

The FROB approves the burden-sharing exercises implementing the resolution plans for NCG Banco (NCG) and Catalunya Banc (CX) and draws attention to the offer of purchase by the FGDEC (Credit Institutions' Deposit Guarantee Fund) to enhance retail customers' liquidity

Press release – Madrid, 10 June 2013

The Governing Committee of the Fund for the Orderly Restructuring of the Banking Sector (FROB) approved at its session on 7 June 2013 the hybrid capital and subordinated debt instrument management (burden-sharing) exercises envisaged in the resolution plans for Catalunya Banc (CX) and NCG Banco (NCG) approved by the Banco de España and the European Commission on 27 November 2012.

The exercises in question will involve, for preference shares and perpetual subordinated debt, their conversion into shares once a haircut has been applied to their face value, and, for dated subordinated debt, a choice between shares or senior debt with the same maturity as the subordinated debt, and with different haircuts on the original face value. The breakdown by issue of the conversion conditions can be viewed on the FROB website (www.frob.es), where the full resolutions are published.

Retail investors who obtain shares in CX and NCG as a consequence of these exercises may accept the offer of purchase by the FGDEC, announced today. In this way, the FGDEC establishes a liquidity mechanism for these institutions, whose resolution plans do not envisage a market listing. Under the terms of paragraph 4 of the fifth additional provision of Royal Decree-Law 21/2012, the FGDEC, in accordance with the calculations by an independent expert, will apply an illiquidity discount amounting to 13.8% of the economic value of the share. The remaining conditions and terms of the offer can be viewed on the FGDEC website (www.fgd.es).

The processing of both the conversion of hybrid capital and subordinated debt instruments into shares, and the offer of purchase by the FGDEC, will be carried out at NCG and CX offices and branches, where holders of preference shares and subordinated debt will receive full information on the procedure to be followed.

The foregoing operations finalise the capitalisation of CX and NCG as reflected in their resolution plans. Under the burden-sharing criteria and in different proportions, former shareholders, holders of preference shares and subordinated debt, and, most significantly, the public sector, via the FROB, have all contributed here. It is worth recalling that these plans ultimately seek to assist in the restructuring of the banks, avoiding the costs and risks of a winding-up scenario that would be much more burdensome for all parties concerned.