

INTERNATIONAL SAVINGS BANKS

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The Savings Banks Organisation in Spain

Since the end of the 1980s, when the regional principle was abolished in Spain, cooperation between savings banks has been abandoned in favour of growth of the institutions. Since then, the number of savings banks in Spain has fallen sharply. In turn, the market share of savings banks in the lending business has risen from approx. 28% to approx. 37%.

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A law passed in July 2010 allowed the separation of the public welfare orientation from the banking business. The tasks oriented towards the common good (in Spain: "obra social") remained in the sponsoring savings bank, which was run as a foundation under private law. The banking business could be outsourced to a (listed) bank with the aim of raising equity capital on the market. While the sponsoring foundations continued to exist for the most part, the bank holding companies experienced two waves of mergers until 2012, which resulted in a complete reorganisation of the sector by 2014. The financial institutions CaixaBank and Bankia merged to form CaixaBank in March 2021. The merger is considered one of the largest in Spain.

Today, therefore, only eight savings banks are left. Two savings banks remained in their old form. The other six are credit institutions derived from savings banks. These are supported by 13 banking foundations (former cajas). The balance sheet total of these holdings is about EUR 905 billion.

The Spanish banking market

In macroeconomic terms, the banking sector in Spain is of above-average importance compared to other European countries. In 2021, the balance sheet total of all banks was about 3.3 times as large as the country's total economic output. In comparison, the European average was 2.5 times the GDP. The bank branch network in Spain is still well above average, with 2,463 inhabitants per branch. In comparison, the European average is 3,234 inhabitants per branch (see charts 1 and 2).

In 2021, the portfolio of loans at risk of default at Spanish banks fell to a value of 3%, slightly above the European average of 2%. The cost-income ratio of Spanish banks increased slightly again in 2021 and was below the European average with a value of 54.6%. Profitability, measured by return on equity, recovered and rose strongly to 11.3% in 2021. Spanish banks were thus again above the level of other competitors in Europe (see charts 3 and 4).

Since the late 1990s, Spain has experienced a construction boom fuelled by low interest rates and rising incomes, which has been the driving force behind sustained high economic growth. In 2008, the real estate bubble burst. The financial crisis quickly developed into a banking crisis, as a result of which a state bank rescue fund (FROB) was set up in 2009 and the decision was made to restructure and recapitalize the Spanish savings bank sector.

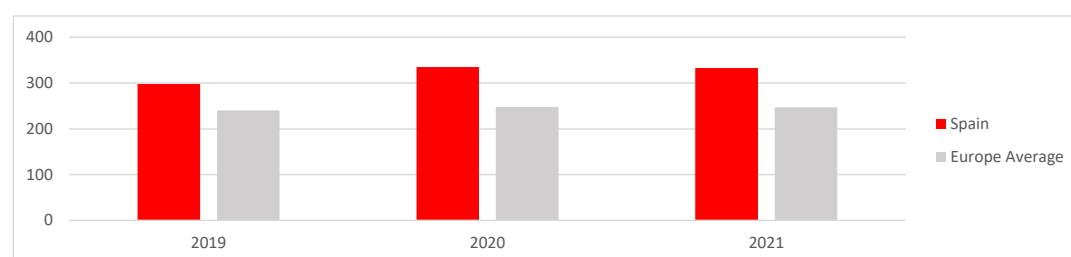
In January 2016, the European Commission concluded that the financial support programme for banks had been successfully completed. The Commission underlined the success of the measures put in place and the strong commitment of the Spanish authorities in their execution. In the end, only EUR 40 billion of the EUR 100 billion made available was needed.

A highly successful vaccination campaign helped the Spanish economy recover from the deep recession caused by the COVID pandemic. The IMF estimates that output is expected to return to pre-pandemic levels by the end of 2022. However, there is considerable uncertainty about the recovery path related to the evolution of the pandemic and the duration of global supply constraints. Additionally, in view of the war in Ukraine, the statements on economic development are only approximate forecasts.

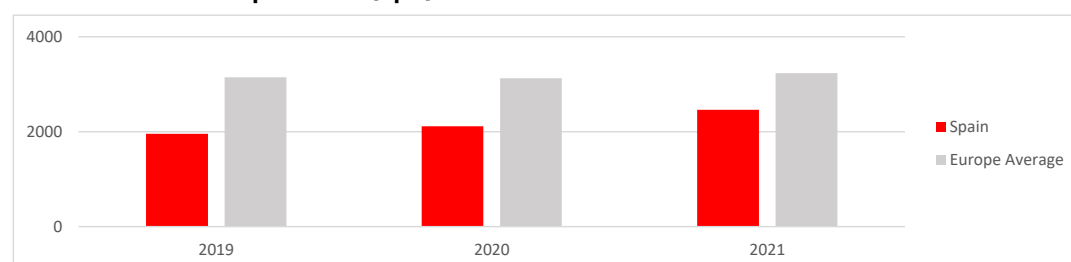
Table 1: The largest Spanish banks by balance sheet total

Group	2021	2020	2019	2018
Banco Santander	1,596	1,508	1,523	1,459
CaixaBank	680	452	391	387
BBVA	663	736	698	676
Banco de Sabadell	252	236	224	222

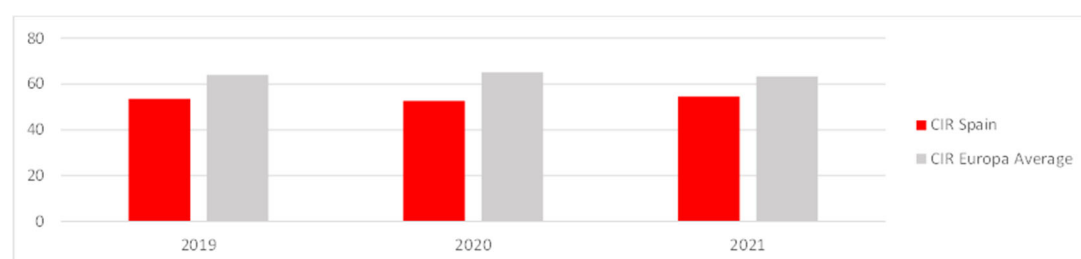
Source: 2021 financial report of the respective group, in billion euros

Chart 1: Banks' balance sheet total to GDP in %

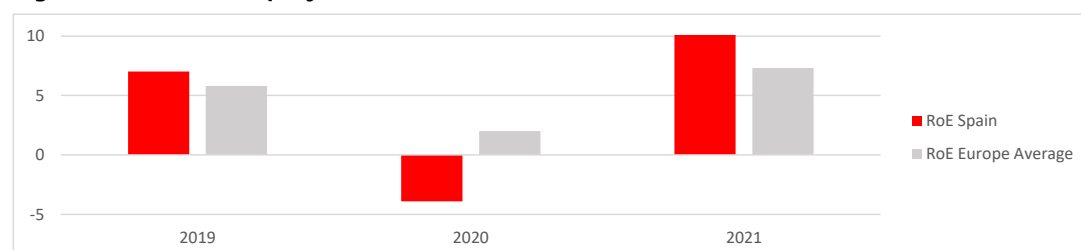
Source: European Central Bank 2022, own calculations

Chart 2: Inhabitants per office (EpG)

Source: European Central Bank, Eurostat 2022, own calculations

Chart 3: Cost-income ratio (CIR) in %

Source: European Central Bank, 2022

Figure 4: Return on equity (RoE) in %

Source: EBA Dashboard, 2021

The Spanish savings banks

The first Spanish savings bank (Caja de Ahorros) was founded in 1838 by private initiators. As in other countries, the primary aim was to promote savings as a means of improving the living conditions of the population.

The savings banks, which were run in an ownerless legal form, were declared charitable institutions and their management was transferred to a body with members appointed by the state. Their sphere of activity was limited to the respective home region (regional principle). Even at the beginning of the reform of the Spanish savings bank system in 1977, when savings banks were put on an equal footing with private banks in terms of permissible transactions, the state exerted massive influence on the activities of the savings banks, among other things by stipulating the use of profits and deposits. Business with companies was prohibited .

Since 2010, it has been possible for the savings banks to outsource their banking business to a public limited company. This happened for the vast majority of cajas. In a second step, the banking business of several institutions was then merged (as a merger or as an Institutional Protection Scheme - IPS). In the process, the original cajas remained in the background as sponsoring foundations. However, banks that are still referred to as "savings banks" due to their historical origins operate in the market. With the Savings Banks Act in December 2013, a growth cap was set for the "cajas". With a balance sheet total of more than EUR 10 billion or a market share of more than 35% in deposits in their regional home market, the banking business must be outsourced to a separate credit institution.

However, this regulation essentially only reflects the reality that already exists today. For example, of the former 45 Spanish cajas, 43 institutions have consolidated into 6 large savings banks through mergers or incorporation into an IPS. Since 2015, the number of branches has decreased by 35% and the number of employees by 14.5%. Nevertheless, around every second bank branch in Spain is still that of a savings bank. Only two cajas, Caixa Ontinyent and Col·lonya Caixa Polença, still have their operational banking business in their own hands (for more details see table 2).

In September 2020, the supervisory boards of Caixabank and Bankia decided to merge the two institutions, one of the largest mergers in the country. The merger was legally completed at the end of March 2021. CaixaBank is now the largest bank after Banco Santander.

Table 2: Consolidations in the Spanish savings bank sector

2009: 45 savings banks	2021: 8 savings banks
La Caixa, Caixa Girona, Cajasol, Caja de Guadalajara, Caja Navarra, Caja de Burgos, Caja Canarias	Caixabank (after merger with Bankia)
Caja Madrid, Banaja, La Caja de Canarias, Caixa Laietana, Caja de Ávila, Caja Segovia, Caja Roja, Caja Murcia, Caixa Penedès, Caja Granada, Sa Nostra	
Cajasur, BBK, Kutxa, Vital Kutxa	Kutxabank
Unicaja, Caja Jaén, Caja España, Caja Duero	Unicaja Banco
Caixa Galicia, Caixanova	Abanca
CCM, Cajastur, Caja de Extremadura, Caja Cantabria	Cajasur Banco
Caja Immaculada de Aragón, Caja Circulo de Burgos, Caja de Badajoz, Ibercaja	Ibercaja Banco
Caixa Ontinyent	Caixa Ontinyent
Colonya Caixa Pollença	Colonya Caixa Polença

Source: ceca, 2022

After a strong increase in credit to the private sector in 2020 (mainly to mitigate the costs of the pandemic), the growth rate fell by 2.18% in 2021. Corporate and household deposits grew at around 5.92% y-o-y. Recurring income declined in Q4 2021 compared to the same period last year due to the decline in interest income. The impairment rate decreased compared to Q4 2020 when extraordinary provisions were made to cover the impact of Covid-19. The consolidated result therefore increased by 57% to EUR 3.3 billion compared to the previous year.

The rapid spread of the coronavirus led Spain to enforce strict and widespread restrictions on movement, which has had a significant impact on the country's economy as of 2020. The duration of the crisis and its impact on the overall economy and the Spanish banking system will depend on the containment of the virus and a recovery in economic activity. The outlook for Spain's economic situation remains open with the global consequences of the Ukraine war.

In 2021, the Spanish savings bank foundations spent a total of EUR 778 million on charitable causes to cushion the economic and social impact of the pandemic to some extent. In 2020, it was EUR 772 million. The millions donated by the Spanish savings banks financed 19,300 volunteers during the acute phase of the pandemic and 230 telephone counsellors in the health sector. In addition, 350 research projects related to the fight against the virus were supported.¹

¹ Stefanie Claudia Müller, 10.07.2020, "Willingness to help increases despite uncertainty", Sparkassenzeitung

Table 3: Structural characteristics of the Spanish savings banks

<i>Legal form (of the Cajas or Bank foundations)</i>	Universal banks in a legal form similar to a foundation without shareholders and without the intention of making a profit. Since July 2010, it has been possible to spin off the banking business into a public limited company. If the shareholding falls below a minimum of 10%, the savings bank must be converted into a foundation without banking business. The same applies to the contribution of central areas to an IPS.
<i>Public support and control</i>	According to the law, a maximum of 25% of the members of the general assembly may be provided by the public administration. Elected politicians may not hold office in the bodies of the savings banks.
<i>Business activity</i>	In 1977, the savings banks were put on an equal footing with private banks with regard to permissible transactions.
<i>Regional principle</i>	In 1988, the regional principle was completely abolished. The establishment of branches is also permitted abroad, as is participation in institutions abroad. The new Savings Banks Act of 2013 stipulates that savings banks may only operate in their own and neighbouring provinces, with a limit of a maximum of 10 provinces.
<i>Common good orientation</i>	The savings banks allocate at least 50% of their after-tax profits to reserves. The surplus is used for charitable purposes (Obra Social).

The umbrella organisation: CECA (Confederación Española de Cajas de Ahorros)



The National Federation of Spanish Savings Banks was founded in 1928 and is a member of the European Savings and Retail Banking Group (ESBG) and the World Savings and Retail Banking Institute (WSBI).

Table 4: Structural features of the Spanish Savings Banks Association

Members	All Spanish savings banks, SIPs derived from savings banks, savings bank foundations and credit institutions that operate according to the guidelines of the savings bank system. Membership is voluntary and permanent, each savings bank has the right to terminate.
Purpose	<ul style="list-style-type: none">• Representation of members at national and international level. Specifically at international level, representation of the Savings Banks in the World Savings and Retail Banking Institute and the European Savings and Retail Banking Group.• Statistical analyses and administrative services for the members, as well as advisory support in the fields of tax, regulatory, economic, marketing and advertising issues.• Study and training centre for all areas relating to the financial markets

Table 5: Key figures of the CECA member institutions

	2021	2020
Cost-income ratio	59%	57%
Market share of Ceca Institute for loans	37%	36%
Market share of Ceca Institute for deposits	40%	38%
Total assets (in billions of €)	905	872
Offices	8,842	10,079

Source: CECA, 2022



In 2012, the management of CECA decided to outsource the financial operations of the association to a bank which was to be created for this purpose. On 12 November 2012, Cecabank was founded, to which all the Association's receivables and liabilities were transferred. Since this spin-off, the Association has been responsible for the representation of interests and communication between the savings banks, while Cecabank works as a financial service provider for the savings banks (e.g. in the securities business).

Table 6: Structural features of Cecabank

Legal form	Public limited company
Shareholder	CECA: 89.08%; savings banks and their successor institutions: 10.92%
Purpose	<ul style="list-style-type: none"> • Financial service provider of the savings banks (foreign business, securities and issuing business, giro centre) • Consulting, technical and administrative services for public and private corporations

Table 7: Key figures of Cecabank

	2020	2019
Total assets	17,198	14,268
Equity	1,201	1,136
Profit from operations	69	54
CET1 ratio	30.1%	26.6%

Source: Cecabank Financial Report, 2021, in € million

CECA and CaixaBank are members of the European Savings and Retail Banking Group (ESBG) and the World Savings and Retail Banking Institute (WSBI).

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