

2022 Annual Report National Resolution Fund Amsterdam

DeNederlandscheBank

EUROSYSTEM

Disclaimer

In the event of discrepancies or inconsistencies between the texts and tables set out in this document and those set out in the original financial statements prepared in Dutch and submitted to DNB, the latter will prevail

National Resolution Fund

Deposit Guarantee Fund PO Box 98, 1000 AB Amsterdam

Westeinde 1, 1017 ZN Amsterdam

Chamber of Commerce registration: 65034929 0000

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Foreword

This Annual Report describes the activities performed by the National Resolution Fund (NRF) and the developments that affected it in 2022. It also looks ahead to the coming year. In accordance with the relevant rules, it was submitted to De Nederlandsche Bank (DNB) no later than 15 March 2023¹.

¹ Pursuant to Section 79(3) of the Decree on Special Prudential Measures, Investor Compensation and Deposit Guarantees under the Wft (*Besluit bijzondere prudentiële maatregelen, beleggerscompensatie en depositogarantie Wft – Bbpm*)

Report of the Management Board

The NRF was established as a legal entity under public law in 2015 pursuant to the act that transposes the provisions of the Bank Recovery and Resolution Directive (BRRD)² into Dutch law.³ DNB, acting in its capacity of national resolution authority (NRA), can deploy the NRF to fund resolution tools.⁴

The NRF's scope has since been limited to Dutch branch offices of non-EEA banks and investment firms subject to the € 750,000 initial capital requirement and do not fall under the scope of the SRM Regulation.

Accumulation of the fund

Over a period of ten years (2015-2024), contributions are collected from banks and investment firms to build up the NRF.⁵ DNB sets the contributions annually on the basis of the relevant statutory framework.⁶ For banks and investment firms licensed as at 1 January 2022, their financial position as at 31 December 2020 formed the basis for their annual contributions. In 2022, decisions levying contributions were imposed totalling € 234,000 (2021: € 706,000). The contributions were added to the NRF's own funds. The difference compared to the previous year was caused by an institution which, by having been granted a banking licence, will now have to contribute to the European Single Resolution Fund rather than to the NRF. As at 31 December 2022, own funds stood at € 4,275,000.

The NRF's task is to manage the financial means which can be deployed by the NRA to effectively implement resolution measures. It makes financing available in accordance with the NRA's instructions. If the available financial means should be inadequate, DNB can charge extraordinary contributions from institutions up to three times their regular ex ante annual contributions.⁷ The NRF can enter into agreements to secure financial means from third parties if extraordinary contributions are not instantly available or are inadequate.⁸ No payments were made from own funds in 2022.

Management of financial means, and risk management

The NRF has participated in treasury banking since 2018. As a result, the NRF has not been exposed to any material interest rate risk⁹ or credit risk. DNB supports the NRF in performing its task, ensuring the adequate design of processes and early detection and management of risks. An independent auditor has audited the financial statements. See the independent auditor's report on page 13.

² Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms.

³ Act implementing the European Framework for the Recovery and Resolution of Banks and Investment Firms, Bulletin of Acts, Orders and Decrees 2015, no. 431.

⁴ Section 3a:69 of the Financial Supervision Act (*Wet op het financieel toezicht – Wft*) and Article 101 of the BRRD list the cases in which the NRF may be used.

⁵ No contributions will be charged after this period if the NRF is not used in the meantime.

⁶ As set out in Section 7h of the *Bbpm*.

⁷ Section 3a:72 of the *Wft*, read in conjunction with Section 7i(1) of the *Bbpm*.

⁸ Section 3a:74 of the *Wft*.

⁹ The NRF does not use the possibility of taking out time deposits as part of its treasury banking. Interest is received on the balance held in the Treasury current account at the daily rate in accordance with the applicable treasury banking regime. If the daily rate is negative, it is set at 0%.

Governance

The NRF is represented by a three-member Management Board. DNB's Executive Board decides on the appointment, remuneration, suspension and dismissal of Management Board members. They are appointed for a term of four years, with the option of reappointment. The composition of the Management Board did not change in 2022. Management Board members do not received any remuneration. At the time of the adoption of the 2022 Annual Report, the members of the Management Board were:

Cindy van Oorschot - *chair*

Bert Boertje - *member*

Martin Heerma - *member*

The NRF does not employ any staff. DNB supports the NRF in performing its task, providing the means and services needed, including keeping its financial accounts. A collaboration protocol sets out the support which DNB provides.

Outlook

No notable developments that affect the NRF are foreseen in 2023.

Signing of the Report of the Management Board

Amsterdam, 7 March 2023

The Management Board of the National Resolution Fund

Cindy van Oorschot
chair

Bert Boertje
member

Martin Heerma
member

Financial statements

Balance sheet as at 31 December 2022 (following appropriation of the result)

EUR thousands

| | 31-12-22 | 31-12-21 | | 31-12-22 | 31-12-21 |
|-----------------------------------|--------------|--------------|----------------------------------|--------------|--------------|
| Assets | | | Liabilities | | |
| 1 Receivables | 30 | 14 | 1 Own funds | 4,275 | 4,026 |
| 1.1 Accruals and prepaid expenses | 30 | 14 | 2 Current liabilities | 15 | 13 |
| 2 Current account deposits | 4,260 | 4,025 | 2.1 Accruals and deferred income | 15 | 13 |
| Total assets | 4,290 | 4,039 | Total liabilities | 4,290 | 4,039 |

Statement of income and expenditure for 2022

EUR thousands

| | 2022 | 2021 |
|-----------------------------|------------|------------|
| Income | | |
| 1 Contributions | 234 | 706 |
| 2 Reimbursement of expenses | 16 | 14 |
| 3 Interest income | 15 | - |
| Total income | 265 | 720 |
| Expenses | | |
| 4 Audit fee | 15 | 13 |
| 5 Other expenses | 1 | 1 |
| Total expenses | 16 | 14 |
| Result for the year | 249 | 706 |

Notes to the balance sheet as at 31 December 2022 and statement of income and expenditure for 2022

Introduction

The National Resolution Fund (NRF) is a legal entity under public law, with registered office at Westeinde 1, 1017 ZN, Amsterdam. It is listed in the trade register of the Chamber of Commerce under number 65034929 0000. The NRF's task is to manage the financial means which can be deployed by the NRA to effectively implement resolution measures. The NRF's scope is limited to Dutch branch offices of non-EEA banks and investment firms subject to the € 750,000 initial capital requirement.

Its statutory Dutch name is "Afwikkelingsfonds", but the name commonly used – also in these financial statements – is National Resolution Fund (NRF).

Continuity

The 2022 financial statements were prepared using the going concern basis of accounting.

Accounting policies

The 2022 financial statements were prepared in accordance with the Non-Departmental Public Bodies Framework Act (*Kaderwet zelfstandige bestuursorganen – Kzbo*), and Part 9 of Book 2 of the Dutch Civil Code¹⁰ was applied correspondingly. In addition, the Dutch Accounting Standards (*Richtlijnen voor de Jaarverslaggeving – RJ*) were applied. Executive remuneration is disclosed in accordance with the provisions of the Public and Semi-public Sector

Executives Remuneration (Standards) Act (*Wet normering topinkomens – WNT*).

The financial statements are presented in euro (EUR), which is the NRF's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Amounts receivable and payable

Amounts receivable as current account balances and other amounts receivable and payable are presented at their nominal amounts. Amounts receivable are carried net of a provision for doubtful debts.

Income and expenses

Income and expenses are recognised in the financial year in to which they relate. The NRF receives annual contributions, the amounts of which are set by DNB.¹¹

Taxes

The NRF is not liable to pay corporation tax.

¹⁰ The relevant sections of the *Kzbo* are listed in the *Bbpm*, Bulletin of Acts, Orders and Decrees 2015, no. 433.

¹¹ Section 3a:71 of the *Wft*

Notes to the balance sheet

ASSETS

1. Receivables

Receivables are prepaid expenses amounting to € 30,000 as at 31 December 2022 (31 December 2021: € 14,000), consisting of € 13,000 in interest receivable and € 17,000 in reimbursement of bank charges and audit fees¹² to be received from DNB.

2. Current account deposits

This item, amounting to € 4,260,000 as at 31 December 2022 (31 December 2021: € 4,025,000) comprises the funds held with the Dutch State Treasury Agency. In addition, to participate in the payment system, the NRF uses a current account held with a commercial bank. Any credit balances are transferred to the treasury account on a daily basis. The funds held in the treasury account are available on demand. As at 31 December 2022, interest was 1.89% at the Treasury Agency (31 December 2021: 0.0%).

LIABILITIES

1. Own funds

Following appropriation of the result, own funds stood at € 4,275,000 as at 31 December 2022 (31 December 2021: € 4,026,000). The result for 2022 was added to own funds in full.

The NRF's own funds are accumulated over ten years, from 2015 to 2024. When the NRF has deployed available financial means, DNB levies supplementary annual contributions until the amount of the financial means deployed is reached.¹³ The BRRD¹⁴ and the *Wft*¹⁵ describe exhaustively for which resolution purposes the NRA may request the NRF to apply its own funds. The NRF may not apply its own funds for any other purposes. Own funds were not used to fund resolution measures in 2022.

2. Current liabilities

Current liabilities are accruals and deferred income amounting to € 15,000 as at 31 December 2022 (31 December 2021: € 13,000), for audit fees payable.

EUR thousands

| | 2022 | 2021 |
|---|--------------|--------------|
| Own funds as at 1 January 2022 | 4,026 | 3,320 |
| Addition of result | 249 | 706 |
| Own funds as at 31 December 2022 | 4,275 | 4,026 |

¹² DNB reimburses the NRF for the costs incurred. Pursuant to the Financial Supervision Funding Act, DNB will recover these costs from the financial sector.

¹³ Section 7h(4) of the *Bbpm*

¹⁴ Article 101 of the BRRD

¹⁵ Section 3a:69 of the *Wft*

Notes to the statement of income and expenditure

1. Contributions

Contributions totalled € 234,000 for the 2022 financial year (2021: € 706,000). DNB sets the amount of the contributions payable to the NRF.¹⁶

2. Reimbursement of costs

DNB reimburses the NRF for the expenses incurred, which were € 16,000 in 2022 (2021: € 14,000). Pursuant to the Financial Supervision Funding Act, DNB will recover these costs from the financial sector. DNB reimburses € 15,000 (2021: € 13,000) in audit fees and € 1,000 (2021: € 1,000) in bank charges for 2022.

3. Interest expenses

In 2022, interest expenses were € 15,000 (2021: nil). At 31 December 2022, interest on the current account stood at 1.89% at the Treasury Agency (31 December 2021: 0.0%).

4. Audit fee

The independent auditor's fee amounts to € 15,000 (2021: € 13,000), and it relates entirely to the audit of the financial statements.

Decisions and contributions by type of institution

| | 2022 | | 2021 | |
|---------------------------------|------------------------|-------------------------------|------------------------|-------------------------------|
| | Number of institutions | contributions in EUR thousand | Number of institutions | contributions in EUR thousand |
| Branch offices of non-EEA banks | 2 | 225 | 2 | 225 |
| Investment firms | 8 | 9 | 11 | 481 |
| Total | 10 | 234 | 13 | 706 |

¹⁶ Section 3a:71 of the Wft

5. Other expenses

Other expenses were € 1,000 in 2022 (2021: € 1,000). These are bank charges.

Workforce

The NRF did not employ any staff in 2022. DNB supports the NRF in performing its task, providing the means and services needed, including keeping its financial accounts. As agreed between DNB and the NRF, DNB bears the costs involved in these support activities directly. They are not charged to the NRF.

Remuneration of the members of the Management Board

The members of the Management Board were appointed for a period of four years in 2020.¹⁷ During the period under review, membership of the Management Board was as follows:

Cindy van Oorschot - *chair*

Bert Boertje - *member*

Martin Heerma - *member*

The NRF is a legal entity under public law, which means it is governed by the Public and Semi-public Sector Executives Remuneration (Standards) Act (*Wet normering topinkomens – WNT*). The NRF classifies its Management Board members as senior executives. In accordance with the decision taken by DNB's Executive Board, the members of the Management Board did not receive any remuneration for 2022. No net expense allowances were paid either. There were no loans outstanding to members of the Management Board as at 31 December 2022.

Related parties

The NRF works closely with DNB, which supports it in the adequate performance of its tasks. As the NRA, DNB decides when the NRF's financial means can be applied.

Appropriation of the result

The full result for the 2022 financial year has been added to own funds.

Events after the balance sheet date

No events after the balance sheet date had a material impact on the 2022 financial data.

¹⁷ Cindy van Oorschot was appointed on 19 April 2020. Bert Boertje and Martin Heerma were reappointed on 19 April 2020 and 27 June 2020 respectively.

Signing of the financial statements

Amsterdam, 7 March 2023

The Management Board of the National Resolution Fund

Cindy van Oorschot
chair

Bert Boertje
member

Martin Heerma
member

Other information

Independent auditor's report

To the Management Board of the National Resolution Fund

Report on the financial statements as set out in the Annual Report

Our opinion

We have audited the financial statements for 2022 of the National Resolution Fund (or "the fund") in Amsterdam ("the financial statements").

In our opinion, the financial statements fairly present the financial position of the fund's own funds as at 31 December 2022 and the result for the financial year then ended, in accordance with Part 9 of Book 2 of the Dutch Civil Code, which applies in the Netherlands, and the provisions of and pursuant to the Public and Semi-public Sector Executives Remuneration (Standards) Act (*Wet normering topinkomens – WNT*).

The financial statements comprise:

1. the balance sheet as at 31 December 2022;
2. the statement of income and expenditure for 2022; and
3. the notes, comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under Dutch law are described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of the fund in accordance with the Code of Ethics for Professional Accountants (*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten – ViO*) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Dutch Code of Ethics (*Verordening gedrags- en beroepsregels accountants – VGBA*).

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

Compliance with the cumulative remuneration provision under the WNT not verified

Pursuant to the 2022 WNT Audit Protocol we did not verify compliance with the cumulative remuneration provision referred to in Section 1.6a of the WNT and Section 5(1)(n) and (o) of the WNT Implementation Regulation. Accordingly, we did not verify whether remuneration received by any senior official exceeds the standard due to employment at other institutions that are under a duty to disclose remuneration under the WNT or whether the required disclosure is accurate and complete.

Report on the other information included in the Annual Report

In addition to the financial statements and our independent auditor's report thereon, the Annual Report contains other information.

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain any material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains any material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information.

Description of responsibilities regarding the financial statements

The Management Board's responsibilities for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as it determines necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the organisation's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless it either intends to liquidate the organisation or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the organisation's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining 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 purpose of expressing an opinion on the effectiveness of the fund's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Concluding on the appropriateness of the Management Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the fund to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings that have emerged from our audit, including any significant internal control deficiencies.

Amstelveen, 7 March 2023

KPMG Accountants N.V.

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