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Group Executive Chairman
Opening presentation

Helping people and
businesses prosper

Simple | Personal | Fair

GROUP STRATEGY UPDATE

NY, October 10th

2017



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Note: 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 presentation should be construed as a profit forecast.

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.

In addition to the financial information prepared under International Financial Reporting Standards ("IFRS"), this presentation includes certain alternative performance measures 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. 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 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 on 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, see Section 26 of the Documento de Registro de Acciones for Banco Santander filed with the CNMV on July 4, 2017 (available on the Web page of the CNMV - www.cnmv.es- and at Banco Santander - www.santander.com), Item 3A of the Form 20-F and "Presentation of Financial and Other Information" and "Selected Consolidated Financial Information" in the Form 6-K. For a discussion of the accounting principles used in translation of foreign currency-denominated assets and liabilities to euros, see note 2(a) to our consolidated financial statements on Form 20-F and to our consolidated financial statements available on the CNMV's website (www.cnmv.es) and on Banco Santander's website (www.santander.com).

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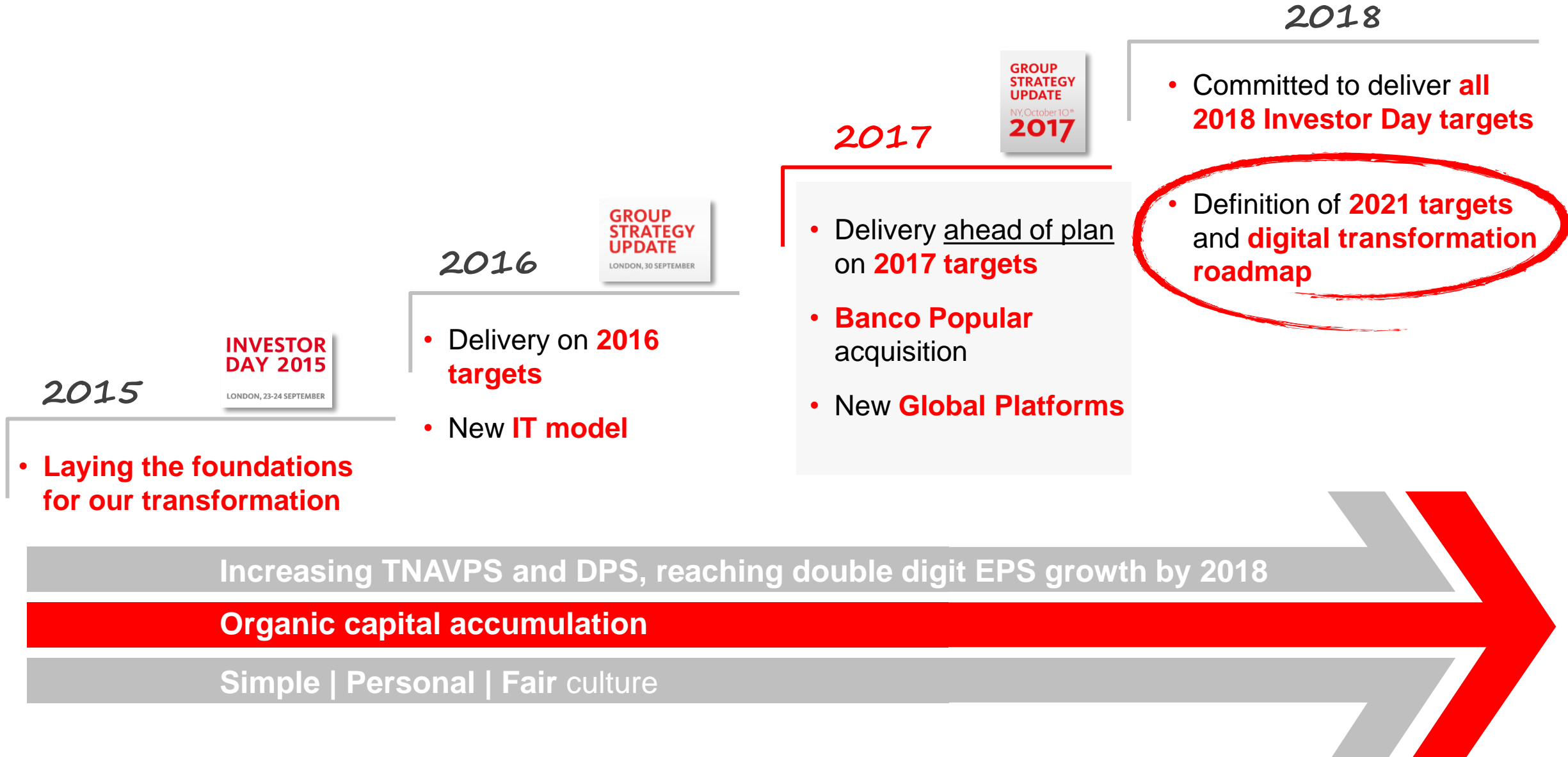
1

Delivering on our strategic targets ahead of plan

Reminder: Santander strategy and priorities



Delivering since the 2015 capital increase...



...ahead of plan on our commitments

	2015	2016	1H'17 ⁴	2017	
Loyal customers (MM)	13.8	15.2	16.3	17	✓
Digital customers (MM)	16.6	20.9	23.0	25	✓
Fee income ¹	4.3%	8.1%	11%	Increase	✓
Cost of credit risk	1.25%	1.18%	1.19%	Improve	✓
Cost-to-income	47.6%	48.1%	46.3%	Broadly stable	✓
EPS (€)	0.40	0.41	0.24	Increase	✓
DPS (€) ²	0.20	0.21	0.22	Increase	✓
FL CET1	10.05%	10.55%	10.72%	+40bps Organic per year	✓
RoTE ³	11.0%	11.1%	11.7%	Increase	✓

(1) % change (constant euros) (2) Total dividends charged to 2017 earnings are subject to the Board and AGM approval (3) Underlying (4) Group ex-Popular

Popular: Transformational, right time in the cycle & consistent with targets

In 60 days we have *addressed the three key challenges...*

1

Capital
increase

- +€7Bn with 13-14% RoIC
- **Narrowest TERP discount** in a European bank rights issue since 2012

2

Commercial
action

- **Loyalty bonds:** >50% take up in two weeks
- +€10Bn (+19%) in deposits since announcement.
Loans recovering
- **Popular teams are highly engaged**

3

Real Estate
disposal

- ~€30Bn transaction: **Largest ever in Spain**
- **Positive impact on capital**

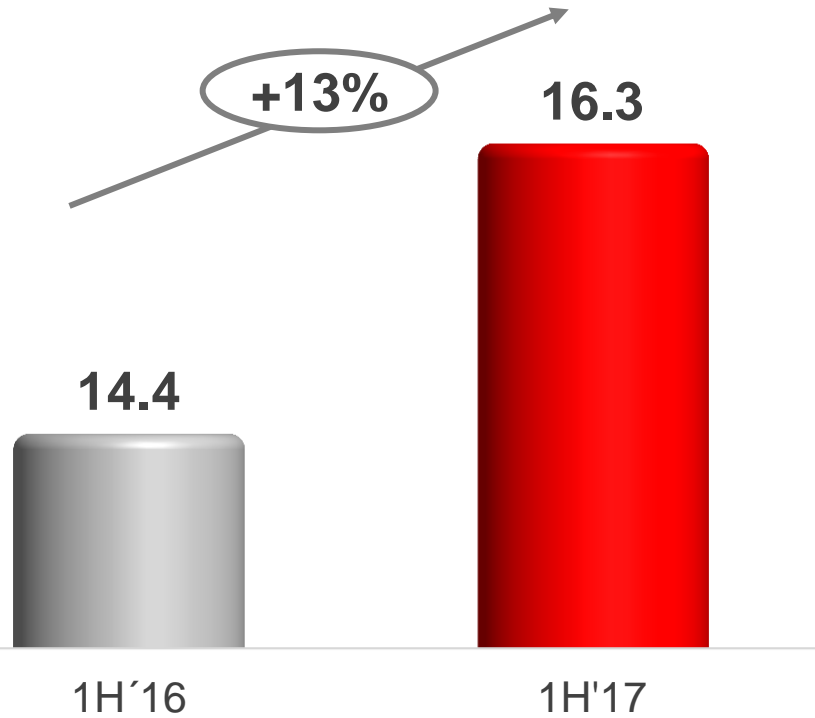
Popular

*...and now,
working hard on
integration*

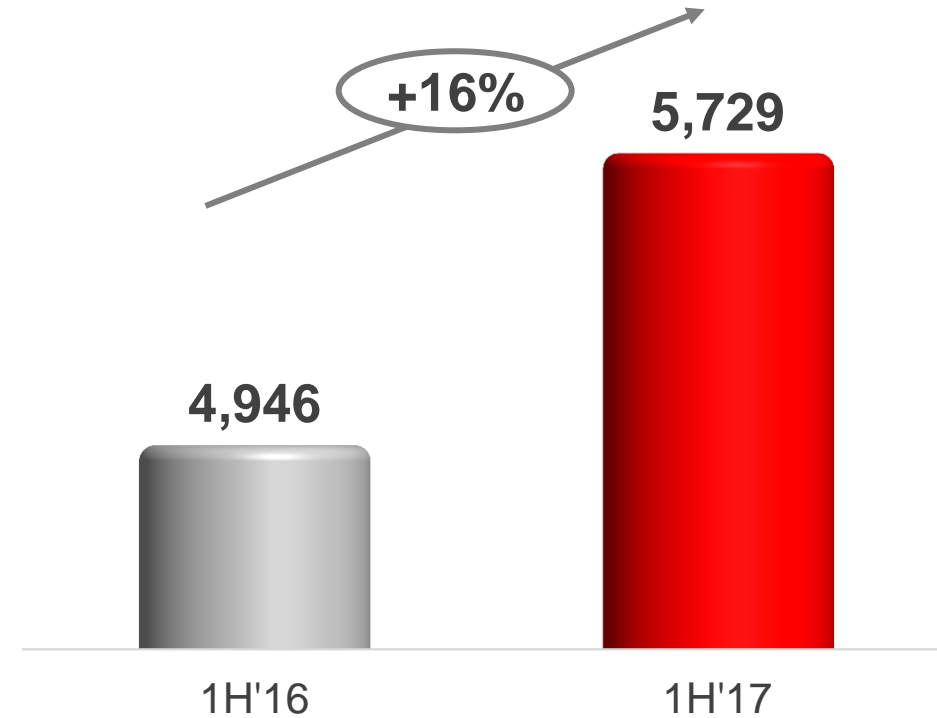


Increased customer loyalty is accelerating fee income growth

Loyal customers (MM)



Fee income (€MM)

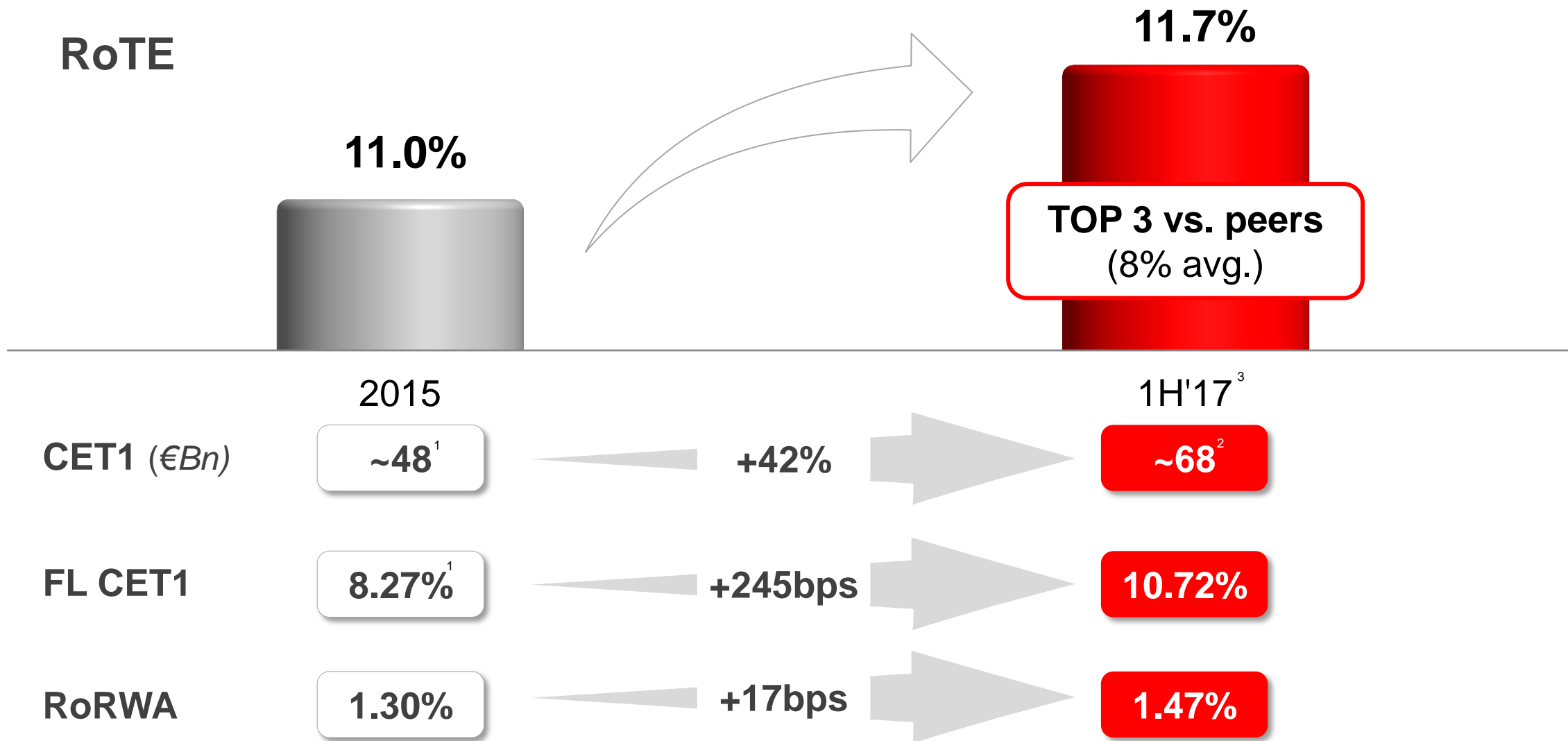


Loyal customers are ~3x more profitable¹

Note: Fee income in current euros, otherwise +11% (1) Gross margin of loyal customers vs. non-loyal customers, total Santander Group



Improving profitability with a higher capital base...



(1) As of 01/01/2015 Data (2) Including 2017 capital increase (3) Group ex-Popular



...leading to sustainable growth in shareholder value since 2015 capital increase

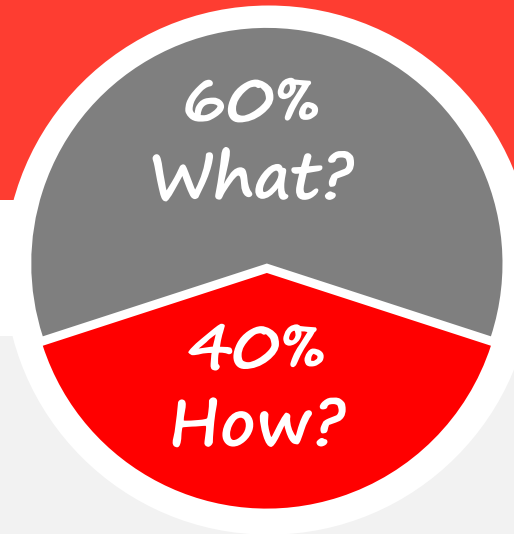


(1) 1H'17 includes Popular and capital increase (2) TNAV 1H'17 plus 2017E half year cash dividend per share. Cash DPS 1H'17 as half of FY dividend.



Building a strong culture around Simple | Personal | Fair

New way of measuring employee performance



Corporate behaviours and...



...being **Simple | Personal | Fair**



Show respect



Truly listen



Keep promises



Talk straight



Embrace change



Support people



Bring passion



Actively collaborate



A sustainable and responsible bank, largest supporter of higher education



Universities



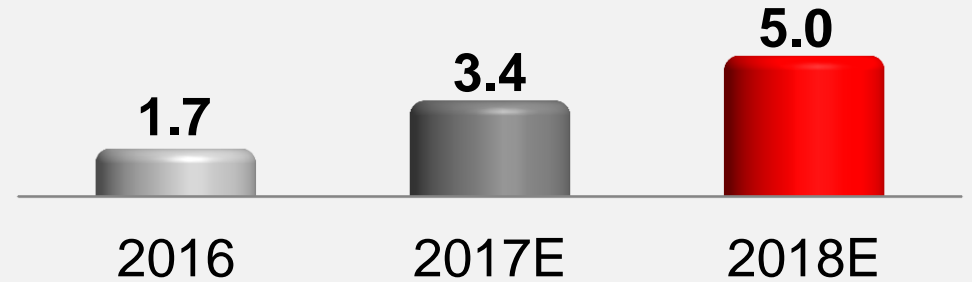
1,183
Agreements

36,684
Scholarships in 2016



Community support

People supported
(Cum., MM)



Sustainability



Leading European
Bank in sustainability

2

**Our model delivers
profitable growth and
predictable earnings**

A unique model of profitable growth

Critical mass



131MM customers.
Top player in 10 markets
with ~1Bn people

Geographic diversification



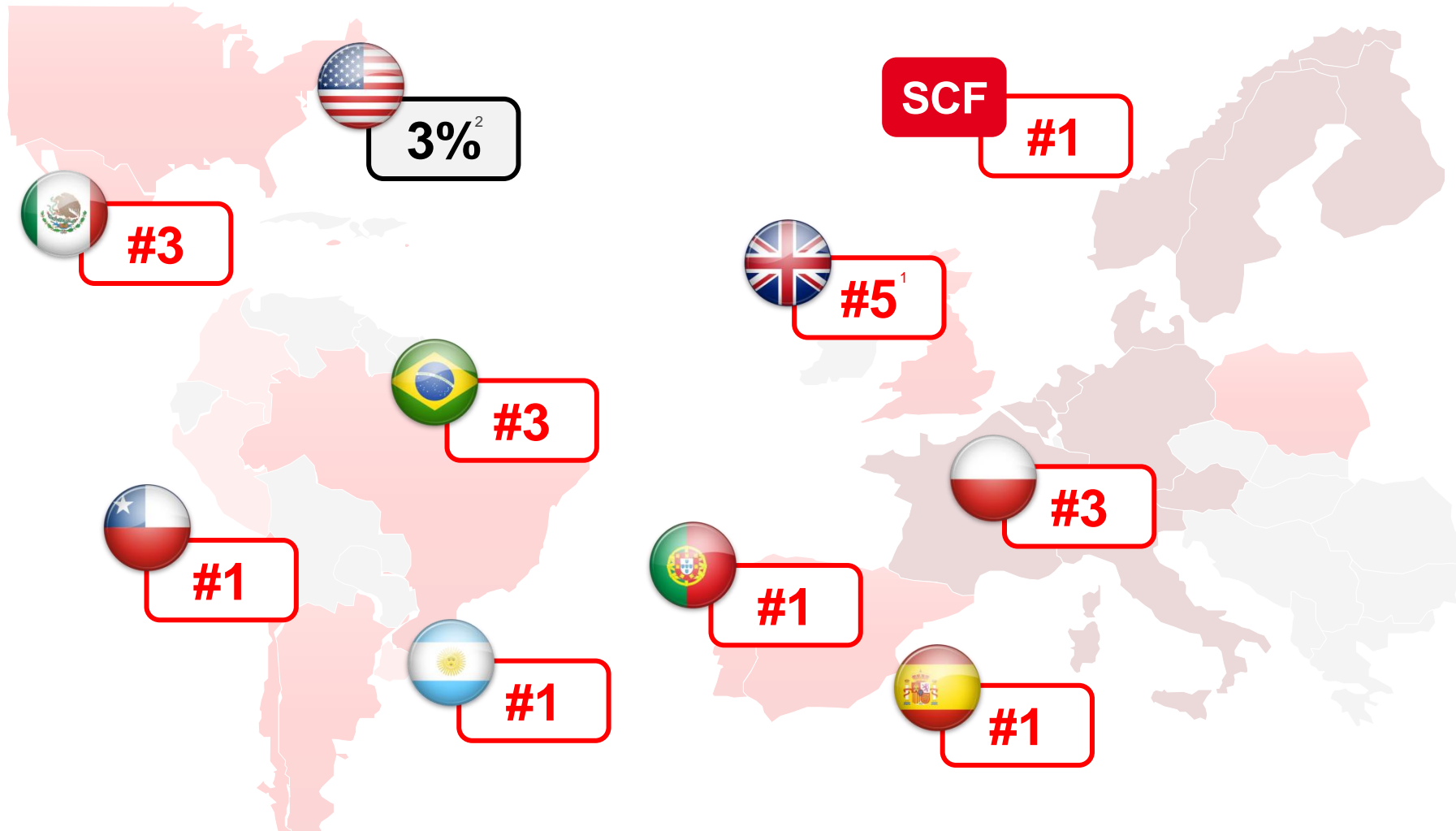
Predictability and growth in earnings = less capital or capital at a lower cost

Scalable digital transformation



Working as a Group within our subsidiary model creates synergies and operational excellence

Leadership in 9 markets representing 95% of the Group's earnings...



x Ranking in loans³ market share
As of Jun'17 or latest available

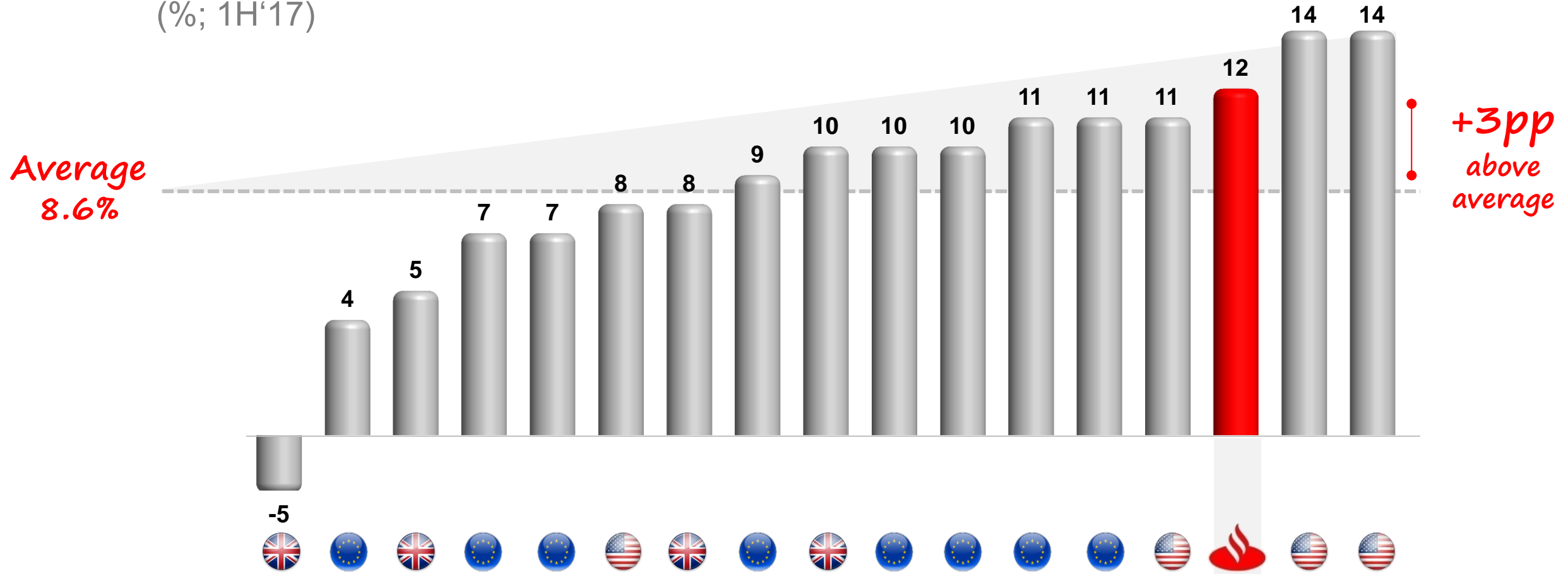
131MM customers
in **10** markets with
~1Bn people

Note: Group earnings exclude Corporate Centre. Santander's market share for the respective countries are: Mexico (13%), Chile (19%), Argentina (11%), Brazil (8%), Portugal (17%, including Popular), UK (10%), Spain (19%, including Popular), SCF (10% in new car loans, including PSA operation and not considering brand's financial captive) and Poland (10%) (1) UK mortgages (excluding Social Housing), Consumer credit and commercial loans (excluding Financial Institutions) (2) SBNA market share in the states where the Group operates (3) Only private banks for Portugal, Argentina and Brazil

...contributing to our top and recurrent profitability



RoTE vs. Peers (%; 1H'17)



Source: Company data and Bloomberg

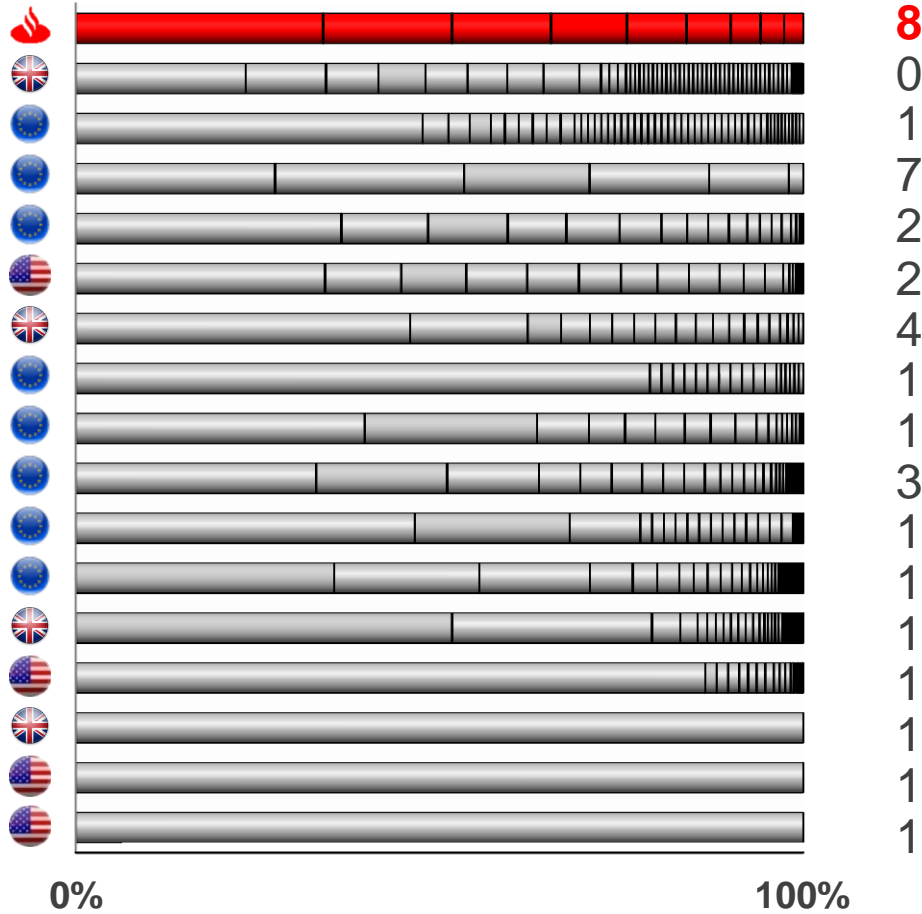
Note: Peers included are Wells Fargo, JP Morgan, Bank of America, UBS, BBVA, ING, BNP Paribas, HSBC, Unicredit, Lloyds, Citibank, Intesa Sanpaolo, Société Générale, Standard Chartered, Deutsche Bank and Barclays

Geographic diversification = stable and predictable earnings growth...

Well balanced diversification...

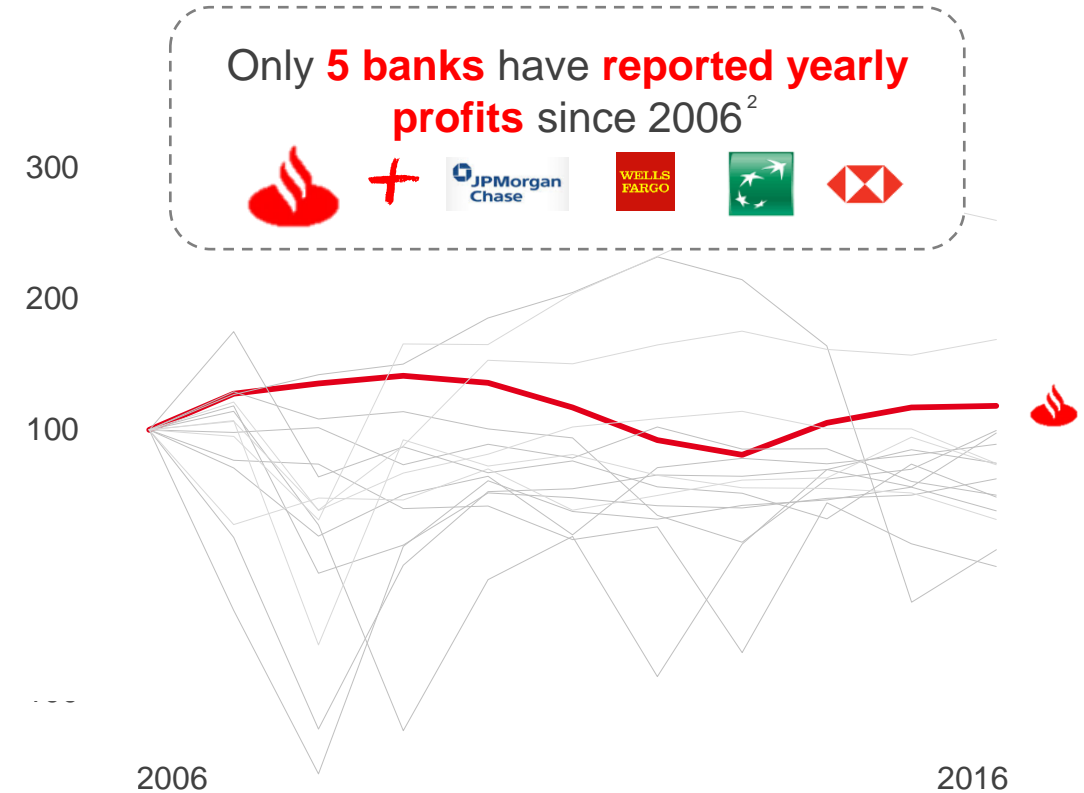
Revenues split per country

countries where bank is Top 5¹



...increases earnings predictability vs. peers

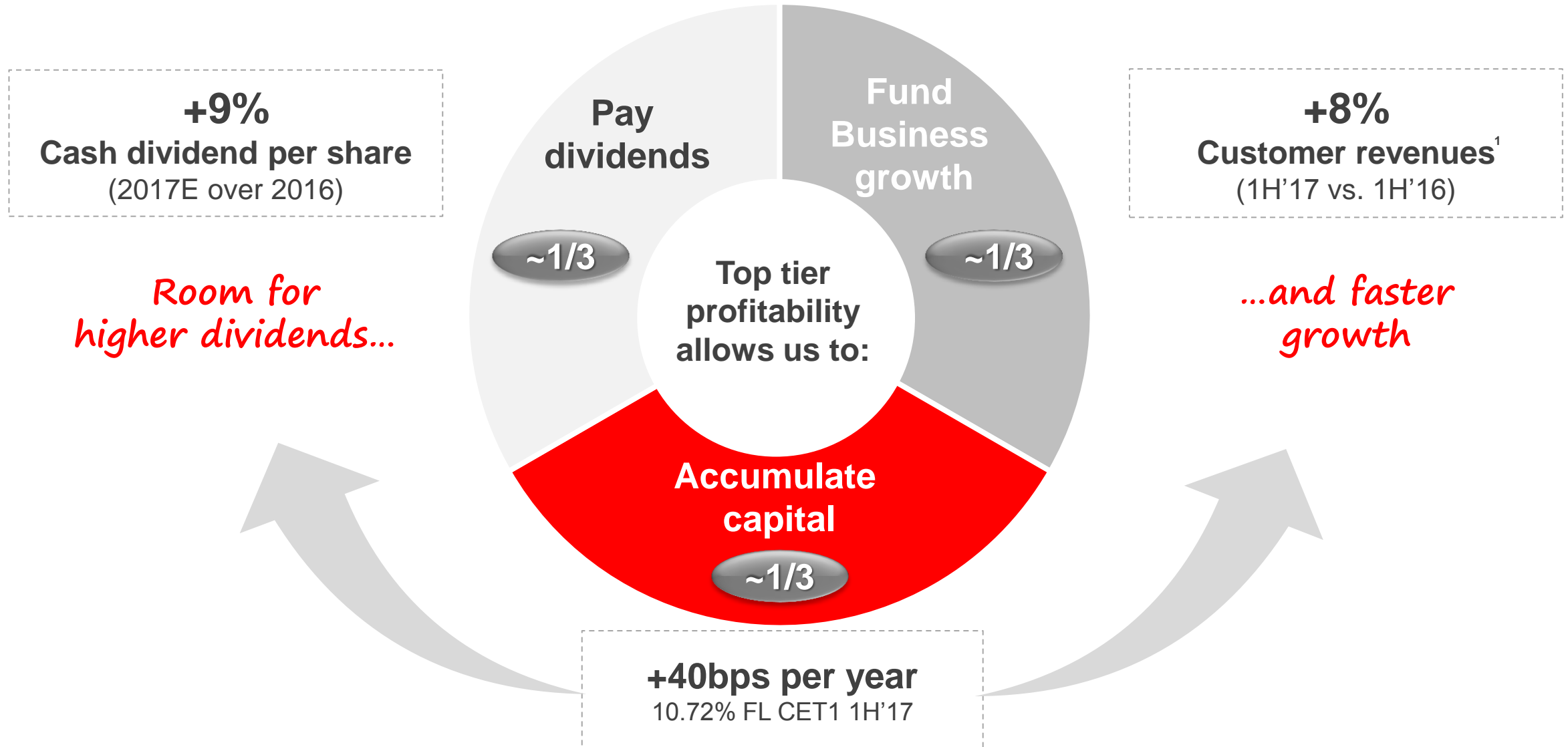
Profit growth (%; 2006 banking profit = 100 base)



(1) Top 5 according to volume of assets in the world's 50 largest economies according to IMF

(2) Peers include: BBVA, BNP Paribas, Citigroup, Deutsche, HSBC, Intesa Sp, JP Morgan, Lloyds, Société Générale, UBS, UniCredit, Bank of America, Wells Fargo, Barclays, Standard Chartered and ING

...enabling cash DPS and business growth whilst accumulating capital



(1) Constant euros, NII + fees

Working as a Group creates strong value and synergies...

Examples



Collaboration between countries

International business



Companies jointly targeted

~500

Avg. revenues increase
(2016)

+38%

New IT architecture



% shared new developments

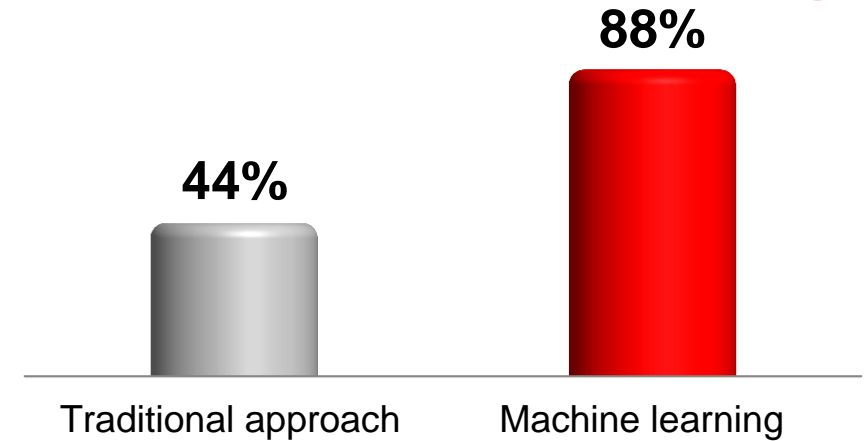
25 - 30%



Global projects led by Group

Application of artificial intelligence

Pre-scored population, %



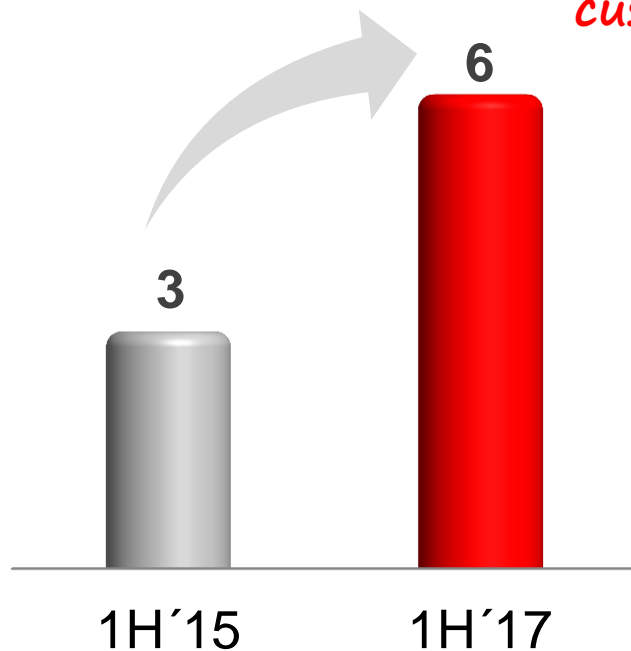
pre-approved credits

...allowing us to improve both customer experience and efficiency



Improving customer experience...

of countries Top 3 in customer experience

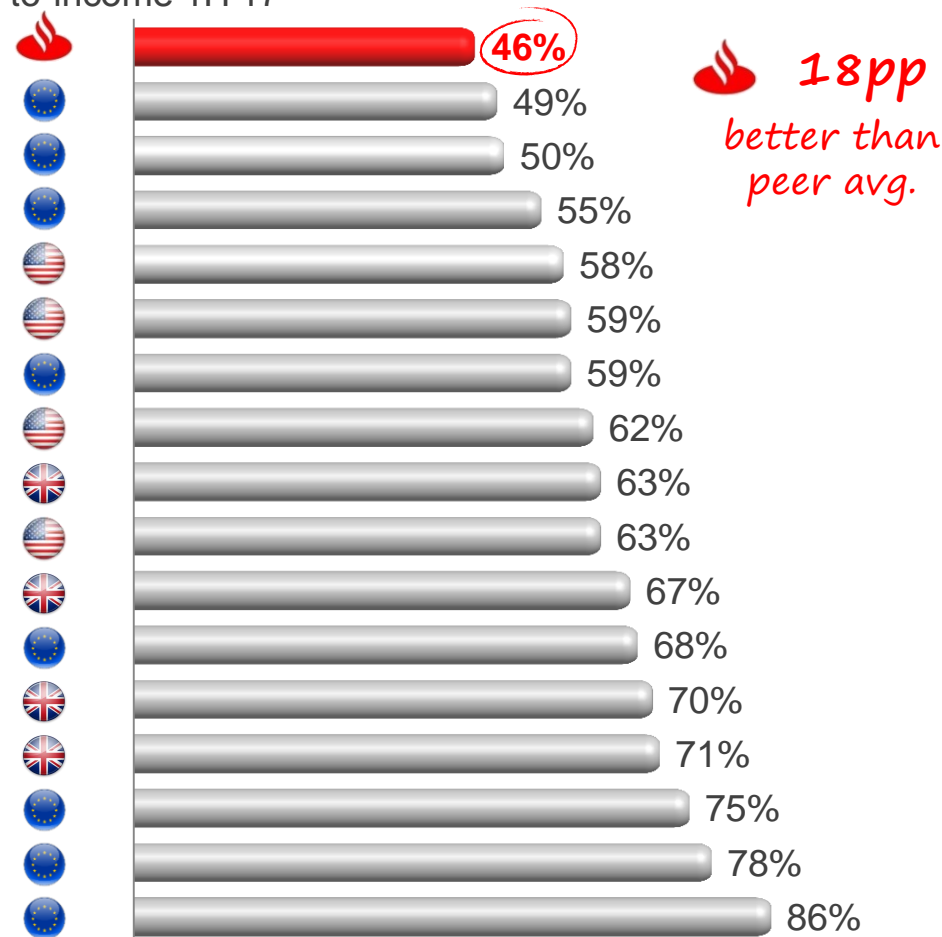


>70% of PBT amongst Top 3 in customer experience¹



...with best in class cost-to-income

Cost-to-income 1H'17



(1) GCT Global Competitor Tracker, 1H' 2017. Otherwise, in the U.K, Top 5 as per FRS, 1H'2017

Source: Company data and Bloomberg

Note: Peers included are Wells Fargo, JP Morgan, Bank of America, UBS, BBVA, ING, BNP Paribas, HSBC, Unicredit, Lloyds, Citibank, Intesa Sanpaolo, Société Générale, Standard Chartered, Deutsche Bank and Barclays

3

Transforming into digital banks whilst building Global Platforms

Our 10 Local banks '**Supertankers**' and our Global Platforms '**Speedboats**' are well connected

Supertankers

Our **Supertankers** are being transformed into digital banks



Profitable growth

Speedboats

Independent Global Platforms.
Led by **independent CEOs** but sponsored by **Country Heads**



Start-up model + Group support

Image Credit: Cymon Taylor / RM Sotheby's

Supertankers | Transformation delivering positive impact in three ways

Transforming Supertankers to deliver...



Anytime, anyhow, anywhere

Resilient, fast and flexible IT

Open platform improving our customers' experience

Examples

Group benefits



New digital processes in Brazil



Cash Nexus



Cloud+APIs+Agile IT model in UK



Top 3 customer experience in **6 countries**
(vs. 3 in 2015)

Best-in-class efficiency
(46.3% C/I in 1H'17)

Double digit fee income growth
(vs. ~4% in 2015)

Supertankers | Santander Brazil digital transformation

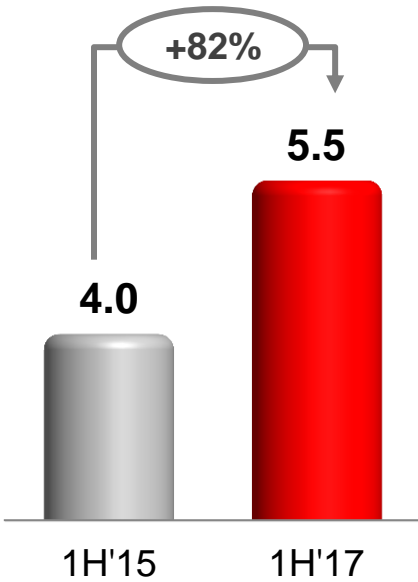
Delivering for customers and shareholders



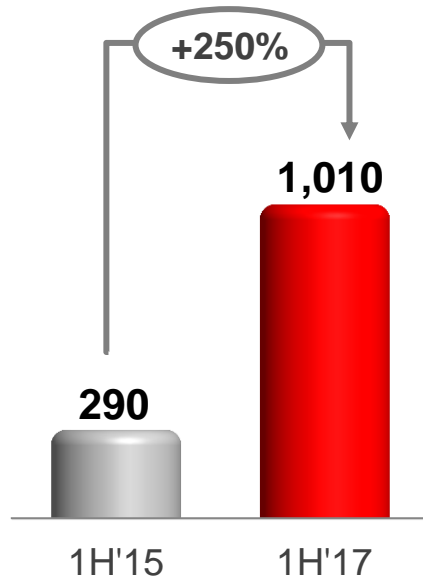
Highest rating¹
in Brazil
★★★★★

“One click”:
2.5x faster completion of contracts
(from 7 to 2 minutes)

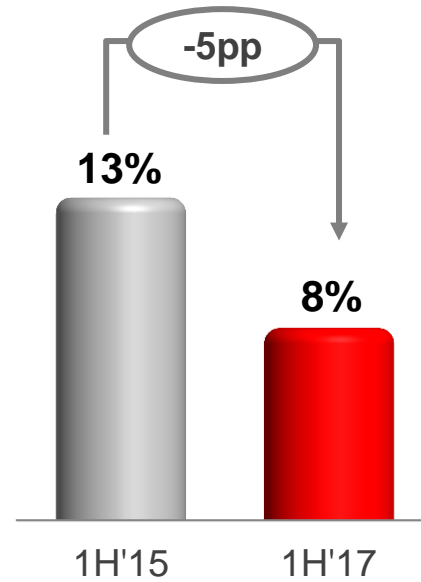
Digital customers (MM)



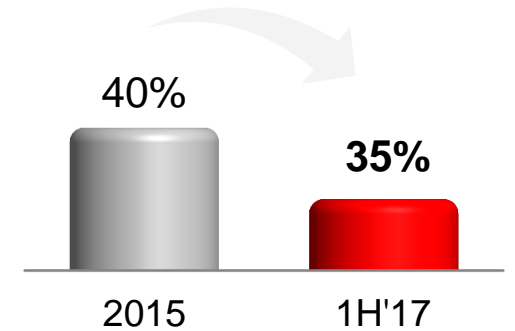
Digital sales (k)



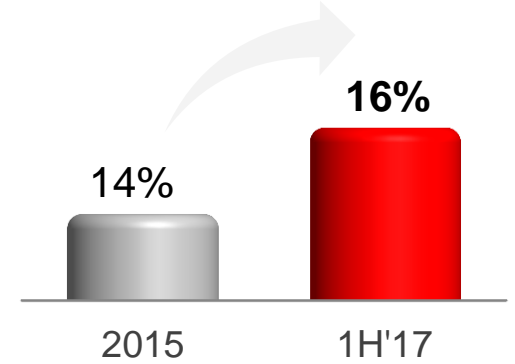
Tellers and call centre transactions (% of total)



Cost-to-income



RoTE



(1) Among financial app as rated by customers in Google play and app stores

Supertankers | Santander Cash Nexus example

A world class and disruptive global cash management product

Digital Platform that makes **cross-border treasury management** easy and inexpensive for our multinational customers

Available in **15** countries

~3k potential customers, **~175** already on board

Improving our customers businesses¹...

...while capturing customer value

Centralization of treasury management

Additional countries managed by SAN after **Cash Nexus**

Reduced workload (up to 75%)



+2

Reduction in banking relationships



+2

Improved security

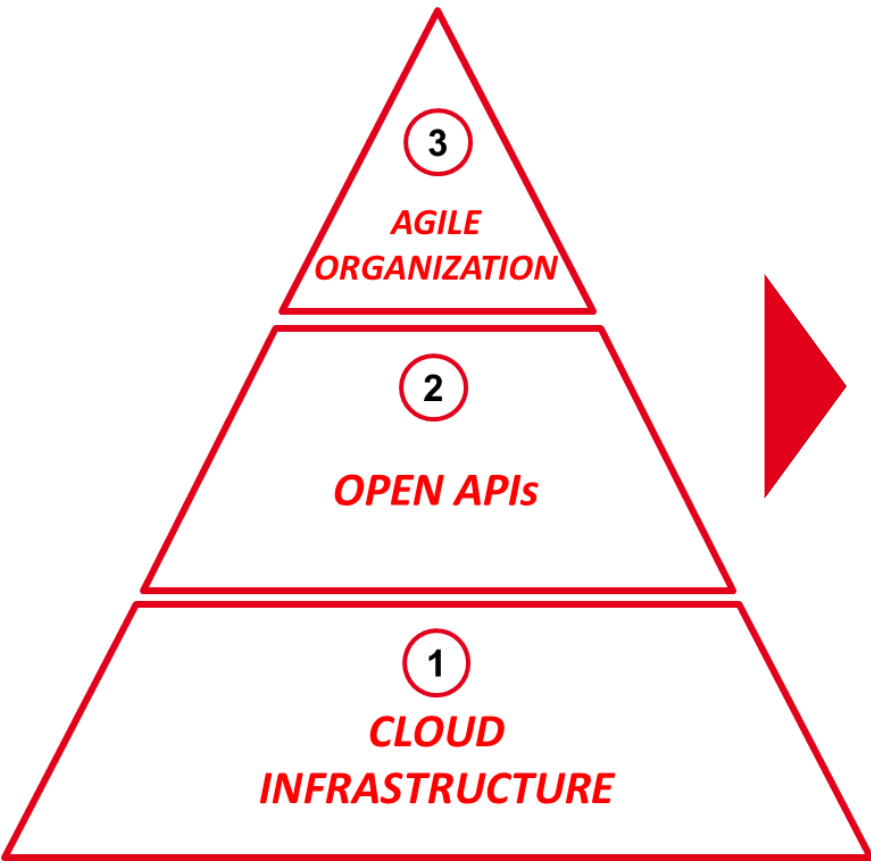


+2

(1) Impact is not necessarily representative of companies included in the slide

Supertankers | Santander UK example

A clear roadmap to become a fully digital bank



Improving delivery for our customers

✓ Faster IT developments

*From ~1 year...
...to weekly releases*

Enhancing our performance

✓ Lower IT running costs
-40%

Santander UK becoming a digital bank by 2020

API: Application Programming Interface



Supertankers | Collaborative innovation

Bringing the best of Fintech to our customers



Fully automated and paperless
credit line application for **SMEs**

Cloud-based platform enabling
supply chain solutions in one place

- Pre-approved in **14 minutes**
Draw down in **<24 hours**
vs. 2-12 weeks in the UK¹
- SAN UK customers draw on average
4 loans per year

- Platform with:
+1.5MM businesses
+\$500Bn in transactions per year
- Improved risk management:
+500k files of behavioral data monthly



(1) Source: Financial Times

Speedboats | Global Platforms led by independent CEOs sponsored by Country Heads

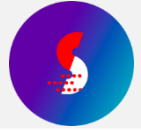
First four speedboats, more to come

Launching speedboats to...

Grow

Earn the right to deliver adjacent businesses

Super Digital



Digital account for the unbanked

Disrupt

Deploy breakthrough technologies

Openbank



Digital challenger + blueprint for new IT platform

Build open platforms

Address a broader set of customer needs

Digital SMEs



Open financial services for SMEs

Santander Pay



Global secure payments: simple-fast-cheap

Speedboats | Super Digital example

Digital account for the unbanked in Latam to simplify the use of money

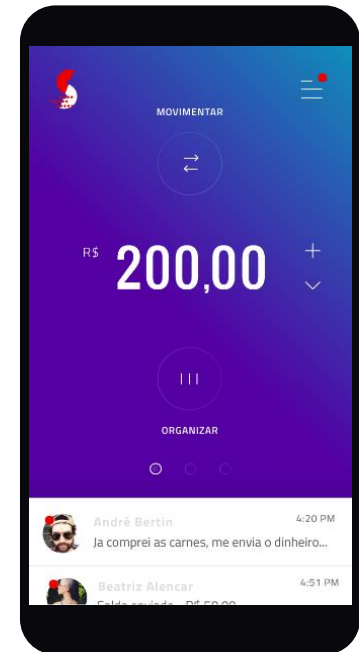


 Today...

1MM customers → **+484k** YoY growth

~70% cheaper costs per account¹

From 16.9 to 5.7 R\$/account



...tomorrow

+160MM unbanked population in
our Latam footprint²

2018



(1) Cost of regular account opening process vs. Santander Brazil (2) Source: World Bank, 2014

Speedboats | Openbank example

Our very own **digital challenger** and **blueprint** for a new IT architecture



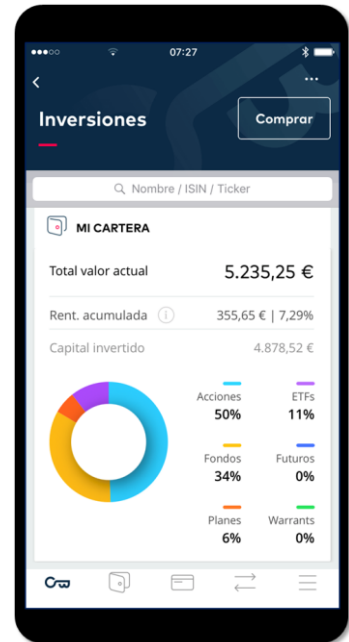
 **Today...**

1.1MM customers \rightarrow **+25%** monthly rate of new customers³

€8Bn in resources¹ \rightarrow **+40%** resources

...and just **70 FTEs**²

...tomorrow



(1) Deposits + off-balance sheet. Growth rate since 2015 (2) Excluding Call Centre (3) Increase in monthly run rate of new customers since September 2015 vs. the previous 20 months

Executing with discipline at multiple levels to maximise success



- ✓ Customers
- ✓ Scale
- ✓ Trust

*Our local banks
- Supertankers -
fully digital*



- ✓ Agile
- ✓ Disruptive
- ✓ Leverage the best of Group

*Our global platforms
- Speedboats -
becoming mega
platforms at scale*

***To be the first, always present and most convenient choice
when and where customers make financial decisions...
...with competitive and open products and services***

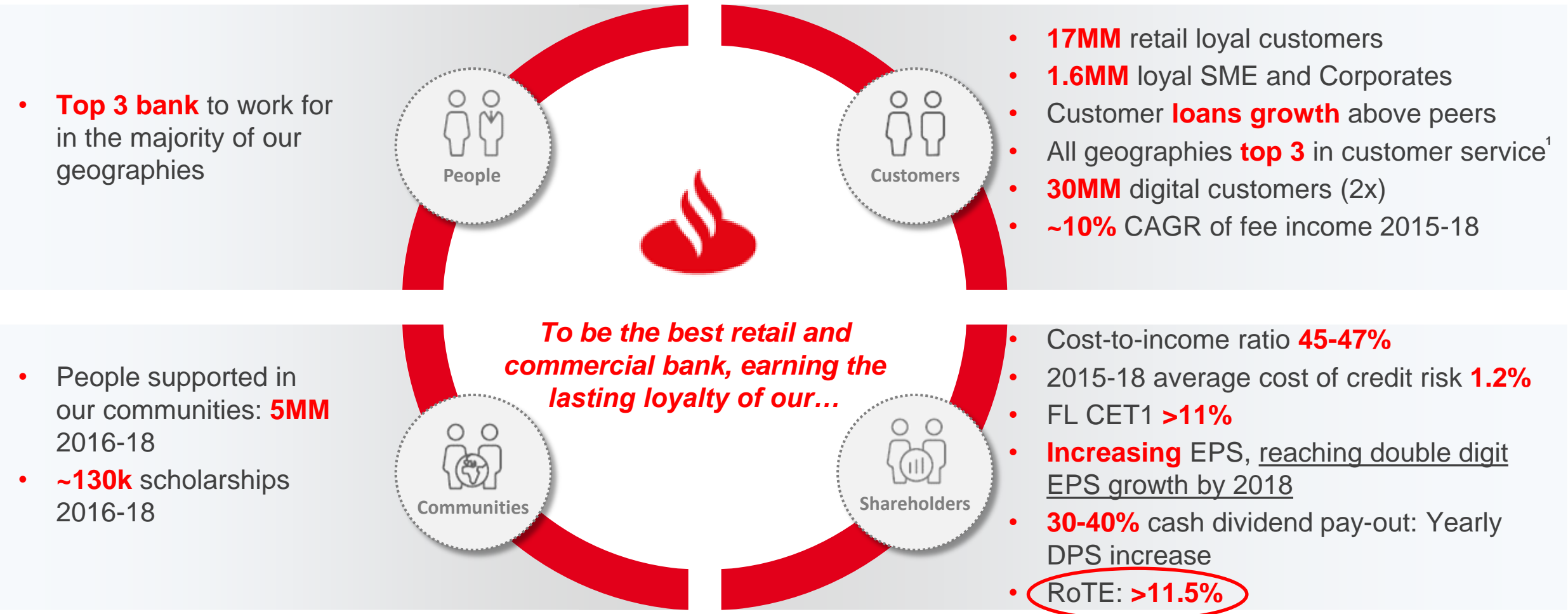


Key takeaways

Santander ambition



We increase our 2018 RoTE target to >11.5% and confirm all other targets



(1) Except for the US - approaching peers

Our vision

Our purpose

To help people and businesses prosper

Our aim

To be the best open digital financial services platform, earning the lasting loyalty of our people, customers, shareholders and communities

A bank that is...

SIMPLE | PERSONAL | FAIR



Show respect



Truly listen



Keep promises



Talk straight



Embrace change



Support people



Bring passion



Actively collaborate

- We are **delivering** ahead of plan on our 3-year commitments and increased our 2018 RoTE target to **>11.5%**
 - We are driving a **cultural and digital transformation**: Attracting the **best talent**, delivering **customer value** whilst achieving **best in class efficiency and growing EPS, TNAVPS and cash DPS**
 - In parallel we are investing in **Global Platforms** at low cost and risk to continue delivering customer and shareholder value for decades to come



Thank you

Our purpose is to help people and businesses prosper.

Our culture is based on the belief that everything we do should be

Simple | Personal | Fair

