

Banking Outlook

AUGUST 2018



Trends and developments in the Spanish banking sector



The system is once more **generating profits (€3,106 million)** following the losses brought about in 2017 by the sale of Banco Popular.

Acceleration in balance sheet clean-up thanks to **the sale of Popular's property portfolios** to Blackstone:

NPL ratio

6.7%

down by 208 bps from March 2017

VOLUME OF DOUBTFUL DEBT

-26%

since March 2017

The position of European banks vis-à-vis MREL

The shortfall in eligible instruments **fluctuates between €195 billion** (subordination recommended by the EBA), **€301 billion** (subordination of the Council) and **€526 billion** (total subordination).

The shortfall in subordinated instruments **fluctuates between €24 billion** (EBA subordination), **€167 billion** (Council subordination) and **€526 billion** (total subordination).

The **peripheral countries** will suffer a **greater increase in issuance costs than the European average** to cover their shortfalls.

The core countries will be able to cover their deficit with a cost lower than the average.



Trends in private debt in the euro zone

Private debt as a percentage of GDP in the euro zone **has decreased** since 2012 to

133%



Levels of corporate lending **have declined**, while bonds have gained traction.



Spain's private sector had deleveraged by **61 pp** since 2010 to

139% of GDP



Banking Union: Little progress at the euro summit

The ESM will be the **backstop to the Single Resolution Fund**; the details will be decided in December 2018.

With no significant progress made on the **common deposit guarantee** scheme, the political negotiations will now start.



Approval of the Fifth Anti-Money Laundering Directive



Criminal activities generate **€110 billion** a year in the EU.



Custodian wallet providers and virtual currency exchange platforms are made subject to **the law**.



Limitations on the use of anonymous pre-paid cards: identification of the consumer in transactions of more than €50.