



Spain



H1'20

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 performance comparisons from period to period, as these measures exclude items outside the ordinary course performance of our business, which are grouped in the “management adjustment” line and are further detailed in Section 3.2 of the Economic and Financial Review in our Directors’ Report included in our Annual Report on Form 20-F for the year ended 31 December 2019. 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 Report on Form 20-F filed with the U.S. Securities and Exchange Commission on 6 March 2020, as well as the section “Alternative performance measures” of the annex to the Banco Santander, S.A. (“Santander”) Q2 2020 Financial Report, published as Inside Information on 29 July 2020. These documents are available on Santander’s website (www.santander.com). Underlying measures, which are included in this presentation, are non-IFRS measures.

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

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Important Information

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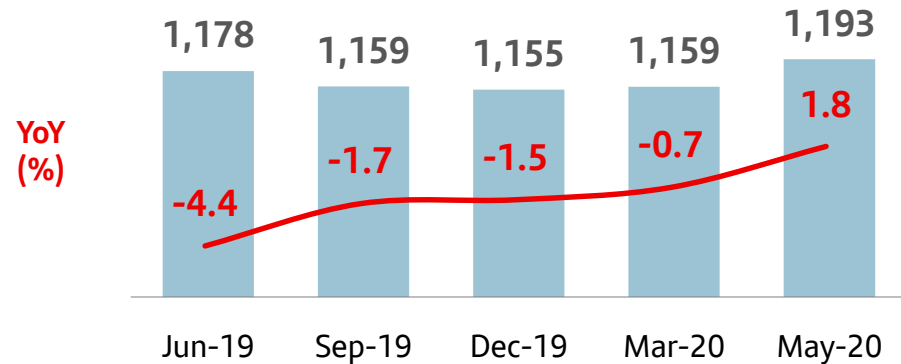
Appendix





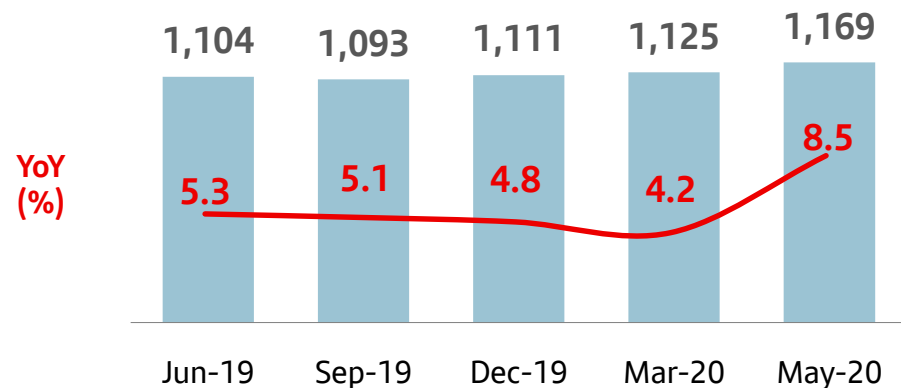
Stock of loans increased boosted by the state-guaranteed programmes

Total loans (EUR bn)



- ▶ Demand for loans up boosted by the state-guaranteed programmes, mainly in **SMEs** and **corporates**.
- ▶ **Housing** loans also impacted by measures following regulatory and supervisory recommendations, that, in many cases, were materialised through moratorium on payments of credit obligations.

Total deposits (EUR bn)



- ▶ In **savings**, demand deposits increased, both in households and companies, in order to protect themselves from the consequences related to the COVID-19 crisis.

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

KEY DATA	H1'20	YoY Var.
 Customer loans ¹	EUR 203.8 bn	+1.4%
 Customer funds ²	EUR 311.8 bn	-1.7%
 Underlying att. Profit	EUR 251 mn	-63.9%
 Underlying RoTE	3.2%	-6.1 pp
 Efficiency ratio	54.9%	-22 bps
 Loans market share ³	18.0%	+35 bps
 Deposits market share ³	18.6%	-28 bps
 Loyal customers	2.5 mn	+3.1%
 Digital customers	5.1 mn	+9.7%
 Branches	3,222	-24.1%
 Employees	27,261	-11.1%



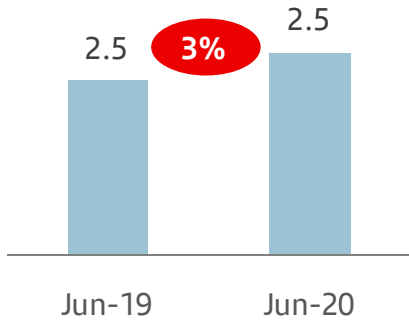
STRATEGIC PRIORITIES

- ▶ Contribute to the economic recovery supporting our self-employed, SMEs and Corporates
- ▶ Keep on growing SMEs, Corporates and Wealth segments with strong focus on high value added products
- ▶ Increase customer revenue and continue cost optimisation
- ▶ Accelerate the Bank's digital transformation towards a data driven company
- ▶ Focus on reducing doubtful assets and leverage our capital efficient model



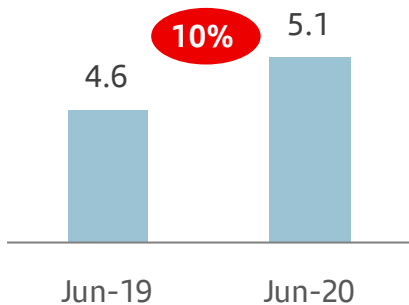
Loyalty continues to increase leveraged on our enhanced digital offering

Loyal (mn)



Loyal / Active: 33% (+2 pp YoY)

Digital customers (mn)



Digital sales / total¹: 32% (+5 pp YoY)

- ▶ Our loyal individual customers base continues growing +3%YoY driven by a strong digital offer and focus on customer satisfaction
 - ▶ 27% ICO lines market share through a streamlined and digital process
 - ▶ +210 bps YoY market share growth in mortgages new lending and +220 bps YoY in UPLs
 - ▶ New Auto insurance, leveraged on a 100% digital process for hiring and servicing

- ▶ Awarded as The best Bank 2020 in Spain, by Euromoney



- ▶ 65% digital penetration along our active customers base
- ▶ Increased digital acquisition and signature for many processes, including payment holidays and ICO
- ▶ Continue boosting our digital transformation, through our last releases: new app and our 100% digital mortgage
- ▶ Empowering digital customer transformation with Santander Personal as the symbiosis between on & offline relationship model, for Individuals and also for SMEs and Private Banking



Strong Santander Spain digital capacities to support commercial dynamism

Santander Spain accelerating digital transformation, boosted by COVID situation



5.1 million digital customers
65% digital over active customers



Δ~20% digital onboarding of Senior customers



Increased **digital acquisition and signature** for additional products (payment holidays and ICO)



>100 mn accesses to digital channels in June (new monthly record)



Santander Personal boosted remote channel

COVID measures to support customers



>EUR 50 bn financing to SMEs and Corporates since lockdown

- **Leadership in ICO financing, with ~ EUR 23.9 bn** along more than 150 k transactions, reaching **~ 27% market share** as of June 30th



~165 k mortgage and UPL payment holidays (legal plus complementary banking sector plans)

Strong commercial dynamism in SME & Corporates and improving our positioning in individuals



+148% YoY SMEs activity growth
+71% YoY in **Corporates**



+210 bps mortgages new production **market share**
+220 bps UPLs new production **market share**



Supporting employees and customers to overcome the COVID-19 crisis

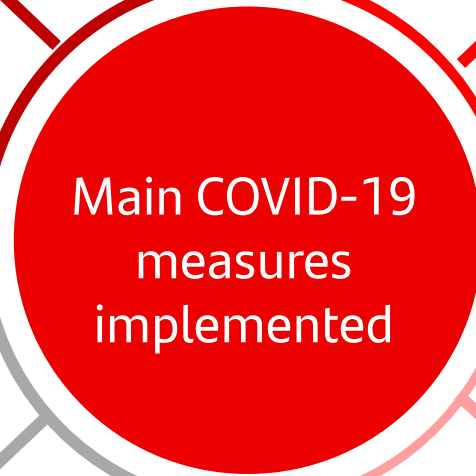
Employees

- **80%** employees teleworking (peak at lockdown)
- **26%** of branches opened (peak at lockdown)
- **Medical care service and remote advice & guidance** from specialists for employees and families
- Since May 11th, ongoing **progressive back-to-office process** and **branches reopening**



Society: Be part of the solution

- Supporting **Regions with medical supplies acquisitions**
- Supporting **IFEMA dedicated Hospital**
- Supporting **Seniors and vulnerable customers** with advanced unemployment and retirements payments
- **Fund raising: Employees Solidarity Fund "Juntos"** and **La Liga Santander Fest concert** among others



Customers

- **ICO COVID lines supporting customers with EUR 23.9 bn** in >150,000 transactions (27% market share)
- **> EUR 27 bn fund** to cover SMEs & Corporate liquidity needs
- **More than 165,000 mortgage and UPL payment holidays** delivered (legal and complementary banking sector) leveraged on a 100% digital process



Digital Channels

- **Reinforcement** of remote channels: **contact centers and Santander Personal**
- **Implemented additional remote signature capabilities** for individuals and corporates
- **100% digital processes** for mortgages and UPLs repayment holidays
- **Free ATMs withdrawal** for customers in all ATMs across the country (including competitors)





Committed to be part of the solution leveraged on our SPF culture

Culture

Engagement



2020 Award Alares Foundation

Focus on conciliation and well-being of our employees and families

Women

25% Group leadership
Santander Reencuentra

Support for women who gave up their careers due to child or family members care



Sustainability

Green Finance

EUR 1 bn

Green bond issue by Santander (June 2020)

Santander Asset Management

1

Leadership in management of assets under ISR criteria



Communities

Social Support

60k people supported

70 local COVID-19 support projects for vulnerable groups in H1'20

Educational Support

EUR 20mn

sponsorship mobilised in H1'20 to support the effects of COVID-19

15 k

Scholarships H1'20: education, employability and entrepreneurship

Financial inclusion

Financial support in the COVID-19 environment

>150 k

Self-employed, SME and Corporates supported by ICO guarantee lines

>76 k

families supported by mortgage payment holidays



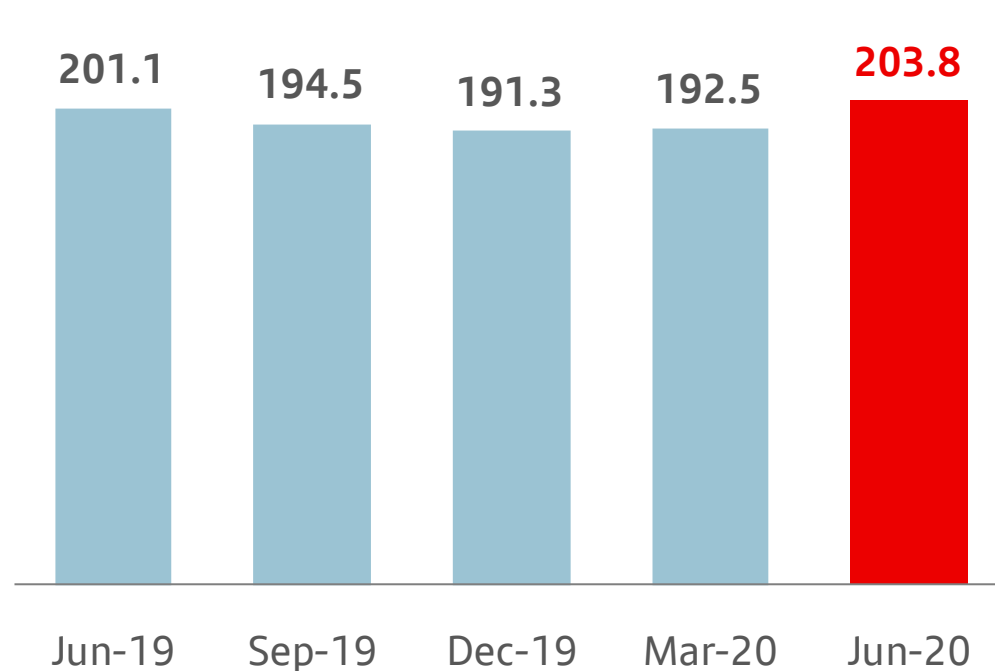
Excellence award in leadership for managing the health and economic crisis for our employees, customers, shareholders and society





Loans grew more than EUR 11 billion in the quarter, strongly driven by SMEs and corporates, spurred by the ICO-guaranteed loan activity

Total customer loans¹ (EUR bn)

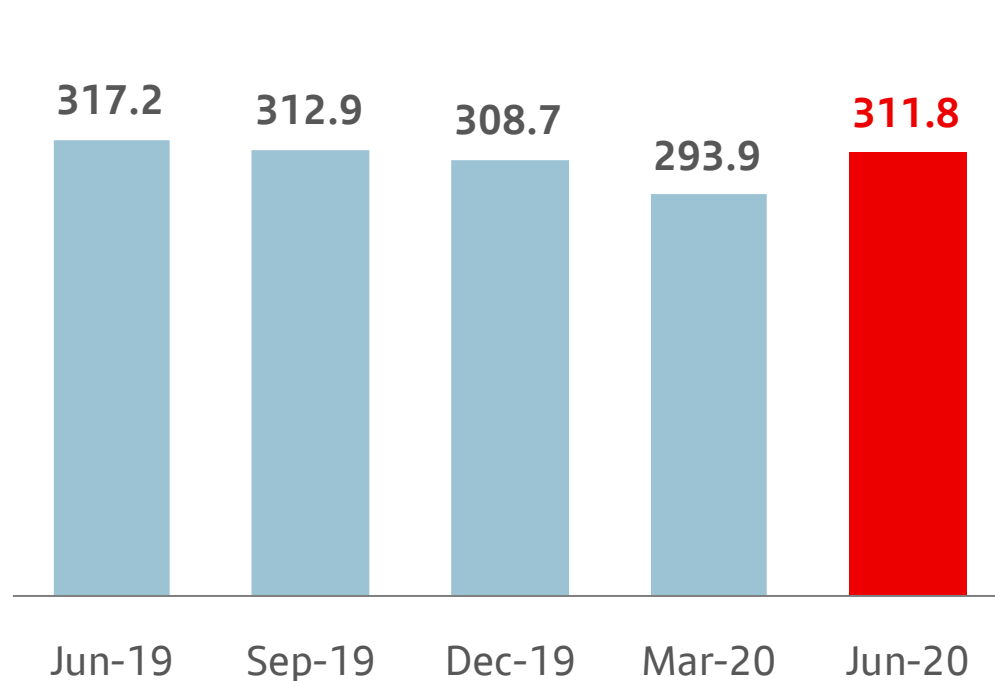


	Jun-20	Jun-19	YoY (%)	QoQ (%)
Individuals customers ²	74.5	75.0	-0.7	1.5
o/w Mortgages	56.0	58.8	-4.8	-0.8
Rest of products	18.5	16.1	14.5	9.2
SMEs & Corporates	96.5	85.5	12.9	14.2
Institutions	11.4	15.5	-26.1	1.5
CIB	20.3	21.8	-6.9	-5.2
RE & Other	1.1	3.3	-67.3	-42.6
Total customer loans	203.8	201.1	1.4	5.9



Customer funds were 2% lower, impacted by the fall in time deposits and mutual funds (-3%). In the quarter, deposits grew 6%, maintaining adequate liquidity levels

Total customer funds (EUR bn)



	Jun-20	Jun-19	YoY (%)	QoQ (%)
Demand	217.5	212.0	2.6	8.4
Time	30.6	39.2	-21.9	-10.3
Total deposits	248.1	251.2	-1.2	5.7
Mutual Funds	63.8	66.0	-3.4	7.8
Total customer funds	311.8	317.2	-1.7	6.1

Additionally, the Bank also includes Pension funds in its management of customer funds which were down YoY at EUR 14 bn.

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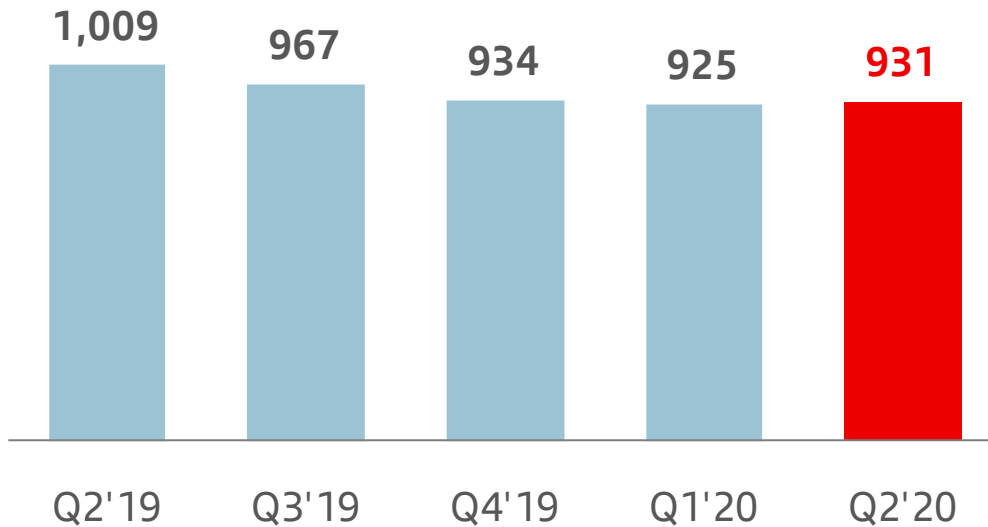
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NII fell 8% YoY due to the smaller ALCO portfolio and lower stock in wholesale banking. QoQ recovery (+1%)

Net interest income (EUR mn)



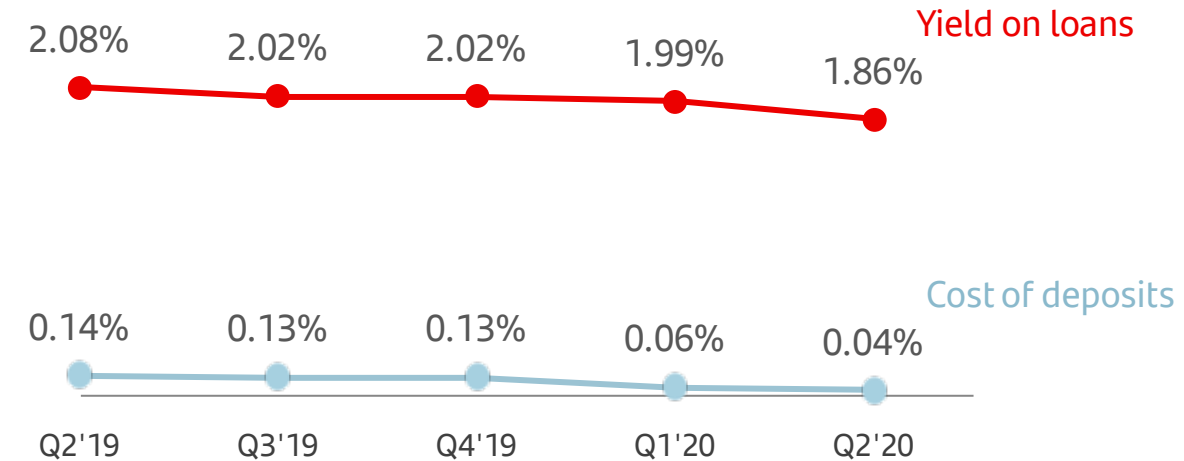
NIM¹

1.18%	1.15%	1.13%	1.17%	1.14%
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Central Bank interest rate

0.00%	0.00%	0.00%	0.00%	0.00%
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Yields and costs (%)



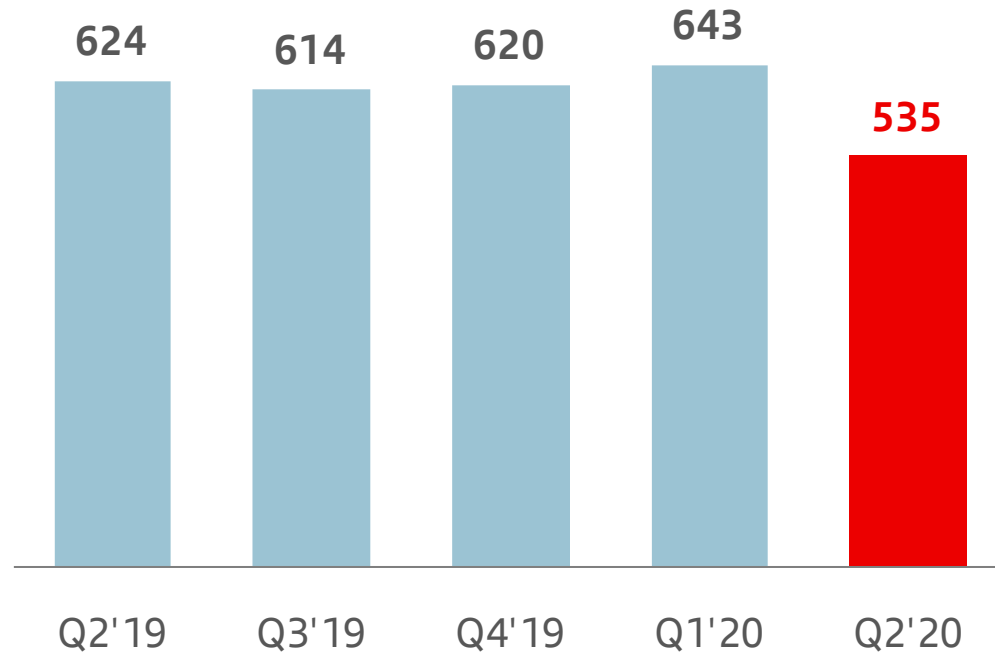
Differential

194 bps	189 bps	189 bps	192 bps	182 bps
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Net fee income down 6% YoY due to reduced transaction volumes and market performance

Net fee income (EUR mn)

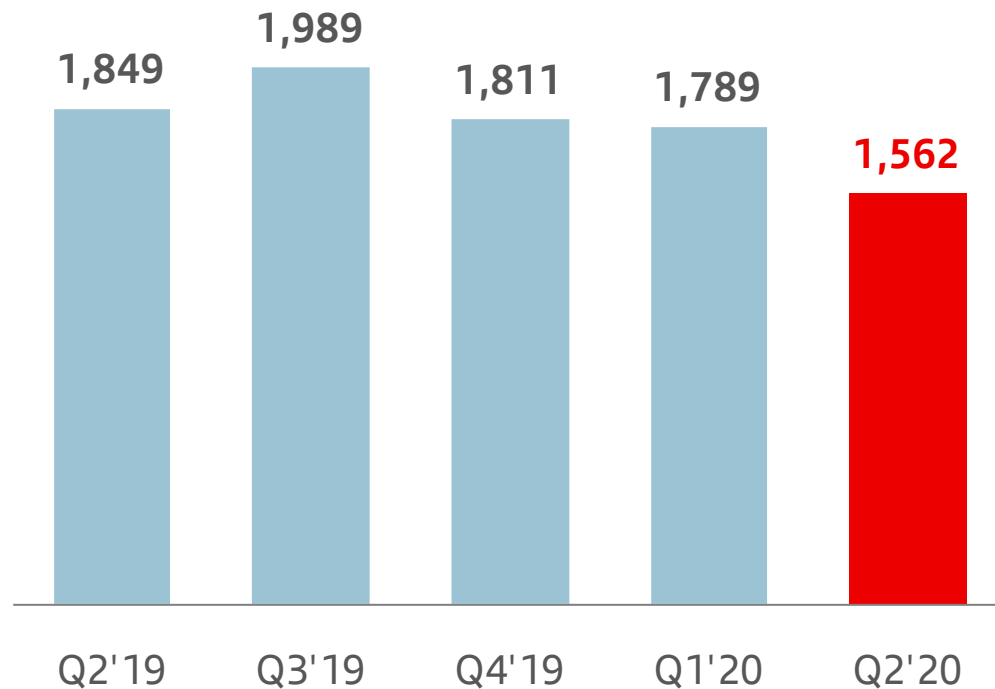


	H1'20	H1'19	YoY (%)	QoQ (%)
Transactional fees	258	262	-1.5	-21.2
Investment and pension funds	415	390	6.4	-14.9
Insurance	122	144	-15.4	-14.9
Other fees ¹	213	287	-25.7	-22.5
Total Retail	1,008	1,083	-6.9	-18.2
CIB & Other (FN)	170	164	3.5	-8.3
Total net fee income	1,178	1,247	-5.5	-16.8



Total income fell 10% YoY strongly impacted by non-customer revenue due to lower income from stakes

Total income (EUR mn)

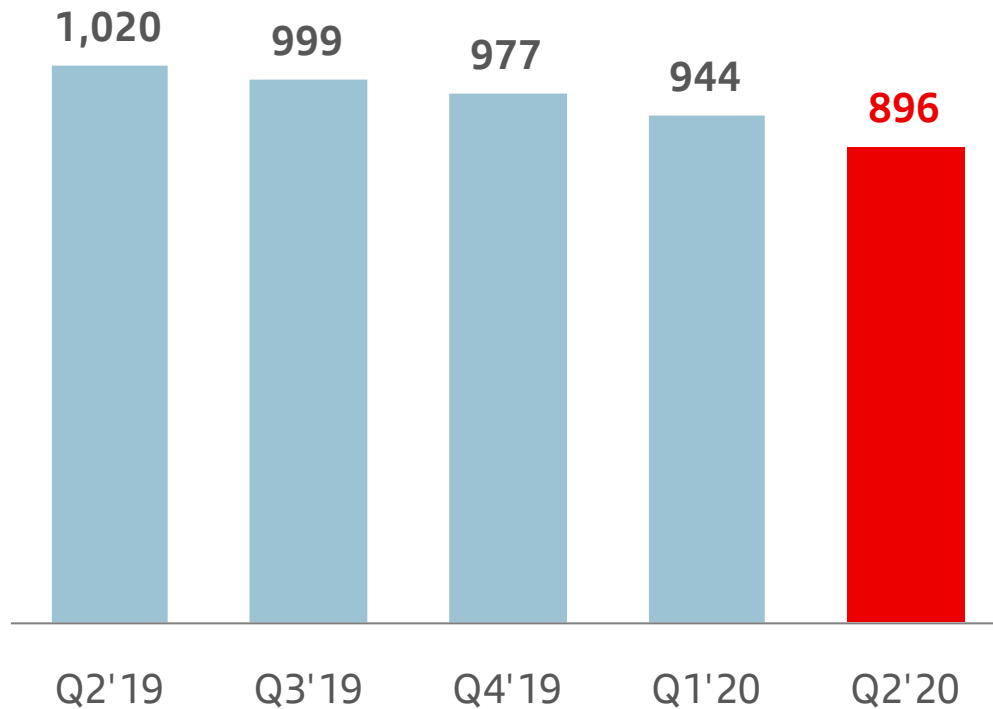


	H1'20	H1'19	YoY (%)	QoQ (%)
Net interest income	1,856	2,018	-8.0	0.6
Net fee income	1,178	1,247	-5.5	-16.8
Customer revenue	3,034	3,265	-7.1	-6.6
Other ¹	316	440	-28.2	-56.4
Total income	3,350	3,706	-9.6	-12.7



Costs dropped at double-digit rates (-10% YoY) as a result of the optimisation processes carried out

Operating expenses (EUR mn)



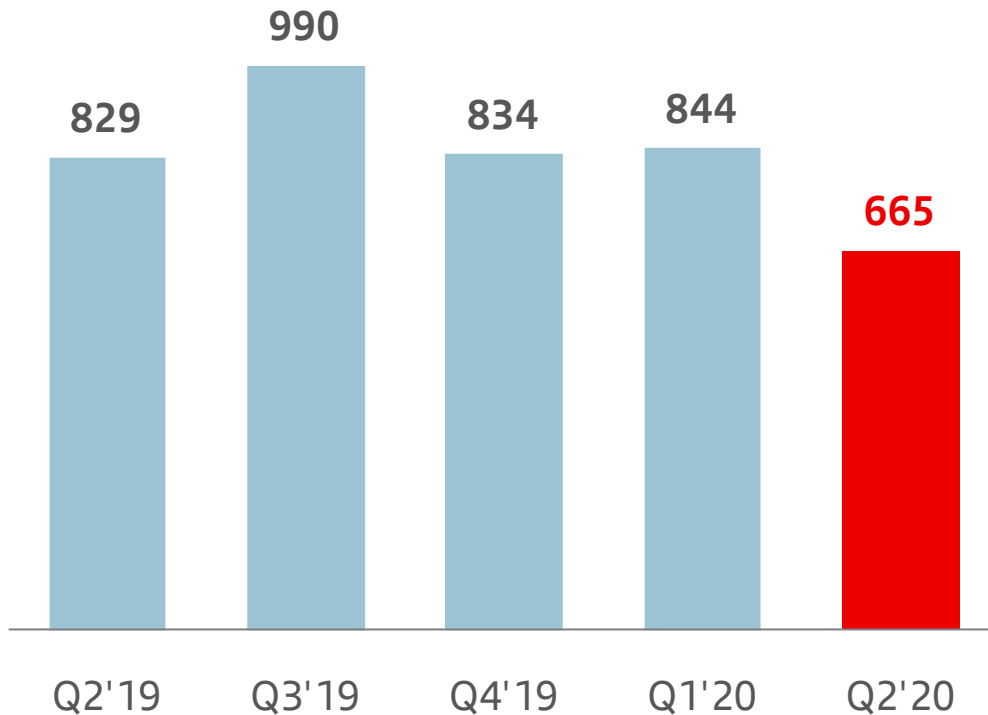
	H1'20	H1'19	YoY (%)	QoQ (%)
Operating Expenses	1,841	2,044	-10.0	-5.1

Branches (#)	3,222	4,247	-24.1	0.0
Employees (#)	27,261	30,682	-11.1	-0.3



Net operating income fell 9%, less than total income, favoured by strong cost savings

Net operating income (EUR mn)

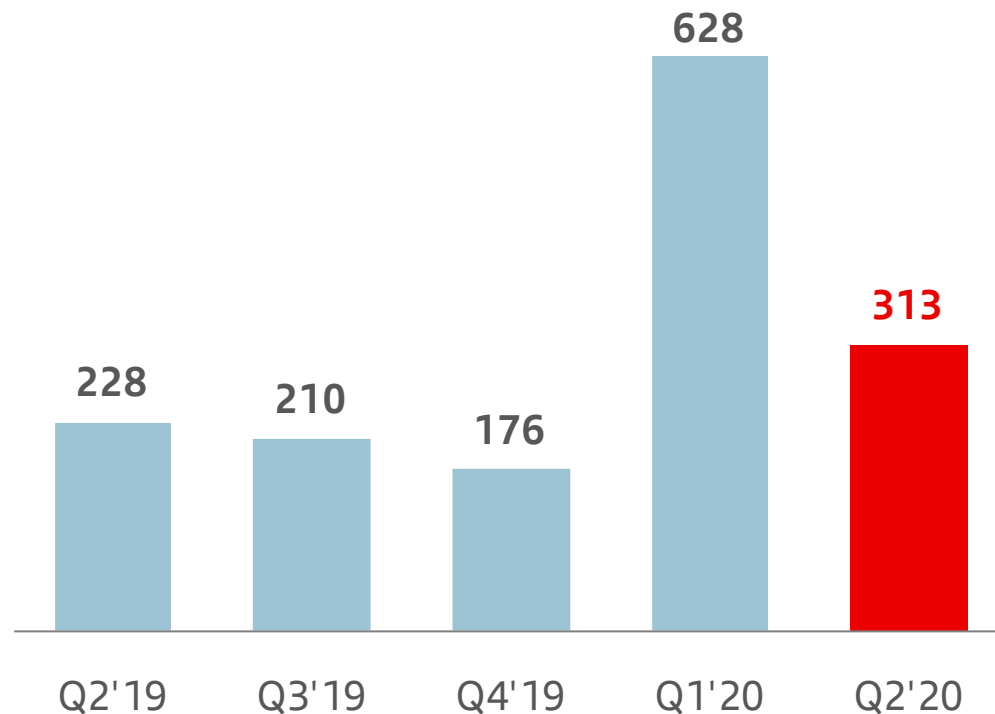


	H1'20	H1'19	YoY (%)	QoQ (%)
Total income	3,350	3,706	-9.6	-12.7
Operating Expenses	(1,841)	(2,044)	-10.0	-5.1
Net operating income	1,509	1,661	-9.1	-21.2
Efficiency ratio	54.9%	55.2%	-22 bps	



The NPL ratio improved 47 bps YoY. Further decline in the stock of non-performing loans (-6% YoY) in the current environment of the COVID-19 crisis

Net LLPs (EUR mn)



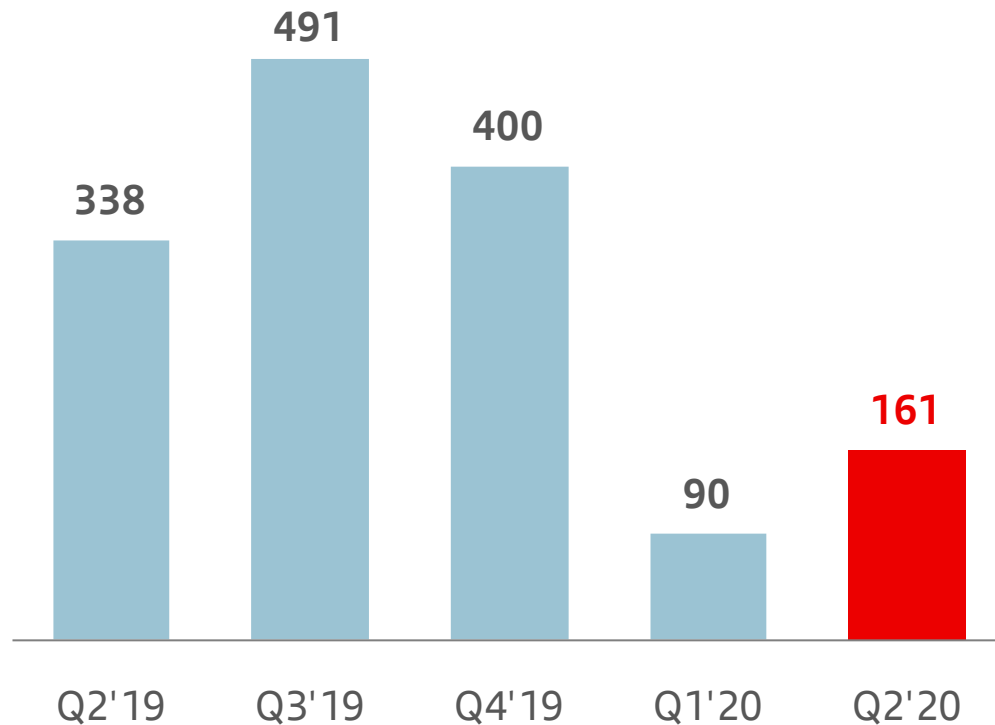
	H1'20	H1'19	YoY (%)	QoQ (%)
Net operating income	1,509	1,661	-9.1	-21.2
Loan-loss provisions	(941)	(470)	100.1	-50.3
Net operating income after provisions	568	1,191	-52.3	63.5

NPL ratio	6.55%	7.02%	-47 bps	-33 bps
Cost of credit ¹	0.68%	0.41%	27 bps	4 bp
Coverage ratio	43%	43%	0.4 pp	-1.3 pp



Underlying profit down 64% YoY in a more challenging business environment due to the COVID-19 outbreak (mainly higher LLPs)

Underlying Attributable Profit (EUR mn)



	H1'20	H1'19	YoY (%)	QoQ (%)
PBT	350	936	-62.6	112.0
Tax on profit	(99)	(242)	-59.0	-
Consolidated profit	250	694	-63.9	78.8
Minority interests	0	0	-12.1	-
Underlying attributable profit	251	694	-63.9	79.1

Effective tax rate	28.4%	25.9%	2.5 pp	12.6 pp
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Growth in volumes boosted by SMEs and corporates

Financial System

- ▶ Demand for **loans** up boosted by the state-guaranteed programmes, mainly in **SMEs and corporates**. **Housing** loans also impacted by measures following regulatory and supervisory recommendations, that, in many cases, were materialised through moratorium on payments of credit obligations
- ▶ In **savings**, demand deposits increased, both in households and companies, in order to protect themselves from the consequences related to the COVID-19 crisis

Strategy & Business

- ▶ Our aim is to be part of the solution to the economic crisis by leading numerous initiatives to support families, self-employed workers and businesses, having granted 27% of total ICO funding
- ▶ In individuals, the focus was on the *Plan Ayuda a las Personas*, particularly on measures to help vulnerable customers, with a total of 75 thousand customers receiving legal mortgage payment holidays. In addition, 96 thousand customers joined other measures such as consumer payment holidays, cards or shareholder loans
- ▶ Double-digit growth in SMEs and corporates, spurred by the ICO-guaranteed loans activity, which offset the lower new lending of transactional related products

Results

- ▶ NII fell 8% YoY due to smaller ALCO portfolio and lower stock in wholesale banking. QoQ recovery (+1%)
- ▶ Cost dropped at double-digit rates (-10% year-on-year) as a result of the optimisation processes carried out
- ▶ The NPL ratio improved 47 bps YoY. Further decline in the stock of non-performing loans (-6% YoY) in the current environment of the COVID-19 crisis
- ▶ Underlying profit down 64% YoY in a more challenging business environment due to the COVID-19 outbreak (mainly higher LLPs)

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Balance sheet

EUR million	Jun-20	Jun-19	Change	
			Amount	%
Customer loans	197,424	194,417	3,007	1.5
Cash, central banks and credit institutions	108,381	87,193	21,188	24.3
Debt securities	25,100	39,289	(14,189)	(36.1)
Other financial assets	1,661	1,469	192	13.0
Other assets	23,203	22,464	739	3.3
Total assets	355,769	344,831	10,938	3.2
Customer deposits	248,053	252,057	(4,004)	(1.6)
Central banks and credit institutions	46,942	38,002	8,941	23.5
Debt securities issued	27,377	24,841	2,536	10.2
Other financial liabilities	12,370	8,842	3,528	39.9
Other liabilities	5,159	6,090	(932)	(15.3)
Total liabilities	339,901	329,832	10,069	3.1
Total equity	15,868	14,999	869	5.8
Other managed and marketed customer funds	87,615	90,538	(2,923)	(3.2)
Mutual funds	63,770	65,999	(2,229)	(3.4)
Pension funds	13,707	14,329	(622)	(4.3)
Managed portfolios	10,137	10,210	(72)	(0.7)



Income statement

EUR million	H1'20	H1'19	Variation	
			Amount	%
Net interest income	1,856	2,018	(162)	(8.0)
Net fees	1,178	1,247	(69)	(5.5)
Gains (losses) on financial transactions	407	333	73	22.0
Other operating income	(90)	107	(198)	-
Gross income	3,350	3,706	(356)	(9.6)
Operating expenses	(1,841)	(2,044)	204	(10.0)
Net operating income	1,509	1,661	(152)	(9.1)
Net loan-loss provisions	(941)	(470)	(471)	100.1
Other income	(219)	(255)	36	(14.3)
Underlying profit before taxes	350	936	(586)	(62.6)
Tax on profit	(99)	(242)	143	(59.0)
Underlying profit from continuing operations	250	694	(443)	(63.9)
Net profit from discontinued operations	—	—	—	-
Underlying consolidated profit	250	694	(443)	(63.9)
Minority interests	0	0	(0)	(12.1)
Underlying attributable profit to the Group	251	694	(443)	(63.9)



Quarterly income statements

EUR million

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20
Net interest income	1,009	1,009	967	934	925	931
Net fees	623	624	614	620	643	535
Gains (losses) on financial transactions	119	214	326	387	156	250
Other operating income	105	2	83	(129)	64	(154)
Gross income	1,857	1,849	1,989	1,811	1,789	1,562
Operating expenses	(1,025)	(1,020)	(999)	(977)	(944)	(896)
Net operating income	832	829	990	834	844	665
Net loan-loss provisions	(242)	(228)	(210)	(176)	(628)	(313)
Other income	(112)	(143)	(100)	(100)	(104)	(115)
Underlying profit before taxes	478	458	681	557	112	237
Tax on profit	(122)	(120)	(190)	(157)	(22)	(77)
Underlying profit from continuing operations	356	338	491	401	90	160
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	356	338	491	401	90	160
Minority interests	0	0	(0)	(0)	(0)	0
Underlying attributable profit to the Group	356	338	491	400	90	161

Thank You.

Our purpose is to help people and businesses prosper.

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

Simple Personal Fair

