Joint press release

German banks successfully complete EU-wide re-capitalisation exercise

- **After deduction of the "sovereign capital buffer", all 12 German institutions in the sample achieved the minimum core tier 1 capital ratio of 9% as at 30 June 2012. The average ratio is 10.7%, which means all institutions taken together exceed the EBA minimum capital requirement by €15.5 billion.**
- **The five banks which were found to need an additional €12.9 billion as at 30 September 2011 have covered this requirement. They are now reporting €9.6 billion more capital than is needed to comply with the minimum core tier 1 capital ratio of 9% after deducting the sovereign capital buffer.**

According to the Recommendation issued by the European Banking Authority's (EBA) regarding banks' recapitalisation, participating institutions were to have a core tier 1 capital ratio less the sovereign capital buffer, expressed in terms of risk-weighted assets, of at least 9%. The sovereign capital buffer is the capital buffer for fair value losses on exposures to member states of the European Economic Area. All German banks participating in the recapitalisation exercise achieved this capital ratio. Most of the institutions had a ratio of over 10%. "The German institutions have thus even overcomplied with the strict targets set by the EBA, which are well above the current legal minimum capital requirements", explained Sabine Lautenschläger, Deputy President of the Deutsche Bundesbank.

Together with national supervisory authorities, the EBA established the participating institutions' progress in achieving the required core tier 1 capital ratio

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as at 30 September 2011. Five German banks were found to require €12.9 billion in recapitalisation. “It is a positive sign that the capital shortfall was largely closed thanks to capital injections,” emphasised Raimund Röseler, head of banking supervision at BaFin. Over 80% (€10.3 billion) of this shortfall was closed by strengthening core tier 1 capital, eg through retained earnings, capital increases or hardening undisclosed deposits or converting undisclosed reserves to disclosed reserves. The institutions also reduced riskier portfolios. These measures improved the average capital ratio of the 12 participating institutions from 9.7% (as at 30 September 2011) by one percentage point to 10.7% (as at 30 June 2012); no institution had a capital ratio of less than 9.5%.

Background information

To strengthen European banks’ capital positions amidst the European sovereign debt crisis, on 26 October 2011 the European heads of state or government resolved to recapitalise banks in the member states of the European Union. This was designed to boost investor confidence in banks’ resilience to further shocks in light of the exceptional market situation.

There were 61 European banks in the recapitalisation exercise; they needed to show a core tier 1 capital ratio of at least 9% (after deducting the sovereign capital buffer) as at 30 June 2012. The sovereign capital buffer was fixed as at 30 September 2011. This stipulation is intended to counter temptations to sell exposures to euro-area countries and thus contain the threat of uncontrolled deleveraging.

Institutions that did not meet these requirements on 30 September 2011 had to present to their national supervisors and the EBA a capital plan detailing the measures they would take to achieve the required capital ratio.

The banks participating in the recapitalisation exercise must continue to comply with the EBA’s higher capital requirements until further notice.

The reader is requested to note that the recapitalisation exercise figures are not comparable with the Basel III monitoring figures owing to differences in

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regulatory definitions of capital and capital requirements as well as differences in reference points.

Notes:

There were originally 13 German institutions participating in the recapitalisation exercise. Six institutions, including WestLB, were found to be in need of recapitalisation. In the meantime, though, WestLB has been broken up and is therefore no longer affected by the recapitalisation recommendation.

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Annex: Table showing bank-by-bank results of the EBA capitalisation exercise

Name of bank	Core tier 1 capital (€ million or %) [1]			Risk-weighted assets (€ million or %)			Core tier 1 ratio (% or percentage points)			Sovereign capital buffer for EEA sovereign exposures (€ million) (fixed as at 30 Sep 2011)	Write-downs on sovereign exposures (€ million) (since 30 Sep 2011) [2]	**Core tier 1 ratio after taking into account the sovereign capital buffer and additional write-downs on sovereign exposures (% or percentage points)**		
	Sep-11	Jun-12	Change	Sep-11	Jun-12	Change	Sep-11	Jun-12	Change		Jun-12	Sep-11	**Jun-12**	Change
Bayerische Landesbank	11,599	11,518	-0.7%	115,989	111,775	-3.6%	10.0%	10.3%	0.3	0	0	10.0%	**10.3%**	0.3
Commerzbank AG	22,690	25,645	13.0%	256,476	210,150	-18.1%	8.8%	12.2%	3.4	4,911	-942	6.9%	**10.3%**	3.4
Deka Bank	2,547	2,755	8.2%	26,562	23,634	-11.0%	9.6%	11.7%	2.1	0	0	9.6%	**11.7%**	2.1
Deutsche Bank AG	35,081	38,107	8.6%	421,467	372,908	-11.5%	8.3%	10.2%	1.9	388	0	8.2%	**10.1%**	1.9
DZ Bank AG	9,012	10,825	20.1%	97,866	93,538	-4.4%	9.2%	11.6%	2.4	557	-42	8.6%	**11.0%**	2.4
Helaba	3,487	5,558	59.4%	55,114	56,833	3.1%	6.3%	9.8%	3.5	24	0	6.3%	**9.7%**	3.4
HSH Nordbank AG	4,591	6,055	31.9%	48,005	60,663	26.4%	9.6%	10.0%	0.4	0	0	9.6%	**10.0%**	0.4
Hypo Real Estate Holding AG	4,853	4,130	-14.9%	17,418	19,112	9.7%	27.9%	21.6%	-6.3	1,616	0	18.6%	**13.2%**	-5.4
Landesbank Baden-Württemberg	10,034	10,238	2.0%	110,171	103,663	-5.9%	9.1%	9.9%	0.8	0	0	9.1%	**9.9%**	0.8
Landesbank Berlin AG	5,117	4,431	-13.4%	37,143	35,001	-5.8%	13.8%	12.7%	-1.1	67	0	13.6%	**12.5%**	-1.1
Norddeutsche Landesbank	5,012	7,706	53.8%	83,350	81,438	-2.3%	6.0%	9.5%	3.5	0	0	6.0%	**9.5%**	3.5
WGZ Bank AG	1,920	1,915	-0.3%	18,750	18,388	-1.9%	10.2%	10.4%	0.2	0	0	10.2%	**10.4%**	0.2
Average							10.7%	11.6%	0.9			9.7%	**10.7%**	1.0

Notes

(1) Core tier 1 capital including other eligible instruments and existing government support measures (without hybrid instruments not subscribed by government).

(2) It was possible to set off write-downs on EEA exposures conducted after 30 September 2011 with the part of the sovereign capital buffer which was formed for undisclosed losses from exposures to this sovereign, thereby reducing the amount of capital needed for the sovereign capital buffer. The offsetting amount for each EEA member state was limited to the size of this portion.

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