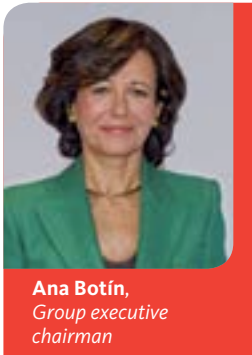


# Santander in 2016: We progressed in becoming the best retail



Ana Botín,  
Group executive  
chairman

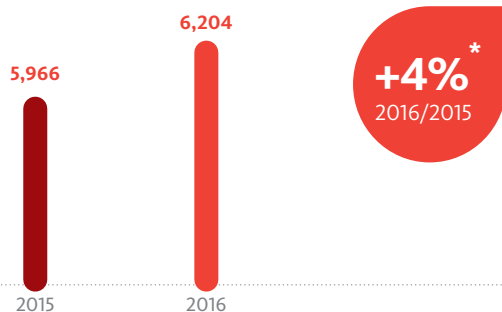


In 2016 Santander has achieved strong results, meeting all our business objectives: we increased loyal customers, grew lending and served 125 million people and businesses.



Santander is one of the most efficient and profitable banks in the world, thanks to the talent and hard work of our teams. We have achieved excellent results by doing things in a simple, personal and fair way.

## Attributable profit Million euros

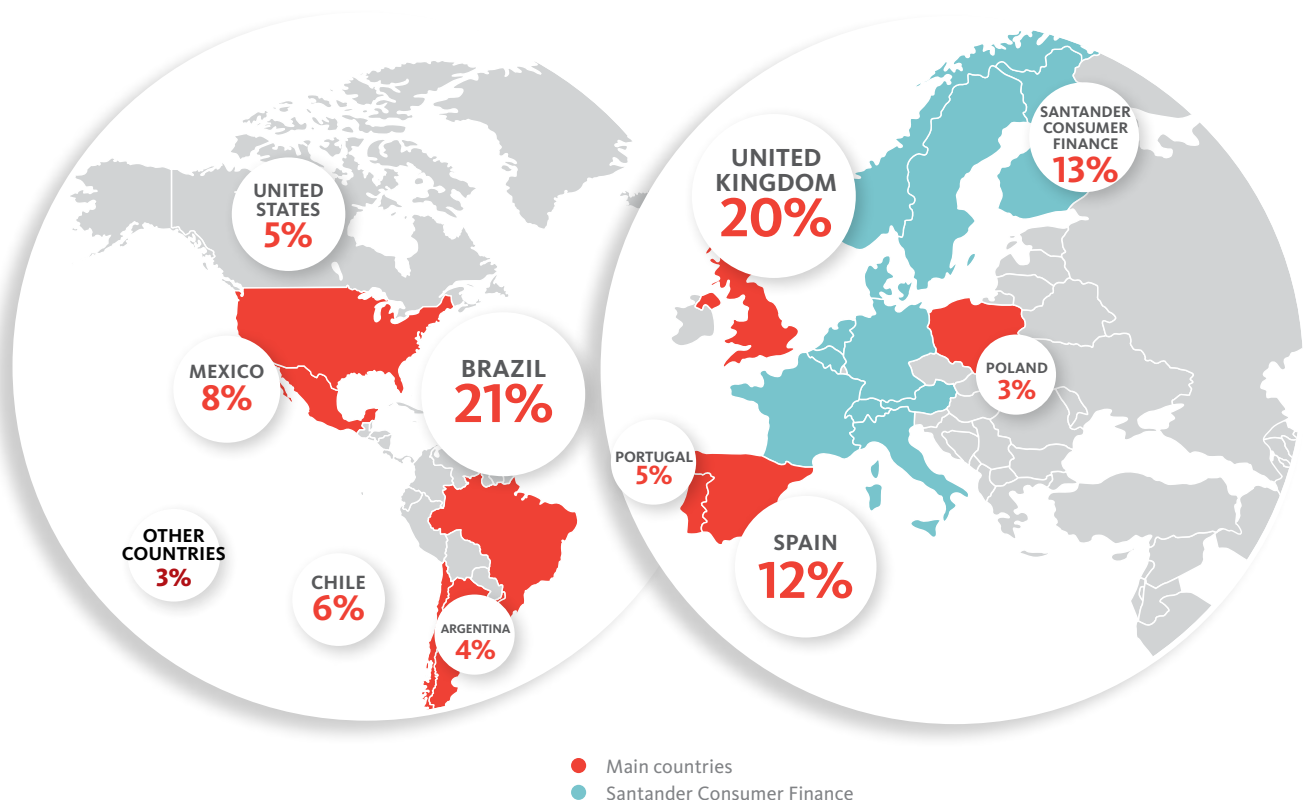


\* +15% at constant exchange rates.

Return on Tangible Equity (underlying) **11.1%**

Core Equity Tier1 Capital Ratio fully loaded **10.55%**  
(+50bp 2016/2015)

## Geographic diversification (contribution to underlying Group profit, %)





# and commercial bank by helping people and businesses prosper

“

Our investment in technology, together with the advantages of working as a Group, make Santander one of the most efficient banks in the world, while also improving the customer experience. Santander now ranks among the top three banks for customer satisfaction in eight of our nine main countries.

“

Our balance sheet strength enables us to finance our growth, while increasing the cash dividend and accumulating more capital.



**79%**

of employees perceive Banco Santander as Simple, Personal and Fair



**78%**

employee engagement rate



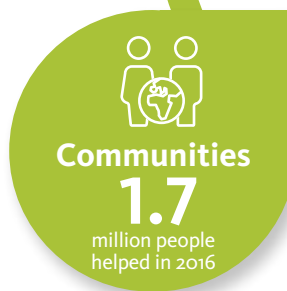
**15.2 (+10%)**

million loyal customers



**20.9 (+26%)**

million digital customers



Our aim is to be the **best retail and commercial bank**, earning the lasting loyalty of our people, customers, shareholders and communities.



**36,684**

scholarships granted in 2016



**1,183**

agreements with universities and academic institutions in 21 countries



**3,363**

million euros of CET1 capital generated



**+8%**

cash dividend per share

**Simple | Personal | Fair**

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# 2016 ANNUAL REVIEW



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Banco Santander's **2016 annual report** is available online. You can go straight to it on a smartphone or tablet by scanning the QR code.  
<http://www.santanderannualreport.com/2016/en.html>

Browse the document by clicking directly on the sections in the table of contents. To return to the contents page, press home from any page.





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# Message from Ana Botín

Our purpose is to help people and businesses prosper.

Once again, we delivered on all our promises and did so in the right way.

We made excellent progress against our long-term strategic goals.

In 2016, we lent more and improved service to our customers, earned more for our shareholders and supported our employees and communities in a sustainable, inclusive way.





Our achievements in 2016 reflect the strength and resilience of the Santander model and the efforts of all 190,000 of our colleagues:

- We increased lending to our customers by €16 billion.
- We continued to invest in technology, maintaining our 'best in class' efficiency while also improving customer service.
- We further strengthened our corporate governance and risk model and increased our Common Equity Tier 1 (CET1 Fully Loaded) capital by 3 billion euros, reaching a ratio of 10.55%, exceeding our target.
- We maintained our position as one of the most profitable banks in the world, with an underlying return on tangible equity of 11.1%, higher earnings per share of €0.41 (up 1%) and a cash dividend per share rising to €0.17 (up 8%). Our total net asset value per share also grew in 2016 by 15c to €4.22.

The market is recognizing our progress, as shown by the total shareholder return of +14% for our shares in 2016.

We also worked hard to improve how we work: Our success at this time of exponential change will depend on an ever stronger culture where customers come first, uniting our banks in Europe and the Americas.

By making better use of technology and collaborating more effectively across the Santander Group, we are making it easier than ever for our clients to travel, to trade and to fulfill their financial needs.

Greater collaboration among countries and people is critically important to increasing prosperity for all.

We made further progress in ensuring that everything we do is more simple, personal and fair.

We are strengthening the links between our core markets and producing tangible benefits

of working across the group, both for our customers and for our shareholders.

## Our strategic progress in 2016

Our aim is to become the best retail and commercial bank, earning the lasting loyalty of our people, customers, shareholders and communities.

### Customers

This year, we earned the trust of 4 million new customers, raising our total number of customers to 125 million. We did this by improving the service and products we offer in every one of our ten core markets.

Our 1l2l3 strategy is based on creating customer value, which leads to attractive financial returns as these customers do more business with us.

It is not a product strategy or market share driven. And it is a profound change from the strategy Santander pursued in the past in Spain. It drives stable long terms relationships, as 1l2l3 customers consider Santander their primary bank. It hence drives stable, current account balance growth.

In the UK the 1l2l3 strategy has fundamentally changed our bank, from relying on volatile and expensive savings customers, to real banking customers, in just 5 years.

As the English say, "the proof is in the pudding". Santander UK current account balances grew from £12 billion to £65 billion, after being stuck at £12 billion for many years, and we have gained an average of 420,000 loyal customers per year during that period.

Within this customer group, among other financial benefits, our cost of credit is a quarter of what it was in 2011. We have also improved savings margins as these customers did more of their business with us at lower cost.

**In 2016 we have achieved all our goals**

Lending to customers

**+ € 16 billion** ✓

Best in class efficiency

**48%**  
cost to income ratio ✓

FL CET1

**10.55%**  
(+50bps) ✓

Underlying RoTE

**11.1%** ✓

Cash dividend per share

**€ 0.17**  
(+8%) ✓



**Santander now ranks among the top 3 banks for customer service in all but one of our 9 core countries. This was one of our key strategic goals for 2018. We achieved it in 2016.**



## A circle



In Spain the strategy is similar but not identical, as our teams and services are able to develop relationships faster and therefore are already growing fees, in a declining market - not by raising fees but by growing the number of customers that bank with us.

In 2016, our 32% loyal customers growth drove a 6% growth in fees, with 50% of the commercial activity concentrated in 112/3 customers, who buy 1.7 times more products and services than the rest.

Similar strategies adapted to local conditions have been launched in Mexico, Brazil, Portugal and other markets, based on the same principles of adding value to our customers, transparency and excellence in service, as the way to achieve profitable growth. These principles are the core of our loyal and digital customer strategy.

Thanks to the Group's investment in technology, the number of customers using our digital banking services rose by more than 25% in 2016 to just under 21 million.

Santander now ranks among the top 3 banks for customer service in all but one of our 9 core countries. This was one of our key strategic goals for 2018. We achieved it in 2016.

Our technology is allowing us to improve customer service while ensuring our cost to income ratio, a measure of efficiency, remains among the best in our industry.

Great products, great service and great value lead to loyal customers. In 2016 the number of people who consider Santander their primary bank rose by 1.4 million to 15.2 million. Loyal customers do more business with us, which means our fee income from value-adding services rose by 8.1%.

We also agreed or completed three transactions which will allow us to serve more customers and continue to deliver profitable growth in the medium term in our core markets:

- We integrated Banif in Portugal – a deal that has helped us increase the return on tangible

equity in our Portuguese franchise to a best-in-class 13%.

- We reached an agreement to acquire Citigroup's retail assets in Argentina – enabling us to increase our market share and strengthen our franchise in a significant growth market.
- And most recently, we agreed to purchase the outstanding 50% stake in Santander Asset Management. This will allow us to expand our asset management business and the range of our offerings to customers.

These transactions align well with our strategy and allow us to offer better service to customers and strengthen our competitive advantage.

## People

The talent and motivation of our 190,000 employees are the foundations for our success. Implementing a strong, common culture and purpose across the Group remains the main priority of the new management team.

We aim to be one of the top 3 banks to work for in the majority of our geographies. We have now achieved that goal in four of our ten core markets.

Our annual employee engagement survey is a valuable tool in listening to the views of our people and ensuring we take action to improve. The results this year show we are on the right path, as more than three quarters of our teams support our Simple|Personal|Fair culture.

We have a clear plan for continuous improvement in corporate behaviors and our remuneration will be significantly determined by our progress.

During 2016 we completed a significant restructuring process in a number of business areas to further improve our efficiency and operational excellence. While these processes are never easy, we have done our best to manage the exits of some of our people in a way that is fair to all, investing for the future.



**Our critical mass and retail-commercial model, focused in 10 markets in Europe and the Americas, has allowed us to deliver more predictable earnings than our peers across the cycle, even in adverse macro-economic conditions.**



### Communities

While delivering for our teams and on our financial and commercial targets is essential, making sure that we achieve our goals in the right way is even more important, as it ensures sustainability and continuous customer value creation.

This means supporting a culture that rewards the behaviors we believe to be right, encouraging colleagues to speak up, actively collaborate and embrace change.

It means building a business that aims high, that our customers, people and shareholders can rely on in the long term. And it means taking our responsibilities to the communities we serve seriously.

This year Santander was recognized by the Dow Jones Sustainability Index as the best bank in Europe for our commitment to sustainability, contribution to social progress and for our protection of the environment.

I am extremely proud of the work we have done in 2016 to support our communities and there are a number of initiatives I would like to highlight:

- In 2016 we further increased our support for universities across all the markets in which we operate. We are now in partnership with 1,200 universities, providing more than 35,000 scholarships and grants.
- Across Latin America we have supported 250,000 micro finance projects.
- More than 60,000 employees took part in volunteering programmes during the year. These ranged from financial education for students, the elderly and people on low incomes in Europe to support for childhood education in Brazil, where 4,000 employees worked to improve learning in 214 schools.
- In Spain, our coaching and mentoring programmes helped the disadvantaged, the socially excluded, and victims of gender violence to improve their skills and find jobs.

### Shareholders

Our critical mass and retail-commercial model, focused in 10 markets in Europe and the Americas, have allowed us to deliver more predictable earnings than our peers across the cycle, even in adverse macro-economic conditions.

We proved this yet again in 2016 as we increased our revenues with strong growth in fee income and improvements in credit quality. Together with our focus on costs, this delivered an increase in our attributable net profit of 4%, to €6,204 million.

Our local operating performance was even better, as excluding one-off items and currency movements, our underlying profit before tax in constant euros rose by 12%.

The strength of our business model and our ability to generate profits year after year are starting to be recognized by the European Central Bank. In December, following its Supervisory Review and Evaluation Process (SREP), it decided to reduce the amount of capital we are required to hold as a proportion of our assets.

Strong corporate governance is at the core of prudent risk management. It is critically important to ensuring the sustainability of any business.

In April the Group held the first meeting of its International Advisory Board (IAB), a group of CEO's and leaders with expertise in strategy, technology and innovation. The IAB's focus is on digital transformation, cyber security and how to apply new technologies to improve service and do so efficiently.

And in September we were delighted to announce the appointment of Homaira Akbari as a new independent member of our Board of Directors. Homaira is a distinguished scientist, technologist and business leader. She has deep experience in developing and implementing the most advanced technology at scale and will help us further advance our digital transformation.

### Banco Santander's International Advisory Board

#### Chairman

Mr Larry Summers

*Former US Treasury Secretary and President Emeritus of Harvard University*

#### Members

Ms Sheila Bair <i>Former Chair of the Federal Deposit Insurance Corporation and President of Washington College</i>	Mr Francisco D'Souza, <i>CEO of Cognizant and director of General Electric</i>
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Mr George Kurtz <i>CEO and co-founder of CrowdStrike</i>	Ms Blythe Masters <i>CEO of Digital Asset Holdings</i>
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Mr Charles Phillips <i>CEO of Infor and former President of Oracle</i>	Mr Mike Rhodin <i>Senior Vice President of IBM Watson</i>
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Ms Marjorie Scardino <i>Former CEO of Pearson and member of the Board of Directors of Twitter</i>	Mr James Whitehurst <i>CEO of Red Hat</i>
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#### Secretary

Mr Jaime Pérez Renovales

## “ The Santander business model is built upon strong foundations ”

**1**   
Serving 125 MM  
customers' financial needs,  
with critical mass in 10  
markets with c.1 Bn people  
drives profitable growth

**2**   
Geographic diversification  
drives predictability of  
earnings=less capital

**3**   
Subsidiary model with  
strong culture of working  
together drives efficiency  
and service excellence

Her appointment strengthens the Board's international and technology expertise and brings the proportion of women on the Board to 40% - one of the highest in international banking.

I would like to take the opportunity to thank Angel Jado for his dedication and outstanding contribution to our Board for many years, and wish him every success for the future.

And I would like to recognize the hard work and commitment of all our Group and Subsidiary banks Board members, and thank them for their continued support throughout the past year.

### Our unique opportunities for growth

I am proud of our team's progress this past year. In 2016, we delivered strong operational performance in all our businesses and at Group level, as well as reaching or exceeding our cost of equity in 95% of the group's investments. But we can do much more and much better.

The Santander business model is built upon strong foundations, well suited for the world ahead of us:

- We serve the financial needs of 125 million customers. We have critical mass in 10 markets with one billion people, which drives profitable growth.
- Geographic diversification leads to more predictable earnings and means we require a less capital intensive model than our global peers.
- Our subsidiary model allows us to be close to our customers and our strong culture of working together drives efficiency and service excellence.

The proof is our predictability.

We are one of only three major international banks to remain profitable throughout the crisis.

The European Banking Authority's stress tests this year show Santander to be the most resilient bank among our peers.

We have increased our core capital by €17 billion and have grown our profits by 40% over the past three years.

We have paid dividends consistently for more than 50 years.

And we generate some of the most stable and growing earnings per share among our peers.

But what matters looking forward is our great potential for organic growth. This is why I am confident Santander will be one of the winning companies over the next decade.

### Looking forward...

The UK's vote to leave the EU and Donald Trump's victory in the US presidential elections confounded most expert predictions in 2016. And we have considered these and other potential unexpected international outcomes as we develop our plans.

For the next few years the effect of Brexit on our UK business will be as a consequence of anticipated slower growth in the economy as well as the weaker sterling effect on translation of our earnings.

However our strong balance sheet of prime mortgages and primary banking relationships allows us to be confident we will continue to deliver around or above our cost of capital.

Brazil should return to positive growth, after two years of recession, thanks to a sound set of economic reforms. It is a country with 220 million people and a large and growing middle class. Spain is expected to remain at the forefront of Europe's recovery. The UK will continue to play a key role in the global economy. And Mexico's government has shown it can manage through challenging times.



## OUR EIGHT CORPORATE BEHAVIORS



Our performance the past year, for example, in Portugal (€399 million profit, +33%) or Argentina (€359 million profit, +52%) shows that we can do very well for our customers and shareholders even when the macro conditions are not ideal. But we would always rather have the macroeconomic winds behind us.

Santander Brazil earned €1.79 billion in profits and is the single largest earnings contributor to Group. For the last two years, we delivered a return on tangible equity of 14%, despite an adverse economic environment: net profit to the Group grew by 15% in 2016 and did so in a sustainable way, adding 500,000 loyal customers and 2 million digital customers.

In the USA we have made regulatory progress, as we committed, we have improved how we manage the business and reduced risk.

At SBNA, we have lowered the cost of deposits, improved service and efficiency.

Our retail and commercial Bank in the USA- which represents 5% of our Group capital invested - will deliver significant growth over the next few years and I remain confident it will deliver considerable value to shareholders.

### ...through active collaboration

Our model of local subsidiary banks and teams, together with our ability to collaborate across countries gives us our “unfair advantage”. In a world which we anticipate being increasingly insular, this is a winning combination.

It leads to better outcomes for customers and value creation for shareholders.

We already do this better than most, as our best-in-class cost-to-income ratio demonstrates. But we can do more.

Allow me to share some examples: our new CRM (Customer Relationship Management)

tool in Poland was first developed in Chile and then taken and improved by the UK. It has been deployed through our internal “open services” model and is now being implemented in Mexico.

Santander Wallet is a single global solution for around 400,000 of our commercial clients. It allows them to use a single wallet for all payments and channels, and offers additional, real-time, value added services to help our customers build their business. It has been launched in Brazil and Spain and will soon be available in Mexico and Chile.

Our microcredits programme in Brazil, supported by an equally strong programme of financial education, has helped 129,000 entrepreneurs to start and grow their businesses.

We are now expanding microcredits to Mexico to bring many more people into the financial system and pursue our goal of sustainable, inclusive growth.

As a management team, we are totally committed to embedding our behaviors and leading by example.

Commercial and financial performance is a given.

But what will make us a winner is a culture that allows people to speak up, to embrace change, to accept diversity of all types, so that we can fully realize the potential in our teams and in our markets.



**As a management team, we are totally committed to embedding our behaviors and leading by example. Commercial and financial performance is a given. But what will make us a winner is our culture.**





#### PRIORITIES FOR 2017

- Increase the number of loyal customers by a further 1.8 million to 17 million
- Raise the number of digital customers to 25 million
- Broadly stable cost to income ratio
- Continue to strengthen our capital
- Increase value for our shareholders

#### ...and the trust of 125 million customers, in both developed and developing markets.

As I mentioned, we serve 125 million customers in ten core markets in Europe and the Americas that are home to more than 1 billion people. We have critical mass in all our markets. We have scale and we are in the right places. This represents a huge potential for value creation.

Our biometric technology, a joint project between Mexico and Brazil has made banking easier and more secure for 6 million customers in the past year. In the UK we have reduced the time it takes our customers to complete a mortgage application from up to 3 hours to less than 40 minutes, in a heavily regulated process.

We are collaborating with some of the most innovative FinTech startups through Santander Innoventures. And in H1 we will launch a new platform for Openbank, a digital bank in Spain which serves more than a million customers, with just 100 people and is already profitable.

Looking forward, through active collaboration, we have a unique opportunity for growth. To deliver on this opportunity we will invest in our people and in better use of technology, and we will work across the group to improve the customer experience and our efficiency.

#### Our strategic priorities and goals for 2017

We have clear goals for 2017: to increase our number of loyal customers by a further 1.8 million to 17 million, and keep developing our value-adding services.

We will continue to invest in technology to raise the number of digital customers to 25 million, while improving service and efficiency, aiming for a broadly stable cost to income ratio. And we will increasingly do it working across geographical boundaries.

Our aim is to continue to grow our capital by another 40bp whilst increasing our earnings and dividend per share and continuing to grow the value of our company, as measured by tangible net asset value per share. The delivery of our 2017 and 2018 goals will keep adding tangible net asset value to our shares.

#### Conclusion

2016 has not been an easy year, but we have delivered on our promises, and done so in the right way. Once again, we lent more, we earned more, and we became a better bank on every significant measure.

In a changing and complex environment, for the first time in years, we expect positive GDP growth in all of our markets in 2017.

The financial system plays an important role in supporting economic growth. And the Santander model is based on supporting this growth by maintaining appropriate capital levels, strong corporate governance and prudent risk management.

These are uncertain times. Volatility is growing and growth, overall, might slow. Technology is creating disruption. Automation is threatening jobs. In the short term, we need to retrain people, to encourage lifelong education so we



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**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**

”

can bring everyone with us in this new wave of growth, and ensure it is sustainable.

We have reflected on these trends, what they mean for us, and how to build a business that delivers in a sustainable way, with great performance for shareholders but that also cares about making a difference.

At Santander we are in an extraordinary position to help. Let's start with our 125 million customers. Add in their family members. Then all the businesses we serve, with employees ranging from a few to tens, even hundreds of thousands.

Every action we take to enable inclusive, sustainable growth has a powerful multiplier effect which will help the lives of millions of people. That is the power of our model.

In my first letter to you, only 2 years ago, I set out our strategy. Maintaining our traditional strengths, and foundations, we embarked on a profound process of change.

It is the sort of change that is not fully reflected in the news that generates media headlines. It is not just about acquisitions or appearing at the top of the rankings.

Our transformation is global and goes beyond these metrics. It is mostly about how we organize ourselves, how we behave, to succeed in a world changing at exponential speed all around us.

A more diverse, multicentric world, where being local is a must.

And at the base of our transformation is a culture of being local in each one of our markets while also encouraging a shared way of doing things that is Simple and Personal and Fair; this

culture binds us together across our 10 markets, fosters innovation and attracts the best talent.

At our Investor Day in London in September 2016 we set out our 2025 vision: to be an open platform for financial services. Importantly, as we transform the Group to succeed in the medium term, we are delivering today.

As I said when we announced our earnings for 2016, 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.

I am confident Santander will continue to deliver because of the 190,000 people who work hard and work together every day, and to whom I would like to say thank you.

And to all of you, to our customers, to our shareholders, our communities, thank you for your trust.

With your continued support, the best is yet to come.

**Ana Botín**  
Group Executive Chairman

“

**I am confident Santander will continue to deliver because of the 190,000 people who work hard and work together every day, and to whom I would like to say thank you**

”

# Message from José Antonio Álvarez

Our results, for yet another year, underscore the soundness of Grupo Santander and its capacity to provide sustained, quality growth. They are the consequence of positive performance of the main income statement components: revenues, costs and provisions.





Grupo Santander carried out its activity in 2016 in a challenging environment. Global economic growth slowed down slightly, as markets were hit by volatility stemming from concerns about growth in China and the uncertain international political panorama.

However, there are some positive aspects that invite optimism about the near future:

- Financial markets are increasingly resilient, quickly recovering from bouts of volatility.
- Developing economies in general grew at a faster pace, and the worst performers, such as Brazil and Argentina, adopted economic policies that should enable them to emerge from recession in the coming quarters.
- Lastly, mature economies began to recover in the second half of the year. The UK's referendum, in particular, had a limited impact on growth, and the Spanish economy again grew by more than 3%.

Another factor in this environment are the pressures on banks since the onset of the financial crisis, mainly because of new regulatory requirements and low interest rates in mature economies, limiting a more intense recovery in profitability.

I will now set out the Group's performance during 2016, the priorities and main steps taken in each of our markets, and the financial objectives for 2017.

## The Group's performance in 2016

We posted an **attributable profit** of €6,204 million, 4% more than in 2015 and 15% higher in constant euros (the exchange rate effect was again negative).

This figure includes some positive and negative **one-off** results which had a net negative effect of €417 million (€600 million negative in 2015).

Profit before extraordinary items, taxes and excluding the exchange rate effect, which is a more appropriate way of assessing our management, **rose 12% to €11,288 million.**

These results, for yet another year, underscore the soundness of Santander Group, its capacity to provide sustained quality growth. They are the consequence of the positive performance of the main P&L lines: revenues, costs and provisions.

The first thing to emphasise in **revenues** is their considerable recurrence in an environment of high volatility. This was made possible by the high relative share (94%) of commercial revenues:

- In an environment of very low interest rates in mature markets, **net interest income** increased 2% in constant euros thanks to management of spreads and our significant exposure to developing countries and to consumer credit business.
- **Fee income** increased 8%, double that in 2015, reflecting the greater loyalty and satisfaction of our customers.

### Attributable Profit

**€6,204**  
million  
**+4%**

### Underlying Profit before taxes

**€11,288**  
million  
**+12%\***

\* Excluding exchange rate.



Commercial Revenues Increase:

- Net interest income +2%
- Fee Income +8%



Operating expenses 2% lower in real terms and on a like-for-like basis



Cost of credit improves and loan-loss provisions 2% down

## Spain

Profit  
**€1,022**  
million  
**+5%**

## United Kingdom

Profit  
**€1,681**  
million  
**-4%\***

\*Before taxes and excluding exchanges rates +8%

**Costs were 2% lower in real terms and on a like-for-like basis.** Seven of our core units registered a rise in costs that was below the inflation rate.

This good performance was the result of efficiency plans and the active management of our business, differentiated in each market, where we adapted the cost base to the business reality. The measures taken to streamline and simplify structures, both in the corporate centre as well as in some units, are enabling us **to continue investing in our commercial transformation while remaining one of the international financial system's most efficient banks.**

More revenues and control of costs were accompanied by a **2% fall in loan-loss provisions** in constant euros. As a result, the **cost of credit dropped** from 1.25% in 2015 to 1.18% in 2016. The improvement in credit quality is closely related to the strengthening of the risk culture across the Group through several initiatives.

Turning to the **balance sheet**, there are two noteworthy aspects:

- We delivered balanced growth in both **lending and funds** (+2% and +5% respectively) and our **liquidity** ratios were well above the minimum required levels.
- The Group continued to generate **capital** quarter after quarter. In fully loaded terms, we attained a capital ratio of 10.55% (+50 basis points), putting us in line with our target of 11% in 2018, while comfortably meeting all regulatory requirements.

Consequently, we combined a sustained generation of capital, which underscored the Group's capital adequacy, with a high level of profitability compared to the sector's average: a **RoTE** (Return on Tangible equity) of around 11% and a **RoRWA** (Return on Risk Weighted Assets) that increased to 1.36%.

## Priorities and performance of the business areas in 2016

### The units' strategy in mature markets

focused on boosting the number of loyal customers, gaining market share, controlling costs and improving the credit quality.

### Spain

Santander Spain is building deeper and long-lasting relationship with its customers, underpinned by the 1|2|3 strategy. The number of loyal individual customers rose 27% and companies 48%. Santander remained among the Top 3 in customer satisfaction surveys and increased business activity.

In a sector in which activity is slowing down, the higher profit was supported by an improved risk profile, lower provisions, the efficiency plan and higher fee income.

### United Kingdom

Profit was impacted by the new tax on banks. Pre-tax profit, which better reflects the business performance, increased 8% thanks to higher volumes, good management of spreads and control of costs. In addition, lower provisions due to the excellent improvement in the quality of credit risk.

In a demanding environment characterised by greater uncertainty in the second half of the year the solid evolution of our business is worth noting. The number of 1|2|3 customers increased to 5.1 million while lending to companies also saw further growth. We continued to focus on operational excellence: the sustained improvement in our mobile and online channels produced a 25% rise in the number of our digital customers.



**We combined a sustained generation of capital, which underscored the Group's solvency, with high profitability compared to the sector's average**



### Santander Consumer Finance

SCF remains the consumer finance leader in Europe. In 2016 it continued to gain market share and the agreement with Banque PSA Finance (BPF) was completed successfully, expanding activity to 11 countries, strengthening our diversification.

Profit rose for the seventh straight year, demonstrating the robustness of our business model throughout the cycle.

### United States

We completed building the holding company, thereby consolidating the management of all operations in the country, and we made progress in meeting regulatory requirements. We continued working on the transformation programme to improve risk management and our technological and operational capacities.

Santander Bank is focusing on driving commercial activity and Santander Consumer USA changed the composition of its portfolio toward a lower risk profile.

All these changes and measures are aimed at building a more profitable business in the medium term. Meanwhile they are temporarily impacting results and are the main reason behind the lower profit.

### Portugal

We own the country's strongest bank. Our strategy is centered, on the one hand, on improving the bank's profitability and, on the other, on the technological and operational integration of Banif's business acquired at the end of 2015. We are well positioned in the country, with market shares of around 14% both in loans and deposits.

**Developing markets** are in a different stage due to structural reasons. They register stronger growth than that of mature economies in volumes, higher interest rates, a substantial potential for banking penetration and RoTEs between 15% and 20%. Santander has local critical mass, a strong business model and an effective risk management of the credit cycle, which produced very good results in all the units of the Group's developing countries.

### Brazil

Santander generated excellent results in an environment of recession, thanks to the improvements achieved in the last few years in the franchise, the good commercial dynamics and progress in the digital strategy, which enabled the number of digital customers to surpass six million (+45%).

In 2016, for the first time, Santander became one of the best companies to work for and launched several commercial offers, such as *Olé Consignado*, in payrolls business. We also announced a commercial agreement with American Airlines so that our customers can accumulate air miles, and created a joint venture between Santander Financiamentos and Hyundai.

All these measures were reflected in our financial variables. We increased deposits, improved the trend in lending in the second half of the year, and profit was 15% higher thanks to the good performance of commercial revenues, improved efficiency and a cost of credit below that of our competitors.

### Santander Consumer Finance

Profit  
**€1,093\***  
million

### United States

Profit  
**€395**  
million €  
**+42%\***

### Portugal

Profit  
**€399**  
million  
**+33%**

### Brazil

Profit  
**€1,786**  
million  
**+15%\***

\* Excluding exchange rate.



**The outlook for 2017 points to a modest upturn in global growth, which could be close to 3.5%. This would be supported by both mature as well as developing economies**



#### Mexico

Profit  
**€629**  
million  
**+18%\***

#### Mexico

The strategy was very focused on improving customer retention, commercial transformation and innovation. The year was very active as we launched products and commercial agreements produced a gain in market share in lending, growth in deposits and a sharp increase in loyal and digital customers. Profit rose, spurred by the good performance of revenues, particularly net interest income.

In order to continue improving the franchise and the IT systems, we announced a 15,000 million Mexican pesos three-year investment plan, over and above our recurring investments and initiatives.

#### Chile

Profit  
**€513**  
million  
**+16%\***

#### Chile

Management focused on growing those segments that contribute the most, such as companies, high-income customers and deposits. We also concentrated on improving the quality of customer care, reaching the Top 3 in customer satisfaction.

Santander Chile continues to gain market share in loans and deposits, ranking first in loans and second in deposits. Profit rose thanks to higher net interest income, control of costs and lower provisions.

#### Argentina

Profit  
**€359**  
million  
**+52%\***

#### Argentina

Santander Río wants to exploit the high growth potential of the financial system (which is very transactional), and the improved environment for developing banking business. As a result we decided to strengthen our position in the country by acquiring Citi's retail business, as well as continuing to modernise the network and open new branches.

#### Poland

Profit  
**€272**  
million  
**-6%\*\***

#### Poland

We continue to be the leading bank in innovation and digital channels. We increased the number of loyal customers, notably so among companies, and our growth in loans is well above that of the sector.

Excluding the impact of the new tax on assets, profit rose 14% due to the good performance of net interest income and a very significant improvement in credit quality.

Lastly, the units in **Uruguay** and **Peru** increased their profit by 32% and 21% respectively. In Uruguay profit was underpinned by the sharp growth in revenues and in Peru by the decline in provisions.

#### Financial objectives for 2017

As you can see, in 2016 we achieved our main goals and our financial variables for the Group and for the main units performed well.

The outlook for 2017 points to a modest upturn in global growth, which could be close to 3.5%. This would be supported by both mature and developing economies, which are expected to grow faster in 2017 for the first time in five years, largely thanks to expansive policies in the US and a significant improvement in some large developing countries. US interest rates can be expected to increase again, and could produce a steeper yield curve in Europe.

The risks are primarily of a political nature, such as the impact that the policies in the US could have in some developing countries, the Brexit negotiations and the outcome of elections in France and Germany.

\* Excluding exchange rate.

\*\* Excluding the impact of the new tax on assets and exchange rate +14%.



**We will continue to make progress in 2017 toward achieving the goals we announced at the Global Strategic Update.** In order to do this, we have set the following priorities:

- Accelerate **revenue growth**, particularly in **developing markets**, where we see high one-digit or double-digit growth in all units and where interest rates enable good spreads to be obtained.
- In **mature markets**, where revenues are under pressure, we must increase **our market share**, mainly in companies, and continue to grow in fee income, mainly in cards, insurance and funds. The recent agreement to acquire 50% of Santander Asset Management should be seen in this context.
- Continue to keep **costs under control**, keeping their total increase below the average inflation of the countries, and maintain revenue growth above that of costs.
- Keep on **improving the cost of credit**, with the Group's provisions falling as the cycle improves in some core markets such as Brazil and Spain.
- Grow risk-weighted assets (RWAs) below the increase in the Group's loans and profit in order to improve our RoRWA ratio.
- All these measures should **improve our profitability**, moving us toward the RoTE goal of 11% in 2018, and strengthening our capital ratio.

Lastly, I would like to thank all the **Group's professionals for their efforts in transforming and improving our bank.** The achievements in 2016 and attaining the goals in 2017 would not be possible without the contribution of each and every one of them.

**We will continue to work every day to help people and businesses prosper, and to turn Santander into the best retail and commercial bank by earning the lasting loyalty of our people, customers, communities and shareholders.**

**José Antonio Álvarez**  
Chief executive officer



#### **FINANCIAL OBJETIVES 2017:**

- ▮ Accelerate revenue growth
- ▮ Gain market share in mature markets
- ▮ Costs under control
- ▮ Improve the cost of credit
- ▮ Grow RWAs below the increase in the Group's loans and profit
- ▮ Improve our profitability

# Corporate governance

Santander has a solid corporate governance, based on its strong culture and values, a robust control of risks, which assures that management is aligned with the interests of our shareholders, investors, employees, suppliers, customers and other stakeholders.



## Balanced Board composition

- Of the 15 directors, 11 are non-executive and 4 executive.
- More than half of the directors are independent.
- Commitment to diversity of knowledge, gender (women make up 40% of the board) and international experience.



## Respect for shareholders' rights

- The principle of one share, one vote, one dividend.
- The bylaws do not contain anti-takeover clauses.
- Encouragement of informed participation at shareholders' meetings.



## Maximum transparency, particularly in terms of remuneration

- This is essential for generating shareholder and investor confidence and security.
- Remuneration policy for executive directors and senior management, aligned with our Simple, Personal and Fair culture.



## At the forefront of international best governance practices

- Consolidation of the position of lead director and of the role of the board's committees in supporting the board.
- The functions of the innovation and technology committee have been increased to meet the challenges of the new digital environment.

## » Board of directors

The board of directors is the Group's highest decision-making body, except for matters reserved for the general shareholders' meeting. Santander has a highly qualified board: experience, knowledge, dedication and diversity are its primary assets.

In line with the Bank's aim and purpose and as part of its general oversight function, the board takes the lead on decisions regarding the Group's main policies, strategy, corporate culture, on defining the Group's structure and on fostering the appropriate policies in matters of corporate social responsibility. In particular, in the exercise of its responsibility and involvement in managing all risks, it must approve and monitor risk appetite and the risk framework and ensure that the "three lines of defence" model (business and risk origination; risk control and compliance; and internal audit) is respected.

Its function and activities are ruled by the principles of transparency, responsibility, fairness and effectiveness, reconciling social concern with our stakeholders' legitimate interests.

All board members are recognised for their professional capacity, integrity and independence and, individually and collectively, provide the knowledge and experience needed to attain Santander's aim of being the best retail and commercial bank. The non-executive directors have extensive financial experience and wide knowledge of the markets in which the Group operates.

The position of lead director has consolidated since its creation in 2014, playing a significant role in the annual assessment of the chairman of the board and fostering pro-active communication with investors in order to understand their points of view.



The board held  
**13**  
meetings  
in 2016.

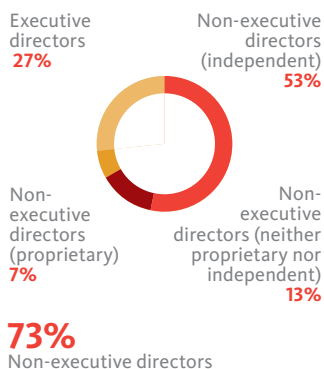


For more information on corporate governance see pages 58 to 95 of Banco Santander's 2016 Annual Report.

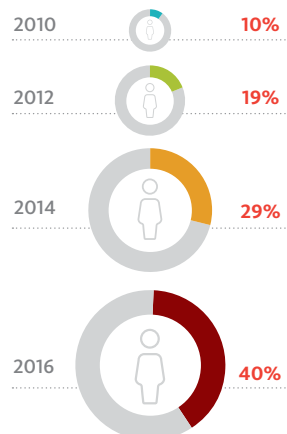


## » Banco Santander's board: diverse and balanced

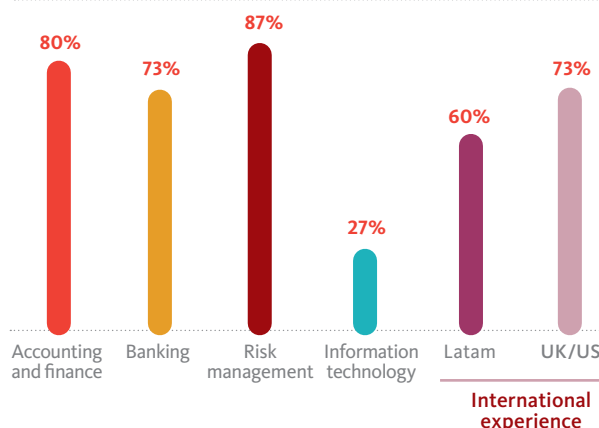
### Composition of the board % of directors



### Diversity in the board % of female directors



### Relevant expertise of board members %



## » Remuneration policy

The Group's remuneration policy is based on the following principles:

1. Remuneration must be aligned with shareholders' interests.
2. The fixed element must represent a significant proportion of total remuneration.
3. The variable portion must reward performance in the attainment of agreed targets, reflecting the person's role and responsibilities, in a framework of prudent risk management.
4. The appropriate benefits for supporting employees and their families must be provided.
5. The global remuneration package and its structure must be competitive in order to help attract and retain employees.
6. Conflicts of interest must always be avoided when making remuneration decisions.
7. There must be no discrimination in remuneration decisions.
8. The structure and amount of the remuneration in each country must be in line with the local practices and regulations.

### International advisory board

- Banco Santander's new international advisory board, comprising experts in strategy, IT and innovation external to the Group, held its first meeting on 26 April 2016 in Boston (United States).
- The purpose of this board is to provide strategic advice to the Group, focusing particularly on innovation, digital transformation, cyber security and new technologies. It also offers its view on trends in the capital markets, corporate governance, brand and reputation, regulation and compliance, and global financial services with the focus on the customer.

### New external auditor

- In line with the corporate governance recommendations regarding rotation of the external auditor, the general shareholders' meeting on March 18, 2016 appointed PricewaterhouseCoopers Auditores, S.L. (PwC) as the Bank's and the Group's external auditor for 2016, 2017 and 2018.

## INTERNAL GOVERNANCE

• The Santander Group is structured around subsidiaries, whose parent is Banco Santander S.A., that are autonomous in capital and liquidity. Its internal governance system comprises a governance model and corporate frameworks.

• The model sets the principles that regulate the relationship between the Group and its subsidiaries and the interaction that must exist between them at three levels: the Group's board of directors and the boards of the subsidiaries; the Group and local CEOs; as well as between the relevant executives who exercise internal control, support and business functions in the corporate centre and the subsidiaries.

• The corporate frameworks establish common principles of action in matters that are significant for their impact on the Group's risk profile such as risks, compliance, technology, auditing, accounting, finances, strategy, human resources and communications.

# Board of directors of Banco Santander

1. Ms Ana Patricia Botín-Sanz de Sautuola y O'Shea  
Group executive chairman  
● ■ ▲

2. Mr José Antonio Álvarez Álvarez  
Chief executive officer and executive director  
● ■ ▲

3. Mr Bruce Carnegie-Brown  
Vice chairman. Non-executive director (independent) and coordinator of the non-executive directors (lead director)  
● ● ■ ■ ■ ▲

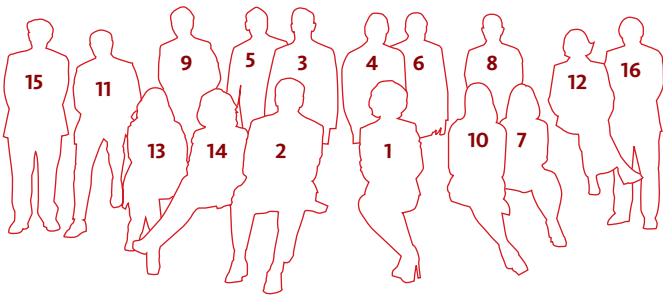
4. Mr Rodrigo Echenique Gordillo  
Vice chairman and executive director  
● ■ ▲

5. Mr Matías Rodríguez Inciarte  
Vice chairman and executive director  
● ▲

6. Mr Guillermo de la Dehesa Romero  
Vice chairman and non-executive director  
● ● ■ ■ ■ ▲

7. Ms Homaira Akbari  
Non-executive director (independent)  
▲

8. Mr Ignacio Benjumea Cabeza de Vaca  
Non-executive director  
● ● ■ ■ ■ ▲



- Executive committee
- ▲ Audit committee
- Appointments committee
- Remuneration committee
- Risk, regulation and compliance oversight committee
- International committee
- ▲ Innovation and technology committee



Pereda building. Santander Group city, Boadilla del Monte, Madrid, Spain, 20 December 2016.

**9. Mr Javier Botín-Sanz de Sautuola y O'Shea**  
Non-executive director  
(proprietary)

**10. Ms Sol Daurella Comadrán**  
Non-executive director  
(independent)



**11. Mr Carlos Fernández González**  
Non-executive director  
(independent)



**12. Ms Esther Giménez-Salinas i Colomer**  
Non-executive director  
(independent)



**13. Ms Belén Romana García**  
Non-executive director  
(independent)



**14. Ms Isabel Tocino Biscarolasaga**  
Non-executive director  
(independent)



**15. Mr Juan Miguel Villar Mir**  
Non-executive director  
(independent)



**16. Mr Jaime Pérez Renovales**  
General secretary and secretary  
of the board

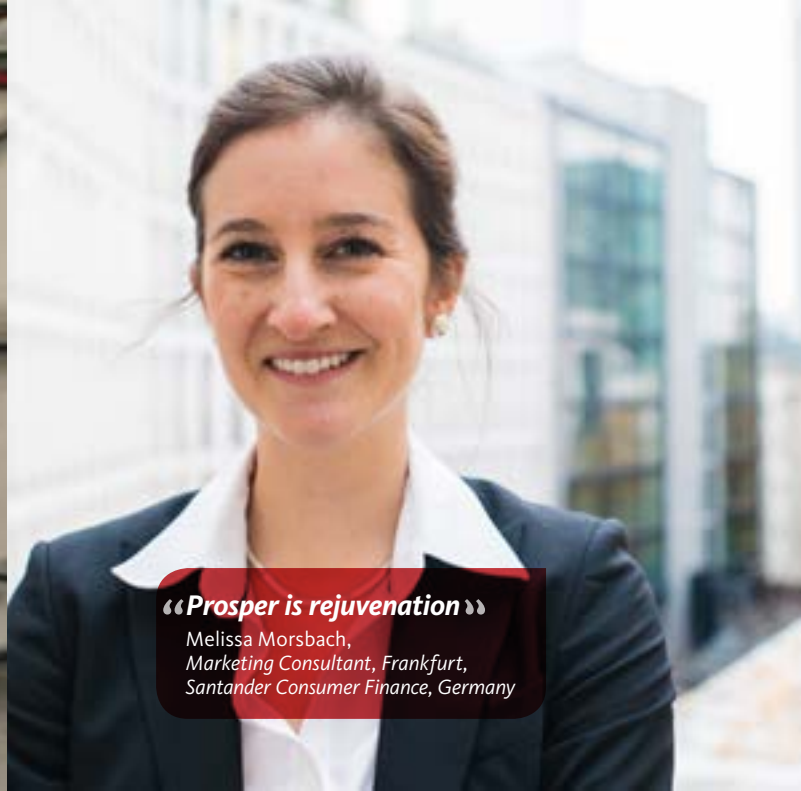
## ● CHANGES IN THE COMPOSITION OF THE BOARD AND ITS COMMITTEES

- On 27 September 2016, Ms Homaira Akbari was appointed as a non-executive director (independent) and a member of the Bank's innovation and technology committee, filling the vacancy left by Mr Ángel Jado Becerro de Bengoa, who resigned from the board.
- On 26 April 2016, Ms Belén Romana García was appointed chairman of the audit committee in place of Mr Juan Miguel Villar Mir, who continued to be a member of the committee. Ms Romana is regarded as a financial expert given her education and experience in accounting, auditing and risk management.
- The board, at the request of the appointments committee, decided at its meeting on 28 October 2016 to appoint Ms Romana to the risk, regulation and compliance oversight committee.



**“Prosper is knowing  
how to look”**

Rafael Rey, Microcredit, Paraisópolis,  
Santander Brazil



**“Prosper is rejuvenation”**

Melissa Morsbach,  
Marketing Consultant, Frankfurt,  
Santander Consumer Finance, Germany



**“Prosper is helping to  
improve people's lives”**

Ian Carson, Branch Director,  
Liverpool Old Swan, Santander UK



**“Prosper means going forward,  
growing and achieving goals”**

Adrián Fernández-Romero, entrepreneur  
and shareholder of Banco Santander, Spain



**“Prosper is spending time  
with my grandkids”**

Ringo Francis, Corporate Customer,  
Santander UK



**“Prosper is innovation  
for everyone”**

Roselly Kimura, IT, São Paulo,  
Santander Brazil



“Prosper is collaboration”

Justin Hannemann, *Customer and Innovation, London, Santander UK*

# 1

## Business model and strategy

●26 Purpose and business model

●28 Aim and value creation

30 Employees

32 Customers

36 Shareholders

38 Communities

“Prosper is to insist”

Katarzyna Surowiec  
*General Manager, Grandpa's Garden, Poland*

***Our purpose is to help people and businesses prosper***

“Prosper is inclusion”

Lorena López and Sabrina Escalante,  
*Representatives of Customer Service, La Juanita, Santander Río, Argentina*

“Prosper is change”

Teresa Sáenz-Díez, *Senior Legal Advisor, Santander Group Corporate Centre, Madrid, Spain*

# Purpose and business model

Our purpose

to help people and businesses prosper

Our aim

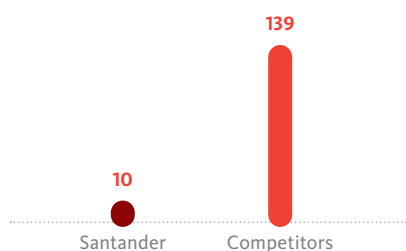
to be the **best retail and commercial bank**, earning the **lasting loyalty** of our **people, customers, shareholders and communities**

Our way of doing things

Simple | Personal | Fair

Predictable, stable profit throughout the cycle

■ Average volatility of the quarterly EPS (% , 1999-2016)



Sustainable, high profitability enabling growth opportunities to be exploited

**11.1%**  
Ordinary  
RoTE

**Top 3**  
vs. our global  
peers



Cash dividend per share growth

**+8%**  
in 2016



## A differential business model



### 1 Serving 125 million customers with critical mass in 10 core markets drives profitable growth.

**125**  
million customers  
in markets with a  
total population  
of one billion

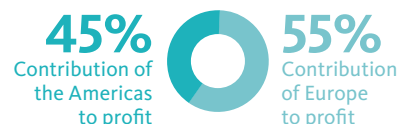
- Banco Santander aims to satisfy the needs of **all types of customer**: individuals with different income levels; companies of any size and sector; private corporations and public institutions.
- Santander is a **strong brand** that has **great recognition** in the Group's main markets and globally.
- The foundation of our business is long-term customer relations. **Innovation** is enabling Santander to transform its commercial model in order to attain a larger number of loyal and digital customers, which is fuelling more **profitable and sustainable business**.
- Santander has **high market shares** in retail and commercial banking in Argentina, Brazil, Chile, Spain, Northeast of the United States, Mexico, Poland, Portugal and the United Kingdom and in the consumer finance business in Europe.



### 2 Our geographic diversification generates predictable profit, meaning lower capital needs

**3,363**  
million euros of  
capital generated in  
2016. CET1 capital  
ratio of 10.55%

- Santander's business is well **balanced** between mature and developing markets, which generates **predictable and growing profit** over the economic cycle.
- Santander's **capital** position is **strong** and appropriate for its business model, geographic diversification, balance sheet structure, risk profile and regulatory requirements.
- Santander's balance sheet strength and profitability enable it to finance its **growth**, distribute a **higher cash dividend** and continue to **accumulate capital**.



### 3 The subsidiary model, with a strong culture of working together, drives efficiency and service excellence

**48%**  
efficiency ratio:  
one of the  
most efficient  
international  
banks

- The Group is structured around a **model of subsidiaries, autonomous in capital and liquidity**, that are subject to regulation and supervision by each country's authorities. The subsidiaries are managed by local teams with considerable customer knowledge in their respective markets.
- Santander strives for **operational excellence** through the digitalisation and improvement of all its operations and commercial channels, streamlining processes and optimising costs, enhancing customers' experience and their **degree of satisfaction**.
- The **Corporate Centre** (which has reduced its costs by 23% in the past two years so that they now represent 2.1% of the Group's total costs) contributes value and maximises subsidiaries' competitiveness, developing collaboration, helping them to be more efficient, strengthening the Group's governance and fostering the exchange of best commercial practices. This enables the **Group to generate a higher result than the sum of each of the local banks** acting in isolation.

# Aim and value creation

Our aim is to be the best retail and commercial bank, earning the lasting loyalty of our employees, customers, shareholders and communities.

We have set ambitious targets ...



1. 2015-2018 average.

2. Except in the US where it will likely be close to competitors.

3. Total amount 2016-2018.

4. As percentage of operating profit.

5. Constant Euros.



... and we know how to attain them.

2015	2016	Targets 2018	More info
3	4	most countries	pp. 30-31
12.7	13.9	17	pp. 32-33
1,049	1,356	1.646	PP. 32-33
6%	2%	> competitors	P. 48
5	8	All <sup>2</sup>	p. 35
16.6	20.9	30	p. 34
4.3%	8.1%	c. 10% <sup>1</sup>	p. 47
10.05%	10.55%	>11%	p. 48
1.25%	1.18%	1.2% <sup>1</sup>	p. 48
47.6%	48.1%	45-47%	p. 47
-15.9%	1.0%	double digit	p. 46
11.0%	11.1%	>11%	p. 47
38%	40%	30-40%	pp. 36-37
35	37	130 <sup>3</sup>	p. 39
1.2	1.7	4.5 <sup>3</sup>	pp. 38-39

## Simple | Personal | Fair

Simple, Personal and Fair is the essence of the Bank's corporate culture. These are the principles that define how all Santander's employees think and act and they guide us in our relations with colleagues, customers, shareholders and communities.

### CORPORATE BEHAVIOURS

Corporate behaviours are the basis for becoming a bank that is more Simple, Personal and Fair. In 2016, knowledge and application of these behaviours were fostered in day-to-day work, as was the recognition of employees who best represent these values.



Show respect



Truly listen



Talk straight



Keep promises



Actively collaborate



Bring passion



Support people



Embrace change

### RISK CULTURE: RISK PRO

Santander also has a solid risk culture, called *risk pro*, which defines the way in which we understand and manage risks from day to day. It is based on making all employees responsible for the risks they generate and on other principles that must be known and integrated into the way of working throughout the Group.

## risk pro

All the Santander team engaged in risk

>90%

of employees know and are responsible for the risks in their daily work

### SANTANDER BRAND

The Santander brand expresses a corporate culture and a unique international positioning, and consistent with a way of banking that helps people and businesses prosper in a Simple, Personal and Fair way.



Santander

## Employees

In order to help people and businesses prosper, it is vital that Santander's 188,492 employees are motivated and engaged.

“Prosper is collaboration”

Justin Hannemann, Customer and Innovation, UK



### THE STRATEGY FOR MANAGING PEOPLE FOCUSES ON SIX MAJOR CHALLENGES



2018 target:  
**Top 3**  
best bank to work for in our core countries.



#### Star Me UP: the first global recognition network

It arose in order to promote collaboration and recognise those who apply the corporate behaviours in their day-to-day work

**>65,000**  
users

### Our professional team



**188,492**  
employees



**49%**  
Graduates



**38**  
Average age  
(years)



**9**  
Average years  
with Santander



“My work enables me to help local communities and businesses”

**Ian Carson,**  
Branch Director, Liverpool Old Swan,  
Santander UK

**Ian Carson** is director of the Santander UK Old Swan branch in Liverpool. For several years, his branch has collaborated on various local charity initiatives and projects. For Ian “it is a great privilege to form part of a large family which is the Bank” because thanks to his work he can improve other people’s lives.



## GLOBAL ENGAGEMENT SURVEY

The 2016 results were better, particularly in two aspects: extensive knowledge of the corporate Simple, Personal and Fair culture and motivation to make the Bank more SPF; and better work-life balance.

There are also areas of improvement in simplifying the way of working and having more innovative means to work.

**85%**  
record participation

**78%**  
employees are engaged

**91%**  
know the corporate Simple, Personal and Fair culture

**78%**  
of employees say their line manager helps them attain a better work-life balance

## Initiatives developed by HR in 2016

- **SPF (Simple, Personal, Fair) behaviours.** A plan was launched with communication, awareness raising, training and adaptation of the performance assessment and recognition processes in order to help employees apply the behaviours every day, to make Santander a more Simple, Personal and Fair bank.
- **Recognition.** Chile, Mexico, Argentina, Spain and the corporate centre installed platforms enabling those employees who set outstanding examples in corporate behaviours to be recognised. At the Group Convention in December, there was an event for the 100 SPF ambassadors – employees chosen by their colleagues as exponents of the corporate behaviours. The Star Me Up app, the first global recognition network, was also launched.
- **New corporate segmentation.** More dynamic, with entries and exits being reviewed every six months. It is based on transparency and meritocracy according to objective (contribution, results) and individual (performance, potential) criteria.
- **Succession plans.** The succession policy approved will enable planning for the replacement of leaders, providing continuity to the business, with a common and structured methodology for key positions of senior management and control functions.
- **Global Assessment Process (GAP).** This process was launched to help leaders contribute to the Bank’s transformation with a leadership style appropriate to the new phase that Santander is living.
- **360 appraisal.** This is the first phase of the corporate model for performance assessment, in which executives are appraised by their peers, direct reports and by their line manager regarding their adoption of the eight corporate behaviours in their day-to-day work.
- **Flexiworking: new spaces.** Further progress was made in this programme, the first phase of which focused on promoting more flexible working hours, through the creation of new, open-plan areas that enhance co-operation and the exchange of knowledge, and tools that enable teams to be in continuous contact with those in other countries.
- **Be Healthy, the global health and wellbeing/wellness programme.** This programme, which is already operating in Chile, Poland, Mexico, Brazil, Spain, Portugal, United Kingdom, Argentina and Santander Consumer Finance, aims to make Santander the world’s healthiest organisation. The first initiative was a challenge for the Group’s employees to walk, in total, the equivalent of once around the world. Santander donated €44,000 to Unicef, a euro for each kilometre covered.
- **We are Santander Week.** The 2016 week focused on corporate behaviours. Town hall meetings, conferences and volunteering activities were held to foster team and family living in all the Group’s countries.
- **Knowledge.** Solaruco Pop Up was launched in June to extend the knowledge imparted at the **Corporate Centre of Knowledge and Development** to all the Group’s employees. A cycle of Santander Business Insights conferences was launched, dedicated to sharing good practices.

## Customers

We want to help our customers prosper day by day and we know that this means something different for each of them. We aim to meet the needs of our different customer profiles so that every day they are more loyal, use digital channels more and are more satisfied with the Bank.

### “Prosper is loyalty”

Alfredo Candela, CEO Bodegas Barahonda, Spain



### Simple, tailor-made solutions to strengthen the lasting loyalty of our customers.

#### 1|2|3 WORLD: one of the preferred options for retail customers.

- This commercial relationship model rewards balances and gives cashback on household bills and purchases, among other advantages. It was extended to new segments in 2016, such as the 1|2|3 Mini Account in Spain for children and those under the age of 18, and in new countries, such as Mexico, where the offer was launched under the name of Santander Plus.

#### Number of customers (millions)



#### SANTANDER PRIVATE BANKING: a specialised service model for higher income customers.

- Santander was recognised by Euromoney as the “Best Bank in Wealth Management” in Latin America in 2016.

#### SANTANDER SELECT: the differentiated value proposal for high income customers.

- New proposals were developed in 2016 such as Select Global Value, which covers the needs of those customers who travel or work and live abroad. This forges customer loyalty, as customers benefit from Santander’s international branch and ATM network.

2018 target:  
**18.6**  
million loyal customers



#### SANTANDER SMES: a global solution to support the development of SMEs.

- This model, which operates throughout the Group, provides a strong financial offering and other solutions to spur internationalisation, training, employment and digitalisation of SMEs.

#### New developments in 2016 in the Santander SME strategy



**POLAND**  
Firmowe Ewolucje  
(Business Evolutions)



**BRAZIL**  
Atendimento Digital



**PORTUGAL**  
Box Santander Advance



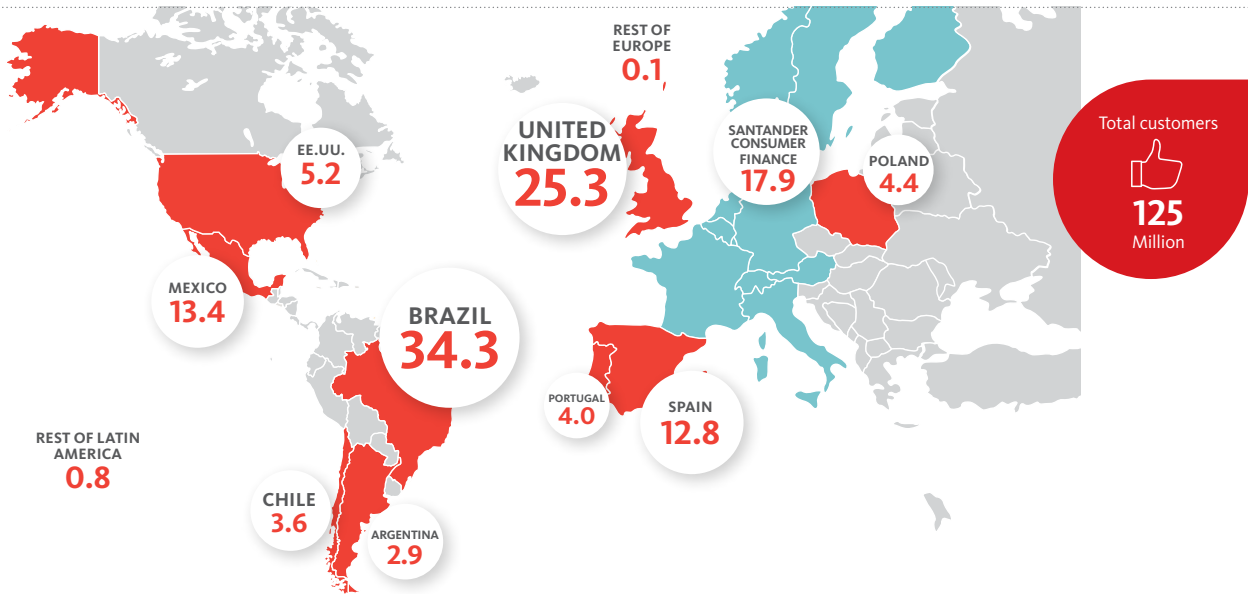
**URUGUAY**  
CRM Celestium (SMEs)

**#1**  
Euromoney award  
for Best Bank in the  
World for SMEs





## Group customers Million



## Solutions to support the internationalisation and growth of companies.

**SANTANDER TRADE NETWORK:** a network of services suppliers certified by Santander to help internationalise businesses.

- This solution is part of Santander Trade, Santander's online platform that supports foreign trade with various services.

**+68,000**  
exporters and importers

**GLOBAL TREASURY SOLUTIONS:** a service that helps multinational companies manage their treasuries remotely.

- It provides multinationals with centralised reporting of their accounts with any institution and enables them to order payments from Santander Group accounts, on a centralised basis using various channels and a standard format.

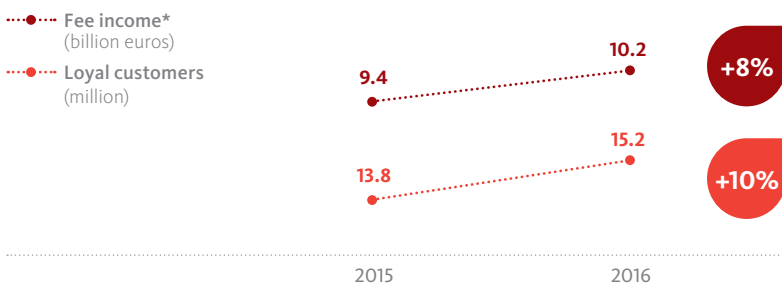
**+60**  
multinational companies

**SANTANDER FLAME:** an online platform to execute and manage foreign exchange transactions and risk.

- These transactions are essential for importing and exporting. They are already functioning in the United Kingdom and Mexico, and will soon be available in Chile and the United States.

**+20%**  
growth in income

## Relationship of customers to revenues



**Customer loyalty drives revenue growth**

\* Excluding exchange rate effects

“Prosper is innovation for everyone”

Roselly Kimura, IT, Santander, Brazil



We are transforming our commercial model because we know our customers demand greater availability and proximity via digital channels, while strengthening the personal service that has always been Santander's hallmark.

2018 target:  
30 million digital customers



**NEW DIGITAL SOLUTIONS:** with simple access to the range of banking services and personalised advice.

This year has seen the reinforcement of the remote customer services, such as Gestor Digital in Brazil and Santander Personal in Spain, which offer customers a qualified adviser to help them with their finances, without the need to go to their branch. Financial management tools have also been enhanced, such as those in the UK, Spain and Poland for checking and classifying spending, and further improvements have been made to mobile banking, with new payment and card management solutions available in several countries.

#### Digital solutions



##### UNITED KINGDOM

Investment centre, spendlytics (Android) and mobile payments



##### SPAIN

Control of personal finances in MoneyPlan. Mobile payments with Wallet and ApplePay



##### BRAZIL

ContaSuper solutions and SantanderWay.



##### MEXICO

Supermóvil +900,000 users. Mobile onboarding of university student customers



##### ARGENTINA

Best digital bank according to Global Finance for seventeenth year running

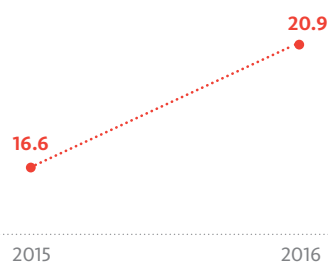


##### POLAND

Best mobile banking app in the country and third in Europe according to Forrester. Enhanced offering in mobile payments (Android).

#### Digital customers

Million



+26%

+53%

mobile banking customers

**SANTANDER NEO CRM:** this commercial intelligence tool offers a 360° view of customer behaviour and preferences.

We worked in 2016 to integrate the information from all channels (branches, contact centres, digital media, etc.) and to add new transactional functionalities. This information enables the Bank's value proposals to be improved, based on the customers' experience and needs, and helps to generate cost savings and increase productivity (+2.4%).

**SMARTRED:** an initiative to transform the customer experience at branches.

The aim is to incorporate new technological advances and create differentiated spaces for services that help to streamline processes and enhance personalised attention. Spain, United Kingdom, Brazil, Argentina, Portugal, Mexico and Chile inaugurated new branches in line with this model.

472

branches renovated in 2016 and 1,000 more expected in 2017



“ Thanks to the Bank's programme to support SMEs, we have the advice of experts in promoting our brand and business ”

Katarzyna Surowiec,  
General Manager, Grandpa's Garden, Poland.

**Grandpa's Garden** is a family-run company that processes and prepares tinned vegetables in Poland. When the global crisis hit the company's business, it sought the support of Bank Zachodni WBK (Santander Group). Thanks to *Firmowe Ewolucje* (Business Evolutions) programme, it was able to access not only funding for new investments in the plant, but also other high value-added services that helped to strengthen its brand, capture new customers and multiply sales by 10.

## ● **OPERATIONAL EXCELLENCE:** to increase customer satisfaction by offering the best service at the lowest price possible.

- Various initiatives are under way throughout the Group to transform the customer experience in the main relationship processes with the Bank (customer journeys).

### ● Initiatives that enhance the customer experience



**SPAIN**  
**Santander ID**  
Digital identification of customers and signing of contracts in a single process



**POLAND**  
**Loans via mobile phones**  
in 60 seconds



**UNITED KINGDOM**  
**Digital processes for mortgages**  
The time needed to make a request has been cut from 3 hours to less than 40 minutes (-75%)



**CHILE**  
**Neoclick**  
Online Request for loans in 3 clicks. 93% of the process is electronic, saving commercial teams 200,000 hours



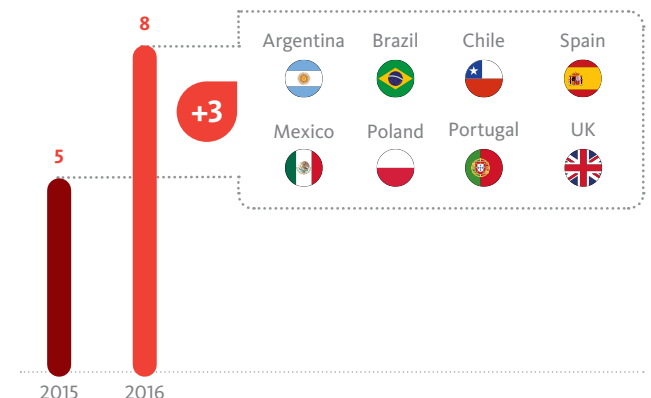
**BRAZIL AND MEXICO**  
**Biometrics**  
Customers are identified by fingerprint, voice or face recognition. This system is used in Mexico for around 30% of active customers

- Santander is one of the most efficient international banks and it aims to keep on improving its efficiency ratio through greater process efficiency in technology and operations and in corporate centres, as well as from greater digitalisation of the commercial distribution model.



- We are among the Top 3 in customer satisfaction in countries accounting for close to 80% of our pre-tax profit

Number of countries where Santander is Top 3 in customer satisfaction<sup>(1)</sup>



(1) Corporate benchmark of customer satisfaction.

## Shareholders and investors

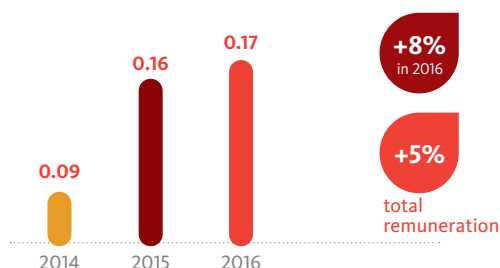
At Banco Santander we offer our shareholders an attractive sustainable return to maintain their lasting confidence. In 2016, the bank met all its financial targets and made significant progress in its strategic priorities.

### Main milestones related to investors and shareholders in 2016

#### 1. Increased remuneration and payment of the four usual dividends maintained:

- The total shareholder remuneration against 2016 profit was €0.21 per share (+5% vs 2015). Three of these dividends have already been paid: two of them in cash of €0.055 per share and one via the scrip dividend of €0.045 per share. The fourth and final dividend is scheduled to be paid in May 2017.
- The dividend yield was 5.2% in 2016 (2016 dividend/Average 2016 price).

#### Remuneration in cash Euros per share



#### 2. Increase in the number of shareholders:

- Banco Santander had 3.9 million shareholders in more than 100 countries at the end of 2016.

**3.9**  
million  
shareholders

#### 3. Improved risk indicators

- Santander's robust governance of the risk function facilitates appropriate and efficient decision-taking, effective control of risks and ensures that they are managed in accordance with the level of risk appetite set by senior management.
- Following full implementation of the *Advanced Risk Management* (ARM) programme, Santander's advanced risk management is a reality and we are regarded as best-in-class in the banking industry. The Group also has a solid risk culture, which enables it to respond to complex environments.

**3.93%**  
NPL ratio  
(down 43 bp  
in 2016)

## The Santander share in 2016

### Comparative performance

Dec 15 vs. Dec 16



### SHARE PERFORMANCE

- Stock markets were very volatile in 2016 due to the uncertainty over the Chinese economy, the evolution of commodity prices, the solvency of the financial sector in some countries, interest rate policies and central banks' stimulus policies, the referendum in the UK and the US presidential election.

- In this context, the Santander share performed better than the Ibex 35, the benchmark Spanish stock market index, and the European banking index.



**€4,959**  
share price  
at the end  
of 2016

**€72,314**  
million  
of Market  
Capitalisation

### Shareholder base and capital (31 December 2016)

	Dec. 2016	Dec. 2015
Shareholders (number)	3,928,950	3,573,277
Outstanding shares (number)	14,582,340,701	14,434,492,579
Average daily trading (number of shares)	100,707,234	103,736,264



“We have had a relationship with Santander for three generations”

Adrián Fernández-Romero.  
Entrepreneur and Banco Santander shareholder,  
Seville

Adrián Fernández Romero emphasises that “it is very important to have a clear idea of who you are rowing with when you begin”, both in his financial activity and when investing in other companies. “As my grandfather said, first the partner and then the business. I am a shareholder because I believe in Banco Santander. I know its employees and, as with any company, its value lies in the people behind it”.



#### CONTRIBUTING SHAREHOLDER VALUE IN 2016

Total shareholder return

**+14%**

Tangible book value per share

**4.22 euros**  
(+4%)

We strengthened our capital (+50 bp)

**10.55%**  
CET1 fully loaded ratio

## Commitment to shareholders via the Shareholder and Investor Relations area

The Shareholder and Investor Relations area implemented various initiatives in 2016 in order to:

- 1. Foster constant communication with retail shareholders, institutional investors, analysts and rating agencies in order to strengthen the relationship and trust.** A Group Strategy Update was held in London in September, attended by more than 130 investors and analysts.



The application enables shareholders to vote, or delegate their vote, at the general meeting

- 2. Strengthen personalised attention for shareholders.** 183 forums and meetings were held with shareholders, and 186,953 consultations were handled via remote channels.
- 3. Facilitate the participation of shareholders.** Another rise in the number of shareholders who participated in the annual meeting at which 57.63% of the share capital voted or delegated its vote on the board's proposals.
- 4. Encourage innovation in the various Shareholder and Investor Relations channels.** Using the latest technologies, the corporate website, the commercial website and the Santander Shareholders and Investors app were revamped.
- 5. Offer exclusive products and services** via the website [www.yosoyaccionista.santander.com](http://www.yosoyaccionista.santander.com)



## Communities

At Banco Santander we ensure the integration of ethical, social and environmental criteria in the development of our business, contributing to the economic and social prosper of people and businesses in a responsible and sustainable way. Fostering higher education is the hallmark of our social commitment.

### “ Prosper is inclusion ”

Lorena López y Sabrina Escalante, customer service representatives, La Juanita, Santander Río, Argentina



Santander has various policies, codes and internal rules that ensure that its activity is developed responsibly. They emanate from the best international practices and protocols, codes of conduct and international guidelines applicable in each case.

The Bank develops and promotes products and services that foster, among other things, **financial inclusion**, such as **microcredits**. Santander also has a special social commitment to the communities in which it operates, via **Santander Universities** and its investment in numerous support programmes that promote aspects such as education and social well-being. These include:

- **Local initiatives to support pre-school education**, particularly in Latin America where the Bank co-operates in projects that support each country's education programmes, as *Amigo de Valor* in Brazil.

- **Financial education programmes** that transmit to children the importance of saving, prepare young people for an independent life and help families to take basic financial decisions.

- **Programmes to combat social exclusion** that tackle poverty, vulnerability and marginalisation, as for example *Convocatoria de Proyectos Sociales* in Spain and *Discovery Grants* in the UK.

The Paris agreement on climate change represents a major step towards a less carbon-intensive economy. The financial sector has a significant role to play in this transition, which involves risks and opportunities. The Bank has strengthened this area by creating a new Climate Finance working group that aims to set the strategy, identify the risks and opportunities derived from climate change and incorporate the later into its management.

2018 target:

 **4.5**  
million  
people helped  
in 2016-2018.

**1<sup>st</sup> bank in Europe and 6<sup>th</sup> in the world in the Dow Jones Sustainability Index (DJSI),**



**Santander has been present since 2000 in the DJSI, one of the main indexes that analyze and assess companies' activities in the sphere of corporate social responsibility**



**1.7**  
million  
people helped  
in 2016



**209**  
million social  
invested in  
communities  
in 2016



**7,082**  
megawatts  
financed in  
renewable energy  
projects in 2016



**-8.5%**  
reduction in  
electricity  
consumption  
in 2016



“Thanks to Santander Microcredits I can help thousands of entrepreneurs fulfil their dreams. It is very gratifying”

Rafael Rey, Paraisópolis,  
Santander Brazil

Santander Microcredits spurs the growth of small businesses without access to formal loans. So far, it has supported 250,000 people in Latin America. Rafael says that this programme enables him “to better know people’s needs, what are their dreams and help them to develop.” Santander aims to support close to 300,000 new customers in the coming years by extending the programme to Mexico.

## Santander Universities

Banco Santander, which stands out from the rest of banks for its firm support of higher education, invests more in supporting education than any other private company in the world, according to the first global study published by the Varkey Foundation in cooperation with UNESCO.

### Keys of the support for universities

- **University entrepreneurship**, a vital factor in social progress. We provided support, advice and training for more than 2,400 young people via programmes as the Santander YUZZ ‘Jóvenes con ideas’. Competitions with prizes for entrepreneurship were held in seven countries – Brazil, Argentina, Chile, Mexico, Portugal, Spain and United Kingdom – with 25,000 participants. Santander has a target of supporting 80,000 entrepreneurs in 2017-18.
- **Scholarships and social impact**: scholarship programmes for national and international mobility, academic training and internships in companies, in Spain, United Kingdom, Puerto Rico, Brazil, Chile and Uruguay. The

Santander Impact project was created, with information on the effect of these initiatives on communities.

- **Digitalisation and modernisation of universities**: in order to streamline academic processes and services with tools such as the *University Smart Card (USC)* which evolves with technology (new supports and uses). There are 9.1 million USCs in 279 universities in 11 countries.

### Universia

- Sponsored by Banco Santander, **Universia** is Ibero-America’s largest network of universities and an international reference in university relations. It focuses on fostering employment of graduates, online training via resources such as MOOCs (massive open online courses) and on facilitating digital tools.

### SANTANDER UNIVERSITIES IN FIGURES



36,684  
scholarships  
and grants  
in 2016



1,183  
agreements  
with universities  
and academic  
institutions in 21  
countries



157  
million  
invested  
in higher  
education  
in 2016


### universia



1,407  
universities in  
23 countries form  
part of Universia



More information is available in the corporate website’s section on sustainability and in the 2016 sustainability report.



Te ayudamos  
a hacer realidad  
tus proyectos

The image shows a modern exhibition booth. In the foreground, a woman with curly hair, wearing a blue jacket and black pants, sits on a grey chair with wooden legs, facing away from the camera. She is looking towards a man sitting at a round white table. The man is wearing a blue suit, a white shirt, and a red tie, and is smiling. He is using a laptop on the table. Behind him, a large whiteboard is mounted on a stand. On the whiteboard, there is a diagram with green circles and lines. The text 'Te ayudamos a hacer realidad tus proyectos' is written on the whiteboard. To the right of the man, there is a red wall with a large white number '1' and a pattern of small red circles. A computer monitor is visible on a desk in the background.



# 2

## 2016 Results

- 42 Economic, banking and regulatory environment
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- 49 Countries
- 57 Global Corporate Banking

Subdirección



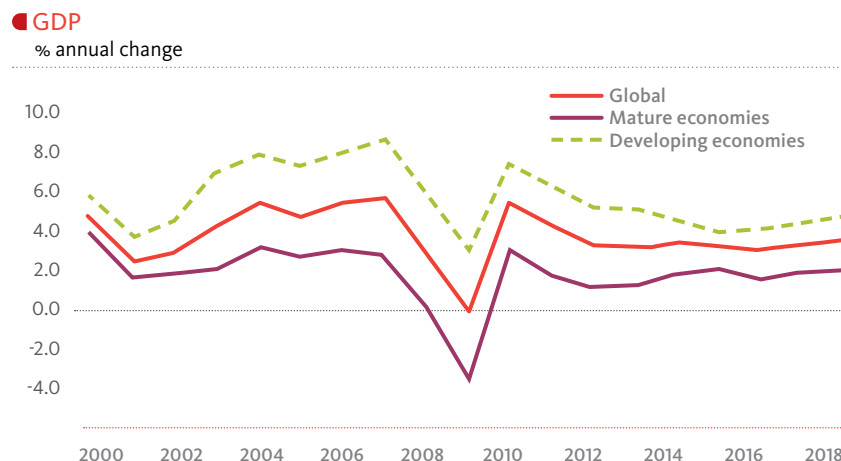
**Santander met its strategic financial targets for 2016**, in a very demanding economic and financial environment. Attributable profit grew by 4%, buoyed by a good performance in commercial revenue, cost control and enhanced credit quality.

# Economic, banking and regulatory environment

2016 was characterised by volatility in capital markets, which reacted to unexpected economic and political news, while the competitive environment and a demanding regulatory agenda continued to restrain the recovery in banks' profitability.

## » International economic context

The global economy grew slightly less than in 2015 (3.0% vs. 3.2%), due to slower growth in mature economies, which began the year weakly due to a series of one-off factors including financial instability and weather conditions.



Source: IMF World Economic Outlook

## ■ Economic performance by country

Country	% annual change GDP		Economic performance
	2015	2016	
United States	2.6	1.6	Fall in unemployment rate (to 4.7%), a level that is almost full employment, rise in underlying inflation to 1.8%. Increase of 25 b.p. in the Federal funds rate in a context of economic revitalisation, which points to gradual rises in 2017.
United Kingdom	2.2	1.8	Lower than expected initial impact of the Brexit referendum. The jobless rate continued to fall (to 4.8%), which is virtually full employment. Despite the rise in inflation and sterling's depreciation, the Bank of England cut its base rate by 25 b.p. to 0.25% and took new measures to support lending.
Eurozone	1.9	1.7	Moderate but resilient growth. Uneven performance by country, with the largest economies registering positive growth. The risk of deflation abated, but inflation was still far from the 2% target, which led the European Central Bank to reduce rates to new lows and adopt new quantitative easing measures.
Spain	3.2	3.2	Broadly based growth, mainly underpinned by domestic demand. Job creation was dynamic and lowered the unemployment rate to 19%. Balanced recovery and sustained growth with moderate inflation, a current account surplus and a reduced fiscal deficit.
Portugal	1.6	1.3	The unemployment rate continued the downward trend of the last few years and was just above 10%. Inflation was similar to 2015 at 0.6%.
Poland	3.9	2.8	Slower growth, unemployment rate at historic low (5.9%), inflation again positive in December (0.8%) and the key interest rate stable at 1.5% throughout the year.
Brazil	-3.8	-3.5	As the year progressed, the recession weakened. The new government is clearly reformist and has the capacity in parliament to approve reforms. The central bank brought inflation (6.3%) below the upper limit of its target band (6.5%), which enabled it to cut the key rate from 14.25% to 13.75% at the end of the year with a downward bias.
Mexico	2.6	2.3	Slower growth due to a more challenging external environment, which produced a fiscal policy adjustment and a tightening of monetary policy. The peso depreciated and its impact on inflation led the central bank to raise its key rate from 3.25% to 5.75%.
Chile	2.3	1.5	Slower growth, due to the international context and the mining industry adapting to an environment of moderate prices. Inflation fell to 3% and the key interest rate remained at 3.5% (same level as at the end of 2015).
Argentina	2.4	-2.0	The government faced the macroeconomic imbalances and microeconomic distortions with determination, and strengthened the institutional framework. It began to lay the groundwork for controlling inflation and the public finances, for commercial and financial integration and for recovering growth.



Going forward, we have many opportunities to grow profitably in Europe and the Americas in an environment that we expect to be volatile but, in general, better than 2016 in our main markets.

Ana Botín,

Presentation of Santander Group's 2016 results (25 January 2017)



## » Financial markets and exchange rates

As soon as the year started, signs of economic slowdown in China and doubts on the soundness of mature economies sparked a sharp rise in risk aversion that caused stock markets to tumble and oil prices to reach their lowest levels since 2003. Financial markets sentiment recovered as of the middle of February, reducing volatility, thanks to signs of stabilisation in the Chinese economy, some recovery in oil prices and improvement in the US economy.

In March, the European Central Bank cut its key rates and increased the programme for buying public and private sector debt, which produced a sharp decline in the yield on fixed income securities in euros. Public debt was placed at negative interest rates for the short and medium term maturities of many eurozone countries.

The vote in the **UK's referendum** in June to leave the European Union triggered another bout of volatility, particularly in exchange rates, with falls in stock markets, a safe haven flight into quality assets and the depreciation of sterling and the euro. The impact was not lasting, as volatility declined in the following months, share prices recovered and risk aversion abated.

The result of the **US presidential election** in November produced a new bout of volatility in the currencies of emerging markets, with rises in stock markets and in long-term interest rates in the expectation that fiscal policy in the short term would be more expansive. The dollar appreciated against the euro.

At the end of the year, the rise in the Federal Reserve's key rates and in oil prices, as well as the improved growth in the main economies, strengthened the rising trend in long-term interest rates. Even so, monetary policies in mature economies at the end of 2016 were markedly expansive.

The Mexican peso depreciated 15% to 1€=21.8MXN, hit by the evolution of oil prices in the first months of the year and by uncertainty over a possible change in US trade and migration policy in the last part of 2016. As the political uncertainty cleared in Brazil, the Brazilian real recovered notably to end the year at 1€=3.4 BRL (1€=4.3 BRL a year earlier). The Chilean peso ended the year at 1€=708 CLP, a 9% appreciation over 2015 year-end.

**In 2016 the financial markets were impacted by various shocks from the economic and political sphere**

## The banking environment in the countries where Banco Santander operates continued to be characterised by regulatory changes and a challenging economic environment

### REGULATORY HIGHLIGHTS IN 2016

The regulatory agenda in 2016 was marked:

- At the international level, by progress in completing the Basel III agreement.
- At the European level, by the European Commission's proposed reforms to the capital requirements and resolution framework and measures to advance in the single European market.
- And in Spain, by measures related to consumer and investor protection.

## » Banking sector environment

In mature economies, banks continued to bolster their balance sheets and capital adequacy. Specifically, the tier one capital adequacy ratio (CET1) of European banks was 14.1% in the third quarter, according to the European Banking Authority (EBA), more than one percentage point above that recorded a year earlier. Except for some isolated exceptions, the banking system notably improved its capacity to absorb adverse shocks, something that was underscored in the EBA's stress tests.

Even so, banks continued to face significant challenges to drive profitability. Interest rates and business volumes remained low; and there was a sharp rise in competitive pressure in most markets, among banks and in financing via markets, and as a result of the entry of new players in the sector. Shadow banking continued to gain importance and non-banking financial entities, which are focusing their business on

niches such as payments, advice and loans, continued to grow.

In emerging countries, with interest rates and margins above those in developed countries, banks' profits remain higher.

The great majority of banks are implementing changes in culture, in order to recover trust, and, in general, all seek to adapt to the digital revolution, which is going to define the way in which banks relate to their customers, the level of services provided and the efficiency of processes.

Moreover, international banks are facing differing sociodemographic trends, with a clear process of ageing in mature economies and a big rise in the middle classes in developing economies, which will require differentiated strategies depending on the features of each market.

## » Supervisory and regulatory environment

In 2016 the regulatory environment remained demanding with relevant novelties among which the most important are the revision of Basel III and the proposal of the European Commission for resolution of entities.

### Basel III review

The objective of authorities in the Basel III review is to simplify the ratios and make them more comparable and sensitive to risk, without significantly increasing banks' overall capital requirements.

Also under discussion is whether to set limits on capital deductions for entities that use internal models to calculate their capital requirements.

Although there is still much uncertainty, the new framework is expected to be approved in the first months of 2017 and come into force in 2021.

### Prudential regulation review in Europe

The European Commission published in November a new proposal of reforms on capital and resolution rules. These include:

- The introduction of new Basel international standards in the capital framework.
- Changes to the resolution framework. The *Single Resolution Board* (SRB) has been fully operational since 1 January 2016. It will set during 2017 a level indicative of the loss absorbing capacity for each institution (MREL and TLAC for the G-SIBs).

Santander is structured around subsidiaries that are autonomous in terms of capital and liquidity. As a result, it has a multiple point of entry approach, which means that the resolution of a particular subsidiary would not affect the other Group entities. Accordingly, the TLAC requirement is expected to be applied to each group's subsidiary, that must fulfil not only the local rules but also the European ones. This will require additional debt issues.

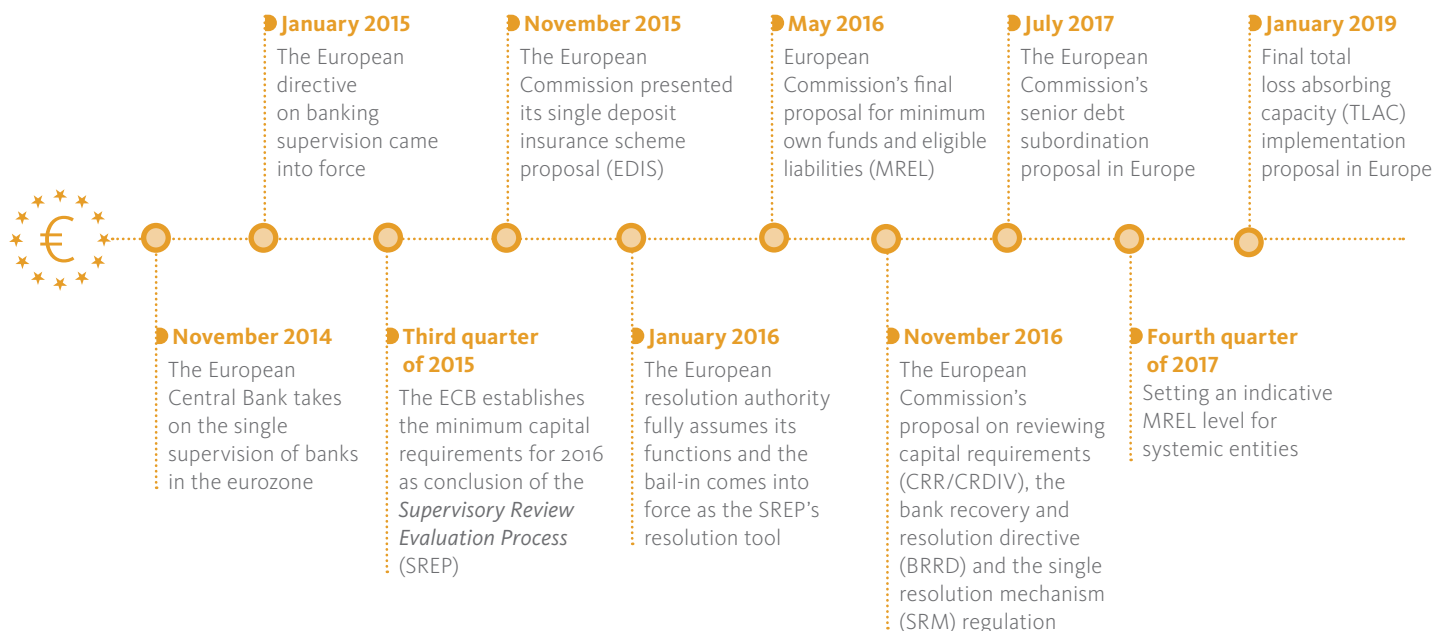
The Commission's proposal is the first step in a long legislative process. It is expected to come into force between 2019 and 2021.

Meanwhile, the European Banking Authority (EBA) and the European Central Bank (ECB) are reviewing the internal models used by the banks in Europe.



## European Banking Union

### Milestones in the construction of the European Banking Union



## Interaction between accounting and prudential rules

The regulatory bodies are working on bringing into force in 2018 the new international financial reporting standard (IFRS 9), which will change the calculation regarding the recognition of losses incurred in the banking system. The new accounting framework adapted to IFRS 9, which must also reconcile with the capital framework, will be defined in 2017.

There is still an intense political debate on the creation of a single European deposit insurance scheme (EDIS). The differences centre on how to carry out the gradual allocation of the fund envisaged for 2024 and to mitigate and share the risks among countries. The date for reaching an agreement is still not known.

## Banking supervision via the Single Supervisory Mechanism (SSM)

The number of banks supervised by the European Central Bank stood at 126 at the end of 2016.

Of note among the SSM's activities was the *Supervisory Review and Evaluation Process* (SREP). The supervisory team assigned to Santander had more than 100 meetings with the Bank in 2016.

At the end of 2016, the ECB sent to each bank the minimum capital requirements for the following year. In 2017, at consolidated level, Santander Group must maintain a minimum phase-in CET1 capital ratio of 7.75%, 9.25% for the phase-in T1 and a total phase-in ratio of 11.25%.

## SINGLE EUROPEAN MARKET

The European Commission continues to work on measures to strengthen and advance in the single European market.

- Action plan of the single capital market.
- Action plan of the Green Book on retail financial services.
- Digital agenda and initiatives to benefit the single digital market such as digital economy and data economy.
- Harmonisation of consumer protection regulations.

Member states face an important schedule for implementing rules that will come into force in 2018, such as data protection regulations, the cybersecurity directive, the directive on payment services and the Markets in Financial Instruments Directive (MiFID II), which will play a key role in developing retail and digital banking.

**SRB** (Single Resolution Board): single European mechanism for the resolution of failing banks.

**TLAC** (Total Loss Absorbing Capacity): loss absorbing capacity of globally systemically important banks.

It enables the bail-in to be carried out: the investors, rather than the taxpayers, assume the liabilities.

**MREL**: Minimum Requirement for own funds and Eligible Liabilities.

Similar to the TLAC for globally systemically important banks, the MREL is applied to European banks.

**G-SIB**: Globally Systemically Important Banks.

**SREP**: the Supervisory Review and Evaluation Process of banks performed by the European Central Bank.

**CRDIV**: the EU's Capital Requirements Directive.

**BRRD**: the EU's Bank Recovery and Resolution Directive.

**SRMR**: the Single Resolution Mechanism Resolution in the EU.

**MiFID** (Markets in Financial Instruments Directive): European rules on investor protection in relation to financial products.

# Santander Group key data

Balance sheet (million euros)	2016	2015	%2016/2015	2014
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
Shareholders' 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 euros)	2016	2015	%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 profit attributable to the Group	6,621	6,566	0.8	5,816
Attributable profit to the Group	6,204	5,966	4.0	5,816

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

Solvency and NPL ratios (%)	2016	2015	%2016/2015	2014
CET1 Fully loaded	10.55	10.05		9.65
CET1 Phase-in	12.53	12.55		12.23
NPL ratio	3.93	4.36		5.19
Coverage ratio	73.8	73.1		67.2

Market capitalisation and shares	2016	2015	%2016/2015	2014
Number of shares (million)	14,582	14,434	1.0	12,584
Share price (euros)	4.959	4.558	8.8	6.996
Market capitalisation (million euros)	72,314	65,792	9.9	88,041
Tangible Book value (euros)	4.22	4.07		4.01
Price/ tangible book value (X)	1.17	1.12		1.75
P/E ratio (X)	12.18	11.30		14.59

Other data	2016	2015	%2016/2015	2014
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

(\*) Variations w/o exchange rate: Net interest income: +2.3%; Gross income: +2.5%; Net operating income: +1.6%; Underlying attributable profit: +10.5%; Attributable profit: +15.1%

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

Note: RoE, RoTE y CET1, proforma data including the January 2015 capital increase.



For more information about the results of the Group and its main units see pages 96 to 157 of Banco Santander's 2016 Annual Report.

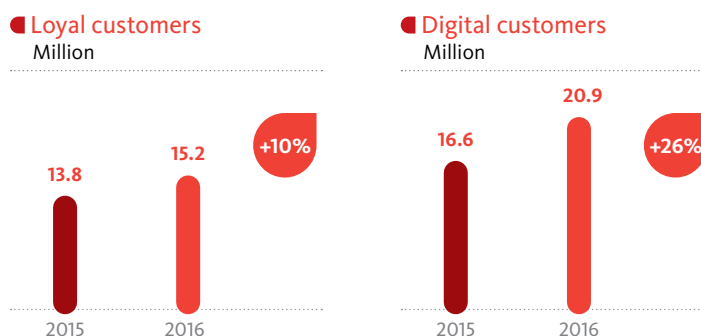


# Results

## The commercial transformation is driving growth in loyal and digital customers

During 2016, Santander advanced in its customer loyalty strategy in all its markets with the launch of various strategies and high value-added products. The Bank strengthened its multichannel offering with new apps for mobile banking, development of biometric identification and the launch of new means of payment facilities in several of its markets.

These measures increased the number of loyal customers by 1.4 million (individuals: +9% and companies: +29%) and digital customers by 4.3 million (notable growth of 53% in mobile banking customers).

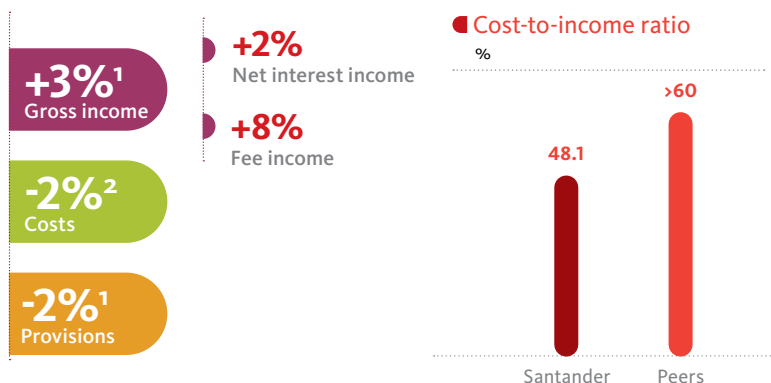


## Recurrent growth in commercial revenues. Emphasis on cost control and lower provisions

The loyalty strategy enabled commercial revenues to rise in eight of the Group's 10 core units. Of note was the increase in fee income.

Thanks to the efficiency plan, the investments in the commercial transformation and the higher regulatory costs were absorbed. As a result, operating expenses fell on a like-for-like basis and discounting inflation. Santander remains one of the world's most efficient banks. It is among the Top 3 for customer satisfaction in eight of its nine core countries.

Provisions continue to decline.

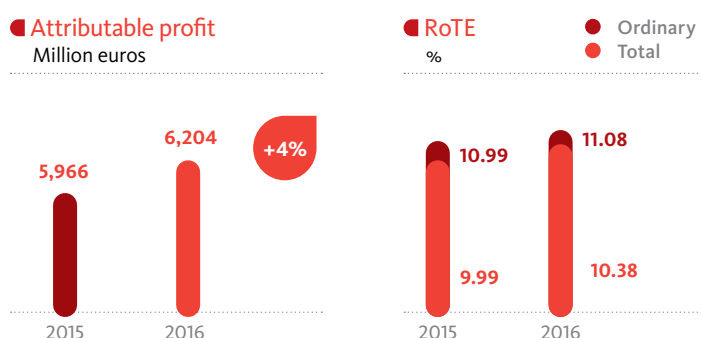


1. Constant euros; 2. Excluding perimeter and inflation.

## Solid growth in pre-tax profit and value creation for our shareholders

Underlying profit before taxes rose 12% (in constant euros) and increased in nine of the Group's 10 core units. Attributable profit was up 4% to €6,204 million.

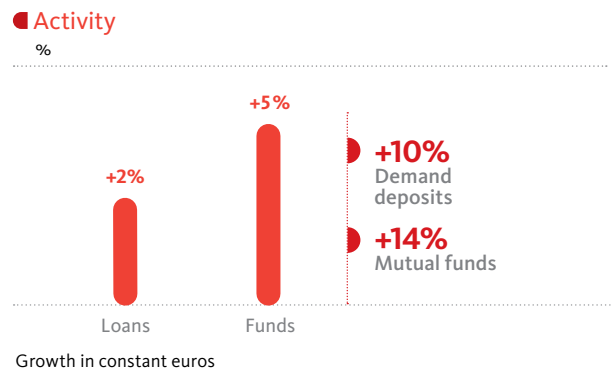
The positive trend in the income statement enabled Santander to meet its financial objectives and consolidate itself as one of the European banks with the best shareholder return.



# Balance sheet

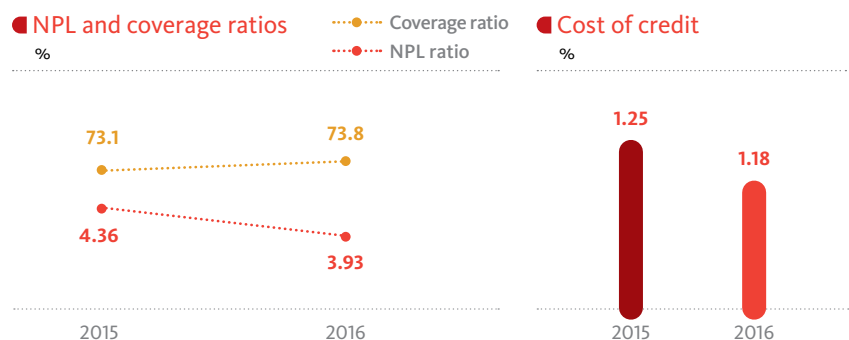
## Greater activity in a challenging environment

In an environment of low interest rates and economic recovery, Santander maintained constant growth in its commercial activity, both loans and customer funds in almost all its markets, supporting its corporate clients in their expansion plans and helping individual customers to satisfy their financial needs.



## Enhanced credit quality ratios

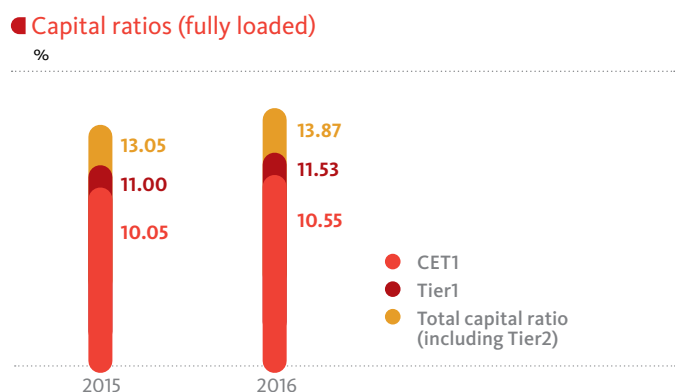
Santander maintained its traditional prudence in risks and continued to reduce the NPL ratio and increase the coverage ratio. The cost of credit continued to fall and was in line with the objectives announced to the market.



## Capital strength underpinned by organic generation

Santander maintained solid capital ratios appropriate for its business model, balance sheet structure and risk profile. The organic generation of capital (€3,363 million in 2016) enabled capital to increase, business growth to be financed and an increased cash dividend to be paid.

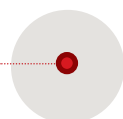
In the stress tests conducted by the European Banking Authority, Santander is the bank that destroys least capital among its competitors in the adverse scenario.





# Results by countries and businesses

## Spain



Santander Spain is maintaining its 1|2|3 strategy to boost loyalty in the medium and long term and improve the quality of service.

**+32%**

loyal customers

**+13%**

digital customers



New model of Santander branch in Spain.



**STRATEGIC PRIORITIES**

Profitable growth

Bank of choice for corporates

Improve efficiency and customer experience

Best bank to work for

### 2016

#### HIGHLIGHTS

- As part of the **1|2|3 World** programme, a new means of payment strategy that focuses on improving **customer loyalty** was implemented.
- There were increases in loyal customers (+27%), commercial productivity (50% of production comes from 1|2|3 customers) and investment in profitable products (market share increased by 230 b.p. in new consumer lending production).
- New lending** to individuals rose 16%. By products, consumer credit (+91%) and mortgages (+18%) fuelled growth.
- Santander continued to support SMEs (+48% in loyal SMEs).
- The **NPL ratio** dropped to 5.41% (-112 b.p.).
- An **efficiency plan** was implemented which saw optimisation of small branches and the creation of a new and larger branch model which enables better advice and service to be given to customers, as well as the integration with digital channels. Santander remained among the Top 3 in customer satisfaction among Spanish banks.
- Santander Spain continued to be the leader in the wholesale banking segment, as well as in private banking and Select customers.
- Santander has brought **ApplePay** to Spain on an exclusive basis. This mobile payment service demonstrates the Bank's commitment to digital innovation. In addition, other payments services, such as the Wallet app and the contactless payment bracelet, have been launched.
- LaLiga Santander** came into being. This strategic sponsorship agreement gives the Bank projection and visibility, further enhances its brand image and brings it close to customers.

#### Key data



**EMPLOYEES**  
23,017



**CUSTOMERS (million)**  
12.8



**LOANS**<sup>12</sup>  
150,960 (-4%)



**ATTRIBUTABLE PROFIT**<sup>1</sup>  
1,022 (+ 5%)



**CONTRIBUTION TO GROUP PROFIT**  
**12%**

1. Million euros.

2. Change without repos.

# Santander Consumer Finance



SCF is Europe's market leader in consumer finance and specialises in auto finance and in loans for the purchase of durable goods, personal finance and credit cards.

It has a presence in Germany, Austria, Belgium, Denmark, Spain, Finland, France, Netherlands, Italy, Norway, Poland, Portugal, United Kingdom, Sweden and Switzerland.



Santander Consumer Finance branch in Germany.



## STRATEGIC PRIORITIES

Maintain profitability and gain market share

Manage agreements with vehicle manufacturers proactively

Speed up the digitalisation of the business

## 2016 HIGHLIGHTS

- SCF is among the **Top 3 in the markets in which it operates**. It generates recurring profits throughout the economic cycle and offers a unique value proposition among its competitors.
- It has an **extensive network of agreements with more than 130,000 associated points of sale** (car dealers and retailers).
- It offers financing solutions via innovative platforms.
- It has **substantial capacities in risk management and recoveries** that make it possible to maintain high credit quality.
- The **evolution of results (+18%) reflects higher growth in gross income than costs, a fall in provisions with a cost of credit of 0.47%** and an efficiency ratio (44.7%) better than that of its competitors.

- Of note among the units was the good performance of profits in Spain, the Nordic countries and Italy.
- The **agreements signed** in the last few years have consolidated SCF's leadership position in its markets:
  - The agreement with Banque PSA Finance (BPF) to create joint ventures in 11 countries was completed.
  - GE Money was integrated in the Nordic countries.
- All countries registered growth in new lending (+17%).

## Key data



**EMPLOYEES**  
14,928



**CUSTOMERS (millions)**  
17.9



**LOANS<sup>1,2</sup>**  
87,742 (+14%)



**ATTRIBUTABLE PROFIT<sup>1</sup>**  
1,093 (+18%)



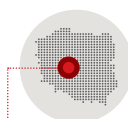
**CONTRIBUTION TO GROUP PROFIT**  
**13%**

1. Million euros. Change in constant euros. 2. Change without repos.



# Poland

## Bank Zachodni WBK



One of the Poland's main banks, the leader in mobile and online banking and second in the card market.



Bank Zachodni WBK branch in Poland.

**+4%**  
loyal  
customers

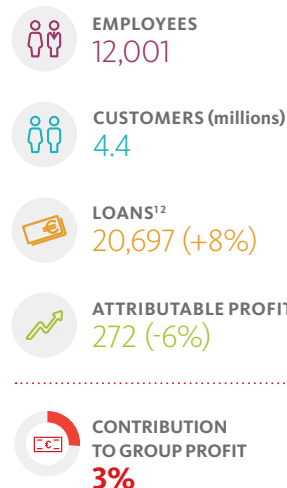
**+5%**  
digital  
customers

1. Million euros, change in local currency.  
2. Change without repos.

### 2016 HIGHLIGHTS

- **In order to increase loyalty and the number of digital customers**, Bank Zachodni WBK continued to develop its electronic channels: **BZWBK24 received several awards** as one of the best mobile banking apps in Poland as well as internationally.
- **Firmowe Ewolucje (Business Evolutions) was launched**, an online platform to help SMEs do business in the virtual world and expand into foreign markets.
- **Loans increased 8% year on year, well above the market pace**, with the focus on SMEs and mortgages.
- **Growth in commercial revenue** and improvement in credit quality. The 2016 profit was affected by the new tax on assets, excluding this effect profit grew 14%.
- *Euromoney* magazine recognised **Bank Zachodni WBK** as the **Best Bank in Poland in 2016**.

### Key data



# Portugal

## Santander Totta



Portugal's most profitable bank, with market shares of around 14% in loans and deposits.



Santander Totta branch in Portugal.

**+21%**  
loyal  
customers

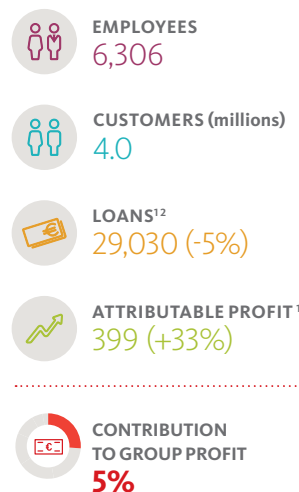
**+32%**  
digital  
customers

1. Million euros. 2. Change without repos.

### 2016 HIGHLIGHTS

- Following the acquisition of most of Banif's assets and liabilities in December 2015, Santander Totta became Portugal's **second largest private sector bank**. The technological and operational integration was completed in less than a year.
- The bank continued to focus on structural improvements to its commercial model to boost efficiency and the quality of customer service, via the CRM platform, a multichannel offering and streamlined processes. This was reflected in **gains in market share in loans to companies**.
- **The 1|2|3 World programme evolved well**, with significant increases in the number of accounts, credit cards and protection insurance.
- Among the awards Santander Totta received in 2016 was **Best Bank in Portugal**, from both *Euromoney* and *Global Finance*.

### Key data



# United Kingdom



Santander UK aims to deepen customer loyalty, and improve customer experience through digitalisation and product simplification.

**+3%**  
loyal  
customers

**+25%**  
digital  
customers



Santander UK branch in the United Kingdom.



## STRATEGIC PRIORITIES

Grow customer loyalty and market share

Deliver operational and digital excellence

Growing profitability and a strong balance sheet

## 2016 HIGHLIGHTS

- The UK's decision to leave the EU has led to economic uncertainty and financial market volatility. **Santander's commitment to British businesses, customers and our people remains as strong as ever.**
- **Strong performance for 2016 with solid business growth**, increased cost discipline and good credit quality – all supported by robust UK economic growth.
- **11213 World now has 5.1 million customers** (up 483,000 in 2016). Current account balances continued to grow (£11,600 million in 2016) and resulted in fee income growth.
- **Digital customers reached 4.6 million**, delivering continual improvement in customer experience. Investment made in new technology such as voice banking capabilities and a digital end-to-end mortgage application process, which can be completed in under an hour.
- **Santander UK continued to support the housing market.** Gross mortgage lending stood at £25,800 million, including loans to 25,300 first-time buyers.

- **Santander UK continued to support UK companies**, despite a competitive environment, economic uncertainty and the slowdown in SMEs activity. Lending was up 3%.
- **Operational efficiency is underpinned by digitalisation and product simplification.** The efficiency ratio improved to 51%, reflecting increased cost discipline.
- **Pre-tax profit increased by 8%.** Attributable profit was affected by the new bank corporation tax surcharge.
- **Santander UK maintained a strong balance sheet.** CET1 capital ratio was 11.6%. The NPL ratio also improved to 1.41%.

## Key data



**EMPLOYEES**  
25,688



**CUSTOMERS (millions)**  
25.3



**LOANS<sup>1,2</sup>**  
242,510 (+2%)



**ATTRIBUTABLE PROFIT<sup>1</sup>**  
1,681 (-4%)



**CONTRIBUTION TO GROUP PROFIT**  
**20%**

1. Million euros, change in local currency. 2. Change without repos.



## Brazil



In a challenging economic environment, Santander Brazil showed the strength of its banking model, registering a sharp growth in profit and accelerating its commercial transformation to focus on the customer.

### +16%

loyal customers

### +45%

digital customers



Santander's headquarters in São Paulo, Brazil.



### STRATEGIC PRIORITIES

Focus on revenue growth

Gain market share in acquiring, consumer credit, SMEs, etc.

Digital transformation

Risk management and recoveries

## 2016 HIGHLIGHTS

● **Santander Brazil posted growing profit in 2016 thanks to its approach to commercial activity, risk** (NPL ratio below the average of private sector banks), **and costs**, which are well-balanced (via initiatives such as the 'Fit to grow' programme).

● **Solutions to improve the customer experience:** Acquisition of 100% of the digital prepaid platform *Conta Super*; streamlining of processes with solutions such as *Clique Único*, for digitalisation of administrative work previously done on paper and reduce customer response time. The mobile banking app has become a benchmark in the market and has been valued highly in Apple Store and Google Play, while e-commerce sales have tripled.

● **The bank has 6.4 million customers that regularly use digital services.**

Transactions made through digital channels represented 73% of total transactions and 6.3 million customers use biometric identification systems.

● **Strengthening of businesses:** *Santander Financiamentos* created joint ventures

with Hyundai and Banco PSA Finance and launched a new digital model to improve the sales process. In wholesale banking, Santander participated in the country's largest mergers and acquisitions reaching the leading position on the rankings.

● **Innovation in retail banking:** in the pay roll business, creation of *Olé Consignado* with Banco Bonsucesso; innovative initiatives in payments instruments (*Santander Way*, *Getnet*, arrangement with American Airlines). In the SME segment, in addition to its financial services, the bank has *Avançar*, a programme that helps businesses with staff training and international expansion.

● Santander is among the **best companies to work** for in Brazil, according to *Great Place to Work*.

● Santander Brazil included social and environmental aspects in the credit analysis of more than 1,000 companies in the corporate customer segment.

## Key data



EMPLOYEES  
46,728



CUSTOMERS (millions)  
34.3



LOANS<sup>1,2</sup>  
80,306 (+0.4%)



ATTRIBUTABLE PROFIT<sup>1</sup>  
1,786 (+15%)



CONTRIBUTION TO GROUP PROFIT  
21%

1. Million euros, change in local currency. 2. Change without repos.

# Mexico



Santander Mexico is the country's third largest bank per loan portfolio with a 14% market share. Its main strength is innovation in customer service.

**+16%**  
loyal  
customers

**+46%**  
digital  
customers



Santander's headquarters in Mexico.



## STRATEGIC PRIORITIES

Be the 2nd or 3<sup>rd</sup> main operator in most segments

Improve the retail banking franchise

Improve infrastructure and digitalisation

Increase the RoTE to close to 17%

## 2016 HIGHLIGHTS

- Focus on customer loyalty with the launch of programmes such as Santander Plus**, the most innovative available from banks in Mexico, which pays cashback to customers on the basis of their transactions. This programme attained 1.1 million customers in its first year.
- Total annual lending growth of 8%.** Companies, SMEs and consumer credit stand out.
- Santander-Aeroméxico travel card**, the best offer of its kind in Mexico, has 430,000 cards have been issued since the launch, and will be managed exclusively by Santander for the next 10 years.
- A better, simpler and more innovative mortgage offering:** the range was reduced from four products to two, and included the launch of Hipoteca Personal, the only one in Mexico that offers a tailored interest rate based on the customer's profile.
- The number of digital customers rose 46% to 1.3 million.** The Digital Suite, the digital banking offer that integrates different services, includes products such as the *Súper Cuenta Go*, which enables accounts to be opened and managed completely digitally. The customer can also check prices for insurance, with the Segurómetro, make investments online and control spending via an app.
- Santander Mexico will allocate MXN 15,000 million** over the next three years to strategic investments and initiatives, notably to modernise channels, systems and infrastructure.
- International Finance Magazine (IFM)* recognised Santander as the **Most Socially Responsible Bank in Mexico**. It also achieved first place in the banking sector and second in the total ranking of the Mexican stock market's IPC Sustainable index.

## Key data



**EMPLOYEES**  
17,608



**CUSTOMERS (millions)**  
13.4



**LOANS<sup>1,2</sup>**  
28,017 (+8%)



**ATTRIBUTABLE PROFIT<sup>1</sup>**  
629 (+18%)

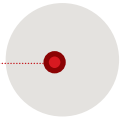


**CONTRIBUTION TO GROUP PROFIT**  
**8%**

1. Million euros, change in local currency. 2. Change without repos.



## Chile



Santander is the country's leading private sector bank in terms of assets and customers



Work café in Chile.

**+8%**  
loyal  
customers

**+4%**  
digital  
customers

1. Million euros, change in local currency. 2. Change without repos.

## Argentina Santander Río



Santander Río consolidated itself as the country's leading private sector bank following its acquisition of Citi's retail business.



Santander Select branch in Argentina.

**+6%**  
loyal  
customers

**+20%**  
digital  
customers

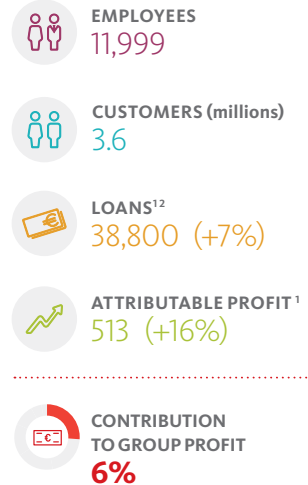
1. Million euros, change in local currency. 2. Change without repos.

\* Operation subject to authorization by the relevant authorities.

### 2016 HIGHLIGHTS

- In 2016 Santander Chile registered a **substantial improvement in the indicators of customer satisfaction** thanks to the simplification of processes and a greater focus on the customer and this closing the gap with the main competitors in terms of quality of service.
- Innovative model of work/café branches**, a new way of doing banking that adapts to society's changes. These branches have coffee shops along with an ample working area open to anyone, with free Wi-Fi.
- Increase in the market shares** of loans and deposits in 2016. Total lending increased 7%. Of note was the market share gain of 22 bp. Customer deposits rose 7%.
- Santander was voted the Best Bank in Chile by *Euromoney* and Bank of the Year by *LatinFinance* magazine.

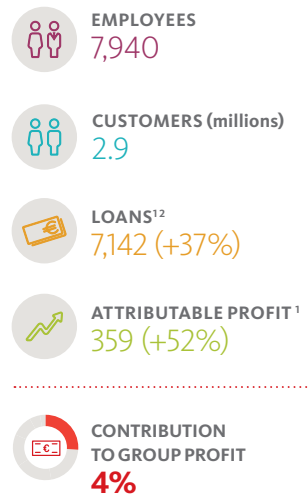
### Key data



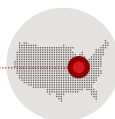
### 2016 HIGHLIGHTS

- Santander Río will incorporate 500,000 individual customers and a 70-branch network** by acquiring the retail business of Citibank Argentina\*. This operation includes an agreement with American Airlines and its AAdvantage® frequent traveller programme.
- 17 new branches were opened and 246 branches transformed. **Santander Río pioneered in innovation by opening the country's first digital branch.**
- Improved internal processes: **the +CHE CRM system was implemented** in the branch network in order to offer the most appropriate services at the best moment and via the most suitable channel.
- Credit and deposits market share increase.
- Santander Río** was top of the **Great Place to Work** ranking, was named Best Digital Bank in Argentina by *Global Finance* magazine and **Best Bank 2016** by *Euromoney* and the *Banker*.

### Key data



## United States



Santander US made significant progress toward its goals: improving digital capabilities, enhancing product offerings and meeting regulatory obligations to build a strong business and better serve customers.

**+5%**  
loyal  
customers

**+26%**  
digital  
customers



Santander branch in the United States.



### STRATEGIC PRIORITIES

Enhance customer experience

Meet regulatory requirements

Improve profitability

Maintain leadership in auto finance

### 2016 HIGHLIGHTS

- Santander's business in the US focuses on retail and corporate banking via **Santander Bank** and auto finance via **Santander Consumer USA**. It also has an investment banking business, wealth management capabilities for non-US residents, and retail and commercial banking in Puerto Rico.
- In 2016, Santander US completed the creation of an intermediate holding company, Santander Holdings USA (SHUSA), which brings together the country's units under a single management and governance structure in order to manage risk and capital more effectively.
- **Santander US continued making significant progress toward meeting its regulatory obligations in 2016.** The team made critical investments to improve its technological, financial control and risk management capabilities. This justifies in part the fall in profit in 2016.
- **Santander Bank**, which has a significant presence in the Northeastern U.S., focused in 2016 on strengthening customer relationships, enhancing the product offerings and improving its digital capabilities.

- **The number of digital banking customers increased 26%**, spurred by the launch of a new mobile application that enables customers to access their account information more easily through fingerprint technology. This, coupled with increased marketing, drove core deposit growth of 4%
- Santander Bank achieved this growth while lowering its deposit costs in a rising interest environment.
- Corporate and Commercial Banking grew its loan book by 16%. In wholesale banking, the continued focus was on offering products tailored to customers' needs and **leveraging global connections within the Group.**
- **Santander Consumer USA** is one of the country's leading auto finance companies, with an efficient, scalable infrastructure that enables it to achieve its profitability goals. Its strategy focuses on optimizing its customer mix; leveraging its Chrysler Capital platform for growth; maintaining its leadership position in the ABS market; and strengthening its programs in operational risk, compliance, and consumer practices.

### Key data



**EMPLOYEES**  
17,509



**CUSTOMERS (millions)**  
5.2



**LOANS<sup>1,2</sup>**  
89,638 (-2%)



**ATTRIBUTABLE PROFIT<sup>1</sup>**  
395 (-42%)



**CONTRIBUTION TO GROUP PROFIT**  
**5%**

1. Million euros, change in local currency. 2. Change without repos.



# Santander Global Corporate Banking (SGCB)

SGCB

SGCB is the global business division focused on corporate customers and institutions that, due to their size or sophistication, require a tailored service or value-added wholesale products.



## STRATEGIC PRIORITIES

Consolidate position as experts on Latin America

Develop high value-added products with low capital consumption

Increase the offer of products for commercial banking customers

## 2016

### HIGHLIGHTS

- **SGCB attained leading positions** in Cash Management, Export Finance, syndicated corporate loans, capital markets and structured finance in Europe and Latin America.
- **Cash Management** performed well, particularly in Latin America, due to high interest rates.
- **Export Finance** maintained its growth trend, and consolidated its position as a reference in the industry.
- **Trade & Working Capital Solutions.** SGCB strengthened its capabilities and product offering in the Receivables business in order to be the leading bank in this segment.
- SGCB remains the leading bank in Europe and Latin America with top level participations in significant **syndicated corporate lending** transactions.
- **In structured financing, it maintained a clear leadership position**, both in Latin America and core geographies in Europe.
- **In market activity, positive trend in revenues from the customers business**, particularly in the corporate segment with strong growth in Latin America.
- **In capital markets**, SGCB continued to participate in the main transactions in Europe and Latin America.
- **The efficiency exercises conducted by SGCB** in various countries enabled costs to be held down, particularly in Spain and the United States.
- **The trend of the results (+30% in constant euros)** is based on the strength and diversification of customer revenues.

### Key data



**LOANS<sup>12</sup>**  
96,796 (+0.2%)



**ATTRIBUTABLE PROFIT<sup>13</sup>**  
2,089 (+30%)



**CONTRIBUTION TO GROUP PROFIT**  
**25%<sup>3</sup>**

1. Million euros, change in constant currency. 2. Change without repos.  
3. This global unit's result is included in countries' profit figures.

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# General information

## Banco Santander, S.A.

The parent group of Grupo Santander was established on 21 March 1857 and incorporated in its present form by a public deed executed in Santander, Spain, on 14 January 1875, recorded in the Mercantile Registry of the Finance Section of the Government of the Province of Santander, on folio 157 and following, entry number 859. The Bank's By-laws were amended to conform with current legislation regarding limited liability companies. The amendment was registered on 8 June 1992 and entered into the Mercantile Registry of Santander (volume 448, general section, folio 1, page 1,960, first inscription of adaptation).

The Bank is also recorded in the Special Registry of Banks and Bankers 0049, and its fiscal identification number is A-390000013. It is a member of the Bank Deposit Guarantee Fund.

## Registered office

The Corporate By-laws and additional public information regarding the Company may be inspected at its registered office at Paseo de Pereda, numbers 9 to 12, Santander.

## Corporate center

Santander Group City  
Avda. de Cantabria s/n  
28660 Boadilla del Monte  
Madrid  
Spain

## General information

Telephone: 902 11 22 11 (Central Services)

Telephone: 91 289 00 00 (Customer support central services)

[www.santander.com](http://www.santander.com)

## Relations with investors and analysts

Santander Group City  
Edificio Marisma, Planta Baja  
Avda. de Cantabria, s/n.  
28660 Boadilla del Monte  
Madrid  
Spain  
Telephone: +34 91 259 65 14

## Customer attention department

Santander Group City  
Avda. de Cantabria s/n  
28660 Boadilla del Monte  
Madrid  
Spain  
Telephone: 91 257 30 80  
Fax: 91 254 10 38  
[atencle@gruposantander.com](mailto:atencle@gruposantander.com)

## Ombudsman

Mr José Luis Gómez-Dégano,  
Apartado de Correos 14019  
28080 Madrid  
Spain

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All customers, shareholders and the general public can use Santander's official social network channels in all the countries in which the Bank operates.





