

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](http://www.santander.com)).

## Forward-looking statements

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

Forward-looking statements speak only as of the date of this presentation and are based on the knowledge, information available and views taken on such date; such knowledge, information and views may change at any time. Santander does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

## **No offer**

The information contained in this presentation is subject to, and must be read in conjunction with, all other publicly available information, including, where relevant any fuller disclosure document published by Santander. Any person at any time acquiring securities must do so only on the basis of such person's own judgment as to the merits or the suitability of the securities for its purpose and only on such information as is contained in such public information having taken all such professional or other advice as it considers necessary or appropriate in the circumstances and not in reliance on the information contained in this presentation. No investment activity should be undertaken on the basis of the information contained in this presentation. In making this presentation available Santander gives no advice and makes no recommendation to buy, sell or otherwise deal in shares in Santander or in any other securities or investments whatsoever.

Neither this presentation nor any of the information contained therein constitutes an offer to sell or the solicitation of an offer to buy any securities. No offering of securities shall be made in the United States except pursuant to registration under the U.S. Securities Act of 1933, as amended, or an exemption therefrom. Nothing contained in this presentation is intended to constitute an invitation or inducement to engage in investment activity for the purposes of the prohibition on financial promotion in the U.K. Financial Services and Markets Act 2000.

## **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

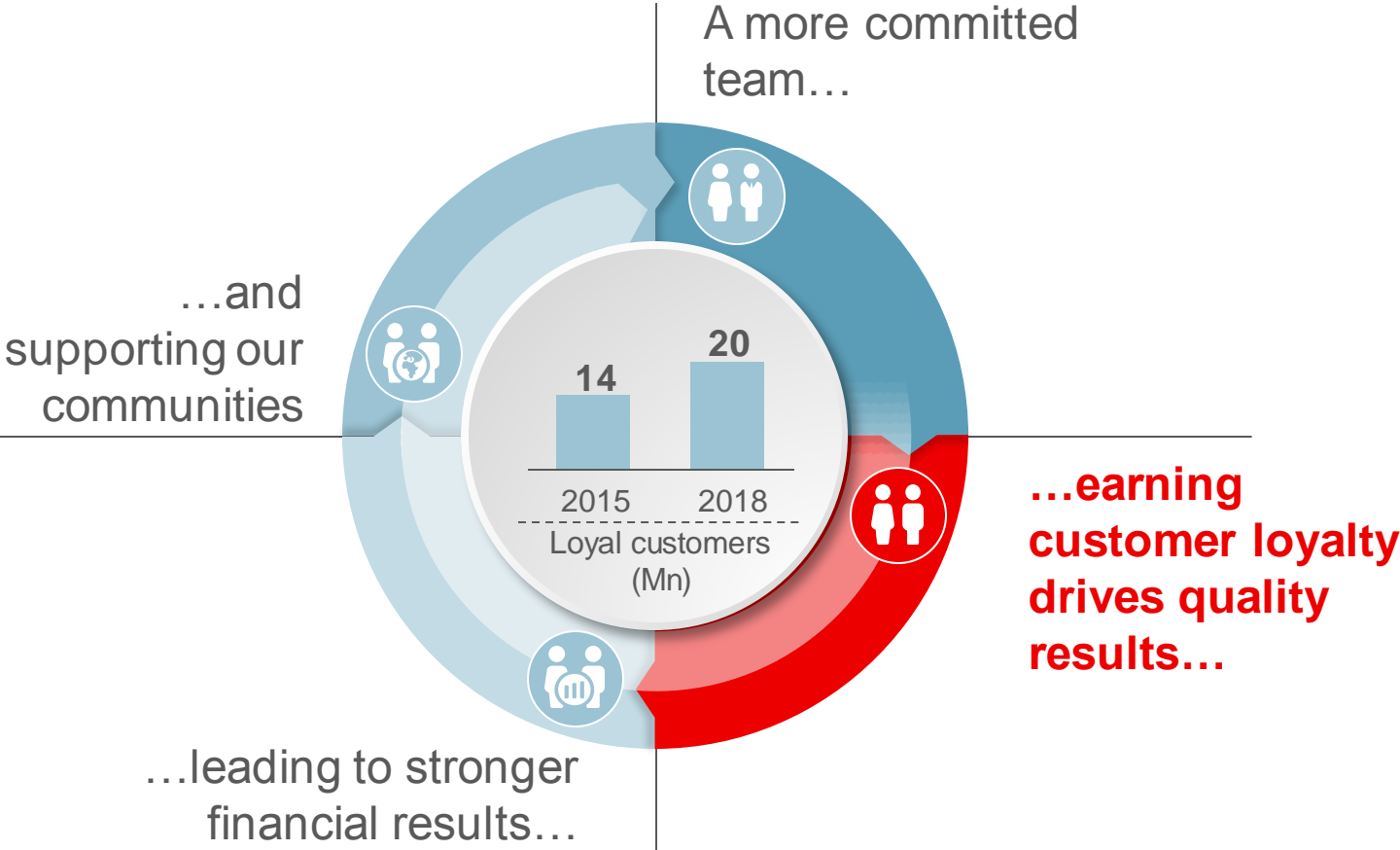
03

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

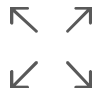
**Earn lasting customer loyalty**

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



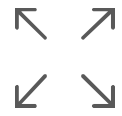
Deliver all products and services through **E2E digital channels** in a **fast and efficient way**

**Digitalise our Core Banks**

 **Growth**

 **Profitability**

 **Strength**

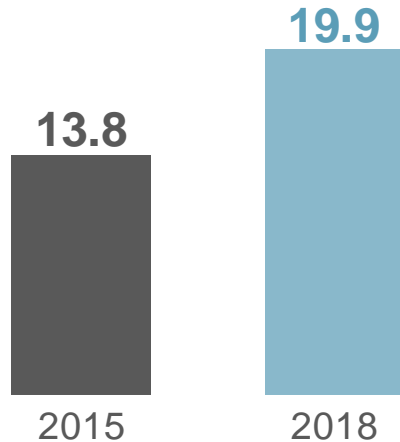


# Growth

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

Loyal customers (Mn)

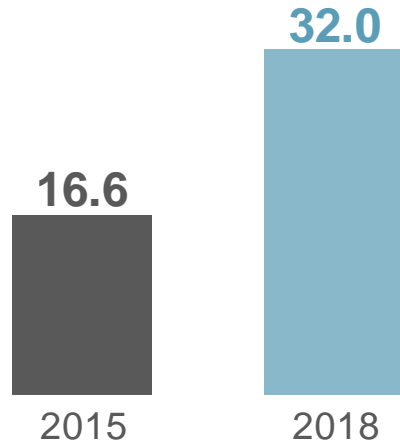
**+44%**



**3.4x** higher revenues per customer<sup>1</sup> vs non loyal

Digital customers (Mn)

**+93%**

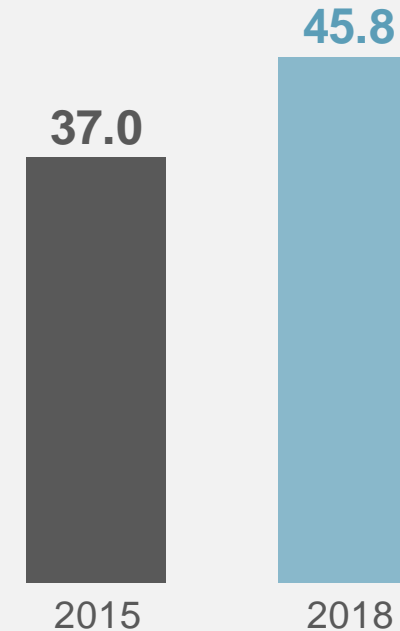


**2x** higher revenues per customer vs non digital



Customer revenues (Constant €Bn<sup>2</sup>)

**+24%**

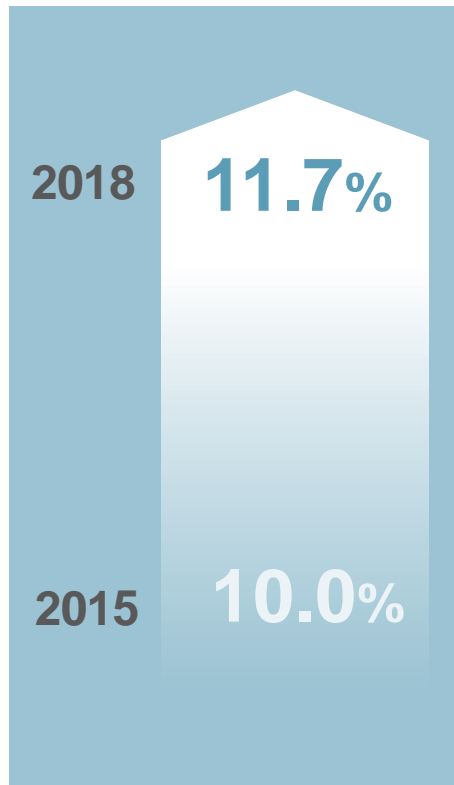




# Profitability

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. <b>40%</b> of <b>our capital</b> <sup>1</sup> with RoTE > CoE	c. <b>90%</b> of <b>our capital</b> <sup>1</sup> with RoTE > CoE
	Inorganic	Value-creating <b>acquisitions</b> (Popular, Banif Portugal, DB retail and SMEs Poland, Citi Argentina, SAM minorities, POS <sup>2</sup> in Spain) and <b>divestments</b> (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

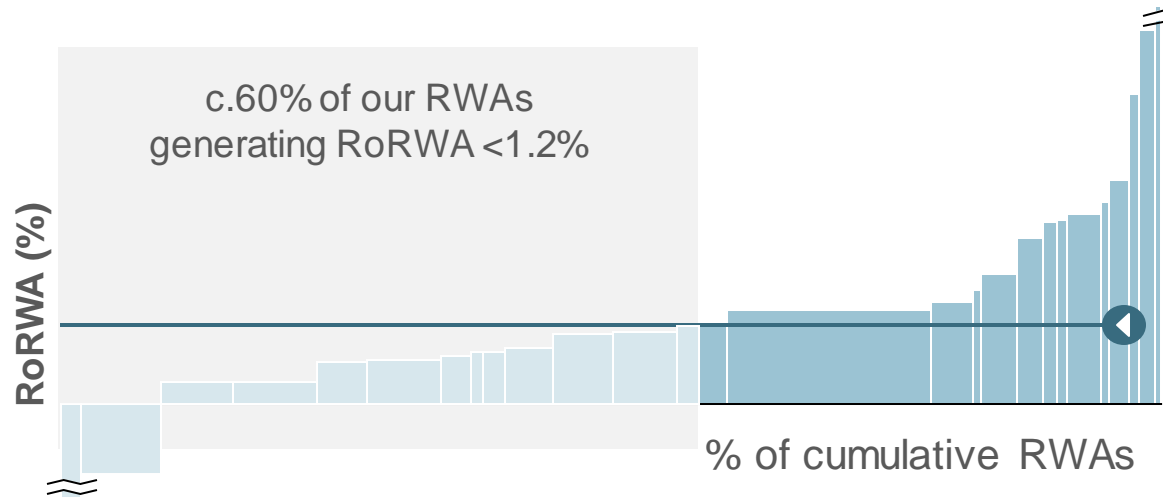




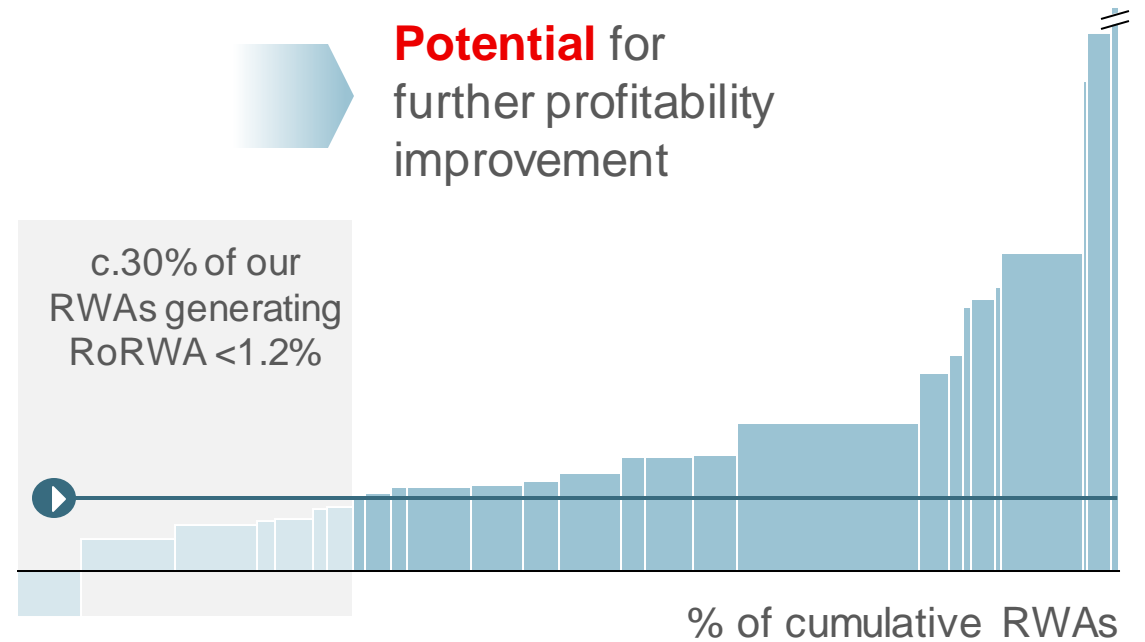
# Profitability

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

From (2015)...



...To (2018)



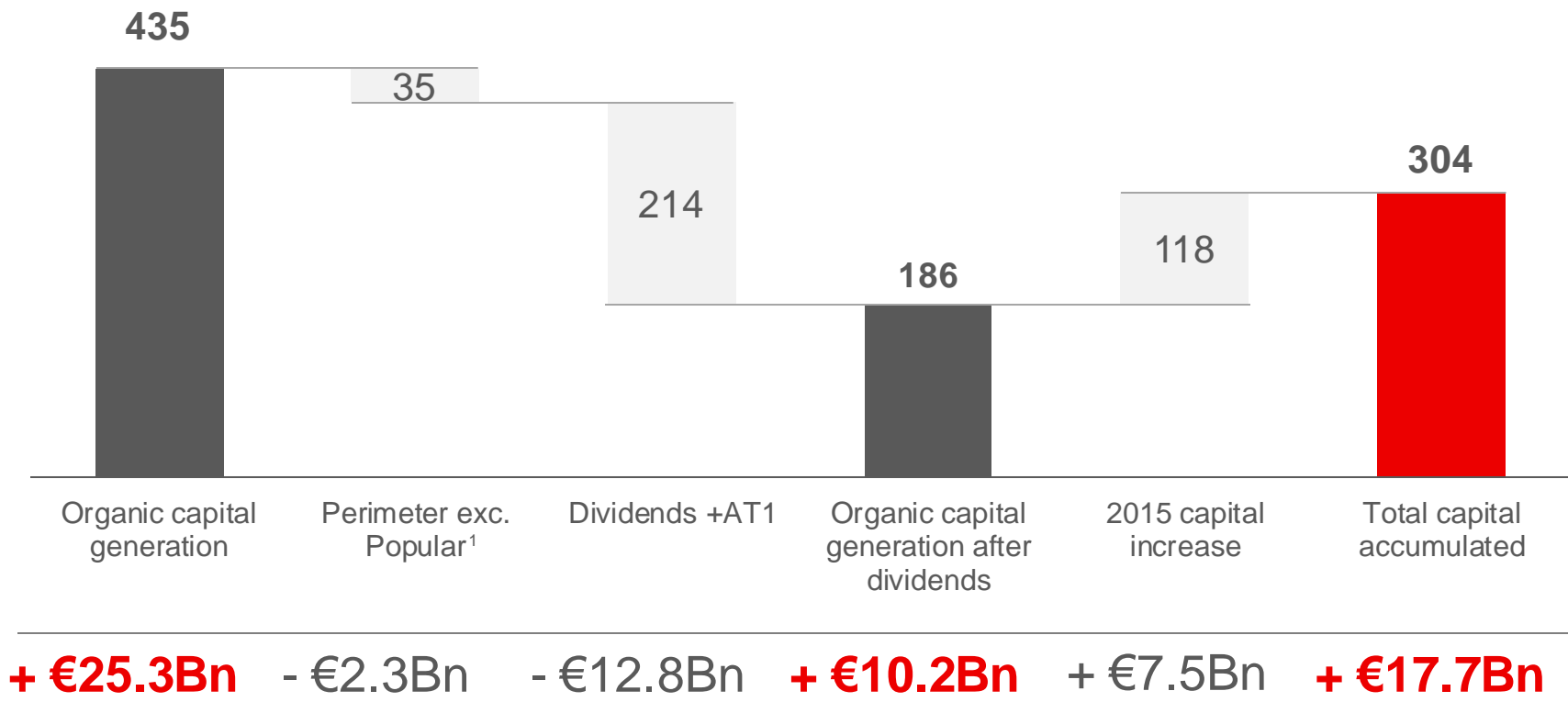
...but still there is more to do



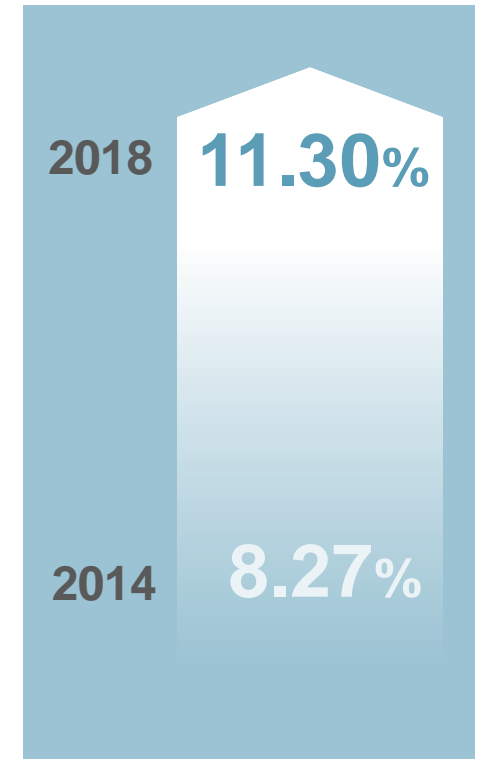
# Strength

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

**Capital generation** between December 2014 and December 2018 (bps)

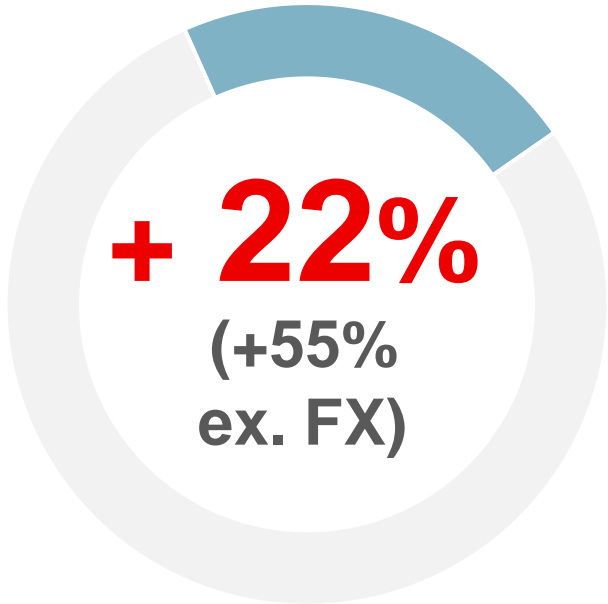


## FL CET1

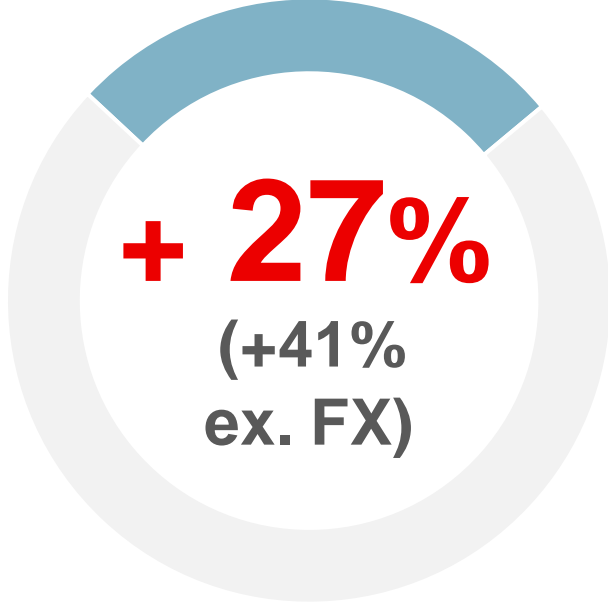


# Our 'GPS' has delivered increases of 55% in EPS and 41% in TNAV per share + cumulative cash DPS, excluding FX

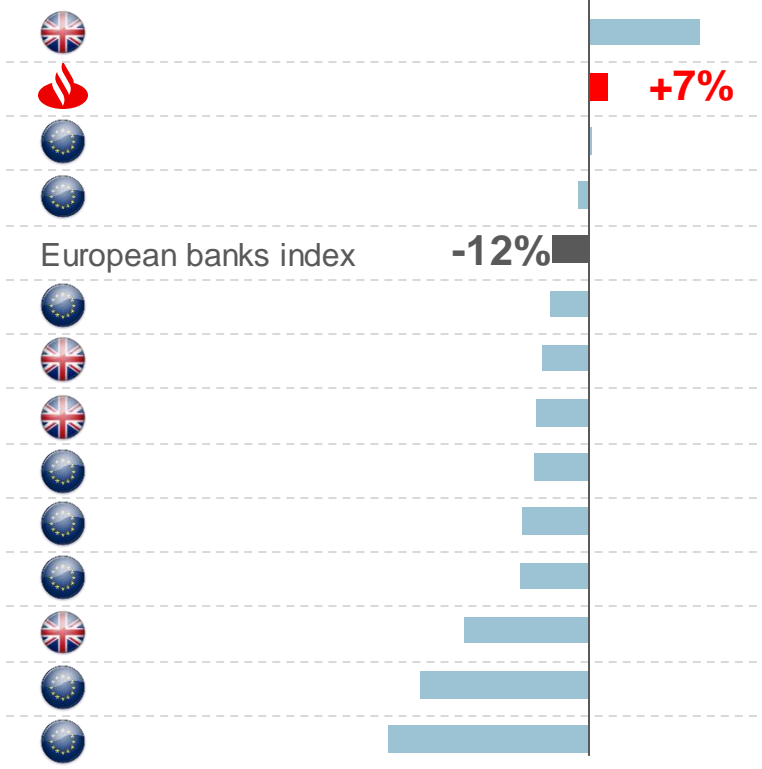
EPS growth<sup>1</sup>  
2015-18



TNAVps + cum. Cash DPS<sup>1</sup>  
2015-18

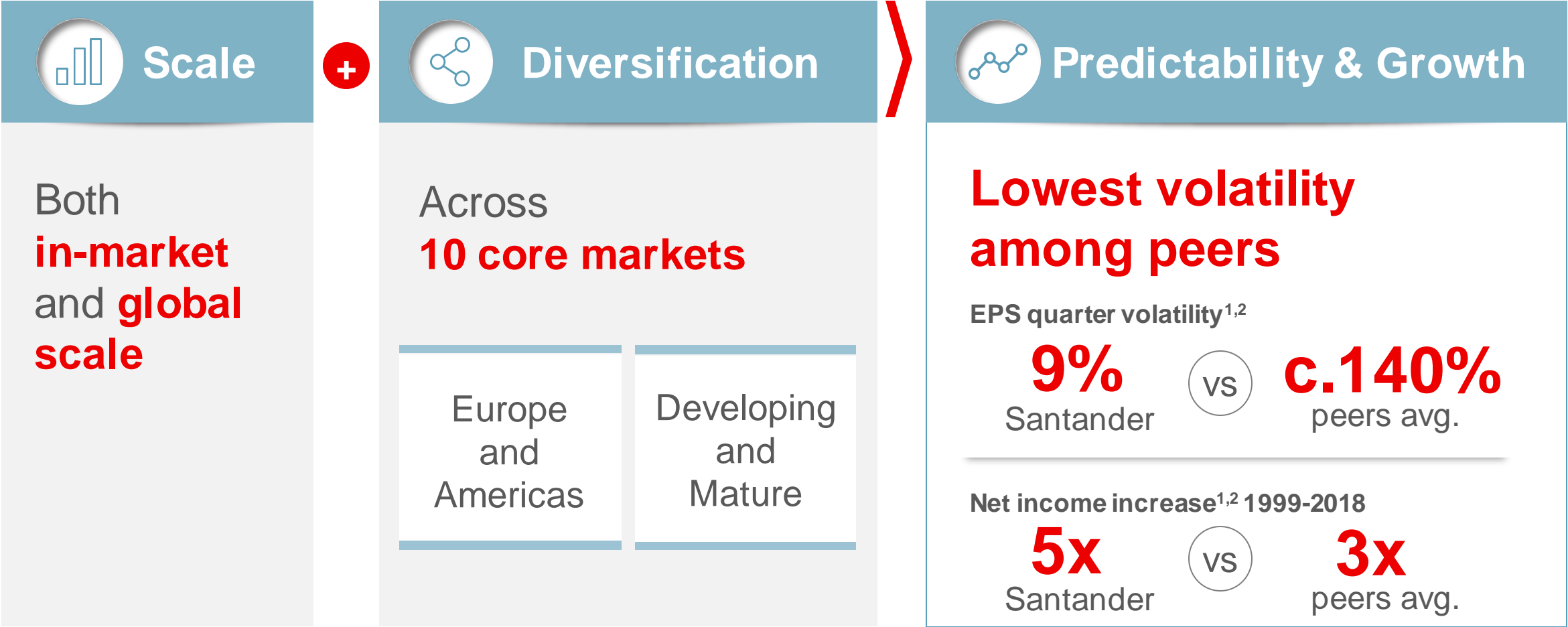


TSR accumulated vs peers  
since 2015 Investor Day<sup>2</sup>



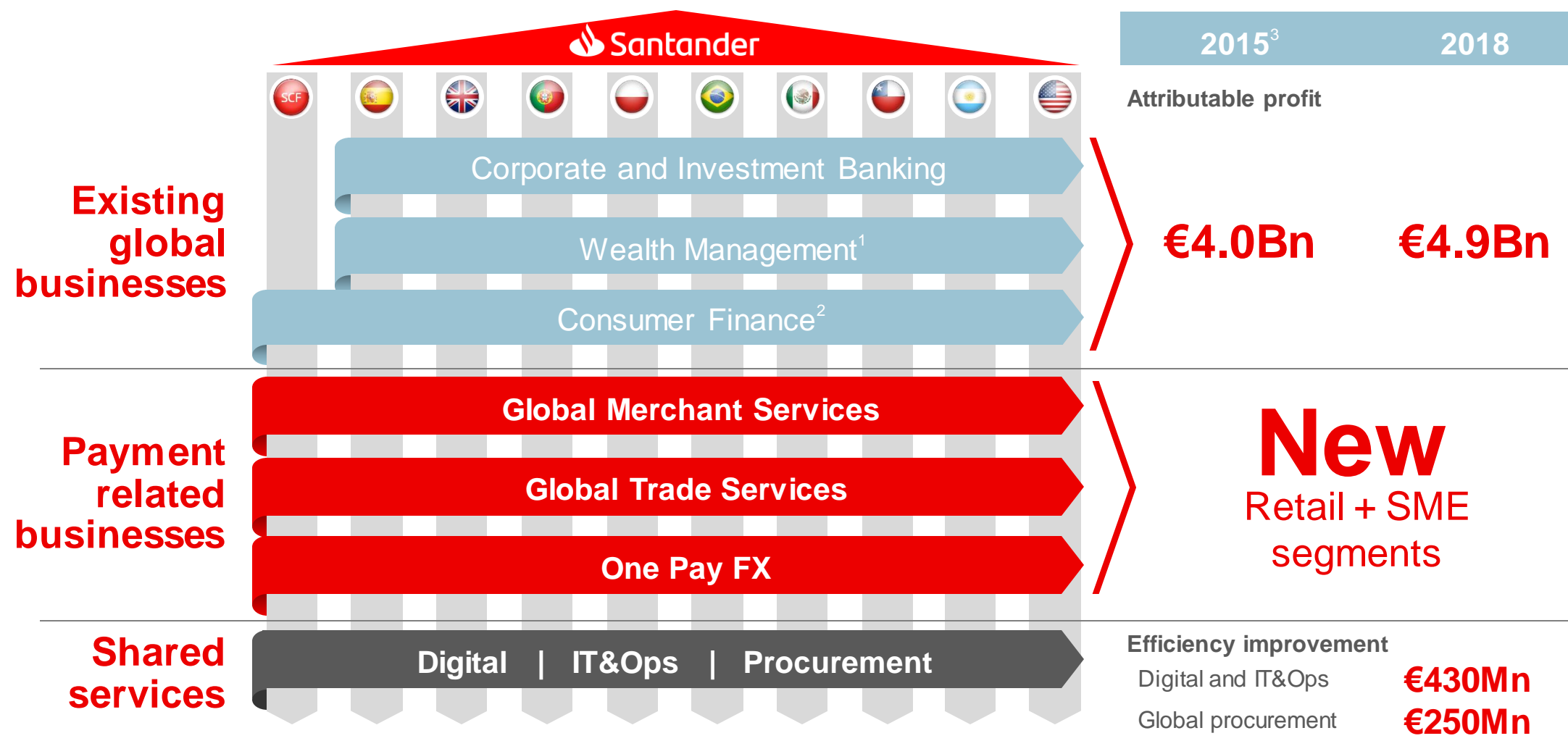
(1) Statutory EPS and TNAVps growth adjusted for the increase in shares from scrip dividends. Figures excluding FX are in constant Euros.  
 (2) Source: Bloomberg as of 29/03/19. All figures in EUR. TSR accumulated since 24/09/15.  
 Total Shareholder return considering dividends reinvested in the security.  
 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.

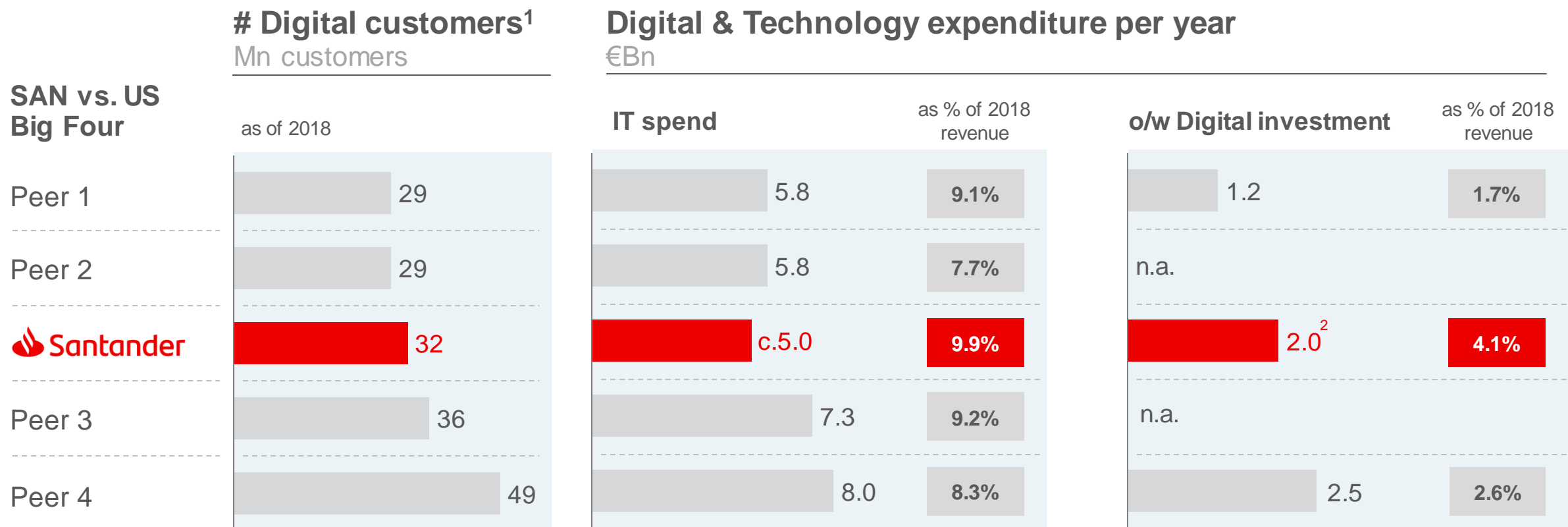
# Group knowledge and scale add increasing value to our retail and commercial franchises



(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

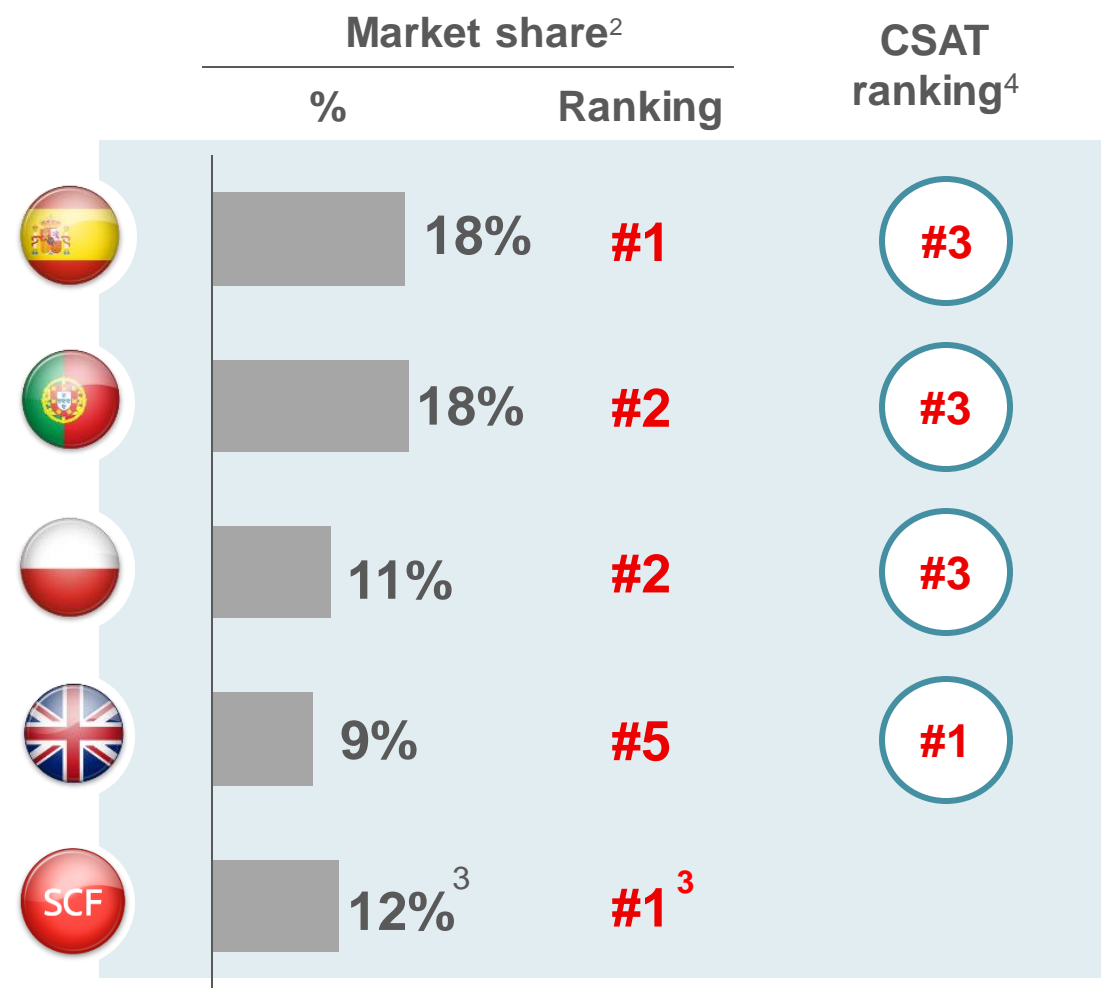
# European franchise strongly positioned to improve profitability

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 2016-18<sup>1</sup>)  
**+59%** increase in transactions in 2016-18<sup>1</sup>



(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.

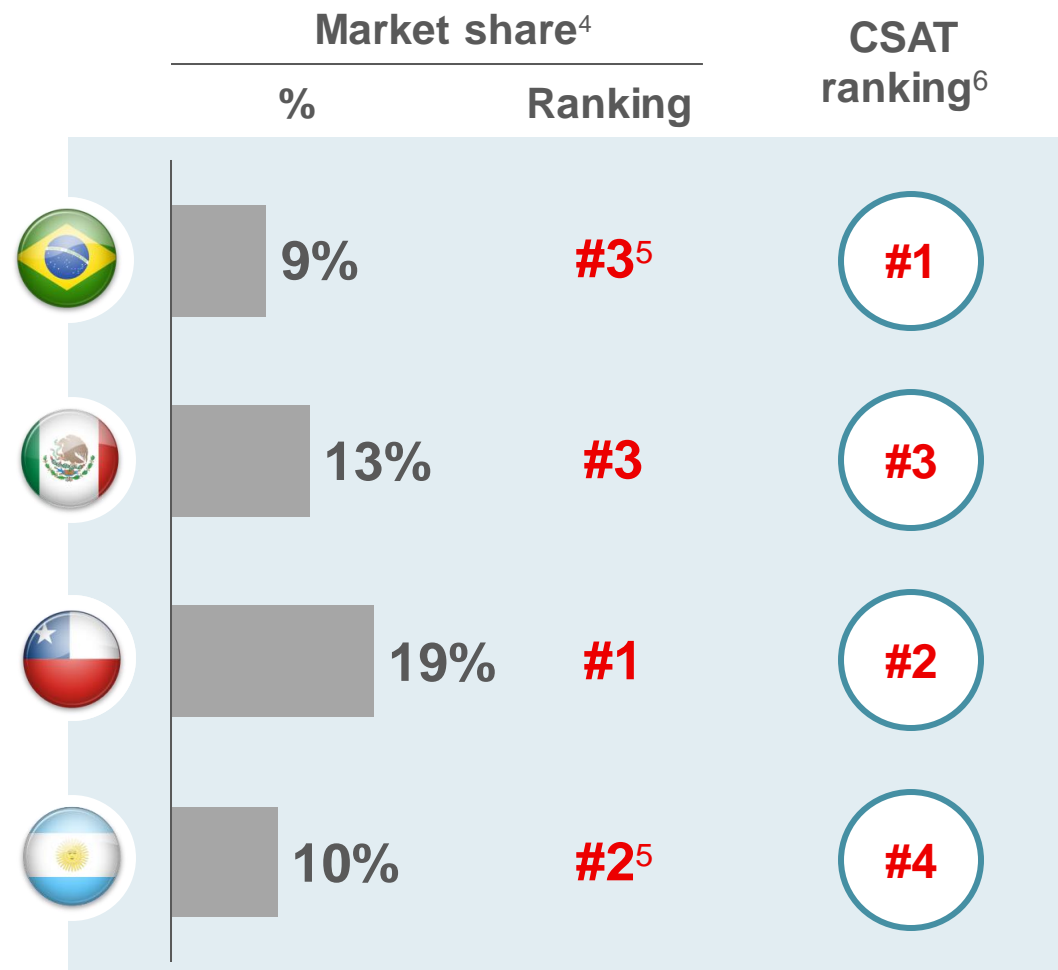
# We are the LatAm bank, giving us a unique structural growth opportunity

Large economies with high growth prospects

**c.600Mn** total population<sup>1</sup>  
**c.3%** combined GDP CAGR<sup>2</sup>

Great growth potential

**c.200Mn** unbanked population  
**c.60Mn** middle class<sup>3</sup> 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

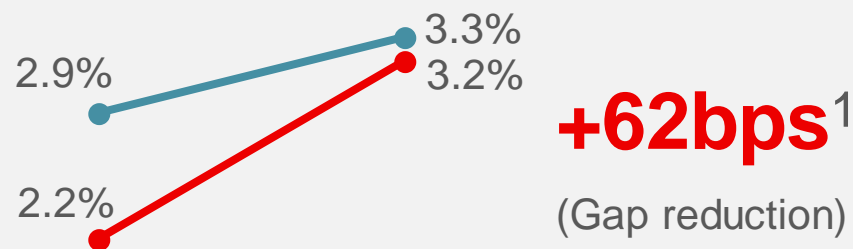
Attributable Profit  
2018

**\$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

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

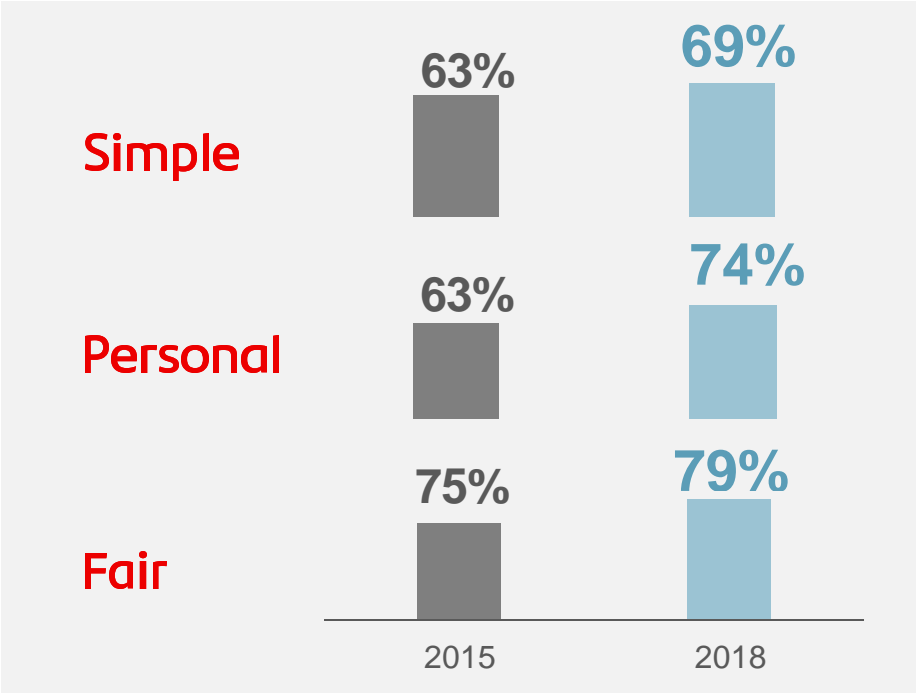
		Growing profitability		Higher growth prospects
		RoRWA <sup>5</sup> '15	RoRWA '18	Medium-term goals revenue CAGR <sup>6</sup>
<b>Corporate &amp; Investment Banking</b>	<b>42%</b> of client revenues are cross border <sup>3</sup>	<b>1.3%</b>	<b>1.8%</b>	<b>c.8%</b>
<b>Wealth Management<sup>1</sup></b>	<b>&gt;4Mn</b> potential Private Banking customers in our core markets	<b>7.4%</b>	<b>7.8%</b>	<b>c.10%</b>
<b>Consumer Finance<sup>2</sup></b>	<b>c.50%</b> of total auto assets through global OEMs <sup>4</sup> partnerships	<b>2.3%</b>	<b>2.3%</b>	<b>c.3%</b>

(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...** **6.3Mn<sup>1</sup>** people supported
- ...promoting financial **inclusion...** **273k** microentrepreneurs supported in 2018
- ...and **sustainable growth**
  - MEMBER OF **Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM
  - 1<sup>st</sup>** in Europe
  - 3<sup>rd</sup>** 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



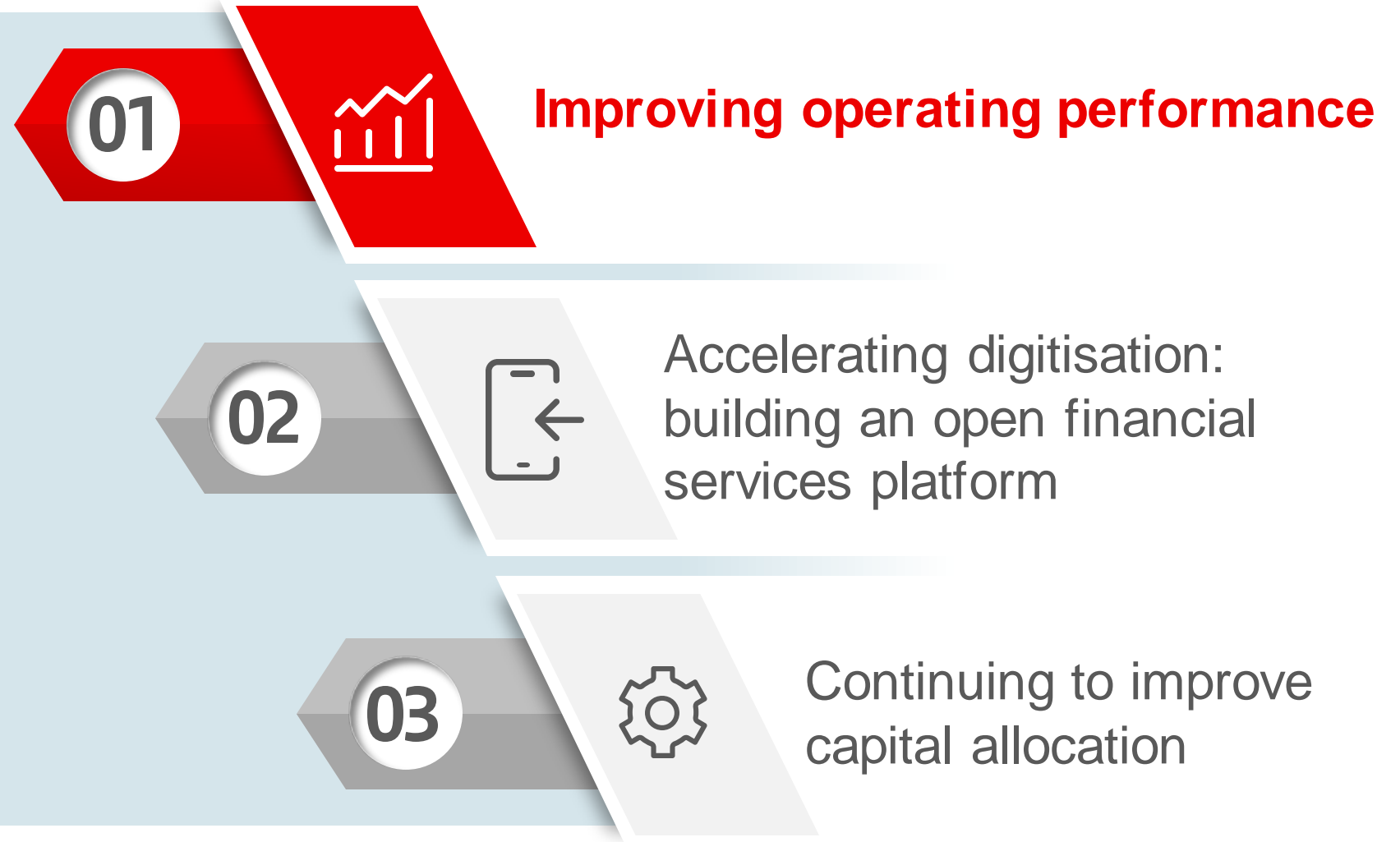
Accelerating digitisation:  
building an open financial  
services platform

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**



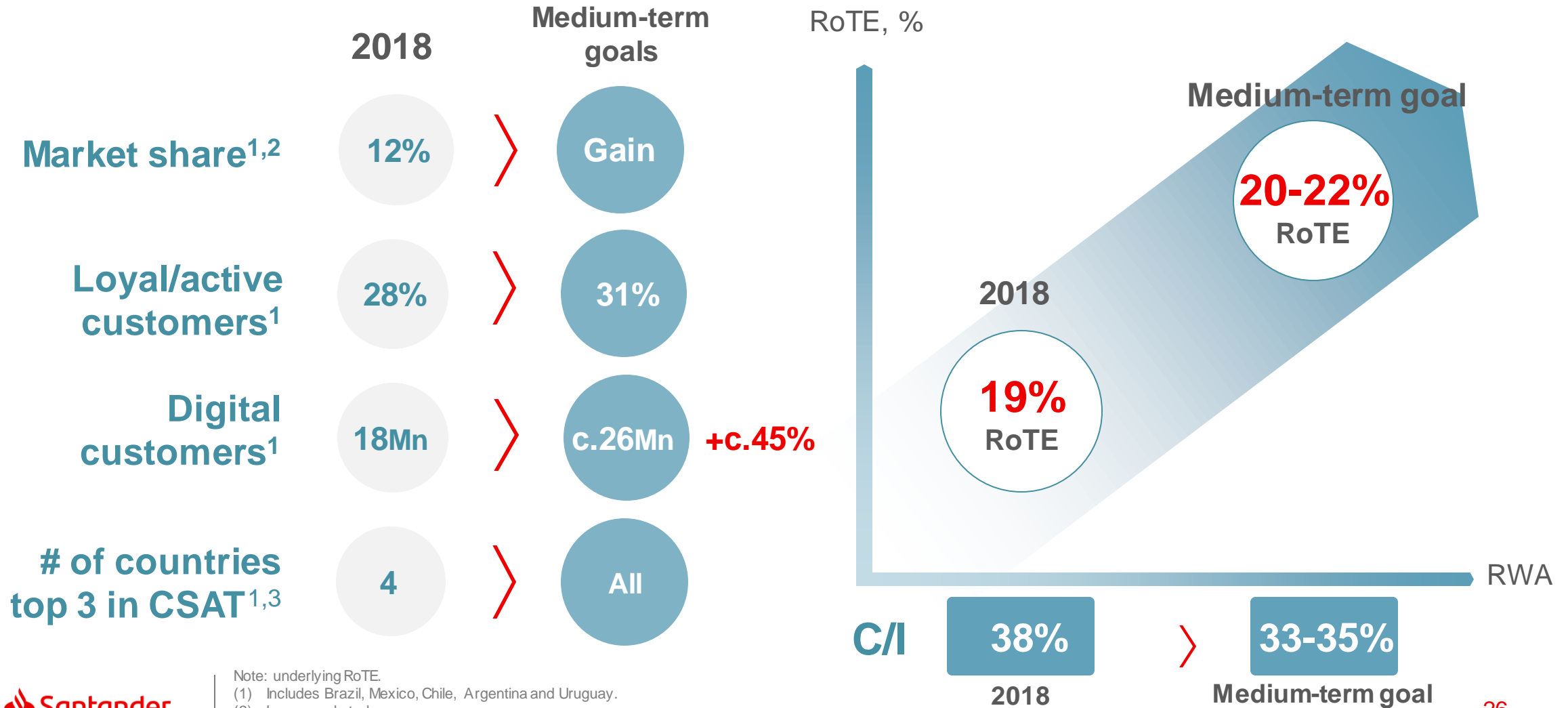
**Europe**

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.

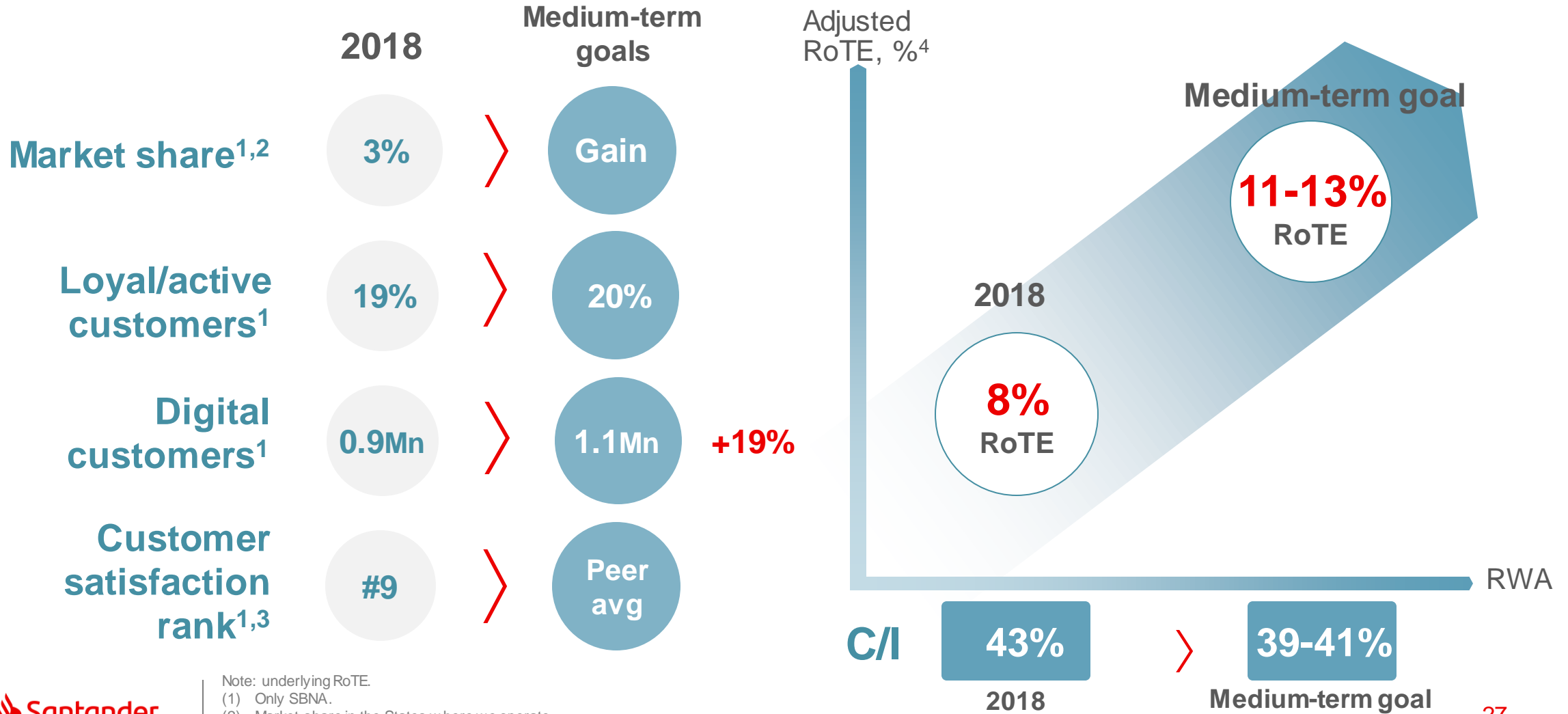
(1) Includes Brazil, Mexico, Chile, Argentina and Uruguay.

(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%

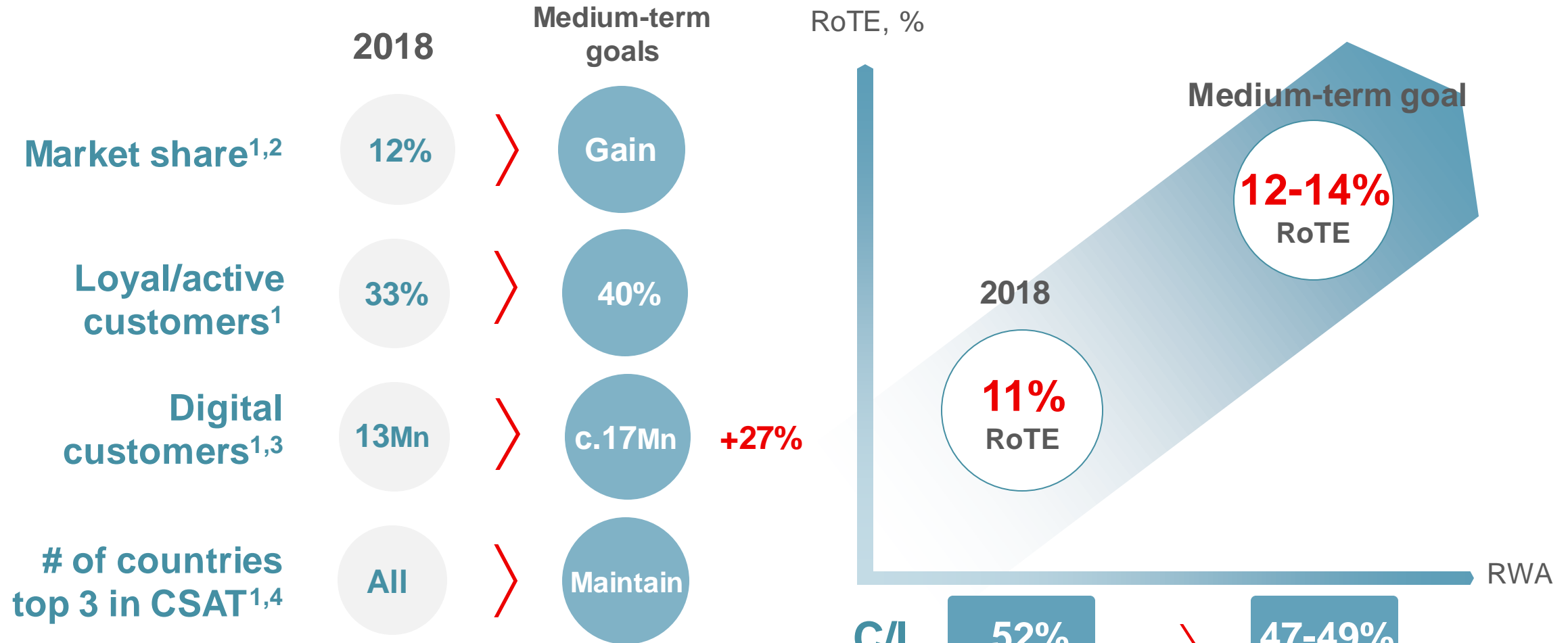


Note: underlying RoTE.

- (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”**

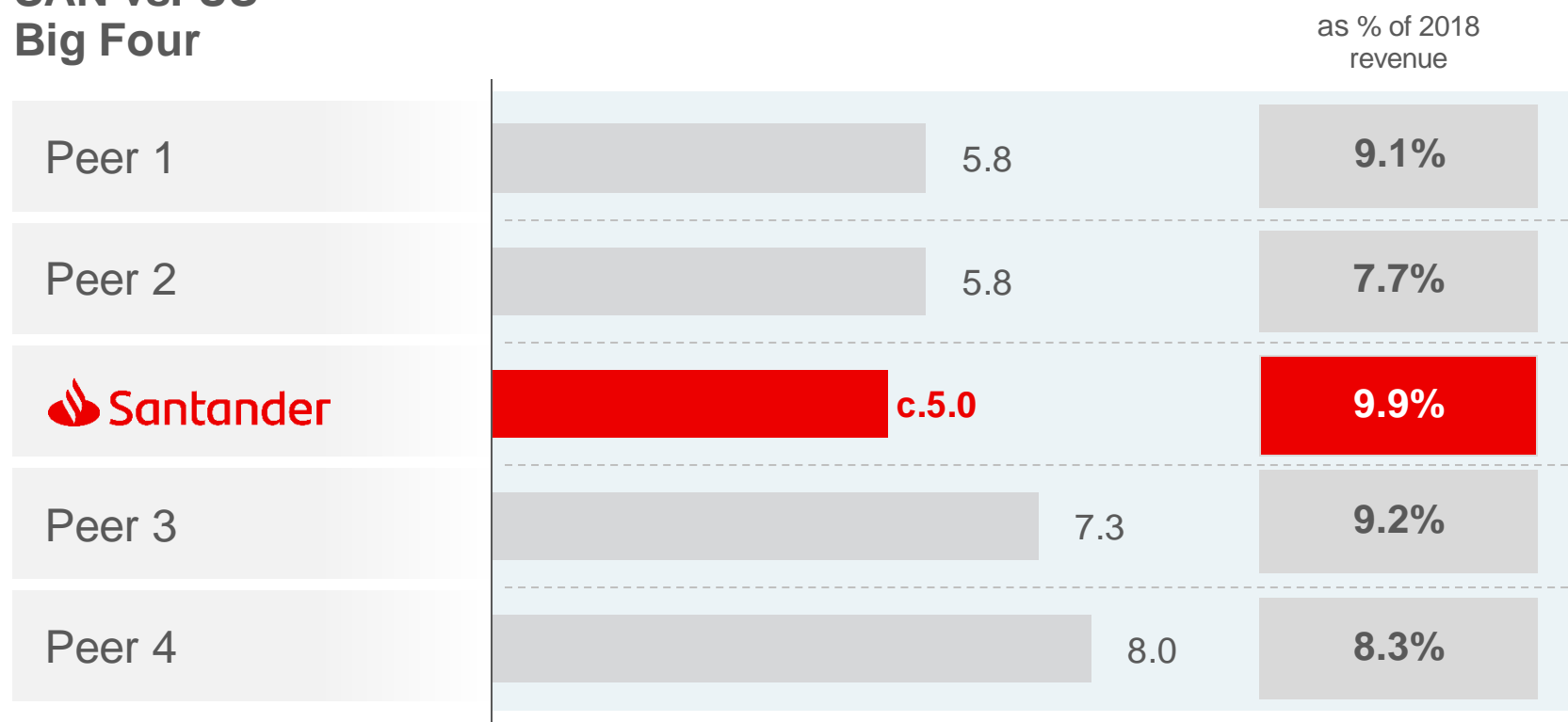
Fast experimentation to serve  
our banks with new solutions while  
competing in the  
open market to attract  
new customers

# €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% CAGR<sup>1</sup>)

**>4Mn** SMEs

**top 10**

worldwide in  
acquiring volume<sup>2</sup>

**>80Mn** cards

**€500Bn**

in payments p.a.<sup>3</sup>  
across customers

**A**

**Global Trade  
Services**

**B**

**Global Merchant  
Services**

**C**



**One Pay<sub>FX</sub>**

**We have valuable assets as foundations**

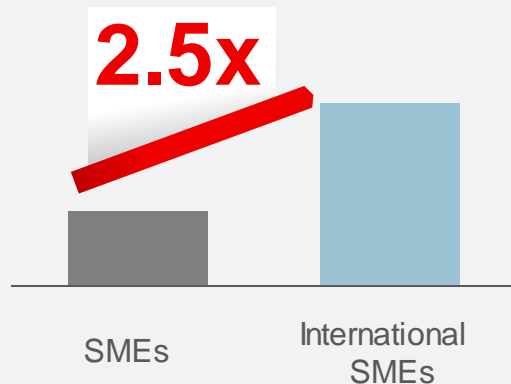


A

# 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 customer<sup>1</sup>



**>170k**

Number of SMEs  
trading internationally

**Market  
leaders**



>20% market share<sup>2</sup>

**>€500Mn**

Revenues<sup>2</sup> trading  
internationally

## Our vision

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

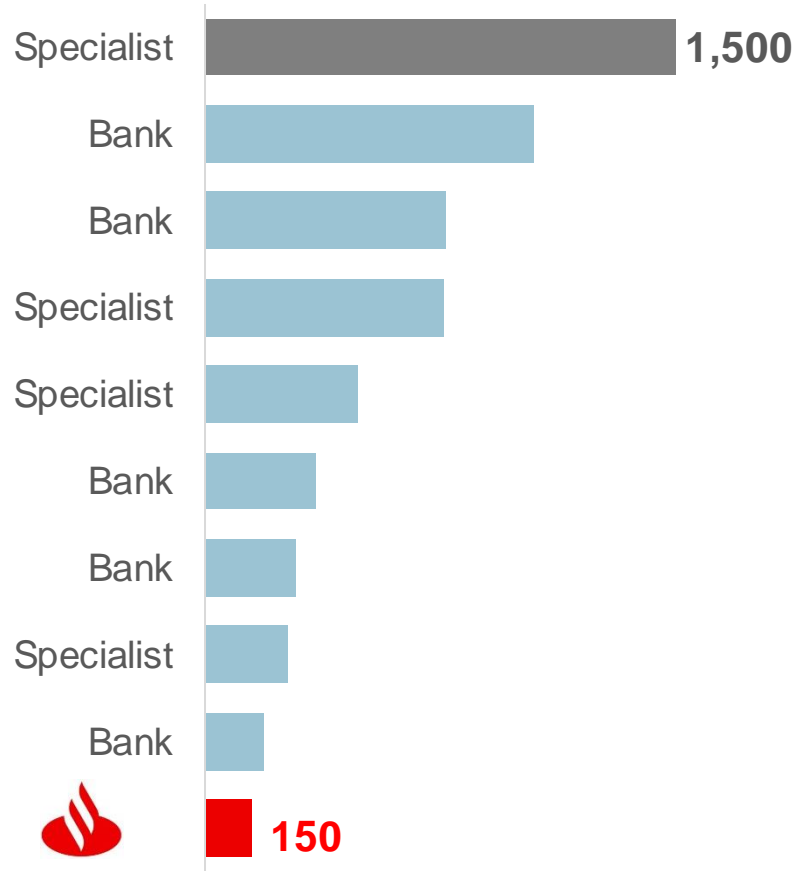
We have the full product  
suite:

- Trade Finance
- Supply chain
- Payments FX




# Leveraging Getnet to build our Global Merchant services

Top 10 global acquirers by turnover volume €Bn<sup>1</sup>



## Global Merchant Services



**Transaction growth<sup>1</sup>**  
(Getnet vs market)

**+16x**

**Market share<sup>2</sup> in Brazil**  
(one of largest acquiring market in the world by revenues)

**14% 2x** since 2014



**>1.2Mn** merchants worldwide

**€150Bn<sup>4</sup>** 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 revenues<sup>1</sup>

## 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 transactions<sup>2</sup>

**>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 UK<sup>3</sup>**

**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/I<sup>1</sup>**

## 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. # products<sup>2</sup> per loyal customers

**4.6**

**3-5**

### NPS

**#2**

**Top**  
(among peers)

# Superdigital: 'Banking without a bank'

Superdigital targeting the 300Mn+ underbanked<sup>1</sup> 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% YoY<sup>2</sup>)

**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%+** ARPU<sup>3</sup> 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 <sup>1</sup>		REST		TOTAL
<b>IT &amp; Ops</b>	c.€730Mn	+	c.€270Mn	=	c.€1Bn
		+			
<b>Shared services &amp; Others</b>	c.€220Mn			=	c.€220Mn
<b>Total</b>	<b>c.€1Bn</b>	+	<b>c.€270Mn</b>	=	<b>c.€1.2Bn</b>
	c.10%		Europe's <sup>2</sup> 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

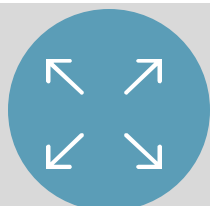
Looking ahead:  
Our three-pillar  
plan for increasing  
profitability

# 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**

