

Santander acquires Popular, becoming the leading bank in Spain

- The acquisition takes place following an auction conducted by the Single Resolution Board and FROB in which Santander was selected as the successful bidder. As a result the resolution of Banco Popular will be concluded without any taxpayer support.
- The combination of Santander and Popular creates Spain's largest bank by lending and deposits, with 17 million customers. In Portugal, the combined bank will serve over 4 million customers.
- To strengthen Popular's balance sheet, Santander will complete a rights issue to raise €7 billion. Existing shareholders will have preferential rights.
- The transaction is expected to generate return on investment of 13-14% in 2020 and be EPS accretive by 2019.
- Santander expects to continue to meet all its commercial and financial commitments for 2017-18, including growth in Earnings Per Share, Dividend Per Share, TNAV per share and capital. We believe that the transaction will accelerate growth across all of the Group's key performance indicators for 2019 and beyond.

Banco Santander Group Executive Chairman, Ana Botín, said:

"We welcome Banco Popular customers as part of the Santander Group and will work hard to continue serving them at the highest standards through the transition and beyond. The combination of Santander and Popular strengthens the Group's geographic diversification at a time of improving economic conditions in both Spain and Portugal, and will allow us to continue to deliver for customers and shareholders on all our commitments."

Madrid, 7 June 2017 - PRESS RELEASE

Banco Santander today announces that it has acquired Banco Popular. The acquisition takes place following an auction conducted by the Single Resolution Board and FROB in which Santander was selected as the successful bidder, paying a notional consideration of €1.

As part of the transaction Santander will complete a rights issue for a total amount of €7 billion. This will cover the capital and provisions required to strengthen Popular's balance sheet. Existing shareholders will be given preferential subscription rights. The rights issue is underwritten.

The integration of Santander and Popular will significantly enhance Santander's franchises in both Spain and Portugal. In Spain the bank will become the leading bank by both lending and deposits, serving over 17 million customers with a credit market share of c.20%. The combined business, which will operate under the Santander brand, will have a 25% market share in SME lending in Spain - a key driver of economic growth for the country.

Growing the SME franchise in Spain is a key strategic priority for the Group. The transaction will improve the diversification of business lines in the country and increase exposure to more profitable business segments at a positive stage in the economic cycle.

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In Portugal, the integration of Popular with Santander Totta will accelerate growth and strengthen market shares in both lending and deposits, enhancing Totta's position as the leading privately owned bank in the country, with over 4 million customers.

The acquisition is expected to generate a return on investment of 13-14% in 2020, and an increase in Earnings Per Share (EPS) in 2019. The combined business will benefit from increased profitability with strong potential for further revenue growth. The expected cost synergies of close to €500 million per year from 2020 will lead to efficiency ratios that are among the best in both Spain and Portugal.

The acquisition meets Santander's strategic and financial investment criteria, with future enhancements expected in all key financial performance metrics for the Group. It is also consistent with our ongoing commitment to consider add-on acquisitions within our core markets where they add value to customers and shareholders.


To bring Popular's provisions and capital in line with the rest of the Group, Santander will make additional provisions for non-performing assets of €7.9 billion, including €7.2 billion for real estate. This will increase coverage for real estate assets and real estate non-performing loans from 45% to 69%, significantly above peer average (52%). The Group expects to reduce Popular's real estate exposure significantly as it has done at Banco Santander in recent years.

Following completion of these actions, the impact on the Group's CET1 capital ratio is expected to be neutral, while the transaction will significantly enhance Santander's capacity to generate capital organically going forward. Santander maintains its commitment to increase its CET1 capital ratio to above 11% in 2018.

The combined entity will be led by the current management team of Santander Spain with Rami Aboukhair as CEO.

Key Facts – Banco Popular

<i>December 2016</i>	Spain	Portugal
Customer Loans	€89,202m	€6,415m
Customer Funds	€88,887m	€5,747m
Customers	4.1m	0.3m
Branches	1,644	118
Employees	10,479	901

<i>Market share</i>	 Santander	Popular	Combined
Lending - Spain	12.3%	7.2%	19.5%
Cust. Funds - Spain	13.1%	5.7%	18.8%
SMEs - Spain	11.1%	13.8%	24.8%
Lending - Portugal	14.7%	2.8%	17.5%
Deposits - Portugal	13.3%	2.3%	15.5%

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