EUROPEAN COMMISSION

PRESS RELEASE

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State aid: Commission approves state support for Spanish Bankia/BFA

The European Commission has temporarily approved, under EU State aid rules, a conversion of existing state owned preference shares of €4 465 million into equity and a liquidity guarantee amounting to €19 billion in favour of the Spanish BFA group and its subsidiary Bankia. Spain has committed to provide a restructuring plan for BFA and Bankia within six months. The approved aid does not include announced capital injections sought by BFA and which are currently under assessment by the Spanish authorities.

Commission Vice president in charge of competition policy Joaquín Almunia said: "*There is no doubt that the beneficiary will need to undergo deep restructuring. The conversion of preference shares into capital will simplify the ownership structure of BFA, which becomes fully State owned, thus making the necessary restructuring decisions easier to take*."

Bankia is the banking arm of BFA Group, resulting from the merger of seven Spanish savings banks. In 2010, the group received an injection of preference shares of €4 465 million provided under the Spanish banking restructuring fund FROB, approved by the Commission in the framework of the Spanish recapitalisation scheme in 2010 (see IP/10/70).

With the now approved conversion of preference shares into equity, FROB holds 100% of BFA. This is because the economic valuation preceding the conversion has established a negative value for BFA, thus the current BFA shareholders lost their claims. The possibility of such a conversion was foreseen, subject to notification, in a Commission decision of early 2010 approving the injection of preference shares by FROB in a number of Spanish banks (see IP/10/70).

Additionally, a liquidity guarantee amounting to €19 billion will be provided.

Spain has committed to submit a restructuring plan within a period of six months and not to pay out dividends or coupons on hybrid capital unless legally required. In view of these safeguards the Commission has approved the measure for six months. BFA/Bankia will have to undergo deep restructuring in order to become viable without continued state support. The restructuring plan will have to contain adequate measures to limit the state aid and its distortive effects to the minimum. The Commission will take a final decision on the measures in the context of its analysis of the restructuring plan.

Additionally, the Board of the BFA asked the Spanish authorities for a further €19 billion capital injection into BFA, which in turn would inject €12 billion into Bankia. This request is currently assessed by the Spanish authorities, and is not covered by this decision.

Spokespersons' Service
Service des Porte-parole

IP/12/699

Background

Bankia is a large universal bank, with presence in all main business segments: mortgage and consumer lending, SMEs, large corporations as well as public and private institutions. At 31 December 2011, Bankia's total assets amounted to about EUR 306 billion, with 21,856 employees and 3,209 branches and around 10.8% market share in retail deposits at national level.

The non-confidential version of the decision will be made available under the case number SA.34820 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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