



## PRESS RELEASE

Madrid, 22 July 2011

### **The Banco de España, at the request of the Board of Directors of CAM, has replaced the institution's directors in order to capitalise it and initiate a competitive procedure for its sale**

The Banco de España has agreed today to initiate a process aimed at capitalising Banco CAM and enabling its subsequent disposal to another institution by means of a competitive procedure, under the provisions of Article 7 of Royal Decree-law (RD-l) 9/2009.

In this connection, the Boards of Directors of CAM and Banco CAM have requested the intervention of the Banco de España and the replacement of its directors by the FROB (Fund for the Orderly Restructuring of the Banking Sector) which, from 23 July, will take over management with the ultimate aim of stabilising, capitalising and restructuring the group.

To this end, the Governing Committee of the FROB has agreed as of today to inject €2.8 billion into Banco CAM through the subscription of shares and to extend a credit facility for a total of €3 billion which may immediately be drawn down by the CAM Group to ensure the liquidity of its bank. The measures adopted today ensure that CAM can continue operating normally, meeting all its obligations to third parties. Accordingly, depositors and creditors alike can rest assured.

CAM was initially part of the Institutional Protection Scheme (IPS) known as Banco Base, along with Cajastur, Caja Cantabria and Caja Extremadura. The IPS had submitted its joint recapitalisation strategy to the Banco de España on 28 March 2011. However, two days later, on 30 March, the three latter institutions decided not to approve the segregation of their banking business to the IPS central body, whereby the project ground to a halt and CAM was forced to recapitalise on its own.

CAM duly submitted a recapitalisation plan on 28 April. It included a request for €2.8 billion from the FROB to reach the level of core capital required under RD-l 2/2011.

CAM was, moreover, one of the five Spanish banks which, considering the capital injection committed by the FROB, remained below the benchmark 5% threshold set in the stress test coordinated by the European Banking Authority; however, taking general provisions into account, it would not need to further increase its capital as a consequence of the test. Yet as was stressed in the presentation of the stress test results, these exercises are an important instrument for supervisors but not the only factor that should be taken into account when assessing banks' solvency and viability.

Hence, once the CAM Group's financial situation had been evaluated, and given that the plan submitted by CAM did not include the appropriate measures to ensure its viability, the Executive Commission of the Banco de España, by virtue of Article 6 of RD-I 9/2009, decided yesterday on 21 July to inform CAM in writing that it would have 10 calendar days to submit a conclusive solution to resolve its situation. The respective Boards of Directors of CAM and Banco CAM have decided today to convey to the Banco de España the impossibility of immediately finding a viable solution for the group's financial business and to request its directors be replaced by others designated by the FROB, so that the latter may increase the bank's capital and provide every safeguard to its depositors and creditors.

Finally, the arrangement used in this case – namely the capitalisation of an institution and its subsequent disposal to another bank through a competitive procedure – is one of the various possibilities envisaged in RD-I 2/2011 to comply with the new capital requirements. The press release published yesterday<sup>1</sup> described the other means used by the 13 institutions requiring recapitalisation: capital injections into subsidiaries by parent banks, the issuance of convertible bonds, market listings, private investors taking a stake in capital, asset disposals, etc.

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<sup>1</sup> "Note on the state of implementation of Royal Decree-law (RD-I) 2/2011 on recapitalisation following the stock market listings of CaixaBank, Bankia and Banca Cívica" [http://www.bde.es/webbde/es/secciones/prensa/info\\_interes/notareformacajas210711.pdf](http://www.bde.es/webbde/es/secciones/prensa/info_interes/notareformacajas210711.pdf)

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