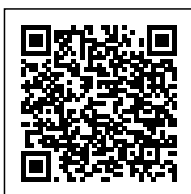


# SPAIN'S BANKS ON ROAD TO RECOVERY - BROSETA

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**The banking crisis led to a “historic consolidation” of the Spanish financial services sector, but now the country’s banks are well on the road to recovery, according to Antonio Navarro, partner and head of the banking and finance at Broseta.**

“The crisis caused several credit institutions to become insolvent or go through a resolution procedure,” he continues. “The earthquake, however, seems to be over and Spanish banks have passed all stress tests carried out in the last years.”

Navarro says that transactional finance work continues to account for a substantial part of the currently available work. This consists of a mix of refinancing and new finance transactions, though work relating to the latter is growing at a faster rate. Even so, the seismic shift in the sector has meant that lenders, clients, regulations and practices have “changed dramatically” in Navarro's view. He adds that that the new landscape poses different challenges due to the high level of competition, the surge in fintech companies and the growing role of the capital markets as a source of financing.

“The main challenge for banks is how to obtain a reasonable return on equity in view of the huge capital requirements they are subject to and the competition in the market to invest their liquidity,”

Navarro says. "Financing small and medium-sized enterprises, which is a key factor for the recovery of the Spanish economy, and infrastructure projects – with a better definition of the risks associated with infrastructure – are also key challenges to be faced."

The contemporary banking sector also has to deal with digital issues. Navarro cites the recent trend for major banks to move their business increasingly online as a clear indication that the "digitalisation process" may be gaining momentum.