
The FROB backs the sale of a portfolio of loans of Catalunya Banc

Press release – 17 July 2014

Today the process of selling a portfolio of loans of Catalunya Banc with a nominal value of €6,392 million and provisions of €2,205 million has been completed. The operation consisted of transferring this portfolio to a securitisation special purpose entity (SSPE) for an amount equal to the entity's book value of €4,187 million. Blackstone contributed €3,615 million and the FROB contributed the remainder, €572 million.

The operation was the result of a highly competitive process in which several international investors submitted bids. The sale of this portfolio heightens the appeal of Catalunya Banc and obtains the maximum value for these assets, leaving it in a very healthy and strong position.

With this sale today, the first phase of the FROB's divestment process of Catalunya Banc has been successfully completed. The process began in March 2014 and four international investors have participated with binding bids. The quality of these bids shows growing interest in the Spanish financial sector, following the extensive restructuring undertaken in 2012 and 2013, and the recovery of confidence in the Spanish economy. The transaction was concluded for a higher amount than initially envisaged and represents the biggest sale of a portfolio of mortgage loans to date in Europe.

The four investors which took part in the final auction submitted their binding bids on 10 July. Since the best offer did not exceed the second-best by more than 10%, the procedure ended with the commencement of a second binding phase in which two investors participated. This maximised the sale price and ensured that the auction took place under highly transparent and competitive conditions.

STRUCTURE OF THE OPERATION

The sale of the portfolio of loans comprised the creation of an SSPE, which will be registered with the National Securities Market Commission and which will include in its assets the portfolio of loans transferred by Catalunya Banc, without the entity having to record any net worth impact in this connection. The SSPE will issue two types of bonds: class A bonds (senior), which will be subscribed by the investor entity; and class B bonds, which will be

The Fund for the Orderly Restructuring of the Banking Sector ("FROB" by its Spanish acronym) is an institution under public law with its own legal personality whose aim is to manage credit institution restructuring and resolution processes. The FROB is regulated by Law 9/2012 of 14 November 2012 on the restructuring and resolution of credit institutions.

subscribed by the FROB and which are subordinate to the class A bonds. Thus, the profitability of the senior bonds will be to the agreed – though not guaranteed – level of returns (13%) and, once that has been reached, the additional returns on the portfolio arising from cash flows will be distributed pro rata between the investor entity and the FROB. Thus, the FROB may benefit from an improvement in the portfolio's performance. Conversely, a worse-than-expected performance of the portfolio will not entail, under any circumstances, losses for the FROB.

Considering the price obtained and taking into account the high level of provisions assigned to this portfolio at the entity, the subscription of class B bonds by the FROB amounts to €572 million, with no guarantees other than the habitual ones in this type of transaction.

The finalisation of the sale of the portfolio and of the entity is subject to administrative authorisations, including that of the European Commission.

N+1 acted as advisor to the FROB in the sale of the entity, and as advisor and coordinator of Catalunya Banc in the sale of the portfolio, in which connection it received legal advice from Baker & McKenzie.