



**Re-Define Press Release – Fitch Downgrade of Spanish Banks  
13th February 18:40 CET**

Please find below **Re-Define's** comments on the downgrade of Spanish Banks by Fitch ratings. All comments are attributable to **Sony Kapoor**, Managing Director of Re-Define an Economic Think Tank.

"The downward spiral of bank and sovereign downgrades in Europe continues."

"As the recession starts to bite, sovereign finances and bank balance sheets may both continue to weaken."

"The downgrade makes the already hard task of building up capital as well as mobilizing senior debt to fund bank balance sheets even harder." "The ECB can only provide temporary support."

"The downgrades of banks, which follow the sovereign downgrade of Spain last month, show how much implicit support states are still providing to EU banks."

"The recessionary outlook in Spain can seriously impact the quality of the portfolios of Spanish banks, particularly their exposure to the real estate market."

"The downgrade of Spanish banks highlights how the sovereign-bank links in the Euro area have been reinforced as pan-EU capital injections and funding guarantees have been rejected in favour of national approaches."

"Well-run banks in a troubled economies faces far more head-winds than even weak banks in otherwise stronger countries such as Germany. Of course weak banks in weak countries remain the most vulnerable point in the EU banking system."

"Even with unlimited ECB support and additional capital and funding support from EU sovereigns, the European banking system remains fragile and is vulnerable to the worsening economic outlook or spikes in sovereign bond spreads in the Eurozone."

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