

Ana Botín: “The Board’s intention is to increase the total dividend against 2018 results from 22 to 23 cents (+4.5%) and pay entirely in cash as of 2019”

- The dividend for 2019 will be paid twice a year instead of four times.
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Banco Santander’s Executive Chairman, Ana Botín, announced today that “the Board of Directors’ intention is to pay a total from 2018 profit of 23 cents per share”, which would mean an increase of 4.5% compared with that paid against 2017 results. This dividend will be paid in four payments as in prior years, three in cash, each amounting to 6.5 cents a share, and the fourth, of 3.5 cents, under the Santander Script Dividend scheme, which allows shareholders to choose between cash or shares.

Ana Botín also announced that “the intention of the Board of Directors is to propose that, starting in 2019, dividends be paid entirely in cash and bi-annually”, one interim payment in November and a final dividend in May of the following year. This scheme is more efficient as a reduction to two payments reduces operating expenses. The Chairman of Banco Santander said: “This new payment structure will not imply a reduction in total shareholder remuneration compared with the previous payment structure”.

During her speech at the Annual General Meeting of shareholders at which the 2017 accounts were approved, Ana Botín reviewed the year. Regarding the acquisition of Banco Popular, she said: “The acquisition led to a return to normal operations following a significant outflow of deposits, without affecting the stability of the financial system and without public aid. Nine months later, I can confirm that the transaction will be good for all our shareholders, our customers, the Spanish and European banking sectors and for society in general. We have regained leadership in Spain in all segments and have become the largest private bank in Portugal”. And explained: “We continue to work on the integration, which is progressing as expected. I would like to congratulate our teams for their excellent work and reinforce that our goal is not to lose a single customer”.

Botín pointed out that the Popular acquisition took place “at a very positive point in Spain’s economic cycle. She said: “Today, Spain is in the vanguard of Europe’s business activity, exports surge and recovery in consumption. In 2018, we expect Spain to grow 3% for a fourth consecutive year and unemployment to continue decreasing.” Botín added: “Now, Spain’s priority should be to also lead in inclusive growth to ensure that Spaniards who have sacrificed the most during the crisis also benefit from recovery”. She mentioned as an example of how Santander is supporting this goal “the 10% productivity-based salary increase we have implemented for 3,400 people who were in the lower end of the Group’s compensation scale in Spain”.

Regarding the world economy, she also expressed optimism. “Growth is expected to be close to 4% in 2018, a six-year high. In fact, for the second year in a row our ten countries are all growing.” In this sense, she predicted that the normalisation of monetary policy will shape market performance. “I am sure the strength of our institutions will ensure that the transition is gradual and predictable”, she said.

Future challenges

Botín began her speech by reviewing the profound transformation that is taking place and highlighted that “to be successful in this new environment we must focus on one essential factor: loyalty. People now have more information and more choice than ever before. We become much more demanding every day and meeting expectations is not enough, we have to exceed them. Our customers now number 133 million customers and we can do much more to help them and their communities prosper”.

Santander’s Executive Chairman laid out four important challenges the sector faces: ethics and conduct, digital transformation, inclusive growth and sustainable growth.

Regarding the first challenge, **ethics and conduct**, Botin highlighted that “banks must still do more to regain and keep people’s trust. Gaining this trust means we must do things in a responsible way”.

“The words simple, personal and fair sum up how we will help millions of people turn their dreams into reality. These three words are the foundations of a responsible bank”, Botín said. To enhance this commitment, she announced the creation of a new board committee, the Committee for Responsible and Sustainable Banking and Culture, whose purpose will be to “ensure that we manage our business in a responsible way; and oversee how we are helping people and businesses prosper. A responsible bank has a strong team with the right values and behaviors and an unrelenting commitment to its purpose”, she explained.

Referring to the second challenge, **digital transformation**, Botín said that “the world needs banks that are secure, but able to innovate and be competitive. The regulatory framework should guarantee that the same rules apply to everyone that carries out the same types of activities. Current regulations are more demanding of banks than they are of the big global platforms. This cannot continue and must change”.

“We will continue to invest in digital platforms not just to be the best retail and commercial bank, but to be the best and most responsible open digital platform for financial services. This means offering our products and services but also those of others, and being open to collaborate, safeguarding our role as the main point of contact with the customer”, Botín said.

Banco Santander’s Chairman highlighted Brazil and Spain as two examples of progress in digital transformation. “Brazil now has 8.6 million digital customers. At a Group level, one in every three sales is done through a digital channel. In Spain, transactions by mobile grew by 330% in 2017 and in the United Kingdom by 58%”. She added: “At the same time, we are developing new global platforms, with light, agile structures that allow us to move quickly”. Among these, she mentioned Superdigital, an online platform that doesn’t require a bank account; Openbank, a 100% digital bank which offers the full range of products, and One Pay, which offers cheap, transparent international payments based on blockchain.

As for the third challenge, **inclusive growth**, Santander's Chairman stated that "the Bank grows with our customers and the communities where we work. Inclusive growth builds stronger economies and more stable societies, which is good for everyone".

Ana Botín pointed out that between 2016 and 2018, Santander will have helped five million people in its communities and affirmed that "investing in education is the best way we can contribute to achieving this inclusive growth". She also mentioned the agreements the Bank has with 1,300 universities in 21 countries. These agreements help young people access excellent education and provides them with the skills they need to get a job or create their own company.

Commenting on the fourth challenge mentioned, **sustainable growth**, Ana Botín said that "we all have a role to play in tackling climate change and the challenges posed by a growing population". She reiterated Banco Santander's commitment to "work with all our stakeholders in the transition to a low-carbon economy and encourage sustainable consumption and growth".

The Chairman mentioned the Group's main strengths: critical mass, diversification and innovation. "We have 133 million customers and a presence in ten markets with a population of one billion; we are in countries in Europe and the Americas, a combination that ensures predictable and profitable growth, and thanks to our ability to innovate, our scale and culture of collaboration, we are efficient. These advantages set us apart and are the foundation for profitable and predictable growth in the years to come. Our potential to grow organically is high".

Ana Botín summarised Santander's performance as "one of the most profitable and efficient banks in the world, with an underlying RoTE of about 12% and a cost-to-income ratio of 47%. This allows us to accumulate more capital while we fund business growth and increase cash dividend. In 2017 we will have distributed almost 3 billion euros in cash to our shareholders".

The Chairman said: "what makes us strong is knowing that our success lies in winning the loyalty of everyone". At the same time, she pointed out that the branches are evolving with the aim that "customers want to visit the bank".

José Antonio Álvarez: "We can be optimistic for 2018"

Banco Santander's CEO, José Antonio Álvarez, told shareholders that "in 2017, the market recognised and positively assessed our strategy and its reflection in the accounts: the Santander share price rose 12.3% and total shareholder return was 16,6%". Álvarez said that thanks to the expansion of the global economy, contained inflation and the outlook for interest rates, as well as diminishing regulatory uncertainty, "we believe we can be optimistic for 2018". He mentioned exiting monetary policies by central banks and the entry of new companies from the digital world to the banking industry as "points of instability we will be paying attention to", and referred also to the evolution of Brexit and elections in several Latin American countries as other relevant events for the year. However, he said: "all things considered, we believe the balance between risks and opportunities is more positive than in previous years and we are in a good position to achieve all the financial objectives we announced at the Group Strategy Update for 2018".

During his speech, Santander's CEO said: "Over the coming years, we will keep on investing in digitalisation in order to continue building a bank aligned with the challenges of the future". He also highlighted the importance of enhancing the Group's risk culture. "We have strengthened processes in cyber security, anti-money laundering and operational and reputational risk".

Álvarez reviewed performance across the Group's markets and said: "We see a consistent and widespread improvement across countries, not only in profit but also in our main management metrics: customers, cost of credit, efficiency and profitability".

Shareholder approvals

Aside from results and the dividend against 2017 results, the general shareholders' meeting ratified the appointment of two new directors, Ramiro Mato and Alvaro de Sousa. Botín reiterated that the Group's Board of Directors "has the right balance, with nine independent directors of a total of 15, and is diverse in terms of age, gender (33% women), nationality and professional experience".