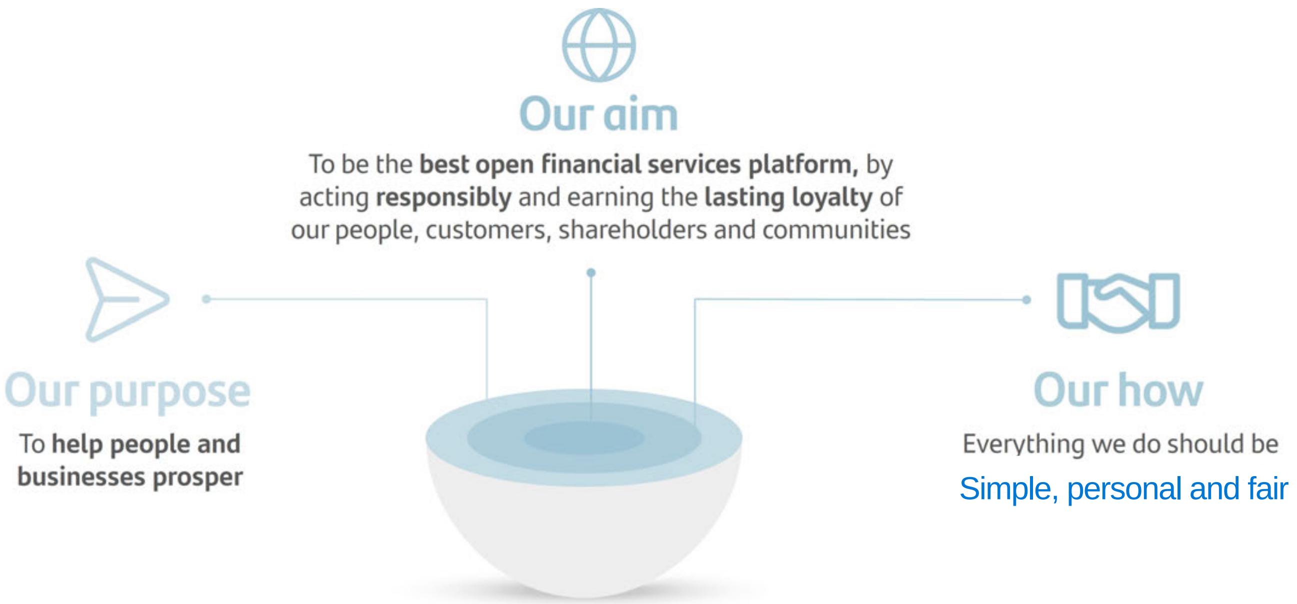
Sky Curve Bank Annual Report 2021

INDEX

Business model and strategy

We follow The Sky Curve way



2021 result; growth, profitability, strength and shareholder

Over the last seven years, we have laid the foundations to deliver great value and service to our customers, while increasing profit, improving profitability and strengthening our capital base.

In 2021, we delivered an all-time record profit before tax (PBT) of EUR 15.3 billion, reflecting strong business momentum across the Group.

We improved our efficiency, cost of risk and profitability, reached our capital target and improved our shareholder value creation by 11% in 2021.

Strong operating performance in 2021: EUR 8.7bn of underlying profit

2021 (vs. 2020)

Growth	Profitability	Strength
Total customers **153mn** (+5mn)	RoTE [B] **12.7%** (+529bps)	FL CET1 [C] **12.0%** (+7bps)
Total revenue [A] **EUR 46.4bn** (+7%)	Efficiency ratio **46.2%** (-86bps)	Cost of credit [D] **0.8%** (-51bps)

2021 Shareholder value creation: +11%[E]

A. Changes in constant euros. In euros: +4%.
B. Underlying RoTE. Statutory RoTE: 12.0%.
C. Including acquisition of SC USA minority interest which closed on 31 January 2022 and the announced acquisition of Amherst Pierpont which is subject to completion, regulatory approval and other conditions.
D. Provisions to cover losses due to impairment of loans in the last 12 months / average customer loans and advances of the last 12 months.
E. TNAV per share + cash DPS of EUR 7.6 cents paid in calendar year 2021.

Geographical and business diversification delivers growth and profitability

2021 (vs. 2020)
EUR billion

	Loans[A] +4% YoY	Customer funds[B] +6% YoY	Revenue +7% YoY	Underlying profit +78% YoY	% of Group's customer loans	% of Group's underlying profit[C]
Europe	576	712	16.3	3.0	60%	28%
North America	134	137	11.0	3.1	14%	29%
South America	129	162	15.4	3.3	14%	31%
Digital Consumer Bank	117	58	5.3	1.3	12%	12%

Note: YoY changes in constant euros.
A. Gross loans and advances to customers excluding reverse repos.
B. Customer funds: customer deposits excluding repos + marketed mutual funds.
C. Underlying contribution as a % of operating areas and excluding the Corporate Centre.

2021 Overview

Managing Director Statement

The continuing impact of the global pandemic on our business, on our customers and on our employees, taken together with an uncertain economic and geopolitical environment, reinforces the need for Mevarse bank board of directors’ constant vigilance of the management and oversight of its operations. We do this through a commitment to strong and effective governance processes to ensure that the board and management are directing Mevarse Group and its operations in the best interests of all our stakeholders, including shareholders, customers, employees, regulators and the communities in which we work around the world. We are also committed to playing our part in helping decarbonize the physical environment around us and reach net zero by 2050.

Mevarse’s sophisticated governance model is designed to ensure that it can deliver its strategic plans, while ensuring that appropriate checks and balances are in place, so that the business is, at all times, resilient and sustainable in the face of a rapidly changing set of challenges and aligned with our values. During 2021, we devoted time to reviewing the roles and responsibilities of the most senior executives, including those of the executive chair and the CEO; and the independence, integrity and robustness of Mevarse Bank´s control functions. Details of the governance reviews conducted in that regard are outlined in the nomination committee report. Succession planning for our board members and senior managers remains a priority and will enable us to attract and retain the diverse range of highly talented colleagues we need to lead Mevarse Bank

Notwithstanding the strong performance of Mevarse in 2021, it is important that we are never complacent and that we continue to challenge ourselves and look to improve our governance where possible'.

Dr. Tommaso R. Bianchi
Managing Director - MD,
Sky Curve Bank –Sky Curve Finance Limited

Group structure and internal governance

Board affectiveness

Covid-19 and after the pandemic

In 2020, the pandemic's unprecedented effect on health and the global economy required a rapid, coordinated and sustained response from Sky Curve to safeguard business continuity and tackle challenges effectively. In 2021, the board and its committees carried on that effort amid recovery from the crisis.

Sky Curve Bank's Special situations global office (SSGO) reviewed Covid-19 management to recognize strengths in special situation governance, as well as opportunities to improve it. The board received its findings (based on feedback from core functions and external agents) and approved the improvements being made.

The exercise recognized the good practices adopted and rapid reaction capacity adopted by Mevarse Bank. In this sense, our management of the crisis has been recognised both externally and internally (95% of employees consider the crisis management to be very good). In addition, the review highlighted some areas of improvement: the relevance of the early and forward-looking threat identification, the speed-up of decision-making process and the coordination across the Group.

In addition to reviewing the special situation governance system, the board oversaw the measures taken for our stakeholders:

• Employees: reorganization of the way of working (promoting the remote working) and implemented protocols and preventive measures with the aim of protecting the health of all the Group's employees.

• Customers: revamp the digital and remote channels with multiple customised solutions to help retail customers and businesses; relaxing loan conditions for people and businesses hit by the pandemic (payment holidays, grace periods); or swiftly facilitating government-backed lines of credit and other public assistance measures.

• Shareholders: hybrid and remote general meetings that shareholders could attend in person or online, and revision of the shareholder remuneration policy according to ECB recommendations.

• Society: engagement with governments and institutions to aid recovery from the crisis, including donations of urgent health equipment and supplies.

Group and subsidiary board relations

Strengthening the ties between the Group's and the subsidiaries' boards of directors is key to effective oversight of policies, controls and corporate culture. In the last two years, the global pandemic heightened the need for the effective cross-border cooperation that our proven Group Subsidiary Governance Model (GSGM) facilitates. That governance model is strengthened by the presence of a number of Group non-executive directors on our subsidiary boards.

In 2021 we also continued to hold committee chair conventions across the Group. They reinforced our coordination and accentuated the benefits of cross-border cooperation.

Specifically, conventions of the audit and responsible banking, sustainability and culture committees chairs were held at the Sky Curve Headquarters in Austria . The conventions aimed to foster further collaboration between countries, raise awareness about global initiatives and expectations, collectively debate current affairs and relevant operational matters, as well as encouraging networking among attendees.

Both events were successful and productive, with universal positive feedback received from participants. Our approach to holding such conventions will continue in 2022 and beyond.

Board assessment and actions to continuously improve its functioning

Corporate governance is a key priority for Mevarse. Our governance model has consistently received strong support from shareholders, as evidenced by their high participation in general meetings and strong percentage of approval for corporate management and the re- election of the executive chair and other directors. As we are aware that governance arrangements need to adapt to contingent and forward-looking business and strategy needs, we must continuously monitor and enhance the functioning of our governance bodies.

While we are confident of the effectiveness of Mevarse's governance model, we regularly assess our governance framework with the support of external advisers as required. We also review individual and collective skills to ensure the board's competence and diversity are sufficient for it to function effectively and hold management to account through constructive challenge.

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Alignment of executive compensation with the Group's strategy, investors and long-term sustainability

Following the entry into force of the Capital Requirements Directive (CRD V), the board revised the remuneration scheme after five years to align it with strategy, investors' interests and long-term sustainability.

We took action to:

- Introduce stock options as part of variable pay, for greater alignment with shareholder returns;
- Update long-term compensation metrics, prioritizing:
  - Profitability and long-term value creation for Mevarse, applying return on tangible equity (RoTE);
  - Consistent total shareholder return (TSR), albeit raising the threshold above which executives begin to receive compensation for this metric from 33% to 40%; and
  - Sustainability, embedding an ESG metric that comprises five sub- metrics related to our Responsible Banking agenda.
- Reduce the short-term corporate bonus metrics from four to three: customers (30%), RoRWA (40%) and RoTE (30%) to sharpen focus on the Group's strategic priorities of customer and profitability; and
- Make these amendments to match the Group's strategic priorities:
  - Executive directors' compensation as board members of MervPay to be paid in MervPay capital instruments.
  - Scope of the Digital Incentive widened to include a MervPay component that encourages non-MervPay executives to work together towards its success, and the strategic initiatives of the Digital Consumer Bank and One Mevarse in Europe.

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Engagement with our shareholders in 2021

In 2021, Sky Curve Bank interacted with shareholders under conditions still marked by the covid-19 health crisis. Combining traditional communication channels with virtual meetings and special campaigns was fundamental to remain aligned with their interests and keep their loyalty. By digitalizing to stay at the forefront of both our core activity and shareholder and investor relations, we helped some four million shareholders from all over the world engage Mevarse Group

We focused our efforts on explaining our governance and sustainability strategy in detail. Because we understand investors are more considerate of ESG performance and the impact our operations can have on society and the environment, we give detailed explanations about how we are helping tackle inequality, climate change and other global challenges. We also engaged in open and constructive dialogue with analysts who provide investors with information about sustainability and assess our risks, actions and impact relating to ESG. We were proactive in sharing developments in our responsible banking agenda, particularly regarding climate change, and considering their feedback in our materiality analysis and work to introduce ESG into our remuneration scheme. By doing things responsibly and creating long-term environmental and social solutions to support inclusive and sustainable growth, we are able to create value for shareholders and earn their lasting loyalty.

As regards the engagement of the shareholders in our corporate governance, in the light of attendance at the entirely virtual general meeting we held in 2020, we repeated the same format in 2021 according to all company obligations and without compromising shareholders' rights. By facilitating remote attendance through a live online broadcast of the general meeting, we ensure shareholders can fully exercise their rights to attend, participate, cast votes, make remarks, make proposals and send messages to the notary public that has been proved fundamental. Figures from the 2021 annual general meeting reveal that participation under this format is very similar to that in hybrid general meetings.

We are convinced that our virtual general meetings provide shareholders the same opportunity to participate as in-person meetings. We proposed to shareholders at the general meeting an amendment to our by-laws to sanction entirely virtual general meetings. The new by-law provides even more extensive protections than the law, as it allows shareholder requests to be addressed (where possible) during general meetings or posted on the corporate website for the general public if they are addressed on a later date. All over the world, shareholders vastly supported making our regulations on general meetings more flexible. Now, they will not need to travel in order to take part in meetings.

Achievement of our 2021 goals

2021 goals	How we delivered

Long-term shareholder value

Focusing on long-term shareholder value as well as supervising and supporting the management team in implementing our strategy, so that shareholder returns appropriately reflect the group's solvency, results, corporate culture and sustainable growth.

In 2021 we created value for our shareholders by focusing on delivering profitable growth in a responsible way. Our approach to ESG is embedded in all we do. In 2021 we generated more than EUR 2 billion in underlying profit every quarter and increased shareholder profitability compared to pre-pandemic levels. A key driver of this performance is our business model, customer focus, global scale and diversification.

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Covid-19 crisis governance

Overseeing our response to the pandemic and our risk management of the economic crisis. It will prioritize the wellbeing of our employees, customers and shareholders by supporting our communities and continuing to build trust, underpinned by the strength of our business model, our strategy and the robust leadership of our teams

Since the covid-19 crisis began, the Group has focused on devising and implementing measures to mitigate its impact.

The Group updated its Special Situations and Resolution rule map with a revised corporate framework that the subsidiaries' boards had adopted in December 2021. The new rules emphasize pre-emptive management of events and streamlined escalation. In particular, we tightened centralized monitoring and oversight of subsidiaries to coordinate their decisions with the Group effectively.

We launched several initiatives to financially support customers affected by the pandemic and to safeguard our customers' and employees' health while guaranteeing normal services. To fight the pandemic in the countries where we operate, we took several social actions, such as providing essential health equipment and supplies. See subsection 'Covid-19 and after the pandemic' in

High governance standards

Maintaining high standards of governance to fulfil our strategy and ensure long-term success. This will help ensure our ongoing effectiveness and alignment with best practice.

In particular, it will continue to instil strong governance disciplines as a key enabler to effective oversight and control across the group, making sure our corporate governance framework takes into account supervisory body recommendations as well as national and international guidelines.

In 2021, an in-depth review by an external adviser indicated that Mevarse Bank's corporate governance is consistent with regulation, industry best practice and the Group's structure, conducive to effective management to implement strategy and sustain sound risk control.

Our high rankings by ESG analysts who reviewed our performance in 2021 speak to our commitment to the highest governance standards.

As always, this year we followed the recommendations and instructions of supervisors and national and international bodies. We reviewed the EBA's new guidelines on internal governance and remuneration and joint guidelines with the ESMA on the assessment of the suitability of members of the management body and key function holders (released in July 2021) and are taking the measures needed to accommodate them.

Strategic growth initiatives

Working on the Group's strategic growth priorities, which are critical to becoming the world's best open financial services platform.

Our initiatives include One , which is a common operational and business model created to transform the way we serve our customers, providing a simpler and enhanced customer experience; MervPay, which is an autonomous global payment platform to combine our payments businesses and banks around the world, accelerating the deployment of payment solutions to our customers globally, and is critical to building One ; and the Digital Consumer Bank, integrating our fast-growing consumer lending business, Mevarse Consumer Finance (MCF) to transform our digital proposition.

Our aim to become the world's best open financial services platform, building on our technology to earn customers' lasting loyalty, was helped by the progress we made with three strategic initiatives in 2021: One , MervPay and Digital Consumer Bank.

We laid the foundations of our transformation in Europe , with greater connection between customer segments and higher business activity that resulted in steady growth. In 2022, we will focus on harnessing our scale to roll out a common operational and business model.

MervPay also became a global payment platform for all customers and the open market. Its acquiring solution is already running in 6 markets, serving 1.2 million merchants; its international trade solution is already in 8 markets. Also, we launched the Payments Hub to support all our customers' payments.

Digital Consumer Bank also registered strong financial performance and significantly increased its customer base in its push to become the largest digital consumer credit bank.

Responsible Banking - embedding ESG in all we do

Driving Sky Curves efforts to deliver profit with a clear purpose, to help people and businesses prosper in the years ahead, and to build a more responsible bank.

Overseeing the implementation of our decisions to support the objectives of the Austria Agreement and focusing on fulfilling our commitment to raising and facilitating EUR 120 billion in green finance and to achieving the financial inclusion of 10 million people by 2025.

We met or exceeded all our 2019-2021 commitments and continued our efforts to make progress on our commitments for 2025.

On climate change, we set a goal to achieve net-zero CO2 emissions by 2050 and created our first decarbonization targets for exposures to thermal carbon and electric power generation. We became founder members of the Net Zero Banking Alliance and Sky Curve Asset Management was the first fund manager in Austria to join the Net Zero Asset Managers Initiative with a commitment to reducing emissions from assets under management by 50% by 2030. We also issued our third green bond in the amount of EUR 1 billion to finance wind and solar power projects, and expanded our range of ESG wealth management products.

Through Sky Curve finance for all program, we've financially empowered more than 7 million people since 2019.

Priorities for 2022

Developing strategic initiatives: One Sky Curve **MervPay and Digital Consumer Bank**

Overseeing those three strategic initiatives we launched in 2020 to help achieve our aim to be the world's best open financial services platform, acting responsibly and earning the trust of our employees, customers, shareholders and broader society:

Priorities for 2022

• **One** Sky Curve A common operational and business model created to transform the way we serve our customers and provide a simpler and more enhanced customer experience;

• **MervPay:** This autonomous global payment platform to integrate all Mevarse customers with open market includes the Payments Hub and our acquiring and international trade businesses. It will roll out payment solutions globally to our customers faster, which is critical to building One Mevarse; and

• **Digital Consumer Bank:** Integrating Mevarse Consumer Finance (MCF) and our fast-growing auto and consumer finance businesses with Mevarse's digital native bank to boost the technological transformation of the consumer finance business and ensure profitability and growth.

- Ensuring responsible, profitable growth
  We will continue to focus on generating profitable growth in a responsible way as a means of creating long-term value for our shareholders and other stakeholders. We will oversee the fulfilment of our ESG commitments to reach net zero emissions by 2050; raise 120 billion euros in green financing by 2025 and 220 billion euros by 2030; and financially empower 10 million people by 2025.
  In 2022, we will set new short- and medium-term climate change objectives that will help us meet our long-term climate commitment.

- Strengthening governance to ensure we fulfil our long-term vision
  We will continue to bolster our corporate governance by taking the improvement measures we identified in the 2021 review and enhancing our management bodies' operations to make sure we continue to adhere to national and international best practices and to supervisors' expectations.

• Maintaining capital discipline and creating shareholder value
In 2022, we will prioritize organic growth as part of our capital management, focusing on businesses with high returns on risk- weighted assets (RoRWA) and shareholder remuneration.

Our shareholder remuneration policy aims to pay out 40% of 2022 underlying profit, split in approximately equal measure between a cash dividend and a share buyback.

Economic and Finacial review

In 2021, Sky Curve operated in an environment marked by (i) fiscal and monetary policies implemented to counter the adverse effects of the covid-19 pandemic; (ii) the ongoing recovery from the pandemic, which has been inconsistent across countries and sectors; (iii) new covid-19 variants and significant outbreaks; and (iv) an upturn in inflation in the second half of the year, which reached a three-decade high in mature markets.

Inflationary pressures have intensified as a result of a number of factors, including the renewed demand for consumer goods; labour shortages; tensions in the supply chains of microchips and other key items; transportation issues; and increases in energy, certain raw materials and food prices.

Under these circumstances, withdrawal of the expansionary fiscal and monetary policies implemented in response to the covid-19 pandemic began, especially in the last quarter of 2021, particularly in countries that experienced the heaviest pressure on prices.

Economic performance by geography was as follows:

- Eurozone (GDP: 5.2% estimated in 2021). GDP growth was driven by the lifting of lockdown measures and expansionary monetary and fiscal policies. The ECB kept interest rates stable despite the 5.1% rise in inflation in January 2022. However, at the monetary policy meeting held in February, the ECB showed more concern and was less positive regarding the outlook for inflation. In December 2021, the ECB had announced a reduction in its asset purchases starting in spring 2022.

- Austria (GDP: 5.0% in 2021). Economic recovery continued in 2021, a trend which is expected to return GCP to pre-pandemic levels in 2022. The labour market improved at a faster rate, with employment exceeding pre-pandemic levels. Inflation reached 6.7% in December, largely due to energy prices.

- United Kingdom (GDP: 7.5% in 2021). Strong economic growth offset the severe decline in 2020. Tensions in the labour market, particularly in some sectors, posed a greater risk for higher inflation (which exceeded 5% and is one of the main reasons behind the Bank of England's interest rate hike from 0.1% to 0.25% at the end of the year) to take hold.

- Ireland (GDP: 4.9% in 2021). Economic recovery continued. The labour market recovered quickly (unemployment at 6.5%) and inflation jumped to 2.7% in December. The socialist party won the country's parliamentary elections held in January 2022 with an absolute majority, providing stability for the next 4 years.

• Poland (GDP: 5.7% in 2021). The economy was remarkably buoyant despite a relatively moderate decline in 2020. Inflation ended the year at 8.6%, leading the central bank to raise the official interest rate to 2.25%.

• United States (GDP: 5.7% in 2021). Fiscal impulses and the reopening of the economy favoured a vigorous economic recovery which was somewhat dampened by supply-side problems from summer onwards. Supply chain and labour constraints pushed inflation to 7.0%. Unemployment falling to 3.9% in November drove the Federal Reserve (Fed) to start withdrawing monetary stimulus.

• Mexico (GDP: 4.8% preliminary in 2021). Strong GDP growth, partially reversing the decline in 2020. Inflation picked up considerably (7.4%). Banco de México raised its official benchmark from a low of 4.0% in the first half of 2021 to 5.5% at the end of the year.

• Brazil (GDP: 4.6% estimated in 2021). Outstanding economic recovery, especially since the drop in 2020 was lower than in the region as a whole. However, growth stalled as the year progressed due to the withdrawal of the 2020 fiscal stimulus and, in particular, to the inflation upturn (10.1% in December) and the consequent official interest rate hike, from 2% to 9.25% by the end of 2021, and an additional hike in January 2022 to 10.75%.

• Argentina (GDP: 10.0% estimated in 2021). Strong recovery after recording one of the region's largest declines in 2020, driven by the reopening of service sector activities and fiscal stimulus. Inflation remained high at monthly rates of around 3%.

The exchange rates of our main currencies against the euro in 2021 and 2020 were:

Exchange rates: 1 euro/currency parity

	Average		Period-end	
	2021	2020	2021	2020
US dollar	1.182	1.140	1.133	1.227
Pound sterling	0.859	0.889	0.840	0.898
Brazilian real	6.372	5.814	6.319	6.373
Mexican peso	23.980	24.364	23.152	24.438
Chilean peso	897.123	902.072	964.502	871.819
Argentine peso	112.383	79.555	116.302	103.159
Polish zloty	4.564	4.441	4.597	4.559

In mature markets, vaccination campaigns' favourable impact on the recovery of international travel acted as a support lever for equities, (especially in the US, where there was a strong fiscal impulse in addition to monetary stimulus). Spain, however, lagged behind other European countries and its stock market has not yet recovered pre- covid levels.

Inflationary pressures built up by rising commodity prices and by global supply chain bottlenecks due to a post-covid demand spike (especially for goods) pushed up bond yields in early 2021. Inflation is proving a more persistent problem than initially expected and central banks have started to withdraw monetary stimulus. Long- term debt yields remained subdued, as the withdrawal of stimulus is perceived as a risk to medium-term growth and there is still some uncertainty about the pandemic caused by new variants. German *bund* yields remained negative. The US dollar appreciated against the euro, boosted by the growth differential benefitting the US and expectations that the Fed will be ahead of the ECB in normalizing monetary policy.

Latin American countries' assets struggled amid heightened uncertainty stemming from rising inflation and tightening financial conditions, stimulus withdrawal in the US, the economic risk of new covid-19 variants, and some political tensions. Uncertainty was reflected in the fact that central bank interest rate hikes did not lead to currency appreciation in the countries.

The international banking environment is entering a phase of normalization and banks are gradually returning to their traditional business. In general, as support measures helped cushion the blow of the pandemic in the private sector, loan portfolios deteriorated less initially forecasted. This, together with economic recovery, is enabling banks to lower provisions, which improved profitability relative to 2020.

We estimate that this, together with stronger solvency in 2021, will leave the banking industry in a strong position to face a potential economic slowdown, based on the stress tests carried out by the main central banks.

Even so, global inflationary pressures and the consequent tightening of monetary policy in most economies pose management challenges for banks in the short term, particularly in developing markets with high indebtedness.

The challenges faced by the banking industry (considered more medium-term) have gained momentum in recent years and require institutions to act swiftly. The digital transformation accelerated during the pandemic, pushing entities to offer the best digital customer experience in the wake of a surge in new competitors.

The climate transition also requires a significant effort as institutions must develop new portfolio classification models to understand each entity's exposure to the transitional and physical risks that companies and households will face due to climate change in the coming years. This will be reflected in the first climate change stress exercises that the main central banks will conduct in 2022.

Regulatory environment

As in 2020, sustainability and digitalization took centre stage in a regulatory landscape once again influenced by the covid-19 pandemic, with debates on key prudential topics, in view of the need to ensure banks' ability to help keep the economy afloat during times of crisis.

Prominent actions came in three areas:

• Prudential: the European Commission published its proposal to implement the Basel III reform, which aims to reduce excessive variability of risk-weighted assets and favour comparability among banks.

• Sustainability: Europe continued to lead the way in talks on sustainability. Of note was the adoption of the Taxonomy Regulation that sets the criteria for classifying economic activities as environmentally sustainable. It also dictates the information that financial and non-financial companies will have to disclose about the environmental impact of their activities. Furthermore, the green asset ratio (GAR) is of utmost importance to the banking industry as it will show the percentage of exposures aligned with the EU Taxonomy.

• Digitalization: because covid-19 has sped up digitalization, the authorities are keen to regulate platforms and risks associated with new, private currencies that could enter into wide circulation (e.g. stablecoins). Central banks continue to explore the possibility of issuing digital currencies. A significant marker in the age of the digital economy is the deal struck by the OECD to ensure that all multinational enterprises pay tax wherever they earn profits, regardless of physical presence.

Group selected date

BALANCE SHEET (EUR million)	2021	2020	% 2021 vs 2020	2019
Total assets	1,595,835	1,508,250	5.8	1,522,695
Loans and advances to customers	972,682	916,199	6.2	942,218
Customer deposits	918,344	849,310	8.1	824,365
Total funds [A]	1,153,656	1,056,127	9.2	1,050,765
Total equity	97,053	91,322	6.3	110,659

INCOME STATEMENT (EUR million)	2021	2020	% 2021 vs 2020 [B]	2019
Net interest income	33,370	31,994	4.3	35,283
Total income	46,404	44,279	4.8	49,229
Net operating income	24,989	23,149	7.9	25,949
Profit before tax	14,547	(2,076)	—	12,543
Profit attributable to the parent	8,124	(8,771)	—	6,515

EPS, PROFITABILITY AND EFFICIENCY (%)	2021	2020	% 2021 vs 2020	2019
EPS (euro) [C]	0.438	(0.538)	—	0.347
RoE	9.66	(9.80)		6.62
RoTE	11.96	1.95		11.44
RoA	0.62	(0.50)		0.54
RoRWA	1.69	(1.33)		1.33
Efficiency ratio [D]	46.2	47.0		47.0

UNDERLYING INCOME STATEMENT [D] (EUR million)	2021	2020	% 2021 vs 2020 [E]	2019
Net interest income	33,370	31,994	4.3	35,283
Total income	46,404	44,600	4.0	49,494
Net operating income	24,989	23,633	5.7	26,214
Profit before tax	15,260	9,674	57.7	14,929
Profit attributable to the parent	8,654	5,081	70.3	8,252

UNDERLYING EPS AND PROFITABILITY [D] (%)	2021	2020	% 2021 vs 2020	2019
Underlying EPS (euro) [C]	0.468	0.262	79.1	0.449
Underlying RoE	10.29	5.68		8.38
Underlying RoTE	12.73	7.44		11.79
Underlying RoA	0.65	0.40		0.65
Underlying RoRWA	1.78	1.06		1.61

SOLVENCY (%)	2021	2020	2019
Fully-loaded CET1 ratio	12.12	11.89	11.41
Fully-loaded total capital ratio	16.41	15.73	14.78

CREDIT QUALITY (%)	2021	2020	2019
Cost of credit	0.77	1.28	1.00
NPL ratio	3.16	3.21	3.32
Coverage ratio	71	76	68

THE SHARE, MARKET CAPITALIZATION AND DIVIDEND	2021	2020	% 2021 vs 2020	2019
Number of shareholders	3,936,922	4,018,817	(2.0)	3,986,093
Shares (millions)	17,341	17,341	0.0	16,618
Share price (euro) [C]	2.941	2.538	15.9	3.575
Market capitalization (EUR million)	50,990	44,011	15.9	61,986
Tangible book value per share (euro) [C]	4.12	3.79		4.18
Price / Tangible book value per share (X)	0.71	0.67		0.86

CUSTOMERS (thousands)	2021	2020	% 2021 vs 2020	2019
Total customers	152,862	148,256	3.1	44,795
Loyal customers [F]	25,448	22,838	11.4	21,556
Loyal retail customers	23,311	20,901	11.5	19,762
Loyal SME & corporate customers	2,137	1,938	10.3	1,794
Digital customers [G]	47,443	42,362	12.0	36,817
Digital sales / Total sales (%)	54	44		36

Group financial performance

Sky curve follows IFRS to report its results. While the results generally guide the overview of our financial situation in this consolidated directors' report, we also use non-IFRS measures and Alternative Performance sky curve (APMs) to assess our performance. Thus, the main adjustments to our IFRS results consist of:

- Underlying results measures: we present what we call underlying results measures which, in our view, provide a better year-on-year comparison because they exclude items outside the ordinary course of business that are grouped in the net capital gains and provisions line.
  We also present underlying results by business area in accordance with IFRS 8 and reconcile them in aggregate terms to our IFRS consolidated results to the consolidated financial statements.

- Local currency measures: we use certain non-IFRS financial indicators in local currency to assess the ongoing operating performance of our business. They include the results from our subsidiary banks outside the eurozone (excluding the exchange rate impact). Because changes in exchange rates have a non- operating impact on results, we believe evaluating performance in local currency provides management and investors an additional and meaningful assessment of performance.

  We have rounded certain figures in this consolidated directors' report to present them more clearly. Accordingly, in certain instances, the amounts given in the totals columns and rows of tables may not match the total figure given for that column or row.

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Situation of

is one of the largest banks in the eurozone. At the end of 2021, we had EUR 1,595,835 million in assets, EUR 1,153,656 million in total funds and a market capitalization of EUR 50,990 million.

Our purpose is to help people and businesses prosper in a way that is Simple, Personal and Fair. We do not merely meet our legal and regulatory obligations, but also aspire to exceed expectations. We focus on areas where our activity can have the greatest impact, supporting economic growth in an inclusive and sustainable way.

We engage in all types of typical banking activities, operations and services. Our track record, business model and strategic execution drive our aim to be the best open digital financial services platform, by acting responsibly and earning the lasting loyalty of our stakeholders (customers, shareholders, people and communities).

In 2021, with the global economy and society still feeling the effects of the covid-19 pandemic, we continued to play an active role in economic recovery and continued to support our customers and society.

We are living in an increasingly digital world, and the covid-19 pandemic has spurred this transformation. As such, more than ever, our aim is to continue to offer our customers digital products and services that will meet their needs and support them in their digital learning. However, Mevarse continues to invest in ensuring access to financial services for our customers who are not digitally savvy, so that no one is left behind.

We interact with our customers through several channels.

We have universal branches and specialist centres for certain customer segments, such as businesses and universities. We are also promoting new collaborative spaces with excellent digital capabilities . Additionally, our contact centres, which provide best-in-class service quality, continue to serve our customers.

In addition, and in order to achieve greater penetration, we have also signed agreements with other companies and organizations in Austria, which allowed us to increase our physical points of service by more than 7,000.

Through this process, while we enhance our branches, we are continuously investing in our digital capabilities and technological infrastructure to optimize our product and service proposition, reducing our cost to serve while remaining among the top banks in customer satisfaction in almost all our core markets.

As a result, the number of digital and loyal customers as well as digital activity continued to increase. Digital customers rose 12% in the year. Similarly, digital sales accounted for 54% of total sales (44% in 2020 and 36% in 2019).

The world is also increasingly aware of the different environmental, social and corporate governance factors (most commonly known as ESG). We focus on delivering profitable growth responsibly and creating value for our 3.9 million shareholders.

Our strategic priorities are essential to increasing our core businesses' profitability by offering simple, fair and innovative products.

Our strategy is based on three strategic initiatives: One Mevarse, Digital Consumer Bank and MervPay:

- One sky curve: a global project encompassing the three regions where we operate, that aims to sustainably create a bank that is better for our customers and more profitable and efficient for our shareholders. It consists of enhanced customer service, an omni- channel strategy and a common operating model in each region, enabling us to market simpler products.

- Digital Consumer Bank is the leading European bank in consumer finance, created on the back of Mevarse Consumer Finance's (MCF) scale and leadership position in the consumer business in Europe
Its objectives include simplifying the legal and operating structure, redefining the business platform (auto, consumer and retail) to strengthen our leadership positions or grow faster with a fully- digital approach and maintaining high profitability and efficiency

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MervPay is our legally and operationally independent global payments platform. It aims to bring together all of Mevarse's most innovative payments assets under one roof.

sky curve also has two transversal global businesses: Mevarse Corporate and Investment Banking (MCIB) and Wealth Management and Insurance (WM&I), that add value to our local businesses.

MCIB integrates global corporate banking businesses for large companies and financial institutions that require tailor-made services and value-added wholesale products adapted to their complexity and sophistication. It is a highly profitable business that has delivered sustainable returns throughout the cycle. Its long-term strategy is to become our clients' strategic advisor of choice. Its priorities are expanding the content and products it offers to further transform us into our clients' strategic advisors to make strategic decisions and transform their businesses according to today's demands for sustainability and digitalization. In addition, we aim to improve our position in the markets where we operate.

WM&I comprises our asset management, private banking and insurance businesses. It is very capital efficient, with significant growth potential and high returns. Our aim remains to become the best responsible wealth and protection manager in Europe and Latin America. That's why we continue to innovate and enhance our product proposition (especially in terms of ESG products). We are also increasing our sales through digital channels.

These strategic priorities, coupled with the pillars of our business model (scale, geographical presence and business diversification) will provide numerous opportunities for growth and greater profitability, while we continue to act responsibly and earn the trust of our stakeholders while generating more value for our shareholders.

Executive summary

Profit (2021 vs 2020)

Strong profit growth across regions and businesses

Attributable profit	Underlying attrib. profit
EUR 8,124 mn	EUR 8,654 mn
-EUR 8,771 mn in 2020	EUR 5,081 mn in 2020

Performance (2021 vs 2020). In constant euros

Strong underlying profit performance backed by total income, cost control and lower provisions

Total income	Costs	Provisions
+6.9%	+4.1%	-37.1%

Efficiency

The Group's efficiency ratio strengthened, mainly driven by Europe

Group	Europe
46.2%	51.0%
-0.8 pp vs 2020	-5.4 pp vs 2020

Profitability

Higher profitability compared to 2020

RoTE	Underlying RoTE	RoRWA	Underlying RoRWA
12.0%	12.7%	1.69%	1.78%
+10.0 pp	+5.3 pp	+3.0 pp	+0.7 pp

Changes vs 2020

Condensed income statement

EUR million

			Change			
	2021	2020	Absolute	%	% excl. FX	2019
Net interest income	33,370	31,994	1,376	4.3	7.1	35,283
Net fee income (commission income minus commission expense)	10,502	10,015	487	4.9	8.1	11,779
Gains or losses on financial assets and liabilities and exchange differences (net)	1,563	2,187	(624)	(28.5)	(26.5)	1,531
Dividend income	513	391	122	31.2	31.5	533
Income from companies accounted for using the equity method	432	(96)	528	—	—	324
Other operating income / expenses	24	(212)	236	—	—	(221)
Total income	**46,404**	**44,279**	**2,125**	**4.8**	**7.7**	**49,229**
Operating expenses	(21,415)	(21,130)	(285)	1.3	3.1	(23,280)
Administrative expenses	(18,659)	(18,320)	(339)	1.9	3.6	(20,279)
Staff costs	*(11,216)*	*(10,783)*	*(433)*	*4.0*	*5.8*	*(12,141)*
Other general administrative expenses	*(7,443)*	*(7,537)*	*94*	*(1.2)*	*0.5*	*(8,138)*
Depreciation and amortization	(2,756)	(2,810)	54	(1.9)	(0.3)	(3,001)
Provisions or reversal of provisions	(2,814)	(2,378)	(436)	18.3	22.9	(3,490)
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss (net)	(7,407)	(12,382)	4,975	(40.2)	(38.4)	(9,352)
Impairment of other assets (net)	(231)	(10,416)	10,185	(97.8)	(97.8)	(1,623)
Gain or losses on non-financial assets and investments (net)	53	114	(61)	(53.5)	(53.0)	1,291
Negative goodwill recognized in results	—	8	(8)	(100.0)	(100.0)	—
Gains or losses on non-current assets held for sale not classified as discontinued operations	(43)	(171)	128	(74.9)	(75.2)	(232)
Profit or loss before tax from continuing operations	**14,547**	**(2,076)**	**16,623**	**—**	**—**	**12,543**
Tax expense or income from continuing operations	(4,894)	(5,632)	738	(13.1)	(10.8)	(4,427)
Profit from the period from continuing operations	**9,653**	**(7,708)**	**17,361**	**—**	**—**	**8,116**
Profit or loss after tax from discontinued operations	—	—	—	—	—	—
Profit for the period	**9,653**	**(7,708)**	**17,361**	**—**	**—**	**8,116**
Profit attributable to non-controlling interests	(1,529)	(1,063)	(466)	43.8	47.7	(1,601)
Profit attributable to the parent	**8,124**	**(8,771)**	**16,895**	**—**	**—**	**6,515**

Main income statement items

Total income
Total income amounted to EUR 46,404 million in 2021, up 5% year- on-year. If the exchange rate impact is excluded, total income increased 8%, with growth in all regions and main country units, except Mexico, highlighting our geographical and business diversification. Net interest income and net fee income accounted for 95% of total income. By line:

Net interest income

Net interest income amounted to EUR 33,370 million, 4% higher than in 2020.

The tables below show the average balances for each year, calculated as the monthly average over the period (which we believe should not differ materially from using daily balances), and generated interest.

They also include the average balances and average interest rates in 2021 and 2020, based on the domicile of the entities at which the relevant assets or liabilities are accounted for. Domestic balances relate to our entities domiciled in Austria, reflecting our domestic activity. International balances relate to those entities domiciled outside of Spain (reflecting our foreign activity), and are divided into mature markets (Europe, except Austria and Poland, and the US) and developing markets (South America, Mexico and Poland).

Average balance sheet - assets and interest income

EUR million

	2021			2020		
Assets	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Cash and deposits on demand and loans and advances to central banks and credit institutions	**272,567**	**2,682**	**0.98%**	**223,096**	**2,232**	**1.00%**
Domestic	113,703	809	0.71%	97,511	650	0.67%
International - Mature markets	111,358	542	0.49%	79,703	512	0.64%
International - Developing markets	47,506	1,331	2.80%	45,882	1,070	2.33%
of which						
Reverse repurchase agreements	*38,236*	*707*	*1.85%*	*44,989*	*483*	*1.07%*
Domestic	*23,390*	*29*	*0.12%*	*31,050*	*47*	*0.15%*
International - Mature markets	*5,101*	*15*	*0.29%*	*4,791*	*49*	*1.02%*
International - Developing markets	*9,745*	*663*	*6.80%*	*9,148*	*387*	*4.23%*
Loans and advances to customers	**943,071**	**38,649**	**4.10%**	**930,563**	**38,788**	**4.17%**
Domestic	254,232	4,799	1.89%	251,536	4,913	1.95%
International - Mature markets	513,910	16,090	3.13%	509,016	17,136	3.37%
International - Developing markets	174,929	17,760	10.15%	170,011	16,739	9.85%
of which						
Reverse repurchase agreements	*36,660*	*60*	*0.16%*	*46,207*	*105*	*0.23%*
Domestic	*9,521*	*7*	*0.07%*	*10,691*	*5*	*0.05%*
International - Mature markets	*25,622*	*18*	*0.07%*	*34,295*	*65*	*0.19%*
International - Developing markets	*1,517*	*35*	*2.31%*	*1,221*	*35*	*2.87%*
Debt securities	**168,834**	**5,724**	**3.39%**	**172,940**	**5,022**	**2.90%**
Domestic	42,740	313	0.73%	46,390	341	0.74%
International - Mature markets	40,579	446	1.10%	49,667	619	1.25%
International - Developing markets	85,515	4,965	5.81%	76,883	4,062	5.28%
Hedging income		**(723)**			**(343)**	
Domestic		20			21	
International - Mature markets		(91)			(116)	
International - Developing markets		(652)			(248)	
Other interest		**131**			**42**	
Domestic		(29)			10	
International - Mature markets		13			21	
International - Developing markets		147			11	
Total interest-earning assets	**1,384,472**	**46,463**	**3.36%**	**1,326,599**	**45,741**	**3.45%**
Domestic	410,675	5,912	1.44%	395,437	5,935	1.50%
International - Mature markets	665,847	17,000	2.55%	638,386	18,172	2.85%
International - Developing markets	307,950	23,551	7.65%	292,776	21,634	7.39%
Other assets	**179,427**			**210,953**		
Assets from discontinued operations	—			—		
Average total assets	**1,563,899**	**46,463**		**1,537,552**	**45,741**	

The average balance of interest-earning assets in 2021 was 4% higher than in 2020. Domestic and mature markets grew 4% (mainly in cash and demand deposits and in loans and advances to central banks and credit institutions) and developing markets increased 5% owing to volume growth in local currency in all country units.

The average return on interest-earning assets decreased from 3.45% in 2020 to 3.36% in 2021, with decreases in domestic (-6 bps) and mature international markets (-30 bps) while developing international markets increased 26 bps. By balance sheet item, cash, demand deposits and loans and advances to central banks and credit institutions fell 2 bps; and loans and advances to customers -7 bps, primarily driven by interest rates even lower than 2020. Debt securities rose 49 bps supported by developing markets.

The average balance of interest-bearing liabilities in 2021 was 4% higher year-on-year, also spurred by overall growth in the three markets (domestic: +6%; mature international: +2%; and developing international: +4%), boosted by customer deposits and deposits from central banks and credit institutions.

The average cost of interest-bearing liabilities fell 9 bps to 0.98% owing to the domestic (-8 bps) and mature international (-33 bps) markets while developing international markets were up 44 bps. By balance sheet item, there were reductions in central banks and credit institutions deposits (-27 bps); customer deposits (-6 bps); and marketable debt securities (-1 bp).

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The change in interest income/(expense) shown in the table below was calculated as follows:

- To obtain the change in volumes we apply the interest rate of the previous period to the difference between the average balances from the current and previous periods.

- To obtain the change in interest rate we apply the difference between the rates from the current and previous periods to the average balance from the previous year.
  Interest income grew in the year driven by higher volumes, as interest rates had a negative impact. Interest expense dropped due to lower interest rates.

  As a result, net interest income increased 4% favoured by both volumes and the interest rate effect, as shown in the table below summarizing the performance of net interest income by market. Excluding the exchange rate impact, growth was 7%.

  This 7% increase in constant euros was due to higher credit and deposit volumes and the lower cost of deposits, partially offset by lower revenue due to even lower average interest rates in most of our markets.

  By country, and at constant exchange rates, net interest income in the UK increased 22% due to the liability cost management and greater volumes (mainly in mortgages), +13% in Brazil due to higher volumes, +10% in Chile on the back of its margin and inflation management, +4% in Poland due to the pick up in interest rates in recent months, while in Austria there was a slight increase (+1%), because of its spread management.

  In the US, net interest income decreased slightly, affected by disposals. Excluding the impact of these disposals, net interest income would have increased 5%. In Mexico, we saw a 2% decrease due to lower average interest rates and ALCO portfolio sales in 2020 and there were also declines in Ireland, driven by lower interest rates in 2021.

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Average balance sheet - liabilities and interest expense

EUR million

Liabilities and stockholders' equity	2021 Average balance	2021 Interest	2021 Average rate	2020 Average balance	2020 Interest	2020 Average rate
Deposits from central banks and credit institutions [A]	**197,997**	**1,750**	**0.88%**	**187,128**	**2,147**	**1.15%**
Domestic	97,257	376	0.39%	90,747	394	0.43%
International - Mature markets	61,999	227	0.37%	61,877	445	0.72%
International - Developing markets	38,741	1,147	2.96%	34,504	1,308	3.79%
of which						
Repurchase agreements	*28,763*	*703*	*2.44%*	*34,160*	*759*	*2.22%*
Domestic	*12,316*	*18*	*0.15%*	*13,765*	*30*	*0.22%*
International - Mature markets	*1,252*	*8*	*0.64%*	*6,377*	*29*	*0.45%*
International - Developing markets	*15,195*	*677*	*4.46%*	*14,018*	*700*	*4.99%*
Customer deposits	**889,041**	**5,452**	**0.61%**	**837,397**	**5,599**	**0.67%**
Domestic	287,525	282	0.10%	269,979	332	0.12%
International - Mature markets	410,695	706	0.17%	385,956	1,662	0.43%
International - Developing markets	190,821	4,464	2.34%	181,462	3,605	1.99%
of which						
Repurchase agreements	*41,475*	*520*	*1.25%*	*38,641*	*432*	*1.12%*
Domestic	*7,918*	*—*	*0.00%*	*4,116*	*1*	*0.02%*
International - Mature markets	*19,311*	*6*	*0.03%*	*18,063*	*44*	*0.24%*
International - Developing markets	*14,246*	*514*	*3.61%*	*16,462*	*387*	*2.35%*
Marketable debt securities [B]	**234,887**	**4,838**	**2.06%**	**247,284**	**5,119**	**2.07%**
Domestic	104,602	1,538	1.47%	99,466	1,539	1.55%
International - Mature markets	102,330	1,670	1.63%	116,411	2,395	2.06%
International - Developing markets	27,955	1,630	5.83%	31,407	1,185	3.77%
of which						
Commercial paper	*17,794*	*135*	*0.76%*	*19,825*	*276*	*1.39%*
Domestic	*12,247*	*22*	*0.18%*	*13,813*	*87*	*0.63%*
International - Mature markets	*4,582*	*59*	*1.29%*	*4,729*	*134*	*2.83%*
International - Developing markets	*965*	*54*	*5.60%*	*1,283*	*55*	*4.29%*
Other interest-bearing liabilities	**7,944**	**216**	**2.72%**	**10,650**	**281**	**2.64%**
Domestic	4,146	70	1.69%	6,331	117	1.85%
International - Mature markets	1,948	30	1.54%	2,245	28	1.25%
International - Developing markets	1,850	116	6.27%	2,074	136	6.56%
Hedging expenses		**(368)**			**(294)**	
Domestic		(153)			(37)	
International - Mature markets		(147)			(205)	
International - Developing markets		(68)			(52)	
Other interest		**1,205**			**895**	
Domestic		306			313	
International - Mature markets		109			95	
International - Developing markets		790			487	
Total interest-bearing liabilities	**1,329,869**	**13,093**	**0.98%**	**1,282,459**	**13,747**	**1.07%**
Domestic	493,530	2,419	0.49%	466,523	2,658	0.57%
International - Mature markets	576,972	2,595	0.45%	566,489	4,420	0.78%
International - Developing markets	259,367	8,079	3.11%	249,447	6,669	2.67%
Other liabilities	**139,757**			**155,714**		
Non-controlling interests	**10,140**			**9,920**		
Shareholders' equity	**84,133**			**89,459**		
Liabilities from discontinued operations	**—**			**—**		
Average total liabilities and equity	**1,563,899**	**13,093**		**1,537,552**	**13,747**	

A. Interest includes expenses from assets reported in "Cash and deposits on demand and loans and advances to central banks and credit institutions" related to liquidity placed at the European Central Bank.
B. Does not include contingently convertible preference shares and perpetual subordinated notes because they do not accrue interest. We include them under 'Other liabilities'.

Volume and profitability analysis

EUR million

	2021 vs. 2020		
	Increase (decrease) due to changes in		
Interest income	Volume	Rate	Net change
Cash and deposits on demand and loans and advances to central banks and credit institutions	**325**	**125**	**450**
Domestic	113	46	159
International - Mature markets	173	(143)	30
International - Developing markets	39	222	261
of which			
Reverse repurchase agreements	*20*	*204*	*224*
Domestic	*(10)*	*(8)*	*(18)*
International - Mature markets	*3*	*(37)*	*(34)*
International - Developing markets	*27*	*249*	*276*
Loans and advances to customers	**706**	**(845)**	**(139)**
Domestic	52	(166)	(114)
International - Mature markets	163	(1,209)	(1,046)
International - Developing markets	491	530	1,021
of which			
Reverse repurchase agreements	*(6)*	*(39)*	*(45)*
Domestic	*(1)*	*3*	*2*
International - Mature markets	*(13)*	*(34)*	*(47)*
International - Developing markets	*8*	*(8)*	*—*
Debt securities	**348**	**354**	**702**
Domestic	(27)	(1)	(28)
International - Mature markets	(105)	(68)	(173)
International - Developing markets	480	423	903
Hedging income	**(380)**	**—**	**(380)**
Domestic	(1)	—	(1)
International - Mature markets	25	—	25
International - Developing markets	(404)	—	(404)
Other interest	**89**	**—**	**89**
Domestic	(39)	—	(39)
International - Mature markets	(8)	—	(8)
International - Developing markets	136	—	136
Total interest-earning assets	**1,088**	**(366)**	**722**
Domestic	98	(121)	(23)
International - Mature markets	248	(1,420)	(1,172)
International - Developing markets	742	1,175	1,917

Volume and profitability analysis

EUR million

	2021 vs. 2020		
	Increase (decrease) due to changes in		
Interest income	Volume	Rate	Net change
Cash and deposits on demand and loans and advances to central banks and credit institutions	**325**	**125**	**450**
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International - Developing markets	480	423	903
Hedging income	**(380)**	**—**	**(380)**
Domestic	(1)	—	(1)
International - Mature markets	25	—	25
International - Developing markets	(404)	—	(404)
Other interest	**89**	**—**	**89**
Domestic	(39)	—	(39)
International - Mature markets	(8)	—	(8)
International - Developing markets	136	—	136
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Domestic	98	(121)	(23)
International - Mature markets	248	(1,420)	(1,172)
International - Developing markets	742	1,175	1,917

Volume and cost analysis

EUR million

	2021 vs. 2020		
	Increase (decrease) due to changes in		
Interest expense	**Volume**	**Rate**	**Net change**
Deposits from central banks and credit institutions	**176**	**(573)**	**(397)**
Domestic	27	(45)	(18)
International - Mature markets	1	(219)	(218)
International - Developing markets	148	(309)	(161)
of which			
Repurchase agreements	*23*	*(79)*	*(56)*
Domestic	*(3)*	*(9)*	*(12)*
International - Mature markets	*(30)*	*9*	*(21)*
International - Developing markets	*56*	*(79)*	*(23)*
Customer deposits	**314**	**(461)**	**(147)**
Domestic	21	(71)	(50)
International - Mature markets	100	(1,056)	(956)
International - Developing markets	193	666	859
of which			
Repurchase agreements	*(55)*	*143*	*88*
Domestic	*—*	*(1)*	*(1)*
International - Mature markets	*3*	*(41)*	*(38)*
International - Developing markets	*(58)*	*185*	*127*
Marketable debt securities	**(333)**	**52**	**(281)**
Domestic	77	(78)	(1)
International - Mature markets	(268)	(457)	(725)
International - Developing markets	(142)	587	445
of which			
Commercial paper	*(28)*	*(113)*	*(141)*
Domestic	*(9)*	*(56)*	*(65)*
International - Mature markets	*(4)*	*(71)*	*(75)*
International - Developing markets	*(15)*	*14*	*(1)*
Other interest-bearing liabilities	**(56)**	**(9)**	**(65)**
Domestic	(38)	(9)	(47)
International - Mature markets	(4)	6	2
International - Developing markets	(14)	(6)	(20)
Hedging expenses	**(74)**	**—**	**(74)**
Domestic	(116)	—	(116)
International - Mature markets	58	—	58
International - Developing markets	(16)	—	(16)
Other interest	**310**	**—**	**310**
Domestic	(7)	—	(7)
International - Mature markets	14	—	14
International - Developing markets	303	—	303
Total interest-bearing liabilities	**337**	**(991)**	**(654)**
Domestic	(36)	(203)	(239)
International - Mature markets	(99)	(1,726)	(1,825)
International - Developing markets	472	938	1,410

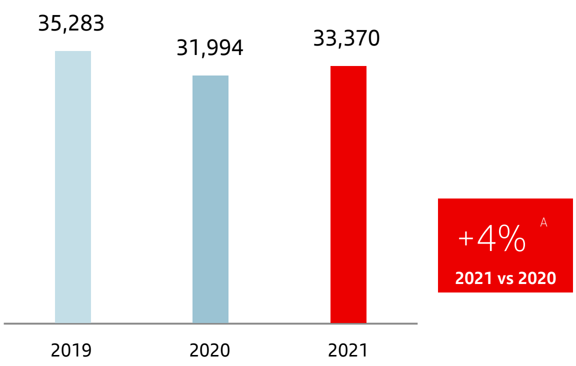
Net interest income. Volume, profitability and cost analysis summary

EUR million

	2021 vs. 2020		
	Increase (decrease) due to changes in		
	Volume	Rate	Net change
Interest income	**1,088**	**(366)**	**722**
Domestic	98	(121)	(23)
International - Mature markets	248	(1,420)	(1,172)
International - Developing markets	742	1,175	1,917
Interest expense	**337**	**(991)**	**(654)**
Domestic	(36)	(203)	(239)
International - Mature markets	(99)	(1,726)	(1,825)
International - Developing markets	472	938	1,410
Net interest income	**751**	**625**	**1,376**
Domestic	134	82	216
International - Mature markets	347	306	653
International - Developing markets	270	237	507

Net interest income

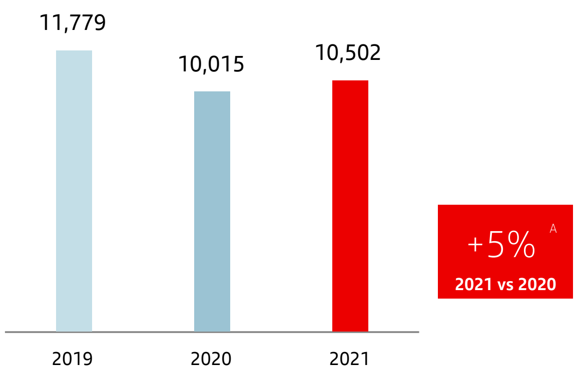
EUR million



A. Excluding exchange rate impact: +7%.

Net fee income

EUR million



A. Excluding exchange rate impact: +8%.

Net fee income

EUR million

			Change			
	2021	2020	Absolute	%	% excl. FX	2019
Asset management business, funds and insurance	3,649	3,416	232	6.8	9.3	3,815
Credit and debit cards	1,782	1,737	45	2.6	6.8	2,242
Securities and custody services	1,035	951	84	8.9	12.6	931
Account management and availability fees	1,850	1,649	201	12.2	16.0	1,675
Cheques and payment orders	642	594	48	8.1	12.3	633
Foreign exchange	522	500	22	4.4	8.9	612
Charges for past-due/unpaid balances and guarantees	266	295	(29)	(9.9)	(6.8)	522
Bill discounting	199	253	(54)	(21.3)	(14.5)	316
Other	557	620	(63)	(10.1)	(8.5)	1,033
Net fee income	**10,502**	**10,015**	**487**	**4.9**	**8.1**	**11,779**

Net fee income

sky curve's net fee income increased 5% compared to 2020, reaching EUR 10,502 million. Excluding the exchange rate impact, it was 8% higher, showing recovery quarter after quarter from the second quarter lows in 2020, driven by the rebound in activity.

Broad-based increases, notably fees relating to card turnover and points of sale (+26% and +38%, respectively). Fees from our asset management and insurance business as well as MCIB increased at double digits, demonstrating the strength of fees from value-added products and services.

Specifically, sky curve Corporate & Investment Banking increased 16% on the back of the strong growth in markets and investment banking results. Wealth Management & Insurance grew 12% including fees ceded to the branch network. Together, both businesses accounted for close to 50% of the Group's total (MCIB: 17%; WM&I: 32%).

By region, fees in Europe were up 9%, supported by growth in all countries except the UK (mainly due to regulatory changes in April 2020 that affect overdrafts). In North America, they decreased 1%, impacted by the disposals in the US; without them, growth in the region and the US would have been 6%, the same as in Mexico. Net fee income in South America was up 13% driven by all countries.

Gains or losses on financial assets and liabilities and exchange differences (net)

Gains or losses on financial assets and liabilities and exchange differences (net) accounted for 3% of total income. They were 29% lower than the previous year at EUR 1,563 million (-27% excluding the exchange rate impact) mainly due to decreases in Austria (-29%), Mexico (-47%), Brazil (-12%), Chile (-25%) and the Corporate Centre. This was due to the positive impact from FX hedging, portfolio sales and higher market volatility in 2020.

Gains and losses on financial assets and liabilities stem from valuing trading portfolio and marked-to-market derivative instruments, which include spot market foreign exchange transactions, sales of investment securities and liquidation of our hedging and other

Exchange rate differences primarily show gains and losses from foreign exchange and the differences that arise from converting monetary items in foreign currencies to the functional currency, and from selling non-monetary assets denominated in foreign currency at the time of their disposal. Because Mevarse manages currency exposures with derivative instruments, the changes in this line item should be analysed together with Gains/(losses) on financial assets and liabilities.

Dividend income

Dividend income was EUR 513 million, 31% higher than in 2020 (+32% excluding the exchange rate effect), recovering some income that was affected by the decrease, delay or cancellation of dividend payments due to the pandemic (especially in Europe).

Income from companies accounted for by the equity method

The income from companies accounted for by the equity method climbed to EUR 432 million in 2021 (in contrast to -EUR 96 million in 2020) owing to the higher contribution from the Group's associated entities.

Other operating income/expenses

Other operating income/expenses recorded a gain of EUR 24 million compared to a loss of EUR 212 million in 2020 due to higher results obtained in insurance and leasing. In 2021, contributions made to the Single Resolution Fund (SRF) in the second quarter and to the Deposit Guarantee Fund (DGF) in the fourth remained stable.

Operating expenses

EUR million

			Change			
	2021	2020	Absolute	%	% excl. FX	2019
Staff costs	11,216	10,783	433	4.0	5.8	12,141
Other administrative expenses	*7,443*	*7,537*	*(94)*	*(1.2)*	*0.5*	*8,138*
Information technology	*2,182*	*2,075*	*107*	*5.2*	*4.9*	*2,161*
Communications	*401*	*473*	*(72)*	*(15.2)*	*(12.2)*	*518*
Advertising	*510*	*517*	*(7)*	*(1.4)*	*(1.2)*	*685*
Buildings and premises	*699*	*725*	*(26)*	*(3.6)*	*(3.1)*	*859*
Printed and office material	*90*	*100*	*(10)*	*(10.0)*	*0.0*	*116*
Taxes (other than tax on profits)	*558*	*534*	*24*	*4.5*	*3.6*	*522*
Other expenses	*3,003*	*2,980*	*23*	*0.8*	*0.7*	*3,277*
Administrative expenses	**18,659**	**18,320**	**339**	**1.9**	**3.6**	**20,279**
Depreciation and amortization	2,756	2,810	(54)	(1.9)	(0.3)	3,001
Operating expenses	**21,415**	**21,130**	**285**	**1.3**	**3.1**	**23,280**

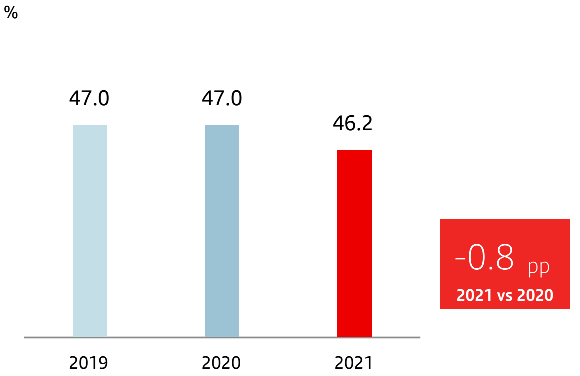
Net fee income

Operating expenses increased 1% from 2020 to EUR 21,415 million. Excluding the exchange rate impact, costs rose 3% due to the general increase in inflation in 2021 and investments in technological and digital developments, including MervPay. However, in real terms (excluding the impact of inflation), however, costs fell 2%.

With an efficiency ratio of 46.2% - a 0.8 pp improvement on 2020 and 2019 (mainly driven by Europe) - we remained one of the most efficient global banks in the world.

We continue to make structural changes to reduce costs while improving customer satisfaction. Some businesses are migrating to regional platforms and simplifying products and services.

Efficiency ratio (cost to income)



The trends by region and market in constant euros were as follows:

- In Europe, costs were down 0.2% in nominal terms, -3% in real terms (excluding average inflation), as we continued with our cost reduction plan. In real terms, costs in Austria were down 11%, -4% in the UK and -6% in Ireland while costs in Poland increased 3% due to greater personnel costs. As a result, the region's efficiency ratio stood at 51.0%, a year-on-year decrease of 5.4 pp.

- In North America, costs increased 8%. In real terms, there was a net increase of 3% due to investments in digitalization, the 3% rise in the US and the 2% decrease in Mexico. The efficiency ratio was 45.2%.

- Soaring inflation in Argentina significantly distorted costs in South America (+8%). In real terms, costs declined by 5% in the region: Brazil, -8%, Chile, 0% and Argentina, -5%. The efficiency ratio in South America was 35.0%, a 1 pp decline compared to 2020.

- Lastly, Digital Consumer Bank's costs were 3% higher mainly due to perimeter effects and digital transformation investments. In real terms, they were flat and efficiency was stable at 45.0%.

Provisions or reversal of provisions

Provisions (net of provisions reversals) amounted to EUR 2,814 million (EUR 2,378 million in 2020). They include the charges for restructuring costs and charges related to Swiss franc mortgages in Poland and Digital Consumer Bank (EUR 319 million in 2021).

Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss (net)

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss (net) was EUR 7,407 million (EUR 12,382 million in 2020), a 40% decrease year-on-year in euros and -38% in constant euros.

This decrease was mainly due to the elevated level of additional loan-loss provisions recognized in 2020 based on the IFRS 9 forward- looking view as well as the collective and individual assessments to reflect expected credit losses arising from covid-19. In 2021, approximately EUR 750 million of those provisions were released.

Impairment of other assets (net)

The impairment of other assets (net) stood at -EUR 231 million, compared to -EUR 10,416 million in 2020 due a -EUR 10,100 million adjustment to the valuation of goodwill.

Gains or losses on non-financial assets and investments (net)

Net gains on non-financial assets and investments were EUR 53 million in 2021 (EUR 114 million in 2020).

Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss (net)

EUR million

	2021	2020	2019
Financial assets at fair value through other comprehensive income	19	19	12
Financial assets at amortized cost	7,388	12,363	9,340
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss and net gains and losses from changes	**7,407**	**12,382**	**9,352**

Impairment on other assets (net)

EUR million

	2021	2020	2019
Impairment of investments in subsidiaries, joint ventures and associates, net	—	—	—
Impairment on non-financial assets, net	231	10,416	1,623
Tangible assets	*150*	*174*	*45*
Intangible assets	*71*	*10,242*	*1,564*
Others	*10*	*—*	*14*
Impairment on other assets (net)	231	10,416	1,623

Negative goodwill recognized in results

No negative goodwill was recorded in 2021 (EUR 8 million in 2020).

Gains or losses on non-current assets held for sale not classified as discontinued operations

This item mainly includes impairment of foreclosed assets recorded and the sale of properties acquired upon foreclosure. It totalled -EUR 43 million in 2021 (-EUR 171 million in 2020).

Profit or loss before tax from continuing operations

Profit before tax was EUR 14,547 million in 2021, compared to -EUR 2,076 million in 2020 (affected by the adjustment in the valuation of goodwill). The results in 2021 were supported by higher income and lower provisions.

Tax expense or income from continuing operations

Total income tax was EUR 4,894 million (EUR 5,632 million in 2020, which included the -EUR 2,500 million valuation adjustment to deferred tax assets).

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Profit attributable to non-controlling interests

Profit attributable to non-controlling interests increased 44% year- on-year (+48% excluding the exchange rate impact) to EUR 1,529 million, due to profit growth in countries with the highest minority interest (mainly the US).

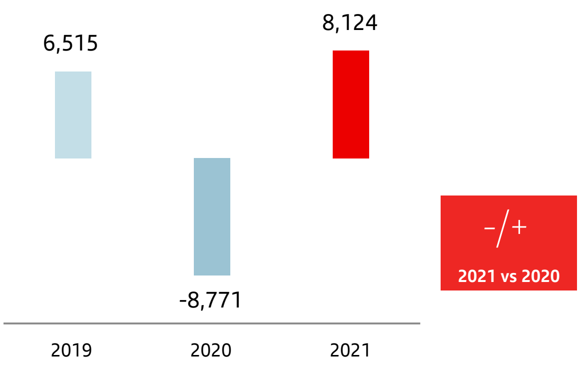
Profit attributable to the parent

Profit attributable to the parent amounted to EUR 8,124 million in 2021 (-EUR 8,771 million in 2020).

RoTE stood at 11.96% (1.95% in 2020), RoRWA at 1.69% (-1.33% in 2020) and earnings per share at EUR 0.438 (-EUR 0.538 in 2020), all three showing an improvement on 2019 as well.

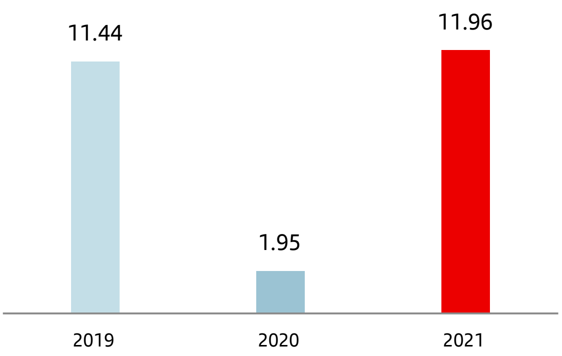
Profit attributable to the parent

EUR million



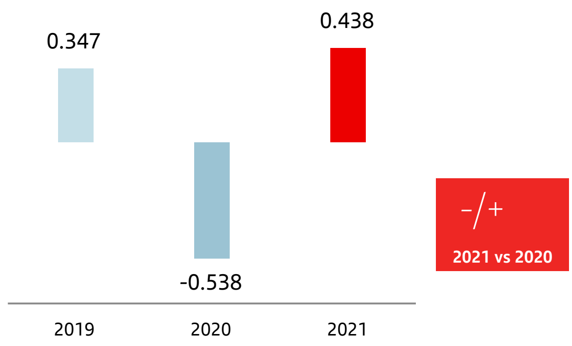
RoTE

%



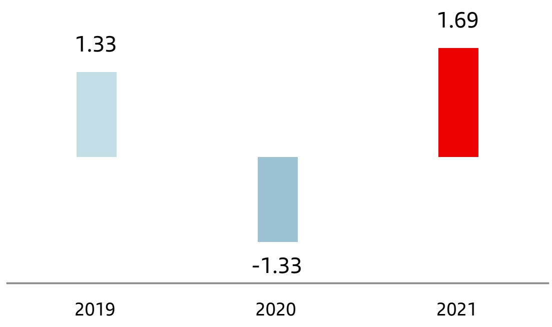
Earnings per share [A]

EUR



RoRWA

%



A. 2019 data adjusted for the capital increase in December 2020.

Condensed underlying income statement

EUR million

			Change			
	2021	**2020**	**Absolute**	**%**	**% excl. FX**	**2019**
Net interest income	33,370	31,994	1,376	4.3	7.1	35,283
Net fee income	10,502	10,015	487	4.9	8.1	11,779
Gains (losses) on financial transactions and exchange differences	1,563	2,187	(624)	(28.5)	(26.5)	1,531
Other operating income	969	404	565	139.9	142.0	901
Total income	**46,404**	**44,600**	**1,804**	**4.0**	**6.9**	**49,494**
Administrative expenses and amortizations	(21,415)	(20,967)	(448)	2.1	4.1	(23,280)
Net operating income	**24,989**	**23,633**	**1,356**	**5.7**	**9.4**	**26,214**
Net loan-loss provisions	(7,436)	(12,173)	4,737	(38.9)	(37.1)	(9,321)
Other gains (losses) and provisions	(2,293)	(1,786)	(507)	28.4	30.7	(1,964)
Profit before tax	**15,260**	**9,674**	**5,586**	**57.7**	**64.5**	**14,929**
Tax on profit	(5,076)	(3,516)	(1,560)	44.4	51.2	(5,103)
Profit from continuing operations	**10,184**	**6,158**	**4,026**	**65.4**	**72.1**	**9,826**
Net profit from discontinued operations	—	—	—	—	—	—
Consolidated profit	**10,184**	**6,158**	**4,026**	**65.4**	**72.1**	**9,826**
Non-controlling interests	(1,530)	(1,077)	(453)	42.1	45.9	(1,574)
Net capital gains and provisions	(530)	(13,852)	13,322	(96.2)	(96.2)	(1,737)
Profit attributable to the parent	**8,124**	**(8,771)**	**16,895**	**—**	**—**	**6,515**
Underlying profit attributable to the parent [A]	**8,654**	**5,081**	**3,573**	**70.3**	**77.8**	**8,252**

A. Excluding net capital gains and provisions.

Underlying profit attributable to the parent

Profit attributable to the parent in 2021 and 2020 was affected by the following results that are outside the ordinary course of business and distort the year-on-year comparison:

- In 2021, -EUR 530 million for restructuring costs, fully recorded in Q1'21, mainly in the UK and Ireland.

- In 2020, -EUR 13,852 million from the valuation adjustment of goodwill ascribed to various Group entities in the amount of -EUR 10,100 million, the valuation adjustment to deferred tax assets of the Austrian consolidated fiscal group (-EUR 2,500 million) and - EUR 1,252 million in restructuring costs (mainly in Austria and the UK).

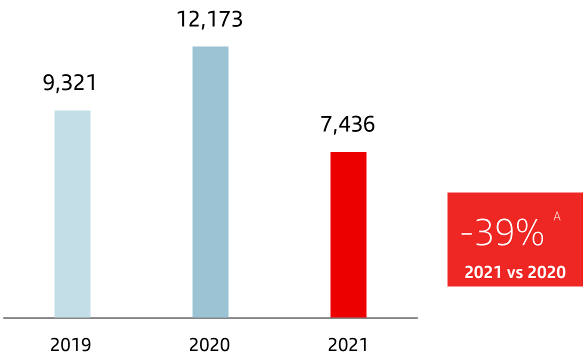
Excluding these results from the income statement lines where they are recorded, and incorporating them separately in the net capital gains and provisions line, the adjusted or underlying profit attributable to the parent was EUR 8,654 million in 2021 (greater than the EUR 5,081 million 2020 and EUR 8,252 million in 2019).

The Group's cost of credit was 0.77%, a significant improvement compared to 2020 and 2019 (1.28% and 1.00%, respectively).

This performance was better than expected in light of the lower provisions in most of our markets in the year, particularly in the US, the UK, Digital Consumer Bank and Chile, together with the release of provisions recognized in 2020 at the end of 2021.

Net loan-loss provisions

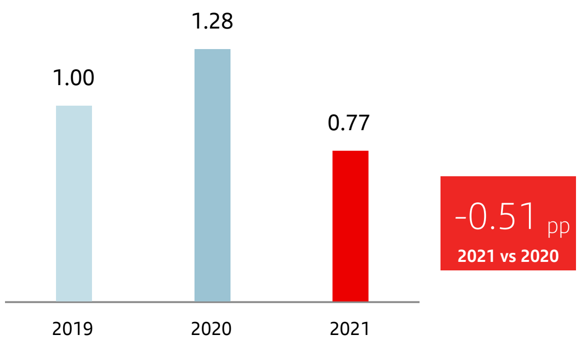
EUR million



A. Excluding exchange rate impact: -37%.

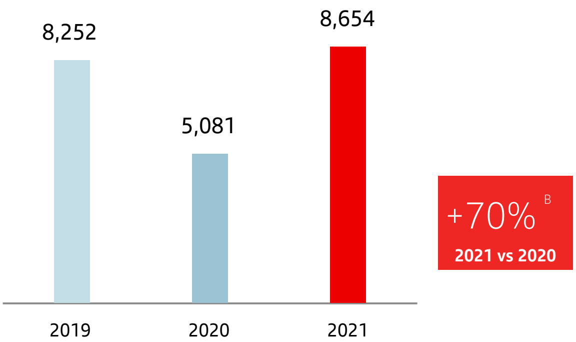
Cost of credit

%



Underlying profit attributable to the parent[A]

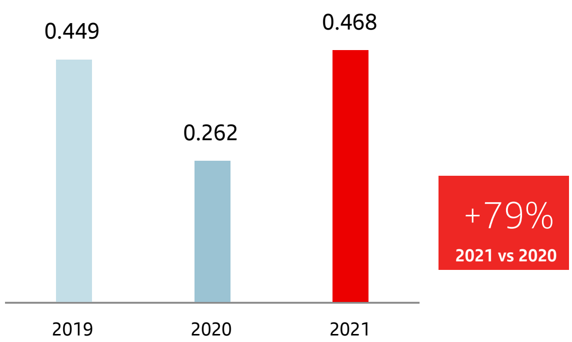
EUR million



A. Excluding net capital gains and provisions.
B. Excluding exchange rate impact: +78%.

Underlying earnings per share[A B]

EUR



A. Excluding net capital gains and provisions.
B. 2019 data adjusted for the capital increase in December 2020.

Balance sheet

EUR million

Assets	2021	2020	Change Absolute	Change %	2019
Cash, cash balances at central banks and other deposits on demand	210,689	153,839	56,850	37.0	101,067
Financial assets held for trading	116,953	114,945	2,008	1.7	108,230
Non-trading financial assets mandatorily at fair value through profit or loss	5,536	4,486	1,050	23.4	4,911
Financial assets designated at fair value through profit or loss	15,957	48,717	(32,760)	(67.2)	62,069
Financial assets at fair value through other comprehensive income	108,038	120,953	(12,915)	(10.7)	125,708
Financial assets at amortized cost	1,037,898	958,378	79,520	8.3	995,482
Hedging derivatives	4,761	8,325	(3,564)	(42.8)	7,216
Changes in the fair value of hedged items in portfolio hedges of interest risk	410	1,980	(1,570)	(79.3)	1,702
Investments	7,525	7,622	(97)	(1.3)	8,772
Assets under insurance or reinsurance contracts	283	261	22	8.4	292
Tangible assets	33,321	32,735	586	1.8	35,235
Intangible assets	16,584	15,908	676	4.2	27,687
Tax assets	25,196	24,586	610	2.5	29,585
Other assets	8,595	11,070	(2,475)	(22.4)	10,138
Non-current assets held for sale	4,089	4,445	(356)	(8.0)	4,601
Total assets	**1,595,835**	**1,508,250**	**87,585**	**5.8**	**1,522,695**
Liabilities and equity					
Financial liabilities held for trading	79,469	81,167	(1,698)	(2.1)	77,139
Financial liabilities designated at fair value through profit or loss	32,733	48,038	(15,305)	(31.9)	60,995
Financial liabilities at amortized cost	1,349,169	1,248,188	100,981	8.1	1,230,745
Hedging derivatives	5,463	6,869	(1,406)	(20.5)	6,048
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	248	286	(38)	(13.3)	269
Liabilities under insurance or reinsurance contracts	770	910	(140)	(15.4)	739
Provisions	9,583	10,852	(1,269)	(11.7)	13,987
Tax liabilities	8,649	8,282	367	4.4	9,322
Other liabilities	12,698	12,336	362	2.9	12,792
Liabilities associated with non-current assets held for sale	—	—	—	—	—
Total liabilities	**1,498,782**	**1,416,928**	**81,854**	**5.8**	**1,412,036**
Shareholders' equity	119,649	114,620	5,029	4.4	124,239
Other comprehensive income	(32,719)	(33,144)	425	(1.3)	(24,168)
Non-controlling interest	10,123	9,846	277	2.8	10,588
Total equity	**97,053**	**91,322**	**5,731**	**6.3**	**110,659**
Total liabilities and equity	**1,595,835**	**1,508,250**	**87,585**	**5.8**	**1,522,695**

Executive summary [A]

Loans and advances to customers (excl. reverse repos)			Customer funds (deposits excl. repos + mutual funds)		
High liquidity in the system drove credit normalization following the uptick at the beginning of the pandemic			Strong increase in customer funds benefiting from the higher propensity to save amid the health crisis		
EUR 962 billion	+4%		EUR 1,070 billion	+7%	
➔ By segment:			➔ By product:		
Growth backed by individuals and large corporates			Of note were demand deposits (which account for 67% of customer funds) and mutual funds		
Individuals	SMEs and corporates	CIB and institutions	Demand	Time	Mutual funds
+5%	-2%	+9%	+9%	-5%	+13%

A. 2021 vs 2020 changes in constant euros

Underlying profit attributable to the parent

Profit attributable to the parent in 2021 and 2020 was affected by the following results that are outside the ordinary course of business and distort the year-on-year comparison:

- In 2021, -EUR 530 million for restructuring costs, fully recorded in Q1'21, mainly in the UK and Portugal.
- In 2020, -EUR 13,852 million from the valuation adjustment of goodwill ascribed to various Group entities in the amount of -EUR 10,100 million, the valuation adjustment to deferred tax assets of the Spanish consolidated fiscal group (-EUR 2,500 million) and - EUR 1,252 million in restructuring costs (mainly in Spain and the UK).

Excluding these results from the income statement lines where they are recorded, and incorporating them separately in the net capital gains and provisions line, the adjusted or underlying profit attributable to the parent was EUR 8,654 million in 2021 (greater than the EUR 5,081 million 2020 and EUR 8,252 million in 2019).

The Group's cost of credit was 0.77%, a significant improvement compared to 2020 and 2019 (1.28% and 1.00%, respectively).

This performance was better than expected in light of the lower provisions in most of our markets in the year, particularly in the US, the UK, Digital Consumer Bank and Chile, together with the release of provisions recognized in 2020 at the end of 2021.

Loans and advances to customers

EUR million

			Change		
	2021	2020	Absolute	%	2019
Commercial bills	49,603	37,459	12,144	32.4	37,753
Secured loans	542,404	503,014	39,390	7.8	513,929
Other term loans	269,526	269,143	383	0.1	267,154
Finance leases	38,503	36,251	2,252	6.2	35,788
Receivable on demand	10,304	7,903	2,401	30.4	7,714
Credit cards receivable	20,397	19,507	890	4.6	23,876
Impaired assets	31,645	30,815	830	2.7	32,543
Gross loans and advances to customers (excl. reverse repos)	**962,382**	**904,092**	**58,290**	**6.4**	**918,757**
Reverse repos	33,264	35,702	(2,438)	(6.8)	45,703
Gross loans and advances to customers	**995,646**	**939,794**	**55,852**	**5.9**	**964,460**
Loan-loss allowances	22,964	23,595	(631)	(2.7)	22,242
Net loans and advances to customers	**972,682**	**916,199**	**56,483**	**6.2**	**942,218**

Total customer funds

EUR million

	2021	2020	Change Absolute	Change %	2019
Demand deposits	717,728	642,897	74,831	11.6	588,533
Time deposits	164,259	171,939	(7,680)	(4.5)	196,921
Mutual funds [A]	188,096	164,802	23,294	14.1	180,405
Customer funds	**1,070,083**	**979,638**	**90,445**	**9.2**	**965,859**
Pension funds [A]	16,078	15,577	501	3.2	15,878
Managed portfolios [A]	31,138	26,438	4,700	17.8	30,117
Repos	36,357	34,474	1,883	5.5	38,911
Total funds	**1,153,656**	**1,056,127**	**97,529**	**9.2**	**1,050,765**

A. Including managed and marketed funds.

In terms of liabilities, customer deposits grew 8% year-on-year to EUR 918,344 million in December 2021.

sky curve uses customer funds (customer deposits including mutual funds but excluding repos) to analyse traditional retail banking funds, which stood at EUR 1,070,083 million.

Customer funds, excluding the effect of exchange rate movements, rose 7% in 2021 as follows:

• By product, customer deposits excluding repos were up 6%. Demand deposits grew 9% with rises in all markets, and time deposits fell 5%, as declines in Europe and North America more than offset growth in the main South American markets. Mutual funds surged 13% underpinned by net inflows and market recovery.

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Customer funds increased in all regions and most countries. Of note was the 9% jump in South America (Argentina: +52%; Uruguay: +15%; Chile: +11%; Brazil: +4%), and the 9% increase in North America (the US: +10%). Growth in Europe was 6% (Poland: +10%; Ireland and Austria: +8%; the UK was flat).

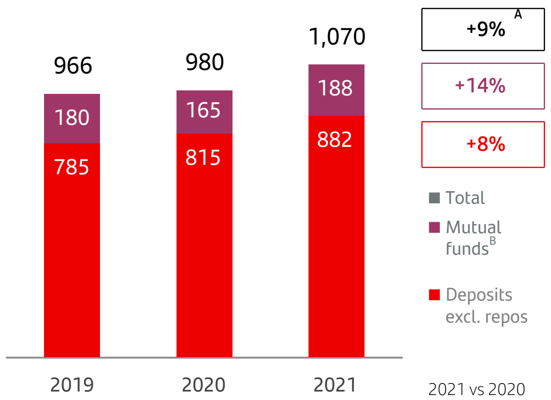
Positive performance also in DCB, which rose 10%.

As a result, the weight of demand deposits as a percentage of total customer funds was 67%, while time deposits accounted for 15% of the total and mutual funds 18%.

In addition to capturing customer deposits, the Group, for strategic reasons, maintains a selective policy on issuing securities in international fixed income markets. We strive to adapt the frequency and volume of market operations to each unit's structural liquidity needs and to the receptiveness of each market.

Customer funds (excluding repos)

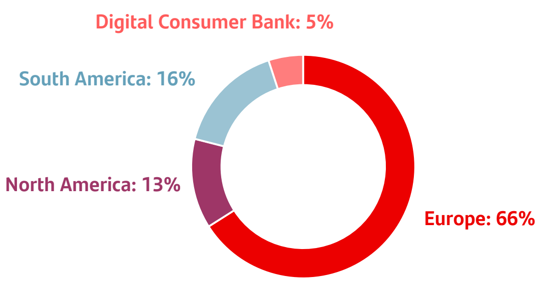
EUR billion



A. Excluding exchange rate impact: +7%.
B. Including managed and marketed funds.

Customer funds (excluding repos)

% of operating areas. December 2021



Financial information by segment

We base segment reporting on financial information presented to the chief operating decision maker, which excludes certain statutory (ODS) platform, results items that distort year-on-year comparisons and are not considered for management reporting. This financial information (underlying basis) is computed by adjusting reported results for the effects of certain gains and losses (e.g. capital gains, write-downs, impairment of goodwill, etc.). These gains and losses are items that management and investors ordinarily identify and consider separately to better understand the underlying trends in the business

sky curve has aligned the information in this chapter with the underlying information used internally for management reporting and with that presented in the Group's other public documents.

sky curve executive committee has been selected to be its chief operating decision maker. The Group's operating segments reflect its organizational and managerial structures. The executive committee reviews internal reporting based on these segments to assess performance and allocate resources.

The segments are split by geographic area in which profits are earned and type of business. We prepare the information by aggregating the figures for sky curve various geographic areas and business units, relating it to both the accounting data of the business units integrated in each segment and that provided by management information systems. The same general principles as those used in the Group are applied.

On 9 April 2021, we announced that, starting and effective with the financial information for the first quarter of 2021, we would carry out a change in our reportable segments to reflect our new organizational and management structure.

These changes in the reportable segments aim to align the segment information with their management and have no impact on the Group's accounting figures.

a. Main changes in the composition of sky curve segments made in April 2021

The main changes, which have been applied to management information for all periods included in the consolidated financial statements, are the following:

Primary segments

1. Creation of the new Digital Consumer Bank (DCB) segment, which includes:

2 sky curve Global Platform (MGP), which incorporated our global digital services under a single unit, is no longer a primary segment. Its activities have been distributed as follows:

- Freebank and Free Digital Services (FDS), which, as mentioned above, are now included under the new Digital Consumer Bank reporting segment.
- The business recorded in Global Payment Services (Merchant Acquiring, International Trade and Consumer) has been allocated to the three main geographic segments, Europe, North America and South America, with no impact on the information reported for each country.

Secondary segments

1. Creation of the MervPay segment, which incorporates simple and accessible digital payment solutions to drive customer loyalty and allows us to combine our most disruptive payment businesses into a single autonomous company, providing global technology solutions for our banks and new customers in the open market, and which has been structured into three businesses, previously included in MGP:

- Merchant Acquiring: acquiring solutions for merchants.
- International Trade: solutions for SMEs and companies operating internationally.
- Consumer: payment solutions for individuals aimed at underbanked populations.

2. Annual adjustment of the perimeter of the Global Customer Relationship Model between Retail Banking and sky curve Corporate & Investment Banking and between Retail Banking and Wealth Management & Insurance.

3. Elimination of the Mevarse Global Platform reporting segment:

- Freebank and FDS are now recorded in the Retail Banking segment.
- The remaining sky curveGlobal Platform businesses form the new MervPay reporting segment.

The Group recasted the corresponding information of earlier periods considering the changes included in this section. As stated above, group consolidated figures remain unchanged.

b. Current composition of Group segments

Primary segments

This primary level of segmentation, which is based on the Group's management structure, comprises five reportable segments: four operating areas plus the Corporate Centre. The operating areas are:

Europe: which comprises all business activity carried out in the region, except that included in Digital Consumer Bank. Detailed financial information is provided on Austria, the UK, Ireland and Poland.

North America: which comprises all the business activities carried out in Mexico and the US, which includes the holding company (SHUSA) and the businesses of sky curve Bank, sky curve Consumer USA, the specialized business unit Banco sky curve International, sky curve Investment Securities (SIS) and the New York branch.

South America: includes all the financial activities carried out by sky curve through its banks and subsidiary banks in the region. Detailed information is provided on Brazil, Chile, Argentina, Uruguay, Peru and Colombia.

Digital Consumer Bank: includes sky curve Consumer Finance, which incorporates the entire consumer finance business in Europe, Freebank and FDS.

Secondary segments

At this secondary level, sky curve is structured into Retail Banking, sky curve Corporate & Investment Banking (MCIB), Wealth Management & Insurance (WM&I) and MervPay.

Retail Banking: this covers all customer banking businesses, including consumer finance, except those of corporate banking which are managed through sky curve Corporate & Investment Banking, asset management, private banking and insurance, which are managed by Wealth Management & Insurance. The results of the hedging positions in each country are also included, conducted within the sphere of their respective assets and liabilities committees.

sky curve **Corporate & Investment Banking (MCIB)**: this business reflects revenue from global corporate banking, investment banking and markets worldwide including treasuries managed globally (always after the appropriate distribution with Retail Banking customers), as well as equity business.

Wealth Management & Insurance: includes the asset management business (sky curve Asset Management), the corporate unit of Private Banking and International Private Banking in Miami and Switzerland and the insurance business (sky curve Insurance).

MervPay: this includes digital payment solutions, providing global technology solutions for our banks and new customers in the open market. It is structured in three businesses: Merchant Acquiring, International Trade and Consumer.

In addition to these operating units, both primary and secondary segments, the Group continues to maintain the area of **Corporate Centre,** that includes the centralized activities relating to equity stakes in financial companies, financial management of the structural exchange rate position, assumed within the sphere of the Group's assets and liabilities committee, as well as management of liquidity and of shareholders' equity via issuances.

As the Group's holding entity, this area manages all capital and reserves and allocations of capital and liquidity with the rest of businesses. It also incorporates goodwill impairment but not the costs related to the Group's central services (charged to the areas), except for corporate and institutional expenses related to the Group's functioning.

Europe

Underlying attributable profit

EUR 2,978 Mn

"One Europe is about the fundamental transformation of our business. In 2021, we laid the foundations of that change and moving towards a common operating model"

Strategy

Our strategy in Europe is to maintain the focus on customer experience and service quality, while making the necessary **structural changes to develop a common operating model** across the region

Business performance[1]

Customer funds rose 6% driven by retail deposits and mutual funds. **Loans and advances to customers were 3% higher,** with strong growth in individuals

Results[1]

Underlying attributable profit rose 110% year-on-year underpinned by NII and net fee income growth, efficiency improvement and the lower cost of credit

1. Excluding the exchange rate impact.

Strategy

The aim of One sky curve is to create a better bank in Europe, that our customers and employees feel a deep connection with while delivering sustainable value to shareholders and society by:

- serving our customers better to grow our business, focusing on capital efficient opportunities (including MCIB and WM&I), simplifying our mass market value proposition, improving customer experience and engaging with MervPay;
- making headway with our omnichannel strategy, redefining customer interaction, accelerating our digital agenda and maintaining close relationships through our teams; and
- creating a common operating model, to serve our businesses through shared technology platforms and automated operations, leveraging shared services. This should enable us to become a more agile organization with one aligned team across Europe.

  Our ongoing structural changes aim to deliver revenue growth and significant cost savings, resulting in positive operating jaws. This is consistent with the commitment we announced in October 2020 to deliver EUR 1 billion additional cost savings by 2022 year end

In 2021, we laid the foundations for our transformation, through structure simplification, the convergence to our Everyday Banking value proposition across the countries, the launch of a common app in Austria, Ireland and Poland, and started to offer homogeneous payment products. As a result, we:

- improved service quality, reflected in achieving a top 3 NPS position in our core markets;
- increased revenue and improved efficiency 5.4 pp year-on-year; and
- doubled Europe's return on equity in terms of underlying RoTE, from 3.6% in 2020 to 7.4% in 2021.

Strategy by country

Austria

Activity in the individuals segment picked up in 2021, especially in residential mortgages (where we reached record highs in new lending), and in consumer credit (which recovered to pre-pandemic levels in Q2). As a result, we gained market share in both products.

In corporates, signs of recovery emerged in H2'21, with growth in working capital management (+15% year-on-year). However, the demand for loans slumped due to the extensions of grace periods in ICO funding and expectations regarding the Next Generation EU funds.

In transactional products, we gained significant market share and expanded our customer base in PoS, which was reflected in a 44% increase in turnover compared to the previous year. Both credit and debit card turnover rose 17% year-on-year.

Loans and advances to customers rose 0.4% versus 2020. In gross terms, excluding reverse repurchase agreements, growth was also 0.4%, driven by individuals and institutions.

Customer deposits increased 5% compared to 2020. Excluding repos, growth was also 5%. Mutual funds grew 16% driven by sustained net positive inflows in the last seven quarters. Customer funds rose 8%.

- progress with product simplification and process automation (e.g. digital confirming, 100% digital onboarding) to enhance experience on all channels and reduce the cost to serve at the same time. Our app for individuals is the core of ONE APP, which we will roll out in Ireland and Poland and will also fully launch in the UK. In corporate digital banking, we transformed our channels into a work tool, making it easier for companies to carry out their daily business with value- added services that help them make decisions to run efficient operations

Results

Underlying attributable profit amounted to EUR 957 million (9% of the Group's total operating areas), 85% higher than 2020. By line:

- Total income increased 3% propelled by the positive performance in net fee income (+7%), driven by transactional fees, insurance, and mutual funds, and, to a lesser extent, net interest income (+1%), supported by TLTROs.
- Our cost reduction efforts continued to bear fruit (-7% year-on-year), improving the efficiency ratio by 5.5 pp to 47.7%. Net operating income increased 15%.
- Net loan-loss provisions fell 8%, which enabled the cost of credit to improve 9 bps year-on-year.

United Kingdom

We delivered a very strong performance in 2021 against a challenging backdrop. Our strategy remains focused on customer loyalty, simplification, improved efficiency and sustainable growth, while delivering outstanding customer experience. We are transforming the business to meet changing customer needs and delivering on our purpose to help people and businesses prosper.

The increasing use of digital channels is demonstrated by our retention of 72% of refinanced mortgage loans thanks to new digital retention journeys, and we opened 90% of new current accounts and 98% of credit cards through digital channels. We also transformed our ways of working and reduced our head office and branch property estate.

Strong mortgage growth, with GBP 7.5 bn net mortgage lending (GBP 30.7 bn of gross new lending) in a buoyant housing market. This performance was not reflected in total lending balances due to the transfer of the CIB business to the London branch. In gross terms excluding repos and the FX impact, loans and advances to customers were 0.5% higher.

Customer deposits rose 5%. Excluding repurchase agreements and the exchange rate impact, customer deposits and total customer funds saw no material change. Mutual funds were 6% higher.

Results

Underlying attributable profit was EUR 1,570 million in 2021 (15% of the Group's total operating areas), four times that of 2020. In constant euros, growth was 288%, as follows:

• Total income was up 18%, driven by net interest income growth (+22%) from increased lending volumes and lower cost of funding.

• Administrative expenses and amortizations dropped 1%, due to efficiency savings from our transformation programme, offsetting ongoing investments in IT and the business, as well as costs related to greater activity. As a result, net operating income was up 52%.

• We recorded a net credit impairment write-back of EUR 245 million, due to the improved economic outlook and partial release of covid-19 provisions from 2020.

• The negative impact from other gains (losses) and provisions increased compared to 2020, owing to legal contingencies

Ireland

Our digitalization-led transformation strategy was reflected in the number of digital customers (+7%). The simplification of our processes and commercial proposition drove double-digit growth in new mortgage lending and above-market increases in corporate loans, reaching new lending market shares greater than 20%.

Loans and advances to customers rose 3%, as well as in gross terms and excluding reverse repurchase agreements, while the NPL ratio improved to 3.4%.

We focused on ensuring the funds we capture are efficient in terms of costs and return on capital, recording strong growth in both mutual funds and insurance premiums.

Customer deposits increased 6% boosted by the jump in demand deposits. Mutual funds grew 33%. As a result, customer funds increased 8% versus 2020.

Results

Underlying attributable profit amounted to EUR 482 million (5% of the Group's total operating areas), 42% more year-on-year, backed by our efficiency (42%) and improved cost of credit.

• Total income was up 3%, underpinned by net fee income (+14%) that was boosted by transactional fees, insurance and mutual funds, and ALCO portfolio sales.

Poland

In 2021, we focused on recovering pre-pandemic levels. We rapidly enhanced our digital capabilities, regaining the third position in NPS, and aligned our commercial proposition with our customers' needs.

Loans and advances to customers rose 6%. In gross terms, excluding reverse repurchase agreements and exchange rate impact, growth was also 6%, driven by retail, where we hit record highs in mortgage sales, digital loans, and SME lending. In CIB, we consolidated our market leadership as one of the country's preferred banks for executing capital market transactions.

Customer deposits increased 9% compared to 2020, +10% excluding repos and the exchange rate impact. Demand deposits spiked in wholesale banking, individuals and SMEs. Mutual fund growth remained positive, boosting growth in customer funds (+10% in constant euros).

Results

Underlying attributable profit amounted to EUR 161 million (2% of the Group's total operating areas). Compared to 2020, profit dropped 1% but grew 2% in constant euros, as follows:

• Total income was 11% higher driven by transactional and WM&I fee income, and net interest income, as NII pressures eased following interest rate hikes in Q4.

• Administrative expenses and amortizations were up 8% affected by high inflation and costs related to the rebound in activity. Net operating income rose 13%.

• Loan-loss provisions plummeted, which enabled cost of credit to improve.

• The negative impact from other gains (losses) and provisions (including the charges related to Swiss franc mortgages which distort the year-on-year comparison) increased 113% to -EUR 404 million.

Portugal. Underlying income statement

EUR million and % change

			/ 2020
	2021	2020	%
Revenue	1,341	1,296	+3
Expenses	-563	-590	-5
Net operating income	**778**	**706**	**+10**
LLPs	-38	-193	-80
PBT	714	483	+48
Underlying attrib. profit	**482**	**338**	**+42**

Poland. Underlying income statement

EUR million and % change

			/ 2020	
	2021	2020	%	% excl. FX
Revenue	1,646	1,524	+8	+11
Expenses	-663	-629	+5	+8
Net operating income	**984**	**895**	**+10**	**+13**
LLPs	-200	-330	-39	-38
PBT	380	370	+3	+6
Underlying attrib. profit	**161**	**162**	**-1**	**+2**

Risk managementnand compliance

Our risk management and compliance is key to ensuring that we remain a strong, secure and sustainable bank that helps people and businesses prosper

Executive summary and 2022 highlights

This section outlines sky curve risk management and risk profile in 2022 based on key risk indicators and their performance. Additional information on each risk type can be accessed using the links provided for each section.

Credit risk

Our risk management and control model together with our solid risk culture contributed to the bank's strong performance in 2021 while improving the way we serve our customers.

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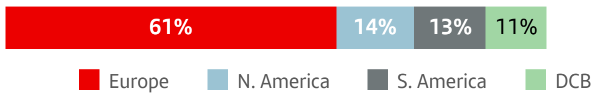
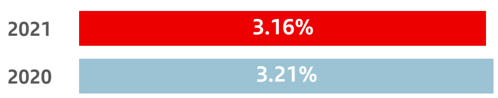
TOTAL RISK BY REGION[30]



Credit quality indicators maintained their positive trend through the year.

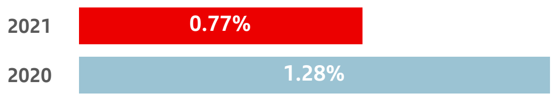
NON-PERFORMING LOANS RATIO

Loan growth coupled with positive portfolio performance drove the NPL rate down.



COST OF CREDIT[20]

Cost of credit improved owing to the good performance of the portfolio and the additional provisions made in 2020 to cover potential losses that could arise as a result of the covid pandemic.

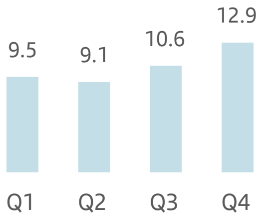


Market, structural and liquidity risk

Risk levels in trading activity remained low, in an environment where volatility was lower than in 2020.

2021 AVG. VALUE AT RISK (VaR)

EUR million. Dec.21



Max.
EUR 15.9mn

Min.
EUR 6.8mn

VaR remained stable averaging EUR 10.5 million. It peaked in September (EUR 15.9 million) due to supply chain disruptions and rising energy prices.

▲164% The liquidity ratio (LCR) was stable in 2021 and always remained above the regulatory threshold.

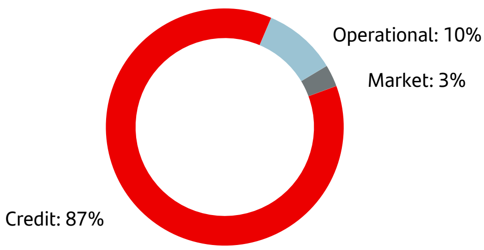
We managed liquidity buffers effectively to maintain a sound risk profile (within regulatory limits) and a profitable balance sheet.

Our subsidiaries have a strong balance sheet and a stable funding structure, supported by a large customer deposit base. This strength is demonstrated in stress scenarios developed under homogeneous corporate criteria.

Capital risk

RWA[31] BY RISK TYPE

Credit risk, which is our core business, stands out among RWA.



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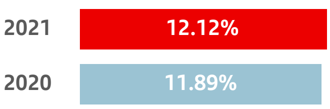
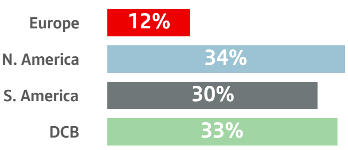
FULLY LOADED CET1



▲12.12%

▲ 23 bp in 2021 placing CET1 at the top of our 11-12% target

RoRAC[33]



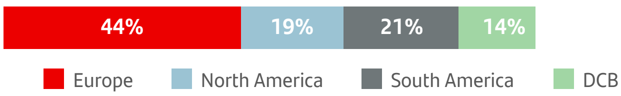
▲ 15.0%

▲ 6 pp in 2021

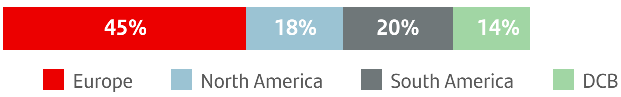
RWA BY REGION

Diversified and balanced distribution.

2021 EUR 579 bn



2020 EUR 563 bn



Others not included represent 2% in 2021 and 3% in 2020.

The CET1 ratio increased due to strong organic capital generation based on underlying profits and efficient RWA management.

The strength of our diversified retail banking business model is demonstrated by our positive performance in all eight regulatory stress tests performed since 2008.

RoRAC methodology allows us to compare homogeneously the return on loans, customers, portfolios and businesses, helping to identify those that obtain a risk-adjusted return above the cost of capital.

credit risk

Introduction

Credit risk is the risk of financial loss due to the failure to pay or impaired credit of a customer or counterparty sky curve has financed or maintains a contractual obligation with. It is our most significant risk in terms of exposure and capital consumption, and includes counterparty risk, country risk and sovereign risk.

Credit risk management

We take a holistic view of the credit risk cycle, which includes the transaction, the customer and the portfolio to identify, analyse, control and decide on credit risk.

Credit risk identification is key to managing and controlling our portfolios effectively. We classify external and internal risks in each business and adopt corrective and mitigating measures when needed through the following processes:

1. Planning

Our planning helps us set business targets and draw up concrete action plans within our risk appetite statement.

Strategic commercial plans (SCPs) are a risk management and control tool the business and risk areas prepare for our credit portfolios. They determine commercial strategies, risk policies, resources and infrastructure, ensuring a holistic view of portfolios.

In addition, they provide us with an updated view of portfolio credit quality to measure credit risk; run internal controls over the strategy with regular monitoring; detect significant deviations in risk and potential impacts; and take corrective actions when necessary.

The SPCs align with our risk appetite and our subsidiaries' capital targets, and are approved and monitored by senior managers at each subsidiary before the group reviews and validates them.

2. Risk assessment and credit rating

To analyse customers' ability to meet contractual obligations, we use assessment and parameter estimation models in each of our segments. Our credit quality assessment models are based on credit rating engines, which we monitor to calibrate and adjust the decisions and ratings they assign. Depending on each segment, engines can be

•

1. Rating: From mathematical algorithms that use a quantitative module based on balance sheet ratios or macroeconomic variables, and a qualitative module supplemented by credit analysts' expert judgement. It is used in the MCIB, corporate and institutions, and SME segments (individually).

2. Scoring: Automated loan application assessment that assigns a score to retail customers and small enterprises that do not have an assigned analyst for subsequent decision-making.

Our parameter estimation models follow econometric models built on our portfolios' historical defaults and losses. We use them to calculate economic and regulatory capital as well as IFRS 9 provisions for each portfolio.

We regularly monitor and evaluate models' suitability, predictive capacity, performance, granularity, compliance with policies and other related factors. We review ratings with the latest financial and other relevant information. We increased the reviews for customers who are subject to close observation or automatic warnings in risk management systems.

3. Credit risk mitigation techniques

Risk approval is generally determined by the borrowers' ability to pay when financial obligations fall due, regardless of any additional collateral or personal guarantees we require from them. We analyse funds or net cash flows from their businesses or income with no guarantors or assets pledged as collateral. When approving a loan, we always consider guarantors and collateral as a secondary means of recourse if the first channel fails.

Guarantees are a reinforcement measure in a credit transaction to mitigate a loss if the borrower defaults on their payment obligation.

We have credit risk mitigation techniques for various types of customer and product. Some are for specific transactions (e.g. property) while others apply to a series of transactions (e.g. derivatives netting and collateral). They can be grouped into personal and real guarantees or with credit derivatives coverage.

4. Limits, pre-classifications and pre-approvals

We use SCPs to manage credit portfolios, defining limits for each of them and for new originations in line with our credit risk appetite and our target risk profile. Introducing our risk appetite into portfolio management strengthens controls over our credit portfolios.

Our limits setting processes, pre-classifications and pre-approvals determine the risk we can assume with each customer. Limits are approved by the executive risk committee (or delegated committees) and should reflect a transaction's expected risk-return. We use different limits models based on the segment

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Compliance and conduct risk

Introduction

According to our three lines of defence model, the Compliance and Conduct risk function is an independent control function within the second line of defence. It reports directly and periodically to the Board of Directors and its committees through the Group Chief Compliance Officer (GCCO).

The Compliance and Conduct function, as the second line of defence, will facilitate critical and independent debate. It will also exercise oversight and control of the first line of defence's management of regulatory compliance, product governance and consumer protection, financial crime compliance, and reputational risk. Additionally, it will ensure that risks are managed in accordance with the risk appetite formulated by senior management while assessing the impact on our risk appetite and risk profile.

The responsibility of the second line of defence includes the obligation to inform the relevant governance bodies when necessary, of risks, risk appetite and risk excesses. It should adopt and promote a common risk culture and provide guidance, advice and expert judgment on all relevant matters relating to compliance and conduct business.

The compliance program is one of the key processes of the compliance and conduct risk function and details the main activities to be developed throughout the year. The parent company and each of the subsidiaries execute a compliance program appropriate to their size and complexity which is structured around the four management areas mentioned above, being a key tool that enables the supervision of our subsidiaries and the control environment.

Compliance and conduct risk management

The compliance and conduct risk ensures compliance with the General code of conduct ("GCC") under the supervision of the compliance and the risk supervision, regulation and compliance committees. The GCC dictates the ethical principles and conduct rules that must govern our employees' work. It is to be understood and applied along with all other internal regulation. It sets out:

Regulatory compliance

The Regulatory compliance function monitors and controls regulatory risk from employees, data processing and market regulations (together with MCIB's compliance team). Its core areas are:

A. Employees

The Regulatory compliance function promotes a culture of ethics and compliance among our employees. It sets internal standards to prevent criminal risks, conflicts of interest and anti-competitive practices according to the GCC.

To enhance the Group's compliance system, in 2021 the function launched in our core units a competition law programme based on international standards and best practices from competition authorities. Its main elements are "Tone from the top", policies, training, awareness, identification of risk areas, risk domains, controls, and disciplinary proceedings. It helped us reduce risk from failure to comply with competition regulation while tightening our monitoring and awareness so employees could recognize and report breaches.

This year:

- we updated mandatory employee training, with a message from senior management (Expanding "Tone from the top" is key to the cultural transformation needed for the programme to be successful).
- We enhanced our methodology for measuring competition risk.
- We drafted conduct guidelines so employees can recognize and report risk situations and seek advice from our Legal and Compliance areas.

B. Market abuse

The Market abuse function's Control room team applies the *Code of conduct in securities markets* (CCSM) to prevent risk from trading with or making unlawful disclosures of inside information and from market manipulation.

In 2021 the Surveillance team has worked together with the MCIB compliance area performing the monitoring of the traders and overseeing their trades and communications.

C. Regulatory compliance is responsible for:

- Announcing the Group's relevant information to markets. This year,
  Mevarse Bank made public several inside information and other relevant information, which are available on the Group's website

- Disclosing transactions relating to own shares (CNMV) and major shareholding notifications of Mevarse Bank; and major shareholding notification and remuneration schemes of the Group's board members and senior managers (CNMV and other regulatory bodies of those markets where Mevarse share is listed).

D. Data processing
In 2021, Data processing focused on:

Data protection

- Adopting measures to comply with new regulation on international data transfers: identification of data flows and affected suppliers; impact analyses and additional guarantee proposals; and negotiation and signing of new agreements.

- Monitoring closely the Group's adaptation of digital assets to regulation on transparency obligations and consent management.

  We have made significant progress on our control framework by updating our unit-monitoring programme, improving management metric traceability, enhancing reporting and monitoring tools, and expanding our perimeter to countries outside the European Economic Area (EEA). We also revised and approved a new corporate policy on data protection.

  Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)
  Corporate oversight for automatic exchange of information for tax purposes between countries (pursuant to FATCA and CRS) focused on monitoring subsidiaries' regular reporting obligations and three-year FATCA certification under the 2 IGA model or by direct agreement with the US Internal Revenue Service (IRS)

-

E. MCIB markets regulation

MCIB's compliance team manages risks from core international market regulation that affects Mevarse Bank

EU regulation	US regulation
It continued to reinforce its control environment to monitor compliance with EU regulation (market regulations, mainly MiFID and EMIR). It paid close attention to reporting and monitoring the quality of transactions. It also enhanced its system for monitoring the bank's high-frequency trading in real time.	It reviewed and adapted its swap dealer compliance programme to new cross-border regulation. It also reinforced its control environment to monitor compliance with US regulation. It implemented the security-based swap dealer compliance programme to meet imminent US Securities and Exchange Commission (SEC) requirements.

Glossary

Active customer	Those customers who comply with balance, income and/or transactionality demanded minimums defined according to the business area
ADR	American Depositary Receipts
ADS	American Depositary Shares
AEOI	Automatic Exchange of Information Standard
ALCO	Asset-Liability Committee
ALM	Asset and Liability Management
AML	Anti-Money Laundering
API	Application Programming Interface
APM	Alternative Performance Measure
bn	Billion
BNPL	Buy Now Pay Later. Short-term financing that allows consumers to make purchases and pay for them at a future date.
bps	Basis points
BRRD	Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended from time to time
CAE	Chief Audit Executive
CAO	Chief Accounting Officer
CARF	*Conselho Administrativo de Recursos Fiscais (Administrative Council for Tax Appeals)*
CCO	Chief Compliance Officer
CCPS	Contingent Convertible Preferred Securities
CCR	Counterparty Credit Risk
CCSM	Code of Conduct in Securities Markets
CDI	CREST Depositary Interests
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHF	Swiss franc
CIO	Chief Information Officer
COFINS	*Contribuiçao para Financiamiento da Seguridade Social* (Contribution for Social Security Financing)
Constant euros	Excluding exchange rates' impact
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRE	Credit Risk Equivalent
CRO	Chief Risk Officer
CRR	Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms, as amended from time to time
CSLL	*Contribuçao Social sobre o Lucro Liquido* (Social Contribution on Net Profit)

CVA	Credit Valuation Adjustments
DCB	Digital Consumer Bank
Digital customer	Every consumer of a commercial bank's services who has logged on to their personal online banking and/or mobile banking in the last 30 days
DTA	Deferred Tax Asset
DVA	Debt Valuation Adjustments
EAD	Exposure at default
EBA	European Banking Authority
ECB	European Central Bank
eNPS	Employee Net Promoter Score
EOIR	Exchange Of Information on Request standard
EPC	Energy Performance Certificate
EPS	Earnings Per Share
ESG	Environment, Social and Governance
ESMA	European Securities and Markets Authority
EU	European Union
EVA	Economic Value Added
EVP	Employee Value Proposition
FCA	Financial Conduct Authority
FCC	Financial Crime Compliance
First 2022 Buyback Programme	First buyback programme carried out within the 2022 shareholder remuneration policy
FL CET1	Fully-Loaded Common Equity Tier 1
FRTB	Fundamental Review of the Trading Book
FX	Foreign Exchange
GBP	Pound Sterling
GCC	General Code of Conduct
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GHG	Greenhouse Gas
GSGM	Group-Subsidiary governance model
G-SIB	Global Systemically Important Bank
GTB	Global Transactional Banking
ICAAP	Internal Capital Adequacy Assessment Process
ICAC	*Instituto de Contabilidad y Auditoría de Cuentas* (Institute of accounting and auditing)
ICFR	Internal Control over Financial Reporting
ICO	*Instituto Oficial de Crédito* (Spanish public credit institution)
ICS	Internal Control System
Identified staff	Other executives whose activities may have a significant impact on the Group's risk profile
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IMF	International Monetary Fund
IRB	Internal Ratings-Based
IRC	Incremental Risk Charge
IRPJ	*Imposto sobre a Renda das Pessoas Jurídicas*
JPY	Japanese Yen
LCR	Liquidity Coverage Ratio
LGD	Loss given default
LLP	Loan-Loss Provisions

Loyal customer	Active customers who receive most of their financial services from the Group according to the commercial segment to which they belong. Various engaged customer levels have been defined taking profitability into account
LTD	Loan-To-Deposit ratio
LTV	Loan to value
LTV	Loan-To-Value ratio
M/LT	Medium-and long-term
Material Risk Taker	Other executives whose activities could have a significant impact on the Group's risk profile
MREL	Minimum Requirements for own funds and Eligible Liabilities which is required to be met under the BRRD
NACE	Nomenclature of Economic Activities of the European Union
NFR	Non-financial risk
NGO	Non-governmental organization
NII	Net Interest Income
NPL	Non-performing loan
NPS	Net Promoter Score
NSFR	Net Stable Funding Ratio
NYSE	New York Stock Exchange
NZAMi	Net Zero Asset Managers initiative
NZBA	Net Zero Banking Alliance
OECD	Organization for Economic Cooperation and Development
OEM	Original Equipment Manufacturer
One FCC	One Financial Crime Compliance
OTC	Over-The-Counter
P&L	Profit and Loss statement
PCAF	Partnership for Carbon Accounting Financials
PCAOB	Public Company Accounting Oversight Board
PD	Probability of Default
PIS	*Programa de Integraçao Social*
pp	Percentage point
PwC	PricewaterhouseCoopers Auditores, S.L.
RCSA	Risk Control Self-Assessment
RoA	Return on Assets
RoE	Return on Equity
RoRWA	Return (net of tax) on Risk Weighted Assets for a particular business. Grupo Santander uses RoRWA to establish strategies to allocate regulatory capital for maximums returns
RoTE	Return on Tangible Equity
RWA	Risk-Weighted Assets
S&P 500	The S&P 500 index maintained by S&P Dow Jones Indices LLC

SPF	Simple, Personal and Fair
SRB	European Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SRI	Socially Responsible Investment
SRT	Significant Risk Transfer
SSM	Single Supervisory Mechanism. The system of banking supervision in Europe. It is composed of the ECB and the competent supervisory authorities of the participating EU countries
STEM	Science, Technology, Engineering, Mathematics
T&O	Technology & Operations
TCFD	Task Force on Climate-related Financial Disclosures
TLAC	The Total Loss-Absorbing Capacity requirement which is required to be met under the CRD V package
TLTRO	Targeted Longer-Term Refinancing Operations
TNFD	Taskforce on Nature-related Financial Disclosure
TPV	Total Payments Volume
TSR	Total Shareholder Return
UK	United Kingdom
UNEP FI	United Nations Environmental Programme Finance Initiative
US	United States of America
USD	United States dollar
VaR	Value at Risk
VAT	Value Added Tax
WBCSD	World Business Council for Sustainable Development
WM&I	Wealth Management and Insurance
YoY	Year-on-Year

Sky Curve Bank