



The Economic Club of New York

Ana Botin
Executive Chairman
Banco Santander

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Moderator: Maria Bartiromo
Anchor and Global Markets Editor
FOX Business Network

Introduction

Chairman Marie-Josée Kravis

I want to thank everyone, all of you, for being here, the staff for working so hard to making this event successful. And I especially want to thank the 292 members of our Centennial Society who are here today. It's through their support that the Club is able to remain financially sound and also to offer our exclusive and very diverse programming now and in the future.

And speaking of diverse programming, as you know, we have tried to broaden the range of subjects that we discuss, moving beyond financial issues and into other industries that have an impact on our economy, but also to broaden the geographic reach of our program. And in that vein, it's my real pleasure to introduce to you today, Ana Botin, who is the Executive Chairman at Banco Santander and who really runs a truly global bank. Under her leadership, she's been able to transform Santander to become one of the most profitable and efficient banks in the world, serving over 140 million customers across Europe and the Americas.

She has focused very heavily on innovation, on digital innovation, but product innovation. And, of course, one of the results of that is that she's achieved a top, or Santander has achieved a top ranking for customer and consumer satisfaction in the

majority of its markets. She's also focused heavily on sustainability and on public policy and regulation. With regards to regulation, she's been a very vocal advocate of intelligent regulation and saying we should be regulated for what we do, not for who we are. And that's been, it's quite a statement coming from the leader of a major global institution and an important framework in looking at regulation in the future.

At the same time, and I mentioned sustainability, Santander was ranked third in the world among banks and number one in Europe in the Dow Jones Sustainability Index. So she's also been very active in not only doing well, but doing good.

After studies at Bryn Mawr College, Ana began her career at JPMorgan in New York before joining Santander in 1988. She led the Group's expansion in Latin America, before becoming Chief Executive of Banesto in Spain. And in 2010, she was appointed CEO of Santander UK, where she led the transformation of a number of building societies into one of Britain's most innovative banks.

One of the awards that she, or recognitions that she received as a result of that, and it's one of many recognitions, but she was made an honorary Dame of the British Empire, which is a very rare honor conferred by Her Majesty, the Queen. She is the founder and chair of a very important foundation. It's Fundación Conocimiento y Desarrollo, which supports the contributions made by universities for economic and social development in

Spain, and also Empieza por Educar, which is the Spanish affiliate of Teach for All, which trains talented graduates to become teachers. She's a Board member of the Coca-Cola Company and a member of the MIT CEO Advisory Board.

The format today will be a conversation moderated by Economic Club of New York member, Maria Bartiromo, who is also the anchor and global markets editor for FOX Business Network at Fox News Channel. As a reminder, the conversation is on the record. There are a number of representatives of the press in the room, and it's also going to be streamed live on Facebook. So please be sure to silence your phones as we begin the program. And I'll invite Maria Bartiromo and Ana Botin to join us at the front of the room. (Applause)

Conversation with Ana Botin, Executive Chairman, Banco Santander

MARIA BARTIROMO: Hi everyone. Great to see you. Thank you so much, Marie-Josée. We are really about to have a great treat to talk to Ana Botin. And the legacy of the company is so rich – the largest bank in Spain, the largest lender in the eurozone. There's so many issues to talk about today, from the global economy to where rates are, and innovation and how she's growing the bank. So, Ana, it's great to see you.

ANA BOTIN: It's great to be here. Thank you.

MARIA BARTIROMO: Let's start with that legacy. You are the fourth generation running Banco Santander. Your grandfather, you are as close to a founder as you can get in terms of this company. Tell us the evolution of Banco Santander and where you're trying to take it now.

ANA BOTIN: So, we were founded in 1857. I'm not going to go through 160 years of history, I promise. (Laughter) But it is important to realize that 1857 was just on the eve of the American Civil War. It was actually at the time of one of the first big financial crises in the U.S. And Santander was founded, we issued currency. We printed money. I wish we still did. (Laughter) And for 100 years we went through civil war, we went through all sorts of upheavals. At some point, during the Spanish Civil War, all our records were taken offshore onto a boat to keep them safe. And I'd say that, and the purpose that Santander was founded was to finance the trade between Northern Spain and the Americas. You can imagine that was a pretty risky thing to do. So, in our genes we have this sort of, you know, we have to be careful with our lending. I'd say two things about us that have been constant since then. One is that it was always about the customer. It was about long-term relationships with customers. And the second, the importance of culture. And I'd say our culture, and this has not changed, combines two things and we're known for this in Spain and other markets is, you know, we're known to be agile within prudence. And that is very important for us. And at the same time, you

know, being able to accept change. Obviously when you're around for 160 years, you have to evolve and change. And just an anecdote that reflects this culture of prudence, but also combines, on the other side as I said, with agility, my grandfather was a very pious man. He used to go to church every Sunday. And so there was a church right behind the bank called Santa Lucia. For anybody that visits Santander, it's still around there. And there was a beggar at the door. And every Sunday, the beggar would say, Don Emilio, please, for the love of God, can you give me some help? And so my grandfather would walk into the church and no reply. And then one Sunday he arrives and the beggar is still there. He says, Don Emilio, please can you help me, for the love of God and the Virgin Mary? So then my grandfather stops, looks at the beggar and says, well, if you have two guarantors, here you go. (Laughter) Just as a parenthesis, for those of you who might think my grandfather was a bad person, he left most of his fortune to a foundation so he was actually very generous. But the point of the anecdote is that prudence and risk management are key, because as a bank we have to be trustworthy. And really, you know, having our customers' trust requires that we are good at-risk management. So again, I won't go through the 100 years, but just to illustrate the other point. When people ask me what is the toughest thing about my job, I think one of the things that I try to, we, Guillermo and I, my husband who is here, by the way, hi...(Laughter), I wouldn't be here without him, by the way. We can talk about diversity and how you manage and so on. So making decisions is very important. Obviously, decisions in banking, sometimes you don't have all the information. And just three

things that happened in these 160 years. So, in my grandfather's time, we acquired Banco Mercantil. Banco Mercantil was like double our size. That gave us the first big leap. That was in the 50s. We then, under my father, the first transaction under the euro in '99, Santander was the sixth largest bank in Spain. We acquired Banco Central Hispano. At the time, my father was appointed, we were number six. Central Hispano were number 3, number 2. You know, ten years later we bought them, became the largest bank in the eurozone, which we have been practically all the time since '99 by value. And apologies because now it's my turn, so there is something that happened in the last few years. Two years ago, and by the way, Sheila Bair is here and she knows a bit about this, Santander became the first bank to buy a bank in resolution. So, Europe has many failings and we have to make it better, but one of the things we have proved is that a bank can be resolved, can be intervened. It was intervened by the European Resolution Authority and this is a story in itself. We didn't sleep all night, but in a few hours, we were able to make an offer for Banco Popular. The story goes that we paid 1 euro, we actually did. And actually at three in the morning, we couldn't find the euro, literally. One of our team had to actually put the euro that we paid. We effectively actually then increased capital by 7 billion so it was not a euro but it was actually a good deal. So, this is very important. I think culture and being able to manage in a prudent way, but also being able to take difficult decisions at different times, I think that's what has gotten us here.

MARIA BARTIROMO: Yes, and I want to ask you about the next steps and whether or not that kind of consolidation continues. So, let's continue right there and start with Europe. So many issues to navigate, very tough to generate any growth in the eurozone right now. Interest rates negative in many countries. Give us the impact from your standpoint of where we see rates today.

ANA BOTIN: Well, so, you know, negative real rates, we know what that is. We've had it in many countries, negative, nominal rates for a long time. That is, I'd say, a dangerous thing. I do not think that the model works at any price of money and the whole point that savers will be rewarded and that borrowers need to be disciplined is crucially important. Now, I understand completely and I respect what central banks are doing. They have their own data. What we don't have in my view is data of what happens to savers' behavior. And we are seeing across Europe that savers are actually saving more with negative rates at some point. That is obviously not what's intended. If you look at the latest perception, this is an ECB study of the last few months, the perception is that actually 9% of banks are tightening credit conditions, which again is not what this is supposed to be doing. And last but not least, the transmission mechanism, of course, is the banks in Europe and banks – by the way – make up, 70% of lending in the eurozone is from banks. In the U.S., it's more like, I think 20 or 30 or it's a much lower number.

MARIA BARTIROMO: Well, there's a much deeper industry in the U.S. You've got other

non-banks that are lending.

ANA BOTIN: Exactly. And so in Europe you don't have that and there's still, I'd say, let's see, how can I say this, so the signpost for capital is still being moved for European banks, which means of course that even though liquidity is there, if you're still building capital, it's not going to work in many cases. So, in specific cases, like we are growing our lending, but as a sector, it's going to be harder, right, if you're still building capital. So, there's a number of reasons why these, let's say, negative rates for a long time could have unintended consequences and maybe not the effect that the authorities are looking for.

MARIA BARTIROMO: So, is there any reason to believe that reverses anytime soon? Because the economic story seems to be the same or worse than we were talking about just a couple of years ago. Look at the regulatory framework in Europe as well and structural changes that you'd like to see in terms of reversing that story.

ANA BOTIN: Well, I mean I described this, I remember in 2015 we had the same conversation in a panel in Dabos. It wasn't you but it was a panel with Christina Lagarde. Larry Summers was there. And it was the same conversation four years ago. And I described it as a four-legged stool that has to work together. You know one is obviously monetary policy. You have fiscal policy. You have structural reforms which

obviously take longer and are very important. And then you have banks and bank capital and making sure the financial sector works well. I'd say that, you know, the good news is that Germany and France have announced some fiscal stimulus, and I think that is good news. Structural reforms, I'd say in the countries, and I always say Europe has a range of policy options and when you're on the right side of those policy options, you actually can grow in quite a nice way. Again, Spain has grown for six years, around 3% per year for the last six years. We've created three million jobs in these six years. The U.K. is a great example. Not the last couple of years. So the structural reforms, if you make them, you know, work, and you get growth. And then finally there's the banking sector and how banks can support the economy.

MARIA BARTIROMO: Do you think there's a will to do that, though, those structural reforms, before you go into the banks? Is there a real desire to do that?

ANA BOTIN: So, I think there is. Obviously, what's happening in politics, that's a whole other discussion. So I see European politics being divided along two things. One is identity and the other one is opportunity. Right? And so you're having all these political parties around those two issues, some of which are not as keen on reforms. And some of the reforms they're looking for is, you know, let's change the rules in some areas that might not be such a good idea. But I do think that there is, in general, a will to have the reforms.

MARIA BARTIROMO: And you were saying about the banking sector in Europe.

ANA BOTIN: So, one of the common, let's say, analysis today is that Europe doesn't work. Europe is not growing. Europe is the new Japan, right? That's what I hear from, I mean, you and many other commentators in the U.S. So I'm going to leave those, let's say, less positive comments out. I realize that they're there. I'm not saying that they're not. I'm realistic.

MARIA BARTIROMO: Well, I don't know that Europe is the new Japan. I don't think I've ever said that.

ANA BOTIN: Just a few facts. First, the demographics, while not great are much better than Japan. The debt levels in Europe overall are actually much lower than Japan. And so I think there is growth in Europe and there is an opportunity for Europe to grow if we actually take the right policies. And one of them, of course, is that negative rates, going back to your question, are not ideal for the banking sector. And so, you know, one of the possible things that might happen is that the ECB, you know, widens the kind of securities advice and it could start buying bank debt, a bit higher up towards the equity. That would be very helpful for banks. Nobody is now counting on inflation. What if inflation suddenly appeared? And so there's a number of things that I think would make you more positive, you know, about how Europe would look and how the European

economy might be in the next few years.

MARIA BARTIROMO: The company has such great scale in South America, Latin America so I want to get to that. But you're here this week because of the U.S. business. Talk about the U.S. for a moment and Santander here and what you're trying to do in terms of its profile and the growth there. Also about the backdrop in the U.S. versus elsewhere.

ANA BOTIN: Well, I always say U.S. is a third of the financial market in the world. So it's not a third of the economy, but it's a third of the financial business. So it's huge. U.S. has the best combination of risk-reward in general but particularly in financial services. And third, because, and I love to just make a parenthesis there because when I arrived, I was being asked every single time, the first question when I met investors was, you know, why are you in the U.S.? You should sell the U.S. business. Well, I want to announce today that I'm actually coming on the Board of the U.S. bank as a signal that I, I don't need to say this because my CEO from the U.S. is here, Scott, thank you for being here, and all the team. But they've done a fantastic job. And so we truly believe that we can add value in this country. We know we are smaller, but just a couple of numbers to show that we are not that small. So, in terms of number of customers, 144 million customers globally. That is about double the second largest bank in this country. In terms of investment, and this is hugely important, so in most of our markets, we have

in-market scale, right? And here in the U.S. the issue is how do you make a regional bank, which is increasingly profitable, competitive with the big – by the way, it's not just an issue for our regional banks, it's a question for regional banks in general – right? And so technology today, I can bring the scale of Santander Group to benefit Santander Bank and their customers here in New York and Boston and other places. The scale we have, so we say we have in-market scale and global scale. The global scale is the fact that we're investing every year 5 billion euros in technology. We've committed to invest 20 billion over three or four years. That would make us the third largest bank in this country, or fourth, depending on how you count, in terms of the size of our IT investment. And what it means is that if you think about your mobile banking app, right, every Santander country until last year was investing \$2 - \$3 million in improving this. This is going to be a commodity. Everybody's going to use, most people are going to use a banking app. So what we're now doing is we're building it together. What it means is that globally, and this is more or less a real number, we're investing 60 - 70 million euros in our banking app and investing three individually. Building it together means we can actually save about 70%, 70%, and give you an amazing customer experience. So if you're a customer of Santander U.S., and I hope now you're going to have to, not all our countries have signed up, but the U.S. is going to sign up after this of course. (Laughter) So you're actually going to get the global scale benefit of Santander. And some of you in the room told me about this a few years ago. And we're actually doing it. Now, you might say why didn't you do it before, you know, that seems really easy. Well,

having a strategy is maybe not easy. Executing on a strategy, making people work together, that's my toughest job, as always. Because every single person in my team, every country manager thinks they're like "it", right, the best thing since Coca-Cola. And it's true, it's true. So I now need to convince these ten superstars to, if you want to be the number one bank in this country – and we do – we'd better work together. Now, the U.S. has it easy, right? Because they're small. But if you're in Brazil, and our Brazilian bank has doubled profits in three years, you know, \$1.5 billion more profit in four years. They're doing a great job. They have 50 million customers. They need to believe also that to be better than the bigger bank in Brazil – usually we're number two or three – they have to do it across the group. So this is hugely important. And this is exactly why I have huge faith in what we can do in the U.S. because we have a great team, but they can benefit from the global scale. And I describe our business, not just in the U.S. but globally, as being a community bank that has a global group behind it. And so this is, you know, I can go on and on about the U.S., we actually finance 1.2 million Americans, their car, every year. So we don't just have a bank. We have a Dallas operation, which we're very proud of. What we've done there basically is run it according to Santander's standards. It was being run at the 23% return on equity. Now it's being run at the 15% return on equity, which ain't bad. But the good thing is we're taking care of customers and we are treating customers in a much more responsible way than before we changed. So we're very proud of what the U.S. team has done and we want to grow.

MARIA BARTIROMO: How is the auto lending business going today? And what can you say about the backdrop in America as the conversation continues to be recession is on the horizon?

ANA BOTIN: Well, you know, clearly, we've had a very long recovery and I think the fact that it's lasting longer and the fact that, you know, rates will come down probably – everybody thinks that again in October – might make the recovery last longer. And I think that is actually net, a good thing for banks even though margins might suffer a bit. But I think the fact that you can make it last longer is a good thing. And in terms of consumer debt, I mean 70% of the U.S. economy is the consumer and the leverage of consumers is still at much lower levels than pre-crisis. So there is space for the consumer to continue growing.

MARIA BARTIROMO: So you see a consumer that is still solid in your view?

ANA BOTIN: I'd say yes.

MARIA BARTIROMO: Okay. And in terms of just, before we get on to the next subject, Brazil, Mexico, Chile, backdrop there? Are those areas of the world doing better or worse than what you see out there in terms of the sentiment?

ANA BOTIN: Well, if you ask me about opportunity across the world, we're not in Asia. We do have branches and we try to advise Chinese and Asian companies that want to invest in the Americas and Europe, but it's, you know, a very small part of our business. Clearly, Asia is going to grow as one of the greatest areas of growth. But we see the Americas also as an area of growth. And parenthesis, you know, even if the macro helps, you don't need the macro to do well. And against a backdrop of Brazil, Brazil had minus-10% GDP growth, the last five years, three of the last five years, a decrease in 10% in GDP and we actually doubled our profits. And so there's a lot of opportunity at the micro level – the sectors that grow, things you can improve. So I'm very, very confident that we can do more of that. But the macro in Latin America is actually, you know, I think very interesting. So Brazil is going to grow more. So, again, coming from negative growth. This year it will be .8, .9. Next year we expect it to be 2%. And to illustrate again, at the micro level, so if you wanted to get a mortgage in Brazil four years ago, the interest rate, 14%. This year, 7%. So, it means that many more Brazilians can actually buy a home. But the penetration in mortgage lending, for example, in Brazil is about 20-25% of the population. By the way, just Brazil and Mexico have, this year the same number of people as the European Union. And we are the second or third bank in these countries. So just to give you a sense of the opportunity, not just for us, but also in terms of the growth for these economies. And so there's, I'm not pretending it's all perfect, you know, there's all sorts of issues in Mexico and Brazil. But I do think, and this is, what I usually say is that the lows are always higher and the

institutions are working better every year. And this is something which is measured and I think it's very good news. Again, lots of work to be done, but we think there's a lot of opportunity there.

MARIA BARTIROMO: As you compete with the larger banks out there, I mean, like the JPMorgan's among others, what kind of business do you feel that Santander can lead in and this can go toward the consumer as well as investment banking?

ANA BOTIN: So, one of the areas in investment banking where we're leaders is infrastructure finance, for example. We are one of the top banks in the world in terms of infrastructure lending, again based on the strength of our Latin American, but also the Spanish business. We're one of the leaders in green finance. If you look, you can always be number one. You can do the ranking your way. So if we do it our way, we can be number one in green finance. (Laughter) If we do it the other way, we'd be number two. So we're pretty big in that. And, by the way, sustainability is another area I'd love to touch on, but we've committed to, so the last three years we did 50 billion in green finance, renewals. For the next three years, we've committed 120 billion. We just issued a green bond last week for a billion euros. It was five times oversubscribed. So that's one area. I see Brad here from Ripple. You know I think we're leaders, I'd say top three, four, maybe five, but maybe three, top three in the world in terms of blockchain-based technologies. We have a great partnership with Ripple. So we think we can lead in

terms of the automation. Because don't forget, this is about automation. Blockchain is just one piece of the automation to make, in this case, payments more effective, more transparent, faster, and cheaper for the consumer. So there's a number of areas, both in retail and wholesale, where we can, you know, we can be a leader, including in the U.S.

MARIA BARTIROMO: Yes, talk more about the technology and the innovation coming out of Santander now because you've been a big backer of Ripple. You also recently talked about blockchain-based lending broadly and you issued your first, the first blockchain bond.

ANA BOTIN: So, yes, that's a first, but again it's, you know, there's a lot more to do. So we issued the first, it was a 20-million-euro bond where both the cash and the security leg were blockchain-based, but also the way we did the payment, payment against delivery, was on the blockchain. And that is a first. So we took out the clearinghouse. We took out the payment agent. So there's a lot of inefficiencies in what I call, let's say the engine room, the infrastructure of payments. I mean I'm not saying the banks are great, but a lot of it is not to do with us. It's to do with all the payment rails behind what we actually build upon. And so, again, there's a number – you haven't asked me about Libra yet, but...

MARIA BARTIROMO: Tell me about Libra. (Laughter)

ANA BOTIN: So, just to finish on this point is that automation is the thing, you know, how do we automate to become...and I think DLT's or distributed ledger technologies are going to be one of the pieces that is going to allow for much more efficient, faster. You know the consumer wants everything 24-7, 365, and that's what we're going to be doing with this infrastructure change. So, before going on to Libra, again Ripple is helping us – and Brad is here tomorrow so he'll tell you more about that – so we're working with them on One Pay FX, which was, I think, the first in this case, the first blockchain-based retail payments cross-border in the world. So, for the moment you need to be a customer of Santander U.K. or Poland. We're doing this between countries. It allows you to actually transfer money from one country to the other. In the case of the eurozone, same day. But we're also doing it with Chile and with other corridors. We've done 100,000 transactions, I think that's the number, since we launched. It's very popular. So, as we have time, I'll tell you why we did this. So I have a son, my number three son, I always say this to them privately – he's my favorite.

(Laughter)

MARIA BARTIROMO: You're not allowed to say that. But you say it.

ANA BOTIN: So I'm on TV, so I hope they see this one day. (Laughter) He's my favorite

for a reason. So he's always telling me, as a consumer, what doesn't work with banks and what works. And he sends me emails all the time and I love it. So, five years ago he was studying at Georgetown and he was moving to the U.K. where I was – actually six years ago – and he writes to me and says, look, you know, I'm a customer of Capital One in the U.S. and I'm going to become a customer of Santander U.K. So far so good. And then he tells me, by the way, I have \$1,000 I've saved and I'm not going to send it through Santander because you're horribly expensive and I found this great company called TransferWise that charges me £3 or £5 and you charge me 50. So I went to my team and I said this is not acceptable. (Laughter) So you go and find me a way that I can offer my customers, by the way, it took us, and that is one of the things of regulation that we need to change because we could have done this much faster if we were a non-bank. Okay. So that is why I said, and thanks Marie-Josée for saying it, we should have activity-based regulation. And so please, and I see here somebody from the Journal, you know, just go and read the Financial Stability Board's report on this and they recommend in a world of DLT and distributed technology, you need activity-based supervision because this is super important. So it took us much longer, but what we eventually did is we found a great company like Ripple. We invested in Ripple. And together we launched this One Pay FX, which has been hugely successful. And, by the way, in a few months we're going to launch Pago FX, open market, in the App Store. You will be able to go there. You don't have to be a Santander customer. Obviously, we hope you will be a Santander customer, but you'll have the flexibility of keeping your

bank and using Pago FX, which in English sounds Paygo. In Spanish, it's Pago, P-A-G-O FX. The U.S. is going to take a few more months. When is it going to be in the U.S., Mr. Scott? (Laughter) You don't need to answer that in public, but in a year. And this is super exciting because I think this is exactly what consumers are demanding, you know. And so it's very important that we're able to deliver this as soon as we're able to. And if, and I've written to all the governors, Mr. Carney, you know, the Fed, and everybody, on a side-by-side comparison of if you're doing payments, building a One Pay FX, and you call Santander, you're doing payments and you call XYZ Company, how long it takes to develop, what it means in terms of compliance and trust. So I think this is something that we should look at. At the end, for us it's about also the trust that we can offer you because if you have a problem you know who to call. We're going to be accountable. You know where your data is. You can check where your money is at any point in time. So that has some value. But, you know, the times are much longer.

MARIA BARTIROMO: Well, there are so many issues around privacy when it comes to these new innovations. So I wanted you to talk a little about that. But before so, because you wrote a piece called "*What Silicon Valley Can Learn From the Banks.*" But did you want to say anything about Libra? You brought it up and I just want to make sure.

ANA BOTIN: Well, the issue is that Libra, there's two parts to Libra. One is the currency,

right? And so if you basically want to launch a new currency, so you have the dollar and then you're going to have Libra. And so you want to launch a new currency that potentially can be used by 2.4 billion people. That is twice the people in China. I mean I don't think I have to say much more than that. If you're a central bank, you're going to say, my goodness. So it's a new currency and this is going to be potentially...so I think that is, I mean what I'm saying is this clearly a systemic issue and therefore should be regulated or should be supervised. And I know that central banks have said that. Then the other thing is, of course, what they've said is it's going to be built on the blockchain. And blockchain-based technologies, by definition, are distributed. So you have different ledgers. And again, I'm not, this is not me, it's central banks, and I believe – if not all – almost all have said is we want to know at any point in time what is happening in that ledger, right? Which is exactly what they're asking of us, right? What's going on in that ledger, it means that it would have to be supervised. And those are the two things I have to say about it.

MARIA BARTIROMO: So, is there anything you want to say about Silicon Valley and the way they're conducting business and this piece that you wrote, *“What Silicon Valley Can Learn From the Banks”*.

ANA BOTIN: You know when I arrived five years ago, and I've given you some, a bit of the sense of the culture of Santander, but I do think ten years ago – and I said this –

banks in general had become, I'd say, too much focused on how much money we're going to make, right? You know it's about, the target was I want to make – including us, by the way – you know, our target was we want to make money and this is our target. We were going to make one billion and the next year we're going to make two billion. And what I said back five years ago, and I think this relates in a way to what the Business Roundtable has recently issued – I think I sent you the speech which I did – was that I care as much, and I said this again five years ago and we actually have been working very hard on that – not just about making money but how. So it's not just the what, but the how you do it. And the way we think about it, and this relates to the article on Silicon Valley, is that what we are trying to do every day, and we have 200,000 people in the bank, of which 100,000 are talking to customers every day, is if I can have people that are more motivated and that are working with us for a purpose, we define our purpose as helping people and businesses prosper. This is why we're here. That's what motivates me. If I can help 144 million people do better, that to me is hugely important. And so this is what I want my teams to really be working on. If they do that, then our customers are going to do more business with us. And what we decided five years ago is that loyal customers, and we have a definition for that, is how we're going to measure progress. So how many more loyal customers? And again, if you have people that are motivated and proud of working at Santander, that's going to mean customers do more business. When that happens, shareholders will get a better return. And when shareholders get a better return, we've been able to invest in the

communities and that makes our people proud of working at Santander. And so I guess the one thing I'm most proud about over these five years is that, again, rankings and so on, it's not something which I'm very fond of, but sometimes they help, we've been ranked Top 25 in the world as a great place to work. And so that is hugely important. And it's based on the fact that 91% of Santander teams and employees are proud to work at Santander. So this is hugely important.

MARIA BARTIROMO: It's hugely important. When the Business Roundtable came out with this new statement, you know, my first reaction was, well, are you saying that employees and the communities you operate in were not important before this? And there is some push-back about this whole idea in this environment that we live in. I mean there's a very good Op-Ed in the *Wall Street Journal* today actually talking about Elizabeth Warren, King of the Roundtable, something like that, is the piece. And then there's also been push-back from certain Congress people who say if you want, you know, trash capitalism or, you know, belittle what capitalism stands for, you are opening yourself up to things like Elizabeth Warren sending a letter to those CEOs saying, well, make sure you back all of the principles here.

ANA BOTIN: I don't think it's incompatible. And, for the record, I mean I read an Economist piece that I disagree with, publicly, I can say that. I think you can square the circle.

MARIA BARTIROMO: Well, you should be able to. I agree with you.

ANA BOTIN: And so, for me it's very important how you think about it. It's not that shareholders are not important. They own the company. Of course, they are. And what I tell my people is, and here again, Scott, this is also for you guys, you must do the numbers. Okay? But you have to do them the right way. So what we do is, because shareholders are the ones, you know, we've paid a dividend every year for the past 50 years. And we have, half our company is owned by retail, and they care about the dividend. And so, you know, our dividend per share has, since I arrived, has gone up by 2.7 times. So I care about the numbers, earnings per share. But I care. And this is how we get evaluated. So the pot is based on the numbers, how much bonus incentive. But how we distribute is based on how we do the numbers. And if we don't do the numbers the right way, by growing all your customers, satisfaction, how you manage your teams, your incentive. So we're aligning the whole company towards that. And there's another thing which is hugely important which is communities and sustainability. And so when I hear about some company saying we're going to solve the financial inclusion of the world, no names, you know that is one of the things that we have set ourselves as a target is how can we get through the work we do every day to help with two challenges we face as a society. One is the digital transformation. That has a lot of implications. And second is, of course, inclusive and sustainable growth which has to do with climate change, which has to do with diversity – not just gender, but that's another topic I would

love to touch on. And so we have committed goals publicly to empower 10 million people in the next three years. We are actually bringing into the financial system hundreds of thousands of people in Latin America every year. And so I think that's a way of looking at it. And it's not, again, it's not that we don't care about shareholders. It's the way we think about how we generate value. And just going back to your question on Silicon Valley, what they can learn from the banks, is I do think the banking sector became arrogant. Too much focused on profits. And at the end it's about trust. Do you trust the company you're dealing with? And more and more people want us to do things in a way that is respectful with the planet and with sustainability, in a way that by the work we do every day, we're helping to empower people so they can succeed in life. And I think it's something which you have to believe in but you also need process and you also need to sort of set goals.

MARIA BARTIROMO: I know the sustainability issue is very important. You're just recently back from Greenland as well. You want to tell us why you went and what you were trying to achieve?

ANA BOTIN: Yes. It's a fun trip. So I wanted to see what was really happening with climate change. I don't think anybody disagrees. Anybody in this room think climate change is not happening and that it's not man-made? Just put up your hands. I mean I'm not going to grade you or anything. (Laughter) So, according to a United Nations

Study, you know, 95% of scientists agree that the increased levels of CO2 are basically man-made. The question is how we go about it. And I believe we, as private sector, and if there's any public sector here, of course, we need to work together, but I do think the private sector leaders need to speak up on these issues because we need to fix them. How we fix them has to be done in a way that allows businesses to grow. And so I think we need to be part of the solution. And so, in a way, that's why I went to Greenland. I went to Greenland because I will be on a Spanish TV program that is a very famous, he's climbed Everest, he's an explorer and so he interviews you. At the end, what he asks you about climate change and the bank and all sorts of things. I also wanted to get the message across to a wider population that banks are actually helping, trying to help people. Because, as you know, during the crisis we were blamed for everything. So it was a double goal. One is to see for myself and also, you know, the message about we're serious about helping on climate change and that I think we should speak up and try to, the how we do it, you know, I don't think we should get laws. And there is a risk that we get laws in Europe on this. And I think it should be businesses that actually do it without having to have laws to tell us how to do it. So I think it's actually very important to try, and I can tell you what we're trying to do there in terms of commitments. But it was also about trying to get the message about what the bank is and, you know, trying to reach a wider audience.

MARIA BARTIROMO: And I know that's very important to clients so that was the key

reason. I want to get back to diversity because you're just a successful woman in business. I want to get your idea on why women don't have – at this point in time – more of a presence in the corner office. But let me just ask you a couple of structural questions about what has been going on recently. And, of course, recently there was an issue in the repo market and the issue was around liquidity, not enough liquidity. I know your bank has already raised capital. Some banks in Europe have been unable to. What went on, in your view, and how would you characterize that need for liquidity in the repo market recently?

ANA BOTIN: Well, you know, since 2008 there have been a number of changes, in not just regulation but how financial markets work, right? And so there's a big banking sector but there's a huge, you know, let's say shadow banking – non-banks that are actually doing loans and doing all sorts of financial transactions that banks used to do pre-crisis. So, whereas the Fed or the Bank of England or the ECB will have daily reporting from all the banks in terms of how their liquidity position is, they don't have the same for money market funds who are huge payers. That's just an example. But the other reason is that we're being now asked to have a much bigger buffer on liquidity. So, typically what would have happened that day when repo went to 10% is that banks have hundreds of billions literally, just in the U.S. in Treasuries they cannot use for repo because it has to be part of the buffer. And so that is sitting on bank balance sheets unused, and you're not able to repo Treasuries. I mean that is a fact. And so this means

that when certain things happen, you know, there's a tax payment and some other things happen on that day, you could have events like this one. And if rates go up, all sorts of other things could happen. Everybody's going to be rushing for the door and we don't know who is going to provide that liquidity that banks used to make. By the way, the other reason that banks are not doing more, what they call making markets, is because the capital against that has grown tremendously. So if you think about the capital that we need to put for trading activities, I mean the Volcker Rule in this country for example, I mean all these things affecting the way markets behave. We've had a very benign, we've had a couple of instances, by the way, not just the repo, but we had it a couple of years ago when there was a spook because people thought rates were going up. So I'd say we haven't really tested what regulation means when markets get, let's say into a more volatile situation.

MARIA BARTIROMO: And what about as things go more digital? I mean you talked earlier about the digital wallet, about open banking. I mean is there any risk in that issue that recently happened with rates jumping to 10% overnight? Is it telling us something is bad on the horizon? That it could spark a bigger financial disruption than people expect?

ANA BOTIN: Let me just finish, yes, digital wallets, digital wallets is a hugely important change in consumer behavior. So this year, you're going to have two billion people on

the planet, two billion people with a digital wallet. And I don't think people realize what that means. I mean it means that it's always on you and it's always on. Right? So all your data is there. Now, when we talk about open banking, open banking, opening banks' information. We've done that in Europe. What it means is that we are now forced to give anybody that asks us – not just fin-techs, but the big tech companies – your personal information. So if you, Maria, tick a box here and, you know, I am a new company, fin-tech, whatever, or one of the big ones, I offer you free banking forever if you tick this box. And in exchange, Santander, who is your bank until now has to give me all your information for the past 30 years. I have to give it to that new player. Now, if we do the opposite question, I want to do that, as Banco Santander, and I ask you to tick the box and ask you your favorite, your social network or whatever information, they don't have to give it to me. Even though we have enough technology, AI and all these other tools to actually give you a much better loan because that information is valuable. So it's a very asymmetric relationship. And as this comes to the U.S., I always say this to central bankers is you think about payments and data, it's different sides of the same coin. And so the question for all of us is do you want all your payments and everything else you're doing in your life to be in the hands of, you know, companies where you're just ones and zeros and it's all about, you know, engineering? Or do you want that to be somewhere you can trust that you're going to have access to that data? But at the end of the day it's also about understanding if you open up banking, you have to open up data in a symmetrical way, in a way that everybody can benefit. Because that is what is

going to be good for innovation. Right? And at the end, we want innovation to come from as many places as possible. By the way, it's about regulation. It's about competition and taxes. Santander Group paid 3.5 billion euros in taxes last year. We pay taxes where we create value. One of the things we need to ask ourselves, as a digital society, is where is value being created? Right? And therefore, where are we, you know, where should we be paying our taxes – corporate taxes, not sales. This is a huge issue because, you know, if I can...our tax rate, by the way, is 34% effective tax rate.

MARIA BARTIROMO: Effective.

ANA BOTIN: Yes. Most banks in the world have very high tax rates. If I had an extra 500 million, I could maybe support Ripple and another ten companies. Yes? I'm not going to give it all to you though, but you definitely would get some of it. You don't even need it now. So this is very, very important. You want all the players, whether they're new players or traditional sectors, and this affects all sectors of the economy. That's why, again, this statement by the FSB is important on payments. But you can ask yourself the same question on cars, homes, hotels, you know, transportation. And I do think we need a fundamental re-think, and again going back to the Business Roundtable, it's not just about the private sector, which of course it is, speaking up and ensuring that we are not just putting as a goal, making money, but we are going to

make money the right way. It's also about governments and regulators and business sitting together to understand what is the framework? What is the new social contract that we all should be writing? Otherwise, we're going to end up with tactical solutions. Again, open banking in Europe, I think it's totally wrong the way it's been designed. And the reason you should care in America is because Europe tends to export these standards. So my ask to the U.S. is help us write this new social contract in a way that is sustainable, inclusive, but also allows growth. Because inclusiveness and sustainability has to be linked with growth, right, and with fairness. And I think that is hugely important and that's why I think the U.S. can have a great, you know, has a lot to say here.

MARIA BARTIROMO: I want to end off with diversity and how wonderful you're doing. But let me just ask you, you just triggered a thought because you've backed Ripple, you are backing small business, what kind of innovation do you see today out of Europe? Can you see a Google, a Ripple, a Facebook being created in Europe today?

ANA BOTIN: There is no reason why not. So Europe has huge, you know, Europe is the number one destination of direct investment in the world, ahead of the U.S. We have great research. We have lots of great engineers. By the way, even in Spain we have great engineers and they're cheaper. So anybody here who wants to set up in Europe, invest in Spain?

MARIA BARTIROMO: So what's stopping the innovation?

ANA BOTIN: So, just let me finish, so what we don't have is a single market. Right? And so I've said many times for Europe to succeed we need to get on with the integration. Now, this is going to lead to you asking me about Brexit. I'm not sure I'm going to answer that. So we need a more integrated Europe. As I said before, capital markets union, we don't have it. And again, 70% of lending should not come from banks. That's why we're so excited about this new blockchain-based because it lowers capital markets cost. We need a common deposit insurance so when the next crisis comes, you know, we don't get the recession again in Europe. All this matters to innovation because if I want to launch a company in the U.S., and again, correct me again, Brad, tomorrow when you...I'm sure you don't face such a different regulation in Texas from New York and California, or at least not that different. This is huge. Right?

MARIA BARTIROMO: That's a good point, a really good point.

ANA BOTIN: And so you can launch and you could be in the biggest economy. By the way, U.S. and Europe, if it were really comparable would not be that different. But if I want to open, so we have launched the first fully digital bank in Europe that is on the Cloud, open bank. It's different from open banking and it's a bit confusing. We just launched in Germany. We're going to launch this bank in Germany through the

passporting agreement, but the tax laws are different. I mean you cannot imagine the headaches. And so this is really an issue. So I think this is, I mean there's education and there's culture, but I think this would be something practical that we could solve.

MARIA BARTIROMO: Ana, do you think Britain will leave the EU? (Laughter)

ANA BOTIN: I liked you until now. So I think that, I have this great slide where you can see the European Union and the different ways you can be part of it. So you go from a Customs Union where Turkey is a member to the Schengen euro area where we have a lot of countries to the Switzerland ESTA, I don't know what. So you have six or seven different ways of belonging to Europe. And I am convinced we're going to find a way for the U.K. to somehow be part of the European Project in a different way. And I think what's important is that we reduce uncertainty because for three years we've now been, you know, thinking about what it is we're going to do. And so I believe that if, you know, if there is an extension it has to be with a plan so we can actually reduce the uncertainty. Just in case you want to know, the banks, the financial sector is 100% ready so we have done lots of planning and scenarios and getting ready to make sure we can deliver for our customers. The issue is the supply chain and smaller companies and, you know, they will have a hard time. So I think we do need to find a solution that works. And I think it's possible because there's many different models already there.

MARIA BARTIROMO: So, Ana, as we wrap up, you are a mentor, an icon for so many out there. Why do you think it is that women, the numbers are so much lower in terms of women in the C-suite? What can you say in terms of diversity? Are there people trying to increase the numbers in terms of women? When do you think it's actually going to, the needle will move in a significant way?

ANA BOTIN: Well, I mean the reason is that men are still in charge. And I'm serious.

MARIA BARTIROMO: And they're on the boards. They're choosing the people.

ANA BOTIN: Well, on the boards, it's actually getting better. But at management levels and if you look across countries, usually you get, 20% women in senior roles is actually more or less the number. I was in our, you know we're the biggest consumer lender in the Nordic countries, I was in Copenhagen just before Greenland, by the way, because we went from Copenhagen, just before the U.S. tried to make an offer (Laughter) to buy it. And I understand now why, by the way. I can tell you later. So Copenhagen, Nordics, I was with all the teams from the Nordics. And so I always do meetings with the women, the women leaders to understand what is it, why are you not getting to be at management committee? And to my surprise, because we always think the Nordics, you know, it's heaven for women, you know what, it's exactly the same as everywhere else. I was interviewed and it was by somebody, and so they tried, it was a man interviewing me, an editor. Not from your group. And he tried to tell me it's the Latino

macho culture. Well, you know what, it's not true. The Latinos are as good or bad as everybody else, and the Nordics. It's happening everywhere. And I think there's several reasons. So one is that there is a family tax that is paid by women, not by men. And this is clear. It's on my Twitter account, by the way. It's researched. Every country. So we do perfectly fine, thank you very much, until we have a family. And then, boom, there's a huge difference.

MARIA BARTIROMO: But that's not what happened to you.

ANA BOTIN: Well, that's because of Guillermo because we did a deal. (Laughter) I love it. If you hadn't been here, I wouldn't have said this. So when Guillermo and I and, by the way, you know, I'm not going to say the full story because then he's going to get upset. But we did a deal and we said when we got married, I said it's 50-50. It's not a question of money. It's a question of time and dedication. So who goes to see your kid when he's sick? Or who goes to the school? You know he insisted they have to go to a Jesuit school. You know when they're doing the First Communion, you have to be at the school every month. I mean it was like unbelievable. So 50-50, you go half the time. And this is super important. By the way, now what we are doing is we're enforcing paternity leave in all our countries, I think in the U.S. also.

MARIA BARTIROMO: Yes.

ANA BOTIN: It's still optional, yes, but we're going to make it. We had a big discussion about this, by the way, because this is one of the things that the father always, it's a cultural thing. Also in the Nordics I was asking, I'm not going to say this because then everybody only remembers this of everything I said, but in the Nordics I asked the question, what do you think about enforced paternity leave? And they said, well, it's not just that, it's the culture. So, for example, if your kid has to bring a cake to school, in the Nordics actually you're supposed to bake it. If you don't bake it, you're not a good parent, from scratch, I mean you cannot even buy a ready-made.

MARIA BARTIROMO: Wow!

ANA BOTIN: So, again, these are things that take a lot of time. So I think that's one of them. And there's another one that I find more and more important which is, you know, we all increasingly run companies across the world, we have a meritocracy. So when there's a job opening to promote people, you put it online. You discuss. Women have a lot less confidence in themselves. And this, again this is empirical, and this is not just for us because I've spoken to other leaders. So the men, honestly, I like men, okay, so it's not against you guys...(Laughter) but men that put themselves forward for a promotion typically are 60% qualified. That's fine. We want to promote women, way over 100% every time. So, you know...

MARIA BARTIROMO: The qualifications are there.

ANA BOTIN: Well, men always think they can do everything and women, you know...

MARIA BARTIROMO: Are doing everything. I'm only kidding. (Laughter)

ANA BOTIN: So this means we have to do mentoring. We have to push women more to become, you know, to actually put themselves forward. And I think these are some of the more important things we need to fix.

MARIA BARTIROMO: Well, you are incredibly impressive. You look at a woman like Christine Lagarde about to take over the ECB. Would you ever have political ambitions in that regard?

ANA BOTIN: I would have to ask Guillermo's permission...

MARIA BARTIROMO: The boss.

ANA BOTIN: No, honestly Santander, I'm very proud of my team, of what they've done for the last five years. We've increased, we've grown revenues in five years by 20%. We

have almost doubled profits in five years. Dividend flow is incredibly, you know, it's going up in terms of cash dividend per share. But I still think we have a huge opportunity to do more and especially here in the U.S. And so, you know...

MARIA BARTIROMO: You're at the wheel.

ANA BOTIN: Yes.

MARIA BARTIROMO: Ana, thank you, Ana Botin.

ANA BOTIN: Thank you so much.

(Applause)

CHAIRMAN MARIE-JOSEE KRAVIS: Ana and Maria, thank you so much. And Ana, thank you for giving us almost a tutorial on European banking and regulation. So, thank you very much for your advice. I just want to remind everyone, and Ana mentioned it, that breakfast tomorrow will be with Brad Garlinghouse, who is here with us today. And thank you, Brad, for coming today. But he will be with us tomorrow morning. October 24th, we have Bob Iger, the CEO of The Walt Disney Company. And then on October 29th, we have Elena Botelho, the CEO of Next Door. And then in November, we will

have Michael Dell with us. So hopefully you will come and you'll visit more often. And I'm going to hazard an invitation so maybe another speaker from Spain could join us in the relatively near future, Guillermo Morenes, who is an investor. (Applause) He's a very successful investor himself. I had promised not to mention him, but given that Ana did, I'm very happy that you've joined us. So, bon Appetit, and enjoy your conversations. (Applause)