

Financial Inclusion  
report  
2017



#Prosper

# Santander's purpose is to help people and businesses prosper

## Social inclusion as a driving force



## Financial inclusion

Financial inclusion helps individuals and companies access quality financial products and services at a reasonable price and in a responsible manner to ensure that all people, even those on low incomes, can enjoy those services.

### ■ MAIN FOCAL POINTS:



Guarantee access to quality financial products and services

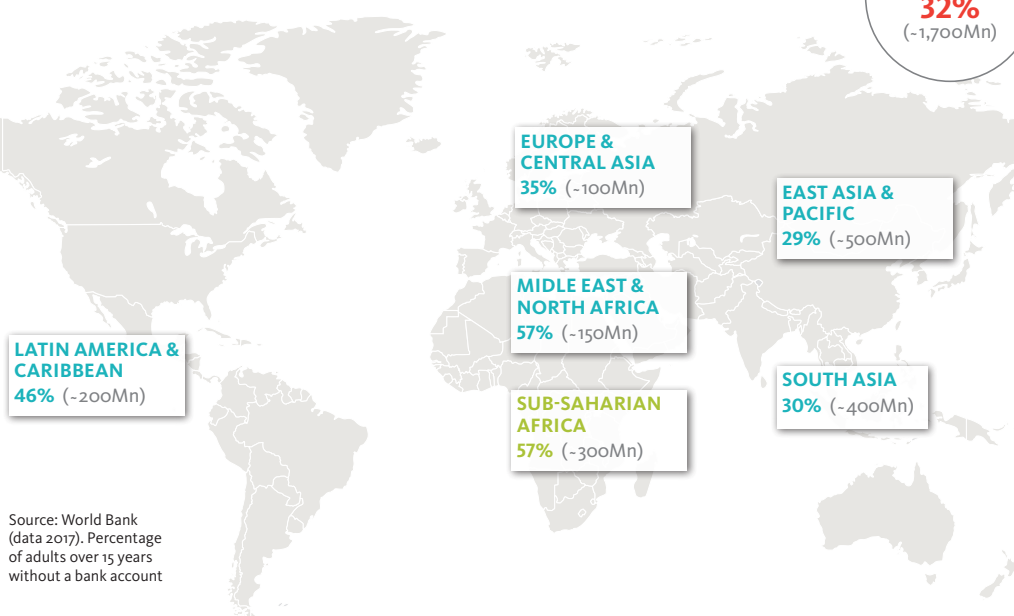


Offer products and services adapted to the needs of each community and group



Promote financial education so that people can make better use of their financial resources

## ■ UNBANKED POPULATION BY REGION



**1,7**  
billion unbanked people in the world

**230**  
million of unbanked adults that work in the private sector receive the salary in cash

**1.1**  
billion unbanked adults have a mobile phone, but just the 25% have internet access

# Introduction

## Financial inclusion, key to social inclusion

According to the World Bank, 2 billion people, or 38% of all adults worldwide, have no access to financial services. This percentage is even higher among low-income adults who often have no bank account given the various conditions they need to meet to open one. Added to this is the lack of branches near to where they live.

Furthermore, this situation especially affects the women. In developing countries only 65% of Women hold a bank account versus 72% of the men. This is especially alarming since it is estimated that between 30 and 37% of the micro, small and medium enterprises are led by women.

In this context, financial inclusion is key to reducing poverty and increasing prosperity. Access to financial products or services has a huge impact on improving the living conditions of low-income communities as it helps build the industrial fabric, empowers women and encourages consumption. This kind of economic progress also brings greater investment in education and health which are fundamental pillars to human development.

Banks are therefore playing a vital role in providing underprivileged communities with access to financial services. Thanks to technological advances, banks are also designing more viable business models to help unbanked communities.

The role of technology is key to reach unbanked collectives and understand their needs. The partnerships between traditional banking and the new market agents are necessary for the development of innovative solutions that allow access to new segments, offer new products and increase the proximity and dialogue with customers.

However, digitization entails risks, especially in groups with little or no financial knowledge. To mitigate these risks, it is essential that both regulators and banks encourage the development of solid customer protection frameworks, as well as financial education programs.

Additionally, access to a bank checking account allows a first step towards financial inclusion wider, as it makes it easier for people to store money and send and receive payments. And it also serves as gateway to other financial services, such as the credit and the insurance.

**On a macroeconomic level, financial inclusion could affect economic growth and employment by increasing the wealth of emerging economies over 10 years by \$3.7 billion, according to figures published by the World Bank's Consultative Group to Assist the Poor (CGAP).**

**Financial inclusion is a priority for regulators and development agencies worldwide:**

Financial inclusion directly contributes to achieving 7 of the 17 Sustainable Development Goals of the United Nations.

The G20 is committed to promoting global financial inclusion and reiterated its pledge to implement the G20 High-Level Principles for Digital Financial Inclusion.

For the World Bank, financial inclusion is key to reducing extreme poverty and encouraging shared prosperity. It has therefore announced an ambitious global goal to ensure universal financial access by 2020 (UFA 2020).

## Banco Santander's role

Banco Santander is staunchly committed to financial inclusion. This commitment is defined in the sustainability policy, in which it is defined the commitment to design products and services with social value. The aim is to promote social and financial inclusion as a mean to strengthen the welfare and local economy of the countries in which the Bank operates.

Santander promotes financial inclusion through three lines of action:

- Access to banking services. Thanks to its extensive footprint and the growing digitalisation of its services, Banco Santander is working to reach all its customers and make its services more flexible to use. Banco Santander strives to reach out to all its customers. Even in isolated or sparsely communities, where is difficult to have branches.
- Products and services adapted to the needs of each community and group. Santander offers microcredits to those most in need of financing to set up small businesses which generate income to help improve the quality of life of the customers and their families.
- Promotion financial education. In order to boost financial knowledge, teach use banking services effectively and generate greater confidence and security in the use of them. While providing tools and knowledge that facilitate the taking of decisions.

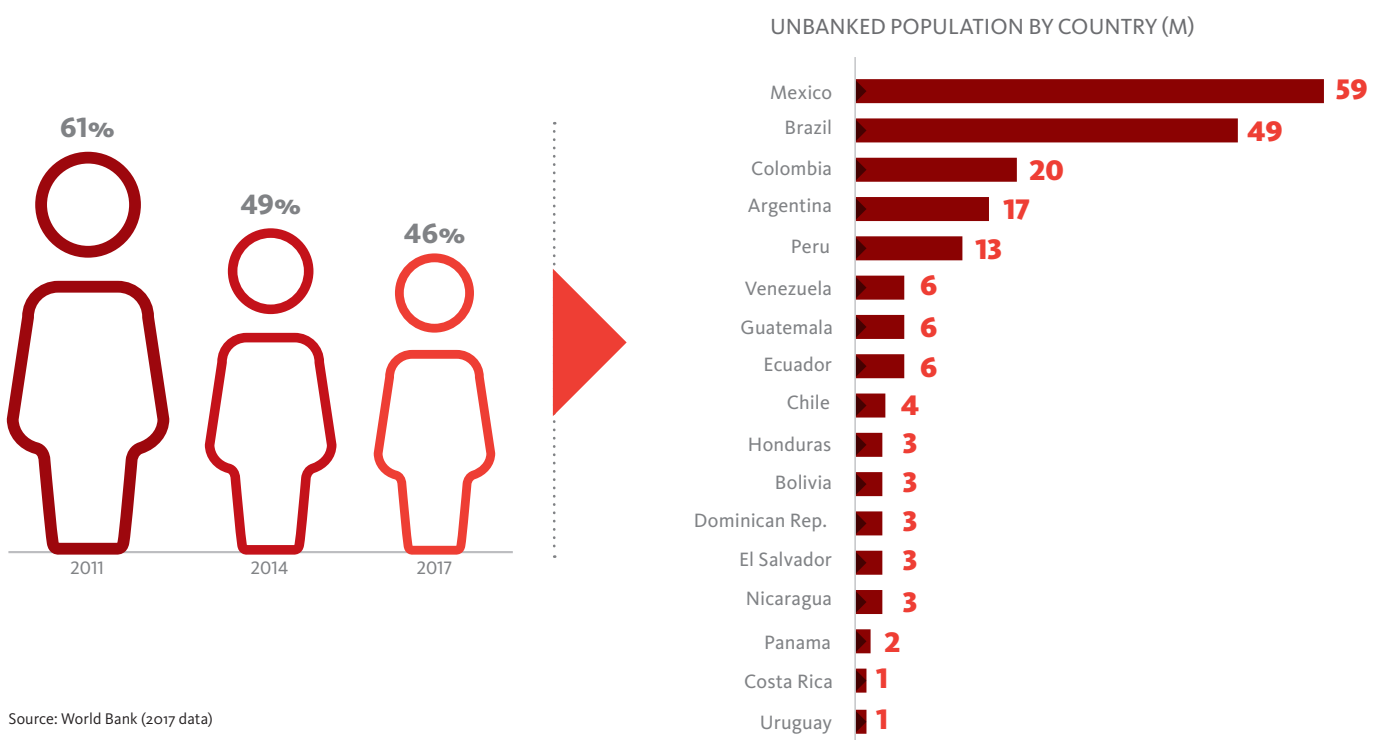
“

Banks are a key in the economy; we give large financing to multinationals and also to entrepreneurs. Therefore we have a relevant role in the fight against financial and social exclusion

”

Ana Botín,  
Group Executive  
Chairman

### ■ UNBANKED POPULATION IN LATINAMERICA



## the Bank's strategic priorities?

Stakeholder group	Strategic priority	Contribution to financial inclusion
 <b>People</b>	 Be the best bank to work for and have a strong internal culture.	 Employees' commitment to volunteering programmes.
 <b>Customers</b>	 To win the trust and loyalty of our individual and corporate customers: improve our franchise.	 Loyalty and linkage.  Strong customer base with financial knowledge.
 <b>Shareholders</b>	 Improve profitability.	 Presence in segments with huge growth potential.  Differentiation and enhanced corporate image.
 <b>Communities</b>	 Supporting people in the local communities where the Bank operates.	 Acknowledging the Bank as the main driver of financial knowledge in the communities where it is present.

## Sustainable Development Goals?

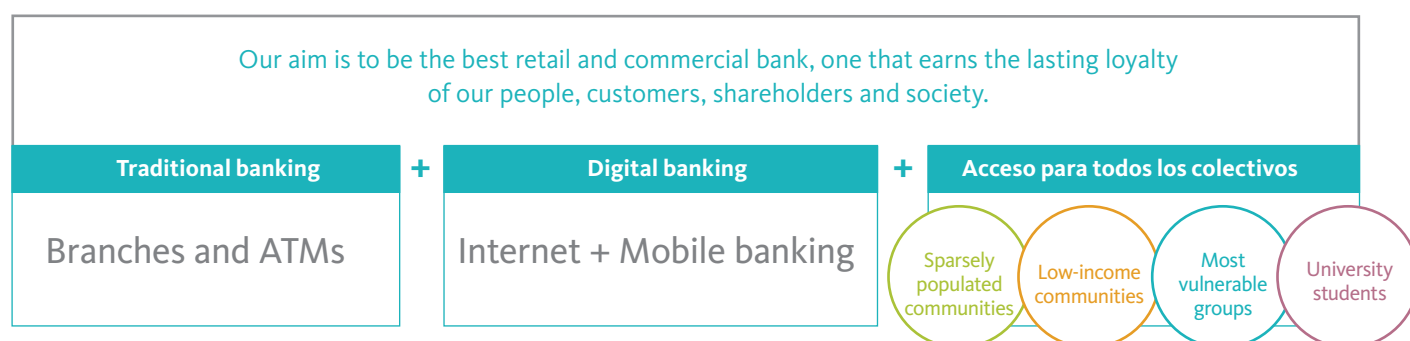
### MAIN SDG ON WHICH FINANCIAL INCLUSION HAS AN IMPACT:



# Access to financial services

Banco Santander's international presence and its commitment to digitalisation enable it to become closer to its customers every day so they can use the bank's services in a more simple and flexible manner. Being close to our customers and accompanying them through the various stages of their life is a vital part of helping people prosper and accessibility is key to achieving this.

Whether we are helping customers overcome the digital divide or offering them the best conditions to open a bank account, Banco Santander is constantly aware of society's needs when it operates and strives to ensure that everyone has access to financial services regardless of where they live, their age or financial situation.



## Main initiatives:

### Low-income communities



#### Branches in low-income communities

In 2016, Santander Microcredit extended its services: in addition to the 27 subsidiaries assisting entrepreneurs, three banking services agencies were added in Paraisópolis (Sao Paulo), Complexo do Alemão and Vila Cruzeiro (Rio de Janeiro).



#### Financial inclusion branches

Santander Río has opened four branches in parts of Buenos Aires where there is no banking coverage (Santa María, Castelar Sur, La Juanita and Don Orione) to encourage financial integration there. These branches offer, inter alia, free 12-month savings accounts, credit cards with no minimum conditions, microcredits for entrepreneurs and insurance with special conditions.

### Sparsely populated communities



#### Branches in sparsely populated regions

In Spain, the Bank has 630 branches and 725 agent establishments in sparsely populated regions with under 10,000 inhabitants.



#### Collaboration with Royal Mail

Banco Santander collaborates with post offices across the UK where customers can use various services including simple cash withdrawals, checking their balance and even making cash deposits.



#### Partnerships with business establishments

In Mexico, Santander offers customers the possibility of carrying out basic transactions through more than 19,000 stores such as Oxxo, 7 Eleven and others.

### Most vulnerable groups



#### Minimum banking services account

Banco Santander Totta offers a reduced-rate current account with no minimum balance condition. Aimed at raising financial inclusion among low-income customers, this account offers most banking services. More than 260 accounts were opened in 2016.



#### Digital immigrants

Alliance between Santander Río and NGO Libertate to train 200 customers in online banking tools to help reduce the digital divide which was preventing 200 customers over the age of 45 from accessing the digital world. They are now all familiar with online banking and can enjoy the benefits.

## Santander InnoVentures



**Santander Innoventure is the fintech venture capital fund of Santander Group. This 200 millions dollars fund, invests in companies around the world that innovate in fields like the artificial intelligence, the media of payments, the access to credit, or the financial inclusion.**

<http://santanderinnoventures.com/>



**ePesos**, a mobile payments company for the underbanked. Through its platform, ePesos offers low-cost short-term working capital through a revolving line of credit to SMEs without a bank account. Borrowers receive and repay funds through a custom built mobile wallet. In October 2017 Santander InnoVentures led USD 6 million round in ePesos to advance financial inclusion

<https://www.epesos.com/>



**PayJoy**, american startup with novel technology for financing smartphones. Its novel technology that facilitates credit approval for high-end smartphones for people without a credit history or banking relationship, which helps promote financial inclusion. The startup analyzes the applicant's working mobile number, valid photo ID and Facebook to provide a credit opinion account and turns the phone itself into collateral through its proprietary secure locking technology.

<https://www.payjoy.com/>

## Products & Services for university students

As part of its relationship with universities, the Bank mainly develops financial products and services focused on student special accounts and cards without having to meet certain financial conditions.

- The 'University Super Accounts' available in Spain, Mexico, Chile and Uruguay, are savings accounts with no administration or maintenance charges aimed at private and public university students. Bank Zachodni WBK in Poland and Santander Totta in Portugal also offer special student accounts.
- Banco Santander's debit and credit cards offering special conditions available in Mexico, Uruguay and Argentina often do not have to be linked to a current account to be activated. Students just pay the funds directly onto their card, often with no need for a prior credit history. The cards have zero or reduced annual charges and can be used abroad.

- Banco Santander currently issues 3.4 million Student Smart Cads (SSC) which are developed in conjunction with more than 200 universities in 11 countries. The card acts as a digital wallet and, optionally, a debit card, helping students in their first contact with the world of banking.

In many of the countries where the Bank operates additional services are offered which provide this group of customers with added value. In Poland, for example, university students can insure their belongings against theft with very beneficial conditions and they can even take out reduced travel insurance. In Uruguay, Santander Universities helps students with no income obtain a personal loan, while in Portugal the Mundo 4U portfolio includes a number of affordable products ideal for Erasmus students.

With these products, students and graduates aged 18 to 26 can use the Bank's services free-of-charge which helps overcome the usual banking hurdles facing these young people.

# Products and services supporting financial inclusion

## Microcredits: a chance to improve social and financial inclusion in low-income communities

Banco Santander advocates social entrepreneurship through its microcredit programmes, by increasing the flow of financial resources in the countries where it operates, offering people on low incomes credit facilities and financial training so they can grow their small enterprises and in turn support employment and help people make their dreams come true.

The microcredit programmes not only help build the industrial fabric, they also act as a lever to transform society.

A study on Microfinance conducted by the Brazilian Business Council for Sustainable Development (CEBDS) shows that inequality is perpetuated, too, by the difficulty in accessing credit. The productive microcredit and oriented is one of the solutions to break that cycle, promoting the social inclusion of men and women through entrepreneurship.

### ■ MAIN MICROCREDIT PROGRAMMES







## Superdigital Banking without a bank

Superdigital is a mobile platform for making deposits, withdrawals and payments even if you do not have a bank account. Santander Brazil launched Superdigital using its own tools and technology. Developed as a mobile-first solution, Superdigital is simple and easy-to-use. For many customers, it has become their main financial services channel.

At the end of 2017, Superdigital had more than a million customers. Of these, 350,000 belong to segments classified as “of little interest” for the traditional financial services system.

“Superdigital provides people with a totally different experience from the one on offer in the traditional financial market,” explains Fernando Oliveira, the software development manager. One of the most interesting features is being able to chat among users, just like a messaging app.

Another Superdigital functionality is splitting expenses among groups (“vaquinhas”).

Additionally, Superdigital will soon offer its customers microcredits as well.



Superdigital makes us more inclusive in Brazilian society and is the perfect complement to our portfolio



**Sergio Rial,**  
Brazil Country Head

## Main financial inclusion and microcredits programmes

### Programmes developed by the Bank

#### Brazil

**prospera** Santander Microcrédito Banco Santander is recognised as the leading provider of microcredits among the private banks in Brazil.

Prospera Santander Microcredits promotes the growth of small businesses, allowing the most disadvantaged people and those with a lower standard of living to escape poverty. Mainly, informal microenterprises

The programme extends loans to 'solidarity groups', i.e. groups of micro-entrepreneurs who share the responsibility of paying back the full amount of the loan. The social ties created between the entrepreneurs increases the likelihood of the loan being paid back thanks to the solidarity guarantee system.

In addition, Santander Credit Agents accompanies and guides the entrepreneurs at all times while the agreement is in force.

New technologies are playing a key role in the programme and helping interaction between the Bank and the entrepreneurs. In 2017 Santander will be launching specific apps to make certain processes more agile and flexible.

The microcredits extended by Santander Brasil are mainly used to finance machinery, refurbishments and set up seed capital.

 [More information](#)



**300€**  
Average credit



**8 months**  
Average term



**70%**  
Women

#### Mexico

**tuiio** FINANZAS DE TÚ A TÚ Launched in October 2017, Tuiio is a financial inclusion programme for people with low incomes which aims to have a measurable social impact through a broad and expanding range of interconnected products (from microcredits to microinsurance, remittances, payments and other services, etc.) supported by its

own branches, agents, ATMs, point of sale terminals and use of electronic banking.

The initiative includes a programme of training and financial education for its customers, with the aim of maximising their skills, developing their potential and optimising their use of resources.

 [More information](#)



**300€**  
Average credit



**4 months**  
Average term

#### Argentina

Since 2015, the Bank has offered productive microcredits to customers of its financial inclusion branches. This service came about to provide those underprivileged regions where Santander Río opened its 'Financial Inclusion Branches' suitable solutions. Working with local government, Santander Río analysed the housing, consumption and entrepreneurial situation in each region.

Micro-entrepreneurs with a productive business are granted loans providing they have prior experience with microcredits, have a robust project, and are backed by drivers or renowned members of the local community. The Bank agents also interview the entrepreneurs to ascertain their professional and family situation.



**€1,500**  
Average credit



**12 months**  
Average term

“

We want to serve 280,000 microenterprises over the next four years in order to increase financial inclusion in Mexico, by offering them a broad range of competitive financial products and services.

”

**Ana Botín,**  
at the presentation of “Tuiio” in  
Mexico City, October 2017

## Other programmes where Banco Santander has collaborated

### El Salvador

Santander is one of the main shareholders of ENLACE, a financial institution which focuses on micro-enterprises unable to access formal banking services. Over 70% of the loans extended by Enlace are managed through solidarity groups as in Brazil, with the average size being 14 members. In this case, 57% of the product portfolio is represented by funds granted to 'community banks' which are groups of people who set up seed capital to fund

a local institution which in turn uses that capital to extend loans within the community.

There is also an individual seasonal loan programme for customers who already have a group credit with Enlace and need additional working capital according to the season and the demands on their business.



**700€**

Average credit



**5,5 months**

Average term

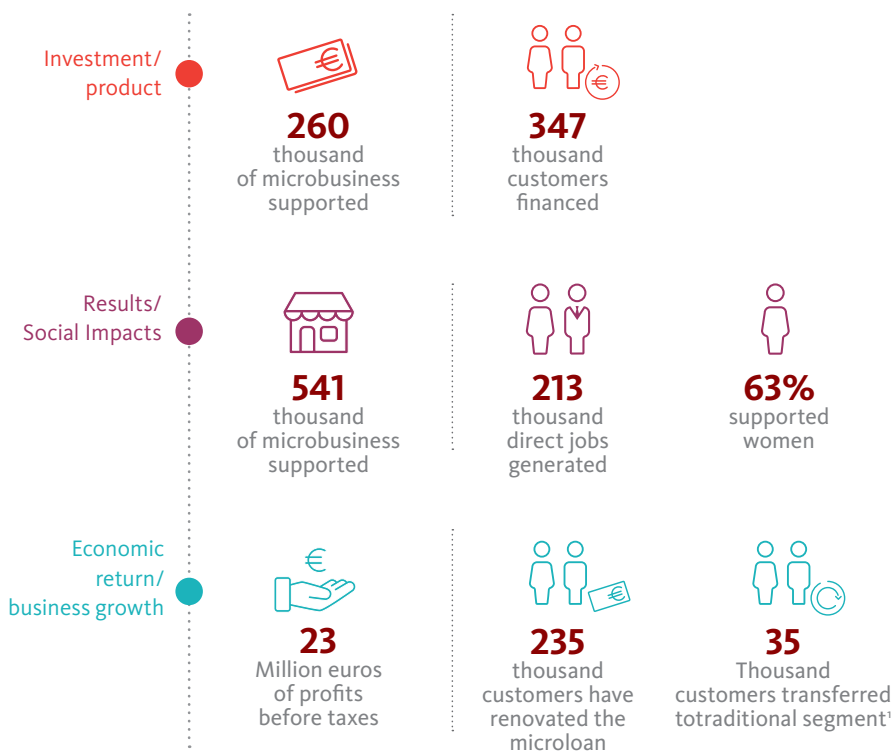


**85%**

Women

## Microcredits programs impacts

2017 Data



(1) Las cifras se refieren principalmente a Brasil.



### Prospera social & economic impacts.

A study\* performed by Banco Santander in five cities from the Northeast of Brasil showed that, in average, every 2.8 operations performed they contribute to maintenance 1 employment and that each R \$ 1 financed contribute with R \$ 0.50 of (GDP) in the cities analyzed.

\* Study conducted for Banco Santander by Rever Consulting, in partnership with Utopies, based on the Local Footprint® methodology, which uses the Input-Output matrix as a base.

# Financial education

Helping educate people and improve their quality of life is a major part of Banco Santander's mission. As financial processes become increasingly complex we need improve people's financial knowledge. The Bank's focus on financial education is based on four main principles:

- Making economic concepts more comprehensible;
- Helping people make decisions and protect the most vulnerable;

- Supporting transparency and trust;
- Promoting ethics, values and social responsibility in business

Through its various programmes, Banco Santander supports knowledge of financial issues, trains people to use banking tools and helps users manage their finances in a more efficient and organised manner with the sole aim of helping improve people's quality of life over the long term.



**642.283**

**Beneficiarios de los programas de Educación Financiera en 2016**

## Promoting financial education through:

Training actions, workshops and courses in schools, social organisations etc.



Websites with videos, tools, courses and games.



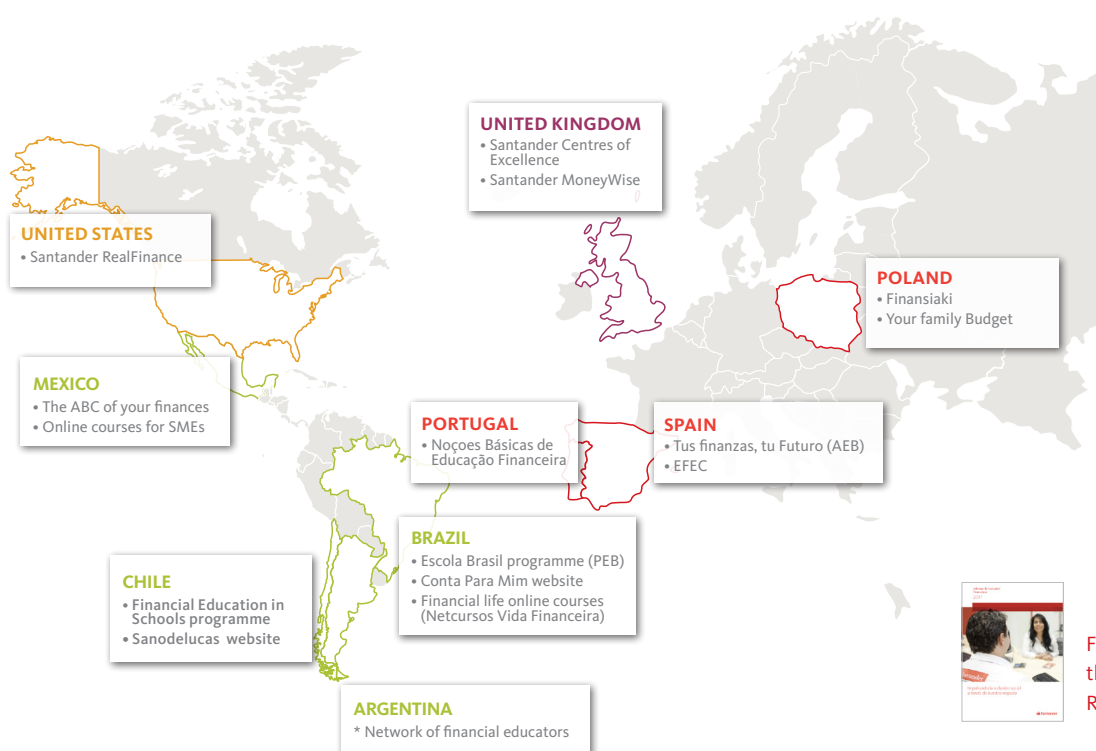
Training actions, workshops and master classes in financial education with corporate customers.



Support and financial awareness for micro-entrepreneurs.



## FINANCIAL INCLUSION MAP



For more information see the Financial Education Report

## Main initiatives to promote financial education in schools

### **Santander MoneyWise**

Program through which Bank employees have taught classes and informative meetings to 19,558 students throughout 2017, teaching children how to manage their money, the advantages of money saving, or the importance of having a good planification.

### **Programa Escola Brasil (PEB)**

A corporate volunteering programme at Santander Brasil in place since 1998 whereby Bank employees, interns and their families undertake financial education initiatives in public schools.

The volunteers are supported by a team who advises them and provides them with the tools needed to teach in these schools.

### **Santander Centres of Excellence**

Santander UK helps funds the Young Enterprise Centres of Excellence programme. Specialising in education, the charity's main objective is to push for financial education to be included in school curricula.

### **Network of financial educators**

The network of financial educators is made up of volunteer employees of the bank who offer financial education workshops throughout the country. These workshops are mainly aimed at teenagers, children, entrepreneurs and mothers. Throughout 2017, the initiative trained more than 2,000 people.

### **Finance for all (FxM Actúa)**

The 'Finance for all' ('FxM Actúa') initiative is promoted by the University of Cantabria Foundation for the Study and Research of the Finance Sector (UCEIF) through the Santander Financial Institute (SanFi). It teaches young people and groups who are at risk of exclusion basic financial concepts to help them in their daily lives. In 2017, the initiative taught more than 800 training sessions for 7,500 students

### **Financial Education in Schools programme**

Banco Santander Chile develops with the Public Policies Centre from the Pontifical Catholic University of Chile a financial education program in schools to teach the students basic financial abilities. The program consists, among other initiatives, of a course for training schools' directors. In 2017, 110 directors from across the country participated in the program.

### **Your finances, your future**

An initiative backed by the Spanish banking sector (Spanish Banking Association) in collaboration with the Junior Achievement Foundation. It is aimed at students aged 13 to 15 to encourage them to think about the importance of becoming responsible for their own finances. They are given the basic tools to help them manage their money and make appropriate financial decisions. Volunteers from the country's leading financial institutions teach these on-site courses which are available in education centres across Spain. In 2017, 74 volunteers from Banco Santander gave 40 training sessions to over 1,000 students.

### **Portugal programme**

Santander Totta has been collaborating with Junior Achievement for 5 years on a project where Bank employees act as teachers in the country's public schools, providing instruction in entrepreneurship, finance, economics, financial education etc. The program also encourages students to create their own company with the help from a Bank volunteer, who guides them in the stages of business development

In 2017, the Bank had 170 volunteer employees that gave classes or accompanied more than 3300 students throughout the country.

### **EFEC**

The program aims to offer schools in Catalonia the opportunity of providing basic financial education to 4th grade students (last year of Compulsory Secondary Education). The workshops are taught by volunteers linked to financial institutions and professionals linked to the economic sector. In 2017 Santander participated in this program with 29 volunteers, who taught about 100 sessions.

### **United States**

In 2016 Banco Santander launched a new financial education programme for consumers which supported the preparation of presentation materials based on the FDIC Money Smart programme and the subsequent development of financial awareness workshops and courses given by Bank employees who dedicated a total of 9,968 working hours. Each training session lasts 2-3 hours.

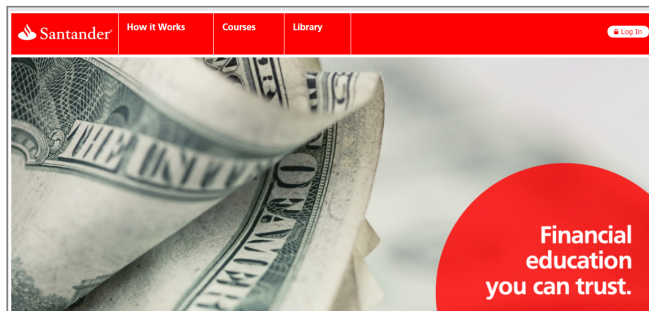
## Websites with videos, tools, courses and games.



USA

### Santander RealFinance

This financial education site helps users organise their finances quickly and efficiently through online courses and various tools such as drawing up a spending and savings plan, calculating the real cost of purchasing a car or home, etc.



MEXICO

### The ABC of your finances

This financial education website is aimed at helping users throughout their lives, from teaching children the value of money and how to save to preparing for retirement as well as becoming financially independent and embarking on major stages in their lives such as becoming a home owner.



### SME advance online courses

Members of the SME Advance programme are also offered online financial education courses to help them manage their small businesses.



BRAZIL

### Conta Para Mim website

A crowdsourcing platform where users can upload and view videos offering advice on how to take care of their finances.



CHILE

### Sanodelucas website

Sanodelucas is a financial education website offering users tools and content to help them manage their personal and business finances.

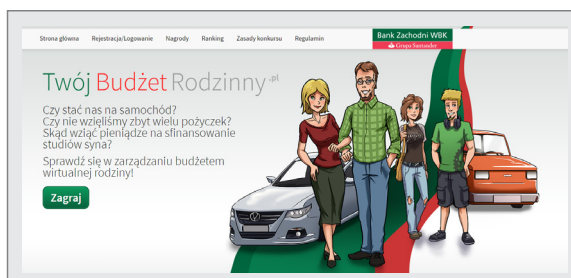


### Financial life online courses

Online courses encouraging users to think about their spending habits, plan and manage their finances and build a healthier relationship with money.







## POLAND

### Finansiaki

Launched by WBK Zachodni in December 2016, this website provides families with information using stories, animation and infographics as well as parent manuals and games to teach people of all ages the basics of financial management and entrepreneurship.

### Your family budget

An online educational game aimed at young people and adults where the players manage a virtual household budget and helps them develop an entrepreneurial spirit. The players are able to track the long-term consequences of their decisions which helps teach them about prudent debt culture.



## SPAIN

### Finance for all

Over the past year the Finance for all initiative has become one of the country's leading financial education projects. It consists of different face-to-face and online courses, and also a website which everyone can access to find answers to their main questions about daily finance topics, and where they can also watch videos with explanations. In 2016 some 2,051 students attended the face-to-face courses at 34 high schools throughout Spain, with 8,425 hours of training. Finance for all also collaborates with social entities such as Secretariado Gitano, Fundación Integra and the Red Cross, providing 5,835 hours of training to over 2,000 people.



## PORTUGAL

### Noções Básicas de Educação Financeira

Santander Totta and the Economics Faculty of the Universidade Nova de Lisboa have uploaded educational videos on financial issues to social media.

## Training actions, workshops and master classes in financial education with corporate customers

Banco Santander's strategy with SMEs is a global initiative adapted at the local level to the characteristics of each of the markets in which we are present. And it has, in addition to a powerful financial offer, other solutions to boost the internationalization, training, employment and digitalization of SMEs.

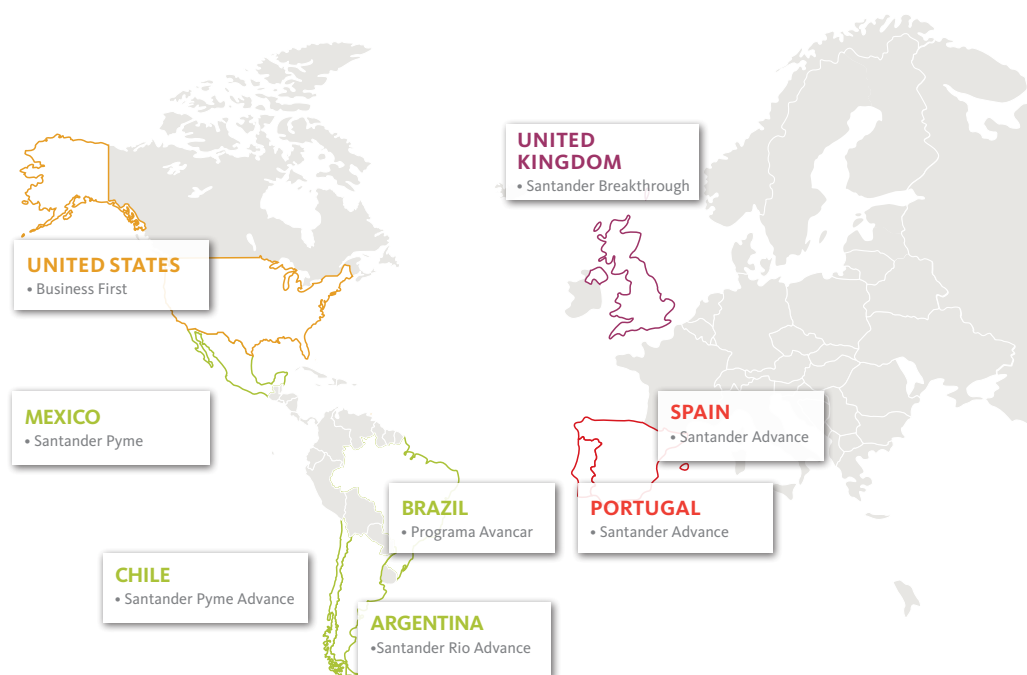
In this sense, and in order to provide SME customers with all the resources necessary for efficient

management of their business, Banco Santander offers basic and advanced business management courses for small and medium-sized companies, as well as lectures and masterclasses both online as face-to-face, with the aim of boosting their financial management skills, and teaching them how to use the different financial tools and services available to them to promote and grow their businesses in a sustainable manner.



**28.632**  
businesses  
partaking in  
training, workshops  
and finance master  
classes

### ■ MAIN PROGRAMS BY GEOGRAPHY



## Support and financial awareness for micro-entrepreneurs



### Parceiros em Ação

Aimed at low-income entrepreneurs in areas where Santander Microcredits is present, this scheme offers specialist support and classes in management and financial education methodologies for micro-entrepreneurs. Since 2013, 1,192 micro-entrepreneurs in 9 regions have received assistance. In 2017, the programme supports 984 entrepreneurs in 17 communities.



### Financial Life programme

Classes offered by a team from Santander Microcredit in communities with entrepreneurs who may or may not be bank customers. The aim is to help low-income entrepreneurs discover and understand the basic concepts of planning.

In 2017, 473 entrepreneurs participated in the Financial Life Talks, launched in the communities where the Bank offers microcredits.



