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Briefing note on financial assistance in the restructuring of the Spanish banking system (2009-2018)

Since 2013, the Banco de España has regularly published briefing notes on the financial assistance provided in the restructuring of the Spanish banking system. The aim of this note is to update the information using the data publicly available as at 31 December 2018, provided by the Fund for the Orderly Restructuring of the Banking Sector (FROB by its Spanish abbreviation) and the Spanish Deposit Guarantee Scheme for Credit Institutions (DGSCI).

Since 2009, the aid in the form of capital support has amounted to €54,353 million of public funds contributed by the FROB and €9,745 million by the DGSCI. A portion of these funds has been recovered through redemptions and sale or resolution of institutions. The recoveries total €5,225 million, of which the FROB has recouped €4,477 million and the DGSCI €748 million.

In addition to the capital contributions, the provisions set aside to meet the costs that may arise from guarantees provided in the concentration and sale processes are estimated, on updated figures, at €12,480 million in the case of the Spanish Asset Protection Schemes (APSS) and at €1,908 million for other guarantees (some already enforced).

Conversely, it would be necessary to deduct the value of the assets owned by the FROB and whose sale or resolution could generate future income, with an estimated value at the end of 2018 of €9,560 million. As the table shows, adjusting for these items, the net funds used to support the financial system would be an estimated €42,561 million contributed by the FROB and €23,164 million by the banking sector itself through the DGSCI. These amounts do not include the interest and fees received or paid, or the expenses incurred.

SUMMARY OF ASSISTANCE AS AT 31.12.18 IN FINANCIAL SYSTEM RESTRUCTURING (a)

	Institution	Assistance			Amount recovered	Estimated amount recoverable (d)	Net assistance	
		Capital and hybrid instruments (b)	APSs (c)	Guarantees (c)				
FROB	BFA-Bankia+ BMN	24,069				9,560	-14,509	
	Catalunya Banc	12,052		547	782		-11,817	
	Novacaixagalicia	9,052		352	783		-8,621	
	Banco de Valencia	5,498	439	166			-6,103	
	CEISS	1,129 (e)		430	604		-955	
	CajaSur	800	392		800		-392	
	Banco Gallego	245		0			-245	
	Banca Cívica	977 (e)			977		0	
	Caja3	407 (e)			407		0	
	Liberbank	124 (e)			124		0	
	TOTAL	54,353	831	1,495	4,477	9,560	-42,642	
	Adjustment for initial investment of DGSCI in FROB (f)						2,250	
	Adjustment for guarantee provided by FROB to DGSCI for hybrid instruments (g)						-145	
	Adjustments for FROB's holding in Sareb (investment of €2,192 million) (h)						-2,024	
	TOTAL ADJUSTMENTS						81	
	NET TOTAL						-42,561	
DGSCI	CAM	5,249	7,225		16		-12,458	
	CCM	1,740	2,475		59		-4,156	
	Unnim	953	1,949				-2,902	
	Catalunya Banc (i)	1,001		269	383		-887	
	Novacaixagalicia (i)	802		144	290		-656	
	TOTAL	9,745	11,649	413	748		-21,059	
		Adjustment for initial investment of DGSCI in FROB (f)						-2,250
		Adjustment for guarantee provided by FROB to DGSCI for hybrid instruments (g)						145
		TOTAL ADJUSTMENTS						-2,105
		NET TOTAL						-23,164
TOTAL AMOUNT							-65,725	

SOURCES: FROB and DGSCI

a) These amounts do not include the interest and fees received or paid, or the expenses incurred. Aside from the funds provided by the FROB and the DGSCI, it should be noted that the Spanish central government, as part of concerted action undertaken with the other euro area countries between 2009 and 2012, took two measures to improve the liquidity of credit institutions: *Fondo para la Adquisición de Activos Financieros* (Fund for the Acquisition of Financial Assets – FAAF by its Spanish abbreviation) and the granting of State guarantees to back certain issues. Regarding the first measure, the FAAF was liquidated in June 2012 with a €650 million gain for the State arising from interest received. Regarding the guarantees granted to back issues by credit institutions, more than €110,000 million of guarantees were granted giving rise to State revenue of €3,060 million from fees received. All the issues guaranteed have been redeemed.

b) Hybrid instruments: preference shares (*participaciones preferentes*), contingent convertible bonds (CoCos) and non-voting equity units (*cuotas participativas*).

c) Value of Asset Protection Schemes (APSs) and other guarantees: value estimated by independent experts at end-2018.

d) This figure is based on the amount estimated by the FROB and stated in its annual accounts.

e) CEISS: of the €1,129 million of assistance received in capital and hybrid instruments, €604 million are CoCos that were redeemed. CEISS currently forms part of Unicaja Banco.
 Banca Cívica: €977 million in preference shares that were redeemed when it was merged into CaixaBank.
 Caja 3: €407 million in CoCos, fully redeemed.
 Liberbank: €124 million in CoCos that were redeemed.

f) The DGSCI had a holding of €2.25 billion in the FROB. That investment was lost when the FROB reduced its net assets to zero in 2012 (in view of the equity resulting from the FROB's 2011 accounts). Accordingly, part of the assistance provided by the FROB was financed by the DGSCI.

- g) The DGS provided liquidity to retail holders of unlisted shares of institutions controlled by the FROB received as part of the hybrid instrument burden-sharing exercises. In this respect, the FROB issued a guarantee to the DGS valued at €145 million as at 31.12.18.
- h) The FROB contributed €2,192.4 million to Sareb (part shares, part subordinated debt). That investment is recorded in the FROB's accounts at €168.5 million (value of the subordinated debt in the FROB's accounts), after recording losses of €2,024 million (in 2016 Sareb resolved to reduce its capital to zero and capitalise 60% of the subordinated debt).
- i) The DGSCI's holding in the share capital of these institutions arose as a result of the liquidity arrangements it offered to retail investors who had purchased hybrid instruments in the institution.