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# Ana Botín

Group Executive Chairman

**Closing Presentation**

**GROUP  
STRATEGY  
UPDATE**

LONDON, 30 SEPTEMBER

Simple | Personal | Fair



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# Content

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# 1

## Santander's 2025 Vision



# Our model has unique competitive advantages as it combines:



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



**121 million customer relationships**

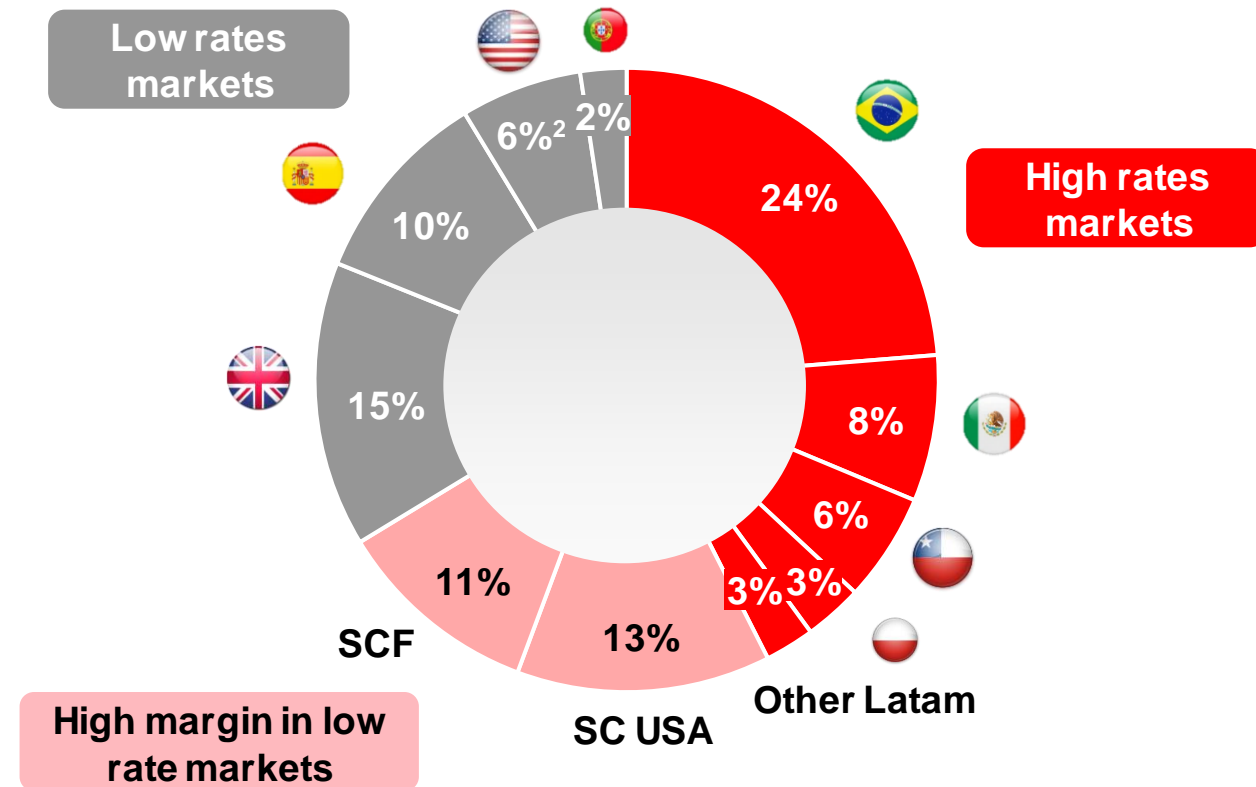


**Geographical diversification**



**Relevant exposure to markets with high interest rates**

Net Interest Income, % of total<sup>1</sup>



(1) Does not include Corporate Centre  
 (2) USA ex- SC USA

# Our transformation in three horizons

2015

## Foundations for our transformation

- Reinforced **capital base**
- Strengthened **governance and team**
- New **strategy and culture**

Foundations for the bank we want to be in 10 years

2018

## Investor day Targets

- **18.5MM loyal** customers and **30MM digital** customers
- **Operational excellence:** C/I 45% - 47% and Top 3 in customer experience
- Organic **capital accumulation**
- **Simple | Personal | Fair** culture

Increasing TNAV/Share, DPS, reaching double digit EPS growth by 2018

2025

# Santander's 10 year vision

# What will Santander look like in 2025?

*To be the best  
Retail and  
Commercial Bank,  
earning the lasting  
loyalty of our  
people, customers,  
shareholders and  
communities*

**Loyalty and  
customer  
experience**

- **Focus on Retail and Commercial Banking**
- **Further developing GCB and Consumer Finance**
- **New digital businesses built on loyalty**

**People and  
culture**

- **Helping people and businesses prosper**
- **Simple | Personal | Fair**

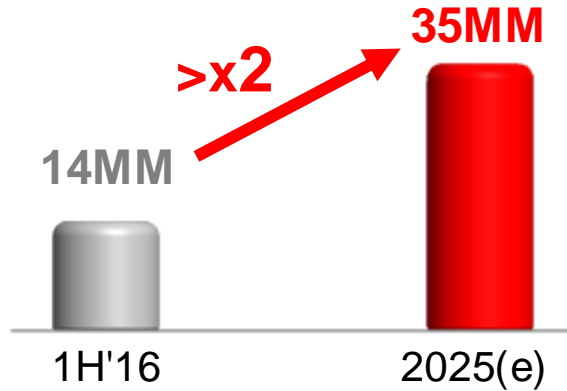
**Operational  
excellence**

- **Open digital financial services platform**



# Customer loyalty and excellent customer experience at the core of our strategy

Growth in loyal customers...



...driving growth in fees

**+€2-3 bn  
PAT**

AM, Insurance and Wealth management

## SMEs & Corporates: International business / GCB

Increased loyalty means **x4-5** more profitable



Santander trade corridors profit pool:

**\$27 bn**

We aim to be the main bank on the key commercial corridors within the group

GCB opportunity...

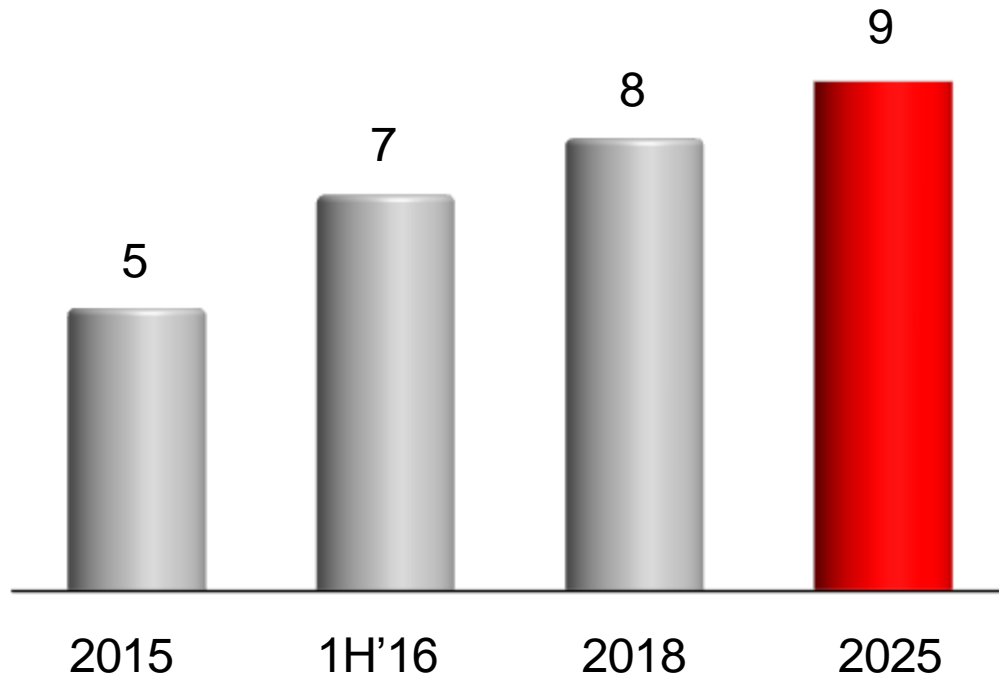
...capturing our full international connectivity potential

**x2 PAT**

# Talent and leveraging technologies

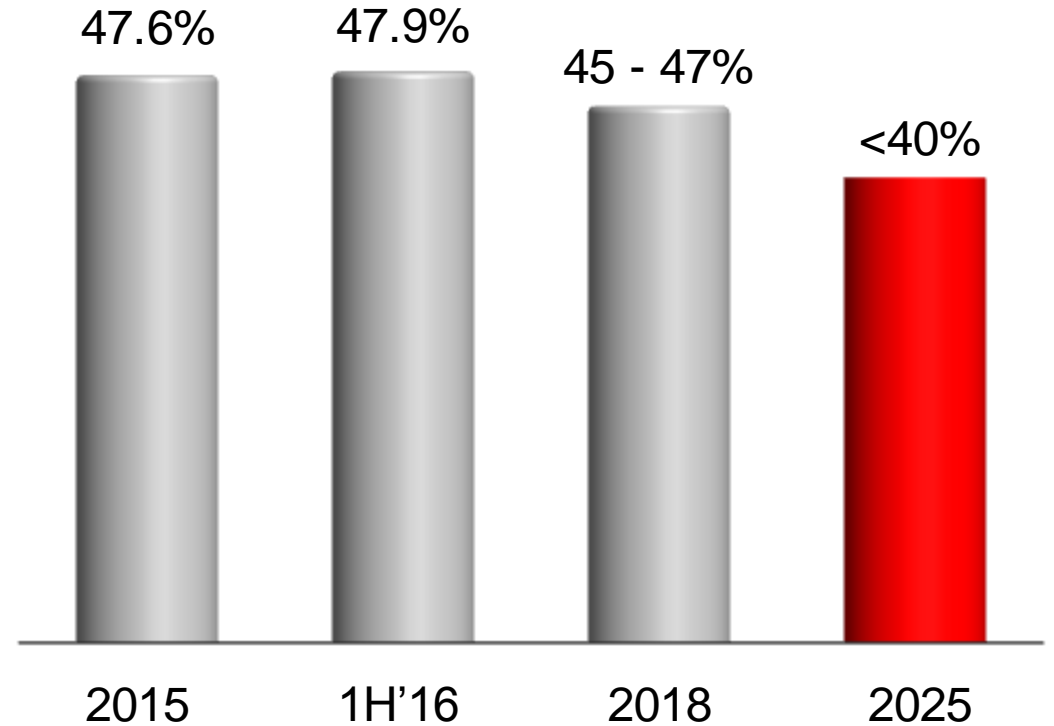
## Customer experience comparable with leading digital companies

# countries in TOP 3 of customer satisfaction<sup>1</sup>



## Best-in-class cost efficiency

C/I



(1) Source: Corporate Customer Satisfaction Benchmark

# Operating and financial 2025 aspirations

*To be the best  
Retail and  
Commercial Bank,  
earning the lasting  
loyalty of our  
people, customers,  
shareholders and  
communities*

## Loyalty and customer experience

- c.35MM **loyal customers**
- c.60MM **digital customers**
- **Top 3 customer service** in all countries
- **Fee income > 70% of operating cost**

## People and culture

- Top 10 **Company to work for** in all countries
- 15MM **people supported**

## Operational excellence

- **Minimal manual operating processes**
- 40% reduction in **IT cost/customer**
- **C/I < 40%**



# 2

## Closing remarks

# Santander is delivering strong financial and operating performance




	1H'16 vs. 1H'15
Total revenues	+3.6% ↑
Total fees	+6.6% <sup>1</sup> ↑
Cost of risk	-13bps ↓
Underlying profit	+8.9% ↑
Underlying RoTE <sup>2</sup>	11.1% ≈

Note: Currency neutral

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

# Our main geographies are evolving positively (1/2)

1H'16




	Loyal Cust. growth	C/I	RoTE	Key highlights
 <b>Spain<sup>1</sup></b>	+18%	52.8%	12.0%	<ul style="list-style-type: none"> <li>▪ <b>1.2MM</b> 1 2 3 Customers</li> <li>▪ Improved <b>customer experience</b></li> </ul>
 <b>UK</b>	+4%	52.5%	9.9%	<ul style="list-style-type: none"> <li>▪ <b>4.9MM</b> 1 2 3 customers</li> <li>▪ <b>+11%</b> YoY corporate loans</li> </ul>
 <b>Brazil</b>	+10%	39.2%	13.7%	<ul style="list-style-type: none"> <li>▪ <b>4MM<sup>2</sup></b> customers with biometric access</li> <li>▪ <b>Stable cost of risk</b></li> </ul>

(1) Spain management perimeter

(2) Data as of Aug'16

# Our main geographies are evolving positively (2/2)

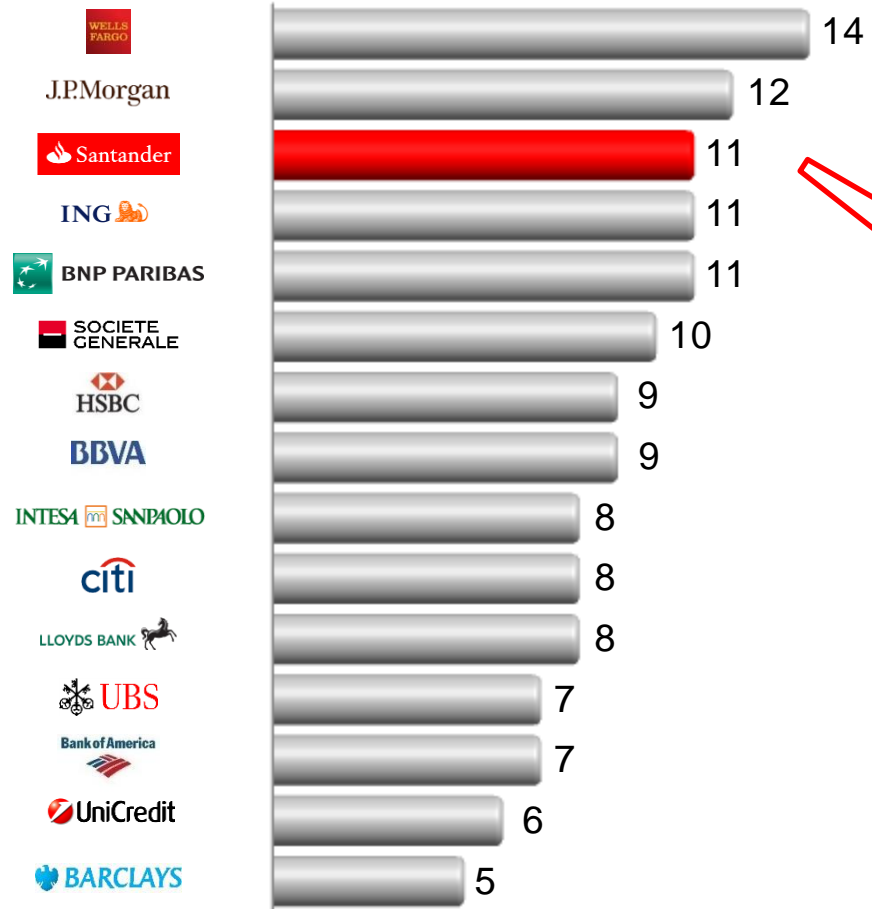
1H'16

	Loyal Cust. growth	C/I	RoTE	Key highlights
 <b>Mexico</b>	<b>+17%</b>	<b>40.5%</b>	<b>13.6%</b>	<ul style="list-style-type: none"> <li>▪ <b>+200k</b> 'Santander Plus' customers</li> <li>▪ Above market loan growth: <b>16%</b></li> </ul>
	<b>+4%</b> new active customers <sup>1</sup>	<b>45.0%</b>	<b>14.7%</b>	<ul style="list-style-type: none"> <li>▪ Leadership in Europe</li> <li>▪ Strong loan growth (<b>+14%</b>) with improving cost of risk <b>-36bps</b></li> </ul>
	<b>+9%</b>	<b>46.7%</b>	<b>16.6%</b>	<ul style="list-style-type: none"> <li>▪ <b>c. 1/5</b> of Group's profit</li> </ul>

(1) Excluding Banque PSA agreement

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

**RoTE 1H'16<sup>1</sup> (%)**

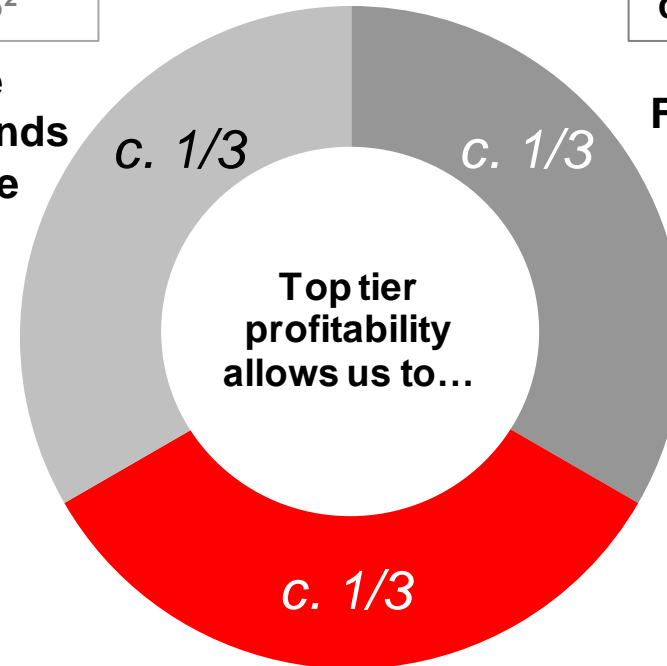


**+10% cash DPS<sup>2</sup>**

**Increase cash dividends per share**

**+4% customer loans<sup>3</sup>**

**Fund business growth**



**Accumulate capital**

**+53bps FL CET1**

(1) Source: Based on public company data - Bloomberg. Santander Underlying. RoTCE for US Banks

(2) 1<sup>st</sup> interim dividend charged to 2015-16 earnings

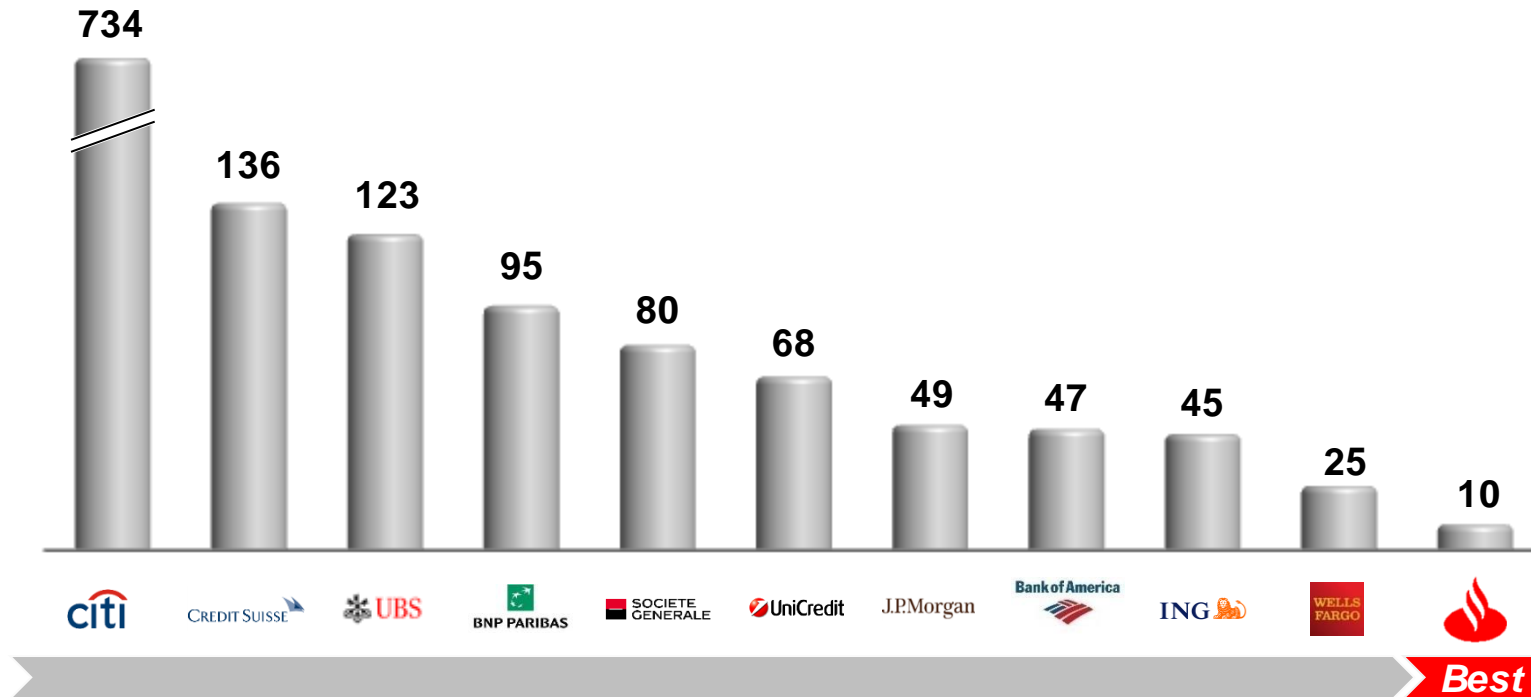
(3) Currency neutral



# Predictable and growing earnings through the cycle

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

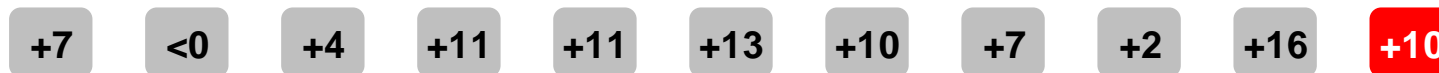
Average volatility of quarterly reported EPS (%), 1999-1H'16<sup>1</sup>



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

## ...with growing profits

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



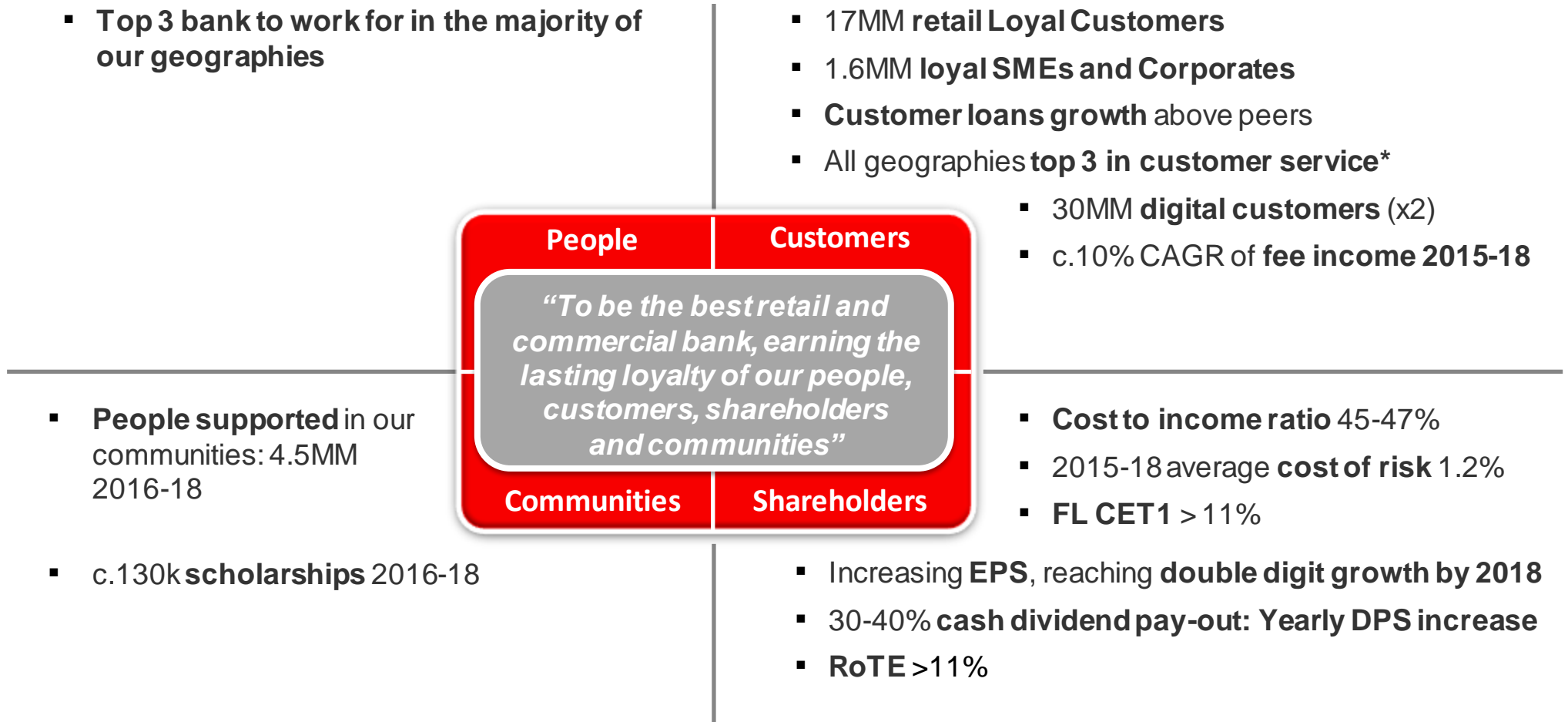
Source: Bloomberg Note: GAAP criteria (1) The analysis takes the quarterly EPS to 1H'16, starting from the first available data since Jan'99

# 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 <sup>1</sup>	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	✓
DPS <sup>2</sup> (€)	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) 1<sup>st</sup> 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



\* 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