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Summary of sector trends: banking and finance
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Savings bank legislation and financial system

Savings banks have two ways of solving the problem: becoming banks or nationalisation, i.e. letting the State take a stake in them.

Progress in international financial regulation has usually been preceded by bouts of crisis which have speeded up decision-making. International financial system regulation can be divided into a number of regulatory fields which have specific instruments that are used in different areas and have a precise purpose. In the field of improving risk management, before the financial crisis which began in 2008 in the U.S. and went on to impact the international financial system, there was an agreement in place called Basel II. It laid down recommendations about the capital requirements necessary to ensure the protection of financial institutions against financial and operational risks and was designed to increase their efficiency.

The 2008 crisis in the U.S. that subsequently spread around the world revealed that these recommendations were not enough. As a result Basel II was reworked in 2010 to draw up a new international agreement called Basel III which tightened financial institutions' basic capital reserve conditions so that they could withstand financial shocks without the help of the State or the investment of public money. This resulted in a worldwide restructuring of banks and savings banks which has also affected Spain.

Thus although **Spanish banks and savings banks initially handled the financial crisis without too much difficulty because they had followed a traditional retail banking model**, the persistence of the financial crisis along with the subsequent economic crisis placed them in an adverse environment which has resulted in lower levels of activity, difficulties in obtaining financing and higher delinquency rates, particularly brought about by the amount of loans to property and construction companies.

Given this situation, Spanish savings banks began a restructuring process involving concentration (unions, mergers and acquisitions) with the aim of correcting structural problems (difficulty in obtaining equity and a complex legal structure) and cumulative imbalances (property development risk, dependence on wholesale financing, overcapacity, excessive fragmentation and loss of business profitability).

In spite of the concentration process, the adoption of new and more demanding minimum capital reserve requirements set by the Basel III agreement mean that these measures have proved to be insufficient and make a new approach necessary for Spanish savings banks. A capital increase is not an option for savings banks and this forces them to increase their profits to reach the required capitalisation rate, something they have found impossible to do. Consequently savings banks have two ways of solving the problem: becoming banks or nationalisation, i.e. letting the State take a stake in them.

Impact on the sector

As a result of the above, the Spanish financial system's savings banks are being restructured and in some cases turned into banks. Specifically:

Banks resulting from the conversion of savings banks:

- CaixaBank from the finance business at La Caixa (which previously acquired Caixa Girona).
- Bankia from the merger of Caja Madrid (which acquired Caja Laietana, Insular de Canarias, Caja Ávila, Caja Rioja and Caja Segovia) and Bancaja.
- Mare Nostrum from the merger of Caixa Penedès, Sa Nostra, Caja Granada and Caja Murcia.
- Banco Base from the merger of CAM, Cajastur, Caja Extremadura and Caja Cantabria.
- Banca Cívica from the merger of CajaSol, Caja Navarra, Caja Canarias, Caja Burgos and Caja Guadalajara.

Savings banks that have been restructured:

- Caja 3 from the merger of Caja Inmaculada, Caja Circulo de Burgos and Caja Badajoz.
- Nueva Caixa Galicia from the merger of Caixa Galicia and Caixanova.
- CatalunyaCaixa from the merger of Caixa Catalunya, Caixa Tarragona and Caixa Manresa.
- Unnim from the merger of Caixa Sabadell, Caixa Terrassa and Caixa Manlleu.
- Unicaja from the merger of Unicaja and Caja de Jaén.
- BBK Bank from the merger of BBK and Caja Sur.
- Caja España from the merger of Caja España and Caja Duero.

Savings banks that have not yet been restructured:

- Ibercaja
- Kutxa
- Caja Vital Kutxa
- Caixa Ontinyent
- Colonya Caixa Pollença

Savings banks are still being restructured which means there may be significant changes in the current setup of the sector over forthcoming months.

Much of this restructuring or conversion of the financial system is based on the implementation of various support measures: the Fund for Orderly Bank Restructuring (FROB), the new law on savings banks, enhanced transparency about the status of entities and modification of accounting rules on asset write-downs (reserves).

Impact on professional profiles

The professional skills most valued in the sector are the ability to sell financial products and services and financial risk analysis.

Almost 50% of job offers are for graduates and people with postgraduate qualifications.

The merger of savings banks or their conversion into banks has led to a progressive reduction in the number of branches. In fact **the Spanish model**, which was based on a high density of small branches with approximately 10 per 10,000 people and an average of 6 workers per branch, **will come to look increasingly like the model that prevails in Europe with an average of 2 large branches per 10,000 people and about 25 workers per branch**. Spanish banks and savings banks shut down nearly 1,200 branches in 2010 and this number is expected to continue to grow in 2011. It is estimated that there are 30% too many savings bank branches, which may entail the loss of approximately 30,000 jobs.

Although job prospects in the sector do not look good, there are nonetheless other employment options such as **the expansion plans being implemented by Spanish financial institutions and the boost to civic banking which may provide job opportunities in the sector.** People will need to develop new skills and acquire new knowledge to take advantage of these opportunities.

In terms of skills, people capable of adapting to change and who have a strong customer focus and robust professional ethics will be needed. As for knowledge, in addition to the basic training necessary to get a job in the sector other essential factors will be fluent English, knowing how to use new technologies and knowledge of global risk management, financial advisory services and sales management that conveys confidence.

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