



PRESS RELEASE

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The Banco de España approves the accounting Circular for Sareb

The Governing Council of the Banco de España has approved the Circular setting out accounting rules for Sareb (the asset management company for assets arising from bank restructuring), in accordance with the powers granted to it by Law 9/2012 of 14 November 2012 on credit institution restructuring and resolution.

The Circular lays down criteria for Sareb to develop the methodology it will use to estimate possible adjustments to the value of its assets. In the case of real estate assets, the estimate will be based on their mortgage value (defined in Ministerial Order ECO/805/2003 on real estate asset valuation rules), adjusted as needed to reflect changes in market prices and the time horizons of Sareb's business plan.

The mortgage value will be calculated individually in accordance with valuation reports of independent experts with proven experience in the area and in the type of assets in question in each case. The mortgage value must be revised and the independent expert changed at least once every three years (the valuation has to be revised more often when market circumstances indicate possible impairment not reflected in the valuation). Except for the first revision, this operation must be carried out by appraisal companies registered in the Official Register of the Banco de España.

In calculating the value of completed houses and annexes thereto (such as parking spaces or storerooms), Sareb may opt to conduct full individual appraisals or to use sample-based statistical procedures or automatic valuation models, which must also be entrusted to appraisal companies registered with the Banco de España.

Value adjustments will be calculated by "asset unit", considered as each of the five categories described in Article 48.1 of Royal Decree 1559/2012 establishing the legal regime for asset management companies. When analysing the estimated value of each asset unit as a whole, the amount of losses on impaired assets may be offset against gains on others in the same unit.

Sareb will be required to have valued – using the criteria of this Circular – at least 50% of the assets remaining on its balance sheet as at 31 December 2015 (they must be sufficiently representative of the various types and locations). All its balance sheet assets will need to have been revised as at 31 December 2016.

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