bunq

BANK OF THE FREE

# bunq B.V Consolidated Financial Statements

2021

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# Management Board Report

## bank of The Free - A pioneer at a crossroads in history

For all our efforts making history, it's often history that makes us.

Today's historical context without a doubt is the war in Ukraine. Although it's a recent conflict that will hopefully be resolved quickly, its impact on all of us is plainly apparent, as is the realization of how much today's world events will shape our own place in history.

On a personal level, the current crisis sees many bunq users and employees who hail from Ukraine facing constant uncertainty on the fate of their friends and family in the area. On a larger scale, a humanitarian event of this size has us scouring for ways to contribute.

A few days after the start of the conflict, our CEO and founder Ali Niknam, together with fellow tech entrepreneurs Joris Beckers (Picnic) and Robert Vis (Messagebird), launched the People for People foundation. Its goal is straightforward: to get as many people to safety as possible, using whatever means we have at our disposal, from providing shelter to facilitating those in need with free bank accounts.

To date, over 10 000 refugees have benefitted from free bunq accounts. As is so often the case though, the real, lasting impact of bunq's initiative is its effect on the finance sector as a whole: several weeks after we demonstrated the added value a bank can have in situations like these, traditional banks followed suit. We hope first and foremost that the conflict will end soon but take pride in the fact that people seeking refuge can now count on a free bank account to facilitate their basic needs, be it at bunq or elsewhere.

Although recent events in Ukraine are unheard of in modern Europe, it's worth noting that global developments have coloured bunq's history from our very inception. The bank of The Free came to life in the wake of a global recession and its subsequent effect on people's perception of the finance industry.

Since then, the words bank of The Free have signified how we made history as well as continued to rhyme increasingly well with the context of the world around us: if the covid pandemic provided proof for the viability of a bank that puts its users first, today's history will underscore the need for it.

We are bunq - bank of The Free. Ten years ago we set out to do something many considered impossible. As this report will show, impossible is just a word for things that haven't been done yet. As recent developments have shown, there are many "impossible" challenges ahead. This report, released simultaneously with our yearly Environment Social

and Governance report on the progress we've made in the area of sustainability, will describe how we've managed to break new ground so far.

The concept of a bank that exists to make life easy for its users was met with interest and scepticism alike back in 2015. A bank centred on providing services rather than making money from money sounded admirable, but hardly viable in the eyes of many. It seemed, in one word, impossible.

Indeed, our ambitions never lacked any clarity: to break free from the status quo and challenge what banking is and what it can be.

We've since grown from a remarkable disruptor into the de facto innovator of the finance industry, where we keep pushing the boundaries of what a bank can do to make life easy, day by day, year by year.

The reason we were able to change banking at such a fundamental level is because our users have always been at the core of everything we do. We make their lives easy, so they can get a grip on their finances. We create innovative products, so they can focus on what's important to them, rather than spend time on financial admin. Lastly, we help make our users be part of something bigger, so that together we can leave a positive mark on the planet.

As a completely self-funded bank up until 2021, we always retained the freedom and independence to align our commercial reality with the happiness of our users. It enabled us to focus on building the bank of The Free rather than be distracted by instant profits. It allowed us to show the world that user happiness, sustainability and growth aren't competing factors, but compounding forces. In 2021 we found a kindred spirit in Pollen Street Capital. They are an investor specialized in the financial industry and became a shareholder in bunq's first round of investment, valuing the company at 1.6 billion euro. With this investment round, bunq also acquired Capitalflow, an Irish SME finance company owned by Pollen Street Capital, with a strong focus on its small business users. The synergies between bunq and Capitalflow are such that we proved once and for all that a bank can make life easy, have a positive impact and be profitable, an absolute first for a neobank.

As we continued to make our mark on the banking landscape, so too did the ongoing pandemic on society at a whole. Like the year before it, the pandemic locked down society for long periods of time and had a significant impact on our users, our staff and on bunq. However, our innate adaptability, resourcefulness and diversity enabled us to weather the storm.

This was reflected most in our continued growth, both in terms of the number of new users we welcomed as well as in the total amount of user deposits our users added in 2021, further proving that faith in bunq keeps growing consistently.

Looking forward, the world is at a crossroads, with many challenges that will need to be overcome. The Ukraine war and repressive regimes cause much suffering and at bunq we aim to provide help and support where we can. As the self-proclaimed bank of The Free, that is our duty. Next, we will continue to find innovative solutions to save time and money for our users and make their life easy. Now that we've proven the viability of our philosophy, we aim to expand bunq internationally. Again showing that impossible is just a feat in search of a pioneer.

Unsurprisingly then bunq's current horizons bring both geographical and portfolio expansion into laser sharp focus. Having already opened offices in Amsterdam, Rotterdam, Nijmegen and Sofia, bunq is presently setting up branches in Dublin, Vienna, Madrid, Brussels and Lisbon, offering users from those territories a local presence and as such a fully-fledged fintech alternative to traditional banking.

Concurrent with offering users all over Europe a bunq experience tailored to their local needs and possibilities, bunq is making great strides in expanding its portfolio to the point where it will become a full-service bank. Testament to these ambitions are bunq's recent additions of its own mortgage brand or the introduction of Easy Investments, allowing users to leverage their funds on the stock market.

Lastly, the combined expansion of our product scope and our increased presence across Europe clearly underscores our strategy for further growth by means of mergers and acquisitions. Following the aforementioned acquisition of Capitalflow, bunq's exponential user growth recently got its biggest boost yet, when on May 3, 2022, we acquired Belgian fintech Tricount. On that day, we welcomed 5.4 million users to the bunq family.

Still commonly labelled a disruptor or challenger, recent developments have clearly shown that technology, innovation and a relentless drive to stand up for The Free, can do much more than simply change the status quo: bunq is in fact well on its way to becoming the first fully mobile full-service bank in Europe.

To illustrate, the very first cars at one time were, according to urban legend at least, conceived as faster horses of sorts. bunq came to life as a neobank, a faster bank so to speak.

Seven years into our existence we're able to offer people a fully-fledged alternative to legacy banking, so much so that 'bunq' is quickly attaining its own meaning, no longer rooted in old thinking. To bank is to subscribe to ancient practices and principles whose merit is a mere echo in our modern world. To bunq is to Make Life Easy.

This report describes how we reached some of our most important milestones in the past year, laying the groundwork for future international expansion on a scale larger than ever before.

## Looking back on 2021

2021 saw us making great strides toward making life easy for our users. Building on the innovation and product centred philosophy that's fuelled our growth since our inception, we managed to further create a user experience matching our users' wants and needs. Our products can be divided into three main categories:

- Easy Bank, offering all the safety and security of a true bank with the flexibility searched for by expats, couples or starting businesses. An easy bank account that can be opened within 5 minutes.
- Easy Money, tailored to people who want their finances to be easy and free of worries with budgeting solutions and the ability to bank internationally as a local.
- Easy Green, for people who want to become CO2 free without any effort, simply by using their bunq cards.

All products are available to both individuals and businesses, whereby business users get access to extra features designed specifically to benefit entrepreneurs, allowing them to save time and focus on growing their business(es) without any hassle.

All bunq account holders have direct access to one or more current accounts. This enables them to transfer money in a variety of ways, including:

● SEPA payments: SEPA credit transfers (SCT), SEPA Direct debits (SDD) and SEPA Instant Credit Transfers.

● Card payments: Maestro, Mastercard.

● International transfers through Wise and CurrencyCloud.

Many new features and innovative solutions that make life easy were added in 2021. Highlights include:

- **Local IBANs**; We made the international lifestyle easier than it's ever been with the introduction of multi-national IBANs. In 2020, bunq became the first bank where users can now open bank accounts with French, Spanish, German and Dutch IBANs, regardless of their geographical location.
- **Foreign Currencies**; One app for receiving, converting, holding, and spending multiple currencies. In another first, bunq users can now bank like a local simply by opening an account in the currency of their choice.
- **Target Instant Payment Settlement (TIPS)**; bunq became the first neobank to offer its users Instant Payments all across Europe.
- **Gift Tree Planting**; Listening to our users' desire to use bunq to have a positive impact, Easy Green users were empowered to double their green impact by awarding another bunq user of their choice the ability to plant a tree for every EUR 100 spent with their bunq cards.
- **Easy Green Widget**; We created an easy-to-use widget users can add to their website or blog. You can use this to show the world how easy you can have a green impact, as well as inspire others to follow suit.
- **Activities**; Enjoy spending time together without ever having to think about expenses. Simply start an activity and all your card payments are automatically added to a shared pot. Split it at the end with one tap!
- **Loyalty Cards**; Never worry about bringing dozens of loyalty cards with you. Simply add them to the app and have full access anytime, anywhere.
- **Budget V2**; An upgrade to making budgeting easy and hassle-free, giving you full control of your money. You can now fully customize your budget by choosing your starting date and include/exclude as many accounts as you like.
- **Payment Sorter by %**; Always be in control of your money by sorting incoming payments the way you want, in amounts or percentages, the choice is yours.
- **Places**; Visiting a new place? Use Places to find out where other bunq users have been and always enjoy the best hotspots wherever you go!
- **Inner Circle**; Using bunq with your friends and loved ones? Add them to your Inner Circle for an easy overview and never lose sight of them again.
- **SOS Support**; SOS? bunq will help you in no time! Simply open an SOS chat through the app or call our number. Follow a few simple steps, and your issue becomes our number one priority - saving you time when you need it most.

- **Batch Actions**; Want to split 5 payments after a night out with friends? Or add multiple payments to an activity? Simply select all the events in the app, and sort them out with one tap!
- **Salary Sorter**; Automagically let incoming payments flow to sub-accounts, your savings goals or any IBAN from any bank. Be it your landlady, a charity close to your heart or the ski trip you're saving up for, you're sorted month after month!
- **Friends 2.0**; The Friends tab just got an upgrade! Check out the map to see the countries you've visited (in green), or the countries that your friends loved (in blue). Same group, new adventure? You can start a new Activity with one tap, no manual hassle!
- **Auto Accept**; You never have to manually approve payments to your favourite stores or to your best friends. Simply enable Auto Accept and automatically approve all future payments.
- **Subscriptions**; The easiest way to organize your subscriptions. Set reminders so you always know when a subscription is about to expire, ahead of time.
- **Debit reminders**; You can choose to automatically accept a direct debit that's about to expire. Get an automatic reminder a day before your direct debit expires.

In addition to the new features listed above, 2021 gave us several key moments worth mentioning, each underscoring a different way we embody and make life easy for The Free, each marking instances where we were the first to do something previously considered impossible, and each making headlines that will resonate forever in the banking sector and beyond.

In May of 2021, bunq became the first bank to ever give users full control over the name on their card. Aptly named True Name, the feature lets bunq users leverage their preferred name on their bunq cards. While this may seem of little importance to many, the discrepancy between someone's given name and someone's true name is an all too familiar obstacle in the everyday lives of many people in the LGBTQ+ community. Their response to us launching this feature once again underscored the importance of a bank listening to its users and understanding what is important to them.

In yet another first, bunq announced it will offer mortgages. Striking up a partnership with Dutch mortgage firm Tulp Hypotheken, bunq will initially cater to the Dutch market, guided by our simple philosophy: to make life easy wherever and whenever they can.

## 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 December 1st 2013
Mr. I.L. van Eeghen (CFRO) – appointed June 1st 2018
Mr. Raymond Kasiman (CIO) - appointed July 1st 2021

The composition of the Supervisory Board is disclosed under the Report Supervisory Board as of page 28. It is with great sadness the Management Board learned of the passing of Rob Sprecher, chairman of the Supervisory Board, in April of 2022. bunq's Management Board recognizes his many contributions, as chairman of the board and as an early inspiration for bunq itself. His presence will be missed as much as his impact will last.

One of bunq's key traits has always been that it welcomes everyone, regardless of gender, race or ability. It's why our primary focus has always been on objective results above anything else. The Managing Board currently doesn't meet the 'balanced composition' requirement, according to which 30% of the board should consist of women. In light of this subject it's important to note that many significant positions at bunq are held by women and by people with a wide variety of backgrounds. Part of what makes bunq successful is that it's a highly diverse workplace where everyone gets to apply their unique personality and talent to make a difference.

In 2021 we did not have variable rewards for our staff and management. Neither do we have staff who earn more than EUR 1 million, something we have to report according to the Act on Financial Supervision (Wet op het financieel toezicht). On the contrary, employees nor board members come close to such amounts. The total remuneration of bunq's Managing Board (3 persons) in 2021 was EUR 335.162.

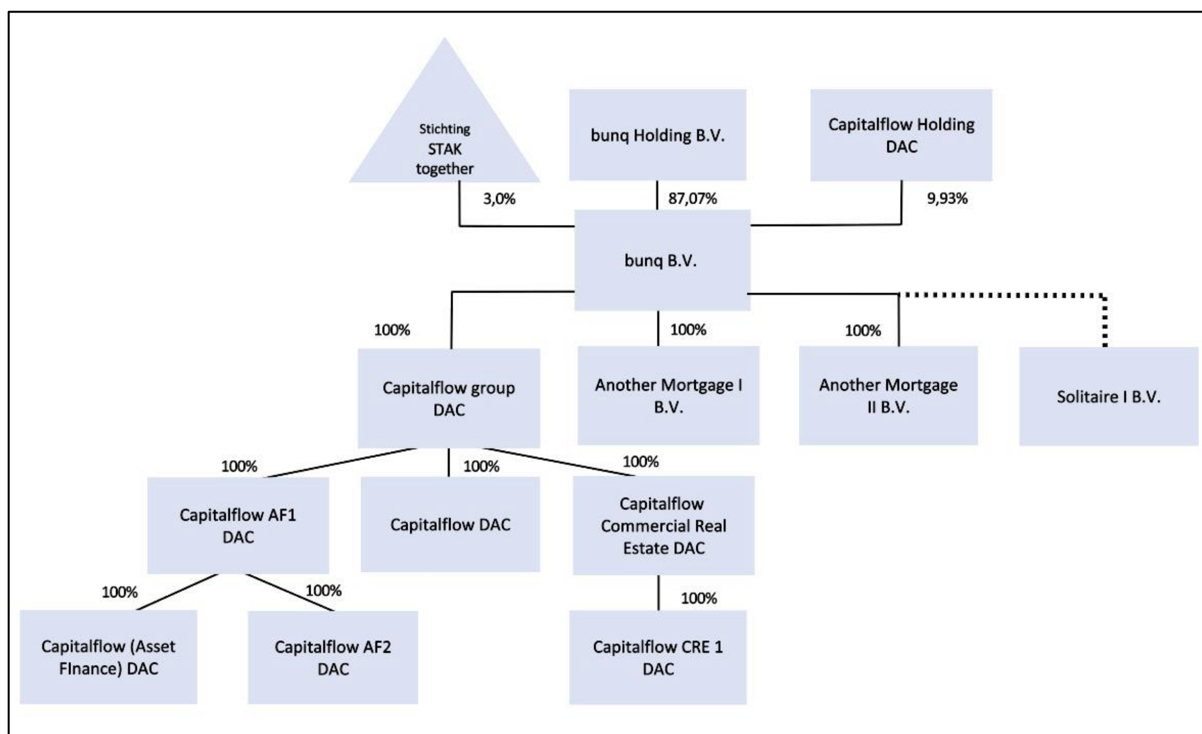
bunq fully subscribes and adheres to the Code Banken, as far as applicable in this stage of the Company's life. bunq deviates from the Code Banken regarding the distribution of responsibilities between the CEO and CFRO. To reduce the already large span of control of the CEO, the CFRO is responsible for the permanent education of the board members. In addition, the internal audit function reports to the CRO and to the Chairman of the Risk and Audit Committee of the Supervisory Board. During 2021 a CIO has been appointed to focus on innovation, engineering and data.

All bunq employees take the Banker's Oath.

## Organization

Due to the acquisition of Capitalflow Group the organization has expanded with additional entities. Capitalflow Group focuses on three different SME lending activities, which are all administered in separate entities.

bunq holds its investment in mortgages in three separate entities. Another Mortgage I B.V. and Another Mortgage II B.V. and its eligible mortgages for Long Term Refinancing Operations are in Solitaire B.V. (a bankruptcy remote entity)




## Financial Results

During 2021, 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 813 million per year-end 2020 to EUR 1.107 million per year-end 2021. The gross user fee income grew from EUR 18,5 million in 2020 to EUR 32,7 million in 2021, due to the significant increase in users.

Due to the investments in the mortgage portfolio and the acquisition of Capitalflow as of 26 November 2021 the interest income grew from EUR 0,9 million in 2020 to EUR 9,1 million in 2021.

bunq is still investing in its future, as a result of which it continues to suffer operational losses. In 2021 the Net result was EUR 13,4 million negative compared to EUR 16,1 million negative in 2020. After the acquisition of Capitalflow bunq is operational profitable but will use the additional raised capital to invest further in its growth ambitions.

Cost increases were noted within the Fee expenses reflecting the increased use by users of their bunq account and additional features being released in 2021. We do see the scale-up impact as the Fee income has increased by 76% and the Fee expenses has been growing at 40%. Furthermore, marketing costs decreased slightly from EUR 9,7 million to EUR 9,6 million and personnel costs increased from EUR 8,9 million to EUR 11,9 million

During 2021, our average number of Full Time Equivalent (FTE) employees amounted to 240 (2020: 153).

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 majority shareholder injected significant amounts of capital up to November 2021: 125 million euro. On 26 November 2021 the Series A capital round was completed with the acquisition of Capitalflow Group and an additional capital injection of 31,9 million euro.

During the year, as well as per December 31, 2021, bunq complied with the capital requirements of DNB.

## Risks

The risk management of the organization is structured following the three lines of defence model. The first line of defence are the operational departments which are responsible for identifying, mitigating and reporting the risks. The second line of defence keeps oversight over the first line's effectiveness to identify and mitigate risks.

Compliance and Risk are in the second line of defence. The second line must be independent from the first line of defence. In bunq the second line reports to the CRO.

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

bunq is exposed to various sorts of risk, which are covered in the Risk Appetite Statement The Risk Appetite Statement has been updated in November 2021 to incorporate the additional risks due to the acquisition of CapitalFlow Group.

The general risk approach is approved by the Supervisory Board and can be summarized as follows:

"To achieve its strategic objectives, bunq's modus operandi is characterized by the same traits of many start-ups in the tech sector: a risk-based fail-fast agile approach:

- To be able to deliver on its goal, bunq has no appetite for risks that would have a destructive impact, such as failing to comply with regulations, large financial losses, major operational disruptions, or lag in growth

- On the other hand, bunq has an appetite for experimenting as long as it can detect any false step and to correct the initial action; as a learning organization, bunq's most valued qualities are speed and resilience

- Hence bunq's risk management focus ranges from mostly prescriptive and preventive measures against catastrophic events to mostly detective and corrective measures against milder threats. In general, being able to fix fast any unexpected, unforeseeable issue is deemed preferable to defining preventive measures against expected, foreseeable issues

- For a number of catastrophic scenarios — regardless of the effectiveness of the preventive measures — a contingency plan is created

Summarizing, bunq's risk management puts a strong emphasis on:

- Ownership of the risks inherent to business processes lies with the 1st line of defence

- Learning from experience or, put differently, systematically capitalizing on the setbacks that may happen, rather than avoiding failures completely

- Close monitoring of processes: quick detection is the first step to reduce the losses of an adverse event

The key principle is that those responsible for risk-taking are also accountable for managing the associated risks. Identification and adherence to the bunq's values, principles of high ethical standards are everyone's responsibility.

Ultimately, a good risk culture is a product of day-to-day actions, and the way key decisions are made and communicated. Co-operation and constructive dialogue are part

of a sound risk culture. A sound risk culture enables the organization to do the right thing, even in challenging circumstances.

Finally, the Risk Appetite Statement is deployed as a set of operational rules for the first line of defence, which are shared internally on bunq's intranet. The risk governance is described in the Risk Management Policy. The Treasury governance is described in the Asset and Liability Management Policy.

We discuss the most important risks below.

## Business risk

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

## Operational risk

Operational risk is the risk of incurring losses due to failing or inadequate internal processes, people or systems, or from external events.

As a tech company, technology is of the utmost importance to us. Technology risks are identified and various mitigation measures are in place. In the event that an unexpected event occurs then a business continuity process kicks in to address the situation in the shortest possible time.

As a result, the time that services were not available to our users, i.e. downtime, one of our key metrics, was relatively low in 2021. Our financial reporting is also supported by several IT systems. Internal controls are in place and will continue to be strengthened to improve their auditability.

Operational risk losses may also be incurred by causes other than technology, such as human error and fraud. We use a number of processes and controls to manage these risks, increasing the sophistication of our countermeasures with the scale of the company.

A concerning trend seen by bunq and any of its contemporaries is the ever-increasing risk of cybercrime. As always, we make sure to use the latest technology in aid of thwarting said threats. Additionally, we added extra measures in 2021, aimed specifically at protecting user data and strengthening internal processes to ensure all bunq employees follow strict rules whenever they exchange or process data.

The increased number of services bunq offers to its users comes at the cost of increasing the overall complexity of our systems and the number of integrations. bunq therefore strengthened its Third-Party Risk Management framework, which has also been in scope of our internal audit.

The risk of losing skills and knowledge can be high for smaller companies such as bunq and has been exacerbated by a period of fierce competition on the jobs market, which even earned its own name, “the Great Resignation”: therefore at the end of 2021, bunq started a project that leveraged significant changes to its remuneration policies aimed at attracting and retaining talent (more on this in the dedicated section).

## 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.

In April 2022 newspapers reported on our appeal against a decision in 2019 by DNB to issue an Instruction in relation to our compliance with AML. In general we have a good relationship with DNB in which we successfully manage to resolve our issues in good mutual understanding. However, this issue is the notable exception. Due to the absence of a constructive dialogue we were not able to resolve differences on facts, processes and principles and therefore lodged an appeal with the Dutch Trade and Industry Appeals Tribunal (College van Beroep voor het bedrijfsleven). The decision of the Court is expected in the Summer. The Company is still subject to formal DNB measures based on their assessment of the improvements made by bunq.

We observe that the costs to address AML regulations have increased significantly - both for bunq as well as within the industry in general. The outcome of the appeal will have limited direct impact on our compliance costs but may help in the future to efficiently comply with relevant regulations.

As the covid pandemic and all its tangents crossed over into 2021, so did the ever-increasing risk of online fraud attempt and cyber risks in general. Of course we’ve done everything in our power to mitigate these threats. We have also intensified our efforts to inform our users of the threats they may encounter. While this is a never-ending cat-and-mouse game, we strongly believe that today’s challenges can only be addressed by cross-banking cooperation with governments.

## 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. Reviewing the credit quality of bunq's investments and loan exposures to third parties is managed by bunq's ALCO committee.

The acquisition of Capitalflow increased bunq's exposure to credit risk. Capitalflow originates and services commercial real estate loans, invoice discounting and asset finance. It has comprehensive credit policies and processes for granting new loans, During the course of the loan, Capitalflow monitors closely the performance of the borrower and the collateral. As a result of the covid-epidemic a number of borrowers asked for forbearance and these requests have been managed carefully. Most of our borrowers are now out of forbearance.

The investments in mortgages are monitored closely on loan part level for arrears and payment defaults. We also invest in investment grade-rated bonds and monitor our exposures closely.

bunq applies the standardised approach for calculating its minimum capital requirements for credit risk. The resulting risk weighted asset calculations determine how much capital must be held against each investment. In 2021, bunq's credit risk weighted assets increased from EUR 119 million to EUR 286 million on bunq solo level; the additional credit risk is possible due the additional capital received at the acquisition of Capitalflow Group.

Counterparty risk on interest rate swap contracts is mitigated through a Credit Support Annex (CSA) which manages two-way margining as collateral. bunq's collateral position on 31st December 2021 was EUR 10.95 million received.

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

## Climate risk

bunq does not finance, or invest in, companies active in areas that may be deemed not socially responsible. For climate-related risks, bunq does not finance companies active in:

- Fossil fuel-fired power generation and/or extraction of oil and gas, including oil generated from tar sands for any part of their business activities

- Coal-fired power generation and/or coal mining for any part of their business activities
- Nuclear energy
- Mining activities

In 2021 bunq signed the PCAF commitment letter and published the greenhouse gas emissions of our financial portfolio in line with the PCAF Standard.

bunq refers to its Environment and Sustainability Governance Report published on its website for more detailed information on our ESG governance.

## 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 also change. Furthermore, the market value of the assets may decrease or the fair value of the liabilities may increase due to changes in interest rates. We manage our interest rate risk within a framework of limits, including limits on EVE-at-risk, NII-at-risk and duration of equity as defined in bunq risk appetite statement The key interest rate risk metrics are calculated by bunq's Treasury department on an on-going basis and managed using hedge accounting eligible plain-vanilla interest rate swaps.

The ALCO committee discusses interest rate risk in the banking book on a monthly basis and is responsible for developing and advising on the investment strategy.

bunq's asset finance and residential mortgages have fixed interest rate characteristics, while loans to finance commercial real estate typically have a variable interest rate. We use a model to assess the interest rate characteristics of our customer deposits. The short duration of the Capitalflow investment matches well against bunq's liability characteristics and helps bunq achieve its target duration of equity of 2.5years.

The total amount of swap notional on 31st December 2021 was EUR 144 million with a dollar duration of EUR -192 thousand.

Given the relatively limited size of the swap contracts, the contracts are over-the-counter with several selected counterparties using ISDA/CSA and are not traded through an exchange. Throughout the year, there were no speculative derivative contract positions.

We are closely monitoring the impact of the IBOR reform on our current derivative contracts and as part of our potential new investment opportunities. See page 72 for the disclosure on the IBOR reform impact.

## Foreign Exchange risk

In 2021 we started to offer our users non-euro denominated accounts. In addition, Capitalflow has some non-euro loans on its books. As a result, bunq has some foreign exchange positions. These positions are monitored closely, and limits are in place.

## Liquidity risk

Liquidity risk is the risk that bunq may not be able to meet its obligations timely or will do so at an excessive cost. This risk may arise if customers suddenly withdraw more funds than expected and this cannot be absorbed by bunq's reserves. At year-end 2021 bunq had placed more than *20%* of its funds with the ECB and other high quality liquid assets.

In addition, bunq has securitized a significant part of its Dutch residential mortgage portfolio and the notes are eligible as collateral for ECB lending facilities, which can be called upon on short notice. As a result, considerable funds are available to fulfil our payment obligations.

To determine the desired level of readily available funds we consider stressed conditions when payment obligations may be high. bunq adheres to all regulatory liquidity ratios and sets prudent internal limits.

## Financing

As previously stated, bunq has always been completely self-funded. Until 2021 that is. Up until last year, the ultimate shareholder and founder of bunq contributed a total of EUR 125 million to the company until November 2021, so it could fulfil its potential, fund the start-up losses and finance growth.

In July 2021 an agreement was reached with Pollen Street Capital about a Series A capital round. After DNB approved the acquisition of Capitalflow Group DAC, the transaction was completed on November 26, 2021. The transaction included the transfer of the shares of Capitalflow Group DAC and an additional capital contribution of EUR 31.9 million.

## Outlook

By acquiring CapitalFlow in 2021, bunq reported breaking even for the first in its history bunq's management consulted with its stakeholders and subsequently decided to expedite its growth strategy, focusing on growth predominantly through marketing and by means of mergers and acquisitions.

Further start-up losses thus are expected for 2022 as part of this growth strategy: with more means at our disposal comes an increased zeal for capital expansion. Our new strategy was therefore designed to procure more growth capital and to specifically match these capital expansions with our growth capabilities at the time we procure them.

## Remuneration

At the end of 2021, bunq started a project that leveraged significant changes to its remuneration policies. Bunq's remuneration policy has been designed in line with applicable national and international regulations, including the Act on Remuneration Policies for Financial Institutions ('Wet beloningsbeleid financiële ondernemingen' or 'Wbfo') as included in the Dutch Financial Supervision Act, and the remuneration policy under Solvency II.

The changes include the introduction of a Remuneration Commission (RemCo) and a revamping of the company's salary structure. Moreover, early 2022 saw the introduction of an Employee Stock Option Plan (ESOP), empowering all bunq employees to share in the success of their company. The variable compensation induced by ESOP falls within the 20% rule as determined by the law dictating remuneration policies for financial companies. The same applies to bunq's foreign subsidiaries, adhering to local rules and regulations wherever they apply.

## Capital position

The capital ratios are calculated on bunq solo level, in which the Dutch entities have been consolidated, but CFG is excluded as a foreign entity. This is per agreement with DNB. Therefore, in the ratios, CFG is treated as a participation with an intercompany loan, resulting in a significant reduction of availble CET1 capital in comparison to the total capital in the balance sheet. The TREA is also calculated on the CFG participation and intercompany loan, disregarding the underlying assets.

The table below shows bunq's solo capital ratios:

| | December 31st 2021 | December 31st 2020 |
|---|---|---|
| | **EUR ('000)** | **EUR ('000)** |
| Total Risk Weighted Assets (RWA) | 285 173 | 119 089 |
| Available Common Equity Tier 1 Capital (CET1) | 82 027 | 28 786 |
| Available total capital | 157 807 | 28 903 |
| CET1 ratio % | 28.8% | 24.2% |
| Total Capital ratio % | 55.48% | 24.3% |
| Leverage ratio | 6.5% | 3.4% |

The ratios have changed significantly due to the acquisition of Capitalflow Group and the additional capital injections as of November 26th, 2021.

Due to the acquisition of Capitalflow Group and the additional capital injections, the available total capital has increased significantly over 2021. bunq reports on solo level towards the DNB, not consolidating its participation in Capitalflow Group. This results in a high deduction of available CET1 capital, but also a relatively low RWA.

| | October 31st, 2021 | November 30th, 2021 |
|---|---|---|
| Total Risk Weighted Assets (RWA) | 154,021 | 288,157 |
| Available Common Equity Tier 1 Capital | 41,717 | 84,064 |
| Available total capital | 41,787 | 159,919 |
| CET1 ratio % | 27.1% | 29.2% |
| Total Capital ratio % | 27.1% | 55.5% |
| Leverage ratio | 3.7% | 7.0% |

Due to the additional capital injections, the leverage ratio has significantly increased in 2021, resulting in a high leverage ratio at year-end.

### Total risk exposure amount

| EUR | December 31st 2021 | | December 31st 2020 | |
|---|---|---|---|---|
| **TREA – December** | **Amount** | **TREA** | **Amount** | **TREA** |
| Cash and Balances with Central Banks | 360 498 087 | - | 407 266 556 | - |
| Loans and Advances to Banks | 30 620 097 | 8 691 258 | 15 874 133 | 3 175 442 |
| Investments at Amortised Cost (Bonds) | 5 235 836 | 1 594 783 | 5 249 217 | - |
| Mortgages | 524 041 255 | 82 065 284 | 386 951 155 | 66 322 166 |
| Investments at Amortised Cost | 4 370 442 | 6 555 663 | - | - |
| Investments at Amortised Cost (Intercompany Loan) | 253 450 876 | 126 725 438 | - | - |
| Investments at Fair Value | 27 541 352 | 9 982 080 | 17 034 934 | 8 517 467 |
| Derivatives | 10 869 726 | 6 939 317 | 669 288 | 1 167 047 |
| Advances to Customers | 167 890 | 167 890 | 107 796 | 107 796 |
| Right-of-use Assets | 1 078 709 | 1 078 709 | 1 305 128 | 1 305 128 |
| Tangible Fixed Assets | 825 981 | 825 981 | 668 953 | 668 953 |
| Inventory | 591 474 | 591 474 | 1 040 975 | 1 040 975 |

| | | | | |
|---|---|---|---|---|
| Accounts Receivables | 62 442 | 62 442 | 27 498 | 27 498 |
| Other Assets | 23 796 974 | 6 118 343 | 25 089 887 | 22 335 590 |
| Capitalflow Participation | 76 402 202 | - | - | - |
| | | | | |
| **Total Assets** | **1 319 553 343** | **251 398 662** | **861 258 520** | **104 668 062** |
| | | | | |
| Off Balance Exposure | 8 872 685 | 594 347 | 5 616 561 | 483 024 |
| CVA | - | 8 153 063 | - | 5 414 218 |
| Operational Risk | - | 25 027 388 | - | 8 523 333 |
| **Total Risk Exposure Amount** | **1 328 426 028** | **285 173 460** | **866 875 081** | **119 088 637** |

Since bunq's balance sheet grew strongly in 2021, more funds were available to enable the purchase of low risk investment portfolios, with the mortgage's portfolio being the largest. The acquisition of Capitalflow Group has resulted in additional investments of bunq's deposits. The additional capital and resources at Capitalflow Group gave bunq the comfort to increase its credit exposure in a controlled and managed manner.

## Liquidity ratios

| | December 31st 2021 | December 31st 2020 |
|---|---|---|
| Liquidity Coverage ratio | 301% | 746% |
| Net Stable Funding Ratio (NSFR) | 164% | 239% |

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

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

bunq is very liquid as measured by the regulatory liquidity ratios, which dictate a regulatory minimum of 100%. The decrease in 2021 was due to the acquisition of Capitalflow Group DAC.

## Research and development

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

For an extensive and non-exhausted list of resulting developments during the financial year we refer to the earlier section;" Looking back on 2021".

## Covid-19

2021 might very well go down in history as the year the pandemic didn't end. While 2021 started on a hopeful note, the many restrictions and the economic and psychological uncertainties they instilled eventually made 2021 a carbon copy of sorts: very similar to anyone who lived through 2020, yet still strangely alienating.

The 'new normal' had solidified, but invariably demanded adaptation and resourcefulness. In short, 2021 was a familiar kind of unfamiliar.

bunq's adaptability as showcased in its 2020 response to the pandemic proved a valuable trait once again: in 2021 we once again took all the necessary precautions to both ensure the continuity of our services to our users as well as guarding the health and wellbeing of our employees. The guidelines set by the RIVM always served as the minimum, meaning we worked from home whenever it was mandated and always kept 1.5 meter distance from each other when we found ourselves at one of our offices.

bunq does not provide credit to its users and its investments have very limited exposure to the pandemic. As a result, no impairment or write-off on investments was required in 2021 as a consequence of COVID-19 or the consequential economic downturn.

Despite Covid-19, bunq has been and still is growing in user count and customer deposits. Average balances per user kept on growing throughout 2021. The average balance per Easy Money user as of December 2021 was EUR 3 663 for persons users and EUR 16 663 for business users. Due to these high balances bunq has a very healthy liquidity position.

We started 2022 knowing all too well that the course of the pandemic is unpredictable. Its potential impact on bunq can therefore not be assessed beforehand, but the pandemic so far has shown that our business philosophy holds up in a great variety of circumstances. bunq has successfully navigated the Covid-19 pandemic for nearly two years. We foresee an ongoing, but limited impact on bunq due to Covid-19.

## Our mission: to make life easy, for everyone

The year 2021 has brought major changes for bunq. The essence of what we do - make life easy - has never changed, however. New products have been added to our offering, notably loans to small and medium-sized businesses in Ireland.

In 2022 the number of new products is expected to increase even further, either through partnerships, by acquisition or self-developed. Already in February we introduced an investment product and in April we started providing residential mortgages in The

Netherlands; both products are offered through strategic partnerships. Furthermore, on May 3, 2022, we acquired Tricount, a Belgium provider of expense sharing solutions. More initiatives are in the pipeline.

We've been working hard to establish a local presence in a number of European countries. In 2021 we opened branches in Germany and France. In 2022 more countries will be added, including Spain, Italy, Belgium, Portugal and Ireland. Plans to set foot outside of Europe are well underway.

In Ireland our subsidiary Capitalflow will continue to service existing and new clients and its loan portfolio is expected to grow further. In addition, it will explore entry on new loan markets.

With more means at our disposal than ever before in our history, we are as committed as ever to continue to invest in our product and to make life easy for many more people, throughout Europe and beyond. Management expects that these increased investments will result in continued financial losses for 2022.

Such investments support a broader vision, one where people all over the world have the freedom to enjoy life on their terms, wherever they are, with whomever they want. That's how we've redefined what a bank is and what it can do. We'll continue to build new innovative features, seek out fruitful partnership opportunities and show the world just how many ways there are in which a bank can make life easy in a sustainable way.

## Going concern

Shareholders are prepared to provide contingency financial support or take the necessary measures in order that the company can maintain capital above the required levels. The financial plan and mitigating measures have been discussed and agreed in the Management Board and Supervisory Board. The shareholders are willing and are able to provide ongoing capital support for at least 12 months after signing of the financial statements. The going concern of the company is based on the intention, willingness and the ability of the shareholders 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.

Next to the support of the shareholders, the Group has a Recovery and Exit-plan scenario in place which address financial distress events, as required by the Bank Recovery and Exit Plan.

## Subsequent events

### *Acquisition of Tricount*

As of May 2nd, bunq acquired 100% shares of Tricount SA, a limited liability company (naamloze vennootschap) with its corporate seat in 1325 Corroy-le-Grand, La Place 10, registered with the Crossroad Bank for Enterprises in Brabant wallon under enterprise number 0508.560.013.

Tricount offers an app that helps users to get insight in shared payments and share the costs amongst others.

At the moment of acquisition of Tricount had 5,4M users, mostly in bunq's growth markets Germany, France and Spain.

The paid consideration has a total amount of EUR 17,323,904 which is part in cash and part in shares.

As the acquisition took place shortly before the sign-off on the financial statements, the initial accounting under IFRS 3 is yet to be completed.

### *Foreign expansion*

As of May 3rd, 2022, bunq has opened a branch in Ireland, allowing itself to offer local IBAN's to its users in Ireland.

### *War in Ukraine*

The war in Ukraine did have a huge impact on our employees and their friends and families. bunq has no significant investments that are impacted by the war. bunq is closely monitoring the consequences of the war on the financial markets, the economic impact and the sanctions and how they affect bunq's balance sheet. The most significant risks bunq faces are related to financial markets, particularly from volatility in credit and interest rates.

bunq has dedicated it's time to make sure that refugees could open a bank account at bunq, setting an example for other banks to offer the same service to refugees. Next to this, bunq is co-founder of the People For People Foundation, doing everything within our power as a bank to help the people where we can.

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

Together we build the bank of The Free.

**Amsterdam, June 30th, 2022**

A. Niknam

I.L. van Eeghen

R. Kasiman

## Supervisory Board Report

The supervisory board would first like to express its sadness over the passing of Rob Sprecher, who was appointed chairman of the board in January of 2021. We are grateful for all of Mr. Sprecher's contributions to bunq and by extension the world of The Free. Not only will we miss him in his capacity as chairman, we recognize that his inspiring personality and strong sense of morality has been a major contributing factor in making bunq what it is today. It's an influence he wielded before bunq was even founded, and one that's sure to forever enable The Free the world over.

Pausing for a moment to reflect on the true meaning of the words The Free, the Supervisory Board, like anyone of us, is closely following the developments in Ukraine as they've been unfolding in 2022. Our thoughts are with everyone affected by this crisis and we hope it can be resolved swiftly. Moreover, we share a vision with all bunq employees, whose diversity has always provided ample proof for a truth as simple as it is powerful: there will always be more to unite us than to keep us apart.

We have faith that this vision will prove true for current developments the way it has for the crises that came before. In that light we look back on how bunq managed to grow throughout the recent covid pandemic: 2021 saw bunq reach many important milestones, achieving unicorn status arguably being its biggest yet.

Despite many challenges posed by the turbulent banking landscape, not to mention the overall turmoil of the world at large, we are happy to see the steps bunq has taken in the past year. The many new features and innovations launched in 2021 fueled further growth of our customer base, showcasing the need for a truly international bank of The Free. We are confident that we will see the launch of many new applications that will underline the dynamic and innovative nature of the bunq product.

## Composition

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

- Mr. R. Sprecher (Chairman) – appointed per 25 January 2021, stepped down March 2022.
- Mr. A.J. Bol – appointed per 17 July 2020,
- Ms. G van Vollenhoven – appointed per 13 February 2020
- Mr. J.B. Wilson – appointed per 11 February 2021
- Mr J. Scott – appointed 26 November 2021, nominated by Pollen Street Capital

As of March 2022 Ms. G. van Vollenhoven has been appointed as Chairman of the Supervisory Board.

Until his passing, Mr. Sprecher was CEO of ez2xs and LiveTours Apps and Supervisory Board member at AdScale.

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

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

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

Mr. Scott has been appointed for a term of 4 years ending 2025. Mr Scott was nominated by bunq's shareholder Capitalflow Holding DAC. Capitalflow Holding is managed by Pollen Street Capital. Mr Scott is a partner of Pollen Street Capital plc.

With the exception of Mr. Scott, 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 once a month in 2021, an increase compared to previous years, in part to keep up with the many developments of bunq. At these meetings they 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 Supervisory Board meetings also included items for education as prescribed by the Dutch Bankers Code. Trainers were bunq employees on items such as the bunq app, and externals on KYC/CDD. Also Capitalflow's management gave an introduction to their company for the board.

2021 was the year Pollen Street Capital took a 10% stake in bunq, a move that granted the company unicorn status. Much of the Board's efforts went toward this deal, as the addition of a new investor significantly increased the complexity of the organization, its business and its balance sheet.

The Board stresses that, given the added organizational complexity, it's important that staff on all levels are apprised of the capabilities required of them and make sure they meet these new, higher expectations.

Overall, the Board was satisfied with the content of the discussions held and supports bunq's strategy.

As of 2022, the Board will continue to meet once a month. Its goal is to focus on growth and investments, as well as capital planning, compliance, credit risk management and liquidity management.

The Risk and Audit Committee ("RAC") is a sub-committee of the Supervisory Board.

The RAC consists of the following members:

- Ms. G van Vollenhoven - Chairman
- Mr. A.J. Bol
- Mr J. Scott

As of March 2022 Mr. A.J. Bol has been appointed as chairman of the RAC.

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 4 times in 2021, on March 8, June 7, September 6 and December 10. The Risk and Audit Committee received comprehensive updates from the Risk, Legal/Compliance, and Internal Audit teams. The RAC received detailed information on actual topics such as KYC improvement plans. In addition the investment plans of the Treasury are presented to the RAC. These were reviewed and discussed in detail.

The RAC held meetings with the external auditor to agree on the audit approach and to discuss the outcome of the audit on the financial statements.

The audit plan and audit findings were discussed in the Supervisory Board.

The internal auditor was present during all decision-making meetings of the Supervisory Board in 2021.

During 2021 an Remuneration Committee (RemCo) is installed.

The RemCo consists of the following members:

- Mr. J.B. Wilson (chair)
- Mr. R. Sprecher

Currently, the roles of CFO and CRO are fulfilled by only one Managing Board member. Because of this, it's been agreed that the Head of Risk, Head of Compliance and Head of Finance each have a direct reporting line to the chair of the RAC, in addition to their day-to-day reporting lines.

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

The Supervisory Board also maintains direct contact with the Head of Human Resources and regularly meets senior staff.

On 19 May 2022, 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 2021. We thank the Managing Board for their leadership, vision and focused style of managing the growth of bunq.

**Amsterdam, June 30th, 2022**

Mrs. G. van Vollenhoven - Eikelenboom
Mr. A. Bol
Mr. J. Wilson
Mr J. Scott

# Consolidated Statement of financial position

| After allocation of Results | Notes | December 31st 2021 | December 31st 2020 |
|---|---|---|---|
| | | EUR ('000) | EUR ('000) |
| **Assets** | | | |
| Cash and balances with central banks | 19 | 360 498 | 407 267 |
| Loans and advances to banks | 20 | 49 527 | 15 874 |
| Loans and advances to customers | 21 | 423 521 | 108 |
| Investments at amortized cost (other) | 22 | 9 584 | 5 249 |
| Mortgages | 23 | 513 141 | 386 951 |
| Investments at fair value through profit and loss | 24 | 27 543 | 17 035 |
| Derivative assets held for risk management | 25 | 10 870 | 669 |
| Property plant and equipment | 26 | 1 004 | 669 |
| Right of use assets | 37 | 2 106 | 1 305 |
| Intangible assets | 27 | 34 279 | 0 |
| Inventory | 28 | 591 | 1 041 |
| Other assets | 29 | 20 389 | 25 119 |
| Deferred Tax Asset | 18 | 1 237 | 0 |
| **Total Assets** | | **1 454 290** | **861 286** |
| | | | |
| **Liabilities** | | | |
| Customer deposits | 30 | 1 106 923 | 812 542 |
| Loans and advances owed to banks | 31 | 147 495 | 750 |
| Derivative liabilities held for risk management | 25 | 0 | 1 011 |
| Provisions | 32 | 1 215 | 1 055 |
| Other liabilities | 33 | 39 516 | 17 025 |
| Deferred tax liability | 18 | 1 334 | 0 |
| **Total liabilities** | | **1 296 483** | **832 382** |
| | | | |

| Equity | | | |
|---|---|---|---|
| Share capital and share premium | 34 | 232 716 | 90 368 |
| Accumulated deficit | 34 | (74 909) | (61 464) |
| **Total equity** | | **157 807** | **28 904** |
| **Total liabilities and equity** | | **1 454 290** | **861 286** |

The notes on pages 40 to 155 are an integral part of these consolidated financial statements.

# Consolidated statement of Profit and Loss and Other Comprehensive Income

| | Notes | December 31st 2021 | December 31st 2020 |
|---|---|---|---|
| | | EUR ('000) | EUR ('000) |
| Interest income | 9 | 9 137 | 886 |
| Interest expense | 10 | (4 015) | (2 702) |
| **Net Interest income** | | 5 122 | (1 816) |
| | | | |
| Fee income | 11 | 32 702 | 18 525 |
| Fee expense | 12 | (9 510) | (6 758) |
| **Net fee income** | | 23 191 | 11 766 |
| | | | |
| Gains and losses from derivatives and financial instruments | 13 | 355 | 3 062 |
| Impairment losses on financial instruments | 17 | (2 449) | (911) |
| | | | |
| **Operating Profit** | | 26 219 | 12 101 |
| | | | |
| Personnel expenses | 14 | (11 872) | (8 898) |
| Depreciation and amortisation | 15 | (905) | (278) |
| Other expenses | 15 | (26 975) | (19 009) |
| **Total operating expenses** | | (39 752) | (28 185) |
| | | | |
| **Result before tax** | | (13 532) | (16 084) |
| Income tax expense | 18 | 87 | 0 |
| **Result for the period** | | (13 445) | (16 084) |
| | | | |

| | | | |
|---|---|---|---|
| Other comprehensive income | | 0 | 0 |
| | | | |
| **Net result and other comprehensive income** | | **(13 445)** | **(16 084)** |
| | | | |
| **Net result and other comprehensive income attributable to** | | | |
| Ordinary Shareholders | | (13 445) | (16 084) |

The notes on pages 40 to 155 are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

| | Share Capital | Share Premium | Total Share Capital and Share Premium | Retained Earnings | Unappropriated Result | Total Accumulated deficit | Total Equity |
|---|---|---|---|---|---|---|---|
| | EUR ('000) | EUR ('000) | EUR ('000) | EUR ('000) | EUR ('000) | EUR ('000) | EUR ('000) |
| **Balance as per January 1st 2020** | **118** | **63 200** | **63 318** | **(31 434)** | **(13 946)** | **(45 380)** | **17 938** |
| Net result for the period | - | - | - | - | (16 084) | (16 084) | (16 084) |
| Appropriation of result | - | - | - | (13 946) | 13 946 | - | - |
| Contributions | - | 27 050 | 27 050 | - | - | - | 27 050 |
| **Balance as per December 31st 2020** | **118** | **90 250** | **90 368** | **(45 380)** | **(16 084)** | **(61 464)** | **28 904** |
| Appropriation of result | - | - | - | (16 084) | 16 084 | - | - |
| Net result for the period | - | - | - | - | (13 445) | (13 445) | (13 445) |
| Contributions | - | 19 630 | 19 630 | - | - | - | 19 630 |
| Acquisitions* | 11 | 75 805 | 75 816 | - | - | - | 75 816 |
| Shares issued | 3 | 46 898 | 46 901 | - | - | - | 46 901 |
| Share options exercised | - | - | - | - | - | - | - |
| **Balance as per December 31st 2021** | **133** | **232 583** | **232 716** | **(61 464)** | **(13 445)** | **(74 909)** | **157 807** |

* Please refer to note 36 for details surrounding acquisitions made during the financial year. Contributions made during the year are made by the majority shareholder consistently throughout the period up to and including November 2021. The notes on pages 40 to 155 are an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | EUR ('000) | EUR ('000) |
| Net Result | | (13 445) | (16 084) |
| | | | |
| **Adjustments for:** | | | |
| Depreciation of property, plant and equipment and right-of-use assets | | 802 | 343 |
| Amortization of intangible assets | | 103 | - |
| Amortisation of premiums paid on Mortgages | | 1 309 | - |
| Amortisation of premiums paid on Bonds | | 31 | - |
| Impairment losses | 17 | 2 449 | 911 |
| Results from hedge accounting | | (355) | - |
| Gains on sale of bonds | | - | (3 301) |
| | | | |
| **Net Change in:** | | | |
| Loans and advances owed to banks | | 146 745 | 750 |
| Loans and advances to customers | | (423 413) | (71) |
| Fair value adjustments on PPA | | 9 451 | - |
| Inventory | | 450 | |
| Other assets | | 4 730 | (19 689) |
| Customer deposits | | 294 381 | 377 993 |
| Provisions | | 160 | - |
| Other liabilities | | 22 491 | 9 597 |
| Derivative assets | | 10 201 | - |
| Derivative liability | | (1 011) | - |
| | | | |
| **Cash flows from operations** | | 55 079 | 350 448 |
| | | | |
| Investments at fair value - money market cash movement | | 10 508 | (17 035) |

| | | | |
|---|---|---|---|
| Acquisition of investments at amortised costs | | (4 869) | (35 741) |
| Proceeds from sale of investment products | | - | 155 627 |
| Acquisition of mortgages | | (138 332) | (387 075) |
| Acquisition of tangible fixed assets | | (699) | (548) |
| Acquisition of intangible assets | | (4 987) | - |
| Net cash movement through acquisition of Capitalflow Group D.A.C | 36 | 13 877 | - |
| | | | |
| **Cash flows from investing activities** | | (124 502) | (284 773) |
| | | | |
| Proceeds from equity contributions | 34 | 56 530 | 27 050 |
| Lease payments | 37 | (223) | (135) |
| | | | |
| **Cash flows from financing activities** | | 56 307 | 26 915 |
| | | | |
| Cash balance on January 1st | | 423 141 | 330 550 |
| Net change in balance | | (13 116) | 92 591 |
| **Cash balance on December 31st** | | 410 025 | 432 141 |
| | | | |
| Cash Balance with central banks | | 360 498 | 407 267 |
| Cash balances held at other banks* | | 49 527 | 15 874 |
| **Total** | | **410 025** | **423 141** |
| | | | |
| **The Net result includes the following** | | | |
| Interest received | | (9 137) | (886) |
| Interest paid | | 4 015 | 2 072 |

*The indirect method has been used to create the statement of cash flows*

Cash balances at other banks indicates current accounts held for operational purposes by the company at banks not including central banks.

The notes on pages 40 to 155 are an integral part of these consolidated financial statements.

# Notes to the financial statements

## 1. Reporting entity

bunq B.V. (the 'Company') was incorporated on March 26th, 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.

## 2. Basis of accounting

These financial statements are prepared in accordance with IFRS as adopted by the EU. They were authorised for issue by the Group board of directors on 30 June 2022.

The consolidated financial statements have been prepared on a historical cost basis, except for the following material items, which are measured on the following alternative basis on each reporting date.

| Items | Measurement basis |
|---|---|
| Investments at fair value | Fair Value through profit and loss |
| Derivative liabilities held for risk management | Fair Value through profit and loss |

Prior year figures do not include Capitalflow acquisition figures. Current year figures are materially affected.

## 3. Functional currency

These consolidated financial statements are presented in euro, which is the Group functional currency. All amounts have been rounded to the nearest million, except when otherwise indicated.

# 4. List of subsidiaries

These consolidated financial statements compromise the Company and its' subsidiaries (collectively, the "group"). The following subsidiaries are included in the Group:

- Another Mortgage 1 B.V.
- Another mortgage 2 B.V.
- Solitaire 1 B.V.
- Capitalflow Group D.A.C.

### *Another Mortgage I B.V. & Another Mortgage II B.V.*

During 2020, the Group setup two SPVs, Another Mortgage I B.V. and Another Mortgage II B.V., as part of a mortgage securitization program. These SPV are designed to invest into mortgage loans and flow through the proceeds of these mortgages, net of operating expenses to loan holder.

bunq B.V. holds 100% of the equity in these SPVs and is also the sole holder of loans issued. bunq B.V has the sole right to appoint the Board of these entities. bunq B.V. receives returns related to the operations of the SPV and has the current ability to direct these entities' activities through the board representation. Therefore, management concluded that control exists, and these SPVs are included from inception as part of the consolidated Group. As control was assessed based on voting rights, these entities are not considered structured entities as defined in IFRS 12.

### *Solitaire I B.V.*

As part of the same mortgage securitization program, the Group setup a third SPV, Solitaire I B.V. The purpose of the entity is to securitise mortgages which were owned by 100% Another Mortgage I B.V. and Another Mortgage II B.V. before securitisation. The securitisation was affected in August 2021.

Solitaire I B.V., a structured entity, was set up to be a bankruptcy remote vehicle and is 100% owned by a Stichting Holding Solitaire 1, the directors of which are Vistra FS (Netherlands) BV. Stichting Holding Solitaire 1 does not have the ability to change the design and administration of Solitaire I B.V., and the role of the directors is purely administrative. Therefore, the assessment of control is not based on voting rights but rather the purpose and design of the investee, and the ability to direct relevant activities.

Management concluded bunq has power over the relevant activities of Solitaire I B.V. due to their involvement in the initial design and legal structure of this entity. Further, bunq is

exposed to variable returns through both interest and principal (re)payments on notes receivable from Solitaire I B.V. As well, bunq receives any residual interest and principal repayments after all other payments made by Solitaire I B.V. through a Deferred Purchase Price on the mortgages sold. Therefore, control exists and Solitaire I B.V. is included as part of the consolidated group.

bunq B.V. does not have any existing or future contractual arrangements with Solitaire I B.V. to provide financial support. The Deferred Purchase Price is to be paid from any remaining interest and principal collections made by the structured entity. There is no minimum amount guaranteed, and bunq has no recourse. bunq B.V. is therefore exposed to potential losses through either a risk of default on the notes receivable, or a risk of the Deferred Purchase Price being unpaid due to underperforming underlying loans held by the SPV.

The equity holder of Solitaire I B.V., Stichting Holding Solitaire 1, has no claim to the profits of the structured entity as all residual profits are paid to bunq through the Deferred Purchase Price. As such, there is no non-controlling interest reflected in the consolidated financial statements.

### *Capitalflow Group D.A.C.*

On November 26th, 2021, the Group acquired 100% of the shares and voting interests in Capitalflow Group DAC ("Capitalflow"). As a result, the Group had control over Capitalflow from this date.

The Group has concluded that Capitalflow meets the definition of a business, as it includes inputs (loans receivable and other financing arrangements), processes (loan origination and credit management), and outputs (interest income).

The acquisition of Capitalflow will expand the Group's operations into Ireland. bunq and Capitalflow will continue to operate as separate entities, with separate client types of lending operations. Synergies result from the advantage of an increase in scale of Capitalflow by means of funding new lending business through intercompany financing (sourced from customer deposits at bunq).

Please refer to note 36 for further details.

# 5. Significant accounting judgements, estimates and assumptions

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes.

- Expected Credit Losses in note 7(A)
- Capitalisation in note 27
- Acquisitions during the period on note 36
- Classification in of financial assets in note 40 (F)
- Hedge accounting in Note 40 (H)
- Leases in Note 40 (D)

Information about assumptions and estimation uncertainties that have significant risk of resulting in material adjustment in the year ended December 31st, 2021, is included in the following notes.

- Expected Credit Losses in note 7(A)
- Measurements of fair value of financial instruments in note 8
- Provisions for impairment in note 17
- Recognition of deferred tax assets in note 18
- Impairment testing for CGU's containing Goodwill in note 40 (L)

### *Going concern assumption*

These financial statements were prepared under a going-concern assumption. The going concern assumption is a significant accounting judgement. The Group obtained its banking license on September 16th, 2014, and started commercial operations in November 2015. The Group is not yet profitable, management of the Group however expects that the commercial activities of the Group will be profitable in the longer term. The shareholders, excluding the Stak, have expressed support for the company's growth and finance plan.

Shareholders are prepared to provide contingency financial support or take the necessary measures in order that the company can maintain capital above the required levels. The financial plan and mitigating measures have been discussed and agreed in the Management Board and Supervisory Board. The shareholders are willing and are able to provide ongoing capital support for at least 12 months after signing of the financial statements. The going concern of the company is based on the intention, willingness and the ability of the shareholders 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.

Next to the support of the shareholders, the Group has a Recovery and Exit-plan scenario in place which address financial distress events, as required by the Bank Recovery and Exit Plan.

## 6. Changes in significant accounting policies

The following amendments to the standards became effective, or were early adopted by the Group in 2021:

- The Group has initially adopted Definition of a Business (Amendments to IFRS 3) from January 1st, 2021. The update changes references in IFRS3 from the outdated "*Framework*" to the applicable *"Conceptual Framework"* in IFRS3. Further, changes require that, for transactions or other events under the scope of IAS37 or IFRIC 21, an acquirer must apply IAS37 or IFRS 21 to the transactions or events instead of the "*Conceptual Framework*" to identify liabilities assumed in a business combination. Finally, contingent liabilities of an acquiree are not recognised by the acquirer in a business combination. The following changes have had no material effect to the Group in the financial year 2021.

- IFRS 4 Insurance Contracts, IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 16 Leases, IAS 39 Financial Instruments: Recognition and Measurement (amendments). The second phase of Interest Rate Benchmark

Reform (IBOR) resulted in amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 requirements to enable entities to deal with the effects on financial instruments and to continue providing useful information to investors. The amendments require entities to update the effective interest rate to reflect the change to the alternative risk-free rates (ARRs), instead of derecognising or adjusting the carrying amount of financial instruments, for changes required by the reform if the transition from the IBOR rate to the ARR is as a direct consequence of the reform and on an economically equivalent basis. The amendment also provides specific hedge accounting relief, including that an entity will not have to discontinue hedge accounting solely because it makes changes required by the reform to hedge designations and hedge documentation if the hedge meets the other hedge accounting criteria. The amendments also require entities to provide additional information about new risks arising from the reform and how it manages the transition to ARRs. the Group is not affected by the IBOR benchmark reform as explained in note 7©.

- IFRS 16 (amendment). In light of the recent Covid-19 pandemic and resultant rent concessions to be granted by lessors, the amendment permits lessees, as a practical expedient, not to assess whether particular Covid-19 related rent concessions are lease modifications and instead account for those rent concessions as if they were not lease modifications.

  The amendment permits lessees to apply the practical expedient as an accounting policy choice to rent concessions for which any reduction in lease payments affects payments originally due on or before June 30th, 2021. the Group elected not to apply this practical expedient.

The following published amendments are not mandatory for 2021 and have not been early adopted by the Group. the Group is still currently assessing the detailed impact of these amendments. However, the implementation of these amendments is expected to have no significant impact on the Group's Consolidated financial statements.

***Effective in 2022***

- Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use (issued in May 2020).
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets': Onerous Contracts — Cost of Fulfilling a Contract (issued in May 2020).
- Annual improvements to IFRS Standards 2018-2020 Cycle: Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards', amendments to IFRS 9 'Financial Instruments' and amendments to IFRS 16 'Leases' (issued in May 2020).

***Effective in 2023***

- Amendments to IAS 1 'Presentation of Financial Statements': Classification of Liabilities as Current or Non-current (issued in January 2020).
- Amendments to IAS 1 'Presentation of Financial Statements': Disclosure of Accounting Policies (issued in February 2021).
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': Definition of Accounting Estimates (issued in February 2021).
- Amendments to IAS 12 'Income Taxes': Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction (issued in May 2021).

### *COVID-19 Rent Concessions:*

The Group has early adopted COVID-19-Related Rent Concessions – Amendment to IFRS 16 issued on May 28th, 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e., for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. the Group has applied the amendment retrospectively. The amendment has no impact on the accumulated deficit on January 1st, 2021.

For significant accounting policies please refer to Note 40.

For standards not yet effective please refer to Note 41.

## 7. Financial Risk Overview

The Group 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
- Climate risk

### *Risk management framework:*

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

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. the Group has specified its risk limits and articulated its appetite for risk taking in a Risk Appetite Statement, which is reviewed and updated frequently and approved by the Managing and Supervisory Board. As the interest and credit risk has substantially increased due to the acquisition of Capitalflow Group, the Risk Appetite Statement has been updated accordingly in November 2021 to reflect this increase in risk and determine the operational processes around it.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. the Group, 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 Group's Risk and Audit Committee oversees how management monitors compliance with the Group’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Risk and Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Risk and Audit Committee. Next to that, regular penetration tests and reviews are performed of the Group’s IT and network infrastructure, as well as the systems and the app, by a specialised white hacker agency.

## A. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group’s loans to customers.

### *Management of credit risk*

The credit risk consists of credit provided to customers through a subsidiary, as well as investment portfolio, a mortgage portfolio, deposits held at other banks for operational purposes and certain limited exposures to financial institutions and customers emanating from unsettled transactions and direct debits which may be returned or rejected.

Credit risk on funds provided to customers is mitigated through the application and control of the Group's underwriting and arrears- management functions. Board-approved Credit Risk Policies are in place across the Group and enable the Group to achieve sustainable risk and reward performance whilst maintaining credit exposures within acceptable parameters. The Board is responsible for understanding the Group's credit risk profile, in comparison with an established risk appetite, and monitor ongoing credit risk performance on a regular basis.

Credit risk in the investment portfolio is managed by setting and monitoring minimum acceptable credit ratings of the issuer or bank involved. Credit risk for mortgages is managed by strict acceptance criteria such as Nationale Hypotheek Garantie and maximum Loan-to-values.

Concentration risk is present since the Group holds large sums on demand accounts with the central bank. Also, significant amounts are placed in demand accounts with a few financial institutions. The following table gives the Group's maximum exposure to credit risk, which equals the carrying amounts. Credit exposure is classified according to risk weighting factors (the credit exposure weighted according to risks), as well as by geography of the Group's counterparties.

Note that green bonds in non-Euro based countries are Euro Denominated and therefore do not have foreign exchange risk exposure.

**Concentration Risk per Country**

| 2021 Year end balances | Cash and Balances with Central Banks | Loans and Advances to Banks | Mortgages/ Investments | Other Assets and derivatives | Off balance sheet liabilities | Total |
|---|---|---|---|---|---|---|
| Netherlands | 308 692 | 24 046 | 548 641 | 17 815 | 8 754 | 907 948 |
| Germany | 51 806 | - | - | - | - | 51 806 |
| Ireland | - | 12 966 | 423 353 | 2 467 | 50 | 438 836 |
| United Kingdom | - | 12 516 | - | 10890 | - | 23 406 |
| Bulgaria | - | - | - | 6 | 69 | 75 |
| Belgium | - | - | - | - | - | - |
| France | - | - | - | 1 | - | 1 |
| Spain | - | - | 2 332 | - | - | 2 332 |
| Sweden | - | - | - | - | - | - |
| Luxembourg | - | - | 11 741 | - | - | 11 741 |
| Japan | - | - | 1 006 | - | - | 1 006 |
| Poland | | - | 398 | - | - | 398 |
| **Total Gross Amount** | **360 498** | **49 528** | **987 471** | **31 179** | **8 873** | **1 437 549** |
| Impairments | - | (1) | (3 843) | - | - | -3 844 |
| **Total Carrying Amount** | **360 498** | **49 527** | **983 628** | **31 179** | **8 873** | **1 433 705** |

Note – derivative exposure is included in “investments in the Netherlands” above.

Note – Mortgages and investments is made up of Investments at amortised cost and mortgages (note 22 and 23 respectively)

| 2020-year end balances | Cash and Balances with Central Banks | Loans and Advances to Banks | Mortgages and Investments | Other Assets | Off balance sheet liabilities | Total |
|---|---|---|---|---|---|---|
| | EUR ('000) | EUR ('000) | EUR ('000) | EUR ('000) | EUR ('000) | EUR ('000) |
| Netherlands | 386 499 | 6 613 | 386 951 | 26 431 | 5 617 | 812 111 |
| Germany | 20 768 | - | - | 95 | | 20 862 |
| United Kingdom | - | 9 261 | 17 704 | 1 573 | - | 28 538 |
| Bulgaria | - | - | - | 6 | - | 6 |
| Belgium | - | - | - | 112 | - | 112 |
| France | - | - | - | 1 | - | 1 |
| Spain | - | - | 2 338 | 26 | - | 2 364 |
| Japan | - | - | 1 006 | - | - | 1 006 |
| Poland | - | - | 1 905 | (4) | - | 1 902 |
| Ireland | - | - | - | - | - | - |
| Japan | - | - | - | 1 | - | 1 |
| **Total Gross Amount** | **407 267** | **15 874** | **409 905** | **28 240** | **5 617** | **866 903** |
| *Impairments* | | | | | - | |
| **Total Carrying Amount** | **407 267** | **15 874** | **409 905** | **28 240** | **5 617** | **866 903** |

**Concentration risk per industry:**

| Industry | 2021 EUR ('000) | 2020 EUR ('000) |
|---|---|---|
| Residential Mortgages – Netherlands | 513 141 | 387 011 |
| ECB-cash | 360 498 | 407 267 |
| Investments in oil, gas and energy production | - | - |
| Commercial Real Estate | 254 319 | - |
| Agriculture | 18 486 | - |
| Heavy Industry | 45 053 | - |
| Mining | - | - |
| Quarrying | 5 907 | - |
| Transport | 49 580 | - |
| Fossil fuel trading | - | - |
| Other Industries | 50 011 | - |
| Green Bonds (per below) | 5 215 | 5 249 |
| Financial Institution's Swap Collateral | 27 543 | 17 035 |
| IT Services | 4 369 | 0 |
| **Total** | **1 334 122** | **816 562** |

Investments in green bonds are broken down into the following industries

| Industry | 2021 EUR ('000) | 2020 EUR ('000) |
|---|---|---|
| Financial services | 2 808 | 3 214 |
| Industrial Services | 385 | 2 035 |
| Renewable energy transportation | 2 022 | - |
| **Total** | **5 215** | **5 249** |

Investments in green bonds are broken down into the following countries

| Industry | 2021<br>EUR ('000) | 2020<br>EUR ('000) |
|---|---|---|
| Poland | 398 | 1 905 |
| Spain | 2 309 | 2 338 |
| Japan | 1 006 | 1 006 |
| Luxembourg | 1 502 | |
| **Total** | **5 215** | **5 249** |

Investments in green bonds have the following ratings

| | 2021<br>EUR ('000) | 2020<br>EUR ('000) |
|---|---|---|
| AAA | 1 501 | - |
| A+ | - | 1 006 |
| A | 1 692 | - |
| A- | - | 2 209 |
| BBB | 2 022 | 2 037 |
| **Total Amortised costs** | **5 215** | **5 252** |

***Exposure to credit risk***

The below table details the company's exposure to credit risk for each asset class in the financial statements. The credit risk exposure amounts do not include off balance sheet values (see note 42) nor do the values include impairments or provisions for impairments (see note 20/21/22/23)

| | 2021<br>EUR ('000) | 2020<br>EUR ('000) |
|---|---|---|
| Cash balances at central banks | 360 498 | 407 267 |
| Loans and advances to banks | 49 528 | 15 874 |
| Loans and advances to customers | 423 521 | - |
| Mortgages | 513 141 | 409 905 |
| Investments at amortised cost (Other) | 9 583 | 5 249 |
| Other assets | 20 389 | 28 240 |
| **Total** | **1 376 660** | **866 535** |

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Credit quality is determined on a per asset model and is based on factors such as repayment/prepayment rate, days of arrears, entity credit rating and prevailing market conditions.

| 2021 | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | EUR ('000) | | EUR ('000) | | EUR ('000) | | EUR ('000) | |
| **Gross amount of financial instrument** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| Loans and advances to banks | 49 528 | 15 876 | - | - | - | - | 49 528 | 15 876 |
| Bonds | 5 215 | 5 252 | - | - | - | - | 5 215 | 5 252 |
| Mortgages | 513 189 | 386 748 | - | 262 | - | - | 513 189 | 387 010 |
| Loans to other institutions | - | - | 5 289 | - | - | - | 5 289 | - |
| Investments at Fair Value | 27 544 | 17 035 | - | - | - | - | 27 544 | 17 035 |
| Advances to customers – deposits | - | -- | - | - | 2 822 | 1 620 | 2 822 | 1 620 |
| Advances to customers | 411 269 | - | 12 473 | - | - | - | 423 742 | - |
| | 1 006 745 | 424 911 | 17 762 | 262 | 2 822 | 1 620 | 1 027 329 | 426 793 |

| Expected Credit Loss | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Loans and advances to banks | 1 | 2 | | - | | - | 1 | 2 |
| Bonds | 3 | 3 | | - | | - | 3 | 3 |
| Mortgages | 48 | 59 | | - | | - | 48 | 59 |
| Loans to other institutions | 0 | - | 920 | - | 0 | - | 920 | - |
| Investments at Fair Value | 11 | - | | - | | - | 11 | - |
| Advances to customers - deposits | 0 | - | 0 | - | 2654 | 1 512 | 2654 | 1 512 |
| Advances to customers | 86 | - | 135 | - | | - | 221 | - |
| | **149** | **64** | **1 055** | **-** | **2 654** | **1 512** | **3 858** | **1 576** |
| **Net amount financial Instruments** | | | | | | | | |
| Loans and advances to banks | 49 527 | 15 874 | - | - | | - | 49 527 | 15 874 |
| Bonds | 5 212 | 5 249 | - | - | | - | 5 212 | 5 249 |
| Mortgages | 513 141 | 386 689 | - | - | | - | 513 141 | 386 689 |
| Loans to other institutions | - | - | 4 371 | - | - | - | 4 371 | |
| Investments at Fair Value | 27 533 | 17 035 | - | - | | - | 27 533 | 17 035 |
| Advances to customers – deposits | - | - | - | - | 168 | 108 | 168 | 108 |
| Advances to customers | 411 183 | - | 12 338 | - | | - | 423 521 | - |
| | **1 006 596** | **424 847** | **16 709** | **-** | **168** | **108** | **1 023 473** | **425 955** |

***Internal credit ratings of CFG assets***

All Capitalflow Corporate Real Estate (CRE) loans are internally rated using the below scales and assigned an Alphanumeric score e.g. C3 would correspond to a 2% default risk with an LTV less than 70%

The distribution of CRE loans In December 2021 was as follows:

| Internal Credit Rating | CRE Notional Amount |
|---|---|
| A1 Strong - <50% | 15 495 |
| A2 Strong - <60% | 16 404 |
| A3 Strong - <70% | 22 600 |
| A4 Strong - <80% | 6 660 |
| B1 Good - <50% | 11 104 |
| B2 Good - <60% | 19 235 |
| B3 Good - <70% | 31 682 |
| B4 Good - <80% | 15 599 |
| C1 Satisfactory - <50% | 3 069 |
| C2 Satisfactory - <60% | 19 596 |
| C3 Satisfactory - <70% | 27 600 |
| C4 Satisfactory - <80% | 37 833 |
| D1 Watchlist - <50% | 5 613 |
| D2 Watchlist - <60% | 10 655 |
| D3 Watchlist - <70% | 3 964 |
| D4 Watchlist - <80% | 7 431 |
| | |
| **Total** | **254 540** |

As shown 10% of loans were on CFG's internal watchlist.

The Asset Backed Lending internal risk grade scale and distribution is as follows:

| ABL Internal Credit Rating | ABL Notional Amount |
|---|---|
| 2 Satisfactory Risk | 17 380 |
| 3 Fair Risk | 8 397 |
| 4 Watchlist | 251 |
| 5 Substandard | 0 |
| | |
| **Total** | **26 028** |

Asset Finance doesn't have the same internal rating approach as ABL and CRE, but the below tables provide some guidance as to the current riskiness of the portfolio:

| AF Category | AF Notional Amount |
|---|---|
| 1-15 Days in Arrears | 1 166 |
| 16-29 Days in Arrears | 76 |
| 30-59 Days in Arrears | 736 |
| 60-89 Days in Arrears | 691 |
| In Default | 2 012 |
| Loan Setup <= 5 days ago | 37 |
| No Arrears | 138 288 |
| | |
| **Total** | **143 006** |

## *Collateral backed loans*

### *Mortgages*

A big part of the mortgage portfolios falls under the Nationale Hypotheek Garantie (NHG) program. This guarantee is given by Stichting Waarborgfonds Eigen Woningen which is backed up by the Dutch government in regard to illiquidity. The NHG falls within the credit risk rules under government guarantee loans.

This guarantee becomes applicable if the borrower cannot fulfil the mortgage obligations and after the forced sale there is still a remaining amount of debt. NHG will cover 90% of this remaining debt.

The part of the mortgage portfolios that are covered by NHG as of December 31st, 2021 amounts to EUR  68% (2020 - 73.2%). The total value of the collateral on the mortgages that are covered by NHG amounts to EUR 346 994 715 (2020 – 294.060.844).

The total amount of the collateral on the mortgages that are not covered by NHG amounts to EUR 168 656 618 (2020- 218.593.490). The loan to value (LTV) ratio of the mortgages covered by NHG is 79%, while those not covered by NGH is currently 60%. Average LTV is 72% for the mortgage portfolios.

***Loans and advances to customers***

*Loss Guarantee*

Upon acquisition of Capitalflow group DAC, Pollen Street Capital LTD (the seller) entered into an agreement whereby any IFRS 9 expected credit loss allowance over 1.57% of the asset loan book in CapitalFlow Holdings DAC at year end will be paid to the Group by the purchaser based on the audited financial statements of the years ending 31 December 2021, 31 December 2022, 31 December 2023.

The assets covered by this loan loss guarantee are the loans and advances to customers with a carrying value of EUR 423 353 thousand. Any loss allowance over EUR 7 070 thousand is recoverable from the seller.

As at year end 2021, the IFRS 9 expected credit loss allowance is 1.4%.

*Loan to Value*

For loans and advances in Ireland, the Group has rights to the assets underlying the loans. The average LTV on loans and advances to customers is 57%.

| Portfolio | Loan to value |
|---|---|
| Asset based lending | 69% |
| Asset finance | 55% |
| Commercial Real Estate | 57% |

Amounts of collateral per instrument type as of December 31st, 2021:

The below amounts are fully collateralised by Cash.

| **Type of credit exposure** | **Percentage of exposure subject to collateral requirements** | | **Type of collateral held** |
|---|---|---|---|
| | **2021 EUR** | **2020 EUR** | |
| Derivative assets held for risk management (SWAPS) | 10 961 836 | 49 980 | Marketable securities (BBH Money Market account) |
| Guarantee Deposits | 12 226 404 | 10 250 720 | Cash (balance on a pledged Santander Bank account) |
| Mortgage lending cash account | 12 803 332 | 3 837 920 | Cash (balance held at an ABN AMRO account) |

***Amounts arising from ECL (see note 40(F))***

Amounts arising from ECL falls under provisions in the statement of financial position.

In determining the amounts arising from expected credit losses the Group assesses whether credit risk has increased significantly since initial recognition at each reporting date for all asset classes. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where appropriate for changes in prepayment expectations).

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- a quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

IFRS 9 requires accounts to be segmented into three different stages.

- Stage 1 consists of performing accounts where the credit risk on the underlying financial instrument has not increased significantly since initial recognition. For these accounts, an entity only needs to measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.
- Stage 2 consists of performing accounts which have experienced a significant increase in default risk but are not credit impaired. For these accounts, the entity is required to measure the loss allowance at an amount equivalent to the lifetime expected credit losses.
- Stage 3 consists of defaulted accounts (credit impaired) and similar to stage 2, these accounts will require loss allowance measures at the lifetime expected credit loss. Defaulted accounts include accounts 90 past due, accounts in which there

has been a breach of financial covenants and accounts in which there has been an event of default.

#### *Credit grades based on qualitative criteria*

Due to lack of sufficient internal data, stage allocation has been mostly developed based on qualitative criteria which are informed by expert judgement. More advanced methods such as the use of changes in Lifetime PD, 12m PD or PD grade deterioration are utilized for defining stage in this model only for Commercial Property.

#### *Incorporation of forward-looking information*

The Group incorporates forward-looking information into the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

### *Portfolios held in Ireland*

The Group recognizes that credit loss, as defined by the IFRS 9 standard as the present value of cash shortfalls, is equivalent to calculating the sum of discounted marginal losses. Marginal losses are further derived from risk parameters of PD, EAD and LGD. To achieve an unbiased estimate that reflects reasonable and supportable information, including current and future economic conditions, the Group adjusts long-run estimates of risk parameters, to obtain Point in Time (PIT) estimates.

Relating to funding to customers through the Irish subsidiary, PIT estimates of PD are obtained using an extension of the industry-standard Merton framework, whereby a default event is assumed to occur when the market value of a firm's assets falls below the value of its liabilities. PIT default risk is derived from obligor-specific risk, and a shared risk factor. Obligor-specific risk is determined from an obligor's internal rating.

The shared risk factor is a Credit Cycle Index (CCI) inferred from market-implied default risk, for Irish corporates adjusted to reflect the credit risk characteristics of the Group's portfolio. The CCI reflects current market expectations shared cyclical variations in default risk, including all information available to the market such as expectations of macro factors such as GDP and unemployment, as well as how firms will react to exogenous shocks in macro conditions. The CCI can be regarded as a composite index that reflects the general level of stress in the economy. Experience suggests that CCIs are powerful in

predicting PIT default risk, whereas macro indices such as GDP and unemployment do not correlate particularly well to non-retail default rates.

EAD values are assumed not to vary from the long-run estimate across the cycle. Therefore, no PIT adjustment is performed.

PIT estimates of LGD are obtained under a similar framework whereby collateral value are derived from an obligor-specific component and a shared component. The obligor specific component is the current collateral valuation. The shared component is determined using movements in Irish housing price index (HPI) and MSCI index where relevant.

For both the CCI and HPI, future forecasts are obtained using a time series modelling technique, calibrated to historical movements in CCI and HPI. The approach ensures that forecast reflect the current level of the index, as well as the direction in which it is moving. MSCI valued are derived from historical correlation with HPI.

The IFRS 9 standard requires expected credit losses that are unbiased, and probability weighted. In the Group's approach, the Group recognises that whilst the future of the world is uncertain, like any other process it is possible to model the distribution of future losses and its evolution over time. We have therefore chosen to model:

> Credit Cycle Index (CCI); and

> House Price Index (HPI) and MSCI index in the secured (i.e., commercial properties) model as a proxy for the underlying property assets.

***Sensitivity of ECL to future economic conditions in Ireland***

Due to the complexities in the Irish portfolios, the method selected for determining credit risk sensitivity is the Monte Carlo model.

Monte Carlo (MC) simulation is used to make random draws from a multivariate normal distribution and generate bivariate random shocks to the estimated equations of the Autoregressive model error. 1000 results are generated and the mean value selected as the ECL. The model is not conclusive to modelling ECL sensitivity, However, due to the nature of the model the results generated are good indicators of ECL sensitivity to future economic conditions by simulating potential future scenarios. As such, the lower 30% percentile and the upper 70% percentile have been selected and are shown below as the effects of future economic conditions on the ECL.

Note, a management overlay is added to the ECL of all items to ensure a prudent ECL is reflected on asset portfolios.

The outcome is shown below

| | Corporate Real Estate | Invoice Finance | Asset Finance | Total |
|---|---|---|---|---|
| | EUR ('000) | EUR ('000) | EUR ('000) | EUR ('000) |
| **Current ECL** | 2 591 | 400 | 2 939 | 5 930 |
| **Lower Percentile (30%)** | 1 360 | 346 | 2 609 | 4 315 |
| **Upper Percentile (70%)** | 3 105 | 430 | 3 142 | 6 677 |

### *Portfolios held in the Netherlands*

Relating to the mortgage portfolio held in the Netherlands, PIT estimates of PD are obtained through the entities ALM model in conjunction with a current analysis of the repayment rate of the mortgage borrower, the Loan To Value (LTV) of the mortgage and a discount to real terms of the loss.

The Loan to Value ratio is calculated as the ratio of the gross amount of the loan to the value of the underlying collateral asset. The valuation of the collateral is excluding any adjustments for obtaining and selling the collateral. The valuation for residential mortgage loans is based on the value of the residential property at origination of the mortgage loan. For credit impaired loans, the value of the collateral is based on the most recent appraisals.

In the calculation of the ECL for bunq's mortgage portfolio, no forecasting method is incorporated into the model in its current version. The reason for this is that bunq's mortgage portfolio is still relatively young, making historic and publicly available data an important input for calculating bunq's ECL. Therefore, assumptions used to estimate the probability of default (PD), loss given default (LGD) and staging of the loans is solely done using historical and publicly available information.

Currently, forward looking information is only incorporated into the ECL calculation through any management overlay the Asset-Liability Committee (ALCO) may apply.

***Sensitivity of ECL to future economic conditions in the Netherlands***

The ECL are sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on material classes of its assets. The Potential of Default (PD) and the Loss Given Default (LGD) are the largest factors contributing to the ECL of portfolios.

***Mortgage portfolio***

The mortgage portfolios are relatively simple investments, with easy to determine expected credit lost models as explained above. The sensitivity analysis for expected credit losses used changes in both PD and LGD in order to determine what the impact is of potential future market and economic conditions.

In the scenarios below, the PD and LGD were separately tested.

| *Gross Exposure* | Probability of Default | | Base | Loss Given Default | |
|---|---|---|---|---|---|
| | Lower Percentile | Upper percentile | | Lower Percentile | Upper percentile |
| | EUR (‘000) | EUR (‘000) | EUR (‘000) | EUR (‘000) | EUR (‘000) |
| **Mortgages** | 45 | 50 | 48 | 45 | 50 |

## Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. The basis for determining transfers due to changes in credit risk is set out in our accounting policy.

| 2021 Loans and advances to other banks | | | | |
|---|---|---|---|---|
| ***EUR ('000)*** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Opening balance per January 1st | 2 | - | - | 2 |
| Movements between stages | - | - | - | - |
| New financial assets originated or purchased | 1 | - | - | 1 |
| Remeasurement of loss allowance | (2) | - | - | (2) |
| Write-offs | - | - | - | |
| Balance per December 31st | 1 | - | - | 1 |

| 2020 Loans and advances to other banks | | | | |
|---|---|---|---|---|
| ***EUR ('000)*** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Opening balance per January 1st | 1 | - | - | 1 |
| Movements between stages | - | - | - | - |
| New financial assets originated or purchased | 1 | - | - | 1 |
| Remeasurement of loss allowance | - | | | - |
| Write-offs | - | | | - |
| Balance per December 31st | 2 | | | 2 |

| 2021<br>Loans and advances to Customers | | | | |
|---|---|---|---|---|
| EUR ('000) | Stage 1 | Stage 2 | Stage 3 | Total |
| Opening balance per January 1st | - | - | 1 512 | 1 512 |
| Movements between stages | - | - | - | - |
| New financial assets originated or purchased | 86 | 135 | 1 142 | 1 363 |
| Remeasurement of loss allowance | - | - | - | - |
| Write-offs | - | - | - | - |
| Balance per December 31st | 86 | 135 | 2 654 | 2 875 |

| 2020<br>Loans and advances to Customers | | | | |
|---|---|---|---|---|
| EUR ('000) | Stage 1 | Stage 2 | Stage 3 | Total |
| Opening balance per January 1st | - | - | 705 | 705 |
| Movements between stages | - | - | - | - |
| New financial assets originated or purchased | - | - | 807 | 807 |
| Remeasurement of loss allowance | - | - | - | - |
| Write-offs | - | - | - | - |
| Balance per December 31st | - | - | 1 512 | 1 512 |

| 2021 | | | | |
|---|---|---|---|---|
| Investments at amortised cost | | | | |
| EUR ('000) | Stage 1 | Stage 2 | Stage 3 | Total |
| Opening balance per January 1st | 3 | - | - | 3 |
| Movements between stages | - | - | - | - |
| New financial assets originated or purchased | - | 920 | - | 920 |
| Remeasurement of loss allowance | - | - | - | - |
| Write-offs | - | - | - | - |
| Balance per December 31st | 3 | 920 | - | 923 |

| 2020 | | | | |
|---|---|---|---|---|
| Investments at amortised cost | | | | |
| EUR ('000) | Stage 1 | Stage 2 | Stage 3 | Total |
| Opening balance per January 1st | 49 | - | - | 49 |
| Movements between stages | - | - | - | - |
| New financial assets originated or purchased | - | - | - | - |
| Remeasurement of loss allowance | (46) | - | - | (46) |
| Write-offs | - | - | - | - |
| Balance per December 31st | 3 | - | - | 3 |

| 2021 | | | | |
|---|---|---|---|---|
| Investments at fair value | | | | |
| EUR ('000) | Stage 1 | Stage 2 | Stage 3 | Total |
| Opening balance per January 1st | - | - | - | - |
| Movements between stages | - | - | - | - |
| New financial assets originated or purchased | 11 | - | - | 11 |
| Remeasurement of loss allowance | - | - | - | - |
| Write-offs | - | - | - | - |
| Balance per December 31st | 11 | - | - | 11 |

| 2020 | | | | |
|---|---|---|---|---|
| Investments at fair value | | | | |
| EUR ('000) | Stage 1 | Stage 2 | Stage 3 | Total |
| Opening balance per January 1st | - | - | - | - |
| Movements between stages | - | - | - | - |
| New financial assets originated or purchased | - | - | - | - |
| Remeasurement of loss allowance | - | - | - | - |
| Write-offs | - | - | - | - |
| Balance per December 31st | - | - | - | - |

| 2021 Movement of ECL on Mortgage Commitments | | | | |
|---|---|---|---|---|
| EUR ('000) | Stage 1 | Stage 2 | Stage 3 | Total |
| Opening balance per January 1st | 59 | 0 | - | 59 |
| Movements between stages | 0 | 0 | - | 0 |
| New financial assets originated or purchased | 9 | - | - | 9 |
| Remeasurement of loss allowance | (20) | - | - | (20) |
| Write-offs | - | - | - | - |
| Balance per December 31st | 48 | - | - | 48 |

| 2020 Movement of ECL on Mortgage Commitments | | | | |
|---|---|---|---|---|
| EUR ('000) | Stage 1 | Stage 2 | Stage 3 | Total |
| Opening balance per January 1st | - | - | - | - |
| Movements between stages | - | - | - | - |
| New financial assets originated or purchased | 59 | - | - | 59 |
| Remeasurement of loss allowance | - | - | - | - |
| Write-offs | - | - | - | - |
| Balance per December 31st | 59 | - | - | 59 |

## B. Liquidity risk

'Liquidity risk' is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk arises from mismatches in the timing and amount of cashflows, which is inherent to the Group's operations and investments.

The Group's primary source of funds consists of cash flows from deposits entrusted to the bank by users of the bank. In the current financial year, the Group acquired a subsidiary with a primary source of funds consisting of bank loans. The Directors expect the cash and cash equivalents and the cash flows from operating activities will satisfy its needs with respect to current commitments and debt obligations over the next 12 months.

***Liquidity Reserve***

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents

***Exposure to liquidity risk***

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers and short-term funding. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market. 'Deposits from customers and short-term funding' includes deposits from customers, other borrowings and commitments maturing within the next month.

***Management of liquidity risk***

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

The liquidity risk is also taken into account in the mandatory exit scenario.

The Group incorporates forward looking information in the calculation of its main liquidity risk metrics through stress testing. Stress tests allow the Group to assess whether it maintains adequate liquidity in times of stress as the different scenarios are translated into inflows and outflows. These scenarios can also impact the value of liquid assets. The completeness and relevance of the scenarios is assessed annually.

The scenarios included in the stress test simulate adverse market conditions and are designed to be severe but temporary. In all scenarios, it is expected that there will be no deposit growth in the six months after the initial shock has been introduced. In the following months, however, deposit growth will revert to pre-shock levels. To account for the effect of these adverse events on the Group, different pass-through or outflow rates for deposits are incorporated accordingly into each scenario.

After performing an assessment of the most prominent liquidity risks, the Group defined four stress scenarios. The first scenario is an idiosyncratic stress event designed to monitor bank-specific risk related to possible reputational issues for the Group. On the contrary, in the second scenario, the Group is faced with an interest rate event in a market-wide stress scenario. The third scenario is a combination of the first two scenarios, where the Group must manage reputational issues in combination with a rise in interest rates. The fourth and final scenario was included to test the Group's liquidity position in the case that deposit growth would revert to (the lower) pre-covid levels.

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

### *Maturity analysis*

The following tables set out the remaining contractual maturities of the Group's financial liabilities and financial assets. The amounts are gross, undiscounted and include contractual interest payments and exclude the impact of netting agreements.

The Maturity Analysis table as of December 31st, 2021, is as follows:

| 2021 EUR ('000) | On Demand | Less than 3 months | 3 - 12 months | 1-5 years | more than 5 years | Undefined | Total |
|---|---|---|---|---|---|---|---|
| Cash and Cash Equivalents | 348 578 | - | - | - | - | 11 920 | 360 498 |
| Loans and advances to banks | 24 497 | - | - | 12 803 | - | 12 227 | 49 527 |
| Asset Finance | - | 12 299 | 36 893 | 69 799 | 44 576 | (20 561) | 143 006 |
| Asset-Based Lending | - | 26 028 | - | - | - | - | 26 028 |
| Commercial Real Estate | - | 3 373 | 9 983 | 229 491 | 11 472 | - | 254 319 |
| Advances to customers | - | 168 | - | - | - | - | 168 |
| Other Loan | - | - | - | - | 4 372 | - | 4 372 |
| Bonds | - | - | - | 3 822 | 1 390 | - | 5 212 |
| Mortgage Investments | - | 18 316 | 11 826 | 24 473 | 131 370 | 327 204 | 513 189 |
| Investments at fair value | - | - | - | - | 27 543 | - | 27 543 |
| Derivatives | - | - | 10 870 | - | - | - | 10 870 |
| Tangible fixed assets | - | - | - | - | - | 1 004 | 1 004 |
| Right-of-use assets | - | - | - | - | - | 2 106 | 2 106 |
| Intangible assets | - | - | - | - | - | 34 279 | 34 279 |
| Inventory | - | - | - | - | - | 591 | 591 |
| Other assets | 8 335 | 10 616 | 1 438 | - | - | - | 20 389 |
| Deferred tax asset | - | - | 1 237 | - | - | - | 1 237 |
| **Total Assets** | 381 410 | 70 800 | 72 247 | 340 388 | 220 723 | 368 770 | 1 454 338 |
| Deposits from Business | (607 358) | - | - | - | - | - | (607 358) |
| Deposits from Customers | (499 565) | - | - | - | - | - | (499 565) |
| Loans to other Banks | - | - | (77 862) | (58 688) | - | (10 945) | (147 495) |
| Other Liabilities | (23 574) | (13 777) | (543) | (1 542) | (80) | - | (39 516) |
| Provision | - | - | - | - | - | (1 215) | (1 215) |
| Deferred tax liability | - | (81) | (250) | (1 003) | - | - | (1 334) |
| **Total Liabilities** | (1 130 497) | (13 858) | (78 655) | (61 233) | (80) | (12 160) | (1 296 483) |
| **Gap Analysis** | (749 087) | 56 942 | (6 408) | 279 155 | 220 643 | 356 610 | 157 855 |

The above table shows the duration gap between bunq's assets and liabilities. A 200bps parallel increase in interest rates is expected to result in an increased net interest income (NII) of 3.2m a year, a parallel decrease in rates to the EBA prescribed floor for Interest rate risk in the banking book stress calculations results in a reduction of net interest income of 244k. These calculations are done using bunq's ALM model following the EBA guidelines for calculating NII-at-risk.

On 31 December 2020 an equivalent increase in rates would have resulted in a 13.3m a year gain in NII while the same decrease would have resulted in a NII reduction of 3.5m. The main reason for the decreased NII sensitivity in 2021 is a change in the composition of the balance sheet, namely we have more fixed rate assets like Dutch mortgages which reduces NII sensitivity to interest rate moves.

The Maturity Analysis table as of December 31st, 2020, is as follows:

| 2020 EUR ('000) | On Demand | Up to 3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Undefined | Total |
|---|---|---|---|---|---|---|---|
| Cash and Balances with Central Banks | 400 669 | - | - | - | - | 6 598 | 407 267 |
| Loans and Advances to Banks | 1 086 | - | - | - | 4 538 | 10 250 | 15 874 |
| Investments at Amortised Cost (Bonds) | - | - | - | 5 249 | - | - | 5 249 |
| Mortgages | - | 10 155 | 1 | - | 376 795 | - | 386 951 |
| Investments at Fair Value | - | - | - | - | 17 035 | - | 17 035 |
| Derivatives | - | - | - | - | 669 | - | 669 |
| Advances to Customers | - | 108 | - | - | - | - | 108 |
| Right of use assets | - | - | - | - | - | 1 305 | 1 305 |
| Tangible fixed assets | - | - | - | - | - | 669 | 669 |
| Inventory | - | - | - | - | - | 1 041 | 1 041 |
| Accounts Receivable | - | 28 | - | - | - | - | 28 |
| Other Assets | 20 233 | 1 | 2 125 | - | 2 731 | - | 25 090 |
| **Total Assets** | **421 988** | **10 292** | **2 126** | **5 249** | **401 768** | **19 863** | **861 286** |
| Customer Deposits | 812 542 | - | - | - | - | - | 812 542 |
| Derivatives | - | - | - | - | 1 011 | - | 1 011 |
| Loans and Advances Owed to Banks | - | - | - | 750 | - | - | 750 |
| Provision | - | - | - | - | - | 1 055 | 1 055 |
| Other Liabilities | 10 816 | 6 209 | - | - | - | - | 17 025 |
| **Total Liabilities** | **823 358** | **6 209** | **-** | **750** | **1 011** | **1 055** | **832 383** |
| **Gap Analysis** | **(401 370)** | **4 083** | **2 127** | **4 500** | **400 757** | **18 808** | **28 903** |

Below is a maturity analysis of the derivatives

| | Fair Value | | Net Fair Value | Maturity | | | Notional |
|---|---|---|---|---|---|---|---|
| | Assets EUR ('000) | Liability EUR ('000) | EUR ('000) | Less than one year EUR ('000) | Between 1 and 5 years EUR ('000) | Over 5 years EUR ('000) | EUR ('000) |
| **2021** | | | | | | | |
| Interest rate swaps | 10 870 | 10 845 | 25 | 143 870 | (143 870) | - | 143 870 |
| **2020** | | | | | | | |
| Interest rate swaps | 669 | 1 011 | 342 | 143 870 | (143 870) | - | 143 870 |

In determining the maturity of the assets above, numerous factors were used. This included the use of payment terms, expected prepayment rates, expected payment defaults, and the use of an asset lending model to forecast cashflows.

## C. 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 Group's income or the value of its holdings of financial instruments.

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

### *Gap risk*

The main interest rate sub-risk type is gap risk. It reflects the sensitivity to changes in the interest rate curve (both parallel and non-parallel). the Group is exposed to gap risk, as there is a relatively large mismatch between the short duration of the user deposits and the relatively long duration of the bond and mortgage portfolio. Please refer to the maturity analysis presented above under B. Maturity risk.

### *Basis risk*

Basis risk is the financial risk that offsetting investments in a hedging strategy will not experience price changes in entirely opposite directions from each other. This imperfect correlation between the two investments creates the potential for excess gains or losses in a hedging strategy, thus adding risk to the position. The fair value of the Group's assets, liabilities and interest rate swaps are calculated using different curves. As these curves can move independently of each other, basis risk exists in the Group's portfolio.

However, the impact of this risk is only relevant in an exit scenario, or a liquidity stress event, as assets are purchased to hold-to-collect, and hedge accounting is applied. There is a small impact on earnings at risk, where basis risk can lead to hedge accounting ineffectiveness impacting the P&L statement.

### *Option risk*

Following the introduction of the mortgage portfolio, the Group is also exposed to at least two types of option risk:

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

### *Client behaviour risk*

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

### *Credit spread risk*

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

### *Pipeline risk*

The interest rate pipeline risk is the risk that, after an interest rate offer has been made to a client, the underlying market interest rate will change during the period that the interest rate offer is valid, and the offer has not been hedged yet. This results in an open position for the Group in the underlying period. The risk is that between the offer and the moment the loan is paid out, the underlying market interest rates have increased and the interest rate swap as a consequence has increased in costs, therefore causing margin erosion and decreasing the Net Return.

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

### *IBOR benchmark reform*

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

### *Sensitivity rates risk*

The table below shows the sensitivities to changes in interest rates where it is assumed that interest bearing exposures remain constant over time. In the calculation of 2021, the prescribed floor of the EBA is taken into account.

The Group has performed sensitivity analyses on the ECL of the bonds, mortgages, other loan and CFG portfolios. For the bonds, mortgages and other loan, the ECL is evaluated for three scenarios, namely a Central, Upside and Downside scenario. In the Central scenario, the ECL is calculated under current market conditions. The Upside and Downside scenarios estimate the ECL under a stressed scenario, namely where the PD is decreased and increased by 15% respectively.

For the CFG portfolios, a different method is used where the ECL is estimated for 1000 simulations. For this approach, scenarios aren't applicable, but the Central, Upside and Downside classification is still used to indicate how sensitive the ECL is to the different simulations. The Central number represents the mean over all simulations.

| 2021 | Upside | Central | Downside |
|---|---|---|---|
| **Gross exposure (Retail)** | | | |
| Mortgage Investments | 513 141 | 513 141 | 513 141 |
| **Gross Exposure (Corporate)** | | | |
| Other Loan | 5 289 | 5 289 | 5 289 |
| Asset Finance | 143 006 | 143 006 | 143 006 |
| Asset-Based Lending | 26 028 | 26 028 | 26 028 |
| Commercial Real Estate | 254 540 | 254 540 | 254 540 |
| Bonds | 5 215 | 5 215 | 5 215 |
| **Loss Allowance (Retail)** | | | |
| Mortgage Investments | 40 | 47 | 54 |
| **Loss Allowance (Corporate)** | | | |
| Other Loan | 781 | 918 | 1 056 |
| Bonds | 2 | 3 | 3 |
| Asset Finance | 2 609 | 2 939 | 3 142 |
| Asset-Based Lending | 346 | 400 | 430 |
| Commercial Real Estate | 1 360 | 2 591 | 3 105 |

*Note: for the Asset finance, Asset-based lending (invoice finance) and Commercial Real Estate portfolios, the loss allowance above is the total loss allowances included in the fair value of the portfolios as at 31 December 2021.*

### *Management of interest rate risk*

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. Treasury is monitoring these limits in its day-to-day monitoring activities. These day-to-day activities include monitoring changes in the Group's interest rate exposures, which include the impact of the Group's outstanding or forecast debt obligations and changes to exposures arising from IBOR reform. ALCO is responsible for setting the overall hedging strategy of the Group. Treasury is responsible for implementing that strategy by putting in place the individual hedge arrangements.

### *Exposure to currency risks*

As at the reporting date, there were no significant foreign currency exposures in the Group. The entity holds balances in foreign currencies which are offset by amounts owing to customers (customer deposits).

The only foreign currency bunq is exposed to is assets held in the for of and loans and advances to customers and currency to offset foreign currencies owed to bunq users in the form of user deposits and lending institutions included in loans and advances owed to banks.

The group's exposure to foreign currencies is maintained at below EUR3 million. the Group has exposures at year end of well below the acceptable amount agreed by the risk appetite statement.

Foreign exchange positions at year end:

| | Cash Assets held | Balances advanced to customers | Balance owing to customers | Balances owing to lending institutions | Total |
|---|---|---|---|---|---|
| | **('000)** | **('000)** | **('000)** | **('000)** | **('000)** |
| USD | 563 | - | (352) | - | 211 |
| GBP | 418 | 6 737 | (216) | (7 258) | (319) |
| PLN | 198 | - | (72) | - | 126 |
| CHF | 79 | - | (72) | - | 7 |

## D. 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 ("CDD") and Anti-Money Laundering ("AML") received much attention from regulators and the public. the Group recognises the importance of CDD and AML measures to avoid criminals and fraudsters abusing our services and continuously improves its CDD and AML processes to mitigate these risks.

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

Areas for improvement were identified after audits by DNB and by our Internal Auditors and these have been implemented in 2021/22. Also, in 2022 we will be working on improvements of our controls and the efficiency and effectiveness of our AML and CDD processes.

Furthermore, special attention was given to compliance with other laws such as data privacy and payment services. With the acquisition of Capitalflow Group D.A.C. the scope of compliance was extended to these new subsidiaries. Moreover, the opening of new branches and the expansion of our product offering to users expands the scope of applicable laws and hence our compliance team. As a result, we are in the process of increasing the size of our Legal and Compliance team.

## E. 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 Group.

### *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 Group 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 Group 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 Group's financial forecasts under different scenarios, also including stress scenarios. Secondly the capital requirement is determined by the asset-management activities performed by the Group, resulting in Risk Weighted Assets.

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

| | December 31st 2021 | December 31st 2020 |
|---|---|---|
| | **EUR ('000)** | **EUR ('000)** |
| Total Risk Weighted Assets (RWA) | 286 259 | 119 089 |
| Available Common Equity Tier 1 Capital (CET1) | 82 695 | 28 786 |
| Available total capital | 157 807 | 28 903 |
| CET1 ratio % | 28.9% | 24.2% |
| Total Capital ratio % | 55.13% | 24.3% |
| Leverage ratio | 6.6% | 3.4% |

Bunq applies the following main capital definitions:

- Common equity Tier 1 capital (CET–) - is defined as shareholders' equity less regulatory adjustments. CET1 capital divided by risk-weighted assets equals the CET1 ratio.
- Total capital – is Tier 1 capital and regulatory adjustments. Total capital divided by risk-weighted assets equals the Total capital ratio.
- Leverage ratio – is defined as Tier 1 capital divided by the leverage exposure

Regulatory adjustments are set out by the DNB

The Group 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 Group has developed a plan that ensures an orderly wind down. the Group 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 Group complied with the externally imposed capital requirements.

During the year, due to the Group's acquisition of Capitalflow, there is a large increase in the Total Risk Weighted Assets in the current year in comparison to prior years.

### *Fair Value of financial instruments*

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

| 2021 EUR ('000) | Level 1 | Level 2 | Level 3 | Total | Carrying Value |
|---|---|---|---|---|---|
| Investments at amortised cost (other) | 5 215 | 5 194 | - | 10 409 | 9 584 |
| Mortgages | - | 531 880 | - | 531 880 | 513 141 |
| Loans and advances to customers | - | 168 | 422 422 | 422 590 | 423 521 |
| Loans and advances to banks | 49 527 | - | - | 49 527 | 49 527 |
| Customer deposits | (1 106 923) | - | - | (1 106 923) | (1 106 923) |
| Loans and advances owed to banks | (147 495) | - | - | (147 495) | (147 495) |

The market value of the mortgages and loans to customers is determined using the "discounted cash flow method". Characteristics of each portfolio are determined. An applicable discount rate is calculated and used in order to determine the present value of the future cash flows; this is the present market value presented above.

In the mortgages above, the difference between fair value shown above and the carrying value is due to the effect of the hedge liability (EUR 10.8 million) and market factors (EUR 7.9 million).

The market value of the investments at amortised costs – other loan approximates the notional value of the loan. The difference between notional and carrying value is the expected credit loss recognised amounting to EUR0.92 million.

## F. Climate risks

Climate-Related Risk refers to the potential negative impacts of Climate Change on the entity. It includes potential for adverse effects on the Group's clients, users, infrastructure, investments, and activities.

The Group has taken an active effort to invest in environmentally sustainable investments. Investments are scrutinised for environmental impact and are selected based on a number of criteria, including impact on the environment and use of sustainable resources.

For climate-related risks, bunq does not finance companies active in:

- Fossil fuel-fired power generation and/or extraction of oil and gas, including oil generated from tar sands for any part of their business activities
- Coal-fired power generation and/or coal mining for any part of their business activities
- Nuclear energy
- Mining activities

Due to the above investment criteria, bunq's assets are less vulnerable to decommissioning due to climate risk. The portfolio is vulnerable to climate risks such as flooding.

Further, the Group's infrastructure is powered by renewable energy sources, decreasing the reliance on non-renewable energy and minimising environmental impact.

The Group incentivises premium users of the Group platform by planting trees for funds spent by premium users. This has a positive impact on the environment in a manner that creates work opportunities in Madagascar and Kenya.

## G. Operational Risk

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

### *IT Risk*

IT risk can be divided into two parts:

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

### *Management of IT risk*

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

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

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

### *Fraud risk*

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

### *Management of fraud risk*

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

### *Legal risk*

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

### *Management of legal risk*

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

### *Outsourcing risk*

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

### *Management of outsourcing risk*

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

# 8. Fair value of financial instruments

## A. Valuation Models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The other financial assets and liabilities of the Group are measured at amortized cost.

| EUR | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **December 31st 2021** | | | | |
| Money Market Fund | 27 542 591 | - | - | 27 542 591 |
| **December 30th 2020** | | | | |
| Money Market Fund | 17 034 934 | - | - | 17 034 934 |

For fair values on instruments held at amortised costs, please refer to note 7(e).

## 9. Interest income

See note 40(B)

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| Interest on Bond portfolio | (3) | 192 |
| Interest on mortgage portfolio | 5 952 | 700 |
| Interest on loans and advances to customers | 2 774 | 0 |
| Other interest Income | 414 | -6 |
| **Total** | **9 137** | **886** |

Other interest income is interest income earned on Loans to other institutions granted to related parties. Please refer to note 35.

## 10. Interest expense

See note 40(B)

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| European Central Bank | 2 308 | 1 951 |
| Interest owed to customers | 322 | 550 |
| Interest on external financing | 711 | 98 |
| Interest expense derivatives | 649 | 80 |
| Other interest | 25 | 22 |
| **Total** | **4 015** | **2 701** |

Negative interest is charged to bunq on balances held at the European Central Bank.

Other interest is made up of Interest on payer swaps, and other items.

## 11. Fee income

See Note 40 (C)

| | 2021 | 2020 |
|---|---|---|
| | **EUR ('000)** | **EUR ('000)** |
| Product Fees | 27 141 | 16 100 |
| Loans and Advances Fees | 365 | 0 |
| Other Fees | 5 196 | 2 425 |
| **Total** | **32 702** | **18 525** |

Product fees are fees charged to consumers for the use of the bunq platform and includes all fees shown on invoices to users of the platform.

Loans and advances fees are fees charged to beneficiaries of financing granted on origination of loans. The figure is as a result of the Capitalflow acquisition.

Other Fees is made up of interchange fees and fees on projects with business partners.

Below is a table breaking down product fees between businesses and persons.

| | 2021 | 2020 |
|---|---|---|
| | **EUR ('000)** | **EUR ('000)** |
| Consumer Fees | 15 632 | 10 068 |
| Business Fees | 11 509 | 6 032 |
| **Total Product Fees** | **27 141** | **16 100** |

Below is a split on where the above fee income is earned.

| | 2021 | 2020 |
|---|---|---|
| **Country** | **EUR ('000)** | **EUR ('000)** |
| Netherlands | 32 337 | 18 525 |
| Ireland | 365 | - |
| **Total** | **32 702** | **18 525** |

## 12. Fee expenses

See Note 40(C)

| | 2021 | 2020 |
|---|---|---|
| | **EUR ('000)** | **EUR ('000)** |
| Card production Fees | 1 016 | 1 688 |
| Clearing and Settlement | 366 | 301 |
| Due Diligence | 1 742 | 859 |
| Transaction based fees | 5 084 | 3 406 |
| Brokerage and other fees | 1 302 | 504 |
| **Total** | **9 510** | **6 758** |

## 13. Gains and losses from derivatives and financial instruments

See note 40(H)

| | 2021 | 2020 |
|---|---|---|
| | **EUR ('000)** | **EUR ('000)** |
| Derivatives designated in hedge relationship | 271 | (4) |
| Result of freestanding derivatives | 84 | (235) |
| Results out of sale of financial instruments | - | 3 301 |
| **Total** | **355** | **3 062** |

The result out of freestanding derivatives comes from the derivatives that could not become part of the hedge accounting in the first month of building up the mortgage portfolio. On December 31st, 2021, the fair value of the freestanding derivative amounts to EUR 98 877 as the derivative was now renewed during the period (2020 - EUR 41 241).

During the period the hedge relationship was 98% effective. This is seen in note 25.

## 14. Personnel expenses

See Note 40(M)

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| Wages and Salaries | 10 536 | 7 843 |
| Social Security Contributions | 1 301 | 1 056 |
| Pension Contributions | 35 | - |
| **Total Expenses** | **11 872** | **8 899** |

Pension expenses are contributed by Capitalflow Group to the full-time employees in Ireland. In 2021, the Group had on average 240 (2020: 153.0) staff members based on full time equivalents (FTE).

The staff members are divided over the following departments:

| | 2021 | 2020 |
|---|---|---|
| Board | 3 | 3 |
| Product, IT, Design, Data | 70 | 57 |
| Marketing, Business Development | 26 | 24 |
| Onboarding, Support, Compliance | 106 | 45 |
| Finance, Treasury, Risk, Legal, HR | 28 | 24 |
| Subsidiary employees | 7 | |
| **Total** | **240** | **153** |

The Group has defined contribution pension arrangements in place for some of its employees in Ireland and Bulgaria. See note 40 (M). 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'.

## 15. Other expenses

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| General administrative expenses | 12 485 | 6 412 |
| Marketing expenses | 9 579 | 9 721 |
| Office expenses | 647 | 372 |
| Technical and IT expenses | 3 302 | 2 504 |
| Securitisation expenses | 962 | - |
| **Total before depreciation and amortisation** | **26 975** | **19 009** |
| Depreciation and amortisation | 905 | 278 |
| **Total** | **27 880** | **19 287** |

## 16. Auditor remuneration

Expenses for audit services provided by the external auditor, Deloitte Accountants B.V. and its member firms are presented in the table below.

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| **Paid to Deloitte Accounts B.V.** | | |
| Audit of group financial statements | 705 | 218 |
| **Paid to member firms of Deloitte Accounts B.V.** | | |
| Installation report | 18 | - |
| Other assurance services | 67 | 36 |
| **Total** | **790** | **254** |

Other audit fees relate to regulatory reports audit and Deposit Guarantee Scheme audit.

The Group's auditors did not provide any non-audit services.

## 17. Provision for impairment

See Note 40 (M), Note 20, Note 21, Note 22, Note 23

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

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| Advances to customers | 400 | 0 |
| Advances to customers (Negative user balances) | 1 141 | 897 |
| Loans and advances to banks | 1 | 0 |
| Investments at amortized costs (bonds) | 2 | (47) |
| Mortgages) | (13) | 61 |
| Loans to other entities | 918 | 0 |
| **Total** | **2 449** | **911** |

## 18. Corporate income tax

See Note 40(E)

For 2021 and 2020 the effective tax rate is 0% as the Group did not recognize any deferred tax asset for its tax losses carried forward in the Dutch entities. The total unused tax losses for which no deferred tax asset is recognized in the statement of financial position amounts to EUR 72 320 602. Deferred tax assets are recognized 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.

During the period, deferred taxes arose due to acquisitions which occurred during the year (see note 36). The subsidiary in Ireland recognised a deferred tax asset due to expected future profitability.

Deferred tax liabilities have arisen upon consolidation and measurement of the assets and liabilities on the date of acquisition. Deferred tax liabilities have been recognised due to fair value adjustment and recognition of intangible assets at recognition date of Capitalflow Group DAC.

| Year | EUR |
|---|---|
| **2015** | 3 515 515 |
| **2016** | 5 237 064 |
| **2017** | 9 018 817 |
| **2018** | 11 112 124 |
| **2019** | 13 907 331 |
| **2020** | 16 084 390 |
| **2021** | 13 445 361 |
| **Total** | 72 320 602 |

### *Amounts recognized in the Profit and Loss*

| | 2021 | 2020 |
|---|---|---|
| | **EUR ('000)** | **EUR ('000)** |
| Current tax expense | 0 | 0 |
| Current year | 0 | 0 |
| **Total** | **0** | **0** |
| | | |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | 0 | 0 |
| Deferred taxation expenses arising from movements in deferred tax assets/liabilities recognised in acquisitions | (88) | 0 |
| Recognition of previously unrecognized tax losses | 0 | 0 |
| **Total** | **(88)** | **0** |
| | | |
| **Total income tax expense** | | |
| Current tax expense | (88) | 0 |

Deferred tax assets are recognised in the subsidiary Capitalflow Group D.A.C. There is no deferred tax asset recognised in the company only financial statements.

*Reconciliation of effective tax rate*

| | 2021 | 2021 | 2020 | 2020 |
|---|---|---|---|---|
| | EUR ('000) | EUR ('000) | EUR ('000) | EUR ('000) |
| | Rate | EUR | Rate | EUR |
| Profit before tax | | (13 445) | 0 | 0 |
| Tax at corporate rate | 0% | 0 | 0 | 0 |
| Current year losses with no deferred tax asset recognized | 0% | (13 532) | 0 | 0 |
| Previously unrecognized tax losses | 0% | 0 | 0 | 0 |
| Deferred taxes arising through acquisition | 0% | (88) | | |
| **Total income tax expense** | **0%** | **(88)** | **0** | **0** |

*Deferred Taxation movement*

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| Tax asset (liability) as per January 1st | 0 | 0 |
| Acquired tax asset (liability) | (156) | 0 |
| Recognition in Profit and Loss | 60 | 0 |
| Recognition in OCI | 0 | 0 |
| | | |
| **Tax Assets (Liabilities) as of December 31st** | **96** | **0** |

**Deferred tax total**

| | 2021 | 2020 | CIT percentage |
|---|---|---|---|
| | EUR ('000) | EUR ('000) | % |
| Deferred Tax Assets | 1 237 | 0 | 12,5 % - Ireland Corporate income tax rate |
| Deferred Tax Liability | (1 334) | 0 | 12,5 % - Ireland Corporate income tax rate |

## 19. Cash and balances with central banks

See note 40 (G)

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| Balances held at central banks | 360 498 | 407 267 |

## 20. Loans and advances to banks

| | 2021 | 2020 |
|---|---|---|
| | EUR '(000) | EUR '(000) |
| Current accounts at other financial institutions | 35 312 | 5 625 |
| Mastercard deposit | 12 227 | 10 251 |
| Foreign Exchange Balances Held | 1 989 | 0 |
| Provision for expected credit loss | (1) | (2) |
| **Total** | **49 527** | **15 874** |

Current accounts at other financial institutions are made up of EUR 12 803 332 which have been pledged as part of the mortgage obligations.

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 Group to its customers as well as deposits made to facilitate the collection of amounts due under the Mastercard contract and for the use of credit cards held by the Group for its own purposes.

On request of Mastercard this can be adjusted every six months.

Foreign exchange balances are balances in foreign currencies held at year end. The foreign currency balances are aligned to deposits owed to users in the same currencies for the same amounts. No foreign currency balances have been pledged as collateral

## 21. Loans and advances to customers

See Note 40(l)

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| Commercial Real Estate Loans | 254 540 | - |
| Invoice finance | 26 028 | - |
| Asset finance | 143 006 | - |
| Negative customer deposit balances | 2 822 | 1 620 |
| **Total loans and advances to customers** | **426 396** | **1 620** |
| Less: Allowance for impairment losses | (2 875) | (1 512) |
| **Net loans and advances to customers** | **423 521** | **108** |

The commercial real estate, invoice financing and asset finance portfolios are acquired through the acquisition of entities in the period. Please refer to note 36.

### *Commercial Real Estate*

Property loans, or Commercial Real Estate lending, is funding provided to customers to purchase or develop corporate real estate for the customer's own use.

Property loans can be analysed as follows:

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| Gross amounts of property loans receivables | 254 540 | - |
| Less than one year | 13 368 | - |
| One to five years | 229 690 | - |
| Greater than 5 years | 11 482 | - |
| | | |
| Less impairment losses | (221) | - |
| **Carrying amount of property loans** | **254 319** | **-** |

### *Invoice financing*

Invoice finance can be analysed as follows

| | 2021 | 2020 |
|---|---|---|
| | **EUR ('000)** | **EUR ('000)** |
| Gross amounts of invoice financing receivables | 26 028 | - |
| Less than one year | 26 028 | - |
| One to five years | - | - |
| Greater than five years | - | - |
| | | |
| Less: impairment allowance | - | - |
| **Carrying amount of invoice financing receivables** | **26 028** | **-** |

### *Asset financing*

Asset finance can be analysed as follows. Capitalflow Group DAC is regarded as a lessor in Asset financing lending transactions. See note 40 (D).

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| Gross amounts of asset financing receivables | 143 008 | - |
| Less than one year | 49 194 | - |
| Between one and two years | 34 864 | - |
| Between two and three years | 21 839 | - |
| Between three and four years | 10 724 | - |
| Between four and five years | 2 372 | - |
| Longer than 5 years | 44 574 | - |
| | 163 567 | - |
| Unearned finance income | (20 561) | - |
| | 143 008 | - |
| | | |
| Less: impairment allowance | (2) | - |
| **Carrying amount of asset financing receivables** | **143 006** | **-** |

## 22. Investments at amortised cost

See note 40(F)

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| Bond investments | 5 215 | 5 252 |
| Loans to other institutions | 5 292 | - |
| Total investments at amortised cost | 10 504 | 5 252 |
| Less: Allowance for impairment losses | (920) | (3) |
| **Net investments at amortised cost** | **9 584** | **5 249** |

***Bonds***

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| Bonds | 5 215 | 5 252 |
| Provision for expected credit loss | (3) | (3) |
| **Balance sheet value as of December 31st** | **5 212** | **5 249** |
| | | |
| Movements during the year: | | |
| Balance sheet value as of January 31st | 5 249 | 121 787 |
| Purchases of bonds | 1 503 | 35 741 |
| Amortisation of premiums/discounts | (31) | - |
| Sale of bonds | (1 509) | (152 326) |
| Amortised cost as of December 31st | 5 212 | 5 202 |
| Impairment reversals/charges | - | 47 |
| **Balance sheet value as of December 31st** | **5 212** | **5 249** |

***Loans to other institutions***

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| Loans to other institutions | 5 292 | - |
| Provision for expected credit loss | (920) | - |
| Balance sheet value as of December 31st | 4 372 | - |
| | | |
| Movements during the year: | | - |
| Balance sheet value as of January 1st | - | - |
| Purchases | 4 875 | - |
| Capitalised interest | 417 | - |
| Amortised cost as of December 31st | 5 292 | - |
| Impairment reversals/charges | (920) | - |
| **Balance sheet value as of December 31st** | **4 372** | **-** |

# 23. Mortgages

See note 40 (F)

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| Mortgages | 513 189 | 387 011 |
| Less: Allowance for impairment losses | (48) | (60) |
| **Net investments at amortised cost** | **513 141** | **386 951** |

### *Mortgages*

| | 2021 | 2020 |
|---|---|---|
| | **EUR ('000)** | **EUR ('000)** |
| Mortgages | 524 034 | 387 011 |
| Provision for expected credit loss | (48) | (60) |
| Fair value hedge accounting | (10 845) | - |
| **Balance sheet value as of December 31st** | **513 141** | **386 951** |
| | | |
| Movements during the year: | | |
| Costs as of January 1st | 387 011 | - |
| Net Purchases | 138 332 | 387 076 |
| Amortisation of premium/discounts | (1 309) | (65) |
| **Cost as of December 31st** | **524 034** | **387 011** |
| | | |
| Accumulated amortisation as of January 1st | (60) | - |
| Impairment provision/adjustment | 12 | (60) |
| Movement in hedge accounting fair value | (10 845) | - |
| **Accumulated amortisation as of December 31st** | **(48)** | **(60)** |
| | | |
| Balance sheet as of January 1st | 386 951 | - |
| **Balance sheet value as of December 31st** | **513 141** | **386 951** |

During the period 2 mortgage portfolios, totalling EUR 375.4M, were securitized in a special purpose vehicle (SPV). The SPV Solitaire 1 B.V. created Notes, of which 100% was transferred to bunq B.V. The securitised mortgages are consolidated in the annual accounts, and therefore are not represented in the movement schedule above.

This brings the SPV's in the Group holding mortgage portfolios to 3 at year end 2021. Refer to note 40(A)

The notes are held by the European Central Bank (ECB) and are used as collateral to allow for further liquidity advances from the ECB. This allows the Group to invest a higher portion of user deposits. The nominal value of mortgages securitised and held as security at year end is EUR 352.3 million.

The Group has maintained control over the SPV, and therefore, per requirements set out in IFRS 10, the Group has consolidated the SPV into the annual financial statements.

The portfolios have fixed interest ratings for periods between 1 month up to 30 years. The interest percentages on the mortgage portfolios are between 0.75% and 2.97%.

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

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

| | Gross amount | Amount to be netted | Net amount |
|---|---|---|---|
| | | | |
| **Assets** | | | |
| Mortgages | 529 696 | (5 662) | 524 034 |
| Total Assets | 529 696 | (5 662) | 524 034 |
| | | | |
| **Liabilities** | | | |
| Building deposit liabilities | (5 662) | 5 662 | - |
| Total liabilities | (5 662) | 5 662 | - |

## 24. Investments at fair value

See note 8 and note 40 (F)

The investments at fair market value is the money market account that is in use to ensure we can fulfil our collateral obligations on a day-to-day basis for our derivatives. The total amount is pledged under contract to our service partner to ensure they can fulfil our obligations on a daily basis. bunq is exposed to the Netherlands only. The asset is mandatorily recognized at fair value through Profit and loss due to the business model in which the asset is held.

| | 2021<br>EUR ('000) | 2020<br>EUR ('000) |
|---|---|---|
| Money Market Account | 27 543 | 17 035 |

## 25. Derivatives held for risk management and hedge accounting

See note 40 (H)

*Fair value hedges of the interest rate risk*

To minimise exposure to the interest risk on designated bonds and mortgage portfolios, the Group has entered into interest swaps. These derivatives have a nominal value of EUR 143 870 000

The groups exposure to interest rate risk, and the Groups method for managing this risk is disclosed in note 7(C).

By using derivative financial instruments to hedge exposures to changes in interest rates, the Group also exposes itself to credit risk of the derivative counterparty, which is not offset by the hedged item. the Group minimises counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties.

All interest swaps are part of a hedge relation, where fair value hedge accounting is applied. In the fair value hedge accounting relations, the interest risk on the designated cash flows of the mortgage portfolio is mitigated. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

The hedging relationship is not affected by IBOR reform as the hedging relationship as the swap hedging instrument is based on the ERIBOR rate and therefore not affected by not IBOR reforms.

The hedge relation is determined on a monthly basis where the effectiveness is tested in the prospective test. The effectiveness shows the amount the mutation in the fair value of the hedge instruments (cash flows of mortgages) are hedged by the fair value movement of the hedging instrument (interest swap). At the end of the monthly hedge relation period the actual ineffectiveness is measured in the retrospective test.

Ineffectiveness can be realised due to different reasons such as:

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

In the year 2021 the result of ineffectiveness of the hedge relation was EUR 271 000 gain (2020: EUR 4 000 loss). This result is presented under the Result from financial instruments in the Consolidated statement of Profit and Loss. The next table shows the details of the hedge accounting relation.

| December 31st, 2021 *EUR ('000)* | Notional value | Book Value Debit | Book Value Credit | Line item in balance sheet | Change in value used to calculate hedge relationship | Line item instatement of profit and loss |
|---|---|---|---|---|---|---|
| Interest rate swap | 143 870 | 565 | - | Derivative assets held for risk management | 11 116 | |
| Fair value adjustment hedged instrument | - | - | (10 845) | Mortgages | (10 845) | |
| Hedge accounting ineffectiveness | - | - | - | | 271 | Gains or losses from derivatives |

| December 31st, 2020 *EUR ('000)* | Notional value | Book Value Debit | Book Value Credit | Line item in balance sheet | Change in value used to calculate hedge relationship | |
|---|---|---|---|---|---|---|
| Interest rate swap | 143 870 | - | (341) | Derivative assets held for risk management | 26 | |
| Fair value adjustment hedged instrument | - | 22 | - | Derivative assets (liabilities) held for risk management | 22 | |
| Hedge accounting ineffectiveness | - | - | - | | (4) | Gains or losses from derivatives |

| | Collateral value EUR ('000) | Reported under: |
|---|---|---|
| December 2021 | | |
| JP Morgan Bank | (4 288) | Loans and advances owed to banks |
| Citibank Banks | (6 657) | Loans and advances owed to banks |
| December 2020 | | |
| JP Morgan Bank | 700 | Loans and advances to banks |
| Citibank Banks | (750) | Loans and advances owed to banks |

## 26. Property, Plant and Equipment

See Note 40 (J)

| Property, Plant, and equipment | Leasehold Improvements | Equipment | Total |
|---|---|---|---|
| | **EUR ('000)** | **EUR ('000)** | **EUR ('000)** |
| **Cost balance as of January 1st 2020** | 292 | 578 | 870 |
| Additions | 272 | 299 | 571 |
| Disposals | - | (23) | (23) |
| **Cost balance as of December 31st 2020** | 564 | 854 | 1 419 |
| **Cost balance as of January 1st 2021** | 564 | 854 | 1 419 |
| Additions | 65 | 293 | 358 |
| Additions as a result of company acquisitions | 95 | 843 | 938 |
| Disposals | - | (91) | (91) |
| **Cost balance as of December 31st 2021** | 724 | 1 900 | 2 624 |

| | | | |
|---|---|---|---|
| **Accumulated depreciation as of January 1st 2020** | 216 | 388 | 604 |
| Depreciation for the year | 58 | 91 | 149 |
| Impairment loss | - | - | - |
| Disposals | - | (4) | (4) |
| **Accumulated Depreciation as of December 31st 2020** | 274 | 475 | 749 |
| **Accumulated Depreciation as of January 1st 2021** | 274 | 475 | 749 |
| Depreciation for the year | 19 | 164 | 183 |
| Impairment loss | - | - | - |
| Disposals | - | 31 | 31 |
| Depreciation arising through acquisition | 54 | 604 | 658 |
| **Accumulated Depreciation as of December 31st 2021** | 347 | 1 274 | 1 621 |
| **Carrying Amounts** | | | |
| **Balance on December 31st 2020** | 290 | 379 | 669 |
| **Balance on December 31st 2021** | 378 | 626 | 1 004 |

Additions during the year 2021 are as a result of the Capitalflow Group acquisition. Refer to note 40(A). Right-of-use assets refers to leases on office buildings in Amsterdam, Rotterdam, and Dublin.

## 27. Intangible assets and goodwill

See Note 40(L)

| | Goodwill | intangible assets Acquired | Software | Total |
|---|---|---|---|---|
| | EUR ('000) | EUR ('000) | EUR ('000) | EUR ('000) |
| **Cost** | | | | |
| **Balance as of January 1st 2020** | - | | | |
| Additions | - | - | - | - |
| Internal Development | - | - | - | - |
| Balance as of December 31st 2020 | - | - | - | - |
| | - | - | - | - |
| **Balance as of January 1st 2021** | - | - | - | - |
| Additions | - | 172 | - | 172 |
| Additions as a result of company acquisitions | 29 292 | 2 103 | 2 815 | 34 210 |
| Disposals | - | - | - | - |
| **Balance as of December 31st 2021** | 29 292 | 2 275 | 2 815 | 34 382 |
| **Amortisation** | | | | |
| **Accumulated amortisation as of January 1st 2020** | - | - | - | - |
| Amortisation for the year | - | - | - | - |
| Impairment loss | - | - | - | - |
| Disposals | - | - | - | - |
| **Accumulated amortisation as of December 31st 2020** | - | - | - | - |

| | | | | |
|---|---|---|---|---|
| **Accumulated amortisation as of January 1st 2021** | - | - | - | - |
| Amortisation for the year | - | 49 | 54 | 103 |
| Impairment loss | - | - | - | - |
| Disposals | - | - | - | - |
| **Accumulated amortisation as of December 31st 2021** | - | 49 | 54 | 103 |
| **Carrying Amounts** | | | | |
| **Balance on December 31st 2020** | - | - | - | - |
| **Balance on December 31st 2021** | 29 292 | 2 226 | 2 761 | 34 279 |

Intangible assets acquired refer to assets recognised as part of the IFRS3 requirements relating to the acquisitions during the period. These items are made up of a distribution network and customer relationships. Refer to notes 36 and 40(L).

During the year, the Group recognized EUR 29,3M goodwill associated with the acquisition of Capitalflow. For the purposes of the impairment testing, goodwill has tested for impairment at a Capitalflow Group DAC level, and not a cash generating until level. Refer to note 36.:

The Group has adopted an accounting policy to test for impairment at minimum annually, or earlier when there are indicators of impairment present.

Significant Judgement and Estimates

The recoverable amount for the goodwill is estimated based on the value in use of the underlying Capitalflow asset portfolios, determined through a discounted cash flow model. No impairment losses were recognized during the period between the acquisition date and the December 31st, 2021, year-end as the recoverable amounts of these portfolios were higher than their carrying amounts.

The discounted cash flow model uses five years of cash flow projections. A long-term growth rate was used to estimate cash flows in the terminal period. Management estimates a pre-tax discount rate of 11.6% based on the Cost of Equity. Management uses a terminal value growth rate of 1.8% based on the long-term outlook of the economy of Ireland based on research from the Economist Intelligence Unit. The key assumptions described above may change as economic and market conditions change.

## 28. Inventory

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

## 29. Other Assets

| | 2021 | 2020 |
|---|---|---|
| | **EUR ('000)** | **EUR ('000)** |
| Prepayment | 1 438 | 2 646 |
| Trade debtors | 62 | 28 |
| Unsettled transactions | 8 335 | 5 464 |
| Accrued income | 1 995 | 22 |
| Mortgage receivables | 8 272 | 16 846 |
| Other Assets | 287 | 112 |
| **Total** | **20 389** | **25 119** |

Other assets contain security deposits greater than 1 year, amongst other assets.

# 30. Customer Deposits

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| Consumer Deposits | 493 959 | 353 702 |
| Business deposits | 607 358 | 449 028 |
| E-money deposits | 3 602 | 9 325 |
| Not yet designated deposits | 1 350 | 487 |
| Foreign Currency Deposits | 654 | - |
| **Total** | **1 106 923** | **812 542** |

All deposits from users are current account balances held by consumers or businesses. Not yet designated customer deposits consist of incoming payments that are under review before allocating to customer accounts or refunding back to the originator.

So-called e-money deposits are deposits where the user has not been verified yet. These accounts can be used up to 150 euro. When the amounts on the account are above 150 euro, the account is frozen until verification.

Not yet designated deposits are deposits which are held in separate accounts before being distributed to users in order for the source of the funds to be determined. This is in line with anti-money laundering regulations. Further, funds which are required to be returned to senders due to incomplete payments are included here.

## 31. Loans and advances owed to banks

| | 2021<br>EUR ('000) | 2020<br>EUR ('000) |
|---|---|---|
| Collateral account to other financial institutions (1) | 10 945 | 750 |
| Revolving credit facility (2) | 114 112 | - |
| Asset Based Finance facility (3) | 22 438 | - |
| **Total** | **147 495** | **750** |

Collateral accounts at other institutions contains an amount of EUR 10 944 742 which has been collateralized for the fair value movement of the derivatives.

(1) Collateral account to other financial institutions Interest rates The rate of interest on the collateral account is a negative interest rate which is charged monthly by Banco Santander London.

The collateral account is in place due to an agreement with Mastercard. The account is in place to cover the risk exposure Mastercard has to bunq due to daily operations. The collateral amount is reviewed annually by Mastercard and is based on daily average Mastercard transaction by. Bunq users, with a growth buffer of 10%.

The balance of the collateral is held at Banco Santander London in Euros.

(2) Revolving credit facility

Interest rate

The rate of interest on the revolving credit facility is an agreed fixed rate margin per annum plus EURIBOR (if loan utilised in EUR) or GBP LIBOR (if loan utilised in GBP). the Group can draw down funds in either currency. The facility does not have a covenant in place and the revolving credit facility does not have a maturity date. The maximum drawdown is 80% of the outstanding Asset Finance portfolio with the maximum draw down shown below. A breakdown of the facilitators of the loans is shown below:

Both facilities with Natwest Bank and Strategic Banking Corporation of Ireland were repaid in 2022. Each facility is administrated in a separate entity. The specific asset finance portfolios are fully collateralised against the facility funding the portfolio.

| 2021 | Drawn Value EUR ('000) | Maximum facility amount EUR ('000) | Reference rate | Margin charged above Reference rate |
|---|---|---|---|---|
| Natwest Bank | 79 169 | 95 000 | EURIBOR/ GBP SONIA | 2.45% |
| Strategic Banking Corporation of Ireland | 34 943 | 50 000 | EURIBOR | 0.80% |
| **Total** | **114 112** | **145 000** | - | - |

The fair value of the facilities shown above approximate the book value due to floating rates interest rates of the facilities

(3) Asset Based Finance Facility

The rate of interest on the asset-based finance facility is an agreed fixed rate margin per annum plus EURIBOR (if loan utilised in EUR), plus GBP LIBOR (if loan utilised in GBP) or plus USD LIBOR (if loan utilised in USD). the Group can draw down funds in euro, sterling or US dollars. The maximum drawdown is 80% of the outstanding Asset based finance portfolio.

The entire Invoice finance portfolio to the maximum of the loans outstanding value is collateralised towards the facilitator, Royal Bank of Scotland.

| 2021 | Drawn Value EUR ('000) | Maximum facility amount EUR ('000) | Reference rate | Margin charged above Reference rate |
|---|---|---|---|---|
| Royal Bank of Scotland | 22 438 | 45 000 | EURIBOR/ GBP SONIA / USD LIBOR | 1.90% |
| **Total** | **22 438** | **45 000** | - | - |

The fair value of the facilities shown above approximate the book value due to floating rates interest rates of the facility.

### *Cash flow effects*

Reconciliation of movements of liabilities to cashflow arising from financing activities

| | Debt Instruments | Debt Instruments |
|---|---|---|
| | **2021** | **2020** |
| | **EUR ('000)** | **EUR ('000)** |
| Balance on January 1st | 750 | - |
| Changes from Financing Cash Flows | - | 750 |
| **Total changes from financing cash flows** | **-** | **750** |
| Other Changes | 146 745 | 146 745 |
| Liability related | | |
| • Interest expense | 989 | - |
| • Interest Paid | (989) | - |
| Total Liability movement related other changes | 146 745 | - |
| **Total Equity movement related other changes** | **-** | **-** |
| **Balance on December 31st** | **147 495** | **750** |

# 32. Provisions

| | 2021 | 2020 |
|---|---|---|
| | **EUR ('000)** | **EUR ('000)** |
| Provisions at 1 January | 1 055 | - |
| Provisions realised | (150) | - |
| Provisions raised | 310 | 1 055 |
| **Provisions at 31 December** | **1 215** | **1 055** |

The Group has created provisions for those matters for which the outcome is uncertain, but it is considered probable that there will be a future outflow of funds to a third party.

The provisions are measured at the best estimate of the amount expected to become payable. Within the value of provisions is an amount taken into consideration for the expected external regulatory measurements costs.

Banking supervisors regularly perform reviews to assess bunq's compliance with laws and regulations. In 2018 a review was held leading to a CDD and AML program of improvements that continued in 2019 and early 2020. The program of improvements has been audited by our internal auditor in 2021. Subsequently DNB has started a validation review. A provision has been made for expected future external regulatory measurement costs.

## 33. Other liabilities

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| Lease liabilities (Note 37) | 2 165 | 1 322 |
| Unsettled Positions | 23 574 | 11 466 |
| Creditors and accruals | 9 653 | 3 538 |
| Deferred income | 2 832 | 0 |
| VAT payable | 461 | 352 |
| Other Liabilities | 831 | 347 |
| **Total** | **39 516** | **17 025** |

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

VAT payable is on VAT owed on purchase invoices.

Other liabilities concern wage taxes, pension fund contributions and other liabilities.

## 34. Share Capital and Share Premium

| | 2021 | 2020 |
|---|---|---|
| | EUR '(000) | EUR '(000) |
| **Issued Capital** | | |
| Class A shares –at EUR 1 par | - | 18 |
| Class B shares –EUR 0.01 | 133 | 100 |
| Share premium | 232 583 | 90 250 |
| **Total share capital and share premium** | **232 716** | **90 368** |

During the period shares were reorganized due to the sale of shares to Pollen street limited.

The reorganization of shares means all class A shares have been transferred to class B shares, as seen in the table.

B class shares contain voting rights and have a par value of EUR 0.01.

The Class B shares are part of the Company's Tier 1 capital but do not classify as CET1.

During the period, 1 322 347 class B shared were issued to Pollen Street Capital Limited as described in Note 36. In total 13 319 054 B class shares have been issued.

### *Schedule of movements of issued share capital*

| | Class A Shares | Class B Shares |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| **Balance on 1 January 2020** | 18 | 100 |
| Issue of shares during period | - | - |
| Movement between classes during period | - | - |
| **Balance on 31 December 2020** | 18 | 100 |
| Issue of shares during period | - | 15 |
| Movement between classes during period | (18) | 18 |
| **Balance on 31 December 2021** | - | 133 |

The capital is fully paid up. bunq Holding B.V. CapitalFlow Holding DAC and Stichting STAK Together, jointly holding all shares of bunq B.V., agreed to the following arrangement. In the event that bunq B.V. has profits available for distribution to the shareholders in any accounting reference period, the shareholders shall procure, contrary to the articles of association that this profit distribution (dividend) will first be paid on all the shares held by bunq Holding B.V,/Capitalflow Holding DAC, with a maximum of the total amount of the contributions directly or indirectly made by bunq Holding B.V,/Capitalflow Holding DAC.

### *Share Premium*

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| **Opening Balance** | 90 250 | 63 200 |
| Capital Injection | 19 630 | 27 050 |
| Premium on issue of Shares | 46 898 | - |
| Contribution in Kind Transaction | 75 805 | |
| **Closing Balance** | 232 583 | 90 250 |

The capital injection is capital contributions made by the majority shareholder in the company throughout the year in order for the company to maintain a buffer over the regulatory capital requirements. Further EUR 9.98 million in forgiven loans in Capital Flow Group D.A.C. was contributed as capital contributions by the minority shareholder.

The premium on issue of shares is due to the purchase of shares by Pollen Street Capital Limited in bunq. Please refer to note 36 in the consolidated financial statements for further information.

The consideration received for the issue of shares includes the following: EUR 21.9 million in cash and a further EUR 25 million from the majority shareholder to purchase new shares.

### *Cash flow effects*

Reconciliation of movements of capital reserves to cashflow arising from financing activities

| | Equity | | |
|---|---|---|---|
| | Ordinary Shares | Share Premium | Total |
| | **EUR ('000)** | **EUR ('000)** | **EUR ('000)** |
| Balance on January 1st 2021 | 118 | 90 250 | 90 368 |
| Changes from Financing Cash Flows | 15 | 56 528 | 56 543 |
| **Total changes from financing cash flows** | **15** | **56 528** | **56 543** |
| Other Changes | | 85 805 | 85 805 |
| Liability related | | | |
| • Interest expense | - | - | - |
| • Interest Paid | - | - | - |
| Total Liability movement related other changes | | | |
| **Total Equity movement related other changes** | | **85 805** | **85 805** |
| **Balance on December 31st 2021** | **133** | **232 583** | **232 716** |

| | Equity | | |
|---|---|---|---|
| | Ordinary Shares | Share Premium | Total |
| | **EUR ('000)** | **EUR ('000)** | **EUR ('000)** |
| Balance on January 1st 2020 | 118 | 63 200 | 63 318 |
| Changes from Financing Cash Flows | | 27 050 | 27 050 |
| **Total changes from financing cash flows** | | **27 050** | **27 050** |
| Other Changes | | | |
| Liability related | | | |
| • Interest expense | | | |
| • Interest Paid | | | |
| Total Liability movement related other changes | | | |
| **Total Equity movement related other changes** | | **0** | **0** |
| **Balance on December 31st 2020** | **118** | **90 250** | **90 368** |

# 35. Related parties

Parent and ultimate controlling party

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

During the year the Group went through a series A funding round. The result is Pollen Street Capital Limited has acquired the rights to 9.96% of issued shares in bunq B.V. refer to note 36.

All transactions with related parties were made on terms equivalent to an arm's length transaction.

## A. Transactions with key management personnel

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 2021. One management board member participated in the participation plan and acquired depository receipts via the excisting STAK. As the depository receipts are not traded, no market price can be derived from traded prices. No bonuses, performance dependent remunerations, shares, share options or loans have been granted to members of the Managing and Supervisory Boards as per December 31st 2021.

| | | 2021 | 2020 |
|---|---|---|---|
| | | **EUR ('000)** | **EUR ('000)** |
| Managing Board | Short term employment benefits | 335 | 366 |
| | Post-term employment benefits | - | - |
| | Other long term employment benefits | - | - |
| | Termination benefits | - | - |
| | Share based payment benefits | - | - |
| Supervisory board | Short term employment benefits | 105 | 117 |
| | Post-term employment benefits | - | - |
| | Other long term employment benefits | - | - |
| | Termination benefits | - | - |
| | Share based payment benefits | - | - |

No other balances, such as mortgages or deposits, are held with key management.

## B. Subsidiaries

Balances and transactions with subsidiaries of the Group are listed below

| | | 2021 | 2020 |
|---|---|---|---|
| Another Mortgage 1 B.V. | Participation in subsidiaries | 83 466 | 97 036 |
| Another Mortgage 2 B.V. | Participation in subsidiaries | 85 821 | 309 939 |
| Solitaire 1 B.V. | Investment in Notes | 372 707 | |
| | Current Assets | 791 | |
| | Interest income and deffered purchase price payment | 2 060 | |
| Capitalflow Group DAC | Participation in subsidiaries | 75 814 | |
| | Loans to subsidiaries | 253 451 | |
| | Interest income | 520 | |

Loans to Capitalflow Group DAC are extended with an interest charge of 2.2%.

bunq has the right of pledge for all receivables under any Corporate Real Estate loans in Capitalflow Group DAC as collateral for the intercompany loan.

**Loss Guarantee**

Upon acquisition of Capitalflow group DAC, Pollen Street Capital LTD (the seller) entered into an agreement whereby any IFRS 9 expected credit loss allowance over 1.57% of the asset loan book in CapitalFlow Holdings DAC at year end will be paid to the Group by the purchaser based on the audited financial statements of the years ending 31 December 2021, 31 December 2022, 31 December 2023.

As at year end 2021, the IFRS 9 expected credit loss allowance is 1.4%.

## C. Other related parties

During the period a loan was granted to Team Blue B.V. the Group's majority shareholder is a member of the Team Blue board of directors and is a significant shareholder.
A loan to the value of EUR 4,875 million was granted. Interest earned on the loan during the year amounted to EUR 414 thousand.
The loan is payable in a lump sum at maturity, with all interest capitalised quarterly. The loan is for 108 months. No collateral is held against the loan.

# 36. Acquisitions during the period

**Acquisition of Capitalflow Group D.A.C.**

On November 26th 2021, the Group acquired 100% of the shares and voting interests in Capitalflow Group DAC ("Capitalflow"). As a result, the Group had control over Capitalflow from this date.

The Group has concluded that Capitalflow meets the definition of a business, as it includes inputs (loans receivable and other financing arrangements), processes (loan origination and credit management), and outputs (interest income).

The acquisition of Capitalflow will expand the Group's operations into Ireland. bunq and Capitalflow will continue to operate as separate entities, with separate client's types of lending operations. Synergies result from the advantage of an increase in scale of Capitalflow by means of funding new lending business through intercompany financing (sourced from customer deposits at bunq).

For the period between November 26th 2021 and December 31st 2021, Capitalflow contributed revenue of EUR 3,145 million and profit of EUR 0,587 million to the Group's results.

The acquisition was a share-for-share transactions, where 1,071,400 B class shares of bunq were issued to the seller as consideration in exchange for 100% of the shares in Capitalflow. There were no contingent or deferred consideration as part of the share and purchase agreement.

Management used the practical expedient of IFRS 3,33, where the fair value of consideration issued was measured based on the fair value of bunq's share in Capitalflow for the purpose of measuring the goodwill. This fair value is determined based on average market-participant assumptions, and therefore excludes company-specific synergies from the acquisition.

The fair value of consideration was determined to be EUR 75,8 million as at the acquisition date, which relates to the fair market value from an average market participant's

perspective. This includes an intercompany funding rate charged for the deposit funding, which is an average market participant's assumption.

At the same time as the business combination, bunq entered into a shareholder agreement with Capitalflow Holdings. Capitalflow Holdings provided a cash capital injection of EUR 21,9 million in exchange for 250,947 shares in bunq B.V over and above the shares exchanged as mentioned above. This transaction occurs independently of the Group obtaining control over Capitalflow, and therefore is accounted for separately from the business combination.

As a part of the deal, Capitalflow Holdings forgave a loan of EUR 9.98 million in Capitalflow Group D.A.C as a capital contribution to the group. The deal also required a contribution of EUR 25 million for new shares by the group's majority shareholder.

In total, Capitalflow Holdings holds 1,322,387 shares in bunq representing 9,93% of the total share capital in bunq.

### *Indemnification Asset*

As part of the acquisition agreement, the previous owners of Capitalflow agree to reimburse bunq in the case that expected credit losses are above a specified threshold. This indemnification asset is recognized on the balance sheet when the right to the reimbursement arises. As at the acquisition date, there is no asset recorded.

### *Acquisition-related costs*

Acquisition-related cost include finder's fees, advisory, legal, accounting, valuation and other professional or consulting fees, general administrative costs, including the costs of maintaining and internal acquisition department and costs of registering and issuing debt and equity securities.

In accordance with IFRS 3,53, the acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with the exception that the costs to issue debt or equity securities shall be recognized in accordance with IAS 32 and IFRS 9.

### *Identifiable assets acquired and liabilities assumed*

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of acquisition.

| In millions of Euros | Note | 26 Nov 2021 |
|---|---|---|
| Property, plant, and equipment | *26* | 3,1 |
| Intangible assets | *27* | 2,0 |
| Loans to customers | 21 | 408,9 |
| Deferred tax assets | | 1,2 |
| Other debtors | 29 | 3,4 |
| Cash and cash equivalents | 18 | 13,9 |
| Loans and borrowings | 19 | (377,6) |
| Lease liabilities | *30* | (0,4) |
| Other creditors and accruals | *30* | (6,6) |
| Goodwill | *27* | 29,3 |
| Deferred tax liability | *18* | (1,4) |
| **Total identifiable net assets acquired** | | 75,8 |

### *Measurement of fair values*

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

| Assets acquired | Valuation technique |
|---|---|
| Property, plant and equipment and pre-acquisition intangible assets | Property, plant, and equipment predominantly include the software and website development, office equipment, IT equity and leased assets. The fixed assets were valued using the (activated) cost method, and the relative depreciation per fixed asset item. There were no indicators of impairment between acquisition of the assets and the acquisition date of CFG. |
| Identifiable intangible assets from acquisition | Multi-period excess earnings method:<br>The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets (including the capital requirements). |

| | |
|---|---|
| | Replacement cost method:<br>The replacement cost method considers the relative costs associated to replace the intangible asset with a similar intangible asset, by considering the costs associated to construct the intangible asset. |
| Loans to customers | Discounted cash flow methods were used to value the lending portfolios, with adjustments and assumptions provided by an independent third party |
| Other debtors | Other debtors mainly included accrued accounts, that are based on the revenue recognition scheme from Capitalflow Group. |

Loans to customers are made up of gross contractual amounts of EUR 408,9 million, of which EUR 5,7 million is expected to be uncollectible at the date of acquisition. Other debtors are made up of gross contractual receivables of EUR 4,9 million, where EUR 0,3 million is expected to be uncollectible at the date of acquisition. This expected credit losses are built into the fair value as at the acquisition date.

Due to fair value adjustments a deferred tax liability has been recognised totalling EUR 1,3 million at acquisition date. The deferred tax liability will be realised over the lifetime of the acquired assets.

For the fair value of liabilities, loans, and borrowings of Capitalflow all have repayment options in the short term, as such the remaining life of these liabilities is relatively short. As well, these liabilities all carry a floating interest rate. Therefore, the fair value for these loans is equal to their book value on acquisition date.

In line with applicable IFRS, bunq is allowed a measurement period of 1 year to finalize measurement of assets, liabilities, and equity resulting from the business combination. During this period, measurement of these balances is deeded provisional. As at the year-end date and at the time of this report, bunq is working to integrate CFG into its processes. This includes, but is not limited to, CFG developing detailed forecasts and budgets for each of its 3 CGUs. This process is expected to be completed during 2022. Until such time, the goodwill allocation to individual CGUs is deemed provisional. A goodwill impairment model will be implemented by bunq following this exercise, before 2022 year-end.

### *Goodwill*

*See note 27 and note 40(L)*

Goodwill arising from the acquisition has been recognised as follows:

| In millions of Euros | Note | 2021 |
|---|---|---|
| Consideration transferred | *(A)* | **75,8** |
| Fair value of identifiable net assets | *(C)* | **(46,5)** |
| **Goodwill** | *27* | **29,3** |

The goodwill is attributable mainly to the skills and technical talent of Capitalflow's work force and the synergies expected to be achieved from the increase in scale due to the acquisition of this business. None of the goodwill recognised is expected to be deductible for tax purposes.

## 37. Leases

See accounting policy note 40(D)

### *Leases as a lessee*

The group leases a number of branch offices, namely in Amsterdam, Rotterdam, Sofia, and Dublin. Leases typically run for a period of 5 years with renewal options on all the buildings at the 4-year mark. the Group also has a number of short-term vehicle leases which have a renewal period of 3 years

Information about leases for which the Group is a lessee is presented below.

#### i. Right of use assets

| | 2021 | 2020 |
|---|---|---|
| | **EUR ('000)** | **EUR ('000)** |
| Balance as of January 1st | 305 | 738 |
| Depreciation charge | (250) | (128) |
| Additions | 0 | 695 |
| Additions from acquisitions | 2 051 | 0 |
| **Balance as of December 31st** | **2 106** | **1 305** |

See Note 7.B for a maturity analysis of the lease liabilities on December 31st.

### ii. Lease liability maturity analysis contractual undiscounted cashflows

| | 2021 | 2020 |
|---|---|---|
| | **EUR ('000)** | **EUR ('000)** |
| Less than one year | 543 | 218 |
| One to five years | 1 643 | 982 |
| More than 5 years | 86 | 166 |
| **Total** | **2 272** | **1 365** |

### iii. Amounts recognised in profit and loss

| | 2021 | 2020 |
|---|---|---|
| | **EUR ('000)** | **EUR ('000)** |
| Interest on lease liabilities | 47 | 12 |
| Depreciation charge | 389 | 128 |
| Expenses relating to short term leases | 110 | 56 |

### iv. Extension options

Some leases of office premises contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. the Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. the Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

### v. Cash Flow effects

Reconciliation of movements of lease liabilities to cashflow arising from financing activities

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| Balance on January 1st 2021 | 1 322 | 778 |
| Changes from Financing Cash Flows | | |
| Lease repayment | (223) | (121) |
| **Total changes from financing cash flows** | **(223)** | **(121)** |
| Other Changes | 1 066 | 1 018 |
| Liability related | | |
| • Interest expense | 47 | 12 |
| • Interest Paid | (47) | (12) |
| Total Liability movement related other changes | 1 066 | 708 |
| **Total Equity movement related other changes** | | |
| **Balance on December 31st 2021** | **2 165** | **1 365** |

## 38. Subsequent events

**Acquisition Tricount**

As of May 2nd, bunq acquired 100% shares of Tricount SA, a limited liability company (naamloze vennootschap) with its corporate seat in 1325 Corroy-le-Grand, La Place 10, registered with the Crossroad Bank for Enterprises in Brabant wallon under enterprise number 0508.560.013.

Tricount offers an app that helps users to get insight in shared payments and share the costs amongst others.

At the moment of acquisition of Tricount had 5,4M users, mostly in bunq's growth markets Germany, France, and Spain.

The paid consideration has a total amount of EUR 17,323,904 which is part in cash and part in shares.

As the acquisition took place shortly before the sign-off on the financial statements, the initial accounting under IFRS 3 is yet to be completed.

**War in Ukraine**

The war in Ukraine did have a huge impact on our employees and their friends and families. bunq has no significant investments that are impacted by the war. bunq is closely monitoring the consequences of the war on the financial markets, the economic impact and the sanctions and how they affect bunq's balance sheet. The most significant risks bunq faces are related to financial markets, particularly from volatility in credit and interest rates.

bunq has dedicated it's time to make sure that refugees could open a bank account at bunq, setting and example for other banks to offer the same service to refugees. Next to this, bunq is co-founder of the People For People Foundation, doing everything within our power as a bank to help the people where we can.

**Foreign expansion**

As of May 3, 2022 bunq has opened a branch in Ireland, allowing itself to offer local IBAN's to its users in Ireland.

## 39. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following material items, which are measured on the following alternative basis on each reporting date.

| Items | Measurement basis |
|---|---|
| Investments at fair value | Fair Value through profit and loss |
| Derivative liabilities held for risk management | Fair Value through profit and loss |

# 40. Significant accounting policies

## A. Basis of consolidation

### i. Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see (A)(ii)).

From January 1st 2021, in determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. the Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see (L). Any gain on a bargain purchase is recognised in profit or loss immediately.

### ii. Subsidiaries

'Subsidiaries' are entities controlled by the Group. the Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. the Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g., those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

### iii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## *B. Interest*

### i. Effective interest

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

Purchased or originated credit impaired (POCI) financial assets are assets that are credit impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

### ii. Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying

amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

### iii. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For information on when financial assets are credit-impaired, see note 40(M).

## C. Fees

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see (B)). Other fees – including consumer fees, business fees and other fees – are recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

### D. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### i. Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group presents right of use assets in the Property, Plant and Equipment (note 24) while lease liabilities are held in Other Liabilities (note 29).

The Group also leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

### ii. Group acting as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset. The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.
The present value of the lease payments is recognised as a receivable under Loans and advances to customers. The difference between the gross receivable and the present value of the receivable is unearned finance lease income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

### E. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and has recognised the related expenses in 'other expenses'.

### i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

### ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
  taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

## F. Financial assets and liabilities

### i. Recognition and initial measurement

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

### ii. Classification

#### *Financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### ***Business model assessment***

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group's Irish lending business comprises primarily loans to customers that are held for collecting contractual cash flows. In the Dutch business the loans comprise mortgages, sales from these portfolios are very rare.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

*Assessment of whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse loans); and
- features that modify consideration of the time value of money (e.g., periodical reset of interest rates).

The Group holds a portfolio of long-term fixed-rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. the Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Equity instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL.

### *Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

### iii. Derecognition

#### *Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (see also (iv)), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria.

An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to consolidated securitisation vehicles and in the Group transferring substantially all of the risks and rewards of ownership. The securitization vehicles in turn issue securities to investors (bunq). Interests in the securitised financial assets are generally retained in the form of senior or subordinated tranches, or other residual interests (retained interests).

### *Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

## iv. Modifications of financial assets and financial liabilities

### *Financial assets*

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the

quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see (vii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method (see (C)).

### ***Financial liabilities***

The Group derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. This assessment is based on a qualitative and quantitative test, where the quantitative test involves comparing the present value of modified cash flows, discounted at the original EIR of the instrument, against the carrying amount. Substantial modifications occur when the discounted modified cash flows differ by greater than 10% of the carrying value of the instrument. In the case of substantial modifications, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the

modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

### *Interest rate benchmark reform (policy applied from January 1st, 2020)*

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e., the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applies the policies on accounting for modifications set out above to the additional changes.

## v. Fair value measurement

'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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of

unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models to determine the fair value of common and simple financial instruments, such as interest rate swaps, that use only observable market data and require little management judgement and estimation.

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market and may be derived from market prices or rates or estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments, determination of expected volatilities and correlations and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa – e.g., interest rate swaps – fair values take into account both credit valuation adjustment (CVA) and debit valuation adjustment (DVA) when market participants would take this into consideration in pricing the derivatives.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective,

and it yields ranges of possible inputs and estimates of fair value. Management uses judgement to select the most appropriate point in the range.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g., bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g., a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

### vi. Impairments

See also Note 7(A)

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (see Note 7(A)).

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. the Group does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments.

### *Measurement on ECL*

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate;
- lease receivables: the discount rate used in measuring the lease receivable;
- undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and

### *Restructured financial assets*

If the terms of a financial asset are renegotiated or modified or an existing financial asset is

replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see (iv)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 7(A)(iii)).

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

### ***Credit impaired financial assets***

At each reporting date, the Group assesses whether financial assets carried at amortised cost, debt financial assets carried at FVOCI, and finance lease receivables are credit impaired (referred to as 'Stage 3 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 the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

### ***Presentation of allowance for ECL in the statement of financial position***

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments: generally, as a provision;

### *Write-off*

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in impairment losses on financial instruments in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

## G. Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

The statement of changes in cash flows has been determined using the indirect method.

All significant cash movements have been categorised under cash flows from operating activities, cash flows from financing activities and cash flows from investment activities.

Significant non cash transactions amounted to the sale of mortgages from Another Mortgage 1 BV and Another mortgage 2 BV into Solitaire 1 BV,

The acquisition consideration as mentioned in note 36 resulted in no cash included in the consideration.

During the period, the taxation paid amounts to EUR 0.

### H. *Derivatives held for risk management purposes and hedge accounting*

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. All derivatives are measured at fair value in the statement of financial position.

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%.

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty clearing house (CCP) by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as an adjustment to the recalculated effective interest rate of the item over its remaining life.

On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is used is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

The Group does not have any cash flow or net investment hedges.

## I. Loans and advances

The 'loans and advances to banks' caption in the statement of financial position includes loans and advances measured at amortised cost (see (F)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

The 'loans and advances to customers' caption in the statement of financial position includes:

- Loans and advances measured at amortised cost (see (F)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- Lease receivables (see (D)).

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the consideration paid is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

## J. Property plant and equipment

*Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

### *Depreciation*

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property and equipment for the current and comparative periods are as follows:

| | |
|---|---|
| Leasehold improvements | 5 years |
| Office equipment | 5 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## K. Inventory

Inventory is recognised at the costs of acquiring the raw materials and the direct costs to convert the raw material into inventory.

Costs are subsequently recognised at the lower of Net Realisable Value and Fair Value Less Costs to Sell.

The Group periodically assesses inventory for any indicators of impairment.

If Inventory is written down due to carrying value being greater than the Net Realisable Value and the Fair Value Less Costs to Sell, the loss is recognised in the statement of profit and losses.

## L. Intangible assets

### *Goodwill*

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. During the period the Group acquired a 100% share of Capitalflow Holdings DAC based in Ireland.

The Group has adopted an accounting policy to test for impairment at minimum annually, or earlier when there are indicators of impairment present.

The complexity of business combinations combined with often limited access to financial data of the target before the acquisition can make the acquisition accounting impossible to conclude before reporting date. IFRS 3 takes such limitations into account and introduces 12-month measurement period. It is a period during which the acquirer can make retrospective adjustments to acquisition accounting if it obtains new information about facts and circumstances that existed at the acquisition date. Such adjustments should be applied retrospectively together with changes in comparative data, e.g. depreciation charges

### *Software*

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses. the Group does not recognise any such software.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### *Intangibles recognised through acquisition*

See note 36

Intangible assets have been recognised through the acquisition of the Capitalflow Holdings Group. The assets form part of the identifiable assets and constitute a distribution network and existing customer relationships.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives for current and comparative periods are as follows:

- distribution network: 2,5 years.
- customer relationships: 1,5 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## M. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### N. Employee benefits

#### *Short term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

bunq's remuneration policy has been designed in line with applicable national and international regulations, including the Act on Remuneration Policies for Financial Institutions ('Wet beloningsbeleid financiële ondernemingen' or 'Wbfo') as included in the Dutch Financial Supervision Act, and the remuneration policy under Solvency II.

## 41. Standards not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 1st 2020 and earlier application is permitted; however, except as stated in Note 6, the Group has not early adopted the new and amended standards in preparing these consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to IAS 1: classification of liabilities as current or non-current
- Amendments to IAS 1: disclosure of accounting policies
- Amendments to IAS 8: definition of accounting estimates
- Amendments to IAS 12: deferred tax related to assets and liabilities arising from a single transaction

The following amended standards were endorsed by the EU and became effective for the reporting period beginning 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: IBOR Reform and its Effects on Financial Reporting – Phase 2;
- Amendments to IFRS 16 'Covid-19-Related Rent Concessions.
- Amendments to IFRS 3: references to the conceptual framework
- Amendments to IAS 16: proceeds before intended use
- Amendments to IAS 37: onerous contracts – cost of fulfilling a contract

# 42. Contingent assets and liabilities

### *Loss Guarantee*

Upon acquisition of Capitalflow group DAC, Pollen Street Capital LTD (the seller) entered into an agreement whereby any IFRS 9 expected credit loss allowance over 1.57% of the asset loan book in CapitalFlow Holdings DAC at year end will be paid to the Group by the purchaser based on the audited financial statements of the years ending 31 December 2021, 31 December 2022, 31 December 2023.

The assets covered by this loan loss guarantee are the loans and advances to customers with a carrying value of EUR 423 353 thousand. Any loss allowance over EUR 7 070 thousand is recoverable from the seller.

As at year end 2021, the IFRS 9 expected credit loss allowance is 1.4%.

### *Mortgage commitments*

As of December 31st 2021, bunq has outstanding mortgage commitments in its pipeline of total EUR 8 753 781 divided between:

- interest proposal sent EUR 507 742
- interest proposal received EUR 1 415 784
- offer accepted EUR 6 830 255

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

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

### *Loan commitments*

As of December 31st, 2021, the Group has the following in commitments totalling EUR 50,000 in place for lending to be distributed to customers:

- EUR 50,000 Corporate Real Estate loans.

As of December 31st, 2021, the Group has the following revocable commitments in place totalling EUR 23,325,000 for lending to be distributed to customers:

- EUR 15,005,000 Commercial Real Estate loans
- EUR 8,320,000 Asset based Lending loans.

### *Lease commitments*

As at 31 December 2021, the lease agreement entered into by the Group for the rental of the office in Sofia has five months left on the agreement. The lease therefore qualifies as a “short term lease” under IFRS and therefore there is no inclusion of the lease in IFRS 16 accounting. The lease assets/liabilities are therefore not reflected in the right of use asset of the lease liabilities. the Group is committed to monthly payments totalling EUR 68 904 for 5 months.

See note 37 for further information on lease renewals.

### *Fiscal Unity*

bunq B.V. form a fiscal unity with Another Mortgage 1 B.V. and Another Mortgage 2 B.V. for corporation tax purposes.

bunq B.V. and the above-mentioned subsidiaries are jointly and severally liable for taxation paid by the fiscal unity. Settlements of corporate income tax to be paid or received will be settled by bunq B.V.

## Authorisation of Consolidated Financial statements

**Amsterdam, 30 June, 2022**

### *Management Board*

A. Niknam

I.L. van Eeghen

R. Kasiman

### *Supervisory Board*

Ms. G van Vollenhoven

Mr. A.J. Bol

Mr. J.B. Wilson

Mr J. Scott

# Parent company

# Financial Statements

***Company Statement of financial position***

| After allocation of results | Notes | December 31st 2021 | December 31st 2020 |
|---|---|---|---|
| | | EUR ('000) | EUR ('000) |
| **Assets** | | | |
| Cash at central bank | | 360 498 | 407 267 |
| Loans and advances to banks | | 22 953 | 12 036 |
| Receivables from Subsidiaries | 52 | 259 759 | - |
| Loans and advances to customers | | 168 | 108 |
| Investment in notes | 51 | 359 483 | - |
| Investments at amortized cost | | 9 583 | 5 249 |
| Investments at fair value through profit and loss | | 27 543 | 17 035 |
| Derivative assets held for risk management | 53 | 10 870 | 669 |
| Participation in subsidiaries | 55 | 244 894 | 407 418 |
| Right of use assets | | 1 079 | 1 305 |
| Property plant and equipment | | 826 | 669 |
| Intangible assets | | 172 | - |
| Inventory | | 591 | 1 041 |
| Other assets | | 9 547 | 8 272 |
| **Total Assets** | | **1 307 920** | **861 069** |
| | | | |
| **Liabilities** | | | |
| Customer deposits | | 1 106 923 | 812 542 |
| Derivative liabilities held for risk management | 53 | - | 1 011 |
| Loans and borrowings owed to banks | | 10 945 | - |
| Provisions | | 1 215 | 1 055 |
| Other liabilities | | 31 032 | 17 558 |
| **Total liabilities** | | **1 150 115** | **832 165** |
| | | | |

| Equity | | | |
|---|---|---|---|
| Share capital | | 133 | 118 |
| Share Premium | | 232 583 | 90 250 |
| Accumulated deficit | | (74 909) | (61 464) |
| **Total equity** | **54** | **157 807** | **28 904** |
| **Total liabilities and equity** | | **1 307 920** | **861 069** |

The notes on pages 161 to 176 are an integral part of these financial statements.

## *Company statement of Profit and Loss and Other Comprehensive Income*

| | Notes | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| | | EUR ('000) | EUR ('000) |
| Interest income | | 2 991 | 192 |
| Interest expense | | (3 419) | (2 667) |
| **Net Interest income** | | (428) | (2 475) |
| | | | |
| Fee income | | 32 330 | 18 525 |
| Fee expense | | (8 208) | (6 629) |
| **Net fee expense** | | 24 122 | 11 896 |
| | | | |
| Gains and losses from derivatives | | 355 | 3 062 |
| Impairment losses on financial instruments | | (1 142) | (850) |
| | | | |
| **Total revenues and incomes** | | 22 907 | 12 483 |
| | | | |
| Personnel expenses | | (11 173) | (8 898) |
| Depreciation and amortization | | (429) | (278) |
| Other expenses | | (27 198) | (18 985) |
| **Total operating expenses** | | (38 800) | (29 011) |
| | | | |
| **Result before tax** | | (15 893) | (16 528) |
| Income tax expense | | - | - |
| **Result for the period** | | (15 893) | (16 528) |
| | | | |
| Result of participation in Subsidiaries | 55 | 2 448 | 443 |
| | | | |
| **Net result and other comprehensive income** | | **(13 445)** | **(16 084)** |

The notes on pages 161 to 176 are an integral part of these financial statements.

## *Company Statement of Changes in Equity*

| | Share Capital | Share Premium | Retained Earnings | Unappropriated Result | Total Accumulated Deficit | Total Equity |
|---|---|---|---|---|---|---|
| | **EUR ('000)** | **EUR ('000)** | **EUR ('000)** | **EUR ('000)** | **EUR ('000)** | **EUR ('000)** |
| **Balance as per January 1st 2020** | 118 | 63 200 | (31 434) | (13 946) | (45 380) | 17 938 |
| Net result for the period | - | - | - | (16 084) | (16 084) | (16 084) |
| Appropriation of result | - | - | (13 946) | 13 946 | - | - |
| Contributions | - | 27 050 | - | - | - | 27 050 |
| **Balance as per December 31st 2020** | 118 | 90 250 | (45 380) | (16 084) | (61 464) | 28 904 |
| Appropriation of result | - | - | (16 084) | 16 084 | - | - |
| Net result for the period | - | - | - | (13 445) | (13 445) | (13 445) |
| Contributions* | - - | 19 630 | - | - - | - - | 19 630 |
| Acquisitions | 11 | 75 805 | - | - | - | 75 816 |
| Shares issued | 4 | 46 898 | - | - - | - - | 46 901 |
| Share options exercised | - | - | - | - - | - - | - - |
| **Balance as per December 31st 2021** | 133 | 232 583 | (61 464) | **(13 445)** | **(74 909)** | **157 807** |

The notes on pages 161 to 176 are an integral part of these financial statements

*Contributions made during the year are made by the majority shareholder consistently throughout the period up to and including November 2021.

## 43. Basis of accounting

The parent company financial statements of bunq B.V., have been prepared in accordance with Title 9 Book 2 of the Dutch Civil Code, making use of the option of Article 362 section 8 of the Code, meaning that the accounting principles used are the same as those applied for the Consolidated financial statements.

bunq B.V. applies the provisions in Section 362, paragraph 8, Title 9 of Book 2 of the Netherlands Civil Code that make it possible to prepare the company financial statements in accordance with the accounting policies (including those for the presentation of financial instruments as equity or liability) used in its consolidated financial statements.

All accounting policies are included in note 40 of the consolidated financial statements. Investments in subsidiaries are valued on the basis of the equity method. Expected credit losses on loans to subsidiaries are eliminated in this line item consistent with the elimination of intercompany loans in the consolidated financial statements.

The financial statements were authorised for issue by the Company's board of directors on 30 June, 2022.

## 44. Equity and reserves

Bunq B.V. consolidated net result was a loss of EUR13 445 000, with the net result in the company financial statements being the same loss of EUR 13 445 000.

## 45. Functional currency

These consolidated financial statements are presented in euro, which is the Company's functional currency. All amounts have been rounded to the nearest million, except when otherwise indicated.

# 46. Use of judgements and estimates

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 of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

### *Going concern assumption*

These financial statements were prepared under a going-concern assumption. The going concern assumption is a significant accounting judgement. The Group obtained its banking license on September 16th, 2014 and started commercial operations in November 2015. The Group is not yet profitable, management of the Group however expects that the commercial activities of the Group will be profitable in the longer term. The shareholders, excluding the Stak, have expressed support for the company's growth and finance plan.

Shareholders are prepared to provide contingency financial support or take the necessary measures in order that the company can maintain capital above the required levels. The financial plan and mitigating measures have been discussed and agreed in the Management Board and Supervisory Board. The shareholders are willing and are able to provide ongoing capital support for at least 12 months after signing of the financial statements. The going concern of the company is based on the intention, willingness and the ability of the shareholders 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.

Next to the support of the shareholders, the Group has a Recovery and Exit-plan scenario in place which address financial distress events, as required by the Bank Recovery and Exit Plan.

# 47. Significant accounting policies

### *Information on Subsidiaries*

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

Another Mortgage 1 B.V. and Another Mortgage 2 B.V. are 100% included in the consolidation.

During the period the Company acquired 100% of the shares in Capitalflow Group DAC Designated Activity Company which is registered in Dublin, Ireland. Capitalflow Group DAC and its subsidiaries are included in the company consolidation.

During the period the Company transferred Mortgage pools from Another Mortgage 1 and Another Mortgage 2 into Solitaire 1 B.V. bunq B.V. maintains the sole rights to the risks and rewards of the mortgages, as well as the ability to direct the relevant activities of the entity, and therefore maintains control over Solitaire 1 B.V. Solitaire 1 B.V. is included in the company consolidation.

The subsidiaries are valued using the equity method as of December 31st, 2021.

## 48. Financial Risk Management

Please refer to note 7 in the consolidated financial statements

## 49. Basis of preparation

bunq B.V. (the 'Company') was incorporated on March 26th 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.

The principal activities of the Company are banking and holding activities.

## 50. Participation in Subsidiaries

| Subsidiary | 2021<br>EUR ('000) | 2020<br>EUR ('000) |
|---|---|---|
| Another Mortgage 1 B.V. | 84 560 | 97 393 |
| Another Mortgage 2 B.V. | 87 515 | 310 025 |
| Capitalflow Group DAC | 75 985 | - |
| Solitaire 1 B.V. | (68) | - |
| **Total** | 247 992 | 407 418 |
| Hedged liability set against underlying mortgages in subsidiaries. | (3 098) | - |
| **Total** | **244 894** | **407 418** |

| Another Mortgage 1 B.V. | 2021<br>EUR ('000) | 2020<br>EUR ('000) |
|---|---|---|
| Opening Balance | 97 393 | - |
| Increased Participation | 76 922 | 97 036 |
| Transfer of Liability | (90 502) | - |
| Result from participation in subsidiary | 747 | 357 |
| **Closing Balance** | **84 560** | **97 393** |

100% of the shares in Another Mortgage 1 B.V. is owned by bunq B.V.

All mortgages are held by residents of the Netherlands.

The transfer of liability includes a securitisation of Mortgages (net of building deposits) securitised during the period.

| Another Mortgage 2 B.V. | 2021<br>EUR (‘000) | 2020<br>EUR (’000) |
|---|---:|---:|
| Opening Balance | 310 025 | - |
| Increased Participation | 58 772 | 309 939 |
| Transfer of liability | (282 889) | |
| Result from participation in subsidiary | 1 607 | 86 |
| **Closing Balance** | **87 515** | **310 025** |

100% of the shares in Another Mortgage 2 B.V. is owned by bunq B.V.

All mortgages are held by residents of the Netherlands.

The transfer of liability includes a securitisation of Mortgages (net of building deposits) securitised during the period.

| Capitalflow Group DAC | 2021<br>EUR (’000) | 2020<br>EUR (’000) |
|---|---:|---:|
| Opening Balance | - | - |
| Purchase of Shares | 75 815 | - |
| Transfer of Capital | - | |
| Result from participation in subsidiary | 587 | - |
| Results from purchase price adjustments booked | (417) | |
| **Closing Balance** | **75 985** | **-** |

100% of the shares in Capitalflow Group DAC. is owned by bunq B.V.

The entity is registered in Ireland and operates solely in Ireland.

Purchase of shares occurred on 26 November 2021

| Solitaire 1 B.V. | 2021<br>EUR ('000) | 2020<br>EUR ('000) |
|---|---|---|
| Opening Balance | - | - |
| Result from participation in subsidiary | (67) | - |
| **Closing Balance** | **(67)** | **-** |

100% of the shares in Solitaire 1 B.V. is owned by Stighting Solitaire.

The participation in Solitaire 1 B.V. is in the form of notes granted owned by bunq B.V.

## 51. Investment in notes

During the year, The company purchased notes from Solitaire 1 B.V. on underlying securitised mortgages.

| Investment in Notes | 2021<br>EUR ('000) | 2020<br>EUR ('000) |
|---|---|---|
| Opening Balance | - | - |
| Notes issued | 379 800 | - |
| Repayment of Notes | (12 494) | - |
| Repayment of Interest | (76) | |
| Hedged liability set against underlying mortgages in subsidiaries | (7 747) | - |
| **Closing Balance** | **359 483** | **-** |

All mortgages are held by residents of the Netherlands.

Refer to note 4 of the consolidated financial statements.

The fair value of the notes receivable at year end is EUR 337,060 million at 31 December 2021. The fair value as disclosed has been determined by the Dutch Central bank, as note holders. The fair value of the note is determined based on the coupon rate of the notes as shown below.

The overall fair value of the mortgages, both those underlying the notes and those not eligible for securitisation, have been disclosed under note 7 in the consolidated financial statements.

Notes issued by Solitaire 1 B.V. are issued as follows:

| | **Nominal value** | **Amortised cost value on December 31st 2021** | **Interest rate applicable** |
|---|---|---|---|
| | **EUR ('000)** | **EUR ('000)** | |
| Note A | 352 300 | 339 685 | 0.05% |
| Note B | 27 500 | 27 500 | 0% |
| | 379 800 | 367 185 | |

Solitaire 1 B.V. pays out all profits towards the noteholder. Bunq received EUR 74 thousand in interest on the notes, and EUR 1.986 million in deferred purchase price payment from Solitaire 1 B.V. from the period 1 August, 2021 to 31 December, 2021.

Note B noteholders are repaid after note A note holders.

All credit losses are absorbed by Note B initially. Once Note B is has a carrying value of nil, any further credit losses is then absorbed by Note A.

The notes have a maturity profile equal to that of the underlying mortgage portfolios which is 30 years after initialisation of the notes.

The Notes are held by the European Central Bank and may be deemed to be held as collateral against any lending bunq B.V. may wish to obtain from the European Central Bank. As of yet no lending from the ECB has been obtained by bunq B.V.

The European central bank regularly performs fair value valuations on the notes allowing the company to borrow any funds against the fair value of the notes from the European Central Bank.

## 52. Receivables from Subsidiaries

Receivables from Subsidiaries includes loans to Capitalflow Group, as well as receivables in the form of notes held in the securitised mortgages in Solitaire 1 B.V.

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| Intercompany Loan receivables | 253 451 | 0 |
| Current account Solitaire 1 B.V. | 6 313 | - |
| Current Account Another Mortgage 2 B.V. | (5) | - |
| Total | 259 759 | - |

In the prior year there were no intercompany receivables.

The intercompany loan has a repayment date of 364 days after issuing. The loan issues on 26 November, 2021. The agreement allows for Capitalflow to make a drawdown of up to EUR 290 million.

The current accounts are current accounts which are expected to be settled within the next month after year end.

The fair value of the loan to CapitalFlow Group is not able to be calculated due to the lack of specific observable characteristics underlying Capitalflow Group DAC..

Loans to Capitalflow Group DAC are extended with an interest charge of 2.2%per annum. bunq has the right of pledge for all receivables under any Corporate Real Estate portfolio loans in Capitalflow Group DAC as collateral for the intercompany loan. The Corporate real Estate portfolio loans are not pledged to any other counterparty.

## 53. Derivatives held for risk management and hedge accounting

*Fair value hedges of the interest rate risk*

| | 2021 | 2020 | Line Item in Balance sheet in current year |
|---|---|---|---|
| | EUR ('000) | EUR ('000) | |
| Derivative asset held for risk management | **10 870** | **669** | Derivative asset held for risk management |
| Derivative Liability held for risk management split between: | **10 845** | **1 011** | |
| Mortgages | 3 098 | - | Participation in Subsidiaries |
| Mortgage notes | 7 747 | - | Investment in Notes |
| Derivative liability held for risk management | **-** | 1 011 | Derivative liability held for risk management |

To minimise exposure to the interest risk on designated bonds and mortgage portfolios, the Group has entered into interest swaps. These derivatives have a nominal value of EUR 143 870 000

The groups exposure to interest rate risk, and the Groups method for managing this risk is disclosed in note 7(C).

By using derivative financial instruments to hedge exposures to changes in interest rates, the Group also exposes itself to credit risk of the derivative counterparty, which is not offset by the hedged item. the Group minimises counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties.

All interest swaps are part of a hedge relation, where fair value hedge accounting is applied. In the fair value hedge accounting relations, the interest risk on the designated cash flows of the mortgage portfolio is mitigated. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

The hedging relationship is not affected by IBOR reform as the hedging relationship as the swap hedging instrument is based on the ERIBOR rate and therefore not affected by not IBOR reforms.

The hedge relation is determined on a monthly basis where the effectiveness is tested in the prospective test. The effectiveness shows the amount the mutation in the fair value of the hedge instruments (cash flows of mortgages) are hedged by the fair value movement of the hedging instrument (interest swap). At the end of the monthly hedge relation period the actual ineffectiveness is measured in the retrospective test.

Ineffectiveness can be realised due to different reasons such as:

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

In the year 2021 the result of ineffectiveness of the hedge relation was EUR 271 000 gain (2020: EUR 4 000 loss). This result is presented under the Result from financial instruments in the Consolidated statement of Profit and Loss. The next table shows the details of the hedge accounting relation:

| **December 31st, 2021** ***EUR ('000)*** | **Notional value** | **Book Value Debit** | **Book Value Credit** | **Line item in balance sheet** | **Change in value used to calculate hedge relationship** | **Line-item instatement of profit and loss** |
|---|---|---|---|---|---|---|
| Interest rate swap | 143 870 | 565 | | Derivative assets held for risk management | 11 116 | |
| Fair value adjustment hedged instrument | | | (10 845) | Mortgages | (10 845) | |
| Hedge accounting ineffectiveness | | | | | 271 | Gains or losses from derivatives |

| December 31st, 2020 *EUR ('000)* | Notional value | Book Value Debit | Book Value Credit | Line item in balance sheet | Change in value used to calculate hedge relationship | Line-item instatement of profit and loss |
|---|---|---|---|---|---|---|
| Interest rate swap | 143 870 | | (341) | Derivative assets held for risk management | 26 | |
| Fair value adjustment hedged instrument | | 22 | | Derivative assets (liabilities) held for risk management | 22 | |
| Hedge accounting ineffectiveness | | | | | (4) | Gains or losses from derivatives |

| | Collateral value EUR ('000) | Reported under: |
|---|---|---|
| December 2021 | | |
| JP Morgan Bank | (4 288) | Loans and advances owed to banks |
| Citibank Banks | (6 657) | Loans and advances owed to banks |
| December 2020 | | |
| JP Morgan Bank | 700 | Loans and advances to banks |
| Citibank Banks | (750) | Loans and advances owed to banks |

## 54. Total Equity

### *Share Capital*

The following table details the equity balance of the company only financial statements.

| | 2021<br>EUR ('000) | 2020<br>EUR ('000) |
|---|---|---|
| Share Capital | 133 | 118 |
| Share premium | 232 583 | 90 250 |
| Retained Earnings | (61 465) | (45 380) |
| Unappropriated Result | (13 445) | (16 084) |
| **Total Equity** | **157 806** | **28 904** |

*Schedule of movements of issued share capital*

| | Class A Shares<br>EUR ('000) | Class B Shares<br>EUR ('000) |
|---|---|---|
| **Balance on 1 January 2020** | 18 | 100 |
| Issue of shares during period | - | - |
| Movement between classes during period | - | - |
| **Balance on 31 December 2020** | 18 | 100 |
| Issue of shares during period | - | 15 |
| Movement between classes during period | (18) | 18 |
| **Balance on 31 December 2021** | **-** | **133** |

During the period shares were reorganized due to the issue of shares. The reorganization of shares means all class A shares have been transferred to class B shares.

B class shares contain voting rights and have a par value of EUR 0.01.

During the period, 1 322 347 B class shared were issued to Pollen Street Capital Limited as described in Note 36. In total 13 319 054 B class shares have been issued.

The capital is fully paid up. bunq Holding B.V. CapitalFlow Holding DAC and Stichting STAK Together, jointly holding all shares of bunq B.V., agreed to the following arrangement. In the event that bunq B.V. has profits available for distribution to the shareholders in any accounting reference period, the shareholders shall procure, contrary to the articles of association that this profit distribution (dividend) will first be paid on all the shares held by bunq Holding B.V,/Capitalflow Holding DAC, with a maximum of the total amount of the contributions directly or indirectly made by bunq Holding B.V,/Capitalflow Holding DAC.

### *Share Premium*

| | 2021<br>EUR ('000) | 2020<br>EUR ('000) |
|---|---:|---:|
| **Opening Balance** | **90 250** | **63 200** |
| Capital Injection | 19 630 | 27 050 |
| Premium on issue of Shares | 46 898 | - |
| Contribution in Kind Transaction | 75 805 | |
| **Closing Balance** | **232 583** | **90 250** |

The capital injection is capital contributions made by the majority shareholder in the company throughout the year in order for the company to maintain a buffer over the regulatory capital requirements.

The premium on issue of shares is due to the purchase of shares by Pollen Street Capital Limited in bunq. Please refer to note 36 in the consolidated financial statements for further information.

The consideration received for the issue of shares includes the following: EUR 21.9 million in cash and EUR 9.98 million in forgiven loans in Capital Flow Group D.A.C.

## 55. Result of participation in subsidiaries

| | 2021 | 2020 |
|---|---|---|
| | EUR ('000) | EUR ('000) |
| Result of participation in subsidiaries | 2 448 | 443 |

## 56. Income tax

For 2021 and 2020 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 71 407 091. Deferred tax assets are recognised if it is probable that the entity will be able to realise these deferred tax assets in the future.

Please refer to note 18 in the consolidated financial statements

## 57. Subsequent events

**Acquisition Tricount**

As of May 2nd, bunq acquired 100% shares of Tricount SA, a limited liability company (naamloze vennootschap) with its corporate seat in 1325 Corroy-le-Grand, La Place 10, registered with the Crossroad Bank for Enterprises in Brabant wallon under enterprise number 0508.560.013.

Tricount offers an app that helps users to get insight in shared payments and share the costs amongst others.

At the moment of acquisition of Tricount had 5,4M users, mostly in bunq's growth markets Germany, France and Spain.

The paid consideration has a total amount of EUR 17,323,904 which is part in cash and part in shares.

As the acquisition took place shortly before the sign-off on the financial statements, the initial accounting under IFRS 3 is yet to be completed.

**War in Ukraine**

The war in Ukraine did have a huge impact on our employees and their friends and families. bunq has no significant investments that are impacted by the war. bunq is closely monitoring the consequences of the war on the financial markets, the economic impact and the sanctions and how they affect bunq's balance sheet. The most significant risks bunq faces are related to financial markets, particularly from volatility in credit and interest rates.

bunq has dedicated it's time to make sure that refugees could open a bank account at bunq, setting an example for other banks to offer the same service to refugees. Next to this, bunq is co-founder of the People For People Foundation, doing everything within our power as a bank to help the people where we can.

**Foreign expansion**

As of May 3, 2022 bunq has opened a branch in Ireland, allowing itself to offer local IBAN's to its users in Ireland.

# 58. Related Party Transactions

Please refer to note 35 in the consolidated annual financial statements.

# 59. Contingent assets and liabilities

## *Loss Guarantee*

Upon acquisition of Capitalflow group DAC, Pollen Street Capital LTD (the seller) entered into an agreement whereby any IFRS 9 expected credit loss allowance over 1.57% of the asset loan book in CapitalFlow Holdings DAC at year end will be paid to the Group by the purchaser based on the audited financial statements of the years ending 31 December 2021, 31 December 2022, 31 December 2023.

The assets covered by this loan loss guarantee are the loans and advances to customers with a carrying value of EUR 423 353 thousand. Any loss allowance over EUR 7 070 thousand is recoverable from the seller.

As at year end 2021, the IFRS 9 expected credit loss allowance is 1.4%.

### *Lease commitments*

As at 31 December 2021, the lease agreement entered into by the Group for the rental of the office in Sofia has five months left on the agreement. The lease therefore qualifies as a "short term lease" under IFRS and therefore there is no inclusion of the lease in IFRS 16 accounting. The lease assets/liabilities are therefore not reflected in the right of use asset of the lease liabilities. the Group is committed to monthly payments totalling EUR 68 904 for 5 months.

See note 37 in the consolidated financial statements for further information on lease renewals.

### *Fiscal Unity*

bunq B.V. form a fiscal unity with Another Mortgage 1 B.V. and Another Mortgage 2 B.V. for corporation tax purposes.

bunq B.V. and the above-mentioned subsidiaries are jointly and severally liable for taxation paid by the fiscal unity. Settlements of corporate income tax to be paid or received will be settled by bunq B.V.

## 60. Proposal of appropriation of the result for the financial year 2021

According to article 25.1 of the articles of association of the Group 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.

The loss of EUR 13 445 thousand 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.

# 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.

### *Trading names*

bunq operates in a number of European countries and has a branch in three, excluding the Netherlands. The countries which bunq has branches and the trading names are summarised below.

| Branch country | Trading name |
|---|---|
| Netherlands | bunq B.V. |
| Germany | Bunq B.V. Niederlassung Deutschland |
| France | bunq B.V. |
| Spain | Bunq B.V. Sucursal en España |

# Authorisation of Parent company Financial statements

**Amsterdam, 30 June, 2022**

### *Management Board*

A. Niknam
I.L. van Eeghen
R. Kasiman

### *Supervisory Board*

Ms. G van Vollenhoven
Mr. A.J. Bol
Mr. J.B. Wilson
Mr J. Scott