

Spanish banking sector

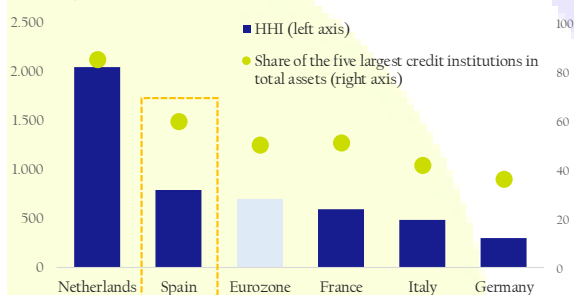
Profits

During the first quarter of 2016, amidst low interest rates, the consolidated results of Spanish credit institutions dropped 23.6%.

By contrast, the improvement in economic activity has made it possible to continue to lower the volume of troubled assets (down 40% since December of 2013).

At the same time, according to Herfindahl-Hirschman Index (HHI), Spain is at similar levels to the Eurozone (896 vs 722).

Banking sector concentration 2015



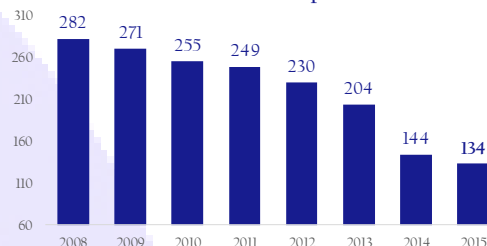
Note: Herfindahl-Hirschman is defined as the sum of the squares of the market shares of all firms within the industry

Source: Círculo de Empresarios based on ECB, 2016

Structural indicators

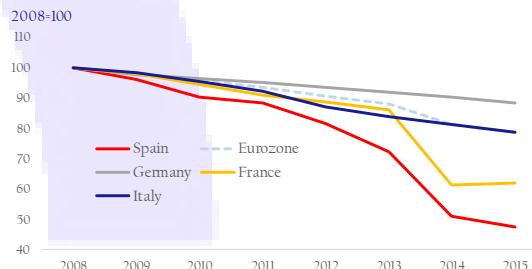
Since 2008, the number of credit institutions in Spain has been reduced by 55% (by 21.3% in the EU-19), and is now the 2nd country in the Eurozone with the greatest drop, after Cyprus.

Number of credit institutions in Spain



Source: Círculo de Empresarios based on ECB, 2016

Credit institutions evolution



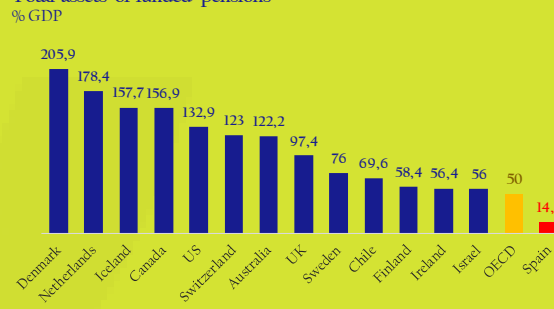
Source: Círculo de Empresarios based on ECB, 2016

Pensions

From 2000 to 2015 the ratio of assets in pension funds with regard to the GDP has increased in the 35 member countries of the OECD, from 30.1% to 50% in 2015.

At present, 37% of the countries in this organization have a volume of pension funds greater than 50% of the GDP. In Spain, the ratio is 14.3%.

Total assets of funded pensions



Source: Círculo de Empresarios based on ECB, 2016

Initial public offerings (IPOs)

In 2016 initial public offerings dropped worldwide by 32.8% to 132,468 billion euro.

The fall with respect to the previous year is principally because of political and economic uncertainty stemming from the Brexit, the result of the presidential election in the United States, and the volatility of commodities.

Some 60% of the activity has been in the Asia-Pacific region*, principally in the industrial and technology sector.

In Spain, as against the 12 Madrid Stock Market offerings of 2015, there were only three operations in 2016** for a value of 1,5 billion euros. The one for Parques Reunidos was one of the 10 largest in Europe.

* 60% top deals took place in this area

** Telepizza, Parques Reunidos y Dominion

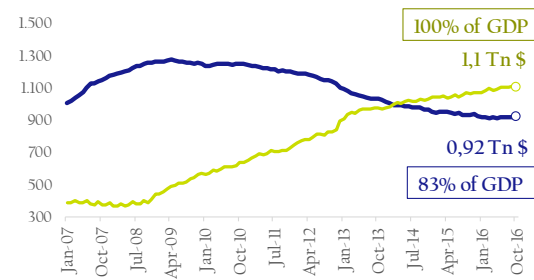
Indebtedness

National

Corporate debt has dropped 27.8% from the maximums of April 2009 (almost 354 billion €) and is now at 83% of GDP.

For its part, public debt has grown 185% from the minimums of 2007 (717 billion €) and in October of 2016 was at 100% of GDP.

Non financial corporations and public debt
Billion \$



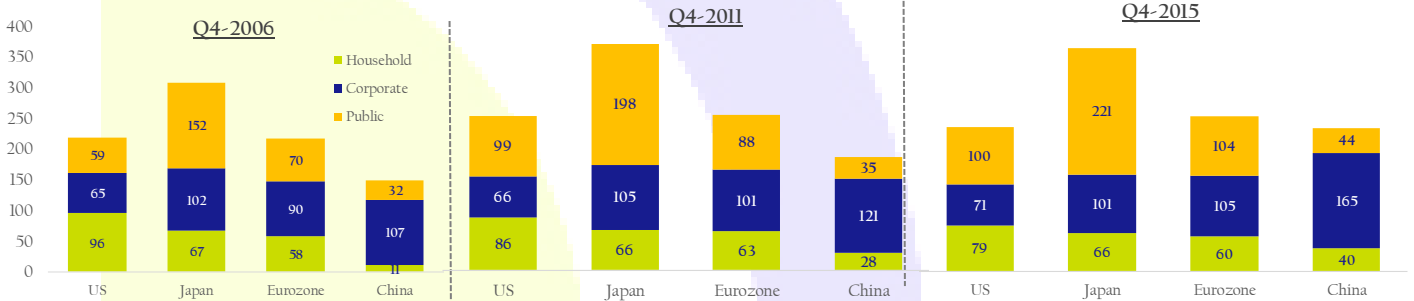
Source: Circulo de Empresarios based on Bank of Spain, 2016

International

Worldwide, fear of excessive leverage (225% of GDP) is associated with two factors:

1. Its effects on long-term economic growth.
2. Short-term fear of financial crises that could weaken the economy.

Composition of national/regional indebtedness
(% GDP)



Source: Circulo de Empresarios based on BIS, J.P. Morgan Asset Management, 2016

Italian Banking sector

The Italian government has approved a financial rescue of 20,9 billion euros to strengthen the liquidity and capitalization of its banking sector, caused principally by problems of NPLs and toxic assets in the Monte dei Paschi (a bank that had the worst stress-test results carried out by the European Banking Authority) The ECB estimates at 8,8 billion € the capital needs of

this bank so as to be able to clean up its balance sheet

In aggregate terms, late payment in the Italian banking sector has reached more than 360 billion € (one-third of the total in the Eurozone and 22% of the Italian GDP).

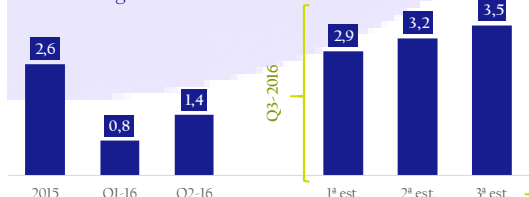
In addition, during 2016 the fall in value of the principal banks on the FTSE MIB Index* was greater than 50%

* Unicredit, Intesa San Paolo, Banco Popolare, Banca Pop Milano, Monte dei Paschi, UBI

GDP data

In the Q3-2016, the United States GDP grew 3.5% year-on-year (+3.2% previous estimate) as against 1.4% Q2-16, principally because through consumption and the greater solidity of corporate investment, which grew 1.4%, thus leaving behind the weakness of the first quarter.

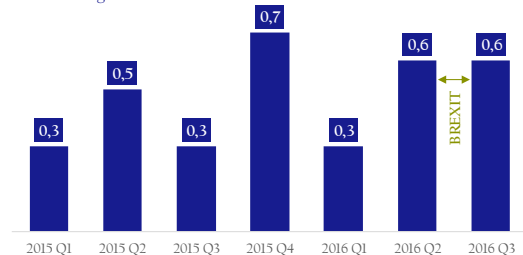
US real GDP
Annual change



Source: Circulo de Empresarios based on BEA, 2016

For its part, GDP in the UK grew 0.6% quarter-on-quarter as against the 0.5% that was expected, in spite of the uncertainty stemming from the Brexit.

UK real Gdp
Annual change



Source: Circulo de Empresarios based on BEA, 2016

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