

CECA Sector: regulatory and financial outlook

13 September 2023





Composition of the Ceca Sector

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Credit institutions



 Listed companies

Credit institutions data

Branches	Employees	Total Assets
7,496	58,532	816,555 Mill. €
42% of SFS	37% of SFS	28% of SFS

Retail credit	Retail deposits
411,129 Mill. €	502,207 Mill. €
36% of SFS	39% of SFS

Data as of June 2023

Banking foundations



Ordinary foundations





Regulation

Regulatory highlights: March 2023 - September 2023

European Regulation

Regulation (UE) 2023/606 (ELTIF review)

It regulates (i) the requirements of investment policies and operating conditions of European long-term investment funds (ELTIF) and the scope of eligible investment assets, (ii) the portfolio composition and diversification obligations, and (iii) the borrowing of cash and other fund rules.

Regulation (EU) 2023/1114 (MiCA)

It establishes requirements related to (i) the transparency and disclosure in relation to the issuance, offer to the public and admission of crypto-assets to trading on a trading platform for crypto-asset, (ii) the authorisation and supervision of crypto-asset service providers (CASP), issuers of asset-referenced tokens and issuers of e-money tokens, (iii) the protection of holders of crypto-asset in the issuance, offer to the public and admission to trading of crypto-assets, (iv) the protection of clients of CASP, as well as measures to prevent insider dealing, unlawful disclosure of inside information, and market manipulation related to crypto-assets.

Regulation (EU) 2023/1113 (transfers of funds)

It establishes rules on the information accompanying transfers of funds in any currency and transfer of certain crypto-asset for AML/FT purposes where at least one of the PSPs or CASP involved is established or has its registered office in the EU.

Main legislative proposals adopted by the EC

Crisis management and deposit insurance (CMDI), retail investor strategy (RIS), payment package (PSR, PSD3 and FIDA) and digital euro.

Spanish Regulation

Law 6/2023 (securities markets and investment services)

It regulates (i) the legal regime of the National Securities Market Commission (CNMV), (ii) the primary market for negotiable securities, (iii) trading venues, financial instrument clearing systems, information obligations of issuers, significant holdings and treasury shares, public offerings of acquisition and proxy advisors, (iv) the regime applicable to investment firms and data reporting service providers, (v) the Investment Guarantee Fund, (vi) the rules of conduct applicable to investment services providers, (vii) the rules relating to market abuse, and (viii) the supervision, inspection and penalty system.

Royal Decree 193/2023 (accessibility)

It develops specific rules applicable to goods and services of a financial and banking nature, such as the provision of guidance to users with disabilities by customer service personnel, and the accessibility of ATMs, telephone service and electronic service.

Law 11/2023 (accessibility)

It regulates the universal accessibility of payment terminals, ATMs and banking services for consumers, among others. A new information and registration obligation for PSPs is added.

Royal Decree-law 5/2023

It regulates the structural modifications of companies, including credit institutions. It modifies the covered bond framework. Also, it incorporates some new null contract clauses related to the right to be forgotten for having suffered an oncological pathology.

Royal Decree 668/2023 (employment pension plans)

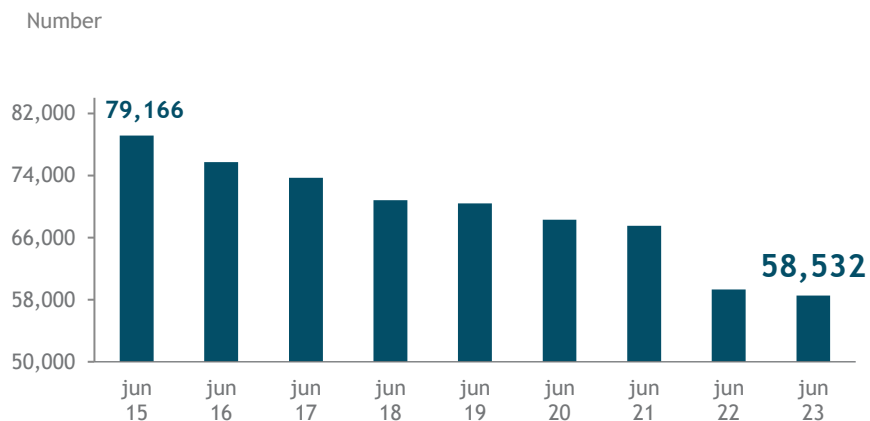
It develops simplified employment pension plans and certain aspects of public promoted employment pension funds open.



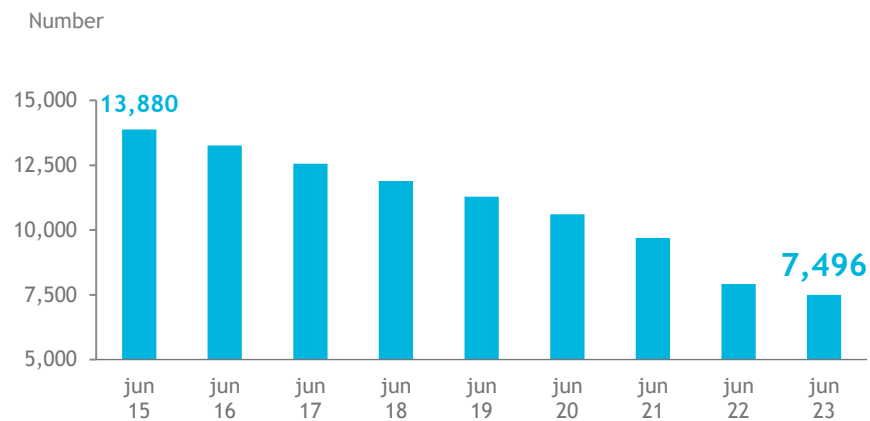
Financial data

Financial data. Employees and branches

Employees



Branches



Annual variation

Employees	-788	→	-1.3%
Branches	-413	→	-5.2%

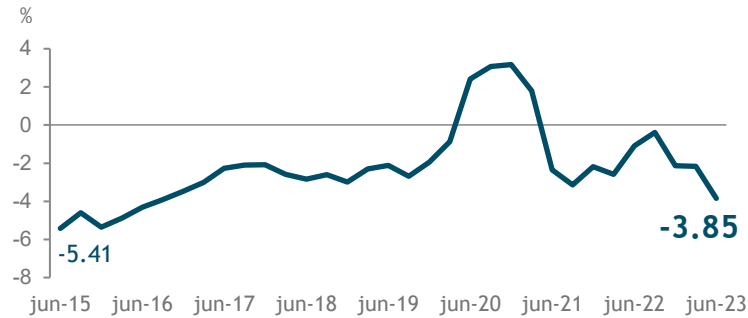
↓ The reduction in the number of employees moderated in 2023 Q2, registering a year-on-year drop of 1.3% (788 employees).

↓ Similarly, the number of branches decreases, registering in this case a year-on-year drop of 5.2%.

Financial data. Business activity

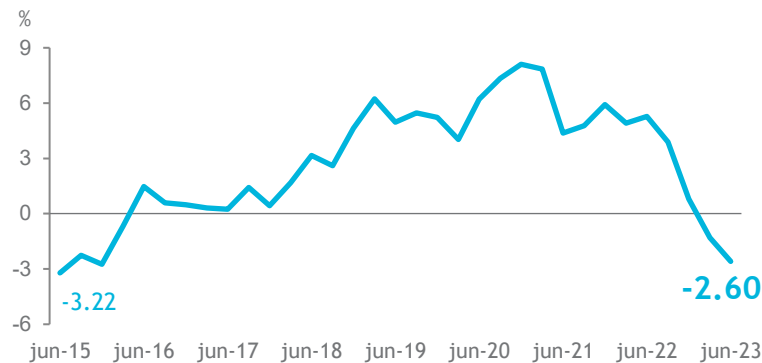
Credit to non financial corporations and households

Annual variation



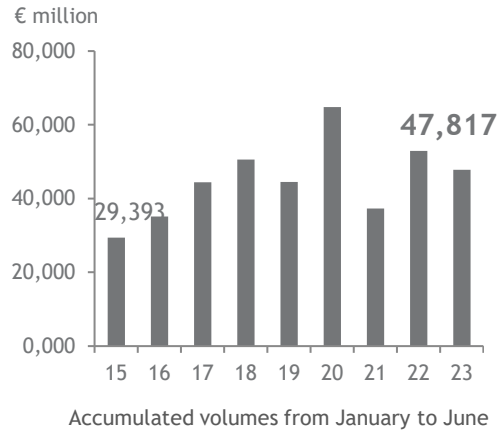
Deposits from non financial corporations and households

Annual variation

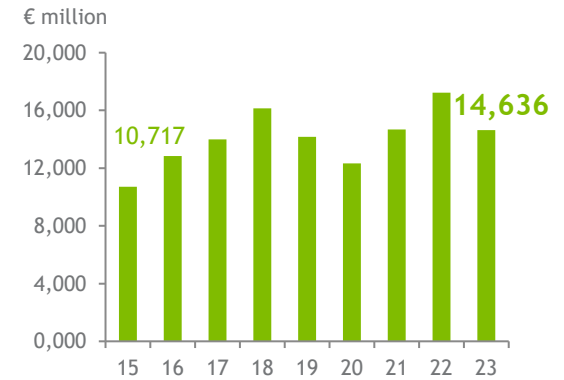


New credits

Non financial corporations



Households



Credit to the private sector intensifies its year-on-year fall in June 2023 to -3.85%, compared to -2.13% registered in December 2022.



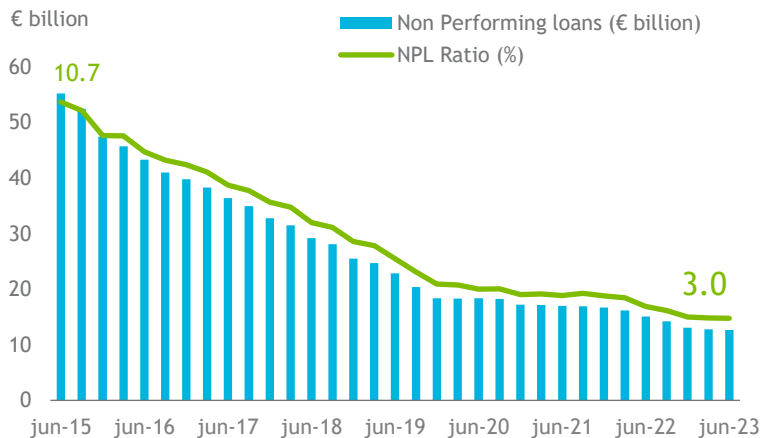
New financing to companies and households during the first six months of 2023 decreased compared to the same period of the previous year, to €47 billion and €14 billion, respectively.



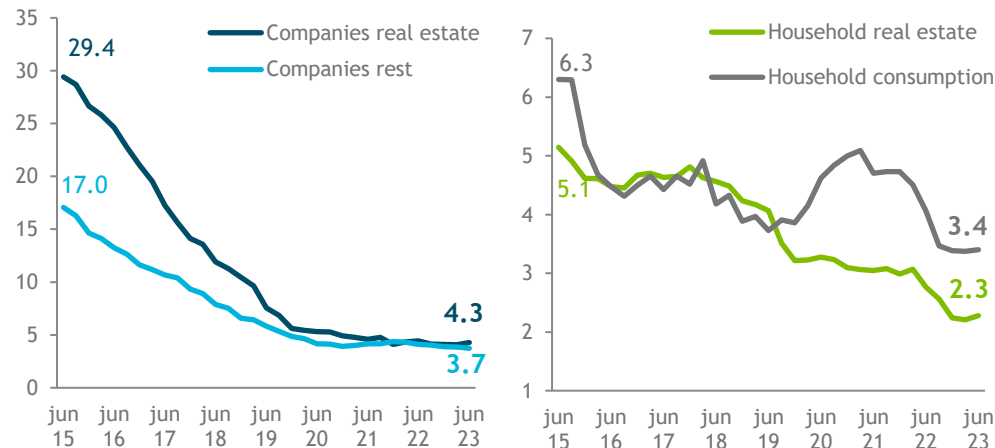
Business and household deposits fell by -2.6% year-on-year in June 2023, compared to the 0.80% registered in December 2022.

Financial data. Credit risk

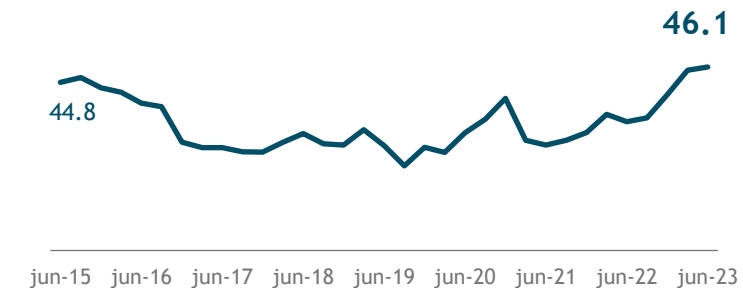
NPL ratio (%)





NPL ratio by sector (%)




NPL coverage ratio (%)



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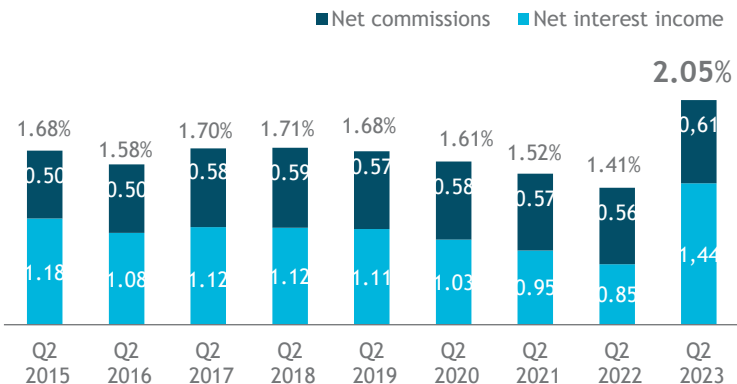
The NPL ratio continues to decline, albeit more moderately. In June 2023, the rate decreases 42 b.p. compared to June 2021, standing at 3%.
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In June 2023, the NPL ratio decreased in all sectors compared to June 2022, although it increased slightly compared to March 2023.
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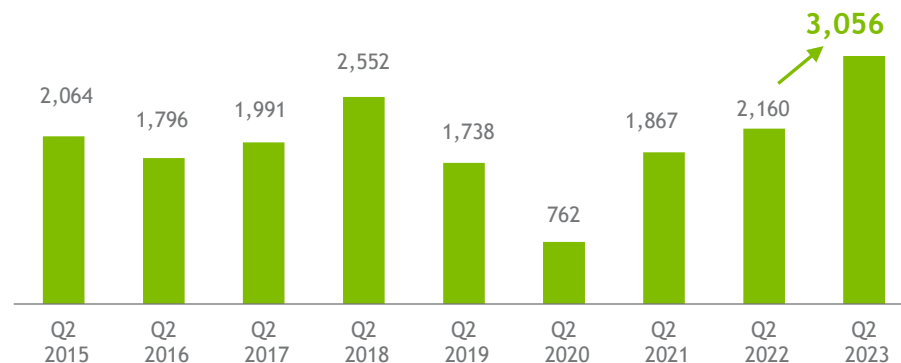
In June 2023, the coverage ratio increases 2 p.p. compared to December 2022 and 4.8 p.p. compared to June 2022, up to 46.1%.

Financial data. Results

Net interest income and commissions % of ATAs

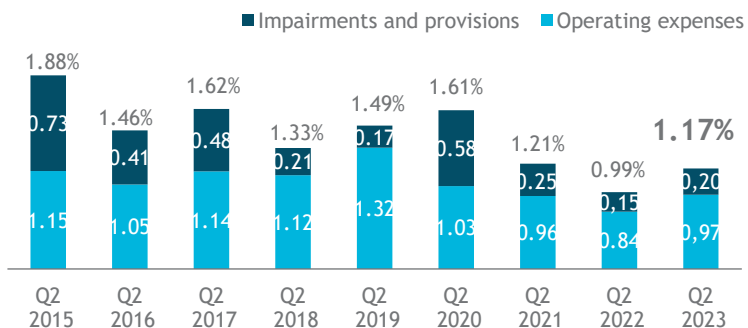


Net profit € million



Note: Net profit Q4 2021 exclude the extraordinary costs and income due to merger processes.

Operating costs and impairments % of ATAs



Note: Operating expenses in Q2 2021 excludes extraordinary costs due to merger processes.

↑

Recurring revenues increase in Q2 2023 compared to Q2 2022, driven by interest income.

2.05%

↑

On the expense side, inflationary pressure and new transformation projects lead to an increase in operating expenses.

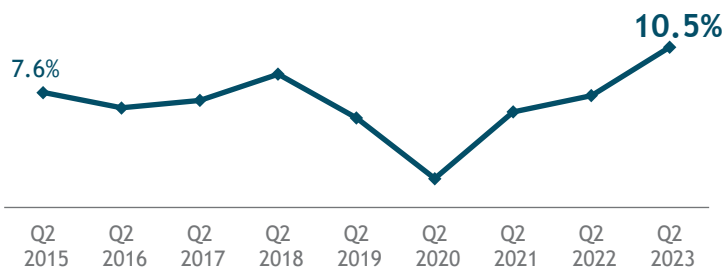
1.17%

↑

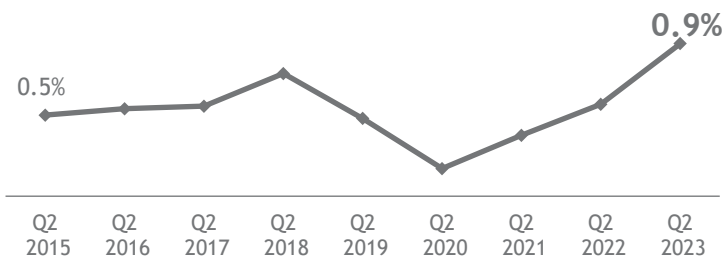
The improvement in interest income contributed to an increase of the consolidated result, up to 3,056 million.

Financial data. Financial ratios

ROE



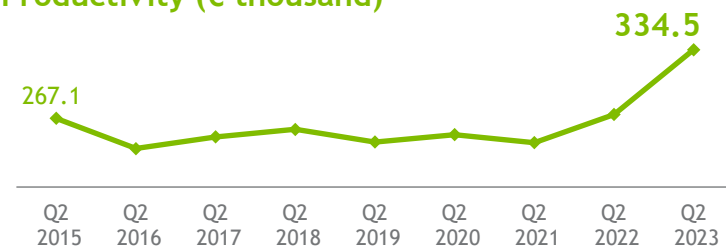
ROA



Cost to income ratio



Productivity (€ thousand)



ROE, ROA and Cost to income ratio exclude the extraordinary income and costs due to a merger processes in Q2 2021.

Productivity = gross income by employee



Return on equity (ROE) increases in Q2 2023, to 10.5%, due to the rebound in consolidated profit.



The efficiency ratio improves to 54%, due to the increase in operating margin despite the increase in operating expenses.



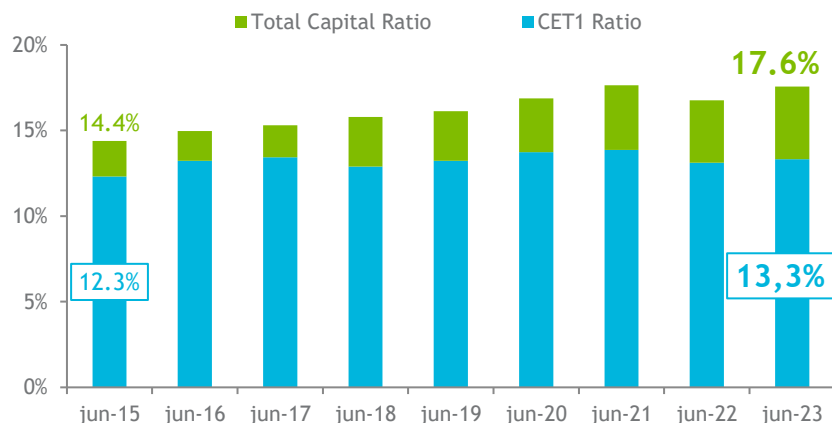
Return on asset stands at 0.9%, 37 b.p. above the rate registered in the same period of 2022.



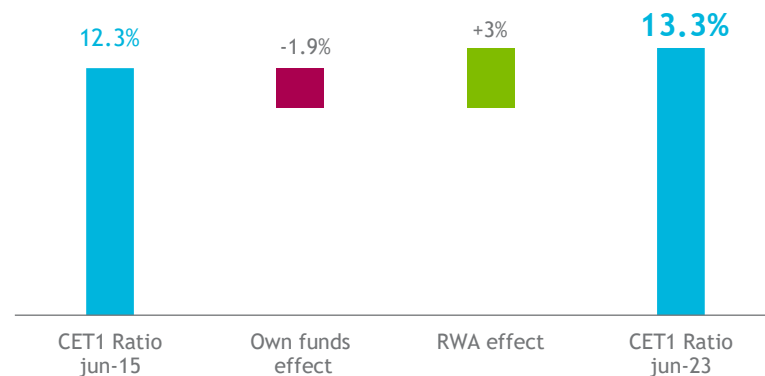
Productivity per employee increases compared to June 2022, to € 334 thousand due to the reduction in employees.

Financial data. Solvency

Solvency ratios as % of RWA



Breakdown of CET1 ratio as % of RWA



In Q2 2023, total capital ratio increases by 82 b.p. compared to the same period in 2022 and stood at 17.6% in June 2023.

Similarly, CET1 ratio increased to 13.3%, which is more than 20 b.p. compared to the same period of 2022.

The causal analysis reflects that the raise of the CET1 ratio since December 2015 comes from a decrease in RWAs, in a context of strong deleveraging of banking activity (+3 p.p.), which has offset a slight decrease in own funds (-1.9 p.p.).

