

REPORT ON BANKING SUPERVISION IN SPAIN

2012

BANCO DE **ESPAÑA**
Eurosisistema



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ABBREVIATIONS

ABCP	Asset-backed commercial paper
AIAF	Association of Securities Dealers
AMA	Advanced Measurement Approach (for measuring capital requirements for operational risk)
APR	Annual percentage rate
ASBA	Association of Supervisors of Banks of the Americas
ATA	Average total assets
ATF	Accounting Task Force
ATM	Automated teller machine
BCBS	Basel Committee on Banking Supervision
BE	Banco de España
BIS	Bank for International Settlements
BOE	Official State Gazette
BTS	Binding Technical Standards
CBE	Circular of the Banco de España
CCPs	Central counterparty clearing houses
CCR	Central Credit Register of the Banco de España
CEBS	Committee of European Banking Supervisors (until 31/12/2010)
CECA	Spanish confederation of savings banks
CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors (until 31/12/2010)
CESR	Committee of European Securities Regulators (until 31/12/2010)
CET1	Common Equity Tier 1
CGs	Consolidated groups of CIs
CII	Collective investment institution
CIs	Credit institutions (DIs and SCIs)
CIs with DFA	Credit institutions with direct financial activity
CNA	Competent National Authority
CNAE	Spanish National Classification of Economic Activities
CNMV	National Securities Market Commission
COREP	Common Reporting
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
DFA	Direct financial activity, in contrast to the indirect financial activity which may be performed by savings banks
DGF	Deposit Guarantee Fund
DIs	Deposit institutions (banks, savings banks and credit cooperatives)
D-SIBs	Domestic systemically important banks
EAD	Exposure at default
EBA	European Banking Authority
EC	European Community
ECB	European Central Bank
ECOFIN	EU Council of Ministers of Economy and Finance
EEA	European Economic Area
EFAs	Earning financial assets
EFSF	European Financial Stability Fund
EIOPA	European Insurance and Occupational Pensions Authority (from 01/01/2011)
ELMI	Electronic money institution
EMU	Economic and Monetary Union
EMIR	European Market Infrastructure Regulation
ER	Efficiency ratio
ESAs	European Supervisory Authorities
ESCB	European System of Central Banks
ESM	European Stability Mechanism
ESMA	European Securities and Markets Authority (from 01/01/2011)
ESRB	European Systemic Risk Board
EU	European Union
FASB	Financial Accounting Standards Board
FB	Foreign branch
FCs	Financial conglomerates
FINREP	Financial reporting
FROB	Fondo de Reestructuración Ordenada Bancaria (Fund for the Orderly Restructuring of the Banking Sector)
FSB	Financial Stability Board
FSC	Financial Stability Committee
FSF	Financial Stability Forum
FVC	Financial vehicle corporation (also SSPE)

GDP	Gross domestic product
GI	Gross income
G-SIBs	Global systemically important banks
G-SIFIs	Global systemically important financial institutions
IAIS	International Association of Insurance Supervisors
IASB	International Accounting Standards Board
IBFLs	Interest-bearing financial liabilities
ICO	Instituto de Crédito Oficial
IFRSs	International Financial Reporting Standards
IMF	International Monetary Fund
INE	National Statistics Institute
IOSCO	International Organisation of Securities Commissions
IPO	Initial Public Offering
IPS	Institutional protection scheme
IRB	Internal ratings-based method
IRC	Incremental risk charge
IRS	Interest rate swap
ITS	Implementing Technical Standards
JF	Joint Forum
LCR	Liquidity coverage ratio
LEI	Legal Entity Identifier
LGD	Loss given default
MG	Mixed group of financial institutions
MGCs	Mutual guarantee companies
MMFs	Money market funds
MoU	Memorandum of Understanding
NII	Net interest income
NOP	Net operating profit
OCI	Other credit institutions
OECD	Organisation for Economic Co-operation and Development
OJ L	Official Journal - Legislation
OJEU	Official Journal of the European Union
OTC	Over-the-counter (trading on unregulated markets)
PBT	Profit before tax
PIs	Payment institutions
POS	Point of sale
PSE	Public sector entity
RD	Royal Decree
RDL	Royal Decree-Law
ROA	Return on assets (profit after tax as percentage of ATA)
ROE	Return on equity (profit after tax as percentage of own funds)
RTS	Regulatory Technical Standards
RWA	Risk-weighted assets
Sareb	Sociedad de Gestión de Activos Inmobiliarios procedentes de la Reestructuración Bancaria (asset management company for assets arising from bank restructuring)
SCIs	Specialised credit institutions
SEPA	Single Euro Payments Area
SEPBLAC	Commission for the Prevention of Money Laundering and Monetary Offences
SIFIs	Systemically important financial institutions
SIG	Standards Implementation Group
SMEs	Small and medium-sized enterprises
SSG	Senior Supervisors Group (BCBS)
SSM	Single Supervisory Mechanism
SSPE	Securitisation special purpose entity (also FVC)
TCOR	Task force on the consistency of outcome in risk-weighted assets
* * *	
€m	Millions of euro
€bn	Billions of euro
Q1, Q4	Calendar quarters
P	Placed after a date [Jan (P)], indicates that all the related figures are provisional. Placed after a figure, indicates that this and only this figure is provisional
bp	Basis points
pp	Percentage points
...	Not available
—	Nil, non-existence of the event considered or insignificance of changes when expressed as rates of growth

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BANCO DE ESPAÑA
Eurosistema

Internal Audit Department

27.05.2013

Report envisaged in Law 44/2002 on Financial System Reform Measures

2012

1. Introduction

The Second Additional Provision of Law 44/2002 of 22 November 2002 on Financial System Reform Measures established, in consonance with its name, certain measures to improve the efficiency, effectiveness and quality of supervision procedures.

These measures comprise most notably the obligation of supervisory agencies, including the Banco de España, to prepare annually "a report on their supervisory function". This report shall include "a report by the respective internal control bodies on how closely the decisions taken by their governing bodies conform to the procedural rules applicable in each case".

The 2013 Internal Audit Plan of the Banco de España, approved by the Governor on 12 December 2012 and notified to the Executive Commission on 17 January 2013, includes the drafting of the report envisaged in Law 44/2002 of 22 November 2002 on Financial System Reform Measures, so that it may be included in the Banco de España's annual report on its supervisory function.

2. Purpose, scope and methodology of the report

This report falls within the bounds of the legal mandate contained in the Second Additional Provision of Law 44/2002. As mentioned above, this Second Additional Provision defines the scope of the report by reference to three basic elements:

1. The supervisory function of the Banco de España.
2. The decisions taken by the governing bodies in exercise of the supervisory function.
3. Conformity of the foregoing decisions to the "procedural rules applicable in each case".

As regards the reporting period, the report refers to the decisions taken by the Executive Commission in 2012 and the delegated decisions of which the Executive Commission was notified in that period.

The subject matter of the report is the decisions taken by the Banco de España's governing bodies within the spheres of competence of the Directorates General of Banking Supervision and of Banking Regulation and Financial Stability.

Regarding applicable legislation, account was taken of the supervisory powers and procedures contained in Law 13/1994 of 1 June 1994 on the Autonomy of the Banco de España and in the Internal Rules of the Banco de España.

Also, the Executive Commission established, via a resolution of 14 February 2003, the procedural rules for proposals on matters within the competence of the Directorate General of Banking Supervision, and via resolutions of 30 June 2006 and 18 July 2008, the procedural rules for proposals on matters within the competence of the Directorate General of Banking Regulation and Financial Stability. On 2 November 2012, rules were laid down on the reporting of matters to the Executive Commission by all the Directorates

General of the Banco de España. These rules, which entered into force on 15 November, are complementary to those mentioned above for the Directorates General of Banking Supervision and of Banking Regulation and Financial Stability.

Similarly, via a resolution of 18 December 2009, the Executive Commission approved the regime governing the delegation of powers, which was published in the Official State Gazette of 5 January 2010 and envisages that delegates may in turn delegate their powers and, consequently, also provides for recovery of competence by a higher administrative level. It was amended on 23 November 2011 and 23 December 2011 (Official State Gazette of 2 December 2011 and 24 December 2011, respectively).

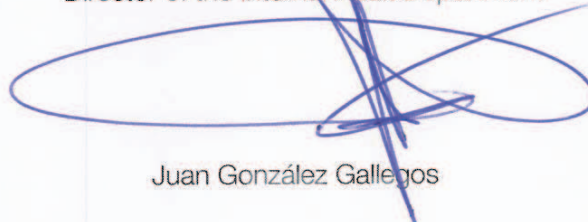
In order to review the decisions adopted by the Executive Commission, stratified sampling was performed in 10 strata or types of decision taken by the Directorate General of Banking Supervision and in 12 strata or types of decision taken by the Directorate General of Banking Regulation and Financial Stability. Different sampling fractions (100%, 30%, 10%, 5% or 1%) were applied to these strata depending on the materiality, numerical volume and internal homogeneity of each stratum.

The work was performed in accordance with the Internal Audit Manual, which includes the International Standards for the Professional Practice of Internal Auditing, approved by the Institute of Internal Auditors, including those relating to the Code of Ethics.

3. Opinion

In our opinion, the decisions taken by the governing bodies of the Banco de España in 2012 in the exercise of its supervisory function were taken by bodies with sufficient own or delegated powers in accordance with the Banco de España's Internal Rules and with the provisions laid down by its Executive Commission, and are in conformity, in all material respects, with the existing procedural rules applicable in each case.

Madrid, 27 May 2013
Director of the Internal Audit Department



Juan González Gallegos

THE GOVERNOR OF THE BANCO DE ESPAÑA
THE DEPUTY GOVERNOR OF THE BANCO DE ESPAÑA

1 EXERCISE OF SUPERVISORY FUNCTIONS

1 EXERCISE OF SUPERVISORY FUNCTIONS

This chapter is structured as follows. The first section describes the supervisory activity during 2012, indicating the supervised institutions, the main supervisory actions in the year and the details of the requirements and recommendations letters sent to institutions as a result of such actions. The second section summarises the main actions in the exercise of sanctioning powers. The third section refers to the exercise of other supervisory powers of the Banco de España which supplement its supervisory responsibilities. The last section of this chapter sets out the recommendations relating to the so-called “density” of credit institutions’ assets.

1.1 Supervisory activity

At end-2012, a total of 452 institutions were subject to prudential supervision by the Banco de España, of which 312 were credit institutions. 25 of these credit institutions were savings banks pursuing their activity indirectly in accordance with the provisions of Article 5 of Royal Decree-Law 11/2010.

The Banco de España engages in a process of ongoing supervision whose ultimate aim is to determine and keep up-to-date the supervisory risk profile of each institution (in accordance with its Supervisory Model)¹ and to take the necessary measures to help improve it, including, where appropriate, the adoption of corrective measures.

In order to be able to perform this function adequately, the Directorate General of Banking Supervision is organised into three departments which carry out supervision through 22 operational divisions. Each of these divisions is assigned a number of institutions and they are supported by cross-departmental groups specialised in the performance of more specific tasks.²

A total of 306 supervisory actions were carried out in 2012, compared with 209 in 2011. Of them, 86 were in progress or outstanding as at 31 December. These supervisory actions can be divided into traditional on-site inspection visits to institutions and continuous monitoring, in many cases with a permanent presence at the institution.

To these should be added another 353 actions relating to CIs. These comprise the work described below on the compliance plans envisaged in Royal Decrees 2/2012 and 18/2012, participation in the independent valuation of the Spanish banking system’s balance sheets and other jobs, including most notably:

- Examination of the internal capital adequacy assessment reports prepared by institutions and of the supervisory process derived from the review.
- The most important actions arising from relations with national and international supervisors and bodies in the case of groups of CIs with a presence in Spain and other countries.
- Specific monitoring actions other than those listed above.

¹ Available at http://www.bde.es/f/webbde/COM/Supervision/funciones/Ficheros/en/Banco_de_Espana_supervisory_model_clean.pdf.

² On 2 April 2013 the Executive Commission of the Banco de España approved the restructuring of the Directorate General Banking Supervision and the revision of its organisation chart. The changes can be found at http://www.bde.es/f/webbde/GAP/Secciones/SalaPrensa/InformacionInteres/ReestructuracionSectorFinanciero/Arc/Fic/presbe2013_17e.pdf.

Number

	On-site supervisory actions							
	Completed				Under way			
	2009	2010	2011	2012	2009	2010	2011	2012
Credit Institutions	114	136	133	216	21	39	68	82
Banks	82	79	110	180	7	28	53	70
Savings banks	16	51	12	4	10	5	1	5
Credit cooperatives	1	2	10	28	1	6	13	6
Foreign branches	4	2	—	2	1	—	—	—
EU credit institutions	2	1	—	2	1	—	—	—
Specialised credit institutions	11	2	1	2	2	—	1	1
Other institutions	15	4	5	4	3	0	3	4
Appraisal companies	8	1	3	—	1	—	—	1
Mutual guarantee companies	—	—	—	2	—	—	2	1
Payment institutions and other	7	3	2	2	2	—	1	2
TOTAL	129	140	138	220	24	39	71	86

SOURCE: Banco de España.

In addition, the Banco de España conducted the various administrative procedures subject to prior authorisation relating to supervised institutions: loans to senior officers, the taking of qualifying holdings in Spanish institutions, acquisitions of qualifying holdings or of control abroad, etc.

The requirements made of institutions following supervisory actions numbered 111, contained in 41 letters. The recommendations and requirements related mainly to credit risk and internal management and control policies, which accounted for 73 % of the total.

2012 saw significant specific supervisory actions relating to the restructuring of the Spanish financial system,³ including most notably the following:

- Review and approval of the compliance plans envisaged in Royal Decree-Laws 2/2012 and 18/2012, which set additional provisioning and capital requirements for real estate-related assets; and monitoring of formation of the asset management companies regulated in the latter royal decree-law.
- Participation in the independent valuation of the balance sheets of the Spanish banking system. This project, which covered loans to the private sector accounting for about 90 % of the Spanish banking system, consisted of two parts: first, a top-down analysis of Spanish bank balance sheets and of their resilience to an adverse scenario (performed by Roland Berger and Oliver Wyman) and, second, an assessment of the quality of bank assets based on the work carried out by four independent auditors (Deloitte, PwC, Ernst & Young and KPMG) and on a stress test to determine capital needs on a bank-by-bank basis (bottom-up analysis).

³ For more information on the restructuring of the Spanish financial system, see the Banco de España website (<http://www.bde.es/bde/en/secciones/prensa/infointeres/reestructuracion/>).

SUPERVISORY ACTIVITY

TABLE 1.2

Number

	Letters sent to institutions			
	2009	2010	2011	2012
Credit institutions	47	38	19	37
Banks	23	16	10	14
Savings banks	9	14	—	5
Credit cooperatives	—	4	8	13
Foreign branches	3	2	—	5
EU credit institutions	1	1	—	2
Non-EU credit institutions	2	1	—	3
Specialised credit institutions	12	2	1	—
Other institutions	11	4	1	4
Appraisal companies	—	1	—	—
Mutual guarantee companies	7	—	1	2
Payment institutions and other	4	3	—	2
TOTAL	58	42	20	41

SOURCE: Banco de España.

SUBJECT MATTER OF LETTERS SENT TO SUPERVISED INSTITUTIONS

TABLE 1.3

Number

	2009	2010	2011	2012
Credit risk	127	108	31	54
Accounting for credit risk, borrower weakness and higher coverage requirements	95	79	14	27
Quality of credit risk controls (origination, monitoring and other procedures)	32	29	17	27
Management and internal control	52	36	21	27
Management and internal control in general	44	25	16	22
Capital market activities	8	11	5	5
Capital and solvency	15	8	5	7
Solvency ratio	15	8	5	7
Other regulations	84	40	9	23
Failure to comply with rules on transparency and customer relations	16	3	—	2
Deficiencies in information reported to the CCR	12	7	1	—
Requirements for authorisation of non-credit institutions	11	4	—	—
Other	45	26	8	21
TOTAL	278	192	66	111

SOURCE: Banco de España.

The valuation was included as a key component of the Memorandum of Understanding on Financial-Sector Policy Conditionality (MoU)⁴ approved by the Eurogroup on 20 July, which entailed external financial assistance to the banking sector of up to €100 billion, of €41.33 billion have been used [€38.83 billion to

4 The full text is available at http://www.google.es/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=2&ved=0C DUQFjAB&url=http%3A%2F%2Fwww.mineco.gob.es%2Fstfls%2Fmineco%2Fprensa%2Farchivos%2Fnoticias%2F2012%2F120709_MOU_final_rev2_cln2VVV.pdf&ei=Uk0XUdYq5_sBonNglAC&usg=AFQjCNFQQ31RTmKt3FHifgYbgHGzde25Vw&bvm=bv.51156542,d.bGE.

capitalise credit institutions and €2.5 billion to enable the FROB to capitalise the Asset Management Company for Assets Arising from Bank Restructuring (“Sareb” by its Spanish abbreviation)].⁵ This assistance allowed capital requirements to be met without further heightening the possible negative feedback effects between sovereign risk and banking risk. Additionally, the MoU included specific conditions for the credit institutions needing public-sector support and horizontal requirements for the banking sector as a whole and the regulatory and supervisory framework, such as, for example, the commitment of the Banco de España to carry out an internal review of its supervisory procedures, which gave rise to the drafting and publication of the document “Analysis of the supervisory procedures of the Banco de España and recommendations for their reform”.⁶

- Review and approval (prior to that of the European Commission) of the plans for recapitalisation, restructuring and, where applicable, resolution of the banks found to have additional capital requirements in the stress tests conducted in the independent valuation process. As a result of these plans, in December 2012 the so-called “Group 1” institutions (BFA-Bankia, NCG Banco, Catalunya Banc and Banco de Valencia) received €36,968 million and, in 2013, the injections of public funds were completed with the contribution of €1,865 million to four institutions in the so-called “Group 2” (Caja3, Banco Mare Nostrum, Banco CEISS and Liberbank).

As envisaged, these capital needs were lower than those identified in the aforementioned stress tests, basically due to the effect of the transfer of problem assets to Sareb and as a result of burden sharing by hybrid capital holders, in accordance with the MoU and with Law 9/2012 of 14 November 2012 on credit institution restructuring and resolution,⁷ under the State aid rules applied by the European Commission.

- The actions associated with the creation of Sareb under the aforementioned Law 9/2012 of 14 November 2012 on credit institution restructuring and resolution and the consequent transfer of assets to it.

The aforementioned processes were carried out in close coordination by the Spanish authorities (Ministry of Economic Affairs and Competitiveness, Fund for the Orderly Restructuring of the Banking Sector and the Banco de España), the European authorities (the European Commission, the European Central Bank and the European Banking Authority) and the relevant international authority (International Monetary Fund).

Also, the recommendation by the European Banking Authority that the main institutions hold core capital of at least 9 % plus a buffer for sovereign risk from 30 June 2012 gave rise to the related actions by the Banco de España.

The number of Spanish groups of credit institutions authorised to use internal ratings based (IRB) approaches to calculate regulatory capital for credit risk was unchanged in the

⁵ For more Information, see the notices and announcements published regularly by the FROB (http://www.frob.es/notas/notas_en.html) and by Sareb (<http://www.sareb.es/cms/estatico/srb/sareb/web/es/portal/index.html>).

⁶ The recommendations of this report are available at http://www.bde.es/f/webbde/GAP/Secciones/SalaPrensa/ComunicadosBCE/DecisionesPoliticaMonetaria/13/Arc/Fic/Informe_de_la_Comision_Interna_en.pdf.

⁷ This Law repealed Royal Decree-Law 24/2012 of 31 August 2012 on credit institution restructuring and resolution after Parliament passed it as a law under the expedited procedure.

year, remaining at eight domestic banking groups and six subsidiaries of foreign groups. However, the share represented by these groups continued to grow, basically because of the concentration derived from the Spanish financial system restructuring process, and at end-2012 accounted for nearly 80 % of the total assets of credit institutions. Also, the scope of application of the models within each group continued to be extended in accordance with the timetables set in their roll-out plans. The supervisory tasks (apart from those relating to the validation of new models) entailed by the cooperation with local supervisors in the case of subsidiaries in third countries focused on the monitoring of those models and, in particular, on reviewing the changes made by institutions.

The institutions with internal models for operational risk consist of one domestic banking group and three subsidiaries of foreign groups, and supervisory work focused on monitoring them.

As regards international cooperation with other supervisory authorities, the Banco de España continued participating during 2012 in the same supervisory colleges in which it participated in 2011, so that it organised meetings for three supervisory colleges as the supervisory authority of the parent institution and participated as the host supervisory authority in seven colleges of banking groups with foreign parents. All this was accompanied by the usual bilateral contacts with the supervisory authorities of other countries.

Furthermore, within the Financial Stability Board (FSB) framework for the resolution of systematically important financial institutions (G-SIFIs), the Banco de España participated actively in the Crisis Management Groups of which it forms part both as authority responsible for the consolidated group and as host authority. In 2012 it organised two meetings and various bilateral teleconferences of the Group of which it is consolidated authority, and it participated in two meetings of Groups which it attends as host authority.

In 2012 three cooperation agreements were concluded in relation to the supervision of European groups of credit institutions with subsidiaries in Spain or of subsidiary banking groups of Spanish institutions, of the kind envisaged in Article 131 of Directive 2006/48/EC. A total of 16 cooperation agreements have now been concluded pursuant to this article.

Finally, it should be noted that, following the European Council of 29 June 2012, the Banco de España is working at European level on the design and implementation of the Single Supervisory Mechanism (SSM), which constitutes one of the three elements of a so-called “banking union” (the other two elements are an integrated deposit guarantee system and a common crisis resolution scheme). The new mechanism will represent a sea change in current supervisory responsibilities and procedures in all euro area countries (for more information, see Box 3.1).

1.2 Exercise of the sanctioning power in 2012

The sanctioning power exercised over the financial institutions whose control and inspection are the responsibility of the Banco de España is the final step in its supervisory function. It is intended to act as a means of ensuring compliance with the organisational and disciplinary regulations applicable to institutions operating in the financial sector. And indeed, as established in the preamble to Law 26/1988 of 29 July 1988 on discipline and intervention of credit institutions, the effectiveness of these organisational and disciplinary regulations depends on whether the supervisory authorities of financial institutions have sufficient coercive powers.

The exercise of this sanctioning power is directed at all institutions and markets subject to supervision by the Banco de España, which include not only credit institutions and any other financial institutions subject to its control and inspection, but also their directors and managers, who can be sanctioned for very serious or serious infringements when these are attributable to wilful misconduct or negligence. Also, sanctions can be imposed on the owners of qualifying holdings in Spanish credit institutions and on Spanish nationals that control a credit institution of another EU Member State.

Finally, the Banco de España's sanctioning powers extend also to the individuals and entities not included among the aforementioned supervised parties that seek to enter the financial market without meeting the conditions of access, whether it be through the exercise of activities legally restricted to credit institutions, payment service providers or other types of supervised institutions, or through the use of generic names restricted to such institutions or of any other that may be confused with them.

In this regard, the Banco de España has competence to bring and conduct disciplinary proceedings against the aforementioned parties, the imposition of sanctions being governed by the rules set forth in Article 18 of Law 26/1988 of 29 July on discipline and intervention of credit institutions. Under this law – until the recent amendment introduced by Law 9/2012 of 14 November 2012 on restructuring and resolution of credit institutions – the Banco de España has competence to impose sanctions for serious and minor offences, and the Minister for Economic Affairs and Finance (currently the Minister for Economic Affairs and Competitiveness), upon the proposal of the Banco de España, has competence to impose sanctions for very serious offences, except for that of withdrawal of authorisation to operate as a credit institution, in respect of which competence lies with the Council of Ministers. Following the amendment introduced by Law 9/2012 which, in relation to this question of competence, comes into force on 1 January 2013, competence for imposing sanctions on supervised institutions, whatever their seriousness, lies with the Banco de España.

Likewise, in the case of proceedings against individuals and entities that operate in the financial sector without authorisation, the competence to impose sanctions lies with the Banco de España.

1.2.1 PROCEEDINGS INITIATED IN 2012

Prior to the description of the disciplinary proceedings initiated in 2012, it should be noted that the intense process of restructuring of the Spanish banking system initiated in recent years has meant that the Banco de España's supervision activity has been focused on completion of all the planned steps to consolidate and accelerate the sector's restructuring.

Nonetheless, in 2012, in view of the matters revealed by supervisory actions, the governing bodies of the Banco de España decided to initiate four disciplinary proceedings against five institutions and 51 individuals.

Specifically, the Executive Commission decided to initiate a proceeding against a credit institution (a savings bank) and members of its board of directors and general managers. It should be noted, in relation to this proceeding, that it was also decided to proceed against the members of the control committee, for alleged serious negligence in the exercise of the duties legally conferred upon them. In accordance with the provisions of Article 21 of Law 26/1988 of 29 July 1988 on discipline and intervention of credit institutions, referred to by Article 40.6 of the same Law, the proceeding was initiated as a single action

Number	Institutions	2009	2010	2011	2012
Banks		—	—	—	—
Savings banks		1	1	—	1
SCIs		1	—	—	—
Branches of EU foreign credit institutions		—	—	—	—
Payment institutions		—	—	—	2
Unauthorised payment institutions		—	—	—	1
Owners of significant holdings in credit institutions		—	1	1(a)	1(b)
Appraisal companies		2	—	—	—
Currency-exchange bureaux and money transfer agencies		3	1	—	1(b)
Use of names or pursuit of activities reserved for credit institutions		2	1	1	—
Unauthorised currency-exchange bureaux		—	3	—	—
Appraisal company revocations		—	—	—	—
Currency-exchange bureaux revocations		1	2	2	—
Non-compliance with ECB minimum reserve requirements		—	1	1	—
TOTAL		10	10	5	6

SOURCE: Banco de España.

a Extension to 2 parties of a proceeding initiated in 2010.

b Proceedings recommenced following a stay to avoid prejudicing criminal proceedings.

against the credit institution, its directors and managers and the members of its control committee.

The proceeding related to allegations of: failure to correct deficiencies in risk management and control mechanisms; irregular accounting practices intended to alter the entity's financial and net worth reality; breach of administrative authorisations; the remuneration of management bodies, of members of the control committee and managers of the entity; and the impossibility of complying with the recapitalisation plan that had been submitted under the provisions of Article 9.1 of Royal Decree-Law 9/2009 of 26 June 2009 on bank restructuring and strengthening of the capital of credit institutions, as worded by Royal Decree-Law 2/2011 of 18 February 2011 on the strengthening of the Spanish financial system. In June 2012, the proceeding had to be stayed, in accordance with the provisions of Article 2 of Law 26/1988 and Article 7 of the regulations for the exercise of the sanctioning power, approved by Royal Decree 1398/1993 of 4 August 1993, so as not to prejudice criminal proceedings.

Second, the Executive Commission of the Banco de España decided to commence two proceedings against two payment institutions, for alleged breach of the law regulating their activity, especially the provisions of Law 16/2009 of 13 November 2009 on payment services and of Royal Decree 712/2010 of 28 May 2010 on the legal regime governing payment services and payment institutions. Both proceedings were also brought against the sole directors of these institutions.

Likewise, it was decided to commence proceedings against two companies that had been carrying out activities restricted to payment institutions, without having the necessary authorisation or being registered as such in the relevant official register kept by the Banco de España.

PROCEEDINGS RESOLVED, BY TYPE OF INFRINGEMENT

TABLE 1.5

Number

Numbers of proceedings		Sanctioning procedures							Non-sanctioning proceedings	
		Against supervised institutions				Intruders		ECB	Revocation	
		Infringement			Proceeding dismissed	Name / Activity reserved for credit institutions	Unauthorised Curr. Exch. Bureaux	Minimum reserve requirements	Apraisal companies	Curr. Exch. Bureaux
		Very serious	Serious	Minor						
Against institutions										
2009	13	9	24	18	1	—	1	—	—	1
2010	9	4	6	2	—	3	1	1	—	1
2011	9	4	3	4	—	1	2	1	—	2
2012	1	—	1	—	—	—	—	—	—	—
Against particular directors of institutions or owners of qualifying holdings										
2009	45	25	85	—	1	—	—	—	—	—
2010	25	38	28	—	11	—	—	—	—	—
2011	52	66	28	—	—	—	—	—	—	—
2012	1	—	1	—	—	—	—	—	—	—

SOURCE: Banco de España.

Finally, two proceedings should be mentioned, against a money exchange bureau and its directors and against certain natural and legal persons who owned qualifying holdings in credit institutions, for breach of the rules relating to such holdings. These proceedings, which had been commenced in 2008 and 2010, respectively, had to be stayed, in accordance with the provisions of Article 2 of Law 26/1988 and Article 7 of Royal Decree 1398/1993, so as not to prejudice a criminal proceeding relating to facts closely connected to those that were being examined. Final judgment having been entered in the criminal proceedings in 2012, the administrative proceedings were resumed that year.

1.2.2 PROCEEDINGS RESOLVED IN 2012

With regard to the resolution of proceedings in 2012, it should be noted that the Governing Council of the Banco de España resolved a proceeding brought against a payment institution and its sole director, for merging with another payment institution, without the necessary ministerial authorisation.

This action was considered to amount to a serious infringement, for which the payment institution and its sole director were both fined.

1.3 Other supervisory activities of the Banco de España

The Banco de España is also entrusted with overseeing other aspects of the activity of CIs. The following is a brief review of those functions along with comments on the most notable aspects of their performance in 2012.

1.3.1 TRANSPARENCY AND INFORMATION FOR BANK CUSTOMERS

On 29 April 2012 Order EHA/2899/2011 of 28 October 2011 on transparency and protection of customers of banking services came into force. This Order repealed the Order of 12 December 1989 which established the obligation for institutions to prepare a brochure setting out the maximum fee and commission charges (the price of banking services) and chargeable expenses and to make it available to the public after registering it with the Banco de España.

The new regulations replace this obligation with a twofold one: first, to make available to customers a document setting out the interest rates and fees and commissions usually

charged for the services that institutions provide most frequently (this obligation entered into force in January 2013), and second, in line with the provisions on transparency of payment services, to advise the customer of the cost of the services (in addition to other aspects of the service to be provided) before the contract for their provision is executed.

Until the entry into force of Order EHA/2899/2011, the Banco de España continued to check and register the brochure that institutions had to prepare on their maximum fee and commission charges and chargeable expenses. By law, this checking was limited to verifying that the brochure reflected the maximum prices and the terms of their application in an orderly and clear fashion.

The activity of checking and registering the brochures of fee and commission charges up to 29 April 2012, involved the processing of 152 proposals.

Another function relating to transparency is that of verifying the customer protection rules regulating the activity of the customer service departments and ombudsmen of CIs,⁸ except for those of savings banks and local or regional credit cooperatives, in which case the verification is carried out by the competent body of the autonomous region in which the institution's registered office is located. In any case, the Banco de España must be notified of the appointment of the head of the department and, where applicable, of the ombudsman.

As mentioned in previous reports, the task of initial verification of the rules was practically completed in 2006. Hence, as in recent years, the work in 2012 consisted in checking the rules of newly registered institutions, basically those of payment institutions, and the changes proposed by institutions with rules in force.

1.3.2 THE BANK CUSTOMER PORTAL

With the aim of providing information and guidance to the non-business customers of credit institutions, in 2005 the Banco de España created a new portal on its website, called "Portal del Cliente Bancario" (bank customer portal).

In 2012, the number of viewings of the portal was 3,049,879, up 21.4 % from 2011 (2,513,130). There was also a significant increase, of 15.3 %, in the number of visitors, from 639,153 in 2011 to 736,617 in 2012.

The most visited sections were almost the same and in the same order of importance as in 2011: those relating to simulators, banking products, interest rates, the glossary, frequently asked questions and bank charges.

The number of queries received and dealt with through the portal's "contact us" facility was 3,591, up 27.3 % from 2011 (2,821), while the number of telephone enquiries was 3,937, up 52.1 % from 2011 (2,589).

1.3.3 OFFICIAL REGISTERS AND INSTITUTIONAL INFORMATION

Under Spanish law the Banco de España is responsible for keeping various public registers. Not only credit institutions and other financial intermediaries and auxiliaries subject to supervision must be recorded in these registers, for various purposes, but also certain elements of their corporate governance and organisational structure. These registers are as follows:

⁸ The requirements of which were laid down by Order ECO/734/2004 of 11 March 2004.

a. Register of Institutions

Diverse institutions operating on Spain's financial markets must be recorded in the Register of Institutions before they commence activities. The purpose of this register is twofold: first, it seeks to implement the "vetted access" principle governing the presence of those institutions in the market; and second, it aims to publicise adequately the fact that those institutions are subject to supervision by the Banco de España or by the competent authority in their respective home countries.⁹

Table 2.6 shows the number of institutions included in this Register,¹⁰ both Spanish and foreign, including those operating in Spain under the freedom to provide services.

Of the developments that took place in 2012 in relation to the Register of Institutions, basically two can be highlighted. First, there was a decline in the number of registered credit institutions, which had fallen to 312 (24 fewer institutions) by the end of the year. This decline was almost uniform across the various categories of credit institutions (see Table A.2.1). Thus, at the end of the year there were four fewer banks registered, essentially due to various corporate transactions in the Popular, Sabadell and CaixaBank groups (acquisition and merger of existing institutions and, in the odd case, creation of new institutions). The registration of Cecabank merits special mention here. This is the bank through which the Spanish Confederation of Savings Banks (CECA) will now pursue its objects as a credit institution.

The decline in the number of registered savings banks was eight, as a consequence of the change of status of the savings banks belonging to the Bankia and Catalunya Bank groups to that of a special foundation. As a result of this change of status, in the final part of the year, the savings banks concerned definitively lost their credit institution status and their licence to act as such.

The number of registered credit cooperatives fell by six. This decline was a consequence of three mergers, including most notably the one involving Cajamar and Ruralcaja, the parent institutions of the cooperative groups Cajamar and Cajas Rurales del Mediterráneo, which were organised as institutional protection schemes, made up of 22 institutions. These institutions will form part of the new Grupo Cooperativo Cajas Rurales Unidas. The other two mergers involved cooperatives from Castile and the Basque Country, respectively.

Specialised credit institutions also saw a reduction in their number, by seven, reflecting the complicated situation of a sector particularly hard hit by the economic and financial crisis of recent years. However, there were not only deregistrations in this category of institutions, since two new specialised credit institutions were registered, albeit each linked to a financial group.

The second notable development in 2012 in relation to the Register of Institutions is the increase in the number of institutions operating without an establishment, which rose by 12 % to stand at 719. This increase is a consequence of the growing internalisation of the provision of financial services and, in particular, of payment institutions, as a result not only

9 This register and the register of agents described below are available to the public and can be consulted by either traditional means or through the Banco de España's website (by clicking on "Services" in the navigation menu). The register of institutions is available not only as it currently stands, but as it stood at past dates, and selective searches can be made using different criteria.

10 For more details of the institutions that have to be entered in this register, see Section 2.3.6. of the 2006 Report on Banking Supervision in Spain.

Number. Year-end data (a)

	2009	2010	2011	2012
Institutions with an establishment	550	538	534	508
Credit institutions (b)	353	339	336	312
Controlling companies of credit institutions	1	1	1	1
Representative offices	55	54	55	46
Mutual guarantee companies	23	24	24	24
Reguarantee companies	1	1	1	1
Appraisal companies	54	55	58	57
Currency-exchange bureaux and money transfer agencies (c)	63	61	14	10
Payment institutions	—	2	41	46
Branches of EU payment institutions	—	—	2	7
Agent networks of EU payment institutions	—	1	1	2
Electronic money institutions (d)	—	—	1	2
Institutions operating without establishment	517	556	640	719
<i>Of which: EU CIs operating without an establishment</i>	492	506	520	533
<i>Of which: financial subsidiaries of EU CIs</i>	2	2	1	1
<i>Of which: electronic money institutions</i>	—	—	14	29
<i>Of which: payment institutions (e)</i>	20	45	105	152

SOURCE: Banco de España. Data available at 31 December 2012.

a The number of institutions also includes those that are non-operational and in the process of deregistering.**b** Includes ICO and branches of EU and non-EU credit institutions. For the period 2009-2010 also includes one electronic money institution; in 2011, the promulgation of Law 21/2011, which amended the regulatory framework of ELMIs, meant that they lost their credit institution status.**c** Not including establishments only authorised to purchase foreign currency with payment in euro. From 2011, after the transformation of money transfer agencies into payment institutions, only includes currency-exchange bureaux (buying and selling of currencies).**d** In the period 2009-2010, the existence of an electronic money institution was registered under the "credit institutions" heading.**e** In application of Directive 2007/64/EC and of Law 16/2009 on payment services.

of the improvement in on-line means of communication, but also the greater regulatory harmonisation at EU level.

As regards the other financial intermediaries and auxiliaries that need to be entered in this Register, the developments in their numbers during 2012 were mixed. While those related to credit institutions (basically representative offices) followed the same downward trend as credit institutions themselves, those linked to the provision of payment services saw a moderate increase. This rise stemmed not so much from the appearance of new institutions (which largely arose from the transformation into payment entities of former currency-exchange bureaux licensed to make cross-border money transfers), as from the registration of new branches of EU payment institutions. Mention should also be made here of the registration of the second electronic money institution, set up as part of the CaixaBank group.

b. Register of Senior Officers

The reason for this register, in which information is entered on the directors and senior managers of the institutions supervised by the Banco de España, is to manage and supply up-to-date personal and professional information on the main officers responsible for the activity of such institutions. This is done with the dual purpose of, firstly, acting as an ancillary tool for the Banco de España and other agencies in checking the requirements that have to be accredited by the senior officers of financial institutions; and, secondly, providing a means of monitoring the restrictions and incompatibilities applicable to such

officers in banks and credit cooperatives, which have to be verified by the Banco de España.

At the end of 2012, the number of senior officers in this register¹¹ was 3,996, 11.5 % fewer than in 2011. This reduction is in line with the smaller number of registered credit institutions, which, compared with other types of institution, is one of the largest employers of directors.

As regards the profile of the senior officers, the above-mentioned decline was more significant among senior officers who are natural persons (12 %) than among those who are legal persons (5.5 %). It was also more marked among men (13 % fewer) than among women (7.2 % fewer), which increased the proportion of female senior officers to 14 %.

c. Information on shareholders

The Banco de España also receives confidential information on the shareholders of banks and specialised credit institutions and on the members of credit cooperatives.¹² This information is vital for the supervisory tasks of the Banco de España, in which it is essential to know the shareholder structure of the institutions under its supervision, and for checking compliance with the law on qualifying holdings, a task entrusted to the Banco de España.

The most significant development that can be observed in this Register in 2012 is the reduction in the number of significant shareholders in all categories of institutions: almost 7 % at commercial banks, 8.5 % at credit cooperatives and almost 19 % at specialised credit institutions. This reduction stemmed, first, from the decline in the number of registered institutions, and second, from the concentration process generally taking place in the credit sector, which is reflected in the fact that the reduction in significant shareholders was greater among those who are legal persons.

d. Reporting of agents

Credit institutions operating in Spain are obliged to report to the Banco de España those agents whom they have authorised to operate habitually with their customers, in the name of and on behalf of the principal, in negotiating or entering into transactions typical of their activity.¹³ In addition, they must report to the Banco de España the list of foreign credit institutions with which they have entered into agency agreements or agreements to provide financial services to customers.

Currency-exchange bureaux licensed to make cross-border money transfers were also obliged, from the beginning of 2002 until they were wound up or changed their status to

11 All the statistical information in this Register and the others reported in this section, other than that relating to the number of registered institutions, is included in Annex 3.2 of the digital edition published on the Banco de España's website. In that annex, the information relating to the Register of Senior Officers is based on the identity thereof, without regard to the number of posts that each of them may hold, i.e. the stated figure is the total number of senior officers registered and not the total number of posts in the institution supervised by the Banco de España.

12 These institutions are required to report data quarterly on all their shareholders or holders of contributions that are deemed to be financial institutions, and on those who, while not deemed to be such, hold shares or contributions representing a percentage of the share capital of the institutions equal to or more than 0.25 % in the case of commercial banks, 1 % in credit cooperatives and 2.5 % in SCIs.

13 From 2011, as a result of the entry into force of Banco de España Circular 4/2010 of 30 July 2010, CIs must also report those natural or legal persons whom they have appointed to perform regularly, on a professional basis and in the name of and on behalf of the institution, activities to promote and market transactions or services typical of the activity of a credit institution, including the investment and ancillary services referred to by Article 63 of the Securities Market Law.

that of payment institutions in 2011, to report this information. Maintaining this requirement, it has also been compulsory to enter in this Register, since 2010 and in accordance with the specific regulations thereon, the agents of Spanish payment institutions and their branches, and those of the branches of foreign payment institutions and those belonging to the agent networks of EU payment institutions, when they are located and provide their services in Spain.¹⁴

There were two particularly significant changes in this Register in 2012. First, upon the expiry of the period in which currency-exchange bureaux licensed to make cross-border money transfers were required to change their status to that referred to in the previous paragraph, such bureaux were no longer included among the entities required to report this information.¹⁵ Second, the large number of agents reported by payment institutions, which increased by more than 30 %, to stand at 30,286, exceeding those reported by currency-exchange bureaux licensed to make cross-border money transfers by two thirds.

This large number, seven times higher than that recorded for credit institutions, is partly explained by the business model followed by payment institutions, which carry on their cross-border activity basically through agents (the number of agents reported by Spanish payments institutions resident abroad was more than 600 in 2012). However, the main reason for this high number is that there is no requirement for the agents of payment institutions or of electronic money institutions to be exclusive (unlike money transfer agencies prior to Law 16/2009, which were subject to that requirement). This means that, on more than just a few occasions, one single agent is reported as such by more than one payment institution.

The changes in the number of agents of the various credit institutions, which ended the year at 5,056 after falling by 1.4 % overall, is shown in Table A.2.2.

For their part, the agency agreements entered into by Spanish credit institutions with foreign credit institutions have maintained their characteristic stability, although for the first time in recent years there has been a minimal reduction in their number.

e. Special Register of Articles of Association

The Banco de España also keeps an up-to-date register of the articles of association of supervised institutions to ensure continuity in the exercise of prudential supervision in relation to such institutions and to monitor the changes in their articles of association, which are sometimes subject to administrative authorisation by the Ministry for Economic Affairs and Competitiveness or the corresponding body of the relevant regional government, following a report from the Banco de España.¹⁶

In 2012, the total number of analysed applications to amend articles of association continued to rise, although the growth rate fell from 76 % to 6.8 %. Most of the applications related to commercial banks (36) and credit cooperatives (38). The amendments of the articles of association of commercial banks had many different aspects, although in most cases they related to the objects of the bank and its governing bodies, including their remuneration. As regards credit cooperatives, most of the amendment applications were

¹⁴ In Table A.3.2, they are all included under the heading "Agency agreements - Payment institutions".

¹⁵ Nonetheless, these entities are still shown in Table A.4.2 of Annex 4.2 for the purposes of comparison.

¹⁶ All these powers have been transferred to the Banco de España pursuant to Law 9/2012 and its implementing regulations.

connected with the integration process in Grupo Cooperativo Cajas Rurales Unidas, referred to in section a) above.

Although the number of amendments recorded remained relatively high (250), it fell by almost 30 %. This was related to the end of the initial stages of the process to change the status of savings banks.

1.3.4 OTHER AUTHORISED ELIGIBLE CAPITAL FOR SOLVENCY PURPOSES

The items that are eligible as own funds of credit institutions may include certain subordinated debt, preference shares and mandatorily convertible debt instruments.¹⁷ These instruments may be considered eligible on account of their having certain specific capital features such as an indefinite presence on the institution's balance sheet, the capacity to absorb losses (e.g. through their conversion into ordinary shares in certain circumstances) and flexibility of payments to holders (remuneration depending on the solvency of the issuer, the existence of sufficient profits and even the issuer's discretion).

The Banco de España verifies whether these financial instruments, issued by credit institutions, by their special purpose vehicles or by other subsidiaries, meet the requirements established to be eligible as own funds of credit institutions, in accordance with the law applicable at the time.¹⁸

The total amount subscribed in 2012 of the 13 issues of instruments whose eligibility as own funds was verified by the Banco de España was €13,411 million. The number of issues was in line with the two previous years and below the activity recorded in 2009, reflecting a period marked by difficulty accessing capital markets linked to the financial crisis, compounded by regulatory uncertainty over the future requirements for instruments to be eligible, given the forthcoming entry into force of a European Regulation incorporating Basel III. That said, the amount subscribed was 49 % higher than in the previous year and twice as high as in 2010.

Against this background, Spanish credit institutions focused their efforts on strengthening their highest quality capital to meet regulatory demands. As a result, the main features of the issuance of eligible instruments have continued to be, on one hand, the issuance of convertible instruments eligible as core capital or intended to meet the requirements of the European Banking Authority's recapitalisation plan¹⁹ and, on the other, the exchange of old instruments whose eligibility was compromised within a changing regulatory framework.

Consequently, eight of the 13 issues made in 2012 were of instruments mandatorily convertible into shares, accounting for a third of the total volume of issuance. Practically the entire amount of these issues arise from exchanges of previous issues of convertible debt, preference shares and subordinated debt qualifying as upper Tier 2 capital (indefinite duration, capacity to absorb losses and deferral of interest). The only issue not deriving from a swap was directed at wholesale investors. With regard to their convertibility, all these

¹⁷ Mandatorily convertible debt instruments may be mandatorily convertible either on a set date or when certain trigger events occur (contingent conversion), or in both cases.

¹⁸ Law 13/1985 of 25 May 1985 on investment ratios, own funds and reporting requirements of financial intermediaries and implementing legislation; as well as Royal Decree-Law 2/2011 of 18 February 2011 on the strengthening of the Spanish financial system, as worded by Law 9/2012 of 14 November 2012 on credit institution restructuring and resolution, and implementing legislation, in relation to core capital.

¹⁹ Recommendation of the European Banking Authority of 8 December 2011 addressed to the five largest Spanish institutions at that date, to maintain a 9 % Core Tier 1 capital ratio. EBA recommendation on the creation and supervisory oversight of temporary capital buffers to restore market confidence (EBA/REC/2011/1).

Yearly data (€m)

	Number				Amount			
	2009	2010	2011	2012	2009	2010	2011	2012
TOTAL	75	14	16	13	26,314	6,465	9,012	13,411
Subordinated debt	42	12	9	5	7,938	5,497	2,984	9,011
Standard fixed-term	39	11	9	4	7,865	5,477	2,984	4,511
Commercial banks and savings banks	33	10	9	4	7,633	5,475	2,984	4,511
Credit co-operatives	1	1	—	—	3	2	—	—
SCIs	5	—	—	—	229	—	—	—
<i>Of which: loans</i>	<i>11</i>	<i>1</i>	<i>3</i>	<i>—</i>	<i>409</i>	<i>1</i>	<i>21</i>	<i>—</i>
Standard with no agreed maturity	—	—	—	—	—	—	—	—
Undated	3	1	—	1	73	20	—	4,500
Commercial banks and saving banks	3	—	—	1	73	—	—	4,500
SCIs	—	1	—	—	—	20	—	—
Preference shares	33	—	1	—	18,376	—	200	—
Commercial banks and saving banks	33	—	1	—	18,376	—	200	—
Mandatory convertible debt	—	2	6	8	—	968	5,828	4,400
Commercial banks and saving banks	—	2	6	8	—	968	5,828	4,400

SOURCE: Banco de España.

a Does not include issues subscribed by the FROB since, in accordance with Article 33.1.c. of Law 9/2012 of 14 November 2012 on credit institution restructuring and resolution, when the FROB subscribes or acquires capital or convertible instruments, the limits established in law for eligibility as Tier 1 and as core capital or, in general, the limits set from time to time relating to solvency requirements will not apply to it.

issues also obtained eligibility as core capital. Their remuneration is fixed and ranges from 4.5 % to 9.5 % per annum.

The rising weight of convertible instruments is consistent with the regulatory tendency to give capital instruments more transparent loss absorption mechanisms. This tendency was first manifest in the amendments that Law 6/2011 and CBE 4/2011 introduced into the treatment of preference shares in Law 13/1985 and CBE 3/2008. It continued in the definition of instruments eligible as core capital, in the first version of RDL 2/2011, and especially in the updated version introduced by Law 9/2012 and its detailed specification in CBE 7/2012. The latter definition of core capital incorporates the standards of the European Banking Authority's recapitalisation plan and anticipates Basel III and the forthcoming European capital requirements regulation.²⁰

Following the amendment of the second additional provision of Law 13/1985 by Law 6/2011 of 11 April 2011, preference shares, in order to be eligible, must include elements that guarantee their loss-absorbing capacity. This requirement is articulated in the amendment of CBE 3/2008 by CBE 4/2011, when it requires their conversion into shares in particular circumstances. Accordingly, neither in 2012 nor in subsequent years can eligibility be granted to instruments with comparable characteristics to those of the 33 issues of preference shares made in 2009. To be eligible, preference shares will have to incorporate conversion into ordinary shares so that they will appear in Table 2.7 as mandatorily convertible debt.

²⁰ See legal references in Section 2.1 on legal changes in relation to the solvency of credit institutions.

The amount of subordinated debt, despite the number of transactions falling with respect to 2011, tripled. Two of the issues were offered by a credit institution in exchange for previous issues of preference shares, for a total amount of €3,374 million. With fixed nominal annual yields of 4 % and 5 %, respectively, they were both issued with a 10-year maturity.

The other two issues of fixed-maturity subordinated debt were made by an operational subsidiary of a credit institution subject to own funds requirements in its home country, with an equivalent value of €1,137 million, which the Banco de España recognised as eligible for the consolidable group. They were distributed among professional investors.

Finally, another of the subordinated debt issues was made through a loan agreement, its amount representing almost 50 % of the total subordinated debt issued. The loan was entered into with the majority shareholder of the borrower bank and it is classified as upper Tier 2 capital.

1.4 Supervisory policies

1.4.1 CONSISTENCY OF RISK-WEIGHTED ASSETS

In the last few years, in which the solvency framework applied has been based on Basel II, there has been growing concern among institutions and supervisors over how consistently risk-weighted assets (RWA) are calculated across institutions and countries. As is well-known, RWA are the denominator of the capital ratios that have been established in solvency regulation, and are therefore the yardstick for determining the sufficiency of institutions' eligible own funds. Consequently, any unwarranted differences in the calculation of RWA will lead to distortions in the measurement of solvency, which would undermine the "level playing field" and the competitiveness of institutions.

In order to analyse the consistency of RWA in the context of the solvency framework, certain agents, principally international banks and analysts, have been using the so-called "RWA density ratio", which compares the total regulatory weighted assets of institutions with their total assets. This may be interpreted as a measure of the average relative risk (according to regulatory criteria) of the institution's entire operations. The existence of notable differences in the value of this ratio across institutions and countries, especially across institutions that apply internal-model-based approaches, has led some to conclude that RWA are not being calculated consistently, and that there must be significant unwarranted differences between institutions' calculation methodologies and supervisors' criteria.

With regard to these criticisms, first of all there are good reasons why RWA density should differ across institutions. One should not forget that regulatory RWA originate in a solvency framework that seeks to be risk sensitive, and that institutions have different "risk profiles", arising from various factors, such as the relative weight of their various portfolios, the quality of the assets that make up each portfolio, the geographic areas in which they operate, the types of business they conduct (commercial banking, investment banking, bankassurance, etc.). Institutions that focus on activities considered low risk or that have higher quality investments should have lower ratios.

At the same time, it should be noted that the RWA density ratio is not a good measure of the risk assumed by institutions per unit of exposure, for various reasons:

- The numerator (RWA) is the result of weighting exposures solely on the basis of the risk of unexpected losses, without taking into account the risk of suffering expected losses.

On 6 July 2012, Banco de España Circular 5/2012 of 27 June 2012, addressed to credit institutions and payment service providers, on the transparency of banking services and the responsible granting of loans was published in the Official State Gazette (BOE). The new Circular, which replaced Circular 8/1990 of 7 September 1990, addressed to credit institutions, on transaction transparency and customer protection, attempts to implement in an orderly manner, consistent with best market practice, the mandates contained in Order EHA/2899/2011 of 28 October 2011 on transparency and protection of customers of banking services.

Order EHA/2899/2011 and Circular 5/2012 make up the new general transparency code that will henceforth govern relations between customers and credit institutions. It has a systematic structure, is designed to provide continuity and stability, and is clearly intended to protect banking service customers. In general terms, the new regulation is characterised by imposing greater information obligations, in relation to the pre-contractual stage, the content of the contract itself and notifications that institutions are required to send to customers while the contract for the provision of banking services remains in force.

In line with the Order from which it derives, and following current trends, the scope of the protection which is the primary concern of the Circular is individuals to whom banking services are provided. However, when such individuals are acting within the scope of their professional or business activity, the parties may agree not to be subject to this new regulatory framework.

Notable among the various issues addressed by the Circular, and one of the most novel aspects of the new regulation, is the information that institutions must make available to the public on the interest rates and fees and commissions usually applied to those banking services most frequently provided to customers. For this purpose a document is created, which presents this information homogeneously for various transactions considered to be the most common ones. This document replaces the current declarations of the prime rate and indicative lending rates, as well as the brochure of maximum fee and commission charges.

The Circular also fleshes out the obligation of credit institutions to provide certain pre-contractual information to customers, free of charge, so that they can take an informed decision on a banking service and can compare similar offers. This minimum information, which for the first time extends to deposit transactions, must be

clear, sufficient and objective, and must be delivered sufficiently in advance, or at least before the customer is bound by a contract or offer. The Circular also establishes rules to ensure that certain elements of transactions are uniformly highlighted and sets the minimum size of the print used in any information document, whether pre-contractual or contractual.

The Circular also specifies the appropriate and adequate explanations that institutions are required to supply to customers before they initiate any contractual relationship with them, so that they can understand the essential terms of the banking service offered and take an informed decision, on the basis of their needs, their financial situation and the consequences of purchasing the service.

With regard to settlement documents, the Circular envisages certain standardised forms both for the most common transactions, and for the new notification that institutions must send to their customers every year in January, indicating, in full detail, the fees and charges and interest rates actually applied to each banking service provided to the customer during the previous year.

With regard to the responsible granting of loans, the Circular sets out the requirements and principles that must be met by credit institutions' policies, methods and procedures for analysing and granting loans or credits, in order to improve the assessment and consideration of the debtors' creditworthiness. The aim is to minimise the risks that such activity may involve for credit institutions and the financial system as a whole, as well as for the customers themselves.

As regards calculation of the annual percentage rate (APR) on products and banking services, the Circular establishes, inter alia, the rules that must be observed when calculating the APR on tacit overdrafts and on deposits with remuneration in kind. It also includes, for the first time, the principles and elements to be taken into account when calculating the APR on hybrid instruments with guaranteed principal.

At the same time, the Circular specifies the procedure for determining official interest rates, in particular that for the two new ones introduced by the Order: the one linked to one to five-year mortgage loans for house purchase in the euro area, and the five-year interest rate swap (IRS) rate. It also specifies the reference indices and rates used to calculate the market value of mortgage loans repaid early, in order to determine whether or not the institution should receive compensation for interest rate risk.

- The denominator (total assets) does not capture all transactions giving rise to risk-weighted assets. For example, it excludes guarantees, credit account facilities, short positions in financial instruments, financial derivatives, etc. Accordingly, the ratio is inconsistent by definition.
- Also, there are risks, such as market or operational risk, whose RWA (included in the numerator) are calculated with methodologies that bear little relation to balance sheet assets, so that a ratio of this type is hardly appropriate.

In short, the RWA density ratio can be said to be an incomplete and inconsistent measure.²¹ In order to be able to make valid comparisons across institutions, it is essential to use appropriate measures that mitigate these defects as far as possible.

In 2012, various initiatives were undertaken in the Basel Committee on Banking Supervision and the European Banking Authority (EBA) in order to verify if RWA are actually calculated inconsistently across institutions and jurisdictions and, if so, to identify the reasons and to propose solutions. These included the Basel Committee's SIG Banking Book and SIG Trading Book working groups, and the Task force on the consistency of outcome in risk-weighted assets (TCOR) at the European level.

On the basis of the initial analysis performed by the TCOR, the EBA has recently published a report²² analysing those risk-weighted assets not included in the trading book, using regulatory data from an extensive sample of European institutions. Instead of the RWA density ratio, this study used a ratio that attempts to resolve the problems mentioned, called the "global charge". This ratio, which includes expected losses in the numerator and uses exposure at default (EAD, the variable used as the basis for calculating credit risk requirements) as a measure of activity, is as follows:

$$\frac{\text{RWA} + 12.5 * \text{EL}}{\text{EAD}}$$

These preliminary analyses imply that half the differences in "global charge" between institutions are due to the use of different regulatory approaches to calculate credit risk requirements (standardised versus IRB approach), as well as the balance sheet structure of institutions. The other half may be attributable to the IRB parameters applied, although further studies, which have already been commenced, are needed to know if the risk profile of institutions justifies these differences, or if they are due to different interpretations of the regulations, in which case the necessary corrective measures would be proposed.

The EBA concludes that the first type of differences mentioned would be readily explainable, and their effects quantifiable, if the relevant information were provided to the public, so that a first recommendation that naturally arises is to expand and standardise the information published by institutions in the context of Pillar 3 of the solvency framework. Work is being carried out in various spheres for this purpose.

As a final point, the need to use adequate indicators when making comparisons between institutions should be stressed once more, bearing in mind the inevitable limitations of any measure that seeks to summarise in a single figure something as complex and multifaceted as the risk profile of an institution or the risks it has assumed. In this respect, it would be desirable for institutions to focus their efforts on appropriately measuring, as objectively as possible, the risk they incur in their operations, so that their managers have the best information available when they take their decisions.

21 For a more extensive discussion of this subject and further analysis, see "Comparing risk-weighted assets: the importance of supervisory validation processes", by J. M. Arroyo, I. Colomer, R. García Baena and L. González Mosquera, in *Estabilidad Financiera*, No. 22, page 8, Banco de España.

22 "Interim results of the EBA review of the consistency of risk-weighted assets. Top-down assessment of the banking book", European Banking Authority, 26 February 2013.

2 REGULATORY CHANGES IN PRUDENTIAL SUPERVISION

2 REGULATORY CHANGES IN PRUDENTIAL SUPERVISION

2.1 Solvency of credit institutions

The regulatory changes relating to CI solvency focus on strengthening the solvency of national CIs through the establishment of tighter common equity tier 1 capital requirements along the same lines as the new international capital standards set in the so-called “Basel III accord”.¹ The pivotal legal provision in setting stricter capital requirements was Royal Decree-Law 2/2011 (see Report on Banking Supervision in Spain 2011), which, for that purpose, introduced the notion of *capital principal*,² the definition of which was modified one year later.

2.1.1 MORE RIGOROUS CAPITAL REQUIREMENTS

Law 9/2012³ amended the *capital principal* requirements to be met by consolidable groups of credit institutions and by institutions not forming part of a consolidable group established by Royal Decree-Law 2/2011 of 18 February 2011 on the strengthening of the financial system. Specifically, the then-current requirements of 8 % generally and of 10 % for institutions with difficult access to the capital markets which resort predominately to wholesale funding, were transformed by the amendment into a single requirement of 9 % to be complied with from 1 January 2013. However, the change affects not only the required level, but also the meaning, of *capital principal*. Thus it was redefined to bring it into line, in respect of both eligible items and deductions, with the definition used by the European Banking Authority for the recapitalisation exercise, in accordance with Recommendation EBA/REC/2011/1.

The twentieth final provision of Law 9/2012 empowered the Banco de España to lay down the provisions required to duly implement the minimum *capital principal* requirements regime envisaged in Royal Decree-Law 2/2011, in accordance with the amendments in this respect made by the seventh final provision of said Law. For this purpose, the Banco de España approved Circular 7/2012, which implements this regime in accordance with the powers conferred on it.

To this end, the Circular lists the eligible instruments to be included in the definition of *capital principal*, as well as how they are to be calculated and the issue requirements, particularly those for mandatory convertible debt instruments. All this was done within the framework of the instruments and issue conditions specified in the aforementioned Recommendation of the European Banking Authority for application in the recapitalisation processes conducted.

Circular 7/2012 also determines how risk-weighted exposures can be adjusted so that the capital requirement for each risk exposure does not exceed the value of that exposure and so as to ensure consistency between the value of the exposures and the components of *capital principal*.

Lastly, CBE 7/2012⁴ establishes how and how often institutions have to make declarations of compliance with the *capital principal* ratio, for which purpose a form is included as an annex.

¹ The decisions adopted by the Basel Committee on Banking Supervision on the overall design of measures to reform the regulation of capital and liquidity, in September 2010.

² In line with the so-called common equity tier 1 defined in Basel III, although with certain differences.

³ Law 9/2012 of 14 November 2012 on credit institution restructuring and resolution [BOE (Spanish Official State Gazette) of 15 November 2012].

⁴ Circular 7/2012 of 30 November 2012 of the Banco de España to credit institutions on minimum capital principal (core capital) requirements (BOE of 11 December 2012).

Capital principal is defined as comprising: share capital [(in the case of savings banks, initial capital (*fondos fundacionales*) and non-voting equity units (*cuotas participativas*), and in that of credit cooperatives, capital contributions)], excluding non-voting redeemable shares; paid-in share premiums; effective express reserves; minority shareholdings in the form of ordinary shares of consolidable group companies; eligible instruments subscribed by the FROB within the framework of its regulatory regime and instruments convertible into ordinary shares; and non-voting equity units of savings banks or contributions to capital of credit cooperatives which the Banco de España classifies as regulatory capital because they meet the requirements for qualifying as tier 1 capital and they meet the other issue conditions set by the European Banking Authority. The following must be deducted from these items: losses (including those attributed to minority interests), intangible assets and 50 % of certain assets, particularly those which may give rise to double counting of capital within the financial system.

The Law provides that the Banco de España may require compliance with a higher level of *capital principal*, depending on the results of stress tests on the overall system.

Also, the Banco de España, in the framework of the supervisory review of capital adequacy (Pillar 2), may require the aforementioned institutions or groups to hold an additional surplus of *capital principal*.

Moreover, consolidable groups of credit institutions, and credit institutions not forming part of a consolidable group of credit institutions subject to *capital principal* requirements, may not, without prior authorisation from the Banco de España, reduce the components of *capital principal* below the figure as at 31 December 2012 if that reduction were to result from the distribution, reimbursement or remuneration of *capital principal* components or from any other action intended to alleviate the commitment of the holders of the respective instruments to the issuer.

2.2 Legal regime of supervised institutions

2.2.1 LAW 9/2012 OF 14 NOVEMBER 2012 ON CREDIT INSTITUTION RESTRUCTURING AND RESOLUTION⁵

The enactment of Law 9/2012 of 14 November 2012 on credit institution restructuring and resolution (“the Law”) is in line with the programme of assistance to Spain for recapitalising its financial sector. This programme was agreed by Spain with the European authorities through the signature of the Memorandum of Understanding of 20 July 2012. The basic purpose of the Law is to set in place a credit institution restructuring and resolution regime as an essential tool for credit institution crisis management, and, to this end, it strengthens the intervention powers of the Fund for the Orderly Restructuring of the Banking Sector (“the FROB, by its Spanish abbreviation). Moreover, it includes voluntary and mandatory management exercises of hybrid capital instruments and subordinated instruments for those institutions for which a restructuring or resolution procedure has been initiated. Finally, it provides for the formation of an asset management company to be entrusted with managing the problem assets which credit institutions have to transfer to it. This Law repeals Royal Decree-Law 24/2012 of 31 August 2012 on credit institution restructuring and resolution, from which it stems, and amends various pieces of financial legislation.

a. Management of crisis situations at credit institutions

The Law provides for three types of crisis management actions applicable to credit institutions depending on their degree of distress.

First, “early intervention” measures are envisaged for credit institutions which do not, or are reasonably likely not to, meet requirements on solvency, liquidity, organisational struc-

⁵ BOE of 15 November 2012.

ture or internal control, but are in a position to redress this situation by their own means or through exceptional financial support.

These early intervention measures form part of the supervisory functions of the Banco de España, which, from the time it becomes aware that a credit institution is in the situation described above, may take the appropriate early intervention measures, including most notably that of requiring the removal and replacement of members of the institution's board of directors or equivalent body and, exceptionally, that of requiring the recapitalisation of the institution through the issuance of instruments convertible into shares or contributions to share capital.

Furthermore, institutions are required to draw up an action plan for relieving any capital shortfalls and ensuring their viability, which must be approved by the Banco de España. If the institution needs public financial support, approval of the plan will require a favourable report from the FROB.

The Law requires institutions to submit periodically a report on the extent of compliance with the action plan and regulates the finalisation of this situation, either due to the achievement of its aims or, conversely, to the distress of the institution or inviability or non-fulfilment of its plan, triggering a restructuring or resolution process.

Second, "restructuring" applies when a credit institution requires public financial support to ensure its viability and objective factors make it reasonably foreseeable that such support will be repaid or recovered within the periods envisaged for each instrument or when, in the judgement of the Banco de España, the resolution of an institution would be seriously detrimental to the stability of the financial system.

The institution must submit a restructuring plan specifying the measures envisaged to ensure its long-term viability. This plan must be approved by the Banco de España and include, in addition to the elements envisaged for action plans, the restructuring instruments to be implemented by the FROB, of which there are basically two: public financial support and transfer of assets and liabilities to an asset management company.

On a quarterly basis, the institution must send to the Banco de España and, in this case, also to the FROB, a report on the degree of compliance with the restructuring plan and on its liquidity position. At the same time, the Banco de España has to inform the FROB of the decisions it adopts, including that of opening a resolution process if the institution's situation of distress so warrants.

Lastly, "resolution" applies when a credit institution is non-viable or is expected to become so in the near future, and for reasons of public interest and financial stability it is necessary to avoid winding-up proceedings. The resolution procedure will also be applied if, in the presence of such public interest, the restructuring phase has failed.

The Banco de España may, before the resolution process is opened, adopt certain measures to reduce or eliminate any obstacles which may arise during the resolution process. Those measures include requiring the institution to divest certain assets or limit its exposures, or requiring changes in the legal or operating structure of the institution or its group.

The Law provides that, after the resolution process is initiated, the Banco de España may replace the board or equivalent body of the institution, designating the FROB as

sole director, unless it is not necessary for ensuring the process of resolution proceeds properly.

The FROB has to draw up a resolution plan for the institution or, where appropriate, determine whether the initiation of an insolvency proceeding is called for. In this latter case, the FROB must immediately inform the Banco de España, the Minister of Economic Affairs and Competitiveness and the Deposit Guarantee Fund for Credit Institutions.

The Law establishes different specific resolution instruments, which may be adopted individually or jointly, such as: sale of the institution's business; transfer of assets or liabilities to a bridge bank; transfer of assets or liabilities to an asset management company; and financial support to the acquirers of the business, the bridge bank or the asset management company.

b. Financial support instruments

The Law envisages the financial support instruments which may be granted to credit institutions, including: the provision of guarantees; the granting of loans or credit lines; the acquisition of assets or liabilities, whose management may be assumed by the FROB or commissioned to a third party; and the subscription or purchase of recapitalisation instruments, through the purchase of ordinary shares or contributions to share capital or of instruments convertible into ordinary shares or contributions to share capital.

c. Hybrid capital and subordinated debt instrument management exercises

There are various provisions on hybrid capital and subordinated debt instrument management exercises which clarify who has to finance bank restructuring and resolution measures. The underlying principle is that shareholders and creditors should bear any restructuring or resolution expenses before the taxpayer, under the self-evident principle of liability and risk-taking. The purpose here is to minimise as much as possible the cost of restructuring for the taxpayer, as stipulated by European legislation on state aid.

Consequently, provision is made for voluntary hybrid capital instrument management exercises (e.g. offers of exchange for equity or offers to buy back securities, reduction in the face value of debt and early redemption at other than face value) and for compulsory exercises imposed by the FROB (e.g. deferment, suspension or elimination of rights, obligations or conditions of issues, the obligation to repurchase the securities involved or any other instrument management action that the institution may have adopted voluntarily) which will affect both preference shares and subordinated debt. The application of these actions and the instruments used to do so shall be decided by the FROB as permitted by the Law, having regard to the suitability of such application.

d. Asset management company

The Law provides that the FROB may order an institution in a situation calling for restructuring or resolution to transfer its "problem" assets to an asset management company. For this purpose a special transfer regime is established under which the consent of third parties and compliance with procedural requirements for changing company structure are not needed. Notably, under this special regime asset transfers may not be rescinded under the asset clawback actions provided for in insolvency law and the acquiring company is not obliged to make a takeover bid.

Also, the Banco de España is responsible for supervising compliance with the sole corporate purpose of these companies and for overseeing compliance with the specific requirements set for the assets and, where applicable, liabilities to be transferred to the asset management company. The implementing regulations of the legal regime governing the organisation and operation of these asset management companies, and the powers of the FROB

and the Banco de España in relation thereto, are set out in Royal Decree 1559/2012 of 15 November 2012 establishing the legal regime of asset management companies, discussed in Section 2.2.2 below.

e. Legal regime governing the FROB

The FROB is responsible for managing the processes of credit institution restructuring and resolution. For this purpose, the Law strengthens the powers of the FROB, endowing it with certain commercial and administrative powers for applying the instruments and measures envisaged in this Law.

The FROB is responsible for exercising the powers granted under commercial law to the board or equivalent body of the institution, or to the shareholders, as the case may be, or to the general meeting or assembly where such meeting or assembly obstructs or rejects restructuring or resolution, or where so required for reasons of special urgency.

Noteworthy among the FROB's administrative powers are that it can: order the transfer of equity instruments or securities convertible into them, and of the assets and liabilities of the institution; make capital increases or reductions, and issue or redeem bonds, with the authority to disapply pre-emption rights; implement hybrid capital and subordinated debt instrument management exercises; and order the transfer of securities deposited at an institution to another institution.

The administrative acts ordered by the FROB to implement the measures and instruments envisaged in the Law are enforceable and therefore directly applicable with no need to comply with any formality or requirement established by law or contractually. The public interest element in restructuring and resolution processes, which aims to safeguard the stability of the financial system, justifies the executive nature of these resolution measures.

The voting powers which, under the previous legislation, credit institutions held as representatives of the Credit Institution Deposit Guarantee Fund have been abolished, and the post of general manager, who will exercise the executive powers of the FROB, has been created. Also, rules have been set on cooperation and coordination between the FROB and other competent Spanish or international authorities, such rules being similar to those already in place for institutions such as the Banco de España.

f. Amendment of financial regulations

Lastly, the Law amends various pieces of financial legislation, in line with the provisions of Royal Decree-Law 24/2012. Some of these amendments affect credit institution solvency and reorganisation regulations and are described elsewhere in this Report. The other amendments include most notably, but are not limited to, the following:

- Law 26/1988 of 29 July 1988 on discipline and intervention of credit institutions: (i) the failure to send to the Banco de España the action or restructuring plans referred to in Law 9/2012 is deemed to be a very serious infringement, (ii) the powers of the Banco de España to impose penalties are strengthened and, in addition, from 1 January 2013 it is endowed with the power to authorise the creation of credit institutions and the establishment in Spain of branches of credit institutions not licensed in the EU, (iii) it becomes compulsory for credit institutions to prepare and keep up-to-date a general viability plan which has to be approved by the Banco de España and (iv) the reasons for provisionally replacing the board or equivalent body of credit institutions are broadened to include the situations envisaged in Law 9/2012.

- Royal Decree-Law 16/2011 of 14 October 2011 creating the Credit Institution Deposit Guarantee Fund: (i) the purpose and function of the fund is limited to guaranteeing deposits at credit institutions, and its function of strengthening the solvency and functioning of credit institutions is abolished; and (ii) the fund is empowered to take measures to support the resolution of credit institutions. Also, the system of additional contributions established by Royal Decree 771/2011 in Royal Decree 2606/1996 of 20 December 1996 is abolished.
- Royal Decree-Law 11/2010 of 9 July 2010 on governing bodies and other aspects of the legal regime of savings banks: amendment of the legal regime for transforming into special foundations those savings banks which pursue their financial activity indirectly through a bank. Specifically, the reasons for transformation include the restructuring or resolution of the savings bank in question and the loss of control or reduction of its holding in the bank below 25 % of the voting rights. Also, a time limit of five months is set for carrying out the transformation, after which, pursuant to the Law, all the savings bank's governing bodies must be dissolved and it must be removed from the Banco de España's register of credit institutions. A management committee has to be appointed to adopt any resolutions necessary to implement the transformation. Lastly, a transitional provision is also included to regulate the regime applicable to institutions which, at the time of this Law's coming into force, are in any of the situations legally requiring their transformation into a special foundation.

2.2.2 ROYAL DECREE 1559/2012
OF 15 NOVEMBER 2012
ESTABLISHING
THE LEGAL REGIME
GOVERNING ASSET
MANAGEMENT
COMPANIES⁶

As noted in the preceding section, the transfer of assets and liabilities to an asset management company is one of the restructuring and resolution tools envisaged in Law 9/2012, which addresses the regulation of these companies from two different perspectives: a general one, applicable to the asset management companies which may be created in the future if there are new processes of credit institution resolution and restructuring, and a specific one, for the resolution and restructuring process currently under way in Spain.

The general regulatory framework is set out in Chapter VI of Law 9/2012, which addresses the legal nature of these companies (which must be public limited companies) and their supervision and sanctions regime, leaving it to the implementing regulations to determine matters relating to their organisational structure and their corporate governance obligations. That chapter also sets out the criteria to be taken into account for defining the asset and liability categories to be transferred to these asset management companies (e.g. activity to which they relate, age in the balance sheet, accounting classification, etc.).

The specific regulatory framework referred to above is set out in the seventh to tenth additional provisions of Law 9/2012, which govern the creation of the Asset Management Company for Assets Resulting from Bank Restructuring ("Sareb" by its Spanish abbreviation), to which must be transferred the assets and liabilities arising from the current restructuring process. Those provisions also determine the assets and liabilities to be transferred to the Sareb and the institutions obliged to do so, and empower the Sareb to organise them into blocks of segregated assets bereft of separate legal personality.

Royal Decree 1559/2012 undertakes, from the aforementioned dual perspective, the required implementation of the provisions contained in Law 9/2012. Specifically, it sets out the organisation and operation regime governing asset management companies, along

⁶ BOE of 16 November 2012.

with the powers of the FROB and the Banco de España in relation to these companies, and completes the legal regime of the Sareb by specifying matters relating to its incorporation, share capital, shareholder structure, governing bodies, obligatory committees (audit committee, compensation and appointments committee, etc.), general requirements for transparency and preparing annual accounts, compulsory reports (i.e. activity report and independent compliance report), monitoring committee and the regime governing the segregated assets known as “Bank Asset Funds” (BAFs).⁷

2.2.3 MINISTERIAL ORDER
ECC/1762/2012 OF 3
AUGUST 2012
IMPLEMENTING ARTICLE
5 OF ROYAL DECREE-LAW
2/2012 OF 3 FEBRUARY
2012 ON BALANCE SHEET
CLEAN-UP OF THE
FINANCIAL SECTOR AS
REGARDS
REMUNERATION IN
INSTITUTIONS WHICH
RECEIVE PUBLIC
FINANCIAL SUPPORT FOR
REORGANISATION OR
RESTRUCTURING⁷

Article 5 of Royal Decree-Law 2/2012 of 3 February 2012 on balance sheet clean-up of the financial sector and Ministerial Order ECC/1762/2012 of 3 August 2012 regulate the remuneration regime of the senior officers of credit institutions receiving public financial support for reorganisation or restructuring.⁸ This regime is supplemented by the provisions of Law 3/2012 of 6 July 2012 on urgent measures to reform the labour market.

The scope of application of the Ministerial Order is limited to the directors and senior managers of credit institutions which have received public aid.

The upper limits on compensation are set on the basis of the FROB’s holding in these institutions. In institutions majority held by the FROB, the directors and managers may not receive variable remuneration. Additionally, non-executive members of the board or equivalent body may not receive total annual gross fixed remuneration of more than €50,000. Executive chairmen, managing directors and similar officers may not receive a total annual gross fixed remuneration of more than €300,000.

In institutions not majority owned by the FROB but receiving financial assistance from it, non-executive members of the board or equivalent body may not receive total annual gross fixed remuneration of more than €100,000. Executive chairmen, managing directors and similar officers may not receive a total annual gross fixed remuneration of more than €500,000.⁹ In both cases, annual variable remuneration may not exceed 60 % of annual gross fixed remuneration and the receipt of this remuneration must be deferred by three years from its accrual date, and is conditional on whether the results achieved, in comparison with those targeted in the plan, justify such payment. However, if the managers have been hired after or at the same time as the financial support from the FROB is received, the variable remuneration may amount to as much as 100 % of the annual gross fixed remuneration, provided that prior approval is given by the Banco de España, which in all cases must authorise the amount, accrual and payment of any variable remuneration of directors and managers.

To calculate the limits stated above, all compensation received from the various institutions belonging to the same group as the institution majority-owned or supported by the FROB must be taken into account, as also must be any remuneration, allowances, compensation or similar amounts that the managers and directors may receive from institutions in which they hold any office for or on behalf of the institution majority-owned or supported by the FROB.

Finally, the seventh additional provision of Law 3/2012 of 6 July 2012 prohibits credit institutions fully or partially owned or financially supported by the FROB from making sever-

⁷ BOE of 8 August 2012.

⁸ Apart from those considered here, there are special rules for integration/merger of institutions and for divestment.

⁹ The original wording specified the amount of €600,000, later reduced to €500,000 by Law 9/2012 of 14 November 2012.

ance payments in excess of the lower of the following amounts: a) twice the maximum levels resulting, respectively, from the annual gross fixed amounts stated above for executive chairmen, managing directors and managers; or b) twice the stipulated fixed annual remuneration.

2.2.4. ROYAL DECREE 778/2012
OF 4 MAY 2012
ON THE LEGAL REGIME
FOR ELECTRONIC
MONEY INSTITUTIONS¹⁰

This Royal Decree implements Law 21/2011 of 26 July 2011 on electronic money and completes the transposition of Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions.

From an operating standpoint, electronic money institutions can be considered to be payment service providers which, in addition, can issue electronic money. Consequently, the legal regime of these institutions is based on that of payment institutions, to which are added the specific prudential requirements relating to the issuance of electronic money.

As with payment institutions, electronic money institutions are not required to have any particular legal form other than being a company, by virtue of either their corporate purpose or of how they were formed. They must have share capital of at least €350,000 and their own funds requirements are set on the basis of the activity pursued. Thus, the own funds requirements for electronic money issuance are 2% of the average outstanding electronic money during the six months preceding the calculation date. If the institution also provides payment services not related to the issuance of electronic money, it will have to hold additional own funds, the calculation procedure and amount of which are the same as for payment institutions.¹¹

The Royal Decree specifies the safe low-risk liquid assets in which, as a safeguard, the funds received from customers have to be invested, both for electronic money issuance and for any payment services provided. It also specifies the requirements to be met by the indemnity insurance or the comparable guarantee which, as an alternative, may be arranged by the institution as a means of safeguarding customers' funds. However, unlike with payment institutions, this alternative is not left open to the decision of the institution, but rather has to be previously authorised by the Banco de España at the request of the institution.

Regarding the pursuit of cross-border activities of electronic money institutions, the Royal Decree makes the same legal provisions as for payment institutions. This is not surprising if it is taken into account that electronic money institutions enjoy European passports to engage in the EU-wide issuance of electronic money and provision of payment services on either a joint or a separate basis. The only special consideration arises from the capacity of electronic money institutions to distribute and redeem electronic money through natural or legal persons acting in their name. The Royal Decree makes this intermediation subject to the same procedures as apply to the cross-border provision of the remaining services. Consequently, both cross-border distribution networks and those in charge of them are subject to the requirement of prior registration at the Banco de España.

As could not be otherwise, the regime applicable to the agents of electronic money institutions is identical to that for payment institutions, although it should be noted that electronic money institutions may not issue electronic money through agents (they may only

¹⁰ BOE of 5 May 2012.

¹¹ See Section 3.2.4 of the Report on Banking Supervision for 2010.

distribute and redeem it through natural or legal persons authorised to do so). Also, the payment accounts which electronic money institutions may keep to provide payment services are subject to the same limitations and conditions as those established in this respect in Royal Decree 712/2010 of 28 May 2010 on the legal regime governing payment services and payment institutions.

Finally, the Royal Decree sets out the provisions specifically applicable to electronic money institutions which do not have the sole corporate purpose of issuing electronic money or providing payment and ancillary services, but rather also engage in some other economic activity. The specific stipulations of the Royal Decree for these institutions, which it refers to as hybrid electronic money institutions, are similar to those established for hybrid payment institutions in the aforementioned Royal Decree 712/2010, the only special feature being that to the provision of payment services is now added the issuance of electronic money.

2.3 Operational framework

2.3.1 IMPROVEMENT OF THE PROTECTION OF MORTGAGORS

- a. Royal Decree-Law 6/2012 of 9 March 2012 on urgent measures to protect mortgagors without funds¹²

In view of the exceptional circumstances deriving from the long economic and financial crisis currently prevailing, in 2012 the Spanish government promulgated two pieces of legislation basically intended to enable people with a mortgage loan to purchase their principle residence to meet their obligations despite the adverse circumstances.

This Royal Decree-Law establishes diverse measures to allow mortgage debt to be restructured and to enable mortgage foreclosures to be made more flexible for debtors in extreme situations. These mechanisms are effected through a code of good practices which is voluntary for credit institutions or any other institution professionally engaging in the business of mortgage lending.

The measures set out in the Royal Decree-Law apply to current loans secured by a real-estate mortgage on the only house owned by the mortgagor that were granted to purchase it, where the debtor has exceeded the so-called “exclusion threshold”. This threshold is defined in terms of certain economic criteria which must be documentarily evidenced by the debtor to the credit institution.

In all real-estate mortgage loan agreements in which the debtor has exceeded the exclusion threshold, the maximum penalty interest is the result of adding to the interest under the loan a rate of 2.5 % on the outstanding loan principal. In addition, the Royal Decree-Law sets stricter requirements for the out-of-court foreclosure on real-estate assets provided for in Article 129 of the Mortgage Law, and certain rental assistance for tenants affected by mortgage foreclosure processes after 1 January 2012.

The code of good practices for viable restructuring of debts secured by a mortgage on principle residence envisages the following measures: (i) as measures prior to mortgage foreclosure, various forms of debt restructuring (principal repayment grace period, lengthening of the repayment period, reduction of the interest rate); (ii) as supplementary measures, the acquittance of the outstanding principal; and (iii) as measures to replace the mortgage foreclosure when neither restructuring nor acquittance is viable, the possible dation in payment of the principle residence, with the consequent total settlement of the mortgage debt and the option that the debtor may remain in the house as a tenant for up to two years.

¹² BOE of 10 March 2012. Validated by parliamentary resolution of 29 March 2012.

Finally, the Royal Decree-Law includes tax measures to reduce the tax cost entailed by the transactions envisaged in the code of good practices.

- b. Royal Decree-Law 27/2012 of 15 November 2012 on urgent measures to strengthen the protection of mortgagors¹³

The basic purpose of this Royal Decree-Law, which came into force on 16 November 2012, is to suspend immediately for two years the eviction from their principle residence of families at particular risk of exclusion. Specifically, the suspension of evictions requires that the principle residence of persons who are considered to be particularly vulnerable for any of the reasons specified in the Royal Decree-Law (i.e. large family, single-parent family with two dependent children, household unit in which the mortgagor is unemployed and has exhausted his or her unemployment benefits, etc.) and who meet the economic requirements specified therein, has been awarded to the creditor (or to a person acting on the creditor's behalf) in a court or out-of-court mortgage foreclosure process initiated as a result of default on the mortgage loan granted for purchase of that house, which must be the only one owned by the debtor. All these circumstances must be documentarily evidenced by the debtor in the mortgage foreclosure process before the eviction is carried out.

The sole additional provision of the Royal Decree-Law entrusts the government with promoting, in concert with the financial sector, the creation of a social housing fund for the purpose of renting out houses which still belong to credit institutions, on affordable terms to people who have been evicted from their principle residence due to mortgage loan default, are particularly vulnerable and meet the economic requirements specified in the Royal Decree-Law.

- 2.3.2 ORDER ECC/2502/2012 OF 16 NOVEMBER 2012 REGULATING THE PROCEDURES FOR THE FILING OF COMPLAINTS WITH THE CLAIMS SERVICES OF THE BANCO DE ESPAÑA, THE CNMV, AND THE DIRECTORATE GENERAL FOR INSURANCE AND PENSION FUNDS¹⁴

The purpose of this Order, which regulates the processing of complaints, claims and enquiries lodged with the claims services (as Alternative Dispute Resolution schemes) of the relevant Spanish supervisory authorities, is to improve the effectiveness of these services in protecting the rights of customers in their respective areas of activity.

Pursuant to this Order, complaints¹⁵ claims¹⁶ and enquiries¹⁷ may be submitted by: (i) Spanish and foreign natural and legal persons, as users of financial services; (ii) persons or entities acting in defence of the specific interests of their customers, investors, insurance policy holders, insureds, beneficiaries, injured third parties, or right-holders of any of the foregoing, together with pension plan members and beneficiaries; and (iii) associations and organisations representing the legitimate collective interests of users of financial services, provided that such interests are affected, and that these entities are legally authorised to act in their defence and protection.

As in the past, a complaint or claim will only be admitted and processed if the customer demonstrates that it has previously been made to the customer service department or customer ombudsman of the institution against which the complaint is made. The Order

¹³ BOE of 16 November 2012. Validated by parliamentary resolution of 29 November 2012.

¹⁴ BOE of 22 November 2012.

¹⁵ These include complaints by users of financial services regarding delays, neglect or any other failing in the actions of financial institutions against which the complaint is filed.

¹⁶ These include claims made by users of financial services in relation to specific facts or acts or omissions by financial institutions where such claims are made with a view to obtaining compensation for the harm to the user's interest or right, which the latter considers has been prejudiced by breaches on the part of the institution against which the complaint is made, the regulations on transparency and customer protection, or good practices in financial business.

¹⁷ Enquiries are considered to be requests for advice and information on questions of general interest concerning the rights of users of financial services as regards transparency and customer protection, or regarding the legal channels for the exercise of these rights.

also sets out the cases and grounds for inadmissibility of complaints or claims to the claims services.

Although the respective services remain separate, they continue to operate as a “one-stop shop”, so claims or complaints can be submitted indistinctly to any of them. The service chosen by the customer will be responsible for sending the claim or complaint to the one competent to resolve it. Claims must be processed within a maximum of four months and complaints must be resolved within three months, counting from the time of submission of the claim or complaint to the competent service.

The final step in processing a claim or complaint will be a reasoned report setting out clear conclusions specifying whether the rules of transparency and protection have been infringed, and whether the institution has abided by financial sector good practice. Nevertheless, the report will continue to be non-binding and will not be considered an administrative act subject to appeal. However, if the report finds against the institution against which the complaint was made, the institution must give express notice as to whether or not it accepts the report’s arguments, and, where applicable, provide documentary evidence of having corrected the situation referred to by the complainant.

Enquiries cannot refer to a specific transaction involving a specific institution. In its decision, the competent claims service must set out the applicant’s rights in relation to transparency and customer protection, and the legal channels available for their exercise. The reply to the enquiry will be for information purposes only. It will not be binding in relation to any persons, activities or scenarios envisaged in the enquiry.

2.3.3 BANCO DE ESPAÑA
CIRCULAR CBE 5/2012
OF 27 JUNE 2012 TO
CREDIT INSTITUTIONS
AND PAYMENT SERVICES
PROVIDERS ON
TRANSPARENCY OF
BANKING SERVICES AND
RESPONSIBLE LENDING¹⁸

This Circular, which implements, in an orderly manner consistent with best market practices, the mandates contained in Ministerial Order EHA/2899/2011 of 28 October 2011 on transparency and customer protection in banking services, replaces the long-lived Circular CBE 8/1990 of 7 September 1990 to credit institutions on transaction transparency and customer protection.

The new Circular, which sets out the implementing rules of the new specific framework for transparency and customer protection in banking services, is described in detail in Box 1.1 of this Report.

2.3.4 ROYAL DECREE-LAW
2/2012 AND CIRCULAR
2/2012 OF 29 FEBRUARY
2012 AMENDING
CIRCULAR 4/2004

In 2012 several regulations were approved on the restructuring of credit institutions’ balance sheets affected by the impairment of their real estate-related assets. They were promulgated to rebuild the credibility of the Spanish banking system and restore confidence in it. Royal Decree-Law 2/2012 (RDL 2/2012) of 3 February 2012 on balance sheet clean-up of the financial sector required provisions to be recorded by 31 December 2012¹⁹ for foreclosed real-estate development and construction loans and assets relating to credit institutions’ business in Spain as at 31 December 2011.

Consequently, the Banco de España approved Circular 2/2012 of 29 February 2012 amending Circular 4/2004. Its main objective was to incorporate the measures in RDL 2/2012 by requiring the following minimum provisions:

¹⁸ BOE of 6 July 2012.

¹⁹ The institutions which undertook integration processes in 2012 will have 12 months from the authorisation of the integration operation.

- i) 7 % of loans to the real-estate sector classified as standard for accounting purposes.
- ii) 60 % of loans classed as doubtful or substandard granted for financing land, unless the development was in progress, in which case provisioning of 50 %²⁰ was required.
- iii) 25 % of real estate development loans for all manner of assets, if completed, classified as doubtful for accounting purposes, and 20 % of those classified as substandard (24 % if uncollateralised).

Additionally, RDL 2/2012 raised, as a general criterion, the minimum provisioning required to 40 % for real estate assets received in satisfaction of debt and held on the balance sheet for more than 36 months. In particular, for the assets received consisting of completed construction or real estate developments and of individuals' dwellings not constituting the borrowers' principal residence, the minimum provisioning rate applicable was set at 25 %. This rises to 30 % for those on the balance sheet more than 12 months but not more than 24 months; to 40 % for those held more than 24 but not more than 36 months; and to 50 % for those held more than 36 months. As for assets received which comprise land for real estate development or construction, irrespective of how long they have been on the balance sheet, the minimum provisioning was set at 60 %, being lowered to 50 % where the construction or development was in progress.

2.3.5 ROYAL DECREE-LAW
18/2012 AND CIRCULAR
6/2012 OF 28 SEPTEMBER
2012

Subsequently, Royal Decree-Law 18/2012²¹ of 11 May 2012 on write-down and sale of financial sector real estate assets increased the write-downs required under RDL 2/2012 for real estate loans classified as standard for accounting purposes as at 31 December 2011 and established additional provisioning of 45 % for loans collateralised by land, of 22 % for loans collateralised by developments in progress, of 7 % for loans collateralised by completed developments and of 45 % for loans without collateral.

As a result of Royal Decree-Law 18/2012, the Banco de España approved Circular 6/2012 of 28 September 2012 which, aside from this change in provisioning rules, required the following disclosures in credit institutions' individual and consolidated financial statements: information on refinancing and restructuring transactions, information on sectoral and geographical risk concentration, and information on the assets foreclosed or received in satisfaction of debt that are transferred to specifically created companies or investees for the management of such assets.

Additionally, Circular 6/2012 creates the obligation for institutions to have a policy approved by the Board of Directors on loan refinancing, restructuring, rollover or renegotiation. The definitions of these terms are included in the Circular, which addresses the requirements they must meet for this purpose, as well as the application of certain criteria in relation to these transactions. It is specified that these measures must be used appropriately and their use should not distort the appropriate recognition of default risk and the immediate recording of amounts deemed uncollectible.

²⁰ Should the loan for the development in process be classified as substandard, the minimum provision required is reduced to 24 %.

²¹ Royal Decree-Law 18/2012 was passed through Parliament as Law 8/2012 of 30 October 2012 on write-down and sale of financial sector real estate assets.

3 DEVELOPMENTS IN INTERNATIONAL BANKING REGULATION AND SUPERVISION FORA

3 DEVELOPMENTS IN INTERNATIONAL BANKING REGULATION AND SUPERVISION FORA

In 2012, international committees continued to work on designing and implementing the new international prudential standards on capital, liquidity, resolution and systemically important banks.

The response to the crisis that broke in 2007 was given momentum and political direction at the highest level by the G20. The basic objectives of their agenda for financial reform were to reduce systemic risk and to make financial institutions more resilient in the face of adverse shocks. The Financial Stability Board (FSB) played a key role in developing these objectives and coordinated the work of numerous institutions and international committees, including most notably, in the banking field, the Basel Committee on Banking Supervision (BCBS). As regards the FSB's work in 2012, there was progress on the project seeking to lessen the moral hazard arising from the existence of systemic financial institutions, on the monitoring and regulation of so-called shadow banking and on the reform of the workings of OTC derivatives markets.

In December 2010 the BCBS approved the package of measures known as Basel III. In addition to strengthening the capital framework already in place, this accord entailed the introduction of a leverage ratio and two liquidity ratios. In 2012 the Committee finalised the design of the short-term liquidity ratio and concluded the framework for the treatment of domestic systemic banks, the treatment of exposures to central counterparties and the review of key supervisory principles. It also issued consultative documents on the fundamental review of the trading book and on the securitisation framework. Furthermore, it is reviewing the guidelines on large exposures, which date back to 1991, to bring about an effective and internationally harmonised standard in this area.

Within the European Union, the European Banking Authority (EBA), in its second year of operating, worked most actively in the regulatory arena issuing, among other documents, guidelines and binding technical standards. It also contributed with its opinions to various European legislative initiatives and consultative papers relating to the banking sector. Further work saw it promoting the convergence of supervisory practices through active participation in the European supervisory colleges and fostering customer safeguards. Lastly, following the recapitalisation exercise in June 2012, it continued monitoring the capital levels of European banks.

The European Systemic Risk Board (ESRB), which is responsible for macroprudential supervision in the European Union, continued its work on identifying and analysing the chief risks to financial stability. The results of this were its recommendations on the dollar financing of banks, on bank financing and on money market funds, with specific proposals to mitigate the risks identified in these areas. The ESRB also continued working on the development of a macroprudential supervision framework in the European Union.

3.1 International fora

3.1.1 WORK OF THE FINANCIAL STABILITY BOARD (FSB)

The FSB has a mandate from the G20 to promote financial stability. Represented on the FSB are the authorities responsible for supervision, financial stability and the ministries of finance of 24 countries, including Spain, and the main bodies and international committees with responsibility for the financial sector. As well as analysing the main vulnerabilities affecting the financial system in coordination with the International Monetary Fund (IMF) and the Bank for International Settlements (BIS), and collaborating in the early-

	Meetings (b)	Groups (as of 31.12.2012)
European Systemic Risk Board (ESRB)	33	10
European Banking Authority (EBA)	151	42
General Board	11	1
Management Board (c)	3	1
Standing Committee on Accounting, Reporting and Auditing (SCARA)	18	8
Standing Committee on Consumer Protection and Financial Innovation (SCConFin) (d)	12	4
Standing Committee on Oversight and Practices (SCOP)	24	6
Standing Committee on Regulation and Policy (SCRePol)	66	17
Other	17	5
Groups of the Joint Committee of the European Supervisory Authorities (e)	13	10
Financial Stability Committee (FSC)	6	6
Financial Stability Board (FSB)	46	27
Basel Committee on Banking Supervision (BCBS)	95	31
BCBS	5	1
Accounting Task Force (ATF)	14	2
Policy Development Group (PDG)	44	16
Standards Implementation Group (SIG)	22	8
Other	10	4
Joint Forum	7	3
Association of Supervisors of Banks of the Americas (ASBA)	5	1
Senior Supervisors Group (SSG)	8	1
TOTAL	364	131

SOURCE: Banco de España.

- a The numbers for each committee include the individuals in the groups reporting to the committee and the committee members.
b The number of meetings includes conference calls by the committees and the permanent groups reporting to them ("level 2 groups").
c Fernando Vargas has been one of the members of the EBA Management Board since June 2012.
d Up to 4 May 2012: Standing Committee for Financial Innovation (SCFI).
e Joint groups of the three Supervisory Authorities (Banking, Insurance and Occupational Pensions, Securities and Markets).

warning exercises, the FSB has since its creation led the reform of international financial regulations in response to the crisis that broke in 2007-2008 and taken responsibility for overseeing the consistent implementation of the reforms proposed in the various jurisdictions.

Over the course of 2012, notable headway was made in concluding the regulatory reform agenda. There was progress in developing and setting in place the regulatory framework for global systemically important financial institutions (G-SIFIs), the reform of OTC derivatives markets and the regulation of the "shadow financial system".

In November 2012 the FSB released the updated list of global systemically important banks (G-SIBs) and various preliminary reports, most notably on resolution and on intensive and effective supervision. The FSB is also promoting the development of a specific treatment for systemic institutions outside the banking sector (insurance, infrastructures, securities houses). In the banking area, it promoted the publication by the Basel Committee of principles for the treatment of systemic institutions from a domestic standpoint (D-SIBs). To make it easier, moreover, to compile and analyse information on global systemic banks, the FSB has harmonised coding through the LEI (Legal Entity Identifier) system.

In June 2012 the political decision was taken to promote the single supervisory mechanism (SSM). This gave rise to the drawing up and subsequent approval by the European Council on 14 December 2012 of the proposal for a Regulation giving legal form to this initiative. Headway has been made in 2013 on the negotiation and technical refinement of this text, to which the European Parliament has already expressed its support, pending the definition of the model of transparency and accountability of the new supervisor. The text is therefore expected to be approved shortly and, 12 months after its entry into force, the new supervisory mechanism should be operational. On 14 December 2012 the European Council (following the Ecofin resolution of 12 December) approved the proposal for a Regulation for the creation of the Single Supervisory Mechanism.

Rationale

Reflection on the usefulness of an integrated supervisory system to tackle the challenges associated with the increased financial interdependence of the European countries led to provision being made for the possibility, in Article 127.6 of the Treaty on the Functioning of the EU, of giving the ECB prudential supervisory powers over credit institutions and other financial institutions (with the exception of insurance companies) further to a unanimous decision by the Member States.

The different episodes of the economic, banking and sovereign debt crisis recently experienced in the European Union have spurred discussions and reflection on the shortcomings in the institutional design of Economic and Monetary Union.

In response, the decision to create the SSM aims to enhance the quality of supervision, to promote market integration and to break the link between banking risk and sovereign risk, whose harmful effects have been felt in various European countries over this period. In turn, the SSM is considered to be a pre-requisite for potential direct involvement of the European Stability Mechanism (ESM) in the recapitalisation of banks.

The SSM is part of a more extensive project, known broadly as “banking union”. This umbrella heading also comprises the Single Resolution Mechanism, an initiative which, in terms of the resolution of credit institutions, aims to apply similar criteria to those planned for the supervision of banks, such that the attendant decisions will also be adopted at the European level. The European Commission is expected shortly to put forward an initial proposal, which would ideally be discussed and approved in time for its launch alongside the entry into force of the new supervisory mechanism. The banking union would be completed with a common deposit guarantee system, although the debate on this area has been postponed.

Scope of the Single Supervisory Mechanism

The SSM will encompass all the euro area countries. Additionally, it is envisaged that other European Union countries may apply to join, which would require prior agreement.

Under the proposal, the ECB will directly assume functions for the prudential supervision of credit institutions or consolidatable groups identified as most significant, considering as such, unless circumstances warrant otherwise, those that meet at least one of the following conditions:

- They have total assets exceeding €30 billion.
- They have an assets/GDP ratio of over 20 %, unless total assets are lower than €5 billion.
- They are considered significant at the national level by the competent national authority (CAN), following confirmation of this importance by the ECB, further to a full assessment.

The ECB shall, moreover, assume direct supervision of those institutions or groups that have requested or received direct financial assistance from the European Financial Stability Fund (EFSF); the three most significant institutions of each participating Member State; and those institutions that the ECB considers significant for having subsidiaries in more than one SSM Member State and whose cross-border assets or liabilities account for a significant portion of the credit institution's total assets or liabilities.

Regarding other banks, the ECB will assume indirect supervision, involving the definition of criteria to be followed by the national authorities in the exercise of their functions and decision-making, and in the oversight of the functioning of the system. Further, if necessary, the ECB may decide to assume supervisory functions itself.

The ECB as the new supervisory authority and the role of the national authorities

The SSM is defined as a European supervisory system comprising the ECB and the CNAs of the participating Member States. It is not a reinforced cooperation arrangement between national authorities; rather, it entails the effective transfer to the ECB of all relevant functions pertaining to the supervision of the most significant banks. In this connection, the ECB will be supported and assisted by the national authorities.

Under the proposed Regulation, it befalls the national authorities, in relation to the supervision exercised by the ECB over the most significant banks:

- To provide assistance to the ECB in the preparation and application of supervisory decisions.
- To provide assistance to the ECB in validation tasks.
- To provide whatsoever information should be required for the ECB's performance of its functions.
- To formulate proposals on certain types of decision, such as the granting and repeal of authorisations, and on significant interests.

In any event, the practical arrangements for cooperation between the ECB and the national authorities in the performance of their new functions have to be specified in framework provisions on which the ECB, in cooperation with the national authorities, is working vigorously. Indeed, the different working groups of a Task Force set up to this end, under the leadership of the High Level Group on Supervision chaired by the president of the ECB, are tackling defining the supervisory model and the fit and functions of the national authorities within the SSM. They are likewise addressing other relevant issues, such as the collection of data for the identification of the map of institutions that will come under the direct supervision of the ECB, the definition of a uniform reporting system for banks and the details of the overall assessment exercise for banks, prior to the transfer of supervisory responsibilities.

In this work, and as far as the Regulation will allow, it would be advisable to strike the most appropriate balance so that, while maintaining the direct responsibility of the ECB, the SSM may benefit from the CNAs' experience, knowledge of local markets and resources. It would likewise be advisable to apply a degree of gradualism to the implementation of the unified procedures ultimately defined, so as to ensure a fluid transition and to avert the

risk of discontinuity in the performance of the supervisory function.

Governance and accountability

Special relevance has been given in the draft Regulation to the need to safeguard the independence of the ECB's supervisory function in relation to its monetary policy function. In this connection, a Supervisory Board – on which both the CNAs and the ECB will sit – has been set up. Various provisions have been laid down with a view to mitigating potential conflicts of interest between both these ECB functions.

Within the SSM, the ECB will adopt relevant decisions that will have direct repercussions on banks across the euro area countries. For this reason, a dual institutional system of accountability is envisaged: on one hand to the European institutions, and on the other to national parliaments. It should be borne in mind that, unlike monetary policy decisions, which are extended to all euro area countries, supervisory decisions will have a direct effect on the banks of specific countries. Accordingly, the active presence of the ECB before the citizens and authorities of each country will be all the more welcome.

The strengthening of banking regulations entails the need to take measures to prevent a shift by credit intermediation towards less regulated sectors (the “shadow banking system”) from giving rise to systemic risk situations. In coordination with the International Organization of Securities Commissions (IOSCO) and the Basel Committee, the FSB issued various consultative papers in 2012 with proposals for regulatory reforms in this area, most notably in connection with alternative funding through repos and securities lending. In addition, it released a second report monitoring intermediation that takes place outside the banking sector.

With a view to reducing interconnectedness between financial institutions, it continued to promote in 2012 the developments needed in OTC derivatives markets to meet G20 requirements that all transactions with standardised OTC derivatives should be cleared in central counterparty clearing houses (CCPs), traded on trading platforms and registered on centralised registration platforms.

In April 2012 it released principles for sound residential mortgage underwriting practices, in response to one of the root causes of the crisis, following up on prior work by the Joint Forum (for the banking, securities and insurance sectors).

The FSB was also instrumental in drawing up recommendations for the public dissemination of information by the industry and is raising the profile of the analysis of the unintended effects of regulatory reforms that may affect the financial stability of emerging and developing economies.

Through its Standards Implementation Committee, the FSB is exhaustively monitoring the implementation of the reforms agreed in its various jurisdictions by means of mechanisms such as peer reviews or preliminary reports on areas of the reform identified as priorities

(Basel III in coordination with the Basel Committee, remuneration, OTC derivatives, etc.). In 2012 it also issued a thematic review on deposit guarantee schemes, and two country reviews (on Switzerland and Canada).

Lastly, the broad mandate extended by the G20 to the FSB and the volume of activities undertaken by the latter prompted a review of its governance so as to ensure its independence and endow it with sufficient resources, nonetheless maintaining its close links to the BIS. This process saw the FSB acquire legal personality, and it was specifically converted into an association under Swiss legislation, though it continues to be hosted and funded by the BIS. Further, as a means of extending the scope of its actions to a greater number of non-member jurisdictions, the FSB continued in 2012 to interact with these jurisdictions through the regional consultative groups.

3.1.2 WORK OF THE BASEL COMMITTEE ON BANKING SUPERVISION (BCBS)

The Banco de España continues to be closely involved in the work under way within the Basel Committee on Banking Supervision (BCBS). This work continues to respond to the weaknesses in prudential banking regulation highlighted during the crisis and focuses on reinforcing the regulatory framework and boosting the attendant implementation consistently.

In December 2010, the package of measures known as Basel III¹ was approved. This accord, in addition to reinforcing the capital framework already in place, entailed the introduction of two new regulatory instruments: a leverage ratio, and two liquidity ratios. Both measures are subject to an observation period, during which their behaviour will be analysed to so as to confirm whether they meet the objectives for which they have been designed and to preclude any undesirable effects. On the basis of this observation, their design will be altered if necessary. During 2012 the Committee revised the design of the short-term liquidity coverage ratio (LCR), which was finally approved in January 2013 (see Box 3.2). Under this revised design, the calibration of the denominator (liquidity needs) has been altered, and the definition of the numerator – i.e. the stock of highly liquid assets that banks must have to cover their liquidity needs – has been changed. A distinction is drawn between several categories of assets, on the basis of their quality/degree of liquidity, with a new category being opened that allows for the inclusion of lower-graded assets, albeit in a very small proportion. Moreover, the Committee has decided to re-schedule the implementation of this new ratio, which will now be phased in from 2015, beginning with a 60 % ratio that will increase 10 % annually until 2019, when it will come fully into force. As regards other Basel III measures, the Committee continues to analyse the effects their implementation may have on banks' capital ratios and to respond to banks' doubts concerning the new regulations. In addition, the text regulating communication to the markets of the composition of capital has been released.

The Committee is particularly striving to ensure that its measures (Basel III and the previous regulatory packages) are implemented consistently across all the countries that have undertaken to follow them. In this connection, it is analysing the effective and consistent transposition of the rules to national legislation, and any potential slippage; and it is reviewing the practical application of specific elements. In 2012 the transposition of the Basel framework in the European Union (EU), the United States and Japan was analysed. In October the findings of these assessments were published, preliminarily so in the EU and the United States, since the legislative processes transposing the new framework had not yet been concluded. As to the review of specific elements, work focused on calculating asset weightings, in order to increase convergence in respect of the application of the broad Basel framework (see Section 4 of Chapter 1).

In January 2013 the Banking Supervision Committee published “The Liquidity Coverage Ratio and liquidity risk monitoring tools”. This document includes changes to the design of the liquidity coverage ratio (LCR) published in 2010. The LCR is part of the package of measures endorsed by the G-20 leaders to strengthen international capital and liquidity regulations.

The LCR is intended to reinforce banks’ short-term resilience in the face of a liquidity crisis scenario. In this connection banks must hold a stock of unencumbered high-quality liquid assets that can be converted into cash easily and immediately to cover their liquidity needs (or net cash outflows) over a 30-day period under a prescribed stress scenario. The scenario used to define this stressed situation is a combination of idiosyncratic and systemic events and includes several of the shocks experienced during the crisis that broke in 2007: the run-off of a proportion of retail deposits; a partial loss of unsecured wholesale funding capacity and even of secured funding with certain collateral and counterparties; up to a three-notch downgrade in the bank’s public credit external rating; increased drawdowns on liquidity and credit facilities extended; and greater market volatility in the form of bigger collateral haircuts and the demand for additional collateral to back transactions.

The LCR is defined as:

$$\frac{\text{Stock of High Quality Liquid Assets}}{\text{Total net cash outflows over the next 30 calendar days where}} \geq 100\%$$

Net outflows = Outflows - Min (inflows; 75 % of outflows)

For an asset to qualify to be part of the numerator, it must have a sufficiently liquid market and not be subject to the operational restrictions laid down in the document. Two categories of assets can be included in the stock: Level 1 assets, that may be included in the numerator without limit; and Level 2 assets, that may be recognised up to a limit of two-thirds of Level 1 assets. Moreover, national supervisors may also choose to include within Level 2 assets an additional category (Level 2B assets), which shall account for no more than 15 % of the total stock. Briefly, the main types of assets included in each of the Levels are¹:

¹ For the complete list of assets and characteristics of the categories, see paragraph 45-54 of “Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools”.

- Level 1: cash, deposits at central banks and debt securities of sovereigns, central banks, PSEs and development banks (with no haircut).
- Level 2 A: corporate debt securities not issued by financial institutions with a minimum AA- rating and covered bonds not issued by the bank itself with a minimum AA- rating (with a haircut of 15 %).
- Level 2 B: residential mortgage-backed securities not issued or originated by the bank itself with a rating of AA or higher (and a haircut of 25 %), corporate debt not issued by financial institutions with a rating between A+ and BBB- (subject to a haircut of 50 %) and common equity shares not issued by financial institutions that are constituent of major stock market indices (subject to a haircut of 50 %).

In calculating net outflows, the contractual flows of cash payables or receivables in the following 30 days are taken into account. These flows are multiplied by parameters that seek to estimate the proportion that would actually be paid or collected in the above-mentioned stress situation.

Although the Committee published the liquidity coverage ratio for the first time in December 2010, it agreed to review its design should its implementation (originally envisaged for 2015) be deemed to have unintended consequences for the extension of credit, economic growth or the financial markets. The current version of the ratio described above thus includes several changes: the range of eligible liquid assets has been broadened and the calibration of the parameters applied to certain contractual flows of cash payables or receivables has been adjusted. Further, it has been made clear that the stock of liquid assets may be used in stress situations and a timetable has been approved for the phasing-in of the ratio (it will come into force in 2015 but the minimum requirement will begin at 60 %, rising to 100 % by 2019), as opposed to the previously envisaged full implementation by 2015. The phasing-in of the LCR has been designed to ensure that this ratio can be incorporated into prudential regulations without disruption to the orderly strengthening of banking systems or the ongoing financing of economic activity.

Also in 2012, progress was made on the treatment of domestic banks (D-SIBs). In 2011 the Committee published the framework for the treatment of global systemically important banks (methodology for their classification, applicable capital surcharge), and the G20 called for this work to be extended to domestic systemic banks since, although their bankruptcy does not affect the system as a whole, this may most adversely impact local economies. In response to this request, the Committee issued a framework document in October on their treatment, which may be considered to complement that on G-SIBs. In July a report outlining the prudential rules for calculating capital requirements associated with bank exposures to central counterparty clearing houses (CCPs) was released. And Sep-

tember saw the review of the core principles for effective banking supervision, where the weaknesses observed during the crisis were taken into account, namely: the need to step up the intensity of supervision and to have the appropriate resources to do so; the importance of the systemic perspective in supervision; and growing attention to matters relating to crisis management and bank resolution processes.

Other banking prudential regulation work may also be highlighted. Concerning the treatment of large exposures, headway has been made on the revision of the recommendations issued in 1991. The analysis takes micro and macro-prudential elements into account. A consultative paper was released in March 2013. The Committee has also commenced work aimed at increasing the simplicity and comparability of the regulatory framework. In the short run the aim is to detect the areas that can clearly be improved and to establish checks as to whether the new standards and guidelines meet these two conditions; in the medium term the idea is to revise the regulatory framework as a whole. Furthermore, still under way is the fundamental review of the treatment of the trading book (where a dividing line is being clearly defined to determine when an exposure should be included in this book, in order to prevent regulatory arbitrage) and of the securitisation framework (where methods for calculating the capital requirements of these exposures and the hierarchy that determines their application are being reviewed). These consultative papers were issued in May and December, respectively. Work progresses in the accounting area on provisioning (the design of an expected losses-based model). The publication schedule includes guidelines on internal audits at banks; and two consultative papers (one on instruments for monitoring intra-day liquidity, and another on margin requirements for non-centrally-traded derivatives).

Finally, the Committee has wished to make its activities and decision-making process more transparent. In this connection it has released its Charter, which details its objectives and the key elements of its activities. The Charter was approved by the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, in January 2013.

3.1.3 WORK OF THE JOINT FORUM

In the inter-sectoral arena, and following its contributions in recent years, the Banco de España was appointed as an official member of the Joint Forum, the international group that draws banking, securities and insurance supervisors together. In 2012, following a consultative process, the final revised version of the 1999 principles for financial conglomerates was released. Also published was a report summarising intra-group support practices used by the financial institutions from the three sectors that seeks to inform current debate on the resolution capacity of these institutions. Analyses were made of mortgage underwriting and mortgage originators (as a complement to the FSB's retail-mortgage-granting principles), of point-of-sale disclosure practices in respect of financial products for customers, and of the risks associated with new financial products related to longevity risk.

3.2 European fora

3.2.1 WORK OF THE EUROPEAN BANKING AUTHORITY (EBA)

In its second year of operating the EBA worked intensely, especially in the regulatory field contributing to the *Single Rulebook* (see Box 3.3 for greater details). In 2012 the EBA prepared 23 draft binding technical standards, 6 guidelines, 14 consultative papers and 4 discussion papers. The technical standards are delegated regulations and currently most of them derive from the Capital Requirements Directive and Regulation (CRD IV and CRR). They are approved by the European Commission and, once sanctioned, form part of the European regulations to be directly applied by the Member States. The EBA contribution also involved imparting its opinion to the Commission, the European Parliament and the Council for various legislative initiatives and consultative papers, such as the proposal for

One of the cornerstones of the European Banking Union is the institution of a single rulebook for all European Union countries. The Ecofin resolution dated 12 December 2012 – approving the proposal for a regulation for the creation of the Single Supervisory Mechanism – highlights the key role to be played by the European Banking Authority (EBA) here, where the implementation of binding technical standards (BTS) is of particular importance.

BTS were provided for alongside the inception of the three European supervisory authorities (the EBA in the banking arena) in 2011 and are relatively recent regulatory instruments, whose preparation procedures and control mechanisms are set out in detail in the respective regulations creating these authorities (Articles 10 to 15 of Regulation 1093/2010 establishing the EBA).

BTS are a particular type of delegated act, as opposed to basic legislative acts (directives, regulations, decisions), through which the European Commission (EC) can approve legislation by means of a procedure that is swifter than the usual one since the texts do not have to be discussed with the European Parliament and the Council, although the latter do exert a posteriori control. The purpose of the BTS in the case of Regulatory Technical Standards (RTS) is to amend or complement the non-core elements of a basic act, while in the case of Implementing Technical Standards (ITS) their aim is to ensure the uniform application of a basic legislative act.

With BTS, the European Commission has a tool enabling it to legislate more swiftly in the case of complex directives/regulations (as is the case of the future Capital Requirements Directive and Regulation, the draft version of which, presented by the Council, calls for the preparation of around 100 BTS). And, above all, BTS allow for swifter progress towards establishing the Single Rulebook in the European Union, since national transposition is no longer necessary. On being approved as delegated regulations or decisions, these become directly applicable in all Member States.

BTS are to be adopted by the European Commission, which has delegated their preparation to the three supervisory authorities. In the case of banking directives, it is the EBA that has to prepare draft BTS; in this connection, its in-house working groups shall develop initial drafts which, following approval by the Board of Supervisors (the EBA decision-making body), will be put out to public consultation (ideally within three months, though this period

may be shorter) in the form of a consultative paper. If necessary, in those matters that are more innovative by nature, the opinion of the banking industry may be sought at a prior phase. At the same time, the opinion of a group of experts representing the different sectors of the banking industry and bank consumers (the Banking Stakeholders Group) shall be sought.

Once the comments have been analysed and, where appropriate, duly reflected, the EBA will once again amend its draft and, having been approved by the Board of Supervisors (by a qualified majority), it will be submitted to the European Commission within the period established in the attendant directive/regulation. There is a possibility that the Commission may return the BTS to the authority involved and propose changes to it, which should be incorporated within a period of six weeks. Otherwise, it may be adopted, published in the Official Journal of the European Union and notified to the European Parliament and the Council, which may raise objections (only to RTS) within a period not exceeding three months.

In the 15 months (to March 2012) that the EBA has been operational, work has been ongoing on numerous BTS although only one of them (the capital requirements RTS for the central counterparty clearing houses) has been submitted to the European Commission, which adopted it in December 2012 for it to come into force in March 2013. It was possible to deliver the technical standard because it derived from a regulation that had already been approved by the European authorities (the European Market Infrastructure Regulation, EMIR). However, many of the BTS the EBA must implement stem from legislation that is still in the process of being approved (as is the case of the CRDIV/CRR or the future Crises Directive) and this is why many BTS that have been concluded are currently awaiting processing.¹ The standards shall be delivered to the European Commission as soon as the respective directives or regulations are approved and they will come into force simultaneously. The standards include most notably 14 RTS on own funds, two on market risk, one on securitisation and another on prudential provisions, apart from several ITS on financial reporting (COREP, FINREP, large exposures, liquidity and leverage).

¹ At the date of publication of this Report, the Directive and the Regulation known as CRD-CRR have already been published in the Official Journal of the European Union and work has commenced on the related BTS.

a non-banking resolution framework, the shadow banking proposal and the Liikanen report. The EBA was likewise very active promoting the convergence of supervisory practices, through its active participation in the 40 main European supervisory colleges, and it is working actively to smooth the exchange of information between consolidating and host supervisors, and to strengthen the role of the colleges.

With regard to the monitoring of risks and vulnerabilities, the EBA is behind numerous periodical reports. Based on the data provided quarterly by 57 banking groups from the

European Economic Area, the EBA draws up a risk dashboard that summarises European banking sector conditions. It also produces a half-yearly report on European banking sector risks and vulnerabilities, which is submitted to the European Systemic Risk Board, the Economic and Financial Committee and the other European supervisory authorities. Once a year this report is presented to the European Parliament and to the Council. Finally, in the wake of the delicate situation of the EU during 2012, the EBA launched a weekly report – for internal use – on liquidity and funding in the EU based on the opinions of the supervisory authorities it contacts and of various external analysts.

In terms of customer protection, the EBA worked in 2012 on several guidelines relating to mortgage market customers and to the selling of complex products (exchange traded funds), holding the first EBA Consumer Protection Day with the industry, and, finally, collaborating closely with the European Securities and Markets Authority (ESMA) to issue advice to investors regarding the so-called Contracts for Differences. This close collaboration with ESMA was also visible in the area of improving the governance of the Euribor, with the publication of a raft of recommendations in early 2013.

Finally, following up on the recapitalisation exercise that required that the biggest European credit institutions should, as at June 2012, meet a capital ratio of 9 % plus a surcharge for sovereign risk, the EBA issued a report in October assessing the success of this recommendation and encouraging banks to maintain these capital levels. It further announced that a new recommendation would be released once the CRDIV/CRR came into force.

3.2.2 WORK OF THE EUROPEAN SYSTEMIC RISK BOARD (ESRB)

The European Systemic Risk Board (ESRB), comprising the central banks and banking supervision, securities and insurance authorities of the Member States, along with various European authorities, is responsible for macroprudential supervision in the European Union. As such, it has continued working to identify and analyse the main risks to financial stability.

The results of this work have been the recommendations published in January 2012 on dollar financing and those released in February 2013 on bank funding and on money market funds. These recommendations propose specific measures to mitigate the risks identified in these areas.

During the crisis the banks funding themselves in dollars were exposed to vulnerabilities owing, on one hand, to the mismatches in maturities between dollar-denominated long-term assets and short-term liabilities and, on the other, to US money market funds' aversion to risk at times of heightened market tension. In this connection, the ESRB has issued a recommendation for national authorities to step up their supervision to prevent banks building up an excessive exposure to financing in dollars. The national authorities should also ensure that banks include measures in their funding contingency plans to manage a dollar-financing shock.

With regard to the recommendation on bank financing, the crisis has highlighted weaknesses in banks' funding structure and an excessive dependence on short-term funding. The ESRB therefore recommends supervisors assess financing plans individually and in an aggregate fashion for the entire banking sector. Prominent among the changes in funding structures that have come about in recent years owing to the financial crisis is the increase in secured funding and, therefore, in the assets committed to such financing. This increase in encumbered assets can, on one hand, hamper the management of liquidity and bank

financing by making the obtaining of additional funding more difficult; and, on the other, from the structural standpoint, it subordinates ordinary creditors. To mitigate these risks, the ESRB recommends that banks manage the encumbered assets and that the related national authorities supervise this management, along with the level of and changes in the encumbered assets at banks. It further recommends that the EBA design guidelines to harmonise the publication of information on banks' encumbered assets. Finally, owing to the increase in the use of covered bonds by European banks, the ESRB recommends that the best practices concerning the regimes for these instruments be identified and promoted, and that Europe-wide convergence be encouraged.

Lastly, the recommendation on money market funds is aimed at the European Commission with the intention that EU legislation in this area, on which work is currently under way, should be sound.

The ESRB has also begun analysis and assessment of shadow banking, focusing primarily on identifying and mitigating the systemic risks arising from securities financing transactions. It is likewise examining, along with other European authorities, aspects related to interconnectedness and how risk spreads on financial markets.

The ESRB has continued working on the development of a macroprudential framework in the European Union. The following actions may be highlighted here: in January 2012 it issued a recommendation, to the Member States, on the key elements that the mandates granted to national macroprudential authorities should contain; throughout 2012 it pursued its work on the classification and description of the instruments to be used to prevent or mitigate systemic risks; it is also working on drawing up a broad framework for the coordination of macroprudential policies in the European Union; lastly, it continues to analyse and discuss legislative proposals in the European Union to ensure that macroprudential aspects are taken into account in the legislative development of the financial sector.

Finally, the ESRB has launched the quarterly publication of a set of quantitative and qualitative indicators, known as the risk dashboard, aimed at identifying and measuring systemic risk. The ESRB itself uses these indicators as part of the information on which discussions about EU financial system risks and vulnerabilities are based.

3.3 Other regional fora

3.3.1 WORK OF THE ASSOCIATION OF SUPERVISORS OF BANKS OF THE AMERICAS (ASBA)

The ASBA is a high-level forum in which the heads of the banking supervision and regulation bodies of 35 countries of the Americas are represented. Its main aims are to support the adoption of international standards on regulation and banking supervision practices, to promote technical cooperation between members and to encourage training programmes to bolster the level of skills in the region.

The Banco de España has been a collaborator member of the ASBA since its creation, and since 2006 it has been the only non-regional associate member, participating actively in the governing bodies of the Association, in its working groups and training plans.

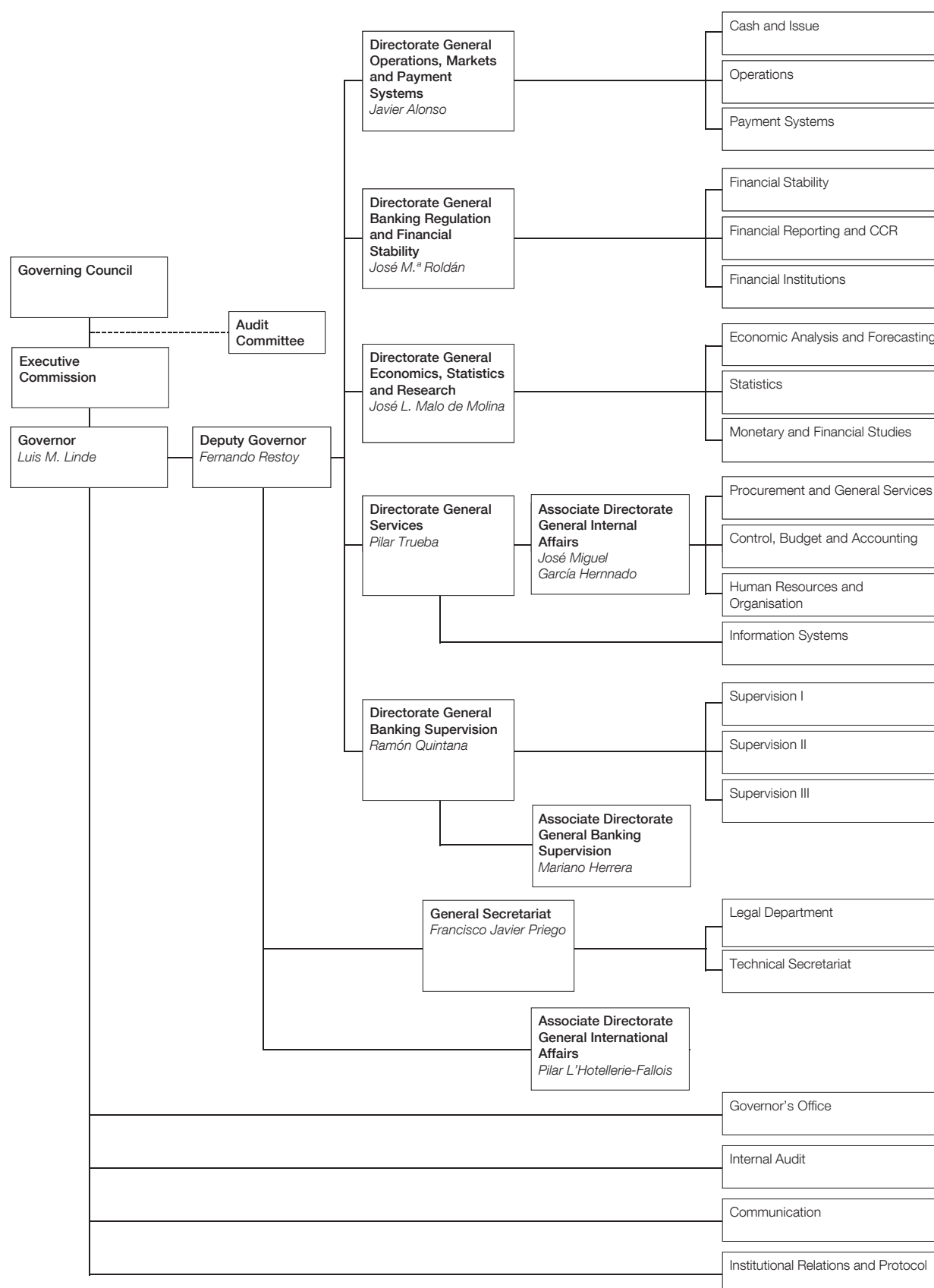
The Association's work in 2012 focused on issues which are of more interest to Latin American supervisors: the analysis and effects of the new regulatory framework, macroprudential supervision and the financial inclusion of unbanked segments of the population.

The Banco de España resolutely supports the work of the Association, participating in the meetings of its governing bodies and in those working groups in which its experience may prove most valuable. Accordingly, during 2012 it collaborated on various initiatives relating

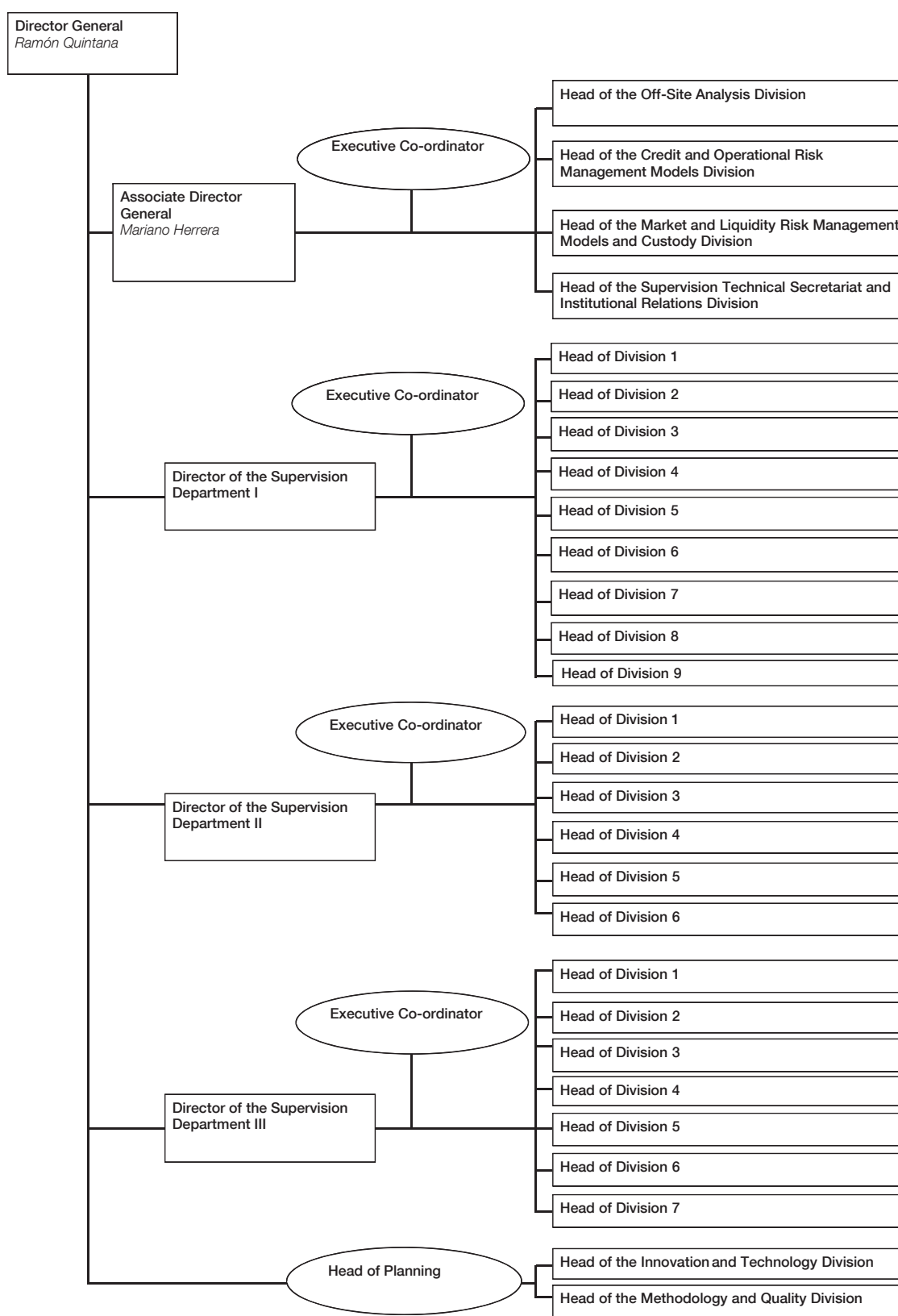
to the management and supervision of liquidity risk, corporate governance and the regulatory framework for consumer protection. It also chairs a group set up in late 2012 to develop stress tests at financial institutions.

Lastly, it is worth mentioning the training that the Banco de España offers to officials from the supervisory authorities associated with the ASBA. This is in the form of both attendance-based and on-line ad-hoc seminars, and of reserved places for these officials in most of the in-house training courses for DG Banking Supervision staff.

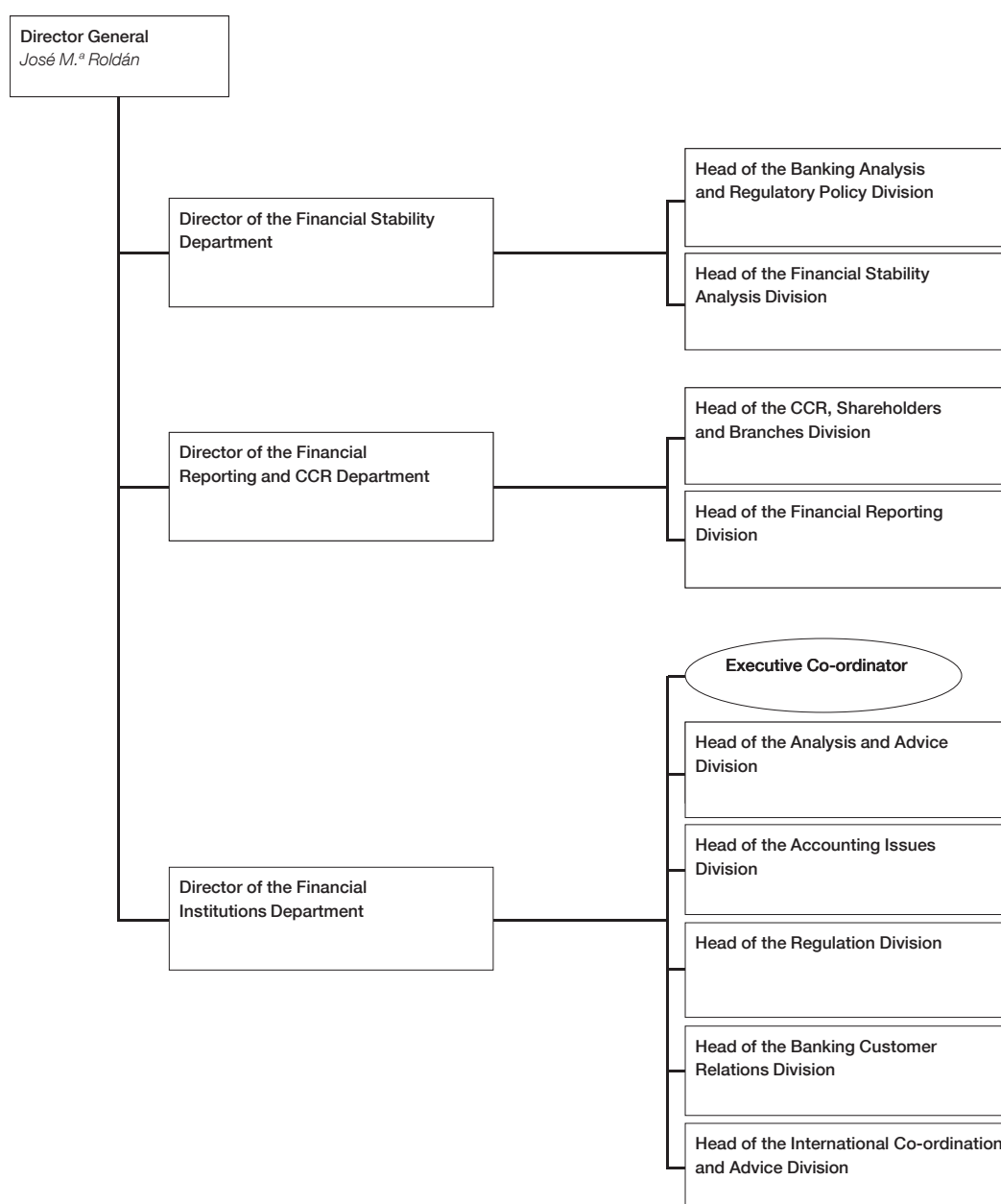
ANNEX 1 ORGANISATION OF BANKING SUPERVISION AT THE BANCO DE ESPAÑA



a The current Banco de España organisation chart is available at <http://www.bde.es/bde/en/secciones/sobreelbanco/organizacion/organigrama>.



a On 2 April 2013 the Executive Commission of the Banco de España approved the restructuring of the Directorate General Banking Supervision and the rearrangement of its organisation chart. The changes can be found at http://www.bde.es/bde/en/secciones/sobreelbanco/organizacion/organigrama/presbe2013_17e.pdf.



SUPERVISION AND REGULATION STAFF IN 2012

TABLE A.1.4

Number

	Directorate General	
	Supervision	Regulation and Financial Stability
Directors and other managers	40	29
Bank examiners	227	8
Senior economic analysts/experts	9	29
IT auditors	44	0
Junior analysts	53	55
Administrative staff	37	42
TOTAL	410	163

SOURCE: Banco de España.

This annex contains statistical information produced by aggregating the financial statements sent by institutions to the Banco de España. The figures published here may differ to some extent from those in other Banco de España publications, such as, for example, the Financial Stability Report (FSR), which, because of its analytical remit, may focus on other groupings of institutions or opt for another treatment of the data reported.

The scope of the balance sheets, income statements and solvency addressed in this Report is all credit institutions with direct financial activity, excluding the Instituto de Crédito Oficial (Official Credit Institute). It therefore excludes those savings banks which, since 2010, have not engaged directly in financial activity because they transferred it to banks set up for that purpose. As noted above, the FSR, in its analyses of balance sheets, income statements and solvency, uses different groupings of institutions from those considered here. Thus the FSR, although it too excludes the institutions mentioned above, centres its analysis on deposit-taking institutions in relation to balance sheets, and on deposit-taking institutions reporting own funds to the Banco de España in its analysis of the profits and solvency of the sector. Moreover, the latest FSR specifically distinguished the so-called Group 0 from Groups 1 and 2 of institutions defined in the Memorandum of Understanding on financial-sector policy conditionality approved by the Spanish and international authorities.¹

Apart from the groupings of institutions considered in one and the other case, there may be other differences between the data set out in this Report and in the FSR.

In this connection, the statistical treatment of the data in the Report on Banking Supervision differs in certain respects from other more analytical treatments such as in the FSR. For example, the treatment of the merger or integration processes taking place throughout 2012 differs in the Report on Banking Supervision and in the FSR. Thus, in the FSR, which in addition to analysing deposit-taking institutions examines the profit performance of Group 0 and of Groups 1 and 2 separately, it was decided to maintain the scope of consolidation reported by institutions on the reporting date (December 2012). This Report presents tables for total deposit-taking institutions for a time period of four years. In doing so, for the sake of statistical comparability, it was considered useful to hold unchanged the institutions considered over those four years, and, accordingly, the aggregate of credit institutions is deemed to include those which ceased to exist during the past year.

Finally, another source of possible differences between this Report and the FSR is the different moment at which the data are obtained, since on occasions the institutions, for various reasons, change the information.

The foregoing are all reasons why there may be specific differences in some figures (which at first sight it may be considered should be identical) in one and the other publication. However, these differences do not give rise to different conclusions from the standpoint of the analysis contained in the FSR.

¹ The Group 1 institutions are Banco Financiero y de Ahorros, SA, Catalunya Banc, SA, and NCG Banco, SA, and, for the purposes of the May 2013 Financial Stability Report, in those data referring to 2012, Banco de Valencia, an institution which was sold to CaixaBank in late December 2012. The Group 2 institutions are BMN, Liberbank, Caja3 and CEISS.

REGISTERED CREDIT INSTITUTIONS, CONSOLIDATED GROUPS AND MIXED GROUPS

TABLE A.2.1

Year-end data

Number

	2009	2010	2011	2012
CREDIT INSTITUTIONS REGISTERED IN SPAIN (a)	353	339	336	312
ICO	1	1	1	1
Credit institutions with direct financial activity (b)	351	337	306	286
Commercial banks and savings banks	199	196	171	162
Domestic banks	46	52	58	54
Of which: Heads of savings bank IPSs	—	5	5	3
Savings banks with direct financial activity	46	36	6	2
Of which: Participants in savings bank IPSs	—	22	—	—
Foreign-controlled subsidiaries	18	19	21	21
Foreign-controlled branches	89	89	86	85
Credit cooperatives	83	82	76	70
Of which: Heads of credit cooperative IPSs	1	2	4	3
Of which: Cooperatives participating in IPSs	2	18	26	28
Specialised credit institutions	69	59	59	54
Savings banks without direct financial activity	—	—	29	25
Of which: Participants in savings bank IPSs	—	—	21	10
Electronic money institutions (a)	1	1	—	—
MEMORANDUM ITEMS:				
Mergers and acquisitions (c)	8 (15)	12 (23)	6 (10)	11 (16)
Between banks	4 (8)	—	2 (2)	5 (5)
Between saving banks	—	7 (16)	—	—
Between credit cooperatives	—	1 (2)	4 (8)	4 (9)
Between SCIs	—	1 (2)	—	—
SCIs acquired by/merged with deposit institutions	4 (7)	3 (3)	—	2 (2)
CONSOLIDATED GROUPS EXISTING AT YEAR-END (d)	99	71	71	67
Parent credit institution	88	62	63	59
Spanish deposit institutions	77	50	49	44
Non-FROB commercial banks and savings banks	63	35	28	24
FROB commercial banks and savings banks	—	—	5	5
Credit cooperatives	14	15	16	15
Specialised credit institutions	1	1	1	1
Foreign credit institutions	10	11	13	14
Other consolidated groups	11	9	8	8
Spanish parent	5	4	4	4
Foreign parent	6	5	4	4
MIXED GROUPS AND FINANCIAL CONGLOMERATES	44	27	27	22
Supervised by Banco de España	43	26	26	21
Supervised by DGS including CIs	1	1	1	1
MEMORANDUM ITEM:				
Bank offices abroad	11,159	11,589	12,642	12,940

SOURCE: Banco de España. Data available at 11 April 2013.

- a In 2009 and 2010, the total number of registered CIs includes one electronic money institution. Law 21/2011, which amended its regulatory framework, meant that ELMIs lost their credit institution status.
- b The data in the rest of this Report refer to CIs with direct financial activity. Therefore, ICO, savings banks without direct financial activity and ELMIs 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 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).

SERVING EMPLOYEES, OPERATIONAL OFFICES, ATMs AND AGENTS OF CIs

TABLE A.2.2

Data of existing institutions at each year-end

Number unless stated otherwise

	Active institutions (a)	Serving employees		Hours worked (millions)	Operational offices	ATMs	Cards (000)	Point-of-sale terminals (000)	Agents	Employees per operational branch	Per 10,000 inhab. over 16 years old (b)				Car per inhab. over 16 years old
		TOTAL	Of which: At offices								Serving employees	Operational offices	ATMs	Point-of-sale terminals	
TOTAL CREDIT INSTITUTIONS WITH DIRECT FINANCIAL ACTIVITY															
2009	345	269,168	197,332	457	44,533	60,005	96,386	1,442	5,164	4.4	70.0	11.6	15.6	375.2	2.5
2010	332	263,393	191,845	434	43,303	59,309	93,785	1,480	5,289	4.4	68.4	11.2	15.4	384.3	2.4
2011	303	247,386	180,591	413	40,190	56,364	92,997	1,443	5,127	4.5	64.2	10.4	14.6	374.7	2.4
2012	283	235,977	172,851	385	38,207	54,143	89,919	1,443	5,056	4.5	61.6	10.0	14.1	376.4	2.3
TOTAL COMMERCIAL BANKS AND SAVINGS BANKS WITH DIRECT FINANCIAL ACTIVITY															
2009	199	242,336	179,524	413	39,131	54,888	72,659	1,347	5,029	4.6	63.0	10.2	14.3	350.3	1.9
2010	195	237,034	174,286	391	38,001	54,160	71,638	1,379	5,149	4.6	61.5	9.9	14.1	358.0	1.9
2011	171	222,314	163,483	373	35,025	51,231	71,129	1,332	4,979	4.7	57.7	9.1	13.3	345.8	1.8
2012	162	211,439	156,006	345	33,255	49,167	57,340	1,322	4,742	4.7	55.2	8.7	12.8	344.9	1.5
Domestic commercial banks and savings banks															
2009	92	225,276	172,455	383	37,715	53,506	65,212	1,334	4,057	4.6	58.6	9.8	13.9	346.9	1.7
2010	88	220,439	167,686	362	36,593	52,819	64,305	1,365	4,094	4.6	57.2	9.5	13.7	354.5	1.7
2011	63	205,667	157,145	344	33,714	49,916	63,108	1,319	3,834	4.7	53.4	8.8	13.0	342.6	1.6
2012	56	195,621	149,794	318	32,033	47,914	48,972	1,308	3,680	4.7	51.0	8.4	12.5	341.1	1.3
Foreign subsidiaries															
2009	18	10,546	5,960	19	1,226	1,334	5,782	13	844	4.9	2.7	0.3	0.3	3.4	0.2
2010	19	10,623	5,611	19	1,223	1,307	5,886	13	916	4.6	2.8	0.3	0.3	3.5	0.2
2011	21	9,885	5,260	17	1,094	1,226	6,164	12	1,009	4.8	2.6	0.3	0.3	3.2	0.2
2012	21	9,399	4,999	16	1,023	1,176	6,444	14	1,062	4.9	2.5	0.3	0.3	3.8	0.2
Foreign branches															
2009	89	6,514	1,109	11	190	48	1,664	—	128	5.8	1.7	—	—	—	—
2010	88	5,972	989	10	185	34	1,448	—	139	5.3	1.6	—	—	—	—
2011	87	6,762	1,078	11	217	89	1,857	—	136	5.0	1.8	0.1	—	—	—
2012	85	6,419	1,213	11	199	77	1,924	—	138	6.1	1.7	0.1	—	—	0.1
CREDIT COOPERATIVES															
2009	80	20,757	15,905	34	5,043	5,117	5,423	95	61	3.2	5.4	1.3	1.3	24.8	0.1
2010	78	20,545	15,997	34	5,019	5,149	5,155	101	66	3.2	5.3	1.3	1.3	26.2	0.1
2011	74	20,026	15,571	33	4,890	5,133	4,852	111	72	3.2	5.2	1.3	1.3	28.8	0.1
2012	68	19,737	15,517	32	4,732	4,976	4,854	120	98	3.3	5.1	1.2	1.3	31.4	0.1
SCIs															
2009	66	6,075	1,903	10	359	—	18,304	—	74	5.3	1.6	0.1	—	0.1	0.5
2010	59	5,814	1,562	9	283	—	16,992	—	74	5.5	1.5	0.1	—	0.1	0.4
2011	58	5,046	1,537	8	275	—	17,016	—	76	5.6	1.3	0.1	—	0.1	0.4
2012	53	4,801	1,328	8	220	—	27,725	—	78	6.0	1.3	0.1	—	0.1	0.7

SOURCE: Banco de España. Data available at 11 April 2013.

a Those of the registered institutions which were actually performing transactions at each year-end.

b The population figure used as the denominator in the calculation of these ratios is the total Spanish resident population over 16 years of age according to the Spanish Labour Force Survey (EPA), while the numerator takes total business of ICs including business both in Spain and abroad. Nonetheless, given the marginal nature of the contribution of the latter, there is no problem of any significant mismatch in the ratio.

BREAKDOWN OF ACTIVITY OF CIs WITH DFA (a)

TABLE A.2.3

Total business. Year-end data

€m and %

	2009	2010	2011	2012	Memorandum item: 2012		
					Structure		% annual Δ
					%	Change in pp	
BALANCE SHEET TOTAL	3,142,028	3,121,865	3,170,925	3,110,499	100.0	0.0	-1.9
ASSETS	3,142,028	3,121,865	3,170,925	3,110,499	100.0	0.0	-1.9
Cash and central banks	48,053	38,735	63,981	84,623	2.7	0.7	32.3
Loans and advances to credit institutions	324,308	296,776	278,651	303,572	9.8	1.0	8.9
Of which: interbank	249,201	246,968	237,713	260,837	8.4	0.9	9.7
Loans and advances to other debtors	1,933,059	1,910,428	1,839,987	1,618,436	52.0	-6.0	-12.0
Resident general government	66,242	80,621	89,093	102,069	3.3	0.5	14.6
Resident private sector	1,763,237	1,730,791	1,654,821	1,434,384	46.1	-6.1	-13.3
Of which: commercial credit	55,268	54,227	49,938	40,524	1.3	-0.3	-18.9
Of which: secured by a mortgage	1,075,214	1,059,504	996,114	868,286	27.9	-3.5	-12.8
Non-residents	103,580	99,016	96,073	81,983	2.6	-0.4	-14.7
Debt securities	414,929	397,116	413,766	499,707	16.1	3.1	20.8
Other equity instruments	40,727	34,650	29,335	25,123	0.8	-0.1	-14.4
Trading derivatives	93,342	111,593	166,696	194,922	6.3	1.0	16.9
Other financial assets	32,428	38,418	46,747	50,211	1.6	0.1	7.4
Hedging derivatives	30,490	33,831	40,782	34,129	1.1	-0.2	-16.3
Investments	135,928	132,714	154,932	147,093	4.7	-0.2	-5.1
Insurance contracts linked to pensions	9,684	9,187	9,085	7,144	0.2	-0.1	-21.4
Fixed assets	30,673	30,170	25,836	22,257	0.7	-0.1	-13.9
Tax assets	19,902	31,285	37,887	58,799	1.9	0.7	55.2
Other assets	28,504	56,962	63,241	64,481	2.1	0.1	2.0
LIABILITIES	2,954,070	2,946,464	2,980,000	2,941,584	94.6	0.6	-1.3
Central banks	112,794	74,753	189,316	365,288	11.7	5.7	93.0
Deposits from credit institutions	546,256	520,242	500,950	448,123	14.4	-1.4	-10.5
Deposits from other creditors	1,585,435	1,558,407	1,461,101	1,402,534	45.1	-1.0	-4.0
Resident and non-resident general government	82,688	81,059	71,351	72,182	2.3	0.0	1.2
Resident private sector	1,376,577	1,368,973	1,309,189	1,267,928	40.8	-0.5	-3.2
Unadjusted overnight deposits	473,687	475,181	470,907	464,631	14.9	0.0	-1.3
Current accounts	262,774	260,018	263,798	261,674	8.4	0.1	-0.8
Savings accounts	207,862	211,364	203,016	199,135	6.4	0.0	-1.9
Other deposits	3,052	3,799	4,093	3,822	0.1	0.0	-6.6
Time deposits and redeemables at notice	830,755	840,402	792,636	763,821	24.6	-0.4	-3.6
Repos	61,132	42,369	31,847	27,031	0.9	-0.1	-15.1
Non-residents	126,170	108,374	80,561	62,423	2.0	-0.5	-22.5
Debt certificates including bonds	393,895	356,270	336,368	295,315	9.5	-1.1	-12.2
Of which: mortgage securities (a)	191,718	206,010	241,439	295,581	9.5	1.9	22.4
Trading derivatives	94,818	113,480	164,526	191,868	6.2	1.0	16.6
Subordinated liabilities	101,576	108,494	86,168	67,433	2.2	-0.5	-21.7
Other financial liabilities	31,897	30,219	31,641	36,759	1.2	0.2	16.2
Other liabilities	57,236	152,056	183,313	98,724	3.2	-2.6	-46.1
Provisions	30,163	32,546	26,617	35,541	1.1	0.3	33.5
Of which: provisions for pensions and similar	20,129	20,930	18,359	16,985	0.5	-0.1	-7.5
EQUITY	187,958	175,401	190,925	168,915	5.4	-0.6	-11.5
Valuation adjustments	1,935	-3,161	-4,363	-4,821	-0.2	-0.1	10.5
Own funds	186,023	178,562	195,288	173,735	5.6	-0.6	-11.0
Of which: capital and reserves (including share premium)	169,050	164,273	198,098	235,502	7.6	1.4	18.9
MEMORANDUM ITEM:							
Unadjusted earning financial assets	2,785,290	2,750,438	2,716,803	2,660,760	85.5	-0.2	-2.1
Unadjusted securities portfolio	599,814	577,977	624,661	724,843	23.3	3.6	16.0
Equity portfolio	184,107	180,569	211,807	220,303	7.1	0.4	4.0
Investments in the group	130,300	134,875	156,556	168,320	5.4	0.5	7.5
Other investments	13,080	11,044	25,916	26,859	0.9	0.1	3.6
Other equity securities	40,727	34,650	29,335	25,123	0.8	-0.1	-14.4
Contingent exposures	328,660	291,797	261,784	245,553	7.9	-0.4	-6.2
Variable-rate credit	1,469,339	1,491,933	1,486,658	1,357,470	43.6	-3.3	-8.7
Asset transfers	288,225	273,923	262,111	251,779	8.1	-0.2	-3.9
Of which: securitised (b)	28,117	19,819	11,668	8,778	0.3	-0.1	-24.8
Total mortgage covered bonds issued (c)	346,745	358,824	375,702	411,017	13.2	1.4	9.4

SOURCE: Banco de España. Data available at 11 April 2013.

- a This item almost entirely corresponds to mortgage covered bonds which are marketable securities. Accordingly, privately placed (and securitised) mortgage covered bonds are not included.
- b This figure relates solely to the outstanding volume of securitisations whose underlying assets have been derecognised from the CI's balance sheet and thus classified as "transferred". In order to see total asset securitisations originated by CIs, please refer to Table A.2.10.
- c Figure taken from the confidential return "Supplementary information on the Balance Sheet" of CIs, under the accounting rules in CBE 4/2004. It includes all mortgage covered bonds, whether marketable or not.

BREAKDOWN OF ACTIVITY BY INSTITUTIONAL GROUPS OF CIs WITH DFA

TABLE A.2.4

Total business. Data of existing institutions in December 2012

%	Six largest non-FROB commercial banks and savings banks	Other non-FROB commercial banks and savings banks				FROB commercial banks and savings banks	Cooperatives	SCIs
		Total	Of which					
			Foreign subsidiaries	Branches				
				EU	Non-EU			
BALANCE SHEET TOTAL	52.4	26.1	2.8	5.8	0.2	15.8	4.2	1.5
ASSETS	52.4	26.1	2.8	5.8	0.2	15.8	4.2	1.5
Cash and central banks	82.7	8.0	1.1	0.5	0.1	8.0	1.3	0.0
Loans and advances to credit institutions	26.7	61.7	3.3	32.6	0.6	7.4	3.3	1.0
Of which: interbank	22.7	64.8	3.6	35.6	0.7	8.1	3.3	1.1
Loans and advances to other debtors	51.9	26.5	3.9	3.7	0.3	13.6	5.4	2.6
Resident general government	63.7	20.0	8.8	1.4	0.1	12.6	2.3	1.4
Resident private sector	50.3	27.5	3.6	3.8	0.3	13.7	5.9	2.6
Of which: commercial credit	59.4	16.3	2.5	3.1	0.2	8.5	5.1	10.7
Of which: secured by a mortgage	46.7	29.2	3.5	1.7	0.0	15.6	7.2	1.4
Non-residents	65.0	18.5	3.8	3.9	0.4	11.8	0.4	4.3
Debt securities	42.3	20.9	1.8	2.0	0.0	32.6	4.2	0.0
Other equity instruments	58.6	32.1	0.4	15.5	0.0	2.5	6.9	0.0
Trading derivatives	75.4	5.7	0.2	1.6	0.1	18.8	0.1	0.0
Other financial assets	81.0	11.8	1.0	2.3	0.0	5.4	1.4	0.3
Hedging derivatives	60.8	13.0	1.7	0.1	0.0	24.2	1.9	0.1
Investments	81.8	11.8	0.2	0.4	0.0	5.9	0.4	0.1
Insurance contracts linked to pensions	82.5	7.6	1.2	0.4	0.0	9.9	0.0	0.1
Fixed assets	41.2	29.7	1.2	0.9	0.0	17.7	10.5	1.0
Tax assets	46.5	25.8	1.7	3.1	0.1	23.7	3.1	0.9
Other assets	64.3	21.1	0.9	1.0	0.0	7.1	5.8	1.7
LIABILITIES AND EQUITY	51.4	26.3	2.7	6.1	0.2	16.7	4.2	1.5
Central banks	42.5	25.9	5.8	3.4	0.0	28.9	2.7	0.0
Deposits from credit institutions	37.5	43.8	4.6	26.8	1.2	7.7	3.9	7.0
Deposits from other creditors	51.7	26.8	2.2	2.9	0.1	14.5	6.4	0.6
Resident and non-resident general government	69.8	14.3	0.4	2.3	0.0	13.4	2.5	0.0
Resident private sector	49.7	28.0	2.2	2.9	0.1	14.9	6.9	0.5
Unadjusted overnight deposits	50.9	29.2	3.1	5.6	0.1	12.8	7.1	0.0
Current accounts	51.8	34.2	4.9	9.7	0.3	9.8	4.2	0.0
Savings accounts	49.4	22.8	0.7	0.2	0.0	16.7	11.1	0.0
Other deposits	63.3	23.4	5.2	4.8	0.2	10.5	2.8	0.1
Time deposits and redeemables at notice	49.4	26.4	1.7	1.2	0.0	16.5	6.9	0.8
Repos	47.6	44.8	2.6	3.7	0.0	5.5	2.0	0.0
Non-residents	72.5	15.6	3.8	4.0	0.0	7.6	0.7	3.6
Debt certificates including bonds	63.3	19.3	1.2	0.1	0.0	16.7	0.7	0.1
Of which: mortgage securities (a)	66.2	16.7	2.9	0.0	0.0	15.3	1.8	0.0
Trading derivatives	76.3	5.4	0.2	1.5	0.0	18.2	0.1	0.0
Subordinated liabilities	48.0	10.6	0.7	0.0	0.0	40.6	0.3	0.5
Other financial liabilities	62.4	19.2	2.6	3.5	0.2	12.0	2.8	3.6
Other liabilities	55.2	20.4	2.3	0.7	0.1	21.0	2.6	0.9
Provisions	54.4	17.3	1.1	0.8	0.1	26.8	1.0	0.5
Of which: provisions for pensions and similar	83.4	9.8	1.0	0.2	0.0	6.2	0.1	0.5
EQUITY	70.0	21.6	3.6	1.3	0.7	0.9	5.0	2.5
Valuation adjustments	55.8	3.0	1.7	0.4	0.0	39.0	-0.6	2.7
Own funds	69.6	21.1	3.5	1.3	0.7	1.9	4.9	2.5
Of which: capital and reserves	50.9	20.0	2.8	1.2	0.5	23.0	4.3	1.9
MEMORANDUM ITEM:								
Unadjusted earning financial assets	48.1	28.8	3.2	6.5	0.3	16.6	4.8	1.8
Unadjusted securities portfolio	49.4	18.9	1.2	2.4	0.0	28.4	3.3	0.0
Equity portfolio	67.0	14.7	0.2	3.1	0.0	17.1	1.2	0.0
Investments in the group	66.4	13.0	0.2	1.8	0.0	20.1	0.5	0.1
Other investments	78.5	9.3	0.1	0.1	0.0	11.7	0.5	0.0
Other equity securities	58.6	32.1	0.4	15.5	0.0	2.5	6.9	0.0
Contingent exposures and liabilities	74.2	14.0	2.1	4.5	0.4	8.4	3.4	0.1
Variable-rate credit	48.9	28.1	3.8	3.4	0.3	15.2	6.0	1.8
Asset transfers	34.9	17.9	5.4	2.3	0.0	37.7	5.6	3.9
Of which: securitised (b)	41.2	20.0	0.0	0.0	0.0	18.4	6.8	13.6
Total mortgage covered bonds issued (c)	54.5	25.0	2.1	0.1	0.0	17.5	3.0	0.0

SOURCE: Banco de España. Data available at 11 April 2013.

- a This item almost entirely corresponds to mortgage covered bonds which are marketable securities. Accordingly, privately placed (and securitised) mortgage covered bonds are not included.
- b This figure relates solely to the outstanding volume of securitisations whose underlying assets have been derecognised from the CI's balance sheet and thus classified as "transferred". In order to see total asset securitisations originated by CIs, please refer to Table A 2.10.
- c Figure taken from the confidential return "Supplementary information on the Balance Sheet" of CIs, under the accounting rules in CBE 4/2004. It includes all mortgage covered bonds, whether marketable or not.

CREDIT INSTITUTIONS WITH DFA: STRUCTURE OF LENDING TO RESIDENT PRIVATE SECTOR

TABLE A.2.5

Business in Spain. Data of existing institutions at each year-end

%

	2009	2010	2011	2012
LENDING TO BUSINESS	53.8	53.7	53.1	50.0
Goods	16.5	15.7	14.8	14.2
Agriculture, fishing and extractive industries	1.6	1.6	1.5	1.6
Manufacturing	5.4	5.3	5.2	5.4
Energy and electricity	2.4	2.5	2.5	2.5
Construction	7.1	6.3	5.6	4.8
Services	37.3	38.0	38.3	35.8
Commerce, repairs and hotels and restaurants	6.3	6.5	6.6	7.1
Transport and communications	2.1	2.3	2.4	2.7
Real estate development	17.8	17.5	17.2	14.4
Financial intermediation	4.0	4.7	5.1	4.3
Other services	7.1	7.1	7.0	7.4
LENDING TO HOUSEHOLDS	44.9	45.2	45.8	48.8
Housing (purchase and refurbishing)	36.1	36.9	37.9	40.9
Consumer credit	2.7	2.3	2.2	2.1
Other purposes	6.1	6.0	5.7	5.8
OTHER	1.3	1.0	1.1	1.3

SOURCE: Banco de España. Data available at 11 April 2013.

**BREAKDOWN OF CHANGES IN OWN FUNDS, IMPAIRMENT ALLOWANCES AND WRITTEN-OFF
ASSETS OF CREDIT INSTITUTIONS WITH DFA**
Data of existing institutions at each year-end

TABLE A.2.6

€m

	2009	2010	2011	2012
DETAIL OF OWN FUNDS (a)				
Prior year balance	177,808	186,023	178,562	195,288
Total revenue and expenses recognised	13,547	10,945	-8,240	-67,538
Increase (decrease) in capital / endowment fund	5,195	8,236	53,141	48,557
Conversion of liabilities into own funds and other capital instrument increases	1,314	1,213	6,734	5,990
Distribution of dividends	-7,457	-7,194	-6,322	-4,318
Other increases (decreases) in equity	-4,383	-20,661	-28,587	-4,244
<i>Of which: due to mergers, acquisitions and creation of IPSs and spin-off of CIs without DFA</i>	0	-16,896	-25,619	-6,503
Final balance	186,023	178,562	195,288	173,735
IMPAIRMENT ALLOWANCES. LOANS (b)				
Prior year balance	45,097	53,131	71,988	86,817
Movements reflected in income statement	20,250	17,682	23,085	79,260
Other movements	-2,790	18,668	7,538	412
Balances used	-9,427	-17,493	-15,794	-43,672
Final balance	53,131	71,988	86,817	122,818
MOVEMENT IN THE WRITTEN-OFF ASSETS ACCOUNT (c)				
Prior year balance	24,051	31,859	48,248	57,404
Additions charged to impairment allowances	9,510	17,670	16,034	43,907
Additions charged directly to income	1,525	1,693	2,058	3,037
Past-due income receivable	1,150	1,868	1,898	2,993
Other	571	945	1,111	3,408
Total additions	12,756	22,175	21,101	53,345
Total reductions	-4,943	-5,807	-11,969	-46,075
Net change due to exchange differences	-6	20	24	-4
Final balance	31,859	48,248	57,404	64,670

SOURCE: Banco de España. Data available at 11 April 2013.

a Data from the statement of changes in equity. Confidential return A1.

b Data from breakdown of movements in impairment allowances. Confidential return T14.

c Data from movement of the written-off assets account during the current year. Confidential return T10.7.

ACTIVITY OF CONSOLIDATED GROUPS OF CREDIT INSTITUTIONS (a)

TABLE A.2.7

Data of existing groups at each year-end

€m y %

	2009	2010	2011	2012	Memorandum item: 2012					
					Structure		% annual Δ	Of which: business in Spain		
					%	Change in pp		%	Change in pp	% annual Δ
BALANCE SHEET TOTAL	3,740,224	3,816,303	3,921,850	3,892,168	100.0	0.0	-0.8	71.8	-0.8	-1.9
ASSETS	3,740,224	3,816,303	3,921,850	3,892,168	100.0	0.0	-0.8	71.8	-0.8	-1.9
Cash and central banks	88,179	123,335	154,228	183,061	4.7	0.8	18.7	44.4	3.9	30.1
Loans and advances to credit institutions	244,801	216,152	196,952	237,629	6.1	1.1	20.7	84.9	-3.0	16.5
Loans and advances to other debtors	2,398,964	2,418,874	2,411,536	2,202,854	56.6	-4.9	-8.7	69.1	-2.3	-11.6
Debt securities	503,927	486,843	496,473	574,367	14.8	2.1	15.7	78.9	2.8	20.1
Investments	41,957	48,210	50,477	47,774	1.2	-0.1	-5.4	92.4	-1.6	-7.0
Tangible assets	45,408	47,995	49,019	43,950	1.1	-0.1	-10.3	78.9	-3.1	-13.7
Other assets	416,987	474,893	563,167	602,533	15.5	1.1	7.0	75.8	0.3	7.4
<i>Of which: consolidated goodwill</i>	<i>29,675</i>	<i>31,769</i>	<i>33,204</i>	<i>32,363</i>	<i>0.8</i>	<i>0.0</i>	<i>-2.5</i>	<i>2.4</i>	<i>-0.6</i>	<i>-22.8</i>
LIABILITIES AND EQUITY	3,512,436	3,594,022	3,696,277	3,674,862	94.4	0.2	-0.6	74.2	-0.8	-1.6
Central banks	123,897	95,139	207,434	381,181	9.8	4.5	83.8	95.1	7.7	100.1
Deposits from credit institutions	524,164	523,016	487,736	438,685	11.3	-1.1	-10.1	79.6	-2.8	-13.1
Deposits from other creditors	1,855,209	1,931,298	1,885,920	1,837,068	47.2	-0.9	-2.6	67.9	-1.4	-4.5
Debt certificates including bonds	634,316	556,973	541,636	508,189	13.1	-0.7	-6.2	74.9	-2.7	-9.5
Subordinated liabilities	105,568	108,567	94,692	65,775	1.7	-0.7	-30.5	75.8	-4.5	-34.4
Tax liabilities	15,630	17,916	17,535	18,991	0.5	0.1	8.3	49.5	1.2	11.0
Other liabilities	218,448	325,226	428,634	388,820	10.0	-0.9	-9.3	45.6	-8.5	-23.6
Provisions	35,204	35,888	32,689	36,152	0.9	0.1	10.6	79.8	5.2	18.3
EQUITY	227,788	222,281	225,573	217,306	5.6	-0.2	-3.7	86.4	-0.6	-4.4
Minority interest	13,424	14,827	22,638	18,141	0.5	-0.1	-19.9	37.8	-29.1	-54.7
Own funds	215,400	210,852	214,367	211,031	5.4	-0.1	-1.6	88.3	0.8	-0.6
<i>Of which: capital and reserves (including share premium)</i>	<i>192,717</i>	<i>189,762</i>	<i>211,993</i>	<i>251,960</i>	<i>6.5</i>	<i>1.1</i>	<i>18.9</i>	<i>94.6</i>	<i>1.5</i>	<i>20.8</i>
MEMORANDUM ITEM:										
Interest-bearing financial liabilities	3,247,454	3,220,646	3,213,858	3,217,030	82.7	0.8	0.1	74.1	-0.3	-0.2
Off-balance-sheet customer funds	683,228	743,296	685,451	718,550	18.5	1.0	4.8	—	—	—
<i>Of which: managed by the group</i>	<i>487,603</i>	<i>480,403</i>	<i>434,631</i>	<i>424,499</i>	<i>10.9</i>	<i>-0.2</i>	<i>-2.3</i>	<i>54.5</i>	<i>-0.4</i>	<i>-3.1</i>
Unadjusted securities portfolio	615,252	590,454	586,403	659,365	16.9	1.9	12.4	80.3	2.1	15.4
<i>Of which: equity portfolio</i>	<i>110,488</i>	<i>103,293</i>	<i>90,642</i>	<i>85,657</i>	<i>2.2</i>	<i>-0.1</i>	<i>-5.5</i>	<i>89.0</i>	<i>-1.2</i>	<i>-6.7</i>
Investments in the group	14,062	13,189	12,185	13,186	0.3	0.0	8.2	84.7	-3.0	4.5
Other investments	21,924	28,719	33,615	33,509	0.9	0.0	-0.3	97.0	-0.3	-0.6
Other equity securities	74,502	61,385	44,841	38,962	1.0	-0.1	-13.1	83.5	-1.9	-15.1

SOURCE: Banco de España. Data available at 11 April 2013.

a The data refer to CGs which include the individual CIs that do not belong to any consolidated group.

LOCAL BUSINESS ABROAD OF CONSOLIDATED GROUPS (a)

TABLE A.2.8

Data of existing groups at each year-end

€m and %

	2009	2010	2011	2012	Memorandum item: 2012		
					Structure		% annual Δ
					%	Change in pp	
CONSOLIDATED BALANCE SHEET ABROAD	872,297	1,004,050	1,074,511	1,098,679	28.2	0.8	2.2
LOCAL BUSINESS:							
Financial assets	741,714	872,494	935,193	954,147	24.5	0.7	2.0
European Union	367,555	414,818	433,296	436,662	11.2	0.2	0.8
Latin America	247,637	311,603	334,791	353,138	9.1	0.6	5.5
Other	126,522	146,073	167,106	164,347	4.2	-0.1	-1.7
Financial liabilities	705,696	757,222	779,651	796,396	20.5	0.6	2.1
European Union	338,920	354,414	362,537	373,257	9.6	0.4	3.0
Latin America	202,805	255,670	275,104	288,003	7.4	0.4	4.7
Other	163,972	147,139	142,010	135,136	3.5	-0.1	-4.8
MEMORANDUM ITEM:							
Funds managed (net asset value)	155,363	203,941	195,901	193,230	5.0	0.0	-1.4
European Union	22,335	24,475	24,846	17,365	0.4	-0.2	-30.1
Latin America	129,580	177,787	168,759	174,228	4.5	0.2	3.2
Other	3,449	1,679	2,297	1,637	0.0	-0.1	-28.7
CIs ABROAD (NUMBER)	172	185	176	167			
Subsidiaries	114	129	120	111			
European Union	44	59	54	50			
Latin America	30	29	28	26			
Other	40	41	38	35			
Branches	58	56	56	56			
European Union	39	38	37	36			
Latin America	—	—	—	—			
Other	19	18	19	20			

SOURCE: Banco de España. Data available at 11 April 2013.

a The data refer to CGs which include the individual CIs that do not belong to any consolidated group.

NEW SECURITISATIONS (NOT ABCP) ORIGINATED BY CONSOLIDATED GROUPS (a)

TABLE A.2.9

Data of existing groups at year-end

€m and %

	Total consolidated groups		Total Spanish CIs		Memorandum item: Spanish CIs 2012		
	2011 (p)	2012 (p)	2011 (p)	2012 (p)	Structure		% annual Δ
					%	Change in pp	
TOTAL ASSETS AND LIABILITIES SECURITISED	63,709	24,172	49,174	13,389	100.0	0.00	-72.8
Total underlying assets of traditional securitisations	59,609	22,672	45,074	11,889	88.8	-2.86	-73.6
Residential mortgages	12,984	2,273	11,098	2,190	16.4	-6.17	-80.3
Commercial mortgages	0	0	0	0	0	0.00	.
Finance leases	2,488	135	2,488	135	1.0	-4.06	-95
Corporate loans	22,452	8,025	20,496	8,025	59.9	18.22	-60.8
Consumer loans	14,275	11,186	5,237	486	3.6	-7.05	-90.7
Other	7,410	1,053	5,756	1,053	7.9	-3.80	-81.7
Total underlying assets of synthetic securitisations	—	—	—	—	—	—	—
Total securitised underlying liabilities of credit institutions	4,100	1,500	4,100	1,500	11	2.86	-63.4
Covered bonds	4,100	1,500	4,100	1,500	11	2.86	-63.4
Other liabilities	—	—	—	—	—	0.00	—
Other information on asset securitisations:							
Breakdown of underlying assets at originator by treatment for accounting and solvency purposes (%):							
Securitisations not reflected in accounting but reflected in solvency (b)	—	—	—	—			
Securitisations not reflected in either accounting or solvency	95.9	98.1	95.8	96.3			
Securitisations reflected in both accounting and solvency	—	—	—	—			
Securitisations reflected in accounting but not in solvency	4.1	1.9	4.2	3.7			
Securitisation structure (%):							
Senior tranches	61.9	61.3	63.3	56.3			
Mezzanine tranches	11.1	20.4	8.0	19.4			
First loss tranches	27.0	18.3	28.7	24.3			
Securitisation positions held on the balance sheet (%):							
Senior tranches	87.7	58.2	94.7	92.8			
Mezzanine tranches	71.1	74.3	87.2	100.0			
First loss tranches	86.2	86.7	83.7	82.4			
Breakdown by type of securitisation SPE (%):							
Asset securitisation SPEs	62.7	49.6	69.3	68.7			
Liability securitisation SPEs	89.2	66.0	100.0	100.0			
Other information on liabilities securitisations:							
Securitisation structure (%):							
Senior tranches	69.6	100.0	69.6	100.0			
Mezzanine tranches	30.4	0.0	30.4	0.0			
First loss tranches	—	—	—	—			

SOURCE: Return RP26 (CBE 3/2008). Data available at 29 April 2013.

a The data refer to CGs with include the individual CIs that do not belong to any consolidated group. ABCP (asset-backed commercial paper) programmes are not included.

OUTSTANDING AMOUNTS OF SECURITISATIONS ORIGINATED BY CONSOLIDATED GROUPS (a)

TABLE A.2.10

Year-end data

€m and %

	Total consolidated groups		Total Spanish CIs		Memorandum item: Spanish CIs 2012		
	2011 (p)	2012(p)	2011 (p)	2012(p)	Structure		% annual Δ
					%	Change in pp	
TOTAL ASSETS AND LIABILITIES SECURITISED	461,617	343,496	347,099	269,967	100.0	0.00	-22.2
Total underlying assets of traditional securitisations	372,222	265,950	258,797	193,237	71.6	-2.96	-25.3
Residential mortgages	254,839	175,972	164,832	128,097	47.4	-0.09	-22.3
Commercial mortgages	1,629	1,576	1,220	1,360	0.5	0.15	11.5
Finance leases	5,794	4,286	4,990	3,597	1.3	-0.14	-27.9
Corporate loans	62,407	42,654	60,452	42,654	15.8	-1.62	-29.4
Consumer loans	29,631	29,690	11,991	7,619	2.8	-0.65	-36.5
Other	16,143	10,313	13,608	8,452	3.1	-0.82	-37.9
Commercial paper	1,779	1,458	1,704	1,458	0.5	0.01	-14.4
<i>Of which: receivables</i>	<i>1,687</i>	<i>1,458</i>	<i>1,687</i>	<i>1,458</i>	<i>0.5</i>	<i>0.01</i>	<i>-13.6</i>
Total underlying assets of synthetic securitisations	2,332	2,248	1,240	1,433	0.5	0.14	15.6
Total securitised underlying liabilities of credit institutions	87,063	75,298	87,063	75,298	27.9	2.82	-13.5
Covered bonds	83,683	73,543	83,683	73,543	27.2	3.09	-12.1
Other liabilities	3,380	1,405	3,380	1,405	0.5	-0.47	-58.4
Other information on asset securitisations:							
Breakdown of underlying assets at originator by treatment for accounting and solvency purposes (%):							
Securitisations not reflected in accounting but reflected in solvency (b)	11.5	10.7	16.2	14.5			
Securitisations not reflected in either accounting or solvency	84.4	85.8	78.3	80.8			
Securitisations reflected in both accounting and solvency	2.1	2.3	2.8	3.0			
Securitisations reflected in accounting but not in solvency	2.0	1.2	2.7	1.6			
Securitisation structure (%):							
Senior tranches	69.3	48.0	67.2	39.9			
Mezzanine tranches	15.2	33.9	17.7	41.4			
First loss tranches	15.5	18.1	15.1	18.7			
Securitisation positions held on the balance sheet (%):							
Senior tranches	65.0	47.0	67.2	58.7			
Mezzanine tranches	62.7	62.1	64.8	63.1			
First loss tranches	87.0	85.8	81.6	81.8			
Breakdown by type of securitisation SPE (%):							
Asset securitisation SPEs	68.4	71.3	91.2	91.4			
Liability securitisation SPEs	74.3	76.3	98.9	98.3			
Other information on liabilities securitisations:							
Securitisation structure (%):							
Senior tranches	77.4	75.3	77.4	75.3			
Mezzanine tranches	14.5	24.1	14.5	24.1			
First loss tranches	8.1	0.6	8.1	0.6			

SOURCE: Return RP26 (CBE 3/2008). Data available at 29 April 2013.

- a The data refer to CGs which include the individual CIs that do not belong to any consolidated group.
- b Securitisations not reflected in accounting are those in which the originator holds the underlying assets on the balance sheet. Securitisations not reflected in solvency are those in which the originator does not transfer the credit risk of the underlying assets.

BREAKDOWN OF THE INCOME STATEMENT FOR CREDIT INSTITUTIONS WITH DFA

TABLE A.2.11

Data of institutions active at some time during 2012

€m and %

	Amount				% of ATA				% annual Δ			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
Financial income	107,237	80,337	87,659	85,438	3.42	2.54	2.80	2.67	-27.4	-25.1	9.1	-2.5
Financial cost	-61,788	-43,913	-55,656	-50,195	-1.97	-1.39	-1.78	-1.57	-43.9	-28.9	26.7	-9.8
NET INTEREST INCOME (NII)	45,449	36,423	32,004	35,243	1.45	1.15	1.02	1.10	21.1	-19.9	-12.1	10.1
Return on equity instruments	7,809	12,021	12,036	14,026	0.25	0.38	0.38	0.44	-35.4	53.9	0.1	16.5
Non-interest income	17,645	17,924	15,284	13,455	0.56	0.57	0.49	0.42	-13.3	1.6	-14.7	-12.0
Fees and commissions (net)	13,009	12,712	12,418	12,210	0.41	0.40	0.40	0.38	-5.8	-2.3	-2.3	-1.7
Collection and payment service (net)	5,866	5,447	5,298	5,396	0.19	0.17	0.17	0.17	-9.1	-7.1	-2.7	1.9
Securities service (revenue)	1,193	1,305	1,417	1,236	0.04	0.04	0.05	0.04	-8.7	9.4	8.5	-12.8
Marketing of non-banking products (revenue)	3,170	3,325	3,248	3,167	0.10	0.11	0.10	0.10	-18.7	4.9	-2.3	-2.5
Contingent exposures and commitments (net)	1,647	1,754	1,796	1,860	0.05	0.06	0.06	0.06	2.9	6.5	2.4	3.6
Exchange of foreign currencies and banknotes (revenue)	47	51	56	62	0.00	0.00	0.00	0.00	-18.6	7.7	9.9	11.6
Other fees and commissions (net)	1,087	830	603	489	0.03	0.03	0.02	0.02	118.2	-23.6	-27.3	-19.0
Income on financial assets and liabilities (net)	3,221	4,396	3,102	3,977	0.10	0.14	0.10	0.12	-35.1	36.5	-29.4	28.2
Held for trading	490	1,037	2,021	1,131	0.02	0.03	0.06	0.04	-74.0	111.6	94.8	-44.0
Other financial instruments at fair value	-340	55	-11	62	-0.01	0.00	0.00	0.00	—	—	—	—
Other income on financial assets and liabilities	3,071	3,303	1,092	2,784	0.10	0.10	0.03	0.09	11.6	7.6	-66.9	154.9
Exchange differences (net)	804	618	-106	-647	0.03	0.02	0.00	-0.02	-1.0	-23.2	—	512.3
Other operating income (net)	612	199	-130	-2,085	0.02	0.01	0.00	-0.07	-19.6	-67.5	—	1509.0
GROSS INCOME (GI)	70,903	66,368	59,324	62,724	2.26	2.10	1.90	1.96	1.4	-6.4	-10.6	5.7
Administrative expenses	-28,173	-28,286	-27,585	-26,836	-0.90	-0.90	-0.88	-0.84	-1.4	0.4	-2.5	-2.7
Personnel expenses	-18,246	-18,190	-17,527	-16,691	-0.58	-0.58	-0.56	-0.52	-1.3	-0.3	-3.6	-4.8
Other general expenses	-9,927	-10,096	-10,057	-10,145	-0.32	-0.32	-0.32	-0.32	-1.6	1.7	-0.4	0.9
Amortisation	-2,448	-2,299	-2,147	-2,172	-0.08	-0.07	-0.07	-0.07	2.5	-6.1	-6.6	1.1
Provisioning expenses (net)	-1,441	-3,967	-1,811	-8,018	-0.05	-0.13	-0.06	-0.25	-59.6	175.3	-54.4	342.8
Impairment losses on financial assets (net)	-22,132	-18,657	-24,122	-86,677	-0.71	-0.59	-0.77	-2.71	28.1	-15.7	29.3	259.3
Loans and receivables	-20,599	-17,660	-23,004	-78,889	-0.66	-0.56	-0.74	-2.47	30.6	-14.3	30.3	242.9
Other financial instruments not measured at fair value	-1,533	-997	-1,118	-7,788	-0.05	-0.03	-0.04	-0.24	2.7	-35.0	12.1	596.6
NET OPERATING PROFIT (NOP)	16,709	13,159	3,659	-60,978	0.53	0.42	0.12	-1.91	-7.9	-21.2	-72.2	—
Impairment losses on other assets (net)	-6,456	-4,877	-16,951	-25,849	-0.21	-0.15	-0.54	-0.81	534.1	-24.5	247.6	52.5
Goodwill and other intangible assets	-52	-71	-46	-170	0.00	0.00	0.00	-0.01	—	37.8	-34.8	265.6
Other	-6,405	-4,806	-16,904	-25,679	-0.20	-0.15	-0.54	-0.80	529.0	-25.0	251.7	51.9
Other income (net)	4,601	1,934	808	2,619	0.15	0.06	0.03	0.08	46.6	-58.0	-58.2	224.4
Other gains	5,200	2,743	1,880	3,881	0.17	0.09	0.06	0.12	47.6	-47.2	-31.5	106.5
Other losses	-599	-811	-1,072	-2,195	-0.02	-0.03	-0.03	-0.07	55.5	35.5	32.1	104.7
PROFIT BEFORE TAX (PBT)	14,854	10,215	-12,484	-84,207	0.47	0.32	-0.40	-2.63	-26.7	-31.2	—	574.5
Income tax	-1,463	-290	2,932	13,678	-0.05	-0.01	0.09	0.43	-20.6	-80.2	—	366.5
Mandatory transfer to welfare funds (a)	-45	-30	-21	-14	0.00	0.00	0.00	0.00	-29.7	-33.7	-29.2	-34.5
PROFIT FOR THE PERIOD	13,346	9,895	-9,573	-70,543	0.43	0.31	-0.31	-2.21	-27.3	-25.9	—	636.9
MEMORANDUM ITEMS:												
Average total assets (ATA)	3,135,641	3,158,751	3,127,818	3,195,876	100.00	100.00	100.00	100.00	4.6	0.7	-1.0	2.2
Average own funds (b)	183,349	186,920	196,564	196,446	5.85	5.92	6.28	6.15	9.4	1.9	5.2	-0.1
Net interest income due to the excess of EFAs over IBFLs (c)	1,405.0	1,370.0	805.0	886.0	0.04	0.04	0.03	0.03	35.6	-2.5	-41.3	10.0
Average return on earning financial assets (EFAs)	—	—	—	—	3.90	2.90	3.22	3.15	—	—	—	—
Average cost of interest-bearing financial liabilities (IBFLs)	—	—	—	—	2.27	1.61	2.06	1.86	—	—	—	—
Efficiency ratio (d)	—	—	—	—	43.19	46.08	50.12	46.25	—	—	—	—
Return on average equity (ROE) (b)	—	—	—	—	7.28	5.29	-4.87	-35.91	—	—	—	—
Provisioning for credit risk in the year	—	—	—	—	—	—	—	—	—	—	—	—
Specific allowances or provisions	-29,548	-23,783	-27,088	-88,576	-0.94	-0.75	-0.87	-2.77	40.8	-19.5	13.9	227.0
General allowances or provisions	9,159	5,879	3,396	3,274	0.29	0.19	0.11	0.10	65.1	-35.8	-42.2	-3.6
Net additions to country-risk allowances and provisions	101.0	23.0	12.0	29.0	0.00	0.00	0.00	0.00	—	-77.0	-46.8	136.6

SOURCE: Banco de España. Data available at 11 April 2013.

- a Only savings banks and credit cooperatives.
b Includes own funds for accounting purposes excluding retained earnings; also included are declared dividends and remuneration, and valuation adjustments arising from exchange differences.
c Calculated on the basis of the average return of EFAs on the positive difference between EFAs and IBFLs. For consistency with the definition of net interest income, the calculation of EFAs excludes the return on equity instruments.
d The efficiency ratio is defined as administrative expenses and amortisation divided by gross income.

MAIN INCOME AND PROFIT ITEMS OF THE INCOME STATEMENT FOR CREDIT INSTITUTIONS WITH DFA

TABLE A.2.12

Data of institutions active at some time during 2012

€m and %

	Amount				% of ATA				% annual Δ			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
NET INTEREST INCOME (NII):												
Total credit institutions with DFA	45,449	36,423	32,004	35,243	1.45	1.15	1.02	1.10	21.1	-19.9	-12.1	10.1
Six largest non-FROB commercial banks and savings banks	23,398	18,990	16,307	17,689	1.45	1.16	1.01	1.07	34.7	-18.8	-14.1	8.5
Other non-FROB commercial banks and savings banks	11,827	9,717	9,193	9,565	1.35	1.14	1.09	1.12	12.2	-17.8	-5.4	4.1
FROB commercial banks and savings banks	6,559	4,683	3,492	4,427	1.35	0.94	0.70	0.88	8.2	-28.6	-25.4	26.8
Credit cooperatives	2,384	1,885	1,824	2,312	2.07	1.56	1.48	1.73	-2.3	-20.9	-3.3	26.8
Specialised credit institutions	1,282	1,148	1,188	1,249	2.63	2.40	2.50	2.55	16.4	-10.4	3.5	5.2
GROSS INCOME (GI):												
Total credit institutions with DFA	70,903	66,368	59,324	62,724	2.26	2.10	1.90	1.96	1.4	-6.4	-10.6	5.7
Six largest non-FROB commercial banks and savings banks	37,007	37,509	34,556	37,278	2.30	2.29	2.14	2.25	-2.2	1.4	-7.9	7.9
Other non-FROB commercial banks and savings banks	18,605	16,211	14,453	14,622	2.13	1.90	1.71	1.71	8.0	-12.9	-10.8	1.2
FROB commercial banks and savings banks	10,550	8,477	6,163	6,123	2.17	1.71	1.23	1.21	2.4	-19.6	-27.3	-0.6
Credit cooperatives	3,150	2,664	2,680	3,154	2.74	2.20	2.18	2.37	3.7	-15.4	0.6	17.7
Specialised credit institutions	1,590	1,507	1,473	1,547	3.26	3.14	3.10	3.16	3.1	-5.3	-2.2	5.0
NET OPERATING PROFIT (NOP):												
Total credit institutions with DFA	16,709	13,159	3,659	-60,978	0.53	0.42	0.12	-1.91	-7.9	-21.3	-72.2	-
Six largest non-FROB commercial banks and savings banks	11,947	10,811	6,302	-7,593	0.74	0.66	0.39	-0.46	-5.5	-9.5	-41.7	-
Other non-FROB commercial banks and savings banks	2,700	744	1,722	-10,404	0.31	0.09	0.20	-1.22	-4.2	-72.5	131.5	-
FROB commercial banks and savings banks	1,977	1,280	-4,948	-41,169	0.41	0.26	-0.99	-8.16	1.8	-35.3	-	732.1
Credit cooperatives	606	442	482	-2,076	0.53	0.36	0.39	-1.56	-22.0	-27.1	9.2	-
Specialised credit institutions	-521	-118	100	265	-1.07	-0.25	0.21	0.54	1,232.4	-77.4	-	163.9
PROFIT BEFORE TAX (PBT):												
Total credit institutions with DFA	14,854	10,215	-12,484	-84,207	0.47	0.32	-0.40	-2.63	-26.7	-31.2	-	574.5
Six largest non-FROB commercial banks and savings banks	11,779	9,738	1,637	-6,789	0.73	0.59	0.10	-0.41	-16.2	-17.3	-83.2	-
Other non-FROB commercial banks and savings banks	1,872	-402	-930	-14,731	0.21	-0.05	-0.11	-1.73	-39.4	-	131.2	1,483.5
FROB commercial banks and savings banks	1,258	722	-13,414	-60,051	0.26	0.15	-2.68	-11.91	-48.3	-42.6	-	347.7
Credit cooperatives	503	337	238	-2,688	0.44	0.28	0.19	-2.02	-31.3	-32.9	-29.4	-
Specialised credit institutions	-558	-179	-15	52	-1.14	-0.37	-0.03	0.11	1,205.2	-68.0	-91.6	-
PROFIT FOR THE PERIOD:												
Total credit institutions with DFA	13,346	9,895	-9,573	-70,543	0.43	0.31	-0.31	-2.21	-27.3	-25.9	-	636.9
Six largest non-FROB commercial banks and savings banks	10,622	9,099	3,265	-2,395	0.66	0.56	0.20	-0.14	-16.5	-14.3	-64.1	-
Other non-FROB commercial banks and savings banks	1,663	-153	-444	-10,345	0.19	-0.02	-0.05	-1.21	-40.6	-	190.2	2,228.5
FROB commercial banks and savings banks	1,065	784	-12,621	-55,686	0.22	0.16	-2.52	-11.04	-52.7	-26.5	-	341.2
Credit cooperatives	429	312	255	-1,924	0.37	0.26	0.21	-1.44	-30.3	-27.3	-18.1	-
Specialised credit institutions	-434	-146	-29	-194	-0.89	-0.31	-0.06	-0.40	1,318.8	-66.3	-80.4	574.1
MEMORANDUM ITEMS:												
AVERAGE TOTAL ASSETS (ATA):												
Total credit institutions with DFA	3,135,641	3,158,751	3,127,818	3,195,876	100.0	100.0	100.0	100.0	4.6	0.7	-1.0	2.2
Six largest non-FROB commercial banks and savings banks	1,610,686	1,638,811	1,613,116	1,656,094	51.37	51.88	51.57	51.82	5.4	1.8	-1.6	2.7
Other non-FROB commercial banks and savings banks	874,416	854,591	843,899	853,163	27.89	27.05	26.98	26.70	2.1	-2.3	-1.3	1.1
Commercial banks and savings banks (FROB)	486,671	496,339	500,403	504,418	15.52	15.71	16.00	15.78	7.6	2.0	0.8	0.8
Credit cooperatives	115,132	121,096	122,802	133,262	3.67	3.83	3.93	4.17	4.6	5.2	1.4	8.5
Specialised credit institutions	48,736	47,913	47,597	48,938	1.55	1.52	1.52	1.53	-2.5	-1.7	-0.7	2.8

SOURCE: Banco de España. Data available at 11 April 2013.

BREAKDOWN OF THE INCOME STATEMENT FOR CONSOLIDATED GROUPS (a)

TABLE A.2.13

Data of groups existing at some time during 2012

€m and %

	Amount				% of ATA				% annual Δ			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
Financial income	152,167	128,399	144,752	144,193	4.10	3.31	3.77	3.61	-19.9	-15.6	12.7	-0.4
Financial cost	-78,829	-60,184	-78,529	-72,927	-2.12	-1.55	-2.05	-1.83	-39.6	-23.7	30.5	-7.1
NET INTEREST INCOME (NII)	73,338	68,215	66,223	71,266	1.98	1.76	1.73	1.79	23.3	-7.0	-2.9	7.6
Equity instruments	5,175	6,698	6,046	4,973	0.14	0.17	0.16	0.12	-31.6	29.4	-9.7	-17.7
Return on equity instruments	2,850	3,102	2,425	1,868	0.08	0.08	0.06	0.05	-10.5	8.9	-21.8	-23.0
Share of profit of entities accounted for using the equity method	2,325	3,596	3,621	3,105	0.06	0.09	0.09	0.08	-46.9	54.7	0.7	-14.2
Associate entities	786	1,578	1,656	1,239	0.02	0.04	0.04	0.03	-59.9	100.8	4.9	-25.2
Jointly controlled entities	361	453	506	570	0.01	0.01	0.01	0.01	44.6	25.5	11.6	12.7
Group entities	1,178	1,564	1,459	1,296	0.03	0.04	0.04	0.03	-45.7	32.8	-6.7	-11.2
Non-interest income	33,378	31,660	29,534	29,767	0.90	0.82	0.77	0.75	4.6	-5.1	-6.7	0.8
Fees and commissions (net)	22,918	23,676	24,433	24,661	0.62	0.61	0.64	0.62	0.1	3.3	3.2	0.9
Collection and payment service (revenue)	10,532	10,587	11,190	12,062	0.28	0.27	0.29	0.30	1.0	0.5	5.7	7.8
Securities service (revenue)	2,279	2,448	2,574	2,439	0.06	0.06	0.07	0.06	-3.3	7.4	5.1	-5.2
Marketing of non-banking products (revenue)	6,621	7,291	7,624	7,657	0.18	0.19	0.20	0.19	-12.9	10.1	4.6	0.4
Contingent exposures and commitments (revenue)	1,966	2,049	2,116	2,175	0.05	0.05	0.06	0.05	2.1	4.2	3.3	2.8
Exchange of foreign currencies and banknotes (revenue)	210	241	326	312	0.01	0.01	0.01	0.01	14.7	14.7	35.4	-4.3
Other fees and commissions (net)	1,310	1,060	603	17	0.04	0.03	0.02	0.00	224.6	-19.1	-43.1	-97.2
Income on financial assets (net)	8,807	6,963	5,866	7,790	0.24	0.18	0.15	0.20	24.5	-20.9	-15.8	32.8
Held for trading	2,993	2,745	3,449	2,465	0.08	0.07	0.09	0.06	345.5	-8.3	25.7	-28.5
Other financial instruments at fair value	249	116	-33	323	0.01	0.00	0.00	0.01	-51.2	-53.3	—	—
Other income on financial assets and liabilities	5,566	4,102	2,450	5,002	0.15	0.11	0.06	0.13	-5.5	-26.3	-40.3	104.2
Exchange differences (net)	1,497	1,329	249	416	0.04	0.03	0.01	0.01	27.2	-11.2	-81.2	66.7
Other operating income (net)	156	-308	-1,014	-3,100	0.00	-0.01	-0.03	-0.08	-80.0	—	228.9	205.7
GROSS INCOME (GI)	111,891	106,573	101,803	106,006	3.02	2.75	2.65	2.66	13.1	-4.8	-4.5	4.1
Administrative expenses	-43,751	-45,370	-47,308	-47,752	-1.18	-1.17	-1.23	-1.20	5.9	3.7	4.3	0.9
Personnel expenses	-27,347	-28,132	-29,215	-29,149	-0.74	-0.73	-0.76	-0.73	5.2	2.9	3.8	-0.2
Other general expenses	-16,404	-17,238	-18,093	-18,603	-0.44	-0.44	-0.47	-0.47	7.3	5.1	5.0	2.8
Amortisation	-4,423	-4,778	-4,814	-5,013	-0.12	-0.12	-0.13	-0.13	11.3	8.0	0.7	4.1
Provisioning expenses (net)	-2,487	-4,748	-4,216	-8,921	-0.07	-0.12	-0.11	-0.22	-38.8	90.9	-11.2	111.6
Impairment losses on financial assets (net)	-35,851	-27,923	-33,322	-90,058	-0.97	-0.72	-0.87	-2.26	47.9	-22.1	19.3	170.3
Loans and receivables	-33,590	-26,747	-31,002	-86,390	-0.91	-0.69	-0.81	-2.17	55.2	-20.4	15.9	178.7
Other financial instruments not measured at fair value	-2,261	-1,176	-2,320	-3,668	-0.06	-0.03	-0.06	-0.09	-12.6	-48.0	97.3	58.1
NET OPERATING PROFIT (NOP)	25,379	23,753	12,144	-45,738	0.68	0.61	0.32	-1.15	0.0	-6.4	-48.9	—
Impairment losses on other assets (net)	-6,965	-5,120	-15,256	-19,610	-0.19	-0.13	-0.40	-0.49	242.6	-26.5	198.0	28.5
Goodwill and other intangible assets	-1,447	-294	-2,752	-1,012	-0.04	-0.01	-0.07	-0.03	28.1	-79.7	836.9	-63.2
Other	-5,518	-4,826	-12,504	-18,598	-0.15	-0.12	-0.33	-0.47	510.8	-12.5	159.1	48.7
Other income (net)	4,663	3,041	3,656	-439	0.13	0.08	0.10	-0.01	-18.4	-34.8	20.2	—
Other gains	5,482	4,138	5,189	4,810	0.15	0.11	0.14	0.12	-9.3	-24.5	25.4	-7.3
Other losses	-820	-1,097	-1,533	-5,249	-0.02	-0.03	-0.04	-0.13	151.4	33.9	39.7	242.4
PROFIT BEFORE TAX (PBT)	23,077	21,674	543	-65,787	0.62	0.56	0.01	-1.65	-20.6	-6.1	-97.5	—
Income tax	-2,854	-3,745	979	10,221	-0.08	-0.10	0.03	0.26	-35.1	31.2	—	943.7
Mandatory transfer to welfare funds	-45	-30	-18	-14	0.00	0.00	0.00	0.00	-29.7	-33.7	-38.7	-25.1
CONSOLIDATED PROFIT FOR THE PERIOD	20,177	17,899	1,504	-55,580	0.54	0.46	0.04	-1.39	-18.0	-11.3	-91.6	—
Attributed to the parent	18,652	15,913	1,444	-46,439	0.50	0.41	0.04	-1.16	-19.3	-14.7	-90.9	—
Attributed to minority interests	1,525	1,985	60	-9,141	0.04	0.05	0.00	-0.23	1.3	30.2	-97.0	—
MEMORANDUM ITEMS:												
Average total assets (ATA)	3,710,179	3,879,840	3,838,464	3,988,831	100.00	100.00	100.00	100.00	8.3	4.6	-1.1	3.9
Average own funds of the group (b)	199,394	217,898	211,782	209,905	5.37	5.62	5.52	5.26	9.2	9.3	-2.8	-0.9
Net interest income due to the excess of EFAs over IBFLs (c)	2,953	5,221	7,582	6,242	0.08	0.13	0.20	0.16	0.6	76.8	45.2	-17.7
Average return on earning financial assets (EFAs)					4.60	3.82	4.28	4.28				
Average cost of interest-bearing financial liabilities (IBFLs)					2.43	1.86	2.44	2.25				
Efficiency ratio (d)					43.05	47.06	51.20	49.78				
Return on average equity of the group (ROE) (e)					9.35	7.30	0.68	-22.12				

SOURCE: Banco de España. Data available at 11 April 2013.

- a The data refer to CGs which include individual CIs with DFA not belonging to any CG.
- b Includes own funds for accounting purposes excluding retained earnings; also included are declared dividends and remuneration, and valuation adjustments arising from exchange differences.
- c Calculated on the basis of the return of EFAs on the positive difference between EFAs and IBFLs. For consistency with the definition of net interest income, the calculation of EFAs excludes the return on equity instruments.
- d The efficiency ratio is defined as administrative expenses and amortisation divided by gross income.
- e Calculated on the basis of the consolidated profit for the period attributed to the parent on the average own funds of the group.

MAIN INCOME AND PROFIT ITEMS OF THE INCOME STATEMENT FOR CONSOLIDATED GROUPS (a)
TABLE A.2.14
Data of consolidated groups existing at some time during 2012

€m y %

	Amount				% of ATA				% annual Δ			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
NET INTEREST INCOME (NII):												
Total consolidated groups	73,338	68,215	66,223	71,266	1.98	1.76	1.73	1.79	23.3	-7.0	-2.9	7.6
Five largest non-FROB CGs	52,376	51,647	51,435	54,840	2.28	2.08	2.10	2.12	29.5	-1.4	-0.4	6.6
Other non-FROB CGs	14,101	11,578	10,903	11,678	1.54	1.29	1.23	1.28	11.2	-17.9	-5.8	7.1
FROB CGs	6,861	4,990	3,890	4,765	1.38	1.00	0.78	0.98	8.0	-27.3	-22.0	22.5
GROSS INCOME (GI):												
Total consolidated groups	111,891	106,573	101,803	106,006	3.02	2.75	2.65	2.66	13.1	-4.8	-4.5	4.1
Five largest non-FROB CGs	80,063	79,163	78,321	83,661	3.48	3.19	3.19	3.23	16.7	-1.1	-1.1	6.8
Other non-FROB CGs	21,061	18,630	16,806	16,814	2.30	2.08	1.89	1.85	6.1	-11.6	-9.8	0.0
FROB CGs	10,767	8,781	6,680	5,570	2.17	1.76	1.34	1.14	2.5	-18.5	-23.9	-16.6
NET OPERATING PROFIT (NOP):												
Total consolidated groups	25,379	23,753	12,144	-45,738	0.68	0.61	0.32	-1.15	0.0	-6.4	-48.9	-
Five largest non-FROB CGs	21,084	22,049	13,926	2,610	0.92	0.89	0.57	0.10	0.9	4.6	-36.8	-81.3
Other non-FROB CGs	2,365	917	2,179	-11,620	0.26	0.10	0.25	-1.28	-18.9	-61.2	137.7	-
FROB CGs	1,930	788	-3,962	-36,705	0.39	0.16	-0.79	-7.52	23.8	-59.2	-	826.3
PROFIT BEFORE TAX (PBT):												
Total consolidated groups	23,077	21,674	543	-65,787	0.62	0.56	0.01	-1.65	-20.6	-6.1	-97.5	-
Five largest non-FROB CGs	20,427	21,425	8,983	-1,253	0.89	0.86	0.37	-0.05	-12.8	4.9	-58.1	-
Other non-FROB CGs	1,587	-250	-2,676	-16,806	0.17	-0.03	-0.30	-1.84	-48.1	-	970.4	527.9
FROB CGs	1,063	499	-8,302	-47,902	0.21	0.10	-1.66	-9.81	-58.7	-53.1	-	477.0
CONSOLIDATED PROFIT FOR THE PERIOD:												
Total consolidated groups	20,177	17,899	1,504	-55,580	0.54	0.46	0.04	-1.39	-18.0	-11.3	-91.6	-
Five largest non-FROB CGs	17,865	17,384	8,653	1,357	0.78	0.70	0.35	0.05	-9.7	-2.7	-50.2	-84.3
Other non-FROB CGs	1,336	-128	-2,412	-12,065	0.15	-0.01	-0.27	-1.32	-50.2	-	1777.4	400.1
FROB CGs	977	643	-7,275	-45,048	0.20	0.13	-1.46	-9.23	-54.3	-34.2	-	519.2
MEMORANDUM ITEMS:												
AVERAGE TOTAL ASSETS (ATA):												
Total consolidated groups	3,710,179	3,879,840	3,838,464	3,988,831	100.0	100.0	100.0	100.0	8.3	4.6	-1.1	3.9
Five largest non-FROB CGs	2,300,291	2,484,900	2,453,154	2,592,067	62.00	64.05	63.91	64.98	11.2	8.0	-1.3	5.7
Other non-FROB CGs	914,473	894,824	886,898	911,158	24.65	23.06	23.11	22.84	2.5	-2.2	-0.9	2.7
FROB CGs	495,415	500,116	499,411	488,054	13.35	12.89	13.01	12.24	6.7	1.0	-0.1	-2.3

SOURCE: Banco de España. Data available at 11 April 2013.

a The data refer to CGs which include individual CIs with DFA not belonging to any CG.

SOLVENCY OF CONSOLIDATED GROUPS: OWN FUNDS (a)
TABLE A.2.15
Data of groups existing at each year-end

€m and %

	Amount				Structure %				% annual Δ			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
TOTAL OWN FUNDS FOR SOLVENCY PURPOSES	254,330	244,944	237,926	198,412	100.0	100.0	100.0	100.0	8.7	-3.7	-2.9	-16.6
Original own funds (Tier 1 capital)	201,916	209,227	210,525	177,596	79.4	85.4	88.5	89.5	15.6	3.6	0.6	-15.6
Eligible capital, eligible reserves and similar items	202,925	208,533	214,482	211,659	79.8	85.1	90.1	106.7	12.2	2.8	2.9	-1.3
Eligible capital and reserves	181,193	184,211	194,992	237,800	71.2	75.2	82.0	119.9	12.4	1.7	5.9	22.0
Minority interests	12,517	13,736	22,578	25,001	4.9	5.6	9.5	12.6	43.0	9.7	64.4	10.7
Interim profits or material losses of the current financial year	10,885	11,154	-1,830	-50,857	4.3	4.6	-0.8	-25.6	-24.2	2.5	—	2678.5
Other	-1,670	-568	-1,257	-285	-0.7	-0.2	-0.5	-0.1	-51.2	-66.0	121.5	-77.3
Other and country specific original own funds	42,506	49,144	47,477	20,337	16.7	20.1	20.0	10.2	32.4	15.6	-3.4	-57.2
Hybrid instruments	33,009	32,108	27,416	16,033	13.0	13.1	11.5	8.1	31.5	-2.7	-14.6	-41.5
Other	9,496	17,036	20,061	4,304	3.7	7.0	8.4	2.2	35.7	79.4	17.8	-78.5
Deductions from original own funds	-43,515	-48,450	-51,433	-54,400	-17.1	-19.8	-21.6	-27.4	13.4	11.3	6.2	5.8
Additional own funds (Tier 2 capital)	68,010	56,392	46,236	36,780	26.7	23.0	19.4	18.5	-4.4	-17.1	-18.0	-20.5
Core additional own funds	23,143	16,066	13,426	12,578	9.1	6.6	5.6	6.3	-19.4	-30.6	-16.4	-6.3
Adjustments made to valuation differences in original own funds transferred to core additional own funds	2,818	984	577	406	1.1	0.4	0.2	0.2	84.1	-65.1	-41.4	-29.7
SA general provisions and IRB provision excess	10,057	9,045	7,249	7,938	4.0	3.7	3.0	4.0	-26.6	-10.1	-19.9	9.5
Securities of indeterminate duration and other instruments	5,206	3,003	2,455	1,122	2.0	1.2	1.0	0.6	-37.7	-42.3	-18.2	-54.3
Other	5,063	3,035	3,145	3,113	2.0	1.2	1.3	1.6	-1.4	-40.1	3.6	-1.0
Supplementary additional own funds	44,912	40,366	32,934	25,866	17.7	16.5	13.8	13.0	5.8	-10.1	-18.4	-21.5
Deductions from additional own funds	-45	-40	-124	-1,664	0.0	0.0	-0.1	-0.8	236.0	-12.0	214.1	1240.7
(-) Deductions from original and additional own funds	-15,597	-20,676	-18,835	-16,001	-6.1	-8.4	-7.9	-8.1	32.9	32.6	-8.9	-15.0
Of which: from original own funds	-7,787	-10,408	-9,593	-7,946	-3.1	-4.2	-4.0	-4.0	23.1	33.7	-7.8	-17.2
Of which: from additional own funds	-7,810	-10,267	-9,242	-8,056	-3.1	-4.2	-3.9	-4.1	44.3	31.5	-10.0	-12.8
(-) Holdings in other credit and financial institutions amounting to more than 10% of their capital	-5,983	-8,172	-7,435	-8,232	-2.4	-3.3	-3.1	-4.1	-0.3	36.6	-9.0	10.7
(-) Participations held in insurance undertakings, reinsurance undertakings and insurance holding companies amounting to more than 20% of their capital	-3,504	-4,192	-4,632	-4,734	-1.4	-1.7	-1.9	-2.4	9.0	19.6	10.5	2.2
Other	-6,110	-8,312	-6,768	-3,090	-2.4	-3.4	-2.8	-1.6	142.0	36.0	-18.6	-54.3
Total additional own funds specific to cover market risks (Tier 3 capital) and other	0	0	0	37	0.0	0.0	0.0	0.0	—	—	—	—
SURPLUS (+) / DEFICIT (-) OF OWN FUNDS	87,998	80,190	81,215	60,150	—	—	—	—	28.4	-8.9	1.3	-25.9
Solvency ratio (%)	12.2	11.9	12.1	11.5	—	—	—	—	—	—	—	—
Tier 1 ratio (%) (b)	9.3	9.7	10.3	9.8	—	—	—	—	—	—	—	—
MEMORANDUM ITEMS												
Capital principal (RDL 2/2011) (% of original own funds) (c)	—	—	88.2	93.7	—	—	—	—	—	—	—	—
Capital principal coverage index/(RDL 2/2011) (%) (c)	—	—	114.6	117.3	—	—	—	—	—	—	—	—
Capital principal (RDL 2/2011 according to wording of Law 9/2012) as at 1 January 2013 (% of original own funds) (d)	—	—	—	90.4	—	—	—	—	—	—	—	—
Capital principal coverage index (RD-Law 2/2011 according to wording of Law 9/2012) as at 1 January 2013 (%) (d)	—	—	—	102.7	—	—	—	—	—	—	—	—

SOURCE: Banco de España. Data available at 9 April 2013.

- a In the solvency section, the term "consolidated group" refers to consolidated groups of credit institutions and to individual credit institutions not belonging to any consolidated group subject to compliance with the solvency ratio. Data and items in this table, unless otherwise stated, correspond to items of form RP10 "Own funds and compliance with capital requirements" of CBE 3/2008. Due to the change in solvency regulations in 2011, some items were modified in form RP10. This change made it necessary to adapt the sub-items under "Other and country specific original own funds" in this Table.
- b The tier 1 ratio is calculated by subtracting from original own funds that part of the deductions from original and additional own funds that corresponds to original own funds.
- c Only for the fraction of the GCs in this table which are subject to Royal Decree-Law 2/2011 of 18 February 2011 on the strengthening of the financial system. This Royal Decree-Law requires a minimum capital principal of 8% of risk-weighted assets (10% of risk-weighted assets for entities which have not placed 20% or more of their share capital with third parties and which, additionally, have a ratio of wholesale funding higher than 20%). The coverage index is calculated as capital principal divided by capital principal requirements (as a percentage).
- d Only for the fraction of the GCs in this table which are subject to Royal Decree-Law 2/2011 of 18 February 2011 on the strengthening of the financial system, according to the wording of Law 9/2012 of 14 November 2012 on credit institution restructuring and resolution. This new wording has eliminated the previous dual requirement of 8% and 10% and has established a single requirement of 9% and has also modified the definition of capital principal to bring it into line with "core tier 1" used by the European Banking Authority in its recapitalisation exercise in 2011. Although this new definition did not come into force until 1 January 2013, an extraordinary statement on risk weighted assets was envisaged as of December 2012, which is included in this table. The coverage index is calculated as capital principal divided by capital principal requirements (as a percentage).

SOLVENCY OF CONSOLIDATED GROUPS: REQUIREMENTS (a)
TABLE A.2.16
Data of groups existing at each year-end

€m and %

	Amount				Structure %				% annual Δ		Average RW (b)	
	2009	2010	2011	2012	2009	2010	2011	2012	2011	2012	2011	2012
CAPITAL REQUIREMENTS	166,331	164,754	156,711	138,262	100.0	100.0	100.0	100.0	-4.9	-11.8	—	—
Credit, counterparty credit and dilution risks and free deliveries	147,228	143,897	137,675	119,695	88.5	87.3	87.9	86.6	-4.3	-13.1	48.8	43.9
Standardised approach (SA) (excluding securitisation positions)	91,946	90,295	84,975	71,458	55.3	54.8	54.2	51.7	-5.9	-15.9	52.3	44.3
Central governments or central banks and similar categories (c)	2,118	2,295	2,650	2,850	1.3	1.4	1.7	2.1	15.4	7.6	6.5	5.1
Institutions	2,576	2,097	2,127	2,539	1.5	1.3	1.4	1.8	1.4	19.4	24.2	31.9
Corporates	37,855	33,955	28,379	21,454	22.8	20.6	18.1	15.5	-16.4	-24.4	96.8	94.8
Retail	16,006	16,457	15,788	14,865	9.6	10.0	10.1	10.8	-4.1	-5.8	74.8	74.7
Secured by real estate property	15,475	16,643	15,955	14,301	9.3	10.1	10.2	10.3	-4.1	-10.4	42.3	40.7
Past-due items	4,770	5,813	7,780	6,365	2.9	3.5	5.0	4.6	33.8	-18.2	115.1	100.7
Exposures belonging to regulatory high-risk categories	3,289	3,444	3,035	2,373	2.0	2.1	1.9	1.7	-11.9	-21.8	131.4	125.3
Other	9,856	9,589	9,261	6,710	5.9	5.8	5.9	4.9	-3.4	-27.5	60.1	56.7
Internal ratings-based (IRB) approach (excluding securitisation positions) (d)	52,538	51,222	50,639	46,290	31.6	31.1	32.3	33.5	-1.1	-8.6	43.8	42.7
Of which: advanced IRB	40,955	43,178	41,717	37,203	24.6	26.2	26.6	26.9	-3.4	-10.8	38.8	37.2
Central governments and central banks	72	121	91	72	0.0	0.1	0.1	0.1	-24.5	-21.4	16.7	17.9
Institutions	2,650	2,886	2,752	3,357	1.6	1.8	1.8	2.4	-4.7	22.0	20.3	25.6
Corporates	31,084	30,778	30,011	24,800	18.7	18.7	19.2	17.9	-2.5	-17.4	67.7	65.5
Of which: SMEs	10,350	10,911	9,939	7,512	6.2	6.6	6.3	5.4	-8.9	-24.4	77.0	72.9
Retail	13,027	13,255	13,670	13,732	7.8	8.0	8.7	9.9	3.1	0.5	24.8	25.0
Of which: SMEs	1,285	1,416	1,446	1,745	0.8	0.9	0.9	1.3	2.1	20.7	51.1	48.7
Of which: secured by real estate collateral	9,875	10,094	10,468	10,264	5.9	6.1	6.7	7.4	3.7	-1.9	21.4	21.2
Of which: non-SMEs secured by real estate collateral	9,377	9,516	9,837	9,397	5.6	5.8	6.3	6.8	3.4	-4.5	20.7	20.2
Equity	5,242	4,183	4,115	4,330	3.2	2.5	2.6	3.1	-1.6	5.2	186.7	196.9
Other	464	0	0	0	0.3	0.0	0.0	0.0	—	—	—	—
Securitisation positions (e)	2,744	2,380	2,062	1,947	1.6	1.4	1.3	1.4	-13.4	-5.6	50.9	62.9
Of which: traditional	2,738	2,378	2,062	1,947	1.6	1.4	1.3	1.4	-13.3	-5.6	50.9	62.9
Standardised approach	2,377	2,020	1,779	1,576	1.4	1.2	1.1	1.1	-12.0	-11.4	55.1	61.1
IRB approach (f)	367	360	283	370	0.2	0.2	0.2	0.3	-21.3	30.8	40.3	67.8
Memorandum item: securitisation positions including deducted values	3,093	3,563	2,920	2,782	1.9	2.2	1.9	2.0	-18.0	-4.7	68.8	85.2
Position, foreign exchange and commodities risks	4,656	6,137	4,720	4,716	2.8	3.7	3.0	3.4	-23.1	-0.1	—	—
Standardised approach	3,587	4,732	2,608	2,653	2.2	2.9	1.7	1.9	-44.9	1.7	—	—
Of which: traded debt instruments	1,301	1,300	1,594	1,243	0.8	0.8	1.0	0.9	22.6	-22.0	—	—
Of which: foreign exchange risk	2,000	3,182	741	1,245	1.2	1.9	0.5	0.9	-76.7	68.1	—	—
Internal models	1,068	1,405	2,112	2,063	0.6	0.9	1.3	1.5	50.4	-2.3	—	—
Operational risk (OpR)	13,893	14,123	13,793	13,626	8.4	8.6	8.8	9.9	-2.3	-1.2	—	—
Basic indicator approach	4,128	3,807	3,384	2,860	2.5	2.3	2.2	2.1	-11.1	-15.5	—	—
Standardised and alternative standardised approaches	7,991	8,540	9,067	9,414	4.8	5.2	5.8	6.8	6.2	3.8	—	—
Advanced measurement approaches	1,774	1,776	1,342	1,351	1.1	1.1	0.9	1.0	-24.4	0.7	—	—
Transitional, settlement and other capital requirements	555	597	523	225	0.3	0.4	0.3	0.2	-12.5	-57.0	—	—
Of which: complements to overall floor for capital requirements	121	121	63	30	0.1	0.1	0.0	0.0	-47.7	-52.7	—	—
Of which: other country specific own funds requirements	433	476	459	195	0.3	0.3	0.3	0.1	-3.6	-57.6	—	—

SOURCE: Banco de España. Data available at 9 April 2013.

- a In the solvency section, the term "consolidated group" refers to consolidated groups of credit institutions and to individual credit institutions not belonging to any consolidated group subject to compliance with the solvency ratio. Data and items in this table, unless otherwise stated, correspond to items of form RP10 "Own funds and compliance with capital requirements" of CBE 3/2008.
- b RW refers to risk-weight. Unless otherwise stated, the average risk-weights in this table have generally been calculated by dividing the risk-weighted assets by the exposure values declared in forms RP21, RP22, RP23, RP24 and RP25 of CBE 3/2008.
- c It includes the exposure classes "Central governments or central banks"; "Regional governments or local authorities"; "Administrative bodies and non-commercial undertakings"; "Multilateral Development Banks"; and "International Organisations".
- d The average risk weight corresponding to this row is calculated excluding the "Other" component from the total. Details of risk-weighted assets and exposure values are not available for this component.
- e The average risk weight corresponding to this row is calculated after taking into account several adjustments to the risk-weighted assets (infringement of due diligence provisions; maturity mismatches) and after the impact of the cap.
- f The average risk-weight corresponding to this row is calculated using risk-weighted exposures which do not incorporate reductions due to valuation adjustments and provisions.

INFORMATION PROVIDED BY NON-CONSOLIDATED MIXED GROUPS (MGs) OF FINANCIAL INSTITUTIONS
AND FINANCIAL CONGLOMERATES (FCs) SUBJECT TO SUPERVISION BY THE BANCO DE ESPAÑA (a)

TABLE A.2.17

Data of existing MGs and FCs at year-end

€m and %

	Amount				Structure %				% annual Δ			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
Effective own funds	235,932	234,736	227,551	186,699	100.0	100.0	100.0	100.0	11.7	-0.5	-3.1	-18.0
Credit institutions or groups	229,563	227,364	220,413	180,763	97.3	96.9	96.9	96.8	11.3	-1.0	-3.1	-18.0
Insurance undertakings or groups	8,096	9,254	9,448	11,154	3.4	3.9	4.2	6.0	18.5	14.3	2.1	18.1
Deductions	-1,727	-1,882	-2,310	-5,219	-0.7	-0.8	-1.0	-2.8	-2.8	9.0	22.7	125.9
Capital requirements	154,643	158,405	149,846	132,964	100.0	100.0	100.0	100.0	3.0	2.4	-5.4	-11.3
Credit institutions or groups	151,200	154,421	145,814	128,929	97.8	97.5	97.3	97.0	2.9	2.1	-5.6	-11.6
Insurance undertakings or groups	3,791	4,517	4,756	4,830	2.5	2.9	3.2	3.6	6.7	19.2	5.3	1.5
Deductions	-348	-534	-724	-795	-0.2	-0.3	-0.5	-0.6	-8.2	53.4	35.6	9.8
Surplus or deficit	81,289	76,331	77,705	53,735	—	—	—	—	33.1	-6.1	1.8	-30.8
Surplus or deficit of CGs	78,363	72,943	74,599	51,834	—	—	—	—	32.4	-6.9	2.3	-30.5

SOURCE: Banco de España. Data available at 9 April 2013

a Data refer to mixed groups and financial conglomerates existing at each date subject to compliance with the solvency ratio in Spain.

ANNEX 3 INFORMATION FOR BANK CUSTOMERS, REGISTERS
AND OTHER INSTITUTIONAL INFORMATION

Yearly data

Number

	2009	2010	2011	2012
COMMISSION CHARGES: (a)				
Cases examined (b)	964	833	460	152
Decisions (c)	922	717	436	149
Approvals	349	287	200	68
With objections	573	430	236	81
Objections formulated	1,901	1,390	938	398
ADVERTISING PROJECTS (d)				

SOURCE: Banco de España.

a Until 29 April 2012.**b** A case may involve several proposals by the same entity.**c** Not including cases returned.**d** The requirement for prior authorisation of advertising was removed in June 2010. The 2010 Report on Banking Supervision contains the last statistics on this activity.

REGISTERS AND OTHER INSTITUTIONAL INFORMATION

TABLE A.3.2

Year-end data and changes in the year

Number and %

	2009	2010	2011	2012
Senior officers	4,755	4,614	4,517	3,996
Legal persons	420	436	432	408
Individuals	4,335	4,178	4,085	3,588
Males	3,790	3,640	3,544	3,086
Females	545	538	541	502
<i>Of which: Percentage in</i>				
Banks (%)	9	8	9	10
Savings banks (%)	18	19	19	23
Credit cooperatives (%)	9	10	11	11
SCIs (%)	7	7	10	10
Other credit institutions (%)	13	13	14	15
Additions or deletions of senior officers	1,511	1,869	1,314	1,908
<i>Of which: first-time additions</i>	661	653	561	623
Reinstatements	75	109	64	89
Inquiries as to integrity of senior officers	109	215	159	88
Average number of people listed per document	3	3	3	2
Registered shareholders of banks	541	532	509	475
Individuals	120	117	100	114
Legal persons	421	415	409	361
<i>Of which: credit institutions (a)</i>	101	115	119	111
<i>Of which: Spanish shareholders</i>	357	356	343	314
Registered members of credit cooperatives	364	518	496	454
Individuals	173	150	154	156
Legal persons	191	368	342	298
<i>Of which: credit institutions (a)</i>	78	242	224	152
<i>Of which: Spanish members</i>	363	517	494	447
Registered shareholders of SCIs	178	157	123	100
Individuals	28	23	21	17
Legal persons	150	134	102	83
<i>Of which: credit institutions (a)</i>	85	76	47	41
<i>Of which: Spanish shareholders</i>	155	137	102	80
Agency agreements	22,053	24,106	28,344	35,342
Banks	4,651	4,830	4,842	4,742
Savings banks	250	180	1	
Credit cooperatives	61	66	72	98
Specialised credit institutions	74	74	76	78
Branches of credit institutions	128	139	136	138
Currency exchange bureaux and/or money transfer agencies (b)	16,889	18,734	434	
Payment institutions	—	83	22,783	30,286
Agency agreements with foreign CIs	107	107	107	105
Registered amendments to articles of association	142	168	357	250
Cases processed of amendments to articles of association	25	50	88	94
Banks	7	15	36	36
Savings banks	1	2	4	3
Credit cooperatives	10	24	29	38
SCIs	1	5	9	6
MGCs	6	4	2	2
Electronic money institutions			1	
Payment institutions			7	9
Reported to Directorate General of the Treasury and Financial Policy	20	33	70	71
Reported to regional government	5	17	18	23

SOURCE: Banco de España.

a Spanish credit institutions and branches in Spain of foreign ones.

b From April 2011, money transfer agencies, and their agents, are included among payment institutions.

ANNEX 4 MAIN DOCUMENTS PUBLISHED BY THE INTERNATIONAL SUPERVISORY
FORA: FSB, BCBS, EBA, ESRB AND ECB IN THE FRAMEWORK
OF FINANCIAL STABILITY

February	Thematic Review on Deposit Insurance Systems - Peer Review Report
	Handbook for FSB Peer Reviews
April	Securities Lending and Repos: Market Overview and Financial Stability Issues - Interim report
	Extending the G-SIFI Framework to domestic systemically important banks - Progress Report to G20 Ministers and Governors
	FSB Principles for Sound Residential Mortgage Underwriting Practices
June	Implementing the FSB Principles for Sound Compensation Practices and their Implementation Standards - Progress Report
	Identifying the Effects of Regulatory Reforms on Emerging Market and Developing Economies: A Review of Potential Unintended Consequences - Report to the G20 Finance Ministers and Central Bank Governors
	Report to the G20 Los Cabos Summit on Strengthening FSB Capacity, Resources and Governance
	Financial Stability Board Charter
	Overview of Progress in the Implementation of the G20 Recommendations for Strengthening Financial Stability - Report to G20 Leaders
	Progress in implementing the G20 Recommendations on Financial Regulatory Reform - Status Report by the FSB Secretariat
	Financial Regulatory Reforms - Progress and Next Steps - Letter of the Chair to the G20 Leaders
	A Global Legal Entity Identifier for Financial Markets
October	Progress of Financial Regulatory Reforms - FSB Chair Letter sent to the G20 Ministers and Governors
	Report by the Enhanced Disclosure Task Force
November	Consultative Document: FSB guidance for recovery and resolution planning for SIFIs
	Update of group of global systemically important bank (G-SIBs)
	Implementing the Global Legal Entity Identifier (LEI) System - Report on Progress
	Global Shadow Banking Monitoring Report
	Consultative Document: Strengthening Oversight and Regulation of Shadow Banking - Policy Framework for Addressing Shadow Banking Risks in Securities Lending and Repos
	Consultative Document: Strengthening Oversight and Regulation of Shadow Banking - Policy Framework for Strengthening Oversight and Regulation of Shadow Banking Entities
	Consultative Document: Strengthening Oversight and Regulation of Shadow Banking - An Integrated Overview of Policy Recommendations
	Roadmap for reducing reliance on CRA ratings

Principles and recommendations	September	Joint Forum: Principles for the supervision of financial conglomerates
		Core principles for effective banking supervision
Consultative documents	May	Fundamental review of the trading book - consultative document
	June	A framework for dealing with domestic systemically important banks - consultative document
		Principles for effective risk data aggregation and risk reporting - consultative document
	July	Monitoring indicators for intraday liquidity management - consultative document
	December	Revisions to the Basel Securitisation Framework - consultative document
Reports	February	Report on intra-group support measures
	April	Peer review of supervisory authorities' implementation of stress testing principles
		Results of the Basel III monitoring exercise as of 30 June 2011
		Basel III regulatory consistency assessment programme
	June	The internal audit function in banks
		Composition of capital disclosure requirements - Rules text
		Report to G20 Leaders on Basel III implementation
	July	Capital requirements for bank exposures to central counterparties
	October	Report to G20 Finance Ministers and Central Bank Governors on Basel III implementation
		A framework for dealing with domestic systemically important banks - final document
		Progress report on Basel III implementation (update published in October 2012)
		Basel III regulatory consistency assessment (Level 2) - Preliminary report: European Union

Regulatory Technical Standards	December	Final draft Regulatory Technical Standards on Capital Requirements for Central Counterparties
Standards and Guidelines	January	Guidelines on Advanced Measurement Approach (AMA) - Extensions and Changes (EBA/GL/2012/1)
	May	Guidelines on Stressed Value At Risk (Stressed VaR) (EBA/GL/2012/2)
		Guidelines on the Incremental Default and Migration Risk Charge (IRC) (EBA/GL/2012/3)
	July	Guidelines on the Remuneration Benchmarking Exercise (EBA/GL/2012/4)
		Guidelines on the Data Collection Exercise Regarding High Earners (EBA/GL/2012/5)
	November	Guidelines on the Assessment of the Suitability of Members of the Management Body and Key Function Holders (EBA/GL/2012/06)
Reports	July	Report on Risks and Vulnerabilities of the European Banking System
Opinions	July	Opinion on the Commission's Green paper on Shadow Banking
	September	Opinion on Capital requirements for Central Counterparties under the EMIR
	October	Joint Committee of the ESAs response to the Call for Advice on the fundamental review of the Financial Conglomerates Directive
	December	Opinion in response to the European Commission's consultation regarding a possible framework for the recovery and resolution of financial institutions other than banks
		Opinion on the recommendations of the High-level Expert Group on reforming the structure of the EU banking sector
		Joint Committee of the ESAs response to IASB's request for information on its comprehensive review of IFRS for SMEs
Consultative Documents and Discussion Papers	February	Consultation Paper - Draft Implementing Technical Standards on reporting of large exposures
	March	Joint ESAs Discussion Paper - Draft Regulatory Technical Standards on risk mitigation techniques for OTC derivatives not cleared by a CCP
	April	Consultation Paper - Draft Regulatory Technical Standards on own funds
	May	Consultation Paper - Data point model related to Implementing Technical Standards on supervisory reporting
		Discussion Paper - A template for recovery plans
	June	Consultation Paper - Draft Regulatory Technical Standards on the concept of gain on sale associated with future margin income in a securitisation context
		Consultation Paper - Draft Implementing Technical Standards on supervisory reporting requirements for leverage ratio
		Consultation Paper - Draft Implementing Technical Standards on supervisory requirements for liquidity coverage and stable funding
		Consultation Paper - Draft Implementing Technical Standards on disclosure for own funds
	July	Consultation Paper - Draft Technical Standards on the calculation of credit risk adjustments
		Consultation Paper - Draft Regulatory Technical Standards in relation with credit valuation adjustment risk
	August	Joint Consultation Paper of the ESAs - Draft Regulatory Technical Standards on the application of the capital calculation methods for financial conglomerates
	November	Consultation Paper - Draft Regulatory Technical Standards on the conditions for recognition of cooperatives, mutuals, saving institutions and similar institutions
		Discussion Paper - Draft Regulatory Technical Standards on prudent valuation

January	Recommendation of the ESRB of 22 December 2011 on US dollar denominated funding of credit institutions (ESRB/2011/2), OJ 2012/C 72/01
	Recommendation of the ESRB of 22 December 2011 on the macro-prudential mandate of national authorities (ESRB/2011/3), OJ 2012/C 41/01
February	Macro-prudential commentaries, issue 1: The ESRB at work - its role, organisation and functioning
March	Principles for the development of a macro-prudential framework in the EU in the context of the capital requirements legislation
	ESRB response to the EBA Consultation Paper on "Draft Implementing Technical Standards on Large Exposures"
	Macro-prudential commentaries, issue 2: The macro-prudential mandate of national authorities
	ESRB response to the EBA Consultation Paper on "Draft Implementing Technical Standards on supervisory reporting requirements for institutions"
	ESRB response to EIOPA Consultation paper on the "Proposal for Quantitative Reporting Templates for Financial Stability Purposes"
May	Reply of the ESRB to the European Commission's public consultation on shadow banking
June	Occasional Paper No. 1: Money market funds in Europe and financial stability
July	Reports of the Advisory Scientific Committee, No. 1/July 2012: Forbearance, resolution and deposit insurance
	Macro-prudential commentaries, issue 3: Systemic risk due to retailisation?
August	ESRB response on eligible collateral for central counterparties (art. 46 of EMIR)
	ESRB response on the use of OTC derivatives by non-financial corporations (art 10 of EMIR)
September	ESRB Risk Dashboard, issue 1
October	Reports of the Advisory Scientific Committee, No. 2/October 2012: A contribution from the Chair and Vice-Chairs of the Advisory Scientific Committee to the discussion on the European Commission's banking union proposals
November	Macro-prudential aspects of the reform of Benchmark indices. ESRB response to a consultation by the European Commission on a possible framework for the regulation of the production and use of indices serving as benchmarks in financial and other contracts
December	Macro-prudential commentaries, issue 4: Lending in foreign currencies as a systemic risk
	ESRB response to the European Commission Consultation on a possible recovery and resolution framework for financial institutions other than banks
	ESRB Risk Dashboard, issue 2

April	Financial integration in Europe
	Changes in bank financing patterns
June	Financial Stability Review
July	Commission's green paper on shadow banking. The Eurosystem's reply
October	Report on the first two years of the Macro-Prudential Research Network
November	European Commission's public consultation on the regulation of indices - Eurosystem's response
December	Financial Stability Review

ANNEX 5 SPANISH CONSOLIDATED GROUPS OF CREDIT INSTITUTIONS

SPANISH CONSOLIDATED GROUPS OF CREDIT INSTITUTIONS, DECEMBER 2012

Full consolidation method is applied except as otherwise indicated.

- (*) Proportional consolidation method
- (**) Equity method
- (A) Indicates that institution joined the CG in the year
- FC Financial conglomerate
- MG Mixed group
- DI Deposit institution
- OCI Other credit institutions

FC SCH Group

0049-Banco Santander, SA (Spain)	DI				
0011-Allfunds Bank, SA (*)	DI	Argentina	Banco Santander Ríos. A.		DI
0030-Banco Español de Crédito, SA	DI	Austria	Santander Consumer Holding Austria GmbH		OCI
0036-Santander Investment, SA	DI		Santander Consumer Bank GmbH		OCI
0038-Banesto Banco de Emisiones, SA	DI	Bahamas	Santander Bank & Trust Ltd.		DI
0073-Open Bank, SA	DI		Santander Investment Bank, Ltd.		DI
0086-Banco Banif, SA	DI		Banco Santander Bahamas International, Ltd.		DI
0091-Banco de Albacete, SA	DI	Belgium	Santander Benelux, SA, NV		DI
0224-Santander Consumer Finance, SA	DI	Brazil	Banco Santander (Brasil), SA		DI
4784-Transolver Finance, EFC, SA (*)	OCI		Banco Bandepe, SA		DI
4797-Santander Lease, SA, EFC	OCI		Aymoré Crédito, Financiamento e Investimento, SA		OCI
8236-Santander Consumer, EFC, SA	OCI		Companhia de Arrendamento Mercantil Rcibrasil (*)		OCI
			Companhia de Crédito, Financiamento e Investimento (*)		OCI
8512-Unión Créditos Inmobiliarios (*)	OCI		Santander Leasing SA Arrendamento Mercantil		OCI
8835-Santander Brasil, EFC, SA	OCI	(A)	Serfin International Bank and Trust, Ltd.		DI
8906-Santander Factoring y Confirming	OCI	Cayman Islands	Banco Santander - Chile		DI
		Chile	Santander Factoring, SA		OCI
			Santander Corredorade Seguros Limitada		OCI
		USA	Banco Santander International		DI
			Totta & Acores Inc. Newark		DI
			Santander Holdings USA Group		DI
			Santander Consumer USA Group (*)		DI
		Finland	Santander Consumer Finance Oy		DI
		Hungary	Santander Consumer Finance Zrt.		OCI
		Ireland	Totta (Ireland), PLC		DI
		Isle of Man	A&I Services Limited		OCI
		Italy	Santander Consumer Finance Media, SRL		DI
			Santander Private Banking, SPA		DI
			Santander Consumer Bank, SPA		OCI
			Unifin, SPA		OCI
		Jersey	Abbey National International Limited		DI
		Luxembourg	Allfunds International SA (*)		OCI
		Mexico	Banco Santander (México), SA, Institución de Bank		DI
		Norway	Santander Consumer Bank, AS		DI
		Netherlands	Santander Consumer Finance Benelux, BV		DI
		Panama	Banco Santander (Panamá), SA		DI
		Paraguay	Banco de Asunción, SA		DI
		Peru	Banco Santander Perú, SA		DI
		Poland	Santander Consumer Bank Spółka Akcyjna		DI
			Bank Zachodni Wbk, SA		DI
		Portugal	Banco Madesant - Sociedade Unipessoal, SA		DI
			Banco Santander Totta, SA		DI
			Banco Santander Consumer Portugal, SA		DI
		Puerto Rico	BST International Bank, Inc.		DI
			Banco Santander Puerto Rico		DI
			Santander Overseas Bank, Inc.		DI

			Santander Financial Services, Inc.	OCI
			Crefisa, Inc.	OCI
	United Kingdom		Santander UK, PLC	DI
			Alliance & Leicester, PLC	DI
			Abbey National Treasury Services, PLC	DI
			Alliance & Leicester Commercial Bank, PLC	DI
			CA Premier Banking Limited	DI
			Santander Cards UK Limited	DI
			Santander Consumer (UK), PLC	OCI
			Santander UK Investments	OCI
			Santander Cards Limited	OCI
			Liquidity Limited	OCI
			Liquidity Import Finance Limited	OCI
			Alliance & Leicester Cash Solutions Limited	OCI
			Alliance & Leicester Financing, PLC	OCI
			Alliance & Leicester Investments (Derivatives) Lim	OCI
			Alliance & Leicester Investments (Jersey) Limited	OCI
			Alliance & Leicester Investments Limited	OCI
			Alliance & Leicester Investments (No 2) Limited	OCI
			Alliance & Leicester (Jersey) Limited	OCI
			Alliance & Leicester Personal Finance Limited	OCI
			Girobank Carlton Investments Limited	OCI
			Girobank Investments Limited	OCI
			Mitre Capital Partners Limited	OCI
			The Alliance & Leicester Corporation Limited	OCI
			Alliance & Leicester Commercial Finance (Holdings)	OCI
	Germany		Santander Consumer Bank, AG	DI
			Santander Consumer Leasing GmbH	OCI
	Switzerland		Banco Santander (Suisse), SA	DI
	Uruguay		Banco Santander, SA	DI

MG Popular Group

0075-Banco Popular Español, SA (Spain)	DI			
0216-Targobank, SA (*)	DI	USA	Total Bank	DI
0229-Bancopopular-E, SA	DI	Portugal	Banco Popular Portugal	DI
0233-Popular Banca Privada, SA	DI		Popular Factoring Portugal	OCI
0238-Banco Popular Pastor, SA	DI	(A)		
8620-Pastor Servicios Financieros	OCI	(A)		
8816-Sdad. Conjunta Emisión GMP, EFC, SA (*)	OCI			
8903-Popular de Factoring, SA, EFC	OCI			

MG Sabadell Group

0081-Banco de Sabadell, SA (Spain)	DI			
8211-Bansabadell Financiación, EFC, SA	OCI	Andorra	Bancsabadell d'Andorra, SA	DI
8821-Bansabadell Fincom, EFC, SA	OCI	Bahamas	Banco Atlántico (Bahamas) Bank and Trust	DI
		USA	Sabadell United Bank, NA	DI
		Monaco	Banco Atlántico Monaco SAM	DI

Banco de Valencia Group

0093-Banco de Valencia, SA (Spain)	DI			
8825-Adquiera Servicios Financieros EFC	OCI			

MG Bankinter SA Group

0128-Bankinter, SA (Spain)	DI			
8832-Bankinter Consumer Finance, EFC, SA	OCI			

FC BBVA Group

0182-Banco Bilbao Vizcaya Argentaria, SA (Spain)	DI			
0057-Banco Depositario BBVA, SA	DI	Argentina	BBVA Banco Francés, SA	DI
0113-Banco Industrial de Bilbao, SA	DI		PSA Finance Argentina Compañía Financiera, SA (*)	OCI
0121-Banco Occidental, SA	DI	Brazil	BBVA Brasil Banco de Investimento, SA	DI
0129-BBVA Banco de Financiación, SA	DI	Chile	Banco Bilbao Vizcaya Argentaria Chile, SA	DI
0132-Banco de Promoción de Negocios	DI		Forum Servicios Financieros, SA	OCI
0227-UNOE Bank, SA	DI		BBVA Servicios Corporativos Limitada	OCI
2107-UNNIM Banc, SA	DI	(A)	BBVA Factoring Limitada (Chile)	OCI
8321-Entre2 Serv. Financ., EFC, SA	OCI	Colombia	BBVA Colombia, SA	DI

	Curaçao	Banco Provincial Overseas, NV	DI
	USA	Compass Bank	DI
		Homeowners Loan Corporation	OCI
		Compass Auto Receivables Corporation	OCI
		Compass Texas Mortgage Financing, Inc.	OCI
		Compass Mortgage Corporation	OCI
		Compass Mortgage Financing, Inc.	OCI
		Phoenix Loan Holdings, Inc.	OCI
		BBVA Wealth Solutions, Inc.	OCI
	Russian Fed.	Garanti Bank Moscow (*)	DI
	Ireland	BBVA Ireland, PLC	OCI
	Italy	BBVA Finanzia, SPA	OCI
	Mexico	BBVA Bancomer, SA, Institución de Banca Múltiple	DI
		Hipotecaria Nacional, SA, de CV	OCI
		Financiera Ayudamos SA, de CV, Sofomer	OCI
	Netherlands	Garantibank International Nv (*)	DI
	Panama	Banco Bilbao Vizcaya Argentaria (Panamá), SA	DI
	Paraguay	BBVA Paraguay, SA	DI
	Peru	Banco Continental, SA	DI
	Portugal	Banco Bilbao Vizcaya Argentaria (Portugal), SA	DI
		BBVA Leasimo - Sociedade de Locação Financeira, S.	OCI
		BBVA Instituição Financeira de Crédito, SA	OCI
	Rumania	Garanti Bank SA (*)	DI
	Switzerland	BBVA Suiza, SA (BBVA Switzerland)	DI
	Turkey	Türkiye Garanti Bankası, AS (*)	DI
	Uruguay	Banco Bilbao Vizcaya Argentaria Uruguay, SA	DI
	Venezuela	Banco Provincial, SA-Banco Universal	DI

MG Mare Nostrum Group (IPS)

0487-Banco Mare Nostrum, SA (Spain)	DI
0184-Banco Europeo de Finanzas, SA (*)	DI
2421-Caja General de Ahorros de Granada	DI
2422-Caja de Ahorros de Murcia	DI
2423-Caixa d'Estalvis del Penedès	DI
2424-Caja de Ahorros y MP de Baleares	DI
4838-Sa Nostra de Inversiones, EFC, SA	OCI

MG Banco Financiero Group

0488-Banco Financiero y de Ahorros, SA (Spain)	DI
0099-Bankia Banca Privada, SA	DI
0125-Bancofar, SA	DI
2038-Bankia, SA	DI
4837-Madrid Leasing Corporación, SA	OCI
8793-Financiamadrid, SA, EFC	OCI

MG Liberbank Group (IPS)

2048-Liberbank, SA (Spain)	DI
0115-Banco de Castilla-La Mancha, SA	DI
2414-Caja de Ahorros de Asturias	DI
2415-Caja Ahorros y MP de Extremadura	DI
2416-C. Ahorros de Santander y Cantabria	DI
4819-Bancantabria Inversiones, SA, EFC	OCI

MG Cajatres Group (IPS)

2086-Banco Grupo Cajatres, SA (Spain)	DI
2427-Caja Ahorros Inmaculada de Aragón	DI
2428-Círculo Católico Obreros de Burgos	DI
2429-MP y Caja Gral. Badajoz	DI

MG Kutxabank Group

2095-Kutxabank, S.A (Spain)	DI
0237-BBK Bank Cajasur, SA	DI
8830-Bbkge Kredit EFC, SA	OCI

FC La Caixa Group

2401-C. Ahorros y Pensiones de Barcelona (Spain)		DI				
0133-Nuevo Micro Bank, SA	DI	Andorra	Els Arbres de la Tardor, SLU		OCI	(A)

0184-Banco Europeo de Finanzas, SA (*)	DI	(A)
2100-CaixaBank, SA	DI	
8221-Corporación Hipotecaria Mutual	OCI	
8596-Unión Cto. Fin. Mob. Inm. Credifimo	OCI	(A)
8776-Finconsum, EFC, SA	OCI	
8788-Financiacaixa 2, EFC, SA	OCI	
MG Ibercaja Group		
2420-Ibercaja (Spain)	DI	
2085-Ibercaja Banco, SA	DI	
4832-Ibercaja Leasing y Financiación	OCI	
MG Caja España Duero Group		
2425-Caja España Inv., Salamanca y Soria (Spain)	DI	
2108-Banco de Caja España de Inversiones	DI	
MG Unicaja Group		
2426-Unicaja (Spain)	DI	
0184-Banco Europeo de Finanzas, SA (*)	DI	
2103-Unicaja Banco, SA	DI	
CECA Group		
2433-Confed. Española Cajas de Ahorros (Spain)	DI	(A)
2000-Cecabank, SA	DI	(A)
Solventia Group (IPS)		
3001-Caja R. de Almendralejo, SCC (Spain)	DI	
3020-Caja R. de Utrera, SCAC	DI	
3089-Caja R. Baena Ntra. Sra. Guadalupe	DI	
3098-Caja R. Ntra. Sra. del Rosario, SCAC	DI	
3104-Caja R. Cañete Torres Ntra. Sra. del Campo, SCA	DI	
3115-Caja R. Nuestra Madre del Sol, SCAC	DI	
MG Cajas Rurales Unidas Group (IPS)		
3058-Cajas Rurales Unidas, SCC (Spain)	DI	
3029-Caja de Crédito de Petrel, CR, CCV	DI	
3045-Caixa R. Altea, CCV	DI	(A)
3095-Caja R. S. Roque de Almenara, SCCV	DI	(A)
3102-Caixa R. S. Vicent Ferrer	DI	(A)
3105-Caixa R. de Callosa d'En Sarrià, CCV	DI	(A)
3110-Caja R. Católico Agraria, SCCV	DI	(A)
3112-Caja R. S. José de Burriana, SCCV	DI	(A)
3118-Caixa Rural Torrent, CCV	DI	(A)
3119-Caja R. S. Jaime Alquerías, SCCV	DI	(A)
3121-Caja R. de Cheste, SCC	DI	(A)
3123-Caixa R. de Turis, CCV	DI	
3135-Caja R. S. José de Nules, SCCV	DI	(A)
3137-Caja R. de Casinos, SCCV	DI	
3152-Caja R. de Villar, CCV	DI	(A)
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3186-Caixa R. Albalat dels Sorells, CCV	DI	
3188-Crèdit Valencià, CR, CCV	DI	(A)
Ibérico Group (IPS)		
3187-Caja R. del Sur, S. Coop. Crédito (Spain)	DI	
3009-Caja R. de Extremadura, SCC	DI	
3063-Caja R. de Córdoba, SCC	DI	
Barclays SA Group		
Barclays PLC (United Kingdom)	DI	
0065-Barclays Bank, SA	DI	

8905-Barclays Factoring, SA, EFC OCI

Citibank Group

Citigroup Inc (USA)

DI

0122-Citibank España, SA

DI

8818-Citifin, SA, EFC

OCI

Volkswagen Group

Volkswagen AG (Germany)

8307-Volkswagen Finance, SA, EFC

OCI

8813-Scania Finance Hispania, EFC, SA

OCI

OTHER GROUPS (institutions whose group includes only one credit institution supervised by the Banco de España)

	0011-Allfunds Bank, SA	DI		Consolidated proportionately with SCH Group	
MG	0046-Banco Gallego, SA	DI			
MG	0061-Banca March, SA	DI	Spain	Parent: March family	
	0078-Banca Pueyo, SA	DI			
	0083-Renta 4 Banco, SA	DI	(A)		
	0198-Banco Cooperativo Español, SA	DI			
	0211-EBN Banco de Negocios, SA	DI			
	0232-Banco Inversis, SA	DI			
	0234-Banco Caminos, SA	DI			
	1000-Instituto de Crédito Oficial	OCI			
MG	2013-Catalunya Banc, SA	DI			
	2045-Caja de Ahorros y MP Ontinyent	DI			
	2056-Colonya-Caixa d'Estalvis Pollença	DI			
MG	2080-NCG Banco, SA	DI	(A)		
	3008-Caja R. de Navarra, SCC	DI			
	3017-Caja R. de Soria, SCC	DI			
MG	3025-Caixa C. dels Enginyers, SCC	DI			
MG	3035-Caja Laboral Popular Coop. Crédito	DI			
	3067-CR de Jaén, Barna. y Madrid, SCC	DI			
	3080-Caja R. de Teruel, SCC	DI	(A)		
	3081-Caja R. de Castilla-La Mancha, SCC	DI			
	3085-Caja R. de Zamora, CC	DI			
	3146-Caja de Crédito Cooperativo, SCC	DI			
	3183-Caja de Arquitectos, SCC	DI			
	3190-CR Albacete, C. Real y Cuenca, SCC	DI			
	3191-Nueva Caja Rural de Aragón, SCC	DI			
	4713-Lico Leasing, SA, EFC	OCI	Spain	Parent: Lico Corporación, SA	(A)
	8769-Unión Financiera Asturiana, SA	OCI			
	0019-Deutsche Bank, SAE	DI	Germany	Parent: Deutsche Bank, AG	DI
	0058-BNP Paribas España, SA	DI	France	Parent: BNP Paribas, SA	DI
	0059-Banco de Madrid, SA	DI	Andorra	Parent: Banca Privada d'Andorra	DI
	0094-RBC Investor Services España, SA	DI	United Kingdom	Parent: RBC Investor Services Limited	
	0130-Banco Caixa Geral, SA	DI	Portugal	Parent: Caixa Geral de Depósitos	DI
	0138-Bankoa, SA	DI	France	Parent: CRCAM. Pyrénées Gascogne	DI
	0186-Banco Mediolanum, SA	DI	Italy	Parent: Mediolanum, SPA	
	0188-Banco Alcalá, SA	DI	Andorra	Parent: Crèdit Andorrà	DI
	0200-Privat Bank Degroof, SA	DI	Belgium	Parent: Banque Degroof	DI
	0219-Banque Marocaine Com.Ext.Internat.	DI	(A) Morocco	Parent: Banque Marocaine du Commerce Extérieur	DI (A)
	0223-General Electric Capital Bank, SA (**)	DI	USA	Parent: General Electric Capital Corp. (**)	
	0225-Banco Cetelem, SA	DI	France	Parent: BNP Paribas	DI
	0226-UBS Bank, SA	DI	Switzerland	Parent: UBS, AG	DI
	0235-Banco Pichincha España, SA	DI	Ecuador	Parent: Banco Pichincha, CA	DI
	0236-Lloyds Bank International, SA	DI	United Kingdom	Parent: Lloyds Banking Group	DI
	8512-Unión Créditos Inmobiliarios	OCI	France	Parent: UCI, SA	
				Consolidated proportionately with SCH Group	
	8828-IOF Finance EFC, SA	OCI	Germany	Parent: Private Financing Initiatives, SA	

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- ¹ The publications in this section distributed by the Banco de España [all of them, except those marked (*) and (**), which are distributed by Alianza Editorial and Macmillan (London)] have been removed from the catalogue.
 - ² Moreover, it is updated daily in the Statistics section.
 - ³ A quarterly update of the tables of this publication is also disseminated on the Internet.
 - ⁴ Available only on the Banco de España website until it is included in the publication *Circulares del Banco de España. Recopilación*.

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