

# CECA Sector: regulatory and financial outlook

21 December 2021





# Composition of the Ceca Sector

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## Credit institutions



 Listed companies

## Credit institutions data

Branches	Employees	Total Assets
9,649	67,224	902,624 Mill. €
45% of SFS	40% of SFS	32% of SFS
Retail credit	Retail deposits	
423,363 Mill. €	492,394 Mill. €	
37% of SFS	40% of SFS	

Data as of September 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

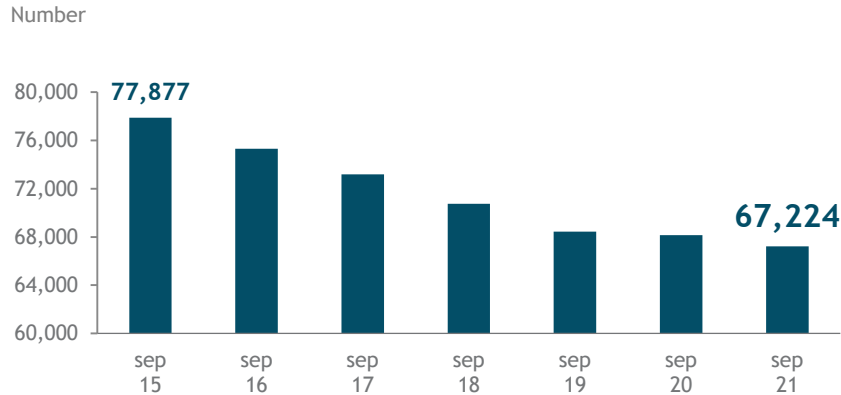
Banking foundations will not be obliged to make allocations to the reserve fund during 2020. This suspension of the contribution will not be compensated in the contribution of the following year. The remaining contributions until the target amount is reached will be distributed linearly over time.



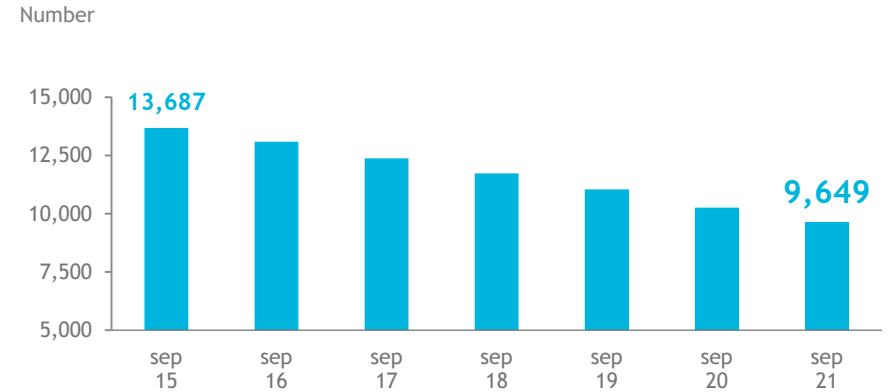
# Financial data

# Financial data. Employees and branches

## Employees



## Branches



### Annual variation

Employees	<b>-936</b>	→	<b>-1.4%</b>
Branches	<b>-620</b>	→	<b>-6.0%</b>

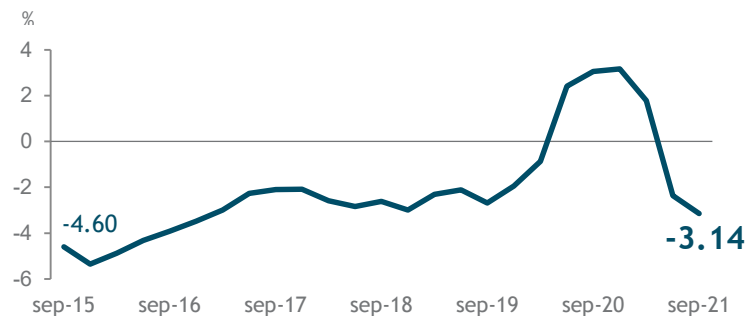
↓ The reduction in the number of employees continues in 3Q 2021, registering a year-on-year drop of 1.4% (936 employees).

↓ Similarly, the number of branches decreases, registering in this case a more intense year-on-year drop of 6%.

# Financial data. Business activity

## Credit to non financial corporations and households

### Annual variation



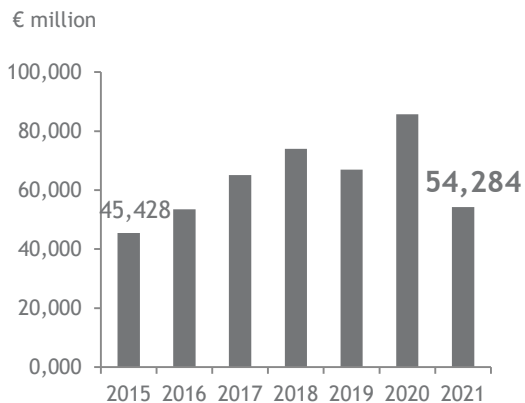
## Deposits from non financial corporations and households

### Annual variation

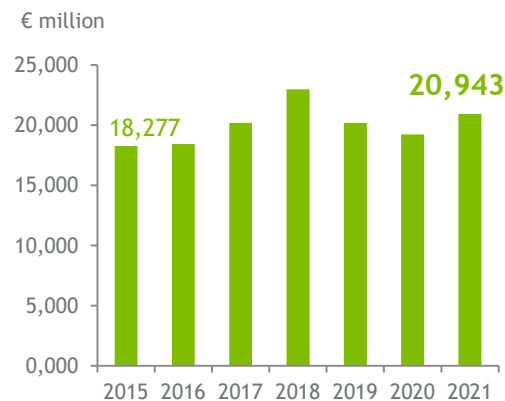


## New credits

### Non financial corporations



### Households



Accumulated volume January-September



Credit to the private sector fell in September at a rate of -3.14%, after the strong rise in credit guaranteed to companies in 2020.



Thus, there is a decrease in new financing to companies, accumulating a balance of € 54.3 billion in the first nine months of 2021, while new loans to households increases compared to the same period of 2020, to € 20.9 billion.

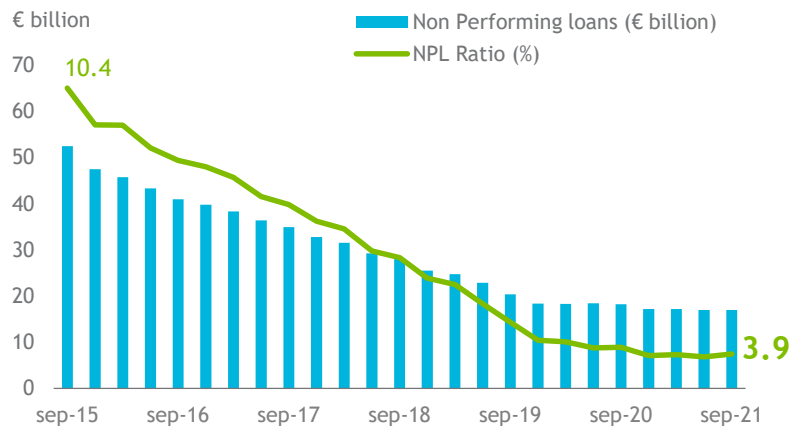


Business and household deposits accelerated their growth rate in September, to 4.77% year-on-year.

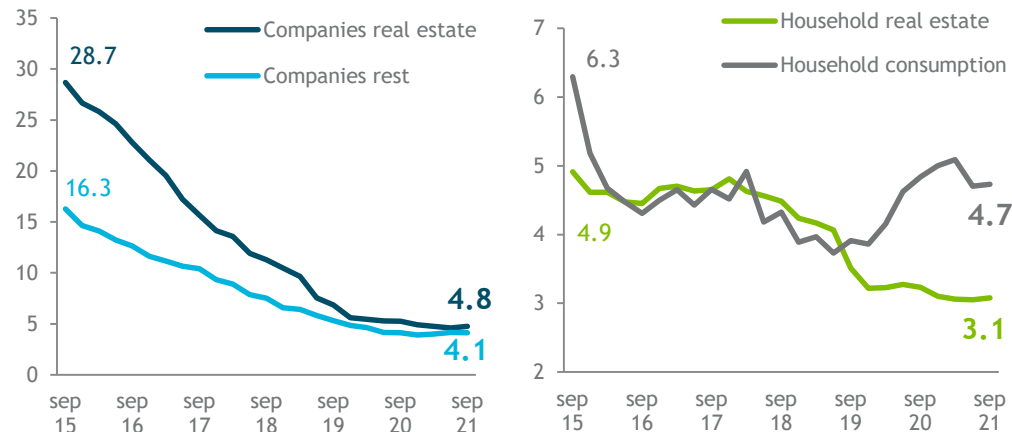


# Financial data. Credit risk

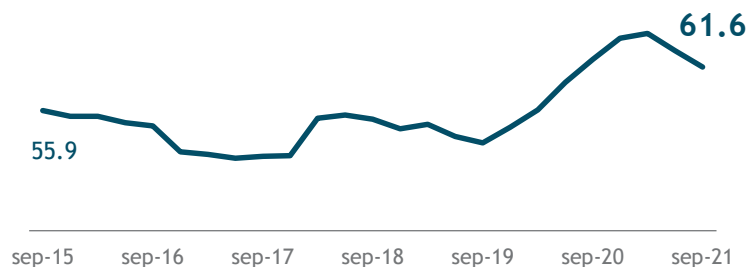
## NPL ratio (%)





## NPL ratio by sector (%)




## NPL coverage ratio (%)



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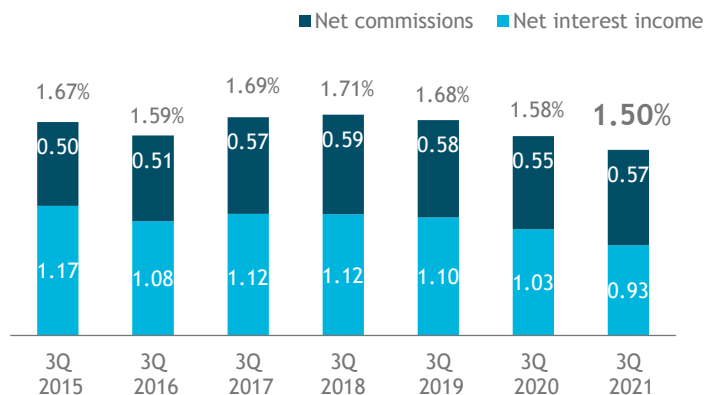
The NPL ratio continues its trend of relative stability. In September, the rate increases 1 b.p. compared to June, to 3.8%.
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By sector, the NPL ratio increases slightly in households and in real estate sector companies, while it decreases (-18 b.p.) in the rest of companies, compared to June 2021.
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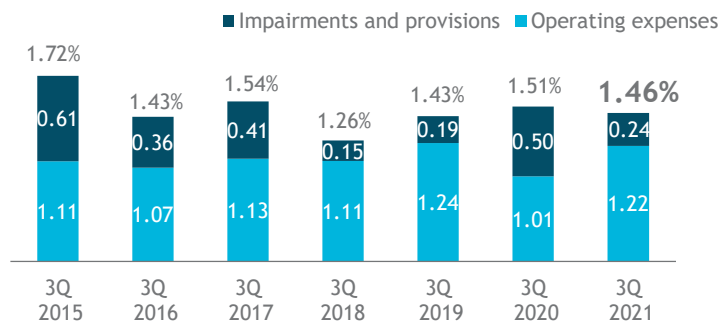
In September 2021, the coverage ratio fell by 1 p.p. compared to September 2020, and 2 p.p. compared to the second quarter of the year, to 61.6%.

# Financial data. Results

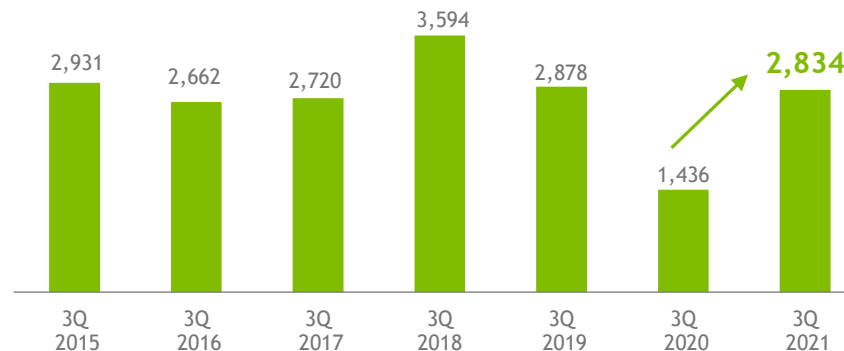
## Net interest income and commissions % of ATAs






## Operating costs and impairments % of ATAs



## Net profit € million

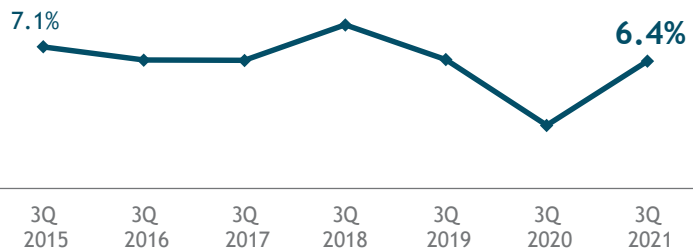


Net profit exclude the extraordinary costs and income due to merger processes.

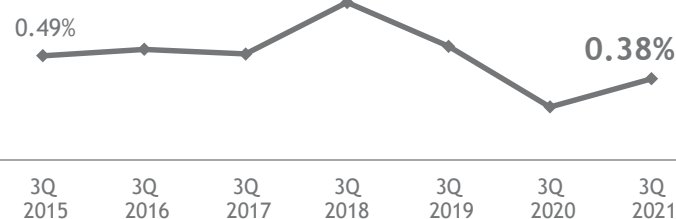
-  Recurring revenues decreased in 3Q 2021 compared to 3Q 2020, due to the drop in the interest income. **1.50%**
-  The ratio of impairments is reduced compared to 3Q 2020 when extraordinary provisions were made to cover the impact of Covid-19. **0.24%**
-  As a result, the consolidated profit increases to **2,834 million euros** in 3Q 2021.

# Financial data. Financial ratios

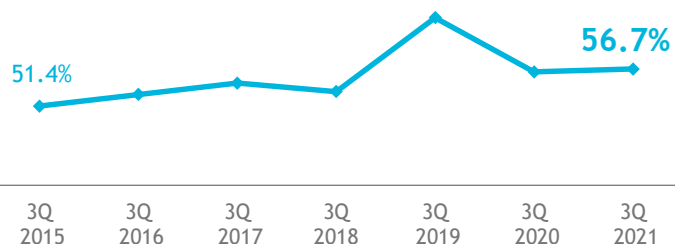
## ROE



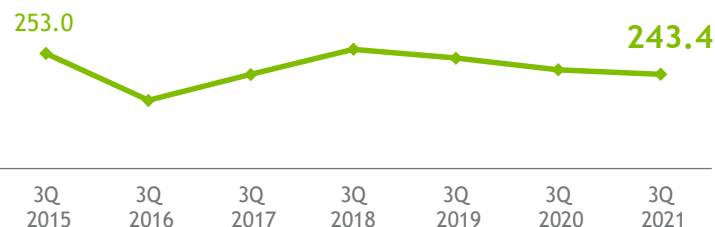
## ROA



## Cost to income ratio



## Productivity (€ thousand)



ROE, ROA and Cost to income ratio exclude the extraordinary income and costs due to a merger processes.

Productivity = gross income by employee



Return on equity (ROE) increased in 3Q 2021, to **6.4%**, due to lower impairments and provisions.



The efficiency ratio worsens to **56.7%**, due to the drop in gross income and the increase in operating expenses.



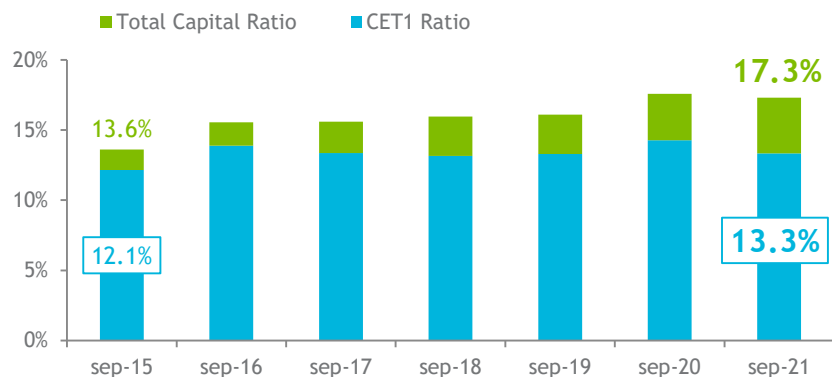
Return on asset stands at **0.38%**, 13 b.p. above the rate registered in the same period of 2020.



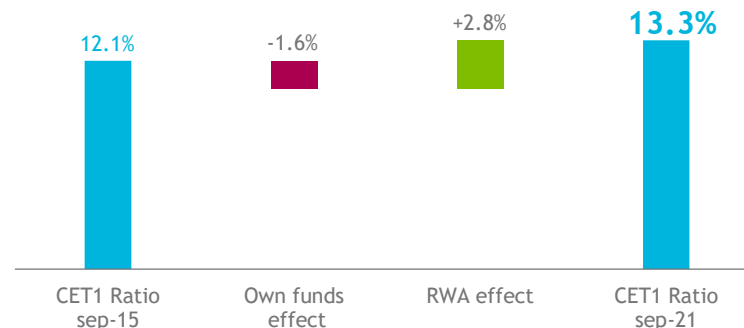
Productivity per employee decreases slightly compared to September 2020, reaching **€ 243.4 thousand**.

# Financial data. Solvency

## Solvency ratios as % of RWA



## Breakdown of CET1 ratio as % of RWA



In the 3Q of 2021, total capital ratio decreased by 26 b.p. compared to the same period in 2020 and stood at 17.3% in September 2021.

In parallel, CET1 ratio fell slightly to 13.3%, which means more than 1 p.p. compared to the same period of 2015.

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 (+2.8 p.p.), which has offset a slight decrease in own funds (-1.6 p.p.).

