# MR. HÉCTOR GRISI’S SPEECH

2024 ANNUAL GENERAL MEETING

Dear shareholders,

Good morning shareholders and thank you very much for attending this Annual General Meeting.

I will focus on the following three main points:

1. First, I will review how we achieved our excellent results in 2023.

2. Then, I will spend a few minutes explaining our performance in our main markets.

3. And finally, I will give more details on the 2024 priorities that we established for our global businesses.

2023 was a year of **some uncertainty globally**, with new geopolitical conflicts in addition to ongoing ones from previous years. It was also a year with other global trends, such as the emergence of technological advances, that could end up representing a paradigm shift. In such a world, full of great challenges and constant change, there are some things that never lose their value. In fact, just the opposite, they become even more important. I will highlight two that are particularly important to us: **trust** and **working as a team** towards a common goal.

That is why, before explaining the results, I would like to **thank you for the trust that you, our shareholders, have in Santander**. And, in particular, the trust you shown in me this first year as the Group's CEO.

I would also like to thank the **more than 200,000 employees** who work at Santander. A well-known American sports personality once said that "individual commitment to a group effort - that is what makes a team work, a company work or a society work". Our achievements in 2023, which I will go into now, would not have been possible without the dedication and contribution of each and every one of our professionals.

## [ 1. 2023 RESULTS: MANAGEMENT PRIORITIES]

As the Chair has already mentioned, last year we announced the beginning of a new phase of value creation for our shareholders.

The execution of our strategy enabled us to drive profitable growth for our businesses in 2023. After recording the **highest result among our global peers in the fourth quarter,** we ended the year with an **attributable profit of more than EUR 11 billion**. This is a **new record profit for the Group**, 15% higher than that of 2022, an 18% increase in constant euros.

We achieved **all the financial targets that we had set for the year**: revenue increased double digits; we ended 2023 with an efficiency ratio of 44.1% and a cost of risk of 1.18%; we increased the fully-loaded CET1 ratio to 12.3% and profitability rose, with RoTE reaching 15.1%. As a result, TNAV per share plus cash dividend per share increased 15% year-on-year.

To achieve these record results, we focused on the following **management levers**:

- FIRST, THE FOCUS ON SERVICE QUALITY AND CUSTOMER GROWTH, WHICH IS REFLECTED IN HIGHER REVENUE

**Customer attraction is key in a business like ours**. A larger customer base ensures greater revenue stability and lower operating costs with better risk diversification.

Our strategy is to become the bank of choice for our customers, deepening the relationships we have with them. This way, we will be able to better capture the value of the transactional business and improve customer satisfaction.

We already have **165 million customers**. Moreover, we are continuing to work on increasing their interaction with us, which, for example, helped us to increase the number of payment transactions by 15% in 2023 to 36 billion.

This large customer base, along with good commercial dynamics and our diversified business model, drove **revenue growth.**

Most of this growth came from **net interest income**, which was a result of higher volumes in North America, South America and Consumer, and the good management of credit spreads, mainly in Europe, in an environment of higher interest rates.

Moreover, our geographical and business diversification supported 5% **net fee income growth** in constant euros, outperforming our competitors, in a context of low fee growth in general.

- SECOND, EFFICIENCY IMPROVEMENT

Despite the high inflation over the period, **we were able to control costs**, while investing in our transformation, technology and the development of key businesses such as the US or Consumer.

**We structurally improved the bank's efficiency** to 44.1%, and we remain as one of the most efficient banks in the sector, **making progress in three areas**:

– **First, we continue to improve user experience through ONE Transformation**, the programme that leverages simplification and automation. We are working towards implementing a common operating model in our Retail business that will help us achieve our value creation objectives.

– **Second, we are fostering the connectivity provided by our global businesses**. As the Chair already mentioned, at

Santander we have a powerful competitive advantage that very few can replicate: local leadership and global presence with common operating models which enable us to be more efficient and simpler for our customers. This combination is key to continuing to improve profitability and achieving the shareholder value creation targets we set at our Investor Day.

The expansion of our acquiring business is a good example of the benefits that connectivity provides to the Group. The implementation of Getnet in the countries where we operate allows us to start commercial relationships with new customers by offering a high quality and differential service, which also serves as a product that boosts loyalty. We have already launched the Getnet platform in five countries with great success and are working on rolling it out to other units.

- **Finally, we are leveraging our global technology capabilities** to capture synergies through the centralization and development of platforms and scalable products.

**The savings from our new operating model and ONE Transformation initiatives will become even more evident in the coming years.**

- ANOTHER LEVER IS ACTIVE RISK MANAGEMENT, **which allowed us to maintain good credit quality levels**, with the cost of risk under control even in a context of rising interest rates.

  **The mortgage portfolio**, the largest portfolio in the Group, continued to show its strength and resilience in terms of credit quality. At the same time, we implemented new initiatives to support our customers, such as the ones we launched in the UK, Spain, Portugal and Poland.

  The **auto financing portfolio** performed in line with expectations, conditioned by the normalization of customer affordability, following the gradual withdrawal of public stimulus programmes in the US.

  Our **personal loan and card portfolios** maintained a good risk-return balance. Due to our use of early indicators, we are able to identify changes in the demand of credit quality in a very agile and effective way.

Regarding the **corporate segment**, we managed to maintain a good profitable growth rate and credit profile in a context of financial deleveraging.

- LASTLY, WE MAINTAINED OUR SOLID BALANCE SHEET AND EFFICIENT CAPITAL ALLOCATION.

**Our balance sheet has a low risk profile**, and our loan portfolio, which is well diversified by segment, product and country, is financed mainly by stable deposits from individuals, more than 80% of which are insured.

During the year, **deposits increased by 2% in constant euros**, driven by time deposits, and mutual funds grew double digits.

**Total loans decreased slightly**, due to the effect of higher interest rates on credit demand and early repayments, mainly in Europe. This was partly offset by positive dynamics in North America, South America and Consumer.

**On the capital side, we maintained the fully-loaded CET1 ratio above 12% every quarter**, thanks to strong organic capital generation, which boosted the ratio to 12.3%.

Key to this increase was profit generation as well as our disciplined capital allocation. We grew very selectively in portfolios with a better risk-return profile and we created a new unit, the Asset Desk, focused on asset rotation and capital optimization.

**All this enabled us to increase the total shareholder remuneration against 2023 results**, split approximately equally between cash dividends and share buybacks. Including the dividend that we propose for approval at this annual general meeting, and the buyback programme that is currently underway, the remuneration will be approximately 44% higher than that charged against 2022 results.

We still believe that, at current share price levels, share buybacks are one of the best ways to invest our capital and create value for our shareholders.

## [ 2. PERFORMANCE IN THE MAIN COUNTRIES AND BUSINESSES]

LET ME NOW TAKE A LOOK AT THE PERFORMANCE BY REGION, COUNTRY AND BUSINESS IN 2023.

- Starting with **Europe**, we ended 2023 with **a profit of EUR 5.5 billion**, 45% higher than that of 2022 in constant euros. All businesses performed well during the year, especially Retail Banking and Wealth, thanks to excellent spreads management. By country, there was a good revenue performance in Spain and Portugal and also in the UK and Poland, despite them being at a more mature stage in the interest rate cycle.

  Costs remained under control in the region, which grew slightly above inflation, while provisions were affected by increasing the coverage for the Swiss franc mortgage portfolio in Poland.

- In **North America**, profit remained high, exceeding **EUR 2.3 billion** despite the impact from the normalization of provisions, in line with expectations. The good performance in CIB, Wealth and PagoNxt in the region partially offset lower profit in Retail Banking in the US, a country in which we are making great progress in our transformation, investing in building up our CIB advisory capabilities and bolstering our teams to strengthen our franchise in sectors where we have a competitive edge. This will enable us to accelerate profitable growth both in the US and the rest of the Group.

Mexico had an excellent year: it recorded the highest profit in its history, with great performance across all businesses, especially in Retail Banking and CIB.

- In **South America, profit reached EUR 3.0 billion**. The good performance in CIB, Wealth and PagoNxt partially offset the weaker results in Retail Banking, affected by the negative sensitivity to interest rate rises in Brazil and Chile. However, the beginning of interest rate cuts supported a net interest income improvement in the second half of 2023 in these two countries, a trend that we expect to continue in 2024.

  Thanks to our cost discipline, expenses in the region fell in real terms. We managed to contain the rise in provisions, which grew in line with the loan portfolio, supported by our efforts to strengthen our risk model in a complex environment.

- **Our consumer finance business in Europe** remained a benchmark in the sector in terms of profitability and efficiency. We focused on actively managing our portfolio and on the pricing of new business, which increased to EUR 52 billion. Deposits grew 19% in constant euros, in line with our strategy of adjusting the sensitivity of our balance sheet to the interest rate environment.

  We were therefore able to mitigate the impact of higher interest rates on net interest income and boost revenue. Operating expenses increased, partly because of the strategic investments and business growth, and the normalization of provisions continued.

  As a result, **profit ended the year around EUR 1.2 billion**.

**Now, moving to the performance of global businesses:**

- In **CIB,** we had another great year with an attributable profit exceeding EUR 3.0 billion. This is the fourth year in a row of record profit and consolidates our leadership position in terms of profitability among peers.

- In **Wealth**, we also obtained a record profit of EUR 1.6 billion which, if we add the net fee income ceded to commercial network, reached EUR 3.3 billion. We achieved record net sales both in Private Banking and Asset Management. In Insurance, the gross written premiums grew double digits.

- In **PagoNxt,** we met the targets we set for the year, obtaining total revenue in excess of EUR 1.1 billion mainly from our Merchant and Trade businesses.

  In 2023, card turnover increased significantly to over €300bn.

## [ 3. MANAGEMENT PRIORITIES FOR OUR GLOBAL BUSINESSES IN 2024]

In 2024, we expect uncertainty due to global geopolitical tensions to remain, which could lead to a moderation in economic growth in the year. Inflation is expected to continue to gradually fall back to target levels, which would allow central banks in regions such as Latin America to continue to cut rates, and others, such as the US and Europe, to slowly start reducing them, especially during the second half of the year.

The environment in Europe is expected to remain favourable although slightly less supportive, due to the pressure on margins. However, thanks to our business model and diversification, we expect this will be offset by a more favourable environment for our business in South America and Consumer. This is something that differentiates us from others and our peers will not benefit from.

As the Chair has already mentioned, from 2024 we are managing the Group through five global businesses. We have set **management priorities** for each global business, which will help us to achieve our financial goals for 2024 and continue creating value for you, our shareholders.

- In **Retail**, we will focus on converging towards a common operating model across our markets. We will expand the transformation process we started in Spain, Mexico and the US in 2023 to the other countries. Continuing with simplification, process automation and development of our global technology platform, to which all our countries will converge, will be essential to fully exploit our unique combination of local leadership and global reach. This platform is based on Gravity, our back-end technology (i.e., the systems and processes behind the operations). It also relies on ODS's cloud-based technology, which we have developed in-house for the front-end (which is what customers see when they operate with us).

- In **CIB**, we will deepen our client relationships to increase our market share in M&A, Equities and Leveraged Finance. We will continue to execute our plan to take the CIB franchise in the US to the next level by selectively expanding our customer base and our capabilities in our areas of expertise which will enable us to complement our capabilities elsewhere across the Group's footprint.

  Additionally, we are accelerating asset rotation and increasing our focus on capital-light products, as well as boosting the use of our global centres of expertise.

- In **Wealth**, **we will improve our operational leverage**, digitalizing the investment process and simplifying our product offering and we will **continue to build our global platform, prioritizing digitalization**.

  In **asset management**, we will continue to develop our businesses in alternatives and with institutional clients.

  We are also launching new projects, such as developing our domestic **private banking** market in the US, taking advantage of our strong presence in Miami.

In **insurance**, we will concentrate on products with greatest growth potential such as health, savings and SMEs, focusing on Spain.

- The Chair has already covered the main priorities for **Consumer** and **Payments**. As she mentioned, in **Consumer** we will continue to progress towards a global business and operating model, while in **Payments** we will focus on capturing the growing opportunities in the payments industry.

We are fully confident that, by achieving these priorities, we will increase the Group's profit and profitability in 2024, while making progress on our medium-term goals.

## [ 4. CLOSING]

Dear shareholders, as I come to the end of my speech, I would like to conclude by reiterating my thanks to all of you. There is a well-known quotation from the writer Jorge Luis Borges that says that "the future is not what is going to happen but what we are going to do". This is how we face challenges in Santander, guaranteeing that we do everything we can to continue growing and creating value for you, in a responsible way and remaining committed to society.

Thank you for being part of Grupo Santander. I hope to continue to count on all of you next year.