

# Santander Group RRP Project

Warsaw, January 14<sup>th</sup> 2015



## Index

**Santander at a glance.**

1

3 - 7

**Santander Recovery Plan.  
Project and general content.**

2

-

3

9 - 11

**Santander Recovery Plan.  
Some relevant elements.**

4

-

6

13 - 18

**Open questions for improvement.**

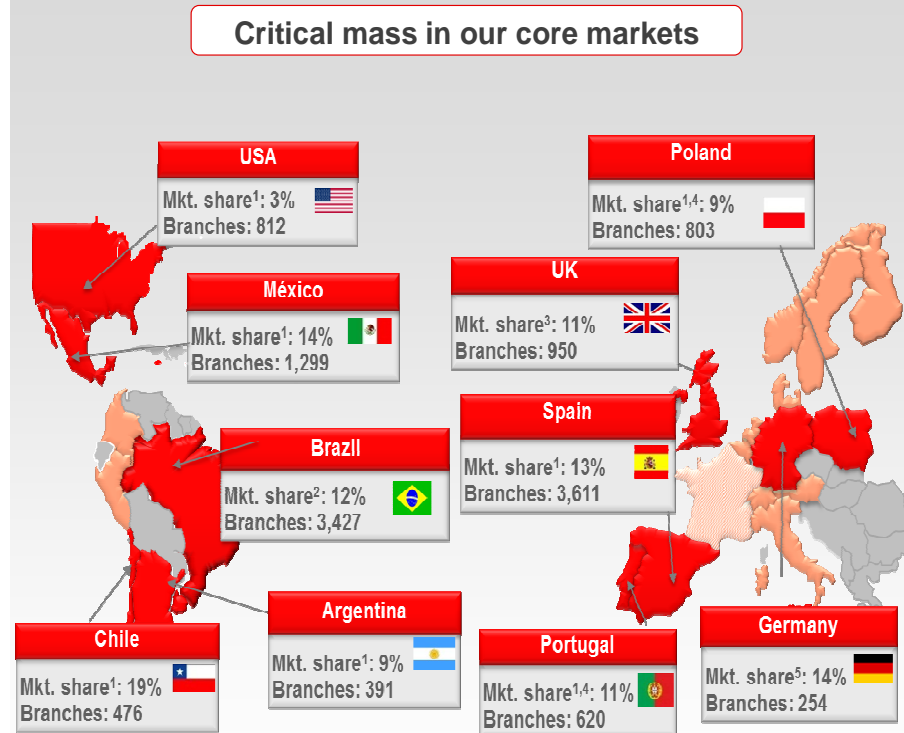
7

-

9

20 - 23

## Santander's presence in the world is CONCENTRATED IN 10 CORE COUNTRIES

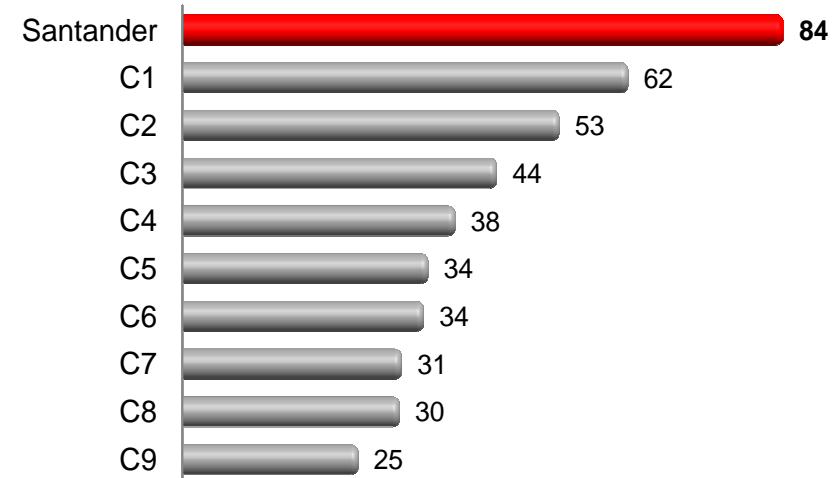


Sep'14

Total Assets (EUR trillion)	1.24
Shareholders (million)	3.30
Headcount	183,534
Branches	13,067
Customers (million)	107
9M'14 Attributable Profit (EUR million)	4,361

### Eurozone largest banks

by market capitalisation (EUR bn.)



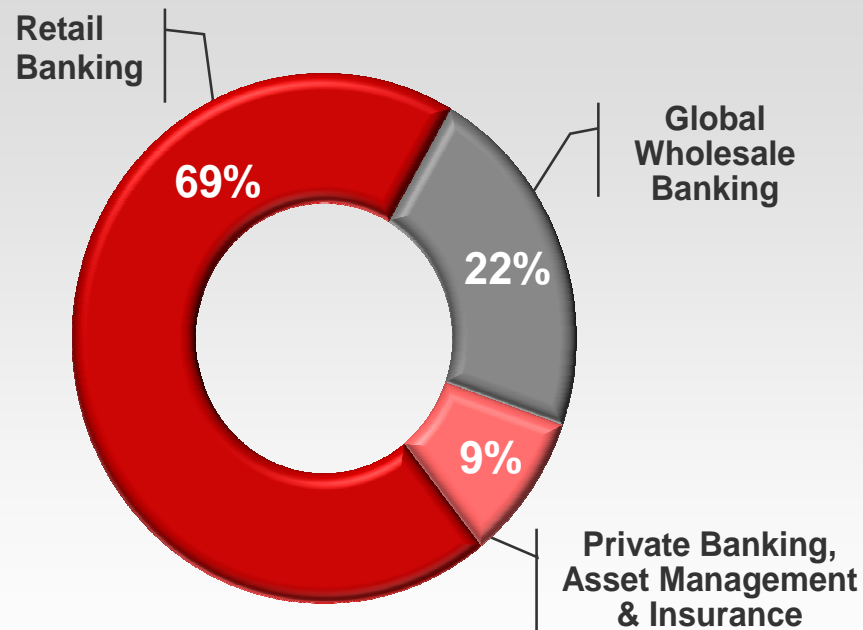
Note: branches data doesn't include the SCF business

(1) Lending (2) Non-earmarked lending (3) Including total loans of mortgages, UPLs and SMEs

(4) Including SCF business (5) Consumption financing (installments loans)

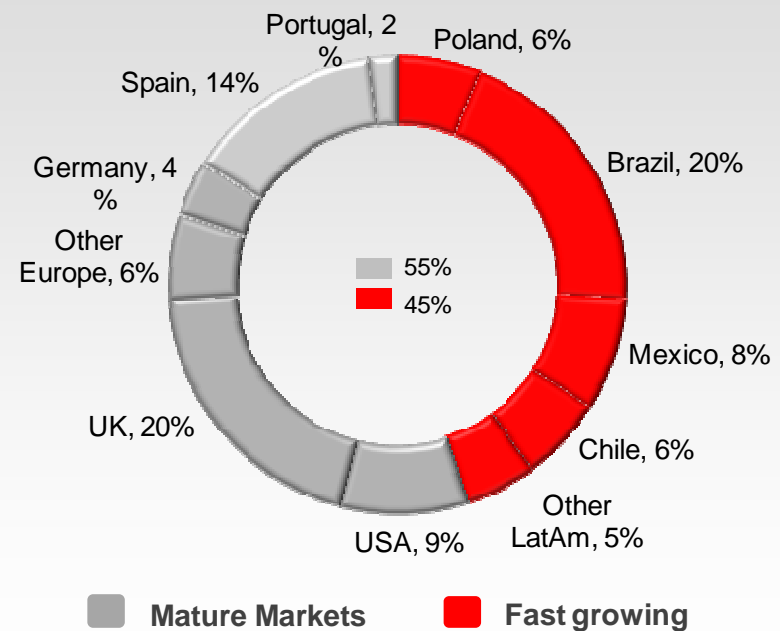
Percentage over operating areas ordinary attributable profit, excluding Spain's run-off real estate

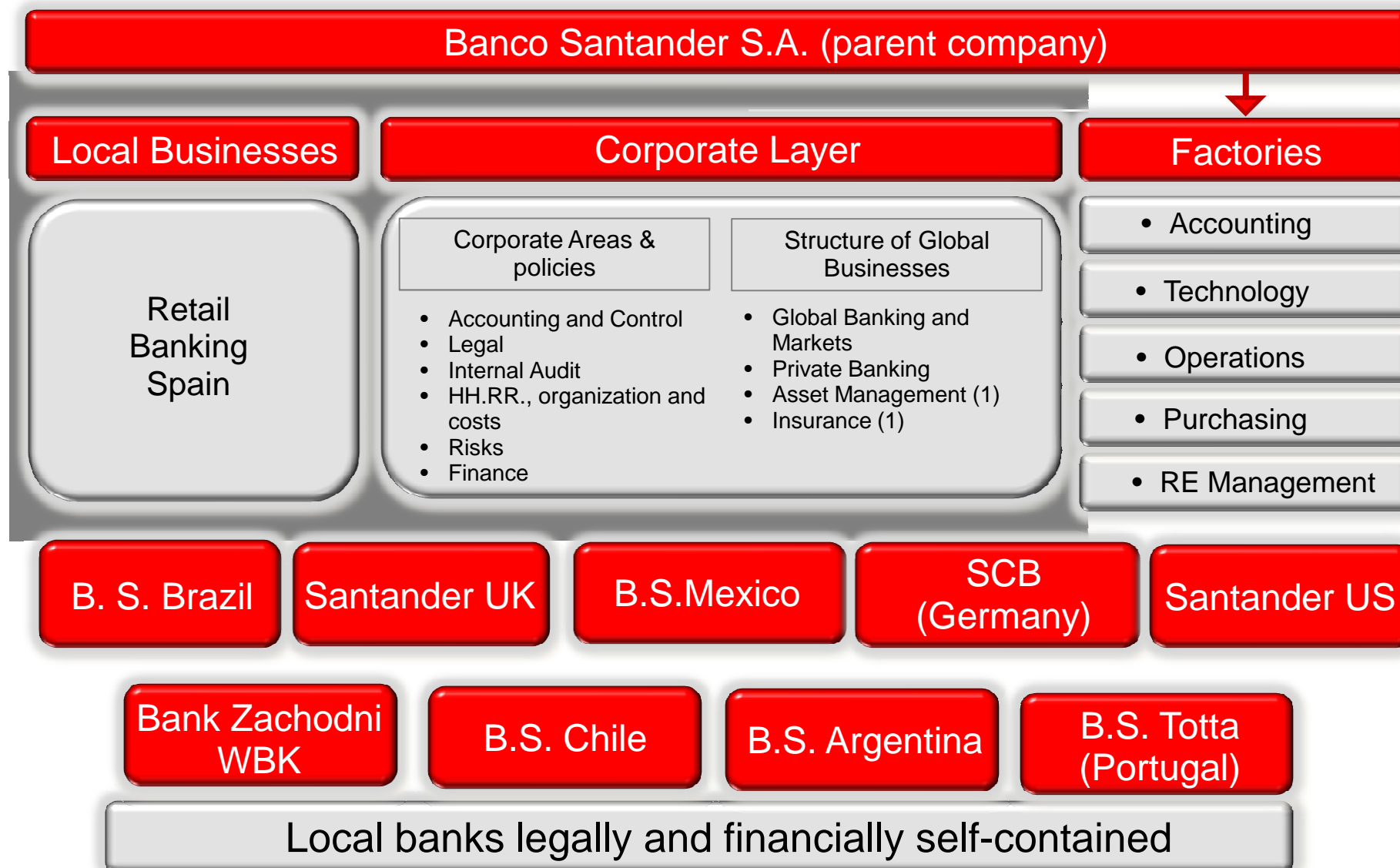
### 9M'14 Attributable profit (by business areas)



### BALANCED DIVERSIFICATION between mature and fast growing ...

#### Attributable profit by country in 9M'14



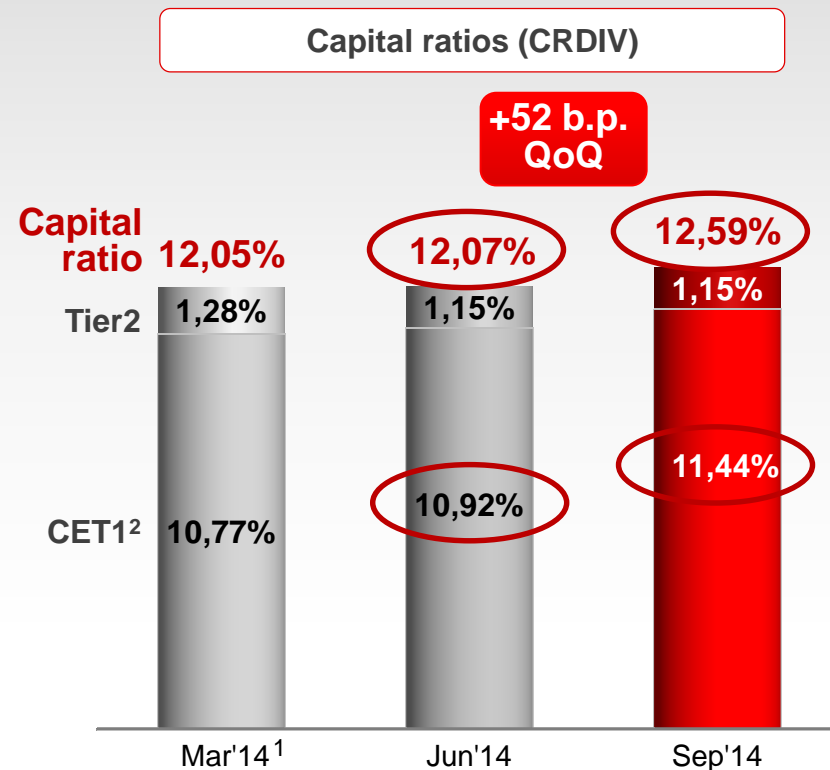


**Strong continuous generation of capital during the crisis,  
which allows to have comfortable capital levels under the new regulation**

- During the crisis, our **core capital** have increased in 413 b.p. (Dec'08-Dec'13)

- The Bank has **not received any public support**

- The main units of the Group are among the **most solvent banks in their markets**.  
Eg.: Brazil and UK are the most solvent among its peers



**Leverage ratio**

- September 14: 4.5%  
(stable in the quarter)

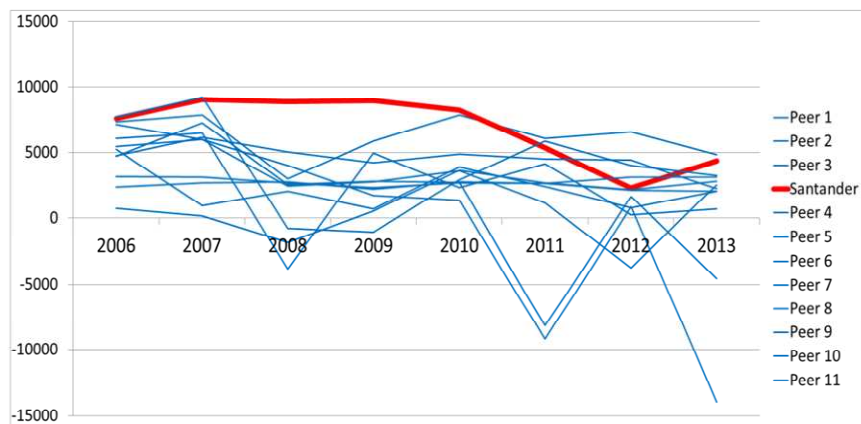
(1) Considering Spanish regulation on intangibles homogeneous with European one

(2) Including impact from the Alternative Standard Approach (ASA) model of Brazil's operational risk, approved by BACEN (0.29 p.p.) but pending authorization from the regulator on the consolidated Group.

**As a result, Santander profits are more stable than those of European banks**

**Profit. Santander vs. ECB Top 12 supervised entities**

EUR mill.



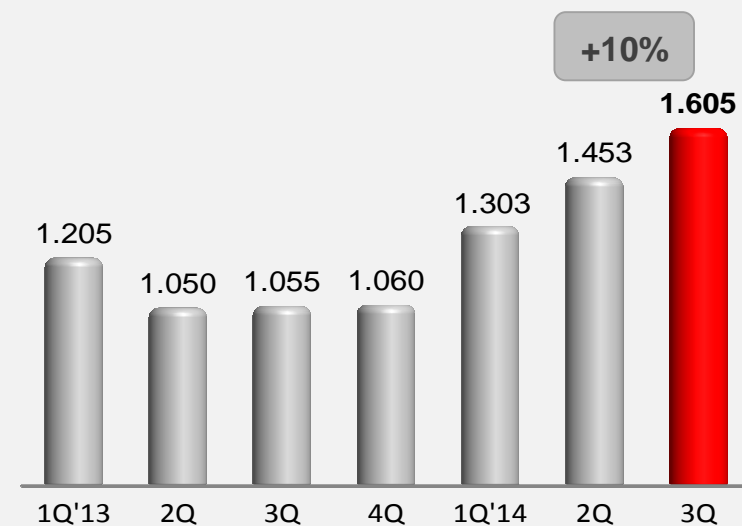
Entities: BBVA, BNP Paribas, Deutsche, BPCE, Crédit Agricole, ING Group, Intesa Sanpaolo, Nordea, Rabobank, Société Générale, UniCredit

**Santander is 1 of the 3 banks among international G-SIFIs<sup>(1)</sup> without a single quarter of profit losses**

**In 3Q14, sharp increase in attributable profit over previous quarters**

**Attributable profit**

EUR mill.



**Excluding fx impact, profit rose 10% during 3Q.**

(1) Excludes Chinese banks

## Index

Santander at a glance.

1

3 - 7

**Santander Recovery Plan.  
Project and general content.**

2

-

3

9 - 11

Santander Recovery Plan.  
Some relevant elements.

4

-

6

13 - 18

Open questions for improvement.

7

-

9

20 - 23



2009

- Kick off (Dec)

2010

- Recovery Plan 1.0

2011

- Recovery Plan 2.0
- First CMG

2012











- Recovery Plan 3.0

2013

- Recovery Plan 4.0
- US Resolution Plan 1.0
- High level resolution strategy agreed

2014

- Recovery Plan 5.0
- US Operational Plan 2.0
- COAG and operational Resolution Plan (Sp, Brl and UK)

2014	Recovery	Resolution Strategy/Plan <sup>(1)</sup>
 Banco Santander, S.A. (parent company)		
 - SUK		
 - Brazil		
 - Mexico		
 - San US		
 - Germany		
 - Portugal		
 - Chile		
 - Argentina		
 - Poland		



Recovery Plans for the 10 main entities of the Group.

(1) Mexico, Germany, Portugal, Chile, Argentina and Poland handed resolution information “packs” to the supervisor. (Reduced “resolution pack” for the last three countries)



## 1 General Information

- Description of Santander Group (or relevant unit)
- Main financial data



## 2 Recovery Plan

- Measures
- Analysis of crisis scenarios



## 3 Governance

- Preparation (Office of the Plan, Technical Committee, Institutional Committee)
- Follow-up and activation
- Communication plan
- Coordination between corporate & local plans



## 4 Appendices

- Some relevant aspects (legal structure, factories, GB&M businesses)
- Inventory of information provided to the supervisor (“resolution pack”)
- Local plans (in the Corporate Plan)

## 5 Back-up documents

**Same structure for all plans, except UK and Portugal <sup>(1)</sup>**

(1) Some minor differences in Germany (scenarios)

**In addition to the Recovery Plan, when required, the supervisors have been provided with a set of detailed information for the elaboration of the Resolution Plan (i.e. Spain)**

- |                                      |  |  |
|--------------------------------------|--|--|
| 1. Legal entities                    | 18. Joint ventures                               | 34. Correspondent payment main customers   |
| 2. Essential economic functions      | 19. Identification and competence of supervisors | 35. Collateral descriptive analysis  |
| 3. Analysis of Material Entities     | 20. Resolution regimes                           | 36. Detail of liabilities and separation analysis of the institutional debt issued |
| 4. Description of ALM Portfolios     | 21. Deposit insurance systems                    | 37. Commercial Banking region financial statements                                 |
| 5. Derivatives                       | 22. IT applications                              | 38. Analysis of branch carve out   |
| 6. Repurchase Agreements             | 23. Payment & settlement systems                 | 39. Accounting hedges  |
| 7. Discountable assets               | 24. Human resources                              | 40. Management and ALM hedges  |
| 8. Encumbered assets                 | 25. Property                                     | 41. Business continuity plan   |
| 9. Assets under custody              | 26. Contracts with suppliers                     |  |
| 10. Guarantees                       | 27. Channels                                     |  |
| 11. Bail-inable liabilities          | 28. Infrastructure                               |  |
| 12. Intragroup financial relations   | 29. Non financial links                          |  |
| 13. Basic financial data             | 30. Information on factories                     |  |
| 14. Exposure to counterparties       | 31. Critical operational & IT processes          |  |
| 15. Funding providers                | 32. Description of the GBM business              |  |
| 16. Cross default clauses            | 33. Syndicated transactions                      |  |
| 17. Licenses & Intellectual Property |  |  |

## Index

Santander at a glance.

1

3 - 7

Santander Recovery Plan.  
Project and general content.

2

-

3

9 - 11

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4

-

6

**13 - 18**

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7

-

9

20 - 23

- a Discount and generation of discountable assets
- b Reduction of the lending activity
- c Sale of non core credit portfolio and other type of assets
- d Sale of FI and listed equity portfolios
- e Capture of deposits
- f Increase of short term financing (CP program, repos,...)
- g Debt issuance
- h Capital increase
- i Dividend policy modification
- j Reduction or exclusion of variable compensation
- k Sale of businesses (local banks and global businesses)

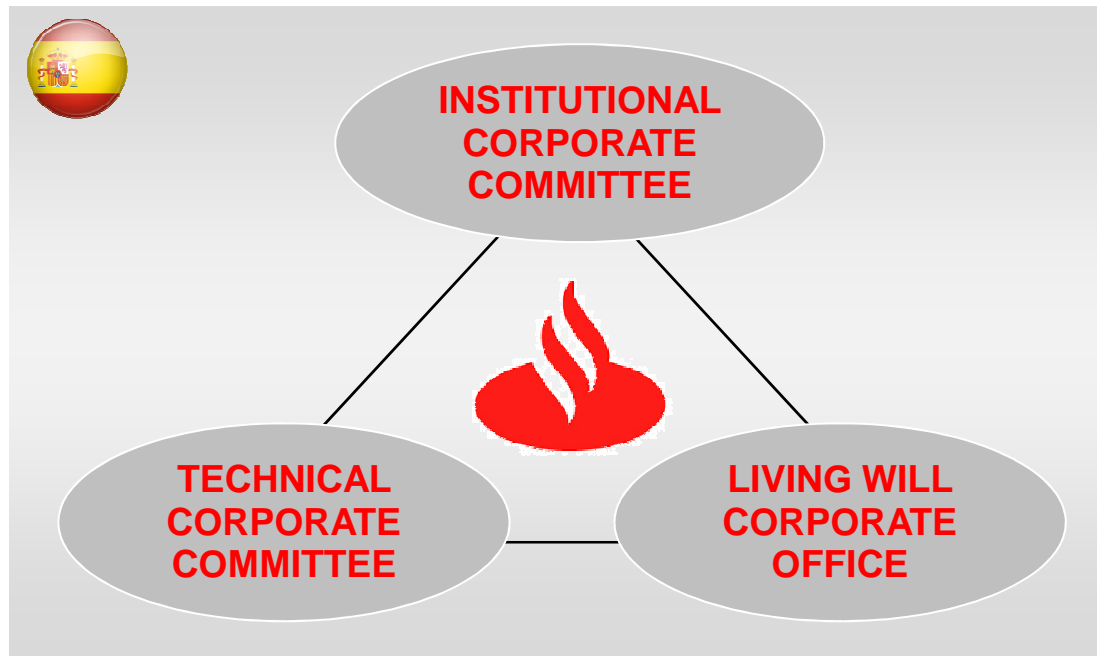
**ANALYSIS**

- 1 Feasibility
- 2 Impact
  - Liquidity
  - Capital
  - Margin
- 3 Use in specific scenarios.

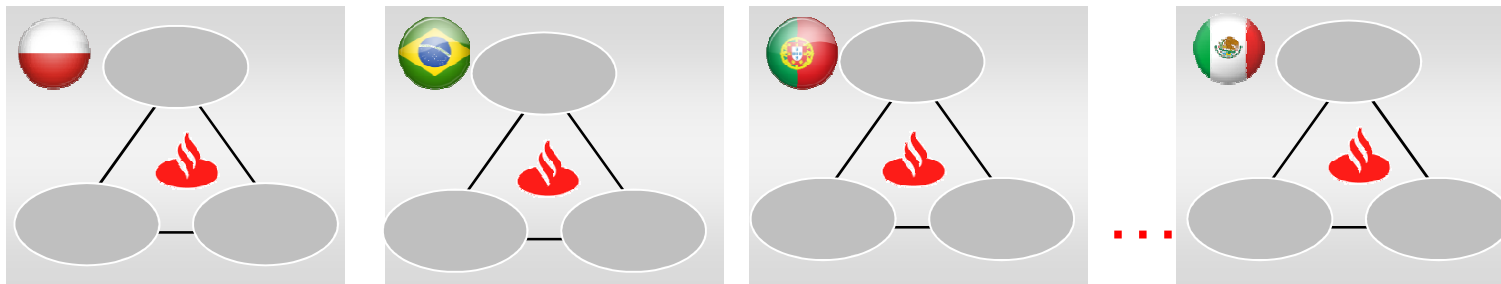
**Corporate Plan  
example**

IAC	Hypothesis
Specific liquidity crisis	<ul style="list-style-type: none"><li>• Most severe scenarios of the IAC exercise</li></ul>
Specific liquidity + Reverse stress	<ul style="list-style-type: none"><li>• Specific liquidity crisis thresholds (as defined in the LCP) are reached.</li></ul>
Local systemic liquidity crisis <sup>1</sup>	<ul style="list-style-type: none"><li>• Specific liquidity crisis thresholds (as defined in the LCP) are reached while adding a direct capital impact.</li></ul>
Global systemic liquidity crisis <sup>2</sup>	<ul style="list-style-type: none"><li>• Local systemic crisis thresholds (as defined in the LCP) are reached, with an impact in capital due to the loss of the portfolios' market value.</li><li>• Global systemic crisis thresholds (as defined in the LCP) are reached, with an impact in capital due to the loss of the portfolios' market value.</li></ul>

(1) The capital ratio considered is the CET1 BIS III phased in; the impacts that are shown derive from the With impact in capital due to the loss in value of portfolios available for sale.



- 1 Formally established through a **corporate governance structure**.
- 2 Similar **local governance**.
- 3 **Local and corporate “challenge”** of plans (with focus on recovery measures) in the technical committees.
- 4 **Approval by local boards** and, as a whole, by the Board of Directors of Banco Santander, S.A.



**Elaboration and approval of the plans****1**

- Corporate Office sets guidelines. Local teams inform the Corporate Office on a continuous basis, ensuring coordination.
- Documents are approved by local bodies and then by the Board of Directors of Banco Santander, S.A. (as annexes to the Corporate Plan)

**Decision to activate/ deactivate the plans****2**

- The preparatory steps for the activation of the local plan must be communicated to the CFO of Banco Santander S.A..
- The formal proposal regarding activation of a local plan must be consulted with the CEO of Banco Santander S.A. before submission to the appropriate local body.
- While applying the plans, the CFO of Banco Santander S.A. must receive the same information as the top local responsible person.

**Applying specific recovery options****3**

- Same procedures as those described in 2. In addition, the local responsible for implementing any measure consults with its corporate equivalent at all relevant times.



Corporate Plan  
example

### Liquidity Committee



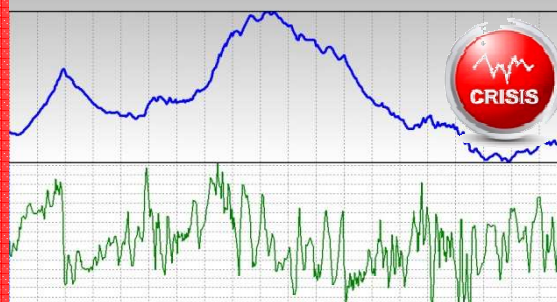
- Fin Mgt
- Risks
- GBM

### Capital Committee



- Accounting
- Risks
- Fin Mgt
- Capital areas

### Metrics evaluation



### Executive Comm

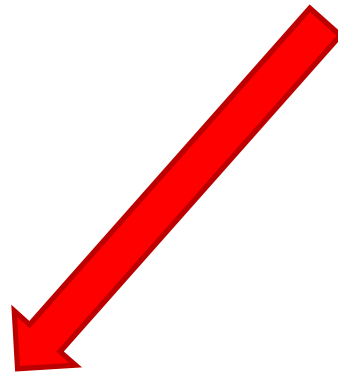


Recovery plan  
activation

- **Capital and liquidity management level committees** review indicators and metrics and may propose activation.
- Board body (**Executive Board Committee**) decides whether to activate or not.
- The decision to activate the Plan entails an immediate activation of the communication plan.

**Metrics follow-up**

1. Liquidity metrics (table)
2. Risk appetite indicators
3. Solvency metrics

**Activation criteria**

- **Liquidity** {
  1. Deterioration of the metrics continues after the activation of the Liquidity Contingency Plan
  2. Established limits regarding risk appetite are surpassed.
  3. 15 day liquidity gap turns negative
- **Solvency trigger:** It is established at CET 1 ratio of 7%.

## Index

**Santander at a glance.**

**1**

**3 - 7**

**Santander Recovery Plan.  
Project and general content.**

**2**

**-**

**3**

**9 - 11**

**Santander Recovery Plan.  
Some relevant elements.**

**4**

**-**

**6**

**13 - 18**

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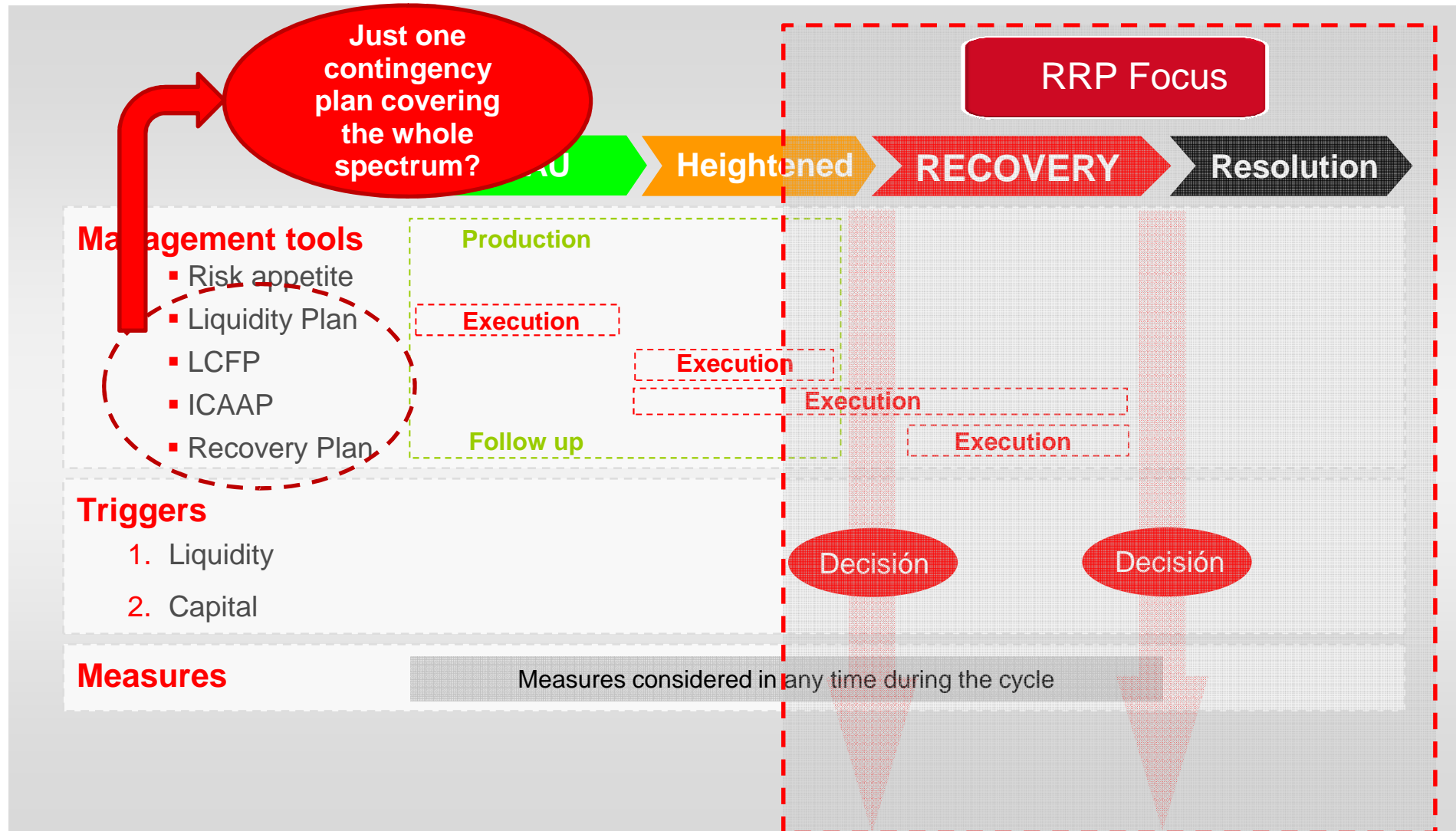
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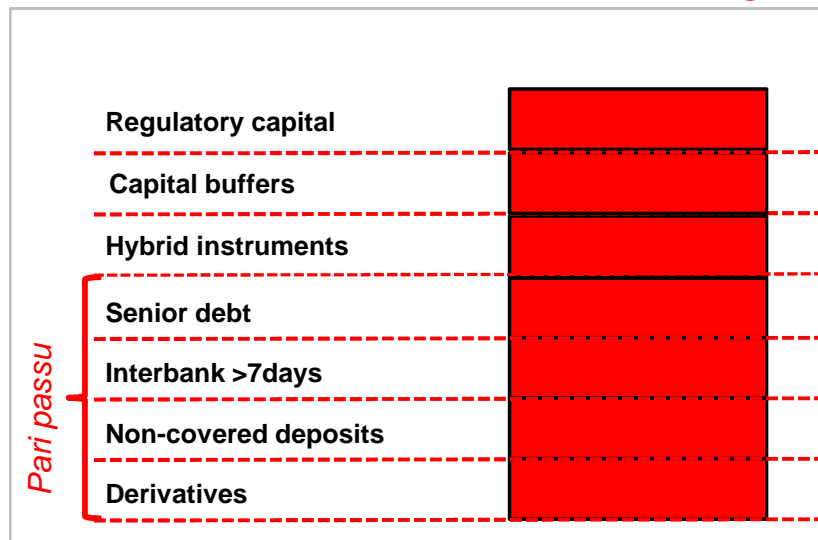
**9**

**20 - 23**

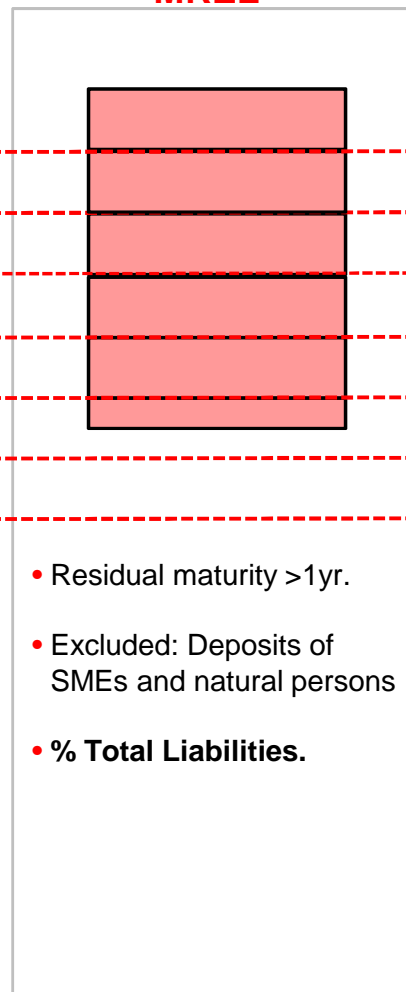




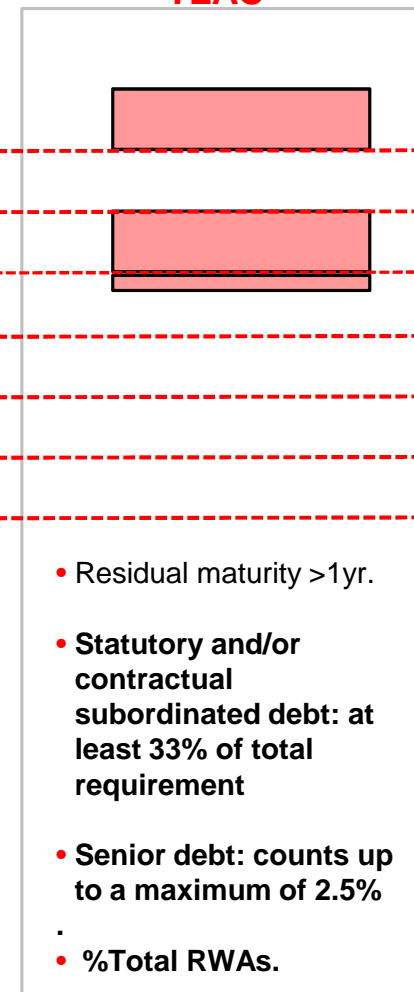
## BAILINABLE LIABILITIES



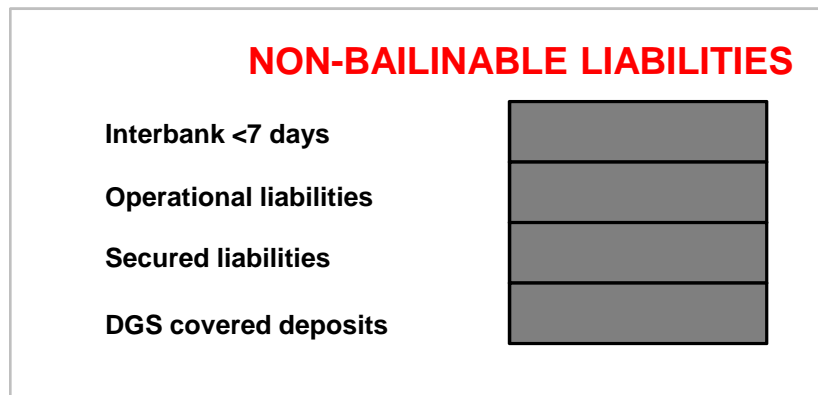
## MREL



## TLAC



## NON-BAILINABLE LIABILITIES



- a Future role of ECB and the European Resolution Authority
- b “Resolution pack”
- c Scenarios
- d Confidentiality
- e RAP

