

RECENT TRENDS IN THE SPANISH BANKING SECTOR

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NPL-DAYS ESPAÑA

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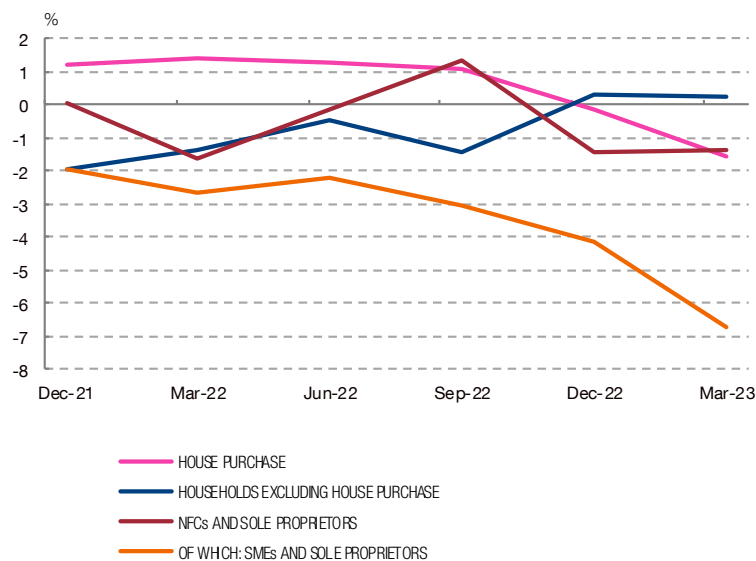
June 1, 2023



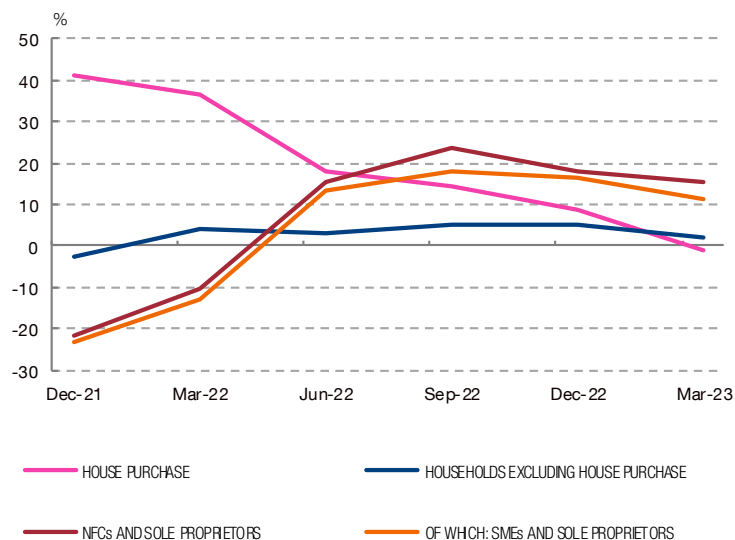
THE DECLINE IN LENDING ACCELERATED IN 2023Q1, WITH A SIGNIFICANT DROP FOR SMEs

- Lending declined 1.3% year-on-year in March 2023, 0.6 pp more than in 2022Q4
 - The decline was somewhat sharper for households than for firms, despite the notable reduction in lending to SMEs
- New lending continued to grow year-on-year (by 14.8% in 2023 Q1), driven largely by new operations, but has moderated in recent quarters
 - The only exception was the household segment, the most buoyant just a year ago

1 LENDING. YEAR-ON-YEAR RATE OF CHANGE
Business in Spain, ID



2 NEW LENDING. YEAR-ON-YEAR RATE OF CHANGE (a)
Business in Spain, ID



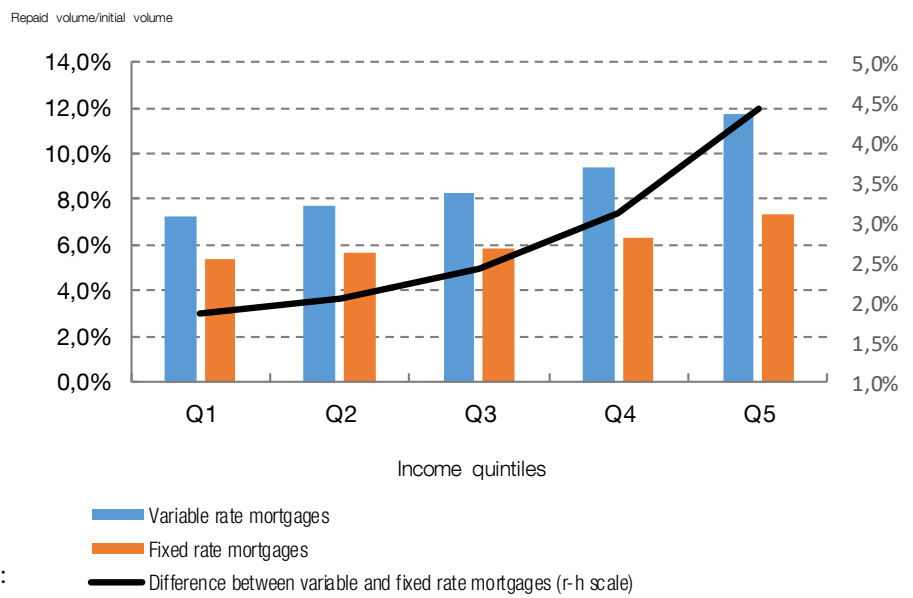
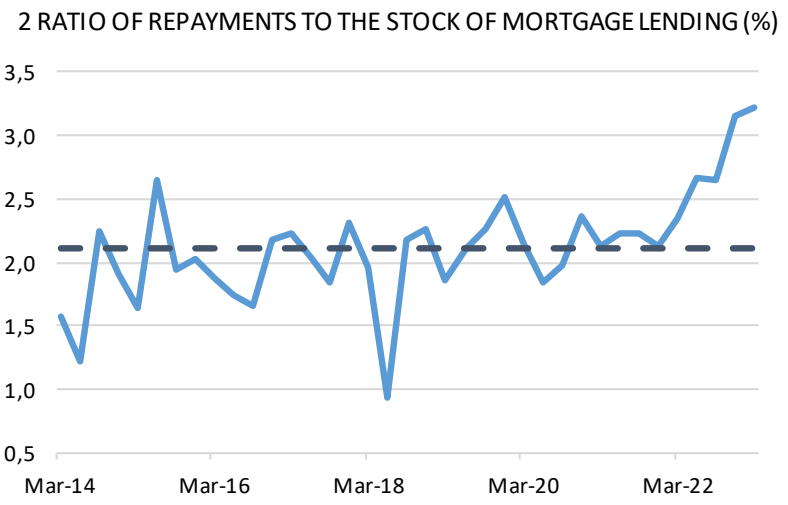
SOURCE: Banco de España.

a. New lending in each period refers to that granted in the last 12 months.

Note: some small banks are excluded from the calculation of the rates due to the lack of available data for the latest date.

THE PACE OF LOAN REPAYMENTS HAS ACCELERATED IN MOST SEGMENTS

- In the case of mortgages, this higher pace of repayments mostly affects variable rate mortgages, but also extends to fixed rate mortgages
 - 9.2% variable rate vs. 6.4% fixed rate
- And it is more pronounced among higher income households



SOURCE: Supervisory returns.

Note. Repayments are estimated based on the following equation: $balance(t) = balance(t-1) + new\ lending(t) - repayments(t)$, where t is the quarter.

To obtain the ratio shown in the chart, repayments are compared with the stock of mortgage loans in the previous quarter.

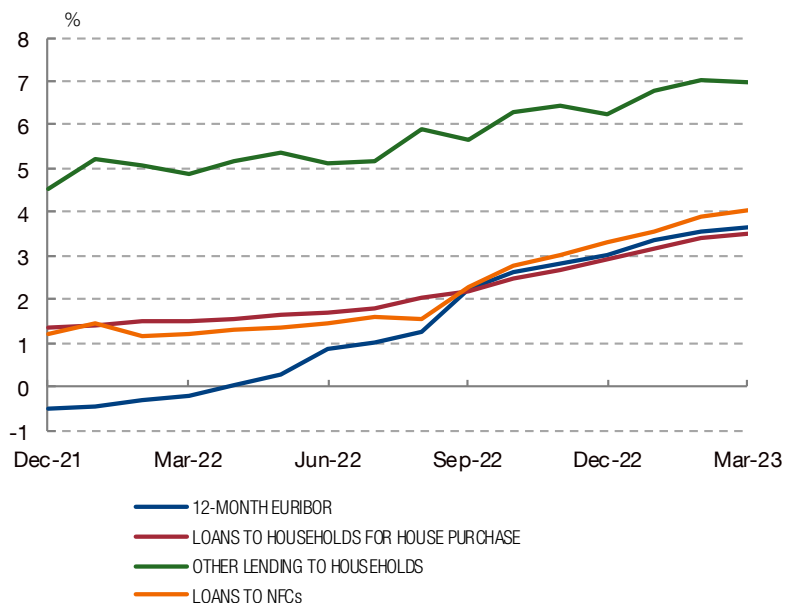
The dotted horizontal line is the average ratio in the period considered in the chart.

SOURCE: CCR.

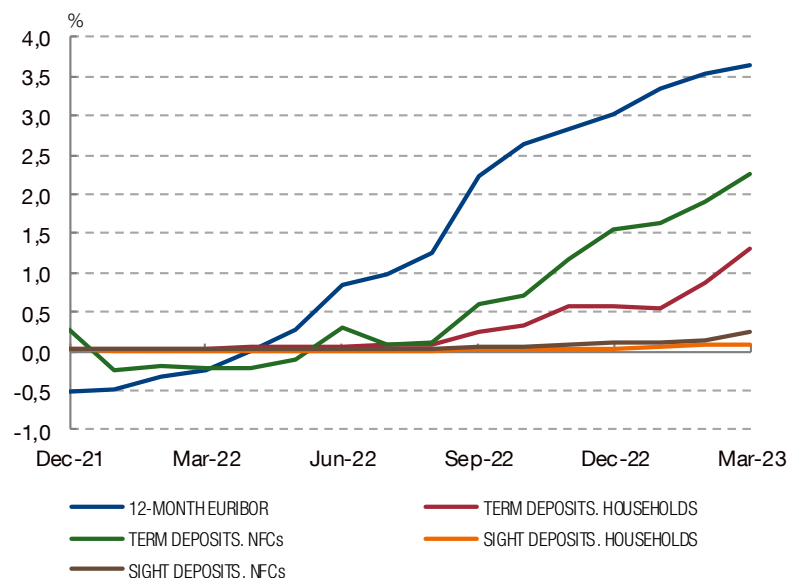
INTEREST RATES ON NEW LOANS FOR HOUSE PURCHASE AND TO NFCs ARE IN LINE WITH THE EURIBOR, UNLIKE THOSE ON NEW DEPOSITS

- Interest rates on new loans have been increasing steadily since the EURIBOR began to climb
 - Rates on loans to households for house purchase and to non-financial corporations (NFCs) are in line with the 12-month EURIBOR since September 2022
- The remuneration of new term deposits has been increasing since September, particularly in the case of firms
 - The remuneration of sight deposits remains very close to zero

1 INTEREST RATES ON NEW LOANS



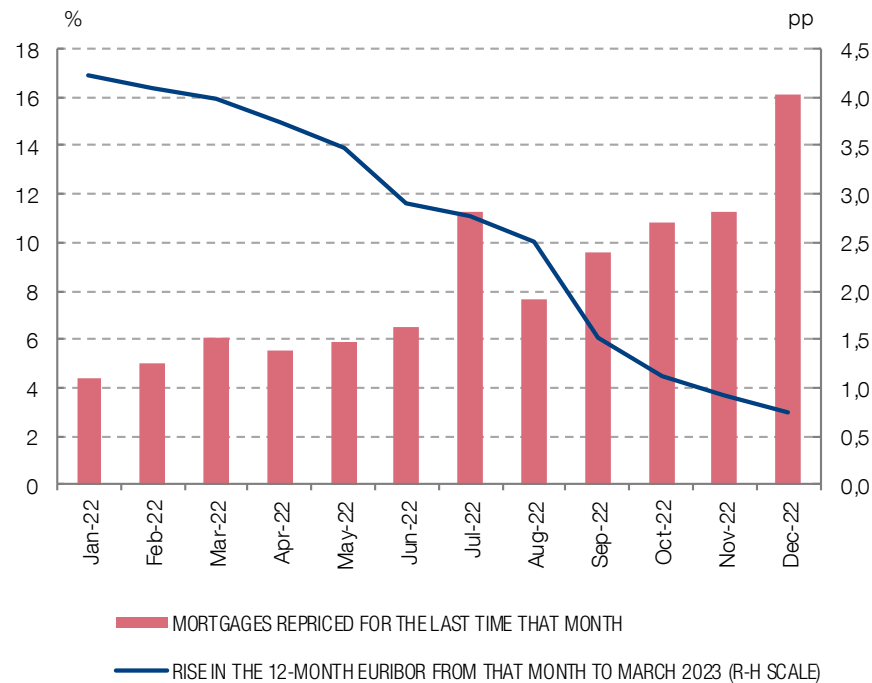
2 INTEREST RATES ON NEW SIGHT AND TERM DEPOSITS



HIGHER INTEREST RATES WILL ENTAIL A FURTHER REPRICING OF MORTGAGES IN 2023

- Around 35% of the outstanding variable rate mortgages at December 2022 will see their rates rise by at least 3 pp when they are reset over the next year
- In approximately 60% of these loans, the interest rate applied will rise by at least 1.5 pp (this includes the group mentioned above)

1 VARIABLE RATE MORTGAGE REPRICING AND IMPACT OF THE EURIBOR RISE

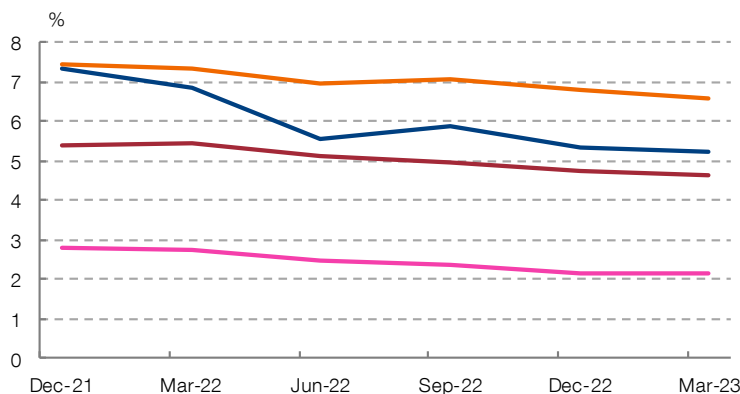


Note: Percentages obtained as the number of mortgages divided by the total population of variable rate mortgages.

NON-PERFORMING LOANS (NPLs) CONTINUED TO DECLINE, ALTHOUGH THE NPL AND STAGE 2 RATIOS STABILISED IN THE QUARTER

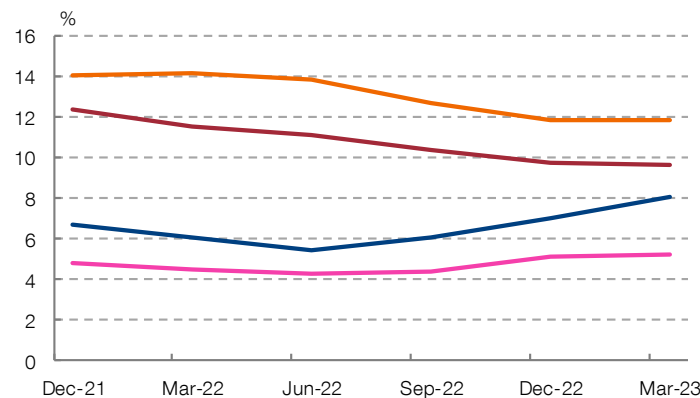
- NPLs continued to fall in March (-19.4% year-on-year, 0.9 pp more than in December) across all sectors
 - The NPL ratio also decreased somewhat in the quarter, while the decline compared to the same quarter of the previous year was 0.8 pp
- The ratio of stage 2 loans for the resident private sector as a whole increased slightly for the first time in recent quarters (by 0.1 pp to 7.2%)
 - Stage 2 loans for purposes other than house purchase show an upward trend

1 NPL RATIO
Business in Spain, DI



— HOUSE PURCHASE
— HOUSEHOLDS EXCLUDING HOUSE PURCHASE
— NFCs AND SOLE PROPRIETORS
— OF WHICH: SMEs AND SOLE PROPRIETORS

2 STAGE 2 RATIO
Business in Spain, DI



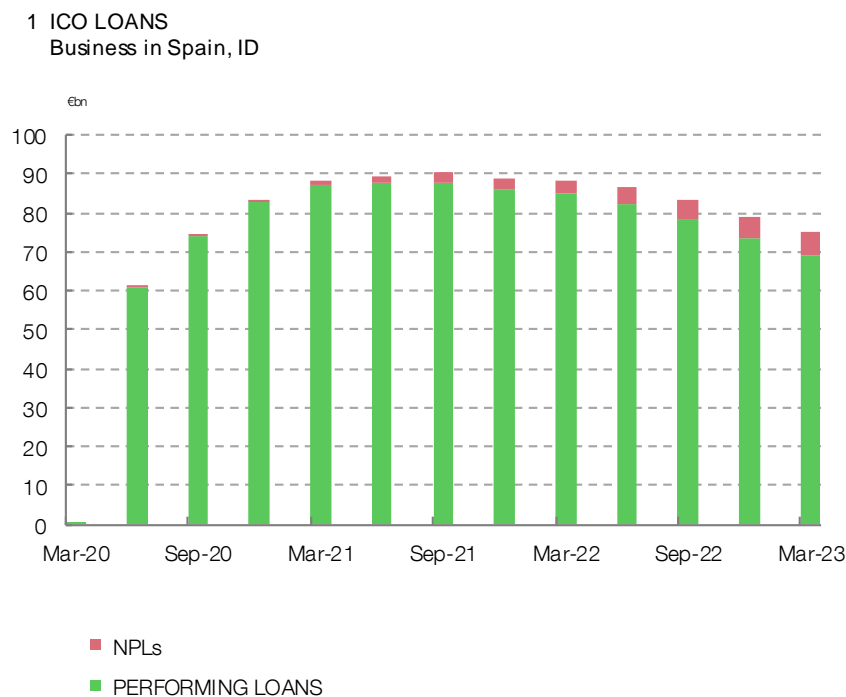
— HOUSE PURCHASE
— HOUSEHOLDS EXCLUDING HOUSE PURCHASE
— NFCs AND SOLE PROPRIETORS
— OF WHICH: SMEs AND SOLE PROPRIETORS

SOURCE: Banco de España.

Note: Some small banks are excluded from the calculation of the rates due to the lack of available data for the latest date.

THE OUTSTANDING BALANCE OF ICO LOANS DECLINED IN RECENT QUARTERS

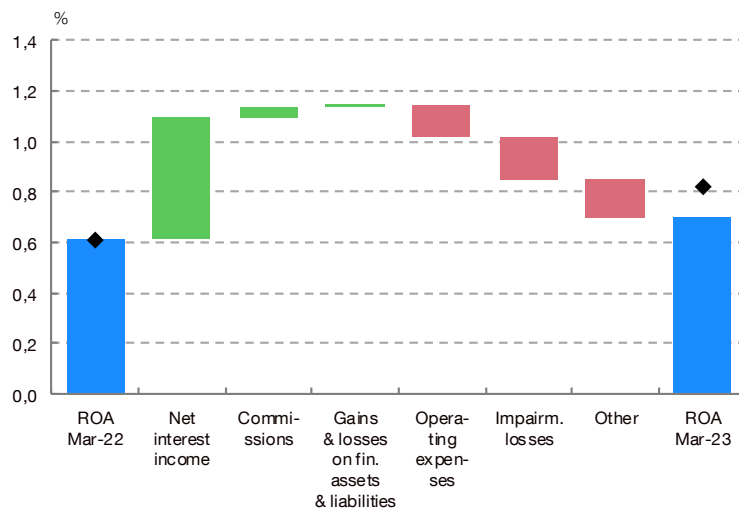
- Extraordinary repayments have reduced this close portfolio to €75.3 billion in March 2023
- The credit quality of ICO loans worsened in percentage terms, with the share of NPLs (8.2% in March 2023) increasing compared to last year, although the share of those classified as Stage 2 decreased
 - The considerable reduction in the stock of these loans contributed significantly to raising the NPL ratio



LISTED BANKS' EARNINGS GREW NOTABLY IN 2023 Q1, DRIVEN BY HIGHER NET INTEREST INCOME

- Significant listed banks posted a combined profit of €6,138 million in 2023 Q1, bringing ROA to 0.7%
 - This is 15% (€0.8 billion) more than in the same period of 2022, despite the temporary levy on banks (€1.12 billion). Without the levy, this year-on-year rise in profit would have been 36%
- Net interest income grew 28% year-on-year, offsetting the increase in operating expenses (12%) and impairment losses (43%)

1 BREAKDOWN OF THE CHANGE IN LISTED BANKS' PROFIT
Consolidated net profit as a percentage of ATAs (a)



SOURCE: Banks' financial reporting.

a Red (green) bars indicate a negative (positive) contribution of the corresponding item to the change in consolidated profit from March 2022 to March 2023. The black diamonds denote ROA excluding the impact of the temporary levy on banks (€1.12 billion in 2023).

THANK YOU FOR YOUR ATTENTION

