de volksbank

2018 Results

Press release

The original press release was drafted in Dutch. This document is an English translation of the original.
In case of any discrepancies between the English and the Dutch text, the latter will prevail.

2018 Results

Utrecht, 15 February 2019

Banking with a human touch put further into practice and customer satisfaction increased

- Good progress in positioning as a social bank: various initiatives developed in sustainability and improving our customers' financial resilience
- Developments shared value scores:
  - Customers: improvement customer-weighted Net Promoter Score to -1 (year-end 2017: -3)
  - Society: 37% climate-neutral balance sheet (year-end 2017: 27%); introduction of a financial resilience score; realisation year-end 2018: 49, with a target score of 50 in 2020
  - Employees: decline in employee Net Promoter Score (eNPS) to -20 (year-end 2017: -2)
  - Shareholder: return on equity of 7.6% (2017: 8.7%), based on strong capital position

Continued growth in current account customers and mortgage portfolio

- Net growth number of current account customers by 79,000 to 1.488 million; market share new current accounts of 24%
- Increase in mortgage portfolio by € 1.3 billion to € 47.3 billion
- Market share new mortgages higher at 7.3% (2017: 6.8%); increase in new mortgage production to € 5.9 billion (2017: € 5.5 billion)
- Increase in retail savings by € 0.6 billion to € 37.4 billion; market share savings virtually stable at 10.6% (2017: 10.7%)

Lower net profit of € 268 million, mainly driven by lower results on investments/financial instruments and a lower release of loan loss provisions

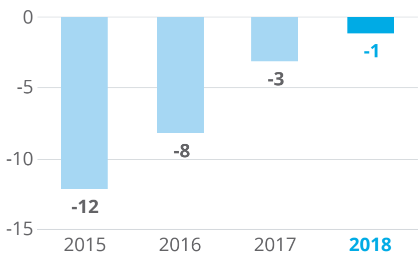
- Net profit of € 268 million, a decline of 19% compared to 2017 (€ 329 million)
- Total income of € 958 million, a € 70 million drop mainly as a result of a € 49 million lower result on investments and financial instruments (exceptionally high in 2017), modest decline in net interest income (by € 16 million, 2%)
- Operating expenses excluding regulatory levies at € 562 million virtually equal to 2017 (€ 560 million); impact efficiency measures offset by higher expenses in connection with laws and regulations and compliance
- Increase in efficiency ratio (excluding regulatory levies) to 58.7% (2017: 55.4%) driven by drop in income
- Lower release of loan loss provisions of € 12 million (2017: release of € 24 million)

Unvaryingly strong capital position

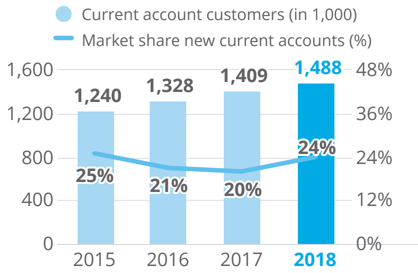
- Increase in Common Equity Tier 1 capital ratio to 35.5% (year-end 2017: 34.1%). Leverage ratio stable at 5.5%
- Proposed dividend for 2018: € 161 million (pay-out ratio 60%)

Key figures

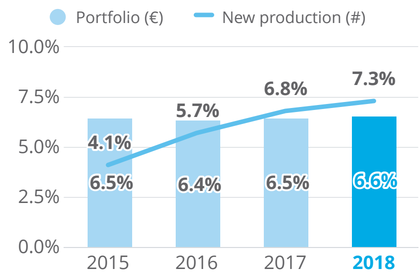
Net Promoter Score[1]



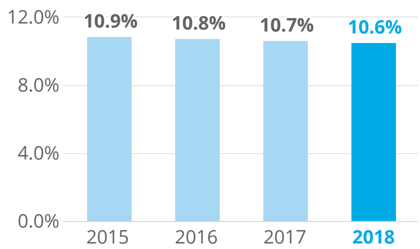
Current account customers[2]



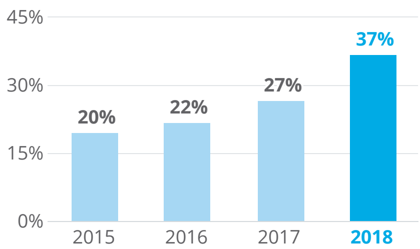
Market share retail mortgages[3]



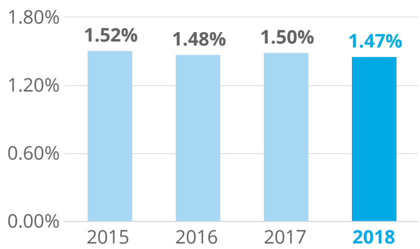
Market share retail savings



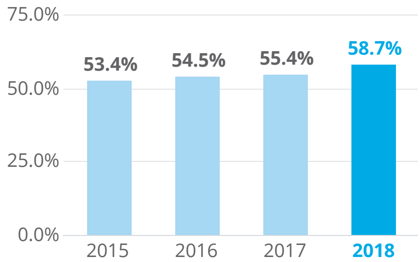
Climate neutral balance sheet



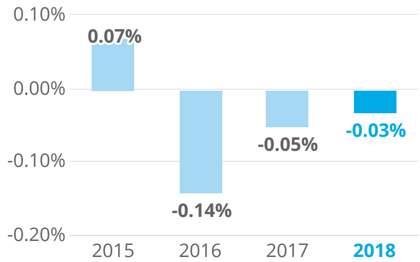
Net interest income



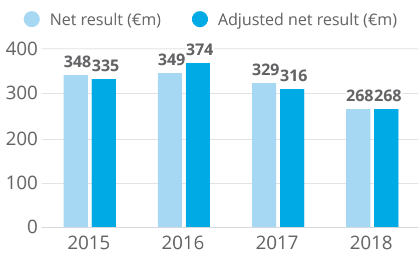
Adjusted efficiency ratio[4]



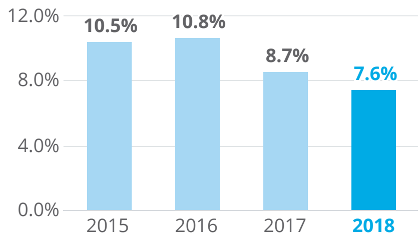
Cost of risk total loans



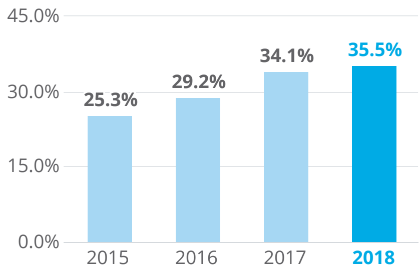
Net result / adjusted net result[4]



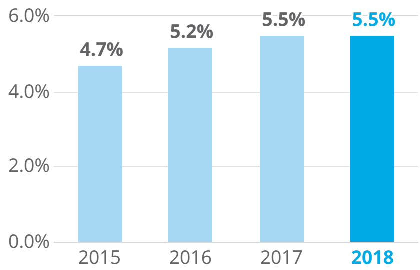
Adjusted return on equity[4]



Common Equity Tier 1 ratio[5]



Leverage ratio[5,]



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1 Customer-weighted average of all brands. Source NPS: market research company Miles Research.
2 Source: market share new current accounts: Ipsos market research, based on Moving Annual Total (MAT), at the end of each reporting period looking back over the last 12 months.
3 Third quarter 2018 figures because market size figures are not yet available.
4 2015 up to and including 2017, adjusted for incidental items, in 2018 there are no such items.
5 2015 up to and including 2017 on a transitional basis, as of 2018 fully phased-in.

Foreword

Maurice Oostendorp, Chairman of the Board of Directors of de Volksbank

"De Volksbank can look back on a fine year in many ways. We are increasingly appreciated as a bank that is able to put its mission of 'Banking with a human touch' into actual practice. The fact that more and more people appreciate this is reflected, among other things, in the increase in the number of customers with a current account with one of our brands. Last week we passed the limit of 1.5 million current account customers. We also won a number of awards in 2018, including the Management Scope Corporate Impact Award. This prize is awarded to the Dutch company with the largest social impact. Our brands also won several awards, both for their mortgage services and for their individual websites. Moreover, de Volksbank has the highest score in the report of the Fair Bank Guide, published in December 2018. We maintained our high ESG ratings at external parties such as Sustainalytics and oekom.

In order to accomplish our mission, we focus on three pillars:
1. strengthening our social identity;
2. simplifying and enhancing our business operations;
3. implementing our innovation strategy as a smart adopter.

In strengthening our social identity, we focus mainly on the impact on the climate in our chain and the financial resilience of our customers.

In 2018, we made good progress with the climate neutrality of our balance sheet, which rose by 10%-points to 37%. The improvement was due to increased financing for renewable energy projects, particularly in four wind farms, and investments in green bonds. We also launched new initiatives in the areas of communication, advice and product propositions to help customers make their homes more sustainable. A good example is the ASN Mortgage, introduced in 2018, enabling customers to finance energy-saving measures.

To make a positive contribution to the financial resilience of our customers, we improved our preventive management in 2018. Customers can contact us about expected payment problems and we also contact vulnerable customers ourselves. For example, in 2018 we proactively contacted approximately 150,000 customers with an interest-only mortgage to encourage them to repay or build up capital. An (online) dialogue was then conducted with approximately 20,000 of them. In this context, our brands also supported the nationwide campaign entitled '*Aflossingsblij*', which calls on homeowners with interest-only mortgages nearing maturity to take action and consider their personal situation. In 2018, we also retrieved approximately 6,000 customer files from debt collection agencies and now manage debt arrears ourselves.

In preparation for the introduction of PSD2, we have developed a 'master switch' that allows customers to turn the passing on of payment data to third parties on or off at any time. In 2018, together with Privacy First, we took the initiative to draw up the privacy code of conduct. The further development of this code was handed over to the Dutch Payments Association in 2019.

In 2018, the number of current account customers rose by 79,000, or 5.5%. In 2018, nearly 25% of new current accounts in the Netherlands were opened with ASN Bank, RegioBank or SNS. Our mortgage portfolio also grew, by € 1.3 billion to € 47.3 billion. Customer appreciation, measured using the Net Promoter Score, rose slightly.

Illustrative of the simplification and enhancement of our business operations is the mortgage quotation and application process. We considerably simplified this process by removing the brand-specific variations in back-office processes, which allowed us to process an increase in mortgage production at the same quality using fewer employees.

Finally, our smart adopter approach, whereby we strive to implement innovations in the market quickly ourselves, is going well. We have, for example, successfully completed the pilot for the 'One-two' app, in which a customer can choose a personal adviser with whom he can communicate directly at any time. The app will be introduced to SNS customers in early 2019.

To enable us to quickly implement and test innovations in our existing and new banking services, particularly in the field of financial resilience, we introduced the beta app Sl!m. This is a copy of our brands' payment apps, with the same level of security and the same features that we use to test new functionalities with a select group of customers. In Sl!m we developed 'Payment Request' (*Betaalverzoek*), after which this functionality was incorporated into the mobile apps of

ASN Bank, RegioBank and SNS. In Sl!m, we also developed 'My Budget', which gives customers - on the basis of Artificial Intelligence (AI) - insight into what they have left to spend at the end of the month after all fixed costs have been paid.

Despite robust economic growth and persistently rising house prices, our 2018 net result was down. Net profit totalled € 268 million, a 19% decrease compared to 2017. Total income dropped by 7%, mainly on the back of lower capital gains on bonds, the absence of market value movements of former DBV mortgages and, to a limited extent, lower interest income. Loan loss provisions were once again released in 2018, albeit considerably lower than in 2017. In 2018 we did not succeed in compensating these developments by lower operating expenses: these remained virtually flat. Savings ensuing from our cost reduction programme were offset by additional costs related to new laws and regulations, for example in transaction monitoring, risk management and data management, as well as salary increases under the collective agreement, including higher social security contributions. Although the number of internal employees declined by 7% in 2018 (238 FTE), the number of external employees rose (by 90 FTE) at the same time due to the filling of temporary shortages.
Mainly as a result of lower income, the cost / income ratio rose to 58.7% compared to 55.4% in 2017.

The lower net profit entails that the return on equity dropped to 7.6%, as against 8.7% for 2017. With this, we are not at the level of our 2020 target of 8%. Still, this figure of 8% remains a major point of reference in the next few years. The return, incidentally, was achieved with an unvaryingly strong capital position when compared with other European banks.

In 2016, we defined a number of targets for 2020 in terms of our customers, society, employees and the shareholder to make the progress on accomplishing our ambition as quantifiable as possible. We intend to provide an update of our targets in the second half of 2019.

This will also include an update of our capital targets, i.e. a CET1 capital ratio of at least 15% and a leverage ratio of at least 4.25%. The guiding principle of a strong capital position reflecting the quality of our loan portfolio on the one hand and a relatively high concentration risk on the other, remains unchanged.

The substantiation of our mission Banking with a human touch leads to increasing recognition and will be continued. In 2018, we started exploring how our mission and the corresponding ambition of optimising our bank's shared value for society, our customers, employees and the shareholder are best embedded in our governance.

The sustained low interest rate environment is expected to exert further pressure on our income in 2019. The release of loan loss provisions is also finite. Despite our intention to control costs, we therefore expect a slight decline in the net profit for this year.

We will continue to develop new initiatives in 2019 to further put our mission into practice. In this way, we want our customers to increasingly experience what banking with a human touch really means.”

Developments in shared value ambition

PROGRESS ON OBJECTIVES

We measure the progress in achieving our mission Banking with a human touch, and the realisation of our shared value ambition by means of specific key business objectives for our four stakeholder groups that we defined in 2016:

Objectives	31-12-2018	30-6-2018	31-12-2017	Target 2020
BENEFITS FOR CUSTOMERS				
Customer-weighted average Net Promoter Score (NPS)[1]	-1	0	-3	+10
ASN Bank	18	19	17	
BLG Wonen	-22	-24	-24	
RegioBank	12	10	7	
SNS	-11	-8	-13	
Current account customers (in 1,000)	1,488	1,442	1,409	1,500
RESPONSIBILITY FOR SOCIETY				
Climate-neutral balance sheet[1]	37%	33%	27%	45%
Financial resilience	49%[2]	na	40%	>50%
GIVING GENUINE ATTENTION TO OUR EMPLOYEES				
Employee NPS (eNPS)[1]	-20	-14	-2	+40
Commitment	7.4	7.7	7.6	8.0
Engagement	7.2	7.4	7.4	8.0
RETURNS FOR THE SHAREHOLDER				
Return on Equity (RoE)	7.6%	8.5%	8.7%[3]	8.0%
OTHER LONG-TERM FINANCIAL OBJECTIVES				
Cost/income ratio	58.7%	56.7%	55.4%[3]	50-52%
Common Equity Tier 1 ratio	35.5%	34.3%	34.1%	> 15.0%
Leverage ratio	5.5%	5.2%	5.5%	> 4.25%

1 For the method of the measurement of these KPIs reference is made to the annual report 2017, chapter About the non-financial information.

2 Based on the moving average of the past 6 months.

3 Adjusted for the impact of incidental items (see Financial results).

We intend to given an update of or long-term objectives in the second half of 2019.

Benefits for customers

We aim to be a bank where customers feel at home, that looks from its customers' perspective by coming up with fair banking products. The extent of our success is measured by surveying customer satisfaction and the growth in the number of current accounts.

NET PROMOTER SCORE

The customer-weighted average of all brand-specific Net Promoter Scores (NPS)[1] improved from – 3 at year-end 2017 to -1. The NPS of all brands improved. ASN Bank and RegioBank continue to be among the select group of Dutch banks with a positive NPS. SNS continued its steady trend towards a positive NPS; compared to -39 in 2013, its score now stood at -11. And at BLG Wonen the NPS improved slightly to -22. In the second half of 2018, the customer weighted NPS fell somewhat, after having reached break-even (0) level in the first half.

NUMBER OF CURRENT ACCOUNT CUSTOMERS

The number of current account customers rose by 79,000 (163,000 gross) to 1,488,000 at year-end 2018.

1 Marks on a 1 to 10 scale determine if a customer is a 'promoter' (9-10), a 'passive' (7- 8) or a 'detractor' (0-6). A positive NSP requires the percentage of promoters to be higher than the percentage of detractors.

Responsibility for society

We want to make a positive contribution to society. From our core activities mortgages, savings and payments, we can have a considerable positive impact on sustainability in our chain and our customers' financial resilience.

CLIMATE-NEUTRAL BALANCE SHEET

We aim for a 45% climate-neutral balance sheet by 2020, rising to 100% by 2030. At year-end 2018, our balance sheet was 37% climate neutral (2017: 27%). The increase primarily resulted from financing sustainable projects, particularly in four wind farms and investments in green bonds. Together they increased by € 0.2 billion. The total CO2 profit from sustainable funding and green bonds amounted to 503 kilotons (2017: 355 kilotons).

The average energy label of the homes we financed improved slightly. As the mortgage portfolio increased, the total calculated CO2 loss from these loans remained virtually stable. The total CO2 loss of our balance sheet, primarily caused by the mortgage portfolio, amounted to 1,357 kilotons (2017: 1,331).

FINANCIAL RESILIENCE

Financial resilience is a prerequisite for the well-being of individuals in society. Two hundred years ago, we were founded partly for this purpose. Our mission goes back to this history. We want to encourage and help our customers increase their financial resilience.

In early 2018, we made financial resilience measurable in a KPI. In a monthly survey, we asked 530 of our customers whether they notice that the bank, i.e. de Volksbank, is ready to assist them in case of financial stress. Respondents answered the question on a scale of 1 (totally disagree) to 100 (totally agree). The first baseline measurement, taken in January 2018, resulted in a score of 40. We then set the target for 2020 at 50. Starting from the second quarter, we asked the same question but replaced 'the bank' with the names of our specific bank brands. This arouses more recollections from customers' own experience than associations with banks in general, and largely explains the improvement in the survey result in December: 49.

Genuine attention for our employees

With effect from 2019 we have replaced the term 'meaning for employees' with 'genuine attention for the employee'. We want to enable our employees to achieve our mission and strategy by starting from genuine attention tfor autonomy, personal growth and professionalism.

Through our way of banking, we want to create financial and non-financial value. Creating value starts with paying genuine attention to employees. By investing in our employees, they can put banking with a human touch into practice on a day-to-day basis. In the course of 2019, we plan to formulate a new objective to replace the eNPS (employee Net Promoter Score) that better matches genuine attention for the employee.

The eNPS indicates how likely it is that employees will recommend de Volksbank as an employer. This eNPS is measured in the same way as the NPS for customers. The eNPS declined to -20 (2017: -2). It appears that our eNPS target of +40 for 2020 is difficult to achieve in a period of reorganisations and shrinking employment in the banking sector. The percentage of detractors at de Volksbank is increasing, as employees are less likely to recommend de Volksbank as a place to work because of the reorganisations.

To more precisely measure whether we are on the right track with our objectives, we conducted an employee survey in the months of May and October 2018. Employee engagement[2] remained fairly stable, although we did, for the first time, see a slight decline in October 2018, the score going from 7.4 to 7.2. Commitment[3] rose from 7.6 to 7.7 in May 2018 and then dropped to 7.4 in October 2018, which is still considered a high score. We aim for a score of 8 by 2020 for both employee engagement and commitment.

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2 Engagement denotes that employees gain energy from their job, are proud of their job and consider their job as meaningful. They are committed to continuously improving themselves and the organisation.

3 Commitment is the extent to which employees feel a connection with their organisation. Employees who are committed, feel that they fit in, support the organisation's objectives and like to continue working for the organisation.

Returns for the shareholder

RETURN ON EQUITY

De Volksbank aims to be a financially sound and stable bank with low risk activities. We have set our 2020 target Return on Equity (RoE) at 8%.

The RoE was 7.6%, this is lower than in 2017 (8.7% adjusted for incidental items). This decline, with a very solid capital position, was entirely attributable to lower net profit, primarily caused by lower income.

DIVIDEND

De Volksbank intends to pay out a dividend to the shareholder in the range of 40% and 60% of the adjusted net profit. For 2018, we propose a dividend of € 161 million. This comes down to a pay-out ratio of 60%.

Other objectives

CAPITAL

Our current capitalisation objectives are a CET1 capital ratio of more than 15%, based on current regulations, and a leverage ratio of at least 4.25%.

The CET1 capital ratio rose to 35.5% (year-end 2017: 34.1%), despite a 2%-point negative impact due to the implementation of IFRS 9 with effect from 1 January 2018. The increase was more than fully compensated by the addition of net profit and a € 0.4 billion decrease in risk-weighted assets (RWA) compared to year-end 2017.

Based on the agreement reached on Basel IV regulations in December 2017, we expect our RWA to go up by approximately 45% and our CET1 capital ratio to decrease by approximately 11%-points as a consequence.

The leverage ratio stood at 5.5% (year-end 2017: 5.5%), well above our minimum target. The leverage ratio remained unchanged, despite a slight decrease in the CET1 capital and a € 0.3 billion increase in the risk exposure.

COST / INCOME RATIO

In 2016, we defined a target range of 50% to 52% for 2020 for the cost / income ratio, defined as operating expenses excluding regulatory levies divided by total income. In 2018, the cost / income ratio stood at 58.7% (2017 adjusted for incidental items: 55.4%).
The increase was almost entirely attributable to the lower total adjusted income. The decrease in total income was in line with our expectations in view of the low interest rate environment. However, savings ensuing from our cost reduction programme were offset by additional costs related to new laws and regulations, for example in transaction monitoring, risk management and data management, as well as salary increases under the collective agreement, including higher social security contributions.

Options for the future

In the fall of 2018, NL Financial Investments (NLFI) issued its second progress report on the privatisation of de Volksbank. In June 2016, NLFI indicated that de Volksbank needed a two to three year period to decide on privatisation. This period will end around mid-2019. Based on the latest NLFI report, the Minister of Finance has drawn the conclusion that de Volksbank will at least need this period to elaborate the shared valued ambition and further strengthen its social identity.

As soon as de Volksbank is ready for privatisation, the NFLI will advise the Minister of Finance accordingly. If this is not feasible by mid-2019, NLFI will again issue another progress report and give an indication of the timeline expected at that point in time.

Outlook

As a result of international trade tensions, the Brexit and downward adjusted macroeconomic expectations for a number of European countries, including Germany, economic growth in the Netherlands is expected to slow down in 2019. Unemployment will not be able to fall much further, while the price rise in the housing market will level off and the number of transactions will decrease further. Given the weaker macroeconomic outlook, we expect the current low interest rate climate in Europe to continue in the short to medium term.

As a result, net interest income is projected to be lower than in 2018.

The projected reduction in total operating expenses in 2019 is not expected to fully compensate lower interest income.

On the basis of the revised macroeconomic estimates, we expect that loan impairments will no longer show a release, but will remain limited.

All things considered, we expect the net result for 2019 to be slightly lower compared with 2018.

Macroeconomic developments

THE DUTCH ECONOMY

In 2018, the Dutch economy was not quite able to sustain the strong growth rate of the previous year, but did continue to outperform the eurozone as a whole. On balance, growth fell to 2.5%, from 2.9% in 2017. Although consumption provided the most stable contribution, investments made a positive contribution as well. Job growth exceeded expectations, causing the annual average unemployment rate in 2018 to fall from 4.9% to 3.8%. The ever tighter labour market is slowly but surely accelerating wage growth even if growth, at just under 2.5%, is still limited. The annual inflation rate averaged 1.7%, slightly up compared to 2017, owing in part to oil prices, which were on average considerably higher in 2018 compared to 2017.

INTEREST RATES AND GOVERNMENT BOND YIELDS

The European Central Bank (ECB) held the deposit rate unchanged at -0.4%, thus keeping the market rates extremely low throughout the year. Early 2018, the bond-buying programme was fixed until September 2018 at the monthly pace of € 30 billion. At the ECB meeting in August 2018 the expectation was fulfilled that the monthly purchases would be halved between September and December before ceasing altogether. In addition, an initial ECB rate hike was not expected until the end of the summer of 2019. Ahead of this phase-out, the interest rates on 10-year government bonds gradually climbed to a peak of 0.8%. After that, rates fell again, partly because of disappointing macroeconomic figures, especially elsewhere in Europe, and oil prices that fell sharply in the last quarter. At the end of the year, interest rates dropped even further, greatly impacted by China-US trade tensions and, not least the growing fear of a chaotic Brexit. At year-end, the 10-year interest rates was 0.38%, below the 0.53% at the start of the year and the outlook for short-term interest rate hikes has been tempered by both the Federal Reserve and the ECB in early 2019.

HOUSING AND MORTGAGE LOAN MARKET

The supply of homes on the housing market became increasingly tighter, which was partly caused by homeowners who preferred to buy a house before putting their house up for sale. Due to a lack of supply, the number of transactions dropped by 10%, a slightly larger greater drop than expected. Contrary to this, sellers benefited from a strong price increase that averaged 9% over the past year. At the end of the year, the housing supply rose slightly again, in evidence of a market that is starting to ease somewhat.

RETAIL SAVINGS MARKET

In 2018, the Dutch retail savings market grew to € 354 billion, a 4% plus (year-end 2017: € 341 billion). The interest rate cut for savings continued in 2018.

Commercial developments

Commercial developments

	31-12-2018	30-6-2018	31-12-2017
CUSTOMERS AND CURRENT ACCOUNTS			
Total number of customers (in 1,000)	3,202	3,160	3,128
Total number of current account customers (in 1,000)	1,488	1,442	1,409
Market share new current accounts[1]	24%	23%	20%
MORTGAGES			
Retail mortgages (gross in € billions)	47.3	46.7	46.0
Market share new mortgages (in #)	7.3%[2]	7.5%	6.8%
Market share mortgage portfolio (in €)[3]	6.6%[4]	6.6%	6.5%
SAVINGS			
Retail savings (in € billions)	37.4	37.7	36.8
Market share retail savings	10.6%	10.6%	10.7%

1 Source: Ipsos market research, based on Moving Annual Total (MAT), at the end of each reporting period, looking back over the last 12 months.
2 Third quarter 2018 figures because market size figures are not yet available.
3 Based on CBS data. Market shares as at 31-12-2017 have been adjusted due to market size figures adjusted by CBS.
4 Up to and inlcuding third quarter 2018 figures because market size figures are not yet available.

Customers and current accounts

In 2018, ASN Bank, BLG Wonen, RegioBank and SNS combined welcomed 230,000 new customers. Setting this off against customers who left the bank, the number of customers rose by 74,000. This was mainly attributable to the successful growth in the number of customers with a current account.

The number of current account customers rose by 79,000 (163,000 gross) to 1,488,000 at year-end 2018. Net growth was slightly below that of 2017 (81,000) on account of an 18,000 adjustment in inactive current account customers[4].

The high inflow of current account customers also led to a record number of customers using the Dutch interbank account switching service in 2018, nearly 37,000 in total.

De Volksbank's market share in new current accounts rose to 24% (year-end 2017: 20%) over the past year. ASN Bank, RegioBank and SNS all increased their market share. Especially in the first and third quarter, we welcomed many new current account customers. The successful marketing campaigns of the aforementioned brands for payment products for young people strongly contributed to this growth.

The market share in new current accounts has been 20% or more since 2014, significantly higher than the market share on a total portfolio basis of approximately 8%[5].

Mortgages

Although the tight housing market caused the number of mortgages taken out to fall somewhat, the average principal of mortgages rose. In the market for new retail mortgages, the share of mortgages with a fixed-rate period of more than 10 years remained high at more than 50%.

De Volksbank's new mortgage production increased to € 5.9 billion, from € 5.5 billion in 2017 (+7%)., partly driven by price increases. Our capital position enabled us to grow our mortgage portfolio further, while continuing to monitor our margins. The market share of new retail mortgages rose to 7.3%[6] (2017: 6.8%). Based on the total retail mortgage portfolio, the market share increased slightly to 6.6%, from 6.5% at year-end 2017.

Interest rate renewals amounted to nearly € 3.3 billion, a considerable drop compared to 2017 (nearly € 5.1 billion). Of these renewals, approximately one fourth consisted of early renewals

4 Current accounts with a balance of nil or less and on which no customer-driven transaction has taken place for at least 13 months.
5 Based on the market share of all existing current accounts as at 1 January 2018: Ipsos market research.
6 Up to and including the 3rd quarter of 2018 due to the late availability of the total market size.

(2017: nearly 35%). The number of early renewals fell owing to the fact that a large part of the portfolio had seen interest rate renewals in previous years. In 2017, the number of regular interest rate renewals rose due to the high level of mortgage production in 2007, mostly mortgages with a 10-year fixed-rate period.

The total level of repayments of € 4.6 billion was slightly up (7%) compared to 2017 (€ 4.3 billion), despite a slight decrease in the number of people moving house. Contractual repayments gradually went up, in line with the changing composition of the mortgage portfolio, mainly reflected in an increase in annuity mortgages. Bridging loan repayments also went up.

Thanks to the controlled growth in mortgage production and the high level of customer retention, de Volksbank managed to grow its retail mortgage portfolio from € 46.0 billion at year-end 2017, to € 47.3 billion (gross book value). The demand for mortgages with a fixed-rate period of 15 years or more remained high. At year-end 2018, € 8.6 billion of the portfolio consisted of this type of mortgage (18.3%), compared to € 8.0 billion (17.9%) at year-end 2017. The share of mortgages with a fixed-rate period of 10 to 15 years has also increased, from 61% to 64% of the total mortgage portfolio.

Savings

De Volksbank's retail savings balances rose to € 37.4 billion compared to € 36.8 billion at year-end 2017. The Dutch retail savings market grew slightly to € 354 billion, from € 341 billion at year-end 2017, both as a result of autonomous growth and a market size adjustment by DNB, the Dutch Central Bank. The market share of 10.6% was virtually stable compared to year-end 2017 (10.7%).

Financial results

Profit and loss account

in € millions	2018 (IFRS 9)	2017 (IAS 39)	Change	2nd half 2018	1st half 2018
Net interest income	908	924	-2%	453	455
Net fee and commission income	44	49	-10%	23	21
Other income	6	55	-89%	2	4
Total income	**958**	**1,028**	**-7%**	**478**	**480**
Operating expenses excluding regulatory levies	562	560	0%	290	272
Regulatory levies	47	43	9%	18	29
Total operating expenses	**609**	**603**	**1%**	**308**	**301**
Impairment charges	-12	-24	50%	4	-16
Result before taxation	**361**	**449**	**-20%**	**166**	**195**
Taxation	93	120	-23%	47	46
Net result	**268**	**329**	**-19%**	**119**	**149**
Fair value movements former DBV mortgages and related derivatives	-	13		-	-
Total incidental items	-	13		-	-
Adjusted net result	**268**	**316**	**-15%**	**119**	**149**
Cost/income ratio[1]	58.7%	54.5%		60.8%	56.7%
Adjusted cost/income ratio[2]	58.7%	55.4%		60.8%	56.7%
Return on Equity (RoE)[3]	7.6%	9.1%		6.8%	8.5%
Adjusted Return on Equity (RoE)[4]	7.6%	8.7%		6.8%	8.5%
Net interest margin (bps)[5]	1.47%	1.50%		1.47%	1.47%
Cost/assets ratio as a % of average assets[6]	0.91%	0.91%		0.94%	0.88%

1 Total operating expenses adjusted for the impact of regulatory levies / total income.
2 Total operating expenses adjusted for the impact of regulatory levies and the impact of incidental items (gross amounts) / total income adjusted for the impact of incidental items.
3 Net result / average month-end total equity for the reporting period.
4 Net result adjusted for incidental items / average month-end total equity for the reporting period.
5 Net interest income / average month-end total assets for the reporting period.
6 Operating expenses adjusted for regulatory levies / average month-end total assets for the reporting period.

NET PROFIT

Net profit fell to € 268 million, compared to € 329 million in 2017 (19%). In 2017 the net result contained € 13 million in incidental items, consisting entirely of positive unrealised value movements of former DBV mortgages and related derivatives. As a result of the reclassification of the former DBV mortgages from fair value to amortised cost, volatility in the income statement was eliminated from 2018 onwards.

Net profit, adjusted for incidental items, decreased by € 48 million (-15%). This drop was attributable to € 53 million lower adjusted income (-5%), € 6 million higher total operating expenses and a € 12 million lower net release of loan loss provisions.

The Return on Equity (RoE) was 7.6%, a decrease compared to 2017 (adjusted: 8.7%), driven by a lower adjusted net result.

The cost / income ratio stood at 58.7% (2017 adjusted for incidental items: 55.4%). This increase was almost entirely attributable to lower total adjusted income.

Income

Breakdown income

in € millions	2018 (IFRS 9)	2017 (IAS 39)	Change	2nd half 2018	1st half 2018
Net interest income	908	924	-2%	453	455
Net fee and commission income	44	49	-10%	23	21
Investment income	3	26	-88%	6	-3
Result on financial instruments	2	28	-93%	-5	7
Other operating income	1	1	0%	1	-
Total income	**958**	**1,028**	**-7%**	**478**	**480**
Fair value movements former DBV mortgages and related derivatives	-	17		-	-
Adjusted income	**958**	**1,011**	**-5%**	**478**	**480**
Net interest margin (bps)	1.47%	1.50%		1.47%	1.47%

Total adjusted income went down by € 53 million to € 958 million (-5%), mainly driven by lower other income and to a lesser extent to lower net interest income.

NET INTEREST INCOME

Net interest income declined slightly by € 16 million to € 908 million (-2%).

Income on mortgages was lower because of (early) renewals in 2017 and 2018 at lower mortgage rates. Furthermore, new mortgage production was concluded at lower rates than those of the mortgages repaid in 2018. These effects were partly compensated by the controlled growth of the mortgage portfolio .

Lower interest expenses on account of savings rate reductions largely compensated lower interest income on mortgages.

Interest expenses related to derivatives used to manage the interest rate risk were higher. This increase was mainly attributable to high new mortgage production and interest rate renewals at longer fixed-rate maturities and the full effect of an improved model in 2017 to estimate early repayments and renewals.

Finally, net interest income was positively impacted by the full annual effect of a different classification of distribution fees[7] paid by RegioBank, which was carried out in 2017. The lower net interest income is reflected in a net interest margin that declined modestly to 147 bps, compared to 150 bps in 2017.

NET FEE AND COMMISSION INCOME

Net fee and commission income declined by € 5 million to € 44 million. Of this decline, € 10 million was explained by a different classification of the distribution fees paid by RegioBank. In addition, commission income was higher, driven by an increase in assets under management and fees received with respect to a credit facility made available to the Deposit Guarantee Fund.

INVESTMENT INCOME

Investment income fell by € 23 million to € 3 million, largely due to lower realised gains on fixed-income investments, sold as part of asset and liability management and optimisation of the investment portfolio. In 2017, results - particularly on the sale of French bonds for risk management purposes - were relatively high, while 2018 saw a negative result on the run-off of positions in Italian fixed-income securities. In addition, the potential to realise gains on the investment portfolio decreased as a result of a change to the valuation standard of part of the liquidity portfolio from fair value to amortised cost.

RESULT ON FINANCIAL INSTRUMENTS

The result on financial instruments decreased by € 26 million to € 2 million. Of this amount, € 17 million was attributable to positive fair value movements of former DBV mortgages and related derivatives that were included in the 2017 income. As a result of the reclassification of the former DBV mortgages from fair value to amortised cost, this source of volatility in the income statement was eliminated from 2018 onwards.

7 In 2017, RegioBank changed its commission fee model from a savings balance model to a customer model. As a result, distribution fees paid are classified as fee and commission expenses and no longer as interest expenses. As 2017 was a transitional year, the full effect is visible in 2018.

Adjusted for the swing in fair value movements of former DBV mortgages and related derivatives, the results on financial instruments declined by € 9 million, driven by lower trading results.

Expenses

Operating expenses and FTE

in € millions	2018 (IFRS 9)	2017 (IAS 39)	Change	2nd half 2018	1st half 2018
Staff costs	402	381	6%	202	200
Depreciation of (in)tangible assets	21	21	0%	10	11
Other operating expenses	186	201	-7%	96	90
Total operating expenses	**609**	**603**	**1%**	**308**	**301**
Regulatory levies (other operating expenses)	47	43	9%	18	29
Adjusted operating expenses	**562**	**560**	**0%**	**290**	**272**
Cost/income ratio	58.7%	54.5%		60.8%	56.7%
Adjusted cost/income ratio	58.7%	55.4%		60.8%	56.7%
Cost/assets ratio as a % of average assets	0.91%	0.91%		0.94%	0.88%
FTE					
Total number of internal FTEs	2,993	3,231	-7%	2,993	3,155
Total number of external FTEs	804	714	13%	804	771
Total number of FTEs	**3,797**	**3,945**	**-4%**	**3,797**	**3,926**

Total operating expenses rose by € 6 million to € 609 million. At € 47 million, regulatory levies were € 4 million higher than in 2017. Adjusted for this increase, operating expenses rose marginally by € 2 million to € 562 million.

The adjusted operating expenses were positively impacted by a lower addition to non-credit risk related provisions and by further efficiency improvements. Savings ensuing from our cost reduction programme were offset by additional costs related to new laws and regulations, for example in transaction monitoring, risk management and data management, as well as salary increases under the collective agreement, including higher social security contributions.

In 2018, the addition to non-credit risk related provisions amounted to € 11 million and included a € 22 million addition, included in staff costs, almost entirely consisting of additional restructuring charges. These expenses were related to further initiatives to simplify and improve our business operations.

The addition to the restructuring provision was partly compensated by an € 11 million release of provisions, included in other operating expenses. The release mainly related to provisions for the compensation of SME customers under the Uniform Recovery Framework for SME Interest Rate Derivatives.

The major part of the additions to non-credit risk related provisions of € 20 million in 2017 was included in staff costs (€ 16 million). Additions related to, among other things, additional restructuring charges (€ 8 million). There were also expenses for preventing ATM explosive attacks, extra expenses for changes in our debt collection management policy to help customers whose consumer loan impedes a switch to a different mortgage provider and expenses for getting into personal contact with potentially vulnerable customers with an interest-only mortgage.

Regulatory levies amounted to € 47 million, € 15 million of which was related to the resolution fund contribution (2017: € 10 million) and € 32 million to the ex-ante Deposit Guarantee Scheme contribution (2017: € 33 million). The raise in the resolution fund contribution reflects a higher contribution for all Dutch banks as the growth of the fund lagged behind the growth of covered deposits.

The adjusted operating expenses divided by the average total assets remained stable at 91 bps.

Compared to year-end 2017, the number of internal employees declined from 3,231 to 2,993 FTE (-7%), primarily as a consequence of efficiency and reorganisation measures.

The number of external employees rose from 714 to 804 FTE, primarily as a result of filling temporary staff shortages for regulatory and compliance-related projects, bringing back customers whose debts had previously been handed over to debt collection agencies and getting into personal contact with potentially vulnerable customers with an interest-only mortgage.

Impairment charges

in € millions	2018 (IFRS 9)	2017 (IAS 39)	Change	2nd half 2018	1st half 2018
Retail mortgage loans	-8	-21	62%	-	-8
Other retail loans	-1	6	-	1	-2
SME loans	-5	-9	44%	2	-7
Other commercial loans and loans to the public sector	1	-	-	1	-
Investments	1	-	-	-	1
Total impairment charges	**-12**	**-24**	**50%**	**4**	**-16**
Cost of risk total loans	-0.03%	-0.05%		0.01%	-0.07%
Cost of risk retail mortgage loans	-0.02%	-0.05%		0.00%	-0.03%
Cost of risk SME loans	-0.75%	-1.10%		0.51%	-1.98%

As from 1 January 2018, we make loan loss provisions in accordance with the requirements of IFRS 9. Previously, loan loss provisions were only made for incurred losses; under IFRS 9, loan loss provisions are made on the basis of expected losses. Under IFRS 9 a 3-stage model is used that reflects the extent to which the credit risk on a customer or a loan has increased over time. A more detailed explanation of these stages is given in the section on Credit risk.

In 2018, under IFRS 9, the total net release of provisions for credit risk amounted to € 12 million. In 2017, this release was € 24 million, under IAS 39.

The net release of impairment charges on retail mortgages was € 8 million, equalling 2 bps of gross outstanding retail mortgages. This release was the result of an improved economic outlook in scenarios used to determine the loan loss provision, resulting in a decrease in stage 2 loans. Stage 3 loans also fell due to improving economic conditions. The positive impact of this was partly offset by an additional provision of € 6 million for stage 3 loans that have been in default for more than 5 years.

In 2017, the net release of impairment charges on retail mortgages amounted to € 21 million, thanks to a substantial decline in impaired retail mortgages as a result of improved macro-economic conditions and a rise in house prices.

The net release of impairment charges on other retail loans amounted to € 1 million, compared to an addition of € 6 million in 2017. This swing was almost entirely attributable to additional expenses in 2017 related to parameter adjustments of provisioning models, such as the introduction of minimum coverage ratios for impaired loans, rising linearly to 100% for retail loans 24 months or more in arrears.

The net release of provisions on the SME loan portfolio amounted to € 5 million. Stage 2 loans decreased as a result of the improved economic outlook in scenarios used to determine the loan loss provision, such as unemployment and the number of bankruptcies. Stage 3 loans also declined as a result of the recovery. These positive factors were partly offset by an additional provision of € 4 million for stage 3 loans that have been in default for more than 5 years.

The decrease in the impaired SME loan portfolio in 2017 resulted in a total net release of impairment charges of € 9 million in that year.

Taxation

De Volksbank accounted for € 93 million in corporation tax on the result for 2018. The effective tax rate was 26% (2017: 27%), at a nominal rate of 25%. The higher tax rate was the result of the lower valuation of a net deferred tax asset at the lower corporation tax rates that will apply in 2020 and 2021. The higher tax rate resulting from the revaluation was partly compensated by a tax gain on adjustments related to the settlement of the tax returns for the year 2016.

Results second half of 2018 compared to first half of 2018

Compared to the first half of 2018, net profit decreased from € 149 million to € 119 million (-20%). This drop was almost entirely attributable to higher total operating expenses, a swing in impairment charges and higher tax rate.

Total income decreased marginally by € 2 million to € 478 million. Net interest income of € 453 million was € 2 million lower compared to the first half. This was primarily attributable to lower income from mortgages as a result of (early) renewals in 2018 at lower mortgage rates. Furthermore, new mortgage production was concluded at substantially lower rates than those of the mortgages repaid in 2018. These effects were partly compensated by the growth in the mortgage portfolio.

Lower income from mortgages was largely compensated by lower interest expenses related to derivatives used to manage the interest rate risk, mainly resulting from expired derivative contracts, lower interest expenses on account of a reduction of the savings rates and higher interest income resulting from prepayment charges in respect of early renewals.

Net fee and commission income of € 23 million rose compared to € 21 million in the first half, particularly due to higher fee and commission income received with respect to a credit facility made available to the Deposit Guarantee Fund.

Total operating expenses rose by € 7 million to € 308 million. At € 18 million, regulatory levies were € 11 million lower than in the first half. Excluding regulatory levies, the adjusted operating expenses rose by € 18 million to € 290 million, of which € 13 million was related to a swing in additions to non-credit related provisions. Both the first and second half saw substantial restructuring charges. In the first half of the year, these were compensated by releases of other non-credit risk related provisions, particularly in connection with the compensation under the Uniform Recovery Framework for SME Interest Rate Derivatives. In addition, consultancy and marketing expenses were higher in the second half of the year.

Regulatory levies were € 11 million lower compared to the first half of 2018. This was more than wholly attributable to the fact that the full annual resolution fund contribution is recognised in the first half of 2018.

Impairments resulted in a charge of € 4 million in the second half, after a net release of € 16 million in the first half of 2018. Half of this swing was the result of an additional provision for stage 3 loans that have been in default for more than 5 years. In addition, there was a more limited reduction in stage 3 loans in the SME loan portfolio in the second half compared to the first half, resulting in a lower release. Finally, impairment charges on other retail loans were € 3 million higher. Here, the first half saw a release of € 2 million, largely attributable to a lower debit balance on current accounts.

The effective tax rate in the second half of 2018 increased to 28%, due to the revaluation of a net deferred tax asset at the lower corporation tax rates for 2020 and 2021. In the first half of 2018, the effective tax rate was at 23% lower than the nominal rate of 25%, due to a tax gain on adjustments related to the settlement of the 2016 tax return.

Risk management

Credit risk

IFRS 9 in € millions	30 December 2018	1 January 2018
Retail mortgage loans[1]	47,320	45,846
Retail other loans	110	143
SME loans	743	791
Other commercial loans and loans to the public sector	2,489	2,667
Total loans and advances to customers[2]	**50,662**	**49,447**
CREDIT RISK INDICATORS		
Total loans and advances to customers		
Loans and advances in stage 3	657	862
Stage 3 ratio	1.3%	1.8%
Stage 3 coverage ratio	15.4%	14.0%
Retail mortgage loans		
Retail mortgage loans in stage 3	549	718
Stage 3 ratio	1.2%	1.6%
Stage 3 coverage ratio	8.4%	7.4%
In arrears	1.1%	1.4%
NHG guaranteed	30%	30%
Weighted average indexed LtV	70%	74%

1 Including IFRS value adjustments.

2 Gross carrying amounts.

Loans and advances to customers

Total gross loans and advances to customers rose by € 1.1 billion to € 50.7 billion in 2018, which was entirely driven by an increase in retail mortgages. Other retail loans and SME loans showed a limited decrease, as did other commercial loans and loans to the public sector.
Thanks to favourable macroeconomic conditions, the strong housing market and efforts of the Arrears Management department to help customers with financial problems, the risk profile of the loan portfolio improved compared to the end of 2017. As a result, the loan loss provisions fell from € 166 million as at 1 January 2018 to € 131 million at the end of 2018. The stage 3 ratio (stage 3 loans expressed as a percentage of total loans and advances) dropped from 1.8% to 1.3%; the stage 3 coverage ratio rose to 15.4%.

As from 1 January 2018, we have been under an obligation to form loan loss provisions in accordance with the requirements of IFRS 9. Previously, loan loss provisions were exclusively made for incurred losses. Under IFRS 9, loan loss provisions are made on the basis of expected losses. These new guidelines make the provisions inherently more volatile, as anticipated macroeconomic developments must be included in the calculations. IFRS 9 includes three stages reflecting the extent to which the credit risk on a customer or loan has risen over time. The stages are decisive for the calculation method and the amount of the provision to be made:

- Stage 1 includes loans that have shown no significant increase in credit risk since they were first provided. For these customers/loans, a provision is formed for expected credit losses (ECL) in the next 12 months.
- Once the credit risk has significantly deteriorated, a customer/loan is moved from stage 1 to stage 2. The provision is formed based on losses expected until maturity (lifetime ECL).
- Customers/loans are moved to stage 3 if 1) they are in default because they are considered to be credit impaired from an IFRS 9 point of view, for example if they are more than 90 days in arrears; 2) the loans are non-performing and subject to a forbearance measure, or 3) they are customers with interest-only mortgages for whom the risk of non-repayment of the loan at the end of its term is deemed very high.

RETAIL MORTGAGES

The rebound of the Dutch economy continued in 2018, contributing to the further improvement of the quality of the retail mortgage portfolio. The collateral value of mortgages rose in the wake of a further rise in house prices, having a positive impact on the average Loan-to-Value (LtV), which improved from 74% to 70%. In 2018, total exposure to retail mortgages rose by € 1.3

billion to € 47.3 billion. This growth is partly explained by the rising house prices resulting in higher average mortgage principal per customer.

The share of stage 1 loans is relatively high in retail mortgages: 94%. New production and positive macroeconomic conditions resulted in an absolute increase in stage 1 retail mortgages in 2018. In addition, stage 2 and 3 loans moved to better stages, partly thanks to our active customer-focused policy pursued through preventive and arrears management. This also resulted in a limited inflow into stage 3.

The favourable economic climate also contributed to the fewer customers running into financial problems. As a result, the stage 3 ratio (stage 3 loans expressed as a percentage of total loans and advances) dropped to 1.2%.

The absolute exposure of stage 3 retail mortgages amounted to € 549 million at the end of 2018. A provision totalling € 46 million had been formed for this, which translated into a stage 3 coverage ratio of 8.4% (beginning of 2018: 7.4%). The increase of the coverage ratio was partly driven by an additional provision for stage 3 (default) loans that have been in default for more than 5 years.

OTHER RETAIL LOANS

The size of other retail loans continued to decrease, from € 143 million gross as at 1 January 2018 to € 110 million at year-end 2018. The drop was caused by repayments of personal loans and revolving credit. Furthermore, the debit balances on current accounts dropped. In 2018, de Volksbank transferred the management – and, accordingly, the exposure and associated credit risk – of its credit card products to International Card Services (ICS). The amount of loans and advances in arrears dropped from € 37 million at the end of 2017 to € 22 million.

In other retail loans, the share of stage 3 loans is relatively high. This was partly due to the fact that in the past, ongoing collections for product costs could cause a negative balance. At the beginning of 2018, an automatic blockade was set up for dormant accounts with a low or negative balance that prevents bank charges from still being collected, which would lead to overdrafts. As a result, and through clean-up actions, the number of dormant accounts is decreasing.

The share of stage 3 loans is also high for revolving credit and personal loans. Since October 2011, this type of credit is no longer granted and the portfolio is being phased out. The provision for these loans rises linearly to 100% of the loans outstanding in a period of 24 months.

Other retail loans are unsecured, which means that almost full provisions need to be made for them in stage 3. The stage 3 coverage ratio was 100% as at the end of 2018 (beginning of 2018: 94.1%).

SME LOANS

In early 2018, de Volksbank launched an initiative to provide loans to small enterprises, offering self-employed persons and small businesses possibilities to obtain funding where this generally proves difficult in the market. We provided new loans in 2018, in the form of a pilot project. We also help existing customers by financing or refinancing them if this does not produce excessive total exposure (business loans with a maximum of € 1 million).

SME loans declined from € 786 million (gross) at the end of 2017 to € 743 million at the end of 2018. This decrease is more limited than in previous years due to lower repayments.

The share of stage 1 loans in SME loans is smaller than in retail mortgages. We are making every effort to make more SME customers financially resilient and transfer them to stage 1.

The stage 3 loans dropped from € 110 million at the beginning of 2018 to € 86 million at the end of 2018. Foreclosures resulted in lower stage 3 loans, and loans also moved to better stages. The stage 3 coverage ratio was 38.4% (beginning of 2018: 32.7%). The increase was mainly driven by an additional provision for stage 3 (default) loans that have been in default for more than 5 years.

COMMERCIAL LOANS AND LOANS TO THE PUBLIC SECTOR

Other SME loans and and loans to the public are characterised by mostly secured loans with an very low credit risk profile. The majority of loans (92%) are found in stage 1, as was the case at the beginning of 2018 (90%). Of these loans, € 206 million has been placed in stage 2, for which a provision of € 2 million has been made. This portfolio does not contain any stage 3 loans.

Loans and advances to customers 31 December 2018

IFRS 9 in € millions	Gross carrying amount	Provision for credit losses	Book value	Stage ratio	Coverage ratio
STAGE 1					
Retail mortgages	44,236	-2	44,234	94.5%	0.0%
Retail other loans	74	-	74	67.3%	0.0%
SME loans	558	-1	557	75.1%	0.2%
Other commercial loans and loans to the public sector	2,281	-1	2,280	91.6%	0.0%
Total loans and advances to customers stage 1	**47,149**	**-4**	**47,145**	**94.0%**	**0.0%**
STAGE 2					
Retail mortgages	2,039	-10	2,029	4.4%	0.5%
Other retail loans	14	-2	12	12.7%	14.3%
SME loans	99	-7	92	13.3%	7.1%
Other commercial loans and loans to the public sector	208	-2	206	8.4%	1.0%
Total loans and advances to customers stage 2	**2,360**	**-21**	**2,339**	**4.7%**	**0.9%**
STAGE 3					
Retail mortgages	549	-46	503	1.2%	8.4%
Other retail loans	22	-22	-	20.0%	100.0%
SME loans	86	-33	53	11.6%	38.4%
Other commercial loans and loans to the public sector	-	-	-	-	-
Total loans and advances to customers stage 3	**657**	**-101**	**556**	**1.3%**	**15.4%**
TOTAAL STAGE 1, 2 EN 3					
Retail mortgages	46,824	-58	46,766		0.1%
Other retail loans	110	-24	86		21.8%
SME loans[1]	743	-41	702		5.5%
Other commercial loans and loans to the public sector	2,489	-3	2,486		0.1%
Total loans and advances stage 1,2,3	**50,166**	**-126**	**50,040**		**0.3%**
IFRS value adjustments retial mortgages[2]	496	-	496		
Totaal loans and advances to customers	**50,662**	**-126**	**50,536**		**0.2%**
Off-balance sheet items[3]	2,444	-5	2,440		0.2%
Total maximum credit exposure loans and advances to customers	**53,106**	**-131**	**52,976**		**0.2%**

1 Gross SME loans include mortgage-backed loans for a gross amount of € 614 million.

2 Consisting of fair value adjustments from hedge accounting and amortisations.

3 Off-balance sheet: liabilities from irrevocable facilities, guarentees and repurchase commitments.

Loans and advances to customers 1 January 2018

IFRS 9 in € millions	Gross carrying amount	Provision for credit losses	Book value	Stage ratio	Coverage ratio
STAGE 1					
Retail mortgages	42,366	-3	42,363	93.0%	0.0%
Retail other loans	92	-	92	64.3%	0.0%
SME loans	558	-1	557	70.5%	0.2%
Other commercial loans and loans to the public sector	2,394	-	2,394	89.8%	0.0%
Total loans and advances to customers stage 1	**45,410**	**-4**	**45,406**	**92.4%**	**0.0%**
STAGE 2					
Retail mortgages	2,467	-18	2,449	5.4%	0.7%
Other retail loans	17	-2	15	11.9%	11.8%
SME loans	123	-12	111	15.5%	9.8%
Other commercial loans and loans to the public sector	273	-1	272	10.2%	0.4%
Total loans and advances to customers stage 2	**2,880**	**-33**	**2,847**	**5.9%**	**1.1%**
STAGE 3					
Retail mortgages	718	-53	665	1.6%	7.4%
Other retail loans	34	-32	2	23.8%	94.1%
SME loans	110	-36	74	13.9%	32.7%
Other commercial loans and loans to the public sector	-	-	-	0.0%	0.0%
Total loans and advances to customers stage 3	**862**	**-121**	**741**	**1.8%**	**14.0%**
TOTAAL STAGE 1, 2 EN 3					
Retail mortgages	45,551	-74	45,477		0.2%
Other retail loans	143	-34	109		23.8%
SME loans[1]	791	-49	742		6.2%
Other commercial loans and loans to the public sector	2,667	-1	2,666		0.0%
Total loans and advances stage 1,2,3	**49,152**	**-158**	**48,994**		**0.3%**
IFRS value adjustments retail mortgages[2]	295	-	295		
Totaal loans and advances to customers	**49,447**	**-158**	**49,289**		**0.3%**
Off-balance sheet items[3]	2,615	-8	2,607		0.3%
Total maximum credit exposure loans and advances to customers	**52,062**	**-166**	**51,896**		**0.3%**

1 Gross SME loans include mortgage-backed loans for a gross amount of € 712 million.

2 Consisting of fair value adjustments from hedge accounting and amortisations.

3 Off-balance sheet: liabilities from irrevocable facilities, guarentees and repurchase commitments.

Statement of changes in provision for loans and advances to customers

in € millions	2018 (IFRS 9)					2017 (IAS 39)			
	Retail mortgage loans	Retail other loans	SME loans	Other[1]	Total	Retail mortgage loans	Retail other loans	SME loans	Total
Closing balance prior period	72	28	49	-	149	114	26	74	214
Changes in accounting policies IFRS 9	2	6	-	1	9	-	-	-	-
Opening balance	**74**	**34**	**49**	**1**	**158**	**114**	**26**	**74**	**214**
Changes due to change in credit risk	1	5	-	2	8	-21	7	-9	-23
Originations and acquisitions	2	-	-	-	2	-	-	-	-
Derecognitions	-6	-12	-5	-	-14	-	-	-	-
Write-offs	-13	-3	-3	-	-28	-23	-5	-19	-47
Net increase/decrease	**-16**	**-10**	**-8**	**2**	**-32**	**-44**	**2**	**-28**	**-70**
Other changes	-	-	-	-	-	2	-	3	5
Closing balance	**58**	**24**	**41**	**3**	**126**	**72**	**28**	**49**	**149**

1 Other commercial loans and loans to the public sector.

Retail mortgage loans

ARREARS

The table below shows the retail mortgage loans in arrears. The recorded backlogs show improvements compared to the beginning of 2018. The total amount of loans more than 90 days in arrears has decreased, and there are also fewer loans up to 30 days in arrears. Loans that are not in arrears, but are included in stage 2 or stage 3, are customers who have been granted forbearance measures or customers who have been assessed as very high-risk customers under the Interest-only programme. The number of these loans also fell sharply. The improvements in the portfolio in combination with the growth led to an increase in the total amount of loans in stage 1.

Retail mortgage loans in arrears 31 December 2018

IFRS 9 in € millions	Gross amount	No arrears	≤ 30 days in arrears	> 30 days ≤ 90 days in arrears	> 90 days in arrears	% in arrears
Stage 1	44,236	44,236	-	-	-	0.0%
Stage 2	2,039	1,786	206	47	-	12.4%
Stage 3	549	300	41	75	133	45.4%
Subtotal	**46,824**	**46,322**	**247**	**122**	**133**	**1.1%**
IFRS value adjustments[1]	496	-	-	-	-	
Total	**47,320**	**46,322**	**247**	**122**	**133**	

1 Consisting of fair value adjustments from hedge accounting and amortisations.

Retail mortgage loans in arrears 1 January 2018

IFRS 9 in € millions	Gross amount	No arrears	≤ 30 days in arrears	> 30 days ≤ 90 days in arrears	> 90 days in arrears	% in arrears
Stage 1	42,366	42,348	18	-	-	0.0%
Stage 2	2,467	2,220	204	40	2	10.0%
Stage 3	718	407	64	78	170	43.5%
Subtotal	**45,551**	**44,975**	**286**	**118**	**172**	**1.3%**
IFRS value adjustments[1]	295	-	-	-	-	
Total	**45,846**	**44,975**	**286**	**118**	**172**	

1 Consisting of fair value adjustments from hedge accounting and amortisations.

LOAN-TO-VALUE

The Loan-to-Value (LtV) is the amount of the (remaining) loan expressed as a percentage of the indexed market value of the collateral. In 2018, the maximum regulatory LtV for mortgages to be newly provided was lowered to 100%. A low LtV represents favourable security for the loan based on the collateral value. Any NHG guarantee issued for a loan serves as additional security. A low LtV is favourable to customers and the bank, as it reduces the likelihood of a mortgage loan balance. When we provide mortgages, we therefore apply a lower risk surcharge in our mortgage rates as the LtV drops. In addition, customers may request a reduction in the surcharge if the LtV has fallen during the term of the contract, if they submit the collateral's current value. In addition to the low interest on savings, this is another reason for customers to make additional repayments.

A large part of our current mortgage portfolio consists of loans (63%) taken out prior to 2013. Consequently, the impact of the lending policy, which was tightened in the past few years, is visible in the figures to a limited extent only. The credit risk profile of the portfolio is expected to improve in the years ahead on the back of the stricter lending conditions and criteria.

The weighted average indexed LtV of the retail mortgages improved to 70%, from 74% at the end of 2017. To determine this LtV for reporting purposes, we index collateral values every month on the basis of house price developments. The rising house prices led to a shift of loans to a lower LtV bucket.

The amount of an NHG guarantee on a mortgage decreases on an annuity basis, regardless of the redemption type. In the table below, the NHG category shows the loans outstanding that are fully or partly covered by an NHG guarantee. The limit for an NHG guarantee was raised to € 265,000 in 2018. As the average house price rose during the course of 2018, the NHG limit has been set at € 290,000 as from 1 January 2019.

The share of NHG mortgages in new mortgage production was stable in 2018 at around 28% (2017: 35%). The share also remained virtually flat at 30% at portfolio level.

Retail mortgage loans by LtV buckets

in € millions[1]	Stage 1	Stage 2	Stage 3	2018 (IFRS 9) Total		2017 (IAS 39) Total	
NHG[2]	12,870	395	80	13,345	30%	13,184	30%
- of which LtV ≤ 75%	5,182	103	22	5,307	12%	4,320	10%
- of which LtV >75 ≤ 100%	6,981	224	41	7,246	16%	7,299	17%
- of which LtV >100 ≤ 110%	562	37	8	607	1%	1,129	3%
- of which LtV >110 ≤ 125%	131	19	4	154	0%	381	1%
- of which LtV > 125%	14	12	5	31	0%	55	0%
Non-NHG	29,261	1,585	457	31,303	70%	30,160	70%
- of which LtV ≤ 75%	18,146	549	133	18,828	42%	16,546	38%
- of which LtV >75 ≤ 100%	9,507	639	150	10,296	23%	9,840	23%
- of which LtV >100 ≤ 110%	1,240	189	49	1,478	3%	2,345	5%
- of which LtV >110 ≤ 125%	302	100	45	447	1%	1,090	3%
- of which LtV > 125%	66	108	80	254	1%	339	1%
Principal amounts excluding savings deposits	**42,131**	**1,980**	**537**	**44,648**	**100%**	**43,344**	**100%**
Provisions				-58		-72	-
IFRS value adjustments[3]				496		454	-
Accrued interest				107		114	-
Saving deposits				2,069		2,094	-
Total retail mortgage loans				**47,262**		**45,934**	**-**
Weighted average indexed LTV				**70%**		**74%**	**-**

1 LtV based on indexed market value of collateral.

2 The size of guarantees related to NHG-guaranteed mortgages expires on an annuity basis.

3 Consisting of fair value adjustments as a result of hedge accounting and amortisation and for 2017 also of fair value adjustments of former DBV mortgages measured at fair value.

RETAIL MORTGAGE LOANS BY REDEMPTION TYPE, FIXED-RATE PERIOD AND YEAR OF ORIGINATION

Interest payments on mortgages provided after 1 January 2013 are only tax deductible if the mortgage is paid off through an annuity or linear scheme over a maximum period of thirty years. As a result, the share of annuity and linear mortgages in the total retail mortgage portfolio is increasing. The total gross amount of these mortgages also increased. The share of full or partial interest-only mortgages in the mortgage portfolio dropped from 55% in 2017 to 52%.

The bank is pursuing an active policy to reduce the share of interest-only mortgages in the portfolio by means of its internal Interest-only programme and the *Aflossingsblij* campaign, a joint initiative of the Dutch banks to make people aware that they need to repay their interest-only mortgage. When the interest-only mortgage expires, a repayment or refinancing problem may arise in relation to the acceptance criteria applicable at that time. In such cases, the bank will seek to retain the customer relationship and look for a suitable solution.

In the past few years, the Dutch government has also tightened the (tax) policy as regards the maximum percentage that may be provided as an interest-only mortgage and as regards the deduction of mortgage rates. De Volksbank applies a policy of financing no more than 50% of the fair value of the collateral by means of an interest-only mortgage. As further additional financing must be in the form of a loan that will be repaid, the share of interest-only mortgages in the overall portfolio will continue to fall.

Retail mortgages with a fixed-rate period of ten years or more grew and mortgages with a fixed-rate period of less than ten years decreased. This followed on from persistently low mortgage rates, logically leading customers to select a longer fixed-rate period for a new mortgage or interest rate renewal. In all, the share of mortgages with a fixed-rate period between ten and fifteen years increased from 61% in 2017 to 64%.

Retail mortgage loans by redemption type

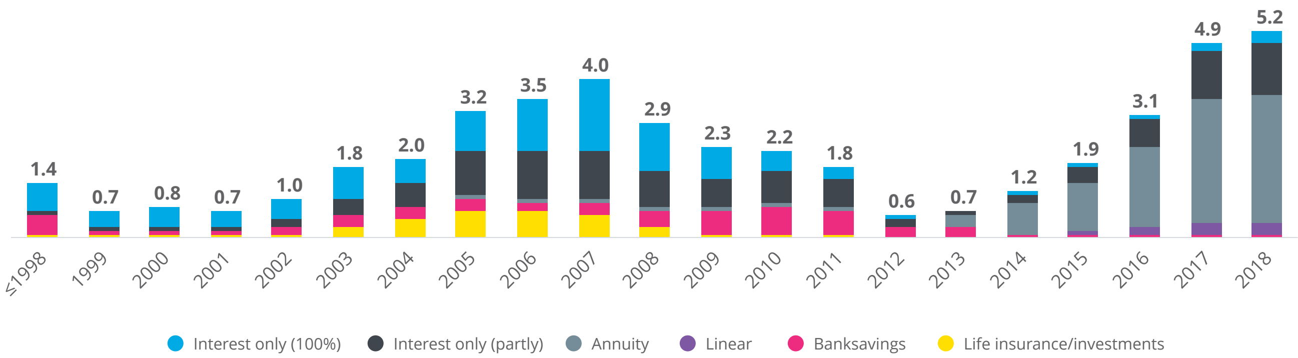
in € millions	2018		2017	
Interest-only (100%)	11,654	25%	12,344	27%
Interest-only (partially)	12,740	27%	12,474	27%
Annuity	11,086	24%	8,571	19%
Lineair	1,025	2%	796	2%
(Bank) savings[1]	5,704	12%	6,201	14%
Life/investments[1]	4,006	9%	4,620	10%
Other	502	1%	432	1%
Totaal	**46,717**	**100%**	**45,438**	**100%**
Credit provision	-58		-72	
Accrued interest	107		114	
IFRS value adjustments[2]	496		454	
Total retail mortgage loans	**47,262**		**45,934**	

1 As from 2018, the guaranteed savings deposits accrued in a policy with the insurer will no longer be accounted for under Life insurance but under Bank savings. The comparative figure has been adjusted accordingly.
2 Consisting of fair value adjustments as a result of hedge accounting and amortisation and for 2017 also of fair value adjustments of former DBV mortgages measured at fair value.

Interest-only mortgages (100%) by LtV bucket

In percentages	2018	2017
LtV ≤ 75%	86%	81%
LtV >75 ≤ 100%	11%	14%
LtV >100 ≤ 110%	2%	3%
LtV >110 ≤ 125%	1%	1%
LtV > 125%	0%	1%
Total	**100%**	**100%**

Retail mortgage loans by origination and redemption type (in € billions)[1,2]



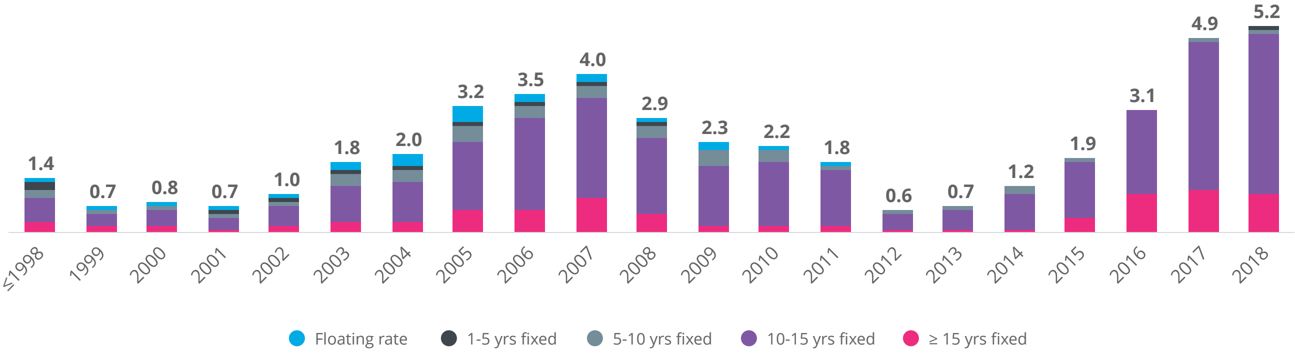
1 The amounts in this chart include conversions of mortgages and exclude granted mortgages in progress, bridge loans, and 'extra ruimte' mortgages.
2 2018 includes € 0.6 billion of retail mortgages from the acquisition of RegioBank.

Retail mortgage loans by fixed-rate maturity

in € millions	2018		2017	
Floating rate	2,398	5%	2,754	6%
≥ 1 and < 5-yr fixed-rate	1,196	3%	1,331	3%
≥ 5 and < 10-yr fixed-rate	3,944	8%	5,108	11%
≥ 10 and < 15-yr fixed-rate	30,102	64%	27,810	61%
≥ 15-yr fixed-rate	8,573	18%	8,001	18%
Other	504	1%	434	1%
Total	**46,717**	**100%**	**45,438**	**100%**
Credit provision	-58		-72	
Accrued interest	107		114	
IFRS value adjustments[1]	496		454	
Total retail mortgage loans	**47,262**		**45,934**	

1 Consisting of fair value adjustments as a result of hedge accounting and amortisation and for 2017 also of fair value adjustments of former DBV mortgages measured at fair value.

Retail mortgage loans by origination and fixed-rate period (in € billions)[1,2]



1 The amounts in this chart include conversions of mortgages and exclude granted mortgages in progress, bridge loans, and 'extra ruimte' mortgages.
2 2018 includes € 0.6 billion of retail mortgages from the acquisition of RegioBank.

Interest rate risk banking book
De Volksbank aims for stable interest income, both in the short and the long term.

The main factor used to manage the banking book's interest rate position and interest rate risk is net interest income sensitivity. The short-term impact of market rate changes is measured using the Earnings-at-Risk (EAR) measure. To measure the long-term impact, we use a method that we call Economic Value of Equity (EVE).

At year-end 2018, the EaR amounted to € 83million before tax (2017: € 75 million). Net interest income is most sensitive to the 'steepener' scenario. In this scenario, the short-term interest rate continues to fall and the long-term interest rate goes up, leading to a steeper yield curve. The floor used for negative market rates is -0.75%, allowing short-term rates in the scenario to drop to -0.75%. This scenario furthermore includes narrowing margins on readily available current account balances.

When using the EVE method, we take future cashflows as a starting point and calculate their present value based on the current market rate. The control measures we apply for EVE are 'duration of equity' and 'key rate durations'. Duration of equity is the key measure of EVE sensitivity, which measures the percentage decrease in the EVE in the event of a parallel rate hike of 100 bps (1%).

The historically low market rates and the expectation that they will rise slowly led to the decision to keep the duration of equity at 1.4 at year-end 2018 (2017: 1.6). This relatively low duration of equity limits our sensitivity to market rate rises.

Market risk
De Volksbank has a limited trading book. Market risk is managed on a daily basis using portfolio limits for a 1-day Value at Risk (VaR) with 99% confidence, as well as portfolio limits for a fixed set of stress scenarios. Throughout the year, the total VaR limit for the trading book remained stable at € 2 million. This limit thereby reflects the relative low risk profile of these activities.

Non-financial risks
In 2018, we made progress with further strengthening the organisation with regard to controlling non-financial risks. We designed a risk management application to simplify the recording of information on controlled business operations and enable us to perform more in-depth analyses of the effectiveness of our risk management. The roll-out of the application will be completed in 2019. Other improvement processes were registration of and follow-up on operational risk incidents, and resolving weaknesses found in our system of control measures. A more detailed control testing method allowed us to establish more points for improvement. The implementation of these improvements commenced in 2018 and will continue in 2019. They further increase our understanding of the quality of our business processes and allow us to take more targeted measures. We have enhanced the knowledge of operational risk management within the bank by training and educating our employees.

Interruption of services resulting from cyber attacks and system failure remained limited and within the limits set by us. The same goes for losses – for which customers were compensated – ensuing from phishing malware and skimming of debit cards and credit cards. We periodically test the operation of the back-up facility of the main bank systems. It has been established that, after a disruption, all systems are operational within the required period of time.

REPORTING AND DATA MANAGEMENT
We seek to provide reliable information both internally and externally. Good quality of the underlying data and data management is paramount in that regard. In 2018, we continued working on our understanding of processes and internal control, in order to improve our management of the risk of inaccuracies or omissions in the reports.

In 2018, we carried out adjustments in various processes for the purpose of providing reliable information both internally and externally, particularly in the area of forbearance and reporting to supervisory authorities. The processes in question were further automated and improvements were carried out in data management of the reporting chain. To avoid data inaccuracies are not discovered until the end of the reporting process, the data quality monitoring has explicitly been shifted to the source. This method was implemented for some of the relevant processes in 2018. Further implementation and process improvements will continue in the years ahead. Despite the improvements, this still exceeds the limits of our risk appetite. Through the implementation of the renewed processes, increased maturity of data management and the central and consistent availability of data, in 2019 we aim for a further improvement in reporting and data management.

COMPLIANCE

De Volksbank faces many changes in laws and regulations that lead to continuous adjustments to our processes and systems. As regards laws and regulations, compliance with the Money Laundering and Terrorist Financing (Prevention) Act (Wwft) and sanctions legislation has the ongoing attention of de Volksbank and the necessary steps to implement the General Data Protection Regulation (GDPR) have been taken. Early 2018, we also largely completed the implementation projects for Mifid 2.

We also worked on further raising awareness of our employees' ethical behaviour and the integrity of our products. We also focused on customer integrity. In order to improve compliance with sanctions legislation, we made adjustments to sanction filters. The settlement of another Dutch bank for violating the Wwft, which became known in September 2018, gave rise to an additional review of the existing processes within de Volksbank. Although no (significant) adjustments are required according to this review, we did decide to tighten up the internal requirements with respect to dossier compilation and monitoring. In addition, in response to the amended Wwft, we have made improvements to our policy and are in the process of implementing it. With regard to revolving loans, a process has been set up to check whether the loans granted to customers are still appropriate in the current situation.

CAPACITY TO CHANGE

In 2018 we carried out several strategic programmes, which rely heavily on the capacity to change. The number of programmes underway was large and require a great deal of resources and expertise. This sometimes makes it difficult to set the right priorities and created the risk that the intended results would not be achieved in a timely manner. For this purpose, we introduced improvements in the control of the programmes, including a tool that gives more guidance to accomplish our mission, the ‘Strategic Compass’.
The IFRS 9 and Transaction Monitoring strategic programmes were completed in 2018.

Capital management

Capitalisation

CRR/CRD IV requirements as from 1 March 2019

	Total capital	of which Tier 1 capital	of which CET1 capital
	2019	2019	2019
Pillar 1 requirement	8.0%	6.0%	4.5%
Pillar 2 requirement (CET1)	2.5%	2.5%	2.5%
Total SREP Capital Requirement	**10.5%**	**8.5%**	**7.0%**
Capital conservation buffer	2.5%	2.5%	2.5%
O-SII buffer	1.0%	1.0%	1.0%
Countercyclical capital buffer	0.0%	0.0%	0.0%
Combined Buffer Requirement	**3.5%**	**3.5%**	**3.5%**
Overall Capital Requirement	**14.0%**	**12.0%**	**10.5%**

With effect from 1 March 2019, de Volksbank is required to meet a minimum total capital ratio of 14.0% (Overall Capital Requirement, OCR) at prudentially consolidated level, of which at least 10.5% consists of CET1 capital. This requirement ensues from the Supervisory Review and Evaluation Process (SREP) performed by the European Central Bank (ECB) in 2018, and follows from the SREP decision that will come into effect on 1 March 2019.

In 2016, de Volksbank formulated its capital objectives as follows: a CET1 capital ratio of at least 15.0% and a leverage ratio of at least 4.25%.

The objective for the CET1 capital ratio includes Pillar 2 Guidance and a management buffer, on top of the SREP requirement of 10.5%. One of the purposes of the management buffer is to absorb the combined impact of the final Basel III standards, also known as Basel IV, and the impact of stress testing on our capital ratios. We are presently consulting with our shareholder to determine whether there is any reason to review our targets, using our up-to-date insight into the potential impact that Basel IV, other new regulations, impact of long-term low interest rate scenarios and stress testing may have on our capital ratios. We intend to give an update of our objectives in the second half of 2019.

Capitalisation

	CRD IV fully phased-in			CRD IV transitional
in € millions	**31-12-2018**	30-6-2018	31-12-2017	31-12-2017
Shareholders' equity	3,571	3,456	3,714	3,714
Non-eligible interim profits	-178	-119	-226	-226
Non-eligible previous years' retained earnings	-	-	-20	-20
Shareholders' equity for CRD IV purposes	**3,393**	**3,337**	**3,468**	**3,468**
Cashflow hedge reserve	-30	-32	-36	-36
Fair value reserve	-	-	-	-20
Other prudential adjustments	-3	-2	-3	-3
Total prudential filters	**-33**	**-34**	**-39**	**-59**
Intangible assets	-6	-10	-14	-14
IRB shortfall[1]	-41	-47	-62	-56
Total capital deductions	**-47**	**-57**	**-76**	**-70**
Total regulatory adjustments to shareholders' equity	**-80**	**-91**	**-115**	**-129**
CRD IV CET 1 capital	**3,313**	**3,246**	**3,353**	**3,339**
Additional Tier 1 capital	-	-	-	-
Tier 1 capital	**3,313**	**3,246**	**3,353**	**3,339**
Eligible Tier 2	500	500	500	500
IRB shortfall[1]	-	-	-	-6
Impact EBA interpretations CRR Article 82	-348	-344	-329	-344
Tier 2 capital	**152**	**156**	**171**	**150**
Total capital	**3,465**	**3,402**	**3,524**	**3,489**
Risk-weighted assets	**9,341**	**9,452**	**9,781**	**9,781**
Risk exposure as defined by the CRR	60,625	62,013	60,350	60,345
CET1 ratio	**35.5%**	**34.3%**	**34.3%**	**34.1%**
Tier 1 ratio	35.5%	34.3%	34.3%	34.1%
Total capital ratio	37.1%	36.0%	36.0%	35.7%
Leverage ratio	5.5%	5.2%	5.6%	5.5%

1 The IRB shortfall is the difference between the expected loss under the CRR/CRD IV Directives and the IFRS retail mortgage provision. In the transitional phase the shortfall (initially divided equally over Tier 1 and Tier 2 capital) is increasingly attributed to Tier 1 capital.

The table above shows the capitalisation at prudentially consolidated level.

Shareholders' equity decreased by € 143 million to € 3,571 million in 2018, particularly as a result of the impact of IFRS 9 (€ 212 million) and the dividend payout for 2017 (€ 190 million), partly compensated by a € 268 million profit retention.

In order to determine shareholders' equity for CRD IV purposes, non-eligible interim profits are deducted from shareholders' equity. After profit appropriation by the General Meeting of Shareholders (GMS) in April 2018, non-eligible (interim) profits as at year-end 2017 in the amount of € 226 million were added to the CET1 capital after deduction of the dividend payout of € 190 million. Non-eligible retained earnings of € 20 million from previous years were likewise added at the end of 2017.

Net profit for the first nine months of 2018 was added to CET1 capital (€ 90 million) after deduction of 60% dividend reservation. The profit not yet eligible as CRD IV equity for 2018 amounts to € 178 million and consists of the dividend reservation on the net profit for the first three quarters and the full net profit for the fourth quarter of 2018.

At the end of 2017, de Volksbank changed its accounting policy with respect to prepayment charges and interest rate averaging surcharges received for early mortgage repayments. As a result, the other reserve increased by € 20 million at year-end 2017, which also counted towards CET1 capital after the GMS of April 2018.

The implementation of IFRS 9 with effect from 1 January 2018 triggered a drop in shareholders' equity for CRD IV purposes of € 212 million. This drop was the result of a reclassification of DBV mortgages from fair value to amortised cost (€ 118 million), a change of the measurement basis for part of the liquidity portfolio from fair value to amortised cost (€ 80 million) and an increase in the loan loss provisions (€ 14 million).

In order to determine the CET1 capital under CRD IV, shareholders' equity was subject to a number of regulatory adjustments, for which a phase-in process applied until year-end 2017. Full phase-in applies with effect from 2018, with a phase-in adjustment of 0% instead of 20% at year-end 2017. Total remaining regulatory adjustments amounted to € 80 million at the end of 2018 (2017: € 129 million) and consisted mainly of a prudential adjustment for the cashflow hedge reserve and a deductible item under the IRB shortfall. The latter dropped from € 56 million to € 41 million.

On balance, the CRD IV CET1 capital decreased by € 26 million to € 3,313 million.

De Volksbank's fully phased-in CET1 capital ratio rose to 35.5% from 34.3% at year-end 2017, mainly driven by the decline in RWA. The CET1 capital ratio thus remained well above our target of at least 15%.

The CET1 capital at prudentially consolidated level is equal to the CET1 capital at solo bank level. At consolidated level, the effective amount of Tier 2 capital is lower than at solo bank level as a result of the EBA interpretation of CRR Article 82 regulations for financial holding companies. At consolidated level, the haircut on Tier 2 capital that de Volksbank has issued to third parties is related to the surplus of available capital in relation to the minimum capital requirements. At year-end 2018, the effective amount of Tier 2 capital at consolidated level was € 152 million versus € 500 million at solo bank level. De Volksbank intends to incorporate de Volksholding in de Volksbank by means of a legal merger. This will mitigate the impact of the EBA interpretation, and the Tier 2 capital issued will effectively and fully be for de Volksbank. Subject to all required approvals, including those from NLFI and the supervisory authorities, we expect the merger to be completed in the first half of 2019.

The fully phased-in total capital ratio rose from 36.0% to 37.1%. Without the adjustment for the EBA interpretation, the total capital ratio would have been 40.8%.

LEVERAGE RATIO

At year-end 2018, the leverage ratio remained flat at 5.5% compared to year-end 2017 (transitional), despite a limited decrease in CET1 capital (€ 26 million) and an increase in the leverage ratio denominator (€ 0.3 billion). The leverage ratio denominator is the risk exposure amount as defined by the Capital Requirements Regulation (CRR).

The 5.5% leverage ratio is well above the regulatory requirements and our target of at least 4.25%. Under current regulations, the amount of capital necessary to meet the leverage ratio requirement is higher than the amount necessary to meet risk-weighted capital ratio requirements. This is the consequence of de Volksbank's focus on retail mortgages, a low-risk activity with a correspondingly low risk-weighting.

Risk-weighted assets (RWA)

in € millions	31-12-2018	30-6-2018	31-12-2017
	CRD IV	CRD IV	CRD IV
Credit risk - Internal ratings based approach (IRB)	5,493	5,787	6,077
Credit risk - standardised approach (SA)	2,157	1,831	1,824
Operational risk	1,544	1,633	1,633
Market risk	-	27	44
Credit Valuation Adjustment (CVA)	147	174	203
Total	**9,341**	**9,452**	**9,781**

RWA decreased by € 0.4 billion to € 9.3 billion. This decline was mainly caused by a € 585 million reduction related to the credit risk of the retail mortgage portfolio, calculated according to the Internal Ratings Based (IRB) approach. The decrease was mainly driven by a further improvement of this portfolio's credit quality, particularly as a result of improved economic conditions, which is reflected in lower probabilities of default (PDs) and loss given defaults (LGDs). The average risk weighting (RWA density) of retail mortgages declined from 13.5% at year-end 2017 to 12.0%.

The RWA for credit risk calculated under the Standardised Approach (SA), rose by € 333 million to € 2.2 billion. This increase was partly the result of a credit facility made available to the Deposit Guarantee Fund and by an increase in the sustainable loans provided by ASN Bank. RWA for operational risk, market risk and Credit Valuation Adjustment together decreased by € 190 million to € 1.7 billion.

Developments in capital requirements

BASEL IV

On 7 December 2017, the Basel Committee on Banking Supervision (BCBS) presented the agreement on the completion of the Basel III capital framework, also known as Basel IV.

Based on the balance sheet position at year-end 2018, we estimate that as a result of Basel IV, our RWA will grow by approximately 45%[8], and that our CET1 capital ratio will decrease by approximately 11%-points percentage points. The largest effect comes from the output floor (from 50% phased in from 2022, to 72.5% phased in from 2027) on the basis of the revised Standardised Approach (SA) for credit risk versus the current internal rating approach based on PHIRM[9]. The changes in internal ratings based approaches and the standardised measurement approach for operational risk are expected to have a limited effect on de Volksbank's RWA.

The next step is the translation of Basel IV into European laws and regulations. De Volksbank closely monitors the developments, paying particular attention to new rules regarding retail mortgages. We will adjust our capital planning if necessary.

If the Basel IV regulations are implemented in European legislation without change, we estimate that, on the basis of our balance sheet position at year-end 2018, our CET1 capital ratio under the fully phased-in Basel IV framework will still amply exceed our minimum objective of 15%. This will allow us to both continue our growth path and pay out dividend.

TARGETED REVIEW OF INTERNAL MODELS

As de Volksbank uses models developed internally, the bank is part of the Targeted Review of Internal Models (TRIM) carried out by the supervisory authority. It is a project that assesses such aspects as the degree of compliance with laws and regulations, the modelling technique used, including data lineage, and the model's applicability to the portfolio concerned. The TRIM project was completed in the second quarter of 2018 and de Volksbank is still awaiting final results.

PROVISION FOR NON-PERFORMING EXPOSURE (NPE)

In order to encourage harmonisation between European banks, the ECB has issued guidelines for the level of provisions for non-performing loans. This may have an impact on the CET1 capital ratio and the leverage ratio of de Volksbank in the years to come.

IFRS 9

As from 1 January 2018 de Volksbank is required to apply the IFRS 9 Classification and Measurement and the IFRS 9 Expected Credit Loss (ECL) impairment requirements. As from 1 January 2018, the former DBV mortgages have been reclassified from fair value to amortised cost. The classification is now in line with our other mortgages and the volatility in the income statement on account of fair value changes in the DBV mortgage portfolio has been eliminated.

In addition, de Volksbank reviewed the accounting principles of part of its liquidity portfolio. On this basis, it was decided to change the accounting principles for part of the portfolio from fair value to amortised cost. Please refer to the IFRS 9 section of the financial statements of 2017 for a more detailed explanation of the reclassifications.

Finally, the transition to expected loss recognition under IFRS 9 resulted in an increase in loan loss provisions.

These changes had a total impact of approximately -2% points on the CET1 capital ratio and of -0.3%-point on the leverage ratio.

IFRS 16

IFRS 16 has been in force since 1 January 2019 and requires (nearly) all leases to be reported on the balance sheet. For de Volksbank, these are buildings. Accordingly, the balance sheet will grow by € 76million as from 1 January 2019, and a decrease in the CET1 capital ratio by 0.3%-point is expected on account of the relatively high risk weights.

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8 Starting from (1) loan-splitting for retail mortgages, (2) the application of NHG as credit risk-mitigating measure, and (3) the assumption that 90% of the retail mortgages meet the document requirements.

9 Particuliere Hypotheken Interne Rating Model (PHIRM), is an Internal Rating Model for Retail Mortgages.

Gone concern-capital: MREL

As from 1 January 2016, it is mandatory (under the BRRD) for shareholders and creditors to contribute at least 8% of the total liabilities to a recapitalisation in case of resolution, under certain conditions 20% of the RWA, before any funds from the Single Resolution Fund may be called upon. To enable effective application, a minimum requirement under the Dutch BRRD Act is introduced for own funds and eligible liabilities (Minimum Requirement for Own Funds and Eligible Liabilities, MREL). These MREL instruments can serve as an easy bail-in buffer to absorb losses in a resolution scenario.

At the beginning of February 2017, the Single Resolution Board (SRB) informed us that it supports the designation of de Volksbank as the resolution entity. On 6 June 2018, the SRB set the MREL for de Volksbank at 8.0% of total liabilities and shareholders' equity. The SRB also decided that de Volksbank must comply with the MREL on 1 January 2020 at the latest. Furthermore, the BRRD and the SRB's 2018 MREL policy lead us to expect that the MREL for de Volksbank – as an Other Systemically Important Institution (O-SII) – must, for at least 17.5% of the RWA, consist of subordinated instruments.

In 2017, the EC amended the BRRD by including a new asset class: non-preferred senior debt (Senior Non-Preferred (SNP) notes). These notes are subordinated to other senior bonds, but receive preference to Tier 2 bonds. Dutch insolvency law was adjusted accordingly in late 2018.

MREL

in € millions	31-12-2018	30-6-2018	31-12-2017
CET1 capital	3,313	3,246	3,339
Tier 2 capital	500	500	494
Total capital	**3,813**	**3,746**	**3,833**
Other eligible unsecured liabilities with remaining maturity more than 1 year	1,941	1,632	1,435
Total capital including other eligible liabilities	**5,754**	**5,378**	**5,268**
Exposure measure as defined by the BRRD (MREL)	59,412	61,196	59,499
Risk-weighted assets	9,341	9,452	9,781
MREL BRRD			
MREL (Total capital)	6.4%	6.1%	6.4%
MREL (Total capital including other eligible liabilities)	9.7%	8.8%	8.9%
MREL RISK WEIGHTED ASSETS			
MREL (Total capital)	40.8%	39.6%	39.2%
MREL (Total capital including other eligible liabilities)	61.6%	56.9%	53.9%

The table above presents the risk-weighted and non-risk-weighted MREL ratios of de Volksbank as a resolution entity.

Including total capital and all other unsecured liabilities that are MREL eligible according to the current BRRD, the non-risk-weighted MREL ratio was 9.7% (2017: 8.9%). The eligible liabilities rose by € 486 million to € 5,754 million. The € 20 million decline in the capital position was more than compensated for by the issue of senior unsecured debt worth € 500 million in June 2018 and € 400 million in October 2018. On the other hand, de Volksbank decided on the SRB's instructions that € 133 million in outstanding structured unsecured debts would be disregarded in the determination of MREL-eligible liabilities for the time being. The exposure measure as defined by the BRRD dropped by € 87 million to € 59.4 billion.

The risk-weighted MREL ratio, based on CET1 capital and Tier 2 capital (together € 3,813 million) amounted to 40.8% (year-end 2017: 39.2%). They are both subordinated to other outstanding liabilities.

Current views on future subordination requirement regulations have led de Volksbank to apply the basic assumption in its capital planning that the minimum non-risk-weighted MREL requirement of 8% must fully consist of subordinated liabilities on 1 January 2024 (Tier 1 capital, Tier 2 capital and SNP notes). Given this point of departure and based on our current capital position, we expect to issue SNP notes totalling € 1.0 to € 1.5 billion in the next five years. De Volksbank is closely monitoring the developments concerning a potential MREL subordination requirement. We will adjust our capital planning if necessary.

Dividend

De Volksbank has set a dividend payout target range of 40% - 60% of net adjusted result. In line with this policy, de Volksbank paid NLFI a dividend of € 190 million for 2017 in April 2018. This implies a payout ratio of 60%, the top of the target range we use.

Given our solid capital position, we propose to pay out a 60% dividend for 2018 in the amount of € 161 million, which is in line with a pay-out ratio of 60%.

Liquidity and funding

Liquidity

In 2018 the bank maintained a strong liquidity position that amply complied with both its internal targets and regulatory requirements.

Key liquidity indicators

	31-12-2018	30-6-2018	31-12-2017
LCR	177%	156%	177%
NSFR	>100%	>100%	>100%
Loan-to-Deposit ratio	106%	105%	107%
Liquidity buffer (in € millions)[1]	15,152	15,343	10,751

1 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.

The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) remained well above the (future) regulatory minimum requirement of 100%. At year-end 2018, the LCR stood at 177% (2017: 177%).

The ratio between loans outstanding and deposits attracted, the Loan-to-Deposit ratio, dropped from 107% at year-end 2017 to 106% at year-end 2018, which was caused by a growth in deposits that exceeded the growth in loans:

- Deposits grew by € 1.3 billion, € 0.6 billion of which as a result of an increase in retail savings and the remainder primarily as a result of an increase in current account balances;
- Loans increased by € 1.0 billion, driven by growth in retail mortgages.

Liquidity buffer composition

in € millions	31-12-2018	30-6-2018	31-12-2017
Cash position[1]	2,447	4,240	3,753
Sovereigns	2,393	1,046	1,759
Regional/local governments and supranationals	975	819	850
Other liquid assets	437	426	421
Eligible retained RMBS	8,900	8,812	3,968
Liquidity buffer[2]	**15,152**	**15,343**	**10,751**

1 The cash position, as presented above, comprises central bank reserves, current account balances held at correspondent banks and contractual wholesale cashflows maturing within ten days or less. As a result, the cash position deviates from the cash and cash equivalents balance in the balance sheet.

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.

The liquidity buffer rose to € 15.2 billion (2017: € 10.8 billion).

In 2018, the cash position decreased by € 1.3 billion to € 2.4 billion. The funding need, which mainly resulted from € 1.3 billion retail mortgage growth and the € 0.7 billion wholesale funding redemptions, was more than satisfied through an increase in deposits totalling € 1.3 billion and the issue of € 1.8 billion in wholesale funding. However, the resulting net cash inflow was offset by a € 2.3 billion lower volume of money market funding with a remaining term to maturity of more than ten days.

The liquidity value of other liquid assets in the liquidity buffer rose to € 12.7 billion at the end of 2018 (2017: € 7.0 billion):

- The amount of unencumbered sovereign debts increased by € 0.6 billion, mainly due to a less intensive use of sovereign debts as collateral for (repo) transactions;
- The liquidity value of eligible retained RMBS increased by € 4.9 billion as two maturing transactions were replaced by two transactions of significantly greater size. Furthermore, eligible retained RMBS were released as collateral.

The volume of the short-term cash management investments outside the cash position definition amounted to € 0.4 billion at the end of 2018 (2017: € 0.5 billion). These investments are also available as short-term liquid assets.

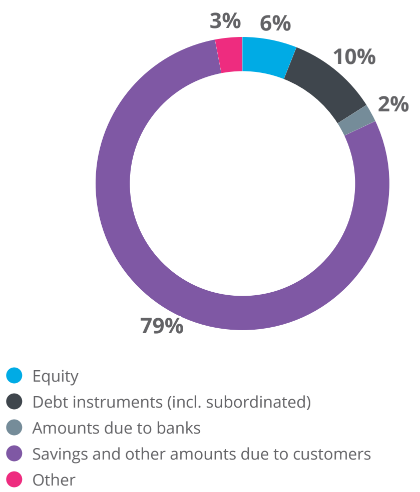
Funding

De Volksbank uses retail savings as its primary funding source. We also attract funding from the capital market, aiming for diversification of funding sources. To this end, we use various funding instruments spread over terms, markets, regions and types of investors.

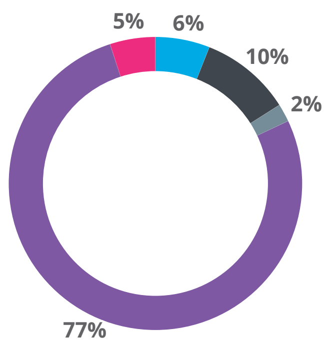
Through our different brands, we attract term deposits, savings deposits and current account balances from retail customers. In addition, we fund ourselves through savings balances and current account balances from SME customers. In 2018, funding from customers increased to € 47.2 billion, from € 45.9 billion at year-end 2017.

The diagrams below provide an overview of the composition of the total liabilities at the end of 2018 and 2017 based on the book value. The percentage of our funding that is made up of savings and other amounts due to customers rose from 77% at year-end 2017 to 79%.

Equity and liability mix 31 December 2018: € 60.9 billion



Equity and liability mix 31 December 2017: € 60.9 billion



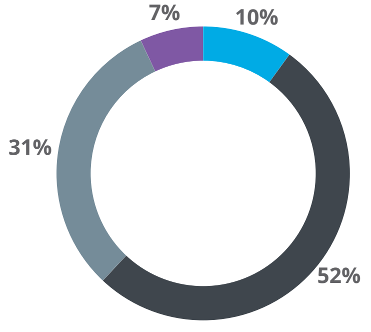
In 2018 de Volksbank successfully executed a number of wholesale funding transactions, namely:

- € 0.5 billion in senior unsecured debt (public transaction) with a maturity of five years;
- € 0.4 billion in senior unsecured debt (private placement transaction) with a maturity of 1.5 years;
- € 0.5 billion in covered bonds (public transaction) with a maturity of ten years;
- € 0.4 billion in covered bonds (private placement transactions) with a maturity of fifteen to twenty years.

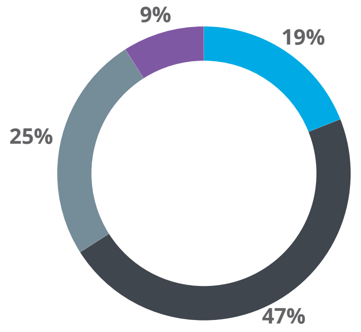
In addition to the financing transactions executed, the wholesale funding mix changed in 2018 primarily due to the redemption of:

- debt certificates under the Holland Homes Oranje securitisation (€ 0.4 billion);
- senior unsecured funding (€ 0.2 billion).

Wholesale funding mix 31 December 2018: € 6.9 billion [1]



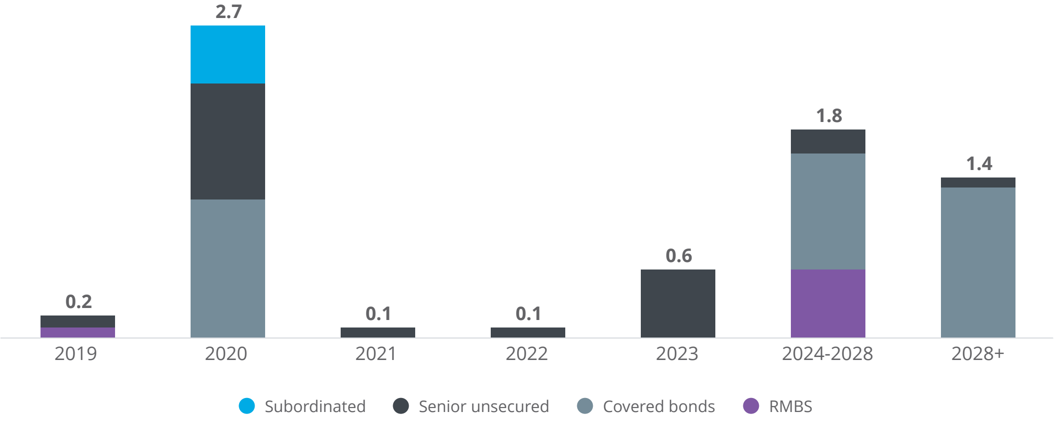
Wholesale funding mix 31 December 2017: € 5.8 billion [1]



1 The figures present an overview of the outstanding wholesale funding with an original maturity of more than one year at year-end 2017 and as at 30 June 2018. In the balance sheet, such wholesale funding is recognised under debt certificates, amounts due to banks and other amounts due to customers. The information presented is based on the nominal value of the (hedged) positions. This nominal value differs from the IFRS measurement in the balance sheet, which is predominantly based on amortised cost.

The figure below presents an overview of the outstanding wholesale funding maturities with an original term to maturity of more than one year. It is assumed that this funding will be redeemed on the first possible dates. In 2019, we expect to mainly issue senior - preferred or non-preferred -notes and covered bonds to meet our wholesale funding needs.

Wholesale funding maturities (in € billions)



Consolidated financial statements

Consolidated balance sheet

Before result appropriation and in € millions	31-12-2018	31-12-2017
ASSETS		
Cash and cash equivalents	815	2,180
Derivatives	732	1,075
Investments	4,782	5,094
Loans and advances to banks	3,589	2,643
Loans and advances to customers	50,536	49,459
Tangible and intangible assets	69	81
Tax assets	133	132
Other assets	292	228
Total assets	**60,948**	**60,892**
EQUITY AND LIABILITIES		
Savings	37,376	36,756
Other amounts due to customers	10,841	10,306
Amounts due to customers	**48,217**	**47,062**
Amounts due to banks	1,116	2,683
Debt certificates	5,822	4,920
Derivatives	1,120	1,252
Tax liabilities	15	45
Other liabilities	487	590
Provisions	98	125
Subordinated debts	502	501
Total other liabilities	**9,160**	**10,116**
Share capital	381	381
Other reserves	2,922	3,004
Retained earnings	268	329
Shareholders' equity	**3,571**	**3,714**
Total equity and liabilities	**60,948**	**60,892**

Consolidated income statement

in € millions	2018	2017
INCOME		
Interest income	1,584	1,650
Interest expense	676	726
Net interest income	**908**	**924**
Fee and commission income	110	104
Fee and commission expenses	66	55
Net fee and commission income	**44**	**49**
Investment income	3	26
Result on financial instruments	2	28
Other operating income	1	1
Total income	**958**	**1,028**
EXPENSES		
Staff costs	402	381
Depreciation and amortisation of tangible and intangible assets	21	21
Other operating expenses	186	201
Impairment charges	-12	-24
Other expenses	-	-
Total expenses	**597**	**579**
Result before taxation	**361**	**449**
Taxation	93	120
Net result continued operations	**268**	**329**

Other consolidated statement of comprehensive income

in € millions	2018	2017
ITEMS THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS		
Other changes in comprehensive income	2	1
Total items never reclassified to profit or loss	**2**	**1**
ITEMS THAT ARE RECLASSIFIED TO PROFIT OR LOSS		
Change in cashflow hedgereserve	-5	-8
Change in fair value reserve	-4	-34
Total items that are reclassified to profit or loss	**-9**	**-42**
Other comprehensive income (after tax)	**-7**	**-41**

Total comprehensive income for the period attributable to shareholder

Total comprehensive income for the period

in € millions	2018	2017
Net profit	268	329
Other comprehensive income (after tax)	-7	-41
Total comprehensive income for the period	**261**	**288**

Consolidated statement of changes in total equity

Consolidated statement of changes in total equity 2018

in € millions	Issued share capital[1]	Share premium reserve	Revaluation reserve[2]	Cashflow hedge reserve	Fair value reserve	Other reserves	Retained earnings	Total equity
Balance as at 31 December 2017 (IAS 39)	381	3,787	6	36	98	-923	329	3,714
Changes in accounting policies	-	-	-	-	-80	-134	-	-214
Balance as at 1 January 2018 (IFRS 9)	**381**	**3,787**	**6**	**36**	**18**	**-1,057**	**329**	**3,500**
Transfer of net result 2017	-	-	-	-	-	139	-139[3]	-
Unrealised revaluations	-	-	-	-2	-	-	-	-2
Realised revaluations through P&L	-	-	-	-3	-4	-	-	-7
Realised revaluations through equity	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	2	-	2
Amounts charged directly to total equity	**-**	**-**	**-**	**-5**	**-4**	**2**	**-**	**-7**
Net result 2018	-	-	-	-	-	-	268	268
Total result 2018	**-**	**-**	**-**	**-5**	**-4**	**141**	**129**	**261**
Dividend pay-out	-	-	-	-	-	-	-190[4]	-190
Total changes in equity 2018	**-**	**-**	**-**	**-5**	**-4**	**141**	**-61**	**71**
Closing balance	**381**	**3,787**	**6**	**31**	**14**	**-916**	**268**	**3,571**

1 The issued share capital is fully paid up and comprises 840,008 ordinary shares with a nominal value of € 453.79 per share.

2 The revaluation reserve consists of revaluations of property in own use.

3 The result after deducting the dividend payment of € 190 million.

4 Dividend paid out to de Volksholding

Consolidated statement of changes in total equity 2017

in € millions	Issued share capital[1]	Share premium reserve	Revaluation reserve[2]	Cashflow hedge reserve	Fair value reserve	Other reserves	Retained earnings	Total equity
Opening balance	381	3,787	4	44	132	-1,383	349	3,561
Transfer of net result 2016	-	-	-	-	-	214	-214[3]	-
Unrealised revaluations	-	-	-	-4	-19	-	-	-23
Realised revaluations through P&L	-	-	-	-4	-15	-	-	-19
Realised revaluations through equity	-	-	2	-	-	-	-1	1
Other movements	-	-	-	-	-	-	-	-
Amounts charged directly to total equity	**-**	**-**	**2**	**-8**	**-34**	**-1**	**-**	**-41**
Net result 2017	-	-	-	-	-	-	329	329
Total result 2017	**-**	**-**	**2**	**-8**	**-34**	**213**	**115**	**288**
Dividend pay-out	-	-	-	-	-	-	-135[4]	-135
Total changes in equity 2017	**-**	**-**	**2**	**-8**	**-34**	**213**	**-20**	**153**
Closing balance	**381**	**3,787**	**6**	**36**	**98**	**-923**	**329**	**3,714**

1 The issued share capital is fully paid up and comprises 840,008 ordinary shares with a nominal value of € 453.79 per share.

2 The revaluation reserve consists of revaluations of property in own use.

3 The result after deducting the dividend payment of € 135 million.

4 Dividend paid out to de Volksholding

General information

Other information

De Volksbank N.V. (hereafter referred to as 'de Volksbank'), founded and established in the Netherlands, is a public limited liability company under Dutch law. De Volksbank's registered office is located at Croeselaan 1, 3521 BJ Utrecht. All shares of de Volksbank are held by de Volksholding B.V. (hereafter referred to as 'de Volksholding'). De Volksholding B.V. is the parent company of de Volksbank. All shares of de Volksholding B.V. are held by *Stichting administratiekantoor beheer financiële instellingen* (NLFI).

De Volksbank's financial statements are prepared in accordance with International Financial Reporting Standards as accepted within the European Union (IFRS-EU). In preparing the financial information in this press release, except as described otherwise, the same accounting policies are applied as in the 2017 consolidated financial statements of de Volksbank, taking the changes in IFRS-EU into account as from 1 January 2018. The Volksbank has applied IFRS 9, Financial Instruments, with effect from 1 January 2018. IFRS 9 has amended requirements regarding classification and valuation, impairments and hedge accounting. The changes have a significant impact on de Volksbank's financial information. Comparative figures have not been restated following the application of IFRS 9. For more information on IFRS 9 and its impact on the financial information, please refer to the section 'IFRS 9' in the 2017 financial statements. The preparation of the financial statements for 2018 is in progress. The figures in this press release have not been audited.

About de Volksbank

GENERAL

De Volksbank is a financial services provider engaged in banking, with a particular focus on the Dutch retail market, including small and medium-sized enterprises. De Volksbank carries multiple brands and has a single back office and IT organisation. The product range consists of three core product groups: payments, mortgages and savings. De Volksbank has a balance sheet total of € 60.9 billion and 2,993 internal employees (FTE), which makes it a major player in the Dutch market. The head office of de Volksbank is located in Utrecht.

MISSION AND AMBITION

The mission of de Volksbank is Banking with a human touch. To live up to our mission we formulated an ambition based on the principle of shared value. Shared value is directed towards social and economic as well as financial and non-financial aspects. Our ambition is to optimise this shared value by delivering benefits for customers, taking responsibility for society, giving genuine attention to employees and achieving returns for the shareholder.

OUR BRANDS

There is no such thing as an 'average customer'. Everyone has different wishes, needs and preferences. We want to serve our customers in the way that best fits their needs. That is why, instead of one brand for all customers, we have opted for different brands that each serve their customers in the way that suits them best. Each brand has its own way of working, image, mentality and products, from savings and investments through to insurance.

ASN BANK

ASN Bank has been one of the leading banks in sustainable banking in the Netherlands for 50 years. Money is invested in projects and companies that respect people, animals and the environment. ASN Bank aims to demonstrate that sustainable banking is perfectly compatible with competitive results. www.asnbank.nl

Products: current accounts, savings, loans, investments, asset management and mortgages.

BLG WONEN

BLG Wonen is a financial service provider whose aim is to allow its customers to live as comfortably as possible. Carefree home ownership makes you feel at home. Now and in the future. BLG Wonen effectuates this by making our customers' housing wishes come true via transparent services and professional, personal advice from the best independent advisors. www.blg.nl

Products: mortgages, savings, insurance and investments.

REGIOBANK

RegioBank is de Volksbank's regional bank format to which approximately 515 independent advisors are affiliated. RegioBank is the bank nearby without any fuss or hassle. With great personal attention, a service mentality and full range of banking products all under one roof. www.regiobank.nl

Products: current accounts, savings, loans, investments and mortgages.

SNS
SNS was founded in 1817 with the aim to increase people's financial self-reliance. This aim and ambitious goal is just as relevant today as back then. As a broad, accessible bank for consumers and small businesses, we give our customers the opportunity to select how they manage their finances: via the website, over the telephone, with a financial advisor at their home, at one of our almost 200 SNS Shops or through the mobile channel. www.snsbank.nl

Products: current accounts, savings, mortgages, insurance, loans, investments and bank savings. schemes.

Disclaimer
This press release contains factual information only and should not be regarded as an opinion or recommendation concerning the purchase or sale of securities issued by de Volksbank. This press release does not contain any value judgement or predictions with respect to the financial performance of de Volksbank.