

Remuneration report 2018

2018

The original report was drafted in Dutch. This document is an English translation of the original. In case of any discrepancy 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. 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 Corporate Governance section on our website www.devolsbank.nl.

Thus remuneration report has the following structure:

1. Remuneration of the Board of Directors
2. Actual remuneration of the Board of Directors
3. Remuneration of the Supervisory Board
4. Actual remuneration of the Supervisory Board
5. Supervision on remuneration

REMUNERATION OF THE BOARD OF DIRECTORS

REMUNERATION ELEMENTS

Members of the Board of Directors have a four-year contract of services. The CFO and COO, whose term of office expired on 31 December 2018, still have an employment contract for an indefinite period 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 € 105,075 and a lease car. No variable remuneration is awarded.

FIXED ANNUAL INCOME

On 1 May 2018, the salary scales and fixed annual income of the Board were increased by 1.25%, as was the case for employees falling within the scope of the collective agreement. As from that date, the fixed annual income of the Chairman of the Board of Directors amounts to € 410,021. The fixed income of the other members of the Board of Directors depends on their position in the salary scale. As from 1 May 2018, the salary scale maximum is € 335,648.

Apart from the collective pay rises, members of the Board of Directors are not entitled to any other increases in the fixed annual income.

LABOUR MARKET COMPARISON (BENCHMARKING)

Once every two years we compare the remuneration of the Board of Directors 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 benchmark shows that the remuneration of the members and the Chairman of the Board of Directors 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 de Volksbank has no variable remuneration scheme.

PERFORMANCE TARGETS

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

As the Board of Directors only has 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 of Directors has achieved its performance targets. The Supervisory Board also evaluates the progress on the long-term objectives.

Performance year 2018

Objectives/ Shared value	KPI	Weighting
Customer	1 Net Promoter 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	7 Return on Equity (excluding the CRO)	15%
	8 Common Equity Tier 1 ratio (only the CRO)	15%
	9 Own objectives per member of the Board of Directors	25%
House in order		100%

The assessment of the Board of Directors is based on the extent to which the performance targets have been achieved and the way in which de Volksbank is managed in terms of behaviour and culture, including competencies, cultural profile and Key Performance Indicators (KPIs). For the achievement of the objectives set for 2020, see Chapter 3 Progress of Strategy. The Supervisory Board assessed the achievement of the various performance targets for 2018 and concluded that the Management Board achieved 66% of the performance targets.

The performance targets for 2019 are listed in the table below.

Performance year 2019

Objectives/ Shared value	KPI	Weighting
Customer	1 Net Promoter Score (NPS)	15%
	2 Current account customers	10%
Society	3 Climate-neutral balance sheet	12.5%
	4 Financial resilience	12.5%
Employee	5 Employee Net Promotor score (eNPS)	25%
Shareholder	6 Return on Equity (excluding the CRO)	25%
	7 Common Equity Tier 1 ratio (only the CRO)	25%
		100%

PENSION

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

For the lack of pension accrual above € 105,075, members of the Board of Management (including the

Chairman) receive a gross supplement of 16.35% of the income above this limit as compensation. This is laid down in the collective agreement. This supplement is valid up to 31 December 2020. Prior to this date, an evaluation will take place about possible continuation.

OTHER

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

In the event of termination of employment at the initiative of de Volksbank, members of the Board of Directors (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 of Directors.

Gross remuneration of the Board of Directors

in € thousands	Fixed salary ¹		Pension ²		Other ³		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Maurice Oostendorp (Chairman)	408	404	21	20	92	85	521	509
Alexander Baas	261	258	21	20	65	61	347	339
Annemiek van Melick	314	310	21	20	73	73	408	403
Jeroen Dijst	314	310	21	20	58	55	393	385
Marinka van der Meer ⁴	82	-	6	-	13	-	101	-
Rob Langezaal	-	310	-	20	-	79	-	409
Total Board of Directors	1,379	1,592	90	100	301	353	1,770	2,045

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 € 105,075, the addition for the use of a company car and social security contributions.

4 Starting 28 September 2018

Remuneration of former director

Rob Langezaal stepped down as a director under the Articles of Association of de Volksbank with effect from 1 January 2018. He resigned on 1 July 2018. Until his departure, Rob Langezaal performed project-based work, for which he was accountable. His remuneration remained unchanged until the date he resigned.

Rob Langezaal's total remuneration in 2018 amounted to € 521,000: € 156,000 fixed remuneration, € 11,000 pension, € 43,000 other and € 311,000 severance pay.

Total remuneration of the current and former directors

The total remuneration of current and former directors in 2018 amounted to € 2,291,000 (including severance pay for former director Rob Langezaal).

Alexander Baas stepped down as a director under the articles of association of de Volksbank with effect from 1 January 2019. As of that date he was internally appointed as (non-statutory) Director of Service Center Customers, Payments, Savings. Mirjam Verhoeven has been nominated as his successor in the Board of Directors. On 30 October 2018, the Supervisory Board announced its intention to appoint Mirjam Verhoeven to Board of Directors and also as COO. This proposed appointment is subject to approval by supervisory authorities and the Works Council, which has not yet been received by the date of publication of this annual report. Mirjam Verhoeven already works at de Volksbank as (non-statutory) Director of IT & Change, with innovation as area of special attention.

PAY RATIO

Our standard is that the Chairman of the Board of Directors 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

¹ The salary consists of the following elements: fixed salary (including any supplements), pension and social security contributions.

lowest salary at the bank. For the past four years, the picture is as follows:

	2018	2017	2016	2015
Ratio between the remuneration of the Chairman of the Board of Directors and the median salary at de Volksbank (excl. Chairman)	6:1	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	15:1	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.

SHARE OWNERSHIP

Members of the Board of Directors 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 NLF1, 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 that were outstanding on 31 December 2018.

Loans to members of the Board of Directors

in € thousands	Outstanding on 31 December		Average interest rate		Mortgage loan redemption	
	2018	2017	2018	2017	2018	2017
Alexander Baas	300	214	3.60%	5.09%	214	9

REMUNERATION OF THE SUPERVISORY BOARD

REMUNERATION POLICY OF THE SUPERVISORY BOARD

The table below gives an overview of the annual gross remuneration of the Supervisory Board and the remuneration per committee.

In January 2019, the remuneration of the Supervisory Board was compared with the general market, consisting of a combination of comparable financial and non-financial corporations. The benchmark shows that remuneration is 20% below that of the median of the general market.

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

in €	Amount
Annual fixed compensation Chairman of the Supervisory Board	44,000
Annual fixed compensation member of the Supervisory Board	30,800
Chairman Audit Committee	7,000
Member Audit Committee	4,900
Chairman Risk Committee	7,000
Member Risk Committee	4,900
Chairman Remuneration and Nomination Committee	7,000
Member Remuneration and Nomination Committee	4,900

ACTUAL COMPENSATION OF THE SUPERVISORY BOARD

The table below provides an overview of the actual remuneration of each member of the Supervisory Board in 2018.

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	
	2018	2017	2018	2017	2018	2017
Jan van Rutte (Chairman)	44	45	8	15	52	60
Monika Milz	31	30	11	9	42	39
Sonja Barendregt-Roojers ³	31	10	10	2	41	12
Jos van Lange ⁴	21	-	8	-	29	-
Aloys Kregting ⁵	11	-	3	-	14	-
Charlotte Insinger ⁶	8	30	2	6	10	36
Ludo Wijngaarden ⁶	9	30	4	12	13	42
Jos Nijhuis ⁷	-	9	-	3	-	12
Totaal	155	154	46	47	201	201

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

2 Annual compensation for one or more committees, including the expense allowance. The fixed expense allowance was abolished with effect from 1 July 2017.

3 Compensation as from 1 September 2017

4 Compensation as from 1 Mai 2018

5 Compensation as from 24 August 2018

6 Compensation up to and including 19 april 2018

7 Compensation up to and including 20 april 2017

SHARE OWNERSHIP

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 NLF1, which issued depositary receipts for shares to the Dutch State.

LOANS

No loans were provided to members of the Supervisory Board in 2018, and no loans were outstanding on 31 December 2018.

SUPERVISION ON REMUNERATION

The Supervisory Board and the Board of Directors are responsible for the supervision on remuneration at de Volksbank. The parties involved are also the People and Organisation Committee (POC), 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 (RC) of the Supervisory Board. Last year, the remuneration policy was discussed in the POC instead of in the RC.

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 of Directors.

The Supervisory Board also approves the remuneration policy proposed by the Board of

Directors 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 of Directors for the staff of de Volksbank.

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 of Directors 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 fees and severance pay and sees to it that they are in keeping with the adopted remuneration policy of de Volksbank and 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 of Directors 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.

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 fees and severance pay for all employees (with the exception of the members of the Board).

STAFF DEPARTMENTS

A Remuneration Working Group comprising the Risk, Compliance, Finance, Legal Affairs and Human Resources departments 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.