



**bunq**

**BANK OF THE FREE**

**bunq B.V.**

**Annual report 2018**

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## Report Managing Board

### We're Bank of The Free.

What does Bank of The Free mean? It's a question one of our users recently asked us. We replied: what does freedom mean to you? "The ability to be completely free to do what I want and not be held back", she said.

When we sat down this year to write our annual report, her answer stuck in our heads. It described our mission perfectly.

Bank of The Free, to us, means the freedom to not have to play the numbers game. Being the only European challenger bank that is completely self-funded, has allowed us to dedicate our full focus to creating a state-of-the-art bank, without prematurely being forced to achieve aggressive growth and instantaneous ROI. Rome wasn't built in a day and we have taken care to create a sustainable company with a great user experience, that will be around for many years to come.

A bank of loyal users, where transparency and innovation are of great value. A bank that people actually like to be part of. A fully licensed bank that doesn't sell you out by peddling your private information to the highest bidder and the first and only bank in the world that lets you decide what happens with your money.

Our remuneration policy also reflects this anti sell-out mindset. Since user happiness has been our sole focus, we don't want to be a part of precisely the culture our users find unacceptable: the banking's bonus culture. The '*Wet op het financieel toezicht*' requires us to report the staff who earn more than EUR 1 million. Although we value and reward good performance at bunq, employees nor board members come close to such amounts. The total remuneration of bunq's Managing Board (3 persons) was EUR 319,443 in 2018: on average less than EUR 107,000 per year per board member.

bunq is seen as one of the 4 biggest European challenger banks, together with N26, Revolut and Monzo, that are shaping the future of banking. As any other company, bunq needs to generate revenue to be a healthy company, but we choose to do so in a different way. This report lays out how we have introduced freedom in the financial sector in 2018.

### Key achievements: introducing Freedom in 2018

We pride ourselves in being Bank of The Free. Having developed our banking platform from scratch gives us the freedom to be agile and to constantly introduce innovations tailored to our users' needs.

We offer world-class mobile banking solutions through tailored subscriptions to (groups of) persons and small businesses. These subscriptions reflect our strategy of growth through a viable business model with positive unit economics.

Users 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 Swift or TransferWise.

We continuously develop our products; adding features and new services that are appreciated by our users. Numerous improvements and innovative solutions were introduced in 2018. Important new features and services included:

- Apple Pay was introduced for users in Spain, Italy, Germany, Ireland and Belgium
- Tap and Pay for Android users was significantly improved
- Google Pay for Android users was introduced
- Dark mode was introduced allowing for better night-time viewing
- OAuth, giving users the easiest and safest way to connect their bunq account to third-party apps
- TransferWise in the bunq app, allowing users to send money in 39 currencies around the world, getting the real exchange rate
- All bunq cards got enhanced with ZeroFX, enabling users to save up to 3% by getting the real exchange rate every time they use their cards
- Allowing multiple directors access to a Business bunq account
- Invoice Scanning so that invoices can be entered without manual input
- Savings Goals assisting users to save money for specific goals
- 3D Secure enabling secure online transactions

The development of innovative product solutions continued unabated in 2019.

Freedom means no borders. That's why we've expanded Bank of The Free throughout Europe during 2018. bunq's services are offered throughout the European Economic Region. A number of countries are specifically targeted at the moment: Germany, France, the Netherlands, Italy, Belgium, Austria, and Spain. In these countries the regulators have been notified of our active market approach. In 2018 another notification was sent to the regulator in Ireland. More recently we sent a notification to the Financial Services Authority of the United Kingdom that will allow bunq to offer its services in the UK after an eventual Brexit.

## **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. D. Timessen (CPO) – appointed 1 January 2018

Mr. P. van der Harst (CFRO) – appointed 1 December 2013 until 31 May 2018

Mr. I.L.van Eeghen (CFRO) – appointed 1 June 2018

In selecting candidates for the Managing and Supervisory Boards we focus on finding candidates with highly specific profiles and with a unique set of skills and experience, regardless of their sex, religion, race, age, nationality, or any other aspect that is not related to the work to be performed at bunq. The only thing that counts is to get 'shit' done. Although bunq values diversity, the Managing Board does not meet the 'balanced composition' requirement under Dutch law which stipulates that at least 30% of the seats are filled by women and 30% by men. If senior management is included, which in a small organization should be the norm, then we meet the 30% threshold. Next to gender, diversity in culture and many other metrics are equally valuable. We truly appreciate people as they are, no matter what, and only distinguish them for their results. The Supervisory Board does meet the 'balanced composition' requirement.

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 CFRO. To reduce the already large span of control of the CEO, the CFRO is responsible for the permanent education of the board members. In addition, the internal audit function reports to the CFRO and to the Chairman of the Supervisory Board.

All bunq employees take the Banker's Oath.

## Financial Results

During 2018, 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 104.4 million per year-end 2017 to EUR 211.2 million per year-end 2018. The fee income grew from EUR 0.7 million in 2017 to EUR 3.1 million in 2018.

bunq is still investing in its future as a result of which it continues to suffer start-up losses. In 2018 the Net result was EUR 11.1 million negative compared to EUR 9.0 million negative in 2017.

Cost increases were noted within the Cost of Sales reflecting the increased use by users of their bunq account. Furthermore, marketing costs increased from EUR 2.9 million to EUR 4.2 million. Personnel costs, on the other hand, hardly increased. During 2018, our average number of Full Time Equivalent (FTE) employees amounted to 81.5 (2017: 78.1).

Our financial policy is to ensure that our capital buffers comply with regulations and that sufficient funds are available to fund the expected start-up losses balancing the need to invest and grow with financial prudence. To finance our growth the shareholder injected significant amounts of capital in 2018: EUR 10 million. This was primarily to finance start-up losses. During the year and per 31 December 2018 bunq complied with the capital requirements of DNB.

## 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 CFRO.

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-up, 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 the worst comes to the 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 important 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 2018. 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.

#### *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 scrutinize 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. As a result we continuously improve our policies and systems. Notwithstanding our efforts, we have voiced our conviction that only by cross-bank cooperation with governments can today's challenges truly be addressed.

#### *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. No derivatives were used to manage interest rate risk in 2018.

#### *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. We invest primarily in investment grade-rated bonds and monitor our exposures closely.

#### *Liquidity risk*

Liquidity risk is the risk that bunq cannot fulfill its payment obligations. At year-end 2018 bunq had placed most of its funds with the ECB and DNB. As a result, considerable funds were and are directly 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 firmly believes in the full potential of bunq. Up to the end of 2018, he has made capital contributions of EUR 44.9 million needed to fund the start-up losses and to cover the risks in our operations.

## Capital Position

The table below shows bunq's capital ratios:

	31-Dec-18 EUR	31-Dec-17 EUR
Total Risk Weighted Assets (RWA)	3,597,758	5,224,173
Available Common Equity Tier1 capital (CET1)	13,383,735	14,501,023
Available total capital	13,483,735	14,601,023
CET1 ratio (%)	372.0%	277.6%
Total capital ratio (%)	374.8%	279.5%
Leverage ratio	5.8%	11.5%

As most of the assets are invested with central banks the Risk Weighted Assets (RWA) are relatively low and, consequently, CET1% is relatively high. Due to the growth of the balance sheet the leverage ratio decreased in 2018.

## Liquidity Ratios

	31 Dec 2018	31 Dec 2017
Liquidity Coverage Ratio (LCR)	633%	1,232%
Net Stable Funding Ratio (NSFR)	1,271%	1,209%

bunq is very liquid as measured by the regulatory liquidity ratios. The decrease of the LCR is mainly due to a reclassification of some liabilities.

## Our mission: introducing freedom in 2019

We're committed to continue to invest in our product and to keep on introducing freedom in the financial sector, throughout Europe.

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.

In March 2019 we introduced MassInterest, paying interest on balances on Premium and Business accounts. We also announced our intention to diversify our investments by asking users about their preferences how to invest their money. These investments will have an impact on our financial income and risks.

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 18 of this report.

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

Together we build Bank of The Free.

Amsterdam, 27 June 2019

A. Niknam

I.L. van Eeghen

D. Timessen

## 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 relative 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. F.J.S.M. Verhees (Chairman) – appointed 17 November 2018

Mr. J.A. de Ruiter – appointed 1 September 2014

Ms. J.M.W.G. Elissen – appointed 1 July 2016

During the first half of 2018 Mr. J.J.M. Kremers was chairman of the Supervisory Board. Following the completion of his term, Mr. Kremers stepped down from the Supervisory Board as per 30 June 2018.

Mr. Verhees has been appointed for a term of 4 years ending 2022. Mr. Verhees was board member of the Executive Board of Van Lanschot Kempen until 2017. He is currently team manager of the Dutch men's national hockey team.

Mr. de Ruiter has been reappointed for a term of 4 years, ending 1 September 2022. He is Chairman of the Managing Board of Koninklijke Volker Wessels NV.

Ms. Elissen has been appointed for a term of 4 years, ending 1 July 2021. She is managing partner of NewGenes, chairman of Justdiggitt, Supervisory Board member of Transavia and Pymwymic. Ms. Elissen was interim chairman of the Supervisory Board between 1 July 2018 and 16 November 2018 pending the appointment of a new chairman.

There is currently one vacancy for Supervisory Board member.

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 four times during the year. 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.

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 during the first half of the year. 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 second half of 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. A self-assessment of the functioning of the Managing Board and Supervisory Board was conducted at the end of 2018.

The internal auditor was present during all meetings of the Supervisory Board in 2018. 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 18 June 2019, 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.

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 2018. We thank the Managing Board for their leadership, vision and focused style of managing the growth of bunq.

Amsterdam, 27 June 2019  
Mr. F.J.S.M. Verhees (Chairman)  
Ms. J.M.W.G. Elissen  
Mr. J.A. de Ruiter

## Statement of financial position

		31-Dec-18	31-Dec-17
<i>Before profit appropriation</i>		EUR	EUR
		<i>note</i>	
Assets			
Cash and balances with central banks	15	214.987.134	108.943.285 *
Loan and advances to banks	16	4.580.926	6.515.949 *
Investments at amortised cost	17	9.009.448	-
Investments held-to-maturity	18	-	9.036.069
Advances to customers	19	-	-
Tangible fixed assets	20	306.727	465.223
Other assets		1.662.484	1.549.717
Total Assets		230.546.719	126.510.243
Liabilities			
Customer deposits	21	211.152.900	104.390.100
Other liabilities	22	5.910.084	7.519.120
Total Liabilities		217.062.984	111.909.220
Equity			
Share capital	23	118.000	118.000
Share premium		44.800.000	34.800.000
Retained earnings		(20.316.977)	(11.309.394)
Unappropriated result		(11.117.288)	(9.007.583)
		13.483.735	14.601.023
Total liabilities and equity		230.546.719	126.510.243

\* See note 2 for an explanation of the reclassification.

## Statement of profit and loss and other comprehensive income

	<i>note</i>	2018 EUR	2017 EUR
Interest income		10,087	6,846
Interest expense		(675,983)	(197,067)
Net interest income	7	(665,896)	(190,221)
Fee income	8	3,133,438	694,347
Fee expenses	9	(1,840,242)	(582,622) *
Net fee and commission income		1,293,196	111,725
Other income		-	(293)
Total income from operating activities		627,300	(78,789)
Personnel expenses	10	4,452,003	4,379,215
Depreciation	11	131,783	176,993 *
Impairment losses	12	251,562	-
Other expenses	13	6,909,240	4,372,586 *
Total operating expenses		11,744,588	8,928,794
Result before tax from operating activities		(11,117,288)	(9,007,583)
Corporate income tax	14	-	-
Net result		(11,117,288)	(9,007,583)
Other comprehensive income net of taxes		-	-
Total comprehensive income net of taxes		<u>(11,117,288)</u>	<u>(9,007,583)</u>
<i>Result attributable to:</i>			
Owners of the parent		(11,117,288)	(9,007,583)
Non-controlling interests		-	-
Total realised and unrealised income, net of tax		<u>(11,117,288)</u>	<u>(9,007,583)</u>

\* See note 2 for an explanation of the reclassification.

## Statement of changes in equity

	Share capital	Share premium	Retained earnings	Unappropriated result	Total equity
	EUR	EUR	EUR	EUR	EUR
Balance 01/01/2017	18,000	25,900,000	(6,036,329)	(5,273,065)	14,608,606
Appropriation of result prior year	-	-	(5,273,065)	5,273,065	-
Net result for the period	-	-	-	(9,007,583)	(9,007,583)
Contributions	-	9,000,000	-	-	9,000,000
Conversions	100,000	(100,000)	-	-	-
Balance 31/12/2017	<u>118,000</u>	<u>34,800,000</u>	<u>(11,309,394)</u>	<u>(9,007,583)</u>	<u>14,601,023</u>
Appropriation of result prior year	-	-	(9,007,583)	9,007,583	-
Net result for the period	-	-	-	(11,117,288)	(11,117,288)
Contributions	-	10,000,000	-	-	10,000,000
Balance 31/12/2018	<u>118,000</u>	<u>44,800,000</u>	<u>(20,316,977)</u>	<u>(11,117,288)</u>	<u>13,483,735</u>

## Statement of cash flows

	2018 EUR	2017 EUR
Cash flow from operations		
Net result	(11,117,288)	(9,007,583)
Adjustments for:		
Depreciation	161,186	153,444
Impairment losses	251,562	-
	412,748	153,444
Net changes in:		
Other assets	(112,767)	(1,206,674)
Customer deposits	106,514,049	90,693,389
Other liabilities	(1,611,847)	6,733,529
	104,789,435	96,220,244
Income taxes received	-	-
Cash flow from operations	94,084,895	87,366,105
Investments held-to-maturity	9,036,069	(9,036,069)
Investments at amortised cost	(9,009,448)	-
Acquisition of tangible fixed assets	(34,884)	(73,765)
Proceeds from the sale of tangible fixed assets	32,194	12,517
Cash flow from investments	23,931	(9,097,317)
Proceeds from equity contributions	10,000,000	9,000,000
Proceeds from contribution through debt	-	-
Cash flow from financing operations	10,000,000	9,000,000
Cash and cash equivalents at 1 January	115,459,234	28,190,446
Net increase in cash and cash equivalents	104,108,826	87,268,788
Cash and cash equivalents at 31 December	219,568,060	115,459,234
Cash and balances with central banks	214,987,134	108,943,285
Loan and advances to banks	4,580,926	6,515,949 *
Cash and cash equivalents at 31 December	219,568,060	115,459,234

Cash flow from operating activities includes the following items:

Interest received	10,087	6,846
Interest paid	(675,983)	(197,067)

\* See note 2 for an explanation of the reclassification.

## Notes to 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.

#### *Group 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.

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

### 2. Reclassification

As per 31 December 2017 a reclassification is made for EUR 3,5 million from "cash and balances with central banks" to "loan and advances to banks", which gives a better insight in the nature of the account balance and ensures a better reconciliation to the classification in the regulatory reports. In the comparative figures 2017 in the statement of profit and loss the following items have been reclassified: EUR 182,373 reclassified from "other expenses" to "fee expenses" and EUR 23,549 reclassified from "other expenses" to "depreciation".

### 3. Adoption of new and revised standards

#### *Impact of initial application of IFRS 2 Share based payment*

The participation plan is classified as a cash settled share based payment. Selected individuals are offered the opportunity to invest in depositary receipts of bunq B.V., which are issued by the STAK against B-shares of bunq B.V. In case STAK sells the shares it will withdraw the depositary receipts and distribute the cash. As the depositary receipts are not traded, no market price can be derived from traded prices. The fair value of the depositary receipts is determined based on discounted cashflow approach, resulting in a fair value of zero per year-end 2018. The final settlement takes place at the level of bunq Holding B.V.

#### *Impact of initial application of IFRS 9 Financial Instruments*

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The Company has not adjusted the comparative figures. The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

### *Classification and measurement of financial assets*

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost.

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

The directors of the Company reviewed and assessed the financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company's financial assets as regards their classification and measurement. Financial assets classified at amortised cost and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

In paragraph 5.2 measurement and recognition of expected credit losses has been disclosed.

### *Impairment of financial assets*

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on debt investments measured subsequently at amortised cost.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

IFRS 9 classifies financial instruments into three measurement categories:

- Financial instruments at amortised cost
- Financial instruments at fair value through profit and loss (FVTPL)
- Financial instruments at fair value through other comprehensive income (FVOCI)

Fundamentally, the classification of financial assets under IFRS 9 depends on two criteria: the contractual cash flow of the instrument and the entity's business model for managing its financial

instruments. An entity can classify an instrument at amortised cost if contractual cash flows are solely payments of principal and interest and if the business model is to hold instruments to collect contractual cash flows (business model test). If an instrument fails to meet both criteria, then the financial asset should be measured at fair value.

The expected credit loss for investments at amortised cost, other banks and deposits has been recognised as per 31 December 2018, since the expected credit loss is of negligible significance. As of 1 January 2018 the expected credit loss on customer deposits was nil and arose during the year 2018. The expected credit loss as per 1 January 2018 has not been disclosed due to the low impact of the expected credit loss. The following table presents a reconciliation of the impairments of the financial instruments measured at amortised cost under IFRS 9 and as recognised under IAS 39 on 31 December 2018, as compared to the expected credit loss.

	Expected credit loss 31-Dec-18 EUR	Expected credit loss 01-Jan-18 EUR	Impairment IAS 39 31-Dec-17 EUR
Investments at amortised cost	908	-	-
Other banks	566	-	-
Deposits	1,337	-	-
Advances to customers	253,895	-	-
	<u>256,706</u>	-	-

#### *General hedge accounting*

Hedge accounting is not applicable for the Company.

#### *Impact of application of IFRS 15 Revenue from Contracts with Customers*

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018.

This standard has, in particular, an impact on the timing of the recognition of revenue. IFRS 15 introduced a 5-step approach to revenue recognition:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when (or as) the entity satisfies a performance obligation.

The Company has applied the transition to IFRS 15 on the basis of the modified retrospective approach, whereby only the contracts that continue after IFRS 15 is effective have been assessed and comparative figures have not been adjusted. The contracts and services were assessed on the basis of the step-by-step plan. The services that lead to commission income have a short performance period and are recognised at the moment of settlement of the transaction. The services that lead to fees for services are charged over the period to which the service relates. The application of these steps did not lead to a difference in the recognition of revenue. Consequently, although the application of the new standard is based on a different concept, this has not had an impact on the financial statements of the Company as compared to the previous standards.

## *New and revised IFRS Standards in issue but not yet effective*

### *General impact of application of IFRS 16 Leases*

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Company will be 1 January 2019. IFRS 16 will be applied retrospectively.

The Company will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer.

Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Company will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019.

Due to the transition to IFRS 16, the Company's consolidated statement of financial position total will increase by EUR 251,950 as of 1 January 2019. The effect of the transition to IFRS 16 on equity will be nil and the comparative results will not be adjusted due to the transition options. However, following the application of IFRS 16 the lease expenses will in general be reported slightly earlier in future periods, as the interest charges on the leases will be decrease over time. In addition, lease expenses will be recognised as interest expenses and depreciation, and no longer as a lease amount under other operating expenses.

## *4. Use of judgements and estimates*

### *General*

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company'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 capitalized to remain operational until profitability is reached, and to provide sufficient buffers to absorb potential adverse scenarios. The (ultimate) shareholder has

made capital injections to the amount of EUR 44,918,000 up to year-end 2018 and has made an additional capital injection of EUR 2 million as per 20 January 2019, EUR 1.2 million per 28 February 2019, EUR 1 million as per 30 April 2019 and EUR 1 million as per 28 May 2019.

The (ultimate) shareholder intends and is able to provide ongoing capital support for at least 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 Resolution Directive requires banks to prepare recovery plans to overcome financial distress. The Company has an exit-plan scenario in place which addresses such financial distress event.

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 recognized 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 recognized as expense during the period is comprised of the personnel expenses related to the development of the IT platform and is estimated at 12% 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.

#### *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.

## 5. Significant accounting policies

### 5.1 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.

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 principal accounting policies adopted are set out below.

### 5.2 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 recognized 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 always 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.

#### *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 is 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.

#### *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.

### *5.3 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.

### *5.4 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 to banks are classified as loans and receivables. Loans and advances to customers include those classified as loans and receivables.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method minus impairments if any.

### *5.5 Investments at amortised cost*

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

### *5.6 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.

### *5.7 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 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 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 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.

#### **5.8     *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.

#### **5.9     *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.

#### **5.10   *Revenue***

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.

#### **5.11   *Interest***

Interest income and expense are recognized 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.

#### **5.12   *Subsequent costs***

Subsequent expenditure is capitalized 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.

#### **5.13   *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 recognized in other comprehensive income or directly in equity respectively.

#### *5.14 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.

### *6. 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 analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

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 and an external specialized white hacker agency. 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 the specialized 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, 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 is managed by setting and monitoring minimum acceptable credit ratings of the issuer or bank involved. 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. As per reporting date none of the financial assets were past due. 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-18	31-Dec-17	31-Dec-18	31-Dec-17
	EUR	EUR	EUR	EUR
Risk classification by Basel risk weight				
0%	214,987,134	108,943,285	-	-
20%	-	-	4,580,926	3,485,223
50%	-	-	-	3,030,726
100%	-	-	-	-
Total gross amount	214,987,134	108,943,285	4,580,926	6,515,949
Impairments	-	-	-	-
Total at carrying amount	214,987,134	108,943,285	4,580,926	6,515,949
Concentration by location				
Netherlands	210,707,984	106,131,223	2,981,574	3,515,712
Germany	4,279,150	2,812,062	-	1,700,237
Belgium	-	-	-	1,300,000
United Kingdom	-	-	1,599,352	-
Spain	-	-	-	-
Total at carrying amount	214,987,134	108,943,285	4,580,926	6,515,949

	Other assets	Other assets	Investments	Investments
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	EUR	EUR	EUR	EUR
Risk classification by Basel risk weight				
0%	11,759	16,708	7,993,945	8,015,019
20%	4,949	-	1,015,503	1,021,050
50%	1,302,417	1,364,149	-	-
100%	650,086	168,860	-	-
Total gross amount	1,969,211	1,549,717	9,009,448	9,036,069
Impairments	-	-	-	-
Total at carrying amount	1,969,211	1,549,717	9,009,448	9,036,069
Concentration by location				
Netherlands	1,952,503	1,533,009	-	-
Germany	11,759	11,759	7,993,945	8,015,019
Belgium	-	-	-	-
United Kingdom	-	-	-	-
Spain	4,949	4,949	1,015,503	1,021,050
Total at carrying amount	1,969,211	1,549,717	9,009,448	9,036,069

	Total	Total
	31-Dec-18	31-Dec-17
Risk classification by Basel risk weight		
0%	222,992,838	116,975,012
20%	5,601,378	4,506,273
50%	1,302,417	4,394,875
100%	650,086	168,860
Total gross amount	230,546,719	126,045,020
Impairments	-	-
Total at carrying amount	230,546,719	126,045,020
Concentration by location		
Netherlands	215,642,061	111,179,944
Germany	12,284,854	12,539,077
Belgium	-	1,300,000
United Kingdom	1,599,352	-
Spain	1,020,452	1,025,999
Total at carrying amount	230,546,719	126,045,020

The Company has not obtained any collateral held as security or other types of credit enhancements at the reporting dates.

#### *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 unauthorized access by customers, external parties or employees.

##### *Management of IT risk*

The security measures in place to protect the Company's systems include encrypted connections and multi-layered security. All services are inherently designed to mistrust all other services. In addition, intrusion and detection systems are in place, which are updated regularly. The Company performs regular penetration tests by a specialized agency focusing on the security and redundancy of its IT and network infrastructure as well as the software, including the app.

A Business Continuity Plan covers unexpected disruptions. Other contingency measures include two real time fall-back datacenter with an ISO-certification, and contingency possibilities for the office. Software is built on a hardware agnostic basis.

To protect the Company's customers, a secure login authentication procedure with 6-figure pin and device authentication is employed. Any sensitive data stored on customer's devices is encrypted.

##### *Fraud risk*

This is the risk of reputation or financial losses due to deception 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. Staff are screened before being employed. There is a Code of Conduct for staff.

##### *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 recognized 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 materialize 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.

#### *Management of liquidity risk*

The Company's holds significant balances with central banks, which allow it to settle its obligations immediately. Balances are monitored closely and managed to appropriate levels. The Company performs stress tests to ensure that it can meet its obligations in times of stress.

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.

#### *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's 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.

At 31 December 2018, the Company held investments in regional government bonds for an amount of EUR 9,009,448, which are classified as hold to collect. Given this classification a change in interest rates will not affect the Company's Statement of profit and loss. However, the market value of the investments is sensitive to changes in interest rates and credit spreads.

The balances that the Company holds with central banks carry a negative interest rate. Changes in interest rate typically do not impact the fair value of the balances, but can influence the interest costs in the profit and loss.

### *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.

	EUR 2018
Instant parallel increase of interest rates by 200 bps:	
Impact on market value of equity	(764,000)
Impact on 12 month interest income	4,315,000
Instant parallel decrease of interest rates by 200 bps:	
Impact on market value of equity	764,000
Impact on 12 month interest income	(4,315,000)

At 31 December 2018, the Company did not hold any derivatives.

### *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 recognizes the importance of CDD and AML measures to avoid that criminals and fraudsters abuse our services. As a result, we made considerable efforts to further improve our CDD and AML processes in 2018 and early 2019.

Banking supervisors regularly perform on-site reviews to assess bank's compliance with laws and regulations. Such scrutiny may identify shortcomings, which can lead to regulatory actions. Also in 2018 on-site reviews were held. Based on available information, at year-end 2018 no financial provision have been made for compliance risks from ongoing investigations

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

	31-Dec-18 EUR	31-Dec-17 EUR
Total Risk Weighted Assets (RWA)	3,597,758	5,224,173
Available Common Equity Tier1 capital (CET1)	13,383,735	14,501,023
Available total capital	13,483,735	14,601,023
CET1 ratio (%)	372.0%	277.6%
Total capital ratio (%)	374.8%	279.5%
Leverage ratio	5.8%	11.5%

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: The carrying amounts concern EUR 5,039,350 of investments in AA-rated sovereign bonds and EUR 4,017,361 of investments in A-rated sovereign bonds. The total fair value per 31 December 2018 amounted to EUR 9,056,711.
- 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 bank 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 governments bonds is considered a level 1 fair value in the fair value hierarchy at 31 December 2018. No transfers were made between the levels of the fair value hierarchy in either 2017 or 2018.

See below an overview of the different levels.

	Level 1 EUR	Level 2 EUR	Level 3 EUR	31-Dec-18 EUR
Investments	9,056,711	-	-	9,056,711
	<u>9,056,711</u>	<u>-</u>	<u>-</u>	<u>9,056,711</u>

### 7. Net interest income

Interest expense on balances with central banks concerns negative interest on balances maintained with the central bank.

### 8. Fee income

	2018 EUR	2017 EUR
Consumer fees	1,540,275	351,047
Business fees	1,384,467	345,959
Other revenue	208,696	(2,659)
	<u>3,133,438</u>	<u>694,347</u>

### 9. Fee expenses

	2018 EUR	2017 EUR
Clearing and settlement	243,509	114,531
iDEAL and SOFORT fees	169,070	45,991
Customer due diligence	366,873	226,995
Card transactions	634,854	118,059
Card production	425,936	68,549
Other cost of services	-	8,497
	<u>1,840,242</u>	<u>582,622</u>

## 10. Personnel expenses

	2018	2017
	EUR	EUR
Wages and salaries	3,943,031	3,851,116
Social premiums	508,972	528,099
Total personnel	<u>4,452,003</u>	<u>4,379,215</u>
Wages and salaries:		
Gross wages	3,005,169	2,845,132
Holiday surcharges	216,809	263,373
Reclaimed wage taxes under WBSO	(136,660)	(102,795)
Externally hired personnel	328,324	186,535
Supervisory Board fees	92,325	196,342
Travel expenses	184,059	143,168
Restaurant expense	-	36,914
Education and courses	14,092	4,988
Recruitment	43,044	90,703
Commuting expense	136,463	162,842
Other staff expenses	59,406	23,914
Total wages and salaries	<u>3,943,031</u>	<u>3,851,116</u>

In 2018, the Company had on average 81.5 (2017: 78.1) staff members based on full time equivalents (FTE). 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'.

## 11. Depreciation

	2018	2017
	EUR	EUR
Equipment	104,760	97,252
Building renovations	56,426	56,192
Result on disposal	(29,403)	23,549
	<u>131,783</u>	<u>176,993</u>

## 12. Impairment losses

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

	2018	2017
	EUR	EUR
Advances to customers	248,751	-
Loan and advances to banks	1,903	-
Investments at amortised cost	908	-
	<u>251,562</u>	<u>-</u>

## 13. Other expenses

	2018	2017
	EUR	EUR
Office expenses	382,067	347,631
Marketing expenses	4,238,465	2,946,036
Technical expenses	904,757	674,645
General & Administrative expenses	1,383,951	404,274
	<u>6,909,240</u>	<u>4,372,586</u>

### 13.1 Office expenses

	2018	2017
	EUR	EUR
Rent expenses office	244,399	218,501
Restaurant expenses	48,677	-
Cleaning expenses	25,725	29,295
Telephone and internet expenses	20,981	13,577
Office supplies	6,088	31,447
Other housing expenses	-	4,194
Other office costs	36,197	50,617
	<u>382,067</u>	<u>347,631</u>

In 2017 the restaurant expenses were recognised under personnel expenses.

### *13.2 Marketing expenses*

	2018	2017
	EUR	EUR
Advertising	3,804,579	2,253,015
Marketing events	176,634	116,124
Consulting services	148,599	68,959
Public relations	73,065	-
Gifts	4,793	25,686
Representation expenses	-	1,656
Other sales and marketing expenses	30,795	480,596
	<u>4,238,465</u>	<u>2,946,036</u>

### *13.3 Technical expenses*

	2018	2017
	EUR	EUR
Payment infrastructure subscriptions	444,269	396,286
Software licenses and subscriptions	282,800	138,589
Data center expenses	69,315	139,770
Network Infrastructure expenses	45,443	-
Other technical expenses	62,930	-
	<u>904,757</u>	<u>674,645</u>

### *13.4 General & Administrative expenses*

	2018	2017
	EUR	EUR
Internal and external audit fees	483,477	131,727
Supervision expenses	294,962	102,520
Advisory expenses	332,197	142,810
Administrative expenses	105,547	0
Insurance expenses	9,246	5,605
Other general expenses	158,522	21,612
	<u>1,383,951</u>	<u>404,274</u>

Other general expenses concern bank and other banking transaction services.

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 2018 and KPMG for the year 2017 (including VAT):

	2018	2017
	EUR	EUR
Statutory audit of annual accounts	133,100	95,901
Other assurance services	18,150	-
	<u>151,250</u>	<u>95,901</u>

#### 14. Corporate income tax

For 2018 and 2017 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 28,927,139. 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 before
2015	3,515,513	2024
2016	5,273,064	2025
2017	9,018,817	2026
2018	<u>11,119,745</u>	2027
	<u>28,927,139</u>	

#### 15. Cash and balances with central banks

The balances are held at De Nederlandsche Bank and the European Central Bank. The entire balance is at full and free disposal of the Company.

#### 16. Loans and advances to banks

	31-Dec-18	31-Dec-17
	EUR	EUR
Current accounts at other financial institutions	1,282,829	3,485,562
Mastercard deposit	1,700,000	1,700,100
Mastercard prepayment	1,600,000	1,300,000
Internation Card Services deposit	-	30,287
	<u>4,582,829</u>	<u>6,515,949</u>
Provision for expected credit loss	(1,903)	-
	<u>4,580,926</u>	<u>6,515,949</u>

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 and the ICS deposit concern 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.

### *17. Investments at amortised cost*

	31-Dec-18 EUR	31-Dec-17 EUR
Government bonds	9,010,356	-
Provision for expected credit loss	(908)	-
Balance sheet value as at 31 December	<u>9,009,448</u>	<u>-</u>
Movements during the year:		
IFRS 9 transition adjustment	9,036,069	-
Movement in accrued interest	(25,713)	-
Amortised cost as at 31 December	<u>9,010,356</u>	<u>-</u>
Provision for expected credit loss	(908)	-
Balance sheet value as at 31 December	<u>9,009,448</u>	<u>-</u>

The rates are taken from Bloomberg.

### *18. Investments held-to-maturity*

	31-Dec-18 EUR	31-Dec-17 EUR
Government bonds	<u>-</u>	<u>9,036,069</u>
Movements during the year:		
Amortised cost as at 31 December prior year	9,036,069	-
IFRS 9 transition adjustment	(9,036,069)	-
Purchases	-	9,045,493
Movement in accrued interest	-	(9,424)
Balance sheet value as at 31 December	<u>-</u>	<u>9,036,069</u>

### *19. Advances to customers*

	31-Dec-18 EUR	31-Dec-17 EUR
Negative customer balances	253,895	-
Provision for expected credit loss	(253,895)	-
	<u>-</u>	<u>-</u>

## 20. Tangible fixed assets

	Equipment	Building (renovations)	Total
	EUR	EUR	EUR
Cost			
Balance at 1 January 2017	529,588	292,464	822,052
Additions	73,765	-	73,765
Disposals	(21,991)	(23,671)	(45,662)
Balance at 31 December 2017	581,362	268,793	850,155
Balance at 1 January 2018	581,362	268,793	850,155
Additions	34,884	-	34,884
Disposals	(135,080)	22,926	(112,154)
Balance at 31 December 2018	481,166	291,719	772,885
Accumulated depreciation			
Balance at 1 January 2017	(217,040)	(47,593)	(264,633)
Depreciation for the year	(95,317)	(58,591)	(153,908)
Accumulated depreciation disposals	19,015	14,594	33,609
Balance at 31 December 2017	(293,342)	(91,590)	(384,932)
Balance at 1 January 2018	(293,342)	(91,590)	(384,932)
Depreciation for the year	(104,760)	(56,426)	(161,186)
Accumulated depreciation disposals	89,557	(9,597)	79,960
Balance at 31 December 2018	(308,545)	(157,613)	(466,158)
Carrying amounts			
Balance at 31 December 2017	288,020	177,203	465,223
Balance at 31 December 2018	172,621	134,106	306,727

## 21. Customers deposits

	31-Dec-18	31-Dec-17
	EUR	EUR
Deposits of consumers	100,538,446	44,979,844
Deposits of businesses	110,587,420	57,872,433
e-money deposits	33,358	34,912
Not yet designated customer deposits	(6,324)	1,502,911
	<u>211,152,900</u>	<u>104,390,100</u>

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.

## 22. Other liabilities

	31-Dec-18	31-Dec-17
	EUR	EUR
VAT payable	122,747	141,968
Account payable	1,083,291	223,566
Accrued liabilities	868,528	402,170
Unsettled liabilities	3,720,228	6,625,704
Other liabilities	115,290	125,712
	<u>5,910,084</u>	<u>7,519,120</u>

All other liabilities have a remaining term shorter than 12 months. Other liabilities include payroll tax.

## 23. Share capital

A total of 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 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.

## 24. Contingent liabilities

The Company has leases for office premises in Amsterdam. The lease contract runs until 1 March 2021, with an option of an extension of 5 years each time until 1 March 2031.

The remaining maturity of the outstanding liabilities is as follows:

	31-Dec-18	31-Dec-17
	EUR	EUR
within one year	231,953	222,636
one to five years	270,611	482,377
longer than five years	0	0

## 25. Related parties

### *Parent and ultimate controlling party*

bunq Holding B.V. has held 100% of the outstanding ordinary Class A shares throughout 2018. 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 2018. One management board member participates 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 cashflow approach, resulting in a fair value of zero per year-end 2018. 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 2018.

	2018	2017
	EUR	EUR
Managing board	319,443	206,350
Supervisory board	<u>92,325</u>	<u>196,342</u>
	<u>411,768</u>	<u>402,692</u>

## 26. Subsequent events

The shareholder made an additional capital injection of EUR 2 million per 20 January 2019, EUR 1.2 million per 28 February 2019, EUR 1 million per 30 April 2019 and EUR 1 million per 28 May 2019.

### *27. Proposal of appropriation of the result for the financial year 2018*

The loss of EUR 11,117,288 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, 27 June 2019

## 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).