

CECA Sector: regulatory and financial outlook

17 September 2024





Composition of the CECA Sector

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Credit institutions







 Listed companies

Credit institutions data

Branches	Employees	Total Assets
7,412	59,790	822,009 Mill. €
42% of SFS	36% of SFS	28% of SFS
Retail credit	Retail deposits	
399,431 Mill. €	525,733 Mill. €	
35% of SFS	39% of SFS	

Data as of June 2024

Banking foundations







Ordinary foundations









Regulation

Regulatory highlights: March 2024 - September 2024

European Regulation

MiFID/MiFIR Review

- **Regulation (EU) 2024/791:** it establishes rules on pre-trade transparency, the prohibition of receiving PFOF and new obligations on CTPs.
- **Directive 2024/790/EU:** it addresses issues related to trading and market transparency.

Banking package (CRR/CRD 6)

It implements the finalisation of Basel III in the EU and it introduces aspects related to supervision and sustainability.

- **Regulation (EU) 2024/1623:** it modifies own funds requirements for credit, market, operational and CVA risk. It introduces the output floor, own funds requirements for crypto-asset exposures and it addresses disclosure issues.
- **Directive 2024/1619/EU:** it incorporates new developments in the supervision of competent authorities, the regulation of third-country branches and the suitability assessment. It introduces ESG risks.

PBC/FT Package (AMLR/AMLD 6/AMLR)

- **Regulation (EU) 2024/1624:** it introduces new obliged entities, new customer due diligence measures and the figures of the compliance manager and the compliance officer. It prohibits the anonymous accounts and it limits to large cash payments in exchange for goods or services.
- **Directive 2024/1640/EU:** it addresses rules regarding access to beneficial ownership central registers and it regulates the figure of the supervisor.
- **Regulation (EU) 2024/1620:** it creates the Authority for AML/CFT (AMLA).

CSDDD (Directive 2024/1760/EU)

It develops obligations aimed at certain companies regarding human rights adverse impacts and environmental adverse impacts, with respect to their own operations, and the development of a transition plan for the climate change mitigation.

Other relevant published standards

AIFMD and UCITS Review (Directive 2024/927/EU), EPBD (Directive 2024/1275/EU), IPR (EU Regulation 2024/886), AI (EU Regulation 2024/1689).

Spanish Regulation

Royal Decree-law 4/2024

It modifies Royal Decree-law 20/2021 with the aim of opening a new period (until 31 of July of 2024) to request a moratorium on (mortgaged and unmortgaged) loan principal and interest payment obligations granted to the victims of the seismic movements and volcanic eruptions in La Palma Island.

CNMV Technical Guide to audit committees

It includes the treatment of information on sustainability and its associated risks.

Organic Law 2/2024 on gender parity

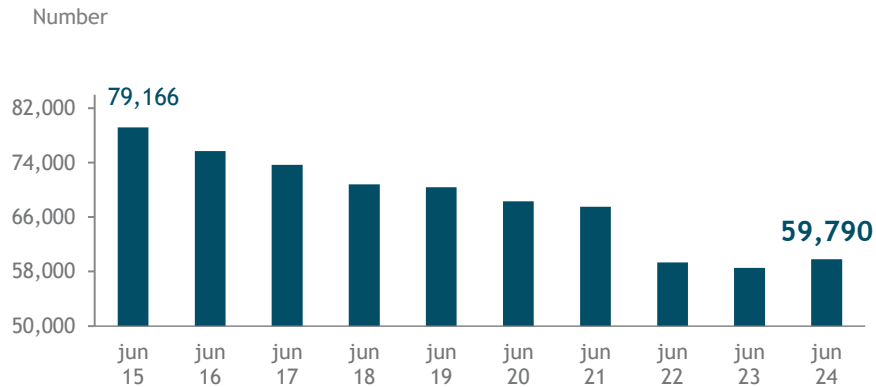
It modifies the Corporate Enterprises Act and the Law of the Securities Markets and Investment Services to establish minimum objectives for gender-balanced representation on the board of directors and senior management of listed companies and certain public interest entities. It also provides for gender-balanced representation in certain business associations and foundations.



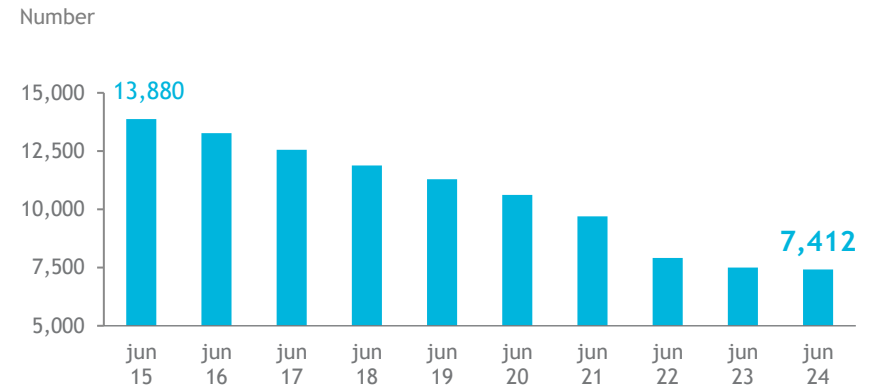
Financial data

Financial data. Employees and branches

Employees



Branches



Annual variation

Employees **+1,258** → **+2.1%**

Branches **-83** → **-1.1%**



The number of employees increases in Q2 2024, registering a positive year-on-year growth of 2.1% (1,258 employees), for the first time since 2009.

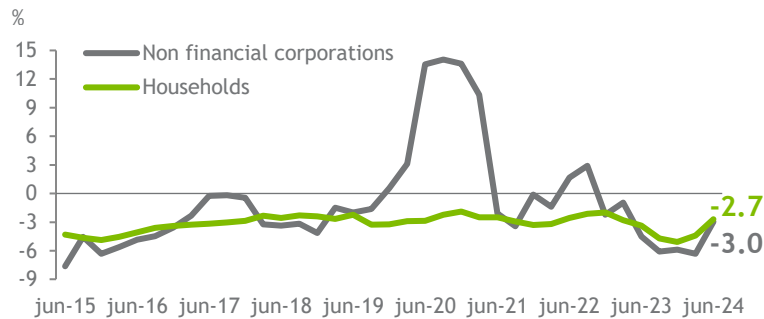


While the number of branches continues to decline, although at a slower rate, registering a year-on-year drop of 1.1%.

Financial data. Business activity

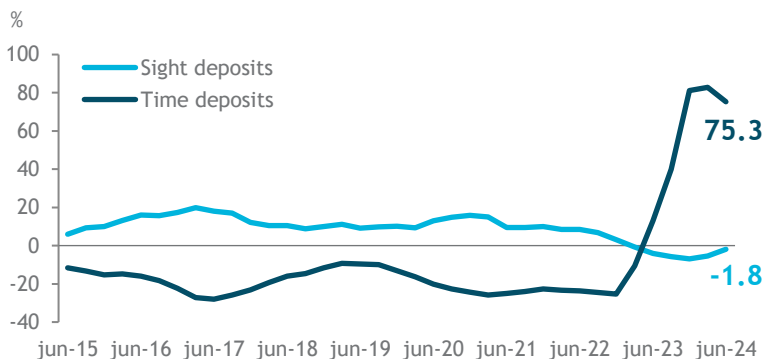
Credit to non financial corporations and households

Annual variation



Deposits from non financial corporations and households

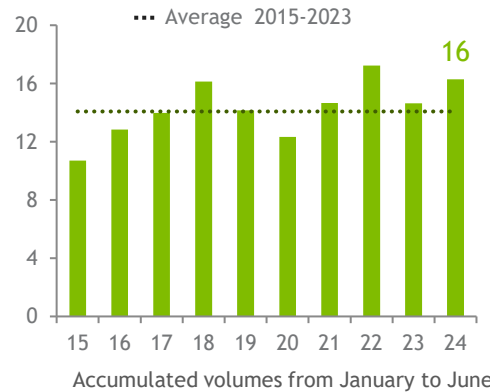
Annual variation



New credits

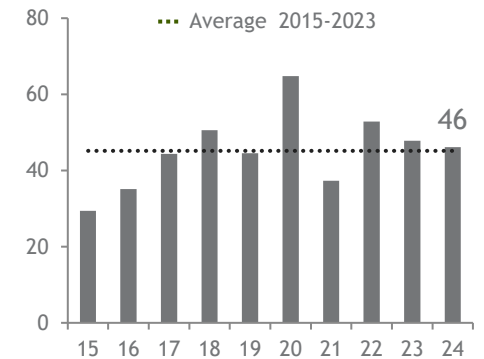
Households

€ Billion



Non financial corporations

€ Billion



After an extended deleveraging process, credit to the private sector continues to decrease in year-on-year terms in 2024, but at a more moderate pace.



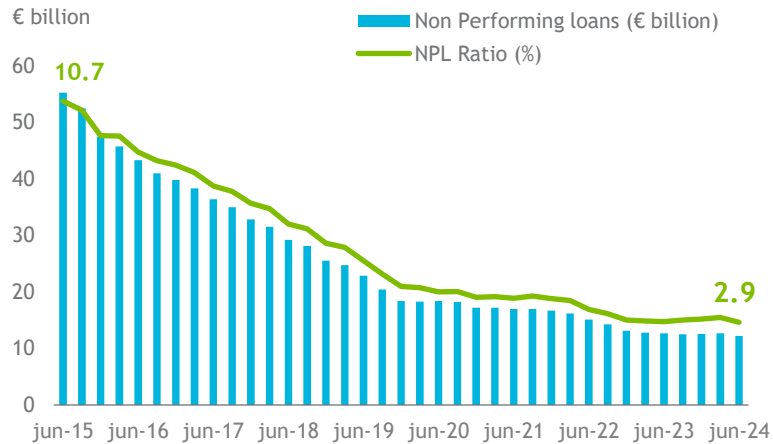
New financing to households during the first half of 2024 increased compared to the same period of the previous year, while new credit to financial corporation remain stable.



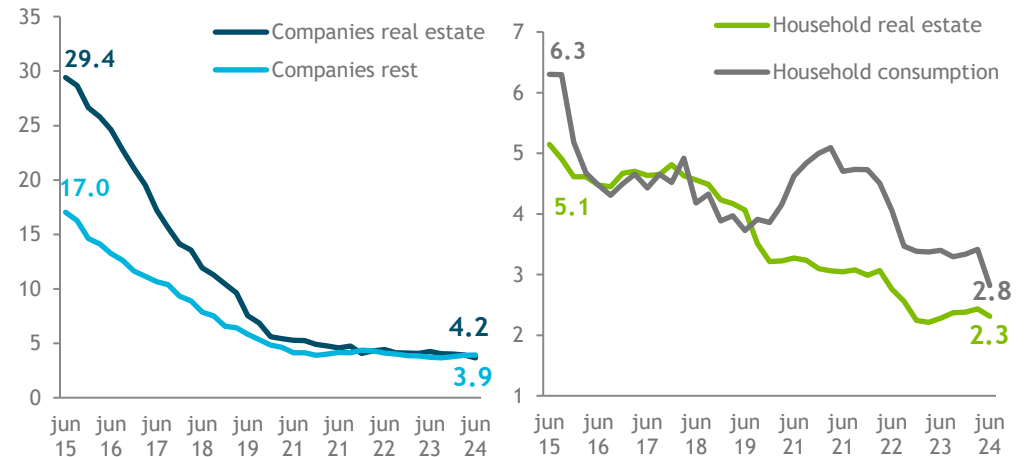
Business and household deposits increase by 2% year-on-year in June 2024, due to the increase in time deposits boosted by higher interest rate.

Financial data. Credit risk

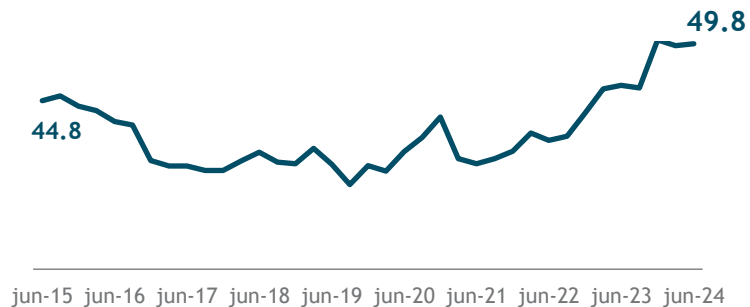
NPL ratio (%)



NPL ratio by sector (%)



NPL coverage ratio (%)



The NPL ratio stabilizes around 3% in June 2024. The rate decreases by 50 b.p. compared to June 2021 (3.85%).



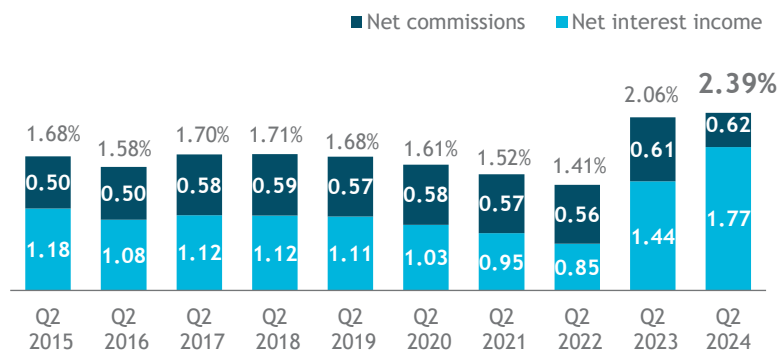
In June 2024, the NPL ratio decreases in consumption, while it remains stable in companies and increases slightly in household for house purchasing compared to June 2022.



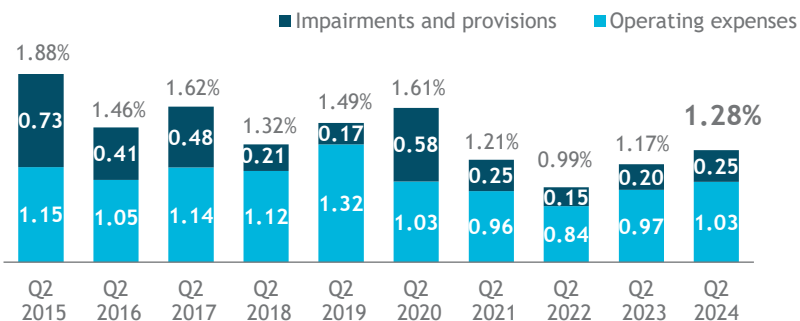
The coverage ratio increases by 8 p.p. in the last year, standing at nearly 50% in June 2024.

Financial data. Results

Net interest income and commissions % of ATAs

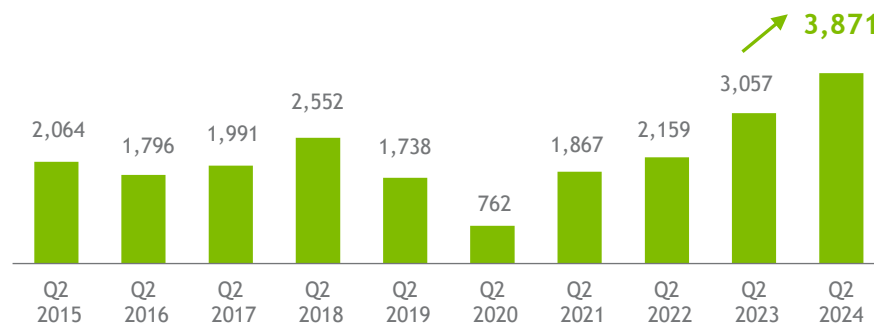


Operating costs and impairments % of ATAs



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

Net profit € million



Note: Net profit Q2 2021 exclude the extraordinary costs and income due to merger processes.



Recurring revenues increase strongly in Q2 2024 compared to Q2 2022, driven by interest income.

2.39%



On the expenses side, inflationary pressure and transformation projects lead to an increase in operating expenses, while impairments and provisions rise moderately.

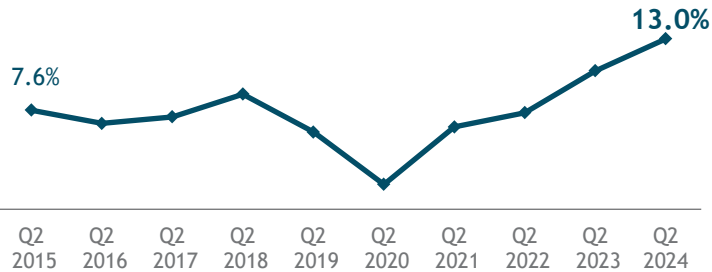
1.28%



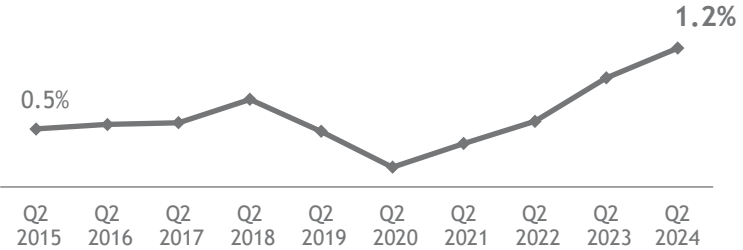
The improvement in the net interest margin contributed to an increase of the consolidated result, to 3,871 million €.

Financial data. Financial ratios

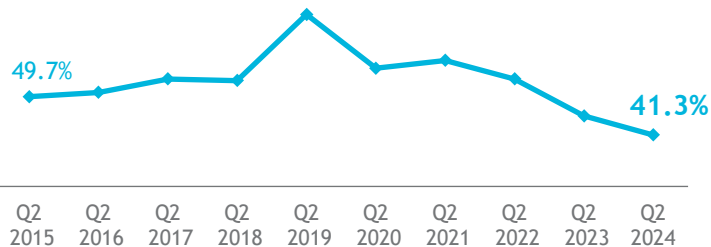
ROE



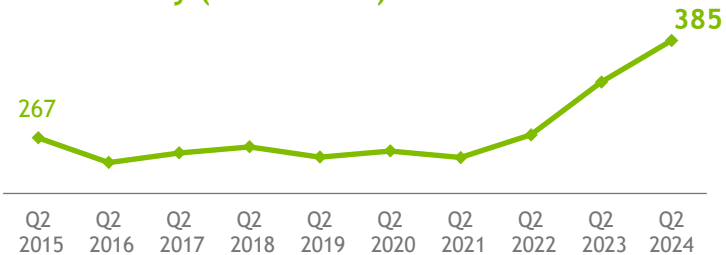
ROA



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 2024, to 13%, due to the rebound in consolidated profit.

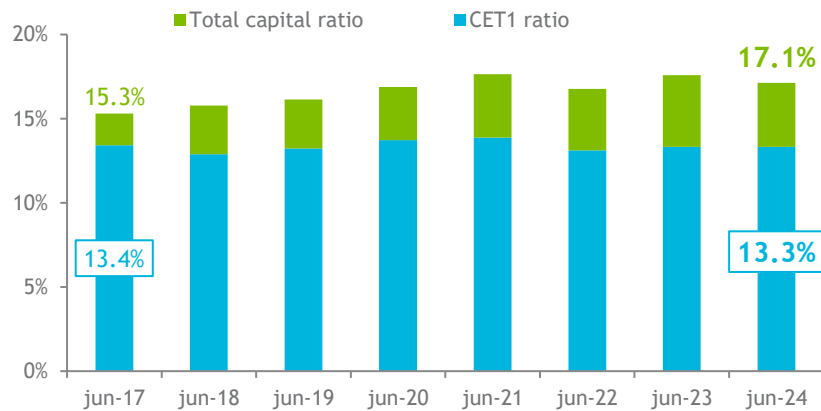
↑ The efficiency ratio improves to 41.3%, due to the increase in operating margin despite the increase in operating expenses.

↑ Return on asset increases to 1.2%, 1.02 p.p. above the rate registered in the same period of 2020.

↑ Productivity per employee increases compared to June 2023, to € 385 thousand due to the increase in gross income.

Financial data. Solvency and Liquidity

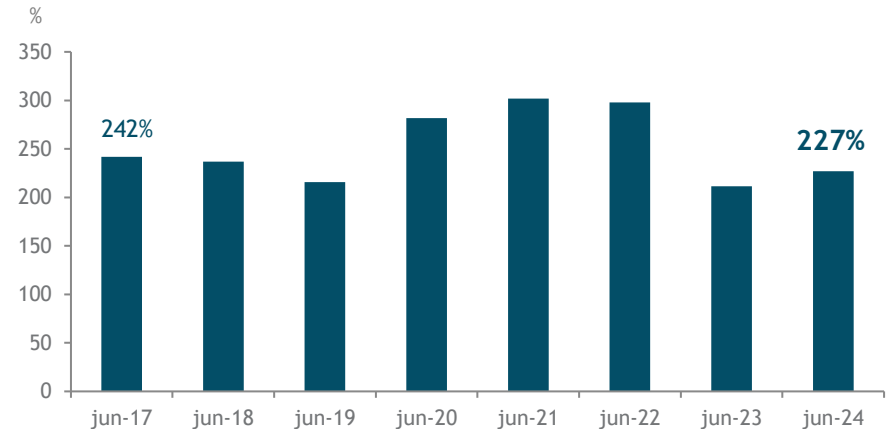
Solvency ratios as % of RWA



In Q2 2024, total capital ratio decreased by 44 b.p. compared to the same period in 2023 and stood at 17.1% in June 2024.

CET1 ratio remained unchanged in the last year, standing at 13.3%.

Liquidity coverage ratio (LCR)



The liquidity ratio, that increased strongly during the pandemic years, due to exceptional measures taken by ECB, has normalised since 2023, accounting for 227% in June 2024.

