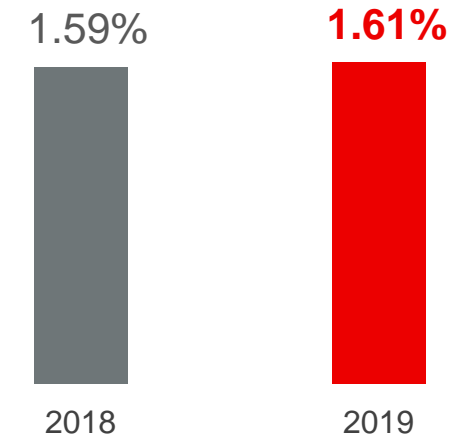


## Profitability ratios

### Underlying RoTE<sup>1</sup>



### Underlying RoRWA<sup>1</sup>



**TNAV per share + Dividend per share:  
+8% YoY**

1. Statutory RoTE: 2018 11.7%; 2019 9.3%. Statutory RoRWA: 2018 1.55% and 2019 1.33%

Notes: The averages for the FY RoTE and RoRWA denominators are calculated on the basis of 13 months from December to December.

For periods of less than a year, and in the event of non-recurring results existing, the profit used to calculate the statutory RoTE is the annualised underlying attributable profit (excluding non-recurring results), to which are added non-recurring results without annualising them

For periods of less than a year, and in the event of non-recurring results existing, the profit used to calculate the statutory RoRWA is the annualised underlying consolidated result (excluding non-recurring results), to which is added non-recurring results without annualising them

## Total assets and profit generation by geography

### Total assets by geography

Constant EUR bn, Dec-19

	Total	YoY Change ex. FX	
		abs.	%
<b>Spain</b>	323,102	-25,899	-7.4
<b>SCF</b>	117,750	9,844	9.1
<b>UK</b>	342,470	2,049	0.6
<b>Poland</b>	44,688	562	1.3
<b>Portugal</b>	56,125	1,118	2.0
<b>USA</b>	151,415	13,776	10.0
<b>Mexico</b>	72,441	2,616	3.7
<b>Brazil</b>	172,033	8,634	5.3
<b>Chile</b>	62,151	14,312	29.9
<b>Argentina</b>	10,054	2,359	30.7

### Profitability by geography

Underlying attributable profit in constant EUR mn, Underlying RoTE in %, 2019

	Total	YoY Change ex. FX		RoTE
		abs.	%	
<b>Spain</b>	1,585	31	2.0	10.5
<b>SCF</b>	1,314	28	2.2	15.3
<b>UK</b>	1,077	-205	-16.0	7.3
<b>Poland<sup>1</sup></b>	349	55	18.9	11.2
<b>Portugal</b>	525	46	9.6	12.8
<b>USA<sup>2</sup></b>	717	138	23.9	4.8
<b>Mexico</b>	950	154	19.4	20.6
<b>Brazil</b>	2,939	415	16.4	21.2
<b>Chile</b>	630	40	6.8	18.1
<b>Argentina</b>	144	99	223.7	22.2

# The Group's inaugural Green Bond Issuance was completed 1 Oct 2019, supporting Santander's Responsible Banking agenda

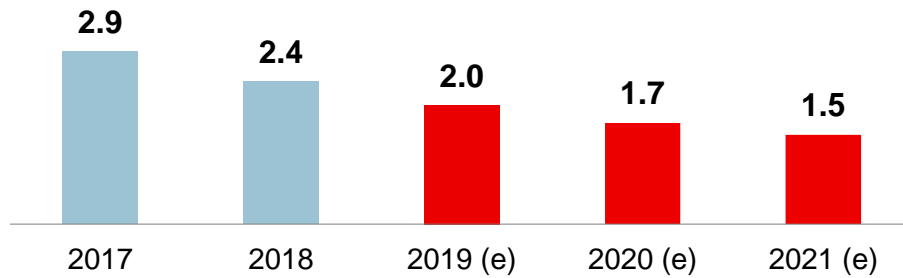
<b>Bond Issuance</b>	<table border="0"> <tr> <td data-bbox="621 282 1149 389"> <b>Issuer:</b> Banco Santander  <b>Rating:</b> A2/A/A (Moody's/S&amp;P/Fitch)  <b>Notional:</b> EUR 1 bn             </td> <td data-bbox="1207 282 1538 389"> <b>Type:</b> Senior Preferred  <b>Maturity:</b> 7 years  <b>Fix/Float:</b> Fixed             </td> <td data-bbox="1786 282 2367 389"> <b>Coupon:</b> 0.300%  <b>Re-offer spread:</b> MS + 65 bps  <b>Re-offer price / yield:</b> 99.779%/0.332%             </td> </tr> </table>	<b>Issuer:</b> Banco Santander <b>Rating:</b> A2/A/A (Moody's/S&P/Fitch) <b>Notional:</b> EUR 1 bn	<b>Type:</b> Senior Preferred <b>Maturity:</b> 7 years <b>Fix/Float:</b> Fixed	<b>Coupon:</b> 0.300% <b>Re-offer spread:</b> MS + 65 bps <b>Re-offer price / yield:</b> 99.779%/0.332%
<b>Issuer:</b> Banco Santander <b>Rating:</b> A2/A/A (Moody's/S&P/Fitch) <b>Notional:</b> EUR 1 bn	<b>Type:</b> Senior Preferred <b>Maturity:</b> 7 years <b>Fix/Float:</b> Fixed	<b>Coupon:</b> 0.300% <b>Re-offer spread:</b> MS + 65 bps <b>Re-offer price / yield:</b> 99.779%/0.332%		
<b>Use of proceeds</b>	<p>Financing and refinancing loans related to Renewable Energy:</p> <ul style="list-style-type: none"> <li>• Solar: photovoltaic plants and concentrated solar power</li> <li>• Wind: onshore and offshore</li> </ul>			
<b>Governance</b>	<ul style="list-style-type: none"> <li>• <b>Sustainable Bond Steering Group</b>, comprising Financial Management, Sustainability, Risk and CIB: Review use of proceeds and ensure compliance with the Global Sustainable Bonds Framework (<a href="#">link</a>)</li> <li>• <b>Dedicated Project Finance department for renewable energy:</b> selection and financing of green bond eligible assets</li> </ul>			
<b>Management of proceeds</b>	<ul style="list-style-type: none"> <li>• Portfolio of eligible assets at least equal to the outstanding amount of green bonds</li> <li>• Share of refinancing not to exceed 50%</li> <li>• Intention to allocate the net proceeds within 36 months after settlement</li> <li>• Unallocated proceeds managed in line with normal liquidity management policy</li> </ul>			
<b>Reporting</b>	<p><b>Annual reporting on:</b></p> <ul style="list-style-type: none"> <li>• Proceeds allocation (type of asset, annual energy produced and capacity installed)</li> <li>• Environmental impact (e.g.CO<sub>2</sub> avoided/reduced)</li> </ul>			
<b>External review</b>	<p><b>Vigeo Eiris</b></p> <ul style="list-style-type: none"> <li>• Second party opinion on the sustainability credentials of the sustainable bond programme</li> <li>• Annual verification on the allocation of funds and CO<sub>2</sub> avoided</li> </ul>			



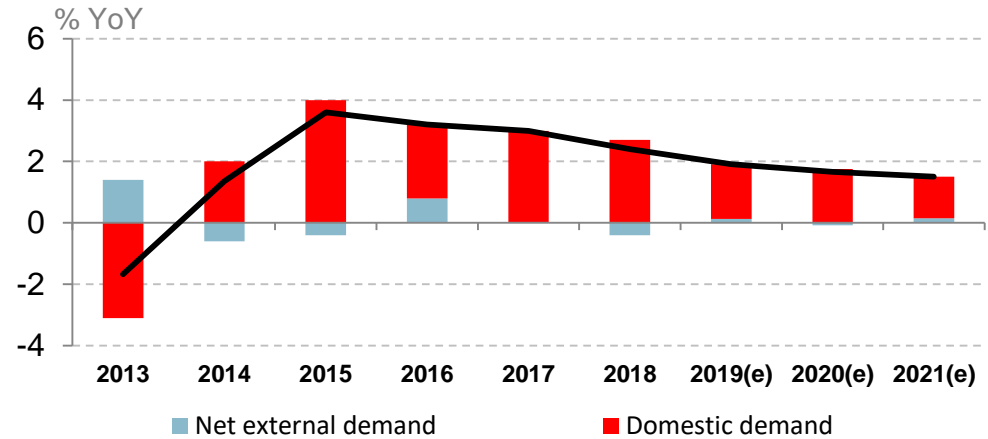
# The expansionary cycle in Spain is expected to continue backed by employment creation, higher consumption and real estate recovery, albeit at a slower pace

## Annual GDP Growth

Real, %

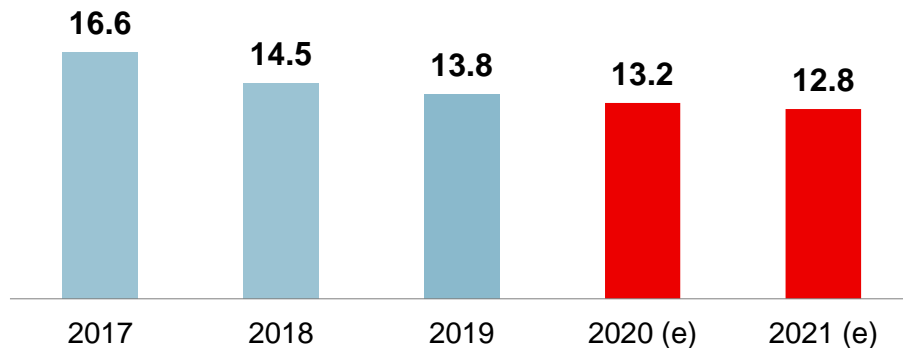


## Contribution to GDP Growth



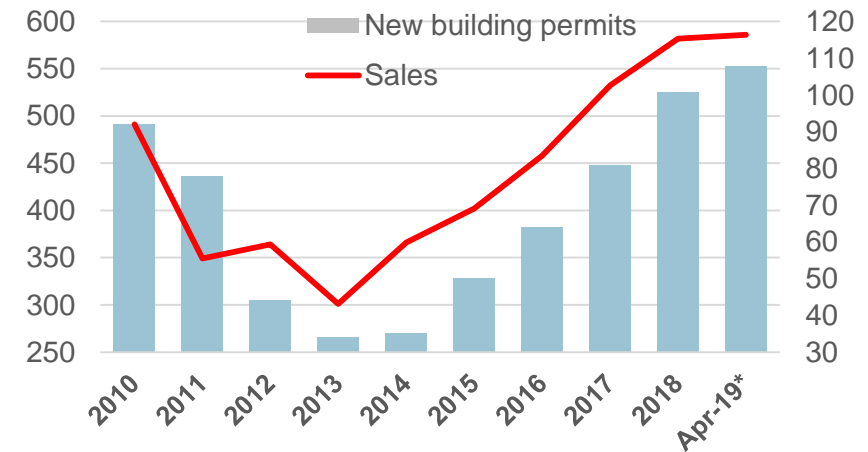
## Unemployment rate in Spain

%



## Housing sales and permits

k

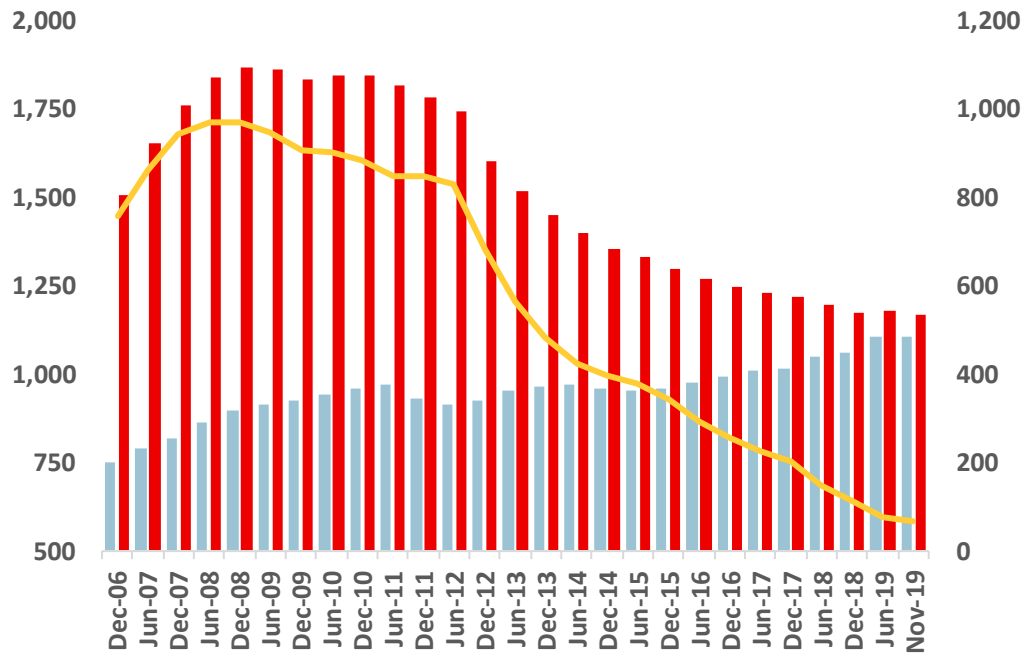




# Loan decreases and deposit building in Spain continues to close the funding gap and improve credit quality

## Funding Gap

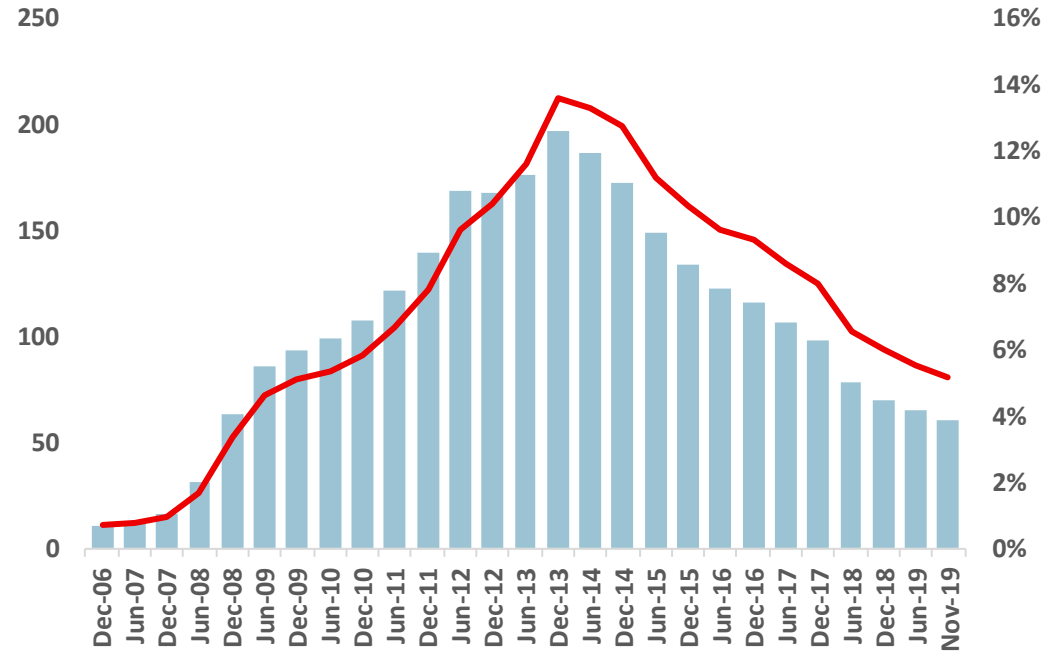
EUR bn, Spanish system, latest available data Nov-19



- Total loans inc. reverse repos (LHS)
- Total deposits inc. repos (LHS)
- Funding Gap (RHS)

## Non-performing loans

EUR bn and %, Spanish system, latest available data Nov-19



- Non-performing loans (LHS)
- NPL ratio (RHS)

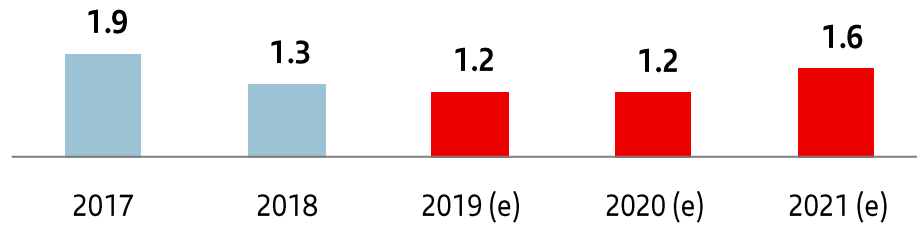




# More uncertain political backdrop; however uncertainty remains

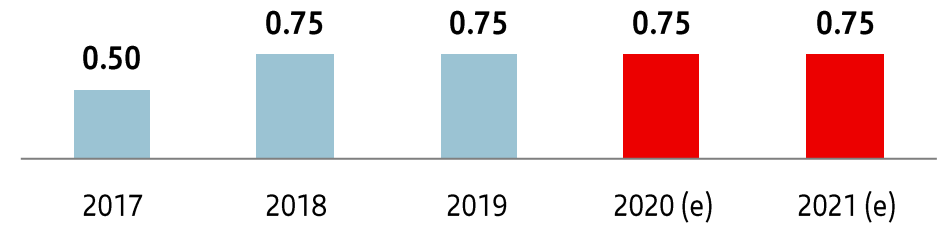
## Annual GDP Growth

Real %



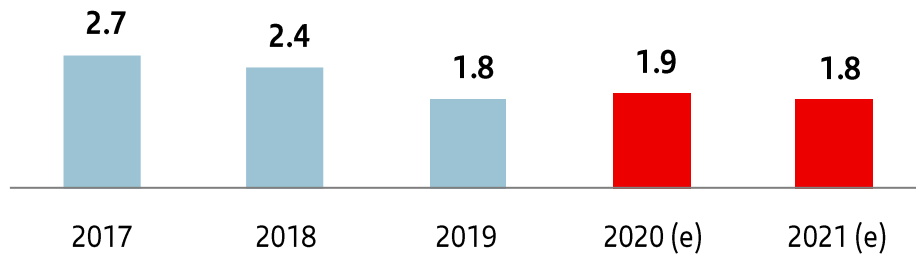
## Bank of England base rate

Year end, %



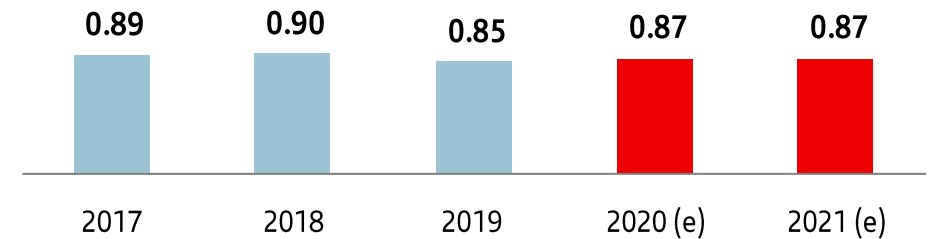
## Annual CPI inflation rate<sup>1</sup>

Annual average, %



## Average exchange rate

GBP / EUR

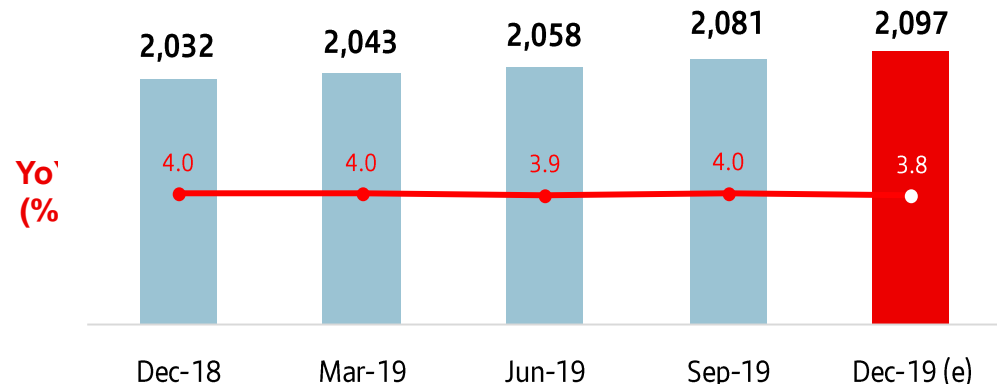




# Steady loan growth expected to continue

## Total loans

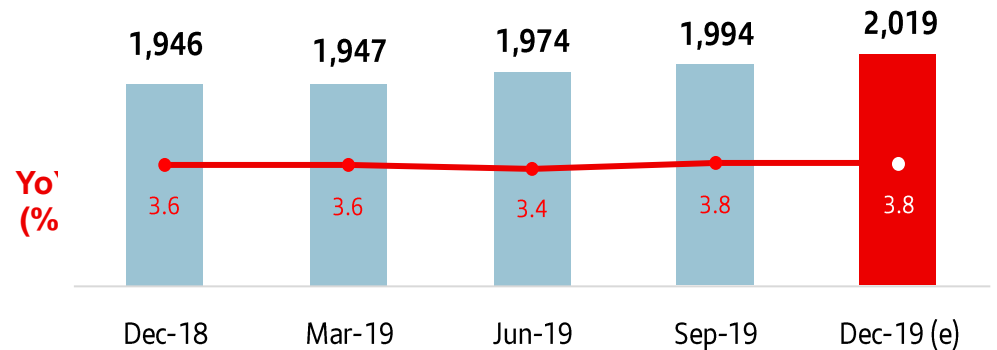
GBP bn<sup>1</sup>



- ▶ Mortgage lending growth in 2020 expected to grow at a similar pace to 2019 at c.3%, reinforced by a continuation of weaker buyer demand and subdued house price growth.
- ▶ Consumer credit growth has continued to slow from highs of c.11% in 2016 to c.6% in 2019. Similar growth expected in 2020.
- ▶ Corporate borrowing market remains unpredictable and despite downside risks, it is expected to grow by c.4% in 2020.

## Total deposits

GBP bn<sup>2</sup>



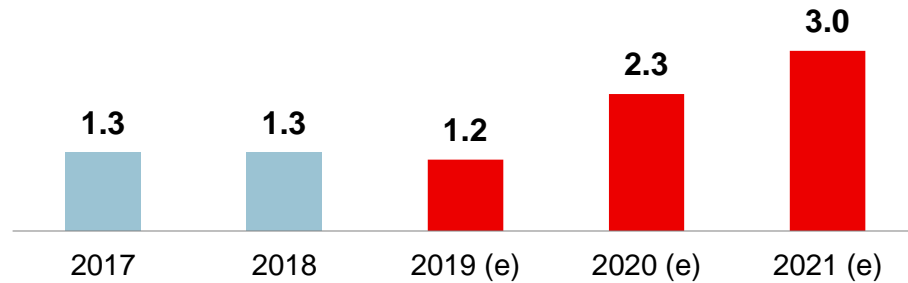
- ▶ Retail deposit growth is expected to be c.4% in 2020.
- ▶ Corporate deposit growth is expected to accelerate to c.5% in 2020.



# Gradual recovery in economic activity expected

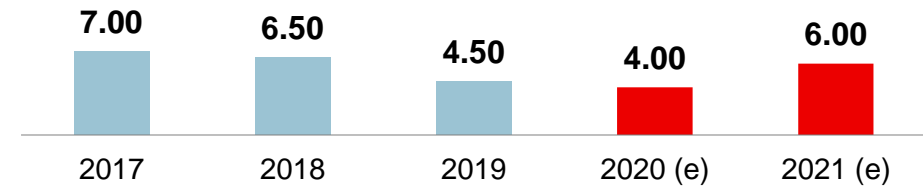
## Annual GDP Growth

Real, %



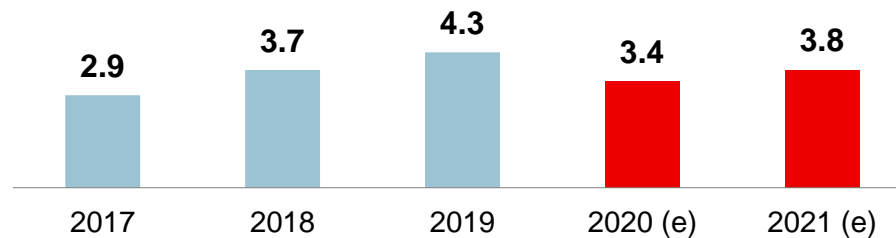
## Interest rate – Selic

Year end, %



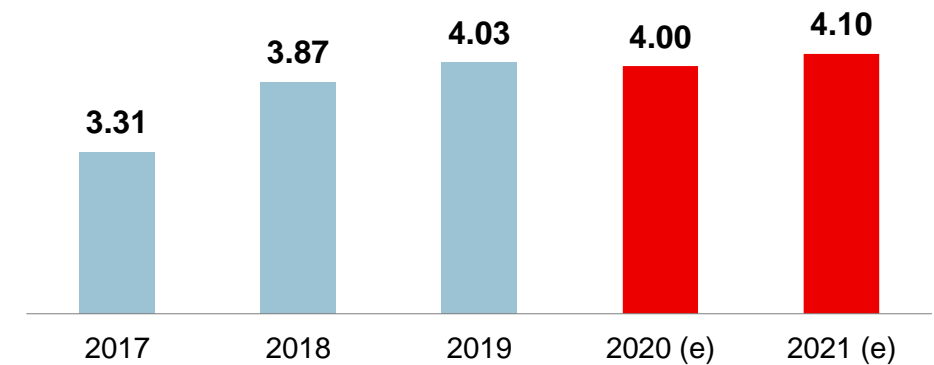
## Annual inflation rate

IPCA, %



## End of period exchange rate

BRL/USD

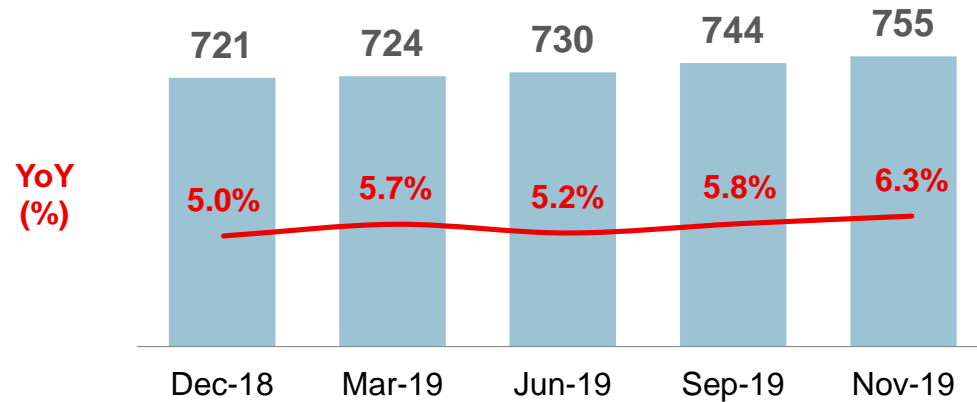




# Privately owned banks continue to support loan growth

## Total loans

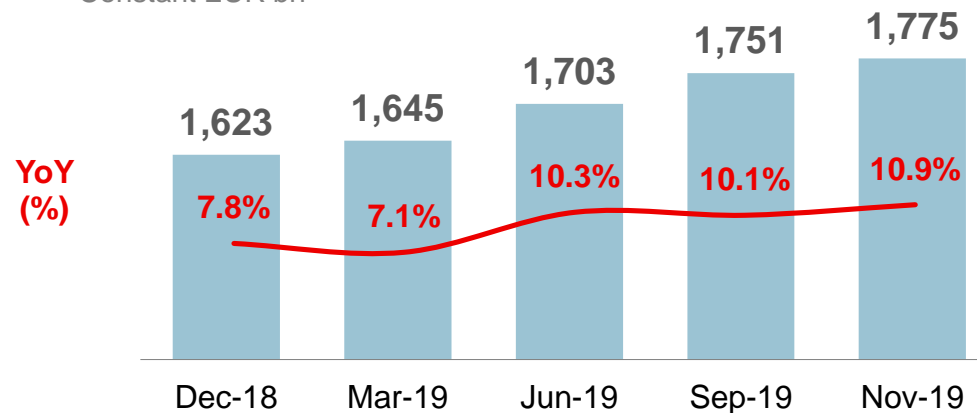
Constant EUR bn<sup>1</sup>



- ▶ Total loan growth continued its recovery path driven by private banks.
- ▶ By segments, loans to individuals is still recording growth levels (10.7% YoY) greater than loans to Corporates and SMEs (+0.6% YoY).
- ▶ Privately owned banks grew 14.8% (YoY), while state-owned banks dropped 1.7% (YoY).

## Total customer funds

Constant EUR bn<sup>1,2</sup>



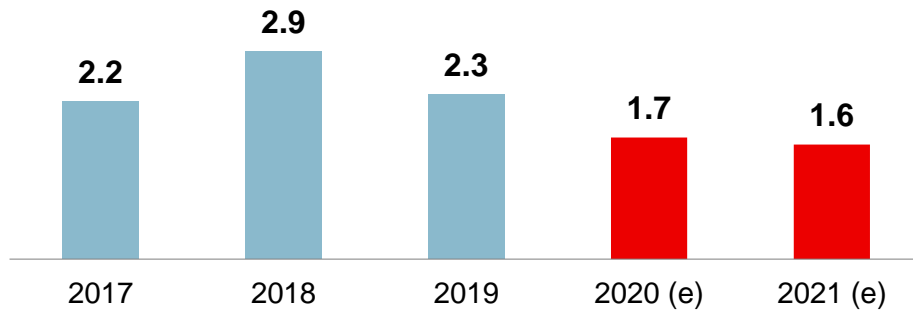
- ▶ Total customer funds increased 10.9% (YoY) backed by total deposits (10.2% YoY).
- ▶ Positive performance of time deposits (11.8% YoY), savings (+5.9% YoY) and demand deposits (16.3% YoY).



# US growth projected to decline as interest rates fall

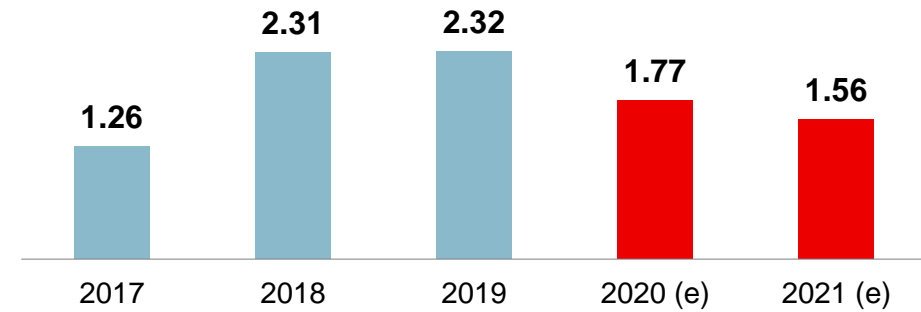
## GDP Growth

%, real



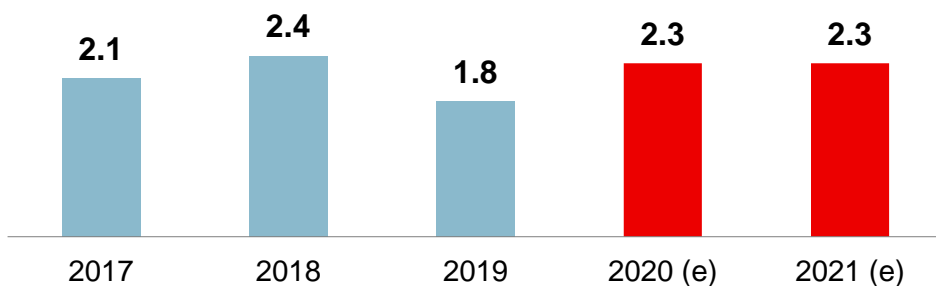
## Interest Rate

%, period average<sup>1</sup>



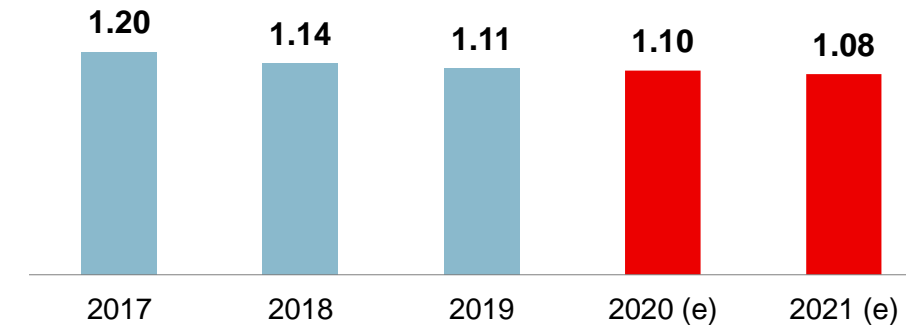
## CPI Inflation Rate

%, period average



## USD/EUR Exchange Rate

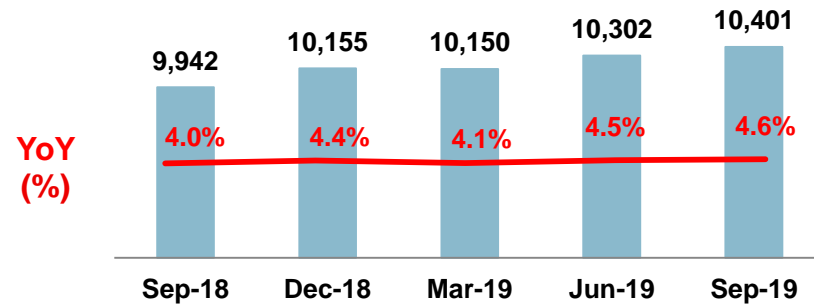
Period end



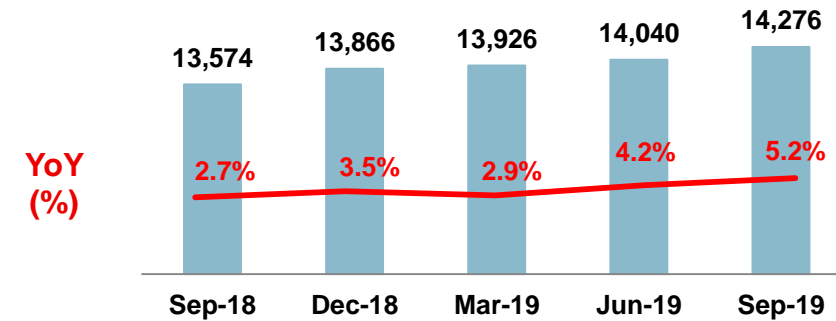


# Industry loan growth driven by consumer balances

## Total loans

USD bn <sup>1</sup>

## Total deposits

USD bn <sup>1</sup>

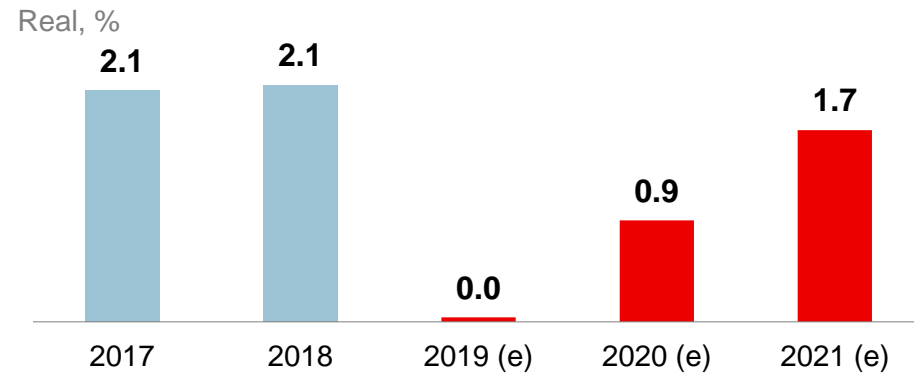
Quarter over Quarter Growth % <sup>2</sup>	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19 (est.)
<b>Total Loans</b>	<b>11.6%</b>	<b>0.0%</b>	<b>8.4%</b>	<b>1.6%</b>	<b>6.8%</b>
C&I	24.4%	4.0%	1.2%	(2.4%)	(3.2%)
Real Estate	(1.6%)	(0.4%)	2.8%	2.8%	2.4%
<i>Resi Mortgages</i>	(1.2%)	(0.4%)	6.4%	3.6%	4.4%
<i>CRE</i>	0.4%	2.4%	0.4%	6.0%	4.0%
<i>Home Equity</i>	(8.8%)	(8.0%)	(10.8%)	(12.0%)	(14.8%)
Consumer	13.6%	1.6%	22.4%	6.0%	18.0%
<b>Deposits</b>	<b>15.6%</b>	<b>(0.4%)</b>	<b>2.4%</b>	<b>5.2%</b>	<b>11.6%</b>
<b>Loan to Deposit Ratio</b>	<b>70.6%</b>	<b>70.6%</b>	<b>71.7%</b>	<b>71.0%</b>	<b>70.2%</b>

- ▶ Consumer loans primary driver of growth in 2019. Home equity continues to decline
- ▶ Deposit growth projected to accelerate further in Q4 2019

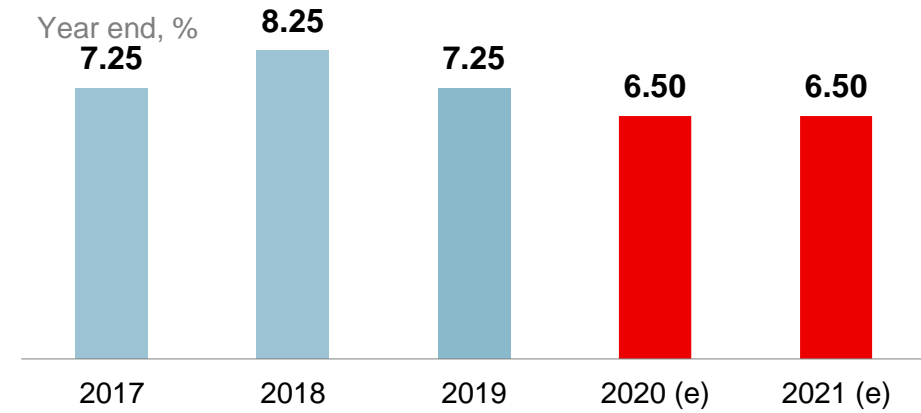
# Gradual recovery of growth is expected, with lower benchmark rate



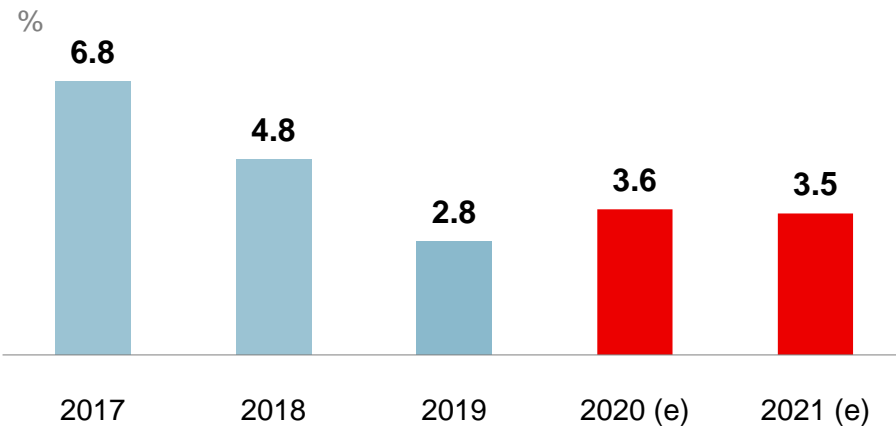
## Annual GDP Growth



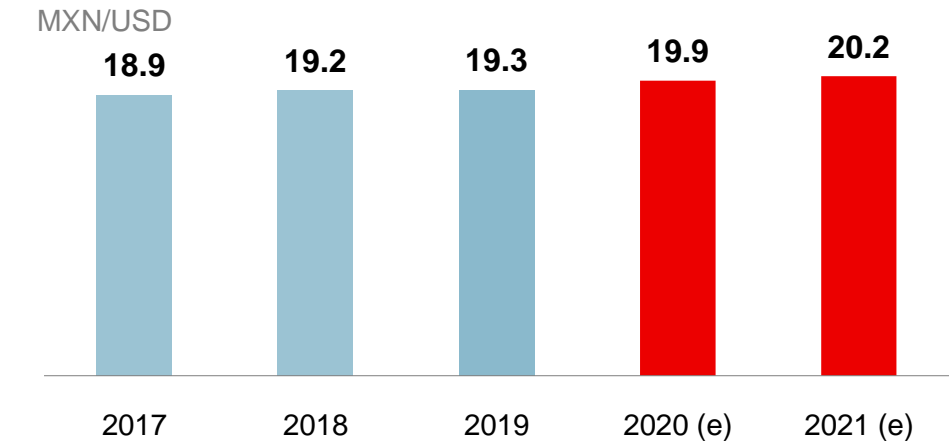
## Central Bank rate



## Annual Inflation Rate



## Average Exchange Rate

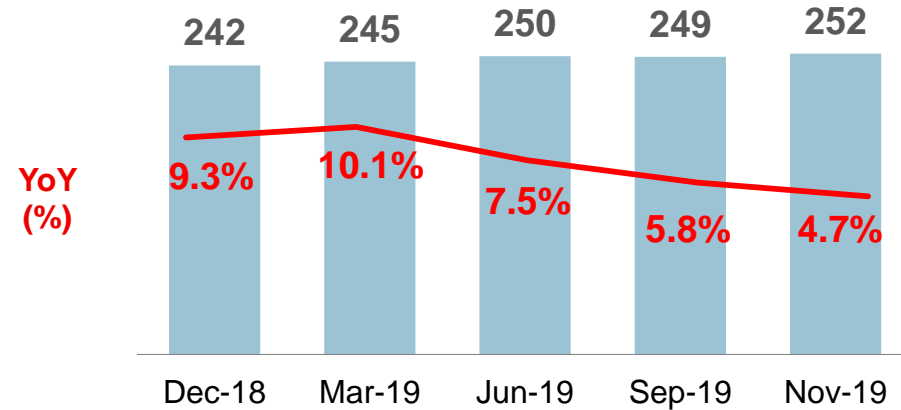




# Soft system loan and deposit growth

## Total loans

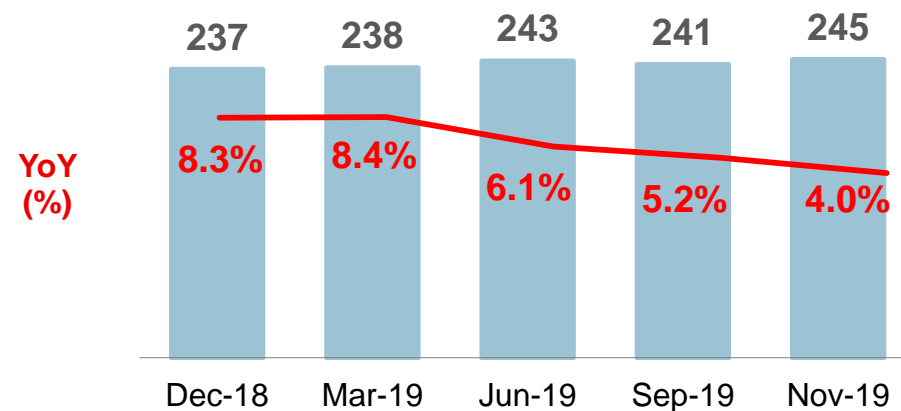
Constant EUR bn<sup>1</sup>



- ▶ Consumer loan growth remained stable around 6% among the lowest growth levels since 2015
- ▶ System commercial loans increased 5% year-on-year, while government loans decreased 4% as of November

## Total customer deposits

Constant EUR bn<sup>1</sup>



- ▶ Slowdown in system deposit growth to 4% year-on-year from 5.2% in the prior quarter



# Credit quality remains very good, supported by our prudent approach to risk

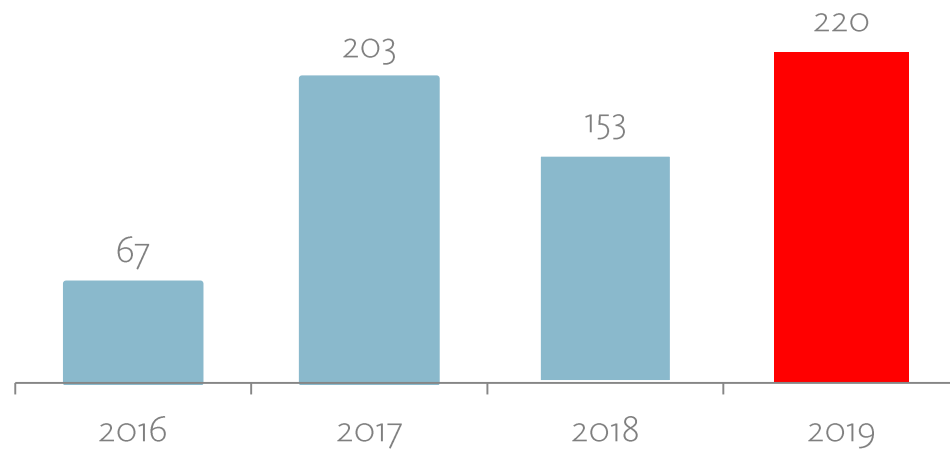
Cost of risk<sup>1</sup> (bps)



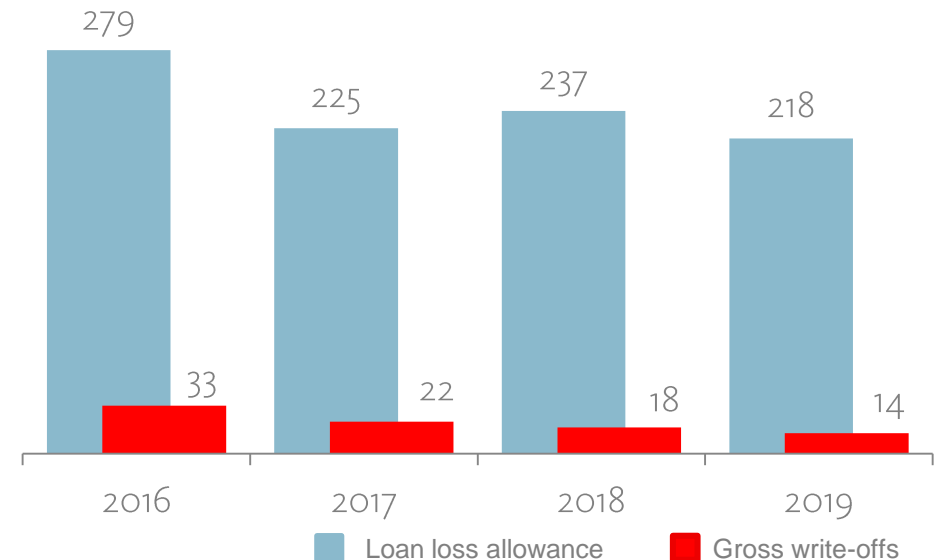
Outlook: Impairments likely to increase slightly



Credit impairment losses (£m)



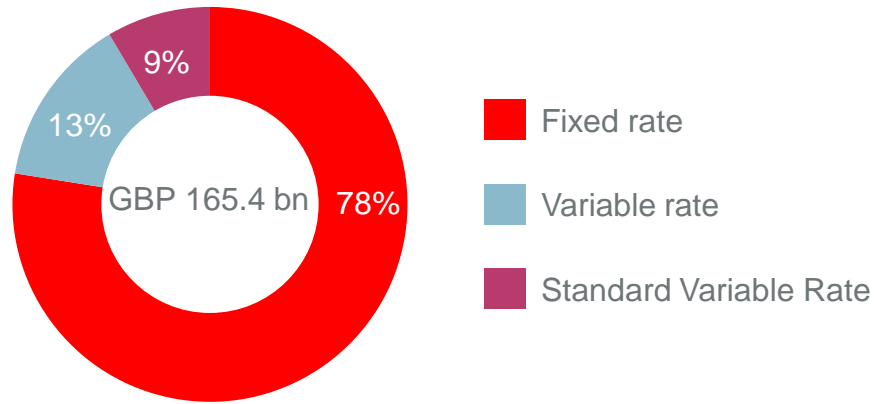
Mortgage loan loss allowance and gross write-offs (£m)



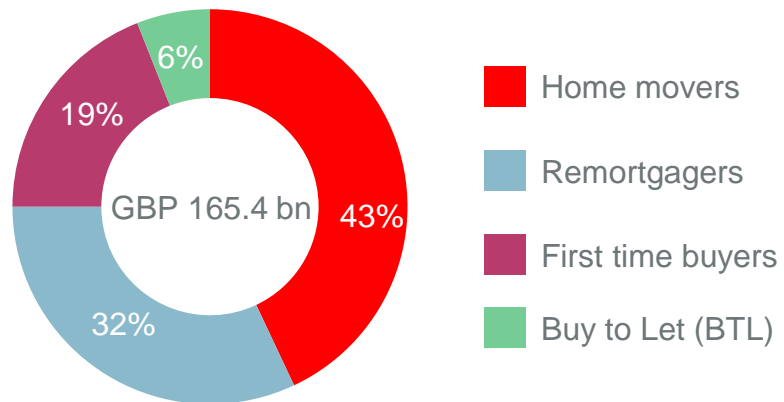
1. Cost of risk is credit impairment charge for the 12 month period as a percentage of average customer loans.

# Strongest mortgage growth in a decade with £7.4bn net lending in 2019

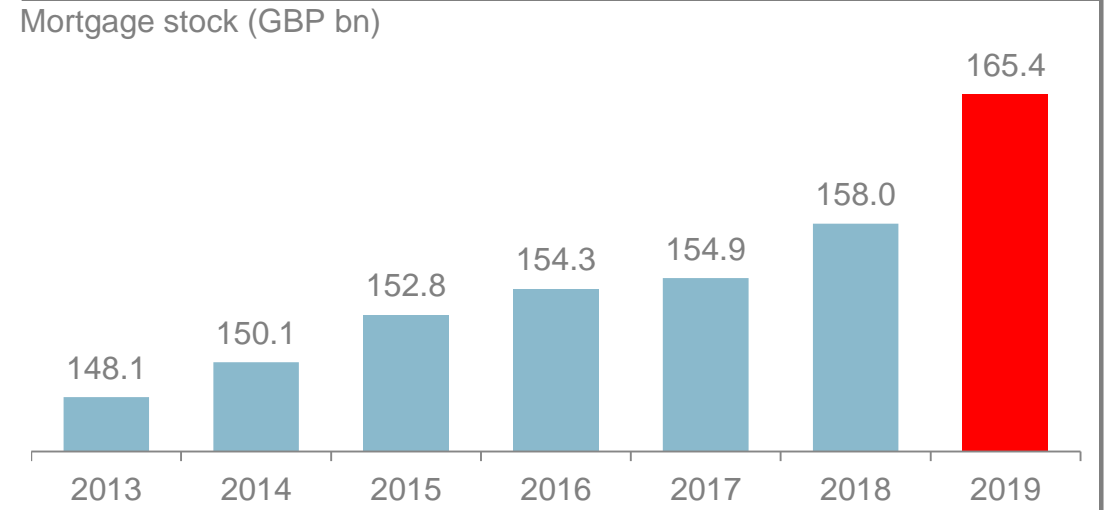
Residential mortgage product profile (Dec-19)



Residential mortgage borrower profile (Dec-19)



Outlook: Net mortgage lending likely to be in line with market



Geographical distribution stock %, (Dec-19)



## Glossary and Acronyms

- **ADIs:** Available distributable items
- **bn:** Billion
- **bps:** Basis points
- **BTL:** Buy-to-Let
- **CCoB:** Capital Conservation Buffer
- **CCyB:** Countercyclical buffer
- **CET1:** Common equity tier 1
- **CIB:** Corporate & Investment Banking
- **DGF:** Deposit Guarantee Fund
- **DPS:** Dividend per share
- **EPS:** Earning per share
- **FL:** Fully loaded
- **G-SIBs:** Global Systemically Important Banks
- **HTC:** Held to collect portfolio
- **HTC&S:** Held to collect & sell portfolio
- **k:** thousands
- **LTV:** Loan-to-Value
- **LLPs:** Loan-loss provisions
- **MDA:** Maximum distributable amount
- **M/LT:** Medium- and long-term
- **mn:** Million
- **MPE:** Multiple Point of Entry
- **MREL:** Minimum Required Eligible Liabilities
- **NII:** Net interest income
- **NPL:** Non-performing loans
- **PBT:** Profit before tax
- **P&L:** Profit and loss
- **PPP:** Pre-Provision Profit
- **QoQ:** Quarter-on-Quarter
- **RoRWA:** Return on risk-weighted assets
- **RWA:** Risk-weighted assets
- **RoTE:** Return on tangible equity
- **SCF:** Santander Consumer Finance
- **SMEs:** Small and Medium Enterprises
- **SRB:** Single Resolution Board
- **SRF:** Single Resolution Fund
- **ST:** Short term
- **SVR:** Standard variable rate
- **TLAC:** Total Loss-Absorbing Capacity
- **TNAV:** Tangible net asset value
- **YoY:** Year-on-Year

# Thank you.

Our purpose is to help people  
and business prosper.

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

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