
2017 FROB Annual Report

- **FROB published its 2017 Annual Report, setting out key milestones reached over the course of last year**

Madrid, 31/05/2018.

The Executive Resolution Authority, FROB, has published its *2017 Annual Report* today covering progress over the last year.

The aim of the publication, which was first produced in 2016, is to make its ordinary activity more transparent by presenting its work in a practical and informative manner. Other institutions such as the Single Resolution Board (SRB) produce similar reports.

According to FROB's Chairman, Jaime Ponce: *"While the year 2016 was key to consolidating FROB's position as an executive resolution authority both nationally and internationally, 2017 will be seen as another crucial year. Primarily because of the launch of European Single Resolution Mechanism operations, but also because of the giant steps taken to complete the prior restructuring processes."*

FROB's main activities can be split into two categories:

1. Work within the European resolution framework.

- A major milestone this year was the first resolution of a significant credit institution under the remit of the Single Resolution Board: the resolution of Banco Popular Español. In terms of achieving the resolution objectives laid down in legislation, the SRB has fulfilled its institutional mandate to the letter: it managed the failure of the bank, protecting the stability of the financial system, mitigating the impact thereof on depositors, ensuring the continuity of the institution, and avoiding the need for a public bailout.

As Executive Resolution Authority, FROB acted on the decision taken by the SRB in accordance with Spanish legislation and the instructions issued by the SRB in what was an extremely complex and urgent situation. Despite the size of the challenge posed by any resolution process and the consequences thereof, especially when minority shareholders are affected, this case has served to bolster the Single Resolution Mechanism as a pillar of the Banking Union.

- Meanwhile, FROB has further established its regular involvement in resolution planning and internal preparative tasks (which lies within the remit of the preventive resolution authorities in Spain: the Bank of Spain and the CNMV) in close collaboration with the SRB and the Spanish preventive resolution authorities. It has also played an active role in the various working groups around the world (SRB, European Banking Authority, Financial Stability Board).
- During the year 2017, contributions were also collected for the resolution funds (funding instruments which the resolution authorities may use to implement resolution measures), totalling EUR 677 million (EUR 676 million for the Single Resolution Fund and EUR 1 million for the National Resolution Fund).

2. Actions deriving from the bank restructuring process

- During 2017, a number of major steps were taken towards concluding the bank restructuring process started almost ten years ago. It is notable that the restructuring plans of most of the bailed-out entities were concluded in 2017¹ (only two were still in progress at year-end and were subsequently completed in April 2018²). In all cases, the institutions fulfilled the commitments undertaken on receiving the financial assistance.
- Likewise, with Caja3 (now Ibercaja) and Banco CEISS (Unicaja Group) repurchasing their CoCos throughout 2017, all entities have now fully repaid the aid received through subscription of these instruments.
 - Of the initial amount of CoCos subscribed by FROB totalling EUR 407 million, Ibercaja redeemed EUR 183.4 million in 2016, fully redeeming the remaining EUR 224 million on 24 March 2017.
 - At 31 August 2017, Unicaja purchased ahead of schedule the entire contingent convertible issue placed by Banco CEISS in April 2013 and held by FROB with a total value of EUR 604 million.

While the CoCos were on FROB's balance sheet, they generated interest of EUR 143 million and EUR 240 million, fully paid out by the entities.

- FROB has also been heavily involved in detecting and analysing transactions at credit institutions receiving a public bailout that could comprise criminal activities. Specifically, in March 2017, a total of 10 forensic reports were sent to the State Prosecutor analysing certain irregular transactions prior to 2010. A total of 57 forensic reports have been sent to the Special Prosecutor for Corruption and Organised Crime.

¹ BFA-Bankia Group, Banco Mare Nostrum (BMN), Liberbank and Caja3 (entity integrated with Ibercaja Banco).

² Catalunya Banc and Banco CEISS.

- Lastly, in 2017 FROB pushed forward the reorganisation of its investee credit institutions (Bankia and BMN), which concluded with their merger, as the best strategy for fulfilling the mandate of maximising the ability to recoup public funds. In December, 7% of Bankia's capital was also put on sale through BFA, thereby restarting disinvestment of the bank in accordance with FROB's mandate.

FROB's activities reports are available on the website: www.frob.es