

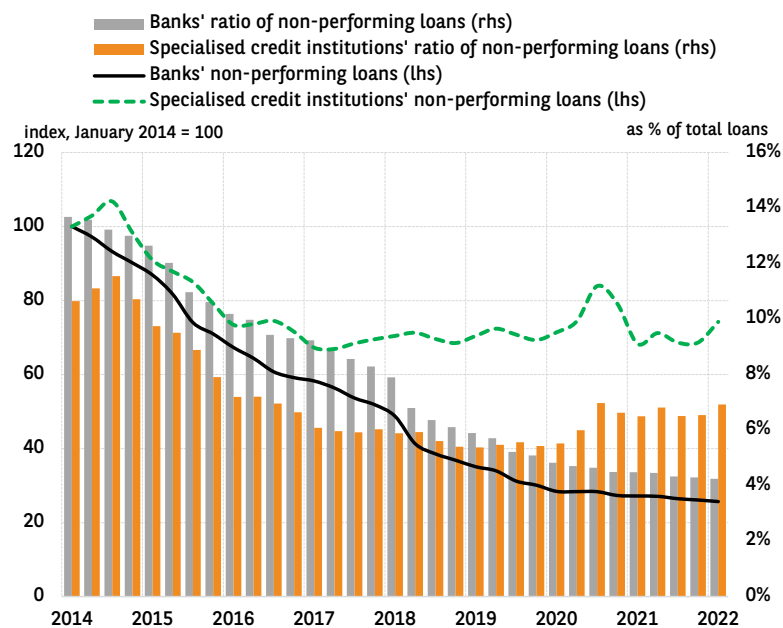


30 March 2022

## SPAIN: DETERIORATION IN BALANCE SHEET QUALITY AT SPECIALISED CREDIT INSTITUTIONS

Thomas Humblot

Loan book quality is still improving for banks, not anymore for specialised credit institutions



Source: Banco de España, BNP Paribas

The ratio of non-performing loans (NPLs) at Spanish specialised credit institutions<sup>1</sup> (consumer credit, mortgages, leasing and factoring) hit 6.9% in January 2022, its highest January level since 2016. Conversely, the NPL ratio for commercial banks, savings banks and cooperative banks<sup>2</sup> stabilised at 4.2%, its lowest level since March 2009.

The increase in the NPL ratio of specialised credit institutions was due to a faster rise in the outstanding amounts of NPLs than in total loans (8.7% and 2.0% respectively between January 2021 and January 2022). Meanwhile, the fall in the outstanding amounts of NPLs at the banks, that began in 2014, has continued, against a background of stable total loans (-5.5% and -0.2% respectively between January 2021 and January 2022).

The Covid-19 pandemic appears to have triggered a decoupling of the respective NPL ratios for specialised credit institutions and banks. This might be only a temporary phenomenon and is probably due to the nature of loans granted by specialised credit institutions and the continued disposal or writing-off of NPLs by the banks. In addition, the expiry of public and private support measures, which have so far protected borrowers' liquidity, has no doubt contributed to recent increases in NPL ratios for specialised credit institutions. In particular, the phasing out of moratoria on loans has revealed the difficulties faced by some borrowers. Despite the Spanish economy's capacity to withstand the economic consequences of the war in Ukraine, vulnerabilities that are already apparent in certain areas of lending could worsen, resulting in an increase in non-performing loans.

<sup>1</sup> *Establecimientos financieros de crédito* as defined under Law 5/2015 of 27 April 2015. These 33 financial institutions are not authorised to accept deposits from individuals. Their outstanding loans (EUR41 billion) represent 3.5% of bank lending (EUR1,162 billion).

<sup>2</sup> 194 *Entidades de depósitos*.

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