Utrecht, the Netherlands, 23 August 2018

Results first half 2018

Investor presentation

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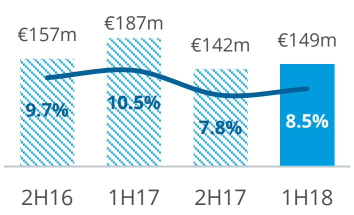
asn bank BLGwonen RegioBank SNS

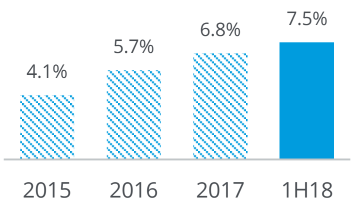
Key points first-half 2018

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

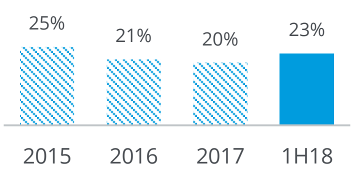
Net result and RoE



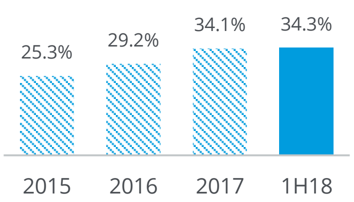
Market share
new retail mortgages



Market share
new current accounts

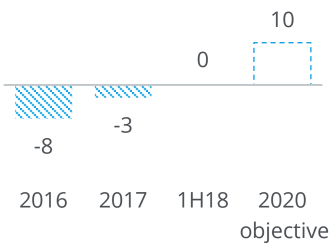


CET1 ratio



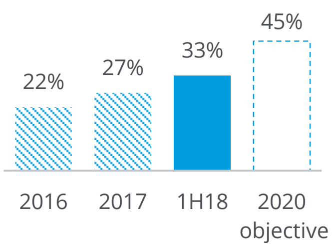
Progress in achieving our Shared Value objectives

CUSTOMER-WEIGHTED NPS



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

CLIMATE-NEUTRAL BALANCE SHEET

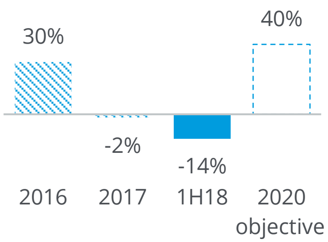


Improvement in climate-neutral balance sheet

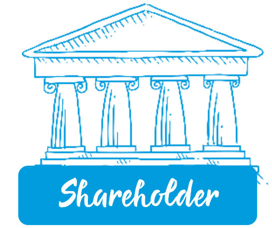
FINANCIAL RESILIENCE

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

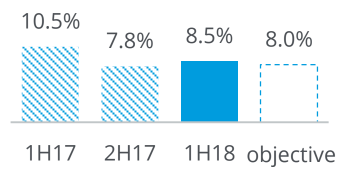
EMPLOYEE NPS



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



RETURN ON EQUITY



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

1. Update on strategy

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

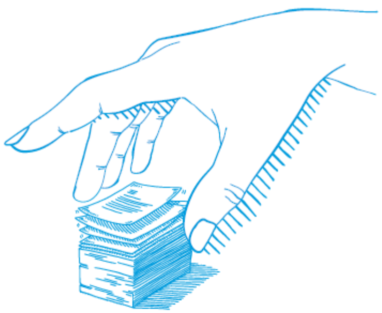
Our starting point is that customers are able to continue living in their home

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

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

Other initiatives with respect to Banking with a human touch

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



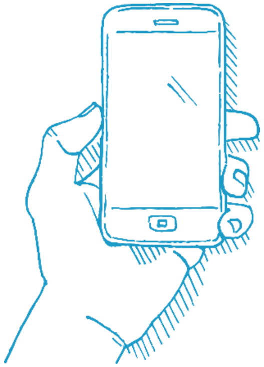
- We started to actively bring back 4,000 customer files from debt collection agencies, after we had already ceased handing over new loans in arrears in 2017
- De Volksbank has responded to the more relaxed rules of the National Mortgage Guarantee (NHG), making it possible to meet the needs of more senior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

Simplifying and innovating our business operations

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

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

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



Options for the future

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

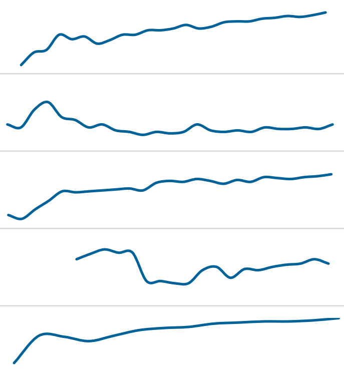
2. Commercial developments

Improvement of our customer-weighted NPS to break-even level

Net Promoter Score

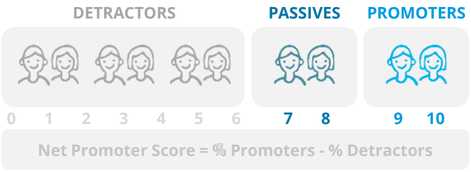
(in %)

Brand	2012	2013	2014	2015	2016	2017	1H18	Trend 2010-1H18
SNS	-35	-39	-28	-26	-18	**-13**	**-8**	
ASN Bank	+22	+19	+12	+19	+14	**+17**	**+19**	
RegioBank	-8	-7	-7	+5	+2	**+7**	**+10**	
BLG Wonen	--	-15	-14	-42	-29	**-24**	**-24**	
Weighted average	**-17**	**-21**	**-16**	**-12**	**-8**	**-3**	**0**	



** BLG Wonen's measurement started in 1H13*

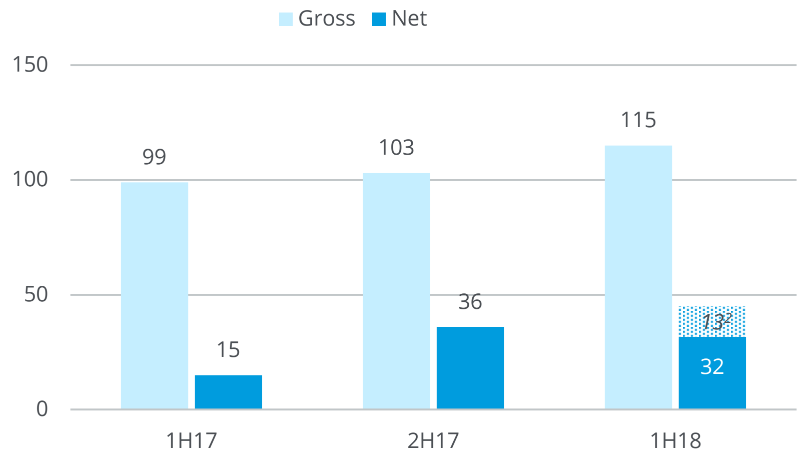
- In 1H18, our customer-weighted NPS reached a break-even level for the first time, improving from –3 at year-end 2017 to 0, with three of our brands contributing to this improvement
- ASN Bank (+19) and RegioBank (+10) remained among the select group of Dutch banks with a positive NPS
- SNS continued the steady trend towards a positive NPS: -8 (2017: -13)
- At BLG Wonen the NPS remained stable versus year-end 2017: -24



Customer growth driven by increase in new current accounts

Development customers

In thousands

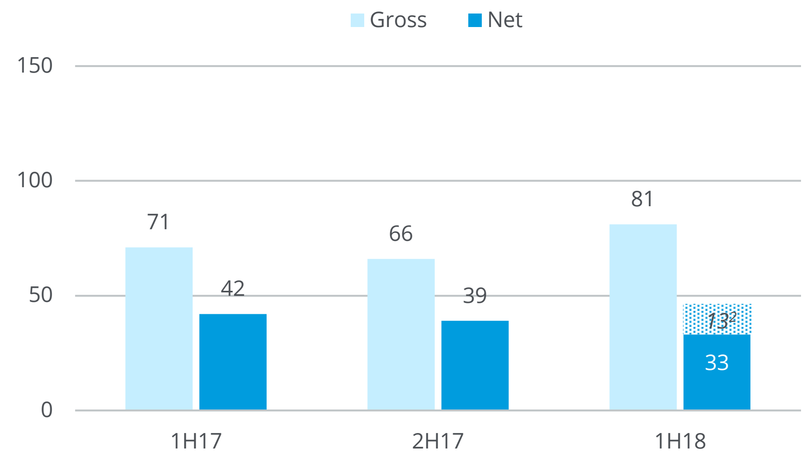


# Customers	3,091	3,128	3,160

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

Development current account customers

In thousands



	1H17	2H17	1H18
# Customers	1,370	1,409	1,442
Market share new current accounts[1]	20%	20%	23%

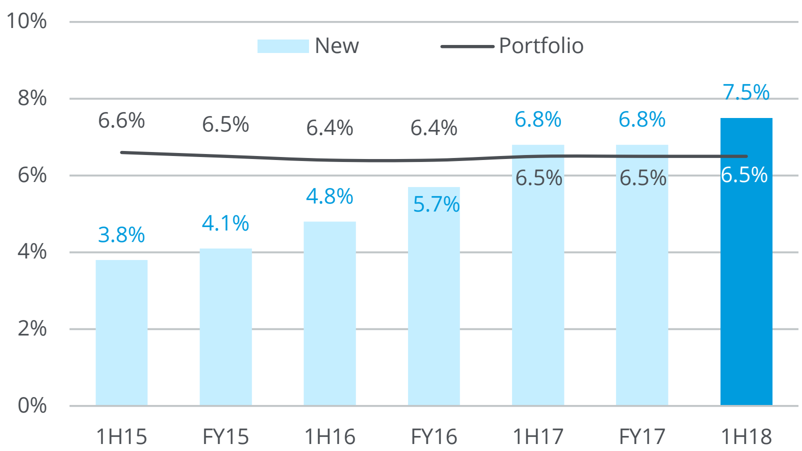
- 33,000 net new current account customers in 1H18
- In 1H18, 23% of new current accounts in the Netherlands was opened at one of our brands: this was mainly attributable to the success of creating a distinctive profile for ASN Bank, RegioBank and SNS
- On a total portfolio basis, our market share in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

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

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

Market share retail mortgage loans[1]

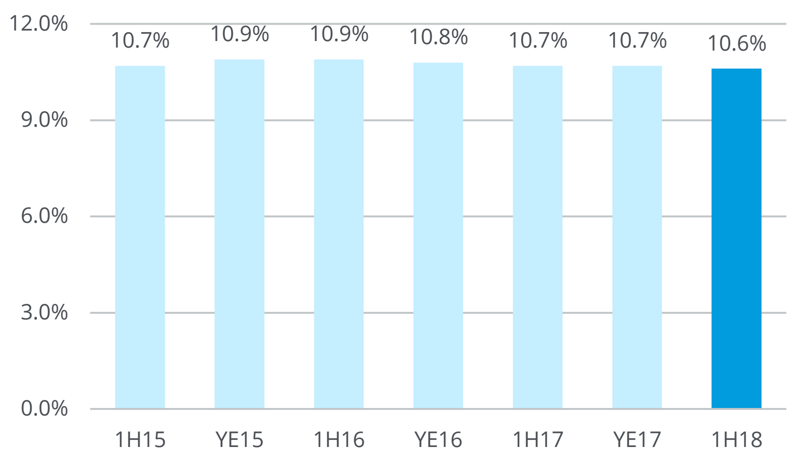
In %



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

Market share retail savings

In %



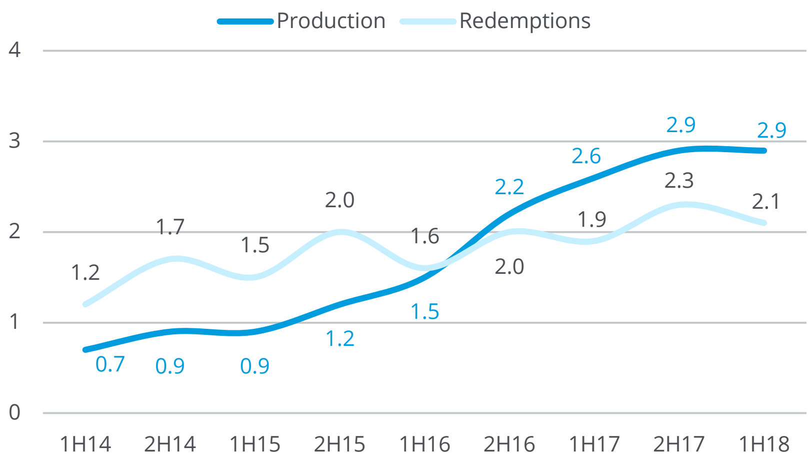
- Market share in retail savings remained virtually stable at 10.6%
- Retail savings balances increased slightly to €37.7bn, from €36.8bn at YE17

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

Mortgage portfolio growth driven by increase in production

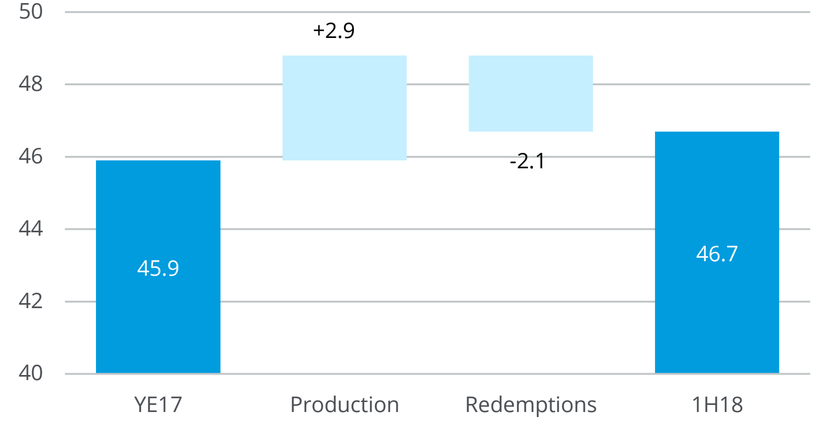
Mortgage production vs redemptions[1]

In € billions



Development gross retail mortgage portfolio 1H18[2]

In € billions



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

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

3. Financial results & outlook

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

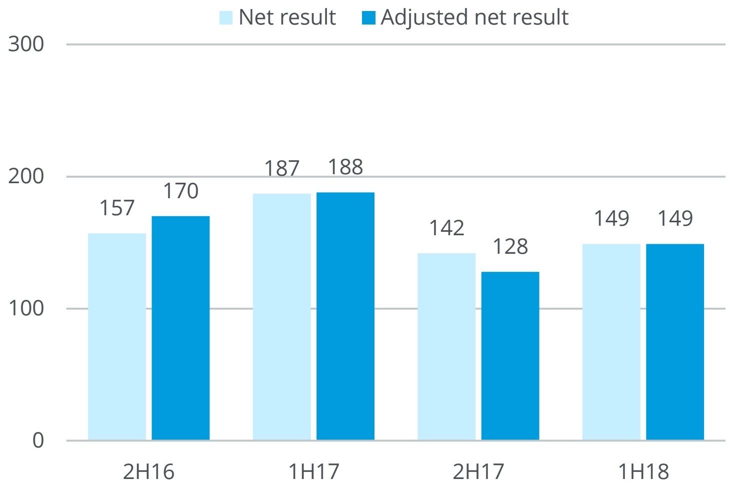
Result

In € millions

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

Result

In € millions



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

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

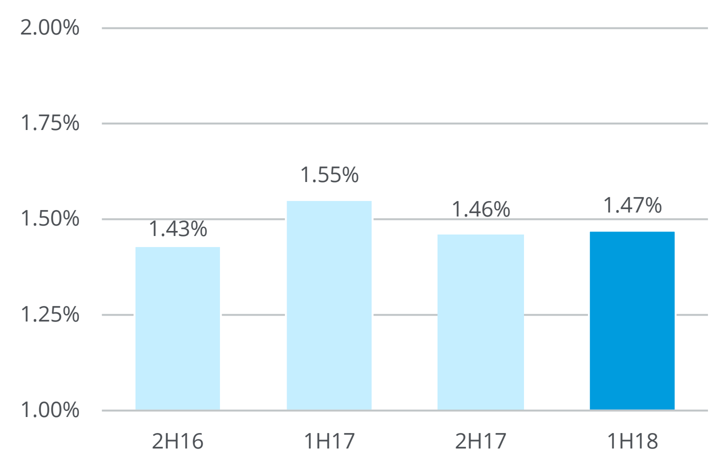
Income

In € millions

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

Net interest margin

(% of average assets)



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

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

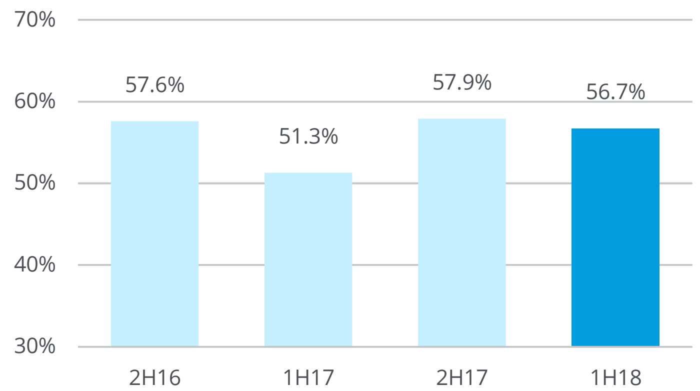
Operating expenses

In € millions

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

Cost/Income ratio adjusted for regulatory levies

In %



	2H16	1H17	2H17	1H18
Cost/Income ratio adjusted for incidental items[1] and reg. levies	54.5%	51.2%	60.1%	56.7%

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

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

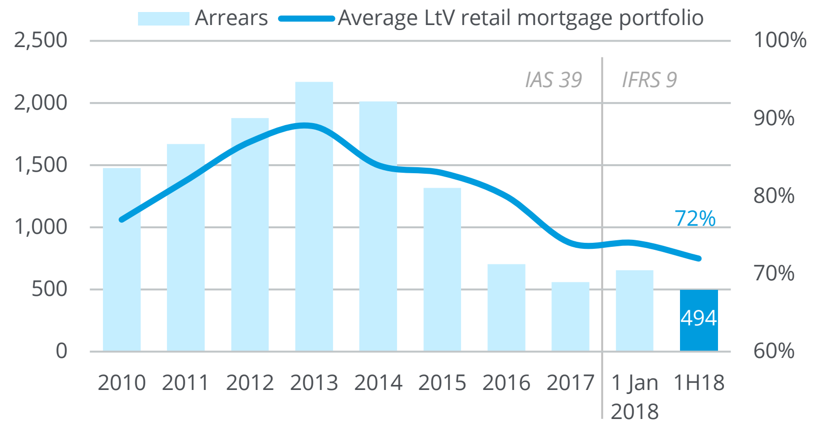
Release of provisions for loans under IFRS 9 driven by improved economic outlook; improvement quality retail mortgage loans

Loan impairment charges[1]

In € millions

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

Retail mortgages in arrears; average LtV



Breakdown retail mortgage loans

In € millions

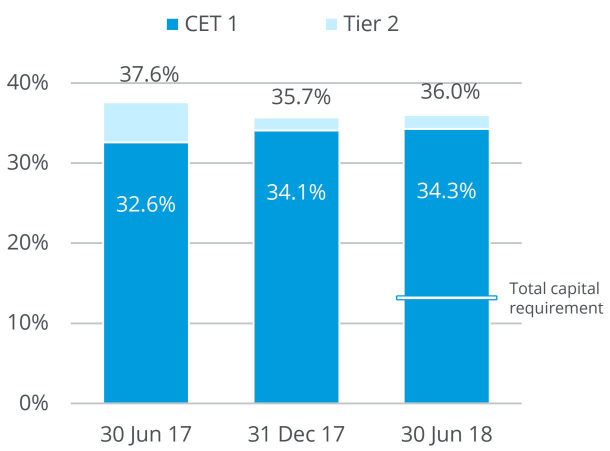
	1 Jan 18	1H18	% of total
Gross loans	45,551	46,370	100%
- of which stage 1	42,366	43,706	94.3%
- of which stage 2	2,467	2,030	4.4%
- of which stage 3	718	634	1.4%

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

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

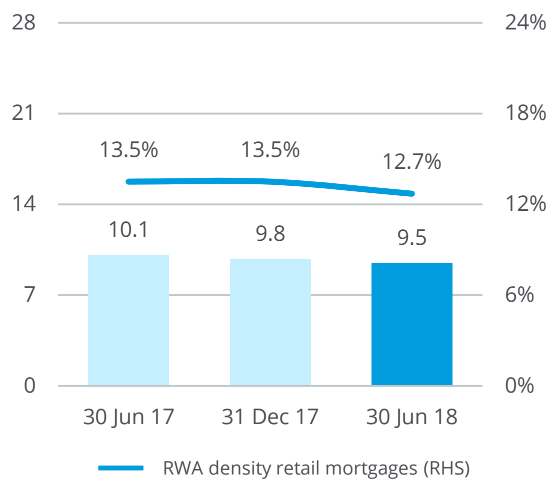
Slight increase in CET1 ratio in spite of impact of IFRS 9

Total capital ratio

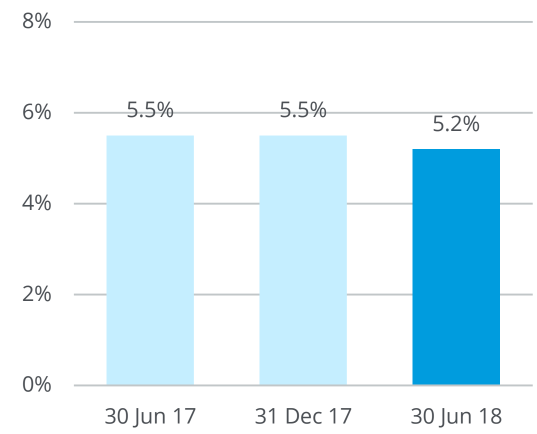


Risk-weighted assets

(in € billions; LHS)



Leverage ratio



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

Outlook

- Net interest income in 2018 is projected to be somewhat lower than in 2017. Moreover, we expect the level of operating expenses, excluding regulatory levies, to be comparable to the level of 2017
- The number of customers in arrears on their mortgage or SME loan is expected to fall further. Due to the positive macroeconomic developments and a continued rise in house prices, we expect impairment charges on loans to remain limited. However, in the second half of 2018 we do not anticipate a release of provisions for loans equivalent to that of the first half of 2018. We also expect impairment charges to show a more volatile picture because of the implementation of IFRS 9
- Slightly lower interest income and possibly a lower release of provisions for loans for the whole year are expected to result in a lower net profit for 2018 versus 2017

Questions & answers

Appendix

Summary P&L

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

Ratios

	2016	2017	1H14	2H14	1H15	2H15	1H16	2H16	1H17	2H17	1H18
Cost/income ratio	57.6%	54.5%	44.8%	44.6%	42.0%	62.9%	54.5%	61.0%	51.3%	57.9%	56.7%
Cost/Asset ratio	0.94%	0.91%	0.67%	0.75%	0.80%	0.96%	0.90%	0.99%	0.88%	0.94%	0.88%
Net interest margin	1.48%	1.50%	1.37%	1.56%	1.54%	1.49%	1.52%	1.43%	1.55%	1.46%	1.47%
Cost of risk retail mortgages	-0.15%	-0.05%	0.29%	0.35%	0.15%	0.00%	-0.18%	-0.11%	-0.08%	-0.02%	-0.03%
RoE	10.1%	9.1%	8.2%	2.8%	15.7%	6.4%	11.4%	8.9%	10.5%	7.8%	8.5%
Adjusted RoE	10.8%	8.7%	11.4%	9.6%	12.7%	8.5%	12.1%	9.7%	10.5%	7.0%	8.5%

Summary balance sheet

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

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

Key items balance sheet

Key items balance sheet

In € millions

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

Comments

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

Breakdown of loans and advances to customers (IFRS 9)

in € millions	1 January 2018			30 June 2018		
	Gross amount	Loan loss provision	Coverage ratio	Gross amount	Loan loss provision	Coverage ratio
Stage 1	**45,410**	**4**	**0.0%**	**46,865**	**4**	**0.0%**
- of which retail mortgage loans	42,366	3	0.0%	43,706	2	0.0%
- of which retail other loans	92	--	0.0%	82	--	0.0%
- of which SME loans	558	1	0.2%	553	1	0.2%
- of which other commercial loans and loans to public sector	2,394	--	0.0%	2,524	1	0.0%
Stage 2	**2,880**	**33**	**1.1%**	**2,348**	**21**	**0.9%**
- of which retail mortgage loans	2,467	18	0.7%	2,030	11	0.5%
- of which retail other loans	17	2	11.8%	13	1	7.7%
- of which SME loans	123	12	9.8%	103	8	7.8%
- of which other commercial loans and loans to public sector	273	1	0.4%	202	1	0.5%
Stage 3	**862**	**121**	**14.0%**	**759**	**106**	**14.0%**
- of which retail mortgage loans	718	53	7.4%	634	48	7.6%
- of which retail other loans	34	32	94.1%	28	27	96.4%
- of which SME loans[1]	110	36	32.7%	97	31	32.0%
- of which other commercial loans and loans to public sector	--	--	--	--	--	--
Total stage 1, 2, 3	**49,152**	**158**	**0.3%**	**49,972**	**131**	**0.3%**
- of which retail mortgage loans	45,551	74	0.2%	46,370	61	0.1%
- of which retail other loans	143	34	23.8%	123	28	22.8%
- of which SME loans	791	49	6.2%	753	40	5.3%
- of which other commercial loans and loans to public sector	2,667	1	0.0%	2,726	2	0.1%
IFRS value adjustments[2]	295	--	--	356	--	--
Total loans and advances to customers	**49,447**	**158**	**0.3%**	**50,328**	**129**	**0.3%**
Off-balance sheet items[3]	2,619	8	0.3%	2,425	6	0.2%
Total on and off-balance sheet	**52,066**	**166**	**0.3%**	**52,753**	**136**	**0.3%**

[1] Gross SME loans include mortgage-backed loans for a gross amount of € 679 million
[2] Consisting of fair value adjustments from hedge accounting and amortisations
[3] Off-balance sheet: liabilities from irrevocable facilities, guarantees and repurchase commitments

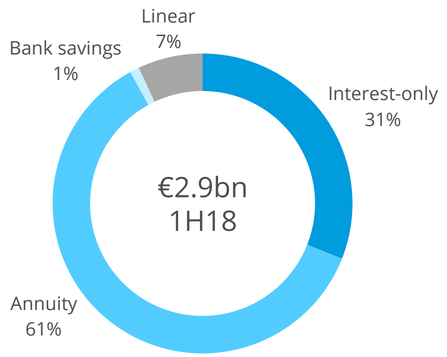
Quality of retail mortgage loans

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

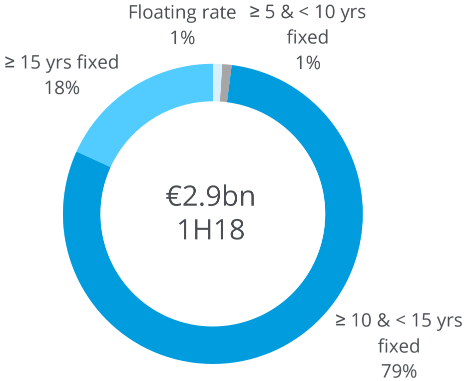
[1] Loan loss provision stage 2/3 as a % of gross exposure stage 2/3 [2] Includes €989m (1 Jan 2018: €1,020m) repurchase commitments of mortgages related to structured finance transactions
[3] Impairment charges as a % of average gross exposure -/- IFRS adjustments

Retail mortgage production

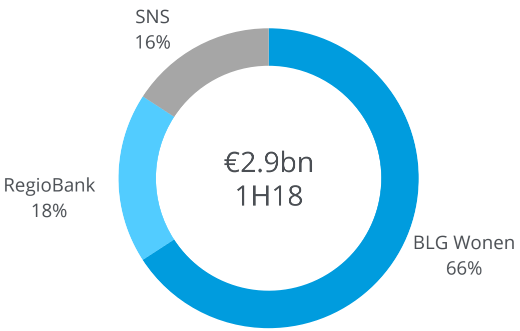
Retail mortgage production by redemption type



Retail mortgage production by interest type



Retail mortgage production by brand on own book

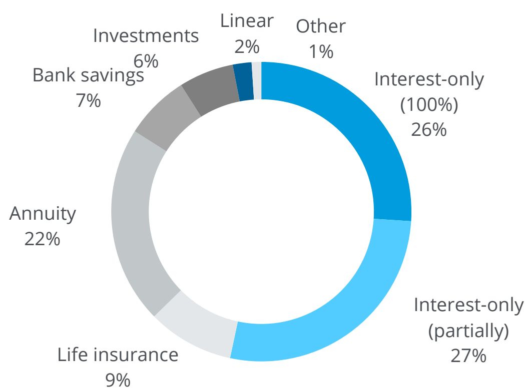


- 61% of new retail mortgages are annuity mortgages, mainly driven by a change in fiscal treatment. Only new annuity or linear mortgages benefit from tax deductibility of the mortgage interest paid
- 31% of retail mortgage production are interest-only mortgages due to the refinancing/conversion of loans originated before 2013
- Continued strong demand for mortgages with longer term fixed-rate periods
- All brands contributed to the increase in new retail mortgages

Retail mortgage portfolio

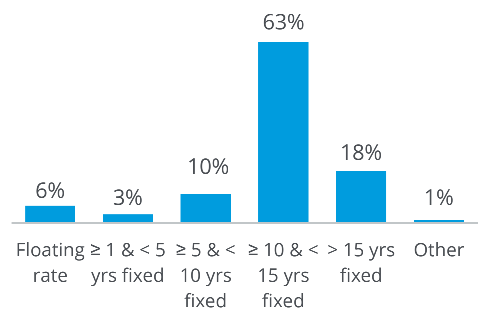
Retail mortgages by redemption type

1H18: €46.3bn[1]



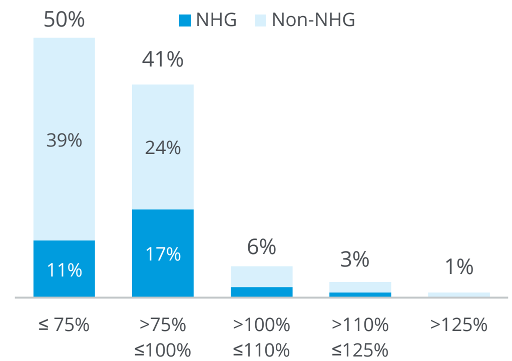
Retail mortgages by interest type

1H18: €46.3bn[1]

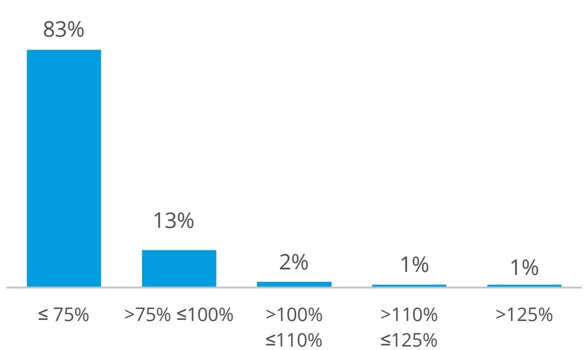


Retail mortgages by LtV bucket

1H18: €44.2bn[2]

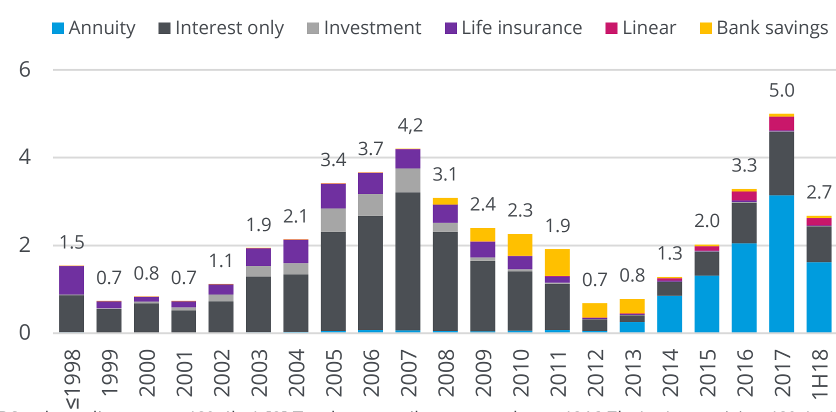


Interest-only (100%) mortgages by LtV bucket



Retail mortgages by year of origination

In € billions



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

Quality of SME loans

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

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

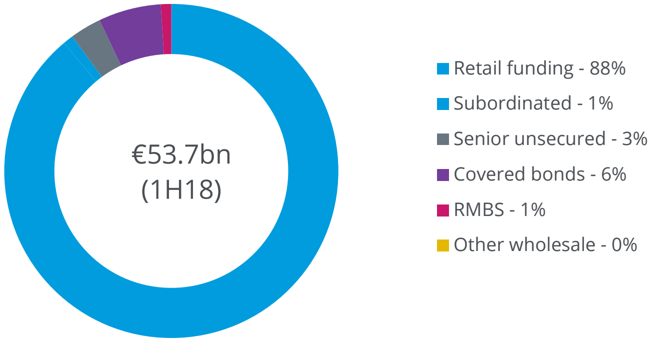
Quality of retail other loans

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

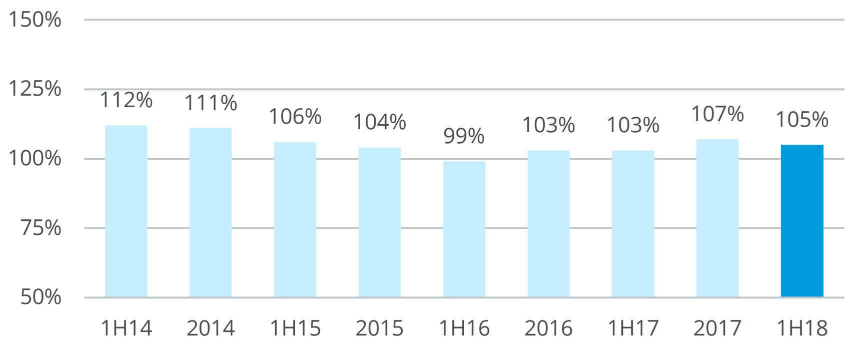
[1] Loan loss provision stage 2/3 as a % of gross exposure stage 2/3 [2] Impairment charges as % of average gross exposure -/- IFRS adjustments

Funding & liquidity

Funding mix



Loan-to-Deposit ratio[1]



Liquidity position

In € millions

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

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

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

Investment portfolio

Breakdown by sector

In € billions

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

Breakdown by maturity

In € billions

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

Breakdown by rating

In € billions

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

Breakdown by country

In € millions

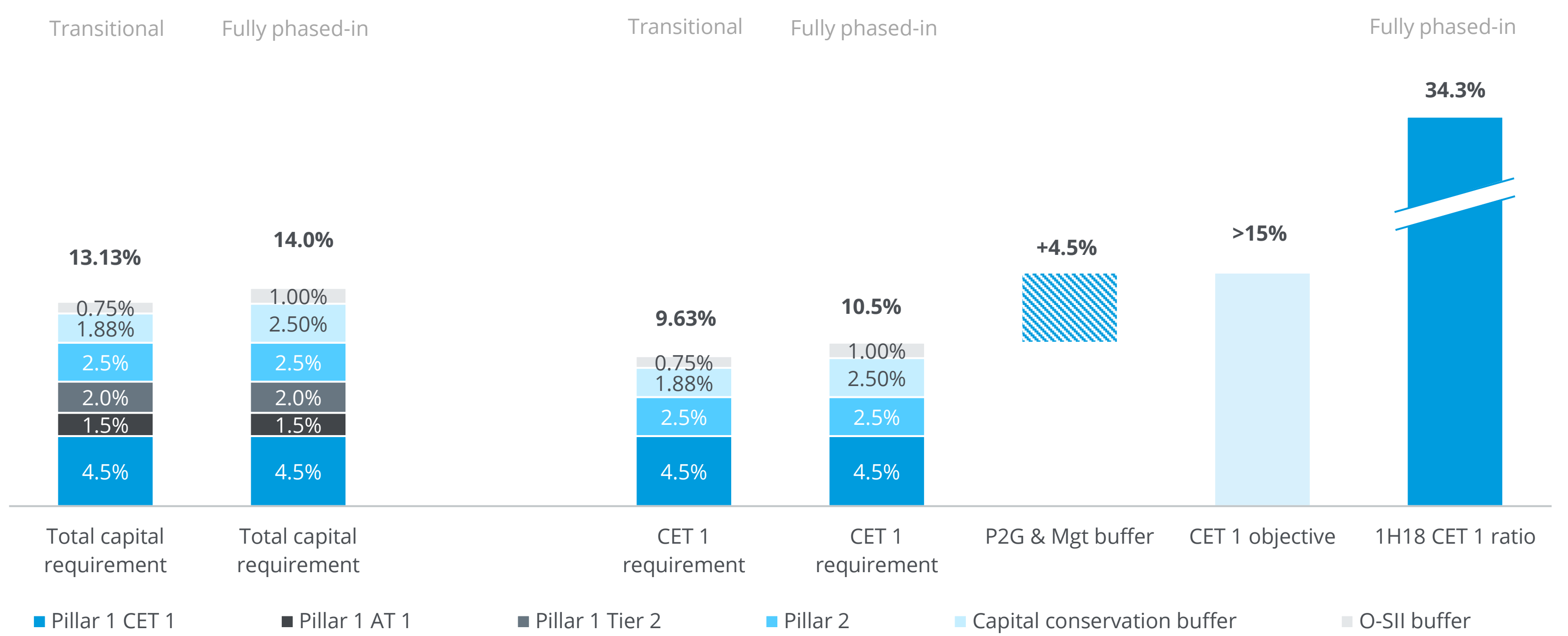
	2017	%	1H18	%
Netherlands	1,157	23%	1,189	22%
Germany	1,493	29%	1,553	29%
Other[1]	624	12%	868	16%
France	699	14%	612	12%
Belgium	577	11%	568	11%
Austria	396	8%	395	7%
Italy	30	0%	0	0%
Ireland	118	2%	146	3%
Total	**5,094**	**100%**	**5,331**	**100%**

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

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

SREP total capital requirement

SREP CET1 requirement vs internal target



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

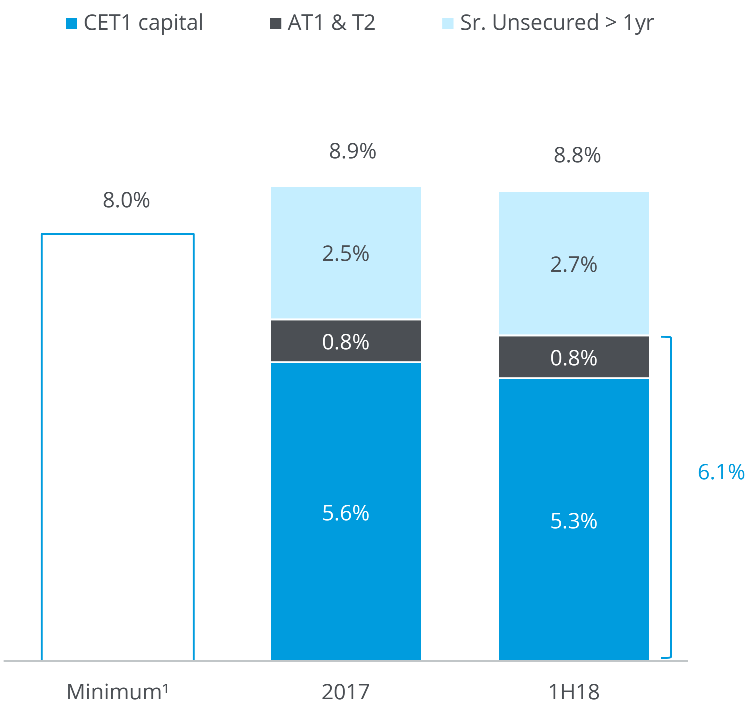
Impact IFRS 9 and Basel IV

Development CET1 ratio

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

De Volksbank is well positioned to meet the MREL requirement

MREL ratio



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

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