
Press release disclosing the resolutions adopted in the FROB Steering Committee

22nd March 2013

The Steering Committee of the FROB (Fund for the Orderly Restructuring of the Banking Sector), at its meeting today, dealt with a range of matters relating to the restructuring and winding up of credit entities. It has designed the road map or itinerary to recapitalize the BFA-Bankia Group; estimated the average haircuts for each type of financial instrument (preferred securities, perpetual subordinated debt and subordinated debt with maturity date) for the Group-1 entities; analysed the press release put out after the Council of Ministers' meeting regarding a liquidity mechanism for unlisted shares by the FGDEC (the Fund for the Guarantee of Deposits in Credit Entities), and the establishment and roll-out of hybrid-product arbitration proceedings by the FROB entities (NCG Banco, Catalunya Banc and BFA-Bankia).

ROAD MAP FOR THE RECAPITALISATION OF BANKIA

A set of transactions has been determined within the framework of the BFA-Bankia Group restructuring process. FROB will resolve these and publicly announce them by virtue of the powers established in Act 9/2012, 14th November, on the restructuring and resolution of credit entities. Their implementation is scheduled for the forthcoming weeks, and it is estimated that the Group's recapitalization will be definitively concluded by the end of May 2013.

The transactions necessary to follow this road map to such outcome are described in detail below. They must respect the principles and objectives of the banking sector restructuring and start with an initial absorption of costs or losses by current shareholders in Bankia before the entrance of new capital, and a contribution to these restructuring costs by the holders of preferred securities and subordinated debt, minimising the burden on taxpayers and seeking a balance between the costs to the public and private sectors.

1. The first step towards the necessary absorption of costs or losses by Bankia shareholders is a reduction of the entity's capital. This will mean reducing the nominal value of the existing shares from their current value of 2 euros down to 1 euro-cent, thereby increasing the entity's

reserves in order to absorb losses. This transaction is in line with the economic valuation of Bankia that resulted in a negative value, which FROB determined at -€4,148m. This initial transaction complies with the legal precept that shareholders, as owners of the entity, should be the first to absorb losses with practically their entire shareholding.

2. Following the capital reduction, in order to reduce the number of shares outstanding and, especially, to allow the shares to trade at an appropriate price, a counter-split or bundling of shares will be carried out in the proportion determined (probably 100x1). This will make it possible to return the nominal value of the shares to a figure of around €1.
3. Thereafter, and once the shareholders have contributed their holding to the burden of restructuring the entity, the necessary capital will be injected to ensure that Bankia can comply with the legal requirements on capital-adequacy ratios. This will be done by two simultaneous transactions:
 - a) An initial capital increase with pre-emptive subscription rights for the sum of €10.7 bn, in which the part not covered by the current Bankia shareholders will be in all events underwritten by the FROB through the BFA, an entity 100%-owned by the FROB, and through the convertible debentures for the same amount subscribed by BFA in December 2012. This guarantees the influx of €10.7 bn capital.
 - b) A second capital increase for the sum of approximately €4.84 bn, with exclusion of pre-emptive subscription rights, to bring holders of preferred securities and subordinated debt of the BFA-Bankia Group into the Bankia capital structure. As a consequence of the measures taken to manage hybrids, referred to below, these will become Bankia shareholders. With this second influx of capital, the final value of the capital coming in from the implementation of the Restructuring Plan will be approximately €15.54 bn.

The subscription price of the Bankia shares in the two capital increases described in letters a) and b) above, will be the same. It is based on the valuation of the entity, and thus, the absorption of this negative valuation, pursuant to the criteria laid down by the European Commission. The same treatment will be given to the FROB and to hybrid holders entering the entity's capital, applying the principle of equality in the cost bearing but also in the distribution of possible future profits from the entity. Thus, the aforementioned subscription price will comprise the nominal value (approximately one euro per share following the counter-split) plus an issue premium that will cover the negative valuation (-€4,148m) and be the result of dividing this figure out amongst the final number of new shares.

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4. The capital increase for approximately €4.84 bn will bring in the holders of hybrids (preferred securities and subordinated debt) into the Bankia capital, as explained above. This will mean that FROB will lay down mandatory measures for the management of hybrid instruments in the BFA-Bankia Group pursuant to articles 43 and following of the aforementioned Act 9/2012. The mandatory measures for the management of hybrid instruments will have the following specifications:
 - a) The FROB will make the entity buy back its preferred securities and perpetual subordinated debt instruments from holders at discounts against the nominal value resulting from application of the methodology contained in the Plans approved by the FROB and the Bank of Spain, and in the European Commission decisions. These discounts will depend on the nature of the instrument and their yield and specifications.
 - b) The average reduction against nominal value (“haircut”) for holders of preferred securities will be 38%. The average haircut for holders of perpetual subordinated debt will be 36%.
 - c) In line with the European Commission’s criterion for this specific case, the proceeds of the buyback will be reinvested in Bankia shares at the same subscription price as that at which the FROB enters on the basis of the aforementioned valuation.
 - d) Holders of subordinated debt with maturity date will have the option of exchanging it either for shares at the subscription price indicated above (point 3.c) after application of the corresponding discount against the nominal value, or for bank deposits or bonds with the same maturity and after application of a 1.5% discount per month against the nominal value starting from 1st December 2012 until the maturity date of the issue. This will mean an average haircut of 13% for this category of subordinate debt with maturity date.
5. Following completion of the transactions described above, the new shares issued and subscribed by the FROB, by the hybrid-holders and, where applicable, by current shareholders, will be listed for trading, thereby concluding the recapitalization process. All of them will have contributed, in their corresponding proportions, to bearing the costs of restructuring Bankia and guaranteeing the viability of the entity in which they can continue to participate.

AVERAGE HAIRCUTS IN THE HYBRID MANAGEMENT MEASURES TAKEN FOR THE REST OF THE GROUP-1 ENTITIES, WITHIN THE FRAMEWORK OF THEIR OWN RESOLUTION PROCESSES

At the same meeting, 22nd March 2013, the Steering Committee has approved the average haircuts applicable to the different classes of financial instruments of the other Group-1 entities as part of the set of hybrid management measures that will be carried out in the forthcoming weeks. These average haircuts are described below, with the exception of Banco de Valencia, whose

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hybrid management measures were already resolved last February, and BFA-Bankia, whose measures have been described in the previous section.

NCG Banco

1. The FROB will make the NCG buy back its preferred securities and perpetual subordinated debt instruments from holders at discounts against the nominal value resulting from application of the methodology contained in the Plans approved by the FROB and the Bank of Spain, and in the European Commission decisions. The discounts will depend on the nature of the instrument and their yield and specifications.
2. The average haircut estimated for preferred securities holders is estimated at 43%. The average haircut for holders of perpetual subordinated debt will be 41%.
3. The proceeds of the buyback will be reinvested in NCG shares.
4. Holders of subordinated debt with maturity date will have the option of exchanging it either for NCG shares after application of the corresponding discount against the nominal value, or for bank deposits or bonds with the same maturity and after application of a 1.5% discount per month against the nominal value starting from 1st December 2012 until the maturity date of the issue. This will mean an average haircut of 22% for this category of subordinated debt with maturity date.

Catalunya Banc (CX)

1. The FROB will make CX buy back its preferred securities and perpetual subordinated debt instruments from holders at discounts against the nominal value resulting from application of the methodology contained in the Plans approved by the FROB and the Bank of Spain, and in the European Commission decisions. These discounts will depend on the nature of the instrument and their yield and specifications.
2. The final outcome will be an average haircut of 61% estimated for holders of preferred securities. The average haircut estimated for holders of perpetual subordinated debt will be 40%.
3. The proceeds of the buyback will be reinvested in CX shares.
4. Holders of subordinated debt with maturity date will have the option of exchanging it either for CX shares after application of the corresponding discount against the nominal value, or for bank deposits or bonds with the same maturity and after application of a 1.5% discount per month against the nominal value starting from 1st December 2012 until the maturity date of the issue. This will mean an average haircut of 15% for this category of subordinated debt with maturity date.

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Banco Gallego

1. The FROB will make Banco Gallego buy back its preferred securities and perpetual subordinated debt instruments from holders at discounts against the nominal value resulting from application of the methodology contained in the Plans approved by the FROB and the Bank of Spain, and in the European Commission decisions. These discounts will depend on the nature of the instrument and their yield and specifications.
2. The final outcome will be an average haircut of 50% estimated for holders of preferred securities. The average haircut estimated for holders of perpetual subordinated debt will be 39%.
3. The proceeds of the buyback will be reinvested in Banco Gallego capital instruments. (Since the process for selling the entity is underway, following public announcement, it is possible that the potential buyer may offer an alternative in its own capital instruments).
4. Holders of subordinated debt with maturity date will have the option of exchanging it either for Banco Gallego shares after application of the corresponding discount against the nominal value, or for bank deposits or bonds with the same maturity and after application of a 1.5% discount per month against the nominal value starting from 1st December 2012 until the maturity date of the issue. This will mean an average haircut of 11% for this category of subordinate debt with maturity date.

Liquidity mechanism.

As announced at today's press conference following the Council of Ministers, the FGDEC (Fund for Guarantee of Deposits in Credit Entities) may offer to buy back the unlisted shares in the entities included under this point from retail investors that, as a consequence of the conversion, become holders of such shares and do not have an alternative channel to make them liquid. The price is yet to be determined.

SUPPORT FOR CONSUMER ARBITRATION PROCEEDINGS FOR HYBRID CAPITAL INSTRUMENTS

The FROB Steering Committee has also resolved to urge entities in which it holds a relevant shareholding (CX, NCG and BFA-Bankia) to set up or, where they already exist, culminate the arbitration proceedings with retail investors which, with all due guarantees, permit a responsive reaction to customers' complaints about the selling of preferred securities and, in

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certain cases the selling of subordinated debt, included within the scope of the means of management of hybrids regulated under Act 9/2012.

SITUATION OF GROUP-2 ENTITIES

For Group-2 entities, the roll-out of the restructuring and resolution Plans continues. The FROB has implemented financial aid packages for three of the four entities (Banco Mare Nostrum, Liberbank and Cajatres) while those for Banco CEISS are still pending, given the possibility of a corporate transaction that is currently being analysed by the domestic and European authorities.

Three of the four entities (Banco Mare Nostrum, Liberbank and Cajatres) are carrying out or will shortly carry out the voluntary measures for hybrid management. If they do not achieve sufficient conversion, they will be followed by mandatory measures imposed by the FROB. In the case of Banco CEISS, the hybrid management measures will be resolved by the FROB as mandatory once the form in which the FROB will implement the financial support has been determined. The average haircuts for each type of financial instrument will then immediately be disclosed.

Whatever the case, by way of final conclusion, this institution wishes to send a message of confidence to the depositors and customers of the entities in which the FROB holds shares or to which it has given support. They can be sure that we guarantee the complete implementation of the plans approved, which will lead to full recapitalisation of these entities.

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