Ana Botin

Group Executive Chairman

Opening Presentation





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STRATEGY UPDATE

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Note: The businesses included in each of our geographical segments and the accounting principles under which their results are presented here may differ from the businesses included in our public subsidiaries in such geographies and the accounting principles applied locally. Accordingly, the results of operations and trends shown for our geographical segments may differ materially from those disclosed locally by such subsidiaries.

Content

Our delivery since the last Investor Day

Update on our commercial transformation

3 **Looking forward and key takeaways**

Our delivery since the last **Investor Day**

Clear purpose 'Helping people and businesses prosper'

Strategic focus on people, culture and customers

Customer loyalty

Digital excellence

Simple, Personal, **Fair**

Unique and strong foundations

Geographic diversification with critical mass

Clear focus on retail and commercial banking

Best-in-class efficiency

Balance sheet quality

Predictability of earnings through the cycle



Sustainable and high RoTE to enable us to capture the growth opportunity



Grow cash DPS

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In our last Investor Day we shared our strategy and strategic priorities



In a context significantly worse than the one expected during last year's Investor Day...

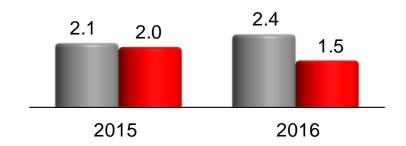




Euribor Yield Curve 0.2% 0.0% -0.2%

Low and lower than expected GDP growth

GDP Growth (Average of Santander Countries), %



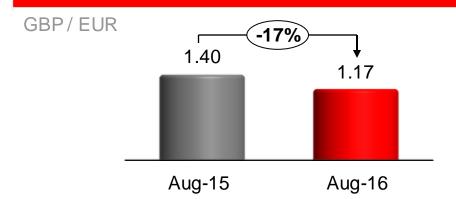
UK EU referendum

3M

6M

9M

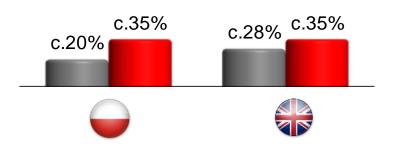
1Y



2M

Higher regulatory and tax pressure

Expected effective tax charge for 2016 as % of PBT



Source: Bloomberg

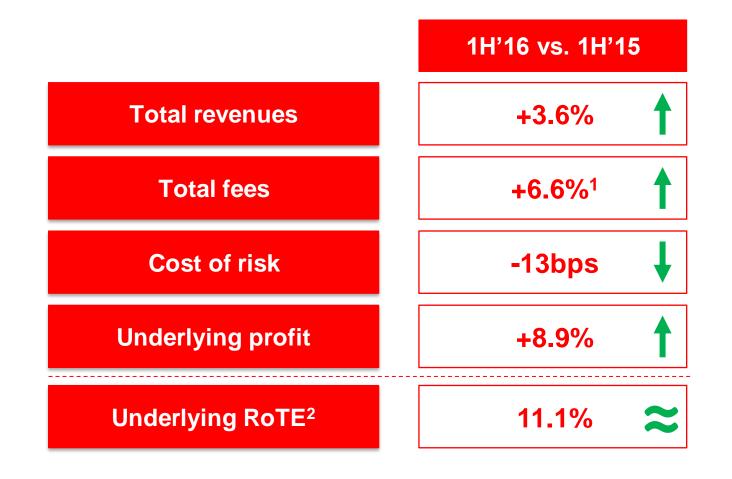
-0.4%

1W

1M

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...Santander is delivering strong financial and operating performance...



Note: Currency neutral

(1) +7.7% including perimeter: PSA and Banco Internacional do Funchal (2) 1H'16 figure

...as it delivers for its people and communities, making progress on Cultural Change

A strong internal culture Simple | Personal | Fair

Supporting people in our local communities



More than 3/4 of our employees support the new culture¹



6th position and 1st European Bank³



>7 pp vs. average of financial services employees¹



1,195 universities supported and 31k students awarded scholarships



+22 pp improvement in work-life balance¹



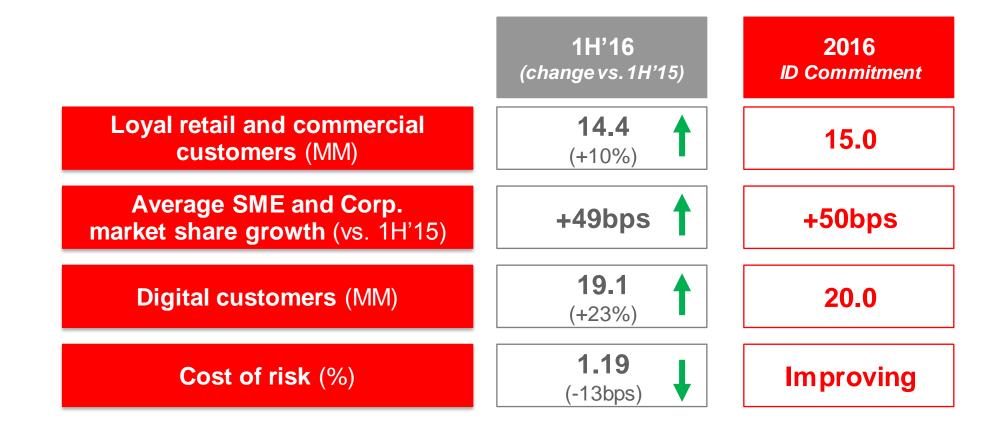
900k people supported in local communities²

(1) Internal survey 2015 to which 150,000+ Santander employees responded. Work-life balance improvement is compared versus 2014. Employee commitment measured versus financial services standard. 2016 Global Engagement Survey in progress (2) In 1H'16 (3) Among the 198 banks included in the Dow Jones Sustainability Indexes

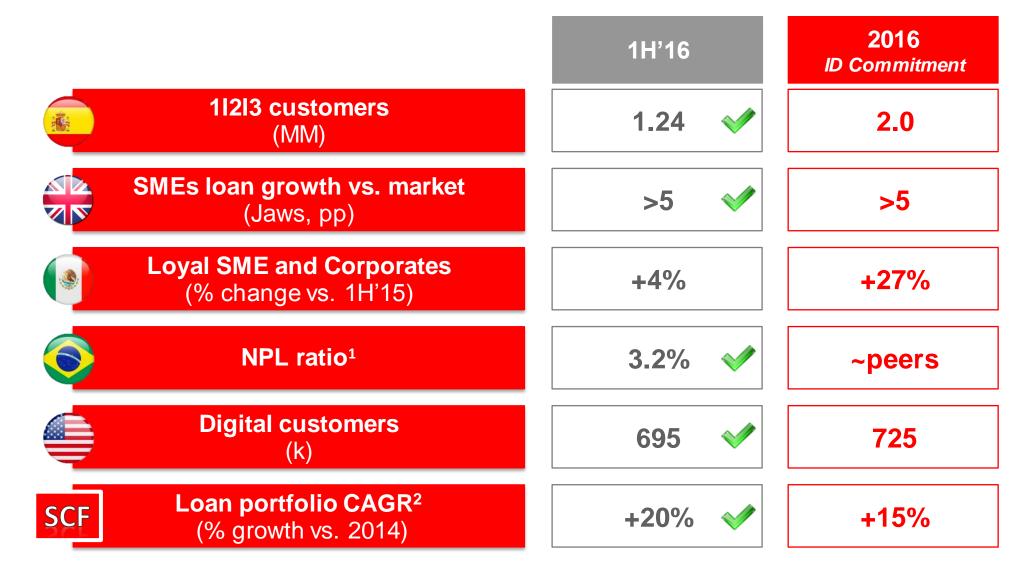


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On track towards last year's Investor Day commitments for 2016 at Group level...



...and at country level



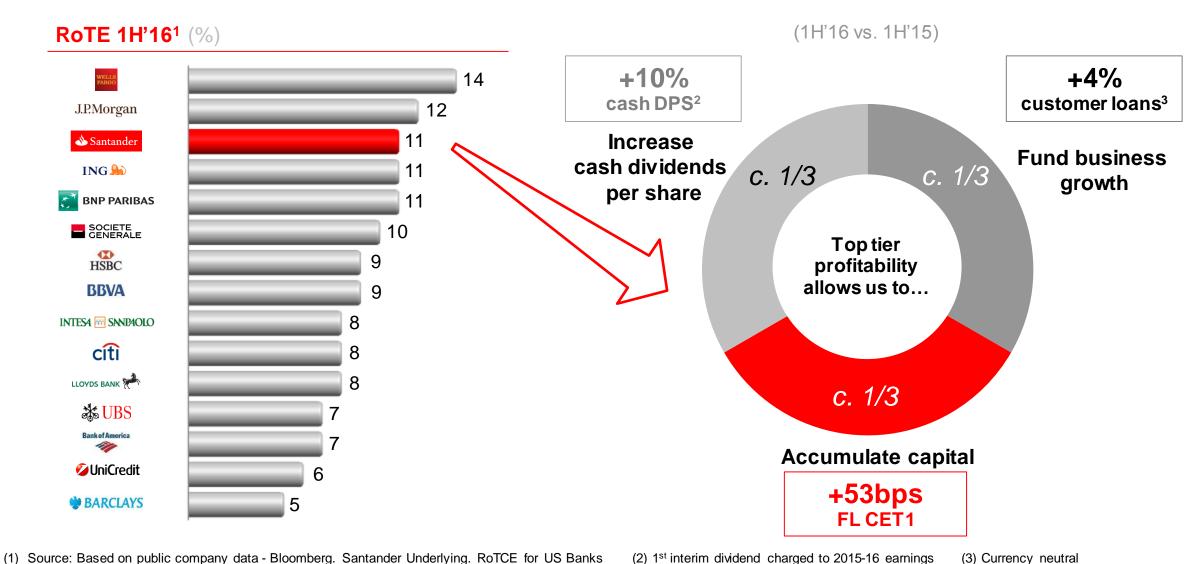
⁽¹⁾ BR GAAP

GROUP STRATEGY

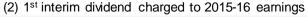
UPDATE

All SCF countries (excluding SC UK). 1H'16 corresponds to 2015 FY figures

Our business model allows us to fund profitable growth, increase cash dividend per share and accumulate capital





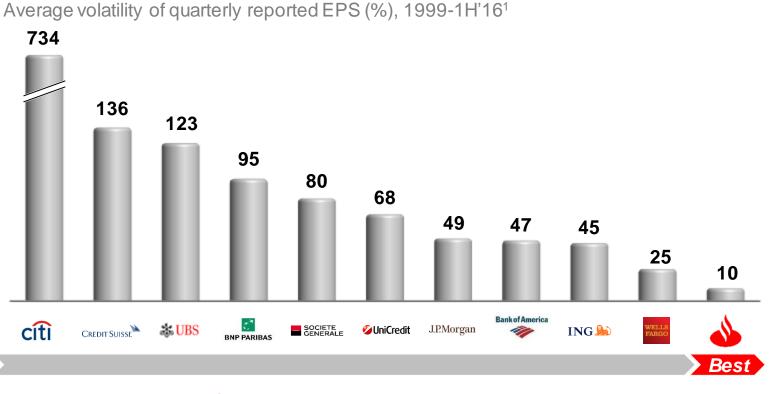


(3) Currency neutral

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Predictable and growing earnings through the cycle

Santander has the lowest volatility in earnings among peers...



Profitability has proven **strong** and stable over time

...with growing profits

Statutory profit growth, CAGR (%), 1998 vs. 2015























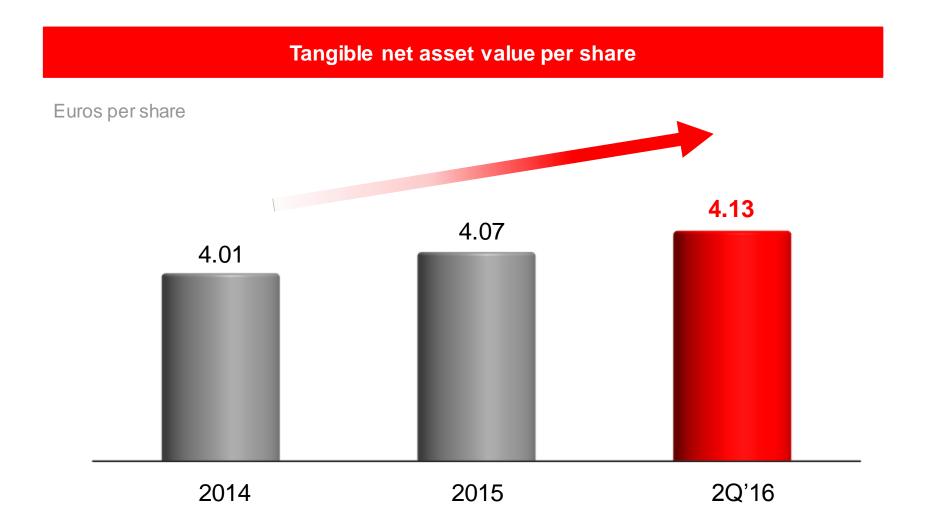


Note: GAAP criteria

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⁽¹⁾ The analysis takes the quarterly EPS to 1H'16, starting from the first available data since Jan'99

Growing shareholder's value



GROUP STRATEGY UPDATE

Update on our commercial transformation

Our model has unique competitive advantages as it combines:



Critical mass in retail+commercial banking in 9+1 countries



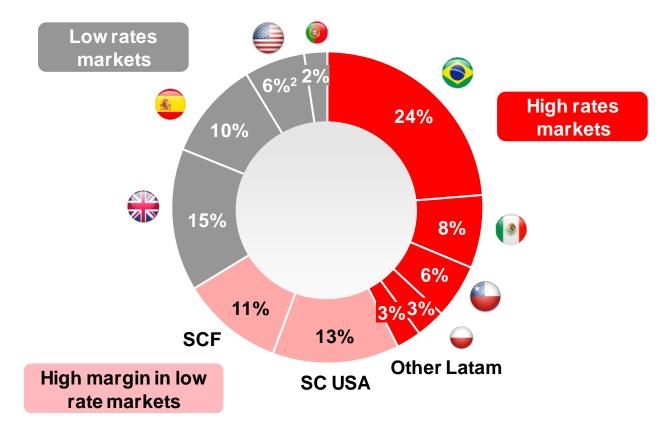
121 million customer relationships



Geographical diversification

Relevant exposure to markets with high interest rates

Net Interest Income, % of total¹



- Does not include Corporate Centre
- USA ex- SC USA

Customer relationships at scale is our core differentiator

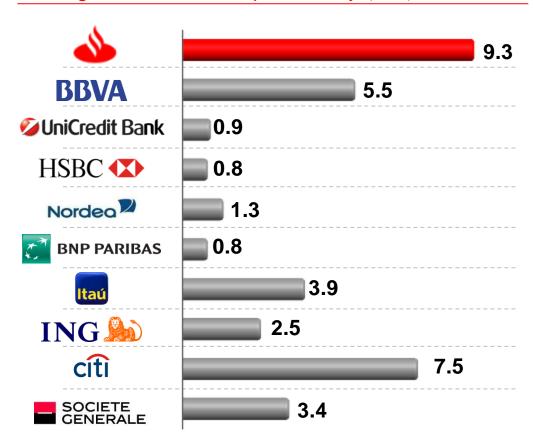
We are the bank with the highest number of top franchises in the world...

Top 5 banks in top 50 markets



...delivering scale in each of them

Average # of customers per country (MM)



Source: McKinsey & Company (citing annual reports, SNL, McKinsey CEE Banking database, Central Banks of Brazil, Spain and Portugal. Average # of customers per country includes only countries where the Bank has relevant retail banking presence)



Progress in our commercial transformation

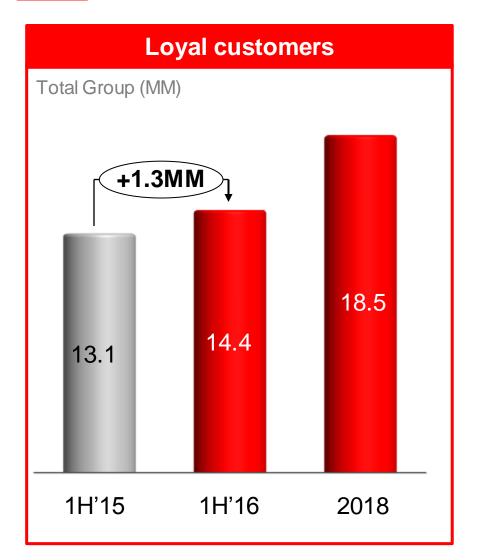
Commercial and digital transformation around the customer

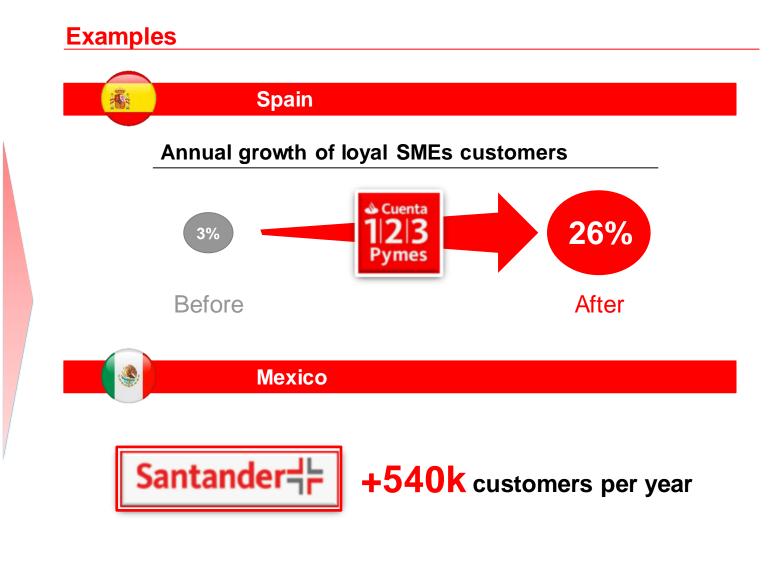
Op. Excellence: best-in-class customer service and cost-to-income

Deliver organic capital generation whilst funding growth



Transforming our commercial model around the customer





UPDATE



Developing digital relationships with our customers



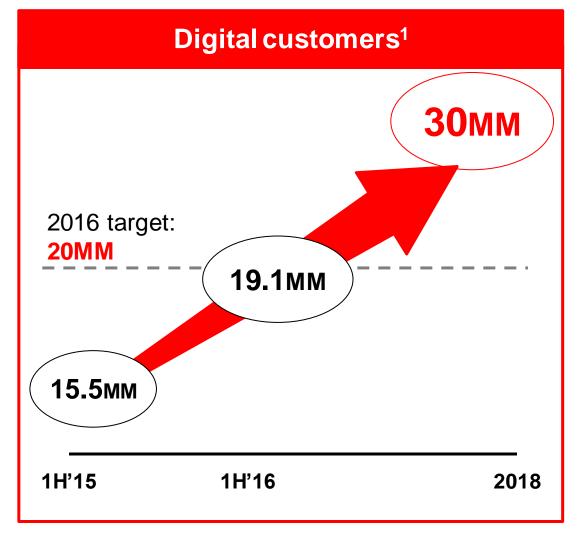
1 out of 3 accounts opened in digital channels



One 1|2|3 account opened every minute on digital channels²



Mobile cash loan in 60 seconds

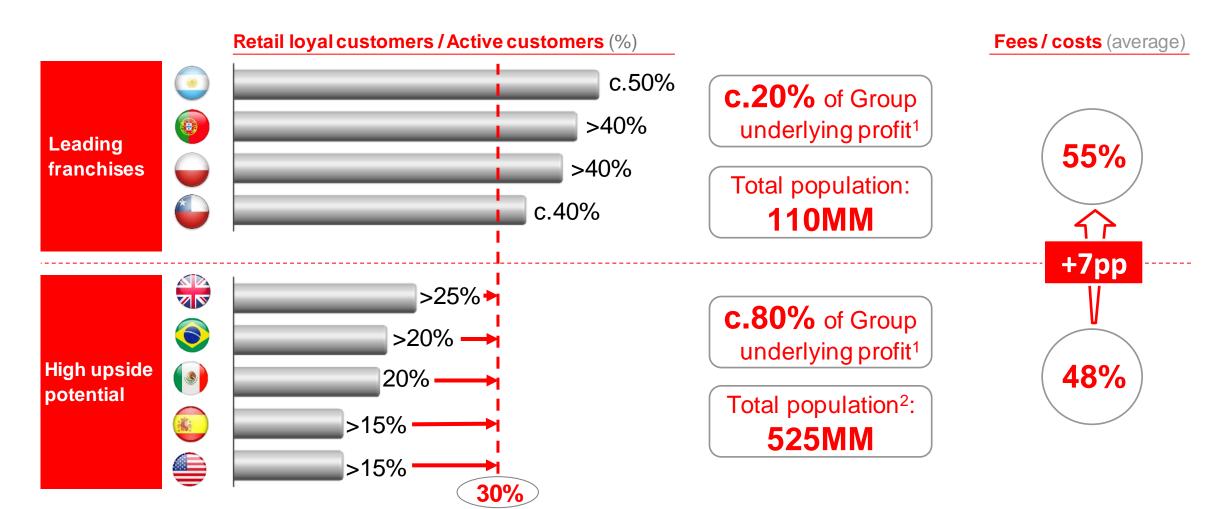


- (1) Person or legal entity, that being a customer of a commercial bank, has logged into his personal area of internet banking, mobile banking or both in the last 30 days
- Applicable to Santander existing customers, opened every weekday minute on digital channels





Unlocking organic profitable growth potential in our core markets through customer loyalty



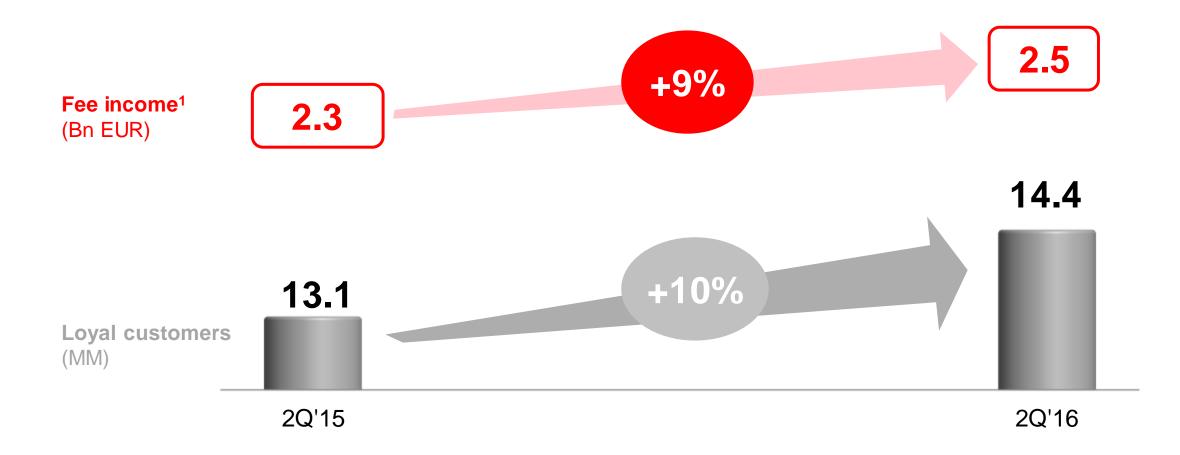
(1) Excluding Corporate Centre, Spain Real State activities, SCF and GCB

(2) USA includes only population of the Northeast and Florida Data as of 2015





Progress in our transformation: customer loyalty drives growth in revenues/fees

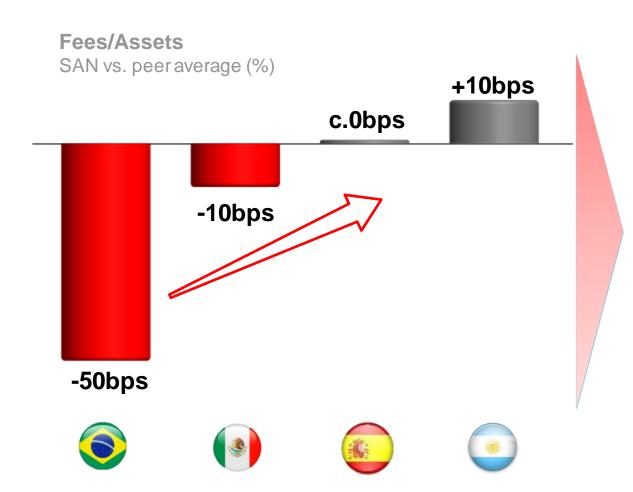


GROUP STRATEGY

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Benefits to be reaped in fee income through our commercial transformation



Opportunity

- €1.3 bn p.a. reaching peer average
- •>€5 bn p.a. reaching best-in-class

Data as of 2015. Opportunity estimated for all countries of the Group



UPDATE



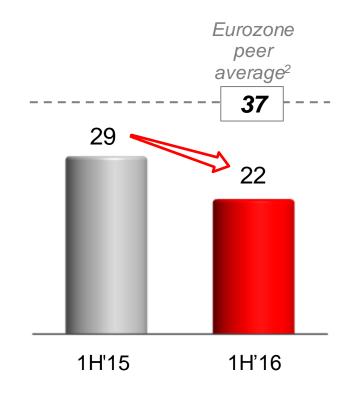
Operational excellence means better cost efficiency...

Best-in-class C/I: Top 2 among peers¹

Cost to income (%) 90 80 70 Global peer average 60 -14pp 50 40 30 20 10 HSBC CITI ING & BBVA

-16% Corporate Centre opex in 2016

Corporate Centre attributable loss/ Underlying attributable profit (%)

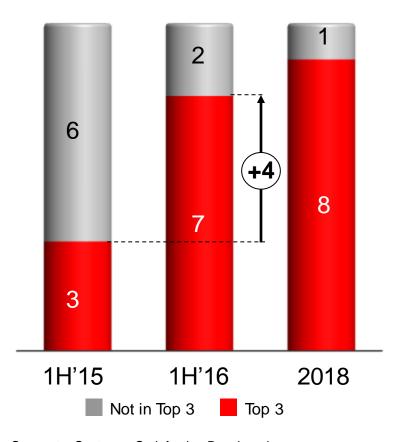


- (1) Source: Based on public company data Bloomberg.
- Societe Generale, BBVA, BNP, Intesa, Unicredit, Credit Agricole



...and improvement in customer experience leveraging technologies

Geographies within Top 3 customer satisfaction¹





Digital process for mortgage business

Time to complete application reduced from up to 3 hours to **<40** min (-75%)



Online "3-click" loan application:

93% of process is paper less = 200k hours less required by our sales force



Biometrics



Faster and more secure

Mexico: used by c.30% of

active customers

Brazil: **+4MM** customers

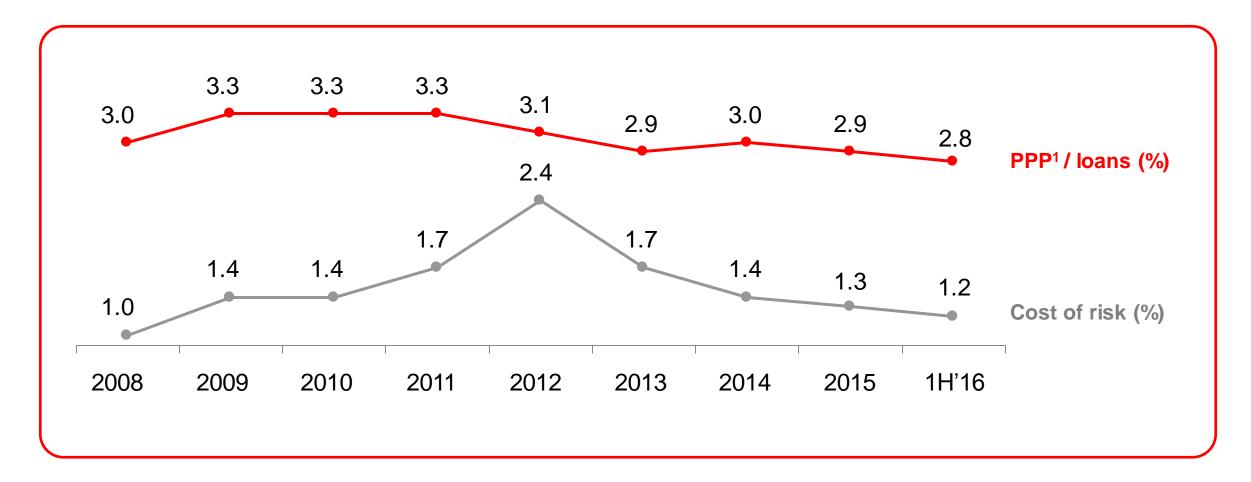
in 10 months

(1) Source: Corporate Customer Satisfaction Benchmark





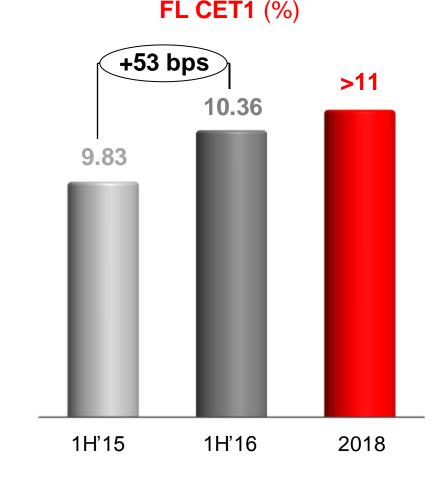
Recurrent and sustainable pre-provision profit while containing cost of risk...





...allows to fund profitable growth, increase cash dividend per share and accumulate capital organically

- Committed to accumulate organically 10bps CET1 on average per quarter
- **2** RWA growth below profit and lending growth
- **3** Plans to better manage regulatory capital at a bottom-up basis
- Capital and M&A discipline across the Group



Looking forward and key takeaways

On track to meet all of our 2016/17 commitments

	2015	1H'2016	2016/17 commitments
Loyal customers (MM)	13.8	14.4	15 / 17
Digital customers (MM)	16.6	19.1	20 / 25
Fee income ¹	3.0%	6.6%	Increase
Cost of risk	1.25%	1.19%	Improve
Cost to income	47.6%	47.9%	Stable
EPS (€)	0.40	0.19 (1st half)	Increase
DPS² (€)	0.050	0.055	Increase
TNAV / share (€)	4.07	4.13	Increase
FL CET1	10.05%	10.36%	+40bps per year

⁽¹⁾ Currency neutral YoY growth. As of 1H'16: +7.7% including perimeter: PSA and Banco Internacional do Funchal (2) 1st interim dividend charged to 2015-16 earnings



Reaffirming our key shareholder metrics, increasing EPS in 16/17, reaching double digit by 2018, and growing DPS and TNAV per share

Top 3 bank to work for in the majority of our geographies

- 17MM retail Loyal Customers
- 1.6MM loyal SMEs and Corporates
- Customer loans growth above peers
- All geographies top 3 in customer service*
 - 30MM digital customers (x2)
 - c.10% CAGR of fee income 2015-18

People supported in our communities: 4.5MM 2016-18

"To be the best retail and commercial bank, earning the lasting loyalty of our people, customers, shareholders and communities"

Communities

People

Shareholders

Customers

- Cost to income ratio 45-47%
- 2015-18 average cost of risk 1.2%
- FL CET1 > 11%

c.130k **scholarships** 2016-18

- Increasing EPS, reaching double digit growth by 2018
- 30-40% cash dividend pay-out: Yearly DPS increase
- RoTE > 11%

^{*} Except for the US - approaching peers



Our commercial transformation will increase profitability as improved customer experience drive loyal and digital customer growth



Our team, and a culture of doing things in a way that is Simple, Personal and Fair are the cornerstone of our strategy



Our model offers best-in-class predictability of results through the cycle as well as leading efficiency and RoTE



The strength of our balance sheet and returns allow us to fund our growth, pay growing cash DPS and accumulate capital



We are on plan to deliver our 2016-18 commitments

Simple Personal Fair