
FROB's independent adviser concludes the assessment of the existing market interest in BMN

Press release – 15 March 2017

At its meeting held on 28 September, in its reduced composition, the FROB's Governing Committee resolved to implement the measures required to analyse the reorganisation of its investee credit institutions through the merger of Bankia and Banco Mare Nostrum (BMN), while at the same time exploring other possible alternatives to maximise their value and, therefore, optimise the capacity to recover State aid.

Two external advisers were hired to carry out this work. On 22 November, AFI, Consultores de las Administraciones Públicas, S.A., was awarded the contract to perform a general strategic analysis of the possible re-organisation of the two investee credit institutions and other possible divestment strategies.

On 19 January, Société Générale was awarded the contract as independent adviser to assess the existing market interest in BMN. The scope of this survey was to estimate the hypothetical value generated for the FROB from the divestment of its share in BMN, to compare it with a divestment strategy following the merger of companies, and to ultimately adopt? the most suitable decision in terms of public interest.

At its meeting held on 8 March, in its reduced composition, the FROB's Governing Committee took note of Société Générale's conclusions once it had ended its work. The main elements of these conclusions were as follows:

- The consultation process has been as rigorous and complete, in terms of concurrence and depth, as the first phase of a traditional sale process in which non-binding offers are submitted.
- It was based on an extensive sample of potential interested parties, which includes national and foreign banks and financial investors.
- The information provided on BMN was highly complete quality information, enabling full understanding of the entity to prepare expressions of interest.
- The final estimate of value is based on expressions of interest received. Accordingly, in light of a possible sale process, this value estimate may be modified upwards or downwards.

According to the only expression of interest received, the value of 100% of the entity for the potential investor would be 1,300 million euros or 1,061 million euros, in the event it were deemed necessary to make adjustments to the price as a result breaches in asset management and insurance agreements. Using this information, the opinion of the independent adviser is

that the estimated value for **the FROB following a possible sale of 65% of BMN would be 690 million euros.**

This value estimated by Société Générale was subsequently used by AFI to perform its comparative analysis and to assess all the alternatives in order to ultimately recommend FROB the best strategy to optimise the recovery of State aid and to ensure a more efficient use of public resources.