FROB Fondo de Reestructuración Ordenada Bancaria

TESTIMONY BY THE CHAIRMAN OF THE GOVERNING COMMITTEE OF THE FROB BEFORE THE PARLIAMENTARY COMMITTEE ON ECONOMIC AFFAIRS AND COMPETITIVENESS

14 April 2015

Mr. Chairman, Members of Parliament,

In accordance with the oversight mandate included in Article 56 of Law 9/2012 of 14 November 2012 on the restructuring and resolution of credit institutions, I appear before this Parliamentary Committee on Economic Affairs and Competitiveness as Chairman of the Governing Committee of the Fund for the Orderly Restructuring of the Banking Sector (FROB).

The purpose of this testimony is to report on the activities undertaken by the FROB since 24 June 2014, when I last appeared before this Committee.

In recent months, the Spanish financial sector has benefited from the progressive improvement in the economic situation, manifest in a gradual reduction in the volume of impaired assets. This has provided for a reduction in non-performing loans ratios, which largely explains the improved results generally reflected in annual accounts as at December 2014.

This favourable performance can also be seen at the institutions still under the control of the FROB, i.e. BFA-Bankia and BMN. At BMN, profits exceeded €100 million, compared with a figure of practically zero in 2013. At Bankia, profits increased by 90% in 2014 to €771 million. Indeed, Bankia has announced its intention to pay out, for the first time since its recapitalisation, a dividend of €202 million, €127 million of which would be deposited at BFA (which is wholly owned by the FROB). That marks a milestone in the normalisation of the functioning of this institution, following the intense clean-up and restructuring undertaken.

However, Spanish banks, like their European counterparts, must face a rather unpropitious environment, stemming from the slackness of the demand for lending and the low interest rates bearing down on banking profitability. To meet the challenges arising from this complex environment, Spanish banks have benefited from the intense clean-up, restructuring and recapitalisation carried out in recent years at the behest of the authorities.

The positive impact of the measures adopted – in whose design and implementation the FROB has participated directly along with the Government and the Banco de España – has been manifest in the European bank assessment exercises conducted by the ECB and the national supervisory authorities, as a prior step to the start-up of the Single Supervisory Mechanism (SSM). The results of these exercises were published in late October last year.

As you will recall, the tests revealed that Spanish banks were those that had the most accurate valuation of the assets on their balance sheets and, it may therefore be said, those offering the most rigorous financial information. Furthermore, the exercises evidenced the appreciable resilience of Spanish banks to highly severe shocks, since at the time the results were published, they all had a significant capital cushion above the minimum thresholds set for different macroeconomic scenarios.

Specifically, Spanish banks subject to resolution or restructuring plans comfortably passed the tests with data as at 31 December 2013, with the sole exception of Liberbank, which showed a tiny capital shortfall that had already been more than covered as at the publication date of the results.

Turning to the recent activity of the FROB, I shall address four different areas.

Firstly, I shall inform you of the regular actions taken by the FROB covering (i) divestment processes undertaken, in particular Catalunya Banc; (ii) the work performed in the monitoring of ongoing resolution or restructuring plans; (iii) the finalisation of arbitration in respect of hybrid products; (iv) legal actions taken and investigations pursued; and (v) developments concerning Sareb.

Secondly, I shall focus on actions specifically relating to Bankia's share subscription offering, given its evident significance.

Then, thirdly, I shall discuss the role of the FROB in managing the recent crisis at Banco de Madrid.

Finally, I shall report on the progress at the European level on the construction of the Banking Union and, in particular, of the start-up of the Single Resolution Mechanism which, no doubt, will considerably affect the sphere of action of the FROB in the immediate future.

1. THE MAIN ACTIVITIES OF THE FROB

Allow me to set out the main activities of the FROB in recent months.

i) Divestment processes

In July 2013, the Governing Committee of the FROB awarded a contract to N+1 Corporate Finance, S.A. for the analysis and potential sale of Catalunya Banc. The main recommendation

inferred from the consultant's report was the prior sale of a specific portfolio, comprising mortgage loans, for a gross approximate value of €6.4 billion, and of little marketable value (the so-called Hercules portfolio). The sale would help increase the attractiveness of the bank (once the aforementioned portfolio had been shed), which would be disposed of in a second phase. The strategy was warranted by the potential benefits involved in luring two types of investors: on one hand, companies concerned strictly with asset management – with an interest in bidding for the Hercules portfolio – and, on the other, financial institutions willing to purchase Catalunya Banc's banking business, once it had been appropriately cleaned-up. The aim was to maximise thereby the return that the FROB would obtain from the operation as a whole.

Consequently, Catalunya Banc initiated, in March 2014, the sale of the Hercules portfolio, attracting a large number of bidders. After interest was expressed by more than a dozen candidates, who submitted non-binding bids, five bidders were selected for the second phase, with four of these submitting binding bids.

The sale was completed on 17 July, with the Hercules portfolio being awarded to Blackstone. The operation was structured via the creation of a securitisation special purpose entity that will issue two types of bonds: senior class A bonds, to be subscribed by the investor, and class B bonds, which will be subscribed by the FROB for an approximate amount of €525 million (lower than the initially envisaged figure of €572 million) and which are subordinated to the former. The senior bonds will be remunerated until reaching a maximum return of 13%. Any additional return on the portfolio arising from the cash flow obtained shall be distributed in equal 50% portions between the investor and the FROB. Additionally, the FROB will extend a credit facility for a maximum amount of €400 million. This facility will be on an arm's-length basis in terms of remuneration and commissions.

Overall, the operation involves financial support by the FROB estimated at around €649 million, meaning the portfolio has been sold at approximately 85% of its book value.

As regards the sale of the institution's banking business, initiated on 2 June 2014, three binding bids were received. Having analysed these, the Governing Committee of the FROB, at its session on 21 July 2014, resolved to award the institution to Banco Bilbao Vizcaya Argentaria, S.A.. The price bid amounted to €1,165 million for 98.4% of the shares of Catalunya Banc, held by the FROB and the Deposit Guarantee Fund (DGF).

Overall, both operations – i.e. the sale of the portfolio and of the banking business – have resulted in a net positive value, after consideration of the value of the guarantees granted, which amounts to €328 million.

Once the pertinent authorisations from the national authorities and the European Commission have been obtained, both sale agreements are expected to be notarised in the coming days. Firstly, the sale of the portfolio shall be finalised as shall, a few days afterwards, the sale of the FROB's stake in Catalunya Banc to BBVA. The process of resolution of the institution may thus be taken as concluded, complying with the commitments assumed under the financial assistance programme.

i) Restructuring and resolution plans

The latest available data confirm that the restructuring of the banks that received State aid continues to advance at a satisfactory rate. In 2014 several banks concluded their adjustments of balance sheets, staffing and offices, as required under their restructuring plans. The plans of the remaining institutions are expected to run to schedule.

I should further like to inform you in this section that, on 22 December, Liberbank, following authorisation from the Banco de España and without the deadline for the repayment of State aid granted having expired, proceeded to redeem in full its issue of contingent convertible bonds, which was fully subscribed by the FROB for an amount of €124 million. That is to say, this bank has refunded in full the State aid it received in the form of capital instruments.

In the restructuring process of BFA-Bankia, and in keeping with the forecasts contained in the plan, BFA relinquished its banking licence on 31 October 2014, with the related authorisation by the Banco de España taking effect from 2 January 2015. Although this relinquishment does not alter the group's consolidation perimeter for the purposes of prudential supervision, it is consistent with BFA's status as a holding company without any banking activity.

ii) Arbitration processes

I shall now turn to the follow-up of the arbitration procedures relating to the selling of preference shares and subordinated debt to retail customers initiated by some of the banks in which the FROB has a stake. The arbitration process initiated by NCG concluded some months back, and the processes for BFA-Bankia and Catalunya Banc have practically run their course.

Overall, independent experts have so far admitted claims by over 300,000 customers, who have obtained or are shortly to obtain compensation equivalent to the face value of their investment. This figure covers 57% of the retail investors who had access to arbitration and 72% of those who have requested it.

As a result, it may be concluded that the arbitration processes launched by the FROB and undertaken by the nationalised banks that issued these instruments have proven to be effective mechanisms in resolving issuer malpractice. Such arbitration, along with other measures – such as the liquidity mechanisms established by the Deposit Guarantee Fund to support investors who obtained illiquid shares in exchange for their preference shares and subordinated debt – have at least helped alleviate the serious social problem caused by the mis-selling of complex products.

iii) Legal actions

On another front, allow me to present the progress in the investigation and analysis of allegedly irregular management practices at banks that have received financial aid.

As you will recall, the accountability demanded of the previous managers and the detection of any type of misconduct have, since the onset of bank restructuring, been central to the FROB's concerns. This emphasis is in response both to its duty as a public authority to contribute to clarifying facts that may merit reprimand by the courts and to the regulatory obligation to act at all

times in keeping with the State's financial interests, seeking wherever possible the reparation of damages to the public coffers.

At present, the FROB has initiated or is represented in 20 legal cases, mostly arising from its own action in detecting irregular practices by former managers. In 2013 it agreed on a protocol of action that entailed the conducting of 90 forensic analyses, with the collaboration of specialist external services.

The investigations conducted focus essentially on two types of action: (i) those concerned with real estate-related transactions and (ii) those relating to remunerative practices.

In connection with real estate-related activities, 16 operations involving Catalunya Banc have been forwarded to the Public Prosecution Service, with estimated damages of €900 million, in addition to a case relating to a retail mortgage loan portfolio granted by this institution. Nine operations have been submitted relating to NCG Banco, which might account for estimated damages of €810 million.

As regards operations relating to directors' remuneration, the FROB has sent to the Public Prosecution Service two cases related to the BFA group or its constituent savings banks. The first refers to possible inappropriate remuneration received by directors and managers of Caja Madrid and Bankia over the period 2003-2012, through the use of credit cards, which has given rise to the initiation of a separate branch in the legal action undertaken in relation to the Bankia stock market launch, to which I shall refer later.

The second involves possible irregular remuneration, whether in the form of fixed or variable remuneration, severance payments for contract termination or contributions to pension schemes, paid to Caja Madrid managers over the period 2007-2010.

Regarding Catalunya Banc, a case concerning the termination of senior management contracts in the period 2008-2009 has recently been submitted to the Public Prosecution Service.

iv) Sareb

To conclude this first section, I shall refer briefly to Sareb, the Asset Management Company for Assets arising from Bank Restructuring.

In 2014 Sareb attained gross income of €1,599 million, with Ebitda of €1,103 million. The net result for the year is negative to the tune of €585 million, after having recorded write-downs of €719 million relating to equity loans (€91 million) and unsecured loans not paid by companies under insolvency proceedings (€628 million). These provisions are for reasons of accounting prudence, further to the consultation made to the Banco de España on the calculation of asset impairment, within the time period remaining until the approval of the circular on asset valuation which is, at present, undergoing mandatory analysis by the Council of State.

Early this year Sareb approved a new organisational structure entailing the elimination of the figure of the chief executive officer, the maintenance of an executive chair and the creation of two directorate generals. Allow me to recall at this point the resignation in January, for personal

reasons, of Belén Romana – who had presided over Sareb since its establishment in December 2012 – and her replacement by Jaime Echegoyen.

2. ACTIONS RELATING TO THE BANKIA SUBSCRIPTION OFFERING

In the second half of my address, I shall discuss the participation by the FROB in ongoing legal actions relating to Bankia's share subscription offer of July 2011. These actions have been in train since June 2012, at Central Criminal Court No. 4 of the Spanish National High Court.

As part of this process, and upon a legal request, two expert opinions were entrusted to bank examiners. The parties represented are currently pleading in connection with these opinions.

Under these same proceedings, the judge has agreed to Bankia, BFA and four directors of the group at the time of the stock market launch submitting a joint and several guarantee for an overall total amount of €800 million. The Prosecution Service, the FROB and other parties involved have filed an appeal, which is pending resolution by the National High Court Chamber for criminal matters.

On 18 March, the guarantee was deposited in cash jointly by BFA and Bankia, although these institutions have announced that they will pursue the four ex-directors for the portion thereof, if any, that might correspond to them.

The actions of the FROB, represented as aggrieved party in the process, have followed the same guiding principles as those underpinning its strategy in the other cases in which it is or has been involved, namely to contribute to clarifying the facts and defending the public interest.

In the case involving Bankia's stock market launch, in which both Bankia and its parent are facing charges along with those at their helm at the time of the subscription offering, compliance with these objectives required evaluation of the expert reports, since consequences that might prove most onerous for the public coffers could arise from them.

Although these reports had been drafted by competent professionals who acted independently and strictly adhered to technical criteria, the FROB considered that some of the central conclusions of the experts' analysis were not sufficiently supported by the evidence shown. In particular, the FROB encountered debatable elements in the analysis developed in the expert reports in relation to the financial statements at the time of Bankia's launch and to the price formation process for the new shares issued.

In reaching this conclusion, the FROB benefited both from the contribution by the members of its Governing Committee and by that of its own technical services. Moreover, with a view to completing its analysis, it requested a report from the CNMV (National Securities Market Commission) on the price-setting process in the wholesale tranche of the issue and it consulted the Banco de España about the appropriate interpretation of its own accounting circular on certain matters of relevance to the assessment of the expert reports.

Naturally, this technical analysis within the FROB has determined its conduct in the process. Hence, this analysis has been used in the FROB's legal representative's participation in the experts' ratification hearing on 12-16 January, and it has inspired, in part, the content of the appeal lodged

by the FROB on 23 February against the instruction by the judge to impose high guarantees on certain parties facing charges, among which both BFA and Bankia, in which the State has a direct or indirect stake. Likewise, on 5 March the FROB, through its representative in the legal process, filed submissions to the court detailing the main conclusions of the analysis I referred to earlier.

In parallel, I should inform you that the volume of customer claims and lawsuits relating to the subscription offering has increased in recent months. The civil proceedings heard refer to the Bankia share subscription operations by retail customers, without any claims having been received to date by the institutional investors who responded to the subscription offering.

So far, 2,424 civil actions have been filed against the institution, which make for a total claim amounting to €70 million. 236 rulings have been handed down in connection with these lawsuits, 85% of which against the institution. The BFA-Bankia group has estimated that contingencies for civil lawsuits could rise to a maximum amount of €780 million.

Despite all these actions being taken against the institution that launched the subscription offering, i.e. Bankia, the institution submitted to the FROB several legal opinions that pointed to the possibility that a claim by Bankia against BFA – 100%-held by the FROB – might prosper in respect of a portion of the costs arising from the rulings indicated. The opinions in question were essentially based on BFA's relationship to the stock market launch of its subsidiary Bankia.

The Governing Committee of the FROB, after having studied the documentation furnished by the institution and obtained a report from the State Legal Service confirming the existence of legal grounds for a potential claim by Bankia against BFA in this connection, agreed to invest the Board of Directors of BFA with the power to enter, where appropriate, into an agreement to distribute these contingencies between BFA and Bankia that would limit claims between both institutions.

Naturally, the Governing Committee imposed a series of restrictions on the distribution agreement to ensure it conformed to the principle of efficient use of public resources and, specifically, to the objective of maximising the return of the State aid granted for the recapitalisation of the group.

Indeed, the agreement could in no case involve the injection by the FROB of additional public funds and required that the adverse consequences that might arise for BFA as a result of the agreement should, as far as possible, be compensated for by the distributable dividend which, on Bankia's part, may be distributed owing to the lesser impact on its accounts of the contingency derived from the civil lawsuits.

Moreover, any agreement would have to refer solely and exclusively to the contingencies arising from the civil lawsuits, it would cover up to the maximum amount estimated by the institution, namely €780 million, and it might provide for BFA being charged only for a second loss tranche, the first being the responsibility of Bankia. Entering into the agreement would likewise entail an obligation for Bankia to adopt whatsoever measures necessary to minimise the amount of the contingencies, including claims against anybody held responsible in respect of the events, whether directors, managers, employees, insurers or third parties that had participated in the process.

After obtaining authorisation from the FROB on 27 February, the Board of Directors of BFA approved a transactional agreement between BFA and Bankia for the distribution of the

contingencies arising from civil lawsuits. Under the agreement, BFA and Bankia agreed to set the distribution percentages, within the limit of €780 million authorised as the maximum amount, in such a way that Bankia would assume an initial liability tranche up to 40%, i.e. up to a maximum amount of €312 million, and BFA would assume the costs exceeding that amount, up to the maximum ceiling of €780 million, which corresponds to 60% of the maximum amount subject to distribution. Provisioning for these amounts, €312 million at Bankia and €468 million at BFA, has been made by the institutions in their respective annual accounts as at December 2014.

I sincerely believe this agreement is balanced and conducive to the stability of the listed institution, which ultimately benefits the controlling shareholder, which is none other than the State through the FROB.

3. BANCO DE MADRID

I shall now set out the recent measures carried out in relation to Banco de Madrid.

On 10 March, the US Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) announced its decision to name BPA as a foreign financial institution of primary money laundering concern pursuant to Section 311 of the USA Patriot Act. In addition, FinCEN issued a related Notice of Proposed Rulemaking which would involve: (i) prohibiting US financial institutions from opening or maintaining correspondent or payable-through accounts for BPA or any institution in its group, including Banco de Madrid; and (ii) requiring that US financial institutions implement special due diligence measures to their correspondent accounts maintained on behalf of foreign banks to guard against processing any transactions involving BPA or any institution in its group.

As a result of this decision by the US authorities, all institutions in the group, including Banco de Madrid, which is wholly owned by BPA, saw their operations in dollars severely impaired and their operations on European wholesale markets significantly affected. Moreover, the decision had an acute reputational impact which was appreciably exacerbated by the arrest in Andorra of the Chief Executive Officer of BPA, who was also CEO of Banco de Madrid.

In addition, over the weekend commencing Friday 13 March, the press aired the decision by the Standing Committee of the Commission for the Prevention of Money Laundering and Monetary Offences – which is chaired by the General Secretary of the Treasury and Financial Policy – to initiate sanctioning proceedings against this bank, its board of directors and its general secretary, owing to potential breaches of the current rules on prevention of money laundering, arising from the inspection carried out by the Executive Service for the Prevention of Money Laundering (Sepblac). At the same time, Sepblac transferred to the Public Prosecution Service the proceedings initiated.

I shall not go into details here of the sequence of events and, specifically, the actions by the Banco de España in response to the situation. The Banco de España itself published a detailed account of such actions last Friday.

But allow me to highlight the fact that the action by the US authorities and the other news publicly aired led to an appreciable destabilisation of Banco de Madrid and, specifically, to a swift erosion of its liquidity. As from 11 March, i.e. the day after the publication of the news on the FinCEN

measure, fund withdrawals over the following three days rose to €124 million, i.e. over 20% of total deposits. As a result, the liquidity available as at 16 March was insufficient to cover the amount needed for foreseeable outflows of funds that same day, placing the institution in a state of non-viability or imminent insolvency, as it was unable to meet its obligations.

Accordingly, on 16 March the provisional administrators of Banco de Madrid applied for voluntary insolvency proceedings under Law 22/2003 of 9 July 2003 on insolvency and ordered the closing of the bank and the suspension of its operations. Subsequently, on 17 March, the Madrid Mercantile Court No. 1 sent an instruction to the FROB urging it, within 14 days, to inform it whether it was going to open a restructuring or resolution process as envisaged under Law 9/2012 of 14 November 2012 on the restructuring or resolution of credit institutions. Under the provisions of this legislation, the processing of an application for insolvency proceedings must be suspended until the FROB makes a pronouncement on whether the institution in question is to go into resolution or not.

To smooth the way for the FROB's response to the courts, and bearing in mind the distribution of powers in respect of the opening of resolution processes for credit institutions, the Executive Commission of the Banco de España informed the FROB on 18 March that the initiation of a resolution process was not applicable as there were no discernible reasons of public interest as required under Article 19.1 of Law 9/2012.

The Governing Committee of the FROB reached the same conclusion on the inapplicability of the initiation of a resolution process at Banco de Madrid under Law 9/2012, and duly communicated this to the judge on 20 March, i.e. after only two days of the 14 working days available to it. This made it possible for the Court to issue, a few days later on 25 March, the insolvency order.

Initiating a resolution process for a financial institution, as a substitute for insolvency proceedings, calls for two fundamental conditions to be met: (i) the assessment of the institution as non-viable and (ii) a discernible public interest that needs protecting and whose defence would not be safeguarded in an ordinary insolvency process. Resolution is, therefore, an alternative to ordinary insolvency procedures in those cases where the application of insolvency regulations to non-viable institutions might pose problems for the stability of the financial system or other effects detrimental to the general interest.

The acute reputational impact experienced by Banco de Madrid as a result of press reports on its activities and those of the group to which it belonged affected its operations and business in such a way that, despite its comfortable solvency ratios, its non-viability was imminent; the first condition, therefore, for the initiation of a resolution procedure was thus met.

But the second condition had to be met, and it could hardly be concluded that the potential liquidation of Banco de Madrid might significantly affect the stability of the system.

Indeed, Banco de Madrid's balance sheet accounts for only 0.04% of the sector's total assets and it scarcely has financing from other credit institutions. Its operations are, moreover, quite particular as it specialises in the asset management business, which differentiates it from the commercial

banking model prevailing in the rest of the sector. Therefore, the likelihood of contagion was very small, as events subsequently confirmed.

Additionally, no critical functions performed by the institution were detected that might impact the real economy, and no sectors or regions in which the disappearance of the institution might have a telling impact were identified.

Furthermore, declaring the institution in resolution would have required maintaining its operations, which would in turn have called for the immediate contribution of public funds in the form of liquidity support by the FROB, given the impossibility of the Eurosystem continuing to finance institutions deemed non-viable. That is to say, in a resolution process, the State would have had to lend funds to the institution, thereby increasing the risk assumed by the public coffers, which would only have been possible in the presence of a higher public interest to safeguard, which was not the case here.

In the days following the declaration of insolvency of Banco de Madrid, there has been an absence of any significant side-effects in the rest of the sector. In any event, the speed with which the Banco de España and the FROB have acted has allowed the Deposit Guarantee Fund to initiate proceedings to make good the amounts guaranteed (with a maximum of €100,000 per depositor), and these payments will be completed in the coming days.

In this way, more than 14,000 of the institution's depositors will be able soon to recoup all their investment, while around 500 will be temporarily affected since their deposits exceed the maximum guaranteed amount. In any event, on the information available today, it is highly likely in light of the institution's financial situation that the latter holders may also recover practically all their investment under the insolvency process. Unit-holders in investment funds linked to Banco de Madrid will have to wait, following the replacement by the CNMV of the management company or depository in each case, for the operations of the latter to be restored. According to information from the CNMV, this is expected to occur shortly.

4. EUROPEAN RESOLUTION REGULATIONS

Moving on to the final part of my address, I shall inform you of the latest progress made in setting up the Single Resolution Mechanism (SRM).

Most of the EU Member States are currently immersed in the ongoing transposition of the European Directive for restructuring and resolution.

As I said in my previous appearance, the Directive involves a fundamental change in bank crisis management strategy, since it has resolution costs falling mainly on shareholders and creditors, meaning that the need to provide public funds to head off harm to financial stability is minimised.

This strategy requires preventive action by banks such that their corporate organisation and balance sheet structure help provide for the maintenance of their essential activities, without resorting to third party funds, in cases in which they reach the point of non-viability.

In Spain, the transposition of the Directive will be through the approval of the draft law of recovery and resolution of credit institutions and investment services firms. As you are aware, this draft legislation was submitted by the Government to your Committee on 10 March.

The draft law separates the allocation of preventive resolution or resolution planning powers, which will be assumed by the Banco de España and the CNMV (each according to their sphere of influence), from executive resolution powers, which will correspond to the FROB. Following the approval of the legislation, the FROB will be managed by an executive president fully dedicated to this task.

These arrangements for the distribution of resolution-related actions in more than one agency are quite particular in the European context, given that all resolution powers at the national level are habitually assigned to an autonomous unit or agency in the orbit of the prudential supervisor.

In Spain's case, however, the formula adopted in the draft legislation strikes a reasonable balance between the advisability of harnessing the experience acquired by the FROB in the implementation of restructuring and resolution plans in recent years and of mitigating, at the same time, the risk of inefficiencies and coordination problems emerging with the actions of the prudential supervisors. Given that these risks are presumably found more in preventive resolution rather than in executive resolution functions, assigning the former to the Banco de España, in the case of banks, contributes to increasing the model's efficiency. However, given the relative complexity of the arrangements, maintaining suitable coordination between the different agencies involved will be essential.

In any event, the resolution policies of relevance for most of the Spanish banking sector will have to be adopted under the Single Resolution Mechanism, which commenced operating on 1 January 2015 and which will have full powers as from next year. So far, the President, Vice-President and four Directors of the Single Resolution Board (SRB) have been appointed and are in place, as envisaged in the regulations, and the hiring of the staff needed for the attendant tasks to be properly performed is in the process of being completed. Please allow me to highlight here the good news regarding the appointment of Antonio Carrascosa – the General Manager of the FROB up to a few weeks ago – as one of the directors of the SRB, and to point out the appointment of the new General Manager of the FROB, Jaime Ponce, who fulfils all the requirements for appropriately discharging his new responsibilities.

5. CONCLUSIONS

I shall conclude, Mr Chairman.

As will have been clear in my address, the activities of the FROB since my last appearance have continued to focus on aspects relating to the management and ultimate disposal of its stakes in financial institutions and to collaborating with the legal authorities in identifying potential malpractice by the former administrators of the institutions that had to receive State aid. In this way, the normalisation of the situation of our financial system has meant that the actions of the FROB most directly related to its resolution powers, such as those the FROB had to exercise as part of the intense process of cleaning up, recapitalising and restructuring our financial sector, have diminished in relative weight.

I believe in any case that, a few months before this Parliament approves the regulations that will significantly change the framework for pursuing banking resolution policies in our country, it is not a bad time to take stock of the tasks hitherto performed.

Naturally, it is not for me to assess the performance of the body over which I have presided since June 2012. That said, I think that it can be objectively stated, especially in the wake of the comprehensive assessment of the European banking system by the ECB and the national supervisory authorities to which I referred at the beginning of my speech, that the strategy pursued has met its fundamental goals, by contributing to rationalising the structure of our banking system, to reinforcing its financial position and to increasing its resilience in the face of adverse developments, all of which is essential for preserving a public asset as important as financial stability.

The challenges facing the FROB in the near future are not inconsiderable. In particular, the successful culmination of the ongoing process of divestment (where only the disposal of the FROB's stakes in Bankia y BMN, when market conditions prove favourable, remains to be done) will be essential for reducing as far as possible the towering volume of public resources that have had to be used to reinforce the system.

In the coming months, moreover, the FROB must adapt its internal structures and organisation to the tasks to be assigned to it by the legislation in passage through Parliament and to its role on the Single Resolution Board, to whose start-up and effectiveness the FROB must contribute with the utmost resolve.

Thank you very much.