

bunq
BANK OF THE FREE

Annual Report & Financial Statements

2023



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151.5 M

Interest income
growth

53.1 M

Profits

95.6 M

Net income growth

6.9 B

User deposits

23.8 %

More employees

A message from our CEO

Ali

This financial report celebrates the hard work of more than 500 highly talented people and the trust, enthusiasm and dreams of over 11 million bunq users. All of whom give meaning to what it means to be part of The Free. Thank you - for without you, bunq would just be an idea.



With this report, I celebrate the results that stem from our collective drive, passion, and dedication. I'm incredibly grateful to work with so many amazing people each and every day and proud of what we've accomplished together in 2023: a record 79% growth.

Not because growth has ever been our main goal, but because it validates one of my core beliefs, that if you build a product that people love, your business will thrive.

Thank you all!

Ali Niknam

Founder and CEO

Managing Board Report

bunq - bank of The Free

People are increasingly international. To be able to support their lifestyle with ease of mind, they need their bank to be international too.

11 years and 11 million users in the bunq family, we're well on our way to become the first global bank of choice for digital nomads, all of whom put their trust in us because of what we commit ourselves to: making life easy.

It's a simple promise that encapsulates everything we do, everything we believe, and everything we've achieved. To make life easy means to put user happiness above everything else and building a product people love to use. It means daring to make bold decisions, going against the grain and not being afraid to shake things up.

Because of our approach to banking, bunq can only succeed when our users succeed. When user happiness is the goal, only then can success be the result.

2023 saw us working - yet again - towards this exact goal. A bank centered on user happiness was widely considered impossible when we first launched. Yet a little over a decade later and the banking landscape has been completely transformed. We instigated countless products, features and principles that are commonplace today, simply by closely listening to our users.

As the bunq community grows and more and more people put their trust in us, our impact on the banking sector as a whole continues to grow as well, arguably never more so than in 2023.

Starting in the latter half of 2022, bunq was the first bank to raise its interest rates quickly following the interest hikes of the European Central Bank (ECB). Likewise, each time the ECB raised its interest in 2023, bunq was the first to pay it forward to its users, forcing traditional banks to follow suit. By sticking to our guns and doing what's right by our users, we weren't just an industry leader, but led an industry and turned an interest raise into an interest race. Most importantly, the winners of that race were users across the continent.

Perhaps unsurprisingly, the bunq community grew faster than ever before in 2023. Our user deposits quadrupled to EUR 6.9 billion, and we became the first EU neobank to record a full profitable year.

In pursuit of becoming the first global neobank, bunq reapplied for an E-Money Institution license (EMI) in the UK in December 2023. bunq is already serving UK users who joined bunq pre-Brexit and this new license will allow us to welcome all UK residents, an estimated 2.8 million of which are digital nomads, the second-highest anywhere in the world.

As part of our international growth ambitions, we applied for an American banking license in April of 2023 and opened offices in New York City, paving the way for further international growth.

While we can't predict the future, we can shape it. If the changes in the banking landscape of the past decade or indeed just the changes of the past year are any indication, the future is shaping up to be a bright one:

bunq - the global neobank for digital nomads, empowering The Free to live life on their terms.

Looking back on 2023

2022 saw us navigating a rapidly changing market, applying our ability to be agile and meet the needs of our users, at a time they needed us more than ever. Building on the innovation and product centered philosophy that's fueled our growth since our very beginning, we managed to further create a user experience matching our users' wants and needs.

Our products can be divided into four main categories:

Easy Savings

A free savings account, designed for people who want to grow their wealth without any effort. Easy Savings offers a high interest rate without any subscription fees. Easy Savings users also get a free credit card, giving them easy and hassle-free access to their savings whenever they need.

Easy Bank

Offering all the benefits of Easy Savings, plus the flexibility of an everyday bank account ideally suited for expats, couples or starting businesses.

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. Easy Money grants users access to each of bunq's banking features, including up to 25 bank accounts, the ability to save and manage 22 currencies and 6 EU IBANs, and a collection of debit and credit cards for easy payments worldwide.

Easy Green

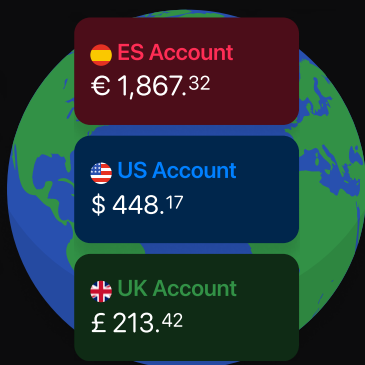
For people who want to leverage their daily finances with a positive impact on the environment. Easy Green users get all the features of Easy Money, with the additional benefit of planting a tree for every €100 they spend, as well as getting rewards for a green lifestyle.

As hard-coded into our DNA, we listen to our users and are always on the lookout for ways to use the latest technology to create and launch new features and products that make their lives easy.

Among others, 2023 saw the introduction of:

Finn

Using powerful AI, bunq becomes the first bank in the world to give its users their own personal money assistant. In the app, users can ask Finn anything about their money, budgets, places they visited, and much more. With the roll-out of Finn, bunq becomes the first AI-powered bank, giving its users a banking experience akin to using ChatGPT or other well-known generative AI applications.



Multi-currency Savings

In addition to benefiting from high interest rates on their deposits in euros, bunq gives its users the freedom to earn 3.71% interest on USD and GBP. They can open a savings account in the currency of their choice in seconds and choose a savings strategy that matches their digital nomad lifestyle.

Cashback

Using their bunq credit card for everyday payments, bunq users can get up to 2% Cashback on eligible payments, earning money as they spend. Cashback was launched in July 2023, alongside bunq Payday, a fixed day every week on which bunq users get their interest and Cashback.



Tap to Pay on iPhone

Seeing the opportunities of Apple's Tap to Pay on iPhone for its Business users, bunq is among the first to make this feature available for entrepreneurs. With Tap to Pay on iPhone and their bunq app, bunq Business users can accept contactless payments anywhere in the world, forgoing the need for a payment terminal.

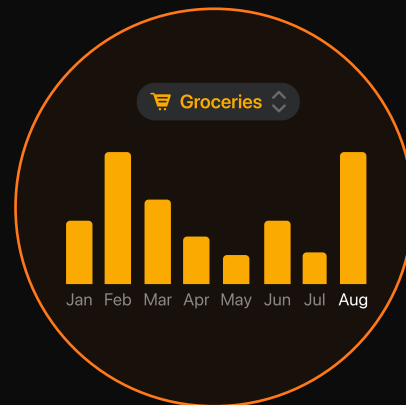
Free credit card

bunq makes free credit cards available to the public in December 2023. Anyone can now download the bunq app, create a virtual credit card and instantly use it with Apple/Google Pay. Combined with bunq's existing account sharing features, all existing bunq users can now invite friends, family or employees to bunq and give them a free credit card.



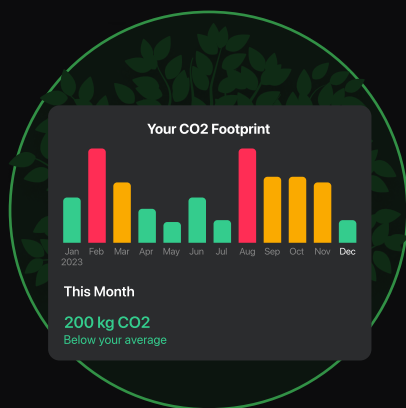
Easy Budgeting

Further pushing the dial of what a bank can do to help its users save time, money, and effort, bunq users can use the new Budgeting tab to get insights into their spending habits. The tab comes with month-on-month breakdowns for each spending category and users can set up smart automations that help them save more at the end of every month.



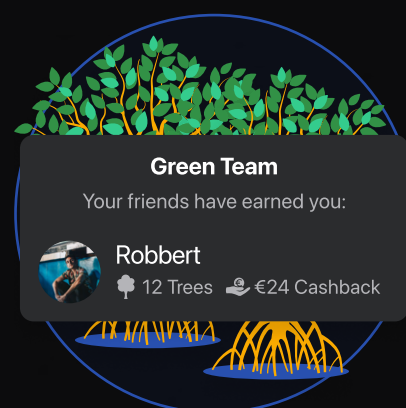
CO2 Insights

Benefiting from our commitment to help people leverage their daily finances with a positive impact on the climate, all bunq users can now track the CO2 footprint of their purchases. Using these personalized CO2 Insights, users can make informed decisions about how to spend more sustainably.¹



Green Team

Easy Green users can offset CO2 together with their friends. As part of their plan, they can invite up to 2 people to their Green Team, granting them the opportunity to plant trees and earn Cashback by using bunq, regardless of their own bunq plan.



1. <https://together.bunq.com/d/57059-whats-my-co2-footprint>

Other highlights of 2023

In addition to numerous product and feature launches, 2023 stood out in part thanks to the following highlights:



125 million in capital injections from shareholders

2023 saw bunq growing faster than ever. In order to accommodate the high influx of new users and to be able to give everyone a banking experience that makes life easy, bunq received an additional 125 million euro in capital injections from its shareholders, highlighting their confidence in the product and enabling us to continue our rapid growth



bunq community plants more than **16 million trees**

Enlarging its green footprint each and every day, the bunq community celebrated planting its 16 millionth mangrove tree (in Kenya and Madagascar) last year, once again proving that having a green impact can in fact be both effortless and effective.

Corporate Governance

bunq B.V. has a two-tiered board model, with a Managing Board and a Supervisory Board.

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

Mr. A. Niknam (CEO) – appointed December 1, 2013

Mr. I.L. van Eeghen (CFO) – appointed June 1, 2018 - resigned as of 1 July 2023

Mr. R. Kasiman (CIO) - appointed July 1, 2021

Mr. V. Brodski (CRO) - appointed January 17, 2023

Mr. J. Wilson (COO) - appointed May 1, 2023 - resigned as of 1 March 2024

The composition of the Supervisory Board is disclosed under the Report Supervisory Board on page 41.

bunq always welcomes everyone, regardless of race, gender, sexuality. At bunq, people are appreciated for their objective, measurable contributions. The Managing Board currently doesn't meet the 'balanced composition' requirement, according to which 30% of the board should consist of women. However, many significant positions at bunq are held by women and by people with a wide variety of backgrounds. We refer you to bunq's 2023 sustainability report for detailed information on the demographics of bunq's workforce. The very thing that makes bunq successful is our strict focus on objective results, as it inherently opens up the possibility of a highly diverse and open-minded work environment, where everyone's personality and skill is what makes a difference.

As always, in 2023 bunq did not have variable rewards for our staff and management. At Capitalflow Group there are variable rewards to their staff and management but during 2023 the rewards did not exceed the maximum of 100% of fixed pay for employees and management.

Neither bunq nor Capitalflow group has staff who earn more than EUR 1 million, something we have to report according to the Act on Financial Supervision (Wet op

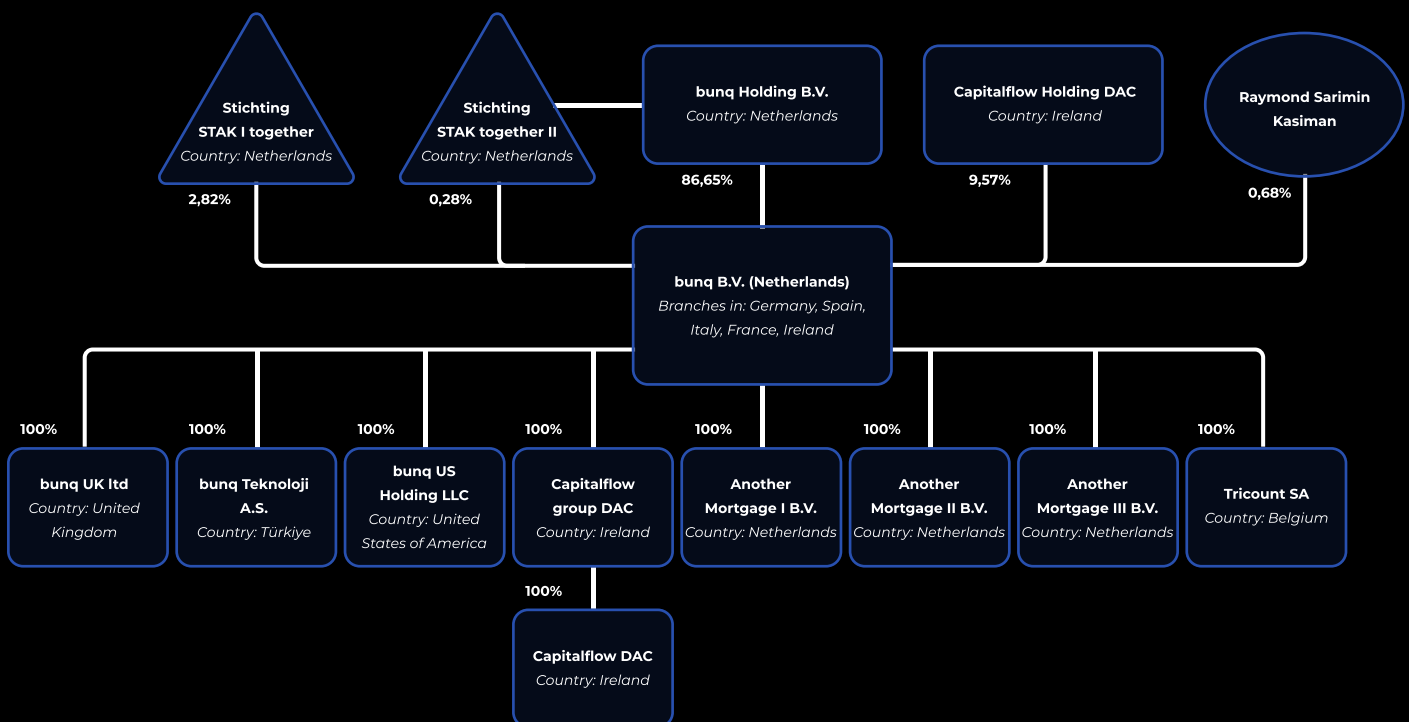
het financieel toezicht). The total remuneration of bunq's Managing Board (5 persons) in 2023 was EUR 1 292 thousand (2022: EUR 545 thousand).

bunq fully subscribes and adheres to the Dutch Banking Code. bunq deviates from the Dutch Banking Code regarding the distribution of responsibilities between the CEO and CRO. To reduce the already large span of control of the CEO, the CRO is responsible for the permanent education of the board members. In addition, the internal audit function reports to the Deputy CFO and to the Chairman of the Risk and Audit Committee of the Supervisory Board.

All bunq employees take the Banker's Oath.

Organization

bunq holds its investment in mortgages in four 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). During 2023 bunq offered their bunq mortgage label which is administered in Another Mortgage III B.V.



The ultimate beneficial owner of bunq Holding B.V. is Ali Niknam.

Financial Results

During 2023, our user base continued to grow strongly. This is illustrated by the growth in revenues and transaction volumes as well as a significant increase in customer deposits. The latter grew from **EUR 1 786 million per year-end 2022 to EUR 6 920 million per year-end 2023. The gross user fee income grew from EUR 45.89 million in 2022 to EUR 59.45 million in 2023**, thanks to the considerable increase in users.

In line with our user inflow was the growth of our average number of monthly transactions over the past year, from 24.6 million to 44.1 million, as well as 2023's total number of transactions, which grew from 295.2 million to 528.4 million. **Both the number of monthly transactions and total number of transactions increased by 79%** compared to the previous year.

2023 was notable for the European Central Bank continuing to raise its interest rates and the resulting interest rate bunq initiated when we forwarded this directly to our users. As a result, the interest income grew from **EUR 41.4 million in 2022 to EUR 127.1 million in 2023**.

Over the past year our fee income rose by 30%, compared to a 28% increase in fee expenses.

Personnel costs increased from EUR 29 million to EUR 37 million.

During 2023, our average number of Full Time Equivalent (FTE) employees amounted to 464 (2022: 426), totaling 520 FTEs in December 2023.

Overall, in 2023 the Net result was **EUR 53.2 million profit compared to EUR 10.5 million loss in 2022**, marking our first full year of profitability, a historic feat as bunq is the first EU neobank to report a full year of profitability.

Our financial policy is to ensure that our capital buffers comply with regulations and that sufficient funds are available to fund the expected startup losses, balancing the need to invest and grow with financial prudence. To finance our growth the majority shareholder injected significant amounts of capital up to **December 2023: 125 million euro. In March 2024 an additional commitment letter was signed by the shareholders for an amount of 29 million euro.**

During the year, as well as per December 31 2023, bunq complied with the capital requirements of DNB.

Risks

The Three Lines of Defense

The risk management of the organization is structured following the three lines of defense model. The first line of defense are the operational departments which are responsible for identifying, mitigating and reporting the risks. The second line of defense (in bunq terminology - “Promise Keepers”) keeps oversight over the first line’s effectiveness to identify and mitigate risks.

Compliance and Risk functions are in the second line of defense. The second line must be independent from the first line of defense. In bunq the second line reports to the Chief Risk Officer.

Internal audit (in bunq terminology - “System Checkers”) provides independent assurance over the adequacy and compliance of the first and second line of defense. Internal audit tests whether policies and processes are designed adequately and effectively. They also test whether the first and second line of defense operate adequately, in line with bunq values and principles and are compliant with laws and regulations.

Risk Governance

The Supervisory Board and Managing Board define the governance structure of bunq in order to achieve business objectives while fostering a sound risk culture and strengthening the management body’s oversight of the institution’s activities.

The Supervisory Board has two sub-committees: the Risk and Audit Committee (RAC) and the Remuneration Committee (REMCO) and the Management Board has one sub-committee: the Asset and Liability Management Committee (ALCO).

Branches are reporting to the Management Board via their legal representatives (typically the Head of Branch). Subsidiaries are reporting to the Management Board via bunq representatives that also sit in their respective boards. Where applicable (heads of) second lines in subsidiaries and branches functionally report to the bunq Chief Risk Officer.

The Management Board, ALCO, the Supervisory Board and its sub-committees are provided with detailed reporting on trends and developments in their respective areas. Comprehensive risk dashboards are reported on a monthly and quarterly basis. The quarterly reports consist of a full overview of all risk categories, whereas the monthly reports provide more focused updates.

Risk Management Approach

Every company is different and bunq has its own distinct philosophy that also shapes how it manages risk. Below are listed the most relevant elements of it to provide context to a number of choices in the risk management approach.

A user-centric company. The user is at the center of how bunq organizes its activities. An archetype user has been defined to be the subject of all company activities: Eva. Serving the needs of bunq users (by bunq employees, called Adams) and therefore continuing to attract and retain users is the main objective of bunq. Risk management activities have therefore been organized in line with this general approach and around an Eva-centric risk taxonomy (“Eva Wish List”) that is explained further in this section. This choice not only ensures consistency, but also enables the Risk and Compliance functions to define their scope with a tailored granularity.

The risk management culture is a subset of the more broad company culture. Its pillars are **Ownership**, **Data-Centric Decisions** and **Effective Communication**.

- Ownerships are how responsibilities are allocated and evaluated within the organization: An Ownership is created when data supports the identification of a need or a problem (for Eva or Adam) so that it can be assigned to a member of the organization to be fully accountable for. The very same approach is followed within the 2nd line, where responsibility areas are “owned” by team members. Activities of the Risk and Compliance functions are organized as Ownerships associated with risks in the Eva Wish List. Such association is in principle one-to-one: 2nd line Ownerships are created to cover all of the granular Eva Wishes.
- Data-centric decisions mean for us using sound processes that ground decisions in data. Evaluations are structurally performed to assess the effectiveness of decisions. From a risk perspective this corresponds to quantifying risks and applying a risk-based approach to how bunq deals with adverse scenarios. The natural consequence of using this approach is that all Ownerships have Key Performance Indicators or Service Level Agreements; furthermore, the master example of bunq’s data-driven decision making is the definition of quantitative limits in bunq’s Risk Appetite Statement.
- Effective communication is enforced by tight communication protocols to avoid ambiguity and set clear expectations when looking for a solution. bunq employees are aware of the risks that miscommunication creates and adhere to communication guidelines.

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

- To be able to deliver on Eva’s expectations, 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 is able to 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 prescriptive and preventive measures against catastrophic events to mostly detective and corrective measures against milder threats.
- At the same time while growing bunq is gradually rebalancing its risk management tool set and moving towards more forward looking and preventive measures as well as having recurring reviews of business processes bearing significant risks.
- 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 defense.
- 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.
- Forward looking risk management to prevent large losses using tools such as (regulatory and event) horizon scanning, product and model approval and review processes, suppliers and counterparties risk assessments, other risk assessments and control testing activities for higher-risk business processes.

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.

Risk Appetite

bunq is exposed to various sorts of risk. These risks are described in the Risk Appetite Statement in which bunq expresses the degree to which it deems such risks acceptable. The Risk Appetite Statement is updated regularly and when bunq's risk profile changes materially: for example, one such case is the successful launch of a savings product in December 2022 leading to the necessity to further strengthen our liquidity and investment management frameworks. bunq expresses its Risk Appetite using qualitative appetite statements supported, where needed, by quantitative Key Performance Indicators ("KPIs") with thresholds. We introduced over 100 Risk Appetite KPIs to cover all elements of the Eva Wish List.

The Management Board monitors Risk Appetite KPIs at least on a monthly basis and instigates action plans in cases where thresholds are breached. The Risk and Compliance Committee of the Supervisory Board discusses the Risk Appetite and KPIs during their regular meetings.

The Risk Appetite Statement is deployed as a set of operational rules for the first line of defense, which are embedded into relevant policies and procedures.

Risk Taxonomy

We adopted a user centric risk taxonomy (“Eva Wish List”) aiming at the following goals:

- ensuring everything we do is in line with Eva’s wishes and satisfies her needs
- enabling an effective risk identification and assessment
- clarifying ownership scopes
- facilitating risk data reporting and aggregation.

Eva Wish List is built by first deriving granular wishes from the main identified wishes of bunq’s users, and then further associating risk drivers with each granular wish. At policies and procedures level, whenever applicable, the risk drivers are further split into more granular risk categories and scenarios. For instance, for the purpose of the Systematic Integrity Risk Analysis (SIRA) Financial Crime risk driver is split into 6 more granular risk categories, including money laundering, terrorism financing, evasion of sanctions and other risks, for which in total 84 risk scenarios have been identified.

Level 1 (High-level wish)	Level 2 (Granular Wish)	Level 3 (Risk Driver)
<p>Relevant product <i>I am a digital nomad who wants to get rid of the hassle of money admin. Start from my core needs and if I like how you serve me I will stick to you and we will grow together. Whatever you build for me, make sure it connects me with your propositions and do not forget to follow my evolving needs.</i></p>	<p>Relevant scope: <i>I want an account that allows me to bank like a local, be able to borrow and invest, share my banking experience with my partner, manage finances of my business and be able to find all relevant money admin services in bunq.</i></p> <p>Relevant implementation: <i>I want to have all services being implemented in a mobile app and I expect you to create a web version of the app where I can do anything that is probably easier by using a keyboard, mouse and screen (including the special case when losing or breaking my phone).</i></p> <p>Evolving relevance: <i>I want you to keep alert to my evolving needs and adapt your offer to me accordingly.</i></p>	<p>Product scope risk: <i>We define it as the risk of losing users’ interest (resulting, among others in higher churn) to bunq due to not meeting their expectations related to product scope.</i></p> <p>Product implementation risk: <i>We define it as the risk of losing users’ interest to bunq due to not meeting their expectations related to product implementation.</i></p> <p>User expectations change risk: <i>We define it as the risk of losing users’ interest to bunq due to not adapting to users’ changing expectations.</i></p>

Level 1 (High-level wish)

Productivity-boosting service

I love services designed to supercharge my productivity. My time is precious. I've always got a lot of stuff going on, and I'm pushing to progress. So I never want to wait a minute longer than necessary.

Continuity of service

I rely on continuity of bunq services for my day-to-day (sometimes urgent) activities when paying in a shop, restaurant, to business partners etc. bunq account is my primary one without back-ups so I can not easily switch short-term. I also do not want to lose the service (or get disappointed by it) on a longer term, because I love the product and got used to it - bunq is not an interim solution for me.

Level 2 (Granular Wish)

Onboarding: *make sure you onboard me fast and without asking unnecessary questions.*

Transactions: *make sure my transactions are swiftly approved (e.g. loans) and executed (e.g. payments) and you do not disturb me with unnecessary questions.*

Support: *make sure I get all necessary help without delays and it is up to the point.*

Complaints: *make sure my complaints are processed fast and used to improve the quality of your services.*

Operational continuity: *make sure bunq's operational processes and IT systems are continuously running to deliver me uninterrupted services and Adams can effectively anticipate, prevent, recover and learn from adverse events. When you recover your responsiveness is the key - keep the time from reporting to solving a bug (or any problem, really) very low. Note that Operational continuity is closely related to Financial stability as operational disruptions cost money to resolve.*

Level 3 (Risk Driver)

Onboarding experience risk: *We define it as the risk of losing users' interest to bunq due to not meeting their expectations related to onboarding experience.*

Transactions processing risk: *We define it as the risk of losing users' interest to bunq due to not meeting their expectations related to (payment, lending etc) transaction processing experience.*

Support quality risk: *We define it as the risk of losing users' interest to bunq due to not meeting their expectations related to product information support.*

Complaints management risk: *We define it as the risk of losing users' interest to bunq due to inadequate management of user complaints.*

IT resilience risk: *We define it as the risk of failure to prevent, adapt, respond to, recover and learn from IT systems disruptions.*

IT security risk: *We define it as the risk of loss of critical IT assets or sensitive information as a result of a cyber attack or breach within an organization's network.*

Process resilience risk: *We define it as the risk of failures in design or execution of business processes, incorrect segregation of duties, incorrect interaction of functions or departments.*

Adam risk: *We define it as the risk to (short-term) operational continuity or (longer-term) strategy execution due to inability to attract, manage, motivate, develop, and retain competent and effective personnel.*

Level 1 (High-level wish)

Level 2 (Granular Wish)

Level 3 (Risk Driver)

License continuity: *make sure bunq services to me are not restricted or completely shut down by the regulator. Note that License continuity is closely related to Financial stability via regulatory fines.*

Partner service continuity: *make sure bunq services to me are not adversely affected by partners' / suppliers' decisions or failures.*

Financial stability: *make sure bunq services to me are not restricted by a liquidity drain or completely stopped because of bunq's insolvency/bankruptcy.*

Physical security and safety risk: *We distinguish three components of the risk being workplace safety, workplace security and damage to physical assets.*

Data management risk: *We define it as the risk of inadequate data management resulting in a loss of data availability and integrity. Note, that loss of data confidentiality is covered by the separate risk category.*

Financial crime risk: *We define it as the risk of an act or attempted act against the organization by internal or external agents to illegally appropriate, defraud, manipulate or circumvent legislation. Financial crime includes offenses such as money laundering, violation of sanctions, terrorist financing, fraud, tax evasion, bribery and corruption.*

Regulatory compliance risk: *We define it as the risk of breaches of any law or regulatory obligations. This risk excludes Financial crime regulation that is treated as a separate risk category.*

Third-party risk: *We define it as the risk of operational disruptions and/or liability due to behavior of or interaction with partners, suppliers, distributors or outsourcing partners.*

Lending risk: *We define it as the risk of loss of principal or adequate financial reward stemming from a borrower's deterioration of financial stability or failure to meet obligations.*

Investment risk: *We define it as the risk of loss of principal or adequate financial reward stemming from deterioration of financial stability or failure to meet obligations by borrowers from Treasury securities investment portfolio.*

Level 1 (High-level wish)	Level 2 (Granular Wish)	Level 3 (Risk Driver)
		<p>Counterparty risk: We define it as the risk of loss of principal or adequate financial reward stemming from deterioration of financial stability or failure to meet obligations by Treasury counterparties for derivatives, payment and custody accounts.</p> <p>Interest rate risk: We define it as the risk to bunq earnings or capital arising from adverse movement in interest rates.</p> <p>FX risk: We define it as the risk of losses due to changes in exchange rates.</p> <p>Liquidity and funding risk: We define it as the risk that we will fail to meet payment obligations as they come due (liquidity) or to fund increases in assets at reasonable cost or at all (funding).</p> <p>Capital risk: We define it as the risk of a lack of capital, affecting the ability to grow and to meet the minimum capital requirements.</p> <p>Model risk: We define it as the risk that a model does not adequately describe reality for the purpose the model was built.</p> <p>User settlement risk: We define it as the risk of losses due to open positions that are not settled yet by a counterparty but respective funds have been made available to users and spent.</p> <p>Debtors risk</p> <p>Internal fraud risk: We define it as the risk of losses as the result of fraudulent action of persons internal to bunq.</p>

Level 1 (High-level wish)

Simplicity of service

I am dealing with tons of information every day and have limited capacity to research and process new pieces. Hence, I want an incremental effort to understand your services to be small. I also want to know the full picture so it is simple for me to understand consequences and I am well equipped to make right choices.

Level 2 (Granular Wish)

Investor interest protection: *make sure bunq does not stop servicing me because owners/investors lose their interest in the project and do not provide capital.*

Eva expectations management continuity: *in a broader sense, make sure you have a framework in place allowing you to be consistently on top of my expectations, tolerances, threats to delivery to continuously meet all of them.*

Legal documentation: *I want you to have transparent and easy to understand legal documentation; My rights and obligations should be crystal clear to me.*

Policies: *I want you to have transparent and easy to understand policies.*

Marketing and comms: *make sure bunq marketing and media comms are fair, clear and not misleading. Keep communicating with me and be transparent about what's happening (in incidents, but also in relation to explaining what's going on e.g. with a payment). Remember: inside = outside.*

Product look, touch and feel: *make sure your product is simple, intuitive and looks good.*

Level 3 (Risk Driver)

Legal risk: *We define it as the risk of loss resulting from disputes for or against the company, failure to correctly document, enforce or adhere to contractual arrangements, inadequate management of non-contractual rights.*

Profitability risk: *We define it as the risk that revenues are lower than expected and/or costs are higher than expected resulting in profits/losses that are not sustainable in the long term.*

Growth risk: *We define it as the risk that the company fails to find ways to grow its user base.*

Risk management risk: *We define it as the risk of bunq not being able to design and execute an effective framework to continuously identify, assess, mitigate, monitor and report risks.*

Legal documentation risk: *We define it as the risk of losing users' interest to bunq due to non-transparent or misleading legal documentation.*

Policies risk: *We define it as the risk of losing users' interest to bunq due to non-transparent or misleading user-facing policies.*

Marketing and comms risk: *We define it as the risk of losing users' interest to bunq due to non-transparent or misleading marketing and comm.*

Product design risk: *We define it as the risk of losing users' interest to bunq due to our inability to deliver a sleek and simple to use product.*

Level 1 (High-level wish)

Fairness of service

I want you to speak to and treat me just like your bestie. Be fair with me.

Sustainability

I am devoted to shaping a better future so that future generations can live in the same abundance I do.

Level 2 (Granular Wish)

Tariffs and fees: *make sure they are fair.*

Duty of care: *make sure you take my interest first and consider my unique personal situation. Note that Data protection is closely related to License continuity via various consumer protection regulations.*

Take care of the planet: *help me to save the environment.*

Take care of people: *act responsibly towards your employees and society in general.*

Level 3 (Risk Driver)

Tariff & fee competitiveness risk:

We define it as the risk of losing users' interest in bunq due to non-competitive tariffs and fees.

Vulnerable users risk: *We define it as the risk of not adequately taking into consideration the interests of users who, due to their personal circumstances (health conditions, major life events, low ability to withstand financial shocks, low knowledge of financial matters), are especially susceptible to harm.*

Product suitability risk: *We define it as the risk that our products and services are poorly designed, too complex or not adapted to our users, or fail to meet our users' expectations.*

Conflict of interest risk: *We define it as the risk of an employee's actions being based on personal interest (whether actual, potential, or perceived) that may be at odds with the interests of our users.*

Environmental risk: *We define it as the risk of losing users' interest in bunq due to not meeting the expectations of our users because bunq is perceived to be unresponsive or aloof to environmental threats, including decreasing CO2 emissions.*

Corporate social responsibility risk: *We define it as the risk of losing users' interest in bunq due to bunq not taking care of its employees and, more generally, the society.*

Level 1 (High-level wish)	Level 2 (Granular Wish)	Level 3 (Risk Driver)
<p>Safety of service I want my money and data safe.</p>	<p>Data protection: ensure my data and privacy are protected and you do not collect from me more data than really needed to minimize harm of potential leaks. Note that Data protection is closely related to License continuity via GDPR regulation.</p>	<p>Data security risk: We define it as the risk of user-sensitive data being lost, stolen, copied, or otherwise compromised due to the threats and vulnerabilities associated with the operation and use of information systems and the environments in which those systems operate. This risk can be seen as a subset of a broader IT security risk (that deals also with the loss of assets and operational disruptions). We added it as a separate category given its importance for our users and connections to GDPR regulation).</p> <p>Data privacy risk: We define it as the risk of deliberate (commercial) use of user data leading to privacy concerns of our users and loss of their interest in our product. Note that this risk is different from Data security risk which deals with data security breaches from malicious external threats.</p>
	<p>Money protection: ensure my money is protected from criminals. Note that Money protection is closely related to financial stability as I will demand compensation for e.g. phishing and spoofing losses or unauthorized outgoing payments from bankrupt accounts.</p>	<p>External fraud risk: We define it as the risk of genuine user losses due to particular transactions being executed or influenced by criminals or due to a full account takeover by criminals. Note the risk of fraudsters becoming users of bunq is captured by Financial crime risk (placing proceeds of fraud crimes) as well as User settlement risk (using vulnerable product features to get more funds).</p>
<p>Brand recognition and attractiveness bunq is a premium brand and it is important for me that it is well recognized and I can be proud of owning it. It is not only about service but also about prestige.</p>	<p>Brand strength: make sure bunq is well known and has an attractive image.</p>	<p>Brand strength risk: We define it as the risk of losing users' interest in bunq because it is deemed less of a premium brand.</p>

Eva Wish List can be mapped to “traditional” risk definitions, such as, for example, operational risk as defined by the Principles for the Sound Management of Operational Risk, Basel II.

We discuss the most important risks below.

Continuity of service - Investor Interest Protection

To continue expanding its services to Eva bunq needs capital. In 2023, our revenues grew substantially driven, among others, by placements of significantly increased user savings balances. This growth has now placed us in a position of profitability, enabling us to sustain ourselves financially. Consequently, in our base-case growth scenario, we expect to generate enough internal capital to maintain operations, which allows us the flexibility to defer seeking new funding from investors for even more ambitious growth initiatives. In the meantime, thanks to the profitability but also continued user-base growth across all EU markets, the attractiveness of the business for investors also improved.

Continuity of service - Operational Continuity

Operational risk is the risk of service disruptions and 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. IT resilience 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 very low in 2023**: the availability of key systems (our mobile API, public API and card processing) has been on average 99.98% that is well within the risk appetite thresholds for respective systems

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.

A concerning trend is the ever increasing risk of cybercrime (IT security risk). As always, we make sure to use modern technology in aid of thwarting said threats. An elaborate IT risk assessment and control testing program, particularly in relation to PCI-DSS compliance, is established; security is tested by internal and external parties.

Operational disruptions and 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 counter-measures with the scale of the company. During the year 2023 we did not have large risk incidents leading to significant operational losses.

bunq's focus on data quality and rationalization of data flows and tools allows us continuously reduce risks due to errors for all processes, from financial reporting to KYC/CDD.

Ability to attract and keep talent is key for bunq success. bunq has a young workforce, which has a naturally high churn rate and business continuity can be affected when

simultaneously a number of Adams leave. Important knowledge is concentrated with a few experienced employees that makes the key person relatively risk high. The risk is mitigated, among other, by extensive documentation and templatization of all ownerships. We regularly (re-)benchmark our compensation packages to ensure their fairness and attractiveness. Unique bunq culture plays an important role in keeping the workforce being effective. Culture fit is tested at onboarding, various processes are in place to continuously remind employees about bunq core values and tone from the top remains consistent.

Continuity of service - Partner service continuity

To offer Eva the best product and service bunq makes use of third party suppliers. bunq also offers some products in partnership with other companies. We seek to undertake a rigorous, risk and materiality-based selection process, initial and ongoing due-diligence with respect to third parties. In addition, we closely monitor the financial, user, reputational and regulatory impact of any third-party failing to deliver the agreed service and align with bunq's sustainability proposition, and ensure our overall operational risk profile remains within appetite. The risk based approach adopted by bunq means that all higher risk third parties require additional oversight from the second line of defense. bunq also has a framework to distinguish among suppliers, ICT service providers and outsourcing service providers. The Digital Operational Resilience Act and EBA Guidelines on outsourcing arrangements are followed when managing ICT service providers and outsourcing service providers.

Continuity of service - License continuity

An important 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. Additionally, there is an increasing scrutiny from regulators towards the banks under their supervision on topics such as fraud, Anti-Money Laundering (AML) and Counter of Terrorism Financing regulation. We take these risks very seriously as it may cause serious harm to our (and other banks') users, to ourselves and to society at large.

Banking supervisors routinely undertake evaluations to ensure bunq's adherence to relevant laws and regulations. In 2018, a review was conducted, leading to the initiation of a CDD and AML enhancement program. This program continues to this day and is enhanced with additional action plans to address the remaining issues. DNB confirmed the remediation plan in design is satisfactory to close the observations. Nevertheless, it is in the discretion of the regulator to apply additional measures in relation to the CDD and AML program, which may result in a possible future obligation, the likelihood of which is impossible to estimate currently.

In 2023 we closed our court case with the DNB. The court ruled in bunq's favor over the use of artificial intelligence for AML compliance. Also, after our multiple appeals the initial fine for alleged non-compliance with the Dutch AML law of €875k was significantly reduced down to €128k.

We invest considerable resources to mitigate the rising threats of fraud and broader financial crime. 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. During 2023 we revamped our first line of defense introducing dedicated process owners and product owners across all fincrime domains as well as grew the overall number of agents. Process owners are responsible for maintaining, updating, and ensuring the efficiency, compliance, and quality of a set of processes. Product owners, on the other hand, are accountable for the delivery of product-specific tasks and act as the primary point of contact for tool and product functionalities, including third-party vendor integrations. This measure allowed us to significantly speed up our continuous enhancement of fincrime controls.

In 2023 we also grew the 2nd line global Compliance function by 3 employees and introduced dedicated local legal and compliance ownerships in all branches.

To ensure continued compliance with regulatory developments, bunq has implemented a 'regulatory watch' process. This process involves the analysis of all forthcoming laws and regulations, including those pertinent to branches, with necessary modifications to processes being implemented in a timely manner as required. Among other initiatives, in 2023, we incorporated the Digital Operational Resilience Act (DORA) requirements for ICT suppliers into our third-party risk management process and are progressing with preparations for its full implementation in the coming years. As a digital-first bank, we also closely monitor the implementation of the Network and Information Security directive (NIS2).

In addition to bunq's monitoring of developments in Irish law, CFG conducts its own review process. This process is reported monthly by the Head of Compliance at CFG to bunq.

The safety of our users' money is our utmost priority. To ensure the swift recovery of user funds in the event of a bunq bankruptcy through the Deposit Guarantee Scheme (DGS), banking regulations mandate a minimum of 95% data accuracy in the Integraal Klant Bestand (IKB file), which forms the basis for the DGS. Over the course of 2023, bunq has enhanced its data quality, concluding the year with an IKB file data quality significantly surpassing this threshold.

Continuity of service - Financial stability

Lending, investment and counterparty risk

This is the risk of loss of principal or adequate financial reward stemming from a borrower's deterioration of financial stability or even failure to meet its obligations. The lending risk is relatively broad and covers all our loan portfolios. The investment risk specifically refers to the Treasury investment portfolio in securities. Counterparty risk refers to the risk of counterparties for derivatives, payment, deposit and/or custody accounts failing to meet their obligations.

Investment and counterparty limits are approved by an authorized function based on risk assessments performed by Treasury and opinionated by Risk. Monitoring of bunq's credit exposures to third parties is done by the ALCO committee. The investments in residential mortgages are monitored closely on loan part level for arrears and payment defaults. We also place funds at short term deposits and invest in investment grade-rated bonds and monitor our exposures closely.

Capitalflow originates and services commercial real estate loans, asset finance and a small invoice discounting portfolio. It has comprehensive credit policies and processes for granting new loans that fully comply with bunq's risk appetite and credit policies. During the course of the loan, Capitalflow monitors closely the performance of the borrower and the collateral.

bunq applies the standardized 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 2023, bunq's risk weighted assets increased from 336m to 986m on a consolidated level.

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 2023 was EUR 25 million received.

In December 2023, Capitalflow successfully acquired a €122 million performing commercial real estate loan portfolio from Lunar Commercial Mortgages DAC. The portfolio is made up of borrowers with investment properties across residential, leisure, and commercial assets. Pepper Finance Corporation (Ireland) DAC trading as Pepper Money has been retained as legal title holder, servicer, and will continue to manage all customer relationships. This acquisition significantly enhances Capitalflow's position in the Irish commercial real estate lending market. The portfolio's distribution across various sectors includes Industrial (11%), Leisure (9%), Mixed Use (13%), Office (23%), Residential (22%), Retail (20%), and Other (2%). With an average loan-to-value ratio of 56%, the portfolio's risk characteristics align well with our existing loan portfolio, fitting within our current risk appetite.

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 a 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, residential mortgages, deposit placements with financial institutions and certain investments in bonds by Treasury have fixed interest rate characteristics, while loans to finance commercial real estate and Treasury investment in asset-backed securities typically have a variable interest rate. We use a model to assess the interest rate characteristics of our user deposits. The short interest duration of the Capitalflow investment and Treasury investments matches well against bunq's liability characteristics and helps bunq achieve its target duration of equity of 2.5 years.

The total amount of swap notional on 31st December 2023 was 447.9 million. The value of the swap is sensitive to changes in interest rate. For each increase of one basis point (0.01%) in interest rates, the value of the swap reduces with €316 843.

The swap 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.

FX risk

As part of its portfolio, bunq offers its 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 and funding risk

Liquidity and funding 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 users suddenly withdraw more funds than expected and this cannot be absorbed by bunq's reserves. In 2023, our balance sheet experienced a significant expansion, growing from EUR 2 062 million to EUR 7 417 million, largely due to the introduction of our new, highly competitive savings product. Throughout this period, we managed the risks associated with this product with great caution, while concurrently gathering data on user behavior to inform our investment strategy. **At year-end 2023 bunq had placed more than 75% 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 fulfill 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.

Sustainability - Take care of the planet

It is important that we make this planet a better place to live in for ourselves and for next generations. Hence, bunq promotes ESG-friendly investments (e.g. green bonds, energy-saving loans etc) and does not finance, or invest in, companies active in areas that may be deemed not socially responsible. For climate-related risks, bunq and its subsidiaries does not finance companies directly 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 resilient to climate risk. In 2023 bunq published the greenhouse gas emissions of our financial portfolio in line with the PCAF Standard.

During the year 2023 bunq has updated its Social Responsible Investment policy and its Environmental, Social and Governance policy. These are available on bunq's and Capitalflow's websites.

As of 2025, bunq is mandated to comply with the Corporate Sustainability Reporting Directive (CSRD), a pivotal Environmental, Social, and Governance (ESG) legislation aimed at standardizing ESG reporting across Europe to enhance transparency. To

ensure compliance by 2025, the bunq ESG team has undertaken comprehensive steps to identify and bridge the gaps between our existing ESG Reporting framework and the requirements stipulated by the CSRD legislation.

The CSRD introduces the European Sustainability Reporting Standards (ESRS), developed by the European Financial Reporting Advisory Group (EFRAG), to provide a structured approach for companies to meet CSRD reporting obligations. These standards are designed to cover a broad range of ESG aspects, structured into several categories, each addressing specific reporting areas:

- General Requirements
- General Disclosures
- Climate Change
- Pollution
- Water and Marine Resources
- Biodiversity and Ecosystems
- Resource Use and Circular Economy
- Own Workforce
- Workers in the Value Chain
- Affected Communities
- Consumers and End Users
- Business Conduct

To evaluate how well our current reporting aligns with the CSRD and ESRS requirements, the bunq ESG team are in the process of conducting detailed gap analyses for each of the standards, alongside a materiality assessment to prioritize legislative compliance areas. bunq is poised to release its first CSRD-compliant ESG report for the 2025 fiscal year (to be published in early 2026). In preparation, we are progressively integrating the ESRS guidelines into our ESG reporting, with the objective of fully incorporating all standards by the 2025 deadline.

Compliance with the CSRD also necessitates the establishment of Carbon Reduction Targets for Scope 1, 2, and 3 emissions related to our business activities. The Science-Based Targets Initiative (SBTi) is recognized as a leading authority for validating such targets. As of December 31, 2023, bunq has submitted our carbon reduction targets to the SBTi for validation, covering Scope 1 & 2 emissions as well as selected Scope 3 categories. At this stage, we are awaiting feedback from the SBTi.

Fairness of service - Tariffs and fees

We aim to offer a fair banking experience with fully transparent pricing and with zero hidden fees. In order to do that we track the pricing and packages of our main competitors in bunq's core markets on a half-yearly basis. Based on that knowledge, we benchmark our pricing against peers, their plans and the consumer pricing index.

Fairness of service - Duty of care

bunq's products must conform to high standards in order for the company to be successful. It is outside of our risk appetite to release products that are not transparent or suitable for the users. The standards are phrased as questions that should be answered affirmative (with an explanation) in order for the product to be within the risk appetite:

- Would you sell the product to your best friend?
- Is the explanation of the product, the costs and its risks clear to your best friend?
- Would you be comfortable if/when the product features are described and discussed in the public domain?

The risk is managed by way of the formal product approval and review process.

We are dedicated to treat vulnerable users appropriately, as a result of product design or delivery. In particular, when offboarding users we take into consideration that it can take time to find a new bank. Also, our lending policies embed relevant duty of care obligations towards users who can not repay or refinance.

Safety of Service - Money Protection - External Fraud

Technological advancements, particularly in Artificial Intelligence, continue to reshape various industries and the banking sector is witnessing a significant increase in the sophistication of fraud attacks. Digital banks, known for their convenience and speed in facilitating transactions, have become a prime target of such advanced fraud tactics, increasing phishing and spoofing risks. Streamlined processes for making payments, while user-friendly, can unfortunately also be exploited by fraudsters, posing a serious challenge to the security measures of digital banking platforms.

bunq is not an exception here as far as *inherent* risks are concerned. The risk also increased for bunq since last year due to the introduction of a savings product, which attracted less tech-savvy and therefore more vulnerable users to the platform, and led to an increase in user balances.

Though in the vast majority of cases we are dealing with social engineering and gross negligence that is difficult to prevent from our side, we are concerned about the trend.

We do our utmost best to protect users while balancing the convenience of product use. In 2023 we further improved in-app controls as well as significantly re-shaped our fraud detection and prevention processes in the 1st line. We regularly keep our users informed about the tactics used by scammers and provide them with guidance on how to keep their accounts safe via dedicated email campaigns. We also proactively raise user awareness when we detect a new phishing wave. We will continue focusing on this risk in 2024.

Safety of Service - Data Protection

bunq has a dedicated Data Protection Officer (DPO) and in 2023 hired a dedicated Promise Keeper - Data Protection in the Compliance team. The DPO (who belongs to the Legal department) is to ensure that our privacy practices are compliant with GRDP and reflect best industry practices. New product features as well as new data processors are assessed by the Promise Keeper - Data Protection and DPO.

New regulations

Management has seen an increase in regulations regarding different topics, such as Corporate Sustainability Reporting Directive (CSRD) , Central Electronic System of Payment information (CESOP), Digital Operational Resilience (DORA), Network and Information Systems Directive 2022 (NIS2) and The Artificial Intelligence Act (AI Act). All topics are always timely analyzed, remediation actions (if relevant) picked up by the first line departments and progress is monitored by the second line department to ensure compliance on these topics.

During 2023 we have performed the following actions regarding the new regulations. We have created a gap analysis between our Environmental and Social Governance report and CSRD and determined a project plan to become fully compliant during 2024. We submitted our SBTi targets and have updated our ESG policies. In 2024 we are revising our climate and environmental assessments which will result in including the double materiality, regarding climate risks, in our risk models. We refer to our ESG Report 2023 for more information.

For CESOP we have created the data definitions and the process to be able to report our first CESOP returns to the relevant tax authorities in April 2024.

We incorporated the DORA requirements for ICT suppliers into our third-party risk management process and are progressing with preparations for its full implementation in the coming year. As a digital-first bank, we also are preparing for the full implementation of NIS2.

As bunq is a frontrunner regarding the use of Artificial Intelligence we have started the project to become fully compliant with the upcoming AI Act.

Financing

During 2023, bunq has been allocated quarterly profits to its CET1-capital. Furthermore the existing shareholders have provided EUR 125 Million of additional capital in order to fulfill CET1 requirements, mainly Leverage Ratio.

In March 2024 the shareholders signed a capital commitment letter of EUR 29 million to provide bunq with sufficient CET1 capital for bunq's 2024 growth ambitions. The first EUR 16.5 million has been received as of the 22nd of March.

Outlook

Looking back on its first full profitable year, bunq is confident in fulfilling its growth strategy and forecasts profitability for at least the next 3 years. In our 3 year forecast we have used macroeconomic outlooks, in particular expectations regarding interest, gross domestic product and commercial real estate and house price indexes.

In large part owing to its interest strategy, which consistently gives users among the highest possible interest on their savings accounts, bunq's deposits have been rapidly growing and in fact nearly quadrupled in 2023. bunq expects a significant increase in net interest income in the upcoming years. Additional fee income is expected from more users using bunq.

The growth in bunq's deposit has resulted in additional capital injections during 2023 and we foresee additional capital is required during 2024 to fulfill our capital requirements.

In 2023 bunq intensified its treasury activities, increasing the amount of investments by EUR 900 million. In the next years bunq will continue to maximise opportunities in order to maintain investments rates reached in 2023. While external investment opportunities are sought, bunq will continue to push the highly successful bunq mortgage label, where bunq has started adding non-NHG mortgages to its portfolio. bunq sees additional investment growth opportunities via its subsidiary Capitalflow, which has shown organic growth and has acquired a new Corporate Real Estate portfolio.

bunq has always focused on innovation and automation, while reducing manual work. During 2023 we increased our Research and Development activities with regards to the use of Artificial Intelligence in our operations. As a result, the quality of our operations increased and bunq saw positive scale effects occur and its cost ratios gradually improved. For 2024 we are further developing our Artificial Intelligence to remain a frontrunner in this field.

bunq remains committed to bringing our users the best features through several research and development projects, including the integration of AI as a feature in the app.

There are a number of risks that can have a negative effect on our results. These include adverse interest rate developments, increased costs due to inflation and regulatory costs, and higher credit losses due to deteriorating economic conditions and lower real estate prices.

bunq is always looking for new talent to expand its workforce. To remain an attractive environment for the best talent, bunq has further improved its remuneration policies for existing and new talent. In the next year's bunq will look to expand employment in non-Dutch countries including Bulgaria, Turkey, the UK and the USA while maintaining a core of senior employees in the Netherlands.

Remuneration

bunq's remuneration policy complies with Dutch and European legislation. This includes capping variable pay to 20% of fixed pay for employees working in the Netherlands, and a maximum of 100% of fixed pay for employees working outside the Netherlands. bunq did not make use of the provision provided in Dutch law to award variable pay up to 200% in countries outside the EEA in 2023. Variable pay is never guaranteed.

bunq has a written remuneration policy appropriate to the nature, scope and complexity of the company's activities, as well as procedures and measures for its implementation;

Early 2022 bunq introduced an Employee Stock Option Plan (ESOP), enabling all bunq employees to share in the success of their company. Options are granted twice a year based on performance and retention years and are purchased against fair value. This plan ended in February 2023.

In 2024 bunq introduced several incentive plans for different types of employees. These plans consist of either a monthly performance bonus, a profit sharing incentive or a management incentive plan for higher tier management and key personnel.

In 2024 bunq also introduced a pension plan for its employees.

Capital position

The DNB supervises bunq B.V. on a stand-alone basis whereby Capitalflow Group is not consolidated. DNB also supervises bunq B.V. consolidated on the level of bunq holding B.V. We refer to the financial statements of bunq holding B.V. for the consolidated capital position at year-end.

The table below shows bunq's capital ratios as of year-end:

In EUR ('000)	31 December 2023	31 December 2022
Total Risk Weighted Assets (RWA)	986 016	336 275
Available Common Equity Tier 1 Capital (CET1)	268 501	101 852
CET1 ratio %	27.23%	30.03%
Leverage ratio	3.61%	5.1%

Total risk exposure amount

EUR ('000)	Amount	TREA	Amount	TREA
Cash and Balances with Central Banks	5 121 107	-	721 864	-
Loans and Advances to Banks	65 140	20 707	29 165	8 691
Investments at Amortized Cost (Bonds)	64 346	31 241	5 193	1 586
Investments at Amortized Cost (Mortgages)	794 028	110 788	555 149	84 365
Investments at Amortized Cost (Loans to Corporates)	6 720	10 080	5 869	8 803
Investments at Amortized Cost (Asset Backed Securities)	207 926	28 107	-	-
Debt Securities (RBS FTF)	48 430	24 215	40 110	8 022
Debt Securities (Kantonalbank)	181 375	36 275	40 018	8 004
Debt Securities (US Treasury)	30 628	-	3 956	-
Investments at Fair Value	-	-	-	-
Derivatives	27 472	-	50 503	1 239
Advances to Customers	473	473	144	144
Right-of-use Assets	1 342	622	855	855
Tangible Fixed Assets	1 363	1 178	1 012	1 012
Inventory	539	539	276	276
Intangible Assets	5 213	-	-	-
Accounts Receivable	40 591	20 211	15 452	8 232
Goodwill	43 422	-	-	-
Other Assets	62 610	9 519	30 407	6 372
Participation in Subsidiaries	-	-	92 719	35 998
Capitalflow Loans	738 828	514 513	513 433	102 748
Total Assets	7 441 553	808 468	2 106 125	273 419
Off Balance Exposure	75 675	2 321	45 462	614
CVA	-	4 037	-	7 286

Off Balance sheet commitments	31 478	-	-	-
Operational Risk		165 317	-	54 883
Total Risk Exposure Amount	7 548 706	980 143	2 151 587	336

Liquidity ratios

	31 December 2023	31 December 2022
Liquidity Coverage ratio	354%	249%
Net Stable Funding Ratio (NSFR)	419%	284%

In the LCR's high quality liquid assets (HQLA) buffer, bunq includes the withdrawable portion of its Central Bank Reserves, plus its liquid tradable assets that classify as Level 1 (EU-member state central government bond portfolio) and Level 2B (eligible portion of the asset-backed security portfolio), with the respective applicable haircuts and measured at market value.

On the net liquidity outflow line, bunq includes a deposit outflow following CRR directives (5% of stable deposits, 15% category 1 deposits, 20% category 2 deposits, 40% wholesale deposits), an outflow for additional collateral calls resulting from a negative market scenario on bunq's derivative portfolio, as well as any expenses to be paid in the 30-days after reporting date. bunq's liquidity inflows comprise mostly of interest income from mortgages and intracompany loan with CFG, 50% of principal repayments for the same loans and any receivables that will be settled in the 30-days after reporting date. bunq also considers its on demand checking accounts with other banks as inflows, as those are withdrawable at any point in time but can't be added to the HQLA buffer.

The NSFR ratio accounts for the available amount of stable funding as a numerator, where 100% of equity, 95% of stable deposits, 90% of non-stable retail deposits and 50% of wholesale deposits are included. As a denominator - required amount of stable funding - bunq's HQLA is included with haircuts aligned with the LCR classifications, plus all other loans and assets with the respective CRR haircuts based on asset class, encumbrance status and maturity bucket.

bunq had a strong liquidity position throughout the entire year, as measured by both regulatory liquidity ratios, which were well above the regulatory minimum of 100% at all times.

The big increase in both ratios in comparison to December 2022 is due to bunq's strategy of keeping most of the deposit growth registered throughout 2023 as central bank cash reserves.

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.

Our goal is to make our end users as self-serving as possible, where they can do everything in the app with minimal intervention or help from bunq's employees. To accomplish that we automate what we can, including using machine learning and AI models to help with operations.

Key projects in 2023 include project Finn: an internal AI designed to:

- Answer questions from employees on internal information
- Draft support ticket replies
- Answer questions from end users in the app

For an extensive and non-exhausted list of resulting developments during the financial year we refer to the earlier section "Looking back on 2023".

bunq and the world at large

As stated previously, 2023 was notable for being the first full year of profitability for bunq, a historic milestone for any company, let alone a bank that's barely a decade old. It's interesting to note that the world around us continues to be tumultuous and that many of our users are affected by this each and every day.

From the effects of climate change to unrest spreading in more and more corners of the globe, the need for a bank that offers stability *because* it's adaptable is undeniable. Profitability to us is like the buoyancy of a ship. It's necessary, because it's what empowers its passengers to rely on us to take them where they want to go. As long as we support our users in their endeavors, they'll support us.

It's our never-ending drive to stand by our users that saw bunq soar, where its contemporaries continue to struggle.

If the early 2020s have shown us anything, it's that the future is exciting, unpredictable and uncertain, all at the same time. Progress is not a guarantee but rather an ideal that can only be achieved by working hard and relentlessly dedicating yourself to doing

what's right, no matter what the circumstances.

For us, this means putting the happiness of our users before anything else, and never losing sight of that goal. For all the complexities of the world at large, our philosophy has always remained simple. To make life easy is how we contribute. At the time of this writing, 11 million people count on us to make life easy and more than 500 bunq employees devote themselves to making this happen, day in and day out.

The future will be a lot of things, but we're more confident than ever we'll succeed in fulfilling our mission: **to make life easy, for everyone**

Going concern

The shareholders, excluding the Stak, have expressed support for the company's growth and finance plan. They 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.

To remain compliant with the Leverage Ratio requirements, the shareholders have provided a capital commitment letter of 29 million euro in March 2024, of which 16.5 million euro has been received before 22 March 2024.

Both capital and liquidity ratios are well above the regulated threshold in the forecast.

Subsequent events

Capital injections

In March 2024 the shareholders signed a capital commitment letter of EUR 29 million to provide bunq with sufficient CET1 capital for bunq's 2024 growth ambitions. The first EUR 16.5 million has been received as of the 22nd of March.

bunq US banking license application

bunq has withdrawn their initial application for the US banking license 31 January 2024. bunq intends to re-file the application and is considering alternative legal forms, including a branch

Mass Interest

In the first quarter of 2024, bunq has increased the Mass Interest rates offered to our users in Spain and Germany.

We would like to thank all bunq employees for their dedication, hard work and commitment in making the bank of The Free what it is today, and for laying the foundation of what it will become in the near future. Moreover, we would love to thank all bunq users for their continuous support and valuable feedback.

Amsterdam, 28 March, 2024

A. Niknam
R. Kasiman
V. Brodski

Supervisory Board Report

Looking back on 2023, the board shares the excitement of the management board and bunq's employees for becoming the first EU neobank to record a full year of profitability. Not only does the board recognize this as a groundbreaking achievement, but it provides further proof for bunq's philosophy and inspires confidence for its future ambitions. The planned expansion to the US and, more recently, the reapplication of a UK banking license, bode well for bunq's continued international growth.

The board further recognizes that being the first profitable EU neobank is of huge strategic importance, as the retained profits help finance the continuous influx of new users and associated deposit increases. With the company's future growth largely depending on the means presently at its disposal, the board is pleased to see that bunq's shareholders were able to overcome a difficult moment in their relationship early last year. In this agreement, all shareholders agreed to sustain the growth of bunq by providing the necessary capital proportionally and on a pari passu basis. A number of two capital increases took place in 2023.

With the road paved for bunq's continued exponential growth, the board is pleased to see that more and more people put their faith in bunq every day. Unsurprisingly, this development correlates strongly with bunq's ever expanding offering. Everyone in Europe now has instant access to a free credit card, to name just one of many ways bunq manages to connect with an ever increasing number of digital nomads across the continent. Paired with bunq's unwavering commitment to putting its users first, for instance each time the European Central Bank (ECB) raised its interest rate in 2023, the board fully expects bunq to be able to fulfill its ambition of becoming the first global neobank for digital nomads.

Composition

At the time of this writing, the board consists of the following members:

Ms. G van Vollenhoven – appointed February 13, 2020

Mr. A.J. Bol – appointed July 17, 2020

Mr. J.B. Wilson – appointed February 11, 2021, resigned May 1, 2023

Mr. J. Scott – appointed November 26, 2021

Mr. J. Hüpscher - appointed December 22, 2023

On January 17, 2023 Mr S.C. van Groningen was appointed as Chairman of the Supervisory Board

Ms. van Vollenhoven - Eikelenboom has been appointed for a term of 8 years ending 2028. Ms. van Vollenhoven - Eikelenboom was director at De Nederlandsche Bank N.V. until 2019 and is the 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 a Supervisory Board member at European Merchant Services. As of June 1 Mr. Bol will also be Chief Commercial Officer at Aon Netherlands. Mr. Bol 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 Wilson resigned from the Supervisory Board per May 1, 2023, because per the same date Mr. Wilson joined bunq as an employee.

Mr. Hüpscher has been appointed for a term of 4 years ending in 2027. Mr. Hüpscher is a member of the board at team.blue (formerly TransIP, where he also served as CEO) and SIDN.

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 met once a month in 2023, with the majority attending in person each time. Topics that were discussed were, among others, bunq's growth strategy, financial performance and forecasts, product and business development, marketing, capital and liquidity planning, risk management, compliance and the relationship with the regulator.

Additionally, the board implemented the lifelong learning programme in 2023. Set out in the Dutch banking code and adopted by bunq, the lifelong learning programme was incorporated to the rules of the Supervisory Board in order to ensure that the expertise of the members of the Supervisory Board is maintained and, where necessary, broadened. By systematically covering relevant developments regarding corporate governance, in particular within the finance industry and the banking sector, the lifelong training programme allows for board members to meet any training needs and subsequently improve how they perform in their role.

The supervisory board also met with the Dutch Central Bank (DNB) and external auditors multiple times in 2023.

Overall the board was satisfied with the outcome of these meetings and will continue to have monthly meetings throughout 2024.

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 – Chairperson

Mr. A.J. Bol

Mr. J. Scott

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 5 times in 2023, on March 23, May 10, June 19, September 19, and December 20.

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 Risk and Audit Committee in 2023.

The Remuneration Committee formally met 3 times in 2023, on January 18, April 20 and November 7. The Supervisory Board also maintains direct contact with the Head of Human Resources and regularly meets senior staff.

On 26 March, 2024, the supervisory board discussed the 2023 financial statements with the management board. The board will continue to monitor how the company will set itself up for future growth and international expansion. In doing so, the board will maintain an open dialogue with the management board and all of the company’s stakeholders.

In closing, the board would like to thank all stakeholders for their good cooperation throughout 2023. Lastly, we recognize the dedication and hard work of all bunq employees. We thank them for their collective achievement in bringing bunq to where it is today.

Amsterdam, 28 March, 2024

Mr. S.C. van Groningen

Ms. G. Van Vollenhoven - Eikelenboom

Mr. A. Bol

Mr. J. Scott

Mr. J. Hüpscher

Risk Management

Basis of disclosure (*)

The risk management section contains information relating to the nature and extent of the risks of financial instruments as required by International Financial Reporting Standards (IFRS) 7 'Financial Instruments: Disclosures'. These disclosures are an integral part of bunq B.V. Consolidated financial statements and are indicated by the symbol (*). This is applicable for the chapters, paragraphs, graphs or tables within the risk management section that are indicated with this symbol in the respective headings or table header.

This risk management section includes additional disclosures beyond those required by IFRS standards, such as certain legal and regulatory disclosures. Not all information in this section can be reconciled back to the primary financial statements and corresponding notes, as it has been prepared using risk data that differs from the accounting basis of measurement.

Bunq B.V. Group is exposed to the following risks:

Overview of risk categories

Risk categories	Sub categories	Defined as
Financial risk	Credit risk	Risk of potential loss due to default by the group's debtors or trading counterparties
	Liquidity risk	The risk that the group cannot meet financial liabilities when they become due at a reasonable cost and in a timely manner.
	Market risk	The risk of potential loss due to adverse movements in market variables.
Non financial risks	Compliance risk	A threat posed to the Group's standing resulting from a failure to act in line with applicable laws and regulations, internal rules and/or societal expectations
	Operational risk	The risk of direct or indirect loss arising from inadequate or failed internal processes, people and systems or from external events.

Overarching risks	Business risk	The value or earnings loss due to business and strategic decisions that do not materialize as planned. This risk can be expressed in terms of volumes, margins, expenses and fees and commissions
	Climate risk	The risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of environmental, social or governance factors on the institution's counterparties or invested assets

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, the Asset-Liability Committee (ALCO), which is responsible for developing and monitoring Group risk management policies.

The purposes of the Groups risk management policies is to identify and analyze 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.

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 committee regularly monitors subsidiaries based outside of the Netherlands to ensure compliance with risk policies and to ensure sufficient safeguards are in place in group subsidiaries.

The Risk and Audit Committee is assisted in its oversight role by the System Checker (Internal Audit). bunq's System Checker serves as our robust third line of defense. The internal team evaluates the sufficiency and efficiency of our governance, risk management, and control systems. The System Checker ensures thorough evaluations, fostering continuous improvement. Their findings are transparently communicated to

both management and the governing body, in alignment with our System Checker Charter. The Audit Plan is defined yearly on a risk based approach and submitted to management and governing body approval. 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 specialized 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 – default 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 and trade debtors which may default on amounts owed which are included in other assets. For the avoidance of doubts off-balance items such as loan commitments, financial guarantees and derivatives exposures are recognized as sources of credit risk.

Credit risk on funds provided to customers is mitigated through the application and control of the Group's underwriting and arrears-management functions. The credit risk function is responsible for:

- Formulating policies
- Establishing authorization structures
- Maintaining processes for measuring expected credit loss
- Reviewing and assessing credit risk
- Setting concentration limits
- Maintaining internal grading scales
- Providing advice

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 setting and understanding the Group's credit risk profile, in comparison with an established risk appetite, and monitor ongoing credit risk performance on a regular basis.

Assets subject to credit risk include

- Cash balances with central banks (note 17)
- Loans and advances to banks (note 18)

- Loans and advances to customers (note 19)
- Investments at amortized costs and (note 20)
- Mortgages (note 21)

On the 31st of December 2023, all loans and advances to banks were at institutions with a credit rating of A or higher (Moody's/S&P). No risk appetite limit has been breached in 2023.

Credit risk in the investment portfolio is managed by setting and monitoring minimum acceptable credit ratings of the issuer or bank involved. All new fixed income investments and investments in fixed term funds are made with institutions with a minimum credit rating of BBB- per rating agencies.

The maximum exposures allowed for bonds, commercial paper and certificates of deposits that have a credit rating between BBB- - BBB+ is up to EUR 50 million for maturities less (or equal) than 6 months and EUR 25 million for other maturities. For structured credit (ABS, CLO, RMBS), the maximum exposure allowed for ratings A- and above is up to EUR 30 million and between BBB- to BBB+ is up to EUR 20 million.

Loans to other institutions have an exposure of EUR 7 million. The risk is assessed periodically and at year end the risk is deemed acceptable.

All loans to customers are scrutinized before granting. Each loan is reviewed and granted based on its own risk profile. The risk relating to loans to customer portfolios is minimal.

Credit risk for mortgages is managed by investing in high-quality mortgages, the mortgages originated will only be offered if they are on a residential building located in the Netherlands being the borrower's primary residence; the property is secured by first or first and sequentially ranking mortgage rights, and the legal tenor is at most 30 years.

Also, 95% of the mortgages must have a loan-to-value (LTV) of at most 80% and/or a Nationale HypotheekGarantie (NHG). A maximum notional exposure to each borrower of EUR 1.0 million applies.

Management of credit risk – concentration risk*

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 Group actively assesses each major investment and exposure to ensure the concentration risk is acceptable per the group's risk appetite statement. The risk is deemed at low.

2023 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	117 237	36 450	861 006	125 699	88 409	1 228 801
Germany	-	-	20 001	-	-	20 001
Ireland	-	8 051	808 487	7 619	-	824 157
United Kingdom	-	22 875	48 441	-	-	71 316
Bulgaria	-	-	-	-	-	-
Belgium	-	242	-	115	-	357
France	4 986 769	-	16 200	-	-	5 002 969
Spain	-	-	300	-	-	300
Finland	-	-	9 670	-	-	9 670
Luxembourg	-	-	41 467	-	-	41 467
Japan	-	-	1 003	-	-	1 003
Poland	-	-	377	-	-	377
Austria	-	-	10 000	-	-	10 000
Turkey	-	25	-	-	-	25
United States of America	-	612	30 628	-	-	31 240
Switzerland	-	-	181 399	-	-	181 399
Italy	-	-	31 850	-	-	31 850
Total Gross Amount	5 104 006	68 255	2 060 829	133 433	88 409	7 454 932
Impairments	-	(7)	(16 576)	-	-	(16 583)
Total Carrying Amount	5 104 006	68 248	2 044 253	133 433	88 409	7 438 349

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

Note – Mortgages and investments is made up of Investments at amortized cost and mortgages (note 20 and 21 respectively). The increase in impairment allowance in 2023 when compared to 2022 is due to increases in investments leading to more expected credit loss allowances being raised in the entity as well as an increased expected credit loss allowance on the amount of negative customer balances, which are made up of overdue amounts. These amounts are immediately included in Stage 3 from an ECL perspective.

2022 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	492 810	21 220	516 078	77 659	46 675	1 154 442
Germany	-	-	-	-	-	-
Ireland	-	10 669	545 009	3 826	-	559 503
United Kingdom	-	20 274	40 116	-	-	60 390
Bulgaria	-	-	-	-	-	-
Belgium	-	149	-	62	-	211
France	229 054	-	-	-	-	229 054
Spain	-	-	2 308	-	-	2 308
Sweden	-	-	-	-	-	-
Luxembourg	-	-	1 478	-	-	1 478
Japan	-	-	1 004	-	-	1 004
Poland	-	-	382	-	-	382
Turkey	-	3	-	-	-	3
United States of America	-	-	3 956	-	-	3 956
Switzerland	-	-	40 024	-	-	40 024
Total Gross Amount	721 864	52 315	1 150 355	81 547	46 675	2 052 756
Impairments	-	(4)	(7 309)	-	(1)	(7 314)
Total Carrying Amount	721 864	52 311	1 143 046	81 547	46 674	2 045 442

Concentration risk per industry*

Industry	2023	2022
	EUR ('000)	EUR ('000)
Residential Mortgages – Netherlands	855 993	551 870
Cash at central banks	5 104 006	721 864
Investments in oil, gas and energy production	-	-
Commercial Real Estate	445 002	319 865
Agriculture	31 439	25 418
Heavy Industry	70 534	56 534
Mining	-	-
Quarrying	8 394	8 406
Transport	84 701	59 143
Fossil fuel trading	-	-
Other Industries	111 745	82 569
Green Bonds (per below)	2 834	5 172
Financial Institution's Swap Collateral	-	-
IT Services	1 401	546
Banking investment products	691 672	210 099
Treasury Bonds	30 628	3 956
Total	7 438 349	2 045 442

Investments in Climate Bond Initiative (CBI) Aligned Green bonds are broken down into the following industries*

Industry	2023	2022
	EUR ('000)	EUR ('000)
Financial services	2 457	2 785
Industrial Services	377	382
Renewable energy transportation	-	2 005
Total	2 834	5 172

Investments in green bonds are broken down into the following countries*

Country	2023	2022
	EUR ('000)	EUR ('000)
Poland	377	382
Spain	-	2 308
Japan	1 003	1 004
Luxembourg	1 454	1 478
Total	2 834	5 172

Investments in green bonds have the following ratings*

	2023	2022
	EUR ('000)	EUR ('000)
AAA	1 454	1 478
A+	-	1 003
A	377	-
A-	-	683
At	1 003	-
BBB	-	2 008
Total Amortized costs	2 834	5 172

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 include off balance sheet values (see note 38) nor do the values include impairments or provisions for impairments (see note 17/18/19/20/21/26)

	2023	2022
	EUR ('000)	EUR ('000)
Loans and advances to banks	68 248	52 315
Loans and advances to customers	751 587	549 810
Mortgages	794 129	505 277
Investments at amortized cost (Other)	537 970	95 268
Derivatives	27 472	50 504
Total	2 179 406	1 253 174

The following table sets out information about the credit quality of financial assets measured at amortized 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.

	Stage 1		Stage 2		Stage 3		Total	
	EUR ('000)		EUR ('000)		EUR ('000)		EUR ('000)	
Gross amount of financial instrument	2023	2022	2023	2022	2023	2022	2023	2022
Loans and advances to banks	68 248	52 315	-	-	-	-	68 248	52 315
Bonds	62 828	5 172	-	-	-	-	62 828	5 172
Mortgages	793 764	505 095	365	-	-	182	794 129	505 277

Loans to other institutions	6 720	6 000	-	-	-	-	6 720	6 000
Fixed term funds	79 069	44 072	-	-	-	-	79 069	44 072
Fixed Income Investments	181 399	40 024	-	-	-	-	181 399	40 024
Asset backed securities	207 954	-	-	-	-	-	207 954	-
Advances to customers – deposits	-	-	-	-	9 467	4 801	9 467	4 801
Advances to customers	671 788	479 620	60 705	59 369	9 627	6 019	742 120	545 009
Derivatives	27 472	50 504	-	-	-	-	27 472	50 504
Total gross value	2 099 242	1 182 802	61 070	59 369	19 094	11 002	2 179 406	1 253 174
Expected Credit Loss								
Loans and advances to banks	7	4	-	-	-	-	7	4
Bonds	38	2	-	-	-	-	38	2
Mortgages	76	56	1	-	-	26	77	82
Loans to other institutions	135	133	-	-	-	-	135	133
Fixed term funds	11	6	-	-	-	-	11	6
Fixed Income Investments	24	5	-	-	-	-	24	5
Asset backed securities	28	-	-	-	-	-	28	-
Advances to customers - deposits	-	-	-	-	8 994	4 656	8 994	4 656
Advances to customers	2 746	1 159	1 837	698	2 685	566	7 268	2 423
Derivatives	-	-	-	-	-	-	-	-
Total ECL	3 065	1 365	1 838	698	11 679	5 250	16 582	7 313
Net amount financial Instruments								

Loans and advances to banks	68 241	52 311	-	-	-	-	68 241	52 311
Bonds	62 790	5 170	-	-	-	-	62 790	5 170
Mortgages	793 688	505 039	364	-	-	156	794 052	505 195
Loans to other institutions	6 585	5 867	-	-	-	-	6 585	5 867
Fixed term funds	79 058	44 066	-	-	-	-	79 058	44 066
Fixed Income Investments	181 375	40 019	-	-	-	-	181 375	40 019
Asset backed securities	207 926	-	-	-	-	-	207 926	-
Advances to customers – deposits	-	-	-	-	473	145	473	145
Advances to customers	669 042	478 461	58 868	58 671	6 942	5 453	734 852	542 586
Derivatives	27 472	-	-	-	-	-	27 472	-
Net carrying amount	2 096 177	1 130 933	59 232	58 671	7 415	5 754	2 162 824	1 195 357

Internal credit ratings of Capitalflow assets*

The tables presented below describe the portfolio composition per internal credit rating categories. Each portfolio has a specific set of scales used to classify the credit quality of an asset. These credit ratings are used by the risk department to monitor the credit risk of the portfolios held by Capitalflow. All Capitalflow assets are denoted as “Advances to Customers” in the above table.

All Capitalflow Corporate Real Estate (CRE) loans are internally rated using the below scales. The first column is used to indicate the loan to value (LTV) of the asset.

2023 (EUR'000)	Strong	Good	Satisfactory	Watchlist	Default	Total
< 50%	37 859	13 497	19 266	-	-	70 622
< 60%	18 128	25 057	56 993	2 199	3 562	105 939
< 70%	18 757	72 934	82 040	13 265	-	186 996
< 80 %	13 845	38 820	60 267	5 744	-	118 676
Total	88 589	150 308	218 566	21 208	3 562	482 233
2022 (EUR'000)	Strong	Good	Satisfactory	Watchlist	Default	Total
< 50%	23 867	8 621	5 797	7 625	-	45 910
< 60%	25 353	15 427	23 914	15 769	-	80 463
< 70%	25 838	57 158	29 908	2 247	-	115 151
< 80 %	15 777	17 648	53 717	1 131	-	88 273
Total	90 835	98 854	113 336	26 772	-	329 797

The Invoice Finance (ABL) internal risk grade scale and distribution is as follows*

Internal credit rating EUR ('000)	Notional 2023	Notional 2022
2 Satisfactory Risk	22 292	20 188
3 Fair Risk	8 930	11 689
4 Watchlist	3 929	3 140
5 Substandard	2 857	3
Default	-	-
Total	38 008	35 021

Asset Finance (AF) 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*

Internal credit rating (EUR'000)	Notional 2023	Notional 2022
No Arrears	224 540	175 861
1 - 30 days	2 072	1 443
30 - 90 days	1 154	556
In Default	3 296	2 331
Total	231 062	180 191

Amounts arising from ECL*

(see note 36(F))

Amounts arising from ECL fall under the amortized cost balance of assets in question 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.

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 probability of default (PD), exposure at default (EAD) and loss given default (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, each portfolio is monitored on a regular basis by the relevant account managers to determine an increase in risk. Further, 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 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. In determining the forward-looking scenarios, all relevant factors impacting the future cash flows are taken into account. These include expected developments in credit quality, business and economic forecasts, and estimates of if/when recoveries will occur taking into account the Group's restructuring/recovery strategy.

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 of 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 values 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 CC, HPI and the MSCI, future forecasts are obtained using a time series modeling technique, calibrated to historical movements in CCI and HPI. The approach ensures that forecasts reflect the current level of the index, as well as the direction in which it is moving. MSCI values 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
- Irish Residential House Price Index (HPI) and Irish Commercial Property Price Index (MSCI) in the secured (i.e. commercial properties) model as a proxy for the underlying property assets

Relating to the mortgage portfolio held, PIT estimates of PD are obtained through the entity's 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.

Sensitivity of ECL to future economic conditions in the Ireland

A second-order Autoregressive Model, AR($\rho=2$), is used to construct a self-contained forecasting system to estimate future point-in-time systematic risk. Specifically, the Ordinary Least Squares method is adopted, where a coefficient for the mean-reversion and momentum factor is derived, and the change in the factors going forward is modeled through Monte Carlo simulation.

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 are ranked by the level of severity

Three scenarios – Base, Upside and Downside – are selected from the 1000 simulations based on management judgements and benchmark analysis:

Base – the simulation ranked in the 50th percentile, i.e., it is more severe than 50% of the simulations;

Upside – the simulation ranked in the 35th percentile;

Downside – the simulation ranked in the 85th percentile.

Scenario weights are determined by management judgment. Following a challenge session, the scenario weights as at 31 December 2023 have been set as follows, with a higher weighting to the downside reflecting management's assessment of the current macroeconomic headwinds:

Base - 50%

Upside - 5%

Downside - 45%

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

ECL EUR ('000)	Commercial Real Estate	Asset Finance	Asset Backed Lending	Total
Base	3 039	2 650	2 306	7 995
Upside	1 842	2 333	2 179	6 354
Downside	9 113	3 849	2 755	15 717
Weighted	5 712	3 174	2 501	11 387

The table discloses the total changes in expected credit loss allowances.

Movements in the Loss allowance for Irish lending portfolios are shown as part of the “Loans and advances to customers” table below.

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 550 716 thousand. Any loss allowance over EUR 8 646 thousand is recoverable from the seller.

As at year end 2023, the IFRS 9 expected credit loss allowance is 0.89% over the entire portfolio.

Portfolios in the Netherlands*

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 fulfill 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, 2023 amounts to 73.96% (2022 – 68.2%). The total value of the collateral on the mortgages that are covered by NHG amounts to EUR 640 700 thousand (2022: EUR 373 185 thousand).

The total amount of the collateral on the mortgages that are not covered by NHG amounts to EUR 225 641 thousand (2022: EUR 173 782 thousand). The loan to value (LTV) ratio of the mortgages covered by NHG is 78.12%, while those not covered by NGH is currently 62.53%. Average LTV is 73.6% for the mortgage portfolios.

Exposures which are more than 90 days past due will be considered in default and classified as stage 3 under IFRS9. Also, Exposures belonging to a borrower which has more than 20% of its total exposure in default will be considered defaulted and classified as stage 3.

And exposures which are in a probation period and experience more than 30 days past due will be returned to a defaulted status.

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. bunq also has strict criteria for the origination of mortgages, where mortgages are either backed by the National Guarantee Scheme (NHG), or the loan to value of the mortgages are capped at 60% for non NHG mortgages. The portfolio therefore largely originated to young people with lower risks of default. 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.

The results of the sensitivity analysis on the expected credit losses on the statement of profit and loss are shown below:

	PD		LGD	
	Upside	Downside	Upside	Downside
Netherlands portfolios	1	(252)	7	(7)

The table discloses the total changes in expected credit loss allowances.

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 movements due to changes in credit risk is set out in our accounting policy. Methodology is presented above in the “Amounts arising from ECL” section. In cases where there is movement between stages is due to assets experiencing significant increases in credit risk per the criteria explained above.

2023				
Loans and advances to other banks loan loss provisions				
EUR ('000)	Stage 1	Stage 2	Stage 3	Total
Opening balance per January 1st	4	-	-	4
Movements between stages	-	-	-	-
New financial assets originated or purchased	3	-	-	3
Remeasurement of loss allowance	-	-	-	-
Write-offs	-	-	-	-
Balance per December 31st	7	-	-	7
2022				
Loans and advances to other banks loan loss provisions				
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	3	-	-	3
Remeasurement of loss allowance	-	-	-	-
Write-offs	-	-	-	-
Balance per December 31st	4	-	-	4

2023**Loans and advances to Customers loan loss provisions**

EUR ('000)	Stage 1	Stage 2	Stage 3	Total
Opening balance per January 1st	1 159	698	5 225	7 082
Movements between stages	(1 689)	898	2 161	1 370
New financial assets originated or purchased	3 276	241	4 603	8 120
Remeasurement of loss allowance	-	-	-	-
Write-offs	-	-	(309)	(309)
Balance per December 31st	2 746	1 837	11 680	16 263

2022**Loans and advances to Customers loan loss provisions**

EUR ('000)	Stage 1	Stage 2	Stage 3	Total
Opening balance per January 1st	86	135	2 654	2 875
Movements between stages	458	542	676	1 676
New financial assets originated or purchased	615	22	2 020	2 657
Remeasurement of loss allowance	-	-	-	-
Write-offs	-	(1)	(125)	(126)
Balance per December 31st	1 159	698	5 225	7 082

2023				
Investments at amortized cost loan loss provisions				
EUR ('000)	Stage 1	Stage 2	Stage 3	Total
Opening balance per January 1st	144	-	-	144
Movements between stages	-	-	-	-
New financial assets originated or purchased	92	-	-	92
Remeasurement of loss allowance	-	-	-	-
Write-offs	-	-	-	-
Balance per December 31st	236	-	-	236
2022				
Investments at amortized cost loan loss provisions				
EUR ('000)	Stage 1	Stage 2	Stage 3	Total
Opening balance per January 1st	3	920	-	923
Movements between stages	920	(920)	-	-
New financial assets originated or purchased	-	-	-	-
Remeasurement of loss allowance	(779)	-	-	(779)
Write-offs	-	-	-	-
Balance per December 31st	144	-	-	144

2023**Movement of ECL on Mortgage Commitments loan loss provisions**

EUR ('000)	Stage 1	Stage 2	Stage 3	Total
Opening balance per January 1st	56	-	26	82
Movements between stages	25	1	(26)	-
New financial assets originated or purchased	(5)	-	-	(5)
Remeasurement of loss allowance	-	-	-	-
Write-offs	-	-	-	-
Balance per December 31st	76	1	-	77

2022**Movement of ECL on Mortgage Commitments loan loss provisions**

EUR ('000)	Stage 1	Stage 2	Stage 3	Total
Opening balance per January 1st	47	1	-	48
Movements between stages	(25)	(1)	26	-
New financial assets originated or purchased	34	-	-	34
Remeasurement of loss allowance	-	-	-	-
Write-offs	-	-	-	-
Balance per December 31st	56	-	26	82

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 cash flows, 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.

*Liquidity buffer**

As part of the management of liquidity risk arising from financial liabilities, the Group holds a liquidity buffer comprising cash, cash equivalents, high-quality liquid assets (HQLA) and additional sources of liquidity, such as bunq originated RMBS, ECB repo eligible securities and investments maturing in 3 months.

*Exposure to liquidity risk**

The Group is exposed to liquidity risk through a number of risk drivers, such as:

- **Outflow of user deposits:** the liability side of the Group's balance sheet almost entirely consists of user deposits. Users are free to withdraw their funds at any time, and these withdrawals are determined by behavioural properties, such as the interest rate sensitivities (measured by "pass-through rates"¹) of Savings deposits, users' everyday transaction needs (measured by "stability of deposits"²) and users leaving bunq (measured by "churn"³). Consequently, the Group needs to have sufficient liquidity available to support these withdrawals, even in stressed conditions.
- **Payments supporting the committed mortgage origination:** the Group has committed to provide funds for further mortgage originations, and liquidity needs to be put aside to fund these loans.
- **Supporting further CFG asset growth:** the Group aims to fund future CFG growth with user deposits. Sufficient liquidity and capital needs to be available to facilitate this growth.

¹ Pass-through rates define how much of user balances will we lose in a case of market stress - e.g. other investments are more profitable for users and they withdraw funds

² Stability rates measure the volatility of account balances..

³ Churn rates are rates at which our current users leave bunq

- Collateral calls on the derivatives portfolio: with the introduction of the mortgage portfolio, bunq also engages in hedging using interest rate swaps. To limit the credit risk in this portfolio, the interest rate swaps are subject to a collateral agreement. As part of the collateral agreement, the Group will be required to post collateral depending on the market value movements of the derivatives portfolio. Sufficient liquidity is required to meet these collateral calls.

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 daily 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. This is monitored by the ALCO risk committee put in place by the board.

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

The Group uses a wide range of liquidity risk measures, including the following:

- Regulatory liquidity requirements - Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR).

To ensure compliance with the Pillar 1 Liquidity Requirements, the Group calculates both LCR and NSFR on a monthly basis.

- Liquidity Coverage Ratio (LCR) - proportion of high-quality liquid assets (HQLA) to cash outflows for the next 30 days.
 - Net Stable Funding Requirement (NSFR) - proportion of stable funding to cover the duration of the long-term assets.
- Survival period liquidity stress test. The Group aims to maintain a sufficient liquidity position to meet all obligations for at least 12 months in stressed conditions. This includes all the available forward-looking information on the portfolio and implies that the available liquid positions (e.g. deposits at central banks and the HQLA portfolio) should be sufficient to cover the outflow during a severe stress event. The outflow assumptions include, among others, withdrawals of a significant part of user deposits, increased operational expenses and potential collateral calls on the derivatives portfolio. The completeness and relevance of stress scenarios is assessed annually.
- Liquidity gap analysis. To ensure the Group has enough funds on hand and does not invest too much into long-term assets like mortgages, it performs the

Liquidity gap analysis that provides insight on the difference between the available cash and the financial obligations over specific periods in future under minor difficulties scenario as well as limits the gaps.

- Asset encumbrance. With mortgage pipeline commitments and collateral requirements for derivative contracts, monitoring asset encumbrance levels is critical to ensure that sufficient unencumbered assets are available to generate liquidity in a stress situation or are available to unsecured depositors in an exit scenario.

To ensure that the Group keeps a significant amount of interest rate sensitive (“non-core”) deposit balances in liquid assets, there are limits defining how much funds should be allocated to the liquidity buffer.

The Group has sufficiently mitigated liquidity risk.

In 2023, our balance sheet saw significant growth, primarily due to the successful launch of a savings product and the attractive rates offered by bunq. The growth in savings was carefully managed in alignment with capital requirements, especially concerning the leverage ratio. Consequently, we established daily monitoring and forecasting of the leverage ratio, and were managing savings rates accordingly. To ensure that bunq can readily accommodate potential user outflows, which could arise from changes in savings rates among other factors, we maintain an adequate liquidity buffer, particularly in the accounts held at the European Central Bank.

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. In cases where instruments are based on floating rates, we use the forward curve to establish the market's expectation of what the respective rate will be at the time at future rate setting dates.

The Maturity Analysis table is as follows:

2023 EUR ('000)	On Demand	Less than 3 months	3 - 12 months	1-5 years	More than 5 years	Undefined	Adjustment	Total
Cash and Cash Equivalents	5 104 006	-	-	-	-	-	-	5 104 006
Loans and advances to banks	56 063	-	-	-	12 185	-	-	68 248
Asset Finance	-	26 810	72 431	159 673	2 291	-	(34 269)	226 936
Asset-Based Lending	-	4 496	28 913	13 797	987	-	(12 848)	35 345
Commercial Real Estate	-	25 391	94 810	327 016	561 717	-	(532 888)	476 046
Advances to customers	-	467	-	-	-	-	-	467
Fixed Income Investments	-	149 383	114 131	3 766	7 782	-	(86 967)	188 095
Bonds	-	1 158	11 194	58 193	363	-	(8 118)	62 790
Fixed term funds	-	80 453	-	-	-	-	(1 389)	79 064
Asset Backed Securities	-	3 886	11 692	62 261	282 806	-	(152 719)	207 926
Mortgage Investments	-	23 876	61 768	265 703	596 272	-	(180 035)	767 584
Derivatives collateral	-	-	27 472	-	-	-	-	27 472
Tangible fixed assets	-	-	-	-	-	1 363	-	1 363

Right-of-use assets	-	-	-	-	-	1 342	-	1 342
Intangible assets	-	-	-	-	-	48 635	-	48 635
Inventory	-	-	-	-	-	539	-	539
Other assets	-	76 366	29 595	-	-	-	-	105 961
Deferred tax asset	-	14 937	595	-	-	-	-	15 532
Total Assets	5 160 069	407 223	452 601	890 409	1 464 403	51 879	(1 009 233)	7 417 351
Deposits from Business	950 376	-	-	-	-	-	-	950 376
Deposits from Consumers	5 969 960	-	-	-	-	-	-	5 969 960
Loans to other Banks	-	-	24 977	-	-	-	-	24 977
Other Liabilities	-	117 194	454	924	-	-	-	118 572
Provision	-	-	-	-	-	782	-	782
Deferred tax liability	-	-	673	-	-	-	-	673
Tricount deferred consideration	-	-	2 500	-	-	-	-	2 500
Total Liabilities	6 920 336	117 194	28 604	924	-	782	-	7 067 840
Off balances derivatives	-	-	-	-	-	-	-	-
GAP Analysis	(1 760 267)	290 029	423 997	889 485	1 464 403	51 097	(1 009 233)	349 511

2022								
EUR ('000)	On Demand	Less than 3 months	3 - 12 months	1-5 years	More than 5 years	Un-defined	Adjust-ment	Total
Cash and Cash Equivalents	707 517	-	-	-	-	14 347	-	721 864
Loans and advances to banks	40 126	-	-	-	12 185	-	-	52 311
Asset Finance	-	22 220	59 164	120 785	1 661	-	(23 974)	179 856
Asset-Based Lending	-	15 556	14 956	11 272	1 982	-	(9 539)	34 227
Commercial Real Estate	-	19 327	42 903	200 844	309 092	-	(243 662)	328 504
Advances to customers	-	143	-	-	-	-	-	143
Other Loan	-	-	-	-	11 289	-	(5 422)	5 867
Bonds	-	9	2 021	2 756	366	-	18	5 170
Fixed term funds	-	44 323	-	-	-	-	-257	44 066
Fixed Income Investments	-	40 179	-	-	-	-	-160	40 019
Mortgage Investments	-	16 097	40 364	172 615	401 706	-	(125 587)	505 195
Investments at fair value	-	-	-	-	-	-	-	-
Derivatives collateral	-	-	50 504	-	-	-	-	50 504
Tangible fixed assets	-	-	-	-	-	1 261	-	1 261
Right-of-use assets	-	-	-	-	-	1 667	-	1 667
Intangible assets	-	-	-	-	-	52 964	-	52 964
Inventory	-	-	-	-	-	276	-	276
Other assets	-	15 414	15 629	-	-	-	-	31 043
Deferred tax asset	-	-	-	-	-	7 055	-	7 055
Total Assets	747 643	173 268	225 541	508 272	738 281	77 570	(408 583)	2 061 992

Deposits from Business	(950 160)	-	-	-	-	-	-	(950 160)
Deposits from Consumers	(836 106)	-	-	-	-	-	-	(836 106)
Loans to other Banks	-	-	-	-	-	(49 003)	-	(49 003)
Other Liabilities	-	(57 109)	-879	-	-	-	-	(57 988)
Provision	-	-	-	-	-	(1 316)	-	(1 316)
Deferred tax liability	-	-	(1 088)	-	-	-	-	(1 088)
Tricount deferred consideration	-	-	-	-	-	-	(5 000)	(5 000)
Total Liabilities	(1 786 266)	(57 109)	(1 967)	-	-	(50 319)	(5 000)	(1 900 661)
Off balances derivatives	-	816	2 939	15 828	34 369	-	(53 952)	-
Gap Analysis	(1 038 623)	116 975	226 513	524 100	772 649	27 251	(467 535)	161 331

The adjustments column reconciles the contractual undiscounted cash flows and the effect of equity settled liabilities to the statement of financial position values.

In the above maturity analysis the contractual cash flows shown indicate a large gap in funding in the first 12 months after year end 2024: our users balances are available on demand while some of our investments commit monies for a long(er) period of time. The mismatch is deemed acceptable as part of our users balances are actually deemed very stable. We have a non-maturing deposit model that estimates the stability of our user balances.

The non maturing deposit model models the expected cash flows relating to users withdrawing funds. This forecasts a worst case expected scenario of 34% of funds being withdrawn in the next 12 months.

In case of sudden withdrawals then first high liquid assets are available to repay monies. Second, we have securitized our residential mortgages portfolio and the associated securities can be used as collateral to access a repo facility at the European Central Bank. This can provide up to EUR 268.1 million.

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.

C. Market Risk*

Market risk is the risk that changes in market variables, 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 mismatch between the short duration of the user deposits and the relatively long duration of the mortgage portfolio. To ensure the Group adequately addresses this risk the group uses interest rate swaps to significantly reduce the interest rate sensitivity differential between assets and liabilities.

in €'000	2023	2022
Parallel up	454	2 875
Parallel down	(412)	2 791

NII-at-risk banking book (EUR equivalent) - one year - gradual

*Basis risk**

Basis risk is the 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 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. The Group monitors the accuracy of its prepayment expectation, adjusts assumptions when needed and measures the impact on various interest rate risk measures from deviations of prepayment volumes from expectations.

Client behavior risk*

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

Credit spread risk*

The financial impact of changes in credit risk spreads, which are not explained by expected default risk, is captured under credit spread risk. The Group is primarily exposed to this credit risk 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 analyzed its significant hedging relationships directly affected by the benchmark reform. All of the Group's floating financial instruments are linked to benchmark rates and, as a result, so are its hedging relationships. All financial instruments are based on EURIBOR and SONIA, and no reform is anticipated in the short term for these interest rates. Consequently, the Group's financial instruments hedging relationships are not affected by the IBOR reform.

Sensitivity rates risk*

The Group has performed sensitivity analyses on the interest rate of the bonds, investments, mortgages, other loans and CFG portfolios. The Group has many assets for which the value is not or only insignificantly sensitive to interest rate moves (Economic Value at Risk). These include floating rate assets such as our CRE portfolio or short term, liquid investments. On the other hand we have assets such as our mortgage portfolio and to a lesser extent our Asset Finance loans that exhibit duration, i.e. interest rate sensitivity. These are offset on the liability side by our core deposits, the deposits deemed in our non maturing deposit model to have duration.

Additionally, bunq hedges the remaining net asset interest rate sensitivity by entering into interest rate swap agreements. This combined portfolio is stressed with European Banking Authority prescribed scenarios such as the 200bps up and down parallel and 4 non-parallel shocks along with Group specific scenarios. The changes in economic value are measured and maintained within acceptable limits. In each case, the upside and downside represented an acceptable risk for management.

The table below represents the qualitative change in the fair value of Group assets based on interest rate movements:

December 31, 2023 EUR '(000)	Percentage point movement					
	(3%)	(2%)	(1%)	1%	2%	3%
Asset Finance	113	75	38	(38)	(75)	(113)
Commercial Real Estate	7	5	2	(2)	(5)	(7)
Mortgages	1 668	1 112	556	(556)	(1 112)	(1 668)
Other investments	109	73	36	(36)	(73)	(109)

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 the development of our deposit and asset balances and composition, changes in market rates and other factors such as prepayment rates mentioned in the previous sections. If and when necessary, interest rate swaps are executed to ensure that interest rate positions are within limits. 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*

The majority of the foreign currency holdings of the group are offset by amounts owing to customers.

bunq has foreign currency exposure due to deposits owed to bunq users in non Euro currencies. On the asset side this is partially offset with foreign currency assets held in the form of loans and advances to customers and other investments.

Investments in foreign currencies have been made during the period. In order to mitigate any open positions the group has entered into forward exchange rate contracts to ensure open positions are managed. Hedge accounting has not been applied for the forward contracts.

During the period a foreign entity has been established by the Group in Turkey. As at year end operations had commenced. Funding to the Turkish entity is provided in Euros which are then converted as and when needed to Turkish Lira in order to minimize the open currency position. At year end this position is deemed immaterial. Please refer to note 32

The group's open exposure to foreign currencies is maintained at below EUR 3 000 thousand. The Group has exposures at year end of well below the acceptable amount agreed by the risk appetite statement.

December 31, 2023 (in EUR'000)					
Assets	USD	GBP	TRY	Other	Total
Loans and advances to banks	3 429	1 696	19	3 978	9 122
Loans and advances to customers	164	7 113	-	-	7 277
Investments at amortized cost (other)	30 628	6 946	-	-	37 574
Other Assets	-	5 524	125	-	5 649
Total Assets	34 221	15 755	19	3 978	53 973
Liabilities					
Customer Deposits	33 953	15 260	14	3 814	53 041
Other liabilities	-	21	155	-	176
Total Liabilities	33 953	15 281	169	3 814	53 217
Net on balance sheet position	268	474	(150)	164	756
Net notional amount of Derivatives	-	-	-	-	-
Net position	268	474	(150)	164	756

December 31, 2022 (in EUR'000)					
Assets	USD	GBP	TRY	Other	Total
Loans and advances to banks	2 531	4 318	1	2 636	9 486
Loans and advances to customers	799	7 184	-	-	7 983
Investments at amortized cost (other)	3 956		-	-	3 956
Total Assets	7 286	11 502	1	2 636	21 425
Liabilities					
Customer Deposits	6 738	1 920	1	2 703	11 362
Total Liabilities	6 738	1 920	1	2 703	11 362
Net on balance sheet position	548	9 582	-	(67)	10 063
Net notional amount of Derivatives	-	(8 873)	-	-	(8 873)
Net position	548	709	-	(67)	1 190

D. Compliance Risk

License continuity risk (Compliance risk) is the risk of not being able to service our users because of restrictions posed by regulators on bunq following our non-compliance with applicable laws and regulations.

Management of license continuity 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 Compliance team keeps an oversight of applicable laws and regulations, analyzes the impact they have on our users, products and countries of operation and instructs the business on remedial policies, processes, systems and behaviors if needed.

License continuity risks, their assessment and measures to mitigate these risks are described in the Systematic Integrity Risk Analysis (SIRA) document.

Annually we determine the focus and the scope of the monitoring, reporting and advisory activities of the Compliance team and document them in the Compliance Annual Plan. For 2023 the main themes have been: financial crime, PSD2, data protection and privacy, integration of Capital Flow Group and international expansion.

Our business principles, outlined in our Code of Conduct, provide the minimum standards of expected behavior. In addition to the Code of Conduct itself, we have a policy framework that includes our Anti-Bribery and Corruption Policy, Conflict of Interest Policy, Whistleblowing Policy, Private Investment Transactions Policy, AML Policy, Acceptance Policy and Incident Management Policy. It is the Compliance team responsibility to ensure the framework is kept up-to-date at all times, and to continuously monitor relevant legal, social and other international developments in order to accordingly ensure the timely update of policies and guidelines.

Based on a continuous dialogue with all departments, the Compliance team not only detects and resolves potential hurdles, but also provides support that enables our employees to exercise their individual responsibility to act with integrity and adhere to applicable laws and regulations.

In recent years financial crime and, particularly, Client Due Diligence (“CDD”) and Anti-Money Laundering (“AML”) received much attention from regulators and the public. The Group recognizes 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.

In accordance with regulatory requirements we adjust the extent of our customer due diligence measures on a risk-sensitive basis. To comply with this requirement we use:

- onboarding risk scoring models to calculate a risk score for each new user based on the information gathered during the onboarding process (before account opening), and
- dynamic risk scoring models to keep the risk score of each user up to date during the relationship (after account opening).

The risk score of a user is a factor in the onboarding process, it also defines how often a user gets periodically reviewed, and is an input in our transaction monitoring system, where we apply different, more stringent, monitoring thresholds to higher risk users. As a consequence, users with a higher risk classification are more likely to create a hit and are thus more likely to be reviewed with a higher frequency than users with a lower risk score. We continuously review the effectiveness of our risk scoring models and adjust them based on historical data.

To comply with the statutory requirements regarding the ongoing monitoring of business relationships the Group uses advanced machine learning models to detect suspicious transactions and behavior. 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. Many improvements have been implemented and in 2024 further improvements are being made. This will all be subject to further review by DNB.

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. in the 2021 and Tricount in 2022 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 Compliance team, also adding local hires in each branch.

To ensure the swift recovery of user funds in the event of a bunq bankruptcy through the Deposit Guarantee Scheme (DGS), banking regulations mandate a minimum of 95% data accuracy in the Integraal Klant Bestand (IKB file), which forms the basis for the DGS. Over the course of 2023, bunq has enhanced its data quality, concluding the year with an IKB file data quality significantly surpassing this threshold.

bunq has a Data Privacy Officer that keeps track of GDPR compliance. During the year 2023 all potential breaches are identified and, if needed, reported to the relevant authorities.

In line with the EU's General Data Protection Regulation (GDPR) and other applicable data protection requirements, we aim to process personal data for a specified business purpose in a fair and lawful manner, observing the rights and liberties of data subjects in scope of our activities. We aim to perform data protection impact assessments (DPIAs) and regular internal audits on the personal data processing that we do for clients and employees, including the Group's technologies.

Our staff is regularly trained on data protection through training and awareness initiatives. We strive to be transparent about what we do with the personal data of customers, employees, suppliers and business partners, who we share personal data with and why.

Part of the data protection scope is that personal data is managed in a safe and secure manner, in line with current information security standards. More information can be found in the privacy statement on our website (<https://www.bunq.com/documents/privacy>).

The Bank DPO reports to the CRO. The DPO advises, challenges, and monitors that bunq fulfills its GDPR and other relevant obligations towards customers, employees,

suppliers, and business partners with the aim of keeping and processing (personal) data in a safe, compliant, and ethical manner.

Management has seen an increase in regulations regarding different topics, such as Corporate Sustainability Reporting Directive (CSRD), Central Electronic System of Payment information (CESOP), Digital Operational Resilience (DORA), Network and Information Systems Directive 2022 (NIS2) and The Artificial Intelligence Act (AI Act). All topics are always timely analyzed, remediation actions (if relevant) picked up by the first line departments and progress is monitored by the second line department to ensure compliance on these topics.

During 2023 we have performed the following actions regarding the new regulations. We have created a gap analysis between our Environmental and Social Governance report and CSRD and determined a project plan to become fully compliant during 2024.

For CESOP we have created the data definitions and the process to be able to report our first CESOP returns to the relevant tax authorities in April 2024.

We incorporated the DORA requirements for ICT suppliers into our third-party risk management process and are progressing with preparations for its full implementation in the coming year. As a digital-first bank, we also are preparing for the full implementation of NIS2.

As bunq is a frontrunner regarding the use of Artificial Intelligence we have started the project to become fully compliant with the upcoming AI Act.

E. Business Risk

Business risk is 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

The Group closely monitors the financial and business performance. If necessary, we take action to address a potential negative development. The Management board oversees strategy, and this is articulated through company goals and OKRs. Management board continuously monitors business risk and its impact on company goals and monitors through quarterly KPIs. The Group submits monthly reports to the Management and Supervisory boards containing business reviews.

The Group strongly believes in its business model, but if the worst happens then The Group has 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 such as the capital requirements from the regulator. This allows for short- and longer-term management of capital. The capital requirement mainly consists of capital held to fund balance sheet growth 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 has a funding plan in place which describes the measures available To meet future capital requirements. For the situation that no capital funds are available the Group has developed a plan to manage the growth rate. As at both reporting dates, and on a quarterly basis throughout the year, the Group complied with the externally imposed capital requirements.

The DNB supervises bunq B.V. as of 2023 on a consolidated basis including CapitalFlow Group and Tricout following the article 9 waiver CRR.

DNB also supervises bunq B.V. consolidated on the level of bunq holding B.V. We refer to the financial statements of bunq holding B.V. for the consolidated capital position at year-end.

The table below shows bunq's capital ratios as of year-end:

In EUR ('000)	31 December 2023	31 December 2022
Total Risk Weighted Assets (RWA)	986 016	336 275
Available Common Equity Tier 1 Capital (CET1)	268 501	101 852
CET1 ratio %	27.23%	30.03%
Leverage ratio	3.61%	5.1%

As of March 17, 2023, an Article 9 waiver has been approved by DNB. The waiver allows bunq to include all of the subsidiaries in the individual consolidation scope for the purposes of determining CET1 and total Tier Capital of bunq B.V. as of the first quarter in 2023. The Group will no longer report these figures separately from that point.

F. Climate Risk

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 scrutinized 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, the Group's assets are less vulnerable to devaluation 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 minimizing environmental impact. We use Amazon Web Services (AWS) and rely on their sustainability report published in July 2023.

The Group incentivizes premium users of the Group platform by planting trees for funds spent by premium users. This has a positive impact on the environment and also supports the economy and 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 unauthorized access by customers, external parties or employees.

Governance over IT risk

Security measures are in place to protect the Groups systems including encrypted connections and multi-layered security. All services are inherently designed to mistrust all other services ensuring all data is verified with checks and balances in place when there is any interaction between 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 specialized 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 customers' 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 Groups 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 recognized when the Company has a present legal or constructive obligation as a result of past events and when it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. From time to time the Company is involved in claims and litigations. Management makes estimates as to whether provisions are needed on a case-by-case basis.

Management of legal risk

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

Outsourcing risk

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

The Group has an outsourcing policy in place which is regularly updated by the risk department. All major outsourced services are compliant with this policy.

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.

Financial Statements of bungq B.V.

Consolidated Statement of Financial Position

After allocation of Results	Notes	December 31st 2023	December 31st 2022
		EUR ('000)	EUR ('000)
Assets			
Cash and balances with central banks	17	5 104 006	721 864
Loans and advances to banks	18	68 248	52 311
Loans and advances to customers	19	738 800	542 728
Investments at amortized cost (other)	20	537 869	95 124
Mortgages	21	767 584	505 195
Derivative assets held for risk management	22	27 472	50 504
Property plant and equipment	23	1 363	1 261
Right of use assets	34	1 342	1 667
Intangible assets	24	48 635	52 964
Inventory	25	539	276
Other assets	26	105 961	31 043
Deferred Tax Asset	16	15 532	7 055
Total Assets		7 417 351	2 061 992

Liabilities			
Customer deposits	27	6 920 336	1 786 266
Loans and advances owed to banks	28	24 977	49 003
Provisions	29	782	1 316
Other liabilities	30	118 572	57 988
Deferred tax liability	16	673	1 088
Corporate income tax	16	7 306	-
Tricount deferred consideration	31	2 500	5 000
Total liabilities		7 075 146	1 900 661
Equity			
Share capital and share premium	31	374 476	246 766
Accumulated deficit	31	(32 271)	(85 435)
Total equity		342 205	161 331
Total liabilities and equity		7 417 351	2 061 992

Consolidated Statement of Profit and Loss

	Notes	December 31st 2023	December 31st 2022
		EUR ('000)	EUR ('000)
Interest income	7	196 397	45 093
Interest expense	8	(69 286)	(3 676)
Net Interest income		127 111	41 417
Fee income	9	59 450	45 887
Fee expense	10	(16 532)	(12 864)
Net fee income		42 918	33 023
Gains and losses from derivatives and financial instruments	11	900	(187)
Impairment losses on financial instruments	15	(9 830)	(4 336)
Operating Profit		161 099	69 917
Personnel expenses	12	(37 049)	(29 061)
Depreciation and amortization	13	(7 435)	(6 918)
Other expenses	13	(65 042)	(50 438)
Total operating expenses		(109 526)	(86 417)
Result before tax		51 573	(16 500)
Income tax expense	16	1 591	6 005
Result for the period		53 164	(10 495)

Other comprehensive income	-	-
Net result and other comprehensive income	53 164	(10 495)
Net result and other comprehensive income attributable to		
Ordinary Shareholders	53 164	(10 495)

Consolidated Statement Changes in Equity

	Share Capital	Share Premium	Total Share Capital and Share Premium	Retained Earnings	Unappropri- ated Result	Total Accumulat- ed deficit	Total Equity
	EUR ('000)	EUR ('000)	EUR ('000)	EUR ('000)	EUR ('000)	EUR ('000)	EUR ('000)
Balance as per January 1st 2022	133	232 583	232 716	(61 495)	(13 445)	(74 940)	157 776
Appropriation of result	-	-	-	(13 445)	13 445	-	-
Net result for the period	-	-	-	-	(10 495)	(10 495)	(10 495)
Contributions	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-
Shares issued	1	13 999	14 000	-	-	-	14 000
Share options purchased	-	50	50	-	-	-	50
Balance as per December 31st 2022	134	246 632	246 766	(74 940)	(10 495)	(85 435)	161 331
Appropriation of result	-	-	-	(10 495)	10 495	-	-
Net result for the period	-	-	-	-	53 164	53 164	53 164
Contributions	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-
Shares issued	11	127 646	127 657	-	-	-	127 657
Share options purchased	-	53	53	-	-	-	53
Balance as per December 31st 2023	145	374 331	374 476	(85 435)	53 164	(32 271)	342 205

Consolidated Statement of Cash Flows

	Note	2023	2022
		EUR ('000)	EUR ('000)
Net Result		53 164	(10 495)
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets		5 662	3 691
Amortization of intangible assets		1 610	1 272
Amortization of premiums paid on Mortgages		77	1 998
Amortization of premiums paid on Bonds		86	(43)
Impairment losses		9 830	4 336
Results from hedge accounting		900	(187)
Provisions		(534)	(101)
Net Change in:			
Loans and advances owed to banks		(24 026)	(98 492)
Loans and advances to customers		(196 072)	(119 207)
Fair value adjustments on PPA		-	-
Inventory		263	(315)
Other assets		74 918	10 654
Customer deposits		5 134 070	679 343
Other liabilities		(60 584)	18 472
Derivative assets		(23 032)	(39 634)
Deferred taxes		(8 062)	(6 005)
Corporate income tax		7 306	-
Cash flows from operations		4 975 576	445 287

Investments at fair value - money market cash movement	-	27 543
Acquisition of investments at amortized costs	(442 745)	(85 540)
Proceeds from Redemption of bonds	2 000	-
Acquisition of mortgages	(262 389)	(33 170)
Acquisition of tangible fixed assets	(479)	(572)
Acquisition of intangible assets	(607)	(2 453)
Cash flows from investing activities	(704 220)	(94 192)
Proceeds from equity contributions	127 710	13 999
Lease payments	(987)	(508)
Cash flows from financing activities	126 723	13 491
Cash balance on January 1st	774 175	410 026
Net change in balance	4 398 079	364 587
Net cash movement through acquisitions	-	(438)
Cash balance on December 31st	5 172 254	774 175
Cash Balance with central banks	5 104 006	721 864
Cash balances held at other banks	68 248	52 311
Total	5 172 254	774 175
The Net result includes the following		
Interest received	196 397	45 093
Interest paid	(69 286)	(3 676)

Notes to the Consolidated 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. The ultimate parent of the group is bunq Holding B.V.

2. Basis of accounting

These financial statements are prepared in accordance with IFRS as adopted by the EU. They were authorized for issue by the Group board of directors on 26 March 2024.

Going concern assumption

These financial statements were prepared under a going-concern assumption. The going concern assumption is a significant accounting judgment.

The going concern of bunq is based on the profitable forecasts prepared in alignment with SREP requirements and the capital injections received early in 2024 as disclosed in the subsequent events.

The shareholders, excluding the Stak, have expressed support for the company's growth and finance plan. They 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.

Due to the high growth in user deposits, the shareholders have provided a capital commitment letter of 29 million euro in March 2024 to remain compliant with the Leverage Ratio requirements, of which 16.5 million euro has been received before 22 March 2024.

Both capital and liquidity ratios are well above the regulated threshold in the forecast, as well as in the Group's stress test scenarios as part of the SREP.

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 thousand, except when otherwise indicated.

All transactions in the foreign entity are converted into Euro amounts at the exchange rates at the dates of the transactions.

Foreign currency asset and liability positions are translated into the Group's functional currency at the exchange rate at the reporting date. Any gains or losses resulting from foreign currency exchange differences are reported in the profit and loss

4. 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 recognized prospectively.

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

- Expected Credit Losses in the Risk Management section
- Capitalization in note 24
- Classification in of financial assets in note 36 F
- Hedge accounting in Note 36(H)
- Leases in Note 36(D)

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes.

- Expected Credit Losses in the Risk Management section)
- Measurements of fair value of financial instruments in note 6
- Provisions for impairment in note 15
- Recognition of deferred tax assets in note 16
- Impairment testing for CGU's containing Goodwill in note 36(L)

5. Changes in significant accounting policies

The following standards became effective or where early adopted by the group in 2023:

- Amendments to IAS 1 'Presentation of Financial Statements': Disclosure of Accounting Policies (issued in February 2021). (Endorsed by the European Union)
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': Definition of Accounting Estimates (issued in February 2021). (Endorsed by the European Union)
- Amendments to IAS 12 'Income Taxes': Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction (issued in May 2021). (Endorsed by the European Union)
- Amendments to IFRS 17 'Insurance contracts': Transition option relating to comparative information about financial assets presentation on initial application of IFRS 17 (Issued March 2022) (Endorsed by the European Union)

The following published amendments are not mandatory for 2023 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 2024

- Amendments to IFRS 16 'Leases': Amendments regarding Sale and Leaseback Transactions (issued December 2022) (endorsed by the European Union)
- Amendments to IAS 1 'Presentation of Financial Statements': Classification of Liabilities as Current or Non-current (issued in January 2020). (endorsed by the European Union)
- Amendments to IAS 7 'Statement of Cash flows' and IFRS 7 'Financial Instruments: Disclosures': Supplier Finance Arrangements (issued in May 2023). (not yet endorsed by the European Union)

Effective in 2025

- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates': Lack of Exchangeability (issued in August 2023). (not yet endorsed by the European Union)

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the group in future periods

For significant accounting policies please refer to Note 36.

For standards not yet effective please refer to Note 37.

6. Fair Value of Financial Statements

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.

2023 EUR ('000)	Level 1	Level 2	Level 3	Total	Carrying Value
Investments at amortized cost (other)	272 518	6 720	260 457	539 695	537 869
Mortgages	-	-	722 852	722 852	767 584
Loans and advances to customers	-	473	745 159	745 632	738 800
Loans and advances to banks	68 248	-	-	68 248	68 248
Customer deposits	-	-	(6 920 336)	(6 920 336)	(6 920 336)
Loans and advances owed to banks	-	-	(24 977)	(24 977)	(24 977)

2022 EUR ('000)	Level 1	Level 2	Level 3	Total	Carrying Value
Investments at amortized cost (other)	4 759	5 867	84 085	94 771	95 122
Mortgages	-	-	468 530	468 530	505 195
Loans and advances to customers	-	144	542 584	542 728	542 728
Loans and advances to banks	52 311	-	-	52 311	52 311
Customer deposits	-	-	(1 786 266)	(1 786 266)	(1 786 266)
Loans and advances owed to banks	-	-	(49 003)	(49 003)	(49 003)

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 fair value presented above.

In the mortgages above, the difference between fair value shown above and the carrying value is due to market factors (EUR 44.7 million).

The fair value of the investments at amortized costs – other loans, approximates the carrying value of the loan. The difference between notional and carrying value is due to the expected credit loss value recognised in the carrying amount. This is as the duration of the investments in fixed term funds and fixed income investments is short (less than 3 months). As the portfolios can be bought and sold in a fair market the valuation of the portfolios is classified under level 2.

7. Interest Income

See note 36B

	2023	2022
	EUR ('000)	EUR ('000)
Interest on Bond portfolio	573	-
Interest on mortgage portfolio	14 314	8 369
Interest on loans and advances to customers	51 546	33 877
Interest from investments	11 491	203
European Central Bank	112 886	1 627
Interest income on derivatives	5 037	265
Other interest Income	550	752
Total	196 397	45 093

Interest from the European Central Bank has significantly increased during the period due to the European Central Bank's monetary policy actions in 2023.

Other interest income is earned on loans to other advances to banks. Refer to note 18.

8. Interest expense

See note 36B

	2023	2022
	EUR ('000)	EUR ('000)
European Central Bank	-	588
Interest owed to customers	68 237	608
Interest on external financing	7	1 996
Interest expense on derivatives	1 042	382
Other Interest expense	-	102
Total	69 286	3 676

Other interest expense in the prior year is made up of interest expenses on bonds held and other items.

9. Fee income

See note 36C

	2023	2022
	EUR ('000)	EUR ('000)
Product Fees	42 475	33 491
Loans and advance fees	4 903	3 560
Other Fees	12 072	8 836
Total	59 450	45 887

Product fees are fees charged to consumers for the use of the bunq platform and include 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.

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

	2023	2022
	EUR ('000)	EUR ('000)
Consumer Fees	30 051	25 863
Business Fees	12 424	7 628
Total Product Fees	42 475	33 491

Below is a split on the geographical locations in which fee income is earned.

	2023	2022
Country	EUR ('000)	EUR ('000)
Netherlands	30 202	25 744
Ireland	191	111
France/Belgium	2 976	1 741
Germany	6 287	3 614
Other	2 819	2 281
Total	42 475	33 491

10. Fee expense

See note 36C

	2023	2022
	EUR ('000)	EUR ('000)
Card production fees	1 917	1 185
Clearing and settlement	501	474
Due Diligence	1 699	1 476
Transaction based fees	10 564	7 875
Brokerage and other fees	1 803	1 854
Other Fees	48	-
Total	16 532	12 864

11. Gains and losses from derivatives and financial instruments

See note 36H

	2023	2022
	EUR ('000)	EUR ('000)
Derivatives designated in hedge relationship	941	452
Result of freestanding derivatives	(17)	(532)
Foreign exchange forward agreement results	(24)	(107)
Total	900	(187)

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, 2023, the fair value of the freestanding derivative amounts to EUR 260 740 (2022 - EUR 214 054).

During the period the interest rate hedge relationship was 99 % effective. This is seen in note 22.

In the prior period, investments were funded by converting Euros into foreign currencies. The foreign exchange risk has been mitigated by taking out forward foreign exchange contracts for no less than 80% of the value of the foreign exchange funding granted. The forward contracts were rolled on a monthly basis as deemed necessary. In the current year, user deposits were used to fund investments in foreign currencies. The natural hedge resulted in the unwinding of forward contracts. Refer to note 22 for further information.

No hedge accounting was applied in relation to the forward foreign exchange contract.

12. Personnel expenses

See note 36N

	2023	2022
	EUR ('000)	EUR ('000)
Wages and Salaries	30 705	21 955
Social Security Contributions	3 383	2 317
Pension Contributions	323	269
Tax credit	-	(103)
External hires	789	3 421
Other expenses	1 849	1 202
Total Expenses	37 049	29 061

In 2023, the Group had on average 464 (2022: 426) staff members based on full time equivalents (FTE).

Average staff members are divided over the following departments:

	2023	2022
Board	4	3
Product, IT, Design, Data	78	63
Marketing, Business Development	31	31
Onboarding, Support, Compliance	209	190
Finance, Treasury, Risk, Legal, HR	60	58
Subsidiary employees	82	81
Total	464	426

The number of persons the group employs outside of The Netherlands is 250, the majority of which are in Bulgaria (109) Ireland (81) and Turkey (47).

The Group has defined contribution pension arrangements in place for some of its employees in Ireland and Bulgaria.

See note 36 (N). 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 33

13. Other expenses

	2023	2022
	EUR ('000)	EUR ('000)
General & Administrative Expenses	29 224	14 037
Marketing expenses	25 805	27 969
Office expenses	1 048	1 091
Technical Expenses	7 049	5 404
Incidents	(184)	1 937
Goodwill writeoff	2 100	-
Total before depreciation and amortization	65 042	50 438
Depreciation and amortization	7 435	6 918
Total	72 477	57 356

Incident costs include provisions for legal expenses expected in the current year, as well as reversals of prior year legal provisions.

Other incident costs relate to refunds processed via garnishments received or payments by bunq to users who have been victims of phishing. These payments amount to EUR 203 thousand, a decrease of 54% on prior year expenses.

During the period, goodwill to the value of EUR 2 100 thousand was written off. Refer to note 24 for further detail.

14. 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.

	2023	2022
	EUR ('000)	EUR ('000)
Paid to Deloitte Accounts B.V.		
Auditor remuneration	656	641
Paid to member firms of Deloitte Accounts B.V.		
Other assurance services	185	123
Total	841	764

Other audit fees relate to regulatory reports audit and Deposit Guarantee Scheme audit. The Group's auditors did not provide any non-audit services.

15. Provision for impairment

See note 36(M), Note 18, Note 19, Note 20, Note 21

This item consists of the movement in the expected credit loss on the financial assets valued at amortized cost. Provisions for impairment include off balance sheet commitments where applicable.

	2023	2022
	EUR ('000)	EUR ('000)
Advances to customers	5 402	3 075
Advances to customers with negative balances	4 336	2 003
Loans and advances to banks	-	1
Investments at amortized costs (other)	95	(896)
Mortgages	(3)	31
Loans to other entities	-	122
Total	9 830	4 336

16. Corporate income tax

See note 36(E)

Taxation in the statement of profit and loss – tax rate reconciliation

	2023	2023	2022	2022
	EUR ('000)	EUR ('000)	EUR ('000)	EUR ('000)
	Rate	EUR	Rate	EUR
Profit before tax	-	51 573	-	(16 500)
Taxes at corporate tax rate at local rate	27.8%	(14 340)	-	-
Effective tax rates in foreign jurisdictions	0.8%	(427)	(12.5%)	(304)
Permanent differences				
Local subsidiary taxes	0.8%	427	-	-
Differences arising from deferred tax				
Current year losses with no deferred tax asset recognized	-	-	-	-
Previously unrecognized tax losses	(31%)	15 931	(35%)	5 817
Deferred taxes arising through acquisition	-	-	3%	492
Total income tax expense	(3%)	1 591	36%	6 005

*Irish corporate income tax rate is 12.5%.

bunq performed a robust transfer pricing policy which it applies for intercompany transactions and loans. The transfer pricing policy ensures the Group remains compliant with all local and foreign tax authorities when considering applicable intercompany transactions. For all local branches the Group applies a “cost plus” agreement in order to minimize tax liabilities and be compliant with local authorities.

bunq has incurred EUR 14 340 thousand in income taxes to the Netherlands tax authorities in 2023, of which EUR 7 034 thousand is offset by prior unutilised tax losses.

The table below details the movement in the corporate income tax liability.

	2023	2022
	EUR ('000)	EUR ('000)
Corporate income tax liability as per January 1st	-	-
Tax on profits recognised	14 340	-
Tax liability offset by previously unutilised losses	(7 034)	-
Corporate income tax liability as of December 31st	7 306	-

Deferred taxes

Deferred taxes are recognized on temporary differences under the liability method using tax rates applicable in the jurisdictions in which the Group is subject to taxation

In prior years deferred tax liabilities arose due to fair value adjustments to financial assets and recognition of intangible assets on acquisition date of Capitalflow group DAC and of Tricount SA.

Deferred tax assets are recognized if it is probably that taxable profits will be available against which the deductible temporary difference may be utilized.

Year	EUR
2015	3 515 515
2016	5 237 064
2017	9 018 817
2018	11 112 124
2019	13 853 655
2020	14 377 779
2021	9 570 420
2022	19 875 133
Total	86 560 507

At the prior reporting date, the group had unused tax losses of EUR 86 561 thousand (2022: 86 561 thousand) available for offset against future profits. A deferred tax asset has been recognised in respect of EUR 15 942 thousand (2022: EUR 6 400 thousand) of such losses.

No portion of the unused tax losses remain. This is as per the forecast performed to SREP requirements it is probable bunq will have sufficient taxable profits available for offset in future periods.

Deferred tax movements are presented below

	2023	2022
	EUR('000)	EUR('000)
Balance sheet value as of December 31st	15 532	7 055
Movements during the year:		
Balance sheet value as of January 1st	7 055	1 237
Origination and reversal of temporary differences	(427)	(582)
Recognition of previously unutilised tax losses	15 942	6 400
Previously unutilised losses offset by current year profits	(7 038)	-
Balance sheet value as of December 31st	15 532	7 055

Deferred taxes are recognised in the following countries as follows

		2023	2022	CIT percentage
		EUR ('000)	EUR ('000)	%
Deferred Tax Assets	Ireland	228	655	12,5 % - Ireland Corporate income tax rate
	The Netherlands	15 304	6 400	25.8 % maximum Dutch corporate income tax rate
Total		15 532	7 055	
Deferred Tax Liability	Ireland	-	-	12,5 % - Ireland Corporate income tax rate
	The Netherlands	(673)	(1 088)	25.8 % maximum Dutch corporate income tax rate

All the DTA and DTL are considered short term as they will be realized in the next 12 months from reporting date

17. Cash and balances with central banks

See note 36G

	2023	2022
	EUR ('000)	EUR('000)
Balances held at central banks	5 104 006	721 864

Minimum reserve required to be held at the central banks at year end is EUR 61 170 thousand.

18. Loans and advances to banks

See note 36G

	2023	2022
	EUR ('000)	EUR('000)
Current accounts at other financial institutions	46 512	30 605
Mastercard deposit	12 185	12 185
Collateral accounts at other financial institutions	556	545
Foreign Exchange Balances Held	9 002	8 980
Provision for expected credit loss	(7)	(4)
Total	68 248	52 311

Current accounts at other financial institutions are made up of EUR 26 242 thousand 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 majority of 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.

19. Loans and advances to customers

See note 36I

	2023	2022
	EUR ('000)	EUR('000)
Commercial Real Estate Loans	479 863	329 797
Invoice finance	37 608	35 021
Asset finance	228 125	180 191
Negative customer deposit balances	9 467	4 801
Total loans and advances to customers	755 063	549 810
Less: Allowance for impairment losses	(16 263)	(7 082)
Net loans and advances to customers	738 800	542 728

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 analyzed as follows:

	2023	2022
	EUR ('000)	EUR('000)
Gross amounts of property loans receivables	479 863	329 797
Less than one year	148 219	30 559
One to five years	312 699	285 359
Greater than 5 years	18 945	13 880
Less impairment losses	(3 817)	(1 295)
Carrying amount of property loans	476 046	328 503

Asset Finance

Asset finance can be analyzed as follows. See note 36 (D).

	2023	2022
	EUR ('000)	EUR('000)
Gross amounts of asset financing receivables	228 125	180 191
Less than one year	88 106	73 241
Between one and two years	71 089	54 710
Between two and three years	53 429	39 946
Between three and four years	33 832	25 037
Between four and five years	13 693	10 120
Longer than 5 years	3 409	2 463
Unearned finance income	(35 433)	(25 326)
	228 125	180 191
Less: impairment allowance	(1 189)	(335)
Carrying amount of asset financing receivables	226 936	179 856

Invoice Finance

Invoice financing can be analyzed as follows:

	2023	2022
	EUR ('000)	EUR('000)
Gross amounts of invoice financing receivables	37 608	35 021
Less than one year	37 608	35 021
One to five years	-	-
Greater than five years	-	-
Less: impairment allowance	(2 263)	(794)
Carrying amount of invoice financing receivables	35 345	34 227

20. Investments at Amortised cost

See note 36 F

	2023	2022
	EUR ('000)	EUR('000)
Bond investments	62 828	5 172
Loans to other institutions	6 855	6 000
Fixed term funds	79 069	44 072
Fixed Income Investments	181 399	40 024
Asset backed security	207 954	-
Total investments at amortized cost	538 105	95 268
Less: Allowance for impairment losses	(236)	(144)
Net investments at amortized cost	537 869	95 124

Bonds

	2023	2022
	EUR ('000)	EUR('000)
Bonds	62 828	5 172
Provision for expected credit loss	(38)	(2)
Balance sheet value as of December 31st	62 790	5 170
Movements during the year:		
Balance sheet value as of January 31st	5 170	5 212
Purchases of bonds	59 744	-
Amortization of premiums/discounts	(86)	(43)
Matured bonds	(2 000)	-
Amortised cost as of December 31st	62 828	5 169
Impairment reversals/charges	(38)	1
Balance sheet value as of December 31st	62 790	5 170

Loans to other institutions

	2023	2022
	EUR ('000)	EUR('000)
Loans to other institutions	6 855	6 000
Provision for expected credit loss	(135)	(1 042)
Balance sheet value as of December 31st	6 720	4 958
Movements during the year:		
Balance sheet value as of January 1st	5 867	4 372
Purchases		
Capitalized interest	855	708
Amortised cost as of December 31st	6 722	5 080
Impairment reversals/charges	(2)	787
Balance sheet value as of December 31st	6 720	5 867

Fixed term funds

Fixed term funds are investments made with fixed short term repayment dates and variable rates of return. The movement in the funds can be analyzed as follows:

	2023	2022
	EUR ('000)	EUR('000)
Fixed Term Funds	79 069	44 072
Provision for expected credit loss	(11)	(6)
Balance sheet value as of December 31st	79 058	44 066
Movements during the year:		
Balance sheet value as of January 1st	44 066	-
Purchases	33 003	43 938
Disposals	-	-
Capitalized interest	2 000	134
Amortised cost as of December 31st	79 069	44 072
Impairment reversals/charges	(5)	(6)
Balance sheet value as of December 31st	79 064	44 066

The fixed term funds are all callable within 90 days. The funds earn an interest rate linked to EURIBOR and SOFR over the investment period.

Fixed income investments

Fixed income investments are short term investments made with a fixed rate of return and a fixed repayment date. The movement in the investments can be analyzed as follows:

	2023	2022
	EUR ('000)	EUR('000)
Fixed income Investments	181 399	40 024
Provision for expected credit loss	(24)	(5)
Balance sheet value as of December 31st	181 375	40 019
Movements during the year:		-
Balance sheet value as of January 1st	40 019	-
Purchases	600 000	40 000
Disposals	(460 000)	-
Capitalized interest	1 375	24
Amortised cost as of December 31st	181 394	40 024
Impairment reversals/charges	(19)	(5)
Balance sheet value as of December 31st	181 375	40 019

Investments are Euro deposits made into Swiss Kantonalbank in exchange for fixed rates of return over the period of investment. Investments are all short term and are not made for more than 32 days.

Asset Backed Securities

Investments into Asset Backed Securities are investments made with fixed long term repayment dates and variable rates of return. The movement in the funds can be analyzed as follows:

	2023	2022
	EUR ('000)	EUR('000)
Fixed income Investments	207 954	-
Provision for expected credit loss	(28)	-
Balance sheet value as of December 31st	207 926	-
Movements during the year:		
Balance sheet value as of January 1st	-	-
Purchases	212 397	-
Notional redemptions	(4 443)	-
Amortised cost as of December 31st	207 954	-
Impairment reversals/charges	(28)	-
Balance sheet value as of December 31st	207 926	-

Investments are Euro investments made into securitised loans backed by groups of assets. bunq has invested in order to collect principal and interest repayments. Interest rates are linked to Euribor movements over the investment period

21. Mortgages

See note 36F

	2023	2022
	EUR ('000)	EUR('000)
Mortgages	767 661	505 277
Less: Allowance for impairment losses	(77)	(82)
Net investments at amortized cost	767 584	505 195

bunq Mortgage label

In 2022 the group announced the creation of the bunq mortgage label. In order to facilitate this label a special purpose vehicle (SPV) Another Mortgage 3 B.V. was incorporated. Another Mortgage 3 B.V. is wholly owned by the Group and therefore, per IFRS 10, the SPV is consolidated into the Group annual financial statements.

Mortgages funded by have fixed interest rates for periods between 1 month up to 30 years. The interest percentages on the mortgage portfolios are between 0.75% and 4.60%.

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

Securitized mortgages

During the 2021 financial year 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 below.

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 2023 is EUR 268.1 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 rates 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.

Below is an analysis of the movement in the total mortgage balances:

	2023	2022
	EUR ('000)	EUR('000)
Mortgages	794 129	555 231
Provision for expected credit loss	(77)	(82)
Fair value hedge accounting	(26 468)	(49 954)
Balance sheet value as of December 31st	767 584	505 195
Movements during the year:		
Costs as of January 1st	555 231	524 034
Net Purchases	238 975	33 195
Amortization of premium/discounts	(77)	(1 998)
Cost as of December 31st	794 129	555 231
Accumulated amortization as of January 1st	(82)	(48)
Impairment provision/adjustment	5	(34)
Accumulated amortization as of December 31st	(77)	(82)
Offset of Hedge accounting fair value	(26 468)	(49 954)
Balance sheet as of January 1st	505 195	513 141
Balance sheet value as of December 31st	767 584	505 195

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	802 655	(8 526)	794 129
Total Assets	802 655	(8 526)	794 129
Liabilities			
Building deposit liabilities	(8 526)	8 526	-
Total liabilities	(8 526)	8 526	-

22. Derivatives held for risk management and hedge accounting

See note 36H

Fair value hedges of the interest rate risk

To minimize exposure to the interest risk on designated bonds and mortgage portfolios, the Group has entered into interest rate swaps. These derivatives have a nominal value of EUR 447 870 thousand.

The Group's exposure to interest rate risk, and the Group's method for managing this risk is disclosed in the risk management section of the annual report.

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 minimizes 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 swap hedging instrument is based on the EURIBOR rate and therefore not affected by IBOR reforms.

The hedge relation is determined on a monthly basis where the effectiveness is tested in the prospective test. The effectiveness is shown by the amount of 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 realized 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 2023 the result of ineffectiveness of the hedge relation was EUR 941 thousand gain (2022: EUR 452 thousand 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, 2023	Notional value	Book Value Debit	Book Value Credit	Line item in balance sheet	Change in value used to calculate hedge relationship	Line item in statement of profit and loss
<i>EUR ('000)</i>						
Interest rate swap	447 870	-	(302)	Derivative assets held for risk management	27 472	
Fair value adjustment hedged instrument	-	-	(26 468)	Mortgages	(26 468)	
Hedge accounting ineffectiveness	-	-	-		924	Gains or losses from Derivatives
December 31st, 2022						
<i>EUR ('000)</i>						
Interest rate swap	153 870	-	(914)	Derivative assets held for risk management	50 406	
Fair value adjustment hedged instrument	-	-	(49 954)	Mortgages	(49 954)	
Hedge accounting ineffectiveness	-	-	-		(452)	Gains or losses from Derivatives

Collateral on the swaps is held at JP Morgan Chase and Citibank.

	Collateral value EUR (‘000)	Reported under:
December 31, 2023		
JP Morgan Bank	11 987	Loans and advances owed to banks
Citibank Banks	12 990	Loans and advances owed to banks
December 31, 2022		
JP Morgan Bank	(4 288)	Loans and advances owed to banks
Citibank Banks	(6 657)	Loans and advances owed to banks

Forward exchange rate contract for foreign exchange risk

In 2022 the group funded investments and loans to companies in Pounds Sterling. This opened the company up to foreign exchange rate risk. See risk management section in the annual report.

In the current year these forward contracts were wound down. At the reporting date there are no outstanding forward exchange contracts open.

23. Property plant and equipment

See note 36J

Property, Plant, and equipment	Leasehold Improvements	Equipment	Total
	EUR ('000)	EUR ('000)	EUR ('000)
Cost			
Cost balance as of January 1st 2022	724	1 900	2 624
Additions	-	585	585
Additions as a result of company acquisitions	-	2	2
Disposals	-	(15)	(15)
Cost balance as of December 31st 2022	724	2 472	3 196
Cost balance as of January 1st 2023	724	2 472	3 196
Additions	22	457	479
Additions as a result of company acquisitions	-	-	-
Disposals	-	-	-
Cost balance as of December 31st 2023	746	2 929	3 675
Amortisation			
Accumulated Depreciation as of January 1st 2022	347	1 274	1 621
Depreciation for the year	16	-	16
Impairment loss	-	-	-
Disposals	-	(4)	(4)
Depreciation arising through acquisition	-	-	-
Accumulated Depreciation as of December 31st 2022	363	1 270	1 633
Accumulated Depreciation as of January 1st 2023	363	1 270	1 633
Depreciation for the year	11	669	680
Impairment loss	-	-	-

Disposals	-	-	-
Depreciation arising through acquisition	-	-	-
Accumulated Depreciation as of December 31st2023	374	1 939	2 313
Carrying Amounts			
Balance on December 31st 2022	362	899	1 261
Balance on December 31st2023	373	990	1 363

24. Intangible assets and goodwill

See note 36(L)

	Goodwill	Customer Relationships	Brand	Software	Other	Total
	EUR ('000)	EUR ('000)	EUR ('000)	EUR ('000)	EUR ('000)	EUR ('000)
Cost						
Balance as of January 1st 2022	29 292	1 968	-	2 815	307	34 382
Additions	-	-	-	2 625	-	2 625
Additions as a result of company acquisitions	16 230	-	972	288	-	17 490
Disposals	-	(172)	-	-	-	(172)
Balance as of December 31st 2022	45 522	1 796	972	5 728	307	54 325
Balance as of January 1st 2023	45 522	1 796	972	5 728	307	54 325
Additions	-	-	-	607	-	607
Impairment loss	(2 100)	-	-	-	-	(2 100)
Disposals	-	-	-	(1 226)	-	(1 226)
Balance as of December 31st 2023	43 422	1 796	972	5 109	307	51 606
Amortisation						
Accumulated amortization as of January 1st 2022	-	28	-	54	21	103
Amortization for the year	-	311	100	596	251	1 258
Impairment loss	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Accumulated amortization as of December 31st 2022	-	339	100	650	272	1 361

Accumulated amortization as of January 1st 2023	-	339	100	650	272	1 361
Amortization for the year	-	696	172	1 131	32	2 031
Impairment loss	-	-	-	-	-	-
Disposals	-	-	-	(254)	(167)	(421)
Accumulated amortization as of December 31st 2023	-	1 035	272	1 527	137	2 971
Carrying Amounts						
Balance on December 31st 2022	45 522	1 457	872	5 078	35	52 964
Balance on December 31st 2023	43 422	761	700	3 582	170	48 635

Goodwill impairment testing

Capitalflow goodwill

For the purposes of impairment testing, goodwill has been allocated to the group's Cash Generating Units (CGU) as follows:

EUR ('000)	Method used for recoverable amount	Discount rate	Terminal growth rate	Goodwill allocated
Corporate Real Estate	Value in use	14%	2%	18 792
Asset Financing	Value in use	14%	2%	8 500
Invoice Financing	Value in use	14%	2%	2 100*
Total				29 292

*Fully impaired in 2023

Goodwill is tested annually in the fourth quarter by comparing the recoverable amount of each goodwill-carrying cash generating unit with its carrying amount.

In line with IFRS, the recoverable amount for the goodwill is estimated based on the value in use of the underlying Capitalflow asset portfolios, determined through a dividend discount model.

In aligning Capitalflow Group with the strategic vision of bunq, a decision has been made during 2023 to begin winding down the Invoice Financing portfolio. This wind down is to take effect as of the end of the 2024 financial year and be complete by the 2026 financial year. As such, the goodwill allocated to the portfolio as a Cash generating Unit upon acquisition of Capitalflow Group is written off at the reporting date in 2023.

No impairment losses were recognized on the Corporate real Estate and Asset Financing portfolios during the period between the acquisition date and the December 31st, 2023, year-end as the recoverable amounts of these portfolios were higher than their carrying amounts.

The dividend discount model uses 5 years of management approved plans, updated for expected changes in the macroeconomic environment. A long-term growth rate was used to estimate cash flows in the terminal period. Management estimates a pre-tax discount rate of 14% based on the Cost of Equity and risk premiums. Management uses a terminal value growth rate of 2% 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.

Key assumptions in the goodwill impairment test are the locally available cash flows, discount rates and terminal growth rates. The recoverable amounts of the key CGU's are sensitive to the above key assumptions.

Sensitivity analysis has been performed on the key assumptions, including but not limited to growth rates of the portfolios, discount rates and credit loss rates. It has been determined that only in the case of an improbable change to these key assumptions is the recoverable amount of the CGU's lower than the carrying amount including goodwill.

Tricount Goodwill

On 4 May 2022, bunq B.V. (bunq) purchased 100% of the shares and voting rights of Tricount SA (Tricount), which resulted in recognition of EUR 16,2 million of Goodwill.

bunq has determined that the Tricount entity is not a Cash Generating Unit per IFRS criteria. Factors taken into account in the assessment included determining whether Tricount will generate sufficient cash flows independent of bunq after acquisitions, whether Tricount's state of operation changes after acquisition by bunq and the level of integration between the bunq and Tricount entities.

bunq has therefore determined the entity of bunq to be the smallest identifiable CGU. bunq operates as a single entity driven by the app and not separated by divisions, regions or other separable criteria. The bunq CGU was also determined as the only CGU by assessing where the maximum synergies from the transaction would be. Maximum value will be realized at the bunq level through determination of the projected customer lifetime value for bunq versus the limited synergies attributable to Tricount. As such, goodwill arising from the acquisition of Tricount will be attributable to bunq.

In determining whether the goodwill is impaired, bunq has identified the recoverable amount of the bunq CGU. The recoverable amount of bunq has been calculated using the latest valuation price used when bunq has raised capital, prorated for subsidiary assets. The latest capital injection was in November 2023, which is the value used for the goodwill impairment exercise. The valuation price is the fair value of bunq to the parties involved, and is deemed a level 2 asset per the fair value hierarchy.

This recoverable amount is then compared to the carrying amount of the bunq CGU including goodwill.

bunq has determined that the recoverable amount of the bunq CGU is greater than the carrying amount of the bunq CGU including goodwill. There is no goodwill impairment at year end 2023 of the tricount goodwill.

A sensitivity analysis was performed and deemed that only through an improbable change to key assumptions was the recoverable amount less than the carrying amount including goodwill of the bunq CGU.

Customer Relationships

Customer relationships are intangible assets recognised in prior year in the acquisition of Capitalflow. The assets were valued based using the Multi-period excess earning method. 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).

The intangible asset has a finite useful life and is amortized using the effective interest rate method based on underlying portfolio asset cash flows.

Refer to note 36(L).

Brand name

Brand name intangible assets are assets recognized through the acquisition of Tricount in the prior year. The asset has a finite useful life of 5 years from purchase date and is amortized using the straight-line method over the useful life of the asset.

Further Refer to note 36(L).

Software

Internally developed software was brought into use during the period by Capitalflow. After assessing the criteria set out in IAS 38 it was deemed internally developed software was eligible for capitalization during development. The asset was brought into intended use in November 2022.

All software has a finite useful life, and is amortized accordingly (see note L). At year end there were no indicators of impairment of intangible assets in the Group.

Other

Other assets are made up of distribution networks and patent expenses recognised in the purchase of the Capitalflow group in the prior year. The assets recognised have finite useful lives and are amortized on a straight line method.

Refer to note 36(L).

25. Inventory

The inventory at the Group consists of cards in stock, not personalized yet. The net realizable 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 recognized as expenses in the Profit and Loss account only once ordered and personalized, as that makes the card usable for our users. The cards in stock are free of pledge.

During the year ended 31 December 2023, the Group recorded inventory costs of EUR 1 917 thousand in fee expense (2022: EUR 1 185 thousand)

26. Other Assets

	2023	2022
	EUR ('000)	EUR ('000)
Prepayment	2 644	1 737
Trade debtors	545	632
Unsettled transactions	36 159	9 789
Accrued income	23 718	3 117
Mortgage receivable	39 662	14 838
Other Assets	3 233	930
Total	105 961	31 043

Other assets contain security deposits greater than 1 year, debt collected but not allocated and amounts receivable from portfolio managers.

27. Customer Deposits

	2023	2022
	EUR ('000)	EUR ('000)
Consumer Deposits	5 912 769	815 549
Business deposits	950 376	955 249
E-money deposits	1 966	2 886
Undesignated deposits	2 197	1 221
Foreign Currency Deposits	53 028	11 361
Total	6 920 336	1 786 266

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.

28. Loans and advances to owed banks

	2023	2022
	EUR ('000)	EUR ('000)
Collateral account to other financial institutions	24 977	49 003
Total	24 977	49 003

Collateral accounts at other institutions contain an amount of EUR 24 977 thousand which has been collateralized for the fair value movement of the derivatives.

The rate of interest on the collateral account is a market related interest rate which is charged monthly by Citibank and JP Morgan Chase. The balance of the collateral is held in Euros.

29. Provisions

	2023	2022
	EUR ('000)	EUR ('000)
Provisions at 1 January	1 316	1 215
Provisions realized	(139)	(631)
Provision reversed	(428)	(500)
Provisions raised	33	1 232
Provisions at 31 December	782	1 316

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.

Provisions reversed related to a court case ruling in which a fine imposed on bunq by the Dutch National Bank was decreased.

Provisions are raised for phishing cases and legal cases against bunq.

30. Other Liabilities

	2023	2022
	EUR ('000)	EUR ('000)
Lease liabilities	1 378	1 758
Unsettled Positions	87 251	40 623
Creditors and accruals	23 156	10 398
Deferred income	3 538	3 552
VAT payable	2 369	922
Other Liabilities	880	735
Total	118 572	57 988

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

Deferred income is made up of upfront arrangement and commitment fees charged to customers before granting customers loans as part of the Capitalflow portfolio. The contracts in place do not have a significant financing component on upfront fees.

VAT payable is on VAT owed on purchase invoices.

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

31. Share capital and share premium

	2023	2022
	EUR '(000)	EUR '(000)
Issued Capital		
Common shares –EUR 0.01	145	134
Treasury Shares	100	100
Other reserves	103	49
Share premium	374 128	24 6483
Total share capital and share premium	374 476	246 766

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

During the period, 1 029 352 common shares were purchased by existing shareholders of bunq. The purchase of the shares is in order to meet capital requirements of bunq. No share option or share based payment plan has been exercised in the period.

It was determined that through the repurposing of Stichting Stak Together I (the Stak) as a vehicle for the employee share option scheme, control over the Stak was gained in the financial year ended 2022. The Stak has control over 400 000 common shares of bunq B.V. amounting to a value paid of EUR 100 thousand.

After control of the Stak was obtained per the application of IFRS 10, the shares of bunq BV owned by the Stak are recognized as Treasury Shares as these shares are under the control of the Group. There are no costs associated with obtaining control over the Stak and therefore the Treasury Shares are measured at the value the Stak obtained the shares for.

In total 14 458 540 common shares have been issued.

Schedule of movements of issued share capital

	Common Shares	
	EUR ('000)	No. of Shares X1000
Balance on 1 January 2022	133	13 319
Issue of shares during period	1	110
Balance on 1 January 2023	134	13 429
Issue of shares during period	11	1 029
Balance on 31 December 2023	145	14 458

The capital of bunq is fully paid up. 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 the profit distribution will be paid on all shares held by bunq Holding B.V, Capitalflow Holding DAC and the CIO.

Share premium

	2023	2022
	EUR ('000)	EUR ('000)
Opening Balance	246 632	232 583
Capital Injection	-	-
Premium on issue of Shares	127 646	13 999
Purchase of Share options	53	50
Contribution in Kind Transaction	-	-
Closing Balance	374 331	246 632

The premium on issue of shares is due to the purchase of shares by the majority owner, the COO and Capitalflow Holding DAC.

Other Reserves

	2023	2022
	EUR '(000)	EUR '(000)
Share option scheme	103	49
Total other reserves	103	49

The other reserves balance is made up of purchased call options by employees. The share option scheme is offered to employees on a biannual basis. The option scheme allows employees to purchase options for shares in bunq B.V. The option scheme has a vesting period of 4 years. During the year there were no exercises of the option scheme.

As options are purchased at fair value by employees, there is no effect on the profit and loss for the issuance of options. The fair value of the options are calculated using the barrier option pricing method discounted for the vesting period. The above value is the only effect of the options on the balance sheet.

The call option that bunq has sold to its employees resembles an 'up-and-in' barrier call option. The employee can only exercise the call option if the bunq stock price hits or exceeds a predefined barrier level before the maturity of the option. Once the bunq stock price has hit or exceeded the barrier, the call option is said to have 'knocked in'.

The formula used to value the up-and-in barrier call option is based on the same assumptions as used for the standard Black-Scholes option pricing formula:

The underlying stock price follows a geometric Brownian motion.

Trading is possible in the stock continuously and without transaction costs.

Borrowing and lending is possible at the risk-free interest rate without transaction costs. No arbitrage opportunities exist.

Under these assumptions, the up-and-in barrier call option can be valued using the following formula (Rubinstein and Reiner (1991), Hull (2003)).

A discount factor has been applied to reflect illiquidity and other factors.

32. List of subsidiaries

These consolidated financial statements comprise the Company and its subsidiaries (collectively, the “Group”). The following subsidiaries are included in the Group:

- Another Mortgage I B.V.
- Another Mortgage II B.V.
- Solitaire 1 B.V.
- Another Mortgage III B.V.
- Capitalflow Group D.A.C.
- Tricount SA
- BUNQ TEKNOLOJİ ANONİM ŞİRKETİ
- Stichting STAK together
- bunq US Holding LLC
- bunq UK LTD

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 debt holders.

bunq B.V. holds 100% of the equity in these SPVs and is also the sole investor into the issued debt. 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. In its capacity as debt and equity holder, bunq is exposed to all variability of risk and rewards from the investee. 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.

There is a 403 declaration signed for the year 2023 for Another Mortgage I B.V., Another Mortgage II B.V.

Solitaire I B.V.

As part of the same mortgage securitization program, the Group set up a third SPV, Solitaire I B.V. The purpose of the entity is to securitize mortgages which were owned by 100% Another Mortgage I B.V. and Another Mortgage II B.V. before securitization. The securitization was effected 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 130 (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.

Another Mortgage III B.V.

During 2022, the Group set up the SPV Another Mortgage III B.V. as a vehicle for the funding of mortgages under bunq's own label.

bunq B.V. holds 100% of the equity in Another Mortgage III B.V. and is also the sole holder of debt 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.

There is a 403 declaration signed for the year 2022 for Another Mortgage III B.V.

Capitalflow Group D.A.C

During 2021, the Group acquired 100% of the shares and voting interests in Capitalflow Group DAC (“Capitalflow”). The acquisition of Capitalflow expands the Group's operations in the Irish commercial lending market. Capital flow and bunq will continue to operate as separate entities. Capitalflow will benefit from scaling up of new lending business supported by the balance sheet of bunq.

Tricount SA

On May 3rd, 2022, the Group acquired 100% of the shares and voting interests in Tricount SA (Tricount). As a result, the group has control over Tricount from this date.

The Group has concluded that Tricount meets the definition of a business, as the entity includes inputs (employee workforce), processes (development and maintenance of the software application) and outputs (services to customers using the application). The acquisition of Tricount will expand the Group's operations and customer base in France and Belgium.

BUNQ TEKNOLOJİ ANONİM ŞİRKETİ

In 2022 the Group opened a 100% wholly owned entity in Turkey. BUNQ TEKNOLOJİ ANONİM ŞİRKETİ (bunq Turkey) was set up with the purpose of providing support to the Group in an operational capacity including, but not limited to customer support services and compliance operations.

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

Stichting STAK Together

In 2022 the Group gained control over Stichting STAK together (The Stak). The Stak is incorporated in the Netherlands and acts as a vehicle for the Group's share option plan.

In 2022 bunq gained effective control over the Stak per IFRS 10 requirements based on control of the Stak. The Stak holds 400 000 shares of bunq B.V. and issues depository receipts to participants in the share option plan.

bunq US Holding LLC

In 2022 the Group opened a 100% fully owned entity based in the United States of America. The company is intended to be a holding company as part of the US banking license application. During the financial year 2023 there were no transactions in the entity

bunq UK LTD

In 2023 the Group opened a 100% fully owned entity based in the United Kingdom. The company is intended to be the operational entity for the Group's application to be an Electronic Money Institution in the United Kingdom. During the financial year 2023 there were no transactions in the entity.

33. Related parties

Parent and ultimate controlling entity

bunq Holding B.V. has held over 86% of the outstanding ordinary common shares throughout 2023.

In December 2017 Stichting Stak Together acquired 400 000 of common shares from bunq Holding B.V. The Stichting holds shares for members of the share participation plan and is consolidated. The Stichting holds 2.8% of issued shares in bunq B.V. at year end in 2023.

During the 2021 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. Further share issuances in 2023 result in Pollen Street Capital Limited holding 9.58% of issued shares in bunq B.V. at year end in 2023.

In the prior year, a further 0.29% of common shares was allocated to Stichting STAK Together 2. The entity holds the shares for the previous owners of Tricount who acquired the rights to 0.29% of issued shares in bunq B.V. Further share issuances in 2023 result in Stichting STAK Together 2 holding 0.27% of issued shares in bunq B.V. at year end in 2023.

Common shares amounting to 0.68% of bunq B.V.'s share capital were acquired by the Chief Information officer over the course of the current and prior financial year, The sale of shares was in order to raise capital in order to fulfill capital requirements.

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

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The group defines key management as the supervisory board, the management board and the individuals with a direct mandate to influence decision making in the Group.

Below the total personnel compensation is presented for key management Personnel.

Two management board members injected capital during 2023. The shares were purchased outside of any existing share option scheme or share based payment plan at market value. No bonuses, performance dependent remunerations, shares or loans have been granted to key management personnel of the Managing and Supervisory Boards as per December 31st 2023.

		2023	2022
		EUR ('000)	EUR ('000)
Managing Board	Short term employment benefits	1 292	545
	Post-term employment benefits	-	-
	Other long term employment benefits	-	-
	Termination benefits	-	-
	Share based payment benefits	-	-
Supervisory board	Short term employment benefits	228	186
	Post-term employment benefits	-	-
	Other long term employment benefits	-	-
	Termination benefits	-	-
	Share based payment benefits	-	-

Key decision makers	Short term employment benefits	1 744	1 349
	Post-term employment benefits	106	58
	Other long term employment benefits	-	-
	Termination benefits	-	-
	Share based payment benefits	-	-

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

Subsidiaries

		2023	2022
Another Mortgage 1 B.V.	Participation in subsidiaries	80 018	87 191
Another Mortgage 2 B.V.	Participation in subsidiaries	91 199	87 528
Another Mortgage 3 B.V.	Participation in subsidiaries	318 547	55 584
Solitaire 1 B.V.	Investment in Notes	332 676	312 004
	Current Assets	5 715	2 696
	Interest income and deferred purchase price payment	4 623	4 853
Capitalflow Group DAC	Participation in subsidiaries	76 167	71 797
	Loans to subsidiaries	706 373	513 433
	Interest income	33 570	12 593
Tricount SA	Participation in subsidiaries	17 634	17 307
	Loans to subsidiaries	81	76
BUNQ TEKNOLOJİ ANONİM ŞİRKETİ	Participation in subsidiaries	103	16
	Intercompany expenses	(731)	(9)
bunq Holding USA LLC	Participation in subsidiaries	612	-

Loans to Capitalflow Group DAC are extended with an interest charge of the 1 month EURIBOR rate with a premium of 3%.

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 2022, the IFRS 9 expected credit loss allowance is 1.47%

As at year end 2023, the IFRS 9 expected credit loss allowance is 0.89%

Other related parties

During 2021 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 thousand was granted. Interest earned on the loans during the year amounted to EUR 855 thousand (2022: EUR 711 thousand). Interest on the loan is linked to EURIBOR and is at an arm's length rate. A provision for doubtful debts of EUR 134 thousand in 2023 (EUR 129 thousand in 2022). The loan is payable in a lump sum at maturity, with all interest capitalized quarterly.

The loan is for 108 months. No collateral is held against the loan.

34. Leases

See note 36D

Leases as a lessee

The Group leases a number of branch offices, namely in Amsterdam, Rotterdam, Sofia, and Dublin and Istanbul. 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:

Right of use asset

	2023	2022
	EUR ('000)	EUR ('000)
Balance as of January 1st	1 667	2 106
Depreciation charge	(544)	(558)
Additions	219	119
Balance as of December 31st	1 342	1 667

Lease liability and maturity analysis of contractual undiscounted cash flows

	2023	2022
	EUR ('000)	EUR ('000)
Less than one year	454	559
One to five years	924	1 199
More than 5 years	-	-
Total	1 378	1 758

Amounts recognised in the profit and loss

	2023	2022
	EUR ('000)	EUR ('000)
Interest on lease liabilities	58	77
Depreciation charge	544	537
Expenses relating to short term leases	602	614

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.

Cash Flow effects

Total cash outflow relating to leases in 2023: EUR 987 Thousand (2022: EUR 508 thousand)

35. Subsequent Events

Capital injections

In March 2024 the shareholders signed a capital commitment letter of EUR 29 million to provide bunq with sufficient CET1 capital for bunq's 2024 growth ambitions. The first EUR 16.5 million has been received as of the 22nd of March.

bunq US banking license application

bunq has withdrawn their initial application for the US banking license 31 January 2024. bunq intends to re-file the application but considers alternative legal forms, including a branch.

Mass Interest

In the first quarter of 2024, bunq has increased the Mass Interest rates offered to our users in Spain and Germany.

36. 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 2022, 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. Any goodwill that arises is tested annually for impairment (see (L)). Any gain on a bargain purchase is recognized 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 results of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iii. Transaction eliminated on consolidation

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

B. Interest

i. Effective interest

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts 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 amortized 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 recognized 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. Amortized cost and gross carrying amount

The 'amortized 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 amortization 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 amortized 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 amortized 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 amortization 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 amortized 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 36(M).

C. Fees

Fee and commission income and expenses 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 recognized as the related services are performed.

A contract with a customer that results in a recognized 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.

Performance obligations in contracts with customers are summarized as follows:

Banking fees income

- The group provides banking services to retail and corporate customers.
- Fees are charged on a monthly basis and are based on fixed rates reviewed periodically within the group.
- Transaction based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when transactions take place

Revenue from account service and servicing fees is recognized over time as the services are provided.

Revenue related to transactions is recognized at the point in time when the transaction takes place.

Loans and advance fee income

- The group charges fees relating to the initiation and administration of originating a loan.
- The performance obligation is the performance of administration in order to ensure the loans granted are received by the customer.
- These fees are charged at the initiation of lending of the loan.

Revenue from loans and advance fees are recognized at a point in time when the lent amount reaches the customer account.

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 recognizes 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 analyzing 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 amortized 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 re-measured 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 23) while lease liabilities are held in Other Liabilities (note 30).

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 recognize 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 recognized 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 recognized 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 recognized in profit or loss except to the extent that it relates to a business combination, or items recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognize 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 realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized 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.

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 recognizes 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 recognized 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: amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortized 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 amortized 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 realizing 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 realized.

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 derecognizes 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 derecognized) 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 recognized in OCI is recognized in profit or loss.

The Group enters into transactions whereby it transfers assets recognized 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 derecognized. 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 recognize 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 derecognized if it meets the derecognition criteria. An asset or liability is recognized 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 securitizes various loans and advances to customers and investment securities, which generally result in the sale of these assets to consolidated securitizations 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 securitized financial assets are generally retained in the form of senior or subordinated tranches, or other residual interests (retained interests).

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or canceled 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 derecognized (see (iii)) and a new financial asset is recognized 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 maximize 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 amortized 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 recognizes 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 amortized 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 derecognizes 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 recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized 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 amortized 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 recognized 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 recognized as an adjustment to the carrying amount of the liability and amortized 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 amortized 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 maximize the use of relevant observable inputs and minimize 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 recognized 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 judgment and estimation.

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognized 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 judgment and estimation in the determination of fair value. Management judgment 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 judgment 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 recognized 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 recognizes 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 the risk management section.

The Group recognizes 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 recognized 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 risk management section).

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 recognized 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 recognized 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 recognized 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.

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 derecognized (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 Risk management section).
- 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 amortized 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 reorganization; 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 amortized 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 recognized 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.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

G. Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand, restricted 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 amortized 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 categorized 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,

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%. This is consistent with the risk management strategy of bunq.

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognized asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognized immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognized in profit or loss. If the hedged item would otherwise be measured at cost or amortized 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 amortized 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 amortized to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortization begins. If the hedged item is derecognized, then the adjustment is recognized immediately in profit or loss when the item is derecognized.

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 amortized cost (see (F)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized 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 amortized cost (see (F)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized 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 recognized 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 capitalized 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 recognized 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 recognized 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
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Office equipment	5 years
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Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

K. Inventory

Inventory is recognized at the costs of acquiring the finished goods and the direct costs to convert the finished goods into inventory.

Costs are subsequently recognized at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Group periodically assesses inventory for any indicators of impairment.

If Inventory is written down due to carrying value being greater than the Net Realizable Value and the Fair Value Less Costs to Sell, the loss is recognized 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.

Goodwill has an indefinite useful life and 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 the reporting date. IFRS 3 takes such limitations into account and introduces a 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 amortization and any accumulated impairment losses.

Expenditure on internally developed software is recognized 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 capitalized costs of internally developed software include all costs directly attributable to developing the software and capitalized borrowing costs and are amortized over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and any accumulated impairment losses. The Group does not recognize any such software.

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

Software is amortized 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.

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

Intangibles recognized through acquisition

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

Amortization 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 recognized 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.
- Brand name: 5 years.

Amortization 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 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 recognized 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 recognized 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 amortization, if no impairment loss had been recognized.

N. Employee benefits

Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized 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.

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

Share option scheme

On 1 January 2022 the group established a share option programme that entitles employees who have been at the group for longer than 6 months to purchase share options. Every six months the same offer will be made to employees.

In accordance with the programmes, holders of vested options are entitled to purchase shares at the market price of the shares at grant date. The terms and condition of the scheme are as follows: All options are to be settled by physical delivery of shares.

Employees eligible	Vesting conditions	Contractual life span of options
All employees at the company longer than 6 months as of scheme date (every 6 months)	<ul style="list-style-type: none"> - Increase in valuation of the group above predetermined hurdle rate - Exiting event occurring in the after a 4 year vesting period 	1 year after vesting period complete

37. Standards not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 1st 2024 and earlier application is permitted; however, except as stated in Note 5, 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.

Effective in 2024

- Amendments to IFRS 16 'Leases': Amendments regarding Sale and Leaseback Transactions (issued December 2022) (endorsed by the European Union)
- Amendments to IAS 1 'Presentation of Financial Statements': Classification of Liabilities as Current or Non-current (issued in January 2020). (endorsed by the European Union)
- Amendments to IAS 7 'Statement of Cash flows' and IFRS 7 'Financial Instruments: Disclosures': Supplier Finance Arrangements (issued in May 2023). (not yet endorsed by the European Union)

Effective in 2025

- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates': Lack of Exchangeability (issued in August 2023). (not yet endorsed by the European Union)

38. 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.

As at year end 2022, the IFRS 9 expected credit loss allowance is 1.47%

As at year end 2023, the IFRS 9 expected credit loss allowance is 0.89%

No recognition of the loss guarantee occurs until the loss is above the threshold.

Mortgage Commitments

As of December 31st 2023, the group has outstanding mortgage commitments in its pipeline of a total of EUR 88 409 thousand divided between

- Interest proposal sent EUR 12 731 thousand
- Interest proposal received EUR 28 661 thousand
- Offer accepted EUR 47 017 thousand

As of December 31st 2022, the group has outstanding mortgage commitments in its pipeline of a total of EUR 46 675 thousand divided between

- Interest proposal sent EUR 10 440 thousand
- Interest proposal received EUR 17 495 thousand
- Offer accepted EUR 18 739 thousand

Loan commitments

As of December 31st 2023, the Group has no commitments in place or lending to be distributed to customers. The Group has the following revocable commitments in place totaling EUR 31 478 thousand for lending to be distributed to customers:

- EUR 27 607 thousand Corporate Real Estate Loans
- EUR 3 871 thousand Asset Based Lending loans

As of December 31st 2022, the Group has no commitments in place or lending to be distributed to customers. The Group has the following revocable commitments in place totaling EUR 33 584 thousand for lending to be distributed to customers:

- EUR 20 818 thousand Corporate Real Estate Loans
- EUR 12 766 thousand Asset Based Lending loans

Lease commitments

As at 31 December 2023, 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 totaling EUR 70 683 for 5 months.

See note 34 for further information on lease renewals.

Wwft compliance

Banking supervisors routinely undertake evaluations to ensure bunq's adherence to relevant laws and regulations. In 2018, a review was conducted, leading to the initiation of a CDD and AML enhancement program. This program continues to this day and is enhanced with additional action plans to address the remaining issues. DNB confirmed the remediation plan in design is satisfactory to close the observations. Nevertheless, it is in the discretion of the regulator to apply additional measures in relation to the CDD and AML program, which may result in a possible future obligation, the likelihood of which is impossible to estimate currently.

Fiscal Unity

bunq B.V. form a fiscal unity with Another Mortgage 1 B.V., Another Mortgage 2 B.V. and Another Mortgage 3 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.

Authorization of the Consolidated Financial Statements

Amsterdam, 28 March 2024

Management Board

Mr. A. Niknam

Mr. R. Kasiman

Mr. V. Brodski

Supervisory Board

Mr. S.C. van Groningen

Ms. G van Vollenhoven

Mr. A.J. Bol

Mr. J. Scott

Mr. J. Hüpscher

Parent company financial statements

Statement of Financial Position

After allocation of results	December 31st 2023	December 31st 2022
	EUR ('000)	EUR ('000)
Assets		
Cash at central bank	5 104 006	721 864
Loans and advances to banks	54 881	36 476
Receivables from Subsidiaries	712 169	516 129
Loans and advances to customers	473	144
Investment in notes	308 083	312 004
Investments at amortized cost	537 869	95 123
Investments at fair value through profit and loss		
Derivative assets held for risk management	27 472	50 504
Participation in subsidiaries	587 712	304 273
Right of use assets	622	855
Property plant and equipment	1 132	1 012
Intangible assets		
Inventory	539	276
Other assets	58 408	11 661
Deferred tax asset	15 304	6 400
Total Assets	7 408 670	2 056 721
Liabilities		
Customer deposits	6 920 345	1 786 267
Loans and borrowings owed to banks	24 977	49 003
Provisions	782	1 316
Payables to subsidiaries	4 372	4 684
Other liabilities	106 196	49 120
Income tax Liability	7 293	-
Tricount deferred consideration	2 500	5 000
Total liabilities	7 066 465	1 895 390

Equity		
Share capital	145	134
Share Premium	374 331	246 632
Accumulated deficit	(32 271)	(85 435)
Total equity	342 205	161 331
Total liabilities and equity	7 408 670	2 056 721

Parent company Statement of profit and loss and other comprehensive income

	Notes	December 31st 2023	December 31st 2022
		EUR ('000)	EUR ('000)
Interest income		162 677	15 616
Interest expense		(68 706)	(1 754)
Net Interest income		93 971	13 862
Fee income		53 561	41 684
Fee expense		(14 917)	(11 233)
Net fee expense		38 644	30 451
Gains and losses from derivatives		900	(187)
Impairment losses on financial instruments		(4 431)	(1 229)
Total revenues and incomes		129 084	42 897
Personnel expenses		(26 122)	(20 472)
Depreciation and amortization		(482)	(455)
Other expenses		(58 501)	(46 072)
Total operating expenses		(85 105)	(66 999)
Result before tax		43 979	(24 102)
Income tax expense		1 603	6 400
Result for the period		45 582	(17 702)
Result of participation in Subsidiaries	55	7 582	7 207
Net result and other comprehensive income		53 164	(10 495)

Parent Company Statement of Changes in Equity

	Share Premium	Retained Earnings	Unappropriated Result	Total Accumulated Deficit	Total Equity	
	EUR ('000)	EUR ('000)	EUR ('000)	EUR ('000)	EUR ('000)	
Balance as per December 31st 2021	133	232 583	(61 495)	(13 445)	(74 940)	157 776
Appropriation of result	-	-	(13 445)	13 445	-	-
Net result for the period	-	-	-	(10 495)	(10 495)	(10 495)
Acquisitions	-	-	-	-	-	-
Shares issued	1	13 999	-	-	-	14 000
Share options exercised	-	50	-	-	-	50
Balance as per December 31st 2022	134	246 632	(74 940)	(10 495)	(85 435)	161 331
Appropriation of result	-	-	(10 495)	10 495	-	-
Net result for the period	-	-	-	53 164	53 164	53 164
Acquisitions	-	-	-	-	-	-
Shares issued	11	127 646	-	-	-	127 657
Share options exercised	-	53	-	-	-	53
Balance as per December 31st 2023	145	374 331	(85 435)	53 164	(32 271)	342 205

Notes to the Parent Company Financial Statements

39. 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 36 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 authorized for issue by the Company's board of directors on 26 March 2024.

40. Equity and reserves

bunq B.V. consolidated net result was a profit of EUR 53 160 000, with the net result in the company financial statements being the same profit of EUR 53 164 000.

41. 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.

42. 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 recognized prospectively.

Going concern assumption

These financial statements were prepared under a going-concern assumption. The going concern assumption is a significant accounting judgment.

The going concern of bunq is based on the profitable forecasts prepared in alignment with SREP requirements and the capital injections received early in 2024 as disclosed in the subsequent events

The shareholders, excluding the Stak, have expressed support for the company's growth and finance plan. They 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.

Due to the high growth in user deposits, the shareholders have provided a capital commitment letter of 29 million euro in March 2024 to remain compliant with the Leverage Ratio requirements, of which 16.5 million euro has been received before 22 March 2024.

Both capital and liquidity ratios are well above the regulated threshold in the forecast, as well as in bunq's stress test scenarios as part of the SREP.

43. Subsidiaries

Information on Subsidiaries

Another Mortgage 1 B.V., Another Mortgage 2 B.V., Solitaire 1 B.V. and Capitalflow Group DAC 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 Tricount SA which is registered in Brussels, Belgium. Tricount SA included in the company consolidation.

During the period the Company Opened Another Mortgage 3 B.V. in order to house bunq label mortgages. The shares are 100% owned by the Company and Another Mortgage 3 B.V. is fully consolidated into the Company.

During 2022, the Company opened BUNQ TEKNOLOJİ ANONİM ŞİRKETİ in Istanbul, Turkey. The entity was opened with the purpose of providing support services to the Company in an operational capacity. BUNQ TEKNOLOJİ ANONİM ŞİRKETİ (bunq Turkey) is 100% owned by the Company and therefore is fully consolidated into the Company.

In 2022 the Company opened bunq US Holding LLC, a 100% fully owned entity based in the United States of America. The company is intended to be a holding company as part of the US banking license application. During the financial year 2023 there were no transactions in the entity.

There is a 403 declaration signed for the year 2023 for Another Mortgage 1 B.V., Another Mortgage 2 B.V. and Another Mortgage 3 B.V.

In 2023 the Group opened a 100% fully owned entity based in the United Kingdom. The company is intended to be the operational entity for the Group's application to be an Electronic Money Institution in the United Kingdom. During the financial year 2023 there were no transactions in the entity.

The subsidiaries are valued using the equity method as of December 31st, 2023.

44. Financial risk management

Please refer to the Risk Management Section in the financial statements of the Group.

45. 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.

46. Participation in Subsidiaries

	2023	2022
Subsidiary	EUR ('000)	EUR ('000)
Another Mortgage 1 B.V.	85 073	87 191
Another Mortgage 2 B.V.	100 940	87 528
Capitalflow Group DAC	67 820	71 797
Solitaire 1 B.V.	-	-
Another Mortgage 3 B.V.	324 283	55 584
Tricount	17 430	17 307
BUNQ TEKNOLOJİ ANONİM ŞİRKETİ	138	16
bunq US Holding LLC	612	-
Total	596 296	319 423
Hedged liability set against underlying mortgages in subsidiaries.	(8 584)	(15 150)
Total	587 712	304 273

	2023	2022
Another Mortgage 1 B.V.	EUR ('000)	EUR ('000)
Opening Balance	87 191	85 037
Increased Participation	(4 002)	555
Allocation of securitised income	1 126	1 156
Allocation of securitised expenses	(8)	(77)
Other results from participation in subsidiary	766	520
Closing Balance	85 073	87 191

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.

	2023	2022
Another Mortgage 2 B.V.	EUR ('000)	EUR ('000)
Opening Balance	87 528	88 942
Increased Participation	9 339	(3 961)
Allocation of securitised income	3 329	3 519
Allocation of securitised expenses	(148)	(1 486)
Other results from participation in subsidiary	892	514
Closing Balance	100 940	87 528

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.

	2023	2022
Capitalflow Group DAC	EUR ('000)	EUR ('000)
Opening Balance	71 797	75 985
Purchase of Shares	0	0
Transfer of Capital	0	(7 000)
Result from participation in subsidiary	720	6 044
Results from purchase price adjustments booked	(4 697)	(3 232)
Closing Balance	67 820	71 797

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.

	2023	2022
Another Mortgage 3 B.V.	EUR ('000)	EUR ('000)
Opening Balance	55 584	-
Increased Participation	263 227	55 320
Result from participation in subsidiary	5 472	264
Closing Balance	324 283	55 584

100% of the shares of Another Mortgage 3 B.V. is owned by bunq B.V. All mortgages are held by residents of the Netherlands.

	2023	2022
Tricount	EUR ('000)	EUR ('000)
Opening Balance	17 307	-
Purchase of Shares	-	17 324
Transfer of Capital	-	-
Result from participation in subsidiary	252	(2 467)
Results from purchase price adjustments booked	(129)	(100)
Closing Balance	17 430	17 307

100% of the shares Tricount SA is owned by bunq B.V. The entity is registered in Belgium and operates solely in Europe. Purchase of shares occurred on 3 May 2022.

	2023	2022
BUNQ TEKNOLOJİ ANONİM ŞİRKETİ	EUR ('000)	EUR ('000)
Opening Balance	16	-
Increased Participation	89	14
Result from participation in subsidiary	33	2
Closing Balance	138	16

100% of the shares BUNQ TEKNOLOJİ ANONİM ŞİRKETİ is owned by bunq B.V. The entity is registered in Istanbul and operates solely in Turkey. Purchase of shares occurred on 18 November 2022.

	2023	2022
Bunq US Holding LLC	EUR ('000)	EUR ('000)
Opening Balance	-	-
Increased Participation	638	-
Result from participation in subsidiary	(26)	-
Closing Balance	612	-

100% of the shares bunq US Holding LLC is owned by bunq B.V. The entity is registered in New York and operates solely in the USA. Purchase of shares occurred on 18 November 2022

47. Investments in notes

During the prior period the Company purchased notes from Solitaire 1 B.V. on underlying securitised mortgages.

	2023	2022
Investment in Notes	EUR ('000)	EUR ('000)
Opening Balance	312 004	359 438
Notes issued		
Repayment of Notes	(16 125)	(20 207)
Repayment of Interest	(168)	(170)
Movement in hedged liability set against underlying mortgages in subsidiaries	12 372	(27 057)
Closing Balance	308 083	312 004

All mortgages are held by residents of the Netherlands.

Refer to note 4 of the consolidated financial statements.

The overall fair value of the mortgages, both those underlying the notes and those not eligible for securitisation, have been disclosed under Risk management section in the consolidated financial statements.

The hedge liability presented above is apportioned over all mortgage portfolios owned by subsidiaries of bunq B.V.

Notes issued by Solitaire 1 B.V. are issued as follows:

	Nominal value	Amortised cost value on December 31st 2023	Amortised cost value on December 31st 2022	Interest rate applicable
	EUR ('000)	EUR ('000)	EUR ('000)	
Note A	352 300	-	321 301	0.05%
Note B	27 500	-	27 500	0%
	379 800		348 801	

Solitaire 1 B.V. pays out all profits towards the noteholder. bunq received EUR 168 thousand in interest on the notes (2022: EUR 170 thousand), and EUR 16.1 million (2022: EUR 23.9 million) in deferred purchase price payment from Solitaire 1 B.V. from the period.

Note B noteholders are repaid after note A note holders.

All credit losses are absorbed by Note B initially. Once Note B 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 initialization 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 valuations on the notes allowing the company to borrow any funds against the value of the notes from the European Central Bank. The fair value of the notes itself cannot be calculated due to the lack of specific observable characteristics underlying and due to the specific features of the note in place.

48. Receivables from subsidiaries

Receivables from Subsidiaries includes loans to Capitalflow Group, as well as receivables in the form of notes held in the securitized mortgages in Solitaire 1 B.V. and a current account with bunq Turkey

	2023	2022
	EUR ('000)	EUR ('000)
Intercompany Loan receivables	706 454	513 433
Current account Solitaire 1 B.V.	5 715	2 696
Total	712 169	516 129

The intercompany loan with Capitalflow Group has a repayment date of 364 days after issuing. The loan is issued on 26 November, 2021. The agreement allows for Capitalflow to make a drawdown of up to EUR 770 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 a floating rate of 1- month Euribor plus a 3% risk premium 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.

The current account with Solitaire 1 B.V. has a fair value approximating the carrying value presented above. This is due to the short-term nature of the asset.

49. Payables to subsidiaries

	2023	2022
	EUR ('000)	EUR ('000)
Current Account Another Mortgage 1 B.V.	(1 126)	(1 156)
Current Account Another Mortgage 2 B.V.	(3 329)	(3 519)
Current Account bunq Turkey	83	(9)
Total	(4 372)	(4 684)

The fair value of the current accounts above approximates the carrying value. This is due to the short-term nature of the debt.

50. Derivatives held for risk management and hedge accounting

Interest rate swaps	2023	2022	Line Item in Balance sheet in current year
	EUR ('000)	EUR ('000)	
Derivative asset held for risk management	27 472	50 219	Derivative asset held for risk management
Derivative Liability held for risk management split between:	26 469	49 954	
Mortgages	8 584	15 150	Participation in Subsidiaries
Mortgage notes	17 885	34 804	Investment in Notes
Forward exchange rate contracts	2023	2022	Line Item in Balance sheet in current year
Forward Liability in EUR	-	(8 873)	
Forward Assets in EUR	-	9 158	
Net	-	285	Derivative asset held for risk management

To minimize 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 440 870 000

The groups exposure to interest rate risk, and the Groups method for managing this risk is disclosed in the Risk management section of the annual report.

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 minimizes 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 realized 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 2022 the result of ineffectiveness of the hedge relation was EUR 900 000 gain (2022: EUR 452 000 gain). 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.

51. Total equity

Share capital

The following table details the equity balance of the company only financial statements.

	2023	2022
	EUR ('000)	EUR ('000)
Share Capital	145	134
Share premium	374 331	246 632
Retained Earnings	(85 435)	(74 940)
Unappropriated Result	53 164	(10 495)
Total Equity	342 205	161 331

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

During the period, 1 029 352 common shares were purchased by existing shareholders of bunq. The purchase of the shares is in order to meet capital requirements of bunq. No share option or share based payment plan has been exercised in the period.

In total 14 458 540 common shares have been issued.

Share premium

	2023	2022
	EUR ('000)	EUR ('000)
Opening Balance	246 632	232 583
Capital Injection	-	-
Premium on issue of Shares	127 646	13 999
Purchase of Share options	53	50
Contribution in Kind Transaction	-	-
Closing Balance	374 331	246 632

52. Result of participation in subsidiaries

	2023	2022
Subsidiary	EUR ('000)	EUR ('000)
Another Mortgage 1 B.V.	1 884	1 599
Another Mortgage 2 B.V.	4 073	2 547
Capitalflow Group DAC	(3 977)	2 812
Solitaire 1 B.V.	-	-
Another Mortgage 3 B.V.	5 472	264
Tricount	123	(17)
BUNQ TEKNOLOJİ ANONİM ŞİRKETİ	33	2
bunq US Holding LLC	(26)	-
Total	7 582	7 207

53. Income tax

Corporate income tax

bunq BV is a part of a fiscal union with Another Mortgage 1 B.V., Another Mortgage 2 B.V. and Another Mortgage 3 B.V. As such bunq BV recognised and is liable for the corporate income taxes for the combined fiscal union.

The bunq B.V. fiscal unit has incurred EUR 14 340 thousand in income taxes to the Netherlands tax authorities in 2023, of which EUR 7 034 thousand is offset by prior unutilised tax losses.

The table below details the movement in the corporate income tax liability.

	2023	2022
	EUR ('000)	EUR ('000)
Corporate income tax liability as per January 1st	-	-
Tax on profits recognised	14 327	-
Tax liability offset by previously unutilised losses	(7 034)	-
Corporate income tax liability as of December 31st	7 293	-

Deferred taxes

Deferred taxes are recognized on temporary differences under the liability method using tax rates applicable in the jurisdictions in which the Group is subject to taxation

In prior years deferred tax liabilities arose due to fair value adjustments to financial assets and recognition of intangible assets on acquisition date of Capitalflow group DAC and of Tricount SA.

Deferred tax assets are recognized if it is probably that taxable profits will be available against which the deductible temporary difference may be utilized.

At the reporting date, the group has unused tax losses of EUR 86 561 thousand (2022: 86 561 thousand) available for offset against future profits. A deferred tax asset has been recognised in respect of EUR 16 358 thousand (2022: EUR 6 400 thousand) of such losses.

No portion of the unused tax losses remain. This is as per the forecast performed to SREP requirements it is probable bunq will have sufficient taxable profits available for offset in future periods.

	Net opening balance (Asset +) (Liability -)	Change through net result	Change through acquisition	Net closing balance (Asset +) (Liability -)
2023				
Unused tax losses carried forward	6 400	8 904	-	15 304
Total	6 400	8 904	-	15 304

2022				
Unused tax losses carried forward	-	6 400	-	6 400
Total	-	6 400	-	6 400

No taxes were paid or recouped in prior years.

54. Subsequent events

Capital injections

In March 2024 the shareholders signed a capital commitment letter of EUR 29 million to provide bunq with sufficient CET1 capital for bunq's 2024 growth ambitions. The first EUR 16.5 million has been received as of the 22nd of March.

bunq US banking license application

bunq has withdrawn their initial application for the US banking license 31 January 2024. bunq intends to re-file the application but considers alternative legal forms, including a branch.

Mass Interest

In the first quarter of 2024, bunq has increased the Mass Interest rates offered to our users in Spain and Germany.

55. Related party transactions

Please refer to note 33 in the consolidated annual financial statements.

56. 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.

As at year end 2022, the IFRS 9 expected credit loss allowance is 1.47%

As at year end 2023, the IFRS 9 expected credit loss allowance is 0.89%

No recognition of the loss guarantee occurs until the loss is above the threshold.

Lease commitments

As at 31 December 2023, 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 totaling EUR 70 683 for 5 months.

See note 34 for further information on lease renewals.

Fiscal Unity

bunq B.V. form a fiscal unity with Another Mortgage 1 B.V., Another Mortgage 2 B.V. and Another Mortgage 3 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.

Wwft compliance

Banking supervisors routinely undertake evaluations to ensure bunq's adherence to relevant laws and regulations. In 2018, a review was conducted, leading to the initiation of a CDD and AML enhancement program. This program continues to this day and is enhanced with additional action plans to address the remaining issues. DNB confirmed the remediation plan in design is satisfactory to close the observations. Nevertheless, it is in the discretion of the regulator to apply additional measures in relation to the CDD and AML program, which may result in a possible future obligation, the likelihood of which is impossible to estimate currently.

57. Proposal of the apportionment of the result for the financial year 2023

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 Profits of EUR 53 164 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 summarized 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
Ireland	bunq B.V
Turkey	BUNQ TEKNOLOJİ ANONİM ŞİRKETİ
United States of America	bunq US Holding LLC
United Kingdom	bunq UK LTD

Authorization of Parent Company Financial Statements

Amsterdam, 28 March, 2024

Management Board

Mr. A. Niknam

Mr. R. Kasiman

Mr. V. Brodski

Supervisory Board

Mr. S.C. van Groningen

Ms. G van Vollenhoven

Mr. A.J. Bol

Mr. J. Scott

Mr. J. Hüpscher