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Country Head Brazil

Helping people and
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 been 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).

Contents

- 1** Brazilian market and outlook
- 2** Delivering our strategic targets ahead of plan
- 3** Positioned to capture further growth opportunities
- 4** Key takeaways



Brazilian market and outlook

Solid fundamentals reflect favorable economic outlook...

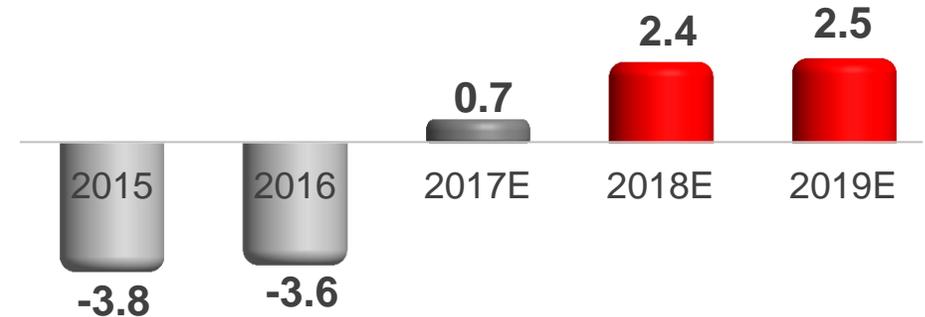
Outlook

- **Monetary policy in the right direction:** Single digit interest rates as inflation is below central bank target
- Medium-to-long term **fiscal adjustments**
- **Structural reform** agenda
- **2018 general elections**
- **Investments** (infrastructure) **and growth** (agro, manufacturing, consumption)



Positive economic momentum

GDP (growth %)



	Average 2015-2016	2017E	Average 2018-2019E
Inflation (IPCA %)	8.5	3.0	4.2
Int. Rate (Selic %)	14.0	7.0	7.5
Exch. Rate (R\$ / US\$)	3.58	3.16	3.33

Source: Banco Central do Brasil, IBGE. Projections Focus research (09/29/2017)

...and financial sector metrics keep improving

Five largest banks¹



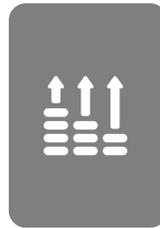
Concentrated

Deposits

~74%

Loans

~76%



Well capitalised

BIS Ratio

16.8%



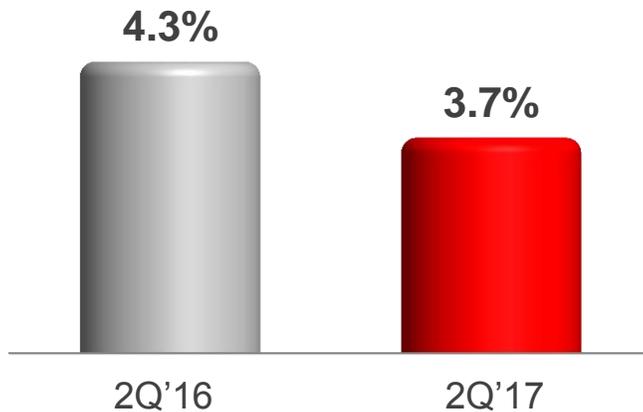
Well funded

Loans / deposits

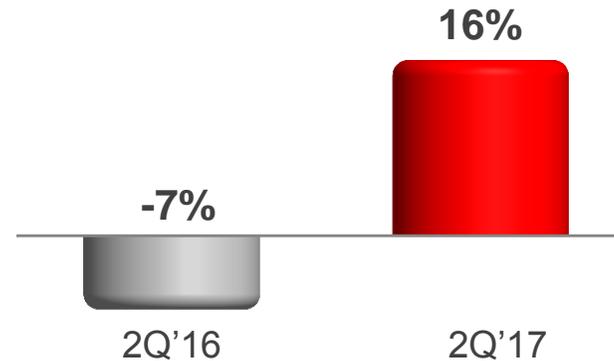
103%

Largest private banks²

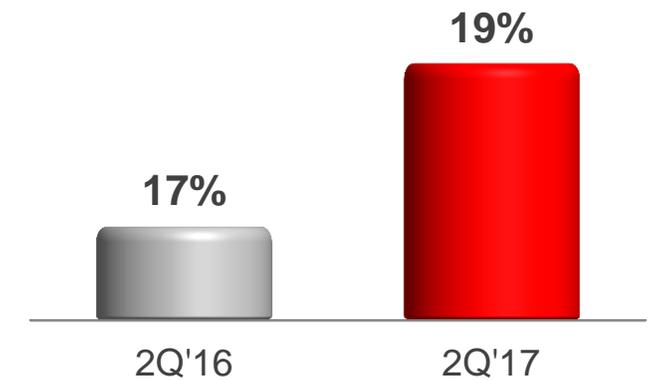
Declining cost of credit risk



Positive earnings growth (YoY)



Improving RoE



Source: Central Bank of Brazil. Data as of 2Q'17, in BR GAAP criteria. (1) Santander, Bradesco, Itaú Unibanco, Banco do Brasil and Caixa Econômica Federal (2) Santander, Bradesco and Itaú Unibanco

2

**Delivering our strategic
targets ahead of plan**

Current strategy has already yielded higher results

- Commercial thrust
- Integrated offer
- Innovation
- Closing the gap vs. peers
- Leading in some areas
- Stronger brand equity

Focus on profitable growth underpinned by highly engaged employees

Retail franchises' repositioning **2015**

Commercial transformation **2016**

Profitability and growth **2017**





Building lasting relationships with our customers...

More loyal...

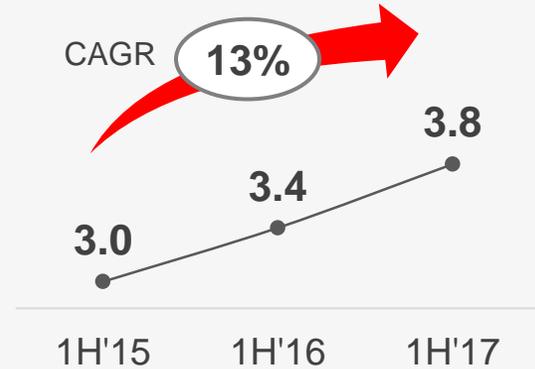
...more digital...

...and more satisfied customers¹



Focus on **Customer Needs**

Loyal customers (MM)



7.4
MM in June '17

+34%
YoY

For customers with income...

...we are

High

→ **1st** choice

Middle & Low

→ **2nd** choice

Net Promoter Score²

Main Deliveries

- 2016**
- New internet banking and mobile for individuals
 - Consumer Finance App
 - Santander Way Cards App

- 2017**
- Re-engineered credit process end-to-end
 - New mortgage App
 - Digital Account Opening

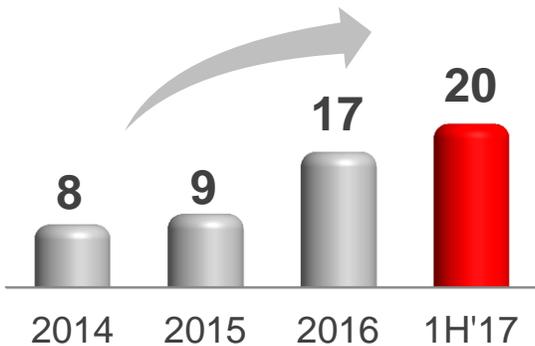
(1) IBOPE research 2016 (2) Customer satisfaction tracking methodology



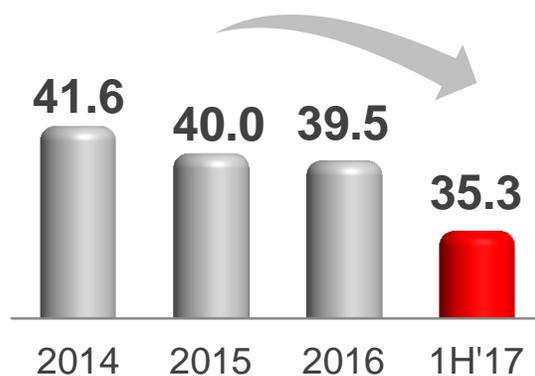
...boosting our profitability through revenue diversification and disciplined risk culture...

Steady growth reflected in a consistently higher RoE...

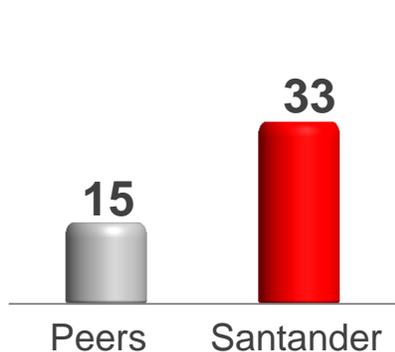
Fees + Commissions growth (YoY; %)



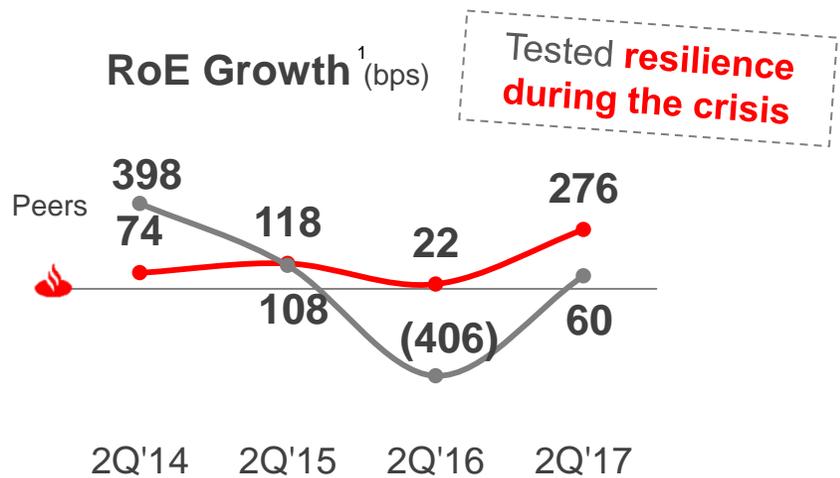
Efficiency (%)



Earnings growth¹ (%) 1H'17

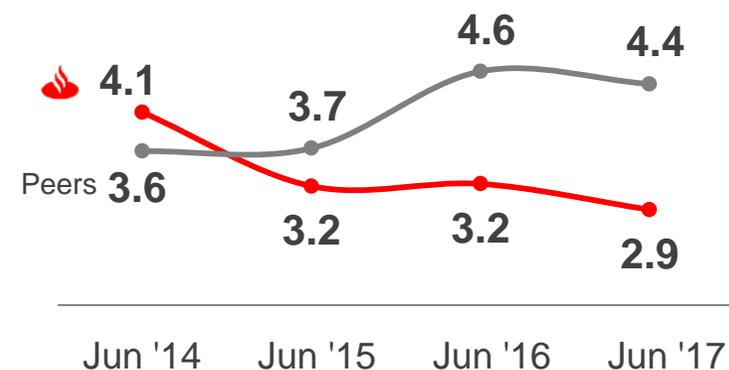


RoE Growth¹ (bps)

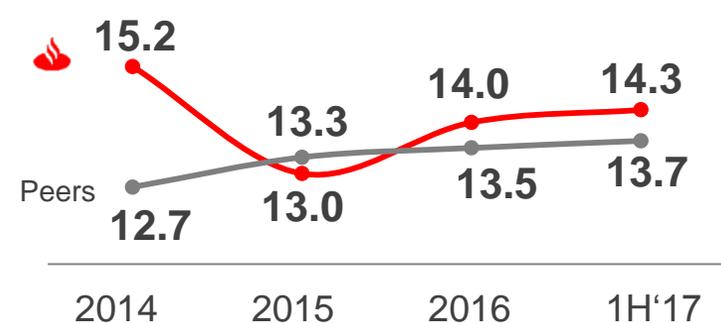


...with a robust balance sheet

NPL ratio^{1,2} (%)



Common Equity Tier I¹ (%)



Note: Peers included are Itaú and Bradesco (1) Brazilian GAAP (2) >90 days



...while implementing sustainable initiatives for our people and local communities

Engaged teams are the key to our success



We are **46,208** employees

86% of employees are engaged¹

93% of employees feel proud to work for Santander¹

87% intend to continue working for Santander



One of the best companies to work for



A new concept of training

Supporting our local community



Prospera Santander Microcrédito

R\$338MM²



Santander Universidades

7.7k³

Scholarships granted⁴



Social and environmental financing

~R\$2.0Bn⁵

Source: Santander Global (conducted by Hay Group) (1) Proud to be part of Santander and are willing to give their best (2) 2Q'17 Loan portfolio (3) Since 2015 (4) National and International (5) 2Q'17 Sustainability projects loan portfolio

3

Positioned to capture further growth opportunities

A unique business model with a clear-cut growth plan



**Commercial
model**

Focused on customer experience



**Further revenue
growth**

Innovative and integrated business portfolio



**Leading
strategies**

Differentiated solutions



**Part of
Santander Group**

Leverage synergic opportunities

*Sustainable profitability and growth acceleration
in a positive economic cycle*

Re-engineering the bank levers up our customer dynamics...

Expanded retail: 65% of our PBT vs. 42% two years ago¹...

Customer re-segmentation & pricing

Total revenues² (YoY) **18%**  **5%** Peers³

Higher transaction volume

Loyal customers **2x**
 7% 2014  14% 2017

Proactive risk management

Cost of credit risk⁴ **3.2%**  **3.9%** Peers³

Innovative solutions

Stars in app stores⁵ **4.5**  **3.0** Peers³

...and with room to improve further

Opportunity to *improve customers' experience*...

 **Credit end-to-end**
Individuals' share of wallet

~25%  **~32%**
2017 2020

...is driving profitability up faster than expected

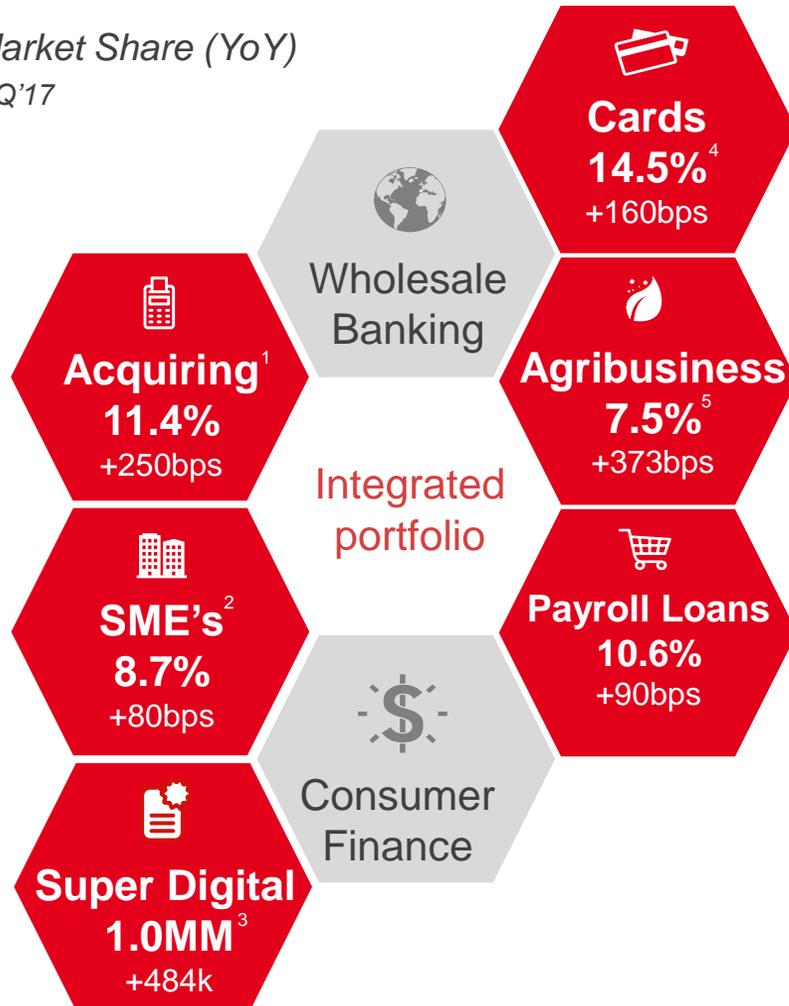
(1) Expanded retail includes SME and Consumer Finance (2) 1H'17 local criteria (3) Average of private peers (4) 2Q'17 local criteria (5) by September 2017



...and enhances profitable opportunities thanks to our integrated portfolio...

Santander Ecosystem

Market Share (YoY)
2Q'17



Delivering sustainable
PBT
growth ahead

(1) In total turnover (2) Credit portfolio (3) Total customers (4) Credit turnover (5) Corporate credit portfolio

...while also strengthening our leading businesses



Wholesale Banking

 **1st in ECM** in Brazil and Latam¹

 **1st in Project Finance** for the 8th year²

 **1st in FX Ranking**³



Consumer Finance

21.7% | **Auto Loans**
+320 bps YoY | 1H'17 market share

+62% | **Disruptive digital platform**
Unique simulations YTD growth

Increase **loyalty** through **cash management, trade, supply financing and acquiring business**

Expansion in **consumer goods and services segment**

Double digit PBT growth in 2018

(1) Fully Marketed. Dealogic, 1H'17 (2) ANBIMA, 2016 (3) BACEN, Jun '17

Being part of an International Group allows us to create synergies

Collaboration supports better efficiency and customer experience



Consumer Finance

Pricing models according to customer's risk profile



Pioneer in local market



GCB

Integrated customer coverage across Group's geographies



Santander Cash Nexus Available in **15** countries



SMEs

Development, internationalisation & personnel management



Super Digital

Digital experience to expand bancarisation

+1MM customers
(+484k 2Q'17 YoY)



Sustainable profitability in a low real interest rates environment



More transactions

Loyal Customers

Less capital intensive
Wholesale / retail offer



Innovative solutions

Digital & Disruptive Bank

Re-inventing how business is done



Profitable market share gains

Assets and Liability

Strengthening leadership
Completing our offer

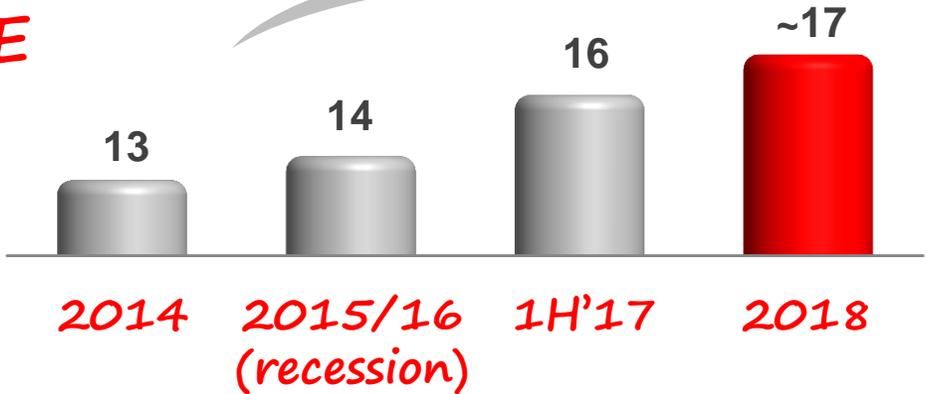


Industrial approach

Operating Leverage

Efficiency gains
IT/Op as part of our front office

RoTE (%)



Consistently improving RoTE



Key takeaways

We are delivering ahead of plan on our commitments

		2015	2016	1H'17	2018
People	Great Place to Work bank ranking	-	✓	✓	Top 3
Customers	Retail loyal customers (MM)	2.9	3.3	3.4	4.03 ✓
	Loyal SMEs and Corporates (MM)	0.3	0.4	0.4	0.52 ✓
	Digital customers (MM)	4.4	6.4	7.4	9.2 ✓
	Customer service quality (rank)	4 th	2 nd	2 nd	3 rd ✓
	Fee income (YoY)	9.1%	16.9%	20.4%	>10% ¹ ✓
Shareholders	NPL ratio ²	3.2%	3.4%	2.9%	~Peers ✓
	RoTE	14.1%	13.8%	16.4%	~17% ✓
	C/I ratio	40%	40%	35%	37% ✓
Communities	Number of scholarships 2016-2018 (k)	3.0	2.9	1.7	10.7 ✓
	Number of micro credit 2016-2018 (k)	211.4	225.8	129.6	478 ✓

Note: Group criteria (1) CAGR 2018/2015 (2) BR GAAP

- We are committed to delivering **higher RoE**, powered by a **clearly-defined business strategy**, boosted by **organic growth** and **disciplined capital deployment**
 - The business has delivered a **high level of resilience**, **consistency** and **growth thrust** in a very tough macro environment
 - The **recurring improvement** of our results reflects our **commitment to building a strong customer-centric banking model** - in our view sustainable going forward
 - Focus on: **reducing** unnecessary **complexity**, **increasing service quality**, **pricing intelligently** in a consistent manner, actively managing **capital profitability** and adherence to **rigorous risk** and **cost control** policies



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

