Mr Héctor Grisi's speech

Good morning shareholders and thank you very much for attending this Annual General Meeting, which I am pleased to share with you for the first time as CEO.

Before I begin, I would like to highlight the excellent work José Antonio Álvarez did during his time as CEO, which is reflected in the bank's growth and achievements in recent years. I want to thank him for his support over the last few months.

I would also like to thank you, our shareholders, for your trust in Grupo Santander. Our objective is to work to create value and consolidate a long-term relationship with each and every one of you.

Likewise, I would like to thank the more than 200,000 professionals working in the Group, as it is their dedication and effort that enables us to continue improving every day and achieve the objectives we set ourselves year after year.

Today I will focus on 3 points:

1. First, I will explain how we achieved the excellent results in 2022 looking at countries and businesses.

2. Then, I will then spend a few minutes going over our 2023 targets and how we have started the year.

3. And finally, I will give more detail regarding the pillars supporting the execution of our strategy that the Chair explained earlier for the coming years.

1. Execution of 2022 management priorities

The operating environment in 2022 was not the most favourable. However, our business model has very clear competitive advantages, which have enabled us to continue to manage the bank successfully.

The Chair has already gone over the main Group figures for 2022 but in summary we achieved:

- the highest revenue in our history, leveraging the improvement in customer service which put us in the top 3 banks for NPS in 8 of our core units;
- our highest ever net operating income at over €28 billion, which shows the high quality and sustainability of our results; and
- record profit reaching €9,605 million.

As a result, the Group's profitability exceeded 13%, we increased earnings per share, TNAV per share and the dividend and we accelerated the share buyback programme. All this while maintaining the capital ratio above 12% in every quarter.

We achieved these results on the back of the good performance across global businesses and all the geographical areas in which we operate.

In **Europe**, profit grew by nearly 40%, supported by the increase in Spain, Portugal and Poland, as well as the resilience of our results in the UK, where we gained market share in the mortgage segment. All of this was supported by the significant advantage of being a bank with regional scale. This has allowed us to keep cost growth below the strong pick up in revenue and improve the efficiency ratio in the region by 5 pp.

On the other side of the Atlantic, efforts in **North America** were directed toward accelerating profitable growth, improving our competitive capabilities and increasing synergies between the two countries. As a result, profit was close to €2.9 billion and profitability remained high in both the US and Mexico.

In **South America**, we are the leading bank in the region, mainly in corporate banking and auto financing, where we are leaders in Brazil, Chile, Argentina, Colombia and Peru. We improved our customer satisfaction and continued to attract more customers. Profit exceeded €3.6 billion, offering a very attractive return.

Our **consumer finance business in Europe** managed to increase new business volumes in a market where registrations fell sharply as a result of supply-side restrictions. Our strategic alliances with manufacturers and distributors and the development of business lines, such as leasing, and subscription and buy now, pay later models, were key to this growth. We were able to grow revenue, keep cost of risk below 0.5% and increase profit to over €1.3 billion.

Moving on now to the global business, **SCIB** achieved record results for the third consecutive year. The key to this success is our strategy to support each of our clients from the Group's global network and become their strategic advisor. This difference in the way we do business enabled us to obtain higher returns than the market and to achieve a profit of €2.8 billion.

Wealth Management and Insurance had to navigate a highly volatile environment that led to declines in asset valuations in the market. Against this backdrop, Private Banking raised almost €12 billion in customer funds and increased profit. Asset management, the business most affected by market turbulence, maintained its contribution to the Group's profit, and revenue grew strongly in our Insurance business as gross written premiums increased 24% and digital customer interaction continued to grow.

In **payments**, we grew revenue strongly; increasing 72% in PagoNxt, which is close to breaking even. Our Cards business generated revenue of almost €4 billion and increased its profit by 57%.

These excellent results provide a good starting point to achieve the announced 2023 targets. I will spend the next few minutes detailing our vision for 2023.

2. 2023 targets and early trends in the year

Some of the main uncertainties that made 2022 such a complicated year remained at the beginning of 2023. For example, inflation remained high. But there was some positive news. Employment remains robust and the IMF improved its growth expectations for the year in its latest report.

However, at the beginning of March, a US bank made very high losses on its bond portfolio and fell into bankruptcy. This is a clear example of the importance of diversification in finance. By this I mean diversification in terms of investment, funding sources and income and profit generation.

Situations such as this remind us of the considerable value underlying traditional banking management models: risk control, high solvency levels and conservative management of liquidity levels.

That is why Santander's business **model provides us with competitive advantages**. Our customer focus, scale and diversification make us a much more stable, predictable and solid institution. Our asset portfolio has a high proportion of customer loans, which allows us to maintain very limited market risks and facilitates preventive management in the event of changes in the environment. Moreover, the bank is funded by very stable liabilities and we have ample liquidity buffers.

We also apply this Group model at the subsidiary level.

In the **specific case of the US**, this greatly differentiates our business model from the banks that have had problems in recent weeks. **We have an established and diversified franchise**. Our business is based on deposit gathering in the Northeast, one of the most attractive parts of the country, and we grant loans, mainly auto financing, across the country through our partners.

Our deposit base is mainly retail, which makes it more resilient to situations of abrupt deposit outflows. In addition, in our case **70% of deposits are insured**.

Our assets in the US are mainly customer loans, we have improved the structural quality of the portfolio and the assets have relatively short durations. **Our securities portfolio has a lower weight than medium-sized banks, our cash position is greater and we have a more solvent position**, with a CET1 ratio of 14.6% vs 10.8% for our peers.

We have increased our deposit base by a CAGR of 14% since 2019, with relatively low funding costs, reflecting customers' confidence in our bank.

Furthermore, the proactive management of our new business volumes and our exit from some less profitable businesses have enabled us to strongly improve the profitability of the business.

As a result, **we have gone from an adjusted RoTE of 9% in 2019 to 17% in 2022**.

This is the result of having strengthened the franchise in the country in recent years. Sometimes we have to make tough decisions in the short term to build a robust business in the long term.

Returning to the Group, by taking full advantage of our business model, we have developed a growth strategy that will allow us to **continue improving**. In 2023, we will focus on:

1. **continuing to grow the number of customers and translating it into higher volumes and revenue.** Our aim is to increase NII, especially in Europe. In addition, we also expect net fee income to grow at a solid pace in all regions, supported by global businesses. With all this, **we aim for double-digit revenue growth in the year;**
2. aiming to **improve the efficiency ratio further to between 44% and 45%,** and as such remain one of the most efficient global banks in the world;
3. **targeting a cost of risk for the year below 1.2%**, supported by our medium-low risk profile and the Group's recovery capabilities;
4. **maintaining our fully-loaded CET1 ratio above 12%** through strong organic capital generation thanks to the Group's focus on creating shareholder value and our disciplined capital allocation to the most profitable businesses;
5. further improving profitability and achieving an **RoTE above 15%**, which allows us to continue **increasing remuneration** to you, the shareholders, both by way of greater profits and an increase in the percentage we allocate for dividend payments and **share buybacks from 40% to 50% of profit**.

So, how have we started the year? Well, by continuing the positive trends we saw at the end of 2022:

1. **Good business and activity dynamics** which are reflected in year-on-year growth in volumes, which the Chair has already mentioned. In loans, there was notable growth in Latin America and consumer finance and deposits increased across almost all our countries. We have not seen any movements in deposits that are out of the ordinary in recent weeks.
2. **In the quarter:**
   a. **Revenue is strong, and we are on track to meet our objective for the year**, greatly supported by NII growth, and **CIB and Wealth Management & Insurance who have both again had an excellent start to the year**.

b. **Costs** have started the year in line with expectations and we expect to see a **further improvement in the efficiency ratio** in the quarter.

c. **Loan-loss provisions and the cost of risk continue to normalize, with growth remaining controlled within expected parameters.**

d. Finally, in January, we recorded the charge related to the Spanish extraordinary banking tax on income in Spain; **€224 million** in total.

In summary, **good trends** in the underlying business and results, which **we aim to consolidate in the coming quarters to progress towards the medium-term goals we announced at our Investor Day**.

3. Execution of the strategy we announced at the Investor Day.

The Chair has presented the Group's strategy and objectives in the medium term. I will focus on the main levers that we will use to achieve them and their application in regions and businesses.

Our ambition is to be the best bank in each of the countries in which we operate. To this end, we have designed a plan that will enable us to improve our local banks' operations. Our value creation model is based on becoming a **digital bank with branches**. This will allow us to:

- **serve our customers in a much more efficiently**;
- **be much more agile**;
- **generate higher activity**; and
- **clearly identify the best business opportunities**.

Most significantly, **this plan, which we call ONE Transformation, is not entirely new**. We have been successfully implementing it for years in countries such as Portugal, Chile and Poland. Now is the time to transfer it to the Group as a whole and to exploit the great opportunities that we have. I will give you a quick overview of these opportunities now:

- **Europe** is the region where we see the greatest potential to improve profitability. We believe that mature markets have plenty of room for growth, if the right products and services are provided. With the planned strategy, we will develop the necessary capabilities to strongly boost profitability and capital generation. **We aim to reach an RoTE of 15% in 2025.**
- In **North America**, we have two banks whose models are very different. In **Mexico**, we have been investing in digitalization and innovation. We expect these investments to lead to strong customer growth across all products and segments. In **the US**, we are focusing only on the businesses we consider to be most profitable. We anticipate strong growth in both wholesale revenue and assets managed by Wealth Management and, at the same time we will improve auto financing. As a result, our intention is to **reach an RoTE in the region of around 15% in 2025.**
- Collaboration between countries and the evolution towards a pan-regional model is most advanced **South America**. This should position us to capture the region's structural economic growth and to **achieve an RoTE of around 19% in 2025**.

Turning to the **global businesses**:

- **Wholesale banking (SCIB)** is one of the pillars of our strategy. We have room to continue growing revenue strongly and sustainably over the coming years. This growth is based both on our competitive advantages as well as on the strong economic dynamism that Mexico and South America offers, the growth potential of our franchise in the US and the development of our pan-European platform. All in all, we have a target to **keep RoTE above 20% in 2025.**

- Regarding the **Wealth Management & Insurance business**, the advantages of our model are clear. Having a bank that can develop and offer global platforms gives us a competitive advantage in costs and we aspire to revenue growth rates of 10% in the coming years and an **RoTE of 60% in 2025.**

- In **Consumer**, we already have franchises that are able to grow quickly and in an agile manner while maintaining controlled credit quality and costs. In the **Auto** segment, our ability to reach agreements with vehicle manufacturers and distributors gives us a competitive advantage and creates barriers to entry for our competitors. Our goal for the coming years is to offer a more comprehensive portfolio of products and services and continue to increase the number of business partners and volumes. In this way, **we aim to obtain a 15% RoTE in 2025**.

- And finally, **Payments**. Today, this segment is key to the development of a competitive bank, as transactions are at the heart of any type of customer's transactions with the bank.

  Our goal with **PagoNxt** is to integrate each and every one of these transactions into a global, fast and efficient platform that allows us to reduce the cost per transaction by 20% while offering much better payment solutions for our customers in their daily operations. Thus, we expect **transactions to grow at 15% each year to 2025**.

  Also within the payments segment, the **Cards** division has a dual objective: firstly, to boost growth in the number of cards issued to **over 115 million in 2025**, and secondly, to develop a comprehensive platform that is capable of managing all the cards in the Group in a coordinated manner, **generating savings of 25%.**

With this in mind, we expect **a 7-8% CAGR in Group revenue** through to 2025, to keep **cost growth** below **5-6%** and a **cost of risk of around 1% over the cycle**. This should lead to an **RoTE of between 15% and 17%,** which would result in double-digit growth in TNAV per share plus dividends. **These targets are specific, ambitious and achievable**.

If I had to summarize how we will achieve these targets, I would say that **we will continue to do what we already do well but even better**. We will focus on:

- working together more closely;
- making the most of the best practices we've already developed;
- becoming a fully customer-centric bank;
- accelerating transformation;
- improving profitability; and consequently

- strongly increasing value creation for you, the shareholders.

Santander is a unique institution, which is entering a new phase of growth and profitability. **We have a clear idea of where we want to go, the right strategy to get there and the best possible team to make it happen**. That is why I am convinced that we are doing the right things to further improve this great bank.

I do not want to end without again reaffirming our commitment to all of you, our shareholders.

Despite the recovery in the share price in recent months, **I believe our share price does not yet reflect our real value and strengths. I am convinced that our strategy of sustainable growth and value creation, and the achievement of our day-to-day goals, will end up being reflected in the stock price. Do not doubt for a moment that I will devote all my efforts to achieving this.**

Thank you very much!