Solid despite Banco Popular’s losses during the second quarter

### TRENDS AND DEVELOPMENTS IN THE SPANISH BANKING SECTOR

**Improving, but from a very low staring point**. The volume of NPLs in Italy is still a heavy burden for the system

**The high density of assets strengthens Latin American banks’ solvency**

**NPLs are one of the main problems for European banking systems**

### THE ITALIAN BANKING SYSTEM

- The new accounting rule may have a pro-cyclical impact on bank provisions
- Capital-wise, the average CET1 ratio of Spanish Banks may drop by
- The deleveraging process continues, although at lower rates which shows that it may be reaching a turning point

### THE LIKELY PRO-CYCLICALITY OF THE IFRS 9 ACCOUNTING RULES. SPANISH BANKS AS AN ILLUSTRATION

- The improvement seen post-2014 has been driven by a significant decline in the volume of NPLs
- The impact of the stressed scenario is expected to be higher for IRB banks that for Standard Approach banks

### EUROPEAN STRATEGY ON NON-PERFORMING LOANS

- There are several initiatives to tackle the problem, focused on 3 areas
- Sound and robust solvency levels, even though Colombia, Chile and Peru have not yet adopted Basel III rules

### LATIN AMERICA: THE HIGH DENSITY OF ASSETS STRENGTHENS BANKS’ SOLVENCY

- The high density of assets strengthens Latin American banks’ solvency
- High density of assets (Risk Weighted Assets / Total assets of): **80%**
- Leverage ratio > **8%** in all countries (Bolivia, Ecuador, Colombia, Chile, Peru)