



**FINAL ANNUAL ACCOUNTS**

**of the**

**Single Resolution Board**

**Financial Year 2019**

**Financial Statements**

**Report on Budgetary and Financial Management**

**Budget Implementation**

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## **CERTIFICATION LETTER FROM THE ACCOUNTING OFFICER**

The annual accounts of the Single Resolution Board for 2019 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 me.

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 2020

Malvine TOMUSCA

Accounting Officer



## I. FINANCIAL STATEMENTS 2019

### 1. Statement of financial position 2019

#### 1.1. Statement of financial position 2019 – ASSETS

HEADING	Note	31.12.2019	31.12.2018	Variation
<b>NON-CURRENT ASSETS</b>		<b>10,087,874,557.10</b>	<b>6,414,795,177.58</b>	<b>3,673,079,379.52</b>
<b>Intangible assets</b>	<b>7.A.1.</b>	<b>4,163,596.42</b>	<b>1,893,309.66</b>	<b>2,270,286.76</b>
Intangible assets		2,981,673.57	1,550,361.66	1,431,311.91
Intangible assets under construction		1,181,922.85	342,948.00	838,974.85
<b>Property, plant and equipment</b>	<b>7.A.2.</b>	<b>2,401,022.26</b>	<b>2,014,645.40</b>	<b>386,376.86</b>
Building appliances		120,801.00	-	120,801.00
Plant and equipment		2,545.57	1,182.00	1,363.57
Computer hardware		1,424,679.11	316,096.99	1,108,582.12
Furniture and vehicles		495,960.00	520,436.73	(24,476.73)
Other fixtures and fittings		353,257.58	269,066.43	84,191.15
Assets under finance lease		3,779.00	907,863.25	(904,084.25)
<b>Financial assets (non-current)</b>		<b>10,081,309,938.42</b>	<b>6,410,887,222.52</b>	<b>3,670,422,715.90</b>
Available-for-sale financial assets	<b>10.3</b>	10,081,309,938.42	6,410,887,222.52	3,670,422,715.90
Pre-financing (long term)		-	-	-
Long-term receivables and recoverables		-	-	-
<b>CURRENT ASSETS</b>		<b>22,838,681,282.01</b>	<b>18,588,621,194.24</b>	<b>4,250,060,087.77</b>
<b>Assets (current)</b>		<b>22,838,681,282.01</b>	<b>18,588,621,194.24</b>	<b>4,250,060,087.77</b>
Available-for-sale financial assets	<b>10.3</b>	<b>1,051,468,273.79</b>	<b>937,368,284.82</b>	<b>114,099,988.97</b>
Pre-financing (short term)		<b>35,000.00</b>	<b>6,704.50</b>	<b>28,295.50</b>
<b>Receivables and recoverables</b>	<b>7.B</b>	<b>15,534,534.64</b>	<b>15,996,771.82</b>	<b>(462,237.18)</b>
Current receivables		209,549.49	5,480,601.69	(5,271,052.20)
Sundry receivables		113,555.05	42,222.99	71,332.06
Accrued interest receivable		14,298,469.73	10,042,283.14	4,256,186.59
<b>Deferred charges</b>	<b>7.B</b>	<b>912,960.37</b>	<b>431,664.00</b>	<b>481,296.37</b>
<b>Cash and cash equivalents</b>	<b>7.C</b>	<b>21,771,643,473.58</b>	<b>17,635,249,433.10</b>	<b>4,136,394,040.48</b>
<b>TOTAL ASSETS</b>	<b>A</b>	<b>32,926,555,839.11</b>	<b>25,003,416,371.82</b>	<b>7,923,139,467.29</b>

## 1.2. Statement of financial position 2019 – LIABILITIES

HEADING	Note	31.12.2019	31.12.2018	Variation
<b>NET ASSETS</b>	<b>7.D</b>	<b>29,191,715,238.95</b>	<b>22,072,693,630.29</b>	<b>7,119,021,608.66</b>
<b>Accumulated reserves</b>		<b>22,052,522,355.46</b>	<b>15,348,724,427.05</b>	<b>6,703,797,928.41</b>
Economic outturn of the year (fund)		6,990,255,990.56	6,703,797,928.41	286,458,062.15
Economic outturn of the year (admin)		-	-	-
Fair value revaluation reserve (other comprehensive income)		148,936,892.93	20,171,274.83	128,765,618.10
<b>NON-CURRENT LIABILITIES</b>		<b>3,720,861,853.96</b>	<b>2,913,706,454.02</b>	<b>807,155,399.94</b>
<b>Provisions for risks and liabilities (long term)</b>		-	-	-
<b>Financial liabilities (non-current)</b>	<b>7.E</b>	<b>3,720,861,853.96</b>	<b>2,913,706,454.02</b>	<b>807,155,399.94</b>
Long-term liabilities from SRB specific activities		3,608,649,866.31	2,819,882,321.00	788,767,545.31
Pre-financing received from bank institutions		112,191,695.69	93,052,443.16	19,139,252.53
Other long-term liabilities		20,291.96	771,689.86	(751,397.90)
<b>CURRENT LIABILITIES</b>		<b>13,978,746.20</b>	<b>17,016,287.51</b>	<b>(3,037,541.31)</b>
<b>Provisions for risks and charges (short term)</b>	<b>7.F</b>	<b>686,400.00</b>	<b>0.00</b>	<b>686,400.00</b>
<b>Financial liabilities (current)</b>		<b>13,292,346.20</b>	<b>17,016,287.51</b>	<b>(3,723,941.31)</b>
<b>Payables</b>		<b>13,292,346.20</b>	<b>17,016,287.51</b>	<b>(3,723,941.31)</b>
Long-term liabilities falling due within the year	<b>7.G</b>	721,919.32	788,027.39	(66,108.07)
Current payables		185,614.15	5,474,701.50	(5,289,087.35)
Sundry payables		687,112.35	394,655.00	292,457.35
Accrued charges	<b>7.H</b>	5,991,133.59	5,453,340.20	537,793.39
Accrued interest payable		5,267,296.79	4,426,660.42	840,636.37
Deferred income		439,270.00	478,903.00	-39,633.00
<b>TOTAL LIABILITIES and RESERVES</b>	<b>L</b>	<b>32,926,555,839.11</b>	<b>25,003,416,371.82</b>	<b>7,923,139,467.29</b>

## 2. Statement of financial performance 2019

HEADING	Note	2019	2018	Variation
<b>OPERATING REVENUES</b>	<b>9.A</b>	<b>7,100,053,116.32</b>	<b>6,813,748,522.07</b>	<b>286,304,594.25</b>
Non-exchange revenues from fund contributions		7,030,648,096.64	6,753,926,199.99	<b>276,721,896.65</b>
Other non-exchange revenues from administrative contributions		69,374,853.10	59,789,574.53	<b>9,585,278.57</b>
Other exchange operating revenues		535.08	5,539.82	<b>(5,004.74)</b>
Revenues from exchange administrative operations		29,631.50	27,207.73	<b>2,423.77</b>
<b>OPERATING EXPENSES</b>	<b>9.B</b>	<b>(69,342,074.41)</b>	<b>(59,747,290.06)</b>	<b>(9,594,784.35)</b>
Operating expenses		(8,959,357.05)	(8,931,052.08)	<b>(28,304.97)</b>
Administrative expenses		(60,382,717.36)	(50,816,237.98)	<b>(9,566,479.38)</b>
<b>SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES</b>		<b>7,030,711,041.91</b>	<b>6,754,001,232.01</b>	<b>276,709,809.90</b>
Financial revenues	<b>9.A</b>	32,167,521.43	12,796,298.77	<b>19,371,222.66</b>
Financial expenses	<b>9.B</b>	(72,622,572.78)	(62,999,602.37)	<b>(9,622,970.41)</b>
<b>SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES</b>		<b>6,990,255,990.56</b>	<b>6,703,797,928.41</b>	<b>286,458,062.15</b>
Extraordinary gains		-	-	-
Extraordinary losses		-	-	-
<b>SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>ECONOMIC RESULT OF THE YEAR</b>		<b>6,990,255,990.56</b>	<b>6,703,797,928.41</b>	<b>286,458,062.15</b>

### 3. Cash flow statement (indirect method)

DESCRIPTION	2019	2018
<b>Cash flow from ordinary activities</b>		
<b>Surplus/(deficit) from ordinary activities</b>	<b>6,990,255,990.56</b>	<b>6,703,797,928.41</b>
<b>Operating activities</b>		
<u>Adjustments</u>		
• Amortisation (intangible fixed assets) (+)	923,276.34	510,522.19
• Depreciation (tangible fixed assets) (+)	1,719,032.85	1,634,468.69
• Interest income on available-for-sale (AFS) securities	(22,444,775.04)	(12,024,912.28)
• Net realised gain/loss on sale of AFS securities	(9,718,142.82)	(765,260.10)
• Increase/(decrease) in provisions for risks and liabilities	686,400.00	-
• Increase/(decrease) in value reduction for doubtful debts	-	-
• (Increase)/decrease in stock	-	-
• (Increase)/decrease in long-term pre-financing	-	-
• (Increase)/decrease in short-term pre-financing	(28,295.50)	38,295.50
• (Increase)/decrease in long-term receivables	-	-
• (Increase)/decrease in short-term receivables	462,237.18	(8,328,799.43)
• Increase/(decrease) in other long-term liabilities	19,139,252.53	31,578,861.25
• Increase/(decrease) in accounts payable	(4,357,292.07)	(524,242.34)
• Other non-cash movements	-	-
<b>Net cash flow from operating activities</b>	<b>6,976,637,684.03</b>	<b>6,715,916,861.89</b>
<b>Cash flow from investing activities</b>	(4,665,622.05)	
Increase in tangible and intangible fixed assets (-)		(1,036,524.85)
Proceeds from tangible and intangible fixed assets (+)	-	-
<b>Net cash flow from investing activities</b>	<b>(4,665,622.05)</b>	<b>(1,036,524.85)</b>
<b>Cash flow from SRB specific activities</b>		
Purchase of securities	(4,934,822,481.92)	(7,582,829,342.79)
Coupon cashed during the period	177,328,324.61	70,908,325.49
Proceeds from sales during the period	930,449,138.40	196,626,957.17
Increase in long-term financial liabilities (irrevocable payment commitments)	203,450,850.00	-
Increase in long-term financial liabilities (irrevocable payment commitments)	788,016,147.41	789,403,615.37
<b>Net cash flow from investing activities</b>	<b>(2,835,578,021.50)</b>	<b>(6,525,890,444.76)</b>
Net increase/(decrease) in cash and cash equivalents	<b>4,136,394,040.48</b>	<b>188,989,892.28</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>17,635,249,433.10</b>	<b>17,446,259,540.82</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>21,771,643,473.58</b>	<b>17,635,249,433.10</b>

#### 4. Statement of changes in net assets

DESCRIPTION	Fair value revaluation reserve	Accumulated surplus/deficit	Economic result of the year	Net assets (total)
<b>Balance as at 1 January 2018</b>	-	<b>9,434,893,538.11</b>	<b>5,913,830,888.94</b>	<b>15,348,724,427.05</b>
Allocation of the economic result of the previous year	-	5,913,830,888.94	(5,913,830,888.94)	-
Economic result of the year (fund)	-	-	6,703,797,928.41	6,703,797,928.41
Economic result of the year (admin)	-	-	-	-
Net change in fair value of available-for-sale portfolio	20,171,274.83	-	-	20,171,274.83
<b>Balance as at 31 December 2018</b>	<b>20,171,274.83</b>	<b>15,348,724,427.05</b>	<b>6,703,797,928.41</b>	<b>22,072,693,630.29</b>
Changes in accounting policies	-	-	-	-
<b>Balance as at 1 January 2019</b>	<b>20,171,274.83</b>	<b>15,348,724,427.05</b>	<b>6,703,797,928.41</b>	<b>22,072,693,630.29</b>
Allocation of the economic result of the previous year	-	6,703,797,928.41	(6,703,797,928.41)	-
Economic result of the year (fund)	-	-	6,990,255,990.56	6,990,255,990.56
Economic result of the year (admin)	-	-	-	-
Net change in fair value of available-for-sale portfolio	128,765,618.10	-	-	128,765,618.10
<b>Balance as at 31 December 2019</b>	<b>148,936,892.93</b>	<b>22,052,522,355.46</b>	<b>6,990,255,990.56</b>	<b>29,191,715,238.95</b>





## **5. THE SINGLE RESOLUTION BOARD**

### **5.1. Mission**

The Single Resolution Board (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 on 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 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 25 March 2015; amended on 16 March 2016 and 17 January 2020);
- the accounting guidelines and accounting rules provided by the Commission's Accounting Officer, complemented by the closing instructions for 2019;
- 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 budget accounts give a detailed picture of the implementation of the budget. They are based on the modified cash accounting principle.
- 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 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, that is 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. The application of the EU accounting rules, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.

#### Current versus non-current

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 current 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 non-current.

An entity should classify a liability as current 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 non-current 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 the 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 also explained in EU Accounting Rule 2 and IPSAS 1).

### 6.3. 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 SRB follows the structure of the European Commission's chart of accounts.

### 6.4. Statement of financial position

#### Intangible assets

Acquired 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 costs capitalisable 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%

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, but the development costs are classified as 'Intangible assets under construction' gradually accumulating the eligible costs incurred. Only when the resulting intangible asset enters into production as intended, its useful life starts and the amortisation is charged.

#### Property, plant and equipment

All property, plant and equipment are stated at 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 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 their cost to their residual values 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 where the SRB holds substantially all the risks and rewards of ownership are classified as fixed assets under financial lease.

### Financial assets and liabilities

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

#### I) Financial assets

- Classification and measurement

Financial assets are classified into the following specified categories: available-for-sale (AFS) assets, loans and receivables, held-to-maturity (HTM) investments and financial assets at fair value through surplus or deficit. The classification is determined at the time of initial recognition and it depends on the nature and purpose of the financial asset and on the intention and ability of management to hold the investment until its maturity.

#### **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 the investment plan in relation to the investment portfolio and the nature of the instruments held in it, the SRF investment portfolio have been classified as AFS until otherwise formally decided by management via its investment plan.

An AFS financial asset is recognised in the accounts when, and only when, the SRB becomes a party to the contractual provisions of the bond based on the settlement date of the transaction, as opposed to trade date accounting. The accounting policy choice in relation to settlement date accounting allows the SRB to recognise the investment on the date when the cash settlement of the transaction occurs.

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

If there is a change in intention or ability regarding the investment, the investment is reclassified to the HTM investments portfolio and carried at amortised cost; the fair value carrying amount of the investment on that date becomes its new amortised cost. Any previous gain or loss on that investment that has been recognised directly in net assets should be amortised to surplus or deficit over the remaining life of the HTM investment using the effective interest method. Any difference between the new amortised cost and the maturity amount should also be amortised over the remaining life of the investment using the effective interest method. If the investment is subsequently impaired, any gain or loss that has been recognised directly in net assets is reclassified from equity to surplus or deficit.

- 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). More details on fair value are given on page 50.

- Impairment of financial assets

The SRB assesses at each statement of financial position 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.

In contrast, if in a subsequent year the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the surplus or deficit.

- Derecognition

The SRB shall 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.

### **Held-to-maturity investments**

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the SRB has the positive intention and ability to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortised cost using the effective interest method less any impairment.

If required, reclassifications of certain AFS investments from the SRF investment portfolio into HTM investments are possible if they are formally approved by the management of the SRB in an Executive Session of the Board and will be implemented in the investment plan for the next calendar year.

### **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.

#### 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 original amount less write-down for impairment. A write-down for impairment of receivables is applied when there is objective evidence that the SRB will not be able to collect all 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. The amount of the write-down is recognised in the statement of financial performance. A general write-down, based on past experience, is also made for outstanding recovery orders not already subject to a specific write-down.

#### Pre-financing amounts

Pre-financing is a payment intended to provide the beneficiary with a cash advance. It may be split into a number of payments over a period defined in the particular pre-financing agreement. The float or advance is repaid or used for the purpose for which it

was provided during the period defined in the agreement. If the beneficiary does not incur eligible expenditures, it has an obligation to return the pre-financing advance to the SRB. The amount of pre-financing is reduced (wholly or partially) by the acceptance of fixed assets, eligible costs and amounts returned.

### Provisions

A provision is recognised when the SRB has a present legal or constructive obligation towards a third party as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. The amount of the provision is the best estimate of the 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).

### II) Financial liabilities

Financial liabilities 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

According to the EU accounting rules, 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.

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.

### Irrevocable payment commitments

An irrevocable payment commitment (IPC) represents an alternative to a cash payment in the context of the *ex-ante* funding for 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 of low-risk assets unencumbered by any third-party rights, provided 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 irrevocable payment commitments upon request from an institution. The Board shall allocate the use of irrevocable payment commitments evenly among those institutions requesting it. The allocated irrevocable payment commitments shall not be less than 15 % of the total payment obligations of the institution. When calculating the annual contributions of each institution, the Board shall ensure that, in any given year, the sum of those irrevocable payment commitments does not exceed 30 % of the total amount of annual contributions raised in accordance with Article 70 of Regulation (EU) 806/2014.

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).

In all IPC agreements signed with institutions, it is provided that, in the month after year end, institutions are 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 such a contractual arrangement 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 financial position as an asset; however, a related liability should also be recognised in this respect.

Should an IPC be 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

## 6.5. 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 19 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 SRB administrative contributions collected from the banks are also classified as non-exchange revenues. The Commission Delegated Regulation (EU) 2017/2361 of

14 September 2017 on the final system of contributions to the administrative expenditures of the SRB came into force at the beginning of 2019 and replaced the transitional system that had been in place since the Board started its operations.

In line with the European Commission's accounting guidelines, these advance instalments have been recognised as revenues up to the level of the expenditures for the year. The outstanding amount of advance instalments received and not spent have been booked as long-term pre-financing received (from contributors).

#### Restatements of *ex-ante* contributions for previous periods

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 at 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**

Revenue from the sale of goods and services is recognised when the significant risk and rewards of ownership of the goods are transferred to the purchaser. Revenue associated with a transaction involving the provision of services is 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 in accrued income recognised at the effective interest rate (EIR) and from cashed coupons at coupon date.

Interest income is recognised in the surplus or deficit for all interest-bearing instruments on an accrual basis using the effective interest rate method.

- Net realised gains/losses from sales of investments

The net realised gains or losses from sales of AFS securities 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

Like interest income, interest expense is recognised in the surplus or deficit for all negative interest-bearing instruments on an accrual basis.

## 6.6. 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 and of which the existence 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 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 unsuccessful outcome is above 50%, which entails recording of a provision for litigation (in full);
- “Possible” if the probability of 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 unsuccessful outcome is below 10%, which entails disclosure on a voluntary basis;

Also, according to the same EU Accounting Rule 10 §4.5.(2), in the extremely rare case where no reliable estimate can be made, a liability exists that cannot be recognised. That 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 1.1.2019	+	2,119,339.50	255,330.33	342,948.00	762,437.39	3,480,055.22
Additions	+	1,931,741.03	58,157.54	1,181,922.85	-	3,171,821.42
Disposals	-	-	-	-	-	-
Transfer between headings	+/-	342,948.00	-	(342,948.00)	-	-
Other changes (2)	+/-	-	21,741.68	-	-	21,741.68
Gross carrying amounts 31.12.2019		4,394,028.53	335,229.55	1,181,922.85	762,437.39	6,673,618.32
Accumulated amortisation and impairment 1.1.2019	-	(652,120.00)	(172,188.17)	-	(518,266.81)	(1,342,574.98)
Amortisation	-	(818,181.29)	(105,095.05)	-	(244,170.58)	(1,167,446.92)
Write-back of amortisation	+	-	-	-	-	-
Disposals	+	-	-	-	-	-
Impairment (2)	-	-	-	-	-	-
Write-back of impairment	+	-	-	-	-	-
Transfer between headings	+/-	-	-	-	-	-
Other changes (2)	+/-	-	-	-	-	-
Accumulated amortisation and impairment 31.12.2019		(1,470,301.29)	(277,283.22)	-	(762,437.39)	(2,510,021.90)
Net carrying amounts 31.12.2019		2,923,727.24	57,946.33	1,181,922.85	-	4,163,596.42

## 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 1.1.2019	+	-	1,578.00	745,392.35	696,625.70	469,919.40	2,839,051.76	4,752,567.21
Additions	+	131,786.57	1,559.57	1,689,979.98	55,812.94	248,012.33	-	2,127,151.39
Disposals	-	-	-	-	-	-	-	-
Transfer between headings	+/-	-	-	-	-	-	-	-
Other changes	+/-	-	-	-	-	(21,741.68)	-	(21,741.68)
Gross carrying amounts 31.12.2019		131,786.57	3,137.57	2,435,372.33	752,438.64	696,190.05	2,839,051.76	6,857,976.92
Accumulated amortisation and impairment 1.1.2019	-	-	(396.00)	(429,295.36)	(176,188.97)	(200,852.97)	(2,175,359.09)	(2,982,092.39)
Depreciation	-	(10,985.57)	(196.00)	(581,397.86)	(80,289.67)	(142,079.50)	(659,913.67)	(1,474,862.27)
Write-back of depreciation	+	-	-	-	-	-	-	-
Disposals	+	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Write-back of impairment <sup>82</sup>	+	-	-	-	-	-	-	-
Transfer between headings	+/-	-	-	-	-	-	-	-
Other changes	+/-	-	-	-	-	-	-	-
Accumulated amortisation and impairment 31.12.2019		(10,985.57)	(592.00)	(1,010,693.22)	(256,478.64)	(342,932.47)	(2,835,272.76)	(4,456,954.66)
Net carrying amounts 31.12.2019		120,801.00	2,545.57	1,424,679.11	495,960.00	353,257.58	3,779.00	2,401,022.26

In conformity with EU Accounting Rule 7, amortisation and depreciation charges have been recorded in SAP 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	31.12.2019	31.12.2018
<b>Current receivables (non-exchange)</b>	<b>209,549.49</b>	<b>5,480,601.69</b>
Receivables from Member States	18,284.70	4,622.62
Receivables from credit institutions within the deferred settlement of administrative contributions (final system)	184,517.00	5,474,681.00
Receivables from late payment interest	535.29	534.43
Receivables from administrative contributions (2018 and 2019 cycles)	6,212.50	763.64
Sundry receivables (exchange)	<b>113,555.05</b>	<b>42,222.99</b>
Staff	74,618.34	38,531.19
Others	38,936.71	3,691.80
<b>Deferred charges</b>	<b>912,960.37</b>	<b>431,664.00</b>
<b>Accrued interest receivable (IPC top-up)</b>	<b>14,298,469.73</b>	<b>10,042,283.14</b>
<b>TOTAL</b>	<b>15,534,534.64</b>	<b>15,996,771.82</b>

### 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.

In 2019, the SRB implemented the final system for collecting the administrative contributions that encompasses an enlarged scope of contributing financial institutions in accordance with the new Commission Delegated Regulation (EU) 2017/2361. Any differences arising from the recalculation under the final system (reflected in equal receivables and payables) can be settled in subsequent financial years (Article 10(7)). At year end, the amount receivable to be settled in the coming periods came to EUR 184,517.00 (2018: EUR 5,474,681.00).

### 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 2020. 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 delivery of services for periods ending after 31 December 2019.

### C) Cash and cash equivalents

Description	31.12.2019	31.12.2018
<b>Unrestricted cash</b>	<b>113,210,116.81</b>	<b>96,547,353.76</b>
Current bank accounts — commercial banks	113,210,116.81	96,547,353.76
Imprest accounts	-	-
Cash in hand ('caisses')	-	-
Transfers (cash in transit)	-	-
Short-term deposits and other cash equivalents < 3 months	-	-
<b>Restricted cash (Fund usage) and cash collateral</b>	<b>21,658,433,356.77</b>	<b>17,538,702,079.34</b>
Current bank accounts — national central banks (strategic cash)	13,605,202,988.74	13,048,773,628.76
IPC account with a national central bank	3,595,875,883.44	2,810,775,297.08
Cash under investment mandate (tactical cash)	4,457,354,484.59	1,679,153,153.50
<b>TOTAL</b>	<b>21,771,643,473.58</b>	<b>17,635,249,433.10</b>

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

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 2019, the SRB has opened four new NCB bank accounts, so the SRF funds are now held in a total of nine NCB bank accounts.

The cash collateral backing up the IPC agreements is held in one dedicated bank account with an NCB in 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 has opened five 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 treatment of revenues from administrative operations, at yearend there is no surplus or deficit from administrative activities (accordingly net assets being zero).

With the entering into operations of the Single Resolution Fund (SRF or "the Fund") from 01 January 2016, and the yearly collection of ex-ante contributions, there is a financial result that gives rise to net assets coming from the SRF activities. Namely, those reserves which, over time, are expected to accumulate from one financial period to the other 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 the resolution powers conferred to the SRB by the SRM Regulation.

Net assets include also the Fair Value revaluation reserve.

Description	2019	2018
<b>Opening balance</b>	<b>20,171,274.83</b>	-
Revaluation	138,337,728.30	20,811,996.86
Sale	(9,572,110.20)	(640,722.03)
Impairment	-	-
<b>TOTAL</b>	<b>148,936,892.93</b>	<b>20,171,274.83</b>

## E) Financial liabilities (non-current)

Applying the provisions of 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 M, '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	31.12.2019	31.12.2018
<b>Opening balance</b>	<b>2,819,882,321.00</b>	<b>2,029,688,572.45</b>
Collected within the year	809,373,576.71	810,034,563.20
Voluntary termination of IPCs	(20,606,031.40)	(19,840,814.65)
<b>Total long-term payables from SRB specific activities</b>	<b>3,608,649,866.31</b>	<b>2,819,882,321.00</b>

The IPC closing balance includes the effect of reimbursements for voluntary termination of IPCs.

## Other long-term liabilities

Description	31.12.2019	31.12.2018
Financial leasing (long-term portion, 1-5 years*)	20,291.96	771,689.86
Pre-financing received from banks (administrative contributions)	112,191,695.69	93,052,443.16
<b>Total</b>	<b>112,211,987.65</b>	<b>93,824,133.02</b>
<b>* Breakdown of financial leasing</b>		
	<b>31.12.2019</b>	<b>31.12.2018</b>
Plant and equipment	-	47,438.46
Furniture and vehicles	-	49,139.77
Computer hardware and software	20,291.96	675,111.63
<b>Total</b>	<b>20,291.96</b>	<b>771,689.86</b>

### *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.

Description	31.12.2019	31.12.2018
<b>Opening balance for the year</b>	<b>93,052,443.16</b>	<b>61,473,581.91</b>
Funds collected within the year and not spent	66,897,623.25	45,294,072.44
Funds used within the administrative contributions cycle for the year	(47,758,370.72)	(13,715,211.19)
<b>TOTAL</b>	<b>112,191,695.69</b>	<b>93,052,443.16</b>

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. Therefore, in 2019 the Board took the decision to use the positive budgetary result for 2017 and collect the remaining amount. In line with this decision, the pre-financing received from banks and not spent in 2017 was used in full within the administrative contributions cycle for 2019.

## F) Provisions for other risks and charges

Description	31.12.2019	31.12.2018
<b>Opening Balance</b>	-	-
Additional Provisions	686,400.00	-
Unused amounts reversed	-	-
Amounts used	-	-
Other	-	-
Present value adjustments	-	-
<b>TOTAL</b>	<b>686,400.00</b>	-

For details on the purpose of this provision for legal charges please refer below to page 34, section K "Disclosures on appeals and legal cases".

## G) Financial liabilities (current)

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

Description	31.12.2019	31.12.2018
Plant and equipment	50,262.00	48,473.59
Furniture and vehicles	44,276.65	53,752.56
Computer hardware and software	627,380.67	685,801.24
<b>TOTAL</b>	<b>721,919.32</b>	<b>788,027.39</b>

### Current payables

Description	31.12.2019	31.12.2018
<b>Amounts payable</b>	<b>185,614.15</b>	<b>5,474,701.50</b>
Vendors	1,076.65	-
Member States	-	-
Payables to credit institutions within the deferred settlement of administrative contributions	184,517.00	5,474,681.00
European Commission for services delivered under various service-level agreements	20.50	20.50
<b>Sundry payables</b>	<b>687,112.35</b>	<b>394,655.00</b>
Staff	16,661.67	-
Other (1)	670,450.68	394,655.00
<b>TOTAL</b>	<b>872,726.50</b>	<b>5,869,356.50</b>
<b>(1) Other sundry payables</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Assets — goods received without invoice	633,350.76	355,682.88
Interagency payables related to staff mobility	11,687.57	3,270.72
Social security-related payables	25,412.35	18,309.94
Cash received by error and waiting to be returned	-	17,391.46
<b>TOTAL</b>	<b>670,450.68</b>	<b>394,655.00</b>

## 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.

At year end, it was also necessary to accrue for the negative interest payable for the month of December 2019, which, according to existing contractual terms and conditions, was debited by seven NCBs only in the first days of January 2020.

Description	31.12.2019	31.12.2018
<b>Accrued charges</b>	<b>5,991,133.59</b>	<b>5,453,340.20</b>
Untaken annual leave	538,707.00	496,240.00
Transitional allowance	325,824.00	-
Accrued charges	5,126,602.59	4,957,100.20
<b>Accrued bank interest payable</b>	<b>5,267,296.79</b>	<b>4,426,660.42</b>
<b>TOTAL</b>	<b>11,258,430.38</b>	<b>9,880,000.62</b>

### Deferred income

The SRB moved on 1 February 2016 into a new building located at Treurenberg 22, Brussels. The convention for usufruct provided for a term of lease of 15 years and also for a rent-free period of 3 months at the beginning of the occupying 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 has to finance the costs incurred by the landlord for the work performed to shape the physical space of the office building in line with the SRB's needs. These costs are paid according to a well-determined reimbursement schedule, which forms an integral part of the convention for usufruct.

Description	31.12.2019	31.12.2018
Deferred income from the gratuity of 3 months' rent free (on moving into the new premises)	<b>478,903.00</b>	518,536.00
Corresponding portion recycled in the surplus or deficit	(39,633.00)	(39,633.00)
<b>TOTAL</b>	<b>439,270.00</b>	<b>478,903.00</b>

Payments for operating lease commitments still to be made for the period up to the end date of the lease contract (31 January 2031) amount to EUR 28,592,500.82.

The contractual payments are scheduled as shown in the table below.

Description	Charges paid during the year	Charges still to be paid as at 31 December 2019			TOTAL
		< 1 year	1-5 years	> 5 years	
Operating lease Treurenberg, 22 building (*)	2,579,774.51	2,579,774.51	12,898,872.55	13,113,853.76	<b>28,592,500.82</b>

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



## 8. Other significant disclosures

### I) Contingent assets

Description	31.12.2019	31.12.2018
IPCs — the contractual commitment	3,608,649,866.31	2,819,882,321.00
<b>TOTAL</b>	<b>3,608,649,866.31</b>	<b>2,819,882,321.00</b>

### Irrevocable payment commitments

The commitment entered into under the IPC contractual arrangements is disclosed as a contingent asset, highly dependent on the probability of a future event. This future event is the calling in of IPCs if specific circumstances were to arise. More details on the accounting treatment are presented on pages 18 to 20.

### J) 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 the *ex post* contributions that 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). The ministers emphasised that, as of 2016, each Member State participating in the SRM would enter into the harmonised LFA with the SRB in order to provide a national individual credit line to the SRB to back the national compartments of the SRF in the event of resolution cases. Member States sign individual LFAs, through which credit lines are provided by each participating Member State to the SRB to ensure the availability of an amount equal to each national compartment's estimated final size - which equals the fixed individual amount under the LFA, subject to changes in accordance with clause 24 of the LFA – during the transitional period.

Two options were provided for participating Member States to choose from.

- **Option 1 (national approval / staggered payment)**

If a Member State chooses to introduce a national approval / staggered payments provision, the Member State commits to initiating internal procedures to obtain the required national approval of the competent bodies upon receipt of an utilisation request. For staggered payments, Member States have to make available a first disbursement of at least 50% of the fixed individual amount, where required to be followed by three additional disbursements of each 1/6 of the fixed individual amount ( $3 \times (1/6) = 50$ ). Exceptions to these procedures may be made in exceptional circumstances, i.e. in order to avert the immediate default of the entity under resolution.

- **Option 2 (no national approval)**

In this case, a Member State commits to making funds available to the SRB after receipt of a notification by the SRB without a further internal budgetary process.

### **Functioning of LFAs and valuation considerations**

By the end of 2017, all participating Member States signed an LFA and the total gross amount of the borrowing agreements reached the level of EUR 55 billion.

However, the individual nominal amounts fixed in the LFAs do not constitute the actual available amount in case of activation but the maximum amount of each Member State's engagement.

The LFAs ensure the full availability of each national compartment's estimated size ('target level') throughout the transitional period. They are concluded between participating Member States and the SRB and provide national credit lines as a last resort to the respective compartments of the SRF when financial means and other sources are not available. In this capacity, the LFAs cover the gap between the estimated compartment size (the fixed individual amount) and the means available from contributions and borrowing.

In summary, the available amount under each LFA (in the absence of an approved resolution scheme outstanding at the reporting date) is calculated, with reference to any point in time, as the fixed individual amount provided by each LFA minus the current available funding capacity (including the available financial means constituted by *ex-ante* contributions in the Member State compartment and the mutualised financial means available in all compartments).

From an accounting point of view, LFA commitments are not in the scope of either IPSAS 29, or IPSAS 19 (they do not constitute a contingent asset); rather, they represent loan commitments.

### **K) Disclosure on appeals and legal cases**

The SRB is exposed, directly or indirectly through NRAs, to appeals and court cases that are further described below.

At the date of issuing these final annual accounts<sup>1</sup>, the SRB is of the view that it is not probable that an outflow of economic resources will be required to settle any of the pending cases. As a consequence, the exposures related to the pending cases are not recognised as provisions in the Statement of Financial Position.

Nevertheless, in November 2019, the General Court upheld three legal actions brought against the SRB and ordered the SRB to pay the applicants' costs. However, the SRB have

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<sup>1</sup> The date of issuing these final annual accounts is the date of certification by the Accounting Officer.

booked a provision in relation to these reimbursable costs (please see above section F “Provisions for risks and charges”).

As regards the disclosure of contingent liabilities, reference is made to the below paragraphs which provide for the assessment of the SRB at this point in time. 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 2019, several appeals and court cases related to ex-ante contributions were pending before the NRAs and the national administrative courts. In case of successful legal actions before the national courts requiring NRAs to refund part or the entire amount of ex-ante contributions, the SRB may have to return the corresponding amounts transferred to the SRF.

In light of the complexity and the novelty of the issues arisen in the ongoing litigation, two NRAs have considered that for some of the pending administrative appeals and legal cases before the national Courts, it is not possible to assess at this moment in time the probability of an outflow of economic resources. Based on a revised approach that will be applied from 2019 onward, the total amount in dispute related to these appeals and legal cases for which, an outflow cannot be excluded beyond reasonable doubt, is disclosed as contingent liability and amounts to EUR 1,860,999,897.00. As required when changing the application of an accounting policy, comparative amounts were prepared accordingly. The corresponding amount as at the end of 2018 was EUR 1,752,938,650.00.

At the end of 2019, 22 court cases related to ex-ante contributions were pending against the SRB before the General Court (20 cases) and the Court of Justice (two cases<sup>2</sup>). 11 new court cases were lodged in 2019 before the General Court. Two appeals were brought before the Court of Justice. During 2019, three of the court cases pending at 31 December 2018 were decided in favour of the SRB<sup>3</sup>, whereas in three other cases, the Court decided in favour of the plaintiffs. The General Court and the Court of Justice are expected to decide on some of these pending court cases before the end of 2020.

Moreover, at the time of issuing these final annual accounts, two new cases regarding ex-ante contributions have been lodged in 2020 before the General Court.

For the majority of the cases brought against the SRB’s ex-ante contribution decisions currently pending before the General Court and Court of Justice of the European Union, the likelihood of outflow of economic resources should be classified as remote.

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<sup>2</sup> One of these two cases has been dismissed by the European Court of Justice on 5 March 2020.

<sup>3</sup> Only one of these cases has been appealed before the Court of Justice.

However, in light of the complexity and the novelty of some of the issues arisen in the ongoing litigation, the SRB considers that for some of these cases the likelihood of outflow of economic resources should be classified as “possible”. The total amount in dispute for these cases EUR 185,842,919.00 (2018: EUR 50,456,162.00) is therefore disclosed as contingent liability. Furthermore, with respect to these cases, the SRB intends to adopt a conservative approach and to make a provision for the legal costs that the SRB could possibly need to reimburse (please see section F “Provisions for risks and charges”).

In the interest of transparency, the SRB discloses in the following table the full amount in dispute for all the appeals and cases regarding ex-ante contributions at national and EU level (including the amount in dispute for which, the probability of an outflow of economic resources could not be assessed).

Appeals and court cases	31.12.2019	31.12.2018
<b>From appeals with NRAs and court cases before administrative courts of the relevant Member State</b>	<b>2,474,539,877.00</b>	<b>1,793,011,917.00</b>
Related to ex-ante contributions (2015-2018)	1,812,161,193.00	1,793,011,917.00
Related to ex-ante contributions (2019)	662,378,684.00	-
<b>From legal cases before the General Court of the EU</b>	<b>2,446,830,744.00</b>	<b>222,731,324.00</b>
<b>TOTAL<sup>4</sup></b>	<b>4,921,370,621.00</b>	<b>2,015,743,241.00</b>

### ***Litigation regarding 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 2019, 101 legal cases were suspended by the Court<sup>5</sup>. It can be expected that the General Court and the Court of Justice will rule on some of these pending cases before the end of 2020.

In the course of 2019, three court cases were declared inadmissible by the General Court. All of these three cases were appealed before the Court of Justice.

At this stage of the proceedings and on the basis of the information available, the SRB considers that the likelihood of outflow of economic resources as a result of the pending court cases is remote.

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, seven new legal actions were brought before the General Court against the SRB.

<sup>4</sup> For a complete overview of the total exposures at both national and European level, the amounts related to credit institutions that appealed in front of both national courts and the General Court of EU are presented in the table above more than once in the corresponding categories (2019: EUR 315 million and 2018: EUR 198 million).

<sup>5</sup> One more case regarding BPE’s resolution was suspended in 2020.

***Litigation regarding the decisions taken with respect to ABLV Bank, AS and ABLV Luxembourg Bank S.A.***

Following the decisions by the SRB concerning the assessment of the conditions for resolution with respect to 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 the General Court.

At this stage of the proceedings and on the basis of the information available, the SRB considers that the likelihood of outflow of economic resources as result of the pending court case is remote.

***Litigation regarding the decision taken with respect to PNB Banka***

Following the decision by the SRB concerning the assessment of the conditions for resolution with respect to PNB Banka on 15 August 2019, one legal action was brought before the General Court. No ruling of the Court on this pending court case is expected before the end of 2020.

At this stage of the proceedings and on the basis of the information available, the SRB considers that the likelihood of outflow of economic resources as result of the pending court case is remote.

***Litigation regarding human resources matters***

On 7 and 8 May 2020 respectively, two legal actions concerning human resources matters were brought against the SRB. At this stage of the proceedings, the SRB is not yet in the position to assess the likelihood of outflow of economic resources as results of these two cases.

**L) 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, 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) by an invoice or other form of claim or through cut-off adjustments (year-end accrued charges).

Other significant disclosures	31.12.2019	31.12.2018
<b>Total amount of commitment appropriations carried forward from year N to year N+1 (C8 funds)</b>	<b>20,112,516.11</b>	<b>16,278,710.64</b>
Amounts accrued in year N	(5,792,028.48)	(4,067,491.20)
<b>TOTAL RAL at year end</b>	<b>14,320,487.63</b>	<b>12,211,219.44</b>
Total amount carried over from year N to year N+1 (R0 and C4 funds)	29,188,399,346.56	22,075,358,695.92

## M) Financial leasing

Leased assets	Present value	Short-term liability	Long-term liability
Plant and equipment	<b>53,152.02</b>	49,202.55	3,949.47
Furniture and vehicles	<b>43,359.50</b>	43,359.50	-
Computer software & hardware	<b>645,699.76</b>	629,357.27	16,342.49
<b>TOTAL</b>	<b>742,211.28</b>	<b>721,919.32</b>	<b>20,291.96</b>

The SRB has three leasing contracts — DI07030, DI 07370 and DI07210 — consisting of 29 specific orders totalling EUR 3,860,569.30 (investment value). All three contracts have a duration of 5 years and are related to assets used in the Treurenberg 22 building. At the end of 2019, not all due leasing instalments had been invoiced by the suppliers.

## N) 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. An overview of their classification and measurement and the treatment of changes in carrying amount is presented below.

Financial instrument	Category	Measurement	Change in carrying amount
<b>Cash and cash equivalents</b>	Loans and receivables	Amortised cost	Economic outturn account
<b>Investments in securities</b>	Available for sale	Fair value	Fair value reserve in net assets (Other Comprehensive Income)
<b>Receivables</b>	Loans and receivables	Amortised cost	Economic outturn account
<b>Deferred charges and accrued income</b>	Loans and receivables	Amortised cost	Economic outturn account
<b>Payables</b>	Other financial liabilities	Amortised cost	Economic outturn account
<b>Accrued charges and deferred income</b>	Other financial liabilities	Amortised cost	Economic outturn account
<b>Other liabilities</b>	Other financial liabilities	Amortised cost	Economic outturn account

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

Carrying amounts	31.12.2019	31.12.2018
<b>Financial assets</b>		
AFS financial assets (*) (non-current)	10,081,309,939.99	6,410,887,222.52
AFS financial assets (current)	1,051,468,273.79	937,368,284.42
Pre-financing	35,000.00	6,704.50
Current receivables	209,549.49	5,480,601.69
Other receivables	113,555.05	42,222.99
Deferred charges and accrued interest receivable	15,211,430.10	10,473,947.14
Cash and deposits	21,771,643,473.58	17,635,249,433.10
<b>TOTAL financial assets</b>	<b>32,919,991,222.00</b>	<b>24,999,508,416.36</b>

(\*) The investment portfolio is presented in Section 10.3

Carrying amounts	31.12.2019	31.12.2018
<b>Financial liabilities</b>		
IPC Liability	3,608,649,866.31	2,819,882,321.00
Pre-financing received from bank institutions	112,191,695.69	93,052,443.16
Long-term lease liability	20,291.96	771,689.86
Long-term liabilities falling due within the year	721,919.32	788,027.39
Current payables	185,614.15	5,474,701.50
Other payables	687,112.35	394,655.00
Accrued charges and deferred income	11,697,700.38	10,358,903.62
<b>TOTAL financial liabilities</b>	<b>3,734,154,200.16</b>	<b>2,930,722,741.53</b>
<b>TOTAL net financial instruments</b>	<b>29,185,837,021.84</b>	<b>22,068,785,674.83</b>

## Financial instruments – disclosures

Financial instruments give rise to liquidity, credit and market risks. The information on how those risks are managed is set out below.

### *Liquidity risk*

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

EU budgetary principles require that 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 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 (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 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 asset being the cash held at banks, the following measures are in place to manage the credit risk.

#### Administrative contributions

- Administrative resources are kept with two commercial banks
- Specific guidelines were applied in selecting these commercial banks

The credit ratings of the commercial banks where the SRB holds its bank accounts are reviewed regularly.

#### Fund contributions

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

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



### Receivables

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 risks**

The market risks 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. Up to 8 December 2019, the interest was floored at 0% for the funds held with commercial banks for the administrative budget.

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 bear 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*

Currency risk is the risk that the SRB's operations or the value of its investments will be affected by changes in exchange rates. This risk arises from the change in price of one currency against another.

As all the SRB's financial assets and liabilities are euro-denominated, the SRB was not exposed to foreign currency risk in 2019.

### **O) Changes in accounting policies**

Other than changing the approach regarding the presentation and disclosure of contingent liabilities (explained above on page 35), there are no other changes in accounting policies for the financial year 2019 that could give rise to additional disclosures or restatement adjustments.

**P) 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 other members of the Executive Session of the Board	AD 16	5

The transactions of the Board with the key management personnel during the financial year 2019 consisted only of remuneration, allowances and other entitlements as determined for grade AD 16 by 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.

**Q) Events after the reporting period**

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

- Regarding events that concern a situation existing at 31 December 2019 being related to new facts occurred during 2020

- Ex-ante contributions restatements

By this date, the total amount of restatements for previous financial periods reached 20.01 million EUR (2018: 3.99 million EUR). This amount has been included in the 2020 contribution cycle. According to the accounting policy applied by SRB in recognizing non-exchange revenues, this amount has been assessed as not material for adjusting the recognised revenues from ex-ante contributions of 2019.

- Regarding events that do not concern a situation existing at 31 December 2019 being related to new facts occurred during 2020

The following noteworthy events occurred after 31 December 2019:

- Based on the new Framework Financial Regulation applicable to the EU Agencies that was adopted on 18 December 2018, the SRB adopted on 17 January 2020 a new Financial Regulation. However, there are no changes of consequence, which could impact the preparation of these final financial statements.

- On 18 February 2020, the SRB received the final decision from DG BUDGET on the budgetary responsibility for the transitional allowances and the pensions of SRB's permanent Members of the Board. The conclusion of the Commission was that the SRB shall bear the budgetary responsibility for the transitional allowances and the pensions of the SRB's permanent Members of the Board and pay them directly from its budget without them being channelled via the EU budget. Apart from the accrued transitional allowances of 2018 and 2019 (presented on page 30), the impact of these payment obligations could not be estimated at this moment. However, compared with the total assets of the SRB as at 31 December 2019, it is unlikely that the amounts are material.

- COVID-19

During the first half of 2020, the coronavirus outbreak has had huge impacts on the EU economy. As a non-adjusting event in terms of EU Accounting Rule 13 (IPSAS 14), the outbreak of the coronavirus does not require any adjustments to the figures reported in these annual accounts. For subsequent reporting periods, COVID-19 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.

The financial markets are currently experiencing a severe turmoil due to the spread of the coronavirus and its consequences for the global economy. In light of the current COVID-19 crisis, it is possible that the macroeconomic scenarios could deteriorate further for an undeterminable period. Therefore, based on the information available at the date of signature of these annual accounts, the total financial effects of the coronavirus outbreak cannot yet be reliably estimated.

At the date of issuing these financial statements, the severity of the pandemic has had a major impact on the financial markets, resulting in a very high volatility of all financial indices, a decrease of interest rates and an increase of credit spreads. Containment measures make the execution of market transactions extremely complex. Finally, given the high degree of uncertainty about the development of the crisis, the maturities sought by money market investors have become much shorter.

The COVID-19 crisis has the most impact on the portfolio of investments classified as available-for-sale financial assets and consequently measured at fair value.

The SRB is closely monitoring the evolution of the fair value of bonds issued by the counterparties that are considered to be most sensitive to the Covid-19 disruptions. Among those, the bonds of the following counterparties demonstrated a noticeable decrease in fair value at the end of May 2020:

- Some Eurozone sovereign bonds;
- Airlines;
- Automotive producers and companies whose business is linked to the industry;
- Certain corporates in Eurozone countries which were most affected by the crisis.

By making reference to the stress testing analysis performed by the SRB on the portfolio as at the end of December 2019, the current situation can be compared to Scenario 2. In other words, at this moment, we are in the situation where, because of the expected recession and its impact on Eurozone countries' public debt levels, the spreads between Eurozone sovereigns are diverging and absolute yields are increasing.

The results of the stress tests were compared to the decrease in the fair value of the SRB portfolio (as of end of May 2020). The current financial impact on the SRB portfolio was much lower than the stress tests scenarios.

Nonetheless, the situation in the markets is far from having stabilised yet and could still change with the incorporation of the effects of the coronavirus crisis on the economic environment and in particular on public deficits and debts.

Other than the above, at the issuance of these financial statements no other material issue came to the attention of the Accounting Officer that would require separate disclosure in this section. The final financial statements and the related notes were prepared using the most up-to-date information.

## 9. Notes to the statement of financial performance

### A) Revenues

Operating revenues	2019	2018
<b>Revenues from non-exchange transactions</b>	<b>7,100,022,949.74</b>	<b>6,813,715,774.52</b>
Revenues from <i>ex-ante</i> contributions to the SRF	7,030,648,096.64	6,753,926,199.99
Revenues from administrative contributions	69,374,853.10	59,789,574.53
<b>Other operating revenues (exchange)</b>	<b>535.08</b>	<b>5,539.82</b>
Exchange rate gains	535.08	5,539.82
<b>Revenues from administrative operations (exchange)</b>	<b>29,631.50</b>	<b>27,207.73</b>
Other miscellaneous administrative revenues (exchange)	29,631.50	27,207.73
<b>TOTAL</b>	<b>7,100,053,116.32</b>	<b>6,813,748,522.07</b>

The major portion of the SRB's operating revenues consists of **non-exchange revenues**.

In 2019, the SRB received *ex-ante* contributions to the SRF and administrative contributions.

#### **Revenues from *ex-ante* contributions to the Fund**

The total revenue for 2019 incorporates the effect of the following:

- a positive impact from restatements pertaining to previous periods and newly supervised entities amounting to EUR 38,798,804.27 (2018: EUR 20,214,700.73) as per Article 17(3) of Commission Delegated Regulation (EU) No 2015/63 of 21 October 2014;
- a positive impact from voluntary termination of IPCs that generated additional *ex-ante* contributions amounting to EUR 20,606,031.40 (2018: EUR 19,841,365.44) and recognised as revenues within the year when they are invoiced and collected.

#### **Revenues from administrative contributions**

The Commission Delegated Regulation (EU) No 2361/2017 of 14 September 2017 on the final system of contributions to the administrative expenditures of the SRB came into force at the beginning of 2018 and replaced the transitional system that had been in place since the Board started its operations.

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 15 February 2019 determining the 2015-2019 contributions, the final amount to be invoiced was increased by EUR 308,448.84, which covered the one-off payments to be reimbursed to those entities that either fell out of scope or changed status (as explained below).

Description	2019	2018
<b>Administrative contributions — as per voted administrative budget</b>	<b>118,886,000.00</b>	<b>104,136,000.00</b>
<b>Less:</b> positive result of previous years (budgetary cash based)	(30,371,897.59)	(12,767,564.35)
<b>Add:</b> additional amount collected on account of the deferred settlement cycle	308,448.84	3,539,409.04
<b>Add:</b> Other adjustments from calculation	16.51	0.13
<b>Total amount invoiced to the institutions</b>	<b>88,822,567.76</b>	<b>94,907,844.82</b>
<b>Less:</b> reimbursement towards institutions falling out of scope	(157,233.83)	(213,531.49)
<b>Less:</b> reimbursement towards institutions that changed status (less significant rather than significant entities)	(151,215.01)	(3,325,877.55)
<b>Total amount invoiced for the period</b>	<b>88,514,118.92</b>	<b>91,368,435.78</b>
<b>Add:</b> pre-financing received in previous periods (accrual based)	47,758,357.43	13,715,211.19
<b>Less:</b> amount not spent during the year after covering all administrative and operational expenditure (long-term liability)	(66,897,623.25)	(45,294,072.44)
<b>TOTAL</b>	<b>69,374,853.10</b>	<b>59,789,574.53</b>

In accordance with the applicable accounting policy on revenue recognition for 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	2019	2018
Interest income on late payment of administrative contributions	<b>4,173.88</b>	<b>6,106.54</b>
Interest income from cash and cash equivalents	<b>429.69</b>	<b>19.89</b>
Financial revenues from investments in AFS securities	<b>32,162,917.86</b>	<b>12,790,172.34</b>
Interest income on AFS financial assets	22,444,775.04	12,024,912.24
Net realised gains/losses on sales of AFS financial assets	9,718,142.82	765,260.10
<b>TOTAL</b>	<b>32,167,521.43</b>	<b>12,796,298.77</b>

## B) Expenditure

### Operating expenses

Description	2019	2018
<b>Administrative expenses</b>	<b>60,382,717.36</b>	<b>50,816,237.98</b>
Staff expenses	39,078,227.70	33,137,124.94
Other expenses	21,304,489.66	17,679,113.04
Administrative expenses	3,646,872.01	2,359,145.45
IT expenses	7,476,940.01	7,487,930.05
Other services (non-IT)	2,218,293.34	1,055,202.80
Land and buildings	5,320,075.11	4,631,843.85
Fixed assets expenses	2,642,309.19	2,144,990.89
<b>Operational expenses</b>	<b>8,959,357.05</b>	<b>8,931,052.08</b>
Other operational expenses	8,955,091.18	8,919,714.77
Exchange rate losses	4,265.87	11,337.31
<b>TOTAL</b>	<b>69,342,074.41</b>	<b>59,747,290.06</b>

In 2019, 64.72% (2018: 65.21%) of SRB administrative expenses was linked to staff, while 21.19% (2018: 23.85%) was related to other significant administrative expenses (rent and IT support).

In addition, in 2019 the total operational expenses represented 12.92% of total costs, a further reduction from 2018 when operational costs were at 14.95% of the total costs.

### Financial expenses

Description	2019	2018
<b>Interest expenses</b>	<b>72,617,310.46</b>	<b>62,994,471.52</b>
Interest on financial liabilities at amortised cost	-	-
Interest charges on cash and cash equivalents	72,564,336.20	62,913,909.32
Late payment interest expense	-	-
Interest expense on finance lease	52,974.26	80,562.20
<b>Other financial expenses (bank charges)</b>	<b>5,262.32</b>	<b>5,130.85</b>
<b>TOTAL</b>	<b>72,622,572.78</b>	<b>62,999,602.37</b>

## 10. Annex – The Single Resolution Fund

The SRF was established by the SRM Regulation, being composed of contributions from credit institutions and certain investment firms in the 19 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. In accordance with Article 76 of the SRM Regulation, the Fund may be used for the following purposes:

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 the 2019 financial year, there was no use of the Fund.

### **Ex-ante contributions to the Fund**

Contributions are raised annually from institutions in scope in 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*

As of 30 June 2018, the SRB had collected EUR 6.73 billion from 3,512 institutions in annual contributions to the SRF.

#### *Cycle 2019*

As of 30 June 2019, the SRB had collected EUR 7.01 billion from 3,315 institutions in annual contributions to the SRF.

In addition, starting in 2017, a number of institutions initiated a procedure for voluntary termination of an IPC.

### **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 18 to 20.

### **Fund analytical accounts as at 31 December 2019**

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 SRF transactions were prepared. These are shown below.

## ANALYTICAL FINANCIAL STATEMENTS 2019 – THE SRF

### 10.1. Statement of financial position 2019 for the SRF

#### 10.1.1. Statement of financial position 2019 – SRF ASSETS

HEADING	31.12.2019	31.12.2018	Variation
<b>NON-CURRENT ASSETS</b>	<b>10,081,309,938.42</b>	<b>6,410,887,222.52</b>	<b>3,670,422,715.90</b>
Intangible assets	-	-	-
Property, plant and equipment	-	-	-
<b>Financial assets (non-current)</b>	<b>10,081,309,938.42</b>	<b>6,410,887,222.52</b>	<b>3,670,422,715.90</b>
Available-for-sale financial assets (non-current)	10,081,309,938.42	6,410,887,222.52	3,670,422,715.90
Pre-financing (long term)	-	-	-
Long-term receivables and recoverables	-	-	-
<b>CURRENT ASSETS</b>	<b>22,724,309,172.82</b>	<b>18,486,117,427.18</b>	<b>4,238,191,745.64</b>
<b>Financial assets (current)</b>	<b>1,065,780,991.39</b>	<b>947,415,347.84</b>	<b>118,365,643.55</b>
Available-for-sale financial assets (current)	1,051,468,273.79	937,368,284.82	114,099,988.97
Pre-financing (short term)	-	-	-
<b>Receivables and recoverables</b>	<b>14,312,717.60</b>	<b>10,047,063.02</b>	<b>4,265,654.58</b>
Current receivables (ex-ante and IPC invoices)	4,073.35	4,622.62	(549.27)
Current receivables (Institutional Protection Scheme discrepancy)	-	-	-
Sundry receivables	10,174.52	157.26	10,017.26
Deferred charges	-	-	-
Accrued interest receivable (IPC top-up)	14,298,469.73	10,042,283.14	4,256,186.59
<b>Cash and cash equivalents</b>	<b>21,658,528,181.43</b>	<b>17,538,702,079.34</b>	<b>4,119,826,102.09</b>
<b>TOTAL ASSETS</b>	<b>32,805,619,111.24</b>	<b>24,897,004,649.70</b>	<b>7,908,614,461.54</b>

### 10.1.2. Statement of financial position 2019 – SRF LIABILITIES

HEADING	31.12.2019	31.12.2018	Variation
<b>NET ASSETS</b>	<b>29,191,715,238.95</b>	<b>22,072,693,630.29</b>	<b>7,119,021,608.66</b>
Accumulated reserves	29,042,778,346.02	22,052,522,355.46	6,990,255,990.56
Results of previous periods	22,052,522,355.46	15,348,724,427.05	6,703,797,928.41
Economic outturn of the year (fund)	6,990,255,990.56	6,703,797,928.41	286,458,062.15
Fair value revaluation reserve (other comprehensive income)	148,936,892.93	20,171,274.83	128,756,618.10
<b>NON-CURRENT LIABILITIES</b>	<b>3,608,649,866.31</b>	<b>2,819,882,321.00</b>	<b>788,767,545.31</b>
Provisions for risks and liabilities (long term)	-	-	-
Financial liabilities (non-current)	3,608,649,866.31	2,819,882,321.00	788,767,545.31
Long-term liabilities from IPC	3,608,649,866.31	2,819,882,321.00	788,767,545.31
Other long-term liabilities	-	-	-
<b>CURRENT LIABILITIES</b>	<b>5,254,005.98</b>	<b>4,428,698.41</b>	<b>825,307.57</b>
Provisions for risks and charges (short term)	-	-	-
Financial liabilities (current)	5,254,005.98	4,428,698.41	825,307.57
Payables	5,254,005.98	4,428,698.41	825,307.57
Long-term liabilities falling due within the year	-	-	-
Current payables (IPS discrepancy)	-	-	-
Sundry payables	-	1,745.39	1,745.39
Accrued charges	497.80	-	497.80
Accrued interest payable	5,253,508.18	4,426,953.02	826,555.16
Deferred income	-	-	-
<b>TOTAL LIABILITIES AND RESERVES</b>	<b>32,805,619,111.24</b>	<b>24,897,004,649.70</b>	<b>7,908,614,461.54</b>

## 10.2. Statement of financial performance 2019 for the SRF

HEADING	2019	2018	Variation
<b>OPERATING REVENUES</b>	<b>7,030,648,096.64</b>	<b>6,753,926,199.99</b>	<b>276,721,896.65</b>
Non-exchange revenues from fund contributions	7,030,648,096.64	6,753,926,199.99	276,721,896.65
Other non-exchange revenues from administrative contributions	-	-	-
Other exchange operating revenues	-	-	-
<b>OPERATING EXPENSES</b>	<b>-</b>	<b>-</b>	<b>-</b>
Operating expenses	-	-	-
Administrative expenses	-	-	-
<b>SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES</b>	<b>7,030,648,096.64</b>	<b>6,753,926,199.99</b>	<b>276,721,896.65</b>
Financial revenues	32,162,917.86	12,790,172.34	19,372,745.52
Financial expenses (negative bank interest and bank fees)	(72,555,023.94)	(62,918,443.92)	(9,636,580.02)
<b>SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES</b>	<b>6,990,255,990.56</b>	<b>6,703,797,928.41</b>	<b>286,458,062.15</b>
Extraordinary gains	-	-	-
Extraordinary losses	-	-	-
<b>SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS</b>	<b>6,990,255,990.56</b>	<b>6,703,797,928.41</b>	<b>286,458,062.15</b>
<b>ECONOMIC RESULT OF THE YEAR</b>	<b>6,990,255,990.56</b>	<b>6,703,797,928.41</b>	<b>286,458,062.15</b>

### 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 a further mandate was added and an additional EUR 6.4 billion invested across the three mandates, bringing the total amount invested to EUR 15.4 billion. These mandates were based on the strategic asset allocation set out in the SRB's 2019 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 of the financial means collected and held in current accounts taking into account both the financial capacity of the Fund and the expected disbursements.

The investment objectives are 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 to hold 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 2019 investment plan:

- government bonds from Member States in the Eurozone (with ratings not lower than BBB-);
- 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);
- 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 need to have a yield above the ECB deposit facility rate at 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	31.12.2019	31.12.2018
AFS securities with remaining maturity > 1 year	<b>NON-CURRENT</b>	10,081,309,940.00	6,410,887,222.52
AFS securities with remaining maturity < 1 year	<b>CURRENT</b>	1,033,266,014.82	222,961,197.72
AFS securities expected to be sold within the following year	<b>CURRENT</b>	18,202,258.97	714,407,087.10
<b>TOTAL</b>		<b>11,132,778,213.79</b>	<b>7,348,255,507.34</b>

## 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 in which the Delegated Regulation (EU) 2016/451 allows the SRB to invest).

### *Fair value hierarchy*

For financial instruments traded in active markets, the determination of fair values for 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	Active market <i>quoted market price</i>	No active market <i>valuation techniques</i>	TOTAL
AFS securities	11,132,778,213.79	-	11,132,778,213.79
<b>TOTAL</b>	<b>11,132,778,213.79</b>	-	<b>11,132,778,213.79</b>

### Impairment of bonds

At year end, no impairment on the existing investment portfolio had been recognised by the SRB.

### 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, as well as 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 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 divided into:

- market risk
- credit risk
- 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.

Financial risks' quantitative or qualitative limits are defined by 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	9,048,543,939.31	0.49	20%
3-5 years	3,725,113,964.64	0.92	38%
5-7 years	2,816,474,794.51	1.02	42%
7-10 years	-	-	-
<b>TOTAL</b>	<b>15,590,132,698.46</b>	<b>2.43</b>	<b>100%</b>



➤ *STRESS TESTING RESULTS*

As part of risk management of the investment portfolio, the SRB carries out stress tests 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 a regular basis. The latest stress tests were applied to the portfolio as of 31 December 2019 invested in government bonds, supra-nationals, government related bonds and corporates.

The table below provides the background for the three tested scenarios together with a view on the relevant assumptions and the impact on the net assets/equity.

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

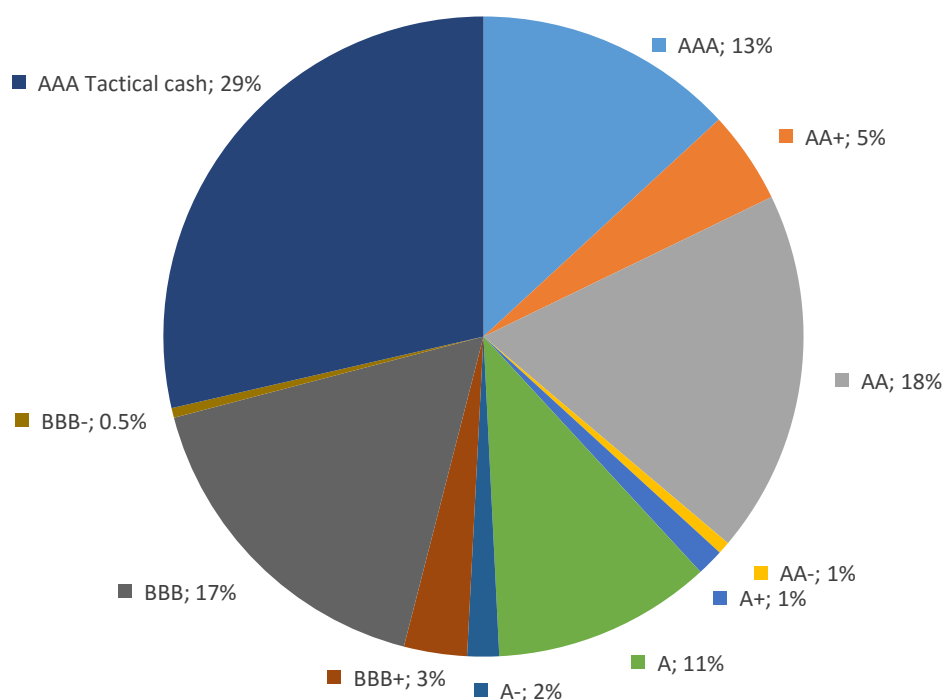
Scenario	Description of the impact on the valuation of the investment portfolio	Assumptions - impact on market interest rates			Impact on the net assets/equity	
		2 years	5 years	10 years	Impact in Million EUR	% of securities value
Scenario 1	Normalisation of the ECB monetary policy leads to the increase in the level of interest rates.	+ 160bp	+140bp	+100bp	-526	-4.73%
Scenario 2	The market differentiates between countries according to their creditworthiness and classification as core or non-core Eurozone issuers.	+150 to +700bp (depending on whether the issuer is core or non-core)	+200 to +600	+200 to +600	-1,195	-10.75%
Scenario 3	Impact of the resolution of a large European bank in a non-core Eurozone country 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.			-515	-4.63%

### 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/Moodys/DBRS), by counterparty type and by geographical coverage.

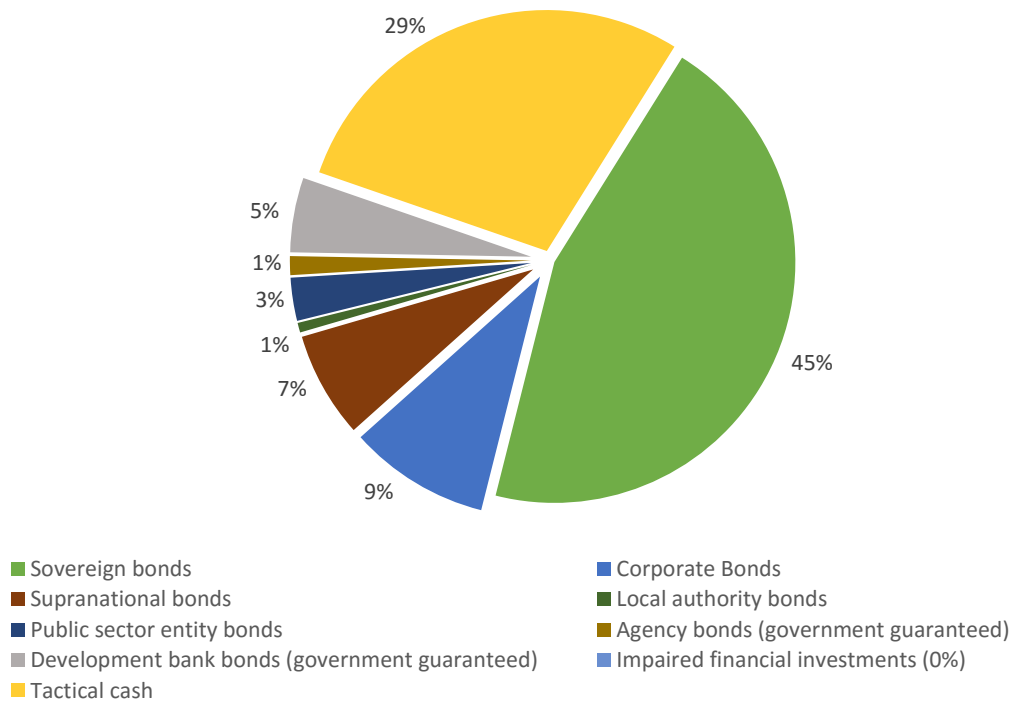
### Exposure by credit rating

Description	2019	2018
AAA	2,049,836,302.82	1,763,420,463.53
AA+	728,279,366.53	547,183,920.76
AA	2,859,941,898.36	2,191,562,124.88
AA-	97,132,850.43	-
A+	211,340,973.70	117,756,202.33
A	1,726,126,907.68	41,510,927.94
A-	249,932,308.24	923,113,028.79
BBB+	496,517,212.88	-
BBB	2,636,994,330.25	1,763,708,839.11
BBB-	76,676,062.90	-
<b>TOTAL portfolio</b>	<b>11,132,778,213.79</b>	<b>7,348,255,507.34</b>
AAA (tactical cash)	<b>4,457,354,484.67</b>	1,679,153,153.50
<b>TOTAL</b>	<b>15,590,132,698.46</b>	<b>9,027,408,660.84</b>



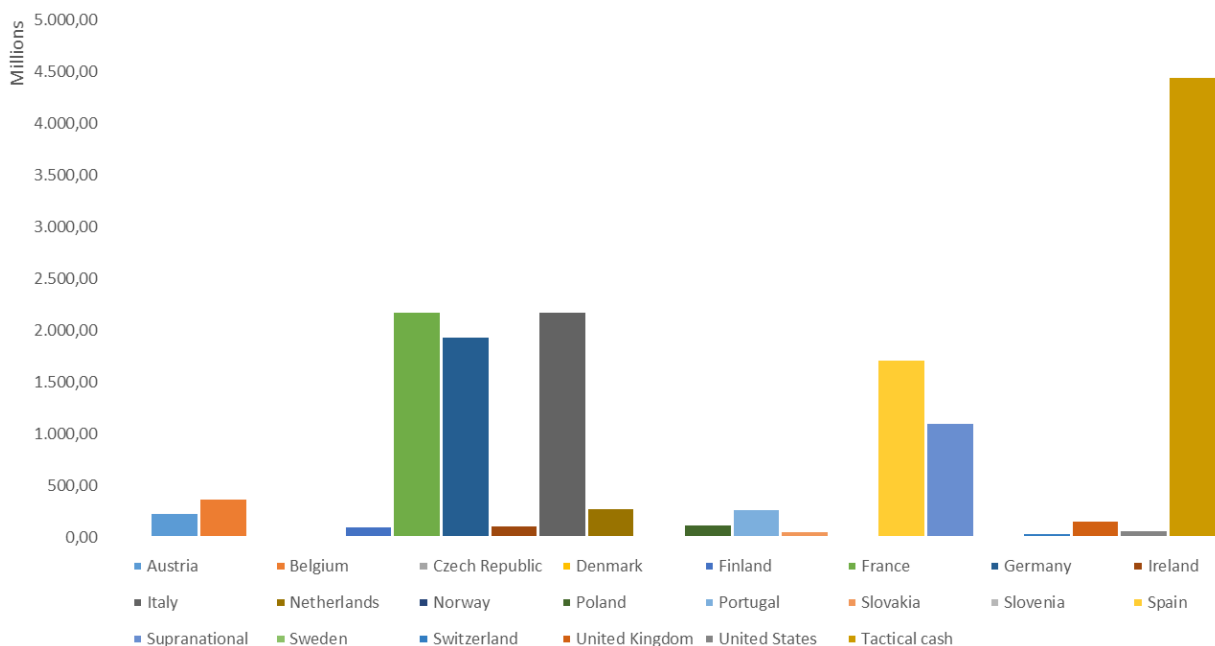
### Exposure by counterparty type

Description	2019	2018
Sovereign bonds	7,021,997,368.49	5,976,543,863.60
Corporate bonds	1,473,493,562.91	-
Supranational bonds	1,107,790,379.97	464,492,835.60
Local authority bonds	101,575,980.90	48,326,258.59
Public sector entity bonds	450,301,899.29	242,242,680.33
Agency bonds (government guaranteed)	197,216,505.30	157,650,876.36
Development bank bonds (government guaranteed)	780,402,516.92	458,998,992.86
Impaired financial investments	-	-
<b>TOTAL portfolio</b>	<b>11,132,778,213.79</b>	<b>7,348,255,507.34</b>
Tactical cash	4,457,354,484.67	1,679,153,153.50
<b>TOTAL</b>	<b>15,590,132,698.46</b>	<b>9,027,408,660.84</b>



## Exposure by geographical region

Country	2019	2018
Austria	244,858,545.80	265,910,606.88
Belgium	384,386,383.29	369,483,843.25
Czech Republic	11,209,884.24	-
Denmark	11,240,679.89	-
Finland	109,818,021.49	80,487,366.94
France	2,189,258,143.53	1,699,540,045.50
Germany	1,940,603,237.86	1,306,238,033.60
Ireland	120,455,321.73	81,219,762.03
Italy	2,183,367,451.19	1,592,068,463.00
Netherlands	287,876,943.92	316,013,777.39
Norway	6,655,623.43	-
Poland	133,414,275.21	13,198,734.88
Portugal	276,968,681.53	171,640,376.11
Slovakia	67,096,879.65	36,536,440.30
Slovenia	27,118,611.56	28,312,193.06
Spain	1,727,018,465.99	923,113,028.79
Sweden	13,825,904.83	-
Switzerland	48,038,088.03	-
United Kingdom	169,725,198.22	-
United States	72,051,492.43	-
Supranational	1,107,790,379.97	464,492,835.60
<b>TOTAL portfolio</b>	<b>11,132,778,213.79</b>	<b>7,348,255,507.34</b>
Tactical cash	4,457,354,484.67	1,679,153,153.50
<b>TOTAL</b>	<b>15,590,132,698.46</b>	<b>9,027,408,660.84</b>



### 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 analyse 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.

Contractual maturity	< 1 year	1-5 years	>5-10 years	>10 years	TOTAL
AFS securities	-	1,807,775,054.77	6,910,680,166.22	2,414,322,992.79	11,132,778,213.79
Tactical cash	4,457,354,484.67	-	-	-	4,457,354,484.67
<b>TOTAL</b>	<b>4,457,354,484.67</b>	<b>1,807,775,054.77</b>	<b>6,910,680,166.22</b>	<b>2,414,322,992.78</b>	<b>15,590,132,698.46</b>

Remaining maturity	0-3 months	3 months-1year	>1year-5 years	>5years	TOTAL
AFS securities	484,898,630.40	557,793,728.24	7,273,611,060.64	2,816,474,794.51	11,132,778,213.79
Tactical cash	4,457,354,484.67	-	-	-	4,457,354,484.67
<b>TOTAL</b>	<b>4,942,253,115.07</b>	<b>557,793,728.24</b>	<b>7,273,611,060.64</b>	<b>2,816,474,794.51</b>	<b>15,590,132,698.46</b>

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 2019

As stated in Article 87 of the SRB Financial Regulation, the accounts are to be accompanied by a report on 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 2019 amounts to EUR 118,886,000.00 for Part I (2018: EUR 104,136,000.00). The Plenary Session of the Board adopted one amending budget in 2019.

The amending budget was adopted in order to inscribe into the 2019 budget the positive result of the previous year, EUR 50,417,898.57. In accordance with Article 18 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 is the same amount as the estimated expenditure. In accordance with Article 65 of the SRM Regulation, in order to cover its administrative expenditures, the SRB shall raise contributions from all institutions that fall within the scope of the SRM Regulation. Since 2018, a new legal basis for the calculation of the contributions is in place, namely the Commission Delegated Regulation (EU) No 2017/2361 on the final system of contributions to the administrative expenditures of the Single Resolution Board.

For 2019, the amount established to be collected was EUR 88,514,102.41. This amount takes into account the budgetary result of the latest financial year for which the final accounts have been published (N-2). The result is the difference between the amount of EUR 118,886,000.00 of the initial voted budget for year 2019 and EUR 30,371,897.59 of the positive budget result of year 2017.

Contribution notices were issued to 2,660 institutions: 2,533 LSIs and 127 SIs and cross-border groups. Due to insolvency procedure, one institution did not pay its contribution of EUR 5,462.34.

In addition, a total amount of EUR 4,508.92 of miscellaneous income was collected, representing recovery of administrative expenses, and interest gained as a result of late payment of administrative contributions.

## *Part II – Fund*

The *ex-ante* contributions collected for the 2019 cycle and the amounts of *ex-ante* collected from banks that terminated their IPCs amounted to EUR 7,030,535,228.94. All these revenues were inscribed in the budget as commitment appropriations. The revenues from invested funds are valued at EUR 151,530,585.42.

After covering the yearly negative bank interest of EUR 69,001,025.34 and bank charges of EUR 4,028.10, the assigned revenues at the end of 2019 reached EUR 29,188,369,380.02.

## **Expenditure**

### *Part I – Administration*

#### Title I – Staff

The implementation rate of the Title I budget was 87.76% (EUR 41,229,742.48) of the available appropriations (EUR 46,982,000.00). Of the amount committed, EUR 40,765,427.32 was paid, EUR 464,315.16 was carried over to 2020 and EUR 5,752,257.52 was cancelled. The cancelled appropriations will be taken into account in the budget result for the year.

The main area of expenditure was related to the SRB staff in active employment: EUR 37,394,309.01 was spent on the payroll (basic salaries, family allowances, expatriation, installation and foreign residence allowances, insurances, pension rights, etc.), EUR 1,465,120.21 was spent on interim services and administrative assistance from community institutions and EUR 435,376.98 on training.

#### Title II – Building, equipment and miscellaneous operating expenditure

The implementation rate of the Title II budget was 80.26% (EUR 11,963,645.92) of the available appropriations (EUR 14,907,000.00). Of the amount committed EUR 8,586,235.11 was paid, EUR 3,377,410.81 was carried over to 2020 and EUR 2,943,354.08 was cancelled. The cancelled appropriations will be taken into account in the budget result for the year.

The main areas of expenditure were the rental of the premises (EUR 3,058,415.22), ICT infrastructure (EUR 3,171,329.58) and security and maintenance of the building (EUR 1,661,669.12).

### Title III – operating expenditure

The implementation rate of the Title III budget was 47.16% (EUR 26,879,423.70) of the available appropriations (EUR 56,997,000.00). Of the amount committed, EUR 10,608,633.56 was paid.

Due to the introduction of the differentiated appropriations, only the payments appropriations of the non-differentiated budget lines in title 3 (EUR 147,321.51) have been carried over to 2020. The payments appropriations of the budget 2020 must cover not only the proportion of payments arising from 2020 but also the payments outstanding from 2019. For this reason the amount EUR 46,241,044.93 was cancelled. The cancelled appropriations will be taken into account in the budget result for the year.

The area where the budget implementation was lower concerned the Fund due to the non-executed budget for the Portfolio construction & risk tooling/software, Ad hoc consulting needs for the data checks & validation rules & calculation and Ex-post checks on Ex-ante contributions (in total approximately EUR 1,100,000).

The other areas of low expenditures in Chapter 31 SRB operations were in Resolution readiness (8.8 % of implementation rate) and in Missions (68.5 % of implementation rate).

The low budget implementation in SRB contingencies (35.7%) was due to low expenditure in consultancy as the SRB had to manage fewer potential resolution cases and litigations than estimated. The nature of the contingencies activities is such that implementation is less predictable than other items and, therefore, there is no annual target.

The areas of expenditure relate to the studies and consultancy (i.e. SRB contingencies) for implementing the SRB's work programme, legal services and litigation, ICT development and maintenance, in particular to support resolution planning and decision activities, and the outsourcing costs of the Investments.

### *Part II – Fund*

The Fund expenditure was a total amount of EUR 69,005,057.44, consisting of payments for the negative bank interest charges and for the bank charges incurred in depositing the collected amounts with the SRB's NCB accounts and investment accounts.



## **Budget outturn**

The budget outturn for 2019 is EUR 59,359,169.28 (2018: EUR 50,417,898.57) and will be entered in the 2020 budget after the approval by the Board in its Plenary Session in September 2020.

## **Financial management**

In 2019, the main achievements in financial management were:

1. 2017 budget discharge granted by the Board;
2. Introduction of the differentiated appropriations in Title III, where necessary, for operational reasons and for multiannual activities;
3. Finalisation of the new SRB Financial regulation (based on the new Framework Financial Regulation applicable to the EU Agencies that was adopted on 18 December 2018);
4. 99.25% of payments were made on time, exceeding the 2019 target of the key performance indicator 'Timely payment of invoices' (95%);
5. The European Court of Auditors has granted an unqualified audit opinion regarding the Annual Accounts of 2018.

### III. BUDGET IMPLEMENTATION

#### a. Budget outturn result 2019 (adapted DG Budget format)

REVENUES	2019	2018
Administrative contributions from banks	88,508,655.91	91,367,672.13
Positive budgetary result of previous years	30,371,897.59	12,767,564.35
Single Resolution Fund contributions	7,030,535,228.94	6,753,929,031.55
Income from investments	151,530,585.42	25,531,844.50
Other income	4,508.92	59,887.42
<b>TOTAL REVENUE (a)</b>	<b>7,300,950,876.78</b>	<b>6,883,655,999.95</b>
EXPENDITURE		
<b>Title I: Staff</b>		
Payments	40,765,427.32	36,146,677.90
Appropriations carried over	464,345.16	706,967.27
<b>Title II: Administrative expenses</b>		
Payments	8,586,235.11	9,091,009.63
Appropriations carried over	3,377,745.85	2,446,656.42
<b>Title III: Operating expenses</b>		
Payments	10,608,633.56	5,863,236.06
Appropriations carried over	176,953.01	13,175,159.77
<b>Title IV: Single Resolution Fund</b>		
Payments	69,005,057.44	58,166,185.42
Appropriations carried over	29,188,369,380.02	22,075,308,623.10
<b>TOTAL EXPENDITURE (b)</b>	<b>29,321,353,747.47</b>	<b>22,200,904,515.57</b>
<b>OUTTURN FOR THE FINANCIAL YEAR (a-b)</b>	<b>(22,020,402,870.69)</b>	<b>(15,317,248,515.62)</b>
Cancellation of unused payment appropriations carried over from previous year	4,457,147.66	13,658,279.20
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	22,075,308,623.10	15,354,013,932.47
Exchange differences for the year (gain +/-loss -)	(3,730.79)	(5,797.48)
<b>BALANCE OF THE OUTTURN ACCOUNT FOR THE FINANCIAL YEAR</b>	<b>59,359,169.28</b>	<b>50,417,898.57</b>
Balance year N – 1	80,789,796.16	43,139,461.94
Positive balance from previous years reimbursed in year N to the contributors	(30,371,897.59)	(12,767,564.35)
<b>Result used for determining amounts in general accounting</b>	<b>109,777,067.85</b>	<b>80,789,796.16</b>

## b. Budget implementation 2019 – summary

### Revenue (\*) – Part I and Part II of the SRB budget

2019 budget	Budget item	Type of revenue	Initial voted budget	Amending budget	Final voted budget	Entitlements established (invoiced and including refunds)	Revenue received (cash)
Part I	1000	Contribution from the credit institutions (administrative contributions)	118,886,000.00	-	118,886,000.00	88,514,118.92	88,508,655.91
	3000	Revenue from bank interest	-	-	-	-	-
	3001	Miscellaneous revenue	-	-	-	4,173.88	4,173.88
	3002	Miscellaneous recoveries	-	-	-	44,328.62	335.04
Part II	4000	Ex-ante contributions	7,766,791,125.00	-	7,766,791,125.00	7,030,535,228.94	7,030,535,228.94
	4006	Return on investments — cashed coupons	31,160,763.00	-	31,160,763.00	142,148,049.78	142,148,049.78
		Return on investments — realised gains	-	-	-	9,382,535.64	9,382,535.64
		<b>TOTAL SRB REVENUE 2019</b>	<b>7,916,837,888.00</b>	<b>-</b>	<b>7,916,837,888.00</b>	<b>7,270,628,435.78</b>	<b>7,270,578,979.19</b>

(\*) It should be noted that the budgetary reserve from the remaining positive budgetary result of 2018 (EUR 50,417,898.57) was inscribed in the technical budget.

### Expenditure – GLOBAL OVERVIEW BY TITLE Part I of the SRB budget

BL	Budget Line Description	Voted Budget	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 Amount (1)-(2)
Title I	STAFF	46,982,000.00	-	-	46,982,000.00	41,229,742.48	87.76%	46,982,000.00	40,765,427.32	86.77%	464,315.16	5,752,257.52
Title II	BUILDING EQUIPMENT AND MISCELLANEOUS OPERATING EXPENDITURE	14,907,000.00	-	-	14,907,000.00	11,963,645.92	80.26%	14,907,000.00	8,586,235.11	57.60%	3,377,410.81	2,943,354.08
Title III	OPERATING EXPENDITURE	56,997,000.00	-	-	56,997,000.00	26,879,423.70	47.16%	56,997,000.00	10,608,633.56	18.61%	147,321.51	46,241,044.93
	<b>Total Part I</b>	<b>118,886,000.00</b>	<b>-</b>	<b>-</b>	<b>118,886,000.00</b>	<b>80,072,812.10</b>	<b>67.35%</b>	<b>118,886,000.00</b>	<b>59,960,295.99</b>	<b>50.44%</b>	<b>3,989,047.48</b>	<b>54,936,656.53</b>

## 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)	% Committed (2)/(1)	Payments Appropriations Transaction Amount (3)	Executed Payments Amount (4)	Paid % (4)/(3)	Carried over commitment appropriations (1)-(2)	Carried over payments appropriations (3)-(4)
B4000	Usage of the Fund within resolution schemes	-	-	5.00	5.00	5.00	100.00%	5.00	4.00	80.00%	-	1.00
B4010	Investments	7,744,962,211.00	-	(29,046,642.62)	29,028,388,351.13	-	0.00%	29,028,388,351.13	-	-	29,028,388,351.13	29,028,388,351.13
B4011	Investment returns	11,790,500.00	-	29,036,467.62	228,979,451.73	83,792,698.81	36.59%	228,979,451.73	69,001,025.34	30.13%	145,186,752.92	159,978,426.39
B4031	Bank fees and charges	6,170.00	-	6,170.00	6,629.60	4,922.60	74.25%	6,629.60	4,028.10	60.76%	1,707.00	2,601.50
B4032	Commitment fees on bridge financing arrangements	10,032,244.00	-	-	-	-	-	-	-	-	-	-
<b>TOTAL SRB BUDGET PART II</b>		<b>7,766,791,125.00</b>	<b>-</b>	<b>-</b>	<b>29,257,374,437.46</b>	<b>83,797,626.41</b>	<b>0.29%</b>	<b>29,257,374,437.46</b>	<b>69,005,057.44</b>	<b>0.24%</b>	<b>29,173,576,811.05</b>	<b>29,188,369,380.02</b>

## 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/2019/07	02/10/2019	In accordance with Article 18 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 2018 budget surplus, amounting to EUR 50,417,898.57, has been inscribed in the budget reserve and it will be used to reduce the administrative contributions to be collected in 2019.	50,417,898.57	50,417,898.57

**c. Budget implementation 2019 – detailed – PART I**

**All titles – all credit types**

**Appendix 1 – budget execution / fund source C1 – current year appropriations – 2019**

**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	27,217,500.00	24,799,117.53	91.11%	27,217,500.00	24,799,117.53	91.11%	-	2,418,382.47
A-1101	Family allowances	2,083,000.00	2,024,263.94	97.18%	2,083,000.00	2,024,263.94	97.18%	-	58,736.06
A-1102	Expatriation and foreign residence allowances	3,453,000.00	3,168,463.52	91.76%	3,453,000.00	3,168,463.52	91.76%	-	284,536.48
A-1111	Seconded national experts	1,860,000.00	1,040,521.75	55.94%	1,860,000.00	1,040,521.75	55.94%	-	819,478.25
A-1112	Trainees	150,000.00	143,620.80	95.75%	150,000.00	143,620.80	95.75%	-	6,379.20
A-1130	Insurance against sickness	1,119,000.00	846,227.20	75.62%	1,119,000.00	846,227.20	75.62%	-	272,772.80
A-1131	Insurance against accidents and occupational disease	107,000.00	95,086.26	88.87%	107,000.00	95,086.26	88.87%	-	11,913.74
A-1132	Unemployment insurance	324,000.00	291,046.28	89.83%	324,000.00	291,046.28	89.83%	-	32,953.72
A-1133	Constitution or maintenance of pension rights	5,119,000.00	4,563,024.52	89.14%	5,119,000.00	4,563,024.52	89.14%	-	555,975.48
A-1140	Childbirth grants and death allowances	2,000.00	1,388.17	69.41%	2,000.00	1,388.17	69.41%	-	611.83
A-1141	Travel expenses for annual leave	426,000.00	386,824.49	90.80%	426,000.00	386,824.49	90.80%	-	39,175.51
A-1142	Shift work and standby duty	36,000.00	34,724.55	96.46%	36,000.00	34,724.55	96.46%	-	1,275.45
A-1149	Other allowances and grants	16,000.00	-	0.00%	16,000.00	0.00	0.00%	-	16,000.00
A-1150	Overtime	-	-	-	-	-	-	-	-
A-1200	Recruitment expenses	312,000.00	175,157.93	56.14%	312,000.00	130,740.40	41.90%	44,417.53	136,842.07
A-1201	Installation resettlement daily subsistence allowances	1,048,000.00	644,089.16	61.46%	1,048,000.00	644,089.16	61.46%	0.00	403,910.84
A-1300	Missions duty travel expenses and ancillary expenditure	40,000.00	11,326.57	28.32%	40,000.00	10,326.57	25.82%	1,000.00	28,673.43
A-1400	Restaurants and canteens	25,000.00	6,497.47	25.99%	25,000.00	3,767.85	15.07%	2,729.62	18,502.53
A-1410	Medical service	68,000.00	67,679.00	99.53%	68,000.00	32,200.00	47.35%	35,479.00	321.00
A-1420	Social contacts between staff	40,000.00	33,300.36	83.25%	40,000.00	14,084.46	35.21%	19,215.90	6,699.64
A-1421	Special allowances for disability	-	-	-	-	-	-	-	-

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-1422	Early childhood centres and schooling	757,500.00	757,500.00	100.00%	757,500.00	635,252.68	83.86%	122,247.32	-
A-1500	Further training and language courses	840,000.00	488,425.13	58.15%	840,000.00	435,376.98	51.83%	53,048.15	351,574.87
A-1600	Administrative assistance from Commission	618,000.00	618,000.00	100.00%	618,000.00	517,662.36	83.76%	100,337.64	-
A-1601	Interim services	1,306,000.00	1,032,457.85	79.05%	1,306,000.00	947,457.85	72.55%	85,000.00	273,542.15
A-1700	Representation expenses	15,000.00	1,000.00	6.67%	15,000.00	160.00	1.07%	840.00	14,000.00
	<b>TOTAL TITLE I</b>	<b>46,982,000.00</b>	<b>41,229,742.48</b>	<b>87.76%</b>	<b>46,982,000.00</b>	<b>40,765,427.32</b>	<b>86.77%</b>	<b>464,315.16</b>	<b>5,752,257.52</b>

#### **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	3,094,806.63	3,058,415.22	98.82%	3,094,806.63	3,058,415.22	98.82%	0.00	36,391.41
A-2010	Insurance	10,000.00	10,000.00	100.00%	10,000.00	4,386.20	43.86%	5,613.80	-
A-2020	Maintenance and cleaning	787,298.79	787,298.79	100.00%	787,298.79	608,319.57	77.27%	178,979.22	-
A-2030	Water, gas, electricity, heating	200,000.00	143,550.77	71.78%	200,000.00	112,607.33	56.30%	30,943.44	56,449.23
A-2040	Fitting out premises	255,193.37	255,193.37	100.00%	255,193.37	58,527.60	22.93%	196,665.77	-
A-2050	Security and surveillance of the building	1,029,701.21	1,029,701.21	100.00%	1,029,701.21	882,214.62	85.68%	147,486.59	-
A-2100	ICT equipment	2,682,100.00	2,211,978.09	82.47%	2,682,100.00	1,551,634.00	57.85%	660,344.09	470,121.91
A-2101	ICT maintenance	846,000.00	727,778.13	86.03%	846,000.00	652,453.54	77.12%	75,324.59	118,221.87
A-2103	Analysis programming	1,710,000.00	1,534,706.07	89.75%	1,710,000.00	543,572.52	31.79%	991,133.55	175,293.93
A-2104	Telecommunications equipment	1,294,000.00	1,001,732.19	77.41%	1,294,000.00	423,669.52	32.74%	578,062.67	292,267.81
A-2200	Technical equipment	40,000.00	3,730.82	9.33%	40,000.00	2,730.82	6.83%	1,000.00	36,269.18
A-2210	Furniture	100,000.00	50,171.66	50.17%	100,000.00	38,155.20	38.16%	12,016.46	49,828.34
A-2250	Documentation and library expenditure	1,285,600.00	521,294.25	40.55%	1,285,600.00	382,527.24	29.75%	138,767.01	764,305.75
A-2300	Stationery and office supplies	70,000.00	43,885.14	62.69%	70,000.00	31,108.11	44.44%	12,777.03	26,114.86
A-2320	Bank and other financial charges	5,000.00	2,000.00	40.00%	5,000.00	578.10	11.56%	1,421.90	3,000.00
A-2330	Legal expenses	30,000.00	15,000.00	50.00%	30,000.00	6,702.00	22.34%	8,298.00	15,000.00
A-2350	Miscellaneous insurance	5,000.00	810.09	16.20%	5,000.00	810.09	16.20%	-	4,189.91
A-2351	Administrative translations	50,000.00	5,150.00	10.30%	50,000.00	5,150.00	10.30%	-	44,850.00
A-2352	Transportation and removal expenses	62,300.00	48,186.19	77.35%	62,300.00	43,790.23	70.29%	4,395.96	14,113.81

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	300,000.00	109,562.00	36.52%	300,000.00	47,085.60	15.70%	62,476.40	190,438.00
A-2354	General meetings expenditure	20,000.00	2,767.43	13.84%	20,000.00	1,941.60	9.71%	825.83	17,232.57
A-2355	Publications	20,000.00	1,000.00	5.00%	20,000.00	75.29	0.38%	924.71	19,000.00
A-2356	Other administrative expenditure	20,000.00	1,195.00	5.98%	20,000.00	1,058.00	5.29%	137.00	18,805.00
A-2400	Postage and delivery charges	60,000.00	39,234.40	65.39%	60,000.00	28,387.52	47.31%	10,846.88	20,765.60
A-2410	Telecommunications charges	930,000.00	359,305.10	38.63%	930,000.00	100,335.19	10.79%	258,969.91	570,694.90
	<b>TOTAL TITLE II</b>	<b>14,907,000.00</b>	<b>11,963,645.92</b>	<b>80.26%</b>	<b>14,907,000.00</b>	<b>8,586,235.11</b>	<b>57.60%</b>	<b>3,377,410.81</b>	<b>2,943,354.08</b>

### **TITLE III: OPERATIONAL EXPENDITURE**

*\*the zero amounts represent the cancelled payment appropriations of the differentiated budget lines that are not carried over*

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)
B3-100	Governance	160,000.00	108,000.00	67.50%	160,000.00	93,178.49	58.24%	14,821.51	52,000.00
B3-101	Support activities to the Fund	3,476,000.00	2,220,687.12	63.89%	3,476,000.00	1,631,642.05	46.94%	-	1,844,357.95
B3-102	Resolution Readiness	880,000.00	77,480.00	8.80%	880,000.00	0.00	0.00%	-	880,000.00
B3-103	Resolution Framework	245,000.00	2,247.17	0.92%	245,000.00	2,247.17	0.92%	-	242,752.83
B3-111	Communication	1,843,000.00	1,755,958.13	95.28%	1,843,000.00	1,203,104.62	65.28%	-	639,895.38
B3-112	Missions	1,338,000.00	916,678.91	68.51%	1,338,000.00	866,678.91	64.77%	50,000.00	421,321.09
B3-113	Software package and information systems	3,350,084.03	3,295,460.55	98.37%	3,350,084.03	2,387,412.77	71.26%	-	962,671.26
B3-114	Computing and telecommunications machinery equip.	-	-	-	-	-	-	-	-
B3-115	IT services: consulting software development	3,379,915.97	3,379,915.97	100.00%	3,379,915.97	809,739.81	23.96%	-	2,570,176.16
B3-200	Appeal Panel	1,000,000.00	323,159.64	32.32%	1,000,000.00	243,159.64	24.32%	80,000.00	676,840.36
B3-201	Communications during crisis	1,000,000.00	-	-	1,000,000.00	-	-	-	1,000,000.00
B3-202	Contingency for the Fund	3,000,000.00	-	-	3,000,000.00	-	-	-	3,000,000.00
B3-203	Legal and Litigation	22,000,000.00	9,001,714.21	40.92%	22,000,000.00	1,822,848.10	8.29%	-	20,177,151.90



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)
B3-204	Consultancy and advice	15,000,000.00	5,794,826.20	38.63%	15,000,000.00	1,547,826.20	10.32%	-	13,452,173.80
B3-205	Crisis contingency	325,000.00	3,295.80	1.01%	325,000.00	795.80	0.24%	2,500.00	321,704.20
	<b>TOTAL TITLE III</b>	<b>56,997,000.00</b>	<b>26,879,423.70</b>	<b>47.16%</b>	<b>56,997,000.00</b>	<b>10,608,633.56</b>	<b>18.61%</b>	<b>147,321.51</b>	<b>46,241,044.93</b>

**TOTAL SRB BUDGET IMPLEMENTATION PART I 2019**

	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)
<b>TOTAL PART I</b>	<b>118,886,000.00</b>	<b>80,072,812.10</b>	<b>67.35%</b>	<b>118,886,000.00</b>	<b>59,960,295.99</b>	<b>50.44%</b>	<b>3,989,047.48</b>	<b>54,936,656.53</b>



## Appendix 2 – Budget execution / fund source C8 – appropriations carried forward – 2019

### TITLE I: STAFF EXPENDITURE

BL	Budget line description	Commitment appropriations	Commitments established	Com %	Payment appropriations	Payments executed	% paid	Cancelled
A-1200	Recruitment expenses	40,731.27	25,170.31	61.80%	40,731.27	25,170.31	61.80%	15,560.96
A-1300	Missions duty travel expenses	1,801.80	-	-	1,801.80	-	-	1,801.80
A-1400	Restaurants and canteens	1,008.58	1,008.58	100.00%	1,008.58	508.58	50.43%	500.00
A-1410	Medical service	18,748.00	-	-	18,748.00	-	-	18,748.00
A-1420	Social contacts between staff	644.06	-	-	644.06	-	-	644.06
A-1422	Early childhood centres and schooling	130,653.36	83,562.00	63.96%	130,653.36	83,562.00	63.96%	47,091.36
A-1500	Further training and language courses	102,526.29	63,544.74	61.98%	102,526.29	63,544.74	61.98%	38,981.55
A-1600	Admin assistance from Commission	101,070.89	87,141.14	86.22%	101,070.89	87,141.14	86.22%	13,929.75
A-1601	Interim services	267,914.43	202,563.03	75.61%	267,914.43	202,563.03	75.61%	65,351.40
A-1700	Representation expenses	538.90	538.90	100.00%	538.90	0.00	0.00%	538.90
	<b>TOTAL C8 TITLE I</b>	<b>665,637.58</b>	<b>463,528.70</b>	<b>69.64%</b>	<b>665,637.58</b>	<b>462,489.80</b>	<b>69.48%</b>	<b>203,147.78</b>

### TITLE II: ADMINISTRATIVE EXPENDITURE

BL	Budget line description	Commitment appropriations	Commitments established	Com %	Payment appropriations	Payments executed	% paid	Cancelled
A-2010	Insurance	25,000.00	21,896.52	87.59%	25,000.00	21,896.52	87.59%	3,103.48
A-2020	Maintenance and cleaning	1,109.46	1,109.46	100.00%	1,109.46	1,109.46	100.00%	-
A-2030	Water, gas, electricity, heating	95,781.99	95,781.99	100.00%	95,781.99	95,781.99	100.00%	-
A-2040	Fitting out premises	27,339.90	27,339.90	100.00%	27,339.90	27,339.90	100.00%	-
A-2050	Security and surveillance building	150,423.93	149,059.74	99.09%	150,423.93	149,059.74	99.09%	1,364.19
A-2100	ICT equipment — hardware/software	41,927.37	24,443.62	58.30%	41,927.37	24,443.62	58.30%	17,483.75
A-2101	ICT maintenance	115,111.47	101,497.46	88.17%	115,111.47	101,061.46	87.79%	14,050.01
A-2103	Analysis programming	459,072.01	450,342.34	98.10%	459,072.01	450,342.34	98.10%	8,729.67
A-2104	Telecommunications equipment	466,863.41	458,183.75	98.14%	466,863.41	458,183.75	98.14%	8,679.66
A-2200	Technical equipment and installations	246,834.94	246,834.94	100.00%	246,834.94	246,834.94	100.00%	-
A-2210	Furniture	87,444.72	63,711.72	72.86%	87,444.72	63,711.72	72.86%	23,733.00
A-2250	Documentation and library expenditure	11,788.80	11,788.80	100.00%	11,788.80	11,788.80	100.00%	-
A-2300	Stationery and office supplies	71,284.68	65,854.65	92.38%	71,284.68	65,854.65	92.38%	5,430.03
A-2320	Bank and other financial charges	7,777.03	7,777.03	100.00%	7,777.03	7,777.03	100.00%	-
A-2351	Administrative translations	500.00	-	-	500.00	-	-	500.00
A-2352	Transportation and removal expenses	1,722.00	1,722.00	100.00%	1,722.00	1,722.00	100.00%	-
A-2353	Business consultancy	350.00	350.00	100.00%	350.00	350.00	100.00%	-
A-2354	General meetings expenditure	556,268.77	522,642.67	93.96%	556,268.77	522,642.67	93.96%	33,626.10
A-2355	Publications	500.00	500.00	100.00%	500.00	500.00	100.00%	-
A-2356	Other administrative expenditure	1,000.00	1,000.00	100.00%	1,000.00	1,000.00	100.00%	-

BL	Budget line description	Commitment appropriations	Commitments established	Com %	Payment appropriations	Payments executed	% paid	Cancelled
A-2400	Postage and delivery charges	7,006.10	5,756.10	82.16%	7,006.10	5,756.10	82.16%	1,250.00
A-2410	Telecommunications charges	62,806.71	57,341.86	91.30%	62,806.71	57,341.86	91.30%	5,464.85
	<b>TOTAL C8 TITLE II</b>	<b>2,437,913.29</b>	<b>2,314,934.55</b>	<b>94.96%</b>	<b>2,437,913.29</b>	<b>2,314,498.55</b>	<b>94.94%</b>	<b>123,414.74</b>

### **TITLE III: OPERATIONAL EXPENDITURE**

BL	Budget line description	Commitment appropriations	Commitments established	Com %	Payment appropriations	Payments executed	% paid	Cancelled
B-3100	Governance	13,447.63	12,270.39	91.25%	13,447.63	12,270.39	91.25%	1,177.24
B-3101	Support activities to the Fund	607,000.00	583,653.84	96.15%	607,000.00	503,653.84	82.97%	103,346.16
B-3102	Resolution Readiness	850,000.00	850,000.00	100.00%	850,000.00	719,663.00	84.67%	130,337.00
B-3111	Communication	316,431.97	104,366.51	32.98%	316,431.97	104,366.51	32.98%	212,065.46
B-3112	Missions	117,939.36	39,372.16	33.38%	117,939.36	39,372.16	33.38%	78,567.20
B-3113	Software package and information systems	5,028,431.39	4,969,904.83	98.84%	5,028,431.39	4,969,582.71	98.83%	58,848.68
B-3200	Appeal Panel	105,912.62	39,531.59	37.32%	105,912.62	39,531.59	37.32%	66,381.03
B-3203	Legal and Litigation	1,936,586.66	860,295.78	44.42%	1,936,586.66	637,343.11	32.91%	1,299,243.55
B-3204	Consultancy and advice	4,150,215.00	2,044,691.00	49.27%	4,150,215.00	2,018,791.32	48.64%	2,131,423.68
B-3205	Crisis contingency	49,195.14	-	-	49,195.14	-	-	49,195.14
	<b>TOTAL C8 TITLE III</b>	<b>13,175,159.77</b>	<b>9,504,086.10</b>	<b>72.14%</b>	<b>13,175,159.77</b>	<b>9,044,574.63</b>	<b>68.65%</b>	<b>4,130,585.14</b>

<b>TOTAL C8 Funds 2019</b>	<b>16,278,710.64</b>	<b>12,282,549.35</b>	<b>75.45%</b>	<b>16,278,710.64</b>	<b>11,821,562.98</b>	<b>72.62%</b>	<b>4,457,147.66</b>
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### **Appendix 3 – budget execution / fund sources C4 and C5 – internal assigned revenue – 2019**

BL	Budget line description	Commitment appropriations	Committed established	Com %	Payment appropriations	Payments executed	% paid	Carried over commitment appropriations	Carried over payment appropriations
A-1112	Trainees	14,121.96	-	-	14,121.96	-	-	-	-
A-1300	Missions duty travel expenses	27,207.73	-	-	27,207.73	-	-	-	-
A-2030	Water gas electricity heating	8,743.13	-	-	8,743.13	-	-	-	-
A-2250	Documentation and library expenditure	335.04	-	-	335.04	-	-	335.04	335.04
B-3203	Legal and Litigation	29,631.50	-	-	29,631.50	-	-	29,631.50	29,631.50
	<b>TOTAL C4 &amp; C5 Funds 2019</b>	<b>80,039.36</b>	<b>-</b>	<b>-</b>	<b>80,039.36</b>	<b>-</b>	<b>-</b>	<b>29,966.54</b>	<b>29,966.54</b>



**d. Budget implementation 2019 – detailed – PART II**

**SINGLE RESOLUTION FUND**

**Budget execution / fund source R0 – assigned revenue – 2019**

***Title IV: SINGLE RESOLUTION FUND***

BL	Budget available at 1/1/2019	Final appropriations (1)	Committed before 2019	Total committed (2)	% Committed appropriations (2)/(1)	Total paid (3)	% paid on appropriations (3)/(1)	Carried over commitment appropriations (1)-(2)	Carried over payment appropriations (3)-(4)
B-4000 Use of the Fund	-	5.00	-	5.00	100%	4.00	80%	-	1.00
B-4010 Investments	22,026,895,764.81	29,028,388,351.13	-	-	-	-	-	29,028,388,351.13	29,028,388,351.13
B-4011 Investment returns	39,147,231.61	228,979,451.73	14,791,673.47	83,792,698.81	36.59%	69,001,025.34	30.13%	145,186,752.92	159,978,426.39
B-4031 Bank fees	0.00	6,629.60	459.60	4,922.60	74.25%	4,028.10	60.76%	1,707	2,601.50
B-4032 Fees bridge financing	-	-	-	-	-	-	-	-	-
<b>TOTAL SRB BUDGET PART II</b>	<b>22,066,042,996.42</b>	<b>29,257,374,437.46</b>	<b>14,792,133.07</b>	<b>83,797,626.41</b>	<b>0.29%</b>	<b>69,005,057.44</b>	<b>0.24%</b>	<b>29,173,576,811.05</b>	<b>29,188,369,380.02</b>

**INSCRIPTION TITLE IX – BUDGETARY RESULT OF YEAR N (SRB Financial Regulation, Article 18)**

BL	Commitments appropriations	Commitments established	Com %	Payment appropriations	Payments executed	% paid	Carried over commitment appropriations	Carried over payment appropriations
<b>B9000 Balancing from the reserve</b>	<b>50,417,898.57</b>	-	-	<b>50,417,898.57</b>	-	-	<b>50,417,898.57</b>	<b>50,417,898.57</b>

## e. Budget transfers 2019

<b>TITLE I: STAFF EXPENDITURE</b>				
<b>Budget Line Description</b>	<b>Initial Budget</b>	<b>Transfers</b>	<b>After Transfer</b>	<b>Variance</b>
A-1100 Basic salaries	27,842,000.00	(624,500.00)	27,217,500.00	(2.24%)
A-1601 Interim services	756,000.00	550,000.00	1,306,000.00	72.75%
A-1422 Early childhood centres and schooling	683,000.00	74,500.00	757,500.00	10.91%
<b>TOTAL</b>	<b>29,281,000.00</b>	<b>0.00</b>	<b>29,281,000.00</b>	<b>0.00%</b>
<b>TITLE II: ADMINISTRATIVE EXPENDITURE</b>				
<b>Budget Line Description</b>	<b>Initial Budget</b>	<b>Transfers</b>	<b>After Transfer</b>	<b>Variance</b>
A-2250 Documentation and library expenditure	1,315,600.00	(30,000.00)	1,285,600.00	(2.28%)
A-2330 Legal expenses	-	30,000.00	30,000.00	-
A-2020 Maintenance	600,000.00	187,298.79	787,298.79	31.22%
A-2050 Security and surveillance of the building	1,217,000.00	(187,298.79)	1,029,701.21	(15.39%)
A-2000 Rental Costs	3,200,000.00	(105,193.37)	3,094,806.63	(3.29%)
A-2040 Fitting out of premises	150,000.00	105,193.37	255,193.37	70.13%
<b>TOTAL</b>	<b>6,482,600.00</b>	<b>-</b>	<b>6,482,600.00</b>	<b>-</b>
<b>TITLE III: OPERATIONAL EXPENDITURE</b>				
<b>Budget Line Description</b>	<b>Initial Budget</b>	<b>Transfers</b>	<b>After Transfer</b>	<b>Variance</b>
B3-113 Software package and information systems	3,820,000.00	(469,915.97)	3,350,084.03	(12.30%)
B3-114 Computing and telecommunications machinery equipment	60,000.00	(60,000.00)	-	(100.00%)
B3-115 IT services: consulting software development and support	2,850,000.00	529,915.97	3,379,915.97	18.59%
<b>TOTAL</b>	<b>6,730,000.00</b>	<b>-</b>	<b>6,730,000.00</b>	<b>-</b>

## 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	+/-	6,990,255,990.56
<b>Adjustment for accrual items</b> <i>(items not in the budgetary result but included in the economic result)</i>			
<b>A</b>	Adjustments for Accrual Cut-off (reversal 31.12.N-1)	-	(14,435,747.20)
<b>B</b>	Adjustments for Accrual Cut-off (cut-off 31.12.N)	+	19,136,512.81
<b>C</b>	Amount from liaison account with Commission booked in the Economic Outturn Account	-	-
<b>D</b>	Unpaid invoices at year end but booked in charges (class 6)	+	146,900.84
<b>E</b>	Depreciation of intangible and tangible assets (1)	+	2,642,309.19
<b>F</b>	Provisions (1)	+/-	686,400.00
<b>G</b>	Value reductions (1)	+	-
<b>H</b>	Recovery Orders issued in 2019 in class 7 and not yet cashed	-	(49,456.59)
<b>Ia</b>	Pre-financing given in previous year and cleared in the year	+	6,704.50
<b>Ib</b>	Pre-financing received in previous year and cleared in the year	-	(17,386,473.13)
<b>J</b>	Payments made from carry-over of payment appropriations	+	11,821,562.98
<b>K</b>	Other	+/-	117,754,489.78
<b>L</b>	Exchange rate differences (2) (3)		-
<b>Adjustment for budgetary items</b> <i>(items included in the budgetary result but not in the economic result)</i>			
<b>M</b>	Asset acquisitions (less unpaid amounts)	-	(4,665,622.05)
<b>N</b>	New pre-financing paid in the year 2019 and remaining open as at 31.12.2019	-	(35,000.00)
<b>O</b>	New pre-financing received in the year 2019 and remaining open as at 31.12.2019	+	66,897,623.25
<b>P</b>	Budgetary recovery orders issued before 2019 and cashed in the year	+	-
<b>Q</b>	Budgetary recovery orders issued in 2019 on balance sheet accounts (not 7 or 6 accounts) and cashed	+	-
<b>R</b>	Capital payments on financial leasing (they are budgetary payments but not in the economic result)	-	(817,505.97)
<b>S</b>	Payment appropriations carried over to 2020	-	(29,192,388,394.04)
<b>T</b>	Cancellation of unused carried over payment appropriations from previous year	+	4,457,147.66
<b>U</b>	Adjustment for carry-over from the previous year of appropriations available at 31.12.2018 arising from assigned revenue	+	22,075,308,623.10
<b>V</b>	Payments for pensions ( they are budgetary payments but booked against provisions)	-	-
<b>W</b>	Payments for stocks of leave and supplementary hours (budgetary payments but booked against provisions)	-	-
<b>X</b>	Other: balance item	+/-	-
	<b>Total</b>		59,336,065.69
	<b>Budgetary result (+ for surplus) (2)</b>		<b>59,359,169.28</b>
	<b>Delta not explained</b>		23,103.59

## IV. SRB Establishment Plan

### Statutory positions

	Staff employed		Authorised	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Temporary ADs	283	250	315	278
Temporary ASTs	67	65	85	72
<b>TOTAL</b>	<b>350</b>	<b>315</b>	<b>400</b>	<b>350</b>

### Non-statutory positions

	Staff employed		Authorised	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Seconded national experts	22	19	35	35

As concerns the statutory posts, the occupation rate at 31 December 2019 was 87.50% (2018: 90%) against the total target of 400 authorised posts.