

Mexico 

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.

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.

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# Important Information

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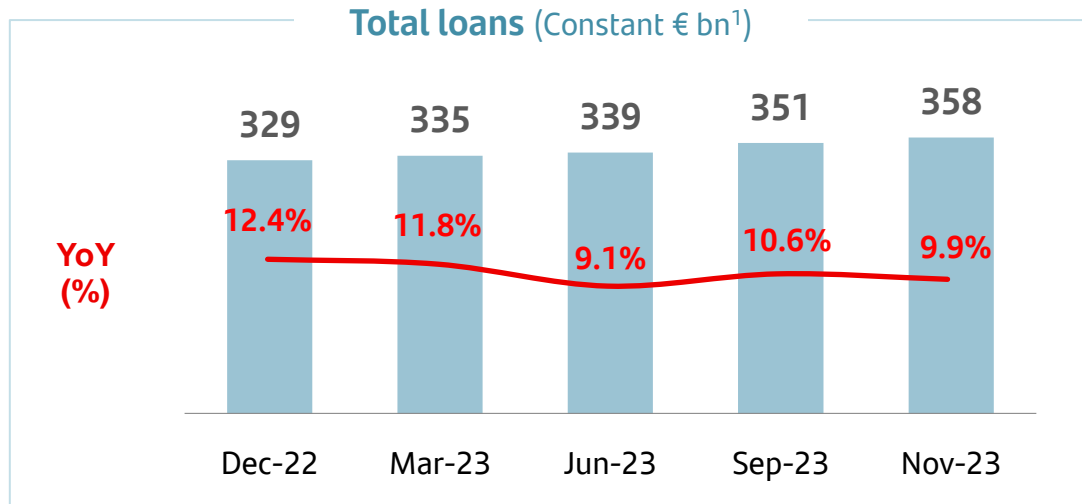
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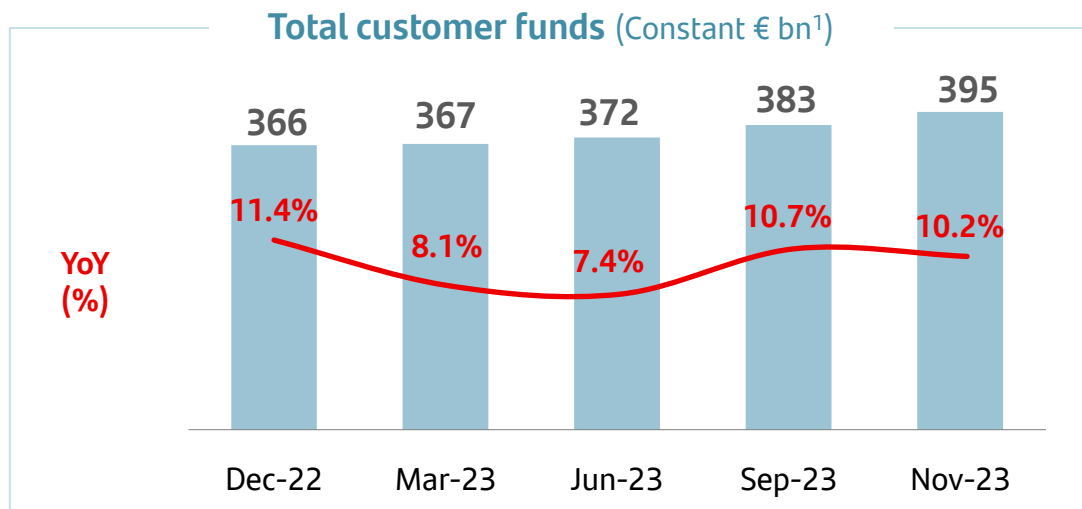
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Appendix

# System loan and deposit growth continued to expand



- ▶ Total system loans grew 10% YoY as of November 2023, driven by loans to individuals and corporates.
- ▶ Positive performance in consumer loans remains the main growth driver.



- ▶ Total system deposits rose +10% year-on-year.
- ▶ Growth in total deposits driven by time (+20%) due to the high interest rate environment. Demand deposits also rose, but by less (+6%).



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# Santander México: one of the leading financial groups in the country

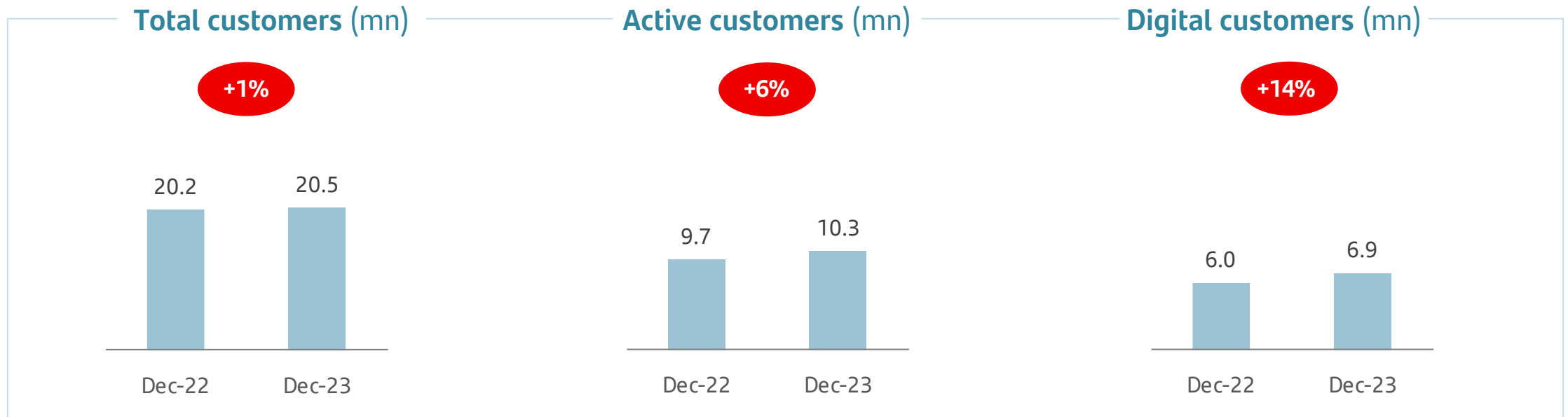
KEY DATA	2023	YoY Var. <sup>4</sup>
 Customer loans <sup>1</sup>	€48.7bn	+6.1%
 Customer funds <sup>2</sup>	€62.8bn	+9.9%
 Attributable profit	€1,560mn	+16.6%
 RoTE	17.7%	+0.8pp
 Efficiency ratio	43.9%	-1.0pp
 Loans market share <sup>3</sup>	12.7%	-60bps
 Deposits market share <sup>3</sup>	12.1%	+79bps
 Total customers	20.5mn	+1.4%
 Digital customers	6.9mn	+14.2%
 Branches	1,369	0.0%
 Employees	30,876	+7.1%



## Strategic Priorities

- ▶ Advance our technological transformation to improve our digital channels
- ▶ Simplify our products, processes and operations to transform our service model, building on technology and data to improve customer experience
- ▶ Grow our customer base and increase loyalty through integrated digital products and offerings, new service models and mass market value proposition
- ▶ Remain the market leader with value-added products for corporates and by building on existing relationships to attract more customers, particularly individuals
- ▶ Improve deposit mix and contribute to better cost of deposits

# Solid progress in the digitalization and simplification of our products and operations while growing our active and digital customer bases



- ▶ Continued focus on increasing loyalty while attracting new customers through innovative products
- ▶ Total customers: +1% YoY reflecting consistent improvement across our large number of products and services
- ▶ 14% increase in digital customers, reaching 6.9 million. Digital sales accounted for 65% of total sales
- ▶ Improvements to our app to offer the best customer experience by adding new functionalities



# Fostering innovation in our value-added products to drive the best customer experience



## Mortgages

We formalized the first **Green Mortgage** in the country, offering attractive financial conditions to customers who purchase a home with a **sustainable construction certificate**



## LikeU

**Cash Back Baby**, the first loyalty programme that gives money back to customers for using their **LikeU** credit card or payroll card. **c.1.2mn cards issued** since its launch in Sep-21



## Auto

New alliances with BYD, a leading global new energy vehicle company to offer accessible financing for sustainable vehicles and with GAC Motor, a Chinese car company. **~17% market share** reached in Nov-23 (+173 bps YoY), the #3 player in the market



## Distribution model

Getting more service alternatives by adding new convenience store chains: **"Yastás"** and **"Kiosko"**, as correspondent banking. **+40k points of service**



## Corporate & Investment Banking

We continue to position our Corporate & Investment Banking business as one of the top three players in Mexico.

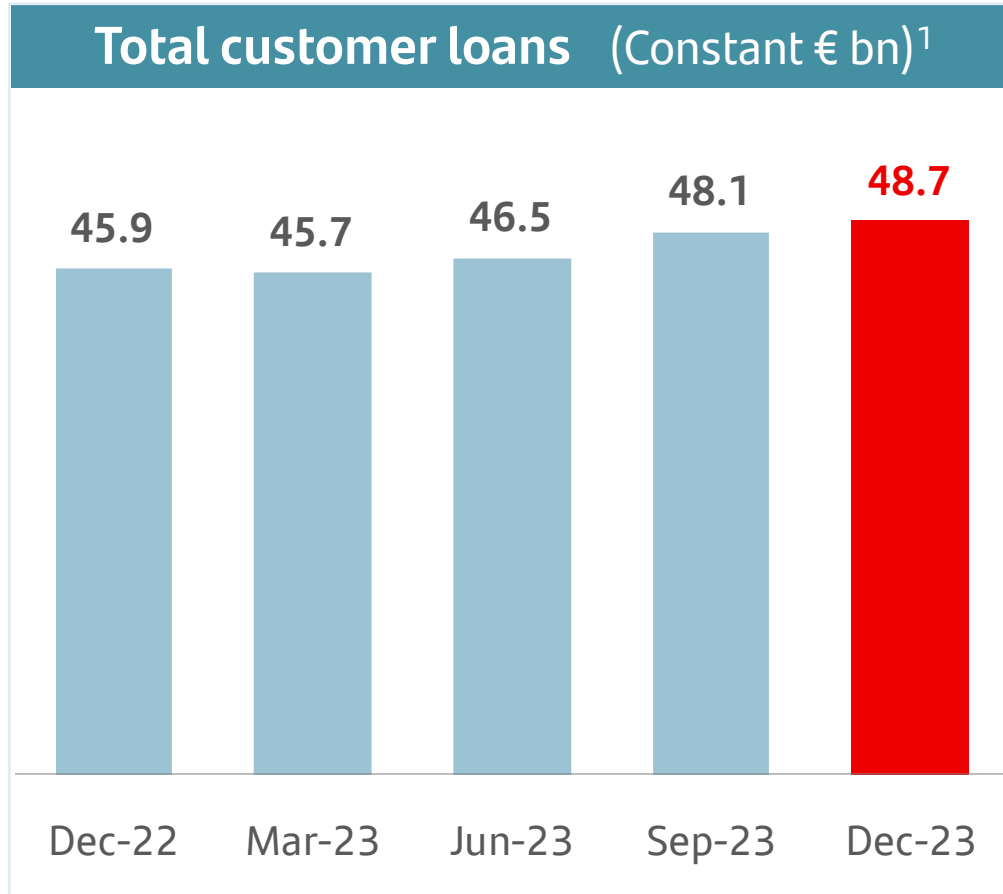
Santander México **led the ranking of Local Debt Capital Markets in 2023** for second consecutive year, according to Bloomberg statistics



## Digitalization

New functionalities added to our **SuperMóvil app** including virtual branch and improved customer experience with **digital account (N2)**. In addition, we launched Santander Evolution site to help young customers with their financial growth.

Loan portfolio growth continued to be driven mainly by loans to individuals, especially cards, consumer credit and mortgages, as we focus on increasing profitability



	Dec-23	Dec-22	YoY (%)	QoQ (%)
<b>Individuals<sup>2</sup></b>	<b>21.4</b>	<b>18.8</b>	<b>13.8</b>	<b>2.2</b>
o/w Mortgages	11.7	11.0	6.6	1.9
o/w Consumer credit	3.4	2.9	14.4	-2.2
o/w Cards	3.9	3.3	18.3	0.4
<b>Consumer Finance</b>	<b>2.0</b>	<b>1.4</b>	<b>35.0</b>	<b>9.2</b>
<b>SMEs</b>	<b>2.8</b>	<b>2.7</b>	<b>2.3</b>	<b>1.5</b>
<b>Corporates &amp; Institutions</b>	<b>15.9</b>	<b>14.8</b>	<b>7.2</b>	<b>3.0</b>
<b>CIB</b>	<b>6.7</b>	<b>8.1</b>	<b>-17.6</b>	<b>-6.9</b>
<b>Total customer loans*</b>	<b>48.7</b>	<b>45.9</b>	<b>6.1</b>	<b>1.3</b>

\*o/w Government<sup>3</sup>      4.4      4.7      -2.7      1.2



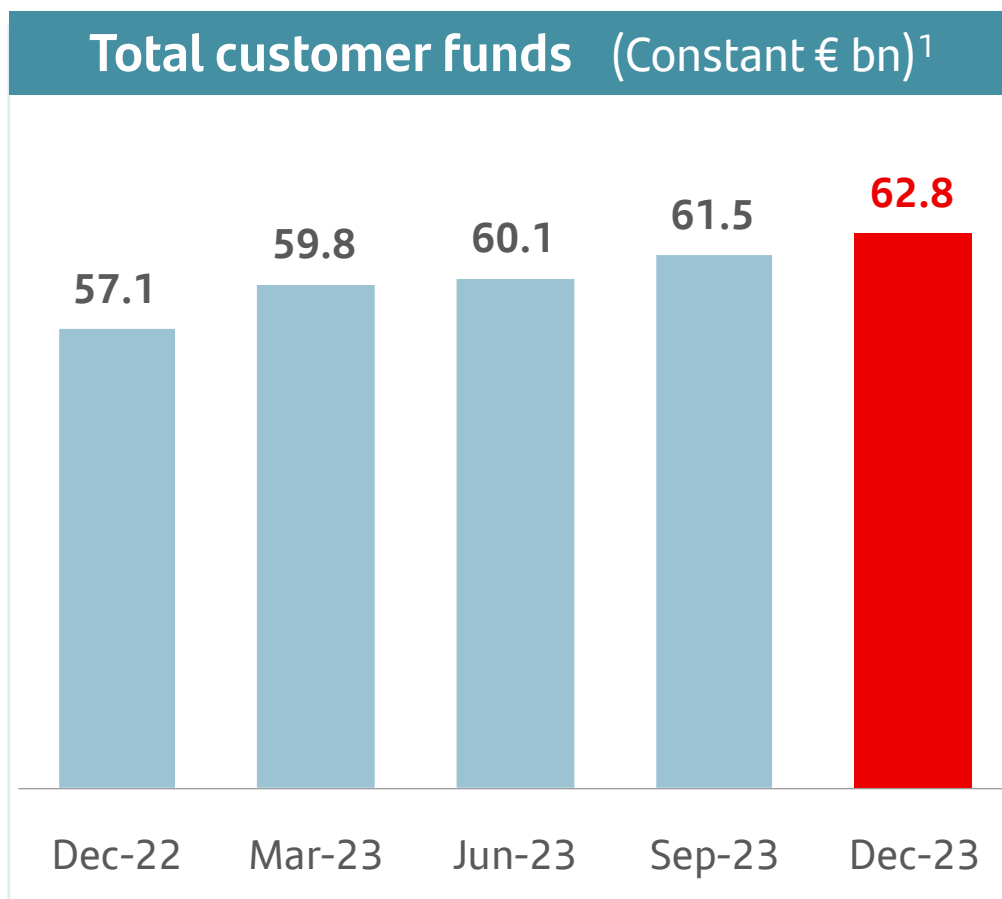
Group criteria.

(1) Excludes reverse repos. End period exchange rate as at Dec-23.

(2) Includes Private Banking.

(3) Government loans in local GAAP.

# Deposits increased driven by strong inflow into time deposits on the back of the higher interest rate environment



	Dec-23	Dec-22	YoY (%)	QoQ (%)
Demand	29.8	28.8	3.5	2.3
Time	15.9	12.8	23.9	0.2
<b>Total deposits</b>	<b>45.7</b>	<b>41.6</b>	<b>9.8</b>	<b>1.6</b>
Mutual Funds	17.1	15.5	10.0	3.7
<b>Total customer funds</b>	<b>62.8</b>	<b>57.1</b>	<b>9.9</b>	<b>2.1</b>



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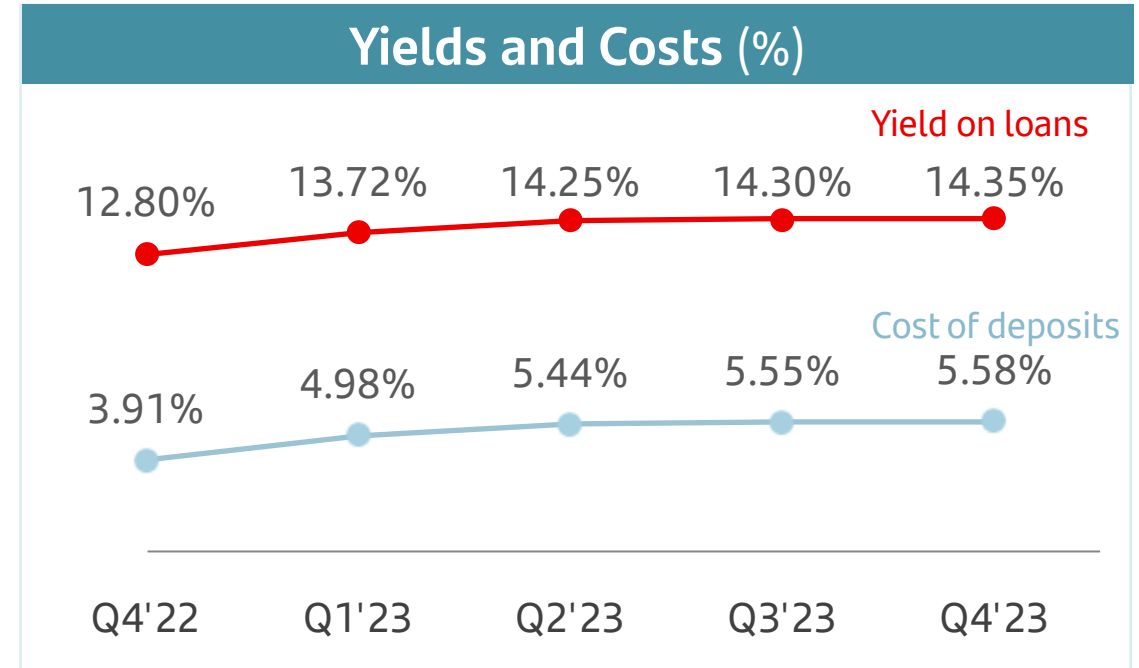
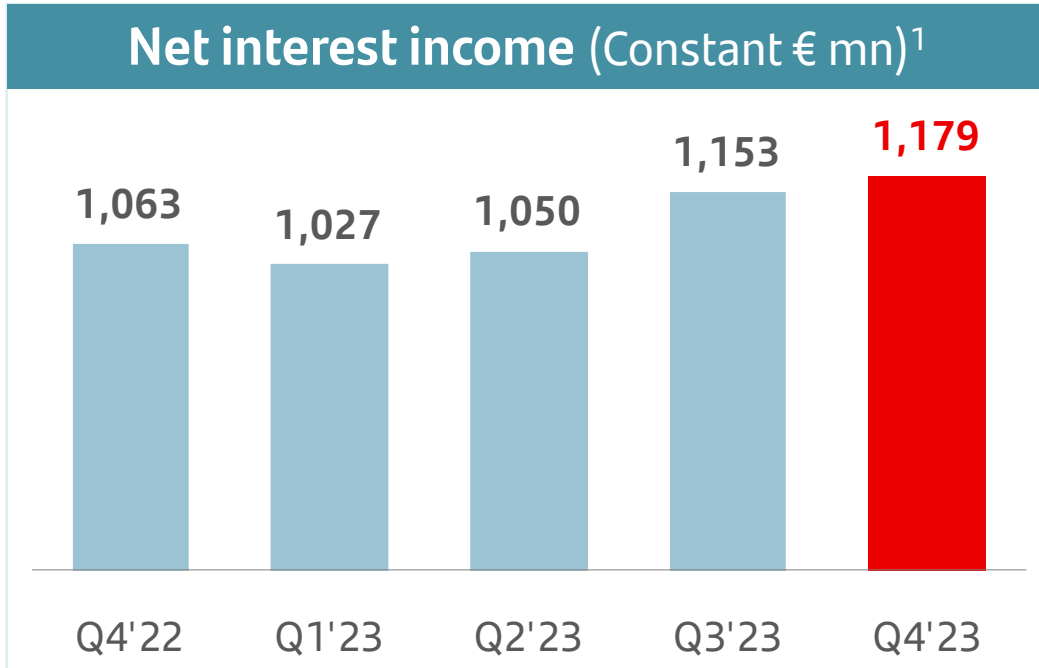


Concluding remarks



Appendix

# Continued NII growth YoY (volumes and higher interest rates). NIM improved again in the quarter



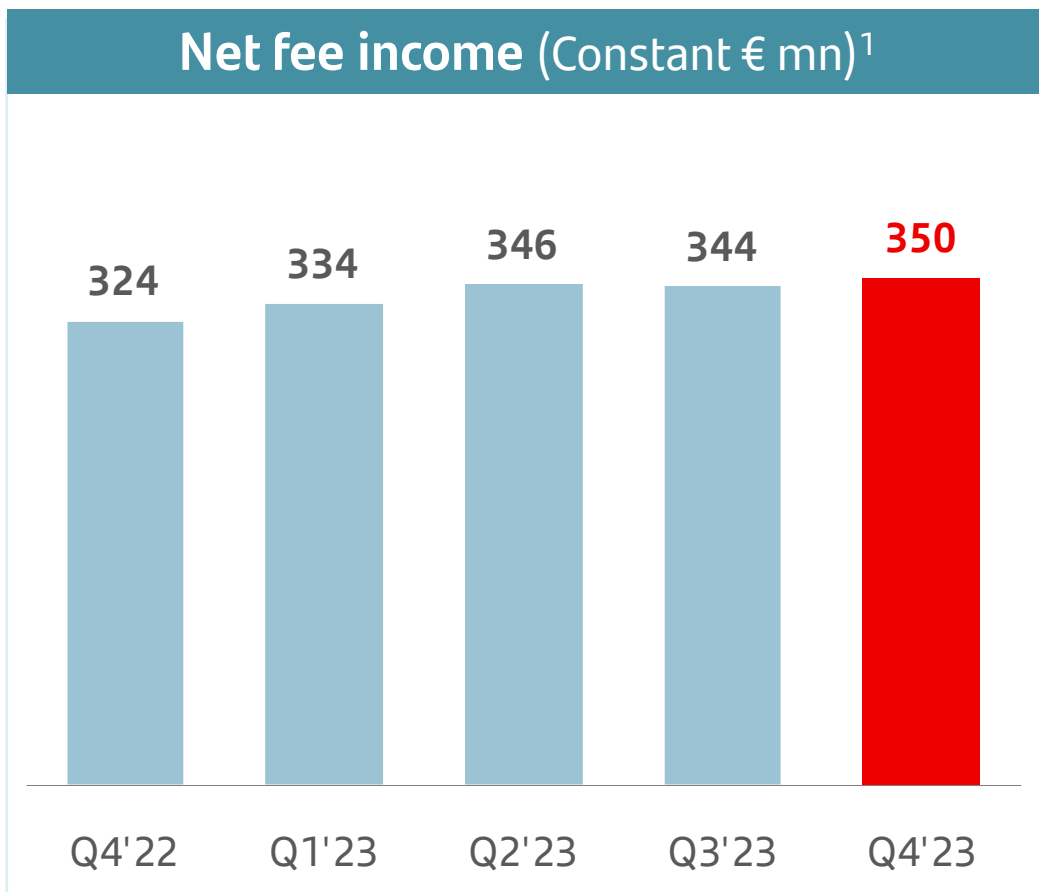
NIM <sup>2</sup>				
4.81%	4.59%	4.54%	5.07%	5.18%
Official interest rate (TIIE) <sup>3</sup>				
10.03%	11.07%	11.52%	11.50%	11.50%

Differential				
8.9pp	8.7pp	8.8pp	8.8pp	8.8pp



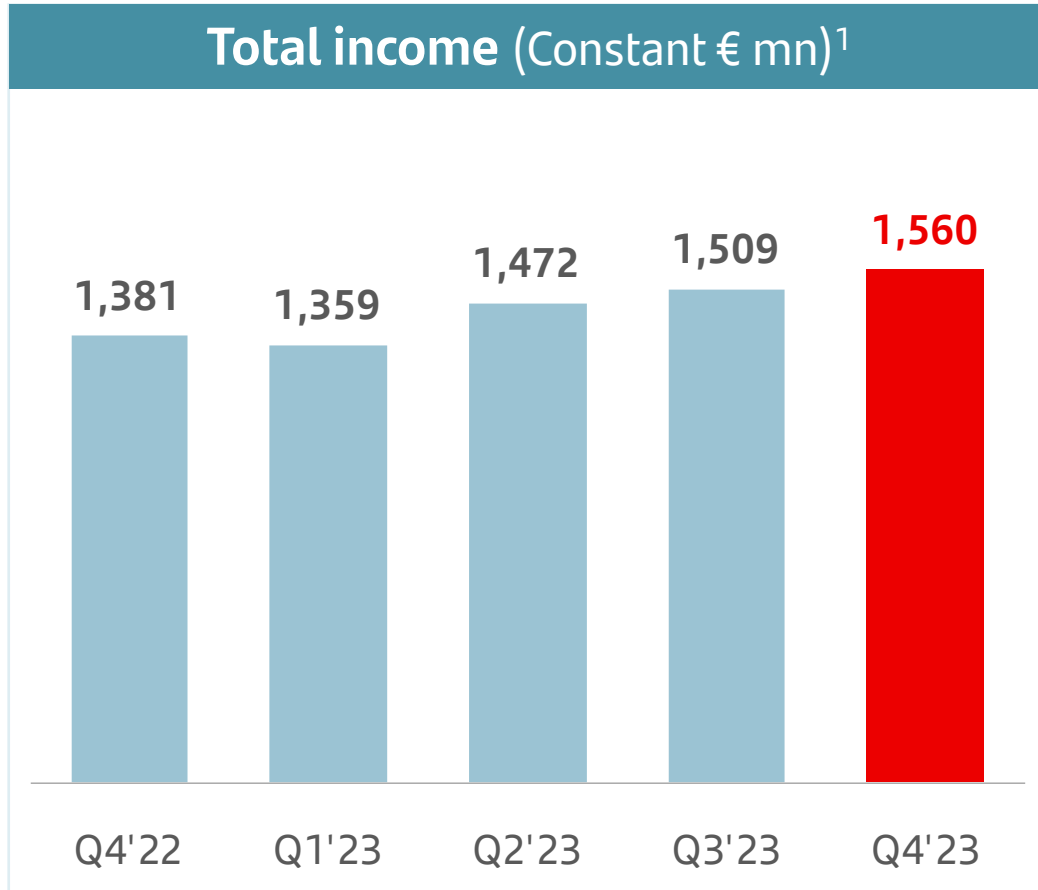
(1) Average exchange rate as at 12M'23.  
 (2) NII / Average total earning assets.  
 (3) Quarterly average.

# Continued solid performance in net fee income, mainly due to insurance and credit cards



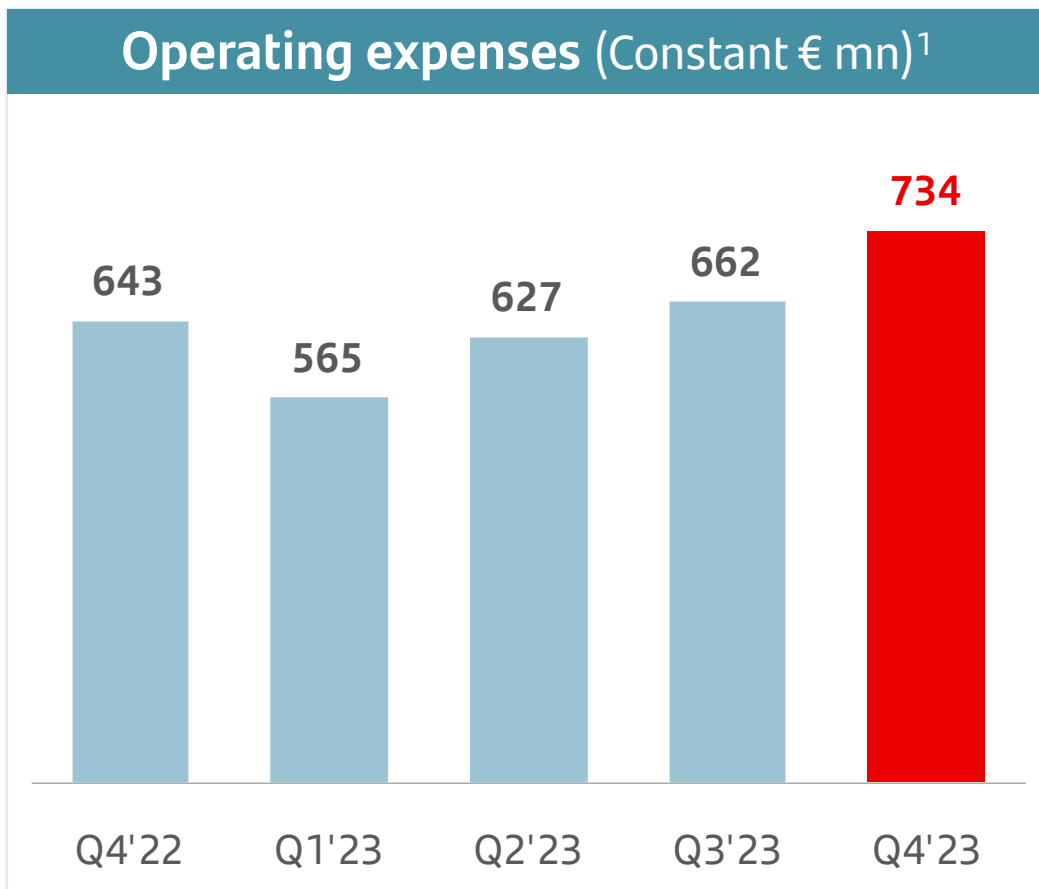
	2023	2022	YoY (%)	QoQ (%)
<b>Transactional fees</b>	<b>808</b>	<b>752</b>	<b>7.5</b>	<b>-1.6</b>
Payment methods	489	456	7.3	0.0
Transfers, drafts, cheques and other orders	102	101	0.8	-1.0
Account admin + Packs plans	169	157	7.7	-4.7
Other transactional	48	38	27.9	-7.9
<b>Investment and pension funds</b>	<b>151</b>	<b>151</b>	<b>-0.2</b>	<b>6.6</b>
<b>Insurance</b>	<b>362</b>	<b>324</b>	<b>11.7</b>	<b>1.7</b>
<b>Securities and custody services</b>	<b>42</b>	<b>47</b>	<b>-10.1</b>	<b>-2.3</b>
<b>Other</b>	<b>11</b>	<b>(17)</b>	<b>-</b>	<b>51.5</b>
<b>Total net fee income</b>	<b>1,374</b>	<b>1,257</b>	<b>9.3</b>	<b>1.5</b>

# Strong YoY total income performance supported by all revenue lines. Other income driven by market related transactions



	2023	2022	YoY (%)	QoQ (%)
Net interest income	4,408	3,932	12.1	2.3
Net fee income	1,374	1,257	9.3	1.5
Customer revenue	5,782	5,190	11.4	2.1
Other <sup>2</sup>	117	(91)	-	151.8
<b>Total income</b>	<b>5,899</b>	<b>5,099</b>	<b>15.7</b>	<b>3.3</b>

Expenses continue to be affected by inflation, higher personnel costs and investments relating to our transformation plan. QoQ costs up due to bonus accrual

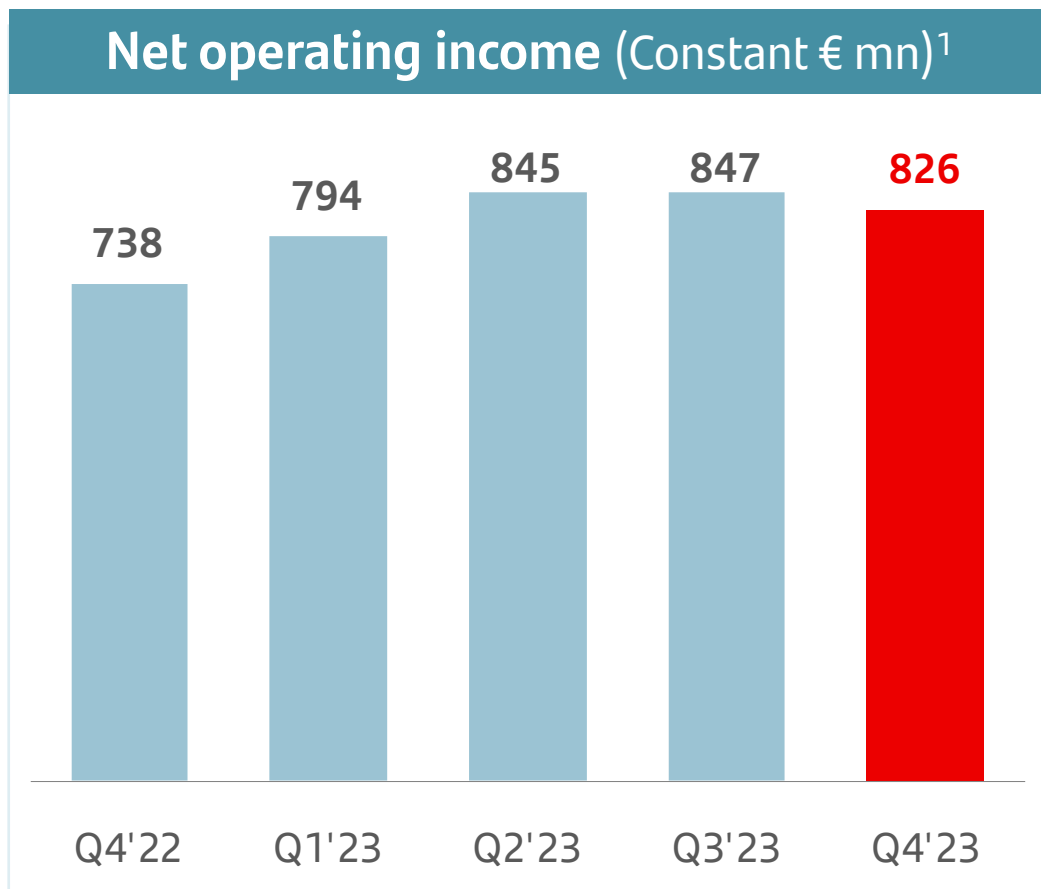


	2023	2022	YoY (%)	QoQ (%)
<b>Operating Expenses</b>	<b>2,588</b>	<b>2,290</b>	<b>13.0</b>	<b>10.8</b>

Branches (#)	1,369	1,369	0.0	0.0
Employees (#)	30,876	28,834	7.1	0.6



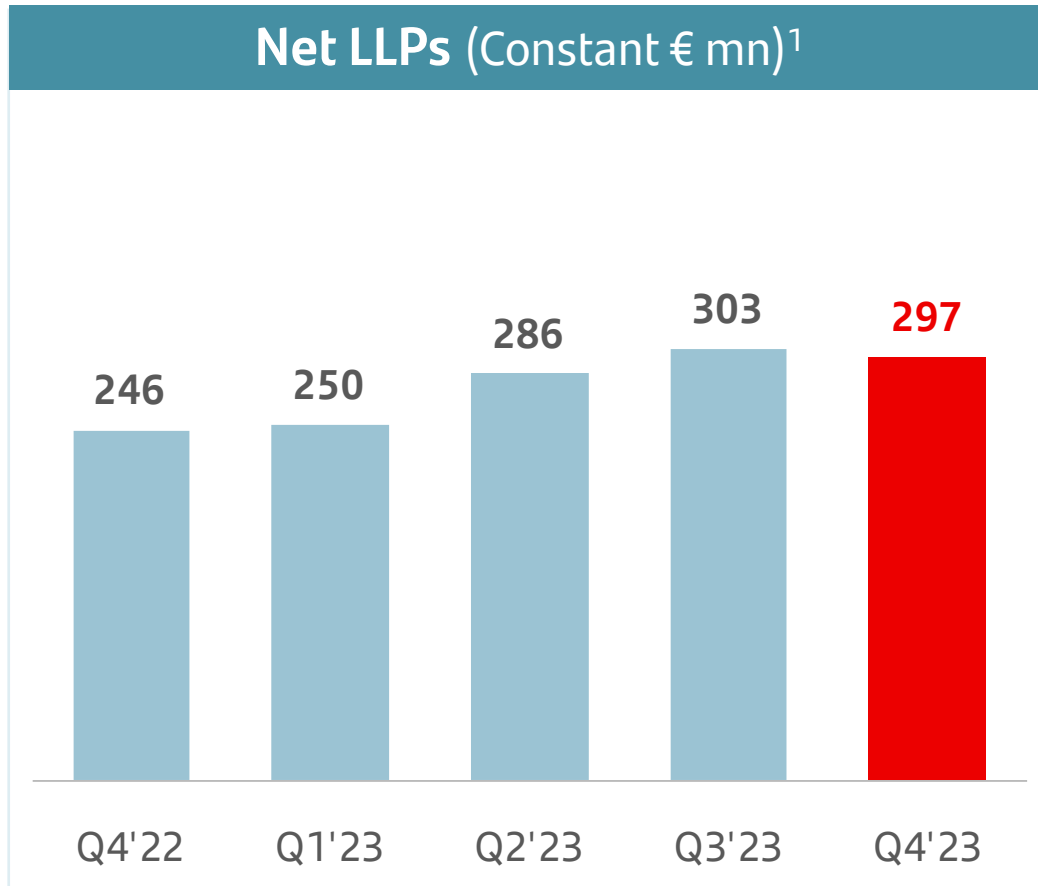
# 1pp improvement in efficiency YoY, as revenue growth outstripped rising costs



	2023	2022	YoY (%)	QoQ (%)
Total income	5,899	5,099	15.7	3.3
Operating Expenses	(2,588)	(2,290)	13.0	10.8
<b>Net operating income</b>	<b>3,311</b>	<b>2,809</b>	<b>17.9</b>	<b>-2.5</b>
Efficiency ratio	43.9%	44.9%	-1.0pp	



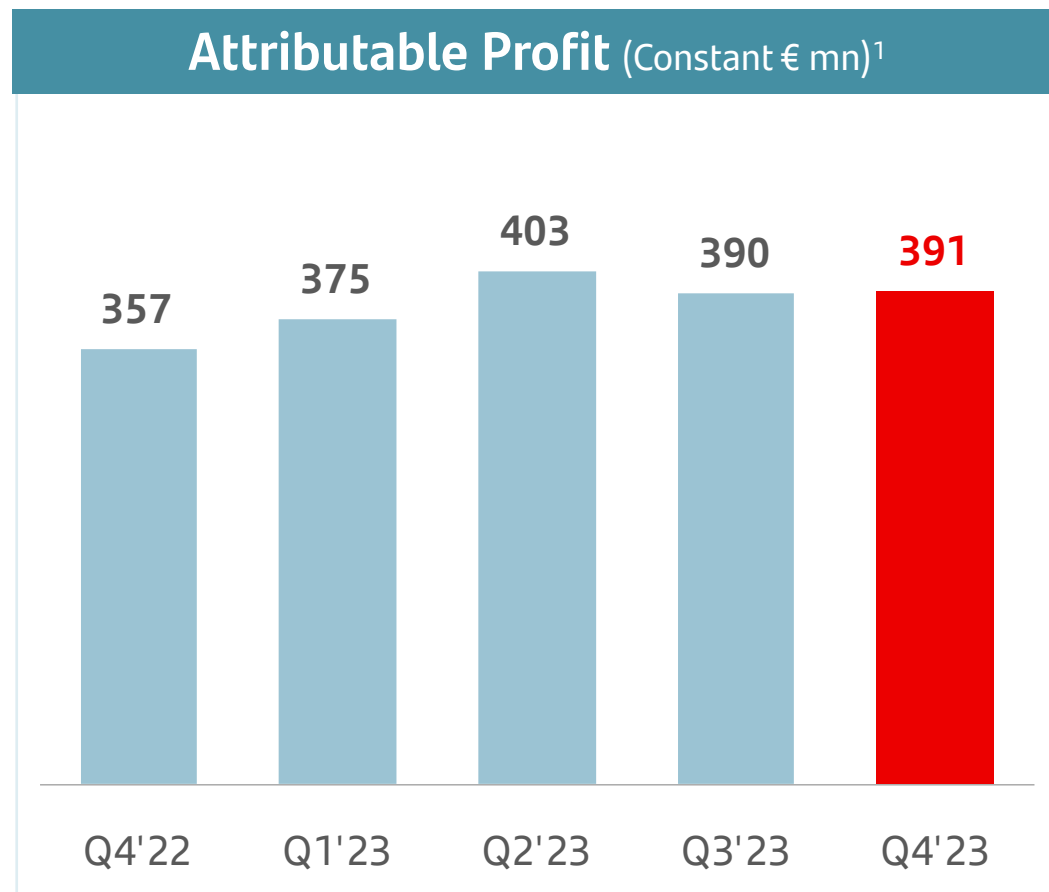
LLPs rose 31% reflecting our volumes growth particularly in unsecured loans to individuals. Underlying credit quality remains healthy with manageable credit risk



	2023	2022	YoY (%)	QoQ (%)
Net operating income	3,311	2,809	17.9	-2.5
Loan-loss provisions	(1,135)	(869)	30.6	-1.9
<b>Net operating income after provisions</b>	<b>2,176</b>	<b>1,940</b>	<b>12.2</b>	<b>-2.8</b>

Cost of risk <sup>2</sup>	2.43%	1.95%	48bps	9bps
NPL ratio	2.82%	2.32%	50bps	10bps
Coverage ratio	100%	107%	-6.6pp	-2.8pp

Attributable profit rose 17% YoY supported by our strategic focus on more profitable growth and the favourable rate environment (RoTE +1pp to 17.7%)



	2023	2022	YoY (%)	QoQ (%)
PBT	2,119	1,836	15.4	-2.3
Tax on profit	(541)	(449)	20.5	-9.8
<b>Consolidated profit</b>	<b>1,577</b>	<b>1,387</b>	<b>13.7</b>	<b>0.4</b>
Minority interests	(17)	(49)	-64.7	49.4
<b>Attributable profit</b>	<b>1,560</b>	<b>1,338</b>	<b>16.6</b>	<b>0.3</b>

Effective tax rate	25.6%	24.5%	1.1pp
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# Strong business performance and healthy asset quality boosted profitability



## Financial System

- ▶ Total system loans grew 10% YoY as of November 2023 driven by loans to individuals and corporates.
- ▶ Positive performance in consumer loans remains the main growth driver.
- ▶ Total system deposits rose 10% year-on-year. Growth in total deposits driven by time (+20%) due to the high interest rate environment. Demand deposits also rose, but by less (+6%).



## Strategy & Business

- ▶ Our transformation plan is ongoing, with the ambition to become the best bank in terms of customer experience.
- ▶ We are well positioned with strong capital and liquidity levels.
- ▶ Loan growth was boosted by loans to individuals (consumer credit, cards and mortgages).
- ▶ Solid growth in deposits driven by time deposits on the back of the higher interest rate environment.



## Results

- ▶ Strong YoY total income performance supported by all revenue lines: NII (volumes and interest rates), net fee income (credit cards and insurance) and other income (market related transactions).
- ▶ Expenses continue to be affected by inflation, higher personnel costs and investments in digitalization and technology related to our transformation plan.
- ▶ LLPs rose 31% reflecting our volumes growth change of mix towards unsecured loans to individuals. Underlying credit quality remains healthy with manageable credit risk.
- ▶ Attributable profit rose 17% YoY supported by our strategic focus on more profitable growth and the favourable rate environment (RoTE +1pp to 17.7%).



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# Balance sheet



Constant € million <sup>1</sup>	Variation			
	Dec-23	Dec-22	Amount	%
Loans and advances to customers	47,905	45,726	2,179	4.8
Cash, central banks and credit institutions	14,088	16,979	(2,891)	(17.0)
Debt instruments	27,624	24,959	2,665	10.7
Other financial assets	6,723	10,304	(3,581)	(34.8)
Other asset accounts	6,156	5,145	1,011	19.6
<b>Total assets</b>	<b>102,496</b>	<b>103,113</b>	<b>(617)</b>	<b>(0.6)</b>
Customer deposits	53,703	49,320	4,382	8.9
Central banks and credit institutions	17,047	18,468	(1,421)	(7.7)
Marketable debt securities	8,074	9,325	(1,251)	(13.4)
Other financial liabilities	11,189	13,773	(2,584)	(18.8)
Other liabilities accounts	3,579	3,076	503	16.4
<b>Total liabilities</b>	<b>93,592</b>	<b>93,963</b>	<b>(371)</b>	<b>(0.4)</b>
<b>Total equity</b>	<b>8,904</b>	<b>9,150</b>	<b>(245)</b>	<b>(2.7)</b>
<b>Other managed customer funds</b>	<b>17,178</b>	<b>15,879</b>	<b>1,299</b>	<b>8.2</b>
Mutual funds	17,082	15,527	1,555	10.0
Pension funds	89	90	(1)	(1.5)
Managed portfolios	7	262	(255)	(97.2)

# Underlying income statement



Constant € million <sup>1</sup>	Variation			
	2023	2022	Amount	%
Net interest income	4,408	3,932	476	12.1
Net fee income	1,374	1,257	117	9.3
Gains (losses) on financial transactions	211	43	167	385.2
Other operating income	(94)	(134)	40	(29.8)
<b>Total income</b>	<b>5,899</b>	<b>5,099</b>	<b>800</b>	<b>15.7</b>
Operating expenses	(2,588)	(2,290)	(298)	13.0
<b>Net operating income</b>	<b>3,311</b>	<b>2,809</b>	<b>502</b>	<b>17.9</b>
Net loan-loss provisions	(1,135)	(869)	(266)	30.6
Other gains (losses) and provisions	(57)	(103)	46	(44.7)
<b>Profit before tax</b>	<b>2,119</b>	<b>1,836</b>	<b>282</b>	<b>15.4</b>
Tax on profit	(541)	(449)	(92)	20.5
<b>Profit from continuing operations</b>	<b>1,577</b>	<b>1,387</b>	<b>190</b>	<b>13.7</b>
Net profit from discontinued operations	—	—	—	—
<b>Consolidated profit</b>	<b>1,577</b>	<b>1,387</b>	<b>190</b>	<b>13.7</b>
Non-controlling interests	(17)	(49)	32	(64.7)
<b>Profit attributable to the parent</b>	<b>1,560</b>	<b>1,338</b>	<b>222</b>	<b>16.6</b>



# Quarterly underlying income statement



Constant € million<sup>1</sup>

	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Net interest income	904	952	1,014	1,063	1,027	1,050	1,153	1,179
Net fee income	294	316	322	324	334	346	344	350
Gains (losses) on financial transactions	15	9	(7)	26	25	93	46	48
Other operating income	(35)	(34)	(33)	(32)	(27)	(16)	(33)	(17)
<b>Total income</b>	<b>1,178</b>	<b>1,244</b>	<b>1,295</b>	<b>1,381</b>	<b>1,359</b>	<b>1,472</b>	<b>1,509</b>	<b>1,560</b>
Operating expenses	(519)	(556)	(572)	(643)	(565)	(627)	(662)	(734)
<b>Net operating income</b>	<b>660</b>	<b>689</b>	<b>723</b>	<b>738</b>	<b>794</b>	<b>845</b>	<b>847</b>	<b>826</b>
Net loan-loss provisions	(220)	(205)	(199)	(246)	(250)	(286)	(303)	(297)
Other gains (losses) and provisions	(32)	(29)	(41)	(1)	(17)	(13)	(15)	(12)
<b>Profit before tax</b>	<b>408</b>	<b>455</b>	<b>482</b>	<b>491</b>	<b>527</b>	<b>546</b>	<b>529</b>	<b>517</b>
Tax on profit	(99)	(111)	(119)	(121)	(137)	(142)	(138)	(124)
<b>Profit from continuing operations</b>	<b>309</b>	<b>344</b>	<b>363</b>	<b>371</b>	<b>390</b>	<b>404</b>	<b>391</b>	<b>392</b>
Net profit from discontinued operations	—	—	—	—	—	—	—	—
<b>Consolidated profit</b>	<b>309</b>	<b>344</b>	<b>363</b>	<b>371</b>	<b>390</b>	<b>404</b>	<b>391</b>	<b>392</b>
Non-controlling interests	(10)	(12)	(13)	(13)	(15)	(1)	(1)	(1)
<b>Profit attributable to the parent</b>	<b>299</b>	<b>332</b>	<b>350</b>	<b>357</b>	<b>375</b>	<b>403</b>	<b>390</b>	<b>391</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**

