



ANNUAL REPORT

2021



Spanish Executive Resolution Authority

ANNUAL REPORT

2021

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ABBREVIATIONS AND ACRONYMS

Act 9/2012	Act 9/2012 of 14 November on the restructuring and resolution of credit institutions
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
CBCM	Cross-border crisis management (groups), under the auspices of the FSB
CCP	Central Counterparty
CET1	Common Equity Tier 1
CMG	Crisis Management Group
CNMV	Spanish Securities Market Regulator (CNMV)
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
fmiCBCM	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

RDL 1/2022	Royal Decree-Law 1/2022 of 18 January, amending Act 9/2012 of 14 November on the restructuring and resolution of credit institutions; Act 11/2015 of 18 June on the recovery and resolution of credit institutions and investment firms; and Royal Decree 1559/2012 of 15 November establishing the legal regime for asset management companies in relation to the legal regime of the Asset Management Company for Assets Arising from the Banking Sector Reorganisation.
ResCo	Resolution Committee
ReSG	Resolution Steering Group
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 my honour to present, as Chair of FROB, the 2021 Annual Report. In it, like every year, we have described the work done during the year, endeavouring to do so in a clear and didactic manner. Our aim in this annual publication is to be transparent in our accountability to society and to facilitate the understanding of the different and important tasks undertaken by this authority.

In 2021, we have witnessed the evolution of the COVID-19 health crisis that began in 2020, compounded in 2022 by the geopolitical crisis stemming from the war in Ukraine, as well as the consequences that both are having in all areas of our society. These events have had and will continue to have a significant effect on the economic, at a level we are yet unable to assess in its full magnitude.

What we can be sure of, is that these shocks have found the Spanish banking sector in a much better situation than before, with sound balance sheets and a proven resistance capacity. This allows us to face these new challenges to financial stability with confidence, although also with the cautiousness that is part of the DNA of resolution authorities and which reminds us that despite the success of the global reforms undertaken over the last decade, we must remain vigilant.

Situations such as those we are living through today recall the importance of counting on well prepared authorities to manage banking crises quickly and effectively, avoiding the use of taxpayers' money and preserving financial stability. Within the Single Resolution Mechanism, it is worth highlighting the actions taken by the Single Resolution Board in the recent months in the exercise of its mandate on several European subsidiaries of the Russian group Sberbank affected by the liquidity crisis resulting from the geopolitical situation. This case shows us that the resolution framework is prepared to tackle sudden and unexpected crises, even those derived from such extreme events as we have witnessed in recent years and demonstrates the importance of one of the key pillars underpinning it: crisis preparedness.

And I would like to particularly stress this idea: preparation is key. Preparation by authorities, an area to which we dedicate our best efforts, and also preparation by the financial institutions, to whom we must thank for their commitment in recent years to effectively incorporate resolvability into their daily operations. Both at a European and a national level, the work on preparing for resolution has developed significantly over recent years, with increasingly more preventive measures and detailed analyses which helps strengthen the credibility and effectiveness of a potential resolution, ensuring the minimum impact on financial stability, as we have seen in the cases that have taken place to date.

However, it is also essential to continue to work jointly to address new challenges as they emerge. And I feel I must mention, in relation to future challenges, the need to continue progressing towards the completion of the Banking Union. Recent global events show that it is increasingly necessary to continue strengthening the European framework for crisis management and deposit guarantees, reinforcing our institutional framework, eliminating the risk of having national solutions, harmonising insolvency procedures, among others. As resolution authorities, we are always ready to support legislators in this regard, contributing our experience to the debate, and we trust that we shall soon see the fruits of this promising work at a European level.

I cannot end these lines without referring to the most important part of any authority's activity and wholeheartedly thanking the employees of FROB, without whom the work presented in this Annual Report would not be possible. We cannot foresee the challenges we will face in the future, but whatever these may be, FROB will remain committed to its work of guaranteeing financial stability and defending the public interest. "Planning is everything", particularly in these uncertain times; and to this end we continue to work every day.

Paula Conthe Calvo
Chair

EXECUTIVE SUMMARY

During 2021, FROB continued carrying out its duties within its remit established by the Single Resolution Mechanism (hereinafter, SRM). As regards its advisory work on planning for resolution, over the course of this year, FROB has issued a report on the resolution plans of 30 less significant institutions drawn up in the 2020 planning cycle (25 with a liquidation strategy and five with a resolution strategy) and on the plans of 27 less significant institutions, all with a liquidation strategy, corresponding to the 2021 cycle, and 11 investment firms, also with a liquidation strategy. It has also analysed the recovery plans of less significant institutions submitted by the Bank of Spain (20 corresponding to the 2020 planning cycle and 44 to the 2021 cycle). Furthermore, FROB has been actively involved in the Internal Resolution Teams of the Single Resolution Board (SRB) of the 10 significant Spanish institutions, along with those foreign institutions established in Spain, 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, FROB has continued to defend Spain's position at the various international forums specialised in resolution. In this regard, the work performed in the context of the Single Resolution Board (hereinafter, SRB) plenary session is noteworthy, which has focused 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. Particularly noteworthy among these over the year were those groups aimed at drawing up a guide on liquidity and financing in resolution; the revision of the public interest policy to incorporate systemic events, and the group that has developed a methodology based on a "heatmap" to classify the level of progress by banks on the different dimensions of resolvability.

In addition, FROB has continued to step up its preparatory resolution work with a view to ensuring a suitable response in the event of a crisis, particularly through the preparation and revision of its operating manuals.

As regards the Resolution Funds, during 2021, FROB collected contributions from 90 credit institutions, 36 investment firms and four non-EU branches totalling EUR 986 million. Of this amount, EUR 982 million correspond to the Single Resolution Fund (hereinafter, SRF) to be transferred to the SRB and EUR 4 million correspond to the National Resolution Fund (hereinafter, NRF).

FROB's work in recovery and resolution processes prior to the entry into force of Act 11/2015 focused on: proper exercise of its rights in its investee institutions - BFA and Sareb; overseeing the 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 credit institution in which FROB continued to hold a stake. In this regard, the main new aspects in 2021 relate to the succession of milestones achieved in the implementation of the merger between Bankia and CaixaBank.

ACTIVITIES IN 2021

1. WORK WITHIN THE FRAMEWORK OF THE SINGLE RESOLUTION MECHANISM

1. 2021 continued to be marked by the impact of the pandemic stemming from COVID-19. The measures introduced in 2020 continued to provide flexibility and have helped the sector tackle the economic consequences, demonstrating their efficacy. In this context, FROB continued to carry out its duties within its remit established by the SRM¹:
 - for significant institutions or cross-border institutions, 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 institutions (less significant institutions), as executive resolution authority charged with approving and executing the resolution measures, and with certain advisory powers in the planning phase. In this context, the exercise of FROB's powers in relation to these institutions requires close collaboration with the Bank of Spain and the CNMV, with the latter exercising their powers, both supervisory and as preventive resolution authorities. This relationship and cooperation is reinforced by the existence of Partnership Agreements with each of these institutions, which were updated and extended in 2021.
2. The number of significant institutions in Spain has dropped by ten, after the implementation in 2021 of the CaixaBank-Bankia and Unicaja-Liberbank mergers. Furthermore, there are five significant foreign institutions that have significant subsidiaries or branches in Spain. Among the cross-border groups, three have an institution established in Spain (one of them with a Spanish parent), but it is expected that in the next two years these will fall outside of the scope of the SRB following the transformation of their subsidiaries in branches.
3. With regard to less significant institutions and investment firms, as executive resolution authority FROB is responsible for 54 credit institutions and 26 investment firms (groups or individual entities), whose resolution plans are prepared by the Bank of Spain and the CNMV under Act 11/2015, following a report from FROB. Furthermore, FROB (as the executive resolution authority) is a member of the resolution college (RC) of a credit institution whose resolution plan is approved by the Bank of Spain (preventive resolution authority of a subsidiary) and the resolution authority of Luxembourg (resolution authority at a group level).

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 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 less significant 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

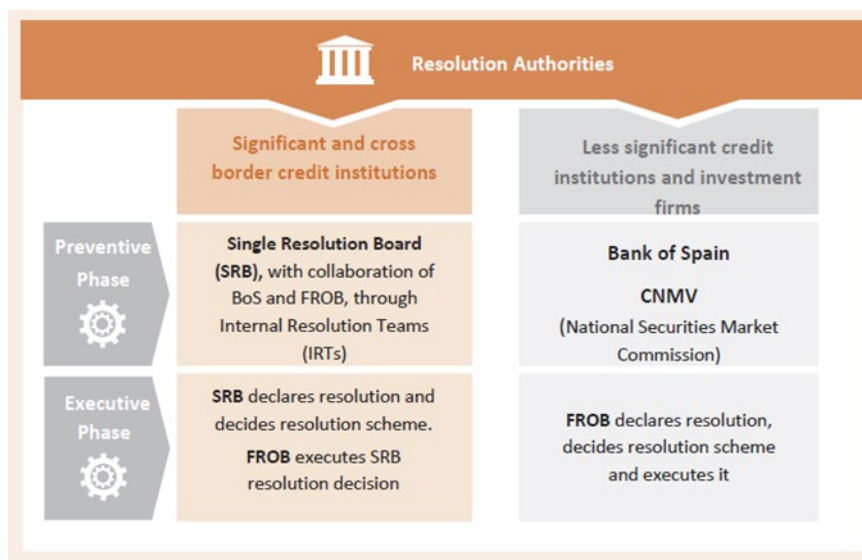
SRB'S RESPONSIBILITY	FROB'S RESPONSIBILITY
Spanish significant institutions	LSI and IFs
Santander BBVA CaixaBank Sabadell Ibercaja Unicaja Grupo Cooperativo Cajamar Bankinter Kutxabank Abanca <p style="text-align: right;">TOTAL 10</p>	Less Significant Institutions (LSI) <p style="text-align: right;">TOTAL 54</p> Investment firms (IFs) <p style="text-align: right;">TOTAL 26</p>
Significant foreign institutions with a significant subsidiary or branch in Spain	Responsibility of other European resolution authorities
Deutsche Bank BNP Paribas Confédération Nationale du Crédit Mutuel Crédit Agricole ING <p style="text-align: right;">TOTAL 5</p>	EFG <p style="text-align: right;">TOTAL 1</p>
Cross-border groups	TOTAL SRB 18
Allfunds Banco Finantia Banca Mediolanum <p style="text-align: right;">TOTAL 3</p>	TOTAL FROB 81

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.

Table 2. Resolution. Distribution of powers



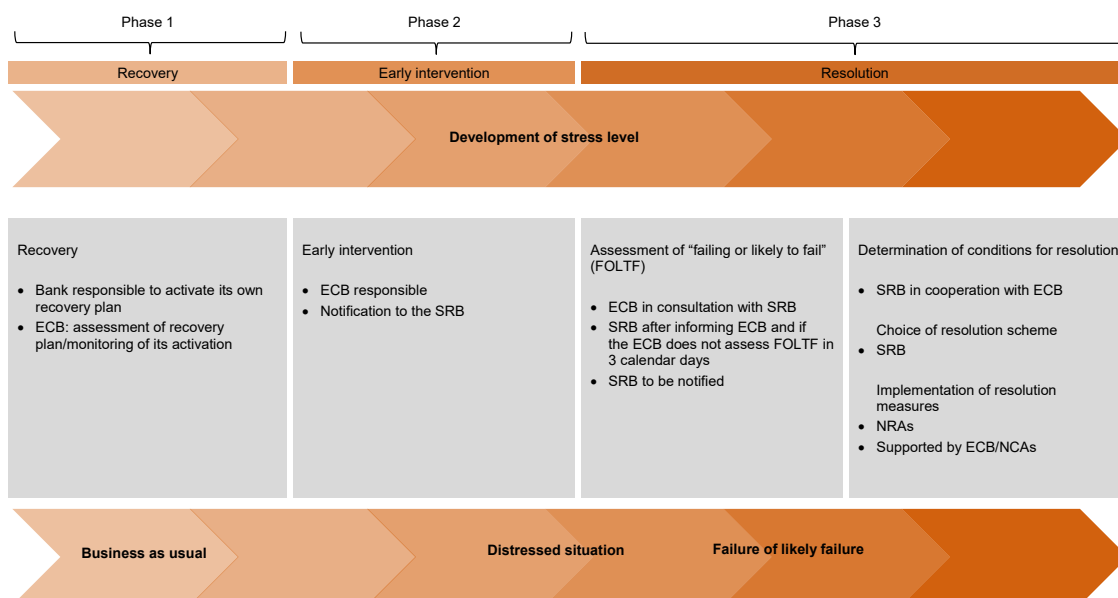
Source: FROB.

1.1.1. Early intervention and recovery

5. While the 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 (hereinafter, NRA) also have certain legal powers in this area.
6. 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.
7. Pursuant to regulations, the resolution authorities revise these plans, which are submitted by the supervisor, and may formulate modification proposals to the extent that these plans could negatively affect the entities' resolvability.
8. As regards the ten significant Spanish institutions, in 2021 FROB analysed the recovery plans through the Internal Resolution Teams (IRTs) of the SRB.

9. As regards the institutions under national jurisdiction, in 2021 FROB analysed 20 recovery plans of less significant institutions, submitted by the Bank of Spain, corresponding to the 2020 planning cycle, and 44 drawn up under the 2021 planning cycle.

Table 3. From recovery to resolution ²



Source: FROB

1.1.2. Resolution planning

Less significant institutions and investment firms.

10. In the case of less significant institutions and investment firms, Act 11/2015 establishes that the preventive resolution authority – the Bank of Spain and the CNMV, respectively – must prepare and approve a resolution plan for these entities, which will be updated on an annual basis, except in the case of those subject to simplified obligations, for which updates may be less frequent in general.

11. 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. 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 (hereinafter, SSM).

12. Furthermore, the corresponding preventive resolution authority establishes the minimum requirement of eligible liabilities (hereinafter, MREL) of each institution, following a report from FROB.

² Significant institutions.

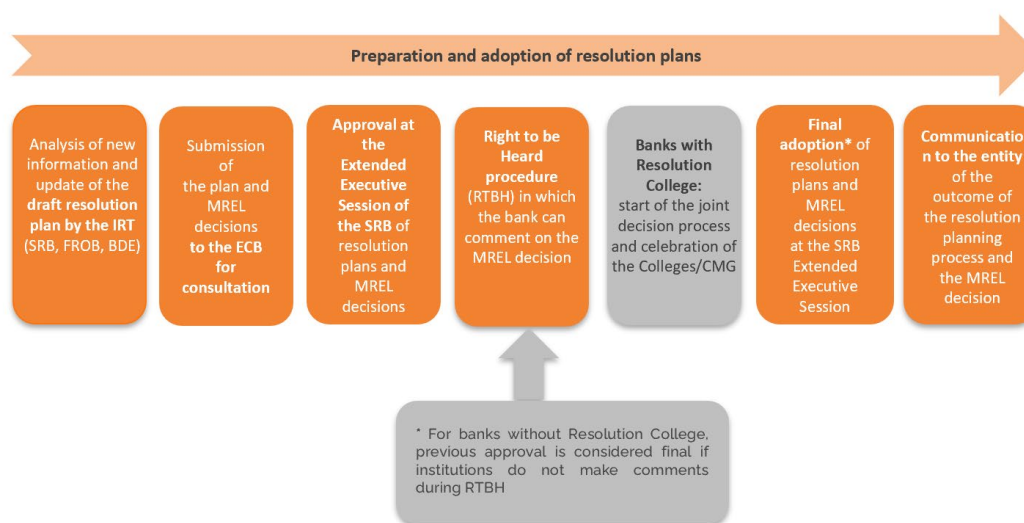
13. During 2021, FROB reviewed and issued a report on the resolution plans and minimum requirement of eligible liabilities of 30 less significant institutions (25 with a liquidation strategy and five with a resolution strategy) corresponding to the 2020 planning cycle. As regards the 2021 planning cycle, FROB issued a report on the plans of 27 less significant institutions, and of 11 investment firms, all with a liquidation strategy.

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

14. The SRB is responsible for the resolution of significant institutions and cross-border groups, while their resolution plans are prepared by joint working groups (Internal Resolution Teams or 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.
15. FROB is a member of the IRT of the ten significant Spanish institutions, the five foreign significant institutions with a subsidiary or significant branch in Spain and the three cross-border groups that have a significant entity in Spain. FROB participates in the IRTs in both the revision and analysis of the draft resolution plans and MREL requirements, and in the different meetings between the institutions and the SRB to analyse progress on resolvability matters and to monitor work priorities.
16. The resolution plans and MREL requirement of the institutions are approved on a preliminary basis following consultation with the ECB by the SRB at an Extended Executive Session involving the permanent members of the board and representatives of the NRAs of the countries in which the institutions affected by the decisions are established. FROB's Chair participates in the deliberations and in decision-making (with a voting right) at the meeting of the Extended Executive Session in which decisions relating to Spanish institutions and foreign institutions in Spain are going to be adopted (in contrast, in the case of foreign institutions with a significant branch in Spain, FROB participates as an observer). Subsequently, the preliminary decision on the MREL is notified to the institutions, initiating the right to be heard procedure, during which institutions can send their comments. The preliminary approval of the MREL requirement becomes final if the institutions do not send any comments during the right to be heard procedure. In the event that comments are made, the IRT will analyse them and, as the case may be, the possibility exists of modifying the MREL requirement that is approved on a preliminary basis. Subsequent to the analysis of the observations and regardless of whether changes in the decision are implemented or not, a new Extended Executive Session is held to definitively approve the resolution plan and MREL requirement.

17. In the case of banks with a resolution college, the approval procedure is somewhat more complex as it requires a larger number of authorities. 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 definitive 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. The approval procedure ends with the resolution authorities participating in the colleges signing the joint decisions on both the resolution plans and the MREL.
18. FROB participates as an observer in six RCs, two for institutions with controlling companies in Spain³ and the remaining four⁴ with controlling companies in the Banking Union and with significant branches or subsidiaries in Spain.
19. In the case of Global Systemic Banks (hereinafter, G-SIBs), an additional cooperation forum exists with the resolution authorities of non-EU countries, which are the Crisis Management Groups (hereinafter, CMGs). FROB participates in one CMG⁵.

Table 4. Procedure for adopting resolution plans



Source: FROB

20. As from 2020, the planning cycle of the SRB begins for all institutions within its jurisdiction in March each year, for a maximum of 12 months.

³ Santander, BBVA.

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

⁵ Corresponding to Santander.

21. In 2021, the 2020 planning cycle was completed. In this context, FROB attended the meetings of five RCs as an observer and the Chair voted at the corresponding Extended Executive Sessions of the SRB held during the exercise to definitively approve the resolution plans and MREL decisions that were outstanding from the 2020 cycle (corresponding to seven significant institutions, five of them with the resolution college).
22. As regards the 2021 planning cycle, FROB actively participated in the IRTs and gave preliminary approval to the resolution plans and MREL decisions of the significant institutions and cross-border groups with a presence in Spain. In 2021, definitive approval was given to six significant Spanish institutions without a resolution college and the two cross-border groups pending a decision in this cycle, while definitive approval was given to the rest of the institutions in 2022.

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

23. In 2021, the resolution college of a Luxembourg group with a subsidiary in Spain⁶ 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, FROB issued a mandatory report at the request of the Bank of Spain.

Table 5. 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, Unicaja, Grupo Cooperativo Cajamar, Bankinter, Kutxabank, Abanca & Groupe Cr�dit 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, Cr�dit 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.

⁶ EFG Group.

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, following its instructions, for significant institutions, while in the case of less significant institutions, FROB directly adopts the resolution decisions and exercises its jurisdiction pursuant to Act 11/2015.
25. No resolution decision was adopted in Spain in 2021. 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.

1.3. SINGLE RESOLUTION FUND AND NATIONAL RESOLUTION FUND

26. Resolution funds may be used by resolution authorities in certain circumstances and comprise contributions from the credit institutions, certain investment firms and branches in Spain of the aforesaid types of institutions established in third countries. Two resolution funds exist for Spanish institutions: the Single Resolution Fund (SRF) and the National Resolution Fund (NRF).
27. The SRF, managed by the SRB, is funded by the contributions from all the credit institutions in the Banking Union, including Spanish institutions, and from certain investment firms that belong to a banking group. To collect the contributions, the SRB determines the amount to be contributed by each applicable institution, based on the information provided thereby. In Spain, FROB, like the rest of the national resolution authorities of the Banking Union in their respective jurisdictions, collects the contributions from the institutions and subsequently transfers them to the SRF. The SRF must achieve 1% of the credit institutions' covered deposits by 31 December 2023 (i.e., by the end of the initial eight-year period as from 1 January 2016).
28. The NRF, managed by FROB, determines and collects the contributions from the Spanish investment firms not in a banking group, along with those from the branches of credit institutions in Spain established outside of the European Union that are required to contribute.
29. Each institution'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, both in the case of the SRF and the NRF. This result is then adjusted based on each institution's risk profile⁷.

⁷ Details of the calculation method are provided in Commission Delegated Regulation (EU) 2015/63 of 21 October 2014.

30. Within this framework, as in the previous year, FROB's activity in 2021 primarily focused on carrying out the annual steps needed to effectively determine and collect contributions and, specifically:

- Identify the institutions required to contribute to the SRF and to the NRF.
- Obtain from institutions the data needed to calculate the contributions for each institution.
- 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 (hereinafter, DGF).
- Notify the decision on the amount of the contributions by the SRB and collect these from Spanish credit institutions and investment firms that are subsidiaries of such institutions, transferring the contributions to the SRF.
- Calculate, notify and collect contributions from the institutions required to contribute to the NRF.
- Act as point of contact for any queries or requests from institutions 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 6. Contributions of Spanish institutions and branches in Spain of institutions established outside the European Union to the NRF and the SRF

EX ANTE CONTRIBUTIONS	2021				2020			
	SRF		NRF	Total	SRF		NRF	Total
	CIs	IFs	IFs and Non-EU branches		CIs	IFs	IFs and Non-EU branches	
No. of institutions	90	5	35	130	91	5	33	129
Amount of Contribution (thousand euros)	981,829	18	4,167	986,014	846,654	48	997	847,700

Source: FROB.

31. According to information provided by the Bank of Spain and the CNMV, in 2021 130 institutions were required to contribute, 90 of which were credit institutions⁸, 36 investment firms⁹ and four non-EU branches established in third countries.

32. In June 2021, FROB collected total contributions of EUR 986 million (EUR 982 million for the SRF and EUR 4 million for the NRF). At the close of 2021, the SRF

⁸ It should be noted that three of the 90 aforementioned institutions are considered central bodies of institutional protection schemes. In accordance with Commission Delegated Regulation 2015/63 of 21 October 2014, two of these institutions contribute on a consolidated basis for a total of 23 institutions that are affiliated to the aforementioned institutional protection schemes and which are exempted from prudential requirements under national law. These 23 institutions are not counted in the aforementioned figure of 90 institutions.

⁹ In 2020: 129 institutions, 91 of which were credit institutions, 35 investment firms and three branches established in third countries.

thus had has a balance of some EUR 52 billion provided by approximately 3,000 European institutions. EUR 5.36 billion of this amount was contributed by Spanish entities¹⁰.

33. Meanwhile, at the start of October 2021, work began to gather information to calculate 2022 contributions. Institutions had to furnish FROB with this information by 22 December 2021. The resulting amounts must be paid by the end of June 2022.

1.4. INTERNATIONAL ACTIVITY

34. As the Spanish authority acting as contact for and coordinator with the international authorities and other European Union Member States regarding resolution, 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 at the various international discussion forums that discuss, prepare and, where applicable, amend the resolution framework and rules.
35. FROB's international activity remained affected by the health crisis caused by COVID-19. In this context, face-to-face meetings have continued to be replaced by conference calls and the agendas continue to focus on points related to the close monitoring of significant and less significant institutions, and to the effects that measures introduced in 2020 had on all these institutions, although the discussions this year to further address the resolution and resolvability framework of institutions have once again been the main focus of attention.

1.4.1. Single Resolution Board

36. The Spanish representative on the SRB is FROB's Chair, who attends both the SRB Plenary Session and the Extended Executive Sessions, both 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 bank, 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.
37. In 2021, the activity of the Plenary Session of the SRB combined monitoring the situation in the context of the health crisis and the flexibility measures introduced, continuing with the work that primarily seeks to help institutions develop their resolution capabilities.
38. The Plenary Session of the SRB has three committees, which are dependent hierarchically thereon: i) the Resolution Committee, responsible for resolution planning and execution matters, and for the monitoring performed by the SRB of

¹⁰ Available at: [Single Resolution Fund grows by EUR 10.4 billion to reach EUR 52 billion | Single Resolution Board \(europa.eu\)](https://www.europa.eu). The accumulated collection from Spanish institutions between 2015 and 2021 amounts to EUR 5.365 billion. The difference between the EUR 5.363 billion mentioned in the text is down to the negative interest accrued between the time of receiving the contributions and their transfer to the SRF.

the activity of the NRAs affecting institutions in their countries; ii) the Administrative and Budgets Committee; and iii) the SRF Committee. Various groups of experts have also been set up.

39. 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.
40. 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.
41. One of the noteworthy technical aspects addressed in 2021 was the updating of the MREL policy and the adoption of the guide on liquidity and financing in resolution and the revision of the public interest policy, which includes the incorporation of systemic events published on the website of the SRB in April and May, respectively.
42. The development¹¹ by the SRB of a methodology based on a heatmap is also worthy of special mention to classify the level of progress of banks in the different dimensions of resolvability and the potential impact of each of these dimensions on the execution of the resolution strategy. This methodology permits the assessment of whether banks have advanced sufficiently in the most critical areas for the execution of the resolution strategy, the identification of potential impediments to resolvability and the implementation of corrective measures.
43. In 2021, several guides and documents were published aimed at institutions, framed within the efforts of the authority to facilitate progress by institutions in resolution planning. Particularly noteworthy, aside from those already mentioned, are the following SRB publications:
- The notification, on 1 January 2021, of the entry in force of the cooperation agreement between the SRB and the Bank of England on the resolution of cross-border banks.
 - The communication in March of the grandfathering of the instruments issued under British Law without a contractual bail-in recognition clause.
 - In June¹², the notification policy of the impracticality of the inclusion of contractual bail-in recognition clauses in contracts subject to the legislation of third countries.

¹¹ In July, the SRB reported on its development through a publication on its website.

¹² Updated in October.

- In July, the authorisation policy for the reimbursements, repurchases and advance repayments of eligible liabilities under the MREL based on the European Capital Requirements Regulation (CRR).
 - In October, an operating guide, aimed at institutions, on the separability of partial transfer tools, specifying the expectations regarding documents to be devised by institutions.
 - In November, the updating of the operating guide on resolution (including more details on financial resilience and the maintenance of key personnel).
 - In December, the guide for institutions on the orderly closure of the derivatives business line and resolution trading portfolios. This applies to global significant institutions in the 2022 resolution cycle and institutions with significant trading portfolios in the 2023 cycle.
44. It is also worth underlining the work carried out to devise a policy on the maximum daily amount that eligible depositories are permitted to access in the event of exercising the suspension power of payment and delivery obligations prior to the commencement of a resolution process, the revision of the SRB guide for the evaluation of recovery plans (incorporating the new indicators of the European Banking Authority) and the development of a policy on the selection and appointment of special directors by NRAs.

1.4.2. Other international forums

45. FROB actively participates in other discussion forums in Europe and around the world.
46. At a European Union level, FROB is a member of the Resolution Committee (ResCo) of the European Banking Authority (hereinafter, 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 2021 included the publication on the website of the EBA of:
- In May, regulation technical standard (RTS) of own funds and eligible liabilities.
 - In August, the implementation technical standard (ITS) on the disclosure of resolution information.
 - In September, the guide on stress tests of deposit guarantee systems.
 - In October, the report on the supervisory independence of the supervisory authorities (including resolution authorities).
 - In November, the guide on recovery plan indicators.

- In December, the guide on available financial means (AFM) of deposit guarantee schemes.
47. Internationally, FROB is a member of the Resolution Group (ResG) of the Financial Stability Board (FSB). 2021 was the tenth anniversary of the Key Attributes on resolution of the FSB, which contain the essential elements that regulatory resolution frameworks must comply with, not just for banking institutions but also extended to include 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.
48. In 2021, the CBCM focused on monitoring implementation of TLAC (a concept similar to MREL, but with differences in the way it is calculated and applied, applicable to globally systemic credit institutions) in the different FSB jurisdictions and on studying the treatment of the non-prepositioned TLAC surplus. Its work was also designed to improve: (i) the operationalisation of the internal execution of the bail in¹³; (ii) the maintenance of access to financial markets¹⁴; (iii) the financing of the resolution¹⁵ and (iv) the operationalisation of crisis management groups.
49. Within the framework 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.
50. 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.
51. Lastly, in 2021, 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.

¹³ This was translated in the publication of a document on the operationalisation of *bail in*, in December.

¹⁴ The FSB updated its questionnaire in 2020 for FMIs and also published a framework for information from intermediaries of the FMIs.

¹⁵ The FSB launched a survey to compare the implementation of its 2018 guide on financing in resolution.

2. RESTRUCTURING AND RESOLUTION PROCESSES

2.1. ENTITIES SUBJECT TO RESTRUCTURING OR RESOLUTION

2.1.1. Credit institutions in which FROB holds a stake

52. At 1 January 2021, FROB held a direct 100% stake in BFA Tenedora de Acciones, S.A.U. which, in turn, held a 61.83% stake in Bankia, forming the BFA group, a consolidable group of credit institutions. However, as already indicated in the 2020 Annual Report, the General Shareholders' Meetings of Bankia and CaixaBank approved the merger of the two banks in December of that year. The main new issues in 2021 refer to the succession of milestones achieved in implementing this merger.
53. On 26 March 2021, after receiving the final administrative authorisation, the merger was completed through the corresponding registration in the Companies Register of Valencia. After completing the swap of Bankia shares for newly issued CaixaBank shares, these shares were listed on the Stock Markets of Barcelona, Bilbao, Madrid and Valencia on 29 March 2021.
54. Once the merger became fully effective and following the share swap, FROB ceased to hold an indirect stake, through BFA, of 61.83% in Bankia to hold an indirect 16.12% stake in CaixaBank. Furthermore, CaixaBank is no longer consolidated with BFA, with the BFA Group thus ceasing to exist. This stake has, however, allowed BFA to appoint a Proprietary Director on the Board of Directors of CaixaBank - Teresa Santero – whose appointment was agreed at the Extraordinary General Shareholders' Meeting of CaixaBank on 3 December 2020, with the efficacy of said appointment subject to the registration of the merger with the Companies Register.
55. Following the completion of the merger, the first General Shareholders' Meeting of the merged entity was held on 14 May. At said meeting, all the proposed items on the Agenda were approved, including the 2020 annual accounts of CaixaBank, the management of the Board of Directors in 2020, the proposed distribution of the profit (equivalent to 15% of the proforma consolidated profit of CaixaBank and Bankia, in line with the recommendation from the ECB) and the resolutions relating to the remuneration of directors and key employees of the entity.
56. As a result of the previous meeting, BFA received the dividend for its stake in CaixaBank in May 2021, charged to the profit from 2020, for the sum of EUR 35 million. Following the receipt of this income, the accumulated amount of dividends received by BFA charged to the financial years 2014-2020, either from Bankia or from CaixaBank following the merger with Bankia, amounted to EUR 1.22 billion (EUR 1.41 billion including the dividend collected in April 2022 corresponding to profit from 2021).

57. Lastly, following the legal integration of Bankia and CaixaBank, the latter has made progress on the operational and business integration to extract the synergies that justified the draft merger. Accordingly, the entity reached an agreement in 2021 with the workers' representatives on the restructuring process, completed the technological integration between the two entities and formalised the termination agreements with the bancassurance business partners of Bankia with a view to its reorganisation.

CaixaBank. 2021 Results, prudential requirements and capital management

58. The CaixaBank Group presented its results for the financial year 2021 in January 2022. We should stress here that, given that the registration of the merger with Bankia took place at the end of March 2021, the balance sheet figures contain all the assets and liabilities of Bankia at their fair value, while the income statement contains extraordinary aspects deriving from the merger (negative goodwill (badwill) and restructuring costs), but not the Bankia profit generated in the first quarter of 2021.

59. Accordingly, the CaixaBank Group obtained an attributed cumulative profit in 2021 of EUR 5.23 billion, which includes an extraordinary negative consolidation difference, also recorded as badwill, of EUR 4.3 billion, which positively contributes to the profit, and EUR 1.43 billion in net restructuring costs (principally from the job restructuring process), which negatively contributes to the profit. Without taking into account these adjustments related to the merger and taking into account a homogenous scope that thus includes the profit from the first quarter of 2021 for Bankia prior to the merger, the profit attributed to the CaixaBank Group would amount to EUR 2.42 billion, compared with EUR 1.61 billion in the same quarter of 2020, a quarter that was seriously affected by the extraordinary COVID-19 provisions.

60. As regards solvency, the CET 1, Fully Loaded ratio, without deducting the transitory effect of the IFRS 9 standard, stands at 13.2% of the assets weighted by risk at 31 December 2021. The Tier 1 capital ratios and total capital are 15.5% and 17.9% respectively. Given that the capital requirement from the Supervisory Review and Evaluation Process (SREP) for 2021, notified by the ECB following the merger with Bankia, is 8.19% for CET1 at 31 December 2021, the CaixaBank Group held a margin of 499 bps over this at this date.

61. In turn, recording an issue in January 2022, the regulatory MREL ratio on the APR stands at 26.2% and at 8.9% in terms of the total exposure considered for the purposes of the calculation of the leverage ratio (LRE), complying at 31 December 2021 with the level required for 2024 (22.95% APR and 6.09% LRE).

62. As regards the dividends policy, following the announcement by the ECB on 23 July 2021 of its intention not to extend its recommendation on the distribution of dividends beyond September 2021, the Board of Directors of CaixaBank, at its meeting held in July, established, for the 2021 profit, a dividend distribution proposal in cash of 50% of the adjusted consolidated net profit, excluding the extraordinary impacts related to the merger with Bankia, to be paid out in a one-off payment during the financial year 2022. In 2022, the General Shareholders' Meeting approved the payment of this dividend of EUR 1.179 to be charged to 2021, of which BFA received EUR 190 million in April 2022.
63. Lastly, the CaixaBank share listing closed the financial year 2021 at EUR 2.414 per share, an increase of 14.9% on the listing at the close of 2020, implying that the value of the stake held by BFA (and indirectly by FROB) in Bankia/CaixaBank had increased by 60% from the day prior to the publication of the talks over the merger between Bankia and CaixaBank to the close of 2021.

Management of direct stake in BFA and indirect stake in CaixaBank.

64. Until 26 March 2021, the Board of Directors of BFA was composed of six members: three executive directors (one of whom was also the individual representative of FROB), who, in turn, were executive directors of Bankia, one proprietary director of FROB and two independent directors.
65. Following the merger, BFA lost its condition as the parent company of Bankia, which also means that BFA ceases to be subject to the regulations on banking organisation and discipline and means that the directors of the investee bank simultaneously cease to be directors of BFA. Accordingly, FROB, through its Governing Committee and in its condition as the sole shareholder of BFA, after accepting the resignation presented by the directors of BFA who, in turn, had been directors of Bankia, approved a new composition of the Board of Directors, reducing it to four members, with the aim of easing the structure of the governing body of the company and providing it with greater efficacy to comply with its social purposes, one of which remains FROB, by virtue of the provisions of Article 31(3) of Act 9/2012.
66. As regards the management of the stake of BFA in CaixaBank, as mentioned above, once the merger was completed, Teresa Santero Quintillá became a member of the Board of Directors, in her capacity as a proprietary director of BFA.
67. Lastly, the merger and appointment of this proprietary director means that the "Agreement regarding the management of the indirect stake of FROB, through BFA Tenedora de Acciones, S.A.U., in Bankia, S.A." (also known as the Relational Contract) terminated and ceased to be applicable. This agreement specified the terms under which the management of FROB's indirect stake in Bankia through BFA had to be implemented and established, in particular, the commitments by the parties and the flows of information that needed to be structured. Since then, FROB has approved a new ownership policy, adapting the monitoring of its stake to the new reality of the situation.

68. In view of the above, FROB continues to exercise its rights as a shareholder 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 CaixaBank by encouraging the recovery of public support through procedures that ensure competition and promote best practices in the securities market.

Legal contingencies

69. 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, Bankia 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. Once BFA ceased to form part of the banking group following the merger, it is only correct to provide information exclusively relating to BFA. Accordingly, on 31 December 2021, the accumulated impact of the contingencies relating to the Primary Offering in Spain over BFA was EUR 1.1 billion (without any payment being made in 2021), and no new impacts are expected in the future, having reached the maximum limit set in the distribution agreement between Bankia, now CaixaBank, and BFA for the distribution of these contingencies.

70. In relation to the contingencies for the deficient commercialisation of hybrid instruments, the reimbursements to holders of hybrid instruments, up to 31 December 2021, resulted in payments by BFA in legal contingencies for a net amount of EUR 1.53 billion (EUR 15 million in 2021), in addition to the costs from the arbitration process, which amounted to EUR 1.14 billion. As regards possible payments pending for this contingency, it should be stated that BFA has constituted a provision for the sum of EUR 70 million at year-end 2021.

Divestment

71. 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.

72. 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 Finance.

73. 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. Taking into account the merger process in which Bankia was immersed at that time, and the suitability of waiting for the full integration of Bankia and CaixaBank and for its beneficial effects to be recognised in the CaixaBank share price, the Council of Ministers extended this deadline again on 16 February 2021, to December 2023.
74. With regard to the divestment strategy, following the completion of the merger between Bankia and CaixaBank, FROB agreed to adapt its divestment framework. This new continuity divestment framework continues to opt for the sale of shares in capital markets, although the recommendation on the instruments to be used and the characteristics of each operation have adapted to a stake that is percentually lower than the capital but much more liquid.
75. In 2021, no new operation has been undertaken for the sale of CaixaBank shares.

2.2. MONITORING OF GUARANTEES GIVEN IN DIVESTMENT PROCESSES

2.2.1. APS arranged in sale of Banco de Valencia

76. 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.
77. Net losses for EUR 16 million were settled in 2021. 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 10.7 million before 30 June 2022. This amount is in addition to the EUR 129.5 million that, at 31 December 2021, FROB had paid to CaixaBank for this guarantee. For its part, FROB maintains a provision for the amount of EUR 154.1 million recorded in its annual accounts for the financial year 2021, divided into a short-term provision to address the payment of the EUR 10.7 million by 30 June 2022 and a long-term provision of EUR 143.4 million to cover the expected loss of portfolio.
78. Furthermore, since the start of the APS, around EUR 3.4 million for the annual APS commission have accrued.

2.2.2. Other guarantees

79. In the sale process of recapitalised institutions, guarantees were granted to cover certain contingencies that are mostly related to existing litigation or litigation that 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 2021. 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 outstanding guarantees on an ongoing basis.

2.3. SAREB

80. La 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 until November 2027.
81. 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).
82. The total value of assets transferred to Sareb was determined as EUR 50.78 billion (of which EUR 11.34 billion in real-estate assets and EUR 39.44 billion in financial assets). Payment for the transfer was effected through the delivery of six senior debt issues by Sareb with an irrevocable State guarantee, which were 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 2021

83. The strategic focus of Sareb consists of the preservation of the economic value of its portfolio. To achieve this, the recovery of financial assets through their transformation into real-estate assets is maximised by acquiring mortgaged property, provided that it envisages the capacity for their appreciation to justify the costs of the transformation process, and directly liquidating them if not. The Company's commercial strategy consists of optimising the value of assets, prioritising sales through the retail rather than wholesale channel, since the latter requires greater discounts in the sale price.

84. The approval of Royal Decree-Law 6/2016¹⁶ established that, given the specific features of Sareb as a Company whose activity is primarily liquidation, the grounds for corporate dissolution due to an equity deficit is not applicable, exempting Sareb from needing to comply with the legal obligation for dissolution due to accumulated losses. This situation meant it could design a portfolio divestment plan that identifies those assets that are not considered to have a price increase potential in the long term, with a view to their immediate liquidation so as to make cost savings to maintain them on the balance sheet. This strategy, which leads to significant cost savings in the long term, translates in the short term to an income statement with high negative margins that lead to a significant increase in losses for the year.
85. 2021 closed with income, according to management figures¹⁷ of EUR 2.18 billion, compared with EUR 1.42 billion the previous year (an increase of more than 50%), with a negative operating margin of EUR 434 million, compared with a positive figure of EUR 160 million in 2020.

Table 7. Key financials of Sareb at year-end 2021 according to management income statement (EUR million).

	2021	2020
Total income	2,184	1,422
<i>Income from financial assets</i>	657	568
<i>Income from real-estate assets</i>	1,499	847
<i>Other</i>	28	7
Total net income	(434)	160
<i>Net income from financial assets</i>	(275)	100
<i>Net income from real-estate assets</i>	(178)	41
<i>Other net income</i>	19	19
Operating expenses	(688)	(603)
EBITDA	(1,122)	(444)
Amortisation and depreciation charges and others	(100)	(81)
Operating profit (loss)	(1,222)	(524)
Finance costs	(403)	(548)
Taxes	(1)	(1)
Profit (loss) for the year	(1,626)	(1,073)

Source: FROB.

¹⁶ Royal Decree-Law 6/2020, of 10 March, adopting certain urgent measures at an economic level, amended the Seventh Additional Provision of the Act on the restructuring and resolution of credit institutions to adapt the grounds for dissolution of Sareb to its singular nature, which pursues the orderly liquidation of its assets, such that Sareb will not be subject to dissolution when its net equity falls to an amount less than half its share capital.

¹⁷ The management income statement differs from the accounting income statement in certain registration criteria provided for in the General Chart of Accounts, whereby the main difference is that most of the financial assets are recorded for the net amount of the income less transfer prices (directly allocating the operating margin), while under the management format, both items are recorded separately (income and sale margin).

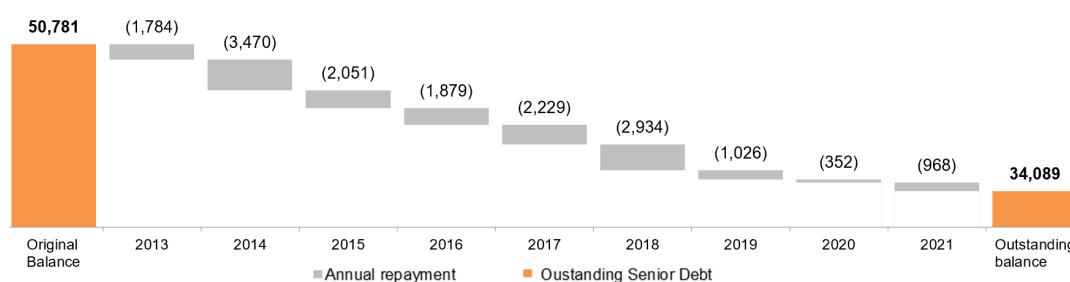
86. Most of the income (around 70%) is obtained from real-estate assets, amounting to EUR 1.5 billion (an increase of 77% on the previous year), of which EUR 1.42 are from the sale of real-estate assets, compared with income from financial asset operations of EUR 657 million (an increase of 16% on 2020). It should be pointed out that approximately 85% of sales took place through retail channels (in other words, sales made to individuals and companies).
87. The largest income from financial assets derives from negotiated sales, with less activity in sales of loans without collaboration. A high degree of difficulty is observed to divest the less liquid portfolio through mainstream supplier channels.
88. As regards real-estate assets, the recovery of sales of buildings in the residential segment recovered in 2021, generating a volume of EUR 1.03 billion (62% down on 2020). In turn, land and tertiary assets account for a lower volume of real-estate assets as a whole, at EUR 386 million, albeit recording an increase of 142% on 2020. In 2021, Sareb achieved an all-time record in the sale of buildings, at 23,466 units (taking into account both residential, land and tertiary assets).
89. Notwithstanding these volumes of sales, as Sareb has boosted the sale of these less liquid assets (those with little or no capacity to increase their price), operating margins have been generated with a very significant negative volume in the amount of EUR 434 million, compared with a positive operating margin of EUR 160 million recorded in 2020.
90. Operating costs, which, given the special nature and activity of Sareb, are very high, are in line with those expected, rising by 14% on the previous year as a result of a higher volume of commercial activity.
91. After applying the operating costs to the sale margin, a negative operating profit was recorded in the amount of EUR 1.22 billion, significantly increasing the EUR 524 million loss in 2020, a lower figure than budgeted for.
92. The loss for 2021, which is heavily influenced by finance costs (EUR 403 million), leads to losses of EUR 1.63 billion, 52% higher than in 2020. This loss has consumed all of Sareb's own funds, including the EUR 1.43 billion of subordinated debt that was converted over the course of 2021.
93. The governing bodies of Sareb (Board of Directors meeting on 21 April 2021 and General Shareholders' Meeting on 26 May 2021) adopted the following resolutions required for the conversion of subordinated debt into capital (which included the EUR 656 million subscribed by FROB), with the aim of restoring the equity imbalance Sareb was faced with:
- a) Reduction in the share capital, legal reserve and other existing reserves at that date to offset losses from previous financial years.

- b) Increase in share capital through the conversion of subordinated debt. The General Shareholders' Meeting approved the conversion of the remaining balance of the subordinated debt (EUR 1.43 billion) through the issue of 1,429,560,000 new shares with a face value of one euro.
- c) Two capital reductions (i) to offset losses and allocate to the legal reserve, and (ii) to allocate to the restricted voluntary reserve, for an aggregate sum of EUR 1.26 billion through a reduction in the face value of existing shares, setting the face value of the shares at EUR 0.12.

94. Following these resolutions, Sareb's share capital stood at EUR 171 million. The losses incurred in 2021, together with those from previous years, mean that Sareb's own funds remain negative at an amount of EUR 1.04 billion. The net equity records a negative value that stands at EUR 9.93 billion, given the marking to market of interest-rate hedging derivatives (a negative EUR 268 million) and the impairment of the portfolio of financial and real-estate assets (a negative EUR 8.63 billion). Despite the Company's negative equity position, the Company is legally exempt from holding positive own funds, and provided it has a sound treasury position to address its short- and medium-term debts, no doubts presently exist regarding its operational continuity.

95. At the close of 2021, the senior debt guaranteed by the State, which forms the Company's main liability, stands at EUR 34.09 billion (69% of the initial total), after having repaid EUR 968 million in financial year 2021¹⁸. Consequently, the accumulated figure for repaid senior debt amounted to a total of EUR 16.69 billion.

Table 8. Changes in Sareb's senior debt (EUR million).

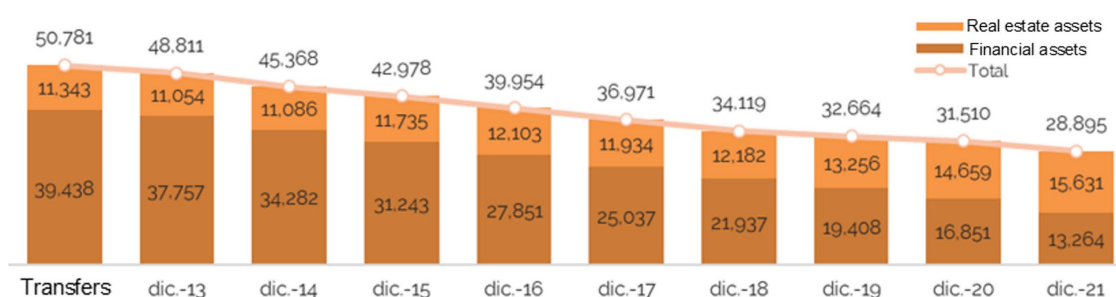


Source: FROB.

¹⁸ The repayments made in February and March 2022 for an aggregate sum of EUR 425 million, charged to the cash generated in 2021, are not included.

96. The balance of assets originally transferred to Sareb and pending divestment at year-end 2021 stands at EUR 28.9 billion (without considering valuation adjustments from impairment for an aggregate amount of EUR 8.63 billion), approximately 54% of which are real-estate assets while the remainder are financial 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 9. Changes in the financial and real-estate assets on Sareb's balance sheet (EUR million).



Source: FROB.

2.3.3. Social management of portfolio

97. It should be remembered that for many years, Sareb has exercised different actions of a social nature, particularly in relation to social housing. In this regard, in February 2021, Sareb signed a protocol with the Ministry of Transport, Mobility and Urban Agenda to increase its stock of social housing available to public authorities from 10,000 houses under the programme at the start of the year to 15,000 at present.
98. Sareb has continued to boost social matters, such that in October 2021, the Company approved the so-called "Affordable social housing plan", which seeks to work progressively with the close to 9,800 families that already live in Sareb houses and that have access to affordable social rents. Together with this affordable social rent, a social accompaniment programme has been set in motion, along with a continuous work plan, by experts in the management of vulnerability with a local presence, that will offer proximity and direct dialogue. This management will include intensive collaboration with the public authorities with jurisdiction in this matter.
99. In 2021, Sareb continued its talks with different regional and local authorities, formalising agreements for the temporary assignment of housing for social ends with 16 local authorities, making some 287 units available for their use.
100. Accordingly, from the start of the social housing programme in 2013 to the close of 2021, Sareb has signed temporary assignment agreements with close to 50 public authorities, allocating a total of 3,328 properties, benefitting more than 13,000 people.

101. 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. Over the year, Sareb has sold close to 172 properties to four local authorities and three regional authorities, giving a total of 341 properties sold to public authorities.

2.3.2. Process to take control of Sareb

102. When Sareb was incorporated, Eurostat considered that it should be classified in the National Accounts under the private sector (private financial institution not controlled by the public authorities). However, in light of the evolution of the Company equity (with consecutive years incurring significant losses that have led to the consumption of all of the own funds that Sareb was incorporated with at year-end 2021) and given that the Company enjoys public guarantees (such that the economic risk of the Company falls on its capacity to repay senior debt guaranteed by the State, with the expectation of the execution of its public endorsement and thus in the use of public resources), Eurostat issued an opinion in February 2021 whereby Sareb must be reclassified in the National Accounts as a unit that belongs to the public authority sector. In March 2021, its reclassification was agreed and it was integrated within the public sector, with a significant impact on the Public Accounts, with an increase in the public debt of more than EUR 34 billion, due to the balance of senior debt endorsed by the State and pending repayment, and on the public deficit.
103. Although it does not strictly correspond to the timeframe of this Annual Report, due to its importance, it should be highlighted that on 18 January 2022, Royal Decree 1/2022¹⁹ was approved, with the primary aim, as contained in its preamble, of urgently undertaking a reform of the capital structure of Sareb and its governance, such that it reflects the change of criterion proposed by Eurostat and described in the previous point, along with the equity situation of the Company. This Royal Decree-Law contains various major changes for Sareb:
- The limits on the State's stake in the shareholding of Sareb were eliminated, thus permitting FROB to attain a majority position in its capital, with the aim of taking control of the Company. However, it was determined that this control would not mean that Sareb acquired the status of a State-owned company, remaining subject to all the effects of the private legal system with two exceptions – contracts and the remuneration policies of Sareb remaining subject to the principle of budget efficiency - and hence it was determined that the system of commercial and senior management contracts would be subject to the provisions of the Eighth Additional Provision of Royal Decree-Law 3/2012, of 10 February.

¹⁹ Royal Decree-Law 1/2022, of 18 January, amending Act 9/2012, of 14 November, on the restructuring and resolution of credit institutions; Act 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms; and Royal Decree 1559/2012, of 15 November, establishing the legal regime for asset management companies in relation to the legal regime of the Asset Management Company for Assets Arising from the Banking Sector Reorganisation.

- The supervisory and oversight regime has been adapted. Accordingly, once effective control was taken of Sareb by FROB, the Steering Committee of Sareb²⁰ disappeared, since oversight of the activity of the Company and the monitoring of compliance with its aims is now directly carried out through the oversight bodies of the Company given the existence of a public majority. Despite the foregoing, the supervisory and discipline regime of the Bank of Spain is maintained, while the external oversight of the Court of Auditors must take into account the special nature of Sareb.
- Sareb's mandate incorporated the observance of the principles of sustainability and social use within its value optimisation aim.

104. Following the approval of Royal Decree-Law 1/2022 and with the aim of guaranteeing a sufficient majority to allow the State to exercise effective control of the management of the Company, FROB made a formal offer to Sareb's private shareholders for the totality of their shares. Following acceptance of the offers received, FROB formalised the acquisition of 4.24% of Sareb's share capital to hold a 50.14% stake in the Company.

2.4. LEGAL MATTERS

105. FROB continues with its work to monitor litigation (in the criminal, contentious-administrative, civil-commercial and employment jurisdictions) related to restructuring and resolution processes underway, along with the activity related to the processing of different administrative proceedings, such as pecuniary liability claims and other administrative appeals, as well as requests for access to information under Act 19/2013, of 9 December, on transparency, access to public information and good governance (hereinafter, "Transparency Act").

2.4.1. Criminal

106. Under the criminal jurisdiction, FROB continues with its hard work to pursue and penalise anyone involved in irregular conduct in transactions to grant credit related to both real estate traffic and internal remuneration practices in the various credit institutions that received 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.

107. The origins for these proceedings are diverse and at the date this Annual Report was prepared, 20 cases remain active to which FROB is a legal party. In particular, from among those procedures that were active at the start of the year, 11 claims were lodged against the provisional administrators appointed by FROB in a failed institution; six 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

²⁰ Regulated by Section 9 of the Seventh Additional Provision of Act 9/2012.

carry out its own inquiries and initiate the appropriate proceedings; and the three remaining procedures derived from claims made by third parties in which the presiding judge summonsed FROB to appear before the court.

108. Over the course of 2021, FROB thus remained a party to 20 criminal proceedings that remain pending against numerous former directors of several entities, seeking to defend the general interest and recover as many amounts as are possible through those sums that must be settled from civil liability convictions, although all the proceedings that are at different stages of litigation have evolved and remain underway.
109. However, most of the proceedings are at a very advanced stage, since the investigation stage has now been completed in all but one process, which is still at this stage due to the significant complexity of the case. Of the remaining 19 proceedings, at the date of preparation of this Annual Report, a total of nine proceedings are pending oral hearings, with the date set for three of them, while the other six are pending the date to be set. A particular feature in one case is that a judgment of acquittal had already been handed down by the Central Criminal Division of the National High Court but, at the end of the year under analysis and as a result of the appeal filed by the State Attorney on behalf of FROB, a ruling has been handed down by the National High Court annulling the acquittal and ordering the oral hearing to be repeated for one of the defendants, which is now pending.
110. In the 10 remaining proceedings, various rulings were handed down by the National high Court: in five of them, judgments of acquittal were issued, although one of the rulings has been appealed against and is pending resolution while another is in the analysis and evaluation phase by FROB's legal services department (to determine whether to proceed or not appeal the ruling), while in the three remaining proceedings, FROB has evaluated the ruling and decided not to appeal the ruling given the scant probability of success of the potential appeals due to the sound legal arguments and/or the evidentiary evaluation of the *a quo* rulings. Finally, the five remaining judgments resulted in convictions and are now binding, all of them confirmed by the Supreme Court. It should be mentioned that more than EUR 270 million have been recognised judicially in binding rulings.

2.4.2. Administrative appeals

111. 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 repealed Act 9/2012 is still pending this year. All legal rulings obtained in these proceedings confirmed the legality and compliance with the law of the administrative actions that were filed by FROB under the framework established in the aforesaid Act 9/2012 (and, in particular, with regard to subordinated liabilities exercises for hybrid instruments, capital increases and decreases without preferential subscription rights and transfers of assets to Sareb).

112. However, the multiple appeals for judicial review lodged to contest FROB's administrative actions within the framework of its new remit as national executive resolution authority as established in Act 11/2015, currently in force, remain active. Specifically, work continues to process the numerous 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.
113. At the date of this Annual 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).
114. 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 the Transparency Act. The hearing of this appeal was suspended by the competent Central Judicial Review Court until a final ruling is handed down in two appeals filed before the General Court of the European Unión (GCEU).
115. Three new proceedings initiated over the year should also be mentioned: (i) an appeal lodged in response to the refusal of an application for an *ex officio* judicial review and declaration of nullity of an administrative action whereby the claim has already been contested and is pending a ruling; (ii) an appeal lodged against the resolution of FROB's Governing Council that ruled on a request for access to information within the scope of the Transparency Act, which is pending FROB contesting the claim at the date of preparation of this Annual Report; and (iii) a third appeal, also against the resolution of FROB's Governing Council that ruled on a request for access to information, whereby FROB has submitted the administrative file to the National High Court.

2.4.3. Civil-commercial law

116. In this area, the lawsuits that remained active and involved 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 claims 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 were 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 at the start of the year under analysis, one lawsuit was still underway with the appeal pending admission by the Supreme Court but which finally was not admitted in April 2021, such that they are all now finalised.

117. 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 that FROB challenged in all cases, and which are pending a ruling, which it is hoped will be handed down in the next year.
118. In addition, two proceedings exist, the first deriving from a claim filed at the end of the previous year, relating to a discrepancy regarding the economic impact of the modification of the scope that was initially segregated of an institution in resolution and subsequently transmitted to the plaintiff institution. The hearing is scheduled for July 2022. In the second proceeding, filed this year and relating to a discrepancy as to whether the loss stemming from the liquidation of a fund on two assets included in the scope should be covered or not by the asset protection scheme granted in favour of the plaintiff institution in the process of the acquisition of another institution in resolution. The discrepancy relates to the need or not for a prior request for authorisation of the liquidation and the consequences stemming from not making the request. FROB has already contested the claim and a preliminary hearing is pending that will be held in the year following the one under analysis.
119. Finally, a new civil claim should be mentioned at the end of the year under analysis, claiming damages from the flooding of a building. This lawsuit is being held in Benidorm which, at the date of the preparation of this Annual Report, is still pending the correct venue to contest the claim.

2.4.4. Labour law

120. 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 in employment law, and thus subject to the labour jurisdiction.
121. In this respect, some cases affecting corporate law that had been temporarily suspended awaiting a prior ruling from the criminal courts have been reopened either following rulings exonerating the defendant from criminal liability or to decide on matters not affected by the criminal judgment.
122. Specifically, one of these which had been ruled on over the course of 2019, upholding all of the claims made by FROB, still remains in the enforcement stage for the collection of all of the amounts recognised in favour of the entity and FROB.
123. And the last of these, which had finalised regarding one of the defendants in the previous year following an agreement reached with the entity which included meeting all of FROB's claims and another which has also finalised regarding the other two former executives similarly sued, in other words, by signing agreements

with each of them which satisfied the claims filed by the institution and FROB, leading to the withdrawal of the claims filed against them as a result of an out-of-court agreement.

2.4.5. Pecuniary liability claims

124. FROB continues to process the high number of pecuniary liability claims received in relation to its work regarding 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 2021, the processing and resolutions of these claims has continued, with a total of 656 claims now resolved at the date of preparation of this Annual Report. It is worth mentioning that the Council of State has confirmed, in all the opinions received to date, the arguments set out by FROB (since the opinion of this advisory body is mandatory for the resolution of those claims in which the amount requested is more than EUR 50,000).
125. 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

126. In 2021, 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 the resolution of Banco Popular.

2.4.7. Transparency requests processed in 2021

127. Five requests for access to information pursuant to the Transparency Act 19/2013, of 9 December, were resolved in 2021.
128. It is worth mentioning that the claims filed with the Good Governance and Transparency Council in accordance with Article 24 of the Transparency Act 19/2013, of 9 December, 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 judicial review (mentioned beforehand) on this matter. This appeal is also suspended pending a ruling by the GCEU.

3. OTHER ACTIVITIES

129. 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.
130. This process culminated with the approval of the Social Responsibility (SR) Policy of FROB. This Policy provides for the creation of an 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.
131. The Policy also defines the guiding principles and lines of action to structure these activities. 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.
132. These lines of action have been developed over the course of 2021 through the implementation of specific initiatives for each of them. On a non-exhaustive basis, different actions have been undertaken such as raising awareness regarding the use of recycled paper and the replacement of plastic in offices, improving the accessibility of the corporate website, the organisation of different donation campaigns, the arrangement of the signing of an agreement with the SEPI Foundation to undertake an Internship Programme and the gradual incorporation of sustainability criteria in certain contracts entered into by the body, all complemented with an intense internal communication policy.

ORGANISATION OF FROB

1. CONTROL AND GOVERNANCE BODIES

1.1 GOVERNING COMMITTEE

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

- The Chair of FROB, who also chairs the Governing Committee.
- The Deputy Governor of the Bank of Spain, who holds the Vice-Chair of the Governing Committee and stands in for the Chair in the event of the latter's absence or illness or if the Chair 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 for Banking Supervision, the Director-General for Financial Stability, Regulation and Resolution, and the Secretary-General of the Bank of Spain.
- 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 Secretary-General for the Treasury and International Financing, and the Chair of the Spanish Institute of Accountants and Auditors (ICAC).
- The Deputy Chair of the CNMV.
- Two representatives from the Ministry of Finance and Civil Service, appointed by the ministerial department. These representatives are currently the ministry's State Secretary for Finance and the Director-General for Budgeting.

134. 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.

Table 10. Composition of the Governing Committee at 31 December 2021.

CHAIR
FROB
Paula Conthe Calvo (Chair, FROB)
VICE-CHAIR
BANK OF SPAIN
Margarita Delgado Tejero (Deputy Governor of the Bank of Spain)
COMMITTEE MEMBERS
BANK OF SPAIN
Mercedes Olano Librán (Director-General for Banking Supervision)
Ángel Estrada García (Director-General for Financial Stability, Regulation and Resolution)
Francisco Javier Priego Pérez (Secretary-General)
MINISTRY OF ECONOMIC AFFAIRS AND DIGITAL TRANSFORMATION
Amparo López Senovilla (Under-secretary for Economic Affairs and Digital Transformation)
Carlos Cuerpo Caballero ²¹ (Secretary-General for the Treasury and International Financing)
Santiago Durán Domínguez (ICAC Chair)
CNMV
Montserrat Martínez Parera (Vice-Chair)
MINISTRY OF FINANCE AND CIVIL SERVICE
Inés María Bardón Rafael (State Secretary for Finance)
Jaime Iglesias Quintana (Director-General for Budgeting)
ATTENDEES WITH SPEAKING BUT NOT VOTING RIGHTS
COMPTROLLER GENERAL'S OFFICE
Pablo Arellano Pardo (Auditor General of the Spanish Central Government)
ATTORNEY-GENERAL'S OFFICE – DIRECTORATE OF THE STATE LEGAL ADVISORY SERVICE
Julio José Díez Menéndez (State Attorney at the Ministry of Economic Affairs and Digital Transformation)

²¹ Carlos San Basilio Pardo attended as Secretary-General for the Treasury and International Finance, as a committee member until Governing Committee 11/2021, held on 27 July 2021.

135. Irrespective of the foregoing, decisions affecting the General State Budget²² 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 and Civil Service.

Table 11. Composition of the Governing Committee in its reduced format at 31 December 2021.

CHAIR
FROB
Paula Conthe Calvo (Chair, FROB)
COMMITTEE MEMBERS
MINISTRY OF ECONOMIC AFFAIRS AND DIGITAL TRANSFORMATION
Amparo López Senovilla (Under-secretary for Economic Affairs and Digital Transformation)
Carlos Cuerpo Caballero ²³ (Secretary-General for the Treasury and International Financing)
Santiago Durán Domínguez (ICAC Chair)
MINISTRY OF FINANCE AND CIVIL SERVICE
Inés María Bardón Rafael (State Secretary for Finance)
Jaime Iglesias Quintana (Director General for Budgeting)
ATTENDEES WITH SPEAKING BUT NOT VOTING RIGHTS
COMPTROLLER GENERAL'S OFFICE
Pablo Arellano Pardo (Auditor General of the Spanish Central Government)
ATTORNEY-GENERAL'S OFFICE – DIRECTORATE OF THE STATE LEGAL ADVISORY SERVICE
Julio José Díez Menéndez (State Attorney at the Ministry of Economic Affairs and Digital Transformation)

²² Royal Decree-Law 1/2022 also incorporated FROB decision-making that affects the management of the portfolio of stakes, shares, titles and other FROB instruments assigned to the Governing Committee in its reduced format.

²³ Carlos San Basilio Pardo attended as Secretary-General for the Treasury and International Finance, as a committee member until Governing Committee 11/2021, held on 27 July 2021.

136. The Plenary Session of the Governing Committee met on 16 occasions in 2021, while four meetings were held in its reduced format.
137. 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 for Financial Stability, Regulation and Resolution (acting as Chair), the Director General for Budgeting, and the Auditor General of the Spanish Central Government.

2. ORGANISATION

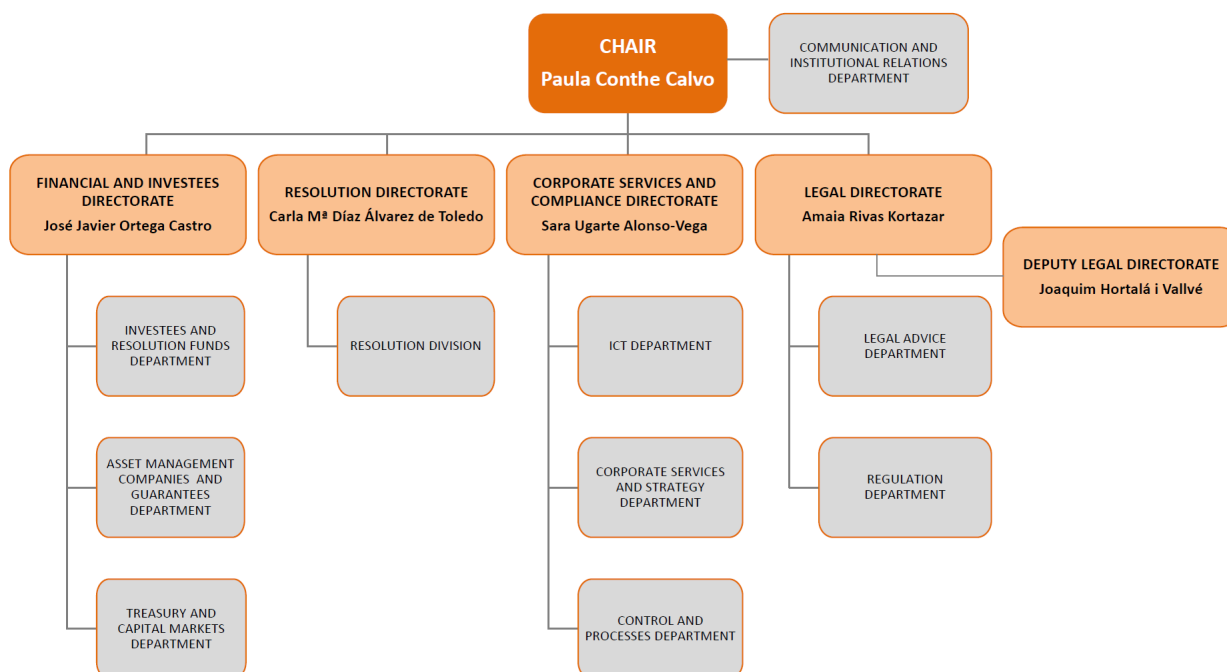
138. FROB has four directorates led by its Chair. At the date of preparation of this Annual Report, they are as follows²⁴:
 - The Corporate Services and Compliance Directorate, headed up by Sara Ugarte Alonso-Vega.
 - The Financial and Investees Directorate, headed up by José Javier Ortega Castro.
 - The Legal Directorate, headed up by Amaia Rivas Kortazar²⁵.
 - The Resolution Directorate, headed up by Carla Díaz Álvarez de Toledo.
139. The Legal Deputy Directorate is also attached to the Legal Directorate, at a directorship level, headed up by Joaquim Hortalá i Vallvé²⁶.
140. The directorates are split into departments for the purpose of exercising the powers and conducting the activities assigned to each of them.

²⁴ This structure responds to a reorganisation approved by the Governing Committee on 28 December 2021 and put into operation in January 2022, which resolved to integrate the former International Legal Affairs Directorate into the Legal Directorate, changing its name to the Legal Deputy Directorate, with its head maintaining the category of Director.

²⁵ Appointed on 10/01/2022

²⁶ Appointed on 17/01/2022

Table 12. Organisational chart



141. At 31 December 2021, FROB had 41 members of staff (25 women and 16 men), including the Chair and Directors. The following table shows the distribution of its workforce by professional category:

Table 13. Distribution of personnel by professional category

Category	Headcount
Senior Management ^[1]	6
Group II	22
Group III	6
Group IV	4
Group V	3
Total	41

^[1] 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.

FINANCIAL MANAGEMENT

1. TREASURY MANAGEMENT

142. 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.
143. In 2021, FROB's Treasury team handled a number of payments and collections, the most relevant being as follows:
- On 30 June 2021, FROB paid CaixaBank EUR 16.3 million for the annual settlement of losses deriving from the APS of Banco de Valencia.
 - On 14 July 2021, FROB paid BBVA close to EUR 19.6 million for the guarantees granted within the framework of the acquisition of Catalunya Banc.
 - On 24 November 2021, FROB paid the Deposit Guarantee Fund EUR 3.1 million for the updated cost and guarantees within the framework of the acquisition of Catalunya Banc.
 - On 9 December 2021, FROB paid Abanca around EUR 0.7 million for guarantees given during the sale of NCG Banco.
 - FROB also received, payments corresponding to the coupons on assets in the public debt portfolio over the course of the year, totalling around EUR 5.5 million.
 - Lastly, FROB paid the Treasury the sum of EUR 56.9 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.
144. It should be highlighted that, with date of effect of 20 December 2021, FROB and the Treasury agreed to the partial capitalisation of the loan mentioned in point 3 of this section, for an amount of EUR 5.59 billion. Consequently, the amount of the outstanding loan with the Treasury now totals EUR 1.87 billion, as explained hereinbelow.
145. At 31 December 2021, FROB's cash reserves totalled EUR 687 million.

Table 14. FROB's cash reserves at year-end 2021²⁷

PRODUCT	31/12/2021
	Nominal (EUR million)
Public debt portfolio	150
Current accounts	536
Total (*)	686

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

Source: FROB.

2. FEE TO FUND FROB'S ACTIVITY

146. 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.
147. 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.

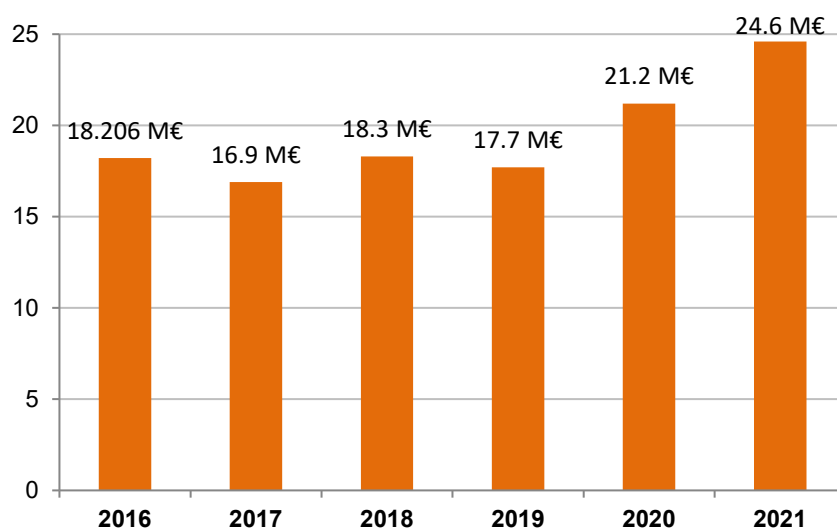
Table 15. Main features of the fee collected by FROB

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

²⁷ Within the balance of “Current accounts”, EUR 536 million correspond to accounts held at the Bank of Spain. Specifically, at the year end, the treasury account had a balance of EUR 462 million and the operating expenses account had a balance of EUR 74 million.

148. 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 2021 at its 23 April 2021 meeting, and delivery of the corresponding payment form to the fee-payers.
149. All the fee-payers paid the fee within the stipulated deadline, with a total of EUR 24.6 million collected in 2021.

Table 16. Changes in the fee to fund FROB's activity



Source: FROB.

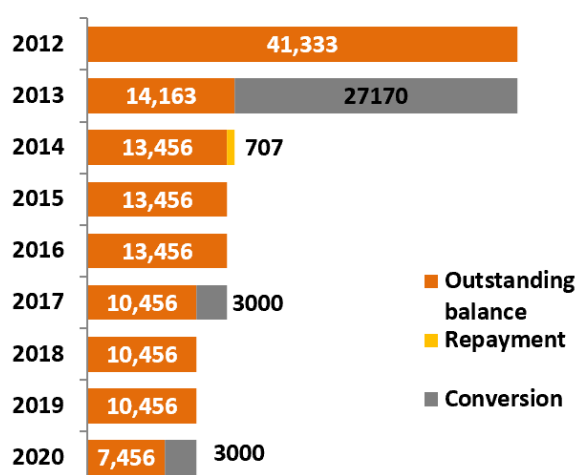
3. STATE LOAN FOR FINANCIAL SECTOR RECAPITALISATION

150. 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.
151. 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.
152. The key developments affecting the loan from the Spanish State/Treasury to FROB, including those granted in previous years, were:
- 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.
- On 20 December 2021, a new conversion of part of the loan into a contribution to FROB's capital of EUR 5.59 billion took place.

153. At 31 December 2021, the outstanding balance on the loan awarded to FROB by the Spanish State totalled EUR 1.87 billion, corresponding entirely to the second pay-out. Its maturity will fall due in two equal parts on 11 December 2024 and 2025, respectively.

Table 17. Changes in the State loan for recapitalisation of the financial sector (EUR million)



Source: FROB.

4. 2021 ANNUAL ACCOUNTS

154. On 27 June 2022, FROB's Governing Committee approved the entity's annual accounts for 2021, previously authorised for issue by the Chair, in compliance with Articles 54.5 c) and 55.4 c) of Act 11/2015.
155. FROB's 2021 annual accounts show assets of EUR 5.18 billion, liabilities of EUR 2.33 billion and equity of EUR 2.85 billion, including the loss for the year of EUR 1.35 billion.
156. FROB's annual accounts are audited by an independent auditor. The auditor states in its audit report on the 2021 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 2021.

ANNEX
Record of FROB bailouts

Entities involved	APS and guarantees	Shares, preference securities or CoCos	Recoveries (FROB) ^(*)
Catalunya Banc Catalunya, Tarragona, Manresa	546	12,052	782
CEISS Caja España-Duero	430	1,129	604
Nova CaixaGalicia Galicia, Caixanova	349	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	449	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	-	-	1,443
FROB injection	2,166	54,353	-
Sareb	-	2,192	-
Total	2,166	56,545	5,920

() The bailouts that will ultimately be collected will depend on the performance and final divestment of FROB's investees (BFA/Caixa 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, or the cumulative amount of the dividends received by BFA charged to the years 2014-2021, either from Bankia or from CaixaBank following the merger with Bankia, amounting to EUR 1.41 billion (including the EUR 190 million collected in April 2022), since in all three cases, the amounts received remain on the balance sheet of BFA.*

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Spanish Executive Resolution Authority