Annual Report for 2019
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
PO Box 98, 1000 AB Amsterdam
Westeinde 1, 1017 ZN Amsterdam

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 2019. 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 2020[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 to fund the Dutch deposit guarantee scheme (DGS). The DGS protects deposits held at banks holding a Dutch banking licence and other banks that mandatorily participate in the DGS. It guarantees an amount of up to EUR 100,000 per depositor per bank. The DGF is a legal entity incorporated under public law with registered office in Amsterdam. The DGF's task is to manage the available financial means which may be 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.

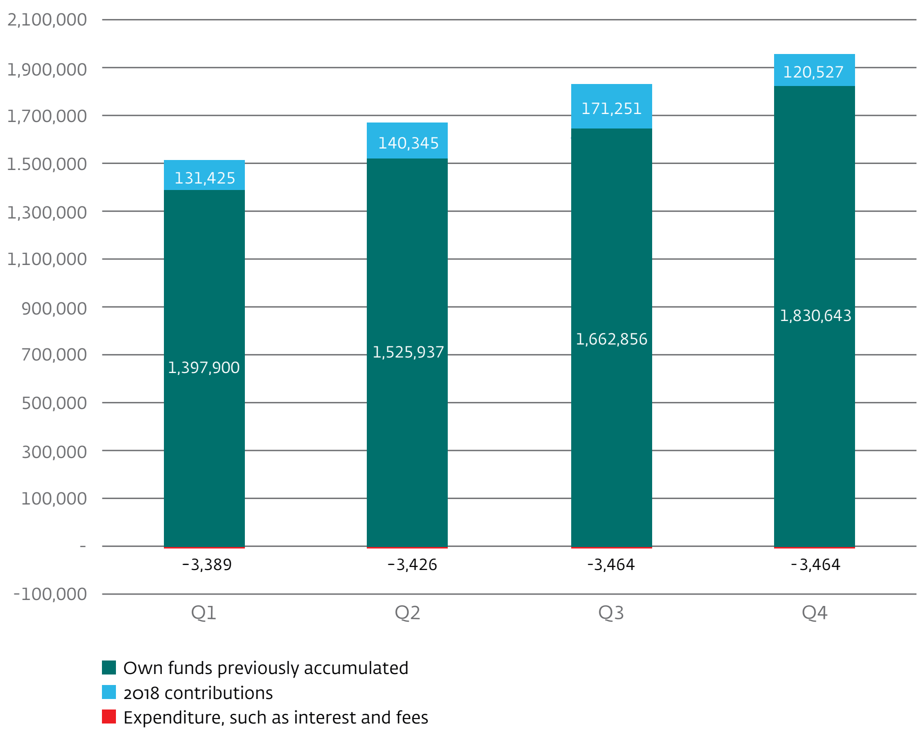
Accumulation of own funds

Since 2016, banks established in the Netherlands have paid quarterly contributions to the DGF. The DGF is a fund created from these contributions on an ex ante basis to fund compensation to depositors if a bank should fail. The accumulation of the DGF's own funds is determined by Dutch law. An individual bank's contribution depends on the balance of its deposits as guaranteed under the DGS (the deposit base) and its risk profile, also relative to the risk profiles of the other banks covered by the DGS.[2] In 2019, DNB set the banks' contributions at EUR 564 million and added these to own funds, against EUR 492 million in 2018 (+15%). The increase is related to the further growth in guaranteed deposits. These had reached EUR 514.9 billion by 30 September 2019, which is the reference date for setting the final quarterly contribution for 2019. The 4.4% growth in 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 figure below shows the development in own funds in 2019. As at 31 December 2019, own funds stood at EUR 1,948 million.

2 DNB sets the contributions in accordance with Annex 1 to the Bbpm.

Figure 1 Changes in the DGF's own funds in 2019
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 in case the available financial means should prove insufficient. No amounts were withdrawn from the DGF's own funds to finance the DGS or deploy resolution instruments in the year under review. 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[3] stood at EUR 1,824 million as at 31 December 2019 (31 December 2018: EUR 1,133 million). The increase in available financial means[4] has further enhanced the DGF's financial effectiveness. This is sufficient to pay the full compensation amounts to covered depositors of 60% of the banks participating in the DGS in cases in which a single bank were to fail. It should be noted that a proportion of the remaining banks would not be wound down but put into resolution instead if they were to fail.

The DGF's financial effectiveness goes beyond the amount of its liquid assets. If its available financial means should prove insufficient, it can levy extraordinary contributions after a DGS pay-out.[5] DNB sets the amounts and payment deadlines of such ex post contributions, taking account of market conditions and the solvency and liquidity positions of the individual banks. 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 2.6 billion.

Where circumstances permit, DNB can, when the DGF needs to make payments to depositors, ask the banks to make advance payments for the extraordinary contributions to ensure the DGF has sufficient financial means readily available for a pay-out. In addition, the DGF secured a EUR 3 billion credit line commitment in 2018 from a consortium of four Dutch banks. It pays a commitment fee for this. The term of the credit line is five years, with one-year and two-year renewal options in the first two years.

The facility is designed to help bridge the period until all remaining extraordinary contributions have been collected. The credit line ensures that the DGF's funding capacity is sufficient in most cases in which a single bank were to fail. If it should transpire that insufficient resources can be mobilised, even with the use of the credit line, the DGF may request the Minister of Finance for a current account overdraft as a last resort, for which interest would be due.

3 The discrepancy with own funds is mainly attributable to the fact that the contributions imposed in the fourth quarter were collected in January 2020.
4 As defined in the European Deposit Guarantee Scheme Directive (DGSD).
5 Section 29.14 of the Bbpm.

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

The DGF has held its liquid assets in a current account with the National Treasury since late 2018. As a result, the DGF is not exposed to any material interest rate risk[6] 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. In 2019 it successfully tested the use of the credit line by drawing a small amount and redeeming the loan shortly thereafter.

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 collaboration protocol concluded with DNB and the Management Board charter were modified in 2019 due to the DGF's transition towards treasury banking in late 2018.

The Management Board has instructed an independent auditor to audit the financial statements. See the independent auditor's report on page 20.

Governance

The DGF is represented by the Management Board, which, in addition to the Chair, has two members. DNB decides on the appointment, remuneration, suspension and dismissal of board members, and appoints the Chair. Members have been appointed for a period of four years, with the option of reappointment. At the time of the adoption of the 2019 financial statements, the members of the Management Board were:

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

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

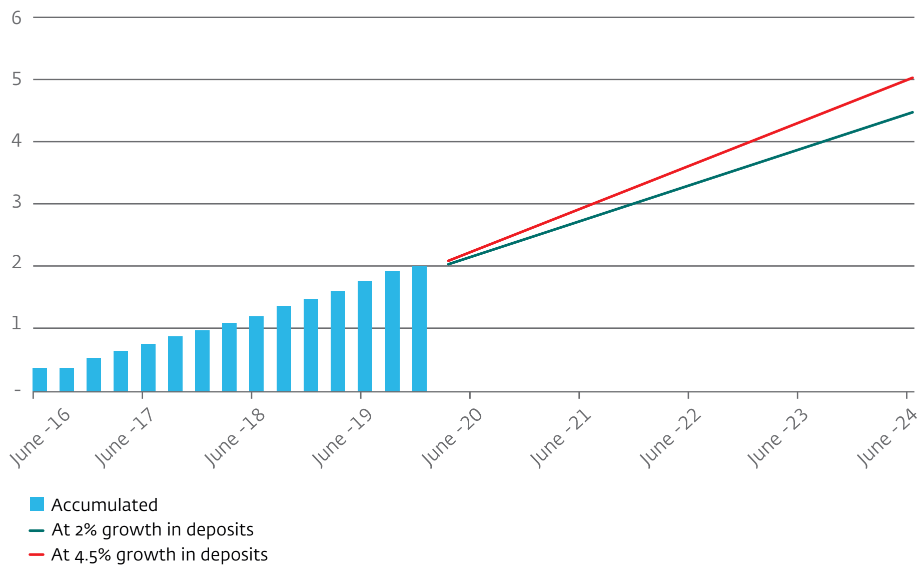
The DGF does not employ any staff. DNB supports the DGF in performing its task, providing the resources and services needed, including keeping its financial accounts.

Outlook

The DGF's own funds is set to grow gradually over the years ahead. By mid-2024, the available financial means must amount to 0.8% of the aggregate guaranteed deposits[7]. Assuming sustained growth in guaranteed deposits at a rate of around 3% per annum, own funds will reach a target volume of EUR 4.5 to 5.0 billion (see Figure 2). The Management Board will consider in 2020 what alternative funding arrangements will be needed when the credit line expires in 2023 and whether the DGF wishes to make use of the option to extend the maturity by one or two years.

Figure 2 Projected available financial means

EUR billions



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

In 2020 the European Commission is expected to issue a report and a legislative proposal with regard to the European DGS Directive (DGSD), setting out rules and procedures for setting up and operating deposit guarantee schemes, including coverage levels, repayment periods and funding methods. The European Banking Authority (EBA) supports the Commission in the possible revision of the DGSD, for which it issued two Opinions in 2019. It will issue a third and final Opinion in 2020, dealing with funding of DGSs and the use of DGS funds. The whole process could have an impact on the Dutch DGF. In due course, the creation of a European Deposit Insurance Scheme (EDIS) could impact the way DGS payments are funded.

Signatures of the Management Board members

Amsterdam, 11 March 2020
The Management Board of the Deposit Guarantee Fund

Jan Marc Berk | Bert Boertje | Martin Heerma

Financial statements

Balance sheet as at 31 December 2019 (following appropriation of the result)

EUR thousands

	31-12-19	31-12-2018		31-12-2019	31-12-2018
Assets			**Liabilities**		
1 Receivables	127,574	267,155	1 Own funds	1,947,707	1,397,900
1.1 Accounts receivable	-	*143,684*			
1.2 Accruals and prepaid expenses	*127,574*	*123,471*	2 Current liabilities	3,875	2,169
2 Current account deposits	1,824,008	1,132,914	*2.1 Accruals and income collected in advance*	*3,875*	*2,169*
Total assets	**1,951,582**	**1,400,069**	**Total liabilities**	**1,951,582**	**1,400,069**

Statement of income and expenditure for 2019

EUR thousands

	2019	2018
Income		
1 Contributions	563,549	491,967
2 Reimbursement of costs	38	100
Total income	**563,587**	**492,067**
Expenses		
3 Credit line expenses	-13,752	-6,027
4 Interest expenses	0	-3,314
5 Bank charges	-	-1
6 Audit fee	-18	-12
7 Other expenses	-10	-9
Total expenses	**-13,780**	**-9,363**
Result for the year	**549,807**	**482,704**

Statement of cash flows for 2019

EUR thousands

	2019	2018
1 Cash flows from operations*	691,094	332,485
1.1 Result	*549,807*	*482,704*
1.2 Movements in receivables	*139,581*	*-152,108*
1.3 Movements in current liabilities	*1,706*	*1,889*
2 Cash flows from investment	-	-
3 Cash flows from financing	-	-
Movements in current account deposit	**691,094**	**332,485**

* In 2019 interest payments were EUR 1,000 (2018: EUR 3,562,000).

Notes to the balance sheet as at 31 December 2019 and statement of income and expenditure for 2019

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 2019 financial statements were prepared using the going concern basis of accounting.

Accounting policies

The 2019 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[8] was applied correspondingly. In addition, the Dutch Accounting Standards (*Richtlijnen voor de Jaarverslaggeving – RJ*) were applied to the extent relevant to the DGF.
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.

Income and expenses

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.[9] 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, a proportionate share of its contributions is transferred.[10]

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.

8 The relevant sections of the *Kzbo* are listed in the *Bbpm*, Bulletin of Acts, Orders and Decrees 2015, no. 433.
9 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)*
10 See Article 14(3) of the DGS Directive, which was transposed to Dutch law in Section 29.20 of the *Bbpm*.

Notes to the balance sheet

ASSETS

1. Receivables

Receivables, amounting to EUR 127,574,000 as at 31 December 2019 (31 December 2018: EUR 267,155,000) can be broken down as follows:

1.1 Accounts receivable: nil (31 December 2018: EUR 143,684,000). In 2018, these were the contributions receivable for the third quarter.

1.2 Accruals and prepaid expenses: EUR 127,574,000 (31 December 2018: EUR 123.471,000). These are unbilled contributions for the fourth quarter of 2019 in the amount of 122,199,000 (31 December 2018: EUR 116,598,000), prepaid commitment fees for the credit line secured from four Dutch large banks amounting to EUR 5,352,000 (31 December 2018: EUR 6,851,000) and other receivables of EUR 23,000 (31 December 2018: EUR 22,000).

2. Current account deposits

This item, amounting to EUR 1,824,008,000 as at 31 December 2019 (31 December 2018: EUR 1,132,914,000) consists of deposits held at the Dutch State Treasury Agency of EUR 1,823,999,000 (31 December 2018: EUR 1,132,904,000) and deposits held at DNB of EUR 9,000 (31 December 2018:. EUR 10,000). 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. As at 31 December 2019, interest was 0.0% at the Agency (31 December 2018. 0.0%).

LIABILITIES

1. Own funds

The result for 2019 was added to own funds in full. Following appropriation of the result, own funds stood at EUR 1,947,707,000 as at 31 December 2019 (31 December 2018: EUR 1,397,900,000).

EUR thousands

	Total own funds	*Individualised component*	*Collective component*
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***
Result for the year 2019	549,807	*274,700*	*275,107*
Balance as at 31 December 2019	**1,947,707**	***975,288***	*972,419*

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.

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 the DGF's own funds should be insufficient, it will recover deficits from the banks[11].

In addition to the contributions, a negative result remains of EUR 13,742,000 (2018: EUR 9,263,000). It consists of the credit line commitment fees, 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 2019. The Financial Supervision Act (*Wet financieel toezicht – Wft*)[12] 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 3,875,000 as at 31 December 2019 (31 December 2018: EUR 2,169,000). These are credit line expenses payable of EUR 2,185,000 (31 December 2018: EUR 2,156,000), contributions to deposit guarantee schemes in other EU Member States of EUR 1,672,000 (31 December 2018: nil), and the fee of the independent auditor of EUR 18,000 (31 December 2018: EUR 12,000).

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 2019.

11 Section 3:259(2) of the *Wft*.
12 Section 3:259a of the *Wft*

Notes to the statement of income and expenditure

1. Contributions

Income from contributions was EUR 563,549,000 in 2019 (2018: EUR 491,967,000). This amount mainly comprises the banks' contributions paid in the four quarters of 2019.

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 rules[13], 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. In 2019, EUR -2,437,000 was recognised in 2019 (2018: EUR 84,000).

2. Reimbursement of costs

DNB reimburses the DGF for the costs incurred, which were EUR 38,000 in 2019 (2018: EUR 100,000). 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 2019. 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 13,752,000 in 2019 (2018: EUR 6,027,000). They can be broken down into the expenses related to concluding the credit line agreement, of EUR 1,499,000 (2018: EUR 649,000)[14], the expenses related to the availability of backstop funding, of EUR 12,243,000 (2018: EUR 5,299,000), and expenses incurred for coordination and execution of the credit line agreement, of EUR 10,000 (2018: EUR 79,000).

4. Interest expenses

The interest expenses were nil in 2019 (2018: EUR 3,314,000). De reduction in interest expenses was caused by the fact that almost all funds were transferred from the current account held with DNB to one held at the Dutch State Treasury Agency in November 2018. The interest rate on the Agency's current account was 0.0% in 2019 (2018: 0.0%).

---

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

14 While the costs for concluding the credit agreement were incurred in 2018 they are recognised over the term of the agreement.

5. Bank charges

The DGF was charged a fee of nil for holding funds in the DNB current account in 2019 (2018: EUR 1,000).

6. Audit fee

The fee of the independent auditor amounts to EUR 18,000 (2018: EUR 12,000). This relates solely to the audit of the financial statements for the 2019 financial year.

7. Other expenses

Other expenses amounted to EUR 10,000 in 2019 (2018: EUR 9,000). These are fees and charges for the use of 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 directly[15]. 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 in 2016.[16] 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 2019. There were no loans outstanding to members of the Management Board as at 31 December 2019.

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.

---

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

16 Jan Marc Berk and Bert Boertje were appointed with effect from 19 April 2016, and Martin Heerma was appointed with effect from 27 June 2016.

Notes to the statement of cash flows

1. Cash flows from operations

Cash flows from operations of EUR 691,094,000 (2018: EUR 332,485,000) can be broken down as follows:

1.1 Operational result: EUR 549,807,000 (2018: EUR 482,704,000).
This is the result as stated in the statement of income and expenditure.

1.2 Movement in receivables: EUR 139,581,000 (2018: EUR -152,108,000).
This concerns a movement in accounts receivable (EUR 143,684,000) and in accruals and prepaid expenses (EUR -4,103,000) as detailed in item 1 under "Assets" of the notes to the balance sheet.

1.3 Movement in current liabilities: EUR 1,706,000 (2018: EUR 1,889,000).
This concerns movements in contributions payable to deposit guarantee funds of other EU Member States (EUR 1,672,000), credit line expenses payable (EUR 29,000), external audit fees payable (EUR 6,000) and other expenses 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 result for the 2019 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, 11 March 2020
The Management Board of the Deposit Guarantee Fund

Jan Marc Berk | 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 2019 of the Deposit Guarantee Fund ("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 2019 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 normering topinkomens – WNT*).

The financial statements comprise:

1. the balance sheet as at 31 December 2019;
2. the statement of income and expenditure and the statement of cash flows for 2019; and
3. the notes, comprising the notes to the financial statements, including a summary of the accounting policies, the notes to the balance sheet as at 31 December 2019 and the statement of income and expenditure and the statement of cash flows for 2019, 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 2019 WNT Audit Protocol Regulation (*Regeling Controleprotocol WNT 2019*). 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 fund in accordance with 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 2019 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)(j) 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 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 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 maintained professional scepticism throughout the audit and have, where relevant, exercised professional judgement in accordance with Dutch Standards on Auditing, the 2019 WNT Audit Protocol, 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, 11 March 2020

KPMG Accountants N.V.
Martijn Huiskers

DeNederlandscheBank

EUROSYSTEEM

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