
2019 Annual Accounts of FROB and the National Resolution Fund

- **For the third consecutive year, FROB reduces its losses.**

Madrid, 27/05/2020. FROB's Governing Committee has approved the annual accounts and the directors' report of FROB and the National Resolution Fund (NRF) for 2019.

Annual Accounts of FROB

The loss for the year amounted to EUR 282 million compared with 905 million in 2018, down 70%. This loss is mainly the result of the impairments recorded in the carrying amount of its investees and FROB's net interest income (expense).

The assets side of FROB's balance sheet mainly includes its stake in BFA Tenedora de Acciones, S.A.U. (BFA, the holding company for Bankia shares) and FROB's cash position, which is held in government debt and deposits in the Bank of Spain. On the liabilities side, FROB is basically financed through the loan received from the State, which had a balance of EUR 10.46 billion at 31 December 2019. This means that FROB recurrently records a net interest expense as the assets do not generate finance income to offset said expense.

In 2019, assets amounted to EUR 10.46 billion, while liabilities amounted to EUR 11.21 billion. FROB's equity therefore stood at a negative figure of EUR 751 million. Although there are no legal issues for FROB to operate with this equity, in order to rebalance the balance sheet headings, in accordance with Article 53.4 of Law 11/2015, a conversion of the loan granted to FROB by the State for EUR 3 billion was carried out on 20 February. Following the conversion, the outstanding balance stood at EUR 7.46 billion.

With this conversion, the liabilities are reduced and the equity fund is increased by that same amount. On 30 April 2020, the equity therefore stood at a positive amount of EUR 2.23 billion. This conversion does not involve the injection of new funds into FROB, nor does it in any way affect the State's ability to recover the public support granted. It also has no impact on the public deficit or debt.

The main movements recorded in the 2019 financial statements compared with the previous year are:

(i) **Valuation of investees**

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 set up 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.

- FROB has estimated the carrying amount of its stake in the BFA Group in accordance with accounting standards and in line with the calculation performed in previous years. For this purpose, the carrying amount of BFA recorded by FROB at the end of the previous year is compared with the consolidated equity of the BFA Group, excluding minority interests, recorded in its consolidated annual accounts. The result was a negative impact on the income statement of 30 million euros.
- In addition, an impairment was recorded in FROB's investment in Sareb for a total of 169 million euros corresponding to the subordinated debt subscribed. This impairment completes the write-down of FROB's investment in Sareb that it has been performing since 2014.

(ii) Contingencies for guarantees

- In 2019, it was not necessary to make any charges or credits to the income statement as the estimates of the expected cost of the guarantees remain at the same levels as at year-end 2018.

(iii) Net interest income (expense)

- The net interest expense stood at EUR 103 million as a result of the interest paid by FROB to the Treasury as a consequence of the loan granted by the latter in 2012 to finance FROB's activity.

(iv) Cash and banks

- FROB has a sufficient cash position to meet its planned commitments for the coming years. At 31 December 2019, the amount of FROB's non-committed cash totalled EUR 895 million, which is invested in Government Debt assets and in a current account with the Bank of Spain.

(v) 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 around EUR 18 million in 2019.

(vi) Extraordinary Revenue

- As a result of the work performed by FROB to prosecute and penalise irregular conduct detected within the various credit institutions that received public aid, convictions have been obtained in some proceedings. In 2019, the amounts recovered in the enforcement stage have resulted in extraordinary revenue of EUR 8.5 million. The aid recovered recognised by means of a final judgement to date totals EUR 20.3 million plus statutory interest and costs.

Annual accounts of the National Resolution Fund

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 set up 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.

For its part, the National Resolution Fund (NRF) recorded a profit of EUR 765,000 resulting from the collection of contributions to the NRF by 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 4.8 million, comprising the contributions made by these firms between 2015 and 2019 (both inclusive).

Both FROB and the NRF (managed by FROB) prepare their annual accounts in accordance with general Spanish accounting standards (which use criteria that are not comparable with those used in national accounting) and are subject to an audit of accounts.

The annual accounts and directors' reports of FROB and the FRN together with their auditor's reports are available at the website: www.frob.es