

## Spanish Banks

## 4Q23 preview: Santander and BBVA

## Earnings Preview

## NII more resilient than expected

In Spain, front-book mortgages are at c.3.8% as of November, which is still driving back-book levels to new highs. However, Euribor 12m moved down c.70bps QoQ, which means that repricing should be short-lived. Overall, we expect customer spreads to peak in 2Q24. While deposit outflows have been stabilizing at c.-1% QoQ, deposit beta on retail has been resilient at 8%. We expect domestic NII to grow c.+2% QoQ and remain stable YoY in 2024e. Market focus will likely be on NII guidance. Also key to see will be continued signs of NIM performance at Santander Brazil post SELIC cuts. Hyperinflation accounting in Argentina is set to distort group P&L, including NII for both BBVA and Santander.

## Fees expected to be soft in 4Q despite seasonality

AUMs were up +c.2% in Spain as of November QoQ (Inverco), with resilient NNM in 4Q. However, the product mix remains skewed towards low-margin products (e.g., money market and fixed income funds). Banking fees are also expected to be weak QoQ, in line with new loan origination, though with some signs of recovery. Fees were otherwise supported by solid payments activity.

## Cost of risk shows no signs of deterioration

We expect default rate to have remained broadly unchanged QoQ, resulting in a CoR of c.130-140bps. We expect banks to continue allocating part of the overlays to specific positions. We are below LLP consensus for Santander. Santander US asset quality remains a 'show-me story'; management reiterated its guidance of <200bps CoR in 2023e and expects it to be broadly in line also in 2024e versus consensus at c.215bps. Defaults should normalize, but concerns look overdone: we are c.5% below on LLPs in the US for 2024e.

## BBVA delivery on distribution is key

In 4Q, we expect a stable CET1 QoQ. However, at this juncture, we believe that increasing dividend payouts (and frequency of payments) are key for banks, as they underpin the sustainability of future earnings and contribute to lift P/E multiples. We forecast c.50% payout for BBVA and incorporate a c.€0.6bn special buyback to be announced in 4Q23e, broadly in line with consensus. Key to watch are any signs of potential changes to CCyB by Bank of Spain in 2024e.

## Santander best play on lower rates – top pick in Spain

Santander trades at the lowest P/POP multiple in Europe, and we believe that its Brazilian unit, which accounts for >25% of earnings, has inflected with SELIC cuts running at 50bps per BCB meeting. While the US auto lending market remains challenged short term, our data suggests that loan losses will remain resilient versus consensus. We expect some rotation, possibly post 4Q, into Santander versus BBVA. We maintain our Buy rating on Santander, our top pick in Spain. We rate BBVA Neutral. See also our report, Southern European Banks: Peak-NII phobia: implications from lower rates 16 January 2024.

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## Exhibit 1: BofA ratings and POs

BBVA to report on 30th, SAN on 31st

| Buy       | Neutral                   | Underperform |
|-----------|---------------------------|--------------|
| Santander | BBVA                      |              |
|           | PO new                    | PO old       |
| Santander | 4.80                      | 4.80         |
| BBVA      | 8.85                      | 8.85         |
|           | 4Q23 results details      |              |
| BBVA      | 30/01 - call @ 8.30am GMT |              |
| Santander | 31/01 - call @ 9.00am GMT |              |

Source: BofA Global Research

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12m = 12-month  
AUM = Assets Under Management  
BoS = Bank of Spain  
c. = circa  
CCyB = Countercyclical capital buffer  
CET1 = Common Equity Tier 1  
CoR = Cost of Risk  
FX = Foreign Exchange  
Inverco = Spanish Asset Management Association  
LLP = Loan Loss Provisions  
NII = Net Interest Income  
NIM = Net Interest Margin  
NNM = Net New Money  
P/POP = Price to Pre-Provision Profit  
QoQ = Quarter on Quarter  
RWA = Risk-Weighted Assets  
SELIC = Brazilian policy rate

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**Refer to important disclosures on page 10 to 14. Analyst Certification on page 8. Price Objective Basis/Risk on page 8.**

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Timestamp: 19 January 2024 12:30AM EST

# Investment thesis

## Exhibit 2: Investment thesis – Santander and BBVA

Buy on SAN, Neutral on BBVA

| Bank                          | Rating  | Price Objective | Investment Thesis   |
|-------------------------------|---------|-----------------|---|
| Santander ( <i>Top pick</i> ) | Buy     | EUR 4.80        | Santander is a 'show-me story'; its shares have underperformed the synthetic valuation of its subsidiaries. It trades at the lowest P/PPOP multiple in Europe, and we believe that its Brazilian unit, which accounts for >25% of earnings, has inflected with SELIC cuts running at 50bps per BCB meeting. While its capital buffers should now be supported by the organic generation and although the US auto lending market remains challenged short term, loan losses should be more resilient than consensus, especially as rates fall. With Santander trading on 5x P/E 2024e, we have a Buy rating. |
| BBVA                          | Neutral | EUR 8.85        | Mexico represents a significant c.60% of BBVA's group profits. This has been a key source of growth for BBVA, which is set to normalize as we approach peak rates with early signs of an economic 'normalization' in Mexico and with elections this year. While Türkiye has been performing better than expected, it should continue to affect valuation both positively and negatively, being a source of volatility. While inexpensive at c.6x P/E 2024e, we see limited upside potential near term and maintain our Neutral rating.  |

Source: BofA Global Research

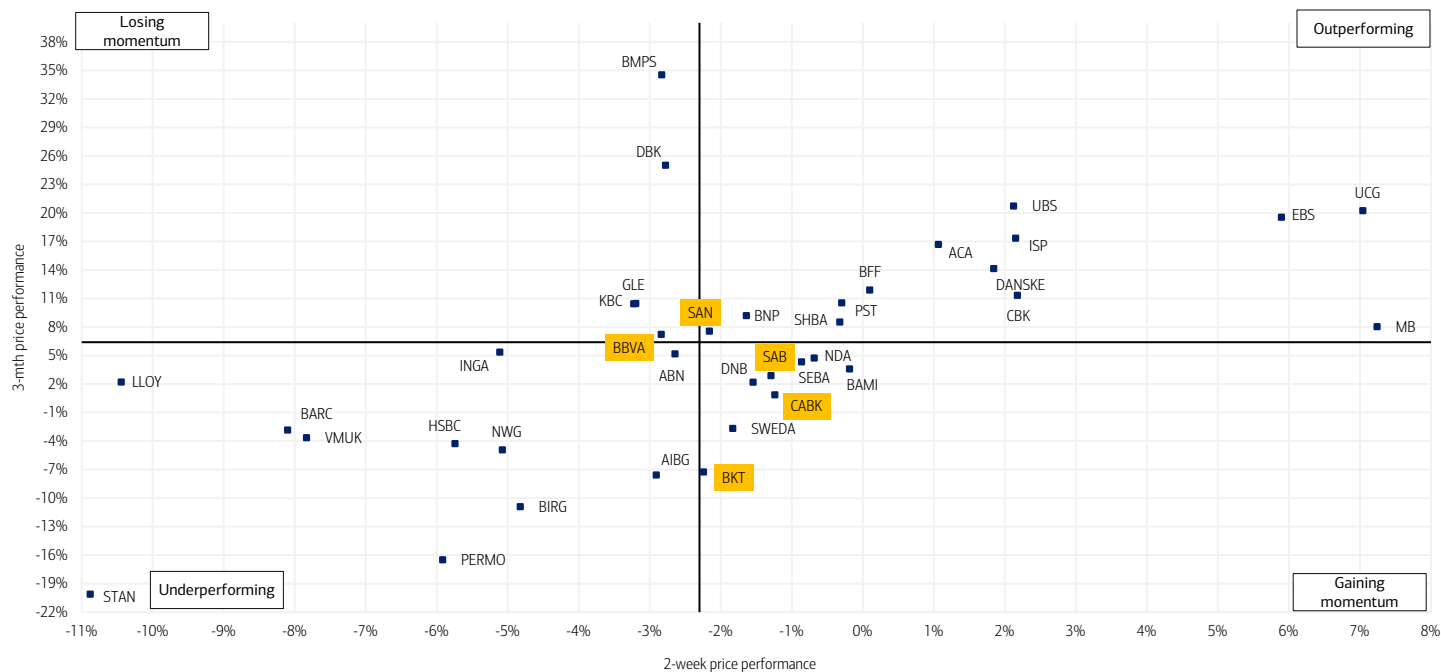
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# Share price performance

## Exhibit 3: 2-week versus 3-month share price performance across EU Banks with SX7P as intersecting axes

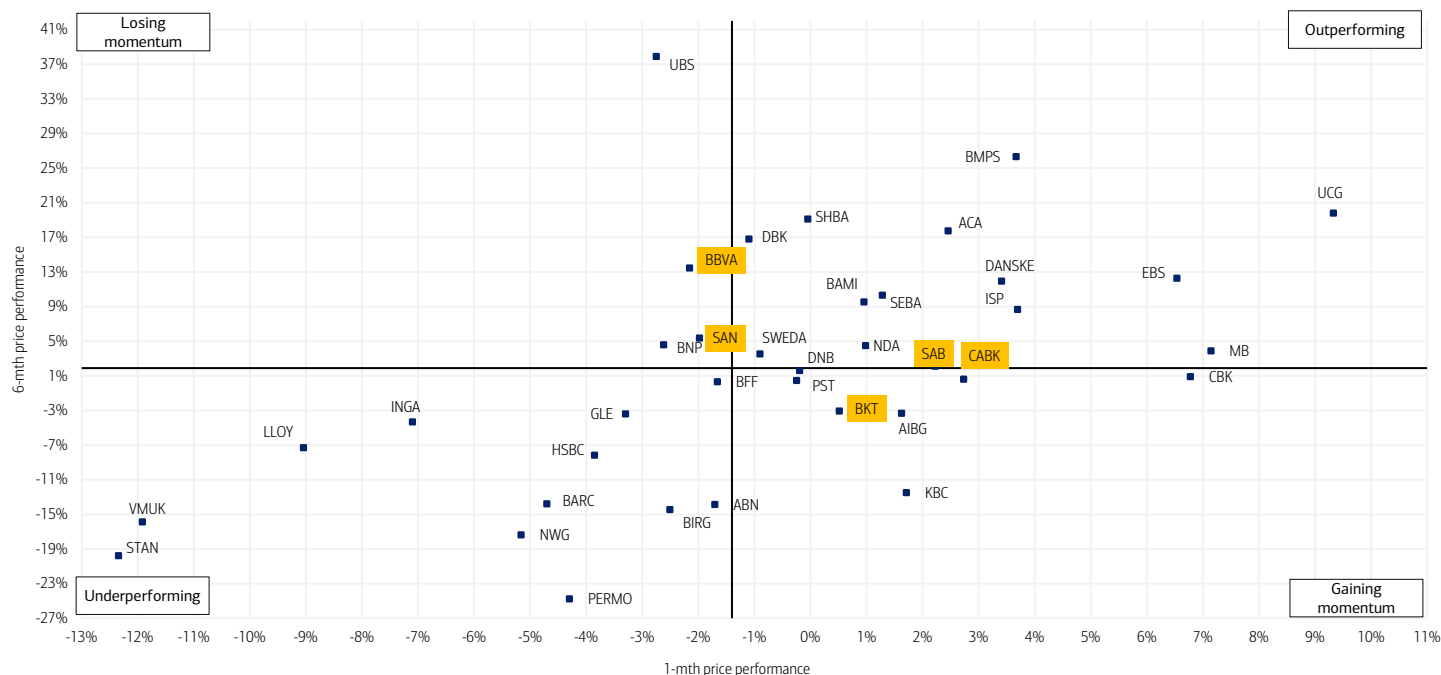
SAN and BBVA have been trading in line with index performance over the last 3 months



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## Exhibit 4: 1-month vs. 6-month share price performance across EU Banks with SX7P as intersecting axes

BBVA has outperformed SAN over the last 6 months



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# Santander – BofA estimates & consensus

## Exhibit 5: Santander – BofA estimates versus consensus, 4Q23

We are ahead 7% of consensus net profit mainly on lower staff costs

| Santander - results            | Actuals        | Actuals        | BofA estimates | Consensus         | BofA estimates |                |                 |
|--------------------------------|----------------|----------------|----------------|-------------------|----------------|----------------|-----------------|
| P&L €'m                        | 4Q22           | 3Q23           | 4Q23e          | 4Q23 Cons.        | y/y %          | q/q %          | vs. Cons        |
| Net interest income            | 10,159         | 11,219         | 10,831         | 11,024            | 7%             | -3%            | -2%             |
| Fees                           | 2,923          | 3,119          | 2,981          | 3,058             | 2%             | -4%            | -3%             |
| Trading                        | 538            | 667            | 378            | 553               | -30%           | -43%           | -32%            |
| Other revenues                 | (95)           | (144)          | 242            | (64)              | n.m.           | n.m.           | n.m.            |
| <b>Total revenues</b>          | <b>13,525</b>  | <b>14,861</b>  | <b>14,432</b>  | <b>14,570</b>     | <b>7%</b>      | <b>-3%</b>     | <b>-1%</b>      |
| Personnel expenses             | (3,422)        | (3,477)        | (3,164)        | (3,351)           | -8%            | -9%            | -6%             |
| Admin & D&A expenses           | (2,886)        | (3,005)        | (3,105)        | (3,189)           | 8%             | 3%             | -3%             |
| <b>Total costs</b>             | <b>(6,308)</b> | <b>(6,482)</b> | <b>(6,269)</b> | <b>(6,541)</b>    | <b>-1%</b>     | <b>-3%</b>     | <b>-4%</b>      |
| <b>Pre-provision profit</b>    | <b>7,217</b>   | <b>8,379</b>   | <b>8,162</b>   | <b>8,030</b>      | <b>13%</b>     | <b>-3%</b>     | <b>2%</b>       |
| Loan loss provisions           | (3,018)        | (3,266)        | (3,349)        | (3,385)           | 11%            | 3%             | -1%             |
| Other non-operating income     | (710)          | (666)          | (628)          | (634)             | -12%           | -6%            | -1%             |
| <b>Pre-tax profit</b>          | <b>3,489</b>   | <b>4,447</b>   | <b>4,185</b>   | <b>4,011</b>      | <b>20%</b>     | <b>-6%</b>     | <b>4%</b>       |
| Tax                            | (948)          | (1,271)        | (1,175)        | (1,170)           | 24%            | -8%            | 0%              |
| Minority interest and others   | (252)          | (274)          | (254)          | (262)             | 1%             | -7%            | -3%             |
| <b>Net profit (reported)</b>   | <b>2,289</b>   | <b>2,902</b>   | <b>2,756</b>   | <b>2,580</b>      | <b>20%</b>     | <b>-5%</b>     | <b>7%</b>       |
| <b>Key KPIs</b>                | <b>4Q22</b>    | <b>3Q23</b>    | <b>4Q23e</b>   | <b>4Q23 Cons.</b> | <b>y/y %</b>   | <b>q/q %</b>   | <b>vs. Cons</b> |
| NIM % (avg. loans)             | 3.83%          | 4.27%          | 4.14%          | 4.20%             | +31 bps        | -13 bps        | -6 bps          |
| Net customer loans             | 1,036,004      | 1,039,172      | 1,035,988      | 1,043,332         | 0%             | 0%             | -1%             |
| Cost / income %                | 47%            | 44%            | 43%            | 45%               | -3 ppts        | -0 ppts        | -1 ppts         |
| Tax rate                       | 27%            | 29%            | 28%            | 29%               | +1 ppts        | -1 ppts        | -1 ppts         |
| Cost of risk (bps) - BofA      | 114            | 124            | 128            | 129               | +14 bps        | +4 bps         | -1 bps          |
| Gross NPLs                     | 34,673         | 35,558         | 35,459         | 36,057            | 2%             | 0%             | -2%             |
| NPLs ratio %                   | 3.1%           | 3.2%           | 3.2%           | 3.3%              | +6 bps         | +0 bps         | -7 bps          |
| Coverage ratio %               | 67.5%          | 67.5%          | 68.4%          | 67.6%             | +1 ppts        | +1 ppts        | +1 ppts         |
| Tang. Book value               | 70,459         | 74,561         | 73,446         | 75,022            | 4%             | -1%            | -2%             |
| ROTE %                         | 12.7%          | 15.5%          | 14.8%          | 13.7%             | +2.0 ppts      | -0.7 ppts      | +1.0 ppts       |
| <b>CET1 % - fully loaded</b>   | <b>12.04%</b>  | <b>12.27%</b>  | <b>12.16%</b>  | <b>12.31%</b>     | <b>+13 bps</b> | <b>-11 bps</b> | <b>-15 bps</b>  |
| RWAs                           | 609,404        | 628,873        | 624,100        | 632,128           | 2%             | -1%            | -1%             |
| <b>Net attributable profit</b> | <b>4Q22</b>    | <b>3Q23</b>    | <b>4Q23e</b>   | <b>4Q23 Cons.</b> | <b>y/y %</b>   | <b>q/q %</b>   | <b>vs. Cons</b> |
| Spain                          | 456            | 722            | 804            | 616               | 76%            | 11%            | 30%             |
| United Kingdom                 | 257            | 425            | 365            | 336               | 42%            | -14%           | 9%              |
| Portugal                       | 174            | 283            | 304            | 265               | 75%            | 7%             | 15%             |
| Poland                         | 134            | 208            | 192            | 145               | 43%            | -8%            | 32%             |
| Brazil                         | 517            | 603            | 614            | 578               | 19%            | 2%             | 6%              |
| Chile                          | 126            | 87             | 64             | 100               | -49%           | -26%           | -36%            |
| USA                            | 294            | 198            | 70             | 52                | -76%           | -65%           | 34%             |
| Mexico                         | 339            | 403            | 433            | 381               | 28%            | 7%             | 14%             |
| Digital Consumer Bank          | 400            | 302            | 283            | 301               | -29%           | -6%            | -6%             |
| Corporate centre               | (466)          | (464)          | (417)          | (224)             | -10%           | -10%           | 86%             |
| Other                          | 57             | 136            | 45             | 31                | -20%           | -67%           | 47%             |
| <b>Santander Group</b>         | <b>2,289</b>   | <b>2,902</b>   | <b>2,756</b>   | <b>2,580</b>      | <b>20%</b>     | <b>-5%</b>     | <b>7%</b>       |

Source: BofA Global Research, Visible Alpha. Notes: 4Q23 P&L includes impact from hyperinflation accounting in Argentina affecting comparability. vs. Cons = versus Consensus.

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# Santander – summary of financials

## Exhibit 6: Santander – Summary of financials

P&amp;L, balance sheet, key ratios

| Income Statement                |                 |                 |                 |                 |                 | Ratio Analysis                  |         |         |         |         |         |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------------------|---------|---------|---------|---------|---------|
| € in millions, year-end Dec     | FY21            | FY22            | FY23e           | FY24e           | FY25e           |                                 | FY21    | FY22    | FY23e   | FY24e   | FY25e   |
| Net interest income             | 33,370          | 38,619          | 42,970          | 44,031          | 45,110          | Per Share Data                  |         |         |         |         |         |
| % change                        | 4%              | 16%             | 11%             | 2%              | 2%              | EPS reported                    | 0.50    | 0.57    | 0.67    | 0.80    | 0.86    |
| Fees & Commissions              | 10,502          | 11,790          | 12,203          | 12,720          | 13,293          | EPS Adjusted (for valuation)    | 0.47    | 0.54    | 0.64    | 0.76    | 0.83    |
| % change                        | 5%              | 12%             | 4%              | 4%              | 4%              | % change                        | 72%     | 14%     | 19%     | 19%     | 8%      |
| Trading revenues                | 1,563           | 1,653           | 2,347           | 2,068           | 2,005           | DPS                             | 0.10    | 0.12    | 0.17    | 0.20    | 0.22    |
| % change                        | -29%            | 6%              | 42%             | -12%            | -3%             | % change                        | n.m.    | 18%     | 46%     | 19%     | 9%      |
| Other revenues                  | 969             | 57              | 7               | 940             | 1,076           | Dividend yield                  | 2.9%    | 3.3%    | 4.6%    | 5.2%    | 5.3%    |
| % change                        | 140%            | -94%            | -88%            | n.m.            | 15%             | Payout ratio %                  | 20%     | 20%     | 25%     | 25%     | 25%     |
| <b>Total Revenues</b>           | <b>46,404</b>   | <b>52,119</b>   | <b>57,527</b>   | <b>59,759</b>   | <b>61,484</b>   | Buyback per share               | 0.10    | 0.12    | 0.17    | 0.20    | 0.22    |
| % change                        | 4%              | 12%             | 10%             | 4%              | 3%              | Buyback yield                   | 1.4%    | 3.1%    | 3.8%    | 4.9%    | 5.2%    |
| Staff expenses                  | (11,043)        | (12,547)        | (13,244)        | (13,587)        | (14,022)        | Buyback as % of earnings        | 20%     | 20%     | 25%     | 25%     | 25%     |
| % change                        | 3%              | 14%             | 6%              | 3%              | 3%              | Total yield                     | 4.3%    | 6.4%    | 8.4%    | 10.0%   | 10.5%   |
| Other expense                   | (10,372)        | (11,356)        | (11,987)        | (12,298)        | (12,691)        | BV per share                    | 5.02    | 5.28    | 5.74    | 6.23    | 6.76    |
| % change                        | 2%              | 9%              | 6%              | 3%              | 3%              | TBV per share                   | 4.06    | 4.17    | 4.53    | 4.95    | 5.41    |
| <b>Total expenses</b>           | <b>(21,415)</b> | <b>(23,903)</b> | <b>(25,231)</b> | <b>(25,885)</b> | <b>(26,713)</b> | Avg shares outstanding          | 17,308  | 16,892  | 16,203  | 15,369  | 14,484  |
| % change                        | 2%              | 12%             | 6%              | 3%              | 3%              | Valuation metrics               |         |         |         |         |         |
| <b>Pre-provision profit</b>     | <b>24,989</b>   | <b>28,216</b>   | <b>32,297</b>   | <b>33,874</b>   | <b>34,771</b>   | P/E                             | 7.8x    | 6.8x    | 5.7x    | 4.8x    | 4.4x    |
| % change                        | 6%              | 13%             | 14%             | 5%              | 3%              | P/BV                            | 0.73x   | 0.69x   | 0.64x   | 0.59x   | 0.54x   |
| Loan loss provisions            | (7,436)         | (10,474)        | (12,386)        | (12,463)        | (12,863)        | P/TBV                           | 0.90x   | 0.88x   | 0.81x   | 0.74x   | 0.68x   |
| Other provisions                | (2,293)         | (2,492)         | (2,949)         | (2,141)         | (2,145)         | Profitability                   |         |         |         |         |         |
| Other non-recurrent pre-tax     | 0               | --              | 0               | --              | --              | ROE                             | 9.7%    | 10.4%   | 11.4%   | 12.4%   | 12.4%   |
| <b>Profit before taxes</b>      | <b>15,260</b>   | <b>15,250</b>   | <b>16,961</b>   | <b>19,270</b>   | <b>19,763</b>   | ROTE                            | 12.0%   | 13.0%   | 14.5%   | 15.7%   | 15.5%   |
| % change                        | 58%             | 0%              | 11%             | 14%             | 3%              | ROA                             | 0.5%    | 0.5%    | 0.6%    | 0.7%    | 0.7%    |
| Taxes                           | (5,076)         | (4,486)         | (4,940)         | (5,737)         | (5,884)         | RoRWA                           | 1.4%    | 1.5%    | 1.7%    | 1.8%    | 1.8%    |
| % Tax rate                      | 33%             | 29%             | 29%             | 30%             | 30%             | NIM (NII / AIEA)                | 2.44%   | 2.61%   | 2.74%   | 2.77%   | 2.82%   |
| Minorities, g'will + other      | (1,530)         | (1,159)         | (1,122)         | (1,289)         | (1,401)         | Total revenues / RWAs           | 8%      | 9%      | 9%      | 9%      | 9%      |
| <b>Underlying net profit</b>    | <b>8,654</b>    | <b>9,605</b>    | <b>10,899</b>   | <b>12,244</b>   | <b>12,478</b>   | NII / Tot revenues              | 72%     | 74%     | 75%     | 74%     | 73%     |
| One-off gains & provisions      | (530)           | --              | --              | --              | --              | Fees / Tot revenues             | 23%     | 23%     | 21%     | 21%     | 22%     |
| <b>Reported net profit</b>      | <b>8,124</b>    | <b>9,605</b>    | <b>10,899</b>   | <b>12,244</b>   | <b>12,478</b>   | Efficiency                      |         |         |         |         |         |
| <b>BofA adjusted net profit</b> | <b>8,170</b>    | <b>9,122</b>    | <b>10,405</b>   | <b>11,750</b>   | <b>11,984</b>   | Cost / income                   | 46%     | 46%     | 44%     | 43%     | 43%     |
|                                 |                 |                 |                 |                 |                 | Cost / assets                   | 1.4%    | 1.4%    | 1.4%    | 1.4%    | 1.5%    |
|                                 |                 |                 |                 |                 |                 | Cost / RWAs                     | 3.8%    | 4.0%    | 4.1%    | 4.1%    | 4.0%    |
|                                 |                 |                 |                 |                 |                 | Balance sheet gearing           |         |         |         |         |         |
|                                 |                 |                 |                 |                 |                 | Loan / deposit                  | 106%    | 101%    | 101%    | 103%    | 106%    |
|                                 |                 |                 |                 |                 |                 | Bond securities / assets        | 10%     | 11%     | 13%     | 13%     | 12%     |
|                                 |                 |                 |                 |                 |                 | Customer loans / assets         | 61%     | 60%     | 58%     | 59%     | 60%     |
|                                 |                 |                 |                 |                 |                 | Customer deposits / funding     | 79%     | 79%     | 77%     | 78%     | 78%     |
|                                 |                 |                 |                 |                 |                 | Bonds issued / funding          | 21%     | 21%     | 23%     | 22%     | 22%     |
|                                 |                 |                 |                 |                 |                 | Asset quality                   |         |         |         |         |         |
|                                 |                 |                 |                 |                 |                 | Gross NPEs                      | 33,234  | 34,673  | 34,673  | 35,241  | 35,823  |
|                                 |                 |                 |                 |                 |                 | % change                        | 5%      | 4%      | 0%      | 2%      | 2%      |
|                                 |                 |                 |                 |                 |                 | Gross NPE ratio                 | 3.2%    | 3.1%    | 3.2%    | 3.2%    | 3.2%    |
|                                 |                 |                 |                 |                 |                 | Texas ratio %                   | 35%     | 37%     | 35%     | 35%     | 35%     |
|                                 |                 |                 |                 |                 |                 | Coverage ratio - Stage 3        | 41%     | 41%     | 40%     | 37%     | 37%     |
|                                 |                 |                 |                 |                 |                 | Cost of risk (bps)              | 79      | 104     | 120     | 119     | 120     |
|                                 |                 |                 |                 |                 |                 | Capital                         |         |         |         |         |         |
|                                 |                 |                 |                 |                 |                 | Core Tier 1 Capital (Basel III) | 70,208  | 73,350  | 75,908  | 79,387  | 81,825  |
|                                 |                 |                 |                 |                 |                 | RWAs (Basel III)                | 579,478 | 609,404 | 624,100 | 653,247 | 676,912 |
|                                 |                 |                 |                 |                 |                 | % change                        | 3%      | 5%      | 2%      | 5%      | 4%      |
|                                 |                 |                 |                 |                 |                 | RWAs density                    | 60%     | 59%     | 60%     | 62%     | 62%     |
|                                 |                 |                 |                 |                 |                 | Leverage ratio %                | 5%      | 5%      | 5%      | 5%      | 5%      |
|                                 |                 |                 |                 |                 |                 | Core Tier 1 fully loaded %      | 12.1%   | 12.0%   | 12.2%   | 12.2%   | 12.1%   |
|                                 |                 |                 |                 |                 |                 | Buffer over SREP %              |         | 3.19%   | 3.25%   | 2.55%   | 2.49%   |

Source: BofA Global Research

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# BBVA – BofA estimates & consensus

## Exhibit 7: BBVA – BofA estimates versus consensus, 4Q23

We are 5% ahead of consensus net profit mainly on higher NII partially offset by higher provisions

| BBVA - results                 | Actuals        |                | BofA estimates | Consensus         | BofA estimates |               |                 |
|--------------------------------|----------------|----------------|----------------|-------------------|----------------|---------------|-----------------|
|                                | 4Q22           | 3Q23           |                |                   | y/y %          | q/q %         | vs. Cons        |
| <b>P&amp;L €'m</b>             |                |                | <b>4Q23e</b>   | <b>4Q23 Cons.</b> |                |               |                 |
| Net interest income            | 5,342          | 6,434          | 5,980          | 5,633             | 12%            | -7%           | 6%              |
| Fees                           | 1,323          | 1,685          | 1,671          | 1,557             | 26%            | -1%           | 7%              |
| Trading                        | 269            | 658            | 393            | 425               | 46%            | -40%          | -7%             |
| Other revenues                 | (410)          | (820)          | (251)          | (310)             | -39%           | -69%          | -19%            |
| <b>Total revenues</b>          | <b>6,524</b>   | <b>7,956</b>   | <b>7,793</b>   | <b>7,305</b>      | <b>19%</b>     | <b>-2%</b>    | <b>7%</b>       |
| Personnel expenses             | (1,550)        | (1,756)        | (1,661)        | (1,635)           | 7%             | -5%           | 2%              |
| Admin & D&A expenses           | (1,339)        | (1,547)        | (1,485)        | (1,465)           | 11%            | -4%           | 1%              |
| <b>Total costs</b>             | <b>(2,889)</b> | <b>(3,303)</b> | <b>(3,146)</b> | <b>(3,100)</b>    | <b>9%</b>      | <b>-5%</b>    | <b>1%</b>       |
| <b>Pre-provision profit</b>    | <b>3,635</b>   | <b>4,654</b>   | <b>4,647</b>   | <b>4,206</b>      | <b>28%</b>     | <b>0%</b>     | <b>11%</b>      |
| Loan loss provisions           | (998)          | (1,210)        | (1,307)        | (1,194)           | 31%            | 8%            | 9%              |
| Other non-operating income     | (56)           | (79)           | (179)          | (96)              | n.m.           | n.m.          | 85%             |
| <b>Pre-tax profit</b>          | <b>2,581</b>   | <b>3,365</b>   | <b>3,162</b>   | <b>2,915</b>      | <b>23%</b>     | <b>-6%</b>    | <b>8%</b>       |
| Tax                            | (856)          | (1,226)        | (940)          | (884)             | 10%            | -23%          | 6%              |
| Minority interest and others   | (147)          | (56)           | (168)          | (70)              | 14%            | n.m.          | n.m.            |
| <b>Net profit (reported)</b>   | <b>1,578</b>   | <b>2,083</b>   | <b>2,054</b>   | <b>1,960</b>      | <b>30%</b>     | <b>-1%</b>    | <b>5%</b>       |
| <b>Key KPIs</b>                | <b>4Q22</b>    | <b>3Q23</b>    | <b>4Q23e</b>   | <b>4Q23 Cons.</b> | <b>y/y %</b>   | <b>q/q %</b>  | <b>vs. Cons</b> |
| NIM % (avg. loans)             | 5.89%          | 6.84%          | 6.35%          | 5.94%             | +45 bps        | -49 bps       | +41 bps         |
| Net customer loans             | 357,351        | 376,336        | 371,238        | 376,691           | 4%             | -1%           | -1%             |
| Cost / income %                | 44%            | 42%            | 40%            | 42%               | -4 ppts        | -1 ppts       | -2 ppts         |
| Tax rate                       | 33%            | 36%            | 30%            | 30%               | -3 ppts        | -7 ppts       | -1 ppts         |
| Cost of risk (bps) - BofA      | 110            | 129            | 139            | 126               | +29 bps        | +10 bps       | +13 bps         |
| Gross NPLs                     | 14,463         | 14,864         | 13,981         | 14,858            | -3%            | -6%           | -6%             |
| NPLs ratio %                   | 3.4%           | 3.3%           | 3.2%           | 3.4%              | -23 bps        | -17 bps       | -25 bps         |
| Coverage ratio %               | 81.3%          | 79.1%          | 92.9%          | 80.0%             | +12 ppts       | +14 ppts      | +13 ppts        |
| Tang. Book value               | 44,834         | 47,439         | 46,375         | 47,809            | 3%             | -2%           | -3%             |
| ROTE %                         | 14.1%          | 17.5%          | 17.4%          | 16.3%             | +3.3 ppts      | -0.2 ppts     | +1.0 ppts       |
| <b>CET1 % - fully loaded</b>   | <b>12.61%</b>  | <b>12.73%</b>  | <b>12.79%</b>  | <b>12.66%</b>     | <b>+18 bps</b> | <b>+6 bps</b> | <b>+13 bps</b>  |
| RWAs                           | 336,920        | 357,972        | 354,436        | 359,082           | 5.2%           | -1.0%         | -1.3%           |
| <b>Net attributable profit</b> | <b>4Q22</b>    | <b>3Q23</b>    | <b>4Q23e</b>   | <b>4Q23 Cons.</b> | <b>y/y %</b>   | <b>q/q %</b>  | <b>vs. Cons</b> |
| Spain                          | 366            | 879            | 694            | 665               | 89%            | -21%          | 4%              |
| Mexico                         | 1,218          | 1,374          | 1,358          | 1,380             | 11%            | -1%           | -2%             |
| Türkiye                        | 172            | (158)          | 45             | 89                | -74%           | n.m.          | -50%            |
| South America                  | 123            | 130            | 229            | 48                | 86%            | 77%           | n.m.            |
| Rest of business               | 57             | 109            | 71             | 80                | 25%            | -35%          | -11%            |
| Corporate centre               | (356)          | (249)          | (342)          | (301)             | -4%            | 37%           | 14%             |
| <b>BBVA Group</b>              | <b>1,578</b>   | <b>2,083</b>   | <b>2,054</b>   | <b>1,960</b>      | <b>30%</b>     | <b>-1%</b>    | <b>5%</b>       |

Source: BofA Global Research, Visible Alpha, Company compiled consensus. Notes: 4Q23 P&L includes impact from hyperinflation accounting in Argentina affecting comparability

BofA GLOBAL RESEARCH

# BBVA – summary of financials

## Exhibit 8: BBVA – Summary of financials

P&amp;L, balance sheet, key ratios

| Income Statement                      |                |                 |                 |                 |                 | Ratio Analysis                  |         |         |         |         |         |
|---------------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|---------------------------------|---------|---------|---------|---------|---------|
| € in millions, year-end Dec           | FY21           | FY22            | FY23e           | FY24e           | FY25e           |                                 | FY21    | FY22    | FY23e   | FY24e   | FY25e   |
| Net interest income                   | 14,686         | 19,153          | 23,824          | 23,960          | 23,269          | Per Share Data                  |         |         |         |         |         |
| % change                              | -13%           | 30%             | 24%             | 1%              | -3%             | EPS reported                    | 0.70    | 1.03    | 1.34    | 1.47    | 1.51    |
| Fees & Commissions                    | 4,765          | 5,353           | 6,264           | 6,367           | 6,500           | EPS Adjusted (for valuation)    | 0.71    | 1.01    | 1.29    | 1.42    | 1.46    |
| % change                              | 3%             | 12%             | 17%             | 2%              | 2%              | % change                        | 74%     | 43%     | 28%     | 10%     | 3%      |
| Trading revenues                      | 1,910          | 1,938           | 1,824           | 1,441           | 1,400           | DPS                             | 0.31    | 0.43    | 0.69    | 0.75    | 0.77    |
| % change                              | 13%            | 1%              | -6%             | -21%            | -3%             | % change                        | n.m.    | 39%     | 60%     | 9%      | 3%      |
| Other revenues                        | (295)          | (1,555)         | (2,014)         | (1,055)         | (407)           | Dividend yield                  | 4.4%    | 5.5%    | 8.5%    | 8.9%    | 8.9%    |
| % change                              | 118%           | n.m.            | 30%             | -48%            | -61%            | Payout ratio %                  | 44%     | 40%     | 50%     | 50%     | 50%     |
| <b>Total Revenues</b>                 | <b>21,066</b>  | <b>24,890</b>   | <b>29,897</b>   | <b>30,713</b>   | <b>30,762</b>   | Buyback per share               | 0.52    | 0.07    | 0.29    | 0.30    | 0.31    |
| % change                              | -8%            | 18%             | 20%             | 3%              | 0%              | Buyback yield                   | 0.0%    | 6.7%    | 3.0%    | 3.5%    | 3.6%    |
| Staff expenses                        | (5,046)        | (5,612)         | (6,498)         | (6,782)         | (6,919)         | Buyback as % of earnings        | 75%     | 7%      | 21%     | 20%     | 20%     |
| % change                              | -11%           | 11%             | 16%             | 4%              | 2%              | Total yield                     | 4.4%    | 12.2%   | 11.5%   | 12.5%   | 12.5%   |
| Other expense                         | (4,483)        | (5,149)         | (5,888)         | (6,071)         | (6,255)         | BV per share                    | 6.60    | 7.53    | 8.14    | 8.71    | 9.13    |
| % change                              | -12%           | 15%             | 14%             | 3%              | 3%              | TBV per share                   | 6.27    | 7.19    | 7.75    | 8.31    | 8.71    |
| <b>Total expenses</b>                 | <b>(9,530)</b> | <b>(10,761)</b> | <b>(12,387)</b> | <b>(12,853)</b> | <b>(13,173)</b> | Avg shares outstanding          | 6,654   | 6,237   | 5,974   | 5,738   | 5,531   |
| % change                              | -11%           | 13%             | 15%             | 4%              | 2%              | Valuation metrics               |         |         |         |         |         |
| <b>Pre-provision profit</b>           | <b>11,536</b>  | <b>14,129</b>   | <b>17,510</b>   | <b>17,860</b>   | <b>17,589</b>   | P/E                             | 11.4x   | 8.0x    | 6.3x    | 5.7x    | 5.5x    |
| % change                              | -6%            | 22%             | 24%             | 2%              | -2%             | P/BV                            | 1.23x   | 1.07x   | 0.99x   | 0.93x   | 0.89x   |
| Loan loss provisions                  | (3,034)        | (3,378)         | (4,510)         | (4,882)         | (4,843)         | P/TBV                           | 1.29x   | 1.13x   | 1.04x   | 0.97x   | 0.93x   |
| Other provisions                      | (264)          | (291)           | (342)           | (309)           | (179)           | Profitability                   |         |         |         |         |         |
| Other non-recurrent                   | 2              | 31              | (10)            | (10)            | (10)            | ROE                             | 10.6%   | 13.9%   | 16.1%   | 16.5%   | 16.1%   |
| <b>Profit before taxes</b>            | <b>8,240</b>   | <b>10,490</b>   | <b>12,648</b>   | <b>12,659</b>   | <b>12,556</b>   | ROTE                            | 11.5%   | 14.6%   | 16.9%   | 17.3%   | 16.9%   |
| % change                              | 58%            | 27%             | 21%             | 0%              | -1%             | ROA                             | 0.7%    | 0.9%    | 1.1%    | 1.1%    | 1.1%    |
| Taxes                                 | (2,207)        | (3,461)         | (4,143)         | (3,747)         | (3,703)         | RoRWA                           | 1.4%    | 2.0%    | 2.2%    | 2.2%    | 2.1%    |
| % Tax rate                            | 27%            | 33%             | 33%             | 30%             | 29%             | NIM (NII / AIEA)                | 2.23%   | 2.95%   | 3.47%   | 3.43%   | 3.31%   |
| Minorities, g'will + other            | (965)          | (407)           | (490)           | (464)           | (477)           | Total revenues / RWAs           | 6%      | 8%      | 9%      | 8%      | 8%      |
| <b>Underlying net profit</b>          | <b>5,069</b>   | <b>6,622</b>    | <b>8,015</b>    | <b>8,448</b>    | <b>8,376</b>    | NII / Tot revenues              | 70%     | 77%     | 80%     | 78%     | 76%     |
| Discontinued ops & other              | (416)          | (201)           | --              | --              | --              | Fees / Tot revenues             | 23%     | 22%     | 21%     | 21%     | 21%     |
| <b>Reported net profit</b>            | <b>4,653</b>   | <b>6,420</b>    | <b>8,015</b>    | <b>8,448</b>    | <b>8,376</b>    | Efficiency                      |         |         |         |         |         |
| <b>BofA adjusted net profit</b>       | <b>4,710</b>   | <b>6,309</b>    | <b>7,720</b>    | <b>8,152</b>    | <b>8,080</b>    | Cost / income                   | 45%     | 43%     | 41%     | 42%     | 43%     |
|                                       |                |                 |                 |                 |                 | Cost / assets                   | 1.4%    | 1.6%    | 1.7%    | 1.7%    | 1.8%    |
|                                       |                |                 |                 |                 |                 | Cost / RWAs                     | 2.9%    | 3.3%    | 3.6%    | 3.5%    | 3.4%    |
| <b>Balance Sheet</b>                  |                |                 |                 |                 |                 | Balance sheet gearing           |         |         |         |         |         |
| € in millions, year-end Dec           | FY21           | FY22            | FY23e           | FY24e           | FY25e           | Loan / deposit                  | 91%     | 91%     | 94%     | 96%     | 98%     |
| <b>ASSETS</b>                         |                |                 |                 |                 |                 | Bond securities / assets        | 5%      | 6%      | 6%      | 6%      | 6%      |
| Net customer loans                    | 318,939        | 358,023         | 371,238         | 374,398         | 386,027         | Customer loans / assets         | 48%     | 50%     | 50%     | 50%     | 51%     |
| % change                              | -13%           | 12%             | 4%              | 1%              | 3%              | Customer deposits / funding     | 86%     | 88%     | 88%     | 87%     | 87%     |
| Loan loss reserves                    | 11,116         | 11,237          | 12,406          | 13,918          | 15,287          | Bonds issued / funding          | 14%     | 12%     | 12%     | 13%     | 13%     |
| Bond portfolio                        | 34,781         | 43,606          | 44,042          | 44,482          | 44,927          | Asset quality                   |         |         |         |         |         |
| Other earnings assets                 | 271,761        | 270,751         | 284,374         | 278,869         | 278,709         | Gross NPEs                      | 15,443  | 14,463  | 13,981  | 13,493  | 12,989  |
| Avg. earnings assets                  | 658,828        | 648,931         | 686,017         | 698,702         | 703,706         | % change                        | 0%      | -6%     | -3%     | -3%     | -4%     |
| % change                              | -2%            | -2%             | 6%              | 2%              | 1%              | Gross NPE ratio                 | 4.1%    | 3.4%    | 3.2%    | 3.0%    | 2.8%    |
| Goodwill & intangibles                | 2,197          | 2,156           | 2,310           | 2,310           | 2,310           | Texas ratio %                   | 29%     | 26%     | 24%     | 22%     | 20%     |
| Other assets                          | 35,207         | 38,604          | 42,880          | 42,543          | 42,444          | Coverage ratio - Stage 3        | 47%     | 52%     | 60%     | 73%     | 85%     |
| <b>Total assets</b>                   | <b>662,885</b> | <b>713,140</b>  | <b>744,844</b>  | <b>742,603</b>  | <b>754,417</b>  | Cost of risk (bps)              | 89      | 100     | 124     | 131     | 127     |
| RWA / assets                          | 46%            | 47%             | 48%             | 50%             | 53%             | Capital                         |         |         |         |         |         |
| <b>LIABILITIES</b>                    |                |                 |                 |                 |                 | Core Tier 1 Capital (Basel III) | 39,184  | 42,486  | 45,337  | 47,469  | 49,761  |
| Customer funding                      | 405,525        | 449,285         | 449,377         | 444,968         | 450,770         | RWAs (Basel III)                | 307,335 | 336,920 | 354,436 | 372,264 | 397,010 |
| % change                              | -14%           | 11%             | 0%              | -1%             | 1%              | % change                        | -13%    | 10%     | 5%      | 5%      | 7%      |
| o/w Customer deposits                 | 349,761        | 393,856         | 393,394         | 388,424         | 393,661         | RWAs density                    | 97%     | 94%     | 95%     | 99%     | 103%    |
| o/w Securities issued                 | 55,763         | 55,429          | 55,983          | 56,543          | 57,109          | Leverage ratio %                | 7%      | 7%      | 7%      | 7%      | 7%      |
| <b>Shareholders' equity</b>           | <b>43,907</b>  | <b>46,990</b>   | <b>48,637</b>   | <b>49,987</b>   | <b>50,503</b>   | Core Tier 1 fully loaded %      | 12.7%   | 12.6%   | 12.8%   | 12.8%   | 12.5%   |
| Minorities                            | 4,853          | 3,624           | 3,871           | 4,335           | 4,812           | Buffer over SREP %              |         | 4.01%   | 4.07%   | 3.66%   | 3.44%   |
| <b>Total liabilities &amp; equity</b> | <b>662,885</b> | <b>713,140</b>  | <b>744,844</b>  | <b>742,603</b>  | <b>754,417</b>  |                                 |         |         |         |         |         |

Source: BofA Global Research

BofA GLOBAL RESEARCH

**Exhibit 9: Stocks mentioned**

Prices and ratings for stocks mentioned in this report

| BofA Ticker | Bloomberg ticker | Company name | Price      | Rating |
|-------------|------------------|--------------|------------|--------|
| BBVA        | BBVA US          | BBVA         | US\$ 8.79  | B-2-7  |
| BBVXF       | BBVA SQ          | BBVA         | EUR 8.084  | B-2-7  |
| BCDRF       | SAN SQ           | Santander    | EUR 3.7175 | B-1-7  |
| SAN         | SAN US           | Santander    | US\$ 4.01  | B-1-7  |

Source: BofA Global Research

BofA GLOBAL RESEARCH

**Price objective basis & risk****BBVA (BBVXF / BBVA)**

We derive our PO of €8.85 (ADR USD 9.70) using a SoTP on 2025e estimates where we value each geography using a Gordon growth-implied P/CET1 multiple assuming 13% CET1 allocation to each region's RWAs. We assume 13% CoE for Spain, 14% for Mexico, 30% for Türkiye and a blended 18% for South America. We then add the market value of the stake in Telefonica, the cumulative dividends over 2024-25 and capital excess/deficit to steady-state CET1, and discount back to 1yr fwd from today.

Upside risks to our forecasts:

1. Positive earnings revision deriving from NII and cost of risk, provide upside to capital distribution
2. More stable markets would favour a recovery in AUMs, driving fee growth
3. Stronger real GDP growth in Spain and Mexico

Downside risks to our forecasts:

1. Deterioration in sovereign risk in key geographies
2. Türkiye risk could still affect capital and shareholders' returns
3. Asset quality deteriorating more than we forecast

**Santander (BCDRF / SAN)**

We derive our PO of €4.80 (ADR USD 5.26) using a SoTP on 2025e estimates where we value each geography using a Gordon growth-implied P/CET1 multiple assuming 13% CET1 allocation to each region's RWAs. We assume 13% CoE for Spain, 13.5% for the UK and the US, 14% for Mexico and 15% for Brazil. We then add cumulative dividends over 2024-25 and capital excess/deficit to the steady-state CET1, and discount back to 1yr fwd from today.

Upside risks to our forecasts:

1. Geared to interest rates in Spain
2. Positive earnings revision deriving from NII and cost of risk, from more resilient US and better growth in Brazil
3. Better asset quality than market fears

Downside risks to our forecasts:

1. Selic rate in Brazil may not drop as fast as we forecast
2. Deposit beta may be higher than we forecast affecting funding mix
3. Higher default rates may affect cost of risk normalization and capital levels

**Analyst Certification**

I, Antonio Reale, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.



## EMEA - Banks Coverage Cluster

| Investment rating   | Company                         | BofA Ticker | Bloomberg symbol | Analyst              |
|---------------------|---------------------------------|-------------|------------------|----------------------|
| <b>BUY</b>          |                                 |             |                  |                      |
|                     | Allied Irish Banks              | AIBRF       | AIBG ID          | Alastair Ryan        |
|                     | Bank of Ireland Group           | XBOIF       | BIRG ID          | Alastair Ryan        |
|                     | BFF Banking Group               | XBBZF       | BFF IM           | Antonio Reale        |
|                     | BNP Paribas                     | BNPQF       | BNP FP           | Tarik El Mejjad      |
|                     | BNP Paribas                     | BNPQY       | BNPQY US         | Tarik El Mejjad      |
|                     | CaixaBank                       | CIXPF       | CABK SQ          | Antonio Reale        |
|                     | Credit Agricole                 | CRARF       | ACA FP           | Tarik El Mejjad      |
|                     | Danske Bank                     | DNSKF       | DANSKE DC        | Tarik El Mejjad      |
|                     | Erste Bank                      | EBKOF       | EBS AV           | Alastair Ryan        |
|                     | Erste Bank                      | EBKDY       | EBKDY US         | Alastair Ryan        |
|                     | HSBC                            | XHSBF       | 5 HK             | Alastair Ryan        |
|                     | HSBC                            | HBCYF       | HSBA LN          | Alastair Ryan        |
|                     | HSBC -A                         | HSBC        | HSBC US          | Alastair Ryan        |
|                     | Intesa Sanpaolo                 | IITSF       | ISP IM           | Antonio Reale        |
|                     | Intesa Sanpaolo                 | ISNPY       | ISNPY US         | Antonio Reale        |
|                     | KBC Group                       | KBCSF       | KBC BB           | Tarik El Mejjad      |
|                     | KBC Group NV                    | KBCSY       | KBCSY US         | Tarik El Mejjad      |
|                     | NatWest Group                   | RBSPF       | NWG LN           | Rohith Chandra-Rajan |
|                     | Natwest Group PLC               | NWG         | NWG US           | Rohith Chandra-Rajan |
|                     | Nordea                          | NBNKF       | NDA FH           | Tarik El Mejjad      |
|                     | Nordea                          | XSABF       | NDA SS           | Tarik El Mejjad      |
|                     | Nordea Bank Abp                 | NRDBY       | NRDBY US         | Tarik El Mejjad      |
|                     | Santander                       | SAN         | SAN US           | Antonio Reale        |
|                     | Santander                       | BCDRF       | SAN SQ           | Antonio Reale        |
|                     | Societe Generale                | SCGLF       | GLE FP           | Tarik El Mejjad      |
|                     | Societe Generale                | SCGLY       | SCGLY US         | Tarik El Mejjad      |
|                     | Unicredit                       | UNCF        | UCG IM           | Antonio Reale        |
|                     | Unicredit                       | UNCRY       | UNCRY US         | Antonio Reale        |
| <b>NEUTRAL</b>      |                                 |             |                  |                      |
|                     | ABN AMRO                        | ABMRF       | ABN NA           | Tarik El Mejjad      |
|                     | Banco Bilbao Vizcaya Argentaria | BBVA        | BBVA US          | Antonio Reale        |
|                     | Banco BPM                       | BNCZF       | BAMI IM          | Antonio Reale        |
|                     | Bankinter                       | BKIMF       | BKT SQ           | Antonio Reale        |
|                     | BBVA                            | BBVXF       | BBVA SQ          | Antonio Reale        |
|                     | Commerzbank                     | CRZBF       | CBK GY           | Rohith Chandra-Rajan |
|                     | Handelsbanken                   | SVNLF       | SHBA SS          | Tarik El Mejjad      |
|                     | ING Groep NV                    | ING         | ING US           | Tarik El Mejjad      |
|                     | ING Groep NV                    | INGVF       | INGA NA          | Tarik El Mejjad      |
|                     | Lloyds Banking Group            | LLDTF       | LLOY LN          | Rohith Chandra-Rajan |
|                     | Lloyds Banking Group            | LYG         | LYG US           | Rohith Chandra-Rajan |
|                     | Monte dei Paschi                | BMDPF       | BMPS IM          | Antonio Reale        |
|                     | Raiffeisen Bank International   | RAIFF       | RBI AV           | Alastair Ryan        |
|                     | StanChart                       | SCBFF       | STAN LN          | Alastair Ryan        |
|                     | StanChart                       | XCHBF       | 2888 HK          | Alastair Ryan        |
|                     | Svenska Handelsbanke            | SVNLY       | SVNLY US         | Tarik El Mejjad      |
|                     | UBS                             | XUHJF       | UBSG SW          | Alastair Ryan        |
|                     | UBS                             | UBS         | UBS US           | Alastair Ryan        |
| <b>UNDERPERFORM</b> |                                 |             |                  |                      |
|                     | Banco Sabadell                  | BNDSF       | SAB SQ           | Antonio Reale        |
|                     | Barclays                        | BCLYF       | BARC LN          | Rohith Chandra-Rajan |
|                     | Barclays                        | BCS         | BCS US           | Rohith Chandra-Rajan |
|                     | Deutsche Bank                   | DB          | DB US            | Rohith Chandra-Rajan |
|                     | Deutsche Bank                   | XDUSF       | DBK GY           | Rohith Chandra-Rajan |
|                     | DNB                             | DNBBF       | DNB NO           | Tarik El Mejjad      |
|                     | DNB ASA                         | DNBBY       | DNBBY US         | Tarik El Mejjad      |
|                     | Mediobanca                      | MDIBF       | MB IM            | Antonio Reale        |
|                     | Permanent TSB                   | ILPMF       | PTSB ID          | Alastair Ryan        |
|                     | Poste Italiane                  | PITAF       | PST IM           | Antonio Reale        |
|                     | SEB                             | SVKEF       | SEBA SS          | Tarik El Mejjad      |
|                     | Swedbank                        | SWDBF       | SWEDA SS         | Tarik El Mejjad      |
|                     | Swedbank AB                     | SWDBY       | SWDBY US         | Tarik El Mejjad      |
|                     | Virgin Money UK PLC             | CBYF        | VMUK LN          | Rohith Chandra-Rajan |
|                     | Virgin Money UK PLC             | CYBBF       | VUK AU           | Rohith Chandra-Rajan |

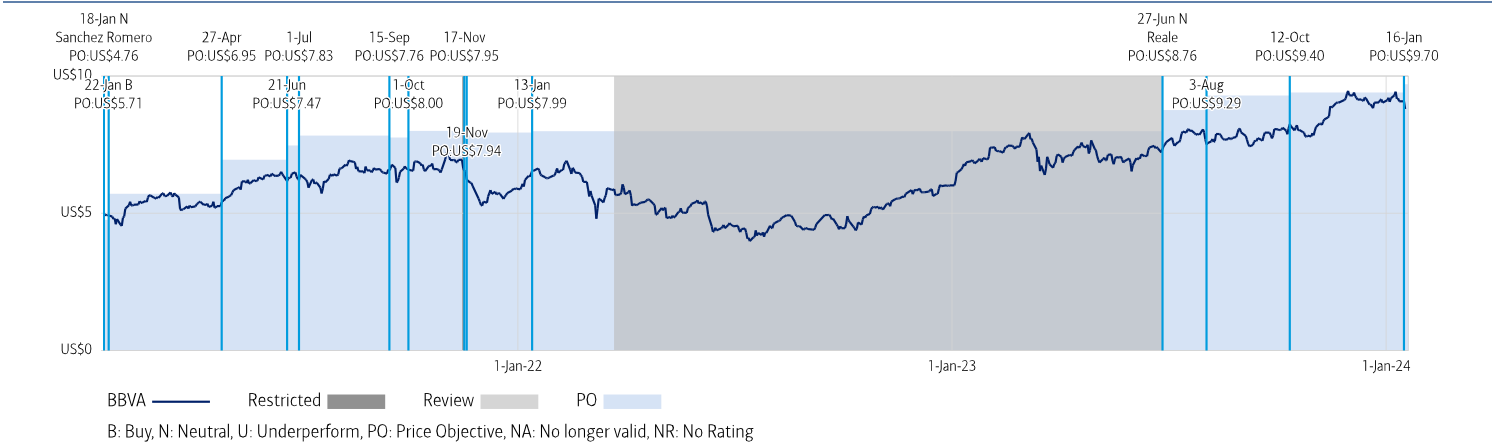
EMEA - Banks Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|---------|-------------|------------------|---------|
|                   |         |             |                  |         |

Disclosures

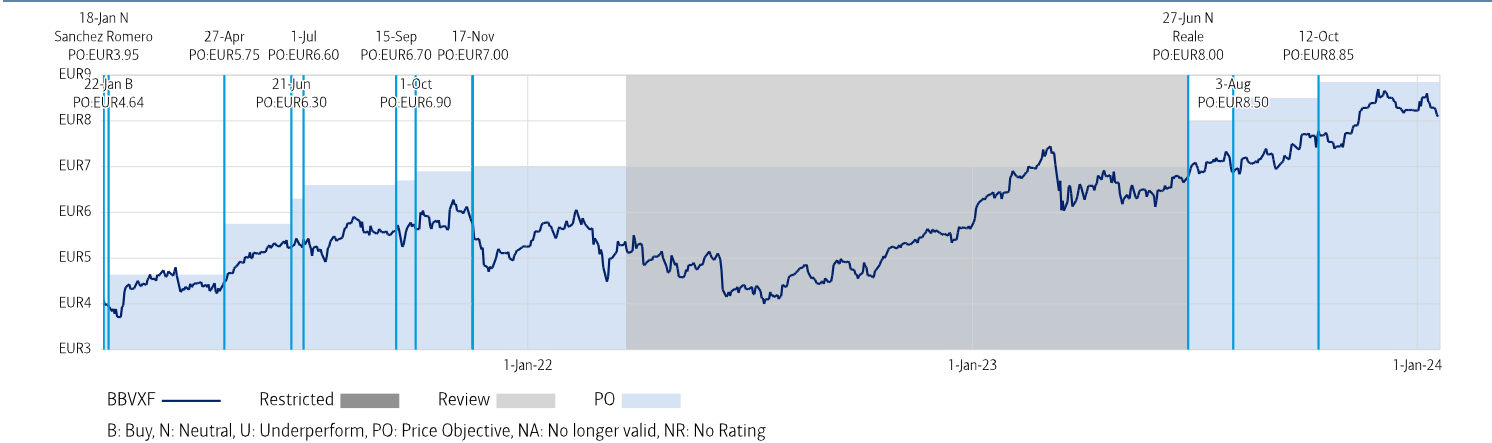
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BBVA (BBVA) Price Chart



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BBVA (BBVXF) Price Chart

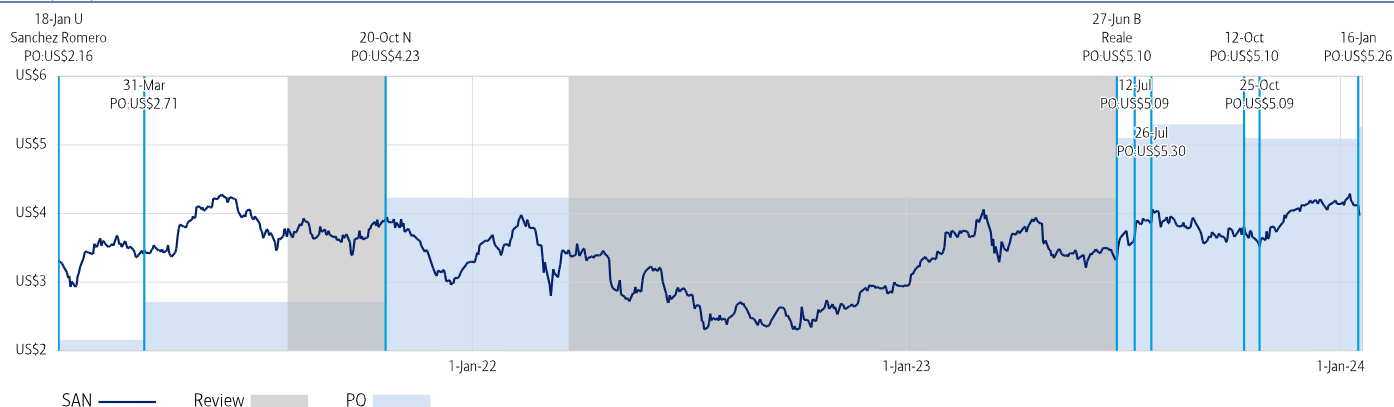


The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

**Santander (BCDRF) Price Chart**

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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**Santander (SAN) Price Chart**

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|-------------------|-------|---------|--|-------|---------|
| Buy               | 100   | 49.75%  | Buy                                      | 84    | 84.00%  |
| Hold              | 54    | 26.87%  | Hold                                     | 41    | 75.93%  |
| Sell              | 47    | 23.38%  | Sell                                     | 35    | 74.47%  |

**Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)**

| Coverage Universe | Count | Percent | Inv. Banking Relationships <sup>R1</sup> | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy               | 1895  | 53.62%  | Buy                                      | 1083  | 57.15%  |
| Hold              | 832   | 23.54%  | Hold                                     | 454   | 54.57%  |
| Sell              | 807   | 22.84%  | Sell                                     | 383   | 47.46%  |

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| Investment rating | Total return expectation (within 12-month period of date of initial rating) | Ratings dispersion guidelines for coverage cluster <sup>R2</sup> |
|-------------------|---|--|
| Buy               | ≥ 10%   | ≤ 70%  |
| Neutral           | ≥ 0%  | ≤ 30%  |
| Underperform      | N/A   | ≥ 20%  |

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