



PRESS RELEASE

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The Banco de España takes stock of the financial system recapitalisation process envisaged under RD-I 2/2011

The Banco de España has presented its assessment of the financial system recapitalisation process envisaged under Royal Decree-Law 2/2011. This legislation obliges all Spanish financial institutions to have a level of core capital of at least 8% of risk-weighted assets (10% should it not have placed at least 20% of its capital or voting rights with private investors, and should its wholesale funding account for more than 20% of the total).

The six months since Parliament approved the RD-I have seen the preparation and approval of institutions' recapitalisation plans, the conversion into commercial banks of virtually all savings banks (up to 98.3% of the sector's assets), the economic valuation of the institutions to which FROB funds were to be contributed, etc. The merit of this recapitalisation process is all the greater for having been undertaken in the most difficult of international settings, owing to the tensions experienced in recent months on financial markets.

The process is being completed with the contribution of €7.55 billion by the FROB (Fund for the Orderly Restructuring of the Banking Sector) and the raising of private capital totalling €5.84 billion. Overall, this total of €13.39 billion is less than the initial calculation of €15.15 billion, since the market listing of several institutions has enabled their capital needs to be reduced from 10% to 8%.

Of the 13 institutions that needed to increase their core capital, of a total of 114 examined by the Banco de España, four have opted for recapitalisation by their parents, capital increases or M&A transactions; two have raised the capital needed on the stock market (Bankia and Banca Cívica); another two have sought out private investors (BMN and Liberbank, which will have a 25-day extension to complete their recapitalisation plans); three have been recapitalised by the FROB (NCG, Catalunya Caixa and Unnim) and another has met its additional capital requirements by means of a merger (Caja EspañaDuero). Finally, the CAM is currently the subject of a competitive bidding process following the replacement of its directors and its recapitalisation by the FROB.

The capitalisation process presented today is part of the comprehensive restructuring of the financial system undertaken in 2009. This has provided for overall balance sheet writedowns at institutions totalling €105 billion; the downsizing of the savings bank sector, whose numbers have fallen from 45 to 15 institutions, with strong staff and office cuts (the average reduction is 17%); greater market discipline further to the entry of private capital and the conversion of savings banks into commercial banks, and improved governance, with the renewal of savings banks' senior management teams.

For further information: http://www.bde.es/webbde/es/secciones/prensa/info_interes/reestructuracion.html

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