

7 MARCH 2019

FIRST SUPPLEMENTAL

TO THE BASE PROSPECTUS DATED 19 OCTOBER 2018

DE VOLKSBANK N.V.

(incorporated under the laws of the Netherlands with limited liability and having its corporate seat in Utrecht, the Netherlands)

Under its € 25,000,000,000 Debt Issuance Programme (the “**Programme**”) de Volksbank N.V. (the “**Issuer**” or “**de Volksbank**”) may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the Issuer and the relevant Dealer, if any. This supplement (the “**Supplement**”) is based on Article 5:23 of the Dutch Financial Supervision Act (the “**DFSA**”) and prepared to update and amend the prospectus in relation to the Programme dated 19 October 2018 (the “**Base Prospectus**”) and is supplemental to, forms part of, and should be read in conjunction with the Base Prospectus.

Terms defined elsewhere in the Base Prospectus shall have the same meaning in this Supplement, unless specified otherwise.

This Supplement has been approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the “**AFM**”), which is the Netherlands competent authority for the purpose of Directive 2003/71/EC (the “**Prospectus Directive**” which term includes amendments thereto to the extent implemented in a relevant Member State of the European Economic Area) and relevant implementing measures in the Netherlands, as a supplemental prospectus issued in compliance with the Prospectus Directive, Commission Regulation EC No. 809/2004 (as amended) (the “**Prospectus Regulation**”, which term includes amendments thereto), for the purpose of giving information with regard to the issue of Notes under the Programme during the period of twelve months after the date of the Base Prospectus.

The AFM has been requested by the Issuer to provide the Luxembourg Commission de Surveillance du Secteur Financier (the “**CSSF**”) with a certificate of approval attesting that this Supplement has been drawn up in accordance with the Prospectus Directive.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (“**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.

PROSPECTIVE INVESTORS SHOULD HAVE REGARD TO THE FACTORS DESCRIBED UNDER THE SECTION “RISK FACTORS” IN THE BASE PROSPECTUS.

This Supplement is supplemental to, forms part of, and should be read in conjunction and construed together with the Base Prospectus including any documents incorporated by reference therein (the Base Prospectus and this Supplement in the form made available on the website of the Issuer at <https://www.devолksbank.nl/investor-relations/debt-informatie/unsecured-funding.html> contain hyperlinks to the documents incorporated by reference and may be obtained by contacting the Issuer by telephone (+31 30 291 42 46) or by email: jacob.bosscha@devолksbank.nl and davey.hak@devолksbank.nl), and in relation to any Tranche, the Base Prospectus and this Supplement should be read and construed together with the relevant Final Terms.

RESPONSIBILITY STATEMENT

de Volksbank accepts responsibility for the information contained in the Base Prospectus and this Supplement. de Volksbank declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Base Prospectus and this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

No representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers as to the accuracy or completeness of the information contained in the Base Prospectus and this Supplement or any other information provided by the Issuer. The Dealers do not accept any liability in relation to the information contained in the Base Prospectus and this Supplement or any other information provided by the Issuer in connection with the Programme.

NOTICE

This Supplement should be read and understood in accordance with the Base Prospectus, any prior supplement hereto and with any other documents incorporated therein by reference. Full information on the Issuer and any Series or Tranche of Notes is only available on the basis of the combination of the Base Prospectus (as supplemented), this Supplement and the applicable Final Terms.

The Issuer has undertaken to the Dealers to furnish a supplement to the Base Prospectus in case of any significant new factor, material mistake or inaccuracy relating to the information contained in the Base Prospectus which is capable of affecting the assessment of the Notes and which arises or is noticed between the time when the Base Prospectus has been approved and the final closing of any Tranche of Notes offered to the public or, as the case may be, when trading of any Tranche of Notes on a regulated market begins, in respect of Notes issued on the basis of the Base Prospectus.

No person has been authorised to give any information or to make any representation not contained in or not consistent with the Base Prospectus and this Supplement, or supplement thereto, any document incorporated by reference herein, or the applicable Final Terms, or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or any Dealer.

The Base Prospectus (as supplemented by this Supplement) is valid for 12 months following the date of the Base Prospectus and the Base Prospectus, the Supplement, any other supplement to the Base Prospectus as well as any Final Terms reflect the status as of their respective dates of issue. The delivery of the Base Prospectus (as supplemented by this Supplement) or any Final Terms and the offering, sale or delivery of any Notes shall not in any circumstances imply that the information contained in such documents is correct at any time subsequent to their respective dates of issue or that there has been no adverse change in the financial situation of the Issuer since such date or that any other information supplied in connection with the Programme or the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the time indicated in the document containing the same. The Arranger and any Dealer expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, inter alia, the most recent financial statements of the Issuer when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Prohibition of sales to EEA retail investors: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPS Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

MIFID II product governance / target market: The Final Terms in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Neither the Base Prospectus and this Supplement nor any other information supplied in connection with the Programme should be considered as a recommendation by the Issuer, the Arranger or any Dealer that any recipient of the Base Prospectus and this Supplement or any other information supplied in connection with the Programme should purchase any Notes. Accordingly, no representation, warranty or undertaking, express or implied, is made by the Arranger or any Dealer in their capacity as such. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes (including an evaluation of the financial condition, creditworthiness and affairs of the Issuer) and the information contained or incorporated by reference in

the Base Prospectus, this Supplement and the applicable Final Terms;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks (including, without limitation, those described in "Risk Factors" in the Base Prospectus).

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The distribution of the Base Prospectus, this Supplement and any Final Terms and the offer or sale of Notes may be restricted by law in certain jurisdictions. Persons into whose possession the Base Prospectus, this Supplement or any Final Terms come must inform themselves about, and observe, any such restrictions. See "Subscription and Sale" in the Base Prospectus.

The Base Prospectus and this Supplement may only be used for the purpose for which it has been published.

The Base Prospectus, this Supplement and any Final Terms do not constitute an offer or an invitation to subscribe for or purchase any Notes.

The Base Prospectus, this Supplement and any Final Terms may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. None of the Issuer, the Arranger and the Dealers represent that the Base Prospectus, this Supplement may be lawfully distributed, or that Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or assume any responsibility for facilitating any such distribution or offering. In particular, further action may be required under the Programme which would permit a public offering of the Notes or distribution of this document in any jurisdiction where action for that purpose is required.

The Base Prospectus and this Supplement have been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant

Member State of Notes which are the subject of an offering contemplated in the Base Prospectus or this Supplement as completed by Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

All offers remain subject to restrictions set out in the section headed "Subscription and Sale" in the Base Prospectus. Neither the Issuer nor any Dealer have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any statement incorporated by reference into the Base Prospectus or any prior supplement to the Base Prospectus, the statements under (a) above will prevail.

This supplement has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither de Volksbank N.V. nor Coöperatieve Rabobank U.A. ("**Rabobank**") nor any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the supplement distributed to you in electronic format and the hard copy version available to you on request from de Volksbank N.V. or Rabobank.

MODIFICATIONS TO THE BASE PROSPECTUS

The following are amendments to the Base Prospectus. References to page numbers are to page numbers of the Base Prospectus (unless stated otherwise below).

1. On page 30 the fourth paragraph of the risk factor “**Risks related to the decision of the Minister of Finance regarding the future of the Issuer**” will be replaced by the following paragraph:

Together with the second progress report by NLF1 from October 2018, the Minister of Finance sent a letter to the Dutch House of Representatives on 27 November 2018 reaffirming NLF1's conclusion in its second progress report. NLF1 concluded in its second progress report that de Volksbank has made good progress with respect to its risk management, in implementing innovative technology and with respect to its standardisation of products and processes. However, NLF1 is of the opinion that de Volksbank needs more time to further develop its strategy and to further strengthen its identity. Furthermore, it is important that de Volksbank strives to achieve the objectives it has set, including the intended improvement between costs and income, in order for de Volksbank to have a good proposition for privatisation. NLF1 concluded that de Volksbank needs the time remaining of the original two to three years to create optimal long term value and to complete the transition it started in 2016. This term ends mid-2019. If, according to NLF1, de Volksbank is not ready for privatisation by mid-2019, NLF1 will again issue a progress report in mid-2019.

In addition thereto, the following paragraph will be inserted as the sixth paragraph on that page:

In the coalition agreement of 10 October 2017, it was noted that in relation to the Issuer, future options other than State ownership are currently being analysed. When this analysis has been completed, the Dutch Government will make a decision, taking into account the desired diversity in the banking sector.

2. On page 44 the last sentence of the first paragraph will be replaced with the following:

The bill has been adopted by the House of Representatives on 27 September 2018 and by the Senate on 16 October 2018 and has entered into force on 14 December 2018.

3. On page 62-63 the paragraph “**Board of Directors**” shall be replaced by the following paragraph:

Board of Directors

The Board of Directors consists of, and the principal activities outside de Volksbank of the members of the Board of Directors are as follows:

Mr. M.B.G.M. Oostendorp, Chief Executive Officer

Member of the Supervisory Board at Nederlandse Waterschapsbank N.V.
Member of the Advisory Board at Women in Financial Services (WIFS)
Member of the Board and treasurer of the Dutch Banking Association

Mrs. A.T.J. van Melick, Chief Financial Officer
Member of the Regulatory Matters Committee of the Dutch Banking Association

Mr. J.R. Dijkstra, Chief Risk Officer

Mrs. M.L. van der Meer, Chief Customer Officer
Member of the Consumer Affairs Committee of the Dutch Banking Association

On 30 October 2018 the Supervisory Board of de Volksbank announced its intention to appoint Mrs. M. Verhoeven as member of its Board of Directors and Chief Operations Officer (COO) of de Volksbank. The intended appointment is subject to approval by the supervisory authorities.

The positions referred to above, being 'Chief Executive Officer', 'Chief Customer Officer', 'Chief Operations Officer', 'Chief Financial Officer' and 'Chief Risk Officer' apply only to the positions held in the Board of Directors. All members of the Board of Directors have full time positions and have elected domicile at the registered office of de Volksbank.

4. On pages 63-64 the paragraph "**Supervisory Board**" shall be replaced by the following paragraph:

Supervisory Board

The Supervisory Board consists of and the principal activities outside de Volksbank of the members of the Supervisory Board are as follows:

Mr. J.C.M. van Rutte, Chairman

Member Supervisory Board ORMIT Holding B.V.

Member Supervisory Board Bank Nederlandse Gemeenten N.V.

Member Supervisory Board PGGM N.V.

Member Supervisory Board Nederlandse Investeringsinstelling N.V.

Member Supervisory Council Foundation Health Center Hoenderdaal

Member of the Board of ABN AMRO Foundation

Member of the Board of Stichting Administratiekantoor Aandelen KAS Bank

Mrs. S. Barendregt-Roojers

Member Supervisory Board ASR Nederland N.V.

Member Supervisory Board Robeco Institutional Asset Management B.V.

Mr. J. van Lange

Member of the Board of NMB Bank in Tanzania

Member of the Board of Governors of Tilburg University

Chairman of the Supervisory Board of the Central Bureau on Fundraising (CBF) (monitors fundraising by charities)

Chairman of the Catholic Higher Education Foundation – Tilburg University

Member of the Investment Advisory Committee of DELA (insurance company)

Chairman Stichting Landgoed Kasteel Geldrop (Geldrop Castle Foundation)

Mrs. M.R. Milz

Member Supervisory Board of Handelsveem Beheer B.V.

Member of the Supervisory Board of Zuidema Beheer B.V.

Member of the Board of Stichting Parnassia

Member of the Board Stichting Arbo Unie

Mr. A. Kregting
Chief Information Officer AkzoNobel
Member of the Supervisory Board of UMC Utrecht

5. The paragraph “**Selected Financial Information of de Volksbank**” on pages 75 up to and including 82 shall be replaced by the paragraph below, as set out on pages 10 up to and including 16 of this Supplement.
6. On page 98 under the chapter “**Documents incorporated by reference**” the documents mentioned under (a), (b), (f) and (h) shall be deleted from the list of documents incorporated in the Base Prospectus, and shall be replaced with the following documents:
 - (a) The Issuer's publicly available financial statements and auditor's report for the year ended 31 December 2018 (set forth on pages 156 up to and including 216 (financial statements) and pages 221 up to and including 227 (auditor's report) of its 2018 annual report (English translation)), which can also be obtained from: <https://www.devолksbank.nl/investor-relations-1/annual-reports.html>;
 - (b) The Issuer's publicly available financial statements and auditor's report for the year ended 31 December 2017 (set forth on pages 186 up to and including 251 (financial statements) and pages 254 up to and including 262 (auditor's report) of its 2017 annual report (English translation)), which can also be obtained from: <https://www.devолksbank.nl/investor-relations-1/annual-reports.html>;
 - (f) The transparency statement in respect of the consolidated and company financial statements of the Issuer issued by the Board of Directors as set forth on page 132 of its 2018 annual report (English translation) and as set forth on page 159 of its 2017 annual report (English translation), which can also be obtained from: <https://www.devолksbank.nl/investor-relations-1/annual-reports.html>;
 - (h) Chapter 3 (Risk, Capital & Liquidity management) set forth on pages 68 up to and including 132 of the Issuer's 2018 annual report (English translation) and as set forth on pages 84 up to and including 159 of the Issuer's 2017 annual report (English translation) which can also be obtained from: <https://www.devолksbank.nl/investor-relations-1/annual-reports.html>;
7. On page 98 under the paragraph “**Documents incorporated by reference**” the following documents shall be added as items (o) and (p) to the list of documents incorporated in and to form part of, the Base Prospectus (with the deletion of “and” at the end of paragraph (m) and replacement of “.” at the end of paragraph (n) with “;”):
 - (o) A press release published by the Issuer on 30 October 2018 regarding the intended appointment of Mirjam Verhoeven as a member of the Board of Directors of de Volksbank and de Volksholding B.V. and also as Chief Operations Officer (COO) of de Volksbank, with effect from 1 January 2019; and
 - (p) A press release published by the Issuer on 15 February 2019 regarding the Issuer's 2018 annual results (with the exception of the paragraph ‘*Outlook*’ on pages 8 and 9).

SELECTED FINANCIAL INFORMATION

De Volksbank's publicly available financial statements and auditor's report for the years ended 31 December 2017 (set forth on pages 186 up to and including 251 (financial statements) and pages 255 up to and including 262 (auditor's report) of its 2017 annual report) and 31 December 2016 (set forth on pages 182 up to and including 244 (financial statements) and pages 248 up to and including 255 (auditor's report) of its 2016 annual report) are incorporated by reference into this Base Prospectus. The information contained in this section of the Base Prospectus is derived from the publicly available financial statements.

Key Figures of de Volksbank

<i>(amounts in millions of EUR)</i>	31-12-2017	31-12-2016
Total assets	60,892	61,588
Loans and advances to customers of which mortgage loans	49,322 45,820	48,620 44,824
Amounts due to customers of which savings	46,855 36,575	47,428 36,593
Equity distributable to Shareholders Total capital	3,714 3,489	3,561 3,655
Common Equity Tier 1 ratio Tier 1 ratio Total capital ratio	34.1% 34,1% 35.7%	29.2% 29.2% 33.8%
Net interest income	924	938
Other income of which net commission and management fees	104 49	96 57
Net profit / loss	329	349 ⁴
Branches in numbers (unaudited)	197	196
Cash dispensers in numbers (unaudited)	320	393
Employees in numbers (fte's, ultimo) (unaudited)	3,231	3,354

⁴ De Volksbank decided to change its accounting policies regarding the timing for the recognition of interest income from penalty interest. The comparative figures 2016 have been adjusted accordingly. This change in accounting policies has a positive impact after tax of € 20 million on total equity as per 31 December 2016.

Capitalisation of de Volksbank

The following table sets forth the capitalisation and long-term indebtedness of de Volksbank on a consolidated basis:

<i>(amounts in millions of EUR)</i>	31-12-2017	31-12-2016
Short-term debt (remaining terms to maturity up to and including five years)		
- Savings	34,703	34,380
- Other amounts due to customers	7,219	7,682
- Derivatives	628	669
- Debt certificates	2,590	4,076
- Amounts to banks	2,580	1,278
- Subordinated debts	498	501
- Other liabilities	863	948
- Liabilities held for sale	--	--
Total short-term debt	49,081	49,534
Long-term debt (remaining terms to maturity over five years)		
- Savings	1,872	2,213
- Other amounts due to customers	3,061	3,153
- Derivatives	624	1,192
- Debt certificates	2,310	1,620
- Amounts due to banks	101	168
- Participation cert. and subordinated debts	--	--
- Other liabilities and deferred tax liabilities	129	147
- Liabilities held for sale ⁵	--	--
Total long-term debt	8,097	8,493
- Savings	36,575	36,593
- Other amounts due to customers	10,280	10,835
- Derivatives	1,252	1,861
- Debt certificates	4,900	5,696
- Amounts due to banks	2,681	1,446
- Subordinated debts	498	501
- Other liabilities and provisions	992	1,095
- Liabilities held for sale	--	--
Total debt	57,178	58,027
Total equity and debt	60,892	61,588

⁵ Long-term debt Other liabilities includes liabilities for which the contractual maturity was not determined of € 45 million (2016 € 66 million).

* The issued and paid-up share capital consists of 840,008 shares with a nominal value of € 453.79 each.

Share Capital*	381	381
Cash Flow Hedge Reserve	36	44
Fair Value reserve	98	132
Other Reserves	2,870	2,655
Retained Earnings	329	349
Total equity	3,714	3,561

Financial Year

The financial year of de Volksbank is the calendar year.

Independent Auditor

The consolidated financial statements of de Volksbank for 2016 and 2017 have been audited by Ernst & Young Accountants LLP Amsterdam, the Netherlands. The independent auditor has given an unqualified opinion for each of these years.

Summary Consolidated Accounts

The 2016 and 2017 financial statements of de Volksbank have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

Consolidated Balance Sheet

In € millions	31-12-2017	31-12-2016
Assets		
Cash and cash equivalents	2,180	1,911
Derivatives	1,075	1,533
Investments	5,094	5,970
Loans and advances to banks	2,643	2,918
Loans and advances to customers	49,322	48,620
Property and equipment	67	73
Intangible assets	14	15
Deferred tax assets	110	137
Corporation Tax	22	-
Other assets	365	411
Assets held for sale	--	--
Total assets	60,892	61,588
Equity and liabilities		
Savings	36,575	36,593
Other amounts due to customers	10,280	10,835
Amounts due to banks	2,681	1,446
Debt certificates	4,900	5,696
Derivatives	1,252	1,861
Deferred tax liabilities	45	59
Corporate income tax	--	25
Other liabilities	822	891
Provisions	125	120
Subordinated debts	498	501
Liabilities held for sale	--	--
Share capital	381	381
Other reserves	3,004	2,831
Retained earnings	329	349
Shareholders' equity	3,714	3,561
Total equity and liabilities	60,892	61,588

Consolidated Profit And Loss Account

In € millions	2017	2016
Income		
Interest income	1,423	1,623
Interest expense	499	685
Net interest income	924	938
Fee and commission income	104	108
Fee and commission expense	55	51
Net fee and commission income	49	57
Investment income	41	57
Result on financial instruments	13	(20)
Other operating income	1	2
Total income	1,028	1,034
Expenses		
Staff costs	381	398
Depreciation and amortisation of tangible and intangible assets	21	22
Other operating expenses	201	222
Impairment charges	(24)	(68)
Other expenses	--	1
Total expenses	579	575
Result before taxation	449	459
Taxation	120	110
Net result continued operations	329	349
Net result discontinued operations	--	--
Net result for the financial year	329	349
Attribution:		
Net profit attributable to shareholder	329	349
Net profit attributable to minority interests	--	--
Net result for the financial year	329	349

Consolidated cash flow statement

In € millions	2017	2016
Cash flow from operating activities		
Operating profit before taxation	449	459
Adjustments for:		
Depreciation and amortisation of tangible and intangible assets	18	22
Changes in other provisions and deferred tax	18	4
Impairment charges and reversals	(24)	(68)
Unrealised results on investments through profit and loss	63	10
Tax paid	(131)	(140)
Change in operating assets and liabilities		
Change in advances and liabilities to customers	(1,257)	852
Change in advances and liabilities to banks	1,510	(391)
Change in savings	(18)	(267)
Change in trading portfolio	669	(150)
Change in other operating activities	(297)	(89)
Net cash flow from operating activities	1,000	242
Cash flow from investing activities		
Sale of property and equipment	1	--
Sale and redemption of investments and derivatives	2,699	3,059
Purchase of intangible assets	(2)	(4)
Purchase of property and equipment	(9)	(13)
Purchase of investments and derivatives	(2,554)	(2,337)
Net cash flow from investing activities	135	705
Cash flow from financing activities		
Issue of subordinated loans	--	--
Issues of debt certificates	5,202	545
Redemption of subordinated loans	--	--
Redemption of debt certificates	(5,933)	(1,740)
Paid dividends	(135)	(100)
Net cash flow from financing activities	(866)	(1,295)
Net decrease of cash and cash equivalents	269	38
Cash and cash equivalents as at 1 January	1,911	2,259
Change in cash and cash equivalents	269	(348)
Cash and cash equivalents as at 31 December	2,180	1,911
Additional disclosure of cash flows from operating activities		
Interest income received	1,852	2,037
Dividends received	-	1
Interest paid	916	1,104

Capitalisation

	<i>CRD IV transitional</i>		<i>CRD IV fully phased in</i>	
in € millions	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Capital instruments	381	381	381	381
Share premium	3,787	3,787	3,787	3,787
Retained earnings	329	329	329	329
Accumulated other comprehensive income (OCI)	140	180	140	180
Other reserves	-923	-1,136	-923	-1,136
Shareholders' equity	3,714¹	3,541	3,714¹	3,541
Not eligible interim profits	-226	-223	-226	-223
Not eligible retained earnings previous years	-20	--	-20	--
Shareholders' equity for CRD IV purposes	3,468	3,318	3,468	3,318
Cash flow hedge reserve	-36	-44	-36	-44
Fair value reserve	-20	-54	--	--
Other prudential adjustments	-3	-3	-3	-3
Total prudential filters	-59	-101	-39	-47
Intangible assets	-14	-15	-14	-14
IRB shortfall ²	-56	-38	-62	-47
Total capital deductions	-70	-53	-76	-62
Total regulatory adjustments to shareholders' equity	-129	-154	-115	-109
CRD IV common equity Tier 1 capital	3,339	3,164	3,353	3,209
Additional Tier 1 capital	--	--	--	--
Tier 1 capital	3,339	3,164	3,353	3,209
Eligible Tier 2	500	500	500	500
IRB shortfall ²	-6	-9	--	--
Impact EBA interpretations CRR art.82	-344	--	-329	--
Total Tier 2 capital	150	491	171	500
Total capital	3,489	3,655	3,524	3,709

1. *De Volksbank changed the accounting policies for the recognition of prepayment charges on early mortgage renewals, comparative figures in the prudential overview have not been adjusted but kept the same as the figures previously reported to the regulatory authority. As a result, the comparative figures for shareholders' equity in the prudential overview are not the same as the consolidated financial statements under IFRS.*
2. *The IRB shortfall is the difference between the expected loss under the CRR/CRD IV Directives and the IFRS retail mortgages provision. During the transitional phase the shortfall (initially equally divided over Tier 1 and Tier 2 capital) is attributed for a growing part to Tier 1 capital.*