

The Board of the AREB creates the new bank named Vall Banc

The new financial institution was set up on July 17, 2015

The Board of the Agency for the Resolution of Financial Entities (AREB, by its acronym in Catalan) created last Friday, July 17, the new bank to which lawful assets and liabilities of BPA will be transferred, as set out in Article 17 of the *Law 8/2015, of April 2nd on urgent measures to implement mechanisms of restructuring and resolution of financial institutions*, under the name Vall Banc, SAU (Vall Banc).

This is a new step to implement the Resolution Plan of BPA, approved by the AREB last June 11, and whose main substance lies on the segregation of all assets and liabilities of BPA considered legitimate after a strict review process to each client carried out by independent experts on the prevention of money laundering and terrorist financing and monitored by Andorran authorities. This review has also been applied to the wealth management business of BPA. For this purpose, the AREB are currently working hard in these review procedures so that it can proceed as soon as possible to such transfer that make up the heritage of the new and limpid entity, accordance with the provisions of Law 8/2015.

The creation of the new bank is essential to initiate the necessary procedures to enable the opening of accounts with correspondents and custodians as newly created entity, and to initiate the necessary procedures so that it has the technical and human resources required for further transfer of customer assets and liabilities.

The Board of the AREB also approved the evaluation of BPA, following the assessment criteria adopted at the May 22 board, all in accordance and mandate of Law 8/2015. This step was necessary to create the new bank in order to proceed with the sale before the end of the year.

This assessment was made by reference to the figures of May 31, 2015 and as provided by law is carried out in two cases: the entity in resolution and the company in liquidation; these valuations of assets and liabilities of BPA have been carried out based on reports prepared by independent experts: PwC, Key Capital Partners and Jones Lang LaSalle.

On resolution scenario, negative valuation adjustments are estimated at € 313m, leading, once consumed BPA equity, a patrimonial imbalance of € 103M, this is a negative economic value of € 103M. The main negative adjustment comes from the valuation of the investees by BPA, especially, the resulting from the situation led by Banco de Madrid, in bankruptcy-liquidation, estimated can generate a loss of € 181M (58% of total losses), while other relevant adjustments come from the credit portfolio evaluation on a resolution scenario and certain intangible assets.

Moreover, the valuation criteria of BPA in liquidation scenario have followed the standard methodology of discounts depending on the assessment of the liquidity of the different types of assets in case of accelerated sale. The result of this valuation assumes negative adjustments amounting to € 584m generating a € 374m patrimonial imbalance, this is, a negative net asset value of € 374m.

The comparison of both assessments reaffirms the decision of the AREB on April 27 to avoid the path of the judicial liquidation of BPA and open the process of administrative resolution of such entity.

With the approval of these assessments, the AREB maintains expectations of not having to apply any haircut on customer deposits of BPA.

The ultimate goal of the Andorran authorities is to normalize the status of eligible customers within a framework of patrimonial stability that allows properly and efficiently execute the Resolution Plan of BPA.

The board of the new bank has been appointed by the AREB, Vall Banc shareholder, and is composed of the following members.

César Goyache, current member of the Board of the AREB, advised the Spanish government in the design of SAREB, the so-called bad bank, and has developed his career in investment banking both BBVA and Crédit Agricole. Later he continued serving in restructuring operations with the signing of US consultancy Alvarez&Marsal, a position from which advised the FROB, while in the last year was chairman of the board of Asentia, former subsidiary of Inmobiliaria Colonial, in representation of his company, Mainspring.

David Betbesé is currently BPAP joint administrator. Betbesé was for years head of International Private Banking Crédit Andorrà Financial Group and member of its executive committee, positions he left in 2014 to start a personal project dedicated to financial advice. He holds a degree in Economics and Social Sciences from the University of Toulouse, an MBA from ESADE and European Certified Financial Analyst (CEFA).

Lluís Marimon is a founding partner and president of the Board of Marimon Abogados. Law degree from the University of Barcelona, specializing in commercial and corporate law, was counsel for the Commercial Bank Transatlantic and Director and Secretary of the Board of Directors of Banco Madrid until sold.

Christian Merle is president and managing partner of Merle & Partners, specialized in advising banking company private institutions, fund managers, commercial banks and private equity funds, which provides strategic and financial advisory. His years of experience with central banks and banking supervisory authorities in France and the US have given him a good knowledge of the banking and financial sector in Europe.

Fernando Vazquez de Lapuerta is, since last July 8, BPA joint administrator with David Betbesé. It has a long history in wholesale banking business and risk management and equipment. Degree in Law and in Management from ICADE with postgraduate training at IESE, the new administrator of BPA has been NCG Banco CEO until March 2014 and Corporate Director in several areas in BBVA between 1997 and 2010. Vazquez de Lapuerta has also recently served as director of two Spanish listed companies, CLH (2012-2014) and Sacyr (2012-2013).