Independent Auditor's Report

FROB

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.

Free translation of the auditors' report originally issued in Spanish based on our work performed in accordance with audit regulations in force in Spain and of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Fund in Spain (see note 2 to the accompanying annual accounts). In the event of a discrepancy, the Spanish-language version prevails.

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Independent Auditors' Report on the Annual Accounts

To the Governing Committee of
FROB

Opinion

We have audited the annual accounts of the FROB, 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 equity and financial position of FROB 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 FROB 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.

Emphasis of matter paragraph

As indicated on note 9 to the financial statements by FROB's President, as a consequence of losses incurred in 2020, FROB's equity is negative at December 31, 2020, for an amount of 1,390,072 thousand Euros. Although the FROB could operate with negative equity, Law 11/2015 establishes that the FROB's equity could be increased, where applicable, through the capitalisation of loans, credits or any other indebtedness operation by the FROB with the National State Administration as creditor.

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.

Valuation of Investments in group companies and associates

Notes 2.4, 4.3.1, 4.5.1 and 7 to the accompanying financial statements describe estimates made and accounting criteria used when elaborating the annual accounts to value investments in group companies and associates, as well as their possible value impairments which, together with the entities' evolution, could affect the investments' valuation reflected on the annual accounts.

Criteria used to value such investments require the application of judgements and significant estimates by FROB President and Management. Such estimates have therefore been based on the best information available at the date of formulation of the annual accounts, as well as on conclusions obtained from the corresponding accounting consultations made by FROB in this regard.

Once this analysis is performed, when there are signs of impairment in such shares and investments, FROB carries out an impairment test of such investments in order to estimate whether their recoverable amount is lower than their carrying amount.

The final recoverable value of such investments registered on the accompanying annual accounts will depend on (i) the effective compliance with key assumptions considered on business plans, if this was the employed valuation method, (ii) assumptions taken based on the best information available on the investees' integration processes, (iii) certain uncertainties on the joint effect derived from certain events or contingencies on such investees and, finally, (iv) the price to be obtained from the sale of entities in which FROB currently invests.

We therefore consider that the valuation of Investments in group companies and associates is one of the most significant estimates in the preparation of the annual accounts, and we have thus considered that this is a relevant aspect in our audit.

Our audit procedures have included the following, among others:

- Understanding of procedures and controls established in the Fund for the use of the appropriate valuation criterion and mitigation of errors in said valuations' estimate.

- Analysis of the reasonableness and comparability of assumptions considered in the valuation's calculation process, when based on the investee's Business Plan.

- Analysis of accounting implications derived from the merger process performed between the investee Bankia, through BFA, and Caixabank. Our analysis has considered the information available and used by FROB Management and President when assessing these accounting implications, as well as the conclusions from the accounting consultations made by FROB for these purposes.

- Review of the correct application of financial information used to calculate the valuation, if performed on the consolidated net equity attributable to the investee.

- Review of the accuracy of accounting records based on arithmetic calculations performed.

Finally, we have verified that the accompanying notes to the financial statements include disclosures required by the financial reporting framework applicable to the Fund.

Valuation of guarantees granted in Credit Entities' Resolution Processes

FROB, as Executive Resolution Authority, has granted a series of guarantees within the frame of different credit entities' restructuring resolution processes, mainly for a successful conclusion of entities' sale processes, for which the amount of provisions has been estimated following methodologies indicated on notes 4.10 and 13 to the accompanying financial statements.

Since the sufficiency of provisions registered for these concepts will depend on the effective compliance with key assumptions used for their determination, as well as on the future evolution of contingencies covered by said guarantees, economic resources to be used by FROB to assume these commitments is one of the most significant estimates in the preparation of the annual accounts. Therefore, we have considered that this is a relevant aspect in our audit.

We have documented our understanding and review of the estimation process performed by FROB President and Management, as well as the internal control associated to said process, focusing our procedures in the following aspects:

- Analysis of the reasonableness of hypotheses considered by FROB to value provisions.

- Review of independent external experts' reports, taken as basis to estimate provisions for this purpose.

- Verification of arithmetic calculations based on hypotheses and data contributed by considered reports.

- Review of the accuracy of accounting records of Current Provisions and Non-current provisions, with regard to calculations performed.

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

Provisions and Contingencies for the existence of litigations and claims

For the purpose of managing entities' resolution processes on their execution stage, as well as of exercising powers allocated by Law 11/2015 and other Spanish Legal Order and European Union's Law, FROB may be immersed in administrative, judicial or other legal proceedings, resulting from the normal course of activity.

These proceedings conclude, in general, after a long period of time, resulting in complex processes according to the legislation in force. FROB President and Management decide when to register a provision based on an estimate performed by applying prudential calculation procedures, consistent with uncertainty conditions inherent to these proceedings.

The analysis of these litigations therefore requires a high judgement and application of complex estimates, and therefore we have considered that this aspect is relevant to our audit.

We have documented our understanding and our review of the estimation process performed by FROB President and Management, as well as the internal control associated to such process, focusing our procedures, among others, in the following aspects:

- Prior understanding of the litigations' qualification policy and allocation to provisions, where applicable.

- Achievement of confirmation letters from FROB's legal consultants with regard to these litigations' nature, status and assessment of the possibility or probability of an unfavourable conclusion.

- Holding the corresponding meetings with FROB's internal consultant to obtain a correct understanding of litigations in progress reported to us and to contrast the made of the litigations' expected outcome, with the correct accounting registration of provisions and/or disclosures on the formulated annual accounts.

- Assessment of possible contingencies and reasonableness of registered accounting provisions.

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

Other information: Management report

Other information only comprises the management report for the 2020 financial year, the formulation of which is the responsibility of FROB 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 FROB'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 FROB's equity, financial position and financial performance in accordance with the regulatory financial reporting framework applicable to FROB in Spain, 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 FROB's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis unless FROB's President either intends to liquidate FROB 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:

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- 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 FROB'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 FROB'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 FROB 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)

Carlos Marcos Corral
ROAC Nº 17.577

FROB

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.

FROB

BALANCE SHEET CORRESPONDING TO 31 DECEMBER 2020 AND 2019

(Thousands of Euros)

ASSETS	Notes	2020	2019*	EQUITY AND LIABILITIES	Notes	2020	2019*
NON-CURRENT ASSETS				**EQUITY**			
Intangible assets		**127**	**165**	**CAPITAL AND RESERVES WITHOUT VALUATION ADJUSTMENTS**	**9**	**(1,390,072)**	**(751,152)**
Property, plant and equipment		**199**	**213**	Equity fund		2,248,848	(469,485)
Non-current investments in group companies and associates	**7**	**5,974,322**	**9,530,564**	Profit/(loss) for the period		(3,638,920)	(281,667)
Equity instruments		5,974,322	9,530,564				
Non-current financial investments	**7**	**-**	**424,030**	**VALUATION ADJUSTMENTS**	**9**	**439**	**(159)**
Debt securities		-	424,030	Available-for-sale financial assets		439	(159)
						(1,389,633)	**(751,311)**
Total non-current assets		**5,974,648**	**9,954,972**	**NON-CURRENT LIABILITIES**			
				Non-current provisions	**13**	**626,433**	**657,147**
				Non-current payables	**8**	**7,443,166**	**10,433,658**
				Other non-current debts		7,443,166	10,433,658
						8,069,599	**11,090,805**
				CURRENT LIABILITIES			
				Current provisions	**13**	**51,150**	**111,790**
CURRENT ASSETS				**Current payables**	**8**	**3,002**	**3,561**
Trade and other receivables		**374**	**381**	Other current debts		3,002	3,561
Current financial investments	**7**	**425,989**	**264,790**				
Credits to third parties		2,074	-				
Debt securities		419,996	259,158				
Other financial assets		3,919	5,632				
				Trade and other payables		**495**	**723**
Cash and cash equivalents	**5**	**333,602**	**235,425**	Other payables	**12**	364	586
Cash		333,602	235,425	Other debts with public institutions	**11**	131	137
Total current assets		**759,965**	**500,596**			**54,647**	**116,074**
TOTAL ASSETS		**6,734,613**	**10,455,568**	**TOTAL EQUITY AND LIABILITIES**		**6,734,613**	**10,455,568**

(*) Figures from 2018 are solely and exclusively presented for comparison purposes.
Notes 1 to 16 to the Financial Statements are an integral part of the Balance Sheet at 31 December 2020.

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

FROB

INCOME STATEMENT CORRESPONDING TO THE YEAR ENDED AT 31 DECEMBER 2020 AND 2019

(Thousands of Euros)

	Notes	Income / (Expenses) Year 2020	Income / (Expenses) Year 2019*
CONTINUING OPERATIONS			
1. Revenue	**14.1**	**21,172**	**17,697**
Fees for activities performed by the FROB as Resolution Authority		21,172	17,697
2. Other operating income		**419**	**452**
3. Personnel costs	**14.2**	**(4,209)**	**(4,271)**
Salaries and wages		(3,590)	(3,620)
Employee benefits expense		(619)	(651)
4. Other operating expenses	**14.3**	**(2,957)**	**(2,360)**
External services		(2,837)	(2,268)
Other operating expenses		(120)	(92)
5. Amortisation and depreciation		**(106)**	**(119)**
6. Provision surpluses	**13**	**-**	**13**
7. Allocation of provisions	**13**	**(12,058)**	**-**
Allocation of provisions for EPA and other liabilities		(12,058)	-
8. Extraordinary income		**109**	**8,550**
9. Extraordinary expenses		**-**	**(1)**
RESULTS FROM OPERATING ACTIVITIES		**2,370**	**19,961**
10. Finance income	**5 y 7**	**358**	**439**
Other interests		358	439
11. Finance expenses	**8**	**(85,406)**	**(103,700)**
Interests and commissions		(85,406)	(103,700)
Update of provisions	**13**	-	-
12. Impairment and gains/(losses) on disposal of financial instruments	**6 y 7**	**(3,556,242)**	**(198,367)**
Impairment and losses		(3,556,242)	(198,367)
NET FINANCE INCOME/(EXPENSE)		**(3,641,290)**	**(301,628)**
PROFIT/(LOSS) FOR THE PERIOD		**(3,638,920)**	**(281,667)**

(*) Figures from 2019 are solely and exclusively presented for comparison purposes.

Notes 1 to 16 to the Financial Statements are an integral part of the Profit and Loss Account corresponding to the year ended at 31 December 2020.

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

FROB

STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO THE YEAR ENDED AT 31 DECEMBER 2020 AND 2019

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES

(Thousands of Euros)

	Income / (Expenses)	
	Year 2020	Year 2019*
PROFIT/(LOSS) FOR THE PERIOD (I)	**(3,638,920)**	**(281,667)**
Income and expenses recognised directly in equity		
- Measurement of financial instruments	**598**	**(815)**
Available-for-sale financial assets	598	(815)
- Tax effect	-	-
TOTAL INCOME AND EXPENSES DIRECTLY RECOGNISED IN EQUITY (II)	**598**	**(815)**
Amounts transferred to the income statement		
- Measurement of financial instruments	**-**	**-**
Available-for-sale financial instruments	-	-
- Tax effect	-	-
TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT (III)	**-**	**-**
TOTAL RECOGNISED INCOME AND EXPENSES (I+II+III)	**(3,638,322)**	**(282,482)**

(*) Figures from 2019 are solely and exclusively presented for comparison purposes.

Notes 1 to 16 to the Financial Statements are an integral part of the Statement of Recognised Income and Expenses corresponding to the year ended at 31 December 2020.

STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO THE YEAR ENDED AT 31 DECEMBER 2020 AND 2019

B) STATEMENT OF TOTAL CHANGES IN EQUITY

(Thousands of Euros)

	Equity Fund	Profit/(Loss) for the period	Valuation Adjustments	TOTAL
Balance at 31 December 2018 (*)	**435,274**	**(904,759)**	**656**	**(468,829)**
Total recognised income and expenses	-	**(281,667)**	**(815)**	**(282,482)**
Operations with Fund promoters	**(904,759)**	**904,759**	-	**-**
- Distribution of previous year's profit/(loss) (Note 3)	(904,759)	904,759	-	-
- Conversion of financial liabilities into equity (Note 9.1)		-	-	-
Other variations in equity	-	-	-	-
Balance at 31 December 2019 (*)	**(469,485)**	**(281,667)**	**(159)**	**(751,311)**
Adjustments for changes in criteria	-	-	-	-
Adjustments for errors	-	-	-	-
ADJUSTED BALANCE AT 1 JANUARY 2020	**(469,485)**	**(281,667)**	**(159)**	**(751,311)**
Total recognised income and expenses	-	**(3,638,920)**	**598**	**(3,638,322)**
Operations with Fund promoters	**2,718,333**	**281,667**	-	**3,000,000**
- Distribution of previous year's profit/(loss) (Note 3)	(281,667)	281,667	-	-
- Conversion of financial liabilities into equity (Note 9.1)	3,000,000	-	-	3,000,000
Other variations in equity	-	-	-	-
Balance at 31 December 2020	**2,248,848**	**(3,638,920)**	**439**	**(1,389,633)**

(*) Figures from 2019 are solely and exclusively presented for comparison purposes.

Notes 1 to 16 to the Financial Statements are an integral part of the Statement of Total Changes in Equity corresponding to the year ended at 31 December 2020.

FROB

STATEMENT OF CASH FLOWS CORRESPONDING TO THE YEAR ENDED AT 31 DECEMBER 2019 AND 2018

(Thousands of Euros)

	Notes	Collections / (Payments)	
		Year 2020	Year 2019*
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**(153,478)**	**(249,335)**
Profit/(Loss) for the period before tax		**(3,638,920)**	**(281,667)**
Adjustments for:		**3,653,454**	**301,734**
- Amortisation and depreciation		106	119
- Impairment corrections	7	3,556,242	198,367
- Changes in provisions	8, 13	12,058	(13)
- Finance income	7	(358)	(439)
- Finance expenses	8	85,406	103,700
Changes in working capital		**(105,704)**	**(188,870)**
- Trade and other receivables	7	7	7
- Trade and other payables		(228)	(171)
- Other current liabilities	13	(105,483)	(188,706)
Other cash flows from operating activities		**(62,308)**	**(80,532)**
- Interests paid	8	(74,550)	(100,228)
- Interests received	7	12,242	19,696
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**251,655**	**(67,585)**
Payments for investments		**(54)**	**(430,096)**
- Intangible assets		(31)	(42)
- Property, plant and equipment		(23)	(40)
- Other financial assets	7	-	(430,014)
Proceeds on divestments		**251,709**	**362,511**
- Other financial assets	7	251,709	362,511
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**-**	**-**
Proceeds and payments from financial liabilities	8	**-**	**-**
- Debt issuance with credit entities		-	
- Redemption and amortisation of debt instruments and other marketable securities		-	
- Redemption and amortisation of debts with credit institutions		-	
EFFECT IN VARIATIONS OF EXCHANGE RATES (IV)		**-**	**-**
NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS (I+II+III+IV)		**98,177**	**(316,920)**
Cash and cash equivalents at beginning of the year		235,425	552,345
Cash and cash equivalents at year-end		333,602	235,425

(*) Figures from 2019 are solely and exclusively presented for comparison purposes.

Notes 1 to 16 to the Financial Statements are an integral part of the Statement of Cash Flows corresponding to the year ended at 31 December 2020.

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

1. Activity

The FROB is a public entity with legal personality and full public and private capacity to fulfil its purpose, which was incorporated on July 14, 2009, in accordance with the provisions of Royal Decree-Law 9/2009, of 26 June, on bank restructuring and reinforcement of credit entities' equity[1]. Currently, the legal regime under which the FROB operates is Law 11/2015, of 18 June, of recovery and resolution of credit institutions and investment firms (hereinafter, Law 11/2015) which, together with Royal Decree 1012/2015, of 6 November, implementing it, transposes Directive 2014/59/EU of the European Parliament and Council, of 15 May, into Spanish law, establishing a framework for the recovery and resolution of credit institutions and investment firms.

The main features of the resolution framework established by Law 11/2015 originate from the incorporation in Spain of the harmonised resolution regulations established by Directive 2014/59/EU and Regulation (EU) 806/2014 on the Single Resolution Mechanism. Its most important characteristics are the following:

- The resolution's preventive phase is strengthened, all entities operating in the market are required to have recovery and resolution plans for the event that they may incur in difficulties or lack of viability.

- Shareholders and private creditors, or where applicable the industry, must bear an entity's resolution cost, especially protecting depositors and public resources. To this end, internal loss absorption mechanisms (internal recapitalisation) are established, and a resolution funds are created, financed by entities themselves.

- The resolution's responsibility, concerning entities under the competence of national authorities as a result from the distribution of competences between the Single Resolution Board and the National Resolution Authorities established in article 7 of Regulation (EU) 806/204 is allocated, in its preventive phase, to Bank of Spain for credit institutions and to the Comisión Nacional del Mercado de Valores for business investments services. The FROB is appointed as Executive Resolution Authority of such entities.

Under this framework, the FROB therefore aims to manage entities' resolution processes in the executive phase and to exercise other powers under Law 11/2015 and the remaining national and European Union law.

In general, objectives pursued by the resolution processes are the following:

- To ensure the continuity of activities, services and operations whose interruption could disrupt the economy or the financial system and, in particular, financial services of systemic importance, and payment, compensation and settlement systems, taking into account the size, market share, internal or external connections, complexity or cross-border nature of the entity or its group.

- To avoid adverse effects on the financial system's stability, preventing contagion of one institution's difficulties to the system as a whole, and maintaining market discipline.

- To ensure the most efficient use of public resources, minimising the extraordinary public financial support, which may be necessary to grant.

- To protect depositors whose funds are guaranteed by the Deposits Guarantee Fund for Credit Institutions and investees covered by the Deposits Guarantee Fund.

- To protect the repayable funds and other assets of credit institutions' customers.

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[1]Derogated by the Royal Decree-Law 24/2012, of 31 August, on restructuring and resolution of credit institutions, in turn derogated by Law 9/2012, of 14 November, on restructuring and resolution of credit institutions, converting into a law what was established therein. This Law was also derogated by Law currently in force 11/2015, of 18 June, on restructuring and resolution of credit institutions and investment services companies, except for the first transitory provision.

The achievement of these objectives will try, in any case to minimise the cost of resolution and avoid any destruction of value, except when necessary to achieve the resolution's objectives.

To finance the expected resolution measures, the FROB will have the following funding mechanisms:

- A National Resolution Fund (NRF) without legal personality, managed by the FROB and established as separate asset, whose financial resources should reach at least 1 percent of all entities' guaranteed deposits. To achieve this level, the FROB will raise, at least annually, entities' regular contributions, as well as extraordinary contributions, if ordinary were insufficient.

- Contributions to be collected by the FROB for the National Resolution Fund are circumscribed to those entities that, being within the scope of application of Law 11/2015, are not required to contribute to the Single Resolution Fund (SRF). Thus, entities that must contribute to the NRF are investment services companies 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, as long as they are not included on the scope of the European Central Bank's supervision under consolidation with the parent company. 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, branches in Spain of credit institutions and investment service companies established outside the European Union are included among those subject to contribution.

- The FROB may also, for the fulfilment of its purposes, seek alternative financing means, such as issue debt securities, receive loans, apply to open credit facilities and undertake other borrowing transactions, if regular contributions provided are not sufficient to cover resolution costs and extraordinary contributions are not immediately available or sufficient. In any case, the FROB borrowings, whatever the mode of its implementation, shall not exceed the limit established for that purpose in the annual laws of the State Budget.

- The FROB may borrow from the funding mechanisms of other European Union's Member States, in the event that regular contributions are not sufficient to cover the costs of resolution, extraordinary contributions are not immediately accessible, and mechanisms of alternative funding indicated in the previous section cannot be used on reasonable terms.

These funding mechanisms can only be used to the extent necessary to ensure the effective implementation of resolution tools. In particular, funding mechanisms may be expressed in one or more of the following measures:

- Issuing of guarantees.
- Granting of loans or credit lines.
- Acquisition of assets or liabilities, maintaining its management or entrusting it to a third party.
- Contributions to a bridge institution or to the assets management company.
- Payment of compensations to shareholders and creditors.
- Conducting contributions to the entity when deciding to exclude certain liabilities from the internal recapitalisation.
- Granting of loans to other funding mechanisms.
- Recapitalisation of an entity under the terms and limitations provided in Law 11/2015.

To cover their operating costs, the FROB collects from obliged entities a "fee for the activities undertaken by the FROB as resolution authority", which is governed by provisions of Law 11/2015 and, failing that, by Law 8/1989 of 13 April, on Public Fees and Prices, and Law 58/2003, of 17 December, on General Tax. Its basic characteristics, according to the sixteenth additional provision of law 11/2015, are as follows:

- Taxable event. The exercise of functions of monitoring, reporting and application of resolution tools during the preventive and executive phases of the resolution undertaken by the FROB.
- Taxable persons. Credit entities and investment services entities established in Spain.
- Taxable base. Amount that each entity must provide in respect of annual regular contribution to the National Resolution Fund or, where appropriate, to the Single Resolution Fund.
- Tax Fee. Result of applying a tax rate of 2.5 percent on the taxable base.
- Competencies for management, settlement and collection correspond to the FROB.
- Revenues from this tax have the nature of budget revenues of the FROB.

Additionally, the FROB's equity may increase through the capitalisation of loans, credit or any other form of borrowing of the FROB in which the Central Government appears as a creditor.

As for the applicable legal regime, the FROB, for the purposes of its budget, will apply, in matters not covered by Law 11/2015, the provisions of Articles 64 to 68 of Law 47/2003 of 26 November, on General budget. However, it is not subjected and therefore they are not applicable to it:

- General rules governing the economic and financial, accounting and control regulations of public bodies reporting or connected to the Central Government, except with regard to the audits of the Spanish National Audit Office, pursuant to Organic Law 2/1982, of 12 May, of the Spanish National Audit Office and to the ongoing financial control of its internal economic and financial management regulations by the General Audit Office of the State Administration, pursuant to the provisions of Chapter of Title VI on General Budget Law 47/2003, of 26 November.

- Provisions of Law 33/2003, of 3 November, on public administration patrimony in the exercise of its resolution functions. In any case, the FROB will not be subject to the provisions contained in Title VII of the aforementioned Law 33/2003 referred to the business assets of the General State Administration. In this sense, they are not part of the Patrimony of the Public Administrations shares, securities and other instruments that the FROB may acquire in the exercise of its resolution powers.

The FROB is managed and administered by a Governing Committee, comprising eleven members at December 31, 2020: the President, four members appointed by Bank of Spain, one of them, the Deputy Governor who acts as Vice-President of the Governing Committee; three representatives of the Ministry of Economic Affairs and Digital Transformation; the Vice-President of the Comisión Nacional del Mercado de Valores; and two representatives of the Ministry of Finance. Meetings by the Governing Committee are also attended by a representative appointed by the General Comptroller of the State Administration and another appointed by the Attorney General-Director of the State Legal Service, both with voice but not vote.

The FROB's registered address is located at Avenida del General Perón 38 in Madrid.

2. Basis of presentation of the annual accounts and other disclosures

2.1 Regulatory financial reporting framework applicable to the FROB

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

a) The Spanish Commercial Code and all other Spanish corporate law applicable to the Entity.

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 Fair presentation

The FROB'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 accounting principles and rules contained therein (see Note 4) and, accordingly, 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 FROB's annual accounts for 2019 were approved by the Governing Committee on May 26, 2020. Annual accounts for 2020, which were authorised for issue by the FROB's President on June 29, 2021, will be submitted for approval by the Governing Committee, and it is considered that they will be approved without any changes.

2.3 Accounting principles

The FROB's annual accounts have been elaborated taking into account the totality of compulsory accounting principles and standards with a significant effect therein (see Note 4). All accounting principles, which effect on these annual accounts is compulsory and significant, have been applied. Non-compulsory accounting principles have not been applied when elaborating the annual accounts.

2.4 Key issues in relation to the measurement and estimation of uncertainty

The information in these annual accounts is under the responsibility of the FROB's President.

In preparing these annual accounts, estimates were made to measure certain items recognised therein. Specifically, estimates were made for the purpose of measuring investments in the capital of Sareb and of BFA Tenedora de Acciones, SAU, to the subordinated financing granted by Sareb and subscribed by the FROB, and to determine the possible existence of impairment losses on these investments.

Recoverable amounts of investments in share capital, and the related impairment losses, if any, were calculated as follows:

a.- In the case of Sareb, from estimated cash flows included on business plan approved by its Board of Directors on February 24, 2021, in the most conservative scenarios. Such valuation method matches the one applied to the subordinated debt issued by the entity and subscribed by the FROB.

b.- Regarding the interest in BFA, the FROB considered that the best evidence of its recoverable amount, as well as the corresponding impairment losses, as provided by the 9th accounting and measurement rule of Royal Decree 1514/2007, is the investee's consolidated equity as evidenced by their corresponding consolidated and audited for the year 2020 financial statements, excluding minority interests, adjusted, if it were the case, for capital gains that are more easily realisable on the date of valuation that apply to identifiable items in the investee's consolidated balance sheet.

With a prudential approximation to the investee's valuation and taking into account the future effects from the merger between Bankia and CaixaBank and the disappearance of BFA Group, as a consequence of its perfectioning, it has not been deemed appropriate to take into account existing tacit capital gains at 2020 closing.

This valuation methodology is also consistent with that applied in previous year and with the FROB's strategic management of its investment in BFA. In this sense, successive extensions of the FROB's divestment term, agreed by the Government, and the way in which they legally take place (through agreement by the Council of Ministers, without parliamentary proceedings), largely justify this calculation method, being able to count with a wider period of time to carry out the divestment at the best market conditions, with a view to maximise the return of public funds injected in the entity and to ensure a more efficient use of public resources.

Thus, at 2020 closing, the FROB has estimated the recoverable value of its investment in BFA, taking into consideration the BFA Group's equity, not considering easily realisable tacit capital gains, as established on its audited annual accounts of 2020, resulting in the recognition of an impairment of 3,556,242 thousand Euros. Accordingly, at December 31, 2020, the net book value of the FROB's investment in BFA amounts to 5,974,322 thousand Euros.

In turn, at 2019 closing, the FROB estimated the recoverable value of its investment in BFA, taking into consideration the BFA Group's equity, excluding minority interests and not considering easily realisable tacit capital gains existing at valuation date, resulting in the recognition of an impairment for an amount of 29,830 thousand Euros, so that, at December 31, 2019, the net book value of the FROB's investment in BFA accounted for 9,530,564 thousand Euros.

However, it should be noted that the FROB's investment in BFA, unlisted company with its own activity, in a hypothetical scenario, where equity of the individual accounts of BFA is used to estimate the recoverable value, is estimated at 4,029 million Euros, an amount notably far from the value included, for its accounting classification, in the balance sheet at December 31, 2020. This figure would correspond to the individual equity of BFA at December 31, 2020, including, among others, the market value of its investment in Bankia, with a listing value at December 31, 2020 of 1.45 Euros per share, below the price at which it was acquired by the FROB.

In turn, at 2019 closing in this same hypothetical scenario, the investment value was estimated in the notes by 4,862 million Euros, which amount is also significantly different than the value registered, due to its accounting classification, in the balance sheet at December 31, 2019. This figure corresponded to the individual equity of BFA at December 31, 2019, including, among others, the market value of its investment in Bankia, with a listed value at December 31, 2019 of 1.90 Euros per share.

These estimates were made on the basis of the best information available at the date of preparation of these annual accounts, although the recovery of these assets by the value at which they are recorded will depend on the effective implementation of key assumptions used in their business plans and the price, if any, that will be obtained from the sale of entities in which the FROB invests, when it takes place.

Additionally, at the date of preparation of these annual accounts, there are some uncertainties on the whole effect that, for entities invested or financed by the FROB, could have certain facts or contingencies that, together with the entities' evolution, could affect the valuation of the FROB's investments reflected on these annual accounts, which would in any case be performed prospectively.

Moreover, the FROB has granted a series of guarantees under the framework of the different credit institutions' restructuring and resolution processes, chiefly in order to maximise the efficiency in the use of public funds in the process of sale or integration of certain entities (see Note 13). The FROB has estimated the amount of provisions made in accordance with the methodology set out in this Note. Although these estimates were made on the basis of the best information available at the date of preparation of these annual accounts, the adequacy of the provisions made for these items will depend on the fulfilment of key assumptions used for its determining, as well as the future developments of contingencies covered by these warranties.

2.5 Information comparison

Information contained in these annual accounts relating to 2019 is presented with the figures relating to 2020 for comparison purposes only.

2.6 Environmental impact

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

2.7 Information on deferred payments to suppliers. Third Additional Provision. "Disclosure obligation" provided for in Law 15/2010, of 5 July

In compliance with the provisions of Law 15/2010 of 5 July, amending Law 3/2004 of 29 December, establishing measures to combat late payment in commercial transactions, and the resolution of January 29, 2016, of the Institute of Accounting and Auditing, regarding the information to be included in the notes to the financial statements in relation to the average payment period to suppliers in commercial transactions, the required detailed information is included below:

	2020	2019
	Days	
Average payment period to suppliers	9.60	11.17
Ratio paid operations	9.61	10.08
Ratio of outstanding payment transactions	9.33	42.53
	Thousands of Euros	
Total payments	2,721	2,127
Total outstanding payments	29	74

2.8 Presentation of consolidated financial statements

Spanish corporate and commercial legislation requires that, with certain exceptions, parents of groups of companies prepare the corresponding consolidated annual accounts and related consolidated Directors' Report, in which subsidiaries are fully consolidated.

The aforementioned legislation establishes that an entity is another entity's subsidiary when the parent exercises control over it, i.e. it has the power to govern the financial and operating policies of a business so as to obtain economic benefits from its activities; the existence of control -and, therefore, of the group- is presumed to exist when, among other factors, the majority of voting power is owned and the power is held to appoint or remove the majority of the Board of Directors' members.

In this context, the FROB performed an analysis of the need to present consolidated annual accounts after having acquired, as described in Note 7 to these annual accounts, majority shareholdings in certain credit institutions, which led it to conclude, after consulting with Bank of Spain and the Spanish National Securities Market Commission (CNMV), over the lack of legal obligation to do so. Matters taken into consideration to reach this conclusion included the following:

- Extremely exceptional circumstances included in law, which require the FROB's intervention in processes in which it acquires majority shareholdings in entities or in which it gains control over managing bodies;

- The fact that the taking of these shareholdings occurs by legal mandate and is intended to complete and guarantee the fulfilment of the restructuring/resolution plan that must conclude with the cession of the business to third parties, and its actions cannot be treated as substantial rights with a mission to take an active part in the businesses' management, aiming their financial and operating policies to obtain economic benefits from their activities.

- The FROB's decisions for allocating resources are not based on the capacity to generate cash flows from its assets, but rather on the explicit, unconditional and irrevocable guarantee of the Kingdom of Spain which treats the instruments issued by the FROB as public debt.

Additionally, it should be considered that the presentation of consolidated accounts would not provide the FROB's investors with relevant information, and thus it would not comply with the purpose of offering the true and fair view of the nature and purpose of its majority investments.

3. Application of results

Results generated by the FROB's assets will be integrated into its Equity Fund. The application of profit for 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Basis of allocation:		
Profit/loss in the income statement	(3,638,920)	(281,667)
Allocation to:		
Equity Fund	(3,638,920)	(281,667)
	(3,638,920)	**(281,667)**

4. Registration and measurement standards

The main accounting policies and measurement bases used by the FROB in preparing the annual accounts for 2020, in accordance with the Spanish General Accounting Plan approved by Royal Decree 1514/2007, of 16 November ("the Spanish General Accounting Plan"), are as follows:

4.1 Fixed assets

4.1.1. Intangible assets

Computer programs that meet the recognition criteria are recognised at cost of acquisition or development. Amortisation is made on a straight-line basis over a period of 4 years from the entry into service of each application.

Applications' maintenance costs are expensed in the year they are incurred. At December 31, 2020, the FROB did not count with and did not impair any intangible asset.

4.1.2. Property, plant and equipment

Initial measurement –

Assets included in property, plant and equipment are initially recognised at cost, either the acquisition price or production cost, depending on whether they have been acquired or manufactured, respectively, by the Entity.

The acquisition cost includes, as well as the amount billed by the supplier after deducting any discounts or price reduction, all directly related additional expenses that occur until the assets are ready for their intended use, including those relating to bringing them to their location and any other condition in order that they may operate as planned.

Subsequent measurement –

Following acquisition, items of property, plant and equipment are measured at their acquisition price or production cost, minus any accumulated depreciation and any accumulated impairment losses.

Amortisation –

Property, plant and equipment are depreciated systematically on a straight-line basis over their estimated useful lives, taking into consideration their estimated residual value at the end of this period. Estimated useful lives of the Entity's various items of property, plant and equipment at December 31, 2020, calculated on the basis of the Entity's best estimate of the decline in value normally caused by their use and by wear and tear, in addition to the consideration of any technical and commercial obsolescence that might affect them, are the following:

	Years of estimated useful life
Computer hardware	4
Furniture and other	5

Changes that may occur in useful lives of the various items of property, plant and equipment are recognised by adjusting the depreciation charge of future years or periods, in line with new estimated useful lives.

In 2020, there have not been changes in the estimates of the useful lives of any items of property, plant and equipment owned by the Entity.

Impairment –

An impairment loss occurs on an item of property, plant or equipment when its carrying amount exceeds its recoverable amount. The recoverable amount is the highest of fair value less costs to sell and value in use, as defined in the Spanish General Accounting Plan.

At the end of each reporting period, the Entity tests its property, plant and equipment to determine whether there is evidence that those assets might have suffered impairment, in which case the asset's recoverable amount is estimated in order to determine the amount of impairment losses to be recognised which, if necessary, are recognised with a charge to the income statement. The reversal, if any, of previously recognised impairment losses due to increases in the recoverable amount of items of property, plant and equipment is recognised with a credit to the income statement. These recoveries are limited to the asset's carrying amount if no impairment loss had been recognised.

None of the FROB's items of property, plant and equipment were impaired at December 31, 2020 or in the year then ended.

4.2 Non-current assets held for sale

Definition -

Non-current assets whose carrying amount is expected to be recovered primarily through their sale and not through their continuing use. They are classified as non-current assets held for sale provided that they meet the following requirements:

a) Assets must be available in their current condition for immediate sale, subject to the usual and customary terms for their sale; and

b) Their sale must be highly likely, which is understood to be the case when the following circumstances occur:

    a. There is a plan in place to sell the asset and a project has begun to find a buyer and complete the plan.

b. The asset's sale is negotiated actively at an adequate price in relation to its current fair value.

c. The sale is expected to be completed within the year following the date of the asset's classification as held for sale unless, due to events or circumstances outside the Entity's control, the deadline for the sale has to be postponed and the Entity remains committed to the plan to dispose of the asset.

d. Actions to complete the plan indicate that it is unlikely that there will be significant changes in it or that it will be withdrawn.

Measurement -

The FROB measures the non-current assets classified as held for sale on the date on which they are classified as such, at the lower of their carrying amount and their fair value minus costs to sell. At the date on which these assets are reclassified, the FROB determines the value and recognises, where appropriate, any impairment losses on these assets.

The Entity recognises any impairment losses on the non-current assets classified as held for sale in the income statement, together with their reversal when the circumstances giving rise to them cease to exist, except when it is appropriate to recognise them directly in equity in accordance with the criteria generally applicable to the assets in the specific, related rules.

At December 31, 2020, there was no, and there has not been any during 2020, non-current asset held for sale.

4.3 Financial assets - Categories of financial assets

4.3.1. Investments – Group companies and associates

In accordance with the accounting legislation, "Group companies" are controlled by an entity. Control is the power to govern the financial and operating policies of a business so as to obtain economic benefits from its activities. Control exists, in general but not exclusively, when the Entity owns directly or indirectly half or more of the investee's voting power or, even if this percentage is lower or zero, when there are other circumstances or agreements that determine the existence of control.

Although the majority shareholdings owned by the FROB in credit institutions as part of its company object do not meet the definition of subsidiaries, and taking into consideration the specific nature of its management, as indicated on Note 2.8 above, for the purpose of the preparation of these annual accounts, they were treated for accounting purposes as investments in Group entities as it is understood that this criterion is the fairest way to present these investments. They are therefore recognised in the annual accounts under "Non-Current Investments in Group Companies and Associates - Equity Instruments" in the accompanying balance sheet and are measured at acquisition cost, net of any impairment losses on said investments (see Note 4.5.1).

Dividends accrued on these investments, provided that they do not arise unequivocally from the gains generated prior to their acquisition date, are recognised in the income statement. In 2020 these investments did not accrue any dividends.

Note 7.2 contains significant information on these investments.

4.3.2. Loans and receivables

This category of financial instruments 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.

Loans and receivables are recognised in the balance sheet at December 31, 2020 under inter alia, "Non-Current Financial Assets", "Accounts Receivable" and "Current Financial Assets".

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 that are included in this financial asset category and mature within one year are initially recognised at their nominal value when the effect of not discounting the cash flows is not significant.

Subsequent measurement –

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

However, the financial assets included in this financial asset 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 4.5.2.

Notes 7.3 and 7.5 contain significant information on these investments.

4.3.3. Available-for-sale financial assets

This category may include any financial assets that have not been classified in any other financial asset category envisaged in the Spanish General Accounting Plan.

Initial measurement –

Available-for-sale financial assets 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.

Subsequent measurement –

Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year. In this regard, (permanent) impairment is deemed to exist if the asset's market value has fallen by more than 40% or if there has been a prolonged fall in market value over a period of 18 months without the value having recovered.

However, the accrued interest and dividends relating to these assets are recognised in the income statement on the basis of their nature.

Any impairment losses on these assets are recognised as described in Note 4.5.

Notes 7.3, 7.4 and 7.7 contain significant information on these investments.

4.4 Cash

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

The interest earned by the bank accounts and bank deposits held by the FROB is calculated using the effective interest method on the basis of their contractual rates and are recognised under "Finance Income - Bank Interest" or, if proceeds, under "Financial expenses – Bank interests" in the accompanying income statement.

Note 5 contains certain significant information on treasury.

4.5 Impairment of financial assets

The FROB 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 FROB 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.

A financial asset is considered to be impaired -and therefore its carrying amount is adjusted to reflect the effect of impairment- when there is objective evidence that events have taken place, which:

- In the case of debt instruments (loans and debt securities), give rise to an adverse impact on the future cash flows that were estimated at the transaction date.
- In the case of equity instruments, mean that their carrying amount may not be fully recovered.

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.

The criteria applied by the FROB to determine possible impairment losses in each of the various financial instrument categories and the method used to calculate and recognise such impairment losses are described as follows:

4.5.1 Investments in entities

The FROB estimates and recognises impairment losses on the investments in Group entities provided that there is objective evidence, in accordance with the provisions of applicable legislation, that the carrying amount of an investment in these companies may not be recoverable.

The causes that the FROB could regard as indicating the existence of objective evidence of possible impairment in its investments, notwithstanding the provisions of Resolution of September 18, 2013 of the Spanish Accounting and Audit Institute, include the entities' adverse economic and financial performance and, in particular, the existence of losses and, where appropriate, significant variances with respect to the financial projections envisaged in the corresponding restructuring/resolution plans on which the acquisition price calculations were based; the existence of significant qualifications in the audit of the entities' financial statements and situations that raise doubts as to their viability or solvency, or the existence of other circumstances of a similar nature that could place in doubt the recoverability of the investments' carrying amount.

The amount of the impairment losses is estimated as the difference between the investments' book value and their recoverable amount, understood as the highest between its fair value minus selling costs, and the present value of the future cash flows arising from the investment. In absence of better evidence for the recoverable amount, the FROB estimates the impairment loss taking into consideration the consolidated equity on the investee's audited annual accounts, excluding minority interests.

The most significant aspects of the methodology used at 2020 year-end for estimating the recoverable amount of the various investments in capital and, therefore, the related impairment losses, are described in Note 2.4 to these annual accounts.

Impairment losses and the reversal thereof are recognised as an expense and income, respectively, in the income statement (see Note 7.2). The limit of any reversal of impairment losses is the investment's carrying amount that would have been recognised at the date of reversal had no impairment loss been recognised.

4.5.2 Debt instruments classified as "loans and receivables"

The FROB estimates and recognises impairment losses on the debt instruments classified as loans and receivables provided that there is objective evidence, in accordance with applicable legislation, that events have occurred causing, after a financial asset is initially recognised, a reduction or delay in the collection of cash flows associated with this asset, that could be caused by the debtor's insolvency.

The amount of these assets' impairment loss is calculated as the difference between the asset's carrying amount and the present value of its estimated cash flows.

The circumstances that the FROB could consider likely to have impaired these investments and that are considered in the estimates of impairment, notwithstanding the provisions of Resolution of September 18, 2015 of the Spanish Accounting and Audit Institute, include: the non-payment of coupons of contingently convertible bonds and subordinated debt, the existence of significant qualifications in the auditors' reports that raise doubts as to the entities' viability or solvency or the existence of other circumstances of a similar nature that might place in doubt the payment capacity of securities' issuers.

The most significant aspects of the methodology used at year-end 2020 to estimate the subordinated debt's recoverable value and, therefore, the corresponding impairments are described in Note 2.4 of these annual accounts.

Impairment losses and the reversal thereof are recognised as an expense and income, respectively, in the income statement (see Note 7.3 & 7.4). The limit of any reversal of impairment losses is the investment's carrying amount that would have been recognised at the date of reversal had no impairment loss been recognised.

4.6 Financial liabilities - Accounts payable

The financial liabilities assumed are classified and measured in the "Accounts Payable" category as defined by applicable legislation.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost (see Note 4.12).

4.7 Derecognition of financial instruments

A financial asset is derecognised when either of the following conditions is met:

1. The contractual rights on the cash flows they generate have been extinguished; or

2. The contractual rights on the financial asset's cash flows are granted and the asset's risks and rewards of ownership are substantially transferred or, although these are not substantially transferred or retained, control over the financial asset is transferred.

Financial liabilities are only derecognised when the obligations they generate have been extinguished or when they are re-acquired by the FROB, with the intention either to resell them or to write them off.

4.8 Tax regime

Law 11/2015 establishes that, for tax purposes, the FROB will have the same treatment as the Deposits Guarantee Fund of Credit Institutions. Consequently, the FROB is exempt from income tax and from any indirect taxes that may be incurred as a result of its constitution, of its operation, of the actions and transactions it performs in fulfilment of its objectives, and any other indirect taxes that may be passed on to it.

4.9 Revenue and expense recognition

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.

In this regard, the accrued finance income and expense (see Notes 5, 7 and 8) are recognised in the income statement using the effective interest method (see Note 4.12).

Operating leases

In operating leases, ownership of the leased asset and substantially all of the asset's risks and benefits of ownership remain with the lessor.

The FROB has leased under an operating lease the facilities that constitute its registered office (see Note 1). The lease's main features are as follows:

Lease term	Penalties
31 January 2023	Early termination

On January 2018, the lease agreement was renewed, until January 31, 2023, with an annual rent for the first year of 559 thousand Euros (exempt VAT), annually renewable, in agreement with section 6 of article 4 of Law 2/ 2015, of 30 March, on de-indexation of the Spanish economy. The annual rent for 2020 has been of 580 thousand Euros (exempt VAT).

The amount of dues of the operating lease is charged directly to the accompanying income statement (see Note 14.3).

4.10 Provisions and contingencies

In preparing its annual accounts, the FROB 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 constructive obligation assumed by the FROB.

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 wholly within the FROB's control.

The annual accounts include all provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Unless they are considered to be remote, contingent liabilities, if any, are not recognised in the annual accounts, but rather are disclosed in the notes to the financial statements (see Note 13).

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. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

The compensation receivable from a third party on settlement of an 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 FROB is not liable, in which case, the compensation will be taken into account when estimating, if appropriate, the amount of the related provision.

4.11 Related party transactions

For the purposes of preparing these annual accounts, the FROB's "related parties" are considered to be Bank of Spain, key management personnel of the FROB and the entities in which it has a majority shareholding or controls a majority of the managing body (see Note 1).

The transactions between the FROB and its related parties are accounted for in accordance with the general rules, i.e. at fair value.

Note 15 contains information on the balances recognised in these annual accounts corresponding to related parties.

4.12 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.

In contrast, if no active market exists, fair value is estimated by applying generally accepted assessment models and techniques such as references to recent transactions, references to the fair value of substantially similar financial instruments and generally accepted cash flow discount methods, in all cases using techniques that have demonstrated that they provide the most realistic fair value estimates and maximising at all times the use of data obtained in the market.

Amortised cost of a financial instrument is understood to be the amount at which it was initially recognised, less any principal repayments and interest payments made, plus or minus, as appropriate, the portion allocated to the income statement, calculated using the effective interest method, of its accrued interest and of the difference between the instrument's initial cost and maturity amount. 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 the initial value of a financial instrument to the present value of the estimated cash flows 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. Cash and cash equivalents – Cash

At December 31, 2020 and 2019, "Cash and Cash Equivalents - Cash" in the accompanying balance sheet corresponds to the following details:

	Thousands of Euros	
	2020	2019
Accounts held in Bank of Spain	331,042	233,029
Current accounts in other entities	2,721	2,561
Outstanding accrued interests payable	(161)	(165)
	333,602	**235,425**

At December 31, 2020, accounts held by the FROB in Bank of Spain have earned, according to the European Central Bank's regulations on the remuneration of deposits of Public Administrations in a National Central Bank, negative interests by 2,171 thousand Euros (2,374 thousand Euros in 2019) (rate of -0.50% at December 31, 2020) recorded under the caption "Financial expenses – Interests and commissions" in the accompanying income statement (see Notes 8.6 and 15), out of which 161 thousand Euros remain payable at December 31, 2020 (165 thousand Euros at December 31, 2019).

During 2020, negative interests accrued for the FROB's current accounts held in other entities have amounted to 20 thousand Euros (18 thousand Euros in 2019), registered on caption "Financial expenses – Interests and fees" of the accompanying profit and loss account (see Note 8.4), which are fully paid at December 31, 2020 (at December 31, 2019, they were fully paid).

6. Non-current assets classified as held for sale

At December 31, 2020 and December 31, 2019, there are no equity elements classified on this caption of the accompanying balance sheet.

7. Financial assets

7.1 Detail of financial assets

The detail, classified in accordance with applicable legislation, of financial assets owned by the FROB at December 31, 2020 and 2019 is as follows:

Year 2020

Classes / Categories	Thousands of Euros						
	Non-current financial instruments			Current financial instruments			
	Equity instruments (Note 7.2)	Debt securities (Note 7.3)	Loans and other	Equity instruments	Debt securities (Note 7.4)	Loans and other (Note 7.5)	Total
Investments in group companies and associates (*)	5,974,322	-	-	-	-	-	**5,974,322**
Loans and receivables	-	-	-	-	-	5,993	**5,993**
Available-for-sale financial assets	-	-	-	-	419,996	-	**419,996**
Total	**5,974,322**	**-**	**-**	-	**419,996**	**5,993**	**6,400,311**

(*) Including the amount of investments, net of their accumulated impairment (see Note 7.2).

Year 2019

Classes / Categories	Thousands of Euros						
	Non-current financial instruments			Current financial instruments			
	Equity instruments (Note 7.2)	Debt securities (Note 7.3)	Loans and other	Equity instruments	Debt securities (Note 7.4)	Loans and other (Note 7.5)	Total
Investments in group companies and associates (*)	9,530,564	-	-	-	-	-	**9,530,564**
Loans and receivables	-	-	-	-	-	5,632	**5,632**
Available-for-sale financial assets	-	424,030	-	-	259,158	-	**683,188**
Total	**9,530,564**	**424,030**	**-**	-	**259,158**	**5,632**	**10,219,384**

(*) Including the amount of investments, net of their accumulated impairment (see Note 7.2).

7.2. Non-current investments in Group companies and associates – Equity instruments

The detail of investments comprising “Non-Current Investments in Group Companies and Associates – Equity Instruments” in the accompanying balance sheet at December 31, 2020 and 2019 is as follows:

Year 2020

Company	%	Registered address	Thousands of Euros					
			Data on the Investees’ Assets (*)			Carrying Amount of the FROB’s Investment		
			Share Capital	Reserves and Other Equity Items	Profit (Loss) Attributable to the Parent	Cost	Impairment	Carrying Amount
BFA Tenedora de Acciones, S. A. U	100%	Madrid	1,918,367	2,943,289	(832,491)	19,604,000	(13,629,678)	5,974,322
Sareb	45.9%	Madrid	303,862	(9,759,513)	(1,073,041)	996,232	(996,232)	-
						20,600,232	**(14,625,910)**	**5,974,322**

(*) Data related to the equity position of these companies were obtained from the audited consolidated financial statements at December 31, 2020, excluding minority interests.

Year 2019

Company	%	Registered address	Thousands of Euros					
			Data on the Investees' Assets (*)			Carrying Amount of the FROB's Investment		
			Share Capital	Reserves and Other Equity Items	Profit (Loss) Attributable to the Parent	Cost	Impairment	Carrying Amount
BFA Tenedora de Acciones, S.A.U	100%	Madrid	1,918,367	7,507,366	104,831	19,604,000	(10,073,436)	9,530,564
Sareb	45.9%	Madrid	303,862	(6,868,178)	(947,246)	996,232	(996,232)	-
						20,600,232	**(11,069,668)**	**9,530,564**

(*) Data related to the equity position of these companies were obtained from the audited consolidated financial statements at December 31, 2019, excluding minority interests.

Changes in "Non-Current Investments in Group Companies and Associates - Equity Instruments" in the accompanying balance sheet in 2020 and 2019 were as follows:

	Thousands of Euros
Balance at 1 January 2019	**9,560,394**
Net allocation for impairment charged to the profit and loss account	(29,830)
Balance at 31 December 2019	**9,530,564**
Net allocation for impairment charged to the profit and loss account	(3,556,242)
Balance at 31 December 2020	**5,974,322**

BFA Tenedora de Acciones, S.A.U. ("BFA")

BFA was initially incorporated as credit entity. Subsequently, on December 23, 2014, Bank of Spain communicated the approval to BFA, with effect from January 2, 2015, of the entity's prior waiver request to continue operating as credit entity. On January 28, 2015, the corresponding deed of Bylaws' modification was inscribed on the Companies House of Madrid. Until March 26, 2021, perfectioning date of the merger between Bankia and CaixaBank, BFA continues being Bankia's holding.

At December 31, 2020, the shareholding percentage of BFA in Bankia amounts to 61.83% (61.80% at December 31, 2019).

At December 2020, the Extraordinary Shareholders' Meetings of Bankia and CaixaBank approved the common merger project, conditioned to obtaining the corresponding administrative authorisations. Based on this operation's terms, Bankia shareholders will receive CaixaBank shares in exchange for their investment in Bankia, according to an exchange equation through which they will receive 0.6845 newly-issued ordinary shares in CaixaBank per ordinary issued share in Bankia. After obtaining all administrative authorisations, March 26, 2021, is set as the merger's effective date, perfected through the corresponding inscription in the Companies House of Valencia.

Based on the divestment term, by virtue of Law 9/2012, the FROB should complete the divestment of its interest on Bankia's capital before five years elapse from injection date. However, Royal Decree 4/2016, of 2 December, on urgent financial measures, extended the term to 7 years, with a deadline at December 2019, with the possibility that, if necessary for a better compliance with the resolution's objectives, the term would be extended again by the Council of Ministers.

On February 16, 2021, the Council of Ministers approved the second extension of the term for the FROB's divestment of its investment in BFA-Bankia, in two additional years; therefore, currently, the term is extended until December 2023, in order to favour a more efficient use of public resources, maximising the recovery of aids and the execution of the FROB's divestment strategy with more flexibility. In turn, this term is subject to extension.

At 2020 closing, according to the criteria set out in Notes 2.4 and 4.5, the FROB has estimated the recoverable amount of its investment in BFA, considering BFA Group's equity and not considering easily realisable tacit capital gains, resulting on the recognition of an impairment for an amount of 3,556,242 thousand Euros, registered on caption "Impairment and results from disposals of financial instruments – Impairment and losses" of the accompanying income statement. As a consequence, at December 31, 2020, net book value of FROB's investment in BFA amounts to 5,974,322 thousand Euros.

In turn, at 2019 closing, the FROB estimated the recoverable value of its investment in BFA, taking into consideration the BFA Group's equity, excluding minority interests, and not considering easily realisable tacit capital gains existing at valuation date, resulting in the recognition of an impairment for an amount of 29,830 thousand Euros, so that, at December 31, 2019, the net book value of the FROB's investment in BFA accounted for 9,530,564 thousand Euros. However, the FROB's investment in BFA, non-listed entity with its own activity, in a hypothetical scenario, was estimated at December 31, 2019 in 4,862 million Euros.

Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria ("Sareb")

At December 31, 2020 and 2019, FROB participation in Sareb is classified under "Non-current investments in Group companies and associates". The detail is the following (in thousands of Euros):

Year	Number of shares	Equity	Percentage share	Share premium	Cost of investment	Impairment Loss	Net book value
31.12.2015	**135,015,000**	**135,015**	**45,0%**	**405,045**	**540,060**	**(540,060)**	**-**
Additions	996,231,960	139,472	45,9%	-	996,232	(154,827)	841,405
Write-offs	135,015,000	135,015	45,0%	405,045	(540,060)	540,060	-
31.12.2016	**996,231,960**	**139,472**	**45,9%**	**-**	**996,232**	**(154,827)**	**841,405**
Additions	-	-	-	-	-	(841,405)	-
31.12.2017	**996,231,960**	**139,472**	**45,9%**	**-**	**996,232**	**(996,232)**	**-**
31.12.2018	**996,231,960**	**139,472**	**45,9%**	**-**	**996,232**	**(996,232)**	**-**
31.12.2019	**996,231,960**	**139,472**	**45,9%**	**-**	**996,232**	**(996,232)**	**-**
31.12.2020	**996,231,960**	**139,472**	**45,9%**	**-**	**996,232**	**(996,232)**	**-**

As a consequence of losses derived from its assets' valuation, in application of Circular 5/2015, of 30 September, of Bank of Spain, which develops accounting specifications for Sareb, one of the conversion cases for subordinated debt into capital was materialised. In view of this situation, the General Shareholders' Meeting of May 5, 2016 approved the necessary measures to re-establish the equity balance, implying, among others, the conversion of subordinated debt, for an amount of 2,170,440 thousand Euros, out of which 996,232 thousand Euros corresponded to the FROB (see Note 7.3).

As a consequence of the conversion process, the FROB's investment is of 45.9%, both in capital and in outstanding subordinated debt (see Note 7.3).

In application of criteria exposed on Notes 2.4 and 4.5 above, the FROB has estimated this investment's recoverable value on the basis of Sareb's Business Plan, approved by its Board of Directors on the session held on February 24, 2021 in the most conservative scenarios.

The Business Plan's update maintains the company's strategy launched in previous years, towards the preservation of its assets' economic value through time. Thus, deepening in the portfolio's segmentation with identification of direct sale strategies or management to maximise the value, the process of the financial assets' transformation into property assets continues. This process implies promoting debt property swap and executions for estates included as guarantee for loans and credits. This aims to protect the company's value at the long term, in so far as the collateral recovery seems predictably more profitable than through the sale of loans, which usually requires high discounts. Additionally, this Plan's new update contemplates a more moderated market growth –in comparison with previous years' forecasts– according to the macroeconomic situation derived from the Covid-19 effect, and applying the previous years' experience in materialised sales to projections, concerning prices and discounts on appraisal values.

Accordingly, neither at December 31, 2020 nor 2019, there has not been any variation in the valuation of the FROB's investment in Sareb, which remains fully impaired.

7.3. Non-current financial assets - Debt instruments classified as “Loans and receivables” and “Available-for-sale financial assets”

Loans and receivables

The category of “Loans and receivables” at year-end 2020 and 2019 includes contingently convertible subordinated unsecured obligations issued by Sareb and subscribed by the FROB which are fully impaired at December 31, 2020.

Additionally, this category includes the subordinated B bond subscribed by the FROB under the resolution process of Catalunya Banc, S.A. (CX) amounting to 524,703 thousand Euros, which is fully impaired.

As part of said resolution process, CX carried out a selling process for a portfolio of assets, awarded to Blackstone, which sale was formalised on April 2015. The operation, structured through the transfer of said portfolio to an Assets’ Securitisation Fund (FTA2015) and other Blackstone Group companies, counted with the FROB’s financial support through: i) the subscription of a subordinated bond, mentioned in the previous paragraph; ii) the awarding of a guarantee for faulty credits which initially-estimated cost amounted to 124,000 thousand Euros, settled in 2017 for an amount of 37,546 thousand euros; and iii) the awarding of a liquidity line (see Note 7.5).

Tables in following pages show a detail of investments integrated on this caption of the accompanying balance sheet at December 31, 2020 and 2019.

Year 2020

Issuing Entity	Financial Instrument	Payment Date	Nominal	Impairment Loss	Carrying Amount	Accrued Coupon (Note 7.4)	Interest Rate	Interest Accrued (Note 7.6)	Maturity	Guarantees
SAREB (1)	Subordinated debt	26/02/2013	656,168	(656,168)	-	-	8.00%	-	27/11/2027	-
Total			**656,168**	**(656,168)**	-	-		-		

(1) Convertible subordinated debentures are placed in order of priority: (i) behind all of the entity's general creditors; (ii) "Pari passu" with any subordinate, simple or convertible debt of the entity, issued or to be issued in the future; and (iii) ahead of the entity's common or preferred shares.

Year 2019

Issuing Entity	Financial Instrument	Payment Date	Nominal	Impairment Loss	Carrying Amount	Accrued Coupon (Note 7.4)	Interest Rate	Interest Accrued (Note 7.6)	Maturity	Guarantees
SAREB (1)	Subordinated debt	26/02/2013	656,168	(656,168)	-	-	8.00%	-	27/11/2027	-
Total			**656,168**	**(656,168)**	-	-		-		

(1) Convertible subordinated debentures are placed in order of priority: (i) behind all of the entity's general creditors; (ii) "Pari passu" with any subordinate, simple or convertible debt of the entity, issued or to be issued in the future; and (iii) ahead of the entity's common or preferred shares.

Variations in this caption on the accompanying balance sheet, during 2020 and 2019, have been the following:

	Thousands of Euros
Balance at 1 January 2019	**168,537**
Net allocation for impairment charged to the profit and loss account	(168,537)
Balance at 31 December 2019	**-**
Net allocation for impairment charged to the profit and loss account	-
Balance at 31 December 2020	**-**

Sareb

On December 31, 2012 and February 26, 2013, the FROB subscribed an issue of subordinated bonds issued by SAREB, the paid amount being 1,271,600 thousand Euros and 380,800 thousand Euros, respectively.

These bonds are classified as non-guaranteed subordinated debt contingently convertible into newly-issued, ordinary shares of SAREB and partial redemption is possible at the discretion of SAREB as from the fifth year of the issue, according to its solvency and leverage ratios. The accrual of interest is subject to the obtainment by SAREB of sufficient distributable profit. If this condition is met, for the payment of such interest that there be adequate cash shall be required. Otherwise, the payment will be delayed as a non-subordinated credit payable to the FROB until SAREB has sufficient cash to meet the payment. The accrued payable amount will in turn accrue interest at 12-month Euribor. If the payment of interest is declared, the applicable interest rate will be a fixed annual rate of 8% on the unmatured bonds. Since in 2020 Sareb obtained no distributable profit, the FROB has not registered interests on such assets in 2020.

According o the issue deed, in case of insufficient Sareb equity the subordinated debt will be convertible into equity capital by: i) the existence of cumulative losses that result equal or above the share capital plus reserves or ii) in the case of dissolution by losses that reduce its net assets to an amount less than half of its share capital. Assuming the conversion occurs, the shares will be of the same par value, of the same class and series and with the same rights as the ordinary shares, and shall be made for an amount such that the share capital represents 2% of assets' value after conversion. Based on the above, in 2019, 996,232 thousand Euros was converted from subordinated debt to capital (see Note 7.2), resulting an un-converted outstanding nominal for an amount of 656,168 thousand Euros. In turn, on March 10, 2021, Royal Decree-Law 6/2021 was approved, adopting certain urgent economic measures and protect public health, exempting Sareb from complying with art. 363.1.e) of the Corporate Enterprises Act, on causes dissolution for accumulated losses.

At December 31, 2019, based on the business plan of Sareb and in view of the objective evidence of impairment, as per the most conservative scenarios, an impairment loss was registered, for an amount of 168,537 thousand Euros, charged on caption "Impairment and profit/(loss) from disposals of financial instruments - Impairment and losses" on the accompanying income statement of such year, thus being fully impaired at December 31, 2019.

At December 31, 2020, there has not been any variation of the valuation of the FROB's subordinated debt in Sareb, which remains fully impaired.

It should be noted that, regardless of the approval on March 10, 2020 of Royal Decree-Law 6/2020, of 10 March, which implied exempting Sareb from complying with article 363.1.e) of the Corporate Enterprises Act, related to causes of dissolution for accumulated debts, and according to which Sareb is not legally compelled to carrying out any recapitalisation operation, the subordinated debt's conditions include as cause of conversion the existence of accumulated losses that are equal or above the share capital plus reserves. Therefore, the annual accounts of 2020, formulated by the Board of Directors of Sareb last March 31, included the expectation to make a capital increase through capitalisation of the totality of the subordinated debt.

Available-for-sale financial assets

During 2020, the FROB has reclassified according to maturity the State's debt securities classified in this caption into "Non-current financial investments– Debt securities" (see Note 7.4); therefore, at December 31, 2020, the FROB does not have "Non-current financial investments – Debt securities", as indicated in the accompanying balance sheet. At December 31, 2019, the FROB had classified in this caption certain State's debt securities with a market value of 424,030 thousand Euros. Interests accrued from these securities during 2019 implied 225 thousand Euros negative, and are registered in caption "Finance expenses – Interests and Fees" of the income statement. Valuation adjustments at December 31, 2019 amounted to 213 thousand Euros negative, and are registered in caption "Valuation adjustments - Available-for-sale financial assets" of the accompanying balance sheet.

7.4. Current financial investments – Debt securities classified as and "Available-for-sale financial assets"

The detail of the balance of current debt securities at 2020 and 2019 closing is the following:

	Thousands of Euros	
	2020	2019
Spanish government debt securities	419,996	259,158
Total	**419,996**	**259,158**

Available-for-sale financial assets

At December 31, 2020 and 2019, the balance recognised under "Spanish Government Debt Securities" of the foregoing table is composed of state debt all of which was classified as available-for-sale financial assets with a market value of 414,431 thousand Euros (250,409 thousand Euros at December 31, 2019). Also 5,565 thousand Euros are included (8,749 thousand Euros at December 31, 2019) corresponding to accrued interest receivable for these government bonds, as well as those recognised under "Non-Current Financial Assets - Debt Instruments" of the accompanying balance sheet (see Note 7.3).

Interests earned on these securities in 2020 amounted to 1,852 thousand Euros negative (689 thousand Euros, also negative, at December 31, 2019), recognised under "Finance Expenses – Interests and Commissions" in the accompanying income statement (see Note 8.4). At December 31, 2020, such securities have undergone positive valuation adjustments for an amount of 439 thousand Euros positive (54 thousand Euros negative at December 31, 2019), recognised under "Valuation Adjustments - Available-for-Sale Financial Assets" on the accompanying balance sheet.

Also, during 2020, securities have matured at a nominal value of 250,000 thousand Euros and have generated negative interests amounting to 58 thousand Euros, recognised under "Finance Expenses – Government Debt Interest" in the accompanying income statement (see Note 8.4).

In 2020 and 2019, no government bonds were sold.

7.5. Current financial instruments – Loans to third parties and other financial assets classified as "Loans and receivables"

The detail of loans to companies classified as current "Loans and receivables" at 2020 and 2019 year-end is as follows:

	Thousands of Euros	
	2020	2019
CX liquidity line	3,919	5,632
Sale guarantees NCG (DGF) (Note 13)	2,074	-
Total	**5,993**	**5,632**

Liquidity line (CX)

As indicated in Note 7.3, the FROB rendered certain financial support in the sale operation of an asset portfolio carried out by Catalunya Banc within the FROB's divestment process in the entity. These supports include the awarding of a liquidity line to the FTA2015 for a maximum amount of 400 million Euros, which balance disposed of at December 31, 2020 amounts to 3,892 thousand Euros (5,601 thousand Euros in 2019). Also, the line has generated finance income (interests and associated commissions) for an amount of 358 thousand Euros (410 thousand Euros in 2019), of which 27 thousand Euros were receivable at December 31, 2020 (31 thousand Euros at December 31, 2019) and were settled on January 13, 2021.

CX sale guarantees (FGD)

At December 31, 2020, this caption of the balance sheet includes an amount of 2,074 thousand Euros, as a consequence of the modification of the estimated value of guarantees granted in the sale process of CX (see Note 13.2).

7.6. Finance income

The detail of "Finance Income" in the accompanying income statement for 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Other interests (Note 7.5)	358	439
Total	**358**	**439**

8. Financial liabilities

8.1 Detail of financial liabilities

The detail, as required by applicable legislation, of financial liabilities assumed by the FROB at December 31, 2020 and 2019 is as follows:

Year 2020

Classes / Categories	Thousands of Euros					
	Non-Current Financial Instruments		Current Financial Instruments			Total
	Debt instruments and other marketable securities	Other non-current payables (Note 8.2)	Debt instruments and other marketable securities	Debts with credit institutions	Other current payables (Note 8.3)	
Debts and accounts payable	-	7,443,166	-	-	3,002	7,446,168
	-	**7,443,166**	**-**	**-**	**3,002**	**7,446,168**

Year 2019

Classes / Categories	Thousands of Euros					
	Non-Current Financial Instruments		Current Financial Instruments			Total
	Debt instruments and other marketable securities	Other non-current payables (Note 8.2)	Debt instruments and other marketable securities	Debts with credit institutions	Other current payables (Note 8.3)	
Debts and accounts payable	-	10,433,658	-	-	3,561	10,437,219
	-	**10,433,658**	**-**	**-**	**3,561**	**10,437,219**

8.2 Non-current payables – Other non-current debts

This section basically includes the loan granted on December 3, 2012 by the Kingdom of Spain to the FROB for the implementation of the program of European financial assistance. The loan allowed channelling funds disbursed by the European Financial Stability Facility, (EFSF) of the European Financial Stabilisation Mechanism (EFSM) to the Kingdom of Spain and to the Spanish credit institutions. The financial terms of this loan are the same as those established by the EFSF and EFSM.

The loan was disbursed in two instalments: the first disbursement amounting to 39,468 million Euros in 2012 and the second in the amount of 1,865 million Euros in 2013, through the provision of financial instruments (bills and bonds) issued by the EFSM with the following characteristics:

ISIN	Issue Date	Initial Maturity Date (*)	Nominal (thousands of Euros)	Issue price
Tranche 1			**39,468,000**	
EU000A1U97C2	11/12/2012	11/02/2013	2,500,000	100.00%
EU000A1U97D0	11/12/2012	11/10/2013	6,468,000	99.90%
EU000A1U98U2	11/12/2012	11/06/2014	6,500,000	100.00%
EU000A1U98V0	11/12/2012	11/12/2014	12,000,000	100.00%
EU000A1U98W8	11/12/2012	11/12/2015	12,000,000	100.00%
Tranche 2			**1,865,000**	
EU000A1U98X6	5/02/2013	5/08/2015	1,865,000	100.00%
Total			**41,333,000**	

(*) Maturity date of financial instruments in which the loan has been materialised.

Since the loan's formalisation, the following events have occurred:

- On December 9, 2013, prior authorisation of the EFSM, the partial conversion of the loan from the Kingdom of Spain into equity contribution to the FROB was agreed for an amount of 27,170 million Euros (see Note 9.1).
- In 2014 unused funds in Sareb amounting to 307,540 thousand Euros were returned, as well as a voluntary partial repayment of the loan amounting to 399,284 thousand Euros.
- On June 30, 2017, prior authorisation by the EFSM, a new partial conversion of the loan from the Kingdom of Spain was performed through capital contribution to the FROB, for an amount of 3,000 million Euros (see Note 9.1).
- On February 20, 2020, prior authorisation by the EFSM, a new partial conversion of the loan from the Kingdom of Spain was performed through capital contribution to the FROB, for an amount of 3,000 million Euros (see Note 9 and 16).

At December 31, 2020, the outstanding balance of the loan granted by the Kingdom of Spain to the FROB amounts to 7,456,175 thousand Euros (10,456,175 thousand Euros at December 31, 2019), out of which 5,591,175 thousand Euros correspond to the first disbursement and 1,865,000 Euros to the second disbursement, with the following breakdown:

	Nominal *(thousands of Euros)*	
ISIN	2020	2019
Tranche 1		
EU000A1U97C2	-	-
EU000A1U97D0	-	-
EU000A1U98U2	-	1,242,691
EU000A1U98V0	1,916,933	3,674,242
EU000A1U98W8	3,674,242	3,674,242
	5,591,175	**8,591,175**
Tranche 2		
EU000A1U98X6	1,865,000	1,865,000
	7,456,175	**10,456,175**

The first payment of the loan's remaining principal for Tranche 1 will take place on December 11, 2022, and from that date annually, in equal portions, until maturity in 2027. The maturity of the amount corresponding to Tranche 2 will occur in two equal parts, on December 11, 2024 and 2025, respectively.

The amount recognised under "Current Payables - Other non-current liabilities" in the accompanying balance corresponds to the cash value minus those costs of its formalisation whose net amounts to 7,443,166 thousand Euros (10,433,658 thousand Euros at December 31, 2019).

The loan has generated, in 2020, finance expenses for the accrual of opening fees and associated expenses for an amount of 10,122 thousand Euros (4,313 thousand Euros in 2019), booked under the caption "Finance expenses – Interests and commissions" of the accompanying profit and loss account (see Note 8.4). At December 31, 2020, an amount of 613 thousand Euros remained payable (77 thousand Euros in 2019) (see Note 8.3), and was settled at March 22, 2021.

In turn, interests accrued by this loan during 2020 amount to 71,198 thousand Euros (95,200 thousand Euros in 2019), and are registered in caption "Finance expenses – Interests and commissions" of the accompanying profit and loss account (see Note 8.4), out of which, at December 31, 2020, 2,388 thousand Euros remained payable (3,484 thousand Euros at December 31, 2019) (see Note 8.4).

8.3 Current payables - Other current payables

At December 31, 2020, the balance recognised under "Current Payables - Other Current Payables" in the accompanying balance sheet mainly corresponds to interests and associated accrued expenses not paid, corresponding to the loan from the Kingdom of Spain to the FROB indicated on Note 8.2 and which amount to 3.002 thousand Euros (3.561 thousand Euros at December 31, 2019).

8.4 Finance expenses

The detail of "Finance expenses" in the accompanying income statements for 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Interests and Fees		
- Banking interests (Note 5)	2,176	2,394
- Public debt's interests (Note 7.3 and 7.4)	1,910	1,793
- Interest and fees on other payables (Note 8.2)	81,320	99,513
Interest cost relating to updating of provisions (Note 13.1)	-	-
Total	**85,406**	**103,700**

9. Equity

9.1 Equity fund

The detail of contributions made to the FROB since its date of incorporation in 2009 is as follows:

	Thousands of Euros			
Contributing Entities	Capitalisation of Loans*	Cash Disburseme nts	Fixed-Income Securities	Total
State Budget				
- Royal Decree Law 9/2009	-	*6,750,000*	-	*6,750,000*
- Royal Decree Law 2/2012	-	*6,000,000*	-	*6,000,000*
- Royal Decree Law 14/2013	*27,170,000*	-	-	*27,170,000*
- Law 11/2015	*6,000,000*	-	-	*6,000,000*
Deposit Guarantee Fund for Credit Institutions (**)				
- Royal Decree Law 9/2009	-	*1,500,146*	*749,854*	*2,250,000*
	33,170,000	**14,250,146**	**749,854**	**48,170,000**

(*) *Detail in note 8.2*

(**) *In 2012 the investment of the Deposit Guarantee Fund for Credit Institutions in the FROB's Equity Fund, to meet the equity position resulting from the FROB's 2011 annual accounts, was liquidated.*

To complement the initial endowment made to the FROB established by Royal Decree-Law 9/2009 (9,000,000 thousand Euros, out of which 6,750,000 thousand Euros originated from the State's General Budgets and 2,250,000 thousand Euros from the Credit Entities' Deposits Guarantee Fund, Royal Decree-Law 2/2012, of 3 February, on the clean-up of the financial sector, added an increase of 6,000,000 thousand Euros out of the State Budget. Additionally, on December 9, 2014, was agreed the partial conversion of the loan from the Kingdom of Spain, amounting to 27,170,000 thousand Euros in an equity contribution to the FROB's endowment, prior approval of the EFSM. Furthermore, on June 30, 2017, there was a new partial conversion of said loan in contribution to the FROB's capital allocation for an amount of 3,000,000 thousand Euros, by virtue of article 53.4 of Law 11/2015 and, as established on the agreement, prior authorisation by the EFSM (see Note 8.2).

On February 20, 2020, in order to re-establish the FROB's equity position, prior authorisation form the EFSM, there has been a new partial conversion of the Spanish Kingdom's loan in contribution to the FROB's equity allocation for an amount of 3,000,000 thousand Euros (see Note 8.2 and 16).

At December 31, 2020, the FROB's equity amounts to 1,390,072 thousand Euros negative (751,152 thousand Euros negative at December 31, 2019), comprised by the abovementioned 45,170.000 thousand Euros and negative results obtained by the FROB since its establishment until December 31, 2020.

Although the FROB could operate with negative equity, article 53.4 of Law 11/2015 establishes that the FROB's equity could be increased, where applicable, through the capitalisation of loans, credits or other indebtedness operation in the FROB with the Public Administration as creditor. In this sense, the loan agreement between the Kingdom of Spain and the FROB, prior authorisation by the EFSM, allows the partial or total transformation of this loan into capital contribution to the FROB.

9.2 Valuation adjustments

Available-for-sale financial assets

This caption in the accompanying balance sheet includes the amount of changes in fair value of available-for-sale financial assets which, as stated in Note 4.3.4, must be recognised in equity, and the changes of which are recognised in the income statement when the assets which gave rise to them are sold or become impaired (see Note 7.3 and 7.4)

The statements of recognised income and expense for 2020 and 2019 include the changes in "Valuation Adjustments – Available-for-Sale Financial Assets" in the balance sheets of those years.

10. Information on the nature and level of risk of financial instruments

A detail of the FROB'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 FROB might not have sufficient funds to meet its debt repayments at their maturity dates.

The breakdown, by maturity, of balances of certain items in the balance sheet at December 31, 2020 and 2019, based on a scenario of "normal market conditions", in accordance with their contractual terms, is as follows:

Year 2020

	Thousands of Euros						
	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	More Than 5 Years	Total
Assets:							
Cash and cash equivalents	333,602	-	-	-	-	-	333,602
Current financial assets							
Loans to third parties	-	-	-	-	-	-	-
Debt securities	419,996						419,996
Other financial assets	5,993	-	-	-	-	-	5,993
Non-current financial investments							
Debt securities	-	-	-	-	-	-	-
Total at December 31, 2020	759,591	-	-	-	-	-	759,591
Liabilities:							
Current debts							
Debt instruments and other marketable securities	-	-	-	-	-	-	-
Current debts with credit institutions	-	-	-	-	-	-	-
Other current payables	3,002	-	-	-	-	-	3,002
Non-current debts							
Debt instruments and other marketable securities	-	-	-	-	-	-	-
Other non-current payables	-	931,863	931,863	1,864,363	1,864,363	1,863,723	7,456,175
Total at December 31, 2020	3,002	931,863	931,863	1,864,363	1,864,363	1,863,723	7,459,177
Difference assets-liabilities at December 31, 2020	**756,589**	**(931,863)**	**(931,863)**	**(1,864,363)**	**(1,864,363)**	**(1,863,723)**	**(6,699,586)**
Accumulated difference assets-liabilities at December 31, 2020	**756,589**	**(175,274)**	**(1,107,137)**	**(2,971,500)**	**(4,835,863)**	**(6,699,586)**	

Year 2019

	Thousands of Euros						
	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	More Than 5 Years	Total
Assets:							
Cash and cash equivalents	235,425	-	-	-	-	-	235,425
Current financial assets							
Loans to third parties	-	-	-	-	-	-	-
Debt securities	259,158						259,158
Other financial assets	5,632	-	-	-	-	-	5,632
Non-current financial investments							
Debt securities	-	424,030	-	-	-	-	424,030
Total at December 31, 2019	500,215	424,030	-	-	-	-	924,245
Liabilities:							
Current debts							
Debt instruments and other marketable securities	-	-	-	-	-	-	-
Current debts with credit institutions	-	-	-	-	-	-	-
Other current payables	3,561	-	-	-	-	-	3,561
Non-current debts							
Debt instruments and other marketable securities	-	-	-	-	-	-	-
Other non-current payables	-	-	1,431,862	1,431,862	2,364,363	5,228,088	10,456,175
Total at December 31, 2019	3,561	-	1,431,862	1,431,862	2,364,363	5,228,088	10,459,736
Difference assets-liabilities at December 31, 2019	**496,654**	**424,030**	**(1,431,862)**	**(1,431,862)**	**(2,364,363)**	**(5,228,088)**	**(9,535,491)**
Accumulated difference assets-liabilities at December 31, 2019	**496,654**	**920,684**	**(511,178)**	**(1,943,040)**	**(4,307,403)**	**(9,535,491)**	

The FROB's ability to meet its commitments in the years referred to above is guaranteed by the following factors:

- At 2020 year-end, the amount of liquid assets exceeds that of liabilities maturing in 2021.

- Law 11/2015 allows the capitalisation of loans, credits or other debt operation of the FROB in which the General State Administration is a creditor. In this sense, and as indicated above, on February 20, 2020, prior authorisation by the EFSM, a new partial conversion of the loan from the Kingdom of Spain was performed through capital contribution to the FROB, for an amount of 3,000 million Euros (see Note 9 and 16).

Credit risk

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

At December 31, 2020, there is no significant exposure to this risk.

Interest rate risk

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

At December 31, 2020, the financial assets exposed to interest rate risk are those held in cash (see Note 5).

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 own issues.

At December 31, 2020, the financial assets exposed to market risk were national debt held in the available-for-sale financial assets category (see Note 7.3 and 7.4).

Other risks

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

11. Public Administrations and tax position

11.1 Current balances with Public Administrations

The detail of "Current Liabilities - Trade and Other Payables - Other Accounts Payable to Public Authorities" in the balance sheets at December 31, 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Withholdings payable	79	81
VAT payable	-	1
Social Security payable	52	55
Total	**131**	**137**

11.2 Tax position

As indicated above (see Note 4.8), the FROB is exempt from income tax and any indirect taxes that might be payable as a result of its incorporation, operation and the actions or transactions that it may carry out in order to fulfil its objectives.

12. Trade and other payables – Other accounts payable

"Trade and Other Payables - Other Accounts Payable" in the balance sheet at December 31, 2020 and 2019 include balances payable to several creditors for services.

The accrued expenses for these services in 2020 and 2019 are recognised under "Other Operating Expenses" in the accompanying income statement (see Note 14.3).

13. Provisions and contingencies

13.1 Non-current provisions

The detail of "Non-Current Provisions" on the liability side of the accompanying balance sheet at December 31, 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Asset Protection Scheme Banco de Valencia	309,640	326,356
CX guarantees	24,181	41,844
NCG Banco guarantees	32,624	33,188
Deposit Guarantee Fund hybrids management CX	6,620	1,489
Deposit Guarantee Fund hybrids management NCG	-	902
Other provisions	253,368	253,368
Total	**626,433**	**657,147**

The variation of the balance of this caption in 2020 and 2019 is the following:

	Thousands of Euros
Balance at 31 December 2018	**678,910**
Transfers to current liabilities	(21,735)
Updated financial (income)/expenses (Note 7.6 and 8.4)	(28)
Balance at 31 December 2019	**657,147**
Allocations to provisions	5,132
Transfers to current liabilities	(35,846)
Balance at 31 December 2020	**626,433**

Asset Protection Scheme Banco de Valencia, S.A.

As part of the restructuring process of Banco de Valencia, S.A., the FROB granted an Asset Protection Scheme (hereinafter APS) covering 72.5% of losses arising from a closed portfolio of assets of Banco de Valencia, S.A. amounting to 6,021,982 thousand Euros, with a ten-year term from September 30, 2012. After the reductions of the EPA perimeter in 2013 and 2016, the initial portfolio covered at such date of EPA bills amounts to 4,980,022 thousand Euros.

The estimated EPA cost at year-end closing is divided, on the one hand, in materialised registered losses to be covered by the FROB at the short term and, on the other, in forecasts of expected losses in the performing portfolio during the EPA's remaining period of validity.

At December 31, 2020, based on estimates performed with the information available, the current value of the obligation derived from assumed commitments implies an amount of 326,356 thousand Euros (345,891 thousand Euros at December 31, 2019). The decrease derives from the payment, made on June 2020, for losses incurred in 2019 (see Note 13.2), without any impact in the profit and loss account of 2020.

Also, based on estimates, an amount of 16,716 thousand Euros has been reclassified into the caption "Current provisions" on liabilities of the accompanying balance sheet (see Note 13.2).

CX guarantees

In the process of selling CX and its loans portfolio, the FROB granted certain guarantees to buyers, in addition to the FROB's commitment to sign the subordinated bond issued by the FTA2015 in the context of the sale, as well as the contingency arising from the divestment in an investee (see Notes 7.3 and 13.2).

At December 31, 2020, based on estimates performed with the information available, the current value of the obligation derived from assumed commitments implies an amount of 48,791 thousand Euros (114,733 thousand Euros at December 31, 2019), out of which 24,181 thousand Euros correspond to the long term and the remaining amount, 24,610 thousand Euros to the short term (see Note 13.2).

During 2019, FROB recognised an amount of 28 thousand Euros corresponding to the finance income derived from updating provisions reflected in caption "Finance income – Other interests" of the accompanying income statement of 2019. In 2020, no amount has been registered for this concept.

NCG Banco guarantees

In the purchase and sale process of NCG performed by the FROB, the purchaser, "Banesco Holding Financiero 2, S.L.U." (Abanca Holding Financiero), was awarded with certain guarantees in favour of NCG Banco, related, among other aspects, to certain legal contingencies, certain contingencies for the transfer of assets transferred to Sareb and the use of the transferred entity's tax assets.

At December 31, 2020, based on estimates performed with the information available, the FROB considers that the current value of the obligation derived from assumed commitments implies an amount of 33,884 thousand Euros (47,574 thousand Euros at December 31, 2019), without any variation in the profit and loss account of 2020, out of which 32,624 thousand Euros correspond to the long term and the remaining amount, 1,260 thousand Euros to the short term (see Note 13.2).

Deposit Guarantee Fund guarantee for hybrids' management

On July 18, 2013, the FROB and the DGF entered into an agreement, by virtue of which the FROB undertakes paying to the DGF, for compensation for remaining contingencies for potential indemnities and expenses to be incurred for legal or off-court claims, derived from the trading of hybrid instruments originated in shares owned by retail clients acquired by the DGF, within the framework of hybrid instruments' management actions approved by the FROB for NCG and CX, on June 7, 2013. Additionally, on December 13, 2013, an addendum was signed to these agreements in relation to payments to be performed, where applicable, by the FROB to the DGF in case of the latter's disposal of shares (See Note 13.2).

- *CX*

At December 31, 2020, based on estimates made with the available information, the FROB considers that the value of the obligation derived from assumed commitments implies an amount of 13,122 Euros (5,309 thousand Euros at December 31, 2019), out of which 6,620 thousand Euros correspond to long term and 6,502 thousand Euros to short term (see Note 13.2).

In 2020, the provision has been increased in an amount of 7,814 thousand Euros, with the following detail: i) allocation to the non-current provision for an amount of 5,132 thousand Euros, and ii) allocation to the current provision for an amount of 2,682 thousand Euros charged, in both cases, to the profit and loss account of 2020 in caption "Allocation to provisions" (see Note 13.2).

- *NCG Banco*

At December 31, 2020, based on estimates made with the available information, the FROB considers that the value of the obligation derived from assumed commitments implies an amount of 2,062 Euros, without changes in the valuation at December 31, 2019, which are fully classified at the short term (see Note 13.2).

Other provisions

At December 31, 2018, based on estimates made with the available information, the FROB registered a provision for an amount of 253,368 thousand Euros to cover possible contingencies derived from legal proceedings related to divestment processes in entities. The materialisation of such contingency will depend on the definitive interpretation of clauses on divestment agreements on legal proceedings in progress.

During 2020 and 2019, there has not been any variation in the measurement, and thus, at December 31, 2020, the recognised provision is maintained at 253,368 thousand Euros.

13.2 Current provisions

The detail of “Current provisions” on liabilities in the balance sheet at December 31, 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Asset Protection Scheme Banco de Valencia	16,716	19,535
CX guarantees	24,610	72,889
NCG Banco guarantees	1,260	14,386
Deposits Guarantee Fund hybrid management CX	6,502	3,820
Deposits Guarantee Fund hybrid management NCG	2,062	1,160
Total	**51,150**	**111,790**

Variations of this caption during 2020 and 2019 are the following:

	Thousands of Euros
Balance at 1 January 2019	**273,794**
Transfers from non-current liabilities	21,735
Applications	(183,726)
Surpluses	(13)
Balance at 31 December 2019	**111,790**
Allocations to provisions	6,926
Transfers from non-current liabilities	35,846
Applications	(105,486)
Other variations (Note 7,5,)	2,074
Balance at 31 December 2020	**51,150**

Asset Protection Scheme Banco de Valencia, S.A.

On June 30, 2020, the third payment derived from the EPA has been settled, for an amount of 19,535 thousand Euros, classified in caption “Current provisions” of liabilities of the accompanying balance sheet.

Additionally, as commented on Note 13.1, based on estimates, the fourth payment is expected by June 30, 2021 in an amount of 16,716 thousand Euros, and therefore this amount has been transferred to current liabilities from the caption “Non-current provisions” of liabilities on the accompanying balance sheet.

CX Guarantees

As indicated in Note 13.1, in 2020, an amount of 17,664 thousand Euros was transferred from this caption to the caption “Non-current provisions” of non-current liabilities, based on the estimated timing of settlement of guarantees.

During 2020, guarantees have been liquidated, for an amount of 72,260 thousand Euros, which were classified in caption “Current provisions” of liabilities of the accompanying balance sheet.

Moreover, in 2020, the registered provision was increased in an amount of 6,318 thousand Euros, with the following detail: i) allocation of the provision for an amount of 4,244 thousand Euros charged to the income statement of 2020 in caption “Allocations to provisions”; and ii) recognition of an amount of 2,074 thousand Euros corresponding to the portion to cover the Deposits Guarantee Fund (see Note 7.5).

NCG Guarantees

As indicated in Note 13.1, in 2020, an amount of 564 thousand Euros was transferred from this caption to the caption “Non-current provisions” of non-current liabilities, based on the estimated timing of settlement of guarantees.

Also, in 2020, payment obligations have been recognised for an amount of 13,691 thousand Euros, which have been liquidated on December 23, 2020.

Compensation to the Deposit Guarantee Fund for hybrids' management

- *CX*

In 2020, the provision has been increased for an amount of 7,814 thousand Euros, with the following detail: i) allocation to non-current provision for an amount of 5,132 thousand Euros (see Note 13.1), and ii) allocation to current provision for an amount of 2,682 thousand Euros, charged in both cases to the income statement of 2020 in caption "Allocations to provisions".

- *NCG Banco*

As indicated in Note 13.1., an amount of 902 thousand Euros thousand Euros has been transferred from this caption to the caption "Non-current provisions" of non-current liabilities, based on the estimated timing of settlement of guarantees, without any impact on the profit and loss account of 2020.

13.3 Other guarantees and contingent liabilities

In the sale processes carried out by the FROB of CAM, Unnim Banc, S.A. and Banco de Valencia, the FROB granted the purchasers, Banco Sabadell, BBVA and CaixaBank, respectively, certain tax guarantees that mainly affect the use of the transferred entities' tax assets.

At December 31, 2020, the FROB deemed it unlikely that any obligation would arise from these commitments and, accordingly, it did not recognise any provision in the 2020 annual accounts in connection to this.

In the selling process of an asset portfolio by Catalunya Banc to the FTA2015 (described on Note 7.3), the FROB granted a series of guarantees in favour of the investor.

Among others, the FROB granted a guarantee on the eventual responsibility for amounts prior to the date of the economic effects that a definitive court ruling could be declared against the FTA2015 for floor clauses. Under such guarantee, BBVA (subrogated in the position of Catalunya Banc), filed a claim against the FTA2015 and the FROB, claiming amounts to be reimbursed, qualified by BBVA as an indefinite, indeterminable amount. Such claim was rejected in first instance, and partly accepted through appeal. Based on the legal analysis of such contingency, the FROB would not be likely to face the payment of any obligation.

Finally, in the last quarter of 2020, a suit against the FROB has been received, understanding that certain damages resulting from adjustments in the balance would be covered by the indemnity guarantee granted in the selling process. At the beginning of 2021, the suit was responded by the FROB. Based on the legal analysis of this contingency, the FROB is not likely to face any payment obligation.

13.4 Contingent assets

The FROB, in the exercise of its activity, counts with a series of proceedings in progress, which could derive in contingent assets.

14. Income and Expenses

14.1 Turnover

This caption in the income statement includes, according to the fifth transitory provision of Law 11/2020, the amount accrued in 2020 for the activities performed by the FROB as Resolution Authority, amounting to 21,172 thousand Euros.

Within the established term for collection, which ended on June 5, 2020, all required entities have performed the corresponding payment; therefore, at December 31, 2020, the caption "trade receivables and other accounts receivable" of the accompanying balance sheet does not include any balance. However, this caption includes a fully-impaired amount of 11 thousand Euros, corresponding to the fee corresponding to 2015 from an entity under bankruptcy proceedings, which have not been solved yet.

	Thousands of Euros	
	2020	2019
Fee for activities conducted by the FROB as Resolution Authority	21,172	17,697
Total	**21,172**	**17,697**

14.2 Personnel costs and average headcount

The detail of "Personnel costs" in the accompanying income statements for 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Salaries and wages	3,590	3,620
Social Security	515	541
Other employee benefits expense	104	110
Total	**4,209**	**4,271**

The average number of employees at the FROB in 2020 per professional category and gender is shown in the following table:

Year 2020

	Average Number 2020			Total Number 31 December 2020		
	Men	Women	Total	Men	Women	Total
Senior Management*	1,92	4	5,92	1	4	5
Group II	9,99	7,08	17,07	10	8	18
Group III	4,92	6	10,92	3	7	10
Group IV	1	3,07	4,07	1	3	4
Group V	-	3	3	-	3	3
Total	**17,83**	**23,15**	**40,98**	**15**	**25**	**40**

** Pursuant to Royal Decree 451/2012, of 5 March, on the regulation of emoluments of senior management in the public business sector and other entities.*

Year 2019

	Average Number 2019			Total Number 31 December 2019		
	Men	Women	Total	Men	Women	Total
Senior Management*	3,30	2,70	6,00	2	4	6
Group II	10,49	7,75	18,24	11	7	18
Group III	5	6	11	5	6	11
Group IV	1	5	6	1	5	6
Group V	-	3,30	3,30	-	3	3
Total	**19,79**	**24,75**	**44,54**	**19**	**25**	**44**

** Pursuant to Royal Decree 451/2012, of 5 March, on the regulation of emoluments of senior management in the public business sector and other entities.*

14.3 Other operating expenses

The detail of "Other Operating Expenses" in the income statements for 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Leases	580	589
External professional services	1.895	1.150
Banking and similar services	41	40
Other operating expenses	321	489
Governing Committee (Note 15)	120	92
Total	**2.957**	**2.360**

"External Professional Services" in 2020 and 2019 includes, among others, amounts invoiced by different external advisers commissioned by the FROB to carry out works within the framework of functions entrusted to the FROB as authority in charge of managing credit entities' restructuring and resolution processes.

14.4 Other disclosures

During 2020 and 2019, fees related to audit and other services delivered by the FROB's auditor, Mazars Auditores, S.L.P. or auditor's related companies through control, common ownership or management have been the following (in thousands of Euros), regardless of the invoicing date:

	Services rendered by the Auditor and Related Companies	
	2020	2019
Audit services	42	42
Other assurance services	-	-
Total audit and related services	**42**	**42**
Tax advisory services	-	-
Other services	2	2
Total professional services	**44**	**44**

15. Transactions and balances with related parties

The detail of balances recognised by the FROB with related parties in these annual accounts for 2020 and 2019 is as follows (figures in thousands of Euros):

Year 2020

	Bank of Spain	Investees	Governing Committee and Senior Management
Assets:			
Non-current investments in Group companies and associates – Equity instruments (Note 7.2)	-	5,974,322	-
Cash and cash equivalents - Cash (Note 5)	331,042	-	-
Income statement:			
Other operating income	-	64	-
Personnel costs (Senior Management)	-	-	918
Other operating expenses (Note 14.3)	-	-	120
Financial expenses	(2,171)	-	-

Year 2019

	Bank of Spain	Investees	Governing Committee and Senior Management
Assets:			
Non-current investments in Group companies and associates – Equity instruments (Note 7.2)	-	9,530,564	-
Cash and cash equivalents - Cash (Note 5)	233,029	-	-
Income statement:			
Other operating income	-	85	-
Personnel costs (Senior Management)	-	-	915
Other operating expenses (Note 14.3)	-	-	92
Financial expenses	(2,374)	-	-

In 2020 the FROB recognised an expense for 120 thousand Euros (92 thousand Euros at December 31, 2019) related to attendance fees relating to the Governing Committee. Of such amount, allowances corresponding to members considered as Senior Officials are deposited in the Treasury (see Note 14.3).

At December 31, 2020 the FROB had granted no advances or loans and had acquired no pension or guarantee obligations to any of the previous or current members of its Governing Committee.

16. Subsequent events

The most significant events from the year-end closing to the date of formulation of the present annual accounts are listed below:

- On February 16, 2021, the Council of Ministers approved the second extension of the term for the FROB's divestment of its investment in BFA-Bankia, in two additional years, until December 2023, in order to favour a more efficient use of public resources, maximising the recovery of aids and the execution of the FROB's divestment strategy with more flexibility.

- After the approval by the General Shareholders' Meetings of the entities, on December 2020, and after obtaining all administrative authorisations, March 26, 2021 is set as the merger's effective date, perfected through the corresponding inscription in the Companies House of Valencia. After executing the exchange of Bankia shares with CaixaBank newly-issued shares, these shares were listed in BME on March 29, 2021.

- On March 23, 2021, the European agency Eurostat published the communication related to the decision to incorporate Sareb in the perimeter of public accounts. This decision by the European agency will have a significant impact both in the volume of public debt and in the public deficit, but does not affect the company's activity.

- 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.

- 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.

17. Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Fund (see Note 2). Certain accounting practices applied by the Fund that conform to that regulatory framework may not conform to other generally accepted accounting principles and rules. In the event of a discrepancy, the Spanish-language version prevails.

FROB

Directors' Report for the year ended at 31 December 2020

1.- INTRODUCTION

Following the same line of action as in previous years, during 2020, the FROB's performance has mainly covered two strands: i) on the one hand, the FROB has developed its activity within the framework of the Single Resolution Mechanism, as National Resolution Authority, and ii) on the other, the FROB has continued carrying out actions related to restructuring and resolution processes of entities receiving public funds, performed during last years.

2.- ACTIVITY WITHIN THE FRAMEWORK OF THE SINGLE RESOLUTION MECHANISM

With regard to the first aspect, within the context of the European Resolution Mechanism, the FROB develops its functions as National Executive Resolution Authority within a wide institutional frame, implying the need to count with the close collaboration and coordination by the different National Resolution Authorities and the Single Resolution Board (SRB), as well as with supervisors, both national and from the Union. The FROB, through its President, is the Spanish representative in the SRB.

Thus, the FROB, as member of the Plenary Session of the SRB, has participated in the different plenaries held, as well as in its committees and working groups, in order to advance in the construction of a common vision within the Banking Union, within the resolution's planning and execution. Additionally, the FROB has actively participated, in close collaboration with Spanish preventive resolution authorities, defending the Spanish position in the different European and international forums which discuss matters related to resolution, among others: the Resolution Committee (ResCo) of the European Banking Authority (EBA) or the Resolution Group (ReSG) of the Financial Stability Board (FSB).

Simultaneously, the FROB has continued to follow up measures derived from of the prior restructuring and resolution processes, as well as the management and monitoring of the various financial support and guarantees provided in the context of these processes. For this purpose, it should be noted that under the transitional provision of Law No 11/2015, the restructuring and resolution procedures initiated prior to the entry into force of the Act, as well as all ancillary measures that have accompanied them, including financial support instruments and management of hybrid instruments, will continue to be regulated until its conclusion, by the rules of previous application.

3.- FOLLOW-UP OF THE RESOLUTION

The FROB's activity in this field, as of today, mainly derives from the FROB's channelling, on December 2012 and March 2013, of the financial aid received from the European Financial Stability Facility (EFSF) to recapitalise eight credit entities in restructuring or resolution[2], as well as to subscribe part of the share capital of Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria (Sareb) and acquire part of its subordinated debt.

Como consequence of these actions, the FROB maintains, at December 31, 2020 , the 100% investment of BFA which, in turn, held an investment by 61.83% in the share capital of Bankia. After the perfectioning of the merger between Bankia and CaixaBank, on March 26, 2021, BFA holds 16.1% in the share capital of CaixaBank. The FROB is additionally the main shareholder of Sareb and holds the greatest position in the subordinated debt issued by the company.

Investments held by the FROB in the past in the remaining credit entities receiving aids have been subject to successive divestment processes. Sale agreements for the different entities or portfolios of assets in these entities include the granting of certain guarantees, some of which remain active.

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[2] Currently, restructuring or resolution plans in all entities that have received aids have ended.

Moreover, the different entities' resolution and restructuring processes have been, and continue being, subject to different legal claims. Therefore, part of the FROB's activity focuses on managing these litigations.

Additionally, on June 2017, the FROB executed the resolution device of Banco Popular Español, approved by the Single Resolution Board. This action did not entail the concurrence of public aids or guarantees.

3.1 BFA Tenedora de Acciones, S.A.U ("BFA")

BFA was initially incorporated as credit entity. Subsequently, on December 23, 2014, Bank of Spain communicated to BFA the approval, with effect from January 2, 2015, of the entity's prior waiving request to continue operating as credit entity, and on January 28, 2015, the deed modifying the Bylaws was inscribed in the Companies House of Madrid. Until March 26, 2021, perfectioning date of the merger between Bankia and CaixaBank, BFA has remained as Bankia holding.

At December 2020, the Extraordinary Shareholders' Meetings of Bankia and CaixaBank approved the common merger project, conditioned to obtaining the corresponding administrative authorisations. Based on this operation's terms, Bankia shareholders will receive CaixaBank shares in exchange for their investment in Bankia, according to an exchange equation through which they will receive 0.6845 newly-issued ordinary shares in CaixaBank per ordinary issued share in Bankia. After obtaining all administrative authorisations, March 26, 2021 is set as the merger's effective date, perfected through the corresponding inscription in the Companies House of Valencia.

Additionally, on February 16. 2021, the Council of Ministers approved the extension of the term for the FROB's divestment of its share in BFA-Bankia for two additional years, until December 2023, in order to favour a more efficient use of public resources and maximise the recovery of aids and the execution of the FROB's divestment strategy with more flexibility.

Finally, and according to criteria established on the applicable Registration and Measurement standard, the FROB has estimated the recoverable value of its interest in BFA, taking into consideration BFA Group's equity, not considering easily realisable tacit capital gains, resulting on the recognition of a reversal of 3,556,242 thousand Euros, registered on caption "Impairment and results from disposals of financial instruments – Impairment and losses" of the accompanying income statement. Accordingly, at December 31, 2020, the net book value of the FROB's investment in BFA amounts to 5,974,322 thousand Euros.

3.2.- SAREB

Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB) is, according to the seventh additional of Law 9/2012, of 14 November, a corporation with specific term, available until November 2027.

SAREB's capital in its constitution amounted to 4,800 million Euros (8% of the total volume of assets), of which 1,200 million Euros relate to share capital and 3,600 million Euros relate to two issues of non-guaranteed, contingently convertible subordinated debt subscribed by the shareholders. The FROB holds 45% of Sareb's share capital (540 million Euros) and 45.9% of the subordinated debt (1,652 thousand Euros).

Assets of entities classified in Group 1 (BFA-Bankia, Catalunya Banc, NCG and Banco Valencia) were transferred on December 31, 2012 for an amount of 36,695 million Euros, and assets of Group 2 entities (Liberbank, BMN, Ceiss and Caja3) were transferred on February 28, 2013, for a total price of 14,086 million Euros. Therefore, the total value of assets transferred to SAREB amounted to 50,781 million Euros.

The transfer payment was made through the delivery of six issuances of senior debt launched by Sareb with an irrevocable guarantee from the State, a nominal value of 100,000 Euros each, maturing in one, two and three years. The interest rate is Euribor 3M plus a spread. They include the possibility of total or partial redemption through the issuance of new bonds.

As a result of losses arising from the valuation of assets pursuant to the accounting circular applying to the entity (Circular 5/2020 of 30 September, of Bank of Spain, by which the Sareb' accounting specificities are developed), it had at the end of 2020 a negative equity capital of 1,218 million Euros. Consequently, the Shareholders' Meeting of May 5, 2016 approved the corresponding measures to re-establish the entity's equity situation, including the conversion of subordinated debt by 2,170 million into capital. In the case of the FROB, these measures implied the conversion into capital of 996 million Euros of subordinated debt. After said conversion, the FROB's investment in the company's capital is of 45.9%.

At 2020 closing, the FROB's interest in capital, as well as the investment in subordinated debt, are fully impaired.

3.3 Follow-up and management of guarantees granted in divestments

Within the framework of the financial entities' selling and resolution processes, the FROB has historically granted a series of guarantees, which objective has been to incentivise the different buyers' participation, so as to maximise the sales outcome, and to minimise the use of public resources. Some of these guarantees still remain active:

Catalunya Banc, S.A. (CX)

On July 21, 2014, after a competitive process, the FROB and the Deposits' Guarantee Fund (DGF) awarded the sale of their respective interests in the share capital of Catalunya Banc (98.4% of the entity's capital) to Banco Bilbao Vizcaya Argentaria, for an amount of 1,165 million Euros[3], which sale was formalised on April 24, 2015.

In parallel to this divestment process, the entity sold a credit portfolio (Hercules portfolio) to Blackstone through the Assets Securitisation Fund (ASF). The sale was formalised on April 15, 2015.

Furthermore, within both selling processes, both for the asset portfolio and for the entity, the FROB awarded a series of guarantees that, at December 31, 2020, are recorded as provision for an amount of 48.8 million Euros. Also, within the asset portfolio sale, the FROB granted a liquidity line

In 2020, the FROB has increased the registered provision, for an amount of 6.3 million Euros, and has liquidated guarantees for an amount of 72 million Euros.

In turn, the balance disposed of from the credit line, at December 31, 2020, is of 3.9 million Euros and has generated finance income during the year by 0.358 million Euros.

NCG Banco, S.A. (NCG)

On December 18, 2013, the FROB's Governing Committee agreed to grant 88.33% of NCG shares (owned by the FROB and the FGD) to Banco Etcheverría - Banesco Group (Abanca Holding), for an amount of 1,003 million Euros, with the following payment schedule: 40% at the sale formalisation and the remaining 60% in successive terms, until 2018. On June 25, 2014 became effective the compliance of all conditions precedent in the contract of sale, resulting in the shares' effective transfer on that date. At that time, the purchaser proceeded to pay the first 403 million Euros. A schedule was established to pay the remaining amount on different traches, where the purchaser reserved the right to an early payment. Thus, on May 6, 2016, the purchaser made an early payment of 300 million Euros and, on February 3, 2017, of the remaining 300 million Euros, satisfying the totality of the payment before the expected date.

Moreover, in order to maximise the selling price and, therefore, to minimise the uso of public resources, certain guarantees were granted to NCG, for which coverage the FROB maintains a provision, at December 31, 2020, for an approximate amount of 34 million Euros.

Additionally, during 2020, a payment has been made to the buyer for guarantees, for an amount of 13.7 million Euros.

Banco de Valencia, S.A.

On November 21, 2011, after the communication received from the entity, the Executive Committee of Bank of Spain agreed the FROB's appointment as temporary administrator of Banco de Valencia. In order to stabilise the company, the subscription and payment of a capital increase amounting to 998 million Euros was agreed. Consequently, the FROB holds 90.89% of Banco de Valencia's capital.

Later, on November 27, 2012, the FROB, in the framework of the entity's Resolution Plan, agreed to sell the shares to CaixaBank for 1 Euro, previously injecting 4,500 million Euros by the FROB. The sale was formalised on February 28, 2013. The sale also included the transfer of problem assets to the Sareb and management exercise on hybrid instruments.

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[3] Out of which 67.08% correspond to the FROB and 32.92% to the DGF.

Additionally, the FROB granted to the buyer certain guarantees, including an asset protection scheme (APS) on a portfolio of loans to SMEs and self-employed and contingent risks, by which it covers 72.5% of losses that may arise from this closed portfolio of assets.

At December 31, 2020, based on estimates with available information, the current value of the obligation derived from assumed commitments implies an amount of 326 million Euros.

Given that, at December 31, 2020, realised losses exceed the First Loss Threshold, a new payment is expected for 2021, and therefore approximately 17 million Euros have been transferred to current liabilities.

Previously, in 2018 and 2019, the first payments derived from the EPA were made, for an amount of 37 and 56 million Euros, respectively. On June 30, 2020, the third payment was settled, for an amount of 20 million Euros.

The FROB additionally committed to compensating CaixaBank, in certain cases, for economic losses derived from changes between the estimated assets to be transferred to Sareb by such entity and those finally transferred. The final cost of this commitment amounted to 165 million Euros, paid by the FROB to CaixaBank on December 5, 2014.

4.- FINANCING AND CASH MANAGEMENT

In relation to the loan contract between the State, as lender, and the FROB, as borrower, signed on December 2012, for the execution of the European financial assistance programme, which allowed channelling funds paid by the European Financial Stability Facility (EFSF) to the Kingdom of Spain towards Spanish credit entities[4], it should be borne in mind that the applied financial conditions are those in force in the loan signed between the Kingdom of Spain and the EFSM.

During 2020, the FROB has made the corresponding payments for fees and interests generated by the first and second disbursement of such Programme.

As indicated in Note 9.1 to the financial statements, in order to re-establish the FROB's equity position, on February 20, 2020, a new partial conversion of the loan from the Kingdom of Spain to the FROB took place, in the amount of 3,000,000 thousand Euros, into a contribution to the FROB's equity allocation, pursuant to article 53.4 of Law 11/2015, and as provided for in the contract of the aforementioned loan, subject to authorisation from the ESM.

Following the repayments carried out in 2014, and the successive transformations into equity contributions of parts of the loan (27,170 million Euros, 3,000 million Euros and 3,000 million Euros), on December 2013, June 2017 and February 2020, respectively, the outstanding balance of the State's loan to the FROB at December 31, 2020 approximately amounts to 7,456 million Euros.

Additionally, the FROB's indebtedness limit, established in article 49 of Law 6/2018, of 3 July, of General State Budgets for 2018[5] was of 15,439 million Euros. At 2020 closing, it amounts to 7,446 million Euros. The FROB also has ability to issue with State surety an amount of 5,200 million Euros in addition to the existing indebtedness.

Concerning cash, at December 31, 2020, it presents the following detail:

PRODUCT	NOMINAL (Millions of €)
Public Debt Portfolio	420
Current accounts	334
Total	**754**

[4] The first repayment (39,468 million Euros) served for the recapitalisation of the Group 1 entities (BFA-Bankia, NCG Banco, Catalunya Banc and Banco de Valencia), as well as to finance the FROB's contribution to Sareb, while the second repayment (1,865 million Euros) was applied to the recapitalisation of the Group 2 entities (Banco Mare Nostrum, Banco Ceiss, Caja 3 and Liberbank).

[5] The 2020 budget, although it was approved by the FROB's Governing Committee, was never part of the State's General Budget, as in 2019; therefore, the State's General Budget of 2018 was maintained for those years.

At 2020 closing, realisable liquidity is sufficient to maintain the FROB's current operational functioning and to face estimated future payments.

5.- OTHER MANAGEMENT EVENTS DURING 2020

Additionally, with regard to aspects related to the FROB's management and functioning, the following events may be highlighted:

- By virtue of article 55 of Law 11/2015, Ms. Paula Conthe was appointed President of the FROB, through Royal Decree 1081/2020, of 1 December.

- On March 11, 2021, the Worldwide Health Organisation rose the health emergency situation caused by the COVID-19 to international pandemic. In order to face this situation, the Government declared the state of alert, through the Royal Decree 463/2020, and, since then, both the Spanish Government and the European and international authorities have adopted very wide measures, including measures of economic stimulus, for the purpose of mitigating social and economic impacts from this crisis.

- During 2020, the FROB has taken the necessary measures to guarantee the continuity of the institution's functions and ease the employees' work within the framework imposed by the declaration of the State of alert. Accordingly, the development of its functions as Resolution Authority has been normally developed.

- The FROB's Annual Accounts and Directors' Report corresponding to 2019 were formulated and approved, as well as its referral to the Ministry of Economic Affairs and Digital Transformation and the General Audit Office of the State Administration for inclusion in the General State Account and transfer to the Spanish National Audit Office.

- In relation to Resolution Funds, during the second quarter of 2020, the FROB collected ex-ante contributions corresponding to 2020, from entities subject to contribution both to the Single Resolution Fund (SRF) and to the National Resolution Fund (NRF), for a total amount of 848 million Euros.

- Moreover, the fee for the FROB's activities as Resolution Authority of 2020 was collected, for an amount of 21 million Euros, to cover the FROB's operating expenses.

6.- SUBSEQUENT EVENTS AND PERSPECTIVES FOR 2021

On February 16, 2021, the Council of Ministers approved the extension of the term for the FROB's divestment of its investment in BFA-Bankia, for two additional years, until December 2023, in order to favour a more efficient use of public resources, maximising the recovery of aids and the execution of the FROB's divestment strategy with more flexibility.

After the approval by the General Shareholders' Meetings of the entities, on December 2020, and after obtaining all administrative authorisations, March 26, 2021 is set as the merger's effective date, perfected through the corresponding inscription in the Companies House of Valencia. After executing the exchange of Bankia shares with CaixaBank newly-issued shares, these shares were listed in BME on March 29, 2021.

On March 23, 2021, the European agency Eurostat published the communication related to the decision to incorporate Sareb in the perimeter of public accounts. This decision by the European agency will have a significant impact both in the volume of public debt and in the public deficit, but does not affect the company's activity.

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.

In relation to the outlook for 2021, the FROB will continue its regular duties to maintain the ability to expeditiously and efficiently execute any resolution process, both in the framework of the Single Resolution Mechanism and at exclusively national scale. Additionally, during the coming year, it will be essential to monitor the evolution of the crisis caused by the health emergency and to maintain a high level of coordination and collaboration with the different institutions with competences in resolution and supervision, both at national level (Bank of Spain and CNMV) and at international level (in particular, with the Single Resolution Board, the European Banking Authority and the FSB Resolution Committee).

Simultaneously, the FROB will continue monitoring previous restructuring and resolution processes. This implies both the detailed follow-up of the activity of entities in which the FROB holds capital investments, and the control of the evolution of those commitments still in force, acquired by FROB in support of previous resolution processes.

Moreover, during 2021, the entity expects a notable workload derived from the judicial litigiousness associated to the FROB's actions.

7.- OTHER INFORMATION

During 2020, the FROB has not carried out any R&D activity. Also, the FROB's Equity Fund does not comprise shares purchasable by the FROB and, accordingly, there are no treasury shares.

FROB

The signatory, President of the FROB, authorises for issue on June 29, 2021 these Annual Accounts of the FROB for the year ended December 31, 2020 and the Directors' Report for 2020, which are printed on the accompanying 48 pages, duly countersigned by me for the purpose of their identification, and which will be submitted for approval by the Governing Committee.

(Signed in the original in Spanish)

Signed: Paula Conthe
President of the FROB