

## AGM – EXECUTIVE CHAIR’S SPEECH

### 1. WELCOME AND INTRODUCTION

Good morning to everyone here in Madrid and to those of you connected online. Welcome to Santander’s Annual General Meeting.

This hybrid format ensures that all shareholders can participate, access information and exercise their rights securely and reliably, here in person or online.

**IN 2022 NOT ONLY DID WE ACHIEVE OUR TARGETS FOR THE YEAR, BUT WE ALSO MET THE MEDIUM-TERM TARGETS WE SET IN 2019.**

We added 7 million customers, taking the total to 160 million, and strengthened our balance sheet, leading to a record profit.

**2022 WAS, BY ANY STANDARD, AN EXTRAORDINARY YEAR.**

A year in which we saw the emergence of a new world, geopolitically more complex and economically more volatile and uncertain.

Back in December 2021, as the shock of the pandemic receded, economists expected inflation to be transitory, Europe to grow faster than the US, and Chinese GDP to rise above 5%. None of that happened.

Instead, Russia’s invasion of Ukraine sparked Europe’s worst energy crisis since the 1970s.

Inflation, reinforced by war, disruption of supply chains, and the continued impact of climate change, became the world's biggest macroeconomic concerns.

**GROWTH HAS SLOWED DOWN GLOBALLY** due to tightening financial conditions and the impact of inflation on income, but employment is showing great resilience.

Indeed, 9 out of 10 Santander’s main markets are close to full employment.

Despite the economic slowdown and the negative impact of higher energy prices and widespread inflation, Spain is recovering from its deeper recession.

We are creating jobs, curbing inflation and have reasonable economic prospects.

Spain's recovery is thanks to the leadership of millions of self-employed, SMEs and companies, who strive every day to strengthen their companies; it is also thanks to the improvement in tourism, a high level of savings and focusing on reducing the energy dependence.

**IN ORDER TO TAKE OUR COUNTRY TO THE NEXT LEVEL, WE NEED STRUCTURAL REFORMS TO PUT CONVERGENCE WITH EUROPE BACK ON TRACK IN TERMS OF INCOME, WELLBEING AND QUALITY OF LIFE.**

We share a common target with Europe: growth.

And to boost growth we need to invest to improve productivity.

**BANKS HAVE A KEY ROLE TO PLAY.**

Over the last few weeks, however, the banking sector in the US and then in Europe has faced new challenges.

The regulated financial sector – banks - today is in a far stronger position than 15 years ago.

In the case of European banks, we are subject to the most stringent supervision and regulatory regime in the world. As the European Central Bank has said, European banks are solid and have a comfortable capital and liquidity position with which to face episodes of volatility caused by specific problems in specific institutions.

The quick response by the authorities in the United States, Switzerland and the European Central Bank has been key in restoring the right conditions and confidence.

**THE CURRENT SITUATION IS AN OPPORTUNITY TO ACCELERATING** the final steps to complete the capital market and banking union, with the creation of a European deposit guarantee fund.

This would be the best response to Europe's challenges, which would contribute to generating greater confidence, and would be a solid base to attract investment needed for growth.

And how well prepared is Santander itself to weather new challenges?

**THE ANSWER IS "VERY WELL PREPARED"**, thanks to strengthening our business model - our customer focus, diversification and scale - over the last few years.

**FIRST, CUSTOMERS: OUR FOCUS ON RETAIL AND COMMERCIAL** means that 80% of our deposit base is individuals or small business, with the majority protected by deposit guarantees.

As a result, our funding base is far more sticky and resilient in times of crisis.

**SECOND, DIVERSIFICATION:** we are highly diversified in both our geographies and business mix.

Some argue diversification does not add value.

Data says otherwise.

Diversification brings stability.

It has helped us build our rock-solid balance sheet.

We have a capital ratio greater than 12%, and a balance sheet that has proven consistently to be among the most resilient in our peer group in regulator's stress test.

And this in turn leads to a solid first line of defence - our pre provision profit.

**FINALLY: SCALE. OUR UNIQUE COMBINATION OF BOTH IN-MARKET AND GLOBAL SCALE** means that despite the challenges, we are confident we can and will deliver our targets.

As I will explain later, our goal is to build a digital bank with branches, powered by the Santander network - leveraging the strengths and opportunities that would be difficult for others to copy.

## 2. 2022 ACHIEVEMENTS

In 2022, we progressed on our aim to become the best open financial services platform, by acting responsibly to earn the lasting loyalty of our people, customers, shareholders, and communities.

We continue to live our purpose of helping people and businesses prosper, while aspiring to make everything we do Simple, Personal, and Fair.

**THIS APPROACH RESULTED IN THE GROWTH IN THE NUMBER OF CUSTOMERS AND REVENUE, WHICH WAS ALSO HELPED BY THE NORMALIZATION IN INTEREST RATES.**

We are of course aware that higher inflation and interest rates are having an impact on our customers, and – just as we did during COVID - we have acted to support them.

- Our teams in all our markets are offering solutions to customers who need to adapt to the new financial environment.
- The bank has also supported our employees in all our markets, especially those on lower incomes.

As to the bigger picture, we achieved and maintained the upward trend in profitability as demonstrated by our **Return on Tangible Equity**, which **increased to 13.4%**, from 12.0% in 2021.

This was driven by **record profits of €9.6 billion** which, coupled with the reduction of shares through buybacks in 2022, resulted in **earnings per share growth of 23%**.

**IMPORTANTLY, WE HAVE DELIVERED THESE RESULTS WHILE CONTINUING TO TRANSFORM OUR BUSINESS MODEL:** the better operational performance **improved our cost to income ratio** from 46.2% to **45.8%**, while improving the customer experience.

**WE MAINTAINED A LOW RISK PROFILE; OUR COST OF RISK REMAINED IN LINE WITH OUR 2022 TARGET OF 100 BASIS POINTS.**

In 2022, we reported a **CET1 of 12.04%**, which is above our target.

**WE MAINTAINED OUR POLICY OF ALLOCATING HALF OF OUR SHAREHOLDER REMUNERATION TO SHARE BUYBACKS.** At the stock price levels we executed our share buybacks, these are one of the most effective ways to generate shareholder value while preserving the capacity to invest in our business.

Today we submit for your approval a cash dividend of 5.95 euro cents per share, payable from 2 May 2023 as part of a final distribution from 2022 earnings.

As a result, the total cash dividend per share charged to 2022 results will be 11.78 euro cents, up 18% versus the previous year.

This is complemented with a second share buyback programme totalling €921 million, of which we have executed 71.1%.

Total cash dividend per share against 2022 results is up 18% versus the previous year.

Total shareholder remuneration has grown by 16% per year on average since 2014, from €1.1 billion to €3.8 billion.

Our intention is to continue increasing shareholder remuneration as profit rises.

**Shareholder remuneration and value creation remains our focus.**

Our share price has performed very well since the beginning of the year. Santander's total shareholder return, based on yesterday's closing price, was +23.2% year to date, which is 17 percentage points better than the European banks' index which is up +5.7%.

**MEANWHILE, WE CONTINUE OUR APPROACH OF EMBEDDING RESPONSIBLE BANKING INTO THE HEART OF SANTANDER, WHERE HOW WE DO THINGS IS AS IMPORTANT AS WHAT WE ACHIEVE.**

Our clear ESG strategy, backed by robust governance, has helped us to use the power of our business to address major global challenges, delivering profit with purpose.

Three areas merit highlighting, on which Ramiro Mato will expand later.

**First, we continue to support our customers in their transition to a green economy as we advance towards our aim of the Group being net zero carbon by 2050.**

For example, our position as a global leader in renewable energy financing is an opportunity in a vast growth market worth almost half a trillion USD.

**Second, financial inclusion is another big opportunity.**

In Latam more than a 100 million people still do not have a bank account.

In the years 2019-2022, we have financially empowered around 12 million people – 3 years ahead of our 10 million target. W

e just announced a new goal to provide financial inclusion to 5 million people from 2023 to 2025.

**Lastly, we continue to build on Santander's success in supporting education, employment, and entrepreneurship.**

In 2022 Santander Universities awarded more than 266,000 scholarships and grants to students, professionals, entrepreneurs and SMEs; and allocated €100 million through partnerships with more than 1,300 universities.

**ALL OUR PROGRESS DEPENDS ON OUR ABILITY TO ATTRACT AND DEVELOP THE BEST TALENT**, and on a culture in which transparency and customer focus differentiate us. Looking ahead, working as one team – ONE SANTANDER – will remain critical for all of us.

Santander employees are highly engaged, in the top 10% of the Finance sector.

We have also made significant progress towards our 2025 Diversity, Equity and Inclusion (DE&I) commitments: today, 29% of senior positions are now held by women, compared to 20% four years ago.

**FINALLY, OUR GOVERNANCE CONTINUES TO DEMONSTRATE ITS EFFECTIVENESS** in defining the best strategy for the Group and monitoring its execution.

We have implemented all the improvements we identified last year, which were reported to and approved by this Board.

The recent changes in the composition of the Board have reinforced its ability to contribute to our success, while controlling risks and meeting the expectations of our supervisors, shareholders, analysts and investors.

Today we have an outstanding Board, both in terms of independence – two thirds of directors are independent – and in terms of diversity, with 40% of the board being women and coming from 6 different countries.

Our Board has long met the standards that the European Union directive and the Spanish law will now make mandatory.

We continue to bolster the Board's skills and experience, as the appointment of Héctor Grisi and Glenn Hutchins shows, which are being voted on today.

### **3. DELIVERING ON OUR 2019-2022 STRATEGIC PLAN**

Our success in **2022** marked the **culmination of four years of delivering on our strategic plan.**

**THE SANTANDER CUSTOMER COMMUNITY HAS REACHED 160 MILLION** at the end of 2022.

When we attract a new customer, we take advantage of what we call the network effect, which means that we can offer an average of 2 to 3 additional products.

**THIS COMBINATION OF IN-MARKET AND GLOBAL SCALE IS KEY TO THE SUCCESS OF OUR MODEL.**

Today, we have two businesses that are globally run and managed: Santander Corporate & Investment Banking (SCIB) and Wealth Management & Insurance (WM&I).

In **SCIB**, our global presence enabled us to generate €7.4 billion in total revenues (14% of the Group) in 2022.

In **WM&I**, our competitive advantage comes from our global platforms. In 2022, €51 billion Private Banking assets under management (AuM) were due to our global network cross references (21% of Private Banking total AuM).

We also have two global networks: Payments and Auto.

In **Payments**, we processed more than 30bn transactions. PagoNxt grew revenues by 72%.

Getnet, its merchant acquiring business, ranked top 3 in Latam in 2022, and Ebury grew revenues by 76%.

As to cards, we now manage 97 million cards, and in 2022 we continued to grow at double-digit.

In **Auto**, we are the number one player in Europe and Latam, and number 5 in the US.

Together, in 2022, these global and network businesses represented more than 30% of our total Group revenues and more than 50% of our profit.

## **OUR DIVERSIFICATION HAS LONG HELPED US GENERATE STABLE PROFITS AND STRENGTHEN OUR BALANCE SHEET.**

This proved to be a key competitive advantage during the 2008 financial crisis and it continues to be.

Santander's liquidity and funding metrics are comfortably above any minimum regulatory requirements, and we follow a conservative management of structural risks: liquidity, interest rate risk and currency risk.

1/ We have around €200 billion in cash deposited at central banks, which is equivalent to 20% of our total deposit base.

2/ 80% of our deposit base is retail-based, which provides stability.

3/ And in our main geographies (Spain, UK and the US) around 70% of deposits are insured by the deposit guarantee funds.



4/ Our sovereign debt portfolio is balancing interest rate risk and is small and diversified, with an average duration of 4 years; and relatively new.

This gives us a great opportunity to rebuild these positions at much higher profitability.

5/ Lastly, we have low, predictable, and diversified credit risk and a proven approach to risk management.

#### **4. LOOKING AHEAD: A NEW PHASE OF PROFITABILITY AND GROWTH BY BUILDING A DIGITAL BANK WITH BRANCHES POWERED BY THE SANTANDER NETWORK**

Last year's excellent results, as well as the progress we have made since 2014, means we have strong foundations on which we can build as we look ahead.

Given the performance of our business in the first part of the year, in this first quarter, we expect to achieve a return on tangible equity of around 14%. If we were to exclude the annualized impact of the Spanish extraordinary banking tax, it would be around 15%.

We expect to maintain our capital ratio at 12%, and our efficiency and cost of credit on track to deliver 2023 targets.

The first months of the year are on a positive trend, with more than 1 million new customers, which we expect will result in lending growing at 4% YoY, deposits at 6% YoY, and revenues growing at double-digit.

We are keeping the LCR ratio at around 145%, stable compared to December, and we expect to improve the parent company's NSFR to c. 120% (from 116% in December), all whilst having continued the European Central Bank TLTRO repayment plan.

We remain confident that we will be able to achieve by the end of this year the targets we set ourselves in our 2022 results presentation.

**ON FEBRUARY 28TH, WE DISCLOSED TO THE MARKET THE NEXT 3-YEAR PLAN, A NEW PHASE OF GROWTH AND VALUE CREATION FOR SANTANDER.**

We aim to deliver a **RoTE between 15 - 17%** whilst maintaining our **CET1 ratio above 12%**.

Obviously, we remain focused on allocating our capital wisely, with **c.85% of RWAs allocated to businesses returning greater than our cost of equity**, while increasing the distributions to you, shareholders, from a 40% to a **50% payout**.

Our ultimate goal, as we have had since 2014, is to create value per share by delivering **double-digit average annual growth in TNAVps and DPS through the cycle**.

We aspire to **have the best in-market profitability in each of the markets in which we operate, but also to be the best bank for our customers**.

We will achieve this by building on the combination of our local leadership and in-market scale.

Let me briefly set out the plan we shared at our recent Investor Day, by showing how it builds on **our business model – our customer focus, scale and diversification**.

**First, customer focus.** By continuing to transform our business and operating model, we will **build a digital bank with branches powered by the Santander network**.

This concept reflects the fact that people who bank with us are not – as in the case of many digital businesses – simply “users”.

They are customers - people who are trusting us with their savings; who want a service that is simple, personal and fair; and who want a high quality omni-channel experience.

To meet the increasing expectations of our customers, we will continue to **simplify our product offering, and will fully automate our front and back-end operations**.

This will help to deliver a lower cost to serve and allow our team to focus on offering the best customer experience.

Our branch colleagues will be able to spend more time on giving our customers the personal service they want, especially as they make the most important financial decisions, across all channels.

**Second, our scale.** To achieve the best in-market profitability in each of our markets, we will further **leverage our global scale and network businesses**: SCIB, WM&I, Payments and Auto.

In the next 3 years, **SCIB** has the goal to grow revenues year over year by 27%.

In **WM&I**, our goal is to grow revenues at double-digit.

In **Payments**, we expect to be processing more than 47 billion transactions in 2025, growing faster than the market rate. PagoNxt will be profitable from this year, 2023.

Last, in **Auto** we will continue to leverage our global OEM relationships to expand the business across the three regions.

The value our network businesses adds to the Group will be reflected in their contribution to our total revenue to over 40% and over 50% to the fee income by 2025.

These businesses, combined with our One Transformation plans, will help improve our operating performance: our **cost to income ratio** will fall from c.46% to **c.42% in 2025**.

Finally, **diversification**.

The conservative risk profile and diversification of our businesses result in a **through-the-cycle cost of risk of c.1.0%**.

This year, we will likely have a higher cost of risk as several countries' credit conditions normalise, especially in the US, but it should remain lower than 1.2% in any event.

## **5. CONCLUSION**

Situations such as those experienced by European and American banks in recent weeks remind us of the great value underlying traditional banking management models, which Santander embodies: prudent risk control, solvency and conservative management of liquidity levels.

At Santander, we have successfully faced profound change and challenges in the past, and we will do so again following a strategy **which leverages our strengths**.

We are a bank that is easy to understand, with a focus on retail and commercial banking.

We operate in 10 markets that add value to our global businesses, while supporting our customers in the countries.

We are focused on generating long lasting relationships with our customers, helping them progress; offering them the best possible experience; anticipating their needs; and supporting them in the transition to a more digital, green and sustainable economy.

And thanks to this approach since 2015 we have nearly doubled the number of active customers to 99 million.

Our culture is the bedrock of our success.

- Building a unique team – One Santander – with a common purpose.
- Strengthening diversity – of gender, views and talent – so we are creative, inclusive, dynamic.
- Making more of what we do Simple, Personal and Fair, three words that sum up what our customers want.

We are embarking on a new phase at Banco Santander, and as it begins, we welcome our new CEO, Héctor Grisi. With his impressive career and deep understanding of Santander, we have great confidence that he will contribute to accelerate the Group's transformation whilst delivering on annual targets.

I am extremely grateful to José Antonio Álvarez for his hard work and many contributions to the Group over the last 20 years. It has been a privilege working with him and I am delighted that he will remain on our Board of Directors as Non-executive Vice Chair.

I would also like to thank Marty Chavez and Sergio Rial for their dedication to the Board, and welcome Glenn Hutchins, whose appointment will be voted today and who also brings international and extensive financial experience.

**166 YEARS AGO, A GROUP OF ENTREPRENEURS FROM THE CITY OF SANTANDER DECIDED TO ESTABLISH A BANK.**

Since then, and **thanks** to the work of its teams, **together** with our customers and the **support** of you, our shareholders, we have turned Santander into **one of the greatest success stories in global banking**.

We have achieved this by overcoming uncertainties, prudently managing risk and energetically confronting change.

## **I AM OPTIMISTIC ABOUT OUR FUTURE.**

Today, once again, we will lead the change.

I would like to remind you of what I said back in 2015.

Madeleine Albright, the first woman to be appointed US Secretary of State, said: I don't believe that things happen accidentally; I believe you earn them.

And we are going to earn them.

With a Board and a best-in-class team, our more than 200,000 colleagues across the world, and with the trust of our 160 million customers, and yours, our shareholders: with all this, **I am confident that the best is yet to come.**

Thank you.