

17<sup>th</sup> March 2020

# European Financials Conference

Morgan Stanley

**Ana Botín**

Group Executive Chairman



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# COVID-19 Update

- Santander has **taken action to protect the wellbeing of our employees, customers and shareholders** while ensuring that we continue to meet our obligations to all stakeholders
  - Employees in large centres **working from home where possible**
  - **Shareholders to participate remotely in the AGM** instead of attending in person
  - Access to **liquidity provided for customers** where required
- Santander has **in place the necessary contingency plans to ensure business continuity**

## Impact of Covid-19 on the business

- We have not yet seen any relevant impact on business activity; **do not expect any material impact in Q1**
- **Expect underlying earnings in Q1 broadly in line with previous quarters** as well as organic capital generation in line with guidance offset by one-off impacts of Allianz acquisition (-10bps) and IFRS9 (-5bps)
- Looking ahead, at this stage it is **too soon to predict the impact and will depend on how the situation evolves. In a V-shape impact scenario, negative impact of c.5% for 2020 full-year earnings** without including mitigating measures
- Our strong pre-provision profit (c.€26 billion in 2019, 3x cost of risk) means that **we are well positioned to withstand even a severe stress scenario**
- Based on current outlook we still target to be at the **top end of our CET1 FL guidance range by the end of 2020**



# Index

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**Achievements & delivery**

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**Santander for the future**

# In 2015 we set a strategy focused on customer loyalty...



...while building a more responsible and sustainable bank

### Culture

#### Engagement

**86%** of employees proud to work for SAN (+5pp vs peers<sup>1</sup>)

#### Women

**40%** Group Board  
**23%** Group leadership (+3pp vs. 2018)



Leader

### Sustainability

**€18bn**

mobilised in Green finance (+7% vs. 2018)

**€1bn**

Santander first green bond issuance

**Most sustainable bank in the world**

Dow Jones index<sup>2</sup>

### Communities

**1.2mn**

people helped through our community programs

**66k**

scholarships granted

### Financial inclusion

**1.6mn**

people financially empowered

**€277mn**

credit to microentrepreneurs<sup>3</sup> (+73% vs. 2018)

Note: figures as of 2019 (not audited yet) and changes on a YoY basis (2019 vs. 2018)

(1) Source: Mercer benchmark  
(2) Dow Jones Sustainability index 2019  
(3) Microentrepreneurs are already included in the people financially empowered metric

# We have delivered strong growth based on Scale, Customer Focus and Diversification



## Scale

**c.145 mn**

total customers in Europe and the Americas

**Top 3 bank<sup>2</sup>**

in 9 markets



## Customer Focus

**Top 3**

in NPS<sup>1</sup> in 6 countries

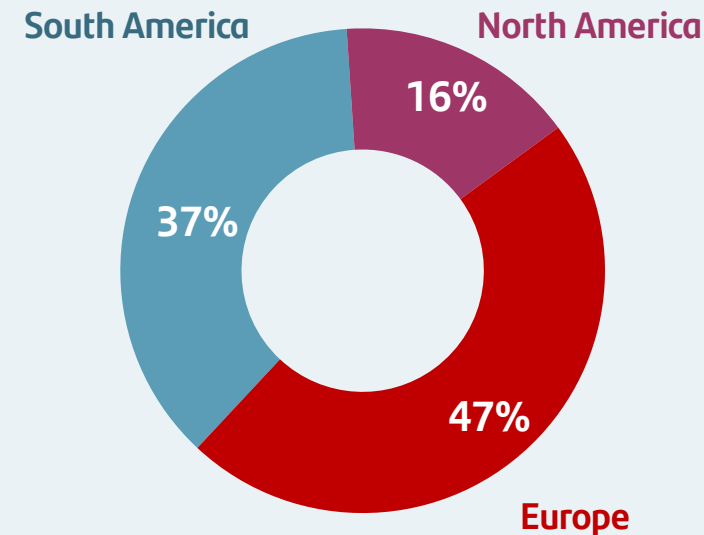
**+72%**

Loyal customers 2014 - 2019



## Diversification

2019 underlying attributable profit by region<sup>3</sup>



# Our strategy has delivered on our Growth, Profitability and Strength

2019 (vs. 2014)

Strong performance in the last 5 years...

 **Growth**

EPS<sup>1</sup> **+22%**

TNAVps<sup>2</sup> **+19%**

 **Profitability**

RoTE **+84 bps**

RoRWA **+34 bps**

 **Strength**

FL CET1 **+€22 bn<sup>3</sup>**

while increasing **2.3x** Cash DPS<sup>4</sup>

...supported by  
investments

**>€2bn**

Transformation  
charges

**€5bn**

Investment in  
digital and  
technology p.a.

(1) In constant €; Adjusting for share count increase coming from scrip dividends;

(2) Adjusting for share count increase coming from scrip dividends

(3) FL CET1 (€mn) accumulated since 2014; Including January 2015 ABB (€7.5bn)

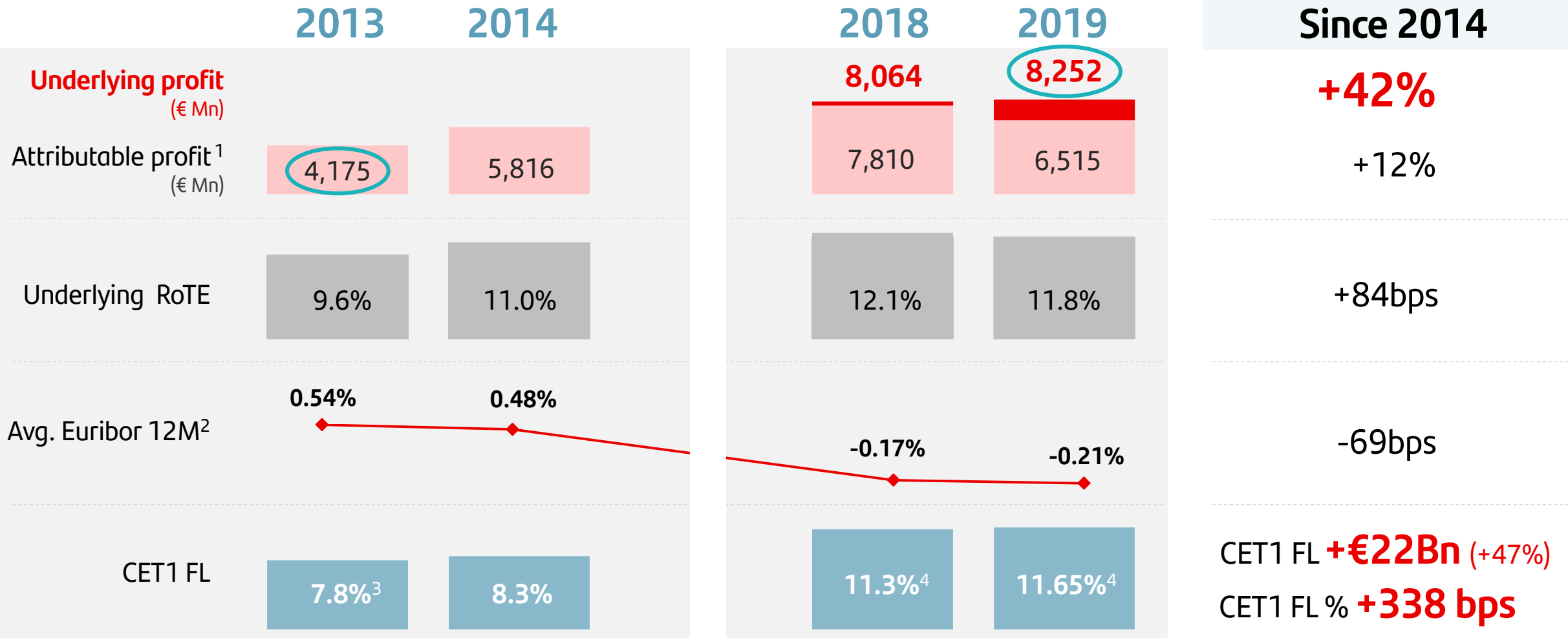
(4) €20 cents cash dividend in 2019 compared to €8.6 cents in 2014 (coming from the cash take-up of the 2014 €60 cents scrip dividend) - Board has proposed to the 2020 AGM that the total payment of the remuneration against 2019 results will be 0.23 euros per share, out of which 0.20 euros per share will be paid in cash



# Doubled profits and increasing CET1 since 2013

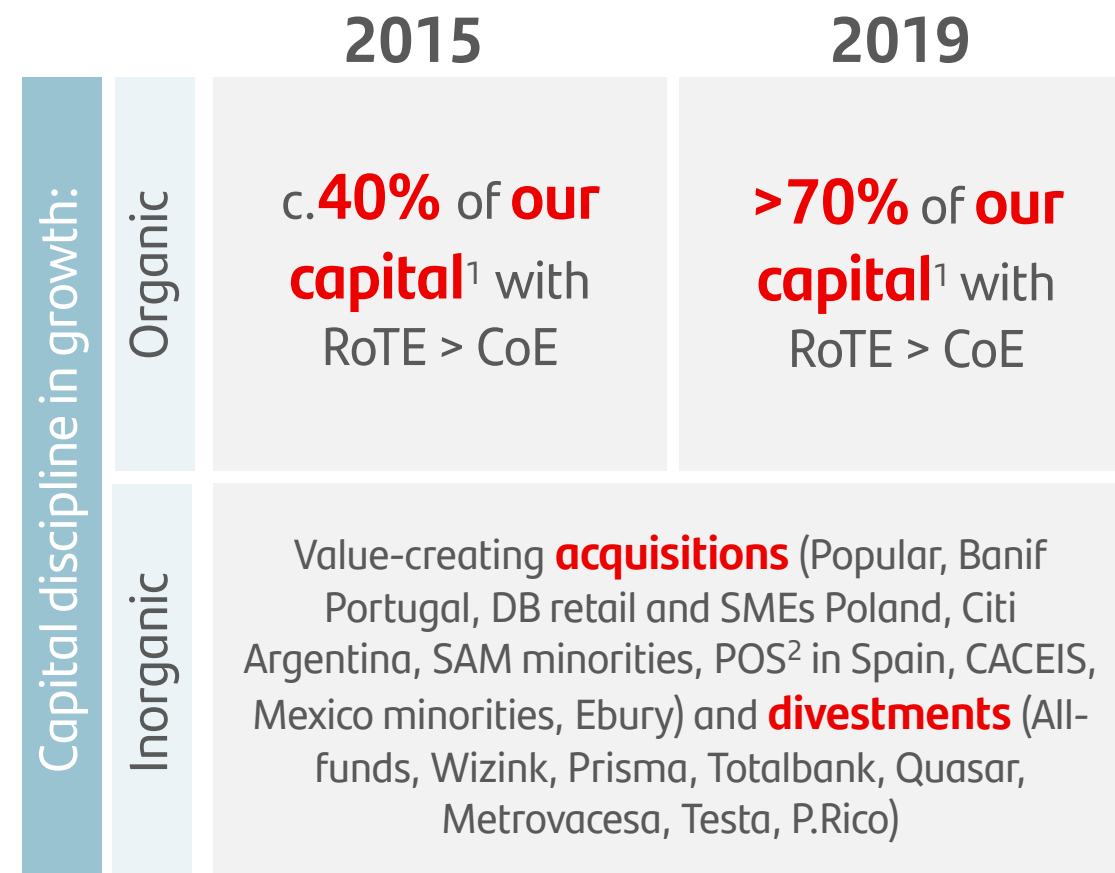
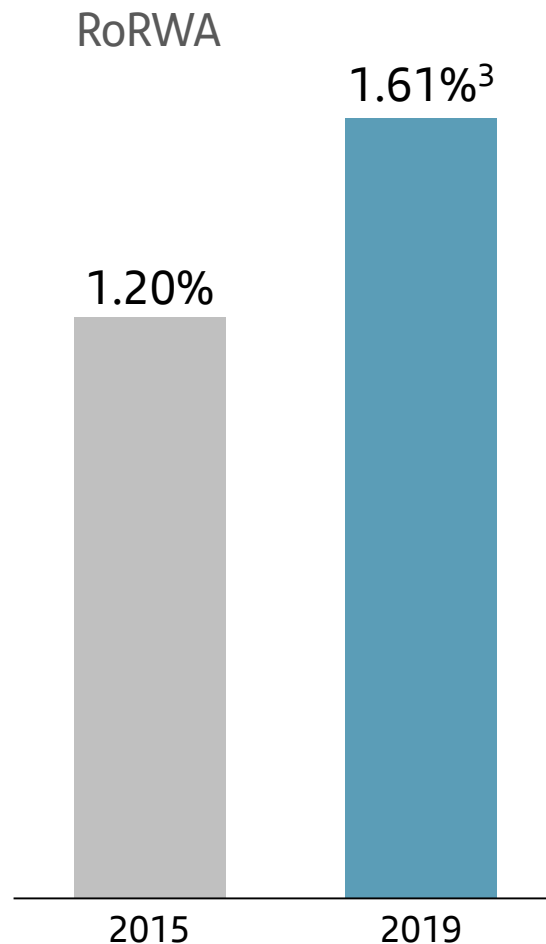
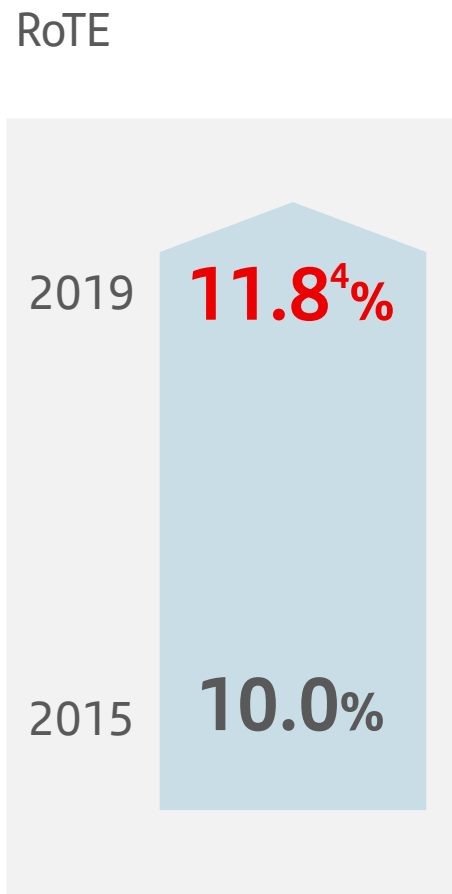


Profitability



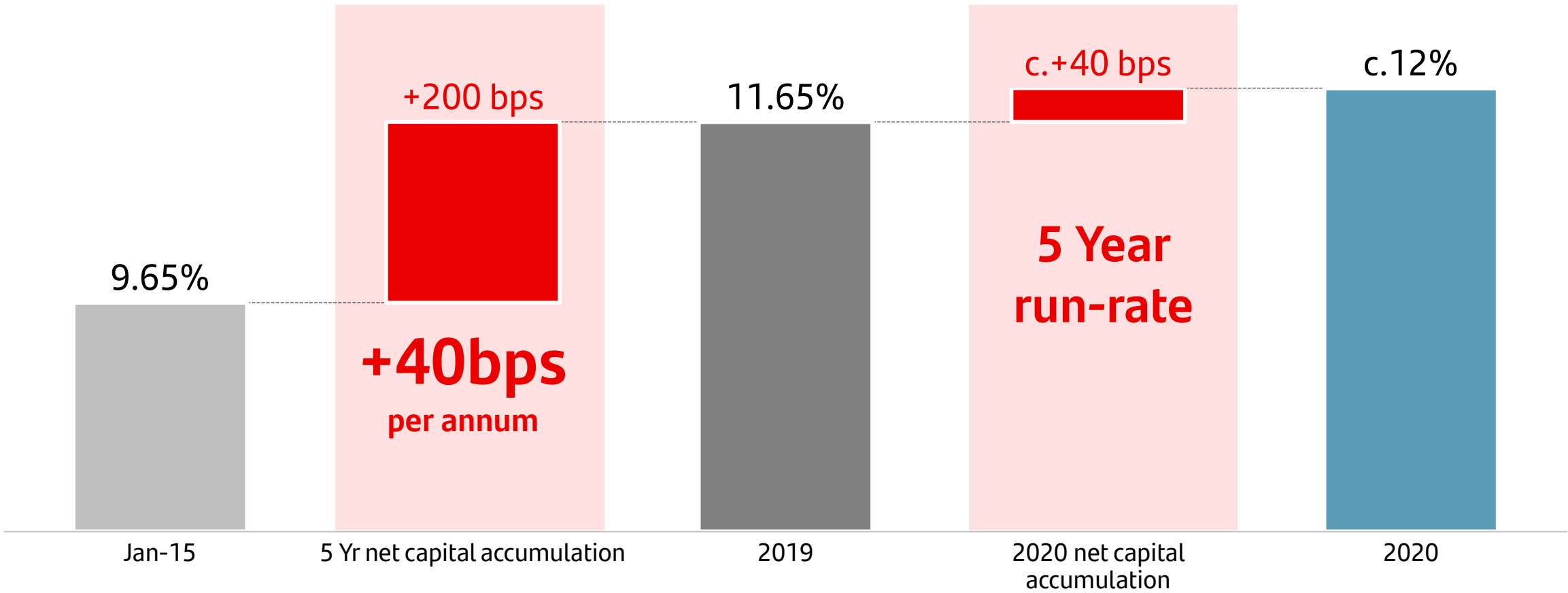


# Significant improvement in profitability since 2015...



# This strong profitability has led to a significant and increasing capital accumulation

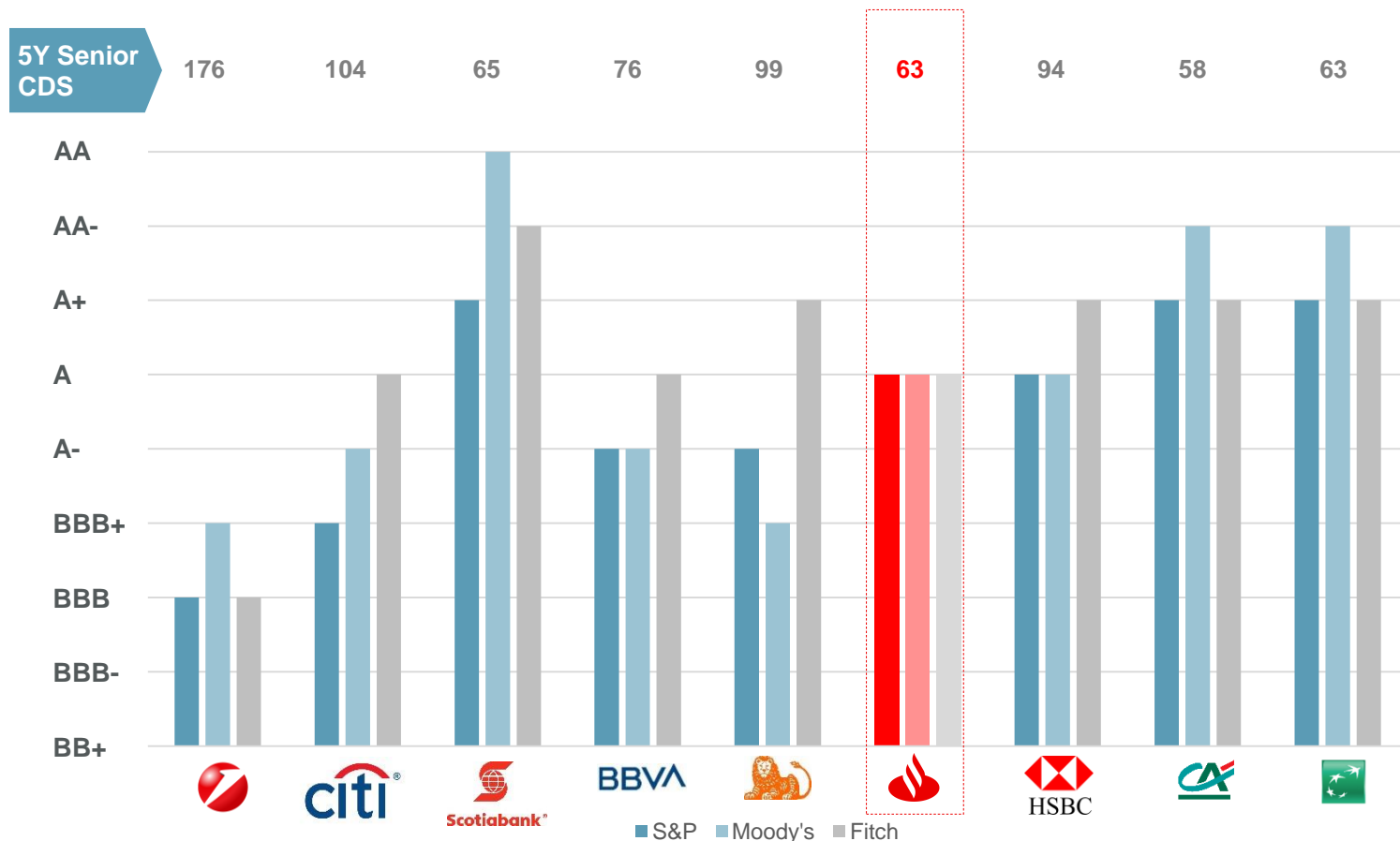
FL CET1 Jan 2015-2020



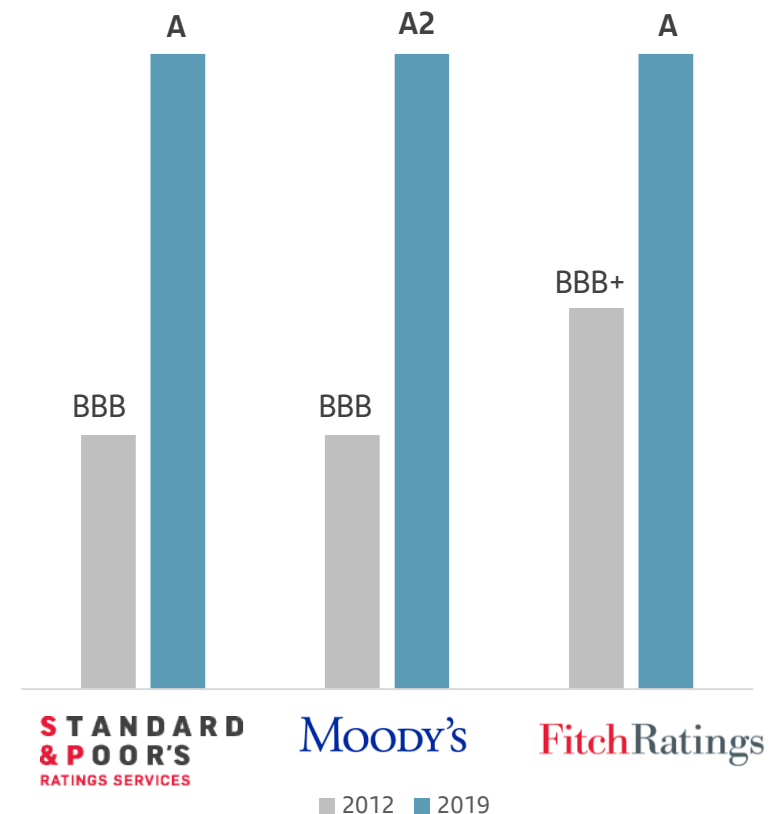


# Better credit profile and CDS spreads than the European peers' average...

## Senior unsecured LT ratings peer comparison



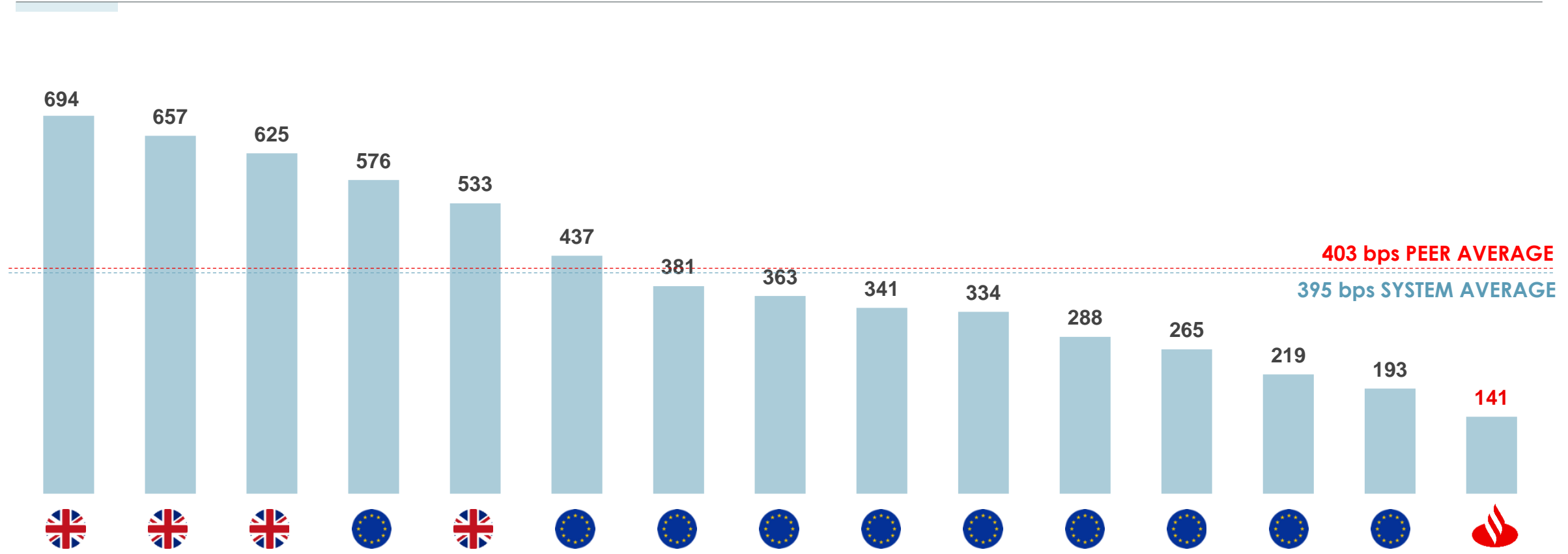
## Santander senior unsecured ratings evolution



CDS prices source: Bloomberg as of 10 Mar. 2020. Figures in local currency.

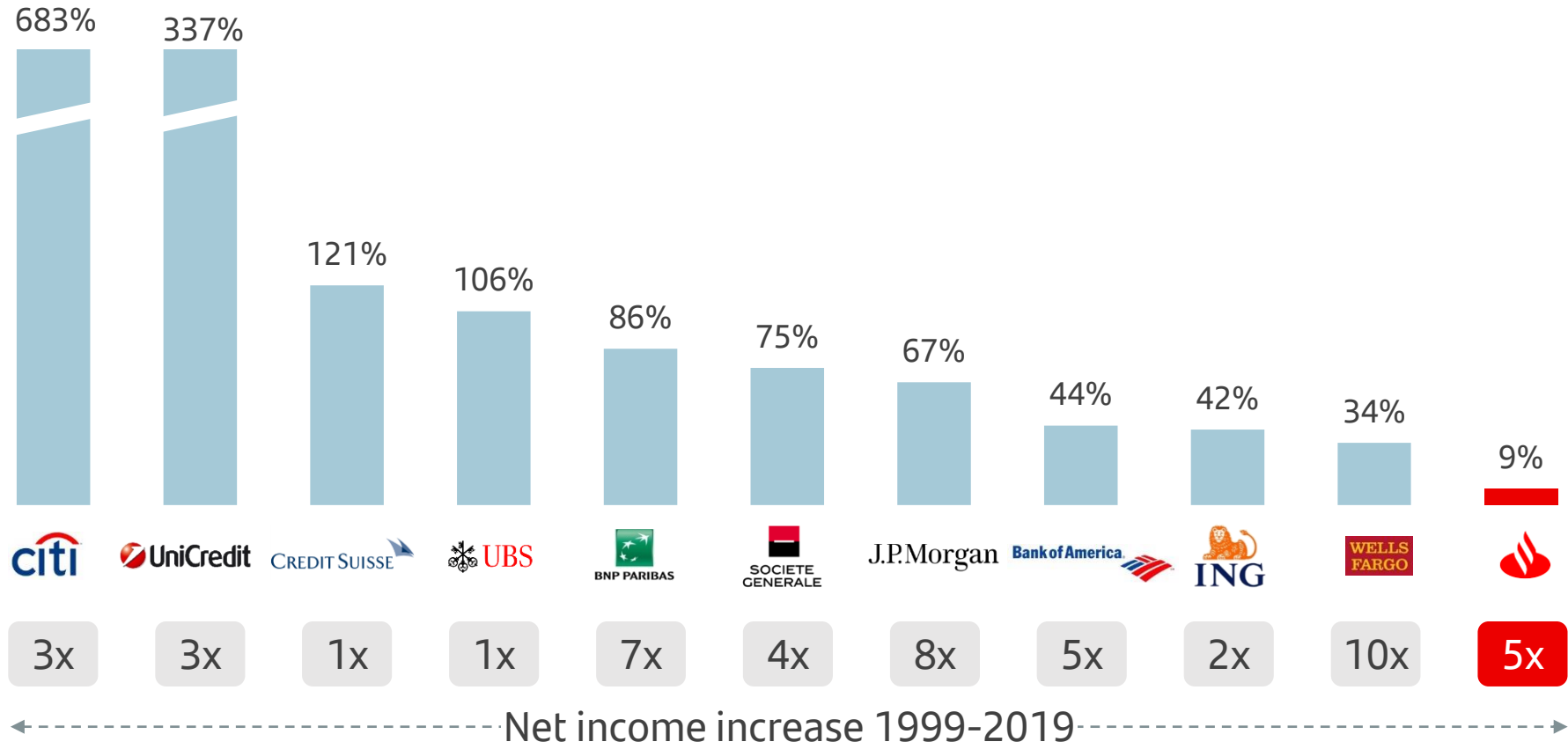
# ...being the strongest European bank under the 2018 EBA stress test adverse scenario

FL CET1 erosion under the adverse scenario (bps)



# Building on a differentiated business model that has delivered best-in-class predictable earnings growth for the last 20 years

Quarterly reported EPS volatility<sup>1</sup>  
1999-Q4'19



(1) Source: Bloomberg, with GAAP Criteria. Note: Standard deviation of the quarterly EPS starting from the first available data since Jan-99.



# Index

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Achievements & delivery

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**Santander for the future**

# Execution of our three-pillar plan to drive profitable growth in a responsible way



**Improve operating performance**



**Optimise capital allocation**



**Accelerate digitalisation through Santander Global Platform**



**Continue building a more Responsible Bank**





# Improving operating performance leveraging One Santander

## Europe



2019      Mid-term goal

Underlying  
RoTE

**10%**

**12-14%**

Efficiency

**53%**

**47-49%**

Goal

**Building one European banking platform, with enhanced profitability**

## North America



2019      Mid-term goal

**13%<sup>1</sup>**

**14-16%<sup>2</sup>**

**43%**

**39-41%**

**Investing together to improve commercial capabilities**

## South America



2019      Mid-term goal

**21%**

**20-22%**

**36%**

**33-35%**

**Natural reweighting and high profitable growth opportunity**



# Ongoing capital allocation optimization to improve profitability



Rebalancing to more profitable businesses



Improved pricing, processes and governance



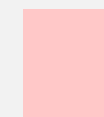
Active management and senior team alignment

## Strong profitability improvement leading to higher capital generation capacity



Group  
RoRWA<sup>1</sup>

1.3%



2014

1.6%



2019

1.8-2.0%



Mid-term  
goal



# Accelerating digitalisation and building Santander Global Platform

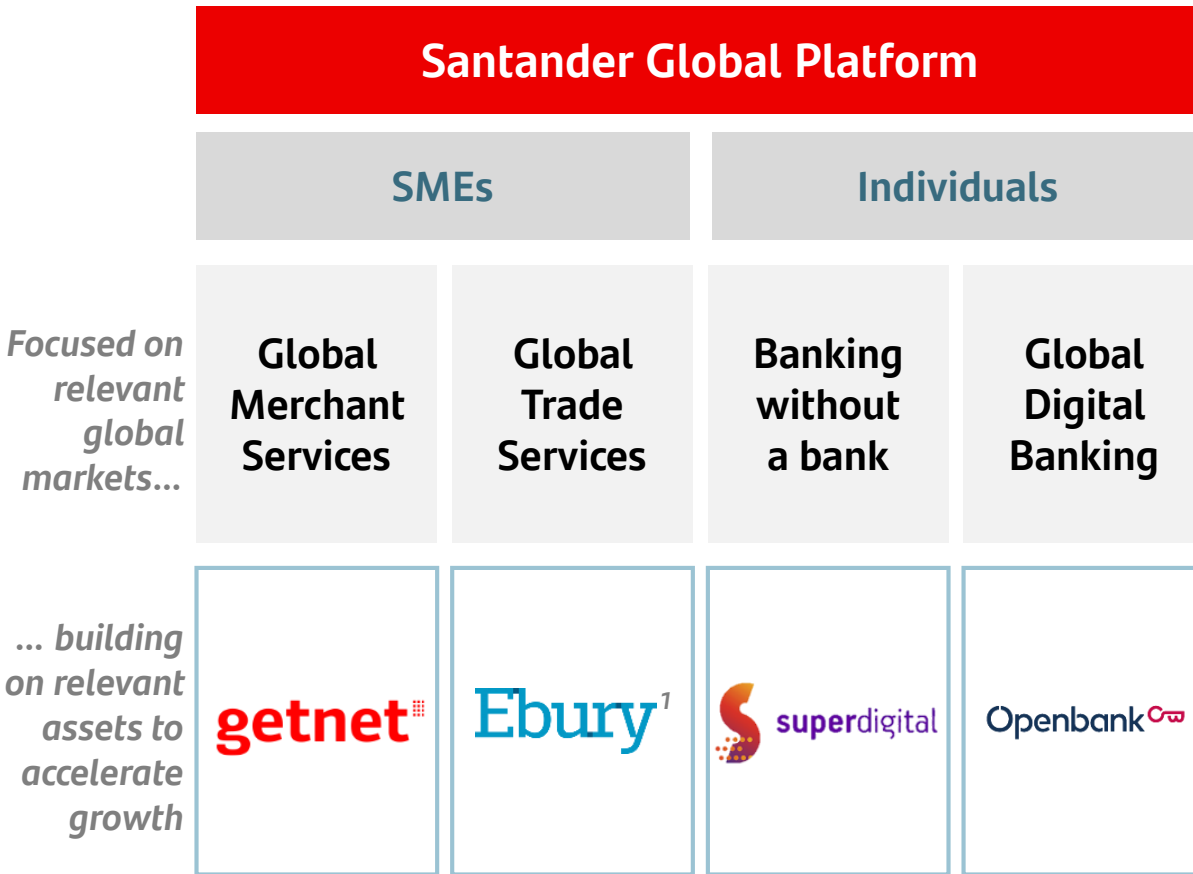
Accelerate the transformation of our 'core Banks'



Provide faster and better global payments and solutions

**Moving towards ONE SANTANDER to build simpler, faster and better services**

# Best-in-class global payments and digital banking open solutions to serve SMEs and individuals



- 1 Built with **global open platforms**, leveraging our scale for efficiency and customer experience
- 2 Run **autonomously with dedicated management**, with a blend of tech and banking talent
- 3 Offered to both our banks (B2C) and to **third parties (B2B2C) in an open platform model**
- 4 **Digital payment services** as a driver of customer engagement and loyalty

# Leveraging SGP to bring best-in-class Global payments solutions to SMEs



## Global Merchant Services

Leveraging Getnet to build Global Merchant Services

**€42bn**

Revenue pool for global merchant services<sup>1</sup>

**c.7%**

Expected revenue pool CAGR<sup>2</sup>

High growth and large addressable market...

**getnet** 

*High engagement*

**2x**

Market share in Brazil in 5 years

*High growth*

**+30%**

2013-2019 transaction volume CAGR

...with engaging propositions showing high growth..

Scaling from **1** to **8** markets

... and ambitious mid-term goals

## Global Trade Services

One global platform to serve international SMEs

**\$200bn**

Revenue pool for Global Transaction Banking services

**>200k**

SAN SME customers trading internationally

**Ebury** <sup>3</sup>

*High engagement*

**+20%**

2017-2019 transactions per customer CAGR

*High growth*

**+45%**

Revenue growth YoY

Scale to serve over **20** markets



# Leveraging SGP to offer fully digital banking solutions to individuals



Financial inclusion platform to cost-effectively serve the bottom of the pyramid



Our global, full-service digital bank

**>300mn**

Underserved<sup>1</sup> population in LatAm

**c.60mn**

Middle class<sup>2</sup> expansion by 2030 (+20%)

High growth and large addressable market...

**1bn**

Population in the markets the Group operates

**68%**

Of total assets in Europe held in current accounts



High engagement

**1.8x**

Transactions growth over customers<sup>3</sup> growth

High growth

**+105%**

Annual transaction growth

...with engaging propositions showing high growth..



High engagement

**4.4**

Average products per loyal customer

High growth

**+134%**

Mortgage sales growth over last 12m

Targeting **>5mn** active customers in **7** markets

... and ambitious mid-term goals

Scale from **4** to **10** markets in Europe and Americas



(1) Including 200mn+ unbanked and 100mn+ underbanked  
 (2) USD \$10-50 per capita daily income (PPP); Source: Interamerican Development Bank, 2016  
 (3) Active customers (30 days)

# Our business model and track record support delivery of our mid-term goals

	2019	'19 Investor Day Mid-term goals
Loyal customers <sup>1</sup>	22mn	c.26mn
Digital customers <sup>2</sup>	37mn	c.50mn
Digital sales <sup>3</sup>	36%	>50%
C/I	47%	42-45%
FL CET1	11.65%	11-12%
Underlying RoTE	11.8%	13-15%
Underlying RoRWA	1.61%	1.8-2.0%
Pay-out	40-50%	40-50%

*New goal:*

## High-single digit EPS

3Y-CAGR<sup>4</sup>

# 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**

