



# The Spanish Banking Pulse

Q4 2023

Industry benchmark and top performers

ALVAREZ & MARSAL  
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# Foreword

Alvarez & Marsal (A&M) is delighted to publish the nineteenth edition of the Spanish Banking Pulse (“The Pulse”) Q4’23. 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. Also, an annex is included with Spanish Banks Benchmarks of the Savings Business for 2023. The Pulse aims to help banking executives and board members stay current on industry trends. 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.



*Disclaimer:*

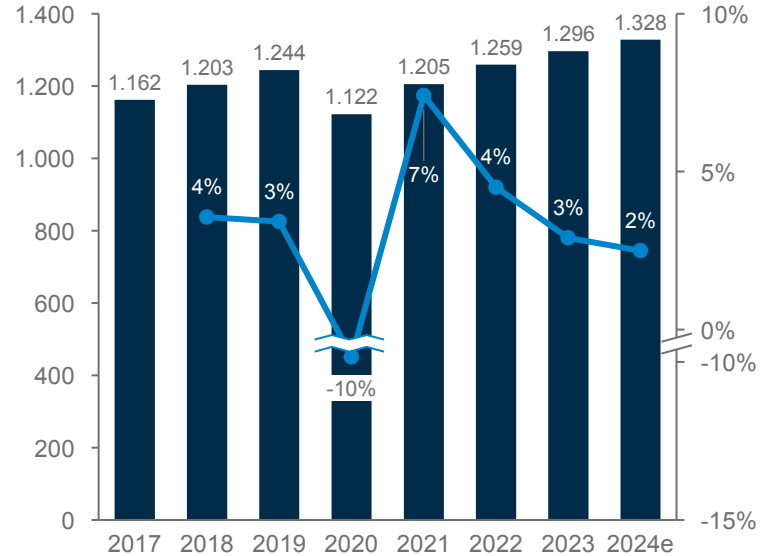
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# Spanish Macroeconomic Overview

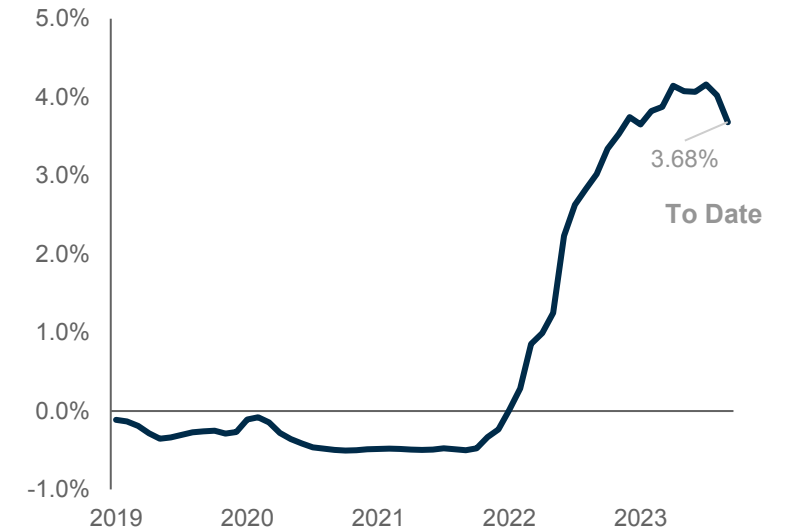
## Inflation - Interannual Growth (%)



## GDP (€ billions)



## EURIBOR 12m (%)



- Spanish inflation has come down to 3.5% in December 2023, from June-August 2022 c. 10% levels.
- Some uncertainties are still generating potential risk factors like the wars in Ukraine and Gaza.

- Spanish GDP has grown around 22% since COVID-19.
- Higher level of the GDP than in the pre-pandemic scenario with growth prospects
- The European Commission expects GDP to increase 1,7% in 2024 and 2,0% in 2025.

- 2023 has seen a tipping point in Euribor with rates decreasing during the 4Q23
- Decrease in inflation has pushed markets to anticipate potential ECB rate reductions in 2024.
- Euribor 12 months is now trading at 3.68%, coming down from July levels, when it was situated at 4.07%.

# Pulse Scorecard: Yearly evolution

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

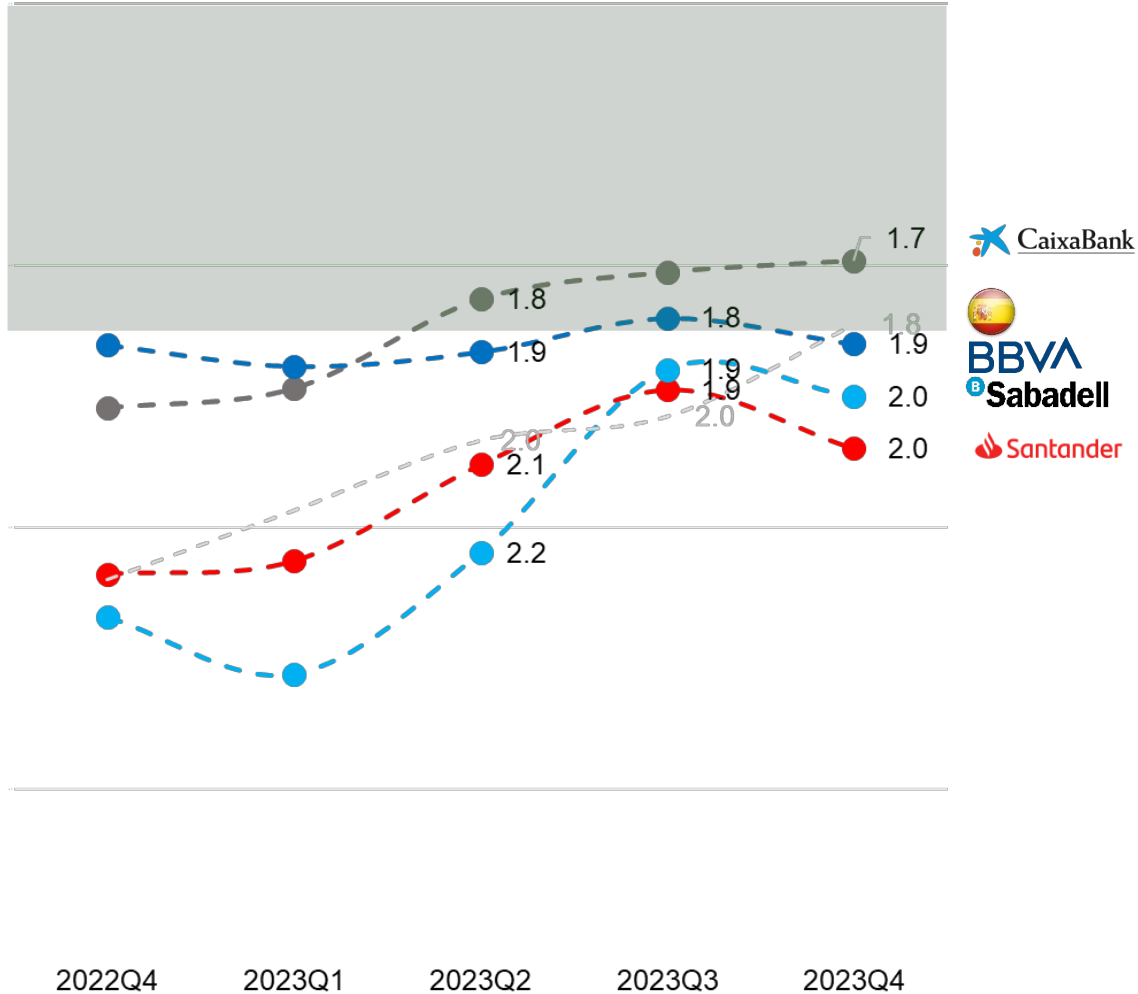
Variation compared to Q4'21:  
 ↓↑ Var. > +5% ↗ 0% < Var. < +5%  
 ↘ 0% > Var. > -5%

|                               | Metric                                       | Q4 '2022 | Vs | Q4 '2023 | Score 2023Q4 |   | Key Trends of Y'23   |
|-------------------------------|--|----------|----|----------|--------------|---|--|
| Growth                        | Loans and Advances Growth (YTD)              | 1.6%     | ↓  | -3.2%    | 3.5          | 1 | <ul style="list-style-type: none"> <li>Loans and Advances declined compared to previous year by 3.2%, while deposits decreased by 1.2%.</li> </ul>   |
|                               | Deposits Growth (YTD)                        | 4.4%     | ↓  | -1.2%    |              |   |  |
| Liquidity                     | Loan-to-Deposit Ratio                        | 85.1%    | ↘  | 83.4%    | 1.0          |   | <ul style="list-style-type: none"> <li>Loan to Deposit Ratio has decreased to 83.4% remaining on a healthy liquidity zone</li> </ul>   |
| Income & Operating Efficiency | Yield on Credit (YTD)                        | 2.22%    | ↑  | 3.69%    | 1.6          | 2 | <ul style="list-style-type: none"> <li>Net Interest Margin increased to 1.55%, 49 bps higher than last year due to faster passthrough of rates for the loan book. Yield on credit and cost of funds also increased to 3.69% and 0.68%, respectively increasing the client margin by 1.00%</li> </ul> |
|                               | Cost of Funds (YTD)                          | 0.21%    | ↑  | 0.68%    |              |   |  |
|                               | Net Interest Margin (YTD)                    | 1.06%    | ↑  | 1.55%    |              |   |  |
|                               | Non-Interest Income / Operating Income (YTD) | 38.8%    | ↓  | 28.3%    |              |   |  |
|                               | Operating Income (YTD) / Assets              | 1.7%     | ↑  | 2.1%     |              |   |  |
|                               | Operating Revenue Growth (YTD)               | 3.0%     | ↑  | 23.9%    |              |   |  |
|                               | Cost-to-Income Ratio (T) (YTD)               | 50.5%    | ↓  | 42.0%    |              |   |  |
| Risk                          | Business Volume per Branch (€ Mn)            | 184      | ↘  | 182      | 1.9          | 3 | <ul style="list-style-type: none"> <li>Operating Income Margin increased 40 bps to 2.1%</li> <li>Fees and commissions losing weight in operating income (&lt;30 % of total) due to increased wight of NII</li> </ul>   |
|                               | NPL ratio                                    | 3.12%    | ↗  | 3.14%    |              |   |  |
|                               | NPL Coverage Ratio                           | 63.6%    | ↘  | 62.5%    |              |   |  |
| Profitability                 | Cost of Risk (YTD)                           | 0.39%    | ↗  | 0.40%    | 1.5          | 4 | <ul style="list-style-type: none"> <li>Cost-to-Income Ratio improved by ~8.2% points YoY to 42.0% in Q4'23, as Operating Income increased by 22% YoY with inflation costs under control.</li> </ul>  |
|                               | RoE (YTD)                                    | 8.05%    | ↑  | 12.57%   |              |   |  |
|                               | RoA (YTD)                                    | 0.40%    | ↑  | 0.63%    |              |   |  |
| Capital                       | RoRWA (YTD)                                  | 1.22%    | ↑  | 1.86%    | 2.5          | 5 | <ul style="list-style-type: none"> <li>NPL Ratio remained low at 3.14%, with expectations to increase in 2024</li> <li>CoR is stable around c 40 bps</li> </ul>  |
|                               | CET1 Ratio FL                                | 12.6%    | ↗  | 12.8%    |              |   |  |
|                               | Leverage ratio (%)                           | 5.5%     | ↗  | 5.7%     |              | 6 | <ul style="list-style-type: none"> <li>Despite the extraordinary windfall taxes, ROE levels have increased to 12% near investor required returns on capital of 15%</li> </ul>  |
| <b>Total Score</b>            |  |          |    |          | <b>1.9</b>   | 7 | <ul style="list-style-type: none"> <li>CET1 Fully Loaded Ratio increased to 12.8%, still below the average European levels of 15.7%. Without the extraordinary windfall tax the banks would have been able to create additional 30 bps to close the gap.</li> </ul>                                  |

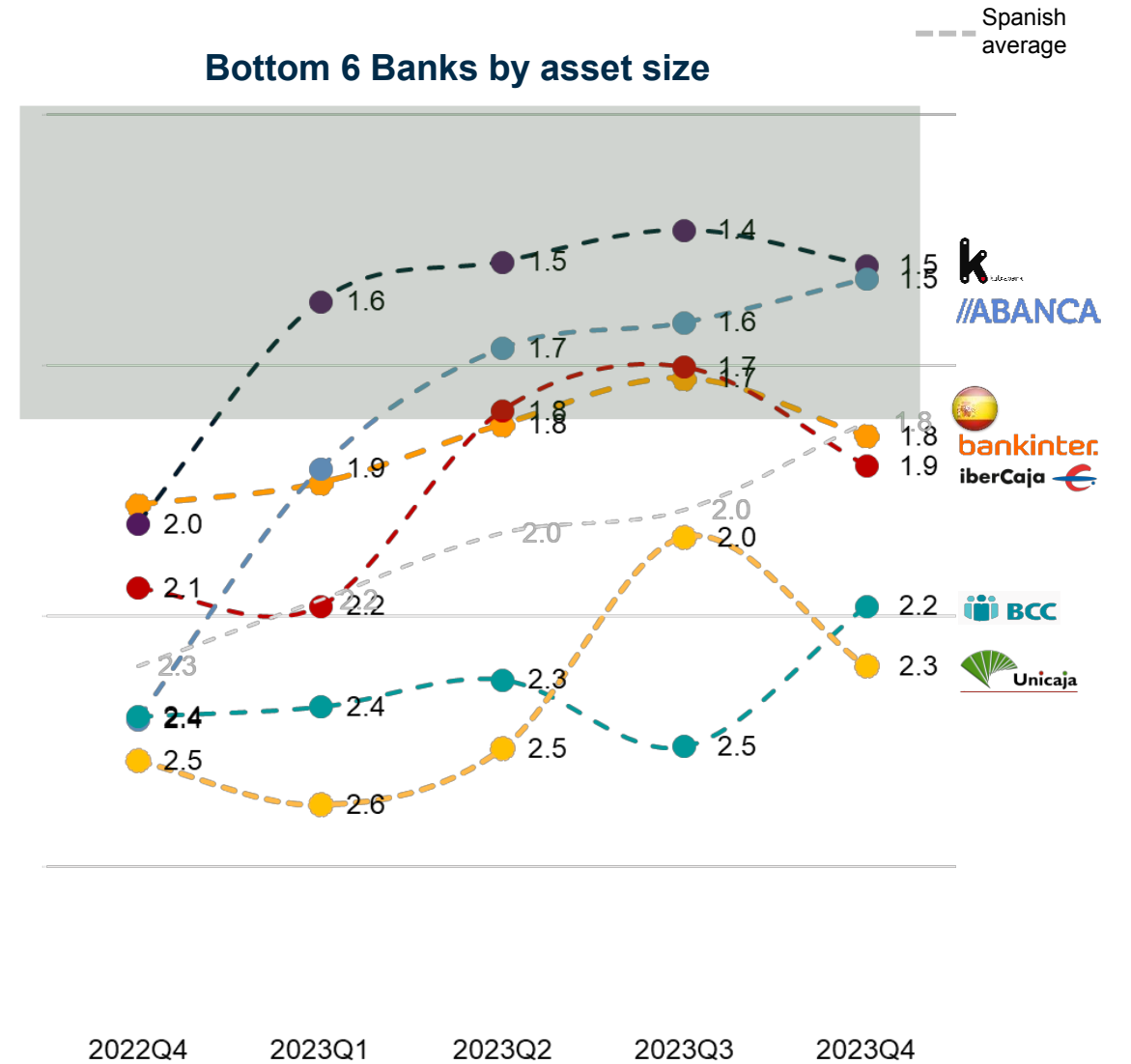
Note: QoQ and YTD stand for quarter over quarter and year to date respectively  
 Source: Financial statements, Investor presentations, A&M analysis, SNL data on March 1st, 2024

# A&M Score Q4 2023 and Trend

## Top 4 Banks by asset size



## Bottom 6 Banks by asset size





# A&M Scorecard broken down per top 10 Spanish Banks

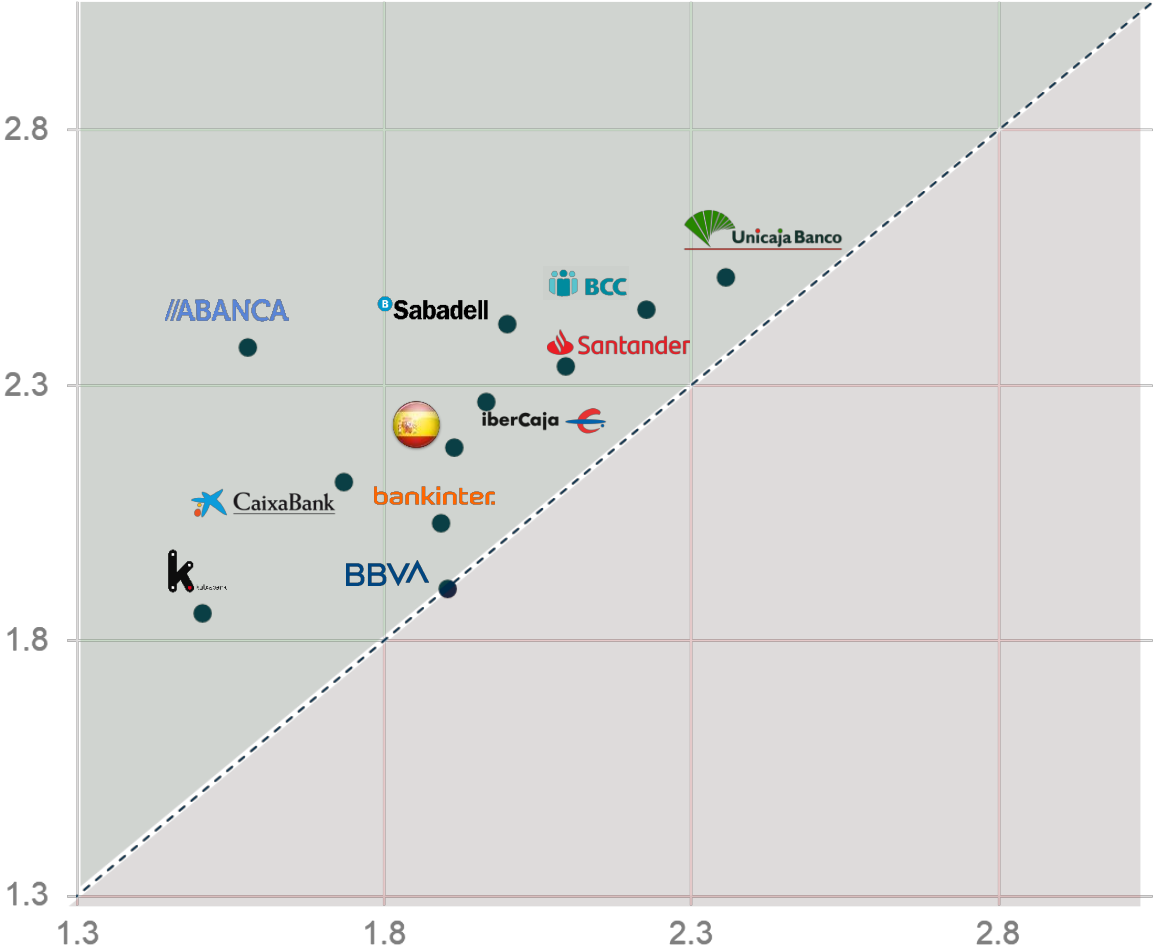
| 2023Q4                        |                                   | CaixaBank | BBVA   | Santander | Sabadell | bankinter | ABANCA | Unicaja Banco | k      | iberCaja | GRUPO COOPERATIVO CAJAMAR |     |   |     |   |     |   |     |   |     |   |
|-------------------------------|-----------------------------------|-----------|--------|-----------|----------|-----------|--------|---------------|--------|----------|---------------------------|-----|---|-----|---|-----|---|-----|---|-----|---|
| Growth                        | Loans and Advances Growth (YTD)   | -2.4%     | -0.5%  | -3.3%     | -2.6%    | 0.4%      | 4.0%   | -5.4%         | -2.2%  | -2.0%    | -1.7%                     |     |   |     |   |     |   |     |   |     |   |
|                               | Deposits Growth (YTD)             | 0.1%      | 0.9%   | 3.4%      | -0.5%    | 3.9%      | 5.9%   | -0.8%         | -0.6%  | -3.6%    | 3.0%                      |     |   |     |   |     |   |     |   |     |   |
|                               | Score                             | 3.3       | 3.2    | 2.8       | 3.5      | 2.5       | 1.7    | 3.7           | 3.5    | 3.8      | 3.0                       |     |   |     |   |     |   |     |   |     |   |
| Liquidity                     | LCR                               | 218.0%    | 178.0% | 166.0%    | 264.0%   | 206.3%    | 214.0% | 308.0%        | 172.3% | 247.2%   | 197.3%                    |     |   |     |   |     |   |     |   |     |   |
|                               | Loan-to-Deposit Ratio (LDR)       | 90.9%     | 82.1%  | 70.9%     | 93.3%    | 93.9%     | 80.5%  | 69.6%         | 95.4%  | 88.3%    | 85.2%                     |     |   |     |   |     |   |     |   |     |   |
|                               | Score                             | 1.2       | 1.0    | 1.0       | 1.2      | 1.3       | 1.0    | 1.0           | 1.3    | 1.2      | 1.0                       |     |   |     |   |     |   |     |   |     |   |
| Income & Operating Efficiency | Net Interest Margin (NIM)         | 1.8%      | 1.4%   | 1.5%      | 2.1%     | 2.1%      | 1.9%   | 1.5%          | 2.1%   | 1.3%     | 2.0%                      |     |   |     |   |     |   |     |   |     |   |
|                               | Operating Income / Assets         | 2.3%      | 1.8%   | 2.1%      | 2.4%     | 2.5%      | 2.1%   | 1.8%          | 2.7%   | 2.2%     | 2.3%                      |     |   |     |   |     |   |     |   |     |   |
|                               | Operating Revenue Growth (YTD)    | 27.2%     | 38.4%  | 16.8%     | 16.0%    | 23.3%     | 42.1%  | -1.9%         | 43.6%  | 29.6%    | 52.2%                     |     |   |     |   |     |   |     |   |     |   |
|                               | Traditional Cost-to-Income Ratio  | 39.4%     | 39.9%  | 43.6%     | 44.0%    | 39.1%     | 50.9%  | 48.0%         | 34.2%  | 47.8%    | 48.3%                     |     |   |     |   |     |   |     |   |     |   |
|                               | Business Volume per Branch (€ Mn) | 176       | 209    | 296       | 197      | 257       | 155    | 130           | 141    | 71       | 80                        |     |   |     |   |     |   |     |   |     |   |
| Score                         | 1.5                               | 1.7       | 1.6    | 1.4       | 1.4      | 2.0       | 2.1    | 1.4           | 1.9    | 1.7      |                           |     |   |     |   |     |   |     |   |     |   |
| Risk                          | NPL ratio                         | 2.9%      | 4.1%   | 3.1%      | 4.6%     | 2.4%      | 2.4%   | 3.1%          | 1.3%   | 2.0%     | 2.1%                      |     |   |     |   |     |   |     |   |     |   |
|                               | Coverage Ratio                    | 71.6%     | 55.0%  | 49.1%     | 57.2%    | 64.7%     | 88.3%  | 63.6%         | 118.6% | 82.8%    | 74.0%                     |     |   |     |   |     |   |     |   |     |   |
|                               | Score                             | 1.4       | 2.1    | 2.2       | 2.0      | 1.7       | 1.4    | 1.9           | 1.2    | 1.2      | 1.4                       |     |   |     |   |     |   |     |   |     |   |
| Profitability                 | Return on Equity (RoE)            | 13.4%     | 18.8%  | 13.7%     | 10.1%    | 16.5%     | 15.2%  | 4.1%          | 8.1%   | 10.6%    | 3.4%                      |     |   |     |   |     |   |     |   |     |   |
|                               | Return on Assets (RoA)            | 0.8%      | 0.7%   | 0.5%      | 0.7%     | 0.8%      | 1.2%   | 0.2%          | 0.8%   | 0.4%     | 0.2%                      |     |   |     |   |     |   |     |   |     |   |
|                               | Score                             | 1.2       | 1.5    | 1.7       | 1.7      | 1.3       | 1.0    | 3.7           | 1.8    | 2.2      | 3.7                       |     |   |     |   |     |   |     |   |     |   |
| Capital                       | CET1 Ratio FL                     | 12.1%     | 12.7%  | 12.3%     | 13.2%    | 12.3%     | 12.4%  | 14.7%         | 17.9%  | 12.7%    | 13.6%                     |     |   |     |   |     |   |     |   |     |   |
|                               | Leverage ratio                    | 5.8%      | 6.5%   | 4.7%      | 5.2%     | 4.9%      | 6.5%   | 5.4%          | 8.3%   | 5.7%     | 5.9%                      |     |   |     |   |     |   |     |   |     |   |
|                               | Score                             | 2.5       | 2.3    | 2.9       | 2.6      | 2.9       | 2.3    | 2.1           | 1.0    | 2.5      | 2.3                       |     |   |     |   |     |   |     |   |     |   |
| Total Score                   |                                   | 1.7       | ↓      | 1.9       | →        | 2.0       | ↓      | 2.0           | ↓      | 1.8      | ↓                         | 1.5 | ↓ | 2.3 | ↓ | 1.5 | ↓ | 1.9 | ↓ | 2.2 | ↓ |

## KEY TAKEAWAYS

- KTK, ABA and CABK are the top performers this year.
- UNI and BCC are the sector laggards.

# Scores changes from last year....

Q4'22 Score

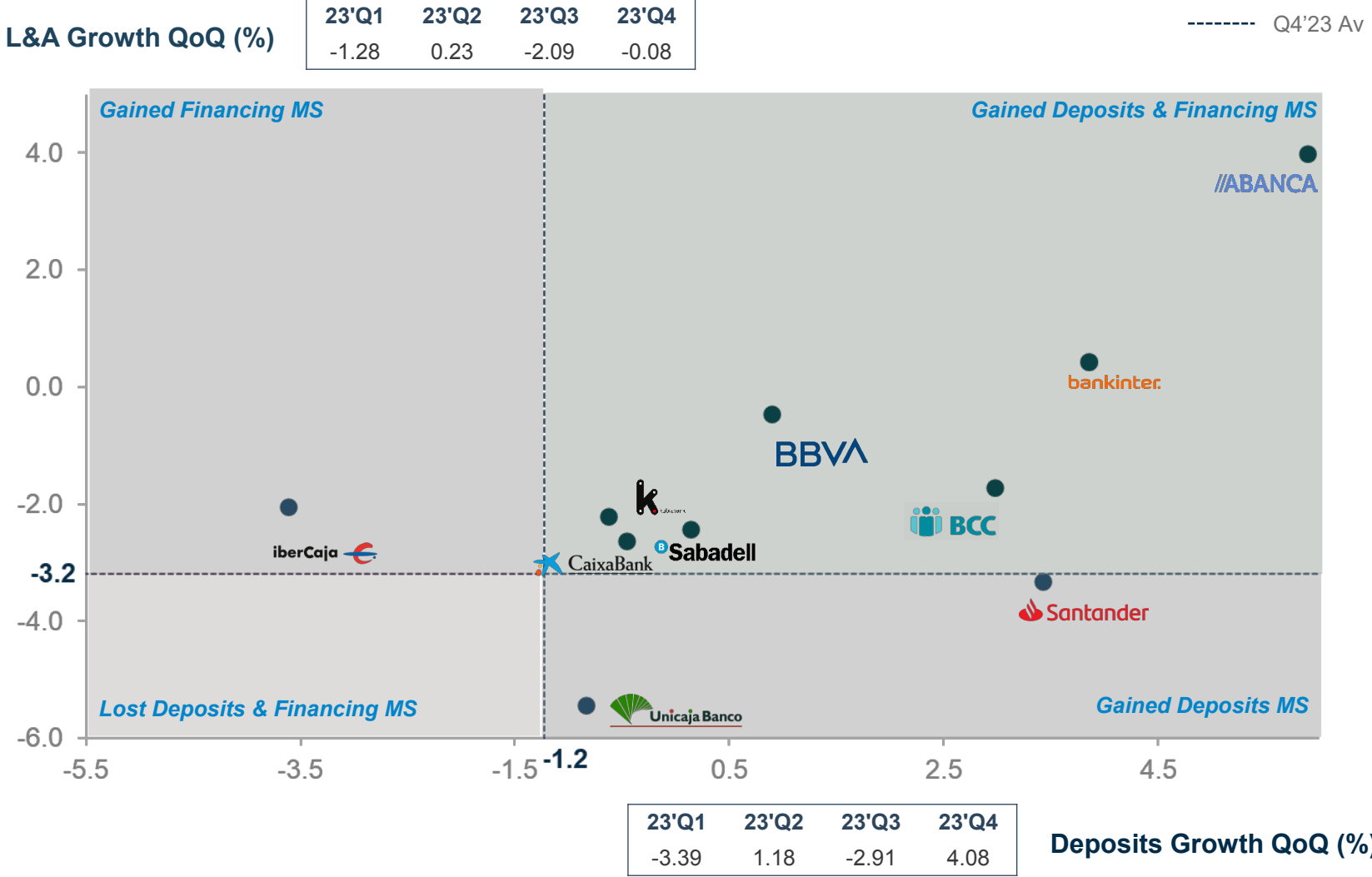


Q4'23 Score

## KEY TAKEAWAYS

- All banks improved their score compared to last year reaffirming positive sector trends

# Deposits and Loans and Advances decreased in 2023



## KEY TAKEAWAYS

- Overall L&A decreased 3.2% YoY
- Deposits also decreased 1.2% YoY
- ABA, BKT, BBVA, BCC, KBK, CABK and SAB showed above market growth in Deposits and Loans.
- UNI and SAN are below market in Loans growth.
- IBJ showed below market growth in Deposits.

Source: Financial statements, Investor presentations, A&M analysis, SNL data on March 1st, 2024



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# Loan to Deposit Ratio decreased marginally across the board

Loans to Deposits Ratio (%)

▲ Q4'22    --- Q4'22 Av  
 ● Q4'23    - - - Q4'23 Av



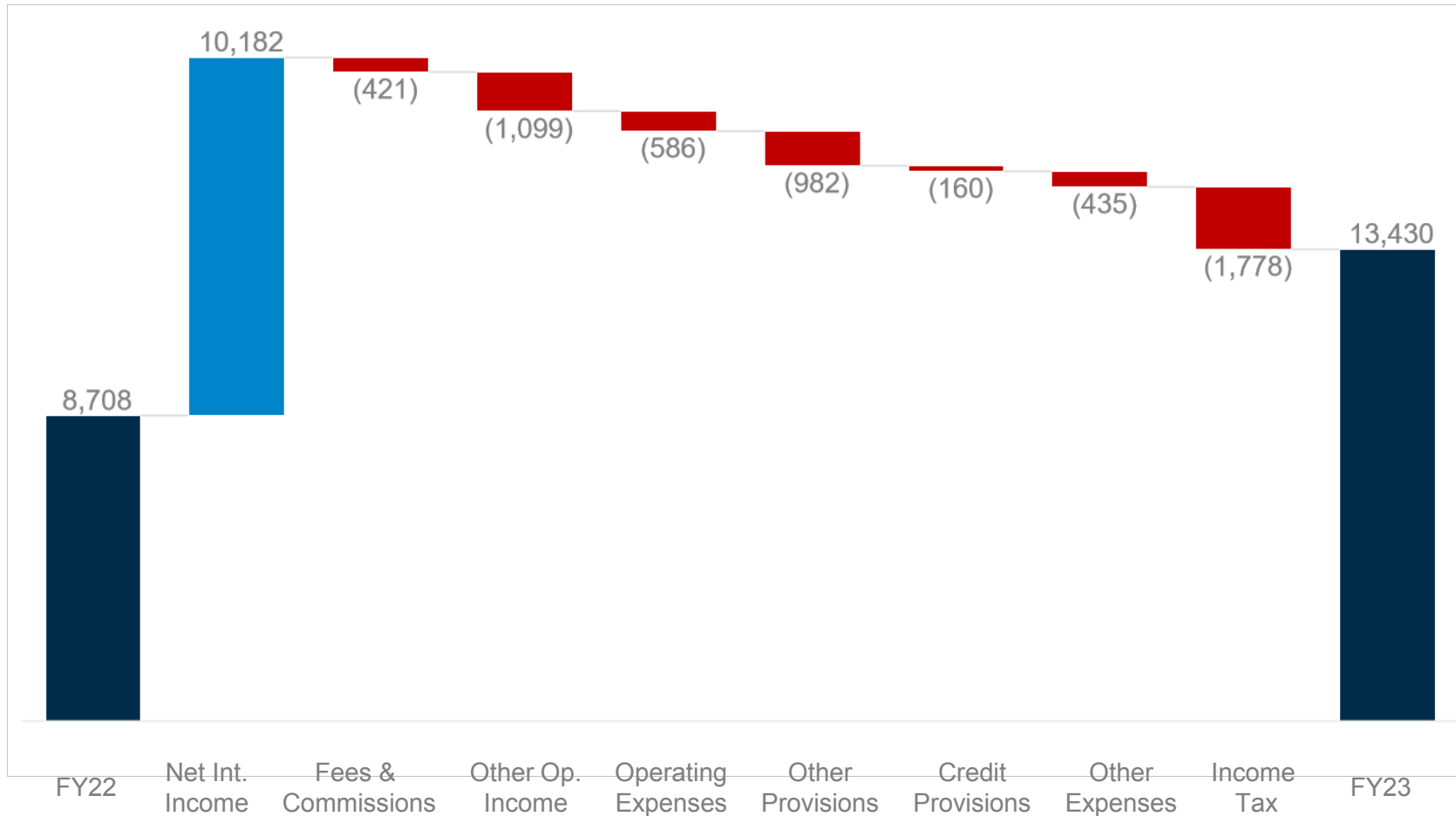
## KEY TAKEAWAYS

- LDR of the industry is at 83.4% reducing external funding needs and generating excess liquidity.
- SAN and UNI are the banks with lower commercial gap (Loans - Deposits).

Note: The green zone is an area of healthy liquidity between 80% and 120%  
 Source: Financial statements, Investor presentations, A&M analysis, SNL data on March 1st, 2024

# Increase in Net Interest Income, driving the upturn in the profitability of the sector

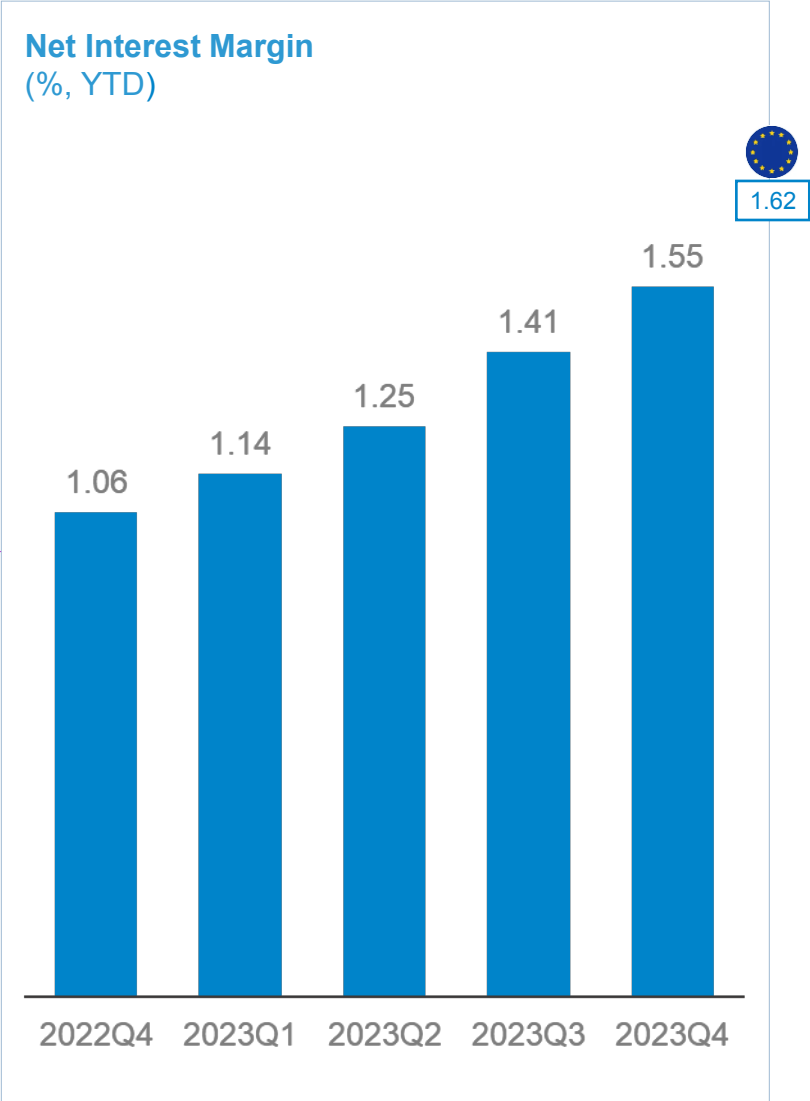
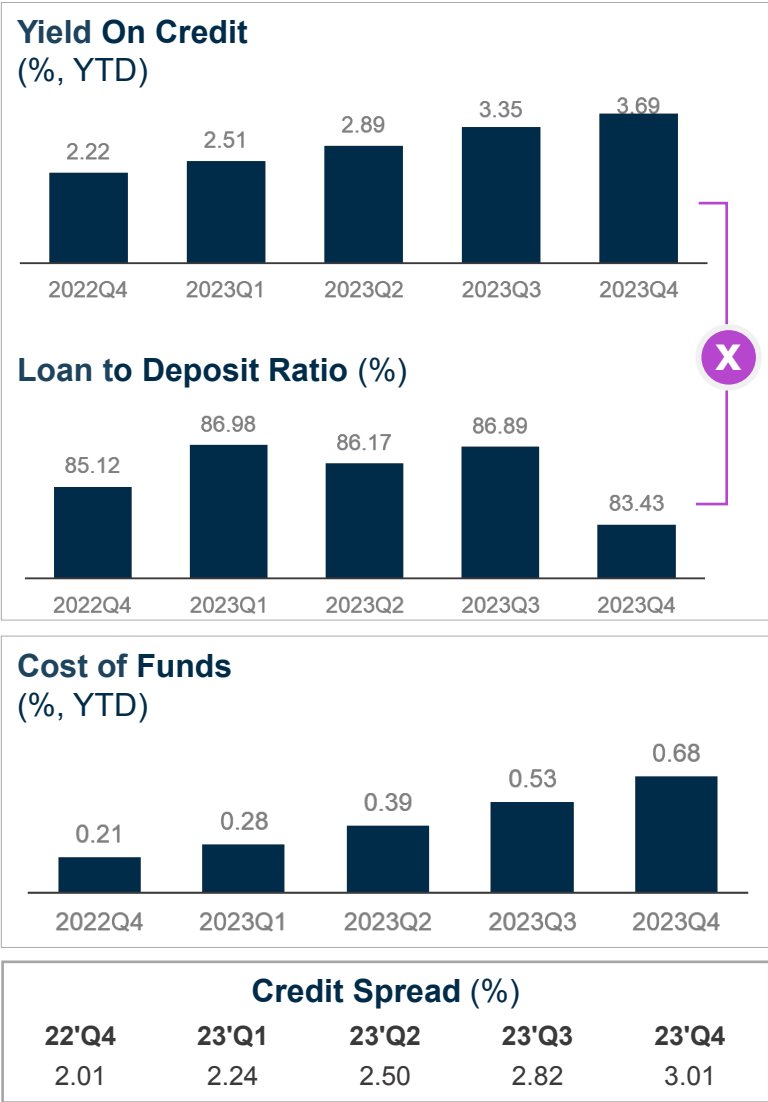
Net Income bridge – € Bn (YTD)



## KEY TAKEAWAYS

- Net Interest Income has increased by 10bn, of which 5bn have been transferred to Net Income, a 57% improvement from last year.
- The increment of the Net Income was driven by the increase of interest rates since mid-2022.
- 50% of the NIM increase has been transformed into profits in 2023 including the extraordinary windfall tax of c.1.3 Bn €

# NIM shows an improvement due to rate hikes



## KEY TAKEAWAYS

- NIM improved 49 bps YoY to 1.55% driven by an increase in yield on credit of 147 bps in Q4'23
- Cost of Funds increased 47 bps YoY
- Client Credit Spread increased 100 bps YoY to 3.01% levels.
- Spanish Banks still below EU average in terms on NIM by 7 bps

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 1st, 2024, EBA risk dashboard September 2023

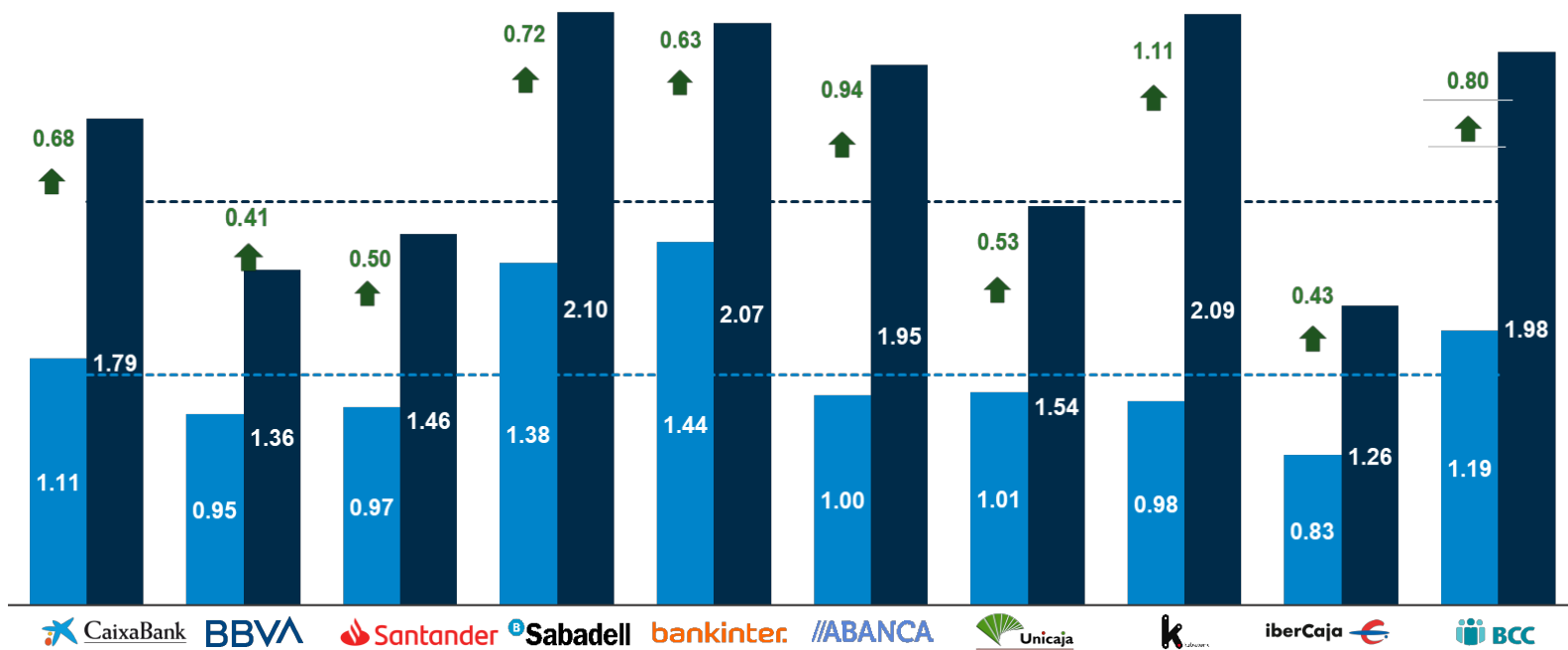


# All major banks reported NIM improvements

● Improved ● Stable ● Worsened

## Net Interest Margin (% , YTD)

■ Q4'22 ■ Q4'23 --- Q4'22 Av --- Q4'23 Av



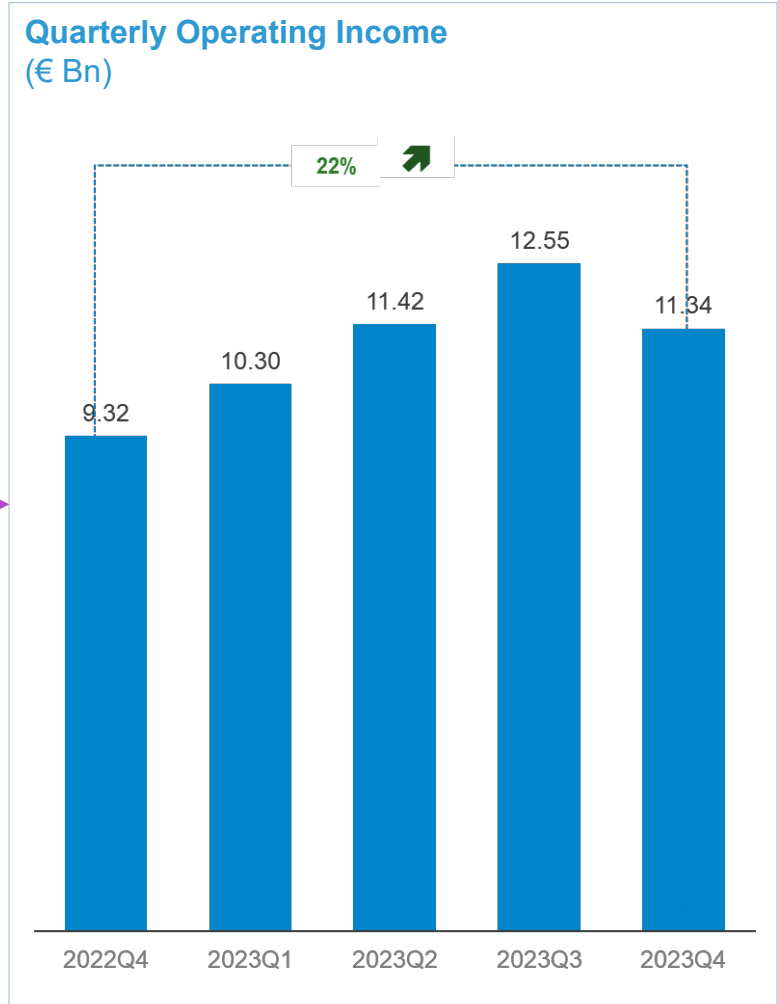
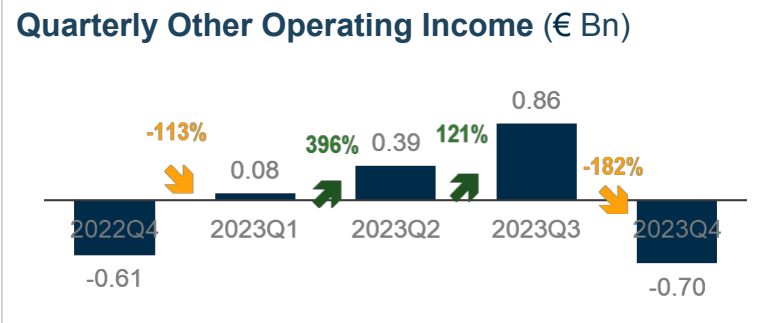
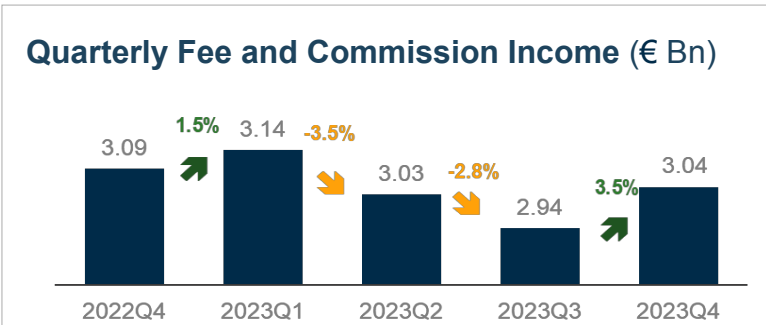
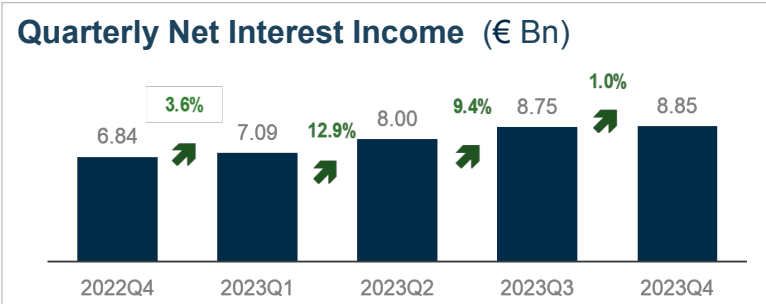
## KEY TAKEAWAYS

- All banks witnessed an increase in NIM
- KTK, ABA and BCC experienced the highest increase YoY
- SAB, KBK and BKT and show the strongest NIM levels

Note: Some numbers might not add up due to rounding  
Source: Financial statements, investor presentations, A&M analysis, SNL data on March 1st, 2024

# Operating Income witnessed an increase primarily due to a strong increase in Net Interest Income

● Improved ● Stable ● Worsened



## KEY TAKEAWAYS

- NII has improved throughout the year, increasing 29% this last year.
- Fee and Commission Income increased QoQ recovering the first quarters of 2023.
- YoY Operating Income has increased from 9.32 € Bn to 11.34 € Bn

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

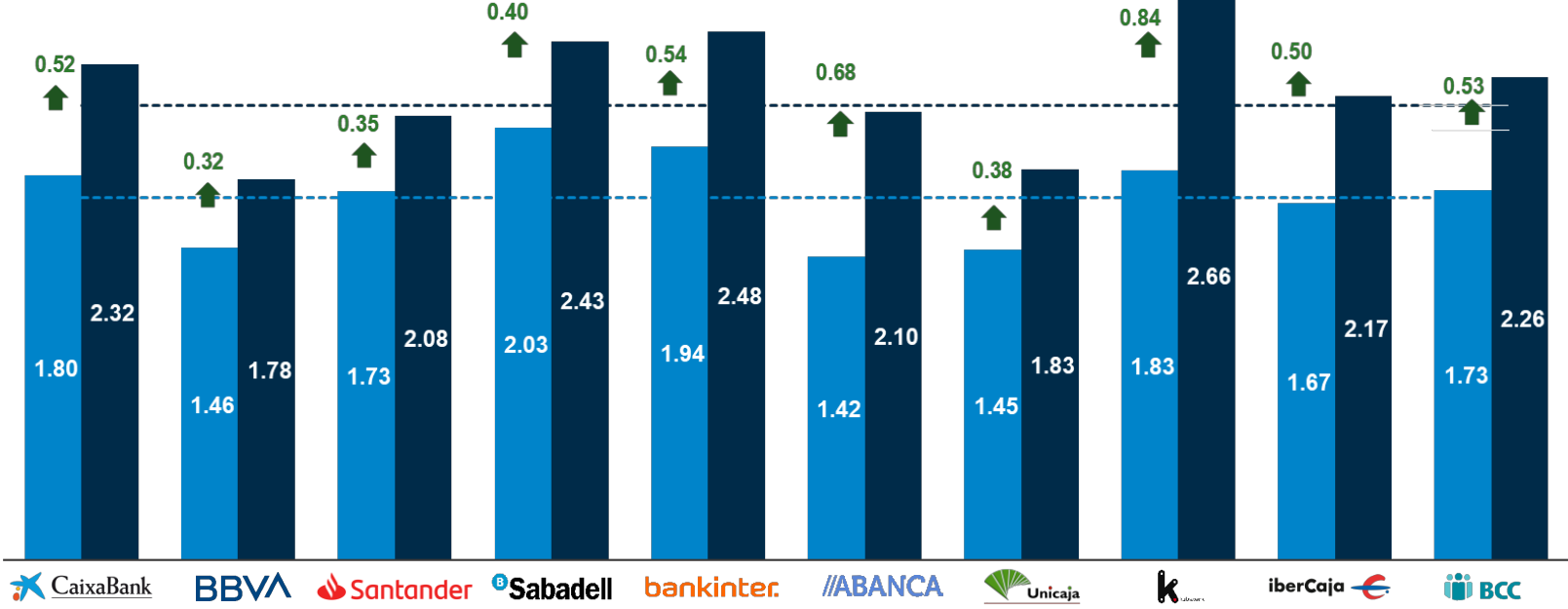
Source: Financial statements, Investor presentations, A&M analysis, SNL data on March 1st, 2024

# Operating Income over Assets increased

● Improved ● Stable ● Worsened

## Operating Income / Assets (% , YTD)

■ Q4'22 ■ Q4'23 - - - Q4'22 Av - - - Q4'23 Av



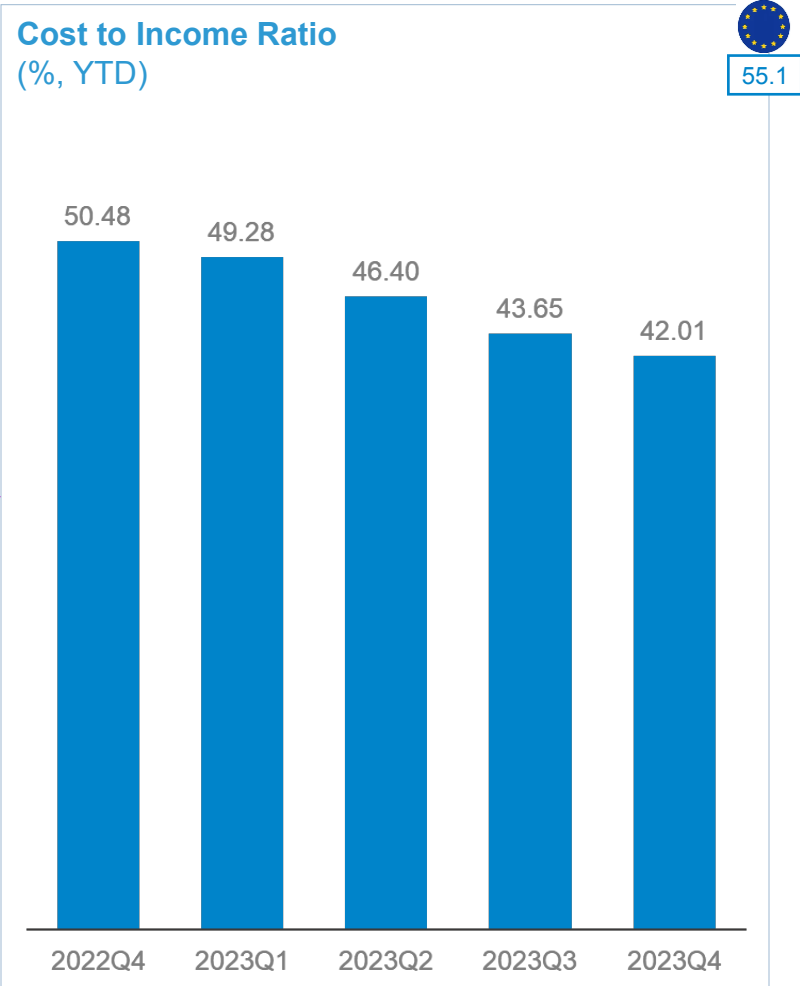
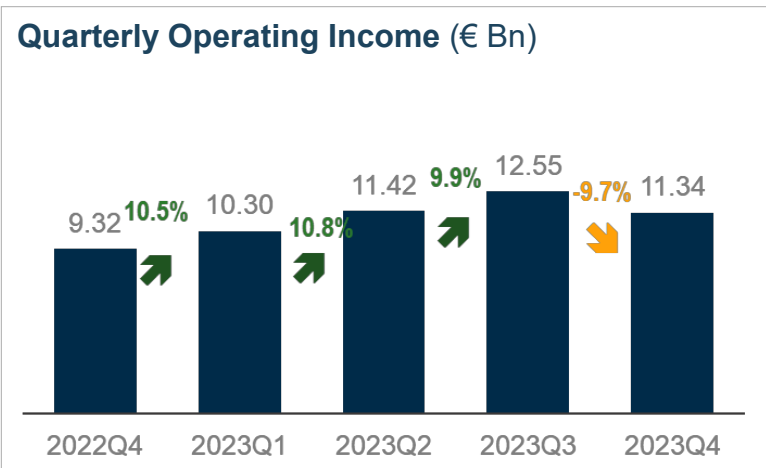
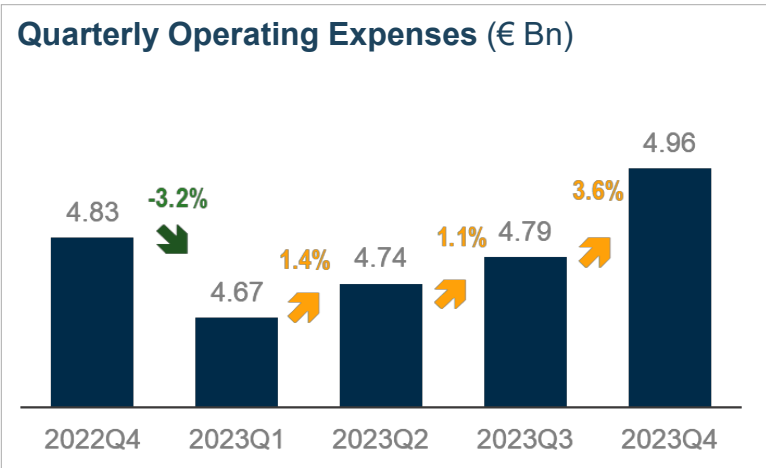
### KEY TAKEAWAYS

- All 10 banks showed an increase in Operating Income over Assets (driven by Interest Income)
- KBK, ABA and BKT have the highest upturn



# Operating efficiency was improved by 847bps in comparison to previous year

● Improved ● Stable ● Worsened



## KEY TAKEAWAYS

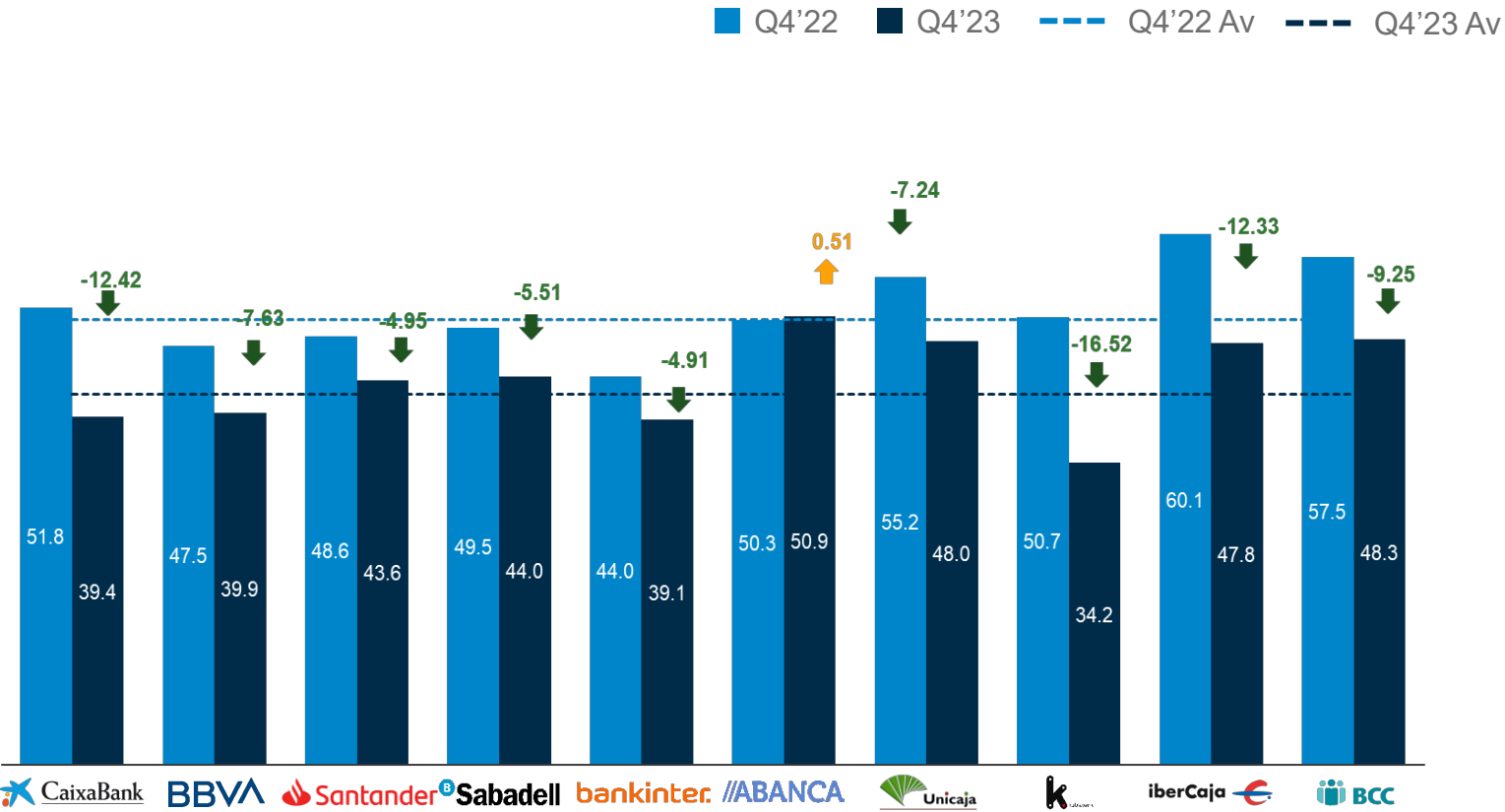
- C/I Ratio improved by 847 bps YoY in Q4'23
- YoY Cost to Income has improved from 50.48% to 42.1% due to an increase of 20.1% in Operating Income despite the 1.1% increase in Operating Expenses
- Spanish Banks are way below the level of EU average of 55.1%

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 1st, 2024, EBA risk dashboard September 2023

# Nine of the top ten banks report enhanced cost efficiencies

● Improved ● Stable ● Worsened

## Cost to Income Ratio (% YTD)



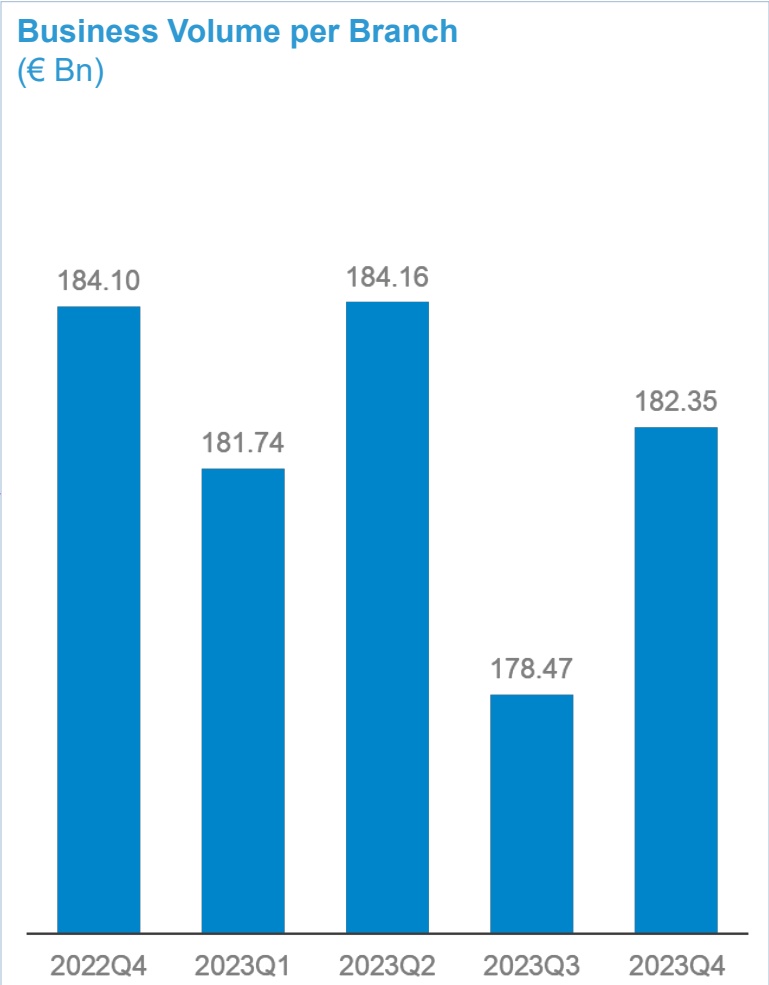
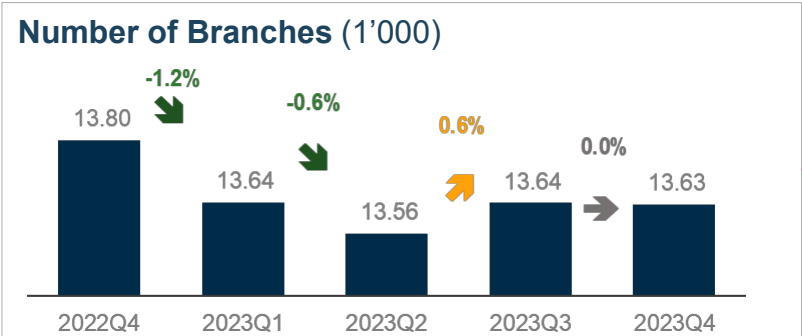
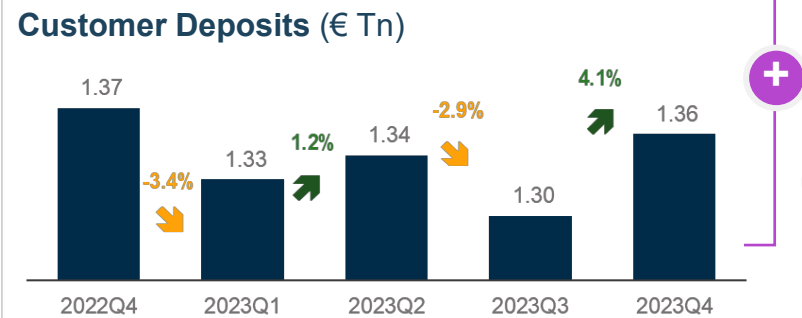
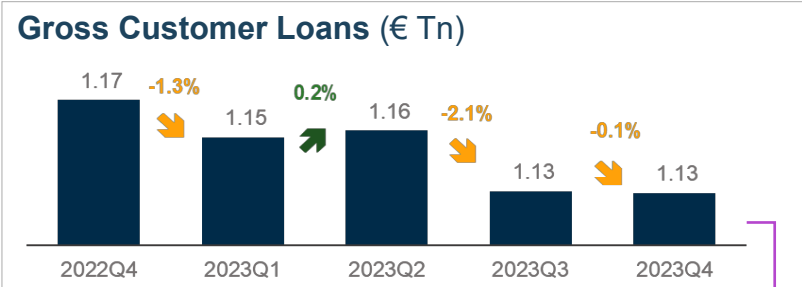
### KEY TAKEAWAYS

- 9 out of 10 banks improved their C/I Ratio YoY
- KBK, CBK and IBJ experienced the best improvement in the C/I Ratio
- CBK, BBVA, BKT and KBK have achieved a C/I below 40%

Note: Some numbers might not add up due to rounding  
 Source: Financial statements, investor presentations, A&M analysis, SNL data on March 1st, 2024

# Business Volume per Branch decreased from last year

● Improved ● Stable ● Worsened



## KEY TAKEAWAYS

- Business Volume per Branch slightly decreased mainly driven by the decrease in Gross Amount of Loans in 4 bps, while number of branches continue to decline
- Branches were reduced to 13.63 thousand from 13.8 thousand during the last quarter at the end of 2022

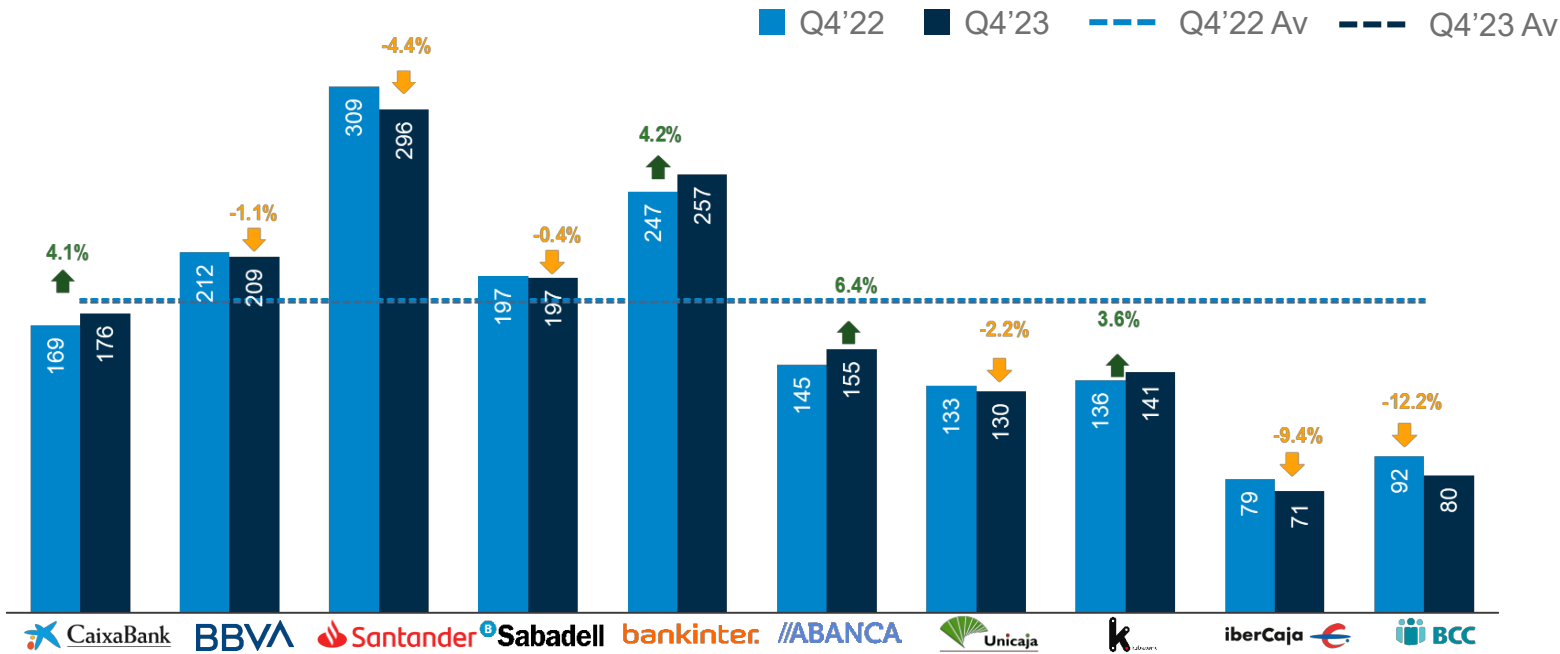
Note 1: Some numbers might not add up due to rounding  
 Note 2: Figures represent the aggregation of the top 10 banks activities in Spain  
 Source: Financial statements, Investor presentations, A&M analysis, SNL data on March 1st, 2024



# Only four of the top ten banks increased Business Volume per Branch

● Improved ● Stable ● Worsened

## Business Volume per Branch (€ Mn)



|           | CABK  | BBVA  | SAN   | SAB   | BKT   | ABA   | UNI   | KBK   | IBJ   | BCC   |
|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Branches: | 3,876 | 1,882 | 1,874 | 1,194 | 595   | 674   | 958   | 685   | 893   | 1,002 |
| Var YoY:  | -5.0% | -0.2% | -2.0% | -2.8% | -0.3% | -0.4% | -1.1% | -3.4% | -0.1% | 18.9% |

## KEY TAKEAWAYS

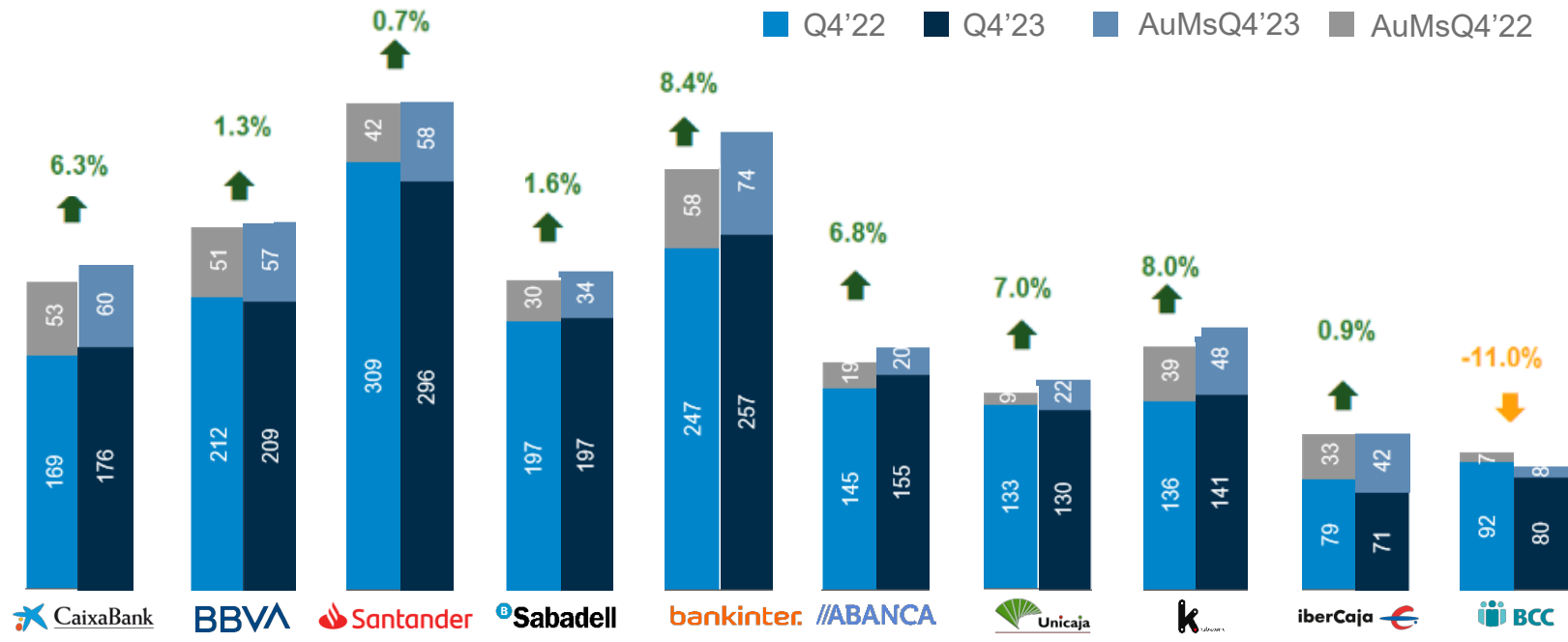
- 4 out of 10 banks increased their Business Volume per Branch
- SAN and BKT are still the best performers in terms of Business Volume per Branch
- BBVA, SAN, SAB, UNI, IBE and BCC have decreased their Business Volume per Branch
- Branch reduction has stabilized but some banks are still optimizing their footprint.
- BCC have increased their branches in 18.9% from last year up to 1,002

Note 1: Bankinter branches includes other business units branches  
 Source: Financial statements, investor presentations, A&M analysis, SNL data on March 1st, 2024

# Nine of ten banks increased Business Volume per Branch including Assets Under Management

● Improved ● Stable ● Worsened

## Business Volume per Branch including AuMs (€ Mn)



## KEY TAKEAWAYS

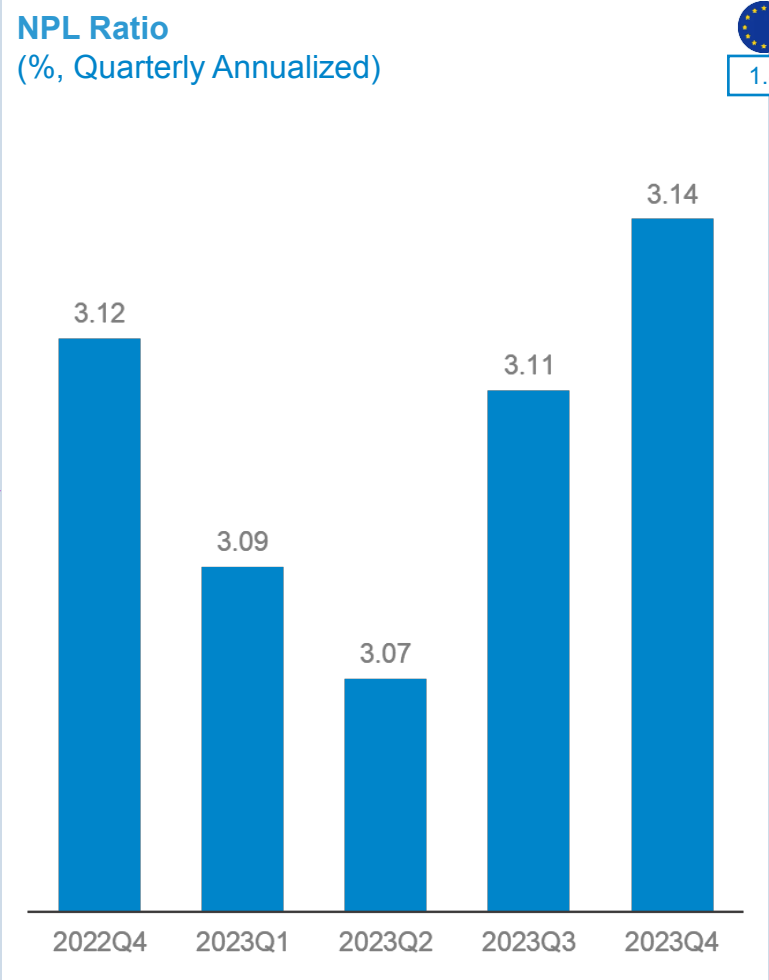
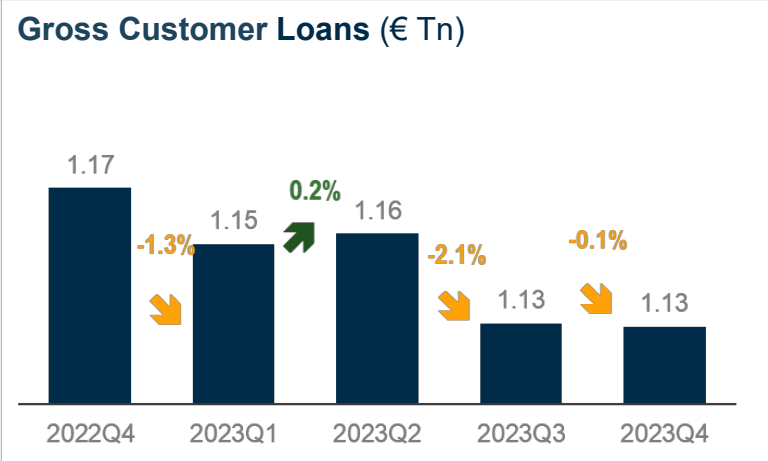
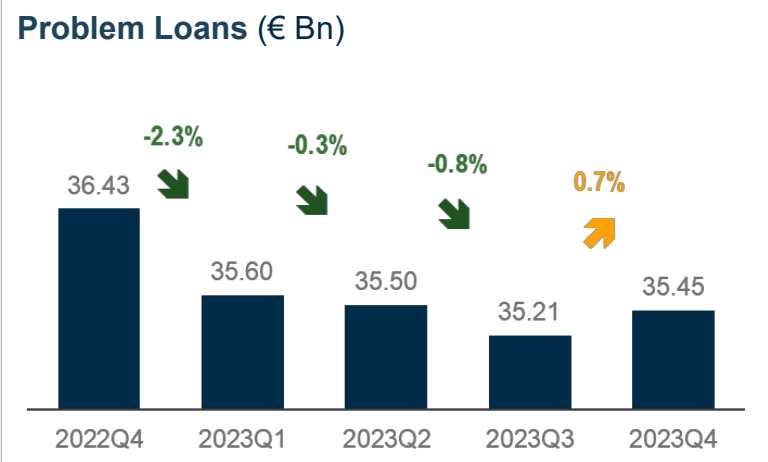
- 9 out of 10 banks increased their Business Volume per Branch including Assets Under Management
- BKT and KBK the best performers in terms of Business Volume per Branch including AuMs
- BCC has decreased their Business Volume per Branch due to the increase in branches

|           | CABK  | BBVA  | SAN   | SAB   | BKT   | ABA   | UNI   | KBK   | IBJ   | BCC   |
|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Branches: | 3,876 | 1,882 | 1,874 | 1,194 | 595   | 674   | 958   | 685   | 893   | 1,002 |
| Var YoY:  | -5.0% | -0.2% | -2.0% | -2.8% | -0.3% | -0.4% | -1.1% | -3.4% | -0.1% | 18.9% |

Note 1: Bankinter branches includes other business units branches  
 Source: Financial statements, investor presentations, A&M analysis, SNL data on March 1st, 2024

# NPL Ratio slightly increased

● Improved ● Stable ● Worsened



1.8

## KEY TAKEAWAYS

- NPL Ratio slightly increased to 3.14% in Q4'23, with expectations to increase in 2024
- Increase in NPL Ratio was driven by the decrease in total Gross Customer Loans of 4%, despite the decrease in problem loans

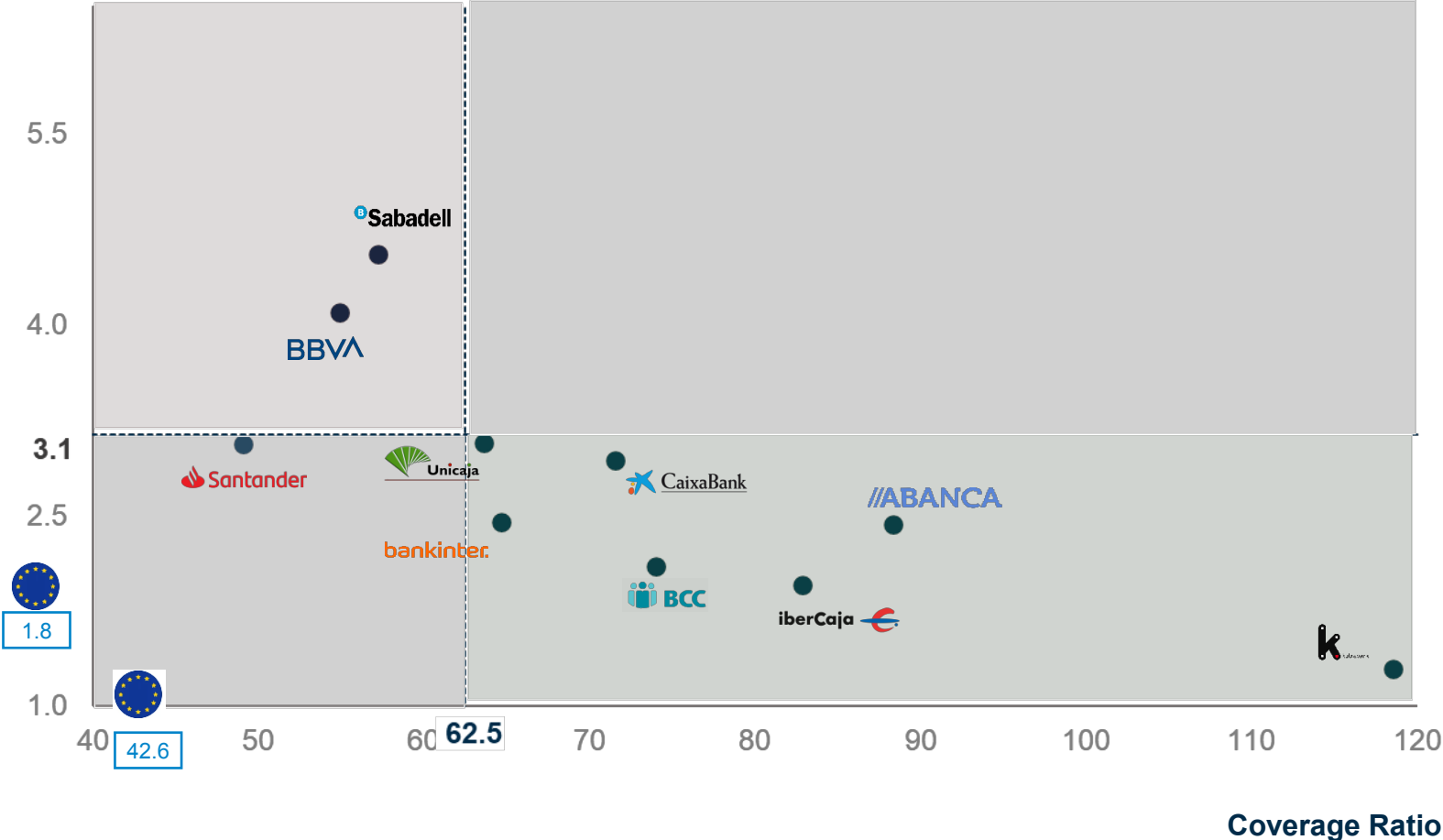
Note 1: Scaling and some numbers might not add up due to rounding  
 Note 2: Figures represent the aggregation of the top 10 banks activities in Spain  
 Source: Financial statements, Investor presentations, A&M analysis, SNL data on March 1st, 2024, EBA risk dashboard September 2023



# NPL and Coverage Ratios remain conservative

NPL Ratio (%)

● Q4'23    - - - Q4'23 Av



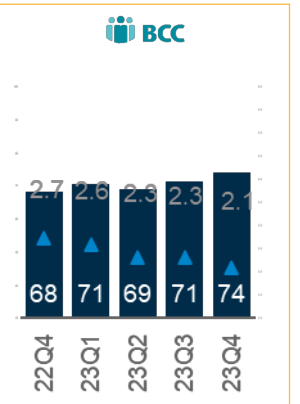
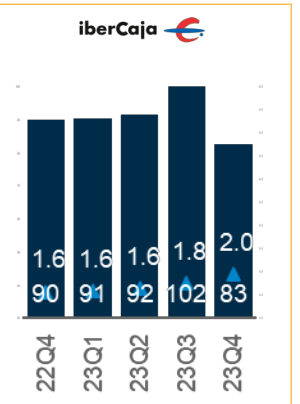
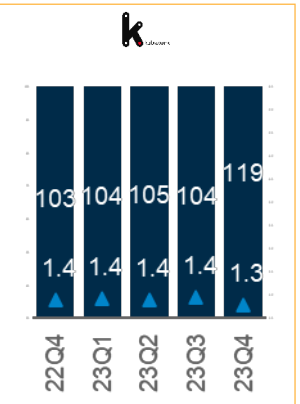
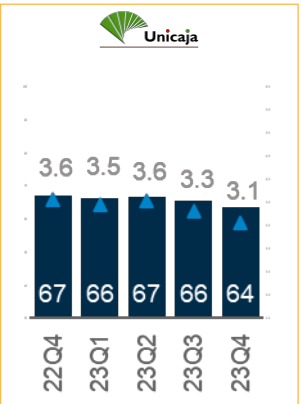
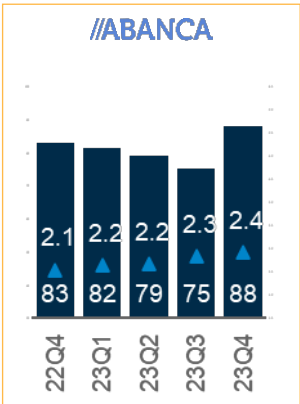
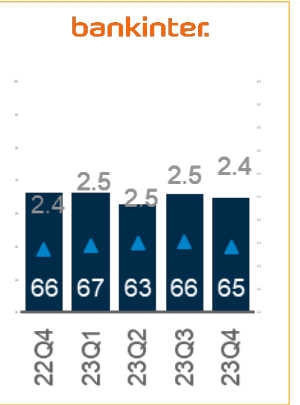
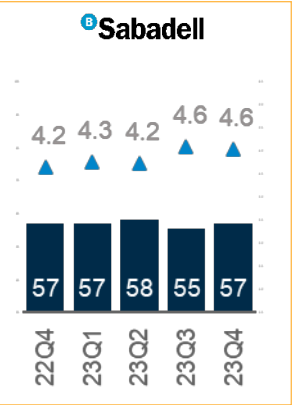
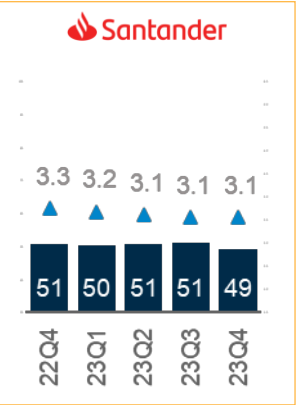
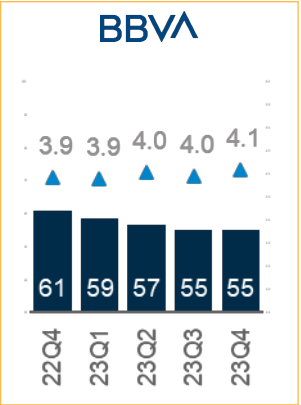
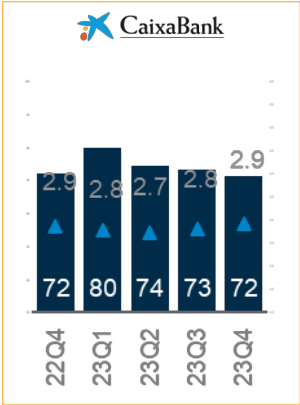
## KEY TAKEAWAYS

- Overall NPL Ratio is below 3.5% while coverage is above 60%
- KBK, ABA, CABK, BCC, IBJ, BKT and UNI outperformed the market in both NPL and Coverage Ratios
- SAB has the highest NPL Ratio and SAN the lowest Coverage Ratio
- Coverage level of 62.5% displays conservative approach of Spanish banks selective to EU
- Spanish banks still above EU average levels of 1.8% in NPLs but above coverage level of 42.6%

# NPL Ratio slightly increased

■ Coverage Ratio, %    ◆ NPL / Net loans, %

## Coverage Ratio and NPL / Net Loans Ratio (% , Quarterly)



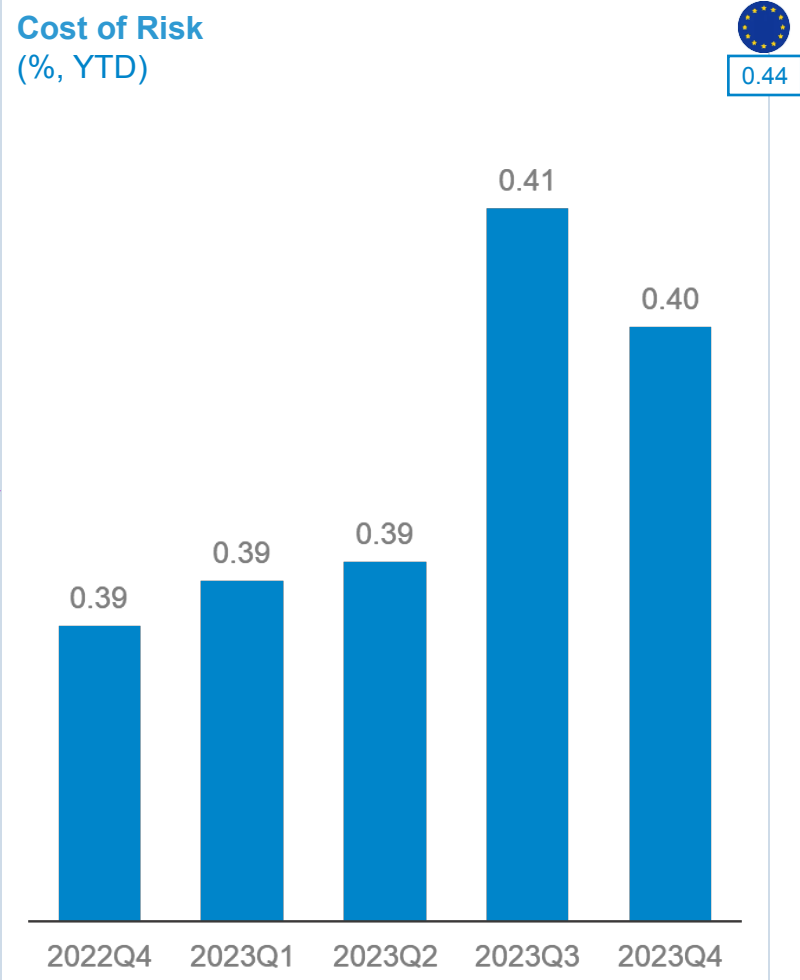
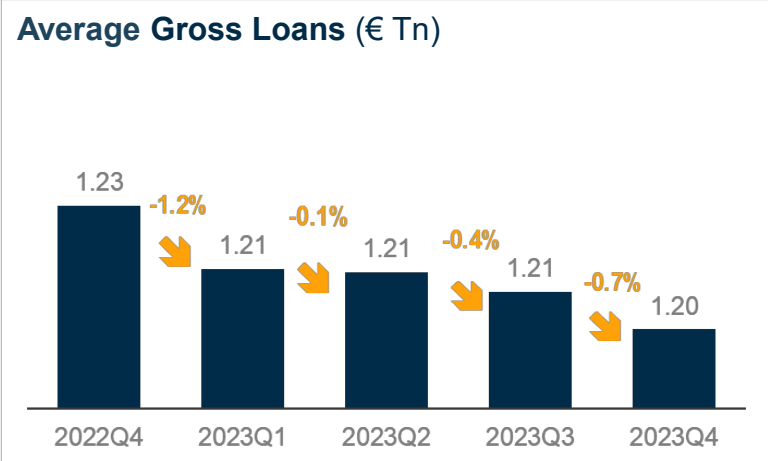
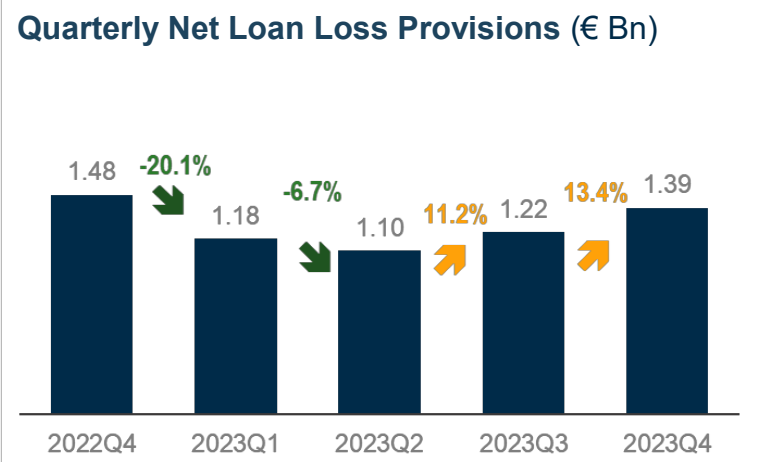
### KEY TAKEAWAYS

- Quality NPL Ratio increased to 3.14% in Q4'23 compared to 3.12% in Q4'22
- BCC was the bank with the highest decline NPL Ratio (60bps) driven by a decrease of 23% in Problem Loans
- The Coverage Ratio declined from 63.6% to 62.5% in Q4'23
- KBK is the bank with the highest increase YoY of the Coverage Ratio

Note: Scaling and some numbers might not add up due to rounding  
 Source: Financial statements, investor presentations, A&M analysis, SNL data on March 1st, 2024

# Cost of Risk increased to 40 bps for the industry

● Improved   ● Stable   ● Worsened



## KEY TAKEAWAYS

- Cost of Risk of 40bps at 4Q'23, with an increase of 1 bps YoY
- Spanish Banks slightly below the level of EU average of 0.44%

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 1st, 2024, EBA risk dashboard September 2023

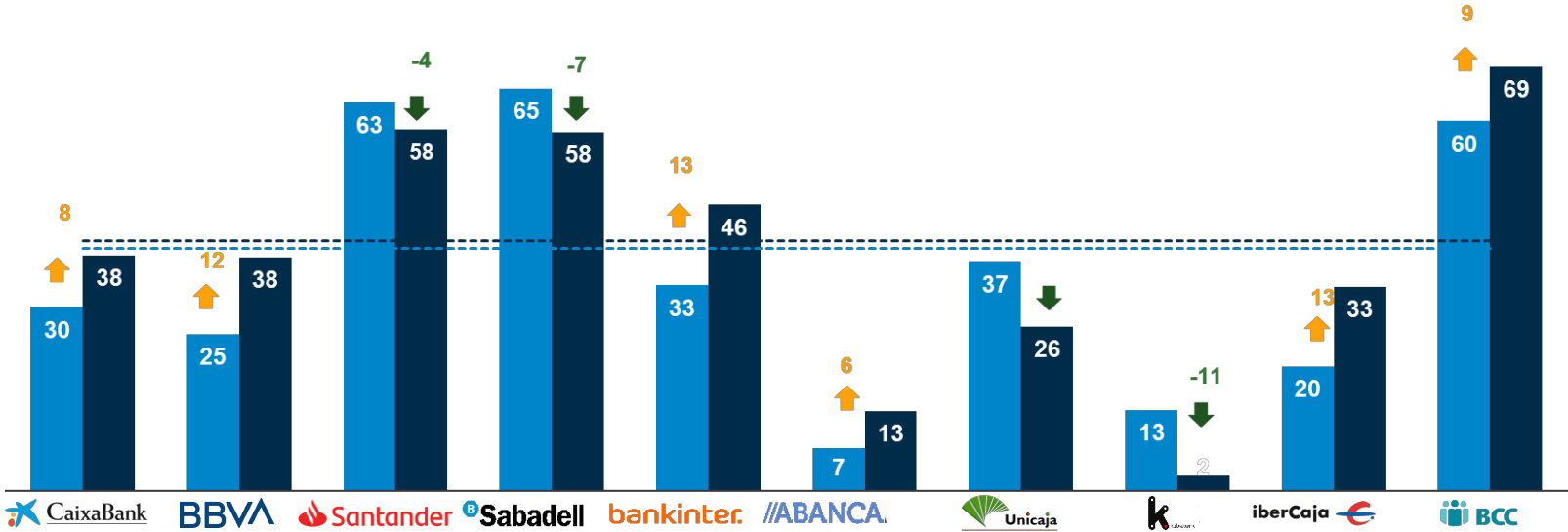


# Four of the ten banks reported an improvement in Cost of Risk

● Improved ● Stable ● Worsened

## Cost of Risk (bps, YTD) – Net of Reversals

■ Q4'22 ■ Q4'23 --- Q4'22 Av --- Q4'23 Av



### KEY TAKEAWAYS

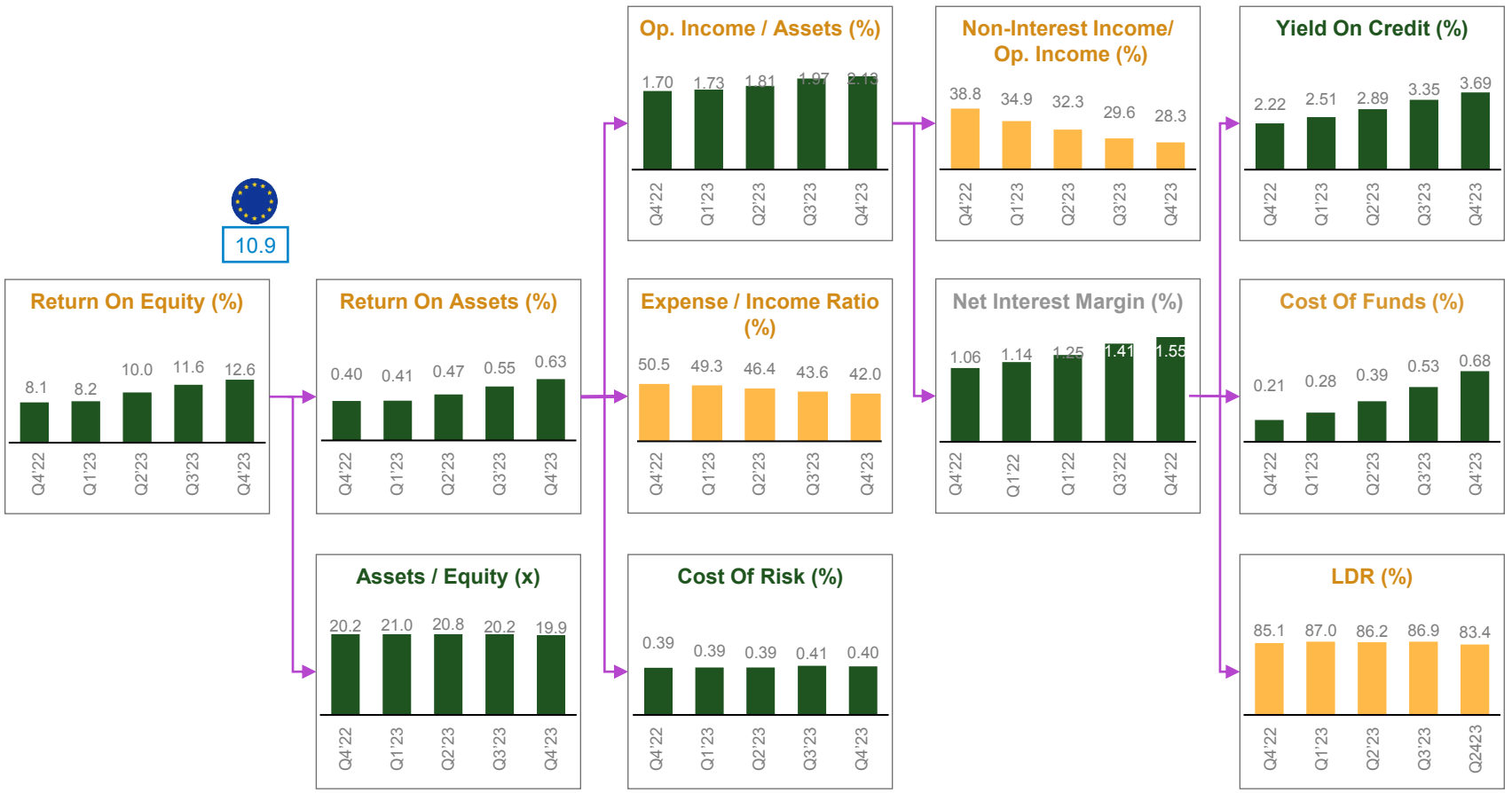
- BCC has the largest CoR at 69 bps
- ABA and KBK have the lowest CoR below 15 bps level

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 1st, 2024no

# Profitability improved YoY...

● Improved   ● Stable   ● Worsened

  
10.9



## KEY TAKEAWAYS

- ROE has shown an improvement compared to 2022, to a ROE of 12.57% from a ROE of 8.05%

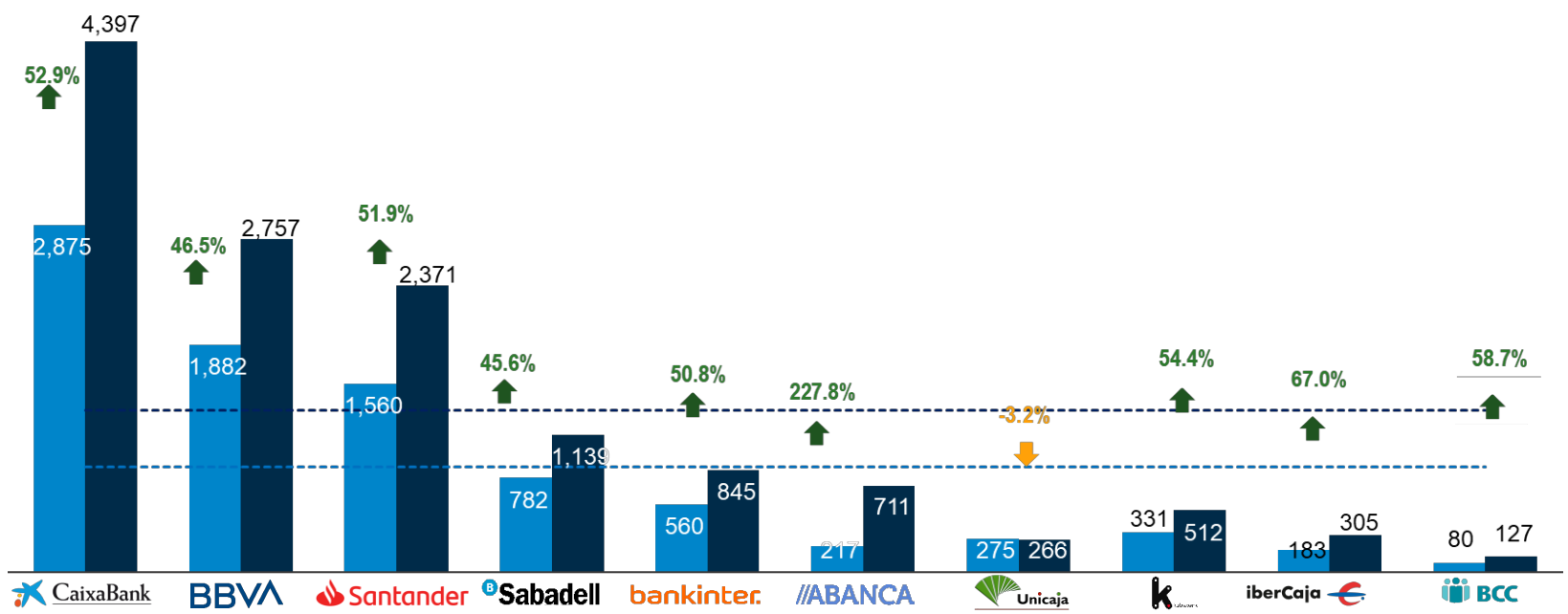
Note 1: Relation between elements above represents a functionality and not necessarily an exact mathematical formula  
 Note 2: Figures represent the aggregation of the top 10 banks activities in Spain  
 Source: Financial statements, Investor presentations, A&M analysis, SNL data on March 1st, 2024, EBA risk dashboard September 2023

# Net Income increased YoY causing an improvement in profitability indicators

● Improved ● Stable ● Worsened

## Net Income (€ Mn, YTD)

■ FY'22 ■ FY'23 --- FY'22 Av --- FY'23 Av



### KEY TAKEAWAYS

- 9 of 10 banks have shown an increase in Net Income
- ABA, IBJ and BCC have experienced the best increase compared to last year.
- CABK continues to show the highest level of Net Income in Spain
- UNI is the only bank that has not increased compared to last year because due to a restructuring aimed at reducing unproductive assets and substantially improving profitability

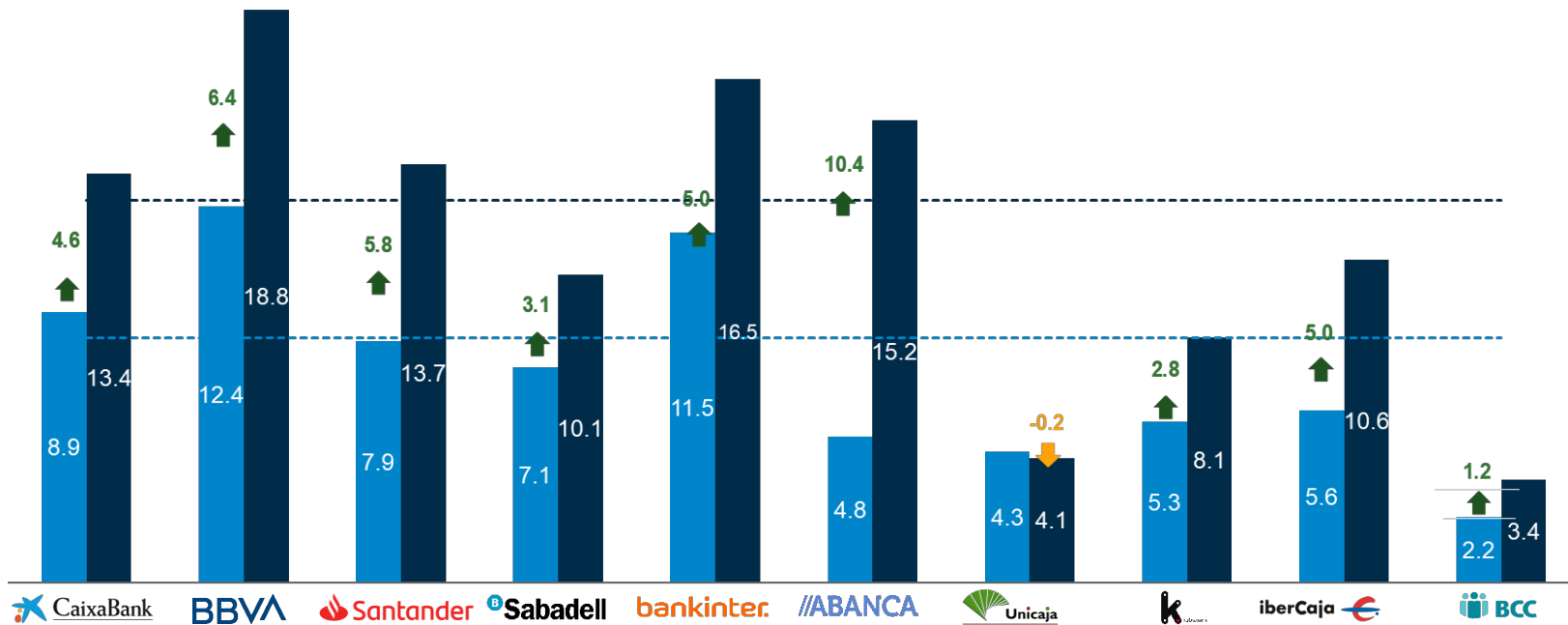


# 9 of 10 banks improved their profitability across the sector

● Improved ● Stable ● Worsened

## Return of Equity (% , YTD)

■ Q4'22 ■ Q4'23 --- Q4'22 Av --- Q4'23 Av

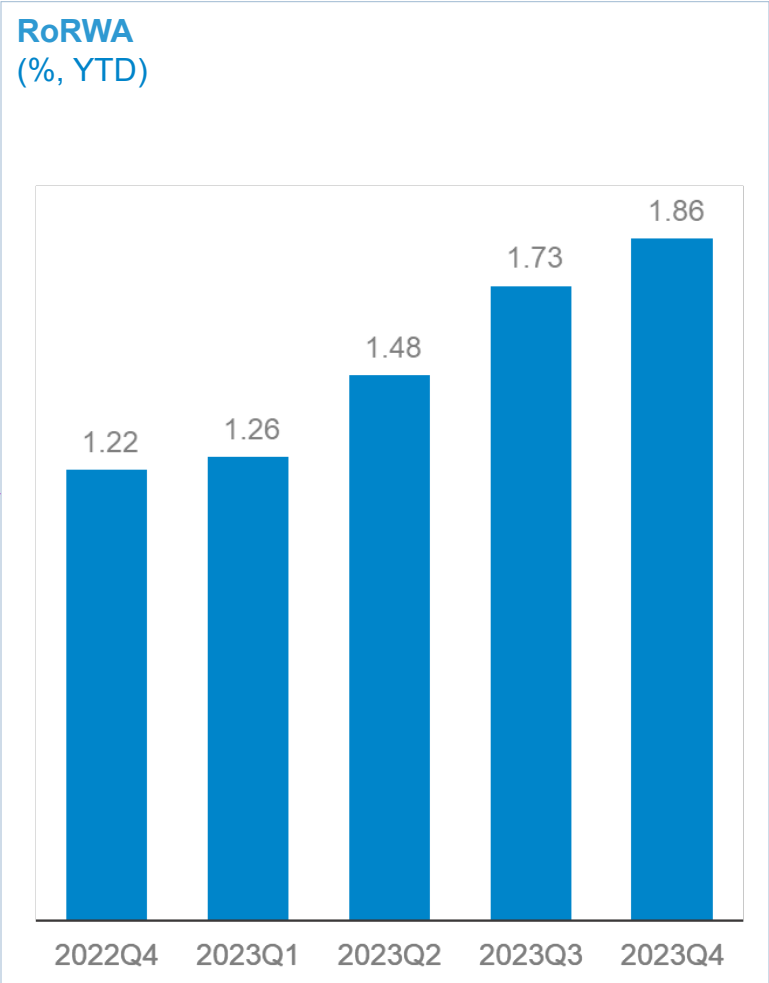
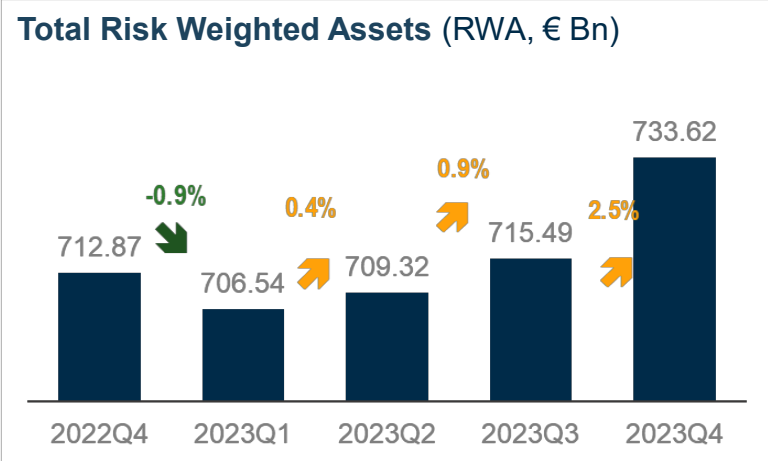
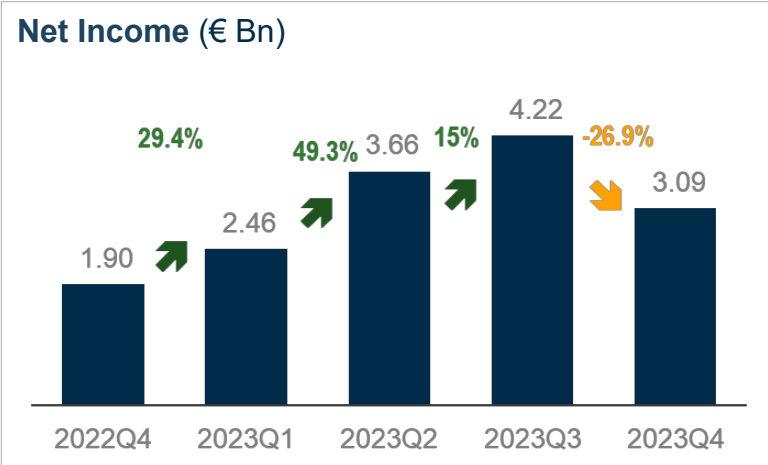


### KEY TAKEAWAYS

- 9 of 10 banks have shown an increase in ROE
- ABA, BBVA and BKT show the highest increase in ROE
- BCC is the bank with the lowest ROE in Q4'23
- 3 Banks already have over >15% ROE: BBVA, ABA and BKT

# RoRWA increased 64bps YoY

● Improved ● Stable ● Worsened



## KEY TAKEAWAYS

- Net Income for the Spanish banks in Q4'23 was 62% larger in comparison to last year.
- RWA increased 2.88% YoY, reaching 733.6 € Bn
- RoRWA increased 68bps YoY, going from 1.22% in Q4'22 to 1.90% in Q4'23

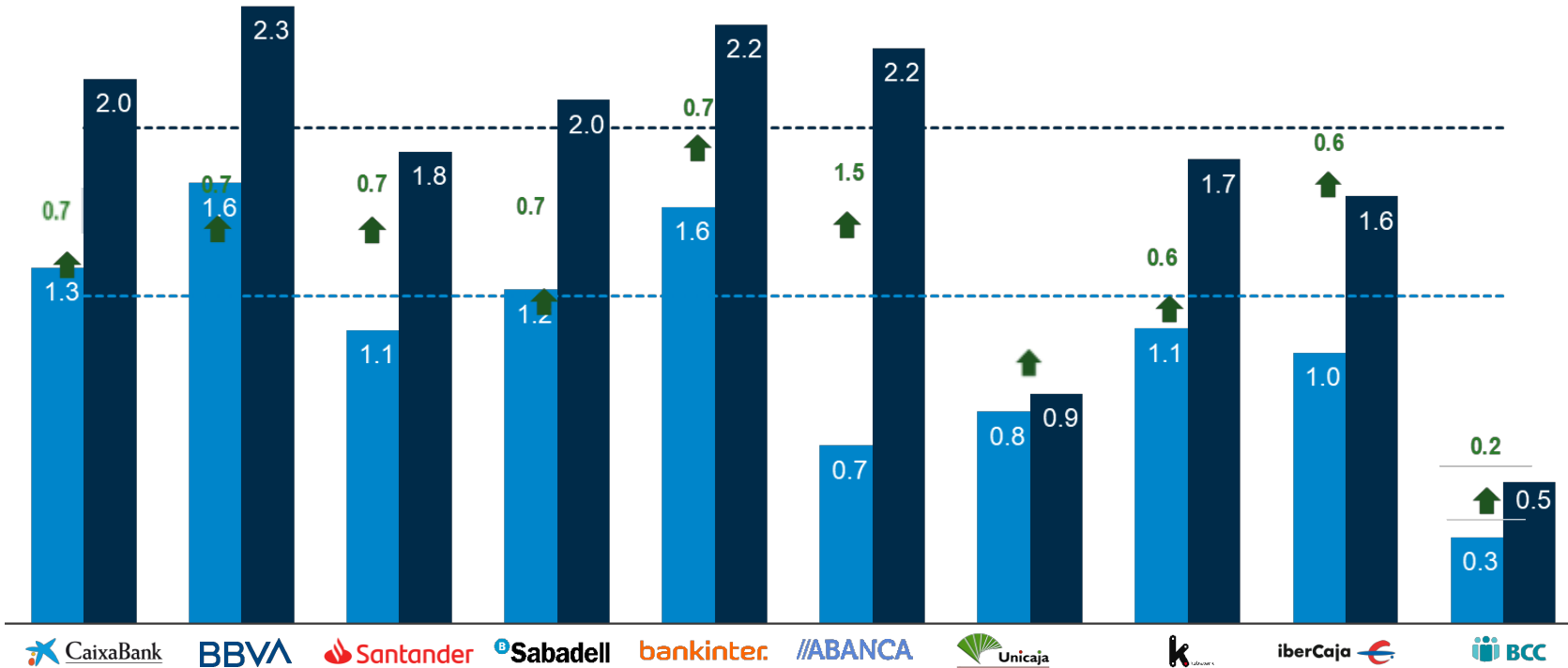
Note 1: Scaling and some numbers might not add up due to rounding  
 Note 2: Figures represent the aggregation of the top 10 banks activities in Spain  
 Source: Financial statements, investor presentations, A&M analysis, SNL data on March 1st, 2024

# Average market RoRWA at 1.9%

● Improved ● Stable ● Worsened

## RoRWA (% , YTD)

■ Q4'22 ■ Q4'23 - - - Q4'22Av - - - Q4'23 Av



## KEY TAKEAWAYS

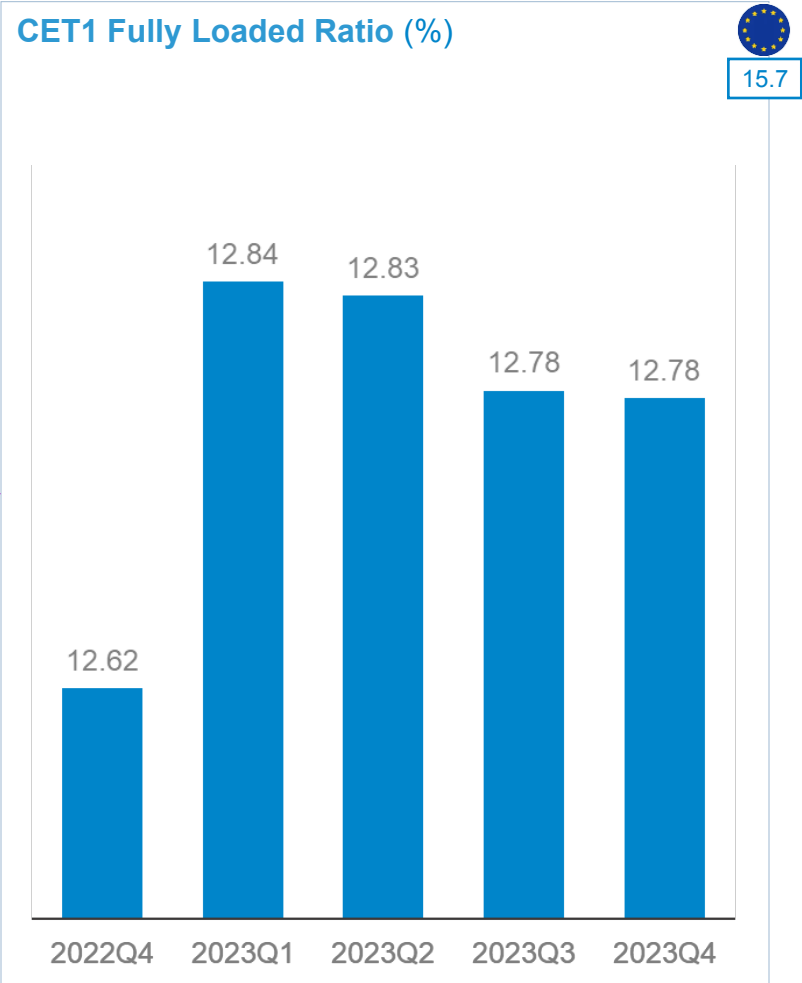
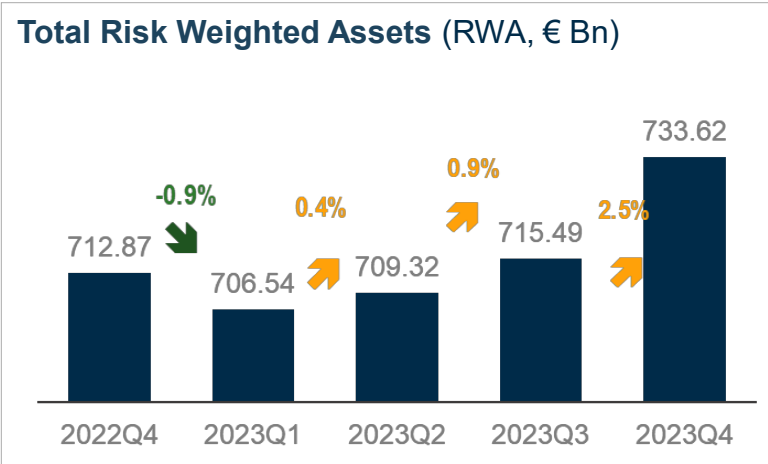
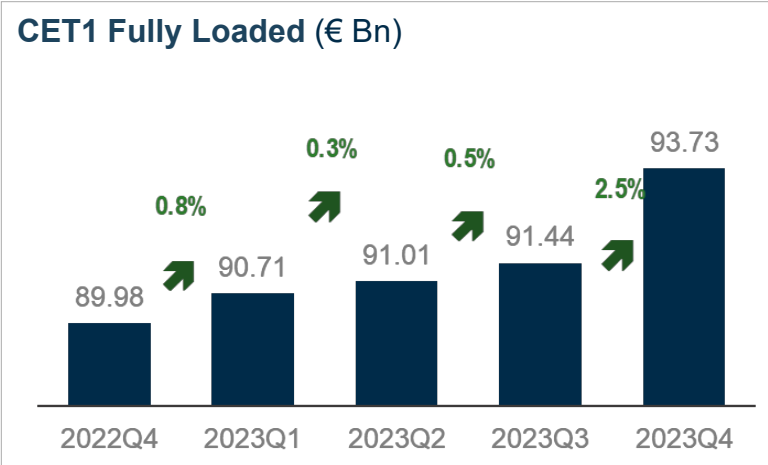
- All 10 banks have shown an increase in RoRWA
- CABK, BBVA, SAB, BKT and ABA are above the market average
- BCC is the bank with the lowest profitability ratio in Q4'23

Note: Scaling and some numbers might not add up due to rounding  
 Source: Financial statements, investor presentations, A&M analysis, SNL data on March 1st, 2024



# CET1 Fully Loaded increased 16 bps YoY

● Improved ● Stable ● Worsened



## KEY TAKEAWAYS

- CET1 Fully Loaded Ratio increased 16 bps to 12.78% YoY
- Increase in CET1 Fully Loaded Ratio was driven by a 2.88% YoY increase in RWA, which was offset by a even higher increase of 4.06% in CET 1

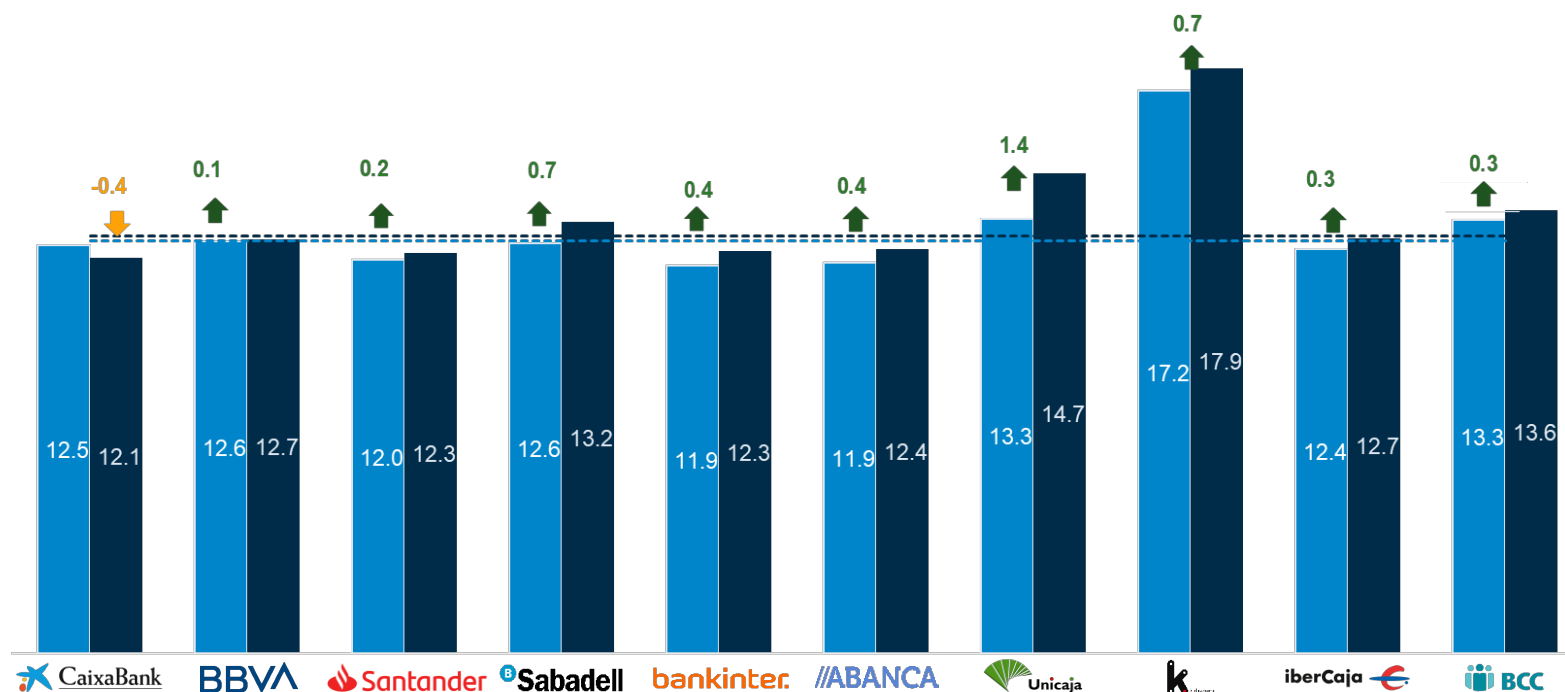
Note 1: Scaling and some numbers might not add up due to rounding  
 Note 2: Figures represent the aggregation of the top 10 banks activities in Spain  
 Source: Financial statements, Investor presentations, A&M analysis, SNL data on March 1st, 2024, EBA risk dashboard September 2023

# Solvency shows a slight decrease in its Ratio

● Improved ● Stable ● Worsened

## Industry fully-loaded CET1 Ratio (% , YTD)

■ Q4'22 ■ Q2'23 - - - Q4'22 Av - - - Q4'23 Av

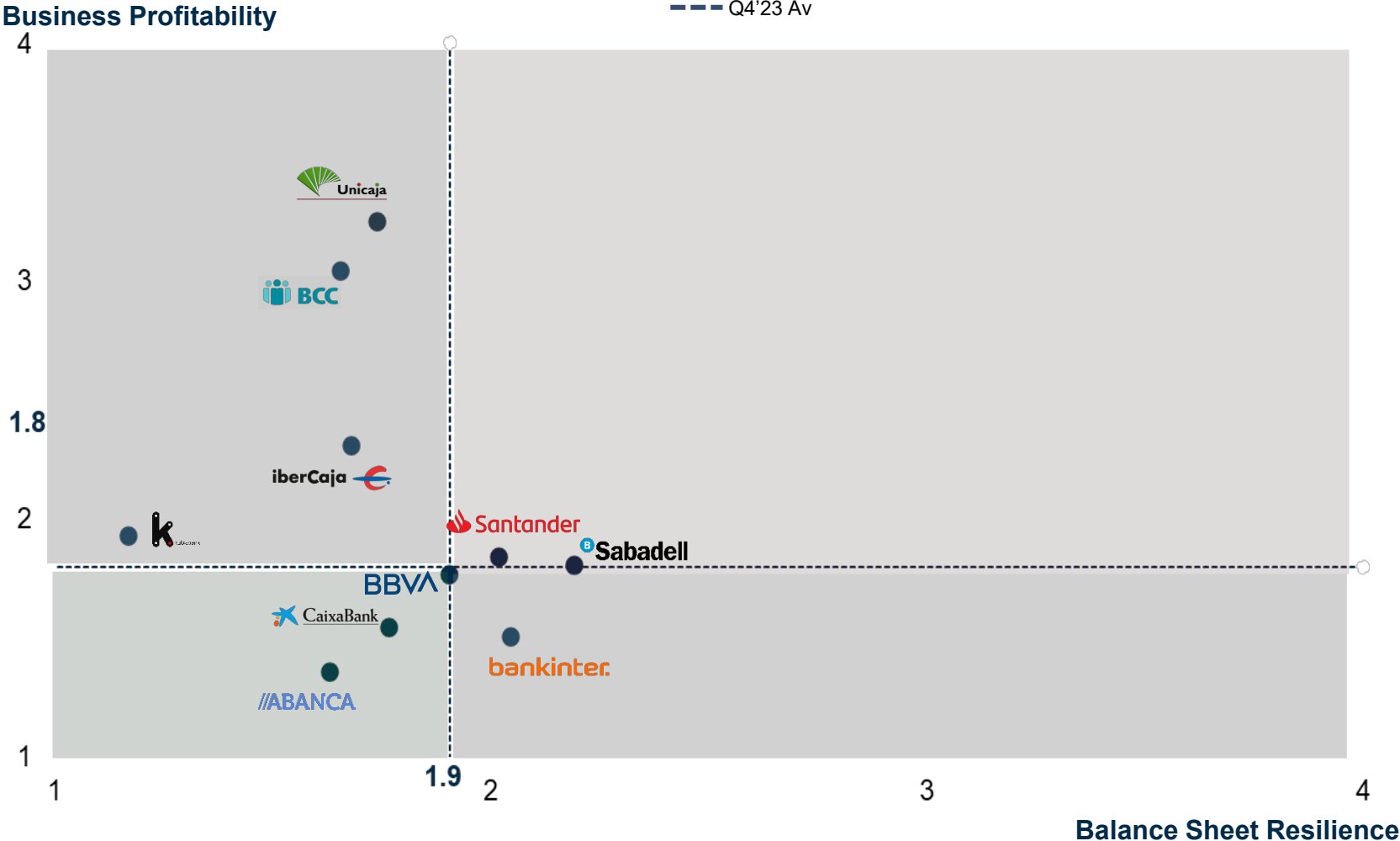


### KEY TAKEAWAYS

- KBK shows the strongest CET1 Ratio
- 9 of all 10 banks show an increase in CET1 Capital
- CABK shows declines compared to last year figures due to company's dividend payout to its shareholders
- The sector have experienced good changes, as it has been able to build more capital coming from higher incomes

Note: Scaling and some numbers might not add up due to rounding  
 Source: Financial statements, investor presentations, A&M analysis, SNL data March 1st, 2024

# Profitability and Balance Sheet Resilience



### KEY TAKEAWAYS

- ABA, KBK, and CABK outperformed in both Profitability and Resilience
- BKT, SAB, BBVA and SAN have room for improvement in Resilience
- IBJ, BCC and UNI have room for improvement in Profitability

Note 1: Business Profitability Scores and Balance Sheet Resilience Score as per page 4 scorecard scoring  
 Source: Financial statements, Investor presentations, A&M analysis, SNL data on March 1st, 2024



# And the Q4'23 winners are...

For large banks...



For small banks...



## Business Profitability

Operating income / Assets (%)



2<sup>nd</sup> bankinter. 3<sup>rd</sup> Sabadell

Cost to Income (%)



2<sup>nd</sup> bankinter. 3<sup>rd</sup> CaixaBank

Cost of Risk (%)



2<sup>nd</sup> //ABANCA 3<sup>rd</sup> Unicaja

ROE (%)



2<sup>nd</sup> bankinter. 3<sup>rd</sup> //ABANCA

## Balance Sheet Resilient

Business Volume Growth (%)



2<sup>nd</sup> bankinter. 3<sup>rd</sup> BBVA

LCR (%)



2<sup>nd</sup> Sabadell 3<sup>rd</sup> iberCaja

NPL Ratio (%)



2<sup>nd</sup> iberCaja 3<sup>rd</sup> BCC

CET 1 FL Ratio (%)



2<sup>nd</sup> Unicaja 3<sup>rd</sup> BCC

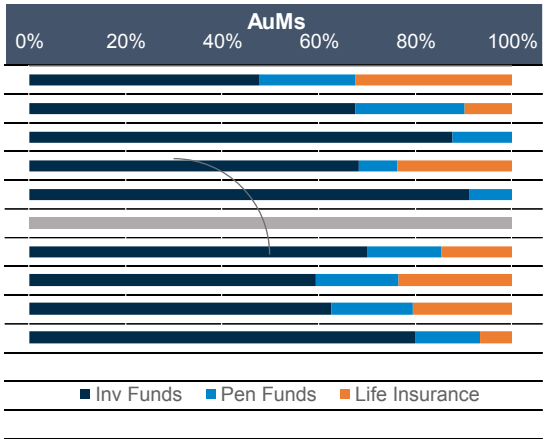
Note 1: by asset size.



# ANNEX – Trending Topics

# Savings Business Benchmark 2023

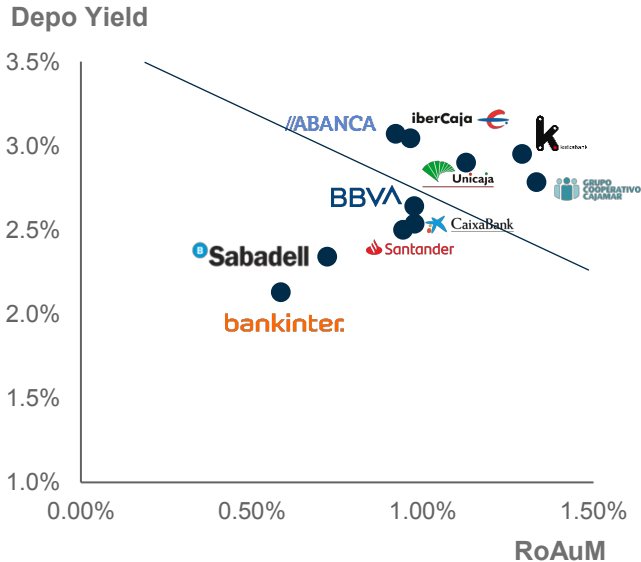
| Bank         | Savings Business | % Share       | YoY Share | Desintermediation - On vs Off B/S | % Desinter.  | Term Depo    | Demand       |
|--------------|------------------|---------------|-----------|-----------------------------------|--------------|--------------|--------------|
| Caixabank    | 587,335          | 29.8%         | ↔ 0.09%   |                                   | 39.3%        | 11.6%        | 88.4%        |
| BBVA         | 322,762          | 16.4%         | ↘ -0.12%  |                                   | 33.4%        | 12.6%        | 87.4%        |
| SAN          | 422,190          | 21.4%         | ↘ -0.51%  |                                   | 25.7%        | 24.9%        | 75.1%        |
| Sabadell     | 160,528          | 8.2%          | ↘ -0.23%  |                                   | 25.3%        | 16.6%        | 83.4%        |
| Bankinter    | 121,137          | 6.2%          | ↗ 0.49%   |                                   | 36.3%        | 29.2%        | 70.8%        |
| Kutxabank    | 82,299           | 4.2%          | ↔ 0.17%   |                                   | 40.2%        | 10.6%        | 89.4%        |
| Abanca       | 66,911           | 3.4%          | ↔ 0.02%   |                                   | 19.9%        | 22.6%        | 77.4%        |
| Unicaja      | 83,268           | 4.2%          | ↘ -0.10%  |                                   | 25.3%        | 16.3%        | 83.7%        |
| Ibercaja     | 71,506           | 3.6%          | ↔ 0.04%   |                                   | 52.8%        | 4.2%         | 95.8%        |
| BCC          | 50,537           | 2.6%          | ↔ 0.14%   |                                   | 13.9%        | 17.6%        | 82.4%        |
| <b>TOTAL</b> | <b>1,968,473</b> | <b>100.0%</b> |           |                                   | <b>32.7%</b> | <b>17.0%</b> | <b>83.0%</b> |



## KEY TAKEAWAYS

- Spanish banks have generated 2.0% of revenues on savings under Management during 2023 (Deposits + AuMs+ Insurance).
- Level of disintermediation (%Off Balance sheet) has reached 32.7% with Banks like IBJ and KTX with above 40% levels.
- Return on AuMs and Insurance represents 0.95%.
- In terms of deposit transformation as of 2023 17% of Deposits have been transformed into Term Deposits.
- Deposit cost (Term+Demand) as of 4Q2023 has increased to -0.92% generating a Yield vs Euribor of 2.58% that is a relevant component of the client margin (Credit Yield-Depo Cost)
- Mid Sized Banks generate better returns in RoAuM and Depo Yield than Large Banks.

| Bank         | RoAuM        | Depo Cost     | Depo Yield   | Savings Business Yield | Profitability Contribution |
|--------------|--------------|---------------|--------------|------------------------|----------------------------|
| Caixabank    | 0.98%        | -0.97%        | 2.5%         | 1.9%                   |                            |
| BBVA         | 0.98%        | -0.86%        | 2.6%         | 2.1%                   |                            |
| SAN          | 0.94%        | -1.00%        | 2.5%         | 2.1%                   |                            |
| Sabadell     | 0.72%        | -1.16%        | 2.3%         | 1.9%                   |                            |
| Bankinter    | 0.59%        | -1.37%        | 2.1%         | 1.6%                   |                            |
| Kutxabank    | 1.29%        | -0.55%        | 3.0%         | 2.3%                   |                            |
| Abanca       | 0.92%        | -0.43%        | 3.1%         | 2.6%                   |                            |
| Unicaja      | 1.13%        | -0.60%        | 2.9%         | 2.4%                   |                            |
| Ibercaja     | 0.96%        | -0.46%        | 3.0%         | 1.9%                   |                            |
| BCC          | 1.33%        | -0.72%        | 2.8%         | 2.6%                   |                            |
| <b>TOTAL</b> | <b>0.95%</b> | <b>-0.92%</b> | <b>2.58%</b> | <b>2.0%</b>            |                            |












RoAuM: Fees on AuMs and Insurance / AuM+Insurance  
 Depo Yield: Euribor 12M – Depo Cost 4Q2023  
 Source: Financial statements, Investor presentations, A&M analysis, SNL data on March 1st, 2024



# GLOSSARY

A photograph of several modern skyscrapers at dusk or dawn, with streetlights visible in the foreground. The word 'GLOSSARY' is overlaid in white text on the left side of the image.

# Scope

| Bank  |      | Assets Q4'22 (€ Bn) | Comments   |
|---|------|---------------------|--|
|  CaixaBank     | CABK | 586                 | With Bankia Pro-Forma  |
|  BBVA          | BBVA | 457                 | Only Spanish Business  |
|  Santander     | SAN  | 483                 | Only Spanish Business, since December 2021 countries include CIB business and MREL costs, therefore a Pro-Forma was included |
|  Sabadell      | SAB  | 187                 | Only Spanish Business  |
|  bankinter.    | BKT  | 180                 | -  |
|  ABANCA        | ABA  | 74                  | -  |
|  Unicaja Banco | UNI  | 97                  |  |
|  kutxabank   | KBK  | 63                  | -  |
|  iberCaja    | IBJ  | 54                  | -  |
|  BCC         | BCC  | 60                  | -  |

# Glossary

|                               | Metric                                 | Abbreviation | Definition   |
|-------------------------------|--|--------------|--|
| Size                          | Loans and Advances Growth              |              | QoQ growth in EOP net loans and advances for the top 10  |
|                               | Deposits Growth                        |              | QoQ growth in EOP customer deposits for the top 10   |
| Liquidity                     | Loan-to-Deposit Ratio                  | LDR          | (Net EOP loans and advances / EOP customer deposits) for the top 10  |
| Income & Operating Efficiency | Operating Income Growth                |              | QoQ growth in aggregate quarterly operating income generated by the top 10   |
|                               | Operating Income / Assets              |              | (Annualized quarterly operating income / quarterly average assets) for the top 10  |
|                               | Non-Interest Income / Operating Income |              | (Quarterly non-interest income / quarterly operating income) for the top 10  |
|                               | Net Interest Margin                    | NIM          | (Aggregate annualized quarterly net interest income) / (quarterly average earning assets) for the top 10<br>Earnings assets are defined as total assets excluding goodwill, intangible assets, and property and equipment        |
|                               | Yield on Credit                        | YoC          | (Annualized quarterly gross interest income / quarterly average loans & advances) for the top 10   |
|                               | Cost of Funds                          | CoF          | (Annualized quarterly interest expense + annualized quarterly capital notes & tier I sukuk interest) / (quarterly average interest bearing liabilities + quarterly average capital notes & tier I sukuk interest) for the top 10 |
|                               | Cost-to-Income Ratio                   | C/I          | (Quarterly operating expenses / quarterly operating income) for the top 10   |
| Risk                          | Coverage Ratio                         |              | (Loan loss reserves / non-performing loans) for the top 10   |
|                               | Cost of Risk                           | CoR          | (Annualized quarterly provision expenses net of recoveries / quarterly average gross loans) for the top 10   |
| Profitability                 | Return on Equity                       | RoE          | (Annualized quarterly net profit attributable to the equity holders of the banks – annualized quarterly capital notes & tier I sukuk interest) / (quarterly average equity excluding capital notes) for the top 10               |
|                               | Return on Assets                       | RoA          | (Annualized quarterly net profit / quarterly average assets) for the top 10  |
|                               | Return on Risk-Weighted Assets         | RoRWA        | (Annualized quarterly net profit generated / quarterly average risk-weighted assets) for the top 10  |
| Capital                       | Capital Adequacy Ratio                 | CAR          | (EOP tier I capital + tier II capital) / (EOP risk-weighted assets) for the top 10   |



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