bunq B.V.

Annual report 2020

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Report Managing Board

bank of The Free - innovative, agile, resilient, and growing

We are bunq - bank of The Free, built by and created for independent thinkers, who are here to break free from the status quo and challenge what banking is and can do.

We make our users' lives easy, so they can get a grip on their finances. We create innovative products, so they can focus on what's important to them rather than spend time on financial admin. We also aim to help make our users part of something bigger, so that together we can leave a positive mark on the planet.

Being Europe's only completely self-funded challenger bank that branched into 30 European markets without a penny of VC funds, we retain the freedom and independence to build a bank rooted in the wants and needs of our users. Because we have always wanted our commercial reality to align with the happiness of our users, we took a radically different approach. Instead of focusing on instant ROI, we chose to lay our foundations first.

And it paid off. During 2020, a challenging year for many in the fintech sector, we showed the world that we are here to stay. As the need for safe, contactless banking and tech solutions further accelerated, we became the Financial Times' fastest-growing challenger bank of Europe, through sustainable growth. We proved that fundamentally different products can only be created if you are in it for the long haul.

True and sustainable innovation goes hand in hand with adaptability. The financial crisis in 2008 revealed just how much the world was in need of fundamentally different alternatives to traditional banks. The pandemic of 2020 showed us that the future of finance will have no place for traditional banks in its current form.

In our stride for a diverse banking landscape, we have shown great resilience and resistance to ever-changing and extraordinary circumstances. Even though most of our staff had to work from home throughout 2020, this hardly affected our work processes. We were already accustomed to work together and communicate effectively by various means. Users showed their trust in bunq as the funds on their accounts kept on increasing. Although the coronavirus has had an enormous impact on the daily lives of our users and our staff, the operational adjustments for bunq were minor.

2020 was also the year in which we took our green mission to the next level. In just one year, we planted a whopping 2.068.782 trees for our users. Doing good and being green has always been important for us, that's why we have actively started to add facts and figures to our philosophy. This effort has been recognized by the Eerlijke Geldwijzer, the Dutch organisation assessing and scoring Dutch banks on their sustainability performance and efforts. Our mission however doesn't stop here. The upcoming year we'll take things even further, committing to spearhead the climate change revolution and set an example for fellow fintechs and traditional banks.

This report lays out how we accomplished this in 2020 while remaining true to our mission.

Looking back on 2020

2020 saw many important steps toward making life easy for our users. As an independent bank we are free to innovate at our own pace, matching our users' demands as they arise. Our products can be divided into three main categories:

- *Easy Money,* tailored to people who want their finances to be easy and free of worries;
- *Easy Green,* for people who want to become CO^2-neutral in under 2 years, simply by using their cards;
- *Easy Travel*, a free subscription tailored to people who want to enjoy carefree traveling;

Travel users enjoy the worldwide acceptance of a credit-branded card and benefit from getting the real exchange rate, without any additional charges, anywhere in the world.

All products are available for both individuals as businesses. Business users find an extended feature suite tailored to entrepreneurs who want to save time and focus on growing their business without any hassle.

Our users also have a current account which allows them to transfer money in various ways including:

- SEPA payments: SEPA credit transfers (SCT), SEPA Direct debits (SDD) and SEPA Instant Credit Transfers;
- Card payments: Maestro, Mastercard;
- International transfers through Wise.

Many new features and innovative solutions were added in 2020. Highlights include:

- **Trade names:** Add all your trade names to your account without wasting time. Get total control of the trade name your client sees so you can build trust, and get paid even faster. The moment your trade name is registered, you can add it to your bunq account and use it right away.
- **Accept credit card payments:** never set up a PSP again. Your personal payment link goes international! bunq.me now supports credit card payments too.
- **Zapier integrations:** Automate your finances and start saving time with Zapier integrations. Connect bunq with the apps you use for running your business and automate all your daily tasks. All without hiring a developer or learning how to code.
- **Payment sorting:** sort your payment automatically without having to think about it. We'll automatically send your incoming payment to the right sub-account, so you can enjoy easy budgeting without even having to to think about it.
- **The Us tab:** bunq has always been more than a bank - it's a lifestyle. Our community is one of the main things that make us who we are and makes us different! In the new Us tab, you will see what the bunq community is achieving as a whole: total time saved, total money saved, total CO2 saved. Together, we're doing some great things.
- **Multiply your green impact with bunq Tribes:** planting trees will get a whole lot more fun with Tribes! Invite your friends, form a Tribe, and let the games begin! You can see how your tribe is doing compared to others straight in the bunq app! Want to increase your ranking? Invite more friends and level up!
- **Common Goals:** start saving together to support your cause. Your goal can be anything important to you: from building a nice neighborhood park for the kids, to help to rid the ocean of plastic. Big or small, everything is welcome in Common Goals!
- **Improved dashboard:** After updating the bunq app, you'll immediately notice the difference. We've made the app experience better based on user feedback and updated some of the most visible elements of how the app looks. The dashboard dials on the top of the screen, just like in your car, always inform you what's happening.
- **Trees for Minors:** Everyone under 18 automatically plants a tree for every €100 they spend with their bunq cards!

- **Deals:** Save money wherever you go, whatever you do. Whether it's finding the perfect hotel room, or using bunq to automate your bookkeeping, bunq Deals make it super easy for you to save money every step of the way.
- **Budget Progress:** Set up a monthly budget and the app will always tell you whether you're ahead, right on track, or if you need to cut your spending a little.
- **My Subscriptions:** Save money by seeing all your subscriptions in one glance and instantly know where you could back a little.
- **Auto Request:** Paying for shared subscriptions? Set up a Scheduled Payment Request, so you get paid without having to think about it!
- **Circle of Trust:** Using bunq with your friends? Settle expenses without any hassle: simply add your friends to your Circle of Trust and the bunq app automatically approves their Payment Requests!
- **Receipt Scanning:** Paid for drinks? Simply scan the receipt, share it with your friends and let them pay you back by tapping their share on the receipt. Not yet a bunq user? You can scan your receipts and share them with your friends too!

Looking forward, bunq will continue to innovate and create features for its users, all to make life easy.

During 2020, bunq executed two major updates to its investment strategy. First, bunq added Dutch residential mortgages (“Mortgages”) as an asset class it invests in. Investment is made through the (silent) purchase of mortgages titles from external suppliers. In the period May 2020 to December 2020, Nationale Nederlanden Investment Partners originated and transferred EUR 92.7 million to bunq. In December 2020, bunq purchased EUR 298.9 million of Mortgages from Dutch insurance company a.s.r. The mortgages bunq invested in have low credit loss probability, as bunq has selected primarily Mortgages with Dutch government guarantees (*NHG*-labeled mortgages, which have a 90% government guarantee on credit losses) or Mortgages with a *loan-to-value ratio* of no more than 80%. The expected credit losses on these investments are low.

We genuinely care about the planet and fight for a greener world. We want to set an example in the climate change revolution, for both our users as well as our peers in the financial industry. That’s why bunq confined its investments in high-grade government and corporate bonds to green bonds only. Green bonds are debt instruments issued to fund projects that have positive environmental and/or climate benefits. bunq disposed (sold) all bonds which did not qualify for this criteria and continues to explore further investment opportunities that do meet such criteria. In 2021 we published the report ‘bunq and the climate’ disclosing the CO2-footprint of our investments and our business activities.

Corporate governance

bunq B.V. has a two-tiered board model, with a Managing Board and a Supervisory Board. In view of bunq’s modest size, the Large Corporates Regime (*structuurregime*) does not apply.

The composition of the Managing Board was as follows during the reporting year:

Mr. A. Niknam (CEO) – appointed 1 December 2013
Mr. I.L. van Eeghen (CRO) – appointed 1 June 2018
Mr. B.J. Wesselink (CFOO) - appointed 23 March 2020

On 23 March 2020 Mr Wesselink was appointed as Chief Financial and Operations Officer in the Managing Board. Per the same date Mr van Eeghen (then CFRO) relinquished his responsibilities relating to Finance and became the Chief Risk Officer (CRO). On 31 January 2021, Mr. Wesselink resigned from the Managing Board. Until a suitable replacement is appointed, Mr. Van Eeghen will oversee the Finance and Treasury functions, whilst Mr. Niknam will oversee the Operations functions. Per 1 July 2021 Mr Raymond Kasiman will join the Managing Board as Chief Information Officer.

The composition of the Supervisory Board is disclosed under the Report Supervisory Board as of page 12.

At bunq we appreciate people as they are, regardless of gender, race and ability. To make sure we give everyone a fair chance we have a laser focus on objective results rather than anything else. Although the Managing Board does not meet the ‘balanced composition’ requirement which stipulates that at least 30% of the seats are filled by women and at least 30% by men, the Supervisory Board does. Many other significant positions at bunq are seated by women, by people of different race and by different age groups. This diverse group of people is what makes bunq so special, and we wouldn't want it any other way.

Currently we do not have variable rewards for our staff and management. Neither do we have staff who earn more than EUR 1 million, something we have to report according to the Act on Financial Supervision (*Wet op het financieel toezicht).* On the contrary, employees nor board members come close to such amounts. The total remuneration of bunq's Managing Board (3 persons) was EUR 365,984 in 2020: on average less than EUR 122,000 per year per board member.

bunq fully subscribes and adheres to the Code Banken, as far as applicable in this stage of the Company's life. bunq deviates from the Code Banken regarding the distribution of responsibilities between the CEO and CRO. To reduce the already large span of control of the CEO, the CRO is responsible for the permanent education of the board members. In addition, the internal audit function reports to the CRO and to the Chairman of the Supervisory Board.

All bunq employees take the Banker's Oath.

Financial Results

During 2020, our user base continued to grow strongly. This is illustrated by the growth in revenues and customer deposits, but also in transaction volumes. Customer deposits grew from EUR 433.7 million per year-end 2019 to EUR 812.5 million per year-end 2020. The fee income grew from EUR 8.6 million in 2019 to EUR 18.5 million in 2020 due to the significant increase in users and the introduction of our Easy Green subscription.
Due to the investments in the mortgage portfolio the interest income grew from EUR 178,912 in 2019 to EUR 885,609 in 2020.

bunq is still investing in its future, as a result of which it continues to suffer startup losses. In 2020 the Net result was EUR 16,1 million negative compared to EUR 13.9 million negative in 2019. Continuing growth of bunq's fee and interest income is driving a trend towards break-even on a monthly basis, which it expects in the foreseeable future.

Cost increases were noted within the Fee expenses reflecting the increased use by users of their bunq account and additional features being released in 2020. We do see the scale-up impact as the Fee income has more than doubled and the Fee expenses has been growing at 50%. Furthermore, marketing costs increased from EUR 5.9 million to EUR 9.7 million and personnel costs increased from EUR 6.5 million to EUR 8.9 million. During 2020, our average number of Full Time Equivalent (FTE) employees amounted to 153 (2019: 96).

Our financial policy is to ensure that our capital buffers comply with regulations and that sufficient funds are available to fund the expected startup losses balancing the need to invest and grow with financial prudence. To finance our growth the shareholder injected significant amounts of capital in 2020: EUR 27.1 million. This was primarily to finance startup losses. During the year, as well as per 31st December 2020, bunq complied with the capital requirements of DNB. The shareholder made an additional capital injection of EUR 1.0 million per 25 February 2021, EUR 5.7 million per 25 March 2021, EUR 0.8 million per 26 May 2021 and 0.9 million per 28 June 2021.

Risks

The risk management of the organization is structured following the three lines of defense model. The first line of defense are the operational departments which are responsible to identify, mitigate and report the risks. The second line of defense keeps oversight over the first line's effectiveness to identify and mitigate risks. Compliance and Risk are in the second line of defense. The second line must be independent from the first line of defense. In bunq the second line reports to the CRO.

Internal audit provides independent assurance over the adequacy and compliance of the first and second line of defense. Audit tests whether policies and processes are designed adequately and effectively. They also test whether the first and second line of defense operate adequately and are compliant with laws and regulations.

bunq is exposed to various sorts of risk. We discuss the most important risks below.

Business risk

Any start- and scaleups, and thus also bunq, must prove that it can become profitable. However, revenues may fall short of expectations due to unexpected market circumstances and/or underperformance. We closely monitor our performance and take action if and when necessary. We strongly believe in our business model, but if worst comes to worst then a plan is in place for an orderly wind down of the Company.

Operational risk

Another important risk is operational risk: the risk of incurring losses due to failing or inadequate internal processes, people or systems, or from external events. As a tech company, technology is of utmost importance to us. Technology risks are identified and various mitigation measures are in place. In the event that an unexpected event occurs then a business continuity process kicks in to address the situation in the shortest possible time. As a result, the time that services were not available to our users, one of the key metrics, was relatively low in 2020. Our financial reporting is also supported by various IT systems. Internal controls are in place and will continue to be strengthened to improve their auditability. Operational risk losses may be incurred too by other causes than technology, such as human error and fraud. We use various processes and controls to manage these risks. Security risks have become more important as we see an increase in cyber threats, in 2020 we improved controls to identify vulnerabilities and implement mitigations.

Compliance risk

An important non-financial risk is (non-)compliance with laws and regulations. Banks are subject to many rules and regulations and compliance to these standards can be a challenge. Non-compliance may lead to regulatory actions, including fines. Increasingly regulators scrutinise the banks under their supervision on Client Due Diligence and Anti-Money Laundering. We take these risks very seriously as it may cause serious harm to our (and other banks') customers, to ourselves and to society at large.

Banking supervisors regularly perform reviews to assess bunq's compliance with laws and regulations. In 2018 a review was held leading to a CDD and AML program of improvements that continued in 2019 and early 2020. The program of improvements has been audited by our internal auditor in 2020. Subsequently DNB has started a validation review.
The legal and operating costs of the program have been pressing on the P&L for 2020. Also a provision has been made for expected future external regulatory measurement costs.

An August 2020 survey of fraud examiners worldwide revealed increases in different types of cyber fraud risks after the start of the coronavirus pandemic. At bunq we also observed a significant increase in online fraud attempts.We have taken various actions to mitigate these fraud risks, but fraud levels are still elevated. It remains challenging to stop money mules from opening accounts, although also here we have taken some additional measures. Notwithstanding our efforts, we still believe that today's challenges can only be addressed by cross-banking cooperation with governments.

Interest rate risk

bunq has assets that pay and liabilities that carry interest. If interest rates change then the interest income on these assets and liabilities may change. Furthermore, the market value of the assets may decrease or the fair value of the liabilities may increase due to changes in interest rate. We manage our interest rate risk within a framework of limits.

The majority of our investments have fixed interest rate characteristics. We use a model to assess the interest rate characteristics of our customer deposits.
The resulting interest rate risk is managed using plain-vanilla interest rate swaps. Our hedge strategy is aimed at ensuring that we remain within the threshold of the Supervisory Outlier Test, while maximizing the amount of derivatives within our hedge effectiveness. This results in a limited amount of freestanding derivatives.
The total amount of swap national on 31st December 2020 was EUR 144 million with a duration of 15.9 years. Given the relatively limited size of the swap contracts, the contracts are *over-the-counter* with several selected counterparties using ISDA/CSA and are not traded through an exchange. Throughout the year, there were no speculative derivative contract positions.

We are closely monitoring the impact of the IBOR reform on our current derivative contracts and as part of our potential new investment opportunities. See page 47 for the disclosure on the IBOR reform impact.

Credit risk

Credit risk is the risk that the value of claims on third parties, including investments, decreases due to an (increased probability of) payment failure. The investments in mortgages are monitored closely on loan part level for arrears and payment defaults. We also invest in investment grade-rated bonds and monitor our exposures closely.

Counterparty risk on interest rate swap contracts is mitigated through a Credit Support Annex (CSA) which manages two-way margining as collateral. bunq's collateral position on 31st December 2020 was EUR 0.7 million posted and EUR 0.7 million received.

Since we increased our treasury activities we continued to invest in additional employees in the treasury department and reduced the dependency on external consultants. We continued to invest in treasury systems and models to support the growth of our investments operation.

Liquidity risk

Liquidity risk is the risk that bunq cannot fulfil its payment obligations. At year-end 2020 bunq had placed more than 45% of its funds with the ECB and DNB and in liquid tradable bonds. As a result, considerable funds were and are directly or at short notice available to fulfill our payment obligations. To determine the desired level of readily available funds we consider stressed conditions when payment obligations may be high.

Financing

Our ultimate shareholder, and founder of bunq, firmly believes in the full potential of the company. Up to the end of 2020, he has made capital contributions of EUR 90.4 million to fund the startup losses and to cover the risks in our operations.

Capital Position

The table below shows bunq's capital ratios:

	31-Dec-20 EUR	31-Dec-19 EUR
Total Risk Weighted Assets (RWA)	119,088,638	45,826,177
Available Common Equity TierI capital (CETI)	28,786,376	17,837,861
Available total capital	28,903,472	17,937,861
CETI ratio (%)	24.2%	38.9%
Total capital ratio (%)	24.3%	39.1%
Leverage ratio	3.4%	3.9%

As most of the assets are invested with central banks, in mortgages with low default probability or in (government) bonds, the Risk Weighted Assets (RWA) are relatively low and, consequently, CET1% is relatively high. Due to the growth of users and the balances they maintain with bunq, the balance sheet continued to grow strongly in 2020 and consequently the leverage ratio decreased in 2020.

Total Risk Exposure Amount

	31/Dec/20 EUR		31/Dec/19 EUR	
	Amount	Credit Risk	Amount	Credit Risk
Cash and balances with central banks	407,266,556	-	317,004,195	-
Loan and advances to banks	15,874,133	3,175,442	13,545,895	2,709,295
Investments at amortised cost (Bonds)	5,249,217	-	121,787,347	33,867,489
Investments at amortised cost (Mortgages)	386,951,155	66,322,166	-	-
Investments at fair value through profit and loss	17,034,934	8,517,467	-	-
Derivatives	669,288	1,167,047	-	-
Advances to customers	107,796	107,796	37,090	37,090
Right-of-use assets	1,305,128	1,305,128	737,681	737,681
Tangible fixed assets	668,953	668,953	265,536	265,536
Inventory	1,040,975	1,040,975	85,207	85,207
Accounts receivables	27,498	27,498	4,639	4,639
Other Assets	25,089,887	22,335,590	7,615,443	4,662,559
Total Assets	861,285,520	104,668,062	461,083,033	42,369,496
Off Balance Exposure	5,616,561	483,024	-	-
CVA		5,414,218		-
Operational Risk		8,523,333		3,456,738
Total Risk Exposure Amount		119,088,637		45,826,234

Since bunq's balance sheet grew strongly in 2020, more funds were available to enable the purchase of safe and profitable investment portfolios, with the mortgages portfolio being the largest. As a result, bunq's credit exposure increased in a controlled and managed manner.

Liquidity Ratios

	31 Dec 2020	31 Dec 2019
Liquidity Coverage Ratio (LCR)	746%	884%
Net Stable Funding Ratio (NSFR)	239%	1,010%

In the LCR calculation, bunq includes 100% withdrawable Central Bank Reserve and 100% Highly liquid Government/ local government Bond Market value in the Liquidity Buffer. Bunq takes into consideration 5% Stable deposit and 15% non-stable deposit and 100% operational outflow and other expenses. In terms of Inflow, bunq involves 100% mortgage Interest, 50% Mortgage principal payment, 5% Operational deposit at credit institution, 100% money deposit at the financial institution and 100% other inflows.

The NSFR ratio accounts for the Available Amount of Stable Funding as a numerator, where 100% of Equity, 95% of Core Deposits and 90% of Non-core Deposits are included. As a denominator - Required Amount of Stable Funding - 0% of Balances at Central Banks, 5% of Bonds (all of our Bonds are LCR class 1), 15% of Unsettled Transactions, 50% of Mastercard Security Deposits, Office Security Deposit and Other Bank Deposits, 65% or 85% of Mortgages based on the characteristics, 100% of Bond Collateral and all remaining assets are included.

bunq is very liquid as measured by the regulatory liquidity ratios, which dictate a regulatory minimum of 100%.

Research and Development

bunq is active in research and development, resulting in the release of additional innovative features in its app and/or service-provision. Its research and development program is partially subsidised by the RVO with their WBSO program.

For an extensive and non-exhausted list of resulting developments during the financial year we do reference the paragraph of ”Looking back on 2020”.

COVID-19

COVID-19 has been acknowledged as a global pandemic by the World Health Organisation (WHO) as of March 11, 2020. Logical consequences of this pandemic are social and economical uncertainty.

bunq has taken all necessary measures to ensure the continuation of our services to our users, taking into account the guidelines set by the RIVM for our employees. This means that we work from home when possible and if we are in the office we keep to the 1,5 meter distance.

bunq does not provide credit to its users and its investments have very limited exposure to the pandemic. As a result, no impairment or write-off on investments was required in 2020 as a consequence of COVID-19 or the consequential economic downturn.

Despite Covid-19, bunq has been and still is growing in user count as in customer deposits. Average balances per user kept on growing throughout 2020. The average balance per Premium user as per December 2020 was €3.115,- . Due to these high balances bunq has a very healthy liquidity position.

For 2021, we foresee an ongoing, but limited impact on bunq due to COVID-19.

Our mission: make life easy for more Europeans in 2021

We are committed to continue to invest in our product and to make life easy for more people throughout Europe. Through 2020 and continuing in 2021, we have been working on establishing local presence in a number of European countries other than the Netherlands, including Germany and France. Though bunq is already available in these (and many other European) countries, we view that such local presence is key to deliver a premium service to our customers. As a requirement, we have applied with local banking regulators for the appropriate licenses.

We intend to develop our product further and offer new products, either from ourselves or from others. This should lead to sustainable growth in terms of user numbers and revenues. Staff numbers are expected to increase as well, but far less than revenues.

Going concern

We expect that new capital injections will be necessary to finance further growth. The shareholder has expressed his intention to continue his financial support. See also the going-concern assumption on page 25 of this report.

Subsequent events

Foreign expansion

During 2021 bunq has received permission to open branches in Germany, France and Spain. This allows us to offer local IBAN’s to our users in these countries.
The branches for Germany and France are operational.

Investments at amortised costs (mortgages) bunq has acquired an additional mortgage portfolio of EUR 75 million in the first six months of 2021 to further increase its investment activities.

Strategic partnership

bunq has entered into an agreement with an investor subject to DNB approval. The investor will acquire shares in bunq BV in return of cash and all of the shares of a SME finance company located in the EU. A request for a declaration of no-objection has been submitted to De Nederlandsche Bank.

Audit WwFT

On 3 June 2021 DNB sent a letter to bunq with their findings of the validation review of its in 2019 issued, and by bunq contested, instruction. DNB concludes that bunq has implemented many improvements to satisfy the WwFT, but that at the time of the review it has not yet complied fully with a number of specific requirements. At the same time DNB recognises that a number of further significant improvements have been made after the review. Until now DNB has not communicated any further actions to be taken by them.
bunq is fully committed to resolve any remaining issues as they may exist.

We would like to express our gratitude to all bunq employees for their dedication and commitment in building our masterpiece. Moreover, we would love to thank all bunq users for their continuous support and valuable feedback.

Together we build the bank of The Free.

Amsterdam, 30 June 2021
A. Niknam
I.L. van Eeghen

Report Supervisory Board

The Supervisory Board looks back on a good year for bunq.
Despite the fact that there are always many challenges for a relatively new entrant in the banking landscape, we are happy to see what steps bunq has taken this year.
The many 'bunq Updates' showed us the many new applications and improvements of existing applications.
We are confident that we will see the launch of many new applications that will underline the dynamic and innovative nature of the bunq product.

Composition

The Supervisory Board ('The Board') consists of the following members:

- Mr. R. Sprecher (Chairman) – appointed per 25 January 2021
- Ms. G van Vollenhoven – appointed per 13 February 2020
- Mr. A.J. Bol – appointed per 17 July 2020
- Mr. J.B. Wilson – appointed per 11 February 2021

Mr. Sprecher has been appointed for a term of 4 years ending in 2025. Mr. Sprecher is currently CEO of ez2xs and LiveTours Apps and he is Supervisory Board member at AdScale.

Mrs. G. van Vollenhoven - Eikelenboom has been appointed for a term of 4 years ending 2024. Mrs van Vollenhoven - Eikelenboom was director at De Nederlandsche Bank N.V. until 2019 and is Supervisory Board member at a.s.r. Verzekeringen and Waarborgfonds Sociale Woningbouw.

Mr. Bol has been appointed for a term of 4 years ending in 2024. Mr. Bol is Senior Vice President Product Commercialisation and was previously a member of the Supervisory Board at Geldservice Nederland.

Mr. Wilson has been appointed for a term of 4 years ending in 2025. Mr Wilson is CEO of Risenu BV and is a member of the Advisory Board of Talentuno.

All members of the Supervisory Board are independent and have no relationship other than their role of Supervisory Board member with bunq, its affiliates, shareholder, or Managing Board.

The Supervisory Board formally met five times during the year, on the 9th of March, on the 27th of March, on the 25th of June, on the 8th of September and on the 10th of December. Apart from this, the members of the Supervisory Board had frequent contact with the Managing Board and key staff throughout the year. The Supervisory Board approved the submission of the Internal Capital Adequacy Assessment Process and the Internal Liquidity Adequacy Assessment Process to the regulator. The Board also met without the presence of the Managing Board.

The Board discussed a wide range of topics, including, but not limited to, strategy, marketing, product, business development, financial performance, financial forecasts, capital and liquidity planning, the exit scenario, risk management and internal control, the annual accounts, the relationship with the regulator, compliance (including know your customer, and transaction filtering and monitoring), human resources and the internal culture.
The Board was satisfied with the content of the discussions held and supports bunq's strategy.

As of 2021, the Supervisory Board will meet at least once a month, in which meetings the above mentioned topics will continuously be discussed. There will also be room for a program of permanent education on a variety of topics.

The Risk and Audit Committee (“RAC”) is a sub-committee of the Supervisory Board. The RAC focuses on all matters related to risks and controls in the organization; the internal auditors have a direct reporting line to the RAC. The RAC formally met two times in 2020 - on the 1st of September, and on the 30th of November. Due to the temporary reduced size of the Supervisory Board the agenda and meetings of the RAC were integrated with the general Supervisory Board agenda during the year. The same integration occurred with the agenda of the Personnel, Organisation and Remuneration Committee.
The audit plan and audit findings were discussed in the Supervisory Board.

The internal auditor was present during all decision-making meetings of the Supervisory Board in 2020. The Supervisory Board also maintains direct contact with the Head of Human Resources and regularly meets senior staff.

The Supervisory Board has approved the remuneration policy, and notes that it complies with the requirements of the Banking Code and all applicable laws and regulations.

On 17 June 2021, the Supervisory Board discussed these financial statements with the Managing Board.

The Supervisory Board will continue to closely monitor how the company adapts to growth. bunq has ambitious plans, and the Board is happy to contribute by maintaining an open dialogue with the Managing Board and stakeholders about the conditions for such growth.

Last but not least the Supervisory Board wants to express its gratitude towards Mr. F.J.S.M. Verhees, Ms. J.M.W.G. Elissen and Mr. J.A. de Ruiter, the Board members who left during the year 2020.

In conclusion:
The Supervisory Board would like to thank all stakeholders for their trust in bunq. We would also like to thank all staff for their hard work, and for their contribution to the results achieved in 2020. We thank the Managing Board for their leadership, vision and focused style of managing the growth of bunq.

Amsterdam, 30 June 2021
Mr. R. Sprecher
Mrs. G. van Vollenhoven - Eikelenboom
Mr. A. Bol
Mr. J. Wilson

Consolidated statement of financial position

	note	31/Dec/20 EUR	31/Dec/19 EUR
Assets			
Cash and balances with central banks	*16*	407,266,556	317,004,195
Loan and advances to banks	*17*	15,874,133	13,545,895
Investments at amortised cost (Bonds)	*18*	5,249,217	121,787,347
Investments at amortised cost (Mortgages)	*19*	386,951,155	-
Investments at fair value through profit and loss	*20*	17,034,934	-
Derivatives	*21*	669,288	-
Advances to customers	*22*	107,796	37,090
Right-of-use assets	*23*	1,305,128	737,681
Tangible fixed assets	*24*	668,953	265,536
Inventory	*25*	1,040,975	85,207
Accounts receivables		27,498	4,639
Other Assets	*26*	25,089,887	7,615,443
Total Assets		861,285,520	461,083,033
Liabilities			
Customer Deposits	*27*	812,541,909	433,652,365
Provision	*28*	1,055,000	-
Derivatives	*21*	1,010,559	-
Loans and advances owed to banks	*17*	749,706	-
Other liabilities	*29*	17,024,876 *	9,492,803
Total Liabilities		832,382,050	443,145,168
Equity			
Share capital	*30*	118,000	118,000
Share premium		90,250,000	63,200,000
Accumulated deficit		(45,380,140)	(31,434,266)
Unappropriated result		(16,084,388)	(13,945,869)
		28,903,472	17,937,865
Total liabilities and equity		861,285,522	461,083,033

* including lease liabilities unders IFRS 16

Consolidated statement of profit and loss and other comprehensive income

	note	2020 EUR	2019 EUR
Interest income	*6*	885,609	178,912
Interest expense	*7*	(2,701,584)	(1,281,301)
Net interest income		(1,815,975)	(1,102,389)
Fee income	*8*	18,524,549	8,629,721
Fee expenses	*9*	(6,758,427)	(4,548,942)
Net fee and commission income		11,766,122	4,080,779
Result out of financial instruments	*10*	3,062,018	-
Total income from operating activities		13,012,165	2,978,390
Personnel expenses	*11*	8,898,473	6,525,351
Depreciation	*12*	277,618	257,830
Impairment losses	*13*	911,455	498,564
Other expenses	*14*	19,009,007	9,642,514
Total operating expenses		29,096,553	16,924,259
Result before tax from operating activities		(16,084,388)	(13,945,869)
Corporate income tax	*15*	-	-
Net result		(16,084,388)	(13,945,869)
Other comprehensive income net of taxes		-	-
Total comprehensive income net of taxes		(16,084,388)	(13,945,869)

Consolidated statement of changes in equity

	Share capital	Share premium	Accumulated deficit	Unappropriated result	Total equity
	EUR	EUR	EUR	EUR	EUR
Balance 01/01/2019	118,000	44,800,000	(20,316,977)	(11,117,288)	13,483,735
Appropriation of result prior year	-	-	(11,117,288)	11,117,288	-
Net result for the period	-	-	-	(13,945,869)	(13,945,869)
Contributions	-	18,400,000	-	-	18,400,000
Balance 31/12/2019	118,000	63,200,000	(31,434,266)	(13,945,869)	17,937,865
Appropriation of result prior year	-	-	(13,945,869)	13,945,869	-
Net result for the period	-	-	-	(16,084,390)	(16,084,390)
Contributions	-	27,050,000	-	-	27,050,000
Balance 31/12/2020	118,000	90,250,000	(45,380,140)	(16,084,390)	28,903,470

Consolidated statement of cash flows

	2020 EUR	2019 EUR
Cash flow from operations		
Net result	(16,084,388)	(13,945,869)
Adjustments for:		
Depreciation	277,618	257,830
Amortization of premiums/discounts on investments	64,950	575,070
Impairment losses	911,455	498,564
Gain on sale from bonds	(3,300,952)	-
	(2,046,929)	1,331,464
Net changes in:		
Other assets	-19,760,512	(6,817,576)
Customer deposits	377,992,650	222,048,079
Other liabilities	10,347,338	3,582,719
	368,579,476	218,813,222
Income taxes received	-	-
Cash flow from operations	350,448,160	206,198,817
Investments at fair value	(17,034,934)	-
Acquisition of investments at amortised costs (bonds)	(35,740,779)	
Proceeds from the sale of investments at amortised costs	155,626,572	
Acquisition of investments at amortised cost (mortgages)	(387,075,645)	(113,401,440)
Acquisition of tangible fixed assets	(548,252)	(101,712)
Proceeds from the sale of tangible fixed assets	-	-
Cash flow from investments	(284,773,039)	(113,503,152)
Proceeds from equity contributions	27,050,000	18,400,000
Lease payments	(134,522)	(113,635)
Cash flow from financing operations	26,915,478	18,286,365
Cash and cash equivalents at 1 January	330,550,090	219,568,060
Net increase in cash and cash equivalents	92,590,599	110,982,030
Cash and cash equivalents at 31 December	423,140,689	330,550,090
Cash and balances with central banks	407,266,556	317,004,195
Loan and advances to banks	15,874,133	13,545,895
Cash and cash equivalents at 31 December	423,140,689	330,550,090

Cash flow from operating activities includes the following items:

Interest received	(885,609)	(178,912)
Interest paid	2,701,584	1,281,301

* In the Interest paid there is an amount of EUR 3.373 for the lease obligations under IFRS 16

Notes to the consolidated financial statements

1. General information

bunq B.V. (the 'Company') was incorporated on 26 March 2012 and is domiciled in the Netherlands. The Company's registered office is at Naritaweg 131-133, 1043 BS Amsterdam.
The Company is registered at the Commercial Register of Amsterdam under number 54992060.

The principal activities of the Company are banking activities. These financial statements are presented in euros and are rounded to the nearest euro.

Company structure

The shares of bunq B.V. are held by bunq Holding B.V. (96.01%), domiciled in Amsterdam and by Stichting STAK together (3.99%) domiciled in Amsterdam.

In 2020 two subsidiaries have been established to invest in mortgage portfolios;

- Another Mortgage I B.V.
- Another Mortgage II B.V.

In both entities bunq B.V. holds 100% ownership interest and both entities are registered in Amsterdam.
Another Mortgage I B.V. and Another Mortgage II B.V. are 100% included in the consolidation.
bunq B.V., Another Mortgage I B.V. and Another Mortgage II B.V. are referred to as "Group" in these annual accounts.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Standards), as adopted by the European Union (EU). The financial statements also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code.
The financial statements were prepared by the Management Board and authorised for issue by the Supervisory Board and Management Board on 30 June 2021.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

2. *Adoption of new and revised standards*

New and amended IFRS standards with an impact on the annual accounts 2020.

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures. The application of the amendments impacts the Group's accounting in the following ways:

- The Group has purchased EUR-denominated fixed rate debt which it fair value hedges using fixed to EURIBOR interest rate swaps. The amendments permit continuation of hedge accounting even if in the future the hedged benchmark interest rate, EURIBOR, may no longer be separately identifiable. However, this relief does not extend to the requirement that the designated interest rate risk component must continue to be reliably measurable. If the risk component is no longer reliably measurable, the hedging relationship is discontinued.
- The Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

See page 47 for the disclosure on the IBOR reform impact.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

Over the year 2020 no rent concessions occurred for the Group.

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Amendments to IFRS 3 Definition of a business

The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term ‘material’ to ensure consistency.

New and revised IFRS standards in issue but not yet effective

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The objective of the Amendments is to assist entities with providing useful information to users of financial statements and to support preparers in applying IFRS Standards when changes are made to contractual cash flows or hedging relationships, as a result of the transition from an IBOR benchmark rate to alternative benchmark rates, in the context of the ongoing risk-free rate reform. The Amendments are effective for annual periods beginning on or after 1 January 2021 with earlier adoption allowed.

See page 47 for the disclosure on the IBOR reform impact.

Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9

The Amendments extend the expiry date of the temporary exemption from applying IFRS 9 from 1 January 2021 to 1 January 2023 to align the effective dates of IFRS 9 Financial Instruments with IFRS 17 Insurance Contracts. The Amendments are effective for annual periods beginning on or after 1 January 2021.

The amendments do not have an impact on the annual accounts of bunq.

3. *Use of judgements and estimates*

General

In preparing these financial statements, management had made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts in these financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised on a forward-looking basis

Going-concern assumption

These financial statements were prepared under a going-concern assumption. The Company obtained its banking license on 16 September 2014 and started commercial operations in November 2015. The Company is not yet profitable; management of the Company however expects that the commercial activities of the Company will be profitable in the longer term.

Management has determined that an additional capital injection is required to ensure that the Company will be sufficiently capitalised to remain operational until profitability is reached, and to provide sufficient buffers to absorb potential adverse scenarios, which is calculated via the Leverage Ratio. The (ultimate) shareholder has made capital injections to the amount of EUR 90,4 million up to year-end 2020 and has made an additional capital injection of, EUR 1 million per 25 February 2021, EUR 5,7 million as per 25 March 2021, EUR 0,8 million as per 26 May 2021 and 0,9 million as per 28 June 2021.

The (ultimate) shareholder intends and is able to provide ongoing capital support for at least a one-year period after signing of the financial statements. The going concern of the company is based on the intention, willingness and the ability of the (ultimate) shareholder to provide such capital support. The expectation is that after the one-year period after signing date of the financial statements further funding is still needed. The Bank Recovery and Exit Plan requires banks to prepare recovery plans to overcome financial distress. The Company has an exit-plan scenario in place which addresses such financial distress events.

Through this funding management expects to maintain a capital well above the minimum required capital for at least one year after the date of the financial statements. Therefore, the Managing Board prepared these financial statements based on the going-concern assumption.

Capitalisation of research and development expenses

The most important activities before the commercial launch in November 2015 primarily consisted of developing the banking infrastructure and researching new techniques and processes in the field of financial services. Expenditure on internally developed software is not recognised as an asset in view of the fact that the company cannot yet demonstrate its ability to use the software in a manner that will generate future economic benefits. The aggregate amount of research and development expenditure recognised as expense during the period comprises the personnel expenses related to the development of the IT platform and is estimated at 15% of total personnel expenses.

Expected credit loss on financial instruments at amortised cost

IFRS 9 requires the recognition of an expected credit loss provision for financial assets measured at amortised cost. The determination of the expected credit loss on financial assets measured at amortised cost requires the use of models and assumptions such as on credit behaviour and future economic developments. A provision is formed for expected credit loss on these assets when it is expected that the Company will not be able to collect all amounts. The Company makes estimates of the realisable value, being the value of future cash flows and the costs necessary to collect the amounts receivable. As the Company has limited historical information available for some financial assets, the parameters of the credit loss model for these instruments are determined on the basis of the available public information. The provision for expected credit loss is then equal to the difference between the carrying value and the realisable value.

The most significant assumptions and assessments are:

- Definition of a homogeneous group of financial assets with similar characteristics for the assessment of expected credit loss on a collective basis;
- Definition of a significant deterioration of credit risk;
- Assumptions in the credit loss model for probability of default (PDs), loss given default (LGD) including cure rates and estimates of cash flows from the liquidation of collateral, allocation of the expected cash flows and future macroeconomic factors.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instruments' external or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating result of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlike to pay its creditors, including the Company, in full

For the investments at amortised costs the expected credit loss is calculated based on the probability of default based on rating and region of the individual investment. Based on a management overlay and an estimation of the loss by a given default the expected credit loss is finalised and adjusted per month.

For the mortgages the expected credit loss is calculated based on the probability of default based on public available data, arrear data within the mortgage portfolios. Based on a management overlay and an estimation of the loss by a given default the expected credit loss is finalised and adjusted per month.
There are two mortgage portfolios acquired in 2020. The first portfolio of 92 million has been originated in 2020, with COVID-19 in full effect. The credit risks on the borrower have been performed within this period and therefore there is no additional impact on the expected credit loss. The second portfolio has been bought in December 2020 without any arrears. bunq therefore does not see a significant increase in the expected credit loss on this portfolio as well.

For advances to customers to expected credit loss is determined collectively based on the total recovered amount of previous years.

Deferred tax assets

Deferred tax assets are recognised if it is probable that future taxable profits will be generated which allow the deferred tax to be recovered.

4. Significant accounting policies

4.1 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Standards), as adopted by the European Union (EU).

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. There were no monetary assets or liabilities in foreign currency at the beginning of the reporting year or prior to that date.

The activities of the Company have almost doubled again in 2020, resulting in an increase in customer deposits of 87%. Therefore the Company has increased its treasury activities and changed its treasury strategy, selling the majority of its bond portfolio to invest in a mortgage portfolio to ensure that the negative interest to be paid to the ECB is minimised and the treasury activities are greener and more sustainable.

The principal accounting policies adopted are set out below.

4.2 Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.
Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company initially recognises 12-month ECL on debt instruments. The Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. A 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In the event of a structural downgrade in the rating a lifetime ECL will be applied.

Credit risk

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the financial instrument has a low risk of default.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of ‘investment grade’ in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of ‘performing’. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due. Due to the increase in customer deposits and the negative interest of the deposit facility with the ECB, we have changed our investment strategy in 2020.
We have sold the majority of our investment in grade-rated bonds and kept the green bonds and invested the remaining of our investable funds in mortgages.
The change in strategy has led to additional investments within the treasury department in resources and models to ensure the credit-risk is managed closely.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used. The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Netting of financial assets and liabilities

In the balance sheet the financial assets and liabilities are presented as a gross amount. Financial assets and liabilities are being presented as a net amount if there is a legal right to net the amounts and there is an intention to wind-down the assets at the same moment as the liabilities. To fulfill the obligations for presenting the net amount, the entity must have a continuous and legal right.

This means that the right to present the financial assets and liabilities as a net amount:

- can not be dependent of a future event;
- must be enforceable in the following circumstances:
    - under normal company activities;

- in case of default;
- in case of insolvency or bankruptcy of the entity or the counterparty.

Hedge accounting

bunq has decided, based on her risk policies, to mitigate the interest risk of the mortgage investments on the balance with interest derivatives. bunq chooses to apply IAS 39 for hedge accounting in line with IFRS 9 Financial instruments. In the hedge relationship the interest derivatives are recognised as hedging instruments and a designated part of the cash flows of the mortgage rights as hedged instruments. bunq determines at the beginning of the hedge the relation between the hedged instruments and the hedging instruments. Further, bunq determines at the start and on a monthly basis that the hedge relation is effective.
The mutation is the fair value of the hedging instruments and of the hedged instruments are reported in the same line in the Profit and Loss account. At an effective hedge relation hedge accounting is resulting in an offsetting fair value result on both instruments. Eventually the ineffective part of the hedge relation is visible in the Profit and Loss account. The fair value adjustment on the hedge instruments are amortized over the weighted average lifetime of the hedging instruments.

4.3 Cash and balances with central banks

"Cash and balances with central banks" include unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

4.4 Loans and advances to banks

"Loans and advances" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.
Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. Any impairments are directly recognised through the profit and loss.

4.5 Investments at amortised cost (bonds)

Non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Company has the positive intent and ability to held to maturity and which are designated by management as amortised cost assets are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from debt securities classified as amortised cost is recognised in Interest income in the statement of profit or loss using the effective interest method. Any impairments are directly recognised through the profit and loss. Investments at amortised cost (bonds) only include so-called green bonds.

4.6 Investments at amortised costs (mortgages)

Non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Company has the positive intent and ability to held to maturity and which are designated by management as amortised cost assets are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from debt securities classified as amortised cost is recognised in Interest income in the statement of profit or loss using the effective interest. Any impairments are directly recognised through the profit and loss. Investments at amortised cost (mortgages) includes Dutch residence mortgages with a focus on NHG mortgages and mortgages with an LTV <80%.

4.7 Investments at fair value through profit and loss

bunq has the strategy to not trade with its investments and therefore sees her invested assets as hold to collect and report them therefore at amortised costs.
For the daily collateral calls on the interest derivatives we have to maintain an amount in cash at a dedicated bank account. To avoid breaching large exposure limits towards the Dutch Central Bank, bunq has to keep this amount in a so-called money market account. As the amounts can be transferred to cash at any moment in time, this money market account is seen as an tradable asset and therefore an investment at fair value.

4.8 Derivatives

The derivatives are measured at fair value through profit and loss.
The value of the interest rate swaps are determined by the market interest rate compared to the fix leg rate. When the value of bunq's swaps increase above a minimum level, collateral equal to the value change is received from the swap counterparty. If the swap value decreases, bunq needs to post collateral. This acts to reduce counterparty credit risk.

4.9 Advances to customers

Advances to customers are stated at amortized costs less the provision for the expected credit loss.

4.10 Tangible fixed assets

Equipment and building renovation are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Equipment 20% per annum
Building renovation 20% per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of tangible fixed assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.11 Impairment of tangible assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.
Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial assets that are assessed for any significant deterioration of credit risk are investments at amortised cost, loan and advances to banks and advances to customers.

The expected credit loss model under IFRS 9 is based on a number of credit quality stages:

- Stage 1: Financial instruments that have not had a significant increase in credit risk since initial recognition. A provision for expected credit loss is recognised for these financial instruments based on the probability of default events occurring during the coming 12 months. Interest income is recognised on the basis of the effective interest rate on the gross carrying value;
- Stage 2: Financial instruments with a significant increase in credit risk since initial recognition. A provision for expected credit loss is recognised for these financial instruments based on the probability of default events over the expected life of the financial instrument (Lifetime ECL). Interest income is recognised on the basis of the effective interest on the gross carrying value;
- Stage 3: Financial instruments with a demonstrable loss event. A provision for expected credit loss is recognised for these financial instruments which is based on the probability of default events over the expected life of the financial instrument (Lifetime ECL). Interest income is recognised on the basis of the effective interest rate on the revised carrying value after deduction of the credit loss provision.

Definition of significant deterioration of credit risk

The various stages refer to 'significant deterioration of credit risk'. The Company has adopted the following characteristics for the identification of a significant deterioration of credit risk:

- The macro-economic factors exhibit a significant risk of significant deterioration of credit risk;
- The external ratings of parties exhibit a relative deterioration of credit risk outside the specified bandwidths.

This definition has been specified for each asset on the basis of its characteristics. The assessment of the quality assessment of the credit risk of parties is in line with risk assessments carried out within the risk management framework. The Company assesses all financial assets measured at amortised cost for any significant deterioration of credit risk. When a significant deterioration of credit risk of an asset arises, then the expected credit loss is determined on the basis of the probability of default during the lifetime of the asset rather than the probability of default during a period of 12 months. A significant deterioration of credit risk is determined by comparing the credit risk on the reporting date with the credit risk determined on initial recognition of the asset. This assessment is carried out with objective, available and, when possible, prospective information.

4.12 Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

4.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

4.14 Other liabilities

Other liabilities are initially measured in the balance sheet at fair value and are subsequently measured at amortised cost.

4.15 Interest income

Interest income and expense are recognised in profit or loss using the effective interest method. The "effective interest rate" is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Negative interest on balances maintained with the central bank are stated under interest expense.

4.16 Fee income

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers service to a customer.

4.17 Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

4.18 Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws, and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4.19 Statement of cash flows

The statement of cash flows is prepared in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the result before tax is adjusted for those items in the statement of profit or loss and changes in items per the statement of financial position, which do not result in actual cash flows during the year.

5. *Financial risk review and fair value*

Financial risk review

The Company has exposure to the following risks:

- Credit risk
- Operational risk
- Liquidity risk
- Market risk (including interest rate risk and currency risk)
- Compliance risk
- Business risk

This note presents information about the Company’s objectives, policies and processes for measuring and managing risk. Capital is set in such a manner as to cover all identified risks. This note concludes with a description of the Company’s capital management.

Risk management framework

The Company’s managing board has overall responsibility for the establishment and oversight of the Company’s risk management framework. The managing board has established an independent Risk function, which is responsible for developing and monitoring Company risk management policies.

The Company’s risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company has specified its risk limits and articulated its appetite for risk taking in a Risk Appetite Statement, which is reviewed and updated frequently and approved by the Managing and Supervisory Board.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Risk and Audit Committee oversees how management monitors compliance with the Company’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Risk and Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Risk and Audit Committee. Next to that, regular penetration tests and reviews are performed of the Company’s IT and network infrastructure, as well as the systems and the app, by a specialised white hacker agency.

a. Credit risk

This is the risk that the Company's claims on third parties will not be repaid due to insolvency or other payment problems of the third parties.

Management of credit risk

The Company is not actively involved in providing credit. The credit risk consists of an investment portfolio, a mortgage portfolio, deposits held at other banks for operational

purposes and certain limited exposures to financial institutions and customers emanating from unsettled transactions and direct debits which may be returned or rejected.
Credit risk in the investment portfolio is managed by setting and monitoring minimum acceptable credit ratings of the issuer or bank involved.
Credit risk for mortgages is managed by strict acceptance criteria such as Nationale Hypotheek Garantie and maximum Loan-to-values.
Concentration risk is present since the Company holds large sums on demand accounts with the central bank. Also, significant amounts are placed in demand accounts with a few financial institutions. The table on the next page gives the Company's maximum exposure to credit risk, which equals the carrying amounts. Credit exposure is classified according to risk weighting factors, as well as by geography of the Company's counterparties.

Exposure to credit risk

	Cash and balances with central banks		Loans and advances to banks	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
	EUR	EUR	EUR	EUR
Risk classification by Basel risk weight				
0%	407,266,556	317,004,195	-	-
10%	-	-	-	-
20%	-	-	15,873,340	13,545,895
35%	-	-	-	-
50%	-	-	-	-
75%	-	-	-	-
100%	-	-	793	-
Total gross amount	407,266,556	317,004,195	15,874,133	13,545,895
Impairments	-	-	-	-
Total at carrying amount	407,266,556	317,004,195	15,874,133	13,545,895
Concentration by location				
Netherlands	386,498,980	297,288,866	6,613,411	4,919,283
Germany	20,767,576	19,715,329	-	-
France	-	-	-	-
Italy	-	-	-	-
Norway	-	-	-	-
United States	-	-	-	-
Poland	-	-	-	-
Lithuania	-	-	-	-
Japan	-	-	-	-
Australia	-	-	-	-
Latvia	-	-	-	-
Finland	-	-	-	-
Sweden	-	-	-	-
Slovakia	-	-	-	-
Luxembourg	-	-	-	-
Supranationals	-	-	-	-
Austria	-	-	-	-
Denmark	-	-	-	-
Canada	-	-	-	-
Korea, Republic of	-	-	-	-
Switzerland	-	-	-	-
Belgium	-	-	-	-
United Kingdom	-	-	9,260,722	8,626,612
Spain	-	-	-	-
Bulgaria	-	-	-	-
Total at carrying amount	407,266,556	317,004,195	15,874,133	13,545,895

	Other assets		Investments	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
	EUR	EUR	EUR	EUR
Risk classification by Basel risk weight				
0%	22,505	322,325	217,909,802	44,952,303
10%	-	66,245	-	12,176,013
20%	14,219,249	136,661	669,288	14,300,396
35%	-	-	149,677,309	-
50%	5,463,467	4,431,998	17,034,934	42,673,582
75%	-	-	24,613,261	-
100%	8,535,015	3,788,367	-	7,685,054
Total gross amount	28,240,236	8,745,596	409,904,594	121,787,347
Impairments	-	-	-	-
Total at carrying amount	28,240,236	8,745,596	409,904,594	121,787,347
Concentration by location				
Netherlands	26,430,542	5,665,017	386,951,155	13,281,165
Germany	94,855	127,003	-	16,028,440
France	900	143,393	-	16,145,653
Italy	-	99,612	-	8,299,288
Norway	-	91,635	-	6,079,098
United States	-	25,066	-	6,035,166
Poland	(3,872)	8,911	1,905,381	3,102,037
Lithuania	-	44,969	-	2,717,481
Japan	482	3,183	1,006,102	2,544,870
Australia	-	19,686	-	2,473,482
Latvia	-	22,960	-	2,307,376
Finland	-	10,167	-	2,302,696
Sweden	-	18,140	-	2,287,310
Slovakia	-	18,489	-	2,193,331
Luxembourg	-	-	-	2,003,684
Supranationals	-	12,565	-	1,779,315
Austria	-	5,228	-	1,183,067
Denmark	-	14,851	-	1,105,308
Canada	-	452	-	1,010,033
Korea, Republic of	-	537	-	1,009,673
Switzerland	-	1,742	-	169,635
Belgium	112,098	1,291	-	3,041,249
United Kingdom	1,573,000	2,288,249	17,704,222	4,311,627
Spain	25,895	122,451	2,337,734	20,376,363
Bulgaria	6,336	-	-	-
Total at carrying amount	28,240,236	8,745,596	409,904,594	121,787,347

	Total	
	31-Dec-20	31-Dec-19
Risk classification by Basel risk weight	EUR	EUR
0%	625,198,863	362,278,824
10%	-	12,242,258
20%	30,761,877	27,982,952
35%	149,677,309	-
50%	22,498,402	47,105,580
75%	24,613,261	-
100%	8,535,806	11,473,421
Total gross amount	861,285,520	461,083,032
Impairments	-	-
Total at carrying amount	861,285,520	461,083,032
Concentration by location		
Netherlands	806,494,087	321,154,331
Germany	20,862,432	35,870,772
France	900	16,289,046
Italy	-	8,398,900
Norway	-	6,170,733
United States	-	6,060,231
Poland	1,901,510	3,110,947
Lithuania	-	2,762,450
Japan	1,006,584	2,548,053
Australia	-	2,493,168
Latvia	-	2,330,337
Finland	-	2,312,863
Sweden	-	2,305,449
Slovakia	-	2,211,821
Luxembourg	-	2,003,684
Supranationals	-	1,791,880
Austria	-	1,188,295
Denmark	-	1,120,159
Canada	-	1,010,485
Korea, Republic of	-	1,010,210
Switzerland	-	171,377
Belgium	112,098	3,042,541
United Kingdom	28,537,944	15,226,488
Spain	2,363,629	20,498,814
Bulgaria	6,336	-
Total at carrying amount	861,285,520	461,083,033

The Company has not obtained any collateral held as security or other types of credit enhancements at the reporting dates.
The breakdown of the portfolio per country and type of bond is as follows:

2020

	Government	Corporation	Financial institution	Total
Poland	1,905,381	-	-	1,905,381
Spain	2,337,734	-	-	2,337,734
Japan	1,006,102	-	-	1,006,102
	5,249,217	-	-	5,249,217

2019

	government	corporation	financial Institution	Total
Australia			2.473.482	2.473.482
Austria	1.183.067			1.183.067
Belgium		3.041.249		3.041.249
Canada			1.010.033	1.010.033
Denmark		1.105.308		1.105.308
Finland			2.302.696	2.302.696
France	207.064	8.201.877	7.736.712	16.145.653
Germany	7.973.233	4.528.911	2.521.641	15.023.785
Italy	8.197.530		101.758	8.299.288
Japan		1.530.304	1.014.566	2.544.870
Korea, Republic of			1.009.673	1.009.673
Latvia	2.307.376			2.307.376
Lithuania	2.717.481			2.717.481
Luxembourg		1.500.933	2.003.684	3.504.617
Netherlands		12.078.803	2.207.017	14.285.820
Norway		1.623.095	4.456.003	6.079.098
Other Countries			1.779.315	1.779.315
Poland	3.102.037			3.102.037
Slovakia	2.193.331			2.193.331
Spain	19.372.826	1.003.538		20.376.363
Sweden			2.287.310	2.287.310
Switzerland			169.635	169.635
United Kingdom	1.136.503	1.074.407	2.100.717	4.311.627
United States		4.534.233		4.534.233
Grand Total	48.390.449	40.222.657	33.174.241	121.787.347

The investments in (2020: green) bonds are done in the following industries:

	Book Value	
	2020	2019
Basic Materials	-	4,079,673
Consumer Cyclicals	-	4,653,852
Consumer Non-Cyclicals	-	3,100,185
Energy	-	1,623,095
Financials	3,214,162	9,987,591
Healthcare	-	3,457,939
Industrials	2,035,055	7,551,610
Technology	-	3,702,653
Telecommunications Services	-	1,004,655
Utilities	-	1,061,404
Grand Total	5,249,217	40,222,657

The provision for expected credit losses per financial instrument type and per stage is as follows:

	Stage 1 EUR		Stage 2 EUR		Stage 3 EUR		Total EUR	
	2020	2019	2020	2019	2020	2019	2020	2019
Gross amount financial instruments								
Loans and advances to banks	15,875,646	13,546,504	-	-	-	-	15,875,646	13,546,504
Bonds	5,251,886	121,836,727	-	-	-	-	5,251,886	121,836,727
Mortgages	386,748,318	-	262,376		-	-	387,010,694	-
Investments at fair value	17,034,934	-	-	-	-	-	17,034,934	-
Advances to customers	-	-	-	-	1,620,089	742,371	1,620,089	742,371
	424,910,784	135,383,231	262,376	-	1,620,089	742,371	426,793,249	136,125,602
Expected credit loss								
Loans and advances to banks	1,513	609	-	-	-	-	1,513	609
Bonds	2,669	49,380	-	-	-	-	2,669	49,380
Mortgages	59,335	-	204	-	-	-	59,539	-
Investments at fair value	-	-	-	-	-	-	-	-
Advances to customers	-	-	-	-	1,512,293	705,281	1,512,293	705,281
	63,516	49,989	204	-	1,512,293	705,281	1,576,013	755,270
Net amount financial instruments								
Loans and advances to banks	15,874,133	13,545,895	-	-	-	-	15,874,133	13,545,895
Bonds	5,249,217	121,787,347	-	-	-	-	5,249,217	121,787,347
Mortgages	386,688,984	-	262,172	-	-	-	386,951,156	-
Investments at fair value	17,034,934	-	-	-	-	-	17,034,934	-
Advances to customers	-	-	-	-	107,796	37,090	107,796	37,090
	424,847,268	135,333,242	262,172	-	107,796	37,090	425,217,236	135,370,332

bunq has performed sensitivity analysis on the expected credit loss on the mortgages by in- and decreasing the probability of default with 15%, where the neutral probability of default is determined on 0,13% for mortgages with NHG and 0,18% for mortgages without NHG. The adjustment on the probability of default on the expected credit loss on the mortgage portfolio would have the following impact:

	15 % down	neutral	15% up
Expected credit loss mortgages	51,313	60,368	69,423

b. *Operational risk*

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk has various sources of which we describe a few.

IT risk

IT risk can be divided into two parts:

- The risk that business processes and/or information resources are not sufficiently sound or cannot continuously be backed by the IT system. This can result in long-term failure of the system and/or errors in the applications.
- The risk that business processes and information resources are inadequately secured by the IT system causing theft of data and/or unauthorised access by customers, external parties or employees.

Management of IT risk

Security measures are in place to protect the Company's systems including encrypted connections and multi-layered security. All services are inherently designed to mistrust all other services. In addition, intrusion and detection and vulnerability management solutions are implemented to scan (on a continuous basis) all infrastructure and backend systems on security threats. Additionally regular penetration tests are performed by a specialised third party focusing on the security of all IT components including network infrastructure and mobile applications on the existence of outside vulnerabilities & threats.

A Business Continuity Plan covers unexpected disruptions. Other contingency measures include outsourced infrastructure hosting based on the highest availability and compliance standards. Software is built on a hardware agnostic basis.

To protect bunq users, MFA requirements are applied for the bunq app according to the PSD2 guidelines, this includes a secure login authentication procedure with 6-figure pin and device authentication. Any sensitive data stored on customer's devices is encrypted.

Fraud risk

This is the risk of reputation or financial losses due to deceptive actions by third parties, customers or staff to enrich themselves at the expense of others.

Management of fraud risk

The Company’s processes, controls and division of responsibilities are important mitigants against external and internal fraud risk. Transactions are monitored to detect suspicious transactions in case this results in financial losses for bunq, issues are recorded and reported. Staff are screened before being employed and Code of Conduct for staff apply.

Legal risk

This is the risk that agreements are not accurately documented, contracts may not be enforceable or that legal disputes and conflicts may lead to financial losses. Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events and when it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. From time to time the Company is involved in claims and litigations. Management makes estimates as to whether provisions are needed on a case-by-case basis.

Management of legal risk

Legal risks are identified, monitored and managed by the Company's legal department. The department is involved with material contracts and when disputes occur. External legal advice is sought whenever it is determined that the available in-house knowledge is insufficient.

Outsourcing risk

The risk that engaging a third party to provide services adversely impacts the bank’s performance and risk management. The risk may materialise due to inadequate delivery of service or due to the liability of the third party to deliver the service.

Management of outsourcing risk

The Company has an outsourcing policy to manage its outsourcing activities. The policy prescribes the decision process, risk assessments, contracts and service level agreements, monitoring and possible back-up arrangements that need to be in place.

c. *Liquidity risk*

The risk that the Company cannot settle its obligations with immediacy.

Liquidity Ratios

	31 Dec 2020	31 Dec 2019
Liquidity Coverage Ratio (LCR)	746%	884%
Net Stable Funding Ratio (NSFR)	239%	1,010%

bunq is very liquid as measured by the regulatory liquidity ratios, which dictate a regulatory minimum of 100%.

The maturity table as of 31 December 2020 is as follows:

		On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Undefined	Total
Assets								
	Cash and balances with central banks	400,668,475	-	-	-	-	6,598,081	407,266,556
	Loan and advances to banks	1,085,767	-	-	-	4,537,645	10,250,720	15,874,133
	Investments at amortised cost (Bonds)	-	-	-	5,249,217	-	-	5,249,217
	Investments at amortised cost (Mortgages)	-	10,155,486	1,016	-	376,794,654	-	386,951,155
	Investments at fair value	-	-	-	-	17,034,934	-	17,034,934
	Derivatives	-	-	-	-	669,288	-	669,288
	Advances to customers	-	107,796	-	-	-	-	107,796
	Accounts receivables	-	27,498	-	-	-	-	27,498
	Other assets	20,233,421	261	2,125,440	-	2,730,765	-	25,089,887
Total assets		421,987,663	10,291,040	2,126,456	5,249,217	401,767,286	16,848,801	858,270,464
Liabilities								
	Customer deposits	812,541,909	-	-	-	-	-	812,541,909
	Derivatives	-	-	-	-	1,010,559	-	1,010,559
	Loans and advances owed to banks	-	-	-	749,706	-	-	749,706
	Other liabilities	10,816,338	6,208,539	-	-	-	-	17,024,877
Total liabilities		823,358,247	6,208,539	-	749,706	1,010,559	-	831,327,050
Gap analysis		(401,370,583)	4,082,501	2,126,456	4,499,511	400,756,727	16,848,801	26,943,413

As the maturity table is showing a high gap between the on demand assets and the on demand liabilities bunq has started a RMBS project to securitize the mortgages to gain access to a short term loan facility at the European Central Bank to enhance the liquidity profile of bunq.

Management of liquidity risk

The Company holds significant balances with central banks, which allow it to settle its obligations immediately. Balances are monitored closely and managed to appropriate levels. This is done monthly by Finance based on the average in- and outflow of that month. Within the Company the Treasury department performs stress tests to ensure that it can meet its obligations in times of stress and monitors the liquidity risk indicators on a monthly basis and discusses the outcome of these tests with Risk and Finance.
The liquidity risk is also taken into account in the mandatory exit scenario.

The Company employs two main liquidity risk indicators, the net stable funding ratio (NSFR) and the liquidity coverage ratio (LCR), both as defined in the regulations on prudential requirements for credit institutions and investment firms to manage its liquidity risks. In addition the Company considers the Balances held at Central Banks.

d. Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments.

Management of market risk

The Company only holds assets and liabilities denominated in euros. As a result, the value of these assets and liabilities are not sensitive to change in currency exchange rates.

For the interest rate risk in the banking book, the following sub-risk types have been identified:

- *Gap risk*
  The main interest rate sub-risk type is gap risk. It reflects the sensitivity to changes in the interest rate curve (both parallel and non-parallel). bunq is exposed to gap risk, as there is a relatively large mismatch between the short duration of the user deposits and the relatively long duration of the bond and mortgage portfolio.

- *Basis risk*
  Basis risk is the financial risk that offsetting investments in a hedging strategy will not experience price changes in entirely opposite directions from each other. This imperfect correlation between the two investments creates the potential for excess gains or losses in a hedging strategy, thus adding risk to the position. The fair value of bunq’s assets, liabilities and interest rate swaps are calculated using different curves. As these curves can move independently of each other, basis risk exists in bunq’s portfolio. However, the impact of this risk is only relevant in an exit scenario, or a liquidity stress event, as assets are purchased to hold-to-collect and hedge accounting is applied. There is a small impact on earnings at risk, where basis risk can lead to hedge accounting ineffectiveness impacting the P&L statement.

- *Option risk*
  Following the introduction of the mortgage portfolio, bunq is also exposed to at least two types of option risk:
  - In the offering phase, clients have a so-called ‘dagrente-optie’: the client is entitled to the lower of the offered mortgage rate and the mortgage rate at the time of the execution of the mortgage. This introduces a one-sided risk: bunq is exposed to interest rate increases but does not profit from interest rate decreases.
  - After execution of the mortgage, the client has the right to prepay the mortgage. Depending on the situation, a prepayment penalty may apply. The expected prepayments are included in the cash flow projections and, as such, considered part of the gap risk.

- *Client behavior risk*
  This interest rate sub-risk type reflects the sensitivity to other than expected client behavior. This is relevant for both the user deposits and the mortgage portfolio. For the user deposits assumptions are for example made about the attrition of the core user deposits and for the mortgage portfolio assumptions are for example made about the conversion rate (from offerings to mortgages) and the Constant Prepayment Rate (CPR). If the realizations deviate from the assumptions, there can be a financial impact.

- *Credit spread risk*
  The financial impact of changes in credit risk spreads, which are not explained by expected (jump to) default risk, is captured under credit spread risk. bunq is primarily exposed to this interest rate sub-risk type due to its investments in the bond and mortgage portfolio and corporate loans. Even though the importance of this sub-risk type has increased, with the size of the mortgage portfolio investment, the risk itself (expressed in P&L volatility) is limited as both the bond and mortgage portfolio all assets are accounted for at Hold-to-Collect / Amortized Cost.

- *Pipeline risk*
  The interest rate pipeline risk is the risk that, after an interest rate offer has been made to a client, the underlying market interest rate will change during the period that the interest rate offer is valid and the offer has not been hedged yet. This results in an open position for bunq in the underlying period. The risk is that between the offer and the moment the loan is paid out, the underlying market interest rates have increased and the interest rate swap as a consequence has increased in costs. Therefore causing margin erosion and decreasing the Net Return. The interest rate offered by Venn Hypotheken has a validity of 4 months, hence giving a maximum of 4 months of exposure to this risk. Given historic conversion rates of the interest rate offers, an average of 3.1 months is expected.

bunq aims to achieve a stable NIM (net interest margin). bunq manages its interest rate risk using plain vanilla interest rate swaps. Interest rate risk is managed using an extensive set of limits and thresholds on key interest rate risk ratios.

Sensitivity analysis for sudden change in interest rates

The table below shows the sensitivities to changes in interest rates where it is assumed that interest bearing exposures remain constant over time. In the calculation of 2020, the prescribed floor of the EBA is taken into account.

	EUR
	2020
Gradual parallel increase of interest rates by 200 bps:	
Impact on 12 month interest income	3,964,002
Gradual parallel decrease of interest rates by 200 bps:	
Impact on 12 month interest income	(1,022,334)

On 31 December 2020, the Company did hold derivatives, which are taken into account in the sensitivity analysis.

IBOR benchmark reform

bunq has analysed its significant hedging relationships directly affected by the benchmark reform. All of bunq's financial instruments are linked to area benchmark and, as a result, so are its hedging relationships. All financial instruments are based on EURIBOR and no reform is anticipated in the short term. As a consequence, bunq's hedging relationships affected by the IBOR reform comprise only a small percentage of its total hedging relationships.

A total of EUR 143,870,000 of notional derivatives were part of hedging relationships at 31 December 2020. All of these derivatives are linked to EURIBOR.

e. Compliance risk

The risk of potential non-compliance with applicable laws and regulations. This may lead to financial loss or sanctions.

Management of compliance risk

Banks are subject to many laws and regulations. Regulators also publish guidance about the interpretation of these regulations. Complying with all these laws, regulations and guidance can be a challenge. The Legal and compliance team keeps an oversight of applicable laws and regulations and instructs the business on compliance.

In recent years Client Due Diligence and Anti-Money Laundering received much attention from regulators and the public. bunq recognises the importance of CDD and AML measures to avoid criminals and fraudsters abusing our services and continuously improves its CDD and AML processes to mitigate these risks.

To this effect bunq uses advanced machine learning models to detect suspicious transactions and behaviour. In addition, bunq continuously updates and enhances its suite of transaction-monitoring rules.

Banking supervisors regularly perform reviews to assess bunq's compliance with laws and regulations. In 2018 a review was held leading to a CDD and AML program of improvements that continued in 2019 and early 2020. The program of improvements has been audited by our internal auditor, which is outsourced to an audit firm in 2020. Subsequently DNB has started a validation review. The result of the validation review has been shared under subsequent events.

f. *Business risk*

The risk that over a longer period of time the revenues are lower and/or the costs are higher than foreseen. This risk may question the long-term viability of the Company.

Management of business risk

We closely monitor our financial and business performance. If necessary, we take action to address a potential negative development. We strongly believe in our business model, but if the worst happens then we have a plan to manage an orderly wind down. The Dutch deposit guarantee scheme, which covers balances up to EUR 100,000, is applicable.

Capital management

The Company performs a regular internal capital adequacy assessment at least once a year, with a forward-looking horizon of at least three years. Its starting point is the business growth plan, a risk assessment and the definition of a risk appetite. Based on the outcomes, the Company sets its capital requirements.

These projections are regularly reviewed and updated. Such projections include required capital injections to remain compliant with relevant rules. This allows for short- and longer-term management of capital. The capital requirement mainly consists of capital held to fund start-up losses, taking into account the Company's financial forecasts under different scenarios, also including stress scenarios. Secondly the capital requirement is determined by the asset-management activities performed by the company, resulting in Risk Weighted Assets.

The Company's capital position, including the capital ratios, is presented in the following table:

	31-Dec-20 EUR	31-Dec-19 EUR
Total Risk Weighted Assets (RWA)	119,088,638	45,826,177
Available Common Equity Tierl capital (CETI)	28,786,376	17,837,861
Available total capital	28,903,472	17,937,861
CETI ratio (%)	24.2%	38.9%
Total capital ratio (%)	24.3%	39.1%
Leverage ratio	3.4%	3.9%

	31/Dec/20 EUR		31/Dec/19 EUR	
	Amount	Credit Risk	Amount	Credit Risk
Cash and balances with central banks	407,266,556	-	317,004,195	-
Loan and advances to banks	15,874,133	3,175,442	13,545,895	2,709,295
Investments at amortised cost (Bonds)	5,249,217	-	121,787,347	33,867,489
Investments at amortised cost (Mortgages)	386,951,155	66,322,166	-	-
Investments at fair value through profit and loss	17,034,934	8,517,467	-	-
Derivatives	669,288	1,167,047	-	-
Advances to customers	107,796	107,796	37,090	37,090
Right-of-use assets	1,305,128	1,305,128	737,681	737,681
Tangible fixed assets	668,953	668,953	265,536	265,536
Inventory	1,040,975	1,040,975	85,207	85,207
Accounts receivables	27,498	27,498	4,639	4,639
Other Assets	25,089,887	22,335,590	7,615,443	4,662,559
Total Assets	861,285,520	104,668,062	461,083,033	42,369,496
Off Balance Exposure	5,616,561	483,024	-	-
CVA		5,414,218		-
Operational Risk		8,523,333		3,456,738
Total Risk Exposure Amount		119,088,637		45,826,234

The Company has a funding plan in place which describes the measures available to fund the capital requirement. For the situation that no capital funds are available the Company has developed a plan that ensures an orderly wind down. The Company has sufficient capital, time and funding to execute an orderly wind-down, while protecting its creditors.
As at both reporting dates, and throughout the year, the Company complied with the externally imposed capital requirements.

Fair value of financial instruments

Elements relevant to the fair value of financial instruments are described below:

- Investments at amortised cost:

	31-Dec-20 EUR	31-Dec-19 EUR
AAA	-	12,176,374
AA+	-	10,873,698
AA	-	1,399,469
AA-	-	11,286,404
A+	1,006,328	11,872,848
A	-	11,107,601
A-	2,209,037	38,530,015
BBB+	-	6,553,485
BBB	2,036,521	18,036,833
Total amortised costs	5,251,886	121,836,727
Total fair value	5,298,519	122,669,458

- Loans and advances to banks: This concerns security deposits and prepayments with financial institutions. The deposits carry market conform variable interest rates. The fair value is deemed to equal the carrying amount on the reporting date.
- Deposits from customers: These are deposits held by private customers on their bunq accounts. These deposits are withdrawable on demand. The fair value is deemed to equal the carrying amount on the reporting date.

The above disclosed fair value at amortised cost for bunq's bonds-portfolio is considered a level 1 fair value in the fair value hierarchy at 31 December 2020 for the bonds, investments at fair value and loans and advances to banks. For the mortgages and the deposits from customers the fair value is considered to be a level 2 fair value. No transfers were made between the levels of the fair value hierarchy in either 2019 or 2020.

The fair value of the mortgage portfolios as of 31 December 2020 amounts to EUR 402,246,635. This is the gross value, without a correction of the construction deposits.

See below an overview of the different levels.

	Level 1 EUR	Level 2 EUR	Level 3 EUR	31-Dec-20 EUR
Bonds	5,249,217	-	-	5,249,217
Mortgages	-	386,951,155	-	386,951,155
Investments at fair value through profit and loss	17,034,934	-	-	17,034,934
Loans and advances to banks	15,874,132	-	-	15,874,132
Loans and advances to customers	-	107,796	-	107,796
	38,158,283	387,058,951	-	425,217,234

6. Interest income

	2020 EUR	2019 EUR
Interest bond portolio	192,270	178,284
Interest mortgage portfolio	699,942	-
Other interest income	-6,603	628
	885,609	178,912

7. *Interest expense*

	2020 EUR	2019 EUR
European Central Bank	1,951,248	1,077,999
Customers	549,614	199,929
Interest expenses derivatives	80,144	-
Other banks	98,374	-
Other interest expense	22,204	3,373
	2,701,584	1,281,301

8. *Fee income*

	2020 EUR	2019 EUR
Consumer fees	10,067,661	4,412,914
Business fees	6,032,327	3,195,119
Other revenue	2,424,561	1,021,687
	18,524,549	8,629,721

Other revenue consists mostly out of the interchange fees.

9. *Fee expenses*

-

	2020 EUR	2019 EUR
Clearing and settlement	301,310	290,920
iDEAL and SOFORT fees	213,661	187,006
Credit card top-ups	316,895	90,186
Planted trees	216,228	1,822
Customer due diligence	858,607	816,973
Card transactions	2,659,759	1,935,608
Card production	1,688,102	1,106,827
Brokerage fee	334,696	81,497
Other fee expenses	169,169	38,103
	6,758,427	4,548,942

10. Result out of financial instruments

	2020	2019
	EUR	EUR
Result out of fair value hedge accounting	(3,576)	-
Result out of freestanding derivatives	(235,358)	
Result out of sale financial instruments	3,300,952	-
	3,062,018	-

The result out of freestanding derivatives comes from the derivatives that could not become part of the hedge accounting in the first month of building up the mortgage portfolio. At 31 December 2020 the fair value of the freestanding derivative amounts to EUR 41,241, which is part of the assets in the balance sheet.

The result of out of sale financial instruments comes from the difference between fair value and the amortized cost price at the sale of the majority of the bond portfolio. The sale of the bond portfolio has been done as part of the new investment strategy of bunq, where the investments have to become more green and safe. Only the green bonds have been kept on-balance. All other bonds have been sold to free up cash to build up and acquire the mortgage portfolios.

11. Personnel expenses

	2020	2019
	EUR	EUR
Wages and salaries	7,842,514	5,877,682
Social premiums	1,055,959	647,669
Total personnel	8,898,473	6,525,351
Wages and salaries:		
Gross wages	5,255,810	3,493,671
Holiday surcharges	564,982	285,604
Reclaimed wage taxes under WBSO	(160,756)	(187,969)
Externally hired personnel	1,689,896	1,830,425
Supervisory Board fees	116,706	90,758
Travel expenses	22,442	18,963
Education and courses	33,990	40,784
Recruitment	86,118	81,972
Commuting expense	168,201	169,665
Other staff expenses	65,125	53,809
Total wages and salaries	7,842,514	5,877,682

In 2020, the Company had on average 153.0 (2019: 96.0) staff members based on full time equivalents (FTE).
The staff members are divided over the following departments:

	2020	2019
Board	3	3
Product, IT, Design, Data	57	41
Marketing, Business Development	24	11
Onboarding, Support, Compliance	45	30
Finance, Treasury, HR, Risk	24	11
Totaal	153	96

For 2020 on average 25 out of the 153 employees is employed outside the Netherlands (2019: 0 out of the 96 employees)

The Company has no pension arrangements in place for its employees. Supervisory Board fees concern payments to the personal holdings of the members of the Supervisory Board. The remuneration of the Supervisory Boards is presented under note ‘Related parties’.

12. Depreciation

	2020	2019
	EUR	EUR
Equipment	90,563	84,298
Building renovations	57,970	58,173
Result on disposal	1,590	433
Right-of-use assets	127,495	114,926
	277,618	257,830

13. Impairment losses

This item consists of the movement in the expected credit loss on the financial assets valued at amortised cost.

	2020	2019
	EUR	EUR
Advances to customers	896,894	451,386
Loan and advances to banks	(113)	(1,294)
Investments at amortised cost (bonds)	(46,711)	48,472
Investments at amortised cost (mortgages)	61,385	-
	911,455	498,564

14. Other expenses

	2020	2019
	EUR	EUR
Office expenses	371,517	246,440
Marketing expenses	9,721,314	5,900,727
Technical expenses	2,504,168	1,700,706
General & Administrative expenses	6,412,010	1,794,641
	19,009,009	9,642,514

14.1 Office expenses

	2020	2019
	EUR	EUR
Rent and Service fees office	185,101	107,491
Restaurant expenses	61,712	49,555
Cleaning expenses	35,126	26,482
Telephone and internet expenses	21,416	20,649
Office supplies	8,861	5,276
Other office costs	59,301	36,987
	371,517	246,440

The company has a rental agreement for offices in Sofia, which is for only one year and has a lease obligation of EUR 50.820 a year. As the contract is for one year, the Company will not be measuring this lease obligation under IFRS 16. The total costs booked in 2020 amounts to EUR 50.820.

14.2 Marketing expenses

	2020	2019
	EUR	EUR
Advertising	9,369,027	5,493,442
Marketing events	64,211	168,309
Consulting services	44,000	118,512
Public relations	193,214	92,728
Gifts	1,835	4,204
Other sales and marketing expenses	49,027	23,532
	9,721,314	5,900,727

14.3 Technical expenses

	2020	2019
	EUR	EUR
Payment infrastructure subscriptions	1,251,312	692,347
Software licenses and subscriptions	601,527	476,458
Datacentre expenses	596,852	304,498
Network Infrastructure expenses	24,202	34,418
Other technical expenses	30,275	192,985
	2,504,168	1,700,706

14.4 General & Administrative expenses

	2020	2019
	EUR	EUR
Internal and external audit fees	763,895	544,513
Supervision expenses	1,557,722	628,949
Advisory expenses	1,694,388	387,447
Administrative expenses	81,438	72,987
Incidents	67,409	-
Banking fees	89,061	-
Provisions	984,977	-
Write off unsettled positions	632,018	-
Insurance expenses	12,739	11,624
Other general expenses	528,363	149,121
	6,412,010	1,794,641

With reference to section 2:382a(1) and (2) of the Dutch Civil Code, the following fees included in the accountant expenses for the financial year have been charged by Deloitte Accountants B.V. to the Company for the year 2020 and 2019 (including VAT):

	2020	2019
	EUR	EUR
Statutory audit of annual accounts	217,800	180,810
Other assurance services	36,058	21,508
	253,858	202,318

15. Corporate income tax

For 2020 and 2019 the effective tax rate is 0% as the Company did not recognise any deferred tax asset for its tax losses carried forward. The total unused tax losses for which no deferred tax asset is recognised in the statement of financial position amounts to EUR 58.875.241. Deferred tax assets are recognised if it is probable that future taxable profits will be generated which allow the deferred tax to be recovered. See below an overview of the tax losses distributed per year.

Year	EUR	recoverable until
2015	3,515,515	2024
2016	5,237,064	2025
2017	9,018,817	2026
2018	11,112,124	2027
2019	13,907,331	2028
2020	16,084,390	2029
	58,875,241	

16. Cash and balances with central banks

The balances are held at De Nederlandsche Bank and the European Central Bank. As of 31 December 2020 an amount of EUR 6.598.081 is held as a mandatory ECBS minimum reserve at the DNB.

17. Loans and advances (owed) to banks

Loans and advances to banks:

	31/Dec/20 EUR	31/Dec/19 EUR
Current accounts at other financial institutions	5,624,464	3,219,504
Mastercard deposit	1,689,800	1,700,000
Mastercard prepayment	8,561,382	8,627,000
	15,875,646	13,546,504
Provision for expected credit loss	(1,513)	(609)
	15,874,133	13,545,895

Under the current accounts at other financial institutions an amount of EUR 3.837.920 has been pledged as part of the mortgage obligations and an amount of EUR 699,725 has been collateralized for the fair value movement of the derivatives.

The Mastercard deposit concerns a deposit held at another financial institution that has been pledged to secure the obligations arising from the use of debit cards issued by the Company to its customers. The Mastercard prefund concerns deposits made to facilitate the

collection of amounts due under the Mastercard contract and for the use of credit cards held by the Company for its own purposes.
On request of Mastercard this can be adjusted every six months.

Loans and advances owed to banks

	31/Dec/20 EUR	31/Dec/19 EUR
Collateral account to other financial institutions	749,706	-
	749,706	-

The collateral account to other financial institutions has been received as part of the fair value movement of the derivatives.

18. Investments at amortised cost (bonds)

	31/Dec/20 EUR	31/Dec/19 EUR
Bonds	5,251,886	121,836,727
Provision for expected credit loss	(2,669)	(49,380)
Balance sheet value as at 31 December	5,249,217	121,787,347
Movements during the year:		
Balance sheet value as at 1 January	121,787,347	9,009,448
Purchases	35,740,779	113,401,440
Amortisation of premium/discounts	-	-575,070
Sale of bonds one-off	(152,325,620)	-
Amortised cost as at 31 December	5,202,506	121,835,818
Impairment reversals/charges	46,711	(48,471)
Balance sheet value as at 31 December	5,249,217	121,787,347

19. Investments amortised costs (mortgages)

	31/Dec/20 EUR	31/Dec/19 EUR
Mortgages	387,010,695	-
Provision for expected credit loss	(59,540)	-
Balance sheet value as at 31 December	386,951,155	-
Movements during the year:		
Balance sheet value as at 1 January	-	-
Purchases	387,075,645	-
Amortisation of premium/discounts	(64,950)	-
Amortised cost as at 31 December	387,010,695	-
Impairment reversals/charges	(59,540)	-
Balance sheet value as at 31 December	386,951,155	-

As of July 2020 bunq invests in Dutch residential mortgages. bunq currently has two portfolios of which one was originated during 2020 and the other was originated in 2018 and acquired in December 2020.
The portfolios have fixed interest ratings for periods between 1 month up to 30 years. The interest percentages on the mortgage portfolios are between 0.75% and 2.97%.
A big part of the mortgage portfolios falls under the Nationale Hypotheek Garantie (NHG). This guarantee is given by Stichting Waarborgfonds Eigen Woningen which is backed up by the Dutch government in regards to illiquidity. The NHG falls within the credit risk rules under government guarantee loans.
This guarantee becomes applicable if the borrower can not fulfill the mortgage obligations and after the forced sale there is still a remaining amount of debt. NHG will cover the majority of this remaining debt.
The part of the mortgage portfolios that are covered by NHG as of 31 december 2020 amounts to EUR 246,883,741.

The total value of the collateral on the mortgages that are covered by NHG amounts to EUR 294,060,844.
The total amount of the collateral on the mortgages that are not covered by NHG amounts to EUR 218,593,490.

All mortgages are for owner occupied properties only and have first ranking mortgage rights.

The construction deposits have been net from the outstanding mortgages. In below table the gross amounts are shown:

	Gross amount	Amount to be netted	Net amount
Assets			
Mortgages	401,750,883	(14,799,728)	386,951,155
Total assets	401,750,883	(14,799,728)	386,951,155
Liabilities			
Building deposit liabilities	14,799,728	(14,799,728)	-
Total liabilities	14,799,728	(14,799,728)	-

20. Investments at fair value through profit and loss.

The investments at fair market value is a so-called money market account that is in use to ensure we can fulfill our collateral obligations on a day-to-day basis for our derivatives. The total amount is pledged under contract to our service partner to ensure they can fulfill our obligations on a daily basis.

21. Derivatives

	31/Dec/20 EUR	31/Dec/19 EUR
Derivatives with a positive value	669,288	-
of which interest swaps	669,288	-
Derivatives with a negative value	1,010,599	-
of which interest swaps	1,010,599	-

To control the interest risk bunq has entered into interest swaps. These derivatives have a nominal value of EUR 143,870,000

With the exception of 5M, all interest swaps are part of a hedge relation, where fair value hedge accounting is applied. In the fair value hedge accounting relations the interest risk on the designated cash flows of the mortgage portfolio is mitigated. The hedge relation is determined on a monthly basis where the effectiveness is tested in the prospective test. The effectiveness shows the amount the mutation in the fair value of the hedge instruments (cash flows of mortgages) are hedged by the far value movement of the hedging instrument (interest swap). At the end of the monthly hedge relation period the actual ineffectiveness is measured in the retrospective test.
Ineffectiveness can be realised due to different reasons such as:

- different timing in the cash flows of the mortgages in comparison to the interest swap;
- deviations between the actual cash flows in comparison to the expected cash flows of the mortgages;
- a different movement in the yield curves on which the valuation of the derivate takes place, which is not covered in the hedge relation.

In the year 2020 the result of ineffectiveness of the hedge relation was EUR 3.576 negative. This result is presented under the Result out of financial instruments in the Profit and Loss account. The next table shows the details of the hedge accounting relation:

	Notional value	Book value debit	Book value credit	Change in relationship in hedge accounting
31 December 2020				
Interest rate swap	143,870,000		(341,271)	(25,769)
Fair Value Adjustment Hedged Instrument		22,193		22,193
hedge accounting ineffectiveness				(3,576)

The movement of the freestanding SWAP during the year amounts to
- principal movement EUR 235,358
- interest accrual EUR 80,144

With regards to the derivatives we have posted and received the following collaterals:
- JP Morgan Bank EUR 699,725 reported under loans and advances to banks
- Citi bank EUR 749,705 reported under loans and advances owed to banks.

22. Advances to customers

	31/Dec/20 EUR	31/Dec/19 EUR
Negative customer balances	1,620,089	742,371
Provision for expected credit loss	(1,512,293)	(705,281)
	107,796	37,090

Although bunq does not provide credit to her users, there are negative customer balances due to fee charges or credit card reversals.

23. Right-of-use assets

Based on IFRS 16 the rent payments under the office lease are capitalised in the balance sheet as of the year 2019.
The Company has leases for office premises in Amsterdam. The lease contract runs until 1 March 2026, with an option of an extension of 5 years each time until 1 March 2031.
The company has leases for office premises in Rotterdam. The lease contract runs from 1 February 2021 until 31 January 2027.

Below an overview of the capitalised lease obligations:

	2020	2019
	EUR	EUR
	Building (office lease)	Building (office lease)
Cost		
Balance at 1 January	842,548	-
Efect of change in accounting policy for initial application of IFRS 16)	-	842,548
Balance at 1 January, as adjusted	842,548	842,548
Additions	694,942	-
Disposals	-	-
Balance at 31 December	1,537,490	842,548
	Building (office lease)	Building (office lease)
Accumulated depreciation		
Balance at 1 January	(104,867)	-
Depreciation for the year	(127,495)	(104,867)
Balance at 31 December	(232,362)	(104,867)
Carrying amounts		
Balance at 31 December	1,305,128	737,681

Right-of-use assets includes in the statement of financial position at

	31/Dec/20	31/Dec/19
	EUR	EUR
Current	229,520	117,564
Non-current	1,075,608	620,117

24. Tangible fixed assets

	Equipment	Building (renovations)	Total
	EUR	EUR	EUR
Cost			
Balance at 1 January 2019	481,166	291,719	772,885
Additions	101,712	-	101,712
Disposals	(4,876)		(4,876)
Balance at 31 December 2019	578,002	291,719	869,721
Balance at 1 January 2020	578,002	291,719	869,721
Additions	298,930	272,250	571,180
Disposals	(22,927)		(22,927)
Balance at 31 December 2020	854,005	563,969	1,417,974

Accumulated depreciation	Equipment	Building (renovations)	Total
Balance at 1 January 2019	(308,545)	(157,613)	(466,158)
Depreciation for the year	(84,298)	(58,173)	(142,471)
Accumulated depreciation disposals	4,443		4,443
Balance at 31 December 2019	(388,400)	(215,786)	(604,186)
Balance at 1 January 2020	(388,400)	(215,786)	(604,186)
Depreciation for the year	(90,563)	(57,970)	(148,533)
Accumulated depreciation disposals	3698.43		3,698
Balance at 31 December 2020	(475,265)	(273,756)	(749,021)
Carrying amounts			
Balance at 31 December 2019	189,602	75,933	265,535
Balance at 31 December 2020	378,740	290,213	668,953

25. Inventory

The inventory at bunq consists of cards in stock, not personalised yet. The net realisable value is determined based on the contract value/lifetime of the user ordering a card, which is higher than the historical value and therefore there is no write-off applicable.
The cards are recognised as expenses in the Profit and Loss account only once ordered and personalised, as that makes the card usable for our users.
The cards in stock are free of pledge.

26. Other assets

	31/Dec/20	31/Dec/19
	EUR	EUR
Prepayments	2,646,403	2,591,675
Unsettled and advanced transactions	5,463,467	4,044,413
Security deposits above 1 year	89,553	48,736
Accrued interest investments at amortised costs	22,505	930,619
Mortgage receivables	16,845,504	0
Other assets	22,455	-
	25,089,887	7,615,443

27.Customers deposits

	31/Dec/20 EUR	31/Dec/19 EUR
Deposits of consumers	353,702,100	210,078,169
Deposits of businesses	449,027,600	223,300,910
e-money deposits	9,325,172	31,683
Not yet designated customer deposits	487,037	241,603
	812,541,909	433,652,365

All deposits from users are current account balances held by consumers or businesses. Not yet designated customer deposits consist of incoming payments that are under review before allocating to customer accounts or refunding back to the originator.
So-called e-money deposits are deposits where the user has not been verified yet. These accounts can be used up to 150 euro. When the amounts on the account are above 150 euro, the account is frozen until verification.

28. Provision

The company has created provisions for those matters for which the outcome is uncertain, but it is considered probable that there will be a future outflow of funds to a third party. The provisions are measured at the best estimate of the amount expected to become payable. Within the amount of provisions is an amount taken into consideration for the expected external regulatory measurements costs.

29. Other liabilities

	31/Dec/20 EUR	31/Dec/19 EUR
VAT payable	351,698	660,501
Account payable	1,442,525	550,370
Accrued liabilities	2,095,300	1,950,052
Unsettled liabilities	11,466,416	5,437,015
Lease liabilities	1,322,329	724,983
Mortgage payables	102,928	0
Other liabilities	243,680	169,882
	17,024,876	9,492,803

The majority of the unsettled liabilities consist of liabilities towards other banks in SCT cycles and the outstanding payment to Mastercard of all transactions of the last business day.

The maturity analysis of the lease liability is as follows:

Maturity analysis - contractual undiscounted cashflows	31/Dec/20 EUR	31/Dec/19 EUR
Less than one year	218,425	121,221
One to two years	209,468	123,096
Two to three years	251,732	125,096
Three to four years	257,915	126,973
Four to five years	261,784	128,878
More than five years	165,885	152,667
Total undiscounted lease liabilities	1,365,210	777,931
Lease liabilities included in the statement of financial position at 31 December		
Current	199,821	109,597
Non-current	1,122,508	628,084

30. Share capital

A total of 10,018,000 shares have been issued with a nominal value of EUR 118,000. The shares consist of 18,000 A shares and 10,000,000 B shares. The Class B shares are part of the Company's Tier 1 capital but do not classify as CET1. The capital is fully paid up. bunq Holding B.V. and Stichting STAK Together, jointly holding all shares of bunq B.V., agreed to the following arrangement. In the event that bunq B.V. has profits available for distribution to the shareholders in any accounting reference period, the shareholders shall procure, contrary to the articles of association that this profit distribution (dividend) will first be paid on all the shares held by bunq Holding B.V, pro rata to the number of shares held by bunq Holding B.V., with a maximum of the total amount of the contributions directly or indirectly made by bunq Holding B.V, to bunq B.V. as payment on the shares made in excess of the nominal value of the shares held by bunq Holding B.V. minus any preferent profit distributions on the shares held by bunq Holding B.V. attributable to previous years and/or any other preferent payment bunq Holding B.V. has received on/concerning its shares in previous years.

31. Commitments

Mortgage commitments

As of 31 December 2020 bunq has outstanding mortgage commitments in its pipeline of total EUR 3,927,517 divided between:

- interest proposal EUR 744,166
- interest proposal received EUR 508,098
- offer accepted EUR 2,674,993

Leases

Office lease Amsterdam and Rotterdam, The Netherlands

Specific items in the lease-contracts for offices in Amsterdam and Rotterdam, such as parking spaces and utility costs are recognised in expenses and therefore part of the contingent liabilities.

Office lease Sofia, Bulgaria

The company has leases for office premises in Sofia. Due to the short term nature of the contract, the contract is disclosed here under the contingent liabilities.

The total of the contracts and future outflows are as follows:

	31/Dec/20 EUR	31/Dec/19 EUR
within one year	143,850	165,708
one to five years	490,083	459,737
longer than five years	28,425	19,156

32. Related parties

Parent and ultimate controlling party

bunq Holding B.V. has held 100% of the outstanding ordinary Class A shares throughout 2020. Elementaire Deeltjes C.V. is the ultimate controlling parent of bunq Holding B.V. In December 2017, a new class of non-voting Class B shares was created for an amount of EUR 100,000, with a simultaneous reduction of the share premium for the same amount. Stichting Stak Together acquired 400,000 of these Class B shares.

Key management and personnel compensation

Below the total personnel compensation is presented for the Managing Board and the Supervisory Board. This only consists of Salaries for the Managing Board and supervisory fees for the Supervisory Board during 2020. Two management board members participated in the participation plan. As the depository receipts are not traded, no market price can be derived from traded prices. The fair value of the depository receipts is determined based on discounted cash flow approach, resulting in a fair value of zero per year-end 2020. No bonuses, performance dependent remunerations, shares, share options or loans have been granted to members of the Managing and Supervisory Boards as per 31 December 2020.

		2020	2019
		EUR	EUR
Managing board	Short term employee benefits	365,984	318,919
	Post-employment benefits	-	-
	Other long term benefits	-	-
	Termination benefits	-	-
	Share-based payments	-	-
Supervisory Board	Short term employee benefits	116,706	90,758
	Post-employment benefits	-	-
	Other long term benefits	-	-
	Termination benefits	-	-
	Share-based payments	-	-
		482,690	409,677

33. Subsequent events

Capital injections

The (ultimate) shareholder has made an additional capital injection of, EUR 1 million per 25 February 2021, EUR 5,7 million as per 25 March 2021, EUR 0,8 million as per 26 May 2021 and 0,9 million as per 28 June 2021.

Foreign expansion

During 2021 bunq has received permission to open branches in Germany, France and Spain. This allows us to offer local IBAN's to our users in these countries.
The branches for Germany and France are operational.

Investments at amortised costs (mortgages)

bunq has acquired an additional mortgage portfolio of EUR 75 million in the first six months of 2021 to further increase its investment activities.

Strategic partnership

bunq has entered into an agreement with an investor subject to DNB approval. The investor will acquire shares in bunq BV in return of cash and all of the shares of a SME finance company located in the EU. A request for a declaration of no-objection has been submitted to De Nederlandsche Bank.

Audit WwFT

On 3 June 2021 DNB sent a letter to bunq with their findings of the validation review of its in 2019 issued, and by bunq contested, instruction. DNB concludes that bunq has implemented many improvements to satisfy the WwFT, but that at the time of the review it has not yet complied fully with a number of specific requirements.
At the same time DNB recognises that a number of further significant improvements have been made after the review. Until now DNB has not communicated any further actions to be taken by them.
bunq is fully committed to resolve any remaining issues as they may exist.

34. Proposal of appropriation of the result for the financial year 2020

The loss of EUR 16,084,390 is proposed to the Annual General Meeting of Shareholders to be deducted from the retained earnings in accordance with legal requirements and the articles of association of the Company.

Amsterdam, 30 June 2021

A. Niknam
I.L. van Eeghen

Parent company annual accounts 2020

Parent company statement of financial position

	note	31/Dec/20 EUR	31/Dec/19 EUR
Assets			
Cash and balances with central banks		407,266,556	317,004,195
Loan and advances to banks		12,036,437	13,545,895
Investments at amortised cost (Bonds)		5,249,217	121,787,347
Investments at fair value through profit and loss		17,034,934	-
Derivatives		669,288	-
Participation in subsidiary companies	*38*	407,417,903	-
Advances to customers		107,796	37,090
Right-of-use assets		1,305,128	737,681
Tangible fixed assets		668,953	265,536
Inventory		1,040,975	85,207
Accounts receivables		27,498	4,639
Other Assets		8,244,182	7,615,444
Total Assets		861,068,867	461,083,034
Liabilities			
Customer Deposits		812,541,909	433,652,365
Provision		1,055,000	-
Derivatives		1,010,559	-
Other liabilities		17,557,929 *	9,492,804
Total Liabilities		832,165,397	443,145,169
Equity			
Share capital	*39*	118,000	118,000
Share premium		90,250,000	63,200,000
Retained earnings		(45,380,140)	(31,434,266)
Unappropriated result		(16,084,390)	(13,945,869)
		28,903,470	17,937,865
Total liabilities and equity		861,068,867	461,083,034

* including lease liabilities unders IFRS 16

Parent company statement of profit and loss

	note	2020 EUR	2019 EUR
Interest income		192,271	178,912
Interest expense		(2,666,705)	(1,281,301)
Net interest income		(2,474,434)	(1,102,389)
Fee income		18,524,549	8,629,721
Fee expenses		(6,629,038)	(4,548,942)
Net fee and commission income		11,895,511	4,080,779
Result out of financial instruments		3,062,018	-
Total income from operating activities		12,483,095	2,978,390
Personnel expenses		8,898,473	6,525,351
Depreciation		277,618	257,830
Impairment losses		850,070	498,564
Other expenses		18,984,568	9,642,514
Total operating expenses		29,010,729	16,924,259
Result before tax from operating activities		(16,527,634)	(13,945,869)
Corporate income tax	*41*	-	-
Net result attributable to parent company		(16,527,634)	(13,945,869)
Net income (loss) group companies	*40*	443,244	-
Total comprehensive income net of taxes		(16,084,390)	(13,945,869)

Notes to parent company financial statements

35. Use of judgements and estimates

General

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts in these financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised on a forward-looking basis.

Going-concern assumption

Please note page 22 for a detailed disclosure of the Company's going concern.

36. Significant accounting policies

Basis of accounting

The Company has chosen to make use of the combination 3 option, where the Company's financial statements has been prepared based on Title 9 BW 2 with the option to value all individual items based on the same rules as applicable in the consolidated financial statements, which is based on International Financial Reporting Standards (IFRS Standards), as adopted by the European Union (EU).

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. There were no monetary assets or liabilities in foreign currency at the beginning of the reporting year or prior to that date.

Information on subsidiary

Another Mortgage 1 B.V. and Another Mortgage 2 B.V. are subsidiaries of bunq B.V. in which the Company holds a 100% ownership interest and is registered in Amsterdam. Another Mortgage 1 B.V. and Another Mortgage 2 B.V. are 100% included in the consolidation.

The subsidiary is valued against the net equity value as of 31 December 2020.

Result

The result of the Company is based on profits that are generated during the year and costs that are generated during the year or where the obligation of the costs has been generated during the year.

37. Basis of presentation

bunq B.V. (the 'Company') was incorporated on 23 September 2015 and is domiciled in the Netherlands. The Company's registered office is at Naritaweg 131-133, 1043 BS Amsterdam. The Company is registered at the Commercial Register of Amsterdam under number 64186822.

The principal activities of the Company are holding activities. These financial statements are presented in euros and are rounded to the nearest euro.

Company structure

bunq B.V. is domiciled in Amsterdam, Another Mortgage 1 B.V. and Another Mortgage 2 B.V. are subsidiaries in which bunq B.V. holds a 100% ownership interest and are registered in Amsterdam. Another Mortgage 1 B.V. and Another Mortgage 2 B.V. are 100% included in the consolidation. The shares of bunq B.V. are held by bunq holding B.V.

38. Participation in subsidiary companies

			31/Dec/20	31/Dec/19
			EUR	EUR
Participation	%			
Another Mortgage 1 B.V.	100	Amsterdam		
Opening balance			-	-
Capital injection			97,036,026	-
			97,036,026	-
Result from group company			357,196	-
Closing balance			97,393,222	-
Another Mortgage 2 B.V.				
Openng balance			-	-
Capital injection			309,938,630	-
			309,938,630	-
Result from group company			86,049	-
Closing balance			310,024,679	-

39. Equity

	31/Dec/20 EUR	31/Dec/19 EUR
Share capital	118,000	118,000
Share premium	90,250,000	63,200,000
Retained earnings	(45,380,140)	(31,434,266)
Unappropiated result	(16,084,390)	(13,945,869)
Total equity	28,903,470	17,937,865

Share capital

A total of 10,018,000 shares have been issued with a nominal value of EUR 118,000. The shares consist of 18,000 A shares and 10,000,000 B shares.

Changes in share premium

	31/Dec/20 EUR	31/Dec/19 EUR
Opening balance	63,200,000	44,800,000
Capital injection	27,050,000	18,400,000
Closing balance	90,250,000	63,200,000

40. Result of group companies

	31/Dec/20 EUR	31/Dec/19 EUR
Result of group companies	443,244	

41. Corporate income tax

For 2020 and 2019 the effective tax rate is 0% as the Company did not recognise any deferred tax asset for its tax losses carried forward. The total unused tax losses for which no deferred tax asset is recognised in the statement of financial position amounts to EUR 58.875.241. Deferred tax assets are recognised if it is probable that future taxable profits will be generated which allow the deferred tax to be recovered.

42. Subsequent events

Please find the disclosure about the subsequent events, including the capital injections after year-end on page 65.

43. Proposal of appropriation of the result for the financial year 2020

The loss of EUR 16,084,390 is proposed to the Annual General Meeting of Shareholders to be deducted from the retained earnings in accordance with legal requirements and the articles of association of the Company.

Amsterdam, 30 June 2021

A. Niknam
I.L. van Eeghen

Other information

Appropriation of result as defined in the articles of association
According to article 25.1 of the articles of association of the Company the net profit is at the disposal of the Annual General Meeting of Shareholders. If the annual accounts indicate that there has been a loss in a particular year that is not recorded in a reserve or mitigated in any other way, then there will be no pay-out of dividends as long as such a loss has not yet been recovered.

Non-voting rights
There are 10,000,000 ordinary shares (B shares) without voting rights (EUR 100,000).