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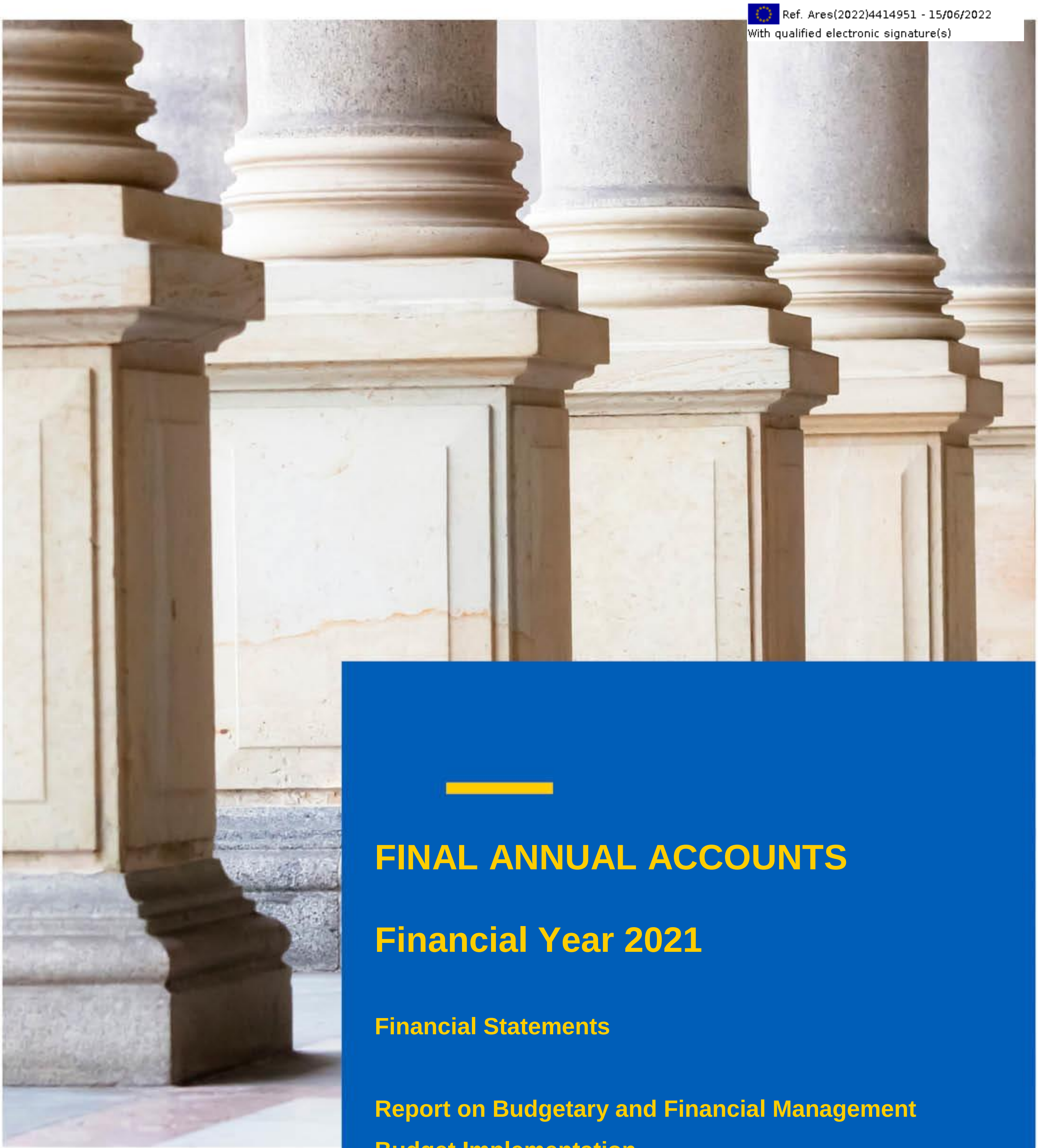

FINAL ANNUAL ACCOUNTS

Financial Year 2021

Financial Statements

Report on Budgetary and Financial Management
Budget Implementation

Single Resolution Board

srb.europa.eu

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CERTIFICATION LETTER FROM THE ACCOUNTING OFFICER

The annual accounts of the Single Resolution Board for 2021 have been prepared in accordance with Title IX of the Financial Regulation applicable to the general budget of the European Union, the accounting rules adopted by the Commission's Accounting Officer and the accounting principles and methods adopted by myself.

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the Single Resolution Board in accordance with Article 68 of the Financial Regulation.

I have obtained from the authorising officer, who certified its reliability, all the information necessary for the production of the accounts that show the Single Resolution Board's assets and liabilities and the budget implementation.

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts, I have a reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cash flow of the Single Resolution Board.

Done in Brussels on 15 of June 2022

Adam KOSTKIEWICZ

Deputy Accounting Officer

Qualified electronic signature by:
ADAM TOMASZ KOSTKIEWICZ
Date: 2022-06-15 14:13:55 +02:00

ABBREVIATIONS

AFS Available for Sale

DR Delegated Regulation

EAR European Union Accounting Rule

EBA European Banking Authority

ECA European Court of Auditors

ECB European Central Bank

EC European Commission

ECL Expected Credit Loss

EU European Union

FVTNAE Fair value through net assets/equity

FVTSD Fair value through surplus or deficit

HTCS Hold to collect and sell

IPC Irrevocable Payment Commitment

IPSAS International Public Sector Accounting Standards

LGD Loss given default

MS Member State

NRA National Resolution Authority

OCI Other Comprehensive Income

PD Probability of default

SPPI Solely payment of principal and interest

SRB Single Resolution Board

SRF Single Resolution Fund

SRM Single Resolution Mechanism

I. FINANCIAL STATEMENTS 2021

1. Statement of financial position 2021

1.1. Statement of financial position 2021 — ASSETS

HEADING	Note	31.12.2021	31.12.2020	Variation
NON-CURRENT ASSETS		**14,373,369,250.69**	**11,231,385,307.80**	**3,141,983,942.89**
Intangible assets	**7.A.1.**	**8,585,445.17**	**7,008,189.64**	**1,577,255.53**
Intangible assets		3,865,655.22	5,380,413.63	(1,514,758.41)
Intangible assets under construction		4,719,789.95	1,627,776.01	3,092,013.94
Property, plant and equipment	**7.A.2.**	**1,599,396.64**	**2,399,131.80**	**(799,735.16)**
Building appliances		94,423.00	107,612.00	(13,189.00)
Plant and equipment		847.00	1,171.00	(324.00)
Computer hardware		823,898.64	1,321,536.80	(497,638.16)
Furniture and vehicles		371,712.00	460,668.00	(88,956.00)
Other fixtures and fittings		308,516.00	508,144.00	(199,628.00)
Assets under finance lease		-	-	-
Financial assets (non-current)		**14,363,184,408.88**	**11,221,977,986.36**	**3,141,206,422.52**
AFS financial assets	**10.3**	-	11,221,977,986.36	(11,221,977,986.36)
Debt instruments measured at FVTNAE	**10.3**	14,363,184,408.88	-	14,363,184,408.88
Pre-financing (long term)		-	-	-
Long-term receivables and recoverables		-	-	-
CURRENT ASSETS		**37,975,084,508.81**	**31,036,674,424.39**	**6,938,410,084.42**
AFS financial assets	**10.3**	**-**	**2,345,078,671.17**	**(2,345,078,671.17)**
Debt instruments measured at FVTNAE	**10.3**	**2,453,455,434.78**	**-**	**2,453,455,434.78**
Pre-financing (short term)		**-**	**-**	**-**
Receivables and recoverables	**7.B**	**26,499,222.91**	**21,720,867.72**	**4,778,355.19**
Current receivables		41,732.48	158,641.23	(116,908.75)
Sundry receivables		82,028.22	33,845.09	48,183.13
Deferred charges		667,717.00	565,803.00	101,914.00
Accrued interest receivable (IPC top-up)	7.B	25,707,745.21	20,962,578.40	4,745,166.81
Cash and cash equivalents	**7.C**	**35,495,129,851.12**	**28,669,874,885.50**	**6,825,254,965.62**
TOTAL ASSETS	**A**	**52,348,453,759.50**	**42,268,059,732.19**	**10,080,394,027.31**

1.2. Statement of financial position 2021 — LIABILITIES

HEADING	Note	31.12.2021	31.12.2020	Variation
NET ASSETS	**7.D**	**46,724,079,638.02**	**37,632,689,691.28**	**9,091,389,946.74**
Accumulated reserves		**37,332,689,883.45**	**29,042,778,346.02**	**8,289,911,537.43**
Economic outturn of the year (fund)		9,280,335,236.06	8,326,063,675.62	954,271,560.44
Economic outturn of the year (admin)		-	-	-
Fair value revaluation reserve (OCI)	**7.D**	111,843,641.69	265,857,734.64	(154,014,092.95)
Actuarial gains losses (OCI)	**7.I**	(789,123.18)	(2,010,065.00)	1,220,941.82
NON-CURRENT LIABILITIES		**5,601,197,086.68**	**4,620,854,078.24**	**980,343,008.44**
Provisions for risks and liabilities (long term)		**-**	**-**	**-**
Employee benefits	**7.I**	**14,418,705.63**	**14,148,937.00**	**269,768.63**
Financial liabilities (non-current)	**7.E**	**5,586,778,381.05**	**4,606,705,141.24**	**980,073,239.81**
Long-term liabilities from SRB specific activities		5,513,103,530.10	4,509,398,953.49	1,003,704,576.61
Pre-financing received from bank institutions		73,674,850.95	97,306,187.75	(23,631,336.80)
Other long-term liabilities		-	-	-
CURRENT LIABILITIES		**23,177,034.80**	**14,515,962.67**	**8,661,072.13**
Provisions for risks and charges (short term)	**7.F**	**242,750.00**	**651,600.00**	**(408,850.00)**
Financial liabilities (current)		**22,934,284.80**	**13,864,362.67**	**9,069,922.13**
Payables		**22,934,284.80**	**13,864,362.67**	**9,069,922.13**
Long-term liabilities falling due within the year	**7.G**	-	27,389.58	(27,389.58)
Current payables		346,065.50	111,008.82	235,056.68
Sundry payables		1,876,883.63	1,080,509.77	796,373.86
Accrued charges	**7.H**	8,836,999.70	4,854,217.99	3,982,781.71
Accrued interest payable		11,514,331.97	7,391,599.51	4,122,732.46
Deferred income		360,004.00	399,637.00	(39,633.00)
TOTAL LIABILITIES and RESERVES	**L**	**52,348,453,759.50**	**42,268,059,732.19**	**10 080 394 027.31**

2. Statement of financial performance 2021

HEADING	Note	2021	2020	Variation
OPERATING REVENUES	**9.A**	**9,488,377,014.93**	**8,496,060,308.93**	**992,316,706.00**
Non-exchange revenues from fund contributions		9,405,085,229.96	8,413,791,184.74	**991,294,045.22**
Other non-exchange revenues from administrative contributions		83,277,746.65	82,268,256.16	**1,009,490.49**
Other exchange operating revenues		6,857.97	804.48	**6,053.49**
Revenues from exchange administrative operations		7,180.35	63.55	**7,116.80**
OPERATING EXPENSES	**9.B**	**(80,987,348.65)**	**(69,000,721.47)**	**(11,986,627.18)**
Operating expenses		(5,231,546.37)	(2,902,858.06)	**(2,328,688.31)**
Administrative expenses		(75,755,802.28)	(66,097,863.41)	**(9,657,938.87)**
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES		**9,407,389,666.28**	**8,427,059,587.46**	**980,330,078.82**
Financial revenues	**9.A**	31,102,073.53	20,460,840.19	**10,641,233.34**
Financial expenses	**9.B**	(156,233,135.28)	(108,812,291.03)	**(47,420,844.25)**
Movement in post-employment benefits (pensions and transitional allowance)	**7.I**	(1,923,368.47)	(12,644,461.00)	**10,721,092.53**
SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES		**9,280,335,236.06**	**8,326,063,675.62**	**954,271,560.44**
Extraordinary gains		-	-	-
Extraordinary losses		-	-	-
SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS		**-**	**-**	**-**
ECONOMIC RESULT OF THE YEAR		**9,280,335,236.06**	**8,326,063,675.62**	**954,271,560.44**

3. Cash flow statement

DESCRIPTION	2021	2020
Cash flow from ordinary activities		
Surplus/(deficit) from ordinary activities	**9,280,335,236.06**	**8,326,063,675.62**
Operating activities		
Adjustments		
• Amortisation (intangible fixed assets) (+)	2,356,838.85	1,324,236.97
• Depreciation (tangible fixed assets) (+)	893,064.32	878,948.02
• Interest income on FVTNAE securities	(17,592,934.27)	(19,710,380.05)
• Net realised gain/loss on sale of FVTNAE securities	(13,508,499.97)	(749,937.12)
• Increase/(decrease) in provisions for risks and liabilities	(40,8850)	(34,800.00)
• Increase/(decrease) in value reduction for doubtful debts	1,615,515.63	-
• (Increase)/decrease in stock	-	-
• (Increase)/decrease in long-term pre-financing	-	-
• (Increase)/decrease in short-term pre-financing	-	35,000.00
• (Increase)/decrease in long-term receivables	-	-
• (Increase)/decrease in short-term receivables	(6,393,870.82)	(6,186,333.08)
• Increase/(decrease) in other long-term liabilities	(22,140,626.35)	(2,746,635.94)
• Increase/(decrease) in long-term liabilities for employee benefits	1,490,710.45	12,138,872.00
• Increase/(decrease) in accounts payable	8,191,151.38	572,016.47
• Other non-cash movements	10,908,049.84	12,607.37
Net cash flow from operating activities	**9,244,255,074.66**	**8,299,458,398.26**
Cash flow from investing activities		
Increase in tangible and intangible fixed assets (–)	(3,667,660.67)	(5,058,605.83)
Proceeds from tangible and intangible fixed assets (+)	-	-
Net cash flow from investing activities	**(3,667,660.67)**	**(5,058,605.83)**
Cash flow from SRB specific activities		
Purchase of securities	(6,743,124,213.36)	(3,743,317,859.15)
Coupon cashed during the period	232,204,658.50	222,780,124.62
Proceeds from sales during the period	1,097,889,529.87	134,100,944.80
Redemptions of bonds at maturity	1,993,993,000.00	1,089,539,614.00
Increase in long-term financial liabilities (IPCs)	1,003,704,576.61	900,728,795.22
Net cash flow from investing activities	**(2,415,332,448.38)**	**(1,396,168,380.51)**
Net increase/(decrease) in cash and cash equivalents	**6,825,254,965.62**	**6,898,231,411.92**
Cash and cash equivalents at the beginning of the period	**28,669,874,885.50**	**21,771,643,473.58**
Cash and cash equivalents at the end of the period	**35,495,129,851.12**	**28,669,874,885.50**

4. Statement of changes in net assets

DESCRIPTION	Other Comprehensive Income (OCI)	Accumulated surplus/deficit	Economic result of the year	Net assets (total)
Balance as at 31 December 2019	**148,936,892.93**	**22,052,522,355.46**	**6,990,255,990.56**	**29,191,715,238.95**
Allocation of the economic result of the previous year	-	6,990,255,990.56	(6,990,255,990.56)	**-**
Economic result of the year (fund)	-	-	8,326,063,675.62	**8,326,063,675.62**
Economic result of the year (admin)	-	-	-	**-**
Net change in fair value of available-for-sale portfolio	116,920,841.71	-	-	**116,920,841.71**
Actuarial gains/(losses)	(2,010,065.00)	-	-	**(2,010,065.00)**
Balance as at 31 December 2020 (as previously reported)	**263,847,669.64**	**29,042,778,346.02**	**8,326,063,675.62**	**37,632,689,691.28**
Changes in accounting policies (IPSAS 41 impact)	**36,152,138.19**	**(36,152,138.19)**		
Balance as at 31 December 2020 (restated)	**299,999,807.83**	**29,006,626,207.83**	**8,326,063,675.62**	**37,632,689,691.28**
Allocation of the economic result of the previous year	-	8,326,063,675.62	(8,326,063,675.62)	-
Economic result of the year (fund)	-	-	9,280,335,236.06	9,280,335,236.06
Economic result of the year (admin)	-	-	-	-
Net change in fair value of debt instruments measured at FVTNAE	(190,166,231.14)	-	-	(190,166,231.14)
Actuarial gains/(losses)	1,220,941.82	-	-	1,220,941.82
Balance as at 31 December 2021	**111,054,518.51**	**37,332,689,883.45**	**9,280,335,236.06**	**46,724,079,638.02**

5. The Single Resolution Board

5.1. Mission

The Single Resolution Board ('the SRB' or 'the Board') is the central resolution authority within the Banking Union. Together with the National Resolution Authorities (NRAs) of participating Member States (MS), it forms the Single Resolution Mechanism (SRM). The SRB works closely with the NRAs, the European Commission (EC), the European Central Bank (ECB), the European Banking Authority (EBA) and national competent authorities (NCAs).

Its mission is to ensure an orderly resolution of failing banks with minimum impact on the real economy, the financial system, and the public finances of the participating MS and beyond.

The Board was established by Regulation (EU) No 806/2014 on the Single Resolution Mechanism (SRM Regulation). The SRB was established as an independent EU Agency in January 2015 and became fully operational, with a complete set of resolution powers, on 1 January 2016.

5.2. Governance

As set out in Article 63 of the SRM Regulation, the governance framework for implementing the budget and presenting the accounts and for the discharge procedure is as follows:

1. The Chair shall act as authorising officer and shall implement the Board's budget.

2. By 1 March of the following financial year, the Board's Accounting Officer shall send the provisional accounts, accompanied by the report on budgetary and financial management during the financial year, to the Court of Auditors for observations. By 31 March of the following financial year, the Board's Accounting Officer shall submit the report on budgetary and financial management to the members of the Board, and to the European Parliament, the Council and the Commission.

3. By 31 March each year, the Chair shall transmit to the European Parliament, the Council and the Commission the Board's provisional accounts for the preceding financial year.

4. On receipt of the Court of Auditors' observations on the Board's provisional accounts, the Chair, acting on his or her own responsibility, shall draw up the Board's final accounts and shall send them to the Board in its plenary session, for approval.

5. The Chair shall, following the approval by the Board, by 1 July each year, send the final accounts for the preceding financial year to the European Parliament, the Council, the Commission, and the Court of Auditors.

6. Where observations are received from the Court of Auditors, the Chair shall send a reply by 30 September.

7. By 15 November each year, the final accounts for the preceding financial year shall be published in the Official Journal of the European Union.

8. The Board, in its plenary session, shall give a discharge to the Chair in respect of the implementation of the budget.

9. The Chair shall submit at the request of either the European Parliament or the Council, any information referred to in the Board's accounts to the requesting Union institution, subject to the requirements of professional secrecy laid down in this Regulation.

5.3. SRB budget – legal background

The Board was established pursuant to the SRM Regulation and is entrusted with the application of the uniform provisions laid down by that Regulation and with the administration of the Single Resolution Fund (‘the SRF’ or ‘the Fund’). Article 58 of the SRM Regulation stipulates that the Board is to have an autonomous budget, which is not part of the Union budget.

- Part I of the budget — the administration of the Board

Part I concerns the administrative expenditures of the Board. It must include at least staff remuneration, administration, infrastructure, professional training and operational expenses. In accordance with Article 65 of the SRM Regulation, the Board determines and raises contributions to the administrative expenditures of the Board from each entity referred to in Article 2. These administrative contributions constitute the revenues of Part I of the budget and are collected in accordance with Commission Delegated Regulation (EU) No 2361/2017 of 14 September 2017 on the final system of contributions to the administrative expenditure of the SRB.

- Part II of the budget — the Fund

Article 67 of the SRM Regulation establishes the SRF and the purposes for which the Board may use the Fund. The provisions on the establishment and functioning of the SRF are applicable as of 1 January 2016.

6. Significant accounting policies

6.1. Legal basis and accounting rules

The SRB financial statements have been drafted based on:

- the SRM Regulation;
- the SRB Financial Regulation (adopted on 17 January 2020);
- the accounting guidelines and accounting rules provided by the Commission's Accounting Officer, complemented by the closing instructions for 2021; and
- International Public Sector Accounting Standards (IPSAS) and/or International Financial Reporting Standards (IFRS).

In accordance with Articles 89 to 91 of the SRB Financial Regulation, the SRB prepares its financial statements on the basis of accrual-based accounting rules that are derived from IPSAS or, by default, IFRS.

These accounting rules, adopted by the Commission's Accounting Officer, have to be applied in order to establish a uniform set of rules for accounting, valuation and presentation of the accounts with a view to harmonising the process for drawing up the financial statements. The accounts are euro-denominated and the accounting period is the calendar year.

The SRB's accounting system consists of general accounts and budget accounts.

- The general accounts allow the preparation of the financial statements, as they show all charges and income for the financial year and are designed to establish the financial position in the form of a balance sheet as at 31 December.
- The budget accounts give a detailed picture of the implementation of the budget. They are based on the modified cash accounting principle.

The SRB, as a self-financed EU agency, is excluded from the consolidated annual accounts of the European Union.

6.2. Accounting principles

The objective of financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to a wide range of users.

The overall considerations (or accounting principles) to be followed when preparing the financial statements are laid down in EU Accounting Rule 2 and are the same as those described in IPSAS 1, namely, fair presentation, accrual basis, going concern basis, consistency of presentation, aggregation, offsetting and comparative information.

Preparation of the financial statements in accordance with the abovementioned rules and principles requires the SRB's management to make estimates that affect the reported amounts of certain items in the Statement of financial position and Statement of financial performance, as well as the disclosures of contingent assets and liabilities.

Fair presentation

Financial statements must present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the EU accounting rules. EU accounting rules, with additional disclosures when necessary, are applied to ensure that financial statements are presented fairly.

<u>Current versus non-current</u>

According to the presentation requirements set out in EU Accounting Rule 2, a distinction should be made between current and non-current financial assets and liabilities on the face of the statement of the financial position.

An entity should classify an asset as <u>current</u> when:

- it expects to realise the asset or intends to sell or consume it in its normal operating cycle;
- it holds the asset primarily for the purpose of trading;
- it expects to realise the asset within 12 months from the reporting date; or
- it is cash or a cash equivalent.

All other assets should be classified as <u>non-current</u>.

An entity should classify a liability as <u>current</u> when:

- it expects to settle it in its normal operating cycle;
- it holds the liability primarily for the purpose of trading;
- it is due to be settled within 12 months from the reporting date; or
- the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

All other liabilities should be classified as <u>non-current</u> liabilities.

Accrual basis

In order to meet their objectives, financial statements are prepared using accrual-based accounting. On this basis, the effects of transactions and other events are recognised when they occur (and not when cash or its equivalent is received or paid) and they are posted in the accounting records and reported in the financial statements of the period to which they relate.

Going concern basis

When preparing financial statements, the entity's ability to continue as a going concern should be assessed. The financial statements should be prepared on a going concern basis unless there is an intention to liquidate the entity or to cease its operations, or if there is no realistic alternative but to do so. These financial statements have been prepared in accordance with the going concern principle, which means that the SRB is deemed to have been established for an indefinite duration.

Consistency of presentation

According to this principle, the presentation and classification of items in the financial statements should be retained from one period to the next.

Aggregation

Each material class of similar items should be presented separately in the financial statements. Items of a dissimilar nature or function should be presented separately unless they are immaterial.

Offsetting

Assets and liabilities, and revenue and expenses, should not be offset unless required or permitted by an EU accounting rule.

Comparative information

Except when an EU accounting rule permits or requires otherwise, comparative information should be disclosed in respect of the previous period for all amounts reported in the financial statements. When the presentation or classification of items in the financial statements is amended, comparative amounts should be reclassified unless reclassification is impracticable.

According to Article 90 of the SRB Financial Regulation, the information reported in the financial statements should be relevant, reliable, understandable and comparable, including the information on the accounting policies applied (as explained in EU Accounting Rule 2 and IPSAS 1).

6.3. Application of new and revised International Public Sector Accounting Standards

Application of IPSAS 41 Financial Instruments

In the current year, the SRB has applied IPSAS 41 Financial Instruments, which has replaced IPSAS 29. IPSAS 41 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets, and 3) general hedge accounting. Details of these new requirements as well as their impact on the SRB's financial statements are described below. The SRB has applied IPSAS 41 in accordance with the transition provisions set out therein.

6.3.1. Classification and measurement of financial assets

The date of initial application (i.e. the date on which the SRB has assessed its existing financial assets and financial liabilities in terms of the requirements of IPSAS 41) is 1 January 2021. Accordingly, the SRB has applied the requirements of IPSAS 41 to instruments that have not been derecognised as at 1 January 2021, and has not applied the requirements to instruments that have already been derecognised as at 1 January 2021.

All recognised financial assets that are within the scope of IPSAS 41 are required to be subsequently measured at amortised cost or fair value, on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt investments that are held within a business model whose objective is to collect contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- debt investments that are held within a business model whose objective is both to collect contractual cash flows and to sell debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through net assets/equity (FVTNAE);
- all other debt investments and equity investments are subsequently measured at fair value through surplus or deficit (FVTSD).

Despite the foregoing, the SRB may make the following irrevocable election/designation in the initial recognition of a financial asset:

- the SRB may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor as a contingent consideration recognised by an acquirer in a business combination to which IPSAS 40 applies in other comprehensive income; and
- the SRB may irrevocably designate a debt investment that meets the amortised cost or FVTNAE criteria as measured at FVTSD, if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the SRB has not designated any debt investments that meet the amortised cost or FVTNAE criteria as measured at FVTSD. When a debt investment measured at FVTNAE is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to surplus or deficit as a reclassification adjustment.

Debt instruments that are subsequently measured at amortised cost or at FVTNAE are subject to impairment.

The SRB reviewed and assessed the SRB's existing financial assets as at 1 January 2021 based on the facts and circumstances that existed at that date and concluded that the initial application of IPSAS 41 has the following impact on the SRB's financial assets as regards their classification and measurement:

- the SRB's debt instruments held in the investment portfolio that were classified as available-for-sale financial assets under IPSAS 29 have been classified as financial assets at FVTNAE, as they are held within a business model whose objective is both to collect contractual cash flows and to sell the debt instruments, and they have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The change in fair value of these debt instruments continues to be accumulated in other comprehensive income under the heading of Net change in fair value of debt instruments measured at fair value through net assets/equity until they are derecognised or reclassified;

- financial assets classified as loans and receivables under IPSAS 29 (cash and cash equivalents, short-term receivables) that were measured at amortised cost continue to be measured at amortised cost under IPSAS 41, as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

These reclassifications of financial assets did not have any impact on the SRB's financial position, surplus or deficit, other comprehensive income or net assets/equity for both years.

6.3.2. Impairment of financial assets

In relation to the impairment of financial assets, IPSAS 41 requires an expected credit loss (ECL) model as opposed to an incurred credit loss model under IPSAS 29. The expected credit loss model requires the SRB to account for expected credit losses and changes in those expected credit losses at each reporting date, to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IPSAS 41 requires the SRB to recognise a loss allowance for expected credit losses on debt investments and receivables subsequently measured at amortised cost or at FVTNAE. In particular, IPSAS 41 requires the SRB to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL, if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk of a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the SRB is required to measure the loss allowance for that financial instrument at an amount equal to 12-month ECL.

As at 1 January 2021, the SRB reviewed and assessed the SRB's existing financial assets, amounts due from debtors for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IPSAS 41 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 January 2020 and 1 January 2021.

The additional credit loss allowance of EUR 36 152 138.19 as at 1 January 2021 has been recognised against retained earnings on this date with the counterpart of other comprehensive income, resulting in a net decrease in retained earnings of EUR 36 152 138.19 as at 1 January 2021 and respective increase of other comprehensive income.

6.3.3. Disclosures in relation to the initial application of IPSAS 41

The table below illustrates the classification and measurement of financial assets and financial liabilities under IPSAS 41 and IPSAS 29 at the date of initial application, 1 January 2021.

Financial instrument	Original measurement category under IPSAS 29	New measurement category under IPSAS 41	Original carrying amount under IPSAS 29	Additional loss allowance recognised under IPSAS 41	New carrying amount under IPSAS 41
Cash and cash equivalents	Loans and receivables	Amortised cost	28,669,874,885.50	-	28,669,874,885.50
Investments in securities	Available for sale	Fair value through net assets/equity	13,567,056,657.53	-	13,567,056,657.53
Receivables	Loans and receivables	Amortised cost	21,155,064.72	-	21,155,064.72
Deferred charges and accrued income	Loans and receivables	Amortised cost	565,803.00	-	565,803.00
Payables	Other financial liabilities	Amortised cost	1,218,908.17	-	1,218,908.17
Accrued charges and deferred income	Other financial liabilities	Amortised cost	12,645,454.50	-	12,645,454.50
Other liabilities	Other financial liabilities	Amortised cost	-	-	-

The additional loss allowance recognised for the bonds classified as at FVTNAE is recognised against other comprehensive income rather than against the carrying amount as the bonds are already measured at fair value.

The additional loss allowance recognised upon the initial application of IPSAS 41 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to bonds. The change in measurement category of the different financial assets has had no impact on their respective carrying amounts on initial application.

The table below shows information relating to financial assets that have been reclassified as a result of transition to IPSAS 41:

Financial instrument	IPSAS 29 carrying amount 31/12/2020	Reclassifications	Re-measurements	IPSAS 41 carrying amount 01/01/2021	Retained earnings effect on 01/01/2021
AFS assets	13,567,056,657.53	(13,567,056,657.53)	-	-	-
Financial assets at FVTNAE	-	13,567,056,657.53	-	13,567,056,657.53	(36,152,138.19)
Total	**13,567,056,657.53**	**-**	**-**	**13,567,056,657.53**	**(36,152,138.19)**

6.3.4. Financial impact of initial application of IPSAS 41

The table below shows the amount of adjustment for each financial statement line item affected by the application of IPSAS 41 for the current years.

Impact on assets, liabilities and equity as at 1 January 2021	As previously reported	IPSAS 41 adjustments	As restated
Financial assets at FVTNAE	13,567,056,657.53	-	13,567,056,657.53
Retained earnings	29,042,778,346.02	(36,152,138.19)	29,006,626,207.83
Net assets/equity (other comprehensive income)	263,847,669.64	36,152,138.19	299,999,807.83

6.4. Basis for preparation

A) Currency and basis for conversion

The financial statements are presented in euros, the euro being the European Union's functional and reporting currency.

B) Transactions and balances

Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of financial performance.

C) Use of estimates

In accordance with IPSAS and generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions made by management and based on the most reliable information available. Significant estimates include but are not limited to provisions, financial risk, accounts receivable, accrued income and charges, contingent assets and liabilities, and the degree of impairment of intangible and tangible assets and of financial instruments. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

D) Chart of accounts

The chart of accounts used by the SRB follows the structure of the European Commission's chart of accounts.

6.5. Statement of financial position

Intangible assets

Acquired intangible assets (such as computer software licences) are stated at historical cost, less accumulated amortisation and impairment losses. The assets are amortised on a straight-line basis over their estimated useful lives.

Internally developed intangible assets (or internally generated software) are capitalised when the relevant criteria under the EU accounting rules are met. The capitalisable costs include all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Costs associated with research activities, non-capitalisable development costs and maintenance costs are recognised as expenses when incurred. Intangible assets (developed in-house or not) have a finite useful life and are amortised in 4 years.

DEPRECIATION RATES	
Type of asset	**Straight-line depreciation rate**
Software	25%
Internally generated software	25%

As required by EU Accounting Rule 6, internally generated software items are capitalised if their eligible development costs are above a locally established capitalisation threshold. The Board decided to capitalise only the eligible development costs related to IT projects with a total value above EUR 1 million.

Until a project is finished, the deliverables are formally accepted by the project owner, the development costs are classified as 'Intangible assets under construction' and gradually accumulate the eligible costs incurred. Only when the resulting intangible asset enters into production as intended, that is when its useful life starts and the amortisation is charged.

Property, plant and equipment

All property, plant and equipment are reported at their historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or the service potential associated with the item will flow to the SRB and its cost can be measured reliably. Repairs and maintenance costs are charged to the Statement of financial performance during the financial period in which they are incurred. Land and works of art are not depreciated, as they are deemed to have an indefinite useful life.

Depreciation on other assets is calculated using the straight-line method to allocate the decrease in value over their estimated useful lives, as shown in the table below.

DEPRECIATION RATES	
Type of asset	**Straight-line depreciation rate**
Buildings	4%
Plant, machinery and equipment	10% to 25%
Furniture	10% to 25%
Fixtures and fittings	10% to 25%
Vehicles	25%
Computer hardware	25%
Other tangible assets	10% to 25%

Tangible assets are shown as 'under construction' if they are not yet in operation after the moment of receipt at the SRB premises because they require further installation and/or configuration. Assets under construction are not depreciated, as these assets are not yet available for use.

The lease of fixed assets for which the SRB holds substantially all the risks and rewards of ownership are classified as fixed assets under financial lease.

Financial instruments as of 31 December 2020 – accounting policies in accordance with IPSAS 29

Financial assets and financial liabilities are recognised when the SRB becomes a party to the contractual provisions of the instruments.

Financial assets

- Classification and measurement

As of 31 December 2020 all financial assets were classified as available-for-sale (AFS) measured through net assets/equity.

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables; (b) HTM investments or (c) financial assets at fair value through surplus or deficit.

In accordance with the intentions expressed by the SRB's management in relation to the investment portfolio and the nature of the instruments held in it, the SRF investment portfolio has been classified as AFS.

An AFS financial asset is recognised in the accounts based on the settlement date of the transaction i.e. when the cash settlement of the transaction occurs, as opposed to trade date accounting.

Premiums paid over the maturity value and discounts received in comparison with the maturity value of securities are recognised in surplus or deficit over the expected life of the instrument through the use of the effective interest rate method.

- Subsequent measurement

Other changes in the carrying amount of AFS financial assets are recognised in net assets/equity and accumulated under the heading of fair value revaluation reserve (other comprehensive income). When the investment is disposed of or is considered impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to surplus or deficit.

- Reclassification of financial assets

In 2020, there were no reclassifications of financial assets.

- Determination of fair value

After initial recognition, the SRB measures the investments at their fair values, which normally correspond to the bid price for the financial asset (based on the liquid and highly rated nature of the bonds).

- Impairment of financial assets

The SRB assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit — is removed from equity and recognised in the surplus or deficit.

On 31 December 2020, there was no impairment booked.

- Derecognition

The SRB will derecognise an investment when, and only when:

- the contractual rights to cash flows from the financial asset expire or are waived; or
- the financial asset is transferred and the transfer qualifies for derecognition.

When the investment is derecognised (sold), the following methods may be applied: first in, first out (FIFO), weighted average cost (WAC) and specific identification of investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include receivables and cash and cash equivalents.

Financial instruments as of 1 January 2021 – accounting policies in accordance with IPSAS 41

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through surplus or deficit) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through surplus or deficit are recognised immediately in surplus or deficit.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either their amortised cost or fair value, depending on the classification of the financial assets.

- Classification and measurement

All SRB's investment in debt securities meet the following conditions, and are subsequently measured at FVTNAE:

- they are held within a management model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

The SRB performs regular reviews of the contractual terms of acquired financial assets in the investment portfolio to check whether the cash flows are solely payments of principal and interest on the outstanding principal amount.

The SRB does not measure any of its investment in debt securities through surplus or deficit or at amortised cost.

Debt instruments classified as at FVTNAE

Debt instruments held by the SRB in the investment portfolio are classified as at FVTNAE. Fair value is determined by the reference to the quoted market price. The listed debt instruments are initially measured at fair value plus transaction costs.

Subsequently, changes in the carrying amount of these debt instruments as a result of impairment gains or losses, and interest income calculated using the effective interest method are recognised in surplus or deficit. The amounts that are recognised in surplus or deficit are the same as the amounts that would have been recognised in surplus or deficit, if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of Net change in fair value of debt instruments measured at fair value through net assets/equity.

When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to surplus or deficit.

- Impairment of financial assets

The SRB recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at FVTNAE. The amount of expected credit losses is updated at each reporting date to reflect changes in the credit risk since the initial recognition of the respective financial instruments.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, a 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months of the reporting date.

For these financial instruments, the SRB recognises a lifetime ECL when there has been a significant increase in credit risk since the initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the SRB measures the loss allowance for that financial instrument at an amount equal to a 12-month ECL. The assessment of whether the lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since the initial recognition, instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

The SRB considers a financial asset to have low credit risk when it has an external credit rating of 'investment grade' as per globally understood definition.

The SRB regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying any significant increase in credit risk before the amount becomes past due.

The SRF Risk Management developed and maintains a list of indicators of significant increase in credit risk that is followed up on reporting dates. The primary indicator assessed is credit status of the issuer, in particular, the external credit rating.

The SRF Risk Management concludes that the movement of the external credit rating within the credit rating scale from AAA/AA/A/BBB to the non-investment grade range (lower then BBB-) constitutes a significant increase in credit risk.

Issuers whose financial situation has deteriorated based on the primary indicator are placed in a Watchlist and are followed up by the SRF Risk Management. The monitoring is based on indicators such as the Spread over Risk-Free Rate and/or Credit Default Swaps.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss, if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

Probability of default (PD)

The probability of default (PD) is a risk measure in credit risk management that estimates the probability that a borrower will not be able to make scheduled repayments. Following IPSAS 41, the PD is calculated in a forward-looking and point-in-time manner.

The models used for establishing the PD are retrieved from external sources and are based on market assumptions. The results based on these models give a PD on different time periods, i.e. 1 year, 2 years, etc. The PD is retrieved either for a 1-year horizon (if in stage 1) or for a longer horizon (if in stage 2) matching the maturity period of the bond.

Loss given default (LGD)

LGD represents the percentage of the Exposure at Default (EaD) which the SRB expects to lose if a counterparty goes into default. The SRB applies the Basel approach risk weight of 45% LGD to all the exposures, unless they are subordinated (75% risk weight). The latter is not foreseen in the investment policy of the SRB.

As for the exposure at default, for debt instruments, this is represented by the assets' gross carrying amount at the reporting date.

For debt instruments, the expected credit loss is estimated as the difference between all the contractual cash flows that are due to the SRB in accordance with the contract, and all the cash flows that the SRB expects to receive, discounted at the original effective interest rate.

If the SRB has measured the loss allowance for a financial instrument at an amount equal to a lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for a lifetime ECL no longer exist, the SRB measures the loss allowance at an amount equal to a 12-month ECL at the current reporting date.

The SRB recognises an impairment gain, or loss in profit, or loss for all financial instruments with a corresponding adjustment to other comprehensive income and accumulates it in the investment revaluation reserve. It does not reduce the carrying amount of the financial asset in the Statement of financial position.

- Derecognition

The SRB will derecognise an investment when, and only when:

- the contractual rights to the cash flows from the financial asset expire or are waived; or
- the financial asset is transferred and the transfer qualifies for derecognition.

When the investment is derecognised (sold), the following methods may be applied: first in, first out (FIFO), weighted average cost (WAC), and specific identification of investments.

Cash and cash equivalents

Cash and cash equivalents are financial instruments and defined as current assets. They include cash in hand and deposits held at call with banks.

Receivables

Receivables are carried at the original amount less the write-down for impairment. Under IPSAS 29, a write-down for the impairment of receivables is applied when there is objective evidence that the SRB will not be able to collect all the amounts due in accordance with the original terms of the receivables. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount.

Under IPSAS 41, impairment is determined in order to apply lifetime expected credit losses. The amount of the write-down is the difference between the asset's carrying amount and all the cash flows that the SRB expects to receive over the life term of the receivables.

The amount of the write-down is recognised in the Statement of financial performance.

Provisions

A provision is recognised when: (i) the SRB has a present legal or constructive obligation towards a third party as a result of past events; (ii) it is more likely than not that an outflow of resources will be required to settle the obligation and (iii) the amount can be reliably estimated. Provisions are not recognised for future operating losses. The amount of the provision is the best estimate of expenditures expected to be required to settle the present obligation at the reporting date. Where the provision involves a large number of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities (the expected value method).

Financial liabilities

Financial liabilities measured at amortised cost are classified as 'Other financial liabilities'.

Payables

Payables arising from the purchase of goods and services are recognised on receipt of the invoice for the original amount and corresponding expenses are posted in the accounts when the supplies or services are delivered and accepted by the SRB.

Accrued/deferred income and charges

In accordance with EU Accounting Rule 10 complemented by IPSAS 19 ('Provisions, contingent liabilities and contingent assets'), accruals are made to recognise the amounts to be paid for goods or services that have been received or supplied but have not been paid for, invoiced or formally agreed with the supplier. As transactions and events are recognised in the financial statements in the period to which they relate, at the end of the accounting period, accrued expenses are recognised based on an estimated amount of the transfer obligation of the period. The estimation of accrued expenses is done in accordance with detailed guidelines issued by Finance and Accounting when assessing the open commitments for amounts to be carried over to the next financial period.

Irrevocable payment commitments

An irrevocable payment commitment (IPC) represents an alternative to a cash payment in the context of the *ex-ante* funding of the Single Resolution Fund (SRF).

An IPC can be defined as an obligation taken by a credit institution towards the SRB to pay its contribution in the future.

Legal basis

Pursuant to Article 70(3) of the SRM Regulation, the available financial means of the SRF may include IPCs, which are fully backed by collateral for low-risk assets unencumbered by any third-party rights, provided that the collateral is at the free disposal of and earmarked for exclusive use by the SRB for the purposes specified in Article 76(1) of the SRM Regulation.

So far, the only type of collateral accepted by the SRB in relation to IPCs has been cash collateral. The amounts received are deposited in one dedicated bank account with a national central bank (NCB).

Article 7 of the Council Implementing Regulation 2015/81, provides that the 'recourse to IPCs shall in no manner affect the financial capacity and liquidity of the Fund'. In addition, when an IPC is called in by the SRB under the terms of the IPC agreement (partially or in full), the institution is obliged to transfer the called amount on the banking day following the call notice.

Article 8(3) states that during the initial period, under normal circumstances, the Board shall allow the use of IPCs upon request from an institution. The Board shall allocate the use of IPCs evenly among those institutions requesting it. On 14 December 2015, the Executive Session of the Board decided to limit the IPCs at 15% of their total payment obligation (SRB/ES/SRF/2015/6). When calculating the annual contributions of each institution, the Board shall ensure that, in any given year, the sum of those IPCs does not exceed 30% of the total amount of annual contributions raised in accordance with Article 70 of the SRM Regulation.

In all IPC agreements signed with institutions, it is provided that, in the month after year-end, institutions have to replenish the interest that was accrued on the collateral over the course of the year, because of the current negative interest rate environment.

Accounting treatment

The IPCs consist of two essential components:

1. the obligation (commitment) itself, which is unconditional, but at the same time depends on the probability of the IPC being paid out in the event of a specific set of circumstances arising;
2. the back-up for the commitment, which as explained above is the cash collateral received by the SRB for a specifically determined portion.

Therefore, the accounting treatment of IPCs has to take into account these two separate aspects as follows:

1. the commitment component of a contractual arrangement such as an IPC could not be recognised as a receivable (or revenue) because, while the IPC is **certain** and of a **fixed amount**, it does not meet the criterion of being **due**. Therefore, being dependent on the occurrence of future events, this commitment has to be recognised and disclosed as a contingent asset in the SRB financial statements (in line with IPSAS 19, 'Provisions, contingent liabilities and contingent assets');

2. on the other hand, based on the specific nature of the collateral accepted by the SRB (cash collateral only), the cash received has to be recognised in the statement of the financial position as an asset; however, a related liability should also be recognised in this respect.

If an IPC is called and once payment is received (new cash inflow from the credit institution to the SRB), the SRB will return the corresponding collateral (cash outflow from the SRB decreasing the SRB's liability concerning the cash collateral held). If an institution fails to pay the full amount, the SRB is entitled to take possession of the cash collateral to discharge the commitment undertaken by the institution.

Liabilities related to post-employment employee benefits

The SRB must provide its members of the Board with a transitional allowance and a retirement pension. The transitional allowance is paid from the first day of the month following that in which the public office holder ceases to hold office. The pension is due at the date of retirement which must be in line with the expected retirement age. The amount of these benefits depends on several factors, including the basic salary and the period of service. They are classified as 'Post-Employment Employee Benefits'.

These benefits qualify as defined benefit obligations (DBO) of the EU and are calculated at each reporting date by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount. No plan assets are attached to this obligation. The defined benefit obligation is calculated by actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid (euro), and that have terms to maturity based on the estimation of the period of service.

Current service cost is the increase in the present value of the DBO resulting from employee service in the current period. Net interest on the net defined benefit liability is the change during the period in the net defined benefit liability that arises from the passage of time. The SRB recognises the net interest expense and other expenses related to the defined benefit plans in the Statement of financial performance within a separate line called 'Movements in post-employment benefits' in the surplus or deficit.

Re-measurements of the net defined benefit liability comprise actuarial gains and losses, which are recognised in the net assets/equity (other comprehensive income).

6.6. Statement of financial performance

Revenues

Non-exchange revenues

The *ex-ante* contributions collected via the NRAs from the credit institutions represent non-exchange revenues. Non-exchange revenues are defined as those revenues from transactions in which an entity receives value from other entities without directly giving approximately equal value in exchange.

The SRF is composed of contributions from credit institutions and certain investment firms from the 21 Member States participating in the banking union. The SRF ensures that the financial industry, as a whole, finances the stabilisation of the financial system. The SRF will be gradually built up during its first 8 years (2016-2023) and must reach the target level of at least 1% of the amount of covered deposits of all credit institutions within the banking union by 31 December 2023.

The administrative contributions collected by the SRB from the banks are also classified as non-exchange revenues. The determination and raising of Administrative Contributions is based on the Commission Delegated Regulation (EU) 2017/2361 of 14 September 2017 on the final system of contributions to the administrative expenditures of the Single Resolution Board, which came into force on 8 January 2018 and was amended by Commission Delegated Regulation (EU) 2021/517 of 11 February 2021. In line with the European Commission's accounting guidelines, the advance instalments have been recognised as revenues up to the level of the total expenditure for the year. The outstanding amount of funds received and not spent have been booked as long-term pre-financing received (from contributors).

<u>Restatements of *ex-ante* contributions for previous periods</u>

According to Article 17(3) of Commission Delegated Regulation (EU) 2015/63 of 21 October 2014, 'the information submitted by the institutions to the resolution authority is subject to restatements or revisions' and the SRB 'shall adjust the annual contribution in accordance with the updated information upon the calculation of the annual contribution of that institution for the following contribution period'. Each year on 1 June, the SRB makes an assessment of the resulting amount from restatements concerning previous periods that had to be included in the contributions cycle for the year N + 1. If the amount is material (in relation to the non-exchange revenues from *ex-ante* contributions of year N), then these revenues for year N are adjusted for the final annual accounts.

Exchange revenues

Revenues from the sale of goods and services are recognised when the significant risk and rewards of ownership of the goods are transferred to the purchaser. Revenues associated with a transaction involving the provision of services are recognised by reference to the stage of completion of the transaction at the reporting date.

Financial revenues

- Interest income

Financial revenues from investment in securities consist of accrued interest income recognised in the surplus or deficit for all interest-bearing instruments on an accrual basis using the effective interest rate method rate (EIR) and from cashed coupons at coupon date.

- Net realised gains/losses from sales of investments

The net realised gains or losses from sales of AFS securities (under IPSAS 29) /debt instruments measured at net assets/equity (under IPSAS 41) are accounted at the date when the proceeds from selling the securities are received (in accordance with the settlement date accounting convention). The net realised result from selling securities will be included in the financial results for the period.

Expenditure

Exchange expenses arising from the purchase of goods and services are recognised when the supplies are delivered and accepted by the SRB. They are valued at original invoice cost.

When a request for payment or cost claim is received and meets the recognition criteria, it is recognised as an expense for the eligible amount. At year-end, incurred eligible expenses due to the beneficiaries but not yet accounted for are estimated and booked as accrued expenses.

Leases

Leases where the lessor retains a significant portion of the risks and rewards inherent to ownership are classified as operating leases. Payments made under operating leases are charged to the Statement of financial performance for the portion accrued during the financial year. This is the case for rent paid.

Interest expense and other financial expenses

As with interest income, interest expense is recognised in the surplus or deficit for all negative interest-bearing instruments on an accrual basis (transaction costs included).

6.7. Contingent assets and liabilities

Contingent assets

A contingent asset is a possible asset that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the SRB. A contingent asset is disclosed when an inflow of economic benefits or service potential is probable.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the SRB. Or it may be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or because the amount of the obligation cannot be measured with sufficient reliability.

According to EU Accounting Rule 10 'Provision, Contingent Liabilities and Contingent Assets' (and IPSAS 19) as implemented by the SRB, the level of probability will drive an important difference in the accounting treatment, as follows:

- 'Probable' if the probability of an unsuccessful outcome is above 50%, which entails recording a provision for litigation (in full);
- 'Possible' if the probability of an unsuccessful outcome is between 10% and 50%, which entails disclosure as contingent liabilities and/or recording of a (partial) provision for litigation; and
- 'Remote' if the probability of an unsuccessful outcome is below 10%, which entails disclosure on a voluntary basis.

Moreover, according to the same EU Accounting Rule 10 §4.5.(2), in the extremely rare case where no reliable estimate can be made, and a liability exists that cannot be recognised, this liability is disclosed as a contingent liability.

7. Notes to the Statement of financial position

A) Tangible and intangible fixed assets

A.1) Intangible assets – Overview of movements

Description		Internally generated computer software	Other computer software	Intangibles under construction	Intangibles under financial lease	TOTAL
Gross carrying amounts 1.1.2021	+	**8,148,661.28**	**347,270.79**	**1,627,776.01**	**762,437.39**	**10,886,145.47**
Additions	+	721,611.51	-	3,720,906.24	-	**4,442,517.75**
Disposals	–	-	-	-	-	**-**
Transfer between headings	+/–	628,892.30	-	(628,892.30)	-	**-**
Other changes	+/–	(508,423.37)	-	-	-	**(508,423.37)**
Gross carrying amounts 31.12.2021		**8,990,741.72**	**347,270.79**	**4,719,789.95**	**762,437.39**	**14,820,239.85**
Accumulated amortisation and impairment 1.1.2021	–	**(2,815,889.93)**	**(299,628.51)**	**-**	**(762,437.39)**	**(3,877,955.83)**
Amortisation	**–**	(2,329,850.85)	(26,988.00)	-	-	**(2,356,838.85)**
Write-back of amortisation	+	-	-	-	-	**-**
Disposals	+	-	-	-	-	**-**
Impairment	–	-	-	-	-	**-**
Write-back of impairment	+	-	-	-	-	**-**
Transfer between headings	+/–	-	-	-	-	**-**
Other changes	+/–	-	-	-	-	**-**
Accumulated amortisation and impairment 31.12.2021		**(5,145,740.78)**	**(326,616.51)**	**-**	**(762,437.39)**	**(6,234,794.68)**
Net carrying amounts 31.12.2021		**3,845,000.94**	**20,654.28**	**4,719,789.95**	**-**	**8,585,445.17**

A.2) Tangible assets – Overview of movements

Description		Building appliances	Plant and equipment	Computer hardware	Furniture and vehicles	Other fixtures and fittings	Tangible assets under finance lease	Total
Gross carrying amounts 1.1.2021	**+**	**131,786.57**	**2,088.00**	**2,870,417.37**	**802,682.83**	**1,089,007.95**	**2,839,051.76**	**7,735,034.48**
Additions	+	-	-	106,857.57	32,741.59	-	-	**139,599.16**
Disposals	–	-	-	(19,622.11)	(130,108.88)	(9,866.90)	-	**(159,597.89)**
Transfer between headings	+/–	-	-	400,561.17	-	44,556.36	-	**445,117.53**
Other changes	+/–	-	-	-	-	-	-	**-**
Gross carrying amounts 31.12.2021		**131,786.57**	**2,088.00**	**3,358,214.00**	**705,315.54**	**1,123,697.41**	**2,839,051.76**	**8,160,153.28**
Accumulated amortisation and impairment 1.1.2021	**–**	**(24,174.57)**	**(917.00)**	**(1,548,880.57)**	**(342,014.83)**	**(580,863.95)**	**(2,839,051.76)**	**(5,335,902.68)**
Depreciation	–	(13,189.00)	(324.00)	(595,392.93)	(76,230.59)	(207,927.80)	-	**(893,064.32)**
Write-back of depreciation	+	-	-	-	-	-	-	**-**
Disposals	+	-	-	19,313.11	84,641.88	9,372.90	-	**113,327.89**
Impairment	–	-	-	-	-	-	-	**-**
Write-back of impairment	+	-	-	-	-	-	-	**-**
Transfer between headings	+/–	-	-	(409,354.97)	-	(35,762.56)	-	**(445,117.53)**
Other changes	+/–	-	-	-	-	-	-	**-**
Accumulated amortisation and impairment 31.12.2021		**(37,363.57)**	**(1,241.00)**	**(2,534,315.36)**	**(333,603.54)**	**(815,181.41)**	**(2,839,051.76)**	**(6,560,756.64)**
Net carrying amounts 31.12.2021		**94,423.00**	**847.00**	**823,898.64**	**371,712.00**	**308,516.00**	**-**	**1,599,396.64**

In conformity with EU Accounting Rule 7, amortisation and depreciation charges have been recorded on a monthly basis via an automated calculation routine based on the date of receipt of the assets. The amortisation/depreciation of each item starts in the month of acquisition.

B) Current receivables and recoverables

Description	31.12.2021	31.12.2020
Current receivables (non-exchange)	**41,732.48**	**158,641.23**
Receivables from Member States	-	12,553.37
Receivables from credit institutions within the deferred settlement of administrative contributions (final system)	41,732.48	48,410.00
Receivables from late payment interest	-	96,372.69
Receivables from administrative contributions (2021 cycle)	-	1,305.17
Sundry receivables (exchange)	**82,028.22**	**33,845.09**
Staff	37,923.06	31,738.32
Others	44,105.16	2,106.77
Deferred charges	667,717.00	565,803.00
Accrued interest receivable (IPC top-up)	25,707,745.21	20,962,578.40
TOTAL	**26,499,222.91**	**21,720,867.72**

Receivables

The receivables from Member States are related to ex-ante and administrative contributions that were calculated and invoiced but remained due at year-end.

The SRB calculates the contribution amounts for the current financial year. Additionally, it (re)calculates the previously invoiced contributions of institutions that changed scope, status or other data in the past year(s) and for which those changes were reported by the ECB in the current contribution cycle. Any differences arising from the recalculation under the final system (reflected in equal receivables and payables) can be settled in subsequent financial years (DR 2017/2361 Article 10(7)). At year-end, the amount receivable to be settled in the coming periods came to EUR 41 732.48 (2020: EUR 48 410.00).

At year-end, the SRB has uncollected, doubtful ex-ante and administrative contributions to a total of EUR 1 615 515.63. Those amounts have been subject to full impairment as no cash flows are expected to be recovered.

In 2021, Commission DR (EU) 2021/517 was amended and it changed the arrangements for the payment of administrative contributions. Under the new system, the administrative contributions will be paid in two instalments at two different points in the year. The amended DR will be applied only as from 1 January 2022. For the current year, the provisions of DR 2017/2361 are still applicable.

IPC top-up

As explained above, according to the existing IPC agreements, the credit institutions have to replenish the amounts transferred as cash collateral for their IPC obligations in order to compensate for the monthly outflow of negative interest payable to the NCB where the IPC-related amounts are held. Therefore, at year-end, there was an outstanding accrued interest receivable for the IPC top-up that will be recovered in the first part of 2022. The majority of the receivables above have the nature of receivables and recoverables from non-exchange transactions, unless specifically stated otherwise. The pending amounts receivable were assessed for recoverability and no reduction in value was considered necessary.

Deferred charges

The deferred charges mostly represent pre-paid expenses for software licences and other maintenance, insurance and service contracts that are associated with the delivery of services for periods ending after 31 December 2021.

C) Cash and cash equivalents

Regarding the unrestricted cash held at banks, the Board has bank accounts with four commercial banks for the cash management of the administrative budget and expenditure.

Description	31.12.2021	31.12.2020
Unrestricted cash	**87,995,962.80**	**106,461,871.31**
Current bank accounts — commercial banks	87,995,962.80	106,461,871.31
Imprest accounts	-	-
Cash in hand ('caisses')	-	-
Transfers (cash in transit)	-	-
Short-term deposits and other cash equivalents < 3 months	-	-
Restricted cash (Fund usage) and cash collateral	**35,407,133,888.32**	**28,563,413,014.19**
Current bank accounts — national central banks (strategic cash)	21,289,220,996.84	18,973,520,397.69
IPC account with a national central bank	5,489,833,032.44	4,490,443,498.35
Cash under investment mandate (tactical cash)	8,628,079,859.04	5,099,449,118.15
TOTAL	**35,495,129,851.12**	**28,669,874,885.50**

The cash collected from ex-ante contributions for the SRF is deposited in bank accounts with National Central Banks (NCBs) in Eurozone Member States. These funds may be used under strict rules when there is a resolution case requiring the use of the SRF and for the coverage of certain eligible expenditures of the Fund (e.g. negative bank interest and bank fees).

During 2021, the SRB opened one new NCB bank account and now the SRF funds are held in a total of 19 bank accounts opened with 11 NCBs.

The cash collateral backing up the IPC agreements is held in one dedicated bank account with one NCB from the euro area. The purpose of the cash collateral is to secure the full and punctual payment of IPCs when called in by the SRB. If an institution fails to pay the full amount when an IPC is called in, the SRB is entitled to seize and apply the cash collateral in discharge of the commitment undertaken under the IPC agreement.

For the purpose of investment activity, the SRB holds six dedicated bank accounts with the custodian bank. These current accounts are presented separately under 'Restricted cash' as they hold the tactical cash of the portfolio while being managed under the investment portfolio mandate.

D) Net assets

According to the accounting recognition of revenues from administrative contributions, at year-end there is no surplus or deficit from administrative activities (accordingly, the net assets are zero).

With the entry into operations of the Single Resolution Fund (SRF or 'the Fund') from 1 January 2016, and the yearly collection of ex-ante contributions, there is a financial result giving rise to net assets from the SRF activities. Those reserves, over time, are expected to accumulate from one financial period to another and they represent resources entrusted to the SRB to be safeguarded and used where necessary, to ensure the efficient application of resolution tools and the exercise of resolution powers conferred on the SRB by the SRM Regulation.

Net assets include also the Fair Value revaluation reserve as well as actuarial gains/losses from post-employment benefits.

The Fair value revaluation reserve represents the cumulative gains and losses arising from the revaluation of investments in debt instruments classified as at FVTNAE, net of cumulative loss allowance recognised on these investments and cumulative gain/loss reclassified to profit or loss upon disposal or reclassification of these investments.

Movements in Fair Value revaluation reserve	2021	2020
FV reserve on 31.12	265,857,734.64	148,936,892.93
ECL 1.1.2021	36,152,138.19	-
FV reserve as at 1 January	**302,009,872.83**	**148,936,892.93**
Revaluation	(193,285,799.63)	116,106,052.91
Sale	13,508,499.99	814,788.80
ECL 31.12.2021	(10,388,931.50)	-
TOTAL	**111,843,641.69**	**265,857,734.64**

E) Financial liabilities (non-current)

Applying the provisions of the EU Accounting Rule 11, the financial liabilities of the Board consist of its payables. They are classified as current liabilities except where the liabilities have maturities of more than 12 months after the balance sheet date. Payables (including accrued charges, deferred income and other liabilities) are classified in the category of financial instruments ‘Other financial liabilities’. Further disclosures are presented below in subsection O, ‘Financial instruments’.

Long-term payables from SRB specific activities (Irrevocable Payment Commitments)

This item represents the counterpart of the cash collateral received by the SRB as an alternative to ex-ante contributions under the established IPC framework.

Description	31.12.2021	31.12.2020
Opening balance	**4,509,398,953.49**	**3,608,649,866.31**
Collected within the year	1,027,944,443.58	931,170,564.39
Voluntary termination of IPCs	(24,239,866.97)	(30,421,477.21)
Total long-term payables from SRB specific activities	**5,513,103,530.10**	**4,509,398,953.49**

Other long-term liabilities

Description	31.12.2021	31.12.2020
Pre-financing received from banks (administrative contributions)	73,674,850.95	97,306,187.75
TOTAL	**73,674,850.95**	**97,306,187.75**

Pre-financing received from banks

The amount outstanding for long-term pre-financing received from banks (for administrative contributions) is the cumulative total of the amount of funds collected within a year and not spent by the end of that year.

According to Article 18(1) of the SRB Financial Regulation, the Board has to use the funds representing positive budgetary results for previous financial periods to reduce the total amount of administrative contributions invoiced to the institutions in scope. As a result, in 2021 the Board took the decision to use the positive budgetary result for 2019 and collect the remaining amount.

Description	31.12.2021	31.12.2020
Opening balance for the year	**97,306,187.75**	**112,191,695.69**
Funds collected within the year and not spent	43,266,286.45	30,408,564.50
Funds used within the administrative contributions cycle for the year (assessed on accrual basis)	(66,897,623.25)	(45,294,072.44)
TOTAL	**73,674,850.95**	**97,306,187.75**

F) Provisions for other risks and charges

Description	31.12.2021	31.12.2020
Opening Balance	**651,600.00**	**686,400**
Additional Provisions	141,650.00	480,000.00
Release of unused amounts	(550,500.00)	(514,800.00)
Amounts used	-	-
Other	-	-
Present value adjustments	-	-
TOTAL	**242,750.00**	**651,600.00**

At year end, the provision for legal charges was adjusted in line with the developments in the court proceedings and also, to the usage/non-usage of the provisioned amounts. Please refer also to the details (in section L, 'Disclosures on appeals and legal cases') for more information on the topic of potential legal costs.

G) Financial liabilities (current)

Short-term leasing liability < 1 year (Breakdown of financial leasing)

Description	31.12.2021	31.12.2020
Plant and equipment	-	202.88
Furniture and vehicles	-	586.74
Computer hardware and software	-	26,599.96
TOTAL	**-**	**27,389.58**

Current payables

Description	31.12.2021	31.12.2020
Amounts payable	**346,065.50**	**111,008.82**
Vendors	346,065.50	62,598.82
Member States	-	-
Payables to credit institutions within the deferred settlement of administrative contributions	-	48,410.00
Sundry payables	**1,876,883.63**	**1,080,509.77**
Staff	283.49	1,082.67
Other **(1)**	1,876,600.14	1,079,427.10
TOTAL	**2,222,949.13**	**1,191,518.59**

(1) Other sundry payables	31.12.2021	31.12.2020
Assets — goods received without invoice	1,870,628.96	1,078,377.71
Interagency payables related to staff mobility	4,420.92	70.51
Social security-related payables	848.94	848.94
Other sundry payables	701.32	129.94
TOTAL	**1,876,600.14**	**1,079,427.10**

H) Other accrued charges and deferred income

Accrued charges

According to EU Accounting Rule 12, in addition to other accrued charges, a liability for untaken holidays (accumulating compensated absences) has been included in the Statement of financial position under accrued charges.

Under COVID-19 restrictions and measures taken by countries to limit travelling and to impose teleworking, the provision for untaken annual leave remained high.

At year-end, it was also necessary to accrue the negative interest payable for the month of December 2021, which, according to existing contractual terms and conditions, was debited by ten NCBs at the beginning of January 2022.

Description	31.12.2021	31.12.2020
Accrued charges	**8,836,999.70**	4,854,217.99
Untaken annual leave	997,500.33	977,576.00
Other accrued charges	7,839,499.70	3,876,641.99
Accrued bank interest charges	**11,514,331.97**	**7,391,599.51**
TOTAL	**20,351,331.67**	**12,245,817.50**

In 2021, other accrued charges represent:

Description	31.12.2021
IT costs	2,814,687.66
Consulting and advisory services	1,896,664.74
Portfolio management and custody	806,277.18
HR costs	770,787.52
Communication and translation services	743,230.38
Other	507,683.89
Building management	300,168.00
TOTAL	**7,839,499.37**

Deferred income

The SRB moved on 1 February 2016 into a building located at Treurenberg 22, Brussels. The convention for usufruct provided for a term of lease of 15 years and for a rent-free period of 3 months at the beginning of the occupancy period.

The amount representing the gratuity was initially recorded as deferred income and is recognised in the Statement of financial performance over the full term of the lease. On top of the rent charges, the Board also paid the landlord's costs for work done to re-design the physical space of the office building in line with the SRB's needs. These costs were paid according to a well-determined reimbursement schedule, which forms an integral part of the convention for usufruct.

Description	31.12.2021	31.12.2020
Deferred income from the gratuity of 3 months' rent free (on moving into the new premises)	399,637.00	439,270.00
Corresponding portion recycled in the surplus or deficit	(39,633.00)	(39,633.00)
TOTAL	**360,004.00**	**399,637.00**

Operating lease commitments

The payments related to the operating lease commitments still to be made for the period up to the end date of the lease contract (31 January 2031) for the Treurenberg 22 building amount to EUR 27 976 493.73 as shown in the schedule below:

Treurenberg 22 building (*)	Charges paid during the year	Charges still to be paid as at 31 December 2021			TOTAL to be paid
		< 1 year	1-5 years	> 5 years	
Operating lease	**3,077,414.31**	**3,077,414.31**	**15,387,071.55**	**9,512,007.87**	**27,976,493.73**

(*)The amounts have been disclosed at the level of the last applicable indexation in line with the Eurostat index.

In December 2021, the SRB signed a lease contract for an additional office space. The actual date of the lease commencement is foreseen for the first-half of 2022. The payments related to the operating lease commitments for the period up to the end date of the lease contract (31 January 2033) for the second building amount to EUR 6 997 185.00 as shown in the schedule below:

Second building (*)	Charges paid during the year	Charges still to be paid as at 31 December 2021			TOTAL to be paid
		< 1 year	1-5 years	> 5 years	
Operating lease	**-**	**269,122.50**	**3,139,762.50**	**3,588,300.00**	**6,997,185.00**

(*) The amounts have been disclosed at the level of the lease contract and will be indexed in line with the Eurostat index.

I) Post-employment benefits

Background

In accordance with the EU Council Regulation 2016/300 of 29 February 2016 determining the emoluments of EU high-level public office holders (for those public office holders who entered the SRB after 2015), the permanent members of the Board of the SRB are entitled to a retirement pension and transitional allowance.

At 31 December 2021, 11 persons were in the scope of the retirement pension plan, whereas 4 former members of the Board have received a transitional allowance.

The defined benefit obligation (DBO) related to these benefits was assessed based on a number of assumptions summarised below and on the rules of the EU Council Regulation 2016/300. This valuation was carried out in accordance with the methodology of IPSAS 39 (and therefore, with EU Accounting rule 12).

Summary of actuarial assumptions

Valuation date	31.12.2021	31.12.2020
Discount rate	1.00%	0.35%
Inflation rate	1.90%	1.75%
Salary increase	1.90%	1.75%
Mortality tables	Prospective IA/BE tables, with -1 year correction	Prospective IA/BE tables, with -1 year correction
Turnover rate before retirement	8.33%/year	8.33%/year
Retirement age	65 years in case of pension rules **before** 2015	65 years in case of pension rules **before** 2015
	66 years in case of pension rules **after** 2015	66 years in case of pension rules **after** 2015
Disability	N/A	N/A
Term of orphan annuity in case of death	25 years	25 years

Movement in present value of employee benefits (DBO)

The present value of the DBO is the discounted expected future payments required to settle the obligation resulting from employee service in the current and prior periods. An analysis of the movement in DBO (in both current and previous years) is shown below:

Description	Retirement pension	Transitional allowance
Defined Benefit Obligation / Net Defined Benefit Liability at 1 January 2021		**14,148,937.00**
Components of Defined Benefit Cost		
Defined Benefit Cost recognized in surplus or deficit		
Current service cost	1,674,106.35	199,740.84
Net interest revenue	45,598.60	3,922.68
Total Defined Benefit Cost	**1,719,704.95**	**203,663.52**
	(1)	(2)
Total movement in post-employment benefits costs (Statement of financial performance) (1+2)		**1,923,368.47**
Re-measurements recognized in net assets/equity (OCI)		
Actuarial (gains)/losses arising from:		
Changes in demographic assumptions	-	-
Changes in financial assumptions	(1,351,673.69)	(6,705.13)
Experience adjustments	250,877.54	(113,440.55)
Total	**(1,100,796.15)**	**(120,145.67)**
	(3)	(4)
Total Actuarial (gains)/losses in Net Assets (Other Comprehensive Income) (3+4)		**(1,220,941.83)**
Total Defined Benefit Cost	**618,908.79**	**83,517.85**
Cash Flows		
Direct Benefit payments	-	(432,658.01)
Defined Benefit Obligation / Net Defined Benefit Liability at 31 December 2021	**618,908.79**	**(349,140.16)**
	(5)	(6)
Total Net Defined Benefit Liability at 31 December 2021 (5+6)		**14,418,705.63**

The expected expenses of post-employment benefits for the following year amount to EUR 1 684 883.00.

Sensitivity

The SRB should also disclose the sensitivity of each significant actuarial assumption in order to present details on how the DBO would have been affected by changes that were reasonably possible at the reporting date.

Sensitivity analysis on DBO	31.12.2021	31.12.2020
Discount rate plus 25 basis points (bp)	13,760,528	13,491,850.00
Discount rate minus 25 bp	15,121,628	14,851,896.00
Inflation plus 50 bp	16,221,098	15,966,669.00
Inflation minus 50 bp	12,909,640	12,637,509.00
Life expectancy plus 1 year	13,883,022	13,611,630.00
Life expectancy minus1 year	14,961,223	14,698,720.00

8. Other significant disclosures

J) Contingent assets

Irrevocable payment commitments

Any commitment entered into under the IPC contractual arrangements is disclosed as a contingent asset that is highly dependent on the probability of a future event. This future event is the calling in of IPCs in the event of specific circumstances. Details of the accounting treatment of IPCs are provided on pages 18 to 20.

Description	31.12.2021	31.12.2020
IPCs — the contractual commitment	5,513,103,530.10	4,509,398,953.49
TOTAL	**5,513,103,530.10**	**4,509,398,953.49**

K) Borrowing agreements signed

Recital 13 of the Intergovernmental Agreement acknowledges that situations may exist where the means available in the SRF are not sufficient to undertake a particular resolution action and where ex-post contributions should be raised in order to cover the necessary additional amounts are not immediately accessible.

On 8 December 2015, the Economic and Financial Affairs Council endorsed a harmonised loan facility agreement (LFA) that was signed by the 21 participating Member States (19 Euro Area Member States and BG and HR upon their entry into the Banking Union).

LFAs will be terminated upon the entry into force of the Common Backstop in 2022. As at 31 December 2021, no financial liabilities were recognised.

L) Disclosure on appeals and legal cases

The SRB is financially exposed, directly or indirectly through NRAs, and to administrative and judicial appeals against its decisions, as further described below.

At the date of issuing these final annual accounts, the SRB is of the view that it is probable that an outflow of economic resources will be required to settle three of the pending cases. Consequently, the exposures related to those three pending cases will be recognised as provisions in the Statement of financial position. Those exposures are nevertheless limited to the legal costs of the opposing party's legal representation, the amount of which is estimated at EUR 141,650.00 .

As regards the disclosure of contingent liabilities, reference is made to the following paragraphs (here in section L) which provide for the assessment of the SRB at the date of preparation of final financial statements. The SRB is closely monitoring the evolution of all pending appeals and court cases against the SRB. The SRB also obtains information from the NRAs about the status of the national judicial and administrative proceedings against the national authorities.

Appeals and litigation regarding *ex-ante* contributions

At the end of 2021, 65 court cases related to ex-ante contributions were pending against the SRB before the General Court (62 cases) and the Court of Justice (3 cases), of which 23 were lodged in 2021 before the General Court.

In September 2020, three cases were decided by the General Court in favour of the applicants. The SRB appealed those three judgments before the Court of Justice. The Commission also brought one appeal. In July 2021, the Court of Justice decided on two of those appeals, confirming the infringement of the duty to state reasons but quashing the decision of the General Court insofar as it found Delegated Regulation 2015/63 to be partially unlawful and the decision not to be appropriately authenticated.

Given that the Court of Justice has confirmed the legality of Delegated Regulation 2015/63 , the SRB could remedy any potential shortcoming regarding the duty to state reasons by re-adopting the decision with improved reasoning. The likelihood of an outflow of economic resources in these cases is nevertheless remote because that infringement does not affect the calculation of the contribution itself.

In addition, on 20 January 2021, the General Court handed down a judgment in case T-758/18 – ABLV v. SRB, that rejected the applicant's case. On 30 March 2021, the applicant lodged an appeal against the General Court's judgment before the Court of Justice. The likelihood of an outflow of economic resources in this case is remote.

Other cases, including cases brought against the decision determining the ex-ante contributions calculated for 2021, alleging a breach of rules, may affect the calculation of those contributions. Given that some of those allegations have over a 10% probability of success, the likelihood of outflow of economic resources in those cases should be classified as possible.

On 30 November 2021, the ECA published its 'Report on any contingent liabilities arising as a result of the performance by the Single Resolution Board, the Council or the Commission of their tasks under this Regulation for the 2020 financial year'. According to this report,'[i]nstead of disclosing as contingent liabilities the full amounts of the ex-ante contributions subject to litigation, [the SRB] should assess and develop a method for calculating the estimated difference in contributions between the original ex-ante contribution decisions and a potential revised decision, where applicable'.

The SRB developed a methodology to estimate the amounts that it would be liable for to contributing institutions if any of the cases referred to above were successful, including where the amounts represent only the difference between the original contribution and the potential revised contribution. The total amount in dispute for these cases of EUR 5.5 million is therefore disclosed as a contingent liability.

In 2020 financial statements, the SRB disclosed contingent liabilities totalling to EUR 5,561.12 million. Due to uncertainties concerning the validity of the legal framework, the value of those contingent liabilities represented the total of ex ante contributions received by the SRB. In light of the clarification of the Court of Justice as regards of the validity of the legal framework, the SRB in its 2021 financial statements discloses only the difference between amounts received and potential revised decision.

The above change represents change in estimates (not a change in accounting policy); therefore, the SRB does not restate previous periods' values.

Please see below the total amounts recognised as contingent liabilities regarding legal cases on ex-ante contributions at EU level:

	31.12.2021	31.12.2020
Contingent liabilities	5,509,446.47	5,579,710,262.70

With regard to appeals and court cases pending before the NRAs and national administrative courts, the SRB notes that the Court of Justice has clarified that EU courts have exclusive competence for reviewing the legality of the SRB's calculation of ex-ante contributions and related matters (see judgment of the Court - Grand Chamber - of 3 December 2019, Case C-414/18, Iccrea v Banca d'Italia, preliminary ruling, EU:C:2019:1036). It follows that national courts do not have competence to annul these decisions and, therefore, the risk of outflow of economic resources stemming from cases against ex-ante contributions at national level is remote. Therefore, the SRB is not disclosing any contingent liability in relation to such cases.

Finally, at the time of issuing these final annual accounts, the SRB considers that it is also possible that an outflow of economic resources will be required to settle the legal costs of the opposing party's legal representation in those cases with a probability of success of above 10%, but less than 50%. Given the different procedural stages of those cases, and the resulting impossibility to ascertain legal costs not yet incurred by the opposing party, the financial exposures are estimated on the basis of the most recent example of legal costs paid in a case of a similar nature, and the total amount for all those pending cases is estimated at EUR 2 550.000.

Litigation on Banco Popular Español's resolution

Following the adoption of the resolution scheme in respect of Banco Popular Español S.A. (BPE) by the SRB on 7 June 2017, legal actions were brought before the General Court and the Court of Justice by former shareholders and creditors of the bank.

From the 109 court cases related to BPE's resolution pending against the SRB before the General Court and Court of Justice at 31 December 2021, 102 legal cases were suspended by the Court.

In its five rulings of 1 June 2022, the General Court confirmed the legality of the SRB's decision to resolve BPE and the European Commission's endorsement of that resolution scheme, both of which implement the resolution legal framework. In addition, the action for damages has been dismissed and the applicants have been ordered to pay costs.

At the date of issuance of the financial statements, the SRB is not aware of any appeals brought against the General Court's decision.

Moreover, following the adoption on 17 March 2020 of the decision determining whether compensation needs to be granted to former shareholders and creditors of BPE (Valuation 3 decision), seven legal actions were brought before the General Court against the SRB .

On 17 November 2020, one of these legal actions was dismissed by order of the General Court, and the Court of Justice has confirmed that judgment. There are therefore six pending cases against the Valuation 3 decision concerning Banco Popular Español. In light of the complexity and the novelty of the issues of this ongoing litigation, the SRB considers that for these cases the likelihood of a negative outcome can be considered as remote.

At the end of 2021, several court proceedings related to the resolution of BPE were pending at national level. If there is a successful outcome for the appellants before the national courts resulting in damages to be repaid by the local NRA, the SRB may have to return the corresponding amounts in total or in part (according to Article 87(4) Regulation (EU) No 806/2014). At this stage, it is difficult to reasonably predict the outcome of this litigation and to estimate its potential financial effects due to the complex, specific and unprecedented legal system created by the new resolution legal framework. In this context, the SRB is disclosing the nature of the contingent liabilities associated with this litigation, but it is not in a position to quantify the financial effect.

Litigation on decisions taken in relation to ABLV Bank, AS and ABLV Luxembourg Bank S.A.

Following the SRB decisions on the assessment of the conditions for the resolution of ABLV Bank, AS and ABLV Luxembourg Bank S.A. on 23 February 2018, two legal actions were brought before the General Court.

On 14 May 2020, one of these legal actions was dismissed as inadmissible by order of the General Court. That order of the General Court was appealed before the Court of Justice which dismissed the appeal on 24 February 2022. Therefore, there is no risk of any economic outflow.

Litigation on the decision taken in relation to PNB Banka

Following the SRB decision on the assessment of the conditions for the resolution of PNB Banka on 15 August 2019, one legal action was brought before the General Court.
At this stage of the proceedings and on the basis of the information available, the SRB considers that the likelihood of an outflow of economic resources as result of the pending court cases is remote.

Litigation in relation to human resources cases

On 7 and 8 May 2020 respectively, two legal actions concerning human resources issues were brought against the SRB. At this stage of the proceedings, based on the facts of the case, the SRB, by way of a preliminary assessment, currently considers that the risk of an unfavourable outcome for the SRB is remote.

M) Open commitments at year-end

The budgetary RAL (reste à liquider) represents the total open commitments for which payments and/or decommitments have not yet been made, with the outstanding amounts being carried over to the next financial year. The accounting RAL as presented below is the part of the budgetary commitments that has not been consumed (expended) during the year by an invoice or other form of claim, or through year-end accrued charges (cut-off adjustments).

Other significant disclosures	31.12.2021	31.12.2020
Total amount of commitment appropriations carried over from year N to year N+1 (C8 funds)	**6,109,789.65**	**2,542,537.81**
Portion not spent that corresponds to commitments with differentiated appropriations (not carried over)	6,901,821.77	8,608,517.90
Amount accrued in year N	(8,837,189.70)	(4,854,217.99)
TOTAL RAL at year-end	**4,174,421.72**	**6,296,837.72**
Total amount carried over from year N to year N+1 (R0 and C4 funds)	47,175,715,753.12	37,710,854,067.36

N) Financial leasing

The SRB had three leasing contracts — DI07030, DI 07370 and DI07210 — consisting of 29 specific orders totalling EUR 3 860 569.30 (investment value). All three contracts had a duration of 5 years, they ended in the course of 2021 and were related to assets used in the Treurenberg 22 building.

Description	31.12.2021	31.12.2020
Plant and equipment	-	202.88
Furniture and vehicles	-	586.74
Computer hardware and software	-	26,599.96
TOTAL	**-**	**27,389.58**

O) Financial instruments

Financial instruments consist of cash, investments in securities, current receivables and recoverables, and current long-term and short-term payables, including accruals and deferrals.

Valuation of financial instruments

All the financial assets and liabilities of the SRB are valued at fair value or amortised cost. Financial instruments are valued according to EU Accounting Rule 11 and IPSAS 41, as discussed on page 14.

An overview of their classification and measurement, and the treatment of changes to the carrying amount is presented below.

31/12/2020 Financial instrument	Category	Measurement	Change in carrying amount

Cash and cash equivalents	Loans and receivables	Amortised cost	Economic outturn account
Investments in securities	AFS	Fair value	Fair value reserve in net assets (Other Comprehensive Income)
Receivables	Loans and receivables	Amortised cost	Economic outturn account
Deferred charges and accrued income	Loans and receivables	Amortised cost	Economic outturn account
Payables	Other financial liabilities	Amortised cost	Economic outturn account
Accrued charges and deferred income	Other financial liabilities	Amortised cost	Economic outturn account
Other liabilities	Other financial liabilities	Amortised cost	Economic outturn account

31/12/2021			
Financial instrument	**Category**	**Measurement**	**Change in carrying amount**
Cash and cash equivalents	Financial assets measured at amortised cost	Amortised cost	Economic outturn account
Investments in securities	Financial assets measured at FVTNAE	Fair value	Fair value reserve in net assets (Other Comprehensive Income)
Investments in securities	Financial assets measured at FVTNAE – Impairment	Fair value	Economic outturn account
Receivables	Financial assets measured at amortised cost	Amortised cost	Economic outturn account
Deferred charges and accrued income	Financial assets measured at amortised cost	Amortised cost	Economic outturn account
Payables	Financial assets measured at amortised cost	Amortised cost	Economic outturn account
Accrued charges and deferred income	Financial assets measured at amortised cost	Amortised cost	Economic outturn account
Other liabilities	Financial assets measured at amortised cost	Amortised cost	Economic outturn account

The carrying amounts of the SRB's financial instruments are as follows:

Carrying amounts	**31.12.2021**	**31.12.2020**
Financial assets		
AFS financial assets (*) (non-current)	-	11,221,977,986.36
AFS financial assets (current)	-	2,345,078,671.17
Financial assets measured at FVTNAE (non-current)	14,363,184,408.86	-
Financial assets measured at FVTNAE (current)	2,453,455,434.78	-
Pre-financing	-	-
Current receivables	41,732.48	158,641.23
Other receivables	82,028.22	33,845.09
Deferred charges and accrued interest receivable	26,375,462.21	21,528,381.40
Cash and deposits	35,495,129,851.12	28,669,874,885.50
TOTAL financial assets	**52,338,268,917.69**	**42,258,652,410.75**
Carrying amounts		**31.12.2020**
Financial liabilities		
IPC Liability	5,513,103,530.10	4,509,398,953.49
Pre-financing received from bank institutions	73,674,850.95	97,306,187.75
Long-term lease liability	-	-
Long-term liabilities falling due within the year	-	27,389.58
Current payables	346,065.50	111,008.82
Other payables	1,876,883.63	1,080,509.77
Accrued charges and deferred income	20,711,335.67	12,645,454.50
TOTAL financial liabilities	**5,609,712,665.85**	**4,620,569,503.91**
TOTAL net financial instruments	**46,728,556,251.84**	**37,638,082,906.84**

(*) The investment portfolio is presented in detail in section 10.3, p. 57 onwards.

Financial instruments — disclosures

Financial instruments give rise to financial risks, specifically to liquidity, credit and market risk. Financial risks linked to the investment of *ex-ante* contributions in the financial markets are further detailed and quantified in the risks overview of section 10.3 investment portfolio, pp. 56-61.

Liquidity risk

Liquidity risk refers to the inability to repay obligations when they fall due or the inability to sell at a prevailing market price.

The EU budgetary principles require that the overall cash resources for a given year are always sufficient for the execution of all payments.

The following measures are in place at the SRB to manage liquidity risk:

- For the moment, the funds are placed as cash-at-bank in current and in savings accounts. Therefore the cash available on demand could easily be used to cover short and long-term liabilities and also those of unpredictable maturity. However, when using the funds, the Board must comply with strict rules even if it has an undisputable liquidity surplus.
- The funds for administrative purposes are kept and used completely separately from the fund contributions and IPC means (with the bank accounts being completely separated and earmarked for administrative purposes, Fund resources and IPCs).
- To cover administrative expenditure, the invoices for administrative contributions are issued, once, early in the year, in order to meet all current and future obligations within the financial period.
- The treasury and payment operations are highly automated and rely on sound information systems. Specific procedures are applied to guarantee system security and to ensure the segregation of duties in line with the SRB Financial Regulation, internal control standards and audit principles.

Credit risk

Credit risk is the risk of loss due to a debtor/borrower non-payment of a loan or other line of credit (either the principal or interest or both) or other failure to meet a contractual obligation. Default events could include a delay in repayments, restructuring of borrower repayments and bankruptcy.

The most important financial assets are the cash held at banks and bonds in the investment portfolio. The paragraphs below explain the measures in place to manage the credit risk.

<u>Administrative contributions</u>

Administrative resources are kept with four commercial banks for which specific credit risk guidelines were applied. Credit ratings of the commercial banks where the SRB holds its bank accounts are reviewed regularly.

<u>Fund contributions</u>

The *ex-ante* contributions collected for the Fund, together with the cash collateral from IPCs, are held in NCB accounts in ten countries in the Eurozone.

According to the investment plan for the year, a portion of the collected funds was invested in securities with an investment grade of at least S&P BBB– or equivalent.

<u>Receivables</u>

All the other receivables are constantly monitored for prompt recovery, and timely action is taken for write-off based on formal evidence when there are reasons to believe that the full recoverability of the debt is in doubt and the debtor may not be able to repay its debt to the SRB.

Market risk

Market risk can be split into interest rate risk and currency risk.

Interest rate risk

The interest rate for cash held in current bank accounts is governed by the terms and conditions of the contracts signed with the banks.

For the NCB accounts, according to the existing terms and conditions, the interest rate applied is the ECB deposit facility interest rate. If negative, the bank interest charge is taken by direct debit in the first days of the next month for the previous month.

Investments in securities also carry an interest rate risk, which is explained in section 10.3.

The Board has put in place strict controls on the amounts charged by the banks, which are checked by recalculation; immediate action is taken to reclaim overcharged amounts.

Foreign currency risk

Foreign currency risk is the risk that the SRB operations will be affected by changes in exchange rates. Foreign currency risk (or foreign exchange risk) arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured.

As all the SRB's financial assets and liabilities are euro-denominated, the SRB was not exposed to foreign currency risk in 2021.

P) Changes in accounting policies

Other than changing the accounting policy for financial instruments (explained above on page 14), there were no other changes to accounting policies for the financial year 2021 that could give rise to additional disclosures or restatement adjustments.

Q) Related party disclosure

The related parties of SRB are the key management personnel who hold positions of responsibility within the Board. They are responsible for the strategic direction and operational management of the entity and are entrusted with significant authority to execute their mandate.

Highest grade description	Grade	Number of persons on this grade
The Chair of the SRB	AD 16	1
The Vice- Chair of the SRB	AD 16	1
The other members of the Executive Session of the Board	AD 16	4

The transactions of the Board with the key management personnel during the financial year 2021 consisted only of remuneration, allowances and other entitlements, as determined for grade AD 16 in the Staff Regulation of the Officials of the European Communities and by Council Regulation No 422/67/EEC of 25 July 1967 and Council Regulation (EU) 2016/300 of 29 February 2016. No loans or other amounts outside the provisions of the Staff Regulation were granted to management or staff.

R) COVID-19

During 2021, the COVID-19 pandemic continued to cause massive disruption globally in health terms as well as from economic point of view. As in many other organisations, the SRB was also impacted.

The SRB response to the COVID-19 situation involved addressing all key aspects of its general functioning, including:

1. the operational risks, especially for safeguarding the health of the staff and the business continuity of services;
2. the financial risks associated with its investments, budget spending and collection of revenues.

The SRB was able to carry out its duties as normal, despite the restrictions.

With regard to the impact of the pandemic on the SRB activities, the following impact was noted:

1. no funds had to be returned due to the increased incapacity to spend or inability to implement the Annual Working Programme to the extent foreseen;
2. regarding the impact on budgetary consumption, more details could be found in Part II of these Annual Accounts (Report on Budgetary and Financial Management for 2021)
3. the external revenues (invoiced and collected) have not decreased due to changes in the payment terms or in other components triggering income;
4. no reduction of the assets value was observed (e.g. decrease of fair value, increase of impairment);
5. no significant transfers in budget or any headcount reduction took place.

S) Events after the reporting period

At the issuance of these Financial Statements, the following should be mentioned:

1. Regarding events that concern a situation existing at 31 December 2021

   1.1. Ex-ante contributions restatements

   By this date, the total amount of restatements for previous financial periods reached -46.71 million EUR (versus 341.40 million EUR reported last year). This amount has been included in the 2022 contribution cycle. According to the accounting policy applied by SRB in recognising non-exchange revenues, this amount has been assessed as not material for adjusting the recognised revenues from ex-ante contributions of 2021.

   There have not been other events that concern situations existing at 31 December 2021.

2. Regarding events that do not concern a situation existing at 31 December 2021 being related to new facts occurred during 2021

   Below events represent non-adjusting events in terms of EU Accounting Rule 19 (IPSAS 14), which do not require any adjustments to the figures reported in these annual accounts. For subsequent reporting periods, they may affect the recognition and measurement of some assets and liabilities on the balance sheet and of some revenue and expenses recognised in the statement of financial performance.

   2.1. Resolution of Sberbank AG

   On 28 February 2022, following the European Central Bank's assessment, the Single Resolution Board decided that Sberbank Europe AG in Austria and its subsidiaries in Croatia (Sberbank d.d.) and Slovenia (Sberbank banka d.d.) were failing or likely to fail. On 1 March 2022, the Single Resolution Board decided to adopt resolution schemes in respect of Sberbank d.d. and Sberbank banka d.d providing for the application of the sale of business tool. Under the respective resolution scheme, following a marketing procedure, the SRB has decided to transfer all the shares issued by Sberbank d.d. to Hrvatska Poštanska Banka d.d., and all the shares issued by Sberbank banka d.d. to Nova ljubljanska banka d.d. On the same day, the SRB also decided not to adopt a resolution scheme in respect of Sberbank Europe AG. Those decisions did not require any use of the Single Resolution Fund.

   The SRB is not aware of any judicial proceeding arising from those decisions which would require the disclosure of contingent liabilities or booking provisions.

   2.2. Effect of the war in Ukraine on the activities of the Single Resolution Board

   The geopolitical situation in the first half of 2022 has had significant implications for the EU economy and for EU financial markets. The severity of the disruptions in commodity markets and to global supply chains will weigh heavily on the outlook for inflation, the EU economy, and possibly macro-financial stability.

   The risks to financial stability have increased: the concurrent effects of the gradual withdrawal of the support measures adopted during the pandemic and those generated by the war in Ukraine are causing uncertainty. The war has increased credit risks in relation to banks' exposures toward counterparties in Russia, Belarus, and Ukraine and with loans to domestic firms most exposed to the effects of the war. Market risks and counterparty risks are also increasing, mainly linked to the rising commodity prices. In addition, banks are exposed to the legal repercussions and reputational consequences of introducing sanctions against Russia, and there is a greater risk of cyber-attacks affecting banks' business continuity. Finally, yet importantly, the war may have repercussions on the banks, not only in the short term via direct exposures but through the second round of effects deriving from lower-than-expected economic growth and significant growth in inflation.

Since the outbreak of the war, the SRB has continuously monitored the banks under its remit. In particular, the SRB introduced a procedure to monitor the impact of the geopolitical situation on SRB banks. This enhanced monitoring is conducted closely with the ECB and other relevant EU institutions, international actors and NRAs. The objective is to keep the SRB Board updated on the latest developments and assess the implications for resolution planning supported by the development of relevant tools to support SRB Internal Resolution Teams in assessing the impact on their banks.

2.3. Effect of the war in Ukraine and general market environment on the portfolio

Following the onset of the war in the Ukraine, the SRB has enhanced its monitoring of securities in particular, those in the corporate bond portfolio (already in run-off) that are the most directly exposed to the consequences of the war. Special focus was given to securities issued by companies in the oil and gas sector. To date, there have been some increases in credit spreads which have led to a reduction in the fair value of securities. However, there has been only one credit rating downgrade of a holding to below investment grade, which has been disposed of. Thus far, the effects of the war have been relatively limited and are not material at a portfolio level.

Since the start of 2022, and accelerated by the war in the Ukraine, both expected and realised inflation in the Eurozone have increased. The market and central banks now assesses inflation as being more permanent in nature compared to the end of 2021 where it was viewed as being more transitory. Consequently, the ECB has announced its intention to hike interest rates, starting in July 2022. Such expectations of increases in rates have led to a fall in the fair value of securities held by the SRB (recorded in Other Comprehensive Income). However, such rate increases will cause, the negative interest paid on the cash balances held by the SRB to reduce, which will have a positive effect on income.

The rate increases combined with the war in Ukraine have increased volatility. The SRB is monitoring the situation closely and will consider whether any action is necessary in terms of asset allocation.

9. Notes to the Statement of financial performance

A) Revenues

Operating revenues	2021	2020
Revenues from non-exchange transactions	**9,488,362,976.61**	**8,496,059,440.90**
Revenues from *ex-ante* contributions to the SRF	9,406,700,062.15	8,413,791,184.74
Bad debt allowance	(1,614,832.19)	-
Revenues from administrative contributions	83,277,746.65	82,268,256.16
Other operating revenues (exchange)	**6,857.97**	**804.48**
Exchange rate gains	6,857.97	804.48
Revenues from administrative operations (exchange)	**7,180.35**	**63.55**
Other miscellaneous administrative revenues (exchange)	7,180.35	63.55
TOTAL	**9,488,377,014.93**	**8,496,060,308.93**

The major portion of the SRB's operating revenues consists of **non-exchange revenues**. In 2021, the SRB received *ex-ante* contributions to the SRF and administrative contributions.

Revenues from *ex-ante* contributions to the Fund

The total revenue for 2021 incorporates the effect of the following:

- a positive impact from the restatements pertaining to previous periods and newly supervised entities amounting to EUR 290 312.41 (2020: EUR 121 107 619.98);
- a positive impact from the voluntary termination of IPCs that generated additional *ex-ante* contributions amounting to EUR 24 239 866.97 (2020: EUR 33 741 703.37and recognised as revenues within the year when they are invoiced and collected.

Revenues from administrative contributions

The determination and raising of Administrative Contributions is based on the Commission Delegated Regulation (EU) 2017/2361 of 14 September 2017 on the final system of contributions to the administrative expenditures of the Single Resolution Board, which came into force on 8 January 2018 and was amended by Commission Delegated Regulation (EU) 2021/517 of 11 February 2021.

Under the final system and its enlarged scope (all credit institutions established in the banking union need to contribute), it is stipulated that institutions that already paid by way of instalments under the provisional system will have their contributions recalculated. Any difference between the instalments paid and the recalculated contributions can be settled by increasing or decreasing the contributions due from these entities in the following years.

Pursuant to the Decision of the Executive Session of the Board of 29 April 2021 determining the 2021 contributions, the final amount to be invoiced was increased by EUR 150 416.85, which covered the one-off payments to be reimbursed to those entities that either fell out of scope or had a changed status (as explained below).

Description	2021	2020
Administrative contributions — voted administrative budget	**119,000,000.00**	**117,800,000.00**
Less: positive result of previous years (budgetary cash based)	(59,359,169.28)	(50,417,898.57)
Add: additional amount collected on account of the deferred settlement cycle	150,416.85	1,471,662.71
Add: Other adjustments from calculation	0.22	(0.32)
Total amount invoiced to the institutions	**59,791,247.79**	**68,853,763.82**
Less: reimbursement towards institutions falling out of scope	(31,359.81)	(828,250.17)
Less: reimbursement towards institutions that changed status (less significant rather than significant entities)	(119,057.04)	(643,412.54)
Add: amount not yet reimbursed by 31 December 2021	6,289.22	647.11
Total amount available for the year	**59,647,120.16**	**67,382,748.22**
Add: pre-financing received in previous periods (accrual based)	66,896,939.81	45,294,072.44
Less: amount not spent during the year after covering all administrative and operational expenditure (long-term liability)	(43,266,313.32)	(30,408,564.50)
TOTAL	**83,277,746.65**	**82,268,256.16**

In accordance with the applicable accounting policy on the recognition of revenue from administrative contributions, the amounts invoiced to the banks in scope are recognised as income only up to the level of the yearly total expenses.

Financial revenues

Description	2021
Interest income on late payment of administrative contributions	**639.29**
Interest income from cash and cash equivalents	
Financial revenues **from financial assets measured at FVTNAE**	**31 ,101,434.24**
Interest income on financial assets **measured at FVTNAE**	17,592,934.27
Income received at modification of a financial asset	
Net realised gains/(losses) on sales of financial assets **measured at FVTNAE**	13,508,499.97
TOTAL	**31,102,073.53**

Description	2020
Interest income on late payment of administrative contributions	**523.02**
Interest income from cash and cash equivalents	**-**
Financial revenues from investments in **AFS** securities (*)	**20,460,317.17**
Interest income on **AFS** financial assets	19,710,380.05
Income received at modification of a financial asset	1,743,610.99
Net realised gains/(losses) on sales of AFS financial assets	(993,673.87)
TOTAL	**20,460,840.19**

(*) Reconciliation between budgetary and accounting amounts	2021	2020
Total income from investments inscribed in year N budget	**202,282,180.39**	**208,406,973.60**
Less: realised losses inscribed in budget as expenses of year N (title IV)	(28,861.03)	(1,309,717.64)
Total NET revenues recognised in year N budget	**202,253,319.36**	**207,097,255.96**
Less: amounts inscribed in budget year N but cashed in year N-1 (timing difference)	(5,226,134.96)	(2,917,817.86)
Add: amounts cashed in year N, but inscribed in budget year N+1 (accrued)	35,248,168.98	5,226,134.96
Add: accrual adjustment of interest income (EIR method)	(201,152,995.68)	(188,945,255.89)
Add: realised gain/(loss) not inscribed in budget year N (accrued)	(20,923.46)	-
TOTAL Income from investments	**31,101,434.24**	**20,460,317.17**

B) EXPENDITURE

Operating expenses

Description	2021	2020
Administrative expenses	**75,755,802.28**	**66,097,863.41**
Staff expenses	47,211,388.90	43,696,551.51
Other expenses	28,544,413.38	22,401,311.90
Administrative expenses	4,827,083.17	3,833,465.72
IT expenses	12,077,003.60	9,097,780.85
Other services (non-IT)	3,243,273.54	2,637,526.36
Land and buildings	5,100,879.89	4,629,353.98
Fixed assets expenses	3,296,173.18	2,203,184.99
Operational expenses	**5,231,546.37**	**2,902,858.06**
Other operational expenses	5,207,526.12	2,899,908.00
Exchange rate losses	24,020.25	2,950.06
TOTAL	**80,987,348.65**	**69,000,721.47**

In 2021, 58% (2020: 66.11%) of SRB administrative expenses was linked to staff, while 35% (2020: 21.19%) was related to other significant administrative expenses (rent and IT support).

The operational expenses increased in 2021 and represent 6.46% of the total expenses (2020: 4.21%).

Financial expenses

Description	2021	2020
Financial expenses	**145,837,062.76**	**108,805,858.20**
Interest on financial liabilities at amortised cost	-	-
Interest charges on cash and cash equivalents	145,834,152.31	108,778,965.73
Late payment interest expense	1,206.19	1,287.42
Interest expense on finance lease	1,704.26	25,605.05
Other financial expenses (bank charges)	**7,141.02**	**6,432.83**
Expected credit loss	**10,388,931.50**	**-**
TOTAL	**156,233,135.28**	**108,812,291.03**

The interest charges on cash and cash equivalents have increased in 2021 due to additional funds collected in NCB accounts from ex-ante contributions. The total amount of interest expenses includes also the negative bank interest charged by the commercial banks for the funds collected from administrative contributions (2021: EUR 380 934.76, 2020: EUR 595 669.70).

10. Annex — The Single Resolution Fund

The SRF was established by the SRM Regulation and is composed of contributions from credit institutions and certain investment firms in the 21 Eurozone Member States participating in the banking union.

The SRF ensures that the financial industry, as a whole, finances the stabilisation of the financial system.

As previously explained, the SRF will be gradually built up during its first 8 years (2016-2023) and must reach the target level of at least 1% of the amount of covered deposits of all credit institutions in the banking union by 31 December 2023.

The purpose of the Fund — using the Single Resolution Fund in resolution

Within the resolution scheme, the SRF may be used for capital or liquidity support only to the extent necessary to ensure the effective application of the resolution tools. The Fund may be used for the following purposes (Article 76 of the SRM Regulation):

1. to guarantee the assets or the liabilities of the institution under resolution, its subsidiaries, a bridge institution or an asset management vehicle;
2. to make loans to the institution under resolution, its subsidiaries, a bridge institution or an asset management vehicle;
3. to purchase assets of the institution under resolution;
4. to make contributions to a bridge institution and an asset management vehicle;
5. to make a contribution to the institution under resolution in lieu of the write-down or conversion of liabilities of certain creditors under specific conditions;
6. to pay compensation to shareholders or creditors who incurred greater losses than under normal insolvency proceedings.

The SRF must not be used to absorb the losses of an institution directly, or to recapitalise an institution.

In exceptional circumstances, where an eligible liability or class of liabilities is excluded or partially excluded from the write-down or conversion powers, a contribution from the SRF may be made to the institution under resolution under two key conditions, namely:

- Bail-in of at least 8%: losses totalling not less than 8% of the total liabilities including own funds of the institution under resolution have already been absorbed by shareholders after accounting for losses incurred, the holders of relevant capital instruments and other eligible liabilities through write-down, conversion or otherwise.
- Contribution from the SRF of a maximum of 5%: the SRF contribution does not exceed 5% of the total liabilities including own funds of the institution under resolution.

During 2021, there was no use of the Fund.

Ex-ante contributions to the Fund

Contributions are raised annually from institutions within the scope of each of the 19 Member States of the banking union. The NRAs are responsible for the collection of contributions and their transfer to the SRF.

Cycle 2018: EUR 6.73 billion from 3 512 institutions

Cycle 2019: EUR 7.01 billion from 3 315 institutions

Cycle 2020: EUR 9.31 billion from 3 066 institutions

Cycle 2021: EUR 10.4 billion from 3 018 institutions

Irrevocable payment commitments

According to Council Implementing Regulation (EU) 2015/81, credit institutions are allowed to use IPCs to pay a part of their contribution as an alternative to cash payments of *ex-ante* contributions. The amount that can be transferred under the IPC agreements is defined based on strict criteria, which take into account the limits stated by the applicable regulation.

All IPC agreements contain a provision that states that in a negative interest rate environment institutions will be asked to replenish the interest that has accrued on the collateral over the course of the year.

More details on the accounting treatment applied by the SRB in relation to the IPCs and a brief account of the IPC mechanism can be found on pages 24 to 26.

Fund analytical accounts as at 31 December 2021

To give a detailed view of the Fund transactions as reflected in the SRB accounts, a separate Statement of financial position and Statement of financial performance, including only the Fund transactions, were prepared and are presented below.

ANALYTICAL FINANCIAL STATEMENTS 2021 - THE SRF

10.1 Statement of financial position 2021 for the SRF

10.1.1 Statement of financial position 2021 — SRF ASSETS

HEADING	31.12.2021	31.12.2020	Variation
NON-CURRENT ASSETS	**14,363,184,408.88**	**11,221,977,984.84**	**3,141,206,424.04**
Intangible assets	**-**	-	-
Property, plant and equipment	**-**	-	-
Financial assets (non-current)	**14,363,184,408.88**	**11,221,977,984.84**	**3,141,206,424.04**
AFS financial assets (non-current)	-	11,221,977,984.84	(11,221,977,984.84)
Financial assets measured at FVTNAE (non-current)	14,363,184,408.88	-	14,363,184,408.88
Pre-financing (long term)	**-**	-	-
Long-term receivables and recoverables	**-**	-	-
CURRENT ASSETS	**37,886,297,068.31**	**30,929,474,264.12**	**6,956,822,804.19**
Financial assets (current)	**37,886,297,068.31**	**30,929,474,264.12**	**6,956,822,804.19**
AFS financial assets (current)	**-**	**2,345,078,671.17**	**(2,345,078,671.17)**
Financial assets measured at FVTNAE (current)	**2,453,455,434.78**	**-**	**2,453,455,434.78**
Pre-financing (short term)	**-**	-	-
Receivables and recoverables	**25,707,745.21**	**20,982,578.76**	**4,725,166.45**
Current receivables (*ex-ante* and IPC invoices)	-	12,593.18	(12,593.18)
Sundry receivables	-	7,407.18	(7,407.18)
Deferred charges	-	-	-
Accrued interest receivable (IPC top-up)	25,707,745.21	20,962,578.40	4,745,166.81
Cash and cash equivalents	**35,407,133,888.32**	**28,563,413,014.19**	**6,843,720,874.13**
TOTAL ASSETS	**52,249,481,477.19**	**42,151,452,248.96**	**10,098,029,228.23**

10.1.2. Statement of financial position 2021 — SRF LIABILITIES

HEADING	31.12.2021	31.12.2020	Variation
NET ASSETS	**46,724,868,761.20**	**37,634,699,756.28**	**9,090,169,004.92**
Accumulated reserves	**46,613,025,119.51**	**37,368,842,021.64**	**9,244,183,097.87**
Results of previous periods	37,332,689,883.45	29,042,778,346.02	8,289,911,537.43
Economic outturn of the year (SRF)	9,280,335,236.06	8,326,063,675.62	954,271,560.44
Fair value revaluation reserve (OCI)	**111,843,641.69**	**265,857,734.64**	**(154,014,092.95)**
Actuarial gains/losses (OCI)	**-**	**-**	**-**
NON-CURRENT LIABILITIES	**5,513,103,530.10**	**4,509,398,953.49**	**1,003,704,576.61**
Provisions for risks and liabilities (long term)	-	-	-
Employee benefits	-	-	-
Financial liabilities (non-current)	**5,513,103,530.10**	**4,509,398,953.49**	**1,003,704,576.61**
Long-term liabilities from IPCs	**5,513,103,530.10**	**4,509,398,953.49**	1,003,704,576.61
Other long-term liabilities	-	-	-
CURRENT LIABILITIES	**11,509,185.89**	**7,353,540.71**	**4,155,645.18**
Provisions for risks and charges (short term)	-	-	-
Financial liabilities (current)	**11,509,185.89**	**7,353,540.71**	**4,155,645.18**
Long-term liabilities falling due within the year	-	-	-
Current payables	-	-	-
Sundry payables	701.32	-	701.32
Accrued charges	-	-	-
Accrued interest payable	11,508,484.57	7,353,540.71	4,154,943.86
TOTAL LIABILITIES & RESERVES	**52,249,481,477.19**	**42,151,452,250.48**	**10,098,029,226.71**

10.2 Statement of financial performance 2021 for the SRF

HEADING	2021	2020	Variation
OPERATING REVENUES	**9,405,085,229.96**	**8,413,791,184.74**	**991,294,045.22**
Non-exchange revenues from fund contributions	9,405,085,229.96	8,413,791,184.74	991,294,045.22
Other non-exchange revenues from administrative contributions	-	-	-
Other exchange operating revenues	-	-	-
OPERATING EXPENSES	-	-	-
Operating expenses	-	-	-
Administrative expenses	-	-	-
Surplus/(Deficit) from Operating Activities	**9,405,085,229.96**	**8,413,791,184.74**	**991,294,045.22**
Financial revenues	31,101,324.80	20,460,317.17	10,641,007.63
Financial expenses (negative bank interest and bank fees, ECL)	(155,851,318.70)	(108,187,826.29)	(47,663,492.41)
Movement in post-employment benefits (pensions and transitional allowance)	-	-	-
Surplus/(Deficit) from Ordinary Activities	**9,280,335,236.06**	**8,326,063,675.62**	**954,271,560.44**
Extraordinary gains	-	-	-
Extraordinary losses	-	-	-
Surplus/(Deficit) from Extraordinary Items	-	-	-
Economic Result of the year	**9,280,335,236.06**	**8,326,063,675.62**	**954,271,560.44**

10.3 Investment portfolio of the SRF

The implementation of the SRB's investment policy commenced in 2018 with a total of EUR 9 billion invested in two mandates. In 2019, an additional EUR 6.4 billion was invested across three mandates, bringing the total amount invested to EUR 15.4 billion at the end of 2019. At the end of 2021, the total amount invested was EUR 25.1 billion after additional transfers throughout 2020 and 2021. These mandates are based on the Strategic Asset Allocation in the SRB's 2021 Investment Plan, which operationalises the SRB's investment strategy, as referred to in Article 75 of the SRM Regulation and in Delegated Regulation (EU) 2016/451. The mandates include securities investments as well as a cash position.

The currency of the investments is the euro.

The SRM Regulation allows the SRB to make investments with the financial means collected and hold these in current accounts, while taking into account both the financial capacity of the Fund and the expected disbursements.

The investment objectives are in place to satisfy liquidity needs, and protect the capital of the SRF in order to support the efficient application of resolution tools. Satisfying liquidity needs means that the SRF must be able to provide the required amount of liquidity at any time at short notice. To this end, the amounts held in the SRF can be invested in liquid assets of high creditworthiness.

Although the SRB has in principle the intention of holding securities until maturity, the ability to do so is constrained by the purpose of the SRF, i.e. the need to have amounts available at short notice to support resolution needs.

In addition to cash, the following asset classes were invested in as part of the 2021 Investment Plan:

- government bonds from Member States in the Eurozone (with ratings not lower than BBB–);
- government T-Bills from selected Member States;
- supranational bonds (multilateral development banks and international organisations);
- government-related bonds (agency bonds, regional and local authority bonds, government development bank bonds and sovereign bonds from European Union Member States); and
- corporate bonds issued by non-financial institutions with a minimum rating of BBB- from an investment grade Eurozone country and with a minimum rating of A- from selected countries outside the Eurozone.

All securities bought must have a yield above the ECB deposit facility rate, at the time of purchase.

Presentation of the investment portfolio of the SRF

Based on the presentation requirements applied by the SRB (EU Accounting Rule 2), a distinction has been made between the current and non-current portions of the portfolio with the purpose of giving information on when the cash flows from the securities will be realised.

Fair value hierarchy	CURRENT OR NON-CURRENT	31.12.2021
Financial assets measured at FVTNAE with remaining maturity > 1 year	**NON-CURRENT**	14,363,184,408.86
Financial assets measured at FVTNAE with remaining maturity < 1 year	**CURRENT**	2,092,515,614.63
Financial assets measured at FVTNAE expected to be sold within the following year	**CURRENT**	360,939,822.07
TOTAL		**16,816,639,845.56**

Fair value hierarchy	CURRENT OR NON-CURRENT	31.12.2020
AFS securities with remaining maturity > 1 year	**NON-CURRENT**	11,221,977,986.36
AFS securities with remaining maturity < 1 year	**CURRENT**	2,345,078,671.17
AFS securities expected to be sold within the following year	**CURRENT**	-
TOTAL		**13,567,056,657.53**

Determination of fair value

After initial recognition, the SRB subsequently measures the investments at their fair value, which normally corresponds to the bid price for the financial asset (based on the liquid and highly-rated nature of the bonds in which Delegated Regulation (EU) 2016/451 allows the SRB to invest).

Fair value hierarchy

For financial instruments traded in active markets, the determination of the fair value of financial assets and financial liabilities is based on quoted market prices or dealer price quotations.

A financial instrument is considered to be trading in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Where the fair values of financial instruments cannot be derived from active markets, they are determined using valuation techniques that include the use of mathematical models. The chosen valuation techniques incorporate factors that market participants would take into account in pricing a transaction and are based whenever possible on observable market data. If such data are not available, a degree of judgement is required in establishing fair values.

Fair value hierarchy 2021	Active market *quoted market price*	No active market *valuation techniques*	TOTAL
Financial assets measured at FVTNAE	**16,816,639,845.56**	-	**16,816,639,845.56**
TOTAL	**16,816,639,845.56**	-	**16,816,639,845.56**

Fair value hierarchy 2020	Active market *quoted market price*	No active market *valuation techniques*	TOTAL
AFS securities	**13,567,056,657.53**	-	**13,567,056,657.53**
TOTAL	**13,567,056,657.53**	-	**13,567,056,657.53**

Impairment of bonds

The SRB calculated the expected credit losses on 1 January 2021, which was the first day of application of the revised standard on financial instruments, and on 31 December 2021. The ECL on 1 January 2021 amounted to EUR 36 152 138.19, and on 31 December 2021 EUR 10 388 931.50. On both dates, the loss allowance equals the 12-month ECL.

Risk management and governance of the investment process

According to Article 67 of the SRM Regulation, the owner of the Fund is the Board. The Board in its Plenary Session has adopted a governance framework as part of the investment strategy, detailing the division of tasks and responsibilities between the Board in its Plenary Session and in its Executive Session. One of the elements of the governance framework is that the Board in its Executive Session approves an internal governance structure for investments. The Board in its Executive Session has adopted a risk management process following the three lines of defence model.

1. First line of defence for risk management — SRF Unit

The SRF Unit is responsible for the development and implementation of the SRB's investment policy. As the portfolio management activities, in particular securities selection and transactions execution, are outsourced to a portfolio management service provider, the main role of the unit is to advise the Board in its Executive Session on the investment policy, on the implementation of this policy and on the selection and monitoring of outsourcing partners. The SRF Unit reports to the Vice-Chair.

2. Second line of defence for risk management — Investment Risk Manager

The responsibility of the second line risk manager is to ensure that all risks are adequately identified, measured, assessed and managed by the SRF Unit, including ensuring compliance with risk processes. The second line risk manager operates outside the SRF Unit, providing independent judgement. The Investment Risk Manager reports to the Vice-Chair.

3. Third line of defence for risk management — Internal audit

The third line of defence is the internal audit function. The role of the internal audit is to provide independent assurance on the quality and effectiveness of the investment processes, including risk management. The internal auditor reports to the SRB Board in its Executive Session and upon request to its Plenary Session.

The Fund Committee in its Investment Composition (FCIC) advises on decisions to be taken by the Board in its Plenary Session pertaining to investments. The FCIC is composed of experts from the 19 NRAs, the European Commission, the European Banking Authority and the ECB.

The Investment Committee advises the Board in its Executive Session on all investment-related topics and is composed of one board member and the Vice-Chair as members, and representatives of the SRF Unit, the Investment Risk Manager and the Head of Unit of the Contributions and Financing Unit as regular attendees.

Risks overview

Financial risks are the risks linked to the investment of *ex-ante* contributions in the financial markets. They can be further grouped into:

- market risk,
- credit risk, and
- liquidity risk.

In relation to the current investments held by the SRB, the above types of financial risks are accepted to a certain extent. Other types, such as counterparty or currency risk, are not currently accepted.

The quantitative and qualitative limits of the financial risks are defined by the SRB on an annual basis and are annexed to the SRB investment plan. In addition, they are also included in the SRB risk management framework, which is communicated in the form of guidelines to the investment portfolio managers.

Market risk

Market risk is the risk of loss arising from changes in the value of financial assets due to fluctuations in interest rates, foreign exchange rates and other factors affecting the price of securities. In the case of the investment portfolio held by the SRB, the main market risk is the interest rate risk (as long as the currency risk is not relevant, as is the case at present).

The interest rate risk can be expressed based on the modified duration of the securities, which gives the change in the value of a security in response to a change in interest rates.

Remaining maturity	Fair value amount in portfolio (including tactical cash)	Contribution to modified duration	%
0-3 years	17,347,039,741.34	0.73	0.27
3-5 years	3,657,283,552.73	0.69	0.25
5-7 years	1,964,913,396.39	0.49	0.18
7-10 years	2,475,483,014.14	0.83	0.30
TOTAL	**25,444,719,704.60**	**2.74**	**1.00**

Stress testing results

As part of risk management of the investment portfolio, the SRB requests its outsourcing partners to perform stress tests on the SRF portfolio with the purpose of getting a view of the potential financial impacts on the SRB investments portfolio against future financial situations.

The stress tests are performed on an annual basis. The latest stress tests were applied to the portfolio as of 31 December 2021 invested in government bonds, supra-nationals, government related bonds and corporates.

The key features of stress test scenarios 1, 2 and 3 are summarized in the following table:

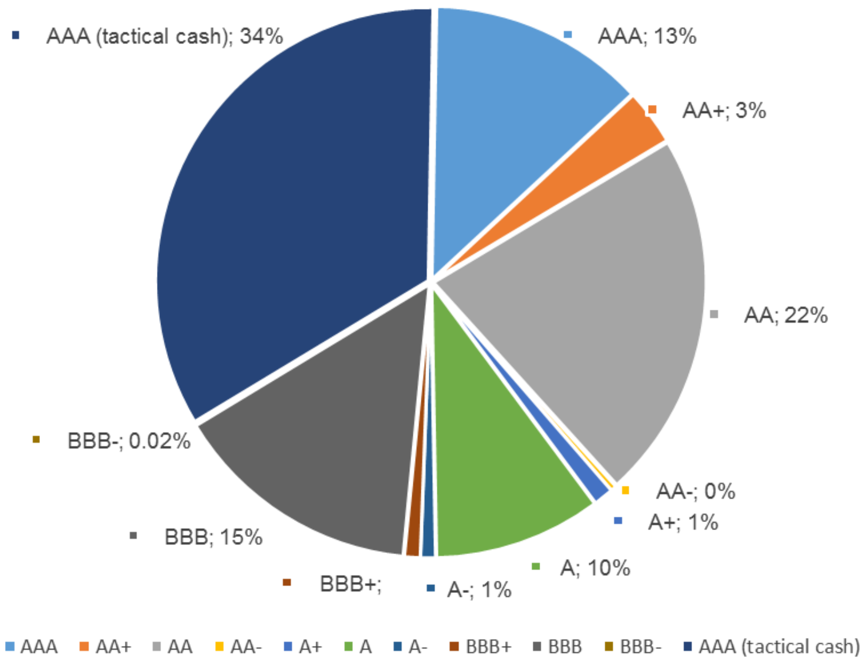
Scenario	Description of the impact on the valuation of the investment portfolio	Assumptions – impact on market interest rates			Impact on the net assets/equity	
		2 years	5 years	10 years	Impact in Million EUR	% of securities value
Scenario 1	Normalisation of the ECB monetary policy by increasing interest rates	+ 160bp	+140bp	+100bp	-885	-5,26%
Scenario 2	Spike in sovereign risk The market differentiates between countries according to their creditworthiness and classification as core, semi-core or non-core Eurozone issuers.	+150bp to +700bp (depending on whether the issuer is core, semi-core or non-core)	+200bp to +600bp	+200bp to +600bp	-2,010	-11,94%
Scenario 3	Resolution of a systemic European bank involving the use of the SRF	The liquidation cost is measured for each holding in the portfolio and the total impact on the portfolio is the sum of cash values of successive daily sales compared to the initial value of the portfolio.			-733	-4,35%

Credit risk

Credit risk is the risk of loss arising from the inability of a counterparty, issuer or other obligor to fulfil its contractual obligations for full value when due. The tables and figures below give a breakdown of the portfolio by second-best rating (based on the rating scales used by S&P/Fitch/Moody's/DBRS), by counterparty type and by geographical coverage.

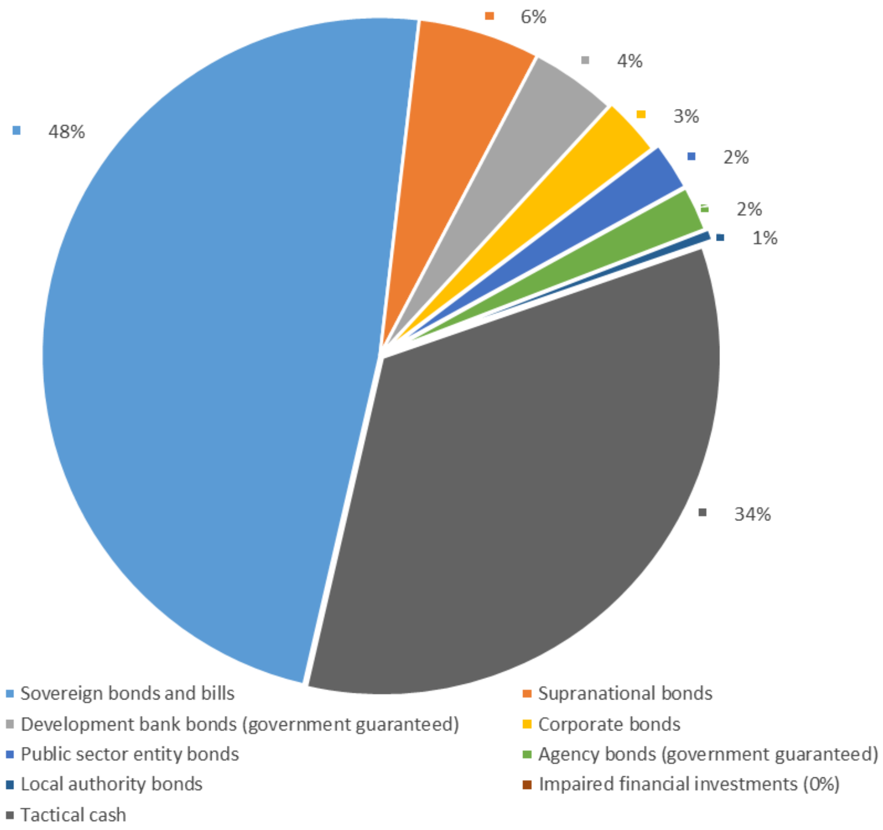
Exposure by credit rating

Description	2021	2020
AAA	3,266,583,145.05	2,707,359,245.73
AA+	844,309,781.81	606,692,538.77
AA	5,557,463,309.54	3,123,227,549.16
AA-	86,804,875.30	111,922,730.87
A+	300,772,301.79	151,791,511.55
A	2,522,421,714.72	2,479,214,686.54
A-	225,122,076.49	141,628,974.41
BBB+	238,130,764.87	424,259,841.38
BBB	3,769,379,854.31	3,767,598,846.23
BBB-	5,652,021.68	53,360,732.89
TOTAL portfolio	**16,816,639,845.56**	**13,567,056,657.53**
AAA (tactical cash)	8,628,079,859.04	**5,099,449,118.19**
TOTAL	**25,444,719,704.60**	**18,666,505,775.72**



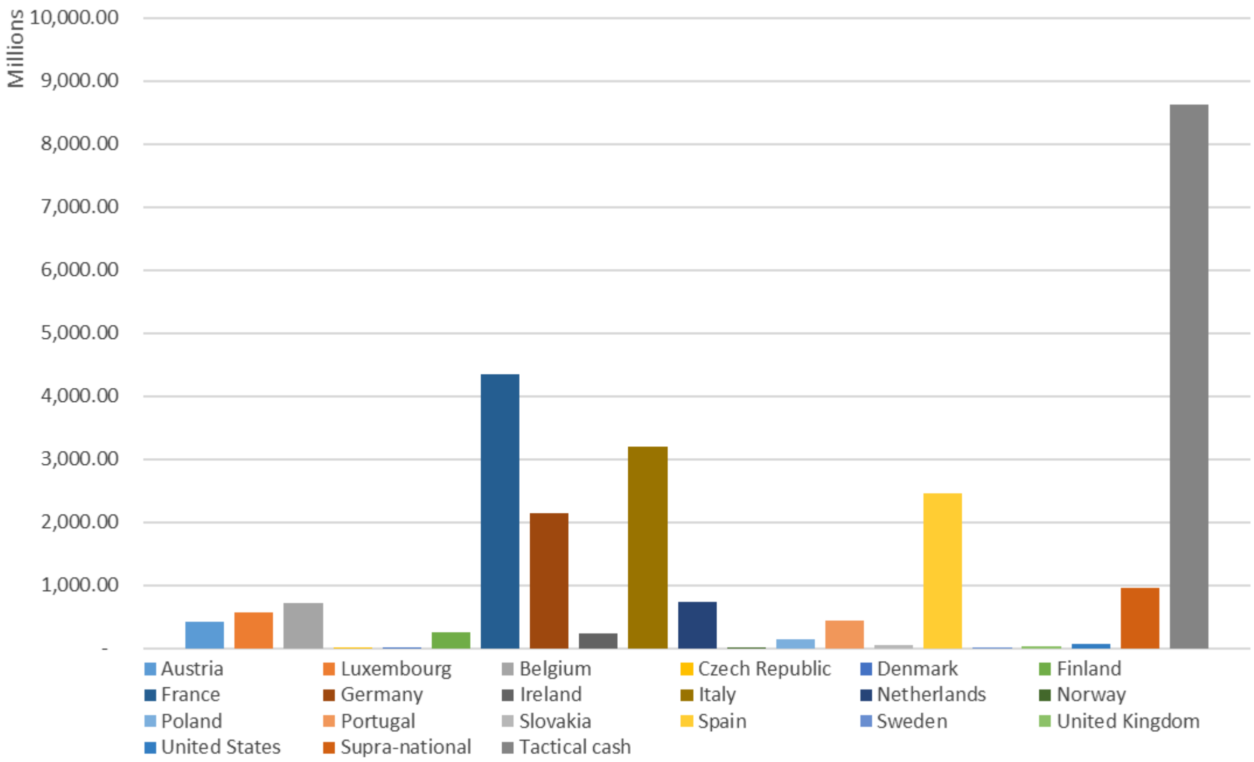
Exposure by counterparty type

Description	2021	2020
Sovereign bonds and bills	12,275,678,980.16	9,345,131,883.93
Corporate bonds	1,486,649,844.87	1,136,342,207.37
Supranational bonds	1,053,115,606.76	1,416,012,419.07
Local authority bonds	724,258,122.17	144,346,987.82
Public sector entity bonds	588,268,850.26	265,688,761.62
Agency bonds (government guaranteed)	547,890,127.28	288,434,365.45
Development bank bonds (government guaranteed)	140,778,314.07	971,100,032.27
Impaired financial investments	-	-
TOTAL portfolio	**16,816,639,845.56**	**13,567,056,657.53**
Tactical cash	8,628,079,859.04	5,099,449,118.19
TOTAL	**25,444,719,704.60**	**18,666,505,775.72**



Exposure by geographical region

Country	2021	2020
Austria	427,818,689.12	256,490,968.20
Belgium	713,755,575.68	401,769,890.11
Czech Republic	10,402,223.29	10,823,523.29
Denmark	10,730,775.28	11,014,030.35
Finland	246,765,521.14	122,745,454.78
France	4,354,703,794.30	2,295,525,183.53
Germany	2,146,079,098.20	2,167,491,375.07
Ireland	232,515,335.85	118,092,695.54
Italy	3,203,596,300.59	3,288,156,094.28
Luxembourg	567,307,533.58	-
Netherlands	740,754,543.04	265,626,214.09
Norway	6,327,331.26	6,506,606.94
Poland	140,434,743.56	158,645,801.56
Portugal	447,431,679.70	369,805,282.30
Slovakia	45,663,180.64	66,645,432.53
Slovenia	-	25,975,639.18
Spain	2,464,421,634.71	2,371,348,787.05
Sweden	10,911,098.66	5,394,005.48
Switzerland	-	43,501,780.45
United Kingdom	36,440,881.98	93,922,536.71
United States	62,179,392.03	71,562,937.02
Supranational	948,400,512.97	1,416,012,419.07
TOTAL portfolio	**16,816,639,845.56**	**13,567,056,657.53**
Tactical cash	8,628,079,859.04	5,099,449,118.19
TOTAL	**25,444,719,704.60**	**18,666,505,775.72**



Impairment analysis

The following table shows the movement in ECL that has been recognised for bonds in the investment portfolio in accordance with the general approach set out in IPSAS 41.

	12month	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Amount is written off	Total
Balance at 1 January 2021	**36,152,138.19**	**-**	**-**	**-**	**36,152,138.19**
Net remeasurement of loss allowance	(20,808,097.31)	-	-	-	**(20,808,097.31)**
Amounts written off	-	-	-	-	**-**
Amounts recovered	-	-	-	-	**-**
Change in loss allowance due to new bonds purchased net of those derecognised due to settlement or sale	(4,955,109.37)	-	-	-	**(4,955,109.37)**
Changes in credit risk parameters	-	-	-	-	**-**
Balance at 31 December 2021	**10,388,931.50**	**-**	**-**	**-**	**10,388,931.50**

The following table explains how significant changes in the gross carrying amount of the bonds in the investment portfolio contributed to changes in the loss allowance:

31/12/2021	12month	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Amount is written off
Purchase of FVTNAE	6,743,124,213.36	-	-	-
Settlement of FVTNAE	(2,057,103,236.90)	-	-	-
Sale of FVTNAE	(1,097,889,529.87)	-	-	-
Significant increase in credit risk of FVTNAE	-	-	-	-

Liquidity risk

Liquidity risk is the risk of loss arising from a position that cannot be liquidated in due time without a significant impact on its market price.

The tables below present an analysis of the SRB’s financial investments by contractual maturity at issuance and by remaining maturity, taking into account the period remaining between the reporting date and the contractual maturity date.

2021

Contractual maturity	< 1 year	1-5 years	>5-10 years	>=10 years	TOTAL
Financial assets measured at FVTNAE	-	1,652,105,995.39	12,484,902,680.66	2,679,631,169.51	16,816,639,845.56
Tactical cash	8,628,079,859.04	-	-	-	8,628,079,859.04
TOTAL	**8,628,079,859.04**	**1,652,105,995.39**	**12,484,902,680.66**	**2,679,631,169.51**	**25,444,719,704.60**

Remaining maturity	0-3 months	3 months-1year	>1year-5 years	>5years	TOTAL
Financial assets measured at FVTNAE	745,307,769.13	1,708,147,667.57	8,331,733,349.51	6,031,451,059.35	16,816,639,845.56
Tactical cash	8,628,079,859.04	-	-	-	8,628,079,859.04
TOTAL	**9,373,387,628.17**	**1,708,147,667.57**	**8,331,733,349.51**	**6,031,451,059.35**	**25,444,719,704.60**

2020

Contractual maturity	< 1 year	1-5 years	>5-10 years	>=10 years	TOTAL
AFS securities	300,841,000.00	2,499,192,241.48	9,454,246,384.46	1,312,777,031.59	13,567,056,657.53
Tactical cash	5,099,449,118.19				5,099,449,118.19
TOTAL	**5,400,290,118.19**	**2,499,192,241.48**	**9,454,246,384.46**	**1,312,777,031.59**	**18,666,505,775.72**

Remaining maturity	0-3 months	3 months-1year	>1year-5 years	>5years	TOTAL
AFS securities	855,309,698.53	1,489,768,972.64	8,656,749,794.94	2,565,228,191.42	13,567,056,657.53
Tactical cash	5,099,449,118.19				5,099,449,118.19
TOTAL	**5,954,758,816.72**	**1,489,768,972.64**	**8,656,749,794.94**	**2,565,228,191.42**	**18,666,505,775.72**

Market liquidity risk is minimised by investing in high credit quality liquid assets and by using appropriate measurements to ensure the timely detection of deteriorations in the liquidity of the portfolio.

II. Report on Budgetary and Financial Management 2021

Introduction

As stated in Article 89 of the SRB Financial Regulation, the accounts must be accompanied by a report on the budgetary and financial management for the financial year. The report is drawn up under the responsibility of the Chair, and the relevant part will be included also in the annual activity report.

Budget

In accordance with Article 58 of the SRM Regulation, the budget of the SRB comprises two parts: Part I for the administration of the Board and Part II for the Fund.

The SRB has an autonomous budget, which is not part of the general budget of the Union. Part I of its budget is financed through contributions paid by the banking industry, while Part II is financed through a variety of sources described in Article 60 of the SRM Regulation.

The initial adopted budget for 2021 amounts to EUR 119 000 000.00 for Part I (EUR 117 800 000.00 in 2020). The Plenary Session of the Board adopted, on 29 September 2021, one amending budget for 2021.

An amending budget was adopted to introduce the positive result of the previous year for the amount of EUR 45 387 679.98 in the 2021 budget. In accordance with Article 16 of the SRB Financial Regulation, a positive budget result is to be entered in the SRB budget for the following year as revenue. In practice, this means that the budget always has to be amended when the budget of the previous year has not been spent in full.

Revenue

Part I — Administration

The SRB budget is expenditure driven and the total revenue in a budget year is the same amount as the estimated expenditure for that year. In accordance with Article 65 of the Regulation (EU) No 806/2014 on the Single Resolution Mechanism, in order to cover its administrative expenditures, the SRB shall raise contributions from all institutions that fall within the scope of the SRM Regulation.

Commission Delegated Regulation (EU) No 2017/2361[1] on the final system of contributions to the administrative expenditures of the SRB, forms the legal basis for the calculation of administrative contributions that is in use since 2018.

The total amount of the annual administrative contributions established for the 2021 financial year was EUR 59,640,830.72, taking into account the result of the budget for the latest financial year for which the final accounts have been published (N-2). The amount concerned was calculated as the difference between the amount of EUR 119 000 000.00 being the initial voted budget for 2021 and EUR 59 359 169.28 being the positive budget result for 2019.

For 2021, 2 316 contribution notices were issued: 2 193 were to ‘Less Significant Institutions’ (LSIs) and 123 were to ‘Significant Institutions and cross-border groups’ (SIs).

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[1] Commission Delegated Regulation (EU) No 2017/2361 of 14 September 2017 on the final system of contributions to the administrative expenditures of the Single Resolution Board, OJ L 337, 19.12.2017, p. 6.

In addition, miscellaneous income for the amount of EUR 7 819.64 was collected, representing the recovery of administrative expenses.

Part II — Fund

The *ex-ante* contributions collected for the 2021 cycle and the ex-ante amounts collected from banks that terminated their IPCs amounted to EUR 9 408 531 624.32. All these revenues were inscribed in the budget as commitment appropriations. The revenues from invested funds were valued at EUR 202 282 180.39.

After covering the yearly negative bank interest of EUR 145 947 465.85 and bank charges of EUR 4 653.10, the assigned revenue at the end of 2021 reached a total of EUR 47 175 715 753.12.

Expenditure

Part I — Administration

Title I — Staff

The implementation rate of the Title I budget was 88.87% (EUR 50 460 188.44) of the available appropriations (EUR 56 780 000.00). Of the amount committed, EUR 49 470 208.80 was paid, which corresponds to an implementation rate of 98.04 % of the total committed. EUR 989 979.64 was carried over to 2022 and EUR 6 319 811.56 was cancelled. The cancelled appropriations will be taken into account in the budget result for the year.

The main area of expenditure corresponded to the SRB staff in active employment: EUR 45 916 920.91 was spent on the payroll (basic salaries, family allowances, expatriation, installation and foreign residence allowances, insurances, pension rights, etc.). EUR 1 567 377.41 was spent on interim services and administrative assistance from community institutions and EUR 1 247 109.24 for early childhood centres and schooling.

Title II — Building, equipment and miscellaneous operating expenditure

The implementation rate of the Title II budget was 98.21% (EUR 16 351 360.20) of the available appropriations (EUR 16 650 000.00). Of the amount committed EUR 11 231 550.19 was paid, which corresponds to an implementation rate of 68.69% of the total committed. EUR 5 119 810.01 was carried over to 2022 and EUR 298 639.80 was cancelled. The cancelled appropriations will be taken into account in the budget result for the year.

The main areas of expenditure were for the rental of the premises (EUR 3 087 526.24), ICT administrative costs in chapter 21 and budget line 2410 (EUR 4 757 682.52), and security and maintenance costs of the building (EUR 1 762 459.26).

Title III — Operating expenditure

The implementation rate of the Title III budget was 43.82% (EUR 22 714 103.94) of the available commitment appropriations (EUR 51 840 000.00). The final amount paid was EUR 15 663 932.17, which corresponds to 34.37% of the total planned payment appropriations under Title III. Excluding Chapter 32 'SRB Contingencies', the implementation rate for the payment appropriations was 83.03%.

Due to the differentiated appropriations, only the payment appropriations of the non-differentiated budget lines in Title III (EUR 148 350.00) have been carried over to 2022. The payment appropriations of the budget 2022 must cover the proportion of payments arising from 2022, and the outstanding payments from the 2020 and 2021 commitments.

The overall budget implementation in Chapter 31 ‘SRB operations’ was 79.13% in commitment appropriations. Note that the implementation continued to be affected by the COVID-19 pandemic, causing cancellations or the postponement of planned activities, such as the organisation of large events, or missions. In addition, the postponement of the credit rating services project (EUR 3 million) and the variable fees of the outsourcing of investments further impacted the budget implementation.

As the nature of the activities under Chapter 32 ‘SRB Contingencies’ is such that implementation is more difficult to forecast than the other expenditure items, the overall budget implementation under this Chapter was much lower than planned. The low budget implementation is due to low expenditure on professional consultancy and expert advice services, as the SRB managed fewer potential resolution and litigation cases than anticipated.

The main areas of expenditure under Title III related to legal services and litigation, ICT development and maintenance of operational IT solutions, in particular to support resolution planning and decision activities, and the outsourcing costs of investments.

Part II — Fund

The total Fund expenditure was EUR 145 952 118.95, consisting of payments for negative bank interest charges and for bank charges incurred in depositing the collected amounts with the SRB’s NCB accounts and investment accounts.

Budget outturn

The budget outturn for 2021 is EUR 36 822 987.56 (EUR 45 387 679.98 in 2020) and will be entered in the 2022 budget after approval by the Board in its Plenary Session in September 2022. The budget outturn will be deducted from the administrative contributions to be collected in year N+2.

Financial management

In 2021, the main achievements in financial management were as follows:

- The team continued to demonstrate agility in coping with the extraordinary circumstances caused by the COVID-19 pandemic.
- Full paperless processing of all financial transactions, with the capacity to use qualified electronic signatures.
- The budget implementation rate on commitment appropriations improved in 2021 with a 3% increase, although this was still below the target of 5% (in KPI 21 on ‘Year-to-year improvement of the budget execution rate’ in commitment appropriations, and excluding Chapter 32 ‘SRB Contingencies’).
- 97.7% of payments were completed on time (97.4% in 2020), achieving the internal target for 2021 in the KPI on ‘Timely payment of invoices target 97%’.
- The Annual Accounts 2020 exercise concluded with an unqualified audit opinion from the European Court of Auditors.

BUDGET IMPLEMENTATION

a. Budget outturn result 2021 (adapted DG Budget format)

REVENUES	2021	2020
Administrative contributions from banks	59,645,263.08	67,321,449.65
Positive budgetary result of previous years	59,359,169.28	50,417,898.57
Single Resolution Fund contributions	9,408,531,624.32	8,410,462,178.83
Income from investments	202,282,180.39	208,406,973.60
Other income	7,819.64	10,457.97
TOTAL REVENUE (a)	**9,729,826,056.71**	**8,736,618,976.62**
EXPENDITURE	**2021**	**2020**
Title I: Staff		
Payments	49,470,208.80	45,900,148.51
Appropriations carried over	989,979.64	367,438.84
Title II: Administrative expenses		
Payments	11,231,550.19	10,443,320.41
Appropriations carried over	5,119,810.01	2,038,251.26
Title III: Operating expenditure		
Payments	15,674,408.14	14,139,161.57
Appropriations carried over	148,350.00	147,323.68
Title IV: Single Resolution Fund		
Payments	145,952,118.95	96,384,465.09
Appropriations carried over	47,175,715,753.12	37,710,854,067.36
TOTAL EXPENDITURE (b)	**47,404,309,359.20**	**37,880,274,176.72**
OUTTURN FOR THE FINANCIAL YEAR (a-b)	**(37,674,483,302.49)**	**(29,143,655,200.10)**
Cancellation of unused payment appropriations carried over from previous year	469,384.97	675,645.64
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	37,710,854,067.36	29,188,369,380.02
Exchange differences for the year (gain +/loss –)	(17,162.28)	(2,145.58)
BALANCE OF THE OUTTURN ACCOUNT FOR THE FINANCIAL YEAR	**36,822,987.56**	**45,387,679.98**
Balance year N – 1	104,746,849.26	109,777,067.85
Positive balance from previous years reimbursed in year N to the contributors	(59,359,169.28)	(50,417,898.57)
Result used for determining amounts in general accounting	**82,210,667.54**	**104,746,849.26**

b. Budget implementation 2021 — summary

Revenue (*) — Part I and Part II of the SRB budget

2021 Budget	Budget Item	Type of revenue	Initial Voted Budget (based on payment appropriations)	Amending Budget	Final Voted Budget	Entitlements established (invoiced and including refunds)	Revenue received (cashed)	Outstanding at the end of the year
Part I	1000	Contribution from the credit institutions	119,000,000.00	-	119,000,000.00	59,791,247.79	59,789,417.58	1,830.21
	1000	Contribution from the credit institutions (accelerated payments)	-	-	-	(150,417.07)	(144,154.50)	(6,262.57)
	3000	Revenue from bank interest	-	-	-	-	-	-
	3001	Miscellaneous revenue	-	-	-	639.29	639.29	-
	3002	Miscellaneous recoveries	-	-	-	7,180.35	7,180.35	-
Part II	4000	Ex-ante contributions	9,574,339,325.00	-	9,574,339,325.00	9,410,133,202.01	9,408,531,624.32	1,601,577.69
	4000	Ex-ante contributions (return)	-	-	-	-	-	-
	4006	Return on investments-cashed coupon	-	-	-	188,723,895.93	188,723,895.93	-
	4006	Return on investments-realised gains	-	-	-	13,558,284.46	13,558,284.46	-
		TOTAL SRB REVENUE 2021	9,693,339,325.00	-	9,693,339,325.00	9,672,064,032.76	9,670,466,887.43	1,597,145.33

(*)The budgetary reserve from the remaining positive budgetary result of 2020 (EUR 45,387,679.98) was entered in the technical budget line B-9000 under Title IX.

Expenditure — GLOBAL OVERVIEW BY TITLE

Part I of the SRB budget

BL	Budget Line Description	Voted Budget (based on payments appropriations)	Amending Budget	Transfers	Commitments Appropriations Transaction Amount (1)	Executed Committed Amount (2)	% Com (2)/(1)	Payments Appropriations Transaction Amount (3)	Executed Payments Amount (4)	% Paid (4)/(3)	Carried over RAL(C8) (2)-(4)	Cancelled Commitment Appropriations (1)-(2)	Cancelled Payment Appropriations (3)-(4)-(carried over)
Title I	Staff	56,780,000.00	-	-	56,780,000.00	50,460,188.44	88.87%	56,780,000.00	49,470,208.80	87.13%	989,979.64	6,319,811.56	6,319,811.56
Title II	Building equipment and misc operating expenditure	16,650,000.00	-	-	16,650,000.00	16,351,360.20	98.21%	16,650,000.00	11,231,550.19	67.46%	5,119,810.01	298,639.80	298,639.80
Title III	Operating expenditure	45,570,000.00	-	-	51,840,000.00	22,714,103.94	43.82%	45,570,000.00	15,663,932.17	34.37%	148,350.00	29,125,896.06	29,757,717.83
	TOTAL SRB BUDGET PART I	**119,000,000.00**	**-**	**-**	**125,270,000.00**	**89,525,652.58**	**71.47%**	**119,000,000.00**	**76,365,691.16**	**64.17%**	**6,258,139.65**	**35,744,347.42**	**36,376,169.19**

Part II of the SRB budget (Title IV)

BL	Budget Lines	Voted Budget	Amending Budget	Transfers	Commitments Appropriations Transaction Amount (1)	Executed Commitments Amount (2)	% Com (2)/(1)	Payments Appropriations (3)	Executed Payments (4)	% Paid (4)/(3)	Carried over commitment appropriations (1)-(2)	Carried over payments appropriations (3)-(4)
B-4000	Usage of the Fund within resolution schemes	-	-	-	-	-	0.00%	1.00	-	0.00%	-	1.00
B-4010	Investments	9,414,783,805.00	-	(4,000.00)	46,847,373,354.28	-	0.00%	46,847,373,354.28	-	0.00%	46,847,373,354.28	46,847,373,354.28
B-4011	Investment returns	149,402,816.00	-	-	474,287,325.69	175,583,861.97	37.02%	474,287,325.69	145,947,465.85	30.77%	298,703,463.72	328,339,859.84
B-4031	Bank fees and charges	5,700.00	-	4,000.00	7,191.10	6,968.50	96.90%	7,191.10	4,653.10	64.71%	222.60	2,538.00
B-4032	Commitment fees on bridge financing arrangements	10,147,004.00	-	-	-	-	0.00%	-	-	0.00%	-	-
B-4901	Refunds	-	-	-	-	-	0.00%	-	-	0.00%	-	-
	TOTAL SRB BUDGET PART II	**9,574,339,325.00**	**-**	**-**	**47,321,667,871.07**	**175,590,830.47**	**0.37%**	**47,321,667,872.07**	**145,952,118.95**	**0.31%**	**47,146,077,040.60**	**47,175,715,753.12**

Amending budget adopted by the Plenary Session of the Board

SRB Decision	Date of adoption	Description	Impact on commitment appropriations	Impact on payment appropriations
SRB/PS/2021/10	29/09/2021	In accordance with Article 16 of the SRB Financial Regulation, a positive budget result is to be entered in the SRB budget for the following year as revenue. In practice, this means that the budget always has to be amended when the budget of the previous year has not been spent in full. The 2020 budget surplus, amounting to EUR 45 387 679.98, has been entered in the budget reserve and it will be used to reduce the administrative contributions to be collected in 2022.	EUR 45 387 679.98	EUR 45 387 679.98

c. Budget implementation 2021 — detailed — PART I

All titles — all credit types

Appendix 1 — budget execution / fund source C1 — current year appropriations — 2021

TITLE I: STAFF EXPENDITURE

BL	Budget line description	Commitment appropriations transaction amount (1)	Executed committed amount (2)	Com % (2)/(1)	Payment appropriations transaction amount (3)	Executed payments amount (4)	% paid (4)/(3)	Carried over RAL (C8) (2)-(4)	Cancelled (1)-(2)
A-1100	Basic salaries	32,910,614.00	30,567,460.19	92.88%	32,910,614.00	30,567,460.19	92.88%	-	2,343,153.81
A-1101	Family allowances	2,815,000.00	2,592,588.93	92.10%	2,815,000.00	2,592,588.93	92.10%	-	222,411.07
A-1102	Expatriation and foreign residence allowances	4,300,000.00	3,783,019.93	87.98%	4,300,000.00	3,783,019.93	87.98%	-	516,980.07
A-1111	Seconded national experts	1,750,000.00	1,262,570.04	72.15%	1,750,000.00	1,262,570.04	72.15%	-	487,429.96
A-1112	Trainees	150,000.00	81,135.12	54.09%	150,000.00	29,503.68	19.67%	51,631.44	68,864.88
A-1130	Insurance against sickness	1,684,201.20	1,000,896.32	59.43%	1,684,201.20	1,000,896.32	59.43%	-	683,304.88
A-1131	Insurance against accidents and occupational disease	230,000.00	112,493.38	48.91%	230,000.00	112,493.38	48.91%	-	117,506.62
A-1132	Unemployment insurance	400,000.00	350,569.29	87.64%	400,000.00	350,569.29	87.64%	-	49,430.71
A-1133	Constitution/maintenance of pension rights	6,020,000.00	5,586,008.00	92.79%	6,020,000.00	5,586,008.00	92.79%	-	433,992.00
A-1140	Childbirth grants and death allowances	3,800.00	2,776.34	73.06%	3,800.00	2,776.34	73.06%	-	1,023.66
A-1141	Travel expenses for annual leave	670,000.00	475,686.93	71.00%	670,000.00	475,686.93	71.00%	-	194,313.07
A-1142	Shift work and standby duty	56,000.00	45,847.88	81.87%	56,000.00	45,847.88	81.87%	-	10,152.12
A-1149	Other allowances and grants	139,250.00	107,500.00	77.20%	139,250.00	107,500.00	77.20%	-	31,750.00
A-1150	Overtime	-	-	0.00%	-	-	0.00%		-
A-1200	Recruitment expenses	155,000.00	91,020.00	58.72%	155,000.00	81,118.00	52.33%	9,902.00	63,980.00
A-1201	Installation resettlement daily subsistence allowances	995,000.00	342,252.92	34.40%	995,000.00	342,252.92	34.40%	-	652,747.08
A-1300	Missions duty travel expenses and ancillary expenditure	20,000.00	-	0.00%	20,000.00	-	0.00%	-	20,000.00
A-1400	Restaurants and canteens	25,000.00	13,251.15	53.00%	25,000.00	751.15	3.00%	12,500.00	11,748.85
A-1410	Medical service	105,000.00	93,750.00	89.29%	105,000.00	58,598.00	55.81%	35,152.00	11,250.00
A-1420	Social contacts between staff	55,000.00	16,500.00	30.00%	55,000.00	180.00	0.33%	16,320.00	38,500.00
A-1421	Special allowances for disability	-	-	0.00%	-	-	0.00%	-	-
A-1422	Early childhood centres and schooling	1,491,336.00	1,491,336.00	100.00%	1,491,336.00	1,247,109.24	83.62%	244,226.76	-

BL	Budget line description	Commitment appropriations transaction amount (1)	Executed committed amount (2)	Com % (2)/(1)	Payment appropriations transaction amount (3)	Executed payments amount (4)	% paid (4)/(3)	Carried over RAL (C8) (2)-(4)	Cancelled (1)-(2)
A-1500	Further training and language courses	625,500.00	432,012.07	69.07%	625,500.00	255,011.68	40.77%	177,000.39	193,487.93
A-1600	Administrative assistance from Commission	758,298.80	758,298.80	100.00%	758,298.80	575,162.26	75.85%	183,136.54	-
A-1601	Interim services	1,420,000.00	1,252,215.15	88.18%	1,420,000.00	992,215.15	69.87%	260,000.00	167,784.85
A-1700	Representation expenses	1,000.00	1,000.00	100.00%	1,000.00	889.49	88.95%	110.51	-
	TOTAL TITLE I	**56,780,000.00**	**50,460,188.44**	**88.87%**	**56,780,000.00**	**49,470,208.80**	**87.13%**	**989,979.64**	**6,319,811.56**

TITLE II: ADMINISTRATIVE EXPENDITURE

BL	Budget line description	Commitment appropriations transaction amount (1)	Executed committed amount (2)	Com % (2)/(1)	Payment appropriations transaction amount (3)	Executed payments amount (4)	% paid (4)/(3)	Carried over RAL (C8) (2)-(4)	Cancelled (1)-(2)
A-2000	Rental costs	3,087,526.24	3,087,526.24	100.00%	3,087,526.24	3,087,526.24	100.00%	0.00	-
A-2010	Insurance	29,745.30	29,745.30	100.00%	29,745.30	16,145.30	54.28%	13,600.00	-
A-2020	Maintenance and cleaning	939,051.09	939,051.09	100.00%	939,051.09	707,451.09	75.34%	231,600.00	-
A-2030	Water, gas, electricity, heating	199,937.55	199,937.55	100.00%	199,937.55	162,537.55	81.29%	37,400.00	-
A-2040	Fitting out premises	2,667,132.00	2,667,132.00	100.00%	2,667,132.00	-	0.00%	2,667,132.00	-
A-2050	Building security and surveillance	1,109,206.51	1,109,206.51	100.00%	1,109,206.51	1,055,008.17	95.11%	54,198.34	-
A-2100	ICT equipment	2,755,945.20	2,731,704.10	99.12%	2,755,945.20	2,284,890.46	82.91%	446,813.64	24,241.10
A-2101	ICT maintenance	518,544.50	518,453.32	99.98%	518,544.50	491,618.07	94.81%	26,835.25	91.18
A-2103	Analysis programming	1,798,913.95	1,798,599.89	99.98%	1,798,913.95	1,261,002.18	70.10%	537,597.71	314.06
A-2104	Telecommunications equipment	661,419.97	607,576.00	91.86%	661,419.97	480,465.60	72.64%	127,110.40	53,843.97
A-2200	Technical equipment	58,500.00	41,162.48	70.36%	58,500.00	4,179.00	7.14%	36,983.48	17,337.52
A-2210	Furniture	150,000.00	146,152.22	97.43%	150,000.00	4,002.07	2.67%	142,150.15	3,847.78
A-2250	Documentation and library expenditure	829,481.34	820,115.57	98.87%	829,481.34	523,257.24	63.08%	296,858.33	9,365.77
A-2300	Stationery and office supplies	87,000.00	80,468.33	92.49%	87,000.00	41,468.33	47.66%	39,000.00	6,531.67
A-2320	Bank and other financial charges	492,240.50	410,000.00	83.29%	492,240.50	371,885.92	75.55%	38,114.08	82,240.50
A-2330	Legal expenses	27,490.00	27,475.00	99.95%	27,490.00	17,005.83	61.86%	10,469.17	15.00
A-2350	Miscellaneous insurance	8,000.00	173.99	2.17%	8,000.00	173.99	2.17%	0.00	7,826.01
A-2351	Administrative translations	233,000.00	233,000.00	100.00%	233,000.00	225,446.85	96.76%	7,553.15	-
A-2352	Transportation and removal expenses	90,000.00	14,101.86	15.67%	90,000.00	14,101.86	15.67%	0.00	75,898.14

BL	Budget line description	Commitment appropriations transaction amount (1)	Executed committed amount (2)	Com % (2)/(1)	Payment appropriations transaction amount (3)	Executed payments amount (4)	% paid (4)/(3)	Carried over RAL (C8) (2)-(4)	Cancelled (1)-(2)
A-2353	Business consultancy	399,759.50	398,864.50	99.78%	399,759.50	212,941.00	53.27%	185,923.50	895.00
A-2354	General meetings expenditure	5,000.00	3,000.00	60.00%	5,000.00	74.40	1.49%	2,925.60	2,000.00
A-2355	Publications	10,000.00	2,000.00	20.00%	10,000.00	407.58	4.08%	1,592.42	8,000.00
A-2356	Other administrative expenditure	7,510.00	6,844.00	91.13%	7,510.00	2,759.41	36.74%	4,084.59	666.00
A-2400	Postage and delivery charges	58,000.00	52,495.84	90.51%	58,000.00	27,495.84	47.41%	25,000.00	5,504.16
A-2410	Telecommunications charges	426,596.35	426,574.41	99.99%	426,596.35	239,706.21	56.19%	186,868.20	21.94
	TOTAL TITLE II	**16,650,000.00**	**16,351,360.20**	**98.21%**	**16,650,000.00**	**11,231,550.19**	**67.46%**	**5,119,810.01**	**298,639.80**

TITLE III: OPERATIONAL EXPENDITURE

**** Non-differentiated appropriations= NDA/ Differentiated appropriations=DA.***

The commitment appropriations of the DA could extend over more than one financial year and their payment appropriations are not carried over.

BL	Type	Budget Line Description	Commitment Appropriations Transaction Amount (1)	Executed Committed Amount (2)	Com % (2)/(1)	Payment Appropriations Transaction Amount (3)	Executed Payments Amount (4)	% Paid (4)/(3)	Carried over RAL (C8) (2)-(4)	Cancelled Commitment appropriations (1)-(2)	Cancelled Payment appropriations (3)-(4)-(carried over)
B-3100	NDA	Governance	125,000.00	-	0.00%	125,000.00	-	0.00%	-	125,000.00	125,000.00
B-3101	DA	Support activities to the Fund	6,088,755.00	3,801,939.83	62.44%	3,121,204.28	2,851,832.29	91.37%	-	2,286,815.17	269,371.99
B-3102	DA	Resolution Readiness	2,180,000.00	2,149,400.00	98.60%	1,956,228.98	350,818.00	17.93%	-	30,600.00	1,605,410.98
B-3103	DA	Resolution Framework	410,000.00	314,100.00	76.61%	80,522.50	66,422.50	82.49%	-	95,900.00	14,100.00
B-3111	DA	Communications	2,050,000.00	1,861,971.25	90.83%	1,270,500.00	1,270,375.42	99.99%	-	188,028.75	124.58
B-3112	NDA	Missions	471,245.00	165,686.26	35.16%	471,245.00	55,686.26	11.82%	110,000.00	305,558.74	305,558.74
B-3113	DA	Software package and information systems	3,930,000.00	3,604,890.30	91.73%	3,051,000.00	2,846,595.47	93.30%	-	325,109.70	204,404.53
B-3114	DA	Computing and telecommunications machinery/equipment	1,130,000.00	566,471.39	50.13%	894,248.52	894,248.52	100.00%	-	563,528.61	-
B-3115	DA	IT services: consulting software development	5,405,000.00	4,778,894.91	88.42%	4,550,050.72	4,550,050.72	100.00%	-	626,105.09	-
B-3200	NDA	Appeal Panel	1,000,000.00	123,750.00	12.38%	1,000,000.00	85,400.00	8.54%	38,350.00	876,250.00	876,250.00
B-3201	DA	Communications during crisis	1,000,000.00	-	0.00%	1,000,000.00	-	0.00%	-	1,000,000.00	1,000,000.00

BL	Type	Budget Line Description	Commitment Appropriations Transaction Amount (1)	Executed Committed Amount (2)	Com % (2)/(1)	Payment Appropriations Transaction Amount (3)	Executed Payments Amount (4)	% Paid (4)/(3)	Carried over RAL (C8) (2)-(4)	Cancelled Commitment appropriations (1)-(2)	Cancelled Payment appropriations (3)-(4)-(carried over)
B-3202	DA	Contingency for the Fund	3,000,000.00	-	0.00%	3,000,000.00	-	0.00%	-	3,000,000.00	3,000,000.00
B-3203	DA	Legal and Litigation	10,000,000.00	5,347,000.00	53.47%	10,000,000.00	1,821,706.11	18.22%	-	4,653,000.00	8,178,293.89
B-3204	DA	Consultancy and advice	15,000,000.00	-	0.00%	15,000,000.00	870,796.88	5.81%	-	15,000,000.00	14,129,203.12
B-3205	NDA	Crisis contingency	50,000.00	-	0.00%	50,000.00	-	0.00%	-	50,000.00	50,000.00
		TOTAL TITLE III	**51,840,000.00**	**22,714,103.94**	**43.82%**	**45,570,000.00**	**15,663,932.17**	**34.37%**	**148,350.00**	**29,125,896.06**	**29,757,717.83**

TOTAL SRB BUDGET IMPLEMENTATION PART I 2021

\	Commitment Appropriations Transaction Amount (1)	Executed Committed Amount (2)	% Com (2)/(1)	Payment Appropriations Transaction Amount (3)	Executed Payments Amount (4)	% Paid (4)/(3)	Carried over RAL (C8) (2)-(4)	Cancelled Commitment appropriations (1)-(2)	Cancelled Payment appropriations (3)-(4)-(carried over)
TOTAL PART I 2021	**125,270,000.00**	**89,525,652.58**	**71.47%**	**119,000,000.00**	**76,365,691.16**	**64.17%**	**6,258,139.65**	**35,744,347.42**	**36,376,169.19**

Appendix 2 — budget execution / fund source C8 — appropriations carried over in 2021

TITLE I: STAFF EXPENDITURE

BL	Budget line description	Commitment appropriations	Commitments established	% Com	Payment appropriations	Payments executed	% paid	Cancelled
A-1200	Recruitment expenses	9,740.00	0.00	0.00%	9,740.00	0.00	0.00%	9,740.00
A-1400	Restaurants and canteens	1,000.00	0.00	0.00%	1,000.00	0.00	0.00%	1,000.00
A-1410	Medical service	46,872.00	0.00	0.00%	46,872.00	0.00	0.00%	46,872.00
A-1420	Social contacts between staff	240.00	0.00	0.00%	240.00	0.00	0.00%	240.00
A-1422	Early childhood centres and schooling	75,172.50	54,921.50	73.06%	75,172.50	54,921.50	73.06%	20,251.00
A-1500	Further training and language courses for staff	17,525.88	7,925.62	45.22%	17,525.88	7,925.62	45.22%	9,600.26
A-1600	Administrative assistance from Community institutions	99,294.40	83,977.79	84.57%	99,294.40	83,977.79	84.57%	15,316.61
A-1601	Interim services	116,594.06	116,594.06	100.00%	116,594.06	116,594.06	100.00%	0.00
A-1700	Representation expenses	1,000.00	0.00	0.00%	1,000.00	0.00	0.00%	1,000.00
	TOTAL C8 TITLE I	**367,438.84**	**263,418.97**	**71.69%**	**367,438.84**	**263,418.97**	**71.69%**	**104,019.87**

TITLE II: ADMINISTRATIVE EXPENDITURE

BL	Budget line description	Commitment appropriations	Commitments established	% Com	Payment appropriations	Payments executed	% paid	Cancelled
A-2010	Insurance	1,100.00	1,100.00	100.00%	1,100.00	1,100.00	100.00%	0.00
A-2020	Maintenance and cleaning	59,800.00	59,800.00	100.00%	59,800.00	57,800.00	96.66%	2,000.00
A-2030	Water gas electricity heating	29,000.00	29,000.00	100.00%	29,000.00	29,000.00	100.00%	0.00
A-2040	Fitting out premises	3,000.00	3,000.00	100.00%	3,000.00	0.00	0.00%	3,000.00
A-2050	Security and surveillance of the building	16,319.17	4,705.13	28.83%	16,319.17	4,705.13	28.83%	11,614.04
A-2100	ICT equipment - Hardware and software	78,247.79	72,121.25	92.17%	78,247.79	71,503.80	91.38%	6,743.99
A-2101	ICT maintenance	49,993.16	3,824.29	7.65%	49,993.16	3,824.29	7.65%	46,168.87
A-2103	Analysis, programming, technical assistance and other external services for the administration of the Agency	626,220.22	615,542.18	98.29%	626,220.22	610,315.18	97.46%	15,905.04
A-2104	Telecommunication equipment	36,131.54	36,131.53	100.00%	36,131.54	36,131.53	100.00%	0.01
A-2200	Technical equipment and installations	12,891.53	7,494.09	58.13%	12,891.53	6,978.09	54.13%	5,913.44
A-2210	Furniture	33,140.35	33,140.35	100.00%	33,140.35	33,140.35	100.00%	0.00
A-2250	Documentation and library expenditure	372,920.75	234,407.12	62.86%	372,920.75	234,407.12	62.86%	138,513.63
A-2300	Stationery and office supplies	8,800.00	8,800.00	100.00%	8,800.00	8,800.00	100.00%	0.00
A-2320	Bank and other financial charges	249,517.42	211,270.44	84.67%	249,517.42	211,270.44	84.67%	38,246.98
A-2353	Business consultancy	241,853.00	238,553.00	98.64%	241,853.00	238,553.00	98.64%	3,300.00
A-2354	General meetings expenditure	2,000.00	2,000.00	100.00%	2,000.00	1,743.10	87.16%	256.90
A-2355	Publications	1,808.99	1,808.99	100.00%	1,808.99	0.00	0.00%	1,808.99
A-2356	Other administrative expenditure	1,793.00	1,793.00	100.00%	1,793.00	0.00	0.00%	1,793.00
A-2400	Postage and delivery charges	3,000.00	2,000.00	66.67%	3,000.00	1,000.00	33.33%	2,000.00
A-2410	Telecommunication charges	210,714.34	184,879.99	87.74%	210,714.34	184,879.99	87.74%	25,834.35
	TOTAL C8 TITLE II	**2,038,251.26**	**1,751,371.36**	**85.93%**	**2,038,251.26**	**1,735,152.02**	**85.13%**	**303,099.24**

TITLE III: OPERATIONAL EXPENDITURE

*** Non-differentiated appropriations= NDA / Differentiated appropriations=DA.**

BL	Type	Budget Line Description	Commitment appropriations	Commitments established	% Com	Payment appropriations	Payments executed	% Paid	Cancelled
B-3100	NDA	Governance	8,500.00	0.00	0.00%	8,500.00	0.00	0.00%	8,500.00
B-3101	DA	Support activities to the Fund	1,147,063.02	955,383.87	83.29%	0.00	0.00	0.00%	0.00
B-3103	DA	Resolution framework	138,940.00	66,422.50	47.81%	0.00	0.00	0.00%	0.00
B-3111	DA	Communication	363,531.78	322,093.61	88.60%	0.00	0.00	0.00%	0.00
B-3112	NDA	Missions	50,000.00	50,000.00	100.00%	50,000.00	37,131.85	74.26%	12,868.15
B-3113	DA	Software package and information systems	725,671.00	708,750.55	97.67%	0.00	0.00	0.00%	0.00

BL	Type	Budget Line Description	Commitment appropriations	Commitments established	% Com	Payment appropriations	Payments executed	% Paid	Cancelled
B-3114	DA	Computing and telecommunications machinery equip.	327,777.13	327,777.13	100.00%	0.00	0.00	0.00%	0.00
B-3115	DA	IT services: consulting software development	2,542,734.62	2,394,689.05	94.18%	0.00	0.00	0.00%	0.00
B-3200	NDA	Appeal Panel	77,347.71	37,450.00	48.42%	77,347.71	37,450.00	48.42%	39,897.71
B-3203	DA	Legal and Litigation	9,930,800.99	9,584,134.64	96.51%	0.00	0.00	0.00%	0.00
B-3204	DA	Consultancy and advice	4,500,000.00	4,500,000.00	100.00%	0.00	0.00	0.00%	0.00
B-3205	NDA	Crisis contingency	1,000.00	1,000.00	100.00%	1,000.00	0.00	0.00%	1,000.00
		TOTAL C8 TITLE III	**19,813,366.25**	**18,947,701.35**	**95.63%**	**136,847.71**	**74,581.85**	**54.50%**	**62,265.86**
		TOTAL C8 Funds 2021	**22,219,056.35**	**20,962,491.68**	**94.34%**	**2,542,537.81**	**2,073,152.84**	**81.54%**	**469,384.97**

Under Title III, the commitments related to differentiated appropriations and non-differentiated appropriations, an accumulated amount of EUR 19 813 366.25 was carried over from 2020 to 2021.

The commitment appropriations in the differentiated budget lines are paid with payment credits from 2021, and the amounts paid are included in **Appendix 1 — budget execution / fund source C1 — current year appropriations — 2021.**

Appendix 3 — budget execution / fund sources C4 and C5 — internal assigned revenue — 2021

BL	Fund source	Budget line description	Commitment appropriations	Committed established	% Com	Payment appropriations	Payments executed	% paid	Carried over commitment appropriations	Carried over payment appropriations
B-3112	C4	Missions	7,180.35	-	0.00%	7,180.35	-	0.00%	7,180.35	7,180.35
B-3112	C5	Missions	10,475.97	10,475.97	100.00%	10,475.97	10,475.97	100.00%	-	-
TOTAL C4 & C5 Funds 2021			**17,656.32**	**10,475.97**	**59.33%**	**17,656.32**	**10,475.97**	**59.33%**	**7,180.35**	**7,180.35**

d. Budget implementation 2021 — detailed — PART II

Budget execution / fund source R0 — assigned revenue — 2021
Title IV: SINGLE RESOLUTION FUND

INSCRIPTION TITLE IX — BUDGETARY RESULT OF YEAR N-1 (SRB Financial Regulation, Article 16)

BL	Commitment appropriations	Commitments established	Com %	Payment appropriations	Payments executed	% paid	Carried over commitment appropriations	Carried over payment appropriations
B-9000 Balancing from the reserve	45,387,679.98	-	-	45,387,679.98	-	-	45,387,679.98	45,387,679.98

e. Budget transfers 2021

BUDGET LINE DESCRIPTION	INITIAL BUDGET	TRANSFERS	AFTER TRANSFER	VARIANCE
TITLE I: STAFF EXPENDITURE				
A-1100 Basic salaries	33,550,000.00	(639,386.00)	32,910,614.00	(1.91%)
A-1130 Insurance against sickness	1,800,000.00	(115,798.80)	1,684,201.20	(6.43%)
A-1140 Childbirth grants and death allowances	2,000.00	1,800.00	3,800.00	90.00%
A-1142 Shift work and standby duty	41,000.00	15,000.00	56,000.00	36.59%
A-1149 Other allowances and grants	18,000.00	121,250.00	139,250.00	673.61%
A-1422 Early childhood centres and schooling	1,490,000.00	1,336.00	1,491,336.00	0.09%
A-1600 Administrative assistance from community institutions	642,500.00	115,798.80	758,298.80	18.02%
A-1601 Interim services	920,000.00	500,000.00	1,420,000.00	54.35%
TOTAL TITLE I	**38,463,500.00**	**0.00**	**38,463,500.00**	**0.00%**
TITLE II: ADMINISTRATIVE EXPENDITURE				
A-2000 Rental Costs	3,860,000.00	(772,473.76)	3,087,526.24	(20.01%)
A-2010 Insurance	15,000.00	14,745.30	29,745.30	98.30%
A-2020 Maintenance and cleaning	845,000.00	94,051.09	939,051.09	11.13%
A-2030 Water gas electricity heating	270,000.00	(70,062.45)	199,937.55	(25.95%)
A-2040 Fitting out premises	790,000.00	1,877,132.00	2,667,132.00	237.61%
A-2050 Building security and surveillance	1,868,500.00	(759,293.49)	1,109,206.51	(40.64%)
A-2100 ICT equipment - Hardware and software	2,345,000.00	410,945.20	2,755,945.20	17.52%
A-2101 ICT maintenance	600,000.00	(81,455.50)	518,544.50	(13.58%)
A-2103 Analysis programming technical assistance and other external services	1,755,000.00	43,913.95	1,798,913.95	2.50%
A-2104 Telecommunication equipment	700,000.00	(38,580.03)	661,419.97	(5.51%)
A-2250 Documentation and library expenditure	1,175,000.00	(345,518.66)	829,481.34	(29.41%)
A-2320 Bank and other financial charges	700,000.00	(207,759.50)	492,240.50	(29.68%)
A-2330 Legal expenses	25,000.00	2,490.00	27,490.00	9.96%
A-2351 Admin translations and interpretation	200,000.00	33,000.00	233,000.00	16.50%
A-2353 Business consultancy	225,000.00	174,759.50	399,759.50	77.67%
A-2356 Other administrative expenditure	10,000.00	(2,490.00)	7,510.00	(24.90%)
A-2410 Telecommunication charges	800,000.00	(373,403.65)	426,596.35	(46.68%)
TOTAL TITLE II	**16,183,500.00**	**0.00**	**16,183,500.00**	**0.00%**
TITLE III: OPERATIONAL EXPENDITURE - Transfer of *Commitment* Appropriations				
B-3101 Support activities to the Fund	7,020,000.00	(931,245.00)	6,088,755.00	(13.27%)
B-3102 Resolution readiness	480,000.00	1,700,000.00	2,180,000.00	354.17%
B-3103 Resolution framework	50,000.00	360,000.00	410,000.00	720.00%
B-3111 Communication	2,550,000.00	(500,000.00)	2,050,000.00	(19.61%)
B-3112 Missions	1,100,000.00	(628,755.00)	471,245.00	(57.16%0)
TOTAL TITLE III	**11,200,000.00**	**0.00**	**11,200,000.00**	**0.00%**
TITLE III: OPERATIONAL EXPENDITURE-Transfer of *Payment* Appropriations				
B-3101 Support activities to the Fund	4,819,000.00	(1,697,795.72)	3,121,204.28	(35.23%)
B-3102 Resolution readiness	330,000.00	1,626,228.98	1,956,228.98	492.80%
B-3103 Resolution framework	50,000.00	30,522.50	80,522.50	61.05%
B-3111 Communication	1,770,500.00	(500,000.00)	1,270,500.00	(28.24%)
B-3112 Missions	1,100,000.00	(628,755.00)	471,245.00	(57.16%)
B-3113 Software package and information systems	2,751,000.00	300,000.00	3,051,000.00	10.91%
B-3114 Computing and telecommunications machinery equipment	791,000.00	103,248.52	894,248.52	13.05%
B-3115 IT services: consulting software development and support	3,783,500.00	766,550.72	4,550,050.72	20.26%
TOTAL TITLE III	**15,395,000.00**	**0.00**	**15,395,000.00**	**0.00%**

f. Reconciliation of the accrual-based result with the budgetary outturn result

The economic result of the year is calculated on the basis of accrual accounting principles. However, the budget result is based on modified cash accounting rules, in accordance with the SRB Financial Regulation. As the economic result and the budget result both cover the same underlying operational transactions, it is a useful safeguard to ensure that they are reconcilable.

	Economic result (profit or loss) of the year	**+/–**	**9,280,335,236.06**
A	Adjustments for Accrual Cut-off (reversal 31.12.N-1)	**–**	(31,721,719.96)
B	Adjustments for Accrual Cut-off (cut-off 31.12.N)	**+**	36,553,277.35
C	Amount from liaison account with Commission booked in the Economic Outturn Account	**–**	-
D	Unpaid invoices at year-end but booked in charges (class 6)	**+**	-
E	Depreciation of intangible and tangible assets (1)	**+**	3,296,173.18
F	Provisions (1)	**+/–**	(408,850.00)
G	Value reductions (1)	**+**	-
H	Recovery Orders issued in 2020 in class 7 and not yet cashed	**–**	(1,146.77)
Ia	Pre-financing given in the previous year and cleared in the year	**+**	-
Ib	Pre-financing received in the previous year and cleared in the year	**+/–**	(7,538,453.97)
J	Payments made from carry-over of payment appropriations	**+**	2,083,628.81
K	Other	**+/–**	185,318,538.71
L	Exchange rate differences (2) (3)		-
M	Asset acquisitions (less unpaid amounts)	**–**	(3,667,660.67)
N	New pre-financing paid in the year 2020 and remaining open as at 31.12.2020	**–**	-
O	New pre-financing received in the year 2020 and remaining open as at 31.12.2020	**+**	43,266,286.45
P	Budgetary recovery orders issued before 2020 and cashed in the year	**+**	-
Q	Budgetary recovery orders issued in 2020 on balance sheet accounts (not 7 or 6 accounts) and cashed	**+**	-
R	Capital payments on financial leasing (they are budgetary payments but not in the economic result)	**–**	(30,131.49)
S	Payment appropriations carried over to 2020	**–**	(47,181,981,073.12)
T	Cancellation of unused carried over payment appropriations from previous year	**+**	469,384.97
U	Adjustment for carry-over from the previous year of appropriations available at 31.12.2019 arising from assigned revenue	**+**	37,710,854,067.36
V	Payments for pensions (they are budgetary payments but booked against provisions)	**–**	-
W	Payments for stocks of leave and supplementary hours (budgetary payments but booked against provisions)	**–**	-
X	Other: balance item	**+/–**	-
	Total		36,827,556.92
	Budgetary result (+ for surplus) (2)		**36,822,987.56**
	Delta not explained		(4,569.36)

SRB Establishment Plan

Statutory positions	Staff employed		Authorised	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
Temporary AD	302	303	370	325
Temporary AST/SC	69	69	80	75
TOTAL	**371**	**372**	**450**	**400**

Non-statutory positions	Staff employed		Authorised	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
Seconded national experts	**22**	**19**	**35**	**35**

Concerning the statutory posts, the occupation rate at 31 December 2021 was 82% (2020: 93%) against the total target of 450 authorised posts.