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Banks are disclosing their exposure to property risk

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Slowly, slowly, Spanish banks are disclosing their exposure to property credit risk and providing an insight into the real status of their Spanish property business. The Bank of Spain calculated six months ago that it could be €181 billion.

Banesto announced the last week an exposure of € 10.3 billion related to property and assumed a loss of 21% - already there is 18% of debt from borrowers.

Banco Mare Nostrum (BMN) has a 23% loan exposure and assumes a loss of € 4.2 billion, which is the higher so far from any lender.

Bankinter announced the last Friday that their risk exposure is hardly € 306 million, which is much lower than many other banks. It looks like Bankinter has a better quality property stock than their competitors and also the lender has a good provision (€ 990 m) against their own risk.

Other banks will disclose their figures soon and we may find some shocking figures coming from them, with important presence in the coastal high streets.

The exercise of transparency in disclosing the risk figures are of interest to major institutions (Bank of Spain, Government, EU and IMF) who want to know in order to assess the real risk to the Spanish banking system.

Wisely, the Bank of Spain encouraged all lenders to increase their property loan provisions to 30% which provides a good back-up to the risk of defaults.

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