January 2019

Covered Bond Issuance

Investor presentation

de volksbank asn bank BLGwonen RegioBank SNS

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1. Banking with a human touch

Profile of de Volksbank

Dutch retail bank with
over 3 million customers and 3 core services:
mortgages, savings and payments

de volksbank

asn bank | BLGwonen | RegioBank | SNS

Mortgages

€47bn

market share 7%

Savings

€38bn

market share 11%

Payments

1.4m

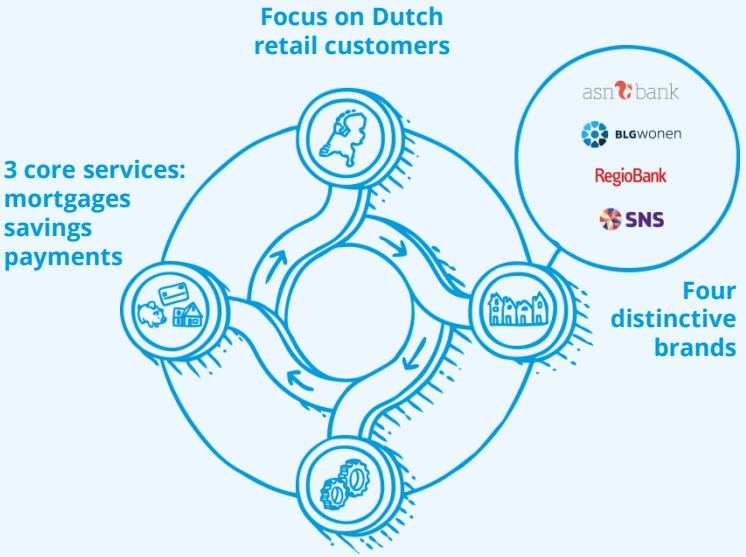
current accounts customers

market share 8%

A financially sound bank with a solid capital base

€149m
net profit

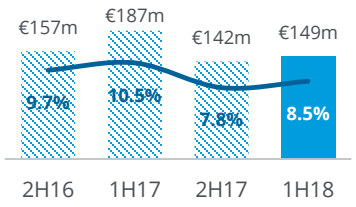
34.1%
2017 CET1 ratio



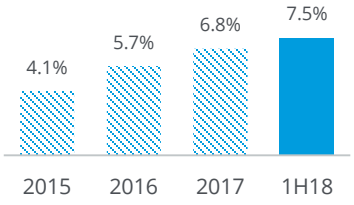
Key points first-half 2018

- **Sustained commercial growth:**
  - **Further growth retail mortgage portfolio by €880m to €46.7bn**; 12% increase in new mortgage production to €2.9bn; market share new mortgage production higher at 7.5%
  - **Net growth current account customers of 33,000 to 1.44 million**; market share in new current accounts of 23%, well above our 8% market share on a portfolio basis
- **Financial performance:**
  - **Net profit of €149m**; a decrease compared to the first half of 2017, slight increase compared to the second half of 2017; RoE of 8.5%, based on a solid capital position: CET1 ratio 34.3%; leverage ratio 5.2%
- **Several initiatives with respect to Banking with a human touch**
  - Personally approached almost 50,000 interest-only mortgage customers
  - Actively brought back 4,000 customer files from debt collection agencies
  - Introduction financial resilience objective

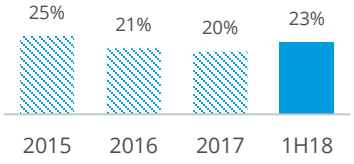
Net result and RoE



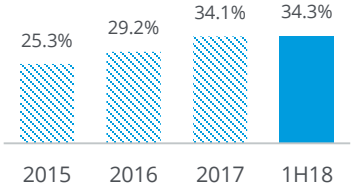
Market share
new retail mortgages



Market share
new current accounts

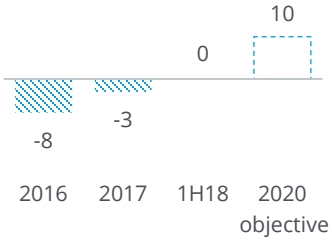


CET1 ratio



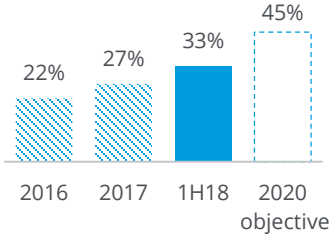
Progress in achieving our Shared Value objectives

CUSTOMER-WEIGHTED NPS



The customer-weighted NPS improves to a break-even level

CLIMATE-NEUTRAL BALANCE SHEET

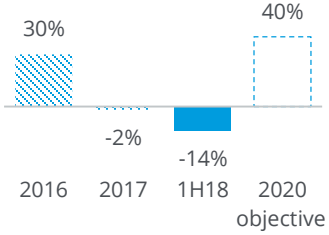


Improvement in climate-neutral balance sheet

FINANCIAL RESILIENCE

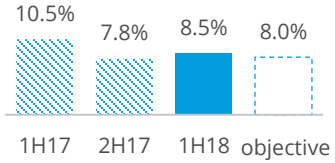
Introduction objective: in 2020 50% of our customers indicate that the bank is ready to help them when they have financial stress

EMPLOYEE NPS



Commitment (7.6) and engagement (7.4) remained stable but the employee NPS showed a decline to -14, notably due to the planned reduction in the number of jobs

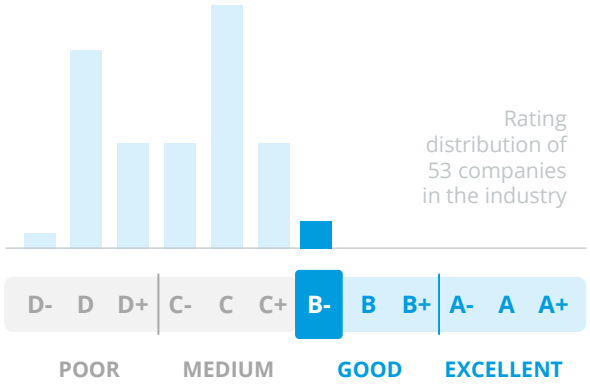
RETURN ON EQUITY



Return on equity of 8.5% against an objective of 8%

De Volksbank has a strong track record in ESG-ratings

Oekom research



Sustainalytics

90	OVERALL ESG SCORE	95	ENVIRONMENT LEADER
1/339	RELATIVE POSITION	85	SOCIAL LEADER
100th	PERCENTILE	90	GOVERNANCE LEADER

Oekom
Oekom research analyses international companies with regard to their sustainable investment policy. With a B- rating (March 2018), de Volksbank is rated among the top 3 world leaders in the financial industry in the Mortgages & Public Sector, according to oekom research. The score reflects 'the integration of sustainable and social aspects into the business operations and policies of de Volksbank'.

Sustainalytics

In December 2018, with a score of 90, de Volksbank has the highest rating for ESG performance among 341 global banks analysed by Sustainalytics. This high score is a recognition for the fact that de Volksbank takes a leading position in environmental, social and governance issues.

MSCI

In 2018, de Volksbank received a rating of A (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment.

DZ Bank

De Volksbank scores 82 points in the EESG rating model of DZ Bank. This is currently the highest EESG score within the banking sector. de Volksbank is classified as "sustainable" and has received the DZ BANK Seal of Quality for Sustainability 12/2018.

Personally approached more than 48,000 interest-only mortgage customers

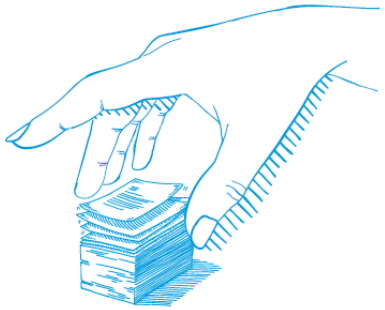
Our starting point is that customers are able to continue living in their home

- De Volksbank aims to stimulate all interest-only mortgage customers to make repayments on their loan and/or build up capital. We have taken the initiative to explain this to customers when necessary, and to offer possible solutions
- We have by now approached more than 48,000 customers and actually discussed this subject with approximately 12,500 of them
- We know there are customers who are nearing the end of their term and have not built up enough capital to repay their loan. For these customers, we will provide a suitable solution that best suits their interests. This always requires a tailored approach, as every customer situation is different. Our starting point is that these customers must be able to continue living in their home and, if necessary, we will give them more time to repay the loan

We have focused attention to customers with an interest-only mortgage. Characteristic of these mortgages is that customers are not obliged to make repayments during the mortgage term, but have to fully repay the loan at the end of the term

Other initiatives with respect to Banking with a human touch

In the first half of 2018 we introduced an objective for financial resilience: our aim for 2020 is that more than 50% of our customers will feel that the bank is there for them when they have financial stress. In the recent first measurement, 40% of our customers felt this to be true



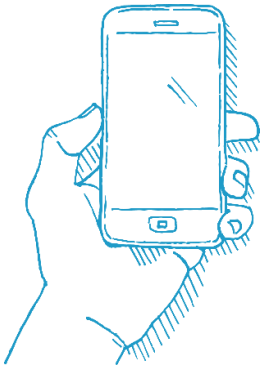
- We started to actively bring back 4,000 customer files from debt collection agencies, after we had already ceased handing over new loans in arrears in 2017
- De Volksbank has responded to the more relaxed rules of the National Mortgage Guarantee (NHG), making it possible to meet the needs of more senior customers. Our brands have been offering the special 'NHG Proposition for Seniors' since June
- In May, we announced that we would recalculate the compensation amounts for early mortgage repayment and early renewals in the period from 14 July 2011 to 14 July 2016. A total of 34,000 customers received a letter announcing the recalculation. Customers who had been overcharged according to the new calculation will get a refund
- The pilot in which financial advisers have the discretionary power to accept mortgages is successful and will be expanded
- We examined how simpler and more accessible conditions can boost people's confidence in our services. This examination has led us to adapt a number of issues in our payment and savings conditions step by step. We will do the same with our mortgage conditions

Simplifying and innovating our business operations

By simplifying and innovating our business operations, we are improving the services and processes for our customers

- Introduction of the 'Mortgage without Advice' product allowing first-time buyers in the housing market to structure and take out their mortgage online and without the involvement of a mortgage adviser
- Preparations to enable our customers to use Payconiq in the course of the second half of the year
- Second bank in the Netherlands to launch the IBAN name check
- Further development of the mortgage acceptance pilot project using AI and transaction data
- Introduced a function in the mobile banking apps of all our brands to display all customer's accounts at the various brands in a single list
- Worked on a separate main switch for customers to switch the transfer of payment data to third parties on or off at any time

At the end of 2016, we expressed the expectation that the number of jobs at de Volksbank would decrease by 800 to 900 up to and including 2020. Approximately half of this number relates to our permanent staff. The number of permanent employees has now dropped by 199, from 3,354 FTEs as at the end of 2016 to 3,155 FTEs. In the same period, the number of external staff rose by 120 FTEs to 771 to fill temporary shortages



Options for the future

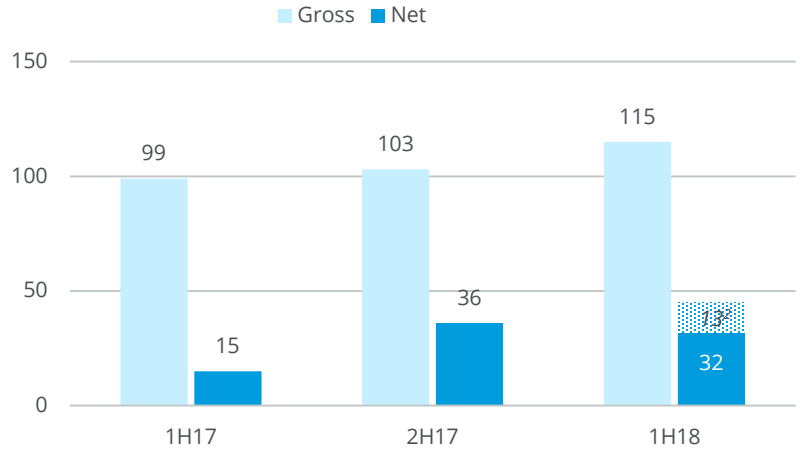
- In addition to further implementing our strategy, de Volksbank is preparing for an independent future
- In our 2017 Annual Report, we stated that as part of this, we are examining what governance structure would be most fitting for our strategy
- This examination is conducted in consultation with the Supervisory Board and NLFI
- The form and timing of de Volksbank's privatisation are yet to be determined. Decisions on both matters will be taken by the shareholder

2. Commercial developments

Customer growth driven by increase in new current accounts

Development customers

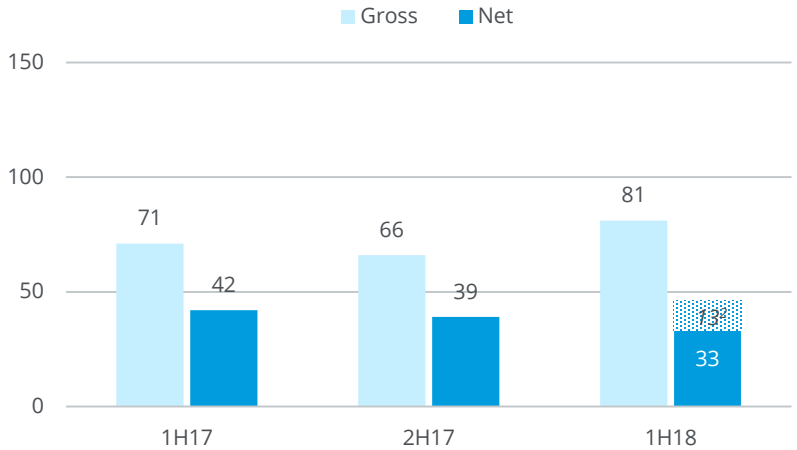
In thousands



# Customers	3,091	3,128	3,160

Development current account customers

In thousands



# Customers	1,370	1,409	1,442
Market share new current accounts[1]	20%	20%	23%

- Together, the brands of de Volksbank welcomed 115,000 new customers in 1H18 (net growth: 32,000)
- Net growth of 32,000 sharply higher than in 1H17, despite an adjustment for inoperative current account customers (-13,000), mainly due to a higher gross growth in current account customers. Also, 1H17 included a limited outflow of customers following the discontinuation of the ZwitserlevenBank proposition

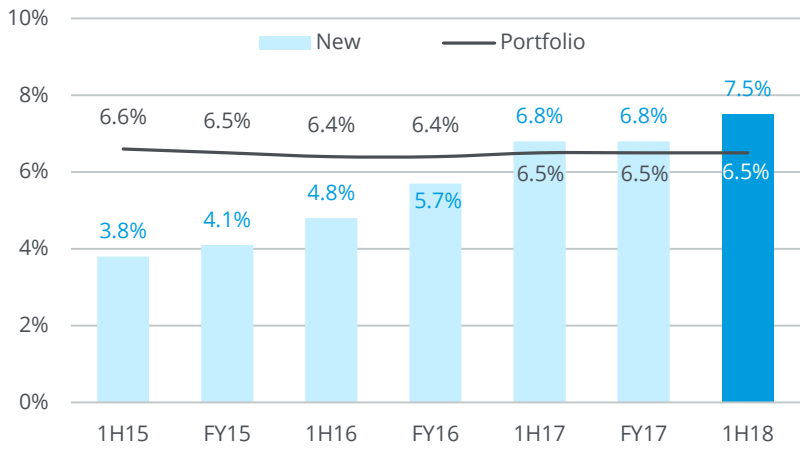
- 33,000 net new current account customers in 1H18
- In 1H18, 23% of new current accounts in the Netherlands was opened at one of our brands: this was mainly attributable to the success of creating a distinctive profile for ASN Bank, RegioBank and SNS
- On a total portfolio basis, our market share in current accounts in the Netherlands stood at 8%

[1] Market research conducted by GFK, based on Moving Annual Total (MAT) [2] Adjustment for inactive current account customers

Market share new retail mortgage production higher than market share on a total portfolio basis

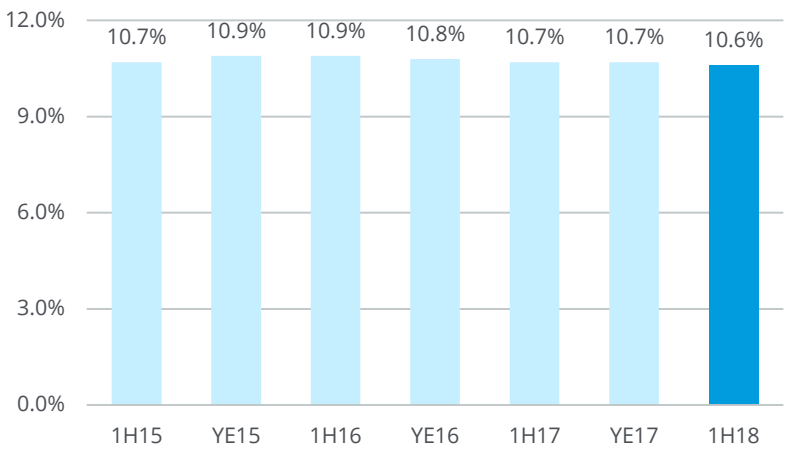
Market share retail mortgage loans[1]

In %



Market share retail savings

In %



- New retail mortgage production increased to €2.9bn (+12%). In a growing market, our market share increased to 7.5%
- On a total portfolio basis, market share in retail mortgage loans remained stable at 6.5%

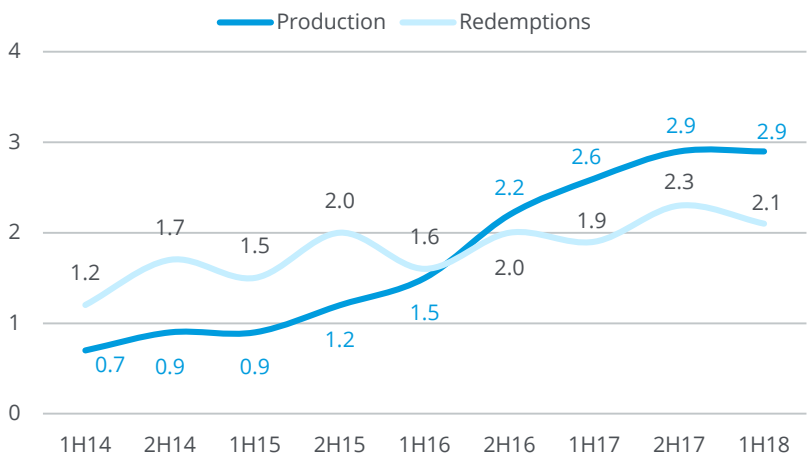
- Market share in retail savings remained virtually stable at 10.6%
- Retail savings balances increased slightly to €37.7bn, from €36.8bn at YE17

[1] Market size retail mortgages has been adjusted by CBS, historical market shares have been adjusted accordingly

Mortgage portfolio growth driven by increase in production

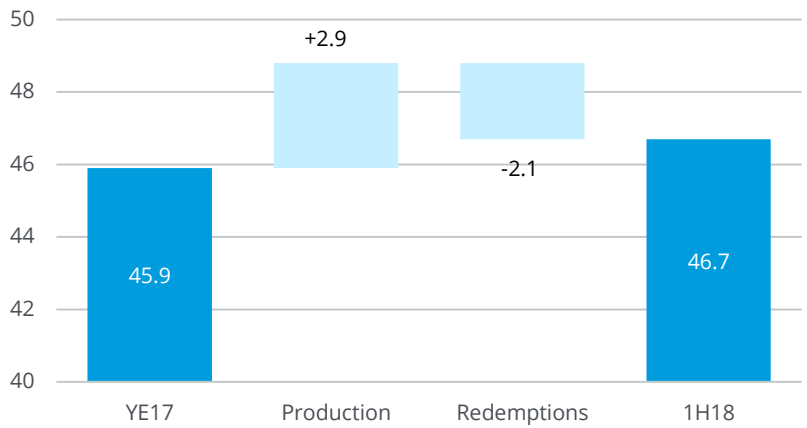
Mortgage production vs redemptions[1]

In € billions



Development gross retail mortgage portfolio 1H18[2]

In € billions



- Retail mortgage portfolio increased by €0.8bn to €46.7bn, due to the higher production (€2.9bn; +12%) and a high level of customer retention
- Total redemptions of €2.1bn were marginally up compared to 1H17 (€1.9bn), despite a slight decrease in the number of people moving. Contractual repayments gradually increased, mainly due to an increase in the share of annuity mortgages in our total portfolio
- Interest rate renewals significantly decreased to nearly €1.7bn (1H17: €3.1bn), of which 30% early renewals (1H17: 40%). Next to the decline in early renewals, regular renewals in 1H17 were relatively high because of the high mortgage production in 2007, predominantly with a fixed-rate period of 10 years

[1] 2017 figures have been adjusted [2] Conversions are excluded from production and redemptions figures

Release of provisions for loans under IFRS 9 driven by improved economic outlook; improvement quality retail mortgage loans

Loan impairment charges[1]

In € millions

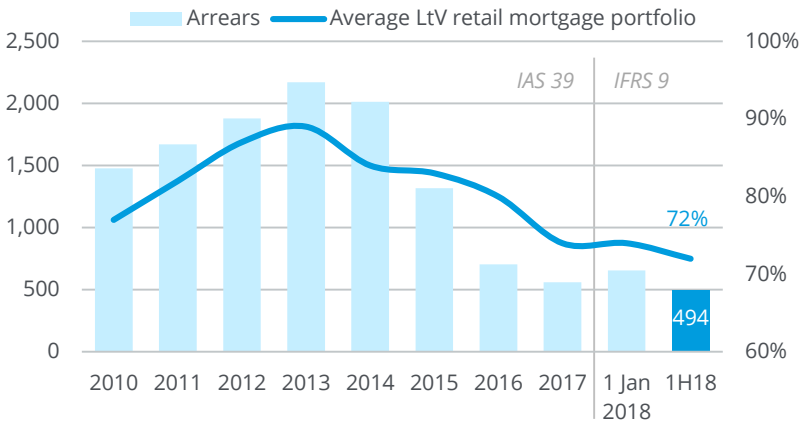
	1H17	2H17	1H18
Retail mortgage loans	-18	-3	-8
SME loans	-3	-6	-7
Retail other loans	1	5	-2
Other	--	--	1
Total loan impairment charges	**-20**	**-4**	**-16**
Cost of risk retail mortgages	-0.08%	-0.02%	-0.03%
Cost of risk total loans	-0.08%	-0.01%	-0.07%

Breakdown retail mortgage loans

In € millions

	1 Jan 18	1H18	% of total
Gross loans	45,551	46,370	100%
- of which stage 1	42,366	43,706	94.3%
- of which stage 2	2,467	2,030	4.4%
- of which stage 3	718	634	1.4%

Retail mortgages in arrears; average LtV



- In 1H18, a release from loan provisions of €16m included:
  - a release of €8m at retail mortgage loans, due to the improved economic outlook in scenarios used to determine the loan loss provision, resulting in a decrease in stage 2 loans. In addition, there was a decrease in stage 3 (default) loans, due to improved economic conditions
  - a release of €7m at SME loans, also driven by a decrease in stage 2 and stage 3 loans
  - a release of €2m at Other loans, largely attributable to lower debit balances on current accounts
- Average LtV of retail mortgage loans declined further to 72% (YE17: 74%)

[1] The 2017 figures are presented under IAS39 (impaired default loans as a % of gross loans)

3. Financial results & outlook

Key items balance sheet

Key items balance sheet

In € millions

	31 Dec 17	30 Jun 18	Δ YoY
Total assets	**60,892**	**62,534**	**+3%**
Loans and advances to customers	**49,459**	**50,197**	**+1%**
- of which retail mortgage loans	45,934	46,665	+2%
- of which retail other loans	114	95	-17%
- of which SME loans	737	713	-3%
- of which other, including (semi-) public sector loans	2,674	2,724	+2%
Loans and advances to banks	2,643	2,373	-10%
Investments	5,094	5,331	+5%
Amounts due to customers	**47,062**	**48,509**	**+3%**
- of which retail savings	36,756	37,674	+2%
- of which other amounts due to customers	10,306	10,835	+5%
Amounts due to banks	2,683	2,859	+7%
Debt certificates	4,920	5,378	+9%
Shareholders' equity	3,714	3,456	-7%

Comments

- Balance sheet total increased by €1.6bn to €62.5bn vs YE17, mainly driven by an increase in retail mortgages and cash and cash equivalents
- Loans and advances to banks decreased by €0.2bn to €2.4bn, mainly driven by cash management transactions
- Investments increased by €0.2bn to €5.3bn, mainly due to liquidity management
- Savings increased by €0.9bn to €37.7bn, in line with the market
- Debt certificates increased by €0.5bn to €5.4bn as regular redemptions were more than compensated by covered bond transactions and senior unsecured issuance
- Shareholders' equity decreased by €258m to ~€3.5bn, mainly due to the implementation of IFRS 9 as per 1 January 2018 (€-212m), and dividend payout over 2017 (€-190m), partly compensated by profit retention in 2018 (€149m)

Net profit of €149m; lower than in 1H17, slightly higher than in 2H17

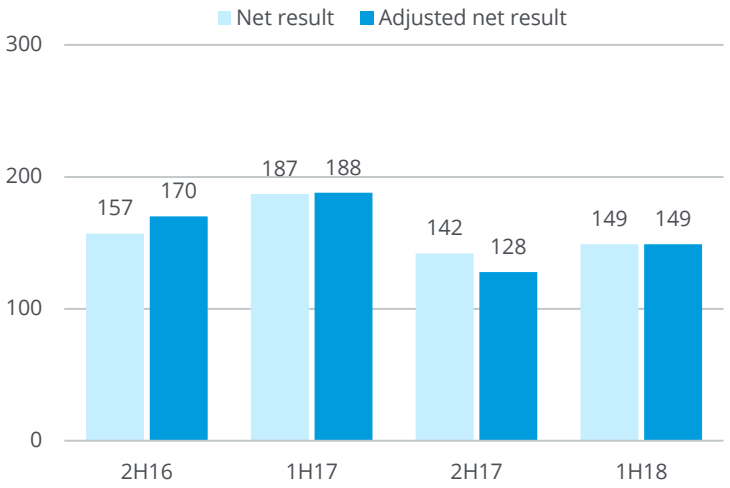
Result

In € millions

	1H17	2H17	1H18	1H18/ 1H17	1H18/ 2H17
Net result	**187**	**142**	**149**	**-20%**	**+5%**
Fair value movements of mortgages/related derivatives	-1	14	--		
Total incidental items	-1	14	--		
Adjusted net result	**188**	**128**	**149**	**-21%**	**+16%**
Return on Equity	10.5%	7.8%	8.5%		
Adjusted Return on Equity	10.5%	7.0%	8.5%		

Result

In € millions



- Net profit of €149m; lower compared to 1H17 (-20%), slightly higher compared to 2H17 (+5%)
- Net profit lower YoY, almost entirely driven by €49m lower total income; operating expenses were virtually stable (+€2m)
- Return on equity 8.5%; a decrease compared to 1H17 (10.5%) driven by a lower net profit
- As from 1 January 2018, the DBV mortgages have been reclassified from fair value to amortised cost. As a result, the volatility in the income statement related to these mortgages has been fully eliminated

Net interest income 4% lower compared to 1H17; up 2% compared to 2H17; total income also impacted by lower investment income

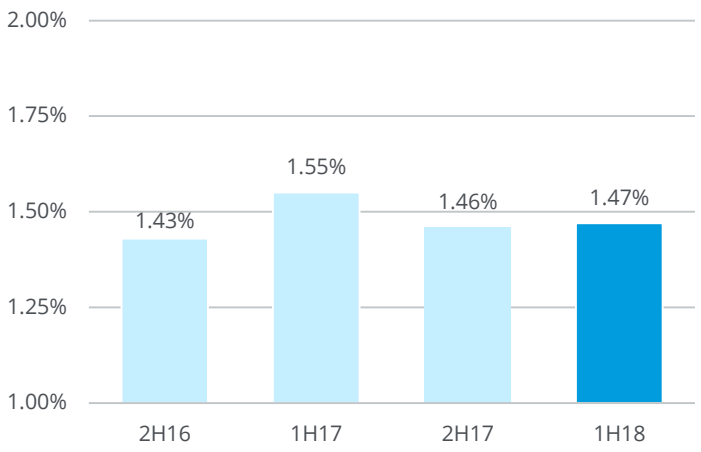
Income

In € millions

	1H17	2H17	1H18	1H18/ 1H17	1H18/ 2H17
Net interest income	476	448	455	-4%	+2%
Net fee and commission income	26	23	21		
Investment income	29	12	-3		
Result on financial instruments	-2	15	7		
Other operating income	--	1	--		
Total income	**529**	**499**	**480**	**-9%**	**-4%**
Incidental items	-1	18	--		
Adjusted total income	**530**	**481**	**480**	**-9%**	**0%**

Net interest margin

(% of average assets)



- Net interest income decreased by €21m YoY (-4%). Lower savings rates and higher mortgage volumes could not fully compensate for decreasing mortgage rates and increased hedging costs. NII increased by €7m (+2%) compared to 2H17, mainly due to lower interest expenses as a result of a reduction in savings rates and a non-credit risk related provision included in NII in 2H17
- Net interest income as a percentage of average assets lower at 1.47% (1H17: 1.55%), driven by both lower net interest income and higher average assets
- Investment income decreased to €-3m, largely due to lower realised results on fixed-income investments, sold as part of asset and liability management and the optimisation of the investment portfolio
- Fluctuations in the result on financial intstruments in 2017 were almost wholly attributable to fair value movements of former DBV mortgages and related derivatives

Adjusted operating expenses almost stable compared to 1H17; 6% decline compared to 2H17

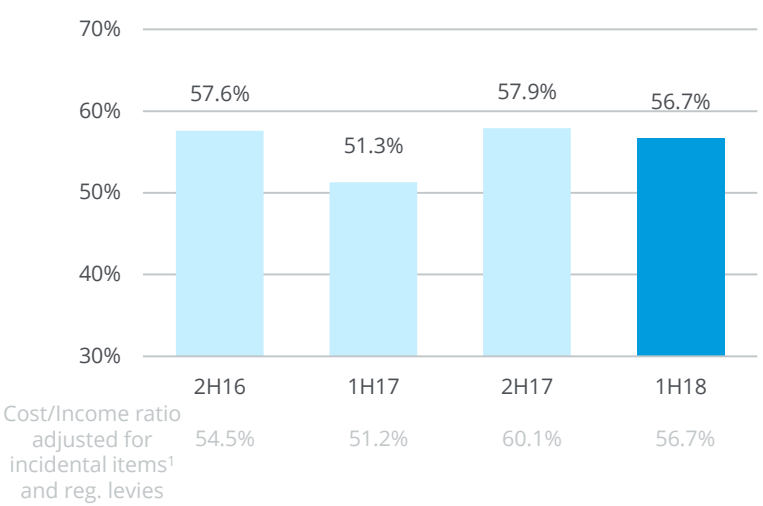
Operating expenses

In € millions

	1H17	2H17	1H18	1H18/ 1H17	1H18/ 2H17
Total operating expenses	**299**	**304**	**301**	**+1%**	**-1%**
Regulatory levies	28	15	29		
Adjusted operating expenses	**271**	**289**	**272**	**0%**	**-6%**
Total FTE	**3,961**	**3,945**	**3,926**	**-1%**	**0%**
Internal FTE	3,288	3,231	3,155	-4%	-2%
External FTE	673	714	771	+15%	+8%

Cost/Income ratio adjusted for regulatory levies

In %

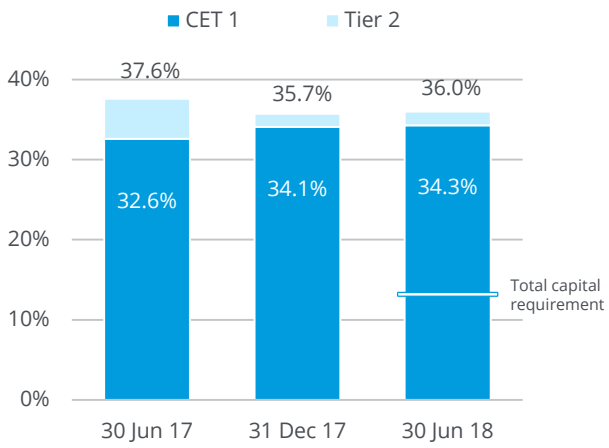


- Operating expenses excluding regulatory levies rose to €272m (+€1m); the impact of efficiency measures and lower non-credit risk related provisions was partly offset by higher expenses for regulatory and compliance-related projects and increased commercial activities
- Compared to 2H17, operating expenses excluding regulatory levies declined by 6% owing to a swing in non-credit risk related provisions, and lower marketing and advisory costs
- Regulatory levies remained virtually stable at €29m, of which €14m was related to the full-year resolution fund contribution and €15m to the first half-year ex-ante DGS contribution
- Decrease in internal FTEs in line with reduction planned for 2020. Increase in external FTEs, mainly related to regulatory and compliance projects, bringing back customer files from debt collecting agencies, and personally approaching potentially vulnerable customers with an interest-only mortgage

[1] Incidental items include fair value movements of former DBV mortgages and related derivatives and, in 2H16, an addition to restructuring provisions of €24m net

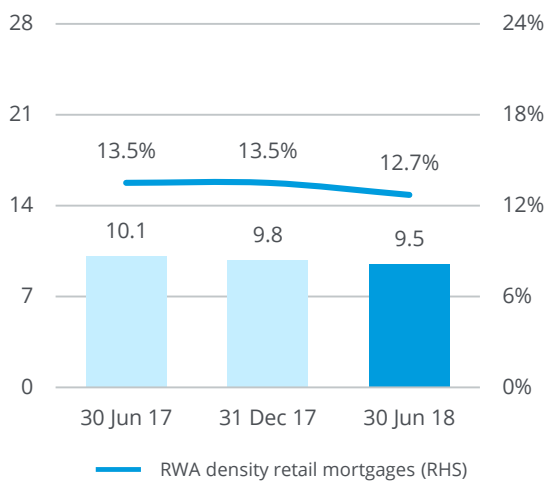
Slight increase in CET1 ratio in spite of impact of IFRS 9

Total capital ratio

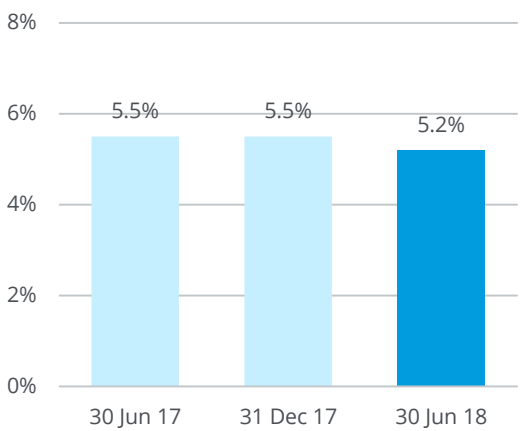


Risk-weighted assets

(in € billions; LHS)



Leverage ratio

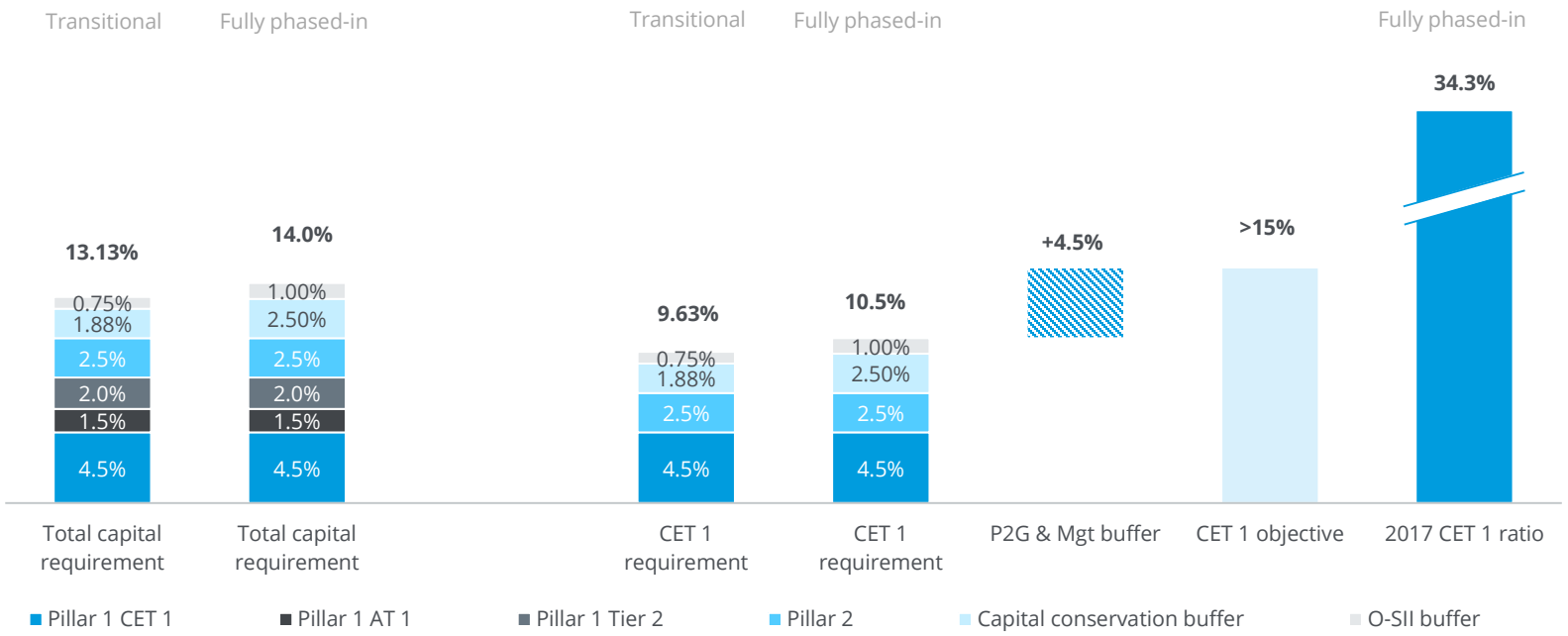


- The CET1 ratio improved slightly to 34.3%; despite a negative impact of IFRS 9 of 2.1%-point. CET1 capital was lower, partly impacted by IFRS 9. This was more than compensated for by lower risk-weighted assets
- Following from the SREP, with effect from 1 January 2018, de Volksbank is required to meet a minimum total capital ratio of 13.13% (overall capital requirement, OCR), of which at least 9.63% CET1 capital. OCR fully phased-in: 14.0% of which at least 10.5% CET1 capital
- RWA decreased further to €9.5bn (YE17: €9.8bn), mainly driven by decreasing PDs and LGDs as a result of improved economic conditions. The RWA density of retail mortgages declined to 12.7%
- As a result of the EBA interpretation of CRR Article 82 regulations for financial holding companies, the effective amount of Tier 2 capital as at the end of June 2018 was €156m at consolidated level versus €500m at solo bank level (-3.6%-point impact on total capital ratio). We are examining how we can mitigate the impact of the EBA interpretation
- The leverage ratio was lower at 5.2%, driven by a decrease in CET1 capital and an increase in the leverage ratio denominator

De Volksbank amply meets its capital requirements following from the 2018 SREP

SREP total capital requirement

SREP CET1 requirement vs internal target



- Following from the SREP, with effect from 1 January 2018, de Volksbank is required to meet a minimum total capital requirement of 13.13% (overall capital requirement, OCR), of which 9.63% CET 1 capital
- The OCR serves as the Maximum Distributable Amount trigger level, below which no coupon or dividend payments are allowed
- Fully phased-in (as from 1 January 2019), the OCR for de Volksbank equals 14.0%, of which 10.5% CET1 capital
- De Volksbank's aims at a CET 1 ratio of more than 15%. This objective includes a Pillar 2 Guidance and an ample management buffer of 4.5%

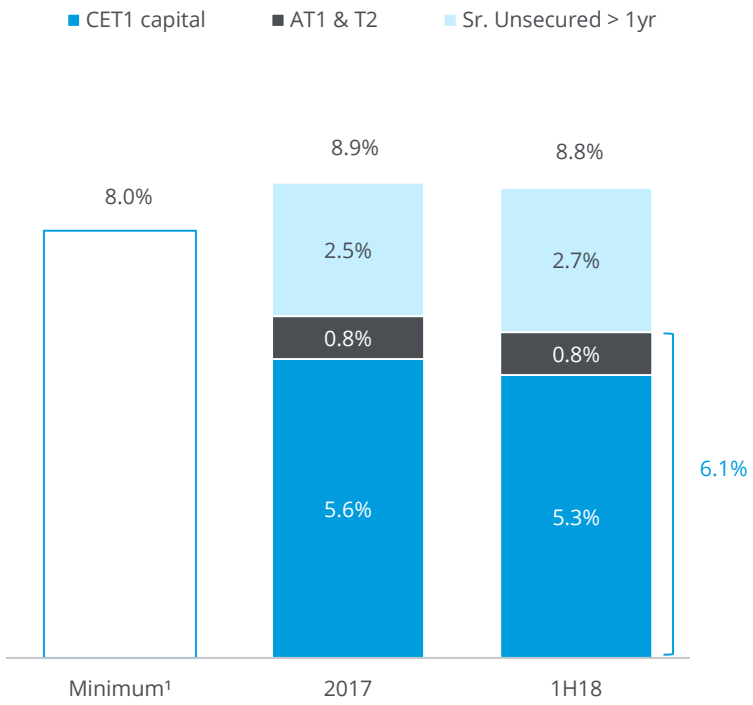
Impact IFRS 9 and Basel

Development CET1 ratio

- Impact of IFRS 9 on CET1 ratio of -2.1%-points due to:
  - alignment classification former DBV mortgages from 'fair value' to 'amortised cost' (-1.2%),
  - reassessment valuation standard of part of the liquidity portfolio from 'available for sale' (fair value) to 'hold to collect' (amortised cost) (-0.8%)
  - and an increase in loan loss provisions (-0.1%)
- Based on the balance sheet position at 1H18, we estimate that RWA, due to Basel IV, will increase by approximately 40% (YE17: 35%). This estimate is based on the following assumptions: 1) the application of loan splitting for retail mortgages, 2) the application of NHG as a credit risk mitigating measure, and 3) the assumption that 90% the retail mortgage loans complies with the documentation requirements
- An increase of 40% in RWA corresponds to a decrease of our CET1 ratio by approximately 9.5%-points (estimation at YE17: 8%-points)
- The 1H18 pro forma CET1 ratio including the impact of Basel IV of approximately 25% is still well above our internal objective of at least 15%
- Over the coming year we will investigate whether there is reason to revise our capital objectives, in particular on the basis of the combined impact on our capital ratios of Basel IV, the results from the TRIM (Targeted Review Internal Model), the impact of stress testing (incl. IFRS 9) and the impact of the supervisory outlier test

De Volksbank is well positioned to meet the MREL requirement

MREL ratio



- In February 2017, the SRB confirmed that it supports the designation of de Volksbank N.V. as the resolution entity (OpCo funding model)
- On 6 June 2018, the SRB set the non-risk weighted MREL for de Volksbank at 8.0% of total liabilities and shareholders' equity
- The MREL of de Volksbank – as an O-SII – must consist of subordinated instruments for at least 15.5% of the RWA
- De Volksbank must comply with the MREL on 1 January 2020
- The non-risk weighted MREL ratio including only eligible liabilities subordinated to unsecured liabilities amounts to 6.1% at 1H18
- The basic assumption in de Volksbank's capital planning is that the minimum non-risk-weighted MREL requirement of 8% must fully consist of Tier 1 and Tier 2 capital, and senior non-preferred notes
- Given this point of departure and based on our current capital position, we expect to issue SNP notes totalling €1.0-1.5bn in the next few years

Outlook

- Net interest income in 2018 is projected to be somewhat lower than in 2017. Moreover, we expect the level of operating expenses, excluding regulatory levies, to be comparable to the level of 2017

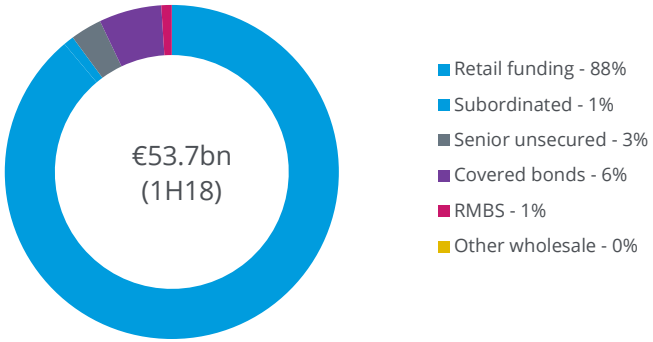
- The number of customers in arrears on their mortgage or SME loan is expected to fall further. Due to the positive macroeconomic developments and a continued rise in house prices, we expect impairment charges on loans to remain limited. However, in the second half of 2018 we do not anticipate a release of provisions for loans equivalent to that of the first half of 2018. We also expect impairment charges to show a more volatile picture because of the implementation of IFRS 9

- Slightly lower interest income and possibly a lower release of provisions for loans for the whole year are expected to result in a lower net profit for 2018 versus 2017

4. Funding & liquidity

Funding & liquidity

Funding mix

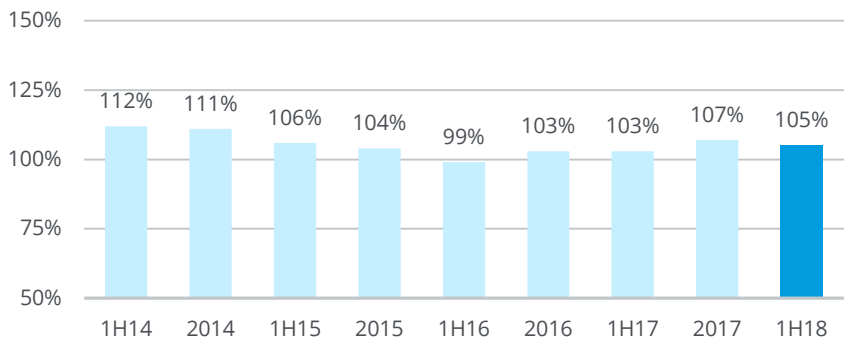


Liquidity position

In € millions

	1H17	2017	1H18
Cash	3,314	3,753	4,240
Sovereigns	2,563	1,759	1,046
Regional/local governments & supranationals	805	850	819
Other liquid assets	377	421	426
Eligible retained RMBS	4,999	3,968	8,812
Total liquidity position[2]	**12,058**	**10,751**	**15,343**

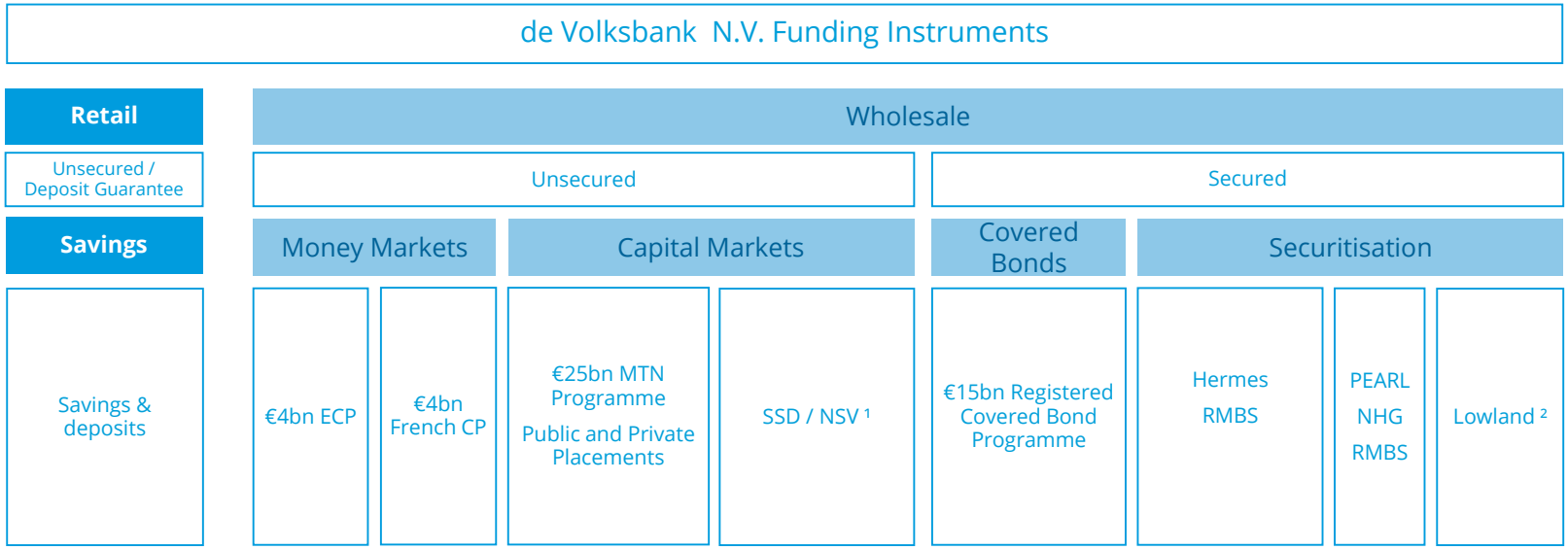
Loan-to-Deposit ratio[1]



- Retail funding remained at a high level in 1H18: 88%
- Loan-to-Deposit ratio slightly lower at 105%
- Liquidity position remained high
- LCR and NSFR well above 100%

[1] The Loan-to-Deposit ratio is calculated by dividing retail loans by retail funding. As from June 2017, retail loans are adjusted for fair value adjustments from hedge accounting. Comparative figures have been adjusted accordingly [2] As of June 2018, the definition of the liquidity buffer has been changed. In addition to the cash position, the liquidity buffer consists of (highly) liquid assets for which it is now determined which unencumbered ECB-eligible bonds will be registered in the DNB collateral pool in ten days, because a ten-day horizon is also used for the cash position. We determine the liquidity value of the bonds in the liquidity buffer on the basis of the market value of the bonds after application of the haircut determined by the ECB. Comparative figures have been adjusted accordingly.

Broad range of wholesale funding instruments



[1] Schuldschein / Namenschuldverschreibung [2] Retained securitisation

Overview credit ratings de Volksbank

Standard & Poors

Rating overview		
Anchor	BICRA (3,3)	bbb+
Business position	Moderate	-1
Capital & earnings	Very strong	+2
Risk position	Moderate	-1
Funding Liquidity	Average Adequate	0
SACP		**bbb+**
Sovereign support		0
ALAC Support		+1
Issuer Credit Rating		**A-/Pos**

6 August 2018 – "Our ratings on de Volksbank reflect our view of the bank's recovering franchise and very strong capital buffers, balanced against its business concentration in a single country and on a limited number of income streams. We estimate the stabilized mortgage loan book allows more predictability in revenue generation and expect the bank's franchise recovery will continue in 2018 and 2019. Similar as for peers, we anticipate the bank's efficiency will remain under pressure, likely close to 60% in the next two years, because of the low-interest-rate environment. Over our two-year outlook horizon, we are confident that de Volksbank's capitalization will remain very strong."

"Our positive outlook on De Volksbank reflects our view that the bank could benefit from a more favorable domestic operating environment, ultimately resulting in stronger creditworthiness."

Moody's

Rating overview	
Macro profile	Strong +
Solvency score	a2
Liquidity score	baa1
Financial profile	a3
Adjustments	-1
Assigned adj. BCA	**baa1**
LGF analysis	0
Government support	+1
Senior Unsecured Rating	**A3/Sta**

13 April 2018 – "The upgrade of De Volksbank's BCA to baa1 from baa2 reflects both its very low risk profile and strong capital base. Moody's acknowledges that this capital buffer will decrease in the future as a result of accounting and regulatory changes. …De Volksbank's asset risk has improved materially, as reflected in a very low cost of risk over the past two years."

"The bank will continue to be constrained by its mono-line business and lack of diversification, which is reflected in a negative qualitative adjustment to its BCA."

"The outlook on De Volksbank's long-term deposit and debt ratings is stable, reflecting Moody's view that the bank's asset risk will remain very low in the current benign macroeconomic environment, while its capital buffer will continue to be strong despite an erosion which the rating agency expects to materialize overtime."

Fitch

Rating overview	
Viability rating	A-
Support rating floor	No floor
Issuer Default Rating	**A-/Sta**

24 November 2017 – "The upgrade reflects de Volksbank's continued strong financial metrics and Fitch's view that these will be maintained. This is based on our expectation that de Volksbank will continue to pursue a domestic retail strategy focused on low-risk mortgage lending. We believe that the risk of a dramatic change in the bank's strategic direction is remote as we expect that de Volksbank will remain majority state-owned in the medium term."

"Our expectation of the bank's continued strong performance is also underpinned by the generally positive outlook on the Dutch economy, including a decreasing unemployment rate and a growing housing market. We believe that given de Volksbank's concentration on domestic mortgage lending, the bank will benefit more from these trends than the more diversified three largest Dutch banks."

De Volksbank capital market transactions

Covered bond (2016)

Issue Rating:	Aaa (Moody's), AAA (Fitch)
Coupon:	0.750%
Maturity:	15 years
Maturity date:	24 October 2031
Size	€ 500,000,000
Spread:	Mid-swaps + 9bps

Covered bond (2017)

Issue Rating:	Aaa (Moody's), AAA (Fitch)
Coupon:	0.750%
Maturity:	10 years
Maturity date:	18 May 2027
Size	€ 500,000,000
Spread:	Mid-swaps + 3bps

Senior Unsecured (2017)

Issue Rating:	A- (S&P), Baa1 (Moody's), A- (Fitch)
Coupon:	0.125%
Maturity:	3 years
Maturity date:	28 September 2020
Size	€ 500,000,000
Spread:	Mid-swaps + 23bps

Covered bond (2018)

Issue Rating:	Aaa (Moody's), AAA (Fitch)
Coupon:	1.000%
Maturity:	10 years
Maturity date:	8 March 2028
Size	€ 500,000,000
Spread:	Mid-swaps + 1bps

Several privately placed covered bonds (2017/2018/2019)

Issue Rating:	Aaa (Moody's), AAA (Fitch)
Coupon:	-
Maturity:	16 – 20 years
Maturity date:	-
Total size	€ 943,000,000
Spread:	-

Senior Unsecured (2018)

Issue Rating:	A- (S&P), A3 (Moody's), A- (Fitch)
Coupon:	0.750%
Maturity:	5 years
Maturity date:	25 June 2023
Size	€ 500,000,000
Spread:	Mid-swaps + 50bps

5. Residential mortgage business

Code of conduct

Code of Conduct for Mortgage Underwriting

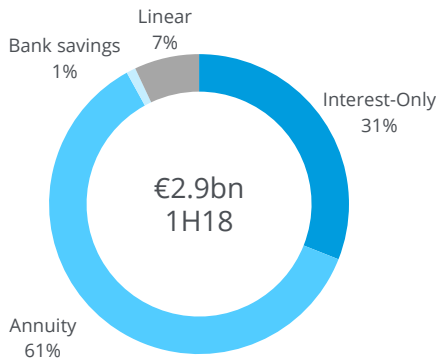
- The Code of Conduct dictates the strict framework of mortgage underwriting and is endorsed by all major mortgage lenders and intermediaries in the Netherlands
- Strict requirements regarding information a lender is required to provide to its borrowers: as a result, borrowers should have a profound understanding of how their mortgage will work, what they can expect to change in the future and what their options are. This prevents unfavorable borrower behaviour
- As of 2014, for the highest incomes the maximum tax deductibility of mortgage interest of 52% is lowered with 0.5% per year. In 2019 the maximum tax deductibility is 49%. The new government has the intention to speed up this decrease. According to their policy agenda, they will reduce the maximum deduction percentage by 3% per annum, starting in 2020 to 37% in 2023
- The maximum permitted loan to value (LTV) is 100% (including all costs)

Affordability calculation according to NIBUD

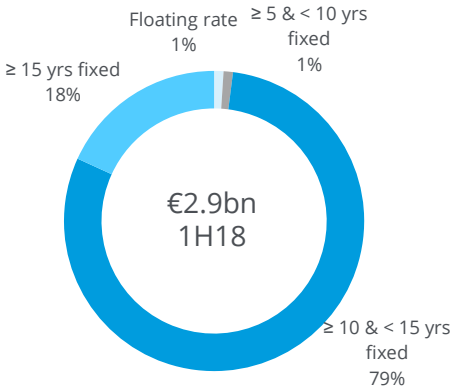
- LTI limits are set according to a fixed table including references to gross income of the borrower and mortgage interest rates. This table is updated annually by the consumer budget advisory organisation “NIBUD” and ensures that income after (gross) mortgage servicing costs is still sufficient to cover normal costs of living

Retail mortgage production

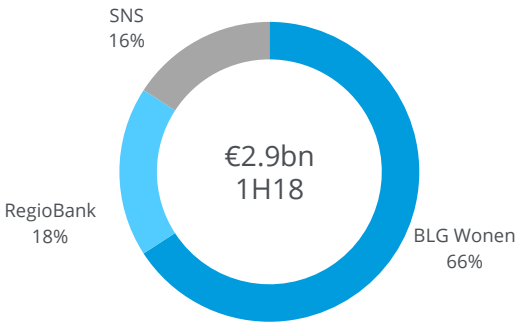
Retail mortgage production by redemption type



Retail mortgage production by interest type



Retail mortgage production by brand on own book

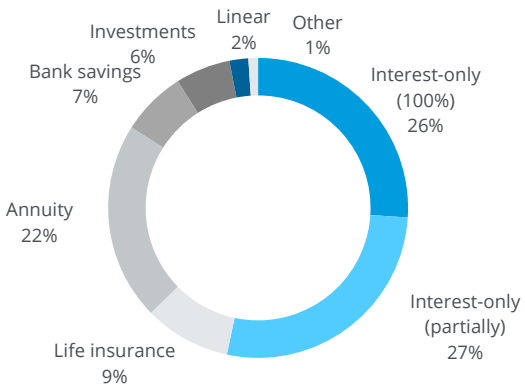


- 63% of new retail mortgages are annuity mortgages, mainly driven by a change in fiscal treatment. Only new annuity or linear mortgages benefit from tax deductibility of the mortgage interest paid
- 31% of retail mortgage production are interest-only mortgages due to the refinancing/conversion of loans originated before 2013
- Continued strong demand for mortgages with longer term fixed-rate periods
- All brands contributed to the increase in new retail mortgages

Retail mortgage portfolio

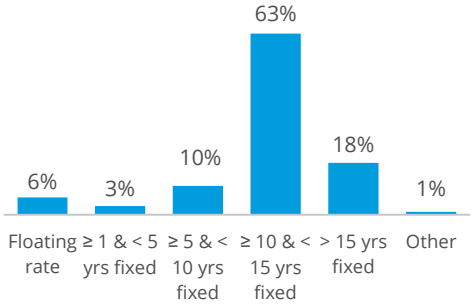
Retail mortgages by redemption type

1H18: €46.3bn[1]



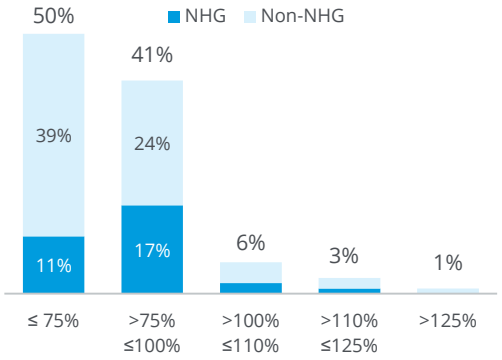
Retail mortgages by interest type

1H18: €46.3bn[1]

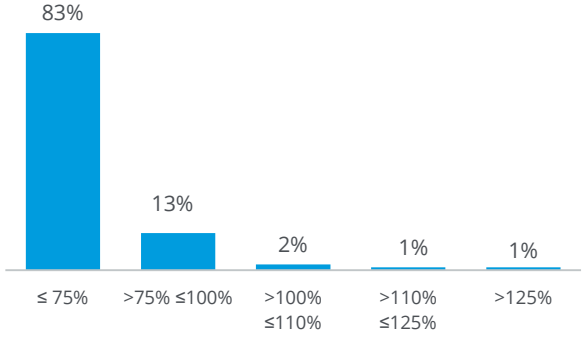


Retail mortgages by LtV bucket

1H18: €44.2bn[2]

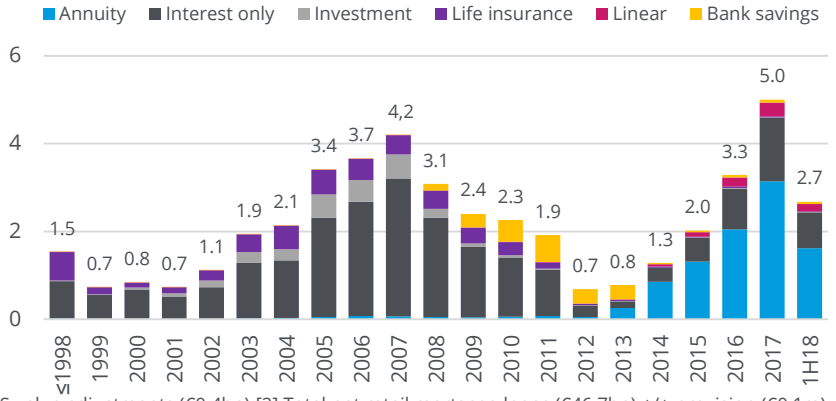


Interest-only (100%) mortgages by LtV bucket



Retail mortgages by year of origination

In € billions

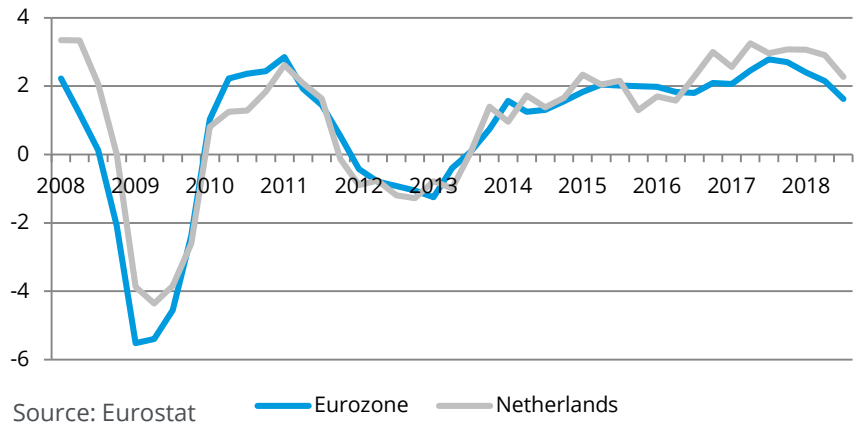


[1] Total net retail mortgage loans (€46.7bn) +/+ provision (€0.1) -/- accrued interest (€0.1bn) -/- IFRS value adjustments (€0.4bn) [2] Total net retail mortgage loans (€46.7bn) +/+ provision (€0.1m) -/- IFRS value adjustments (€0.4bn), accrued interest (€0.1bn), savings parts (€2.1bn)

6. Dutch economy & mortgage market

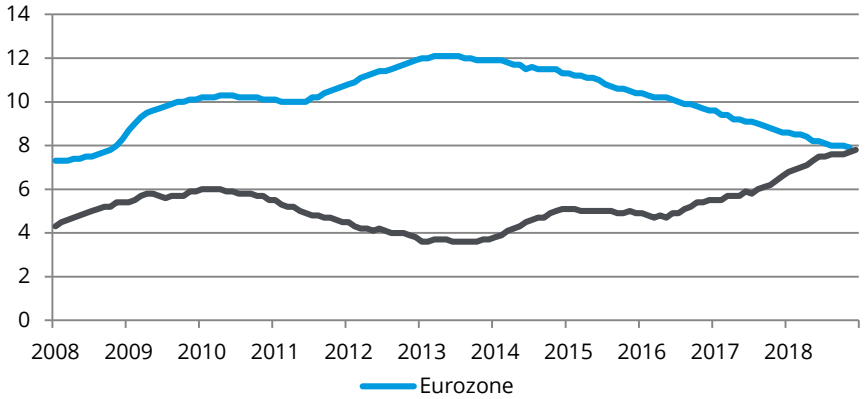
Dutch economy

GDP Growth Change (%)



Source: Eurostat

Unemployment (%)



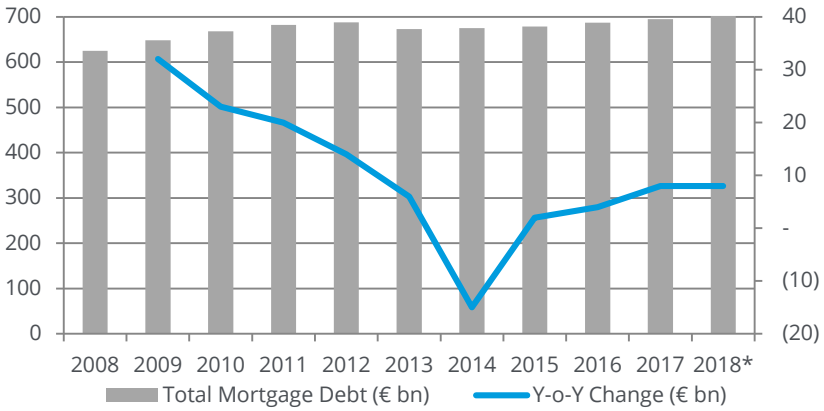
Source: Eurostat

Comments

- The Dutch economy is expected to grow by a robust 2.8% in 2018 and 2.5% in 2019. The economy is firing on all cylinders. The adverse impact of lower gas extractions is rather small
- Exports will benefit from ongoing growth of world trade. A possible uncontrolled Brexit as well an escalation of trade conflict with the US pose downside risks, but recession chances are small because of solid domestic demand.
- Domestic demand will remain important growth pillar because of ongoing job growth and budding signs of wage growth acceleration. Labour scarcity and high capacity utilisation will also support investment spending
- In 2017 a government budget surplus (+0,7% GDP) was accomplished and will increase further in 2018. Government debt is expected to fall to 53% of GDP this year and 49% in 2019
- Employment growth will remain at a brisk pace of 2.1% in 2018, and is expected only to slow down to 1.4% in 2019. Labor supply will grow as well as the retirement age rises and more (formerly) discouraged workers enter the labour market. As a result the unemployment rate will fall slowly from the current level of 3.9%
- Inflation is expected to rise to 2.4% next year as higher VAT tariff and energy tax exert upward pressure

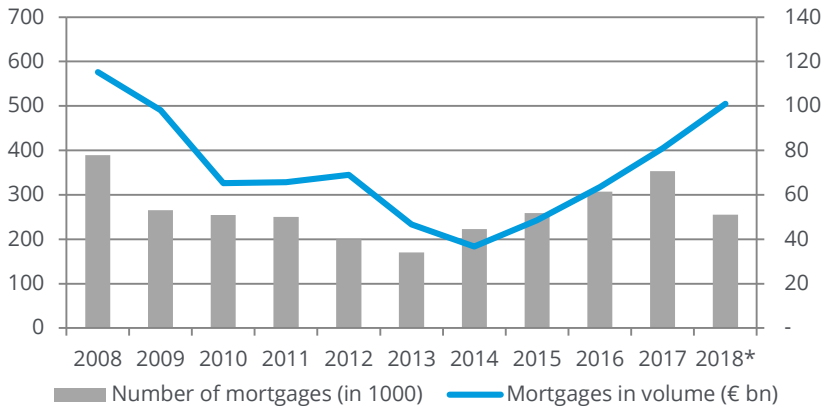
Dutch residential mortgage market

Mortgage Debt Outstanding



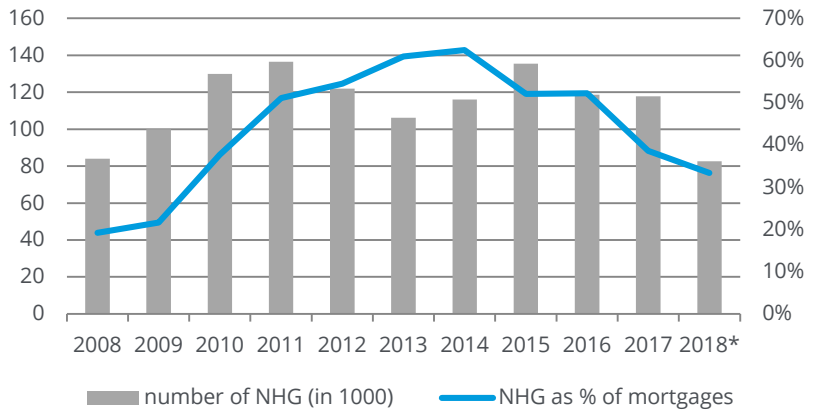
Source: DNB

Mortgage Origination



Source: Kadaster

Proportion NHG of new Mortgages



Source: NHG

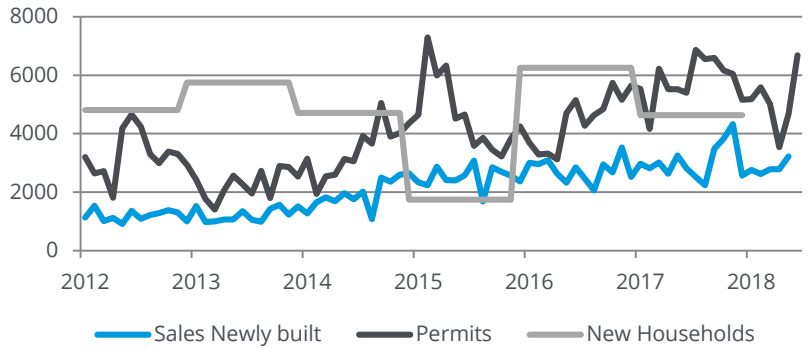
Comments

- Total outstanding retail mortgage debt at 2018* was approx. €702bn (source: DNB)
- New mortgage lending in 2018 * was €255bn (source: Kadaster)
- NHG is a mortgage guarantee. As of January 2019 the maximum guarantee is €290,000,- (source: NHG)
- In 2018* 32% of new originated mortgages were covered by the NHG (source: NHG/Kadaster)
- For NHG mortgages the originator is accountable for 10% of the realised loss for mortgages originated as of 1 January 2014

* Until 2018 Q3

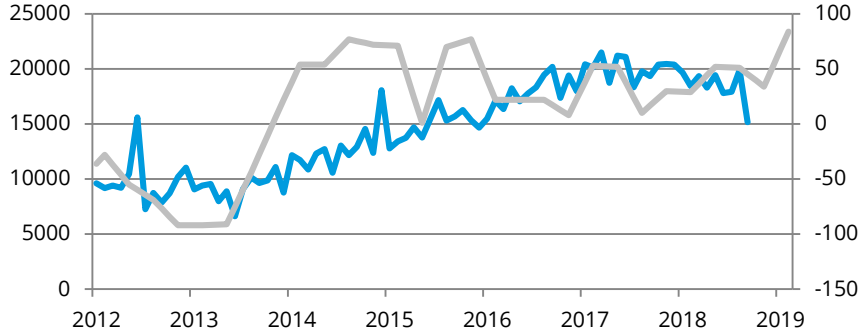
House price developments

Building Permits and Newly Built Homes



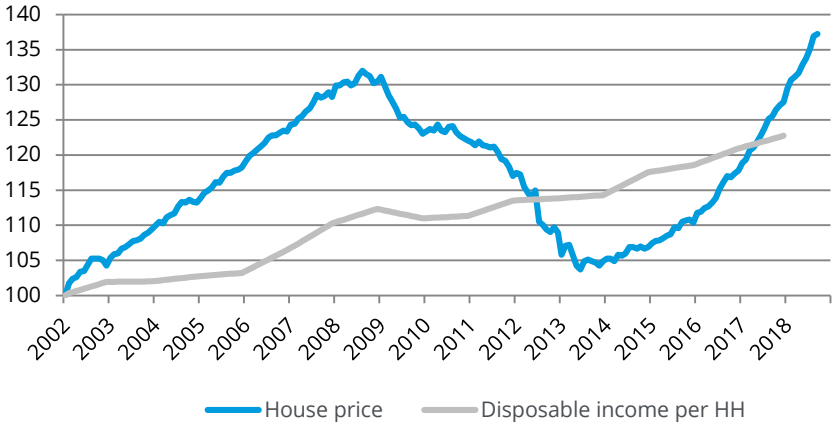
Source: CBS

Home Sales in the Netherlands



Source: CBS, DNB Houses Sold House Purchase demand

House Price Developments (2002 = 100)



Source: CBS

Comments

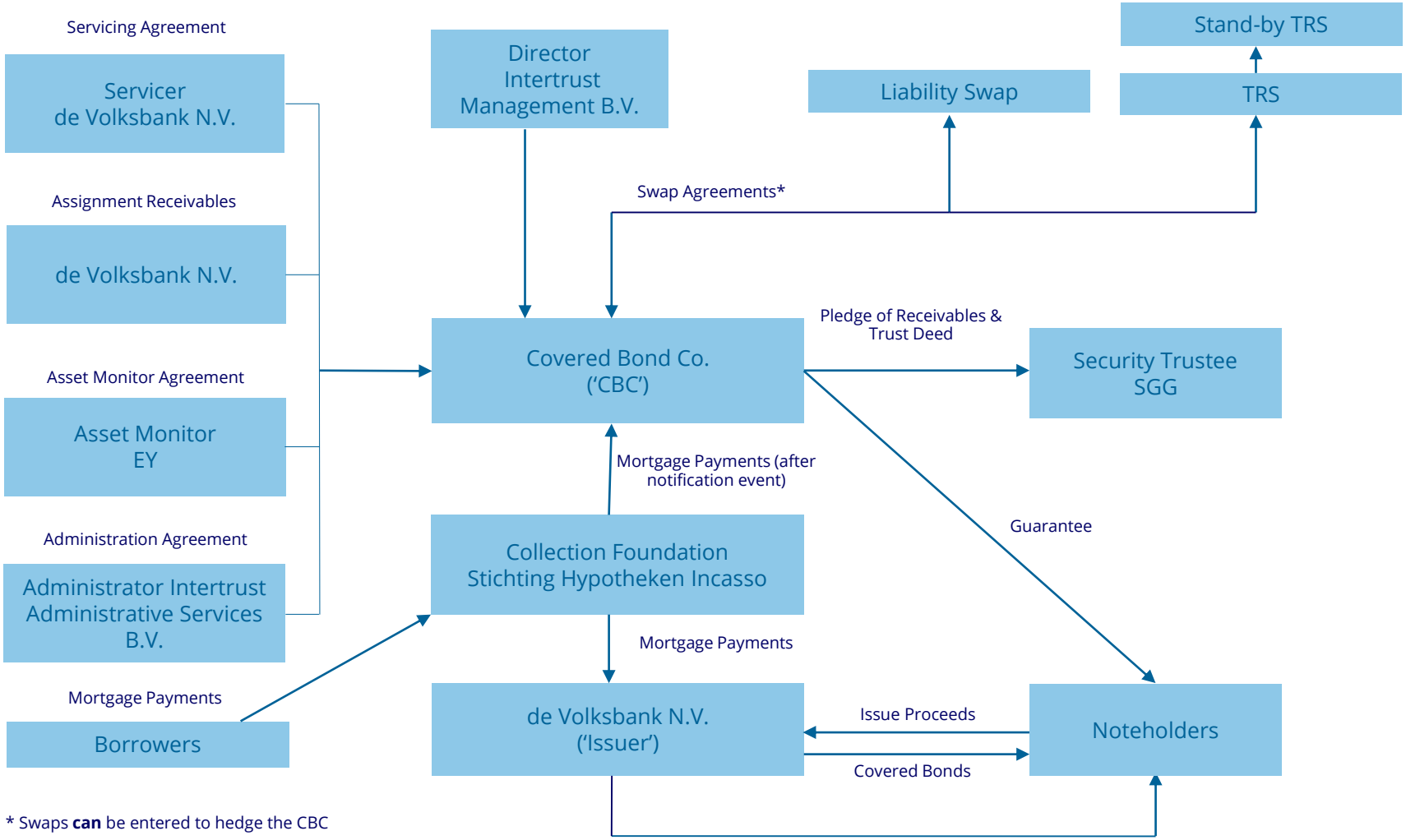
- The Dutch housing market is past its peak when looking at transactions, which fell by some 7.5% in 2018 and we expect another 5% drop in 2019. As this is partly due to very tight supply, prices can keep rising in 2019 by some 6% after an estimated rise of ±10% in 2018.
- The most overheated part of the housing market is still the Randstad, but it looks like we're past the peak as we see some supply returning to the market and the increase in house price cooling.
- Housing investments have recovered from its deep slump and are nearly at 2008 levels. Construction is hindered by shortage of labour and building lots. To keep up with demand it is estimated that production of new homes should amount to 75.000 in coming years, compared to the realised 65.000 in 2018. The rise in prices for new homes in Q3 was 17% compared with 9% for new homes.

7. Covered Bond Programme

de Volksbank NV Covered Bond Programme

Issuer	de Volksbank N.V.
Programme limit	€ 15 billion
Format	Registered Covered Bonds under Dutch Law UCITS / CRD/ECBC Label compliant
Outstanding bonds	€3.6 billion
Ratings	Aaa / AAA (Moody's / Fitch)
Maturity	Flexible - issue by basis
Currency	All major currencies
Asset%	80.5%
Regulatory OC	5%
Guarantor	Bankruptcy remote Covered Bond Company (CBC)
LTV cut-off	80%
Repayment Type	Soft Bullet

Legal structure



* Swaps **can** be entered to hedge the CBC

Key portfolio characteristics

Asset selection	The covered bond pool is selected randomly from the mortgage portfolio of de Volksbank
Pool size	Pool size is approx. €5.2 billion
Pool assets	100% Dutch prime residential mortgages
Average principal	€169.000
NHG mortgages	21%
WA CLTOV	70%
WA current interest rate	2.83%
WA seasoning	9 years
Product types	Interest only (66%), Linear (2%), Annuity (19%), Investment based (3%), Savings (5%), Bank Savings (5%), or a combination

Portfolio characteristics and performance are published on a monthly basis on https://www.devolksbank.nl/en/investor-relations/debt-information/covered-bond-programme

Investor reporting

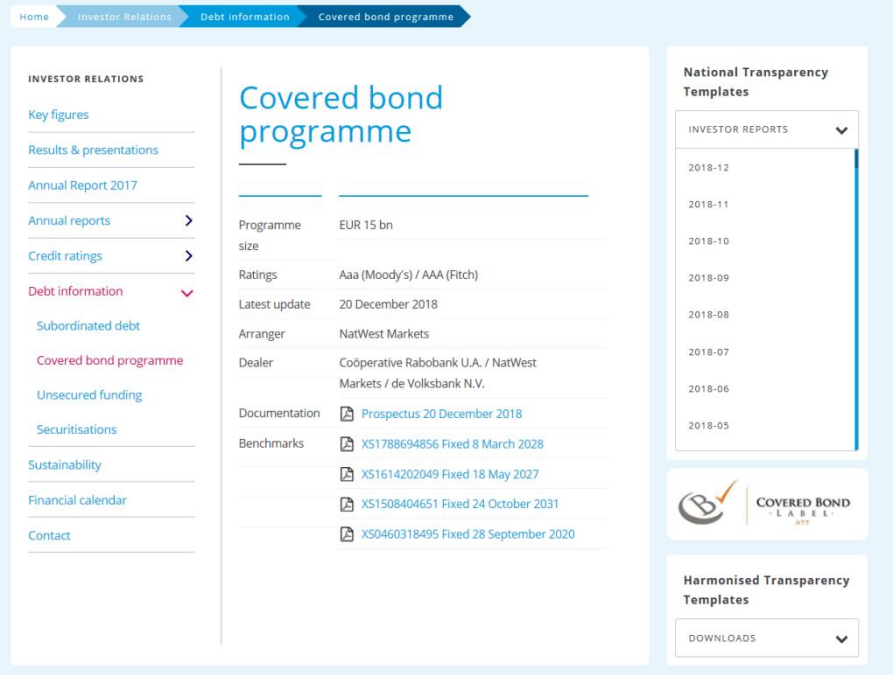
Investor Reporting

- Dedicated portal for investor reporting
- Updated on the 3rd business day before each payment day
- All current and historical investor reports
- No password is required
- Bloomberg: DEVOBA <CORP> <GO>

Intertrust

- The administration for Covered Bond Programme is done by Intertrust Administrative Services B.V.
- Amongst other things, Intertrust Administrative Services B.V. prepares the investor reports and publish them on their website

Portal: www.devolksbank.nl



7. Contacts & disclaimers

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8. Appendix

Summary P&L

In € millions	2016	2017	1H14	2H14	1H15	2H15	1H16	2H16	1H17	2H17	1H18
Net interest income	938	924	491	533	515	479	486	452	476	448	455
Net fee and commission income	57	49	24	20	24	24	31	26	26	23	21
Other income	39	55	23	8	96	(12)	7	32	27	28	4
Total income	1,034	**1,028**	538	561	635	490	524	510	529	499	**480**
Total operating expenses	642	603	241	250	266	324	312	330	299	304	301
Other expenses	1	--	51	32	--	22	1	--	--	--	--
Impairment charges	(68)	(24)	81	126	44	(7)	(45)	(23)	(20)	(4)	(16)
Impairment charges goodwill	--	--	--	67	--	--	--	--	--	--	--
Total expenses	575	**579**	373	475	310	339	268	307	279	300	**285**
Result before tax	459	**449**	165	86	325	151	256	203	250	199	**195**
Taxation	110	120	54	46	81	47	65	45	63	57	46
Net result	**349**	**329**	**111**	**40**	**244**	**104**	**192**	**157**	**187**	**142**	**149**
Incidental items	(25)	13	(43)	(100)	47	(34)	(12)	(13)	(1)	14	--
Adjusted net result	**374**	**316**	**154**	**140**	**197**	**138**	**204**	**170**	**188**	**128**	**149**

Ratios

Cost/income ratio	57.6%	54.5%	44.8%	44.6%	42.0%	62.9%	54.5%	61.0%	51.3%	57.9%	56.7%
Cost/Asset ratio	0.94%	0.91%	0.67%	0.75%	0.80%	0.96%	0.90%	0.99%	0.88%	0.94%	0.88%
Net interest margin	1.48%	1.50%	1.37%	1.56%	1.54%	1.49%	1.52%	1.43%	1.55%	1.46%	1.47%
Cost of risk retail mortgages	-0.15%	-0.05%	0.29%	0.35%	0.15%	0.00%	-0.18%	-0.11%	-0.08%	-0.02%	-0.03%
RoE	10.1%	9.1%	8.2%	2.8%	15.7%	6.4%	11.4%	8.9%	10.5%	7.8%	8.5%
Adjusted RoE	10.8%	8.7%	11.4%	9.6%	12.7%	8.5%	12.1%	9.7%	10.5%	7.0%	8.5%

Summary balance sheet

In € millions	31-12-2014	30-6-2015	31-12-2015	30-06-2016	31-12-2016	30-06-2017	31-12-2017	30-06-2018
Total assets	**68,159**	**65,327**	**62,690**	**64,408**	**61,588**	**60,986**	**60,892**	**62,534**
Cash and cash equivalents	1,968	3,913	2,259	3,110	1,911	2,742	2,180	3,114
Loans and advances to banks	2,604	2,402	2,081	3,333	2,918	2,125	2,643	2,373
Loans and advances to customers	52,834	49,705	49,217	48,697	48,620	48,813	49,459	50,197
Derivatives	2,702	2,198	1,993	1,864	1,533	1,340	1,075	898
Investments	7,001	6,055	6,376	6,646	5,970	5,337	5,094	5,331
Property and equipment	86	80	77	74	73	71	67	65
Intangible assets	15	12	15	14	15	14	14	11
Deferred tax assets	450	309	284	367	137	122	110	94
Corporate income tax	66	36	--	--	--	32	22	120
Other assets	284	430	278	303	411	390	228	331
Assets held for sale	149	187	110	--	--	--	--	--
Total liabilities and equity	**68,159**	**65,327**	**62,690**	**64,408**	**61,588**	**60,986**	**60,892**	**62,534**
Savings	*35,666*	*37,277*	*36,860*	*37,666*	*36,593*	*37,373*	*36,756*	*37,674*
Other amounts due to customers	*10,542*	*10,344*	*10,580*	*11,482*	*10,835*	*10,658*	*10,306*	*10,835*
Amounts due to customers	**46,208**	**47,621**	**47,440**	**49,148**	**47,428**	**48,031**	**47,062**	**48,509**
Amounts due to banks	2,099	1,587	1,000	1,522	1,446	1,064	2,683	2,859
Debt certificates	11,252	9,027	6,941	6,008	5,696	5,564	4,920	5,378
Derivatives	3,266	2,507	2,189	2,536	1,861	1,450	1,252	1,091
Deferred tax liabilities	287	217	216	282	59	46	45	20
Corporate income tax	--	--	--	90	25	--	--	--
Other liabilities	1,971	1,074	11	808	891	645	590	598
Other provisions	55	71	978	77	120	115	125	112
Participation certificates and subordinated debt	40	--	493	505	501	498	501	511
Liabilities held for sale	18	75	37	--	--	--	--	--
Shareholders' equity	2,963	3,148	3,302	3,432	3,561	3,573	3.714	3,456

The interest accrued on assets and liabilities was previously reported under the item Other assets or Other liabilities. These have been reclassified to the corresponding asset or liability with effect from 2018. The comparative figures have been adjusted accordingly

Quality of retail mortgage loans

in € millions	1 January 18	30 June 2018
Gross loans	45,551	46,370
- of which stage 1	42,366	43,706
- of which stage 2	2,467	2,030
- of which stage 3	718	634
Loan loss provisions	74	61
- of which stage 1	3	2
- of which stage 2	17	11
- of which stage 3	53	48
Stage 2 as a % of gross loans	5.3%	4.4%
Stage 2 coverage ratio[1]	0.7%	0.5%
Stage 3 as a % of gross loans	1.5%	1.4%
Stage 3 coverage ratio[1]	7.4%	7.6%
Net loans excluding IFRS adjustments	45,477	46,309
IFRS adjustments	295	356
Total net loans	45,772	46,665
Irrevocable loan commitments and financial guarantee contracts[2]	1,967	1,769
Provision off-balance sheet items	1.0	1.0
Coverage ratio off-balance sheet items	0.1%	0.1%
Total gross o- and off-balance sheet exposure	47,518	48,339
Impairment charges	--	-8
Provision as a % of gross loans	0.16%	0.13%
Cost of risk[3]	--	-0.03%

[1] Loan loss provision stage 2/3 as a % of gross exposure stage 2/3 [2] Includes €989m (1 Jan 2018: €1,020m) repurchase commitments of mortgages related to structured finance transactions
[3] Impairment charges as a % of average gross exposure -/- IFRS adjustments

Quality of SME loans

in € millions	1 Jan 18	30 June 2018
Gross loans	791	753
- of which stage 1	558	553
- of which stage 2	123	103
- of which stage 3	110	97
Loan loss provisions	49	40
- of which stage 1	1	1
- of which stage 2	12	8
- of which stage 3	36	31
Stage 2 as a % of gross loans	16.3%	13.7%
Stage 2 coverage ratio[1]	9.8%	7.8%
Stage 3 as a % of gross loans	14.6%	12.9%
Stage 3 coverage ratio[1]	32.7%	32.0%
Net loans excluding IFRS adjustments	742	713
IFRS adjustments	--	--
Total net loans	742	713
Irrevocable loan commitments and financial guarantee contracts	38	36
Provision off-balance sheet items	0.3	0.3
Coverage ratio off-balance sheet items	0.8%	0.8%
Total gross on and off-balance sheet exposure	829	789
Impairment charges	--	-7
Provision as a % of gross loans	6.2%	5.3%
Cost of risk[2]	--	-1.98%

[1] Loan loss provision stage 2/3 as a % of gross exposure stage 2/3 [2] Impairment charges as % of average gross exposure -/- IFRS adjustments

Quality of retail other loans

in € millions	1 Jan 18	30 June 2018
Gross loans	143	123
- of which stage 1	92	82
- of which stage 2	17	13
- of which stage 3	34	28
Loan loss provisions	34	28
- of which stage 1	0	0
- of which stage 2	2	1
- of which stage 3	32	27
Stage 2 as a % of gross loans	13.8%	10.6%
Stage 2 coverage ratio[1]	11.8%	7.7%
Stage 3 as a % of gross loans	27.6%	22.8%
Stage 3 coverage ratio[1]	94.1%	96.4%
Net loans excluding IFRS adjustments	109	95
IFRS adjustments	--	--
Total net loans	109	95
Irrevocable loan commitments and financial guarantee contracts	576	582
Provision off-balance sheet items	7	5
Coverage ratio off-balance sheet items	1.2%	0.9%
Total gross on and off-balance sheet exposure	719	705
Impairment charges	--	-2
Provision as a % of gross loans	23.8%	22.8%
Cost of risk[2]	--	-0.45%

[1] Loan loss provision stage 2/3 as a % of gross exposure stage 2/3 [2] Impairment charges as % of average gross exposure -/- IFRS adjustments

Investment portfolio

Breakdown by sector

In € billions

	2017	%	1H18	%
Sovereigns	3.7	79%	3.8	71%
Financials	0.8	12%	1.0	19%
Corporates	0.6	9%	0.5	10%
Other	0.0	0%	0.0	0%
Total	**5.1**	**100%**	**5.3**	**100%**

Breakdown by maturity

In € billions

	2017	%	1H18	%
< 3 months	0.1	2%	0.5	9%
< 1 year	0.4	8%	0.2	3%
< 3 years	0.5	11%	0.5	10%
< 5 years	1.0	20%	1.2	23%
< 10 years	2.7	53%	2.5	47%
< 15 years	0.3	5%	0.3	6%
> 15 years	0.1	1%	0.1	2%
Total	**5.1**	**100%**	**5.3**	**100%**

Breakdown by rating

In € billions

	2017	%	1H18	%
AAA	2.7	53%	2.9	55%
AA	2.0	38%	1.8	35%
A	0.4	8%	0.6	10%
BBB	0.0	1%	0.0	0%
< BBB	0.0	0%	0.0	0%
No rating	0.0	0%	0.0	0%
Total	**5.1**	**100%**	**5.3**	**100%**

Breakdown by country

In € millions

	2017	%	1H18	%
Netherlands	1,157	23%	1,189	22%
Germany	1,493	29%	1,553	29%
Other[1]	624	12%	868	16%
France	699	14%	612	12%
Belgium	577	11%	568	11%
Austria	396	8%	395	7%
Italy	30	0%	0	0%
Ireland	118	2%	146	3%
Total	**5,094**	**100%**	**5,331**	**100%**

[1] Other mainly consists of Finland, Switzerland and Luxembourg

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