Briefing note on financial assistance in the restructuring of the Spanish banking sector (2009-2017)

Since 2013, the Banco de España has regularly published briefing notes on the financial assistance provided in the restructuring of the Spanish banking sector. The aim of this note is to update the information using the data publicly available as at 31 December 2017, 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 €5,150 million, of which the FROB has recouped €4,477 million and the DGSCI €673 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 €11,590 million in the case of the Spanish Asset Protection Schemes (APSs) and at €2,026 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 2017 of €9,857 million. As the table shows, adjusting for these items, the funds used to support the financial system would be an estimated €42,017 million contributed by the FROB and €22,332 million by the banking sector itself through the DGSCI. Naturally, this cost does not include the losses borne by former shareholders, nor those of holders of preference shares (participaciones preferentes) or subordinated debt as a consequence of the hybrid instrument burden-sharing exercises that formed part of the financial assistance agreement with the ESM, nor interest obtained, nor expenses incurred.
a) These amounts do not include the losses borne by former shareholders, nor those of holders of preference shares (participaciones preferentes) or subordinated debt as a consequence of the hybrid instrument burden-sharing exercises, nor the interest and fees obtained and/or paid nor the expenses incurred.

b) Hybrid instruments: preference shares (participaciones preferentes) and contingent convertible bonds (CoCos).

c) Value of Asset Protection Schemes (APSs) and other guarantees: value estimated by independent experts at 2017 close.

d) Figures based on estimates and valuation exercises. These estimates are based on the amounts recognised by the FROB in its annual accounts.

e) CEISS: of the €1,129 million 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 capital 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 DGSCI 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 DGSCI for €115 million.

h) The FROB contributed €2,192 million to Sareb (part shares, part subordinated debt). That investment is recognised in the FROB’s accounts for €550 million, after recording losses of €1,642 million (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 institutions.