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## 2021 Annual Accounts of FROB and the National Resolution Fund

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**Madrid, 01/07/2021.** On 27 June, FROB's Governing Committee approved the annual accounts and the directors' report of FROB and of the National Resolution Fund (NRF) for 2021.

### Annual Accounts of FROB

**The loss for the year amounted to EUR 1.35 billion**, which stems, as in 2020, from the impairment resulting from the effects following the merger between Bankia and CaixaBank, thus recording all of the effects of the merger. At any event, as happened in the previous year, this is a mere accounting impact, which is not a reflection of the positive performance, since the announcement of the merger, of the market value of BFA's stake in CaixaBank, which has risen by EUR 2.40 billion, 122%, up to the date the accounts were authorised for issue.

FROB's balance, at year-end 2021, amounts to EUR 5.18 billion, with a positive net worth of EUR 2.85 billion.

The main movements recorded in the 2021 financial statements compared with the previous year are as follows:

#### **(i) Valuation of investees**

- In 2021, in accordance with accounting standards and taking into account that, due to the effects stemming from the merger between Bankia and CaixaBank, BFA ceased to be the entity heading up an economic group, FROB has estimated the carrying amount of its stake in BFA, 100% owned by FROB and holder at 31 December 2021 of 16.12% of CaixaBank's shares), taking as reference the corresponding percentage of the **individual equity of BFA** recorded in its consolidated annual accounts as at 31 December 2021, instead of the net worth of the BFA Group, since it ceased to prepare consolidated group accounts.

Although the individual net worth of BFA stood at EUR 4.49 billion thanks to the revaluation of its stake, firstly in Bankia and then in CaixaBank, the result for FROB was a negative impact on the income statement of EUR 1.48 billion, as already announced due to the provisions of accounting regulations.

- FROB recorded the total write-down of its stake in Sareb in 2019, so there was no impact on the 2021 accounts for this item.

**(ii) Contingencies for guarantees**

- In 2021, a net positive impact of EUR 168 million was recognised in the income statement as a result of updating the estimate of the cost of the guarantees granted by FROB in the sale of institutions.

**(iii) Net interest income (expense)**

- The assets side of FROB's balance sheet mainly includes its stake in BFA and FROB's cash position. On the liabilities side, FROB is basically financed through the loan received from the State, which means that FROB recurrently records a net interest expense as the assets do not generate finance income to offset said expense. In 2021, the net interest expense amounted to EUR 69 million. At 31 December 2021, this loan had a balance of EUR 1.87 billion, following the partial capitalisation, authorised by the ESM, carried out on 20 December 2021<sup>1</sup>.

**(iv) Cash and banks**

- At 31 December 2021, the amount of FROB's cash totalled EUR 689 million, which is invested in Government Debt assets and in a current account with the Bank of Spain.

**(v) Extraordinary income**

- In 2021, extraordinary income of EUR 22 million was recorded as a result of judicial actions in legal proceedings under way.

**(vi) Fee to fund FROB's activity**

- FROB finances its operating expenses without any charge to the General State Budget, but rather through a fee paid by the financial industry. This resulted in income of EUR 24.6 million in 2021.

**Annual accounts of the National Resolution Fund**

The National Resolution Fund (NRF) recorded a profit of EUR 4.13 million, resulting from the collection of contributions to the NRF from those entities required to pay (EUR 4.17 million), which are investment firms not included under the scope of the consolidated supervision of the parent company by the European Central Bank and by the branches in Spain of credit institutions and investment firms established outside the European Union. The net assets of the fund amount to EUR 9.88 million, comprising the contributions made by these entities between 2015 and 2021 (both inclusive).

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<sup>1</sup> Article 53(4) of Law 11/2015 provides that FROB's own funds may increase, as the case may be, through the capitalisation of loans, credits or any other debt operation by FROB in which the General Government is the creditor.

*Both FROB and the NRF (managed by FROB) prepare their annual accounts in accordance with Spanish general accounting standards (which use criteria that are not comparable with those used in national accounting). These accounts are audited.*

*The annual accounts and directors' reports of FROB and the NRF together with their auditor's reports are available at the website: [www.frob.es](http://www.frob.es)*

***FROB is the executive resolution authority in Spain which, in turn, operates within the framework of the Single Resolution Mechanism. It is a public law institution with legal personality that was created to implement resolution measures in credit institutions and investment firms. FROB is regulated by Act 11/2015 of 18 June 2015 on the recovery and resolution of credit institutions and investment firms. It represents Spanish resolution authorities on the Single Resolution Board of the Single Resolution Mechanism.***