Spanish financial system
Consolidation 2009/2020

ECB OMG Meeting
8 December 2021
1 European consolidation

2 Consolidation in Spain

3 Consequences
European consolidation
European consolidation

Evolution in EU

Number of Credit Institutions

Efficiency and concentration 2020

Source ECB
European consolidation

Evolution in EU

Branches by 10,000 people

ATM by 10,000 people

Source ECB
Evolution of employees and branches EU
European consolidation

State aid for bank recapitalisation in the EU

Source: state aid scoreboard, 2018
Consolidation in Spain
Consolidation in Spain

Branches and employees Spain vs EU base 100

Source ECB
Main features of the Savings Banks model

Features:
- Presence of public institutions in savings banks' governing and control bodies
- Retail business model (mostly, small sized institutions) focused in local markets (mainly, mortgages)
- Competence distribution (autonomous regions government)
- Hybrid legal structure (foundation + company)

Problems:
- Conflict of interest in risk assessment
- Excess of capacity / lack of diversification (geography and product)
- Multiple regulation and supervision: Ministry of Economy, Bank of Spain and autonomous regions
- Difficulties for capital raising
Consolidation in Spain

Consolidation of SSB

Savings banks consolidation process

Branches
9,689
44% of SFS

Employees
67,519
39% of SFS

Retail Deposits
489,712 Mill. €
38% of SFS

Retail Credits
432,324 Mill. €
37% of SFS

Total Assets
894,726 Mill. €
32% of SFS

Average entities size
97,382 Mill. €

Date as of June 2021
Consolidation in Spain

Capacity adjustment

Branches - Annual variation

Employees - Annual variation

Financial System (*)

CECA Sector

Variation since 2008

Financial System (*)

CECA Sector

Variation since 2008

(*) The latest financial system data refers to September 2019

Sources: ceca, BANCO DE ESPAÑA, Eurosystem
Consequences
Consequences

Consequences of the restructuring process

Cleaning-up of balance sheets

Profitability improvement

Enhanced solvency

Presentation of business model: 3Rs

Listed companies represented over 80% of the CECA sector total assets as of December 2018
Consequences of the restructuring process

- Politicians, Trade unions and professional associations cannot take part in the governing bodies.

- In 2009 there were 45 saving banks with an average assets of 29.4 billions, in 2021 there are six Bank groups and two saving Banks with an average size in assets of 103 billions.

- Outsourcing of low added value activities.

- Outsourcing of businesses that require a large scale to be profitable.

- Decrease of headcount in Central services.

<table>
<thead>
<tr>
<th>Central services employees evolution</th>
<th>2009</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>25145</td>
<td>10194</td>
</tr>
<tr>
<td>% of working force</td>
<td>19</td>
<td>15</td>
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