
Statement on the restructuring of the BFA/Bankia group

Press release - 7 December 2014

In light of media reports in recent days, the FROB wishes to state that the accounting adjustments indicated by the court-appointed experts in their report to the Central Examining Court, which is pending ratification, in no way affect either the preparation or the execution of the BFA/Bankia group Restructuring Plan. The recapitalisation of the BFA/Bankia group, for a total of €24,628 million (including the positive effect on the group's capital of the burden-sharing exercise, for €6,669 million), was carried out by means of various resolutions adopted by the FROB in the period from December 2012 to April 2013. All such resolutions were compliant with current regulations, took economic values into account and were not affected by the institution's book values. The Plan is being implemented by the new management team on a normal footing and is complying ahead of schedule, in many cases, with the terms approved by the European authorities in November 2012.

Firstly, as an essential element for implementing public support under the terms of Law 9/2012, the FROB determined the economic value of Bankia at end-2012 at a negative amount of €4,148 million, on the basis of three reports by independent experts. This economic value is based on the projections in the Restructuring Plan for the institution, not on its historical book values; these projections, in line with the approved Plan, reflect in full all the adjustments required under the regulations applicable.

Secondly, the recapitalisation measures for Bankia and the burden-sharing exercise undertaken in April 2013 (a reduction in capital for loss-absorption, a capital increase subscribed by the FROB through BFA and a second capital increase so that holders of the group's preference shares and subordinated debt could be brought into Bankia's capital), all of which adhere to the principles and objectives of the bank restructuring, were conducted on the basis of the economic value of the institution as set out, following the formulation of the accounts for 2012 by Bankia's Board of Directors. Those accounts included, in line with the Plan approved, all the write-downs required under the legislation applicable (Royal Decree-Laws 2/2012 and 18/2012), which

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include and exceed those indicated by the court-appointed experts and amount to a total of €23,907 million. As part of this extraordinary restructuring process, mention should be made of the transfer of assets to Sareb, as at 31 December 2012, for a gross book value of €46,392 million.

Accordingly, the possible accounting adjustments considered by the experts do not in any way affect the recapitalisation of Bankia, since the entire recapitalisation turns on the **economic value of the institution, which does not take into account book values.** This means that the recapitalisation of the institution has been carried out properly, as confirmed by the findings of the asset quality review and the stress test recently concluded by the European Central Bank and the European Banking Authority.