

CECA Sector: regulatory and financial outlook

15 June 2021





Composition of the Ceca Sector

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Credit institutions



Listed companies

Credit institutions data

Branches	Employees	Deposits
9,923	67,813	580,141 Mill. €
44% of SFS	39% of SFS	37% of SFS

Credits	Total Assets
520,061 Mill. €	877,927 Mill. €
36% of SFS	32% of SFS

Data as of March 2021

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

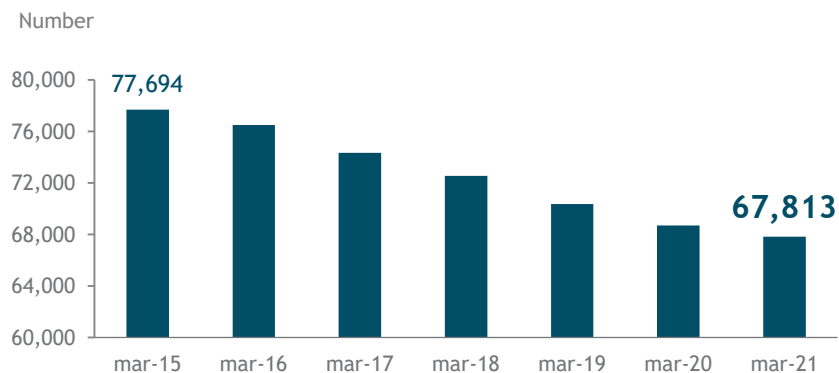
Banking foundations will not be obliged to make allocations to the reserve fund during 2020. This suspension of the contribution will not be compensated in the contribution of the following year. The remaining contributions until the target amount is reached will be distributed linearly over time.



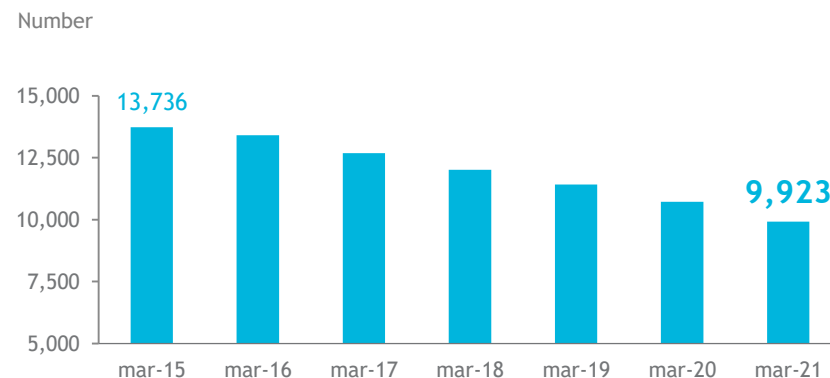
Financial data

Financial data. Employees and branches

Employees



Branches



Annual variation

Employees	-884	→	-1.3%
Branches	-794	→	-7.4%

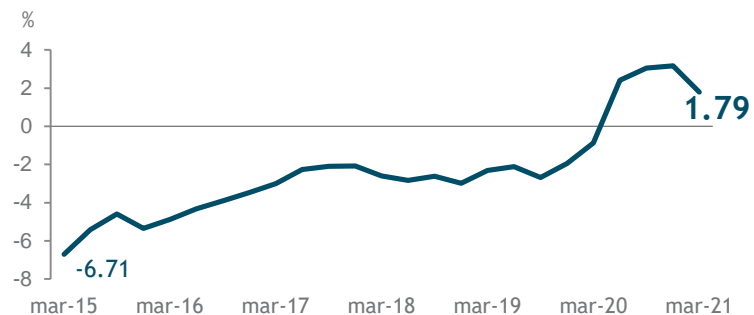
↓ The reduction in the number of employees continues in 1Q 2021, registering a year-on-year drop of 1.3% (884 employees).

↓ Similarly, the number of branches decreases, registering in this case a more intense year-on-year drop of 7.4%.

Financial data. Business activity

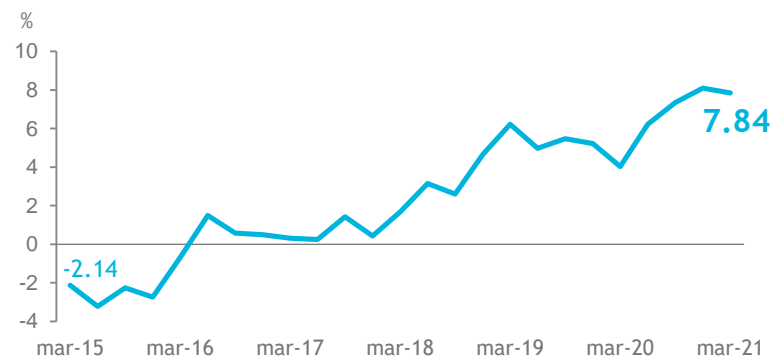
Credit to non financial corporations and households

Annual variation



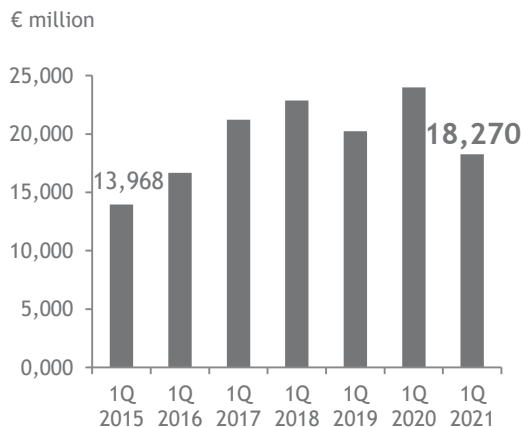
Deposits from non financial corporations and households

Annual variation

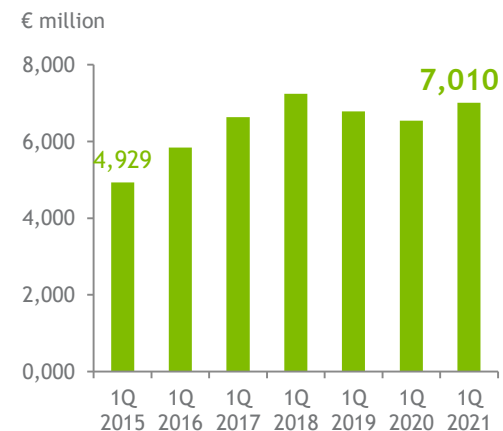


New credits

Non financial corporations



Households



Credit to private sector slows down, standing at **1.79%** in March, due to the lower growth of credit to companies, which does not compensate for the lower decline in households.



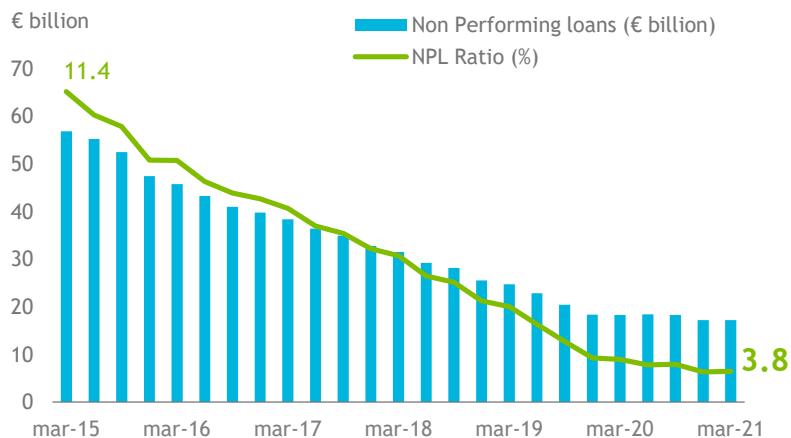
New loans to households increase in the first quarter of 2021, while new financing for companies decreases compared to the same quarter of 2020.



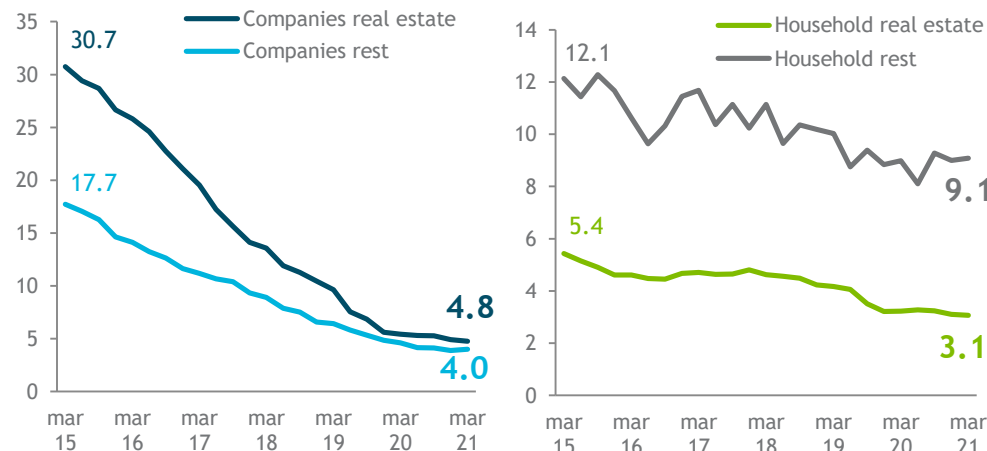
Business and household deposits slowed their year-on-year growth rate to **7.84%** in March 2021.

Financial data. Credit risk

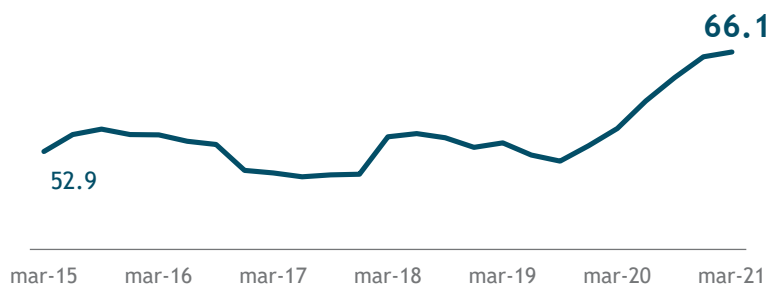
NPL ratio (%)



NPL ratio by sector (%)



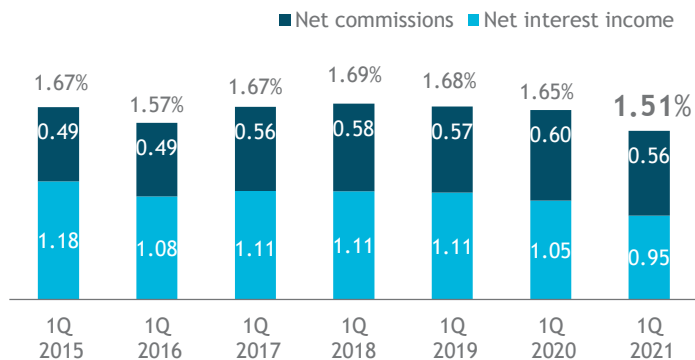
NPL coverage ratio (%)



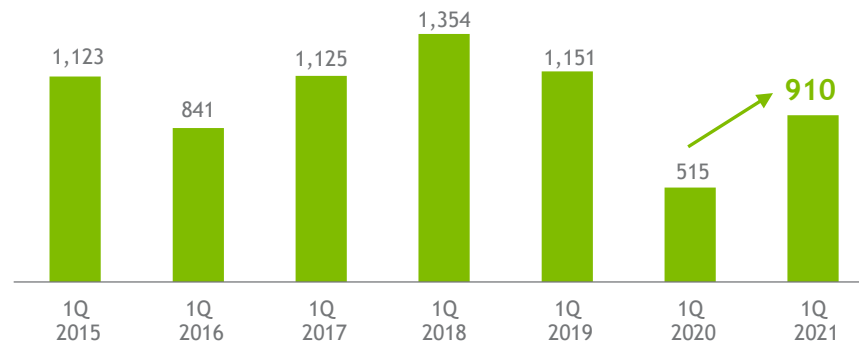
-  In March, the NPL ratio remains stable at **3.8%**, despite a slight increase in doubtful assets.
-  By sectors, the NPL ratio continues its decline in real estate companies, while it remains stable in households real estate and increases slightly in the rest of companies and households.
-  The coverage ratio increased slightly in March, to **66.1%**.

Financial data. Results

Net interest income and commissions % of ATAs

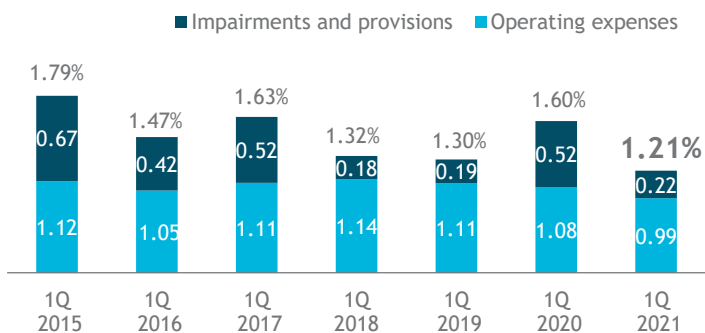


Net profit € million



Net profit exclude the extraordinary income due to a merger process.

Operating costs and impairments % of ATAs



Recurring revenues decrease in 1Q due to the drop in the interest margin and commissions.

1.51%



The ratio of impairments is reduced compared to 1Q 2020 due to the extraordinary provisions made to cover the impact of the Covid-19 last year.

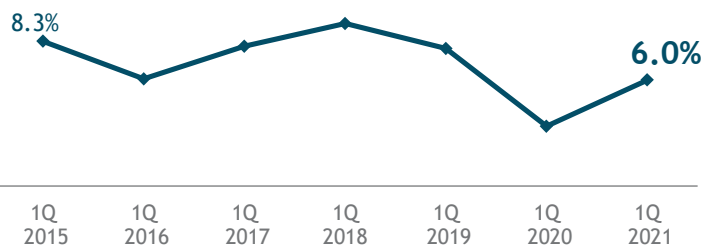
1.21%



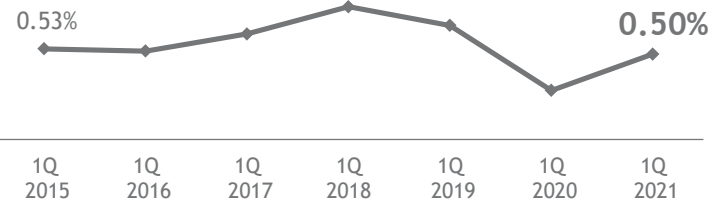
As a result, the consolidated profit increases by 77%, reaching **€910 millions** in 1Q 2021.

Financial data. Financial ratios

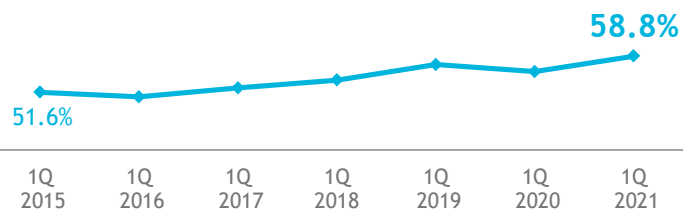
ROE



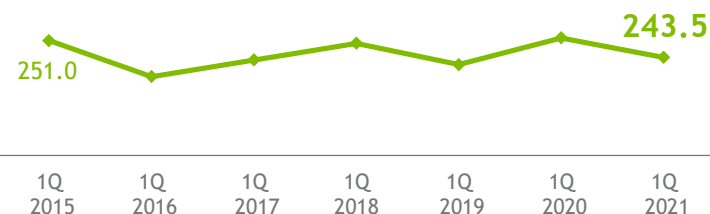
ROA



Cost to income ratio



Productivity (€ thousand)



ROE and ROA exclude the extraordinary income due to a merger process.

Productivity = gross income by employee



Return on equity (ROE) increased in 1Q 2021, to 6%, due to lower impairments and provisions.



The efficiency ratio worsens by 1.7 p.p., reaching 58.8%, due to the drop in gross income.



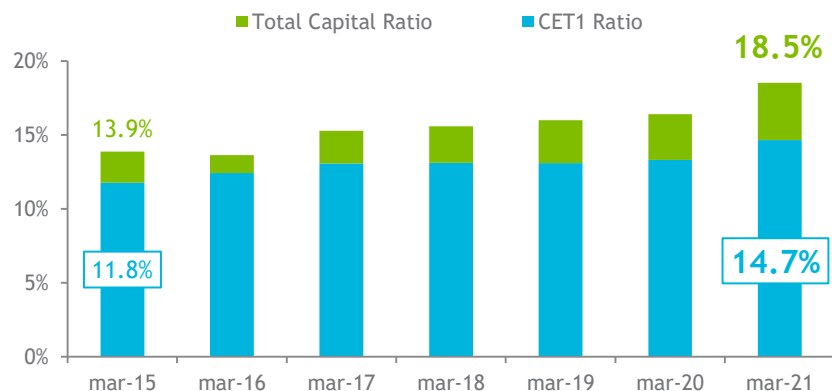
Return on asset stands at 0.50%, 21 b.p. above the rate registered in the same period of 2020.



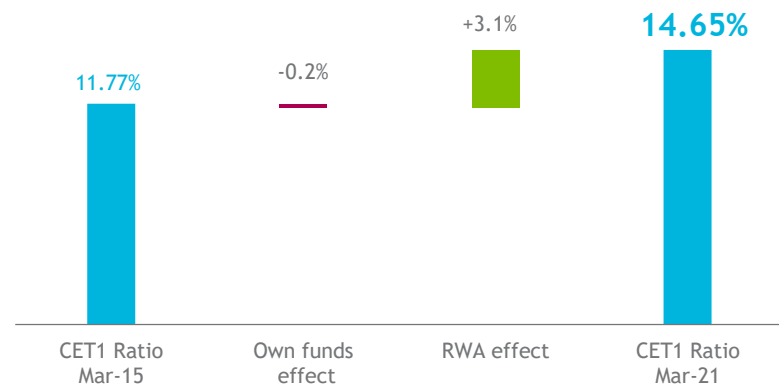
Productivity per employee decreases slightly compared to March 2020, standing at € 243.5 thousand.

Financial data. Solvency

Solvency ratios as % of RWA



Breakdown of CET1 ratio as % of RWA



In the 1Q of 2021, CECA entities continue to strengthen their solvency ratios.

Total capital ratio increases by 2.1 p.p. compared to the same period of 2020 and reaches **18.5%** in March 2021, as well as the CET1 ratio, which increases by 1.3 p.p., to **14.7%**.

The causal analysis reflects that the raise of the CET1 ratio since March 2015 comes from a decrease in RWAs, in a context of strong deleveraging of banking activity (+3.1 p.p.), which has offset a slight decrease in own funds (-0.2 p.p.).

