

## 1 STRUCTURE AND COMPOSITION OF THE BANKING SYSTEM IN 2007



## 1 Structure and composition of the banking system in 2007<sup>1</sup>

### 1.1 Types of credit institution

In 2007, branches continued to be opened by foreign credit institutions (CIs), most of which were from the EU. Consequently, the number of registered CIs increased again, to 358 (see Table 1.1). The increase of three in the number of credit institutions (CIs) was the result of nine extra branches of foreign CIs, one fewer Spanish commercial bank, one fewer foreign subsidiary, one fewer savings bank and three fewer SCIs. Twelve new branches of foreign CIs were registered and three deregistered, one of the registrations being the result of the alteration of status of a subsidiary of a foreign CI (Banco Espirito Santo). In addition, a Spanish commercial bank (Caceis Bank, a subsidiary of Banco Sabadell) was acquired by a branch.

The unusual decline of one in the number of savings banks was attributable to the merger between Caja de Ahorros de San Fernando, de Sevilla y Jerez and Monte de Piedad y Caja de Ahorros de Huelva y Sevilla, which gave rise to Monte de Piedad y Caja de Ahorros de San Fernando, de Huelva, Jerez y Sevilla ("Cajasol"). In the SCI category there were three registrations and six deregistrations, two of the latter as a result of acquisition by a savings bank (Caixa Catalunya) and another two owing to acquisition by a branch of a foreign CI (RCI Bank, belonging to the Renault group) which had been registered in late 2006.

With regard to credit co-operatives, the acquisition of C.R. del Duero by C.R. Cajamar occurred in late 2007, but this operation was still not reflected in the register of institutions as at year-end.

As indicated, some of the registrations, deregistrations, mergers and acquisitions led to institutional movements that contributed to the small changes in market share in 2007, with very slight increases for Spanish commercial banks, foreign subsidiaries and savings banks at the expense of SCIs and credit co-operatives (see Chart 1.1.A).

#### 1.1.1 OPERATING RESOURCES

For CIs as a whole, the number of serving employees increased by 5.2%, although this increase was only 2.6% in the case of employees assigned to branches. This indicates a continuation of the tendency for Spanish commercial banks to strengthen their central structures at the expense of the number of employees assigned to the branch network, which fell by 2.5%, and conversely, the stress placed by savings banks on the expansion of their network, which absorbed the bulk of the increase in their personnel, the number of employees assigned to their operational offices increasing by 6.6%. This asymmetry between the Spanish commercial banks and savings banks led to a reduction in the difference between these two groups as regards the number of employees per office, which stood at 5.3 employees in the case of banks and 4.3 employees in that of savings banks (5.5 and 4.2, respectively, in 2006). For CIs as a whole, the number of employees per office was 4.5, down 0.1 pp from the previous year.

The number of operational offices of CIs in Spain grew by 4% to 45,597. The density of the network reached a new high of 12 offices per 10,000 inhabitants over the age of 16. As regards bank offices abroad, in contrast to the slight fall in 2006, their number increased by 10%

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1. Annexes 3-6 are not included in the print edition of the Report on Banking Supervision in Spain, 2007, but are included in the version published on the Banco de España's website. Annexes 2 and 3 include financial information on the activity, results and solvency of Spanish credit institutions. Annex 4 shows the composition of consolidated and mixed groups and of financial conglomerates.

**NUMBER OF CIs REGISTERED IN SPAIN, CONSOLIDATED GROUPS AND MIXED GROUPS**

TABLE 1.1

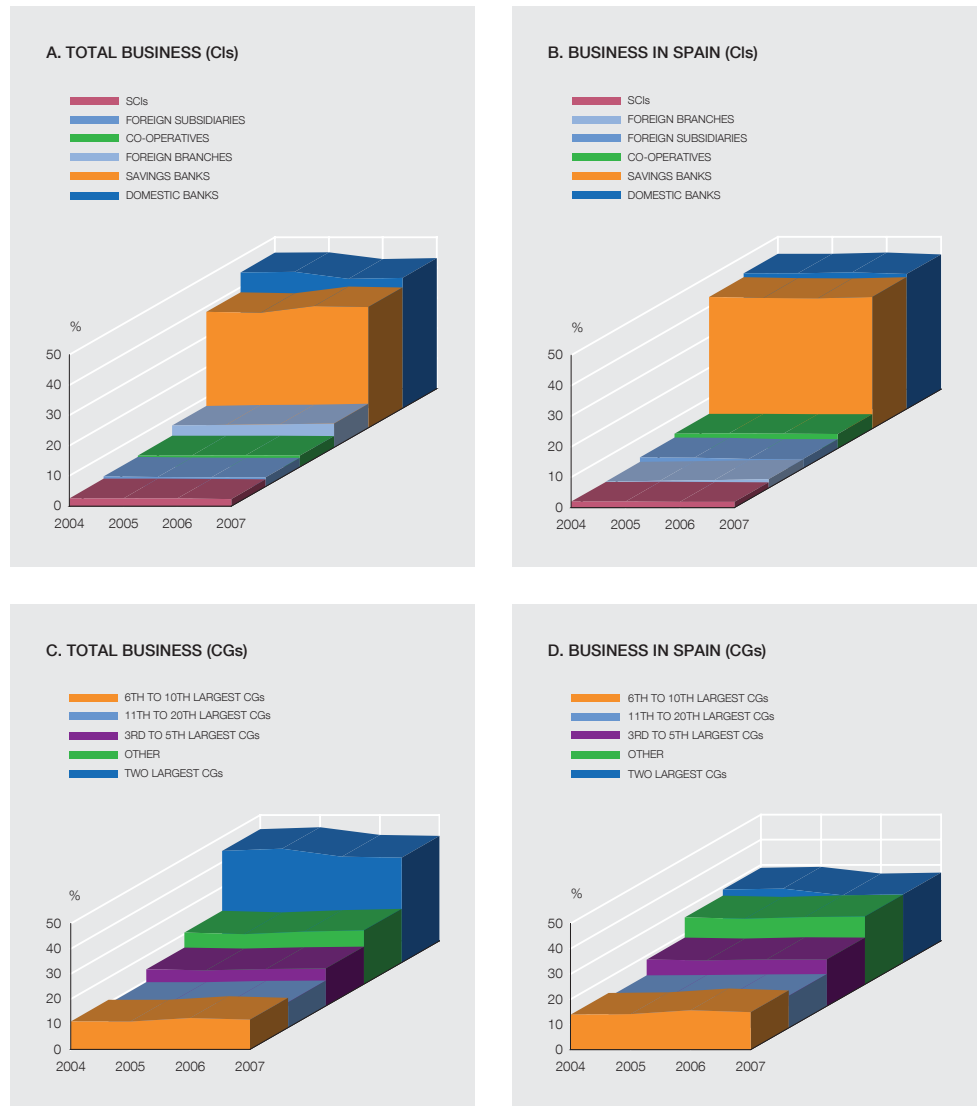
Year-end data (number)

	2004	2005	2006	2007
<b>CREDIT INSTITUTIONS REGISTERED IN SPAIN (a)</b>	<b>348</b>	<b>350</b>	<b>355</b>	<b>358</b>
<b>Deposit institutions</b>	<b>269</b>	<b>272</b>	<b>276</b>	<b>282</b>
<b>Banks</b>	<b>137</b>	<b>140</b>	<b>144</b>	<b>151</b>
Domestic	53	53	54	53
Foreign	84	87	90	98
Branches	61	65	71	80
Subsidiaries	23	22	19	18
<b>Savings banks</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>46</b>
<b>Co-operatives</b>	<b>85</b>	<b>85</b>	<b>85</b>	<b>85</b>
<b>Specialised credit institutions</b>	<b>79</b>	<b>78</b>	<b>79</b>	<b>76</b>
MEMORANDUM ITEMS:				
<b>Mergers and acquisitions</b>	<b>6</b>	<b>3</b>	<b>2</b>	<b>7</b>
Between banks	5	1	1	3
Between savings banks	—	—	—	1
Between credit co-operatives	1	—	—	1
Between SCIs	—	1	—	—
SCIs acquired by merged with deposit institutions (b)	—	1	1	2(4)
<b>CONSOLIDATED GROUPS EXISTING AT YEAR-END (c)</b>	<b>98</b>	<b>95</b>	<b>99</b>	<b>101</b>
Parent credit institution	85	83	86	88
Spanish banks	12	13	13	14
Savings banks	46	46	47	46
Co-operatives	14	13	16	18
Specialised credit institutions	—	—	—	1
Foreign CIs	13	11	10	9
Other consolidated groups	13	12	13	13
Spanish parent	6	6	6	6
Foreign parent	7	6	7	7
<b>MIXED GROUPS AND FINANCIAl CONGLOMERATES</b>	<b>36</b>	<b>36</b>	<b>42</b>	<b>42</b>
Supervised by Banco de España	33	33	40	41
Supervised by DGS including CIs	3	3	2	1
MEMORANDUM ITEM:				
Bank offices abroad	7,472	8,680	8,664	9,493

SOURCE: Banco de España. Data available at 10 March 2007.

- a. The number of registered CIs includes ICO in the domestic banks category. However, in the rest of the tables of this Report, ICO is excluded, unless stated otherwise.
- b. The number of SCIs involved in mergers by CIs is in brackets.
- c. A consolidated group (CG) is considered as such provided it includes, in addition to the parent (or failing this the reporting institution), another or other fully or proportionally consolidated financial institutions. The CG classification is given by the nature and nationality of the parent (ultimate holder).

in 2007 to 9,493. Savings banks continued their territorial expansion, with an increase of 5% in the number of operational offices, the increase in those of credit co-operatives also being notable (3.8%). Commercial banks continued to expand at a somewhat lower rate, except in the case of foreign CIs' branches which, albeit at modest levels, grew by 10% as a consequence of the absorptions of other CIs carried out by institutions in this group.



SOURCE: Banco de España. Data available at 21 February 2008.

a. Year-end data relating to credit institutions registered in Spain and consolidated groups existing at each date.

For CIs as a whole, the number of agents increased by 6%. Agents are concentrated among the commercial banks, especially notable during the last two years being those corresponding to foreign subsidiaries of CIs (6,592), followed by Spanish commercial banks (4,764) and, at a great distance, by savings banks (258), the latter having fallen sharply over the last year, when their agents fell from 0.6% to 0.2% of their total staff.

As for the ATM network, it grew by 5.3%. The groups most active in the installation of ATMs were savings banks and subsidiaries of foreign CIs, both groups recording an increase of around 7%. In the case of savings banks, a large part of the strong expansion in their ATMs is associated with the opening of offices that usually have at least at one ATM installed. In the case of commercial banks, the increase in their ATMs almost coincides with that in their new offices which seems to rule out the expansion of their ATM networks in other commercial locations and of services. In contrast, Spanish commercial banks increased their point-of-sale terminals (PSTs) by 9%, while savings banks and foreign CIs' subsidiaries reduced theirs by 4% and 6%, respectively.

Finally, the number of cards (especially credit cards) continued to grow in 2007, to reach more than 94 million units, taking the number of cards per inhabitant over the age of 16 to 2.5 (2.4 the previous year). However, it should be noted that the year-on-year growth rate for CIs as a whole was lower than in previous years, falling from 9% in 2006 to 4.6% in 2007. This slowdown was apparent among all groups of CIs, but especially commercial banks, which recorded a fall in growth from 16% in 2006 to 5% in 2007.

#### 1.1.2 CONSOLIDATED AND MIXED GROUPS

The number of consolidated groups<sup>2</sup> (CGs) increased by two to 101 as at end-2007 (see Table 1.1). This increase was a result of the disappearance of five groups and the inclusion of seven new groups. In addition, Bankpyme was reclassified from a consolidated group with a non-CI Spanish parent to a group with a Spanish bank parent. The reclassification of Bankpyme was attributable to the Portuguese bank Banco Internacional do Funchal taking a holding in its capital, so that the insurance undertaking Agrupación Mutua ceased to be the majority shareholder and Bankpyme became the head of its CG. This deregistration among the CGs with a non-CI Spanish parent was made up for by the inclusion of a new group in this category: IOS Finance.

Of the changes indicated in the types of CI, those that entailed reductions in the number of CGs were: (i) the merger of the two savings banks; (ii) the alteration of status of a subsidiary of a foreign CI to the branch of a foreign CI (so that it ceased to be considered a consolidated group); and (iii) the absorption of the two Renault group SCIs by the branch of a foreign CI of that group.

The number of mixed groups (MGs) and financial conglomerates (FCs)<sup>3</sup> remained unchanged in 2007, since the one deregistration (Bankpyme) was offset by a registration (C.A. Murcia). Of the seven FCs existing as at end-2006 only five still existed as such as at end-2007, since Caixa Sabadell had come to be considered an MG and Bankpyme had been deregistered following the changes among its shareholders mentioned above. The latter institution was also responsible for the deregistration among the FCs/MGs supervised by the Directorate General of Insurance.

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**2.** Consolidated groups are deemed to be groups that include, in addition to the parent (or reporting institution), one or more other fully or proportionally consolidated financial institutions. **3.** Mixed groups and financial conglomerates, which include both credit institutions and insurance undertakings, are governed by the provisions of Royal Decree 1332/2005 of 11 November 2005, which implements Law 5/2005 of 22 April 2005 on the supervision of financial conglomerates.