



Press release

Madrid, 9 May 2012

Statement on BFA-Bankia

The board of directors of Banco Financiero y de Ahorros (BFA) has today informed the Banco de España of its decision not to buy back under the terms and conditions agreed the securities issued for a value of €4.47 billion which were subscribed by the FROB (Fund for the Orderly Restructuring of the Banking Sector). BFA has concluded that the most advisable option for strengthening the financial soundness of the business project now under way following the appointment of José Ignacio Goirigolzarri as the new chairman is to request the conversion of these securities into ordinary shares. The conversion has to be authorised by the Banco de España and the other competent Spanish and Community authorities, and will be carried out in accordance with the valuation procedure established in the attendant issuance indenture.

In recent months the Banco de España has worked intensely with the management of BFA-Bankia to specify the measures that will ensure compliance with the provisions of RD-L 2/2012 for the balance-sheet clean-up of the Spanish financial system. At the end of March, BFA-Bankia submitted a clean-up and restructuring plan including measures that would allow it to comply with the RD-L and normalise its financial situation.

After analysing this plan, the Banco de España required further measures of BFA-Bankia to rationalise and strengthen its administration and management structures with a view to making the institution more professional, together with a divestment programme. These additional measures were geared to enhancing the bank's soundness and restoring full market confidence. The events in recent weeks and the growing uncertainty over the institution's future have advised further action, with the provision of public funds being considered to expedite and increase the clean-up.

The change at the helm of BFA-Bankia is precisely along the lines of making the management of the group more professional, and it will give impetus to its restructuring programme. The new management of BFA-Bankia will have to submit, as soon as possible, a fortified clean-up plan that will place it in a position to address its future with every guarantee of success.

In any event, BFA-Bankia is a solvent institution that continues to operate on an absolutely normal footing. Its customers and depositors have no cause for concern.

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