

## Santander attributable profit for 2017 reaches €6,619 million - up 7%

*Underlying profit before tax for 2017 increased by 20% to €13,550 million*

Madrid, 31 January 2018 - PRESS RELEASE

- In the fourth quarter the Group generated an attributable profit of €1,542 million, down 4% compared to Q4 2016 after a €382 million net charge for capital gains and provisions. Underlying profit before tax for the fourth quarter increased by 19% to €3,375 million.
- The Group maintained its position among the most profitable and efficient banks in the world with underlying Return on Tangible Equity (RoTE) increasing by 70 basis points in the year to 11.8% and cost-to-income ratio improving by 73 basis points to 47%.
- Total income for the year increased by 10% to €48,392 million with further improvements in the quality and recurrence of Group earnings and particularly strong revenue growth in Latin America.
- The Group continued to help people and businesses prosper, earning the loyalty of a further 2 million customers and increasing lending and funds by 2% and 8% respectively during the year, excluding Popular.
- Digital customers increased by 21% during the year to 25 million, with the proportion of sales taking place through digital channels increasing to 31%, excluding Popular.
- The Group has delivered on all strategic targets for 2017 and remains confident it will achieve all targets for 2018.

Banco Santander Group Executive Chairman, [Ana Botín](#), said:

*“2017 has been another very strong year, and the results announced today demonstrate the strength of our scale and diversification.*

*The Group’s focus on earning customer loyalty, combined with the great execution of our teams, has allowed us to generate a 20% increase in underlying profit before tax, reinforcing our position as one of the most profitable, efficient and predictable banks in the world.*

*Our recurrent profitability allows us to lend more to customers, increase dividend per share, while generating more than €3 billion in capital through organic growth alone.*

*Throughout the year we have seen strong growth in Latin America, with our businesses in Brazil and Mexico performing exceptionally well. But it has also been a year of great progress in Europe, and particularly in Spain where the acquisition of Popular has helped accelerate our strategy while providing important certainty and stability for Popular’s customers.*

*We have delivered all our targets for 2017, and importantly, we have done this in a responsible way: achieving a top three position for customer satisfaction in most markets and being recognised as a top employer. Furthermore, Santander is the world’s largest corporate contributor to education and we are leaders in supporting micro-entrepreneurs and financial inclusion.*

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Looking ahead, we see significant opportunities for further organic growth within our 133 million customer base. The economies in all our core markets are expected to grow in the year ahead and we are investing together in new digital platforms, allowing us to serve more customers in a better and more efficient way.

We are well positioned to continue helping the people and businesses we serve to prosper and I am confident we will deliver on all targets for 2018.”

### Summary Income Statement

	FY'17 (m)	FY'17 v FY'16	FY'17 v FY'16 (EX FX)	Q4'17 (m)	Q4'17 v Q4'16	Q4'17 v Q4'16 (EX FX)
GROSS INCOME	€48,392	+10%	+10%	€12,062	+7%	+12%
OPERATING EXPENSES	-€22,918	+9%	+9%	-€5,961	+9%	+14%
NET OPERATING INCOME	€25,473	+12%	+11%	€6,101	+5%	+11%
NET LOAN-LOSS PROVISIONS	-€9,111	-4%	-6%	-€2,181	-9%	-4%
<b>PROFIT BEFORE TAX</b>	<b>€13,550</b>	<b>+20%</b>	<b>+21%</b>	<b>€3,375</b>	<b>+19%</b>	<b>+26%</b>
UNDERLYING PROFIT	€7,516	+14%	+14%	€1,924	+9%	+15%
NET CAPITAL GAINS AND PROVISIONS	-€897	+115%	+117%	-€382	+127%	+144%
<b>ATTRIBUTABLE PROFIT</b>	<b>€6,619</b>	<b>+7%</b>	<b>+7%</b>	<b>€1,542</b>	<b>-4%</b>	<b>2%</b>

### Results Summary (2017 v 2016)

Banco Santander, S.A. ('Santander') increased attributable profit by 7% to €6,619 million during 2017 after €897 million of net capital gains and provisions, with growth driven by further improvements in the quality and recurrence of revenues, combined with good cost control and an overall strengthening in credit quality.

The Group continued to see positive trends across its businesses, with revenues increasing in eight of its ten core markets. Total income increased by 10% to €48,392 million with net interest income and fee income increasing by 10% and 14% respectively. Operating expenses increased at a lower rate than revenues, leading to a 12% increase in net operating income.

In addition to the integration costs and other items announced in the third quarter, the Group took a further €752 million charge in the fourth quarter relating primarily to the impairment of goodwill for the Group's investment in Santander Consumer USA ('SCUSA') announced on 28<sup>th</sup> November 2017. This was partially offset by €297 million of capital gains generated by the sale of AllFunds Bank and a €73 million gain relating to US fiscal reforms, resulting in an overall net charge for the fourth quarter of €382 million for capital gains and provisions and €897 million for the full year.

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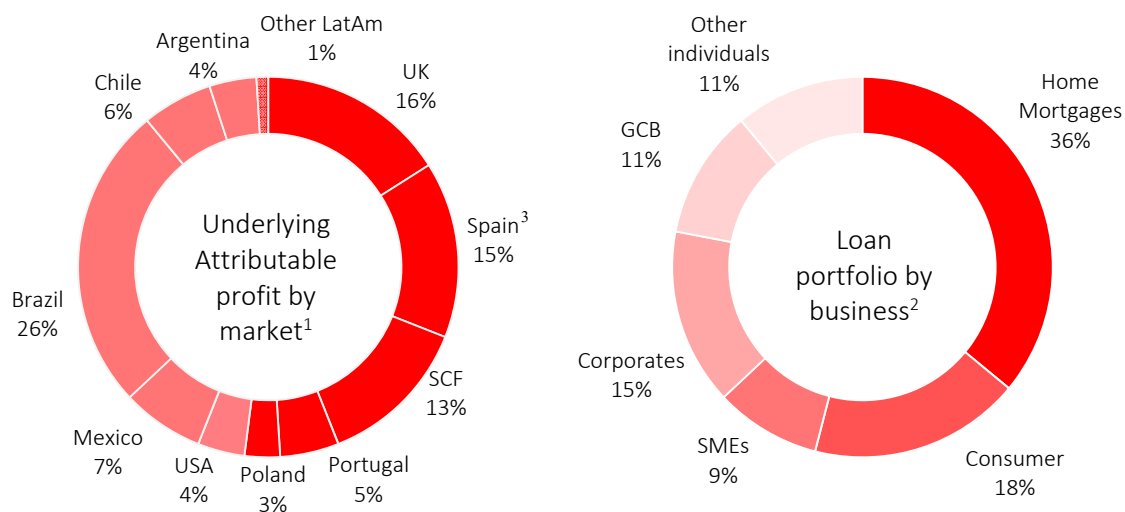
Excluding this charge, underlying attributable profit increased by 14% in the year to €7,516 million and underlying profit before tax increased by 20% to €13,550 million.

Santander continued to help people and businesses prosper, with the number of loyal customers (people who see Santander as their main bank) growing by 2 million during the year to 17.3 million, without including new customers gained through the acquisition of Popular. Excluding Popular, lending and customer funds increased by 2% and 8% respectively in constant euros over the same period.

The number of customers using digital services increased by 21% during the year to 25.4 million (excl. Popular), helping reduce the cost per transaction by 22% during the year. The launch of a number of new digital platforms including OpenBank, SuperDigital and Santander Pay, helped increase the proportion of sales completed through digital channels to 31%.

This progress in digital transformation, combined with strong cost discipline, allowed Santander to maintain its position as one of the most efficient banks in the world. The Group's cost/income ratio, a key measure of efficiency, improved by 73 basis points to 47%. This compares to a global peer average of c.64%.

A balanced presence across both mature and emerging markets remains one of Santander's key strengths, with underlying profit increasing in nine of the Group's ten core markets. During 2017 Europe contributed 52% of Group profit and the Americas 48%. The lending book also remains well diversified across business segments and geographies.



1. Excluding corporate centre, and Spain real estate activities. 2. Loans excluding repos. 3. Popular included (3%).

Credit quality continued to improve with the non-performing loan ('NPL') ratio reducing to 4.08%, down 129 basis points since 30 June 2017 due primarily to the agreement to sell a 51% stake in the €30 billion Popular real estate asset portfolio. Excluding Popular the NPL ratio reduced by 55 basis points during the year to 3.38%.

Over the last 12 months underlying return on tangible equity, a key measure of profitability, has increased by 70 basis points to 11.8% incl. Popular, among the best of our peers. Tangible net asset

**Corporate Communications**

value per share remained stable at €4.15, and earnings per share increased by 1% to €0.404 (+8% on an underlying basis).

Santander strengthened its capital further during the year, increasing its fully loaded CET 1 ratio by 29 basis points to 10.84%. The Group generated more than €3 billion (53 basis points) of capital through organic growth alone in 2017 and remains committed to achieving a fully loaded CET1 ratio above 11% in 2018.

As a result the Group has achieved all strategic targets for 2017 and has reiterated its targets for 2018.

Attributable profit	FY'17 (m)	FY'17 v FY'16	FY'17 v FY'16 (EX FX)	Q4'17 (m)	Q4'17 v Q4'16	Q4'17 v Q4'16 (EX FX)
Brasil	€2,544	+42%	+34%	€642	+26%	+34%
UK	€1,498	-9%	-3%	€297	-12%	-11%
Spain	€1,180	+46%	+46%	€265	+12%	+12%
SCF	€1,168	+4%	+4%	€311	+15%	+17%
Mexico	€710	+13%	+16%	€178	+6%	+10%
Chile	€586	+14%	+12%	€146	+7%	+11%
Portugal	€440	+10%	+10%	€104	-2%	-2%
Argentina	€359	0%	+14%	€96	-12%	+7%
USA	€332	-8%	-7%	-€5	-73%	-98%
Poland	€300	0%	-3%	€81	+28%	+24%
Popular	-€37	-	-	€85	-	-

### Country Summary (FY'17 v FY'16)

In Brazil attributable profit increased by 42% to €2,544 million (+34% in constant euros). Greater customer activity (lending and funds up year-on-year by 7% and 24% respectively) and improved operational efficiency drove growth in income well above competitor average. Santander Brazil made significant progress in its commercial transformation, with loyal customers increasing from 3.7 million to 4.2 million in the year and digital customers growing by over 34% to 8.6 million. As a result, underlying RoTE increased during the year from 13.8% to 16.9%. Credit quality also improved with the NPL ratio reducing by 61 basis points to 5.29% during the year.

In the UK attributable profit fell by 9% to €1,498 million (-3% in constant euros) in part due to extraordinary gains made in 2016 from the disposal of the stake in Visa Europe. The underlying business performance remained robust, with revenues increasing year-on-year by 5% in constant euros to €5,716 million driven by good growth in retail current account balances, mortgages, and loans and deposits to UK companies. Loan loss provisions normalised during the year, however, overall credit quality remains solid. Underlying RoTE remained ahead of peer average at 10.3%.

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In Spain (excluding Popular) attributable profit increased by 46% to €1,180 million as the 1|2|3 strategy helped increase the number of loyal customer by 600,000 to 1.9 million. The Bank's digital transformation helped increase the number of digital customers by 15% with Santander now the leading player in mobile payments in Spain. Excluding the impact of non-recurring charges incurred in 2016, underlying profit increased by 15%. Higher fee income, combined with good cost control and lower loan loss provisions helped increase underlying RoTE to 10%, up 122 basis points.

Banco Popular generated an attributable loss of €37 million, in part due to a charge of €300 million taken in the third quarter for planned integration costs. Since the acquisition, the Group has actively managed execution risks, while preserving Popular's customer base and market share in Spain. Santander has achieved a number of important milestones related to the acquisition: completing a €7,072 million rights issues - subscribed by investors eight times over; agreeing to sell 51% of a real estate loan portfolio with an aggregate gross book value of approximately €30 billion to Blackstone – the largest ever real estate transaction in Spain; confirming a 78% take up in the Banco Popular loyalty bond; completing the sale of Popular's US franchise, TotalBank; and reaching agreement with unions for the integration of headquarters in Spain. Santander continues to expect the acquisition to generate a Return on Investment (RoI) of 13%-14% in 2020.

Santander Consumer Finance increased attributable profit by 4% during the period to €1,168 million, after €85 million of restructuring costs incurred in the third quarter. Excluding this item profit increased by 15%. This was driven by an increase in new lending across all main countries and historically low NPLs and cost of credit. As a result the business maintained a best-in-class underlying RoTE of 16.4%.

In Mexico attributable profit increased by 13% to €710 million (+16% in constant euros) as higher interest rates, combined with an increase in commercial activity stimulated strong growth in revenues. A focus on multichannel innovation, digital, and new commercial initiatives, including Santander Plus, helped the Bank earn the loyalty of almost 400,000 customers. This helped increase underlying RoTE by 405 basis points to 19.5%.

In Chile attributable profit increased by 14% to €586 million (+12% in constant euros) as revenues increased due to improving customer satisfaction and loyalty, and loan loss provisions fell. During the year the business launched the first 100% digital on-boarding system in Chile.

In Portugal (excluding Popular), Santander Totta achieved an increase in attributable profit of 10% to €440 million as lending and deposit volumes increased while costs and loan loss provisions reduced. The ongoing digital transformation enabled an increase in sales through digital channels, as well as helping drive an increase in customer loyalty. Following the acquisition of Popular, Santander Totta becomes the leading private sector bank in the country by both assets and loans.

In Argentina attributable profit remained stable at €359 million (+14% in constant euros) as market share gains in consumer loans and mortgages, combined with strong growth in customer deposits, fuelled strong growth in recurrent revenues. Underlying Return on Tangible Equity remained high at 32%.

In the US (excluding Popular), attributable profit fell by 8% to €332 million (-7% in constant euros) due, in part, to the impact of the hurricanes in Dallas, Florida and Puerto Rico. Santander Bank continued to deliver improved profitability, increasing its net interest margin and achieving better efficiency. During

the year the business reached a number of important milestones, including passing the Federal Reserve CCAR assessment and paying a dividend to Group for the first time in 6 years.

In Poland attributable profit remained in line with the previous year at €300 million (-3% in constant euros) after the business benefited in 2016 from a gain relating to the sale of the stake in Visa Europe. Underlying profit increased by 10% (+8% in constant euros) fuelled by good loan growth, strong cost control and lower provisions. The acquisition of Deutsche Bank Polska's retail and private banking business, announced in December 2017, will further strengthen the Group's franchise in key customer segments.

### About Banco Santander

Banco Santander is the largest bank in the Eurozone with a market capitalisation of €88,410 million at 31 December 2017. It has a strong and focused presence in 10 core markets across Europe and the Americas with more than 4 million shareholders and 200,000 employees serving 133 million customers.

## KEY CONSOLIDATED DATA (Including Banco Popular)

■ Balance sheet (€ million)	Dec'17	Dec'16	%	Dec'15
Total assets	1,444,305	1,339,125	7.9	1,340,260
Net customer loans	848,914	790,470	7.4	790,848
Customer deposits	777,730	691,111	12.5	683,142
Total customer funds	985,703	873,618	12.8	849,403
Total equity	106,832	102,699	4.0	98,753

Note: Total customer funds included customer deposits, mutual funds, pension funds, managed portfolios and insurance premiums

■ Income statement (€ million)	2017	2016	%	2015
Net interest income	34,296	31,089	10.3	32,189
Gross income	48,392	43,853	10.3	45,272
Net operating income	25,473	22,766	11.9	23,702
Underlying profit before taxes*	13,550	11,288	20.0	10,939
Underlying attributable profit to the Group*	7,516	6,621	13.5	6,566
Attributable profit to the Group	6,619	6,204	6.7	5,966

Variations w/o exchange rate: Nil: +10.2%; Gross income: +10.2%; Net operating income: +11.4%; Underlying attributable profit: +14.3%; Attributable profit: +7.4%

■ EPS, profitability and efficiency (%)	2017	2016	%	2015
Underlying EPS (euros) *	0.463	0.429	7.8	0.438
EPS (euros)	0.404	0.401	0.9	0.397
RoE	7.14	6.99		6.57
Underlying RoTE*	11.82	11.08		10.99
RoTE	10.41	10.38		9.99
RoA	0.58	0.56		0.54
Underlying RoRWA*	1.48	1.36		1.30
RoRWA	1.35	1.29		1.20
Efficiency ratio (with amortisations)	47.4	48.1		47.6

■ Solvency and NPL ratio (%)	Dec'17	Dec'16	Dec'15
CET1 fully-loaded	10.84	10.55	10.05
CET1 phased-in	12.26	12.53	12.55
NPL ratio	4.08	3.93	4.36
Coverage ratio	65.2	73.8	73.1

■ Market capitalisation and shares	Dec'17	Dec'16	%	Dec'15
Shares (millions)	16,136	14,582	10.7	14,434
Share price (euros) **	5.479	4.877	12.3	4.483
Market capitalisation (€ million)	88,410	72,314	22.3	65,792
Tangible book value per share (euros) **	4.15	4.15		4.00
Price / Tangible book value per share (X) **	1.32	1.17		1.12
P/E ratio (X) **	13.56	12.18		11.30

■ Other data	Dec'17	Dec'16	%	Dec'15
Number of shareholders	4,029,630	3,928,950	2.6	3,573,277
Number of employees	202,251	188,492	7.3	193,863
Number of branches	13,697	12,235	11.9	13,030

(\*) Excluding net capital gains and provisions

(\*\*) Data including the capital increase in July 2017

Note: The financial information in this report has been approved by the Bank's Board of Directors following a favourable report from the Audit Committee. In addition to the financial information prepared under International Reporting Standards, this press release includes certain Alternative Performance Measures as defined in the Guidance on Alternative Performance Measures issued by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es). For further details please see "Important information" section of this report, and 2017 4Q Financial Report, published as Relevant Fact on January 31 2018 and available on web page of Banco Santander, S.A. ([www.santander.com](http://www.santander.com))

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## Important Information:

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The businesses included in each of our geographic segments and the accounting principles under which their results are presented here may differ from the included businesses and local applicable accounting principles of our public subsidiaries in such geographies. Accordingly, the results of operations and trends shown for our geographic segments may differ materially from those of such subsidiaries.

Banco Santander, S.A. ("Santander") cautions that this press release contains statements that constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as "expect", "project", "anticipate", "should", "intend", "probability", "risk", "VaR", "RORAC", "RoRWA", "TNAV", "target", "goal", "objective", "estimate", "future" and similar expressions. These forward-looking statements are found in various places throughout this press release and include, without limitation, statements concerning our future business development and economic performance and our shareholder remuneration policy. While these forward-looking statements represent our judgment and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to: (1) general market, macro-economic, industry, governmental and regulatory trends; (2) movements in local and international securities markets, currency exchange rates and interest rates; (3) competitive pressures; (4) technological developments; and (5) changes in the financial position or credit worthiness of our customers, obligors and counterparties. Numerous factors, including those reflected in the Annual Report on Form 20-F filed with the Securities and Exchange Commission of the United States of America (the "Form 20-F" and the "SEC", respectively) on March 31, 2017 and the Periodic Report on Form 6-K for the six months ended June 30, 2017 filed with the SEC on October 5, 2017 (the "Form 6-K") –under "Key Information-Risk Factors"- and in the Documento de Registro de Acciones filed with the Spanish Securities Market Commission (the "CNMV") –under "Factores de Riesgo"- could affect the future results of Santander and could result in other results deviating materially from those anticipated in the forward-looking statements. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

Forward-looking statements speak only as of the date of this press release and are based on the knowledge, information available and views taken on such date; such knowledge, information and views may change at any time. Santander does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise

The information contained in this press release is subject to, and must be read in conjunction with, all other publicly available information, including, where relevant any fuller disclosure document published by Santander. Any person at any time acquiring securities must do so only on the basis of such person's own judgment as to the merits or the suitability of the securities for its purpose and only on such information as is contained in such public information having taken all such professional or other advice as it considers necessary or appropriate in the circumstances and not in reliance on the information contained in the press release. No investment activity should be undertaken only on the basis of the information contained in this press release. In making this press release available, Santander gives no advice and makes no recommendation to buy, sell or otherwise deal in shares in Santander or in any other securities or investments whatsoever.

Neither this press release nor any of the information contained therein constitutes an offer to sell or the solicitation of an offer to buy any securities. No offering of securities shall be made in the United States except pursuant to registration under the U.S. Securities Act of 1933, as amended, or an exemption therefrom. Nothing contained in this press release is intended to constitute an invitation or inducement to engage in investment activity for the purposes of the prohibition on financial promotion in the U.K. Financial Services and Markets Act 2000.

Statements as to historical performance or financial accretion are not intended to mean that future performance, share price or future earnings (including earnings per share) for any period will necessarily match or exceed those of any prior year. Nothing in this press release should be construed as a profit forecast.

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