

Remuneration report 2017

2017

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

Introduction

The Remuneration Report covers the remuneration of the Board of Directors of de Volksbank N.V. (the Board) and the compensation of the Supervisory Board of de Volksbank N.V. For more information on the remuneration policy of de Volksbank N.V., we refer to the Corporate Governance section on our website www.devolkbank.nl.

The Remuneration Report is structured as follows:

- Remuneration of the Board of Directors
- Actual remuneration of the Board of Directors
- Remuneration of the Supervisory Board
- Actual compensation of the Supervisory Board

Remuneration of the Board of Directors

Remuneration elements

New members of the Board, including the current Chairman and CRO, have a four-year contract of services. The CFO and COO still have an employment contract with de Volksbank. The remuneration consists of a fixed annual income, pension contribution and fringe benefits, such as the salary supplement as compensation for the loss of pension accrual above € 103,317 and a lease car.

Fixed annual income

On 1 May 2017, the salary scales and fixed income of the Board were increased by 1%, as was the case for employees falling within the scope of the collective agreement. As from that date, the fixed income of the Chairman of the Board amounts to € 404,960. The fixed income of the other members of the Board depends on their position in the salary scale. As from 1 May 2017, the salary scale maximum is € 331,504.

Apart from the collective pay rises, members of the Board are not entitled to any other increases in the fixed annual income. This regulation will be in effect as long as de Volksbank falls under the Dutch Act on Remuneration Policies of Financial Undertakings (*Wbfo*).

Benchmarking

Once every two years we compare the remuneration of the Board with peer group positions in the general market, consisting of a combination of comparable financial and non-financial corporations. This benchmark was last performed in December 2017.

The remuneration of the members of the Board and the Chairman of the Board is 13% and 22% below the general market median, respectively. The fixed + variable (short and long term) remuneration is 43% and 49% below the general market median, respectively. This difference is greater because the Volksbank has no variable remuneration scheme.

Performance objectives

Each year, the Supervisory Board sets the performance objectives for the Board, which are derived from de Volksbank's (long-term) strategic objectives. In setting these objectives, the desired risk profile and the sustainability of de Volksbank are taken into account. These two themes are included in the objectives every year. Moreover, Supervisory Board takes into account the interests of all stakeholders of the Volksbank.

As we only have fixed remuneration, there are no undesirable remuneration incentives that could place individual interests in the short term above the collective objectives in the long term.

At the end of each performance period, the Supervisory Board determines the extent to which the Board has achieved its performance targets. The Supervisory Board also evaluates the progress on the long-term objectives.

Performance year 2017

Objectives/Shared value	KPI	Weighting
Customer	1 Net Promotor Score (NPS)	10%
	2 Current account customers	10%
	3 Mortgage portfolio	10%
Society	4 Climate-neutral balance sheet	15%
Employee	5 Employee Net Promotor score (eNPS)	15%
Shareholder(s)	6 Return on Equity	15%
House in order	7 Own objectives per member of the Board of Directors	25%
		100%

The performance of the Board is based on two elements: the extent to which the performance objectives have been achieved and the way in which de Volksbank has been run in terms of behaviour and culture. For the achievement of the objectives set for 2020, please refer to section 'Progress on shared value' in chapter 2.3 'Progress on strategy' in the Annual report of de Volksbank. The Supervisory Board evaluated the achievement of the various performance objectives for 2017 and concluded that the Board achieved 57% of the performance objectives. In 2017, the eNPS went down sharply, which had a strong impact on the total actual figure 2017. For the calculation of the NPS and eNPS see the appendix 'About the non-financial information' in the Annual report of de Volksbank.

The performance targets for 2018 have been set by the Supervisory Board.

Performance year 2018

Objectives/Shared value	KPI	Weighting
Customer	1 Net Promotor Score (NPS)	15%
	2 Current account customers	10%
	3 Mortgage portfolio	5%
Society	4 Climate-neutral balance sheet	7.5%
	5 Financial resilience	7.5%
Employee	6 Employee Net Promotor score (eNPS)	15%
Shareholder(s)	7 Return on Equity	15%
House in order	8 Own objectives per member of the Board of Directors	25%
		100%

Pension

Members of the Board participate in the same pension scheme as all other staff of de Volksbank. No additional pension is granted.

Every employee who earns more than € 103,317 receives a gross supplement of 16.35% of the income above that limit to compensate for the lack of pension accrual. This also applies to the Board. This supplement applies until 31 December 2020. Before that time an evaluation will take place about a possible continuation of this compensation.

Other

The fringe benefits provided to the members of the Board are in line with the fringe benefits that apply to all other employees.

In the events of termination of employment at the initiative of de Volksbank, members of the Board (including the Chairman) are entitled to compensation with a maximum of one year's fixed annual income.

Actual remuneration of the Board of Directors

The table below provides an overview of the actual remuneration of each member of the Board.

Gross remuneration of the Board of Directors

in € thousands	Fixed salary ¹		Pension ²		Other ³		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
M.B.G.M. Oostendorp (Chairman)	404	400	20	20	85	85	509	505
V.A. Baas	258	256	20	20	61	60	339	336
R.G.J. Langezaal	310	307	20	20	79	75	409	402
A.T.J. van Melick	310	307	20	20	73	72	403	399
J.R. Dijkstra ⁴	310	123	20	8	55	17	385	148
M. Wissels ⁵	-	170	-	12	-	40	-	222
Total Board of Directors	1,592	1,563	100	100	353	349	2,045	2,012

1 The fixed remuneration consists of the annual fixed base salary, holiday pay and 13th month bonus.

2 The pension is the employer contribution minus the employee's personal pension contribution.

3 'Other' includes all remaining remuneration, including the salary supplement as compensation for the loss of the pension accrual in excess of € 103.317, the addition for the use of a company car and social security contributions.

4 Starting 1 August 2016.

5 Until 1 August 2016.

Mr. Langezaal stepped down as a member of the Board of Directors of de Volksbank on 1 January 2018. Until his departure 1 July 2018, Mr Langezaal will perform other duties for de Volksbank. Mr Langezaal's remuneration will remain unchanged until termination of the employment contract. De Volksbank will pay one annual fixed salary as compensation in connection with the termination of the employment contract.

The remuneration of Mr. Wissels as former director for the period 1 August to 1 November 2016 in the role of senior sponsor of the ICF programme, amounted to € 94,938 in total, of which € 72,846 was fixed, € 4,993 was related to pension and € 17,099 to other. The total remuneration of (former) members of the Board thus amounts to € 2,107,000.

Pay ratio

Our standard is that the Chairman of the Board does not earn more than ten times the median salary¹ at de Volksbank. Every year we also assess how the salary of the Chairman relates to the lowest salary at the bank. For the past three years, the picture is as follows:

	2017	2016	2015
Ratio between the remuneration of the Chairman of the Board of Directors and the median salary at de Volksbank (excl. Chairman)	7:1	7:1	7:1
Ratio between the remuneration of the Chairman of the Board of Directors and the lowest salary at de Volksbank (excl. Chairman)	20:1 ¹	15:1	16:1

1 The increase in the ratio between the salary of the Chairman of the Board and the lowest salary at de Volksbank is due to the fact that in 2017 a number of employees entered employment with a lower salary than the lowest salary in 2016.

¹ The salary consists of the following elements: fixed salary, performance-related bonus for employees falling within the scope of the collective agreement (only applicable in 2017), pension and social contributions.

Share ownership

The members of the Board do not hold shares in de Volksbank. De Volksbank is a wholly-owned subsidiary of the Volksholding B.V. This holding company is a direct subsidiary of NLF, which issued depositary receipts for shares to the Dutch State.

Loans

The table below provides an overview of the loans provided to members of the Board of Directors and that were outstanding on 31 December 2017.

Loans to members of the Board of Directors

in € thousands	Outstanding on 31 December		Average interest rate		Mortgage loan redemption	
	2017	2016	2017	2016	2017	2016
V.A. Baas	214	223	5.09%	5.12%	9	9
R.G.J. Langezaal	756	761	2.81%	2.88%	5	5
Total	970	984			14	14

Remuneration of the Supervisory Board

Remuneration policy of the Supervisory Board

In the shareholder's meeting of 20 April 2017, shareholder NLF decided to adjust the remuneration of the Supervisory Board as from 1 July 2017. This provides for a better balance in the remuneration for the various committees and for a distinction between the remuneration of the Chairman of a committee and the members of a committee

Remuneration policy of the Supervisory Board , excluding VAT (21%)

in € thousands	First half 2017			Second half 2017		
	Amount	Members (in #)	Remuneration annual basis ¹	Amount	Members (in #)	Remuneration annual basis ¹
Annual fixed compensation Chairman of the Supervisory Board	45	1	45	44	1	44
Annual fixed compensation member of the Supervisory Board	30	4	120	31	4	124
Chairman Audit Committee	7	1	7	7	1	7
Member Audit Committee	7	2	14	5	2	10
Chairman Risk Committee	3	1	3	7	1	7
Member Risk Committee	3	2	6	5	2	10
Chairman Remuneration and Nomination Committee	3	1	3	7	1	7
Member Remuneration and Nomination Committee	3	2	6	5	2	10
Expense allowance Chairman of the Supervisory Board	2	1	2	-	1	-
Expense allowance member of the Supervisory Board	2	4	8	-	4	-
Total			214			219

1 The amounts stated are the annual amounts that were applicable for the half year in question.

In November 2016, benchmark was conducted for the remuneration of the Supervisory Board in relation to the general market: a combination of comparable financial and non-financial corporations. The remuneration was just below the median.

Actual compensation of the Supervisory Board

The table below provides an overview of the actual compensation for each member of the Supervisory Board.

Gross compensation of the Supervisory Board, excluding VAT (21%)

in € thousands	As a member of the Supervisory Board ¹		As a member of a committee ²		Total	
	2017	2016	2017	2016	2017	2016
J.C.M. van Rutte (Chairman)	45	45	15	16	60	61
C.M. Insinger	30	30	6	5	36	35
M.R. Milz	30	30	9	8	39	38
J.A. Nijhuis	9 ³	30	3	9	12	39
L.J. Wijngaarden	30	30	12	12	42	42
S. Barendregt-Roojers	10 ⁴	-	2	-	12	-
Totaal	154	165	47	50	201	215

1 Annual fixed compensation for the membership/chairmanship of the Supervisory Board.

2 Annual compensation for one or more committees, including the expense allowance.

3 Until 20 April 2017

4 From 1 September 2017

SHARE OWNERSHIP

The members of the Supervisory Board do not hold shares in de Volksbank. De Volksbank is a wholly-owned subsidiary of de Volksholding B.V. This holding company is a direct subsidiary of NLFI, which issued depositary receipts for shares to the Dutch State.

LOANS

No loans were provided to members of the Supervisory Board and no loans were outstanding on 31 December 2017.

Supervision on remuneration

The Supervisory Board and Board are responsible for the supervision on remuneration within de Volksbank. The parties involved are also the ReNomCo, control departments Risk, Compliance and Audit, and staff departments Finance, Legal Affairs and Human Resources. Moreover, the remuneration policy is discussed at least once a year by the Risk Committee of the Supervisory Board

Supervisory Board

The Supervisory Board adopts the Remuneration Report and is responsible for the implementation and evaluation of the remuneration policy for the members of the Board.

The Supervisory Board also approves the remuneration policy proposed by the Board for senior management and supervises the implementation thereof. Furthermore, the Supervisory Board is responsible for approving the main features of the remuneration policy proposed by the Board for de Volksbank employees.

The Supervisory Board will at least once a year arrange for a central and independent internal review by the Audit department to review the implementation of de Volksbank's remuneration policy on compliance with legislation, the policy and procedures for the remuneration.

The Supervisory Board sees to it that the Board ensures that variable remuneration (or the pay-out of previously granted variable remuneration) is in keeping with the adopted remuneration policy of de Volksbank and, more

specifically, that the variable remuneration complies with the principles as set out in the Banking Code on remuneration policy. The Supervisory Board also discusses any material retention, signing-on and buy-out fees and sees to it that they are in keeping with the adopted remuneration policy of de Volksbank and they are not excessive. Any such fees are granted on very rare occasions only.

The Supervisory Board directly supervises the remuneration of the Risk, Compliance and Audit department's directors who hold overall responsibility. The Supervisory Board may call upon the expertise of independent remuneration experts.

Board of Directors

The Board of Directors is responsible for the remuneration schemes of de Volksbank with the exception of the remuneration policy of the Board of Directors itself.

In exceptional situations and on good grounds, the Board has the discretionary power (in so far as it does not relate to the members of the Board itself) to deviate from the remuneration policy as adopted, to the extent that laws and regulations permit. Any such deviations are subject to prior review by the Supervisory Board and occur only very rarely.

The Board of Directors is responsible for the application of the reasonableness test for senior management and Identified Staff in general, for the approval of benchmarks on market conformity for senior management and other employees and for the approval of non-material retention, signing-on and buy-out fees for all employees (with the exception of the members of the Board).

Staff departments

A Remuneration Working Group comprising the staff departments Risk, Compliance, Finance, Legal & Fiscal Affairs and Human Resources & Communication jointly supervise the remuneration policy and compliance thereof. The Audit department periodically performs independent audits into the drawing up and implementation of the remuneration policy.

