

Banking Outlook May 2019

Developments in the Spanish Banking Industry

Net income for the system in 2018

€12.4 billion

Higher than any year since 2009

Key factors:
cost control and lower provisions

Improved profitability, efficiency and NPL ratio:

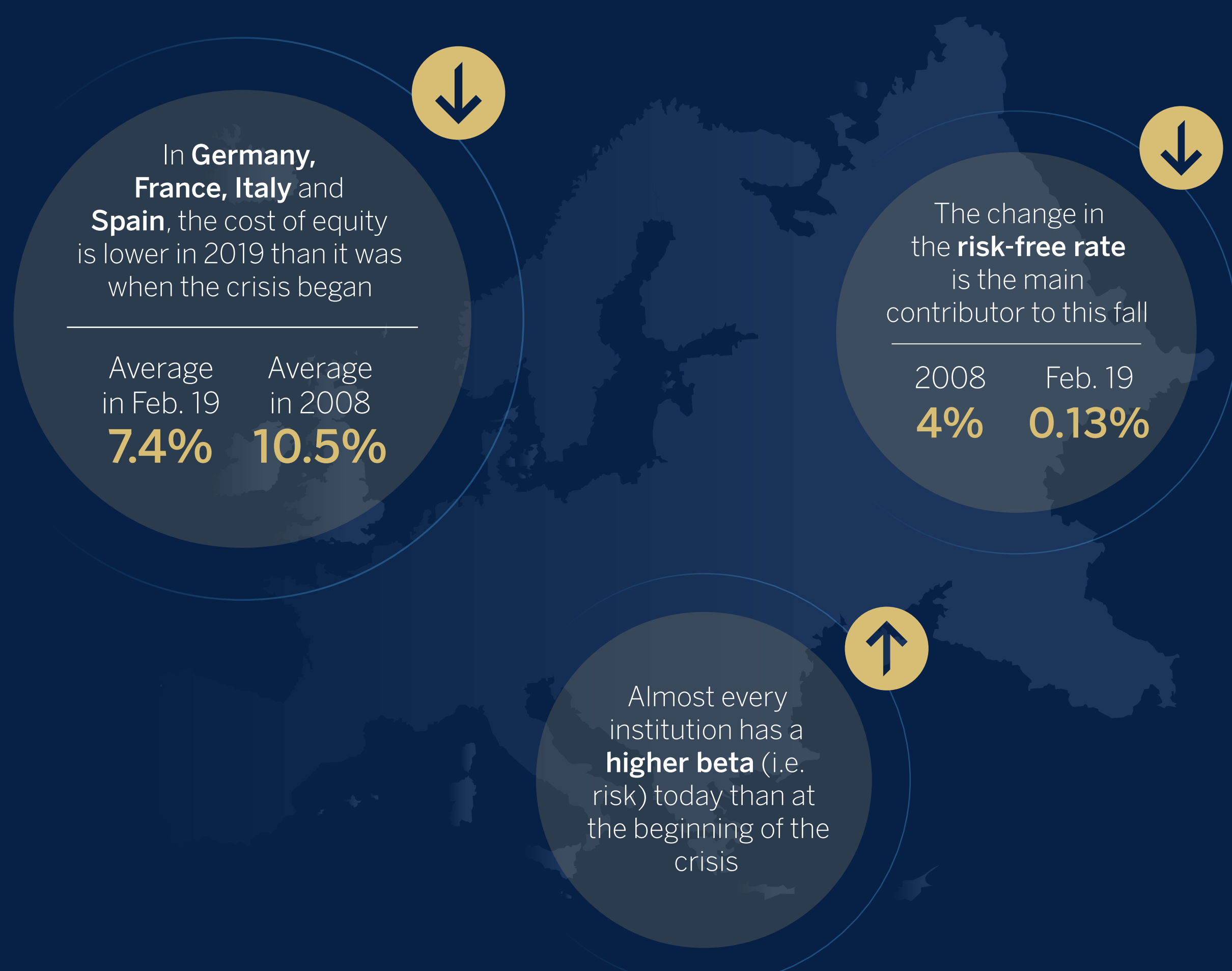
	LATEST AVAILABLE DATA	DATA FROM 12 MONTHS PREVIOUSLY
ROE	5.4% (dec. 18)	-1.7% (dec. 17)
Cost-to-Income ratio	54% (dec. 18)	57% (dec. 17)
NPL ratio	5.8% (feb. 19)	7.8% (feb. 18)

Bank loan survey: credit demand continues to slow in the eurozone



- Credit demand in the eurozone is continuing to slow, except in the mortgage segment
- In Spain, the criteria for approving household loans have been tightened
- Consumer credit conditions have again been tightened slightly, following several quarters in which they were significantly softened

Comparison — Cost of Equity in the European Banking Industry



A three-way complementary framework for NPLs: accounting, prudential and supervisory



New SREP capital requirements in the eurozone following the activation of counter-cyclical buffers

Prudential minimum capital requirement (SREP) in terms of fully loaded CET 1: 10% on average* in the eurozone (Spain: 9%)

**Eurozone minimum: 8%;
Eurozone maximum: 14%**

* From a sample of 48 eurozone institutions, of which 12 are Spanish

The SREP requirement is increasing compared to last year, primarily due to the activation of counter-cyclic buffers