

SHOULD WE REINVENT BANKS OR IMPROVE THEIR MANAGEMENT?

Pablo Hernández de Cos
Governor

14TH BANKING INDUSTRY MEETING

IESE

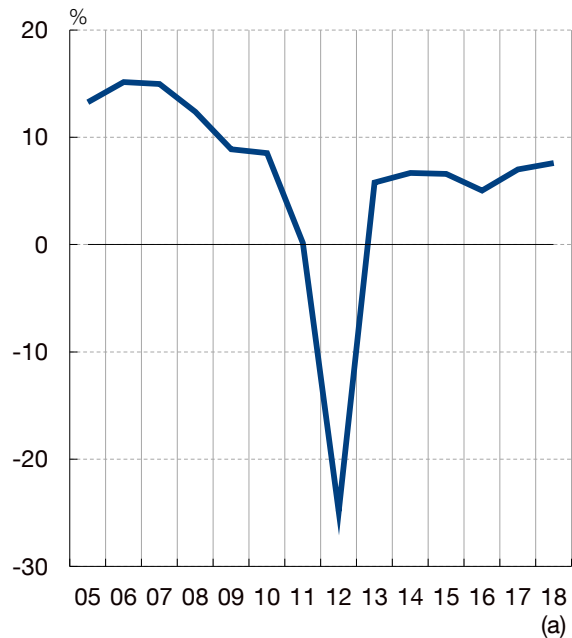
12 December 2018

CHART 1



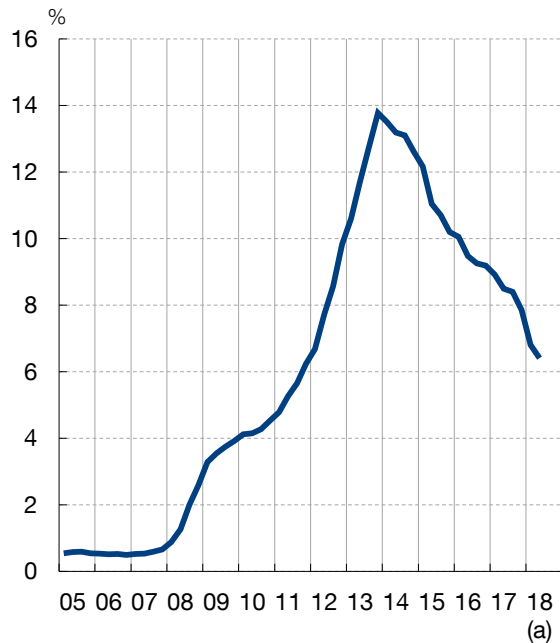
A.

RETURN ON EQUITY (ROE)



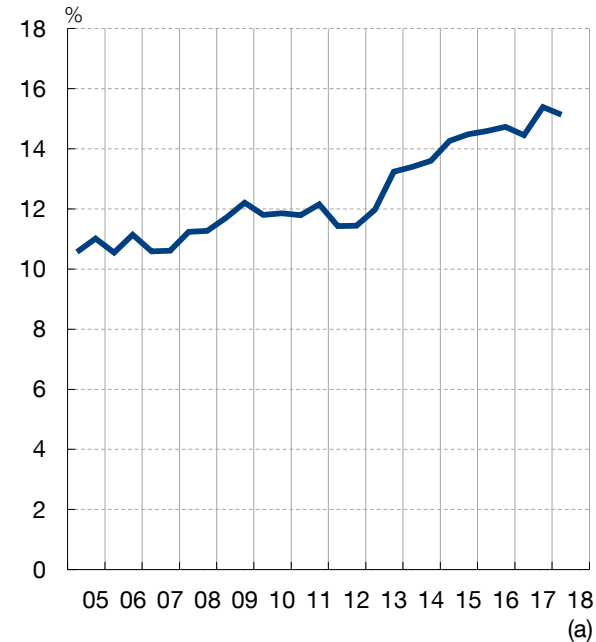
B.

NPL RATIO



C.

TOTAL REGULATORY CAPITAL RATIO

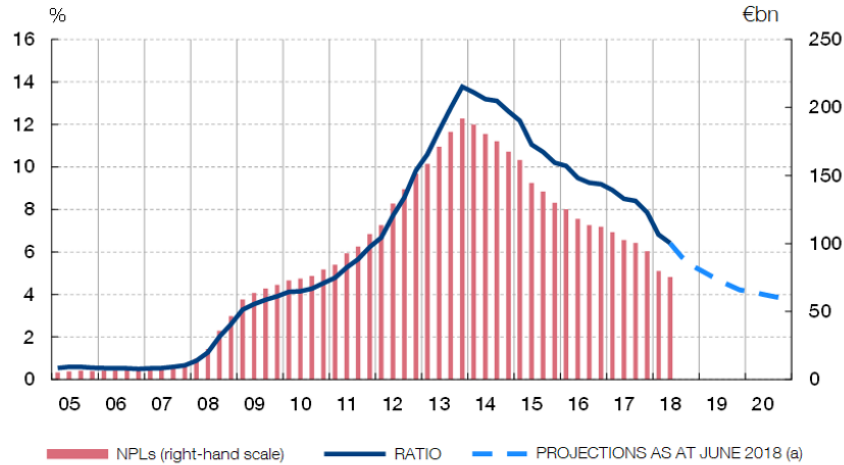


SOURCES: ECB (Consolidated Banking Data), EBA and Banco de España.
 a. The 2018 figure is for the second quarter.

CHART 2

A.

NPLs AND NPL RATIO



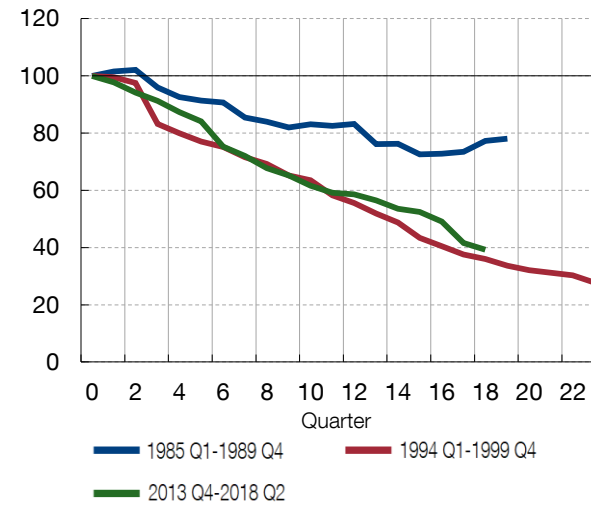
SOURCE: Banco de España.

a. Based on a dynamic single-equation model in which the volume of NPLs is expressed as a function of GDP level, unemployment rate, credit-to-GDP ratio, changes in real GDP and in the nominal interest rate of credit, and lags in the dependent variable.

B.

THE VOLUME OF NPLs IS DECREASING AS IN THE PRECEDING RECOVERY

Maximum NPL ratio = 100



SOURCE: Banco de España.

a. NPLs to total credit to the resident private sector.

C.

CORRELATION BETWEEN THE YEAR-ON-YEAR CHANGE IN CREDIT EACH YEAR AND THE NPL RATIO A YEAR EARLIER (b)



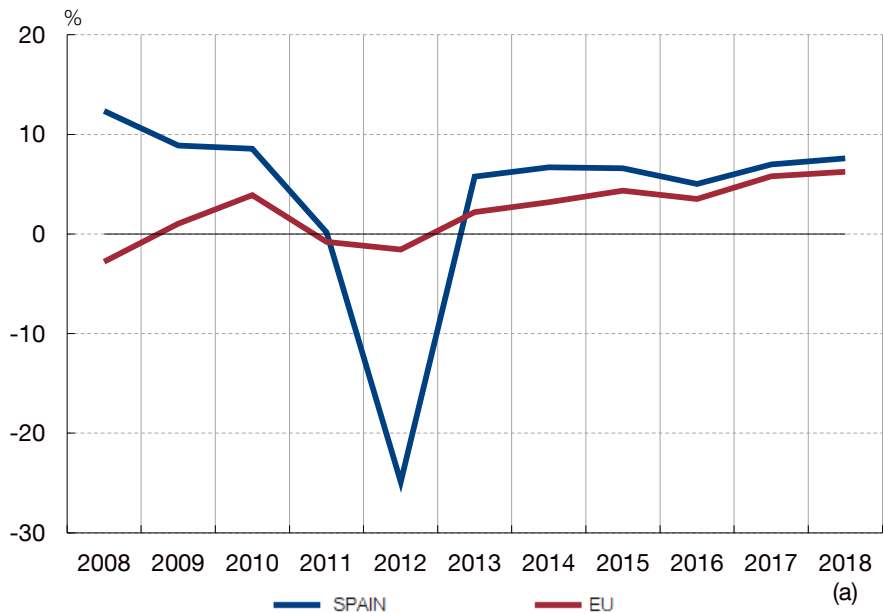
SOURCE: Banco de España.

b. Cross-sectional correlations of 61 Spanish deposit-taking institutions (significant institutions and the main less-significant institutions, including all the credit cooperative sector).

CHART 3



A.
RETURN ON EQUITY (ROE)



SOURCES: ECB (Consolidated Banking Data), BIS and Banco de España.

a. The 2018 figure is for the second quarter.

b. Data taken from a report by the BIS Committee on the Global Financial System, entitled "Structural changes in banking after the crisis" (<https://www.bis.org/publ/cgfs60.htm>).

B.
INTERNATIONAL COMPARISON. ROE (2016) (b)

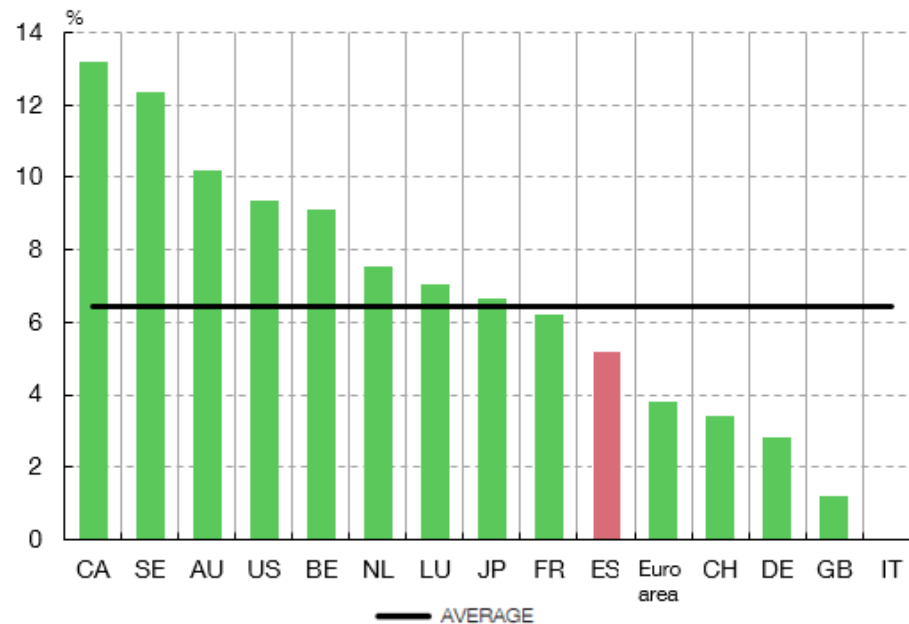
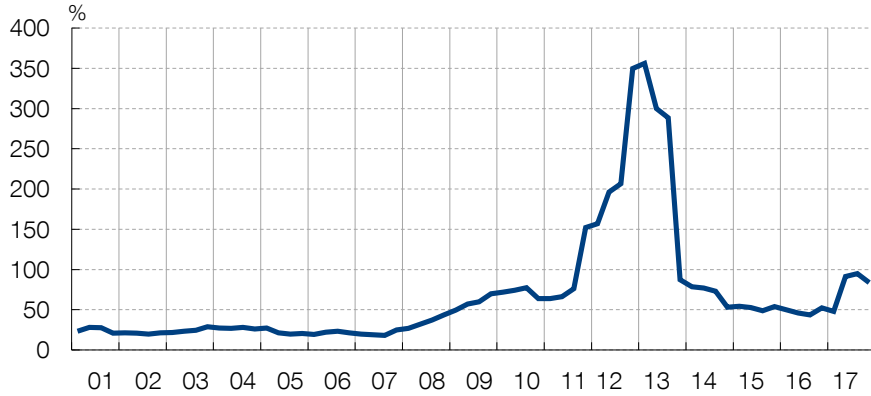


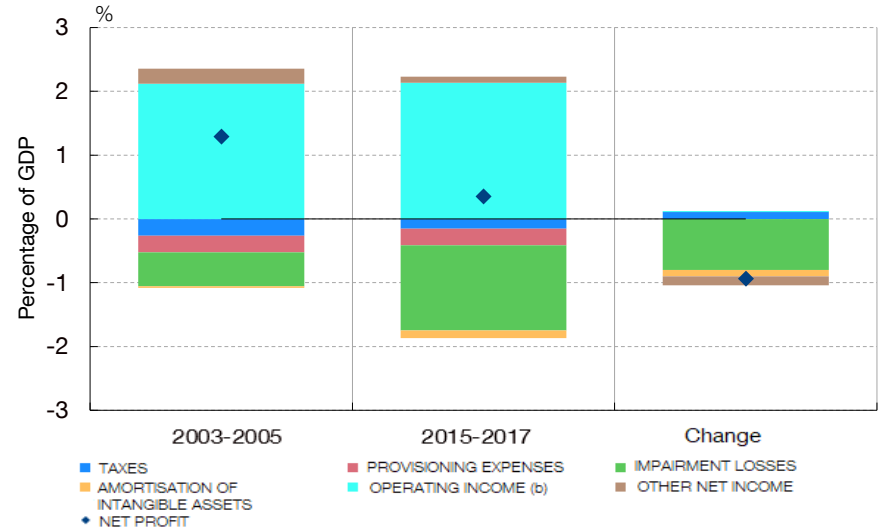
CHART 4

A.
IMPAIRMENT LOSSES AS A PERCENTAGE OF OPERATING INCOME

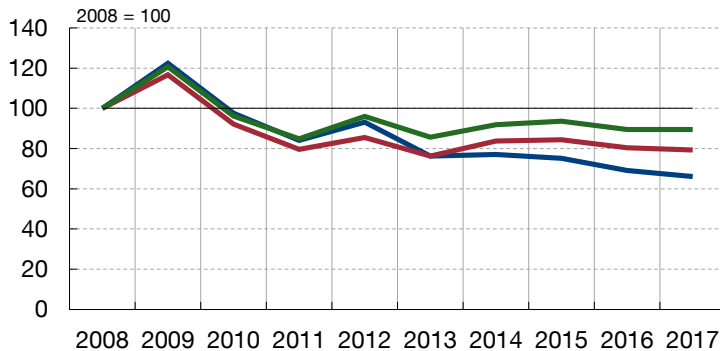


SOURCE: Banco de España.

B.
BREAKDOWN OF INCOME STATEMENT



C.
TWO-THIRDS OF THE FALL IN NET INTEREST INCOME IN SPAIN IS DUE TO THE CONTRACTION OF ASSETS AND LENDING



SOURCE: Banco de España.

— OBSERVED NII
— NII WITH CONSTANT ASSETS
— NII WITH CONSTANT ASSETS AND LOANS/ASSETS RATIO

D.
OPERATING INCOME

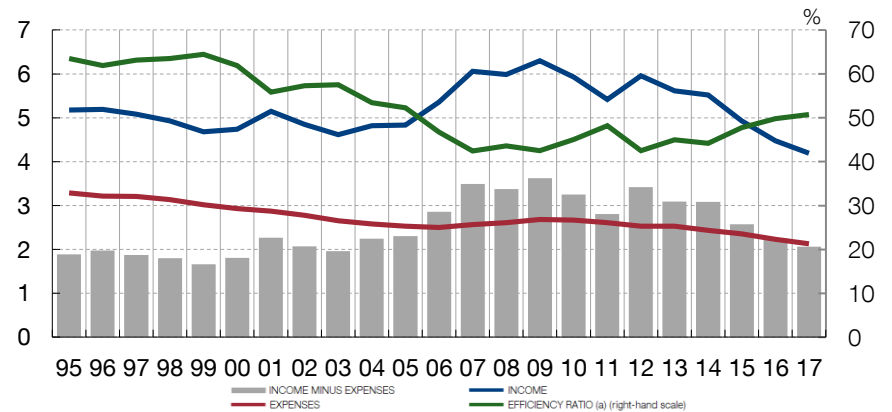


CHART 5



COMPLAINTS IN THE PERIOD 2014-2017

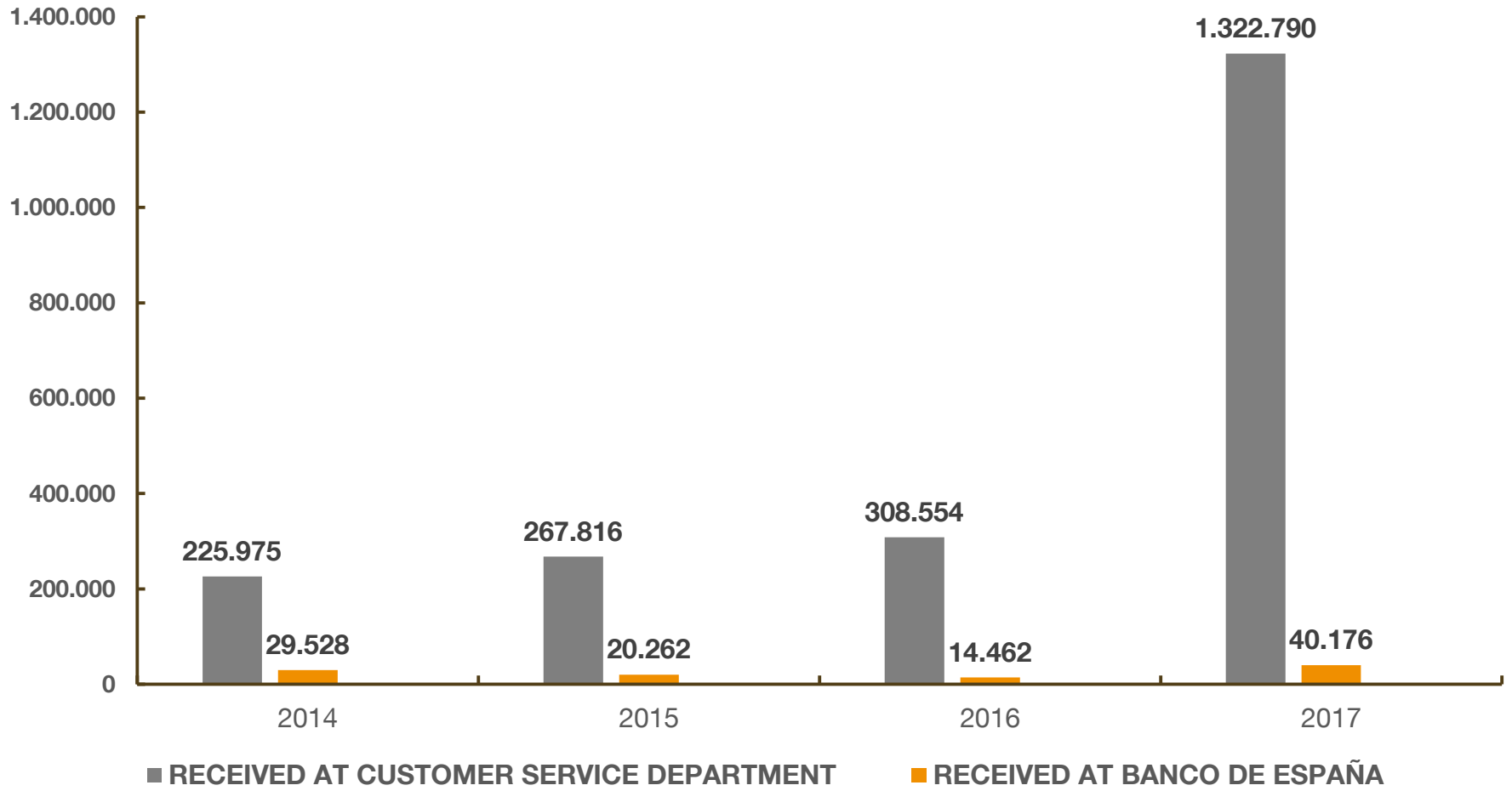
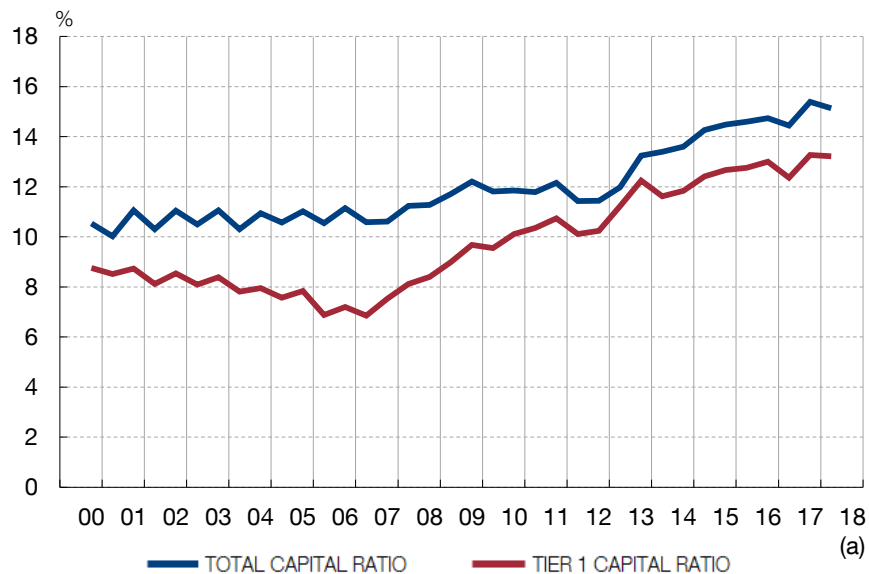


CHART 6



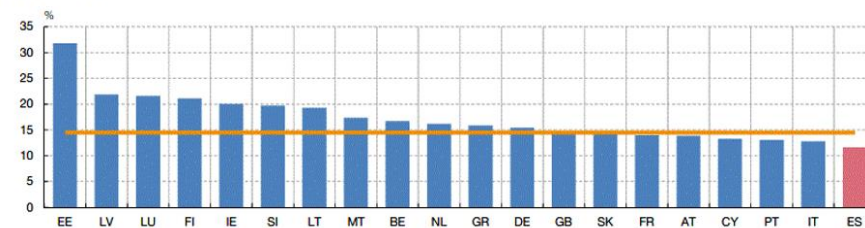
A. REGULATORY CAPITAL RATIOS



SOURCES: EBA and Banco de España.
a. The 2018 figure is for the second quarter.

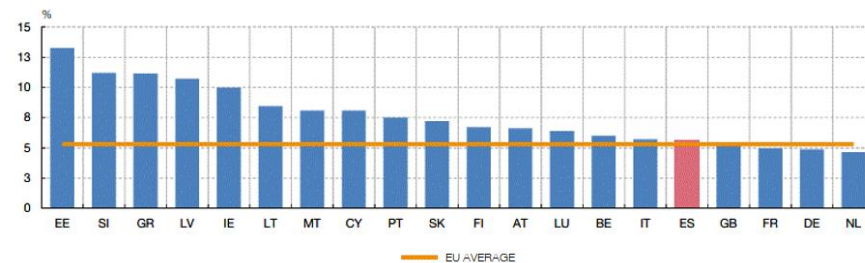
B.

A CET1 RATIO



C.

D LEVERAGE RATIO

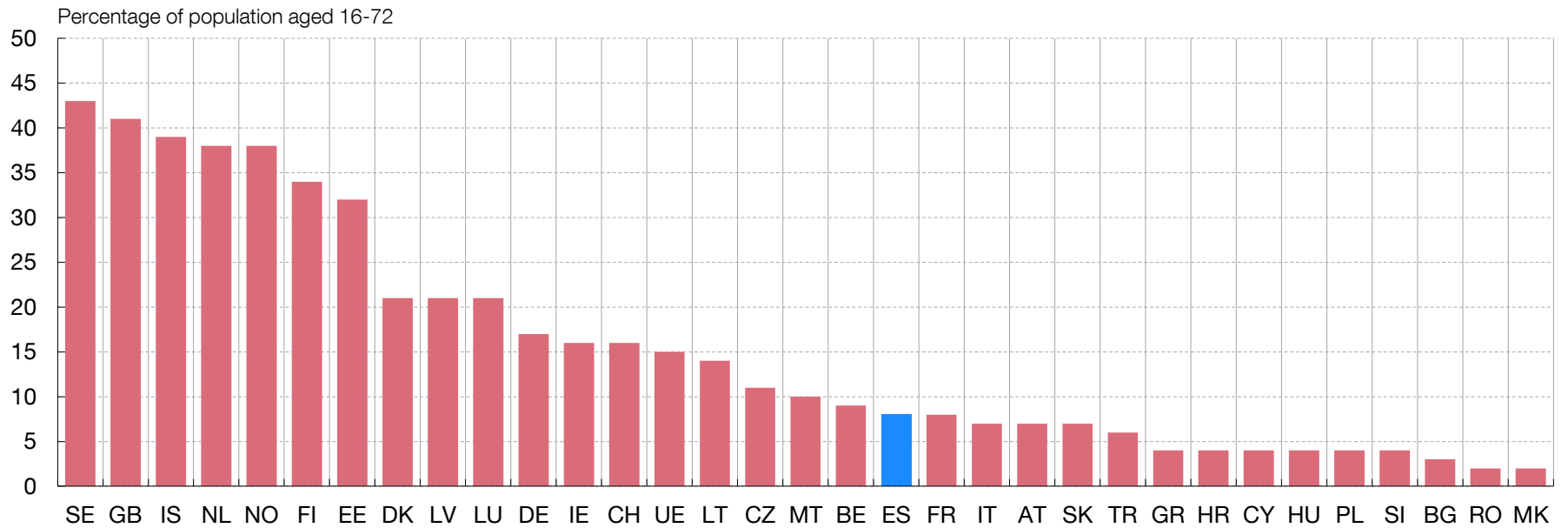


Data at June 2018

CHART 7



POPULATION USING THE INTERNET FOR AT LEAST ONE FINANCIAL ACTIVITY IN 2017

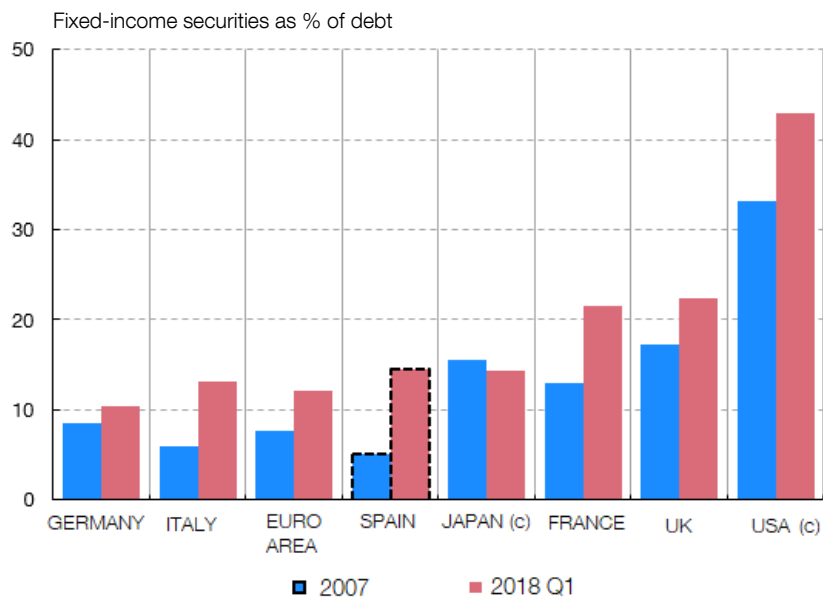


SOURCE: Eurostat.

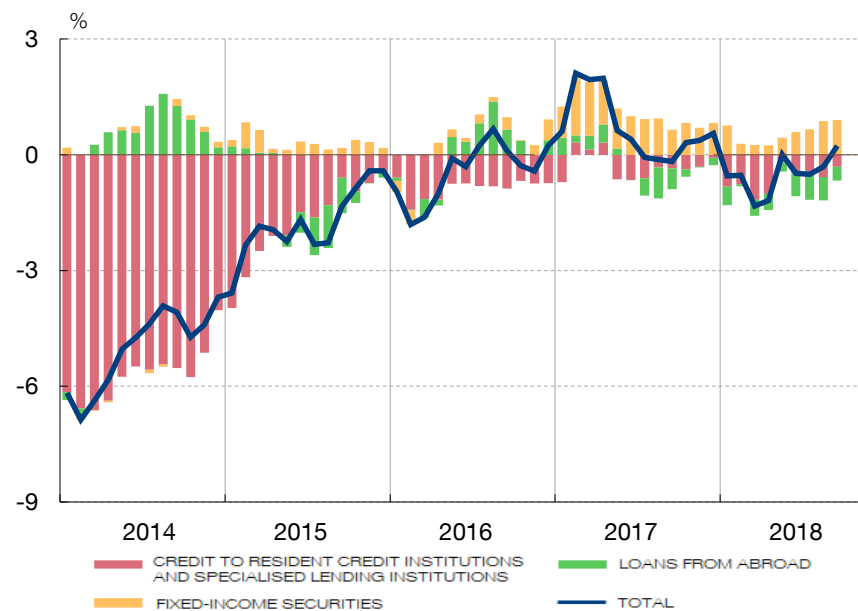
CHART 8



A.
WEIGHT OF FIXED-INCOME SECURITIES IN TOTAL DEBT OF NON-FINANCIAL CORPORATIONS (a)(b)



B.
CONTRIBUTIONS TO YEAR-ON-YEAR GROWTH OF FINANCING TO NON-FINANCIAL CORPORATIONS IN SPAIN



SOURCE: BCE, BIS and Banco de España.

a. Spanish fixed-income securities include issues by resident and non-resident subsidiaries at market price, which are deducted from the loans obtained by the sector. Issues by German non-resident subsidiaries are also high, but the figure cannot be adjusted owing to the lack of information.

b. Debt includes fixed-income securities and total loans.

c. Data as at December 2017.