

## Santander attributable profit for 2018 reaches €7,810 million - up 18%

*In the fourth quarter alone, attributable profit was up 34% to €2,068 million, compared to Q4 2017*

*The Group has achieved its target of increasing earnings per share by double digits in 2018 with EPS increasing to €0.449, up 11.2% compared with 2017*

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- The Group has successfully completed its three year strategic plan based on customer loyalty, and as a result remains one of the most profitable and efficient banks among its peers, with a return on tangible equity (RoTE) of 11.7%, and a cost-to-income ratio of 47%.
- It continued to help people and businesses prosper during the year, earning the loyalty of a further 2.6 million customers and increasing lending and customer funds by 4% in constant euros.
- The number of customers using digital services increased by 6.6 million to 32 million as the Group's digital transformation continued to deliver new and improved services for customers, helping the bank achieve a top three ranking for customer satisfaction in seven core markets.
- Attributable profit increased in eight of the Group's ten core markets year-on-year in constant euros (i.e. excluding movement in exchange rates), with particularly strong growth in the US (+74%), Spain (+28%), Brazil (+22%), and Mexico (+14%).
- Credit quality improved further during the year with the Group's non-performing loan (NPL) ratio now at 3.73%, 35 basis points lower than 31 December 2017, while the cost of credit has fallen 7 basis points in the same period to 1.00%.
- The Group's fully loaded CET1 ratio reached 11.30% at 31 December 2018, up from 10.84% at 31 December 2017, surpassing its 11% goal for 2018 due to strong organic capital generation.

Banco Santander Group Executive Chairman, **Ana Botín**, said:

*"2018 has been an excellent year for the Group. We have successfully completed our three year strategic plan, and our focus on earning customer loyalty and digital transformation has been central to our success. As a result we remain among the most profitable and efficient banks in our peer group.*

*"We've added more than two and half million loyal customers in the year and over six million digital customers by investing in technology and developing better ways to meet the needs of the people and businesses we serve. We are seeing better customer engagement, stronger relationships, and higher quality earnings as a result, with a third of sales now made through digital channels.*

*"Latin America has remained an important engine for growth within the Group, with especially strong progress in Brazil and Mexico. In Spain, the integration of Popular is progressing ahead of plan, while the turnaround of our business in the US continues to build positive momentum.*

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“Our balance sheet is even stronger, with credit quality improving, and the Group CET 1 capital ratio now 11.30%, ahead of target for 2018, in spite of external and regulatory headwinds.

“We have achieved a lot, but I am confident in our capacity as a team to seize the potential for significant further organic profitable growth. We serve over 144 million customers with a balanced presence across developed and high growth potential markets where we have strong leadership. This creates huge opportunity for our business and is what sets us apart from our peers. We will be giving our next strategic update to investors in April this year.”

## Results Summary - 2018

	FY'18 (m)	FY'18 v FY'17	FY'18 v FY'17 (EX FX)	Q4'18 (m)	Q4'18 v Q4'17	Q4'18 v Q4'17 (EX FX)
Gross income	€48,424	0%	+9%	€12,542	+4%	+8%
Operating expenses	-€22,779	-1%	+7%	-€5,936	0%	+3%
Net operating income	€25,645	+1%	+11%	€6,606	+8%	+14%
Net loan-loss provisions	-€8,873	-3%	+7%	-€2,455	+13%	+17%
Profit before tax	€14,776	+9%	+20%	€3,546	+5%	+12%
Tax	-€5,230	+14%	+25%	-€1,177	+8%	+15%
Underlying Profit	€8,064	+7%	+18%	€2,022	+5%	+12%
Net capital gains & provisions	-€254	-72%	-72%	€46	-	-
<b>Attributable profit</b>	<b>€7,810</b>	<b>+18%</b>	<b>+32%</b>	<b>€2,068</b>	<b>+34%</b>	<b>+45%</b>

Banco Santander increased attributable profit during 2018 by 18% to €7,810 million (+32% in constant euros), as strong growth in customer revenues in several markets, including Brazil, Spain, Mexico and the US, combined with improvements in credit quality, more than offset the impact of exchange rate depreciation against the euro in certain currencies, including the Argentine peso.

Underlying profit increased by 18% year-on-year in constant euros to €8,064 million.

In the fourth quarter alone, attributable profit was €2,068 million, 34% higher than Q4 2017. Profit before tax for the fourth quarter was up 12% year-on-year in constant euros.

Gross income in 2018 increased by 9% in constant euros to €48,424 million, the highest level on record for the Group, with the Group increasing lending and customer funds by 4% in constant euros, while increasing the number of loyal customers (people who see Santander as their main bank) by 2.6 million to 19.9 million. Total customer numbers increased by 11 million in the year to 144 million.

Ongoing investment in commercial transformation and digitalisation led to a 7% increase in operating expenses in constant euros, however, the Group's cost/income ratio, a key measure of efficiency, remained among the lowest of our peer group at 47% (compared to a peer average of over 63%).

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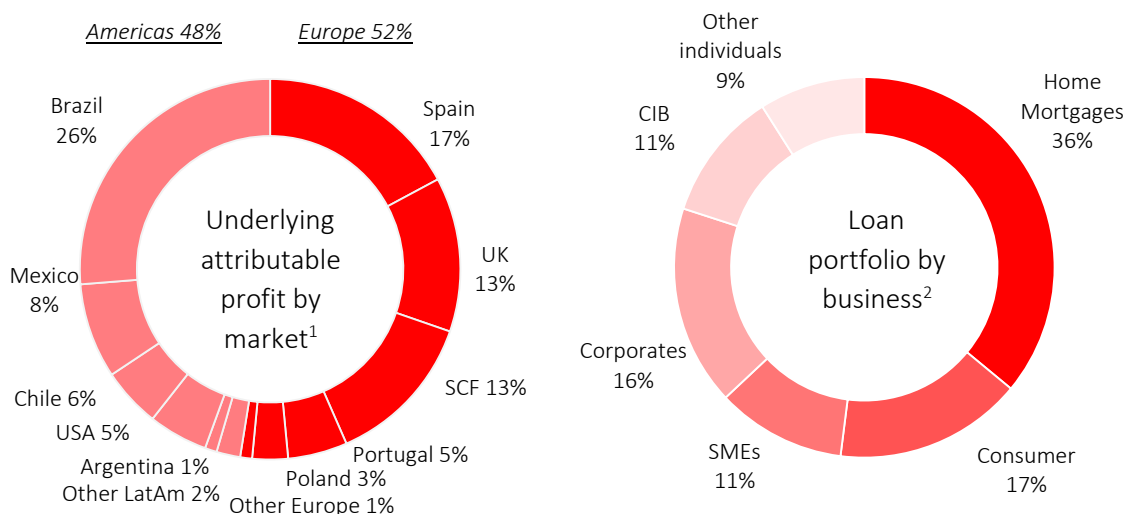
During 2018, the number of customers using digital services increased by 6.6 million in the year to 32 million, with ongoing investment in technology driving an increase in digital service adoption and improving the customer experience. 48% of active customers now use digital services regularly.

The Group ranks among the top three banks for customer satisfaction in seven core markets. Openbank, which launched several new services in 2018, has increased mortgage balances by 370% after the first full year of mortgage sales, as well as increasing deposits by 19%. In April 2018, we launched One Pay FX, the first blockchain-based retail payment solution, in four countries leading to a 55% increase in foreign exchange transactions in Spain since launch.

Credit quality improved during the year, reflecting the strength of the Group's loan book. The Group's non-performing loan (NPL) ratio is now 3.73%, down 35 basis points since 31 December 2017. Cost of credit, a good indicator of credit quality, fell to 1.00%, down seven basis points since 31 December 2017, the lowest annual level since 2008.

A balanced presence across both mature and emerging markets remains one of Banco Santander's key strengths. Attributable profit increased in eight of the Group's ten core markets in constant euros.

During 2018, Europe contributed 52% of Group profit and the Americas, 48%. Brazil was the largest contributor to Group earnings, with 26% of total underlying profit, followed by Spain with 17%, and the UK and Santander Consumer Finance with 13% each. The lending book also remains well diversified across business segments and geographies.



1. Excluding corporate centre, and Spain Real Estate Activity. 2. Loans excluding repos.

During the year Santander generated 46 basis points in capital, bringing the Group's fully loaded CET1 ratio to 11.30% at 31 December 2018, significantly exceeding its 2018 target of 11%. This ratio does not include the impact of the full application of IFRS 9 (-27 basis points) which is subject to a five year transitional period before full implementation is required in 2022.

Over the last 12 months Return on Tangible Equity (RoTE), a key measure of profitability, has increased by 129 basis points to 11.7%, while underlying RoTE increased by 26 basis points to 12.1%, making Santander one of the most profitable banks among its peers.

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The Group has achieved its target to deliver double-digit Earnings Per Share (EPS) growth in 2018, with EPS increasing by 11.2% in the year to €0.449. Tangible net asset value per share was 1% higher than 2017 at €4.19, while cash dividend per share is 9% higher at €0.20 (subject to Board and 2019 AGM approval).

### Three year plan achievements: 2016 - 2018

In 2018, the Group successfully completed its three year strategic plan. During the period Santander has undergone a significant commercial and digital transformation:

- Redefining its strategy with a focus on customer loyalty, digital excellence and organic growth.
- Embedding a common culture across our 200,000 employees, reinforcing governance and teams, and improving employee engagement.
- While continuously increasing shareholder value - growing earnings per share and tangible net asset value per share.

	2015	2018
Loyal customers (Mn)	13.8	19.9 ✓
Digital customers (Mn)	16.6	32.0 ✓
Fee income <sup>1</sup>	-	~10% ✓
Cost of credit	1.25%	1.12% <sup>2</sup> ✓
Cost-to-income	48%	47% ✓
EPS growth	-	11.2% ✓
DPS (€)	0.20	0.23 <sup>3</sup> ✓
FL CET1	10.05%	11.30% ✓
RoTE <sup>4</sup>	10.0%	11.7% ✓

(1) % change (constant euros), 2018 figure relates to 2015-18 CAGR  
 (2) 2018 figure relates to 2015-18 average  
 (3) Total dividend charged to 2018 earnings is subject to the Board and 2019 AGM approval  
 (4) Underlying RoTE 2015: 11.0%. Underlying RoTE 2018 12.1%  
 Note: 2015 metrics have been re-stated to reflect the capital increase

Since 31 December 2015, the number of loyal customers has increased by 44% to 19.9 million, improving the quality and recurrence of the Group's earnings, with higher revenues per customer and lower customer attrition.

The Group's digital transformation has led to a 93% increase in digital customers to 32 million, with nearly a third of total sales now made through digital channels, and 48% of active customers using digital services (up from 30% in 2015). Investment in digital, as well as improving customer satisfaction, has allowed the Bank to maintain its position among the most efficient banks in the world, with a cost-to-income ratio of 47%.

#### Corporate Communications

This, in turn, has led to a significant increase in returns, with RoTE now 171 basis points higher than 31 December 2015 at 11.7%, and earnings per share growing by double digits in 2018.

The Group fully loaded CET1 capital ratio is now 125 basis points higher than 31 December 2015 at 11.30%, while cash dividend per share has increased by 31% over the same period (subject to Board and 2019 AGM approval).

### Country Summary (FY'18)

In Brazil, attributable profit increased by 2% to €2,605 million (+22% in constant euros) as a focus on customer experience allowed the business to attract an additional one million loyal customers during the year, with loans and funds increasing year-on-year by 13% and 15% respectively in constant euros. Santander Brazil now ranks first for customer satisfaction. The business continued to gain market share in key segments, while maintaining asset quality; with the non-performing loan ratio falling four basis points in 12 months to 5.25% and cost of credit reducing by 30 basis points to 4.06%.

In Spain, attributable profit increased by 28%, to €1,458 million, as the planned integration of Popular was supported by ongoing growth in revenues (+15% YoY). Santander Spain made significant progress in its digital transformation and implementation of the customer relationship model, including the launch of 1|2|3 professional. New lending to SMEs increased 17% and 30% in private banking. Credit quality also improved, with the NPL ratio falling 13 basis points since 31 December 2017 to 6.19%.

In the UK, the business continued to grow current account balances and mortgages, while making further improvements to the customer experience, with Santander UK now ranked second for retail customer satisfaction. While a highly competitive landscape placed pressure on revenues, credit quality remained extremely strong, with a cost of credit at 0.07%. Attributable profit was 9% lower than 2017 at €1,362 million (-8% in constant euros), reflecting an increase in operating costs due to ongoing investment in digital transformation and regulatory projects, as well as other provisions.

Santander Consumer Finance increased attributable profit by 11% in 2018, to €1,296 million (+12% in constant euros), with new lending increasing in most geographies due to increasing auto and consumer finance lending and strengthening digital channels. SCF maintained best-in-class profitability with a RoTE of 16% while the NPL ratio remained at a historic low of 2.29%, down 21 basis points in the year.

In Mexico, attributable profit increased by 7% to €760 million (+14% in constant euros) as the bank continued to strengthen its distribution model, through the transformation of the branch network, an improved mobile platform, and the launch of new product lines such as auto finance. This helped attract new customers and increase both volumes and profitability. As a result, total income increased by 9% YoY in constant euros, while credit quality remained solid, with the NPL ratio falling 26 basis points in the year to 2.43%.

In Chile, attributable profit increased by 5% to €614 million (+8% in constant euros) as business volumes grew at a higher pace in core segments, leading to a 4% increase in gross income in constant euros. The transformation of the branch network, ongoing digitalisation, and improved products and services, led

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to a 7% growth in loyal customers and digital customers. Credit quality also improved with the NPL ratio falling by 30 basis points to 4.66% over the period.

In the US, attributable profit increased by 66% to €552 million (+74% in constant euros) as strengthened business performance and the achievement of several significant regulatory milestones led to a very positive year for the business. Lending increased year-on-year at both Santander Bank (+9%) and SC USA (+5%), with the number of loyal customers increase by 12%, while the cost of credit fell 15 basis points to 3.27% in the year.

In Portugal, attributable profit increased by 15% to €500 million, driven by improved efficiency and a significant improvement in credit quality, with NPLs falling by 157 basis points in the year to 5.94%. The operational and technological integration of Banco Popular Portugal, which completed in October 2018, strengthened Santander's position as the country's largest privately owned bank by assets and loans in domestic activity.

In Poland attributable profit increased by 14% to €343 million (+14% in constant euros) as the business achieved year-on-year organic growth across all key products and segments. The Group strengthened its position with the integration of the retail and SME businesses acquired from Deutsche Bank Polska. In September Bank Zachodni WBK successfully completed a rebrand to Santander.

As Argentina, which represents c.1% of the Group's attributable profit, is considered a high-inflation economy, international accounting standards dictate that the results and balance sheet for the country must be adjusted. This had a negative P&L impact of €239 million for 2018. As a result, despite strong growth in revenues, attributable profit in Argentina fell by 77% to €84 million in 2018 (-54% in constant euros). The agreement with the IMF allows Argentina to meet its financial obligations for 2018 and 2019, while the adjustment in currency should create greater FX stability going forward.

### About Banco Santander

Banco Santander is the largest bank in the eurozone with a market capitalisation of €64,508 million at 31 December 2018. It has a strong and focused presence in 10 core markets across Europe and the Americas with more than four million shareholders and 200,000 employees serving 144 million customers.

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## Key Consolidated Data (from Financial Report)

■ BALANCE SHEET (EUR million)	Dec-18	Sep-18	%	Dec-18	Dec-17	%	Dec-16
Total assets	1,459,271	1,444,687	1.0	1,459,271	1,444,305	1.0	1,339,125
Loans and advances to customers	882,921	866,226	1.9	882,921	848,914	4.0	790,470
Customer deposits	780,496	778,751	0.2	780,496	777,730	0.4	691,111
Total funds	980,562	986,199	(0.6)	980,562	985,703	(0.5)	873,618
Total equity	107,361	105,668	1.6	107,361	106,832	0.5	102,699

Note: Total funds includes customer deposits, mutual funds, pension funds and managed portfolios

■ INCOME STATEMENT (EUR million)	Q4'18	Q3'18	%	2018	2017	%	2016
Net interest income	9,061	8,349	8.5	34,341	34,296	0.1	31,089
Gross income	12,542	11,720	7.0	48,424	48,392	0.1	43,853
Net operating income	6,606	6,359	3.9	25,645	25,473	0.7	22,766
Underlying profit before tax <sup>(1)</sup>	3,546	3,750	(5.4)	14,776	13,550	9.0	11,288
Underlying attributable profit to the Group <sup>(1)</sup>	2,022	1,990	1.6	8,064	7,516	7.3	6,621
Attributable profit to the Group	2,068	1,990	3.9	7,810	6,619	18.0	6,204

Variations in constant euros: Q4'18 / Q3'18: NII: +3.0%; Gross income: +0.7%; Net operating income: -1.8%; Underlying attributable profit: -3.3%; Attributable profit: -1.1%  
2018 / 2017: NII: +8.7%; Gross income: +8.9%; Net operating income: +10.6%; Underlying attributable profit: +18.5%; Attributable profit: +32.1%.

■ EPS <sup>(2)</sup> , PROFITABILITY AND EFFICIENCY (%)	Q4'18	Q3'18	%	2018	2017	%	2016
Underlying EPS (euro) <sup>(1)</sup>	0.116	0.115	1.1	0.465	0.463	0.6	0.429
EPS (euro)	0.119	0.115	3.6	0.449	0.404	11.2	0.401
RoE	8.46	8.43		8.21	7.14		6.99
Underlying RoTE <sup>(1)</sup>	11.93	11.95		12.08	11.82		11.08
RoTE	12.00	11.95		11.70	10.41		10.38
RoA	0.65	0.66		0.64	0.58		0.56
Underlying RoRWA <sup>(1)</sup>	1.60	1.59		1.59	1.48		1.36
RoRWA	1.60	1.59		1.55	1.35		1.29
Efficiency ratio (with amortisations)	47.3	45.7		47.0	47.4		48.1

■ SOLVENCY AND NPL RATIOS (%)	Dec-18	Sep-18	%	Dec-18	Dec-17	%	Dec-16
Fully loaded CET1 <sup>(3)</sup>	11.30	11.11		11.30	10.84		10.55
Phased-in CET1 <sup>(3)</sup>	11.47	11.29		11.47	12.26		12.53
NPL ratio	3.73	3.87		3.73	4.08		3.93
Coverage ratio	67.4	67.9		67.4	65.2		73.8

■ MARKET CAPITALISATION AND SHARES	Dec-18	Sep-18	%	Dec-18	Dec-17	%	Dec-16
Shares (millions)	16,237	16,136	0.6	16,237	16,136	0.6	14,582
Share price (euros) <sup>(2)</sup>	3.973	4.336	(8.4)	3.973	5.479	(27.5)	4.877
Market capitalisation (EUR million)	64,508	69,958	(7.8)	64,508	88,410	(27.0)	72,314
Tangible book value per share (euro) <sup>(2)</sup>	4.19	4.16		4.19	4.15		4.15
Price / Tangible book value per share (X) <sup>(2)</sup>	0.95	1.04		0.95	1.32		1.17
P/E ratio (X) <sup>(2)</sup>	8.84	9.83		8.84	13.56		12.18

■ OTHER DATA	Dec-18	Sep-18	%	Dec-18	Dec-17	%	Dec-16
Number of shareholders	4,131,489	4,190,808	(1.4)	4,131,489	4,029,630	2.5	3,928,950
Number of employees	202,713	201,101	0.8	202,713	202,251	0.2	188,492
Number of branches	13,217	13,414	(1.5)	13,217	13,697	(3.5)	12,235

(1) In this document we present the figures related to "underlying" results, which exclude non-recurring items, as they are recorded in the separate line of "Net capital gains and provisions", above the line of "attributable profit to the Group". Further details on that line are provided in pages 10 and 11 as well as in the Alternative Performance Measures section as follows below.

(2) 2016 data adjusted for the capital increase in July, for like-on-like comparisons with 2017 and 2018 data.

(3) 2018 data applying the IFRS 9 transitional arrangements.

Note: The financial information in this report was approved by the Board of Directors, following a favourable report from the Audit Committee.

In accordance with the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority on 5 October 2015 (Guidelines on Alternative Performance Measures, ESMA/2015/1415/en), we are attaching herewith a glossary with the definitions and the conciliation with the items presented in the income statement of certain alternative performance measures used in this document. Please refer to "Alternative Performance Measures Glossary" on page 60.

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## Important Information

In addition to the financial information prepared under International Financial Reporting Standards (“IFRS”), this press release includes certain alternative performance measures (“APMs”) as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es) as well as non-IFRS measures (“Non-IFRS Measures”). The APMs and Non-IFRS Measures are performance measures that have been calculated using the financial information from the Santander Group but that are not defined or detailed in the applicable financial information framework and therefore have neither been audited nor are capable of being completely audited. These APMs and Non-IFRS Measures are been used to allow for a better understanding of the financial performance of the Santander Group but should be considered only as additional information and in no case as a replacement of the financial information prepared under IFRS. Moreover, the way the Santander Group defines and calculates these APMs and Non-IFRS Measures may differ to the way these are calculated by other companies that use similar measures, and therefore they may not be comparable. 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 2018 4Q Financial Report, published as Relevant Fact on [fecha publicación del trimestral], Section 26 of the Documento de Registro de Acciones for Banco Santander, S.A. (“Santander”) filed with the Spanish Securities Exchange Commission (the “CNMV”) on 28 June 2018 (the “Share Registration Document”) and Item 3A of the Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission of the United States of America (the “SEC”) on 28 March 2018 (the “Form 20-F”). These documents are available on Santander website ([www.bancosantander.com](http://www.bancosantander.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.

Santander cautions that this press release contains statements that constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as “expect”, “project”, “anticipate”, “should”, “intend”, “probability”, “risk”, “VaR”, “RORAC”, “RoRWA”, “TNAV”, “target”, “goal”, “objective”, “estimate”, “future” and similar expressions. These forward-looking statements are found in various places throughout this press release and include, without limitation, statements concerning our future business development and economic performance and our shareholder remuneration policy. While these forward-looking statements represent our judgment and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to: (1) general market, macro-economic, industry, governmental and regulatory trends; (2) movements in local and international securities markets, currency exchange rates and interest rates; (3) competitive pressures; (4) technological developments; and (5) changes in the financial position or credit worthiness of our customers, obligors and counterparties. Numerous factors, including those reflected in the Form 20-F - under “Key Information-Risk Factors”- and in the Share Registration Document -under “Factores de Riesgo”- could affect the future results of Santander and could result in other results deviating materially from those anticipated in the forward-looking statements. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

Forward-looking statements speak only as of the date of this press release and are based on the knowledge, information available and views taken on such date; such knowledge, information and views may change at any time. Santander does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise

The information contained in this press release is subject to, and must be read in conjunction with, all other publicly available information, including, where relevant any fuller disclosure document published by Santander. Any person at any time acquiring securities must do so only on the basis of such person’s own judgment as to the merits or the suitability of the securities for its purpose and only on such information as is contained in such public information having taken all such professional or other advice as it considers necessary or appropriate in the circumstances and not in reliance on the information contained in the press release. No investment activity should be undertaken only on the basis of the information contained in this press release. In making this press release available, Santander gives no advice and makes no recommendation to buy, sell or otherwise deal in shares in Santander or in any other securities or investments whatsoever.

Neither this press release nor any of the information contained therein constitutes an offer to sell or the solicitation of an offer to buy any securities. No offering of securities shall be made in the United States except pursuant to registration under the U.S. Securities Act of 1933, as amended, or an exemption therefrom. Nothing contained in this press release is intended to constitute an invitation or inducement to engage in investment activity for the purposes of the prohibition on financial promotion in the U.K. Financial Services and Markets Act 2000.

Statements as to historical performance or financial accretion are not intended to mean that future performance, share price or future earnings (including earnings per share) for any period will necessarily match or exceed those of any prior year. Nothing in this press release should be construed as a profit forecast.

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