

BBVA

Slowing Mexico? Not just yet

Reiterate Rating: NEUTRAL | PO: 8.50 EUR | Price: 6.87 EUR

Distribution key market focus

Capital was down QoQ affected by higher hedging cost in Türkiye. Organic generation stood at +58bps QoQ, offset by RWA and dividend accrual/AT1. We assume a 50% dividend payout & €1.6bn annual buyback over 2023-25e, implying a total yield of 13% this year. We forecast ROTE of c.16% 2024e (vs. guided "high-teens") and TBVps+DPS of c.13% CAGR 2021-24e broadly consistent with mgmt. guidance of "mid-teens".

Spain upgrades to NII coming through

BBVA expects commercial spreads in Spain to peak not before 1Q24, from 3.12% currently. Deposit beta was at c.14% in 2Q and conservatively assumed at c.20% by year-end, going to the c.30s in 2024e (BofA est). Loans were up 1%, gaining share in SMEs/consumer. Post results, our NII estimates are 7-10% higher in 2023-24e. NII is now seen growing +43% in 2023e (in line with guidance) and broadly flat in 2024e.

Mexico has not peaked yet; Banxico will take longer to cut

Mexico represents a significant c.60% of BBVA's group profits. While performance in Q2 was affected by higher wholesale funding, mgmt. converted €3bn deposits into AUMs, and another €3bn was used to increase the ALCO book as a hedge against rates peaking in Mexico. Volumes proved resilient growing at 11% YoY. We still assume NII to grow c.20% in local currency this year but expect Mexico's strong performance to slowdown as we approach peak in rates. Our economists believe Banxico would likely not hike again even if the US Fed hiked once more. We expect the cutting cycle to start in June 2024.

PO up from €8.00 to €8.50 – Neutral

Mexico and Spain remain a key source of growth for BBVA, which we believe is due a slowdown as we approach peak early next year. We remain cautious on Türkiye as FX depreciation and hyperinflation do not seem to be priced in yet. While short-term momentum is supportive and valuation inexpensive, we see more upside potential elsewhere. PO up from €8.00 to €8.50 (\$9.29/ADR), Neutral rating confirmed.

Estimates (Dec) (EUR)	2021A	2022A	2023E	2024E	2025E
Net Profit (EURm)	4,653	6,420	8,051	7,977	7,886
EPS (Adjusted Diluted)	0.71	1.01	1.30	1.35	1.39
Dividend / Share	0.31	0.43	0.69	0.72	0.74
Adjusted NAV PS	6.27	7.19	7.93	8.70	9.48
ADR EPS (Adjusted Diluted - US\$)	0.84	1.06	1.42	1.47	1.52
ADR Dividend / Shares (US\$)	0.37	0.45	0.76	0.78	0.81
Valuation (Dec)					
EPS Change (YoY)	73.6%	42.9%	28.4%	3.8%	3.1%
Price / NAV	1.10x	0.96x	0.87x	0.79x	0.72x
Price / Adj. EPS	9.7x	6.8x	5.3x	5.1x	4.9x
ROTE	10.5%	14.1%	16.8%	15.9%	15.0%
Net Yield	4.5%	6.3%	10.1%	10.4%	10.7%

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Refer to important disclosures on page 8 to 11. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

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Equity

Key Changes

(EUR)	Previous	Current
Price Obj.	8.00	8.50
2023E EPS	1.19	1.30
2024E EPS	1.17	1.35
2025E EPS	1.18	1.39
2023E DPS	0.50	0.69

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Stock Data

Price (Common / ADR)	6.87 EUR / 7.50 USD
Price Objective	8.50 EUR / 9.29 USD
Date Established	3-Aug-2023 / 3-Aug-2023
Investment Opinion	B-2-7 / B-2-7
52-Week Range	4.36 EUR-7.56 EUR
Market Value (mn)	40,995 EUR
Shares Outstanding (mn)	5,965.5 / 5,965.5
Average Daily Value (mn)	72.43 USD
Free Float	99.1%
BofA Ticker / Exchange	BBVXF / SQC
BofA Ticker / Exchange	BBVA / NYS
Bloomberg / Reuters	BBVA SQ / BBVA.MC
ROE (2023E)	16.7%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

NII = Net Interest Income

TBVps = Tangible Book Value per share

DPS = Dividend per Share

CoR = Cost of Risk

RWA = Risk-Weighted Assets

AUM = Assets under Management

FX = Foreign Exchange

ALCO = Asset-Liability Committee

SMEs = Small-Medium Enterprises

iQprofileSM BBVA

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(EUR Millions)	IFRS	IFRS	IFRS	IFRS	IFRS
Net Interest Income	14,686	19,153	23,740	23,449	23,517
Net Fee Income	4,765	5,353	5,904	6,029	6,182
Securities Gains / (Losses)	1,910	1,938	1,437	1,328	1,375
Other Income	(295)	(1,555)	(2,364)	(1,115)	(890)
Total Non-Interest Income	6,380	5,737	4,977	6,242	6,667
Total Operating Income	21,066	24,890	28,717	29,691	30,184
Operating Expenses	(9,530)	(10,761)	(12,237)	(12,731)	(13,179)
Pre-Provision Profit	11,536	14,129	16,480	16,960	17,005
Provisions Expense	(3,034)	(3,378)	(4,264)	(4,658)	(4,860)
Operating Profit	8,502	10,751	12,216	12,302	12,144
Non-Operating Items	(262)	(260)	(341)	(330)	(309)
Pre-Tax Income	8,240	10,490	11,875	11,973	11,835
Net Income to sh/holders	5,069	6,622	8,051	7,977	7,886
Adjusted Cash Earnings	4,294	6,107	7,755	7,681	7,590

Key Balance Sheet Data	2021A	2022A	2023E	2024E	2025E
Total Assets	662,885	713,140	749,569	755,314	761,434
Average Interest Earning Assets	658,828	648,931	688,543	707,677	713,789
Risk Weighted Assets	307,795	337,102	359,686	381,928	401,196
Total Gross Customer Loans	330,475	369,787	377,491	387,511	396,917
Total Customer Deposits	349,761	393,856	390,821	389,457	393,270
Tier 1 Capital	45,686	47,933	51,275	53,250	55,229
Tangible Equity	41,710	44,834	47,352	49,555	51,757
Common Shareholders' Equity	43,907	46,990	49,636	51,838	54,041

Key Metrics	2021A	2022A	2023E	2024E	2025E
Net Interest Margin	2.23%	2.95%	3.45%	3.31%	3.29%
Tier 1 Ratio	14.8%	14.2%	14.3%	13.9%	13.8%
Effective Tax Rate	26.8%	33.0%	27.6%	29.3%	29.4%
Loan / Assets Ratio	48.1%	50.2%	48.7%	49.4%	50.1%
Loan / Deposit Ratio	91.2%	90.9%	93.3%	95.9%	96.9%
Oper Leverage (Inc Growth - Cost Growth)	3.09%	5.23%	1.66%	-0.64%	-1.86%
Gearing (Assets / Equity)	15.1x	15.2x	15.1x	14.6x	14.1x
Tangible Equity / Assets	6.29%	6.29%	6.32%	6.56%	6.80%
Tangible Equity / RWAs	13.6%	13.3%	13.2%	13.0%	12.9%

Business Performance	2021A	2022A	2023E	2024E	2025E
Revenue Growth	-8.30%	18.2%	15.4%	3.39%	1.66%
Operating Expense Growth	-11.4%	12.9%	13.7%	4.04%	3.52%
Provisions Expense Growth	-48.6%	11.3%	26.2%	9.23%	4.35%
Operating Revenue / Average Assets	1.22%	1.56%	1.67%	1.64%	1.60%
Operating Expenses / Average Assets	-1.36%	-1.56%	-1.67%	-1.69%	-1.74%
Pre-Provision ROA	1.65%	2.05%	2.25%	2.25%	2.24%
ROA	0.67%	0.93%	1.10%	1.06%	1.04%
Pre-Provision ROE	26.1%	31.1%	34.1%	33.4%	32.1%
ROE	10.5%	14.1%	16.7%	15.7%	14.9%
RoTE	10.5%	14.1%	16.8%	15.9%	15.0%
RoRWAs	1.30%	1.89%	2.23%	2.07%	1.94%
Dividend Payout Ratio	48.0%	43.9%	53.3%	53.1%	53.1%
Efficiency Ratio (Cost / Income Ratio)	45.2%	43.2%	42.6%	42.9%	43.7%

Quality of Earnings	2021A	2022A	2023E	2024E	2025E
Total Non-Interest Inc / Operating Inc	30.3%	23.0%	17.3%	21.0%	22.1%
Market-Related Revenue / Total Revenues	0%	0%	0%	0%	0%
Provisioning Burden as % of PPP	26.3%	23.9%	25.9%	27.5%	28.6%
NPLs plus Foreclosed Real Estate / Loans	4.84%	4.04%	3.84%	3.62%	3.41%
Loan Loss Reserves / NPLs	74.7%	81.3%	91.4%	105%	120%
Loan Loss Reserves / Total Loans	3.62%	3.29%	3.51%	3.79%	4.10%
Provisions Expense / Average Loans	0.89%	1.00%	1.18%	1.26%	1.29%

Company Sector

Banks-Retail

Company Description

BBVA is the third largest bank in Spain (c.15% loan market share) which makes up for more than 20-25% of group's earnings. BBVA has a strong international footprint with leading franchises in Mexico (24% market share), for c.60% of group's earnings, and Latin America, with Colombia, Peru, Argentina and Venezuela as the main markets. In the mid 2000s the bank expanded into the US Sunbelt (but sold in 2021). Since 2010, the bank has been building up a stake in Turkish bank Garanti, currently >85%.

Investment Rationale

Mexico represents c.60% of BBVA's group profits. This has been a key source of growth for BBVA, which is now fading as we approach peak with early signs of an economic slowdown now visible in Mexico and elections next year. We also prefer to gain exposure directly via Caixabank vs. BBVA's Spanish business given the better funding profile, while we are cautious on Türkiye as FX depreciation and hyperinflation do not seem to be priced in yet. While inexpensive we see limited upside - Neutral.

Stock Data

Shares / ADR	1.00
Price to Book Value	0.8x

Quarterly Earnings Estimates

	2022	2023
Q1	0.19A	0.29A
Q2	0.29A	0.33A
Q3	0.29A	0.36E
Q4	0.25A	0.31E

Key Changes

(US\$)	Previous	Current
Price Obj.	8.76	9.29
2023E EPS	1.30	1.42
2024E EPS	1.28	1.47
2025E EPS	1.29	1.52
2023E DPS	0.54	0.76

BofA estimates new vs. old and consensus

Exhibit 1: BofA estimates new vs. old, 2023-25e

Our EPS forecasts increase by 10-15% over 2023-25e, driven by higher NII & fees and slightly lower provisions

BofA estimates - New vs. Old 2023-25e

BBVA € in millions	2023e			2024e			2025e		
	New	Old	Change	New	Old	Change	New	Old	Change
Net interest income	23,740	22,496	6%	23,449	22,105	6%	23,517	21,926	7%
Fees & commission	5,904	5,723	3%	6,029	5,769	5%	6,182	5,889	5%
Net financial results	1,437	1,504	-4%	1,328	1,263	5%	1,375	1,218	13%
Other	(2,364)	(2,023)	17%	(1,115)	(1,093)	2%	(890)	(829)	7%
Total revenues	28,717	27,701	4%	29,691	28,044	6%	30,184	28,204	7%
Personnel expenses	(6,346)	(6,266)	1%	(6,598)	(6,359)	4%	(6,779)	(6,496)	4%
Admin & D&A expenses	(5,892)	(5,875)	0%	(6,133)	(6,060)	1%	(6,400)	(6,325)	1%
Total costs	(12,237)	(12,141)	1%	(12,731)	(12,419)	3%	(13,179)	(12,821)	3%
Pre-provision profit	16,480	15,560	6%	16,960	15,625	9%	17,005	15,383	11%
Loan loss provisions	(4,264)	(4,454)	-4%	(4,658)	(4,741)	-2%	(4,860)	(4,825)	1%
Other non-operating income	(341)	(211)	62%	(330)	(202)	63%	(309)	(195)	59%
Pre-tax profit	11,875	10,895	9%	11,973	10,682	12%	11,835	10,364	14%
Tax	(3,281)	(3,020)	9%	(3,513)	(3,076)	14%	(3,478)	(2,982)	17%
Minority interest and others	(543)	(449)	21%	(483)	(448)	8%	(472)	(446)	6%
Net attributable profit	8,051	7,426	8%	7,977	7,158	11%	7,886	6,936	14%
Net profit (BofA adjusted)	7,755	7,130	9%	7,681	6,862	12%	7,590	6,640	14%
EPS adj. diluted	1.30	1.19	9%	1.35	1.17	15%	1.39	1.18	18%
Avg. shares diluted	5,971	5,990	0%	5,698	5,852	-3%	5,460	5,635	-3%

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 2: BofA estimates vs. consensus, 2023-25e

We are 5-10% ahead of consensus earnings over 2023-25e, mainly on the back of higher NII and lower provisions

BofA vs. VA Consensus 2023-25e

BBVA € in millions	2023e			2024e			2025e		
	BofA	Cons.	Diff.	BofA	Cons.	Diff.	BofA	Cons.	Diff.
Net interest income	23,740	23,185	2%	23,449	23,044	2%	23,517	22,954	2%
Fees & commission	5,904	5,846	1%	6,029	6,000	0%	6,182	6,213	0%
Net financial results	1,437	1,432	0%	1,328	1,357	-2%	1,375	1,322	4%
Other	(2,364)	(1,752)	35%	(1,115)	(1,464)	-24%	(890)	(1,144)	-22%
Total revenues	28,717	28,711	0%	29,691	28,936	3%	30,184	29,345	3%
Personnel expenses	(6,346)	(6,298)	1%	(6,598)	(6,567)	0%	(6,779)	(6,882)	-1%
Admin & D&A expenses	(5,892)	(5,944)	-1%	(6,133)	(6,220)	-1%	(6,400)	(6,490)	-1%
Total costs	(12,237)	(12,242)	0%	(12,731)	(12,787)	0%	(13,179)	(13,371)	-1%
Pre-provision profit	16,480	16,469	0%	16,960	16,149	5%	17,005	15,973	6%
Loan loss provisions	(4,264)	(4,305)	-1%	(4,658)	(4,823)	-3%	(4,860)	(4,982)	-2%
Other non-operating income	(341)	(338)	1%	(330)	(397)	-17%	(309)	(358)	-14%
Pre-tax profit	11,875	11,826	0%	11,973	10,928	10%	11,835	10,634	11%
Tax	(3,281)	(3,706)	-11%	(3,513)	(3,402)	3%	(3,478)	(3,248)	7%
Minority interest and others	(543)	(494)	10%	(483)	(417)	16%	(472)	(381)	24%
Net attributable profit	8,051	7,626	6%	7,977	7,109	12%	7,886	7,005	13%
Net profit (BofA adjusted)	7,755	7,273	7%	7,681	6,840	12%	7,590	6,728	13%
EPS adj. diluted	1.30	1.23	6%	1.35	1.17	16%	1.39	1.16	20%

Source: BofA Global Research, Visible Alpha consensus

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Summary of financials

Exhibit 3: BBVA – Summary of financials

P&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	23,740	23,449	23,517	Per Share Data					
% change	-13%	30%	24%	-1%	0%	EPS reported	0.70	1.03	1.35	1.40	1.44
Fees & Commissions	4,765	5,353	5,904	6,029	6,182	EPS Adjusted (for valuation)	0.71	1.01	1.30	1.35	1.39
% change	3%	12%	10%	2%	3%	% change	74%	43%	28%	4%	3%
Trading revenues	1,910	1,938	1,437	1,328	1,375	DPS	0.31	0.43	0.69	0.72	0.74
% change	13%	1%	-26%	-8%	4%	% change	n.m.	39%	61%	3%	3%
Other revenues	(295)	(1,555)	(2,364)	(1,115)	(890)	Dividend yield	5.0%	6.3%	9.8%	9.7%	9.6%
% change	118%	n.m.	52%	-53%	-20%	Payout ratio %	44%	40%	50%	50%	50%
Total Revenues	21,066	24,890	28,717	29,691	30,184	Buyback per share	0.52	0.07	0.29	0.29	0.30
% change	-8%	18%	15%	3%	2%	Buyback yield	0.0%	7.7%	3.5%	4.1%	3.9%
Staff expenses	(5,046)	(5,612)	(6,346)	(6,598)	(6,779)	Buyback as % of earnings	75%	7%	21%	20%	20%
% change	-11%	11%	13%	4%	3%	Total yield	5.0%	14.0%	13.3%	13.8%	13.5%
Other expense	(4,483)	(5,149)	(5,892)	(6,133)	(6,400)	BV per share	6.60	7.53	8.31	9.10	9.90
% change	-12%	15%	14%	4%	4%	TBV per share	6.27	7.19	7.93	8.70	9.48
Total expenses	(9,530)	(10,761)	(12,237)	(12,731)	(13,179)	Avg shares outstanding	6,654	6,237	5,971	5,698	5,460
% change	-11%	13%	14%	4%	4%	Valuation metrics					
Pre-provision profit	11,536	14,129	16,480	16,960	17,005	P/E	9.7x	6.8x	5.3x	5.1x	4.9x
% change	-6%	22%	17%	3%	0%	P/BV	1.04x	0.91x	0.83x	0.76x	0.69x
Loan loss provisions	(3,034)	(3,378)	(4,264)	(4,658)	(4,860)	P/TBV	1.10x	0.96x	0.87x	0.79x	0.73x
Other provisions	(264)	(291)	(331)	(320)	(299)	Profitability					
Other non-recurrent	2	31	(10)	(10)	(10)	ROE	10.6%	13.9%	16.1%	15.1%	14.3%
Profit before taxes	8,240	10,490	11,875	11,973	11,835	ROTE	11.5%	14.6%	16.8%	15.9%	15.0%
% change	58%	27%	13%	1%	-1%	ROA	0.7%	0.9%	1.1%	1.0%	1.0%
Taxes	(2,207)	(3,461)	(3,281)	(3,513)	(3,478)	RoRWA	1.4%	2.0%	2.2%	2.1%	1.9%
% Tax rate	27%	33%	28%	29%	29%	NIM (NII / AIEA)	2.23%	2.95%	3.45%	3.31%	3.29%
Minorities, g'will + other	(965)	(407)	(543)	(483)	(472)	Total revenues / RWAs	6%	8%	8%	8%	8%
Underlying net profit	5,069	6,622	8,051	7,977	7,886	NII / Tot revenues	70%	77%	83%	79%	78%
Discontinued ops & other	(416)	(201)	--	--	--	Fees / Tot revenues	23%	22%	21%	20%	20%
Reported net profit	4,653	6,420	8,051	7,977	7,886	Efficiency					
BofA adjusted net profit	4,710	6,309	7,755	7,681	7,590	Cost / income	45%	43%	43%	43%	44%
						Cost / assets	1.4%	1.6%	1.7%	1.7%	1.7%
						Cost / RWAs	2.9%	3.3%	3.5%	3.4%	3.4%
						Balance sheet gearing					
						Loan / deposit	91%	91%	93%	96%	97%
						Bond securities / assets	5%	6%	6%	6%	6%
						Customer loans / assets	48%	50%	49%	49%	50%
						Customer deposits / funding	86%	88%	87%	87%	87%
						Bonds issued / funding	14%	12%	13%	13%	13%
						Asset quality					
						Gross NPEs	15,443	14,463	13,990	13,504	13,006
						% change	0%	-6%	-3%	-3%	-4%
						Gross NPE ratio	4.1%	3.4%	3.2%	3.0%	2.9%
						Texas ratio %	29%	26%	23%	21%	19%
						Coverage ratio - Stage 3	47%	52%	59%	70%	83%
						Cost of risk (bps)	89	100	118	126	129
						Capital					
						Core Tier 1 Capital (Basel III)	39,184	42,486	45,160	47,137	49,119
						RWAs (Basel III)	307,335	336,920	359,686	381,928	401,196
						% change	-13%	10%	7%	6%	5%
						RWAs density	97%	94%	99%	102%	105%
						Leverage ratio %	7%	7%	7%	7%	7%
						Core Tier 1 fully loaded %	12.7%	12.6%	12.6%	12.3%	12.2%
						Buffer over SREP %		4.01%	3.96%	3.74%	3.64%

Source: BofA Global Research

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Price objective basis & risk

BBVA (BBVXF / BBVA)

We derive our PO of €8.50 (ADR USD 9.29) using a SoTP on 2024e 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 2023-24 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

Analyst Certification

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EMEA - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Allied Irish Banks	AIBRF	AIBG ID	Alastair Ryan
	Banco BPM	BNCZF	BAMI IM	Antonio Reale
	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	David Taranto
	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
	ING Groep NV	ING	ING US	Tarik El Mejjad
	ING Groep NV	INGVF	INGA NA	Tarik El Mejjad
	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
	Lloyds Banking Group	LLDTF	LLOY LN	Rohith Chandra-Rajan
	Lloyds Banking Group	LYG	LYG US	Rohith Chandra-Rajan
	NatWest Group	RBSPF	NWG LN	Rohith Chandra-Rajan
	Natwest Group PLC	NWG	NWG US	Rohith Chandra-Rajan
	Nordea	NBNKF	NDA FH	David Taranto
	Nordea	XSABF	NDA SS	David Taranto
	Nordea Bank Abp	NRDBY	NRDBY US	David Taranto
	Permanent TSB	ILPMF	PTSB ID	Alastair Ryan
	Santander	SAN	SAN US	Antonio Reale
	Santander	BCDRF	SAN SQ	Antonio Reale



EMEA - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Societe Generale	SCGLF	GLE FP	Tarik El Mejjad
	Societe Generale	SCGLY	SCGLY US	Tarik El Mejjad
	StanChart	SCBFF	STAN LN	Alastair Ryan
	StanChart	XCHBF	2888 HK	Alastair Ryan
	UBS	XUJHF	UBSG SW	Alastair Ryan
	UBS	UBS	UBS US	Alastair Ryan
	Unicredit	UNCFF	UCG IM	Antonio Reale
	Unicredit	UNCRY	UNCRY US	Antonio Reale
NEUTRAL				
	Banco Bilbao Vizcaya Argentaria	BBVA	BBVA US	Antonio Reale
	Bankinter	BKIMF	BKT SQ	Antonio Reale
	Barclays	BCLYF	BARCLN	Rohith Chandra-Rajan
	Barclays	BCS	BCS US	Rohith Chandra-Rajan
	BBVA	BBVXF	BBVA SQ	Antonio Reale
	Handelsbanken	SVNLF	SHBA SS	David Taranto
	Monte dei Paschi	BMDPF	BMPS IM	Antonio Reale
	Svenska Handelsbanke	SVNLY	SVNLY US	David Taranto
UNDERPERFORM				
	ABN AMRO	ABMRF	ABN NA	Tarik El Mejjad
	Banco Sabadell	BNDSF	SAB SQ	Antonio Reale
	Commerzbank	CRZBF	CBK GY	Rohith Chandra-Rajan
	Deutsche Bank	DB	DB US	Rohith Chandra-Rajan
	Deutsche Bank	XDUSF	DBK GY	Rohith Chandra-Rajan
	DNB	DNBBF	DNB NO	David Taranto
	DNB ASA	DNBBY	DNBBY US	David Taranto
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	Poste Italiane	PITAF	PST IM	Antonio Reale
	Raiffeisen Bank International	RAIFF	RBI AV	Alastair Ryan
	SEB	SVKEF	SEBA SS	David Taranto
	Swedbank	SWDBF	SWEDA SS	David Taranto
	Swedbank AB	SWDBY	SWDBY US	David Taranto
	Virgin Money UK PLC	CBBYF	VMUK LN	Rohith Chandra-Rajan
	Virgin Money UK PLC	CYBBF	VUK AU	Rohith Chandra-Rajan

Method SM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales
EV / EBITDA

Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$
Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
 $\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales
Basic EBIT + Depreciation + Amortization

Valuation Toolkit

Numerator

Denominator

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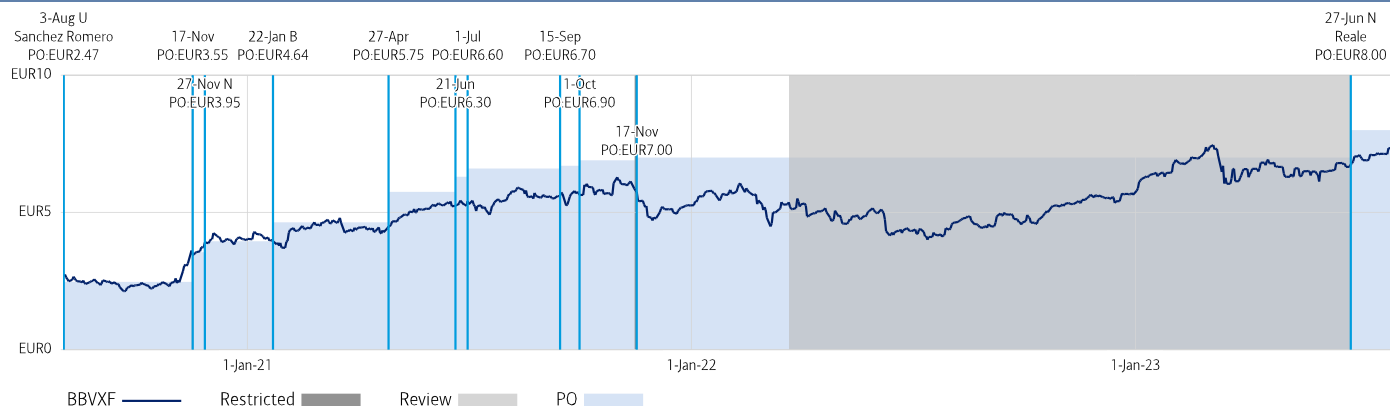
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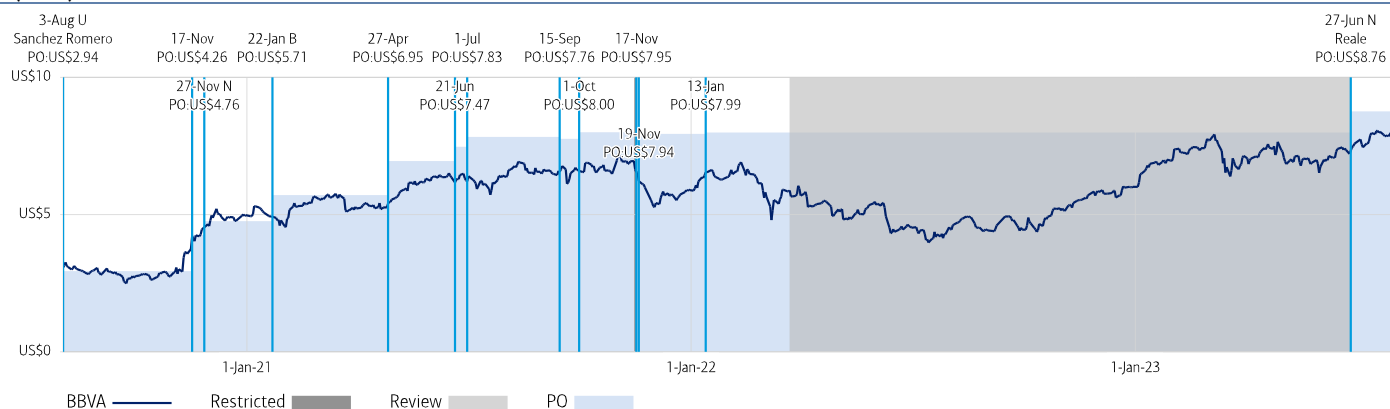
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BBVA (BBVXF) Price Chart



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BBVA (BBVA) 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.

Equity Investment Rating Distribution: Banks Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	98	50.52%	Buy	81	82.65%
Hold	45	23.20%	Hold	33	73.33%
Sell	51	26.29%	Sell	37	72.55%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1877	53.28%	Buy	1040	55.41%
Hold	815	23.13%	Hold	464	56.93%
Sell	831	23.59%	Sell	385	46.33%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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

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