Annual Report for 2020 Deposit Guarantee Fund

Amsterdam

DeNederlandscheBank

EUROSYSTEEM

Disclamer

In the event of discrepancies or inconsistencies between the texts and tables set out in this document and those set out in the original financial statements prepared in Dutch and submitted to DNB, the latter will prevail.

Deposit Guarantee Fund
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Chamber of Commerce registration: 65035321 0000

Contents

Foreword

This Annual Report describes the activities performed by the Deposit Guarantee Fund (DGF) and the developments that affected it in 2020. It also looks ahead to the coming year. It contains the management report and financial statements, which are submitted to De Nederlandsche Bank (DNB) no later than 15 March 2021.[1]

1 Pursuant to Section 29.10(3) of the Decree on Special Prudential Measures, Investor Compensation and Deposit Guarantees under the Wft (Besluit bijzondere prudentiële maatregelen, beleggerscompensatie en depositogarantie Wft – Bbpm)

Report of the Management Board

The DGF was established in late 2015 as a legal entity under public law. Together with DNB it is tasked with administering the Dutch Deposit Guarantee Scheme (DGS). The Dutch Deposit Guarantee is a set of rules that guarantees the deposits which customers hold with Dutch banks. If a bank should fail, the Dutch Deposit Guarantee guarantees bank balances (guaranteed deposits) up to a maximum of EUR 100,000 per person per bank. The DGF will fund the depositor compensation amounts established by DNB. In addition, the DGF can be deployed to fund resolution instruments.

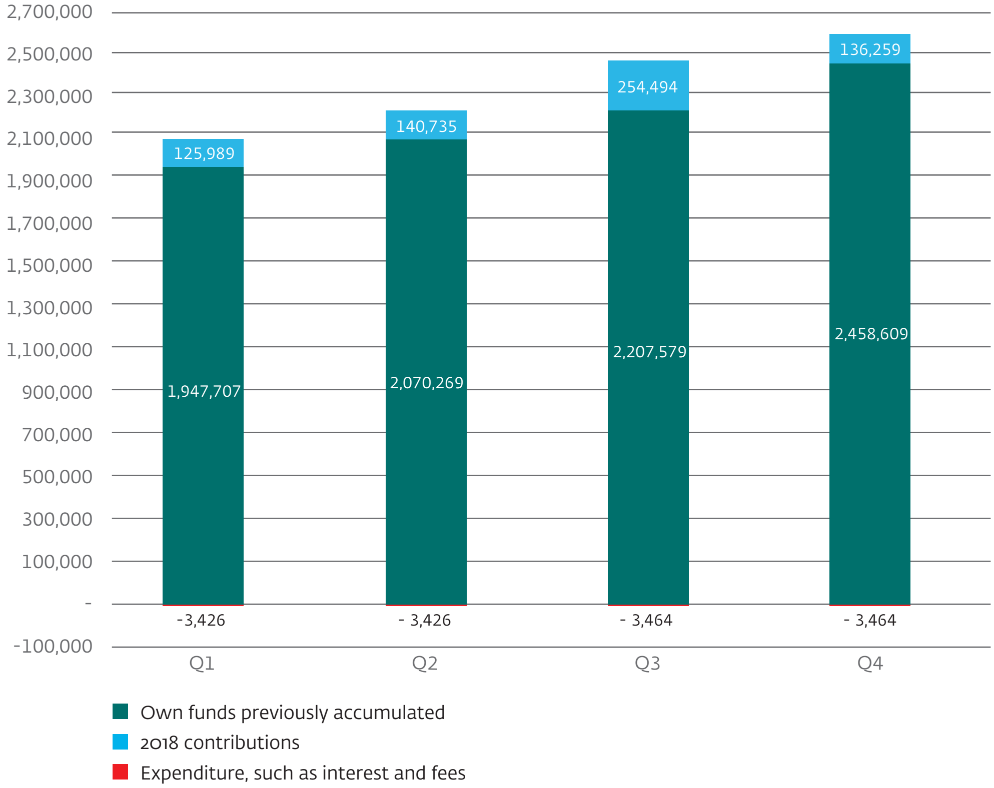
Accumulation of own funds

Since 2016, banks established in the Netherlands have paid quarterly contributions to the DGF. DNB sets the contributions and collects them on behalf of the DGF. An individual bank's contribution depends on the balance of its deposits as guaranteed under the DGS (the deposit base) and its risk profile.[2] The DGF is a fund created from these contributions on an ex ante basis to fund compensation to depositors if a bank should fail. It should have reached its target size of 0.8% of all guaranteed deposits by mid-2024.[3] Over 50% of its target size has now been reached.

The contributions are added to own funds. At year-end 2020, own funds stood at EUR 2,591 million. Chart 1 below shows the development in own funds in 2020. In 2020, contributions set and added to own funds totalled EUR 657 million in 2020, representing a considerable increase from the previous year (+17%). The increase is accounted for by the sharp growth in deposits caused by the savings surplus seen in the COVID-19 crisis. On 30 September 2020, which is the reference date for setting the year's final quarterly contributions, guaranteed deposits were some EUR 34 billion above the prior year's amount, at EUR 549 billion. The 6.6% growth in guaranteed deposits not only causes basic contributions (basisbijdragen) to be higher, they also result in higher supplementary contributions (suppleties), which are used to adjust for the fact that basic contributions had been set on the basis of a lower deposit volume. The DGF's own funds also changed due to transfers to and from DSGs in other EU Member States where deposit guarantees were taken over from one DSG to another.[4]

2 DNB sets the contributions in accordance with Annex 1 to the Bbpm
3 In accordance with Article 10(2) of Directive 2014/49/EU on deposit guarantee schemes (DGS Directive)
4 This could for example be the case if a foreign branch is converted into a subsidiary. Article 14 of the DGS Directive provides that in such a case the contributions paid during the 12 months preceding the end of the DGS membership must be transferred to the other DGS

Figure 1 Changes in the DGF's own funds in 2020
EUR thousands



If a bank should fail and depositors are unable to access their current or savings accounts, DNB awards compensation to depositors. The DGF will finance the compensation from its own funds, supplemented where needed by extraordinary contributions levied if its available financial means should prove insufficient. When payments are made under the Dutch Deposit Guarantee, the DGF acquires the rights of deposits and has a preferential claim against the failed bank's assets. If payments from the failed bank's assets are insufficient to cover the DGS payments, the expected loss will be charged to the DGF's own funds. As in previous years, no amounts were withdrawn from the DGF's own funds to finance the DGS or deploy resolution instruments in the year under review. As long as the DGS is not activated, the DGF's principal expenditure item is the fee it pays for a credit line commitment secured in 2018 to strengthen its funding capacity.

Available financial means and backstop funding

Liquid assets[5] stood at EUR 2,197 million as at 31 December 2020 (31 December 2019: EUR 1,824 million), They are available for payment under the Dutch Deposit Guarantee where needed.

Following their collection, this is sufficient to pay the full compensation amounts to covered depositors of 63% of the banks participating in the DGS in cases in which a single bank were to fail.[6] This has further enhanced the DGF's financial effectiveness. Alternative sources of funding are also available.

The DGF will levy extraordinary contributions if its available financial means should prove insufficient.[7] DNB sets the amounts and payment deadlines of such ex post contributions. The volume of the extraordinary contributions charged is limited to 0.5% of a bank's guaranteed deposit base in a calendar year, which currently provides a maximum contribution potential of around EUR 2.7 billion.

The DGF secured a EUR 3 billion credit line commitment in 2018 from a consortium of four Dutch banks to ensure sufficient funds to pay compensation to depositors. The facility is designed to help bridge the period until all extraordinary contributions have been collected. The DGF pays a commitment fee for this. The initial term of the agreement was 5 years. In 2020, based on a simulation analysis conducted by DNB, the DGF decided to extend the term by one year. Various situations were simulated to estimate the probability of the DGF lacking the funds needed to compensate all depositors in the event of one or more bank failures. The simulation analysis shows how the availability of backstop funding may reduce that probability. While the fund will grow further in the years ahead and its financial effectiveness is greater than at the time the credit line was agreed in 2018, the analysis shows that the risk of insufficient funds remains after 2023. Prompted also by the uncertain conditions caused by the COVID-19 crisis, the DGF decided to extend the existing credit line unchanged. The banks accepted the DGF request for extension. As a result, the credit line expires in mid-2024, when the DGF should reach its target size. In late 2022 the DGF will consider the need for any form of backstop funding after 2024.

5 The discrepancy with own funds is mainly attributable to the fact that the contributions for the third and fourth quarters of 2020 will not be collected until the first quarter of 2021
6 A proportion of the remaining banks would not be wound down but put into resolution instead if they were to fail
7 Section 29.14 of the Bbpm

If the available financial means should prove insufficient and the DGF levies extraordinary contributions, DNB can also ask the banks to make advance payments for the extraordinary contributions. Based on information provided by DNB, the DGF determines, in anticipation of a potential activation of the DGS, to what extent advance payments could contribute to its funding plan. If they should provide insufficient, the DGF must raise funds from other sources.

By deploying its available financial means and drawing on the credit line, the DGF will be able to mobilise over EUR 5.5 billion in funds in the short term, sufficient to pay the full compensation amounts to covered depositors of 70% of the banks participating in the DGS in cases in which a single bank were to fail. This could be more if advance payments can be levied at the same time, which will depend on the situation. The DGF may request the Minister of Finance for a current account overdraft as a last resort to bridge a period of transient liquidity shortfall.

Management of available financial means, and financial and operational risk management

The DGF has held its virtually all of its liquid assets in a current account with the National Treasury since late 2018. As a result, the DGF has not been exposed to any material interest rate risk[8] or credit risk. Procedural arrangements were made with the Dutch State Treasury Agency to ensure that the DGF's available financial means are readily available once the DGS is activated with respect to a failing bank or in the event that the DGS is asked for a contribution towards a bank's resolution.

Drills are held from time to time to ensure that the DGF is well-prepared for a DGS pay-out. Among other things, it is tested whether the DGF can make financial means available for payment by withdrawing funds from the Treasury current account and prepare a funding plan where needed.

The Dutch DGS also covers deposits held with branches of Dutch banks located in other EU Member States. The DGF in the Netherlands funds compensation payments, but they are made by the DGS in the other Member State on behalf of and on the instruction of the Dutch DGS. This is pursuant to the DGS Directive, which obliges national DGS authorities to make mutual home-host working arrangements. Following earlier bilateral working arrangements made with the German, Belgian and Maltese deposit guarantee schemes, DNB and DGF entered into a bilateral cooperation agreement with the Hungarian DGS in 2020. These agreements flesh out the terms of the multilateral agreement of the European Forum of

8 The DGF does not use the possibility of taking out time deposits as part of its treasury banking. Interest is received on the balance held in the Treasury current account at the daily rate in accordance with the applicable treasury banking regime. If the daily rate is negative, it is set at 0%

Deposit Insurers (EFDI), to which the Dutch DGS had acceded earlier. The number of bilateral agreements will be increased over the coming years.

The DGF has outsourced its accounting processes to DNB. To that end, it has entered into a collaboration protocol with DNB, setting out the support tasks DNB performs for the DGF's benefit. DNB must ensure the adequate design of processes and early identification and management of risks.

The Management Board has instructed an independent auditor to audit the financial statements. See the independent auditor's report on page 21.

Governance

The DGF is represented by a three-member Management Board. DNB's Governing Board decides on the appointment, remuneration, suspension and dismissal of board members and appoints the Chair. They are appointed for a term of four years, with the option of reappointment.
In 2020, the terms of office of all three board members expired. Cindy van Oorschot succeeded Jan Marc Berk as Chair of the Management Board, the latter's position being incompatible with his new position as DNB's Director of the Resolution Division. Bert Boertje and Martin Heerma were reappointed as members of the Management Board for a further four-year term.

The DGF does not employ any staff. DNB supports the DGF in performing its task, providing the resources and services needed, including keeping its financial accounts.

Outlook

Based on three Opinions issued by the EBA in 2019 and 2020, the European Commission is working on a draft revised European DGS Directive, which is expected to be published in 2021. The EBA recommended to leave the DGS' minimum size unchanged at 0.8% of the guaranteed deposits. It also asked the European Commission to consider the option of allowing more flexibility in the order in which DGSs may deploy their sources of funding.

In addition, thought is being given at a European level to further expansion of the tools needed to resolve medium-sized banks, with a particular focus on deploying DGS funding for alternative bankruptcy measures. This means the DGF could potentially be used not only to fund regular DGS compensation in the event of a bank failure, but also to fund deposit transfers to others banks or alternative measures safeguarding continued access to deposits. Part of the discourse centres around a possible revision of the creditor hierarchy and the current superpreference of guaranteed deposits in this context. This will create more options for deploying DGS funding for resolution and bankruptcy measures with respect to unguaranteed but eligible deposits.

Signing of the Report of the Management Board

Amsterdam, 9 March 2021
The Management Board of the Deposit Guarantee Fund

Cindy van Oorschot *Chair*	Bert Boertje	Martin Heerma

Financial statements

Balance sheet as at 31 December 2020 (following appropriation of the result)

EUR thousands

	31-12-20	31-12-19		31-12-20	31-12-19
Assets			**Liabilities**		
1 Receivables	396,693	127,574	1 Own funds	2,591,402	1,947,707
1.1 Accounts receivable	*254,494*	-			
1.2 Accruals and prepaid expenses	*142,199*	*127,574*	2 Current liabilities	2,316	3,875
			2.1 Accruals and income collected in advance	*2,316*	*3,875*
2 Current account deposits	2,197,025	1,824,008			
Total assets	**2,593,718**	**1,951,582**	**Total liabilities**	**2,593,718**	**1,951,582**

Statement of income and expenditure for 2020

EUR thousands

	2020	2019
Income		
1 Contributions	657,475	563,549
2 Reimbursement of expenses	42	38
Total income	**657,517**	**563,587**
Expenses		
3 Credit line expenses	13,790	13,752
4 Interest expenses	0	0
5 Audit fee	18	18
6 Other expenses	14	10
Total expenses	**13,822**	**13,780**
Result for the year	**643,695**	**549,807**

Statement of cash flows for 2020

EUR thousands

	2020	2019
1 Cash flows from operations*	373,017	691,094
1.1 Result	*643,695*	*549,807*
1.2 Movements in receivables	*-269,119*	*139,581*
1.3 Movements in current liabilities	*-1,559*	*1,706*
2 Cash flows from investment	-	-
3 Cash flows from financing	-	-
Movements in current account deposit	**373,017**	**691,094**

* In 2020 interest payments were nil (2019: EUR 1,000)

Notes to the balance sheet as at 31 December 2020 and statement of income and expenditure for 2020

Introduction

The Deposit Guarantee Fund (DGF) is a legal entity under public law, with registered office at Westeinde 1, 1017 ZN, Amsterdam. It is listed in the trade register of the Chamber of Commerce under number 65035321 0000. The DGF's task is to manage the financial means which may be needed to operate the Dutch Deposit Guarantee Scheme (DGS).

Going concern basis of accounting

The 2020 financial statements were prepared using the going concern basis of accounting.

Accounting policies

The 2020 financial statements were prepared in accordance with the Non-Departmental Public Bodies Framework Act (Kaderwet zelfstandige bestuursorganen – Kzbo), and Part 9 of Book 2 of the Dutch Civil Code[9] was applied correspondingly. In addition, the Dutch Accounting Standards (Richtlijnen voor de Jaarverslaggeving – RJ) were applied to the extent relevant to the DGF. Executive remuneration is disclosed in accordance with the provisions of the Public and Semi-public Sector Executives Remuneration (Standards) Act (Wet bezoldiging topfunctionarissen publieke en semipublieke sector – WNT).

The financial statements are presented in euro (EUR), which is the DGF's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Amounts receivable and payable

Amounts receivable as current account balances and other receivables, as well as amounts payable, are presented at their nominal amounts. Amounts receivable are carried net of a provision for doubtful debts.

Income and expenses

Income and expenses are recognised in the financial year in to which they relate.

Income and expenses are recognised in the financial year in to which they relate. The DGF receives periodic contributions from banks established in the Netherlands, the amounts of which are set by DNB.[10] Once a bank or part thereof ceases to fall under the scope of the Dutch DGS and comes under the scope of a different DGS in the European Union, and vice versa, its contributions for the previous 12 months are transferred.[11]

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9 The relevant sections of the Kzbo are listed in the Bbpm, Bulletin of Acts, Orders and Decrees 2015, no. 433

10 Pursuant to Section 29.12(2) of the Bbpm

11 See Article 14(3) of the DGS Directive, which was transposed to Dutch law in Section 29.20 of the Bbpm

Statement of cash flows

The statement of cash flows has been prepared using the indirect method.

Taxes

The DGF is not liable to pay corporation tax.

Notes to the balance sheet

ASSETS

1. Receivables

Receivables, amounting to EUR 396,693,000 as at 31 December 2020 (31 December 2019: EUR 127,574,000) can be broken down as follows:

1.1 Accounts receivable: EUR 254,494,000 (31 December 2019: nil. These are the contributions receivable for the third quarter.

1.2 Accruals and prepaid expenses: EUR 142,199,000 (31 December 2019: EUR 127,574,000). These are unbilled contributions for the fourth quarter of 2020 in the amount of 136,829,000 (31 December 2019: EUR 122,199,000), prepaid commitment fees for the credit line secured from four Dutch large banks amounting to EUR 5,348,000 (31 December 2019: EUR 5,352,000)[12] and other receivables of EUR 22,000 (31 December 2019: EUR 23,000).

2. Current account deposits

This item, amounting to EUR 2,197,025,000 as at 31 December 2020 (31 December 2019: EUR 1,824,008,000) consists of deposits held at the Dutch State Treasury Agency of EUR 2,197,016,000 (31 December 2019: EUR 1,823,999,000) and deposits held at DNB of EUR 9,000 (31 December 2019: EUR 9,000). Of the amount held with the Treasury Agency, EUR 50,000 is withdrawable on demand. Amounts in excess of this threshold are withdrawable on an overnight basis. As at 31 December 2020, interest was 0.0% at the Treasury Agency (31 December 2019: 0.0%).

LIABILITIES

1. Own funds

The result for 2019 was added to own funds in full. Following appropriation of the result for 2020, own funds stood at EUR 2,591,402,000 as at 31 December 2020 (31 December 2019: EUR 1,947,707,000).

12 These are upfront fees for securing (2018) and extending (2020) the credit line, recognised over the term of the agreement

EUR thousands

	Total own funds	*Individualised component*	*Collective component*
Balance as at 31 December 2018	**1,397,900**	***700,588***	***697,312***
Result for the year 2019	549,807	*274,700*	*275,107*
Balance as at 31 December 2019	**1,947,707**	***975,288***	***972,419***
Result for the year 2020	643,695	*326,277*	*317,418*
Balance as at 31 December 2020	**2,591,402**	***1,301,565***	***1,289,837***

Own funds are held in an individualised and a collective component. The basic contribution paid by each bank accrues as its individual balance. Combined, the balances paid by the banks make up the own funds' individualised component. The own funds' collective component comprises the risk-based contributions paid by the banks.

DNB decides on the deployment of the DGF's available financial means. When the DGF makes compensation payments to depositors it first charges these to the bank that is failing or is put into resolution. It then charges them to the collective component of the DGF's own funds, and subsequently to the individualised components for the other banks. If own funds should be insufficient, the DGF will levy extraordinary contributions from the banks.[13]

The DGF's own funds also change on account of the credit line, in addition to contributions.

Own funds were not used to make DGS payments in 2020. The Wft[14] describes exhaustively for which purposes DNB may request the DGF to apply its own funds.

2. Accruals and income collected in advance

This item amounted to EUR 2,316,000 as at 31 December 2020 (31 December 2019: EUR 3,875,000). These are credit line expenses payable of EUR 2,219,000 (31 December 2019: EUR 2,185,000), contributions to deposit guarantee schemes in other EU Member States of EUR 79,000 (31 December 2019: 1,672,000), and the fee of the independent auditor of EUR 18,000 (31 December 2019: EUR 18,000).

13 Section 3:259(2) of the Financial Supervision Act (Wet financieel toezicht – Wft) and Section 29.14(1) of the Bbpm

14 Section 3:259a of the Wft

OFF-BALANCE SHEET RIGHTS AND OBLIGATIONS

In July 2018, the DGF secured a credit line commitment from four Dutch large banks, initially for five years. This was extended by one year in 2020, meaning it expires on 31 July 2024. Under the agreement concluded, the DGF can draw on a maximum EUR 3 billion credit line. The DGF did not draw on the credit line in 2020.

Notes to the statement of income and expenditure

1. Contributions

Income from contributions was EUR 657,475,000 in 2020 (2019: EUR 563,549,000). This amount mainly comprises the banks' contributions paid in the four quarters of 2020.

The population of member banks of the DGS changes. Branch offices are occasionally converted into subsidiaries or vice versa, and other cross-border changes are also conceivable. Pursuant to the DGS rules[15], if a bank ceases to be member of a DGS and joins another DGS, the contributions paid during the 12 months preceding the end of the membership must be transferred to the other DGS. In 2020, such changes totalled -517,000 in 2020 (2019: EUR -2,437,000).

2. Reimbursement of expenses

DNB reimburses the DGF for the expenses incurred, which were EUR 42,000 in 2020 (2019: EUR 38,000). Pursuant to the Financial Supervision Funding Act, DNB will recover these costs from the financial sector. DNB reimbursed the DGF for the expenses detailed under "Other expenses" and "Audit fees" for 2020. In addition, it reimburses the DGF for the costs incurred in engaging the services of external parties that coordinate and execute the credit line agreement, as detailed under "Credit line expenses".

3. Credit line expenses

The expenses relating to the credit line were EUR 13,790,000 in 2020 (2019: EUR 13,752,000). They can be broken down into the expenses related to concluding the credit line agreement, of EUR 1,504,000 (2019: EUR 1,499,000)[16], the expenses related to the availability of backstop funding, of EUR 12,276,000 (2019: EUR 12,243,000), and expenses incurred for coordination and execution of the credit line agreement, of EUR 10,000 (2019: EUR 10,000).

4. Interest expenses

The interest expenses were nil in 2020 (2019: nil. The interest rate on the Treasury Agency's current account was 0.0% in 2020 (2019: 0.0%).

5. Audit fee

The independent auditor's fee amounts to EUR 18,000 (2019: EUR 18,000), and it relates solely to the audit of the financial statements.

15 See Article 14(3) of the DGS Directive, part of which was transposed to Dutch law in Section 29.20 of the Bbpm

16 While the costs for concluding the credit agreement were incurred in 2018 and 2020, they are recognised over the term of the agreement

6. Other expenses

Other expenses amounted to EUR 14,000 in 2020 (2019: EUR 10,000).

DNB supports the DGF in performing its task, providing the resources and services needed, including keeping its financial accounts. As agreed between DNB and the DGF, DNB reimburses the costs involved in these support activities directly.[17] They are not charged to the DGF.

Workforce

The DGF does not employ any staff, as DNB enables it to perform its statutory task by providing staff and other resources.

Remuneration of the members of the Management Board

Bert Boertje and Martin Heerma were reappointed as members of the Management Board for a further four-year term.[18] Jan Marc Berk's term of office ended with effect from 19 April 2020. Cindy van Oorschot succeeded him as Chair of the Management Board as she was appointed for a four-year term. The members of the Management Board as at 31 December 2020 are:

- Cindy van Oorschot - *Chair*
- Bert Boertje
- Martin Heerma

The DGF is a legal entity under public law, which means it is governed by the Public and Semi-public Sector Executives Remuneration (Standards) Act (Wet Normering Topinkomens – WNT). In accordance with the decision taken by DNB's Governing Board, the members of the Management Board did not receive any remuneration for 2020. There were no loans outstanding to members of the Management Board as at 31 December 2020.

Related parties

The DGF works closely with DNB. As it administers the DGS, DNB decides when the DGF is deployed. DNB also supports the DGF in the adequate performance of its task.

17 Pursuant to the Financial Supervision Funding Act, DNB will recover these costs from the financial sector

18 Bert Boertje was reappointed on 19 April 2020. Martin Heerma was reappointed on 27 June 2020

Notes to the statement of cash flows

1. Cash flows from operations

Cash flows from operations of EUR 373,017,000 (2019: EUR 691,094,000) can be broken down as follows:

1.1 Operational result: EUR 643,695,000 (2019: EUR 549,807,000).
This is the result as stated in the statement of income and expenditure.

1.2 Movement in receivables: EUR -269,199,000 (2019: EUR 139,581,000).
This concerns a movement in accounts receivable (EUR -254,494,000) and in accruals and prepaid expenses (EUR -14,625,000) as detailed in item 1 under “Assets” of the notes to the balance sheet.

1.3 Movement in current liabilities: EUR 1,559,000 (2019: EUR 1,706,000).
This concerns movements in contributions payable to deposit guarantee funds of other EU Member States (EUR -1,592,000), credit line expenses payable (EUR 34,000) and external audit fees payable (EUR -1,000) as detailed in item 2 under “Liabilities” of the notes to the balance sheet.

The current accounts held with DNB and the Ministry of Finance are considered cash equivalents.

2. Cash flows from investment

There were no cash flows from investment.

3. Cash flows from financing

There were no cash flows from financing.

Appropriation of the result

The full result for the 2020 financial year has been added to own funds.

Events after the balance sheet date

No events after the balance sheet date had a material impact on the 2020 financial data.

Signing of the financial statements

Amsterdam, 9 March 2021
The Management Board of the Deposit Guarantee Fund

Cindy van Oorschot
Chair

Bert Boertje

Martin Heerma

Other information

Independent auditor's report

To the Management Board of the Deposit Guarantee Fund

Report on the financial statements as set out in the Annual Report

Our opinion
We have audited the financial statements for 2020 of the Deposit Guarantee Fund (or "the fund") in Amsterdam ("the financial statements").

In our opinion, the financial statements fairly present the financial position of the fund's own funds as at 31 December 2020 and the result for the financial year then ended, in accordance with Part 9 of Book 2 of the Dutch Civil Code, which applies in the Netherlands, and the provisions of and pursuant to the Public and Semi-public Sector Executives Remuneration (Standards) Act (Wet normering topinkomens – WNT).

The financial statements comprise:
1. the balance sheet as at 31 December 2020;
2. the statement of income and expenditure and the statement of cash flows for 2020; and
3. the notes, comprising a summary of the accounting policies and other explanatory information

Basis for our opinion
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and the 2020 WNT Audit Protocol Regulation (Regeling Controleprotocol WNT 2020). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of the Deposit Guarantee Fund in accordance with the Audit Firms Supervision Act (Wet toezicht accountantsorganisaties – Wta), the Code of Ethics for Professional Accountants (Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten – ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Dutch Code of Ethics (Verordening gedrags- en beroepsregels accountants – VGBA).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Compliance with the cumulative remuneration provision under the WNT not verified
Pursuant to the 2020 WNT Audit Protocol we did not verify compliance with the cumulative remuneration provision referred to in Section 1.6a of the WNT and Section 5(1)(n) and (o) of the WNT Implementation Regulation. Accordingly, we did not verify whether remuneration received by any senior official exceeds the standard due to employment at other institutions that are under a duty to disclose remuneration under the WNT or whether the required disclosure is accurate and complete.

Report on the other information included in the Annual Report

In addition to the financial statements and our independent auditor's report thereon, the Annual Report contains other information that consists of:

- the report of the Management Board
- the other information

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain any material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains any material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the Report of the Management Board and the other information, as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

The Management Board's responsibilities for the financial statements
The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as it determines necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the fund's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless it either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the fund's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Concluding on the appropriateness of the Management Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the fund to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 9 March 2021
KPMG Accountants N.V.

Martijn Huiskers

DeNederlandscheBank

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