

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

24 June 2014

Ladies and gentlemen,

As required by the control mandate contained in Article 56 of Law 9/2012 of 14 November 2012 on credit institution restructuring and resolution, 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 5 February 2014, when I last appeared before this Committee.

I would like to mention, first, that in March and April a team comprising experts of the European Commission in coordination with staff from the European Central Bank (ECB) visited Spain for the first time in connection with the mandatory reviews following the completion of the financial assistance programmes.

The visit has enabled the experts to note the considerable progress made in the restructuring of the Spanish banking sector. They acknowledge the effort made and, at the same time, appropriately identify the challenges still ahead, most of which are shared by the European banking system as a whole.

It is not in vain, as you know, that the ECB, in collaboration with national supervisors and prior to assuming supervisory functions in November 2014, is undertaking a comprehensive assessment of the European banking system which will affect all Spanish banks that have received State aid.

Also, as you are aware, an agreement was reached on the voluntary early repayment of €1,304 million of the loan from the European Stability Mechanism (ESM), which will be made shortly. The Treasury and the FROB will defray the aforementioned amount and the costs associated with the repayment in proportion to their respective shares of the loan whose nominal value will be

reduced. Therefore, the FROB should contribute to repaying 30.62% of the amount, equivalent to €399.27 million, with the remainder corresponding to the Treasury.

During my speech, I hope to convey to you that the FROB is continuing to pursue its activities with the necessary vigour to adequately meet its targets. The current phase has not required fresh restructuring and resolution measures; rather, and above all, action derived from the implementation of current plans and, most particularly, the disposal of State holdings in institutions which required public support has been called for.

In the first part of my speech, I shall describe the measures adopted in relation to divestment processes and the promotion of corporate operations. First, I shall refer to the institutions declared non-viable on their own, whose resolution plans imposed the sale of the institution in question within a predefined period, namely, NCG Banco and Catalunya Banc. Also, I shall discuss the recent partial divestment of the FROB's stake in Bankia, held indirectly through Banco Financiero y de Ahorro (BFA). Given the importance and impact of this divestment, I would like to offer you a relatively detailed explanation. Lastly, I will inform you of the conditions under which the corporate operation between Banco CEISS and Unicaja Banco finally took place.

In the second part of my speech, I will analyse other actions of the FROB, under the tasks legally conferred on it, such as the monitoring of plans and arbitration processes, legal action, initiatives to identify irregular behaviour by previous managers of institutions which required State aid and developments at Sareb. Similarly, I will outline the FROB's financial position and review its use of public funds since it was created.

In the final part of my address I will inform you about recent regulatory developments in Europe on bank resolution.

Let us move now to the FROB's divestments of holdings in credit institutions.

1. SALES OF CREDIT INSTITUTIONS UNDER RESOLUTION

a. NCG BANCO

I shall begin with NCG Banco. As you will recall, under the agreement to analyse management strategies of FROB-held institutions (including NCG Banco), the swift divestment of this bank was considered the alternative most attuned to the aims of restructuring since it ensured the smallest loss for the public coffers.

Consequently, a competitive process was launched to divest this holding, resulting in the award on 18 December 2013 of 88.33% of NCG Banco's shares to Banco Etcheverría-Grupo Banesco, since its bid was the most competitive according to the valuation criteria set.

The effectiveness of the sale agreement is conditional upon compliance with the legally envisaged prerequisites, which include obtaining mandatory authorisations from national and Community authorities.

Indeed, in recent months the technical teams of the European Commission's Directorate General for Competition, the FROB, the Banco de España and the Banesco Group have been working intensively to mould the current resolution plan to the new circumstances of the institution joining the Banesco Group. The modification of the plan was approved on 18 June by the Executive Commission of the Banco de España, on a proposal by the FROB, and by the European Commission two days later.

Thus, once a public deed has been executed for the sale agreement over the next few days, the resolution process of NCG Banco may be considered concluded, with the targets set and the commitments acquired under the financial assistance programme having been fulfilled.

b. CATALUNYA BANC (CX)

Let us turn to Catalunya Banc. As mentioned in my previous appearance, the Governing Committee of the FROB, taking into account the outcome of the report prepared by the consultancy McKinsey as part of the analysis of management strategies for the divestment of FROB investee institutions, and following a procurement process, agreed to award the contract for the analysis and possible sale of Catalunya Banc to N+1 Corporate Finance, S.A.

This agreement stipulated that the process should be a two-phase one: an initial phase, of analysis of the bank's economic and financial position and of market comparison; and a second, shorter phase, in which the sale may proceed.

In the first phase, the consultancy Ernst&Young was engaged to undertake the financial, labour-related, fiscal and legal due diligence, while N+1 made informal contacts with various investors to sound out market appetite, trying to ensure the highest participation possible.

The main recommendation of N+1's report is to proceed, firstly, to sell a loan portfolio of modest commercial value. This sale would improve the quality of Catalunya Banc's assets and, foreseeably, increase competition in the sale of the institution.

Consequently, Catalunya Banc initiated a process to spin off a loan portfolio of approximately €6,500 million, consisting mostly of mortgage loans to individuals. On 27 May 2014, Catalunya Banc received the first signs of interest from more than ten candidates which submitted non-binding bids for the portfolio for sale.

Catalunya Banc, on advice from the investment bank, has proceeded to analyse the bids and has selected the five candidates which have gone through to the next phase and which, under the rules governing the process, will submit binding bids at the beginning of July.

Similarly, it is envisaged that in July the FROB will proceed to sell the bank. In fact, the Governing Committee of the FROB has already agreed the commencement of the process to divest the Catalanian bank, through a competitive, transparent and objective procedure aimed at ensuring the most efficient use of public funds. Institutions that are interested must submit their binding bids by 14 July.

Additionally, as part of the strategy included in the resolution plan to divest non-strategic activities, following a competitive process, Catalunya Banc sold a fully provisioned portfolio of bad loans to Aigon Capital for approximately €1,500 million. The real estate asset management platform, CatalunyaCaixa Inmobiliaria (CXI), was sold to Blackstone.

Furthermore, the bank initiated a competitive process to sell its offices located outside Catalonia. After having received two binding bids, which were not satisfactory, it decided to end the process. Therefore, these 43 offices will remain within the perimeter of the sale of the bank.

2. PROCESS OF DIVESTMENT IN BANKIA

Let me now move on to the process of divestment in Bankia.

As you will recall from my last testimony before this Committee, some months ago the FROB decided to look into the most appropriate strategy for optimising the return to the taxpayer from disposal of the shares held by BFA –wholly owned by the FROB- in Bankia. For this purpose, the investment bank Goldman Sachs was engaged to act as strategic advisor in this operation.

Also, after a competitive process, BFA hired Rothschild as tactical advisor in the process of determining the design, structure, timetable and documentary requirements of the operation.

In view of the reports received, on 19 February 2014 the Governing Committee of the FROB approved the framework for divestment of shares of Bankia S.A. through BFA on the recommendations of the strategic advisor of the FROB and of the tactical advisor of BFA.

These reports highlighted the good market conditions and the appreciable gain in value of Bankia shares, particularly since the presentation of Bankia's 2013 results on 3 February this year. Thus Bankia was quoted at that date significantly above the subscription price paid by BFA (€1.35), at prices around 1.5 times its book value, well above the average for the sector in Spain and Europe. Further, the reports noted the gain in depth of the market for the share as a result of Bankia's readmission to the IBEX 35 at the end of 2013.

In operational terms, both advisors recommended a multi-stage market process and rapid placement among institutional investors as the best option for the first divestment operation, which should be for a volume of shares compatible with the market's absorption capacity.

In accordance with the recommendations of the advisors and with the framework approved by the Governing Committee of the FROB, the first Bankia divestment operation consisted of a rapid placement under an agency execution format for a maximum volume of 10% of capital to be carried out in the first quarter of 2014.

The choice of 27 February 2014 as the launch date for the operation was based on Rothschild's analysis of the situation of the European equity markets, the Spanish stock market and the performance of Bankia shares.

Given that the launch day sprang no particular surprises, at 17:00h on 27 February it was decided to execute the operation at the close of the market. Also, it was decided to accept the tactical advisor's recommendation to set the final volume of the placement at 7.5%, based on its analysis of the market's absorption capacity given the observed trading volume.

For an operation of this scale, Rothschild recommended the use of a syndicate consisting of three placement institutions. The criteria applied in preselection of the potential placing banks were based on the recent experience of the potential candidates. The entities selected were Deutsche Bank, Morgan Stanley and UBS.

After the close of the stock market session, UBS was chosen to draft, together with the legal advisor, the pertinent significant event for remittance to the CNMV, following publication of which the books could be opened. Publication took place at 18:56h on 27 February 2014.

The price range was only specified early on 28 February 2014. After making approaches to investors, Rothschild recommended allotment of the shares at a price of €1.51 per share, which was the price at which the order book was closed at 9:15h. That price allowed, moreover, the allotment of a sizeable volume of shares to long-term institutional investors as compared with investors of the hedge fund type, thereby making for a more stable market price.

At a price of €1.51 per share, BFA received €1,304,337,458 for the sale of 7.5% of the capital of Bankia (863,799,641 shares). This represented a gain of €301 million for the BFA Group. The FROB, as the sole shareholder of BFA, benefits from this higher net worth of the entity.

The operation will, in principle, not affect the government deficit or the public debt. However, when BFA distributes a dividend to its shareholder or redeems capital, the operation may have a positive indirect impact on the volume of public debt because the cash obtained could be used to settle liabilities or reduce the need for issuance of new debt securities.

After the partial divestment, BFA's holding in Bankia decreased from 68.395% to 60.89%. There are currently no plans for a further divestment in the short term.

3. UNICAJA-BANCO CEISS CORPORATE OPERATION

Let me now describe the latest action taken to complete the Unicaja-CEISS corporate operation.

In view of the commitment by FROB to cover the negative impact of the claims by the investors in Banco CEISS that did not take up the Unicaja offer, and in accordance with the regulations on State aid, the Banco CEISS resolution plan was changed to recognise the fresh restructuring commitments which had to be made by the bank.

The European Commission's approval of the new plan took effect on 13 March 2014. After that approval, Unicaja announced, through a significant event published in the CNMV, that the conditions set in its offer had been met. Finally, on 2 April the exchange was executed on the terms envisaged.

As you will recall, in order not to prejudice the acceptors of the offer that waived their right to legal action in relation to the initial marketing of their preference shares and subordinated debt, the

FROB decided to accept the judgement of an independent expert (PwC) which had been engaged to review, in accordance with regulatory and legal criteria, the entire process of sale of these products to retail investors in CEISS. The expert's review has now been completed and the FROB has made all the related payments, of €188 million, to retail customers, who have thus recovered 100% of the economic value of their investment.

At the present date, following settlement of Unicaja's offer, Banco CEISS has been resolved offering every assurance thanks to its integration into a solvent institution. This was done with the minimal use of public funds, since, according to the estimates of independent experts, the failure to conclude the process would have been much more costly to the taxpayer.

4. ARBITRATION PROCEEDINGS AND PLAN MONITORING

Having completed my comments on the divestment transactions carried out and on the corporate operations promoted among institutions receiving aid, I should like, in the second part of my speech, to refer to other actions carried out by the FROB under its powers. I will briefly comment, first, on the situation of the arbitration proceedings in which the FROB is involved, and the progress made with the sector's restructuring and resolution plans.

a. Arbitration proceedings

The situation of the arbitration proceedings commenced by FROB investee institutions (BFA-Bankia, NCG Banco and Catalunya Banc) with regard to the marketing to retail customers of preference shares and subordinated debt has naturally been a recurring feature of my speeches to this Committee.

The institutional and social concern arising from the mis-selling of hybrid products to retail customers, led to a search for ways to appropriately resolve the conflicts generated. A result of this was the creation of the Hybrid Capital Instrument and Subordinated Debt Monitoring Committee which, apart from analysing and monitoring the incidents detected, had the task of determining the basic criteria for specifying, in the case of FROB investee institutions, the circumstances in which these institutions had to offer to submit disputes with their customers to arbitration. These criteria were approved by the Monitoring Committee on 17 April 2013 and have been applied in all cases, although the conduct of the arbitration proceedings has involved a lag.

The NCG arbitration commenced in July 2012 has been concluded, with an award in favour of more than 58,000 customers (62% of those that applied for arbitration), to whom the institution was required to pay out €496 million.

In the case of Catalunya Banc, the arbitration which commenced in October 2012, with a deadline for the submission of applications of July 2013, is expected to be concluded in the second half of this year. Until now claims of around 69,000 holders (67% of all those submitted) totalling €465 million have been allowed by the independent expert.

Finally, in the case of BFA-Bankia, the independent expert has so far admitted the applications of 177,000 holders, 77% of those submitted, amounting to €2,296 million. The awards continue to be issued at a good rate: the claims of 163,000 customers, amounting to €1,990 million, have been resolved in favour of the customer. The institution expects the arbitration proceedings to be completed this month.

In conclusion, the applications of more than 300,000 customers, representing 57% of the retail investors who had access to arbitration, and more than 70% of those that submitted applications, have been admitted. These customers have already been, or will shortly be, paid the nominal value of their investment. These figures will increase somewhat over the coming weeks as the proceedings under way are completed.

b. Restructuring and resolution plans

I would now like to refer to the restructuring and resolution plans, an essential part of the rationalisation of the banking sector, which impose on institutions that have received State aid, strict requirements to reduce capacity. These requirements translate into average reductions in branches, staff and balance sheets of the order of 35%, 30% and 25%, respectively.

The latest available data, for 2014 Q1, confirm the progress made in complying with these plans: the number of offices has already been reduced 29%, headcount by 26% and assets by 18%.

I would like to stress in this chapter the fact that some of the FROB investee institutions have issued securities once again on international markets.

Thus, Bankia has placed two issues of €1,000 million, a senior debt one on 9 January and a subordinated debt one on 13 May. The demand for the latter issue was high, with applications received for €4,200 million. Following this issue, the total solvency ratio of Bankia, according to the Basel III criterion, increased by 103 basis points from 11.29% in March to 12.32%.

Meanwhile, BMN placed at the beginning of the year an issue of mortgage covered bonds worth €500 million, at more favourable prices than initially expected and with demand equal to three times the supply.

Finally, as you know, another institution that has received State aid, Liberbank, resolved on 29 April to increase its capital by €575 million, which it has successfully done.

These operations illustrate the progress made, not only in the material compliance with restructuring plans, but also in satisfaction of the fundamental objective of these plans, which is none other than to restore the ability of restructured banks to cover their own funding requirements through the generation of profitable and sustainable commercial activity.

5. LEGAL ACTIONS AND THE PRIOR ACTION PROTOCOL

Another matter I would like to comment on relates to claims against the former managers of the institutions that have received State aid.

As you know, the FROB has been taking an active role both in the detection of irregular conduct and in legal actions arising from such investigations.

During the last quarter, the FROB has joined various proceedings in order to ensure that the public interest that it represents is appropriately defended and, in particular, to secure adequate compensation of losses.

So far, the FROB has commenced or is represented in 18 criminal actions, involving the analysis and investigation of alleged offences relating to property transactions or the irregular remuneration of ex-officers of institutions that have received public support.

An example of the initial results, which we expect to be the first of many, is the judgment entered in the legal proceedings against the former managers and officers of Caixa Penedés. This has enabled a significant sum of money to be recovered by BMN, in which the FROB has a 65% capital holding, and has established criminal liability. These proceedings arose from a private prosecution by the FROB.

Also, in accordance with the protocol on investigation and analysis of suspicious or irregular transactions carried out over the last five years by institutions, following the phase of detection and preparation of reports by internal audit departments, the FROB has commissioned the performance of 90 forensic analyses, for which purpose the services of external experts have been hired. The aim of these analyses is to identify irregular operations in relation to which the FROB can bring legal proceedings in order to obtain adequate compensation for the loss suffered. In most cases the work of the external third parties is currently being finalised, which should allow new legal proceedings to be commenced in the autumn.

6. SAREB

I shall now briefly refer to the financial data on the Asset Management Company for Assets arising from Bank Restructuring (Sareb), 45% of whose capital is held by the FROB.

On 9 April 2014, Sareb approved its annual accounts for 2013. During that year, the management and divestment of assets generated receipts totalling €3,800 million, which enabled Sareb to conclude its first year of operations with a gross operating profit (Ebitda) of €1,195 million.

Net income was negative at €260 million, after financing costs (€1,221 million) and the write-off of a portion of the financial assets received (€259.4 million).

In any event, Sareb was able in its first operating year to generate a cash surplus for debt repayment totalling €1,998 million.

Sareb commenced 2014 with a new organisational structure, aimed at boosting the creation of value and increasing its revenues. Indeed, despite the substantial challenges still ahead, it appears

to be nearing cruising speed, having appreciably stepped up portfolio management and divestment, in keeping with its objectives and in line with its business plan.

7. FINANCIAL POSITION OF THE FROB: VOLUME OF AID SUPPLIED

Given that the FROB 's accounts for 2013 have yet to be approved its Governing Committee, you must forgive me for not being able to offer detailed information on them.

However I would like to offer a broad overview of the FROB's current financial position. As you know, the FROB's accounts as at December 2012 showed negative own funds of almost €22,000 million, as a result of the sizeable write-offs that had to be made that year. To redress the situation, part of the loan granted by the Treasury to the FROB, for the implementation of the European financial assistance programme for the recapitalisation of Spanish credit institutions, was converted into a contribution of €27,170 million to the FROB's capital, which enabled a positive own-funds position to be restored. I should also like to point out that the provisions to be reflected in the FROB's 2013 accounts for its stakes in credit institutions and other items are far lower than in 2012, meaning that the FROB maintains a positive net worth.

Here, in anticipation of your questions, I shall seek to quantify the cost borne by the FROB – and, ultimately, by taxpayers – in the clean-up and recapitalisation of our financial system since the start of the crisis, based on the figures recently published by the Banco de España. The direct cost for taxpayers of the assistance provided to banks could be estimated by adding, to the amounts paid out by the FROB to institutions, the expected cost of the asset protection schemes (APSs) granted by the FROB (to Banco de Valencia and Caja Sur) and of other guarantees and cover offered by the FROB as part of resolution processes. That is to say, to calculate this cost we should take the funds disbursed by the FROB to acquire shares or contingently convertible bonds, which amount to €53,553 million, and add the estimated cost of the APSs and other guarantees granted in resolution processes which, on the valuations available, stands at €2,087 million.

From this we would have to subtract the amounts paid out to redeem the convertible bonds subscribed by the FROB and the proceeds of the disposal of the FROB's shareholdings in the banks receiving assistance. The €1,760 million obtained from the sale of NCG and the return of the aid granted to Banca Cívica by Caixabank should be recorded here. Further, the convertible bonds subscribed by the FROB in Caja 3 (acquired by Unicaja) and Liberbank, entailing the return of €1,135 million, are highly likely to be redeemed before 2017. Lastly, the €1,300 million obtained from the divestment of BFA in Bankia can be expected to be recorded in the near future, once the payment of this amount to the sole shareholder of BFA is made.

The most uncertain element of the calculation is, clearly, estimating the outcome of the sale of Catalunya Banc, which is currently under way, and of the divestment of BFA/Bankia and BMN, once it is finalised. However, it is likely that these disposals will entail an appreciable lessening of the cost that the restructuring of the financial system has involved for taxpayers, and one, in terms of GDP, that is below that required in many other European countries.

The foregoing calculations do not include the FROB's investment in Sareb, of €2,192 million, since this does not constitute financial assistance to banks. Also, it would not seem appropriate to record as a cost to taxpayers the liquidity support provided through guarantees or credit lines. In the first instance, more than 69% of guarantees (which require payment of the related charge before being made available) have already been cancelled and the remainder will disappear in all likelihood in step with the redemption of the issues. In the second case, all the liquidity drawn down has been settled following the integration of the recipient institutions into other banking groups.

Moreover, in order to be able to estimate the total aid required, the approximately €15,000 million contributed by the banking industry through the Deposit Guarantee Fund (DGF) in the form of direct capital contributions, the acquisition of shares under the liquidity mechanism for minority investors in NCG and CX, and coverage of the APSs of CCM, CAM and Unnim should be included.

8. EUROPEAN RESOLUTION REGULATION

Finally, I should like to conclude my address with a reference to European regulatory developments on banking resolution, as this regulation will influence the FROB and, generally, the activities pursued in Spain in the future in this connection.

One of the basic pillars of the Banking Union, in addition to the creation of the Single Supervisory Mechanism, is the European Single Resolution Mechanism (SRM) which, together with the Recovery and Resolution Directive entering into force next year, will create a genuine European framework for bank crisis management.

The Directive aims to strengthen crisis-prevention mechanisms and, above all, to minimise the public cost of future resolution processes at non-viable institutions, following the heavy bill for European taxpayers arising from the banking crisis that broke in 2009. In this connection, it requires the bailing-in of shareholders and bank creditors to cover the potential losses or capital shortfalls at banks in resolution before resources unrelated to such banks may be used. It further establishes an obligation on the industry to set up resolution funds to cover shortfalls not covered by the institution's creditors.

The Single Resolution Mechanism, comprising the countries that are part of the Single Supervisory mechanism (in principle those belonging to the euro area), will involve, in addition to the body of rules laid down by the Directive, the creation of a common authority entrusted with applying such rules and a common fund which, wholly funded by contributions from the European banking industry, will meet the needs that cannot be covered by banks in resolution, following the mandatory bail-in of shareholders and creditors.

These developments will entail a significant relinquishing of sovereignty by Member States that will promote uniformity across jurisdictions of the treatment of the different types of bank liabilities. That will contribute appreciably to restoring the integration of financial markets in Europe and to breaking the links between financial and sovereign risk, while reducing the foreseeable cost of future bank bail-outs for taxpayers.

The application of the new European resolution framework will foreseeably entail certain adjustments in the organisation of resolution activities at the national level. In our case, as you know, the FROB pursues two types of activities that will be affected in different ways by EU-level regulatory developments.

A significant portion of the FROB's measures – perhaps the most important part at present – involves the management of the State's stake in some of the banks that have received State aid, including the attendant divestment strategy. This type of activity, relating to the management of public assets in the financial sector, is not affected by the new European resolution regulations and should logically continue to be carried out with the direct involvement of the government authorities.

Resolution measures, consisting of the determination of the non-viability of banks and the preparation, approval, implementation and monitoring of plans, the responsibility for which is currently distributed between the FROB and the Banco de España, will be more affected by the transfer of competencies to the Single Resolution Mechanism and by the adoption of a regulatory framework that will minimise the need to use the State budget in resolution processes.

In most of our peer countries, formulas have been laid down or are being adopted that assign resolution activities in the strict sense to an independent unit, under the auspices of the banking supervisor. That said, this unit has a functional organisation and, occasionally, decision-making arrangements that ensure sufficient segregation between the resolution and regular banking supervision functions.

In any event, at the Banco de España we consider it would be advisable for the model adopted to distinguish between resolution activities and the management of public stakes in banks. Moreover, in the first instance, a reasonable balance should be struck between the need to functionally segregate resolution from supervision and the advisability of harnessing the synergy between these two activities, ensuring that the allocation of the resources available may be flexibly accommodated to the changing needs over time that the resolution of non-viable institutions typically entails.

Naturally, it will be for the Government and this Parliament to determine the most suitable means of adapting our rules to the new European framework.

9. CONCLUSIONS

In sum, as I stated at the start of my address, I trust my appearance has been useful not only to explain the main measures taken by the FROB in recent months but also to illustrate how the work undertaken is beginning to bear fruit in terms of the normalisation of the functioning of the most vulnerable segment of our financial system.

I believe the sale of NCG, the culmination of the integration of CEISS into Unicaja, the successful disposal of the stake held by the FROB, indirectly through BFA, in Bankia, and the advanced stage of the ongoing sale of Catalunya Banc are all significant milestones on the roadmap we had planned.

These operations, along with the sound progress in restructuring banks and the improvement in general economic and financial conditions, are enabling the banks that received aid to return to the markets and issue equity or debt instruments under favourable conditions.

I also believe that the arbitration proceedings undertaken are managing at least to alleviate the serious social problem caused by the mis-selling of preference shares and subordinated debt, and that the FROB is diligently pursuing irregular management practices at banks that have received State aid.

That said, we are naturally mindful of the sizeable volume of public resources that the FROB has had to use, our main concern being to use such resources as efficiently as possible. We are also aware that significant challenges remain ahead, starting most immediately with the participation of all banks in resolution or undergoing restructuring in the assessment exercises under way in connection with the Single Supervisory Mechanism.

Finally, the agreements reached in the European Union in recent months, particularly the creation of the European Resolution Mechanism, and the establishment of a Community regulatory framework for the resolution of credit institutions, will require national resolution arrangements to be adapted so as to retain their effectiveness in the new environment.

Thank you.