

Banking Outlook

MAY 2018



Trends and developments in the Spanish banking sector

- Losses in 2017 €3.9 billion due to the resolution of Banco Popular
- The deleveraging of the private sector seems to be coming to an end

The solvency of the system continues to increase: the volume of capital reached **8.8%** of the balance sheet in February 2018

IFRS9:

Supervisory practices, behavioral impacts and regulatory interactions

The accounting standard **impacts European banks' capital ratios** and provisioning stock

The **implementation of the ECL** approach could trigger **impacts in banks' strategic decisions** related to lending

Quantitative impact in CET1:

40pbs for significant institutions

59pbs for less significant institutions

Addendum to ECB Guidelines on NPLs

Impact on regulatory provisions

For the European banks as a whole, the **NPL Addendum may rise provisions by**

73 billions EUR

over **10** quarters



For the retail portfolio an increase of prudential provisions of about

20%-25%

The highest impact estimated in Sweden, the Netherlands, France, and Spain

Regarding corporate portfolios: the largest impacts of the NPL Addendum are estimated to occur in Germany, the Netherlands and Finland **with an increase in provisions of more than**

40%



The use of cash and its determinants



Cash is still used in **79%** of retail payments in terms of number of **transactions in the euro area**

The use of **alternative means of payments** has been gaining grounds:

increased **adoption of digital methods**

the reduction in **commissions and fees**

the natural **generation replacement**

EBA Risk Dashboard: European banks grew stronger in 2017

CET1 of **14.8%**

Best figure since December 2014

NPL ratio

4%

Best figure since December 2014

Aspects for **improvement**

Volume of **NPLs**

weak profitability in the current interest rate environment