

Annual Report for 2018 Deposit Guarantee Fund

Amsterdam

DeNederlandscheBank

EUROSYSTEEM

Deposit Guarantee Fund
PO Box 98, 1000 AB Amsterdam
Westeinde 1, 1017 ZN Amsterdam

Chamber of Commerce registration: 65035321 0000

Contents

Foreword	4
Report of the Management Board	5
Signatures of the Management Board members	10
Financial statements	11
Balance sheet as at 31 December 2018 (following appropriation of the result)	11
Statement of income and expenditure for 2018	11
Statement of cash flows for 2018	12
Notes to the balance sheet as at 31 December 2018 and statement of income and expenditure for 2018	13
Appropriation of the result	20
Events after the balance sheet date	20
Signing of the financial statements	20
Other information	21
Independent auditor's report	21

Foreword

4 This Annual Report describes the activities performed by the Deposit Guarantee Fund (DGF) and the developments that affected it in 2018. 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 2019¹.

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 to fund the Dutch deposit guarantee scheme (DGS). It is a legal entity incorporated under public law with registered office in Amsterdam. The DGF's task is to administer the financial resources needed to operate the DGS. If a bank should fail, the DGF will fund the depositor compensation amounts established by DNB. The DGF can also be deployed to fund resolution instruments.

5

Accumulation of own funds

Since 2016, banks established in the Netherlands have paid quarterly contributions to the DGF.² They are levied ex ante and are used to accumulate the financial resources needed to pay out compensation to depositors if a bank should fail. By mid-2024, these financial resources must amount to 0.8% of the aggregate guaranteed deposits³.

In accounting terms, the contributions levied are accumulated as own funds. At year-end 2018, own funds stood at EUR 1,398 million. The figure below shows the development in own funds in 2018.

² A newly incorporated bank having its registered office in the Netherlands will automatically be subject to the DGS and must contribute to the DGF. DNB sets the amount of the contributions payable to the DGF, pursuant to Section 29.12 of the *Bbpm*. Dutch branches of banks established outside the European Economic Area can also be brought under the scope of the Dutch DGS, which has been the case for three institutions since 1 February 2018. They started paying contributions to the DGF in the second quarter of 2018.

³ As stipulated in Article 10(2) of Directive 2014/49/EU on deposit guarantee schemes.

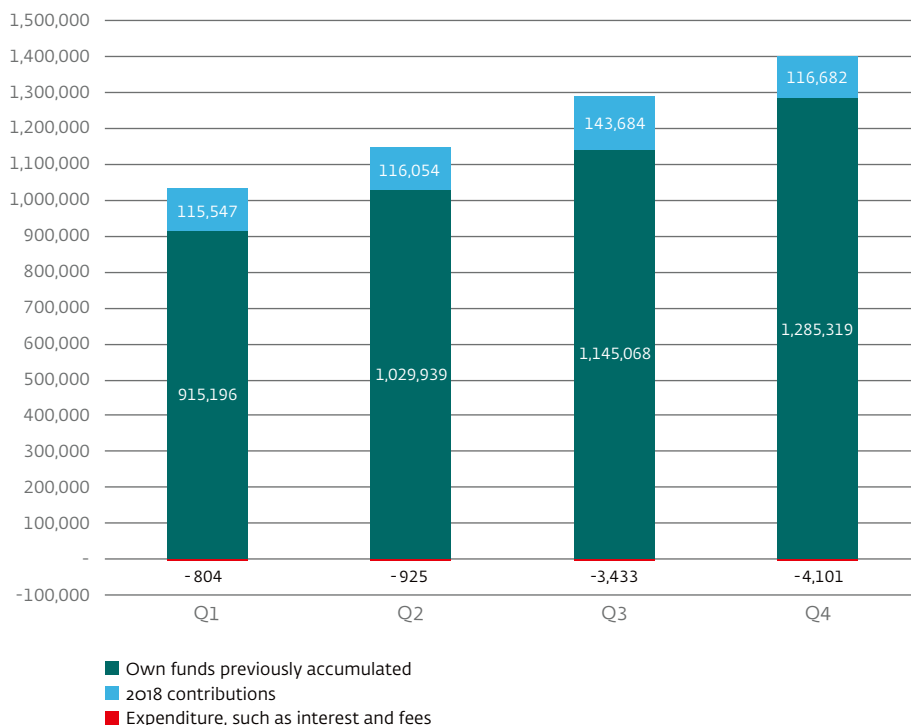
6 Based on the current volume of aggregate guaranteed deposits, contributions currently total between EUR 450 and EUR 500 million per annum. Taking into account 2-4% growth in the volume of guaranteed deposits, own funds are expected to reach the target level of EUR 4.5 to 5 billion by mid-2024.

The DGF's expenditure items include negative interest payable, as well as a fee owed to a banking consortium, since the third quarter of 2018, for a credit line which the DGF obtained in mid-2018 to strengthen its funding capacity (see below).

No amounts were withdrawn from the DGF's own funds to finance the DGS or deploy resolution instruments in the year under review.

Figure 1 Accumulation of the DGF's own funds in 2018

EUR thousands



Available financial resources, extraordinary contributions and advance payments, and backstop funding

7

Liquid assets stood at around EUR 1,130 million as at 31 December 2018. This is sufficient to compensate covered depositors directly in more than half of the cases in which a single bank were to fail. The difference with own funds is accounted for by the fact that the contributions for the third and fourth quarters of 2018 were collected in 2019.

In the event that several banks should fail simultaneously or a larger bank should fail, the DGF's own funds are insufficient to provide full compensation for all covered depositors, but the DGF is still responsible for funding such compensation.

If the DGF should establish that its financial resources are insufficient, it will notify DNB, which may decide to levy extraordinary contributions from the banks. Since mid-2018, DNB has been authorised to collect advance payments for extraordinary contributions.⁴ In levying extraordinary contributions, DNB takes account of each bank's liquidity and solvency positions. Incidentally, the volume of the extraordinary contributions charged is limited to 0.5% of a bank's guaranteed deposit base each year, which currently provides a maximum contribution potential of around EUR 2.5 billion.⁵

The DGF can enter into agreements to secure third-party funding, given the likelihood that extraordinary contributions are not instantly available in the form of advance payments or are still inadequate. To bolster the DGF's financing capability, it obtained a EUR 3 billion credit line commitment in 2018 from a consortium of four Dutch banks, which are ABN AMRO Bank, ING Bank, Rabobank and Volksbank. Its term is five years, with two consecutive one-year renewal options. The commitment fee which the DGF pays is in line with market practice. The credit line, together with the option of levying advance payments for extraordinary contributions, ensures that the DGF's funding capacity is sufficient in more than 75% of the cases in which a single bank were to fail.

In addition, further terms and conditions have been drawn up subject to which the Ministry of Finance may provide an overdraft credit facility to the DGF as part of the treasury banking arrangements (see below). This will allow any remaining liquidity shortfall to be made up for a limited amount of time. If needed, the DGF may request the Minister of Finance to permit a positive credit limit for the current account.

⁴ The Amended Financial Markets Decree 2018 (*Herstelbesluit Financiële Markten 2018*) as published in the Government Gazette on 27 July 2018 amended the *Bbpm* and added Section 29.14a, which reads as follows: 1. If an extraordinary contribution is levied from a bank, pursuant to Section 29.14, De Nederlandsche Bank may instruct the bank to make an advance payment. 2. The advance payment made will be deducted from the extraordinary contributions payable pursuant to Section 29.14.

⁵ See Annex D for the calculation of extraordinary contributions.

8

The Dutch DGS also covers deposits held with branches of Dutch banks located in other EU Member States. In such a case, the DGF in the Netherlands funds compensation payments, which 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 2015 DGS Directive, which obliges national DGS authorities to make mutual home-host working arrangements. Such mandatory cooperation between national deposit guarantee schemes in Europe is of the utmost importance to the Dutch DGS, as no other scheme has so many home-host relations as the Dutch scheme. Meanwhile, the Dutch DGS and DGF have entered into collaboration agreements with the principal relations. They signed the multilateral agreement of the European Forum of Deposit Insurers (EFDI) earlier, and in 2018, bilateral agreements were signed with counterparts in Germany, Belgium and Malta. Work is under way on reaching agreement with deposit guarantee schemes in various other countries.

Investment policy, risk management and audit

In 2018, the Ministry of Finance definitively designated the DGF, as an entity under public law, for participation in treasury banking. This means that the DGF's liquid assets must be held in a current account with the National Treasury. Following the designation, the DGF worked alongside the Dutch State Treasury Agency to operationalise treasury banking. Procedural arrangements were made to ensure that the DGF's financial resources are readily available once the DGS is activated with respect to a failing bank. Treasury banking was implemented and the liquid assets credited to the Treasury current account in the fourth quarter of 2018. Until then, they were held in a current account with DNB.

Drills are held from time to time to ensure that the DGF is well-prepared for a crisis situation. In 2018 the DGF participated in a crisis drill which DNB organised to submit a payment scenario to a practical test. The DGF made financial resources available as part of this test. The drill showed that the DGF is capable of furnishing the available financial resources in good time, as well as revealing several points for improvement in terms of the process set-up.

The DGF has outsourced its accounting processes to DNB. To that end, it has entered into a partnership 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. To do so, DNB has an integrated risk management framework and policy in place.

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

The DGF's governance

The DGF is represented by the Management Board, which, in addition to the Chair, has two members. DNB appoints, remunerates, suspends and dismisses them, as well as establishing who of them is appointed Chair. They are appointed for a period of four years, with the option of reappointment.⁶

At the time of the adoption of the 2018 financial statements, the members of the Management Board were:

- Jan Marc Berk - Chair
- Bert Boertje
- Martin Heerma

DNB supports the DGF in performing its task, providing the resources and services needed, including keeping its financial accounts. A collaboration protocol sets out the support which DNB provides. With respect to the management of its financial resources, the DGF entered into an asset management agreement with DNB in 2016. Owing to the transition towards treasury banking, this agreement was terminated in mutual consultation.

Outlook

The Management Board charter and the collaboration protocol concluded with DNB will be modified in 2019 for various reasons, including the DGF's participation in treasury banking. Various other developments in the DGF's external environment may also have an impact. For example, Brexit may affect the DGF, in particular because the composition of the group of banks covered may change.

Furthermore, the European Commission, supported by the EBA, will report on progress with implementation of the DGS Directive in 2019. Its report to the European Parliament and the European Council may prompt amendments to the Directive, which may affect the accumulation of the DGF and the future funding of the DGS.

In due course, when a European deposit insurance scheme (EDIS) becomes operational, national guarantee funds will gradually be replaced in whole or in part by a European fund.

⁶ The Amended Financial Markets Decree 2018 (Herstelbesluit Financiële Markten 2018) explicitly lays down these provisions in Section 29.20(1) of the Bbpm.

Signatures of the Management Board members

Amsterdam, 12 March 2019

The Management Board of the Deposit Guarantee Fund

Jan Marc Berk

Bert Boertje

Martin Heerma

Financial statements

Balance sheet as at 31 December 2018 (following appropriation of the result)

11

EUR thousands

	<u>31-12-2018</u>	<u>31-12-2017</u>		<u>31-12-2018</u>	<u>31-12-2017</u>
Assets			Liabilities		
1 Current account deposits	1,132,914	800,429	1 Own funds	1,397,900	915,196
2 Accounts receivable	267,155	115,047	2 Accounts payable	2,169	280
2.1 Contributions	260,282	115,015			
2.2 Prepaid expenses	6,851	-			
2.3 Other receivables	22	32			
Total assets	1,400,069	915,476	Total liabilities	1,400,069	915,476

Statement of income and expenditure for 2018

EUR thousands

	<u>2018</u>	<u>2017</u>
Income		
1 Contributions	491,967	469,280
2 Reimbursement of costs	100	41
Total income	492,067	469,321
Expenses		
3 Credit line expenses	-6,027	-
4 Interest expenses	-3,314	-2,092
5 Bank charges	-1	-1
6 Audit fee	-12	-12
7 Other expenses	-9	-29
Total expenses	-9,363	-2,134
Result for the year	482,704	467,187

Statement of cash flows for 2018

EUR thousands

	2018	2017
1 Cash flows from operations	332,485	463,462
1.1 <i>Result</i>	482,704	467,187
1.2 <i>Movements in accounts receivable</i>	-152,108	-3,911
1.3 <i>Movements in accounts payable</i>	1,889	186
2 Cash flows from investment	-	-
3 Cash flows from financing	-	-
Movements in current account deposit	332,485	463,462

Notes to the balance sheet as at 31 December 2018 and statement of income and expenditure for 2018

Accounting policies

The 2018 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 Code⁷ was applied correspondingly. In addition, the Dutch Accounting Standards (*Richtlijnen voor de Jaarverslaggeving – RJ*) were applied to the extent relevant to the DGF.

Accounts receivable and payable

The accounts receivable as current account balances and other receivables, as well as accounts payable, are presented at their nominal amounts.

Income and expenses

Income and expenses are recognised in the financial year in which they are received or paid.

The DGF receives quarterly contributions the amounts of which are set by DNB.⁸

Taxes

The DGF is not liable to pay corporation tax.

⁷ The relevant sections of the Kzbo are listed in the Bbpm, Bulletin of Acts, Orders and Decrees 2015, no. 433.

⁸ Pursuant to Section 29.12(2) of the Decree on Special Prudential Measures, Investor Compensation and Deposit Guarantees under the Wft (Besluit bijzondere prudentiële maatregelen, beleggerscompensatie en depositogarantie Wft – Bbpm)

Notes to the balance sheet

ASSETS

1. Current account deposits

This item, amounting to EUR 1,132,914,000 as at 31 December 2018 (31 December 2017: EUR 800,429,000) consists of deposits held at the Dutch State Treasury Agency of EUR 1,132,904,000 and deposits held at DNB of EUR 10,000. Treasury banking was implemented and almost all liquid assets credited to the Treasury current account in November 2018. Of the amount held with the Agency, EUR 50,000 is withdrawable on demand. Amounts in excess of this threshold are withdrawable on an overnight basis. The amount held with DNB is withdrawable on demand. As at 31 December 2018, interest was 0.0% at the Agency and -0.4% at DNB (31 December 2017: -0.4%).

2. Accounts receivable

Accounts receivable, amounting to EUR 267,155,000 as at 31 December 2018 (31 December 2017: EUR 115,047,000) can be broken down as follows:

- 1.1 Contributions: EUR 260,282,000 (31 December 2017: EUR 115,015,000). These are the contributions receivable for the third and fourth quarters of 2018. In 2017, they were the contributions receivable for the fourth quarter.
- 1.2 Prepaid expenses: EUR 6,851,000 (31 December 2017: nil). These are the expenses incurred in securing a credit line commitment from four Dutch large banks. Under the agreement concluded, the DGF can draw on a maximum EUR 3 billion credit line during five years. The DGF did not draw on the credit line in 2018.
- 1.3 Other receivables: EUR 22,000 (31 December 2017: EUR 32,000). This concerns reimbursement to be received of costs incurred⁹. At 31 December 2018, these were EUR 10,000 in credit line expenses and EUR 12,000 in audit fees.

⁹ DNB reimburses the DGF for the costs incurred. Pursuant to the Financial Supervision Funding Act, DNB will recover these costs from the financial sector.

LIABILITIES

1. Own funds

The result for 2018 was added to own funds in full. Following appropriation of the result, own funds stood at EUR 1,397,900,000 as at 31 December 2018 (31 December 2017: EUR 915,196,000).

EUR thousands

	Total own funds	<i>Individualised component</i>	<i>Collective component</i>
Balance as at 31 December 2016	448,009	224,158	223,851
Result for the year 2017	467,187	234,478	232,709
Balance as at 31 December 2017	915,196	458,636	456,560
Result for the year 2018	482,704	241,952	240,752
Balance as at 31 December 2018	1,397,900	700,588	697,312

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 fund's individualised component. The own fund's collective component comprises the risk-based contributions paid by the banks.

In addition to the contributions, a negative result remains of EUR 9,263,000 (2017: EUR 2,093,000). It consists of the credit line expenses of EUR 5,948,000 (2017: nil), interest expenses of EUR 3,314,000 (2017: EUR 2,092,000) and bank charges of EUR 1,000 (2017: 1,000), and it was allocated to the two components of own funds on a pro rata basis.

Own funds were not used to make DGS payments in 2018. The *Wft*¹⁰ describes exhaustively for which purposes DNB may request the DGF to apply its own funds.

2. Accounts payable

Accounts payable, amounting to EUR 2,169,000 as at 31 December 2018 (31 December 2017: EUR 280,000). These are credit line expenses payable of EUR 2,156,000 (31 December 2017: EUR 20,000), the fee of the independent auditor of EUR 12,000 (2017: EUR 12,000) and interest expenses payable of EUR 1,000 (31 December 2017: EUR 248,000).

¹⁰ 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. 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 2018.

Notes to the statement of income and expenditure

1. Contributions

Income from contributions was EUR 491,967,000 in 2018 (2017: EUR 469,280,000).

This amount mainly comprises the banks' contributions paid in the four quarters of 2018.

The population of banks whose deposits are guaranteed under 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 rules¹¹, if a bank or a part thereof discontinues its participation in a country's DGS and joins another country's DGS, the first DGS must transfer the contributions received during the twelve months before the discontinuation to the second DGS on a pro rata basis. Within this context, the DGF received EUR 84,000 from deposit guarantee funds in other EU Member States in 2018.

2. Reimbursement of costs

DNB reimburses the DGF for the costs incurred, which were EUR 100,000 in 2018 (2017: EUR 41,000). Pursuant to the Financial Supervision Funding Act, DNB will recover these costs from the financial sector. DNB reimburses the DGF for the costs detailed under "Other expenses" and "Audit fees" for 2018. 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 6,027,000 in 2018 (2017: nil). They can be broken down into the expenses related to concluding the credit line agreement, of EUR 649,000, the expenses related to the availability of backstop funding, of EUR 5,299,000, and expenses incurred for coordination and execution of the credit line agreement, of EUR 79,000.

4. Interest expenses

The interest expenses were EUR 3,314,000 in 2018 (2017: EUR 2,092,000). The increase in interest expenses was entirely caused by the growth in average funds held in current account with DNB. The DGF owes interest at the deposit facility rate, if this is negative, on the current account deposits held with DNB. DNB charged interest at -0.4% in 2018 (2017: -0.4%). Interest on the deposits held in the Ministry of Finance current account stood at 0.0% in 2018.

5. Bank charges

The DGF was charged a fee of EUR 1,000 for holding funds in the DNB current account in 2018 (2017: EUR 1,000).

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

6. Audit fee

The fee of the independent auditor amounts to EUR 12,000 (2017: EUR 12,000). This relates solely to the audit of the financial statements.

7. Other expenses

Other expenses amounted to EUR 9,000 in 2018 (2017: EUR 29,000). These are fees and charges for the use of bank accounts and payment systems.

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 directly¹². 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

The members of the Management Board were appointed for a period of four years, with effect from 19 April 2016. During the period under review, membership of the Management Board was as follows:

- Jan Marc Berk - *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 2018. There were no loans outstanding to members of the Management Board as at 31 December 2018.

Related parties

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

¹² Pursuant to the Financial Supervision Funding Act, DNB will recover these costs from the financial sector.

Notes to the statement of cash flows

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

1. Cash flows from operations

Cash flows from operations of EUR 332,485,000 (2017: EUR 463,462,000) can be broken down as follows:

- 1.1 Operational result: EUR 482,704,000 (2017: EUR 467,187,000).
This is the result as stated in the statement of income and expenditure.
- 1.2 Movement in accounts receivable: EUR -152,108,000 (2017: EUR -3,911,000).
This concerns a movement in contributions receivable (EUR -145,268,000), prepaid expenses (EUR -6,851,000) and other receivables (EUR 10,000) as detailed in item 2 under "Assets" of the notes to the balance sheet.
- 1.3 Movement in accounts payable: EUR 1.889,000 (2017: EUR 186,000).

This concerns a movement in credit line expenses payable (EUR 2,137,000) and interest payable (EUR -247,000) 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 result for the 2018 financial year has been added to own funds.

Events after the balance sheet date

There were no notable events after the balance sheet date.

Signing of the financial statements

Amsterdam, 12 March 2019

The Management Board of the Deposit Guarantee Fund

Jan Marc Berk

Bert Boertje

Martin Heerma

Other information

Independent auditor's report

21

To the Management Board of the Deposit Guarantee Fund

Report on the financial statements for 2018 as set out in the Annual Report

Our opinion

We have audited the 2018 financial statements of the Deposit Guarantee Fund in Amsterdam. In our opinion, the financial statements set out in this annual report fairly present the financial position of the Deposit Guarantee Fund's own funds as at 31 December 2018 and the result for the financial year then ended, in accordance with Part 9 of Book 2 of the Dutch Civil Code and the provisions of and pursuant to the Public and Semi-public Sector Executives Remuneration (Standards) Act (*Wet bezoldiging topfunctionarissen publieke en semipublieke sector – WNT*).

The financial statements comprise:

1. the balance sheet as at 31 December 2018;
2. the statement of income and expenditure for 2018; 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 Audit Protocol under the WNT. 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.

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 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 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 and the provisions of and pursuant to the *WNT*. 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 Deposit Guarantee 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 Deposit Guarantee Fund's ability to continue as a going concern in the financial statements.

The Management Board is responsible for exercising supervision on the financial reporting process of the Deposit Guarantee Fund.

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 these 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 Deposit Guarantee 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 Deposit Guarantee 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

24

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 Deposit Guarantee 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.

Amsterdam, 12 March 2019
Deloitte Accountants B.V.

Ronald Spijker

DeNederlandscheBank

EUROSYSTEEM

De Nederlandsche Bank N.V.
PO Box 98, 1000 AB Amsterdam
+31 20 524 91 11
dnb.nl