

# Ana Botín

## International Banking Conference, 2019

### ***Introduction***

Good morning everyone, and welcome.

Before I start, I would like to thank the Minister Nadia Calviño for joining us one more year. It's an honor to have you here.

I would also like to thank other speakers who came from different parts of the world for being with us today and share their vision about the challenges in the world and in our sector.

### ***On Trust***

The theme of this conference and my talk today is “trust”.

I want to tell you why I believe trust is *the* critical factor in determining the future not just of our industry, but of our society and the economic system as we know it.

### ***What Trust is and why it matters***

But let's start with a definition of the term.

According to the Oxford English Dictionary, trust is “a firm belief in the reliability, truth, or ability of someone or something.”

“Belief” is the key word because belief is complicated.

It is the sum of the answers to a thousand questions we ask ourselves when we evaluate someone.

“Do I believe they have good intentions?”

“Do I believe they are honest? ...competent? ...reliable?”

While it may seem hard to define what trust is, we are increasingly able to quantify it.

And this being a banking conference, it felt right to try...

In 2018, Accenture developed a “competitive agility index”, of which trust is a central component.

They studied 7,000 companies over the course of two and a half years. Over half experienced a material fall in trust, resulting in a two-point fall in their index.

A two-point fall in trust results in, on average, a 5.8% hit to revenue growth.

But that's just the average...

A two-point fall for a *bank* leads to a 21.8% hit to revenue growth.

Trust matters.

It is what gives customers the confidence to buy, investors the belief to invest, and communities and society a willingness to embrace and host us.

And so retaining it is critical.

## ***Losing Trust***

And there is one thing we know about trust for sure:

It is hard to win, but all too easy to lose.

And let's be candid. We did lose it. And we were not the only ones.

In 2008, in the midst of what were already considerable challenges - climate change, a digital revolution, globalisation - the financial crisis led us into a Great Recession.

Untrustworthy behavior by a few contaminated public perception of us all. Politicians, businessmen, bankers... once trusted figures, now were untrustworthy.

And this led to distrust of institutions everywhere.

As a result, political populism is ascendant.

But although populism is the result of the global challenges we face, it cannot be the answer.

We need an open and generous response to the problem of trust.

I firmly believe business can provide it.

### ***Winning Trust Back: New Companies for a New World***

But how?

The first step is to accept the new reality in which we operate and the responsibility this dictates.

A statement from the US Business Roundtable, the club that brings together 181 CEOs of the world's largest companies, perhaps marks the beginning of that change.

The statement redefined the responsibilities of a business:

“For corporations to be successful, durable and return value to shareholders,” it read, “they need to consider the interest and meet the fair expectation of a wide range of stakeholders in addition to shareholders, including customers, employees and the communities in which they operate.”

The magnitude of this statement should not be overlooked.

It overturns a thirty-year-old orthodoxy: that a business’s sole responsibility is to its shareholders.

It shocked *The Economist*, whose front page asked with incredulity: “What are companies for?”

But the letter was right.

We have responsibilities beyond our shareholders.

And nobody should fear this.

Capitalism has survived because it has always embraced change.

Now it must do so again.

And this must be more than talk.

This is a fundamental question of how businesses *behave*.

### ***Santander: Responsible Banking***

In this regard, I must say that I feel lucky to have worked at Santander for the past 30 years.

I am proud of the way we do business.

Responsible banking has been central to our long history.

We are a bank that sets out to help people and businesses prosper.

Though how we do so must adapt to each generation's changing environment.

In recent years, that environment has radically changed.

Our customers' expectations now are different, the digital revolution has fundamentally changed how we operate, and our regulatory environment has changed considerably.

And our business has changed too.

When I joined the bank, we were only the sixth largest in Spain, with a small "international division".

Today, we are the largest bank [by value] in the Eurozone with 144 million customers spread across Europe and the Americas.

But one thing has remained consistent: the commitment to helping our customers prosper.

When I took over in 2014, it fell to me to continue that story.

I knew the first thing I had to do was focus on winning the trust of all our stakeholders, many of whom had lost trust in our sector.

I knew we had to do this both because running a trustworthy bank is the right thing to do.

But also because it was good business sense.

Trust breeds loyalty, and loyalty is *the critical* component that underpins the strong financial performance of a bank.

My strategy was to focus on the basics, committing to three values:

Simple, Personal and Fair.

Simple means giving our customers an accessible service and products they understand.

Personal means providing products and services suited to the specific needs of our individual customers.

Fair means treating all of our stakeholders fairly, being transparent and honoring our promises.

### ***Santander: Doing Good Business***

I think I can say with some confidence that we have been able to illustrate that you can do banking this way and succeed.

The past five years have been difficult for European banks, but we have grown our customer revenues in the period by 6% each year.

This has been based on trust and the loyalty we have won as a result, from both new and existing customers.

Our customer base is up 44% in the period, and business customers - both SMEs and corporates - are up 67%. We now have more customers than any other bank in Europe and the Americas – and double that of the world's most valuable bank.

We remain one of the most efficient and profitable banks when compared against our peers, with an underlying profit in 2018 of nearly 8.1 billion euros and a best-in-class cost-to-income ratio of 47%.

This has allowed us to invest in the strength of our business, adding since the end of 2013 until the end of 2018 25 billion euros to our Common Equity Tier 1 ratio. Additionally, in that same period our underlying profit has increased by 87% and our Cash dividend per share by 2.7 times.

### ***Santander: Doing Business Well***

The reason this approach has worked for us is because we have worked hard for our stakeholders too.

It is why this year, Forbes ranked us one of the world's "2000 best regarded companies".

And it is why the Dow Jones Sustainability Index considers us the most sustainable bank in the world.

But let's move away from abstractions and talk specifics.

Let me start with financial inclusion.

Across Latin America, millions of people once unable to borrow, their savings literally under stored under mattresses, are now joining the financial system.

Our goal is to financially empower 10 million people by 2025.

We're already making progress.

We delivered financial education to 360,000 people last year and supported over 270,000 micro-entrepreneurs in Latin America.

Contained within these numbers is the real impact of our work. Stories of opportunities created, lives transformed, dreams realised.

Take Elsa from Santiago Tianguistenco, Mexico.

She told me that banks in the past had told her that her family business was too small to open an account.

Thanks for Santander's Tuiio financial empowerment programme, she now has both an account and a banking card.

Now, Elsa is able to receive payments through a Santander account.

That means she no longer has to travel four hours *every day* to collect payments from her customers in Mexico City.

Imagine what she can do - as a businesswoman, as a mother, for herself - in that time.

Elsa's story is one of many.

Sometimes we should step back and remember the impact a single bank account can have.

### ***Beyond Business***

But the demand to regain trust requires that we do more than just deliver our core business.

We can and must address the great challenges of the societies in which we work.

Across much of the developed world, productivity is slowing, wage growth is stalling, and inequality is rising.

These are problems that require a highly-skilled workforce, where opportunity is distributed more evenly and fairly.

We've invested 1.7 billion euros in Santander Universities as a result, making us the largest corporate contributor to higher education in the world.



I said I'd try to move away from the numbers, so here's a story that illustrates why this matters.

Jose Rivera Contreras studied at the Universidad Catolica de Norte in Chile.

Thanks to an exchange programme, funded by Santander, he spent a year in Spain at the University of Zaragoza.

When we asked him about the experience, he told us:

“Living in another country helps you to form professional connections and friendships with people all over the world... I have moved up a rung on the ladder thanks to the opportunity I was given.”

Those words explain what we are doing better than I can: helping people move up the ladder.

### ***Unfinished Business***

We have good stories to tell but that does not mean we can rest on our laurels.

The work is only just starting.

There is no problem more pressing than the threat of climate change.

It is easy to pretend that climate change is far away.

But in truth, it is much closer than it appears from our comfortable homes and offices.

This Summer, I visited Greenland and saw the impact first hand.

Vast chunks of ice were crashing off the ice sheet into the sea. At an exponential rate over the past few years.

This was irreversible change occurring in front of my eyes.

Change that, if we do not stop it, will have a devastating impact on our planet.

This is no inheritance to give our children. And so we must act.

Both because it is the right thing to do and because doing so is good business sense.

Failing to act will have catastrophic effects on the businesses and individuals we serve.

And failing to act will cause irreparable harm to the trust that we are working so hard to win back.

At Santander, we are already one of the leading providers of green finance in the world.

Between 2015 and 2018, we raised close to 50 billion euros.

Last month alone, we issued a 1 billion euro green bond.

But we must accelerate. Our aim now is to mobilise 120 billion euros by 2025, and 220 billion euros by 2030.

This is a start but it is only the start.

We must ask ourselves how we can mobilise the full power of capital and the behaviour of all our customers to do more.

How can we help people use their savings to invest in responsible businesses?

How can we reward customers for making environmentally friendly purchases?

And how can we increase the number of long term investors that reward sustainable returns?

Put simply, how can we ensure we are part of the solution and not part of the problem?

It is the only way we will win trust.

### ***Trust as a Jewel***

Santander does not face these challenges alone and neither are we alone in acting.

Many others are playing their part.

We live in a safer and more prosperous world than most people believe.

And the companies within it operate far more responsibly than many believe.

But trust is like a jewel: it is precious but fragile.

It can break easily and the loss is painful.

That is why we must set ambitious targets and keep all the promises we make.

And why we must be transparent and provide clear evidence of what we have done.

But facts alone - whether targets, investment, or tax contributions - cannot win an argument, especially in the emotionally charged public debate we find ourselves in today.

We need to keep telling our story.

Today I told you about Elsa in Mexico and Jose in Chile.

Long after you have forgotten the facts and figures you hear today, I am sure you will recall those stories.

It is our responsibility to make sure these stories can take place. And then we have to tell them.

## **Conclusion**

I am sometimes asked why I speak out on the big issues – from climate change to feminism.

There are two reasons.

The first is personal.

I believe there is a duty for those who have the privilege of a platform to use it.

But there is another reason too.

The world is changing and the role of business is changing within it.

The Business Roundtable echoes what I said at this conference five years ago. That we need change.

That we must look beyond maximizing shareholder value and consider our wider and full responsibilities.

This debate is often framed as a choice between maximizing shareholder value or meeting the needs of all our stakeholders.

But this is a false choice.

Trust is not a nice to have for a profitable business.

Trust determines whether you have a profitable business to run.

Five years on, that need for change is more important than ever if we are to win and keep people's trust and loyalty.

We have huge responsibilities, as the guardians of businesses in the modern world.

We must recognize them - and do more to live up to them.

If we don't, business-as-usual may lead us to no business at all.

But if we do, I believe our future is bright.

Thank you.