

Annual report for 2016  
National Resolution Fund



# Contents

Report of the Management Board	5
Signing of report of the Management Board	8
Financial statements	9
Balance sheet as at 31 December 2016 (following appropriation of the result)	9
Statement of income and expenditure for 2016	9
Statement of cash flows for 2016	10
Notes to the balance sheet as at 31 December 2016 and the statement of income and expenditure for 2016	11
Events after the balance sheet date	16
Signing of the financial statements	16
Appropriation of the result	17
Independent auditor's report	17



# Report of the Management Board

## Establishment of the National Resolution Fund

5

De Nederlandsche Bank N.V. (DNB) was appointed national resolution authority (NRA) effective 1 January 2015. The NRA's objective is to safeguard orderly resolution in the event that a bank or investment firm should fail. This protects deposit holders and hence helps ensure financial stability, at the lowest possible cost to the taxpayer. The National Resolution Fund was established on 26 November 2015 pursuant to the Act implementing the European Framework for the Recovery and Resolution of Banks and Investment Firms (*Implementatiewet Europees kader voor herstel en afwikkeling van banken en beleggingsondernemingen*),<sup>1</sup> which implements the Bank Recovery and Resolution Directive – BRRD<sup>2</sup>. The statutory name of the National Resolution Fund is “*Afwikkelingsfonds*”. The name used in this report is National Resolution Fund (NRF).

DNB can use the NRF to effectively implement resolution measures. Over a period of ten years, (2015-2024), contributions are collected from banks and investment firms to build up the NRF<sup>3</sup>. DNB, acting in its capacity of NRA, determines and collects the annual contributions, using the applicable regulation to calculate the annual contributions<sup>4</sup>.

Shortly after its establishment, the NRF witnessed a special year in 2016. European legislation came into force on 1 January 2016, under which the tasks and financial resources relating to institutions subject to the SRM Regulation<sup>5</sup> were transferred from the NRF to the European Single Resolution Fund (SRF)<sup>6</sup>. Since that date, the NRF's scope has been restricted to stand-alone investment firms and licensed branch offices of banks not established in the European Economic Area (EEA).

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

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

4 As set out in Section 7h of the Decree on Special Prudential Measures, Investor Compensation and Deposit Guarantees under the Wft (*Besluit bijzondere prudentiële maatregelen, beleggerscompensatie en depositogarantie Wft*).

5 Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund.

6 The single resolution fund as referred to in Recital 19 of the SRM Regulation referred to above.

## European legislation

On 1 January 2016, the European single resolution mechanism (SRM) came into full effect. On the same date, the SRF was established, which is administered by the Single Resolution Board (SRB) in Brussels. Since the SRM came into effect, the Dutch institutions under its scope (referred to as "SRM institutions" below) have no longer paid any contributions to the NRF, but the contributions are paid directly to the SRF. The SRF is called upon if the SRB needs it to effectively implement resolution measures for an SRM institution.

Pursuant to Article 2, the SRM regulation applies to the following institutions:

- Credit institutions established in a participating Member State;
- parent undertakings established in a participating Member State if they are subject to the ECB's consolidated supervision; and
- investment firms and financial institutions established in a participating Member State if they are covered by the ECB's consolidated supervision of the parent undertaking.

## Contributions

DNB determines the NRF contributions on an annual basis. Any objection against the amount of the contribution must be lodged with DNB, rather than the NRF. SRM institutions contribute to the SRF, and DNB collects their SRF contributions, transferring them to the SRB. During this process, the financial resources of the NRF and the SRF remain separated.

## Transfer of contributions paid by SRM institutions

All Member States participating in the SRM have laid down in the *Intergovernmental Agreement on the transfer and mutualisation of contributions* to the Single Resolution Fund (IGA) that the NRF contributions collected in 2015 from institutions that came under the scope of the SRM on 1 January 2016 would be transferred to the SRF. The SRB and the NRAs further agreed that the SRB would reimburse the NRAs for the negative interest relating to the administration of the contributions paid by SRM institutions. The NRF released the contributions for 2015, net of negative interest, for transfer to the SRF on 29 January 2016.

## Legal structure

The NRF is a legal entity incorporated under public law on 26 November 2015 with registered office in Amsterdam, listed in the Trade Register of the Chamber of Commerce under number 65034929 0000.

## Activities

The NRF's task is to administer the financial resources which can be used by the NRA to effectively implement resolution measures. It makes financing available in accordance with the NRA's instructions. DNB supports the NRF in performing its task, providing the resources and services needed, including keeping its financial accounts.

No payments were made from the financial resources of the NRF in 2016.

## Risk management

The NRF holds the reserve funds' financial resources in a current account with DNB. This minimises the risks associated with investing them. It also avoids exposure to the banks participating in the NRF. A changeover to treasury banking is envisaged in 2017. Holding the financial resources with the State will avoid the impact which negative interest rates have on the return.

If the NRF's available financial resources should be inadequate, DNB can charge extraordinary contributions equalling three times the regular ex ante annual contributions.

## Audit

Insofar as the NRF runs any operational risks, DNB's Internal Audit Department assesses the design, existence and operating effectiveness of the internal controls. It reports its findings to the Management Board. The Management Board has instructed an independent auditor to audit the financial statements and to report on its findings. See page 17).

## Management Board

When the NRF was set up, one temporary Management Board member was appointed. The full three-member Management Board was appointed in early July 2016. DNB appoints, remunerates, suspends and dismisses them.

## Remuneration policy

In accordance with the decision by DNB's Governing Board, in the year under review, the members of the NRF's Management Board did not receive any remuneration for their work, nor did DNB provide them with any loans, advances or guarantees.

## Details of board and staff members

At the time of the adoption of the 2016 financial statements, the members of the Management Board were:

- Bert Boertje – Chair
- Jan Marc Berk
- Martin Heerma

The NRF does not employ any staff, as DNB supports it in performing its statutory duty, making available staff and other resources.

## Outlook

The total contributions to be collected for the NRF in 2017 will be EUR 512,000. The longer-term average contributions level is expected to be around EUR 500,000.

## Signing of report of the Management Board

Amsterdam, 9 March 2017

The Management Board of the National Resolution Fund

Bert Boertje

Jan Marc Berk

Martin Heerma



# Financial statements

## Balance sheet as at 31 December 2016 (following appropriation of the result)

1 = € 1,000,-

	31-12-2016	31-12-2015		31-12-2016	31-12-2015
	EUR	EUR		EUR	EUR
<b>Assets</b>			<b>Liabilities</b>		
1 Current account deposits	1,492	453,685	1 Reserve fund	1,492	605
2 Receivables	11	18	2 Payables	11	453,098
2.1 Contributions	-	3	2.1 Single Resolution Fund	-	453,087
2.2 Other receivables	11	15	2.2 Other payables	11	11
<b>Total assets</b>	<b>1,503</b>	<b>453,703</b>	<b>Total liabilities</b>	<b>1,503</b>	<b>453,703</b>

## Statement of income and expenditure for 2016

1 = € 1,000,-

	2016	2015
	EUR	EUR
<b>Income</b>		
1 Contributions	891	605
2 Interest settled with the SRF	110	4
3 Reimbursement of costs	33	11
<b>Total income</b>	<b>1,034</b>	<b>620</b>
<b>Expenses</b>		
4 Interest expenses	-114	-4
5 Other costs	-22	-
6 Independent auditor's fee	-11	-11
<b>Total expenses</b>	<b>-147</b>	<b>-15</b>
<b>Result for the year</b>	<b>887</b>	<b>605</b>

## Cash flow statement for 2016

1 = € 1,000,-

	2016	2015
	EUR	EUR
1 Cash flows from operations	-452,193	453,685
1.1 <i>Result</i>	887	605
1.2 <i>Movements in accounts receivable</i>	7	-18
1.3 <i>Movements in accounts payable</i>	-453,087	453,098
2 Cash flows from investments	-	-
3 Cash flows from financing	-	-
<b>Movements in current account deposit</b>	<b>-452,193</b>	<b>453,685</b>

## Notes to the balance sheet as at 31 December 2016 and the income statement for 2016

11

### Accounting policies

The 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 Code<sup>7</sup> was applied correspondingly to the extent possible. In addition, the Dutch Accounting Standards (*Richtlijnen voor de Jaarverslaggeving – RJ*) were applied.

### Accounts receivable and payable

The accounts receivable as current account balances and those included in the items "Contributions" and "Other accounts receivable", as well as payables included under "Other accounts payable" are presented at their nominal amounts.

### Income and expenses

Income and expenses are recognised in the financial year in which they are received or paid. Results are included only to the extent realised at the balance sheet date. Accounts payable and potential losses originating before the end of the financial year are taken into account to the extent known before the financial statements were compiled.

### Taxes

The Dutch Tax and Customs Administration has concluded that the NRF is not liable to pay corporation tax.

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<sup>7</sup> The relevant sections of the Kzbo are listed in the Bbpm, Bulletin of Acts, Orders and Decrees 2015, no. 433

## 1. Notes to the balance sheet

### Assets

#### 1. Current account deposits

This item, amounting to EUR 1,492,000 as at 31 December 2016 (31 December 2015: EUR 453,685,000), consists of demand deposits held with DNB. DNB charges interest on the current account deposits, which equals the deposit facility rate. As at 31 December 2016, this was -0.4%.

#### 2. Accounts receivable

Accounts receivable total EUR 11,000, comprising two items:

- 2.1 Contributions: EUR 0 (31 December 2015: EUR 3,000).  
All contributions charged were received.
- 2.2 Other receivables: EUR 11,000 (31 December 2015: EUR 15,000). This concerns the reimbursement to be received from DNB of costs to be incurred<sup>8</sup>. These costs were, as at 31 December 2016, the budgeted independent auditor's fee of EUR 11,000.

### Liabilities

#### 1. Reserve fund

The result for 2016 was added to the reserve fund in full. It comprised of the contributions collected. Following appropriation of the result, the reserve fund equalled EUR 1,492,000 as at 31 December 2016 (31 December 2015: EUR 605,000). The NRF was not used in 2016. The BRRD<sup>9</sup> and the Financial Supervision Act (*Wet op het financieel toezicht – Wft*<sup>10</sup>) describe exhaustively for which resolution purposes the NRA may request the NRF to apply the reserve fund's financial resources. The NRF may not apply the reserve fund's financial resources for any other purposes.

#### 2. Accruals and income collected in advance

Accruals and income collected in advance total EUR 11,000, comprising two items:

- 2.1 Contributions to be transferred to the SRF: nil (31 December 2015: EUR 453,087,000).  
In compliance with the IGA, the contributions for 2015 paid by the SRM institutions were transferred to the SRF, net of negative interest, on 29 January 2016.
- 2.2 Other payables: EUR 11,000 (31 December 2015: EUR 11,000).  
These are the budgeted fees payable to the independent auditor.

<sup>8</sup> DNB reimburses the NRF for the costs incurred. Pursuant to the Financial Supervision Funding Act (*Wet bekostiging financieel toezicht*), DNB will recover these costs from the financial sector.

<sup>9</sup> Article 101 of the BRRD

<sup>10</sup> Section 3a:69 of the Financial Supervision Act

## 2. Notes to the income statement for 2016

### 1. Contributions

DNB set the annual contributions for 2016 at EUR 891,000 (2015: EUR 605,000 + EUR 453.087,000 for SRM institutions). The objection period has expired, and DNB did not receive any objections against its decisions setting the contributions. The amount was collected in full by 9 June 2016.

### 2. Interest settled with the SRF

Until 29 January 2016, the NRF administered EUR 453,087,000 in contributions for the SRF. It paid EUR 110,000 in negative interest on this amount in 2016 (2015: EUR 4,000). The SRB agreed with the NRAs that it would reimburse them for interest expenses. Accordingly, the NRF deducted the negative interest before transferring the contributions to the SRF on 29 January 2016.

### 3. Reimbursement of costs

DNB reimburses the NRF for the costs incurred, which were EUR 33,000 in 2016 (2015: EUR 11,000). Pursuant to the Financial Supervision Funding Act, DNB will recover these costs from the financial sector. DNB reimburses the NRF for the costs incurred in 2016 of applying for a BIC code and a SWIFT account of EUR 22,000 (2015: nil) and the budgeted fees payable to the independent auditor of EUR 11,000 (2015: EUR 11,000).

### 4. Interest expenses

The NRF owes interest at the deposit facility rate on the current account deposits held with DNB. This rate was changed from -0,30% to -0,40% on 16 March 2016. The interest expenses were EUR 114,000 in 2016 (2015: EUR 4,000), and they relate almost entirely to the SRF funds which the NRF administered until 29 January 2016.

## Interest expenses

1 = € 1,000,-

	2016	2015
	EUR	EUR
SRF institutions, until 28 January 2016	110	4
NRF institutions	4	0

## **5. Other costs**

The NRF incurred start-up expenses relating to the applications for a BIC code and a SWIFT account, and for making system modifications. They totalled EUR 22,000 in 2016 (2015: nil). DNB supports the NRF in performing its task, providing the resources and services needed, including keeping and safekeeping its financial accounts. As agreed between DNB and the NRF, DNB bears the costs involved in these support activities directly, without charging them to the NRF.

## **6. Independent auditor's fee**

The budgeted fee of the independent auditor amounts to EUR 11,000 (2015: EUR 11,000), and it relates to the audit of the 2016 financial statements.

## **7. Financial risks and risk management**

The NRF's financial resources are held in a current account with DNB.

## **8. Workforce**

The NRF did not employ any staff in 2016.

## **9. Remuneration of the members of the Management Board**

When the NRF was set up, one temporary Management Board member was appointed:

- Barend van Amerongen

The position of temporary Management Board member was discontinued when the members of the new Management Board were appointed. Effective 19 April 2016, the following members of the new Management Board were appointed for a four-year period:

- Bert Boertje - Chair
- Jan Marc Berk
- Martin Heerma

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). In accordance with the decision taken by DNB's Governing Board, the members of the NRF's Management Board did not receive any remuneration. There were no loans outstanding to members of the Management Board as at 31 December 2016.

## **10. Related parties**

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

## 11. Appropriation of the result

### Appropriation of the result

1 = € 1,000,-

	2016 EUR
Addition to the reserve fund	887

## 3. Notes to the cash flow statement for 2016

The cash flow statement on page 10 has been prepared using the indirect method.

The financial resources listed in the cash flow statement are cash and cash equivalents. Interest and similar income and interest and similar expenses are recognised under cash flows from operating activities.

### 1. Cash flows from operating activities

These cash flows total EUR -452,193,000, comprising three items:

- 1.1 Operational result: EUR 448,009,000.  
This is the result as stated in the income statement.
- 1.2 Movement in accounts receivable: EUR 7,000.  
This concerns a movement in contributions receivable for 2015 (EUR 3,000), interest to be settled with the SRF (EUR 4,000) and the reimbursement of costs yet to be received (nil) as explained in item 2 under "Assets" of the notes to the balance sheet.
- 1.3 Movement in accounts payable: EUR -453,087,000.  
This concerns a movement in annual contributions for 2015 yet to be transferred to the SRF (EUR -453,087,000) and the independent auditor's fee yet to be paid (nil) as explained in item 2 under "Liabilities" of the notes to the balance sheet

### 2. Cash flows from investment activities

There were no cash flows from investment activities.

### 3. Cash flows from financing activities

There were no cash flows from financing activities.

## Events after the balance sheet date

There were no notable events after the balance sheet date.

## Signing of the financial statements

Amsterdam, 9 March 2017

The Management Board of the National Resolution Fund

Bert Boertje

Jan Marc Berk

Martin Heerma



# Other information

## Appropriation of the result

17

The Management Board has added the result for the 2016 financial year to the reserve fund in full.

## Independent auditor's report

To the Management Board of the National Resolution Fund

## Report on the financial statements for 2016 set out in the annual report

### Our opinion

We have audited the 2016 financial statements of the National Resolution Fund in Amsterdam.

In our opinion, the financial statements set out in this annual report fairly present the financial position of the National Resolution Fund's reserve fund as at 31 December 2016 and the result for the financial year then ended, in accordance with the Non-Departmental Public Bodies Framework Act (*Kaderwet zelfstandige bestuursorganen*) and Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The balance sheet as at 31 December 2016;
2. The income statement for 2016; 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 and the Audit Protocol under the Public and Semi-public Sector Executives Remuneration (Standards) Act (*Controleprotocol Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector*). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of the National Resolution 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.

## 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 that consists of:

- Report of the Management Board
- Other data

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- and contains the information as required by the *Kzbo* and Part 9 of Book 2 of the Dutch Civil Code.

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 material misstatements.

By performing these procedures, we comply with the requirements of the *Kzbo*, Part 9 of Book 2 of the Dutch Civil Code and Dutch Standard on Auditing 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 Report of the Management Board and the other information, as required by the *Kzbo* and Part 9 of Book 2 of the Dutch Civil Code.

## 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 the *Kzbo*, Part 9 of Book 2 of the Dutch Civil Code and the provisions of and pursuant to the *WNT*. 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 National Resolution Fund'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 company 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 National Resolution Fund's ability to continue as a going concern in the financial statements.

The Management Board is responsible for exercising supervision on the financial reporting process of the National Resolution Fund.

### **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 these 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 National Resolution 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 National Resolution 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,

20

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 National Resolution 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 the Management Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 9 March 2017  
Deloitte Accountants B.V.

Ronald Spijker







