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PRESS RELEASE

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State aid: Commission approves restructuring plans of Spanish banks Liberbank, Caja3, Banco Mare Nostrum and Banco CEISS

The European Commission has concluded that the restructuring plans of four Spanish banks, Liberbank, Caja3, Banco Mare Nostrum (BMN) and Banco CEISS, are in line with EU state aid rules. The in-depth restructuring undergone by the four banks will allow them to become viable in the long-term without continued state support. Moreover, the banks and their stakeholders adequately contribute to the costs of restructuring. Finally, the plans foresee sufficient safeguards to limit the distortions of competition induced by the state support. The restructuring plans were submitted to the Commission for approval as foreseen by the Memorandum of Understanding (MoU) agreed between Spain and the Eurogroup in July 2012. Today's decisions will allow the banks to receive aid from the European Stability Mechanism (ESM) in the context of the financial assistance programme to recapitalise the Spanish banking sector.

"As planned in the Memorandum of Understanding concluded in July between euro area countries and Spain, we have managed to bring underway a thorough restructuring of eight banks in a matter of just a few months. The restructuring plans of BMN, Caja3, Banco CEISS and Liberbank will make these banks viable again, thereby contributing to restoring a healthy financial sector in Spain, while minimising the burden for the taxpayer" said Commission Vice-President in charge of competition policy Joaquín Almunia.

The proposed restructuring measures will ensure that Liberbank, BMN and Banco CEISS return to long-term viability as sound credit institutions in Spain. By 2017, the balance sheet of each of the three banks will be reduced. As compared to 2010, the reduction will reach more than 40% for BMN, about 30% for CEISS and approximately 25% for Liberbank. Caja3 will be fully integrated into Ibercaja, which will ensure its return to viability within the five-year restructuring period.

In particular, the banks will refocus their business model on retail and SME lending in their historical core regions. They will exit from lending to real estate development - or will only maintain a marginal activity in this field – and they will limit their presence in wholesale business. This will contribute to reinforcing their capital and liquidity positions and reduce their reliance on wholesale and central bank funding. Asset transfers to the asset management company SAREB will further limit the impact of additional impairments on the riskier assets and help to restore confidence.

Spain committed to sell Banco CEISS and to have BMN and Liberbank listed before the end of the restructuring period. Caja3 will cease to exist as a stand-alone entity.

Moreover, the absorption of losses borne by the four banks and their stakeholders (i.e. holders of shares and hybrid capital) will ensure, together with the restructuring measures, a satisfactory burden-sharing and an adequate own contribution to the financing of the significant restructuring costs. This reduces the state aid needed by over €2 billion for the four banks.

All banks committed to divest a number of industrial equity stakes and subsidiaries, the proceeds of which will contribute to finance the restructuring and thus limit the need for further aid. The divestments will further limit the distortions of competition brought about by the aid.

Finally, all banks committed to the following measures: limitations on remuneration for State-owned credit institutions; a ban on coupon payments until the burden sharing measures on hybrid instruments have been fully implemented; not advertising the state support nor using it for commercially aggressive practises. An acquisition ban will also apply for Liberbank, Banco CEISS and BMN.

Background

According to the MoU, banks revealing a capital shortfall according to the bottom-up stress test conducted by Oliver Wyman in September 2012 and unable to meet those capital shortfalls privately without having recourse to state aid ("Group 2 banks") needed to submit restructuring or resolution plans, to be approved by the Commission by the end of December 2012. The restructuring plans foresee a series of subordinated liabilities exercises, the transfer of some impaired assets and loans to an asset management company (SAREB) and other management actions, which reduce the banks' capital needs and bring them in line with new regulatory solvency requirements in Spain as of 1 January 2013.

The final capital needs to be covered by public funds from the programme will be €124 million for Liberbank (from €1198 million identified in the stress test), €407 million for Caja3 (from €779 million), €730 million for BMN (from €2 208 million) and €604 million for Banco CEISS (from €2 063 million).

Altogether, the programme funds for these four banks will amount to €1 865 million, representing less than 30% of the € 6 248 million capital shortfall identified in the stress test. The rest will be covered by the burden sharing exercise (which will provide more than €2 billion in capital), asset sales and other management actions (more than €1 billion) and the transfer of impaired assets and loans to the asset management company SAREB (around €1 billion).

The MoU foresees that ESM resources are paid out to the Spanish Found for Orderly Bank Restructuring (FROB) for the recapitalisation of the banks only after the Commission has approved their restructuring or resolution plans.

Liberbank

Liberbank is a regional Spanish commercial bank operating mainly in Asturias, Cantabria, Extremadura and Castilla La Mancha. It was created in 2011 as the result of the integration of three local saving banks, with total assets in 2011 of €50.7 billion. Liberbank's focus is on retail banking for individuals and SMEs. However, in the expansion period it broadened its business areas, in particular by investing in the real estate and development sector. Liberbank has not needed state aid in the form of capital in the past. It will benefit from a recapitalisation of €124 million in the form of contingent convertible bonds (CoCos) subscribed by the FROB, as well as from a transfer of its impaired assets and loans into SAREB for an aid amount of around €1 000 million. Additionally, it has benefitted from State guarantees on unsecured senior debt under the Spanish bank guarantee scheme (see MEX/12/0629) worth €3 875 million.

Caja3

Caja3 is a regional bank mainly present in Aragón, Burgos and Badajoz, resulting from the integration of three local savings banks in 2010, with total assets of €20.7 billion in 2011. Caja3 was traditionally focused on retail banking for individuals and SMEs. However, in its expansion period it broadened its business areas, in particular by investing in the real estate and development sector. Caja3 will merge with a bank that has received no state aid, Ibercaja, and will be fully integrated. Caja 3 has not previously benefitted from any public recapitalisation. Caja 3 will benefit from a recapitalisation of €407 million in the form of contingent convertible bonds (CoCos) subscribed by the FROB, as well as from a transfer of its impaired assets and loans into SAREB for an aid amount of around €770 million. Additionally, it has benefitted from State guarantees on unsecured senior debt under the Spanish bank guarantee scheme (see MEX/12/0629) worth €654 million.

BMN

Banco Mare Nostrum is a multi-regional Spanish commercial bank, resulting from the integration of four saving banks in 2010. It operates mainly on the Spanish Mediterranean coast. Traditionally, the bank focused on retail banking for individuals and SMEs. However, in recent years it went through a period of geographical expansion and broadening of its business areas, in particular in the area of real estate development. As from 2010 BMN has benefited from several state aid measures: (i) a recapitalisation of €915 million in the form of convertible preference shares subscribed by the FROB and (ii) State guarantees on unsecured senior debt under the Spanish bank guarantee scheme (see MEX/12/0629) worth €4 424 million. BMN will benefit now from an additional recapitalisation of €730 million in the form of ordinary shares subscribed by the FROB, as well as from a transfer of its impaired assets and loans into SAREB for an aid amount of approximately €2 100 million.

Banco CEISS

Banco CEISS is a large regional bank with national presence in Spain resulting from a merger of two savings banks in 2010. It is present in all main business segments, with total assets of about €42.3 billion in 2011. As from 2010, Banco CEISS benefited from two state aid measures: (i) a recapitalisation of €525 million in the form of convertible preference shares subscribed by the FROB and (ii) State guarantees on unsecured senior debt under the Spanish bank guarantee scheme (see MEX/12/0629) worth €3 193 million. Banco CEISS will benefit now from an additional recapitalisation of €604 million in the form of ordinary shares subscribed by the FROB, as well as from a transfer of its impaired assets and loans into SAREB for an aid amount of around €717 million.

The non-confidential version of the decisions will be made available under the case numbers SA.35490, SA.35489, SA.35488 and SA.34536 in the State Aid Register on the DG Competition website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the State Aid Weekly e-News

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