



ANNUAL REPORT

2020

ANNUAL REPORT

2020

CONTENTS

ABBREVIATIONS AND ACRONYMS	5
CHAIR'S STATEMENT	7
EXECUTIVE SUMMARY	9
ACTIVITIES IN 2020.....	11
1. WORK WITHIN THE FRAMEWORK OF THE SINGLE RESOLUTION MECHANISM	11
1.1.RESOLUTION PLANNING.....	13
1.1.1. Early intervention and recovery	13
1.1.2. Resolution planning.....	14
1.2. RESOLUTION PHASE.....	18
1.2.1. Developments affecting the European resolution of Banco Popular Español.....	18
1.3. SINGLE RESOLUTION FUND AND NATIONAL RESOLUTION FUND	19
1.4. INTERNATIONAL ACTIVITY	22
1.4.1. Single Resolution Board	22
1.4.2. Other international forums	24
2. RESTRUCTURING AND RESOLUTION PROCESSES.....	26
2.1. ENTITIES SUBJECT TO RESTRUCTURING OR RESOLUTION	26
2.1.1. Credit institutions in which FROB holds a stake.....	26
2.2. MONITORING OF GUARANTEES GIVEN IN DIVESTMENT PROCESSES	29
2.2.1. APS arranged in sale of Banco de Valencia.....	29
2.2.2. Other guarantees.....	30
2.3. SAREB	30
2.3.1. Sareb's performance and financial figures at 31 December 2020.....	31

2.4. LEGAL MATTERS.....	36
2.4.1. Criminal	36
2.4.2. Administrative appeals	38
2.4.3. Civil-commercial law.....	39
2.4.4. Corporate law	39
2.4.5. Pecuniary liability claims.....	40
2.4.6. International arbitration.....	40
2.4.7. Transparency requests processed in 2020	40
3. OTHER ACTIVITIES	41
ORGANISATION OF FROB	42
1. CONTROL AND GOVERNANCE BODIES.....	42
1.1 Governing Committee	42
2. ORGANISATION.....	44
3. RENEWAL OF THE CHAIR OF FROB	46
FINANCIAL MANAGEMENT	47
1. TREASURY MANAGEMENT	47
2. FEE TO FUND FROB'S ACTIVITY.....	48
3. STATE LOAN FOR FINANCIAL SECTOR RECAPITALISATION	49
4. 2020 ANNUAL ACCOUNTS	50
ANNEX	51
TABLES	52

ABBREVIATIONS AND ACRONYMS

Act 11/2015	Act 11/2015 of 18 June on the recovery and resolution of credit institutions and investment firms
APS	Asset Protection Scheme
BMN	Banco Mare Nostrum
BRRD	Bank Recovery and Resolution Directive
CBCM	Cross-border crisis management (groups), under the auspices of the FSB
CCP	Central Counterparty
CET 1	Common Equity Tier 1
CMG	Crisis Management Group
CNMV	Spanish Securities Market Regulator
CoCos	Contingent convertible bonds
CRR	Capital Requirements Regulation
DGF	Deposit Guarantee Fund
EBA	European Banking Authority
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECB	European Central Bank
ESM	European Stability Mechanism
EU	European Union
fmiCBM	Cross-border crisis management group for financial market infrastructures, under the auspices of the FSB
FSB	Financial Stability Board
GCEU	General Court of the European Union
G-SIB	Global Systemically Important Bank
ICAC	Spanish Institute of Accountants and Auditors
IF	Investment firm
IGAE	Auditor General of the Spanish central government
IRT	Internal Resolution Team
ITS	Technical implementation standards
MREL	Minimum Requirement of Eligible Liabilities
NRA	National Resolution Authority
NRF	National Resolution Fund
ResCo	Resolution Committee
ReSG	Resolution Steering Group
ROF	Result of financial operations

RTS	Regulatory technical standards
RWA	Risk-Weighted Assets
Sareb	Asset Management Company for Assets Arising from the Banking Sector Reorganisation
SGRE	Subgroup on Resolution Execution
SGRPP	Subgroup on Resolution Planning Preparedness
SR	Social responsibility
SRB	Single Resolution Board
SRF	Single Resolution Fund
TLAC	Total Loss Absorbing Capacity

CHAIR'S STATEMENT

It is an honor for me to introduce, for the first time, FROB's "Annual Report", a key document that presents the work done by the organization over the course of 2020.

I take on the baton from my predecessor, Jaime Ponce, who accepted, almost six years ago, the challenge of putting in place the new resolution framework in Spain and who has masterfully guided the organization from its designation in 2015 as national executive resolution authority, to what it is today – an authority with extensive national and international experience, which has credibly responded to the multiple challenges it has faced and which continues to deal with the management of the last crisis while working to minimise the impact of any future ones. I trust that this annual publication, in which we have done our best to describe what we do as clearly and instructively as possible, will contribute to our continued commitment to transparency and accountability, while also proving to be an effective document for consultation on FROB's activities.

2020 will historically be marked by the outbreak of COVID-19 and by the extent of its effects on all areas of our lives. The public sector at a global level responded speedily and decisively, in line with the scale of the challenge. All the supervisory, regulatory and resolution authorities took exceptional measures that offered banks the flexibility needed to be able to focus on exercising their fundamental role in channelling liquidity into the real economy.

In turn, it is clear that the financial sector faced this crisis in a substantially better condition than it did the previous one, from every point of view, and most notably in the area closest to FROB, which is banking resolution. Not only are the European supervision and resolution systems fully up and running, but the banks have also dedicated tremendous efforts in recent years to incorporate resolvability into their day-to-day operations and have made substantial progress, in particular, in meeting their loss absorbing capacity requirements.

This crisis has also served as a reminder of the need to continue working together to further develop the Banking Union and to strengthen the European resolution framework. It is urgent to establish a fully mutualised European Deposit Insurance Fund in order to correct the imbalances of the current situation, with European decision-making but national deposit guarantee funds. It is also necessary to establish and harmonise national financial institution-specific insolvency regimes avoiding the harmful effects that the application of ordinary insolvency proceedings has on these types of institutions and at the same time ensuring that the concept of public interest is unified throughout the Banking Union, reducing current distortions. In 2020, the European agenda has been dominated by the response to the pandemic, but once the most pressing needs are resolved, we need to continue work on these key issues.

Lastly, I want to thank the entire FROB staff for their work and achievements in 2020, presented in this "Annual Report", particularly in a year that has been so demanding at all levels. It is difficult to predict what 2021 has in store. For our part, we will continue to work towards completing the processes resulting from the previous crisis and to monitor

our investees, while at the same time continuing to prepare for any eventuality that may arise, with the confidence of knowing that we have a robust, solvent and increasingly more resolvable banking sector and that, as an organisation, we are backed by a decade of know-how and experience in crisis management and a first-class professional team that will ensure compliance with our mandate to protect financial stability and defend the public interest in the years to come.

Paula Conthe

Chair

EXECUTIVE SUMMARY

In 2020, FROB adapted its operations to the extraordinary situation caused by COVID-19, with the aim of guaranteeing the continuity of its functions as the resolution authority, which remained fully operative and continued carrying out its duties within its remit established by the Single Resolution Mechanism.

In particular, it enhanced its monitoring of institutions, both significant and less significant, maintaining close contact with the supervisor to regularly monitor the potential impact of the pandemic and of the support measures implemented by the authorities in their financial situation. The Plenary Sessions of the Single Resolution Board were held significantly more frequently to closely monitor the evolution of the pandemic and of the market situation. Certain flexibility measures were also adopted, focusing efforts on institutions prioritising operational continuity and continuing to provide financing to the real economy. FROB's Governing Committee was promptly informed of this. Together with this enhanced monitoring, also carried out through international forums, FROB continued to enhance its preparatory resolution work in order to ensure an adequate response in the event of a crisis, particularly through the preparation and revision of its operating manuals.

As regards its advisory work on planning for resolutions, over the course of this year, FROB has analysed the recovery plans of 25 less significant credit institutions submitted by the Bank of Spain, and of 27 investment firms received from the CNMV; it has reviewed and issued a report on the resolution plans of nine less significant institutions with a resolution strategy, thus completing the 2019 planning cycle, and ten investment firms; and it has been actively involved in the Internal Resolution Teams of the 12 significant Spanish institutions, collaborating on the revision of their recovery plans and on reviewing and analysing draft resolution plans.

As the Spanish authority acting as contact for and coordinator in resolution matters, it has continued to defend Spain's position at the various international resolution-related forums. In this regard, the work performed in the context of the Single Resolution Board (SRB) Plenary Session is noteworthy, which has centred on enhancing the resolvability of banks, continuing the preparatory work to effectively manage potential cases of non-viability that may arise and in promoting a robust resolution framework. FROB has also continued to take part in various working groups of the SRB. Particular noteworthy among these over the year is the dedication to the development of the new MREL policy, which aims to incorporate the changes in the new banking package (BRRD2/CRR2), and updating the document that sets out the expectations for institutions in relation to each of the resolvability dimensions.

Vis-à-vis the Resolution Funds, FROB collected contributions from 91 credit institutions, 35 investment firms and three non-EU branches during 2020, totalling EUR 848 million.

FROB's work in recovery and resolution processes prior to the entry into force of Act 11/2015, focused on the proper exercise of its rights in its investee institutions, BFA/Bankia and Sareb; overseeing legal disputes deriving from the resolution measures taken; managing the guarantees granted during the divestment of entities receiving bailouts; and monitoring the divestment of the entity in which FROB continued to hold a stake.

In this area, noteworthy as a major milestone in this year is the formulation, in September, of the Draft Terms of Merger between Bankia and CaixaBank by their respective Boards of Directors, which was positively rated by FROB's Governing Committee and approved by the Extraordinary General Shareholders' Meetings of Bankia and CaixaBank on 1 and 3 December 2020, respectively.

Lastly, over the course of 2020, the body's Social Responsibility Policy was approved, setting up this initiative, and the procedure was initiated to renew the Chair of FROB – a procedure that was firmed up on 1 December with the approval of the appointment of Paula Conthe as the new Chair of the authority by the Council of Ministers.

ACTIVITIES IN 2020

1. WORK WITHIN THE FRAMEWORK OF THE SINGLE RESOLUTION MECHANISM

1. In 2020 – a year marked by the extraordinary emergency situation stemming from the spread of COVID-19 - FROB continued carrying out its duties within its remit established by the Single Resolution Mechanism (hereinafter, SRM)¹:
 - For significant credit institutions and cross-border groups, as representative in Spain of the governing bodies of the SRB and entity responsible for the implementation at a national level of the SRB's resolution decisions; and
 - For other banks (less significant credit institutions), as executive resolution authority charged with approving and executing the resolution measures, and with certain advisory powers in the planning phase.
2. The number of significant institutions in Spain remained at 12, although this number may change next year, since in 2020 four of these institutions began merger processes, with two mergers expected to be completed in 2021. Furthermore, there are six significant foreign credit institutions that have significant subsidiaries or branches in Spain and three cross-border groups that have an institution established in Spain (one of them with a Spanish parent).
3. With regard to less significant institutions and investment firms (IFs), FROB is responsible, as executive resolution authority, for 55 credit institutions and 29 IFs (groups or individual entities), whose resolution plans are prepared by the Bank of Spain and the CNMV, respectively, under the scope of Act 11/2015. Lastly, FROB is the executive resolution authority of a credit institution whose resolution plan is drawn up by the Bank of Spain and the resolution authority of Luxembourg (resolution authority at a group level), which is approved by both authorities through a resolution college.

¹ [Regulation \(EU\) No 806/2014](#) establishes a Single Resolution Mechanism (SRM) in which the SRB is appointed as the single resolution authority directly responsible for all significant credit institutions supervised by the Single Resolution Mechanism (SRM), and any others that, while not significant due to their size, operate in two or more countries in the Banking Union. In addition to the SRB, the regulation establishes a Single Resolution Fund (SRF) which all significant and insignificant credit institutions in the Banking Union must pay into. This fund is managed by the SRB. The SRM is also made up of the National Resolution Authorities of each Member State, which are responsible for the credit institutions outside the scope of the SRM and investment firms not included in banking groups.

Table 1. Table of entities

SRB's responsibility	FROB's responsibility
<i>Spanish significant institutions</i>	<i>LSI and IFs</i>
Santander BBVA Caixabank Sabadell Ibercaja Liberbank Unicaja Grupo Cooperativo Cajamar Bankinter Kutxabank Abanca BFA-Bankia <p style="text-align: right;"><i>Total</i> 12</p>	Less Significant Institutions (LSI) <p style="text-align: right;"><i>Total</i> 55</p> Investment firms (IFs) <p style="text-align: right;"><i>Total</i> 29</p>
<i>Significant foreign institutions with a significant subsidiary or branch in Spain</i>	<i>Responsibility of other European resolution authorities</i>
Banque Degroof Petercam Deutsche Bank BNP Paribas Confédération Nationale du Crédit Mutuel Crédit Agricole ING <p style="text-align: right;"><i>Total</i> 6</p>	EFG <p style="text-align: right;"><i>Total</i> 1</p>
<i>Cross-border groups</i>	
Allfunds Banco Finantia Banca Mediolanum <p style="text-align: right;"><i>Total</i> 3</p>	
Total: 21	Total: 85

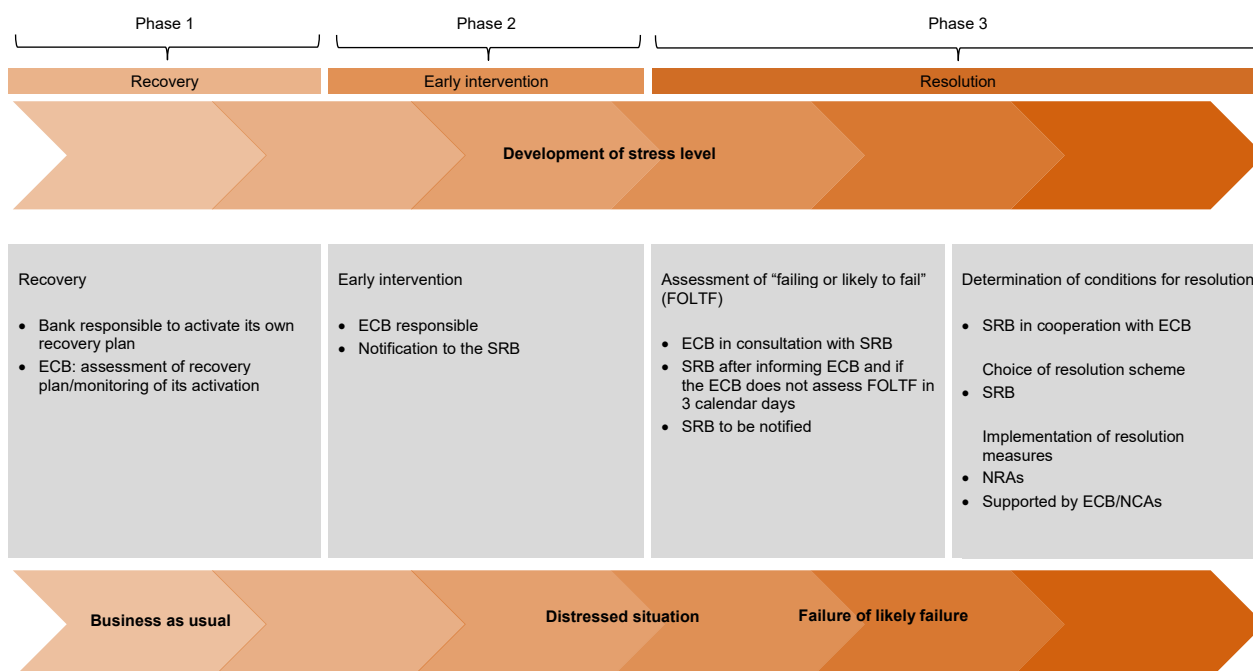
Source: FROB.

1.1.RESOLUTION PLANNING

4. The European resolution framework places considerable emphasis on preventing the resolution of credit institutions and investment firms and on planning for the resolution of these entities.

1.1.1. Early intervention and recovery

5. While these preventive powers are primarily exercised by the supervisors (the European Central Bank, the Bank of Spain and the CNMV), the SRB and national resolution authorities also have certain legal powers in this area.
6. With regard to early intervention, Act 11/2015 requires all entities to prepare recovery plans that must be approved by the supervisor. Such plans must set out the measures that may be taken by the entity to re-establish its financial position in the event of a significant deterioration of its capital, liquidity or profitability, or any other event that could jeopardise its viability. In general, recovery plans must be updated annually, although updates can be less frequent in the case of plans that the supervisor deems to be subject to simplified obligations as permitted in Article 5 of Royal Decree 1012/2015. As a result of the situation caused by COVID-19, the European Central Bank only allowed essential elements to be updated to ensure that plans could be implemented on time and effectively (indicators, options, recovery capacity), also allowing institutions to focus on the main deficiencies identified in 2019.
7. In 2020, FROB analysed the recovery plans of 12 significant credit institutions through the Internal Resolution Teams (IRTs) of the SRB. It also analysed the recovery plans of 25 less significant credit institutions submitted by the Bank of Spain and 27 recovery plans of investment firms submitted by the CNMV. The aim of FROB's review of the plans of institutions under national jurisdiction seeks to formulate modification proposals to the extent that these plans could negatively affect the entities' resolvability, pursuant to the provisions of Act 11/2015.

Table 2. From recovery to resolution²


Source: FROB

1.1.2. Resolution planning

Less significant institutions and investment firms.

8. In the case of less significant institutions and investment firms, Act 11/2015 establishes that the preventive resolution authorities – the Bank of Spain and the CNMV, respectively – must prepare and approve a resolution plan for these entities, which will be updated on a yearly basis, except in the case of those subject to simplified obligations, for which updates can be less frequent than in general.
9. Once drawn up but prior to approval, the resolution plan (which incorporates the evaluation of the resolvability of the institution) is submitted to FROB and to the competent supervisor to prepare a report on the plan pursuant to the provisions of Act 11/2015. Furthermore, the corresponding preventive resolution authority establishes the minimum requirement of own funds and eligible liabilities (MREL) of each institution, following a report from FROB.
10. The Bank of Spain also sends the resolution plans to the SRB to garner its opinions on them, pursuant to the provisions of Resolution (EU) 806/2014 of the Single Supervisory Mechanism (SSM).

² Significant institutions.

11. In 2020, FROB reviewed and issued a report on the resolution plans of nine less significant institutions, and of ten investment firms. FROB also issued a report to extend the transition period to comply with the MREL objective of 35 less significant credit institutions.

Significant credit institutions and cross-border groups within the scope of the SRB.

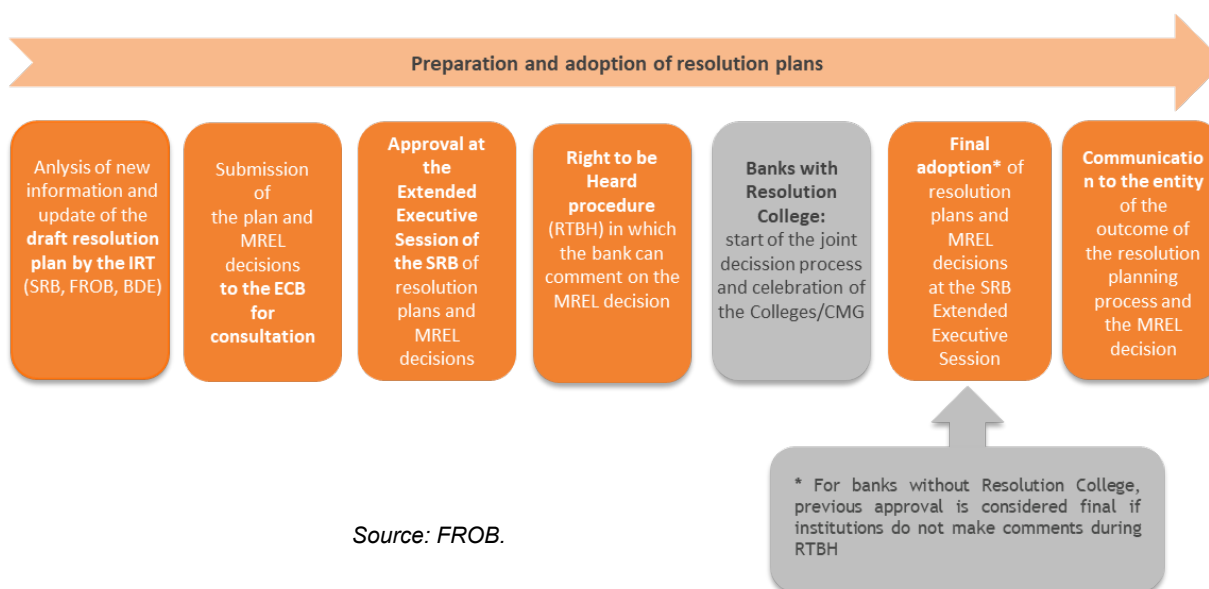
12. The SRB is responsible for the resolution of significant credit institutions and cross-border groups, while their resolution plans are prepared by joint working groups (Internal Resolution Teams - IRTs) comprising personnel from the SRB and the national resolution authorities (in Spain: the Bank of Spain and FROB) headed up by a member of the SRB.
13. FROB is a member of the IRT of the 12 significant Spanish credit institutions, the five foreign significant credit institutions with a subsidiary in Spain and the three cross-border groups. It is also an observer on the IRT of a foreign institution that has a significant branch in Spain.
14. The resolution plans and MREL requirement of these institutions are approved on a preliminary basis following consultation with the ECB by the SRB at a so-called extended executive session involving the members of the board and representatives of the NRAs of the countries of the entity affected by the decisions. FROB's Chair attends these sessions as a member with voting rights. Subsequently, the preliminary decision on the MREL is notified to the institutions, initiating the audience procedures (right to be heard) during which institutions can formally send their comments on the MREL requirement approved on a preliminary basis. The preliminary approval becomes final if the institutions do not send any comments during the right to be heard. In the event that comments are made, the IRT will closely analyse them and the possibility exists of modifying the MREL requirement. Subsequently, a new Extended Executive Session is held to definitively approve the resolution plans and MREL requirements.
15. In the case of banks with a resolution college, the resolution plans and MREL decisions are firstly approved at the Extended Executive Session of the SRB. They are subsequently sent to the members of the resolution college, initiating the formal approval procedure, which must be completed within a maximum of four months, including the right of the institution to be heard regarding the proposed MREL requirement. Formal approval ends with the resolution authorities participating in the colleges signing the joint decisions on both the resolution plans and the MREL.
16. FROB participates as an observer in six RCs (two for entities with controlling companies in Spain³ and the remaining four⁴ with controlling companies in the Banking Union and with significant branches or subsidiaries in Spain).

³ Santander, BBVA.

⁴ ING, Deutsche Bank, BNP Paribas and Crédit Agricole.

17. In the case of Global Systemic Banks (G-SIBs), certain agreements are also reached with the resolution authorities of non-EU countries in Crisis Management Groups (CMGs). FROB has been a member of a CMG during the year⁵.

Table 3. Procedure for adopting resolution plans



18. The 2019 planning cycle ended in the first quarter of 2020, with the approval of the resolution plans and MREL decisions of those institutions which had been considered a priority in this cycle.
19. As from 2020, the planning cycle covers all institutions, which begins in March and aspires to last for a maximum of 12 months. Given the context of the pandemic, the SRB announced measures in March and April 2020 to mitigate the impact of the pandemic on institutions, allowing flexibility in the schedule for the reporting of certain information in 2020, and in compliance with the MREL requirements set in the 2018 and 2019 cycles, which would follow a forward looking approach, prioritising the new MREL decisions established as part of the 2020 resolution cycle. These measures have not affected the schedule of the planning cycle nor the preparation of deliverables by the SRB.
20. Accordingly, in 2020 FROB has actively participated, within the IRT, in reviewing and analysing the draft resolution plans and MREL corresponding to the 2020 planning cycle for the 12 significant Spanish institutions. In addition, various meetings were organised between the institutions and their respective IRTs to analyse the progress made on resolvability and to monitor the work priorities.

⁵ The CMG for Santander.

21. The Chair of FROB also voted at the corresponding Extended Executive Sessions of the SRB held during the year. In 2020, the resolution plans and MREL decisions of the institutions whose IRTs participate in FROB in 2020, with the exception of those institutions with a resolution college (only preliminary approval) and of another significant Spanish institution, the definitive approval of which is expected to be given over the course of the first half of 2021.
22. Lastly, FROB actively participates in the IRTs tasked with drawing up the resolution plans of three cross-border groups within the scope of the SRB⁶. In 2020, as part of the 2019 planning cycle, the first resolution plan and MREL requirements of one of the groups was approved, which will be updated again under the 2021 planning cycle. In addition, as part of the 2020 planning cycle, the MREL plans and requirements of the other two groups have been updated and approved. In all these cases, the Chair of FROB has voted at the corresponding Extended Executive Sessions.

Other credit institutions with a resolution college outside the scope of the SRB

23. In 2020, the resolution authority college of a group with a subsidiary in Spain was held, which FROB took part in as a member. Subsequently, the resolution plan and MREL requirement was approved, through the signature of the joint decisions by the resolution authority of Luxembourg (resolution authority at a group level) and the Bank of Spain, as the preventive resolution authority of a subsidiary. Prior to the joint decision on the MREL requirement of the Spanish subsidiary, FROB issued a mandatory report at the request of the Bank of Spain.

⁶ Finantipar and Banca Mediolanum with subsidiary in Spain and Allfunds Group, whose parent is a credit institution established in Spain and subsidiary in Luxembourg.

Table 4. Significant institutions, cross-border groups and other institutions with a resolution college

ENTITIES	BANKING UNION	EUROPEAN UNION (outside Banking Union)	Third Country	FROB's involvement
No resolution college				
- Significant institutions	Parent+Subsidiary			Banco Sabadell, Caixabank, Ibercaja, Liberbank, Unicaja, Grupo Cooperativo Cajamar, Bankinter, Kutxabank, Abanca, BFA-Bankia, Banque Degroof Petercam & Groupe Crédit Mutuel
- Cross-border institutions	Parent+Subsidiary			Banco Finantia, Banco Mediolanum & Allfunds
With resolution college				
- Significant institutions	Parent	Subsidiary		BBVA, Banco Santander, ING, Deutsche Bank, BNP Paribas, Crédit Agricole
- Other institutions with resolution college	Subsidiary	Parent		EFG (A&G Banca Privada)
With European resolution college				
	Subsidiary	Subsidiary	Parent	
With crisis management group (CMG)				
	G-SIB	G-SIB	G-SIB	Banco Santander

Source: FROB

1.2. RESOLUTION PHASE

24. The resolution of a credit institution or investment firm entails an extraordinary administrative procedure to manage its non-viability without having to resort to liquidation in accordance with ordinary insolvency proceedings. FROB is the authority responsible for the implementation in Spain of the resolution decisions adopted by the SRB for Spanish significant institutions, while in the case of less significant institutions, FROB adopts the decisions and directly exercises its jurisdiction pursuant to Act 11/2015.
25. No resolution decision was adopted in Spain in 2020. Nonetheless, FROB has continued its efforts over this period to improve the preparation of resolution plans for potential cases. To this end, it has continued to further extend several internal crisis management manuals for the operationalisation of the different resolution instruments to be used; the national internal recapitalisation manual being the most noteworthy

1.2.1. Developments affecting the European resolution of Banco Popular Español

26. On 18 March 2020, the SRB adopted its final decision which concluded that the shareholders and creditors of Banco Popular did not receive any worse treatment as a result of the resolution decision of the institution adopted by the SRB on 7 June 2017 than it would have received if the institution had been liquidated in accordance with ordinary Spanish insolvency proceedings. On this basis, the SRB

decided on the same date that the shareholders and creditors affected by this resolution decision had no right to compensation from the Single Resolution Fund⁷.

27. During this period, the SRB Appeals Panel adopted eight decisions ruling on appeals relating to the exercise of the right of access to SRB documentation in regard to the Banco Popular resolution process.

1.3. SINGLE RESOLUTION FUND AND NATIONAL RESOLUTION FUND

28. Resolution funds may be used by resolution authorities in certain circumstances and comprise contributions of the credit institutions and investment firms established in Spain (as well as the contributions of the credit institutions of the other member countries of the Banking Union, in the case of the Single Resolution Fund). In the particular case of the Single Resolution Fund (hereinafter, “SRF”), an objective has been set to collect a minimum amount equivalent to 1% of the credit institutions’ covered deposits, which must be achieved by 31 December 2023 (i.e., by the end of the initial eight-year period as from 1 January 2016).
29. Spanish investment firms not in a banking group are required to contribute to the National Resolution Fund (hereinafter, “NRF”), in accordance with Act 11/2015, transposing Directive 2014/59/EU into Spanish law, while the credit institutions and investment firms that are subsidiaries of credit institutions make contributions that are collected by FROB and transferred in full to the SRF. Using information provided by the affected entities, the fund itself, managed by the SRB, is responsible for calculating each entity’s contribution.
30. Each entity’s total liabilities excluding own funds less covered deposits as a percentage of the total for all entities are taken into consideration to calculate contributions. This result is then adjusted based on each entity’s risk profile⁸.
31. Regarding the NRF, pursuant to Act 11/2015, FROB is authorised to set the total contribution for each year that institutions required to pay into the Fund have to make, along with their individual contributions.
32. Regarding the SRF, pursuant to Regulation (EU) 806/2014, FROB is only authorised to collect contributions comprising this fund and to transfer them. Consequently, the annual contributions to the fund and the ordinary contributions of each entity are set by the SRB.

⁷ Available at: <https://srb.europa.eu/en/content/banco-popular>

⁸ Details of the calculation method are provided in [Commission Delegated Regulation](#) (EU) 2015/63 of 21 October 2014.

33. Within this framework, as in the previous year, FROB’s activity in 2020 primarily focused on carrying out the steps needed to effectively determine and collect contributions and, specifically:

- Identify the entities required to contribute to the SRF and to the NRF.
- Obtain from entities the data needed to calculate the contributions for each entity.
- Perform an initial assessment of the quality of the data reported by institutions by comparing this with the information collated by the Bank of Spain, the CNMV and the Deposit Guarantee Fund (DGF).
- Declare and collect the contributions from Spanish credit institutions and investment firms that are subsidiaries of such entities, transferring the contributions to the SRF.
- Calculate, notify and collect contributions from the entities required to contribute to the NRF.
- Act as point of contact for any queries or requests from entities required to make contributions.
- Monitor the legal claims that institutions may lodge against FROB or the SRB in relation to the calculation and collection of contributions to the SRF and the NRF.

Table 5. Contributions of Spanish entities and branches in Spain of entities established outside the European Union to the NRF and the SRF

EX-ANTE CONTRIBUTIONS	2020				2019			
	SRF		NRF	Total	SRF		NRF	Total
	CIs(*)	IFs	IFs and Non-EU branches		CIs(*)	IFs	IFs	
No. of entities	91	5	33	129	92	9	32	133
Amount of Contribution (thousand euros)	846,654	48	997	847,700	707,705	52	784	708,541

Source: FROB.

34. According to information provided by the Bank of Spain and the CNMV, in 2020 129 entities were required to contribute, 91 of which were credit institutions⁹, 35 investment firms¹⁰ and three non-EU branches.
35. In June 2020, FROB collected total contributions of EUR 848 million¹¹ (EUR 847 million for the SRF and EUR 1 million for the NRF). The SRF therefore has a balance of EUR 42 billion provided by approximately 3,066 European entities. EUR 4.4 billion of this amount was contributed by Spanish entities¹².
36. Meanwhile, at the start of November, work started to gather information for calculating 2021 contributions. Entities had to furnish FROB with this information by 23 December 2020. The resulting amounts must be paid by the end of June.
37. On 23 September 2020, the General Court of the EU handed down three rulings upholding three appeals filed by two German and one Austrian institution against the Decision of the SRB which determined the 2017 ex-ante contributions in relation to these institutions (T-411/17, T-414/17 and T-420/17). In relation to the case T-411/17, this General Court also declared the illegality of Articles 4 to 7 and 9 and of Annex I of Commission-delegated Regulation 2015/63, of 21 October 2014, completing Directive 2014/59 in regard to ex-ante contributions to the resolution financing mechanisms. These rulings have been appealed against for judicial review by the SRB before the Court of Justice. In relation to case T-411/17, this has also been appealed against by the European Commission. These appeals have led to cases C-548/20 P, C-621/20 P, C-663/20 P and C-664/20 P. FROB has collaborated with the Attorney General's Office in the claims for intervention presented by the Kingdom of Spain in support of the SRB and the European Commission in regard to these appeals.

⁹ It should be noted that three of the 91 aforementioned entities are considered central bodies of institutional protection schemes. In accordance with Commission Delegated Regulation 2015/63 of 21 October 2014, two of these entities contribute on a consolidated basis for a total of 23 entities that are affiliated to the aforementioned institutional protection schemes and which are exempted from prudential requirements under national law. These 23 entities are not counted in the aforementioned figure of 91 entities.

¹⁰ In 2019: 133 entities, 92 of which were credit institutions, 38 investment firms and three non-EU branches.

¹¹ Available at: [20200715 FROB Contrib. ex-ante 2020.pdf](https://www.frob.es/20200715-FROB-Contrib.-ex-ante-2020.pdf)

¹² Available at: <https://srb.europa.eu/en/node/1039>

1.4. INTERNATIONAL ACTIVITY

38. As the Spanish authority acting as contact for and coordinator with the international authorities and other European Union Member States regarding resolutions, FROB has continued to play an active role in defending Spain's position. It has worked in close collaboration with the Spanish preventive resolution authorities in the various international discussion forums that discuss, prepare and, where applicable, amend the resolution framework and rules.
39. FROB's international activity has been significantly affected by the health crisis caused by COVID-19. Because of this, face-to-face meetings were replaced by conference calls and the agendas were marked by close monitoring of the situation, with meetings being held more frequently and a large number of sessions exclusively given over to share and adopt national and international measures and to monitor the impact on institutions.

1.4.1. Single Resolution Board

40. The Spanish representative on the SRB is FROB's Chair, who attends both the SRB Plenary Session and the Extended Executive Sessions, also attended by the Bank of Spain as an observer. Spain's participation (FROB and the Bank of Spain) also extends to the various sub-committees and working groups set up under the auspices of the Plenary Session. They focus on enhancing the resolvability of all banks and on establishing a robust resolution framework and on effectively managing crises and the use of the SRF, all with a minimum impact on the real economy, financial system and public coffers.
41. In 2020, a large part of the activity of the Plenary Session of the SRB was aimed at monitoring the exceptional situation in the context of the health crisis and on the flexibility measures to be adopted to allow institutions to focus on channelling liquidity into the real economy while ensuring that the authority was as well prepared as possible to be able to suitably handle any eventuality.
42. The Plenary Session has three committees, which are dependent hierarchically and on their expert groups: i) the Resolution Committee, responsible for resolution planning and execution matters, and for the monitoring performed by the SRB of the activity of the NRAs affecting institutions in their countries; ii) the Administrative and Budgets Committee; and iii) the SRF Committee.
43. The remit of these committees and their sub-committees is to help the SRB devise policies that develop the various technical measures to enhance the planning and execution of resolutions and achieve a greater degree of harmonisation in the Banking Union. FROB has taken part in the different working groups that have been set up, contributing its experience proactively and collaborating both on organisational matters and on resolution policy.

44. A crucial part of the SRB's work to review the resolution plans focuses on ensuring a higher degree of harmonisation between them and greater depth of content and to prepare for future actions. The SRB prepares manuals and guidelines to help the IRTs during this process as well as documents that guide the work of the institutions on resolvability matters.
45. One of the noteworthy technical aspects addressed in 2020 was the development of the new MREL policy for the 2020 planning cycle, which incorporates the regulatory provisions of the new banking package (BRRD2/CRR2) and which contains, among other aspects, the calibration of the requirement, the subordination demands and the internal MREL, along with the conditions for the eligibility of the instruments issued under the legislation of a third country, transitional provisions and the MREL for cooperative groups.
46. As well as the work on the MREL, there was the noteworthy publication in April, following a public consultation period in 2019, of the "Expectations for Banks" document, which sets out the general capabilities the SRB expects banks to demonstrate in order to show that they are resolvable, which are monitored in detail together with the institutions. They fall into seven broad areas that are analysed in order to determine whether there are impediments to resolvability: (i) governance; (ii) loss absorbing and recapitalisation capacity; (iii) liquidity and funding in resolution; (iv) operational continuity in resolution and access to financial market infrastructure services; (v) information systems and data requirements, to make it possible to obtain the information necessary for the valuation and to prepare the resolution; (vi) communication; and (vii) separability and restructuring¹³.
47. In 2020, several guides and documents were published aimed at institutions which go into greater depth in several areas indicated in the previous document, framed within the efforts of the authority to facilitate progress by institutions in resolution planning. In particular, guidelines were published to direct the work on the implementation of the internal recapitalisation tool, the maintenance of continuing operations when under resolution, and to guarantee the availability of the data necessary for valuations in resolution. Other noteworthy documents defined the expectations of the SRB regarding market infrastructure contingency plans and on merger and acquisition processes.
48. It is also worth underlining the work carried out in relation to the internal SRB manual on resolution planning, which serves as a guide for the IRTs and which has incorporated sections on governance, the selection of the entry point, liquidity, computer systems and the communication of work on financial stability and access to financial market infrastructures.

¹³ Available at: https://srb.europa.eu/sites/srbsite/files/efb_main_doc_final_web_0.pdf

1.4.2. Other international forums

49. FROB actively participates in other discussion forums in Europe and around the world.
50. At a European Union level, FROB is a member of the Resolution Committee (ResCo) of the European Banking Authority (EBA). This committee draws up the reports, manuals and technical guidelines related to the Bank Recovery and Resolution Directive. Some of these rules are subsequently enacted as level-two EU law. FROB is a member of the sub-group for resolution execution (SGREs) and the sub-group for resolution planning and preparation (SGRPPs). Key work carried out in 2020 included the development of regulation technical standards (RTS) and implementation technical standards (ITS) as mandated by the CRR2/BRRD2.
51. Internationally, FROB is a member of the Resolution Group (ResG) of the Financial Stability Board (FSB), which not only debates the resolution of banks but also examines the possible resolution of financial market infrastructure and insurance firms. Within the framework of this same institution, FROB also actively participated in the Cross Border Crisis Management Group (CBCM) and the Central Counterparty (fmiCBCM), along with their different sub-groups.
52. In 2020, the CBCM focused on monitoring implementation of TLAC (a concept similar to MREL, but with differences in the way it is calculated and applied) in the different FSB jurisdictions, on following the situation of the financial market of TLAC instruments due to COVID-19 and on studying the treatment of the TLAC surplus.
53. Noteworthy work was undertaken on financing and liquidity in resolution and the publication of a questionnaire aimed at FMI on continued access to these when in resolution.
54. As a member of the fmiCBCM, work has continued to ensure the adequacy of the funds available for the resolution of a central counterparty clearing house (CCP), which seeks to guarantee the resilience of the CCPs and address the resources of CCPs in resolution. In this regard, there was the noteworthy publication of the guide to financial resources and the treatment of the capital of CCPs in resolution.
55. FROB has actively participated in the meetings and work of the Crisis Management Group (CMG) of the CCP that operates in Spain - BME Clearing – closely collaborating with the CNMV, which will be designated as the Spanish resolution authority of CCPs following the entry into force of Regulation 2021/2023 on the recovery and resolution of central counterparties.
56. Lastly, in 2020, FROB continued providing technical advice to the Spanish delegation led by the Spanish Secretary-General of the Treasury and International Financing in meetings arranged by the European Commission and the Council of the European Union affecting the regulatory framework of resolutions and, in particular, at meetings on the upcoming review of the crisis management and deposit guarantee framework, and in the negotiations on the Regulation on the

framework for the recovery and resolution of CCPs, which was approved in December 2020.

57. FROB also provided support for the General Secretariat for the Treasury and International Financing in other tasks, such as those related to the transposition to our national legislation of the BRRD2 and on liquidity in resolution through the Task Force on Coordinated Action, set up by the Eurogroup.
58. In relation to the Single Resolution Fund (SRF), the Eurogroup agreed in November to reform the European Stability Mechanism (ESF) and to bring forward to the start of 2022 the introduction of the so-called 'common backstop' – a line of ESF credit that the SRF can access should this be required - thus strengthening the resources available from this fund and enhancing the credibility of the SRM.

2. RESTRUCTURING AND RESOLUTION PROCESSES

2.1. ENTITIES SUBJECT TO RESTRUCTURING OR RESOLUTION

2.1.1. Credit institutions in which FROB holds a stake

60. The main milestone in 2020 in relation to credit institutions in which FROB holds a stake was the approval by the Extraordinary General Shareholders' Meetings of Bankia and CaixaBank on 1 and 3 December 2020, respectively, with the support of more than 99% of the shareholders present or represented of the two banks, of the Draft Terms of Merger between the two banks, previously agreed by the respective Boards of Directors on 17 September 2020.
61. In accordance with the terms of this merger, the Bankia shareholders received¹⁴ CaixaBank shares in exchange for its stake in Bankia in accordance with the exchange ratio granting them 0.6845 newly-issued ordinary shares in CaixaBank for each ordinary outstanding Bankia share.
62. Following the completion of the merger, the BFA Group ceased to be considered a consolidable group of credit institutions, with BFA SAU thus holding a significant stake in CaixaBank, S.A. of approximately 16% of its share capital.
63. Although it does not correspond to the timeframe of this annual report, it is important to underline that following the reception of all the mandatory regulatory authorisations, the merger was registered on 26 March 2021 in the Companies Register and the technological integration is expected to take place at the end of 2021.
64. As at 31 December 2020, FROB held a 100% stake in BFA and, indirectly through this, 61.828% of Bankia (0.03% more than at the close of 2019 as a result of repurchasing shares following the enforcement of convictions for wrongly marketing hybrid instruments¹⁵).

Bankia. 2020 Results, prudential requirements and capital management

65. As regards the 2020 annual results of the Bankia Group, the health emergency caused by COVID-19 has significantly affected banking activity over the course of the whole year.
66. Accordingly, as at 31 December 2020, the Bankia Group posted a profit of 230 million euros, 58% down on the figure posted at the close of 2019. The growth in fees, the reduction in spending and the sale of businesses and holdings made over the year did not offset the falls in net interest income, the lower ROF contribution to the profit or larger allocations for insolvencies (in fact, the economic situation

¹⁴ The new shares in CaixaBank handed over to the former shareholders of Bankia in consideration for the Bankia shares were listed for trading on the stock market on 29 March 2021.

¹⁵ As at 31 December 2019, BFA was the owner of 61.798% of the shares in Bankia.

caused by the COVID-19 crisis, and in line with the utmost prudence adopted by the bank to address potential contingencies deriving therefrom, led Bankia to make an extraordinary allocation of 505 million euros in 2020).

67. As regards solvency in the economic context caused by the health crisis, it is worth mentioning the capacity of the bank to generate capital. The prudential ratios of the regulatory capital (phase in) as at 31 December 2020 stood at 16.66% for the highest quality Tier 1 capital (CET 1) and at 21.35% in terms of total solvency, which amount to 828 b.p. and 860 b.p. respectively of the buffer for prudential requirements: 8.38% of CET 1 capital following the application of Article 104 a) of the CRR II Regulation and 12.75% in terms of total solvency.
68. In turn, the MREL ratio stood at 25.87% of the regulatory requirement¹⁶, and hence Bankia must achieve, as from 1 January 2024, a minimum volume of the MREL ratio of 21.25% of RWAs (which would be 24% including the combined buffer requirement – CBR) and 6.23% in terms of the leverage ratio exposure (LRE). In relation to the intermediate requirement, as from 1 January 2022, Bankia must achieve an MREL requirement of 19.57% of the RWAs (which would be 22.32% including the CBR) and 6.23% of the LRE.

Management of stake in BFA-Bankia

69. FROB, after finalising the corresponding restructuring plans and meeting all the commitments taken on with the European Commission, manages its stake in BFA and Bankia in accordance with the “FROB ownership policy on institutions that receive public financial support”, approved by FROB’s Governing Committee on 22 January 2019. In accordance with the ownership policy, on 25 January 2019, FROB, BFA and Bankia signed and made public the “Agreement regarding the management of the indirect stake of FROB, through BFA Tenedora de Acciones, S.A.U., in Bankia, S.A.” (hereinafter, the Partnership Agreement).
70. This agreement provides for responsible and informed monitoring of FROB’s stake in the BFA Group, with the aim of ensuring that management of the latter is conducted in a professional, transparent and efficient manner.
71. In view of the above, FROB exercises its rights as shareholder and its powers as resolution authority in a responsible, proportionate and diligent manner, monitoring the relevant information under the premise of not intervening in the administration of the credit institution and carrying out the divestment from Bankia by encouraging the recovery of public support through procedures that ensure competition and promote best practices in the securities market.
72. In accordance with the provisions of the Partnership Agreement, Bankia transferred the Draft Terms of Merger to FROB before its approval by its Board of

¹⁶ MREL requirement determined by the SRB in accordance with that communicated by the Bank of Spain to Bankia and communicated by the bank through the CNMV on 23 and 25 February 2021.

Directors. FROB's Governing Committee took note of its content and of the accompanying information prior to holding the corresponding Board of Directors' meeting of Bankia on 17 September 2020, and urged FROB's technical services to start to analyse the draft with a view to the future vote by BFA at the potential Extraordinary General Shareholders' Meeting to be called.

73. The resulting valuation framework was approved on 1 October 2020 and, in line with the analysis established in this framework, FROB's Governing Committee positively assessed the operation on 22 October 2020 and instructed BFA to vote in favour at the General Shareholders' Meeting that was finally held on 1 December 2020, subject to the terms presented at the vote not being different to those analysed.
74. It was also decided to propose the incorporation of Teresa Santero Quintillá on the Board of Directors of the newly-merged bank, as a proprietary director of BFA.
75. Once the merger is implemented between Bankia and CaixaBank, these principles will persist that will govern the management of the stake in the new bank. FROB will analyse such adaptations as may be necessary in the ownership policy in line with the new shareholder composition of the bank.

Legal contingencies

76. With regard to the minority shareholder tranche in Bankia's stock market flotation, as a result of the Supreme Court Judgment of 27 January 2016, the institution agreed an out-of-court settlement to reimburse its minority shareholders. This settlement entailed pay-outs of approximately EUR 700 million for 135,000 claims. Added to this are the reimbursements by the BFA-Bankia Group as a result of a number of court rulings that went against it. The charge against equity for the Group totalled EUR 1.89 billion as at 31 December 2020.
77. With regard to contingencies resulting from the mis-selling of hybrid instruments: between 2013 and 2020, the BFA-Bankia Group set aside provisions for this contingency of EUR 2.99 billion (EUR 1.14 billion for the arbitration proceedings initiated by the institution and EUR 1.85 billion for unfavourable court judgments, of which EUR 2 million in 2020), EUR 2.9 billion of which had been used as at 31 December 2020.

Divestment

78. Act 9/2012 (as referred to in the First Transitory Provision of Act 11/2015) set the limit for the divestment of the credit institutions that had received public support within five years from the injection of the corresponding public funds. This meant that in the case of Bankia, the divestment had to be implemented before the end of 2017.
79. In 2016, by means of a royal decree-law in December, the First Transitory Provision of Act 11/2015 was amended. This amendment extended the divestment

deadline to December 2019 and included the possibility for subsequent extensions to be approved by the Council of Ministers, upon a proposal from the Ministry of Economic Affairs and Digital Transformation, following a report issued by FROB and the Ministry of the Treasury.

80. Accordingly, the Council of Ministers, at its meeting held on 21 December 2018, given the large stake still held by FROB at the end of 2018 and the difficulty and impact on the price of selling off all the shares before the end of the established period, approved a second extension to the deadline for the divestment in the case of Bankia such that the deadline would end in December 2021. Although it does not correspond to the timeframe of this annual report, it should be highlighted that the Council of Ministers extended this deadline again on 16 February 2021, to December 2023.
81. With regard to the divestment strategy, in 2020, FROB has continuously analysed the state of the market, also drawing on the analysis of the investment banks that are on a panel selected for this purpose and the expert opinion of its advisor. The conclusion of this analysis is that, due to the fact that the bank was in the midst of an integration process in CaixaBank, that the market valuations of the banking sector have been affected by the pandemic and its effects on the economy and continue to be subject to the pressures of an environment of low interest rates, the conditions are not right for performing a new sell-off of shares.
82. Furthermore, with the aim of updating the framework for the divestment, FROB's Governing Committee, at its meeting on 25 February 2020, approved the file to contract an advisory service on the divestment strategy of the indirect stake that FROB held in Bankia. At that time, the merger had not yet taken place between Bankia and CaixaBank, and hence the file focused on the shares in Bankia.
83. Lastly, after resuming the contracting process that had to be suspended pursuant to the regulations enacted as a result of the health crisis caused by COVID-19, the corresponding contract was signed on 11 November 2020 with the successful bidder in the process - Arcano Corporate, SLU. Arcano's advisory work began on 28 December 2020.

2.2. MONITORING OF GUARANTEES GIVEN IN DIVESTMENT PROCESSES

2.2.1. APS arranged in sale of Banco de Valencia

84. On 27 November 2012, FROB arranged an Asset Protection Scheme (APS) for the buyer of Banco Valencia (CaixaBank), maturing on 30 September 2022, covering 72.5% of any losses on a closed loan book, which initially totalled EUR 6.42 billion, with a first-loss threshold of EUR 402 million. As a result of two write-downs and a correction of scope in April and August 2013 and October 2016, respectively, these amounts were reduced to EUR 5.19 billion and EUR 212 million, respectively.

85. Net losses for EUR 23 million were settled in 2020. As the first loss threshold was breached at the end of 2017, these losses incurred mean that FROB must pay CaixaBank, in accordance with the Protocol on Financial Assistance Measures in the Banco de Valencia, S.A. Resolution Plan (document regulating the terms and conditions of the APS) EUR 16.7 million before 30 June 2021. This amount is in addition to the EUR 112.5 million that, at 31 December 2020, FROB had paid to Caixabank for the APS guarantee.
86. Furthermore, since the start of the APS, FROB collected around EUR 3.1 million for the annual APS commission.

2.2.2. Other guarantees

87. Other guarantees cover certain contingencies that are mostly related to existing litigation or that which is foreseeable in the near future at the time of divestment. Contingencies related to hybrid product contracts, including mortgage floor clauses and interest rate hedges, materialised in 2020. When an entity benefiting from any of these guarantees makes a claim, FROB's technical services conduct an itemised and detailed review of the items for which compensation is requested, as well as the amount corresponding to each of them in order to ensure that the requested amounts are compensable in accordance with the provisions of the contracts. FROB also monitors the evolution and status of all of the guarantees in force on an ongoing basis.

2.3. SAREB

88. The Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria, S.A. (Asset Management Company for Assets Arising from the Banking Sector Reorganisation) (Sareb) was incorporated on 28 November 2012 as a limited company for a finite period to November 2027.
89. Its original own funds totalled EUR 4.8 billion, EUR 1.2 billion of which was capital and EUR 3.6 billion deriving from two issues of unsecured subordinated debt contingently convertible into shares subscribed by shareholders. FROB subscribed 45% of the shares and 45.9% of the subordinated debt (EUR 540 million and EUR 1.65 billion, respectively). The current shareholder structure is practically unchanged from the original structure, with some insignificant differences in terms of percentages held (due to the conversion of subordinated debt in 2016). FROB holds 45.9% of capital and outstanding subordinated debt.
90. The total value of assets transferred to Sareb was EUR 50.78 billion. Payment for the transfer was effected through the delivery of six senior debt issues by Sareb with an irrevocable State guarantee, signed by the recipients of bailouts. The bonds received as payment are non-transferable and may be redeemed on expiration in cash or through the delivery of newly-issued bonds, as Sareb so decides.

2.3.1. Sareb's performance and financial figures at 31 December 2020

91. Sareb's business activity in financial year 2020 has been severely affected by the crisis stemming from COVID-19, which has negatively impacted the real estate market (both in terms of the number of transactions and in price fluctuations), thus affecting the Company's capacity to undertake the planned volume of activity. The budget for 2020 was proposed in an environment of continuity from 2019 and in line with the strategic approach whereby the short-term efforts would be focused on the segmentation and transformation of the portfolio to maximise the returns therefrom.
92. The shutdown in commercial activity, particularly severe in the last part of the first quarter and throughout the second quarter, led the Company to take the opportunity to carry out actions of an organisational nature, focusing on:
 - Internal reorganisation, with the incorporation of a new Managing Director, focusing on operational and business functions, while institutional and oversight functions remain under the control of the Chair.
 - Undertaking a far-reaching process to reduce costs, designing and implementing an ambitious Efficiency Plan, which meant performing an analysis of base spending and of Sareb's operational model, identifying different ways to optimise spending: reorganising the focus of Sareb's activities to identify essential tasks, eliminating duplication between servicers and other suppliers, and reconsidering the level of spending associated with the management and maintenance of assets; revising the Esparta Model for greater operating simplicity, and analysing the potential optimisation of spending on management and transformation.
 - Significant progress on the strategic segmentation work of the Company's assets, approved in Sareb's business plans, with the aim of establishing a strategy for each asset in which both its natural course is allocated (sale, development, etc.) and the level of acceptable price.

93. The key financial figures for 2020 are as follows:

Table 6. Key financials of Sareb at year-end 2020 (EUR million).

Million euros	
Total income	1,422
<i>Income from financial assets</i>	568
<i>Income from real-estate assets</i>	847
<i>Other</i>	7
Total net income (*)	108
<i>Net income from financial assets</i>	101
<i>Net income from real-estate assets</i>	47
<i>Other net income</i>	(40)
Operating expenses	(552)
Ebitda	(444)
Amortisation and depreciation charges and others	(81)
Operating profit (loss)	(525)
Finance costs	(548)
Taxes	(1)
Loss for the year	(1,073)

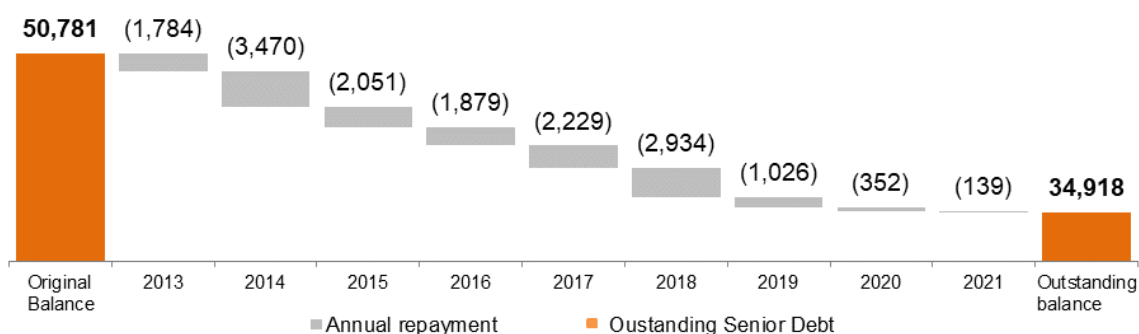
(*) Includes marketing costs of EUR 47 million.

Source: FROB.

94. The year ended with income of EUR 1.42 billion and a net margin amounting to EUR 108 million.
95. Most of the income (around 60%) is obtained from the sale of real estate assets, amounting to almost EUR 850 million, compared with income from financial asset operations, amounting to EUR 570 million. The health crisis means that these figures are significantly lower than those forecast at the start of the year (budgetary compliance of 40% and 69% respectively). However, these figures are in contrast to the budgetary compliance with the net margin, which double expectations for financial assets while only reaching 32% of those forecast for real estate assets.
96. Operating costs, which, given the special nature and activity of Sareb, are high, are lower than expected for two main reasons: less business and transforming activity and the implementation of the spending Efficiency Plan, which had an impact in 2020 of some EUR 45 million.
97. After applying the operating costs, a negative EBITDA was recorded in the amount of EUR 444 million, a slightly lower figure than budgeted for, although double the negative amount recorded in 2019.

98. In turn, the operating loss recorded by Sareb stands at EUR 525 million (significantly higher than the EUR 278 million in losses in 2019).
99. The loss for 2020, which is heavily influenced by finance costs (EUR 551 million), amounts to EUR 1.07 billion, 13% higher than in 2019.
100. This loss puts Sareb's own funds in a negative balance of EUR 843 million. EUR 1.43 billion of subordinated debt needs to be added to this amount, taking the company's total own funds to EUR 587 million.
101. The approval on 10 March 2020 of Royal Decree-Law 6/2020, means that Sareb is exempt from complying with Article 363.1.e) of the Capital Companies Act on causes of dissolution due to accumulated losses. Accordingly, Sareb is not obliged to perform any recapitalisation operation.
102. However, the conditions of the subordinated debt include as grounds for conversion the existence of accumulated losses that are equal to or higher than the share capital plus reserves. Accordingly, the annual accounts for financial year 2020, prepared by the Board of Directors of Sareb on 31 March 2021, contained the provision that the Directors proposed the necessary agreements to the General Meeting to convert the subordinated debt.
103. In turn, the net equity records a negative value that stands at EUR 10.53 billion, given the marking to market of interest-rate hedging derivatives (a negative EUR 566 million) and the impairment of the portfolio of financial and real estate assets (a negative of EUR 9.12 billion).
104. Despite the Company's negative equity position, from a trading perspective, as established in the Seventh Additional Provision, section 10, of Act 9/2012, of 14 November, on the restructuring and resolution of credit institutions, the valuation adjustments to the hedging derivative and valuation allowances for asset groups are not factored in with regard to the distribution of profit, the mandatory reduction in capital or the mandatory wind-up due to losses.
105. At the close of 2020, the remaining senior debt stands at approximately EUR 35.06 billion (70% of the initial total), after having repaid just EUR 350 million in financial year 2020. The low level of commercial activity by Sareb has led to a cash generation that has barely allowed ordinary repayments to be made, such that most of these repayments originate from the cash generated in 2019. Consequently, the accumulated figure for repaid senior debt as at 31 December 2020 amounted to a total of EUR 15.72 billion.

Table 7. Changes in Sareb's senior debt (EUR million).

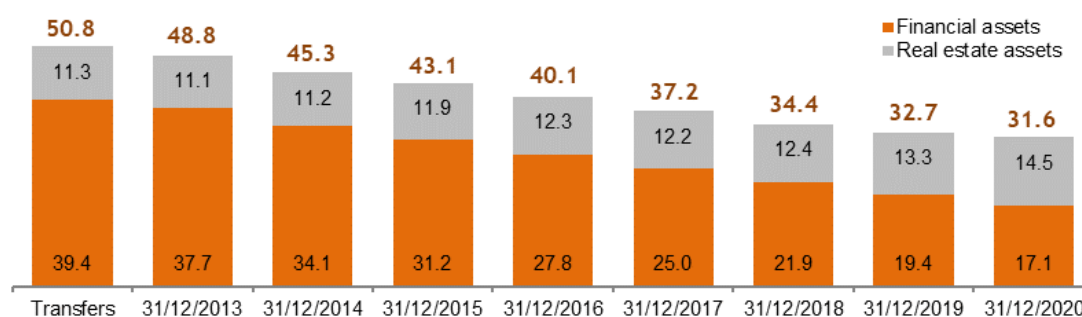


(*) The balance at 31/12/2020 does not include the repayments made in January and February 2021 for a combined amount of EUR 56 million.

Source: FROB.

106. The balance of assets originally transferred to Sareb and pending divestment at year-end 2020 stands at around EUR 31.6 billion, approximately 54% of which are financial assets while the remainder are real-estate assets. Changes in the carrying amounts of the financial and real-estate assets on Sareb's balance sheet (excluding the estimated impairment losses at each time) were as follows:

Table 8. Changes in the financial and real-estate assets on Sareb's balance sheet (EUR thousand million).



Source: FROB.

107. In addition, Sareb continued its usual social responsibility activities. This primarily entailed:

- Improving the lives of groups at risk of social exclusion, granting financial support for social housing and emergency funds, distributed through agreements with local governments and regional governments;

- Providing alternative affordable rented accommodation, with a view to offering especially vulnerable groups alternatives to asset repossession processes; and
- Providing support to entrepreneurs, in partnership with local governments, to tackle unemployment.

108. In this context, on 9 March 2020, Sareb announced the extension of its social housing programme from the stock of 4,000 properties it had made available to the various public institutions to a total of 10,000 properties. This extension sought to facilitate access to Sareb's housing stock for smaller cities.
109. In addition, and although it does not correspond to the timeframe of this annual report, it is worth mentioning that in February 2021, Sareb signed a joint protocol with the Ministry of Transport, Mobility and Urban Agenda to make another 5,000 properties available to the public authorities to be used for affordable housing. Accordingly, the number of social properties made available to the public authorities now amounts to 15,000.
110. In 2020, Sareb held talks with around 100 local governments, formalising agreements for the temporary assignment of housing for social ends with 15 local authorities and one regional government, making some 550 units available for their use.
111. Accordingly, from the start of the social housing programme in 2013 to the close of 2020, Sareb has signed temporary assignment agreements with 13 regional governments and 27 local authorities, allocating a total of 3,032 properties. It has now committed close to 2,840 properties to public authorities, which more than 11,300 people are able to benefit from.
112. In addition, prior to the maturity of the assignment agreements, Sareb will offer the public authorities the possibility of acquiring these properties so that they can form part of their housing stock. In 2020, four regional governments and one local authority acquired a total of 199 properties from Sareb.
113. Lastly, it should be mentioned that, in February 2021, the European agency Eurostat took the decision to incorporate Sareb within the scope of public accounts. This decision by the European agency will have a significant impact in 2020, both in terms of the volume of public debt and of the public deficit, but will not affect the Company's activity.

2.4. LEGAL MATTERS

114. FROB continues with his hard work to monitor litigation related to restructuring and resolution processes underway (in the criminal, contentious administrative, civil-commercial and employment jurisdictions) and the actions stemming from these processes, along with the activity related to the processing of different administrative proceedings, such as pecuniary liability claims and other administrative appeals, as well as information requests under the Transparency Act.

2.4.1. Criminal

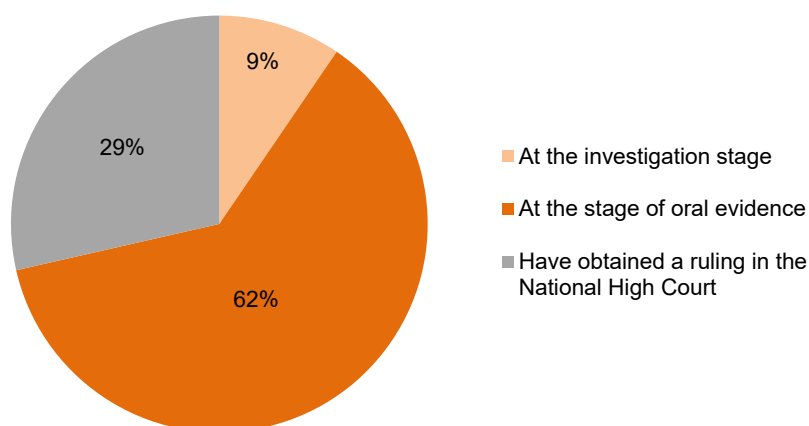
115. This year, FROB has forged ahead with its drive to pursue and penalise anyone involved in irregular conduct that was detected in property transactions and internal remuneration practices in the various credit institutions receiving State support during recovery and resolution processes undertaken, all in accordance with the legal mandate laid down in Article 64.1.ñ of Act 11/2015.

116. The origins for these cases are diverse: of those that were active at the start of the year, 11 claims were lodged against the provisional administrators appointed by FROB in a failed institution; seven were opened as a result of several forensic reports that FROB commissioned from various independent expert consultants to investigate a number of suspicious transactions and, where irregularities were detected, the Special Prosecutor for Corruption and Organised Crime was notified so it could carry out its own inquiries and initiate the appropriate proceedings; and three derived from claims made by third parties in which the presiding judge summonsed FROB to appear before the court.

117. Consequently, at the start of this year, FROB was party to 21 criminal cases against numerous former directors of several entities. Over the course of this year, all the proceedings have progressed and remain underway, with FROB maintaining its status as injured party, seeking to defend the general interest and recover such amounts as are possible through those sums that must be settled or compensated from civil liability convictions.

118. These proceedings are at different stages in the courts, although most of them are at a very advanced stage, since the investigation stage has now been completed in all but two proceedings which are still at this stage due to the complexity of the cases. Of the remaining 19 proceedings, at the close of the year, 13 proceedings are at the stage of oral evidence while six have obtained a ruling in the National High Court (five of them were convictions, although three appeals for judicial review are still pending in the Supreme Court) and EUR 20.3 million plus statutory interest and costs have been recognised by the courts in a binding fashion.

Table 9. Stage of proceedings of the criminal cases with FROB as an injured party



Source: FROB.

119. One of the rulings mentioned in the previous paragraph and which deserves a specific mention is Ruling No. 13/2020, of 29 September 2020, handed down by the Criminal Division (Section 4) of the National High Court in the proceedings judging the stock market listing of Bankia. The ruling acquits all the parties (31 natural persons and three legal persons in total) who had initially been accused of the criminal offence of investment fraud (criminalised in Article 282 *bis* of the Criminal Code) and subsequently a further continuous criminal offence of the falsification of accounts (Article 290 of the Criminal Code). The Criminal Division ruled for a full acquittal as it did not consider that these criminal offences has been sufficiently proven considering that the plaintiffs were unable to attribute specific actions or facts to the accused that could be considered criminal but rather merely generic attitudes that showed the inexistence of conduct that constituted a criminal offence. The ruling stressed that the stock market listing of Bankia contained all the authorisations and was backed by the competent authorities which considered that this was the best alternative at that time for the viability of the bank. Nor was the information contained in the Prospectus on the stock market listing considered insufficient so as to constitute a criminal offence. Although two of the plaintiffs have appealed the ruling handed down by the National High Court on judicial appeal to the Supreme Court, FROB, after studying the technical possibilities of appealing said ruling, has decided not to file an appeal, in the same way as the Public Prosecutor's Office which, moreover, opposed the appeals filed for judicial review. This is pending a ruling from the Supreme Court.

2.4.2. Administrative appeals

120. No appeal stemming from those originating from the claims filed against actions performed by FROB during restructuring and resolution processes within the framework and as authorised under the now repealed Act 9/2012, of 14 November, is still pending this year, whereby all legal rulings obtained confirmed the legality and compliance with the law of the administrative actions that were carried out by FROB under the framework established in Act 9/2012 (and, in particular, with regard to subordinated liabilities exercises for hybrid instruments, capital increases or decreases without preferential subscription rights and transfers of assets to Sareb).
121. However, the appeals for judicial review lodged to contest FROB's administrative actions within the framework of its new remit as national resolution authority as established in Act 11/2015 remain active. Specifically, work continues to process the appeals against the 7 June 2017 resolution of FROB's Governing Committee on the measures needed to execute the SRB's decision on the resolution scheme for Banco Popular Español, S.A.
122. At the date of this report, all the appeals for judicial review accepted by the National High Court remain suspended until the final ruling is issued on the actions for annulment taken against the SRB's decision at its 7 June 2017 Extended Executive Session adopting the resolution scheme for Banco Popular Español, S.A., which is pending at the General Court of the European Unión (GCEU).
123. Also suspended is the case concerning the appeal lodged by FROB against a ruling of the Good Governance and Transparency Council in which the Council partially approved access to certain information in accordance with Act 19/2013 of 9 December on transparency, access to public information and good governance. The hearing of this appeal was suspended by the competent Central Judicial Review Court until the GCEU issues its final decision on the matters being heard by it, ruling that the SRB had respected the right to decide.
124. In addition, it should be mentioned that in October 2020, a class action was brought against its appeal for reversal that was rejected in the administrative courts against the ruling whereby a class action had been withdrawn for asset liability due to not having corrected the defects flagged up in the claim. However, following the response to the claim brought by FROB, the plaintiffs withdrew their claim such that the procedure is not deemed finalised.

2.4.3. Civil-commercial law

125. In this area, the lawsuits that remain active and involve FROB have been in relation to FROB's actions under the powers bestowed upon it initially by Article 63 of Act 9/2012 (now repealed and replaced by the same article of Act 11/2015 currently in force). These include cases in which petitions were filed to annul agreements to buy and sell the shares of entities subject to restructuring or resolution to a third party as well as the transfer of business agreements. These are lawsuits that were filed in previous years and most of them already have final favourable rulings regarding which the collection of costs recognised in various jurisdictions are still being processed, although one procedure remains pending admittance by the Supreme Court.
126. Another significant area of civil law in which FROB is party to several court cases concerns the scope and interpretation of the guarantees given by FROB to acquirers in the corresponding resolution processes, and the effect of the ensuing decision rendering floor clauses null and void in these acquisitions. There are three cases which, although rulings have been handed down in different jurisdictions ratifying FROB's criteria, they are still awaiting a ruling in the Supreme Court in response to the different appeals for judicial review and/or reversal raised by the other party, which FROB has opposed and which are expected to be ruled on over the course of the year.
127. Finally, a new civil proceeding should be mentioned regarding an action brought at the end of 2020 by an acquiring institution that demands that FROB assumes certain damages and losses deriving from adjustments in the scope of a credit portfolio which, according to the plaintiff, would be covered by the guarantees granted in the sale process.

2.4.4. Corporate law

128. In relation to its work to prosecute irregular conduct detected in the entities receiving State support, FROB has remained steadfast in this, also looking to assign liability in those cases involving remuneration practices that could comprise irregularities, submitting them to the courts.
129. In this respect, some cases affecting corporate law that had been temporarily suspended awaiting a prior ruling from the criminal courts were reopened either following rulings exonerating the defendant from criminal liability or to decide on matters not affected by the criminal judgment.
130. Specifically, one of these which was ruled on over the course of the previous year, upholding all of the claims made by FROB, remains in the enforcement stage for collection of all of the amounts recognised in favour of the entity and FROB. Another case was partially decided on by means of an agreement with the entity which included meeting all of FROB's claims, so that the lawsuit is only pending a decision with regard to the former executives that did not sign up to this agreement.

2.4.5. Pecuniary liability claims

131. FROB continues to process the pecuniary liability claims received in relation to its work concerning the 7 June 2017 resolution of FROB's Governing Committee on the measures needed to execute the SRB's Decision on Banco Popular Español, S.A. During 2020, less progress was made in processing and investigating these claims, with a total of 335 claims now resolved at the date of preparation of this annual report.
132. By virtue of these claims and other similar claims filed with other authorities (the Ministry of Economic Affairs and Digital Transformation, the Bank of Spain and the CNMV), those Banco Popular shareholders who lost their investment due to the bank's resolution have called for compensation on the understanding that the State administration was subject to pecuniary liability.

2.4.6. International arbitration

133. In 2020, although FROB is not formally a defendant in any cases, given that it is the Kingdom of Spain that is formally liable in international arbitrations, it continues cooperating in defence of the Kingdom of Spain together with the other affected government bodies in the international arbitration claim brought against the Kingdom of Spain by a group of Mexican investors in connection with Banco Popular's resolution.

2.4.7. Transparency requests processed in 2020

134. Six requests for access to information pursuant to Act 19/2013 of 9 December on transparency, access to public information and good governance were resolved in 2020.
135. It is worth mentioning that the claims filed with the Good Governance and Transparency Council in accordance with Article 24 of Act 19/2013 of 9 December on transparency, access to public information and good governance disputing the decisions taken by FROB's Governing Committee in relation to requests for access to information on the implementation of the resolution scheme for Banco Popular Español, S.A. that have not yet been resolved, are still suspended by the Council pending the conclusion of the appeal for a judicial review (mentioned beforehand) on this matter. This appeal is also suspended pending a ruling by the GCEU.

3. OTHER ACTIVITIES

136. Over the course of 2020, and through an internal work group, potential actions were analysed on social responsibility, with the aim of encompassing an institutional social action in this field, boosting individual actions of employees and other questions that tend to be included in this field, always taking into account the specific characteristics of the organisation.
137. This process culminated with the approval in July of the Social Responsibility (SR) Policy of FROB. This Policy provides for the creation of a SR Committee, made up of representatives from all its directorates, including, among other undertakings, the planning, boosting and coordinating of specific actions to be developed each year. The Policy also defines the guiding principles and lines of action to guide these activities.
138. The lines of action established in FROB's SR Policy are as follows:
- At an internal level – good governance and the working environment.
 - At an external level – the environment and community.
139. These lines of action will be developed through the implementation of specific initiatives for each of them. In this regard, since its creation, the SR Committee has identified a number of initiatives to be gradually implemented. More specifically, to date initiatives have been developed that consist of boosting internal communication, different Christmas campaigns and the arrangement of the signing of an agreement with the SEPI Foundation to undertake an Internship Programme.

ORGANISATION OF FROB

1. CONTROL AND GOVERNANCE BODIES

1.1 Governing Committee

141. FROB is governed and managed by a Governing Committee of 11 members:

- The Governing Committee is chaired by the Chair of FROB.
- Vice Chair: the Deputy Governor of the Bank of Spain, standing in for the Chair in the event of the latter's absence or illness or if the chairmanship becomes vacant.
- Three members of the Bank of Spain, appointed by the Bank of Spain's Executive Committee. These positions are currently held by the Director General of Banking Supervision, the Director General of Financial Stability, Regulation and Resolution, and the General Secretary of the Bank of Spain.
- The Deputy Chair of the CNMV.
- Three representatives from the Ministry of Economic Affairs and Digital Transformation, appointed by the ministerial department. These representatives are currently the Under-secretary of the Ministry, the General Secretary of the Treasury and International Financing, and the Chair of the Spanish Institute of Accountants and Auditors (ICAC).
- Two representatives from the Ministry of Finance, appointed by the ministerial department. These representatives are currently the ministry's State Secretary for Finance and the Director-General for Budgeting.

142. Meetings of the Governing Committee are also attended, with speaking but not voting rights, by a representative designated by the Auditor General of the Spanish Central Government and another from the Attorney-General's Office – the Director of the State Legal Advisory Service. This representation is currently held by the Auditor General of the Spanish Central Government and the Chief State Attorney of the Ministry of Economic Affairs and Digital Transformation.

143. Irrespective of the foregoing, decisions affecting the General State Budget are made by a reduced number of members of the Governing Committee:

- The Chair.
- Three representatives from the Ministry of Economic Affairs and Digital Transformation.
- Two representatives from the Ministry of Finance.

144. The Plenary Session of the Governing Committee met on 18 occasions in 2020, while six meetings were held in its reduced format.

145. An Audit Committee has been set up under the auspices of the Governing Committee comprising three members of the Governing Committee: the Bank of Spain's Director General of Financial Stability, Regulation and Resolution (acting as chair), the Director General for Budgeting, and the representative appointed by the Auditor General of the Spanish Central Government.

Table 10. Composition of the Governing Committee as at 31 December 2020

Name	Job position	GC position
Paula Conthe Calvo ¹⁷	FROB Chair	Chair
Margarita Delgado Tejero	Deputy Governor of the Bank of Spain	Vice-Chair
Mercedes Olano Librán	Director General of Banking Supervision of the Bank of Spain	Committee member
Ángel Estrada García ¹⁸	Director General of Financial Stability, Regulation and Resolution of the Bank of Spain	Committee member
Francisco Javier Priego Pérez	General Secretary of the Bank of Spain	Committee member
Amparo López Senovilla	Under-secretary for Economic Affairs and Digital Transformation	Committee member
Carlos San Basilio Pardo	General Secretary of the Treasury and International Finance	Committee member
Santiago Durán Domínguez ¹⁹	ICAC Chair	Committee member
Montserrat Martínez Parera ²⁰	Deputy-Chair of the CNMV	Committee member
Inés María Bardón Rafael	State Secretary for Finance	Committee member
Jaime Iglesias Quintana	Director General for Budgeting	Committee member

¹⁷ Jaime Ponce Huerta attended as the Chair of FROB, in his capacity as the Chair until Governing Committee 17/2020, held on 24 November 2020.

¹⁸ Jesús Saurina Salas attended as the Director-General of Financial Stability, Regulation and Resolution of the Bank of Spain, as a committee member until Governing Committee 03/2020, held on 25 February 2020.

¹⁹ Enrique Rubio Herrera attended as the President of the Spanish Institute of Accountants and Auditors, as a committee member until Governing Committee 01/2020, held on 21 January 2020.

²⁰ Ana María Martínez-Pina García attended as the Deputy Chair of the Spanish Securities Market Regulator, as a committee member until Governing Committee 18/2020, held on 2 and 3 December 2020.

Name	Job position	GC position
Pablo Arellano Pardo	Auditor General of the Spanish Central Government	Auditor General of the Spanish central government (IGAE) representative
Julio José Díez Menéndez	State Attorney at the Ministry of Economic Affairs and Digital Transformation	Attorney General representative

2. ORGANISATION

146. FROB has five directorates led by its Chair:

- The Resolution Directorate, headed up by Carla Díaz Álvarez de Toledo²¹.
- The Financial and Investees Directorate, headed up by José Javier Ortega Castro²².
- The Legal Directorate, headed up by Alba M^a Taboada García.
- The Corporate Services and Compliance Directorate, headed up by Sara Ugarte Alonso-Vega.
- The International Legal Affairs Directorate, headed up by Amaia Rivas Kortazar.

147. This structure responds to a reorganisation introduced in the month of July 2020, which meant modifying the name of the Resolution and Strategy Directorate, which became simply the Resolution Directorate, and the Legal Directorate for Investees, which changed its name to the International Legal Affairs Directorate.

148. The directorates are split into departments for the purpose of exercising the powers and conducting the activities assigned to each of them.

149. Following the reorganisation addressed in the month of July 2020, the structure and functions of FROB directorates were altered, with the aim of the institution complying more efficiently and effectively with its tasks and undertakings as the Spanish Executive Resolution Authority and a member of the SRM, distributing the functions related to prepare for crisis management throughout the organisation.

²¹ Appointed on 26 January 2021.

²² Appointed on 15 June 2020

Table 11. Map of FROB's functions

Resolution process phases						
I Preparation of resolution		II Resolution		III Supervision of resolution		
IV Exit strategy						
<i>Resolution functions</i>						
Resolution management	<ul style="list-style-type: none"> In-house planning and preparation to optimise resolution measures Preparation and updating of crisis management manuals and action protocols Performance of simulations Collaboration with preparing and updating resolution plans Reporting on resolution plans and exercising Spanish vote on the SRB 		<ul style="list-style-type: none"> Launching resolution process (less significant institutions) after declaration that an institution is no longer viable: analysis of alignment with public interest and lack of private sector solutions Evaluation of need to begin viability analysis Collaboration with the SRB to launch resolution schemes for significant institutions Design and approval of resolution scheme for less significant institutions Execution of resolution powers and instruments 		<ul style="list-style-type: none"> Supervision of implementation and fulfilment of commitments of resolution schemes Supervision and control of banks placed into resolution Supervision and management of guarantees given in divestments Handling of legal disputes related with institutions placed into resolution Supervision of bridge institutions or asset management vehicles (AMV) and business restructuring plans AMV oversight Updating of manuals 	
	<ul style="list-style-type: none"> Design of sell-off or divestment of institutions, bridge institutions, portfolios or business lines Execution and supervision of sell-offs Monitoring of markets and economy Investor relations 					
	<ul style="list-style-type: none"> Coordination of analytical capabilities and supervision of institutions Design and implementation of Resolution Policy 					
<i>Support functions</i>						
Legal	Legal advice on action by the FROB and Governing Committee Secretary		Acting on behalf of the FROB in legal proceedings to defend its interests		Supervision of and participation in drafting rules related with the FROB's work	
Corporate resource management and control	Training	Training	Administration and general services	Regulatory compliance and internal control (risks, In-house procedures)	Liaison with external control bodies	
	Knowledge management	Contracting and outsource framework	ITC strategy and management			
Financial	Budget and finance management		Cash management	Management of Resolution Fund		
Communications	Design and implementation of in-house and external communications strategy		Management of image and institutional culture	Institutional relations and events		
Reporting	Coordination of institutional reporting	Quarterly reports to Congress	Submission accounts to Gov. Committee	Appearances of Chairman before Parliament	Reporting to investors	
Strategy	Monitoring of strategic plan		Design of corporate strategy	Market scanning of market agents		

150. As at 31 December 2020, FROB had 40 members of staff (24 women and 16 men), including the Chair and directors. The following table shows the distribution of its workforce by professional category and gender:

Table 12. Distribution of personnel by professional category

Category	Headcount
Senior Management ²³	5
Group II	18
Group III	10
Group IV	4
Group V	3
Total	40

Source: FROB.

²³ This includes the Chair and senior management contracts subject to Royal Decree 451/2012 of 5 March, regulating the remuneration of senior executives and directors in State-owned companies and other entities. As at 31 December, the position of the head of the Resolution Directorate remained vacant, after the appointment of the previous head as Chair of FROB.

3. RENEWAL OF THE CHAIR OF FROB

151. In November 2020, the Government of Spain initiated the procedure to renew the Chair of FROB. On 17 November 2020, the Council of Ministers, after hearing out the supervisory authorities, proposed the appointment of Paula Conthe as Chair of FROB.
152. After the candidate proposed appeared before the Economic Affairs and Digital Transformation Committee of the Lower House of Parliament on Wednesday, 25 November, pursuant to Article 55 of Act 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms²⁴, the Council of Ministers approved her appointment as Chair of FROB on 1 December 2020 by royal decree²⁵.

²⁴ Article 55. Chair. To be appointed and replaced by a royal decree of the Council of Ministers upon a proposal from the Minister for Economic Affairs and Competitiveness, after hearing out the supervisory authorities and following the appearance of the candidate proposed to the position before the Economic Affairs and Competitiveness Committee in the Lower House of Parliament, in order to take stock of her experience, training and capacity to ensure the candidate's suitability for the position.

²⁵ Royal Decree 1081/2020, of 1 December, appointing Paula Conthe Calvo as Chair of the Fund for Orderly Bank Restructuring (FROB).

FINANCIAL MANAGEMENT

1. TREASURY MANAGEMENT

153. FROB's Finance and Investees Directorate manages the resources that do not fall under the institution's ordinary activities in accordance with the requirement to invest in highly liquid, low risk assets. This means holding current accounts with the Bank of Spain and acquiring treasury bonds and bills.

154. In 2020, FROB's Treasury team handled a number of payments and collections, the most relevant being as follows:

- On 30 June 2020, FROB paid CaixaBank EUR 19.5 million for the annual settlement of losses deriving from the APS of Banco de Valencia.
- On 31 July 2020, FROB paid BBVA close to 72 million euros for the guarantees granted within the framework of the acquisition of Catalunya Banc.
- On 23 December 2020, FROB paid Abanca around EUR 14 million for guarantees given during the sale of NCG Banco.
- Also, FROB received over the course of the year, payments corresponding to the coupons on assets in the public debt portfolio, totalling around EUR 9 million.
- Lastly, FROB paid the Treasury the sum of EUR 72.3 million in interest, arrangement fees and other associated costs of the Loan that the Treasury granted FROB in 2012 and 2013 to channel the funds obtained by Spain from the ESM to the entities receiving public support.

155. As at 31 December 2020, FROB's unrestricted cash reserves totalled EUR 656 million.

Table 13. FROB's cash reserves at year-end 2020

PRODUCT	31/12/2020
	Nominal (EUR million)
Public debt portfolio	360
Bank of Spain account	296
Other bank accounts	-
Total (*)	656

(*) Amounts corresponding to the commission are not included in this item (Fifth Transitional Provision of Act 11/2015).

Source: FROB.

2. FEE TO FUND FROB'S ACTIVITY

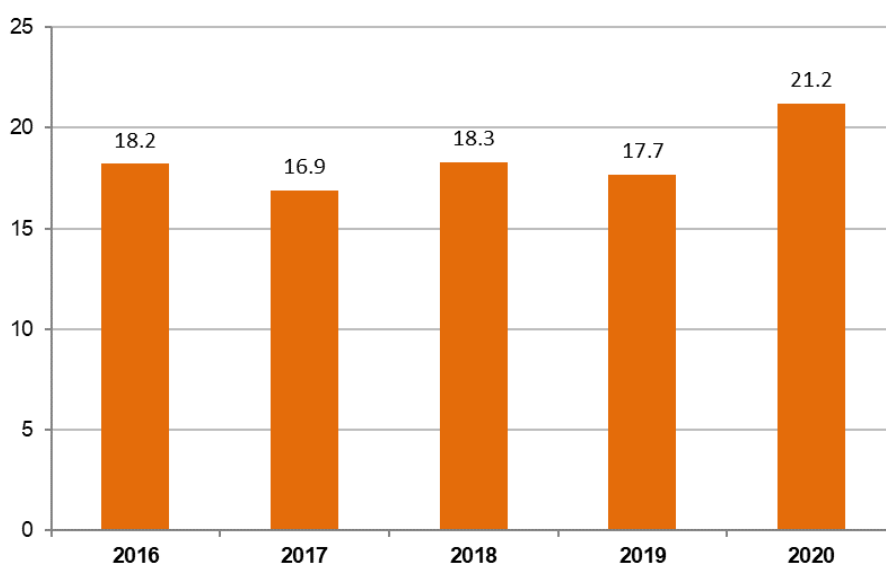
156. Article 53.4 of Act 11/2015 introduces the so-called “fee for activities performed by FROB in its capacity as a resolution authority”. This fee is intended to cover the entity’s operating costs and is charged to the entities required to contribute to either the SRF or the NRF.
157. This funding system is in line with that established for the SRB, the administrative expenses of which are also covered by the entities through the pertinent annual payments.

Table 14. Main features of the fee collected by FROB

- **Chargeable event** – Performance of supervisor and reporting functions and application of resolution tools during the preventive and execution phases of resolutions.
- **Accrual** – The fee is accrued on 1 January each year, except for the incorporation of entities, in which case it is accrued from the incorporation date.
- **Fee payers** – Credit institutions and investment firms established in Spain.
- **Calculation base** – The ordinary annual contributions payable by each entity to the National Resolution Fund or, where applicable, the Single Resolution Fund.
- **Tax liability** – Result of applying a rate of 2.5% to the taxable fee.

158. In accordance with Royal Decree 1012/2015, FROB’s Governing Committee approved, the proposed fee breakdown for activities performed by FROB as resolution authority in 2020 at its 28 April 2020 meeting, and delivery of the corresponding payment form to the fee payers.
159. All the fee payers paid the fee within the stipulated deadline, with a total of EUR 21.2 million collected in 2020.

Table 15. Changes in the fee to fund FROB's activity (EUR million)



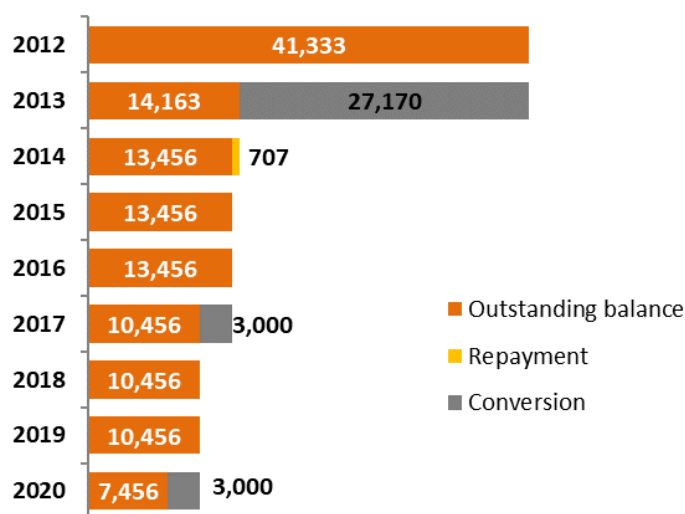
Source: FROB.

3. STATE LOAN FOR FINANCIAL SECTOR RECAPITALISATION

160. On 3 December 2012, the Spanish State granted FROB a loan to execute the European financial assistance programme for the restructuring of Spain's financial system. This loan acted as a vehicle through which funds from the European Stability Mechanism (ESM) could be channelled to the Kingdom of Spain and subsequently through FROB to Spanish credit institutions.
161. The loan was paid out in two tranches, the first in 2012 (EUR 39.47 billion) and the second in 2013 (EUR 1.87 billion), through the contribution of financial instruments (bills and bonds) issued by the ESM.
162. The key developments concerning the loan from the Spanish State/Treasury to FROB in prior years were as follows:
- Following the ESM's approval, part of the loan was converted on 9 December 2013 into a contribution to FROB's capital of EUR 27.17 billion.
 - In 2014, unused funds held by Sareb of EUR 307.54 million were returned by FROB. A voluntary repayment of EUR 399 million was also made.
 - Following the ESM's approval, part of the loan was also converted on 30 June 2017 into a contribution to FROB's capital of EUR 3 billion.
 - On 20 February 2020, an agreement was reached on a new conversion of part of the loan into a contribution to FROB's capital of EUR 3 billion.

163. At 31 December 2020, the outstanding balance on the loan awarded to FROB by the Spanish State totalled EUR 7.46 billion: EUR 5.59 billion corresponding to the first pay-out and EUR 1.87 billion to the second. The first repayment of the remaining loan principal corresponding to the first tranche will be on 11 December 2022, and annually thereafter until it matures in 2027, all for the same amount. The second tranche will fall due in two equal parts on 11 December 2024 and 2025, respectively.

Table 16. Changes in the State loan for recapitalisation of the financial sector (EUR million)



Source: FROB.

4. 2020 ANNUAL ACCOUNTS

164. On 29 June 2021, FROB Governing Committee approved the entity's annual accounts for 2020, previously authorised for issue by the Chair, in compliance with Articles 54.5 c) and 55.4 c) of Act 11/2015.
165. FROB's 2020 annual accounts show assets of EUR 6.73 billion, liabilities of EUR 8.12 billion and negative equity of EUR 1.39 billion, including the loss for the year of EUR 3.64 billion.
166. FROB's annual accounts are audited by an independent auditor. The auditor states in its audit report on the 2020 annual accounts that, in its opinion, FROB's annual accounts give, in all material respects, a true and fair view of the assets and liabilities and financial position of FROB at 31 December 2020.

ANNEX
Record of FROB bailouts

Entities involved	APS and guarantees	Shares, preference securities or CoCos	Recoveries (FROB) ^(*)
Catalunya Banc Catalunya, Tarragona, Manresa	552	12,052	782
CEISS Caja España-Duero	430	1,129	604
Nova CaixaGalicia Galicia, Caixanova	352	9,052	783
*Banco Gallego (spun off from NCG)	-	245	-
BFA-Bankia Madrid, Bancaja, Laietana, Insular, Rioja, Ávila, Segovia	-	22,424	-
Banco Mare Nostrum Murcia, Penedés, Sa Nostra, Granada	-	1,645	-
Banca Cívica Navarra, Cajasol-Guadalajara, General de Canarias, Municipal de Burgos	-	977	977
Banco de Valencia	605	5,498	-
Liberbank G. Cajastur, C. Extremadura, C. Cantabria	-	124	124
Caja3 CAI, C. Círculo, C. Badajoz	-	407	407
Caja Sur	392	800	800
Interest collected through coupons and others	-	-	1,442
FROB injection	2,331	54,353	-
Sareb	-	2,192	-
Total	2,331	56,545	5,919

^(*)The bailouts that will ultimately be collected will depend on the performance and final divestment of FROB's investees (BFA/Bankia with BMN, and Sareb). This column does not include: EUR 1.3 billion from the sale of 7.5% of Bankia in January 2014; EUR 818.3 million divested through the sale of 7% of Bankia in December 2017; and EUR 1.18 billion of dividends paid out by Bankia for 2014 to 2019, as the amounts received are retained in BFA.

TABLES

Table 1. Table of entities	12
Table 2. From recovery to resolution	14
Table 3. Procedure for adopting resolution plans	16
Table 4. Significant institutions, cross-border groups and other institutions with a resolution college	18
Table 5. Contributions of Spanish entities and branches in Spain of entities established outside the European Union to the NRF and the SRF	20
Table 6. Key financials of Sareb at year-end 2020 (EUR million).....	32
Table 7. Changes in Sareb's senior debt (EUR million).	34
Table 8. Changes in the financial and real-estate assets on Sareb's balance sheet (EUR thousand million).....	34
Table 9. Procedural stage of criminal proceedings involving FROB as a party.....	37
Table 10. Composition of the Governing Committee at 31 December 2020	43
Table 11. Map of FROB's functions.....	45
Table 12. Distribution of personnel by professional category	45
Table 13. FROB's cash reserves at year-end 2020.....	47
Table 14. Main features of the fee collected by FROB	48
Table 15. Changes in the fee to fund FROB's activity	49
Table 16. Changes in the State loan for recapitalisation of the financial sector	50
Record of FROB bailouts.....	51



FROB

Autoridad de Resolución Ejecutiva