

Independent Auditor's Report

**FONDO DE RESOLUCIÓN  
NACIONAL**

Annual Accounts and Directors' Report  
for the year ended at December 31, 2020

*Translation of a report originally issued in Spanish.  
In the event of discrepancy,  
the Spanish-language version prevails.*

## Independent Auditors' Report on the Annual Accounts

To the Governing Committee of  
**FROB**

### Opinion

We have audited the annual accounts of **FONDO DE RESOLUCIÓN NACIONAL** (hereinafter, the Fund), which comprise the balance sheet as at December 31, 2020, the income statement, the statement of recognised income and expenses, the statement of total changes in equity, cash flows statement and the notes thereto for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the Fund's equity and financial position as at December 31, 2020, and its financial performance and cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Entity (identified in note 2 to the accompanying annual accounts) and, in particular, with accounting principles and criteria set forth therein.

### Basis for opinion

We conducted our audit in accordance with audit regulations in force in Spain. Our responsibilities under those regulations are further described in the Auditor's responsibilities for the audit of annual accounts section of our report.

We are independent of the Fund in accordance with ethical requirements, including those regarding independence, that are relevant to our audit of annual accounts in Spain pursuant to audit regulations in force. In this regard, we have not provided any non-audit services, nor have any situations or circumstances arisen that, under the aforementioned audit regulations, might have affected the required independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Most relevant audit matters

Most relevant audit matters are those matters that, in our professional judgement, have been assessed as the most significant risks of material misstatement in our audit of the annual accounts of the current period. These risks were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

#### *Revenue from the collection of contributions*

Notes 1 and 9 to the accompanying financial statements indicate, respectively, the Fund's Legal System and the figure of contributions from obliged entities, received by the Fund from investment service companies that are outside the European Central Bank's supervision scope, and which constitute its turnover and most significant activity, during the financial year 2020.

Given that the virtual totality of the Fund's results correspond to contributions obtained from obliged entities, we have considered this as the most significant audit matter. Our audit procedures have included the following, among others:

- Gaining an understanding of procedures and controls established in the Fund to collect ordinary contributions, by virtue of Law 11/2015, of 18 June, on recovery and resolution of credit entities and investment service companies, as well as verifying them, among which we have:
  - Verified and reviewed the follow-up chart of contributions made by entities, elaborated by the Fund, based on the documentation received from the competent European Institution, which amounts payable per entity.
  - Reviewed the approval by the FROB's Governing Committee of the payment of the fee corresponding to the year in progress, which allows sending the corresponding communications to entities subject to this contribution.
  - For a selected sample, reviewing and inspecting "templates" sent to each Spanish entity, for them to be filled in.
- Performing a recalculation, based on entities that, due to their volume, must contribute to the Fund according to the contribution rate, to validate revenue registered in the Fund's annual accounts.
- Analysing a sample of communications sent, for the purpose of validating that data included in the recalculation are correct.

We have finally verified whether the accompanying notes to the financial statements include disclosures required by the financial reporting framework applicable to the Fund.

## **Other information: Management report**

Other information only comprises the management report for the 2020 financial year, the formulation of which is the responsibility of the FROB's President and is not an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in conformity with the audit regulation in force in Spain, consists of assessing and reporting on the consistency of information included in the management report with the annual accounts based on the Fund's knowledge obtained by us during the audit of the aforementioned annual accounts, and does not include any information not obtained as evidence during such audit. In addition, our responsibility is to assess and report on whether the content and presentation of the management report are in accordance with applicable regulations. If, based on the work we have performed, we conclude that a material misstatement exists, we are required to report that fact.

Based on the work performed, as described in the previous paragraph, the information included in the management report is consistent with that disclosed in the annual accounts for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.



## **President's responsibility for the annual accounts**

FROB's President is responsible for the preparation of the accompanying annual accounts, such that they fairly present Fund's equity, financial position and financial performance in accordance with the regulatory financial reporting framework applicable to the Fund in Spain, identified in note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the President is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis unless the President either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the annual accounts**

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and the related disclosures made by the President.
- Conclude on the appropriateness of the President's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with FROB's President regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with FROB's President, we determine those risks that were of most significance in the audit of the annual accounts of the current period and are therefore the most significant assessed risks.

We describe these risks in our auditor's report unless laws or regulation preclude public disclosure about the matter.

Madrid, 29 June 2021

MAZARS AUDITORES, S.L.P.  
ROAC N.º S1189

*(signed in the original in Spanish)*

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Carlos Marcos Corral  
ROAC N.º 17.577

## **FONDO DE RESOLUCIÓN NACIONAL**

Annual Accounts corresponding to  
the year ended at  
31 December 2020 and  
Directors' Report

*Translation of annual accounts and directors' report originally issued  
in Spanish. In the event of a discrepancy, the Spanish-language  
version prevails.*



Translation of financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

## FONDO DE RESOLUCIÓN NACIONAL

### PROFIT AND LOSS ACCOUNT CORRESPONDING TO THE YEAR ENDED AT 31 DECEMBER 2020 AND 2019

(Thousands of Euros)

	Notes	Income / (Expenses)	
		2020	2019*
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>	<b>10</b>	<b>997</b>	<b>784</b>
Contributions from obliged entities		997	784
<b>Other operating expenses</b>	<b>5</b>	-	-
<b>Financial income</b>	<b>6</b>	-	-
Bank interests		-	-
<b>Financial expenses</b>	<b>6</b>	<b>(27)</b>	<b>(19)</b>
Bank interests		(27)	(19)
<b>PROFIT / (LOSS) FOR THE PERIOD</b>		<b>970</b>	<b>765</b>

(\*) Solely and exclusively presented for comparison purposes

Notes 1 to 13 to the accompanying financial statements are an integral part of the Profit and Loss Account of the year ended at December 31, 2020



Translation of financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

**FONDO DE RESOLUCIÓN NACIONAL**  
**STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2020 AND 2019**

**A) STATEMENT OF RECOGNISED INCOME AND EXPENSES**

(Thousands of Euros)

	Notes	Income / (Expenses)	
		2020	2019
PROFIT / (LOSS) FOR THE PERIOD	3	970	765
TOTAL RECOGNISED INCOME AND EXPENSES		970	765

(\*) Solely and exclusively presented for comparison purposes

Notes 1 to 13 to the accompanying financial statements are an integral part of the Statement of Recognised Income and Expenses for the year ended at December 31, 2020

**B) STATEMENT OF TOTAL CHANGES IN EQUITY**

(Thousands of Euros)

	Equity Fund	Prior periods' profit and loss	Profit / (loss) for the period	Valuation adjustments	TOTAL
Balance at 31 December 2018 (*)	3,982	-	42	-	4,024
Total recognised income and expenses		-	765	-	765
Operations with Fund sponsors	42	-	(42)	-	-
- Allocation to Equity Fund (Note 3)	42	-	(42)	-	-
Other variations in equity	-	-	-	-	-
Balance at 31 December 2019 (*)	4,024	-	765	-	4,789
Total recognised income and expenses		-	970	-	970
Operations with Fund sponsors	765	-	(765)	-	-
- Allocation to Equity Fund (Note 3)	765	-	(765)	-	-
Other variations in equity	-	-	-	-	-
Balance at 31 December 2020	4,789	-	970	-	5,759

(\*) Solely and exclusively presented for comparison purposes

Notes 1 to 13 to the accompanying financial statements are an integral part of the Statement of Total Changes in Equity for the year ended at December 31, 2020

## FONDO DE RESOLUCIÓN NACIONAL

### STATEMENT OF CASH FLOWS CORRESPONDING TO THE YEAR ENDED AT 31 DECEMBER 2020 AND 2019

(Thousands of Euros)

	Collections / (Payments)	
	2020	2019*
<b>CASH FLOWS FROM OPERATING ACTIVITIES (I)</b>	<b>970</b>	<b>765</b>
Profit/(loss) for the period before tax	970	765
Adjustments for:	27	19
- Valuation allowances for impairment losses	-	-
- Finance income	-	-
- Finance expenses	27	19
<b>Changes in operating assets and liabilities</b>	-	-
- Trade and other payables	-	-
<b>Other cash flows from operating activities</b>	<b>(27)</b>	<b>(19)</b>
- Interests paid	(27)	(19)
- Interests received	-	-
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES (II)</b>	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES (III)</b>	-	-
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS (IV)</b>	-	-
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)</b>	<b>970</b>	<b>765</b>
Cash and cash equivalents at beginning of period	4,789	4,024
Cash and cash equivalents at end of period	5,759	4,789

(\*) Solely and exclusively presented for comparison purposes

Notes 1 to 13 to the accompanying financial statements are an integral part of the Statement of Cash Flows for the year ended at December 31, 2020

# Notes to the financial statements corresponding to the year ended at 31 December 2020

## **1. Activity**

Fondo de Resolución Nacional (hereinafter, the Fund) is created by Law 11/2015, of 18 June, of recovery and resolution of credit entities and investment service entities (hereinafter, Law 11/2015), for an indefinite period of time, and is incorporated as separate equity, devoid of legal personality, which management, administration and representation is entrusted to the FROB.

The Fund's purpose is to finance resolution measures run by the FROB as Executive Resolution Authority, for which the Fund will have the following funding sources:

- a) ordinary contributions, to be at least annually collected, or extraordinary contributions -when regular contributions are insufficient to finance planned resolution measures - from reporting institutions,
- b) credit applications of funding mechanisms to other Member States of the European Union, and
- c) loans it may receive from analogous funding mechanisms in other European Union's Member States.

As indicated in art. 53.2 of Law 11/2015, these funds will be used to ensure the effective implementation of resolution instruments, which may be implemented through one or more of the following measures:

- a) Issuing of guarantees.
- b) Granting of loans or credits lines.
- c) Acquisition of assets or liabilities, which management may be assumed by the Fund or commissioned to a third party.
- d) Making contributions to a bridge institution or the asset management company.
- e) Payment of compensation to shareholders and creditors.
- f) Making contributions to the entity when deciding to exclude certain liabilities of internal recapitalisation.
- g) Granting of loans to other funding mechanisms.
- h) Recapitalisation of an entity under the terms and limitations provided in said Law 11/2015.

In addition, subject to certain conditions, loans with charge to the Fund to financing mechanisms similar of other European Union Member States may also be granted. In addition, the Fund' resources may be applied to meet the expenses incurred for its own operation.

As for the legal regime applicable to the Fund and contributions to it, according to the report issued at the FROB's request by the Ministry of Finance and Public Administrations, on 4 December 2019, the contributions are not considered public resources. In turn, the Fund is not integrated into the State Budget, being its budget, accounting and control standards subjected to the rules approved by the FROB's Governing Committee.

The FROB is governed and administered by a Governing Committee which, at December 31, 2020, is composed of eleven members: the President; four members appointed by the Bank of Spain, one of which, the Deputy Governor acts as Vice-President; three representatives of the Ministry of Economic Affairs and Digital Transformation; the Vice-Chairwoman of the National Stock Market Commission; and two representatives of the Ministry of the Finance. Also, a representative appointed by the General Comptroller of the State Administration attends to the Committee's sessions, with voice but no vote, and another by the Attorney General - Director of the State Legal Service.

The FROB's registered office is at Avenida General Perón 38, Madrid.

## **Collection of Contributions**

With the entry into force of Regulation (EU) no. 806/2014 of the European Parliament and Council, of 15 July, which establishes uniform standards and procedure for the resolution of credit entities and of certain investment service entities within a Single Resolution Mechanism and a Single Resolution Fund, the Single Resolution Board manages and administers the Single Resolution Fund, which draws on contributions from the following entities; credit entities established in participating member States; parent companies, including financial holding companies and financial holding mix companies based on one participating member State, when being subject to consolidated supervision by the ECB; and investment service entities and the financial entities established on a participating member State, when included on the parent company's ECB scope of consolidated supervision. In this sense, the Board is the competent authority to calculate ex-ante contributions corresponding to the abovementioned entities.

In turn, at national level contributions to be collected by the FROB for the Fondo de Resolución Nacional are limited to those entities that, within the scope of application of Law 11/2015, must not contribute to the SRF. Thus, entities that must contribute to the Fund are investment service entities which minimum legally enforceable share capital is below 730,000 Euros, or which activity does not meet features described in art. 1.3.b) of Law 11/2015, which are not included on the parent company's scope of consolidated supervision by the ECB. Moreover, by virtue of the final eighth provision of the Royal Decree-Law 19/2018, of 23 November, of payment services and other urgent financial measures, which amends, among others, articles 1.2.e) and 53.1.a) of Law 11/2015, from the cycle of collection of contributions corresponding to 2019, including among those subject to contribution branches in Spain of credit institutions and investment service companies established outside the European Union.

Contributions received by the Fund are regulated by the provisions of Royal Decree 1012/2015 of 6 November, implementing Law 11/2015, amending Royal Decree 2606/1996 of 20 December, on deposit guarantee funds of credit institutions, as well as the Commission Delegated Regulation (EU) 2015/63 of 21 October. These regulations govern, among others, the following:

- The financial resources raised by the Fund shall reach at least 1 percent of all entities' guaranteed deposits before December 31, 2024.
- The FROB may agree to extend such initial term, for a maximum period of 4 years, if the Fund has made disbursements above 0.5 percent of all entities' guaranteed deposits.
- If after the initial period, the Fund's financial resources decrease below the target level, the regular contributions will resume until reaching that level.
- The FROB will determine, before 1 May each year, the total contribution that the committed entities should make on the basis of guaranteed deposits' average amount for the previous year.
- The FROB will raise annual ordinary contributions from entities, including its branches in the European Union, and branches in Spain of entities established outside the European Union, in accordance with the following criteria:
  1. The contribution of each entity corresponds to the proportion of entities' total aggregate, from the following concept: entity's total liabilities, excluding its own resources and the guaranteed amount of deposits in accordance with the provisions of Royal Decree-Law 16/2011 of 14 October, which creates the Credit Institutions' Deposits Guarantee Fund.
  2. The contributions will be adjusted to the risk profile of each entity in accordance with the criteria to be determined by the regulations.

Additionally, article 10 of the Delegated Regulation (EU) 2015/63 regulates a fixed-installment contribution system for certain entities, based on their total assets and total liabilities, excluding equity and the guaranteed amount of deposits.

- Entities must pay before 30 June of each year the annual contribution.
- Part of the Fund's equity will be constituted by both ordinary and/or extraordinary contributions and by income and profits from the materialised investment of non-committed assets.
- The lack of deposit, total or partial, of contributions on the date set for it, will constitute a very serious infringement..

In turn, article 53.1.a) of Law 11/2015, in line with the community regulations, expects the possibility for available financial resources to be considered to reach the target level to include irrevocable payment commitments fully supported by asset guarantees at risk free of charge, freely disposable and allocated for exclusive use by the FROB, for purposes entrusted by Law, where the portion of irrevocable payment commitments cannot exceed 30 per cent of the total collected amount. Such commitments consist on the entity's unconditional obligation to pay future contributions, as required. Also, the entity must deposit a portion of the annual contribution as collateral for such future payment commitment.

Concerning the collection of contributions to the Fund, corresponding to 2020:

- The Fund's funding level for 2020 was of 747,491 thousand Euros (684,847 thousand Euros in 2019), corresponding to one tenth of 1% of deposits guaranteed at December 31, 2019, that is to say 747,491,406 thousand Euros (684,847,354 thousand Euros in 2019), as per communications from the Deposits Guarantee Fund of January 30 and March 20, 2020.
- In 2020, the totality of investment service companies established in Spain and one of the branches compelled to contributing to the Fondo de Resolución Nacional are within the established contribution limits per fixed charge. With regard to the other two branches, since they exceed thresholds required to be able to contribute through this system, they have contributed under the general regime.
- The FROB, by virtue of article 49 of RD 1012/2015, before May 1, 2020, calculated and notified ordinary contributions to be settled in 2020 to the Fund by the 33 obliged entities, which in aggregate have contributed an amount of 997 thousand Euros (32 entities for an amount of 784 thousand Euros in 2019).
- The FROB's Governing Committee, in session held on April 28, 2020, in line with the Single Resolution Board, agreed to authorise 15% as maximum limit for each entity's total contribution to be covered by irrevocable payment commitments, only accepting cash collateral. No entity has used this alternative.

With regard to contributions from the FUR, the total amount collected as ex-ante contributions corresponding to 2020 is of 846,703 thousand Euros, out of which 846,472 thousand Euros (the collected contribution minus the effect negative interest rates) were transferred to the Single Resolution Fund on June 24, 2020, by virtue of the fourth additional provision of Law 11/2015.

Amounts collected for ex-ante contributions, which are perceived and subsequently distributed to the SRF, are netted on the Fund's statement of cash flows, since the Fund only acts as mere intermediary in this operation.

The following chart presents the detail of contributions (in thousands of Euros):

	<b>2020</b>	<b>2019</b>
<b>Collected ex-ante contributions</b>	<b>847,700</b>	<b>708,541</b>
Total amount SRF	846,703	707,757
Total amount NRF	997	784
<b>Total amount to be transferred to the SRF</b>	<b>846,472</b>	<b>707,602</b>
Ex-ante contributions	846,703	707,757
<i>Of which, collaterals corresponding to irrevocable payment commitments</i>	<i>29,045</i>	<i>38,649</i>
Adjustment for the effect of negative interest rates	(231)	(155)

## **2. Basis of presentation of the annual accounts and other information**

### **2.1 Applicable financial regulatory reporting framework**

These annual accounts were prepared by the FROB's President in accordance with the applicable regulatory financial reporting framework established in the following:

- a) The Spanish Commercial Code and all other applicable Spanish corporate law.
- b) The Spanish General Accounting Plan approved by Royal Decree 1514/2007 of 16 November, and subsequent modifications.
- c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish General Accounting Plan and the relevant secondary legislation.



d) All other applicable Spanish accounting legislation.

## **2.2 Functional currency and presentation currency**

The annual accounts are presented in thousands of Euros, which is the Fund's functional and presentation currency.

## **2.3 True and fair view**

The Fund's annual accounts, which were obtained from its accounting records, are presented in accordance with the financial reporting framework applicable to the Entity (see Note 2.1) and, in particular, with the accounting principles and rules contained therein (see Note 4) and, accordingly, they present fairly the Entity's equity and the financial position at December 31, 2020, and its results, the changes in its equity and its cash flows in the year then ended.

The Fund's annual accounts corresponding to 2019 were approved by the FROB's Governing Committee on May 26, 2020, and those corresponding to 2020, formulated by the FROB's President on June 29, 2021, will be submitted to the approval by the FROB's Governing Committee, estimating that they will be approved without modification.

## **2.4 Accounting policies applied**

The Fund's annual accounts were prepared taking into account all mandatory accounting principles and rules with a material effect on the annual accounts (see Note 4). All mandatory accounting principles with a significant effect on the annual accounts were applied. No non-mandatory accounting principles were applied in the preparation of the annual accounts.

## **2.5 Key issues in relation to the measurement and estimation of uncertainty**

The information contained in these financial statements is the responsibility of the FROB's President.

In preparing these financial statements were made estimates to measure some items therein registered, basically referring to the estimate of possible impairment losses of certain assets (see Note 5).

These estimates were made on the basis of the best information available at the date of preparation of these annual accounts; there is no subsequent event that could change these estimates. Any future event not known at the date of formulation could lead to changes (upwards or downwards), which would be made, if applies, prospectively.

## **2.6 Comparison of information**

The information contained in these annual accounts corresponding to 2019 is solely and exclusively presented for comparison purposes together with figures for 2020.

## **2.7 Environmental impact**

In view of the Fund's business activities, it does not have a significant impact on the environment. Therefore, these annual accounts do not contain any disclosures relating to environmental issues.

## **3. Application of results**

Pursuant to article 53.6 of Law 11/2015, any benefits accrued and recorded in the Fund's financial statements will become part of its equity. Therefore the application of results from 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
<b>Basis of distribution:</b> Balance from the profit and loss account	970	765
<b>Application:</b> Equity fund	970	765
	<b>970</b>	<b>765</b>

#### **4. Accounting policies and measurement bases**

The main accounting policies and measurement bases used by the Fund in preparing the annual accounts for 2020, in accordance with the Spanish General Accounting Plan approved by Royal Decree 1514/2007, of 16 November, and subsequent modifications, were as follows:

##### **4.1 Financial assets - Categories of financial assets**

###### **Loans and receivables**

This category includes debt instruments arising from the provision of services and those that, while not arising from this type of activity, represent receivables with fixed or determinable amounts that are not traded in an active market.

###### *Initial measurement –*

Generally speaking, loans and receivables are initially recognised at fair value which, in the absence of evidence to the contrary, is the transaction price, which is the fair value of the consideration given, plus any directly attributable transaction costs.

However, certain items established under applicable legislation and included in this financial asset category and maturity within one year are initially recognised at their nominal value when the effect of not updating the cash flows is not significant.

###### *Subsequent measurement -*

The assets included in this category are measured at their amortised cost. The accrued interest on these assets is recognised in the income statement using the effective interest rate method.

However, the financial assets included in this financial assets category which, as described above, are initially recognised at their nominal value, continue to be measured at this value after their initial recognition.

Any impairment losses on these assets are recognised as described in Note 4.3.

##### **4.2 Cash**

The cash balances, all of which are denominated in Euros, are measured at their nominal value in these annual accounts.

The accrued interests earned by the bank accounts and bank deposits held by the Fund are calculated using the effective interest rate method on the basis of their contractual rates and are recognised under “Finance Income - Bank Interests” or “Financial expenses – Bank interests”, as applicable, on the enclosed income statement.

Note 6 provides significant information regarding cash.

#### **4.3 Impairment of financial assets**

The Fund monitors its financial assets in order to have information enabling it to identify evidence of their possible impairment and, where necessary, to perform the related impairment test. Impairment is considered to exist when the recoverable amount of a financial asset is lower than its carrying amount. When this occurs, the impairment (difference between the recoverable value and the carrying amount of said asset) is recognised in the income statement.

When the recovery of any recognised amount is considered unlikely, the amount is written off, without prejudice to any actions that the Fund may initiate to seek collection until its contractual rights are extinguished due to expiry of the statute-of-limitations period, forgiveness or any other cause.

Financial assets recognised in the income statement are considered impaired and therefore its carrying amount is adjusted to reflect the effect of impairment- when there is a negative impact on future cash flows that were estimated at transaction date.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the income statement for the year in which the impairment becomes evident, and the reversal, if any, of previously recognised impairment losses is recognised in the income statement for the year in which the impairment is reversed or reduced.

#### **4.4 Creditors and other payables**

This item includes the amount of contributions ex-ante by entities to be transferred to the Single Resolution Fund.

Debits and payables included here are measured at cost, meaning that it corresponds to the consideration received in exchange for incurring the debt or, in some cases, the amount of cash and equivalent liquid assets expected to settle a debt in the normal course of business.

At December 31, 2020 and 2019, there are no outstanding amounts for this concept.

#### **4.5 Tax regime**

During 2015, a binding consultation was issued to the Directorate General of Taxes regarding the direct taxation corresponding to the Fund, in particular whether the income allocation system foreseen by article 6 of Law 27/2014, of 27 November, of the Corporate Income Tax (CIT Law) is applicable.

On July 13, 2016, the response to such consultation was received, concluding that, since it is a financing mechanism for the FROB and considered as its instrument, article 6 of the CIT Law with regard to entities in income allocation system would not be applicable. Consequently, income obtained by the Fund will be understood as obtained by the FROB. In this sense, the Fund is fully exempt from the Corporate Income Tax.

#### **4.6 Recognition of revenue and expenses**

Revenue and expenses are recognised in the income statement on an accrual basis, i.e. when the actual flow of the related acquisition or provision of goods and services occurs, regardless of when the resulting monetary flow arises.

#### **4.7 Provisions and contingencies**

In preparing its annual accounts, the Fund makes a distinction between:

- a) Provisions: credit balances covering present obligations arising from past events, the settlement of which is likely to give rise to an outflow of resources, and the amount and/or timing of which cannot be determined. These obligations may arise from a legal provision, a contractual requirement or an implicit or implied obligation assumed by the Fund.

- b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not within the Fund's control.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences, and registering the adjustments arising from the updating of said provisions as a financial expense on an accrual basis.

The compensation receivable from a third party on settlement of the obligation is recognised as an asset, provided there is no doubt that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been outsourced, as a result of which the Fund is not liable, in which case, the compensation will be taken into account when estimating, if appropriate, the amount of the related provision.

At December 31, 2020 and throughout the Fund's life since its incorporation, no provision has been constituted for any cause.

#### 4.8 Definition of fair value and amortised cost

For the purposes of the preparation of these annual accounts, fair value is understood to be the amount for which an asset may be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Fair value is determined without any deduction for transaction costs that may be incurred on disposal. In no case shall fair value be that resulting from a forced or urgent transaction or from a situation of forced liquidation.

Fair value is generally calculated by reference to a reliable market value, which is understood to be the price quoted in an active market, in which the goods or services exchanged are homogeneous, buyers and sellers may be found at practically any time for certain goods or services and the prices are known and easily accessible to the public, and reflect actual, current and regular market transactions.

Amortised cost of a financial instrument is understood to be the amount at which it was initially recognised, minus any principal repayments and interest arisen, plus or minus, as appropriate, the portion allocated to the income statement, calculated using the effective interest rate method, of its accrued interest and of the difference between the initial cost and the reimbursement of the instrument's value. In the case of financial assets, amortised cost also includes any impairment losses recognised thereon.

The effective interest rate is the discount rate that matches a financial instrument's initial value to the estimated cash flows' present value during its expected life, based on its contractual conditions and excluding future credit losses. This calculation includes any loan arrangement fees, where appropriate, charged prior to granting the loan.

#### **5. Trade and other receivables – Receivables for entities' contributions**

Both at December 31, 2020 and at December 31, 2019, all compelled entities have settled their annual contribution to the Fund.

#### **6. Cash and cash equivalents - Cash**

At December 31, 2020 and 2019, this caption of the accompanying balance sheet presents the following detail:

	Thousands of Euros	
	2020	2019
Current accounts in Bank of Spain	5,762	4,791
Accrued interests payable	(3)	(2)
<b>TOTAL</b>	<b>5,759</b>	<b>4,789</b>

During 2020, 27 thousand Euros have been accrued (19 thousand Euros in 2019) as negative bank interests (average rate of -0.5%) registered under caption "Financial expenses – Bank interests" of the enclosed profit and loss account, out of which, at December 31, 2020, 3 thousand Euros were payable and have been settled on January 5, 2021 (2 thousand Euros at December 31, 2019, settled at January 7, 2020).

## **7. Equity**

### **Equity fund**

The Fund's Equity at December 31, 2020 amounts to 5,759 thousand Euros (4,789 thousand Euros in 2019) and is fully comprised by results generated by the Fund from its incorporation to December 31, 2020

The Fund equity is composed by:

- a) Contributions, ordinary or extraordinary, to be made by the entities.
- b) Income and benefits from the investments obtained from the not committed equity and those instruments issued by entities in the application of resolution instruments.

## **8. Information on the nature and level of risk of financial instruments**

A detail of the Fund's main risk factors associated with financial instruments and the policies adopted to manage them are as follows:

### **Liquidity risk**

Liquidity risk is defined as the risk that the Fund might not have sufficient funds to meet its debt repayments at their maturity dates.

At December 31, 2020, the Fund has liquid assets available and, due to the composition of the Fund's balance sheet, the exposition to this risk is nil.

### **Credit risk**

Credit risk is defined as the risk assumed by the Fund that payments of the financial assets it holds are not made on maturity by its counterparties due to insolvency.

At December 31, 2020, no credit risk is considered to exist in the Fund's accounts.

### **Interest rate risk**

The structural interest rate risk of the balance sheet is defined as the exposure of the Fund's financial and economic situation to adverse movements in interest rates derived from the different term structure of maturities and depreciation of balance sheet items.

At December 31, 2020, the single financial assets subject to interest rate risk are those held in cash (see Note 6).

### **Market risk**

Market risk is defined as the risk that affects results or equity as a result of adverse changes in the prices of bonds and securities it owns and of its hypothetical own issues.

At December 31, 2020, given the composition of the Fund's financial statement exposure to this risk is null.

### **Other risks**

The Fund does not have any significant direct exposures to other risks associated with its financial instruments that have not already been disclosed in these annual accounts.



## **9. Revenue - Contributions from obliged entities**

This item recognises at 2020 closing an amount of 997 thousand Euros (784 thousand Euros in 2019), corresponding to the accrued amount of regular contributions in 2020 by compelled companies which, since 2019, include branches in Spain of credit institutions and investment service companies established in the European Union (see Note 1). In 2020, all entities have paid their contribution within the established period of time.

## **10. Other disclosures**

Fees for audit services and other services provided by the Fund's auditor, Mazars Auditores, SLP., or company related to the auditor for control, common ownership or management, corresponding to 2020 are borne by the FROB as entity in charge of its management, and have accounted for the following amounts (thousands of Euros), regardless of the invoicing date:

	Services delivered by Auditor and Related Companies	
	2020	2019
Audit services	3	3
Other assurance services	-	-
<b>Total audit and related services</b>	<b>3</b>	<b>3</b>
Tax advisory services	-	-
Other services	1	1
<b>Total professional services</b>	<b>4</b>	<b>4</b>

Neither senior management of the FROB or members of its Governing Commission have received any amount as remuneration, allowances, services or any other concept in 2020 for their work related to the Fund.

## **11. Fair value of financial instruments**

Given the composition of the Fund's assets and liabilities at December 31, 2020, the fair value of assets and liabilities not measured at fair value are not significantly different compared to that for which they were recognised in the financial statements for 2020.

## **12. Information on deferred payments to suppliers. Third additional provision. "Disclosure obligation" provided for in Law 15/2010, of 5 July**

In 2020, the Fund has not carried out any operation involving payments to suppliers.

## **13. Subsequent events**

After the communication of April 16, 2021 by the Single Resolution Board on its Decision on ex-ante contributions of 2021 to the SRF, the FROB, pursuant to the Regulation (EU) no. 806/2014 and to the Regulation (EU) 2015/81, has notified the Board's Decision to each entity, which calculates the annual contribution debited for each entity for collection purposes. The collected amount must be transferred to the SRF by June 28, 2021.

In turn, the FROB, pursuant article 49 of Royal Decree 1012/2015, of 6 November, and Delegated Regulation (EU) 2015/63, by May 1, 2021, has calculated and notified ordinary contributions to be settled by entities to the Fund before June 15, 2021, to be then subsequently transferred to the SRF.

In turn, for the Fund, the annual financing level for 2021 has been established at 800,911 thousand Euros. Therefore, once the corresponding portion to be contributed to entities which contribute to the SRF has been deducted, contributions to be made to the Fund for 2021 would be of 4,167 thousand Euros.

Concerning irrevocable payment commitments, set by Article 53 of Law 11/2015, in order to dispose of a consistent system with the one instrumented by the Single Resolution Board for contributions to the SRF, for 2021, the maximum limit of 15% of the each entity's contribution is maintained, only accepting cash collateral.

Moreover, on January 30, 2021, Royal Decree 1/2021, of 12 January, was published, amending the General Accounting Plan approved by Royal Decree 1514/2007, of 16 November.

The purpose of the new Accounting Plan, in force since January 1, 2021, is basically to introduce the necessary changes to adapt the 9th registration and measurement standard «Financial instruments» and the 14th registration and measurement standard «Income from sales and services delivered» to the IFRS-EU 9 and IFRS-EU 15, respectively.

The entity's management has started analysing the impact from the new Accounting Plan. Based on the first estimates, management understands that it will not have a significant impact on the financial statements

Additionally, except for the previous paragraphs, from the date of closing of the financial year to the date of formulation, there has not been any significant subsequent event.

# Fondo de Resolución Nacional

Directors' Report corresponding to the year ended at 31 December 2020

## 1.- EXECUTIVE SUMMARY

One of the pillars of the Banking Union and of the new framework of resolution of credit entities and investment service entities established at European level by the Directive 2014/59/EU of the European Parliament and Council, of 15 of mayo of 2014, is the creation of resolution funds as financing mechanisms with which the resolution authorities may effectively undertake the various resolution measures set. For such purpose, they must have adequate financial resources, enabling Member States to collect ex-ante contributions from authorised entities within its territory, including branches within the Union.

At national level, the above has been materialised in the creation, through Law 11/2015, of 18 June, on recovery and resolution of credit entities and investment service entities of the Fondo de Resolución Nacional (FRN), which management is entrusted to the FROB.

At Community level, by virtue of Regulation (EU) 806/2014 of the European Parliament and Council, of 15 July, became effective, establishing uniform standards and procedures for the resolution of credit entities and of certain investment service entities within a Single Resolution Mechanism (SRM) and a Single Resolution Fund (SRF), the SFR, managed by the Single Resolution Board, which is in charge of calculating contributions from credit entities and investment service entities subject to the European Central Bank's supervision under consolidation with the parent company.

In this context, during 2020, the FROB has carried out all necessary actions to collect contributions from entities in application of Law 11/2015, of 18 June, which are not required to contribute to the SRF. In particular, investment service entities which minimum legally required share capital is at least of 730,000 Euros, or which activity does not meet characteristics described on article 1.3.b) of Law 11/2015, which are not subject to the European Central Bank's supervision under consolidation with the parent company, as well as branches in Spain of credit institutions and investment service companies established outside the European Union, according to the modification introduced in Law 11/2015 by Royal Decree-Law 19/2018, of 23 November, of payment services and other urgent financial measures.

Additionally, and as in previous years, the FROB has closely collaborated with the Single Resolution Board and other National Resolution Authorities in the collection of ex-ante contributions of 2020, as well as in the implementation of works to calculate contributions of 2021.

Since the incorporation of the FRN, in 2015, the total amount of contributions by subject investment service entities is of 5.6 million Euros. To date, it has not been necessary to use this financing mechanism to execute any resolution measure. With regard to the SRF, Spanish entities have contributed above around 4,382 million Euros.

## 2.- ACTIVITY DEVELOPED IN 2020. RELEVANT MATTERS

In relation to the determination of annual contributions, article 4.2 of the Delegated Regulation (EU) 2015/63 of the Commission indicates that the resolution authority will determine them (i) on the basis of the annual financing level of the resolution financing mechanism, and on the basis of the financing level to be reached at December 31, 2024, thus, within ten years; and (ii) on the basis of the average amount of the previous year's guaranteed deposits, calculated each quarter, for all obliged entities in the territory, where this information must be provided by deposits guarantee systems.

Accordingly,

- First of all, contributions must be staged in time, during the initial period (2015) until December 31, 2024, in the most uniform manner possible until the target level is reached, thus establishing, in general, the application of a linear criterion. However, the standard also recognises that the economic cycle stages must be considered, as well as the pro-cyclical impact of contributions in the contributing entities' financial situation. In this sense, for contributions corresponding to 2020, it has been considered that there are no circumstances justifying a criterion other than the linear criterion, and therefore the contribution of 2020 has been established at one tenth of 1% of the average amount of the previous year's guaranteed deposits, calculated each quarter.

- Secondly, in relation to the determination of the basis of the average amount of the previous year's guaranteed deposits, the Deposits Guarantee Fund of Credit Entities informed the FROB that the average amount of the previous year's guaranteed deposits, quarterly calculated, amounted to 747,491,406 thousand Euros.

Consequently, the initial annual financing level for 2020 was established in 747,491 thousand Euros (one tenth of 1% of 747,491.406 thousand Euros).

On this basis, as established in article 49 of Royal Decree 1012/2015, of 6 November, which develops Lay 11/2015, of 18 June, ordinary contributions to be settled in 2020 to the Fondo de Resolución Nacional by obliged entities have been calculated and notified, reaching the amount of 997 thousand Euros.

With regard to the calculation of the contribution corresponding to entities, article 53.1 of Law 11/2019 indicates that each entity's contribution will be collected on the basis of the following criteria:

- Each entity's contribution will correspond to each entity's proportion representing on the total aggregate of the following concepts: entity's total liabilities, excluding own resources and the guaranteed amount of deposits in accordance with the provisions of Royal Decree -Law 16/2011 of 14 October, thus the Deposits Guarantee Fund of Credit Entities is created.
- Contributions will be adjusted to each entity's risk profile, in accordance with criteria determined by Royal Decree 1025/2015.

However, article 10 of the Delegated Regulation (EU) 2015/63 regulates a fixed-installment contribution system for certain entities, based on total assets and total liabilities, excluding equity and the guaranteed amount of deposits. In 2020, the totality of investment service companies established in Spain and one of the branches compelled to contributing to the Fondo de Resolución Nacional are within the established contribution limits per fixed charge. With regard to the other two branches, since they exceed thresholds required to be able to contribute through this system, they have contributed under the general regime

With regard to irrevocable payment commitments, as approved by the Single Resolution Board, the FROB's Governing Committee agreed to authorise 15% as maximum limit for each entity's total contribution to be covered by irrevocable payment commitments, solely accepting cash collaterals. During 2020, none of the entities compelled to contribute to the NRF have employed this modality.

The number of Spanish entities required to contribute, in 2020, has been of 129, with the following detail per type of entity:

- Contribution to the SRF: 91 credit entities and 5 investment service entities.
- Contribution to the NRF: 30 investment service entities and 3 branches in Spain of credit institutions and investment service companies established outside the European Union.

The period to settle contributions ended on June 15, 2020, when all entities had settled their corresponding contributions within it. Also, the transfer to the SRF of entities' contributions under the scope of application of Regulation 806/2014 was made on June 24, 2020, thus complying with the established deadline.

### **3.- SUBSEQUENT EVENTS**

The main events that took place in the period from the reporting date to the date on which these annual accounts were issued were as follows:

- Regarding contributions for 2021 to the Fondo de Resolución Nacional, the FROB, once information submitted by the 31 investment service companies, as well as the 4 branches in Spain of obliged credit institutions established outside the European Union, according to the amendment introduced in Law 11/2015, by Royal Decree-Law 19/2018, of 23 November, of payment services and other urgent financial measures, has been calculated, according to the Delegated Regulation, and notified the ordinary contributions they have to make before June 15, 2021. For this purpose, it has set as a final funding target for 2021 in 800,911 thousand Euros for the Fondo de Resolución Nacional.
- With regard to the Single Resolution Fund, by virtue of Regulation 806/2014, entities have been informed about ex-ante contributions for 2021 to be settled to the SRF for collection purposes, based on the Decision by the Single Resolution Board, which has powers for their calculation, on the annual contribution debited for each entity. The amount collected by the FROB will be transferred to the SRF by June 28, 2021.

Moreover, on January 30, 2021, Royal Decree 1/2021, of 12 January, was published, amending the General Accounting Plan approved by Royal Decree 1514/2007, of 16 November.

The purpose of the new Accounting Plan, in force since January 1, 2021, is basically to introduce the necessary changes to adapt the 9th registration and measurement standard «Financial instruments» and the 14th registration and measurement standard «Income from sales and services delivered» to the IFRS-EU 9 and IFRS-EU 15, respectively.

The entity's management has started analysing the impact from the new Accounting Plan. Based on the first estimates, management understands that it will not have a significant impact on the financial statements

Additionally, except for the previous paragraphs, from the date of closing of the financial year to the date of formulation, there has not been any significant subsequent event.

#### **4- OTHER DISCLOSURES**

During 2020, no research and development activities were performed.



## Fondo de Resolución Nacional

The signatory, President of the FROB, formulates on June 29, 2021 these Annual Accounts of the Fondo de Resolución Nacional corresponding to the year ended at December 31, 2020 and the Directors' Report for 2020, which are printed on the accompanying 19 pages, duly countersigned by me for the purpose of their identification, and which will be submitted for approval by the FROB's Governing Committee.

(Signed in the original in Spanish)

Signed: Paula Conthe  
President of the FROB