

FROB CORPORATE PRESENTATION

2021

Mission, vision and objectives

FROB aims to accomplish its mandate of ensuring the stability of the financial system in the event of resolution in accordance with the highest standards of quality



mission

FROB will execute the resolution processes of failing credit institutions and investment firms



objective

FROB will aim at maximizing efficiency when executing resolution processes and will work in favor of the public interest, by ensuring the stability of the financial system, avoiding disturbances to the real economy and minimizing the use of public resources



view

FROB aims at achieving the highest quality standards among international resolution authorities



governing principles

FROB will act with the maximum professionalism and integrity, with observance to its key governing principles

1 Operational excellence

2 Flexibility

3 Integrity and prudence

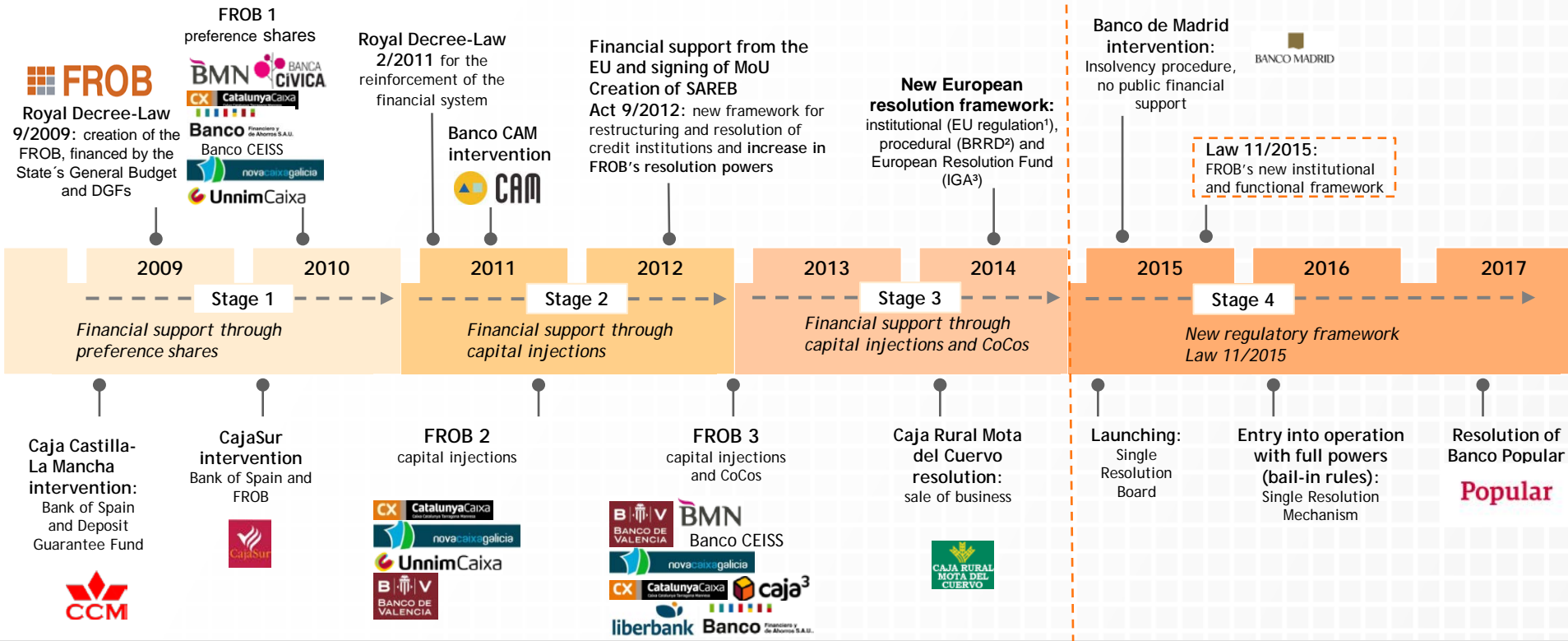
4 Institutional cooperation

5 Transparency



Banking restructuring process in Spain

Since its establishment in 2009, the FROB has played a key role in the management of the financial crisis in Spain, coordinating bank restructuring

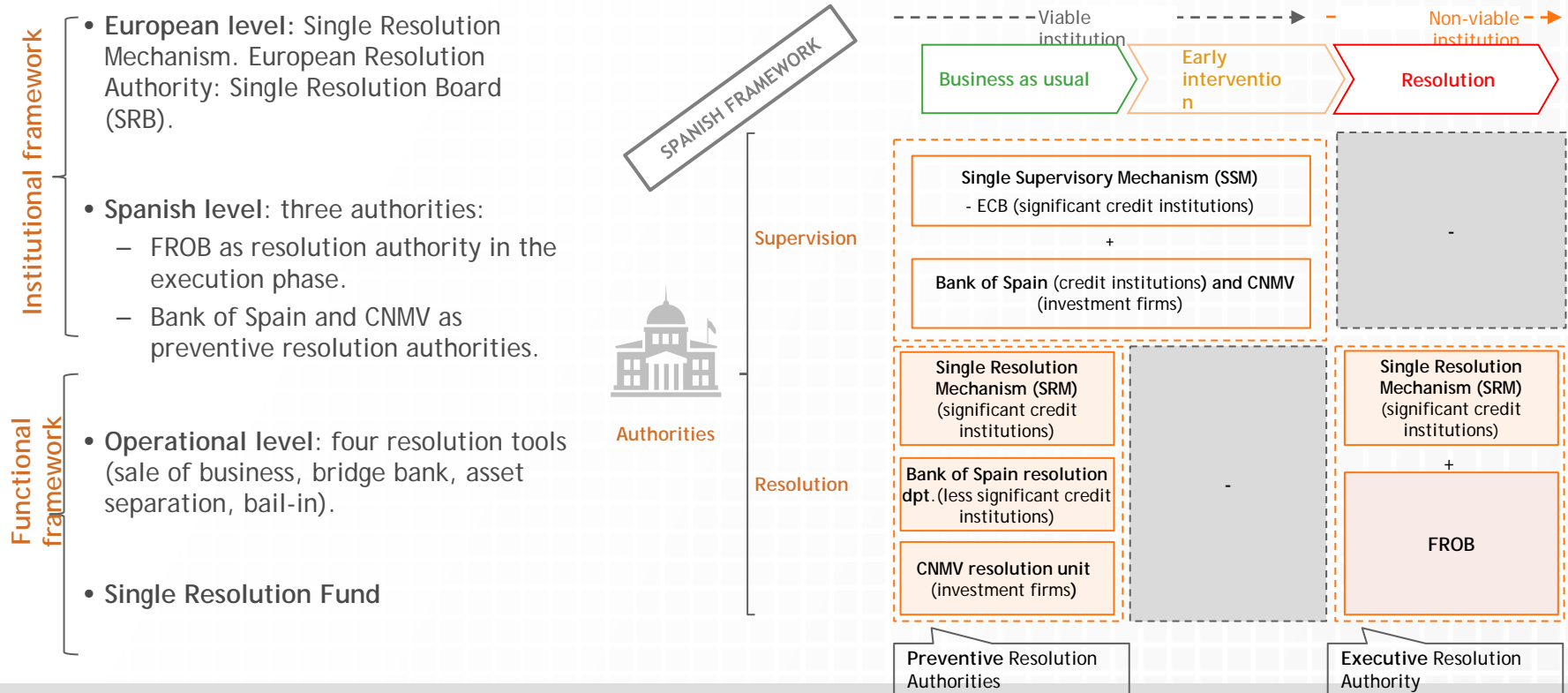


1. Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014
2. Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014
3. Intergovernmental Agreement on the Single Resolution Fund



Institutional framework

Within the resolution framework defined by Law 11/2015 and by Regulation EU 806/2014, the FROB is the Spanish executive resolution authority¹

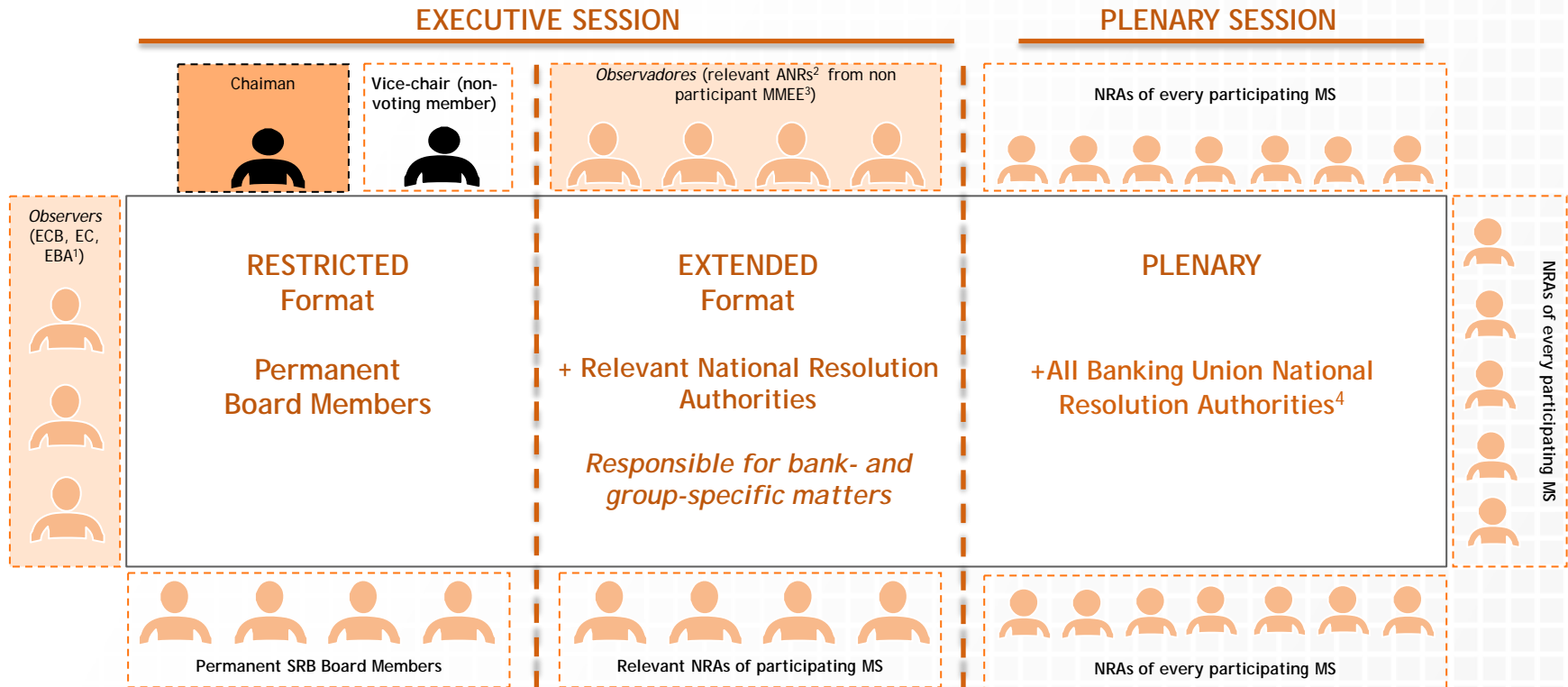


1. As defined in Law 11/2015, of 18 June, for the recovery and resolution of credit institutions and investment firms and Royal Decree 1012/2015, of 6 November which develops Law 11/2015; and Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014.



Single Resolution Mechanism

FROB is the Spanish representative at the SRB, which convenes in different compositions depending on the task



¹ Where relevant having regard to the EBA tasks

² National Resolution Authorities

³ Member States

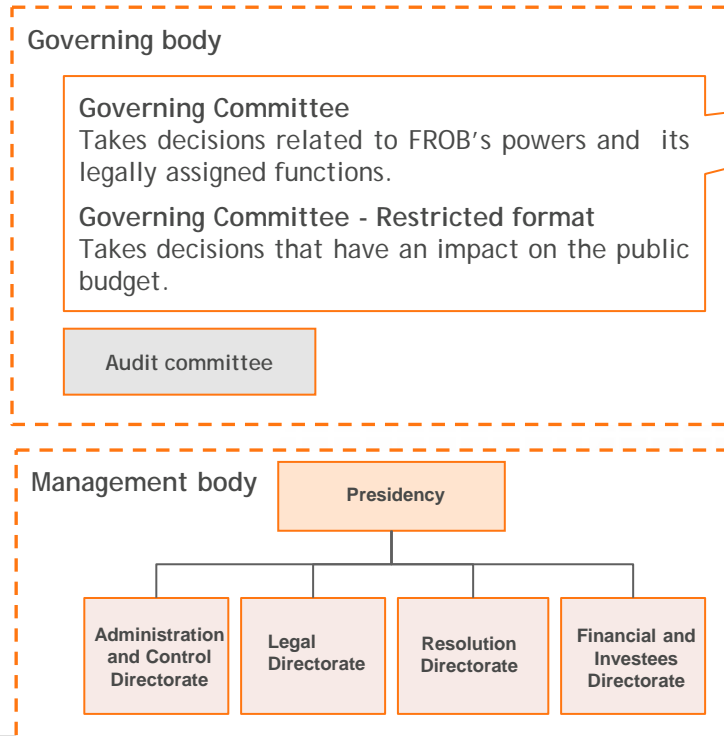
⁴ FROB is the representative of the Spanish NRAs in the SRB, and Bank of Spain participates as an observer.



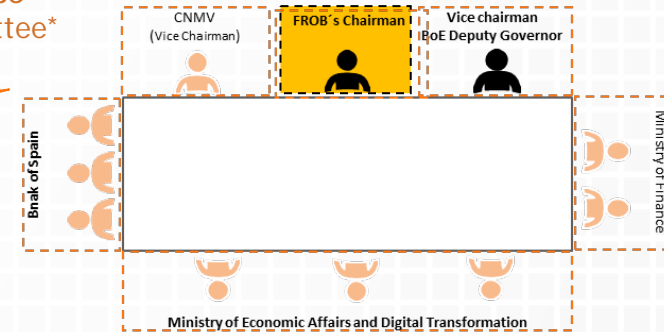
Internal organization

FROB operates under the supervision of its Governing Committee and its organizational chart is aligned with the functions it performs

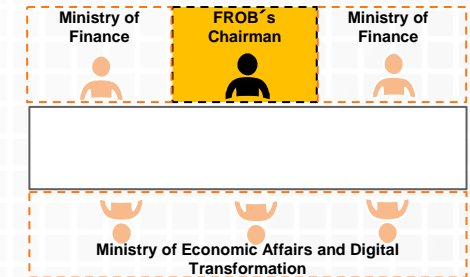
FROB's organizational design



FROB's governance Governing Committee*



Governing Committee Restricted format*



* Non voting members: a representative designated by the Attorney General and another one by the Comptroller General of the State.



Functional framework

FROB's mandate is to preserve the stability of the financial system in the event of a resolution. This materializes into the following objectives.

Resolution process stages

<i>Resolution functions</i>	I Preparation for Resolution	II Resolution	III Monitoring of Resolution	IV Exit strategy
Resolution planning and execution	<ul style="list-style-type: none"> • Be internally prepared to undertake the execution • Collaborate with other authorities in designing credible and effective procedures and cooperating during the preventive stage of the resolution process 	<ul style="list-style-type: none"> • Proceed to the resolution of an institution, with observance to resolution general principles and objectives, in particular, those related to the protection of the financial system stability and to minimizing the use of public resources 	<ul style="list-style-type: none"> • Ensure the proper execution of the resolution schemes and, where appropriate, the professional and efficient management of institutions under resolution and asset management companies 	<ul style="list-style-type: none"> • Maximize the value of the investees by executing the divestment processes under the approved procedures with respect to legally established deadlines

Support Functions

Legal	<ul style="list-style-type: none"> • Support FROB's activity in all stages of the resolution process, through the efficient management of human and material resources, and information systems, the provision of legal advice and prudent financial management and ensuring the respect of transparency in all its actions.
Corporate resources management, technology and internal control	
Finance	
Communication	
Reporting	
Strategy	



Investee companies



- FROB, as sole shareholder of BFA, holds an indirect 16,1% stake in CaixaBank as a result of its merger with Bankia. Ms. Teresa Santero Quintillá seats at the board of directors of the merged entity as **proprietary director of BFA**.
- **Merger through absorption of Bankia by CaixaBank.** Combined entity is the leading entity in retail banking in Spain in terms of asset volume, deposits or loans.
- **Exchange ratio:** 0.6845 new ordinary CaixaBank shares for each Bankia share, which implies 20% premium on the exchange ratio of Bankia at the close of trading on 03/09/2020 and of 28% of the average share price of Bankia in the three previous months (Bankia's percentage in the entity after the merger is 25.79%).
- **Value creation for Bankia's former shareholders** (without income synergies): the analysis carried out estimated a 45% increase in value compared to continuing individually, thanks to cost synergies and the exchange ratio. In addition, they considered that it was the operation that generated most value among the theoretical alternatives analyzed.
- **Appreciation of FROB's stake (vía BFA)** by 74% at the end of 3/31/2021 compared to the closing value of the day prior to the announcement of merger talks, as a result of better market situation, good perception of CaixaBank (whose shares have appreciated by 47.7% in that period) and of the favorable exchange ratio.
- **Merger calendar:** Registered on March 26th, 2021, after receiving all regulatory authorizations. Exchange of shares completed. Technological integration: ongoing. End date foreseen for 4Q 2021.
- **Divestment deadline.** December 2023 (Agreement by the Council of Ministers, February 2021)
- **BFA:** Net equity of €4.029M (31/12/2020). (Value of indirect stake in CaixaBank: €2.750M).

DATOS BÁSICOS

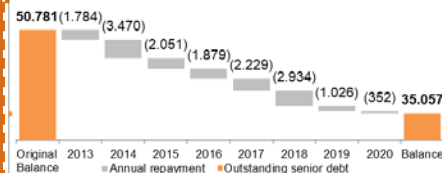


- **Background:** In July 2012, an MoU was signed with the European Commission with specific conditionality for the financial sector, including the commitment to segregate impaired assets of banks being recapitalized with public funds and transferring them to an asset management company.
 - Commitment foreseen in Law 9/2012 and developed in RD 1559/2012.
- **Objectives :**
 - Contribute to the overhaul of the Spanish financial sector by cleaning up banks' balance sheets through the acquisition of impaired assets, minimizing public financial aid.
 - Meet debt obligations contracted during its operations.
 - Minimize possible market distortions and sell received assets optimizing their value, within the timeframe foreseen by Law.
- **Timeframe:** maximum of 15 years (November 2027).
- **FROB** holds 45.9% of the capital and outstanding subordinated debt. 54,1% is from banks and private institutional investors.
- **Monitoring Committee:** chaired by the Ministry of Economy, Ministry of Finance, Bank of Spain and CNMV.
- **Supervision:** Bank of Spain.
- **National Accounts:** classified by Eurostat inside the government sector

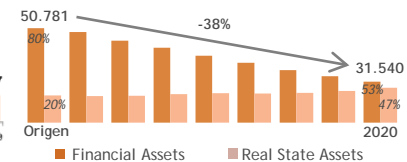
Shareholder Structure



Senior Debt (M€)



Balance sheet reduction (M€)

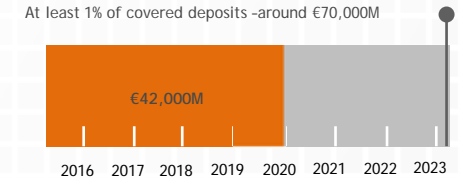


Financing arrangements and funding

One of the pillars of the new resolution framework is the creation of resolution funds. The resolution funds may be used to ensure the efficient application of resolution tools and the exercise of the resolution powers conferred to the resolution authorities.

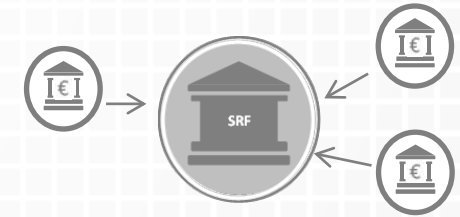
Single Resolution Fund (SRF)

- The SRF is under the responsibility of the SRB .
- The SRF is composed of contributions from credit institutions and investment firms (belonging to banking groups established within the Banking Union).
- The objective is to collect a minimum amount equivalent to 1% of the credit institutions' covered deposits by the end of the Fund's initial eight-year period (2016- 2023).
- In 2020, the SRF reached an amount of **€42,000M**.
- 96 Spanish institutions contribute to the SRF with an accumulated contribution of **€4,400M***.



National Resolution Fund (NRF)

- The NRF is under the responsibility of FROB, as National Resolution Authority.
- The NRF is composed of contributions from 30 Spanish investment firms not belonging to a banking group + 3 branches of entities established outside the EU
- Total contributed to date exceeds **€5.6M***.



RESOLUTION FUND

FROB'S BUDGET

- Previous to Law 11/2015, FROB was financed through the State Budget or through State-guaranteed security issuances.
- Law 11/2015 introduced a fee with the purpose to cover the entity's operating costs (2.5% of industry contributions of the resolution funds). Therefore, FROB is currently financed outside the State budget and there are no outstanding issuances from the previous stage.
- FROB continues to have the capacity to raise funds by issuing fixed-income securities, receiving loans, opening of credit lines and other debt transactions.**

ESM - TREASURY - FROB LOAN

- The Spanish State granted FROB a loan of **€41,333M** channeling ESM funds, to execute the European financial assistance programme for the restructuring of Spain's financial system (FROB 3)
- Due to different conversions and repayments, the outstanding balance of the loan, as of 2020, amounts **€7,456M**.

* Data as of 2020.

** The external resources obtained by FROB, whatever the modality of its implementation, must not exceed the limit established for that purpose in the corresponding annual laws of the General State Budget (Article 53.5).

