

**DECISION OF THE SINGLE RESOLUTION BOARD**

**of 14 April 2021**

**on the calculation of the 2021 ex-ante contributions  
to the Single Resolution Fund**

**(SRB/ES/2021/22)**

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## **DECISION OF THE SINGLE RESOLUTION BOARD**

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### **on the calculation of the 2021 ex-ante contributions to the Single Resolution Fund (SRB/ES/2021/22)**

THE SINGLE RESOLUTION BOARD,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010<sup>1</sup>, and in particular Article 70(2) thereof,

Having regard to Council Implementing Regulation (EU) 2015/81 of 19 December 2014 specifying uniform conditions of application of Regulation (EU) No 806/2014 of the European Parliament and of the Council with regard to ex-ante contributions to the Single Resolution Fund<sup>2</sup>,

Having regard to Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to ex-ante contributions to resolution financing arrangements<sup>3</sup>, as amended by Commission Delegated Regulation (EU) 2016/1434<sup>4</sup>,

Having regard to Commission Delegated Regulation (EU) 2017/747 of 17 December 2015 supplementing Regulation (EU) No 806/2014 of the European Parliament and the Council with regard to the criteria relating to the calculation of ex-ante contributions, and on the circumstances and conditions under which the payment of extraordinary ex post contributions may be partially or entirely deferred<sup>5</sup>, and

Having consulted the European Central Bank and national competent authorities, and in close cooperation with the relevant national resolution authorities,  
WHEREAS:

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<sup>1</sup> OJ L 225, 30.7.2014, p.1.

<sup>2</sup> OJ L 15, 22.01.2015, p. 1.

<sup>3</sup> OJ L 11, 17.1.2015, p. 44.

<sup>4</sup> OJ L 223, 30.8.2016, p. 1.

<sup>5</sup> OJ L 113, 29.4.2017, p. 2

## 1. PROCEDURE

1. Each year, pursuant to Article 70(2) of the Regulation (EU) No 806/2014 the Single Resolution Board ("**Board**") calculates and determines the annual ex-ante contributions that shall be raised from entities referred to in Article 2 of the Regulation (EU) No 806/2014 ("**institutions**") by the National Resolution Authorities ("**NRAs**") and transferred to the Single Resolution Fund ("**Fund**").
2. In accordance with Article 4 of Commission Delegated Regulation (EU) 2015/63, the calculation of the ex-ante contributions is based on the data provided by the institutions pursuant to Article 14 of that Delegated Regulation.
3. By letter of 15 October 2020, the Board provided the institutions, via the NRAs, with the Data Reporting Form ("**DRF**") that they would have to use to submit their own data relevant for the calculation of the 2021 ex-ante contributions to the Fund, in accordance to Article 14(2) of Commission Delegated Regulation (EU) 2015/63. The DRF contains all the definitions and instructions concerning the data to be used for the calculation of ex-ante contributions. Together with the DRF, the Board granted institutions additional general guidance on the structure of the DRF, the calculation of the Basic annual contributions, deductions and risk adjustments, as well as additional specific guidance concerning intragroup deductions, IPS deductions and derivatives adjustments.
4. The institutions were required to provide the NRAs with the input information necessary under Annex II to Commission Delegated Regulation (EU) 2015/63, as identified within the DRF, by 1 February 2021<sup>6</sup>. On the same day, the NRAs provided to the Board the information they received from an overall number of 3,018 institutions.
5. Subsequently, each NRA provided the Board with a list of institutions from their respective jurisdictions which had been assessed to be within scope of the obligation to pay ex-ante contributions to the Fund for the 2021 contribution period.
6. In February 2021, the Board performed some preliminary checks on the data received and, where necessary, addressed specific remarks to the concerned institutions via the relevant NRA, so to definitively identify the correct data set to rely on for the purpose of this decision. The Board also received some comments and remarks from certain institutions and, where appropriate, asked for additional information.
7. In February 2021, the Board received from Deposit Guarantee Schemes ("**DGSs**") the information concerning the average amount of covered deposits that each credit institution held in the previous year, calculated quarterly, as well as information

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<sup>6</sup> Article 14(4) of the Commission Delegated Regulation (EU) 2015/63. In 2021, 31 January was not a business day.

concerning the use of extraordinary public financial support from the European Commission's Directorate-General for Competition.

8. Based on the data collected by the end of February 2021, the Board performed a preliminary calculation in view of the determination of the 2021 ex-ante contributions. In particular, the Board identified the intermediate results concerning all the common data points established equally for all institutions in the calculation process, including the target level and the thresholds of the bins to be used for each risk indicator.
9. Prior to 5 March 2021, the **NRAs** provided advance notification to the institutions established in the respective Member States that they would be able to access and comment the preparatory documentation and the main elements underlying the decision of the Board on the determination of the 2021 ex-ante contributions to the Fund prior to its adoption. Such consultation process, conceived to formalise and structure the submission of bilateral comments from institutions, was launched on 5 March 2021 and closed on 19 March 2021. An evaluation of the submissions made in the consultation on the 2021 ex-ante contributions to the Fund can be found in Annex III to this Decision.
10. On 15 March 2021, the Board launched the consultation with the National Competent Authorities ("**NCAs**") and the European Central Bank ("**ECB**") among other to verify the data submitted by the institutions. The Board took note of the outcome of the consultation and of the comments received.
11. Further to its adoption, the Board will communicate the present decision determining the 2021 ex-ante contributions to the Fund and Annexes thereto to the NRAs, which in turn will notify it individually to all the institutions concerned.

## 2. SCOPE OF THE CALCULATION

12. In accordance with Articles 2, 67(4) and 70 of Regulation (EU) No 806/2014, the following categories of entities are to contribute to the Fund:
  - (a) Credit institutions as defined in Article 4(1)(1) of Regulation (EU) No 575/2013<sup>7</sup>, including central bodies and their affiliated institutions, not including the entities referred to in Article 2(5) of Directive 2013/36/EU<sup>8</sup>, and
  - (b) Investment firms as defined in Article 4(1)(2) of Regulation (EU) No 575/2013, provided that:

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<sup>7</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012. OJ L 176, 27.6.2013, p. 1.

<sup>8</sup> Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC. OJ L 176, 27.06.2013, p. 338.

- (i) they are subject to the initial capital requirement laid down in Article 28(2) of Directive 2013/36/EU; and
- (ii) they are covered by the consolidated supervision of the parent undertaking carried out by the ECB in accordance with Article 4(1)(g) of Council Regulation (EU) No 1024/2013<sup>9</sup>.

13. The Board should determine whether an entity has an obligation to contribute to the Fund in the 2021 contribution period on the basis of its active status as credit institution or investment firm on 1 January 2021. In accordance with Article 12(2) of Commission Delegated Regulation (EU) 2015/63, the change of status of an institution during the contribution period does not have an effect on the annual contribution to be paid by that institution for that year.

14. For this purpose, as mentioned in paragraph 5 above, each NRA provided the Board with a list of institutions in its respective jurisdiction, which had been assessed to be within scope of the obligation to pay ex-ante contributions to the Fund. This list was subject to further verifications with NCAs and the ECB, as regards confirmation of the status of entities as credit institutions, and with the European Securities and Market Authority (“**ESMA**”) as regards investment firms. The status of ‘institution’ has been established by the Board for each entity based on the above.

15. For the cases in which the qualification of entities as credit institutions or investment firms was relevant for calculation of their individual ex-ante contributions, the Board relied on the definitions provided in the relevant legal framework and applied the pertinent provisions accordingly. Therefore, the Board refrained from applying provisions, which are aimed at certain situations only, to situations that, however comparable, did not satisfy all the conditions laid down in those provisions, when such an interpretation would be incompatible with the wording of the law.

### 3. REPORTING REQUIREMENTS

16. In accordance with Article 4 of Commission Delegated Regulation (EU) 2015/63, the calculation of the ex-ante contributions is based on data provided by the institutions pursuant to Article 14 of that Delegated Regulation. Institutions are therefore required to provide at least the following information prescribed in Annex II to Commission Delegated Regulation (EU) 2015/63:

- (a) Total Assets as defined in Article 3(12);

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<sup>9</sup> Council Regulation (EU) 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions. OJ L 287, 29.10.2013, p. 63.

- (b) Total Liabilities as defined in Article 3(11);
  - (c) Liabilities covered by points (a), (b), (c), (d), (e) and (f) of Article 5(1);
  - (d) Liabilities arising from derivatives contracts;
  - (e) Liabilities arising from derivatives contracts valued in accordance with Article 5(3);
  - (f) Covered deposits;
  - (g) Total Risk Exposure;
  - (h) Own funds;
  - (i) Common Equity Tier 1 Capital Ratio;
  - (j) Eligible liabilities;
  - (k) Leverage Ratio;
  - (l) Liquidity Coverage Ratio;
  - (m) Net Stable Funding Ratio;
  - (n) Interbank loans;
  - (o) Interbank deposits.
17. Where the information set out in Annex II to the abovementioned Regulation has been included in the supervisory reporting requirements laid down by the Commission Implementing Regulation (EU) No 680/2014<sup>10</sup>, or, where applicable, by any other supervisory reporting requirement applicable to the institutions under national law, this information is to be provided as reported by the institution in the latest relevant supervisory report to the competent authority pertaining to the reference year<sup>11</sup> of the annual financial statement referred to in Article 14(1) of Commission Delegated Regulation (EU) 2015/63<sup>12</sup>.

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<sup>10</sup> Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council. OJ L 191, 28.6.2014, p. 1.

<sup>11</sup> Institutions had to provide the Board with their latest approved annual financial statements, which were available, at the latest, on the 31 December of the year preceding the contribution period, together with the opinion submitted by the statutory auditor or audit firm. For the newly supervised institutions, for which such data was not available, the Board requested the institution to report the most appropriate data instead.

<sup>12</sup> Pursuant to Article 14(3) of Commission Delegated Regulation (EU) 2015/63.

18. In accordance with Articles 14(2) and 16 of Commission Delegated Regulation (EU) 2015/63, institutions and DGS are required to report to the Board, among other information, the amount of covered deposits<sup>13</sup>. As regards the 2021 contribution period:
- (a) DGSs provided the Board with the information on the average amount of covered deposits for the previous year, calculated quarterly<sup>14</sup>, of all their member credit institutions. This information enabled the Board to determine the annual target level and, where applicable, the basic annual contribution of each institution.
  - (b) Institutions provided the Board, via their NRAs, with the average amount of their covered deposits for the reference year, calculated quarterly. This information enabled the Board to deduct such amount from institutions' total liabilities in accordance with Article 70(1) of Regulation (EU) No 806/2014.
19. Annex II to Commission Delegated Regulation (EU) 2015/63 does not contain the data required for the calculation of Risk Pillar IV ("Additional risk indicators determined by the resolution authority") since these indicators are to be determined by the resolution authority. Consequently, in accordance with Article 6(5) of Commission Delegated Regulation (EU) 2015/63, the Board determined the applicable sub-indicators (see Section 6.6.2 below) and, where applicable, reflected this in the reporting requirements.

#### *Non-reported risk indicators*

20. The Board has, during the course of the 2021 ex-ante contribution cycle, monitored the availability and reliability of the data required for the implementation of each of the risk indicators identified in Article 6 of the Commission Delegated Regulation (EU) 2015/63. As a rule, these risk indicators must be applied on the basis of accurate and harmonised data that permits the precise calculation of the relative risk position of each institution. This requires that the underlying data points used for application of each of the risk indicators be available in harmonised and up-to-date format.
21. As this was not the case for all risk indicators for the 2021 ex-ante contribution period, the Board therefore took the decision not to include the following risk indicators for the 2021 contributions cycle:
- (a) Net Stable Funding Ratio ("**NSFR**");

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<sup>13</sup> 'Covered deposits' means the deposits referred to in Article 6(1) of Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (OJ L 173, 12.6.2014, p. 149), excluding temporary high balances as defined in Article 6(2) of that Directive.

<sup>14</sup> For the purposes of this decision "the average amount of covered deposits in the previous year, calculated quarterly" means that the value of the end of each quarter is taken into account and the average is calculated as the sum of the quarter-end values for each of the quarter divided by four. In case of mergers, only the data of the institution remaining in scope of Regulation (EU) No 806/2014 in the current contribution period is taken into account for this calculation.

- (b) Own funds and eligible liabilities held by the institution in excess of 'Minimum Requirement for own funds and Eligible Liabilities' ("MREL");
  - (c) Complexity and resolvability.
22. The reasons why these risk indicators have not been included in the ex-ante calculation process for the current cycle are addressed below.

*Net Stable Funding Ratio (NSFR)*

23. Article 6(3)(a) of Commission Delegated Regulation (EU) 2015/63 provides for the inclusion of the NSFR as a risk indicator in the 'Stability and variety of sources of funding' pillar. The NSFR will, however, only become applicable as a substantive prudential requirement from June 2021 onwards. Prior to now, no binding harmonised NSFR standard has been available throughout the EU and the SRB has therefore been unable to identify proxies at national level. For this reason, institutions have not been required to provide relevant NSFR data for the 2021 ex-ante contributions cycle. Based on the above, the Board has decided not to use the NSFR risk indicator for the 2021 ex-ante cycle.

*Minimum Requirement for own funds and Eligible Liabilities (MREL)*

24. Article 6(2)(a) of Commission Delegated Regulation (EU) 2015/63 provides for the inclusion of the following risk indicator in the risk exposure pillar: own funds and eligible liabilities held by the institution in excess of MREL. The Board has duly assessed the possibility of applying this risk indicator for the 2021 contributions cycle.
25. The MREL risk indicator is intrinsically linked to the resolution planning exercise and depends on the specific MREL requirements implemented by the Board and NRAs in this regard. The reference date for the data required to apply the MREL indicator for the 2021 ex-ante contributions cycle is 31 December 2019. However, and because MREL related requirements have by-and-large been implemented in an incremental manner, the SRB does not have data allowing for the implementation of this indicator at the level of each institution contributing to the Fund (and particularly Less Significant Institutions, including those subject to a risk-adjusted methodology for the purpose of calculating their ex-ante contributions) as it is required to do<sup>15</sup>.
26. It is not possible to capture the surplus of MREL if a number of institutions do not report these data points (eligible liabilities) in the required way as described above.

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<sup>15</sup> In relation to the institutions under remit of NRAs, based on the 2019 SRB Annual Report there were 333 out of 2,260 institutions that were still not covered by the resolution planning exercise. See page 16 of the Single Resolution Board Annual Report for 2019: [https://srb.europa.eu/sites/srbsite/files/srb\\_annual\\_report\\_2019.pdf](https://srb.europa.eu/sites/srbsite/files/srb_annual_report_2019.pdf)

Based on the above, the Board has assessed that it is not possible for the 2021 ex-ante cycle to use the MREL risk indicator.

#### *Complexity and resolvability*

27. According to Article 6(6)(a)(iv) of Commission Delegated Regulation (EU) 2015/63, the Board must factor an increase in the risk profile of the institution due to the extent to which, in accordance with Chapter II of Title II of the Directive 2014/59/EU, the business model and organisational structure of an institution are deemed complex ("complexity").
28. According to Articles 6(6)(b)(ii) Commission Delegated Regulation (EU) 2015/63, the Board must factor a decrease in the risk profile of the institution due to the extent to which, in accordance with Chapter II of Title II of the Directive 2014/59/EU, an institution can be resolved promptly and without legal impediments ("resolvability").
29. The data required for the sub-indicators referred to in recitals above is not available in a harmonised form for all institutions in the participating Member States for the reference year 2019. Therefore, the Board has assessed that it is not possible for the 2021 ex-ante cycle to use the "complexity" and "resolvability" risk indicators.

#### **4. DATA REPRESENTATION, VERIFICATION AND ADDITIONAL ASSURANCE**

30. In line with Article 6 of Council Implementing Regulation (EU) 2015/81 and Article 14(6) of Commission Delegated Regulation (EU) 2015/63, the Board specified the data formats and representations to be used by institutions to report the information required for the purpose of the calculation of 2021 annual contributions within the DRF<sup>16</sup>.
31. The NRAs collected the relevant data from the institutions. During the data collection process, the NRAs were the first point of contact for communicating with institutions established in their respective territories. In accordance with Article 14(4) of Commission Delegated Regulation (EU) 2015/63, institutions were required to submit the data to the NRAs, which, in turn, transmitted the relevant data to the Board by 1 February 2021<sup>17</sup>.

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<sup>16</sup> This covers both the information referred to in Annex II to Commission Delegated Regulation (EU) 2015/63, and the information related to Risk Pillar IV: "Additional risk indicators determined by the resolution authority".

<sup>17</sup> All the data provided by Croatian institutions was, prior to being sent to the Board, converted from Croatian Kuna in euro by the Croatian DGS by applying the conversion rate as published by the ECB on 31 December 2019. All the data provided by the Bulgarian institutions was, prior to being sent to the Board, converted from Bulgarian lev in euro by the Bulgarian DGS by applying the fixed conversion rate published by the Bulgarian National Bank (Fixed exchange rate of 1 EUR = 1,95583 BGN)

32. For data that was not reported under the regular supervisory or accounting framework, but computed by the institutions solely for the purpose of calculating ex-ante contributions, the Board requested additional assurance. In particular, the scope of the additional assurance included covered deposits data (reported by institutions as deductions), data related to derivatives used in the adjustment of total liabilities as well as data on qualifying intragroup, Institutional Protection Scheme (“**IPS**”) and promotional loans liabilities and assets. The Board requested institutions that were part of a group that falls under the direct supervision of the ECB in accordance with Article 6(4) of Council Regulation (EU) No 1024/2013, to provide additional assurance documentation (either a report from an external auditor or a duly signed document from the management body of the institution), unless they were subject to lump-sum payment. Some NRAs further extended the scope of institutions and the data covered by the additional assurance requirement. Institutions were required to submit the additional assurance documents to the NRAs by 10 March 2021. By 20 March 2021, the NRAs presented to the Board an overview of the additional assurance documents provided by the institutions.
33. The Board, together with the NRAs, performed verifications on the data provided by the institutions. During the data verification process, and to the extent necessary, institutions were requested by the NRAs to correct and/or complete the data submitted. Where data points were still missing after 1 February 2021, or assessed as incorrect or incomplete after the performance of data validation, or where an institution had otherwise not complied with its obligations under Article 14 of Commission Delegated Regulation (EU) 2015/63, the Board requested the relevant NCA or NRA to provide missing data or estimates thereof, which the Board took into account in accordance with Article 17(1) of Commission Delegated Regulation (EU) 2015/63.
34. The Board requested further information in a separate questionnaire sent to institutions via NRAs (when relevant) regarding the eligibility of institutions which requested a deduction related to promotional loans as provided in Article 5(1)(f) of the Commission Delegated Regulation (EU) 2015/63. The assessment of whether an institution has used extraordinary public financial support in the reference year was based on the information received from the institution and the European Commission’s Directorate-General for Competition.

## 5. ANNUAL TARGET LEVEL

35. In accordance with Article 69 of Regulation (EU) No 806/2014 and Article 4 of Council Implementing Regulation (EU) 2015/81, in order to calculate ex-ante contributions the Board must set the annual target level for the 2021 ex-ante contributions period.
36. The determination of the annual target levels is dictated by the requirements that at the end of the period of eight years from 1 January 2016 (“**initial period**”) the available financial means of the Fund should reach at least 1% of the amount of

covered deposits of all credit institutions authorised in the participating Member States, and that contributions should be spread out in the initial period as evenly as possible. In implementing the above, the Board should give due account of the phase of the business cycle and the impact that these contributions may have on the financial position of contributing institutions. Where covered deposits are expected to grow over time, setting the annual target level at 1% of the amount of covered deposits reported by the DGSs in the previous year would not be sufficient to reach the final target level. Therefore, due account should be given to the expected evolution of covered deposits during the entire initial period.

37. In line with the above, the Board determines the 2021 annual target level based on the expected target level to be reached at the end of the initial period. This assessment is based on the evolution of the total amount of covered deposits in the previous years and any relevant developments of the economic situation as described in the recitals below. The Board also takes into account the analysis of the relevant indicators related to the phase of the business cycle and the impact that pro-cyclical contributions may have on the financial position of the institutions<sup>18</sup>. The annual target level is set by determining a coefficient based on such analysis and on the financial means already available in the Fund, and by applying this coefficient to 1/8<sup>th</sup> of the amount of covered deposits of the previous year as reported by the DGSs.

### **5.1 Evolution of the total amount of covered deposits**

38. The Board analysed the evolution of the covered deposits data for the last six years (2015, 2016, 2017, 2018, 2019 and 2020) provided by the DGSs. The historical data suggests a constant growth trend of covered deposits of all credit institutions in the Member States participating in the Banking Union. After having shown early signs of acceleration in 2018 that were confirmed in 2019 (and amplified by a series of significant one-off events), covered deposits have displayed unprecedented levels of growth in 2020. In particular, according to the data set provided by the DGSs with respect to the previous year (see Recital 18), in 2020 the average amount of covered deposits, calculated quarterly, of all credit institutions in the participating Member States amounted to EUR 6 689 billion<sup>19</sup>. This figure represents a growth of 7% vis-à-vis the yearly average of covered deposits calculated on a quarterly basis reported by the DGSs in the previous year.
39. This growth is deemed to be driven by the various restrictions imposed on economic activity as a reaction to the COVID-19 pandemic that were broadly enforced in most jurisdictions of the Banking Union across 2020 and that led to unprecedented

<sup>18</sup> Commission Delegate Regulation (EU) 2017/747.

<sup>19</sup> The data provided by the Croatian DGS was, prior to being sent to the Board, converted from Croatian Kuna in euro by the Croatian DGS by applying the conversion rate as published by the ECB on 31 December 2020. The data provided by the Bulgarian DGS was, prior to being sent to the Board, converted from Bulgarian lev in euro by the Bulgarian DGS by applying the fixed conversion rate published by the Bulgarian National Bank (Fixed exchange rate of 1 EUR = 1,95583 BGN).

household savings rates<sup>20</sup>. The Board noted the important growth levels of covered deposits especially during Q2 and Q4 pushing the outstanding amount of covered deposits for credit institutions in the Banking Union to EUR 6 927 billion at the end of 2020, a growth rate of 8.7% year on year.

## 5.2 Projected evolution of covered deposits

40. In order to assess the change of covered deposits over time, the Board first consulted the Joint Research Centre of the European Commission (“**JRC**”). The Board obtained from the JRC an assessment of the possible rate of growth of covered deposits in accordance with an econometric model based on historical data on total deposits and covered deposits. The models offers a series of scenarios projecting the growth rate of covered deposits and total deposits in the Banking Union during the initial period. The Board took into account the JRC expert judgement of an overall direction of a sustained growth level for covered deposits after 2020.
41. The Board then used a simulation model to set different scenarios for covered deposits growth and the corresponding expected SRF target level at the end of the initial period, starting from the data provided by the DGSs. The Board developed several scenarios reflecting the potential different dynamics of covered deposits growth in each of the three remaining years of the initial period 2021-2023, taking into account different variables. These scenarios ranged from a sharp acceleration to a fast deceleration of covered deposits’ growth starting potentially in each of the remaining years to come. For each scenario, the Board forecasted the yearly expected amount of covered deposits in the Banking Union and the corresponding final total target level that would need to be reached. Within the model, the Board focused in particular on the growth rates of covered deposits ranging between 4% and 7% per year until the end of the initial period. The model informed the decision of the Board and the assessment of the effects that different scenarios concerning the COVID-19 pandemic may have on covered deposits in the Banking Union.

## 5.3 Analysis of the relevant indicators

42. The Board also assessed<sup>21</sup> the phase of the business cycle and the potential pro-cyclical impact the contributions may have on the financial position of contributing institutions, by taking into account, jointly for all participating Member States, the following indicators:
  - 1) GDP Growth Forecast and Economic Sentiment Indicator from the European Commission;

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<sup>20</sup> ECB Economic Bulletin, June 2020, “COVID-19 and the increase in household savings: precautionary or forced.”

<sup>21</sup> In accordance with Commission Delegate Regulation (EU) 2017/747.

- 2) GDP Growth from ECB's Macroeconomic Projections for the euro area<sup>22</sup>;
  - 3) Private sector credit flow over GDP and Change in Total Financial Sector Liabilities from the European Commission's Scoreboard on Macroeconomic Imbalances;
  - 4) Composite indicator of Systemic Stress and probability of a simultaneous default by two or more large and complex banking groups of the participating Member States from the ESRB's Risk Dashboard;
  - 5) Changes in credit standards for loans to households and changes in credit standards for loans to non-financial corporations from the ESRB's Risk Dashboard;
  - 6) Indicators on the profitability of large banking groups of the participating Member States contained in the European Banking Authority Risk Dashboard, such as return on equity and net interest income to total operating income;
  - 7) Indicators on the solvency of large banking groups of the participating Member States contained in the European Banking Authority Risk Dashboard, such as Tier 1 capital to total assets excluding intangible assets and impaired loans and past-due loans to total loans.<sup>23</sup>
43. As concerns the *business cycle*, the Board took note that the growth forecasts by the main EU and international institutions suggest that the COVID-19 vaccination rollout as well as policy support measures would lead to a firm economic rebound during the course of 2021. However, this trajectory of economic recovery would remain fragile and dependent on the successful management of the pandemic. Overall, the Board notes that the assessment depends on factors that are intrinsically difficult to predict. Therefore, the outlook remains surrounded by significant uncertainty.
44. The Board assessed the *potential pro-cyclical impact of ex-ante contributions on the financial position of the institutions in scope*. In this regard, the Board took note of the resilience of the European banking system observed so far since the pandemic outbreak. However, it also noted uncertainty for the future as regards the impact of the pandemic on the profitability of the institutions in scope as well as on the levels of non-performing loans.
45. The Board furthermore noted the important role that the banking industry in some Member States played in the transmission of monetary and fiscal policy measures implemented in response to the pandemic crisis. This included the swift channelling of essential financing to individuals and companies impacted by the pandemic. Therefore,

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<sup>22</sup> The analysis performed by the Board covered also Bulgaria and Croatia that joined the Banking Union on 1 October 2020.

<sup>23</sup> Given that the EBA Risk Dashboard no longer includes the indicator "Impaired loans and past-due loans to total loans", the Board analysed the latest available ECB data regarding non-performing loans.

the Board considered that the banking industry, while being an important pillar of the economic rebound referred to above, faces a lot of uncertainty.

#### 5.4 Setting the annual target level

46. After consideration of the above assessments, the Board concluded that it is reasonable to expect a further growth of covered deposits in the Banking Union. The pandemic seems to have accelerated to unprecedented levels the growth of covered deposits already observed earlier. The Board observed the economic growth forecasts and the related expectations on the gradual improvement of the health situation, the broadening of the economic recovery and the progressive withdrawal of extraordinary policy support measures. The combination of those expected factors suggest a normalisation of the savings rates and, accordingly, lower pace of growth of covered deposits compared to that occurred in the last year. However, the impact that the Covid-19 pandemic may have on the evolution of covered deposits in the next years remains overall uncertain.
47. Based on the above considerations and taking into account the results of the model used to project the evolution of covered deposits, as well as the uncertainty observed both at the level of covered deposits growth and at the level of economic recovery, it is appropriate for the Board to adopt a conservative approach as concerns the range of growth rates of covered deposits over the next years until 2023.
48. As a result, having considered the available information and the analyses referred to in the previous paragraphs, in accordance with the criteria mentioned in Article 69(2) of Regulation (EU) No 806/2014 and in Article 3 of Commission Delegated Regulation (EU) 2017/747, the Board sets the total amount of contributions to the Fund for the 2021 ex-ante contribution period (the "annual target level") at 1/8th of 1.35 % of the covered deposits of all credit institutions authorised in the participating Member States in 2020 which translates into the amount of EUR 11,287,677,212.56:

$$Target_0 = Total\ covered\ deposits_{2020} * 0.0135 * \frac{1}{8} = EUR\ 11,287,677,212.56$$

## 6. CALCULATION METHODOLOGY

### 6.1 Description of the calculation process

#### 6.1.1 Steps of the calculation process

49. The calculation process follows a certain calculation methodology for each institution, depending on its size, as prescribed by the legal framework in a chronological order.
50. First, the Board determines the **lump-sum (flat-rate) contributions** for the following groups of entities:

- (a) Small institutions that are paying a lump-sum contribution according to Articles 10(1) to 10(6) of the Commission Delegated Regulation (EU) 2015/63 (see Section 6.2.1 below);
  - (b) Small institutions that provided sufficient evidence for the Board to determine both the basic annual contribution and the lump-sum contribution according to Article 10(7) of the Commission Delegated Regulation (EU) 2015/63, where after having compared both contributions, the institution was assigned to the lump-sum contribution as it resulted in a lower contribution than the basic annual contribution (see Section 6.2.2 below);
  - (c) Medium size institutions that are paying a lump-sum contribution for the first EUR 300,000,000.00 of total liabilities excluding own funds and covered deposits according to Article 8(5) of the Council Implementing Regulation (EU) 2015/81 (See Section 6.3 below).
51. The Board then subtracts the overall amount of lump-sum contributions to be collected from the annual target level in order to set the specific target level that the overall amount of risk-adjusted contributions would have to reach.
52. Second, the Board determines the **basic annual contributions** for the following groups of entities:
- (a) Small institutions that provided sufficient evidence for the Board to determine both the basic annual contribution and the lump-sum contribution according to Article 10(7) of the Commission Delegated Regulation (EU) 2015/63, where after having compared both contributions, the institution was assigned to the basic annual contribution as it resulted in a lower contribution than the lump-sum contribution (see Section 6.2.1 below);
  - (b) Mortgage credit institutions financed by covered bonds which, according to the applicable national law, are not allowed to receive deposits according to Article 11 of the Commission Delegated Regulation (EU) 2015/63 (See Section 6.4 below);
  - (c) Investments firms which are authorised to carry out only limited services and activities, are not subject to, or may be exempted from, certain capital and liquidity requirements (See Section 6.5 below).
53. Third, in order to compare the institutions according to their riskiness, the SRB establishes bins for each risk indicator, in which institutions with similar risk profiles will be grouped (discretisation). The common thresholds of each bin are defined based on the ranking of the data of all institutions from the lowest to the highest, pursuant

to the requirements set in Article 103(7) of Directive 2014/59/EU<sup>24</sup> and Article 6 and Annex I, Step 2 of Commission Delegated Regulation (EU) 2015/63.

54. Fourth, the Board determines the **risk-adjusted contributions** according to Article 70(2)(b) of Regulation (EU) No 806/2014 (see Section 6.6 below) for the following groups of entities:
- (a) Small institutions that have a risk profile disproportionate to their small size in accordance with Article 10(8) of Commission Delegated Regulation (EU) 2015/63 for which the Board, after having calculated the risk-adjusted contribution, determined that the institution shall be subject to a risk-adjusted contribution (see Section 6.2.3 below);
  - (b) Medium sized institutions whose total assets are between EUR 1,000,000,000 EUR and 3,000,000,000.00 that are paying a risk-adjusted contribution for the remainder (above EUR 300,000,000.00) of their total liabilities excluding own funds and covered deposits (See Section 6.3 below);
  - (c) Large institutions whose total assets are above EUR 3,000,000,000.00 and their total liabilities excluding own funds and covered deposits are above EUR 300,000,000.00. (See Section 6.6 below)
55. More concretely, the Board calculates the risk-adjustment factor to the basic annual contribution as follows:
- (a) In accordance with Article 9(1) of Commission Delegated Regulation (EU) 2015/63, for each institution, the Board determines an individual risk-adjustment multiplier for each risk indicator. In particular, for each risk indicator, the Board places each institution in the relevant risk bin (see Recital 53 and Annex II). Considering that the thresholds of the risk bins determined by the Board for each risk pillars are the same for all risk-adjusted institutions, each institution is assigned to the risk bin whose lower threshold is equal to or lower than the institution's relevant data point, and whose higher threshold is equal to or higher than the institution's relevant data point;
  - (b) The Board then calculates the institution's risk-adjustment multiplier for each risk pillar by applying the relative weight of each risk indicator to the risk-adjustment multipliers determined for each risk indicator (as described under (a)), pursuant to Article 7(1) of the Delegated Regulation and the methodology set out in Annex I, Step 3 to 5 of Commission Delegated Regulation (EU) 2015/63);

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<sup>24</sup> Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, OJ L 173 12.6.2014, p. 190.

- (c) Finally, the Board determines the institution's risk-adjustment multiplier by applying the relative weight of each risk pillar to the risk-adjustment multipliers determined for each risk pillar (as described under (b)), pursuant to Article 7 of the Commission Delegated Regulation (EU) 2015/63 and the methodology set out in Annex I, Step 3 to 5 of that Delegated Regulation).
56. Fifth, the SRB multiplies each institution's basic annual contribution by its individual risk-adjusting multiplier (Article 9(2), Annex I, Step 6, No. 2 of Commission Delegated Regulation (EU) 2015/63), in order to obtain the risk-adjusted basic annual contribution for each institution.
57. Ultimately, and in accordance with Article 9(2), Annex I, step 6, No. 2 of Commission Delegated Regulation (EU) 2015/63, the Board calculates the institutions' risk-adjusted individual contributions distributing the target level among them on the basis of the ratio between their individual risk-adjusted basic annual contribution and the sum of all risk-adjusted basic annual contributions (see Section 6.6.2 below).

### 6.1.2 Specific adjustments in the initial period

58. The Board applied the methodology set out in Commission Delegated Regulation (EU) 2015/63 for the calculation of the individual annual ex-ante contributions. In order to take into account the specificities of a unified Fund with gradually mutualised national compartments allocated to the participating Member States, during the initial period, the ex-ante contributions are calculated in accordance with the adjusted methodology laid down in Article 8(1) of Council Implementing Regulation (EU) 2015/81.
59. For the 2021 contribution period, for all institutions:
- (a) 13.33% of the annual contributions were calculated in accordance with Article 103 of Directive 2014/59/EU and Article 4 of Commission Delegated Regulation (EU) 2015/63 ("**National Base**" or, in the annexes "**BRRD**"), and
  - (b) 86.67% of the annual contributions were calculated in accordance with Articles 69 and 70 of Regulation (EU) No 806/2014 and Article 4 of Council Implementing Regulation (EU) 2015/81 ("**Banking Union Base**" or, in the annexes, "**SRMR**").
60. For the calculation of the part of the annual contributions falling into the National Base, only data from institutions that are authorised in the territory of that participating Member State are taken into account, while data from institutions that are authorised in the territories of other participating Member States are not considered. Consequently, the target used for this calculation is defined on a National Base taking into account only the covered deposits of the credit institutions in the relevant participating Member State. In the same way, the relative riskiness and the relative size of an institution are assessed only in comparison with the riskiness and the size of institutions authorised in the territory of the same participating Member State.

61. For the calculation of the part of annual contributions in the Banking Union Base, data from all institutions authorised in the territories of all participating Member States are taken into account. Consequently, the annual target level is defined based on the covered deposits of all credit institutions established in the participating Member States, and the relative riskiness and size of the institutions are assessed in comparison with all such institutions. The methodology for calculating the contributions is the same for both calculations.

### 6.1.3 Calculation of the basic annual contribution numerator

62. The calculation of the contributions for individual institutions is based on two subsequent steps where:

- (a) a pro-rata contribution is calculated based on the individual institution's (adjusted) liabilities excluding own funds and covered deposits, with respect to the aggregate adjusted liabilities excluding own funds less covered deposits, of all the institutions authorised in the territories of all the participating Member States (i.e., the basic annual contribution); and
- (b) such contribution is additionally adjusted depending on the risk profile of the institution ("risk-adjusted contribution").

63. The basic annual contribution ("**BAC**") numerator is the starting point for the calculation of an institution's annual ex-ante contribution. The Board takes into account the size of the institutions, and where relevant, the risk adjustment methodology of the basic annual contributions described in Article 5 of the Commission Delegated Regulation 2015/63.<sup>25</sup>

64. Depending on the calculation method described in the Section 6.1.1. above applicable to the institution, the (adjusted) size is determined in the following way:

Type of calculation method	Calculation and adjustment of the BAC numerator
Lump-sum	$TL - OF - CD$
Article 10(7) of Delegated Regulation	$TL - OF - CD - deductions - ONBS + \max[LR; 0.75 \times (ONBS + OFFBS)]$
Mortgage credit institutions	
Investment firms with limited services and activities	
Article 8(5) of Council Implementing Regulation (EU) 2015/81	
Risk-adjusted institutions	

Where:

- *TL* refers to Total Liabilities;
- *OF* refers to Own Funds;
- *CD* refers to Covered Deposits;

<sup>25</sup> Article 5 of Commission Delegated Regulation (EU) 2015/63 provides that the basic annual contribution shall be calculated by excluding certain liabilities.

- *Deductions* refers to exclusions described in Article 5(1) of Commission Delegated Regulation (EU) 2015/63;
- *ONBS* is the accounting value of liabilities arising from derivative contracts booked on-balance sheet;
- *LR* refers to on- and off-balance sheet liabilities arising from derivative contracts valued in accordance with the leverage ratio methodology;
- *OFFBS* is the accounting value of liabilities arising from derivative contracts held off-balance sheet.

65. The basic annual contribution is then calculated in accordance with the following formula:

$$target \times \frac{B_n}{\sum_{p=1}^N B_p},$$

Where:

- **Target** refers to the relevant target level for the calculation methodology;
- **$B_n$**  (BAC numerator) refers to the amount of total liabilities (excluding own funds) less covered deposits of institution  $n$  adjusted in accordance with Article 5 of Commission Delegated Regulation (EU) 2015/63 (floored at 0<sup>26</sup>);
- The **BAC denominator** (sum of  $B_p$ , with  $p=1, \dots, N$ ) represents the sum of total liabilities (excluding own funds) less covered deposits, as adjusted in accordance with Article 5 of Commission Delegated Regulation (EU) 2015/63 of all the institutions involved.

## 6.2 Contributions of small institutions

66. According to Article 10 of the Commission Delegated Regulation (EU) 2015/63, the Board calculates pro-rata contributions based on the individual institution's adjusted liabilities excluding own funds and covered deposits. The final amount of the contributions is calculated based on three different methodologies, respectively set forth under:

- Articles 10(1) to (6) for small institutions paying flat-rate contributions;
- Article 10(7) for small institutions paying other than flat-rate contribution; and
- Article 10(8) for small institutions having disproportionate risk to their size.

The details on the calculation methodology of these institutions are provided in the sections below.

<sup>26</sup> In the calculation, the  $B_n$  cannot be valued below zero in order to avoid obtaining negative amounts.

### 6.2.1 Small institutions paying a flat-rate contribution

67. After determination of the BAC numerator as described in Section 6.1.3 above, the Board calculates the annual contributions of small institutions in accordance with Article 10 of the Commission Delegated Regulation (EU) 2015/63. For the small institutions within the meaning of this provision, the annual contributions consist of a lump-sum contribution, based only on their basic annual contribution numerator.

68. Articles 10(1) to (6) of the Commission Delegated Regulation (EU) 2015/63, provide different lump-sum amounts (ranging from EUR 1,000 to EUR 50,000). Based on the table below, the lump-sum contribution is determined.

Total liabilities excluding own funds and covered deposits	Total assets	Lump-Sum contribution
≤EUR 50,000,000.00	<EUR 1,000,000,000.00	EUR 1,000.00
>EUR 50,000,000.00 ≤EUR 100,000,000.00		EUR 2,000.00
>EUR 100,000,000.00 ≤EUR 150,000,000.00		EUR 7,000.00
>EUR 150,000,000.00 ≤EUR 200,000,000.00		EUR 15,000.00
>EUR 200,000,000.00 ≤EUR 250,000,000.00		EUR 26,000.00
>EUR 250,000,000.00 ≤EUR 300,000,000.00		EUR 50,000.00

### 6.2.2 Small institutions paying other than a flat-rate contribution

69. According with Article 10(7) of Commission Delegated Regulation (EU) 2015/63, when a small institution provides sufficient evidence that the lump-sum amount would be higher than the basic annual contribution, the Board applies the lower amount.

70. For this assessment, the Board takes into account only the information provided by the institution in accordance with the data formats and representations referred to in Recital 30. Subsequently, the Board performed a comparative calculation, where, first, the institution was assigned to the lump-sum method and, second, the institution was assigned to the basic calculation method. The calculation leading to a smaller amount was retained and was set as the final contribution for the institution.

71. When performing the comparative calculation, the basic annual contribution was determined as follows:

$$BAC_n = Target_1 * \frac{B_n}{\sum_{p=1}^{N_1} B_p}$$

Where

- **BAC<sub>n</sub>** is the basic annual contribution for institution n;
- **Target<sub>1</sub>** is the annual target adjusted to exclude the contributions of:

- institutions paying the lump-sum amount in accordance with Article 10(1) to 10(6) of Commission Delegated Regulation (EU) 2015/63 (Section 6.2.1, recital 68)<sup>27</sup>;
- the EUR 50,000 paid by institutions paying the partial lump-sum amount in accordance with Article 8(5) of Council Implementing Regulation (EU) 2015/81 (Section 6.3);
- **B<sub>n</sub>** (BAC numerator) represents total liabilities (excl. own funds) less covered deposits, as adjusted in accordance with Article 5 of Commission Delegated Regulation (EU) 2015/63 of institution n (floored at 0<sup>28</sup>);

The BAC denominator ( $\sum_{p=1}^{N_1} B_p$ , sum of  $B_p$ , with  $p=1, \dots, N_1$ ) represents the sum of total liabilities (excluding own funds) less covered deposits, as adjusted in accordance with Article 5 of Commission Delegated Regulation (EU) 2015/63 of all the institutions involved, excluding (i) the amounts accounted for the lump-sum calculation method in accordance with Article 10(1) to 10(6) of Commission Delegated Regulation (EU) 2015/63 and (ii) the first EUR 300,000,000.00 of total liabilities excluding own funds and covered deposits of the institutions paying the partial lump-sum contribution in accordance with Article 8(5) of Council Implementing Regulation (EU) 2015/81.

72. The target amount ( $Target_t$ ) and the BAC denominator ( $\sum_{p=1}^{N_1} B_p$ ) calculated by the Board are common data points which are the same for all small institutions that provided sufficient evidence that the lump-sum amount would be higher than the basic annual contribution, the Board applied the lower amount in accordance with Article 10(7) of Commission Delegated Regulation (EU) 2015/63. The relevant amounts calculated at both the National Base and the Banking Union Base, are provided in Annex II to the Decision.

### 6.2.3 Small institutions with a risk profile disproportionate to their size

73. Pursuant to Article 10(8) of Commission Delegated Regulation (EU) 2015/63, the Board may adopt a reasoned decision determining that an institution has a risk profile that is disproportionate to its small size and apply Article 5, 6, 7, 8 and 9 thereof to that institution. That decision shall be based on the following criteria:

- (a) the business model of an institution;
- (b) the information reported by that institution pursuant to Article 14 of Commission Delegated Regulation (EU) 2015/63;
- (c) the risk pillars and indicators referred to in Article 6 of Commission Delegated Regulation (EU) 2015/63;

<sup>27</sup> This includes investment firms with limited services and activities that pay lump-sum contribution and not basic annual contribution. Please refer to recital 83(a).

<sup>28</sup> In the calculation, the  $B_n$  cannot be valued below zero in order to avoid obtaining negative amounts.

- (d) the assessment of the competent authority as regards the risk profile of that institution;
74. For the assessment of the criteria in Article 10(8) of Commission Delegated Regulation (EU) 2015/63, the Board collects information from the NCAs regarding the risk profile and the business model of the institutions (points (a) and (d) above). Institutions which presented elements of risk in relation to these two criteria were requested to provide the data required for the risk adjustment.
75. Based on the assessment of criteria (a), (b) and (d), 25 institutions were considered as potentially having a risk profile disproportionate to their small size in application of Article 10(8) of Commission Delegated Regulation (EU) 2015/63 in the 2021 Contributions period and were therefore subject to a preliminary conclusion in this regard.
76. For the conclusion of the assessment, the Board took into consideration criterion (c) of Article 10(8) of Commission Delegated Regulation (EU) 2015/63 and followed a methodology, in which the Risk Adjustment Factor of each institution, calculated in accordance with the provisions of Section 6.6.2, was compared with the Risk Adjustment Factors of the whole risk-adjusted population. Only the institutions whose Risk Adjustment Factor was above a given threshold<sup>29</sup> were proposed for application of Article 10(8) of Commission Delegated Regulation (EU) 2015/63. Following this assessment, the Board reached the preliminary conclusion that two institutions had a risk profile disproportionate to their small size within the meaning of Article 10(8) of Commission Delegated Regulation (EU) 2015/63.
77. Given that the application by the Board of Article 10(8) of Commission Delegated Regulation (EU) 2015/63 could adversely affect institutions, in February 2021 the Board, following the preliminary assessment of all four criteria under Article 10(8), invited the institutions concerned to avail of their right to be heard pursuant to Article 41(2)(a) of the Charter of Fundamental Rights of the European Union<sup>30</sup>.
78. Having assessed the comments that the concerned institutions submitted the Board maintained its preliminary conclusions that, pursuant to Article 10(8) of Commission Delegated Regulation (EU) 2015/63, two Institutions have a risk profile that is disproportionate to their small size.

### **6.3 Medium size institutions paying a partial lump-sum contribution**

79. Article 8(5) of Council Implementing Regulation (EU) 2015/81 provides a calculation of the contributions to be paid by mid-size institutions, whose total assets are above

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<sup>29</sup> The threshold was defined as the statistical median of the risk adjustment factors (RAF) of all risk-adjusted institutions plus two times the standard deviation of the statistical median, in accordance with the formula:  $RAF\ Threshold = median_{RAF} + (2 \times standard\ deviation_{RAF})$ .

<sup>30</sup> Charter of Fundamental Rights of the European Union, OJ C 326, 26.10.2012, p. 391–407.

EUR 1,000,000,000.00 (and thus not eligible for the lump-sum contribution for small institutions), but equal to, or less than, EUR 3,000,000,000.00. Such institutions pay a lump-sum of EUR 50,000 for the first EUR 300,000,000.00 of total liabilities excluding own funds and covered deposits. For the remaining total liabilities, institutions' contributions were calculated in accordance with the risk-adjusted regime of Commission Delegated Regulation (EU) 2015/63.

#### 6.4 Mortgage credit institutions

80. Mortgage credit institutions financed by covered bonds that are not eligible for the lump-sum contribution are subject to a specific calculation of contributions. In accordance with Article 11 of Commission Delegated Regulation (EU) 2015/63, for such institutions, the contribution amount is equal to 50% of the Basic Annual Contribution:

$$BAC_n = Target_2 * \frac{B_n}{\sum_{p=1}^{N_2} B_p} * \frac{1}{2}$$

Where

- **BAC<sub>n</sub>** is the basic annual contribution for institution n;
- **Target<sub>2</sub>** is the annual target adjusted to exclude the contributions of:
  - institutions paying the lump-sum amount in accordance with Article 10(1) to 10(6) of Commission Delegated Regulation (EU) 2015/63 (Section 6.2.1, recital 68)<sup>31</sup>;
  - the EUR 50,000 paid by institutions paying the partial lump-sum amount in accordance with Article 8(5) of Council Implementing Regulation (EU) 2015/81 (Section 6.3);
  - institutions paying the lump-sum amount following the analysis performed in accordance with Article 10(7) of Commission Delegated Regulation (EU) 2015/63 (Section 6.2.2).
- **B<sub>n</sub>** (BAC numerator) represents total liabilities (excl. own funds) less covered deposits, as adjusted in accordance with Article 5 of Commission Delegated Regulation (EU) 2015/63 of institution n (floored at 0<sup>32</sup>);

81. The BAC denominator ( $\sum_{p=1}^{N_2} B_p$ , sum of B<sub>p</sub>, with p=1,...,N<sub>2</sub>) represents the sum of total liabilities (excluding own funds) less covered deposits, as adjusted in accordance with Article 5 of Commission Delegated Regulation (EU) 2015/63 of all the institutions involved excluding (i) the amounts accounted for the lump-sum calculation method in accordance with Article 10(1) to 10(6) of Commission Delegated Regulation (EU) 2015/63, (ii) the first EUR 300,000,000.00 of total liabilities excluding own funds and covered deposits of the institutions paying the partial lump-sum and (iii) the amounts

<sup>31</sup> This includes investment firms with limited services and activities that pay lump-sum contribution and not basic annual contribution. Please refer to recital 83(a).

<sup>32</sup> In the calculation, the B<sub>n</sub> cannot be valued below zero in order to avoid obtaining negative amounts.

accounted for the lump-sum amount of small institutions that opted for Article 10(7) of Commission Delegated Regulation (EU) 2015/63.

82. The target amount ( $Target_2$ ) and the BAC denominator ( $\sum_{p=1}^{N_2} B_p$ ) calculated by the Board are common data points which are the same for all mortgage credit institutions financed by covered bonds that are not eligible for the lump-sum contribution. The relevant amounts calculated at both National Base and Banking Union Base, are provided in Annex II to the Decision.

### 6.5 Investment firms with limited services and activities

83. Since certain investment firms, which are authorised to carry out only limited services and activities, are not subject to, or may be exempted from, certain capital and liquidity requirements, Commission Delegated Regulation (EU) 2015/63 does not apply to them.<sup>33</sup> In order to be able, nevertheless, to calculate the required contribution for these institutions, the Board defined the following methodology:

- (a) For those investment firms, whose total liabilities less own funds less covered deposits are less than or equal to EUR 300,000,000.00, the lump-sum methodology of Article 10 of Commission Delegated Regulation (EU) 2015/63 is used, without, however, applying the maximum amount (EUR 1,000,000,000.00) on the total assets.
- (b) For other investment firms, the contribution amount is equal to the Basic Annual Contribution:

$$BAC_n = Target_2 * \frac{B_n}{\sum_{p=1}^{N_2} B_p}$$

Where

- **BAC<sub>n</sub>** is the basic annual contribution for institution n;
- **Target<sub>2</sub>** is the annual target adjusted to exclude the contributions of:
  - institutions paying the lump-sum amount in accordance with Article 10(1) to 10(6) of Commission Delegated Regulation (EU) 2015/63 (Section 6.2.1, recital 68);
  - the EUR 50,000 paid by institutions paying the partial lump-sum amount in accordance with Article 8(5) of Council Implementing Regulation (EU) 2015/81 (Section 6.3);
  - institutions paying the lump-sum amount following the analysis performed in accordance with Article 10(7) of Commission Delegated Regulation (EU) 2015/63 (Section 6.2.2).

<sup>33</sup> See Recital (3) of Commission Delegated Regulation (EU) 2015/63.

- **$B_n$**  (BAC numerator) represents total liabilities (excl. own funds) less covered deposits, as adjusted in accordance with Article 5 of Commission Delegated Regulation (EU) 2015/63 of institution n (floored at 0<sup>34</sup>);
84. The BAC denominator ( $\sum_{p=1}^{N_2} B_p$ , sum of  $B_p$ , with  $p=1, \dots, N_2$ ) represents the sum of total liabilities (excluding own funds) less covered deposits, as adjusted in accordance with Article 5 of Commission Delegated Regulation (EU) 2015/63 of all the institutions involved excluding (i) the amounts accounted for the lump-sum calculation method in accordance with Article 10(1) to 10(6) of Commission Delegated Regulation (EU) 2015/63, (ii) the first EUR 300,000,000.00 of total liabilities excluding own funds and covered deposits of the institutions paying the partial lump-sum and (iii) the amounts accounted for the lump-sum amount of small institutions that opted for Article 10(7) of Commission Delegated Regulation (EU) 2015/63.
85. The target amount ( $Target_2$ ) and the BAC denominator ( $\sum_{p=1}^{N_2} B_p$ )<sup>35</sup> calculated by the Board are common data points which are the same for all investment firms with limited services and activities that are not eligible for the lump-sum contribution. The relevant amounts calculated in respect of both the National Base and Banking Union Base are provided in Annex II to the Decision.

## 6.6 Risk-adjusted institutions

86. In accordance with Article 70(2)(b) Regulation (EU) No 806/2014 a risk adjusted contribution is based on the criteria laid down in Article 103(7) of Directive 2014/59/EU and Article 4 of Commission Delegated Regulation (EU) 2015/63 such contribution is additionally adjusted depending on the risk profile of the institution ("**risk-adjusted contribution**").
87. Calculation of the ex-ante contributions to the risk-adjusted institutions can be divided into the following steps:
- 1) According to Articles 4(1), 14(1) and Annex II of the Commission Delegated Regulation (EU) 2015/63 and Article 6 of the Council Implementing Regulation (EU) 2015/81, the Board **collects the information** provided by the institutions through the NRAs by 31 January each year (See Section 4 above).
  - 2) According to Article 69(1) and 70(2) Regulation (EU) No 806/2014, Article 4(2) of the Commission Delegated Regulation (EU) 2015/63 and Article 4 of the Council Implementing Regulation (EU) 2015/81, the Board **sets the target level** for the annual contribution in line with Section 5 above.

<sup>34</sup> In the calculation, the  $B_n$  cannot be valued below zero in order to avoid obtaining negative amounts.

<sup>35</sup> Note that the same target and BAC denominator are used to determine the contributions of the mortgage credit institutions and the investment firms with limited services and activities.

- 3) According to the Article 70(2)(a) of the Regulation (EU) No 806/2014, Articles 4(2) and 5 Commission Delegated Regulation (EU) 2015/63, the Board calculates – based on the individual data of each institution – the **individual basic annual contribution** (See Section 6.1.3 above).
- 4) According to the Article 103(7) of Directive 2014/59/EU and Article 6 and Annex I, Step 2 of the Commission Delegated Regulation (EU) 2015/63 in order to rank institutions according to their riskiness, for each risk indicator, **the bins are established in which institutions with similar risk profile are grouped**. The common thresholds of each bin are defined based on the ranking of the data (the institution's raw indicators) of all institutions from the lowest to the highest (See section 6.6.2, recitals 104 - 107 below).
- 5) According to the Article 70(2)(b) Regulation (EU) No 806/2014, the Board **calculates the risk-adjustment to the basic annual contribution** (See section 6.6.2, recitals 108 - 118 below).
- 6) According to the Article 9(2), Annex I, Step 6, No. 2 Commission Delegated Regulation (EU) 2015/63, the Board **sums all risk-adjusted basic annual contributions to get a common denominator** that is used to calculate the share of the target level to be paid by each institution (See section 6.6.2, recital 120 below).
- 7) According to Article 9(2), Annex I, Step 6, No. 2 Commission Delegated Regulation (EU) 2015/63, the Board **calculates the individual contributions distributing the target level among all institutions** on the basis of the ratio between their individual risk adjusted basic annual contribution and the sum of all risk adjusted basic annual contributions (See section 6.6.2, recital 119 below).

### 6.6.1 Balancing principles of confidentiality and transparency

88. In accordance with Article 339 of the Treaty on the Functioning of the European Union and Article 88 of the Regulation (EU) No 806/2014, the Board is prohibited from disclosing institutions' confidential information received in connection with the performance of its functions under the Regulation (EU) No 806/2014. To this end, institutions' business secrets – namely, all information about the institutions' business activity that, in case of disclosure to a competitor and/or wider public, could significantly harm the institutions' interests – are considered to be confidential information. In the context of the calculation of ex-ante contributions to the Fund, the individual information submitted by the institutions via their Data Reporting Forms (see Section 4 above), which are then relied on for calculating their ex-ante contributions, are considered to be business secrets.

89. In line with the general principles of EU law, EU institutions and agencies must ensure that their decisions-making processes conform to the highest possible degree of transparency and that their decisions are adequately reasoned. This requirement is considered on a case-by-case basis in light of the circumstances and the nature of the decision and must be balanced against all the countervailing principles and interests at stake.
90. In the context of the decision on the ex-ante contributions to the Fund, the Board must, in accordance with the principles and requirements established by the legislator in Article 88 of the Regulation (EU) No 806/2014, reconcile its duty to state adequate reasons with the requirement not to disclose institutions' confidential information. On the one hand, the Board is prohibited from disclosing the institutions' individual data points, which are at the basis of the calculations, in this decision. On the other hand, the Board may disclose the institutions' aggregated and common data points, as that data is in collective form.
91. In particular, the calculation steps (1), (3), (5) and (7) combine each institution's individual data points (as submitted in the DRF) and common data points established or derived by the Board. Since these common data points (including the assigned risk bins for each risk indicator<sup>36</sup>) are provided in this decision and/or in the Harmonised Annex to this decision and each institution is in possession of its individual data points, by combining these datasets, institutions have complete transparency as to the calculation of their BAC and individual risk-adjustment multipliers.
92. Calculation steps (2), (4) and (6) rely on all institutions' individual data collectively. They lead to common data points which the Board uses for all risk-adjusted institutions equally, in line with the principles of equal treatment, proportionality and transparency. The common data points – based on the (aggregated) data of all risk-adjusted institutions – apply in the same way to each and every institution. While the Board is not in a position to disclose this confidential data input without breaching its obligation to respect professional secrecy under Article 88 of Regulation (EU) No 806/2014, this Decision describes in a transparent manner the calculation steps applied by the Board to compute these common data points. The results of the calculation for these common data points for the 2021 ex-ante contributions cycle are reported in Annex II to this Decision.

### **6.6.2 Calculation methodology for risk-adjusted institutions**

93. The basic annual contributions of the institutions to which the risk-adjusted methodology applies are further adjusted in proportion to their risk profile by applying a risk adjusting multiplier. Except as otherwise stated in Sections 6.2 to 6.5 the calculation of the risk-adjusting multiplier occurs pursuant to Articles 6 to 9 and Annex

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<sup>36</sup> The thresholds of the bins relating to the National Base (BRRD) of institution's established in Member States with a relatively small banking population were anonymised in such a way that the institutions to which the individual data points pertain cannot be identified.

I of Commission Delegated Regulation (EU) 2015/63. The risk-adjusting multiplier is calculated separately on the Banking Union Base and the National Base, in accordance with the breakdown envisaged in the Implementing Regulation (EU) 2015/81.

94. Given that certain risk indicators were not applied, the weights of the available risk indicators were proportionally rescaled as referred to in Article 7 of Commission Delegated Regulation (EU) 2015/63, so that the sum of their weights is 100%.
95. As explained in Recitals 24 to 26, MREL was not yet determined for all institutions in the participating Member States in 2019, the reference year used for the current cycle. Therefore, the risk indicator “own funds and eligible liabilities held by the institution in excess of MREL” is not applicable within the ‘Risk exposure’ pillar as referred to in Article 6(1)(a) of Commission Delegated Regulation (EU) 2015/63 (“Risk Pillar I”). Taking this into account, the Board applied the following weights for the indicators in Risk Pillar I:

Pillar	Indicator	Weights of indicators in Pillar	Weight of the Pillar
PILLAR I: Risk exposure	Leverage ratio	33.3(3)%	50%
	CET1 ratio	33.3(3)%	
	TRE/TA	33.3(3)%	

96. As explained in Recital 23, due to the unavailability of harmonised data, in accordance with Article 20(1) of Commission Delegated Regulation (EU) 2015/63, the Board did not apply the NSFR risk indicator within the ‘Stability and variety of sources of funding’ pillar as referred to in Article 6(1)(b) of Commission Delegated Regulation (EU) 2015/63 (“Risk Pillar II”). Taking this into account, the Board applied the following weight for the indicator in Risk Pillar II:

Pillar	Indicator	Weights of indicators in Pillar	Weight of the Pillar
PILLAR II: Stability and variety of source of funding	Liquidity Coverage Ratio	100%	20%

97. Risk Pillar III ‘Importance of an institution to the stability of the financial system or economy’, consists of only one individual risk indicator, ‘Share of interbank loans and deposits in the European Union’. The following weight was applied for this Pillar:

Pillar	Indicator	Weights of indicators in Pillar	Weight of the Pillar
PILLAR III: Importance of an institution to the stability of the financial system or economy	Share of interbank loans and deposits in the European Union	100%	10%

98. For the determination and calculation of the risk pillar “Additional risk indicators to be determined by the resolution authority” (as referred to in Article 6(1)(d) of

Commission Delegated Regulation (EU) 2015/63 ("Risk Pillar IV"), the Board took into account the elements provided in Article 6(5) to 6(9) of Commission Delegated Regulation (EU) 2015/63 in the following way:

- (a) With regard to "trading activities", the sub-indicators are as follows:
  - (i) risk weighted assets for market risk<sup>37</sup> divided by total assets;
  - (ii) risk weighted assets for market risk divided by CET1 capital<sup>38</sup>;
  - (iii) risk weighted assets for market risk divided by total risk exposure<sup>39</sup>.
  
- (b) With regard to "off-balance sheet exposures", the sub-indicators are as follows:
  - (i) off-balance sheet nominal amount<sup>40</sup> divided by total assets;
  - (ii) off-balance sheet nominal amount divided by CET1 capital;
  - (iii) off-balance sheet nominal amount divided by total risk exposure.
  
- (c) With regard to "derivatives", the sub-indicators are as follows:
  - (i) derivatives exposure<sup>41</sup> divided by total assets;
  - (ii) derivatives exposure divided by CET1 capital;
  - (iii) derivatives exposure divided by total risk exposure.

99. Derivatives that are cleared through a central counterparty ("**CCP**") carry less risks compared to other derivatives. Accordingly, the assessment of the risk profile of an institution should reflect this by taking into account 50% of the exposure to derivatives cleared through a CCP.

100. As explained in Recitals 27 to 29, the data required for the sub-indicators "complexity" and "resolvability" are not available in a harmonised form for all institutions in the participating Member States for the reference year 2019. Accordingly, these sub-indicators cannot be applied within Risk Pillar IV. Taking this into account, the Board applies the following weights for the indicators within Risk Pillar IV:

<sup>37</sup> "Risk weighted assets for market risk" shall mean risk weighted assets for market risk of debt and equity instruments attributable to the trading book of each institution according to Chapter 2 of Title IV of Part Three of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR") [OJ L 176, 27.6.2013, p. 1-337].

<sup>38</sup> "CET1 capital" as referred to in Article 50 of the CRR, and as determined for the purpose of the template1/CA1 of Annex I of the Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council ("EU COREP FINREP Regulation") [OJ L 191, 28.6.2014, p. 1-1861].

<sup>39</sup> "Total risk exposure" as defined in Article 92(3) of the CRR and as determined for the purpose of the template number 2/CA2 of Annex I of EU COREP FINREP Regulation.

<sup>40</sup> "Off-balance sheet nominal amount" shall mean the off-balance sheet nominal amount included in the reporting template for the leverage ratio. The off-balance sheet nominal amount is determined as the sum of the amounts reported in rows 100, 140, 150 and 160, and in the column 070 of the template C 40.00, as defined in Annex X of the EU COREP FINREP Regulation.

<sup>41</sup> "Derivative exposure" shall mean derivatives used for the calculation of the leverage ratio according to the applicable provisions in 2014 and calculated according to Article 429(6-8) of the CRR.

Pillar	Indicator	Weights of indicators in Pillar <sup>42</sup>	Weight of the Pillar
PILLAR IV: Additional risk indicators	Risk weighted assets for market risk divided by Total Assets	5%	20%
	Risk weighted assets for market risk divided by CET1	5%	
	Risk weighted assets for market risk divided by total risk exposure	5%	
	Off-balance sheet nominal amount divided by Total Assets	5%	
	Off-balance sheet nominal amount divided by CET1	5%	
	Off-balance sheet nominal amount divided by total risk exposure	5%	
	Derivatives exposure divided by Total Assets	5%	
	Derivatives exposure divided by CET1	5%	
	Derivatives exposure divided by total risk exposure	5%	
	Membership in an Institutional Protection Scheme <sup>43</sup>	45%	
Extent of previous extraordinary public financial support	10%		

101. In relation to the risk indicator “Extent of previous extraordinary public financial support”, and in order to ensure consistency with other data points, the Board uses 2019 as the reference year for the 2021 ex-ante contributions period to determine the two year period referred to in Article 6(8)(a) of the Commission Delegated Regulation (EU) 2015/63<sup>44</sup>.

102. The Board calculated the individual contributions of institutions to which the risk methodology applies following the steps of the procedure as described in Annex I to Commission Delegated Regulation (EU) 2015/63.

#### *STEP 1 – Calculation of the raw risk indicators*

103. In **Step 1**, the raw indicators for each of the indicators mentioned above were calculated based on the individual information submitted by the institutions via their Data Reporting Forms.

#### *STEP 2 – Calculation of the “bins” for each raw risk indicator*

104. In **Step 2** the discretisation procedure was applied to all the numerical risk indicators. This procedure started with determining a number of “bins” per risk indicator, in

<sup>42</sup> In accordance with Article 7(4) of Commission Delegated Regulation (EU) 2015/63, the relative weight of each indicator that resolution authorities shall assess to determine the ‘Additional risk indicators to be determined by the resolution authority’ pillar shall be the following: (a) trading activities and off-balance sheet exposures, derivatives, complexity and resolvability: 45%; (b) Membership in an Institutional Protection Scheme: 45%; c) Extent of previous extraordinary public financial support: 10%. The Board assigned to each of the nine sub-indicators under (a) an equal weight of 5%.

<sup>43</sup> Pursuant to the last sentence of Article 7(4) of Commission Delegated Regulation (EU) 2015/63, with respect to the risk indicator “Membership in an Institutional Protection Scheme”, an additional transformation was performed. For further information, please see Recitals 114 and 115.

<sup>44</sup> The assessment whether an institution has used extraordinary public financial support in the reference year was assisted by the information received from the institution and the European Commission’s Directorate-General for Competition.

accordance with the specific formula laid down in Annex I to Commission Delegated Regulation (EU) 2015/63.

105. Institutions were then assigned to one of these bins according to the value of the raw risk indicators. Institutions with the lowest values of the raw risk indicators were assigned to the first bin and institutions with the highest values were assigned to the last bin.
106. The bins were composed in such a way as to avoid the situation whereby institutions with the same value for a certain raw risk indicator would be classified in different bins. If after Step 2 institutions with the same raw risk indicator had been initially classified in different bins, then all the institutions sharing this value of risk indicator were regrouped and were all assigned to the least risky bin containing this risk indicator's value.
107. This uniform "binning" process conducted by the Board, and based on the raw indicator data of all risk adjusted institutions, leads to common data points (the thresholds of the risk bins) used for the assignment of all institutions to a particular risk bin. The thresholds (minimum value and maximum value) of the raw indicators for each of the risk bins for each of the risk indicators calculated on both the Banking Union Base and National Base are presented in Annex II to this Decision. An institution is assigned to a bin if the value of the risk indicator is in between the minimum and maximum value of that given bin. The bin number ( $I_{ij}$ ) is then used in step 3.

*STEP 3 – Calculation of the Rescaled Indicator for each bin number*

108. In **Step 3**, all the raw risk indicators (now expressed with the bin numbers,  $I_{ij}$ ) are rescaled by giving a Rescaled Indicator ("RI") value within the range from 1 to 1000:

$$RI_{ij,n} = (1000 - 1) * \frac{I_{ij,n} - \min I_{ij,n}}{\max I_{ij,n} - \min I_{ij,n}} + 1$$

109. The minimum risk bin ( $\min I_{ij,n}$ ) and maximum risk bin ( $\max I_{ij,n}$ ) for each risk indicator are common data points used for the assignment of all institutions' risk bin to a RI. All raw indicators that have been assigned to the same risk bin are assigned to the same RI. The minimum and maximum risk bin for each of the risk indicators calculated on both the Banking Union Base and the National Base are presented in Annex II to the Decision.
110. This step applies also to the discrete risk indicators "Institutional Protection Scheme ("IPS") membership" and "Extent of previous extraordinary public financial support" that are assigned a value equal to 1 or 1000.

111. With regard to the risk indicator “Extent of previous extraordinary public financial support”, for the institutions within the meaning of Article 6(8)(a) of Commission Delegated Regulation (EU) 2015/63 that have been put under restructuring after receiving any State or equivalent funds and are still within the restructuring or wind down period, the maximum value of 1000 in Step 3 was applied. The maximum value was not applied for institutions that are within the last two years of implementation of the restructuring plan, considering the year 2019 as reference year for the application of this exemption. A minimum value of 0 was applied for such institutions.

*STEP 4 – Transformation of Rescaled Indicators (inclusion of the sign)*

112. In **Step 4** of the calculation, either a negative (“-”) or a positive (“+”) sign is applied to each risk indicator. For the risk indicators with a negative sign, the lower the bin the higher is the risk assessment. For risk indicators with a positive sign, the opposite is true. For the calculation of the 2021 ex-ante contributions the following signs were applied:

Pillar	Indicator	Sign
PILLAR I: Risk exposure	Leverage ratio	-
	CET1 ratio	-
	TRE/TA	+
PILLAR II: Stability and variety of funding	Liquidity Coverage Ratio	-
PILLAR III: Importance of an institution to the stability of the financial system or economy	Share of interbank loans and deposits in the European Union	+
PILLAR IV: Additional risk indicators	Risk weighted assets for market risk divided by Total Assets	+
	Risk weighted assets for market risk divided by CET1	+
	Risk weighted assets for market risk divided by total risk exposure	+
	Off-balance sheet nominal amount divided by Total Assets	+
	Off-balance sheet nominal amount divided by CET1	+
	Off-balance sheet nominal amount divided by total risk exposure	+
	Derivatives exposure divided by Total Assets	+
	Derivatives exposure divided by CET1	+
	Derivatives exposure divided by total risk exposure	+
	Membership in an Institutional Protection Scheme	-
Extent of previous extraordinary public financial support	+	

113. The following transformation based on the above signs is applied to each RI resulting from Step 3, so that for all indicators a lower amount (Transformed Rescaled Indicator; “TRI”) corresponds to a higher risk:

$$TRI_{ij,n} = \begin{cases} RI_{ij,n} & \text{if sign} = '-' \\ 1001 - RI_{ij,n} & \text{if sign} = '+' \end{cases}$$

114. Pursuant to the last sentence of Article 7(4) of Commission Delegated Regulation (EU) 2015/63, when applying the indicator “Membership in an Institutional Protection Scheme”, the resolution authority should take into account the relative weight of the indicator “Trading activities and off-balance sheet exposures, derivatives, complexity and resolvability” (risk indicators of Risk Pillar IV) in order to diversify the impact of the participation in Institutional Protection Scheme depending on additional factors that relate to the riskiness of the institutions. In order to achieve this objective it is appropriate for the Board to apply a binning process based on the weight of the above-mentioned indicator. In order to achieve this objective in a proportionate manner it is appropriate for the Board to establish three bins and to ensure that even the riskiest bin would still allow some benefit from the participation to an Institutional Protection Scheme.
115. In direct application of the requirement to take into account the relative weight of the nine numeric indicators in Risk Pillar IV, the Board ranked risk-adjusted institutions which are a member of an IPS according to the equally weighted arithmetic average of the TRI values of the nine numeric indicators of Risk Pillar IV. The institutions were then split into three bins from higher risk to lower risk (i.e. higher average of TRIs). For institutions in the “highest risk” bin (bin number 1), the IPS TRI value of “1000” was adjusted (meaning multiplied) by the factor 5/9, for the “medium risk” bin (bin number 2) by the factor 7/9 and for the “lowest risk” bin (bin number 3) it was not adjusted (factor 9/9):

Riskiness in terms of 9 numerical risk indicators of Pillar IV	Adjustment factor	Adjusted Transformed Rescaled indicator
Bin representing lowest risk profile	1 (9/9)	1000.0000
Bin representing medium risk profile	0.7778 (7/9)	777.7778
Bin representing highest risk profile	0.5556 (5/9)	555.5556

116. Therefore, the final TRI for the IPS is the result of the multiplication with this adjustment factor. For institutions that are not members of an IPS, the risk indicator “membership in an Institutional Protection Scheme” is not adjusted<sup>45</sup>. Those institutions are assigned a TRI equal to 1.

#### STEP 5 – Calculation of the Final Composite Factor

<sup>45</sup> For these institutions, the adjustment factor is equal to 1 (one). As explained above, the risk indicator is multiplied by adjustment factor. Thus, in this case, there was no actual adjustment of the risk indicator.

117. In **Step 5** of the calculation, the TRIs and pillars are aggregated into one final composite risk indicator (“FCI”) in the following way:

- (a) a weighted arithmetic average of the TRIs assigned to each indicator within a given pillar is calculated for each Risk Pillar;
- (b) a composite indicator (“CI”) is computed as a weighted geometric average of the Risk Pillars. The geometric average is used to avoid any compensation effect between pillars.

The FCI is then defined as  $FCI = 1000 - CI$  so that institutions with higher risk profiles would get a higher FCI (i.e. closer to 1000).

*STEP 6 – Calculation of the Risk Adjusted Contribution*

118. In **Step 6**, the Risk Adjustment Factor  $\tilde{R}$  is computed by rescaling the FCI over the range between 0.8 and 1.5 in accordance with Article 9(3) of Commission Delegated Regulation (EU) 2015/63. The calculation is based on a linear scale between the lowest (min.) and highest (max.) FCI of all risk-adjusted institutions. The lowest (min.) and highest (max.) FCI calculated by the Board are common data points which are the same for all risk-adjusted institutions. The risk adjusting multiplier of each institution is computed as follows:

$$\tilde{R}_n = (1.5 - 0.8) * \frac{FCI_n - \min FCI_n}{\max FCI_n - \min FCI_n}$$

119. The final contribution is then computed in accordance with the formula set out under Step 6, paragraph 2 of Annex I to the Commission Delegated Regulation (EU) 2015/63:

$$c_n = Target * \frac{\frac{B_n}{\sum_{p=1}^N B_p} * \tilde{R}_n}{\sum_{p=1}^N \left( \frac{B_p}{\sum_{q=1}^N B_q} * \tilde{R}_p \right)}$$

Where:

- $c_n$  is the annual contribution for institution n;
- **Target** is the annual target adjusted to exclude the contributions of:
  - institutions paying the lump-sum amount or the basic annual contribution in accordance with Article 10 of Commission Delegated Regulation (EU) 2015/63 (Section 6.2.1, recital 68);
  - the EUR 50,000 paid by institutions paying the partial lump-sum amount in accordance with Article 8(5) of Council Implementing Regulation (EU) 2015/81 (Section 6.3);

- contributions of mortgage credit institutions in accordance with Article 11 of Commission Delegated Regulation (EU) 2015/63 (Section 6.4); and
- the contributions of certain investment firms which are authorised to carry out limited services and activities (Section 6.5).
- **B<sub>n</sub>** (BAC numerator) represents total liabilities (excl. own funds) less covered deposits, as adjusted in accordance with Article 5 of Commission Delegated Regulation (EU) 2015/63 of institution n (floored at 0<sup>46</sup>);
- $\tilde{R}_n$  is the risk adjusting multiplier for institution n.

120. The denominator of the formula  $(\sum_{p=1}^N (\frac{B_p}{\sum_{q=1}^N B_q} * \tilde{R}_p)) = \frac{\sum_{p=1}^N (B_p * \tilde{R}_p)}{\sum_{q=1}^N B_q}$  is composed of:

- (a) The **sum of risk adjusted BAC numerators** ( $\sum_{p=1}^N (B_p * \tilde{R}_p)$ ) which is the sum of the total liabilities (excluding own funds) less covered deposits, as adjusted in accordance with Article 5 of Commission Delegated Regulation (EU) 2015/63, of all risk-adjusted institutions (sum of  $B_p$ , with  $p=1, \dots, N$ ) multiplied by the risk-adjusted institutions' risk adjusting multiplier; divided by
- (b) the **BAC denominator** ( $\sum_{q=1}^N B_q = \sum_{p=1}^N B_p$ )<sup>47</sup> which is the sum of total liabilities (excluding own funds) less covered deposits, as adjusted in accordance with Article 5 of Commission Delegated Regulation (EU) 2015/63 of all risk-adjusted institutions (sum of  $B_q$ , with  $q=1, \dots, N$ ).

121. The target and the two items (the sum of risk adjusted BAC numerators and the BAC denominator) necessary to compute the denominator of the formula in Annex I, Step 6 No. 2 Delegated Regulation, calculated by the Board are common data points which are the same for all institutions. The relevant amounts calculated on both the National Base and the Banking Union Base are provided in Annex II to the Decision.

## 7. SETTING OFF OF PART OF THE 2015 CONTRIBUTION

122. In accordance with Article 8(2) of Council Implementing Regulation (EU) 2015/81, the Board took into account the contributions raised by the participating Member States in accordance with Articles 103 and 104 of Directive 2014/59/EU and transferred<sup>48</sup> to the Fund by virtue of Article 3(3) of the Agreement on the Transfer and Mutualisation of Contributions to the Single Resolution Fund, by deducting them from the amount due from each institution for the 2021 cycle, on an institution-by-institution and linear basis. This means that in 2021, one third of the remaining balance<sup>49</sup> is deducted from the amount of the 2021 ex-ante contribution due by the institutions concerned.

<sup>46</sup> In the calculation, the  $B_n$  cannot be valued below zero in order to avoid obtaining negative amounts.

<sup>47</sup> The BAC denominator is used in both the nominator and the denominator of the formula to calculate the risk-adjusted contributions.

<sup>48</sup> Not all participating Member States transferred those contributions to the Fund.

<sup>49</sup> The term "remaining balance" refers to the remaining part of 2015 ex-ante contribution not yet taken into account in the calculation of ex-ante contributions.

123. If an institution loses its banking authorisation due to a merger, the deduction (as referred to in Article 8(2) of Council Implementing Regulation (EU) 2015/81) is granted to the post-merger (absorbing) institution provided that the absorbing institution continues to pay ex-ante contributions to the Fund. If an institution splits during the initial period, it is asked to inform the Board about the suggested allocation of the deduction of the 2015 ex-ante contributions (as referred to in Article 8(2) of Council Implementing Regulation (EU) 2015/81) subject to the condition that indicated institution remains in scope of the requirement to pay ex-ante contributions.
124. Where the institution remains in scope to contribute to the Fund for the 2021 contribution period and the deduction of the 2015 contributions results in a negative remaining amount, the respective amount is settled with the institution in 2021.
125. Contributions raised in 2015 by the participating Member States but not transferred to the Fund were not taken into account by the Board for the calculation of ex-ante contributions in 2021.

## **8. NEWLY SUPERVISED INSTITUTIONS**

126. In accordance with Article 12(1) of Commission Delegated Regulation (EU) 2015/63, the individual contribution amounts for the 2021 ex-ante contribution period include, where relevant, the 2020 ex-ante contributions of those institutions that became newly supervised in the year 2020. Where appropriate, the partial contributions for 2020 are determined by considering the amount of 2021 ex-ante contributions by reference to the number of full months of the contribution period for which the institution was supervised.

## **9. RESTATEMENTS AND REVISIONS**

127. Pursuant to Article 70(2) of Regulation (EU) No 806/2014, each year the Board calculates and determines the individual ex-ante contributions of each institution established in the Banking Union. Pursuant to Articles 14(5) and 17(3) and (4) of Delegated Regulation 2015/63, in the determination of the amounts to be paid in a given contribution period, the Board takes into account also any restatement of the data relating to previous contribution cycles submitted by the institutions. To that end, individual contribution amounts take into account, where relevant, the difference between (i) the annual contribution calculated and paid in the previous contribution periods on the basis of the information subject to restatements or revisions and (ii) the annual contribution which should have been paid following the restatement and/or revision.

128. The methodology provided under Commission Delegated Regulation (EU) 2015/63, and in particular Articles 14(5), 17(3) and 17(4) thereof, aims to ensure a balance between legal certainty and the accuracy and correctness of the calculation exercise. In order to ensure that the contributions are proportional, that the calculation is correct and accurate, and that possible oversights in the input data are taken into account, institutions are allowed to submit restatements and revisions of the data they had originally submitted via the DRF. In accordance with Article 14(5) of Commission Delegated Regulation (EU) 2015/63, in the event of updates or corrections to the data provided for the purpose of calculating the ex-ante contributions of a particular contribution period, such updates or corrections shall be submitted to the resolution authority without any undue delay. When such information is received within the timeframe set for the calculation of the contributions due for the current contribution cycle, it is reflected in the calculation exercise and in the determination of the amounts due for such period, as detailed in the following paragraphs. Otherwise, restatements are taken into account in the forthcoming contribution cycle and the calculation is performed without any impact on the contributions that were determined and paid by all other institutions.
129. After the 2020 contribution cycle, several institutions provided restatements and revisions of the data of the previous contribution cycles initially submitted to the NRAs. In order to ensure the timely calculation of the contributions, only restatements which were notified before 1 February 2021 have been taken into account for the current cycle. Restatements or revisions provided after this date will, therefore, be considered in the 2022 contribution cycle.

### **9.1 Assessment of the restated data**

130. For operational purposes, the Board distinguishes between “foreseen restatements” which are agreed between the Board and the affected institution as a consequence of ex-post checks performed by the Board on the data received in previous cycles, and “voluntary restatements”, where institutions restate data on their own initiative following discovery of errors.
131. In addition, in terms of the processing of restatements, a distinction is made between restatements relating to the 2015 ex-ante contribution period (for which the NRAs recalculate the ex-ante contribution and provide the Board with the relevant details) and restatements relating to the 2016, 2017, 2018, 2019 and 2020 Contribution Periods.
132. For all restatements relating to cycles subsequent to 2015, the working procedure can be summarised as follows:
- i. The NRA informs the Board about restatements.
  - ii. The Board invalidates the corresponding DRF and informs the NRA that the institution can submit the updated or corrected DRF.
  - iii. The NRA sends the updated or corrected DRF to the Board.

- iv. The upload (step iii.) triggers the recalculation of the ex-ante contribution for the relevant contribution period.
- v. The difference between the recalculated ex-ante contribution and the original contribution is factored in (as an adjustment to the calculated ex-ante contribution of the restating entity or its legal successor) in the invoice of the following contribution period.

## **9.2 Recalculated amount and data adjustments on individual level**

133. The contribution of an institution for the year to which a restatement applies is calculated by using the input data as originally provided by all of the institutions in scope of the relevant cycle, with the exception of the restated input data of the institution requesting the restatement. The amended data is taken into account in respect of such institution.
134. For institutions that are authorised in the Member States joined the Banking Union during the year 2020, the scope of the calculation for their restatement takes into account all the institutions that were in scope of the relevant cycle (19 Member States) including the other institutions from the Member State concerned.
135. The recalculated contribution is determined in accordance with the methodology described above (section 6). For risk-adjusted contributions, the risk indicators taken into account for the recalculated contribution are the same as the risk indicators applied in the respective contributions cycles.
136. Given that certain risk indicators were not applied in the previous cycles, the weights of the available risk indicators are proportionally rescaled as referred to in Article 7 of Commission Delegated Regulation (EU) 2015/63, so that the sum of their weights is 100%. The table below summarises the differences in terms of indicators and weights for a given contribution cycle.

Cycle		2016 - 2017		2018		2019 - 2020	
Pillar	Indicator	Weights of indicators in Pillar	Weight of the Pillar	Weights of indicators in Pillar	Weight of the Pillar	Weights of indicators in Pillar	Weight of the Pillar
PILLAR I: Risk exposure	Leverage ratio	33.3(3)%	71%	33.3(3)%	56%	33.3(3)%	50%
	CET1 ratio	33.3(3)%		33.3(3)%		33.3(3)%	
	TRE/TA	33.3(3)%		33.3(3)%		33.3(3)%	
PILLAR II: Stability and variety of source of funding	Liquidity Coverage Ratio	NA	NA	100%	22%	100%	20%
PILLAR III: Importance of an institution to the stability of the financial system or economy	Share of interbank loans and deposits in the European Union	NA	NA	NA	NA	100%	10%
PILLAR IV: Additional risk indicators	Risk weighted assets for market risk divided by Total Assets	5%	29%	5%	22%	5%	20%
	Risk weighted assets for market risk divided by CET1	5%		5%		5%	
	Risk weighted assets for market risk divided by total risk exposure	5%		5%		5%	
	Off-balance sheet nominal amount divided by Total Assets	5%		5%		5%	
	Off-balance sheet nominal amount divided by CET1	5%		5%		5%	
	Off-balance sheet nominal amount divided by total risk exposure	5%		5%		5%	
	Derivatives exposure divided by Total Assets	5%		5%		5%	
	Derivatives exposure divided by CET1	5%		5%		5%	
	Derivatives exposure divided by total risk exposure	5%		5%		5%	
	Membership in an Institutional Protection Scheme	45%		45%		45%	
	Extent of previous extraordinary public financial support	10%		10%		10%	

137. In order to take into account the specificities of the SRF with gradually mutualised national compartments allocated to the participating Member States, during the initial period, the ex-ante contributions are calculated in accordance with the adjusted methodology:

- The National Base (BRRD) is calculated in accordance with Article 103 of Directive 2014/59/EU and Article 4 of Commission Delegated Regulation (EU) 2015/63 and

- The Banking Union Base (SRMR) is calculated in accordance with Articles 69 and 70 of the Regulation (EU) No 806/2014 and Article 4 of Council Implementing Regulation (EU) 2015/81.

138. The below table summarises the weights allocated to each calculation in the different previous contribution cycles:

Contribution cycle	BRRD	SRMR
2016	60%	40%
2017	40%	60%
2018	33.33%	66.67%
2019	26.67%	73.33%
2020	20%	80%

139. The last step of the calculation in relation to restatements at individual level is to compute the data adjustment (i.e. the difference between the recalculated contribution and the already invoiced amounts). The data adjustment on individual level are calculated as follows:

*Data adjustment*<sub>*n,c,2021*</sub>

$$= \text{Recalculated amount}_{n,c} - \text{original calculated amount}_{n,c} - \sum_{v=c+1:2020}^{2021} \text{Data adjustment}_{n,c,v}$$

Where *n* is the institution that restates the data, *c* is the year for which the institution restates and *Data adjustment*<sub>*n,c,v*</sub> are the data adjustments invoiced in a given year *v* for a given cycle *c*. The calculation details of the recalculated amount and the data adjustment are provided in Annex I to this Decision, the individual Harmonised Annex for restatements. The adjustment resulting from the restatement is settled in the 2021 contribution period by increasing or decreasing the contribution due for the year 2021.

### 9.3 Data adjustments consolidated to legal entity

140. A legal entity whose ex-ante contributions have been duly received by the Fund, but which subsequently ceases to fall within the scope of the Regulation (EU) No 806/2014, has no right to the reimbursement of such duly paid contributions, pursuant to Article 70(4) of the Regulation (EU) No 806/2014. However, if such an entity ceases to be within the scope of the Regulation (EU) No 806/2014 following its amalgamation or merger with another entity within the scope of the same Regulation and that is subject to the obligation to make ex-ante contributions to the Fund, that other entity shall inherit the rights of the first entity to restate or revise data that the first entity had previously submitted, in accordance with Article 17(3) of Commission Delegated Regulation (EU) 2015/63.

## 10. CALCULATION RESULTS

141. On 15 March 2021, pursuant to Article 70(2) of the Regulation (EU) No 806/2014, the Board shared the preliminary results of the calculation of 2021 ex-ante contributions with the ECB and the NCAs.
142. The results of the calculation of the individual 2021 ex-ante contributions are set out separately for each institution falling within the scope of that calculation in the detailed documents attached to this Decision as Annex I ('Harmonised Annexes'). Each Harmonised Annex includes input data used in the calculation, the calculation details of the ex-ante contributions according to the National Base and the Banking Union Base and sets out further details concerning the final amount to be paid by the institutions. The Harmonised Annex also contains reference to the maximum amount of irrevocable payment commitments that each institution may avail of pursuant to Article 8(3) of Council Implementing Regulation (EU) 2015/81 (see Section 11 below).
143. In accordance with Article 5(1) of Council Implementing Regulation (EU) 2015/81, this decision is addressed to the NRAs and the Board communicates it to the relevant NRAs to the extent it concerns the institutions authorised in their respective jurisdictions.
144. In accordance with Article 5(2) of the Council Implementing Regulation (EU) 2015/81, the Board communicates to each NRA only the part of Annex I which concerns the institutions authorised in their jurisdiction. It also follows from the above that each institution may only be notified the part of the Annex that concerns that institution. The information contained therein is sufficient for the institution to properly understand how its contribution was calculated. In addition, in order to allow a better understanding of how each institution compares to all other institutions and of the results of the binning process, the Board also provides additional statistics of the calculations in summary and collective form in Annex II to this Decision.

## 11. IRREVOCABLE PAYMENT COMMITMENTS

145. According to Article 70(3) of Regulation (EU) No 806/2014, the available financial means to be taken into account in order to reach the target level of the Fund specified in Article 69 of Regulation (EU) No 806/2014 may include irrevocable payment commitments ("IPC") which are fully backed by collateral of low-risk assets unencumbered by any third-party rights, at the free disposal of and earmarked for the exclusive use by the Board for the purposes specified in Article 76(1) of Regulation (EU) No 806/2014.
146. According to Article 8(3) of the Council Implementing Regulation (EU) 2015/81, during the initial period, under normal circumstances, the Board shall allow the use

of IPC upon request from an institution. The Board shall allocate the use of IPC evenly among those institutions requesting it. The allocated IPC 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 IPC does not exceed 30% of the total amount of annual contributions raised in accordance with Article 70 of Regulation (EU) No 806/2014.

147. Based on the liquidity position of the Fund, the amount of IPC already entered into and the substantial impact for the institutions in case of IPC being called, the Board outlined, in its Decision of 16 December 2020 (SRB/ES/2020/71), the 2021 policy concerning IPC. Pursuant to this policy, institutions may, upon request to the Board and subject to the terms of an Irrevocable Payment Commitment Agreement (an “**IPCA**”) entered into between the Board and the relevant institution, make IPC up to an amount equal to 15% of their payment obligation for the 2021 contribution period. The IPC must be fully backed by collateral exclusively in the form of cash and transferred in accordance with the terms of an IPCA.
148. The Board assessed its policy position on the amount of IPC and collateral for the 2021 contribution period in light of the institutions’ comments raised in the context of the consultation.
149. In its consideration of the share of IPCs and collateral to be accepted, the Board balanced the objectives of Article 70(3) of Regulation (EU) No 806/2014 and exercised its technical discretion in applying this provision. On the one hand, Article 70(3) of Regulation (EU) No 806/2014 provides that the available financial means to be taken into account to reach the target level of the Fund may include IPCs, thus offering institutions an alternative payment modality for ex-ante contributions. On the other hand, allowing the use of IPCs entails, to a degree that can vary depending on the circumstances, a limitation to the liquidity and operational capacity of the Fund. Therefore, the same above-mentioned provision sets a general maximum limit to the amount of contributions that can be collected via IPCs in any given year.
150. In this context, the Board took into account various elements that concern the collection of contribution in the initial phase, including the unique circumstances due to the ongoing COVID-19 pandemic. The latter has had a direct and unprecedented impact on the real economy, whose possible repercussions on financial markets are difficult to predict. In this context, the Board took note that certain entities may have a preference for having a higher share of IPCs and provide collateral rather than paying in cash. However, the Board also considered that the transfers of funds that would follow any call for IPCs may have pro-cyclical effects on the positions of the institutions that opted for IPCs. It could add more risks to financial stability in case of a major resolution case involving the use of IPCs because the full amount of IPCs that would be called in such a case may need to be registered as losses in the P&L of the institutions concerned. Such effects should not be underestimated in the current context of economic uncertainty. The Board also took into account the current

negative interest rates environment and its implications on the possible replenishment obligations.

151. In addition, the Board also carefully considered which type of collateral to accept for IPCs. Article 70(3) of Regulation (EU) No 806/2014 provides that IPC have to be fully backed by collateral of low-risk assets unencumbered by any third-party rights. However accepting non-cash collateral implies several effects among which are (i) a potential reduction of the certainty of availability of financial means at times of closed or stressed and illiquid financial markets; (ii) additional operational challenges related to the potential liquidation of securities collateral compared to cash collateral; (iii) the introduction of market and counterparty risks (iv) fluctuations in the value of the collateral; and, (v) possibly, exposure of institutions to margin calls depending on the evolution of the value of their collateral. Additionally, the costs of the collateral service may be prohibitive for small institutions, so that accepting non-cash collateral should occur in a way that ensures absence of any distortion of the level playing field between all institutions. Finally, the use of non-cash collateral may compound pro-cyclical effects when collateral is being called. Each of these elements cannot on its own exclude the acceptance of non-cash collateral. However, the Board considered that especially in the current context of economic uncertainty caused by the COVID-19 pandemic a cautious approach would be appropriate, i.e. to only allow cash as collateral for the 2021 contribution period.
152. On the basis of these assessments, having considered the liquidity position of the Fund, the amount of IPC already entered into and the substantial impact for the institutions in case of IPCs are being called, also in light of the current uncertainties associated with the current COVID-19 pandemic, the Board concluded that the most prudent approach possible in the application of the legislative framework for IPCs in Article 70(3) Regulation (EU) No 806/2014, Article 103(3) Directive (EU) 2014/59, Article 13(3) Commission Delegated Regulation (EU) 2015/63 and Article 8(3) of the Council Implementing Regulation (EU) 2015/81 would be appropriate to reconcile all relevant objectives under the current circumstances.
153. As a result, it is appropriate for the SRB to limit the amount of IPCs to 15% of the individual amounts of the 2021 ex-ante contributions and to have them fully backed by collateral exclusively in the form of cash for the 2021 contribution period.
154. In accordance with Article 8(2) of Council Implementing Regulation (EU) 2015/81, the Board took into account the contributions, raised by the participating Member States in accordance with Articles 103 and 104 of Directive 2014/59/EU and transferred to the Fund by virtue of Article 3(3) of the Agreement on the Transfer and Mutualisation of Contributions to the Single Resolution Fund, by deducting them from the amount due from each institution, on an institution-by-institution and linear basis. This deduction relates also to amounts provided by virtue of IPC. The Board will continue to deduct the amount corresponding to the amount of IPC provided for

the contributions year 2015 from the amount of the annual contributions due by the institutions concerned.

155. Pursuant to the agreements signed with institutions in 2015 by the respective NRAs, the IPC made in 2015 shall remain in place until such time as they are called by the Board in accordance with Article 7(2) of Council Implementing Regulation (EU) 2015/81.

## **12. COMMUNICATION**

156. As this Decision is addressed to the NRAs, it is adopted in English. In order to facilitate the process of notification of this Decision by the NRAs to the institutions, the Board will also provide, to the extent possible, its courtesy translation into the official language of the relevant Member State to each NRA. For the avoidance of doubt, the English text is the only authentic text.
157. Therefore, after receiving the communication from the Board, the NRAs are expected to notify each institution authorised in their respective Member State of this Decision by transmitting the main text thereof together with an extract of the part of Annex I pertinent to the institution concerned and Annexes II and III, in their authentic language together with their courtesy translation provided by the Board.

HAS ADOPTED THIS DECISION:

### *Article 1* **Calculation**

The calculation of the individual annual ex-ante contributions to the Single Resolution Fund for the 2021 contribution period as set out in the Annex I is approved.

### *Article 2* **Communication**

This Decision is communicated to the following NRAs of the participating Member States to the extent it concerns the institutions authorised in their respective jurisdictions:

- Finanzmarktaufsicht (AT)
- National Bank of Belgium (BE)
- Българска народна банка, Комисия за финансов надзор (BG)
- Κεντρική Τράπεζα της Κύπρου (CY)
- Finantsinspektsioon, Tagastisfond (EE)
- Rahoitusvakausvirasto (FI)
- Autorité de Contrôle Prudentiel et de Résolution (FR)
- Bundesanstalt für Finanzdienstleistungsaufsicht (DE)

- Τράπεζα της Ελλάδος, Επιτροπή Κεφαλαιαγοράς (EL)
- Hrvatska narodna banka (HR)
- Hrvatska agencija za osiguranje depozita (HR)
- Central Bank of Ireland (IE)
- Banca d'Italia (IT)
- Finanšu un Kapitāla Tirgus Komisija (LV)
- Lietuvos bankas (LT)
- Commission de Surveillance du Secteur Financier (LU)
- Malta Financial Services Authority (MT)
- De Nederlandsche Bank (NL)
- Banco de Portugal (PT)
- Rada pre riešenie krízových situácií (SK)
- Banka Slovenije (SI)
- FROB, Banco de España, Comision Nacional de Mercado de Valores (ES)

*Done at Brussels,*

*For the Single Resolution Board,*

*The Chair  
Elke König*

## **Annexes**

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**Annex I. Results of the calculation with respect to all institutions falling within the scope of calculation of the 2021 ex-ante contributions set separately (per institution) in the Harmonized Annexes**

**Annex II. Statistics of the calculations in the summary and collective form**

**Annex III. Evaluation of the submissions made in the consultation on the 2021 ex-ante contributions to the Single Resolution Fund**