



Notice summarising the effects of the resolution action taken in respect of Banco Popular Español pursuant to Article 29(5) SRMR

On 7 June 2017, the Single Resolution Board (the “SRB”) has taken resolution action in respect of Banco Popular Español (“the Institution” or “Banco Popular”). The SRB has assessed that the conditions for resolution, as referred to in Article 18(1) SRMR, were met, namely:

- a) The entity is failing or likely to fail. On 6 June 2017, the European Central Bank (the “ECB”) has concluded that the Institution is failing or likely to fail on the basis of Article 18(4)(c) SRMR. In particular, taking into account the rapidly deteriorating liquidity situation of the Institution, the ECB considered that there were sufficient grounds supporting the determination that the Institution would, in the near future, be unable to pay its debts as they fall due.
- b) There was no reasonable prospect that any alternative private sector measures or supervisory action would prevent the failure of the Institution within a reasonable timeframe. Given that the private sale process initiated by the Banco Popular had not led to a positive outcome and given the difficulties of the Institution to mobilise sufficient additional liquidity within the given timeframe, the SRB has determined that this condition was met.
- c) Resolution action would be necessary in the public interest. The SRB concluded that resolution action would be necessary to achieve the following resolution objectives outlined in Article 14 SRMR:
 - i) to ensure the continuity of critical functions, namely: deposit taking from households and non-financial corporations (small and medium sized enterprises –“SMEs”- and non-SMEs); lending to SMEs; and payment and cash services; and
 - ii) to avoid adverse effects on financial stability.

The SRB has assessed that the winding up of the Institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.

As the conditions for resolution were met, the SRB adopted a resolution scheme providing for the application of the sale of business tool to the Institution, having regard to the results of the valuation of the Institution carried out in accordance with Article 20 SRMR. Under the resolution scheme, following a marketing process, the SRB has decided to transfer Banco Popular to Banco Santander S.A. The SRB decided to exercise the power of write-down and conversion of capital instruments prior to the transfer, to address the shortfall in the value of the Institution. In particular, all the existing shares (Common Equity Tier 1), and the Additional Tier 1 instruments were written down, while the Tier 2 instruments were converted into new shares, which were transferred to Banco Santander S.A. for the price of EUR 1.

As regards the effects of the resolution action, customers will benefit from the adoption of the resolution scheme and the transfer of Banco Popular to a large and sound financial institution. The

resolution action allows for the continuation of the provision of critical functions and services to individuals and SMEs by Banco Popular, and, in particular, the deposit-taking and lending services.

FROB will take the necessary actions to implement the resolution scheme adopted by the SRB and the effective execution of the transfer.