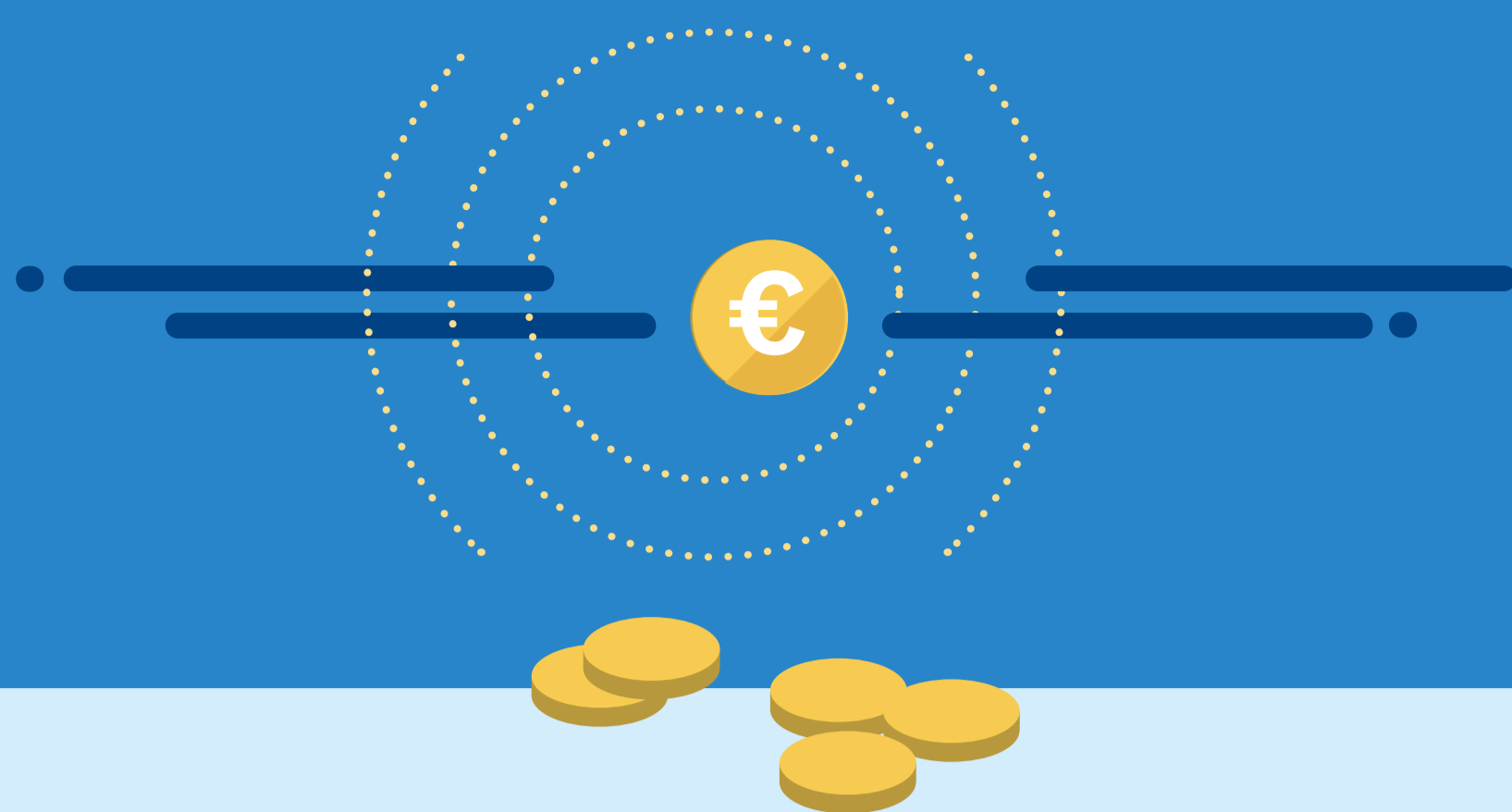


Banking Outlook

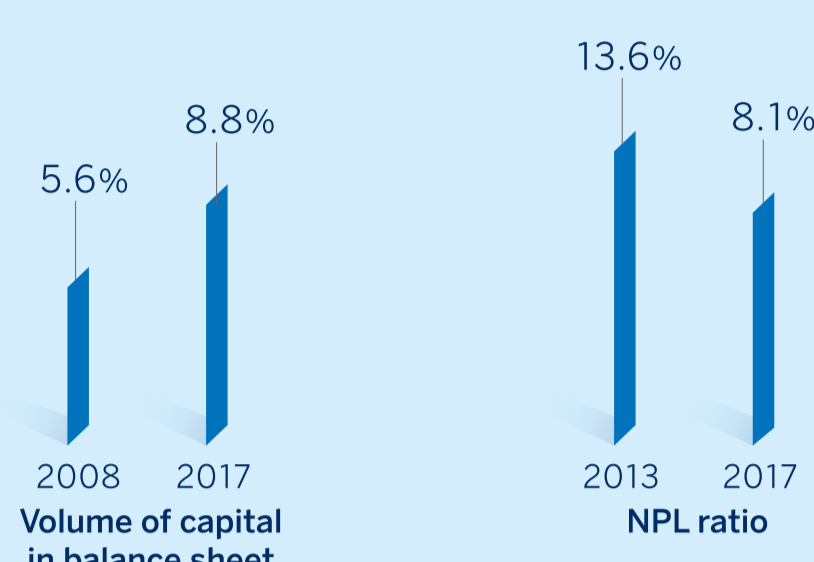
February 2018



Trends and developments in the Spanish banking sector



- The **deleveraging** of the system seems to be coming to an end
- Significant impact of **Banco Popular's resolution** on the sector's results
- Additional improvements in **solvency and asset quality**



Monetary policy and bank profitability: a new paradigm



Negative interest rates and the slope of the curve are pressuring bank profitability. In Spain, the spread between the interest rate on loans and that on deposits has narrowed

2.8% 2008 **2.1%** 2017



The Spanish banking system should be among those most favoured by the withdrawal of the stimulus measures, just as it was among those most harmed by their introduction. In Spain, we were affected by the weight of **variable rate mortgages**, which went from representing

87% 2010 **46%** 2016
of the total of new mortgages



According to the EBA, the consolidated banking groups' **ROE** in September was

7.1% SPAIN **7.7%** EU
well below pre-crisis levels

The rise of the use of bank cards and e-commerce in Spain

57% of BBVA customers used their cards to buy a product using the Internet in 2017



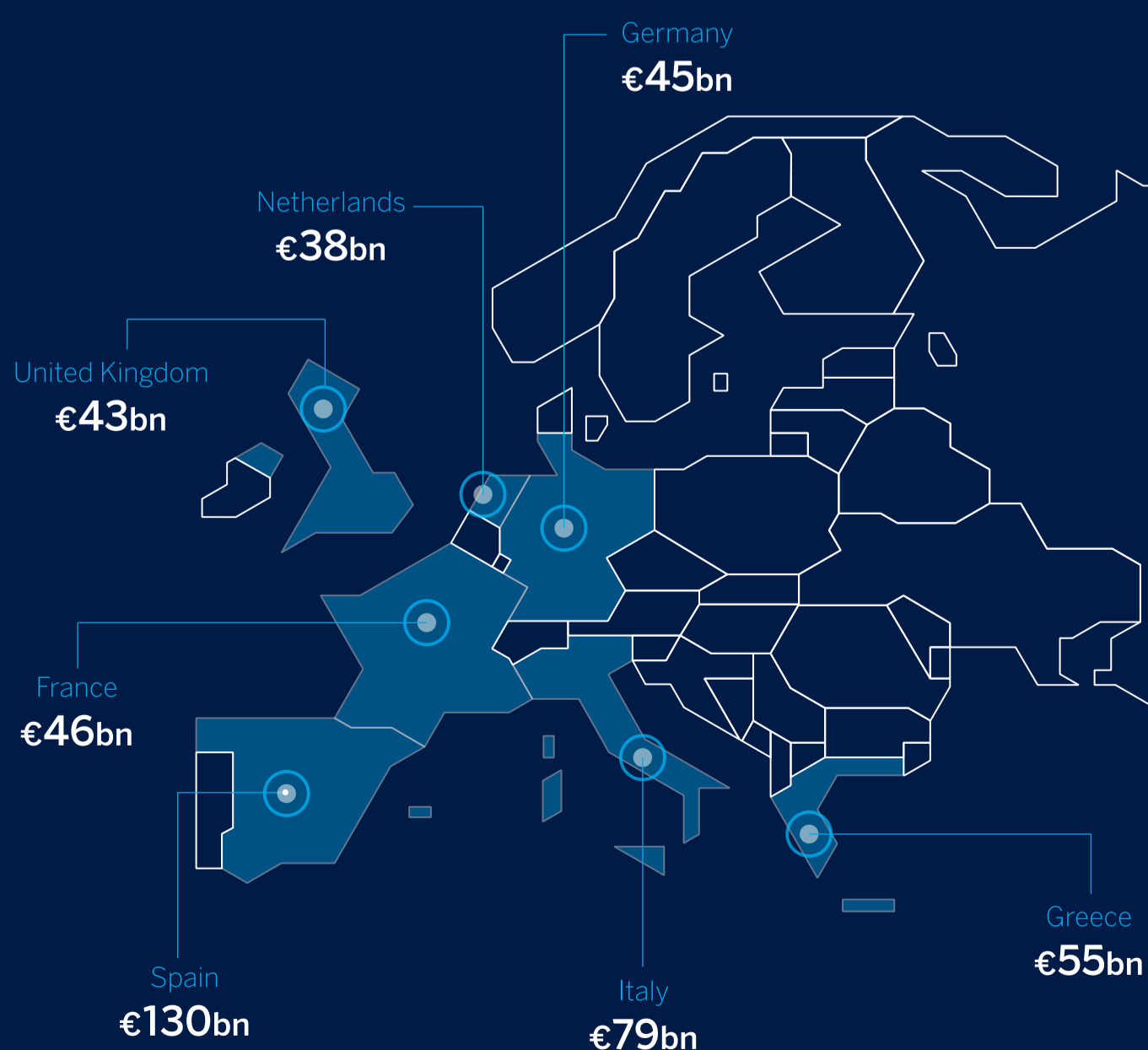
€987
the average annual expenditure per capita online of BBVA customers in 2017

- Young people are those who buy the most online



Transition to IFRS 9: Impact on forbearance practices

- The **refinancing of loans** plays an important role in customer protection and risk management
- The **volume of refinanced loans** has followed a downward trend in recent years, but remains significant in some countries
- New rules have harmonised the processing of refinanced loans and reduced bad practices in their usage, but some borrowers with temporary financial difficulties may have been affected



€550bn

the **total volume** of refinanced in the European Union