

## Santander earns €6,204 million in 2016, up 4%

*Underlying profit before tax was €11,288 million, up 11.7% excluding currency movements*

Madrid, 25 January 2017

- Loyal customers increased by 1.4 million to 15.2 million, with lending and customer funds up by 2% and 5% respectively, excluding currency movements.
- Tangible net asset value per share increased by 3.7% to €4.22 in the year, cash dividend per share increased by 8% to €0.17 and earning per share increased by 1% to €0.41.
- Common Equity Tier 1 ratio increased by 50 basis points in the year to 10.55%.
- In the fourth quarter alone Santander generated €1,598 million in attributable profit, compared to €25 million in Q4 2015.

Banco Santander Group Executive Chairman, Ana Botín, said:

*"In 2016 Santander has achieved strong results, meeting all our strategic and business objectives. We have earned the loyalty of a further 1.4 million customers, serving 125 million people and businesses across Europe and the Americas and increasing lending by 2%.*

*It is thanks to the talent and hard work of our teams that we have achieved these excellent results, while also executing our strategy in the right way - a way that is more simple, personal and fair.*

*Our investment in technology, together with the advantages of working as a Group, make Santander one of the most efficient and profitable banks in the world, with a cost/income ratio of 48%, while also improving the customer experience, especially in mobile banking and digital services. Santander now ranks among the top three banks for customer satisfaction in eight of our nine major countries.*

*The strength of our business model and the discipline in execution, has allowed us to accumulate more than €3 billion of capital in 2016, taking our CET1 ratio to 10.55%, exceeding our target. During the year we have also increased earnings per share, dividend per share and tangible net asset value per share.*

*Going forward, we have many opportunities for profitable growth in Europe and the Americas, in an environment we anticipate will be volatile but generally better than 2016.*

*The key to our success for 2017 and beyond will be an ever-stronger collaborative culture across the Group and a shared purpose to help people and businesses prosper."*

### Comunicación Externa.

Ciudad Grupo Santander Edificio Arrecife Pl. 2  
28660 Boadilla del Monte (Madrid) Telf.: 34 91 289 52 11  
email:comunicacion@gruposantander.com  
[www.santander.com](http://www.santander.com) - Twitter: @bancosantander



## Income Statement – Key Highlights

	2016			Q4		
	FY'16 (€m)	FY'16 V FY'15 (%)	FY'16 V FY'15 (% EX FX)	Q4'16 (€m)	Q4'16 V Q4'15 (%)	Q4'16 V Q4'15 (% EX FX)
GROSS INCOME	43,853	-3.1	2.5	11,113	2.0	2.1
OPERATING EXPENSES	21,088	-2.2	3.5	5,453	0.6	1.9
OPERATING INCOME	22,766	-3.9	1.6	5,660	3.4	2.3
NET LOAN-LOSS PROVISIONS	9,518	-5.8	-2.1	2,406	-6.0	-9.6
UNDERLYING PROFIT BEFORE TAX	11,288	3.2	11.7	2,663	22.6	25.7
ATTRIBUTABLE PROFIT	6,204	4.0	15.1	1,598	-	-

### Results Summary

Banco Santander generated attributable profit of €6,204 million during the year, an increase of 4% compared to 2015, with strong growth in fee income and improvements in credit quality, partially offset by the weakening of certain currencies against the Euro and an increase in tax in both Poland and U.K. Excluding one off items and currency movements, underlying profit before tax increased by 12%.

In the fourth quarter alone the Bank generated €1,598 million in attributable profit. This compares to €25 million in fourth quarter of 2015 which was impacted by a number of one off items including an impairment of intangible assets and a charge for PPI in the U.K.

The Group continued to earn the trust of more customers during 2016. Lending and customer funds increased by 2% and 5% respectively (excluding currency movements) while the number of loyal customers (people who see Santander as their main bank) grew by 1.4 million to 15.2 million, ahead of target for the year. Total customers increased by 4 million to 125 million.

The Group's investment in technology helped increase the number of digital customers by 4.3 million to 20.9 million. This, combined with strong cost discipline, allowed Santander to maintain its position as one of the most efficient banks in the world, with the cost/income ratio remaining broadly stable at around 48%, while also driving improvements in customer satisfaction. Santander now ranks among a top three highest rated banks for customer satisfaction in eight of the nine core geographies where the Group carries out retail and commercial banking.

The Group delivered strong growth across all its key financial measures, meeting the targets outlined in its investor day in 2015. Tangible net asset value per share increased by 3.7% in the year to €4.22, cash dividend per share increased by 8% to €0.17, and earnings per share increased by 1% to €0.41. All credit quality ratios also improved. At the end of the year, the Group's NPL ratio stood at 3.93%, compared to 4.36% in December 2015. Coverage ratio increased from 73% to 74%.

Santander continued to achieve strong organic capital generation, adding more than €3 billion in capital during the year. The Group's common equity tier 1 ratio increased by 50

#### Comunicación Externa.

Ciudad Grupo Santander Edificio Arrecife Pl. 2  
28660 Boadilla del Monte (Madrid) Telf.: 34 91 289 52 11  
email:comunicacion@gruposantander.com  
[www.santander.com](http://www.santander.com) - Twitter: @bancosantander



basis points during the year to 10.55%, significantly higher than the expected minimum regulatory capital requirement for 2019 (9.5%).

Attributable profit to the Group € million	2016	s/ 2015	
		%	% w/o FX
<b>Continental Europe</b>	<b>2,599</b>	<b>17.2</b>	<b>18.5</b>
o/w: Spain	1,022	4.6	4.6
Santander Consumer Finance	1,093	16.5	17.9
Poland	272	(9.5)	(5.6)
Portugal	399	33.0	33.0
<b>United Kingdom</b>	<b>1,681</b>	<b>(14.7)</b>	<b>(4.0)</b>
<b>Latin America</b>	<b>3,386</b>	<b>6.1</b>	<b>18.6</b>
o/w: Brazil	1,786	9.5	15.0
Mexico	629	0.1	17.5
Chile	513	12.7	16.4
<b>USA</b>	<b>395</b>	<b>(41.8)</b>	<b>(41.9)</b>
<b>Operating areas</b>	<b>8,060</b>	<b>0.0</b>	<b>7.8</b>
Corporate Centre*	(1,856)	(11.3)	(11.3)
<b>Total Group</b>	<b>6,204</b>	<b>4.0</b>	<b>15.1</b>

(\*) - Including net capital gains and provisions. Without them 2016: -€1.439 million; 2015: -€1.493 million

### Country Summary

The Group is well diversified across both mature and developing markets. Despite challenging market conditions, profit before tax rose in nine of the Group's ten core markets, excluding currency movements. Europe contributed 55% of Group profit (UK: 20%, Spain: 12%, Santander Consumer Finance: 13%, others: 10%) and the Americas, 45% (Brazil: 21%, Mexico: 8%, Chile: 6%, US: 5%, others 5%).

In Brazil, against a backdrop of a complex macroeconomic environment, attributable profit increased by 9.5% (+15% excluding currency movements). This was driven primarily by a rise in fee income and controlled cost growth. Loyal customers increased by 500,000 with digital advances (including the launch of biometrics) and product innovations helping improve the customer proposition. The change in business mix carried out in recent years helped control provisions and credit quality.

In the UK attributable profit decreased by 14.7% (-4% excluding currency movements), driven by the introduction of the 8% bank corporation tax surcharge and the weakening of the pound against the Euro following the outcome of the referendum on EU membership. Excluding these effects, profit before tax increased by 7.7% to €2,452 million with higher lending volumes and lower cost of deposits supported by strong cost discipline and credit quality.

Santander Consumer Finance (SCF) recorded a strong increase in attributable profit of 16.5% (+17.9% excluding currency movements). SCF generated new lending growth across all countries with total new lending 17% higher than in 2015. The business also saw significant improvements in credit quality during the year, while maintaining best in class efficiency.

In Santander Spain attributable profit increased by 4.6% to €1,022 million. The low interest rate environment continued to affect net-interest income, however, this was offset by good growth in fee income, strong cost control, and significant improvements in credit quality. The Group's 1|2|3 strategy, which already benefits 2 million customers, has helped increase loyal customer by 32% while improving commercial productivity (50% of new production linked to 1|2|3 customers). Since the strategy was launched, 500,000 payrolls have switched to

PRESS RELEASE

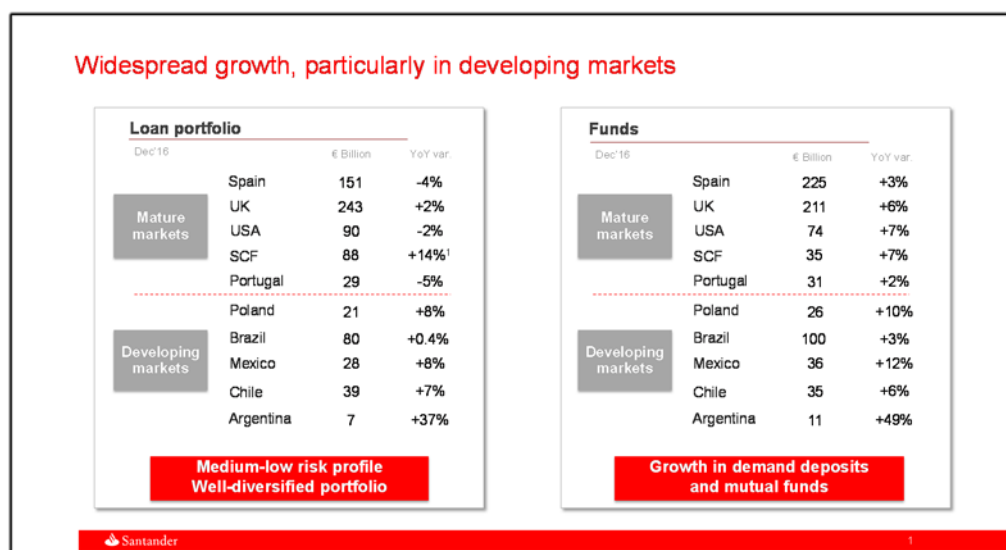
#### Comunicación Externa.

Ciudad Grupo Santander Edificio Arrecife Pl. 2  
28660 Boadilla del Monte (Madrid) Telf.: 34 91 289 52 11  
email:comunicacion@gruposantander.com  
[www.santander.com](http://www.santander.com) - Twitter: @bancosantander



Santander from other banks. The Bank completed a restructuring plan during the year to further improve efficiency, while maintaining a top three position for customer satisfaction.

In the US the Group invested heavily in technology and customer experience to meet both our internal and regulatory targets, leading to an increase in costs for 2016. This investment, combined with a simplification of the product offering, allowed the Bank to build more and deeper customer relationships, with core deposits increasing by 4% and digital customers increasing by 26%, while also setting a path to increased profitability. Santander Consumer USA (SCUSA) adjusted its business mix toward a lower risk profile in 2016, and still delivered a ROTE of 18%. These factors, as well as an increase in loan loss provisions driven in part by provisions relating to Oil & Gas made in Q1, led to a decrease in attributable profit for the US of 41.8% to €395 million (-41.9% excluding currency impact). Profit before tax decreased by 32%.



Note: Loans excluding repos. Funds: deposits excluding repos + marketed mutual funds. % change in constant euros.  
(1) SCF excluding PSA (+6%).

Mexico continued to deliver strong underlying growth, however, attributable profit remained stable due to a weakening of the Peso against the Euro following the US elections. Excluding currency effects attributable profit increased by 17.5%.

In Poland strong underlying growth was offset by the introduction of a new banking tax. Excluding this impact, profit increased by 10% (+14% excluding currency movements). The Group also generated strong growth in attributable profit across Portugal, up 33%, and Chile, up 13% (+16% excluding currency impact). In Argentina, attributable profits fell by 5% due to the weakening of the Peso against the Euro. Excluding currency movements, profits in Argentina increased by 52%.

Banco Santander has a market capitalization of more than €75 billion. Santander has 3,928,950 shareholders and 188,492 employees serving 125 million customers.

**Comunicación Externa.**

Ciudad Grupo Santander Edificio Arrecife Pl. 2  
28660 Boadilla del Monte (Madrid) Telf.: 34 91 289 52 11  
email:comunicacion@gruposantander.com  
[www.santander.com](http://www.santander.com) - Twitter: @bancosantander



## KEY CONSOLIDATED DATA

■ Balance sheet (€ million)	Dec'16	Dec'15	%	Dec'14
Total assets	1,339,125	1,340,260	(0.1)	1,266,296
Net customer loans	790,470	790,848	(0.0)	734,711
Customer deposits	691,112	683,142	1.2	647,706
Managed and marketed customer funds	1,102,488	1,075,563	2.5	1,023,189
Total equity	102,699	98,753	4.0	89,714
Total managed and marketed funds	1,521,633	1,506,520	1.0	1,428,083

■ Income statement (€ million)	2016	2015	%	2014
Net interest income	31,089	32,189	(3.4)	29,548
Gross income	43,853	45,272	(3.1)	42,612
Net operating income	22,766	23,702	(3.9)	22,574
Underlying profit before taxes	11,288	10,939	3.2	9,720
Underlying attributable profit to the Group	6,621	6,566	0.8	5,816
Attributable profit to the Group	6,204	5,966	4.0	5,816

Variations w/o exchange rate: NII: +2.3%; Gross income: +2.5%; Net operating income: +1.6%; Underlying attributable profit: +10.5%; Attributable profit: +15.1%

■ EPS, profitability and efficiency (%)	2016	2015	%	2014
EPS (euro)	0.41	0.40	1.0	0.48
RoE	6.99	6.57	7.05	7.05
Underlying RoTE*	11.08	10.99	10.95	10.95
RoTE	10.38	9.99	10.95	10.95
RoA	0.56	0.54	0.58	0.58
Underlying RoRWA*	1.36	1.30	1.27	1.27
RoRWA	1.29	1.20	1.27	1.27
Efficiency ratio (with amortisations)	48.1	47.6	47.0	47.0

■ Solvency and NPL ratios (%)	Dec'16	Dec'15	%	Dec'14
CET1 fully-loaded	10.55	10.05	9.65	9.65
CET1 phase-in	12.53	12.55	12.23	12.23
NPL ratio	3.93	4.36	5.19	5.19
Coverage ratio	73.8	73.1	67.2	67.2

■ Market capitalisation and shares	Dec'16	Dec'15	%	Dec'14
Shares (millions)	14,582	14,434	1.0	12,584
Share price (euros)	4.959	4.558	8.8	6.996
Market capitalisation (€ million)	72,314	65,792	9.9	88,041
Tangible book value (euro)	4.22	4.07	4.01	4.01
Price / Tangible book value (X)	1.17	1.12	1.75	1.75
P/E ratio (X)	12.18	11.30	14.59	14.59

■ Other data	Dec'16	Dec'15	%	Dec'14
Number of shareholders	3,928,950	3,573,277	10.0	3,240,395
Number of employees	188,492	193,863	(2.8)	185,405
Number of branches	12,235	13,030	(6.1)	12,951

(\*) - Excluding non-recurring net capital gains and provisions

Note: RoE, RoTE and CET1 2014, pro-forma taking into account the January 2015 capital increase

### Comunicación Externa.

Ciudad Grupo Santander Edificio Arrecife Pl. 2  
28660 Boadilla del Monte (Madrid) Telf.: 34 91 289 52 11  
email:comunicacion@gruposantander.com  
[www.santander.com](http://www.santander.com) - Twitter: @bancosantander