

1 STRUCTURE AND EVOLUTION OF CREDIT INSTITUTIONS
UNDER BANCO DE ESPAÑA SUPERVISION

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1.1 Types of credit institution

The number of credit institutions (CIs) registered at the Banco de España at end-2011 was 336, as compared with 339 a year earlier. Despite this small net change of only three institutions, there were significant changes in the sector in 2011, which basically affected domestic commercial banks and savings banks, owing to the continuation of the savings bank restructuring process (see Table 1.1).

One of these changes was the emergence of a group of savings banks which, while retaining their status as credit institutions, have ceased to engage directly in what was previously their core business, namely financial activity. These institutions have transferred their financial business to domestic commercial banks set up for the purpose, in which they hold stakes. This group of savings banks, referred to hereinafter as “savings banks without direct financial activity”, included, as at 31 December 2011, a total of 29 institutions, which had transferred their financial assets and liabilities to 13 domestic banks during the year.

At the same time, the change to the CI sector entailed by the publication of Law 21/2011 of 26 July 2011 on electronic money should be noted. This Law determined that electronic money institutions (ELMIs) no longer have the status of credit institutions, being included from that date in the group of financial institutions. As a result, the data in Table 1.1 include one electronic money institution up until 2010, but none in 2011.

Details are given below of the end-year situation and of the movements during the year, for the various groups and sub-groups.

At end-2011, the number of what will hereinafter be referred to as “credit institutions with direct financial activity” (CIs with DFA) was 31 fewer than a year earlier, standing at 306, as against 337 at end-2010. Within this group of institutions, the subgroup of commercial banks and savings banks, with 171 institutions, had decreased by 25. By type of institution, the changes were as follows. Domestic commercial banks saw a net increase of seven institutions to a total of 59. There were five deregistrations: the takeovers of Finanzia by its parent BBVA and of Microbank by Criteria Caixacorp, the incorporation of Banco de Madrid into the group of subsidiaries of foreign banks, following its acquisition by Banca Privada d'Andorra, and the deregistrations of Banco Servicios Financieros de Caja Madrid-Mapfre and of Banco Base, following the break-up, at the beginning of the year, of the Institutional Protection Scheme (IPS) which had consisted of the Asturias, Extremadura, Cantabria and CAM savings banks. Of the 12² registrations during the year, one is of Nuevo Microbank and the other 11 correspond to banks set up to receive the financial business of the savings banks that have ceased to carry on their financial activity directly. One of these banks, Liberbank, has been made the head of the IPS composed of the savings banks that previously made up Banco Base except for CAM. As a result, the number of savings bank IPSs at end-2011 was the same as a year earlier (five) and these are made up of 21 savings banks, all of which have no direct financial activity.

¹ This chapter should be read in conjunction with Annex 2 “Activity, results and solvency of credit institutions” and Annex 3 “Financial and statistical information on credit institutions”.

² Kutxabank, Catalunya Banc, Bankia, Liberbank, NCG Banco, Ibercaja Banco, Banco CAM, Caixabank, Unicaja Banco, Unnim Banc and Banco Caja España de Inversiones.

Year-end data

Number	2008	2009	2010	2011
CREDIT INSTITUTIONS REGISTERED IN SPAIN (a)	361	353	339	336
ICO	1	1	1	1
Credit institutions with direct financial activity (b)	359	351	337	306
Banks and savings banks	201	199	196	171
Domestic banks	48	46	52	59
Of which: Heads of savings banks IPSs	—	—	5	5
Savings banks with direct financial activity	46	46	36	6
Of which: Participants in savings banks IPSs	—	—	22	—
Foreign-controlled subsidiaries	18	18	19	20
Foreign-controlled branches	89	89	89	86
Credit cooperatives	83	83	82	76
Of which: Heads of credit cooperatives IPSs	—	1	2	4
Of which: Cooperatives participating in IPSs	—	2	18	26
Specialised credit institutions	75	69	59	59
Savings banks without direct financial activity	—	—	—	29
Of which: Participants in savings banks IPSs	—	—	—	21
Electronic money institutions (a)	1	1	1	—
MEMORANDUM ITEMS:				
Mergers and acquisitions (b)	4 (10)	8 (15)	12 (23)	6 (10)
Between banks	2 (7)	4 (8)	—	2 (2)
Between saving banks	—	—	7 (16)	—
Between credit cooperatives	—	—	1 (2)	4 (8)
Between SCIs	1 (2)	—	1 (2)	—
SCIs acquired by/merged with deposit institutions	1 (1)	4 (7)	3 (3)	—
CONSOLIDATED GROUPS EXISTING AT YEAR-END (c)	100	99	71	71
Parent credit institution	88	88	62	63
Spanish deposit institutions	78	77	50	49
Non-FROB banks and savings banks	63	63	35	28
FROB banks and savings banks	—	—	—	5
Credit cooperatives	15	14	15	16
Specialised credit institutions	1	1	1	1
Foreign credit institutions	9	10	11	13
Other consolidated groups	12	11	9	8
Spanish parent	6	5	4	4
Foreign parent	6	6	5	4
MIXED GROUPS AND FINANCIAL CONGLOMERATES	42	44	27	27
Supervised by Banco de España	41	43	26	26
Supervised by DGS including CIs	1	1	1	1
MEMORANDUM ITEM:				
Bank offices abroad	10,661	11,159	11,589	12,642

SOURCE: Banco de España. Data available at 20 April 2012.

- a** In 2008, 2009 and 2010, the total number of registered CIs includes one electronic money institution. Law 21/2011, which amended its regulatory framework, meant that ELMs lost their credit institution status.
- b** The data in the rest of the tables of this Report refer to CIs with direct financial activity. Therefore, ICO, savings banks without direct financial activity and ELMs are excluded, unless stated otherwise.
- c** The figures in brackets are the number of institutions which have merged or been acquired.
- d** For the sole purpose of this table, a consolidated group (CG) is defined as a group which includes, in addition to the parent (or failing this the reporting institution), one or more fully or proportionally consolidated financial institutions; accordingly, individual CIs not forming part of consolidated groups are excluded. Unless indicated otherwise, in the rest of the tables of this Report CGs include individual credit institutions not belonging to any consolidated group that have direct financial activity. The CG classification is based on the nature and nationality of the parent (ultimate holder).

In every case, apart from one, the transfer of financial assets and liabilities from the savings banks to the newly created banks was carried out before the end of 2011. The exception was Kutxabank, which did not receive the financial activity of the three Basque savings banks, Bilbao Bizkaia Kutxa, CAMP de Gipuzkoa-San Sebastián and CA de Vitoria y Álava, until the beginning of 2012. In addition, over the course of the year, the financial activity of various savings banks was integrated into another four commercial banks, which had been registered with the Banco de España in 2010 (three of them being heads of savings bank IPSs: Banco Grupo Cajatres, Banco Mare Nostrum and Banca Cívica; and BBK Bank Cajasur, which received the assets and liabilities of Cajasur). Thus, of the total of 59 domestic commercial banks existing at the end of 2011, 17 were connected with the restructuring of savings banks (including Banco Castilla-La Mancha, to which the banking activity of Caja Castilla-La Mancha was transferred in 2010, and Banco Financiero y de Ahorros, an IPS consisting of Bankia and the seven savings banks that transferred their financial activity thereto).

As at end-2011, the number of registered savings banks was 35, one fewer than a year earlier, following the deregistration of Cajasur, when the above-mentioned global transfer of assets and liabilities had been made. As already indicated, by the end of the year 29³ of these institutions no longer carried on financial activity directly and, of the six that continued to pursue their usual business at that date, three transferred their financial assets and liabilities to the bank set up for the purpose, Kutxabank, in January 2012. As a result, at the beginning of 2012, as a consequence of the processes mentioned above, only three savings banks continue to pursue their traditional activity: CECA, CAMP de Ontinyent and Caixa D'estalvis Pollensa.

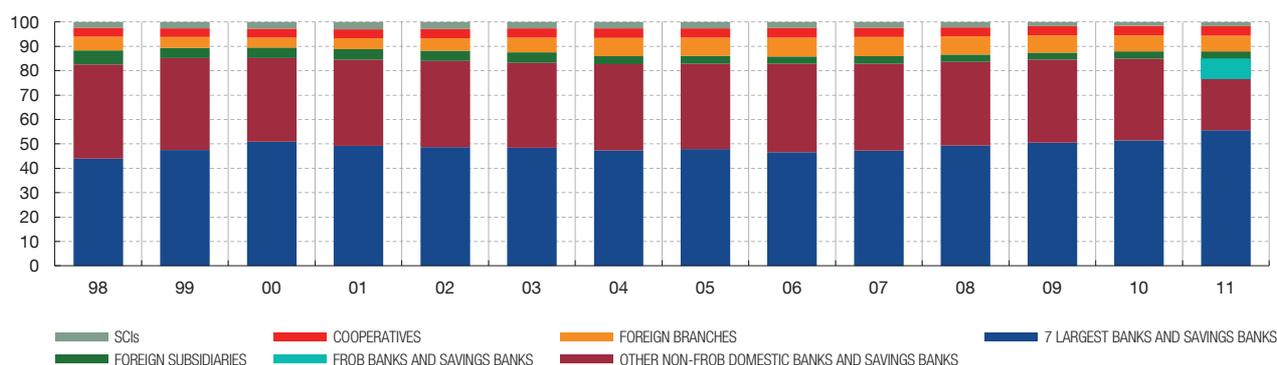
As regards foreign banks, Banco de Madrid was incorporated into the group of subsidiaries, following its acquisition by the non-EU parent mentioned above, and among the branches of foreign banks there was a net decrease of three institutions, as a consequence of seven deregistrations and four registrations,⁴ all of which belonged to EU institutions.

The number of credit cooperatives decreased by six as a consequence of four merger processes involving eight institutions: Caixa Rural de Balears and Caja Campo were taken over by Cajamar; Caja Rural de la Roda was taken over by Caja Rural de Albacete. The latter institution merged with Caja Rural de Ciudad Real and Caja Rural de Cuenca to form a single institution, as did Caja Rural de Aragón and Caja Rural Aragonesa y de los Pirineos, to form Nueva Caja Rural de Aragón. As regards credit cooperative IPSs, in 2011 two new ones were added to the two that already existed: Grupo Solventia, made up of six institutions and headed by Caja Rural de Almedralejo, and Grupo Ibérico, composed of three credit cooperatives and headed by CR del Sur. The IPS Grupo Cajamar continues to be made up of six credit cooperatives, following the takeover of Caja Campo and the incorporation of CR de Castellón, and in that of Grupo Ruralcaja, headed by Caja Rural del Mediterráneo and made up of 15 cooperatives, CR del Villar was incorporated in 2011.

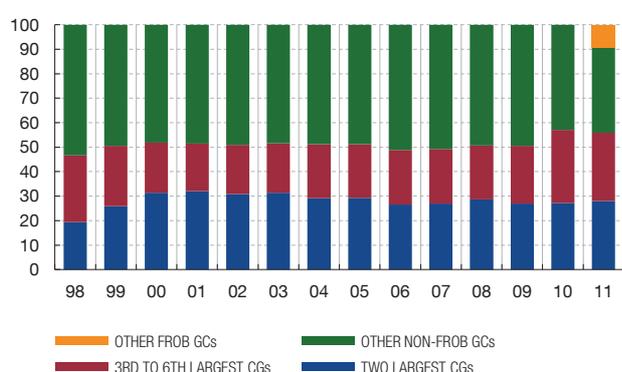
3 Eight banks received the financial assets and liabilities of only one savings bank each: Catalunya Banc, NCG Banco, Ibercaja Banco, Banco CAM, Caixabank, Unicaja Banco, Unnim Banc and Banco de Caja España de Inversiones. The other five banks, which were heads of IPSs, received the financial activity of 21 savings banks (the specific number in each case is given in brackets): Banco Mare Nostrum (4), Banca Cívica (4), Bankia (7), Liberbank (3) and Banco Grupo Cajatres (3).

4 The deregistered foreign branches were: Unicredit Società per Azioni, Franfinance, Cit Group Nordic AB, Unicredit Bank AG, KBC Bank NV, Depfa Bank PCL and Svenska Handelsbanken AB. The new registrations were: Bigbank As Consumer Finance, Walsler Privatbank, Attijariwafa Bank Europe and JP Morgan Securities.

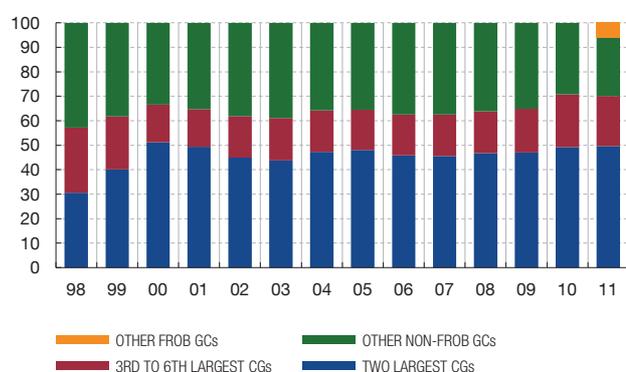
A. TOTAL BALANCE SHEET. BUSINESS IN SPAIN (CIs)



B. TOTAL BALANCE SHEET. BUSINESS IN SPAIN (CGs)



C. TOTAL BALANCE SHEET + MANAGED ASSETS. TOTAL BUSINESS (CGs) (b)



SOURCE: Banco de España. Data available at 20 April 2012.

- a Year-end data relating to registered credit institutions and consolidated groups existing at each date. The criteria used to segment CGs by size are: balance sheet total for business in Spain and balance sheet total for total business plus managed assets at each year-end (it should be recalled that the data referring to CGs include individual CIs not belonging to any consolidated group).
- b Assets managed both by institutions themselves and by third parties.

As at end-2011, there were 59 specialised credit institutions (SCIs). No net change took place during the year, since one institution (SG Equipment Finance Iberia) was registered and one (Afianzamientos de Riesgo) was deregistered.

The changes in the market shares of credit institutions and of consolidated groups of CIs are shown in Chart 1.1.⁵ As regards the business in Spain of CIs (see Chart 1.1.A), the seven largest domestic commercial banks and savings banks recorded an increase of 4.14 percentage points (pp) and credit cooperatives one of 0.1 pp. This was at the expense of the shares of other domestic commercial banks and savings banks, and of subsidiaries of foreign banks, which fell by 4.0 pp and 0.2 pp, respectively, while the shares of branches of foreign banks and of SCIs remained practically unchanged.

As regards the market shares of consolidated groups (see Charts 1.1.B and 1.1.C) by size, the weight of the two largest CGs increased, both in terms of business in Spain and of total business plus assets managed, by 0.7 and 0.4 pp, respectively. The shares of the

⁵ The data shown in this chart are year-end data and correspond to the credit institutions with direct financial activity (CIs with DFA) and consolidated groups with direct financial activity (CGs with DFA) existing as at each date.

smaller CGs have also increased, by 1.2 pp in the case of business in Spain and by 0.7 pp in that of total business plus assets managed. The decline in the share of the group consisting of the third largest to the sixth largest CGs amounted to 1.2 and 0.7 pp, respectively.

1.2 Operating resources

The number of active CIs⁶ in 2011 was 332, although it should be noted that during the year, as mentioned in the previous section, a total of 29 savings banks, while retaining their status as credit institutions, ceased to engage directly in financial activities, following their transfer to domestic commercial banks. As a result, the information on the operating resources of these 29 institutions has been separated from that on other CIs and has been placed under the heading “savings banks without direct financial activity (CIs without DFA)” (see Table A.3.1).

The number of active credit institutions directly carrying on financial activity as at 31 December 2011 was 303, 29 fewer than a year earlier, with the following movements by type: the only increase recorded was in the group of subsidiaries of foreign banks (1 institution), while there were reductions in all the others: 24 institutions, in the case of domestic commercial banks and savings banks; four in that of credit cooperatives and one, both in the case of foreign branches and in that of SCIs.

At the same time, 2011 saw a 7.5 % decrease in the total number of operational offices, to 40,034 at the end of the year. This disappearance of 3,269 branches from the operational network of CIs with direct financial activity entailed a significant decline in the number of offices per inhabitant; as at end-2011 there were 10.4 offices per 10,000 inhabitants over the age of 16, as against 11.2 a year earlier.

There were reductions in the office networks of all types of institution, except the branches of foreign banks; with 34 new branches, the latter's network increased by 18.4 %. The decreases were less severe in the case of credit cooperatives (2.6 %) and in that of SCIs (2.8 %), with closures of 129 and eight branches, respectively. The sharpest adjustments were recorded by domestic commercial banks and savings banks (-8.3 %) and by the subsidiaries of foreign banks (-10.6 %), which closed 3,036 and 130 offices, respectively.

By contrast, the network of bank offices abroad expanded significantly, with the incorporation of 1,053 branches, to stand at 12,642, an increase of 9.1 %.

The reduction in active institutions and in their respective operational networks was accompanied by a decline of 15,651 in the number of serving employees, equal to 5.9 % of the workforce. In 2011, the decreases in personnel assigned to central services and to the office network were similar in intensity, with reductions of 11,250 and 4,401 respectively. At the end of the year, the sector employed 247,741 persons, of which 180,595 (72.9 %) were assigned to the branch network. The total number of hours worked fell by 4.8 %, which was less than the decline recorded in the workforces. Finally, 29 savings banks without direct financial activity had a total of 365 employees as at end-2011.

As a consequence of the changes in the size of the office network and in the number of employees assigned to it, the number of employees per operational office rose by 0.1 pp in the case of all CIs with direct financial activity (4.5), domestic commercial banks and

⁶ Only those institutions registered at the Banco de España that were effectively carrying on operations at the end of 2011 are considered here, i.e. institutions that were registered but inactive are excluded.

savings banks (4.7) and SCIs (5.6), by 0.2 pp in the case of foreign subsidiaries (4.8), was unchanged in the case of credit cooperatives (3.2) and fell by 0.4 pp in the case of foreign branches (4.9).

The number of agents of credit institutions as at end-2011 was 5,127, a decrease of 3.1 % from a year earlier. The most significant decline, of 6.4 %, was recorded by domestic commercial banks and savings banks. Foreign subsidiaries, credit cooperatives and SCIs increased the numbers of their agents (by 10.2 %, 9.1 % and 2.7 %, respectively).

The stock of automated teller machines shrank for the third consecutive year, by 773 units or 1.3 %. Only foreign branches increased the number of their ATMs, to more than double the level at the beginning of the year, with the installation of 55, bringing the total to 89. The number of ATMs per 10,000 inhabitants over the age of 16 fell by 0.2 pp to stand at 15.2 at end-2011.

Point-of-sale (POS) terminals also declined for CIs as a whole, by 39,000, or 2.6 %. Only credit cooperatives increased their terminals, at a rate of 9.9 %.

The number of credit and debit cards in circulation decreased by 788,000, to slightly fewer than 93 million, a reduction of 0.8 %. The decline was sharpest for credit cooperatives and domestic commercial banks and savings banks (5.9 % and 1.9 %, respectively), while those issued by subsidiaries, foreign branches and SCIs increased. The number of cards per inhabitant over the age of 16 held unchanged at 2.4.

1.3 Consolidated groups

The total number of consolidated groups (CGs)⁷ existing at end-2011, 71,⁸ was unchanged from a year earlier. However, there were registrations, deregistrations and changes in the various CG categories.

The number of CGs with Spanish commercial bank or savings bank parents fell to 33, a net reduction of two. As can be seen in Table 1.1, these groups have been classified according to whether or not there is a majority FROB holding. As at end-2011, the five groups with such a majority holding were Banco de Valencia, Catalunya Bank, NCG Banco, Banco CAM and Unnim Banc.

During the year there were five deregistrations: those of Banco Mapfre and Banco Base, due to their removal from the register of the BE; that of Banco de la Pequeña y Mediana Empresa, due to the transfer of its banking business to Caixabank; that of Banco de Alcalá, due to its reclassification as a CG with a foreign CI parent; and that of Cajasur group, following the transfer of its entire activity to BBK Bank Cajasur and its integration in the BBK group. In the same period there were three registrations: Banco de Valencia, following its withdrawal from the Banco Financiero y de Ahorro group; Banco CAM, after the break-up of the Banco Base IPS; and Liberbank, head of the savings bank IPS created in 2011.

In the category of CGs with credit cooperative parents, the creation of two new IPSs led to registration of the corresponding CGs, Solventia and Grupo Ibérico, which are composed of 6 and 3 cooperatives, respectively. At the same time, the merger of CR de Aragón with CR Aragonesa, to form the new institution Nueva CR de Aragón, led to a net reduction of

⁷ Consolidated groups are defined as groups that include, in addition to the parent (or reporting institution), one or more other fully or proportionally consolidated financial institutions (see Note d to Table 1.1).

⁸ See the breakdown of institutions in Annex 6 "Spanish consolidated groups of credit institutions".

one CG, while the integration of CR de Ciudad Real in the new institution CR de Albacete, Ciudad Real y Cuenca had no net effect. Following these movements, there were 16 credit cooperative CGs, one more than in 2010.

There were no changes in the category of groups with SCI parents, while in the category of CGs with foreign CI parents, Banco de Madrid was incorporated, following its acquisition by Banca Privada d'Andorra from the Caja Guipuzkoa group, as was Banco de Alcalá, after its acquisition by Crèdit Andorrà. Finally, among groups whose parents are not credit institutions, the only change was the deregistration of Servicios Financieros Carrefour, in the foreign parent category.

At the end of 2011 there were 27 mixed groups (MGs) and financial conglomerates (FCs), following the deregistrations of Banco Base and the Cajasur group and the incorporation of Liberbank and Banco CAM, only one of which was supervised by the Directorate General of Insurance (Bilbao Hipotecaria). There were no changes during the year in the three financial conglomerates (Santander, BBVA and la Caixa).

Last year's Report on Banking Supervision mentioned the approval of the new "capital principal" requirement. This new ratio was implemented through the approval of Royal Decree-Law 2/2011, which adopted a new stricter definition of own funds by establishing the requirement for credit institutions to raise solvency levels to 8%. This percentage is increased to 10% when the institution is highly dependent on wholesale funding (i.e. when its wholesale funding exceeds 20%) and third-party investors do not have a significant holding in its capital (amounting to more than 20% of voting rights).

As a result of the introduction of this new ratio, transitional regulations were introduced, granting a reasonable compliance period to the banking groups that failed to meet this requirement when it was approved. For this purpose, the institutions with an initial shortfall (12 institutions and subsequently CAM due to the break up of Banco Base) submitted recapitalisation plans which were approved by the Banco de España. The latest measures adopted by the institutions are as follows:

- Six institutions raised private capital (either ordinary shares, mandatorily convertible bonds or convertible bonds with voting rights), two of which were recapitalised by their parent.
- Two institutions merged with other institutions (Unicaja and La Caixa, respectively) and, accordingly, the initial shortfall was offset.
- One institution generated the necessary capital internally so as to reach the minimum required.
- Three institutions turned to the Fund for the Orderly Restructuring of the Banking Sector (FROB) and received aid from it amounting to €568 million, €1,718 million and €2,465 million, respectively. As a result of this aid in the form of ordinary shares, the FROB became the controlling shareholder of these institutions.
- Lastly, CAM was recapitalised by the Deposit Guarantee Fund with aid in the form of ordinary shares amounting to €2,800 million. CAM was finally acquired by Banco de Sabadell through a public competitive procedure, managed by the FROB.

Separately from the process of the introduction of this new ratio, the Banco de España decided to replace the management of Banco de Valencia in November, appointing the FROB as its provisional administrator.

In sum, the recapitalisation process of credit institutions with an initial capital shortfall as a consequence of the approval of Royal Decree-Law 2/2011 of 18 February 2011, ended with a contribution of €4,751 million by the FROB, after the Deposit Guarantee Fund provided €2,800 million for CAM.

In tandem with the introduction of this capital ratio, practically the whole Spanish banking sector took part again in stress tests organised by the European Banking Authority (EBA). These tests were conceived as a supervisory tool for evaluating the strength of participants in the face of an adverse shock in the economic situation and in the financial markets, and were similar to the tests performed in 2010, albeit with certain methodological changes which are described below:

- A stricter definition of own funds (core Tier 1 capital) was adopted with a threshold of 5%, which excluded the use of hybrids.
- Two scenarios (baseline and adverse) were prepared and highly conservative assumptions were used for the adverse scenario in 2010.
- Due to investor concern, special emphasis was placed on the public disclosure of institutions' sovereign risk exposure.

The results of these tests showed that a large majority of participant Spanish institutions exceeded the required threshold of 5%. However, five Spanish institutions had an initial shortfall and another group of institutions obtained results of between 5% and 6%. The institutions with a shortfall in these tests have joined restructuring processes which will be completed in the near future.

Lastly, the granular information about sovereign debt exposures improved market perception regarding the exposures of the Spanish banking system, as a whole, to the debt of countries subject to market strains (mainly, Spanish government debt, with Portuguese and Italian government debt being less important).

Despite efforts to be transparent in these new tests, tensions on financial markets heightened during summer 2011, underlining investor uncertainty about the solvency of the European financial system as a whole. In response, the European Union adopted measures of varying importance, which in the area of banking supervision centred on the EBA performing a further recapitalisation exercise before the end of the year.

In this case, the participation of Spanish institutions was limited to the five largest banks in the banking system. This exercise was implemented differently to the stress tests since it was based on the adoption of two measures:

- Imposition of a capital buffer due to banks' government debt exposures.
- Increasing the Core Tier 1 capital ratio to 9%

In general, the results of the recapitalisation exercise involved additional capital requirements for Spanish banks of €26,170 million;

the largest component arose from the raising of the minimum capital threshold to 9% (€19,610 million) the more important driver in quantitative terms was the raising of the minimum capital threshold to 9% (€19,610 million). Faced with these new requirements, banks have prepared various recapitalisation strategies (issuance of instruments which qualify as core capital, asset disposals, exchange of preference shares, etc.), in order to comply by 30 June 2012 with the new capital threshold.

Furthermore, it should be pointed out that the EBA concluded that the measures implemented, related with the granting of credit, are of marginal importance for the set of banks participating in the recapitalisation exercise.

The need to increase solvency levels and transparency in management arising from the new regulation prompted most savings banks to change their business form, either to gain access to private capital more easily or to make it possible to receive public aid. Accordingly, the majority of savings banks have created subsidiary banks to which they have transferred all their financial business and the savings banks are merely holding companies of the welfare projects and of stakes in the subsidiaries. However, two small institutions have decided to continue to operate as traditional savings banks (CAMP de Ontinyent and Caixa D'estalvis Pollensa).

Lastly, at the beginning of 2012, in order to generate greater confidence in the valuations of the portfolio of financing for construction and real estate development, as well as for legally foreclosed real estate assets or those received in satisfaction of debts, Royal Decree-Law 2/2012 was approved, which requires:

- An extraordinary write-down of these exposures through the mandatory recording of specific provisions (various rates are stipulated) and additional capital requirements based on the purpose of the financing or asset type.
- The recording of a specific provision of 7% of the healthy loan portfolio, which is only envisaged to be used for stand-

ard exposures that might subsequently be reclassified as sub-standard, doubtful, written-off or foreclosed.

These provisions must have been recorded as of 31 December 2012. However, under the Royal Decree-Law, these losses (in the case of merger and concentration processes) may be deferred for up to 12 months from when said processes are authorised. Accordingly, on 17 April the Banco de España approved the plans submitted by the credit institutions to comply with the new provisioning requirements.

Of the total institutions or groups of credit institutions, 90 have notified the Banco de España that they already meet the new requirements as of 31 March and the other 45 have submitted their plans. From the analysis of these plans, it is inferred that compliance with the Royal Decree-Law will be achieved basically through the use of approximately €4,000 million of general provisions, the internal generation of income in the year and capital contributions, which are estimated to amount to €12,500 million, taking into account, furthermore, that many institutions have ample "capital principal".

Also, two institutions have stated their intention to merge with another two institutions in order to meet the new requirements. The three institutions controlled by the FROB (Banco de Valencia, Catalunya Banc and NCG Banco) will be restructured through the entry of new shareholders via a competitive sell-off, as provided for by Royal Decree-Law 9/2009 of 26 June 2009.

The plans approved by the Banco de España show that the new provisions, in most cases, have already been recorded or will be recorded without major difficulties despite their strong impact on the income statement. In some cases compliance is envisaged to be a more arduous task and, consequently, the Banco de España will step up surveillance of how it is achieved and has required further contingency measures to strengthen the possibilities of compliance. However, if any institution, due to the considerable write-down and recapitalisation efforts required, did not ultimately achieve the core capital level required, on its own or as part of an integration process, it may request aid from the FROB.

