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Effects on bank balance sheets of the transfer of assets to the Sareb by "Group 2" institutions

The Banco de España publishes today the balance sheets of Monetary Financial Institutions as at 28 February 2013. As with the balance sheet data related to December 2012 (see the press release of 28 January 2013) and for similar reasons, the February balance sheets show a reduction in the outstanding balance of loans which, in the main, does not correspond to any reduction in the flow of credit to Spanish households and firms, and solely reflects the accounting effect of transactions related to Sareb.

In compliance with the provisions of the Memorandum of Understanding signed by the Spanish and European authorities on 20 July 2012, Spanish credit institutions classified in "Group 2" transferred in February to Sareb a series of real estate loans and assets, like the "Group 1" institutions did last December. In exchange, they received securities issued by Sareb.

Broadly, this operation has had no real, direct effect on the financing flows received by Spanish households and firms, which will be published tomorrow, 2 April. However, these movements in loans, securities and real estate assets across the different institutions involved do have an impact on the MFI balance sheets disseminated today by the Banco de España.

More specifically, the outstanding balance of "loans to other resident sectors", which include Spanish households and firms, was affected in February by a decline of approximately €20 billion attributable exclusively to the transfer of loans to Sareb. As indicated, these loans have not been cancelled but merely shifted to another institution, namely Sareb, which for statistical purposes forms part of an institutional sector separate from MFIs.

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