



FROB

**Annual Accounts and Directors' Report
for the year ended
31 December 2022, together with the
Independent Auditor's Report**

INDEPENDENT AUDITORS' REPORT ON THE ANNUAL ACCOUNTS

To FROB's Governing Committee:

Opinion

We have audited the annual accounts of FROB, which comprise the balance sheet at December 31, 2022, the income statement, the statement of total changes in equity, cash flow 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 at December 31, 2022, 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 2.1 to the accompanying annual accounts) and, in particular, with accounting principles and criteria provided for 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.

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

Description

Notes 2.4, 4.2.1, 4.4.1 and 6.2 to the accompanying financial statements describe estimates made and accounting criteria used when preparing 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 valuation of investments reflected in the annual accounts.

Criteria used to value such investments require the application of judgements and significant estimates by FROB's Chair and Management. Thus, these estimates have been based on the best information available at the date of preparation of the annual accounts.

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

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

Our answer

Our audit procedures in regard to this aspect have included the following, among others:

- Understanding of procedures established at FROB for the use of the appropriate valuation criterion and mitigation of errors in the estimate of said valuations.
- Revision and recalculation of the impairment tests performed by FROB on investments.
- Reading and understanding of the audited financial information for the stakes valued according to net worth.
- Verification of the information disclosed in the annual accounts.

Valuation of guarantees granted in Credit Entities' Resolution Processes

Description

FROB, as Executive Resolution Authority, has granted a series of guarantees within the framework of different credit entities' restructuring resolution processes, mainly for a successful conclusion of the entities' sale processes, for which the amount of provisions has been estimated following methodologies indicated in Notes 4.9 and 4.11 to the accompanying financial statements.

Since that 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, the economic resources to be used by FROB to assume these commitments are one of the most significant estimates in the preparation of the annual accounts.

Our answer

Our audit procedures in relation to this aspect have included the following, among others:

- Understanding the valuation process of the guarantees and provisions made by FROB.
- Analysis of the reasonableness of the existing guarantees and provisions at year end, and of the income and expenses recorded for these items.

- Arithmetical recalculation of the amounts recognised based on the assumptions and, as the case may be, a revision of external reports as a basis for the justification of the estimates.
- Directly obtaining, by means of third-party confirmations, some of the variables used by FROB to calculate the provisions for guarantees recorded.
- Verification of the suitability of the information recorded by FROB in the annual accounts regarding the guarantees recorded.

Provisions and Contingencies for the existence of litigation and claims

Description

For the purpose of managing entities' resolution processes at the execution stage, as well as of exercising powers provided for in Law 11/2015 and the Spanish Legal System and European Union Law, FROB may be involved 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's Chair 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 such litigation therefore requires a high judgement and application of complex estimates.

Our answer

Our audit procedures, in relation to this aspect, have included the following, among others:

- Analysis of the recording and quantification criteria employed by FROB in regard to the provisions and contingencies.
- Request for confirmation from both the FROB Legal Advice Department and from its external legal advisors on the evaluation and quantification of the risks that may derive therefrom.
- Evaluation of whether the content included in the annual accounts in regard to provisions and contingencies conforms to legislation.

Other information: Directors' Report

Other information only comprises the Directors' Report for the 2022 financial year, the preparation of which is the responsibility of the Chair of FROB and is not an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the Directors' Report. Our responsibility regarding the Directors' Report, in accordance with the audit regulations in force in Spain, consists of assessing and reporting on the consistency of the rest of the information included in the Directors' Report with the annual accounts based on knowledge of the entity obtained by us during the audit of the aforementioned annual accounts, as well as assessing and reporting on whether the content and presentation of this part of the Directors' Report is 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 Directors' Report is consistent with that disclosed in the annual accounts for the 2022 financial year, and its content and presentation are in accordance with applicable regulations.

Chair's responsibility for the annual accounts

The Chair of FROB 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 the entity in Spain, and for such internal control as determined 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 Chair is responsible for assessing FROB's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis unless the Chair either intends to liquidate FROB or to cease operations, or has 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 on aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

Annex 1 of this auditor's report includes a more detailed description of our responsibilities in relation to the audit of the annual accounts. This description, which can be found on page 5 hereinbelow, is an integral part of our auditor's report.

PKF ATTEST Servicios Empresariales, S.L.
Registered in the ROAC under number S1520

(signed in the original in Spanish)

Alfredo Ciriaco Fernández
Registered in the ROAC under number 17,938

12 June 2023

Annex 1 of our auditor's report

In addition to the contents of our auditor's report, this Annex includes our responsibilities regarding the audit of the annual accounts.

Auditor's responsibilities for the audit of the annual accounts

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

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of FROB's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and the related disclosures made by the Chair.
- Conclude on the appropriateness of the Chair'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 Chair 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 Chair, 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 risks assessed.

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

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 2022 AND 2021
(Thousands of Euros)

ASSETS	Notes	2022	2021	EQUITY AND LIABILITIES	Notes	2022	2021
NON-CURRENT ASSETS				EQUITY			
Intangible assets		45	94	CAPITAL AND RESERVES WITHOUT VALUATION ADJUSTMENTS	8	5.065.247	2.848.739
Property, plant and equipment		160	170	Equity fund		2.848.739	4.201.105
Non-current investments in group companies and associates	6	6.343.586	4.491.602	Profit/(loss) for the period		2.216.508	(1.352.366)
Equity instruments		6.343.586	4.491.602				
Non-current financial investments	6	215.226	151.544	VALUATION ADJUSTMENTS	8	-	276
Debt securities		200.711	151.544	Financial assets at fair value with changes in net equity		-	276
Other financial assets		14.515	-				
Total non-current assets		6.559.017	4.643.410	NON-CURRENT LIABILITIES		5.065.247	2.849.015
				Non-current provisions	11	42.808	434.574
				Non-current payables	7	1.867.188	1.862.593
				Other non-current debts		1.867.188	1.862.593
						1.909.996	2.297.167
				CURRENT LIABILITIES			
CURRENT ASSETS				Current provisions	11	71.688	30.734
Trade and other receivables	6	278	367	Current payables	7	4.362	4.313
Current financial investments	6	351.800	2.135	Other current debts		4.362	4.313
Credits to third parties		-	-				
Debt securities		350.443	-				
Other financial assets		1.357	2.135				
Cash and cash equivalents	5	141.240	537.212	Trade and other payables		1.042	1.895
Cash		141.240	537.212	Other payables	7	896	1.755
				Other debts with public institutions	10	146	140
Total current assets		493.318	539.714			77.092	36.942
TOTAL ASSETS		7.052.335	5.183.124	TOTAL EQUITY AND LIABILITIES		7.052.335	5.183.124

Notes 1 to 14 to the Financial Statements are an integral part of the Balance Sheet at 31 December 2022.

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

FROB

PROFIT AND LOSS ACCOUNT CORRESPONDING TO THE YEAR

ENDED AT 31 DECEMBER 2022 AND 2021

(Thousands of Euros)

	Notes	Income / (Expenses)	
		Year 2022	Year 2021
CONTINUING OPERATIONS			
1. Revenue	12.1	28.321	24.614
Fees for activities performed by the FROB as Resolution Authority		28.321	24.614
2. Other operating income		320	419
3. Personnel costs	12.2	(4.345)	(4.308)
Salaries and wages		(3.772)	(3.687)
Employee benefits expense		(573)	(621)
4. Other operating expenses	12.3	(3.208)	(8.394)
External services		(3.067)	(8.279)
Other operating expenses		(141)	(115)
5. Amortization and depreciation		(88)	(111)
6. Provision surpluses	11	331.218	167.824
7. Allocation of provisions	11	(7.084)	(2.841)
Allocation of provisions for EPA and other liabilities		(7.084)	(2.841)
8. Extraordinary income		30.512	21.790
9. Extraordinary expenses		(10)	-
10. Other results	11	7.780	-
RESULTS FROM OPERATING ACTIVITIES		383.416	198.993
11. Finance income	6	767	288
Banking interests		508	
Other interests		259	288
12. Finance expenses	7	(19.659)	(68.927)
Interests and commissions		(19.659)	(68.927)
Update of provisions		-	-
13. Impairment and gains/(losses) on disposal of financial instruments	6	1.851.984	(1.482.720)
Impairment and losses		1.851.984	(1.482.720)
NET FINANCE INCOME/(EXPENSE)		1.833.092	(1.551.359)
PROFIT/(LOSS) FOR THE PERIOD		2.216.508	(1.352.366)

Notes 1 to 14 to the Financial Statements are an integral part of the Profit and Loss Account corresponding to the year ended at 31 December 2022.

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 2022 AND 2021

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES

(Thousands of Euros)

	Income / (Expenses)	
	Year 2022	Year 2021
PROFIT/(LOSS) FOR THE PERIOD (I)	2.216.508	(1.352.366)
Income and expenses recognized directly in equity		
- Measurement of financial instruments	(276)	(163)
Financial assets at fair value with changes in net equity	(276)	(163)
- Tax effect	-	-
TOTAL INCOME AND EXPENSES DIRECTLY RECOGNIZED IN EQUITY (II)	(276)	(163)
Amounts transferred to the income statement		
- Measurement of financial instruments	-	-
Financial assets at fair value with changes in net equity	-	-
- Tax effect	-	-
TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT (III)	-	-
TOTAL RECOGNIZED INCOME AND EXPENSES (I+II+III)	2.216.232	(1.352.529)

Notes 1 to 14 to the Financial Statements are an integral part of the Statement of Recognized Income and Expenses corresponding to the year ended at 31 December 2022.

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

STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO THE YEAR ENDED AT 31 DECEMBER 2022 AND 2021

B) STATEMENT OF TOTAL CHANGES IN EQUITY

(Thousands of Euros)

	Equity Fund	Profit/(Loss) for the period	Valuation Adjustments	TOTAL
Balance at 31 December 2020	2.248.848	(3.638.920)	439	(1.389.633)
Total recognized income and expenses	-	(1.352.366)	(163)	(1.352.529)
Operations with Fund promoters	1.952.255	3.638.920	-	5.591.175
- Distribution of previous year's profit/(loss) (Note 3)	(3.638.920)	3.638.920	-	-
- Conversion of financial liabilities into equity (Note 8.1)	5.591.175	-	-	5.591.175
Other variations in equity	-	-	-	-
Balance at 31 December 2021	4.201.103	(1.352.366)	276	2.849.013
Adjustments for changes in criteria	-	-	-	-
Adjustments for errors	-	-	-	-
ADJUSTED BALANCE AT 1 JANUARY 2022	4.201.103	(1.352.366)	276	2.849.013
Total recognized income and expenses	-	2.216.508	(276)	2.216.232
Operations with Fund promoters	(1.352.366)	1.352.366	-	-
- Distribution of previous year's profit/(loss) (Note 3)	(1.352.366)	1.352.366	-	-
- Conversion of financial liabilities into equity (Note 8.1)	-	-	-	-
Other variations in equity	-	-	-	-
Balance at 31 December 2022	2.848.739	2.216.508		5.065.247

Notes 1 to 14 to the Financial Statements are an integral part of the Statement of Total Changes in Equity corresponding to the year ended at 31 December 2022.

FROB

**STATEMENT OF CASH FLOWS CORRESPONDING TO THE YEAR ENDED
AT 31 DECEMBER 2022 AND 2021**

(Thousands of Euros)

	Notes	Collections / (Payments)	
		Year 2022	Year 2021
CASH FLOWS FROM OPERATING ACTIVITIES (I)		4.988	(56.534)
Profit/(Loss) for the period before tax		2.216.508	(1.352.366)
Adjustments for:		(2.164.918)	1.386.487
- Amortization and depreciation		88	111
- Impairment corrections	6	(1.851.984)	1.482.720
- Changes in provisions	6 y 11	(324.134)	(164.983)
- Finance income	6	(767)	(288)
- Finance expenses	7	19.659	68.927
- Other income and expenses		(7.780)	-
Changes in working capital		(30.251)	(40.643)
- Trade and other receivables	6	89	7
- Trade and other payables		(853)	1.400
- Other current liabilities	11	(29.487)	(42.050)
Other cash flows from operating activities		(16.351)	(50.012)
- Interests paid	7	(16.920)	(58.686)
- Interests received	6	569	8.674
CASH FLOWS FROM INVESTING ACTIVITIES (II)		(400.960)	260.144
Payments for investments		(401.739)	(151.635)
- Intangible assets		(6)	(42)
- Property, plant and equipment		(22)	(6)
- Other financial assets	6	(401.711)	(151.587)
Proceeds on divestments		779	411.779
- Other financial assets	6	779	411.779
CASH FLOWS FROM FINANCING ACTIVITIES (III)		-	-
Proceeds and payments from financial liabilities		-	-
- Debt issuance with credit entities		-	-
- Redemption and amortization of debt instruments and other marketable securities		-	-
- Redemption and amortization of debts with credit institutions		-	-
EFFECT IN VARIATIONS OF EXCHANGE RATES (IV)		-	-
NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS (I+II+III+IV)		(395.972)	203.610
Cash and cash equivalents at beginning of the year		537.212	333.602
Cash and cash equivalents at year-end		141.240	537.212

Notes 1 to 14 to the Financial Statements are an integral part of the Statement of Cash Flows corresponding to the year ended at 31 December 2022.

Notes to the financial statements corresponding to the year ended 31 December 2022

1. **Activity**

FROB is a public entity with legal personality and full public and private capacity to fulfil its purpose, which was incorporated on 14 July 2009 in accordance with the provisions of Royal Decree-Law 9/2009, of 26 June, on bank restructuring and the strengthening of the equity of credit institutions¹. The current legal regime under which FROB operates is Act 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms (hereinafter, Act 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 2014, 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 Act 11/2015 stem 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:

- In the preventive phase of resolution, all entities operating in the market are required to have recovery and resolution plans in the event they may incur difficulties or a lack of viability.
- Shareholders and private creditors, or where applicable, the industry itself, must bear the resolution cost of the entity, particularly protecting depositors and public resources. To this end, internal loss absorption mechanisms (internal recapitalisation) are established, and resolution funds are created, financed by the entities themselves.
- The responsibility for resolution, affecting entities under the jurisdiction of national authorities as a result of the distribution of powers between the Single Resolution Board and the National Resolution Authorities established in Article 7 of Regulation (EU) 806/2014, in its preventive phase, is attributed to the Bank of Spain for credit institutions and to the Spanish Securities Market Regulator for investment firms. FROB is appointed as the Executive Resolution Authority of such entities.

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

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

- To ensure the continuity of those activities, services and operations whose interruption could disrupt the provision of essential services for the real economy and financial stability and, in particular, financial services of systemic importance, and payment, compensation and settlement systems, taking into account the size, market share, internal and external relations, and or cross-border nature of the entity and its group.
- To avoid adverse effects on the stability of the financial system, preventing the 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 it may be necessary to grant.
- To protect depositors whose funds are guaranteed by the Deposit Guarantee Fund for Credit Institutions and investors covered by the Deposit Guarantee Fund.
- To protect repayable funds and other assets of clients of credit institutions.

¹ Repealed by Royal Decree-Law 24/2012, of 31 August, on the restructuring and resolution of credit institutions, in turn repealed by Act 9/2012, of 14 November, on the restructuring and resolution of credit institutions, converting its provisions to the rank of Act. This Act was also repealed by Act 11/2015, of 18 June, currently in force, on the restructuring and resolution of credit institutions and investment firms, except for the First Transitory Provision.

The achievement of these aims will endeavour, at any event, to minimise the cost of resolution and avoid any loss of value, except when necessary to achieve the resolution's aims.

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

- A National Resolution Fund (NRF) without legal personality, managed by FROB and established as a separate asset, whose financial resources should amount to at least 1 per cent of all entities' covered deposits. To achieve this level, FROB will collect, at least annually, ordinary contributions from entities, as well as extraordinary contributions, if ordinary contributions are insufficient.
- Contributions to be collected by FROB for the National Resolution Fund are limited to those entities that, within the scope of application of Act 11/2015, are not subject to make contributions to the Single Resolution Fund (SRF). Accordingly, the entities that must contribute to the Fund are investment firms whose minimum legally required share capital is at least 730,000 Euros, or whose activity does not meet the characteristics described in Article 1.3.b) of Act 11/2015, provided that they are not included in the parent company's scope of consolidated supervision by the European Central Bank (ECB). Furthermore, by virtue of the Eighth Final Provision of Royal Decree-Law 19/2018, of 23 November, on payment services and other urgent financial measures, which amends, *inter alia*, Articles 1.2.e) and 53.1.a) of Act 11/2015, aside from the collection cycle of contributions corresponding to 2019, branches in Spain of credit institutions and investment firms established outside the European Union are included among the obligated entities.
- FROB may also, for the fulfilment of its purposes, seek alternative means of financing, such as issuing fixed income securities, receiving loans, applying to open credit facilities and undertaking other borrowing transactions in the event that the ordinary contributions are insufficient to cover resolution costs and extraordinary contributions are not immediately evadable or sufficient. At any event, FROB's borrowings, however they are materialised, shall not exceed the limit established for that purpose in the annual laws of the General State Budget (GSB).
- FROB may borrow from the funding mechanisms of other European Union Member States in the event that ordinary contributions are insufficient to cover the costs of resolution, extraordinary contributions are not immediately accessible and the alternative funding mechanisms indicated in the previous point cannot be used on reasonable terms.

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

- Granting of guarantees.
- Granting of loans or credit.
- Acquisition of assets or liabilities, maintaining their management or entrusting this to a third party.
- Contributions to a bridge institution or to an asset management company.
- Payment of compensation to shareholders and creditors.
- Contributions to the entity when deciding to exclude certain liabilities from internal recapitalisation.
- Granting of loans to other funding mechanisms.
- Recapitalisation of an entity under the terms and limitations provided for in Act 11/2015.

To cover its operating costs, FROB collects a "fee for the activities undertaken by FROB as resolution authority" from obligated entities, governed by the provisions of Act 11/2015 and, failing that, of Act 8/1989 of 13 April, on Public Fees and Prices, and the General Tax Act 58/2003, of 17 December. Its basic characteristics, according to the Sixteenth Additional Provision of Act 11/2015, are as follows:

- Taxable event. The exercise of functions of monitoring, reporting and application of resolution instruments during the preventive and executive phases of resolution undertaken by FROB.
- Taxpayers. Credit institutions and investment firms established in Spain.
- Taxable base. Amount that each entity must provide by way of its annual ordinary contribution to the National Resolution Fund or, as the case may be, to the Single Resolution Fund.
- Tax fee. Result of applying a tax rate of 2.5 per cent on the taxable base.
- Jurisdiction for management, settlement and collection lies with FROB.
- Revenue from this fee has the nature of budget revenue of FROB.

In addition, FROB's own funds may increase through the capitalisation of loans, credit or any other form of borrowing by FROB in which the Central Government appears as creditor.

As regards the applicable legal regime, FROB, for the purposes of its budget, shall apply, in matters not covered by Act 11/2015, the provisions of Articles 64 to 68 of the General Budget Act 47/2003 of 26 November. However, it is not subject to them and therefore they are not applicable thereto:

- General rules governing the economic and financial, accounting and oversight regulations of public bodies reporting or related to the Central Government, except with regard to external audits of the Spanish Court of Auditors, pursuant to Organic Law 2/1982, of 12 May, on the Spanish Court of Auditors and to the ongoing financial oversight of its internal economic and financial management regulations by the Auditor General of the Spanish Central Government, pursuant to the provisions of Chapter III of Title VI of the General Budget Act 47/2003, of 26 November.
- The provisions of Act 33/2003, of 3 November, on General Government equity in the exercise of its resolution functions. At any event, FROB will not be subject to the provisions contained in Title VII of the aforesaid Act 33/2003, related to the business assets of Central Government. In this regard, the stakes, shares, securities and other instruments that FROB may acquire in the exercise of its resolution powers are not part of General Government equity.

FROB is governed and administered by a Governing Committee, comprised at 31 December 2022, of 11 members: the Chair; four members appointed by the Bank of Spain, one of which, the Deputy Governor, acts as Vice-Chair; three representatives of the Ministry of Economic Affairs and Digital Transformation; the Vice-Chair of the Spanish Securities Market Regulator; and two representatives of the Ministry of Finance and Public Administration. Also, the Auditor General of the Spanish Central Government and a representative appointed by the Attorney General's Office attend the Governing Committee's sessions, with speaking but not voting rights.

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 FROB

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

- a) The Spanish Commercial Code and other applicable Spanish corporate legislation.
- b) The Spanish General Chart of Accounts 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 Chart of Accounts and its implementing legislation.
- d) All other applicable Spanish accounting legislation.

2.2 True and fair view

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 the accounting principles and rules contained therein (see Note 4) and, accordingly, fairly present the Entity's equity and the financial position at 31 December 2022, and its results, the changes in its equity and its cash flows in the year then ended.

FROB's annual accounts for 2021 were approved by the Governing Committee on 27 June 2022. The annual accounts for 2022, which were authorised for issue by FROB's Chair on 12 June 2023, 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

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

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

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

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 Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria, S.A. (hereinafter, "Sareb") and of BFA Tenedora Acciones, S.A.U. (hereinafter, "BFA"), to determine the possible existence of impairment losses on these investments.

Recoverable amounts of investments in share capital, and related impairment losses compared with their carrying value, if any, were calculated as follows:

- a.- In the case of Sareb, based on its value in use as obtained from the estimated cash flows contained in its current financial projections (approved by its Board of Directors on 29 March 2023), comparing it with the fair value resulting from the calculation made for Sareb share transactions performed on 5 April 2022 (see Note 6.2). Both values - the value in use and the fair value - result in a zero value of the investment in Sareb. That is why the investment in Sareb remains fully impaired on the accompanying balance sheet and has not had any impact on assets and liabilities in 2022. The value thus calculated is aligned with the company's negative equity.
- b.- As regards its stake in BFA, and in a uniform manner with the estimates made in previous financial years, FROB has considered the individual net equity of the investee as the best estimate of the recoverable value, adjusted by the unrealised gains existing at the measurement date, as established in Recognition and Measurement Standard 9 of Royal Decree 1514/2007.

Consequently, at 31 December 2022, the net carrying amount of FROB's stake in BFA, coinciding with its recoverable value, amounts to 6,343,586 thousand Euros (see Note 6.2), which matches with the value of BFA's net individual equity, 4,958,905 thousand Euros, corrected by the unrealised gains existing on the measurement date in the amount of 1,384,681 thousand Euros, corresponding to the BFA stake in CaixaBank, as shown in the audited annual accounts of BFA for 2022.

For its part, at year-end 2021, FROB estimated the recoverable value of its stake in BFA, taking into account the individual equity of BFA, without there being unrealised gains as shown in its audited annual accounts for 2021. This has resulted in recognition of an impairment in the amount of 1,482,720 thousand Euros. Consequently, at 31 December 2021, the carrying amount of FROB's stake in BFA amounted to 4,491,602 thousand Euros.

Lastly, comparing the carrying value at 31 December 2022 and 2021, there is a reversal in the value impairment in 2022 in the amount of 1,851,984 thousand Euros.

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 at the value they are recorded at will depend on the evolution of these investees themselves and, in the case of BFA, fundamentally on the amount obtained from the sale of CaixaBank shares.

Moreover, FROB has granted a series of guarantees within the framework of the different credit institutions' restructuring and resolution processes, chiefly in order to maximise efficiency in the use of public funds in the sale process or integration of certain institutions, and is, in addition, the subject of certain legal claims arising from these divestment processes, which are duly analysed in order to determine the viability of such claims (see Note 11). FROB has estimated the amount of provisions made in accordance with the methodology set out in Note 4.9. 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 their determination, as well as the future development of contingencies covered by these guarantees.

In the preparation of the 2022 annual accounts, the going concern principle was applied, which assumes that the Fund will enjoy continuity and will, accordingly, recover its assets and liquidate its liabilities in the normal course of operations. Hence, the application of the accounting principles will not be aimed at determining the equity value for the purposes of global or partial disposal, nor the resulting amount in the event of liquidation.

2.5 Comparison of information

Information contained in these annual accounts relating to 2021 is presented with the figures relating to 2022 for comparison purposes only.

2.6 Changes to accounting criteria

In 2022, there have been no significant changes in accounting criteria compared with those applied in the 2021 financial year.

2.7 Correction of errors

In the preparation of the attached annual accounts, no significant error has been detected leading to the restatement of the amounts included in the annual accounts for 2021.

2.8 Relative importance

When determining the information to be broken down and set out in this report regarding the different items of the financial statements or any other aspects, the Fund, in accordance with the Conceptual Framework of the General Chart of Accounts, has taken into account the relative importance in relation to the consolidated annual accounts for financial year 2022.

2.9 Environmental impact

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

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

In compliance with the provisions of Act 15/2010 of 5 July, amending Act 3/2004 of 29 December, establishing measures to combat late payment in commercial transactions, and the Spanish Accounting and Audit Institute Resolution of 29 January 2016 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 breakdown of the information required is included below:

	2022	2021
	Days	
Average payment period to suppliers	3.96	10.38
Ratio of transactions paid	3.96	10.38
Ratio of outstanding payment transactions	0,00	0,00
	Thousands of Euros	
Total payments	4,461	6,734
Total outstanding payments	0	0

2.11 Presentation of consolidated financial statements

Spanish corporate and commercial legislation requires, with certain exceptions, that 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 profits from its activities; the existence of control, and therefore, of the group, is presumed to exist when, among other factors, the majority of voting rights are held and the power exists to appoint or remove the majority of the members of the Board of Directors.

In this context, FROB performed an analysis of the need to present consolidated annual accounts after having acquired, as described in Note 6 to these annual accounts, majority shareholdings in certain credit institutions, which led it to conclude, after consulting with the Bank of Spain and the Spanish Securities Market Regulator (CNMV), that it was under no legal obligation to do so. Matters taken into consideration to reach this conclusion included the following:

- Extremely exceptional circumstances included in the law that require FROB's intervention in processes in which it acquires majority stakes in entities or in which it gains control over governing bodies.
- The fact that these stakes are only held by legal mandate and are intended to complete and guarantee the fulfilment of the restructuring/resolution plan that must conclude with the transfer of the business to third parties, whereby its actions cannot be treated as substantive rights with a vocation to take an active part in the management of the businesses, designing their financial and operating policies to obtain profits from their activities.
- FROB's decisions to allocate 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 FROB as public debt.

In addition, it should be considered that the presentation of consolidated accounts, integrating Sareb and BFA, would not provide FROB's investors with relevant information, and thus it would not comply with the purpose of offering a true and fair view of the nature and purpose of its majority stakes.

3. Application of profit

Profit generated by FROB's assets will be integrated into its Equity Fund. The application of profit for 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Basis of allocation:		
Profit/loss on income statement	2,216,508	(1,352,366)
Allocation to:		
Equity Fund	2,216,508	(1,352,366)

4. Accounting policies and measurement

The main accounting policies and measurements used by FROB in preparing the annual accounts for 2021, in accordance with the Spanish General Chart of Accounts approved by Royal Decree 1514/2007, of 16 November ("the Spanish General Chart of Accounts), are as follows:

4.1 Property, plant and equipment

4.1.1. Intangible assets

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

The maintenance costs of applications are recorded in the year they are incurred. At 31 December 2022, FROB had no impaired intangible assets and none existed during the course of 2022.

4.1.2. Tangible fixed assets

Initial measurement –

Assets included in property, plant and equipment are initially measured 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 invoiced by the supplier after deducting any discounts or price reductions, all directly related additional expenses that occur until the assets are ready for their intended use, including those relating to transporting them to their location and any other condition in order for them to operate as planned.

Subsequent measurement –

Subsequent to their acquisition, the elements of tangible fixed assets are measured at their acquisition price or production cost, minus their cumulative appreciation and, as the case may be, the cumulative amount of the value adjustments for impairment that may need to be recognised.

Depreciation –

Property, plant and equipment are depreciated systematically on a straight-line basis over their estimated useful life, 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 31 December 2022, calculated on the basis of the Entity's best estimate of the depreciation 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 as follows:

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

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

In 2022, no changes have been made in the estimates of the useful life 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 the fair value less costs to sell and value in use, as defined in the Spanish General Chart of Accounts.

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 recorded 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 has been recognised.

None of FROB's items of property, plant and equipment were impaired at 31 December 2022 or during the year then ended.

4.2 Financial assets - Categories of financial assets

4.2.1 Financial assets at cost – Group companies and associates

In accordance with accounting legislation, "Group companies" are those controlled by an entity. Control is the power to govern the financial and operating policies of a business so as to obtain profits from its activities. Control exists, in general but not exclusively, when the entity directly or indirectly owns half or more of the investee's voting rights 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 stakes owned by FROB within the framework of its corporate purpose do not meet the definition of subsidiaries, and taking into consideration the specific nature of its management, as indicated in Note 2.11 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 recorded in the annual accounts under "Non-Current Investments in Group companies and Associates - Equity Instruments" on the accompanying balance sheet and are measured at acquisition cost, net of any impairment losses on said stakes (see Note 4.4.1).

Dividends accrued on these stakes, provided that they do not arise unequivocally from the profit generated prior to their acquisition date, are recorded on the income statement. In 2022, these stakes did not accrue any dividends.

Note 6.2 contains significant information on these stakes.

4.2.2. Financial assets at amortised cost

A financial asset shall be included in this category, even when admitted to trading on an organised market if the entity maintains the investment with the aim of receiving cash flows from the execution of the contract, and the contractual conditions of the financial asset give rise, on specific dates, to cash flows that are solely collections of principal and interest on the amount of the principal pending.

Contractual cash flows that are solely collections of principal and interest on the amount of the principal pending are inherent to an agreement with the nature of an ordinary or common loan, without prejudice to the operation being agreed at a zero-interest rate or below the market rate.

The management of a group of financial assets to obtain their contractual flows does not imply that the company must hold all instruments until their maturity; it could be considered that the financial assets are managed with this purpose in mind even when future sales have occurred or are expected to occur. To this end, the entity must consider the frequency, the amount and the schedule of sales in previous financial years, the reasons for these sales and the expectations of future sales in relation to the activity.

The entity's management of these investments is a question of fact and does not depend on its intentions for an individual instrument. A company may have more than one policy to manage its financial instruments and it may be appropriate, in some circumstances, to divide a portfolio of financial assets into smaller portfolios to reflect the level at which the company manages its financial assets.

This category includes trade receivables and non-trade receivables:

- Trade receivables: financial assets stemming from the sale of goods and services in the ordinary course of business with deferred collection, and
- Non-trade receivables: financial assets other than equity and derivative instruments that are non-commercial in nature and have fixed or determinable payments, deriving from loans or credit extended by the entity.

Initial measurement –

Financial assets classified in this category are initially measured 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, loans for trade operations with a maturity date of no more than one year and that do not have an explicit contractual interest rate, along with loans to staff, dividends to be collected and capital calls on equity instruments that are expected to be received in the short term may be measured at their nominal value when the effect of not updating the cash flows is not significant.

Subsequent measurement –

Subsequently, the financial assets included in this category are measured at their amortised cost. Accrued interest is recorded on the income statement, applying the effective interest rate method.

However, loans that mature in less than a year which, according to the provisions of the previous paragraph, are initially measured at their nominal value, will continue to be measured at that amount, unless they have suffered impairment.

Any impairment losses on these assets are recognised as described in Note 4.4.2.

Notes 6.3, 6.4 and 6.5 contain significant information on these investments.

4.2.3. Financial assets at fair value with changes in net equity

This category includes those financial assets the contractual conditions of which give rise, on specific dates, to cash flows that are solely payments of principal and interest on the amount of the principal pending, and are not held for trading, nor should be classified under the category "Financial assets at amortised cost".

Initial measurement –

The financial assets classified in this category are initially measured at fair value, which, in the absence of evidence to the contrary, will be the transaction price, which is the fair value of the consideration given plus any directly attributable transaction costs.

Initial measurement includes any pre-emptive and similar rights acquired.

Subsequent measurement –

Financial assets included in this category will be measured at their fair value, without deducting any transaction costs that may be incurred in their disposal.

Changes occurring in the fair value are recorded directly under net equity, until the financial asset is withdrawn from the balance sheet or impaired, at which point the amount thus recognised is recorded on the income statement.

Value adjustments through value impairment and losses and gains resulting from exchange rate differences in monetary financial assets in a foreign currency are nonetheless recorded on the income statement.

The income statement also records the sum of interest calculated in accordance with the effective interest rate method, and the dividends accruing.

Any impairment losses on these assets are recorded as described in Note 4.4.

Note 6.3 contains significant information on these investments.

4.3 Cash

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

The interest accrued from the bank accounts and bank deposits held by FROB is calculated using the effective interest method on the basis of their contractual rates and is recognised under "Finance Income - Bank Interest"

or, if applicable, under "Finance Expenses — Bank Interest" on the accompanying income statement.

Note 5 contains certain significant information on cash.

4.4 Impairment of financial assets

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 amount and the carrying amount of said asset) is recorded on the income statement.

When the recovery of any recognised amount is considered unlikely, the amount is written off, without prejudice to any actions that FROB may initiate to seek collection until its contractual rights are extinguished due to expiry of the statute-of-limitations period, write-off 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 a negative impact on the future cash flows that were estimated at the transaction date.
- In the case of equity instruments, when 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 recorded on the income statement for the year in which the impairment is reversed or reduced.

The criteria applied by 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:

4.4.1 Stakes in entities

FROB estimates and recognises impairment losses on stakes 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 will not be recoverable.

The amount of the impairment losses is estimated as the difference between the book value of the stakes and their recoverable amount, understood as the higher of its fair value minus sale costs and the present value of the future cash flows arising from the investment.

The most significant aspects of the methodology used at year-end 2022 to estimate 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, on the income statement (see Note 6.2). 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.

4.4.2 Debt instruments classified as financial assets at amortised cost

FROB estimates and recognises impairment losses on the debt instruments classified as financial assets at amortised cost 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 the impairment loss of these assets is calculated as the difference between the asset's carrying amount and the present value of its estimated cash flows.

The circumstances that FROB could consider likely to have impaired these investments and that are considered in the estimates of impairment, notwithstanding the provisions of the Resolution of 18 September 2013 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 audit reports that raise doubts as to the entities' viability or solvency or the existence of other circumstances of a similar nature that might place the payment capacity of the issuers of securities in doubt.

Impairment losses and the reversal thereof are recognised as an expense and income, respectively, on the income statement (see Notes 6.3, 6.4 and 6.5). The limit of any reversal of impairment losses is the carrying amount of the investment that would have been recognised at the date of reversal had no impairment loss been recognised.

4.5 Financial liabilities at amortised cost

FROB classifies all financial liabilities in this category except when they must be measured at fair value on the income statement.

On a general basis, this category includes trade payables (financial liabilities arising from the purchase of goods and services in the ordinary course of business with deferred collection) and non-trade payables (financial liabilities that are not derivative instruments and do not have a commercial origin, but derive from loans or credit received by FROB).

The financial liabilities included in this category are initially measured at fair value, which, in the absence of evidence to the contrary, is the transaction price, equivalent to the fair value of the consideration received plus directly attributable transaction costs. They are then measured at amortised cost. Accrued interest is recorded on the income statement using the effective interest method.

However, trade payables falling due in less than one year which do not have a contractual interest rate, as well as the payments for equity called up by third parties, which are expected to be paid in the short term, are measured at their nominal value when the discounting effect is not material.

4.6 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 cash flows of the financial asset are granted and the risks and benefits inherent to the ownership of the asset 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 FROB, with the intention either to resell them or to cancel them.

4.7 Tax regime

Act 11/2015 establishes that, for tax purposes, FROB will enjoy the same treatment as the Deposit Guarantee Fund for Credit Institutions. Consequently, FROB is exempt from Corporate Income Tax and from any indirect taxes that may be incurred as a result of its incorporation, its operation, the actions and transactions it performs in fulfilment of its objectives, and any other indirect taxes that may be passed on to it.

4.8 Income and expenses

Income and expenses are recognised on 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 expenses (see Notes 6 and 7) are recognised on the income statement.

Operating leases

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

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

<u>Lease term</u>	<u>Penalties</u>
31 January 2026	Early termination

The annual rent for 2022 amounted to 585 thousand Euros (VAT exempt).

In January 2023, the lease agreement has been renewed until 31 January 2026, with an annual rent for the first year of 627 thousand Euros (VAT exempt), annually renewable, in accordance with Article 4(6) of Act 2/2015, of 30 March, on the de-indexation of the Spanish economy.

The amount of the instalments of the operating lease is directly charged to the accompanying income statement (see Note 12.3).

4.9 Provisions and contingencies

In preparing its annual accounts, 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 exact amount and/or timing of which cannot be determined. These obligations may derive from a legal provision, a contractual requirement or an implicit or constructive obligation assumed by FROB.
- b) Contingent liabilities: possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within 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 recorded in the annual accounts, but rather are disclosed in the notes to the financial statements (see Note 11).

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 an 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 FROB is not liable, in which case, the compensation will be taken into account when estimating, as the case may be, the amount of the related provision.

4.10 Related-party transactions

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

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

Note 13 contains information on the balances recognised in these annual accounts corresponding to related parties.

4.11 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 involuntary liquidation.

Fair value is generally calculated by reference to a reliable market value, which is understood to be the price quoted on 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 proven that they provide the most realistic fair value estimates and maximising at all times the use of data obtained in the market.

The amortised cost of a financial instrument is understood to be the amount at which it was initially measured, less any principal repayments and interest payments effected, 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.

In turn, the amount of the amortised cost of a financial instrument is understood as the amount at which it was initially measured, minus repayments of principal and interest, as applicable, plus or minus, as the case may be, the amount allocated to the income statement through the use of the effective interest rate method of its accrued interest and the difference between the initial amount and the value of the repayment of the instrument. In the case of financial assets, the amortised cost also includes the impairment losses recorded thereon, if applicable.

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, as the case may be, charged prior to granting the loan.

5. Cash and cash equivalents — Cash

At 31 December 2022 and 2021, "Cash and cash equivalents - Cash" on the accompanying balance sheet corresponds to the following breakdown:

	Thousands of Euros	
	31.12.2022	31.12.2021
Accounts held at the Bank of Spain	138,648	536,179
Current accounts in other institutions	2,395	1,275
Outstanding accrued interest payable	-	(242)
Outstanding accrued interest receivable	197	-
	141,240	537,212

From 1 January until 14 September 2022, accounts held by FROB at the Bank of Spain earned, according to the European Central Bank's regulations on the remuneration of deposits of public authorities in a National Central Bank, negative interest of 803 thousand Euros (1,838 thousand Euros in 2021), recorded under the heading "Finance expenses — Interest and commissions" on the accompanying income statement (see Notes 7.5 and 13). Said interest was fully paid at 31 December 2022 (242 thousand Euros remained payable at 31 December 2021).

As from 14 September 2022 – the date on which Decision ECB/2022/30 came into force – and until the year-end date, the accounts held by FROB at the Bank of Spain have accrued positive interest in the amount of 508 thousand Euros, recorded under the heading “Finance income – Bank interest” on the attached income statement (see Note 13). At 31 December 2022, 197 thousand Euros remained outstanding.

In addition, in 2022, negative interest accrued for FROB's current accounts held at other institutions amounted to 14 thousand Euros (91 thousand Euros in 2021), recorded, together with other items, under the heading 'Finance expenses — Interest and commissions" on the accompanying income statement (see Note 7.5). Said interest is fully paid at 31 December 2022 (at 31 December 2021, it was fully paid).

6. Financial assets

6.1 Breakdown of financial assets

The breakdown, classified in accordance with applicable legislation, of financial assets owned by FROB at 31 December 2022 and 2021 is as follows:

31.12.2022:

Classes Categories	Thousands of Euros						
	Non-Current Financial Instruments			Current Financial Instruments			Total
	Equity Instruments (Note 6.2)	Debt Instruments (Note 6.3)	Loans and Other (Note 6.4)	Debt Instruments (Note 6.5)	Loans and Other (Note 6.5)	Trade and Other Receivables	
Financial assets at cost (*)	6,343,586	-	-	-	-	-	6,343,586
Financial assets at amortised cost	-	200,711	14,515	350,443	1,357	278	567,304
Total	6,343,586	200,711	14,515	350,443	1,357	278	6,910,890

(*) Including the amount of investments, net of their cumulative impairment (see Note 6.2).

31.12.2021:

Classes Categories	Thousands of Euros						
	Non-Current Financial Instruments			Current Financial Instruments			Total
	Equity Instruments (Note 6.2)	Debt Instruments (Note 6.3)	Loans and Other	Debt Instruments (Note 6.4)	Loans and Other (Note 6.5)	Trade and Other Receivables	
Financial assets at cost (*)	4,491,602	-	-	-	-	-	4,491,602
Financial assets at amortised cost	-	-	-	-	2,135	367	2,502
Financial assets at fair value with changes in net equity	-	151,544	-	-	-	-	151,544
Total	4,491,602	151,544	-	-	2,135	367	4,645,648

(*) Including the amount of investments, net of their cumulative impairment (see Note 6.2).

6.2 Non-current investments in Group companies and Associates — Equity Instruments

The breakdown of investments comprising "Non-current investments in Group companies and Associates — Equity instruments" on the accompanying balance sheet at 31 December 2022 and 2021 is as follows:

31.12.2022:

Company	%	Location	Thousands of Euros					
			Data on Investees' Assets (*)			Carrying Amount of FROB's Stake		
			Share Capital	Reserves and Other Equity Items	Profit (Loss)	Cost	Impairment	Carrying Amount
BFA	100%	Madrid	1,918,367	2,573,235	467,303	19,604,000	(13,260,414)	6,343,586
Sareb	50.14%	Madrid	171,547	(12,837,253)	(1,506,238)	656,168	(656,168)	-
Total						20,260,168	(13,916,582)	6,343,586

(*) Data related to the equity position of these companies were obtained from the audited financial statements at 31 December 2022, excluding minority interests.

31.12.2021:

Company	%	Location	Thousands of Euros					
			Data on Investees' Assets (*)			Carrying Amount of FROB's Stake		
			Share Capital	Reserves and Other Equity Items	Profit (Loss)	Cost	Impairment	Carrying Amount
BFA	100%	Madrid	1,918,367	2,110,800	462,435	19,604,000	(15,112,398)	4,491,602
Sareb	45.9%	Madrid	171,547	(8,479,468)	(1,625,919)	656,168	(656,168)	-
Total						20,260,168	(15,768,566)	4,491,602

(*) Data related to the equity position of these companies were obtained from the audited financial statements at 31 December 2021, excluding minority interests.

Changes in "Non-current investments in Group companies and Associates - Equity instruments" on the accompanying balance sheet in 2022 and 2021 were as follows:

	Thousands of Euros
Balance at 1 January 2021	5,974,322
Net allocation for impairment charged to the income statement	(1,482,720)
Balance at 31 December 2021	4,491,602
Net reversal of impairment paid into the income statement	1,851,984
Balance at 31 December 2022	6,343,586

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

BFA was initially incorporated as a credit institution. Subsequently, on 23 December 2014, the Bank of Spain notified the approval to BFA, with effect from 2 January 2015, of the institution's prior waiver request to continue operating as a credit institution. On 28 January 2015, the corresponding deed of modification of its Articles of Association was registered in the Companies Registry of Madrid. Until 26 March 2021, the date of completion of the merger between Bankia and CaixaBank, whereby the Bankia shareholders received CaixaBank shares (0.6845 ordinary newly-issued CaixaBank shares for each Bankia ordinary share), BFA remained as a Bankia holding company. At 31 December 2022, BFA held a stake in CaixaBank amounting to 16.12% of its share capital. This

stake rose to 17.32% as a result of the CaixaBank share capital reduction, registered in January 2023, corresponding to the repayment of the treasury shares acquired under the share buyback programme executed in 2022.

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

In order to promote the most efficient use of public resources by maximising the recovery of support and execution of FROB's divestment strategy with greater flexibility, and following the extension of the divestment deadline approved on 16 February 2021, dated 27 December 2022, a third extension of the deadline took place for an additional two-year period, thus extending this deadline until December 2025.

At year-end 2022, according to the criteria provided for in Notes 2.4 and 4.4.1, FROB has estimated the recoverable amount of its investment in BFA, taking into consideration the individual equity of BFA, at 4,958,905 thousand Euros, corrected with the unrealised gains existing at the measurement date in the amount of 1,384,681 thousand Euros, corresponding to BFA's stake in CaixaBank, as shown in its audited annual accounts for 2022, resulting in the recognition of an impairment reversal for an amount of 1,851,984 thousand Euros, recorded under the heading "Impairment and results from disposals of financial instruments — Impairment and losses" on the accompanying income statement. Consequently, at 31 December 2022, the net book value of FROB's investment in BFA amounts to 6,343,586 thousand Euros.

In turn, at year-end 2021, FROB estimated the recoverable amount of its investment in BFA, taking into consideration the individual equity of BFA, with no easy-to-realise unrealised gains, as shown in its audited annual accounts for 2021, resulting in the recognition of an impairment for an amount of 1,482,720 thousand Euros, recorded under the heading "Impairment and results from disposals of financial instruments — Impairment and losses" on the accompanying income statement. Consequently, at 31 December 2021, the net book value of FROB's investment in BFA amounted to 4,491,602 thousand Euros.

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

At 31 December 2022 and 2021, FROB's stake in Sareb is classified, together with other items, under "Non-current investments in Group companies and associates – Equity instruments" on the accompanying balance sheet.

On 18 January 2022, Royal Decree-Law 1/2022, of 18 January, amending Act 9/2012, of 14 November, on the restructuring and resolution of credit institutions; Act 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms; and Royal Decree 1559/2012, of 15 November, establishing the legal regime of asset management companies, in relation to the legal regime of the Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria (Sareb) (hereinafter "RDL 1/2022"), were approved. The purpose of RDL 1/2022, as stated in the explanatory memorandum, was the urgent need to undertake a reform of Sareb's capital structure and its governance with the aim of adapting it to Sareb's reclassification in the National Accounts as a unit belonging to the General Government sector that took place in 2021.

Among other modifications, RDL 1/2022 eliminated the limits to the State's stake in Sareb, thus allowing FROB to achieve a majority position in the capital, with the aim of effectively taking control of the company, without Sareb acquiring the status of a State-owned company.

On the basis of the foregoing, FROB's Governing Committee, in its reduced composition, approved a procedure for the purchase of Sareb shares, aimed at private shareholders, in order to achieve a majority position in the capital of at least 50.01%. This purchase procedure was designed to comply with the requirements of transparency, competitiveness and non-discrimination. To this end, the agreement of the Auditor General of the Spanish Central Government was sought, both for the reasonableness of the proposed purchase price and for the development of the purchase procedure. It was therefore consistent with the general principles that must govern FROB's operations in its capacity as a public entity.

FROB's technical services performed a valuation of Sareb considering two approaches: i) an accounting valuation based on its equity according to the last approved annual accounts (referring to financial year 2020); and ii) a valuation based on the expected cash flows that would result from the development of the company and its asset portfolio in line with the contents of its current Business Plan (in its version approved by the Board of Directors on

24 February 2021). The result of these approaches gave a value of zero to Sareb's shares, as both approaches yielded negative valuations.

This zero value of the company led to the establishment of a symbolic share price, which would allow a proportional allocation based on the shareholding. This was determined on the basis of an exchange ratio of 0.01 Euros for every 39,710 shares (the highest figure by which the total number of Sareb shares can be divided, without leaving any remaining shares that are not the subject of an offer, which guarantees equal treatment for all shareholders), which meant valuing 100% of Sareb's capital at 360 Euros.

On the basis of this valuation, on 26 January 2022, FROB sent all Sareb's shareholders a purchase offer for the entirety of their stakes, which was accepted by shareholders representing 4.24% of the capital.

Thus, on 5 April 2022, the sale and purchase agreements were formalised, and Sareb was notified of the purchase for the purpose of entering the agreement in its Shareholder Register. Consequently, the procedure carried out has allowed FROB's stake to exceed the minimum desired shareholding, with its standing at 50.14% at that date, without this implying any present or future capital disbursement commitments.

In application of the criteria provided for in Notes 2.4 and 4.4.1 above, FROB has estimated this investment's recoverable value on the basis of Sareb's current Business Plan, approved by its Board of Directors at its meeting held on 29 March 2023, in contrast with the fair value resulting from Sareb share transactions performed on 5 April 2022.

In light of the foregoing, in 2022, (i) the actions acquired in the process to take control have been registered at their acquisition price of 15.25 Euros; and, (ii) the recoverable amount of the entire stake in Sareb has been estimated which, in light of the indications in the previous paragraphs, presents a value of zero, which should be duly impaired at year-end 2022.

At 31 December 2021, the derecognition of the equity interest existing at 31 December 2020 took place and the reclassification of the investment existing at that date in subordinated debt from "Non-current financial assets - Debt instruments classified as financial assets at amortised cost" to "Non-current investments in Group companies and Associates — Equity instruments", which remains fully impaired.

Culminating the process to take public control of Sareb by FROB following approval of Royal Decree-Law 1/2022 and including the principle of sustainability, which allows Sareb to combine the social and responsible management of its portfolio with the company's divestment objective, in March 2023, the Board of Directors approved the Business and Strategic Plan for the period 2023-2027, which defines the three main strategic lines for the company to follow: i) Acceleration of the liquidation of those assets without any social value in order to generate cash flows to repay the senior debt; (ii) Maximise the social value of the assets, primarily residential properties, protecting the vulnerable and promoting the sale of affordable housing to private individuals and public authorities for their use as the public stock of social rentals; (iii) Generation of value from those assets whereby it has been identified that the property development and urban management thereof will allow the greatest flows to be generated to repay the secured debt. In addition, this Plan takes into account the impact of the interest rate hikes and assumptions of market trends and discounts on the most prudent appraised values in line with the new macroeconomic and market situation.

6.3 Non-current financial assets - Debt instruments

Financial assets at amortised cost

ASF2015 subordinated B Bond

At year end 2022 and 2021, this category includes the subordinated B Bond subscribed by 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 sale process for a portfolio of assets, awarded to Blackstone, which was formalised in April 2015. The operation, structured through the transfer of said portfolio to an Asset Securitisation Fund (ASF2015) and other Blackstone Group companies, included FROB's financial support through: i) the subscription of a subordinated bond, mentioned in the previous paragraph; ii) the award of a guarantee for doubtful credits which were initially estimated to amount to 124,000 thousand Euros, settled in 2017 for an amount of 37,546 thousand Euros; and iii) the award of a liquidity line (see Note 6.5).

Sareb's subordinated debt

On 31 December 2012 and 26 February 2013, FROB subscribed an issue of subordinated bonds issued by Sareb, for amounts of 1,271,600 thousand Euros and 380,800 thousand Euros, respectively.

These bonds were classified as non-guaranteed subordinated debt contingently convertible into newly-issued, ordinary shares of Sareb with partial redemption possible at the discretion of Sareb as from the fifth year of issue, according to its solvency and leverage ratios. The accrual of interest was subject to Sareb obtaining sufficient distributable profit. If this condition was met, the existence of sufficient cash would be necessary to settle payment of this interest; if not, the payment would be delayed as an unsubordinated credit payable to FROB until Sareb had sufficient cash to settle payment. The accrued payable amount would, in turn, accrue interest at the rate of the 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. Given that Sareb never obtained any distributable profit, FROB did not record interest on these assets in any year.

According to the issue deed, in case of insufficient Sareb equity, the subordinated debt was convertible into capital through: i) the existence of accumulated losses that are equal to or above the share capital plus reserves or ii) in the event of dissolution, through losses that reduce its net assets to an amount of less than half of its share capital. Assuming the conversion occurs, the shares would 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 at least 2% of the value of the assets after conversion. Based on the above, in 2016, 996,232 thousand Euros were converted from subordinated debt into capital, resulting in an unconverted outstanding nominal amount of 656,168 thousand Euros. The outstanding nominal amount was converted in 2021 which, in the case of FROB, amounted to 656,168 thousand Euros, without this conversion having any impact on the 2021 income statement as this investment was fully impaired in previous years.

Spanish Government debt securities

At 31 December 2022, the non-current debt portfolio with the Kingdom of Spain amounts to 200,711 thousand Euros, recorded under the heading "Non-current financial investments – Debt securities" on the attached balance sheet. Considering the drafting of Recognition and Measurement Standard 9 on "Financial Instruments", Section 2.2 of which governs financial assets at amortised cost (see Note 4.2.2), FROB has reclassified these amounts in 2022 from the category "Financial assets at fair value with changes in equity" to the category "Financial assets at amortised cost", in the understanding that this adjustment better adapts to its current management model. In addition, the market value of these securities, according to their price at 31 December 2022, amounts to 192,214 thousand Euros.

New securities have been acquired in 2022, classified under this heading for a nominal value of 50,000 thousand Euros.

Financial assets at fair value with changes in net equity

At 31 December 2022, the non-current debt portfolio with the Kingdom of Spain amounts to 151,544 thousand Euros, recorded under the heading "Non-current financial assets - Debt instruments" on the accompanying balance sheet.

The valuation adjustments at 31 December 2021 amounted to 276 thousand Euros and were recorded under the heading "Valuation adjustments - Financial assets at fair value with changes in net equity" on the accompanying balance sheet.

6.4 Non-current financial instruments – Other financial assets

At 31 December 2022, an amount of 11,597 thousand Euros was recognised as a result of the valuation of the guarantees granted in the sale process of CX (see Note 11.1).

2,918 thousand Euros is also included from the amount liquidated with the DGF in previous years by way of the CX guarantees which, with the new estimates, should be repaid to FROB (see Note 11.1).

6.5 Current financial instruments

At 31 December 2022 and 2021, the disclosure of the balance of this heading on the attached balance sheets is as follows:

	Thousands of Euros	
	2022	2021
ASF2015 liquidity line (CX sale)	1,357	2,135
Spanish Government debt securities	350,443	-
Total	351,800	2,135

ASF2015 liquidity line (CX sale)

As indicated in Note 6.3, FROB provided certain financial support in the sale operation of an asset portfolio carried out by Catalunya Banc within FROB's divestment process at the institution. This support includes the granting of a liquidity line to the ASF2015 for a maximum amount of 400 million Euros, with a balance at 31 December 2022 of 1,334 thousand Euros (2,112 thousand Euros in 2021). Also, the line has generated finance income (interest and associated commissions) for an amount of 259 thousand Euros (288 thousand Euros in 2021), of which 23 thousand Euros were receivable at 31 December 2022 and recorded, together with other items, under the heading "Current financial investments – Other financial assets" on the accompanying balance sheet (23 thousand Euros at 31 December 2021) which were settled on 13 January 2023.

Spanish Government debt securities

At 31 December 2022, the balance recognised under "Spanish Government debt securities" of the foregoing table is composed of Government debt, with a current maturity in the amount of 350,443 thousand Euros (see Note 6.3). This amount is classified at 31 December 2022 under the heading of "Financial assets at amortised cost" in the amount of 350,443 thousand Euros (see Note 6.3). Furthermore, the market value of these securities, according to the price at 31 December 2022, is 347,608 thousand Euros.

New securities have been acquired in 2022, classified under this heading for a nominal value of 350,000 thousand Euros.

In 2022, no Government debt securities have matured, while, in 2021, securities had matured at a nominal value of 410,000 thousand Euros and generated negative interest amounting to 1,496 thousand Euros, recognised, together with other items, under "Finance expenses — Interest and commissions" on the accompanying income statement (see Note 7.5).

In 2022 and 2021, no Government debt securities were sold.

7. Financial liabilities

7.1 Disclosure of financial liabilities

The disclosure, as required by applicable legislation, of financial liabilities assumed by FROB at 31 December 2022 and 2021 is as follows:

31.12.2022:

Classes Categories	Thousands of Euros					
	Non-current financial instruments		Current financial instruments			Total
	Debt instruments and other marketable securities	Other non-current financial liabilities (Note 7.2)	Debt instruments and other marketable securities	Other current financial liabilities (Note 7.3)	Sundry payables (Note 7.4)	
Financial liabilities at amortised cost	-	1,867,188	-	4,362	896	1,872,446
Total	-	1,867,188	-	4,362	896	1,872,446

31.12.2021:

Classes Categories	Thousands of Euros					
	Non-current financial instruments		Current financial instruments			Total
	Debt instruments and other marketable securities	Other non-current financial liabilities (Note 7.2)	Debt instruments and other marketable securities	Other current financial liabilities (Note 7.3)	Sundry payables (Note 7.4)	
Financial liabilities at amortised cost	-	1,862,593	-	4,313	1,755	1,868,661
Total	-	1,862,593	-	4,313	1,755	1,868,661

7.2 Non-current payables – Other financial liabilities

This heading includes the loan granted on 3 December 2012 by the Kingdom of Spain to FROB for the implementation of the European financial assistance programme. The loan allowed funds disbursed by the European Financial Stability Facility, (hereinafter, EFSF) of the European Financial Stabilisation Mechanism (hereinafter, EFSM) to be channelled to the Kingdom of Spain and to 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 to 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 formalisation of the loan, the following events have occurred:

- On 9 December 2013, following authorisation from the EFSM, the partial conversion of the loan from the Kingdom of Spain into an equity contribution to FROB was agreed for an amount of 27.17 billion Euros (see Note 8.1).
- 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 30 June 2017, 20 February 2020 and 20 December 2021, following authorisation from the EFSM, new partial conversions of the loan from the Kingdom of Spain were performed through a capital contribution to FROB, for an amount of 3 billion Euros, 3 billion Euros and 5.59 billion Euros, respectively (see Note 8.1).

At 31 December 2022 and 2021, the outstanding balance of the loan granted by the Kingdom of Spain to FROB amounts to 1,865,000 thousand Euros, corresponding in its entirety to the second disbursement, with the following breakdown:

ISIN	Nominal (thousands of Euros)	
	2022	2021
Tranche 2 EU000A1U98X6	1,865,000	1,865,000
Total	1,865,000	1,865,000

The maturity of the amount corresponding to Tranche 2 will take place in two equal parts, on 11 December 2024 and 2025, respectively.

At 31 December 2022, the amount recognised, together with other items, under "Current payables - Other financial liabilities" on the accompanying balance sheet corresponds to the cash value of the foregoing debt minus those costs of its formalisation with a net amount of 1,863,370 thousand Euros (1,862,593 thousand Euros at 31 December 2021).

The loan generated finance expenses in 2022 from the accrual of arrangement fees and associated expenses for an amount of 777 thousand Euros (10,602 thousand Euros in 2021), recorded, together with other items, under the heading "Finance expenses — Interest and commissions" on the accompanying income statement (see Note 7.5).

Interest accrued by this loan during 2022 amounted to 16,242 thousand Euros (54,899 thousand Euros in 2021), recorded, together with other items, under the heading "Finance expenses — Interest and commissions" on the accompanying income statement (see Note 7.5). At 31 December 2022, interest which remained payable was recorded under the heading "Current payables – Other financial liabilities" on the accompanying income statement for an amount of 809 thousand Euros (429 thousand Euros at 31 December 2021) (see Note 7.3.).

Furthermore, 3,818 thousand Euros was classified, as recognition to the DGF for the part that corresponds to the valuation of the guarantees granted in the CX sale process (see Note 11.1)

7.3 Current payables – Other financial liabilities

At 31 December 2022, the balance recognised under "Current payables - Other financial liabilities" on the accompanying balance sheet corresponds, firstly, to the amount of interest and associated unpaid accrued expenses, corresponding to the loan from the Kingdom of Spain to FROB indicated in Note 7.2, amounting to 809 thousand Euros (429 thousand Euros at 31 December 2021).

Secondly, an amount of 101 thousand Euros (3,884 thousand Euros at 31 December 2021) was recorded, corresponding to amounts payable to the Deposit Guarantee Fund as a consequence of the modification of the estimated value of guarantees granted in the sale processes of CX and NCG (see Note 11.1).

In addition, an amount of 3,452 thousand Euros is recorded as a liability for the guarantees recognised but unpaid from CX that were settled on 9 February 2023 (see Note 11.2).

7.4 Trade and other payables – Sundry payables

The balance of this heading on the accompanying balance sheet at 31 December 2022 and 2021 includes various payables for services.

The expenses accrued for these services in 2022 and 2021 are recorded under "Other operating expenses" on the accompanying income statement (see Note 12.3).

7.5 Finance expenses

The breakdown of "Finance expenses" on the accompanying income statements for 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Interest and commissions		
- Bank interest (Note 5)	817	1,929
- Interest on public debt (Notes 6.3 and 6.4)	1,823	1,496
- Interest and commissions on other payables (Notes 7.2 and 7.3)	17,019	65,502
Total	19,659	68,927

8. Equity

8.1 Equity fund

The breakdown of contributions made to FROB since its incorporation in 2009 is as follows:

Contributor entities	Thousands of Euros			
	Capitalisation of loans *	Cash disbursements	Fixed-income securities	Total
General 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
- Act 11/2015	11,591,175	-	-	11,591,175
Deposit Guarantee Fund for Credit Institutions (**)				
- Royal Decree-Law 9/2009	-	1,500,146	749,854	2,250,000
Total	38,761,175	14,250,146	749,854	53,761,175

(*) Breakdown in Note 7.2

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

To complement the initial provision made to FROB established by Royal Decree-Law 9/2009 (9,000,000 thousand Euros, of which 6,750,000 thousand Euros came from the General State Budget and 2,250,000 thousand Euros from the Deposit Guarantee Fund for Credit Institutions), Royal Decree-Law 2/2012, of 3 February, on the reorganisation of the financial sector, added an increase of 6,000,000 thousand Euros out of the General State Budget. In addition, on 9 December 2013, the partial conversion of the loan from the Kingdom of Spain was agreed, amounting to 27,170,000 thousand Euros in an equity contribution to FROB's provision, following approval from the EFSM. Furthermore, on 30 June 2017 and 20 February 2020, there were new partial conversions of said loan as contributions to FROB's capital provision for an amount of 3,000,000 thousand Euros each, by virtue of Article 53.4 of Act 11/2015 and, as established in the agreement, following authorisation from the EFSM (see Note 7.2).

On 20 December 2021, following authorisation from the ESM, a new partial conversion of the loan from the Kingdom of Spain into a contribution to FROB's capital provision for an amount of 5,591,175 thousand Euros took place (see Notes 7.2).

At 31 December 2022, FROB's equity amounted to 5,065,247 thousand Euros (2,848,739 thousand Euros at 31 December 2021), comprised of an equity fund of 2,848,739 thousand Euros (the aforementioned 53,761,175 thousand Euros and losses obtained by FROB since its establishment until 31 December 2021) and a profit in 2022 of 2,216,508 thousand Euros.

Although FROB can operate with negative equity, Article 53.4 of Act 11/2015 establishes that FROB's equity may be increased, where applicable, through the capitalisation of loans, credits or other debt operations in FROB with the Spanish Central Government as creditor. In this regard, the loan agreement between the Kingdom of Spain and FROB, following authorisation from the EFSM, allows the partial or total transformation of this loan into a capital provision to FROB.

8.2 Valuation adjustments

Financial assets at fair value with changes in net equity

At 31 December 2021, this heading on the accompanying balance sheet included 276 thousand Euros, corresponding to the changes in fair value of financial assets at fair value with changes in net equity (see Note 6.3).

The statements of recognised income and expenses for 2022 and 2021 show the changes under this heading on the accompanying balance sheets for those years.

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

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

The disclosure, by maturity, of balances of certain items on the balance sheet at 31 December 2022 and 2021, based on a scenario of "normal market conditions", in accordance with their contractual terms, is as follows:

31.12.2022:

	Thousands of Euros						
	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total
Assets:							
Cash and cash equivalents	141,240	-	-	-	-	-	141,240
Current financial investments -							
Debt securities	350,443	-	-	-	-	-	350,443
Other financial assets	1,357	-	-	-	-	-	1,357
Non-current financial investments -							
Debt securities	-	200,711	-	-	-	-	200,711
Other financial assets	-	14,515	-	-	-	-	14,515
Total at 31 December 2022	493,040	215,226	-	-	-	-	708,266
Liabilities:							
Current debts							
Other financial liabilities	4,362	-	-	-	-	-	4,362
Non-current debts -							
Other financial liabilities	-	935,503	931,685	-	-	-	1,867,188
Total at 31 December 2022	4,362	935,503	931,685	-	-	-	1,871,550
Difference assets-liabilities at 31 December 2022	488,678	(720,277)	(931,685)	-	-	-	(1,163,284)
Cumulative difference assets- liabilities at 31 December 2022	488,678	(231,599)	(1,163,284)	(1,163,284)	(1,163,284)	(1,163,284)	

31.12.2021:

	Thousands of Euros						
	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total
Assets:							
Cash and cash equivalents	537,212	-	-	-	-	-	537,212
Current financial investments - Other financial assets	2,135	-	-	-	-	-	2,135
Non-current financial investments - Debt securities	-	151,544	-	-	-	-	151,544
Total at 31 December 2021	539,347	151,544	-	-	-	-	690,891
Liabilities:							
Current debts							
Other financial liabilities	4,313	-	-	-	-	-	4,313
Non-current debts - Other financial liabilities	-	931,296	931,297	-	-	-	1,862,593
Total at 31 December 2021	4,313	931,296	931,297	-	-	-	1,866,906
Difference assets-liabilities at 31 December 2021	535,034	(779,752)	(931,297)	-	-	-	(1,176,015)
Cumulative difference assets- liabilities at 31 December 2021	535,034	(244,718)	(1,176,015)	(1,176,015)	(1,176,015)	(1,176,015)	

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

- At 2022, the amount of liquid assets exceeds that of liabilities maturing in 2023.
- Act 11/2015 allows the capitalisation of loans, credits and other debt operations of FROB in which the Spanish Central Government is a creditor.

Credit risk

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

At 31 December 2022, 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 FROB to adverse movements in interest rates deriving from the term structure of different maturities and depreciation of balance sheet items.

Market risk

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

Other risks

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

10. Public authorities and tax position

10.1 Current balances with public authorities

The breakdown of "Current liabilities - Trade and other payables - Other accounts payable to public authorities" on the balance sheets at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	31.12.2022	31.12.2021
Withholdings payable	92	88
Social Security payable	54	52
Total	146	140

10.2 Tax position

As indicated above (see Note 4.7), FROB is exempt from Corporate 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.

11. Provisions and contingencies

11.1 Non-current provisions

The breakdown of "Non-current provisions" on the liability side on the accompanying balance sheet at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	31.12.2022	31.12.2021
Banco de Valencia Asset Protection Scheme	-	143,439
CX guarantees	12,234	5,618
NCG Banco guarantees	26,415	26,998
Deposit Guarantee Fund CX hybrid management	3,267	5,151
Deposit Guarantee Fund NCG hybrid management	892	-
Other provisions	-	253,368
Total	42,808	434,574

The change in the balance of this heading in 2022 and 2021 is as follows:

	Thousands of Euros
Balance at 31 December 2020	626,433
Allocations	2,596
Surpluses	(167,824)
Transfers to current liabilities	(21,588)
Other changes	(5,043)
Balance at 31 December 2021	434,574
Allocations	7,084
Surpluses	(331,218)
Transfers to current liabilities	(70,449)
Other changes	2,817
Balance at 31 December 2022	42,808

Banco de Valencia, S.A. Asset Protection Scheme

As part of the restructuring process of Banco de Valencia, S.A., 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 30 September 2012. After the reductions in the APS scope in 2013 and 2016, the initial portfolio of APS bills covered at that date amounted to 4,980,022 thousand Euros. The APS matured on 30 September 2022, hence the APS guarantee has no effects as from that date, although a two-year monitoring period was established until 30 September 2024, during which time FROB will maintain limited coverage for a specific portion of the portfolio. At 30 September 2022, the outstanding portfolio covered amounted to 599,758 thousand Euros, a fall of 12% on December 2021.

The APS cost, at the end of each year, has been estimated using two approaches: on the one hand, in materialised registered losses to be covered by FROB in the short term, and, on the other, in forecasts of expected losses in the performing portfolio during the APS's remaining period of validity, in the long term.

Once the maturity date was reached, the cost of the liquidation of the APS was estimated by applying the criteria established in the guarantee agreement. Accordingly, the ordinary losses materialised and recorded to be covered by FROB until the maturity of the APS were determined (8,696 thousand Euros), the forecast liquidation of the reasonable impairment of the portfolio at the maturity date (49,768 thousand Euros) and the estimated cost of the two-year monitoring period (7,371 thousand Euros).

Therefore, a provision has been released for an amount of 77,604 thousand Euros with a credit to the "Excess provisions" account on the accompanying income statement, with regard to the provision recorded at 31 December 2021.

The forecast is that this final liquidation of the APS should be paid out in 2023, once the revision and validation work on the figures has been undertaken. Accordingly, an amount of 65,835 thousand Euros has been reclassified to the heading "Current provisions" under liabilities on the accompanying balance sheet (see Note 11.2).

CX guarantees

In the process of selling CX and its loan portfolio, FROB granted certain guarantees to buyers, in addition to FROB's commitment to sign the subordinated bond issued by the ASF2015 in the context of the sale process (see Notes 6.3 and 11.2).

In 2022, the estimated cost of the guarantees fell by 23,312 thousand Euros compared with 2021. The total current provision for the guarantees in the sale of CX corresponds to the hybrid guarantee, since the rest of the guarantees, as the provision constituted at the time for CX was greater than the estimated cost of the guarantee, the excess provision will have to be returned to FROB, recording it as an asset or contingent asset according to each specific

case.

In the case of litigation and interest rate hedge guarantees, the valuation provided has led to the recognition of an asset on FROB's balance sheet in the amount of 11,597 thousand Euros under the heading "Non-current financial investment" – "Other financial assets" on the attached balance sheet (see Note 6.4) with the following breakdown: i) income has been recognised under the heading "Other profit" on the attached income statement in the amount of 7,780 thousand Euros and ii) recognition of a non-current liability under the heading "Non-current debts" on the attached balance sheet in the amount of 3,818 thousand Euros as recognition to the DGF for the portion that corresponds thereto (see Note 7.2).

In the case of the Sareb VAT guarantee, the new valuation amounts to 21,718 thousand Euros in FROB's favour, which, given the difficulty in making an estimate with a high degree of probability, has been considered a contingent asset, which has led to i) the recognition under the heading "Allocation to provisions" on the attached income statement of 7,084 thousand Euros, as a result of the consideration of this amount as a contingent asset; ii) the recognition of an amount of 2,918 thousand Euros under the heading "Non-current financial investments" – "Other financial assets" on the attached balance sheet (see Note 6.4) for the portion settled with the DGF in previous years for this guarantee, which will be regularised at their year-end.

At 31 December 2022, the current value of the obligation derived from the hybrid guarantee remains classified under the heading "Non-current provisions" and "Current provisions", according to their maturity, amounts to 15,833 thousand Euros (20,027 thousand Euros at 31 December 2021), of which 12,234 thousand Euros corresponds to the long term and the remaining amount, 3,599 thousand Euros, to the short term (see Note 11.2), without any changes in their measurement.

In 2021, a provision of 9,122 thousand Euros was released, with the following breakdown: i) release of the non-current provision for an amount of 6,461 thousand Euros with a credit to the income statement for 2021 under the heading "Excess provisions", ii) recognition of 2,661 thousand Euros in favour of the Deposit Guarantee Fund for the corresponding portion (see Note 7.3).

NCG Banco Guarantees

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

At 31 December 2022, based on estimates performed with the information available, FROB considers that the current value of the obligation derived from commitments undertaken amounts to 26,769 thousand Euros (28,951 thousand Euros at 31 December 2021), of which 26,415 thousand Euros correspond to the long term and 354 thousand Euros to the short term (see Note 11.2).

In 2022, a non-current provision of 347 thousand Euros was released, with the following breakdown: i) release of the non-current provision for an amount of 246 thousand Euros with a credit to the income statement for 2022 under the heading "Excess provisions", ii) recognition of 101 thousand Euros in favour of the Deposit Guarantee Fund for the corresponding portion (see Note 7.3)

In 2021, the provision was increased by 4,000 thousand Euros, with the following breakdown: i) allocation of a non-current provision of 2,596 thousand Euros charged to the 2021 income statement under "Allocation to provisions"; ii) allocation of a current provision of 245 thousand Euros charged to the 2021 income statement under "Allocation to provisions" and iii) recognition of 1,159 thousand Euros corresponding to the portion to be paid by the Deposit Guarantee Fund (see Notes 6.5 and 11.2).

In addition, a non-current provision of 8,222 thousand Euros was released in 2021, as follows: i) release of the non-current provision in an amount of 5,840 thousand Euros with a credit to the income statement for 2021 under "Excess provisions" ii) recognition of 2,382 thousand Euros in favour of the Deposit Guarantee Fund for the corresponding portion (see Note 7.3).

Deposit Guarantee Fund compensation for management of hybrids

On 18 July 2013, FROB and the DGF entered into an agreement, by virtue of which FROB undertakes to pay the

DGF, by way of compensation for the remaining contingencies for potential indemnities and expenses to be incurred for legal or out-of-court claims, derived from the trading of hybrid instruments originating in shares owned by retail clients acquired by the DGF, within the framework of management actions of hybrid instruments approved by FROB for NCG and CX on 7 June 2013. In addition, on 13 December 2013, an addendum was signed to these agreements in relation to payments to be effected, where applicable, by FROB to the DGF in the event of the latter's disposal of shares (See Note 11.2).

- CX

At 31 December 2022, based on estimates made with the information available, FROB considers that the value of the obligation derived from commitments undertaken amounts to 5,151 thousand Euros (7,933 thousand Euros at 31 December 2021), of which 3,268 thousand Euros corresponds to long term and 1,883 thousand Euros to short term (see Note 11.2).

There have been no changes in the measurement of this provision in 2022 or 2021; accordingly, there have been no changes on the income statement.

- NCG

At 31 December 2022, based on estimates made with the information available, FROB considers that the value of the obligation derived from commitments undertaken amounts to 909 Euros (912 thousand Euros at 31 December 2021), of which 892 thousand Euros corresponds to long term and 17 thousand Euros to short term (see Note 11.2).

There have been no changes in the measurement of this provision in 2022 or 2021; accordingly, there have been no changes on the income statement.

in 2022, an amount of 892 thousand Euros was transferred from this heading to the heading "Current provisions" of non-current liabilities", based on the estimated timing of the settlement of guarantees.

Other provisions

At 31 December 2018, based on estimates made with the information available, FROB registered, as a result of a ruling issued by a trial court, a provision for an amount of 253,368 thousand Euros. The legal matter stemmed from a claim regarding the interpretation of certain clauses contained in a divestment contract. An appeal was filed against the ruling and the Provincial High Court ruled in favour of FROB, and another appeal was filed against this last ruling with the Supreme Court, which is pending a resolution.

Finally, on 28 June 2022, the Supreme Court dismissed this appeal, and accordingly the provision constituted was reversed, leading to the recognition of an excess provision on the income statement for the financial year 2022 for an amount of 253,368 thousand Euros.

11.2 Current provisions

The disclosure of "Current provisions" under liabilities on the balance sheet at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	31.12.2022	31.12.2021
Banco de Valencia Asset Protection Scheme	65,835	10,678
CX guarantees	3,599	14,409
NCG Banco guarantees	354	1,953
Deposit Guarantee Fund CX hybrid management	1,883	2,782
Deposit Guarantee Fund NCG hybrid management	17	912
Total	71,688	30,734

Changes under this heading in 2022 and 2021 are as follows:

	Thousands of Euros
Balance at 1 January 2021	51,150
Allocations	245
Transfers from non-current liabilities	21,588
Applications	(43,408)
Other changes	1,159
Balance at 31 December 2021	30,734
Applications	(26,043)
Transfers from non-current liabilities	70,449
Other changes (Note 7.3)	(3,452)
Balance at 31 December 2022	71,688

Banco de Valencia, S.A. Asset Protection Scheme

On 30 June 2022, the fifth payment derived from the APS was settled for an amount of 10,678 thousand Euros, which was recorded under the heading 'Current provisions' of liabilities on the accompanying balance sheet.

In addition, as indicated in Note 11.1, an amount of 65.835 thousand Euros has been transferred to current liabilities from the heading "Non-current provisions" of liabilities on the accompanying balance sheet.

Consequently, the current value of the obligation deriving from the commitments taken on under the APS have been quantified in the amount of 65,835 thousand Euros (154,117 thousand Euros at 31 December 2021), which are entirely classified in the short term.

CX Guarantees

As indicated in Note 11.1, in 2022, an amount of 3,386 thousand Euros (9,441 thousand Euros in 2021) was transferred from this heading to the heading "Non-current provisions" of non-current liabilities", based on the estimated timing of the settlement of guarantees.

In 2022, settlement was made of guarantees for an amount of 10,745 thousand Euros, which was recorded under the heading 'Current provisions' of liabilities on the accompanying balance sheet.

In addition, 3,453 thousand Euros have been transferred to the heading "Current debts – Other financial liabilities" of the current liabilities on the attached balance sheet, as a liability for the CX guarantees recognised but unpaid that were settled on 9 February 2023.

NCG Guarantees

As indicated in Note 11.1, in 2022, an amount of 236 thousand Euros was transferred from this heading to the heading "Non-current provisions" of non-current liabilities, based on the estimated timing of the settlement of guarantees.

In addition, in 2022 settlement was made of guarantees for an amount of 1,835 thousand Euros, recorded under the heading 'Current provisions' of liabilities on the accompanying balance sheet.

Compensation to the Deposit Guarantee Fund for management of hybrids

- CX

As indicated in Note 11.1, in 2022, an amount of 1,883 thousand Euros was transferred from this heading to the

heading "Non-current provisions" of non-current liabilities, based on the estimated timing of the settlement of guarantees.

In addition, in 2022 settlement was made of guarantees for an amount of 2,782 thousand Euros, which were classified under the heading 'Current provisions' of liabilities on the accompanying balance sheet.

- *NCG Banco*

As indicated in Note 11.1, in 2022, an amount of 892 thousand Euros was transferred from this heading to the heading "Non-current provisions" of non-current liabilities, based on the estimated timing of the settlement of guarantees.

In addition, in 2022 settlement was made of guarantees for an amount of 3 thousand Euros, recorded under the heading 'Current provisions' of liabilities on the accompanying balance sheet.

11.3 Other guarantees and contingent liabilities

In the sale processes carried out by FROB of CAM, Unnim Banc, S.A. and Banco de Valencia, 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 31 December 2022, FROB deemed it unlikely that any obligation would arise from these commitments and, accordingly, it did not record any provision in the 2022 annual accounts in relation to this.

In the sale process of an asset portfolio by Catalunya Banc to the ASF2015 (described in Note 6.3), FROB granted a series of guarantees in favour of the investor. Among them, FROB granted a guarantee on the potential liability for amounts prior to the date of the economic effects that a final court ruling could be declared against the ASF2015 for floor clauses. Under such guarantee, BBVA (subrogated in the position of Catalunya Banc), filed a claim against the ASF2015 and FROB, claiming amounts to be reimbursed, evaluated by BBVA as an indefinite, indeterminable amount. After several judicial milestones, this claim is pending a decision by the Supreme Court. Following a legal analysis of this contingency, it is considered unlikely that FROB will have to pay any liability.

Finally, in the last quarter of 2020, a claim was filed against FROB on the grounds that certain damages resulting from balance sheet adjustments in the sale of CX would be covered by the Letter of Guarantee granted by FROB in respect of the scope adjustments for the Hercules portfolio. In early 2021, FROB filed its response to the claim. Finally, the Supreme Court did not accept the appeal for judicial review filed by the counterparty. Accordingly, no risk associated with these proceedings exists.

In 2021, FROB received a claim in relation to the portfolio of assets covered by the APS of Banco de Valencia. Following an analysis by FROB's legal department, it has been decided that no additional provision should be recorded in relation to the APS of Banco de Valencia.

11.4 Contingent assets

In the exercise of its activity, FROB has a series of proceedings underway, from which contingent assets may arise.

In addition, pursuant to the indications contained in Note 11.1, the valuation of certain guarantees related to the CX purchase and sale process has generated contingent assets in the amount of 21,718 thousand Euros.

12. Income and Expenses

12.1 Turnover

This heading on the income statement includes, according to the Fifth Transitory Provision of Act 11/2015, the amount accrued in 2022 for the activities performed by FROB as Resolution Authority, amounting to 28,321 thousand Euros.

Within the established term for collection, which ended on 5 June 2022, all obligated entities have settled the corresponding payment; therefore, at 31 December 2022, the heading "Trade receivables and other accounts

receivable" on the accompanying balance sheet does not include any balance. Additionally, this heading included a fully-impaired amount of 11 thousand Euros, corresponding to the fee for 2015 from an entity under bankruptcy proceedings, which has not yet been resolved this year and has led to the reversal of this impairment in the amount of 11 thousand Euros.

	Thousands of Euros	
	2022	2021
Fee for activities conducted by FROB as Resolution Authority	28,321	24,614
Total	28,321	24,614

12.2 Personnel costs and average headcount

The breakdown of "Personnel costs" on the accompanying income statements for 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Salaries and wages	3,772	3,687
Social Security	488	512
Other employee benefits	85	109
Total	4,345	4,308

The average number of employees at FROB in 2022 by professional category and gender is disclosed in the following table:

2022

	Average number 2022			Total number 31 December 2022		
	Men	Women	Total	Men	Women	Total
Senior Management*	1.95	4.95	6.90	2	4	6
Group II	12.83	10	22.83	13	10	23
Group III	1.16	4	5.16	1	4	5
Group IV	1	3	4	1	3	4
Group V	-	3	3	-	3	3
Total	16.95	24.95	41.73	17	24	41

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

2021

	Average number 2021			Total number 31 December 2021		
	Men	Women	Total	Men	Women	Total
Senior Management*	1	4.93	5.93	1	5	6
Group II	12.49	9.67	22.16	12	10	22
Group III	2.32	4.32	6.64	2	4	6
Group IV	1	3	4	1	3	4
Group V	-	3	3	-	3	3
Total	16.81	24.92	41.73	16	25	41

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

12.3 Other operating expenses

The disclosure of "Other Operating Expenses" on the income statements for 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Leases	585	584
External professional services	2,059	7,348
Banking and similar services	40	46
Other operating expenses	394	301
Reversal of impairment for debtors in trade operations	(11)	-
Governing Committee (Note 13)	141	115
Total	3,208	8,394

"External Professional Services" in 2022 and 2021 includes, among others, amounts invoiced by different external advisers commissioned by FROB to carry out work within the framework of functions entrusted to FROB as the authority in charge of managing the restructuring and resolution processes of credit institutions. It should be noted that the amount of this item in 2022 fell on the figure for 2021, which was higher than usual in 2021, mainly Unni as a result of the expenses arising from Procurement Procedure 4/2019, for the contracting of the legal advice service to FROB in the actions that correspond to it for the best defence of the Kingdom of Spain in the arbitration proceedings filed by a group of investors against it under the Agreement on the Promotion and Reciprocal Protection of Investments between the Kingdom of Spain and the United Mexican States (APPRI), under the UNCITRAL Arbitration Rules (PCA 2019-17).

12.4 Other disclosures

Fees related to audit and other services provided by FROB's auditor, PKF Attest Servicios Empresariales, S.L., or by any company related to the auditor through control, common ownership or management corresponding to 2022 are as follows (in thousands of Euros):

	Services rendered by the auditor and related companies	
	2022	2021
Audit services	33	33
Other verification services	-	-
Total audit and related services	33	33
Tax advisory services	-	-
Other services	-	-
Total professional services	-	-
Total	33	33

13. Transactions and balances with related parties

The breakdown of balances recorded by FROB with related parties in these annual accounts for 2022 and 2021 is as follows (figures in thousands of Euros):

2022:

	Bank of Spain	Investees	Governing Committee and Senior Management
Assets:			
Non-current investments in Group companies and Associates — Equity instruments (Note 6.2)	-	6,343,586	-
Cash and cash equivalents - Cash (Note 5)	138,648	-	-
Income statement:			
Other operating income	-	50	-
Personnel costs (Senior Management)	-	-	959
Other operating expenses (Note 12.3)	-	-	141
Finance expenses (Note 5)	(803)	-	-
Finance income (Note 5)	508	-	-

2021:

	Bank of Spain	Investees	Governing Committee and Senior Management
Assets:			
Non-current investments in Group companies and Associates — Equity instruments (Note 6.2)	-	4,491,602	-
Cash and cash equivalents - Cash (Note 5)	536,179	-	-
Income statement:			
Other operating income	-	64	-
Personnel costs (Senior Management)	-	-	938
Other operating expenses (Note 12.3)	-	-	115
Finance expenses	(1,838)	-	-

In 2022, FROB recognised an expense of 141 thousand Euros (115 thousand Euros at 31 December 2021) related to attendance fees corresponding to the Governing Committee. Of this amount, allowances corresponding to members considered Senior Officials are deposited in the Treasury (see Note 12.3),

At 31 December 2022, FROB had not granted any advances or loans and had acquired no pension or guarantee obligations to any of the previous or current members of its Governing Committee.

14. Subsequent events

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

- On 19 May 2023, FROB's Governing Committee approved the fee for FROB's activities as Resolution Authority for 2023 in the amount of 25,123 thousand Euros.

- Increase in BFA's stake in CaixaBank from 16.12% to 17.32% as a result of the CaixaBank share capital reduction, registered in January 2023, corresponding to the repayment of treasury shares acquired under the buyback programme executed in 2022.
- The revision of the losses and impairments from the APS of Banco de Valencia is underway. Once the revision is completed, the APS is expected to close with a one-off payment of 65.8 million Euros before 30 June 2023 or, at any event, during the course of financial year 2023.
- Except for the previous paragraphs, from the year-end date of the financial year to the date of preparation of the annual accounts, there has been no other significant subsequent event.

FROB

Directors' Report for the year ended 31 December 2022

1.- INTRODUCTION

Following the same line of action as in previous years, FROB's performance has mainly covered two strands in 2021: i) on the one hand, FROB has developed its activity within the framework of the Single Resolution Mechanism, as National Resolution Authority, and ii) on the other, FROB has continued carrying out actions related to restructuring and resolution processes of entities receiving public funds, performed for almost a decade now. The different resolution and restructuring processes of institutions have been, and continue to be, subject to different legal claims. Therefore, part of FROB's activity focuses on managing such litigation.

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

With regard to the first aspect, within the context of the European Resolution Mechanism, FROB develops its functions as National Executive Resolution Authority, working continuously to improve its preparation for potential resolution cases, within a broad institutional framework, implying the need to rely on close collaboration and coordination between the different National Resolution Authorities and the Single Resolution Board (SRB), as well as with supervisors, both national and from the European Union. FROB, through its Chair, is the Spanish representative on the SRB.

FROB, through its Chair, is the Spanish representative on the SRB. Thus, FROB, as a member of the Plenary Session of the SRB, has participated in the different sessions held, as well as on its committees and working groups, in order to develop the construction of a common outlook of the Banking Union as regards resolution planning and execution. In addition, FROB has actively participated, in close collaboration with Spanish preventive resolution authorities, advocating Spain's position at the different European and international forums which discuss matters related to resolution, among others: the Resolution Committee (ResCo) of the European Banking Authority (EBA) and the Resolution Group (ReSG) of the Financial Stability Board (FSB).

Furthermore, FROB takes part in the SRB work teams of each of the significant institutions with a presence in Spain and votes at the Extended Executive Sessions that take decisions about them, and is the authority responsible for the national implementation of the resolution decisions of the SRB. Within this framework, in June 2017, FROB implemented the resolution scheme for Banco Popular Español, approved by the Single Resolution Board. This action did not involve any public support or guarantees.

Finally, for the other banking institutions (less significant institutions) and investment firms, it is responsible for the approval and execution of the resolution measures and has certain advisory powers in the planning phase.

3.- FOLLOW-UP OF THE RESOLUTION

Simultaneously, FROB has continued to follow up measures derived from previous restructuring and resolution processes, as well as the management and monitoring of the various lines of financial support and guarantees provided in the context of these processes. In this regard, it should be noted that under the First Transitory Provision of Act 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 their conclusion by the rules of previous application.

FROB's activity in this area today mainly stems from it channelling, in December 2012 and March 2013, the financial assistance from the European Stability Mechanism (ESM) for the recapitalisation of eight credit institutions undergoing restructuring or resolution², as well as for the subscription of part of the capital of the *Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria* (Sareb) and the acquisition of part of its subordinated debt.

² At present, the restructuring or resolution plans of all institutions receiving financial assistance have been completed.

As a result of these actions, at 31 December 2022, FROB holds a 100% stake in BFA, which in turn holds a 16.12% of CaixaBank's capital. FROB is also Sareb's main shareholder, with a 50.14% stake following the purchase process undertaken on 5 April 2022.

Investments held by FROB in the past in the remaining credit institutions receiving support were subject to successive divestment processes. Sale agreements for the different institutions or portfolios of assets in these institutions included the granting of certain guarantees, some of which remain active.

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

BFA was initially incorporated as a credit institution that ended up with a 100% public stake in 2012. Subsequently, on 23 December 2014, the Bank of Spain notified the approval to BFA, with effect from 2 January 2015, of the institution's prior waiver request to continue operating as a credit institution. On 28 January 2015, the corresponding deed of modification of its Articles of Association was registered in the Companies Registry of Madrid. Until 26 March 2021, the date of completion of the merger between Bankia and CaixaBank whereby Bankia shareholders received CaixaBank shares (0.6845 newly-issued ordinary shares of CaixaBank for each outstanding ordinary share of Bankia), BFA remained as the holding company of Bankia, ceasing to be the lead bank of a group of credit institutions at that time.

At 31 December 2022, BFA holds a stake in CaixaBank, S.A. of 16.12% of its share capital as the result of Bankia's share swap. This stake has risen to 17.32% as a result of the CaixaBank share capital reduction, registered in January 2023, corresponding to the repayment of the treasury shares acquired under the share buyback programme executed in 2022.

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

In order to promote the most efficient use of public resources by maximising the recovery of support and execution of FROB's divestment strategy with greater flexibility, and following the extension of the divestment deadline approved on 16 February 2021, dated 27 December 2022, a third extension of the deadline took place for an additional two-year period, thus extending this deadline until December 2025.

According to the applicable criteria and valuations regulations, FROB has estimated the recoverable amount of its investment in BFA at year-end 2022, taking into consideration the individual equity of BFA, corrected by the unrealised gains existing on the measurement date in the amount of 1,384,681 thousand Euros, as shown in its audited annual accounts for 2022, resulting in the recognition of a reversal of the impairment for an amount of 1,851,984 thousand Euros, recorded under the heading "Impairment and results from disposals of financial instruments — Impairment and losses" on the accompanying income statement. Consequently, at 31 December 2022, the net book value of FROB's investment in BFA amounts to 6,343,586 thousand Euros.

3.2.- Sareb

Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A (Sareb) is, according to the Seventh Additional Provision of Act 9/2012, of 14 November, incorporated as a public limited company with a specific term until November 2027.

Sareb's capital, upon its incorporation, amounted to 4.8 billion Euros (8% of the total volume of assets), of which 1.2 billion Euros correspond to share capital and 3.6 billion Euros correspond to two issues of non-guaranteed contingently convertible subordinated debt subscribed by the shareholders. FROB holds 45% of Sareb's share capital (540 million Euros) and 45.9% of the subordinated debt (1.652 billion Euros).

Assets of entities classified in Group 1 (BFA-Bankia, Catalunya Banc, NCG Banco and Banco Valencia) were transferred on 31 December 2012 for an amount of 36.695 billion Euros, and assets of Group 2 entities (Liberbank, BMN, Ceiss and Caja3) were transferred on 28 February 2013, for a total price of 14.086 billion Euros. Therefore, the total value of assets transferred to Sareb amounted to 50.781 billion Euros.

The transfer payment was made through the delivery of six issues of senior debt by Sareb with an irrevocable State guarantee, 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 issue of new bonds.

As a result of losses stemming from the valuation of assets pursuant to the application of Bank of Spain Circular 5/2019 of 30 September, developing the accounting specificities of Sareb, it had negative equity of 1.218 billion Euros at the end of 2015. Consequently, the General Shareholders' Meeting of 5 May 2016 approved the corresponding measures to re-establish the entity's equity, including the conversion of subordinated debt by 2.17 billion Euros into capital. In the case of FROB, these measures implied the conversion of 996 million Euros of subordinated debt into capital. After said conversion, FROB's investment in the company's capital stands at 45.9%.

As a result of the accumulated losses arising from its ordinary activity, Sareb's equity was consumed at the end of financial year 2020, triggering one of the conversion scenarios for the subordinated debt issued. Therefore, Sareb's Board of Directors, following the approval of the General Shareholders' Meeting on 26 May 2021, adopted the necessary resolutions to restore the equity situation, which included the reduction to zero of the existing capital and the capitalisation of the remaining balance of subordinated debt (1.43 billion Euros, of which 656 million Euros corresponded to FROB). These measures led FROB to derecognise its stake in the capital held at the end of 2020, recognising a new stake equivalent to the balance of converted subordinated debt, maintaining a 45.9% stake in the capital at 31 December 2021, and no longer holding subordinated debt in Sareb.

On 18 January 2022, Royal Decree-Law 1/2022, of 18 January, amending Act 9/2012, of 14 November, on the restructuring and resolution of credit institutions; Act 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms; and Royal Decree 1559/2012, of 15 November, establishing the legal regime of asset management companies, in relation to the legal regime of the Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria (Sareb) (hereinafter "RDL 1/2022"), was approved. The purpose of RDL 1/2022, as stated in the explanatory memorandum, was the urgent need to undertake a reform of Sareb's capital structure and its governance with the aim of adapting it to Sareb's reclassification in the National Accounts as a unit belonging to the General Government sector that took place in 2021.

Among other modifications, RDL 1/2022 eliminated the limits to the State's stake in Sareb, thus allowing FROB to achieve a majority position in the capital, with the aim of effectively taking control of the company, without Sareb acquiring the status of a State-owned company.

On the basis of the above, FROB's Governing Committee, in its reduced composition, approved a procedure for the purchase of Sareb shares, aimed at private shareholders, in order to achieve a majority position in the capital. This purchase procedure was designed to comply with the requirements of transparency, competitiveness and non-discrimination. To this end, the agreement of the Auditor General of the Spanish Central Government was sought, both for the reasonableness of the proposed purchase price and for the development of the purchase procedure. It was therefore consistent with the general principles that must govern FROB's operations in its capacity as a public entity. As a result of this procedure, Sareb formalised the purchase of the percentage of shares needed to attain 50.14% of the company's share capital for a symbolic price.

At year-end 2022, FROB's 50.14% stake in the capital of Sareb is fully impaired.

3.3 Monitoring and management of guarantees granted in divestments

Within the framework of the sale and resolution processes of financial institutions, FROB has granted a series of guarantees in the past. The purpose of these guarantees was to encourage the participation of the different buyers and maximise the result of the sales and minimise the use of public resources. Some of these guarantees are still active:

Catalunya Banc, S.A. (CX)

On 21 July 2014, a competitive process resulted in the sale by FROB and the Deposit Guarantee Fund (DGF) of their respective stakes in the capital of Catalunya Banc (98.4% of the bank's capital) to Banco Bilbao Vizcaya Argentaria, for an amount of 1.165 billion Euros³. This sale was formalised on 24 April 2015.

³ Of which 67.08% corresponds to FROB and 32.92% to the DGF.

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

In addition, within the framework of the two sale processes, both of the asset portfolio and of the entity, FROB granted a series of guarantees for which, at 31 December 2022, a provision is recorded for an amount of 16 million Euros payable to FROB. In addition, as part of the sale of the asset portfolio, FROB granted a liquidity line.

The balance drawn on the credit line, at 31 December 2022, is 1.3 million Euros and has generated finance income over the year of 0.259 million Euros.

NCG Banco, S.A. (NCG)

On 18 December 2013, FROB's Governing Committee decided to award 88.33% of the shares of NCG (owned by FROB and the DGF) to Banco Echeverría - Grupo Banesco (Abanca Holding) for an amount of 1.003 billion Euros, with the following payment schedule: 40% at the time of formalising the sale and the remaining 60% in successive instalments up to 2018. On 25 June 2014, all the suspensive clauses included in the sale agreement were effectively fulfilled, with the effective transfer of the shares taking place on that date. At that time, the buyer paid the first 403 million Euros. A schedule was established for the payment of the remaining amount in different tranches, with the buyer reserving the right to make those payments in advance. On 6 May 2016, the buyer advanced payment of 300 million Euros and, on 3 February 2017, that of the remaining 300 million Euros, thus making the entire payment ahead of schedule.

In addition, in order to maximise the sale price and, therefore, minimise the use of public resources, certain guarantees were granted to NCG. In order to cover these guarantees, FROB has recorded a provision at 31 December 2022 for an amount of 27 million Euros.

In 2022, the provision was decreased by 0.3 million Euros (0.2 million Euros were credited to the income statement for the year and 0.1 million Euros corresponding to the portion to be paid by the Deposit Guarantee Fund).

Banco de Valencia, S.A.

On 27 November 2012, FROB's Governing Committee, within the framework of the entity's Resolution Plan, agreed to sell its stake in Banco de Valencia (90.89%) to CaixaBank for 1 euro, after FROB's injection of 4.5 billion Euros. This sale was formalised on 28 February 2013. The sale also included the transfer of problematic assets to Sareb and subordinated liabilities exercises for hybrid instruments.

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

By 31 December 2022, FROB had settled five payments stemming from the APS for a cumulative amount of 140 million Euros, the most recent on 30 June 2022, for the amount of 10.7 million Euros.

The APS matured on 30 September 2022, at which time the obligation to liquidate the guarantee arose. However, a two-year monitoring period was established, during which time FROB will have to cover certain losses for a specific portion of the covered portfolio.

At 31 December 2022, on the basis of the estimates made with the information available, the present value of the obligation arising from the commitments undertaken amounts to 66 million Euros. Accordingly, a provision was released for this guarantee in 2022 in the amount of 78 million Euros on the income statement for the year.

The forecast is that the cost must be paid out in 2023 once the revision and validation work on the figures is undertaken; hence a transfer has been made to the current liabilities in the amount of 66 million Euros.

4.- FINANCING AND CASH MANAGEMENT

Regarding the loan agreement between the State, as lender, and FROB, as borrower, signed in December 2012, intended for the execution of the European financial assistance programme, which made it possible to channel the funds disbursed by the European Stability Mechanism (ESM) to the Kingdom of Spain for Spanish credit

institutions⁴, it should be noted that the financial conditions applied are those in force in the loan signed between the Kingdom of Spain and the ESM.

In 2022, FROB made the corresponding payments in terms of commissions and interest generated by the first and second disbursements of said Programme.

After the repayments made in 2014⁵ and the successive transformations in equity contribution of parts of the loan (27.170 billion, 3 billion, 3 billion and 5.591 billion Euros), which took place in December 2013, June 2017, February 2020 and December 2021, respectively, the outstanding balance of the State loan to FROB at 31 December 2022 amounts to 1.865 billion Euros.

In addition, FROB's borrowing limit established in Article 50 of Act 22/2021, of 28 December, on the General State Budget for 2022 was 6.867 billion Euros, and at the end of 2022, this borrowing amounted to 1.873 billion Euros. In addition, FROB has the capacity to issue, with a State guarantee, an additional 5.2 billion Euros to the existing borrowing.

At 31 December 2022, the breakdown of cash and cash equivalents is as follows:

PRODUCT	NOMINAL (€ million)
Government bonds portfolio	550
Current accounts	141
Total	691

At year-end 2022, the realisable liquidity is sufficient to maintain FROB's current operational functioning and to meet future payments.

5.- OTHER MANAGEMENT EVENTS DURING 2022

In addition, with regard to aspects related to FROB's management and functioning, the following facts should be highlighted:

- FROB's Annual Accounts and Directors' Report corresponding to 2021 were prepared and approved, and submitted to the Ministry of Economic Affairs and Digital Transformation and the Auditor General of the Spanish Central Government for inclusion in the General State Account and transfer to the Spanish Court of Auditors.
- In relation to Resolution Funds, during the second quarter of 2022, FROB collected *ex-ante* contributions corresponding to 2022 from institutions subject to contribute to both the Single Resolution Fund (SRF) and the National Resolution Fund (NRF), for a total amount of 1.135 billion Euros.
- Moreover, the fee for FROB's activities as Resolution Authority for 2022 was collected, for an amount of 28.3 million Euros, to cover FROB's operating expenses.

6.- SUBSEQUENT EVENTS AND OUTLOOK FOR 2023

In relation to the outlook for 2023, FROB will continue its regular duties to maintain the ability to expeditiously and efficiently execute any resolution process, both within the framework of the Single Resolution Mechanism and at an exclusively national level, in particular adapting the manuals and internal procedures to best international

⁴ The first disbursement (39.468 billion Euros) was used to recapitalise Group 1 institutions (BFA-Bankia, NCG Banco, Catalunya Banc and Banco de Valencia), as well as to finance FROB's contribution to Sareb, while the second disbursement (1.865 billion Euros) was used to recapitalise Group 2 institutions (Banco Mare Nostrum, Banco Ceiss, Caja 3 and Liberbank).

⁵ On the one hand, the return of funds not applied to Sareb (307.54 million Euros) and, on the other hand, a partial voluntary repayment of 399 million Euros.

standards. Similarly, the monitoring of the evolution of the financial sector in a shifting geopolitical and macroeconomic environment will be key in 2023 in which some crisis situations at an international level have already arisen. It will therefore maintain a high level of coordination and collaboration with the different institutions with jurisdiction over resolution and supervision, both at a national level (Bank of Spain and CNMV) and at an international level (in particular, with the Single Resolution Board, the European Banking Authority and the FSB Resolution Committee). Furthermore, in the context of the reform of the crisis management framework of the European Union, technical support is expected to be provided to the Spanish Rotating Presidency of the Council of the EU, sharing the practical experience acquired by FROB in recent years.

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

Moreover, during 2023, the entity expects a notable workload derived from litigation associated with FROB's actions.

Lastly, as regards the financing of FROB via the collection of the fee regulated in the Sixteenth Additional Provision of Act 11/2015, it will be necessary to amend the current legal regime to decouple it from the ordinary contributions to the National Resolution Fund or, as the case may be, the Single Resolution Fund, the initial collection cycles of which finalise in 2024 and 2023, respectively.

7.- OTHER DISCLOSURES

During 2022, FROB has not carried out any R&D activity. Furthermore, FROB's Equity Fund does not comprise shares purchasable by FROB and, accordingly, there are no treasury shares.

FROB

The signatory, the Chair of FROB, prepared these Annual Accounts of FROB for the year ended 31 December 2022 and the Directors' Report for 2022 on 12 June 2023, which are printed on the accompanying 49 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
Chair of FROB