

CECA Sector: regulatory and financial outlook

26 January 2021





Composition of the Ceca Sector

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Credit institutions



Credit institutions data

Branches	Employees	Deposits
10,269	68,160	570,825 Mill. €
44% of SFS	39% of SFS	38% of SFS
Credits	Total Assets	Average entities size
517,043 Mill. €	871,099 Mill. €	102,531 Mill. €
36% of SFS	32% of SFS	

Data as of September 2020

Banking foundations



Foundations



Regulation

Specific regulation of the Ceca Sector

1

Law 26/2013 on savings banks and banking foundations

Reform of the Savings Banks Regime

- Delimitation of the activity.
- Stricter incompatibility regime.
- Transformation from savings banks into banking foundations.

3

Order 2575/2015 on Annual Corporate Governance Report and banking foundation accounting obligations

It details the content and structure of the Annual Corporate Governance Report of banking foundations, and its reporting and disclosure requirements. Rules and financial information templates applicable to banking foundations are established. Bank of Spain is authorized to develop them.

6

Royal Decree 536/2017 regulating the reserve fund of banking foundations

- It extends the maximum period to reach the target amount of the reserve fund.
- It reduces the minimum percentage of the amounts received from credit institutions as dividends to be allocated to the reserve fund.

New figure: banking foundation

Foundation that maintains a holding in a credit institution that reaches, directly or indirectly, at least 10% of the capital or voting rights, or allows it to appoint or remove at least one member of its board of directors.

4

Circular Bank of Spain 6/2015 on Annual Corporate Governance Report and Annual Remuneration Report of savings banks and banking foundation obligations

It develops (i) the content of the Annual Corporate Governance Report and Annual Remuneration Report of savings banks which do not issue securities listed for trading on the Stock Exchange, and (ii) the content of the reports which some banking foundations have to develop.

7

Royal Decree-law 11/2020 of complementary urgent measures in the social and economic field to deal with COVID-19

Banking foundations that have a divestment program within their diversification plan may choose to extend the term to meet the divestment objective. In this case, the banking foundation must establish a reserve fund.

2

Royal Decree 877/2015 on reserve fund

The minimum target amount of the reserve fund will be a percentage of the total RWAs of the consolidated group or subgroup whose parent company is the credit institution.

5

Circular Bank of Spain 7/2016 of accounting information for banking foundations

- It develops standards and models of financial information for banking foundations.
- It adapts accounting regulation of non-profit entities to the specific characteristics of banking foundations.

8

Royal Decree-law 19/2020 of complementary measures (...) to mitigate the effects of COVID-19

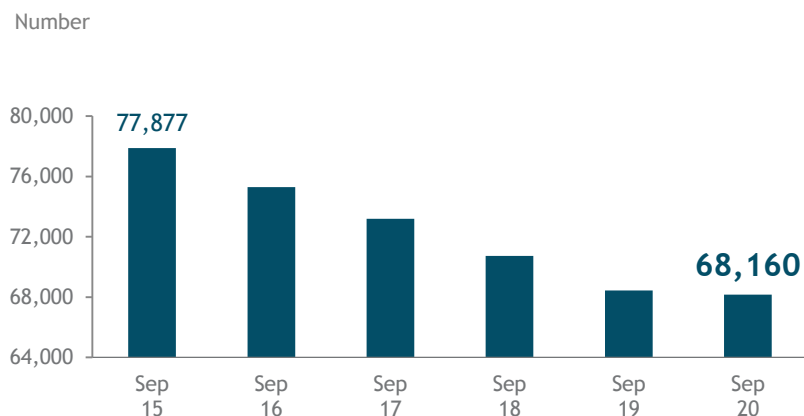
Banking foundations will not be obliged to make allocations to the reserve fund during 2020. This suspension of the contribution will not be compensated in the contribution of the following year. The remaining contributions until the target amount is reached will be distributed linearly over time.



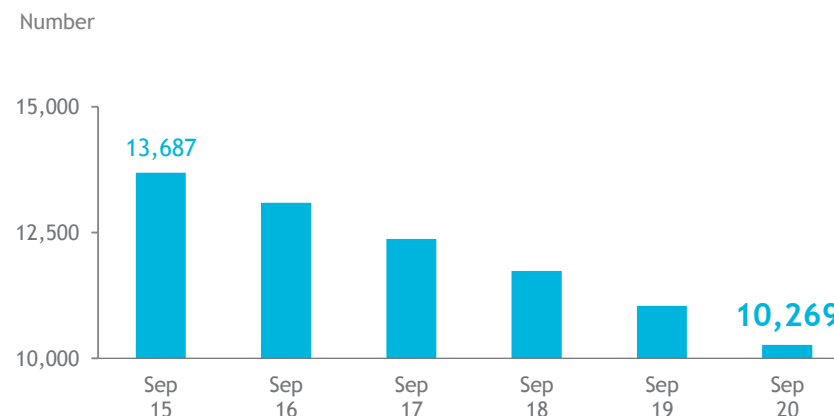
Financial data

Financial data. Employees and branches

Employees



Branches



Annual variation

Employees **-1,760** → **-2.5%**

Branches **-753** → **-6.5%**

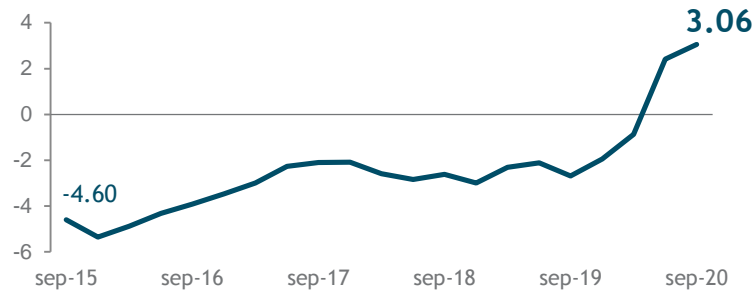
↓ The reduction in the number of employees continues in 3Q 2020, registering a year-on-year drop of 2.5% (1,760 employees).

↓ Similarly, the number of branches decreases, registering in this case a more intense year-on-year drop of 6.5%.

Financial data. Business activity

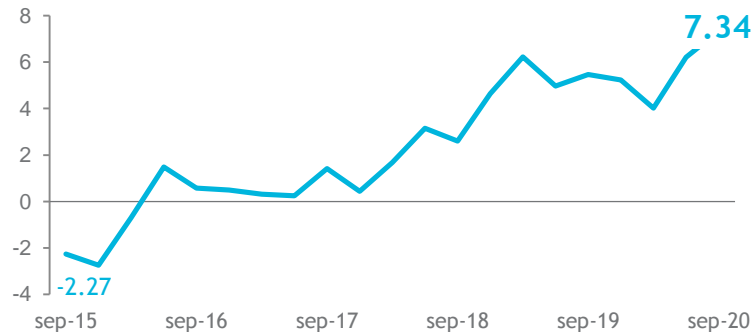
Credit to non financial corporations and households

Annual variation



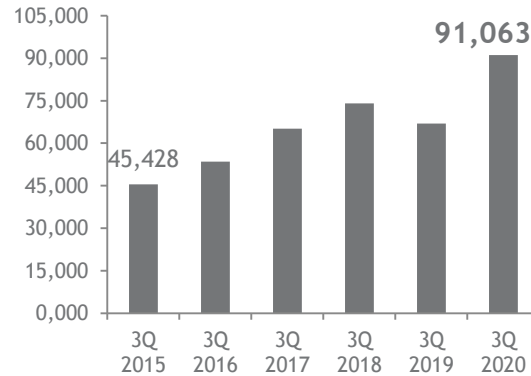
Deposits from non financial corporations and households

Annual variation

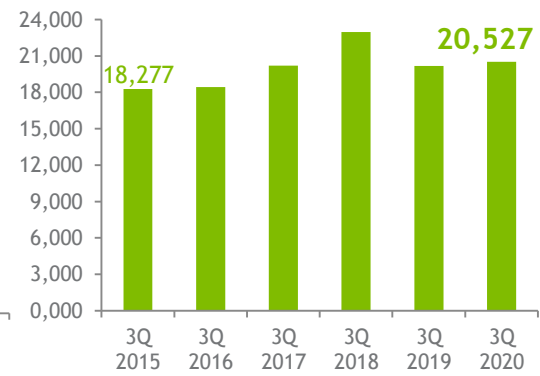


New credits

Non financial corporations



Households



Credit to private sector accelerated its year-on-year growth rate in September to **3.06%**. The advance is mainly due to the increase in new loans to companies backed by the ICO to mitigate the costs of the pandemic.



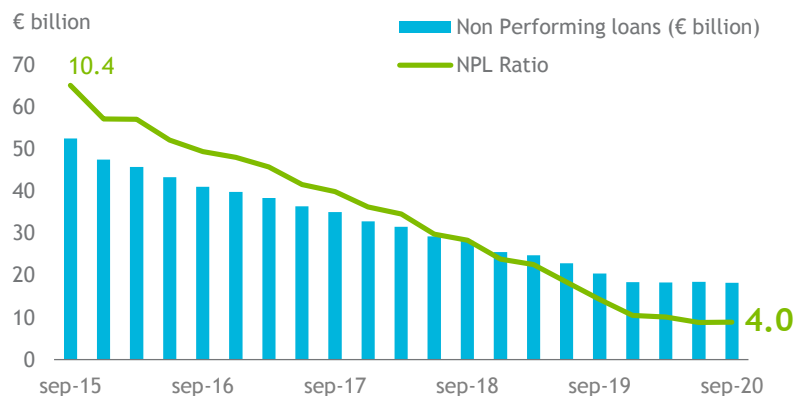
Thus, there is a significant rebound in new financing for companies in September, while new loans to households remain stable compared to the same quarter of 2019.



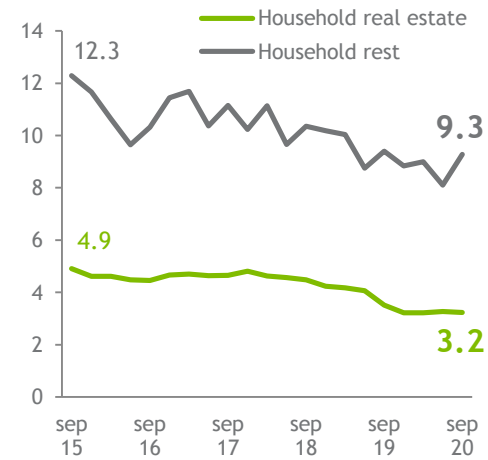
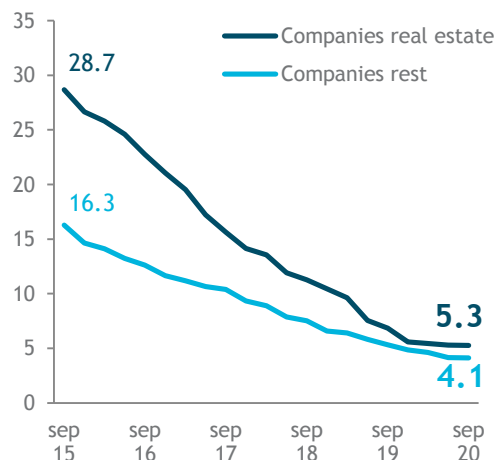
Business and household deposits continue to grow at a solid pace, around **7.34%** year-on-year.

Financial data. Credit risk

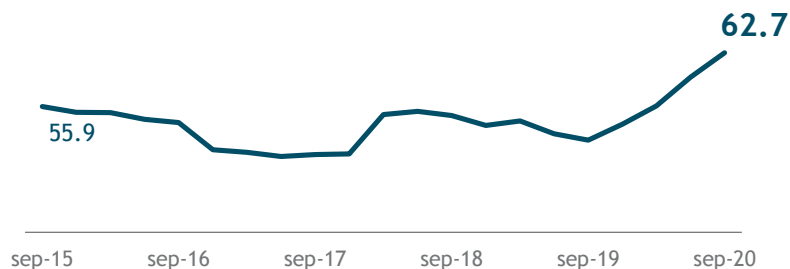
NPL ratio (%)






NPL ratio by sector (%)



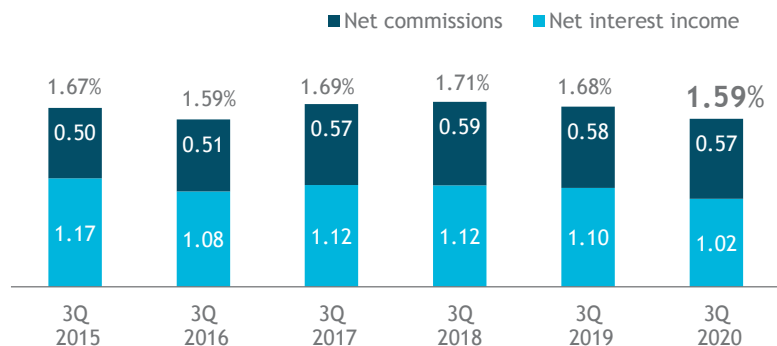
NPL coverage ratio (%)



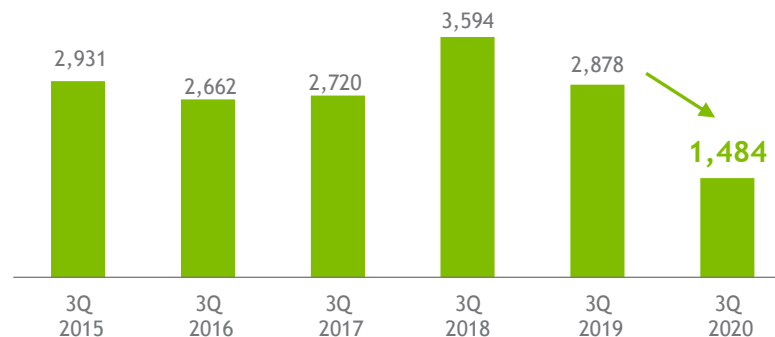
-  In September, there was a drop in the doubtful rate to 4%, associated with a slight rebound in credit and a decrease in the doubtful assets.
-  By sectors, the decline in the NPL ratio in companies continues, while it remains stable in the household real estate sector and increases in the rest of households.
-  The coverage ratio increases significantly in September, to 62.7%.

Financial data. Results

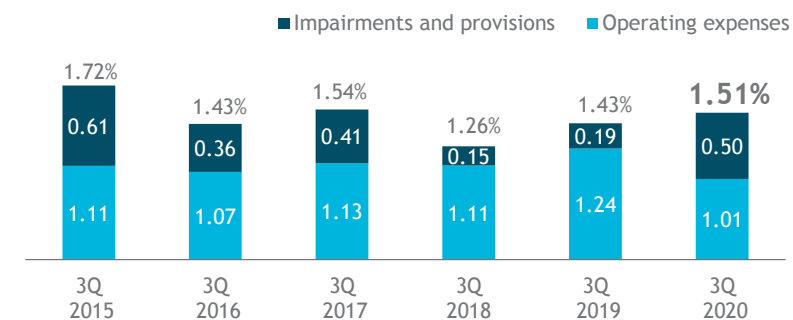
Net interest income and commissions % of ATAs



Net profit € million



Operating costs and impairments % of ATAs



Recurring revenues decrease in 3Q due to the drop in the interest margin and commissions.

1.59%



While the ratio of impairments increases due to the extraordinary provisions made to cover the impact of the Covid-19.

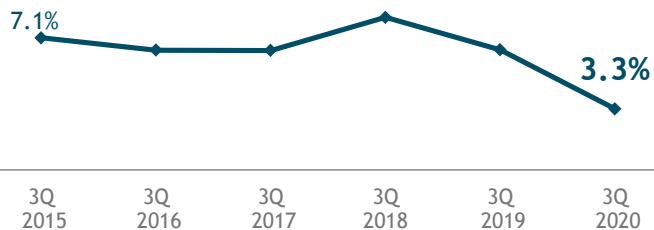
0.50%



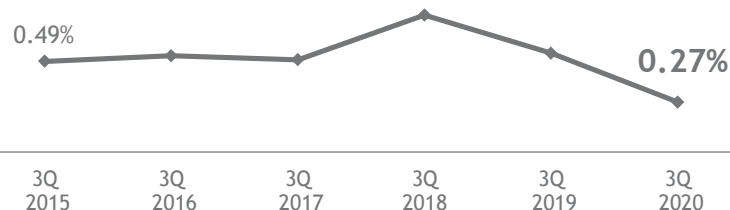
As a result, the consolidated profit decreases by 48%, reaching **€1,484 million** in 3Q 2020.

Financial data. Financial ratios

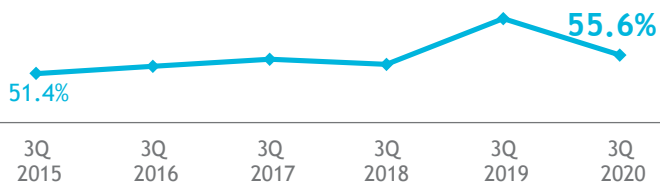
ROE



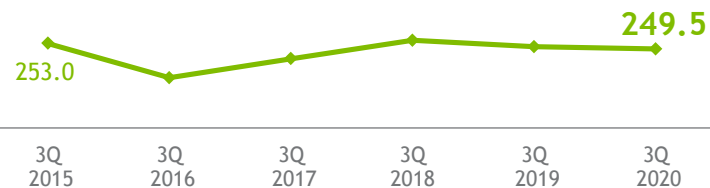
ROA



Cost to income ratio



Productivity (€ thousand)



Productivity = gross income by employee



Return on equity (ROE) decreases in 3Q 2020, to 3.3%, due to the impact of higher impairments and provisions.



The efficiency ratio improves by 8.4 p.p. up to 55.6% due to the containment of operating expenses.



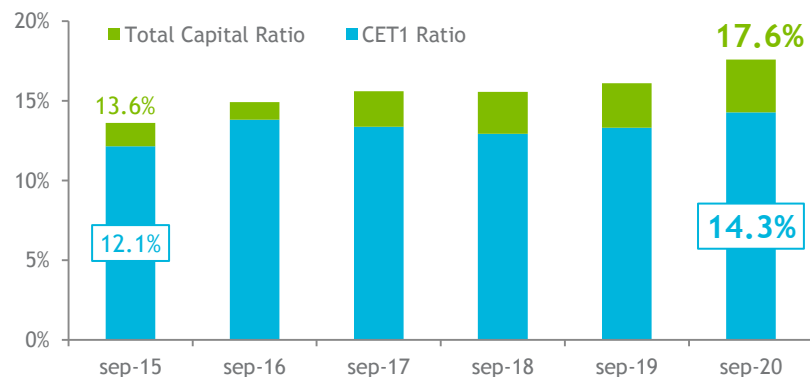
Return on asset stands at 0.27% in 3Q 2020, 26 b.p. lower than the register of the same period of 2019.



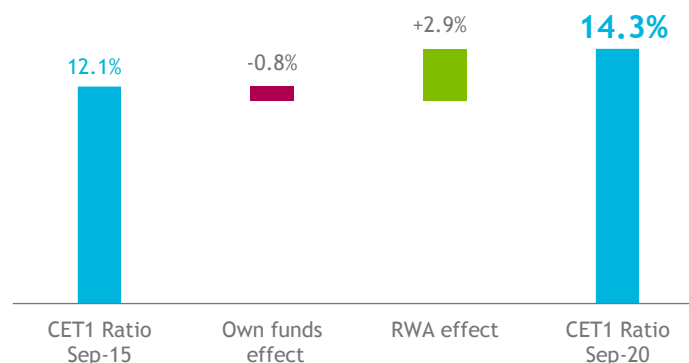
Productivity per employee increases slightly compared to September 2019, standing at €249.5 thousand.

Financial data. Solvency

Solvency ratios as % of RWA



Breakdown of CET1 ratio as % of RWA



In the 3Q of 2020, CECA entities continue to strengthen their solvency ratios.

Total capital ratio increases by 1.5 p.p. compared to the same period of 2019 and reaches **17.6%** in September 2020, as well as the CET1 ratio, which increases 1 p.p., to **14.3%**.

The causal analysis reflects that the raise of the CET1 ratio since September 2015 comes from a decrease in RWAs, in a context of strong deleveraging of banking activity (+2.9 p.p.), which has offset a slight decrease in own funds (-0.8 p.p.).

