

3 April 2019

Santander Investor Day

Ana Botín
Group Executive Chairman

OPENING PRESENTATION



Important Information

Non-IFRS and alternative performance measures

In addition to the financial information prepared in accordance with International Financial Reporting Standards (“IFRS”), 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 operating performance comparisons from period to period. 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 2018 Annual Financial Report, published as Relevant Fact on 28 February 2019. These documents are available on Santander’s website (www.santander.com).

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Santander cautions that this presentation 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 presentation 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. The following important factors, in addition to those discussed elsewhere in this presentation, could affect our future results and could cause outcomes to differ materially from those anticipated in any forward-looking statement: (1) general economic or industry conditions in areas in which we have significant business activities or investments, including a worsening of the economic environment, increasing in the volatility of the capital markets, inflation or deflation, and changes in demographics, consumer spending, investment or saving habits; (2) exposure to various types of market risks, principally including interest rate risk, foreign exchange rate risk, equity price risk and risks associated with the replacement of benchmark indices; (3) potential losses associated with prepayment of our loan and investment portfolio, declines in the value of collateral securing our loan portfolio, and counterparty risk; (4) political stability in Spain, the UK, other European countries, Latin America and the US (5) changes in laws, regulations or taxes, including changes in regulatory capital and liquidity requirements, including as a result of the UK exiting the European Union and increased regulation in light of the global financial crisis; (6) our ability to integrate successfully our acquisitions and the challenges inherent in diverting management’s focus and resources from other strategic opportunities and from operational matters while we integrate these acquisitions; and (7) changes in our ability to access liquidity and funding on acceptable terms, including as a result of changes in our credit spreads or a downgrade in our credit ratings or those of our more significant subsidiaries. Numerous factors, could affect the future results of Santander and could result in those 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.

Important Information

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Historical performance is not indicative of future results

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 period. Nothing in this presentation should be construed as a profit forecast



01

**New team delivers
3-year plan, building
on our foundations**

02

Looking ahead:
Our three-pillar
plan for increasing
profitability

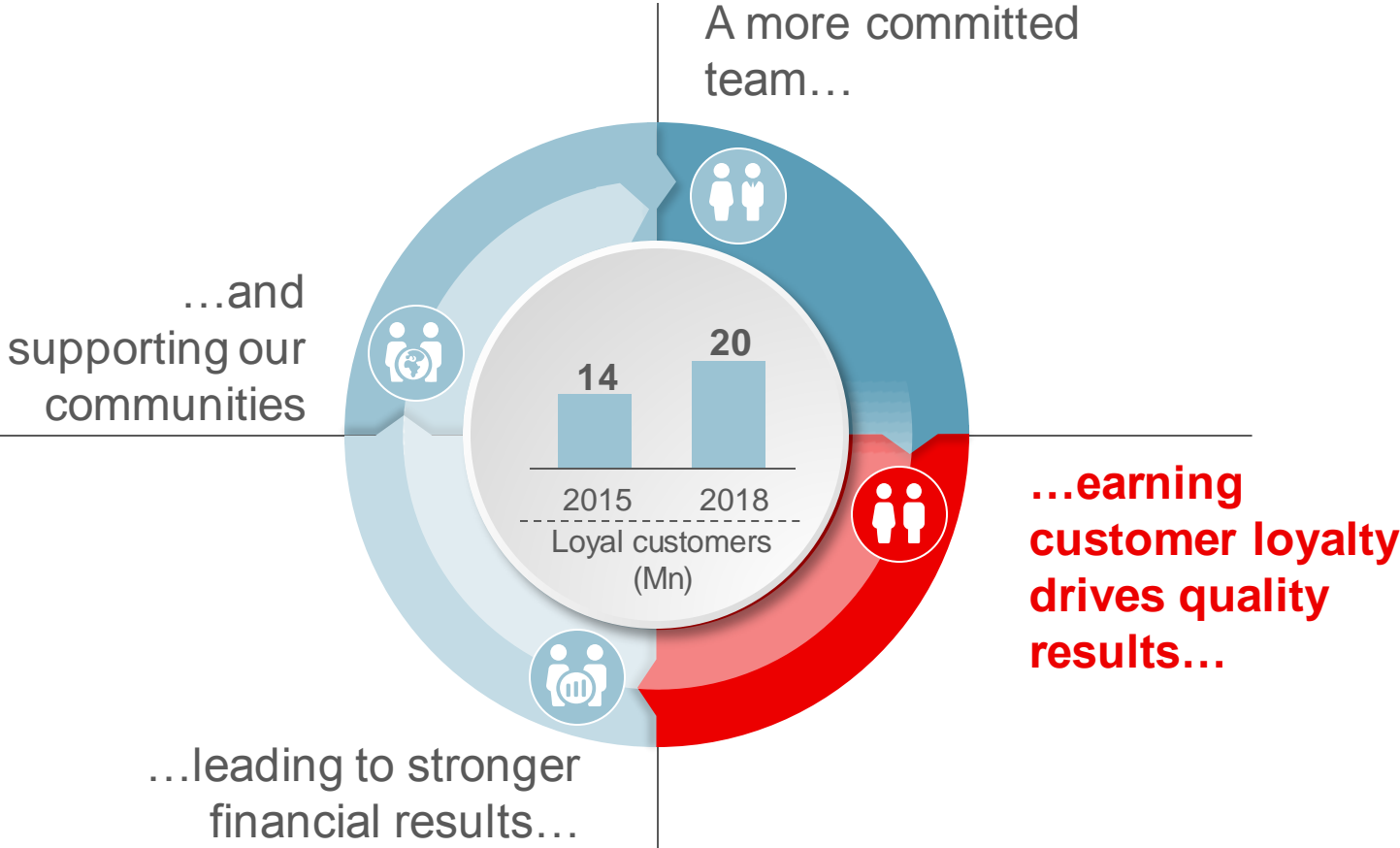
03

Key takeaways
and medium-term
goals

Our strategy: a relentless focus on earning customer loyalty...

Our aim

To be the best open financial services platform, by acting responsibly and earning the **lasting loyalty** of our people, customers, shareholders and communities



...by being **Simple Personal Fair**

Strong execution of our customer loyalty and digital strategy by our new team over the last 3 years

Earn lasting customer loyalty

Be the **bank of choice** for our customers, delivering **superior customer experience**



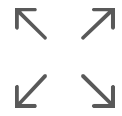
Deliver all products and services through **E2E digital channels** in a **fast and efficient way**

Digitalise our Core Banks

 **Growth**

 **Profitability**

 **Strength**

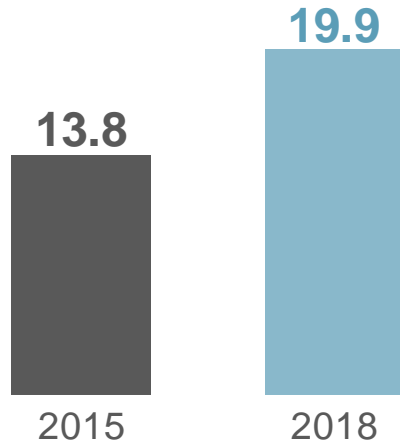


Growth

Increase in loyal and digital customers has delivered sustained top line growth

Loyal customers (Mn)

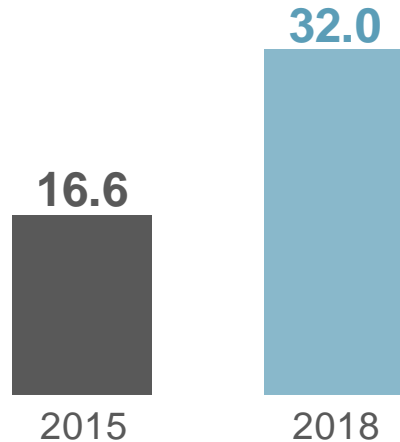
+44%



3.4x higher revenues per customer¹ vs non loyal

Digital customers (Mn)

+93%

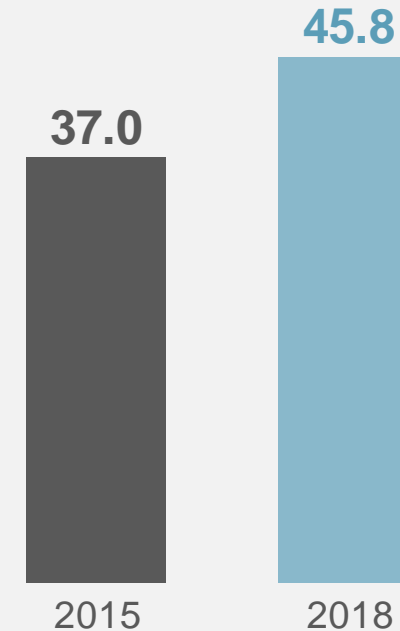


2x higher revenues per customer vs non digital



Customer revenues (Constant €Bn²)

+24%

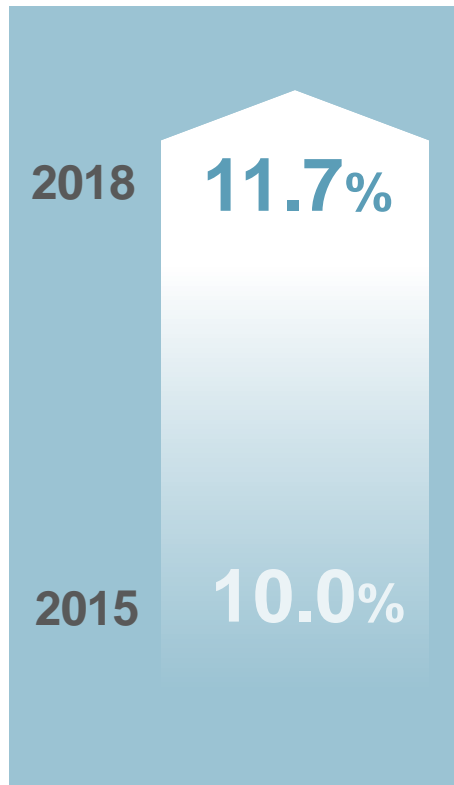




Profitability

Significant improvement in profitability in most geographies over the last 3 years

RoTE



RoRWA

	2015	2018
	1.20%	1.55%
	0.93%	1.32%
	2.01%	2.28%
	2.40%	2.10%
	1.79%	2.19%
	1.88%	1.46%
	1.94%	3.70%
	2.94%	3.77%
	2.17%	2.73%
	1.19%	1.04%

2015

2018

		2015	2018
Capital discipline in growth:	Organic	c. 40% of our capital ¹ with RoTE > CoE	c. 90% of our capital ¹ with RoTE > CoE
	Inorganic	Value-creating acquisitions (Popular, Banif Portugal, DB retail and SMEs Poland, Citi Argentina, SAM minorities, POS ² in Spain) and divestments (All-funds, Wizink, Prisma, Totalbank, Quasar, Metrovacesa, Testa)	

Note: 2015 RoTE figures have been re-stated to reflect the capital increase.

(1) Capital allocated by country.

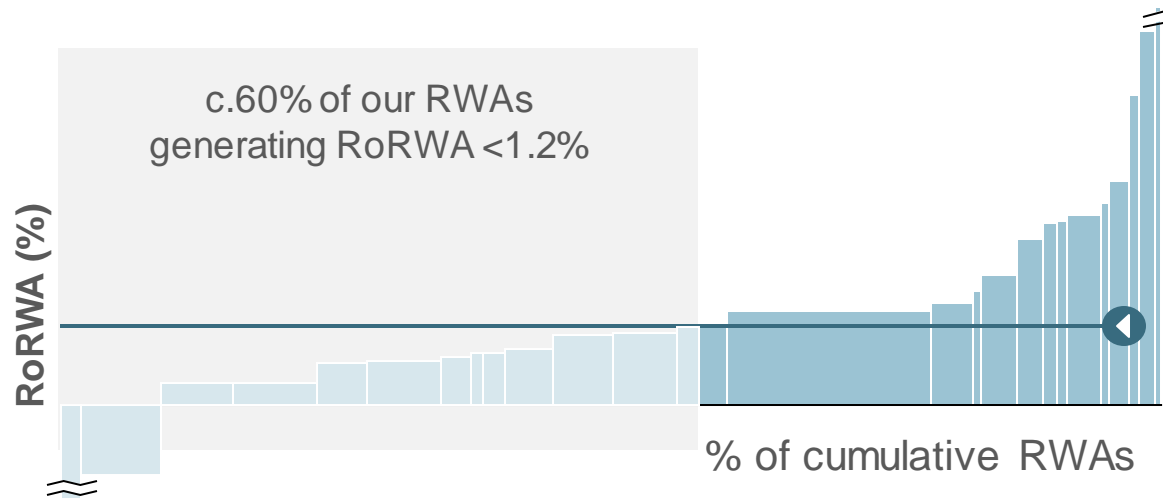
(2) POS: Points of Sale



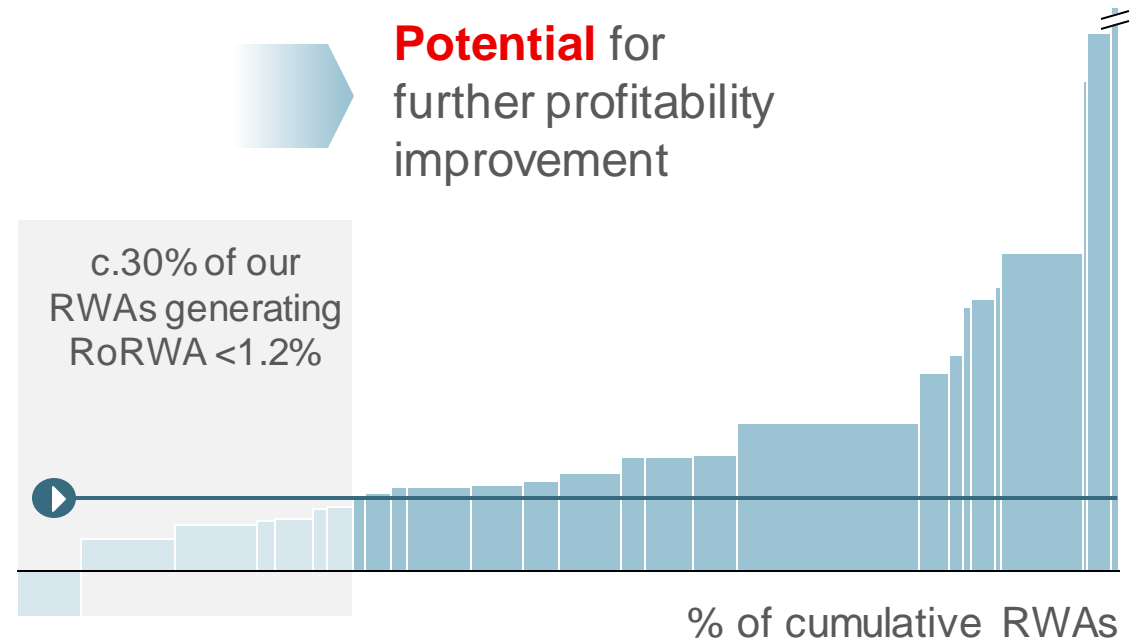
Profitability

Strong progress in our capital allocation by segments/portfolios...

From (2015)...



...To (2018)



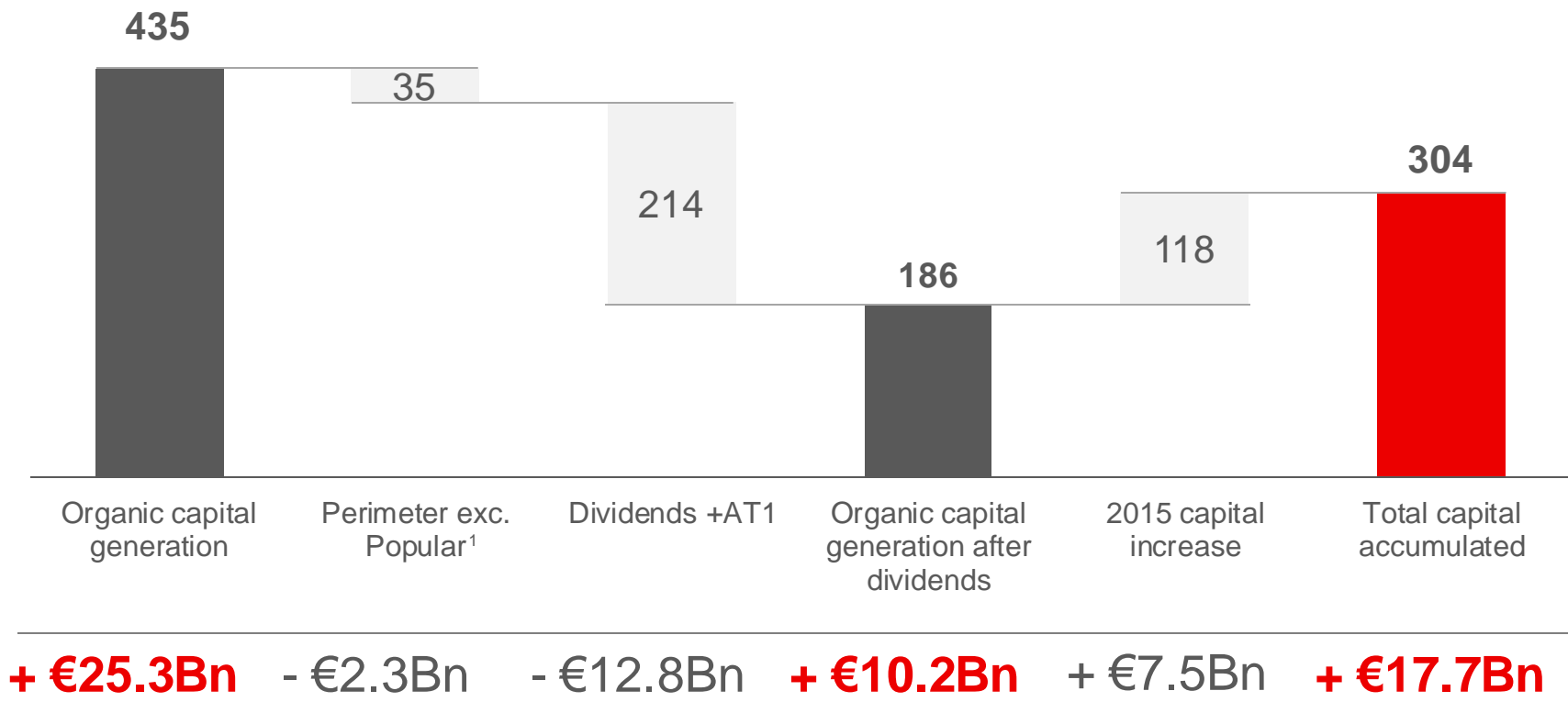
...but still there is more to do



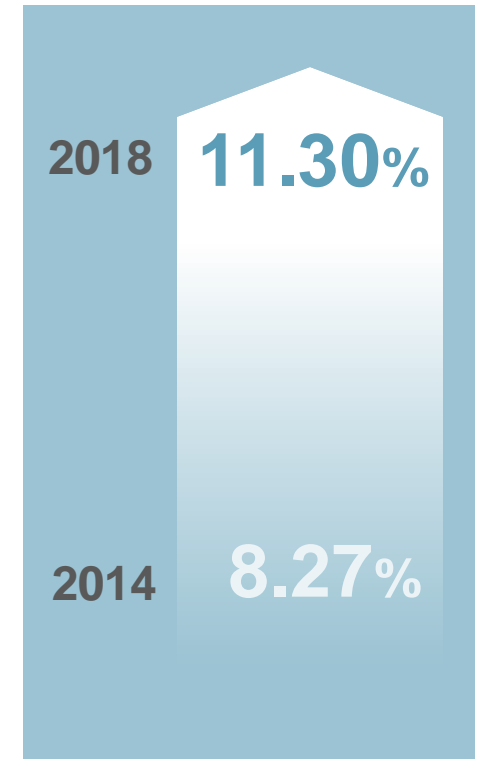
Strength

FL CET1 increased by 304bps as the Group accumulated €18Bn of capital

Capital generation between December 2014 and December 2018 (bps)

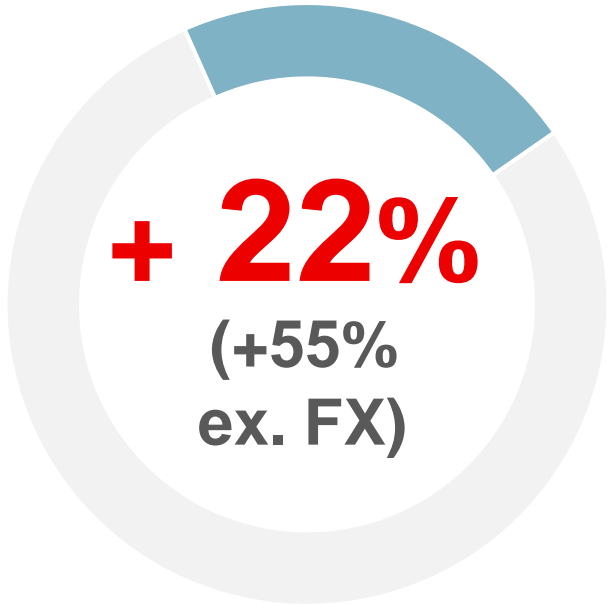


FL CET1

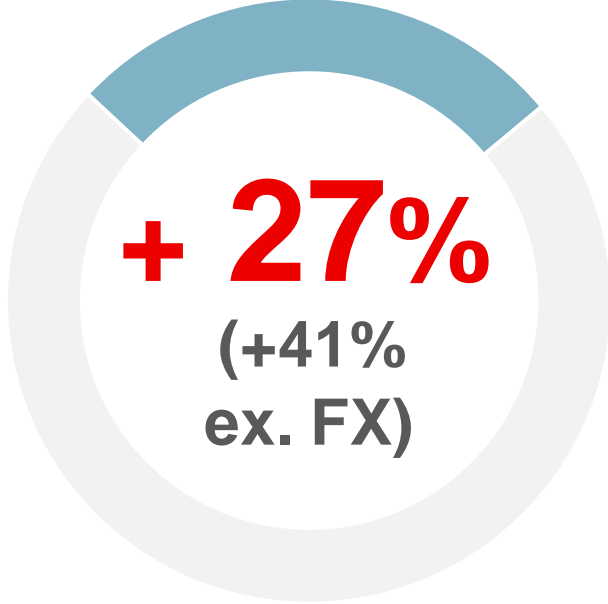


Our 'GPS' has delivered increases of 55% in EPS and 41% in TNAV per share + cumulative cash DPS, excluding FX

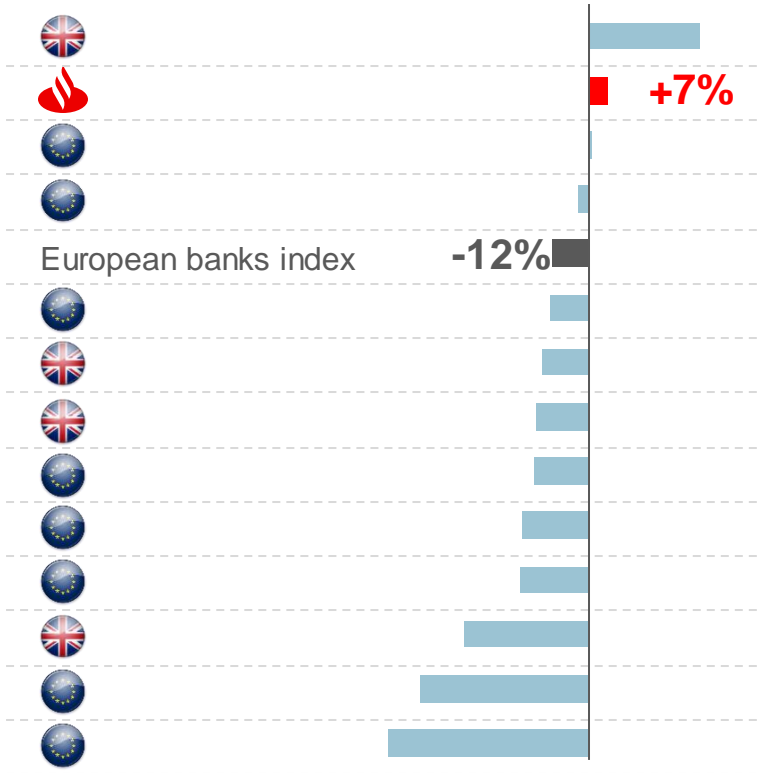
EPS growth¹
2015-18



TNAVps + cum. Cash DPS¹
2015-18

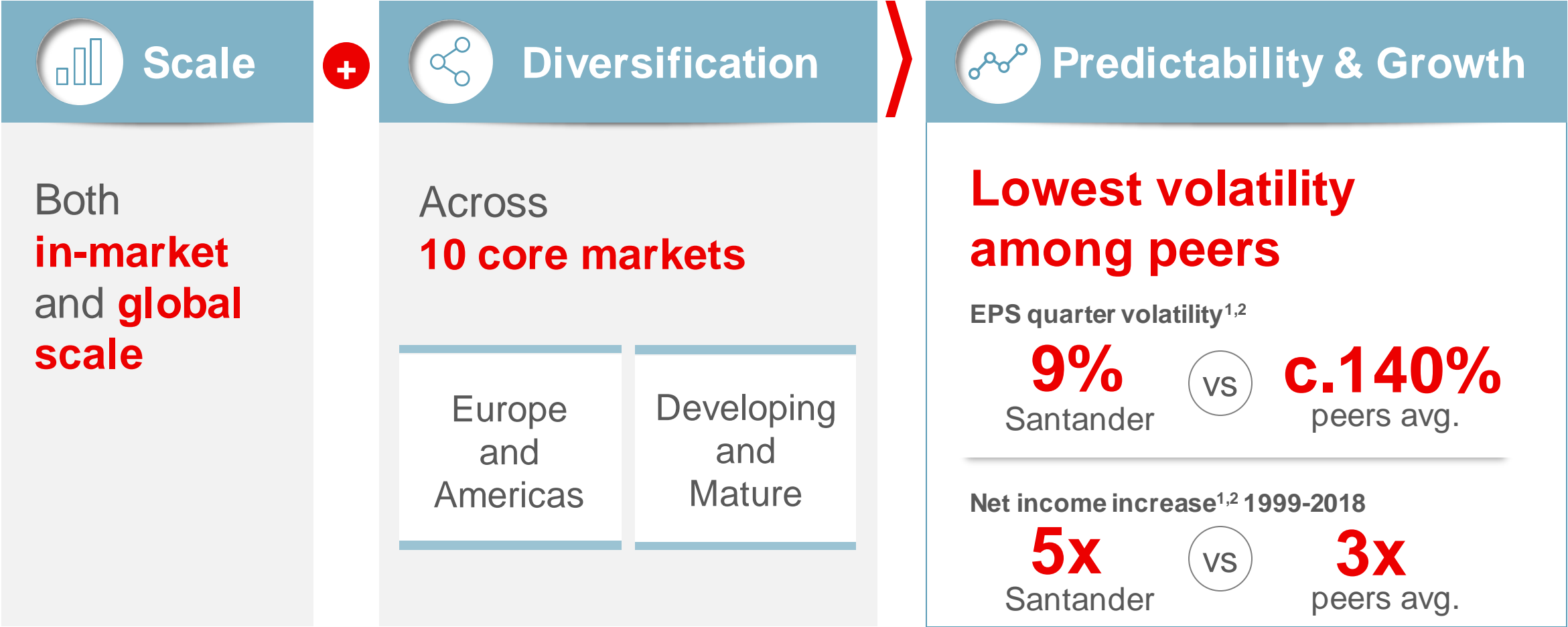


TSR accumulated vs peers
since 2015 Investor Day²



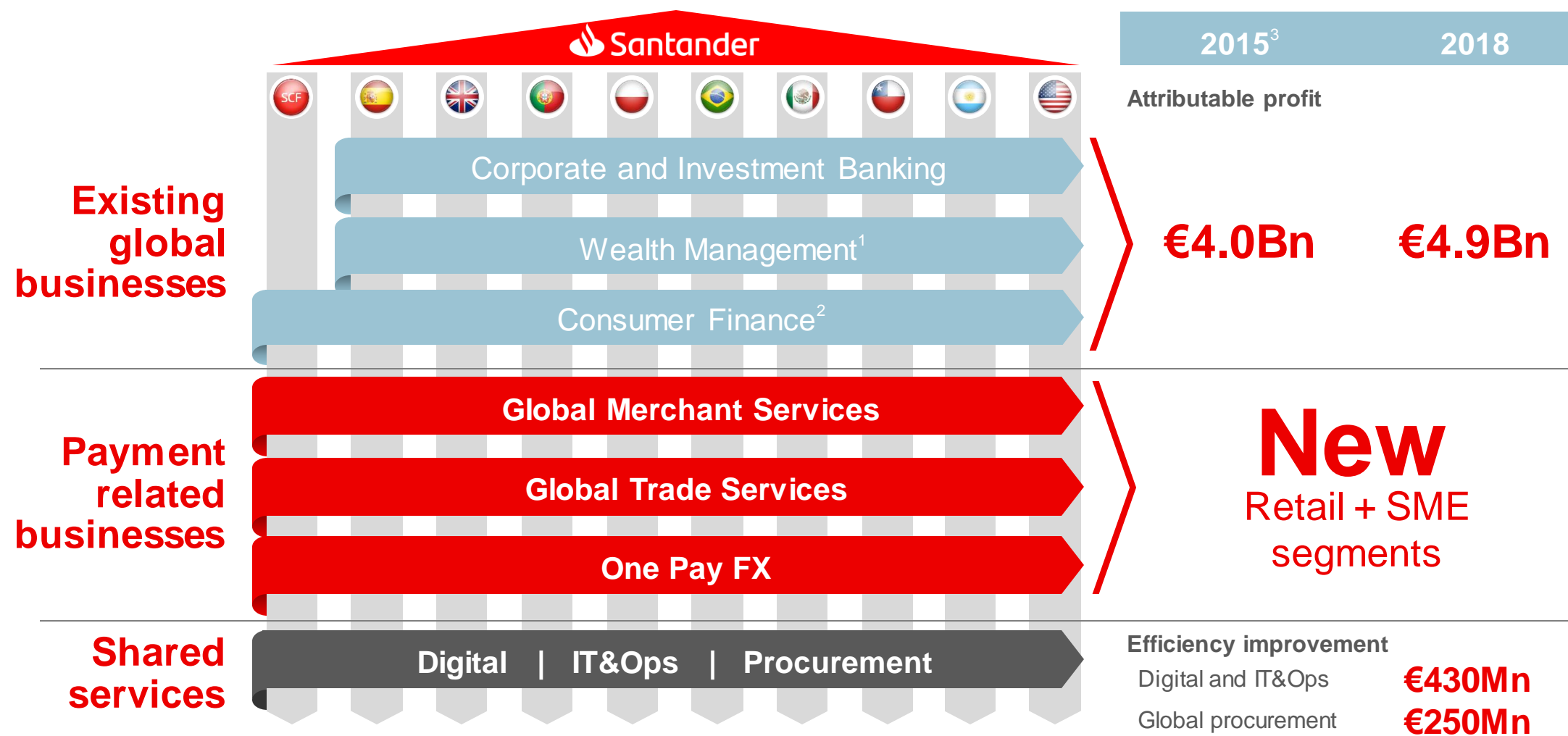
(1) Statutory EPS and TNAVps growth adjusted for the increase in shares from scrip dividends. Figures excluding FX are in constant Euros.
 (2) Source: Bloomberg as of 29/03/19. All figures in EUR. TSR accumulated since 24/09/15.
 Total Shareholder return considering dividends reinvested in the security.
 European banks index: Stoxx Europe 600 Banks (SX7P).
 Peers: Barclays, BBVA, BNP, Deutsche Bank, HSBC, ING, Intesa, Lloyds, Société Générale, Standard Chartered UBS, Unicredit.

We have built on our strong foundations



(1) Source: Bloomberg, as of Dec-18 w ith GAAP Criteria. Note: Standard deviation of the quarterly EPS starting from the first available data since Jan-99.
(2) Peers: Bank of America, BNP, Citi, Credit Suisse, ING, JP Morgan, Société Générale, UBS, Unicredit and Wells Fargo.

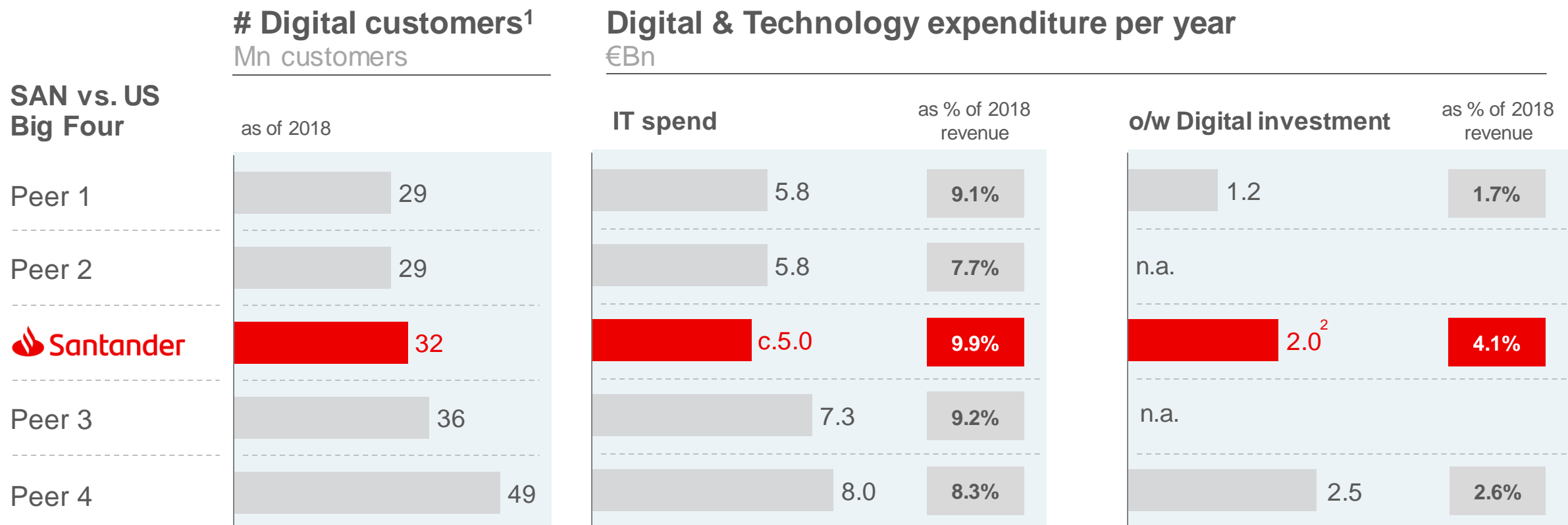
Group knowledge and scale add increasing value to our retail and commercial franchises



(1) Wealth Management including Insurance.
 (2) Global Consumer Finance including SCF, UK LatAm consumer finance operations and SCUSA.
 (3) 2015 figures in constant euros from 2018.

Scale is increasingly a necessary competitive advantage

“At-scale” banks who can invest in digital and technology and generate growth in customers and revenues have a disproportional advantage



(1) Digital customers are users who have logged on through Web or Mobile platforms within the past 30 days for Santander, and in the last 90 days for reference players
 (2) SAN Digital investment expected in 2019
 Source: Annual reports, Press releases
 Peers: Bank of America, Citi, JP Morgan, Wells Fargo

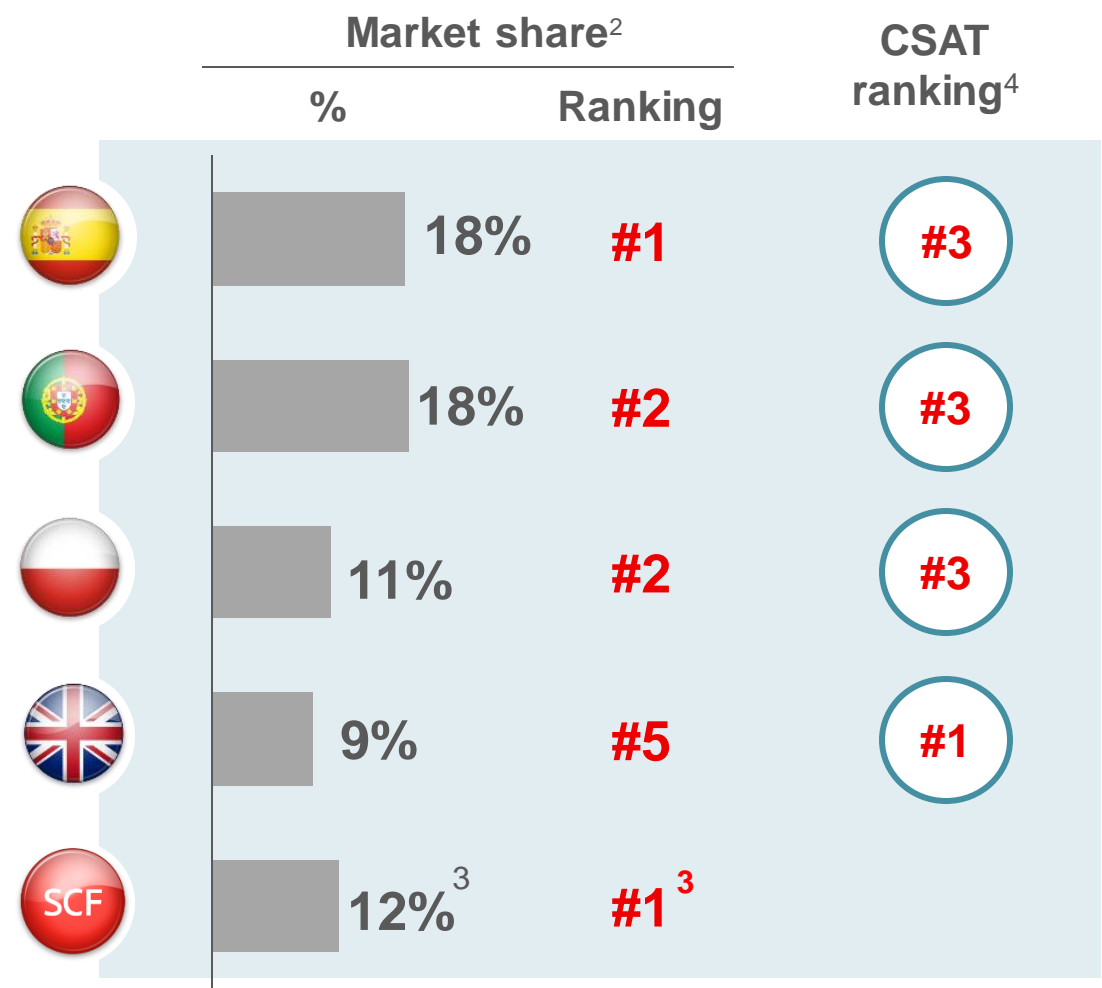
European franchise strongly positioned to improve profitability

Present in the most profitable banking markets

Leveraging on Openbank, our 100% digital full service bank, to grow in new markets

Deliver customer **growth** focusing on superior **experience** and best in class **efficiency**

c.1.2Mn customers, **38%** loyal/active (+28% loyal customer growth 2016-18¹)
+59% increase in transactions in 2016-18¹



(1) Since Launch in 2016.
 (2) Loans market share: latest data available, including individuals and corporates.
 (3) SCF market share calculated as retail new car financing over total market passenger cars registrations. Ranking of independent car finance players.
 (4) Latest data available. CSAT: Customer Satisfaction internal benchmark of active customers' experience and satisfaction audited by Stiga / Deloitte.

We are the LatAm bank, giving us a unique structural growth opportunity

Large economies with high growth prospects

c.600Mn

total population¹

c.3%

combined GDP CAGR²

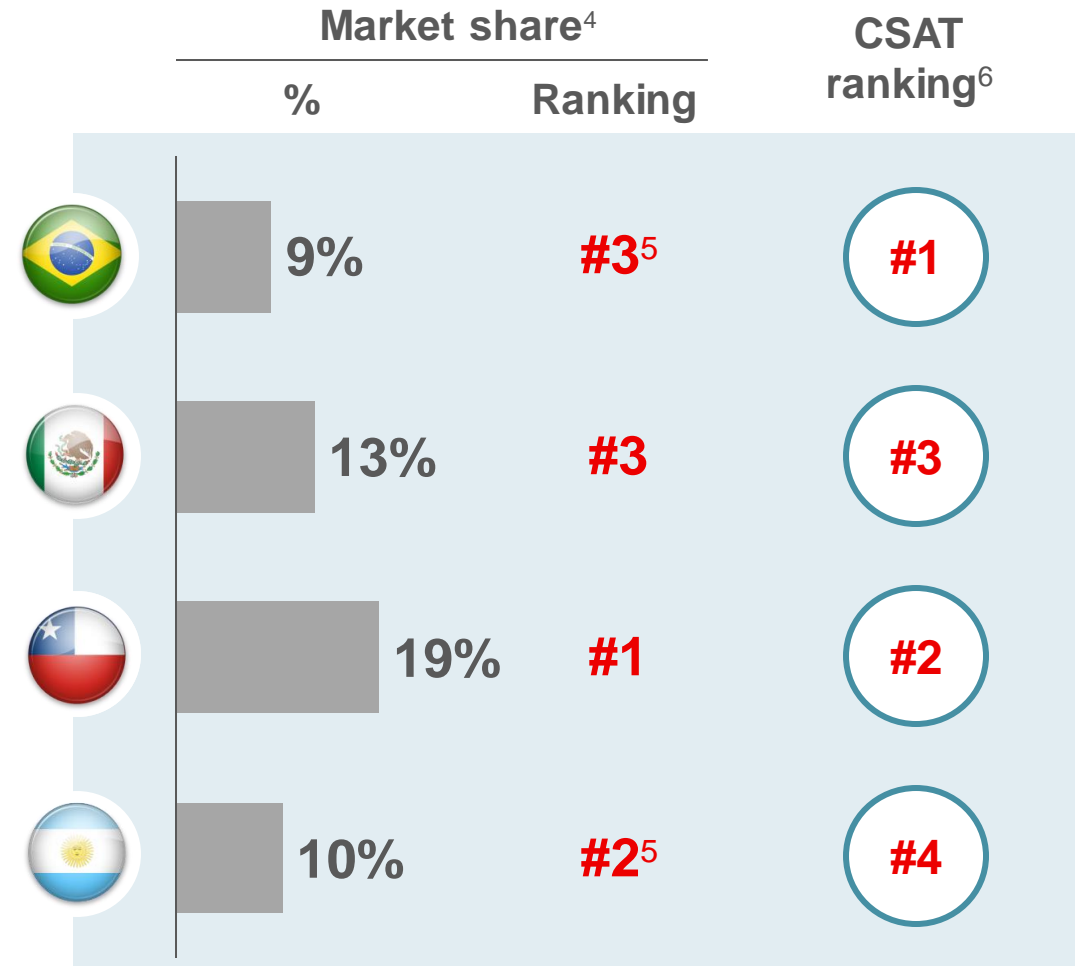
Great growth potential

c.200Mn

unbanked population

c.60Mn

middle class³ expansion by 2030 (+20%)



(1) Latin America 2017 population; Source: WorldBank.
 (2) CAGR betw een 2019 and 2021.
 (3) 10-50 USD per capita daily income (PPP); Source: Interamerican Development Bank,2016.
 (4) Loans market share: latest data available, including individuals and corporates.
 (5) Including only private-owned banks. Including public banks: Brazil Top 5 and Argentina Top4.
 (6) Latest data available. CSAT: Customer Satisfaction internal benchmark of active customers' experience and satisfaction audited by Stiga / Deloitte.

US

The US is an attractive market with increasingly strong and growing network effects with our European and LatAm businesses

Largest banking pool
with continued growth

1/3 (\$550Bn)

world's banking pool

c.3%

expected
growth p.a.

Consistent high
profitability

13%-15%

RoTE

Concentrated

Big 4, fragmented
beyond

Closely linked with our
core markets

\$1.1Trn trade flows
between our core markets

US

Building blocks in place plus leveraging Group scale and customer base open strong opportunities

SBNA positive evolution

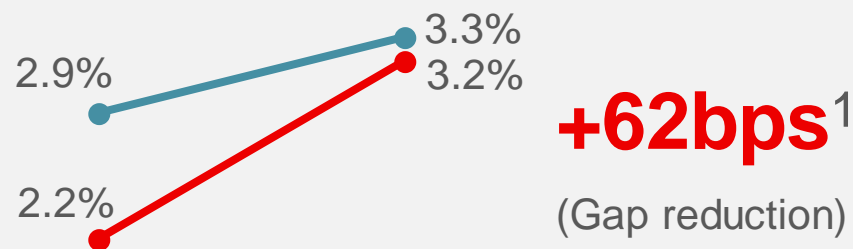
Attributable Profit
2018

\$345Mn (c.3.5x)

(increase from \$96Mn in 2017)

NIM

SBNA vs Peers average (2015-18)



Most of the building blocks and increasing integration with Group

Retail	10th by market share in NE 65Mn people, \$70,000 GDP per capita
Commercial	Strong trade connections to LATAM - EU c.1,000 Corporates with \$2B new commitments >\$40Mn revenues annually (700 customers in 2016)
CIB	Generating significant cross border activity for Group customers (c.70% of international revenues) ²
Consumer Finance	Top 8 national auto finance 3.9% margin after cost of risk (+75bps vs. peer avg.) Beginning to leverage OEM Group relationships
Wealth Mgmt.	> €25Bn AuMs serving our Latam High Net Worth customers

Our existing 3 global businesses make our local banks more competitive, leveraging network effects

High growth, high profitability businesses

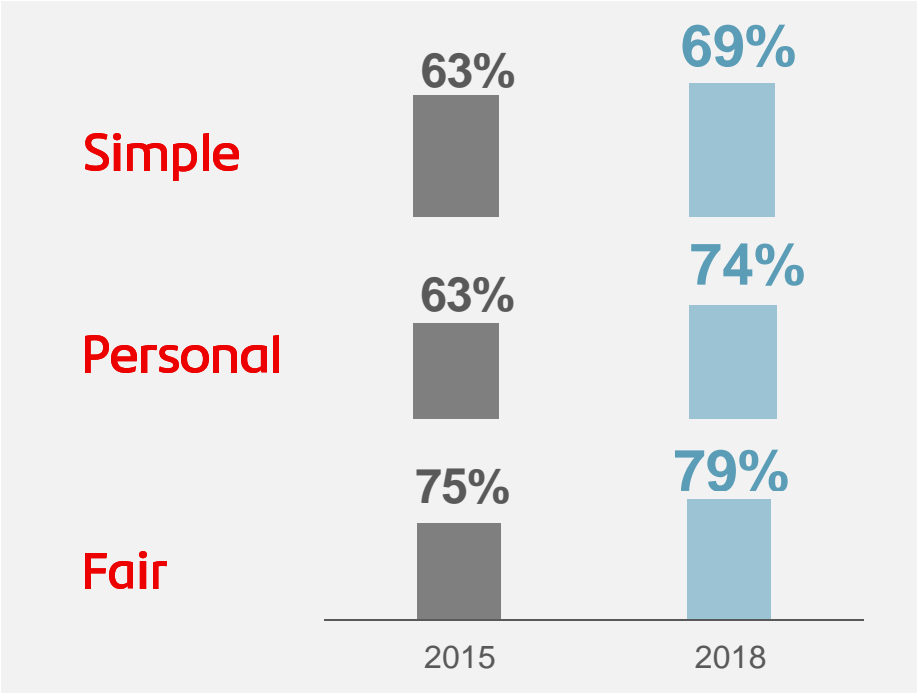
		Growing profitability		Higher growth prospects
		RoRWA ⁵ '15	RoRWA '18	Medium-term goals revenue CAGR ⁶
Corporate & Investment Banking	42% of client revenues are cross border ³	1.3%	1.8%	c.8%
Wealth Management¹	>4Mn potential Private Banking customers in our core markets	7.4%	7.8%	c.10%
Consumer Finance²	c.50% of total auto assets through global OEMs ⁴ partnerships	2.3%	2.3%	c.3%

(1) Wealth Management including Insurance.
 (2) Global Consumer Finance including SCF, UK LatAm consumer finance operations and SCUSA.
 (3) Revenues generated from customers Santander CIB perimeter
 (4) Original Equipment Manufacturer.
 (5) 2015 figures in constant euros from 2018.
 (6) Figures in constant euros.

Embedding a **common culture** and building a more **responsible bank**

Building a **Simple, Personal and Fair** Bank

Percentage of employees who consider the Bank is:



Delivering **profit with purpose**

- Supporting our **communities...** **6.3Mn¹** people supported
- ...promoting financial **inclusion...** **273k** microentrepreneurs supported in 2018
- ...and **sustainable growth**
 - MEMBER OF **Dow Jones Sustainability Indices**
In Collaboration with RobecoSAM
 - 1st** in Europe
 - 3rd** in the world

(1) Refers to cumulative activity in 2016-2018. The Bank has devised a corporate methodology reviewed by an external auditor to consistently keep track of people who have benefited from our social programmes, services and products

Attracting and retaining the best and most diverse talent is key to achieving our commercial goals

Aim

To be an employer of choice

Chosen for our purpose, culture and the responsible way we achieve great results

Enablers

- 1 Strategic Workforce Planning
- 2 HR Digital Transformation
- 3 Our Common Culture

Priorities

Culture & Engagement

Attract & Recruit

Retain & Develop

Diversity & Inclusion



01

New team delivers
3-year plan, building
on our foundations

02

**Looking ahead:
Our three-pillar
plan for increasing
profitability**

03

Key takeaways
and medium-term
goals

Our three-pillar plan for increasing profitability

01



Improving operating performance

02



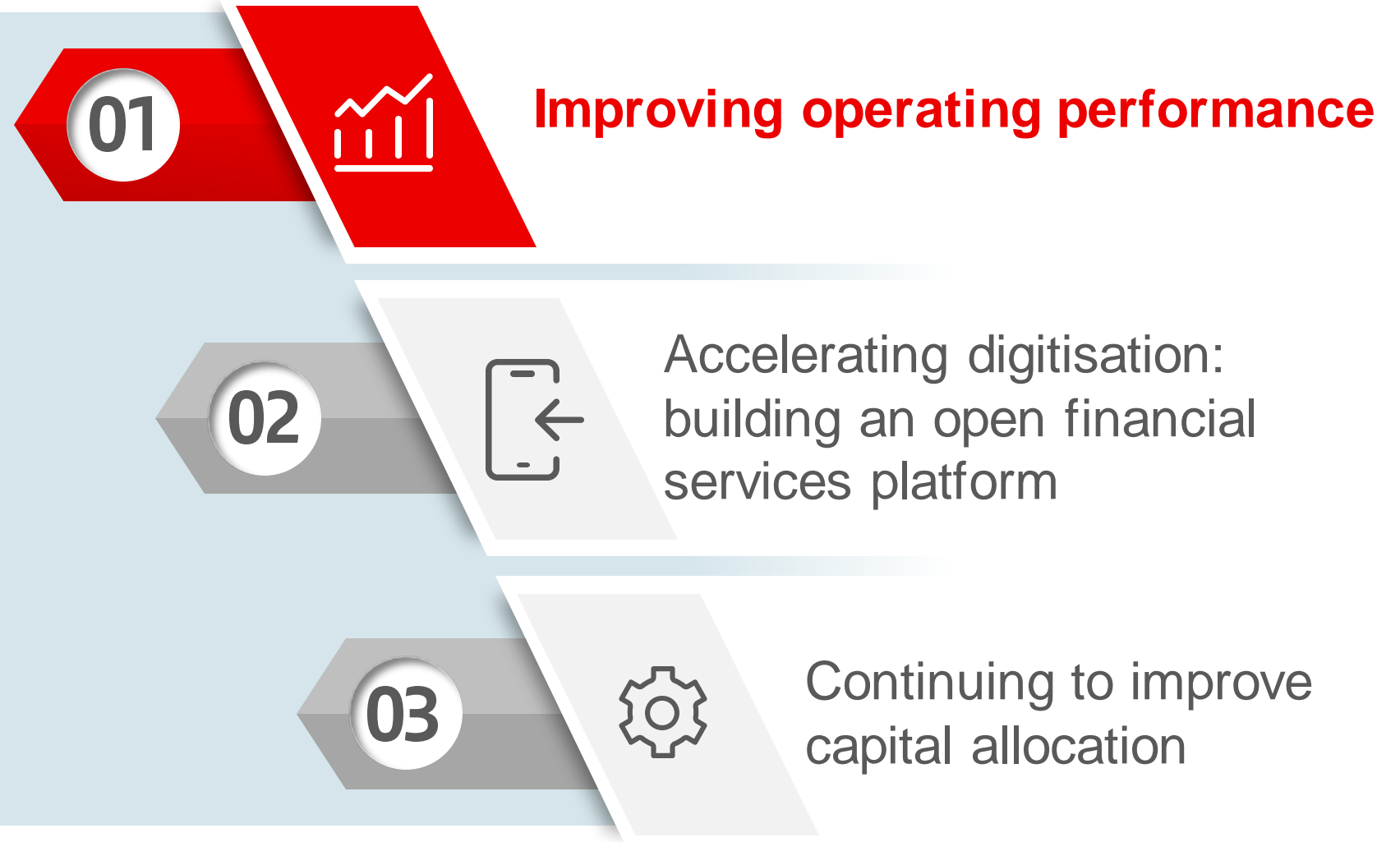
Accelerating digitisation:
building an open financial
services platform

03

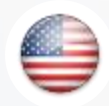


Continuing to improve
capital allocation

Our three-pillar plan for increasing profitability



Further leveraging our diversification and scale



US

Accelerating growth with **sustainable profitability**



LatAm

A region with **structural growth** and high and **increasing profitability**



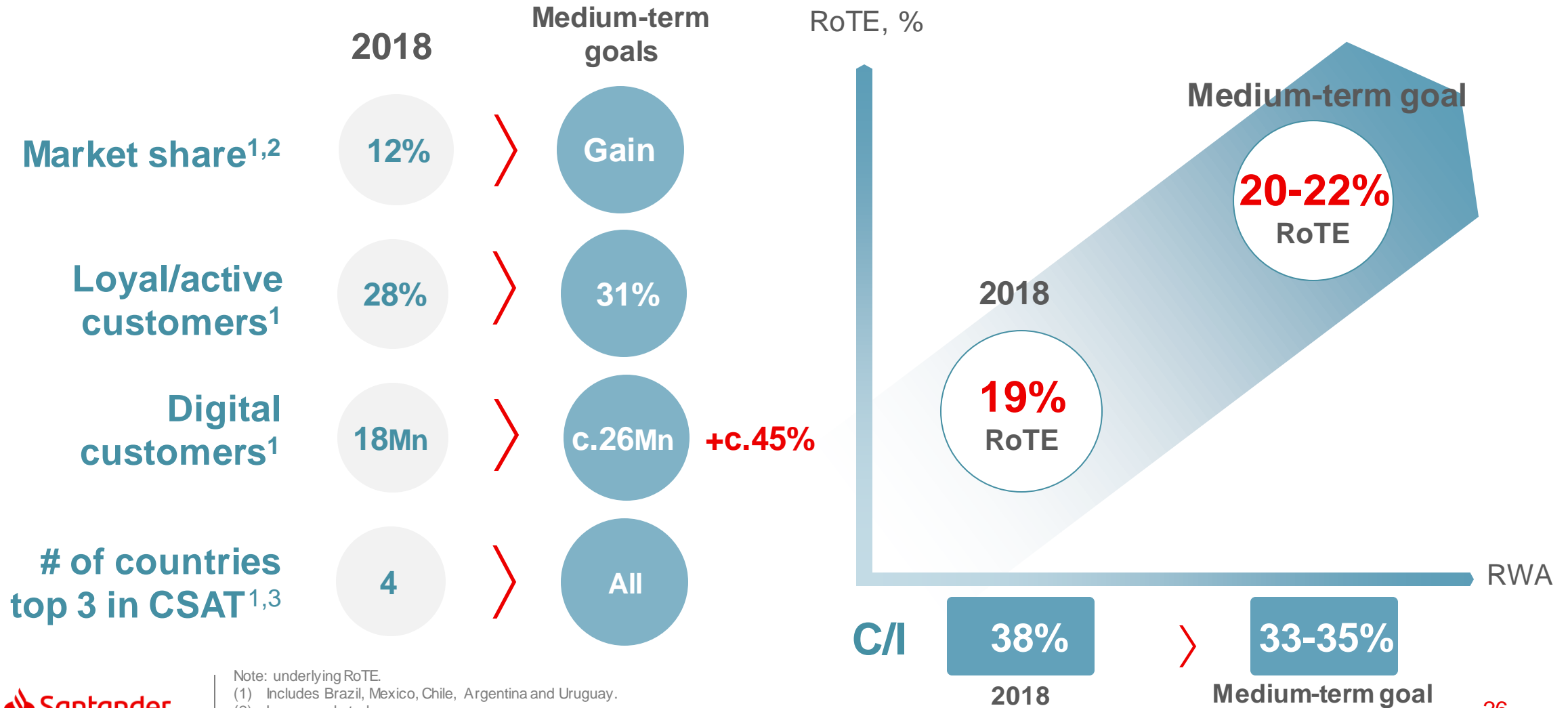
Europe

Building the **leading European bank** in customer experience and profitability, leveraging our scale & digital





A region with structural growth and high and increasing profitability



Note: underlying RoTE.

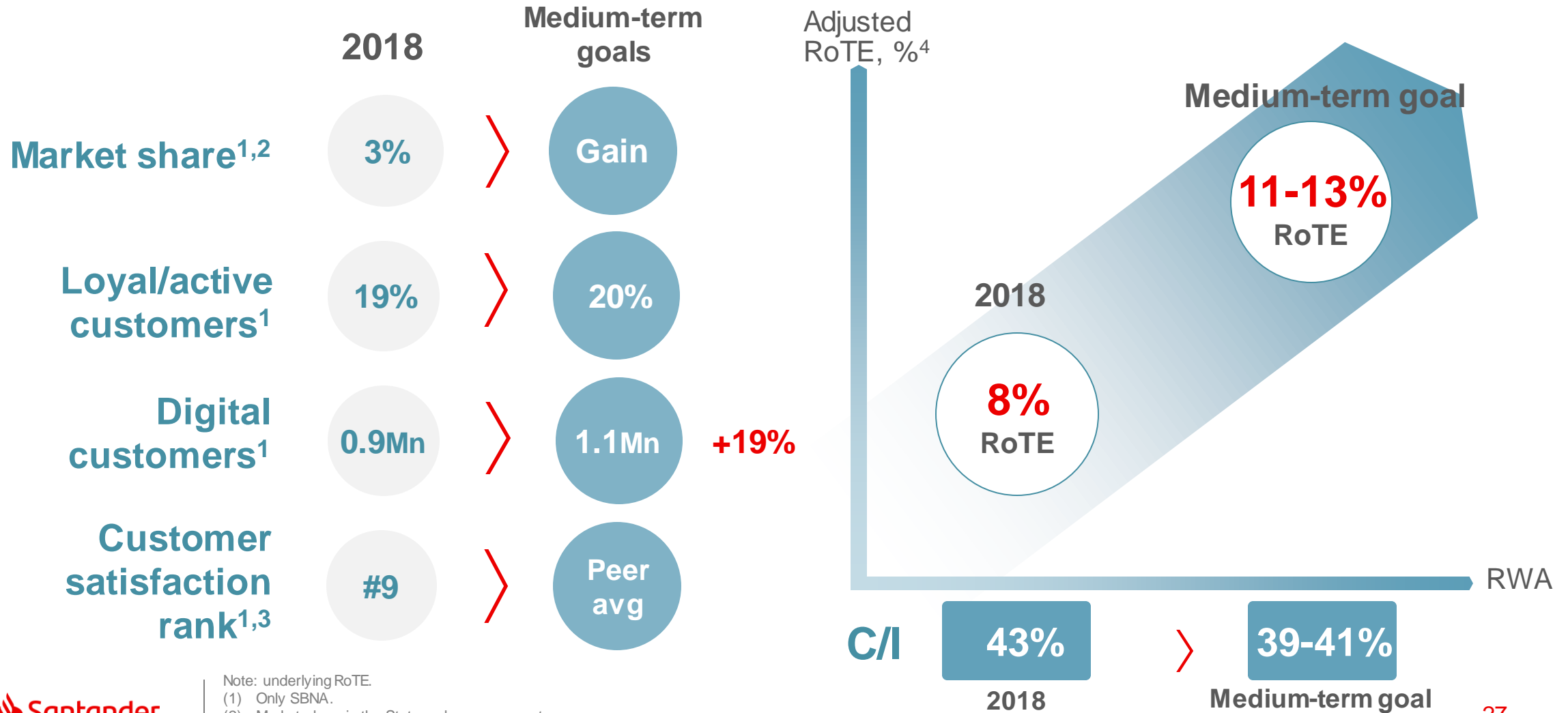
(1) Includes Brazil, Mexico, Chile, Argentina and Uruguay.

(2) Loans market share.

(3) Latest available. CSAT: Customer Satisfaction internal benchmark of active customers' experience and satisfaction audited by Stiga / Deloitte. In the medium term we will be also following NPS as indicator.



Growing on the back of Group operational leverage, with expected RoTE of 11-13%

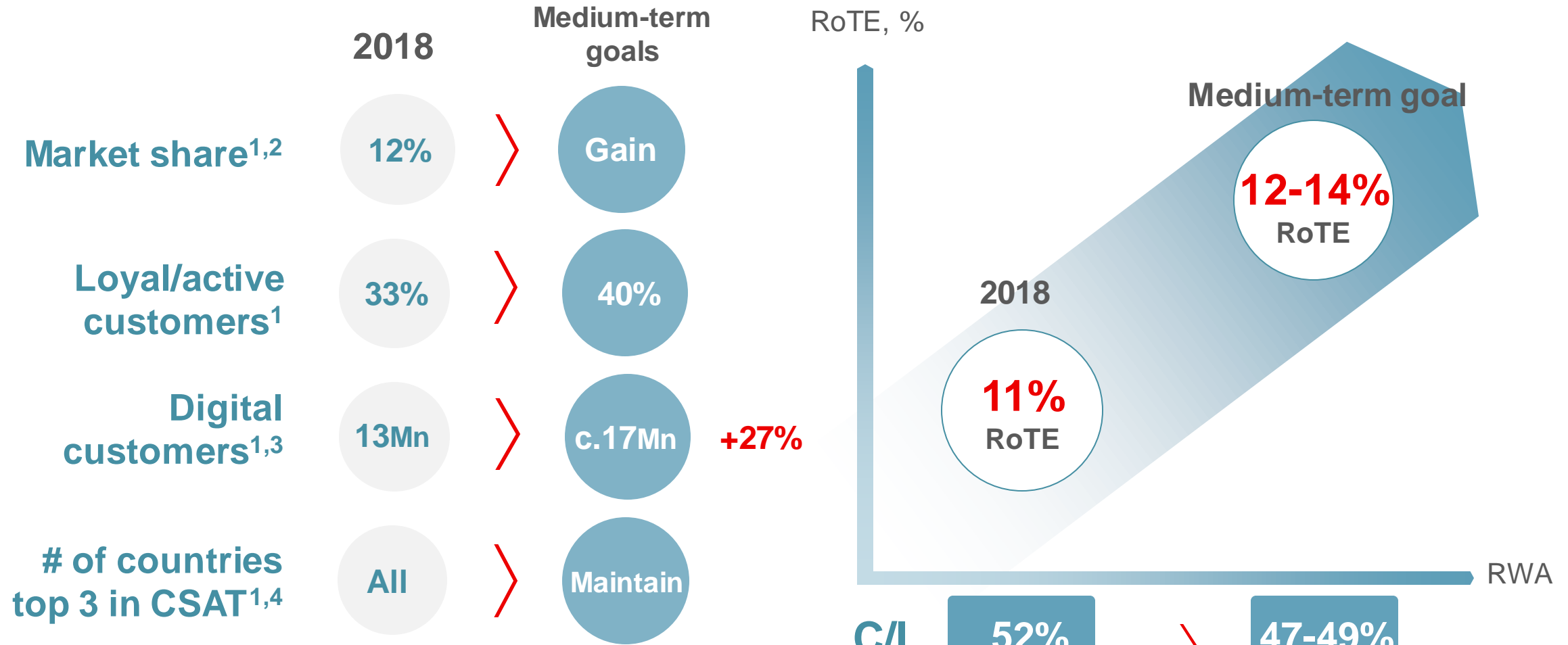


Note: underlying RoTE.

- (1) Only SBNA.
- (2) Market share in the States where we operate.
- (3) Internal benchmark of active customers' experience and satisfaction among US peer group. In the medium term we will be also following NPS as indicator.
- (4) Adjusting for excess capital.



Building the leading European bank in profitability and customer experience, leveraging scale & digital



Note: Europe includes Spain, UK, Portugal, Poland and SCF. Underlying RoTE.

- (1) Excluding SCF.
- (2) Loans market share.
- (3) Digital customers including Open-Bank Spain and UK.
- (4) Latest available. CSAT: Customer Satisfaction internal benchmark of active customers' experience and satisfaction audited by Stiga / Deloitte. In the medium term we will be also following NPS as indicator.



Our three-pillar plan for increasing profitability

01



Improving operating performance

02



**Accelerating digitisation:
building an open financial
services platform**

03



Continuing to improve
capital allocation

Our twin-track approach to transformation

Transform our Core banks “Supertankers”

Be the best for our
customers and deliver
profitable growth

Accelerate through high growth ventures “Speedboats”

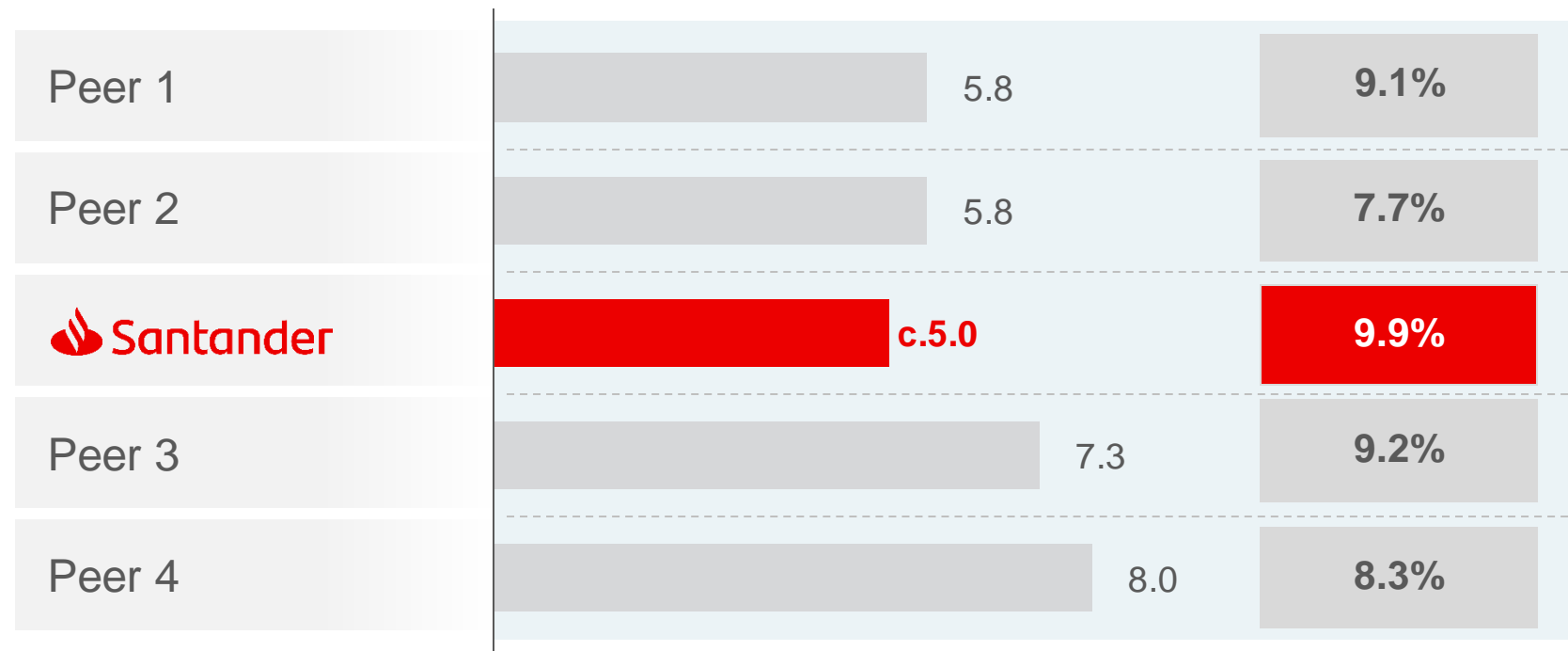
Fast experimentation to serve
our banks with new solutions while
competing in the
open market to attract
new customers

€20 billion investment in IT and digital - improving the customer experience while lowering the cost of delivery

Digital & Technology expenditure per year

€Bn

SAN vs. US Big Four



We plan to invest **>€20Bn** in the coming years

Santander Global Payments will be the cornerstone of our open financial services platform and loyalty strategy

Santander Group position (sector revenues c.9% CAGR¹)

>4Mn SMEs

top 10

worldwide in
acquiring volume²

>80Mn cards

€500Bn

in payments p.a.³
across customers

A

**Global Trade
Services**

B

**Global Merchant
Services**

C



One Pay_{FX}

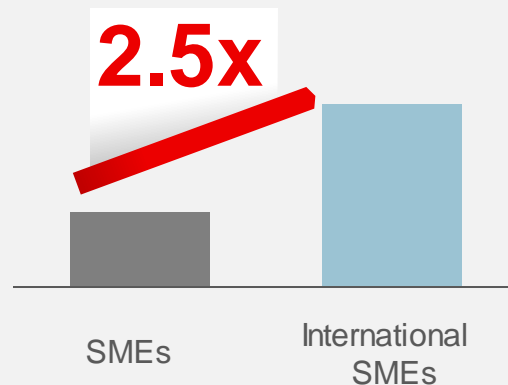
We have valuable assets as foundations

A

Global Trade Services: one global platform providing integrated best-in-class solutions

World trade growth **1.5x**
faster than GDP growth

Higher gross margin
per customer¹



>170k

Number of SMEs
trading internationally

**Market
leaders**



>20% market share²

>€500Mn

Revenues² trading
internationally

Our vision

Deliver fast & efficient
products for SMEs,
previously only
accessible to Corporate

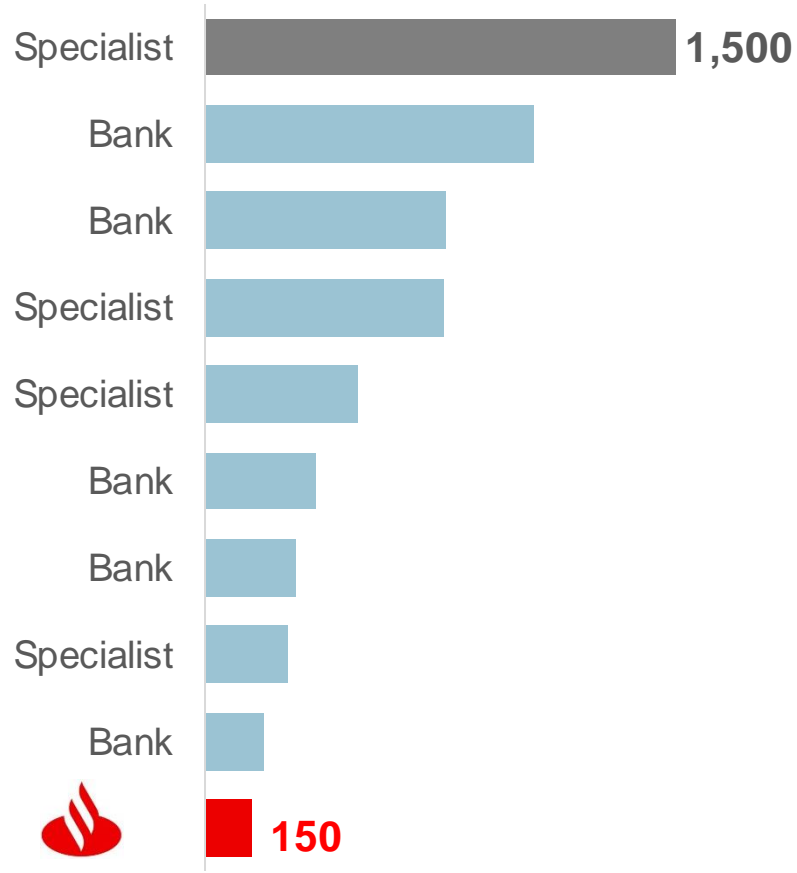
We have the full product
suite:

- Trade Finance
- Supply chain
- Payments FX




Leveraging Getnet to build our Global Merchant services

Top 10 global acquirers by turnover volume €Bn¹



Global Merchant Services



Transaction growth¹
(Getnet vs market)

+16x

Market share² in Brazil
(one of largest acquiring market in the world by revenues)

14% 2x since 2014



>1.2Mn merchants worldwide

€150Bn⁴ global turnover volume



(1) EUR/USD: 1.134 EUR/GBP: 0.856 EUR/BRL 4.298
 (2) Revenues market share
 (3) Change 3Q18 vs 3Q17
 (4) SAN includes volumes generated through third parties; Ranking excludes Chinese banks
 Source: Companies information. Players: Bank of America, Barclays, Cielo, Elavon, FirstData, Globalpayments, JP Morgan, Santander, Wellsfargo, Worldpay

C

One Pay FX: our simple, fair and secure way to send money abroad

€90Bn Market revenues¹

For our existing customers (One Pay FX)

Simple (3-clicks), **Fair** (competitive pricing) and **Safe** (Santander-backed)

Today **7** markets

Medium-term **All** markets

20% MoM user growth

5M+ customers

120% incremental transactions²

>20Mn transactions p.a.

Open market solution (Pago FX)

Single global platform “at-scale”: the price and transparency of a Fintech with the **trust** of a bank

Short-term

Medium-term **20+** markets

Beta live in UK³

2M+ customers (inc. SMEs)

 & **SMEs** solution

#1 NPS vs. alternatives



- (1) International payments and FX fees and margin.
- (2) Increase in total volume of transactions in SP-UK corridor.
- (3) full mobile onboarding & e-KYC (<5 mins)

Openbank is Europe's largest full service digital bank, with best in class UX, and a business model which should lead to **c.20% ROTE and 25%-35% C/I¹**

How will Openbank create value?



Attract, engage and retain customers without a branch network, best user experience and profitability



Build a "model bank", a world-class retail banking infrastructure to replace legacy systems



Become the leading "Banking as a Service" platform to serve third parties

Countries



10

Total customers

1.2Mn

>2Mn (2x)

Loyal customers / active customers

38%

35%-40%

Avg. # products² per loyal customers

4.6

3-5

NPS

#2

Top

(among peers)

Superdigital: 'Banking without a bank'

Superdigital targeting the 300Mn+ underbanked¹ in LATAM

Profitable, cost-effective service model for a traditionally unprofitable segment

Possible because of Santander's local presence, products & services

Easy: 3-step onboarding

Profitable since 2018

Today:   

Medium-term goals: **7+ markets** (in all LatAm markets)

0.5Mn active customers (58% YoY²)

Simple offering - pre-paid card, digital account, transfers; microcredit to start in Brazil

5Mn+ active customers **10x** since 2018

Single global platform enabling rapid expansion

50%+ ARPU³ from expanded functionality

High NPS (70+)

Global capabilities provided by global procurements, digital, T&O... benefit countries while building an open platform



Contributes today to Group efficiencies...

€680Mn (2018)

- €250Mn procurement
- €200Mn in global data centres, shared mainframes and internal offshoring
- €80Mn in cyber
- €100Mn in global agreements
- €50Mn in best practice sharing in operations



...will deliver for future benefits to countries and global businesses

	EUROPE ¹		REST		TOTAL
IT & Ops	c.€730Mn	+	c.€270Mn	=	c.€1Bn
		+			
Shared services & Others	c.€220Mn			=	c.€220Mn
Total	c.€1Bn	+	c.€270Mn	=	c.€1.2Bn
	c.10%		Europe's ² cost base		

Our three-pillar plan for increasing profitability

01



Improving operating performance

02



Accelerating digitisation:
building an open financial
services platform

03



**Continuing to improve
capital allocation**



We are executing the following levers to drive further improvement in profitability, aligned with our strategic plan



Improved capital allocation:

more capital to our most profitable geographies



Capital efficiency:

minimum profitability thresholds and faster asset rotation



Digitisation:

driving higher revenue growth & operational efficiency



Further alignment of senior management remuneration with capital goals

Higher profitability leads to higher capital generation capacity and potential to increase growth & shareholder remuneration

11-12% mid-term CET1 goal offers higher capital flexibility



01

New team delivers
3-year plan, building
on our foundations

02

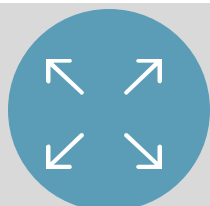
Looking ahead:
Our three-pillar
plan for increasing
profitability

03

**Key takeaways
and medium-term
goals**

We are confident our strategy will drive further loyal customers while increasing **EPS and TNAV per share**

Medium-term goals



Growth



Profitability



Strength

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

