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In the published version of this decision, some information has been omitted, pursuant to articles 24 and 25 of Council Regulation (EC) No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 of the EC Treaty, concerning non-disclosure of information covered by professional secrecy. The omissions are shown thus […].		PUBLIC VERSION This document is made available for information purposes only.

Subject: State aid n° SA.39402 (2014/N) – Spain
Restructuring of Catalunya Banc S.A. through its acquisition by BBVA

Sir,

1 PROCEDURE

(1) On 28 January 2010, the Commission adopted a decision not to raise objections to a recapitalisation scheme[1] set up and managed by the newly established "Fondo de Reestructuración Ordenada Bancaria" ("**the FROB**")[2] in the context of the financial crisis, to provide public support for the consolidation of the Spanish banking sector by, *inter alia*, strengthening the capital buffers of credit institutions ("**the FROB recapitalisation scheme**").

(2) On 26 March 2010, Spain informed the Commission that the FROB had decided to participate in the merger of three saving banks: *Caixa Catalunya*, *Caixa Tarragona*

1 Case N 28/2010, OJ C57 of 09.03.2010, p. 2.
2 Pursuant to Royal Decree Law 24/2012, the FROB has been entrusted with the management of the restructuring and resolution proceedings of Spanish credit institutions. For that purpose, it may provide public support to distressed institutions. The FROB's funds are contributed by the State Budget. Additionally, the FROB may obtain other funding (via issuance of securities, loans, credits or other debt transactions) up to the limit annually established in the State Budget.

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and *Caixa Manresa*, creating the CatalunyaCaixa Group ("**CatalunyaCaixa**") with aggregated assets totalling EUR 81 billion[3]. The FROB agreed to subscribe for EUR 1 250 million of convertible preference shares in CatalunyaCaixa, representing 2.37% of its risk weighted assets[4], pursuant to the terms of the FROB recapitalisation scheme.

(3) On 31 March 2010, the Commission informed the Spanish authorities that it considered that the requirements of the FROB recapitalisation scheme were met for CatalunyaCaixa to benefit from that capital injection. Consequently, on 28 July 2010 the FROB subscribed for EUR 1 250 million of convertible preference shares in CatalunyaCaixa.

(4) On 28 July 2011, within the framework of the Spanish Royal Decree Law of 18 February 2011, CatalunyaCaixa transferred its banking business to a newly-established commercial bank, Catalunya Banc S.A. ("**CX Banc**").

(5) On 23 September 2011, the Spanish authorities notified the Commission of their intention to inject additional own funds of EUR 1 718 million in the form of ordinary shares into CX Banc.

(6) On 30 September 2011, the Commission approved the new capital injection for six months, pending the notification of a restructuring plan[5].

(7) On 20 July 2012, the Memorandum of Understanding on Financial Sector Policy Conditionality between the Kingdom of Spain and the Heads of State and Government of the Euro Area ("**the MoU**") was signed. The MoU set a strict timeline for the recapitalisation and restructuring of the different groups of banks established on the basis of stress test results conducted by an external consultant, Oliver Wyman[6]. In particular, for credit institutions controlled by the FROB, such as CX Banc, additional public capital was only to be provided once the Commission had approved individual restructuring plans.

(8) On 31 March 2012, a restructuring plan was notified to the Commission which took into account an imminent sale of CX Banc through a competitive tender that would start in the following weeks. That sale was interrupted, however, due to the on-going negotiations of the MoU, so that the restructuring plan needed to be adapted to a standalone scenario.

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3 As of 31 December 2009.

4 As of 31 December 2009.

5 Case SA.33103, OJ C 41, 14.02.2012, p. 7.

6 On the basis of the stress test results and the recapitalisations plans, banks were categorised accordingly:
Group 0 - banks for which no capital shortfall was identified and no further action was required;
Group 1 - banks already owned by the FROB;
Group 2 - banks with capital shortfalls identified by the stress test and unable to meet those capital shortfalls privately without having recourse to State aid;
Group 3 - banks with capital shortfalls identified by the stress test with credible recapitalisation plans and which were, in principle, able to meet those shortfalls privately without recourse to State aid. Group 3 banks were split into:
(i) Group 3a - banks planning a significant equity raise (>2% Risk Weighted Assets - "RWA") and
(ii) Group 3b - banks planning a less significant equity raise (<2%RWA).
Catalunya Banc was categorised as a Group 1 bank.

(9) That adapted version of the restructuring plan was sent to the Commission on 13 September 2012. Subsequently, numerous meetings, conference calls and exchanges of information took place between the Spanish authorities and the Commission.

(10) On 20 November 2012, the Spanish authorities communicated the final version of the restructuring plan for CX Banc ("**the Original Restructuring Plan**"), including the Term-Sheet listing commitments from Spain, the final figures pertaining to the size, composition and valuation of the assets and credit portfolio to be transferred to an asset management company, SAREB, in the context of an impaired asset measure.

(11) By decision of 28 November 2012 ("**the Original Restructuring Decision**")[7], the Commission approved the Original Restructuring Plan for CX Banc.

(12) Following the approval of the Original Restructuring Decision the FROB re-started the sale process of CX Banc through a competitive tender. However, as it did not receive any satisfactory offers, on 4 March 2013 the FROB decided to suspend the sale of CX Banc.

(13) On 11 February 2014, the FROB communicated to the Commission its intention to re-start the sale process of CX Banc. To enhance the value of CX Banc, the FROB and its advisor designed a dual (and almost parallel in time) sale of (a) a carved-out portfolio of poorer quality loans (mainly mortgages) amounting to a gross book value of EUR 6 392 million ("**the Credit Portfolio**"), and (b) the rest of CX Banc as an entity without distressed assets. The purpose of that dual approach, according to the FROB, was to increase the market appetite for both CX Banc as well as for the Credit Portfolio, taking account of the fact that traditional banking and management of distressed assets attract different kinds of investors.

(14) On 11 March 2014, CX Banc started the sale of the Credit Portfolio through a competitive tender process. On 17 July 2014, CX Banc announced the sale of the Credit Portfolio to The Blackstone Group International Partners LLP ("**Blackstone**"), an international investment firm, for an amount of EUR [3 595 – 3 615][*] million. The difference between the sale price (EUR [3 595 – 3 615] million) and the net book value of the Credit Portfolio (EUR [4 110 – 4 200 million) in CX Banc's balance sheet (amounting to EUR [515 – 585] million) was contributed by the FROB[8].

(15) In line with the Original Restructuring Decision[9], by a process letter of 2 June 2014 the FROB initiated a competitive tender process for the sale of a 98.4% stake in CX Banc held by the FROB and the Spanish Deposit Guarantee Fund (*Fondo de Garantía de Depósitos*, "**FGD**"). By a resolution of its Governing Council of 21

7 Case SA.33735, OJ C 75, 14.03.2013, p. 2.

* Confidential information.

8 Described under section 4.1 of this Decision.

9 Section 3.3 of that Decision and section 8 of the Term Sheet annexed to it.

July 2014, the FROB selected the EUR […] million offer submitted by Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**"), a Spanish international banking group. On that same date, the FROB, on behalf of itself and the FGD, entered into a sale and purchase agreement with BBVA in relation to the 100% of the shares of CX Banc (although the FROB reserved a right to reduce the object of the sale to the 98.4%[10] of the shares of CX Banc by excluding from the scope of the sale the shares held by the minority shareholders[11]).

(16) In view of that sale and in line with the Original Restructuring Decision[12], on 3 December 2014 Spain approached the Commission with a proposal for a new and modified restructuring plan ("**the Revised Restructuring Plan**").

(17) Since the present decision is taken on the basis of the State aid powers of the Commission, it is without prejudice to any merger control obligation to which the different parties involved in the transactions may be subject.

(18) Spain exceptionally accepts that the present decision be adopted in the English language.

2 BACKGROUND

2.1 CX Banc

(19) CatalunyaCaixa was a Spanish saving bank, which was registered with the Bank of Spain and which was created as a result of the merger between three savings banks (*Caixa Catalunya, Caixa Tarragona and Caixa Manresa*). Later, within the framework of the Spanish Royal Decree Law of 18 February 2011, CatalunyaCaixa transferred its banking business to a newly established entity, CX Banc, a commercial bank, whilst retaining itself the "obra benéfico social", a form of a charitable body. The transfer of the banking business from CatalunyaCaixa to CX Banc was implemented on 1 October 2011. This Decision, therefore, refers to CatalunyaCaixa prior to 1 October 2011 and to CX Banc thereafter. Following the recapitalisation measures described in section 2.2, CatalunyaCaixa's stake in CX Banc was reduced to zero.

(20) CX Banc operates mainly in the region of Catalonia ("the core region") with a market share of 11.2% in deposits and 8.5% in loans[13]. At a national level, its market share is approximately 2.4% in deposits and 2.4% in loans[14]. It ranks eighth among Spanish banks by assets. Traditionally, its focus has been on retail banking in Catalonia. Between 2002 and 2008, CX Banc's predecessors expanded geographically into other Spanish regions outside Catalonia and broadened their business activities, in particular real estate development ("**RED**"), corporate

10 66% held by the FROB and 32.4% by the FGD.

11 On 30 June 2014 the shares held by the minority shareholders represented 1.1 %. The remaining 0.5% are shares held by CX Banc.

12 Recital 92 of the Original Restructuring Decision.

13 As of 31 December 2013.

14 As of 31 December 2013.

banking and equity participations. Table 1 provides CX Banc's main financial figures.

Table 1: Overview of CX Banc's financial figures*:*

	30.06.2010 (peak)	**31.12.2011**	**31.12.2013**
Total assets (billion EUR)	81.874	77.049	61.695
Loans to customers (billion EUR) [15]	55.538	50.477	33.777
Deposits from clients (billion EUR)[16]	31.640	29.380	25.008
Total wholesale funds (billion EUR) [17]	38.291	31.817	29.424
Employees Total Group	9,096	7,197	6.057
Number of branches	1,556	1,163	1,009
National Market share in deposits	2.6%	2.6%	2.4%
Regional Market share in deposits*	12.7%	12.5%	11.2%
National Market share in loans	3.2%	3.2%	2.4%
Regional Market share in loans*	11.1%	11.0%	8.5%

** Regional Market share refers to the region covering Catalonia.*

2.2 The events triggering the rescue and restructuring of CX Banc

(21) Following the outbreak of the financial crisis in 2008, the Spanish authorities laid down, via the Royal Decree Law 9/2009, the legal foundations for the restructuring of the Spanish banking sector. The savings banks, which formed a significant part of that sector, had several structural limitations, such as the legal restrictions on the raising of certain core tier 1 items (i.e. equity) and, in some cases, weak corporate governance systems which prevented them from detecting problems at an early stage. In addition, CatalunyaCaixa faced important operational challenges stemming mainly from the expansion undergone by each of its three founding savings banks. That expansion created a large reliance by CatalunyaCaixa on wholesale funding, with a loan-to-deposit ratio of [150 – 200]%, and resulted, *inter alia*, in high exposure of CatalunyaCaixa to the real estate sector, which had driven up its non-performing loans. Those weaknesses resulted in liquidity issues for CatalunyaCaixa with constrained access to wholesale markets, as well as pressure exerted on its net interest because of heightened competition for deposits in the Spanish banking sector over the previous few years.

(22) Pursuant to the Royal Decree Law 9/2009, CatalunyaCaixa benefited from a first own funds injection in 2010 in the form of convertible preference shares in the amount of EUR 1 250 million purchased by the FROB to support the merger of the

15 Gross value.
16 Excluding money market repos and client repos.
17 Includes Central Bank, liabilities from financial institutions, covered bonds and bonds and marketable debt securities.

three founding savings banks and partially fund their restructuring costs[18]. That aid measure was based on the FROB recapitalisation scheme.

(23) In July 2010, CatalunyaCaixa failed the Stress Test of the Committee of European Banking Supervisors[19], showing a capital shortfall of EUR 1 032 million, even though that stress test exercise took into account the regulatory capital subscribed by the FROB.

(24) On 18 February 2011, the Spanish authorities adopted higher quality regulatory capital requirements[20] for the entire banking sector which, *inter alia*, obliged all credit institutions operating in Spain to meet higher core capital ratio levels by 30 September 2011 at the latest[21].

(25) On 10 March 2011, as a result of the new legislation, the Bank of Spain informed CatalunyaCaixa that under the new regime it required EUR 1 718 million of additional capital in order to meet a 10% capital principal solvency ratio over its risk weighted assets ("**RWA**").

(26) On 28 March 2011, CatalunyaCaixa formally requested a new recapitalisation measure from the FROB of EUR 1 718 million to meet the new solvency requirements[22]. As a result of that new capital injection in the form of ordinary shares, the FROB possessed 89.74% of the CX Banc's equity, the rest being held by CatalunyaCaixa. The FROB also possessed convertible preference shares worth EUR 1 250 million it had subscribed for in 2010.

(27) In July 2011, CatalunyaCaixa failed the stress test exercise of the European Banking Authority ("**EBA**") with a core tier 1 ratio of 4.8%[23].

(28) On 12 April 2012, the FROB initiated a competitive tender process to dispose of its equity stake in CX Banc. However, on 21 June 2012, the FROB suspended the process due to the on-going negotiations of the MoU.

(29) In the context of the MoU an independent consultant, Oliver Wyman, conducted a bottom-up stress test and asset quality review ("**the MoU Stress Test**"). On 28 September 2012, the results[24] of the MoU Stress Test revealed that CX Banc had a capital shortfall of EUR 10.83 billion under the adverse scenario and EUR 6.49

[18] The merger involved an integration plan, approved by the Bank of Spain, setting out the commercial strategy of the group, rationalising the branches network (closure of 510 branches, i.e., -30% of the branch network from 2008 until 2011) and the workforce (2330 employees were made redundant, i.e., -25% employee adjustment from 2008 until 2011).

[19] The Committee of European Banking Supervisors was succeeded by the European Banking Authority on 1 January 2011.

[20] See Royal Decree-Law 2/2011 of 18 February 2011: "Real Decreto-ley 2/2011, de 18 febrero para el reforzamiento del sistema financiero".

[21] See Royal Decree Law 2/2011 of 18 February 2011: *"Real Decreto-ley 2/2011, de 18 febrero para el reforzamiento del sistema financiero"*. The new legal framework established that by 30 September 2011 any credit institution without private investors holding at least 20% of its equity or with wholesale funding exceeding 20% of its financing needs had to meet a solvency level (defined as "*capital principal*"), set at 10% of its RWA. The new rule applied at consolidated and solo level.

[22] By decision of 30 September 2011, the Commission approved the capital injection.

[23] Under the EBA definition of core tier 1, the generic provisions and the convertibles bonds are not taken into account. Had they been taken into consideration, CatalunyaCaixa's core tier 1 ratio would have reached 6.3%.

[24] Ref. Oliver Wyman report, Asset Quality Review and Bottom-up Stress test exercise, 28 September 2012, http://www.bde.es/bde/en/secciones/prensa/infointeres/reestructuracion/

billion in the base case for the three years (2012-2014) covered by that exercise. As explained in recital (21), the main source of the capital shortfall came from CX Banc's high exposure to the real estate sector, which had driven up its non-performing loans.

(30) As envisaged in the Original Restructuring Plan approved by the Commission on 28 November 2012, CX Banc received aid in form of a capital injection of EUR 9.08 billion and an impaired asset measure of EUR 1.6 billion with regard to the assets transferred to SAREB. In addition, the initial capital injection in the form of convertible preference shares of EUR 1 250 million, subscribed by the FROB in 2010, was converted into equity. After that conversion, CX Banc became wholly-owned by the FROB. Subsequently, as a result of burden-sharing measures affecting holders of preference shares and perpetual subordinated debt, FGD and the existent minority shareholders acquired their current stakes in CX Banc.

(31) In line with the Original Restructuring Plan,[25] Spain was to carry out an in-depth restructuring of CX Banc's activities[26] and to dispose of CX Banc through a competitive tender process, as soon as market conditions permitted and within five years.[27]

2.3 Overview of the aid measures granted to CX Banc between 2010 and 2013

(32) Since 2010, CX Banc and CatalunyaCaixa have benefited from several aid measures. Overall, Spain provided capital injections totalling EUR 12.05 billion and guarantees worth EUR 10.76 billion. In addition, CX Banc transferred assets amounting to EUR 18.61 billion gross volume to SAREB. Table 2 provides an overview of those aid measures. More detailed description of each of those measures is available in the Original Restructuring Decision.

Table 2: Overview of the aid measures

Measure	Description	Amount of aid (€ bn)	EC Approved	% RWA[28]
A	Guarantees	€10.76	2008 – 2012	N/A
B	FROB I convertible preference shares	€1.25	31.03.2010	3%
C	Recapitalisation measure	€1.72	30.09.2011	4.1%
D	Conversion of FROB I convertible preference shares into equity	€1.25	28.11.2012	Counted in measure B
E	Recapitalisation measure	€9.08	28.11.2012	21.5%
F	Transfer of impaired assets	€1.6[29]	28.11.2012	3.8%

[25] Section 3 of the Original Restructuring Decision and sections 5 and 8 of the Term Sheet annexed to it.
[26] Described under section 3.
[27] Described under section 4.
[28] RWA as of the relevant reference date when the aid measure was granted.

2.4 BBVA

(33) BBVA is an international banking group incorporated in Spain providing financial services in over 30 countries and to 50 million customers throughout the world. The group, which is the result of subsequent mergers, has a solid leading position in the Spanish market, where its predecessors began operating over 150 years ago. It also has leading franchises in South America, is the main financial institution in Mexico and one of the 15 biggest banks in the United States of America. BBVA employs over 109,000 people worldwide, it has 7,359 branches and about a million shareholders.

(34) BBVA group has a total balance sheet of EUR 637.7 billion, a gross loan portfolio of EUR 361.1 billion and deposits from customers of EUR 329.6 billion as of 30 September 2014. In 2013, BBVA reported a consolidated net profit of EUR 2 228 million for the year. The other main figures of BBVA are shown in Table 3.

Table 3: BBVA's main figures

		31.12.2013	30.09.2014
Profitability	Return on Assets (%)	0.48	0.50
	Return on Equity (%)	5.0	5.6
Solvency	BIS ratio (%)	14.9	14.9
	Tier 1 (%)	12.2	11.7
	Core capital (%)	11.6	11.7
Efficiency	Efficiency ratio (%)	52.3	51.6

2.5 Blackstone

(35) Blackstone is one of the world’s leading investment firms. It was founded in 1985 and today has more than 2,000 employees in 24 offices worldwide. Its portfolio of companies employs more than 600,000 people worldwide.

(36) The asset management businesses of Blackstone, with almost USD 300 billion in assets under management, include investment vehicles focused on private equity, real estate, public debt and equity, non-investment grade credit, real assets and secondary funds, all on a global basis.

(37) Blackstone also provides various financial advisory services, including financial and strategic advisory, restructuring and reorganization advisory and fund placement services.

29 Implicit amount of aid. See recital (122) of the Original Restructuring Decision of 28 November 2012.

3 THE ORIGINAL RESTRUCTURING PLAN, COMMITMENTS AND IMPLEMENTATION

(38) CX Banc's Original Restructuring Plan spanned a period of approximately five years, from the adoption of the Original Restructuring Decision on 28 November 2012 until 31 December 2017. It was based on splitting CX Banc's activities into two separate units (while remaining in the same legal entity), namely a Core Unit and a Legacy Unit.

(39) The Core Unit was to form a basis of a sound and viable bank. It was to include the retail, small and medium-sized enterprises ("**SME**") and public sector banking business of CX Banc located in its core region, Catalonia, plus the additional assets and liabilities set out in a the document entitled: "*Term-Sheet of the Spanish authorities' commitments for the approval of the restructuring plan of Catalunya Banc S.A. by the European Commission"* attached to the Original Restructuring Decision ("**the Original Term-Sheet**")[30]. CX Banc would not engage either in RED financing, loans outside the core region or in wholesale banking activities.

(40) The Legacy Unit was to include the businesses, assets and liabilities that were to be discontinued and sold, closed or held to maturity. It was to contain all banking business not in the Core Unit (e.g. the banking business outside Catalonia and the corporate business in Spain) as well as the assets and liabilities allocated to it under the Original Term-Sheet[31]. As a general rule, the Legacy Unit was not to carry out new lending, with a very limited number of exceptions (e.g. contractually committed amounts, maximisation of net present value of existing assets).

(41) Spain committed that the total balance sheet of CX Banc would be reduced by [20 – 30]% between 2012 and 2016 (from EUR [60 – 70] billion to EUR [50 – 60] billion), due to a [20 – 30]% decrease in loans to clients, an increase in ECB funding of [100 – 200]% (resulting from the holding of the SAREB bonds given in exchange for the assets transferred to the SAREB) and a decline in deposits of [20 – 30]%. As of 30 June 2014 CX Banc had achieved [60 – 70]% of the 2016 target for balance sheet reduction.[32]

(42) CX Banc was to transfer RED loans and property to SAREB, which has occurred.

(43) As part of its restructuring, CX Banc was to close and/or sell the whole business outside Catalonia, refocusing its activities in the core region. Furthermore, CX Banc committed to additional branch and staff adjustments in the Catalan network and central services. Those measures involved the reduction between 2012 and 2016 of [30 – 40]% in branches and [30 – 40]% in staff, which, if added to the previous restructuring effort (2010-2012), would represent a [50 – 60]% closure of branches and a [40 – 50]% reduction in staff. As of 30 June 2014, CX Banc had reached [60

[30] See the Original Term-Sheet section 5.3.1.
[31] See the Original Term-Sheet section 5.4.1.
[32] See Table 4.

– 70]% and [80 – 90]% of its targets for branches and personnel, respectively.[33]

(44) Moreover, CX Banc committed to sell its listed equity holdings/subsidiaries by 31 December 2014 and its unlisted equity holdings/subsidiaries by […]. As of 30 June 2014 CX Banc had sold 100% of its listed holdings and [40 – 50]% of its unlisted subsidiaries ([40 – 50]% in terms of book value).

(45) Accordingly, the volume of RWA in CX Banc was to fall [20 – 30]% between 2012 and 2016, which, if added to the previous restructuring period, would represent a net reduction of [60 – 70]% of RWA from 30 June 2010. As of 30 June 2014, CX Banc had achieved [80 – 90]% of the 2016 target for RWA reduction.[34]

(46) Furthermore, the Original Restructuring Plan contained commitments on burden-sharing, banning acquisitions, banning commercial aggressive practices and State aid advertising, restricting remuneration and banning dividends (no dividend in 2014; capital repayment commitment for 2015-2017) and coupons.

(47) In addition, the Original Restructuring Plan stated that, in accordance with Royal Decree Law 24/2012 and in view of: a) the significant capital shortfall of CX Banc as revealed in the MoU Stress Test; b) the considerable amount of State aid already received since 2010; and c) the low probability that CX Banc would be able to fully repay the public funds granted through the various aid measures proposed in the Original Restructuring Plan, CX Banc would be placed under resolution within the meaning of that Royal Decree Law.

(48) Accordingly, the Spanish authorities were to carry out an in-depth restructuring of CX Banc's activities as set out in the Original Restructuring Plan with a view to selling CX Banc as soon as market conditions permitted and within five years, failing which CX Banc would be placed under orderly resolution in accordance with Royal Decree Law 24/2012.

(49) Additional detail on the specific terms and conditions of the Original Restructuring Plan is available in the Original Restructuring Decision. Table 4 provides an overview of the restructuring undergone by CX Banc since the Original Restructuring Plan was approved up to the subsequent sale of CX Banc to BBVA. The last column of Table 4 shows the degree of restructuring already accomplished by CX Banc in the first year and a half of the original restructuring period.

[33] See Table 4.
[34] 144% of the target if the sale of the Credit Portfolio is taken into account. See Table 4.

Table 4: Overview of the restructuring of CX Banc since 31 December 2012

	31.12.2012*	30.06.2014	Targets** TS/template 31.12.2016	Current % of restructuring accomplished
Total assets (billion EUR)	69.318	57.310	[50 000 – 60 000]	[70 – 80]%
Net loans to customers (billion EUR)	34.427	26.431	[20 000 – 30 000]	[90 – 100]%
Deposits from clients (billion EUR)	26.020	25.176	[20 000 – 30 000]	[30 – 40]%
Total RWA (billion EUR)	24.477	[10 000 – 20 000]	[10 000 – 20 000]	[80 – 90]%
Total RWA ex-Credit Portfolio (billion EUR)		[10 000 – 20 000]	[10 000 – 20 000]	[100 – 150]%
Employees Total Group	7,197	5.341	[4 000 – 5 000]	[80 – 90]%
Number of branches	1,163	857	[700 – 800]	[60 – 70]%
National Market share in deposits	2.7%	2.3%	-	-
Regional Market share in deposits	11.6%	11.0%	-	-
National Market share in loans	2.6%	2.4%	-	-
Regional Market share in loans	9.8%	8.5%	-	-

** Estimated starting point in the Original Restructuring Plan. ** Targets/estimates in the Original Restructuring Plan and Term Sheet. Employees and branches are specific commitments included in the Original Term Sheet.*

4 THE SALE OF THE CREDIT PORTFOLIO TO BLACKSTONE AND OF CX BANC TO BBVA

(50) On 11 February 2014, the FROB communicated to the Commission its intention to re-start the sale process of CX Banc. In order to enhance the value of CX Banc the FROB and its external advisor designed a dual (and almost parallel in time) sale of (a) the Credit Portfolio (a carved-out portfolio of loans, mainly mortgages, amounting to a gross value of EUR 6 392 million), and (b) the rest of CX Banc as an entity without distressed assets.

(51) The purpose of that dual approach, according to the FROB, was to increase the market demand for both CX Banc as well as for the Credit Portfolio, by enhancing the value of CX Banc and increasing the number of potential interested buyers for both assets.

4.1 The sale of the Credit Portfolio to Blackstone

(52) On 11 March 2014 CX Banc, backed by the FROB, started the sale of the Credit Portfolio through a competitive tender process. The Credit Portfolio is a portfolio of loans, mainly mortgages, with an outstanding nominal value of EUR 6 392 million and provisions amounting to EUR 2 205 million. Therefore, the net book value of the portfolio in CX Banc's balance sheet amounts to EUR 4 187 million.

(53) The sale triggered major interest among a number of international investors. 81

investors were invited to the process and 47 signed non-disclosure agreements in order to access a Virtual Data Room. On 27 May 2013, 12 funds took part in the initial round of the competitive process, and after the submission of non-binding offers five consortia were left for the binding offer round. Finally, four of those consortia submitted their offers on 10 July 2014.

(54) The process ended with the opening of a second binding round involving the two highest bids, and improved offers were submitted on 15 July 2014. That approach was aimed at maximising the selling price and ensuring that the auction was conducted under transparent and competitive conditions.

(55) On 17 July 2014, CX Banc announced that the winning bid for the Credit Portfolio was the offer from Blackstone for an amount of EUR [3 595 – 3 615] million. On the same date, CX Banc, Blackstone and the FROB signed an investment agreement for the transaction. The completion of the sale is subject to administrative authorisations, including that of the Commission.

(56) The transaction consists of transferring the Credit Portfolio from CX Banc to an asset securitisation fund ("**ASF**"), to be registered with Spain's National Securities Market Commission ("**CNMV**"), for an amount equal to its net book value of EUR [4 110 – 4 200] million. Blackstone contributes EUR [3 595-3615] million to the ASF and the FROB the remaining EUR [515 – 585] million. There will be no net worth impact on CX Banc as the Credit Portfolio is transferred at the net book value.

(57) The ASF will issue two types of bonds: class A bonds (senior), which will be subscribed by Blackstone (for an amount of EUR [3 595 – 3 615] million); and class B bonds, which will be subscribed by the FROB (for an amount of EUR [515 – 585] million) and which are subordinated to the class A bonds. The agreed – though not guaranteed – profitability level of senior bonds (class A) is 13%. Once that level has been reached, the additional returns on the Credit Portfolio arising from the cash flows will be distributed pro rata between Blackstone and the FROB. Therefore, the FROB may benefit from an improvement in the portfolio's performance. Conversely, a worse-than-expected performance of the portfolio will not entail, under any circumstances, additional losses for the FROB on top of the EUR [515 – 585] million invested. Anticipa Real Estate, a subsidiary of Blackstone will manage and administer the loans.

(58) In addition, the FROB will provide to the ASF a revolving credit facility ("**the liquidity facility**") up to a maximum amount of EUR 500 million. That liquidity facility is only available to finance the liquidity commitments from future disbursements related to additional price to be paid to CX Banc due to additional draw-downs on some quota or similar credits and the existing "multicredit" or "revolving mortgage facilities" included in the Credit Portfolio. The purpose of those financing arrangements is that CX Banc should be left with no economic exposure to the credits in the Credit Portfolio. Blackstone will have to complement the funding, if necessary to cover that additional price, with another private facility ("**the additional liquidity facility**").

(59) The fees and remuneration of the liquidity facility provided by the FROB will be at market prices (at least equal to that of the external funding provided to the ASF, if any, and otherwise equal to that of the external financing obtained by Blackstone to finance its class A bonds). In addition, the liquidity facility provided by the FROB will be and remain senior to, or at least *pari passu* with, the most senior providers of funding to the ASF.

(60) The FROB and CX Banc will provide limited representations and warranties ordinary in the context of business disposals ("**representations and warranties**") covering their legal standing and capacity as well as specific features of the Credit Portfolio. The FROB will also provide two additional guarantees: (i) a guarantee over wrong information on defective credits, with a floor of 1% of defective credits over the total portfolio against which Blackstone can claim the guarantee; (ii) a guarantee over court rulings ordering the Credit Portfolio to compensate mortgagors for mortgage floor clauses up to 31 March 2014 (the cut-off date of the portfolio). In any event, FROB's maximum responsibility under those representations and warranties will be limited to 25% of the price paid by Blackstone (equivalent to EUR [>0] million).

(61) The reason why the FROB (as main shareholder of CX Banc) and not CX Banc (as the seller of the Credit Portfolio) is directly providing the liquidity facility mentioned in recital (58) and the additional guarantees described in recital (60) is because the sales of the Credit Portfolio and CX Banc took place almost in parallel. Therefore, in order to minimise the existence of legacy risks from the sale of the Credit Portfolio that may affect the sale of CX Banc, the FROB, as the largest shareholder, provides them directly.

4.2 The sale of CX Banc to BBVA

(62) In line with the Original Restructuring Decision[35], Spain was to dispose of CX Banc through a competitive tender process, with the objective of minimizing the cost to taxpayers. A sale and purchase agreement with a prospective purchaser, who would be legally and economically independent of the Kingdom of Spain and CX Banc, was to be signed no later than […].

(63) The Spanish authorities designed the sale of CX Banc sale as a two-stage process. The first stage consisted of analysing the economic and financial situation of CX Banc and gauging market's appetite so that the FROB could decide if the conditions were ripe to launch a sale process. In the second stage, CX Banc's sale process was to be executed.

(64) FROB's external advisor carried out a vendor's due diligence of CX Banc. In parallel, internal expected loss calculations were reviewed (including a third-party assessment of the expected loss methodology), a business plan prepared by CX Banc's management was challenged, potential contingencies that might negatively affect the valuation were identified and different levers that might boost CX Banc's

[35] Section 3.3 of the Original Restructuring Decision and section 8 of the Original Term Sheet annexed to it.

valuations were assessed.

(65) As part of that first stage, the FROB's advisor informally contacted banking institutions and investors to gauge market interest in CX Banc and identified those players that might potentially be interested in participating in a sale process.

(66) FROB's external advisor also presented a report recommending the parallel sale of a carved-out portfolio of loans with low commercial value (which became the Credit Portfolio[36]), to improve the financial ratios of CX Banc and increase the competition in the sale process, therefore maximising the total price that the FROB would achieve from the combined transaction.

(67) After those banking institutions and private equity funds that had confirmed their interest in participating in a sale process of CX Banc had signed a non-disclosure agreement, access was granted to a Virtual Data Room (that contained the vendor's due diligence as well as a data tape). Furthermore, they were offered the opportunity to have meetings with CX Banc's management. Potential bidders could also ask questions that had arisen when reviewing the information uploaded to the virtual data room.

(68) Based on investors' interest, the FROB's Governing Council decided to launch the sale. By a process letter of 2 June 2014 the FROB informed potential bidders of the opening of a competitive tender process for the sale of either a 98.4% stake in CX Banc held by the FROB and the FGD or 100% of the shares. In total, three formal binding offers were finally submitted by interested bidders at the end of the process on 18 July 2014.

(69) By a resolution of its Governing Council of 21 July 2014, the FROB selected the EUR […] million offer submitted by BBVA for 98.4% of CX Banc. The offer submitted by BBVA met the requisites set forth in the process letter in order to avoid the need of a second round of bids. On that same date, the FROB, on behalf of itself and the FGD, entered into a sale and purchase agreement with BBVA ("**the SPA**").

(70) In addition to representations and warranties which are standard in the context of business disposals, the FROB, as part of the tender process, provided all potential buyers with a number of guarantees[37] that would protect them should specific contingencies materialise. Those guarantees concerned:

(a) negative adjustments arising from the asset transfer to SAREB (net of positive adjustments);

(b) tax charges (VAT) derived from the asset transfer to SAREB;

(c) 85% of the net amounts resulting from court rulings ordering CX Banc to compensate hybrid security holders for mis-selling;

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36 Described under section 4.1.

37 Described under section 7.1.

(d) 85% of the net amounts resulting from court rulings ordering CX Banc to compensate mortgagors for mis-selling of mortgage floors;

(e) 85% of the net amounts that CX Banc may be forced to pay to plaintiffs in the lawsuits identified in Appendix 10 of the SPA;

(f) 85% of the net amounts resulting from court rulings ordering CX Banc to compensate SMEs and retail clients for mis-selling of mortgage swaps;

(g) 85% of the net amounts that CX Banc may pay to the insurance company Mapfre for the price of the "*Mapfre share*" (the 50% share that Mapfre owns in CatalunyaCaixa Vida and CatalunyaCaixa Assegurances Generals, i.e. the joint banc-assurance business) as well as any other accessory indemnity or penalty […].

(71) […].

5 REVISED RESTRUCTURING PLAN OF CX BANC

(72) Following the sale of CX Banc, Spain submitted a Revised Restructuring Plan and revised commitments on 3 December 2014. The Revised Restructuring Plan is intended to take into account the new situation of CX Banc from the sale and its planned integration into BBVA. Therefore, the commitments included in the Term Sheet annexed to this decision will apply to CX Banc from the date of adoption of this decision. However, if the sale of CX Banc does not occur before […], the commitments included in the Term Sheet annexed to this decision will be replaced by the commitments included in the Original Term Sheet.

(73) According to the Spanish authorities, the acquisition of CX Banc will enable BBVA to strengthen its position in Catalonia, a very attractive market from an economic perspective. Additionally, the strong franchise of CX Banc in the region will grant access to BBVA to attractive returns with a manageable impact on BBVA's capital ratios. At the same time, the associated risk inherent to the transaction is expected to be properly contained, given the significant restructuring efforts already undertaken by the Spanish resolution authorities in relation to CX Banc.

(74) From the completion of the acquisition, BBVA intends to manage CX Banc in a manner consistent with how it manages the rest of its banking business in the Spanish market in general and in Catalonia in particular. BBVA also envisages that CX Banc will gradually converge to BBVA's general policies and procedures as well as to BBVA's efficiency, profitability and solvency levels.

(75) Overall, the Revised Restructuring Plan maintains the same restructuring period (the "**Restructuring Period**"), ending on […],[38] as in the Original Restructuring

[38] Except if the acquisition of CX Banc by BBVA occurs after 31 December 2014. In that case the Restructuring Period would end on the third anniversary of that acquisition, or […], whichever occurs first.

Plan, and is expected to ensure the long-term viability of CX Banc as part of the integration with BBVA.

(76) The Restructuring Period is divided into two phases: (1) the period between the date on which the acquisition of the shares of CX Banc by BBVA becomes effective[39] and the end of the Restructuring Period, or the date on which the merger between BBVA and CX Banc is approved by general assemblies of the two entities, whichever occurs first (the "**Pre-Integration Period**"); and (2) the period between the date on which the merger between BBVA and CX Banc is approved by general assemblies of the two entities and the end of the Restructuring Period (the "**Post-Integration Period**").

[39] Closing Date, as defined in section 2 ("Definitions") of the annexed Term Sheet.

(77) Table 5 presents the main financial projections contained in the Revised Restructuring Plan for CX Banc on a stand-alone basis (Pre-Integration Period) and for the Combined entity [40] (the "**Combined entity**") (Post-Integration Period):

Table 5: Revised Restructuring Plan for CX Banc and the Combined entity

P&L	2013 Actual		2014		2015		2016		2017		Evolution rate 2013-2017 (%)		CAGR	
	CX	Combined entity	CX	Combined entity	CX	Combined entity	CX	Combined entity	CX	Combined entity	CX	Combined entity	CX	Combined entity
Profit before tax (€ Mn)	minus [1500 - 1000]	N/A	[...]	[...]	[...]	[...]	[...]	[...]	[...]	[...]	n.m	[75 - 170]%	n.m	[20 - 45]%
Cost-to-income ratio	[40 - 50]%	N/A	[170 - 180]%	[45 - 55]%	[140 - 150]%	[45 - 55]%	[90 - 100]%	[45 - 55]%	[80 - 90]%	[45 - 55]%				
Full-time equivalents (1)	[6000 - 6500]	N/A	[4500 - 5000]	[110000 - 120000]	[4500 - 5000]	[110000 - 120000]	[4500 - 5000]	[110000 - 120000]	[4500 - 5000]	[110000 - 120000]	n.m	minus [0 - 5]%	n.m	[0 - 5]%
Branches (2)	[1000 - 1050]	N/A	[700 - 750]	[7500 - 8500]	[700 - 750]	[7500 - 8500]	[700 - 750]	[7500 - 8500]	[700 - 750]	[7500 - 8500]	n.m	minus [0 - 5]%	n.m	minus [0 - 5]%
Return on average equity	[20 - 25]%	N/A	[-12 - 0]%	[5 - 6]%	[-12 - 0]%	[6% - 11]%	[-5 - +5]%	[8% - 13]%	[-5 - +5]%	[10% - 15]%				

Balance sheet	2013 Actual		2014		2015		2016		2017		Evolution rate 2013-2017 (%)		CAGR	
	CX	Combined entity	CX	Combined entity	CX	Combined entity	CX	Combined entity	CX	Combined entity	CX	Combined entity	CX	Combined entity
Loans to clients (net) (€ Mn)	[25000 - 30000]	N/A	[...]	[...]	[...]	[...]	[...]	[...]	[...]	[...]	[5 - 10]%	[10 - 20]%	[5 - 10]%	[5 - 10]%
Non-performing loans (€ Mn)	[7000 - 8000]	N/A	[...]	[...]	[...]	[...]	[...]	[...]	[...]	[...]	minus [80 - 90]%	minus [20 - 30]%	minus [40 - 50]%	minus [10- 20]%
Total assets (€ Mn)	[60000 - 70000]	N/A	[...]	[...]	[...]	[...]	[...]	[...]	[...]	[...]	minus [10- 20]%	[5 - 10]%	minus [5 - 10]%	[5 - 10]%
Risk-weighted assets (€ Mn)	[15000 - 20000]	N/A	[...]	[...]	[...]	[...]	[...]	[...]	[...]	[...]	minus [0 - 5]%	[10 - 20]%	[0 - 5]%	[0 - 5]%

Liabilities	2013 Actual		2014		2015		2016		2017		Evolution rate 2013-2017 (%)		CAGR	
	CX	Combined entity	CX	Combined entity	CX	Combined entity	CX	Combined entity	CX	Combined entity	CX	Combined entity	CX	Combined entity
Central bank (€ Mn)	[1000 - 2000]	N/A	[...]	[...]	[...]	[...]	[...]	[...]	[...]	[...]	n.m	[0 - 5]%	n.m	[0 - 5]%
Liabilities to clients (€ Mn)	[25000 - 30000]	N/A	[...]	[...]	[...]	[...]	[...]	[...]	[...]	[...]	minus [0 - 5]%	[20 - 30]%	[0 - 5]%	[5 - 10]%
Total Liabilities (€ Mn)	[60000 - 65000]	N/A	[...]	[...]	[...]	[...]	[...]	[...]	[...]	[...]	minus [10- 20]%	[5 - 10]%	minus [5 - 10]%	[0 - 5]%
Loan-to-deposit ratio	[100 - 150]%	N/A	[90-110]%	[90-110]%	[90-110]%	[90-110]%	[90-110]%	[90-110]%	[90-110]%	[90-110]%				
Basel III CET1 (3) (€ Mn)	[2500 - 3000]	N/A	[1500 - 2000]	[40000 - 45000]	[1500 - 2000]	[40000 - 45000]	[1500 - 2000]	[40000 - 45000]	[1500 - 2000]	[45000 - 50000]	minus [0 - 5]%	[10 - 20]%	[0 - 5]%	[5 - 10]%
Basel III CET1 (3) ratio	[10 - 20]%	N/A	[10 - 20]%	[10 - 20]%	[10 - 20]%	[10 - 20]%	[10 - 20]%	[10 - 20]%	[10 - 20]%	[10 - 20]%				

[…]

40 Combined entity means the aggregate of CX Banc and BBVA.

6 COMMITMENTS AND POSITION OF THE SPANISH AUTHORITIES

6.1 Commitments of the Spanish authorities under the Revised Restructuring Plan

(78) The Spanish authorities have undertaken a number of commitments relating to the implementation of the Revised Restructuring Plan. The revised commitments by the Spanish authorities have been presented in a separate document entitled "Term Sheet for the Restructuring of Catalunya Banc, S.A." ("**Term Sheet**"), annexed to this Decision.

(79) With regard to the restructuring of CX Banc the Spanish authorities commit to ensure that:

(a) the Combined entity will close 285 physical branches in Catalonia before the end of the Restructuring Period. If CX Banc has a structure of less than [700 – 750] physical branches as of the Closing Date, that commitment will be reduced accordingly in the amount of the difference. However, if CX Banc were to sell or transfer any branches to BBVA before the Closing Date, those branches would not be reduced from the 285 branches commitment;

(b) the total number of employees of the Combined entity in Catalonia will be reduced by […] before the end of the Restructuring Period, provided that CX Banc employs at least […] employees in Catalonia as of Closing Date. If CX Banc employs less than […] employees in Catalonia as of Closing Date, this commitment will decrease in the amount of such difference. However, if CX Banc were to transfer any employees to BBVA before the Closing Date, those employees would not be deducted from the […] employees' reduction.

(c) the total number of employees of CX Banc outside Catalonia will be reduced by […] employees before the end of the Restructuring Period, provided that CX Banc employs at least […] employees outside of Catalonia as of Closing Date. If CX Banc employs there less than […] persons as of Closing Date, this commitment will decrease in the amount of such difference. However, if CX Banc were to transfer any employees outside of Catalonia to BBVA before the Closing Date, those employees would not be deducted from the […] employees' reduction commitment.

(80) With regard to CX Banc and in relation to the behavioural measures and corporate governance, the Spanish authorities commit to ensure:

(a) the ban on acquisitions until the beginning of the Post-Integration Period, subject to certain exceptions;[41]

(b) the ban on commercial aggressive practices until the beginning of the Post-Integration Period, with the nominal interest rate offered to clients by CX Banc being less attractive than the average of the most competitive rates offered on analogous products by the five main non-aided competitors within the geographical area where CX Banc operates;

(c) advertising restrictions until the end of the Restructuring Period, preventing CX Banc from using the granting of the aid measures or any advantages arising from those measures for advertising purposes;

[41] Those exceptions are defined in paragraph 6.1.2 of the annexed Term Sheet.

(d) subject to certain exceptions[42], restrictions on the remuneration of bodies, employees and essential agents during the Pre-Integration Period, so that CX Banc meets the applicable legislation in all salary and compensation matters, and public resources are used in the most efficient way. Those restrictions will cease to apply from the beginning of the Post-Integration Period.

(81) The Spanish authorities undertake to comply with the commitments described in recitals (79) and (80), which are set out in full in the Term Sheet, if necessary by ensuring that those commitments are duly observed by CX Banc or the Combined entity.

(82) The Spanish authorities note in light of section 5 of the Restructuring Communication[43] that regular reports are required to allow the Commission to verify that the Revised Restructuring Plan is being implemented properly throughout its duration. Therefore, to ensure that CX Banc fully and correctly implements the commitments as part of the Revised Restructuring Plan, the Spanish authorities commit to appoint for the Pre-Integration Period an independent, sufficiently qualified monitoring trustee ("**the Monitoring Trustee**").

(83) The Monitoring Trustee will have unrestricted access to all information needed to monitor the implementation of the present Decision during the Pre-Integration Period. The Commission or the Monitoring Trustee may ask CX Banc for explanations and clarifications. Spain and CX Banc will cooperate fully with the Commission and the Monitoring Trustee with regard to all enquiries associated with monitoring.

(84) During the Post-Integration Period, the Spanish authorities will submit regular reports on the compliance of such Commitments.

6.2 Position of the Spanish authorities on the Revised Restructuring Plan

(85) The Spanish authorities contend that they have largely carried out an in-depth restructuring of CX Banc activities and disposed of CX Banc through a competitive tender process, in line with the Original Restructuring Plan.[44]

(86) In view of the sale and in line with the Original Restructuring Plan,[45] Spain proposed the Revised Restructuring Plan.

(87) The Spanish authorities also contend that no additional State aid has been granted as part of the sale, and that the Revised Restructuring Plan is, overall, consistent with the principles of the Original Restructuring Plan. In particular, according to the Spanish authorities, the Revised Restructuring Plan does not alter the original balance in terms of the viability of CX Banc, burden-sharing and compensatory measures relating to the distortion of competition, meaning that the existing aid measures remain compatible on the basis of Article 107(3)(b) TFEU.

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42 Those exceptions are defined in paragraph 6.4.2 of the annexed Term Sheet.

43 Commission communication on the return to viability and the assessment of restructuring measures in the financial sector in the current crisis under the State aid rules, OJ C 195, 19.8.2009, p. 9.

44 Section 3 of the Original Restructuring Decision and sections 5 and 8 of the Term Sheet annexed to it.

45 Recital 92 of the Original Restructuring Decision.

7 ASSESSMENT

7.1 Existence of State Aid

(88) With regard to the measures approved by the Commission as rescue and restructuring aid in favour of CatalunyaCaixa and CX Banc in earlier decisions or under a scheme, the Commission has already concluded that those measures constituted State aid. As a consequence, it is not necessary to reassess whether those measures (A to F described in section 2.3) constitute State aid under the present decision. However, the Commission must assess if: (a) the acquisition of the class B bonds by the FROB, and the representations and warranties as well as the liquidity facility provided by the FROB at the sale of the Credit Portfolio, and (b) the guarantees provided by the FROB at the sale of CX Banc, constitute State aid.

(89) According to Article 107(1) TFEU State aid is any aid granted by a Member State or through State resources in any form whatsoever which distorts, or threatens to distort, competition by favouring certain undertakings, in so far as it affects trade between Member States. The Commission observes that the Spanish authorities consider that no additional State aid has been granted as part of the sale of either the Credit Portfolio or CX Banc.

(90) The qualification of a measure as State aid within the meaning of that provision therefore requires the following cumulative conditions to be met: (i) the measure must be imputable to the State and financed through State resources; (ii) it must confer an advantage on its recipient; (iii) that advantage must be selective; and (iv) the measure must distort or threaten to distort competition and have the potential to affect trade between Member States.

7.1.1 Advantage

(91) The cumulative headline amount of (i) the acquisition of the class B bonds by the FROB, (ii) the representations and warranties granted by the FROB, and (iii) the liquidity facility provided by the FROB as part of the sale of the Credit Portfolio, as well as (iv) the guarantees provided by the FROB as part of the sale of CX Banc, is EUR [2 000 – 2 500] million. However, the real value of those bonds and guarantees as estimated by the Spanish authorities would give rise to a loss for the FROB of EUR [500 – 1 000] million compared with a positive price of EUR […] million obtained for the sale of CX Banc. Those estimates have been reviewed by the Commission and are summarised in Table 6.

(92) The Commission has therefore verified whether any of the aspects relating to the sale of the Credit Portfolio or CX Banc, listed in recital (91), might give rise to an advantage to any potential beneficiaries: the buyer of the Credit Portfolio (Blackstone), the buyer of CX Banc (BBVA), the ASF or CX Banc.

(93) First, regarding the acquisition of the class B bonds for an amount of EUR [515 – 585] million, the Commission considers that there is no advantage to the buyer of the Credit Portfolio or to the ASF, because that amount was fixed through an open, transparent and competitive tender process, as explained in section 4.1.

(94) Second, regarding the representations and warranties granted by the FROB as part of the sale of the Credit Portfolio, most of them are ordinary representations and warranties in the context of a business disposal, which is to say that a private investor would also grant them. Those representations and warranties cover, for instance, FROB's legal standing and capacity as well as the features of the Credit Portfolio. In

addition, they were granted in an open and competitive tender process and were available to all parties participating in that process. Moreover, had those representations and warranties not been granted by the FROB their absence would have been reflected in a lower price paid by the buyers of the Credit Portfolio and/or CX Banc. In view of those elements, the Commission agrees with the assessment of the Spanish authorities that those guarantees do not confer an advantage either on the buyers of the Credit Portfolio or the ASF.

(95) Two additional representations and warranties were also available to all bidders and were, therefore, reflected in the price offered, but can be considered more special, namely: (i) a guarantee over wrong information on defective credits and (ii) a guarantee over court rulings ordering the Credit Portfolio to compensate mortgagors for mortgage floor clauses up to 31 March 2014 (the cut-off date of the portfolio).

(96) The Commission reviewed the assumptions presented by the Spanish authorities to determine the fair value of those guarantees and considers them sufficiently conservative. In particular, for the guarantee on wrong information on defective credits, due diligence has been performed by an external advisor who reviewed a sample of contracts. The results have been then extrapolated to the entire portfolio, to estimate the fair value. Regarding the mis-selling of mortgage floors, the fair value of the guarantee has been estimated at zero, because it is very unlikely that a judge would oblige the ASF or the buyer to compensate for the excess return obtained with floor clauses that had been applied before the cut-off date (that is outside their responsibility period).

(97) Third, the liquidity facility provided by the FROB at the sale of the Credit Portfolio will be remunerated at market price, at a level at least equal to that of the external funding provided to the ASF, if any, and otherwise equal to that of the external financing obtained by the buyer to finance its class A bonds. Moreover, that provision of liquidity is very usual in that type of transaction, and the FROB has provided several examples of it from transactions by private players. It does not constitute an advantage for the ASF or the buyer of the Credit Portfolio.

(98) Fourth, with regard to the fair value of guarantees provided by the FROB as part of the sale of CX Banc, the Spanish authorities provided the Commission with a detailed report by an external advisor as well as sufficient supporting documents and data, to substantiate the assessment by the external adviser. The Commission reviewed those assumptions in relation to each of the relevant guarantees, which are also summarised in Table 6:

1) Negative adjustments arising from the asset transfer to SAREB (net of positive adjustments). A due diligence has been performed by an independent expert and an agreement has been reached by CX Banc and SAREB fixing the amount of that contingency. That agreement fixes the responsibility at the level of the available provisions […].

2) Tax charges (VAT) derived from the asset transfer to SAREB. Historic information does not allow the Commission to gain enough comfort on the fair value presented by the Spanish authorities. A conservative approach is to take the maximum value for that guarantee. The Spanish authorities consider the fair value of that guarantee to be […].

3) 85% of the net amounts resulting from court rulings ordering CX Banc to compensate hybrid security holders for mis-selling. A forecast of the number and value of future claims has been based on historical information, to calculate

the fair value of the guarantee. The forecast is conservative due to the fact that the average amount taken into account is slightly higher than the historical average in spite of a decreasing trend in the number of claims.

4) 85% of the net amounts that CX Banc may be forced to pay to plaintiffs in the lawsuits identified in Appendix 10 of the SPA. A due diligence has been performed by Ernst&Young assigning a probability of loss for each case. The Commission has reviewed the methodology and finds it reasonable.

5) 85% of the net amounts resulting from court rulings ordering CX Banc to compensate SMEs and retail clients for mis-selling of mortgage' swaps. A forecast of future number and amounts of cases has been performed based on historical information. […]

6) 85% of the net amounts that CX Banc may be forced to pay to the insurance company Mapfre for the price of the "*Mapfre share*" as well as any other accessory indemnity or penalty […].

(99) As in the case of the representations and warranties granted by the FROB as part of the sale of the Credit Portfolio, the guarantees provided as part of the sale of CX Banc are ordinary guarantees in the context of a business disposal. They were also granted in open and competitive tender process and were available to all parties participating in that process. Moreover, had those guarantees not been granted by the FROB their absence would have been reflected in a lower price paid by the buyers of CX Banc. In view of those elements, the Commission agrees with the assessment of the Spanish authorities that the guarantees do not confer an advantage on the buyer of CX Banc.

(100) The sale of the Credit Portfolio is a key success factor for the sale of CX Banc, as in that way CX Banc's balance sheet raises significantly fewer risks and uncertainties for the buyer (BBVA). Therefore, to assess whether an advantage is granted to CX Banc, the Commission needs to consider both the sale of the Credit Portfolio and the sale of CX Banc. Overall, the price paid for CX Banc by BBVA amounted to EUR […] million. There is therefore an overall net positive price resulting from the combined transaction (the sale of the Credit Portfolio and the sale of CX Banc), and therefore a net profit for the FROB, which can be estimated at EUR [>0] million, once the fair value of guarantees is deducted. The details of the valuation, as assessed by the Commission, are presented in Table 6.

Table 6: Valuation of guarantees granted as part of the sale of the Credit Portfolio and CX Banc

[…]

(101) In view of the elements discussed in recitals (91) to (100) and the net positive price paid resulting from the combined transaction, the Commission concludes that (i) the acquisition of the class B bonds by the FROB, (ii) the representations and warranties granted by the FROB, and (iii) the liquidity facility provided by the FROB as part of the sale of the Credit Portfolio, as well as (iv) the guarantees provided by the FROB as part of the sale of CX Banc do not confer an advantage either on the buyer of the Credit Portfolio (Blackstone), the buyer of CX Banc (BBVA), the ASF or on CX Banc.

(102) Given that the condition of advantage is not fulfilled, there is no need to assess if the remaining three conditions are met.

7.1.2 Conclusion

(103) On the basis of the forgoing, the Commission considers that the acquisition of the class B bonds, the representations and warranties and the liquidity facility provided by the FROB at the sale of the Credit Portfolio, and the guarantees provided by the FROB at the sale of CX Banc, do not fulfil all the conditions of Article 107(1) TFEU and that they therefore do not constitute State aid in favour of CX Banc, the ASF, Blackstone or BBVA within the meaning of that provision.

(104) However, the Commission also recalls that it had already found measures A, B, C, D, E and F to constitute State aid of which CatalunyaCaixa and/or CX Banc are the beneficiaries (see recital (32)).

8 COMPATIBILITY OF THE AID WITH THE INTERNAL MARKET

(105) As regards the compatibility of the aid provided to CX Banc, the Commission has already concluded in earlier decisions that measures A through F in favour of CatalunyaCaixa and CX Banc are compatible with the internal market for reasons of financial stability on the basis of Article 107(3)(b) TFEU. The compatibility of those measures was based on the Original Restructuring Plan.

(106) A restructuring decision can in principle be amended by the Commission where the modification is based on new set of commitments which can be considered equivalent to those originally provided.[46] In that situation, the existing aid measures would remain compatible on the basis of Article 107(3)(b) TFEU if the overall balance of the original decision remain intact. In order to preserve the original balance, the Revised Restructuring Plan and altered commitments should not negatively affect the viability of the aid beneficiary, with the Revised Restructuring Plan and overall set of commitments remaining equivalent in terms of burden-sharing and compensatory measures taking into account the requirements of the Restructuring Communication.

(107) Given that no new aid has been granted, the Commission does not have to assess compliance with the 2013 Banking Communication.[47]

[46] For other similar decisions see, for instance, SA.29833 KBC – Extension of the target date of certain divestments by KBC and Amendment of restructuring commitments, OJ C 135, 9.5.2012, p. 5; SA.29833 KBC – Accelerated phasing-out of the State Protection measure and amendments to the KBC restructuring plan, OJ C 163, 8.06.2013, p. 1; SA.34539 Commerzbank – Amendment to the restructuring plan of Commerzbank, OJ C 177, 20.06.2012, p. 20.

[47] Communication from the Commission on the application, from 1 August 2013, of State aid rules to support measures in favour of banks in the context of the financial crisis, OJ C 2016, 30.07.2013, p. 1.

8.1 Compatibility with the Restructuring Communication

(108) For the Revised Restructuring Plan to remain compatible on the basis of Article 107(3)(b) TFEU, it should preserve the original balance, notably with regard to (1) the viability of the aid beneficiary, (2) burden-sharing and (3) compensatory measures relating to the distortion of competition.

8.1.1 Restoration of viability

(109) As set out in point 17 of the Restructuring Communication, the sale of a financial institution to a viable third party with financial means sufficient to absorb the entity and the capacity to restore confidence can help to restore its long-term viability. The Commission considers the requirements in the Restructuring Communication to be met by BBVA[48].

(110) First, the business of CX Banc is absorbed by a much larger group. In terms of total assets, the ratio is almost 1:11. As a consequence, the impact of CX Banc on BBVA's accounts and prudential position will be limited as shown in Table 7.

Table 7: Main figures of the Combined entity (pro-forma)

Main figures (30.06.2014) (*EUR mn*)	BBVA + CX Banc		Main solvency ratios (30.06.2014)	BBVA	BBVA + CX Banc **
Total Assets *	[600 000 – 700 000]		**Solvency:**		
Loans to clients *	[300 000 – 400 000]		BIS ratio	14.7%	[10 – 15]%
Customer deposits	[300 000 – 400 000]		Tier 1	11.6%	[10 – 15]%
Core capital	[30 000 – 40 000]		Core Equity Tier 1	11.6%	[10 – 15]%

** Total assets and loans adjusted to exclude the EUR 6.4 billion Credit Portfolio sold to Blackstone. ** The solvency ratios for the Combined entity reflect the incorporation of CX Banc's RWA into BBVA. BBVA is estimating that no material badwill/goodwill will arise in the transaction (final data to be calculated after closing).*

(111) Second, as regards viability, BBVA complies, as from the date of the SPA, with legal solvency requirements and its own resources are adequate. In addition, in the results of the Comprehensive Assessment exercise[49] carried out by the ECB for the banking sector, BBVA delivered a 10.24% Core Equity Tier 1 (**"CET1"**) ratio in the base scenario (vs. a minimum threshold of 8% required by the supervisor) and a 8.97% CET1 ratio in the adverse scenario (vs. a minimum required threshold of 5.5%).

(112) Third, BBVA is a national and global leader in terms of size, since it is the second-largest financial institution in Spain and the seventh-largest in the OECD area.

(113) Fourth, the management of BBVA is considered in retail banking as a benchmark in Spain. It has one of the highest efficiency ratios among its peers as well as the one of the highest levels of credit and deposit ratios.

(114) Fifth, BBVA has an established, long-standing, consistent and favourable track record in buying external retail banking entities and through successful integration,

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[48] See description of BBVA in section 2.4.

[49] The results of the Comprehensive Assessment exercise of the European Central Bank were published on 26 October 2014. See link for more details: https://www.bankingsupervision.europa.eu/banking/comprehensive/html/index.en.html

extracting potential synergies[50]. In terms of savings, BBVA estimates to achieve cost synergies up to 40% of CX Banc's cost base, with a net present value of the synergies of EUR 1.2 billion approximately.

(115) Sixth, BBVA estimates that the acquisition of CX Banc will boost earnings per share in year 2 and that from 2018 it will contribute with EUR 300 million annually to the net profit of the group. The expected return on invested capital of the acquisition for BBVA is 15%.

(116) Seventh, the Revised Restructuring Plan is based on credible underlying macroeconomic assumptions. In particular, the Revised Restructuring Plan will allow CX Banc on a standalone basis and the Combined entity to comply with the relevant regulatory requirements even in stress scenarios with a protracted global and national recession in line with point 13 of the Restructuring Communication. The Commission considers that the Revised Restructuring Plan demonstrates how CX Banc on a standalone basis and the Combined entity will show adequate profitability, allowing it to cover all its costs including depreciation and financial charges and to provide an appropriate return on equity, taking into account the risk profile of the bank. The expected return on equity of the Combined entity is [10 – 15]% in 2017 and [10 – 15]% in 2018.

(117) The Commission therefore concludes that, on the basis of the information provided by the Spanish authorities, BBVA has the know-how required to own and manage the business in compliance with regulatory and prudential requirements. The Commission therefore considers BBVA – after the intended integration of CX Banc – to be viable.

(118) On the basis of the above, the Commission also considers that the integration into BBVA adequately ensures the long-term viability of CX Banc's business.

8.1.2 Own contribution and burden-sharing

(119) Given the fact that the sale of CX Banc does not give rise to new aid, there is no need for additional burden-sharing of securities holders beyond that already achieved.

(120) In addition, the Commission notes that Spain commits to sustain the restrictions on remuneration within CX Banc during the Pre-Integration Period which contributes to limiting the costs of the restructuring.

(121) The Commission also views positively the commitment that CX Banc will not make any acquisitions during the Pre-Integration Period and therefore its resources will be fully devoted to the restructuring.

(122) Taking all those factors into consideration, the Commission considers that burden-sharing that took place in CX Banc is adequate and sufficient.

8.1.3 Limiting distortion of competition

(123) Finally, section 4 of the Restructuring Communication requires that a restructuring plan should contain measures limiting distortions of competition. Such measures should be tailor-made to address the distortions on the markets where the beneficiary

[50] The creation of the BBVA group in 1999 resulted itself from a merger that led *inter alia* to the integration of its different retail bases: BBV, Argentaria, Banca Catalana, Banco del Comercio and Banco de Alicante. Integration of external entities is therefore part of its corporate culture. That fact is widely recognized by market actors and analysts.

bank operates post-restructuring. The nature and form of such measures depend on two criteria: first, the amount of the aid and the conditions and circumstances under which it was granted and, second, the characteristics of the markets on which the beneficiary will operate. Furthermore, the Commission must take into account the extent of the CX Banc's own contribution and burden-sharing over the Restructuring Period.

(124) The Commission recalls that CX Banc and CatalunyaCaixa have received State aid approved by previous decisions in the form of capital injections and impaired asset measures up to an amount of EUR 13.65 billion in addition to the liquidity guarantees worth EUR 10.76 billion.

(125) The aid amount of EUR 13.65 billion was equivalent to 32.4% of CX Banc's RWA.[51] As the relative amount of aid to the beneficiary was very large and the price received by the FROB from the sale compensates the aid only to a certain extent, measures limiting potential distortions of competition are still needed. At the same time, the Commission considers it necessary to take account of the fact that CX Banc has been purchased by a non-aided bank which is, accordingly, not subject to restrictions.

(126) The two main measures that have already contributed to and will limit distortions of competition are (i) the downsizing of CX Banc in terms of total assets, RWA, geographical footprint, business segments, branches and staff; and (ii) the sale of CX Banc to BBVA.

(127) Over the first eighteen months of the original restructuring period, CX Banc has already become a smaller bank with a total balance sheet reduced from EUR 69.32 billion in December 2012 to EUR 58.43 billion on 30 June 2014, which represents [60 – 70]% of the 2016 target for balance sheet reduction envisaged in the Original Restructuring Plan. Moreover, the Revised Restructuring Plan forecasts additional deleveraging in the coming years (see Table 5).

(128) In parallel, CX Banc has already made a considerable effort to reduce branches (from 1 163 in November 2012 to 857 in June 2014, a 26.3% reduction in the period) and headcount (from 7 197 full-time employees (FTEs) to 5 361 FTEs, a 25.5% reduction in the same period) and will continue to do so as the Combined entity will further reduce 285 additional branches and […] additional employees before the end of the Restructuring Period.

(129) In line with the Original Restructuring Decision, CX Banc has also reduced its size through divesting (as of 30 June 2014) 100% of its listed holdings and [40 – 50]% of the unlisted subsidiaries ([40 – 50]% in terms of book value) included in the Original Restructuring Plan.

(130) In the core region, where the distortions of competition post-restructuring caused by the aid were most significant, CX Banc has complied with the commitment in the Original Restructuring Decision of being a pure retail bank not engaging in any new business in the following areas: i) loans outside the core region, ii) real estate development, and iii) wholesale activities.

(131) Altogether, in the context of the acquisition of CX Banc by an unaided competitor without the provision of additional aid, the Commission considers the reduction of business segments, the reduction of the total balance sheet of CX Banc since

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[51] RWA as of the relevant reference date when the aid measures were granted.

December 2012 and the reduction in the number of branches and FTEs to be appropriate, as compared to the distortions of competition stemming from the large amount of aid received.

(132) In addition, in line with its commitment in the Original Restructuring Decision, Spain sold CX Banc in an open, transparent and non-discriminatory procedure. The sale of CX Banc, as the beneficiary of the aid, and its integration into another market player in the framework of an open sale process constitutes a form of mitigation of potential distortions of competition.[52] The Commission also considers positively the carve-out of the Credit Portfolio which reduces the size of CX Banc. That process, which gave competitors the option to acquire either the Credit Portfolio or CX Banc, resembles to some extent the "counterfactual" situation that would have occurred in the absence of State aid, as a company in difficulty (or indeed in bankruptcy) would normally seek a potential buyer in the market or, failing to do so, would be liquidated. As a result, the sale process and integration into BBVA in the present case contributes significantly to limiting the distortions of competition resulting from the aid.

(133) In addition to those structural measures, Spain also committed to several behavioural constraints. Spain will continue to ensure that the remuneration of CX Banc's employees is in line with the limitations set forth in Spanish legislation during the Pre-Integration Period. The Commission welcomes the maintenance, again during the Pre-Integration Period, of a ban on aggressive commercial practices preventing CX Banc from using the aid for anti-competitive market conduct, and an acquisition ban which ensures that CX Banc will not be able to use the State aid it received to outbid other potential purchasers of competing businesses. The Commission also welcomes the maintenance of a ban on advertising State support until the end of the Restructuring Period.

(134) As a result, the Commission considers that there are sufficient safeguards to limit potential distortions of competition despite the high amount of aid that CX Banc has received in the context of the acquisition of CX Banc by an unaided competitor without the provision of additional aid.

8.2 Conclusion on compatibility under Restructuring Communication

(135) The Commission finds that the Revised Restructuring Plan and the new set of commitments preserve the objectives and the standard of the original commitments in terms of restoration of viability, burden-sharing and mitigation of competition distortion, while factoring properly the sale of the Credit Portfolio and CX Banc to non-aided investors via a competitive process. The replacement of the original commitments by the new commitments does not alter the compatibility of the aid in favour of CX Banc and CatalunyaCaixa with the internal market for reasons of financial stability on the basis of Article 107(3)(b) TFEU as concluded by the Original Restructuring Decision.

[52] Cf. Case C 10/2008, IKB Commission decision of 21 October 2008, OJ L 278, 23.10.2009, p. 32, recital 113; Case NN 42/2008, NN 46/2008 and NN/53/A/2008, Fortis Banque & Fortis Banque Luxembourg, Commission decision of 3 December 2008, recital 95; Case N 344/2009 and N 380/2009 Kaupthing Luxembourg Decision of 9 July 2009, recital 79; and Case NN 19/2009 Dunfermline of 25 January 2010, recitals 126 and 130.

CONCLUSION

The Commission has accordingly decided:

– to consider that the sale process of the Credit Portfolio by CX Banc and the sale of CX Banc by the FROB as a way to resolve the bank in an orderly fashion in accordance with the Original Restructuring Decision does not involve any new aid element to the buyer of the Credit Portfolio (i.e. Blackstone), the buyer of CX Banc (i.e. BBVA), the ASF or CX Banc.

- to consider that the Revised Restructuring Plan and the new set of commitments of the Spanish authorities do not affect the compatibility of the State aid provided to CX Banc with the internal market on the basis of Article 107(3)(b) TFEU.

The Commission notes that Spain exceptionally accepts that the adoption of the Decision be in the English language.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site:

http://ec.europa.eu/competition/elojade/isef/index.cfm.

Your request should be sent by registered letter or fax to:

European Commission
Directorate-General for Competition
State Aid Greffe
B - 1049 Brussels
Fax No: +32 2 296 12 42

Yours faithfully,
For the Commission

Margrethe VESTAGER
Member of the Commission

TERM SHEET FOR THE RESTRUCTURING OF CATALUNYA BANC, S.A.

1. BACKGROUND

As regards the restructuring plan of Catalunya Banc, S.A. ("**CX Banc**") submitted to the European Commission on 3 December 2014 (the "**Restructuring Plan**"), Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**"), has agreed to make the following commitments to the European Commission, which are in turn assumed by the Spanish authorities:

2. DEFINITIONS

2.1 **"BBVA"** means Banco Bilbao Vizcaya Argentaria, S.A. or the entity of the BBVA group which may hold the Spanish banking business in the future.

2.2 **"Combined Entity"** means the aggregate of CX Banc and BBVA**.**

2.3 **"Commitments"** means the undertakings related to the restructuring of CX Banc set out in this Term Sheet.

2.4 "**Closing Date**" means the date when completion of the acquisition of CX Banc by BBVA occurs.

2.5 "**CX Banc**" means Catalunya Banc, S.A.

2.6 "**Decision"** means the decision of 17 December 2014 of the European Commission on the restructuring of CX Banc in the context of which these Commitments are undertaken.

2.7 **"FGD**" means the Spanish Deposit Guarantee Fund for Credit Entities (*Fondo de Garantía de Depósitos de Entidades de Crédito*).

2.8 **"Former Decision"** means the decision of 28 November 2012 of the European Commission on the restructuring of CX Banc which ceases to be in force by virtue of the Decision.

2.9 **"Former Term Sheet"** means the term sheet described in clause 3.4 below.

2.10 **"FROB"** means the Spanish Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria*).

2.11 "**Monitoring Trustee"** has the meaning set out in clause 7 and Appendix I herein.

2.12 **"Post-Integration Period"** has the meaning set out in clause 3.2.2 herein**.**

2.13 **"Pre-Integration Period"** has the meaning set out in clause 3.2.1 herein.

2.14 **"Restructuring Period"** is the time period specified in clause 3.2 herein. All Commitments under this Term Sheet apply exclusively during the Restructuring Period, unless a shorter term is expressly provided herein.

2.15 **"Restructuring Plan**" has the meaning set out in clause 1.

2.16 **"Term Sheet"** means this term sheet.

3. GENERAL

3.1 Spain is to ensure that the Commitments are duly observed during the implementation of the Restructuring Period.

3.2 The Restructuring Period will end on […], except if the acquisition of CX Banc by BBVA occurred later than December 31, 2014, in which case the Restructuring Period would end on the third anniversary of such acquisition, or December 31, 2018, whichever is the earliest (the "**Restructuring Period**"). Such Restructuring Period is divided into the following 2 phases:

3.2.1 the period between Closing Date; and

(a) the end of the Restructuring Period, or

(b) the date on which the merger between BBVA and CX Banc is approved by the General Shareholders' Meeting of both entities

whichever occurs first (the "**Pre-Integration Period**"); and

3.2.2 the period between the date in which the integration of BBVA and CX Banc is approved as per clause 3.2.1.(b) above and the end of the Restructuring Period (the **"Post-Integration Period"**).

3.3 The Commitments apply during the entire Restructuring Period and only during the Restructuring Period, unless a shorter term is otherwise provided, fully expiring upon the termination of said period. Specifically, all Commitments included in sections 6 and 7 -except 6.3 (Advertising)- shall cease to apply upon the beginning of the Post-Integration Period.

3.4 BBVA and CX Banc shall not bear any undertakings during the Restructuring Period other than the Commitments hereunder. For the avoidance of doubt, the undertakings set out in this Term Sheet fully replace those contained in the term sheet annexed to the Former Decision, which ceases to be in force at the date of adoption of this decision (the "**Former Term Sheet**").

4. SALE OF CX BANC TO BBVA

4.1 By virtue of the process letter dated June 3, 2014, the FROB initiated a competitive bidding process for the sale of up to 100% of the share capital of CX Banc, held by the FROB, the FGD and certain minority shareholders, as a result of the injection of public funds and the implementation of burden sharing measures (*i.e.* mandatory exchange of preferred participations for ordinary shares and subsequent purchase of some of such ordinary shares by the FGD).

4.2 On 21 July 2014, the FROB (on its own behalf and on behalf of the FGD and of the minority shareholders of CX Banc on June 30, 2014) entered into a sale and purchase agreement with BBVA in relation to the shares representing 100% of the share capital of CX Banc (the “**SPA**”), in accordance with terms which do not imply the granting of any State aid for the benefit of BBVA.

4.3 Notwithstanding the above, the FROB has the right to reduce the scope of the sale and purchase agreement to the shares owned by the FROB and the FGD, in which case BBVA would acquire the shares representing approximately the 98,4%[53] of CX Banc.

5. RESTRUCTURING OF CX BANC

5.1 The Restructuring Plan and the Commitments set forth in this chapter are subject to the completion of the acquisition of CX Banc by BBVA in accordance with the terms set out in the SPA ("**Closing Date**").

5.2 Branches

5.2.1 Provided that CX Banc has a structure of at least [700 – 750] physical branches as of Closing Date in Catalonia, 285 physical branches in the Combined Entity in Catalonia will be closed before the end of the Restructuring Period. If CX Banc has a structure of less than [700 – 750] physical branches as of Closing Date, the commitment to close up to 285 physical branches in the Combined Entity in Catalonia will be reduced in the amount of such difference. However, if CX Banc were to sell or transfer any branches to BBVA before the Closing Date, those branches would not be reduced from the 285 branches commitment.

5.3 Employees in Catalonia

5.3.1 Provided that CX Banc employs at least […] employees in Catalonia as of Closing Date, the total number of employees of the Combined Entity in Catalonia will be reduced by […] employees[54] before the end of the Restructuring Period. If CX Banc employs less than […] employees in Catalonia as of Closing Date, the commitment to reduce […] employees in the Combined Entity in Catalonia will decrease in the amount of such difference. However, if CX Banc were to transfer any employees to BBVA before the Closing Date, those employees would not be deducted from the […] employees' reduction commitment.

5.4 Employees outside Catalonia:

5.4.1 Provided that CX Banc employs at least […] employees[55] outside of Catalonia as of Closing Date, the total number of employees of CX Banc outside Catalonia will be reduced by […] employees before the end of the Restructuring Period. If CX Banc employs less than […] employees outside of Catalonia as of Closing Date, the commitment to reduce […] employees in CX Banc outside of Catalonia will decrease in the amount of such difference. However, if CX Banc were to transfer any employees outside of Catalonia to

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[53] On 30 June 2014, 1.1% of the share capital of CX Banc belonged to minority shareholders, and the remaining 0,5% was treasury stock (CX Banc's shares owned by CX Banc).

[54] All references to CX Banc's employees refer to employees of CX Banc and of its 100% subsidiaries (excluding subsidiaries located in Portugal and excluding also, for the avoidance of doubt, Información i Tecnología de Catalunya, S.L.). Consequently, references to the combined entity's employees shall include the employees of such subsidiaries. CX Banc's employees which may -when applicable- be moved to BBVA or its subsidiaries as of Closing Date will be deemed CX Banc's employees to these effects.

[55] All references to CX Banc's employees refer to employees of CX Banc and of its 100% subsidiaries (excluding subsidiaries located in Portugal and excluding also, for the avoidance of doubt, Información i Tecnología de Catalunya, S.L.). CX Banc's employees moved to BBVA or its subsidiaries as of Closing Date will be deemed CX Banc's employees to these effects.

BBVA before the Closing Date, those employees would not be deducted from the […] employees' reduction commitment.

6. BEHAVIOURAL MEASURES AND CORPORATE GOVERNANCE DURING THE PRE-INTEGRATION PERIOD.

6.1 Ban on acquisitions.

6.1.1 CX Banc commits to refrain from making acquisitions or increasing the stakes they hold in any other entity until the beginning of the Post-Integration Period. This applies to both the acquisition of controlling and/or minority stakes in other companies, as well as to the acquisition of asset bundles on an ongoing concern which represent a branch of activity.

6.1.2 The restriction set out in Clause 6.1.1 shall not apply to any of the following cases:

(a) acquisitions of stakes in entities to the extent that the purchase price paid by CX Banc for any acquisition is less than [0 – 5]% of the balance sheet size of EUR 81.9 billion at the cut-off date of the Former Decision (30 June 2012) and that the cumulative purchase prices paid by CX Banc for all such acquisitions over the whole restructuring period (which strictly for these purposes shall be deemed to have commenced on 30 June 2012) is less than [0 – 5]% of the balance sheet size of EUR 81.9 billion at the cut-off date of the Former Decision (30 June 2012).

(b) acquisitions that belong, in terms of management of existing obligations of customers in financial difficulty, to a bank's normal ongoing business, or that are a consequence of the foreclosure of security interests or of negotiations with CX Banc debtors in the ordinary course of business;

(c) acquisitions of stakes in entities due to the capitalisation of credits;

(d) acquisitions that may arise as a consequence of a contractual agreement entered into by CX Banc prior to Closing Date, including, but not limited to, the exercise of put and call options (expressly including the exercise of any put and call options in connection with the termination of the existing joint ventures with insurance entities); or

(e) acquisitions of stakes in entities as a result of disbursements which had been contractually committed by CX Banc at the date of the Decision.

6.2 Ban on commercial aggressive practices.

CX Banc shall avoid engaging in aggressive commercial practices until the beginning of the Post-Integration Period. To this end, CX Banc will continue to ensure that the nominal interest rate offered to clients on its products must be less attractive than the average of the most competitive rates offered on analogous products by the five main non-aided competitors within the geographical area where CX Banc operates, in conformity with the restrictions approved by the Board of the FROB on 22 December 2010. The Monitoring Trustee will continue to verify the compliance with these restrictions in a consistent manner with past practices.

6.3 Advertising.

CX Banc must not use the granting of the aid measures or any advantages arising therefrom for advertising purposes. This commitment shall continue to apply after the Post-Integration Period, until the end of the Restructuring Period.

6.4 Remuneration of bodies and employees

6.4.1 The Spanish Government undertakes to ensure that CX Banc meets the applicable legislation in all salary and compensation matters, especially regulation related to remuneration limits applicable at the time to credit institutions (currently primarily regulated by Spanish law through Royal Decrees Law 2-2012 of February 3rd and 3-2012 of February 11th; RD 771/2011 of June 3rd; Orden ECC/1762/2012 of August 3rd and Banc of Spain Circular 4/2011 of November 30th), in the terms that such regulations apply to public-aided entities. Likewise, it commits to ensure that CX Banc complies scrupulously with the regulations specifically imposed by the European Commission in this subject, within the Community framework for State aid.

6.4.2 The restrictions set out in Clauses 6.4.1 and 6.4.2 shall not apply to any of the following cases:

(a) Directors or employees hired by CX Banc after the date hereof.

(b) Employees transferred from BBVA, or from any other entity belonging to the BBVA group, to CX Banc from Closing Date.

6.4.3 Any restrictions on remunerations set forth in paragraphs 6.4.1 and 6.4.2 above shall cease to apply upon the beginning of the Post-Integration Period.

7. MONITORING TRUSTEE DURING THE PRE-INTEGRATION PERIOD

7.1 Spain is to ensure that the full and correct implementation of all Commitments within this Term Sheet are continuously monitored by an independent, sufficiently qualified by the Monitoring Trustee (which is obliged to maintain confidentiality) until the beginning of the Post-Integration Period.

7.2 The duties, obligations and discharge of the Monitoring Trustee shall be subject to the provisions set out in Appendix I hereof.

7.3 In order to ensure the efficiency in the management of CX Banc in accordance with this Term Sheet, and in view of the knowledge and experience gained in the past, the trustee appointed under the Former Term Sheet may remain in its post as Monitoring Trustee in order to monitor the fulfillment of the Commitments, provided that the European Commission shall be entitled to request at any time the replacement of the Monitoring Trustee on the basis of public interest grounds.

7.4 Spain and CX Banc are to ensure that, during the implementation of the Decision, and until the beginning of the Post-Integration Period, the European Commission or the Monitoring Trustee have unrestricted access to all information needed to monitor the implementation of the Decision. The European Commission or the Monitoring Trustee may ask CX Banc for explanations and clarifications. Spain and CX Banc are to cooperate fully with the European Commission and the Monitoring Trustee with regard to all enquiries associated with monitoring of the implementation of the Decision.

8. MONITORING DURING THE POST-INTEGRATION PERIOD

8.1 In order to ensure a proper implementation of the Commitments in the Post-Integration Period, the Spanish authorities will submit regular reports on the compliance of such Commitments. The first report will be submitted to the Commission not later than six months after initiation of the Post-Integration Period and thereafter at six- monthly intervals.

* * *

Appendix I to the Term Sheet – The Monitoring Trustee

1. APPOINTMENT OF THE MONITORING TRUSTEE

1.1 Pursuant to clause 7.3 of the Term Sheet, the trustee appointed under the Former Term Sheet may remain in its post as Monitoring Trustee in order to monitor the fulfillment of the Commitments, provided that the European Commission shall be entitled to request at any time the replacement of the Monitoring Trustee on the basis of public interest grounds. In the event that clause 7.3 of the Term Sheet cannot be effectively implemented, the Monitoring Trustee shall be appointed in accordance with the following procedure:

1.1.1 Spain undertakes to ensure that CX Banc appoints a Monitoring Trustee as set out in paragraph 3.2 of this Appendix. The mandate applies to the entire duration of the Pre-Integration Period. At the end of the mandate, the Monitoring Trustee must submit a final report.

1.1.2 The Monitoring Trustee must be independent of CX Banc and BBVA. The Monitoring Trustee must possess, for example as an investment bank, consultant or auditor, the specialised knowledge that is required in order to carry out its mandate, and must at no time be exposed to any conflict of interest. The Monitoring Trustee is to be remunerated by CX Banc in a way that must not impede the independent and effective fulfilment of its mandate.

1.1.3 Spain undertakes to ensure that CX Banc submits the names of 2 or more persons to the European Commission for approval as Monitoring Trustee no later than 4 weeks after notification of the decision of the European Commission requesting the replacement of the Monitoring Trustee.

1.1.4 These proposals must contain sufficient information about those persons to enable the European Commission to verify whether the proposed Monitoring Trustee fulfils the requirements set out in paragraph 1.1.2 of this Appendix, and must in particular include the following:

(a) the full terms of the proposed mandate with all the provisions which are necessary to enable the Monitoring Trustee to fulfil its duties; and

(b) the draft of a work plan describing how the Monitoring Trustee intends to carry out its assigned duties.

1.1.5 The European Commission has the discretion to approve or reject the proposed Monitoring Trustee and to approve the proposed mandate subject to any modifications that it deems necessary in order to enable the Monitoring Trustee to fulfil its obligations. If only one name is approved, CX Banc will appoint the person or institution concerned as Monitoring Trustee or cause that person or institution to be appointed, in accordance with the mandate approved by the European Commission. If more than one name is approved, CX Banc is free to decide which of the approved persons should be appointed as Monitoring Trustee. The Monitoring Trustee will be appointed within one week of the European Commission’s approval, in accordance with the mandate approved by the European Commission.

1.1.6 If all the proposed Monitoring Trustee are rejected, Spain undertakes to ensure that CX Banc submits the names of at least 2 further persons or institutions within 2 weeks of being informed of the rejection, in accordance with the requirements and procedure set out in paragraphs 1.1.1 and 1.1.4 of this Appendix.

1.1.7 If all further proposed Monitoring Trustee are also rejected by the European Commission, the European Commission will nominate a Monitoring Trustee which CX Banc will appoint or cause to be appointed, in accordance with a Trustee mandate approved by the European Commission.

2. GENERAL DUTIES AND OBLIGATIONS

The Monitoring Trustee is to assist the Commission to ensure CX Banc's compliance with the Commitments and to assume the duties of a Monitoring Trustee specified in the Term Sheet during the Pre-Integration Period. The Monitoring Trustee is to carry out the duties under this mandate in accordance with the work plan, as well as revisions of the work plan that have been approved by the European Commission. The European Commission may, on its own initiative or at the request of the Monitoring Trustee or CX Banc, issue orders or instructions to the Monitoring Trustee in order to ensure compliance with the Commitments. CX Banc shall not be entitled to issue instructions to the Monitoring Trustee.

3. DUTIES AND OBLIGATIONS OF THE MONITORING TRUSTEE

3.1 The duty of the Monitoring Trustee is to guarantee full and correct compliance with the obligations set out in the Commitments until the beginning of the Post-Integration Period. The European Commission may, on its own initiative or at the request of the Trustee, issue any orders or instructions to the Monitoring Trustee or CX Banc in order to ensure compliance with the Commitments attached to the Decision.

3.2 The Monitoring Trustee:

3.2.1 is to propose to the European Commission in its first report a detailed work plan describing how it intends to monitor compliance with the Commitments attached to the Decision during the Pre-Integration Period;

3.2.2 is to monitor the full and correct implementation of the Term Sheet during the Pre-Integration Period;

3.2.3 is to propose measures to CX Banc that it considers necessary to ensure that CX Banc fulfils the Commitments attached to the Decision during the Pre-Integration Period;

3.2.4 is to submit a draft written report to the European Commission, Spain and CX Banc within 30 days after the end of each 6-month period, until the end of the Pre-Integration Period. The European Commission, Spain and CX Banc can submit comments on the draft within 5 working days. Within 5 working days of receipt of the comments, the Monitoring Trustee is to prepare a final report, incorporating the comments as far as possible and at its discretion, and submit it to the European Commission and to the pertinent Spanish Authorities. Only afterwards the Monitoring Trustee is also to send a copy of the final report to Spain and CX Banc. If the draft report or the final report contains any information that may not be disclosed to CX Banc, only a non-confidential version of the draft report or the final report is to be sent to CX Banc. Under no circumstances is the Monitoring Trustee to submit any version of the report to Spain and/or CX Banc before submitting it to the European Commission. The report is to focus on the duties set out in the mandate by the Monitoring Trustee and compliance with the obligations by CX Banc, therefore enabling the European Commission to assess whether CX Banc is complying with the Commitments. If necessary, the Commission may specify the scope of the report in more detail. In addition to these reports, the Monitoring Trustee is to report promptly in writing to the European Commission if it has reasons to suppose that CX Banc is failing to comply with these obligations, sending a non-confidential version to at the same time.

4. DUTIES AND OBLIGATIONS OF CX BANC

CX Banc is to provide and to require its advisors to provide the Monitoring Trustee with all such cooperation, assistance and information as the Monitoring Trustee may reasonably require to perform its tasks under this mandate. The Monitoring Trustee is to have unrestricted access to any books, records, documents, management or other personnel, facilities, sites and technical information of CX Banc or of the business to be sold that are necessary to fulfil its duties under the mandate. CX Banc is to make available to the Monitoring Trustee one or more offices at its business premises and all employees of CX Banc are to be available for meetings with the Monitoring Trustee in order to provide it with all the information it needs to perform its duties.

5. REPLACEMENT, DISCHARGE AND REAPPOINTMENT OF THE TRUSTEE

5.1 If the Monitoring Trustee terminates its functions under the Commitments or if there are any other significant grounds, such as a conflict of interest on the part of the Monitoring Trustee:

5.1.1 the European Commission can, after hearing the Monitoring Trustee, require CX Banc to replace it, or

5.1.2 CX Banc, with the approval of the European Commission, can replace the Monitoring Trustee.