"El Pulso" de la banca

2021FY: Industry benchmark, top performers and digital & ESG scores

March 2022

Foreword

Alvarez & Marsal (A&M) is delighted to publish the fifteenth edition of the Spanish Banking Pulse ("The Pulse") Q4 '21. In this edition, we share results from our research examining the 10 biggest Spanish banks ("top 10") with regard to their activities within Spain and highlight key performance indicators of the Spanish banking industry. The Pulse aims to help banking executives and board members stay current on industry trends. In this edition we add two new sections

- **A&M Digital Score**: A&M has developed a score to measure digital transformation for the banking industry. The score assess three capabilities: Digitalization, Transformation and Resilience in all cases using external available data
- **A&M ESG Score**: A&M has developed a score to measure sustainability for the banking industry. The score assess quantitative ESG ratings with a client survey performed in collaboration with Brand Experience Group

All the data used in this report has been obtained from publicly available sources. The methodology for all the calculations is homogeneous and discussed in the glossary.

We hope that you will find the Pulse useful and informative.

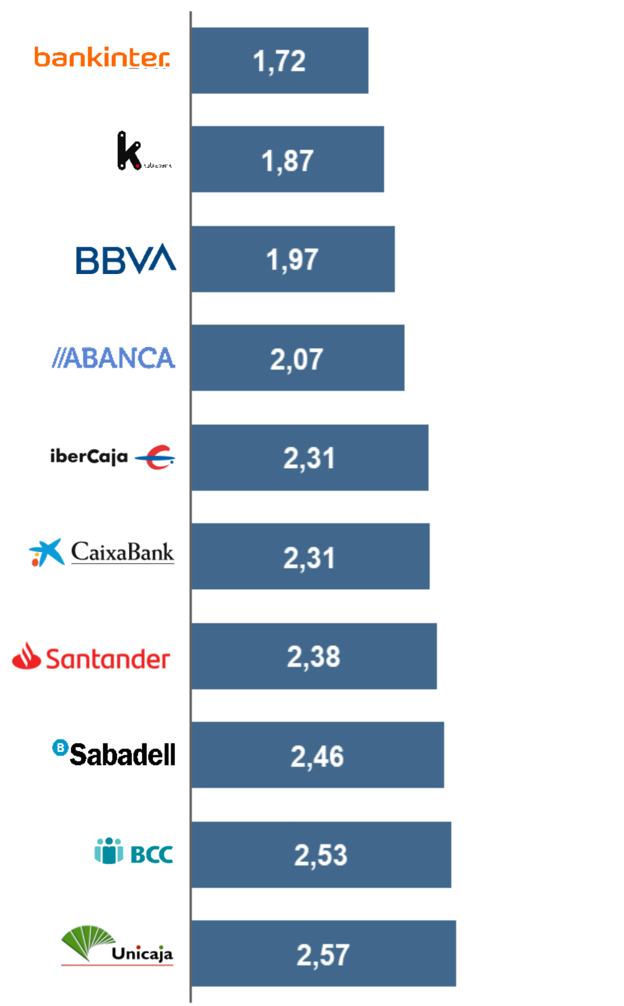
Scope

Bank			Assets Q4´21(€ Bn)	Comments
CaixaBank	CABK	Caixa	638,9	With Bankia Pro-Forma
BBVA	BBVA	BBVA	413,5	Only Spanish Business
Santander	SAN	Santander	371,3	Only Spanish Business
Sabadell	SAB	Sabadell	197,5	Only Spanish Business
bankinter.	BKT	Bankinter	107,6	-
ABANCA	ABA	Abanca	80,5	-
Unicaja Banco	UNI	Unicaja	115,5	Includes Liberbank Pro-Forma
kutxabank	KBK	Kutxabank	65,8	-
iberCaja	IBJ	Ibercaja	58,6	-
BCC	BCC	Cajamar	58,5	-

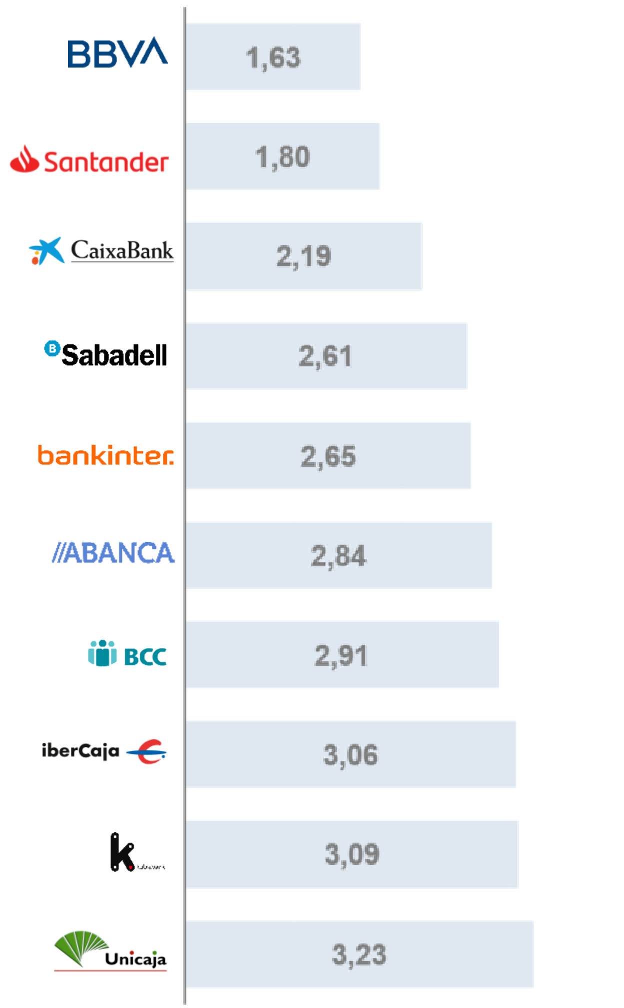
Final A&M Scores by Category

Scoring range from 1 (Best) – 4 (Worst)

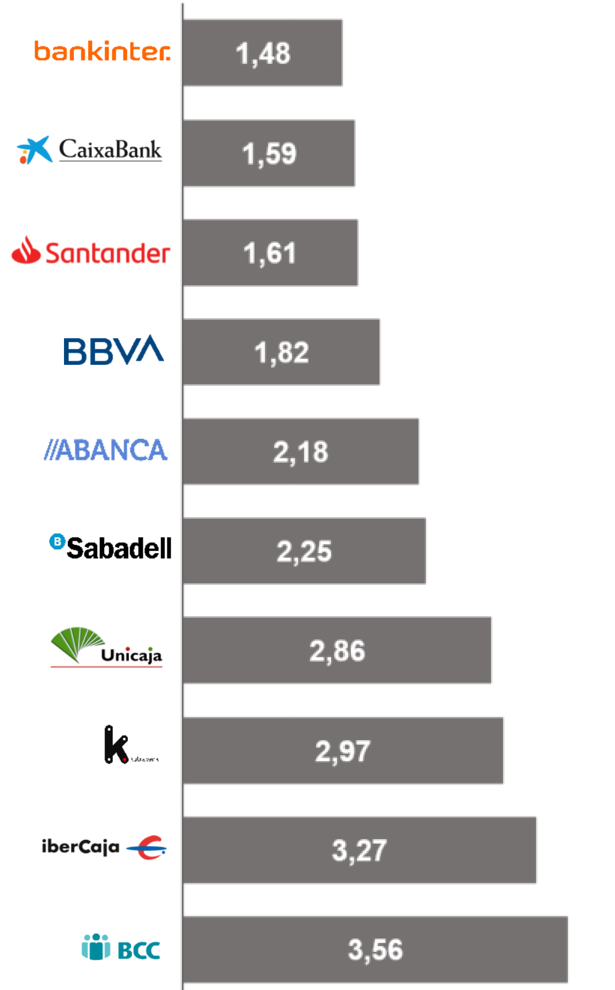
Financial Score (2021)



Digital Score (2021)



ESG Score (2021)



In collaboration with BXG The Brand Experience Group

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Scoring range from 1 (Best) – 4 (Worst) 1 2 3 4

Pulse Scorecard: Yearly evolution

Variation compared to Q4'20:
↓↑ Var. > +-5% ↗ 0% < Var. < +5%
↘ 0% > Var. > -5%

	Metric	Q4 '2020	Vs	Q4 '2021	Score 2021Q4
Growth	Loans and Advances Growth (YTD)	4,1%	↓	0,1%	2,2
	Deposits Growth (YTD)	7,8%	↓	5,2%	
Liquidity	Loan-to-Deposit Ratio	89,6%	↘	85,3%	1,0
Income & Operating	Yield on Credit (YTD)	2,19%	↓	2,05%	2,7
	Cost of Funds (YTD)	0,21%	↓	0,16%	
	Net Interest Margin (YTD)	1,12%	↓	1,02%	
	Non-Interest Income / Operating Income (YTD)	39,6%	↗	40,1%	
	Operating Income (YTD) / Assets	1,8%	↓	1,7%	
	Operating Revenue Growth (YTD)	-1,6%	↗	-1,6%	
	Cost-to-Income Ratio (T) (YTD)	55,1%	↘	54,7%	
	Business Volume per Branch (€ Mn)	127	↑	157	
Risk	NPL ratio	4,21%	↓	3,93%	1,9
	NPL Coverage Ratio	59,3%	↑	63,2%	
	Cost of Risk (YTD)	0,84%	↓	0,46%	
Profitability	RoE (YTD)	3,53%	↑	7,15%	2,8
	RoA (YTD)	0,19%	↑	0,35%	
	RoRWA (YTD)	0,55%	↑	1,12%	
Capital	CET1 Ratio FL	13,2%	↘	12,8%	2,5
	Leverage ratio (%)	5,6%	↗	5,8%	
				Total Score	2,2

Key Trends this Year

1. L&A remained flat YoY, while deposits increased 5,2% with LtD falling to 85,3%
2. NIM decreased to 1,02%, 10bps lower than 2020 driven by yield on credit decrease and repricing
3. Operating income to assets reduced to 1,7%
4. C/I ratio improved to 54,7% as a result of continued reduction of costs.
5. NPL ratio decreased driven by a decline in problem loans and CoR also improved significantly to 46bps from 84bps in 2020
6. RoE and other profitability ratios showed an increase to 7,15% returning to Pre-Covid Levels.
7. CET1 fully loaded reduced 40 bps due to M&A impact and return of dividend payments

Note 1: QoQ and YTD stand for quarter quarter and year to date respectively
Source: Financial statements, Investor proveresentations, A&M analysis, SNL data on March 9th, 2022

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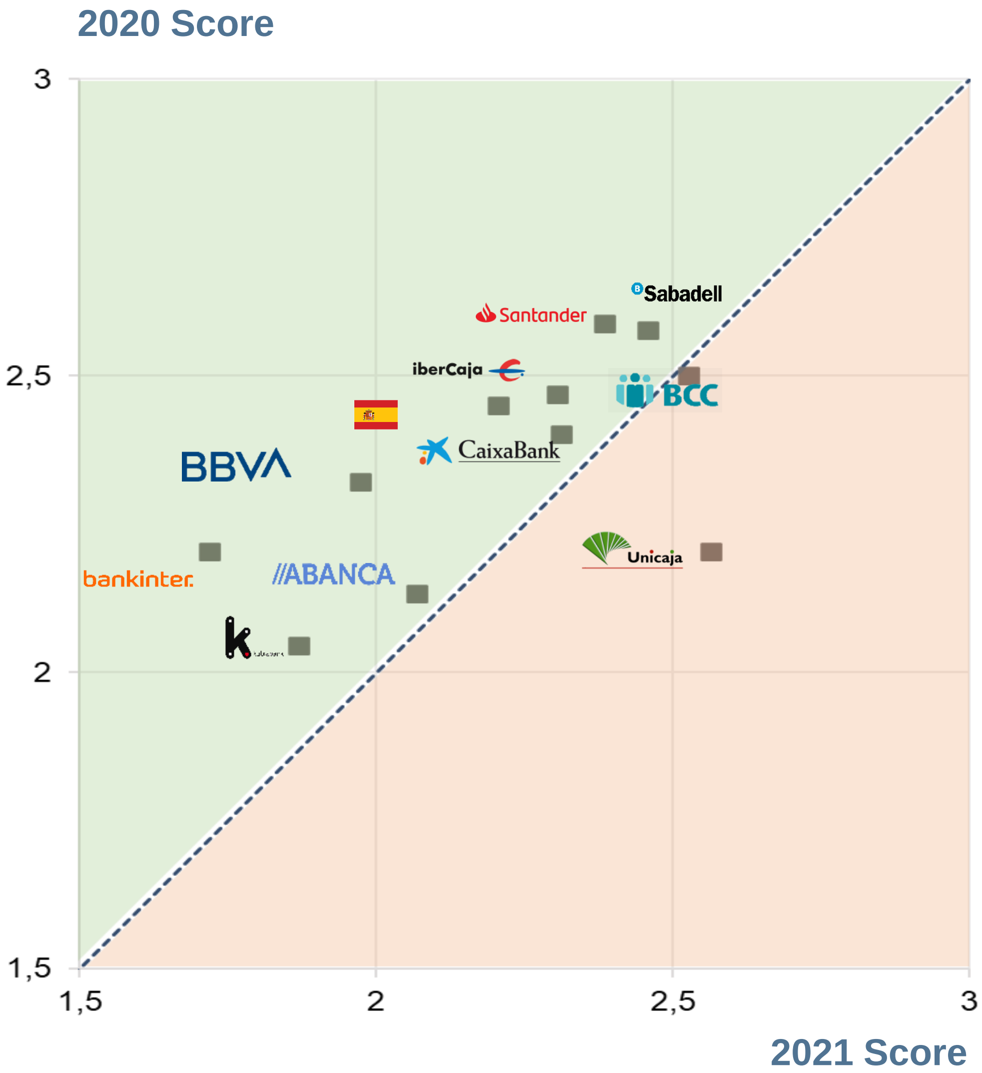
A&M Scorecard broken down per top 10 Spanish Banks

2021Q4		CaixaBank	BBVA	Santander	Sabadell	bankinter	ABANCA	Unicaja	k	iberCaja	BCC
Growth	Loans and Advances Growth (YTD)	-5,0%	1,6%	0,4%	1,0%	4,9%	17,8%	-1,5%	7,2%	-1,2%	4,0%
	Deposits Growth (YTD)	5,4%	0,1%	5,4%	8,6%	13,9%	16,9%	1,9%	3,4%	1,0%	4,3%
	Score	2,7	2,8	2,2	1,8	1,3	1,0	3,0	1,5	3,0	1,7
Liquidity	LCR	336,3%	165,0%	165,0%	249,1%	228,6%	257,0%	307,0%	233,2%	452,0%	206,1%
	Loan-to-Deposit Ratio (LDR)	89,5%	85,2%	76,1%	94,4%	93,0%	86,3%	65,9%	100,6%	81,5%	90,6%
	Score	1,2	1,0	1,0	1,3	1,2	1,0	1,0	1,5	1,0	1,2
Income & Operating Efficiency	Net Interest Margin (NIM)	1,0%	0,9%	1,1%	1,3%	1,3%	0,9%	0,9%	0,9%	0,9%	1,2%
	Operating Income / Assets	1,6%	1,4%	1,9%	2,0%	1,8%	1,4%	1,3%	1,7%	1,6%	1,4%
	Operating Revenue Growth (YTD)	-6,6%	8,1%	3,3%	-8,6%	8,9%	-4,5%	-5,6%	9,4%	9,6%	-22,6%
	Traditional Cost-to-Income Ratio	56,4%	51,1%	47,7%	60,3%	46,3%	66,4%	61,6%	55,5%	63,2%	75,3%
	Business Volume per Branch (€ Mn)	139	202	240	185	233	147	102	124	76	85
	Score	2,9	2,4	2,0	3,0	1,8	3,4	3,2	2,5	2,9	3,6
Risk	NPL ratio	3,6%	4,2%	5,8%	4,4%	2,5%	2,1%	3,5%	1,9%	2,3%	3,7%
	Coverage Ratio	68,9%	61,7%	52,2%	60,9%	63,6%	85,2%	68,5%	96,3%	75,3%	71,3%
	Score	1,8	1,9	2,3	1,9	1,7	1,4	1,8	1,2	1,4	1,7
Profitability	Return on Equity (RoE)	6,8%	11,6%	6,1%	3,8%	27,2%	7,1%	0,6%	3,4%	4,7%	1,8%
	Return on Assets (RoA)	0,4%	0,4%	0,3%	0,2%	1,3%	0,4%	0,0%	0,3%	0,3%	0,1%
	Score	3,0	2,2	3,2	3,7	1,0	2,7	4,0	3,5	3,5	3,8
Capital	CET1 Ratio FL	12,8%	12,7%	12,1%	12,2%	12,1%	12,4%	12,5%	17,3%	12,7%	12,8%
	Leverage ratio	5,5%	6,7%	5,2%	5,9%	4,9%	5,9%	5,4%	9,5%	5,8%	5,3%
	Score	2,7	2,1	2,8	2,5	2,9	2,5	2,7	1,0	2,5	2,8
Total Score		2,3 →	2,0 ↓	2,4 ↓	2,5 →	1,7 ↓	2,1 →	2,6 ↑	1,9 ↓	2,3 ↓	2,5 →

- BKT, BBVA and KBK are the top performers this year and UNI, BCC and SAB the worst.
- Liquidity Score remains the strongest and Profitability Score remains the weakest.

Note 1: LCR for CABK, BBVA, and SAB at group level due to lack of data
Source: Financial statements, Investor presentations, A&M analysis, SNL data on March 9th, 2022

Scores changes from last quarter: slight improvement

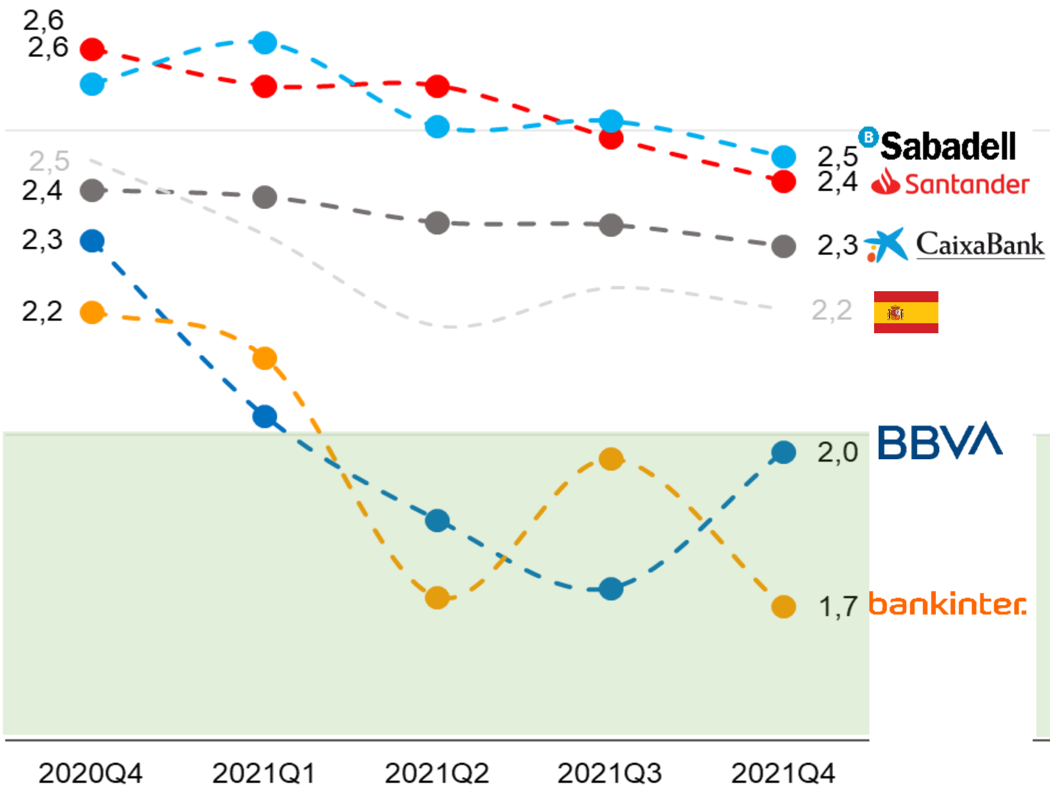


- 2 banks worsened their score compared to 2020, BCC and UNI
- All the rest showed some improvement from 2020 pandemic year.
- BKT and BBVA have improved the most.

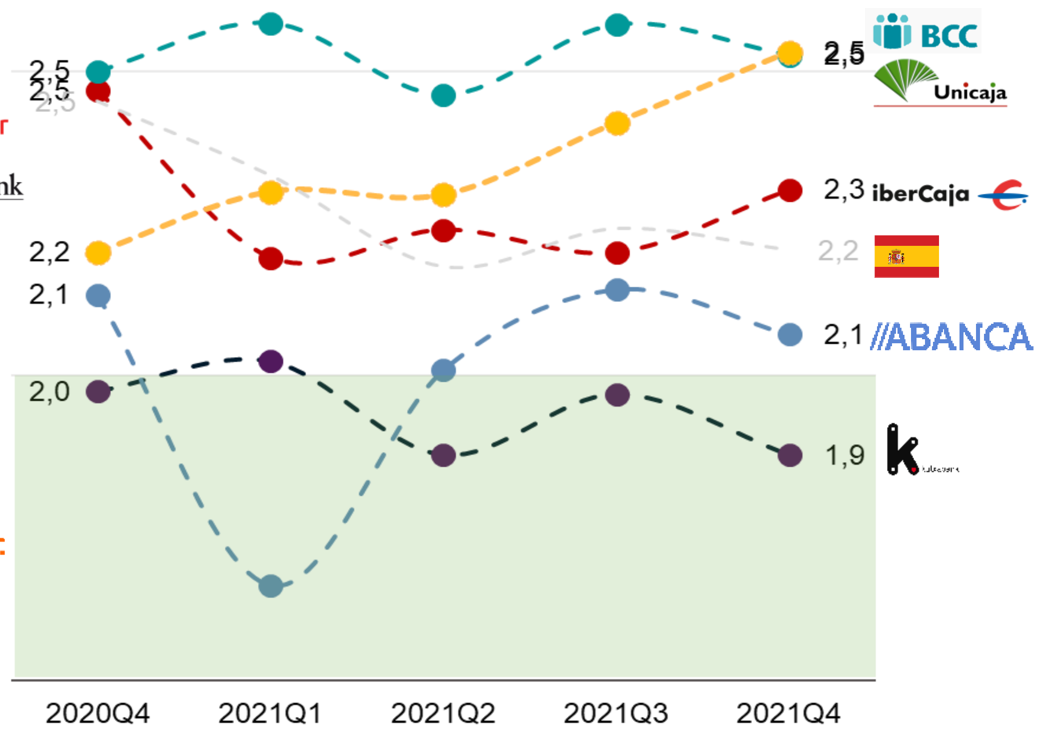
Historical scores changes from last quarters

Spanish average

Top 5 Banks by asset size



Bottom 6 Banks by asset size



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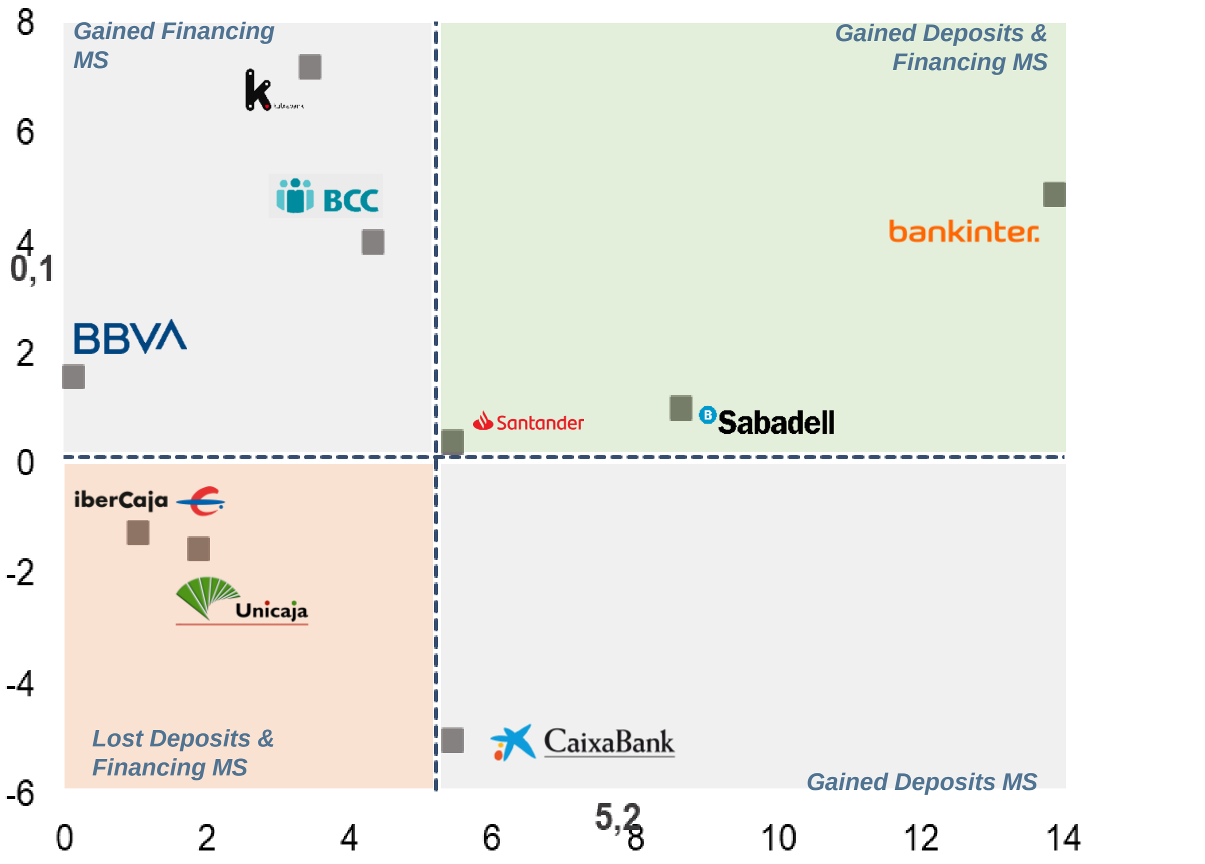
1 Deposits increased faster than Loans in the year…

L&A Growth QoQ (%)

21'Q1	21'Q2	21'Q3	21'Q4
-0,35	1,16	-1,23	0,53



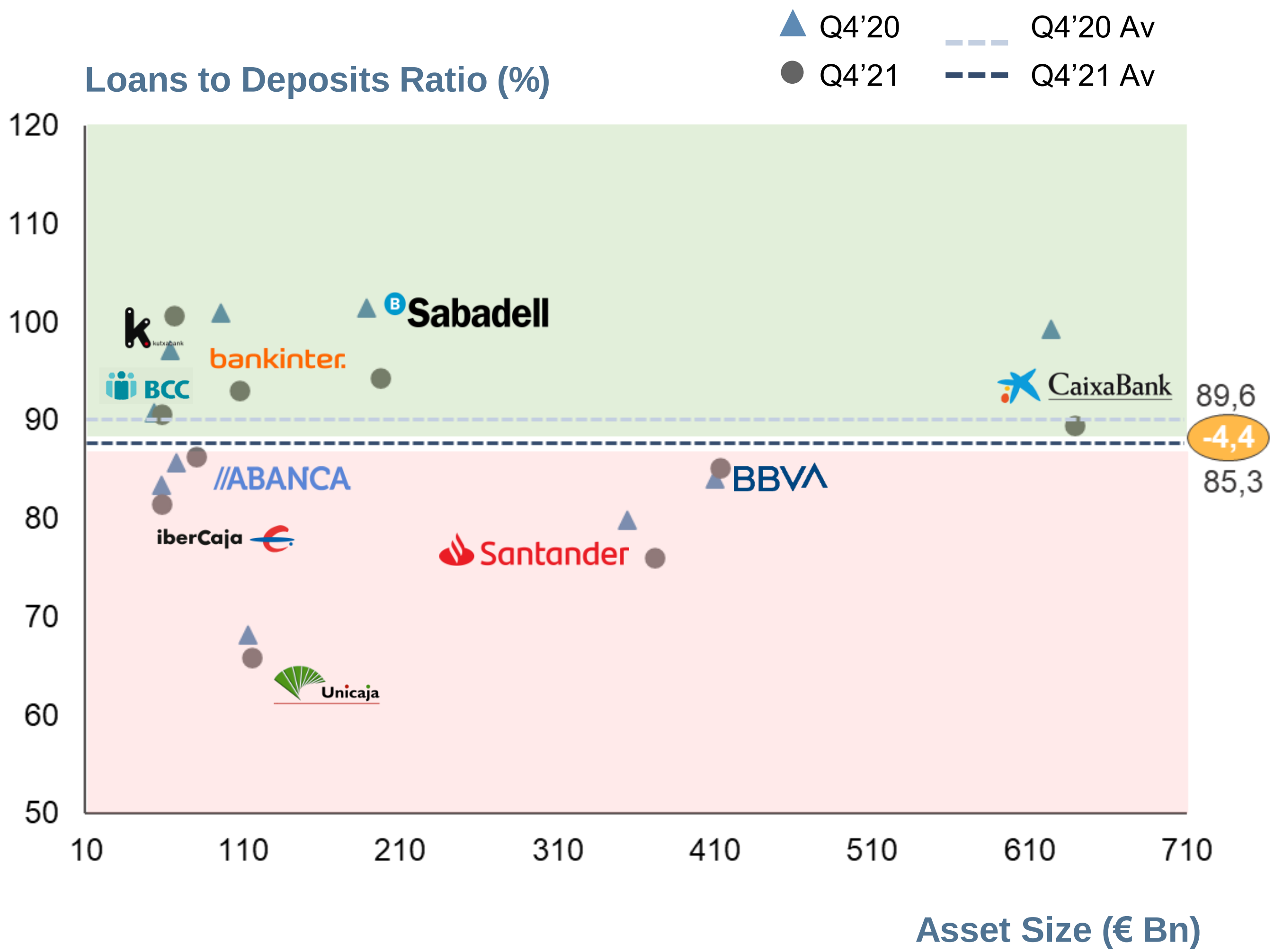
21'Q1	21'Q2	21'Q3	21'Q4
-1,67	2,58	0,91	3,36

Deposits Growth QoQ (%)

- Overall L&A increased 0,1% YoY.
- Deposits increased 5,2% YoY.
- BKT, SAB and SAN showed above market improvement in Loans and Deposits.
- IBJ and UNI showed below market improvement in Loans and Deposits
- CABK showed above market improvement in Deposits.
- BCC, KBK and BBVA showed above market improvement in Loans

Source: Financial statements, Investor presentations , A&M analysis, SNL data on March 9th, 2022

1 … decreasing industry LDR structural position



- 3 banks increased their LDR and the others decreased
- LDR of the industry is in a very healthy area at 85,3% reducing external funding needs
- Better than 2020 EU average of 108%
- CABK and BKT suffered the sharpest decrease in LDR, meanwhile KBK experienced the biggest increase
- 5 Banks are above average and 5 are below

Note: The green zone is an area of healthy liquidity between 80% and 110%
Source: Financial statements, Investor presentations , A&M analysis, SNL data on March 9th, 2022

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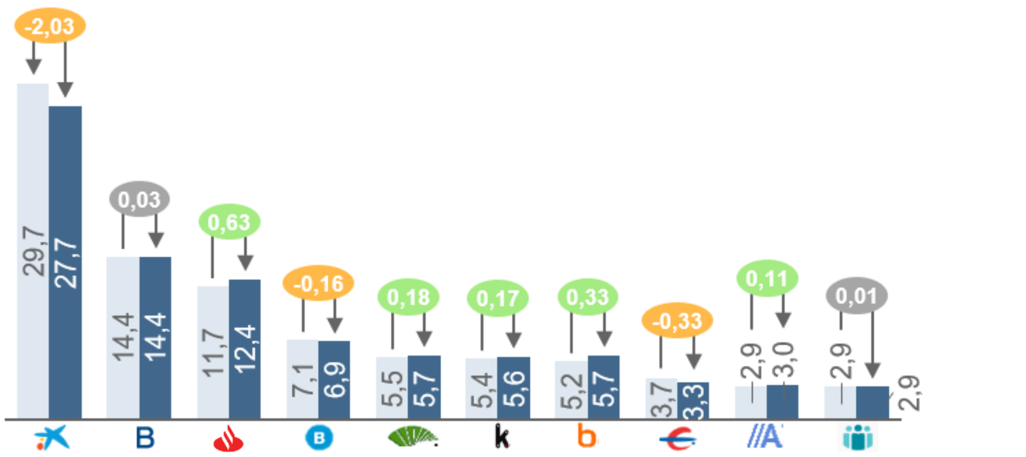
2 Market share shows strong competition in credit

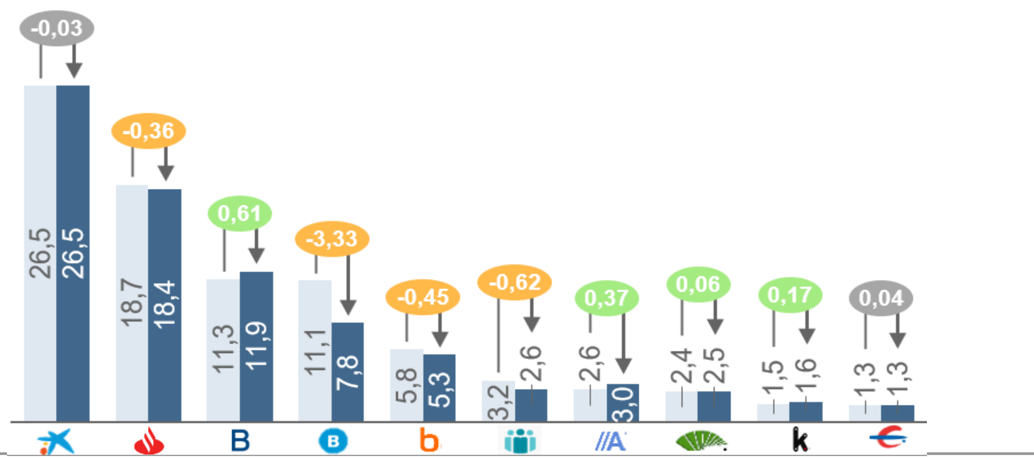
Lending

Households (%)



2020
2021

Corporates and Other (%)



- Market share analysis shows that 2,52% of Household and 4,76% of Corporate and Other Loans has changed hands indicating strong competition
- CABK, IBJ and SAB have reduced their market share in Households Loans
- SAN, BKT, UNI, KBK and ABA have increased their market share in Households Loans
- SAN, SAB, BCC and BKT have lost market share in Corporate and Other Loans
- BBVA, ABA, KBK and UNI have increased their market share in Corporate and Other Loans

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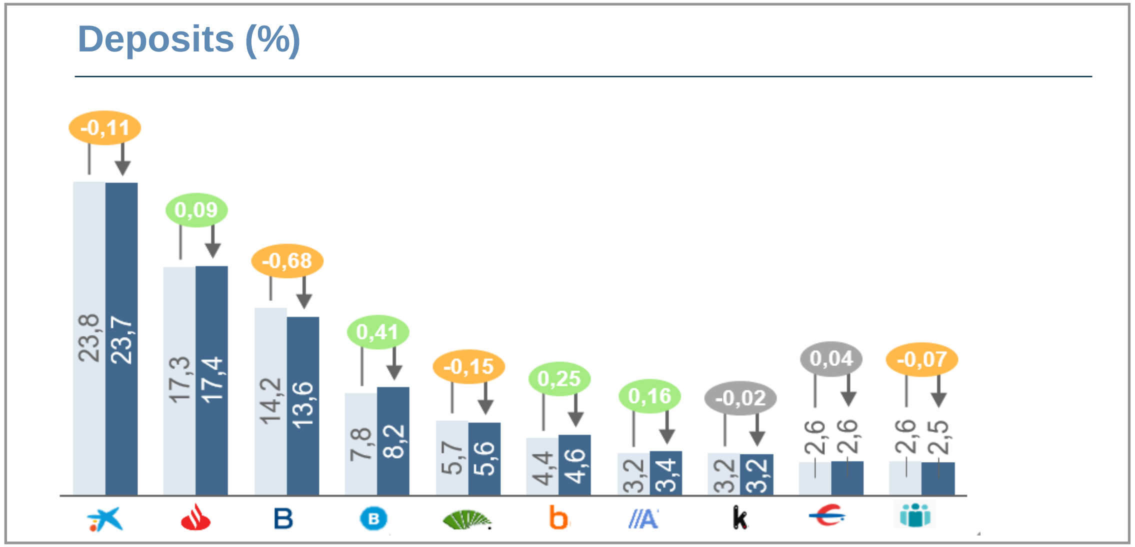
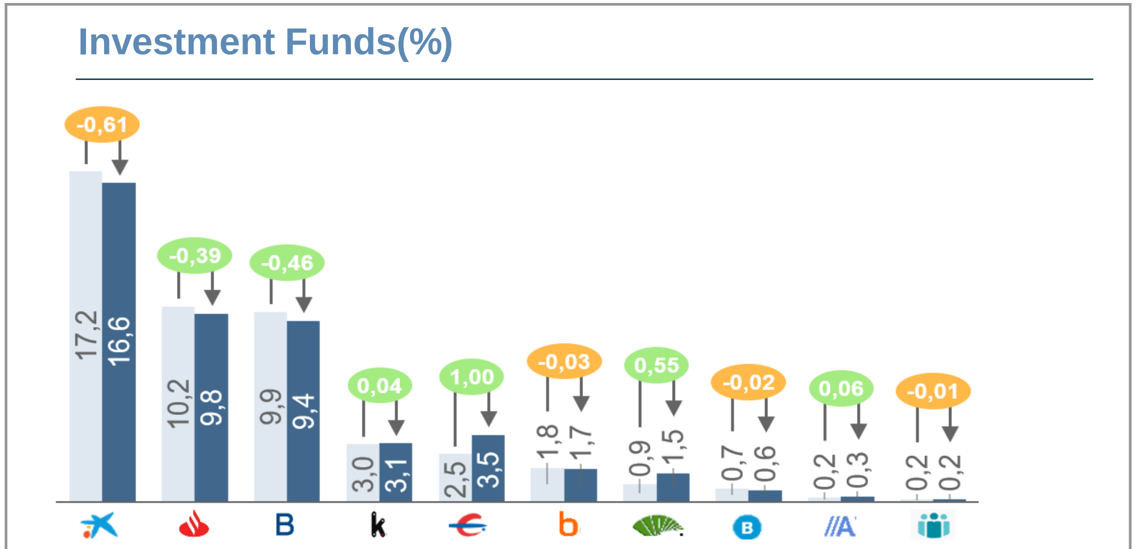
2 Market share in Savings shows competition in funds

Savings





2020
2021

- Market share analysis shows that 0,95% of Deposits and 2,90% of Investment Funds has changed hands indicating low competition in Deposits and strong competition in Investment Funds
- CABK, BBVA, UNI and BCC have reduced their market share in Deposits
- SAB, BKT, ABA and SAN have increased their market share in Deposits
- CABK, BKT, SAB and BCC have lost market share in Investment Funds
- IBJ, BBVA, SAN, ABA, KBK and UNI have increased their market share in Investment Funds

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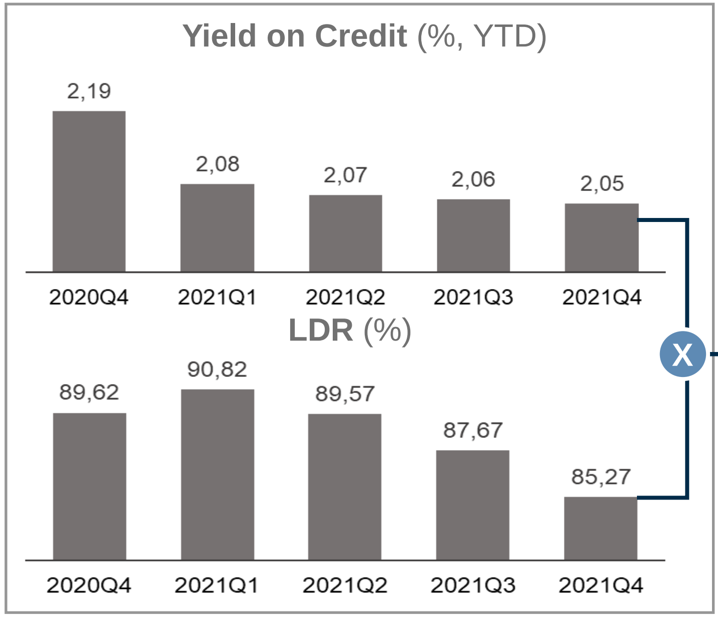
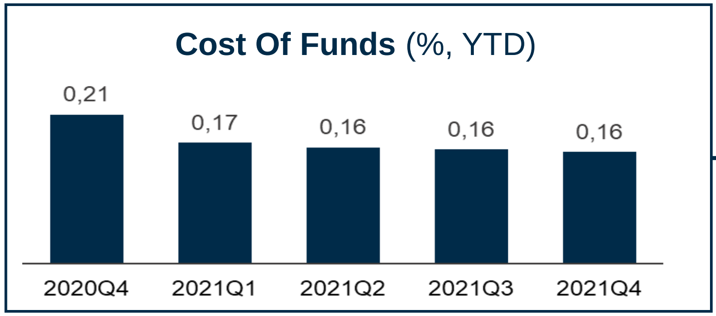
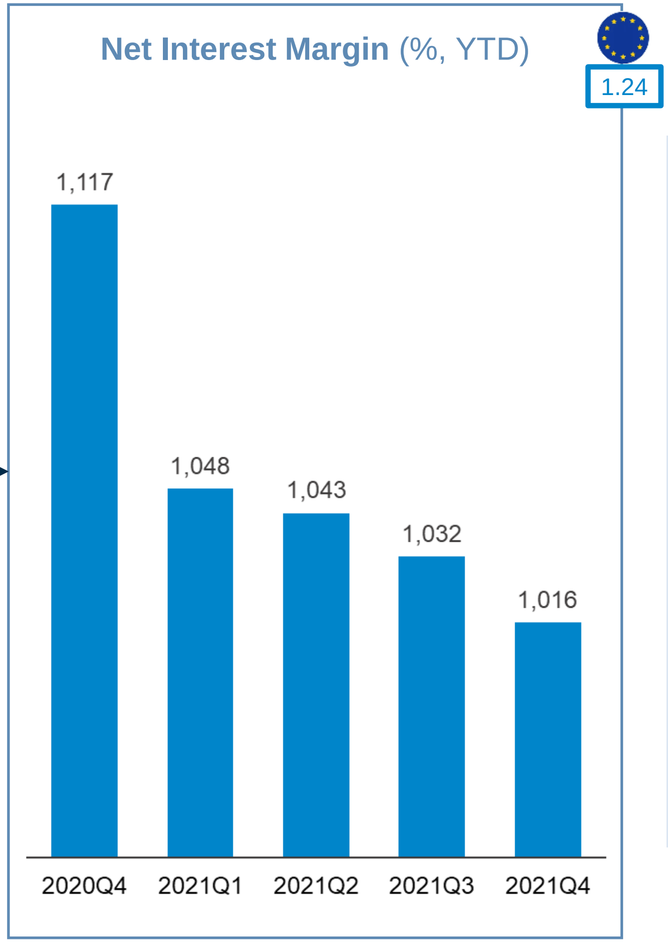
3 NIM decreased YoY driven by credit spread decrease





Credit Spread (%)

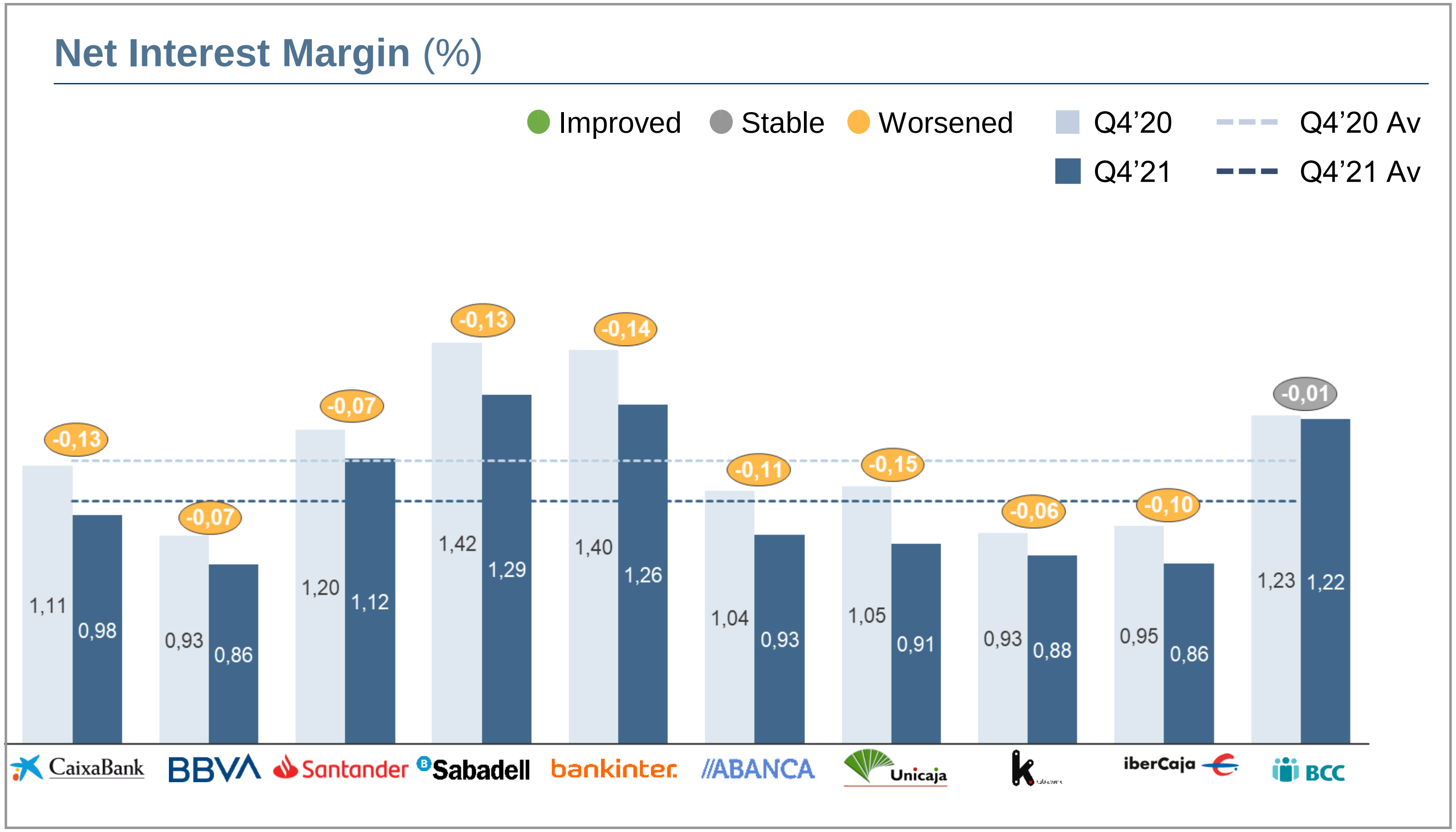
20'Q4	21'Q1	21'Q2	21'Q3	21'Q4
1,98	1,91	1,90	1,90	1,90



- NIM decreased 10 bps to 1,02% driven by yield on credit decrease of 14 bps
- Cost of Funds decreased 5 bps YoY
- Credit Spread decreased 8 bps YoY
- QoQ trends show still pressure on margins continues.
- Spanish Banks still below EU average of 1,24

Note 1: Relation between elements above represents a functionality and not necessarily an exact mathematical formula
Note 2: Figures represent the aggregation of the top 10 banks activities in Spain
Source: Financial statements, Investor presentations, A&M analysis, SNL data at sept 6th 2021

3 NIM of all banks decreased YoY



- 11 out of the top 11 witnessed a decrease in NIM
- UNI, BKT, CABK, ABA and SAB the most affected with drops above 10 bps
- BCC the least affected with 1 bps drop
- SAB, BKT and BCC show the strongest NIMs
- BBVA, IBJ and KBK show the weakest NIMs

Note: Some numbers might not add up due to rounding
Source: Financial statements, investor presentations, A&M analysis, SNL data on March 9th, 2022

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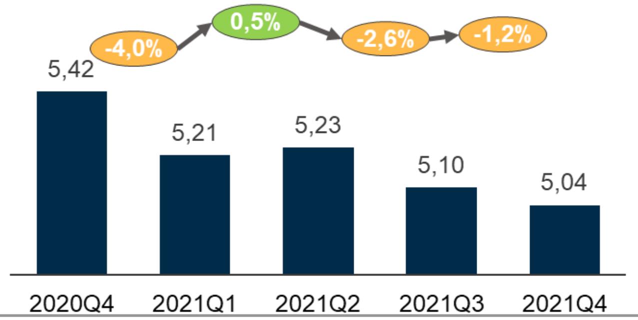
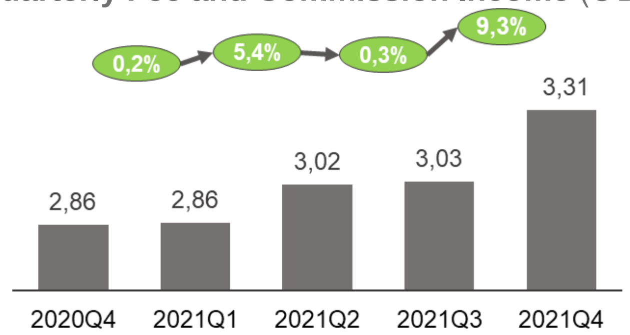
4 Op. income decrease QoQ driven by other income

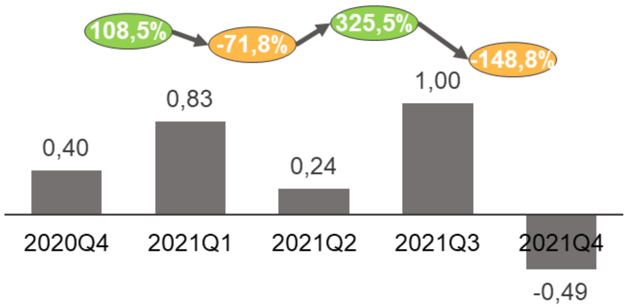
Quarterly Net Interest Income (€ Bn)



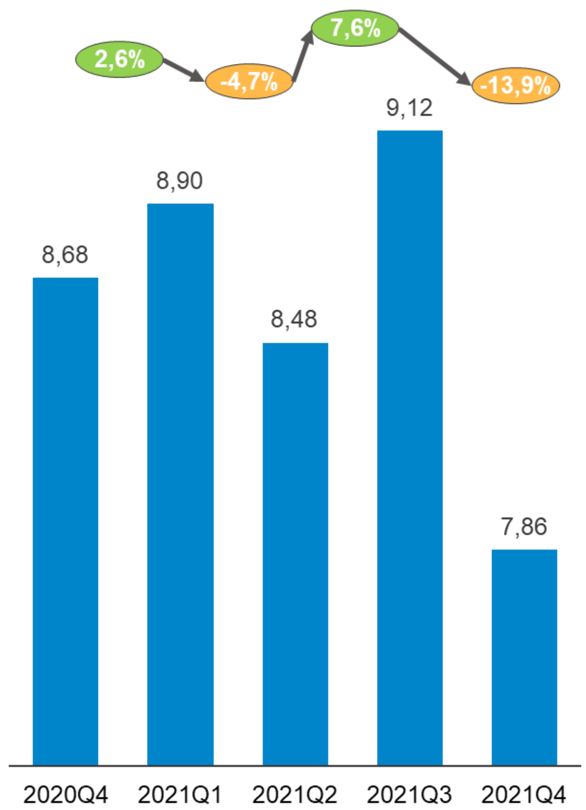
Quarterly Fee and Commission Income (€ Bn)



Quarterly Other Operating Income (€ Bn)

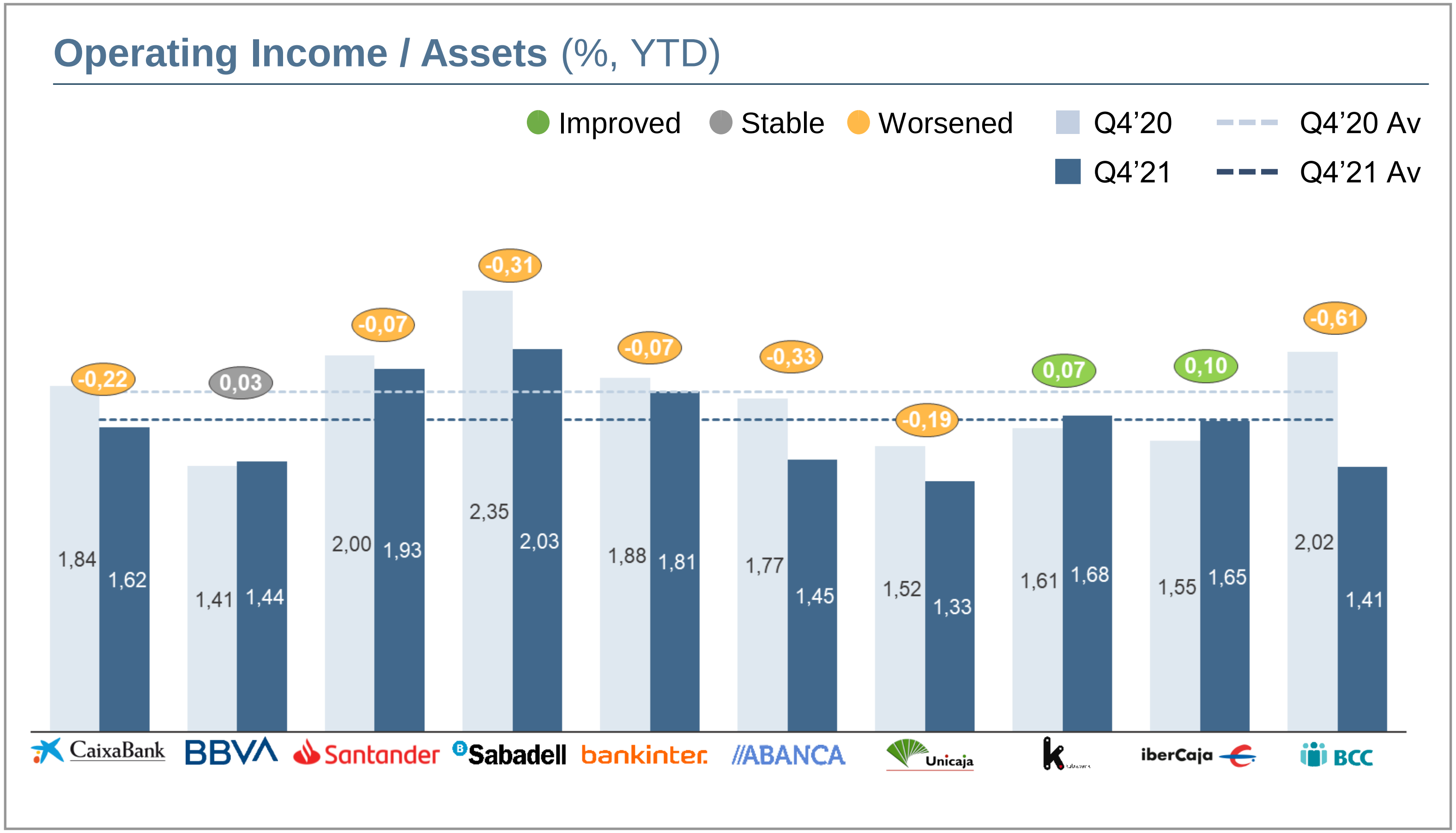


Quarterly Operating Income (€ Bn)



- Revenue Loss from NIM has been compensated by Fee and Commission Income
- Fee Income has increased for the last 4 quarters with a strong 4Q2021
- Decrease in Operating Income is driven by Other Operating Income extraordinary decreases

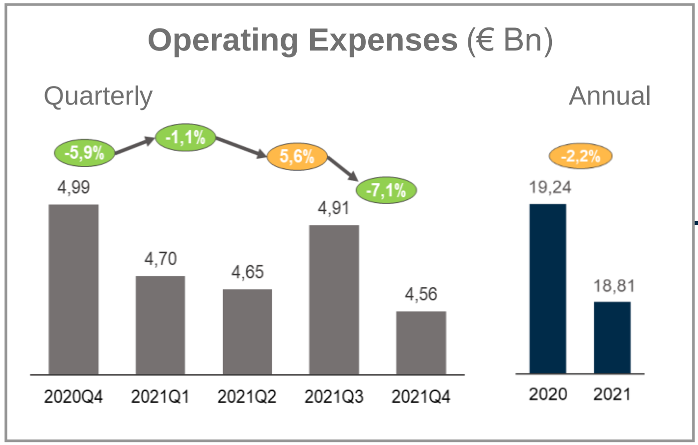
4 OI over Assets decreased YoY

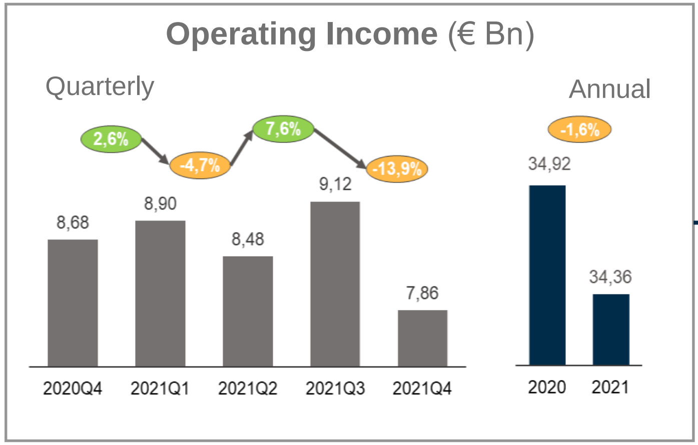


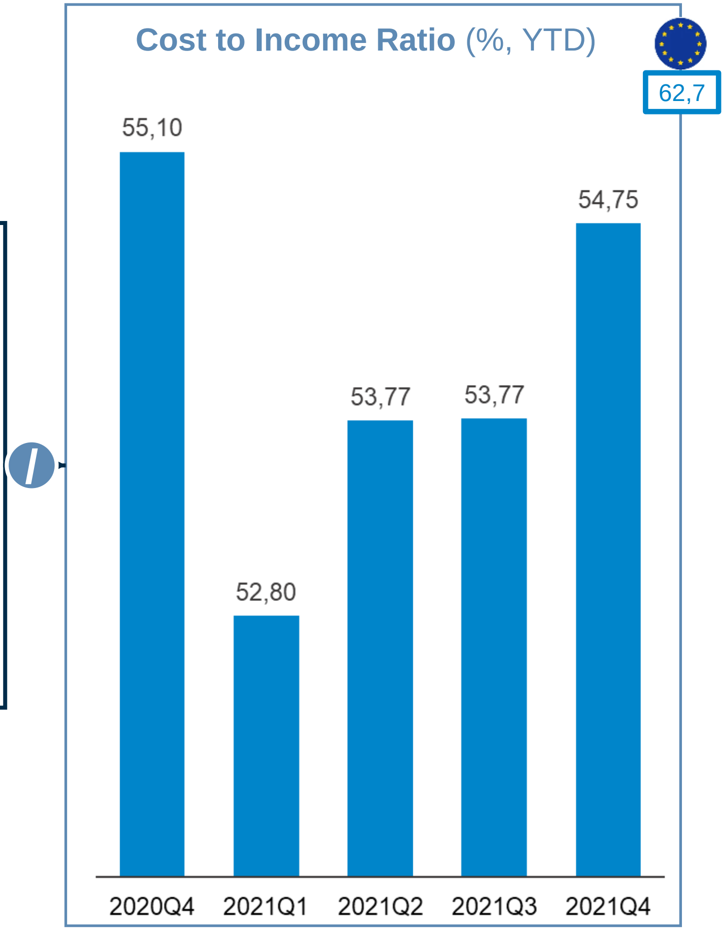
- 7 banks showed a decrease in OI over assets, 1 remain steady (BBVA) and 2 increase (driven by other operating income)
- BCC, ABA and SAB suffered the sharpest decrease
- IBJ and KBK has the highest increase

Note: Some numbers might not add up due to rounding
Source: Financial statements, investor presentations, A&M analysis, SNL data on March 9th, 2022

5 Cost to income is below the level of 55%



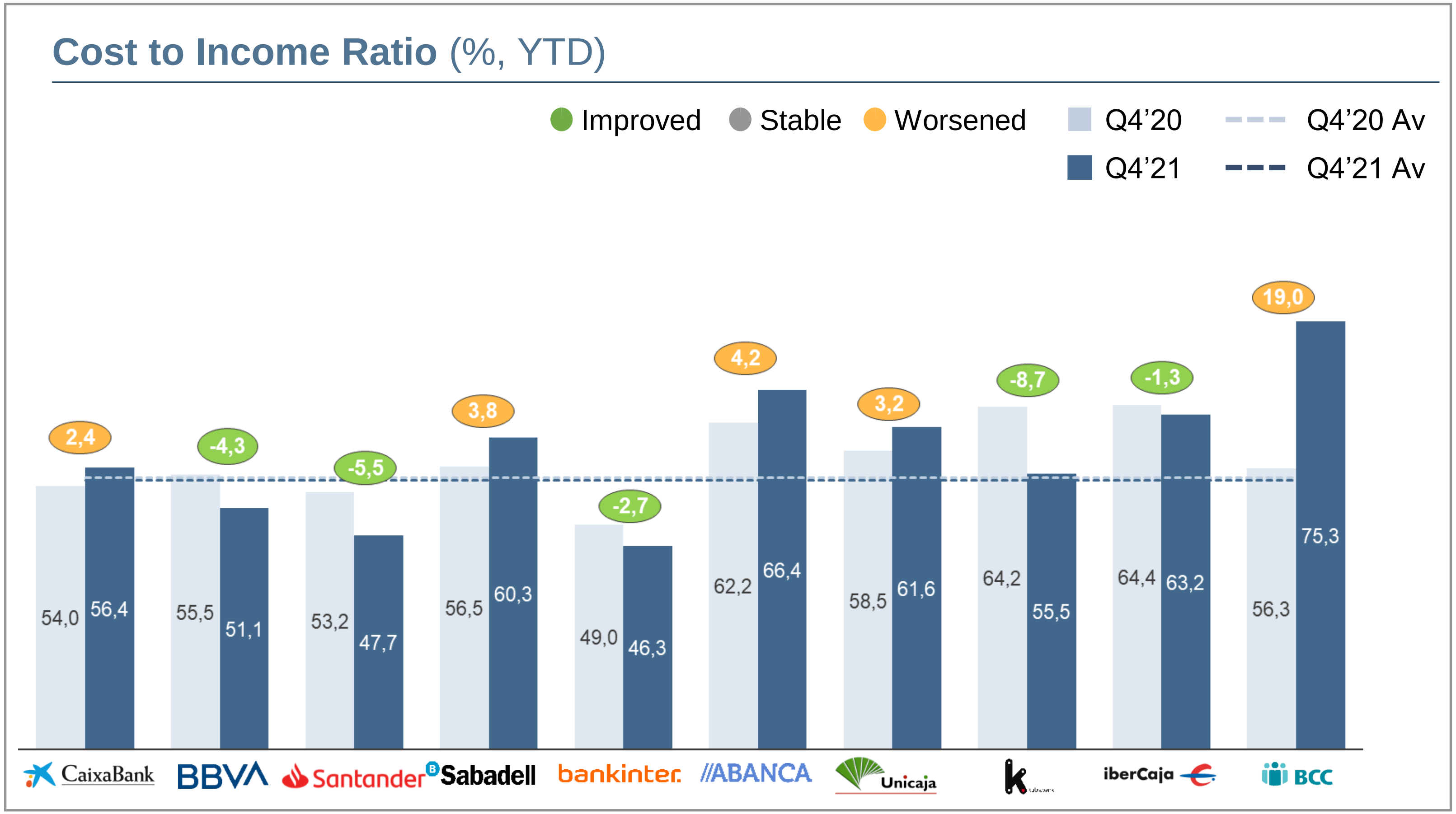




- C/I ratio decreased driven by the decrease in operating expense by 2,2%
- Operating income has decreased by 1,6%
- C/I has decreased slightly from 55,1% to 54,75% YoY
- EU average is 62,7%

Note 1: Some numbers might not add up due to rounding
Note 2: Figures represent the aggregation of the top 10 banks activities in Spain
Source: Financial statements, investor presentations, A&M analysis, SNL data on March 9th, 2022

5 6 banks improved their C/I YoY



- 5 out of 10 banks improved their C/I
- KBK, BBVA, SAN experienced best improvement in the C/I ratio
- BCC, ABA and SAB the worst
- Some cost reductions measures taken in the year will be seen during 2022 and onwards.
- None of the banks are below the 45% target of efficiency level

Note 1: Scaling and some numbers might not add up due to rounding
Source: Financial statements, investor presentations, A&M analysis, SNL data on March 9th , 2022

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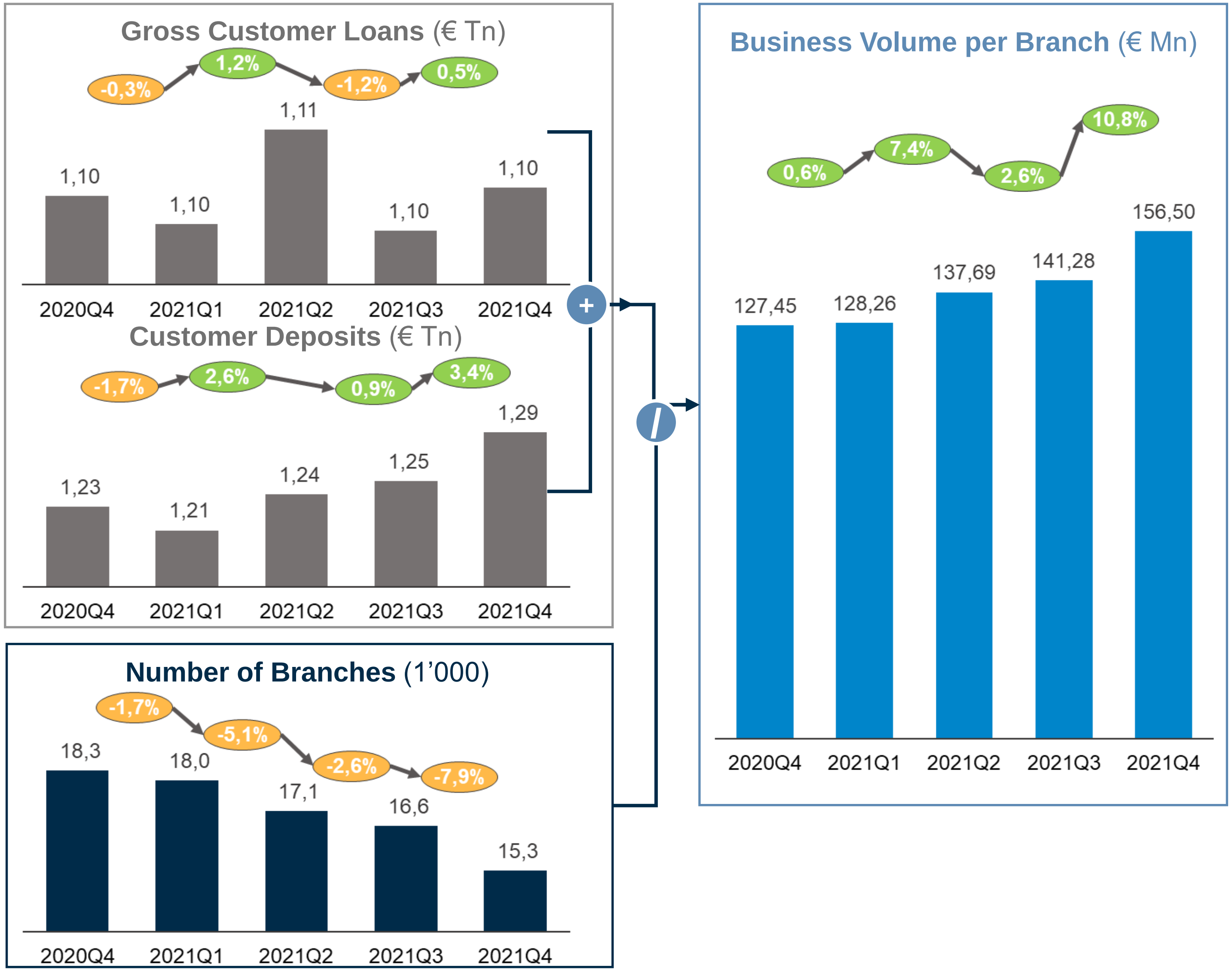
5 Business volume per branch continues its upward trend

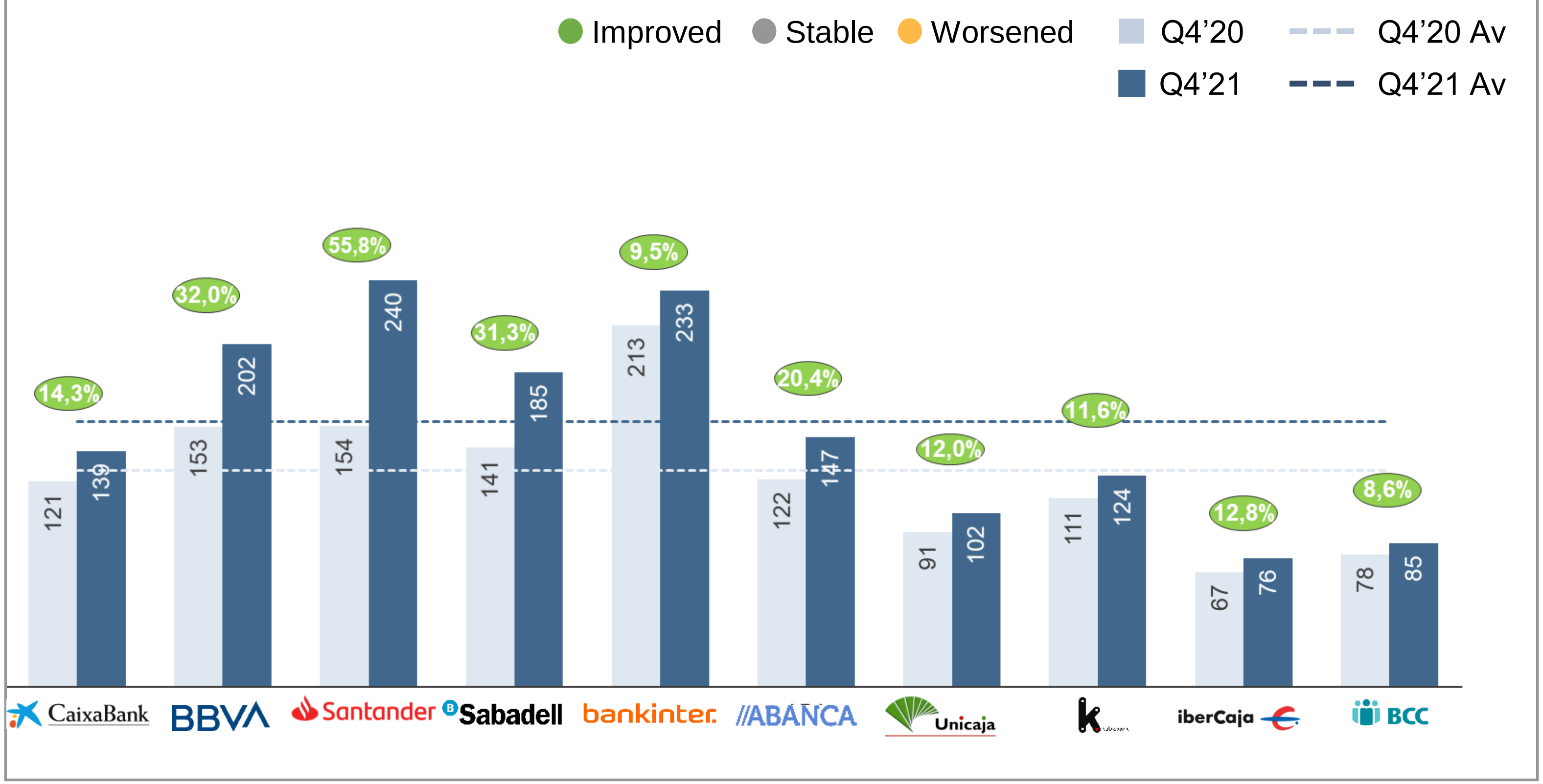


- Business Volume per branch continue increasing pushed by a decrease in number of branches
- Branches were reduced to 15,3 thousand from 18,3 thousand during the year
- Number of branches continued to decline YoY fueled by branch restructuring post Covid and mergers

Note 1: Figures represent the aggregation of the top 10 banks activities in Spain
Source: Financial statements, Investor presentations, A&M analysis, SNL data on March 9th , 2022

5 All banks increased business volume per branch

Business Volume per Branch (€ Mn)

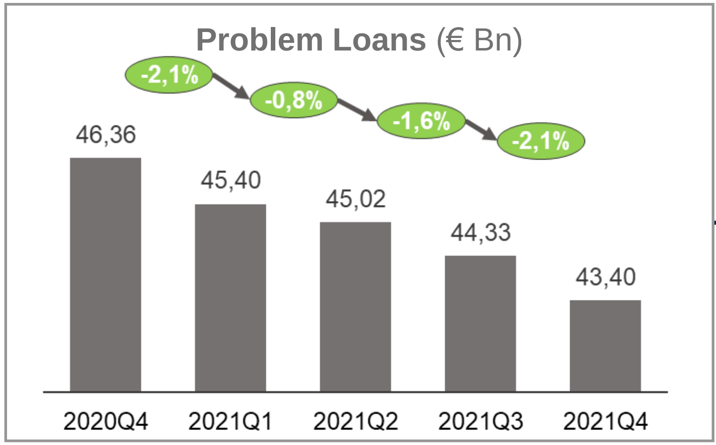


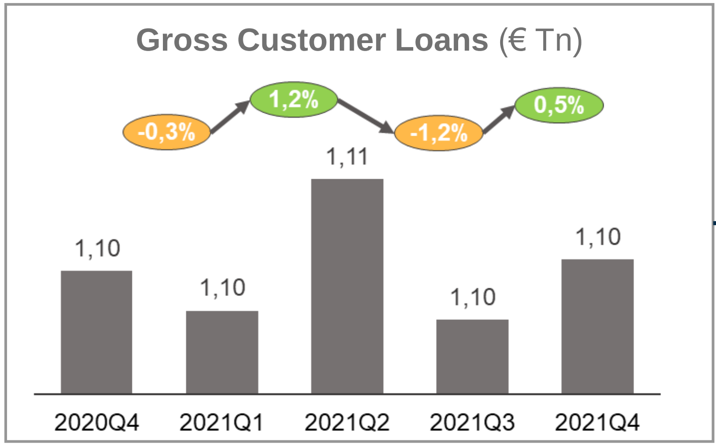
	CABK	BBVA	SAN	SAB	BKT	ABA	UNI	KBK	IBJ	BCC
Branches:	4.970	1.895	1.947	1.288	598	688	1.368	774	914	873
Var QoQ:	-12,3%	-23,7%	-33,8%	-20,2%	-0,2%	-2,5%	-10,3%	-5,6%	-11,3%	-4,1%

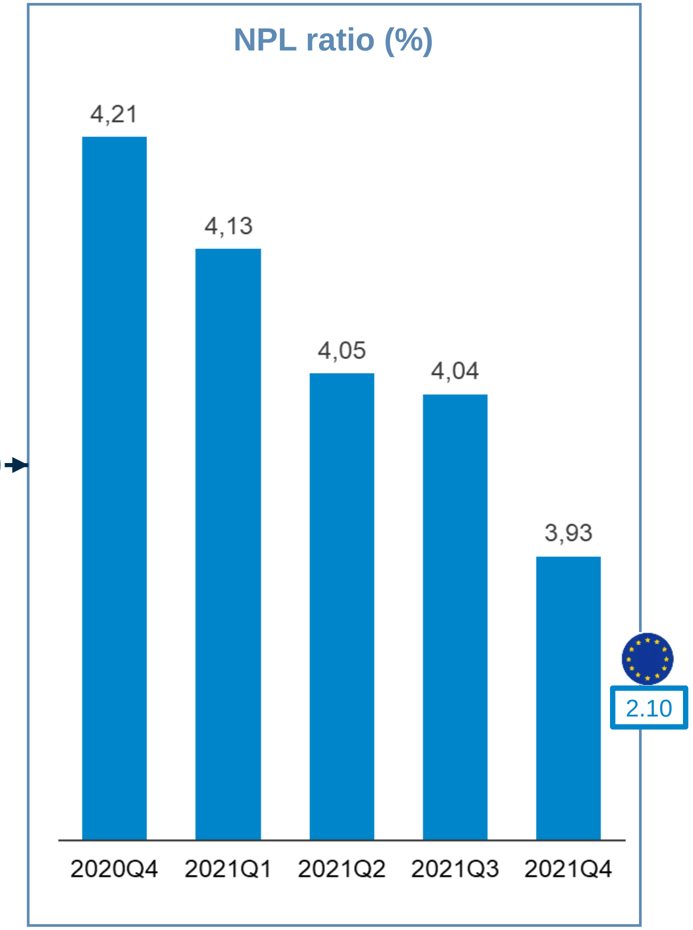
- All banks increased their business volume per branch
- SAN is the best performing in terms of business volume per branch, while IBJ and BCC the worst
- SAN and BBVA carried out the deepest Branch reduction in relative terms and CABK and BBVA the largest in terms of number of branches

Source: Financial statements, investor presentations, A&M analysis, SNL data on March 9th, 2022

6 NPL ratio continued to decrease to below 4%







- NPL ratio decreased to 3,93% in 2021, continuing the downward trend
- Decrease in NPL ratio was driven by the decrease in total problem loans by almost 3 Bn. Increased positive activity was seen in the NPL Transactions space during the year
- NPL levels still above EU average 2,10%

Note 1: Scaling and some numbers might not add up due to rounding
Note 2: Figures represent the aggregation of the top 10 banks activities in Spain
Source: Financial statements, investor presentations, A&M analysis, SNL data on March 9th, 2022

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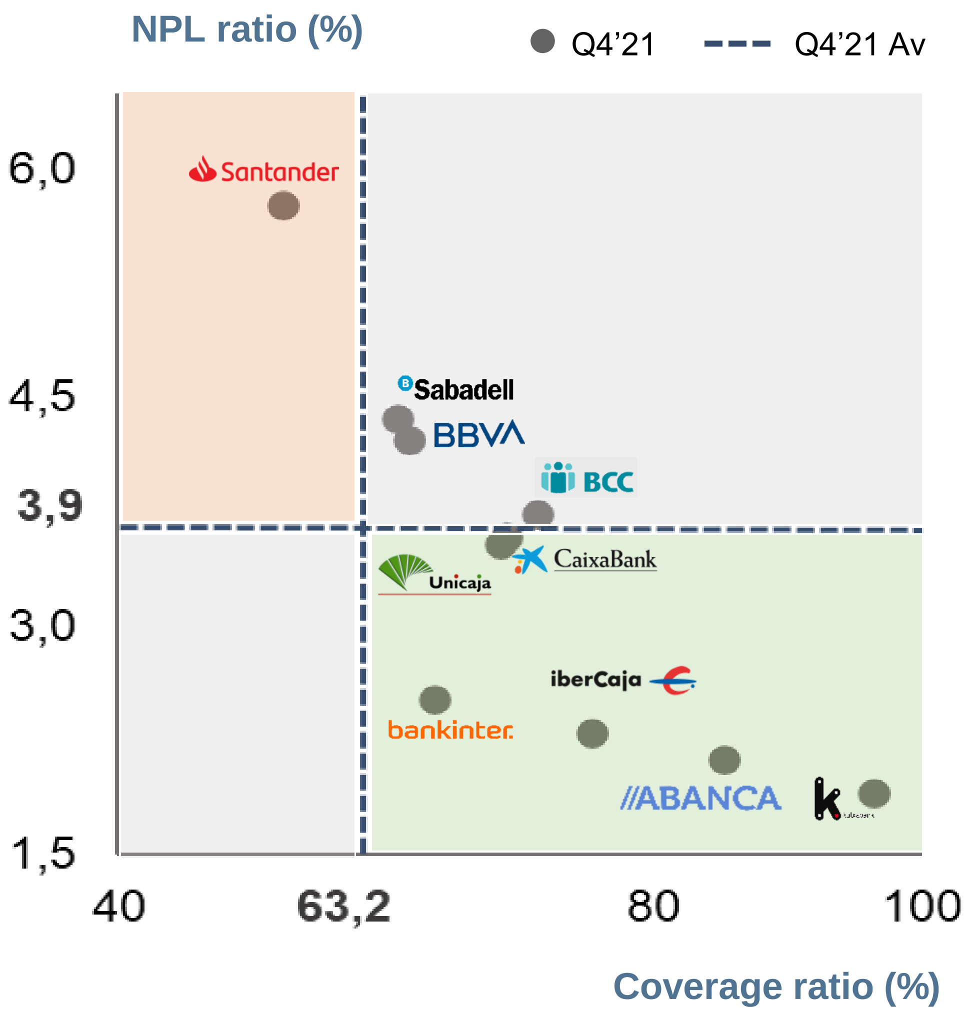
6 NPL and coverage improved in the year



- Overall NPL ratio is below 4,0% while coverage is above 63%
- ABA, KBK, IBJ and BKT, UNI and CABK outperformed the market in both NPL and coverage ratio
- SAN has the highest NPL and lowest coverage ratio, although it is very active in the NPL Sales Market
- Covid Related Moratoria has not triggered and increased in NPLs and most ICO related loans are still pending to start repayments
- Coverage level of 63,2% displays conservative approach of Spanish banks
- Spanish banks still above EU average levels of 2,1% in NPLs but above in Coverage level of 45,1%

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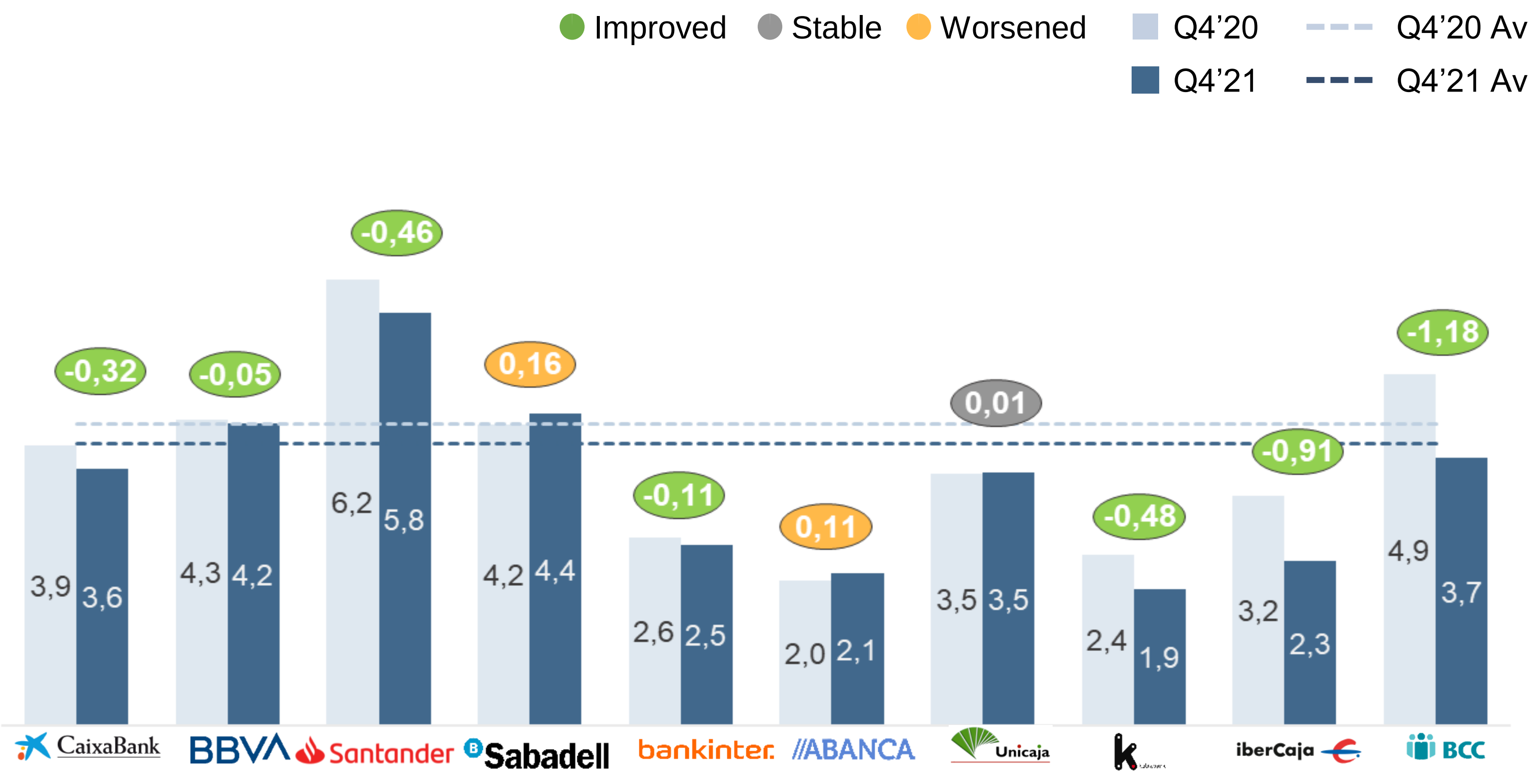
6 NPL Evolution

NPL Ratio (%, YTD)



- BCC, IBJ and SAN have had the largest decrease in NPLs
- SAB and ABA have had an increase in NPLs
- SAN and SAB are above the average
- KBK shows the lowest NPL level

Note 1: Scaling and some numbers might not add up due to rounding
Source: Financial statements, investor presentations, A&M analysis, SNL data on March 9th, 2022

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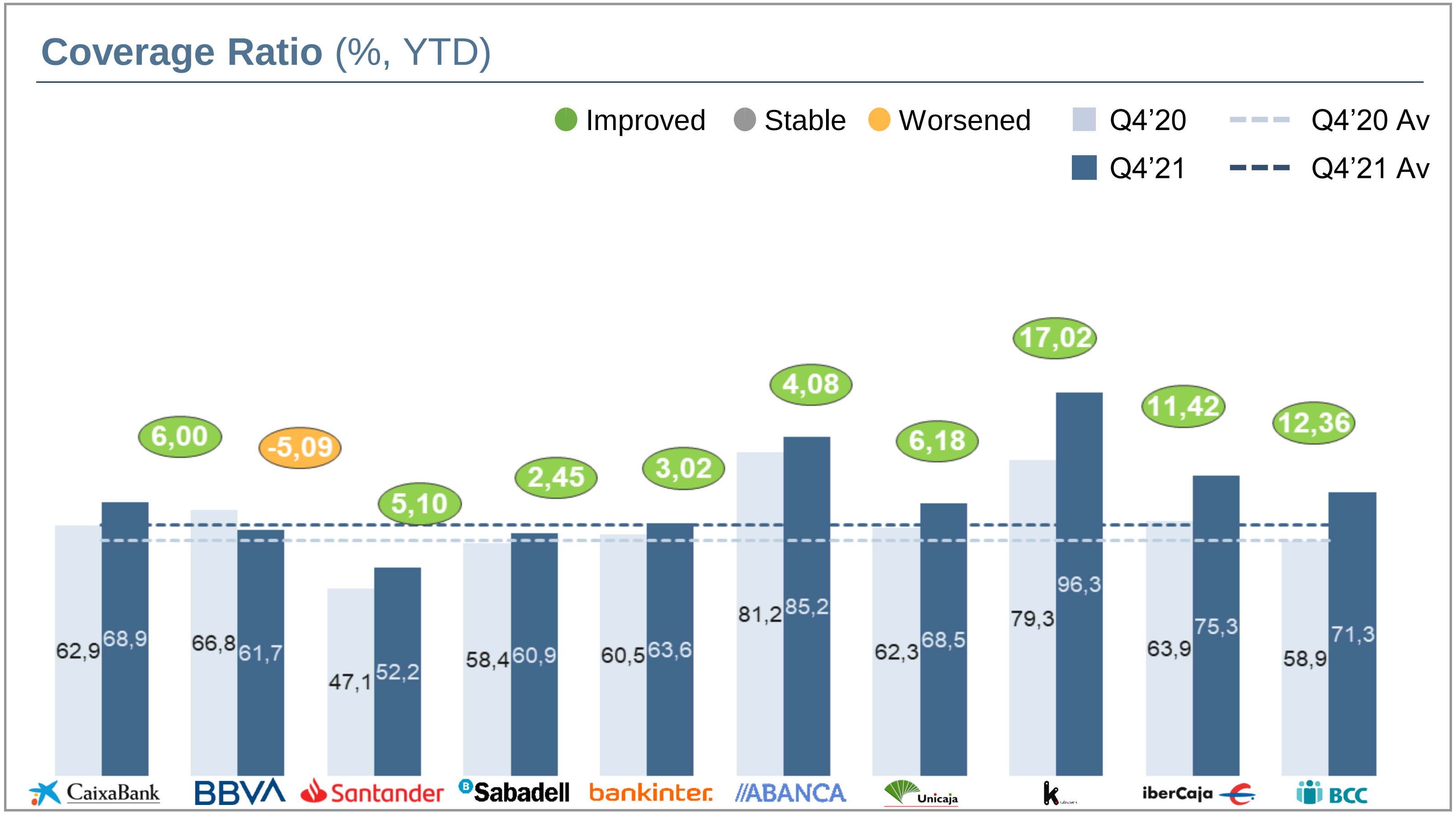
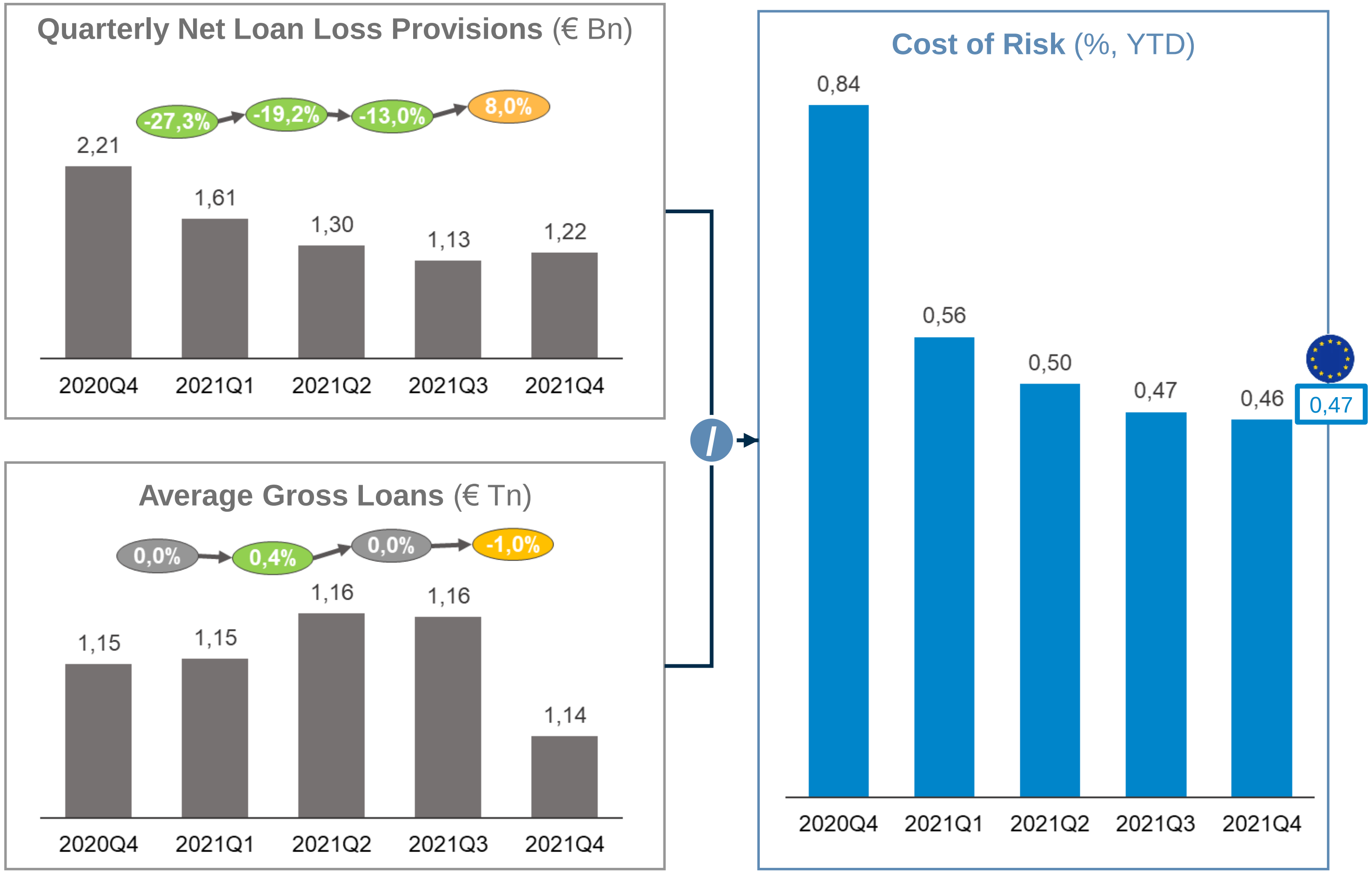
6 Coverage NPL Evolution shows improvement



- All banks except for BBVA have increased coverage ratio during the year
- KBK has the largest coverage ratio with 96,3% and it has been the largest increase in coverage during the year.
- SAN has the lowest coverage ratio with 52,2%

6 CoR decreased YoY to 38 bps

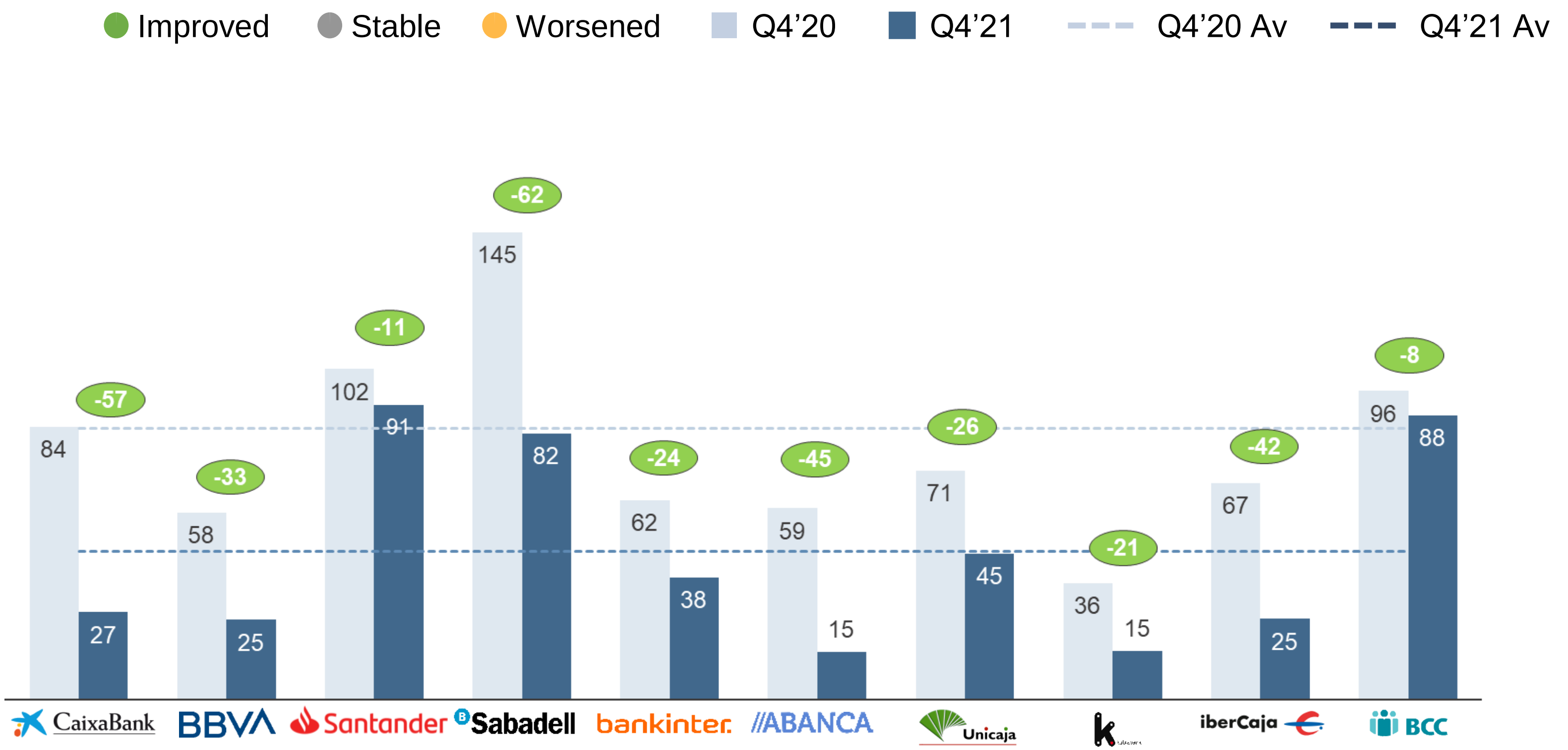


- Cost of risk of 46bps at year 2021 end showed reduction from 84 bps 2020 Covid year
- QoQ provisioning efforts show a gradual prudent approach as the Covid Pandemic evolved with a sharp decrease in 4Q2021
- Spanish Banks below the level of EU average of 0,47%

Note 1: Scaling and some numbers might not add up due to rounding
Note 2: Figures represent the aggregation of the top 10 banks activities in Spain
Source: Financial statements, investor presentations, A&M analysis, SNL data on March 9th, 2022

6 Industry CoR still shows great disparity

Cost of Risk (bps, YTD) - net of reversals



- SAN, SAB and BCC have the largest CoR at above 80 bps levels
- KBK and ABA have the lowest at 15 bps level
- SAB and CABK have been the largest decrease more than 50 bps decline
- BCC has had the smallest decrease at 8 bps

Note 1: Scaling and some numbers might not add up due to rounding
Note 2: Santander CoR due to Covid was assigned fully at consolidated level in Q1, but figure was reformulated in Q2
Source: Financial statements, investor presentations, A&M analysis, SNL data at sept 6th 2021

7 ROE increased QoQ

ROE increased due to the reduction of CoR together with and improvement of Efficiency and Cost to Income Ratios.

Note 1: Relation between elements above represents a functionality and not necessarily an exact mathematical formula
Note 2: Figures represent the aggregation of the top 10 banks activities in Spain
Source: Financial statements, Investor presentations, A&M analysis, SNL data on March 9th, 2022

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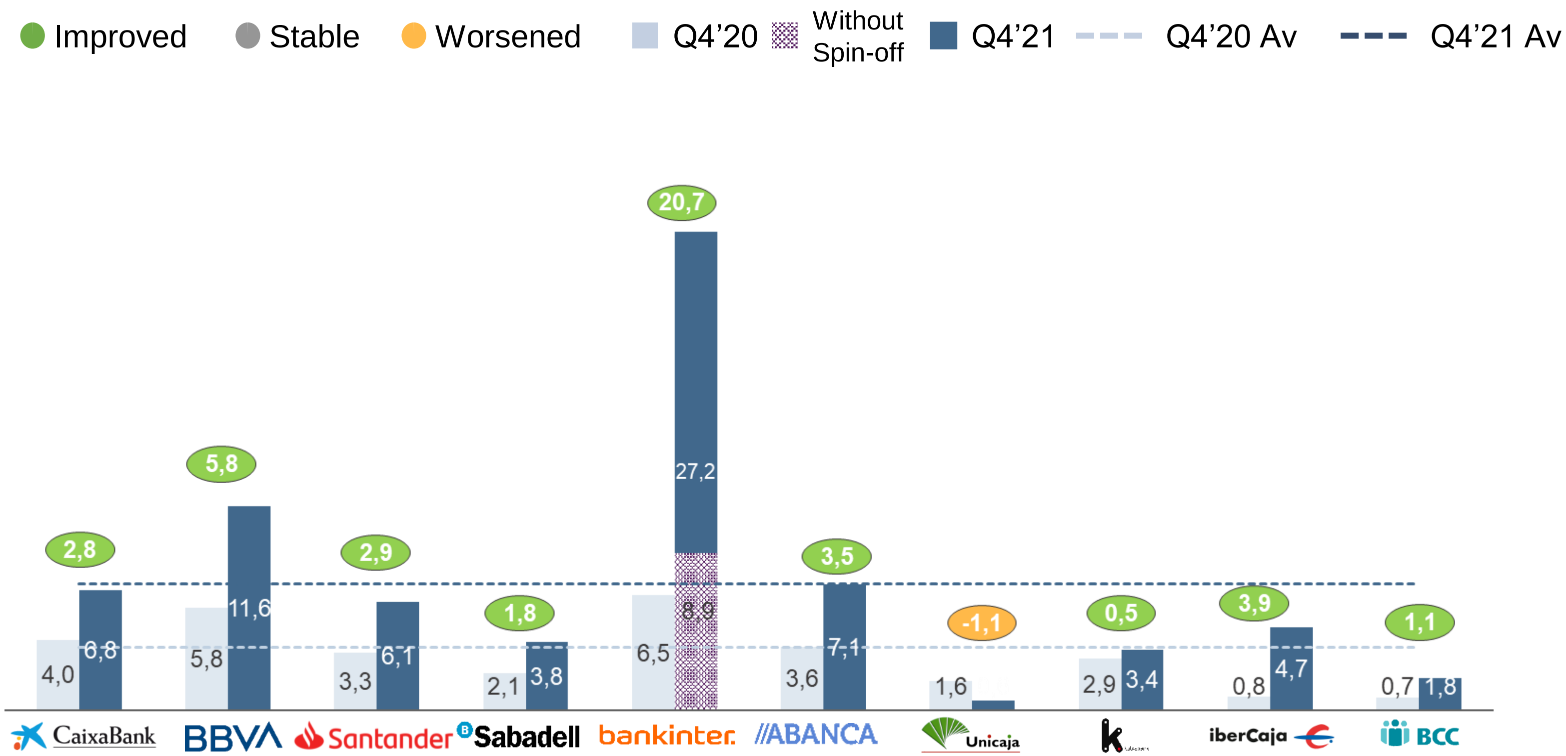
7 Average ROE increased but dispersion is wide

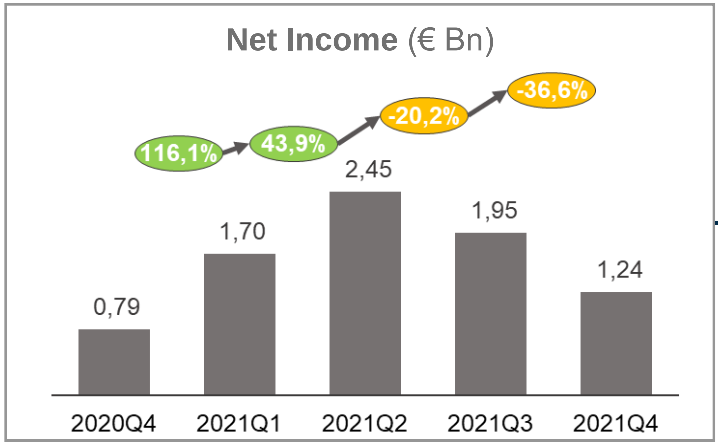
ROE (%, YTD)

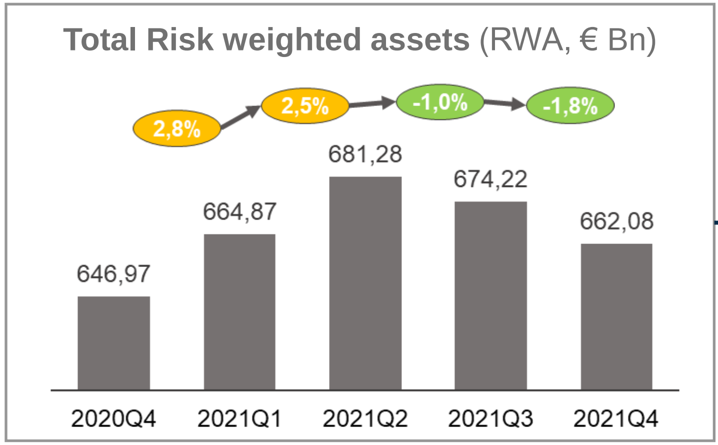


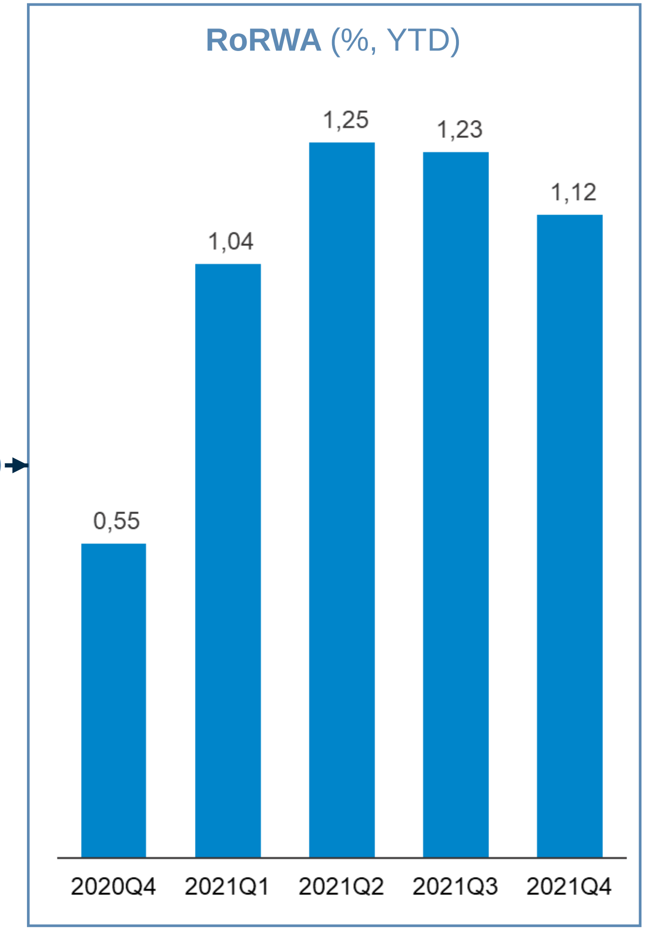
- Significant increase of ROE in BKT due to the spin-off of its insurance business.
- Only BKT, BBVA and ABA show ROEs above 7%
- CABK and SAN have improved to above 6% levels
- The rest of the banks are still below 5%
- ROE for EU Banks stands at 7,7% slightly above ROE of Spanish Banks

Source: Financial statements, Investor presentations , A&M analysis, SNL data on March 9th, 2022

7 RoRWA doubled YoYQ







- Net Income for the Spanish banks in 2021 was 7,34 Bn€
- RwA increased 2% during the year
- RoRWA increased 57 bps YoY, going from 0,55% in 2020 to 1,12% in Q4 2021

Note 1: Scaling and some numbers might not add up due to rounding
Note 2: Figures represent the aggregation of the top 10 banks activities in Spain
Source: Financial statements, investor presentations, A&M analysis, SNL data on March 9th, 2022

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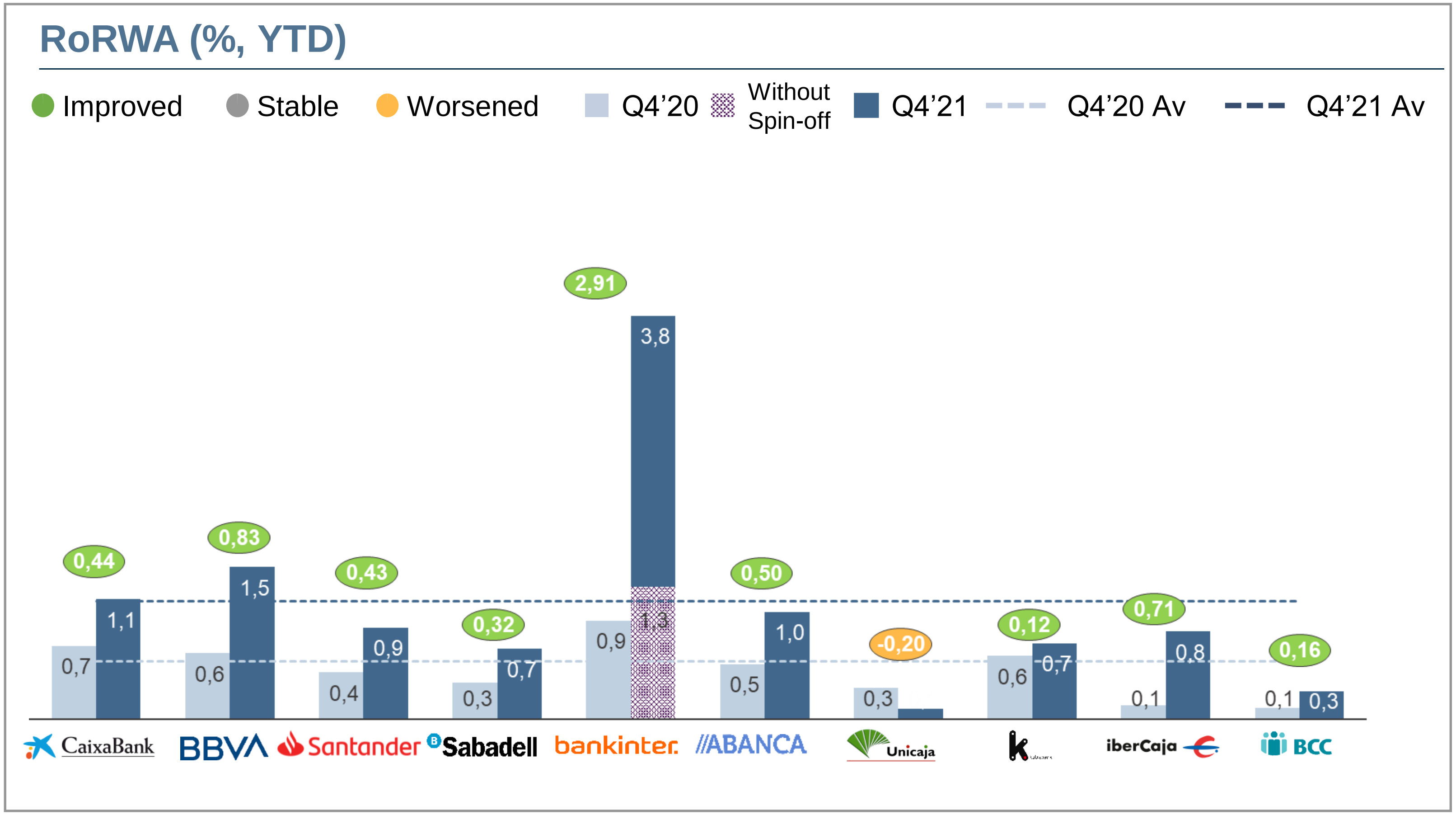
7 Average market RoRWA at 1,2%



- Significant increase of RoRWA in 9 out of 10 banks YoY and 1 decreased
- Spin-off of the insurance business of BKT as the main driver for its sharpest increase
- UNI has experienced the highest worsened
- BKT and BBVA overperformed in terms of RoRWA

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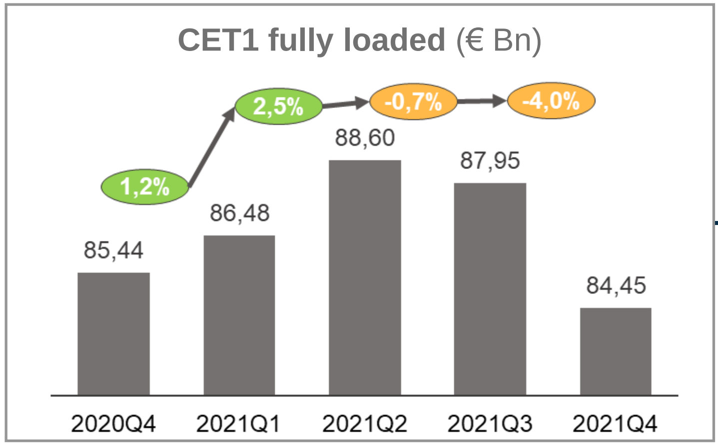
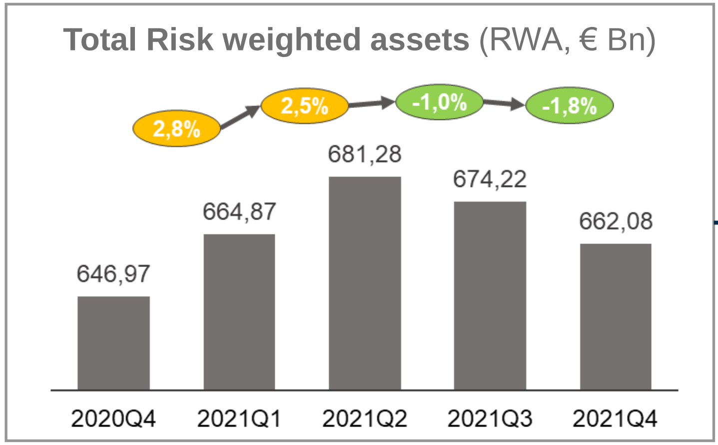
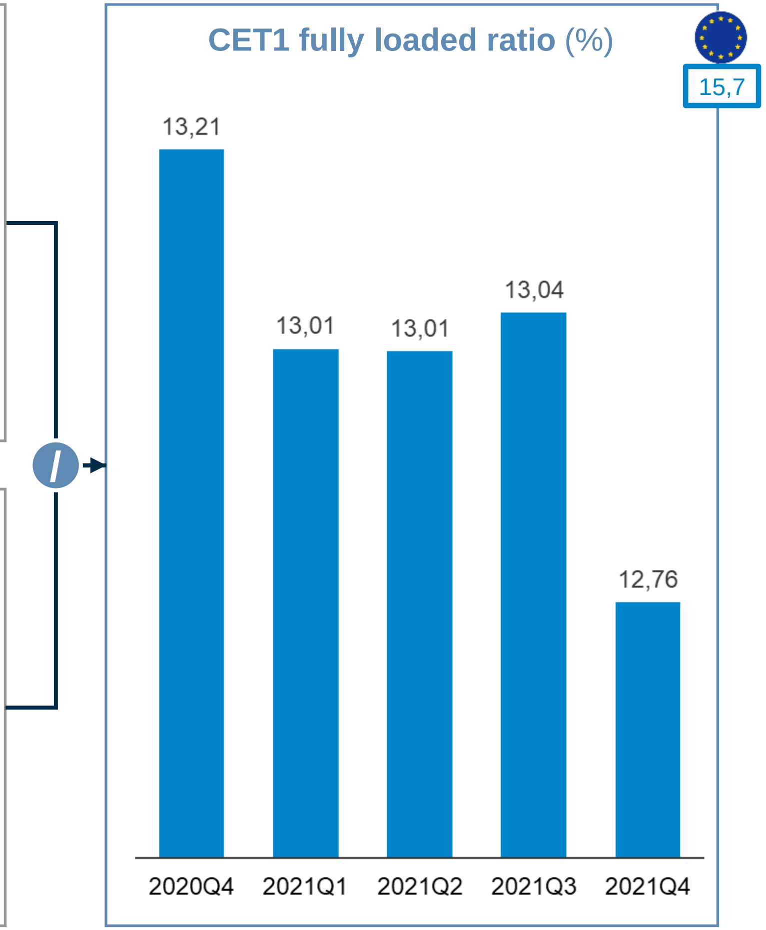
8 CET1 fully loaded decreased 3 bps QoQ







- CET1 fully loaded ratio decreased 45 bps to 12,76% YoY
- Decrease in CET1 fully loaded ratio was driven by an increase in RWA of 2,2% YoY, the return to dividend payments and the impact of mergers
- CET1 levels are below European average of 15,7%

Note 1: Scaling and some numbers might not add up due to rounding
Note 2: Figures represent the aggregation of the top 10 banks activities in Spain
Source: Financial statements, investor presentations, A&M analysis, SNL data on March 9th, 2022

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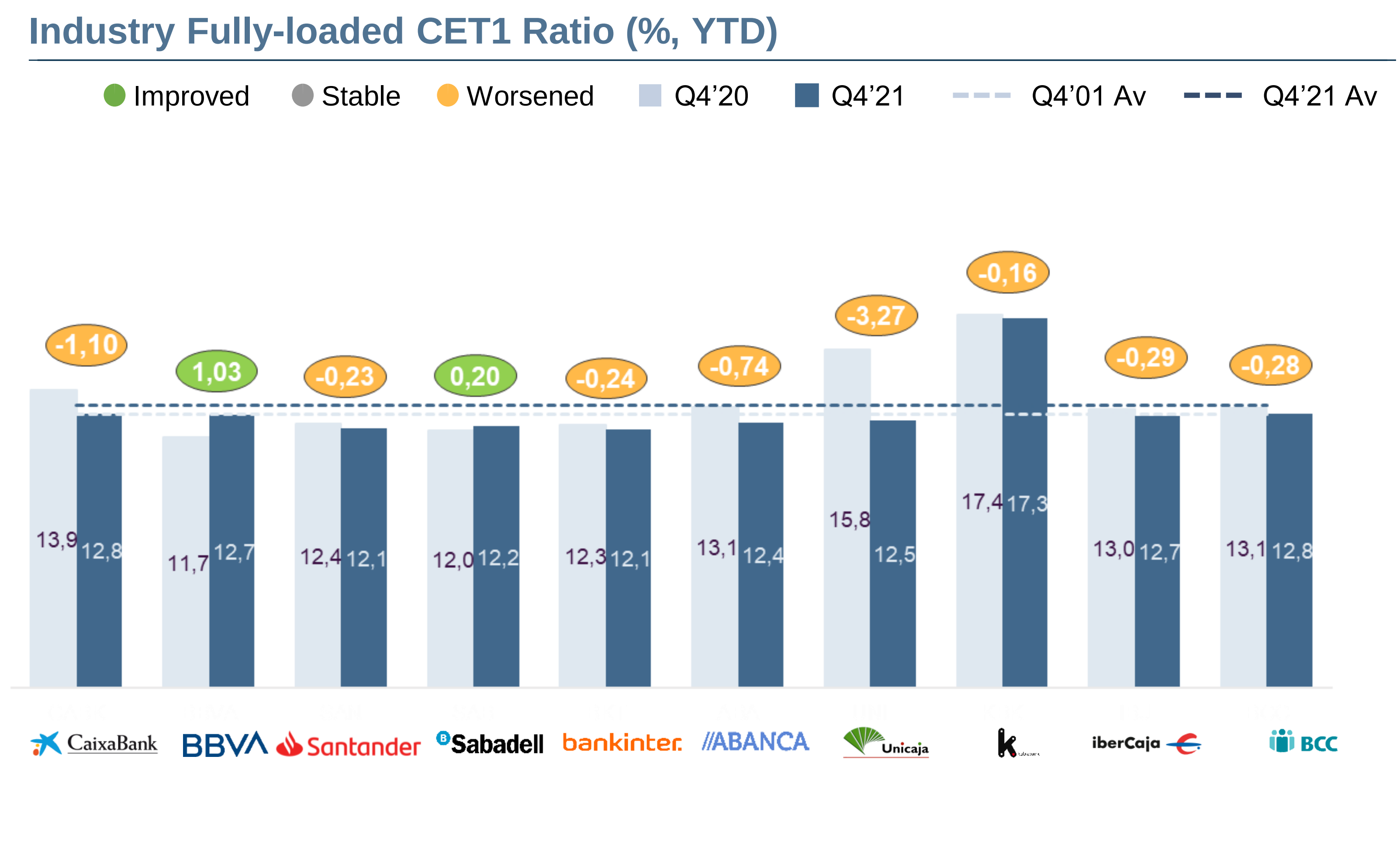
8 Solvency shows impacts of mergers

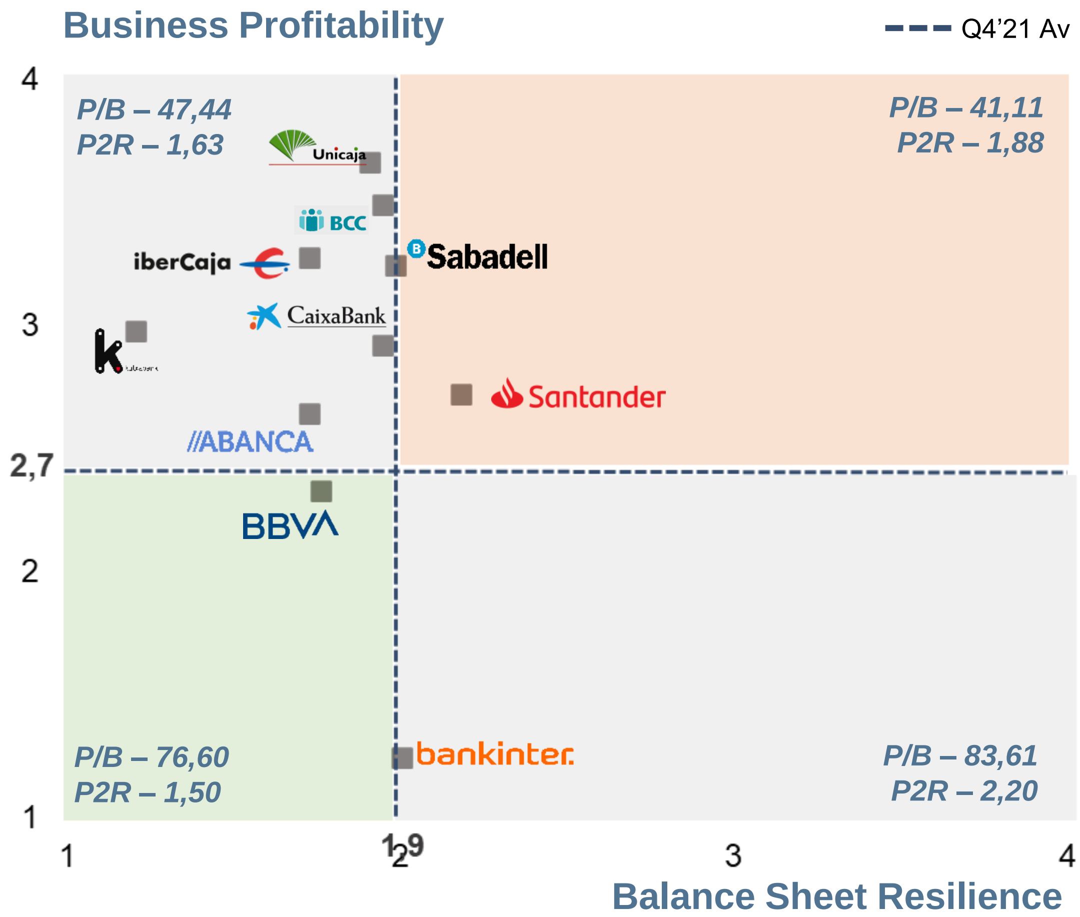


MDA distance: (%)	CABK	BBVA	SAN	SAB	BKT	ABA	UNI	KBK	IBJ	BCC
	5,01	4,15	3,27	3,72		4,28	4,22	9,60	4,50	4,37

- Banks under mergers like CABK and UNI have decreased their CET1 Ratios due to the impact of their mergers without external capital increases
- BBVA and SAB have increased the CET1 Ratios during the year
- KBK shows the strongest CET1 ratio
- Distance from Regulatory Requirements (MDA distance) shows a healthy above 3% buffer for all Spanish Banks

Source: Financial statements, Investor presentations , A&M analysis, SNL data on March 9th, 2022

Profitability and Balance Sheet Resilience



- Business Profitability Scores (volume growth and P/L ratios) and Balance Sheet Resilience Scores (liquidity, asset quality and solvency ratios) have positive correlation with supervisory P2R requirements and market P/B ratios
- BBVA and BKT are outperformers in both Profitability and Resilience
- SAN and SAB are underperformers in both Profitability and Resilience
- The rest of the Banks have to improve their Profitability while keeping their strong resilience profile

Note 1: Business Profitability Scores and Balance Sheet Resilience Score as per page 4 scorecard scoring
Note 2: P/B is price to book; P2R is Pillar 2 requirement from CNMV relevant facts
Source: Financial statements, Investor presentations, A&M analysis, SNL data on March 9th, 2022

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And 2021 winners are …

Business Profitability

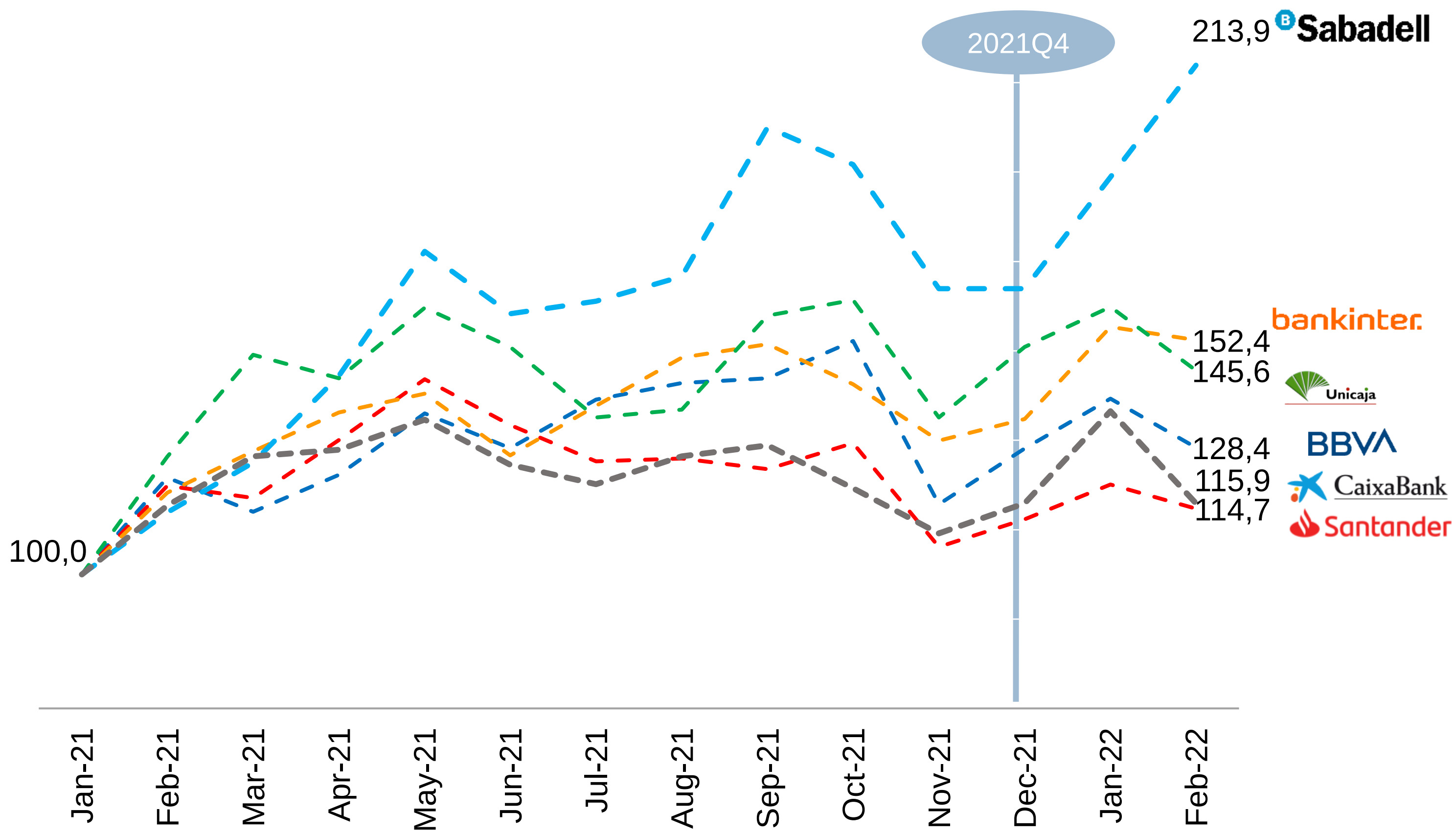
Operating Income / Assets (%)		Cost to Income (%)		Cost of Risk (%)		ROE (%)	
Sabadell		bankinter.		ABANCA		bankinter.	
2,0		46,3		0,21		27,2 / *8,9 Rec*	
2nd	3rd	2nd	3rd	2nd	3rd	2nd	3rd
Santander	bankinter.	Santander	BBVA	kutxabank	BBVA	BBVA	ABANCA

Balance Sheet Resilience

Business Volume Growth (%)		LCR (%)		NPL Ratio (%)		CET1 FL ratio (%)	
ABANCA		iberCaja		kutxabank		kutxabank	
5,7		452		1,9		17,3	
2nd	3rd	2nd	3rd	2nd	3rd	2nd	3rd
bankinter.	kutxabank	CaixaBank	Unicaja	ABANCA	iberCaja	CaixaBank	BCC

Market Performance 2021

Price changes (January 2021 = 100)



- 2021 to date market performance of quoted banks shows SAB is clearly ahead in share performance during the year, with BKT and UNI following
- Worst performers are the largest Banks SAN, CABK and BBVA

Closing Price €	CABK	BBVA	SAN	SAB	BKT	UNI
January 2021	2,08	4,58	2,93	0,36	3,34	0,57
June 2021	2,59	6,21	3,91	0,57	4,23	0,86
February 2022	2,41	5,88	3,36	0,77	5,09	0,83

Source: SNL and A&M analysis, SNL data on March 9th, 2022

A&M Digital Score

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A&M's Methodology

	A&M Capabilities	Description
Digitalization	**Digital Implementation**	Stage of digitalization based on quantitative KPIs regarding current available digital functionalities
	Digital Efficiency	Assessment of the efficiency observed across the business driven by digital factors
	Digital Investment	Commitment to digitalization as exhibited on financial statements
	Customer Feedback	Level of customer engagement and brand perception
Transformation	**Innovation Technologies**	Appetite for innovative and unconventional technologies
	Organizational	Development of a functional and robust structure to embrace digital transformation
	Public Exposure	Measure of the bank's willingness to engage in public conversations and third-party reactions
Resilience	**Risk Managers**	Integration of specialized key personnel to address upcoming digital challenges
	Shared Information	Perceived willingness to disclose internal procedures
	Readiness	Preparation and ability to respond to unexpected disruptive events
	Resilience Influence	Influence analysis of key profiles

- A&M has developed a Score to measure Digital Transformation for the Banking Industry
- The score considers three capabilities: Digitalization, Transformation and Resilience
- All three blocks have their own methodology based on banks KPI´s and public data information
- The scale used for scoring is from 1 to 4, with 1 being the best score and 4 the worst

A&M Digital Scorecard Spanish Banks 2021

Scoring range from 1 (Best) – 4 (Worst)

1 2 3 4

Banks were split up in two equal-size groups by A&M Final Score: Top 5 & Bottom 5

	Family	Group 1: BBVA	Sabadell	Santander	Bankinter	CaixaBank	Avg	Group 2: Abanca	Ibercaja	Kutxabank	Unicaja	Cajamar	Avg
1. Digitalization	1. Digital Implementation	1,5	2,0	2,5	3,5	1,0	2,1	3,5	3,5	2,5	2,5	3,5	3,1
1. Digitalization	2. Digital Efficiency	2,0	4,0	1,0	2,5	2,5	2,4	2,0	3,0	3,5	3,0	1,5	2,6
1. Digitalization	3. Digital Investment	1,0	3,0	2,0	3,0	3,0	2,4	3,0	4,0	4,0	4,0	4,0	3,8
1. Digitalization	4. Customer Feedback	1,3	2,7	2,7	2,3	2,7	2,3	1,7	1,7	2,7	4,0	3,0	2,6
Digitalization A&M Weighted Average		**1,5**	**2,9**	**2,0**	**2,8**	**2,3**	**2,3**	**2,5**	**3,0**	**3,2**	**3,4**	**3,0**	**3,0**
2. Transformation	5. Innovation Technologies	1,0	2,0	1,0	2,5	1,5	1,6	2,5	2,8	3,3	3,5	2,3	2,9
2. Transformation	6. Organizational	1,8	2,3	1,8	2,0	2,3	2,0	2,8	2,8	2,8	2,0	2,5	2,6
2. Transformation	7. Public Exposure	2,3	3,0	2,0	2,3	3,0	2,5	3,0	2,7	3,0	2,3	2,7	2,7
Transformation A&M Weighted Average		**1,4**	**2,3**	**1,4**	**2,4**	**2,0**	**1,9**	**2,7**	**2,7**	**3,1**	**3,0**	**2,4**	**2,8**
3. Resilience	8. Risk Managers	2,0	2,0	2,0	2,5	2,0	2,1	2,0	2,5	3,0	3,0	3,0	2,7
3. Resilience	9. Shared Information	3,0	4,0	2,0	4,0	2,0	3,0	4,0	3,0	4,0	4,0	4,0	3,8
3. Resilience	10. Readiness	1,3	2,0	2,3	3,0	3,0	2,3	3,3	3,7	2,3	3,0	3,3	3,1
3. Resilience	11. Resilience Influence	3,0	4,0	1,0	1,0	1,0	2,0	4,0	4,0	4,0	4,0	3,0	3,8
Resilience A&M Weighted Average		**2,0**	**2,7**	**2,0**	**2,8**	**2,3**	**2,4**	**3,3**	**3,4**	**3,0**	**3,3**	**3,3**	**3,3**

@	BBVA	Sabadell	Santander	Bankinter	CaixaBank	Avg	Abanca	Ibercaja	Kutxabank	Unicaja	Cajamar	Avg
FINAL SCORE	**1,6**	**2,6**	**1,8**	**2,7**	**2,2**	**2,2**	**2,8**	**3,1**	**3,1**	**3,2**	**2,9**	**3,0**

- Among Large Banks (Group 1), BBVA and SAN are the top performers while SAB and BKT are the laggards
- Among Small Banks (Group 2), ABA and BCC are the top performers while UNI and KBK are the laggards

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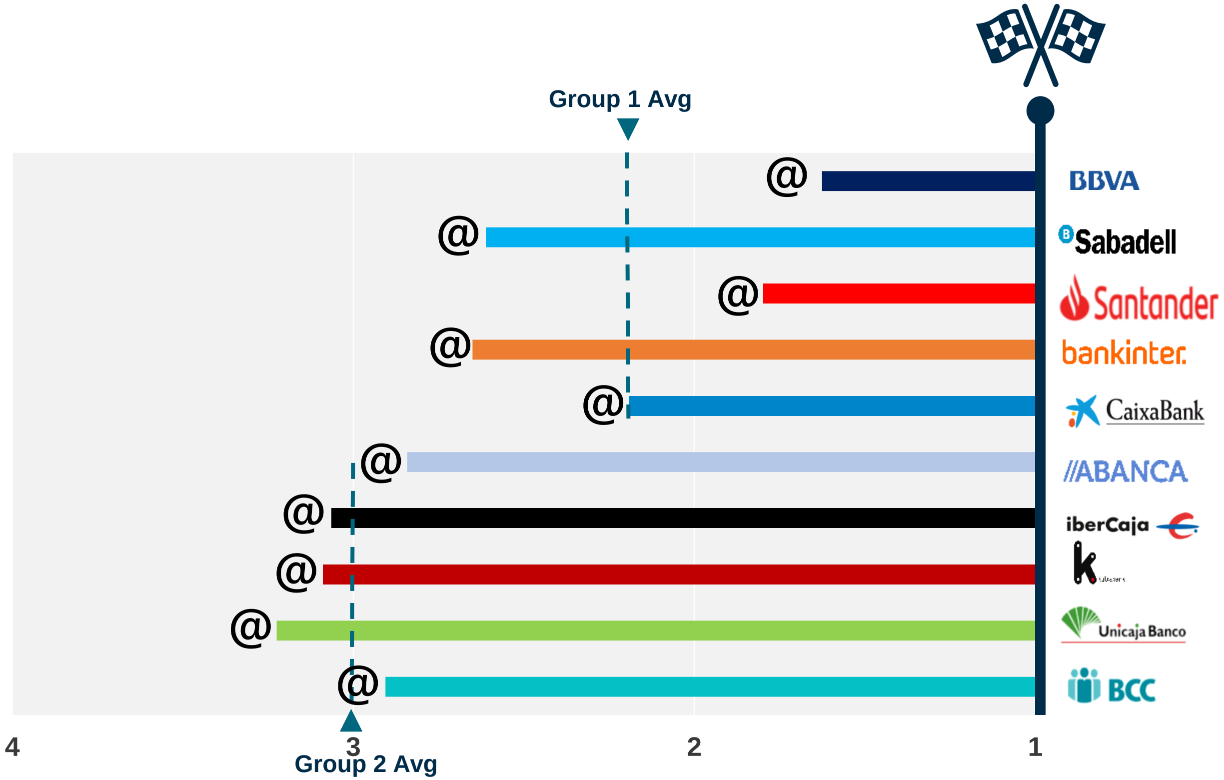
Final Score

Scoring range from 1 (Best) – 4 (Worst)



Areas for Improvement

Banks	Nº1	Nº2
BBVA	Resilience Influence	Shared Information
Sabadell	Resilience Influence	D. Efficiency
Santander	Customer Feedback	D. Implementation
bankinter.	Shared Information	D. Implementation
CaixaBank	Readiness	D. Investment
ABANCA	Shared Information	Resilience Influence
iberCaja	D. Investment	Resilience Influence
kutxabank	D. Investment	Shared Information
Unicaja	Customer Feedback	D. Investment
BCC	D. Investment	Shared Information

Group 1 Group 2

Highlights

GROUP 1	• **BBVA** leads in the digitalization area driven by significant **digital investments** • **SAN** leads in the transformation area because of its adoption of **innovative technologies** • **SAN** leads in the resilience area driven by significant **resilience influences**
GROUP 2	• **ABA** is the most digital bank due to its **customer feedback** • **BCC** led the group aided by rapid adoption of **innovation technologies** relative to its peers • **KBK** did not experience a significant spike in tech expense due to its **readiness**

And the top 3 winners are…

Group 1

	Digitalization	Transformation	Resilience	Final Score
1st	BBVA	Santander	Santander	BBVA
Score	1.5	1.4	2.0	1.6
2nd	Santander	BBVA	BBVA	Santander
3rd	CaixaBank	CaixaBank	CaixaBank	CaixaBank

Group 2

	Digitalization	Transformation	Resilience	Final Score
1st	ABANCA	BCC	kutxabank	ABANCA
Score	2.5	2.4	3	2.8
2nd	BCC	ABANCA	BCC	BCC
3rd	iberCaja	iberCaja	ABANCA	iberCaja

A&M ESG Score

In collaboration with BXG

The Brand Experience Group

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A&M's Methodology

A&M has developed a scorecard combining Quantitative data through public ESG ratings and a measurement of clients engagement to sustainability to assess the development of these issues in the Spanish banking sector

Market Analysis

A&M has performed the Quantitative Analysis based mainly on two public ratings: **Standard & Poor's ESG Scores** and **Morningstar ESG Risk Rating.**

- **Morningstar ESG Risk Rating** measure **unmanaged risk**, which is defined as material ESG risk that has not been managed by a company. It includes two types of risk: **unmanageable risk**, which cannot be addressed by company initiatives, as well as the **management gap** which represents risks that could potentially be managed by a company but aren't sufficiently managed according to our assessment.
- **Standard & Poor's ESG Scores:** data has been obtained for all ESG categories, but not all banks. No information was obtained for Abanca, Ibercaja, Kutxabank and Cajamar. The methodology used by S&P is not publicly disclosed.

These two scores are averaged to obtain the final Quantitative Score.

Clients Analysis

A&M has conducted a survey in collaboration with BXG (Brand Experience Group) to study Spanish Banks client's engagement through Sustainability Narratives **(Brand Sustainability Index)**, in which 1.002 people have participated. **The Brand Sustainability Index** represents the power of the sustainability narrative contained in the interactions developed by a brand with consumers. It is calculated as the number of **Brand Sustainability Points** (represent the impact of the content related to sustainability) achieved per 1.000 **Brand Experience Points** (measure the total impact or effective reach of the encounters between a brand and consumers, obtained through the combination of Contacts, the Context in which they are used and the Content), expressed as an index vs. category average.

In order to calculate the Clients Score, both the Brand Sustainability Index for the perception of the bank's clients and the perception of the rest of the sample (prospects / Clients of other banks) have been taken into account. In regard to the latter, a weight of 70% and 30%, respectively, has been assigned for the calculation of the final rating.

The **Final Score** is a result of the weighted average obtained from the three categories: S&P ESG Rating, Morningstar Risk Rating and the Brand Sustainability Index. To compare them, A&M has awarded a score ranging from 1 (satisfactory) to 4 (deficient), as follows:

A&M Scoring	Market Scoring		Client Scoring	
	S&P ESG Rating	Morningstar Risk Rating	Brand Sustainability Index (Bank Own Clients)	Brand Sustainability Index (Prospects)
1	90-100	0-20	112-149	140-177
2	70-89	21-30	75-111	103-139
3	50-69	31-40	39-74	67-102
4	<50	>41	<38	<66

In collaboration with BXG The Brand Experience Group

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A&M ESG Scorecard Spanish Banks 2021

Scoring range from 1 (Best) – 4 (Worst)

1 2 3 4

Banks were split up in two equal-size groups by A&M Final Score: Top 5 & Bottom 5

	Family	Group 1: BBVA	Sabadell	Santander	Bankinter	CaixaBank	Avg	Group 2: Abanca	Ibercaja	Kutxabank	Unicaja	Cajamar	Avg
1. Quantitative Analysis	1. Environment	1.0	1.7	1.0	1.0	1.0	1.1				3.3		3.3
	2. Social	1.0	2.2	1.1	1.2	1.1	1.3				3.4		3.4
	3. Governance	1.3	2.4	1.5	1.6	1.5	1.6				3.6		3.6
	4. Risk Rating	2.3	2.5	2.4	2.2	2.0	2.3	1.8	3.5	2.5	3.1	3.5	2.9
ESG Quantitative Rating Weighted Average		**1.4**	**2.1**	**1.2**	**1.3**	**1.2**	**1.4**	**1.8**	**3.5**	**2.5**	**3.3**	**3.5**	**2.9**
2. Qualitative Analysis	5. Brand Sust Index (Clients)	1.6	2.0	1.7	1.0	1.1	1.5	2.7	3.2	3.8	2.2	4.0	3.2
	6. Brand Sust (No Clients)	3.9	3.4	2.8	3.4	4.0	3.5	2.5	2.7	2.7	2.8	2.7	2.7
Qualitative A&M Weighted Average		**2.3**	**2.4**	**2.0**	**1.7**	**2.0**	**2.1**	**2.6**	**3.0**	**3.5**	**2.4**	**3.6**	**3.0**

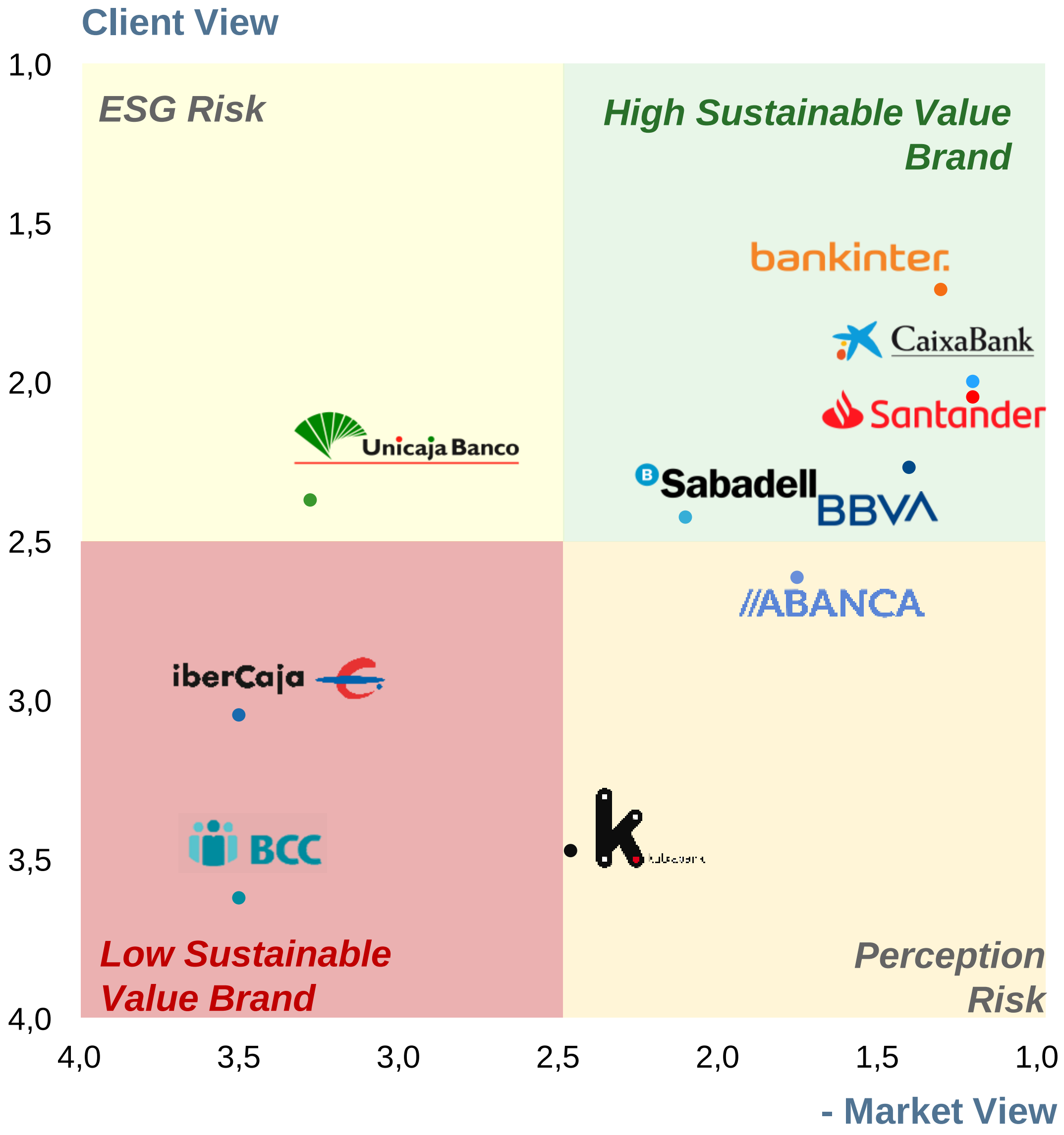
	BBVA	Sabadell	Santander	Bankinter	CaixaBank	Avg	Abanca	Ibercaja	Kutxabank	Unicaja	Cajamar	Avg
FINAL SCORE	**1.8**	**2.2**	**1.6**	**1.5**	**1.6**	**1.7**	**2.2**	**3.3**	**3.0**	**2.9**	**3.6**	**3.0**

- Larger banks (Group 1) perform better than smaller banks (Group 2) in the overall score.
- Bankinter, Caixabank and Santander are top performers of Group1 Banks when combining market view with client view.
- Abanca is top performer for Group 2

Source: Brandexperience Group Survey for A&M

Client vs Market View

Scoring range from 1 (Best) – 4 (Worst)



Client vs Market Sustainability View

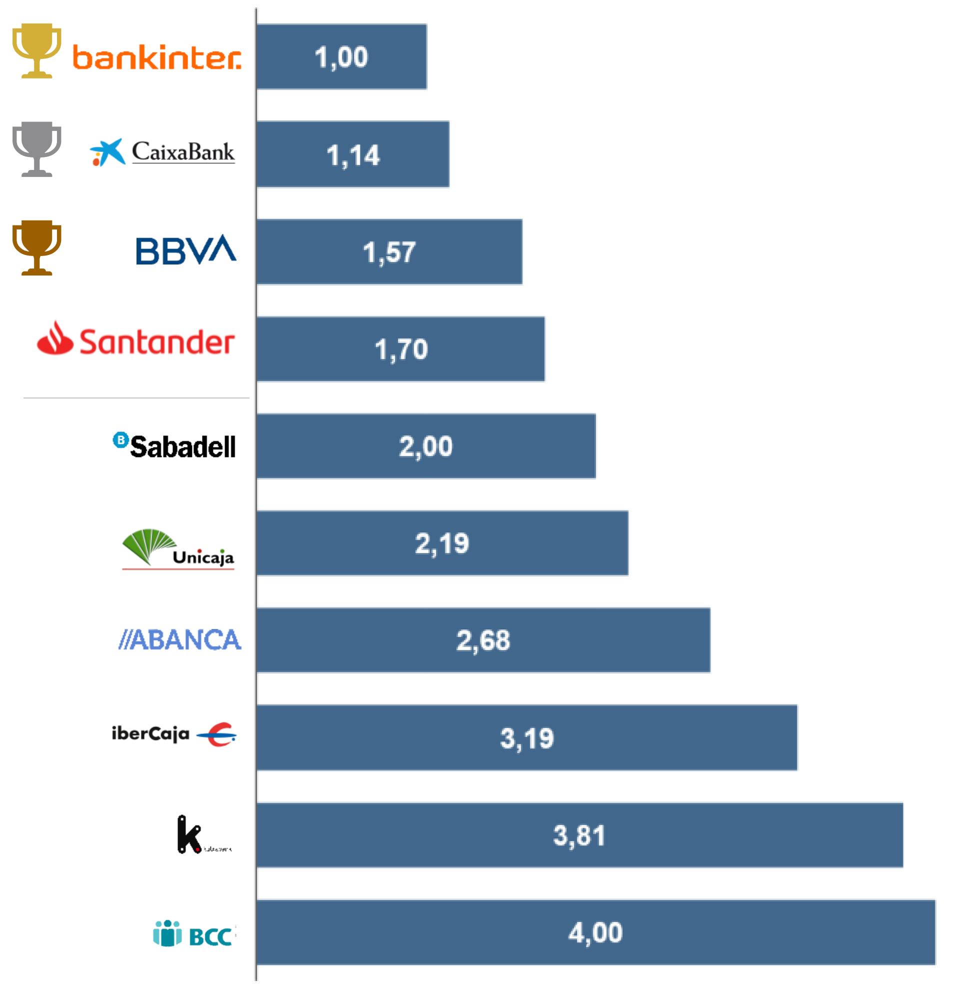
- Agency Ratings view show BKT, CBK and SAN as top Performers in their Ratings.
- Banks clients view SAN and CABK as top engaged with sustainability.
- Bankinter, Caixabank, Santander,Sabadell and BBVA align both Market and Client view and have therefore a high sustainable value brand.
- BCC and Ibercaja have low rating both in market and client view, therefore have a low sustainable value brand
- Abanca and Kutxabank have room to improve their client perception view
- Unicaja has room to improve market view

Source: Brandexperience Group Survey for A&M

Brand Sustainability Index Clients vs Prospects

- Perception of sustainability is strong among Banks' own clients and low among prospects for large banks.
- Smaller bank have better sustainability perception among prospects (clients of the other banks).

Brand Sustainability (Banks' Own Clients)

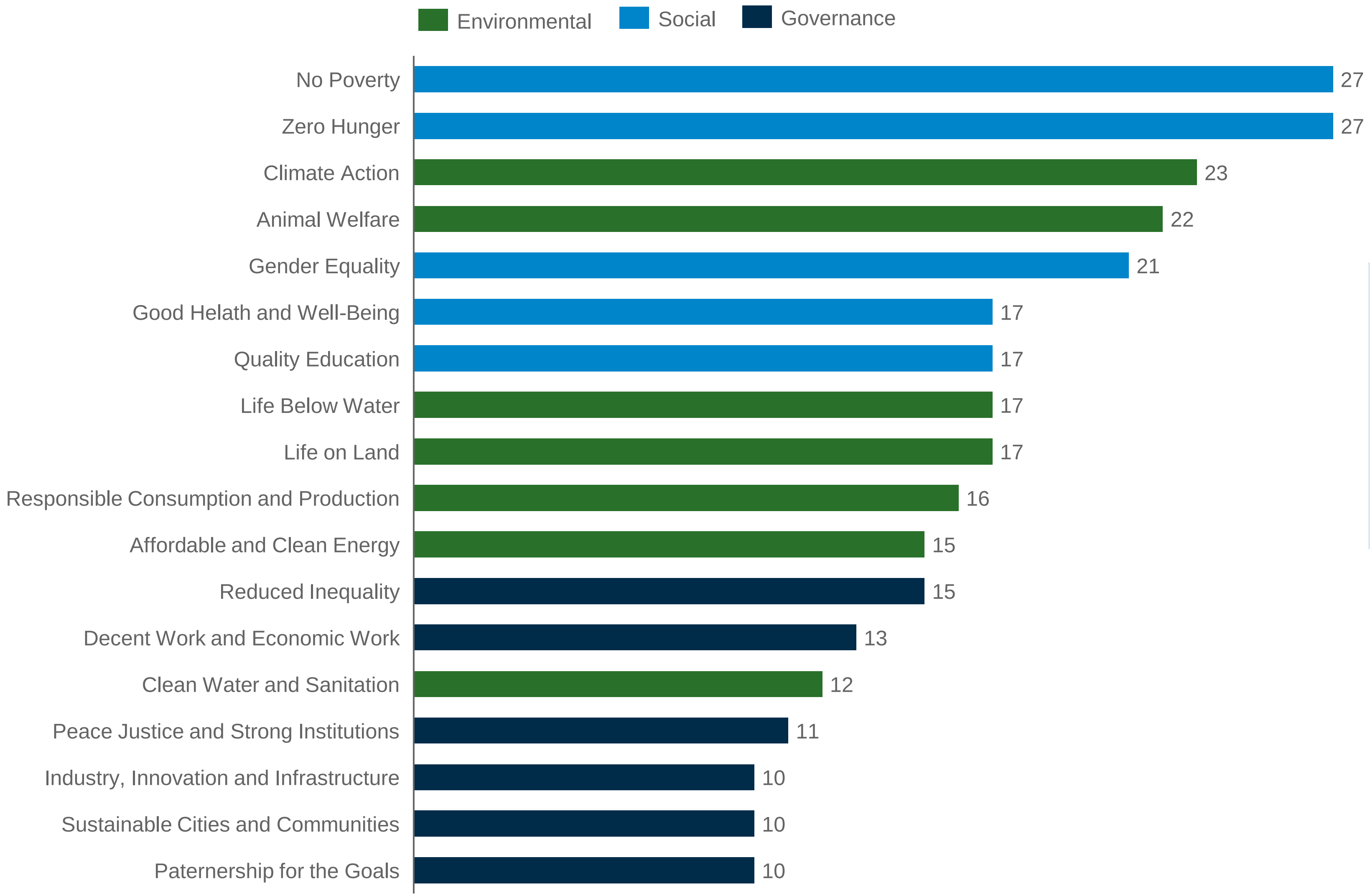


Brand Sustainability (Prospects)

In collaboration with BXG The Brand Experience Group ALVAREZ & MARSAL LEADERSHIP. ACTION. RESULTS.

Bank clients view on UN ESG Goals

A&M Survey on ESG Topics Relevance for Spanish Banking Clients



Social (Poverty, Hunger, etc) and Environmental issues (climate, animal welfare,etc) are more relevant for banking clients

Source: Brandexperience Group Survey for A&M

Russia-Ukraine and Energy Prices Impact

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Russia – Ukraine war and Commodities Price Impact

			Bank Debt Exposure 2021		GDP Impact A&M Stress		KRI GDP/Debt	% Debt Stress
			MM€	%	MM€	%	MM€	%
TOTAL CORPORATES			652,357	100%	-33,450	-2.4%	0,55	103%
Agriculture and Fishing			22,285	3%	-1,991	-7%	0.80	108%
Industrial	Extraction & Mining		2,588	0.4%	-188	-13%	1.77	115%
	Manufacturing	Food & Beverage	23,933	4%	-960	-2%	0.60	102%
		Oil Refinery	2,429	0.4%	-5,777	-290%	1.22	-53%
		Chemicals	5,701	1%	-1,882	-10%	0.30	111%
		Minerals	4,504	1%	-1,538	-35%	1.03	155%
		Steel	22,112	3%	-3,152	-12%	0.83	113%
		Transport Materials	6,225	1%	-603	-5%	0.53	105%
		Other	16,242	2%	-224	-2%	1.23	102%
	Oil, Gas, Electricity and Water		27,139	4%	-7,453	-21%	0.77	127%
Construction			27,895	4%	-1,190	-2%	0.52	102%
Services	Wholesale and Retail Trade		86,856	13%	-970	-1%	0.66	101%
	Transportation and Storage		39,135	6%	-4,541	-9%	0.75	110%
	Accommodation and Food Services		35,489	5%	-79	0%	0.13	100%
	Information and Communication		68,115	10%	-89	0%	1.83	100%
	Real Estate Services		81,943	13%	-43	0%	0.63	100%
	Prof-Scientific-Tech Support		179,766	28%	-459	0%	1.65	100%
	Public Services				-314	0%		
	Arts, Entertainment and Recreation				-40	0%		
	Other Services				-1,955	-7%		
TOTAL HOUSEHOLDS			600,000	100%	-13,809	-1.6%	0.68	102%
TOTAL COPORATES & HOUSEHOLDS			1,252,357	100%	-47,259	-2,0%	0.6	103%

Methodology

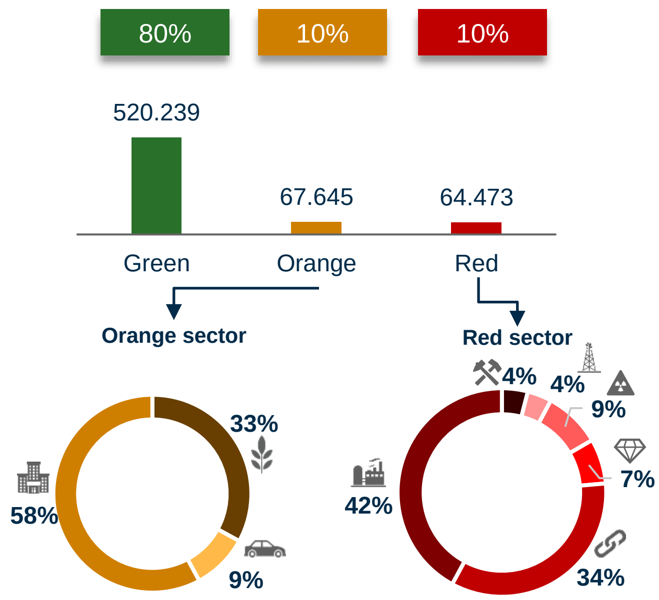
A&M has stressed the impact of

1) Disruption of Exports and Imports form and to Russia/Ukraine,
2) The increase of 200% of Prices from Imports of Oil/Gas/Minerals.

The stress Factor color scale has been calculates as follow

- 100-103% Green – No Stress
- 103-110% Orange – Stress
- >110% - Red – Large Stress

Sectors Impact - % Debt at Risk



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Glossary

Glossary & Methodology

	Metric	Abbreviation	Definition / Methodology
Size	Loans and Advances Growth		QoQ growth in EOP gross customer loans for the top 11
	Deposits Growth		QoQ growth in EOP customer deposits for the top 11
Liquidity	Loan-to-Deposit Ratio	LDR	(EOP gross customer loans / EOP customer deposits) for the top 11
Income & Operating Efficiency	Yield on Credit	YoC	(Annualized YTD gross interest income / YTD average gross loans & advances) for the top 11
	Cost of Funds	CoF	(Annualized YTD interest expense) / (YTD average interest-bearing liabilities) for the top 11
	Net Interest Margin	NIM	(Annualized YTD net interest income) / (YTD average net earning assets) for the top 11 Net earnings assets are defined as total assets excluding tangible and intangible assets
	Non-Interest Income / Operating Income		(YTD non-interest income / YTD operating income) for the top 11
	Operating Income / Assets		(Annualized YTD operating income / YTD average total assets) for the top 11
	Operating Revenue Growth	OI	QoQ growth is annualized YTD quarterly operating income generated by the top 11
	Traditional Cost-to-Income Ratio	C/I	[(YTD administrative expenses + amortizations) / YTD operating income] for the top 11
Risk	Non-performing loans ratio	NPL	(Non-performing loans / gross customer loans) for the top 11
	Coverage Ratio		(Loan loss reserves / non-performing loans) for the top 11
	Cost of Risk	CoR	(YTD provision for loan losses / YTD gross loans and advances) for the top 11
Profitability	Return on Equity	RoE	(Annualized YTD net income attributable to Parent) / (YTD average equity) for the top 11
	Return on Assets	RoA	(Annualized YTD net income / YTD average assets) for the top 11
	Return on Risk-Weighted Assets	RoRWA	(Annualized YTD net income / YTD average risk-weighted assets) for the top 11
	Return on Capital	RoC	(Annualized YTD net income / YTD average CET1) for the top 11
Capital	CET1 Ratio fully loaded	CET1 FL	(EOP CET1 fully loaded) / (EOP risk-weighted assets) for the top 11
Mergers	Pro-forma		Business combinations were subject to pro-forma since the integration date. Adding the combined businesses in prior quarters to ensure comparability among data.

Note: EOP stands for end of period

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