



Spain



Q1'23

Earnings Presentation

Important Information

Non-IFRS and alternative performance measures

This presentation contains financial information prepared according to International Financial Reporting Standards (IFRS) and taken from our consolidated financial statements, as well as alternative performance measures (APMs) as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015, and other non-IFRS measures. The APMs and non-IFRS measures were calculated with information from Grupo Santander; however, they are neither defined or detailed in the applicable financial reporting framework nor audited or reviewed by our auditors.

We use these APMs and non-IFRS measures when planning, monitoring and evaluating our performance. We consider them to be useful metrics for our management and investors to compare operating performance between periods.

Nonetheless, the APMs and non-IFRS measures are supplemental information; their purpose is not to substitute IFRS measures. Furthermore, companies in our industry and others may calculate or use APMs and non-IFRS measures differently, thus making them less useful for comparison purposes. APMs with ESG content have not been calculated in accordance with the Taxonomy Regulation or with the indicators for principal adverse impact in SFDR.

For further details on APMs and Non-IFRS Measures, including their definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS, please see the 2022 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the SEC) on 1 March 2023, as well as the section "Alternative performance measures" of the Banco Santander, S.A. (Santander) Q1 2023 Financial Report, published on 25 April 2023. These documents are available on Santander's website (www.santander.com). Underlying measures, which are included in this presentation, are non-IFRS measures.

The businesses included in each of our geographic segments and the accounting principles under which their results are presented here may differ from the businesses included and local applicable accounting principles of our public subsidiaries in such geographies. Accordingly, the results of operations and trends shown for our geographic segments may differ materially from those of such subsidiaries.

Non-financial information

This presentation contains, in addition to financial information, non-financial information (NFI), including environmental, social and governance-related metrics, statements, goals, commitments and opinions.

NFI is included to comply with Spanish Act 11/2018 on non-financial information and diversity and to provide a broader view of our impact. NFI is not audited nor, save as expressly indicated under 'Auditors' review', reviewed by an external auditor. NFI is prepared following various external and internal frameworks, reporting guidelines and measurement, collection and verification methods and practices, which are materially different from those applicable to financial information and are in many cases emerging and evolving. NFI is based on various materiality thresholds, estimates, assumptions, judgments and underlying data derived internally and from third parties. NFI is thus subject to significant measurement uncertainties, may not be comparable to NFI of other companies or over time or across periods and its inclusion is not meant to imply that the information is fit for any particular purpose or that it is material to us under mandatory reporting standards. NFI is for informational purposes only and without any liability being accepted in connection with it except where such liability cannot be limited under overriding provisions of applicable law.

Forward-looking statements

Santander hereby warns that this presentation contains "forward-looking statements" as per the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such statements can be understood through words and expressions like "expect", "project", "anticipate", "should", "intend", "probability", "risk", "VaR", "RoRAC", "RoRWA", "TNAV", "target", "goal", "objective", "estimate", "future", "commitment", "commit", "focus", "pledge" and similar expressions. They include (but are not limited to) statements on future business development, shareholder remuneration policy and NFI. However, risks, uncertainties and other important factors may lead to developments and results to differ materially from those anticipated, expected, projected or assumed in forward-looking statements.

Important Information

The following important factors (and others described elsewhere in this presentation and other risk factors, uncertainties or contingencies detailed in our most recent Form 20-F and subsequent 6-Ks filed with, or furnished to, the SEC), as well as other unknown or unpredictable factors, could affect our future development and results and could lead to outcomes materially different from what our forward-looking statements anticipate, expect, project or assume: (1) general economic or industry conditions (e.g., an economic downturn; higher volatility in the capital markets; inflation; deflation; changes in demographics, consumer spending, investment or saving habits; and the effects of the war in Ukraine or the COVID-19 pandemic in the global economy) in areas where we have significant operations or investments; (2) climate-related conditions, regulations, targets and weather events; (3) exposure to various market risks (e.g., risks from interest rates, foreign exchange rates, equity prices and new benchmark indices); (4) potential losses from early loan repayment, collateral depreciation or counterparty risk; (5) political instability in Spain, the UK, other European countries, Latin America and the US; (6) legislative, regulatory or tax changes (including regulatory capital and liquidity requirements), especially in view of the UK's exit from the European Union and increased regulation prompted by financial crises; (7) acquisition integration challenges arising from deviating management's resources and attention from other strategic opportunities and operational matters; (8) uncertainty over the scope of actions that may be required by us, governments and others to achieve goals relating to climate, environmental and social matters, as well as the evolving nature of underlying science and industry and governmental standards and regulations; and (9) changes affecting our access to liquidity and funding on acceptable terms, especially due to credit spread shifts or credit rating downgrades for the entire group or core subsidiaries.

Forward looking statements are based on current expectations and future estimates about Santander's and third-parties' operations and businesses and address matters that are uncertain to varying degrees, including, but not limited to developing standards that may change in the future; plans, projections, expectations, targets, objectives, strategies and goals relating to environmental, social, safety and governance performance, including expectations regarding future execution of Santander's and third-parties' energy and climate strategies, and the underlying assumptions and estimated impacts on Santander's and third-parties' businesses related thereto; Santander's and third-parties' approach, plans and expectations in relation to carbon use and targeted reductions of emissions; changes in operations or investments under existing or future environmental laws and regulations; and changes in government regulations and regulatory requirements, including those related to climate-related initiatives.

Forward-looking statements are aspirational, should be regarded as indicative, preliminary and for illustrative purposes only, speak only as of the date of this presentation, are informed by the knowledge, information and views available on such date and are subject to change without notice. Santander is not required to update or revise any forward-looking statements, regardless of new information, future events or otherwise, except as required by applicable law.

Not a securities offer

This presentation and the information it contains does not constitute an offer to sell nor the solicitation of an offer to buy any securities.

Past performance does not indicate future outcomes

Statements about historical performance or growth rates must not be construed as suggesting that future performance, share price or results (including earnings per share) will necessarily be the same or higher than in a previous period. Nothing in this presentation should be taken as a profit and loss forecast.

Third Party Information

In this presentation, Santander relies on and refers to certain information and statistics obtained from publicly-available information and third-party sources, which it believes to be reliable. Neither Santander nor its directors, officers and employees have independently verified the accuracy or completeness of any such publicly-available and third-party information, make any representation or warranty as to the quality, fitness for a particular purpose, non-infringement, accuracy or completeness of such information or undertake any obligation to update such information after the date of this presentation. In no event shall Santander be liable for any use by any party of, for any decision made or action taken by any party in reliance upon, or for inaccuracies or errors in, or omission from, such publicly-available and third-party information contained herein. Any sources of publicly-available information and third-party information referred or contained herein retain all rights with respect to such information and use of such information herein shall not be deemed to grant a license to any third party.

1

**Financial
system**

2

Strategy and
business

3

Results

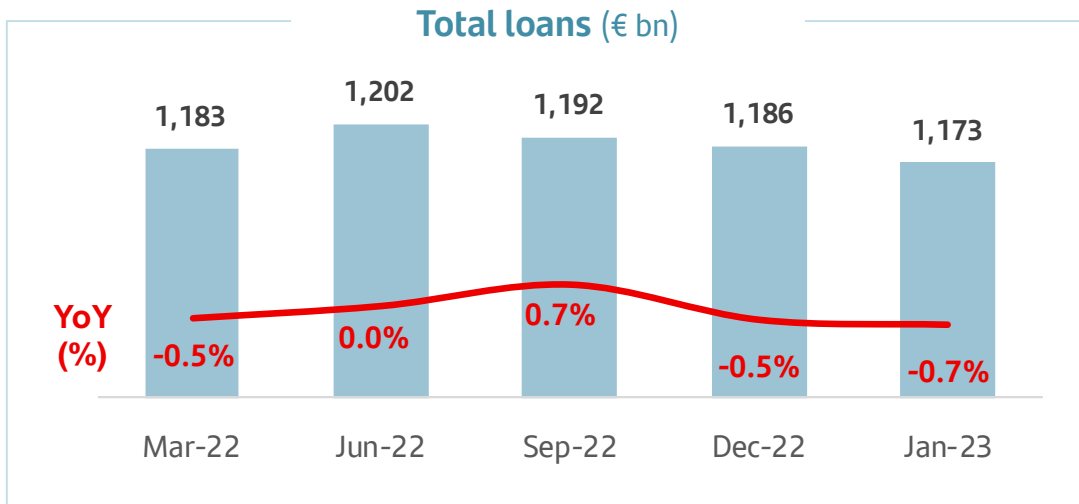
4

Concluding
remarks

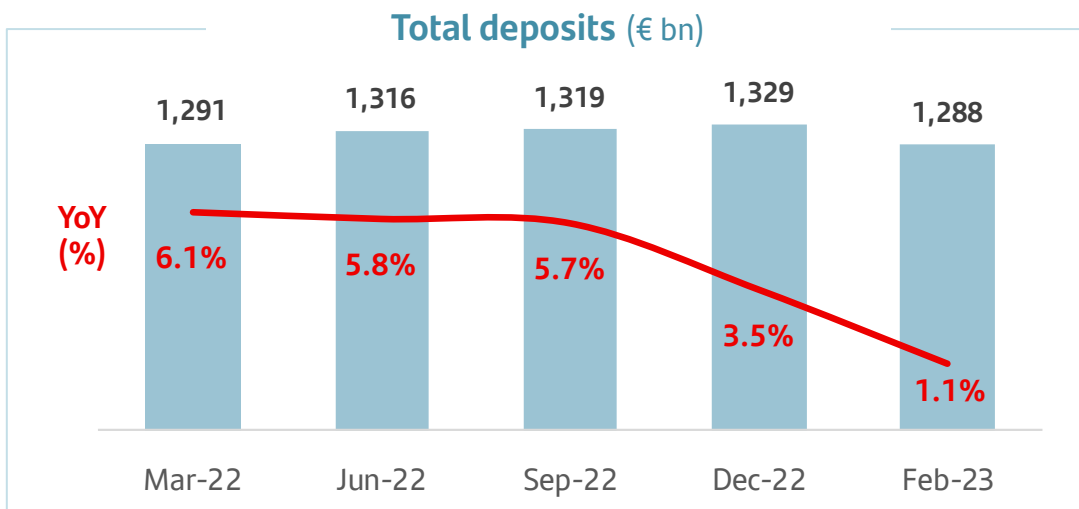
5

Appendix

Higher rates drove a reduction in loans as well as an increase in time deposits



- ▶ The stock of loans reduced 1% YoY mainly driven by lower floating rate loans
- ▶ Higher-than-expected inflation led to an increase in commercial loans, which was more than offset by a drop in credit for investment
- ▶ Credit quality continued to improve as the resilient labour market is acting as a cushion



- ▶ Deposit growth slowing down in recent months due to seasonal factors, the search for higher yields in alternative products and early mortgage redemptions
- ▶ Time deposits continued to grow (mainly from non-financial corporations) on the back of higher rates



Financial system



Strategy and business



Results














Concluding remarks



Appendix

We are focused on creating a better bank where our customers and people feel a deep connection with Santander while delivering sustainable value to all stakeholders

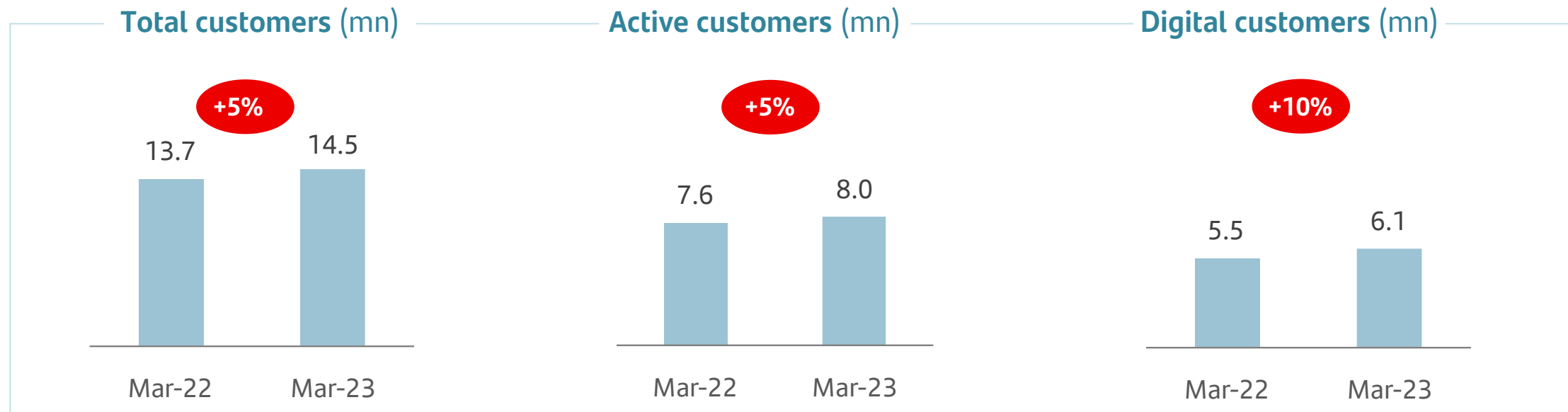
KEY DATA	Q1'23	YoY Var.
 Customer loans ¹	€241.5bn	-2.5%
 Customer funds ²	€375.0bn	+4.9%
 Attributable profit	€466mn	+27.7%
 RoTE	11.1%	+3.7pp
 Efficiency ratio	39.8%	-8.3pp
 Loans market share ³	18.4%	+16bps
 Deposits market share ³	21.5%	+236bps
 Total customers	14.5mn	+5.4%
 Digital customers	6.1mn	+10.3%
 Branches	1,909	-2.1%
 Employees	27,047	+3.6%



Strategic Priorities

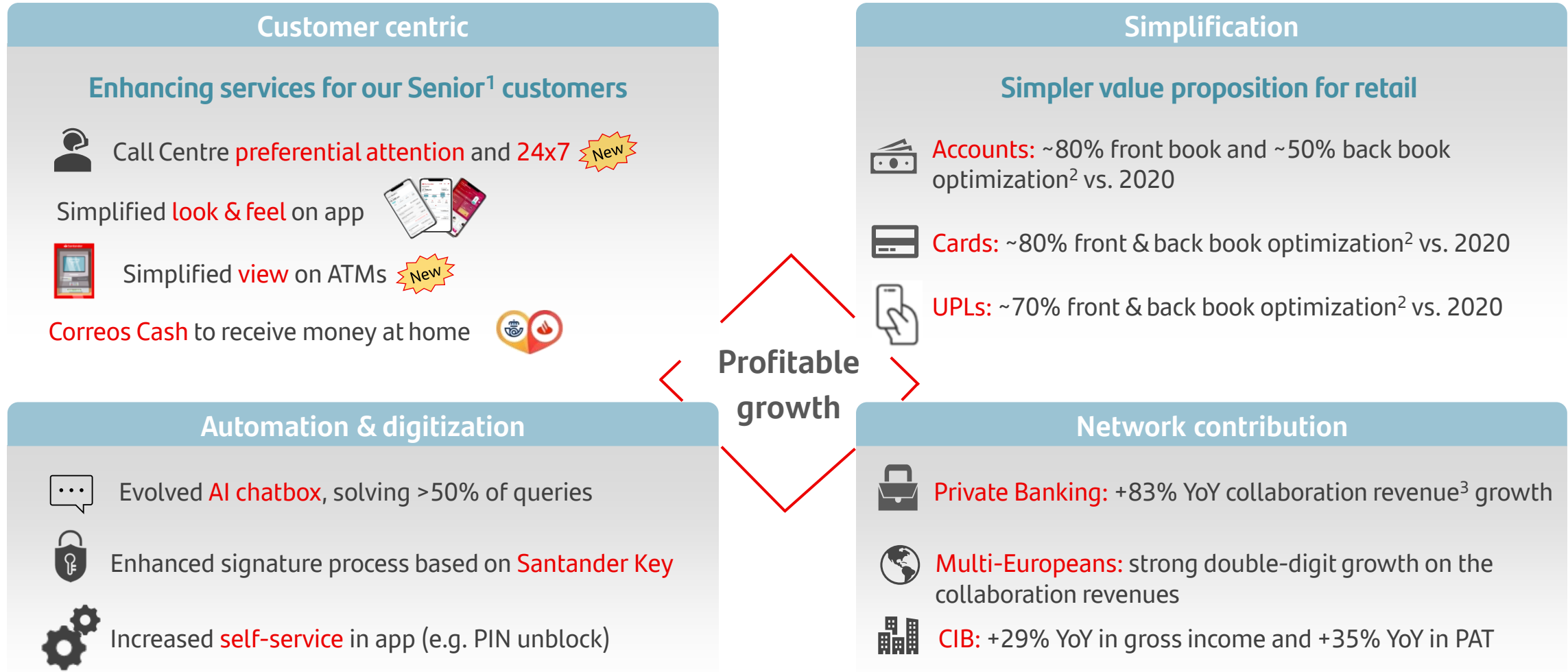
- ▶ Grow our customer base providing the best customer experience across all channels
- ▶ Deliver a simpler value proposition for retail and specialized for high-value segments
- ▶ Evolve our customer relationship model towards a digital bank with branches
- ▶ Simplify product portfolio and automate processes to enhance operational excellence
- ▶ Leverage our scale across Europe to grow our business and build a common operating model
- ▶ Continue optimizing our capital management through better capital allocation and balance sheet mobilization

Our investments in digital capabilities delivered enhanced service quality

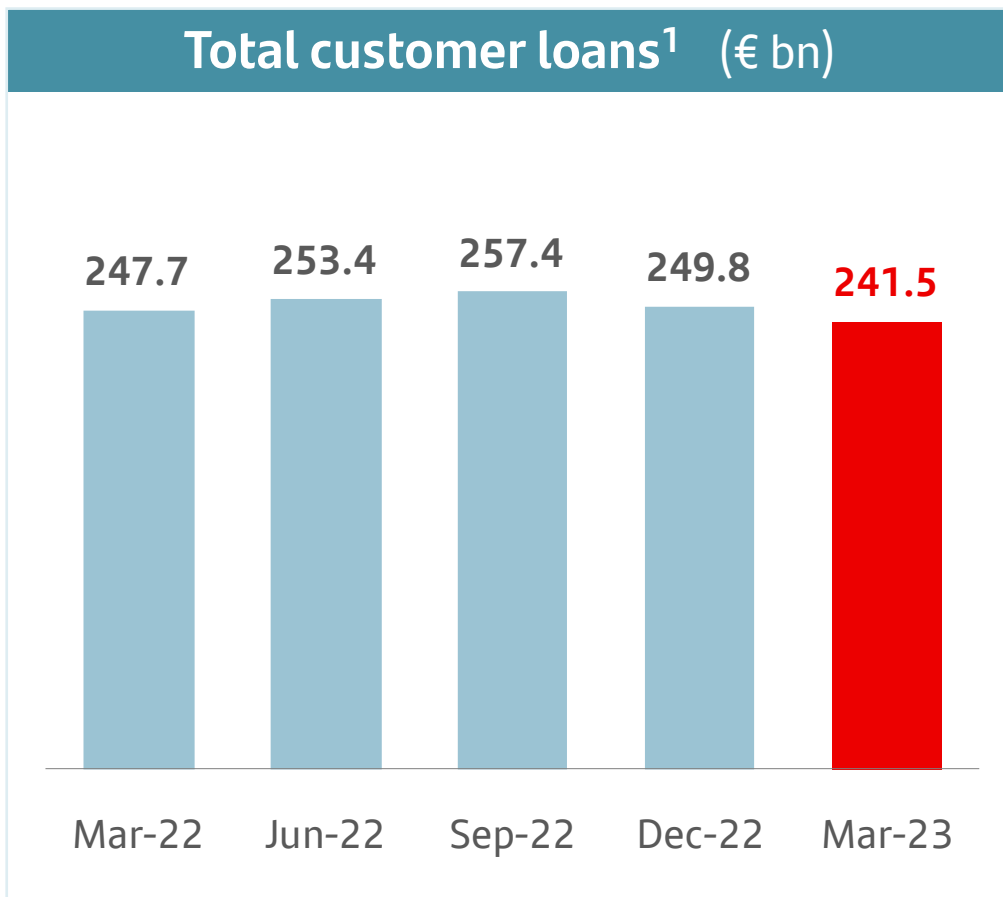


- ▶ **Customer base:** sustained growth over the last 19 months, increasing our active customer base more than 120k in this quarter
- ▶ **Payrolls:** continued market share growth, with +78bps YoY as of February and >2 million customers with payrolls
- ▶ **Transactionality:** continued positive trend in PoS and cards, with +22% YoY and +24% YoY turnover growth, respectively

Our purpose is to provide the best services for our customers with innovative and digital solutions matching their needs to ensure profitable growth

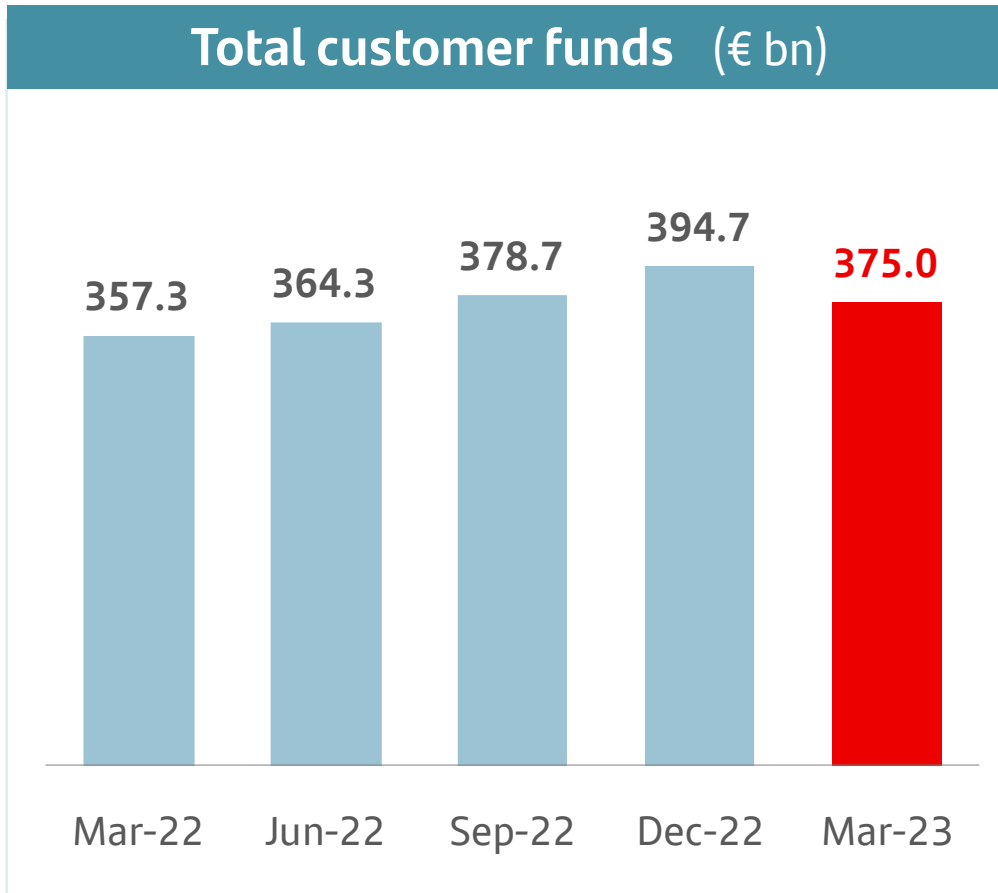


Higher rates and macroeconomic uncertainties lowered credit demand from companies



	Mar-23	Mar-22	YoY (%)	QoQ (%)
Individuals²	74.2	74.2	0.0	-2.1
o/w Mortgages	58.5	58.1	0.7	-1.9
o/w Other	15.7	16.1	-2.6	-2.6
SMEs + Corporates	87.6	93.3	-6.1	-3.4
Institutions	14.2	12.9	9.7	10.2
CIB	64.9	66.9	-3.1	-7.3
Other	0.7	0.4	74.3	32.9
Total customer loans	241.5	247.7	-2.5	-3.3

Deposits grew strongly YoY, mainly driven by time deposits on the back of higher rates. QoQ performance affected by seasonality and mortgage prepayments



	Mar-23	Mar-22	YoY (%)	QoQ (%)
Demand	245.6	249.9	-1.7	-6.6
Time	55.7	30.6	82.2	-6.1
Total deposits	301.3	280.5	7.4	-6.5
Mutual Funds	73.7	76.8	-4.0	1.9
Total customer funds	375.0	357.3	4.9	-5.0



Financial system



Strategy and business



Results



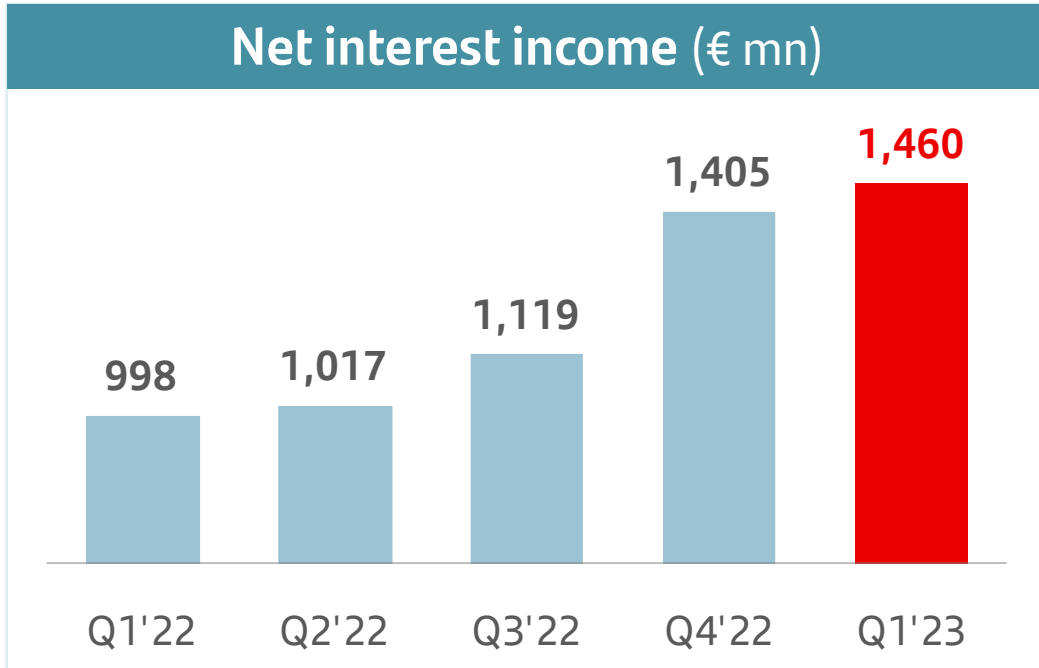
Concluding remarks



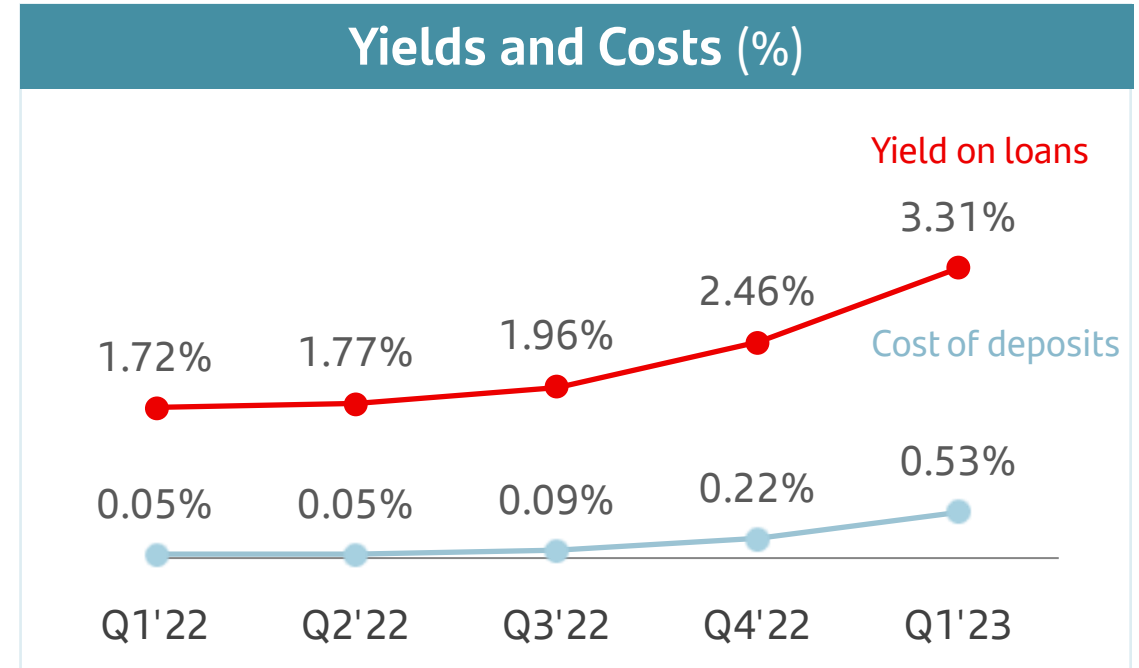
Appendix



NII grew boosted by higher interest rates. Management focused on containing cost of deposits as the balance sheet remained very liquid



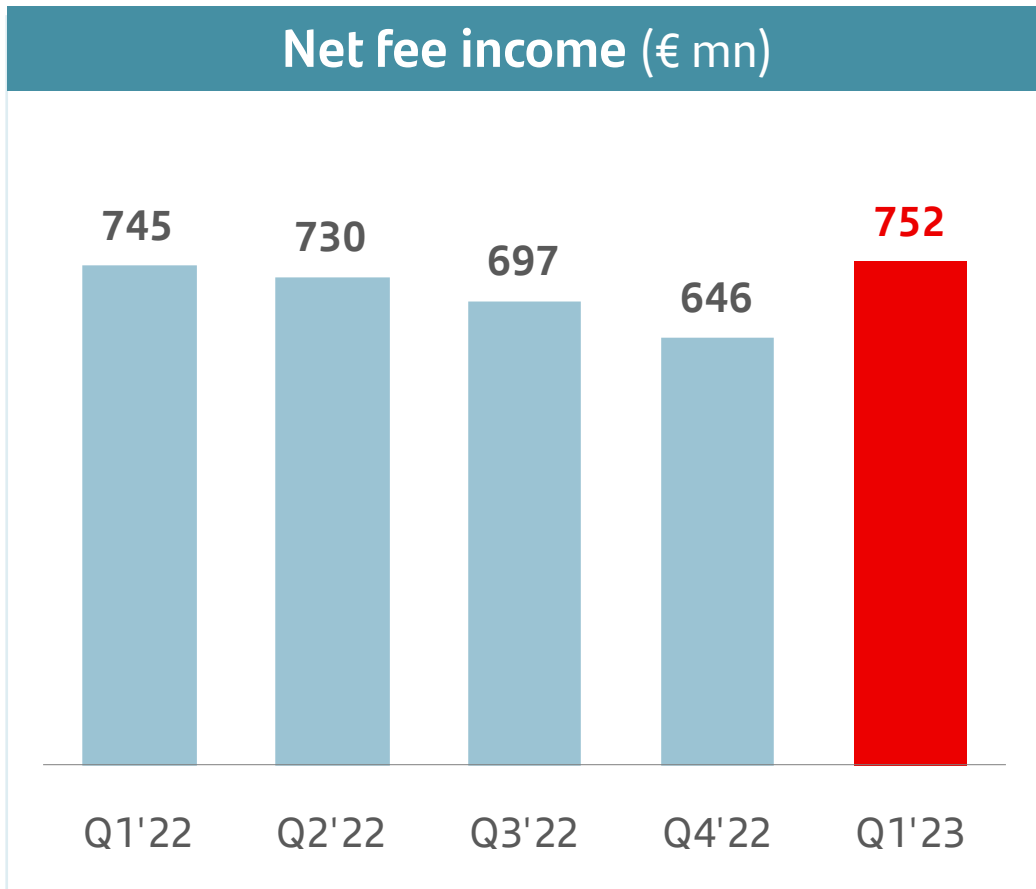
NII / Average earning assets				
0.96%	0.94%	0.99%	1.26%	1.42%
Central Bank interest rate (EoP)				
0.00%	0.00%	1.25%	2.50%	3.00%



Differential				
1.7pp	1.7pp	1.9pp	2.2pp	2.8pp



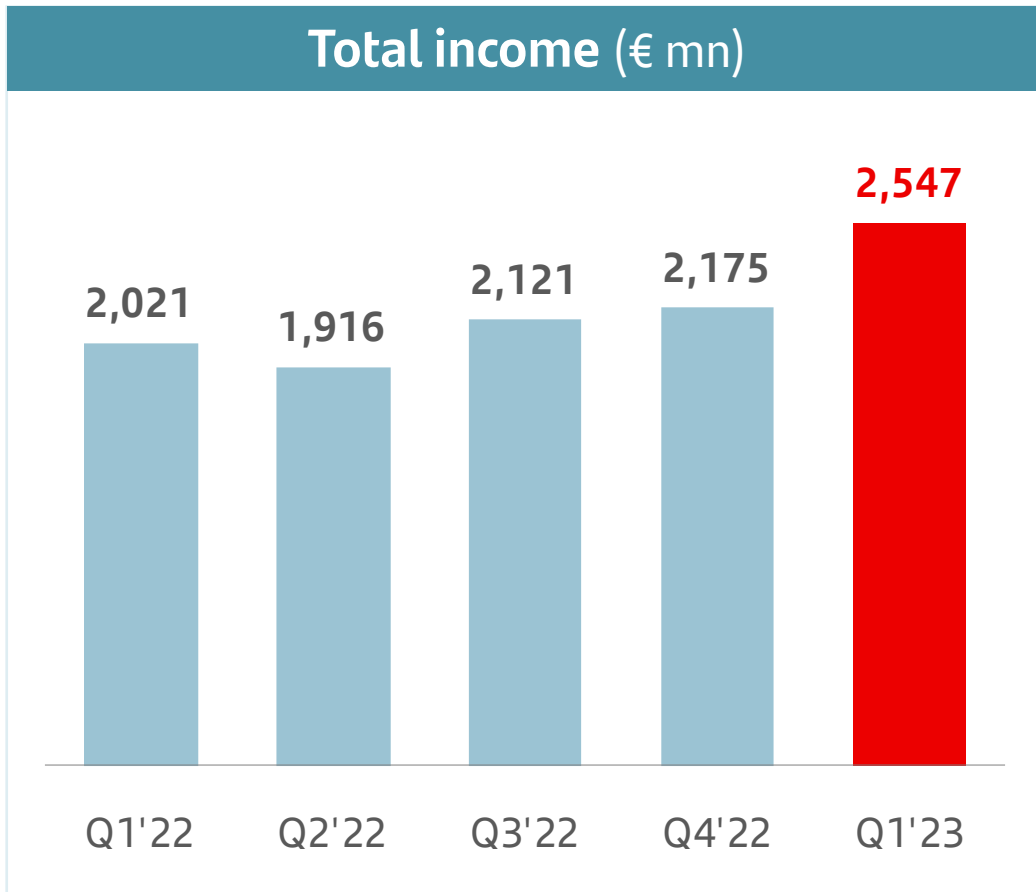
Net fee income grew supported by higher activity in payments, insurance and securities services



	Q1'23	Q1'22	YoY (%)	QoQ (%)
Transactional fees	258	290	-11.0	2.0
Payment methods	31	23	34.9	-12.3
Investment and pension funds	190	215	-11.7	-2.2
Insurance	71	68	5.7	6.9
Securities and custody services	60	45	33.8	42.0
Other ⁽¹⁾	172	128	34.5	92.5
Total net fee income	752	745	0.8	16.4



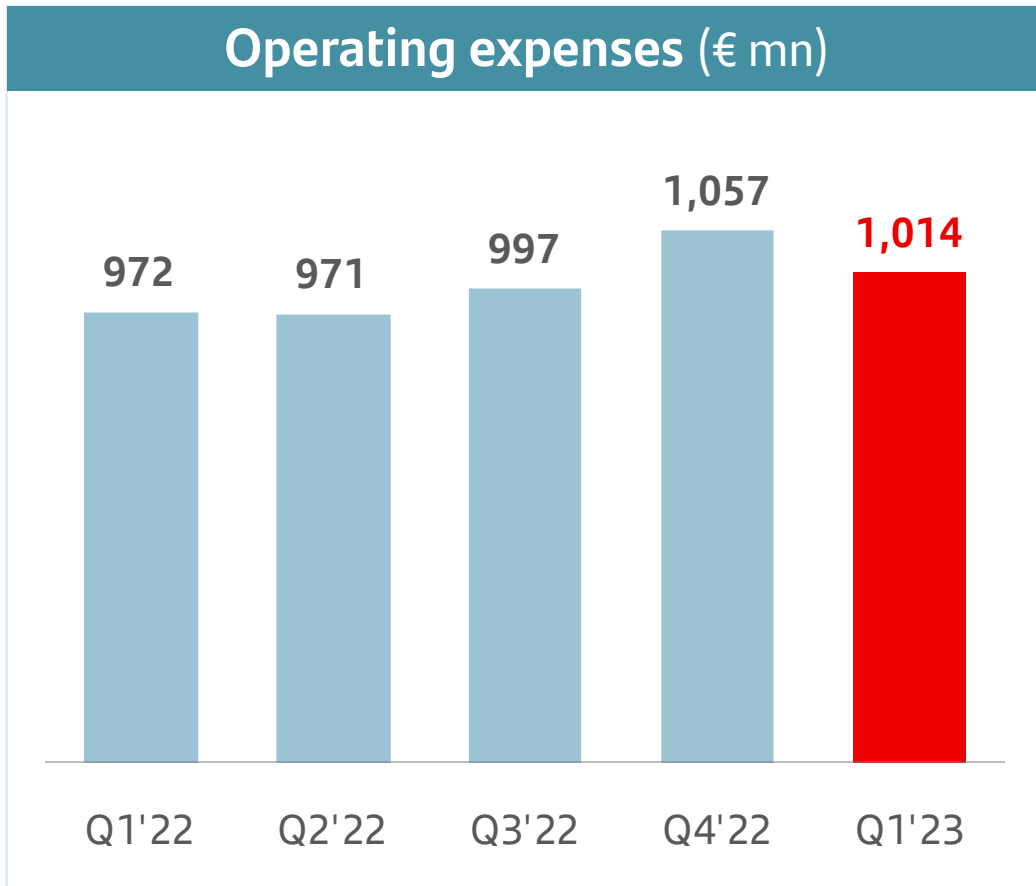
Total income was up driven by higher NII, supported by rates, and increased activity. Quarterly performance is benefitted by DGF contribution in Q4'22



	Q1'23	Q1'22	YoY (%)	QoQ (%)
Net interest income	1,460	998	46.4	4.0
Net fee income	752	745	0.8	16.4
Customer revenue	2,212	1,743	26.9	7.9
Other ¹	335	278	20.5	168.5
Total income	2,547	2,021	26.0	17.1



Costs increased 4% YoY affected by high inflation, in real terms -3%. Quarterly performance was driven by double-digit reduction in administrative expenses

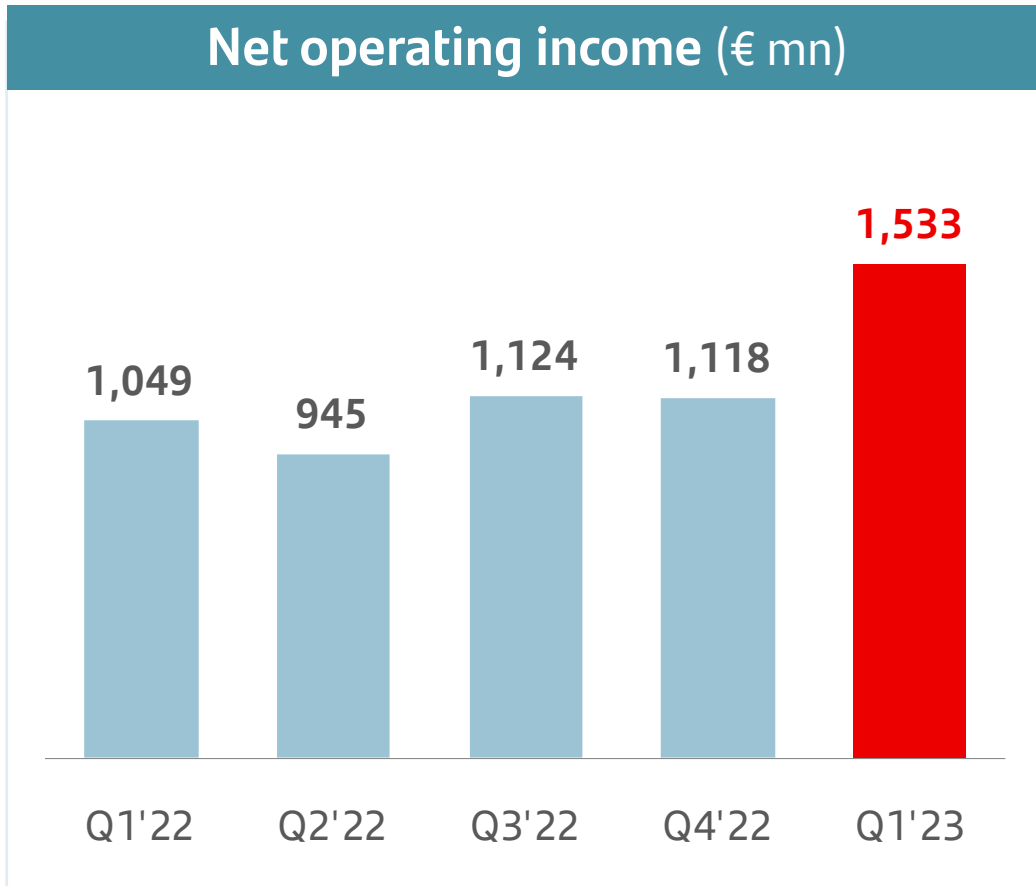


	Q1'23	Q1'22	YoY (%)	QoQ (%)
Operating Expenses	1.014	972	4,3	-4,1

Branches (#)	1.909	1.950	-2,1	-0,2
Employees (#)	27.047	26.095	3,6	0,8



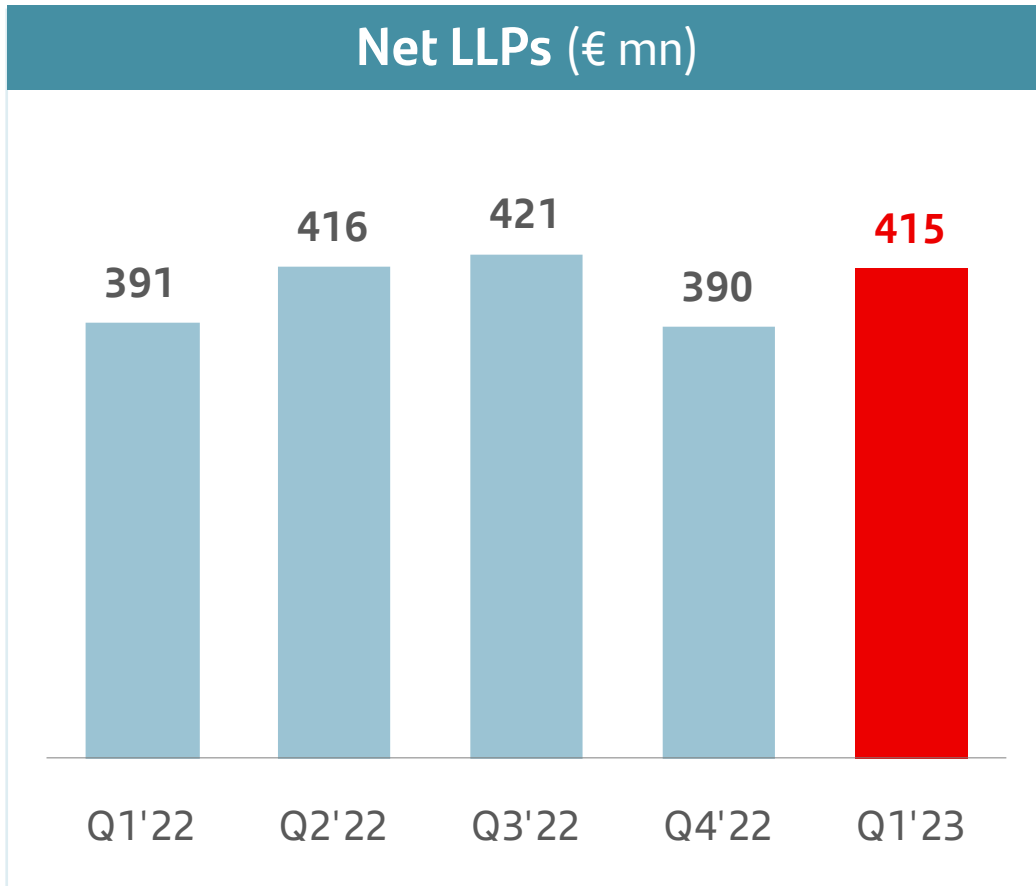
Net operating income soared 46% YoY on the back of higher revenue and cost control. The efficiency ratio continued to improve, reducing by 8pp



	Q1'23	Q1'22	YoY (%)	QoQ (%)
Total income	2,547	2,021	26.0	17.1
Operating Expenses	(1,014)	(972)	4.3	-4.1
Net operating income	1,533	1,049	46.2	37.2
Efficiency ratio	39.8%	48.1%	-8.3pp	



LLPs were well controlled with a stable CoR of 62bps. The NPL ratio improved on the back of Q4'22 portfolio sales

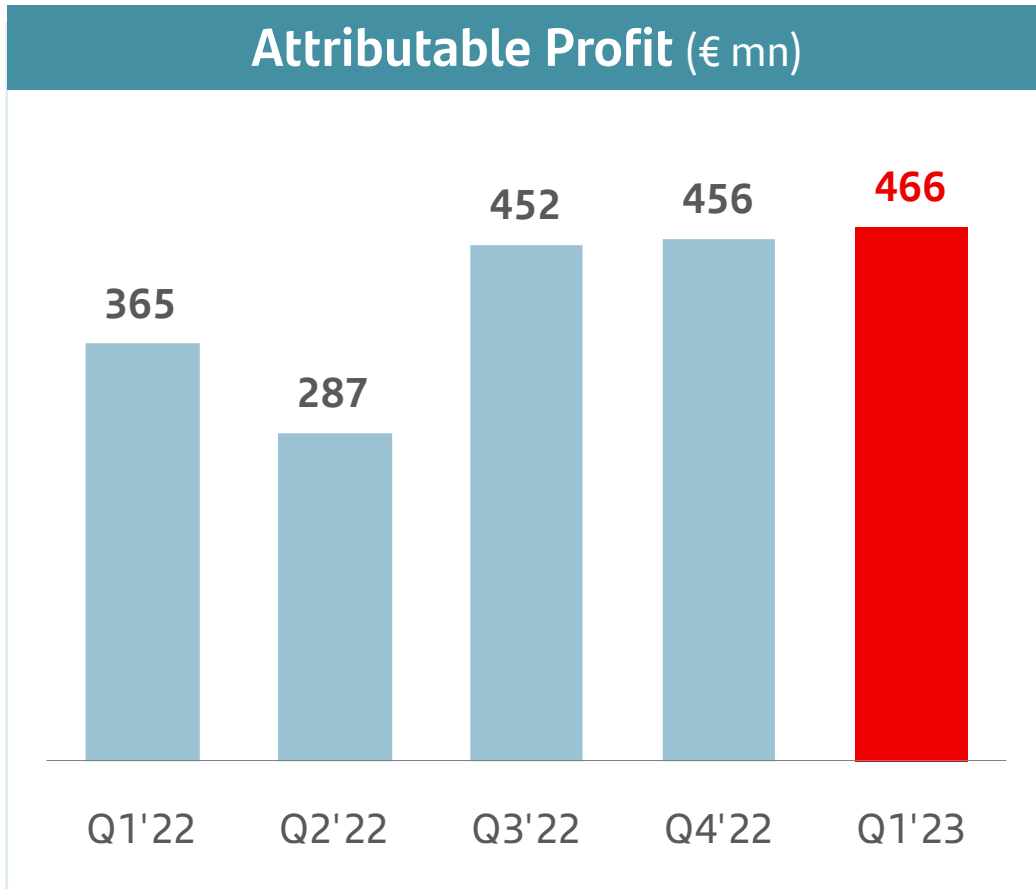


	Q1'23	Q1'22	YoY (%)	QoQ (%)
Net operating income	1,533	1,049	46.2	37.2
Loan-loss provisions	(415)	(391)	6.0	6.4
Net operating income after provisions	1,119	658	70.1	53.6

Cost of risk ¹	0.62%	0.88%	-26bps	1bp
NPL ratio	3.19%	4.47%	-128bps	-8bps
Coverage ratio	50%	50%	-0.1pp	-0.7pp



Strong net operating income after provisions performance (+70%) was not fully reflected in profit due to the temporary levy



	Q1'23	Q1'22	YoY (%)	QoQ (%)
PBT	739	519	42.4	27.1
Tax on profit	(273)	(154)	77.0	117.9
Consolidated profit	466	365	27.8	2.2
Minority interests	0	0	-59.5	-52.5
Attributable profit	466	365	27.7	2.2
Effective tax rate	36.9%	29.7%	7.2pp	

1

Financial
system

2

Strategy and
business

3

Results

4

**Concluding
remarks**

5

Appendix

Concluding remarks



Financial System

- ▶ The stock of loans reduced 1% YoY mainly driven by lower floating rate loans
- ▶ Credit quality continued to improve as the resilient labour market is acting as a cushion
- ▶ Deposit growth slowed down as part of the savings have been used to fund early prepayments in floating rate loans. Time deposits continued to grow on the back of higher rates



Strategy & Business

- ▶ Grow our customer base providing the best customer experience across all channels and evolve our customer relationship model towards a digital bank with branches
- ▶ Simplify product portfolio and automate processes to enhance operational excellence
- ▶ Leverage our scale across Europe to grow our business and build a common operating model
- ▶ Continue optimizing our capital management through better capital allocation and balance sheet mobilization



Results

- ▶ Revenue up driven by higher NII, supported by rates, and increased activity. Quarterly performance benefitted by DGF contribution in Q4'22
- ▶ Net operating income soared 46% YoY on the back of higher revenue and cost control. The efficiency ratio continued to improve, reducing by 8pp
- ▶ LLPs were well controlled with a stable CoR of 62bps. The NPL ratio improved on the back of Q4'22 portfolio sales
- ▶ Strong net operating income after provisions performance (+70%) was not fully reflected in profit due to the temporary levy

1

Financial system

2

Strategy and business

3

Results

4

Concluding remarks

5

Appendix

Balance sheet



€ million	Change			
	Mar-23	Mar-22	Amount	%
Loans and advances to customers	248,586	256,690	(8,104)	(3.2)
Cash, central banks and credit institutions	108,769	139,820	(31,052)	(22.2)
Debt instruments	49,288	31,423	17,865	56.9
Other financial assets	44,647	40,861	3,786	9.3
Other asset accounts	17,928	18,537	(609)	(3.3)
Total assets	469,218	487,332	(18,113)	(3.7)
Customer deposits	310,954	288,240	22,714	7.9
Central banks and credit institutions	44,953	88,610	(43,657)	(49.3)
Marketable debt securities	27,481	26,134	1,347	5.2
Other financial liabilities	46,992	44,117	2,876	6.5
Other liabilities accounts	21,690	18,933	2,757	14.6
Total liabilities	452,069	466,034	(13,964)	(3.0)
Total equity	17,149	21,298	(4,149)	(19.5)
Other managed customer funds	102,188	105,776	(3,589)	(3.4)
Mutual funds	73,741	76,830	(3,089)	(4.0)
Pension funds	12,827	13,868	(1,041)	(7.5)
Managed Portfolios	15,620	15,079	542	3.6

Underlying income statement



€ million	Variation			
	Q1'23	Q1'22	Amount	%
Net interest income	1,460	998	463	46.4
Net fee income	752	745	6	0.8
Gains (losses) on financial transactions	260	130	130	99.8
Other operating income	75	148	(73)	(49.4)
Total income	2,547	2,021	526	26.0
Operating expenses	(1,014)	(972)	(41)	4.3
Net operating income	1,533	1,049	484	46.2
Net loan-loss provisions	(415)	(391)	(24)	6.0
Other gains (losses) and provisions	(379)	(139)	(241)	173.7
Profit before tax	739	519	220	42.4
Tax on profit	(273)	(154)	(119)	77.0
Profit from continuing operations	466	365	101	27.8
Net profit from discontinued operations	—	—	—	-
Consolidated profit	466	365	101	27.8
Non-controlling interests	0	0	(0)	(59.5)
Profit attributable to the parent	466	365	101	27.7

Quarterly underlying income statement



€ million

	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Net interest income	998	1,017	1,119	1,405	1,460
Net fee income	745	730	697	646	752
Gains (losses) on financial transactions	130	84	168	230	260
Other operating income	148	84	138	(105)	75
Total income	2,021	1,916	2,121	2,175	2,547
Operating expenses	(972)	(971)	(997)	(1,057)	(1,014)
Net operating income	1,049	945	1,124	1,118	1,533
Net loan-loss provisions	(391)	(416)	(421)	(390)	(415)
Other gains (losses) and provisions	(139)	(144)	(110)	(147)	(379)
Profit before tax	519	385	593	581	739
Tax on profit	(154)	(98)	(141)	(125)	(273)
Profit from continuing operations	365	287	452	456	466
Net profit from discontinued operations	—	—	—	—	—
Consolidated profit	365	287	452	456	466
Non-controlling interests	0	0	(0)	0	0
Profit attributable to the parent	365	287	452	456	466

Thank You.

Our purpose is to help people and businesses prosper.

Our culture is based on believing that everything we do should be:

Simple Personal Fair



Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA

