The Federal Agency for Financial Market Stabilisation as part of the German Banking landscape

The transition from rescuing to restructuring

Paris, 3 October 2011

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Overview

1. Rescue Phase – Bad Bank Paradigma

2. Restructuring Phase – Good Bank Paradigma

   a) Transfer of systemically relevant positions to a bridge bank by **Transfer Order**.

   b) Financial Support for such a bridge bank to be provided by a newly created **Restructuring Fund**.

   c) Financed ultimately via **Bank Levy**.

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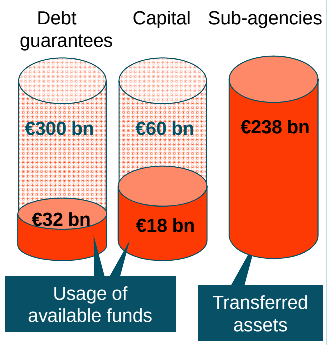
1. RESCUE PHASE – Bad Bank Paradigma

From Lehman Brothers until the end of 2010

Available and used SoFFin funds



As at 30.06.2011

Track record of FMSA

- **Funds committed** by the German federal government were sufficient in order to stabilise the German financial markets.
- **No run** on a German bank.
- **Credit supply** to the real economy maintained.
- By international comparison, **cost of stabilisation** measures in Germany has been rather moderate so far.
- Significant higher **economic costs** were avoided.

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2. RESTRUCTURING PHASE – Good Bank Paradigma

Introduction of the Restructuring Act (*Restrukturierungsgesetz*) in January 2011

a) Transfer of systemically relevant positions to a bridge bank by **transfer order.**

- Shareholders and creditors to assume responsibility
- Only systemically important parts have the privilege of external support
- Less incentive for risky business strategies
- Institutionalised framework for the resolution of a systemically important bank provided

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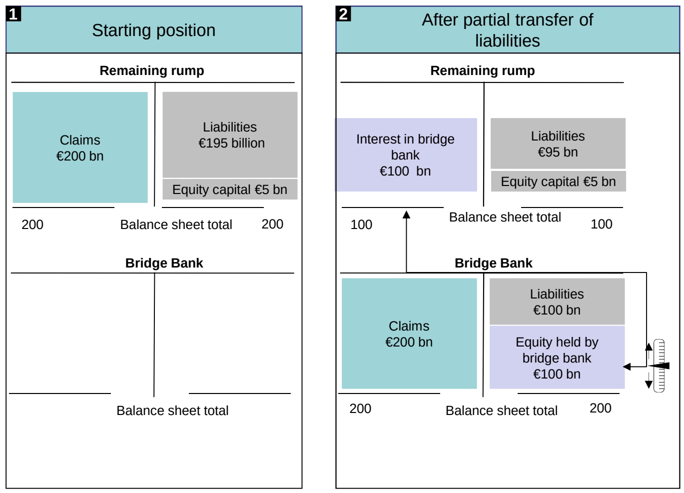
2. RESTRUCTURING PHASE – Good Bank Paradigma

Creating a safe heaven



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2. RESTRUCTURING PHASE – Good Bank Paradigma

b) Financial Support for such a bridge bank to be provided by a newly created **Restructuring Fund**

- The taxpayer should not have to come to the rescue of systemically important banks.
- The Restructuring Fund can only provide assistance to a bridge bank, not to other banks
- Budgetary authorisation totalling €120 billion

For Guarantees	€100 billion
For Capital	€20 billion

c) Financed ultimately via **bank levy**

- Target level €70 billion
- Raised from banks, not from taxpayer

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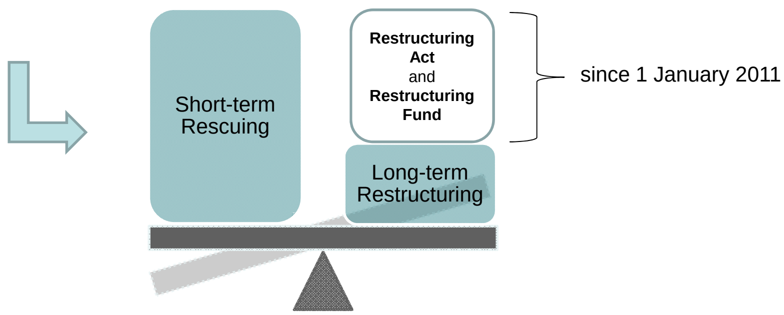
CONCLUSION:

- Our focus moved from rescuing to restructuring.
- Pressure on banks to restructure themselves to rise.
- Balance between rescuing of systemically relevant parts and restructuring of banks.



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