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PRESS RELEASE

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State aid: Commission approves restructuring plans of Spanish banks BFA/Bankia, NCG Banco, Catalunya Banc and Banco de Valencia

The European Commission has concluded that the restructuring plans of the four Spanish banks BFA/Bankia, NCG Banco, Catalunya Banc and Banco de Valencia are in line with EU state aid rules. The in-depth restructuring undergone by BFA/Bankia, NCG Banco, Catalunya Banc will allow them to become viable in the long-term without continued state support. Moreover, the banks and their stakeholders adequately contribute to the costs of restructuring. Finally, the plans foresee sufficient safeguards to limit the distortions of competition induced by the state support. Because its viability could not be restored on a standalone basis, Banco de Valencia will cease to exist as an independent entity and will be sold and integrated into CaixaBank. The restructuring plans were submitted for Commission approval as foreseen by the Memorandum of Understanding (MoU) agreed between Spain and the Eurogroup in July 2012. The Commission's approval will allow the banks to receive aid from the European Stability Mechanism (ESM) in the context of the financial assistance programme to recapitalise the Spanish banking sector.

"The approval of the restructuring plans of BFA/Bankia, NCG, Catalunya Banc and Banco de Valencia is a milestone in the implementation of the Memorandum of Understanding between euro area countries and Spain. Our objective is to restore the viability of banks receiving aid so that they are able to function without public support in the future. We also make sure that banks use no more than what is necessary of taxpayers' money to restructure and do not go back to unsustainable business practices. Restoring a healthier financial sector capable of financing the real economy is indispensable for economic recovery in Spain" said Commission Vice-President in charge of competition policy Joaquín Almunia.

In the case of BFA/Bankia, NCG Banco and Catalunya Banc, the Commission found that the proposed restructuring measures will ensure that the three banks return to long term viability as sound credit institutions in Spain. By 2017, the balance sheet of each bank will be reduced by more than 60% compared to 2010. In particular, the banks will refocus their business model on retail and SME lending in their historical core regions. They will exit from lending to real estate development and limit their presence in wholesale business. This will contribute to reinforcing their capital and liquidity positions and reduce their reliance on wholesale and central bank funding. The bank's transfer of assets to the asset management company "Sareb" will further limit the impact of additional impairments on the riskier assets and help to restore confidence. As regards NCG and Catalunya Banc, Spain committed to sell the banks before the end of the five-year restructuring period. Should a sale fail, Spanish authorities will present an orderly resolution plan.

Moreover, the absorption of losses borne by the banks and their stakeholders will ensure, together with the restructuring measures, a satisfactory burden-sharing and an adequate own contribution to the financing of the significant restructuring costs. This reduces the state aid needed to restructure the banks by about EUR 10 bn.

Regarding Banco de Valencia, the Spanish authorities and the Commission concurred that the bank's viability could not be restored on a stand-alone basis. Hence it will be resolved through a sale to another entity. The Commission concluded that the total cost of the sale, including other requested support measures, is lower than the cost of simply winding down the bank. Through a competitive tender process, CaixaBank has acquired Banco de Valencia. Banco de Valencia will be fully integrated into CaixaBank and will cease to exist as an independent bank.

All banks committed to divest a number of industrial equity stakes and subsidiaries, the proceeds of which will contribute to finance the restructuring and thus limit the need for further aid. The divestments will further limit the distortions of competition brought about by the aid. In addition BFA/Bankia and Catalunya Banc will divest their trading/treasury portfolio of fixed-income securities. Catalunya Banc will also divest all of its venture capital funds.

Finally, all banks committed to the following measures: limitations on remuneration for State-owned credit institutions; a ban on coupon payments until the burden sharing measures on hybrid instruments have been fully implemented; not advertising the state support nor using it for commercially aggressive practises; and an acquisition ban.

Background

In the MoU concluded between Spain and the euro area countries in July 2012, the four banks were identified as a specific group – so-called "group 1" – as they were controlled by the Spanish Fund for Orderly Bank Restructuring (FROB) and had already received state aid. The MoU foresaw that the Spanish authorities would prepare restructuring or resolution plans with the European Commission to allow approval by the Commission by the end of November 2012.

The restructuring plans foresee a series of subordinated liabilities exercises and the transfer of some impaired assets and loans to an asset management company (Sareb), which reduce the banks' capital needs and bring them in line with new regulatory solvency requirements in Spain as of 1 January 2013. This will reduce the capital needs to €17.96 billion for BFA/Bankia, €5.425 billion for NCG, €9.08 billion for Catalunya Banc and €4.5 billion for Banco de Valencia..

The MoU (point 10) foresees that public resources from the ESM will be disbursed to the FROB for the recapitalisation of the banks only after the Commission takes a decision approving their restructuring or resolution plans.

The non-confidential version of the decision will be made available under the case number [SA.33735](#), [SA.33734](#), [SA.34053](#) and [SA.33253](#) in the [State Aid Register](#) on the [DG Competition](#) website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#)

Companies

BFA / Bankia

BFA/Bankia is a large universal bank in Spain resulting from a merger of seven savings banks in 2010. It is present in all main business segments with total assets of about €306 billion in 2011. It has benefited from several state measures, mostly granted by the Fund for the orderly restructuring of banks (FROB), namely several recapitalisations, state guarantees on senior unsecured debt, averted losses due to the FROB's recapitalisation of BFA's former subsidiary Banco de Valencia and the segregation of a significant part of its impaired assets and loans to the asset management company. The total amount of state aid received by BFA/Bankia in the form of capital and impaired asset measures, including the aid to be disbursed under the programme, will amount to approximately EUR 36 bn.

NCG

NCG is a Spanish universal bank with traditional focus on Galicia, resulting from the merger of two savings banks in 2010. Before the merger, it had expanded outside its traditional region. It is present in all main business segments, with total assets of about €72 billion in 2011. As from 2010 NCG has benefited from several state aid measures, mostly granted by the Fund for the orderly restructuring of banks (FROB). The total amount of state aid received by NCG in the form of capital and impaired asset measures, including the aid to be disbursed under the programme, will amount to approximately EUR 10 bn.

Catalunya Banc

Catalunya Banc is a large regional bank with national presence in Spain resulting from the merger of three savings banks in 2010. It is present in all main business segments, with total assets of about €77 billion in 2011. As from 2010 Catalunya Banc has benefited from several state aid measures, mostly, granted by the Fund for the Orderly Restructuring of Banks (FROB). The total amount of state aid received by Catalunya Banc in the form of capital and impaired asset measures, including the aid to be disbursed under the programme, will amount to approximately EUR 14 bn.

Banco de Valencia

Banco de Valencia is a Spanish commercial bank, which operates mainly in the regions of Valencia and Murcia. Traditionally, the bank focused on retail banking for individuals and SMEs. However, in recent years it went through a period of geographical expansion and broadening its business areas. In 2011, Banco de Valencia received a €2 billion liquidity facility and a capital injection of EUR 1 billion in ordinary shares through the Fondo de Reestructuración Ordenada Bancaria on 26 June 2012. The total amount of state aid received by Banco de Valencia in the form of capital and impaired asset measures, including the aid to be disbursed under the programme, will amount to approximately EUR 7 billion.

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