

fastFT Banco Santander SA

Santander profits rise on robust results in Brazil and Spain

UK operations see improvement but Argentina weighs on Spanish bank's earnings



Executive chairman Ana Botín said Santander's operations in Brazil and Mexico were building on the momentum generated in previous quarters © Bloomberg

Michael Stothard in Madrid and **Stephen Morris** in London OCTOBER 31 2018

A healthy performance in Brazil and Spain helped offset weakness in Argentina for [Banco Santander](#), helping the eurozone's largest bank by market value to report a 36 per cent rise in net profits in the third quarter.

The Spanish bank reported net profit of €1.99bn in the July to September period, slightly ahead of analysts' estimates. For the nine-month period, net profits were up 13 per cent to €5.7bn, the company said on Wednesday.

The results sent shares up more than 4 per cent. However, like many European banks [Santander's stock](#) has fallen 27 per cent in the past year

amid concerns about persistently low interest rates and the financial system's exposure to Turkey and Italy.

Continued problems in Argentina weight on results for the third quarter. Severe inflation and weakness in the economy led the bank to take a capital loss of €169m on operations in the country. Argentina represents 1 per cent of the company's profits.

But elsewhere, particularly in the two key markets of Brazil and Spain, the situation was more rosy. In Brazil, net profits over nine months were up 2 per cent to €1.9bn, or 24 per cent at constant exchange rates. In Spain, net profits were up 27 per cent to €1bn.

In the UK, Santander said the bank has seen an improvement in the third quarter compared with the second quarter, adding that there had been a 5 per cent quarter-on-quarter increase in profits at constant exchange rates.

Over the nine months, however, net profit was still down 10 per cent to €1.1bn compared with the same period in 2017. This was partly because of the ongoing "uncertainty regarding Brexit", said the bank.

Ana Botín, Santander's executive chairman, said: "In Brazil, Mexico and Spain we are building on the strong momentum we have generated in recent quarters."

She added that "in the UK performance is improving quarter-on-quarter, despite the ongoing uncertainties and headwinds".

A note from BBVA said the results showed that the "recovery remains on track, driven by a stronger Spain and the improvement in a surprisingly resilient UK". A note from Jefferies said they were "solid enough numbers . . . with step up in capital ratios also a boost".

[Santander](#) managed to increase its fully loaded core capital ratio, a measure of financial strength, by 31 basis points to 11.11 per cent, above its own target of 11 per cent for the end of the year.

In the nine-month period, Brazil was the largest contributor to group earnings, with 26 per cent of total underlying profit, followed by Spain with 17 per cent, and the UK with 14 per cent.

In September Ms Botín [named Andrea Orcel](#), UBS's investment banking head and a longtime deal adviser to the Botín family, as Santander's next chief executive. This was taken by many as an indication that she is positioning the bank to make a transformative acquisition, potentially bulking up in the US, as she moves to address its flagging valuation.

Four generations of Botíns, particularly her father Emilio, built up Santander into Spain's biggest bank through a series of audacious deals across Europe and the Americas.

Since taking over in 2014, Ms Botín has spent most of her time getting the house in order, replacing swaths of underperforming managers, overhauling its technology and mending relations with regulators.

On Wednesday, José Antonio Alvarez, Santander's chief executive, said his successor would focus on organic growth, but will look into opportunities in existing core markets "as we always did".