

Sabine Lautenschläger: Interview with Deutschlandfunk



EUROPEAN CENTRAL BANK

EUROSYSTEM

Interview with Sabine Lautenschläger, Member of the Executive Board of the ECB and Vice-Chair of the Supervisory Board of the ECB, conducted by Klemens Kindermann and broadcast on 30 December 2018

Ms Lautenschläger, the euro is now 20 years old. On 1 January 1999 it became legal tender for 11 out of 15 EU Member States, initially in electronic form and then as cash as of 2002. Germany has participated from the outset, alongside countries such as France and Italy. Has the euro been a success?

Yes, the euro has definitely been a success, and indeed a success on an economic level. Many people merely associate the euro with being able to travel more easily to other countries without having to exchange German marks for French francs or Spanish pesetas, but it has most especially had economic benefits for our business enterprises and our firms. We are now truly an export-driven country. Trade within the euro area has increased and, thanks to the single currency, firms find it much easier to estimate the value of the payments owed to them. They do not run any exchange rate risk. But the euro has also been a success in political terms. We should not forget that the EU, and therefore the euro, has also been immensely important in preserving the peace that we have enjoyed in the euro area, in the EU, for the past 70 years. And since we are stronger together, and as part of the EU and the euro area are able to play a greater role in the global arena, also on the political front, we can do more to ensure peace for the political environment. So, in my view, the euro is a huge success.

According to a survey, even now around a third of German people still mentally convert German euro prices to German mark, at least for larger purchases. Can you understand that some Germans are still pining for the D-mark?

I'm not so sure that this mental conversion really is a sign that people are missing the D-mark. Especially for the older ones among us, it is simply a better way of estimating the value. Some people also do it out of habit. So I don't think that Germans really want to have the D-mark back. I've heard that more than 80% of the German population have a very positive view of the euro..

On that note, the latest survey conducted by the EU Commission indicates that the German people's acceptance of the euro is on the decline. Has a slide set in? In 2018, some 70% thought that the euro was good for Germany, compared with 76% in 2017. Those levels of acceptance are still high, but they have begun to slip back.

Yes, there are fluctuations here and there and of course there are years when some Germans feel more at ease, and more nationalistic, in their own country and some may then prefer to have their own currency. But, as you say, the levels are still at 70%, 76%, so I see no grounds for concern. I think that firms and younger people greatly appreciate having a currency that not only facilitates travel but also cross-border trade and payments.

Your reference to national sentiment actually brings us to the topic of the euro and populism. It is easy to forget, but the Alternative for Germany (AfD) party actually started out as an anti-single currency party. The refugee issue followed. Are you afraid that, in Germany too, an anti-euro stance might be rediscovered by the AfD?

I'd rather not make any statement on the political aspects. That is not a task for the ECB, although we do of course observe and take on board the fact that people in many countries have concerns and harbour a certain fear of globalisation.

I don't think it's about the euro, but rather that some people fear that they will be left behind in a global context and that they will no longer be able to control the situation. And then they believe, wrongly so in my view, that they will find more security by retreating to their national domain, their own sector and their own region.

But anti-euro sentiment has been explicitly stirred up in France and Italy during the respective electoral campaigns of Marine Le Pen, the Five Star Movement and the right-wing Northern League. Do populist movements pose a threat to the euro?

I would not say that it's under threat but I think we must take the matter seriously and we must give a much better explanation – as this interview today enables me to do – of the benefits of the euro, the degree of prosperity and security that it brings and the number of jobs that depend on it. We need to explain that the euro simplifies trade between euro area countries and brings economic prosperity and jobs. All this is extremely

important to me and it shows that we need to state this more often and much more clearly. In essence, however, I really believe that nationalistic tendencies – and I don't just mean in Germany, but in the whole world, as we don't need to confine ourselves to speaking about the EU – result from the fear of globalisation, that people can no longer control their own independent inner domains in the way they could before.

Let's stay with Italy which had promised to limit its budget deficit next year to 0.8%. The target is currently set at 2.04% of GDP and the European Commission has now accepted that figure. Can the stability of the euro be preserved in this way?

I believe it is extremely important for all of us to adhere to the commonly agreed European fiscal rules.

Italy too?

Every country, including Germany, for example. It's important because for a functioning economy, for sustainability in the euro area, all countries need to keep to certain budget limits and have sound public finances. That's very important for the euro, but it goes beyond that because it also concerns the sustainability of government debt, etc. That's important for every country, for Italy, for France, but also for Germany. And you may wish to remember that we were one of the first countries to infringe these rules.

Speaking of France, the French President Emmanuel Macron has made commitments in the order of billions of euro to the "yellow vest" protesters. France will next year have violated the new debt rule for the eleventh year in a row, apart from in 2017. Shouldn't an excessive deficit procedure be launched against France?

To the best of my knowledge, the budget plans have not yet been fully decided on in France. It would be important to know whether if they spend more on one side, they may save more on the other side. I'm not aware that France has already discussed compensatory measures and presented them in a European context. So I don't think the French government has got to that stage yet and we will have to wait and see,

The EU Commission wants to strengthen the euro's role as a global currency. Is that possible and if so, how?

Yes, it is possible but is not the ECB's role to do so. Our mandate is to maintain price stability. But we have just spoken about the euro's importance for the economy, also for the German economy. And the European economy, i.e. firms in the euro area, who would benefit from as many payments as possible being made in euro rather than in US dollar or in other currencies. That would remove the exchange rate risk. They would not have to calculate exchange rates and so it would be to their advantage if the euro gained in importance. Your second question was how that could be done. Well, we could create circumstances that would make it easier to use the euro as a currency. Infrastructure, more payments in euro, would then mean fewer risks. That could be achieved by promoting the capital markets union, by advancing the

banking union, by harmonising insolvency regimes. All of these things help enormously.

You are listening to Deutschlandfunk's interview of the week, today with Sabine Lautenschläger, Member of the ECB's Executive Board. Ms Lautenschläger, the US Federal Reserve raised interest rates shortly before Christmas, for the fourth time this year. They are now between 2.25% and 2.5%. The ECB is taking no action at all on interest rates, why not?

The US economy is different, as are US price developments. It is not our task to copy the Federal Reserve; our mandate is to maintain price stability in the euro area...

But many people are waiting on an interest rate hike here, too.

Yes, some people are waiting while others are very happy that the interest rates for housing construction in Germany or for investment in companies, in new jobs, remain low. It completely depends on whom you ask, Mr Kindermann.

Yes, there are many savers who are concerned about their pension plans because interest rates are simply not going up. What would you say to them?

Well, I'm a saver myself. I understand their position very well and I will be the first to vote in favour of further normalisation of monetary policy once the necessary conditions are in place. Our asset purchase programme ends in January. That means we have taken a first step towards the normalisation of monetary policy and I hope that the data that we receive in 2019 will be such that we can take further steps in 2019.

When you say the end of the asset purchase programme, it's actually not the end at all, because the ECB is still blithely purchasing assets. It just means that no additional assets are being purchased, but those maturing will be replaced. So we can't actually say that this programme is stopping.

We're stopping net purchases. This means that our balance sheet will not increase any further. We will keep it stable in the first instance because an expansionary, accommodative monetary policy is still needed to stimulate investments, including in Germany, and to continue to support economic growth in order to achieve inflation rates within our very narrow corridor of below, but close to, 2%.

Will you also continue to purchase corporate bonds?

We will continue to purchase maturing corporate bonds and then reinvest again.

Even corporate bonds?

Yes.

But with these steps it will take a relatively long time to return to normality. Is it perhaps possible that you've already missed the turning point? The Federal Reserve is already much further ahead. Interest rates can

only be reduced to combat a possible recession if they have previously been raised.

Yes, but the United States is in a completely different stage of its economic cycle. Its economy is much more mature, and its economic upturn started much earlier than ours and has been going on for much longer. The inflation rates you see in the United States are much more stable, exactly where the Federal Reserve wants them.

But here in the euro area, inflation has also been where you'd actually like it to be at for several months now.

Yes, but you need to look further ahead. You can't just look at the current month or one or two or three months ahead. You need to look at how prices develop over a longer period looking forward. Otherwise you would have to change the interest rates every month, and I don't think that would do the economy any good. You'll also see that the inflation rates are projected to fall again next year. This is because some effects, particularly those resulting from higher energy costs, drop out of the calculation after a year – this is called the base effect.

But then we will have to wait even longer for interest rates to increase here in the euro area.

We have to see how the situation develops.

Do you think that interest rates will increase above 0.0% in 2019?

It depends on the price inflation data we receive in the first and second quarters of 2019. Personally, I hope and assume that we will see a change in 2019, but I won't try to suggest I know exactly where we'll be, say, in the middle of next year.

When will savings interest rates increase for savers, provided that interest rates are raised in 2019?

It all depends on which interest rate adjustments are made and how quickly the institutions pass them on. But for deposits interest rates are actually negative, and so it will obviously take longer to increase these gradually (as this cannot be done in one go) to a level that resembles where rates for savers were 10 or 20 years ago. It will take some time to be honest.

So savers still have to wait another one or two years?

Again, it depends on how the inflation rate develops.

In the United States we're seeing signs of a recession. Yields on longer-term government bonds in the United States are sometimes lower than the yields on those with shorter maturities, which is a completely abnormal situation. Normally you get more money the longer you lend. This is what is referred to as an inverted yield curve. This has happened eight times since the Second World War. In the United States this has always resulted in a recession. The Federal Reserve is already actively preparing itself for a recession. What is

the ECB doing to protect us here in the euro area from a downturn?

Once again, the US economy has achieved a different level of maturity. The country's upswing started much earlier – years earlier – and was much stronger.

But a recession in the United States would also affect us here in Europe.

Yes, but if you take a look, we have become much more independent. So I wouldn't want to draw or confirm the same parallels that you saw in the economic cycles 20 or 30 years ago for today. The euro area economy is much more diversified in terms of partners, in terms of trading partners, and we are no longer quite as dependent. We are in a different economic cycle. So you can mention US interest rates another 150 times, but it's not going to help us, because we need to base our assumptions on data in the euro area.

You are listening to Deutschlandfunk's interview of the week, today with Sabine Lautenschläger, Member of the ECB's Executive Board. Ms Lautenschläger, you're not only a member of the ECB's Executive Board, but also Vice-Chair of the Supervisory Board of the ECB. I would therefore like to put the question to you: are our banks safer than they used to be?

Yes, they are. They have much more, and higher-quality, capital. They hold much larger liquidity reserves. Risk management practices have improved. So yes, a lot has been done in the euro area, and even internationally, as a lot of rules have been changed and tightened globally. They are therefore safer.

Banks really like to buy government bonds, as these are given a zero risk weighting. As such, banks currently do not need to hold a loss buffer for these bonds. Is this the next problem waiting to happen, especially for Italian and Spanish banks?

I can tell you that the institutions have all actually reduced their shares of government bonds in the last ten years.

Would they not still have to back these with capital?

I agree with you here – I am very much in favour of institutions backing risks with capital and also taking into account concentration risk, i.e. considering the amount of specific government bonds an institution has per country.

Ms Lautenschläger, on the subject of Brexit the Governor of the Bank of England, Mark Carney, warns that an unregulated Brexit on 29 March 2019 would have massive consequences for the economy. According to Mr Carney, it could cause more damage than the financial crisis did ten years ago. What provisions has the ECB made for the event of an unregulated Brexit?

Of course, we have looked at all of the possible consequences for the financial sector in depth, particularly for banks. This is because, as a central bank, we naturally maintain an overview of the financial sector and, as a banking supervisor, we supervise banks. And I can tell you that there are obviously still risks in this respect. You should therefore never just

sit back and relax and stop watching what's going on. But I think we're also quite well prepared. We've been working to prepare institutions for two years, ensuring they submit contingency plans and alternative options, for example for certain trading activities. The European Commission is working on a regulation on clearing and payment processing, for example. So I think we're well prepared, at least as well prepared as you can be in such situations.

The British pound will probably end up crashing.

No one knows that.

No one knows that, but the Bank of England is expecting it in any case. That means you'll also be asked about it.

We're not responsible for the pound; we look after the euro here.

But there's an exchange rate between the pound and the euro.

Yes, but again, I think it's better that Mark Carney speaks for the pound and we speak for the euro.

How many foreign banks have already applied for a banking licence in Germany to retain access to the European markets after Brexit? Can you give a figure?

I think it's around 20, if I'm not mistaken, and we're in regular contact with 40 institutions. Some only need their licence extended, some need a completely new licence and some don't need a licence at all, but want to substantially expand the business that's covered by their existing licence, and this all obviously also entails work, as we then impose other conditions on their set-up here in the European market.

Will Frankfurt, Germany's financial centre, become more important after Brexit?

Yes.

Why?

Because quite a few banks will move parts of their business from London to Frankfurt, or to Paris, Amsterdam or Dublin, so not only to Germany's financial centre. London will always be a very important financial centre, but continental European business above all will be relocated in part – and perhaps to a larger extent over the years – to Germany, France, Ireland and Spain, and therefore also jobs.

And finally, the eight-year term of the current President of the ECB, Mario Draghi, will be coming to an end at the end of October 2019. Has the time not come for a woman to head the ECB?

The time is ripe to appoint women to all kinds of positions, not only at the ECB. There are lots I could list.

But also at the ECB?

Yes.

The previous ECB presidents have come from the Netherlands, France and Italy. Shouldn't it be Germany's turn next?

I don't see it so much from a national perspective. First and foremost I'd like to have someone – a man or a woman (a woman would of course be nice) – who is an established expert in monetary policy and ensures stability. I think that's really important, and then nationality takes more of a backseat, as we're not working as representatives of our own countries, but as representatives of the euro area as Europeans.

Mr Draghi has had to navigate through a number of crises during his time at the ECB. What do you think are the most important qualities a new ECB president needs to have?

As I said, definitely expertise in monetary policy and national economy, steadfastness, stamina, strategic thinking, and I think a talent for communications is extremely important.

In that case, wouldn't Deutsche Bundesbank President Jens Weidmann be the right candidate?

I'm sure there are several people who possess these specific skills, but Mr Weidmann, President of the Deutsche Bundesbank, also has these skills, yes.

Ms Lautenschläger, thank you for the interview.

Déclaration de la haute représentante, au nom de l'Union européenne, sur les relations avec la République Démocratique du Congo à la veille des élections

Hier, le gouvernement de la République Démocratique du Congo a sommé l'ambassadeur représentant l'Union européenne de quitter le pays. Rien ne saurait justifier cet acte arbitraire.

Quant à la réciprocité invoquée suite aux sanctions individuelles adoptées à l'encontre de certains citoyens congolais, l'UE tient à rappeler que ces mesures sont liées aux violations des droits de l'homme et aux obstacles

créés à une sortie pacifique de la crise en RDC. Elles ont été adoptées le 12 décembre 2016 et le 29 mai 2017 à l'unanimité des 28 Etats membres de l'UE, et seront examinées à nouveau compte tenu des élections en RDC, en les adaptant éventuellement en conséquence.

L'UE est un partenaire de premier plan de la RDC et de sa population, en y maintenant une coopération importante. A la veille d'élections cruciales pour le pays, elle estime que cette décision est totalement contre-productive, nuisant aux intérêts de la population.

Comme la Haute Représentante Federica Mogherini l'avait déclaré au nom de l'UE le 22 novembre, la tenue d'élections inclusives, transparentes, crédibles et pacifiques sera importante pour l'engagement futur de l'Union européenne en RDC. L'UE partage entièrement la préoccupation manifestée par les leaders de la région réunis en urgence à Brazzaville ce 26 décembre, et leur appel à l'apaisement et la retenue en vue de la tenue des scrutins dans la sérénité.

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[Security Union: new rules on reinforced Schengen Information System enter into force](#)

The SIS is Europe's most widely used information sharing system for security and border management. Consulted over 5 billion times by national authorities in 2017, the upgraded database will help border guards to better monitor who is crossing the EU's borders; support police and law enforcement in capturing dangerous criminals and terrorists; and offer greater protection for missing children and vulnerable adults, in line with the new data protection rules.

Commissioner for Migration, Home Affairs and Citizenship **Dimitris Avramopoulos** said: *"We are closing a critical security gap today in the EU. Member States will have an obligation to introduce terrorism alerts into the reinforced Schengen Information System. Anyone posing a threat should not go unnoticed anymore: the interoperability of SIS with our other information systems on security, borders and migration in the near future will make sure that all the dots are properly connected on our radar screens."*

Commissioner for the Security Union **Julian King** said: *"The SIS is a key tool for security in the EU, allowing national authorities to catch criminals and terrorists all over Europe. The new obligation to create SIS alerts will help make Europe safer – especially when it comes to tackling terrorism – as part of our wider efforts to strengthen information sharing and make our information systems work together more effectively."*

As of today, new rules on alerts related to terrorism apply:

- **Greater vigilance for terrorist offences:** As of today, national authorities are obliged to create a SIS alert for all cases related to terrorist offences. By the end of 2019, Member States will also have to inform Europol of hits alerts linked to terrorism, which will help to connect the dots at the European level.
- **Stronger data protection rules:** The new rules have been brought into line with the new General Data Protection Regulation and the Police Directive on data protection.

A number of other new functionalities in the SIS will be implemented in phases, with a requirement for the system to be fully operational in Member States 3 years following entry into force of the legislation:

- **New alerts on criminals and return decisions:** The new rules will allow SIS alerts to be issued for unknown persons who are wanted in connection with a crime. In addition, a new alert category for “return decisions” has been introduced to improve the enforcement of return decisions issued to irregularly staying third-country nationals;
- **Stronger provisions on missing children and people in need:** National authorities will be able to issue preventive alerts on persons who are in need of protection, in addition to existing alerts on missing persons;
- **Enforcement of entry bans:** It will be now compulsory to insert into SIS any entry bans issued to third-country nationals preventing them from entering the Schengen area;

Background

In his [2016 State of the Union Address](#), President Juncker highlighted the importance of overcoming the current shortcomings in data management and of improving the interoperability of existing information systems. A strengthened Schengen Information System (SIS) is one of the foundations of this work.

As a result of a comprehensive evaluation of the SIS carried out in 2016, some areas were identified where operational and technical improvements could be made. The legislative proposals presented by the Commission in [December 2016](#) implemented the recommendations set out in this evaluation report as well as the commitment made by President Juncker in his 2016 State of the Union Address. Co-legislators adopted the Commission proposals in [November 2018](#).

The Schengen Information System (SIS) is a large-scale, centralised information system that supports checks at the external Schengen borders and improves law enforcement and judicial cooperation in 30 countries throughout Europe. It currently contains around 79 million records, and was consulted 5 billion times in 2017. The SIS notably provides information on individuals who do not have the right to enter or stay in the Schengen area, persons sought in relation to criminal activities and missing persons, as well as details of certain lost or stolen objects (for example cars, firearms, boats

and identity documents) and data that is needed to locate a person and confirm their identity.

For More Information

[Press Release](#) – Security Union: Commission proposes to reinforce the Schengen Information System to better fight terrorism and cross-border crime

[DG HOME website](#) – Schengen Information System

Spain: Investment and jobs in Castilla-La Mancha – EIB provides financing to MERLIN to build four latest generation logistics parks



- **EU bank provides firm with loan of up to EUR 115m**
- **The project will help create 1 500 jobs during the implementation phase, together with over 400 permanent positions**

The European Investment Bank (EIB) is to provide EUR 115m of financing to MERLIN to develop four new latest generation logistics parks in Castilla-La Mancha. The project will make it possible to meet the growing demand for space and logistics services driven by various factors including the growth of online retail.

EIB Vice-President Emma Navarro, MERLIN's Corporate Managing Director Miguel Ollero and its Financial Director Fernando Lacadena signed a EUR 51m loan agreement in Madrid. This is the first tranche of a total of EUR 115m that the EIB will provide to develop this project.

With total surface area of around 400 000 m², the new logistics parks will be located in established logistics zones. In concrete terms, three of the parks will be built in the Cabanillas and Azuqueca de Henares areas (Guadalajara), and the fourth in Seseña (Toledo). These are strategic locations given that the expansion of online retail is increasing demand for logistics space near the Madrid-Barcelona (A2) and Madrid-South (A4) corridors.

In addition to being located in a priority region under the EU's cohesion policy, the project also has an environmental component as the new buildings will be latest generation logistical warehouses including measures contributing to energy efficiency and the use of alternative energies. They will be sustainable buildings with the LEED Silver/BREEAM very good accreditation.

The logistics platforms will also have high capacities to facilitate their activity. As well as generating new business opportunities surrounding areas, the project will have a direct positive effect on job creation, helping to employ 1 500 people during the implementation phase and over 400 on a permanent basis once operations begin.

At the signing ceremony at the EIB's offices in Madrid, **EIB Vice-President Emma Navarro** said: *"We are delighted to support a project that contributes to economic, social and territorial cohesion within the EU by developing modern and sustainable logistics facilities helping to meet the growing needs of the sector. This project will generate significant economic and social externalities, both via the boost it will provide to competitiveness and economic development in Castilla-La Mancha and through its major contribution to job creation."*

[Spain: Support for the rural economy – EIB, EIF and ICO sign an agreement with Grupo Cajamar to provide over EUR 1bn to SMEs and the self-employed](#)



- The EIB Group (formed by the EIB and EIF) are providing a EUR 610m guarantee for an SME securitisation. ICO is purchasing bonds totalling EUR 283m
- Part of the EIB guarantee – a tranche of more than EUR 64m – is supported by the Investment Plan for Europe.
- Some 15 000 companies with a total of over 100 000 employees will be able to benefit from financing on favourable terms under this agreement

The EIB Group, BCC-Grupo Cajamar and ICO are joining forces to ensure that SMEs working in rural areas and agri-food companies can access the credit they need to invest. With this goal in mind, the European Investment Fund (EIF) has provided a guarantee for a Cajamar securitisation (IM BCC Capital 1 Fondo de Titulización) for EUR 610m, EUR 325m of which will be backed by the European Investment Bank (EIB), part of which will be supported by the Investment Plan for Europe. ICO is contributing to this operation by purchasing EUR 283m of senior bonds. With this securitisation, leading light of the Spanish cooperative banking sector Grupo Cooperativo Cajamar will provide over EUR 1bn for the new investment projects of agri-food sector companies, SMEs and the self-employed operating in rural areas.

This is a very innovative operation for Spain, as it is the first cash securitisation from a Spanish entity to free up capital under the standard model, facilitating Grupo Cajamar's resource management via the participation

of the EIB, EIF, ICO and a private investor. This operation leads the way for other Spanish organisations to mobilise resources in a similar manner, with the aim of helping to generate new financing for the real economy to benefit the self-employed and SMEs, which lie at the heart of the Spanish economy.

It is also supported by the European Fund for Strategic Investments (EFSI), as EUR 64m of the total guarantee granted by the EIB is being provided under the Investment Plan for Europe (commonly known as the Juncker Plan). This increases the EIB Group's capacity to finance investment projects that, in line with the Plan's criteria, involve activities which by their structure or nature have a higher risk profile but which foster firms' competitiveness and create jobs. In concrete terms, the EIB calculates that this agreement with Grupo Cajamar will enable the favourable conditions of its financing, in terms of both maturities and interest rates, to be passed on to some 15 000 SMEs with a total of over 100 000 employees.

At the signing ceremony at Grupo Cajamar's offices in Madrid, EU bank **Vice-President Emma Navarro** said: *"The agreement signed with Cajamar enables the EIB Group to offer innovative financing, as this is a pioneering securitisation in Europe helping to optimise the resource management of a medium-sized finance company such as Cajamar. The agreement combines a joint participation of almost EUR 1bn of public and private investment with the aim of offering credit on favourable terms to businesses and the self-employed working in rural areas."*

EIF Chief Executive Pier Luigi Gilibert said: *"Cajamar has undertaken to grant over EUR 1bn in new loans to SMEs, and we are very happy to support this steadfast ambition. Breaking down barriers to improve capital management and cut financing costs for the real economy is key to promoting growth. The EIF is very proud to partner with Cajamar to launch the first totally public securitisation transaction used by a leading bank to free up regulatory capital in Spain."*

Commissioner Phil Hogan, responsible for Agriculture and Rural Development, said: *"With EUR 46 billion of additional investments mobilised in Spain, the Juncker Plan is already a success story in the country. This new agreement will bring EU support to small and medium businesses and entrepreneurs in rural areas, where a helping hand is much needed. The rural economy is a green goldmine and I'm glad that the Juncker Plan helps fulfil its potential."*

Chairman of BCC-Grupo Cajamar Luis Rodríguez thanked *"the EIB, EIF, and ICO, as well as the private investor, for their support for this innovative SME securitisation, whose main objective is to continue providing assistance to strategic productive sectors, and in particular agri-food companies, SMEs and the self-employed. These groups receive special attention and dedication from us, while we are also raising our solvency and liquidity levels even further, comfortably meeting supervisory requirements."*

ICO Chairman José Carlos García de Quevedo highlighted that *"this is the first time that ICO has invested in a securitisation operation, thereby opening up a new avenue of cooperation with private banking, with a view to*

promoting the financing of the projects of SMEs and the self-employed. Operations such as the one signed today strengthen this public bank's commitment to driving financing options favouring business growth and job creation."

This operation was advised by Banco Santander, the management company for Fondo Intermoney Titulización. As all of the bond tranches have been sold and guaranteed, the risk has been entirely transferred to investors, thereby reducing Cajamar's risk-weighted assets, with an estimated 36-bp improvement to its tier 1 capital (CET 1).