

# United Kingdom

## 2023 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. APMs we use are presented unless otherwise specified on a constant FX basis, which is computed by adjusting comparative period reported data for the effects of foreign currency translation differences, which distort period-on-period comparisons. 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 using ESG labels 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 (<https://www.santander.com/content/dam/santander-com/en/documentos/informacion-sobre-resultados-semestrales-y-anuales-suministrada-a-la-sec/2023/sec-2022-annual-20-f-2022-en.pdf>), as well as the section "Alternative performance measures" of Banco Santander, S.A. (Santander) Q4 2023 Financial Report, published on 31 January 2024 (<https://www.santander.com/en/shareholders-and-investors/financial-and-economic-information#quarterly-results>). Underlying measures, which are included in this document, are non-IFRS measures.

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# Important Information

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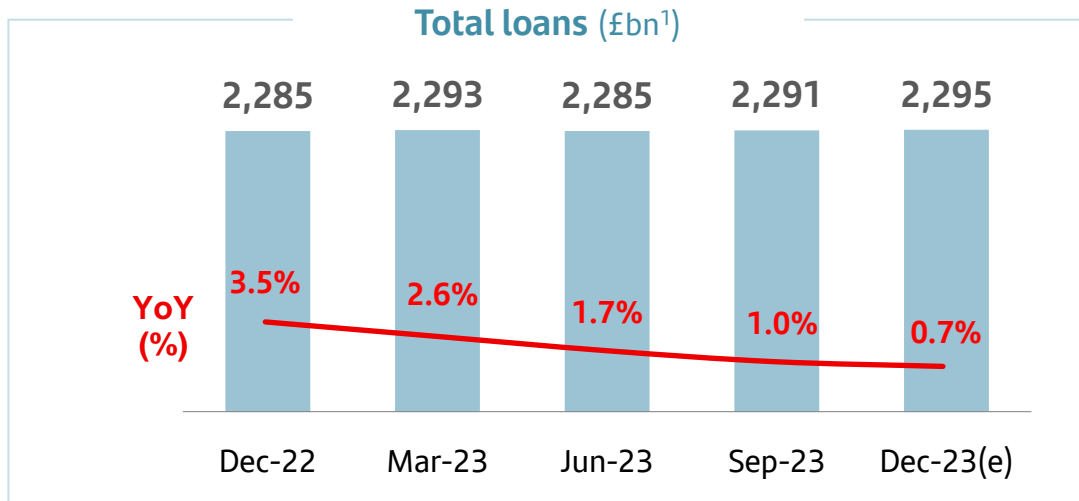
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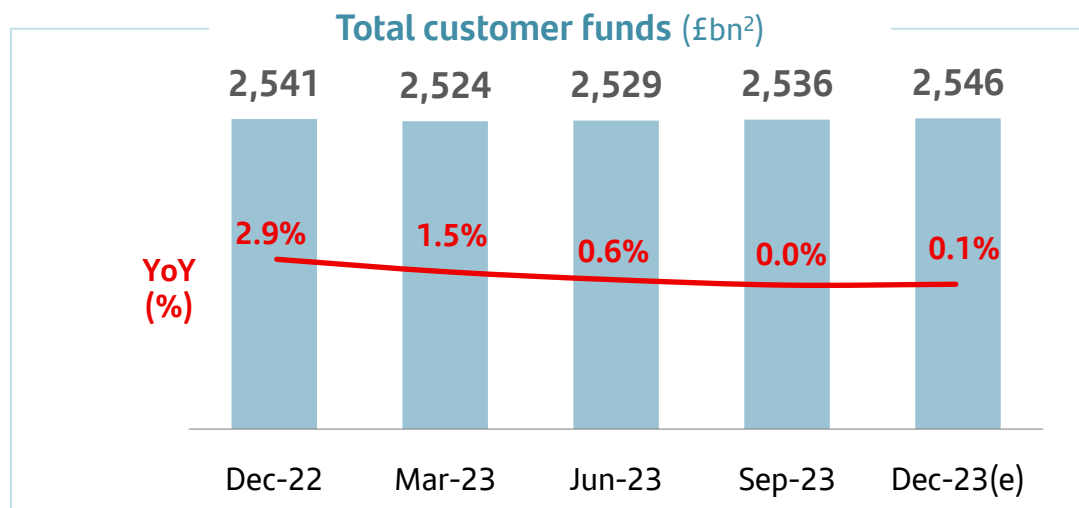
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Appendix

# Mortgage activity to remain subdued in 2024



- ▶ Secured lending growth to remain weak in the near-term as affordability remains stretched, particularly for first-time buyers
- ▶ Unsecured lending growth to remain robust with some households relying on credit cards to manage budgets
- ▶ Corporate borrowing growth to remain negative reflecting weak investment intentions and higher financing costs



- ▶ Household deposit growth to strengthen as households look to replenish savings
- ▶ Corporate deposit growth to remain negative as firms use deposits to navigate through the challenging environment



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# Customer-focused strategy with resilient balance sheet

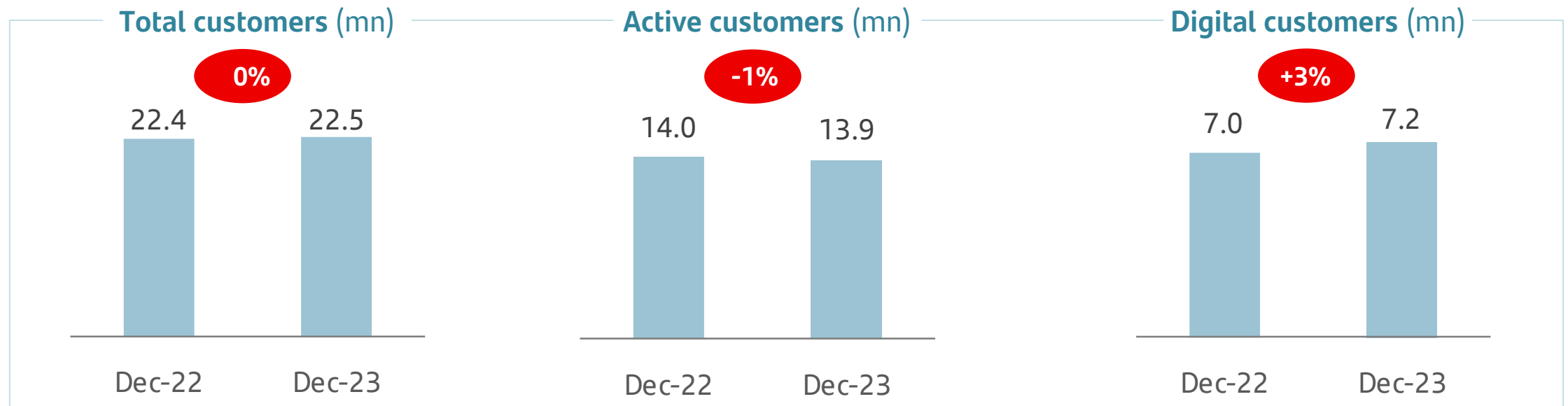
KEY DATA		2023	YoY Var.
	Customer loans <sup>1</sup>	£204.0bn	-6.0%
	Customer funds <sup>2</sup>	£201.0bn	-1.0%
	Attributable profit	£1,343mn	+13.0%
	RoTE	13.0%	+2.3pp
	Efficiency ratio	49.7%	+0.1pp
	Loans market share <sup>3</sup>	9.3%	-63bps
	Deposits market share <sup>3</sup>	7.5%	-6bps
	Total customers	22.5mn	+0.3%
	Digital customers	7.2mn	+3.2%
	Branches	444	-1.1%
	Employees	22,280	+5.2%



## Strategic Priorities

- ▶ Deliver growth through customer loyalty and outstanding customer experience
- ▶ Simplify and digitalize the business for improved efficiency and returns
- ▶ Be a responsible and sustainable business
- ▶ Engage, motivate and develop a talented and diverse team

# Well-established UK market position



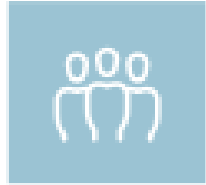
- ▶ Enhanced digital capabilities attracted a further >220k digital customers this year
- ▶ 77% of our refinanced mortgages were retained online
- ▶ 92% of current account openings and 98% of credit card openings were made through digital channels



# Customer focused proposition



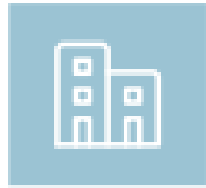
## We have a well-established UK market position



**c.14 million**  
active UK customers



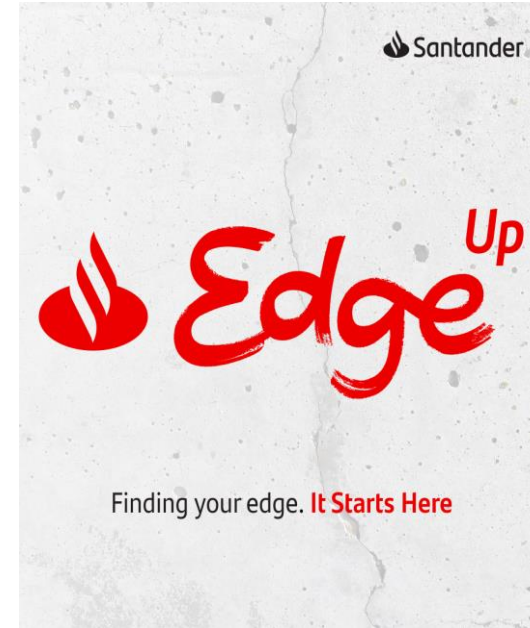
**Top 5**  
retail mortgage  
provider<sup>1</sup>



**444 branches**  
Across the UK

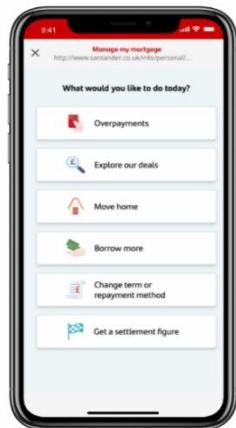


**Top 5**  
largest commercial  
lender<sup>1</sup>



- ▶ Launched Santander Edge and Santander Edge Up current account and savings brand
- ▶ Only current account on the market to offer cashback on both debit card spending and direct debits

## My Home Manager

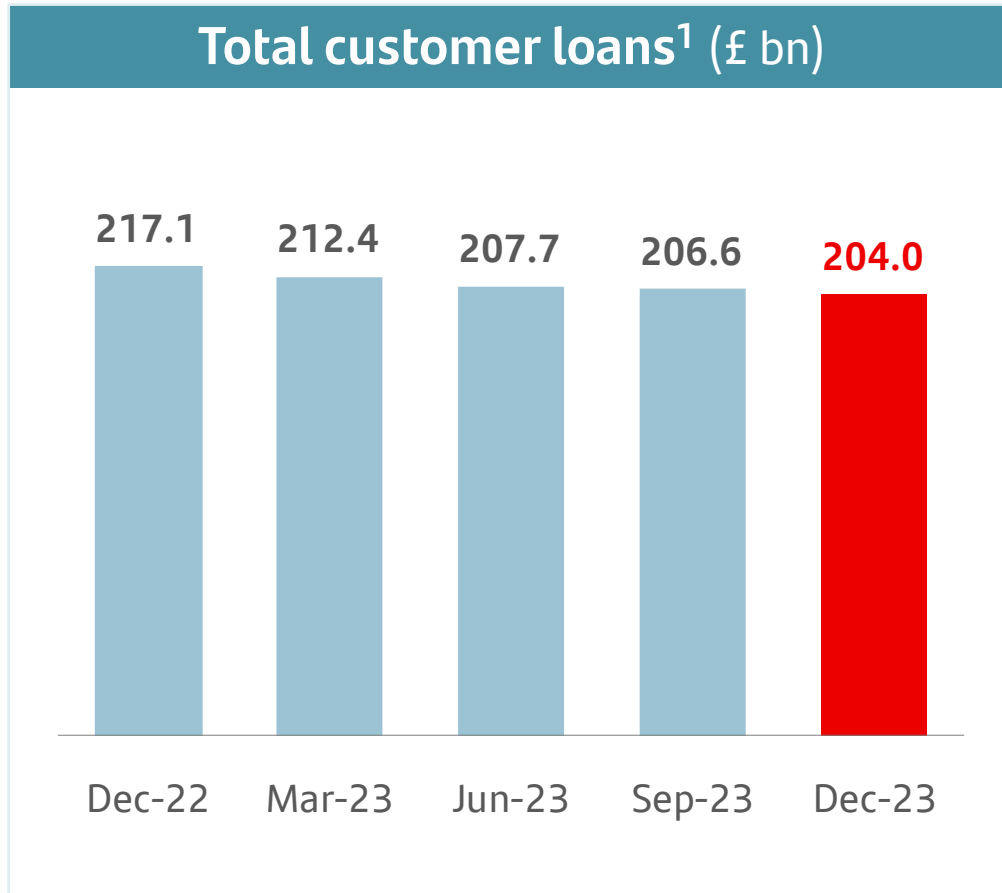


- ▶ Refreshed My Home Manager, bringing services together to help customers get more from their home
- ▶ Customers can see their estimated home value and equity, view their Energy Performance Certificates, access a green knowledge hub and access cost estimates and quotes from local tradespeople for maintenance and repair



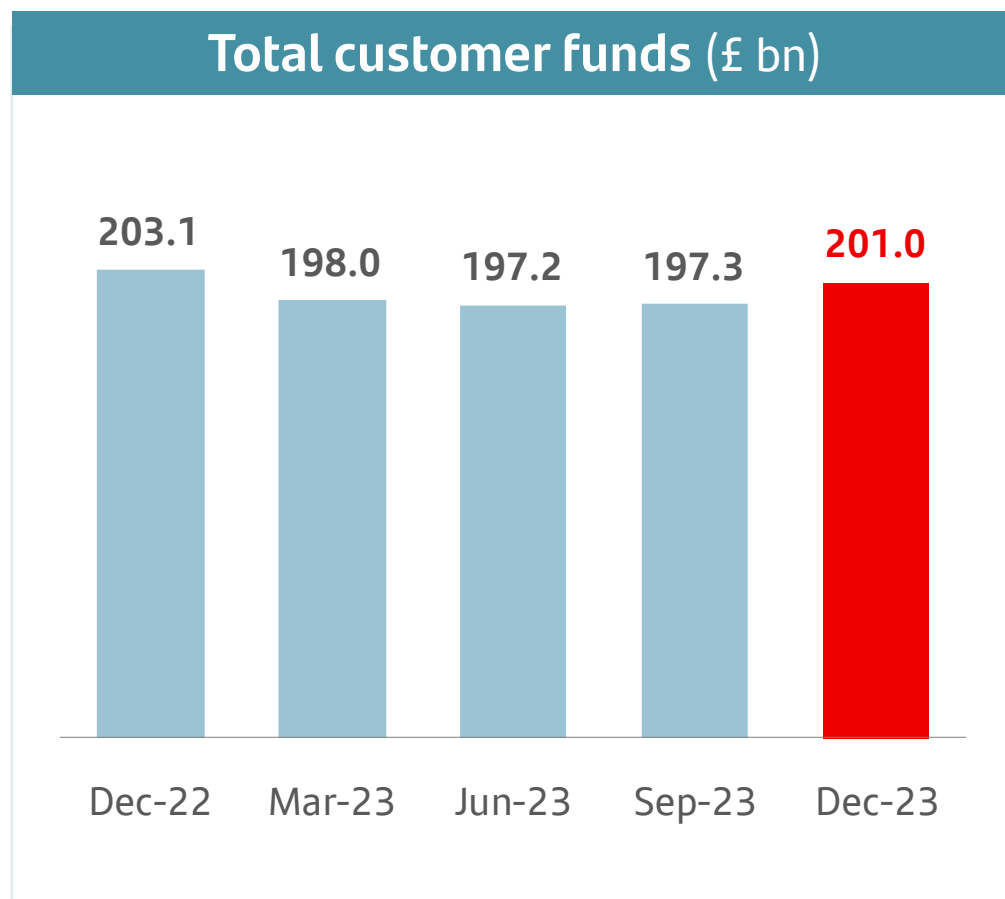
(1) Santander UK industry analysis of latest available bank and building society reports. Mortgage provider: UK mortgage stock, Retail Banking divisions. Commercial lender: UK commercial lending stock, Corporate and/or Commercial Banking divisions (excludes investment banking).

# Subdued customer loan demand reflecting affordability pressure in a high interest rate environment



	Dec-23	Dec-22	YoY (%)	QoQ (%)
Individuals <sup>2</sup>	184.3	196.1	-6.0	-1.2
o/w Mortgages <sup>3</sup>	174.5	186.4	-6.4	-1.0
SMEs	1.8	2.5	-27.8	-8.1
Corporates	18.0	18.5	-3.1	-1.8
CIB	-	-	-	-
<b>Total customer loans</b>	<b>204.0</b>	<b>217.1</b>	<b>-6.0</b>	<b>-1.3</b>

# Robust deposit funding driven by successful savings campaign offset by continued migration from demand deposits



	Dec-23	Dec-22	YoY (%)	QoQ (%)
Demand	165.0	179.0	-7.8	0.4
Time <sup>1</sup>	29.7	17.7	67.7	10.5
<b>Total deposits</b>	<b>194.7</b>	<b>196.7</b>	<b>-1.0</b>	<b>1.8</b>
Mutual Funds <sup>2</sup>	6.3	6.3	0.1	3.2
<b>Total customer funds</b>	<b>201.0</b>	<b>203.1</b>	<b>-1.0</b>	<b>1.9</b>

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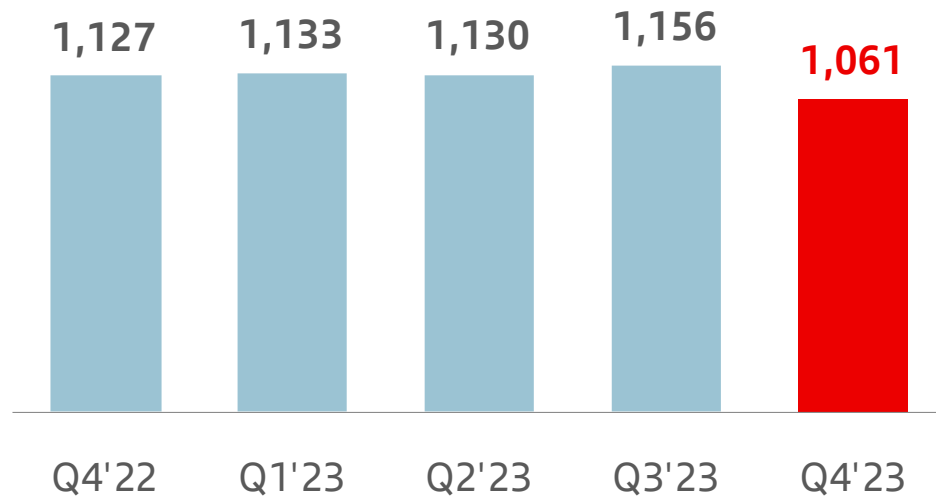
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Strong NII growth YoY driven by margin management. QoQ margin compression impacted by increased cost of funding

### Net interest income (£ mn)



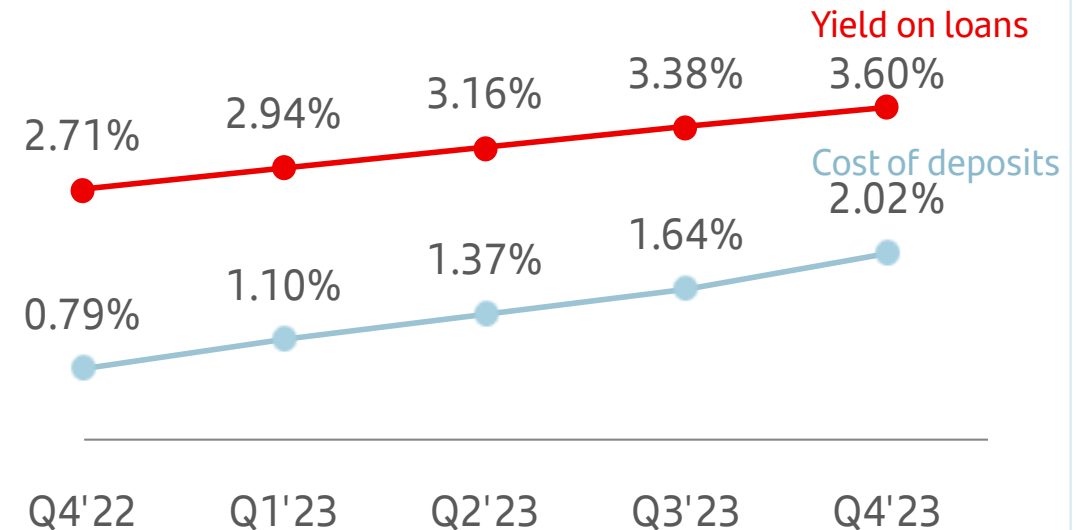
### NII / Average earning assets

Quarter	NII / Average earning assets
Q4'22	1.54%
Q1'23	1.58%
Q2'23	1.59%
Q3'23	1.66%
Q4'23	1.52%

### Central Bank interest rate (EoP)

Quarter	Central Bank interest rate (EoP)
Q4'22	3.50%
Q1'23	4.25%
Q2'23	5.00%
Q3'23	5.25%
Q4'23	5.25%

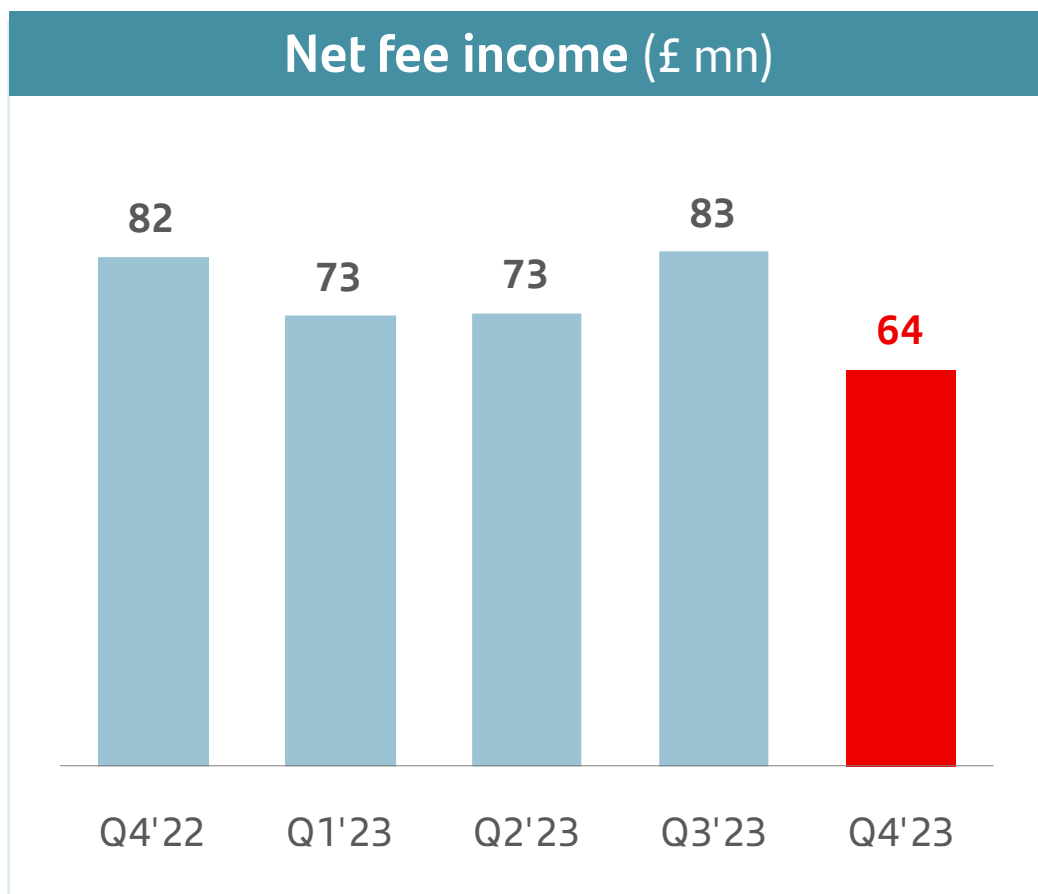
### Yields and Costs (%)



### Differential

Quarter	Differential
Q4'22	1.9pp
Q1'23	1.8pp
Q2'23	1.8pp
Q3'23	1.7pp
Q4'23	1.6pp

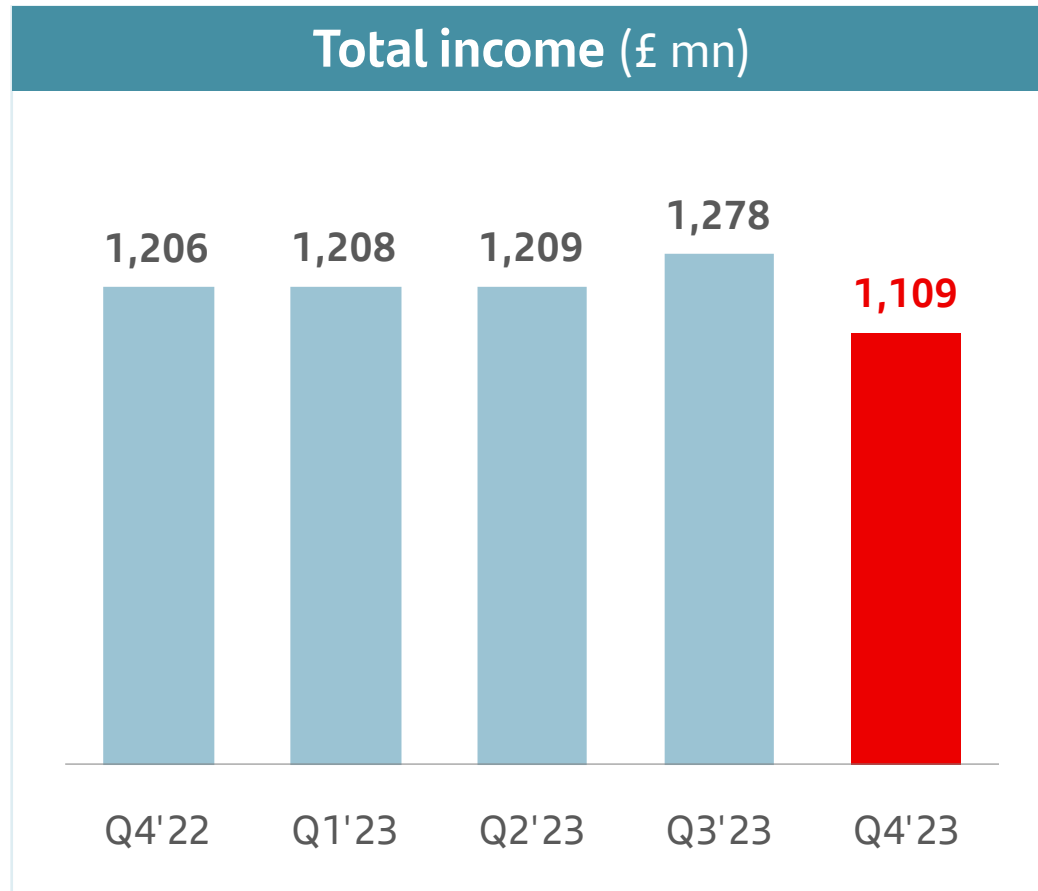
## Net fee income impacted by lower volumes. QoQ affected by cash back campaign



	2023	2022	YoY (%)	QoQ (%)
<b>Transactional fees</b>	<b>273</b>	<b>249</b>	<b>9.9</b>	<b>-11.7</b>
Account admin. and maintenance	183	188	-2.6	-0.4
Transfers, drafts, cheques and other orders	(9)	(6)	41.4	-2.6
Other transactional	99	67	47.7	-27.4
<b>Investment and pension funds</b>	<b>45</b>	<b>49</b>	<b>-8.5</b>	<b>-8.0</b>
<b>Insurance</b>	<b>32</b>	<b>63</b>	<b>-49.6</b>	<b>-0.4</b>
<b>Other</b>	<b>(56)</b>	<b>(29)</b>	<b>95.0</b>	<b>84.1</b>
<b>Total net fee income</b>	<b>294</b>	<b>332</b>	<b>-11.5</b>	<b>-22.7</b>

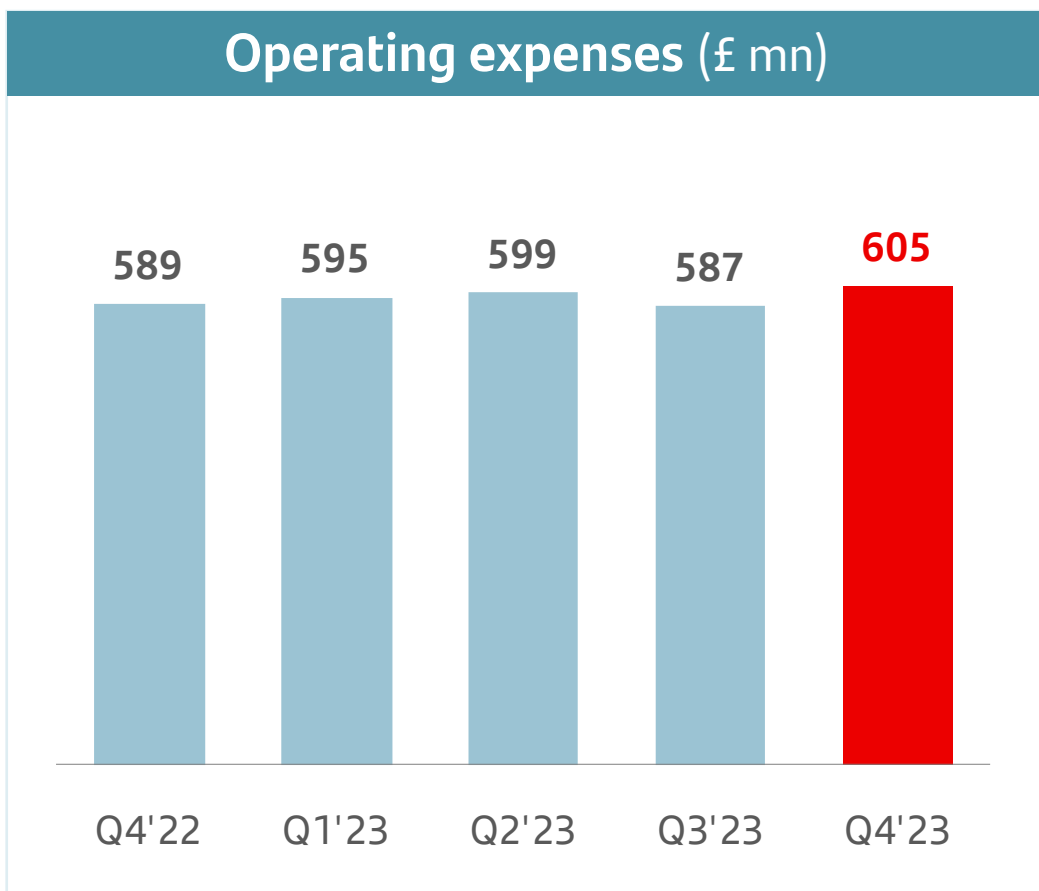


Strong income reflecting higher NII. QoQ adverse due to growth in savings deposits offering top of the market rates



	2023	2022	YoY (%)	QoQ (%)
Net interest income	4,480	4,256	5.3	-8.1
Net fee income	294	332	-11.5	-22.8
Customer revenue	4,774	4,588	4.0	-9.1
Other <sup>1</sup>	30	31	-3.1	-
<b>Total income</b>	<b>4,804</b>	<b>4,619</b>	<b>4.0</b>	<b>-13.3</b>

## Operating expenses impacted by inflation, though costs decreased 3% in real terms



	2023	2022	YoY (%)	QoQ (%)
Operating Expenses	2,387	2,289	4.3	3.0

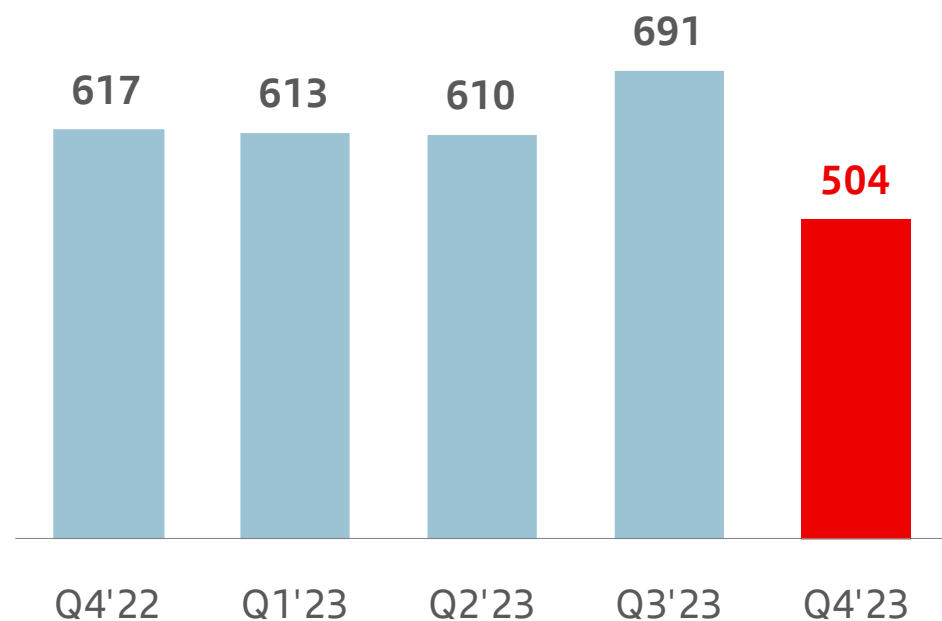
Branches (#)	444	449	-1.1	0.0
Employees (#)	22,280	21,185	5.2	0.3



## Resilient net operating income driven by strong revenue. Stable efficiency ratio



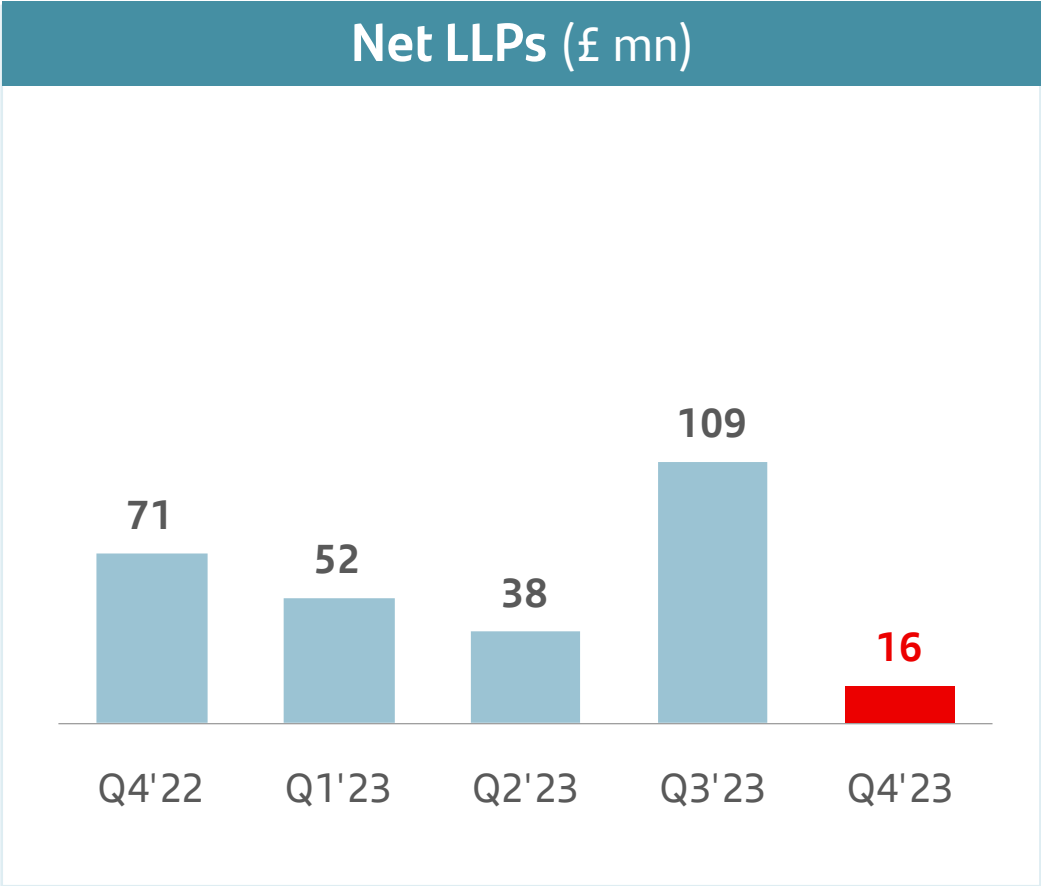
### Net operating income (£ mn)



	2023	2022	YoY (%)	QoQ (%)
Total income	4,804	4,619	4.0	-13.3
Operating Expenses	(2,387)	(2,289)	4.3	3.0
<b>Net operating income</b>	<b>2,417</b>	<b>2,330</b>	<b>3.7</b>	<b>-27.1</b>
Efficiency ratio	49.7%	49.6%	0.1pp	



# Cost of risk reduction driven largely by improved economic outlook. Coverage remains prudent

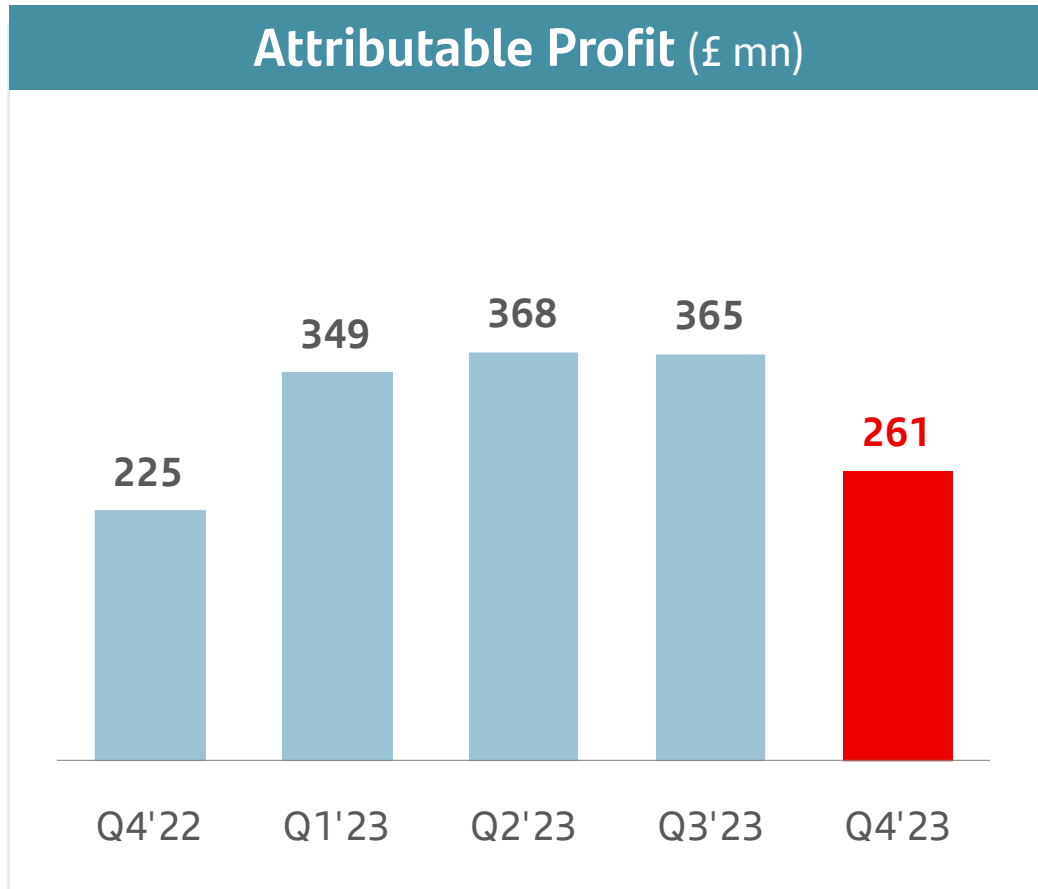


	2023	2022	YoY (%)	QoQ (%)
Net operating income	2,417	2,330	3.7	-27.1
Loan-loss provisions	(215)	(269)	-20.1	-85.7
<b>Net operating income after provisions</b>	<b>2,202</b>	<b>2,061</b>	<b>6.8</b>	<b>-16.1</b>

Cost of risk <sup>1</sup>	0.10%	0.12%	-2bps	-2bps
NPL ratio	1.42%	1.21%	22bps	0bps
Coverage ratio	30%	34%	-3.4pp	-1.6pp



Double-digit profit growth YoY with higher revenue, increased net operating income and lower LLPs. QoQ performance affected by bank levy in Q4



	2023	2022	YoY (%)	QoQ (%)
PBT	1,833	1,620	13.1	-31.8
Tax on profit	(489)	(431)	13.6	-40.5
Consolidated profit	1,343	1,189	13.0	-28.6
Attributable profit	1,343	1,189	13.0	-28.6

Effective tax rate	26.7%	26.6%	0.1pp
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# Concluding remarks



## Financial System

- ▶ Secured lending growth to remain weak in the near-term as affordability remains stretched, particularly for first-time buyers. Unsecured lending growth to remain robust with some households relying on credit cards to manage budgets. Corporate borrowing growth to remain negative reflecting weak investment intentions and higher financing costs
- ▶ Household deposit growth to strengthen as households look to replenish savings. Corporate deposit growth to remain negative as firms use deposits to navigate through the challenging environment



## Strategy & Business

- ▶ We have a well-established market position: 14mn active customers, 444 branches, top 5 retail mortgage provider and commercial lender
- ▶ Enhanced digital capability attracted a further >220k digital customers during 2023
- ▶ 77% of our refinanced mortgages were retained online, 92% of current account openings and 98% of credit card openings were made through digital channels



## Results

- ▶ Strong NII growth YoY driven by margin management. QoQ margin compression impacted by increased cost of funding
- ▶ Resilient net operating income driven by strong revenue. Stable efficiency ratio
- ▶ Cost of risk reduction driven largely by improved economic outlook. Coverage remains prudent
- ▶ Double-digit profit growth YoY with higher revenue, increased net operating income and lower LLPs. QoQ performance affected by bank levy in Q4

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# Balance sheet



£ million	Variation			
	Dec-23	Dec-22	Amount	%
Loans and advances to customers	213,227	223,358	(10,131)	(4.5)
Cash, central banks and credit institutions	54,132	58,490	(4,358)	(7.5)
Debt instruments	8,880	6,468	2,412	37.3
Other financial assets	251	533	(283)	(53.0)
Other asset accounts	3,786	2,919	867	29.7
<b>Total assets</b>	<b>280,276</b>	<b>291,768</b>	<b>(11,493)</b>	<b>(3.9)</b>
Customer deposits	202,564	204,681	(2,117)	(1.0)
Central banks and credit institutions	24,470	32,829	(8,358)	(25.5)
Marketable debt securities	38,048	39,093	(1,046)	(2.7)
Other financial liabilities	2,980	3,147	(167)	(5.3)
Other liabilities accounts	1,478	1,377	101	7.4
<b>Total liabilities</b>	<b>269,540</b>	<b>281,127</b>	<b>(11,587)</b>	<b>(4.1)</b>
<b>Total equity</b>	<b>10,736</b>	<b>10,642</b>	<b>94</b>	<b>0.9</b>
<b>Other managed customer funds</b>	<b>6,310</b>	<b>6,303</b>	<b>6</b>	<b>0.1</b>
Mutual funds	6,310	6,303	6	0.1
Pension funds	—	—	—	-
Managed portfolios	—	—	—	-

# Underlying income statement



£ million	Variation			
	2023	2022	Amount	%
Net interest income	4,480	4,256	224	5.3
Net fee income	294	332	(38)	(11.5)
Gains (losses) on financial transactions	25	26	(1)	(2.7)
Other operating income	5	5	(0)	(5.3)
<b>Total income</b>	<b>4,804</b>	<b>4,619</b>	<b>185</b>	<b>4.0</b>
Operating expenses	(2,387)	(2,289)	(98)	4.3
<b>Net operating income</b>	<b>2,417</b>	<b>2,330</b>	<b>87</b>	<b>3.7</b>
Net loan-loss provisions	(215)	(269)	54	(20.1)
Other gains (losses) and provisions	(369)	(441)	72	(16.3)
<b>Profit before tax</b>	<b>1,833</b>	<b>1,620</b>	<b>213</b>	<b>13.1</b>
Tax on profit	(489)	(431)	(59)	13.6
<b>Profit from continuing operations</b>	<b>1,343</b>	<b>1,189</b>	<b>154</b>	<b>13.0</b>
Net profit from discontinued operations	—	—	—	-
<b>Consolidated profit</b>	<b>1,343</b>	<b>1,189</b>	<b>154</b>	<b>13.0</b>
Non-controlling interests	—	—	—	-
<b>Profit attributable to the parent</b>	<b>1,343</b>	<b>1,189</b>	<b>154</b>	<b>13.0</b>

# Quarterly underlying income statement



£ million

	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Net interest income	997	1,040	1,092	1,127	1,133	1,130	1,156	1,061
Net fee income	77	93	80	82	73	73	83	64
Gains (losses) on financial transactions	5	5	23	(7)	0	6	36	(17)
Other operating income	1	(0)	1	4	2	(0)	3	(0)
<b>Total income</b>	<b>1,080</b>	<b>1,138</b>	<b>1,195</b>	<b>1,206</b>	<b>1,208</b>	<b>1,209</b>	<b>1,278</b>	<b>1,109</b>
Operating expenses	(562)	(574)	(565)	(589)	(595)	(599)	(587)	(605)
<b>Net operating income</b>	<b>518</b>	<b>564</b>	<b>631</b>	<b>617</b>	<b>613</b>	<b>610</b>	<b>691</b>	<b>504</b>
Net loan-loss provisions	(43)	(63)	(93)	(71)	(52)	(38)	(109)	(16)
Other gains (losses) and provisions	(55)	(84)	(76)	(226)	(82)	(63)	(79)	(145)
<b>Profit before tax</b>	<b>420</b>	<b>418</b>	<b>462</b>	<b>320</b>	<b>479</b>	<b>509</b>	<b>503</b>	<b>343</b>
Tax on profit	(106)	(112)	(118)	(95)	(130)	(141)	(137)	(82)
<b>Profit from continuing operations</b>	<b>314</b>	<b>306</b>	<b>344</b>	<b>225</b>	<b>349</b>	<b>368</b>	<b>365</b>	<b>261</b>
Net profit from discontinued operations	—	—	—	—	—	—	—	—
<b>Consolidated profit</b>	<b>314</b>	<b>306</b>	<b>344</b>	<b>225</b>	<b>349</b>	<b>368</b>	<b>365</b>	<b>261</b>
Non-controlling interests	—	—	—	—	—	—	—	—
<b>Profit attributable to the parent</b>	<b>314</b>	<b>306</b>	<b>344</b>	<b>225</b>	<b>349</b>	<b>368</b>	<b>365</b>	<b>261</b>

# 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**

