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Country Head US

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businesses prosper

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GROUP STRATEGY UPDATE

NY, October 10th

2017



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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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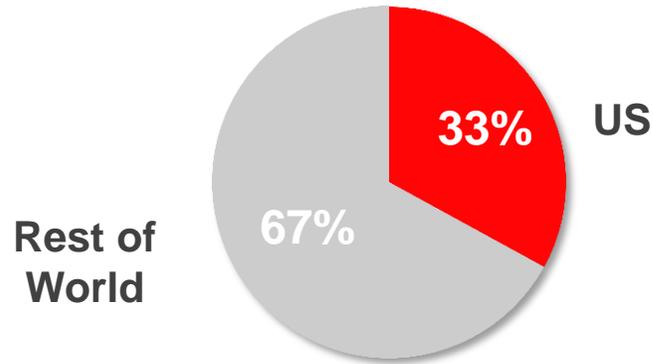
- 1** US market and outlook
- 2** Achievements & main priorities
- 3** Key takeaways



US market and outlook

The US remains an attractive market...

The US is 1/3 of the world's banking market



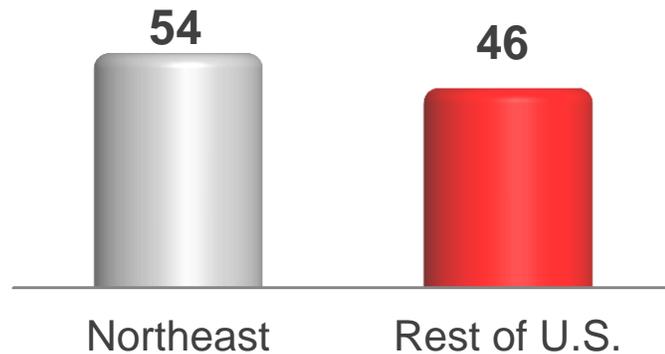
The US banking industry has delivered historical RoEs around ~11% on average

RoE for U.S. banks¹(%)



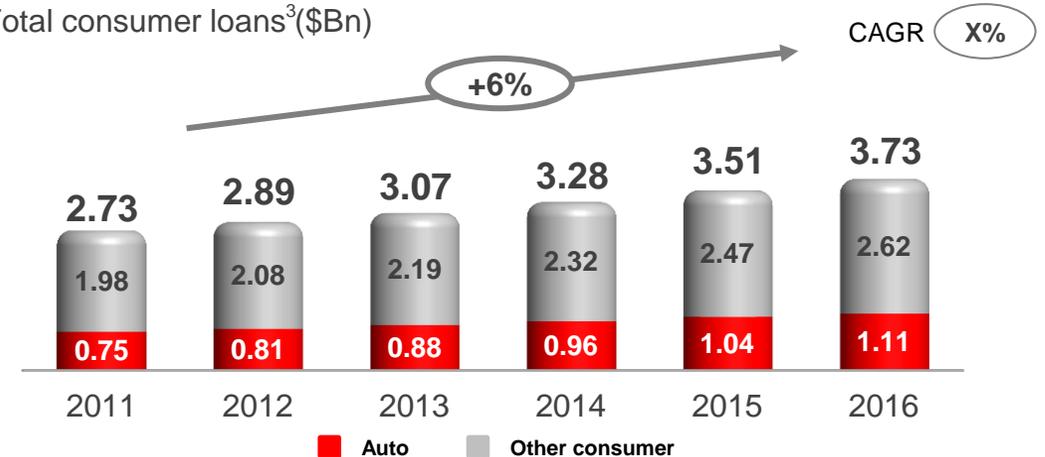
The Northeast is the most attractive market in the US

Personal income per capita²(\$k)



Auto loans are ~30% of total personal loans in the US

Total consumer loans³(\$Bn)



(1) Operating RoE. Based on consolidated financials of top 24 banks (2) Compustat; Datastream; Bloomberg; McKinsey Future of Banking model (3) Federal Reserve

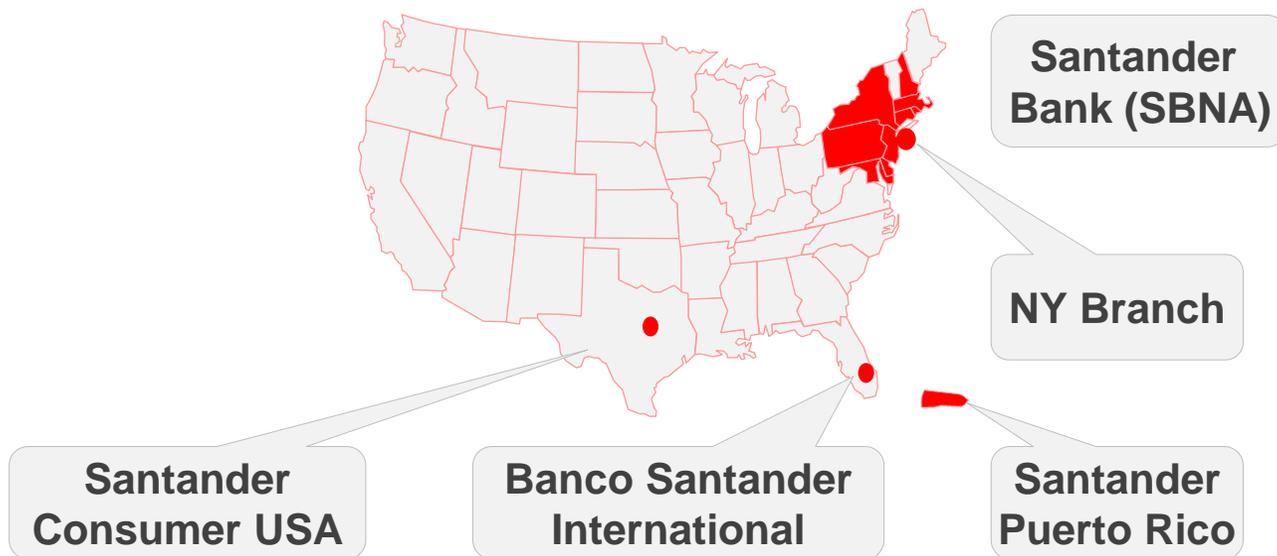
...and the macro outlook is positive

		2016	2017E	2018E	
Macro¹ 	US GDP Growth (%)	1.6	2.0	2.3	Stable GDP growth and rising rates
	Fed Funds Rates (%)	0.75	1.50	2.25	
	Unemployment (%)	4.9	4.6	4.3	
Financial System² 	Loan growth (%)	5.3	6.1	4.4	Regulatory easing projected to benefit US banking sector
	Deposit growth (%)	5.8	2.6	4.2	
	RoE (%)	8.2	9.4	9.9	
Auto 	Light Vehicle Sales (MM)	17.5	16.9	16.9	Stable car volumes with declining prices
	Used car price change (%) ³	-3.7	-3.1	-0.6	

(1) Consensus projections (2) Growth rates aggregated KBW Bank Index; other financial statement ratios are median of the KBW Bank Index (3) CPI used car price based on NADA index

Santander's US Franchise

- Well balanced **franchise in the Northeast**
- Nationwide **auto finance business**
- **Private banking business** in Miami
- **Broker dealer** in New York
- **Retail bank** in Puerto Rico



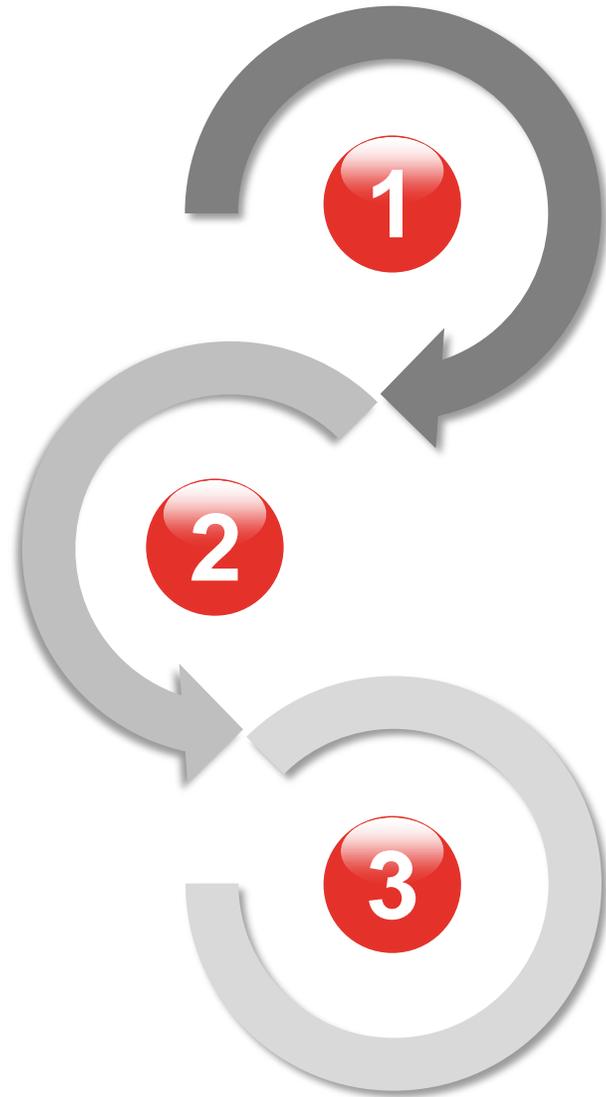
Santander US	1H'17
Loans ¹	\$86Bn
Deposits ¹	\$63Bn
Assets ¹	\$134Bn
Attributable Profit	\$264MM
Santander Bank (SBNA)²	
Clients	2.1MM
Branches	673
ATMs	2,093
Loans market share ³	3.1%
Deposits market share ³	2.7%
Santander Consumer USA⁴	
Retail Auto lending market share	3.9%

(1) Calculated using local US GAAP criteria (2) Customer data is Jun '17 for Clients, Branches and ATMs (3) Market share as of 6/30/2017 from FDIC. Data available once a year (considering all states where Santander Bank operates)
 (4) Source: J.D. Power Market Share Report for 2Q'17 (includes Santander Consumer USA and Chrysler Capital combined)



Achievements & main priorities

We are delivering on our commitments



1 Delivering on regulatory commitments

2 Improving profitability at SBNA

3 Operating Santander Consumer at bank standards

1 We are achieving key regulatory milestones...



Formation of the Intermediate Holding Company (IHC) in the US



Material progress in addressing regulatory deficiencies



Passed CCAR and removed Written Agreement regulating dividends



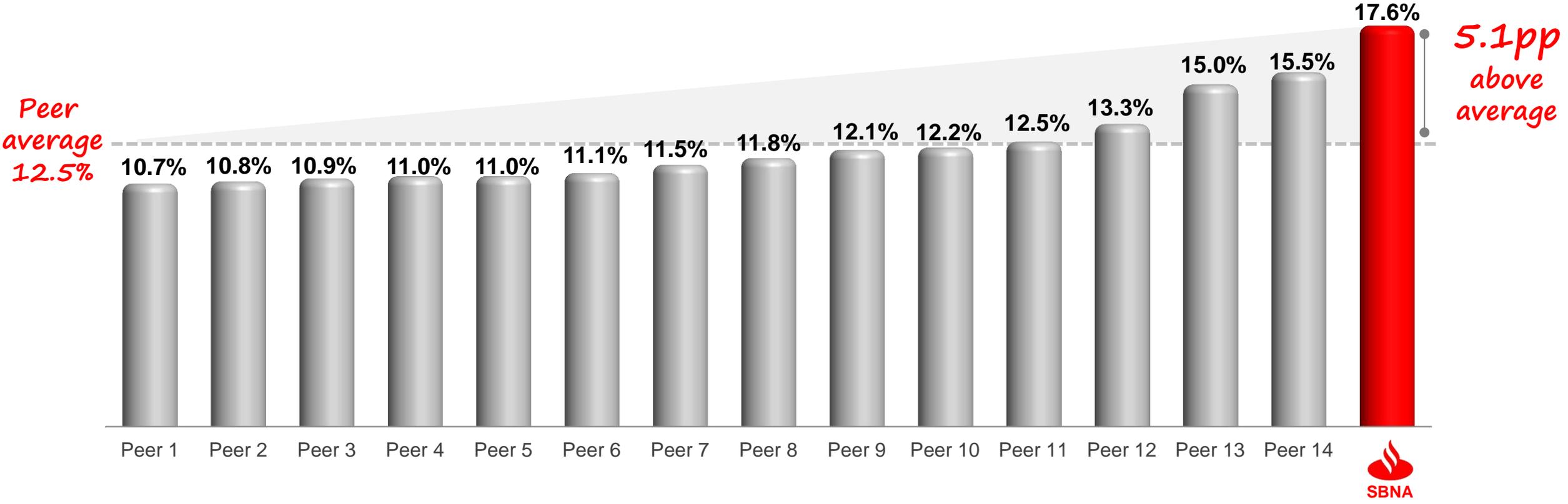
Capital distribution by SHUSA to the Group allowed by the Fed for the 1st time since 2011

1

...while keeping the highest capital ratio among peers

Capital ratio outperforming peers

CET1 (1H'17)

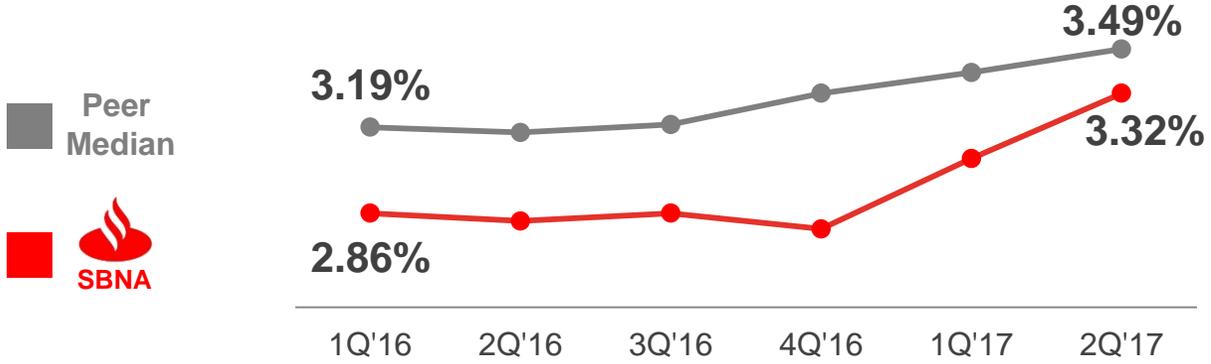


Note: Peers included are Huntington, Comerica, M&T, Compass, SunTrust, KeyBank, Citizens, BB&T, Bank of the West, Fifth Third, Regions, BMO Harris, TD and MUFG

2 We are closing gaps to peers in meaningful ways...

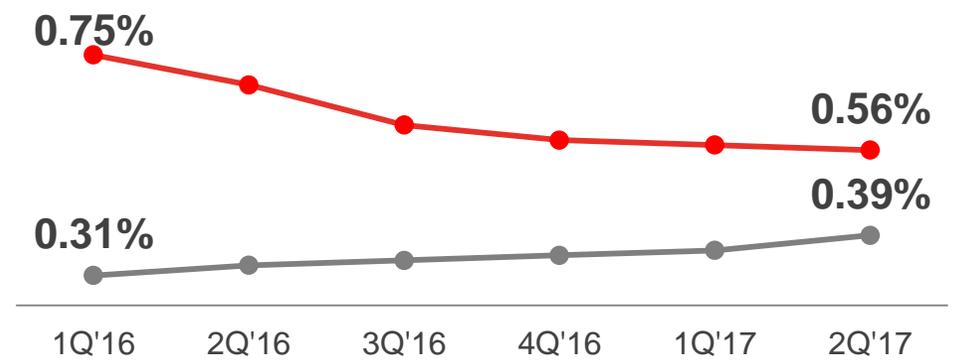
Significant improvement of yield on assets

Yield on earning assets



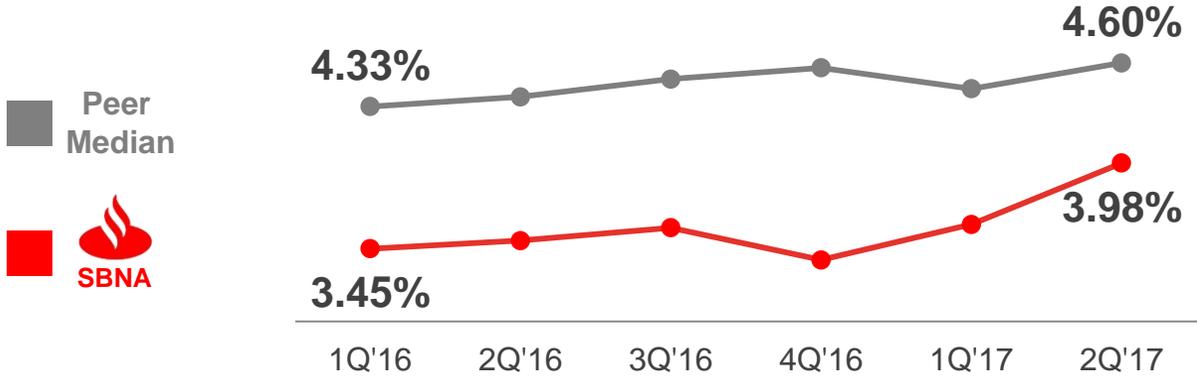
Substantial funding cost reduction

Cost of funds



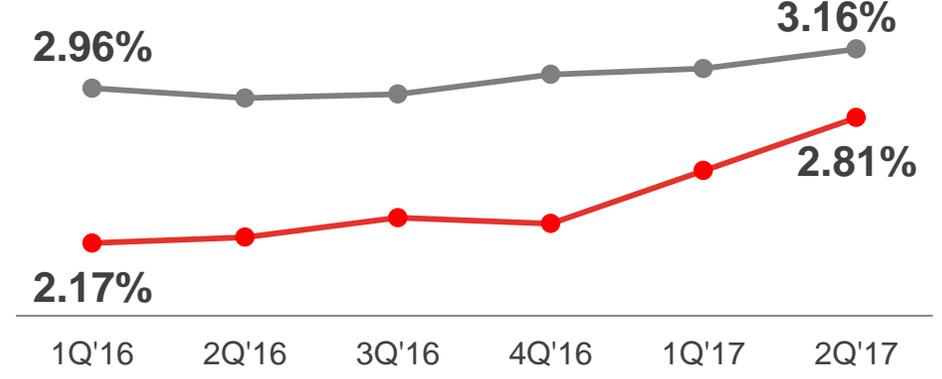
Increasing revenue over assets

Revenue to avg. earning assets



Closing gap vs. peers in NIM

Net interest margin

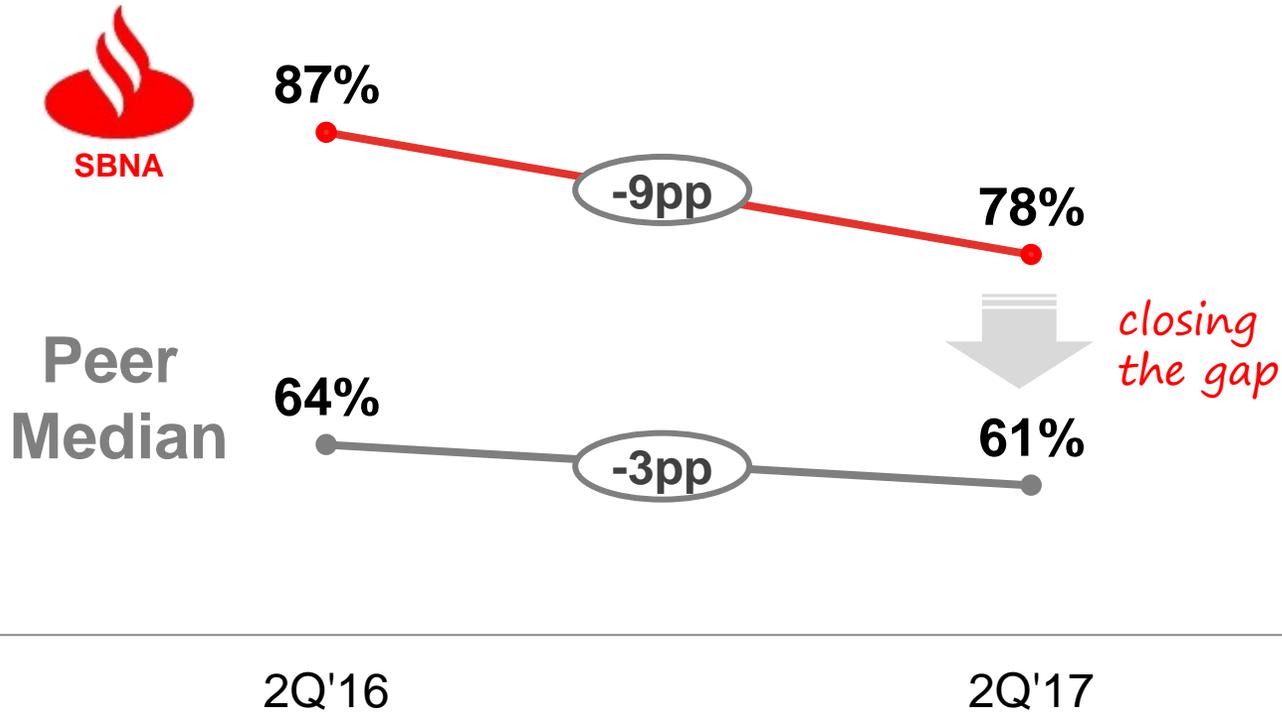


Note: Sourced from regulatory filings in US GAAP. Peers included are Bank of the West, BB&T, BBVA Compass, Bank of Montreal, Citizens, Comerica, Fifth Third, Huntington, KeyBank, M&T, MUFG, Regions, SunTrust and Toronto Dominion Bank

2 ...while improving our costs and expenses structure...

Catching up with peers in cost-to-income

Efficiency Ratio¹



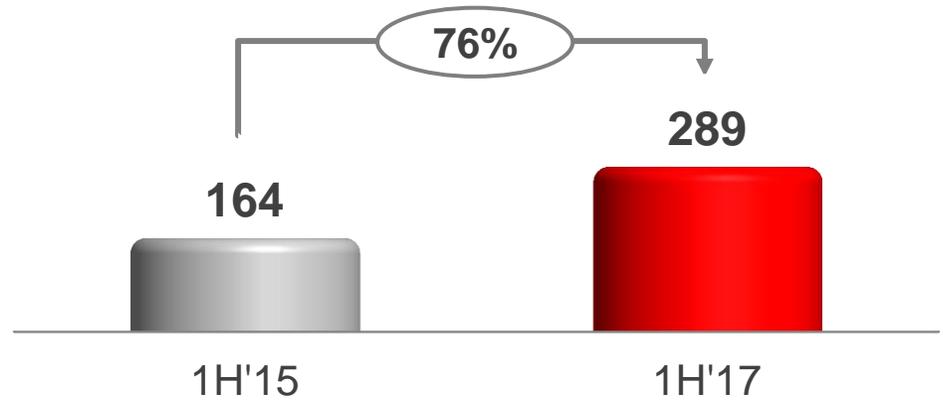
Targeting efficiency in 60s in the upcoming years

Note: Peers included are Bank of the West, BB&T, BBVA Compass, Bank of Montreal, Citizens, Comerica, Fifth Third, Huntington, KeyBank, M&T, MUFG, Regions, SunTrust and Toronto Dominion Bank (1) Non-interest expenses / operating revenue

2 ...and enhancing customer experience and building loyalty at SBNA

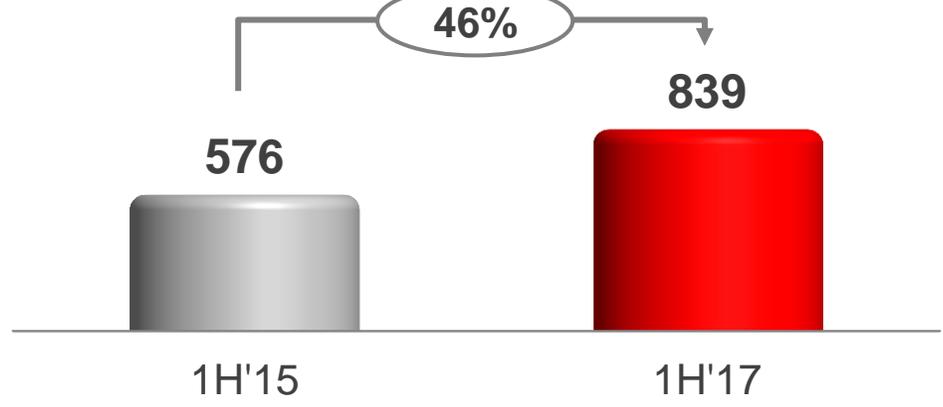
Earning the loyalty of our customers...

Retail loyal customers (k)



...while also becoming more digital

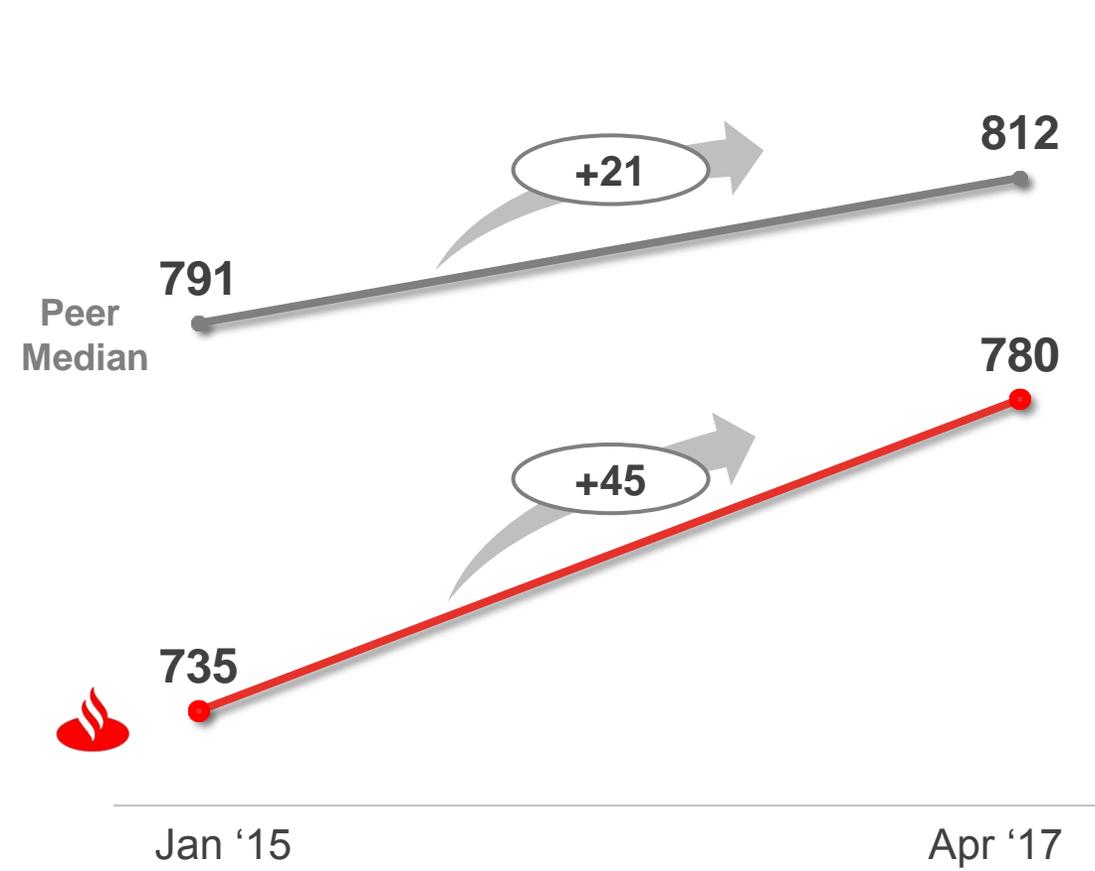
Digital customers (k)



Source: JD Power

Significant improvement in service quality

U.S Retail Banking satisfaction (points)

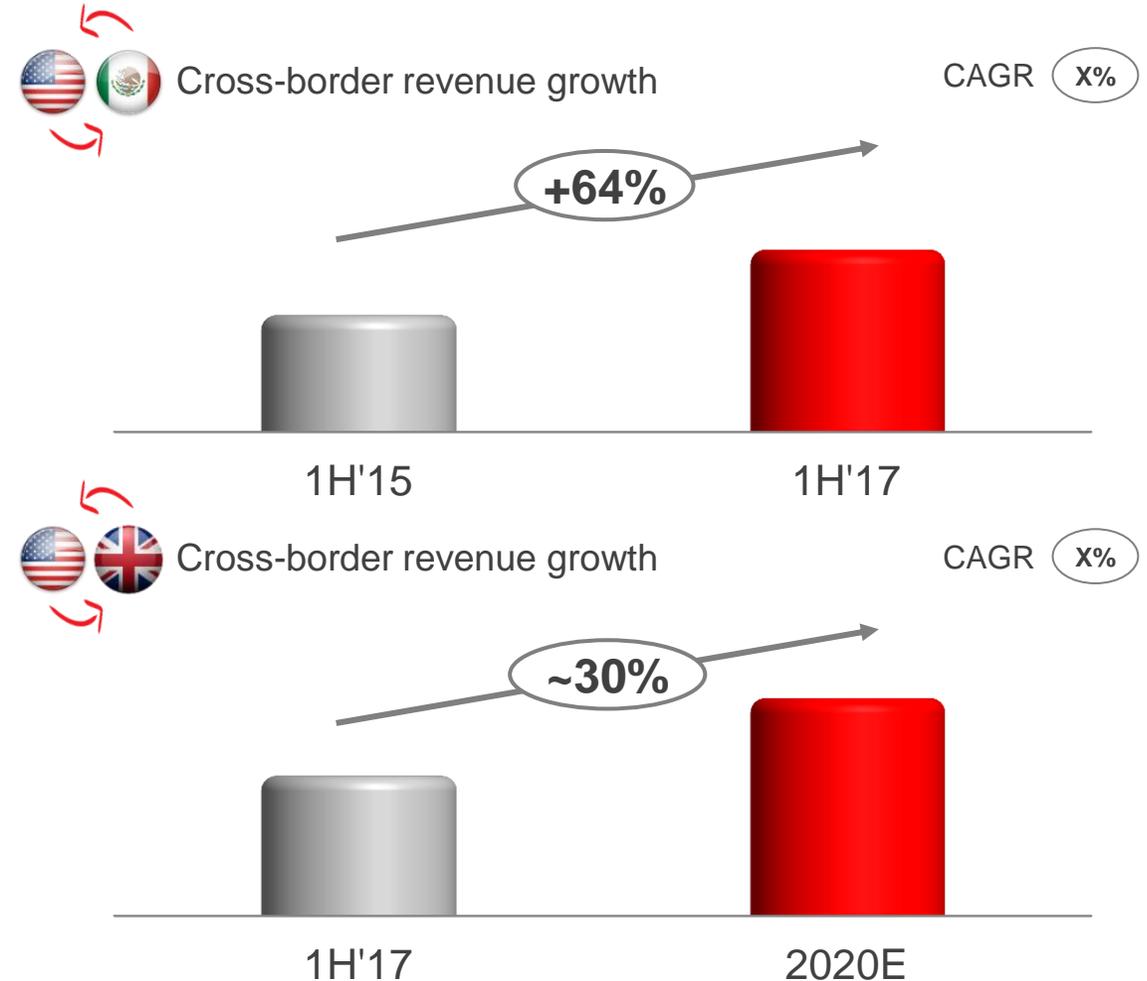


2 US business generates value across Santander's global network

The US' place in Santander's global network has increased cross-border revenue

- Driving Banco Santander International **collaborative revenue** opportunities between Latin America and Europe
- Global Corporate Banking (GCB) and Commercial Banking US-Mexico and US-UK collaborations underway, with a significant number of **transactions closed** and a **healthy pipeline**

more collaborations to come



Note: The illustrated figures reflect GCB and Commercial Banking revenue

3 Santander Consumer transitioning to a bank model



From **2015** to **2017**...

Transition from stand-alone consumer finance company to a bank model

- More robust **regulatory** and **compliance infrastructure**
- Improved **risk management**
- Best in **non-prime segment**

...and looking forward

- Closer **integration with SBNA**
- **Growth** in the **prime segment**
- **Better service** to our dealers

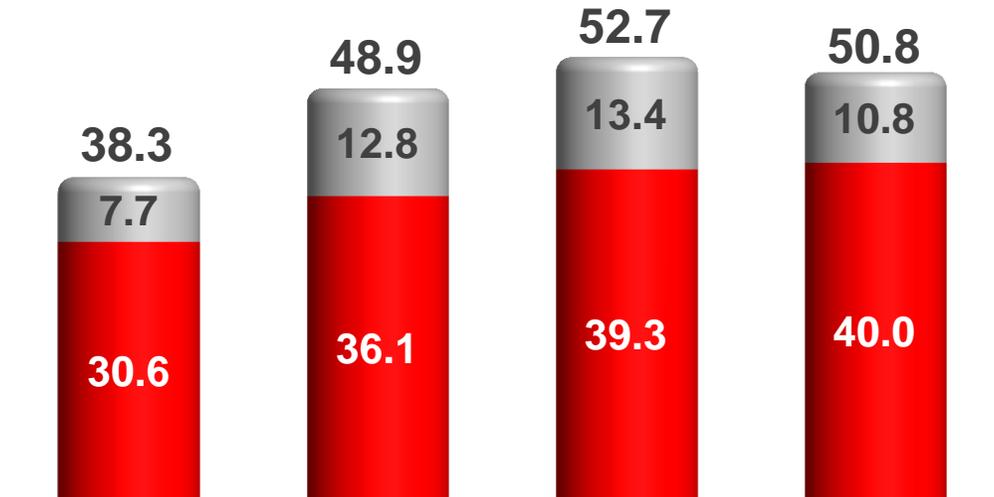
*Improved risk-return
and predictability profile*

3 Santander Consumer has grown significantly since 2014

Average managed loans

(\$Bn) CAGR (X%)

~11%

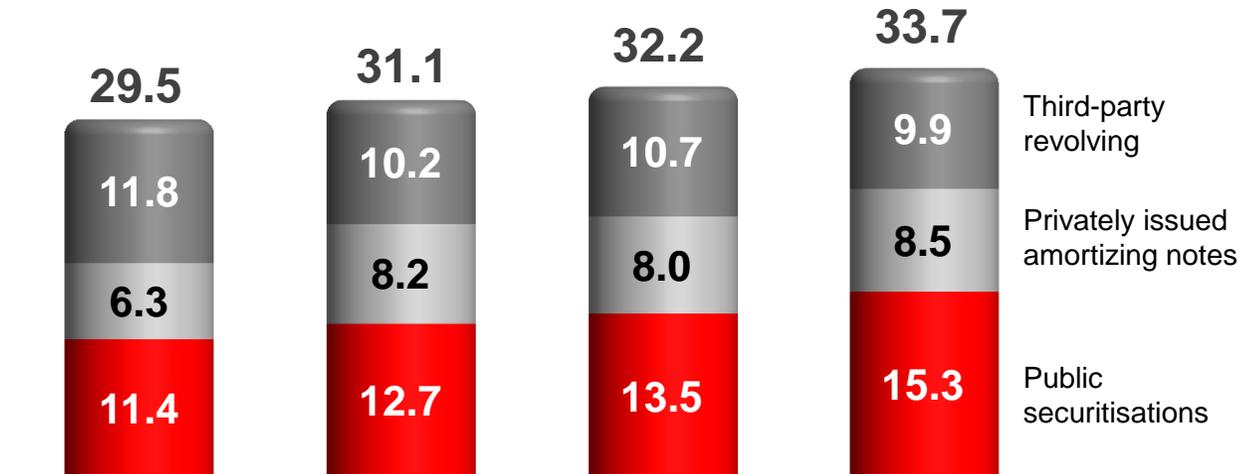


■ Served for Others ■ Owned Assets

Market related funding mix¹

(\$Bn) CAGR (X%)

~5%



■ Third-party revolving
 ■ Privately issued amortizing notes
 ■ Public securitisations

(1) Excluding shareholder equity and Banco Santander and subsidiaries funding

3 Santander Consumer: Key priorities to realise full potential



Improve profitability for all segments

- Grow non-prime volumes ensuring appropriate risk-return profile
- Transition prime to deposit-funded model
- Maintain profitability of lease



Focus on cost control and efficiency improvement



Active capital management



Continued focus on bank-level standards



Further improvement of dealer experience



Key takeaways

We are well positioned to deliver on the US...

Key strengths of our franchise



Regional bank presence in **attractive U.S. geography**

- 670 branches in attractive metro market of Boston, New York, and Philadelphia
- US Northeast market 2x GDP of UK



Globally connected **Corporate & Commercial** business

- Unique value proposition for global corporate customers
- Operating across Europe, US, and Latam



At scale **auto finance** company

- Long term relationship with Chrysler
- +15,000 dealer network in the US



Leading **private banking** in Latam

- Top 5 player in Latam
- Long standing relationships with customers and regulators

...and execute on a consistent set of priorities

SAN US

- Continue **delivering on regulatory expectations**
- Focus on **integration of US operations** and **cost savings** to **improve efficiency**
- From **best-in-class in non-prime** to **full spectrum auto lender**

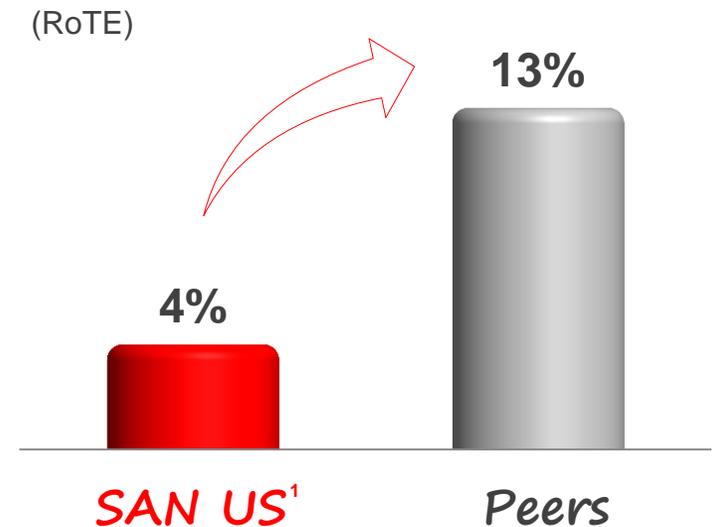
SBNA

- **Optimising our cost base**
- **Improve deposit pricing & market share gains**
- Keep increasing **loyal customers** and **customer experience**
- **Optimising balance sheet & capital**
- Leverage Group connectivity to grow **GCB** and build out **Commercial Banking**

SC

- **Improve profitability on a segmented basis**
 - Grow non-prime volumes while ensuring appropriate risk-return profile
 - Transition prime to deposit-funded model
- **Optimise excess capital**

Our commitment is to close the gap versus peers' profitability



(1) Adjusted to 11% CET1, 1H'17. Group criteria

We are delivering on our commitments

	2016	1H'17	2018 Targets		
People	Employee engagement	Below peers	N/A	Peers level	
	Attrition levels (SBNA)	24.1%	22.1%	Market rate	
Customers	Retail loyal customers in k (SBNA)	262	289	182	
	Active customers in k (SBNA)	1,566	1,596	1,565	
	Digital customers in k (SBNA)	778	839	1,200	
	Customer service satisfaction (SBNA)	Bottom quartile	Closing peer gap	Approach peers	
Shareholders	Adjusted RoTE	3.1%	3.6%	~4%	
	Cost-to-Income Ratio	42%	45%	~45%	
Communities	Financial education to communities	9,950 hours	10,000 hours	N/A	

- Continued delivery of **regulatory progress**
- Significant enhancement of **earnings recurrence and profitability** by the **improvement of efficiency** and **growth of the commercial business**
- A clear roadmap to **become a leading US regional bank** whilst realising the full potential of the **auto finance business**
- Delivery of **consistent results** to our **customers** and our **shareholders**



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

