

Annual Report for 2021 National Resolution Fund

Amsterdam

DeNederlandscheBank

EUROSYSTEEM

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.

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Deposit Guarantee Fund
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Chamber of Commerce registration: 65034929 0000

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Foreword

4 This Annual Report describes the activities performed by the National Resolution Fund (NRF) and the developments that affected it in 2021. It also looks ahead to the coming year. In accordance with the relevant rules, it was submitted to De Nederlandsche Bank (DNB) before 15 March 2022¹.

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 instruments. 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. In 2016 the European single resolution fund (SRF) was established, effectively bringing the Dutch banks under its scope.⁴ The NRF's scope has since been limited to Dutch branch offices of non-EEA banks and investment firms subject to the EUR 750,000 initial capital requirement and do not fall under the scope of the SRM Regulation.⁵ The statutory Dutch name of the National Resolution Fund is "*Afwikkelingsfonds*", but the name commonly used – also in this report – is National Resolution Fund (NRF).

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.⁶ DNB sets the contributions annually on the basis of the relevant statutory framework.⁷ For banks and investment firms licensed as at 1 January 2021, their financial position as at 31 December 2019 formed the basis for their annual contributions. In 2021, decisions levying contributions were imposed totalling EUR 706,000. The contributions were added to the NRF's own funds. As at 31 December 2021, own funds stood at EUR 4,026,000.

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.⁸ The NRF can enter into agreements to secure financial means from third parties if extraordinary contributions are not instantly available or are inadequate.⁹ No payments were made from own funds in 2021.

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 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.

5 Previously, the initial capital requirement for these institutions was EUR 730,000. This changed to EUR 750,000 when the IFR/IFD came into force in 2021.

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

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

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

9 Section 3a:74 of the *Wft*.

6 Management of financial means, and risk management

The NRF has participated in treasury banking since 2018, meaning it holds its financial means in a current account with the Dutch State Treasury Agency. As a result, the NRF has not been exposed to any material interest rate risk¹⁰ 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 15.

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 2021.

¹⁰ 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%.

At the time of the adoption of the 2021 Annual Report, the members of the Management Board were:

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Cindy van Oorschot - *Chair*
Bert Boertje
Martin Heerma

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 2022.

Signing of the Report of the Management Board

Amsterdam, 9 March 2022

The Management Board of the National Resolution Fund

Cindy van Oorschot
Chair

Bert Boertje

Martin Heerma

Financial statements

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Balance sheet as at 31 December 2021 (following appropriation of the result)

EUR thousands

	<u>31-12-21</u>	<u>31-12-20</u>		<u>31-12-21</u>	<u>31-12-20</u>
Assets			Liabilities		
1 Receivables	14	17	1 Own funds	4.026	3.320
1.1 <i>Accruals and prepaid expenses</i>	14	17	2 Current liabilities	13	13
2 Current account deposits	4.025	3.319	2.1 <i>Accruals and deferred income</i>	13	13
Total assets	4.039	3.333	Total liabilities	4.039	3.333

Statement of income and expenditure for 2021

EUR thousands

	<u>2021</u>	<u>2020</u>
Income		
1 Contributions	706	460
2 Reimbursement of expenses	14	15
Total income	720	475
Expenses		
3 Interest expenses	-	-
4 Audit fee	13	14
5 Other expenses	1	1
Total expenses	14	15
Result for the year	706	460

Notes to the balance sheet as at 31 December 2021 and statement of income and expenditure for 2021

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 EUR 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 2021 financial statements were prepared using the going concern basis of accounting.

Accounting policies

The 2021 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 Code¹¹ 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 bezoldiging topfunctionarissen publieke en semipublieke sector – 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.¹²

Taxes

The NRF is not liable to pay corporation tax.

¹¹ The relevant sections of the *Kzbo* are listed in the *Bbpm*, Bulletin of Acts, Orders and Decrees 2015, no. 433.

¹² Section 3a:71 of the *Wft*.

Notes to the balance sheet

ASSETS

1. Receivables

Receivables are prepaid expenses amounting to EUR 14,000 as at 31 December 2021 (31 December 2020: EUR 14,000), concerning a cost reimbursement to be received for bank charges and audit fees payable.¹³

2. Current account deposits

This item, amounting to EUR 4,025,000 as at 31 December 2021 (31 December 2020: EUR 3,319,000) 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 2021, interest was 0.0% at the Treasury Agency (31 December 2020: 0.0%).

LIABILITIES

1. Own funds

Following appropriation of the result, own funds stood at EUR 4,026,000 as at 31 December 2021 (31 December 2020: EUR 3,320,000). The result for 2021 was added to own funds in full.

EUR thousands

	2021	2021
Own funds as at 1 January 2020	3.320	2.860
Addition of result	706	460
Own funds as at 31 December 2020	4.026	3.320

¹³ DNB reimburses the NRF for the costs incurred. Pursuant to the Financial Supervision Funding Act, DNB will recover these costs from the financial sector.

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.¹⁴ The BRRD¹⁵ and the *Wft*¹⁶ 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 2021.

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2. Current liabilities

Current liabilities are accruals and deferred income amounting to EUR 13,000 as at 31 December 2021 (31 December 2020: EUR 13,000), for audit fees payable.

¹⁴ Section 7h(4) of the *Bbpm*

¹⁵ Article 101 of the BRRD

¹⁶ Section 3a:69 of the *Wft*

12 Notes to the statement of income and expenditure

1. Contributions

Contributions totalled EUR 706,000 for the 2021 financial year (2020: EUR 460,000).

DNB sets the amount of the contributions payable to the NRF.¹⁷ The objection period for the decisions setting the annual contributions for 2021 has expired, and DNB did not receive any objections.

	2021		2020	
	Number of institutions	EUR thousands	Number of institutions	EUR thousands
Branch offices of non-EEA banks	2	225	3	450
Investment firms	11	481	9	10
Total	13	706	12	460

2. Reimbursement of costs

DNB reimburses the NRF for the expenses incurred, which were EUR 14,000 in 2021 (2020: EUR 15,000). Pursuant to the Financial Supervision Funding Act, DNB will recover these costs from the financial sector. DNB reimburses EUR 13,000 (2020: EUR 14,000) in audit fees and EUR 1,000 (2020: EUR 1,000) in bank charges for 2021.

3. Interest expenses

In 2021, interest expenses were nil (2020: nil). The NRF's funds are held in a current account with the Dutch State Treasury Agency. Interest was 0.0% at the Treasury Agency throughout the year (2020: 0.0%).

4. Audit fee

The independent auditor's fee for the audit of the 2021 financial statements amounts to EUR 13,000 (2020: EUR 14,000), and it relates entirely to the audit of the financial statements.

5. Other expenses

Other expenses were EUR 1,000 in 2021 (2020: EUR 1,000). These are bank charges.

¹⁷ Section 3a:71 of the Wft

Workforce

The NRF did not employ any staff in 2021. 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 2020.¹⁸ During the period under review, membership of the Management Board was as follows:

Cindy van Oorschot - *Chair*

Bert Boertje

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 Executive Board, the members of the Management Board did not receive any remuneration for 2021. There were no loans outstanding to members of the Management Board as at 31 December 2021.

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.

¹⁸ 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.

Appropriation of the result

The full result for the 2021 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 2021 financial data.

Signing of the financial statements

Amsterdam, 9 March 2022

The Management Board of the National Resolution Fund

Cindy van Oorschot
Chair

Bert Boertje

Martin Heerma

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 2021 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 2021 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 2021;
2. the statement of income and expenditure for 2021; 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 2020 WNT Audit Protocol Regulation (*Regeling Controleprotocol WNT 2020*). 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 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 2021 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; and
- contains the information which Part 9 of Book 2 of the Dutch Civil Code requires of the Report of the Management Board and the other information.

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 Part 9 of Book 2 of the Dutch Civil Code and 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 Report of the Management Board and the other information, as required by 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 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 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 fund 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 fund'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 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.

Amstelveen, 9 March 2022
KPMG Accountants N.V.

Martijn Huiskers

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