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Santander Emerges From Rough Patch With Capital to Spend

Strong quarter spells good news for Ana Botin, who has struggled to convince markets that Santander should be valued like a global bank



Ana Botin presents Santander's 2019 results in Boadilla del Monte, Spain on Wednesday. PHOTO: PIERRE-PHILIPPE MARCOU/AGENCE FRANCE-PRESSE/GETTY IMAGES

By [Patricia Kowsmann](#) and [Pietro Lombardi](#)

Jan. 29, 2020 7:35 am ET

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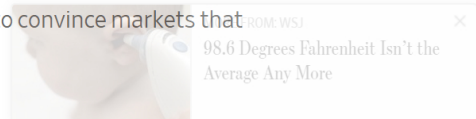
Banco Santander SA's [SAN 4.38%](#) ▲ boss Ana Botin said Wednesday that the Spanish bank is considering how to spend its excess capital, highlighting how concerns of European banks are moving away from building rainy day buffers toward triggering investor-friendly moves such as dividend increases and share buybacks.

Santander, whose operations span from its home in Spain to Brazil and the U.S., said earlier in the day that its core tier 1 ratio, a key measure of balance-sheet strength, rose to 11.65% at the end of December, compared with 11.30% as of September. The bank expects it to rise further to close to 12% by year-end. Santander attributed the rise to strong results, particularly in Mexico, the U.S. and Brazil.

The higher capital is good news for Ms. Botin, who has struggled to convince markets that Santander is a global bank that should be valued as such. Shares of the bank, which fell more than 6% last year, were up more than 4% on Wednesday.

In a call with analysts, Ms. Botin said the comfortable capital position would allow the bank to consider raising dividends faster, buy back shares and take advantage of “opportunities for profitable growth.”

“We will have to find a balance between these options,” she said, adding there are no merger and acquisitions plans. The bank’s most



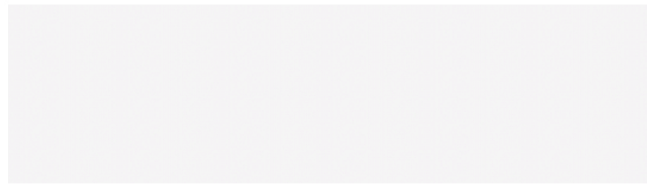
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adding there are no merger and acquisitions plans. The bank's most recent major bank acquisition was of Spanish rival Banco Popular Español SA, which it snapped up in 2017 for the nominal amount of €1 after the European Central Bank determined the ailing lender was near collapse.



Italy's largest bank, [UniCredit SpA](#), dogged for years by bad loans and a weak economy, has also recently pledged share buybacks and dividend increases as part of a four-year plan that also includes cuts in jobs and costs.

Investors holding European banking shares have suffered over the past years amid challenging conditions for the sector, which is suffering from a [low interest rates](#), uncertainty in domestic and global economies and tough regulatory requirements.

The European Central Bank, which supervises the eurozone's largest banks, said Tuesday that it was [broadly satisfied with banks](#) when it comes to capital, but raised concerns over sector profitability and weak governance at some institutions. The regulator is trying to encourage mergers among banks to strengthen the Continent's banking system.

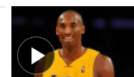
Santander on Wednesday reported a 35% rise in fourth-quarter net profit to €2.78 billion (\$3.06 billion), beating analysts' expectations of €2.59 billion.

The results include €711 million in capital gains, mostly related to the agreement the bank reached in April last year with [Credit Agricole SA](#) to combine their custody and asset-servicing operations. On an underlying basis, net profit rose 2% on year. Revenue for the quarter was €12.33 billion.

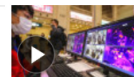
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