

AREB selects US investment firm J.C. Flowers & Co. as buyer of Vall Banc

- The offer was selected on the basis of the investor's experience, commitment to developing the banking business in Andorra, and value proposition, among other factors.
- The Board of Directors of AREB has also approved the resolution that will enable Vall Banc to come into operation by arranging to capitalise the entity and to carry out an orderly transfer of compliant clients, assets and liabilities from BPA to the new bank.

Andorra la Vella – 21 April 2016. The Board of Directors of the Andorra Bank Resolution Agency (*Agència Estatal de Resolució d'Entitats Bancàries*—AREB) today selected US investment firm J.C. Flowers & Co. as the acquirer of Vall Banc, for a total price of up to 29 million euro. The actual sale will be completed in the coming weeks once the remaining formalities are concluded.

The US investment firm's binding offer, which includes an initial payment upon completion of the sale and a number of future instalments linked to the evolution of the bank's operational and financial performance, was considered to be the most suitable one following a strict assessment of the conditions proposed by all binding offers presented through the public tender process organized by AREB over the recent months.

The AREB board of directors considers that the JC Flowers & Co proposal meets all the relevant requirements: it optimise the use of public funds, offers good prospects of business continuity for Vall Banc, its customers and its employees, and guarantees the adoption of best practices in terms of compliance operations, based on the extensive experience that J.C. Flowers & Co. has accumulated in managing financial institutions. This decision is a definitive step in the sale process of Vall Banc, which has been run by AREB's financial adviser Key Capital Partners with the advice from law firm CMS Albiñana & Suárez de Lezo.

"The selected offer achieves every single objective pursued by the Resolution Plan for Banca Privada d'Andorra (BPA) as adopted in June 2015. In particular, it protects the interests of the bank's compliant customers, ensures the viability of Vall Banc and demonstrates foreign investors' interest in Andorra, while also serving as evidence of the health of the Andorra financial system," said Albert Hinojosa, Chairman of AREB.

The Ministry of Finance and the Special Commission for Oversight and Prevention

of Risk to Financial Stability have been informed of the decision. Additionally, an appearance before the Andorra Parliament (*Consell General*) has been requested in accordance with article 44.2 of Law 8/2015, on Urgent Measures to Implement Mechanisms for the Restructuring and Resolution of Banking Institutions. This decision is contingent upon final approval by the Andorra National Institute of Finance (INAF).

Transfer of compliant customers, assets and liabilities to Vall Banc

In parallel, and by strict application of Law 8/2015, the Board of Directors of AREB today approved the Resolution establishing the terms and conditions for the orderly transfer of compliant customers, assets and liabilities of BPA to Vall Banc.

Specifically, based on an analysis of the results presented by PwC, following the detailed independent review performed over the last twelve months, AREB has determined the identity of those customers of BPA who, at this date, shall be transferred to the new bank since they fulfil each and every one of the requirements and standards imposed by the legislation for the prevention of money laundering.

The customers classified as "eligible for transfer", who constitute the vast majority of BPA's former customers, will have their accounts transferred to Vall Banc within approximately three weeks, which will enable them to gradually return to normality after a year of restrictions on the operability of their accounts.

The accounts of those customers classified as "ineligible for transfer", i.e. those that have not yet successfully passed the review process, will be retained at BPA, at least on a transitional basis. Those customers may be transferred at a later date, provided that they demonstrate that they are eligible for transfer to the new bank due to fulfilling the requirements for the prevention of money laundering. All accounts that are susceptible to being reported to the authorities as suspicious will remain blocked at BPA, who will inform the competent authorities, in compliance with the legislation currently in force in Andorra.

BPA will shortly notify all its clients of this situation, using both generic and personalised communications, and will invite them to contact their bank in the near future so that they can be informed in person of the outcome of the analysis with respect to their accounts.

Absorption of BPA's losses and capitalisation of Vall Banc

The decisions adopted in the Resolution entail the absorption of BPA's sizeable losses on the basis of the negative appraisal of the bank that was adopted by the Board of Directors of AREB on 17 July 2015, which amounted to minus 103.1 million euro, through a total amortisation of the bank's capital, hybrid instruments (preference shares) and subordinated debt in line with the terms of article 36 of the Law.

The passed Resolution also contemplates a capital increase of 27 million euro by Vall Banc through the issuance of new shares to be subscribed by AREB using the available funds of FAREB, an injection that will raise Vall Banc's capital to an amount of 30 million euro, thereby allowing the bank to comply with the minimum capital requirements established by Andorra legislation on financial institutions.

About J.C. Flowers & Co.

J.C. Flowers & Co. is a leading private investment firm dedicated to investing globally in the financial services industry. Founded in 1998, the firm has invested nearly \$15 billion of capital, including co-investment, in 44 portfolio companies in 15 countries. J.C. Flowers & Co. invests across a range of deal types and industry sectors including banking, insurance and reinsurance, securities, services and asset management, and specialty finance. With approximately \$7 billion of assets under management, J.C. Flowers & Co. has offices in New York and London.

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