

## **NATIONAL RESOLUTION FUND**

Annual accounts for the  
fiscal year ended on  
December 31, 2023, and  
Director's report

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

**FONDO DE RESOLUCIÓN NACIONAL**  
**BALANCE SHEET AT 31 DECEMBER 2023 AND 2022**

(Thousands of Euros)

ASSETS	Notes	2.023	2.022
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	16.606	12.779
Cash		16.606	12.779
<b>Total current assets</b>		<b>16.606</b>	<b>12.779</b>
<b>TOTAL ASSETS</b>		<b>16.606</b>	<b>12.779</b>

EQUITY AND LIABILITIES	Notes	2023	2022
<b>EQUITY</b>			
<b>CAPITAL AND RESERVES WITHOUT VALUATION ADJUSTMENTS-</b>	6	16.606	12.779
Equity fund		12.779	9.884
Profit/(loss) for the period		3.827	2.895
<b>Total equity</b>		<b>16.606</b>	<b>12.779</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16.606</b>	<b>12.779</b>

Notes 1 to 11 to the accompanying financial statements are an integral part of the Balance Sheet at December 31, 2023

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

## FONDO DE RESOLUCIÓN NACIONAL

### PROFIT AND LOSS ACCOUNT CORRESPONDING TO THE YEAR ENDED AT 31 DECEMBER 2023 AND 2022

(Thousands of Euros)

	Notes	Income / (Expenses)	
		2023	2022
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>	<b>8</b>	<b>3.358</b>	<b>2.890</b>
Contributions from obliged entities		3.358	2.890
<b>Other operating expenses</b>		-	-
<b>Financial income</b>	<b>5</b>	<b>469</b>	<b>42</b>
Bank interests		469	42
<b>Financial expenses</b>	<b>5</b>	-	<b>(37)</b>
Bank interests		-	(37)
<b>PROFIT / (LOSS) FOR THE PERIOD</b>		<b>3.827</b>	<b>2.895</b>

Notes 1 to 11 to the accompanying financial statements are an integral part of the Profit and Loss Account of the year ended at December 31, 2023

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

**FONDO DE RESOLUCIÓN NACIONAL**  
**STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2023 AND 2022**

**A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES**  
(Thousands of Euros)

	Notes	Income / (Expenses)	
		2023	2022
PROFIT / (LOSS) FOR THE PERIOD	3	3.827	2.895
TOTAL RECOGNIZED INCOME AND EXPENSES		3.827	2.895

Notes 1 to 11 to the accompanying financial statements are an integral part of the Statement of Recognized Income and Expenses for the year ended at December 31, 2023

**B) STATEMENT OF TOTAL CHANGES IN EQUITY**  
(Thousands of Euros)

	Equity Fund	Prior periods' profit and loss	Profit / (loss) for the period	Valuation adjustments	TOTAL
Balance at 31 December 2021	5.759	-	4.125	-	9.884
Total recognized income and expenses		-	2.895	-	2.895
Operations with Fund sponsors	4.125	-	(4.125)	-	-
- Allocation to Equity Fund (Note 3)	4.125	-	(4.125)	-	-
Other variations in equity	-	-	-	-	-
Balance at 31 December 2022	9.884	-	2.895	-	12.779
Total recognized income and expenses		-	3.827	-	3.827
Operations with Fund sponsors	2.895	-	(2.895)	-	-
- Allocation to Equity Fund (Note 3)	2.895	-	(2.895)	-	-
Other variations in equity	-	-	-	-	-
Balance at 31 December 2023	12.779	-	3.827	-	16.606

Notes 1 to 11 to the accompanying financial statements are an integral part of the Statement of Total Changes in Equity for the year ended at December 31, 2023

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

## FONDO DE RESOLUCIÓN NACIONAL

### STATEMENT OF CASH FLOWS CORRESPONDING TO THE YEAR ENDED AT 31 DECEMBER 2023 AND 2022

(Thousands of Euros)

	Collections / (Payments)	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES (I)</b>	<b>3.827</b>	<b>2.895</b>
Profit/(loss) for the period before tax	3.827	2.895
Adjustments for:	(469)	(5)
- Valuation allowances for impairment losses	-	-
- Finance income	(469)	(42)
- Finance expenses	-	37
<b>Changes in operating assets and liabilities</b>	<b>52</b>	<b>17</b>
- Trade and other payables	52	17
<b>Other cash flows from operating activities</b>	<b>417</b>	<b>(12)</b>
- Interests paid	-	(37)
- Interests received	417	25
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES (II)</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES (III)</b>	<b>-</b>	<b>-</b>
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS (IV)</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)</b>	<b>3.827</b>	<b>2.895</b>
Cash and cash equivalents at beginning of period	12.779	9.884
Cash and cash equivalents at end of period	16.606	12.779

Notes 1 to 11 to the accompanying financial statements are an integral part of the Statement of Cash Flows for the year ended at December 31, 2023

## Notes to the annual accounts corresponding to the year ended December 31, 2023

### 1. **Activity**

The National Resolution Fund (hereinafter, the Fund) was created by Act 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms (hereinafter, Act 11/2015), for an indefinite period of time, and is incorporated as a separate asset, devoid of legal personality, the management, administration and representation of which is entrusted to FROB.

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

- a) ordinary contributions, to be collected at least annually, or extraordinary contributions - when ordinary contributions are insufficient to finance planned resolution measures - from obligated entities,
- b) returns and profits that may be obtained from investments materialised from their uncommitted assets, which must consist of public debt or other highly liquid or low risk assets, and
- c) loans it may receive from analogous funding mechanisms in other European Union Member States.

As indicated in Article. 53.2 of Act 11/2015, these funds shall be employed to ensure the effective application of resolution instruments, which may be implemented through one or more of the following measures:

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

In addition, subject to certain conditions, loans may be granted, charged to the Fund, to similar financing mechanisms in other European Union Member States. The Fund's resources may also be applied to meet the expenses incurred for its own functioning.

As for the legal regime applicable to the Fund and contributions to it, according to the report issued at FROB's request by the Ministry of Finance and Public Administrations on 4 December 2015, the contributions are not considered public resources. In turn, the Fund is not integrated into the General State Budget, but rather its budget, accounting and oversight regime is subject to the rules approved by FROB's Governing Committee.

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.

However, decisions of the Governing Committee that affect the General State Budget, or the management by FROB of its portfolio of holdings, shares, securities, and other instruments, will be made by a reduced committee, comprised of the Chair of FROB, three representatives from the Ministry of Economic Affairs, Trade, and Enterprise, and two representatives from the Ministry of Finance. Additionally, representatives appointed by the Auditor General of the Central Government and by the Attorney General's Office will attend the sessions of this reduced committee, with speaking but not voting rights.

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

## **Collection of Contributions**

With the entry into force of Regulation (EU) no. 806/2014 of the European Parliament and Council, of 15 July 2014, which establishes uniform standards and procedures for the resolution of credit institutions and certain investment firms within the framework of the Single Resolution Mechanism and Single Resolution Fund, the Single Resolution Board manages and administers the Single Resolution Fund, which draws on contributions from the following entities; credit institutions established in participating Member States; parent companies, including financial holding companies and mixed financial holding companies established in one participating Member State, when they are subject to consolidated supervision by the ECB; and investment firms and the financial institutions established in a participating Member State, when these are included in the scope of consolidated supervision of the parent company by the ECB. In this regard, the Board is the competent authority for calculating the ex-ante contributions applicable to the indicated entities, while the collection is the responsibility of FROB, which subsequently transfers them to the SRF.

In turn, at a national level, 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 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 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 cycle of contributions collected corresponding to 2019, branches in Spain of credit institutions and investment firms established outside the European Union are included among the obligated entities.

The contributions received by the National Resolution Fund are regulated by the provisions of Royal Decree 1012/2015, of 6 November, implementing Act 11/2015, amending Royal Decree 2606/1996 of 20 December, on deposit guarantee funds of credit institutions, as well as Commission Delegated Regulation (EU) 2015/63, of 21 October 2014, amended by Commission Delegated Regulation (EU) 2023/662, of 20 January 2023. These regulations govern, among others, the following:

- The financial resources raised by the Fund shall amount to at least 1 per cent of all entities' covered deposits before 31 December 2024.
- FROB may agree to extend such initial term, for a maximum period of four years, if the Fund has made disbursements above 0.5 per cent of all entities' covered deposits
- If after the initial period, the Fund's financial resources decrease below the target level, the ordinary contributions will resume until that level is reached.
- FROB will determine, before 1 May each year, the total contribution that obligated entities should make on the basis of the average amount of the covered deposits corresponding to the previous year. However, in accordance with the exception established in Article 20.6 of Commission Delegated Regulation (EU) 2015/63 of 21 October 2014, for the 2023 financial year, FROB must notify, no later than 31 May 2023, the decision determining the annual contribution owed by each entity.
- FROB will raise annual ordinary contributions from entities, including their branches in the European Union, and branches in Spain of entities established outside the European Union, in accordance with the following criteria:
  1. The contribution of each entity shall correspond to the proportion this represents of the total aggregate of said entity, of the following items: total liabilities of the entity, excluding its own resources and the covered deposit amount in accordance with the provisions of Royal Decree-Law 16/2011, of 14 October, which created the Deposit Guarantee Fund of Credit Institutions.
  2. The contributions will be adjusted to the risk profile of each entity in accordance with the criteria to be determined by regulation.

In addition, Article 10 of Commission Delegated Regulation (EU) 2015/63 regulates a fixed quota contribution system for certain entities, based on their total assets and total liabilities, excluding own funds and the covered deposit amount.

- Entities must pay the annual contribution before 30 June of each year.
- Both the ordinary and/or extraordinary contributions, as well as the returns and profits obtained from investments made with the Uncommitted Assets, will form part of the Fund's assets.

- The lack of the total or partial payment of contributions on the date set to that end will constitute a serious infringement.

Furthermore, Article 53.1.a) of Act 11/2015, in line with European Union law, provides for the possibility for available financial resources to be taken into account to reach the target level set to include irrevocable payment commitments fully supported by low-risk asset guarantees free of charges, freely disposable and allocated for exclusive use by FROB, for purposes provided for by law, where the portion of irrevocable payment commitments may not exceed 30 per cent of the total amount collected. Such commitments consist of the entity's unconditional obligation to pay future contributions, as and when required. The entity must also deposit a portion of the annual contribution as collateral for this future payment commitment.

As regards the collection of contributions to the Fund corresponding to 2023:

- The annual target level has so far been set based on the level that would need to be met by all entities subject to both the NRF and the SRF, deducting, with respect to the NRF, the amount of contribution corresponding to the Spanish entities that contribute to the SRF.
- Thus, the funding level of the Fund for 2023 was set at 874,968 thousand euros (830,488 thousand euros in the 2022 financial year), an amount corresponding to one-tenth of 1% of the guaranteed deposits of Spanish entities and non-EU branches as of 31 December 2022, which totals 874,968,062 thousand euros (830,488,045 thousand euros in 2022), according to communications from the Deposit Guarantee Fund dated 31 January 2023.
- In the 2023 financial year, all investment service companies obliged to contribute to the NRF, as well as three of the six branches required to contribute to the National Resolution Fund, fall within the limits of the fixed-fee contribution system. The remaining three branches, having exceeded the thresholds required to contribute under this system, have made contributions under the general regime.
- In accordance with the provisions of Article 49 of Royal Decree 1012/2015, and pursuant to the exception established in Article 20.6 of Commission Delegated Regulation (EU) 2015/63 of 21 October 2014, FROB must notify, no later than 31 May 2023, the decision determining the annual contribution owed by each entity. Therefore, before 31 May 2023, FROB calculated and notified the ordinary contributions to be made to the Fund in 2023 by the 34 obligated entities, which contributed a total of 3,358 thousand euros (34 entities contributed 2,890 thousand euros in 2022).
- FROB's Governing Committee, in its session from 16 to 19 May 2023, in addition to the contributions, agreed, in line with what was approved by the Single Resolution Board, to authorise a maximum limit of 22.5% of the total contribution of each entity, which may be covered by irrevocable payment commitments, accepting only cash collateral. No entity has made use of this option.

With regard to contributions to the SRF, the total amount collected in ex-ante contributions for the 2023 financial year amounted to 1,004,873 thousand euros, of which 1,004,769 thousand euros were transferred to the Single Resolution Fund, and 104 thousand euros were transferred to the three entities with negative contributions on 28 June 2023, in accordance with the fourth additional provision of Law 11/2015. On 6 July 2023, an additional 1,179 thousand euros were transferred to the SRF in respect of interest.

The total amount collected in ex-ante contributions for the 2022 financial year amounted to 1,132,660 thousand euros, of which 1,132,283 thousand euros (the contribution collected minus the effect of negative interest rates) were transferred to the Single Resolution Fund on 23 June 2022, in accordance with the fourth additional provision of Law 11/2015.

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

The following chart presents the breakdown of contributions (in thousands of euros):

	<b>2023</b>	<b>2022</b>
<b>Ex-ante contributions collected</b>	<b>1,008,127</b>	<b>1,135,550</b>
Total amount SRF	1,004,769	1,132,660
Total amount NRF	3,358	2,890
<b>Total amount to be transferred to the SRF</b>	<b>1,005,948</b>	<b>1,132,283</b>
Ex-ante contributions	1,004,769	1,132,660



<i>Of which collateral corresponding to irrevocable payment commitments</i>	123,007	86,669
Adjustment for the effect of interest rates	1,179	(377)

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

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

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

- a) The Spanish Code of Commerce 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 thereto.
- 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 Functional currency and presentation currency**

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

### **2.3 True and fair view**

The Fund's annual accounts, which were obtained from its accounting records, are presented in accordance with the financial reporting framework applicable to the Fund (see Note 2.1) and, in particular, with the accounting principles and rules contained therein (see Note 4) and, accordingly, they fairly present the Fund's equity and its financial position at 31 December 2023, and its results, the changes in its equity and its cash flows in the year then ended.

The Fund's annual accounts corresponding to year 2022 were approved by FROB's Governing Committee on June 19, 2023, and those corresponding to 2023, prepared by FROB's Chair and presented on June 10, 2024, will be submitted to the approval of FROB's Governing Committee, considering that they will be approved without modification.

### **2.4 Accounting principles applied**

The Fund's annual accounts were prepared taking into account all mandatory accounting principles and rules with a material effect on the annual accounts (see Note 4). No mandatory accounting principles with a significant effect on the annual accounts was not applied. No non-mandatory accounting principles were applied in the preparation of the annual accounts.

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

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

In preparing these annual accounts, estimates were used to measure some items therein recorded, basically referring to the estimate of possible impairment losses of certain assets (see Note 4).

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

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.

## 2.6 Comparison of information

The information contained in these annual accounts corresponding to 2022 is solely and exclusively presented for comparison purposes together with figures for 2023.

## 2.7 Changes to accounting criteria

In 2023, there have been no significant changes in accounting criteria compared with those applied in the 2022 financial year.

## 2.8 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 annual accounts for 2022.

## 2.9 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 with the Conceptual Framework of the General Chart of Accounts, have taken into account the relative importance thereof in relation to the annual accounts for financial year 2023.

## 2.10 Environmental impact

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

## 3. Application of profit (loss)

Pursuant to Article 53.6 of Act 11/2015, any profits accrued and recorded in the Fund's annual accounts will become part of its equity. Therefore, the application of the profit (loss) for 2023 and 2022 is as follows:

	Thousands of euros	
	2023	2022
<b>Basis of distribution:</b> Balance from the income statement	3,827	2,895
<b>Application:</b> Equity fund	3,827	2,895

## 4. Accounting rules and measurement bases

The main accounting rules and measurement bases used by the Fund in preparing the annual accounts for 2022, in accordance with the Spanish General Chart of Accounts approved by Royal Decree 1514/2007, of 16 November, and subsequent modifications, were as follows:

### 4.1 Financial assets- Categories of financial assets

#### 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 Fund maintains the investment with the aim of receiving cash flows from the performance 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.

In general, this category includes trade receivables and non-trade receivables:

- Trade receivables: financial assets arising 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 noncommercial in nature and have fixed or determinable payments, deriving from loans or credit extended by the Fund.

#### *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 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 in profit and loss, 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.

#### *Impairment –*

When the contractual cash flows of a financial asset are modified due to the financial difficulties of the issuer, the Fund analyses whether it is appropriate to record an impairment loss.

At least at each reporting date and whenever there is objective evidence that the value of a financial asset, or group of financial assets with similar collectively measured risk characteristics, is impaired as a result of one or more events occurring after initial recognition and leading to a reduction or delay in estimated future cash flows that might be due to debtor insolvency, the Fund recognises the necessary valuation adjustments.

The impairment loss of these financial assets is the difference between their carrying amount and the present value of future cash flows, discounted at the effective interest rate calculated upon initial recognition. This includes, where appropriate, cash flows from the enforcement of collateral and personal guarantees which are estimated to be generated.

Impairment losses and reversals thereof when the loss is reduced due to a subsequent event, are recognised in the income statement as an expense or income, respectively. The loss can only be reversed up to the limit of the carrying amount of the asset that would have been recorded at the reversal date had the impairment loss not been recognised.

However, the market value of the instrument may be used as a substitute for the current value of the future cash flows, provided that this is sufficiently reliable to be considered as representative of the value that the Fund may recover.

The recognition of interest on financial assets with credit impairment shall follow the general rules, regardless of whether the Fund simultaneously evaluates if this amount will be subject to recovery and, as the case may be, records the corresponding impairment loss.

## 4.2 Cash

The cash balances are measured at their nominal value in these annual accounts.

The interest accrued from the bank accounts and bank deposits held by the Fund are calculated using the effective interest rate method on the basis of their contractual rates and are recorded under "Finance Income - Bank Interest" or "Financial expenses — Bank interest", as applicable, in the attached income statement.

Note 6 provides significant information regarding cash.

## 4.3 Financial liabilities at amortised cost.

This item includes the amount of the ex-ante contributions made by institutions that must be transferred to the Single Resolution Fund.

The Fund classifies all financial liabilities in this category except when they must be measured at fair value in 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 the Fund).

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, which is 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 in 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 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.

No amount was pending for this item at 31 December 2023 or 2022.

## 4.4 Tax regime

In 2015, a binding consultation was made to the Directorate-General of Taxes regarding the direct taxation corresponding to the Fund, specifically whether the income allocation regime provided for in Article 6 of the Corporate Income Tax Act 27/2014, of 27 November (CIT Act), was applicable.

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

## 4.5 Income and expenses

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

## 4.6 Provisions and contingencies

In preparing its annual accounts, the Fund distinguishes 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, but the amount and/or timing of which cannot be determined. These obligations may arise from a legal or contractual provision, or an implicit or implied obligation assumed by the Fund.

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

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

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

At 31 December 2023 and throughout the Fund's life since its creation, no provision has been constituted on any grounds.

#### 4.7 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 duly informed interested 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.

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

The effective interest rate is the discount rate that matches a financial instrument's initial value to the estimated present value of cash flows during the expected life of the financial instrument, 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 2023 and 2022, this heading of the accompanying balance sheet has the following breakdown:

	Thousands of euros	
	2023	2022
Current accounts at Bank of Spain	16,554	12,762
Accrued interest receivable	52	17
<b>TOTAL</b>	<b>16,606</b>	<b>12,779</b>

In 2023, 469 thousand Euros were accrued (42 thousand Euros in 2022) as bank interest, recorded under the heading "Finance income — Bank interest" in the attached income statement, of which, at 31 December 2023, 52 thousand Euros were pending collection (17 thousand Euros at 31 December 2022), settled on 5 January 2024.

Additionally, 37 thousand Euros were accrued in 2022 as negative bank interest (average rate of -0.5%), recorded under the heading "Finance expenses — Bank interest" in the attached income statement, which were fully paid at 31 December 2022.

## 6. Equity

### Equity fund

The Fund's equity, at 31 December 2023, amounts to 16,606 thousand euros (12,779 thousand Euros as at 31 December 2022), and is fully comprised of profit generated by the Fund from its incorporation to 31 December 2023.

The Fund's equity is comprised of:

- a) Ordinary or extraordinary contributions, to be made by entities.
- b) Income and profit from investments obtained from the uncommitted assets and those instruments issued by entities in the application of resolution instruments.

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

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

### Liquidity risk

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

At 31 December 2023, the Fund has liquid assets available and, due to the composition of the Fund's balance sheet, the exposure to this risk is zero.

### Credit risk

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

As at 31 December 2023, no credit risk is considered to exist in the Fund's accounts.

### Interest rate risk

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

At 31 December 2023, the only financial assets subject to interest rate risks are those held in cash (see Note 5).

### Market risk

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

At 31 December 2023, given the composition of the Fund's financial statement, exposure to this risk is zero.

### Other risks

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

## 8. Income - Contributions from obligated entities

This item recognises at year-end 2023 an amount of 3,358 thousand euros (2,890 thousand euros in 2022), corresponding to the accrued amount of ordinary contributions in 2023 by obligated entities which, since 2019,

include branches in Spain of credit institutions and investment firms established outside the European Union (see Note 1). In 2023 and 2022, all entities paid their contributions within the established timeframe.

## 9. Other disclosures

Fees for audit services and other services provided by the Fund's auditor, PKF Attest Servicios Empresariales, S.L., or any company related to the auditor for control, common ownership or management purposes, corresponding to 2022 are borne by FROB as the entity in charge of its management, and hence not recorded as an NRF expense, resulting in the following amounts (thousands of Euros), regardless of the invoice date:

	Services provided by auditor and related companies	
	2023	2022
Audit services	2.9	2.9
Other verification services	-	-
<b>Total audit and related services</b>	<b>2.9</b>	<b>2.9</b>
Tax advisory services	-	-
Other services	-	-
<b>Total professional services</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2.9</b>	<b>2.9</b>

Neither the senior management of FROB nor members of its Governing Committee have received any amount as remuneration, allowances, the provision of services nor any other item in 2023 for their work related to the Fund.

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

In 2023 and 2022, the Fund did not perform any operations involving payments to suppliers.

## 11. Subsequent events

As of 15 February 2024, the Single Resolution Board has informed that, since the available financial resources of the SRF as of 31 December 2023 have already reached the target level of 1% of the guaranteed deposits of the participating Member States, as established in Article 69.1 of the SRMR, the Board will not collect contributions from the entities subject to the SRF for the 2024 ex-ante contribution cycle.

# National Resolution Fund

Director's Report corresponding to the year ended 31 December 2023

## 1. - INTRODUCTION

One of the pillars of the Banking Union and of the new resolution framework of credit institutions and investment firms established at a Europe-wide level by Directive 2014/59/EU of the European Parliament and Council, of 15 May 2014, is the creation of resolution funds as financing mechanisms through which resolution authorities may effectively undertake the various resolution measures established. To this end, they must have adequate financial resources, enabling Member States to collect ex-ante contributions from authorised entities within their territory, including branches within the European Union.

At a national level, this has been materialised through the enactment of Act 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms (hereinafter, Act 11/2015) of the National Resolution Fund (NRF), which FROB is entrusted to manage.

At a European Union level, by virtue of Regulation (EU) 806/2014 of the European Parliament and Council, of 15 July, establishing uniform standards and procedures for the resolution of credit institutions and certain investment firms within a Single Resolution Mechanism (SRM) and a Single Resolution Fund (SRF), the SRF was set up, managed by the Single Resolution Board, which is responsible for calculating contributions from credit institutions and investment firms subject to the scope of the European Central Bank's consolidated supervision of the parent company.

In this context, in 2023, FROB has performed all necessary actions to collect contributions from entities within the scope of application of Act 11/2015 that are not required to contribute to the SRF. In particular, 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, which are not subject to the scope of the European Central Bank's consolidation supervision of the parent company, as well as branches in Spain of credit institutions and investment firms established outside the European Union, in accordance with the amendment introduced in Act 11/2015 by Royal Decree-Law 19/2018, of 23 November, on payment services and other urgent financial measures.

In addition, as in previous years, FROB has collaborated closely with the Single Resolution Board and other National Resolution Authorities in the collection of 2023 ex-ante contributions to the SRF.

Since the incorporation of the NRF in 2015 and until 31 December 2023, the total amount of contributions by obligated entities, plus their accumulated performance, amounts to 16.7 million euros. To date, it has not been necessary to use this financing mechanism to execute any resolution measure. With regard to the SRF, Spanish entities have contributed around 7.5 billion euros.

## 2. - ACTIVITY DEVELOPED IN 2022. RELEVANT MATTERS

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

Accordingly,

- First of all, contributions must be staggered in time during the initial period (2015) until 31 December 2024, in the most uniform manner possible until the target level is reached, thus establishing, in general, the application of a linear criterion. However, the rule also recognises that economic cycle stages must be taken into consideration, as well as the pro-cyclical impact of contributions in the financial situation of contributing entities.



- Secondly, in relation to the determination of the basis for the average amount of the previous year's covered deposits, the Deposit Guarantee Fund of Credit Institutions informed FROB that the average amount of the previous year's covered deposits, calculated quarterly, amounted to 874,968,062 thousand euros.

Consequently, the initial annual financing level 2023 was set at 874,968 thousand euros (one tenth of 1% of 874,968,062 thousand euros).

On this basis, as established in Article 49 of Royal Decree 1012/2015, of 6 November, implementing Act 11/2015, ordinary contributions to be settled in 2022 to the National Resolution Fund by obligated entities were calculated and notified, amounting to 3,358 thousand euros.

With regard to the calculation of the contribution corresponding to entities, Article 53.1 of Act 11/2015 states that each entity's contribution will be collected on the basis of the following criteria:

- Each entity's contribution will correspond to each entity's proportion of the total aggregate of the following items: the entity's total liabilities, excluding own resources and the amount of covered deposits in accordance with the provisions of Royal Decree-Law 16/2011 of 14 October, creating the Deposit Guarantee Fund of Credit institutions.
- Contributions will be adjusted to each entity's risk profile, in accordance with criteria determined by Royal Decree 1025/2015.

However, Article 10 of Commission Delegated Regulation (EU) 2015/63 regulates a fixed quota contribution system for certain entities, based on their total assets and total liabilities, excluding own funds and the amount of covered deposits. In 2022, all investment firms subject to the obligation to contribute to the NRF, along with three of the six branches obliged to contribute to the National Resolution Fund, are within the established contribution limits for fixed quotas. The other three branches - since they exceed thresholds required to be able to contribute through this system - have contributed under the general regime.

With regard to irrevocable payment commitments, as approved by the Single Resolution Board, FROB's Governing Committee agreed to authorise 22.5% as a maximum limit for each entity's total contribution to be covered by irrevocable payment commitments, solely accepting collateral in cash. During 2023, none of the entities obliged to contribute to the NRF have employed this modality.

The number of Spanish entities required to contribute in 2022 totalled 126, with the following breakdown by type of entity:

- Contribution to the SRF: 87 credit institutions and 5 investment firms.
- Contribution to the NRF: 28 investment firms and 6 branches in Spain of credit institutions and investment firms established outside the European Union.

The period to settle contributions ended on 30 June 2023, when all entities had settled their corresponding contributions. In addition, the transfer to the SRF of entities' contributions under the scope of application of Regulation 806/2014 was made on 28 June 2023, thus complying with the established deadline.

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

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

On 15 February 2024, the Single Resolution Board informed that, as the available financial resources of the SRF as of 31 December 2023 had already reached the target level of 1% of the guaranteed deposits of the participating Member States, as established in Article 69.1 of the SRMR, the Board will not collect contributions from entities subject to the SRF for the 2024 ex-ante contribution cycle.

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

No research and development activities were performed in 2022.

## National Resolution Fund

The signatory – FROB's Chair - prepared these Annual Accounts of the National Resolution Fund corresponding to the year ended 31 December 2023 and the Directors' Report for 2023 on 10 June 2024, which are printed on the accompanying 18 pages, duly countersigned by me for the purpose of their identification, and which will be submitted for approval by FROB's Governing Committee.

(signed in the original in Spanish)

Signed: Álvaro López Barceló

Chair of FROB

## INDEPENDENT AUDITORS' REPORT ON THE ANNUAL ACCOUNTS

To the Governing Committee of FROB:

### **Opinion**

We have audited the annual accounts of the National Resolution Fund (the Fund), which comprises of the balance at 31 December, 2023, 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 the Fund at 31 December, 2023, 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 in accordance under those regulations are further described the *Responsibilities of the auditor in relation to the audit of the 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 that we have obtained is sufficient and appropriate to provide a basis for our opinion

### **Most relevant audit matters**

The most relevant audit matters are those 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.

### ***Income from collection of contributions***

#### *Description*

Notes 1 and 8 of the attached report respectively indicate the Legal System of the Fund and the amount of the contributions received from investment funds that are not included within the scope of supervision of the European Central Bank, along with the branches in Spain of credit institutions and investment firms established outside the European Union, and which constitute their turnover and their most important activities carried out in 2023.

### *Our answer*

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

- Understanding the procedures established by the Fund for the collection of ordinary contributions, among which we highlight the following:
  - o Verification and revision of the tracking chart of the contributions made by the entities, drawn up by the Fund, based on the documentation received from the competent European body, with the amounts to be paid by each entity.
  - o Revision of the statement of approval from the Governing Committee of FROB of the settlement of the fee corresponding to year under way. This approval allows the corresponding notifications to be sent to the entities subject to payment of this contribution.
  - o For a selected sample, the revision and inspection of the fee settlement form sent to each Spanish entity to be completed.
- For those entities which, due to their volume must contribute to the Fund, a selected sample and the recalculation of the income recorded in profit and loss.

### **Other information: Directors' report**

Other information only comprises the Directors' Report for the 2023 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 opinion on the audit of the annual accounts does not cover the Directors' Report. Our responsibility regarding the Directors' Report, in accordance with the regulations governing audit activity, is to evaluate and report on its consistency with the annual accounts, based on the knowledge of the entity obtained during the audit of those accounts, without including information beyond what was obtained as evidence during the audit. Additionally, our responsibility is to evaluate and report on whether the content and presentation of the Directors' Report comply with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work performed, as described in the previous paragraph, the information contained in the Directors' Report is consistent with the annual accounts for the 2023 financial year, and its content and presentation comply with the applicable regulations.

### **Responsibility of the Chair in relation to the annual accounts**

The Chair of FROB is responsible for the preparation of the accompanying annual accounts, in such a way that they provide a true and fair view of the assets, financial position, and results of FROB, in accordance with financial reporting framework applicable to the entity in Spain, as well as for the internal control deemed necessary to enable the preparation of annual accounts that are free from material misstatements, 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 the going concern principle, and using this accounting principles unless the Chair intends to liquidate FROB or cease its operations, or if no realistic alternative exists.

### **Responsibilities of the auditor in relation to the audit of the annual accounts**

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

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

Annex 1 of this audit report includes a more detailed description of our responsibilities in relation to the audit of the annual accounts. This description, found on page 4, is an integral part of our audit report.

PKF ATTEST Servicios Empresariales, S.L.  
Registered in the ROAC under No. S1520

(signed in the original in Spanish)

Alfredo Ciriaco Fernández  
Registered in the ROAC under No. 17,938

10 June 2024