# de volksbank
# Pillar 3 Report 2022

# 1 Introduction

## 1.1 Introduction to Pillar 3

De Volksbank's Pillar 3 report deals with capital adequacy and risk management and has been approved by the management body. It contains the bank's main financial ratios and provides insight into aspects such as our capital position, the size and composition of capital and how the capital is related to risks, as expressed in risk-weighted assets. These ratios can also be found in the 2022 Integrated Annual Report.

The Pillar 3 report allows us to be transparent and comply with the reporting requirements from the European Capital Requirements Regulation (CRR). It provides information on all the topics mentioned in the Regulation to the extent that they apply to de Volksbank.

The Pillar 3 report is published separately to de Volksbank's 2022 Integrated Annual Report, which also contains a detailed explanation of capital and risk management. The information included in the Integrated Annual Report and the information in this report are consistent and partially overlap.

To make this report more readable, rows and columns in the tables have been omitted where they are not populated because de Volksbank does not have any exposure related to these rows or columns respectively. In these cases the numbering of rows or columns has not been altered. The tables are simultaneously presented in an Excel file in their entirety on our website www.devolksbank.nl.

The Pillar 3 report has been prepared in millions of euros (€) unless stated otherwise. The euro is the functional and reporting currency of de Volksbank. Small differences to figures in the (Interim) Financial Reports may occur due to rounding. Numbers presented throughout this document may not precisely add up to the totals due to rounding in some cases.

Where disclosures have been enhanced, we do not restate prior year comparatives, unless stated otherwise.

The mandatory Pillar 3 information of de Volksbank is disclosed every six months, which is the regular disclosure scheme of de Volksbank. These disclosures also include the mandatory quarterly tables.

If it is deemed necessary, interim updates on key issues are provided in de Volksbank's press releases or on its website.

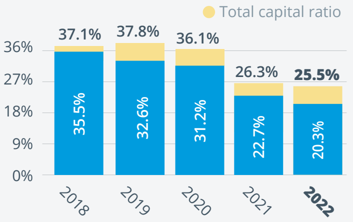
The Pillar 3 disclosures have been subject to de Volksbank's internal controls and validation mechanisms, to provide assurance over the information disclosed in this report as well as with regards to compliance with laws and regulations. The information in the Pillar 3 report has not been audited or reviewed by de Volksbank's external auditor.

# 1.2 Key figures and Management statement

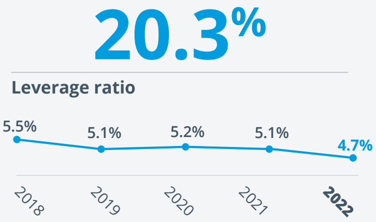
## Capital and leverage

**De Volksbank's CET1 capital ratio decreased to 20.3%, from 22.7% at year-end 2021, mainly due to an increase in RWA, driven by increased exposures to financial institutions and corporates to optimise the return on excess liquidity.**

### Total capital ratio




### Common Equity Tier 1 ratio year-end 2022

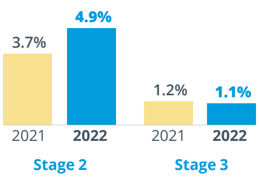



### Risk-weighted assets

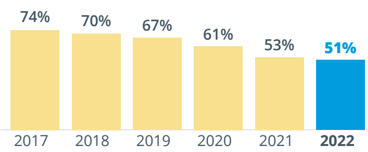

## Credit risk

**In 2022, the less positive macroeconomic forecasts, in particular those for the House Price Index (HPI), caused a rise in the provision for credit losses for residential mortgages. Furthermore, de Volksbank opted to keep a management overlay in place as a buffer for the risk of, among other things, high inflation affecting our customers' ability to repay their loan(s). Of the total impairment charge in 2022 of € 52 million, € 23 million related to a small number of corporate loans. The actual incurred losses of residential mortgages and SME loans remained at a very low level, evidencing the high underlying credit quality.**

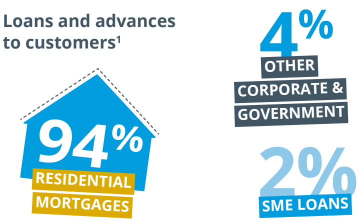
### Stage 2 and stage 3 loans expressed as a percentage of the total loans and advances




### Average Loan-to-Value residential mortgages




### Loans and advances to customers[1]



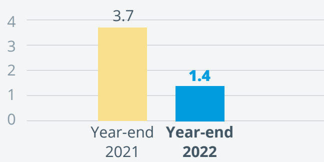

[1] Consumer loans are less than 1% of total loans and advances to customers

## Market risk

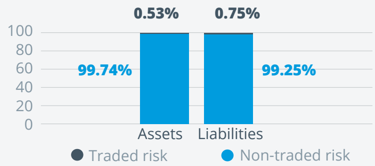
**The interest rate risk position was adjusted during 2022 to benefit from rising market rates.**

### Volume of Earnings at Risk year-end 2022


### Duration of equity




### Exposure market risk year-end 2022



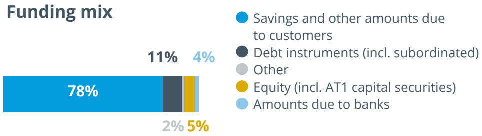

## Liquidity risk

**The bank has a strong liquidity position to continuously meet its financial obligations. Savings are our main source of funding. In 2022, the liquidity position remained substantially higher than de Volksbank's internal targets and regulatory requirements. De Volksbank aims to reduce the impact of excess liquidity on the bank's balance sheet.**

### Liquidity buffer year-end 2022


### Green notes issuance in 2022


### Funding mix

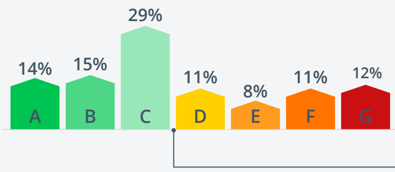


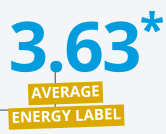

### Long-term senior unsecured credit rating


## Sustainability risk

**Our goal is to make a positive impact on society and the environment. But we also consider the possible financial and reputational impact that sustainability can have on the bank.**

### Average energy label residential mortgage portfolio




* Label A=1, B=2, etc.

## RISK MANAGEMENT

De Volksbank aims to live up to its ‘banking with a human touch’ mission. We are a retail bank with sustainable business operations that provides services to private individuals, self-employed persons and small businesses in the Netherlands. We engage in activities that create benefits for customers, take responsibility for society, provide meaning for employees and achieve stable returns for the shareholder(s) over a long-term horizon. As a bank with a strong social identity, we want to build a strong customer relationship and increase the social impact we make.

Our risk management recognises developments that might impede that mission and identifies initiatives that fit in with de Volksbank's objectives. In doing so, we take into account the interests of all four stakeholders: customers, society, employees and shareholder. This results in the following overall qualitative Risk Appetite Statement for de Volksbank:

*With simple and sustainable products and transparent processes we earn our customers’ confidence. In our relationship with customers, we act upon trust and embrace their interests. We focus on providing sound solutions within the financial capabilities of the customers. We have controlled and predictable operations, committed and agile employees, a solid capitalisation and an adequate liquidity position. Being a systemically relevant bank with a non-diversified business model, we accept a higher concentration risk and moderate risk profile that accompanies this business model, including its vulnerabilities.*

In our business operations, we run the risk of harming our financial and non-financial interests in several areas, including our reputation. We have identified these risks and continuously seek to take timely and adequate control measures.

## TOP RISKS

De Volksbank primarily carries out regulated and supervised activities that may be impacted by internal and external developments. These developments and related risks may prevent us from reaching our strategic objectives. To anticipate these developments and related risks, de Volksbank annually carries out a Strategic Risk Assessment (SRA), which identifies and assesses the top risks in relation to its strategy.

De Volksbank assesses top risks related to these developments and adjusts the risk taxonomy if necessary. We then take measures to align our strategy and risk appetite with the potential impact of any such top risks. In this section, we describe the top risks of 2022.

## STRATEGIC RISKS

De Volksbank determines three strategic risks, i.e. business, sustainability and reputational risk.

We have established these strategic risk categories because they are different in nature. All these risks have a material impact on the viability of our strategy. They threaten the bank’s ability to add long-term value if we fail to adequately identify, and respond to, internal and external changes and events. An exception to this is reputational risk which interacts with other risk types, as it always materialises through events caused by other risk types. In order to appropriately manage this dynamic interaction, reputational risk is classified and managed as a separate risk type.

In general, we established indicators for all types of risk, ensuring that the development of risks is continuously monitored and adjustments are made if necessary.

## SUSTAINABILITY RISK

Sustainability risk is one of the strategic risks of de Volksbank and is incorporated in the risk taxonomy as a stand-alone risk type with the aim of developing a holistic approach to the incorporation of Environmental, Social and Governance (ESG) risk drivers into the bank's overall business strategy, governance, risk management framework, organisational structure and reporting practices. We define sustainability risk as the risk of (in)direct financial or reputational damage to the bank due to ESG events or inadequate response to public expectations with respect to ESG events. We divide sustainability risk into three sub-risk types: environmental risk, social risk and governance risk.

De Volksbank wants to make a positive contribution to a sustainable, just and future-proof society through our core activities. As such, de Volksbank aims to minimise (the financing of) activities that lead to negative impacts on society or the environment and limit (the financing of) activities that are vulnerable to the impact of ESG events. Therefore, we have a low appetite for Sustainability Risk.

Our business model and strategy are the main factors that determine our sustainability risk profile. Being a retail bank with a high concentration of residential mortgage loans in the Netherlands, we estimate our risk profile for sustainability risk to be low. Our exposure to transition risk primarily follows from the transition to a more sustainable housing sector. As energy prices have soared due to the war in Ukraine, some of our customers experience difficulties in covering their mortgage payments. De Volksbank actively encourages and facilitates its customers in reducing energy costs by making their home more sustainable, which at the same time decreases our long-term exposure to transition risk. With regard to physical risk, environmental and climate change will also impact the housing sector in the Netherlands. The intensity and frequency of floods will increase and houses will also increasingly be impacted by deteriorations in the foundations and the soil. To keep track of our risk profile, we monitor the likelihood and impact of these developments closely.

De Volksbank has exposures in sectors that highly contribute to climate change, most of which in the electricity, gas and steam sector. As our project finance portfolio solely consists of renewable energy companies within that sector and does not include any clients in the (fossil) gas sector, we assess our exposure to transition risk in sectors that highly contribute to climate change to be low.

## CREDIT RISK

To manage its credit risk, de Volksbank clusters its loans in portfolios. We have a high concentration of residential mortgage loans in the Netherlands. Other loan portfolios on our balance sheet are much smaller in size. We have developed a policy framework to actively monitor, and thus prevent, any undesirable concentration risks within our portfolio clusters.

As part of credit risk management, we internally assess and monitor the credit standing of our customers and counterparties. In this process we estimate the probability of our customers being unable to meet their contractual payment obligations arising from the loan agreement, as such inability could result in a potential financial loss for the bank.

## MARKET RISK

Market risk in the banking book mainly comprises market interest rate risk, i.e. the risk that the bank's future interest income deteriorates if market rates change. This risk is part and parcel of a bank that provides mortgage and savings products. In addition, tradable securities in the liquidity portfolio are sensitive to value decreases as a consequence of credit spread risk. Other risks that may be qualified as market risk are very limited for de Volksbank. With equity holdings in other companies totalling € 12 million (2021: € 13 million), the equity (price) risk is small. Moreover, the banking book does not contain any exposure to commodities. De Volksbank has a limited trading portfolio that includes interest rate, credit spread and foreign currency exposures.

Interest rate risk management aims to protect and generate stable net interest income. We achieve this goal by optimising the value of our interest cashflows.

## OPERATIONAL (NON-FINANCIAL) RISKS

Operational (non-financial) risks stem from inadequate or failed internal processes and systems (IT), human failures or errors, incorrect data or the use of such data, or external events. At de Volksbank, we divide the operational (non-financial) risks into three sub-categories: operational risk, compliance risk and model risk. Operational risk and compliance risk are subdivided into other categories, such as: IT systems risk, outsourcing risk, reporting risk, people risk, conduct risk and customer integrity risk.

The Executive Committee (ExCo) dedicates a great deal of attention to managing and controlling operational (non-financial) risks. A Risk Control Framework is in place, and events and incidents are closely monitored for status and solution. An Operational Risk Committee (ORC) reviews and assesses the status and progress of the various sub risk types, on a monthly basis. Overall, the operational risk score is outside the risk appetite. For each sub risk type with an individual score below the risk appetite, dedicated programmes ('Path-to-Green') are being set up in order to reach an acceptable level of risk.

## LIQUIDITY MANAGEMENT AND FUNDING STRATEGY

De Volksbank has a strong liquidity position, enabling it to meet its financial obligations at all times. We manage our liquidity position such that it is able to absorb the consequences of bank-specific and market-wide stress factors, such as stress in the money and/or capital markets. To fund our liquidity needs, we seek to diversify our funding sources in accordance with our funding strategy.

De Volksbank centrally manages its liquidity position, cash flows and liquidity risks. The risk management cycle that is used to manage liquidity risk constitutes the Internal Liquidity Adequacy Assessment Process (ILAAP). This process is performed on a continuous basis, to monitor de Volksbank's liquidity profile and to ensure the timely awareness of developments that may require action.

## CAPITAL MANAGEMENT

The primary objective of capital management is to ensure that the amount of de Volksbank's available capital is sufficient to support our corporate strategy. Our capital targets are determined on the basis of the bank's strategy, risk appetite and exposures now and in the future. Considering our ambition of optimising shared value, we take into account the supervisory authorities' requirements, rating agencies' expectations and customers' and investors' interests, while delivering an adequate return for the shareholder. We also need to meet internal targets that are consistent with our aim of being a stable bank with a moderate risk profile.

There are no intragroup transactions and/or transactions with related parties that have a material impact on the risk profile of the consolidated group.

## PILLAR 3 PROCESS AND MANAGEMENT STATEMENT

The Pillar 3 disclosures are predominantly based on information used in prudential, financial and management reporting. The data is obtained from several departments and aggregated within the Risk and Finance divisions in conjunction with information used in the management or annual reports. In addition, the Risk and Finance divisions check whether the information complies with the requirements noted in the CRR/CRD. The information has been presented to and approved by the Executive Board and the (respective committees of the) Supervisory Board. Together they form the Management Body of de Volksbank. The Executive Board ('ExBo') is de Volksbank's statutory managing board within the meaning of section 2:129 Dutch Civil Code and is entrusted with the management of de Volksbank. The Management Body thereby verifies that the Pillar 3 report conveys the risk profile of de Volksbank comprehensively to market participants. In addition, the Executive Board verifies that these Pillar 3 disclosures are made in accordance with the formal policies, and internal processes, systems and controls.

The Executive Board of de Volksbank is responsible for the set-up, presence and operation of the (risk) management and control system. This system is designed to manage risks, to ensure that de

Volksbank is not prevented from achieving its strategic operational and financial objectives, that reporting on financial and non-financial performance indicators is reliable and that laws and regulations are complied with. The Management Body of de Volksbank N.V. confirms that the risk management systems of de Volksbank are adequate with regard to the risk profile and business strategy of all of the identified and abovementioned risks.

**EXECUTIVE BOARD**
Martijn Gribnau (Chief Executive Officer and Chairman)
André Haag (Chief Financial Officer)
Jeroen Dijst (Chief Risk Officer)
Marinka van der Meer (Chief Customer Officer)

For further in-depth information see chapter 3 Risk management objectives and policies.

## 1.3 Consolidation scope

**BASIS FOR CONSOLIDATION IFRS**
Subsidiaries, i.e. all companies and other entities, including special purpose entities, which are controlled by de Volksbank, are consolidated in accordance with IFRS 10 Consolidated Financial Statements.

Subsidiaries are fully consolidated from the date on which control is transferred to de Volksbank. They are deconsolidated from the date control ceases. The financial statements of these subsidiaries, drafted for the purpose of de Volksbank's financial statements, are fully consolidated and aligned with the accounting principles applied by de Volksbank. Non-controlling interests are initially stated at their share in the fair value of the net assets on the acquisition date and subsequently adjusted for the non-controlling share in changes in the subsidiary's equity.

De Volksbank accounts for business combinations when control is obtained by the bank. All items of the consideration are measured and recognised at fair value at acquisition date. The excess of consideration over the share of the fair value of the identifiable net assets acquired is recorded as goodwill. Transaction costs in connection to the purchase of the business combination are expensed as incurred.

**PRUDENTIAL CONSOLIDATION**
The prudential scope of consolidation for the purpose of calculating regulatory capital is the same as the IFRS scope of consolidation of de Volksbank.

## 1.4 Scope of application

The regulatory scope of consolidation of de Volksbank is based on the IFRS scope of consolidation in the annual accounts. For more information about the consolidation principles, please refer to the accounting principles for the consolidated financial statements in the 2022 Integrated Annual Report of de Volksbank.

### EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories 2022

| | a/b | c | d | e | f | g |
|---|---|---|---|---|---|---|
| | | Carrying values of items: | | | | |
| in € millions | Carrying values as reported in published financial statements and under scope of prudential consolidation | Subject to credit risk framework | Subject to counterparty credit risk framework[1] | Subject to the securitisation framework | Subject to the market risk framework | Not subject to capital requirements or subject to deduction from capital |
| **ASSETS** | | | | | | |
| Cash and cash equivalents | 8,011 | 8,011 | -- | -- | -- | -- |
| Derivatives | 3,302 | -- | 3,302 | -- | 355 | -- |
| Investments | 5,591 | 5,497 | -- | 70 | 25 | -- |
| Loans and advances to banks | 6,884 | 6,177 | 707 | -- | -- | -- |
| Loans and advances to customers | 48,966 | 48,966 | -- | -- | -- | -- |
| Tangible and intangible assets | 85 | 79 | -- | -- | -- | 6 |
| Tax assets | 67 | 67 | -- | -- | -- | -- |
| Other assets | 249 | 249 | -- | -- | -- | -- |
| **Total assets** | **73,155** | **69,046** | **4,009** | **70** | **380** | **6** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Derivatives | 924 | -- | 924 | -- | 318 | -- |
| Amounts due to banks | 2,805 | -- | 2,680 | -- | 232 | 125 |
| Savings | 44,501 | -- | -- | -- | -- | 44,501 |
| Other amounts due to customers | 12,649 | -- | -- | -- | -- | 12,649 |
| Debt certificates | 7,544 | -- | -- | -- | -- | 7,544 |
| Subordinated debts | 500 | -- | -- | -- | -- | 500 |
| Provisions | 66 | -- | -- | -- | -- | 66 |
| Tax liabilities | 6 | -- | -- | -- | -- | 6 |
| Other liabilities | 452 | -- | -- | -- | -- | 452 |
| **Total liabilities** | **69,447** | **--** | **3,604** | **--** | **550** | **65,843** |
| | | | | | | |
| Share capital | 381 | -- | -- | -- | -- | 381 |
| Reserves | 2,838 | -- | -- | -- | -- | 2,838 |
| Net result for the period | 191 | -- | -- | -- | -- | 191 |
| AT1 capital securities | 298 | -- | -- | -- | -- | 298 |
| **Total equity** | **3,708** | **--** | **--** | **--** | **--** | **3,708** |
| **Total equity and liabilities** | **73,155** | **--** | **3,604** | **--** | **550** | **69,551** |

1 This concerns repurchase agreements and derivatives, which are mainly part of an GMRA or ISDA master netting agreement.

Items subject to counterparty credit risk increased to € 7.612 million (2021: € 2.287 million). This was mainly the result of an increase in the positive current market value of derivatives, as well as the related cash collateral received, which was driven by an increase in interest rates.

Items subject to market risk increased to € 930 million (2021: nil). This was mainly the result of a redesign of the trading book, as further explained in Section 10.1 Market risk qualitative disclosure.

## EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories 2021

| | a/b | c | d | e | f | g |
|---|---|---|---|---|---|---|
| | | Carrying values of items: | | | | |
| in € millions | Carrying values | Subject to credit risk framework | Subject to counterparty credit risk framework[1] | Subject to the securitisation framework | Subject to the market risk framework | Not subject to capital requirements or subject to deduction from capital |
| **ASSETS** | | | | | | |
| Cash and cash equivalents | 10,296 | 10,296 | -- | -- | -- | -- |
| Derivatives | 591 | -- | 591 | -- | -- | -- |
| Investments | 5,638 | 5,531 | -- | 107 | -- | -- |
| Loans and advances to banks | 4,527 | 3,936 | 591 | -- | -- | -- |
| Loans and advances to customers | 50,727 | 50,727 | -- | -- | -- | -- |
| Tangible and intangible assets | 93 | 86 | -- | -- | -- | 7 |
| Tax assets | 39 | 39 | -- | -- | -- | -- |
| Other assets | 170 | 170 | -- | -- | -- | -- |
| **Total assets** | **72,081** | **70,785** | **1,182** | **107** | **--** | **7** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Savings | 45,646 | -- | -- | -- | -- | 45,646 |
| Other amounts due to customers | 12,482 | -- | -- | -- | -- | 12,482 |
| **Amounts due to customers** | **58,128** | **--** | **--** | **--** | **--** | **58,128** |
| | | | | | | |
| Amounts due to banks | 1,059 | -- | 92 | -- | -- | 967 |
| Debt certificates | 7,402 | -- | -- | -- | -- | 7,402 |
| Derivatives | 1,013 | -- | 1,013 | -- | -- | -- |
| Tax liabilities | 9 | -- | -- | -- | -- | 9 |
| Other liabilities | 382 | -- | -- | -- | -- | 382 |
| Provisions | 102 | -- | -- | -- | -- | 102 |
| Subordinated debts | 500 | -- | -- | -- | -- | 500 |
| **Total other liabilities** | **10,467** | **--** | **1,105** | **--** | **--** | **9,362** |
| | | | | | | |
| Share capital | 381 | -- | -- | -- | -- | 381 |
| Reserves | 2,943 | -- | -- | -- | -- | 2,943 |
| Net result for the period | 162 | -- | -- | -- | -- | 162 |
| **Shareholders' equity** | **3,486** | **--** | **--** | **--** | **--** | **3,486** |
| **Total equity and liabilities** | **72,081** | **--** | **1,105** | **--** | **--** | **70,976** |

1 This concerns derivatives, which are mainly part of an ISDA master netting agreement.

## EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements 2022

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | | Items subject to: | | | |
| | in € millions | Total | Credit risk framework | Securitisation framework | Counterparty credit risk framework[1] | Market risk framework |
| 1 | Asset carrying value amount under scope of regulatory consolidation (as per template LI1) | 73,149[2] | 69,046 | 70 | 4,009 | 380 |
| 2 | Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1) | 3,604 | - | - | 3,604 | 550 |
| **3** | **Total net amount under regulatory scope of consolidation** | **69,545** | **69,046** | **70** | **405** | **-170** |
| 4 | Off-balance sheet amounts | 2,991 | 2,991[3] | - | - | |
| 5 | Differences in valuations | -4 | -4 | - | - | |
| 6 | Differences due to different netting rules, other than those already included in row 2 | - | - | - | - | |
| 7 | Differences due to consideration of provisions | 98 | 98 | - | - | |
| 8 | Differences due to the use of credit risk mitigation techniques (CRMs) | -5 | -5 | - | - | |
| 9 | Differences due to credit conversion factors | -737 | -737 | - | - | |
| 10 | Differences due to Securitisation with risk transfer | - | - | - | - | |
| 11 | Other differences | 2,318 | 2,040 | - | 278 | |
| **12** | **Exposure amounts considered for regulatory purposes** | **74,205** | **73,428** | **70** | **683** | **-170** |

1 This concerns repurchase agreements and derivatives, which are mainly part of a GMRA or ISDA master netting agreement.
2 Excluding assets not subject to capital requirements or subject to deduction from capital as per template EU-LI1 column g.
3 After credit conversion factor.

### EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements 2021

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | | Items subject to: | | | |
| | in € millions | Total | Credit risk framework | Securitisation framework | Counterparty credit risk framework[1] | Market risk framework |
| 1 | Asset carrying value amount under scope of regulatory consolidation (as per template LI1) | 72,074[2] | 70,785 | 107 | 1,182 | -- |
| 2 | Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1) | 1,110 | 5 | -- | 1,105 | -- |
| **3** | **Total net amount under regulatory scope of consolidation** | **70,964** | **70,780** | **107** | **77** | **--** |
| 4 | Off-balance sheet amounts | 3,408 | 3,408[3] | -- | -- | |
| 5 | Differences in valuations | -2 | -2 | -- | -- | |
| 6 | Differences due to different netting rules, other than those already included in row 2 | -- | -- | -- | -- | |
| 7 | Differences due to consideration of provisions | 72 | 72 | -- | -- | |
| 8 | Differences due to the use of credit risk mitigation techniques (CRMs) | -11 | -11 | -- | -- | |
| 9 | Differences due to credit conversion factors | -755 | -755 | -- | -- | |
| 10 | Differences due to Securitisation with risk transfer | -- | -- | -- | -- | |
| 11 | Other differences | -227 | -784 | 0 | 556 | |
| **12** | **Exposure amounts considered for regulatory purposes** | **73,449** | **72,708** | **107** | **633** | **--** |

1 This concerns derivatives, which are mainly part of an ISDA master netting agreement.
2 Excluding assets not subject to capital requirements or subject to deduction from capital as per template EU-LI1 column g.
3 After credit conversion factor.

#### EXPLANATIONS OF DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY EXPOSURE AMOUNTS

The prudential scope of consolidation for the purpose of calculating regulatory capital is the same as the IFRS scope of consolidation of de Volksbank.

The main differences between the carrying value of assets in the financial statements and the exposure amounts considered for regulatory purposes per year-end 2022 can be explained by the following elements:

- inclusion of off-balance sheet liabilities and the effect of credit conversion factors (shown in row 4 and 9)
- loan loss provisions are not taken into account in the IRB exposure value of residential mortgages (shown in row 7)
- exclusion of fair value adjustments from hedge accounting (shown in row 11)
- different valuation of derivatives due to netting rules (shown in row 11)
- inclusion of an add-on for derivatives and a multiplier of 1,4 (shown in row 11)
- the exclusion of items that are capital deducted (shown in row 11)

For further information on the differences in the IRB exposure value of residential mortgages, see Section 7.4 Use of the AIRB approach to credit risk.

As the prudential scope of consolidation for the purpose of calculating regulatory capital is the same as the IFRS scope of consolidation of de Volksbank, template EU LI3 is not applicable and therefore not disclosed.

## EU PV1: Prudent valuation adjustments (PVA) 2022

| | | a | b | c | d | e | EU e1 | EU e2 | f | g | h |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Risk category | | | | | Category level AVA - Valuation uncertainty | | | | |
| | Category level AVA | Equity | Interest Rates | Foreign exchange | Credit | Commodities | Unearned credit spreads AVA | Investment and funding costs AVA | **Total category level post-diversification** | Of which: **Total core approach** in the trading book | Of which: **Total core approach** in the banking book |
| | in € millions | | | | | | | | | | |
| 12 | **Total Additional Valuation Adjustments (AVAs)** | | | | | | | | **4** | **--** | **--** |

## EU PV1: Prudent valuation adjustments (PVA) 2021

| | | a | b | c | d | e | EU e1 | EU e2 | f | g | h |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Risk category | | | | | Category level AVA - Valuation uncertainty | | | | |
| | Category level AVA | Equity | Interest Rates | Foreign exchange | Credit | Commodities | Unearned credit spreads AVA | Investment and funding costs AVA | **Total category level post-diversification** | Of which: **Total core approach** in the trading book | Of which: **Total core approach** in the banking book |
| | in € millions | | | | | | | | | | |
| 12 | **Total Additional Valuation Adjustments (AVAs)** | | | | | | | | **2** | **--** | **--** |

De Volksbank uses the Simplified approach for calculating the prudent valuation adjustment for fair valued positions, hence only the additional valuation adjustments is reported in the tables above.

### OTHER QUALITATIVE INFORMATION ON THE SCOPE OF APPLICATION

De Volksbank does not apply on-balance sheet netting between assets and liabilities.

There is no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities between the de Volksbank and its subsidiaries.

All subsidiaries are included in the prudential scope of consolidation for the purpose of calculating regulatory capital. Therefore, the aggregate amount by which the actual own funds are less than the required minimum in subsidiaries not included in the consolidation scope is nil.

According to the CRR de Volksbank is required to comply with prudential and liquidity requirements on a consolidated and individual basis. In 2022, de Volksbank received a waiver for the prudential requirements on an individual basis in accordance with article 7 CRR. De Volksbank does not make use of derogation referred to in Article 9 CRR.

## 1.5 Detailed index of Pillar 3 references

The Pillar 3 disclosure requirements are described in Part Eight of the CRR 2. The table below provides insight into these requirements and states where the reader can find this information in the Pillar 3 report and/or the Integrated Annual Report.

| CRR 2 article | Pillar 3 disclosure requirements | Location in Pillar 3 report | Notes |
|---|---|---|---|
| 435 | Disclosure of risk management objectives and policies | Section 1.2 Key figures and Management Statement<br>Chapter 3 Risk management objectives and policies<br>Chapter 4 Own funds<br>Chapter 5 Leverage<br>Section 7.1.1 General qualitative information regarding credit risk<br>Section 8.1 Qualitative disclosure requirements regarding CCR<br>Section 10.2 Interest rate risk not included in the trading portfolio<br>Chapter 11 Operational risk<br><br>See also the Integrated Annual Report of de Volksbank | Chapter 3 in the Integrated Annual Report addresses subjects of the risk committees and the governance provisions.<br>Chapter 1 discusses in Section 1.2 Our strategy and in Section 1.3 Our strategic progress. |
| 436 | Disclosure of the scope of application | Section 1.3 Scope of application | |
| 437 | Disclosure of own funds | Chapter 4 Own funds | In Section 1.3 Consolidation scope the basis for consolidation is included. |
| 437a | Disclosure of own funds and eligible liabilities | Not included | De Volksbank is not considered an institution of global systemic importance and therefore not subject to article 92a or 92b CRR. |
| 438 | Disclosure of own funds requirements and risk weighted exposure amounts | Section 2.2 Overview of RWA Section 2.3 ICAAP information (including CRR/CRD IV requirements)<br>Section 4.2 Own funds<br>Section 4.3 Macro prudential supervisory measures | |
| 439 | Disclosure of exposures to counterparty credit risk | Chapter 8 Counterparty credit risk (CRR) | |
| 440 | Disclosure of countercyclical capital buffers | Section 4.3 Macroprudential supervisory measures | |
| 441 | Disclosure of indicators of global systemic importance | Not included | De Volksbank is not considered an institution of global systemic importance. |
| 442 | Disclosure of exposures to credit risk and dilution risk | Section 7.1.1 General qualitative information regarding credit risk<br>Section 7.1.2 General quantitative information regarding credit risk | |
| 443 | Disclosure of encumbered and unencumbered assets | Section 6.3 Encumbered and unencumbered assets | |
| 444 | Disclosure of the use of the Standardised Approach | Section 7.3 Use of the Standardised Approach | |
| 445 | Disclosure of exposure to market risk | Section 10.1 Market risk qualitative disclosure | |
| 446 | Disclosure of operational risk management | Chapter 11 Operational risk | |
| 447 | Disclosure of key metrics | Section 2.1 Key metrics | |

| | | | |
|---|---|---|---|
| 448 | Disclosure of exposures to interest rate risk on positions not held in the trading book | Section 10.2 Interest rate risk not included in the trading portfolio | |
| 449 | Disclosure of exposures to securitisation positions | Chapter 9 Securitisation | |
| 449a | Disclosure of environmental, social and governance risks (ESG risks) | Chapter 13 Sustainability risk | |
| 450 | Disclosure of remuneration policy | Chapter 12 Remuneration policy | Section 3.4 in the Integrated Annual Report of de Volksbank also contains information about the remuneration report. |
| 451 | Disclosure of the leverage ratio | Chapter 5 Leverage ratio | |
| 451a | Disclosure of liquidity requirements | Section 6.1 Liquidity risk management<br>Section 6.2 Liquidity Coverage Ratio<br>Section 6.4 Net Stable Funding Ratio | |
| 452 | Disclosure of the use of the IRB Approach to credit risk | Section 7.4 Use of the AIRB approach to credit risk | |
| 453 | Disclosure of the use of credit risk mitigation techniques | Section 7.2 Use of credit risk mitigation techniques | |
| 454 | Disclosure of the use of the Advanced Measurement Approaches to operational risk | Not included | De Volksbank does not use internal models to calculate capital requirements for operational risk. |
| 455 | Use of internal market risk models | Not included | De Volksbank does not use internal models to calculate capital requirements for market risk. |

# 1.6 Tables that are out of scope for de Volksbank

The following tables are not applicable to de Volksbank and therefore not included in this report.

| Table | Description | Reason of exclusion |
|---|---|---|
| EU INS1 | Insurance participations | De Volksbank does not hold any own fund instruments in insurance or re-insurance undertakings or insurance holding company not deducted from own funds. |
| EU INS2 | Financial conglomerates information on own funds and capital adequacy ratio | De Volksbank is not (part of) a financial conglomerate. |
| EU LI3 | Outline of the differences in the scopes of consolidation (entity by entity) | The prudential scope of consolidation for the purpose of calculating regulatory capital is the same as the IFRS scope of consolidation of de Volksbank. |
| EU CR7 | AIRB approach – Effect on the RWAs | De Volksbank does not use credit derivatives as a form of security or as an instrument to hedge credit risk. |
| EU CR9.1 | IRB approach – Back-testing of PD per exposure class | De Volksbank does not apply CRR article 180(1)(f). |
| EU CR10 | Specialised lending and equity exposures under the simple risk weighted approach | De Volksbank does not use the Internal Ratings Based approach for specialised lending and equity exposures. |
| EU MR2-A | Market risk under the Internal Model Approach (IMA) | De Volksbank does not use the Internal Model Approach to calculate own funds requirements for market risk. |
| EU MR2-B | RWA flow statements of market risk exposures under the IMA | De Volksbank does not use the Internal Model Approach to calculate own funds requirements for market risk. |
| EU MR3 | IMA values for trading portfolio | De Volksbank does not use the Internal Model Approach to calculate own funds requirements for market risk. |
| EU MR4 | Comparison of VaR estimates with gains/losses | De Volksbank does not use the Internal Model Approach to calculate own funds requirements for market risk. |
| EU CCR4 | IRB approach – CCR exposures by portfolio and PD scale | De Volksbank does not use the Internal Ratings Based approach for counterparty credit risk exposures |
| EU CCR6 | Credit derivative exposures | De Volksbank does not use credit derivatives as a form of security or as an instrument to hedge credit risk |
| EU CCR7 | RWEA flow statements of credit exposures under the IMM | De Volksbank does not use the Internal Ratings Based approach for counterparty credit risk exposures |
| EU SEC2 | Securitisation exposures in the trading book | De Volksbank does not have any trading book securitisation exposures. |
| EU SEC3 | Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor | Where de Volksbank is the originator institution of securitisation, own funds requirements are calculated on the securitised exposures instead of securitisation positions from the securitisations. |
| EU REM3 | Deferred remuneration | De Volksbank does not grant deferred remuneration. |
| EU REM4 | Remuneration of 1 million EUR or more per year | De Volksbank does not have staff that have been remunerated €1 million or more per financial year. |
| EU KM2 | Key metrics – MREL and, where applicable, G-SII requirements for own funds and eligible liabilities | De Volksbank is not a Globally Systemically Important Institution (G-SII). |
| EU TLAC1 | Composition - MREL and, where applicable, G-SII Requirement for own funds and eligible liabilities | De Volksbank is not a Globally Systemically Important Institution (G-SII). |
| EU TLAC2 | Creditor ranking - Entity that is not a resolution entity | De Volksbank is not a Globally Systemically Important Institution (G-SII). |
| EU TLAC3 | Creditor ranking - resolution entity | De Volksbank is not a Globally Systemically Important Institution (G-SII). |
| EU iLAC | Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs | De Volksbank is not a Globally Systemically Important Institution (G-SII). |
| ESG Template 4 | Banking book - Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms | As a result of our sustainability policies we exclude almost all activities in the fossil fuel, mining, and iron, steel and coke production sector and therefore we have no exposure to the top 20 carbon-intensive firms. |

De Volksbank does not have a NPE ratio equal to or higher than 5%. The reporting threshold of Article 8 (3) of Regulation (EU) 2021/637 is thus not met and therefore the following tables are not included in this report.

| Table | Description |
|---|---|
| EU CR2a | Changes in the stock of non-performing loans and advances and related accumulated recoveries |
| EU CQ2 | Quality of forbearance |
| EU CQ6 | Collateral valuation – loans and advances |
| EU CQ8 | Collateral obtained by taking possession and execution processes – vintage breakdown |

# 2 Key metrics and overview of RWA

## 2.1 Key metrics

### EU KM1 - Key Metrics

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | 31-12-2022 | 30-9-2022 | 30-6-2022 | 31-3-2022 | 31-12-2021 |
| | **Available own funds (amounts)** | | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | 3,101 | 3,110 | 3,102 | 3,160 | 3,182 |
| 2 | Tier 1 capital | 3,399 | 3,407 | 3,400 | 3,160 | 3,182 |
| 3 | Total capital | 3,899 | 3,907 | 3,900 | 3,660 | 3,682 |
| | **Risk-weighted exposure amounts** | | | | | |
| 4 | Total risk exposure amount | 15,306 | 15,670 | 14,924 | 14,945 | 13,993 |
| | **Capital ratios (as a percentage of risk-weighted exposure amount)** | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 20.26% | 19.85% | 20.79% | 21.14% | 22.74% |
| 6 | Tier 1 ratio (%) | 22.20% | 21.75% | 22.78% | 21.14% | 22.74% |
| 7 | Total capital ratio (%) | 25.47% | 24.94% | 26.13% | 24.49% | 26.31% |
| | **Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)** | | | | | |
| EU-7a | Additional own funds requirements to address risks other than the risk of excessive leverage (%) | 3.00% | 3.00% | 3.00% | 3.00% | 2.50% |
| EU-7b | of which: to be made up of CET1 capital (percentage points) | 1.69% | 1.69% | 1.69% | 1.69% | 1.41% |
| EU-7c | of which: to be made up of Tier 1 capital (percentage points) | 2.25% | 2.25% | 2.25% | 2.25% | 1.88% |
| EU-7d | Total SREP own funds requirements (%) | 11.00% | 11.00% | 11.00% | 11.00% | 10.50% |
| | **Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)** | | | | | |
| 8 | Capital conservation buffer (%) | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| EU-8a | Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 9 | Institution specific countercyclical capital buffer (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| EU-9a | Systemic risk buffer (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 10 | Global Systemically Important Institution buffer (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| EU-10a | Other Systemically Important Institution buffer (%) | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| 11 | Combined buffer requirement (%) | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% |
| EU-11a | Overall capital requirements (%) | 14.5% | 14.5% | 14.5% | 14.5% | 14.0% |
| 12 | CET1 available after meeting the total SREP own funds requirements (%) | 14.07% | 13.7% | 14.60% | 14.95% | 16.83% |
| | **Leverage ratio** | | | | | |
| 13 | Total exposure measure | 71,716 | 72,835 | 73,418 | 63,631 | 62,206 |
| 14 | Leverage ratio (%) | 4.74% | 4.68% | 4.63% | 4.97% | 5.11% |
| | **Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)** | | | | | |
| EU-14a | Additional own funds requirements to address the risk of excessive leverage (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| EU-14b | of which: to be made up of CET1 capital (percentage points) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| EU-14c | Total SREP leverage ratio requirements (%) | 3.0% | 3.0% | 3.0% | 3.2% | 3.2% |
| | **Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)** | | | | | |
| EU-14d | Leverage ratio buffer requirement (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| EU-14e | Overall leverage ratio requirement (%) | 3.0% | 3.0% | 3.0% | 3.2% | 3.2% |

De Volksbank's CET1 capital ratio decreased to 20.3%, from 22.7% at year-end 2021, primarily driven by a deliberate increase in risk-weighted assets. The increase related mainly to exposures to financial institutions and corporates, used for optimising the return on excess liquidity and secured by mortgages on immovable property. Core capital was lower as a result of a decrease in the fair value reserve, driven by increased interest rates.

To strengthen and diversify our capital position, we issued € 300 million of green Additional Tier 1 notes in June. In spite of this last issuance, the leverage ratio decreased from 5.1% to 4.7% as the temporary ECB relief measure lapsed as per 1 April 2022. Under this relief measure, banks were allowed to exclude certain central bank exposures from the denominator of their leverage ratio. As a result of the temporary relief in the leverage ratio exposure measure, the leverage ratio requirement of 3% was temporarily increased to 3.2% until April 2022.

### EU KM1 - Key Metrics Liquidity

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | **31-12-2022** | **30-9-2022** | **30-6-2022** | **31-3-2022** | **31-12-2021** |
| | **Liquidity Coverage Ratio** | | | | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value -average) | 12,559 | 13,355 | 13,863 | 13,079 | 12,099 |
| EU-16a | Cash outflows - Total weighted value | 6,547 | 6,511 | 6,405 | 6,216 | 6,083 |
| EU-16b | Cash inflows - Total weighted value | 3,357 | 2,985 | 2,248 | 1,834 | 1,508 |
| 16 | Total net cash outflows (adjusted value) | 3,309 | 3,602 | 4,157 | 4,382 | 4,575 |
| 17 | Liquidity coverage ratio (%)[1] | 427.29% | 403.14% | 340.77% | 307.66% | 270.94% |
| | **Net Stable Funding Ratio** | | | | | |
| 18 | Total available stable funding | 64,637 | 65,255 | 66,134 | 65,462 | 65,166 |
| 19 | Total required stable funding | 37,140 | 37,185 | 37,018 | 36,835 | 37,001 |
| 20 | NSFR ratio (%) | 174.04% | 175.49% | 178.65% | 177.72% | 176.12% |

1 The LCR figures in this table are calculated using the reported supervisory values and figures for each of the four calendar quarters (January-March, April-June, July-September, October-December) preceding the disclosure date. The values and figures in the table are calculated as the simple averages of month-end observations over the twelve months preceding the end of each quarter. Following this approach, the LCR cannot be calculated using the figures in the table.

The LCR remained well above the regulatory minimum of 100%. As at 31 December 2022, the LCR stood at 233% (year-end 2021: 324%).

Fundamental changes in the LCR are mainly driven by net cash flows resulting from loan growth, deposit changes, capital market funding developments and the net cash collateral position related to derivative positions. However, the resulting net cash impact is not necessarily reflected in actual withdrawable central bank reserves as part of high-quality liquid assets, because de Volksbank invests part of its available liquidity with several counterparties in the money market. These cash management choices affect the liquidity in scope of the 30-day LCR window via both high-quality liquid assets and cash inflows within 30 days.

Required stable funding mainly stems from our residential mortgage portfolio. Part of our mortgage portfolio is encumbered mainly on account of outstanding covered bonds.

## 2.2 Overview of RWA

### EU OV1 – Overview of RWA

| | | Total risk exposure amounts (TREA) | | | | | Total own funds requirements | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | a | | | | b | c | | | |
| | in € millions | 31-12-2022 | 30-9-2022 | 30-6-2022 | 31-3-2022 | 31-12-2021 | 31-12-2022 | 30-9-2022 | 30-6-2022 | 31-3-2022 |
| 1 | **Credit risk (excluding CCR)** | **13,439** | **13,790** | **13,311** | **13,320** | **12,347** | **1,075** | **1,103** | **1,065** | **1,066** |
| 2 | *Of which the standardised approach* | 4,302 | 4,673 | 4,185 | 3,994 | 3,102 | 344 | 374 | 335 | 320 |
| 3 | *Of which the Foundation IRB (F-IRB) approach* | - | - | - | - | - | - | - | - | - |
| 4 | *Of which slotting approach* | - | - | - | - | - | - | - | - | - |
| EU-4a | *Of which equities under the simple riskweighted approach* | - | - | - | - | - | - | - | - | - |
| 5 | *Of which the advanced IRB (A-IRB) approach* | 8,435 | 8,198 | 5,946 | 6,226 | 6,240 | 675 | 656 | 476 | 498 |
| 5a | *Additional risk exposure amount due to Article 3 CRR* | 702 | 919 | 3,179 | 3,100 | 3,005 | 56 | 74 | 254 | 248 |
| **6** | **Counterparty credit risk - CCR** | **191** | **294** | **209** | **213** | **234** | **15** | **23** | **17** | **17** |
| 7 | *Of which the standardised approach* | 130 | 212 | 145 | 143 | 150 | 10 | 17 | 12 | 11 |
| 8 | *Of which internal model method (IMM)* | - | - | - | - | - | - | - | - | - |
| EU-8a | *Of which exposures to a CCP* | 10 | 8 | 8 | 8 | 9 | 1 | 1 | 1 | 1 |
| EU-8b | *Of which credit valuation adjustment - CVA* | 50 | 72 | 56 | 62 | 75 | 4 | 6 | 4 | 5 |
| 9 | *Of which other CCR* | 1 | 1 | - | - | - | 0 | 0 | - | - |
| **15** | **Settlement risk** | - | - | - | - | - | - | - | - | - |
| **16** | **Securitisation exposures in the non-trading book (after the cap)** | **13** | **14** | **12** | **14** | **20** | **1** | **1** | **1** | **1** |
| 17 | *Of which SEC-IRBA approach* | - | - | - | - | - | - | - | - | - |
| 18 | *Of which SEC-ERBA (including IAA)* | - | 8 | 8 | 12 | 13 | - | 1 | 1 | 1 |
| 19 | *Of which SEC-SA approach* | 13 | 6 | 4 | 3 | 7 | 1 | 0 | 0 | 0 |
| EU-19a | *Of which 1250% / deduction* | - | - | - | - | - | - | - | - | - |
| **20** | **Position, foreign exchange and commodities risks (Market risk)** | 236 | **180** | - | 6 | - | 19 | 14 | - | 0 |
| 21 | *Of which the standardised approach* | 236 | 180 | - | 6 | - | 19 | 14 | - | 0 |
| 22 | *Of which IMA* | - | - | - | - | - | - | - | - | - |
| **EU-22a** | **Large exposures** | - | - | - | - | - | - | - | - | - |
| **23** | **Operational risk** | **1,428** | **1,392** | **1,392** | **1,392** | **1,392** | **114** | **111** | **111** | **111** |
| EU-23a | *Of which basic indicator approach* | - | - | - | - | - | - | - | - | - |
| EU-23b | *Of which standardised approach* | 1,428 | 1,392 | 1,392 | 1,392 | 1,392 | 114 | 111 | 111 | 111 |
| EU-23c | *Of which advanced measurement approach* | - | - | - | - | - | - | - | - | - |
| **24** | **Amounts below the thresholds for deduction (subject to 250% risk weight)** | 122 | 104 | 77 | 28 | - | 10 | 8 | 6 | 2 |
| **29** | **Total** | **15,306** | **15,670** | **14,924** | **14,945** | **13,993** | **1,225** | **1,254** | **1,194** | **1,196** |

In 2022, RWA rose by € 1.3 billion to € 15.3 billion. RWA for the credit risk of the residential mortgage portfolio, calculated according to the AIRB approach, grew by € 2,195 million, mainly due to the additional conservatism in our AIRB calculations applied as from the second half of 2022. The average risk weighting of residential mortgages increased from 12.6% at year-end 2021 to 16.8% at year-end 2022.

In addition, RWA for credit risk calculated according to the Standardised Approach (SA) increased by € 1,181 million, largely related to the increased short-term exposures to other financial institutions and exposures to corporates, used to optimise the return on excess liquidity.

In 2021, de Volksbank reassessed its capital treatment policy for exposures to Swiss Cantons and the Swiss cantonal banks guaranteed by Swiss Cantons. As a result of this reassessment the risk weight of these assets was adjusted from 0% to 20% as at 31 December 2021. In August 2022, de Volksbank received a request for further information from the ECB, including information on the impact on the capital ratios for previous reporting periods. We have submitted answers to this request and are now awaiting a response from the ECB.

Market risk RWA increased to € 236 million (2021: nil) as a result of the 'FRTB banking to trading book' project. The increase in RWA is due to the following:

- Redesign banking and trading books to ensure consistent treatment of banking and trading books internally, in the financial statements and prudential reporting. As part of this process it was concluded that trading book derivatives that were not included yet should be added to the market risk RWA calculation.
- To comply with the EBA IRRBB requirements, an internal hedge ('Internal Risk Transfer) has been set up. By setting up an Internal Risk Transfer (IRT), interest rate risk and FX risk is transferred from the banking book to the trading book.

The RWA for operational risk, market risk, the Credit Valuation Adjustment and revised securitisation framework remained unchanged at a total of € 1.5 billion.

The additional RWA amount stemming from a temporary and voluntary Article 3 CRR add-on was lowered from € 3.0 billion at year-end 2021 to € 0.7 billion at year-end 2022. This additional RWA amount is related to the use of our new data warehouse, which requires supervisory review before actual use in external RWA calculations. Awaiting formal approval, de Volksbank added extra conservatism to the RWA amount. The amount of conservatism added to our AIRB calculations in the second half of 2022, which is largely related to similar risks underlying the Article 3 CRR RWA add-on, resulted in an additional RWA amount of € 2.4 billion. This additional RWA amount largely compensates the Article 3 add-on related to the new data warehouse, which was reduced accordingly by € 2.3 billion.

As of 1 January 2022, in anticipation of the implementation of Basel IV, DNB increased the minimum floor on the risk weighting of the mortgage loan portfolios of Dutch banks using internal risk models, with the exception of mortgages (partially) that are covered by the National Mortgage Guarantee (NHG) scheme. Given the RWA increase as a result of our AIRB model update and the Article 3 CRR add-on, which is fully related to RWA for residential mortgages, this measure has no impact on de Volksbank as at end 2022.

In 2022 at the end of the quarters, de Volksbank has no transactions in which the agreed delivery dates have not been settled yet. Therefore no capital is required for settlement risk.

The bank does not hold commodities and therefore no capital is required for commodity risk.

In 2022 at the end of the quarters, the total net position in foreign currency is lower than the CRR threshold of 2% of total capital. Therefore no capital is required for foreign exchange risk.

Amounts below the threshold for deduction (subject to 250% risk weight) include deferred tax assets.

## 2.3 ICAAP information

**CAPITAL ADEQUACY LIFECYCLE**

The risk management lifecycle applies to capital management in the following way:

1. Identification of risks within the scope of capital adequacy: we continuously aim to identify all potential, material and emerging risks within the scope of capital adequacy. For example, we perform an independent risk review of all relevant proposals related to capital adequacy.
2. Assessment of the risk profile against the risk thresholds by comparing the risk exposure with the available capital from own funds and MREL eligible liabilities: as part of the ICAAP, we continuously assess the adequacy and effectiveness of the risk management framework as far as capital adequacy and its compliance with internal policies and the risk appetite framework are concerned. ICAAP provides input for the ECB's SREP. We present the outcome of the assessment in the annual ICAAP Capital Adequacy Statement (CAS) report. The assessment of (expected future) capital exposure and developments also comprises the:
   - Annual recalibration of the capital management strategy.
   - Definition of actions in the capital and liquidity plan, which we draw up at least once a year, giving substance to the anticipated capital needs ensuing from the Operational Plan (OP). As the OP has a multi-year horizon, we make forecasts of relevant risk indicators and compare these with the internal thresholds. We work out various scenarios, taking into account the anticipated effects of future regulations.

- Update of forecasts in the monthly Capital Adequacy Assessment Report (CAAR). The CAAR includes a CAS based on the current risk profile versus the risk thresholds and a forward-looking assessment.
- Regular stress tests to provide insight into the key vulnerabilities and to assess the resilience of the capital position to severe but plausible adverse (economic) conditions. The results are used to set the risk appetite thresholds.

3. Risk response to capital adequacy: every year, we determine the RAS for capital adequacy in conjunction with the bank's general risk appetite and strategic objectives. To monitor capital adequacy, we use specific risk indicators and determine the level above which we feel comfortable based on the risk appetite for capital adequacy.
4. Monitoring of capital adequacy: the Treasury Committee monitors early warning indicators defined in the RAS for capital adequacy on a regular basis. The Asset and Liability Committee (ALCO) monitors the annual and forecasted development of the RAS indicators in the CAAR on a monthly basis.
5. Residual risk: not all capital risks are identified or fully managed at all times, because of expected or unexpected balance sheet or regulatory developments. By following the capital adequacy lifecycle, we intend to identify these risks and formulate a risk response.
6. Reporting of capital adequacy indicators: we prepare regulatory and internal reports to measure, monitor and manage the bank's capital adequacy on an ongoing basis.

## CRR/CRD IV REQUIREMENTS

### CRR/CRD IV requirements as from 1 January 2023

| | Total capital | of which Tier 1 capital | of which CET1 capital |
|---|---|---|---|
| Pillar 1 requirement | 8.00% | 6.00% | 4.50% |
| Pillar 2 requirement | 3.00% | 2.25% | 1.69% |
| **Total SREP Capital Requirement (TSCR)** | **11.00%** | **8.25%** | **6.19%** |
| Capital conservation buffer | 2.50% | 2.50% | 2.50% |
| O-SII buffer | 1.00% | 1.00% | 1.00% |
| Countercyclical capital buffer | 0.03% | 0.03% | 0.03% |
| **Combined Buffer Requirement (CBR)** | **3.53%** | **3.53%** | **3.53%** |
| **Overall Capital Requirement (OCR)** | **14.53%** | **11.78%** | **9.72%** |

With effect from 1 January 2023, de Volksbank is required to meet a minimum total Overall Capital Requirement (OCR) of 14.5%, of which at least 9.72% needs to be composed of Common Equity Tier 1 (CET1) capital. This obligation stems from the Supervisory Review and Evaluation Process (SREP) performed by the ECB in 2022.

The OCR is defined as the level at which the Maximum Distributable Amount (MDA) of dividend is curtailed by regulations. The OCR includes the 8.0% Pillar 1 capital requirement and the 3.0% Pillar 2 capital requirement – together forming the Total SREP Capital Requirement (TSCR) – and the Combined Buffer Requirement (CBR).

The CBR, to be held in the form of CET1 capital, consists of a capital conservation buffer, a capital buffer for Other Systemically Important Institutions (O-SII buffer) and a countercyclical capital buffer. As at 1 January 2023, the capital conservation buffer equalled 2.50% and the O-SII buffer for de Volksbank equalled 1.0%. The countercyclical capital buffer for exposures to counterparties is currently 0.03%. This buffer is intended to protect banks against risks arising from excessive credit growth.

De Volksbank is not classified as G-SII (global systemically important institutions).

# 3 Risk management objectives and policies

## 3.1 Institution risk management approach

**RISK MANAGEMENT STRUCTURE**

De Volksbank aims to live up to its 'banking with a human touch' mission. We are a retail bank with sustainable business operations that provides services to private individuals, self-employed persons and small businesses in the Netherlands. We engage in activities that create benefits for customers, take responsibility for society, provide meaning for employees and achieve stable returns for the shareholder(s) over a long-term horizon. As a bank with a strong social identity, we want to build a strong customer relationship and increase the social impact we make.

### Risk Appetite Statement

Our risk management recognises developments that might impede that mission and identifies initiatives that fit in with de Volksbank's objectives. In doing so, we take into account the interests of all four stakeholders: customers, society, employees and shareholder. This results in the following overall qualitative Risk Appetite Statement for de Volksbank:

*With simple and sustainable products and transparent processes we earn our customers' confidence. In our relationship with customers, we act upon trust and embrace their interests. We focus on providing sound solutions within the financial capabilities of the customers. We have controlled and predictable operations, committed and agile employees, a solid capitalisation and an adequate liquidity position. Being a systemically relevant bank with a non-diversified business model, we accept a higher concentration risk and moderate risk profile that accompanies this business model, including its vulnerabilities.*

### Risk management and shared value

De Volksbank aims for an integrated risk management approach in which all risks within the bank's risk taxonomy are managed in accordance with our shared value ambition:

**BENEFITS FOR CUSTOMERS**

We work towards a sound and long-term customer relationship that is based on mutual trust, we are better equipped to support our customers in controlling their personal finances. We aim for clear and transparent risk management.

**RESPONSIBILITY FOR SOCIETY**

We follow up on the development of products and services that increase our customers' financial resilience. This includes careful risk considerations and close monitoring of laws and regulations.

**GENUINE ATTENTION FOR OUR EMPLOYEES**

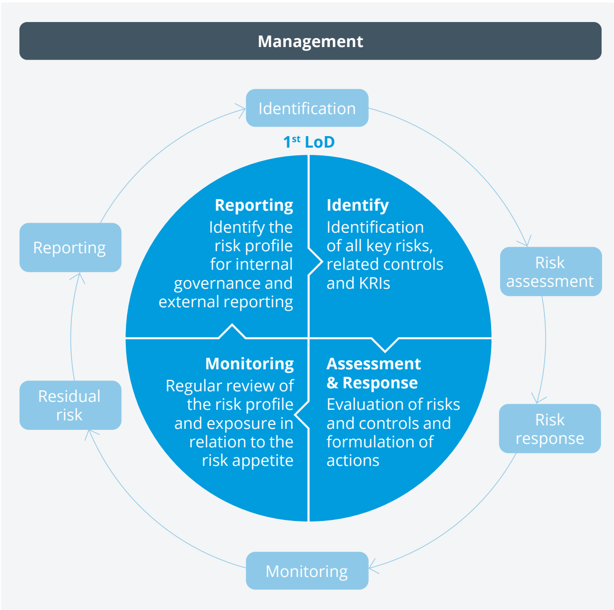
We need motivated and competent people to live up to our mission. We encourage employees' commitment and the development of their expertise by giving them genuine attention.

**RETURN FOR THE SHAREHOLDER**

We aim for a solid capital position, an adequate liquidity position and a simple and transparent balance sheet. This is how we contribute to a financially sound and stable bank with activities that yield stable returns in the long term.

### Risk management framework

To manage risks, de Volksbank applies the COSO[1] Enterprise Risk Management (ERM) Framework. We have set up a Risk Management Cycle (RMC) to properly apply all COSO ERM elements and this serves as a generic tool for both the first line and the second line of defence. The RMC ensures consistent terminology and provides a compatible methodology for the identification, assessment, measurement, monitoring, management and reporting of all risks.




1 COSO: The Committee of Sponsoring Organizations of the Treadway Commission, www.coso.org

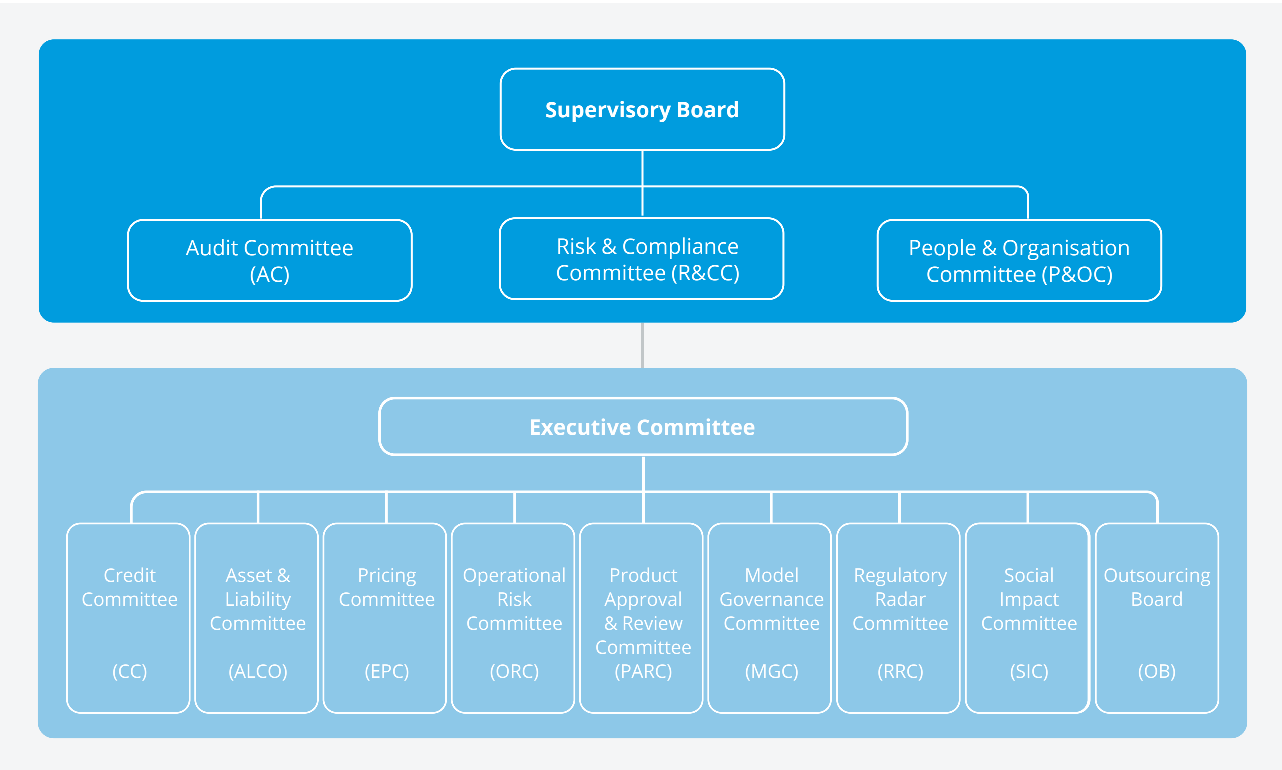
## Risk governance

De Volksbank's risk governance is based on the three lines of defence model. In this model, the first line (the business) is responsible for setting up and executing its own processes and the identification and assessment of the risks involved. The business measures the risks against the risk appetite that has been determined, and reports on them. The second line, consisting of the Risk Management Function and the Compliance Function, supports the business, sets the frameworks, gives advice and monitors if the business takes its responsibility. More specifically, the Compliance Function monitors if de Volksbank complies with laws and regulations as well as its internal policies on integrity. The third line, the Audit Function, independently assesses if the first and second lines are operating effectively.

As from the second quarter of 2022, the Board of Directors as a governing body was re-named Executive Board (ExBo) and was extended to an Executive Committee (ExCo). All risk related subjects are discussed in the ExCo meeting. The ExBo retains the authority to adopt risk related resolutions. However, a risk related resolution of the ExCo, validly adopted in accordance with the ExCo Rules of Procedure, will be deemed to be a resolution of the ExBo.

As the ExBo is ultimately accountable for risk management within the organisation, it therefore functions as an overarching bank risk committee, and as such is supported by risk committees composed of representatives from the first and second lines in each committee.

The Supervisory Board is charged with the supervision of the ExCo and in that role are provided with advice by the Audit Committee, the Risk and Compliance Committee and the People and Organisation Committee.




Each ExCo-related risk committee is chaired by an ExCo member. The third line has a standing invitation for committee meetings and is regularly represented in the risk committees, but has no voting rights. Risk committee meetings are held between the business, which controls the risks, and the Risk Management Function, which monitors the risks and related risk response. Decision-making related to, and impact on risk management follows the lines of risk governance and is assessed against risk guidelines. If, and when, risk limits are exceeded or the risk appetite is not otherwise observed, risk committees discuss the issue and any subsequent remedial actions to be taken. A risk committee may escalate or otherwise present a point of discussion to the ExCo if and when necessary. Every year, the Risk Management Function performs a complete self-assessment for all risk committees and areas for improvement will be defined if necessary.

The AC convened four times in 2022. At each meeting, the AC discussed the reports issued by Audit and received regular updates, either in writing or verbally from EY, the external auditor. Top risks related to both the internal control risks and financial risks were explicitly addressed. Also, the quarterly results were discussed in depth each quarter. The design, existence and operation of the internal control systems were also regularly on the agenda, with the AC paying specific attention to the improvement programmes that were put in place to strengthen internal control and to make the reporting processes more robust.

The R&CC convened four times in 2022. In every regular meeting, the R&CC reflected on the financial, non-financial and strategic risks subsequent to discussing the risk context and the risk management function.

The P&OC meets at least once a year with the R&CC in a joint meeting to discuss, inter alia, how renumeration outcomes reflect risk. The P&OC convened four times in 2022.

### Changes resulting from the transformation to an agile organisation

In 2022, de Volksbank completed the first phase in the transformation towards an agile way of working, which also had an effect on the risk organisation and risk governance. The governing three lines of defence principles continued to be applied and the risk committees remained unchanged. We did, however, implement changes in the underlying processes, staff functions' responsibilities and memberships of new staff functions in the risk committees. We set up one new committee for outsourcing risk and one subcommittee for privacy. We also integrated some other subcommittees in the organisation's dialogues. The design for the risk and compliance domain was completed resulting in two Centres of Expertise for the Risk Management Function and Compliance Function respectively. All second line tasks haven been accommodated in these two Centres of Expertise.

## RISK AWARENESS AND CULTURE

### Risk culture propagation

De Volksbank's Risk Management Function is an integral but independent part of the organisation. On the one hand, the Risk Management Function informs, challenges, takes positions and gives solicited and unsolicited advice, and on the other hand it is essential that they listen and seek connections. They have an eye for all stakeholders and try to find solutions that do justice to the various stakeholder interests and contribute to the realisation of the strategy. Risk awareness and self-reflection is an important part of the culture.

Culture is a decisive factor in risk management and risk awareness. We want the risk culture to be propagated by the entire organisation. The ExCo leads by example and, like any other employee, they take on their role and responsibilities. The ExCo approves our Risk Policy Framework. The presence of members of the ExCo in all risk committees testifies to their commitment to risk management. The Risk Management Function and the Compliance Function act together to improve and support the risk awareness and culture within the organisation. In 2023, we will continue to invest in the culture, including the risk culture, by rolling out a programme aimed at leadership and senior management.

### Risk Policy Framework

De Volksbank has risk policies in place on its risk appetite, duties and responsibilities, reporting, communication and various other guidelines. Our risk policies reflect our position as a social bank with low-risk activities. We continuously fine-tune our risk policies. We encourage a critical consideration of the risk-return ratio by focusing on our customers, society, our employees and the shareholder.

Raising risk awareness among employees ensures they are familiar with and understand the risk guidelines. We provide training courses, workshops and e-learning programmes to further raise risk awareness and help employees respond better and more consciously to risks. We also share risk awareness-related success stories and lessons learned with our employees.

The framework is carefully maintained and continuously improved, and new rules and regulations are embedded into the policies.

### Internal code of conduct

We expect our employees to behave ethically. In doing so, they are guided by our code of conduct entitled Common Sense, Clear Conscience, which pays attention to moral dilemmas and how to deal with them. A well-spread network of confidants offers staff the opportunity to raise concerns about malpractices. The annual survey on the culture of integrity in the organisation shows that the employees are familiar with and agree with the content of the code of conduct. In general, de Volksbank employees are motivated to comply with the code of conduct and experience that management acts accordingly.

### Remuneration policy

De Volksbank pursues a remuneration policy that is based on our Manifesto, and the strategy to build a strong customer relationship and increase the social impact of the bank. De Volksbank does not grant any variable remuneration so as to discourage employees from taking undesirable risks that may give priority to short-term individual interests over long-term collective objectives. For more detailed information on our remuneration policy, see Chapter 12 Remuneration policy.

### Risk profile

De Volksbank focuses primarily on private individuals, self-employed persons and small businesses in the Netherlands. We offer a limited but relevant range of products and services: mortgages, payments, savings, small business financing, retail investments and insurances. We accept the risk profile that matches a business model of low-risk activities, limited product range and geographical diversification.

In our business operations, we run the risk of harming our financial and non-financial interests in several areas, including our reputation. We have identified these risks and continuously seek to take timely and adequate control measures.

For more information about the separate risk committees, see Section 3.2 Report of the Supervisory Board in the Integrated Annual Report.

## TOP RISKS

De Volksbank primarily carries out regulated and supervised activities that may be impacted by internal and external developments. These developments and related risks may prevent us from reaching our strategic objectives. To anticipate these developments and related risks, de Volksbank annually carries out a Strategic Risk Assessment (SRA) which identifies and assesses the top risks in relation to its strategy.

De Volksbank assesses top risks related to these developments and adjusts the risk taxonomy if necessary. We then take measures to align our strategy and risk appetite with the potential impact of any such top risks. In this section, we describe the top risks of 2022. The effects of mitigating measures were taken into account.

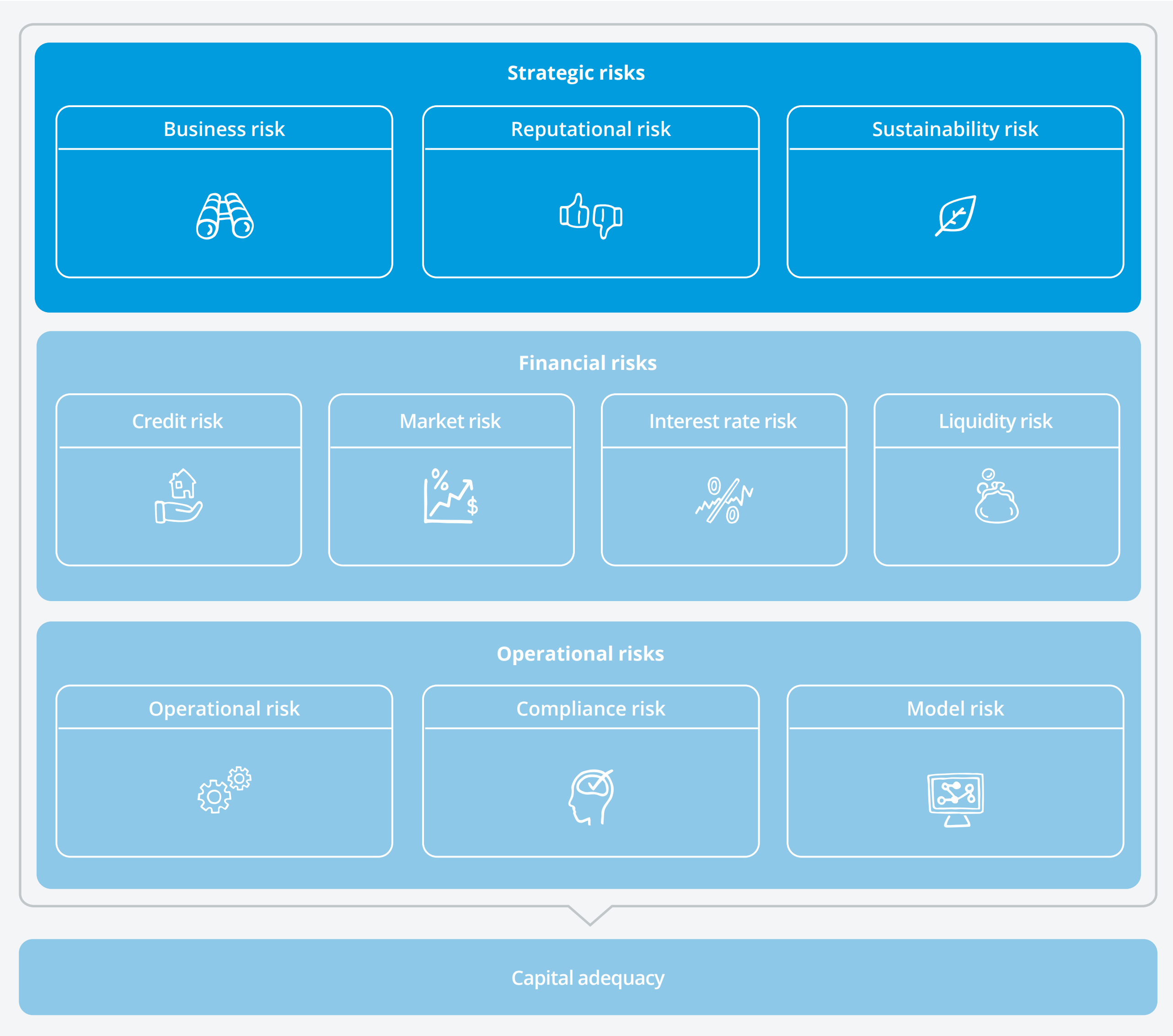
### Top risks resulting from external developments

| Event | Description of risk and impact | Measures |
|---|---|---|
| Geopolitical developments and inflationary pressure | Geopolitical developments (war in Ukraine) and (consequent) price increases affect the state of the Dutch economy and our customers' financial health. There is a risk that customers have difficulty in meeting their financial obligations, which could result in missed payments. | At the start of the geopolitical developments, the second line intensified monitoring and reporting to the ExCo. Currently, the reporting frequency has been scaled down. There has been an extra management overlay on the mortgage provisions to cover the risks involved. Our Arrears Management department has monitored developments even more closely and made operational preparations for a possible increase in inflow. We have kept an extra eye on groups of SME customers and industrial sectors. The Risk Management Function continues to report on changes in this circumstances, which could change the context and the actions the bank is currently taken. |
| Interest result depends on a yield curve that is currently volatile and inverse | There is a risk that high interest rate volatility results in dependence on the interest income from movements in money market rates and actions from peers. As a result, the stability of net interest margin may decrease and therefore a main source of profitability may depend on external factors. | Strategic forecasts and stress testing provide insight into the impact. Actions have been taken to limit the inflow of excess liquidity and to reduce the dependence on net interest income. We monitor developments in the macroeconomic environment to anticipate trends affecting the interest rate profile, and align commercial and pricing policies to these developments.<br>We use linear and non-linear instruments to hedge the interest rate exposure. |
| High demand on organisation due to the increased level of regulatory and supervisory pressure | There is a risk that the bank must meet requirements that place a high demand on the organisation. This could ultimately result in high costs and sanctions, or in delays in the execution of the strategy. | We have coordinated and centralised all communication with the supervisory authorities.<br>We are closely following up on the development of new regulations and an extra implementation budget with resources is incorporated in our strategic plans. |
| Cybercrime and criminal threats | There is a risk that de Volksbank is not able to adapt rapidly and adequately enough to cybercrime and other criminal threats and that customer relationships suffer as a result. This could affect the availability of our systems and the data or funds of our customers and the bank. | There is an cyber security organisation in place. We are in the process of implementing a continuous improvement plan. |
| Scarce competences and permanent employability of employees | There is a risk that labour market conditions will hinder the ability to attract and retain employees. Employers in the financial sector and beyond are competing to fill vacancies and retain people, especially in the field of IT, data analytics, compliance and risk. This could cause the bank's performance and change capacity to lag behind. | We encourage employees to develop themselves and embrace lifelong learning. We put effort in being an attractive employer for new and existing staff. |

## Top risks resulting from internal developments

| Event | Description of risk and impact | Measures |
|---|---|---|
| Insufficient change capacity of the organisation | There is a risk that the bank, or parts thereof, does not adequately implement change initiatives. The result could be that benefits are not gained (in time) or are gained at higher costs, that the agility and effectiveness of the organisation is inadequate, or that employee dedication and engagement decreases. | Agile working methods have been implemented to improve the ability to change. The risk of transitioning towards agile working methods, got undivided attention and the full benefits are not expected to be reaped immediately. Responsibility for output and results have been placed lower in the organisation. A quarterly bank-wide event follows up on realised changes. |
| Inadequate data and IT systems | There is a risk that data and IT systems are not able to adequately keep up with market and supervisory developments, or that (customer) data are not reliable or poorly accessible. This could cause agility and innovative strength to lag behind, and prevent strategic priorities from being realised. | Improvement of the data and IT systems is an important part of the Strategic Plan. We have taken an important step with a strategic programme to set up a robust data processing infrastructure for our reporting processes. |
| Insufficient understanding of the risk profile and its translation into risk indicators and limits within the organisation | There is a risk that the bank, or parts thereof, is insufficiently able to keep its business operations within the desired risk profile. This may be caused by an insufficiently comprehensible translation of the overarching qualitative RAS into separate risk indicator limits and insufficient understanding of its coherence and impact on business activities. | We are in the process of rephrasing the overall RAS in order to better translate and relate it to individual risk appetite statements. We clarify the impact of business decisions on risk indicator limits, exchange insights between business and risk teams and put in extra resources to help the business bringing the risk profile (back) within the limits. |

## RISK APPETITE AND RISK INDICATORS




All risks that may have a material impact on the risk profile and the strategic goals of the bank are included in de Volksbank's risk taxonomy. We have clustered the main types of risk within the risk taxonomy, i.e. strategic risks, financial risks and operational risks. When the results of the Strategic Risk Assessment (SRA) lead to a new material risk, this risk will be included in the taxonomy. For example, in 2022 we included outsourcing risk as a sub-risk type[2] under operational risk. The main types of risk are discussed in more detail in the Risk Management section of the Integrated Annual Report.

De Volksbank has a comprehensive framework in place to measure and report risks. For all types of risk included in our risk taxonomy, we determine the risk appetite in conjunction with the bank's general risk appetite and strategic objectives. The results are laid down in the Risk Appetite Statements. We specify the risk appetite in greater detail by setting up specific risk indicators and attaching risk thresholds to them. When risks manifest themselves at a decentral level within de Volksbank, risk indicators are also measured and monitored at that level, allowing us to manage any such risks more effectively and quickly.

We follow up on the developments of the risks and the levels of the risk indicators in particular. Each quarter the second line produces a risk report that comprises all risks of the risk taxonomy. This report contains the actual level of the risk indicators and a general description of the exposure to illustrate the risk profile per risk type. It summarises the actual profile by measuring it against the formulated risk appetite. This overall score (green, yellow, orange, red) is part of the risk report, as is a forecast for the expected risk score in the next quarter.

For each risk indicator, we have set an intervention ladder defining ranges to allow for follow-up action. These ranges are determined on the basis of results from internal stress tests, economic capital and the recovery plan.

2 Sub-risk types are not depicted in the risk taxonomy figure above.

Other reports comprise an Incident Report that is based on information gathered in the incident and loss process, the annual SRA, Tactical Risk Assessments and ad hoc reports that analyse the impact of sudden risk developments.

The table below presents de Volksbank's risk appetite and shows how our current risk profile scores in relation to the risk appetite. Every quarter, the indicators are reported to the risk committee monitoring and controlling the relevant risk. For the definitions of the different risk types, see the relevant chapters in the Risk Management section in the Integrated Annual Report.

Relative score legend

- Current risk profile corresponds to risk appetite
- Current risk profile slightly above risk appetite
- Current risk profile above risk appetite
- Current risk profile breaches limits from business continuity or regulatory perspective

## Strategic risks

| Risk Appetite Statement | Relative score | Note to the score |
|---|---|---|
| Business risk<br>• De Volksbank aims to generate stable and adequate returns for its shareholder(s) to ensure the viability and sustainability of its business model. | | • Business risk improved, mainly driven by a higher net interest income due to higher interest rates. The relatively high cost level remains a point of attention. |
| Reputational risk<br>• As de Volksbank thrives on customer trust and confidence, there is no appetite for reputational risk exposure. Internal indicators for reputation sensitive risk types and (internal and external) signals of events, incidents or complaints that may harm the bank's reputation and/or image are assessed - as part of regular business operations - and followed up in a pro-active and adequate manner in order to mitigate the risks involved. | | • The introduction of a fixed fee for a basic banking package was a significant development in 2022 in relation to reputation management, but neither this event nor any other events caused unexpected or material reputational damage to de Volksbank or its brands. |
| Sustainability risk<br>• De Volksbank wants to make a positive contribution to a sustainable and just society with our core activities – mortgages, savings, payments and investments. ESG events that may lead to financial or reputational damage are assessed to mitigate these risks. Therefore, we have a low appetite for sustainability risk. | | • The envisioned annual growth of climate neutrality was reached. However, it remains essential that the average energy label of the residential mortgage portfolio improves in order to match our ambitions. Further integration of sustainability risk in business processes, governance and risk management is necessary to comply with (upcoming) regulation and guidelines. |

## Financial risks

| Risk Appetite Statement | Relative score | Note to the score |
|---|---|---|
| **Credit risk**<br>• De Volksbank is primarily a retail bank that provides loans to private individuals, self-employed persons and small businesses in the Netherlands. In addition, de Volksbank finances activities related to the sustainable energy sector such as wind and solar energy production. As it is our responsibility to help our customers become and remain financially resilient we will only engage in low-risk lending activities that result in a high and stable number of financially resilient customers. We ensure that our strategic focus does not result in undesired concentration risks. | Green | • Our credit portfolio performs within risk appetite and we expect most risk parameters to stay amply within risk appetite limits in 2023. Nevertheless, more negative macroeconomic circumstances could lead to some deterioration of individual credit risk appetite parameters. We do not expect economic developments to lead us to exceed our overall credit risk appetite. |
| **Market risk**<br>• De Volksbank has a low appetite for market risk, which implies that trading book exposure to potentially adverse movements in market variables should be limited. | Green | • Trading book exposures remained limited. No breaches on total portfolio occurred. |
| **Interest rate risk in the banking book**<br>• De Volksbank aims to protect and stabilise its net interest income of its activities, economic value and capital from the potentially adverse impact of movements in interest rates and credit spreads. | Yellow | • IRRBB is coloured yellow with the outlook to become green as we expect fully compliant with the regulatory requirements in early 2023. The main IRRBB models were updated and finalised during 2022. |
| **Liquidity risk**<br>• De Volksbank aims to maintain an adequate liquidity and funding position, taking into account the different types of liquidity risk, and ensuring this has a low appetite for Liquidity Risk. | Green | • De Volksbank's current and forecasted liquidity position is adequate, the liquidity position continues to be strongly affected by persisting excess liquidity. |

## Operational (non-financial) risks

| Risk Appetite Statement | Relative score | Note to the score |
|---|---|---|
| **Operational risk**<br>• De Volksbank appetite for operational risk is to accept a low level of losses resulting from operational risk events, negative impact from reporting issues and reputational damage. | Orange | • Operational risk remains out of appetite and multiple improvement plans in the area of i.a. data management, reporting and outsourcing are being executed. These improvement plans, of which we expect their first impact in 2023, are monitored by the Risk Management Function. |
| **Compliance risk**<br>• De Volksbank has no tolerance for violations of company standards and values and laws and regulations. | Orange | • Compliance Risk is coloured orange and is expected to remain so in 2023. Improvement plans are ongoing to bring compliance risk within our risk appetite.<br>The progress of these improvement plans are monitored by the Compliance Function. |
| **Model risk**<br>• De Volksbank strives to reduce model risk by having models in place which represent the actual risks in products and portfolios, which comply with rules and regulations. The remaining model risk is mitigated by allocating capital reserves to model risk and optimising the quality of model development and use, while simultaneously weighing the resources required to improve this quality. De Volksbank only accepts a limited number of models that have not been validated or for which the validation period has expired. | Orange | • Model risk is coloured orange. Although there are some early signs that point towards improvement of the risk profile, no significant and structural improvements have been observed so far. Given the long throughput time to make new or updated models, and have them validated, this may take time to materialise. |

## Capital adequacy

| Risk Appetite Statement | Relative score | Note to the score |
|---|---|---|
| **Capital adequacy**<br>• De Volksbank targets a solid and well-diversified capital position that supports its strategy and suits its risk profile. De Volksbank aims to operate well above the minimum regulatory capital ratios and safeguard its retail customers and suppliers from bail-in in case of resolution. | Green | • The current capital position is adequate and within risk appetite. Any (regulatory) uncertainties are monitored closely to ensure the capital position remains stable and resilient. |

### STRESS TESTING

In addition to monitoring our risk indicator-based risk appetite, we use stress tests to gain insight into the sensitivity to changes in the underlying causes and the interrelationship of risks. Several times a year, we calculate an extreme yet plausible macroeconomic scenario to determine its effects on aspects such as our capital and liquidity position. We also perform climate stress tests to gain insight into the impact of climate change. Different types of stress tests will reveal any potential vulnerabilities.

### STRATEGIC RISK

De Volksbank determines three strategic risks, i.e. business, sustainability and reputational risk.

We have established these strategic risk categories because they are different in nature. All these risks have a material impact on the viability of our strategy. They threaten the bank's ability to add long-term value if we fail to adequately identify, and respond to, internal and external changes and events. An exception to this is reputational risk which interacts with other risk types, as it always materialises through events caused by other risk types. In order to appropriately manage this dynamic interaction, reputational risk is classified and managed as a separate risk type.

In general, we established indicators for all types of risk, ensuring that the development of risks is continuously monitored and adjustments are made if necessary.

Below we describe what the different risk categories entail and what the developments in that area were in 2022.

| Type of risk | Developments in 2022 |
|---|---|
| **BUSINESS RISK**<br>• Business risk is defined as the risk that de Volksbank's profitability may not be sufficient to guarantee the viability and sustainability of the bank's earnings model. We define the viability of the earnings model as the extent to which the bank is capable of generating acceptable revenues in the next twelve months. The sustainability of the earnings model is defined as the extent to which the bank is capable of generating acceptable revenues over a three-year horizon. Also part of this risk type is the bank's ability to adapt to changed circumstances and transform itself. | • Increasing interest rates supported the bank's net interest income growth especially after the ECB raised the short-term interest rate. The cost/income ratio decreased in 2022 but is in the orange 'stress' zone based on the Risk Appetite Statement-indicator. Excess liquidity is still relatively high. De Volksbank set an Operational Plan for the 2023-2026 period. The plan sets mission-driven objectives for growth and improvement. It also provides a path with actions leading towards the required financial performance level.<br>• The introduction of the basic banking package is a step towards growth in fee income.<br>• De Volksbank continuously monitors its environment, assesses relevant developments and determines how to respond to them. To improve our adaptability to the environment, we made a start towards an agile way of working which is part of our Strategic Plan 2021-2025. Our risk management framework monitored whether the risk assessments on the organisational transformations were carried out in accordance with the prescribed methodology. Change portfolio management is important to mitigate organisational risks. We also continued to refine improvements made in previous years, such as reporting on the identified risks and risk-response effectiveness. |
| **REPUTATIONAL RISK**<br>• Reputational risk is the risk that de Volksbank becomes subject to negative public opinion due to internal or external events, which may negatively impact the ability of de Volksbank to attract and retain (the support of) customers, employees, investors or supervisory and regulatory authorities. Reputational risks may be related to our own conduct in events that have public attention, but also to policy decisions, our day-to-day actions and issues regarding products or the behaviour of individual employees. | • The two main pillars of our strategy, strengthening the relationship with our customers and having a positive and measurable impact on society, were and will continue to be key in maintaining the good reputation of de Volksbank and its brands. While many activities of de Volksbank and its brands continue to support de Volksbank's reputation, other developments such as the introduction of a monthly rate for basic banking services have affected the relationship with some of our customers. This is reflected in the developments of our Net Promotor Score and Customer Relation Score, which did not rise on average in 2022.<br>• Last year, de Volksbank was not subject of any (media) events causing lasting reputational harm. The majority of media exposure on de Volksbank and its brands has been positive and the impact of any negative media attention was limited. Nevertheless, the speed and impact of digital and social media continue to make consistent monitoring and adequate responses to reputational risks necessary. De Volksbank actively monitors current and upcoming internal and external events that may result in reputational damage for the bank and its brands. To further support these efforts, we implement a more advanced tooling to monitor our reputation in 2022. |
| **SUSTAINABILITY RISK**<br>• Sustainability risk is the risk of financial and/or reputational damage as a result of environmental, social and governance developments. | • The developments concerning sustainability risk are elaborated in Chapter 13 Sustainability risk |

### MANAGING AND HEDGING RISK

Our strategy incorporates the objective of having a solid capital position at our disposal to support de Volksbank's overall strategy, combined with an adequate Return on Equity (RoE).

We assess the risk profile against the risk thresholds by comparing the risk exposure with the available capital from own funds and MREL eligible liabilities: as part of the ICAAP, we continuously assess the adequacy and effectiveness of the risk management framework as far as capital adequacy and its compliance with internal policies and the risk appetite framework are concerned. Every year, we determine the Risk Appetite Statement (RAS) for capital adequacy in conjunction with the bank's general risk appetite and strategic objectives. To monitor capital adequacy, we use specific risk indicators and determine the level above which we feel comfortable based on the risk appetite for capital adequacy.

To manage its credit risk, de Volksbank clusters its loans in portfolios. We have a high concentration of residential mortgage loans in the Netherlands.

As part of credit risk management, we internally assess and monitor the credit standing of our customers and counterparties. In this process we estimate the probability of our customers unable to meet their contractual payment obligations arising from the loan agreement, as such inability could result in a potential financial loss for the bank. At portfolio level, we also steer the risk by defining the desired credit quality of new loans and the status of the healthy loans versus the loans in arrears, and by monitoring the outflow.

When providing a new mortgage loan, we apply internal standards, which are in line with the applicable legal frameworks, such as a customer's income and the collateral value. We also use the acceptance scorecard to predict whether customers are able to comply with their long-term obligations.

We have examined whether we should take additional measures in response to rising energy costs. We exercise care in providing tailor-made solutions to rising energy costs to ensure that customers have responsible financing now and in the future.

In 2022, de Volksbank also paid special attention to the interest-only mortgage sub-portfolio through the programme entitled 'Customers want to continue living carefree in their home'. As part of this programme, we contact all customers with interest-only mortgages to assess their financial situation at maturity. We continuously monitor interest-only mortgage customers' credit risk profile in order to identify customers who fall into a higher risk category in a timely manner and contact them proactively.
In conversations with customers, we try to ascertain whether it is likely that the mortgage, on the basis of their income, can be refinanced at maturity and whether they have built up enough funds to pay off all - or part - of their mortgage at the end of the term.

De Volksbank does not use credit derivatives as a form of security or as an instrument to hedge credit risk.

De Volksbank conducts money and capital market transactions with various financial institutions. This also includes derivative transactions to hedge interest rate and currency risks. Here, the bank runs the risk that a counterparty to a transaction defaults before the final settlement of the cashflows associated with the transaction has taken place. Where possible, the bank concludes derivative transactions with financial institutions using clearing via a central counterparty (CCP).

Interest rate risk management aims to protect and generate stable net interest income. We achieve this goal by optimising the value of our interest cashflows. When managing the banking book's interest rate risk we focus on the interest income sensitivity to market rate movements.

Market risk may arise because de Volksbank concludes contracts and enters into obligations with customers and professional counterparties. The market risk in the banking book mainly comprises market interest rate risk, i.e. the risk that the bank's future interest income deteriorates if market rates change.

We mitigate currency risk by hedging most of our foreign currency exposures through FX swaps, where currency risk is managed on a day-to-day basis.

De Volksbank has a strong liquidity position, enabling it to meet its financial obligations at all times. We manage our liquidity position such that it is able to absorb the consequences of bank-specific and market-wide stress factors, such as stress in the money and/or capital markets.

To fund our liquidity needs, we seek to diversify our funding sources in accordance with our funding strategy.

Besides financial risks, de Volksbank is also exposed to non-financial risks, caused by both internal and external factors and developments. In an ever-changing world and increasing regulatory requirements, non-financial risks and their impact on the organisation have become a material factor. A Risk Control Framework is in place and events and incidents are closely monitored for status and solution.

#### Accounting policy

De Volksbank applies hedge accounting to ensure that its interest rate and currency risk hedge activities are appropriately reflected in the financial statements. See also note 4 Hedging and hedge accounting in the Integrated Annual Report.

### MANAGEMENT STATEMENT ON THE ADEQUACY OF RISK MANAGEMENT

For the concise risk statement by the management body see Section 1.2 Key figures and Management statement.

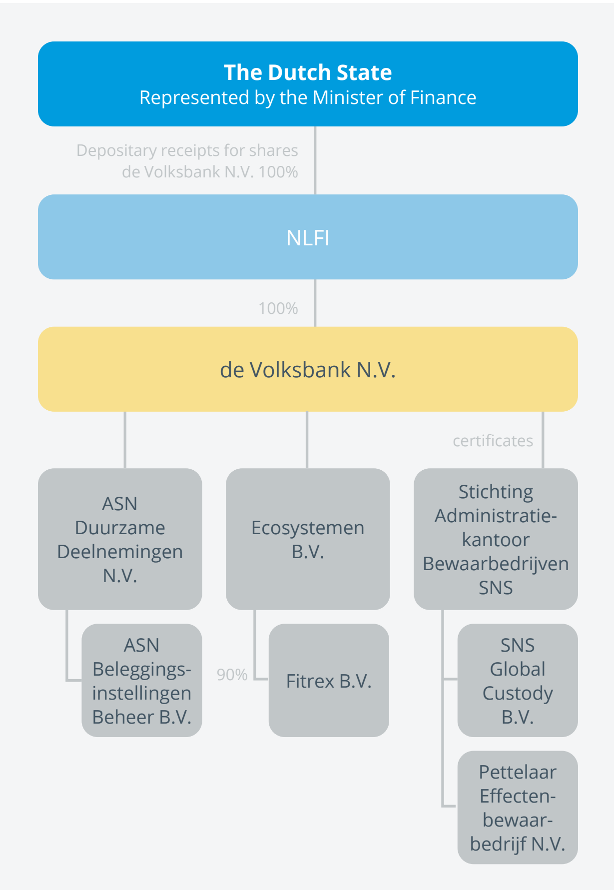
## 3.2 Governance arrangements

**DEVELOPMENT IN LEGAL STRUCTURE**

*Stichting administratiekantoor beheer financiële instellingen* (NL Financial Investments; in short NLFI) holds 100% of the share capital of de Volksbank on behalf of the Dutch State. NLFI is a foundation with a statutory task established by the Minister of Finance and was established to exercise the shareholder rights on behalf of the Dutch State in a number of financial institutions in a business-like, non-political manner and to separate the interests in a transparent manner.

To simplify its legal structure, de Volksbank liquidated SNS Beheer B.V. with effect from 15 February 2022.

The overview comprises a statement of all wholly-owned subsidiaries as at 31 December 2022.
For more information see www.devolksbank.nl




Internal solvency and liquidity management is exercised at the level of de Volksbank N.V.
The four brands ASN Bank, BLG Wonen, RegioBank and SNS operate under the banking license of de Volksbank N.V.

**INFORMATION ABOUT GOVERNANCE GUIDELINES**

**Executive Board and Executive Committee**

Changes to the Governance Structure

As part of the Strategic Plan for 2021-2025, an Executive Board (ExBo) and an Executive Committee (ExCo) took office to add focus and balance to the management of the changing organisation. Hence, the ExBo replaced the former Board of Directors on 16 May 2022. Installation of the new ExCo is key to a successful implementation of the strategy. The ExCo consists of four statutory Executive Board (ExBo) members and three non-statutory Senior Executives. The following new positions were added to the ExCo:

- Chief Transformation Officer (CTO)
- Chief Information Officer (CIO)
- Chief People and Organisation Officer (CPOO)

As a result of the introduction of the ExCo, the position of Chief Operations Officer (COO) has lapsed.

Role and responsibilities

The ExBo is de Volksbank's statutory managing board within the meaning of section 2:129 Dutch Civil Code and is entrusted with the management of de Volksbank. The ExCo is part of de Volksbank's management body in its executive function (together with the ExBo) as defined in the Capital Requirement Directive IV (2013/36/EU) (CRD IV) and has duties and responsibilities that have been delegated to it by the ExBo.

The ExBo grants a mandate to the ExCo on which basis the ExCo is charged with and responsible for (i) the day-to-day management of de Volksbank, ensuring compliance with laws and regulations and the adequate financing of its activities; (ii) the continuity of de Volksbank and its business, aimed at long-term value creation for de Volksbank and taking into account the interests of all relevant stakeholders, and (iii) implementing de Volksbanks' mission, vision, strategy, risk appetite, corporate standards and values, risk framework, main policies, budgets, financial and non-financial targets, with the aim to contribute to long-term value creation by de Volksbank and to build and maintain the culture required for that purpose. In particular customer centricity, behaviour consistent with the values, innovation and digitalisation and sustainable growth in operating income shall be among the main strategic objectives.

The ExCo ensures close cooperation with the Supervisory Board in the discharge of its responsibilities and seeks the supervision and advice of the Supervisory Board for the bank-wide strategy and strategy implementation. The ExCo is accountable to the Supervisory Board and to the General Meeting for the performance of its duties. In performing its duties, the ExCo develops a view on long-term value creation for de Volksbank and its business while considering the interests of all relevant stakeholders.

Composition and diversity

As from 1 October 2022, the ExCo consists of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), the Chief Customer Officer (CCO), the Chief Transformation Officer (CTO), the Chief Information Officer (CIO) and the Chief People and Organisation Officer (CPOO).

The ExCo's composition is based on de Volksbank's Diversity and Inclusion Policy which focuses on recognising and valuing both customers' and employees' diversity. The purpose of the policy is to optimally contribute to the execution of the bank's strategy. The Supervisory Board draws up a generic profile for the ExCo in consultation with the ExCo itself. This profile specifies the required knowledge, suitability, expertise, integrity and availability of the ExCo and its members. As far as education and professional experience are concerned, the profile sets out the relevant aspects of diversity and inclusion, such as nationality, age, gender and background with regard to education and professional experience.

As from 1 January 2022, the Dutch Act on Gender Balance in Management and Supervisory Boards (Act on Gender Balance) came into force. This Act on Gender Balance imposes an ingrowth quota of at least one-third male and one-third female members on the supervisory boards of Dutch listed companies in the Netherlands. Although de Volksbank is not a listed company, and its shares are privately held by NLFI, the bank voluntarily applies the Act on Gender Balance in full. In addition, de Volksbank has to have drawn up appropriate and ambitious targets to promote gender diversity across the organisation and is required to report on the above targets and plans, and the progress made. De Volksbank's 2025 target has been set at a 40%/60% female/male ratio. At year-end 2022, the percentage of women on the ExCo was 42%, which is in line with de Volksbank's diversity policy.

The generic profile of the ExBo was amended as from 16 May 2022. The generic profile for the ExBo was approved by NLFI and published on our website. In succession planning and when filling vacancies, de Volksbank gives due consideration to any applicable diversity requirements in its search for suitable new members for the ExBo and ExCo's Senior Executives who meet the fit and proper requirements stipulated in the Act on Dutch Financial Markets Supervision and CRD IV.

### Appointment, suspension and dismissal

Members of the ExBo are appointed and reappointed by NLFI on nomination by the Supervisory Board and after approval by the supervisory authorities. NLFI suspends and dismisses members of the ExBo. The ExCo's Senior Executives are appointed, suspended and/or dismissed by the ExBo subject to the approval of the Supervisory Board and supervisory authorities. When considering approval the Supervisory Board shall take into account the advice of the People and Organisation Committee (P&OC). Both ExBo and ExCo members are appointed and reappointed for a maximum term of four (4) years, in accordance with the rotation scheme.

When preparing the appointment and reappointment of the members of the ExCo, the P&OC and the Supervisory Board consider the diversity objectives laid down in de Volksbank's internal policies such as the (Re)Appointment Policy. To be eligible for appointment candidates are required to meet the Fit and Proper test under the Dutch Financial Markets Supervision Act (Wft). The Works Council has the right to prior consultation on the appointment of members of the Executive Committee. The Supervisory Board notifies the General Meeting of the intended appointment or reappointment of an ExCo member, accompanied by a short resume of the candidate, including the candidate's age, gender, educational and professional background.

Further information on the suspension and dismissal procedure of the ExCo is provided in de Volksbank's Articles of Association and the ExCo's Rules of Procedure as published on our website.

### Functioning

The Articles of Association of de Volksbank contain a list of the duties of the ExCo and the rules governing its functioning. Additional practical arrangements on how the ExCo is to exercise its duties and powers are defined in the ExBo's and ExCo's Rules of Procedure and in the Memorandum of Understanding (MoU) between NLFI and de Volksbank.

The Rules of Procedure for the ExBo and ExCo are effective from 16 May 2022 and were amended with effect from 1 December 2022. The ExCo meets on a weekly basis and takes decisions by a majority of votes. In fulfilling the mission and ambition of de Volksbank, the ExCo continuously and explicitly weighs up the interests of all stakeholders.

### Personal details

The following is a concise description of the ExCo members' professional experience as at 1 October 2022:

**Martijn Gribnau**

**Chief Executive Officer**
1964 – Nationality: Dutch – Gender: Male

Martijn Gribnau joined the Executive Board on 17 June 2020 and was appointed Chief Executive Officer of the Executive Board and Executive Committee with effect from 15 August 2020. Prior to joining de Volksbank, Martijn was employed at Postbank, ING Bank and Nationale-Nederlanden, where he held various executive positions in the Netherlands and abroad, including that of General Manager of the Dutch Retail Board and Insurance Board of ING and CEO of ING Insurance Hungary and Bulgaria. At Genworth Financial/Life and Long Term Care Insurance, a U.S.-based financial services provider, Martijn held the positions of CTO and COO.

**André Haag**

**Chief Financial Officer**
1982 – Nationality: German – Gender: Male

André Haag was appointed to the Executive Board and Executive Committee on 1 August 2022. André is the Chief Financial Officer and holds no other board positions. Prior to joining de Volksbank he served on the Executive Board of Triodos Bank N.V. as Group CFO. Before that he worked for Deutsche Bank from

2011 to 2019, where he held various senior positions in Luxembourg and Germany, notably as Country CFO Luxembourg and Director in Regional Finance Germany. From 2016 to 2019 he was a member of the Management Board and CFO at Deutsche Holdings (Luxembourg) S.à r.l. Prior to that, he held senior positions in the financial consulting industry. During this time he worked for Ernst & Young, PA Consulting Group and IBM Financial Consulting.

**Jeroen Dijst**

**Chief Risk Officer**
1971 – Nationality: Dutch – Gender: Male

Jeroen Dijst was appointed to the Executive Board on 1 August 2016 and reappointed as Chief Risk Officer of the Executive Board and Executive Committee on 23 April 2020. Jeroen holds no other board positions. Before joining de Volksbank, Jeroen served as Managing Director of ALM/Treasury and member of the Management Group of ABN AMRO. Prior to that, Jeroen served as CRO and member of the Board of Directors of Fortis Bank Nederland. Jeroen started his career at VSB Bank as an Economic Research Treasury/ALM assistant.

**Marinka van der Meer**

**Chief Customer Officer**
1969 – Nationality: Dutch – Gender: Female

Marinka van der Meer was appointed to the Executive Board on 28 September 2018 and reappointed to the Executive Board and Executive Committee as Chief Customer Officer on 21 April 2022. Marinka holds no other board positions. Before joining de Volksbank, Marinka was CEO of Argenta Nederland. Prior to that, she was Director transformation office NN Benelux, founder and COO NN Bank, and account director ING. Before joining Postbank in 1997, she started her career at Centrum voor Marketing Analyses in 1994.

**Marjolein de Jongh**

**Chief Transformation Officer**
1973 – Nationality: Dutch – Gender: Female

Marjolein de Jongh was appointed to the Executive Committee on 16 May 2022. Marjolein is Chief Transformation Officer and non-statutory member of the Executive Committee. Marjolein holds no other board positions. Prior to joining de Volksbank Marjolein has worked for APG Groep NV as Managing Director of Strategy & Transformation. Marjolein boasts a career in which she has over 20 years' experience with major strategy and change processes in the banking sector, including at HSBC, ING, Royal Bank of Scotland, KPMG and Standard Chartered Bank.

**Michel Ruijterman**

**Chief Information Officer**
1970 – Nationality: Dutch – Gender: Male

Michel Ruijterman was appointed to the Executive Committee on 16 May 2022. Michel is Chief Information Officer and non-statutory member of the Executive Committee. Michel holds no other board positions. Michel has worked in IT leadership positions for over 25 years. Prior to joining de Volksbank, Michel worked in similar positions at Albert Heijn and Air France-KLM.

**Jacqueline Touw**

**Chief People & Organisation Officer**
1966 – Nationality: Dutch – Gender: Female

Jacqueline Touw was appointed to the Executive Committee on 1 October 2022. Jacqueline is Chief People & Organisation Officer and non-statutory member of the Executive Committee. Jacqueline holds no other board positions. Prior to joining de Volksbank, Jacqueline was employed at Sligro Food Group as CHRO. Before that she was ultimately responsible for HR at Essent and held various international leading positions at DSM and gained banking experience at Van Lanschot Bankiers N.V.

## Supervisory Board

### Role and responsibilities

The Supervisory Board (SB) supervises, advises, challenges and supports the ExBo and ExCo exercising of its powers and duties. Together with the ExCo, the SB is responsible for de Volksbank's long-term value creation, requiring members to execute their duties in a sustainable manner with due observance of the long-term viability of the strategy being pursued. The SB is part of de Volksbank's 'management body in its supervisory function' as defined in CRD IV.

In discharging its task, the SB takes into account the dynamics and the relationship between the ExBo, ExCo and its members. The SB's early and close involvement with the ExBo and ExCo is required when formulating the bank-wide strategy and targets in line with the pursued culture aimed at long-term value creation. In performing their duties, the members of the SB are guided by the interests of de Volksbank and its businesses, taking due consideration of the legitimate interests of all stakeholders of de Volksbank.

Certain decisions taken by the ExBo and ExCo are subject to the approval of the SB. Further information on the role and responsibilities of the SB is provided in de Volksbank's Articles of Association and the SB's Rules of Procedure as published on our website.

### Appointment, suspension and dismissal

Members of the SB are appointed and reappointed by the General Meeting, upon nomination by the SB itself. To be eligible for appointment candidates are required to meet the Fit and Proper test under the Wft.

The General Meeting and the Works Council may recommend candidates to the SB to be nominated as members of the SB. The diversity objectives laid down in de Volksbank's internal policies are taken into consideration when preparing the appointment and reappointment of the members of the SB. The SB notifies the General Meeting of the intended appointment or reappointment of a member of the SB, accompanied by a short resume of the candidate, including the candidate's age, gender, educational and professional background and geographical provenance.

The SB is required to nominate a candidate recommended by the Works Council in respect of one third of the members of the SB (the 'enhanced right of recommendation'). The SB is to accept the recommendation of the Works Council unless it believes that the candidate recommended is unsuitable to fulfil the duties of a member of the SB or if the SB would not be properly composed if the appointment was made as recommended. The SB may suspend any of its members at any time. In the event of lack of confidence in the SB the General Meeting may dismiss the SB in its entirety.

Further information on the appointment, suspension and dismissal procedure of the members of the SB is provided in de Volksbank's Articles of Association and the SB's Rules of Procedure as published on our website.

### Functioning

In performing its duties, the SB continuously weighs up the interests of all its stakeholders to fulfil the mission and ambition of de Volksbank. The SB members operate independently of each other within the meaning of the Dutch Corporate Governance Code and in accordance with the Dutch Central Bank's (DNB) position on the independent functioning of the SB. In December 2022 de Volksbank updated the Code of Conduct Common Sense, Clear Conscience, (Code of Conduct). The Code of Conduct contains a conflict-of- interest procedure and a procedure for respectful and professional conduct. In addition, the Articles of Association contain a list of the duties and rules governing the functioning of the SB. Both the Rules of Procedure for the SB and the MoU agreed with NLFI include additional agreements on the way in which the SB should exercise its duties and powers as well as on the appointment of the Chair of the SB and the CEO. The Rules of Procedure for the SB were last amended on 1 December 2022. The SB meets at least six times a year, and takes decisions by a majority of votes.

### Ancillary positions and conflicting interests

Members of the SB may hold and are to disclose other positions, including directorships. CRD IV and the Dutch Corporate Governance Code (DCGC) restrict the total number of SB positions or non-executive directorships that may be held by a SB member, if the SB member also has an executive board position. It is the responsibility of the individual SB member and the SB to ensure that the directorship duties are performed properly and are not affected by any other positions being held by the individual member outside de Volksbank and its group structure.

SB members are to report any (potential) conflicts of interests and to provide all relevant information relating to them. The SB, excluding the member concerned, decides whether a conflict of interest exists. In case of any conflict of interest exists, the relevant member of the SB abstains from discussions and decision-making on a subject or transaction in relation to which the relevant SB member has a (potential) conflict of interest.

In accordance with the DCGC and the Rules of Procedure of the SB any transaction with one or more members of the SB that is of material significance to de Volksbank in which there are (potential) conflicting interests, will be disclosed in the management report together with a statement of the conflict of interest.

### Composition and diversity

The SB is composed in such a way that it has sufficient expertise to properly perform its duties. The SB draws up a generic profile for its members. This profile specifies the required knowledge, suitability, expertise, integrity and availability of the SB and its members.

It also sets out the relevant aspects of diversity and inclusion, such as nationality, age, gender and background related to education and professional experience. At the end of 2022, 40% of the SB positions were filled by women, in line with de Volksbank's objective for 2025 and the Act on Gender Balance. De Volksbank's Diversity and Inclusion Policy focuses on recognising and valuing both customers' and employees' diversity. This policy also applies to the SB. The generic profile of the SB has been approved by NLFI and is published on our website. The generic profile of the SB was last amended on 1 November 2021. When a new member is appointed, the SB will propose a candidate to the Annual General Meeting (AGM), taking this profile into account.

The following changes in the composition of the SB took place in 2022:

- 21 April 2022: the terms of office of Jos van Lange and Aloys Kregting expired. Both were reappointed as of 21 April 2022.
- 31 October 2022: Jos van Lange was appointed Vice Chair of the SB with effect from 31 October 2022.

### Personal details

The following is a concise description of the SB members' professional experience as at 1 October 2022:

**Gerard van Olphen**

1962 – Nationality: Dutch – Gender: Male

Gerard van Olphen was appointed as a member and Chair of the Supervisory Board of de Volksbank N.V. on 13 August 2021. Gerard is also a member of the People & Organisation Committee (P&OC). His term of office will expire on the date of the AGM of 2025.

Other positions held by Gerard on 31 December 2022 are:
- Member of the Supervisory Board of a.s.r. / member of the Audit & Risk Committee and member of the Nomination & ESG Committee
- Member of the Supervisory Board of the Dutch Heart Foundation
- Member of the Identification Board (signaleringsraad) of the Royal Netherlands Institute of Chartered Accountants (NBA)
- Independent member of the board of GP House B.V.

Gerard has extensive executive-level experience at various financial institutions with roots in Dutch society. In the spring of 2021, he stepped down as Chair of the Executive Board of APG, the Dutch pension investor. Prior to that, he was Chair of the Executive Board of SNS REAAL and, after the split-off, he briefly served as Chair of insurance company Vivat, acquired at the time by the Anbang Insurance Group. Earlier in his career he held the positions of CFRO and Vice Chair of the Executive Board of Achmea, CEO of NIBC Asset Management and member of the Executive Committee of NIB Capital. From 1991 to 2001, he held several policy-making positions at SNS REAAL, including that of CEO of REAAL.

**Jeanine Helthuis**

1962 – Nationality: Dutch – Gender: Female

Jeanine Helthuis was appointed as a member of the Supervisory Board on 20 September 2021. Jeanine is also Chair of the P&OC and a member of the Risk & Compliance Committee (R&CC). Her term of office will expire on the date of the AGM of 2025.

Other positions held by Jeanine on 31 December 2022 are:
- Vice Chair of the Supervisory Board of ProRail B.V. / member of the Audit Committee, Selection & Appointment Committee and Remuneration Committee

Jeanine has broad managerial experience in leading Dutch service providers, including companies in the banking sector. She has held various board and senior management positions at several companies in the logistics sector and in the financial services industry. Until 1 November 2022 Jeanine was a Managing Director at Van Doorne, a Dutch law firm. Prior to that, she was General Manager at PC Uitvaart (2015 – 2020) and Chair of the Board of Directors of Monuta (2009 – 2012). In the intervening period (2013 – 2014), she chaired the working group of the Dutch Investment Institution (NII). Jeanine is currently also Vice Chair of the Supervisory Board of ProRail, and was a Supervisory Board member at Van Lanschot Kempen until May 2021.

From 2006 - 2009, Jeanine sat on the Managing Board of Fortis Bank Nederland in the capacity of CEO of its Retail Bank, and from 1991 – 2005 she held various senior management positions at KPN. Jeanine started her career at Nedlloyd.

**Petra van Hoeken**

1961 – Nationality: Dutch – Gender: Female

Petra van Hoeken was appointed as a member of the Supervisory Board on 20 September 2021. Petra is also Chair of the R&CC and a member of the Audit Committee (AC). Her term of office will expire on the date of the AGM of 2025.

Other positions held by Petra on 31 December 2022 are:
- Member of the Supervisory Board of Nordea Bank / chair of the Risk & Compliance Committee and member of the Audit Committee
- Member of the Supervisory Board of NWB Bank / Chair of the Risk & Compliance Committee and member of the Audit Committee
- Non-executive member of the Board of Oranje Fonds / vice-chair of the Audit Committee and member of the Investment Committee
- Advisor to the Ministry of Economic Affairs and Climate Policy / Chair of the Credit Committee of the Corporate Finance Guarantee Scheme (GO Scheme)
- Member of the Donations Review Committee of Leiden University
- Member of the board of the foundation for the holding and administration of shares under the RDS (Royal Dutch Shell) employee share plans

Petra has extensive managerial and banking experience at Dutch and international banks. Until the end of 2020, Petra was Chief Risk Officer on the Executive Committee of the Intertrust Group. Prior to that, she was CRO and a member of the Managing Board at Rabobank (2016 – 2019), during which period she was responsible for Legal & Compliance and Risk Management of the Rabobank Group. Petra held a similar position at NIBC (2011 – 2016). Petra started her career in 1986 at ABN AMRO where, after having held various international positions, she became responsible for EMEA & Global Risk Management as CRO. After the split-off from ABN AMRO, she held the same position for RBS.

**Aloys Kregting**

1967 – Nationality: Dutch – Gender: Male

Aloys Kregting was appointed as a member of the Supervisory Board on 24 August 2018 and was reappointed on 21 April 2022. His term of office will expire on the date of the AGM of 2026. Aloys is also member of the AC and a member of the P&OC.

Other positions held by Aloys on 31 December 2022 are:
- Head of Global Enabling Services ASML
- Member of the Supervisory Board of the Utrecht University Medical Centre (UMC)

Aloys started his career as IT Manager at KPN in 1992. From 1999 to 2008, he was employed at Unilever as IT Manager and from 2004 in the role of CIO. Aloys worked for DSM from 2008 to 2016. During this period he held the positions of CIO and CSO. Aloys has been CIO at AkzoNobel from 2016 until April 2022.

**Jos van Lange**

1956 – Nationality: Dutch – Gender: Male

Jos van Lange was appointed as a member of the Supervisory Board on 1 May 2018 and was reappointed on 21 April 2022. On 31 October 2022 Jos was appointed as Vice-Chair of the Supervisory Board. His term of office will expire on the date of the AGM of 2026. On 20 September 2021, Jos took the reins as Chair of the AC and remained a member of the R&CC.

Other positions held by Jos on 31 December 2022 are:
- Chair of the Supervisory Board/Chair of the People and Organisation Committee of Zuyderland Medisch Centrum
- Vice Chair of the Supervisory Board and Chair of the Audit, Risk & Compliance Committee of Bouwinvest N.V.
- Member of the Board of Governors of Tilburg University / Chair of the Audit, Risk & Compliance Committee
- Member of the Investment Advisory Committee of cooperative DELA
- Chair of the Landgoed Kasteel Geldrop Foundation

Jos held the position of CEO at Rabo Real Estate Group from May 2013 until July 2017 and the position of CFRO from December 2006 until May 2013. From 1980 until 2006, Jos held various financial and business-oriented positions within Rabobank.

## FLOWS OF RISK MANAGEMENT INFORMATION TO EXECUTIVE COMMITTEE AND SUPERVISORY BOARD

### Table of reports and frequencies

| | Report | Executive Committee | Supervisory Board |
|---|---|---|---|
| 1st line | Quarterly Business Review/Management reports | quarterly | quarterly |
| | Monthly Business Review | monthly | n.a. |
| | In Control Statement | semi annually | semi annually |
| | ICAAP/ILAAP package | annually | annually |
| | Recovery Plan | annually | annually |
| 2nd line | Risk Report | quarterly | quarterly |
| | ICAAP/ILAAP opinion | annually | annually |
| | Risk Appetite Statement | annually | annually |
| | Strategic Risk Assessment | annually | annually |
| | Self-assessment risk committees | annually | n.a. |
| | Recovery Indicator Dashboard | semi annually | n.a. |
| | Risk Management Function | quarterly | quarterly |
| | Compliance Function | quarterly | quarterly |
| | Review self-assessment Integrated Control Framework | annually | annually |
| 3rd line | Audit report external accountant | annually | annually |
| | Internal audit report | quarterly | quarterly |
| | Joint EY Audit de Volksbank Management Letter | annually | annually |
| | Joint EY Audit de Volksbank Management Letter Progress Updates | quarterly | quarterly |
| | Audit report capital management/Audit report ILAAP | annually | annually |

The Executive Committee and Supervisory Board of de Volksbank are regularly informed about risks and risk management. The table above mentions important reports that they receive, as well as their frequency.

As the Executive Committee bears the accountability for risk management within the risk management organisation, it therefore functions as an overarching bank risk committee, and as such is supported by risk committees, composed of representatives from the first and second lines in each committee.

We also refer to the report of the Supervisory Board included in the Integrated Annual Report, which includes a detailed list of the subjects and reports discussed by the Supervisory Board members in 2022. The reports received by the Supervisory Board members were also discussed by the Executive Committee.

Please refer to Chapter 3 of the Integrated Annual Report 2022 of de Volksbank for information about the governance arrangements.

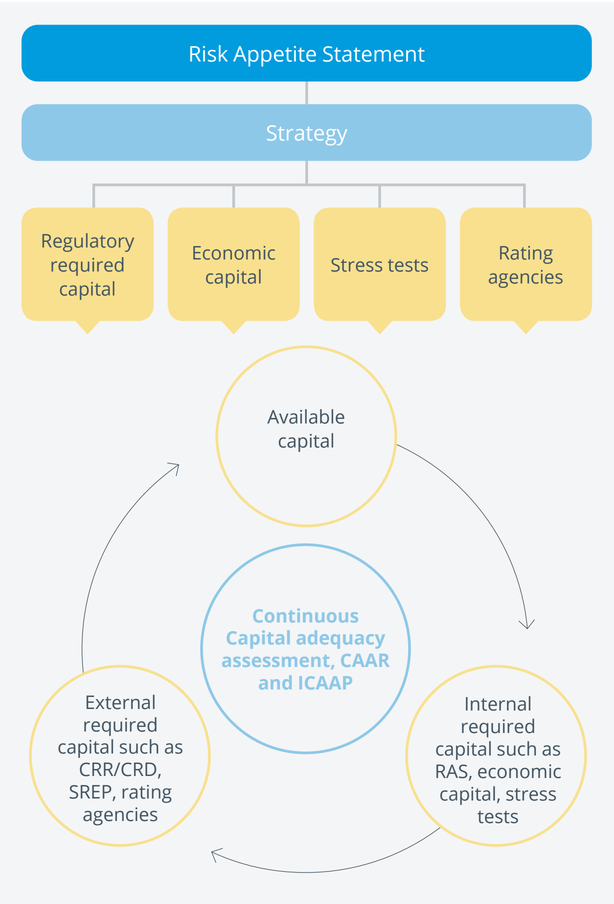
# 4 Own funds

## 4.1 Capital Management and control

### CAPITAL MANAGEMENT STRATEGY

Our strategy incorporates the objective of having a solid capital position at our disposal to support de Volksbank's corporate strategy, combined with an adequate Return on Equity (RoE). As regards the RoE, de Volksbank applies a (long-term) target of 8.0%. The basic principle for the capital amount is that the bank maintains buffers in addition to the minimum amount of capital required by the supervisory authority, to guarantee sufficient capitalisation in the event of a severe yet plausible stress scenario.

Capital is managed from several perspectives, shown in the figure below.




### REGULATORY CAPITAL AND MREL

The minimum amount of capital required by law, i.e. regulatory capital, is based on risk-weighted capital ratios (CET1 capital, Tier 1 capital, total capital) and the required non-risk-weighted capital ratio, i.e. the leverage ratio. The minimum risk-weighted capital ratios are based on the SREP. In addition to these required capital ratios, de Volksbank calculates and reports the Minimum Requirements for Own Funds and Eligible Liabilities (MREL) on both a risk-weighted and non-risk-weighted basis, as required by law as from 1 January 2022.

### ECONOMIC CAPITAL

De Volksbank also makes its own internal (economic) estimate of the amount of capital required. This differs from regulatory capital in two significant respects:

1. Our calculations of economic capital include all risks from which material losses may ensue within a one-year horizon according to internal insight. Thus, we consider more types of risk than in regulatory capital calculations.
2. Using our own insight, we translate our risk appetite into internal capital requirements, partly based on the desired credit rating.

We share the economic capital requirements with the supervisory authority. This is part of the Internal Capital Adequacy Assessment Process (ICAAP). We also use them to determine our internal capital targets and thresholds for specific types of risk, as applied in the Risk Appetite Statement (RAS).

### STRESS TESTING

De Volksbank performs several stress tests every year to test the robustness of capital adequacy and examine other financial aspects, such as in the areas of liquidity and profitability. Stress tests may be initiated internally or may be requested by supervisory authorities.

The scenarios to be calculated are drafted based on a detailed risk identification, which considers both systemic risks, i.e. financial system-related risks, and idiosyncratic risks, i.e. de Volksbank-specific risks. In addition to scenario analyses, which are used to calculate the impact of, for example, a macroeconomic scenario on de Volksbank's capital position, sensitivity analyses and reverse stress tests are also performed. The latter start from a pre-determined outcome, such as a situation in which the bank is unable to meet its minimum capital requirements, and then looks at events that could lead to such a situation.

For the scenarios for which the impact is calculated by means of a stress test, we estimate the development of unemployment, economic growth, the interest rate and other factors. In such a stress test, these macroeconomic variables adversely impact aspects such as the net interest margin, the creditworthiness of the outstanding loan portfolio and the fair value of the interest-bearing investment portfolio. This subsequently results in a deterioration of the bank's capital position. The stress test results are used not only to analyse the bank's sensitivity to various types of stress, but also as input for setting thresholds as part of the risk appetite and to determine the management buffers that we use to set the internal minimum levels of the capital ratios. Finally, they are used as input for de Volksbank's recovery plan.

## RECOVERY PLAN AND CONTINGENCY PLANNING

The planning for unforeseen events, i.e. contingency planning, is part of the bank's recovery plan. Its key objective is to prepare de Volksbank for a crisis in a way that enables us to recover independently and safeguard the bank's continuity.

Contingency planning encompasses the drafting and implementation of an action plan that allows us to take prompt measures as soon as our capital position deteriorates (as anticipated or unexpectedly), for example as a result of financial market conditions. In addition to capital aspects, we also monitor the situation with respect to possible liquidity problems. Potential capital or liquidity problems are identified by frequent monitoring of 'early warning' indicators. Changes in these indicators may be a first sign of stress.

In addition to early warning indicators, we have defined recovery indicators that can trigger the activation of the recovery plan. Applying the recovery plan-based measures helps us reinforce the ratios and recover independently. These measures have a wide scope and relate not only to capital and liquidity, but also to operations and communications. The nature and severity of the deteriorating conditions will determine the appropriate measures, such as raising capital, lowering the risk-weighted assets and raising funding.

In addition to a description of the available measures and conditions to be met before implementation of any measures, the recovery plan also contains an analysis of the expected recovery. The analysis is supported by several (severe) stress scenarios in which the effectiveness of these measures has been assessed, the so-called recoverability assessment.

The recovery plan is updated and discussed with the ECB's Joint Supervisory Team (JST) every year. The recovery plan for 2022 included four scenarios, as requested by the ECB. These scenarios addressed system-wide macroeconomic and idiosyncratic stress.

## RATING AGENCIES

The bank's creditworthiness is assessed by credit rating agencies S&P, Moody's and Fitch. To determine a credit rating, they look at aspects such as our capital position. To ensure that our capital ratios are in line with our credit rating ambition, we include the corresponding capital requirements in our capital planning.

## 4.2 Own funds

Under the CRD IV rules, de Volksbank's own funds comprise a number of components that must comply to certain conditions. De Volksbank's capital base consists of Common Equity Tier 1 capital (CET1), Additional Tier 1 capital (AT1) and Tier 2 capital (T2).

These capital components in relation to the capital structure are explained below. We also address the ability of capital items to absorb losses and the restrictions applicable.

The table below lists the main features and conditions of the equity components of de Volksbank.

### EU CCA - Main features of regulatory own funds instruments and eligible liabilities instruments

| | | a | b | c |
|---|---|---|---|---|
| | **In € millions** | **CET1 Capital** | **Additional Tier 1 Capital** | **Tier 2 Capital** |
| 1 | Issuer | de Volksbank N.V. | de Volksbank N.V. | de Volksbank N.V. |
| 2 | Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement) | N/A | XS2454874285 | XS2202902636 |
| 2a | Public or private placement | Private | Public | Public |
| 3 | Governing law(s) of the instrument | Dutch law | Dutch law | Dutch law |
| 3a | Contractual recognition of write down and conversion powers of resolution authorities | N/A | Yes | Yes |
| | *Regulatory treatment* | | | |
| 4 | Current treatment taking into account, where applicable, transitional CRR rules | Common Equity Tier 1 | AT1 | Tier 2 |
| 5 | Post-transitional CRR rules | Common Equity Tier 1 | AT1 | Tier 2 |
| 6 | Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated | Consolidated and solo | Consolidated and solo | Consolidated and solo |
| 7 | Instrument type (types to be specified by each jurisdiction) | Ordinary shares | Subordinated loans | Subordinated loans |
| 8 | Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date) | 3,918 | 298 | 500 |
| 9 | Nominal amount of instrument | 381 | 300 | 500 |
| EU-9a | Issue price | 381 | 300 | 500 |
| EU-9b | Redemption price | N/A | 300 | 500 |
| 10 | Accounting classification | Shareholders' equity | Liability-amortised cost | Liability-amortised cost |
| 11 | Original date of issuance | N/A | 15 June 2022 | 22 July 2020 |
| 12 | Perpetual or dated | Perpetual | Dated | Dated |
| 13 | Original maturity date | No maturity | Perpetual | 22 October 2030 |
| 14 | Issuer call subject to prior supervisory approval | No | Yes | Yes |
| 15 | Optional call date, contingent call dates and redemption amount | N/A | 15 June 2027 to (and including) 15 December 2027 | 22 July 2025 to (and including) 22 October 2025 |
| 16 | Subsequent call dates, if applicable | N/A | N/A | N/A |
| | *Coupons / dividends* | | | |
| 17 | Fixed or floating dividend/coupon | Floating | Fixed | Fixed |
| 18 | Coupon rate and any related index | N/A | 7.00% | 1.75% |
| 19 | Existence of a dividend stopper | No | No | No |
| EU-20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Fully discretionary | Mandatory | Mandatory |
| EU-20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Fully discretionary | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | N/A | No | No |
| 22 | Noncumulative or cumulative | Noncumulative | Noncumulative | Noncumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible, conversion trigger(s) | N/A | N/A | N/A |
| 25 | If convertible, fully or partially | N/A | N/A | N/A |
| 26 | If convertible, conversion rate | N/A | N/A | N/A |
| 27 | If convertible, mandatory or optional conversion | N/A | N/A | N/A |
| 28 | If convertible, specify instrument type convertible into | N/A | N/A | N/A |
| 29 | If convertible, specify issuer of instrument it converts into | N/A | N/A | N/A |

| | | a | b | c |
|---|---|---|---|---|
| | In € millions | CET1 Capital | Additional Tier 1 Capital | Tier 2 Capital |
| 30 | Write-down features | N/A | N/A | N/A |
| 31 | If write-down, write-down trigger(s) | N/A | N/A | N/A |
| 32 | If write-down, full or partial | N/A | N/A | N/A |
| 33 | If write-down, permanent or temporary | N/A | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism | N/A | N/A | N/A |
| 34a | Type of subordination (only for eligible liabilities) | Statutory | Statutory | Statutory |
| EU-34b | Ranking of the instrument in normal insolvency proceedings | 1 | 3 | 3 |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Most subordinated position | Subordinated to senior unsecured funding | Subordinated to senior unsecured funding |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | N/A | N/A | N/A |
| 37a | Link to the full term and conditions of the instrument (signposting) | N/A | https://www.devolksbank.nl/investor-relations/debt-informatie/additional-tier-1-notes | https://www.devolksbank.nl/en/investor-relations/debt-information/achtergestelde-schuld/green-tier-2 |

In June 2022, de Volksbank issued green perpetual Additional Tier 1 (AT1) capital securities with a first reset date in 2027.

## EU CC1 - Composition of regulatory own funds

| | | 31-12-2022 | |
|---|---|---|---|
| | | (a) | (b) |
| | in € millions | Amounts | Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation |
| | **COMMON EQUITY TIER 1 (CET1) CAPITAL: INSTRUMENTS AND RESERVES** | | |
| 1 | Capital instruments and the related share premium accounts | 3,918 | 20, 21 |
| | of which: Ordinary shares | 381 | 20 |
| | of which: Share premium | 3,537 | 21 |
| 2 | Retained earnings | - | 25 |
| 3 | Accumulated other comprehensive income (and other reserves) | -699 | 22, 23, 24 |
| EU-3a | Funds for general banking risk | - | |
| 4 | Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1 | - | |
| 5 | Minority interests (amount allowed in consolidated CET1) | - | |
| EU-5a | Independently reviewed interim profits net of any foreseeable charge or dividend | 38 | 26 |
| **6** | **Common Equity Tier 1 (CET1) capital before regulatory adjustments** | **3,257** | |
| | **Common Equity Tier 1 (CET1) capital: regulatory adjustments** | | |
| 7 | Additional value adjustments (negative amount) | -4 | 2, 3, 10 |
| 8 | Intangible assets (net of related tax liability) (negative amount) | -6 | 6a |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount) | - | 7a, 17a |

| | in € millions | 31-12-2022 (a) Amounts | (b) Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation |
|---|---|---|---|
| 11 | Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value | -17 | 2, 5, 10, 23 |
| 12 | Negative amounts resulting from the calculation of expected loss amounts | -57 | |
| 13 | Any increase in equity that results from securitised assets (negative amount) | - | |
| 14 | Gains or losses on liabilities valued at fair value resulting from changes in own credit standing | - | |
| 15 | Defined-benefit pension fund assets (negative amount) | - | |
| 16 | Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount) | - | |
| 17 | Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) | - | |
| 18 | Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | - | |
| 19 | Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | - | |
| EU-20a | Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative | - | |
| EU-20b | of which: qualifying holdings outside the financial sector (negative amount) | - | |
| EU-20c | of which: securitisation positions (negative amount) | - | |
| EU-20d | of which: free deliveries (negative amount) | - | |
| 21 | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount) | - | |
| 22 | Amount exceeding the 17.65% threshold (negative amount) | - | |
| 23 | of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities | - | |
| 25 | of which: deferred tax assets arising from temporary differences | - | |
| EU-25a | Losses for the current financial year (negative amount) | - | |
| EU-25b | Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount) | - | |
| 27 | Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount) | - | |
| 27a | Other regulatory adjustments | -71 | |
| 28 | **Total regulatory adjustments to Common Equity Tier 1 (CET1)** | **-156** | |
| 29 | **Common Equity Tier 1 (CET1) capital** | **3,101** | |
| | **Additional Tier 1 (AT1) capital: instruments** | | |
| 30 | Capital instruments and the related share premium accounts | 298 | |
| 31 | of which: classified as equity under applicable accounting standards | 298 | |
| 32 | of which: classified as liabilities under applicable accounting standards | - | |
| 33 | Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 | - | |
| EU-33a | Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1 | | |
| EU-33b | Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1 | | |

| | in € millions | 31-12-2022 (a) Amounts | (b) Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation |
|---|---|---|---|
| 34 | Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties | - | |
| 35 | of which: instruments issued by subsidiaries subject to phase out | - | |
| **36** | **Additional Tier 1 (AT1) capital before regulatory adjustments** | **298** | |
| | **Additional Tier 1 (AT1) capital: regulatory adjustments** | | |
| 37 | Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount) | - | |
| 38 | Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) | - | |
| 39 | Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | - | |
| 40 | Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount) | - | |
| 42 | Qualifying T2 deductions that exceed the T2 items of the institution (negative amount) | - | |
| 42a | Other regulatory adjustments to AT1 capital | - | |
| **43** | **Total regulatory adjustments to Additional Tier 1 (AT1) capital** | - | |
| **44** | **Additional Tier 1 (AT1) capital** | 298 | 27 |
| **45** | **Tier 1 capital (T1 = CET1 + AT1)** | **3,399** | |
| | **Tier 2 (T2) capital: instruments** | | |
| 46 | Capital instruments and the related share premium accounts | 500 | 15 |
| 47 | Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR | - | |
| EU-47a | Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2 | - | |
| EU-47b | Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2 | - | |
| 48 | Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties | - | |
| 49 | of which: instruments issued by subsidiaries subject to phase out | - | |
| 50 | Credit risk adjustments | - | |
| **51** | **Tier 2 (T2) capital before regulatory adjustments** | **500** | |
| | **Tier 2 (T2) capital: regulatory adjustments** | | |
| 52 | Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount) | - | |
| 53 | Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) | - | |
| 54 | Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | - | |
| 55 | Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount) | - | |

| | | 31-12-2022 | |
|---|---|---|---|
| | | (a) | (b) |
| | **in € millions** | **Amounts** | **Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation** |
| EU-56a | Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount) | - | |
| EU-56b | Other regulatory adjustments to T2 capital | - | |
| **57** | **Total regulatory adjustments to Tier 2 (T2) capital** | - | |
| **58** | **Tier 2 (T2) capital** | **500** | |
| **59** | **Total capital (TC = T1 + T2)** | **3,899** | |
| **60** | **Total Risk exposure amount** | **15,306** | |
| | **Capital ratios and requirements including buffers** | | |
| 61 | Common Equity Tier 1 capital | 20.26% | |
| 62 | Tier 1 capital | 22.20% | |
| 63 | Total capital | 25.47% | |
| 64 | Institution CET1 overall capital requirements | 9.72% | |
| 65 | of which: capital conservation buffer requirement | 2.50% | |
| 66 | of which: countercyclical capital buffer requirement | 0.03% | |
| 67 | of which: systemic risk buffer requirement | 0.00% | |
| EU-67a | of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement | 1.00% | |
| EU-67b | of which: additional own funds requirements to address the risks other than the risk of excessive leverage | 1.69% | |
| 68 | **Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements** | **14.07%** | |
| | **Amounts below the thresholds for deduction (before risk weighting)** | | |
| 72 | Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 8 | |
| 73 | Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions) | - | |
| 75 | Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) | 49 | |
| | **Applicable caps on the inclusion of provisions in Tier 2** | | |
| 76 | Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap) | - | |
| 77 | Cap on inclusion of credit risk adjustments in T2 under standardised approach | 56 | |
| 78 | Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap) | - | |
| 79 | Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach | 51 | |
| | ***Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)*** | | |
| 80 | Current cap on CET1 instruments subject to phase out arrangements | - | |
| 81 | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) | - | |
| 82 | Current cap on AT1 instruments subject to phase out arrangements | - | |
| 83 | Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) | - | |
| 84 | Current cap on T2 instruments subject to phase out arrangements | - | |
| 85 | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) | - | |

The independently reviewed interim profit of € 38 million which is not paid out is represented in row EU 5-A.

The € 71 million capital deduction reported in row 27-a as allowed under Article 3 of the CRR at year-end 2022 is mainly related to a pending supervisory examination of the implementation of a new data warehouse. Awaiting further formal approval, de Volksbank added extra conservatism to the CET1 capital amount and deducted an amount of € 51 million. An additional amount of € 20 million was deducted as a prudential backstop following the ECB's guidelines on non-performing exposures (NPEs).

In the first half of 2022 de Volksbank NV issued the green perpetual Additional Tier 1 (AT1) capital securities with the first reset date in 2027.

Source is based on the reference numbers of the balance sheet under the regulatory scope of consolidation disclosed in template EU CC2.

### EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

| | | a/b | c |
|---|---|---|---|
| | | **Balance sheet as in published financial statements / Under regulatory scope of consolidation** | **Reference** |
| | **in € millions** | **31-12-2022** | |
| | **ASSETS - *BREAKDOWN BY ASSET CLASSES ACCORDING TO THE BALANCE SHEET IN THE PUBLISHED FINANCIAL STATEMENTS*** | | |
| 1 | Cash and cash equivalents | 8,011 | |
| 2 | Derivatives | 3,302 | 7, 11 |
| 3 | Investments | 5,591 | 7 |
| 4 | Loans and advances to banks | 6,884 | |
| 5 | Loans and advances to customers | 48,966 | 11, 50 |
| 6 | Tangible and intangible assets | 85 | |
| 6a | of which: intangible assets | 6 | 8 |
| 7 | Tax assets | 67 | |
| 7a | of which: deferred tax assets | 55 | 10 |
| 8 | Other assets | 249 | |
| **9** | **Total assets** | **73,155** | |
| | **Liabilities - *Breakdown by liability classes according to the balance sheet in the published financial statements*** | | |
| 10 | Derivatives | 924 | 7, 11 |
| 11 | Amounts due to banks | 2,805 | |
| 12 | Savings | 44,501 | |
| 13 | Other amounts due to customers | 12,649 | |
| 14 | Debt certificates | 7,544 | |
| 15 | Subordinated debts | 500 | 46 |
| 16 | Provisions | 66 | |
| 17 | Tax liabilities | 6 | |
| 17a | of which: deferred tax liabilities | 6 | 10 |
| 18 | Other liabilities | 452 | |
| **19** | **Total liabilities** | **69,447** | |
| | **Shareholders' Equity** | | |
| 20 | Share capital | 381 | 1 |
| 21 | Share premium reserve | 3,537 | 1 |
| 22 | Accumulated other comprehensive income | -146 | 3 |
| 23 | Fair value reserves related to gains on cash flow hedges | 17 | 3, 11 |
| 24 | Other reserves | -570 | 3 |
| 25 | Retained earnings | - | 2 |
| 26 | Net result for the period | 191 | EUR-5a |
| 27 | AT1 capital securities | 298 | 44 |
| **28** | **Shareholders' equity** | **3,708** | |

Reference includes the reference numbers of the regulatory own funds breakdown disclosed in template EU CC1.

There is no difference between the regulatory consolidation scope defined pursuant to Chapter 2 of Title II of Part One CRR and the method for consolidation used for the balance sheet in the financial statements. Therefore column a and b are merged.

## 4.3 Macroprudential supervisory measures

### CAPITAL REQUIREMENTS

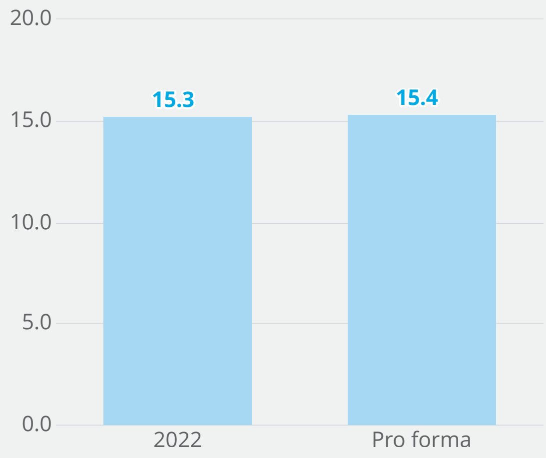
### BASEL IV

In late 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. On 27 October 2021, the EC published a legislative proposal amending the Capital Requirements Regulation (CRR) and the CRD in order to implement the remaining elements of Basel IV in the EU. De Volksbank closely monitors the developments, paying particular attention to new rules for residential mortgages.

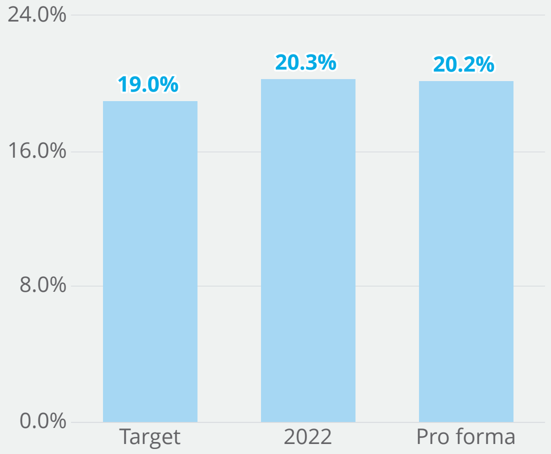
As at year-end 2022, we estimate that our total risk-weighted assets (RWA) according to the fully phased-in Basel IV standard is similar to total RWA under current regulations. Based on the capital position as at year-end 2022, we expect the anticipated changes in internal modelling approaches and the SA for operational risk under Basel IV to have a limited effect on the RWA of de Volksbank.

**Basel IV impact after 72.5% floor**

RWA in € billions




**Basel IV impact on (fully phased-in) CET1 ratio**




The Basel IV fully loaded CET1 capital ratio declined from 22.5% at year-end 2021 to 20.2%, mainly driven by an increase in RWA for exposures to financial institutions and corporates. This estimate of our CET1 capital ratio under full phase-in of Basel IV[3] exceeds our target of at least 19%, allowing us to both continue our growth path and pay out dividend.

### INTERNAL MINIMUM LEVEL

De Volksbank has set its target for the leverage ratio at a level of at least 4.5% and the CET1 capital ratio target at a level of at least 19.0% based on the fully phased-in Basel IV rules. Our leverage ratio target of at least 4.5% is in line with the leverage ratio of comparable European banks and includes an ample management buffer to withstand severe stress situations involving unfavourable conditions that could greatly impact income, costs and impairments.

On top of the 9.7% SREP requirement and Pillar 2 Guidance, we also have an ample management buffer to withstand severe stress situations. As for our minimum risk-weighted target, the management buffer also factors in uncertainties that are not relevant to the leverage ratio. This provides flexibility to absorb potentially higher capital requirements relative to the current situation and capital planning, resulting from, for instance, an increase in the countercyclical capital buffer or the final impact of the fully phased-in Basel IV rules on risk-weighted assets.

In time, management buffers – and thus the capital targets – may be revised, for example when the final impact of Basel IV has become clear. Capital expected to sustainably exceed our minimum targets is available for distribution, subject to regulatory approval.

3 Based on our balance sheet position as at 31 December 2022 - and assuming the implementation of Basel IV standard -in European legislation - remains unchanged.

### MINIMUM FLOOR FOR RISK WEIGHTING OF MORTGAGE LOANS

In anticipation of the implementation of Basel IV, DNB announced in October 2019 that it would increase the minimum risk weighting for mortgage portfolios of Dutch banks, with the exception of mortgages with (partial) National Mortgage Guarantee (NHG) coverage. This measure applies to banks that use internal risk models to calculate capital requirements for their mortgage portfolios, such as de Volksbank. In October 2021, DNB announced that the regulation would enter into force on 1 January 2022. The measure would initially expire on 1 December 2022, but on 8 July 2022, DNB decided to extend the measure until 1 December 2024. However, as at year-end 2022, this measure has no impact on de Volksbank, given the RWA increase as a result of the update of de Volksbank‘s AIRB model and the Article 3 CRR add-on, which is fully related to RWA for residential mortgages.

### COUNTERCYCLICAL CAPITAL BUFFER IN THE NETHERLANDS

On 25 May 2022, DNB announced an increase in the countercyclical capital buffer (CCyB) in the Netherlands from 0% to 1% applicable as from 25 May 2023, provided that the current risk profile does not change significantly. On 19 December 2022, DNB reconfirmed this intended increase. This is estimated to translate into a 0.9 percentage-point increase for de Volksbank's CCyB and subsequently a pro forma OCR of 15.4%, of which at least 10.6% is to be composed of CET1 capital. The decision to activate a 1% CCyB in the Netherlands constitutes a first step towards the intended 2% CCyB target in a standard risk environment. The purpose of the CCyB is to increase banks’ resilience as cyclical risks build up, and to release the buffer as soon as these risks materialise.

### PROVISION FOR NON-PERFORMING EXPOSURES

With effect from 26 April 2019, the CRR was amended to introduce common minimum loss coverage levels, i.e. a statutory backstop, for newly originated loans that become non-performing. Non-performing exposures (NPEs) represent a risk to a bank's balance sheet as future losses may not be fully covered by appropriate reserves.

In addition to these CRR requirements, the ECB published its expectations for the level of provisions for NPEs originated before 26 April 2019 and classified as non-performing on or after 1 April 2018. It also made a recommendation in its SREP decision in relation to loans that were classified as non-performing before 1 April 2018.

De Volksbank will deduct any insufficient coverage for NPEs under the CRR statutory backstop from its CET1 capital. As at year-end 2022 this did not result in a CET1 capital deduction. The prudential provisions for outstanding NPEs according to the ECB expectation and SREP recommendation resulted in a CET1 capital deduction of € 19 million at year-end 2022. The supervisory dialogue concerning the ECB's expectations and the SREP recommendation may impact de Volksbank's CET1 capital ratio and leverage ratio in the next few years.

### GONE-CONCERN CAPITAL: MREL

On 10 May 2021 the National Resolution Authority (NRA) set the MREL requirement for de Volksbank at 7.87% of the leverage ratio exposure (LRE) as from 1 January 2022. As a binding intermediate subordination target, de Volksbank has to meet at least 6.55% of the LRE with subordinated instruments, i.e. Tier 1 capital, Tier 2 capital and senior non-preferred (SNP) notes.

On 24 March 2022, the NRA updated both the risk-weighted MREL requirements applicable as from 2022 and the MREL requirements to be met as from 1 January 2024. The updated calibration of the MREL-LRE requirements as from 2024 was inflated due to the temporary ECB relief measure to exclude certain central bank reserves from the LRE. Given the expiration of this temporary measure on 1 April 2022, the EU's Single Resolution Board (SRB) recalibrated the final MREL requirements based on the LRE, including central bank reserves, in 2022 to ensure adjustment of the final MREL requirements before 1 January 2024. We have not yet received the decision on the final MREL requirements. Based on the situation as at 31 December 2020, the SRB has provided pro forma minimum final MREL requirements amounting to 7.82% based on the calibration that would have applied in the absence of the temporary ECB relief measure.

As from 1 January 2024, the MREL requirement based on the LRE is to be fully met with subordinated instruments. The MREL requirement based on RWA amounts to 20.41%, excluding the combined buffer requirements (CBR). The non-risk-weighted MREL requirements are more restrictive for de Volksbank than the risk-weighted MREL requirements.

De Volksbank’s capital planning is based on meeting the binding MREL subordination target as from January 2024, taking into account the binding intermediate MREL subordination target as from 1 January 2022.

Based on its current capital position, de Volksbank expects to issue SNP notes totalling € 0.5 billion to € 1.0 billion up to 2024, on top of the € 1.5 billion SNP in debt instruments already issued.

## EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer 2022

| | | a | b | e | f | g | i | j | k | l | m |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | General credit exposures | | | | Own fund requirements | | | | | |
| | in € millions | Exposure value under the standardised approach | Exposure value under the IRB approach | Securitisation exposures Exposure value for non-trading book | Total exposure value | Relevant credit risk exposures - Credit risk | Relevant credit exposures – Securitisation positions in the non-trading book | Total | Risk-weighted exposure amounts | Own fund requirements weights (%) | Countercyclical buffer rate (%) |
| 010 | **Breakdown by country:** | | | | | | | | | | |
| | The Netherlands | 2,544 | 50,141 | 70 | 52,755 | 811 | 1 | 812 | 10,151 | 91.93% | 0.00% |
| | Belgium | 236 | 44 | - | 280 | 19 | - | 19 | 235 | 2.13% | 0.00% |
| | United Kingdom | 311 | 5 | - | 315 | 14 | - | 14 | 172 | 1.55% | 1.00% |
| | France | 209 | 2 | - | 210 | 4 | - | 4 | 55 | 0.50% | 0.00% |
| | Luxembourg | 214 | 1 | - | 215 | 17 | - | 17 | 214 | 1.94% | 0.50% |
| | Germany | 203 | 7 | - | 211 | 9 | - | 9 | 112 | 1.01% | 0.00% |
| | Norway | 113 | 0 | - | 113 | 1 | - | 1 | 11 | 0.10% | 2.00% |
| | Canada | 52 | - | - | 52 | 0 | - | 0 | 5 | 0.05% | 0.00% |
| | Italy | 16 | 1 | - | 17 | 1 | - | 1 | 16 | 0.14% | 0.00% |
| | Sweden | 41 | 1 | - | 42 | 3 | - | 3 | 42 | 0.38% | 1.00% |
| | United States | 0 | 2 | - | 2 | 0 | - | 0 | 0 | 0.00% | 0.00% |
| | Switzerland | 0 | 1 | - | 1 | 0 | - | 0 | 0 | 0.00% | 0.00% |
| | Spain | 16 | 1 | - | 17 | 1 | - | 1 | 17 | 0.15% | 0.00% |
| | Singapore | - | 1 | - | 1 | 0 | - | 0 | 0 | 0.00% | 0.00% |
| | Austria | 40 | 0 | - | 41 | 0 | - | 0 | 4 | 0.04% | 0.00% |
| | Denmark | 5 | 0 | - | 5 | 0 | - | 0 | 5 | 0.00% | 0.00% |
| | Other | 0 | 7 | - | 8 | 0 | - | 0 | 3 | 0.08% | 0.00% |
| **020** | **Total** | **3,999** | **50,215** | **70** | **54,284** | **882** | **1** | **883** | **11,042** | **100%** | |

This table contains an overview of the credit exposures relevant for the calculation of the countercyclical capital buffer of countries having an exposure value greater than € 1 million.

## EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer 2021

| | | a | b | e | f | g | i | j | k | l | m |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | General credit exposures | | | | Own fund requirements | | | | | |
| | In € millions | Exposure value under the standardised approach | Exposure value under the IRB approach | Securitisation exposures Exposure value for non-trading book | Total exposure value | Relevant credit risk exposures - Credit risk | Relevant credit exposures – Securitisation positions in the non-trading book | Total | Risk-weighted exposure amounts | Own fund requirements weights (%) | Countercyclical buffer rate (%) |
| 010 | **Breakdown by country:** | | | | | | | | | | |
| | The Netherlands | 1,939 | 49,606 | - | 51,545 | 612 | - | 612 | 7,655 | 92.45% | 0.00% |
| | Belgium | 250 | 46 | - | 296 | 20 | - | 20 | 256 | 3.09% | 0.00% |
| | United Kingdom | 161 | 6 | - | 166 | 6 | - | 6 | 80 | 0.97% | 0.00% |
| | France | 154 | 2 | - | 156 | 3 | - | 3 | 42 | 0.51% | 0.00% |
| | Luxembourg | 144 | - | - | 144 | 11 | - | 11 | 144 | 1.74% | 0.50% |
| | Germany | 115 | 8 | - | 123 | 6 | - | 6 | 73 | 0.88% | 0.00% |
| | Norway | 50 | - | - | 50 | - | - | - | 5 | 0.06% | 1.00% |
| | Canada | 16 | - | - | 16 | - | - | - | 2 | 0.02% | 0.00% |
| | Italy | 12 | 1 | - | 13 | 1 | - | 1 | 12 | 0.15% | 0.00% |
| | Sweden | 9 | 1 | - | 10 | 1 | - | 1 | 9 | 0.11% | 0.00% |
| | United States | - | 2 | - | 2 | - | - | - | - | 0.01% | 0.00% |
| | Switzerland | - | 2 | - | 2 | - | - | - | - | 0.00% | 0.00% |
| | Cyprus | 2 | - | - | 2 | - | - | - | 1 | 0.01% | 0.00% |
| | Spain | - | 1 | - | 1 | - | - | - | - | 0.00% | 0.00% |
| | Curaçao | - | 1 | - | 1 | - | - | - | - | 0.00% | 0.00% |
| | Other | - | 8 | - | 8 | - | - | - | 1 | 0.00% | 0.00% |
| 020 | **Total** | **2,850** | **49,685** | **-** | **52,535** | **662** | **-** | **662** | **8,281** | **100%** | |

## EU CCyB2 - Amount of institution specific countercyclical capital buffer 2022

| | in € millions | a |
|---|---|---|
| 1 | Total risk exposure amount | 15,306 |
| 2 | Institution specific countercyclical capital buffer rate | 0.03% |
| 3 | Institution specific countercyclical capital buffer requirement | 5 |

The institution specific countercyclical buffer rate is mainly driven by the countercyclical capital buffer for exposures to Dutch counterparties, which is currently 0%. This buffer is intended to protect banks against risks arising in case of excessive credit growth. Each quarter The Dutch Central Bank (DNB) sets the level of the buffer for the Netherlands, which, in principle, may vary from 0% to 2.5%. DNB has the discretion to set the countercyclical capital buffer above 2.5%.

In May 2022 the DNB announced to increase the countercyclical capital buffer for the Netherlands from 0% to 1% by May 2023, provided that the current risk profile does not change significantly.

### EU CCyB2 - Amount of institution specific countercyclical capital buffer 2021

| | in € millions | a |
|---|---|---|
| 1 | Total risk exposure amount | 13,993 |
| 2 | Institution specific countercyclical buffer rate | 0.01% |
| 3 | Institution specific countercyclical buffer requirement | 1 |

# 5 Leverage ratio

## 5.1 Leverage ratio qualitative disclosure

The leverage ratio is the ratio between a bank's amount of Tier 1 capital and its total risk exposure. A minimum level for the leverage ratio is to prevent banks from building up excessive debts. As from June 2021, a leverage ratio requirement of 3% applies to de Volksbank.

To manage the risk of excessive leverage, leverage ratio planning is part of our capital management process explained in Section 4.1 Capital Management and control. Secured funding affecting the leverage ratio denominator is only attracted when consistent with our liquidity management and funding strategy. For more information, please refer to Section 6.2 Liquidity Coverage Ratio - Funding strategy

## 5.2 Leverage ratio quantitative disclosure

The risk exposure that is used in calculating the leverage ratio differs from the value of the assets as included in the financial statements. The table below presents the reconciliation of accounting assets and the leverage ratio exposure.

**EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures 2022**

| | in € millions | a<br>Applicable amount<br>31-12-2022 | a<br>Applicable amount<br>31-12-2021 |
|---|---|---|---|
| 1 | **Total assets as per published financial statements** | **73,155** | **72,081** |
| 2 | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation | - | - |
| 3 | (Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference) | - | - |
| 4 | (Adjustment for temporary exemption of exposures to central banks (if applicable)) | - | -10,706 |
| 5 | (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR) | - | - |
| 6 | Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting | - | - |
| 7 | Adjustment for eligible cash pooling transactions | - | - |
| 8 | Adjustment for derivative financial instruments | -2,709 | -243 |
| 9 | Adjustment for securities financing transactions (SFTs) | - | - |
| 10 | Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 1,510 | 1,752 |
| 11 | (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital) | -4 | -2 |
| EU-11a | (Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR) | - | - |
| EU-11b | (Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR) | - | - |
| 12 | Other adjustments | -236 | -676 |
| **13** | **Total exposure measure** | **71,716** | **62,206** |

From September 2020 until 1 April 2022, the ECB allowed banks to exclude certain central bank exposures from the denominators of their leverage ratios as a temporary relief measure. The expiration of this measure explains the strong increase in the leverage ratio total exposure measure in 2022. As at the end of December 2022, de Volksbank has deducted an amount of € 0 of central bank exposures from its leverage ratio exposure (€ 10.7 billion at year-end 2021).

Other adjustments includes the receivables for cash variation margin provided in derivative transactions (€ 85 million) and the asset amounts deducted in Tier 1 (€ 151 million) due to prudential filters, regulatory deductions, and additional deductions due to Article 3 CRR.

## EU LR2 - LRCom: Leverage ratio common disclosure 2022

| | | CRR leverage ratio exposures | |
|---|---|---|---|
| | | a | b |
| | in € millions | 31-12-2022 | 31-12-2021 |
| | **ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES AND SFTS)** | | |
| 1 | On-balance sheet items (excluding derivatives, SFTs, but including collateral) | 69,853 | 60,784 |
| 2 | Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework | - | - |
| 3 | (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | -85 | -498 |
| 4 | (Adjustment for securities received under securities financing transactions that are recognised as an asset) | - | - |
| 5 | (General credit risk adjustments to on-balance sheet items) | - | - |
| 6 | (Asset amounts deducted in determining Tier 1 capital) | -156 | -180 |
| **7** | **Total on-balance sheet exposures (excluding derivatives and SFTs)** | **69,613** | **60,106** |
| | **Derivative exposures** | | |
| 8 | Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin) | 79 | 36 |
| EU-8a | Derogation for derivatives: replacement costs contribution under the simplified standardised approach | - | - |
| 9 | Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions | 513 | 312 |
| EU-9a | Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach | - | - |
| EU-9b | Exposure determined under Original Exposure Method | - | - |
| 10 | (Exempted CCP leg of client-cleared trade exposures) (SA-CCR) | - | - |
| EU-10a | (Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach) | - | - |
| EU-10b | (Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method) | - | - |
| 11 | Adjusted effective notional amount of written credit derivatives | - | - |
| 12 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | - | - |
| **13** | **Total derivatives exposures** | **593** | **348** |
| | **Securities financing transaction (SFT) exposures** | | |
| 14 | Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions | - | - |
| 15 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | - | - |
| 16 | Counterparty credit risk exposure for SFT assets | - | - |
| EU-16a | Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR | - | - |
| 17 | Agent transaction exposures | - | - |
| EU-17a | (Exempted CCP leg of client-cleared SFT exposure) | - | - |
| **18** | **Total securities financing transaction exposures** | **-** | **-** |
| | **Other off-balance sheet exposures** | | |
| 19 | Off-balance sheet exposures at gross notional amount | 2,986 | 3,397 |
| 20 | (Adjustments for conversion to credit equivalent amounts) | -1,465 | -1,635 |
| 21 | (General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures) | -11 | -9 |
| **22** | **Off-balance sheet exposures** | **1,510** | **1,752** |
| | **Excluded exposures** | | |
| EU-22a | (Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR) | - | - |
| EU-22b | (Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet)) | - | - |
| EU-22c | (Excluded exposures of public development banks (or units) - Public sector investments) | - | - |
| EU-22d | (Excluded exposures of public development banks (or units) - Promotional loans) | - | - |
| EU-22e | (Excluded passing-through promotional loan exposures by non-public development banks (or units)) | - | - |
| EU-22f | (Excluded guaranteed parts of exposures arising from export credits) | - | - |
| EU-22g | (Excluded excess collateral deposited at triparty agents) | - | - |

| | | CRR leverage ratio exposures | |
|---|---|---|---|
| | | a | b |
| | in € millions | 31-12-2022 | 31-12-2021 |
| EU-22h | (Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR) | - | - |
| EU-22i | (Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR) | - | - |
| EU-22j | (Reduction of the exposure value of pre-financing or intermediate loans) | - | - |
| **EU-22k** | **(Total exempted exposures)** | **-** | **-** |
| | **Capital and total exposure measure** | | |
| 23 | **Tier 1 capital** | 3,399 | 3,182 |
| **24** | **Total exposure measure** | **71,716** | **62,206** |
| | **Leverage ratio** | | |
| 25 | Leverage ratio (%) | 4.74% | 5.11% |
| EU-25 | Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%) | 4.74% | 5.11% |
| 25a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%) | 4.74% | 5.11% |
| 26 | Regulatory minimum leverage ratio requirement (%) | 3.00% | 3.20% |
| EU-26a | Additional own funds requirements to address the risk of excessive leverage (%) | 0.00% | 0.00% |
| EU-26b | of which: to be made up of CET1 capital | 0.00% | 0.00% |
| 27 | Leverage ratio buffer requirement (%) | 0.00% | 0.00% |
| EU-27a | Overall leverage ratio requirement (%) | 3.00% | 3.20% |
| | **Choice on transitional arrangements and relevant exposures** | | |
| EU-27b | Choice on transitional arrangements for the definition of the capital measure | fully phased-in | fully phased-in |
| | **Disclosure of mean values** | | |
| 28 | Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable | 1,354 | 13 |
| 29 | Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables | - | - |
| 30 | Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | 73,070 | 62,218 |
| 30a | Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | 73,070 | 72,924 |
| 31 | Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | 4.65% | 5.11% |
| 31a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | 4.65% | 4.36% |

The leverage ratio declined to 4.7%, from 5.1% at year-end 2021, as the € 9.5 billion leverage ratio denominator growth had a bigger impact than the € 217 million increase in Tier 1 capital. The denominator is the risk exposure amount as defined by the CRR. From September 2020 to 1 April 2022, the ECB allowed banks to exclude certain central bank exposures from the denominators of their leverage ratios as a temporary relief measure. The expiry of this measure explains the strong growth in the leverage ratio denominator in 2022. In table EU LR2 the deduction of central bank exposures was included the comparative figures in row 1. Row 31a includes the leverage ratio excluding the impact of the temporary exemption of certain central bank exposures from the leverage ratio denominator in the comparing figures.

The increase in Tier 1 capital was mainly the result of the issuance of € 0.3 billion in AT1 capital.

The 4.7% leverage ratio is well above the regulatory requirement of 3.0% and our target of at least 4.5%.

### EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) 2022

| | | a | a |
|---|---|---|---|
| | | CRR leverage ratio exposures | CRR leverage ratio exposures |
| | **in € millions** | **31-12-2022** | **31-12-2021** |
| **EU-1** | **Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:** | **69,769** | **60,286** |
| EU-2 | Trading book exposures | 25 | -- |
| EU-3 | Banking book exposures, of which: | 69,744 | 60,286 |
| EU-4 | Covered bonds | 556 | 217 |
| EU-5 | Exposures treated as sovereigns | 12,293 | 5,176 |
| EU-6 | Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns | 93 | 62 |
| EU-7 | Institutions | 6,314 | 3,260 |
| EU-8 | Secured by mortgages of immovable properties | 46,618 | 48,217 |
| EU-9 | Retail exposures | 121 | 124 |
| EU-10 | Corporates | 2,117 | 1,686 |
| EU-11 | Exposures in default | 518 | 598 |
| EU-12 | Other exposures (eg equity, securitisations, and other non-credit obligation assets) | 1,115 | 946 |

The increase in on-balance sheet exposure is mainly the result of increase in exposures treated as sovereigns by € 7.1 billion, mainly as a result of the expiry of the temporary measure to exclude certain central bank exposure. Furthermore, exposures to institutions increased by € 3.1 billion, used to optimise the return on excess liquidity. The decrease in exposures secured by mortgages of immovable properties by €1.6 billion was mainly the result of a decrease in IFRS fair value adjustments due to the increase in interest rates.

# 6 Liquidity requirements

As explained in Section 4.6.2 Management and control of the risk disclosures in the Integrated Annual Report, the Liquidity Coverage Ratio (LCR) is one of the instruments that we use to manage liquidity risk. The regular liquidity management process is also discussed in the risk disclosures in the Integrated Annual Report.

## 6.1 Liquidity risk management

Liquidity risk is the risk that de Volksbank, under normal circumstances as well as in times of stress, has insufficient liquid assets available in the short, medium or long term to meet its financial obligations without incurring unacceptable costs or losses. Liquidity risk also includes the situation in which the balance sheet structure develops in such a way that the bank suffers excessive exposure to a disruption of its funding sources.

Liquidity management supports the bank's strategy within our risk appetite.

### RISK PROFILE

De Volksbank has a strong liquidity position, enabling it to meet its financial obligations at all times. We manage our liquidity position such that it is able to absorb the consequences of bank-specific and market-wide stress factors, such as stress in the money and/or capital markets.

To fund our liquidity needs, we seek to diversify our funding sources in accordance with our funding strategy.

### RISK GOVERNANCE

De Volksbank's risk governance is based on the three lines of defence model (see Section 3.1 Institution risk management approach).

In terms of liquidity risk management, Hub Bankbalans (HBB) makes up the first line. Its main liquidity management responsibilities are to manage our liquidity profile with maximum efficiency within the risk appetite determined, and to raise funding in the money and capital markets.

Expertise Centre Risk (ECR) constitutes the second line. It sets frameworks and monitors whether these are complied with, provides advice and determines the liquidity adequacy.

The third line (the audit function) independently assesses the first and second lines' performance.

As the Executive Board has ultimate accountability for risk management within the risk management organisation, it therefore functions as an overarching Bank Risk Committee, which is supported by risk committees, with representatives from the first and second lines in each committee.

The Supervisory Board is charged with the supervision of the Executive Board and in that role is provided with advice by the Audit Committee, the Risk and Compliance Committee and the People and Organisation Committee.

### MANAGEMENT AND CONTROL LIQUIDITY RISK

De Volksbank centrally manages its liquidity position, cash flows and liquidity risks .
The risk management cycle as defined in Section 3.1 Institution risk management approach that is used to manage liquidity risk constitutes the Internal Liquidity Adequacy Assessment Process (ILAAP). This process is performed on a continuous basis, to monitor de Volksbank's liquidity profile and to ensure the timely awareness of developments that may require action. The objective of the ILAAP is to ensure appropriate coverage of all liquidity risk and control elements, and to evaluate how planned and expected developments could influence the adequacy of de Volksbank's liquidity profile. The risk management lifecycle applies to liquidity risk management in the following way:

1. Identification of liquidity risks: we continuously aim to identify all potential risks within the scope of liquidity management. For example, we perform an independent risk review of all relevant liquidity management-related proposals.
2. Assessment of liquidity risks: one element of the ILAAP is that we continuously assess the adequacy of our liquidity profile and liquidity risk management. ILAAP provides input for the ECB's Supervisory Review & Evaluation Process (SREP). We present the outcome of our assessment in the annual ILAAP Liquidity Adequacy Statement (LAS) report. We compare the current and expected risk profile with the risk limits that we have established. We not only use our findings to make adjustments to the actual liquidity profile, risk appetite, policy or guidelines, but also to improve the risk management process. Liquidity risk assessment within the liquidity risk management lifecycle also entails:
    - the annual recalibration of the liquidity management strategy. We lay down guidelines for a balance sheet structure with optimum efficiency from a liquidity risk perspective. In this process, we take account of the liquidity management objective, i.e. an adequate liquidity and funding profile.
    - the definition of actions in the capital and liquidity plan. We do this at least once a year, giving substance to the anticipated funding and liquidity needs ensuing from the Operational Plan. This plan has a multi-year horizon. To this end, we make forecasts of relevant risk indicators compared with the internal thresholds and work out various scenarios.
    - the updating of forecasts in the monthly Liquidity Adequacy Assessment Report (LAAR). The forecasts are updated every month based on the most recent insights and reported to the Asset and Liability Committee (ALCO). The LAAR

includes a LAS based on the current risk profile versus the risk thresholds and a forward-looking assessment.
   - regular stress testing to provide insight into the key vulnerabilities and to assess the resilience of the liquidity position to severe but plausible adverse (economic) conditions. The results are included in the LAAR.
   - drawing up a recovery plan and contingency plan for adverse circumstances. This plan contains possible measures to strengthen the liquidity position. An annual update of the recovery plan contributes to de Volksbank's continuity. For more information, see Section 4.1 Capital management and control.
3. Risk response to liquidity risks: every year, we determine the Risk Appetite Statement (RAS) for liquidity risk in conjunction with de Volksbank's general risk appetite and strategic objectives. To monitor liquidity risk, we use specific risk indicators and determine the level at which we feel comfortable on the basis of the liquidity risk appetite.
4. Monitoring liquidity risks: we monitor early warning indicators defined in the RAS for liquidity risk on a regular basis in the Treasury Committee. On top of this, the ALCO monitors the RAS indicators in the LAAR on a monthly basis.
5. Residual risk: because of (unexpected) balance sheet or regulatory developments, we may not be able to identify or fully manage liquidity risks at all times. By carrying out the liquidity risk management lifecycle, we aim to identify these risks and formulate a risk response.
6. Reporting liquidity risk indicators: we prepare regulatory and internal reports to measure, monitor and manage de Volksbank's liquidity profile on an ongoing basis.

**MANAGEMENT INSTRUMENTS**

### Liquidity position

In order to be able to instantly absorb unexpected increases in its liquidity need when necessary, de Volksbank maintains a liquidity position, including the central bank reserves. In addition, the liquidity position comprises a liquidity portfolio with unencumbered (highly) liquid investments that are eligible as ECB collateral and are registered in the DNB collateral pool. The investments included in our liquidity portfolio are required to meet our sustainability criteria.

Besides the central bank reserves, the liquidity position mainly consists of government bonds and bonds of de Volksbank's own securitisations, known as Residential Mortgage Backed Securities (RMBS), with underlying mortgages of de Volksbank. We determine the liquidity value of bonds in the liquidity position on the basis of the fair value of the bonds after applying the percentage haircuts as determined by the ECB.

### Liquidity stress testing

We test the robustness of the liquidity position by means of stress tests. To this end, we have defined various scenarios, of which the so-called combined severe stress test has the highest impact. In this scenario we take the following into account:

- a strong outflow of savings and current account balances;
- a lack of funding options in money and capital markets;
- a decline in the fair value of bonds in the liquidity position;
- additional collateral requirements in the event of a 3-notch downgrade in our credit rating;
- additional collateral requirements caused by margin requirements on derivatives;
- a possible liquidity outflow in the event that committed credit lines are drawn.

The objective of de Volksbank's liquidity management is to survive this severe stress scenario for a certain period of time. The impact of this stress scenario on the liquidity position therefore serves as input to determine and monitor de Volksbank's risk capacity and risk appetite.

We perform the combined severe stress test every month and review the stress test scenarios every year.

### Key liquidity ratios

The Liquidity Coverage Ratio (LCR) indicates whether we have adequate liquid assets to absorb a prescribed thirty-day stress scenario. The Net Stable Funding Ratio (NSFR) serves to determine the extent to which longer-term assets are financed with more stable forms of funding. Both liquidity standards are subject to a 100% regulatory minimum.

In addition to the LCR and NSFR, we manage the Loan-to-Deposit ratio and the degree of asset encumbrance. Whereas the liquidity position focuses on liquidity that is instantly available to function as counterbalancing capacity when necessary, we also manage liquidity with a short-term horizon through short-term loans and investments and money market funding. Apart from this, we monitor the liquidity that can potentially be generated from our assets. On this basis, we assess the extent to which we can absorb certain stress and extreme outflows of funds.

## LIQUIDITY POSITION

In 2022, the liquidity position remained substantially higher than de Volksbank's internal targets and regulatory requirements. De Volksbank aims to reduce the undesirable impact of excess liquidity on the bank's balance sheet.

The Loan-to-Deposit ratio, i.e. the ratio between loans outstanding and deposits attracted, increased to 90% at year-end 2022, from 86% at year-end 2021. This increase was driven by € 1.2 billion loan growth accompanied by a € 0.9 billion reduction in deposits. The latter is mainly explained by the outflow of mono savings customers following the introduction of a Basic Banking package as from 1 July 2022 for SNS and RegioBank customers and as from 1 October 2022 for ASN Bank customers.

### Liquidity position

| in € millions | 2022 | 2021 |
|---|---|---|
| Central bank reserves | 8,309 | 10,707 |
| Sovereigns | 324 | 1,780 |
| Regional/local governments and Supranationals | 1,641 | 1,567 |
| Other liquid assets | 1,215 | 618 |
| Eligible retained RMBS | 5,719 | 7,898 |
| **Liquidity position** | **17,208** | **22,570** |

This table provides an overview of the instantly available liquidity position from an internal perspective which differs from the regulatory perspective for the liquidity buffer in accordance with Annex I of EU Regulation 2015/61. The liquidity position includes amongst others ECB-eligible retained RMBS notes that are registered in the DNB collateral pool, and which could be pledged to obtain central bank funding, thereby serving as additional counterbalancing capacity when necessary. As a result, the liquidity position differs from the liquidity buffer used in the LCR disclosure template.

The liquidity position amounted to € 17.2 billion as at 31 December 2022 (2021: € 22.6 billion).

Besides the change in loans and deposits, cashflows in 2022 mainly came from capital market funding developments, the redemption of € 0.8 billion TLTRO-III funding from the ECB and a € 2.2 billion decrease in the net cash collateral position related to derivative positions driven by an increase in the interest rate curve. Although cash inflows were comparable with cash outflows in 2022, central bank reserves decreased from € 10.7 billion to € 8.3 billion as we invested more available liquidity in the money market. As at 31 December 2022, € 6.3 billion in assets had been invested for cash management purposes (year-end 2021: € 4.0 billion), of which € 3.1 billion was held at Swiss banks (year-end 2021: € 2.1 billion) and was therefore not included in the central bank reserves.

The liquidity value of bonds in the DNB collateral pool at year-end 2022 amounted to € 8.9 billion (2021: € 11.9 billion), of which:

- The liquidity value of eligible retained RMBS declined to € 5.7 billion (year-end 2021: € 7.9 billion), mainly due to the call and non-replacement of the Lowland 4 transaction, partly offset by a release of encumbrance after the redemption of the TLTRO-III funding from the ECB;
- The value of other liquid assets in the liquidity position decreased by € 0.8 billion. This is predominantly because a higher amount of sovereign bonds was not registered in the DNB collateral pool as at year-end 2022 in comparison with year-end 2021. These sovereign bonds were ring-fenced for other purposes, such as possible repo transactions.

# 6.2 Liquidity Coverage Ratio

### EU LIQ1 - Quantitative information of LCR

| | **Consolidated** | **a** | **b** | **c** | **d** | **e** | **f** | **g** | **h** |
|---|---|---|---|---|---|---|---|---|---|
| | **In € millions** | **Total unweighted value (average)** | | | | **Total weighted value (average)** | | | |
| **EU-1a** | **Quarter ending on (DD Month YYY)** | **31-12-2022** | **30-9-2022** | **30-6-2022** | **31-3-2022** | **31-12-2022** | **30-9-2022** | **30-6-2022** | **31-3-2022** |
| EU-1b | Number of data points used in the calculation of averages | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| **HIGH-QUALITY LIQUID ASSETS** | | | | | | | | | |
| **1** | **Total high-quality liquid assets (HQLA)** | | | | | **12,559** | **13,355** | **13,863** | **13,079** |
| **CASH - OUTFLOWS** | | | | | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 54,705 | 54,742 | 54,403 | 53,502 | 2,977 | 2,992 | 2,990 | 2,956 |
| 3 | *Stable deposits* | *48,424* | *48,157* | *47,464* | *46,306* | *2,421* | *2,408* | *2,373* | *2,315* |
| 4 | *Less stable deposits* | *4,963* | *5,231* | *5,549* | *5,771* | *556* | *584* | *617* | *641* |
| 5 | Unsecured wholesale funding | 2,162 | 2,175 | 2,090 | 1,982 | 1,222 | 1,239 | 1,178 | 1,095 |
| 6 | *Operational deposits (all counterparties) and deposits in networks of cooperative banks* | - | - | - | - | - | - | - | - |
| 7 | *Non-operational deposits (all counterparties)* | *2,078* | *2,098* | *2,022* | *1,930* | *1,138* | *1,161* | *1,109* | *1,043* |
| 8 | *Unsecured debt* | *84* | *77* | *69* | *52* | *84* | *77* | *69* | *52* |
| 9 | Secured wholesale funding | | | | | 6 | 6 | 5 | 6 |
| 10 | Additional requirements | 1,756 | 1,664 | 1,576 | 1,548 | 1,215 | 1,117 | 1,025 | 994 |
| 11 | *Outflows related to derivative exposures and other collateral requirements* | *1,157* | *1,058* | *967* | *936* | *1,157* | *1,058* | *967* | *936* |
| 12 | *Outflows related to loss of funding on debt products* | *3* | *3* | *2* | *2* | *3* | *3* | *2* | *2* |
| 13 | *Credit and liquidity facilities* | *597* | *603* | *606* | *610* | *55* | *56* | *56* | *55* |
| 14 | Other contractual funding obligations | 695 | 716 | 710 | 667 | 638 | 659 | 654 | 612 |
| 15 | Other contingent funding obligations | 2,041 | 2,075 | 2,136 | 2,064 | 490 | 499 | 553 | 553 |
| **16** | **Total cash outflows** | | | | | **6,547** | **6,511** | **6,405** | **6,216** |
| **CASH - INFLOWS** | | | | | | | | | |
| 17 | Secured lending (e.g. reverse repos) | 1 | 1 | 1 | 2 | - | - | - | - |
| 18 | Inflows from fully performing exposures | 3,272 | 2,918 | 2,151 | 1,838 | 3,124 | 2,747 | 2,008 | 1,687 |
| 19 | Other cash inflows | 234 | 238 | 240 | 147 | 234 | 238 | 240 | 147 |
| EU-19a | (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies) | | | | | - | - | - | - |
| EU-19b | (Excess inflows from a related specialised credit institution) | | | | | - | - | - | - |
| **20** | **Total cash inflows** | **3,507** | **3,157** | **2,392** | **1,987** | **3,357** | **2,985** | **2,248** | **1,834** |
| EU-20a | *Fully exempt inflows* | - | - | - | - | - | - | - | - |
| EU-20b | *Inflows subject to 90% cap* | - | - | - | - | - | - | - | - |
| EU-20c | *Inflows subject to 75% cap* | *3,507* | *3,157* | *2,392* | *1,987* | *3,357* | *2,985* | *2,248* | *1,834* |
| **TOTAL ADJUSTED VALUE** | | | | | | | | | |
| **EU-21** | **Liquidity buffer** | | | | | **12,559** | **13,355** | **13,863** | **13,079** |
| **22** | **Total net cash outflows** | | | | | **3,309** | **3,602** | **4,157** | **4,382** |
| **23** | **Liquidity coverage ratio**[1] | | | | | **427.29%** | **403.14%** | **340.77%** | **307.66%** |

1 The figures in this table are calculated using the reported supervisory values and figures for each of the four calendar quarters (January-March, April-June, July-September, October-December) preceding the disclosure date. The values and figures in the table are calculated as the simple averages of month-end observations over the twelve months preceding the end of each quarter. Following this approach, the LCR cannot be calculated using the figures in the table.

The LCR remained well above the regulatory minimum of 100%. In the table above, LCR as per year-end 2022 is calculated as the simple average of the preceding twelve month-end observations. As at 31 December 2022, the LCR stood at 233% (year-end 2021: 324%).

Fundamental changes in the LCR are mainly driven by net cash flows resulting from loan growth, deposit changes, capital market funding developments and the net cash collateral position related to derivative positions. However, the resulting net cash impact is not necessarily reflected in actual withdrawable central bank reserves as part of high-quality liquid assets, because de Volksbank invests part of its available liquidity with several counterparties in the money market. These cash management choices affect the liquidity in scope of the 30-day LCR window via both high-quality liquid assets and cash inflows within 30 days.

### QUALITATIVE INFORMATION ON LCR

In line with the EBA guidelines on LCR disclosure, information is provided below on:

- Funding strategy;
- Counterparty risk on derivative positions;
- Currency risk;
- A description of the degree of centralisation of liquidity management.

#### Funding strategy

Our funding strategy supports de Volksbank’s overall strategy.

Retail savings are de Volksbank’s main source of funding. Through our brands, we attract term deposits, demand deposits and current account balances from retail customers. We also attract savings deposits and current account balances from SME customers. In 2022, customer deposits declined to € 56.6 billion, from € 57.6 billion at year-end 2021.

The objective of our funding strategy is to optimise the bank’s liquidity and funding profile and to ensure access to diversified funding sources to maintain the bank’s long-term funding position.

Hence, in addition to savings deposits and current account balances, we also attract funding from the capital markets. For regulatory and funding diversification reasons, this funding is attracted through various funding instruments with different terms and investor types spread over regions.

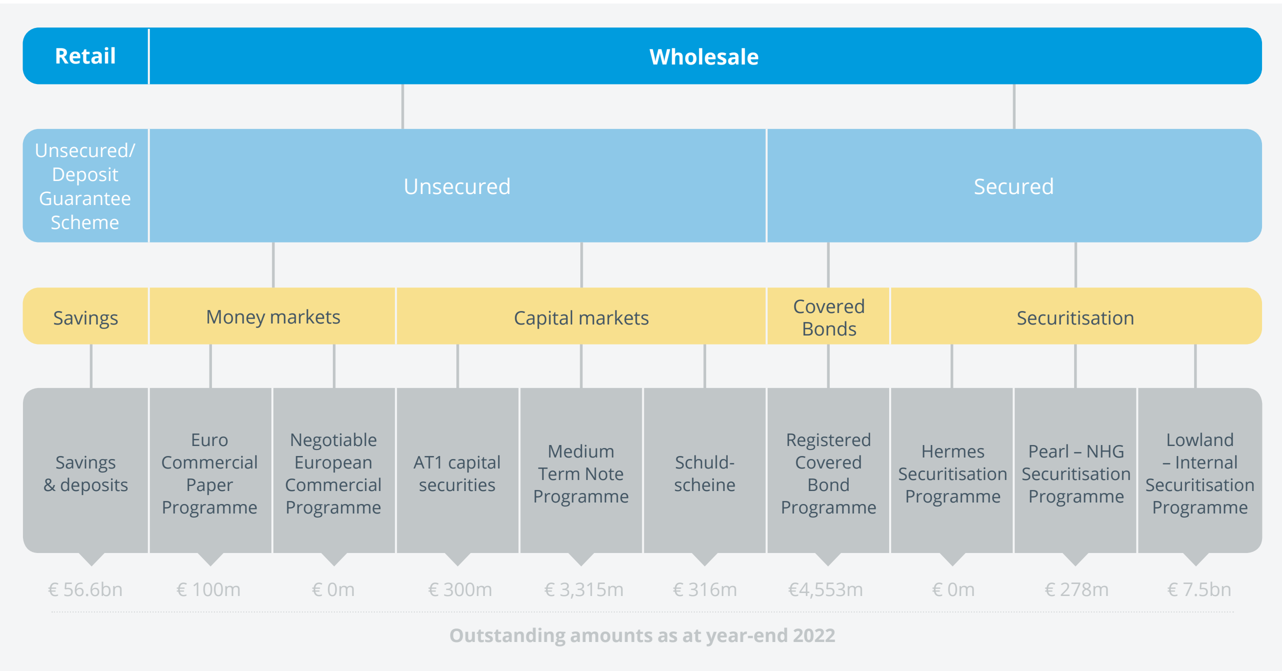
In addition to (subordinated) capital market funding to strengthen the bank's capital and MREL position, de Volksbank issues capital market funding with maturities over one year through:

- senior (unsubordinated) unsecured debt;
- (mortgage) securitisations (RMBS);
- covered bonds.

The covered bond programme not only permits the issue of public covered bonds but also of private placements.

We issue funding with a term of up to one year in the money markets via its Euro Commercial Paper (ECP) and Negotiable European Commercial Paper (NEUCP) programmes.

The overview below presents the various public funding programmes, including maximum amounts and outstanding nominal value available to de Volksbank at year-end 2022. The overview also includes other important funding sources.



### Counterparty risk on derivative positions

De Volksbank enters into money and capital market transactions with various financial institutions. This also includes derivative transactions for the hedging of interest rate and currency risks. Here, the bank runs the risk that the counterparty to a transaction defaults before the final settlement of the cashflows associated with the transaction has taken place. In line with common market practices, de Volksbank has several risk mitigating mechanisms in place, such as netting, margining and guarantees. De Volksbank clears derivative transactions as much as possible via central clearing to mitigate counterparty credit risk. See Chapter 8 Counterparty credit risk for more details.

### Currency risk

The currency risk is minimised by effecting most of our foreign currency exposures through the trading book, where currency risk is managed on a day-to-day basis. As a result, there is no currency mismatch in the LCR.

### Degree of centralisation of liquidity management

De Volksbank supports the brands by means of centrally managed mid and back offices and staff departments and has a central liquidity management function.

### Potential collateral deposit

In the event of a 3-notch downgrade of the bank's credit rating, we would have to deposit additional collateral totalling € 156 million with counterparties (2021: €196 million). We include this potential collateral deposit as an outflow in the LCR and the combined severe liquidity stress test.

### Management statement

The management statement on the adequacy of risk management for liquidity is included in the overall statement in Section 1.2 Key figures and Management statement.

## 6.3 Encumbered and unencumbered assets

The level of asset encumbrance provides insight into the amount of assets that have been pledged or are subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which they cannot be freely withdrawn.

There is no difference between the regulatory consolidation scope used for the purpose of the disclosures on all asset encumbrance information and the accounting scope of consolidation. For more information reference is made to Section 1.3 Consolidation scope and 1.4 Scope of application.

### IMPORTANCE OF ASSET ENCUMBRANCE

De Volksbank's main sources of funding are savings deposits and current account balances. In addition, we attract funding from the capital market through various funding instruments, as explained in more detail in Section 6.2 Liquidity Coverage Ratio - Funding strategy. These funding instruments include secured debt instruments such as covered bonds and securitisations. We have encumbered a limited part of our loan portfolio in these secured transactions. Other sources that contribute to asset encumbrance are the margining of derivative exposures to manage interest rate risk, a savings-based mortgage arrangement with Athora Netherlands and mandatory minimum reserve requirements.

### TOTAL ENCUMBERED ASSETS

Based on the median of the four quarters, € 9.0 billion of the assets was encumbered during 2022 (2021: € 9.4 billion). At year-end 2022, € 8.9 billion of the assets was encumbered (2021: € 9.3 billion), mainly on account of:

- outstanding covered bonds;
- collateral deposited in connection with derivative transactions;
- a savings-based mortgage arrangement with Athora Netherlands;
- outstanding securitisations;
- cash reserve requirements;
- repo transactions;
- foreign exchange transactions;
- payment transactions.

The decrease in 2022 was primarily due to the redemption of the TLTRO-III funding from the ECB.

At year-end 2022, the total amount of liabilities related to total encumbered assets stood at € 7.1 billion (2021: € 7.7 billion).

### UNENCUMBERED ASSETS

The unencumbered part of the assets amounted to € 64.2 billion at year-end 2022 and may partly be converted into cash, for example through a securitisation. Securitised mortgages of which the bank itself holds the bonds are considered to be unencumbered, except if these bonds are used as collateral, for instance in a repurchase transaction.

### EU AE1 - Encumbered and unencumbered assets 2022[1]

| | | Carrying amount of encumbered assets | | Fair value of encumbered assets | | Carrying amount of unencumbered assets | | Fair value of unencumbered assets | |
|---|---|---|---|---|---|---|---|---|---|
| | | | of which notionally eligible EHQLA and HQLA | | of which notionally eligible EHQLA and HQLA | | of which EHQLA and HQLA | | of which EHQLA and HQLA |
| | **in € millions** | **010** | **030** | **040** | **050** | **060** | **080** | **090** | **100** |
| **010** | **Assets of the disclosing institution** | **9,012** | **624** | | | **65,052** | **4,555** | | |
| 030 | Equity instruments | - | - | - | - | 9 | - | 9 | - |
| 040 | Debt securities | 637 | 624 | 638 | 625 | 4,858 | 4,555 | 4,829 | 4,533 |
| 050 | *of which: covered bonds* | - | - | - | - | 370 | 370 | 363 | 363 |
| 060 | *of which: securitisations* | - | - | - | - | 61 | 55 | 61 | 55 |
| 070 | *of which: issued by general governments* | 518 | 518 | 519 | 519 | 3,066 | 2,957 | 3,051 | 2,954 |
| 080 | *of which: issued by financial corporations* | 112 | 109 | 112 | 109 | 1,263 | 1,188 | 1,252 | 1,175 |
| 090 | *of which: issued by non-financial corporations* | 20 | - | 21 | - | 443 | 384 | 445 | 381 |
| 120 | Other assets | 8,297 | - | | | 60,282 | - | | |

1 The figures are based on the median value of the four quarters in the financial year. This is in contrast to the figures in the text which are year-end figures.

Encumbered assets included in row 120 in table EU-AE1 (Other assets) mainly include loans to customers encumbered on account of our outstanding debt securities, savings premiums received in savings mortgage arrangements, and loans encumbered for foreign exchange and payment transactions.

Furthermore, it includes cash collateral pledged to collateralise derivative transactions and mandatory cash reserve requirements.

The asset encumbrance ratio at year-end 2022 amounts to 12.2% (2021: 12.9%).

## EU AE1 - Encumbered and unencumbered assets 2021[1]

| | | Carrying amount of encumbered assets | | Fair value of encumbered assets | | Carrying amount of unencumbered assets | | Fair value of unencumbered assets | |
|---|---|---|---|---|---|---|---|---|---|
| | | | of which notionally eligible EHQLA and HQLA | | of which notionally eligible EHQLA and HQLA | | of which EHQLA and HQLA | | of which EHQLA and HQLA |
| | in € millions | 010 | 030 | 040 | 050 | 060 | 080 | 090 | 100 |
| 010 | **Assets of the disclosing institution** | **9,394** | **599** | | | **61,423** | **4,788** | | |
| 030 | Equity instruments | -- | -- | -- | -- | 8 | -- | 8 | -- |
| 040 | Debt securities | 627 | 599 | 637 | 608 | 4,911 | 4,788 | 4,936 | 4,788 |
| 050 | *of which: covered bonds* | -- | -- | -- | -- | 200 | 200 | 200 | 200 |
| 060 | *of which: securitisations* | -- | -- | -- | -- | 50 | 50 | 50 | 50 |
| 070 | *of which: issued by general governments* | 471 | 471 | 479 | 479 | 3,691 | 3,661 | 3,711 | 3,667 |
| 080 | *of which: issued by financial corporations* | 136 | 129 | 136 | 129 | 966 | 904 | 967 | 903 |
| 090 | *of which: issued by non-financial corporations* | 21 | -- | 22 | -- | 254 | 207 | 258 | 206 |
| 120 | Other assets | 8,801 | -- | | | 56,505 | -- | | |

1 The figures are based on the median value of the four quarters in the financial year. This is in contrast to the figures in the text which are year-end figures.

## EU AE2 - Collateral received and own debt securities issued 2022[1]

| | | | | Unencumbered | |
|---|---|---|---|---|---|
| | | Fair value of encumbered collateral received or own debt securities issued | | Fair value of collateral received or own debt securities issued available for encumbrance | |
| | | | of which notionally eligible EHQLA and HQLA | | of which EHQLA and HQLA |
| | in € millions | 010 | 030 | 040 | 060 |
| 130 | **Collateral received by the disclosing institution** | - | - | - | - |
| 240 | **Own debt securities issued other than own covered bonds or securitisations** | - | - | - | - |
| 241 | **Own covered bonds and securitisations issued and not yet pledged** | | | **7,366** | - |
| 250 | **TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED** | **9,012** | **624** | | |

1 The figures are based on the median value of the four quarters in the financial year. This is in contrast to the figures in the text which are year-end figures.

The decrease in own covered bonds and securitisations issued and not yet pledged is mainly due to the call and non-replacement of the Lowland Mortgage Backed Securities (Lowland) 4 transaction.

## EU AE2 - Collateral received and own debt securities issued 2021[1]

| | | | | Unencumbered | |
|---|---|---|---|---|---|
| | | Fair value of encumbered collateral received or own debt securities issued | | Fair value of collateral received or own debt securities issued available for encumbrance | |
| | | | of which notionally eligible EHQLA and HQLA | | of which EHQLA and HQLA |
| | in € millions | 010 | 030 | 040 | 060 |
| 130 | Collateral received by the reporting institution | -- | -- | -- | -- |
| 240 | Own debt securities issued other than own covered bonds or asset-backed securities | -- | -- | -- | -- |
| 241 | Own covered bonds and asset-backed securities issued and not yet pledged | | | 10,253 | -- |
| 250 | TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED | 9,399 | 608 | | |

1 The figures are based on the median value of the four quarters in the financial year. This is in contrast to the figures in the text which are year-end figures.

## EU AE3 - Sources of encumbrance 2022[1]

| | | Matching liabilities, contingent liabilities or securities lent | Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered |
|---|---|---|---|
| | in € millions | 010 | 030 |
| 010 | Carrying amount of selected financial liabilities | 7,191 | 7,988 |

1 The figures are based on the median value of the four quarters in the financial year. This is in contrast to the figures in the text which are year-end figures.

The carrying amount of encumbered assets presented in table EU-AE3 are associated with derivative liabilities, collateralised deposits (including repurchase agreements) and debt securities issued. The decrease compared to year-end 2021 is mainly due to the redemption of € 0.8 billion TLTRO-III funding from the ECB.

## EU AE3 - Sources of encumbrance 2021[1]

| | | Matching liabilities, contingent liabilities or securities lent | Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered |
|---|---|---|---|
| | in € millions | 010 | 030 |
| 010 | Carrying amount of selected financial liabilities | 7,758 | 8,377 |

1 The figures are based on the median value of the four quarters in the financial year. This is in contrast to the figures in the text which are year-end figures.

## 6.4 Net Stable Funding Ratio

As of 28 June 2021, the amended Capital Requirements Regulation (CRR) requires all financial institutions to maintain a minimum Net Stable Funding Ratio (NSFR) of 100%.

### EU LIQ2 - Net Stable Funding Ratio 31 December 2022

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Unweighted value by residual maturity | | | | |
| | **In € millions** | **No maturity** | **< 6 months** | **6 months to < 1yr** | **≥ 1yr** | **Weighted value** |
| | **AVAILABLE STABLE FUNDING (ASF) ITEMS** | | | | | |
| 1 | Capital items and instruments | **3,555** | **-** | **-** | **500** | **4,055** |
| 2 | *Own funds* | 3,555 | - | - | 500 | 4,055 |
| 3 | *Other capital instruments* | | - | - | - | - |
| 4 | Retail deposits | | **52,593** | **51** | **1,157** | **50,932** |
| 5 | *Stable deposits* | | 47,859 | 44 | 1,100 | 46,608 |
| 6 | *Less stable deposits* | | 4,734 | 6 | 57 | 4,324 |
| 7 | Wholesale funding: | | **2,473** | **93** | **8,462** | **9,244** |
| 8 | *Operational deposits* | | - | - | - | - |
| 9 | *Other wholesale funding* | | 2,473 | 93 | 8,462 | 9,244 |
| 10 | Interdependent liabilities | | **-** | **-** | **-** | **-** |
| 11 | Other liabilities: | **-** | **269** | **2** | **406** | **407** |
| 12 | *NSFR derivative liabilities* | - | | | | |
| 13 | *All other liabilities and capital instruments not included in the above categories* | | 269 | 2 | 406 | 407 |
| **14** | **Total available stable funding (ASF)** | | | | | **64,637** |
| | **Required stable funding (RSF) Items** | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | | | | | **345** |
| EU-15a | Assets encumbered for a residual maturity of one year or more in a cover pool | | **33** | **37** | **5,127** | **4,418** |
| 16 | Deposits held at other financial institutions for operational purposes | | **-** | **-** | **-** | **-** |
| 17 | Performing loans and securities: | | **5,440** | **1,678** | **42,415** | **30,665** |
| 18 | *Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut* | | - | - | - | - |
| 19 | *Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions* | | 4,260 | 1,185 | 636 | 1,655 |
| 20 | *Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:* | | 813 | 91 | 1,656 | 1,802 |
| 21 | *With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk* | | 44 | 39 | 1,103 | 785 |
| 22 | *Performing residential mortgages, of which:* | | 346 | 401 | 39,829 | 26,945 |
| 23 | *With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk* | | 321 | 375 | 38,491 | 25,916 |
| 24 | *Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products* | | 21 | | 294 | 262 |
| 25 | Interdependent assets | | **-** | **-** | **-** | **-** |
| 26 | Other assets: | - | **1,453** | **112** | **993** | **1,676** |
| 27 | *Physical traded commodities* | | | | - | - |
| 28 | *Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs* | | 663 | 109 | 237 | 857 |
| 29 | *NSFR derivative assets* | | 22 | | | 22 |
| 30 | *NSFR derivative liabilities before deduction of variation margin posted* | | 117 | | | 6 |
| 31 | *All other assets not included in the above categories* | | 651 | 3 | 755 | 791 |
| 32 | Off-balance sheet items | | **585** | **-** | **-** | **36** |
| **33** | **Total RSF** | | | | | **37,140** |
| **34** | **Net Stable Funding Ratio (%)** | | | | | **174.04%** |

For more information on our funding strategy see Section 6.2 Liquidity Coverage Ratio.

Required stable funding mainly stems from our residential mortgage portfolio. Part of our mortgage portfolio is encumbered mainly on account of outstanding covered bonds. For more information see Section 6.3 Encumbered and unencumbered assets.

De Volksbank has no interdependent assets and liabilities in accordance with Article 428f CRR.

## EU LIQ2 - Net Stable Funding Ratio 30 September 2022

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Unweighted value by residual maturity | | | | |
| **In € millions** | | **No maturity** | **< 6 months** | **6 months to < 1yr** | **≥ 1yr** | **Weighted value** |
| **AVAILABLE STABLE FUNDING (ASF) ITEMS** | | | | | | |
| 1 | Capital items and instruments | **3,585** | **-** | **-** | **500** | **4,085** |
| 2 | *Own funds* | 3,585 | - | - | 500 | 4,085 |
| 3 | *Other capital instruments* | | - | - | - | - |
| 4 | Retail deposits | | **52,939** | **47** | **1,179** | **51,282** |
| 5 | *Stable deposits* | | 48,248 | 42 | 1,116 | 46,992 |
| 6 | *Less stable deposits* | | 4,691 | 5 | 63 | 4,289 |
| 7 | Wholesale funding: | | **2,381** | **640** | **8,491** | **9,541** |
| 8 | *Operational deposits* | | - | - | - | - |
| 9 | *Other wholesale funding* | | 2,381 | 640 | 8,491 | 9,541 |
| 10 | Interdependent liabilities | | **-** | **-** | **-** | **-** |
| 11 | Other liabilities: | **123** | **277** | **5** | **345** | **348** |
| 12 | *NSFR derivative liabilities* | 123 | | | | |
| 13 | *All other liabilities and capital instruments not included in the above categories* | | 277 | 5 | 345 | 348 |
| **14** | **Total available stable funding (ASF)** | | | | | **65,255** |
| **Required stable funding (RSF) Items** | | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | | | | | **436** |
| EU-15a | Assets encumbered for a residual maturity of one year or more in a cover pool | | **-** | **-** | **5,203** | **4,423** |
| 16 | Deposits held at other financial institutions for operational purposes | | **-** | **-** | **-** | **-** |
| 17 | Performing loans and securities: | | **7,510** | **1,651** | **42,294** | **30,639** |
| 18 | *Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut* | | - | - | - | - |
| 19 | *Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions* | | 6,577 | 1,207 | 651 | 1,912 |
| 20 | *Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:* | | 528 | 33 | 1,677 | 1,583 |
| 21 | *With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk* | | 4 | 4 | 1,190 | 793 |
| 22 | *Performing residential mortgages, of which:* | | 370 | 411 | 39,820 | 26,987 |
| 23 | *With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk* | | 346 | 386 | 38,611 | 26,032 |
| 24 | *Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products* | | 35 | - | 146 | 157 |
| 25 | Interdependent assets | | **-** | **-** | **-** | **-** |
| 26 | Other assets: | - | **1,503** | **83** | **1,142** | **1,649** |
| 27 | *Physical traded commodities* | | | | - | - |
| 28 | *Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs* | | 459 | 80 | 318 | 728 |
| 29 | *NSFR derivative assets* | | - | | | - |
| 30 | *NSFR derivative liabilities before deduction of variation margin posted* | | 362 | | | 18 |
| 31 | *All other assets not included in the above categories* | | 682 | 3 | 824 | 903 |
| 32 | Off-balance sheet items | | **590** | **-** | **-** | **39** |
| **33** | **Total RSF** | | | | | **37,185** |
| **34** | **Net Stable Funding Ratio (%)** | | | | | **175.49%** |

## EU LIQ2 - Net Stable Funding Ratio 31 December 2021

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Unweighted value by residual maturity | | | | |
| | **In € millions** | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | Weighted value |
| | **AVAILABLE STABLE FUNDING (ASF) ITEMS** | | | | | |
| 1 | Capital items and instruments | **3,362** | **-** | **-** | **500** | **3,862** |
| 2 | *Own funds* | 3,362 | - | - | 500 | 3,862 |
| 3 | *Other capital instruments* | | - | - | - | - |
| 4 | Retail deposits | | **53,216** | **79** | **1,238** | **51,582** |
| 5 | *Stable deposits* | | 47,463 | 72 | 1,173 | 46,333 |
| 6 | *Less stable deposits* | | 5,753 | 7 | 65 | 5,249 |
| 7 | Wholesale funding: | | **3,083** | **325** | **8,553** | **9,469** |
| 8 | *Operational deposits* | | - | - | - | - |
| 9 | *Other wholesale funding* | | 3,083 | 325 | 8,553 | 9,469 |
| 10 | Interdependent liabilities | | **-** | **-** | **-** | **-** |
| 11 | Other liabilities: | **35** | **359** | **9** | **249** | **253** |
| 12 | *NSFR derivative liabilities* | 35 | | | | |
| 13 | *All other liabilities and capital instruments not included in the above categories* | | 359 | 9 | 249 | 253 |
| **14** | **Total available stable funding (ASF)** | | | | | **65,166** |
| | **Required stable funding (RSF) Items** | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | | | | | **268** |
| EU-15a | Assets encumbered for a residual maturity of one year or more in a cover pool | | **-** | **-** | **4,928** | **4,188** |
| 16 | Deposits held at other financial institutions for operational purposes | | **-** | **-** | **-** | **-** |
| 17 | Performing loans and securities: | | **4,261** | **843** | **43,023** | **30,421** |
| 18 | *Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut* | | - | - | - | - |
| 19 | *Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions* | | 3,019 | 468 | 223 | 759 |
| 20 | *Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:* | | 837 | 19 | 2,080 | 2,074 |
| 21 | *With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk* | | 8 | 7 | 1,259 | 844 |
| 22 | *Performing residential mortgages, of which:* | | 337 | 349 | 40,642 | 27,476 |
| 23 | *With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk* | | 318 | 330 | 39,586 | 26,668 |
| 24 | *Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products* | | 68 | 7 | 78 | 112 |
| 25 | Interdependent assets | | **-** | **-** | **-** | **-** |
| 26 | Other assets: | - | **1,191** | **3** | **2,003** | **2,086** |
| 27 | *Physical traded commodities* | | | | - | - |
| 28 | *Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs* | | 113 | - | 388 | 426 |
| 29 | *NSFR derivative assets* | | - | | | - |
| 30 | *NSFR derivative liabilities before deduction of variation margin posted* | | 540 | | | 27 |
| 31 | *All other assets not included in the above categories* | | 538 | 3 | 1,615 | 1,633 |
| 32 | Off-balance sheet items | | **583** | **-** | **-** | **38** |
| **33** | **Total RSF** | | | | | **37,001** |
| **34** | **Net Stable Funding Ratio (%)** | | | | | **176.12%** |

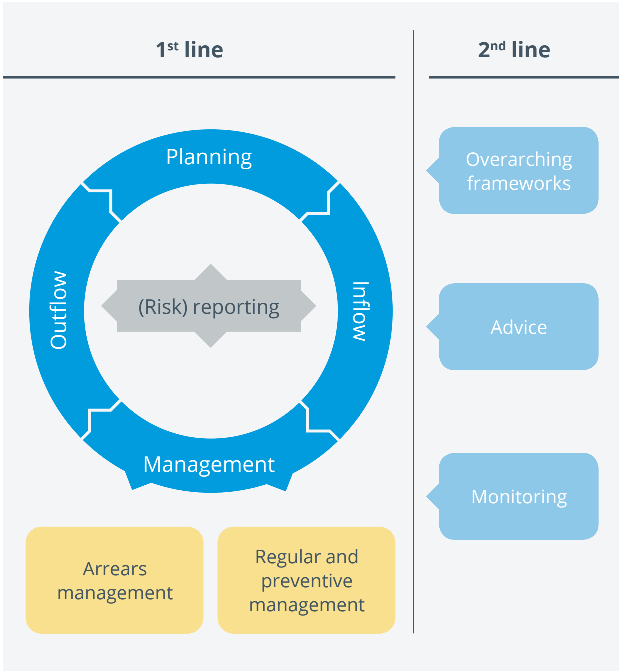
# 7 Credit risk

## 7.1 Credit risk quality

### 7.1.1 General qualitative information regarding credit risk

As part of credit risk management, we internally assess and monitor the credit standing of our customers and counterparties. In this process we estimate the probability of our customers being unable to meet their contractual payment obligations arising from the loan agreement, as such inability could result in a potential financial loss for the bank.

At portfolio level, we also steer the risk by defining the desired credit quality of new loans and the status of the healthy loans versus the loans in arrears, and by monitoring the outflow. For a visual representation of de Volksbank's credit risk management process, see the diagram below.




**REPORTING**

De Volksbank has a comprehensive credit risk monitoring framework allowing it to monitor, analyse and manage the credit risk at risk appetite level.

The responsibility for credit risk reporting lies with first line and second line risk management. The first line monitors portfolio developments to keep the risk for which it is accountable within the risk appetite. The second line develops credit risk reports which provide comprehensive insight into the level of credit risk and gives a timely warning in case the quality of the portfolio deteriorates in terms of credit risk. The first and second lines hold monthly meetings in which they discuss portfolio developments as well as various credit risk aspects, including insights gained from the credit risk reports.

The credit risk reports are periodically submitted to the Credit Committee, the Executive Committee and the Risk and Compliance Committee of the Supervisory Board.

**LOAN PORTFOLIOS**

**Residential mortgages**

When providing a new mortgage loan, we apply internal standards, which are in line with the applicable legal frameworks, such as a customer's income and the collateral value. We also use the acceptance scorecard to predict whether customers are able to comply with their long-term obligations.

We have examined whether we should take additional measures in response to rising energy costs. We exercise care in providing tailor-made solutions to rising energy costs to ensure that customers have responsible financing now and in the future.

Interest-only mortgages

In 2022, de Volksbank also paid special attention to the interest-only mortgage sub-portfolio through the programme entitled 'Customers want to continue living carefree in their home'. As part of this programme, we contact all customers with interest-only mortgages to assess their financial situation at maturity.

We continuously monitor interest-only mortgage customers' credit risk profile in order to identify customers who fall into a higher risk category in a timely manner and contact them proactively. In conversations with customers, we try to ascertain whether it is likely that the mortgage, on the basis of their income, can be refinanced at maturity and whether they have built up enough funds to pay off all - or part - of their mortgage at the end of the term.

In 2022, in interaction with the European Central Bank, we explored additional de-risking measures for interest-only mortgages in the Netherlands. These measures may result in further scrutiny of future loan volume development, impairment charges and capital.

Residential mortgage loans consisting of 100% interest-only mortgages amount to €9.6 billion per year end 2022 (20% of our residential mortgages). Partial interest-only mortgages[4] amount to €13.2 billion per year-end 2022 (27% of our residential mortgages).

Preventive management and Arrears management for retail customers

De Volksbank regards customer trust as the basis for a long-term relationship. We manage the credit risk through an active and specific policy for customers who are in arrears or are expected to fall into arrears within 12 months. If there is reason to doubt the

4 Besides an interest-only loan part, customers also have a loan part with a repayment, such as with annuity or linear repayments.

ability of a customer to fulfil his or her obligation to the bank in accordance with the agreed terms, the Preventive Management department contacts the customer. After examining the situation, Preventive Management assesses if a solution needs to be found for the customer, if offering a consultation with a financial coach is a possibility, and if such a solution is within the commercial mandate. If this is not the case, the customer is transferred to the Arrears Management department.

Customers experiencing financial difficulties come under the responsibility of the Arrears Management department. This pertains to customers with mortgages as well as to customers with private loans or current accounts . It is important that customers are aware of what they can and should expect from the Arrears Management department. In this regard, Arrears Management applies eight service promises, which are set out on de Volksbank's website and through individual communication to customers.

If the arrears exceed 30 days, or if the risk of financial instability rises, a customer is assigned to a case handler. Our starting point is that customers can stay in their homes and continue to make their (mortgage) payments. To this end, the Arrears Management department also arranges home visits by a dedicated customer visitor to ensure that there are low-barrier options for customers to engage in a dialogue about their financial difficulties.

To prevent an accumulation of payment problems, or in situations in which the loan has to be called in early, we may have to apply a forbearance measure. This is a non-commercial concession: an arrangement with the customer entailing a temporary or permanent modification of the loan, the terms and conditions of the loan and/or payment conditions. If customers are truly unable to meet their obligations, we consult with them and may agree on a payment or restructuring measure.

If no solution is found to resolve the financial difficulties, we support customers in selling their home. De Volksbank constantly stays in touch with the customer, to preserve a good relationship. We do not engage debt collection agencies and only engage a bailiff if we fail to reach a mutual long-term solution, even though the customer has the necessary financial resources, because using external parties' services drives up the costs for the customer, worsening his or her financial problems.

At year-end 2022, there are few customers - who fell into acute financial distress due to the Covid-19 outbreak - left in the portfolio of the Arrears Management department, and the number of customers requiring assistance has returned to pre-Covid-19 levels.

The deteriorating macroeconomic conditions due to i.e. rising inflation has led to an increased number of customers being transferred to the Arrears Management department as from early 2022. However, most of these customers were able to recover on their own. The number of customers requiring the assistance of case handlers has, therefore, not increased.

The solutions applied by de Volksbank are still adequate to help customers solve their financial problems. In 2023, de Volksbank will continue to keep a close eye on market developments with regard to customers who need assistance , and will continuously monitor whether the (forbearance) measures remain appropriate when confronted with changing circumstances.

### Consumer loans

Our consumer loan portfolio consists of personal loans, revolving credit facilities and overdraft facilities, i.e. credit limits on current accounts.

We reintroduced personal loans in the second half of 2021 for SNS customers as a pilot project. The pilot was evaluated in mid-2022 and upon meeting the criteria, the product was subsequently added to our product portfolio for SNS customers. The portfolio of personal loans grew steadily over the past year.

We also revised the revolving credit facility in line with the EBA Guidelines on Loan Origination and Monitoring (GLOM). As a result, most customers are no longer able to make any withdrawals. In the first half of 2023, the remaining customers will no longer be able to make withdrawals.

In 2021, there were various rulings on the interpretations and use of variable interest clauses in revolving credits for consumers loans and mortgage products at other Dutch Banks. De Volksbank compensates customers with a revolving consumer credit and customers on their overdraft facilities in accordance to the Kifid ruling.

Although our customers are beginning to feel the effects of the high inflation on their cost of living, so far, this has not affected the number of defaults in our consumer loan portfolio.

### SME loans

We focus on the small-sized and micro-sized business market segment in the Netherlands. These businesses have a maximum turnover of € 5 million. Our SME loan portfolio consists of two basic products, i.e. (I) mortgage loans to purchase or refinance commercial real estate with a maximum notional amount of € 2 million and a maximum maturity of 20 years, and (II) working capital loans of up to € 50,000 for a maximum of 5 years.

Our maximum Loan to Value is 80% and for cases with a high sustainable profile (energy efficiency rating in band A or higher) 90%.

#### Preventive management and Arrears management for SME customers

As soon as SME customers fall into arrears or inform us that they anticipate payment problems, we act on the basis of the key principles of continuity of the customer's enterprise and the recovery potential. We record our SME customers' payment behaviour, combine this with data of the customer (e.g. products, collateral) and use this information in risk models to monitor whether our customers can meet their long-term obligations. We may have to apply a forbearance measure. The models calculate the probability of default, i.e. the failure to make contractually agreed payments, such as interest and any repayments, and the resulting loss expected for the bank. As from 2018, we use the IFRS 9 ECL model outcomes to prioritise customers who require assistance in recovering from arrears or default. Together with the customer, we explore the options to make the business financially resilient again, focusing on a healthy liquidity and profitability position. When a customer has recovered and a stable situation has been achieved, Arrears Management's supervision ceases, and the customer is transferred back to regular management. If recovery proves impossible, we can support the customer in selling the collateral, in which case we aim to limit the loss for the customer as well as for the bank.

### Other corporate and government loans

This portfolio is made up almost entirely of the two sub-portfolios of ASN Bank: sustainable loans and private loans. In addition, through our Financial Markets portfolio we provide various loans to other financial institutions and central and regional governments. Below, we describe what the two sub-portfolios entail.

### ASN Bank sustainable loans

ASN Bank's sustainable loans are mainly loans provided to organisations in the renewable energy sector. We mitigate concentration risk by thorough knowledge of the sector, geographical distribution of investments and diversification by type of energy production (solar, wind, and thermal storage) and underlying suppliers (solar panels and wind turbines). A major part of the sustainable loans involves government-guaranteed electricity prices and purchase contracts.

Rates are under pressure and returns are low in the sustainable loans market. In addition to our internal return targets on the sustainable loan portfolio, we also consider social relevance, such as CO2 reduction, in our decisions on the relevant loan. The bank only funds a project if it meets the targets set.

### Private placement loans

Private placement loans are mostly ASN Bank loans provided to housing associations, healthcare institutions and companies owned by or affiliated with the government. Such organisations align well with the social objectives of ASN Bank and de Volksbank.

Most of these loans are secured by a government guarantee, or a guarantee issued by the Social Housing Guarantee Fund (WSW) or the Guarantee Fund for the Health Care Sector (WfZ). Due to these guarantees, this portfolio has an extremely low risk profile. Because this is a non-selling portfolio, scheduled repayments result in a year-on-year decline of the portfolio.

### Preventive management and arrears management ASN Bank loan portfolios

As soon as ASN Bank customers fall into arrears or state that they anticipate payment problems, we take action based on the key principles of continuity of the enterprise of the customer and the potential for recovery. We may have to apply a forbearance measure. Together with the customer, we explore the options for making the business financially resilient again, focusing on a healthy liquidity and profitability position. When a customer has recovered and a stable situation has been achieved, Arrears Management supervision ceases and the customer is transferred back to regular management. If recovery proves impossible, we may support the customer in selling the collateral. In this case, we aim to limit the loss for the customer as well as for the bank.

### Investments

Investments predominantly consist of a bond portfolio used for liquidity management. To be included in this portfolio, counterparties have to meet stringent requirements and have investment grade ratings.

### Loans and advances to banks

The loans provided to banks or other credit institutions in the Financial Markets portfolio are classified as Loans and advances to banks, including posted collateral.

## STRESS TESTING AND SENSITIVITY ANALYSES

As part of its Risk Management Framework de Volksbank evaluates its capital and liquidity position under severe stress conditions. The level of credit risk has a significant impact on stress test results. In addition, we regularly measure the sensitivity of the loan portfolios, and the level of the loan loss provisions against fluctuations of macroeconomic parameters.

Just like other banks, we are sensitive to these fluctuations. However, thanks to its strong capital and liquidity position, de Volksbank has proven to be capable of withstanding the extreme scenarios applied in these stress tests. For further details, see Section 4.1 Capital Management and control

## LOAN LOSS PROVISIONS (IFRS 9)

Based on IFRS 9 Expected Credit Loss (ECL) models, we estimate the risk of our customers running into financial difficulties on a monthly basis. Details of how loan loss provisions are determined are set out in this section.

Under IFRS 9, de Volksbank forms a provision for expected credit losses for every customer with a loan or credit facility. This provision also includes expected losses on loan commitments and financial guarantee contracts, known as 'off-balance sheet commitments'.

## ECL MODELS AND LOAN PORTFOLIOS

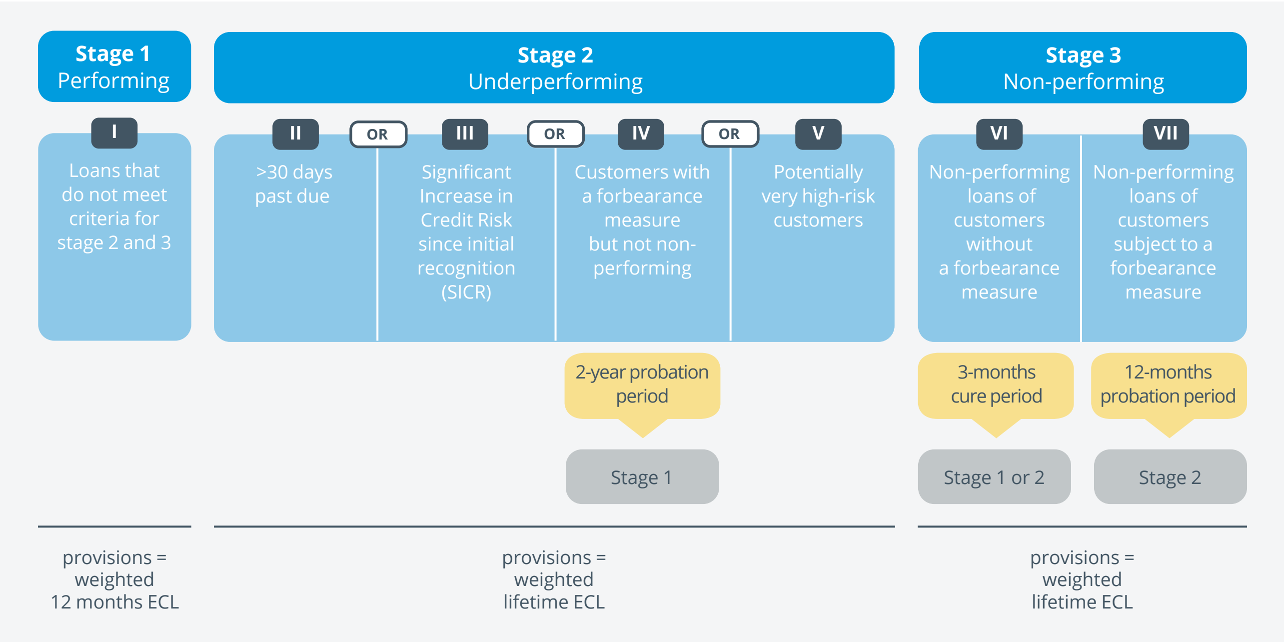
At de Volksbank, we distinguish the following specific loan portfolios for which we determine loan loss provisions:

- residential mortgages;
- consumer loans;

- SME loans;
- sustainable and private placement loans of ASN Bank (the ASN Bank portfolio, as part of the other commercial and government loans);
- Financial Markets portfolio (included in commercial and government loans, investments and loans and advances to banks).

De Volksbank uses a specific IFRS 9 model for every portfolio to establish customers' creditworthiness and the Expected Credit Loss (ECL). The ECL models are Point-In-Time (PIT) and forward-looking, which means that, at every reporting date, they calculate the ECL for every loan in the portfolio based on internal predictions of the present economic situation in three scenarios (base, up and down), with every scenario being assigned a probability of occurrence.

## STAGE ALLOCATION




IFRS 9 includes three stages reflecting how the credit risk of a loan may develop over time compared with the date of origination. The stages are decisive for the calculation method and the amount of the provision to be made. The IFRS 9 stage allocation process within de Volksbank is presented in the diagram above.

### Stage 1: 12-month ECL (category I)

Stage 1 includes customers with loans that have shown no significant increase in credit risk since the origination date. For these customers, we form a provision for expected losses (ECL) in the next 12 months.

### Stage 2: lifetime ECL not credit impaired (categories II-V)

We form a provision for stage 2 customers based on losses expected until maturity (lifetime ECL). A customer is included in stage 2 if at least one of the following conditions applies:

II. A customer has been in arrears for more than 30 days

A customer is in arrears if the interest payment and/or redemption amount is past due one day after the agreed payment date (monthly payment arrangement) and exceeds a threshold value. When a customer is past due for more than 30 days, the loan is transferred to stage 2.

As far as the day count is concerned, we check a total amount in arrears against absolute and relative thresholds. In the case of a private obligor, the counting starts when the total amount in arrears exceeds € 100 and is higher than 1% of total outstanding exposure for days past due. For business obligors and financial institutions, the absolute threshold is set at € 500, while the relative threshold is kept at 1%, the same level as for private obligors.

III. The credit rating is subject to significant deterioration (SICR trigger), ensuing from the ECL models

For each individual portfolio, the ECL models determine when a customer's credit rating is subject to significant deterioration (Significant Increase in Credit Risk, SICR). For the residential mortgage portfolio this deterioration is assessed by comparing the current lifetime Probability of Default (PD) with the lifetime PD we assigned to the customer on the origination date. If the difference between the two exceeds a pre-defined threshold, the lifetime PD is considered to have significantly deteriorated and the customer is allocated to stage 2. If the customer's lifetime PD subsequently improves, the customer may be transferred back to stage 1, keeping the threshold in mind. The threshold is based on statistical methods.

For the other loan portfolios, a significant deterioration in credit risk is assessed as follows:
- In the SICR model for SME loans, customers are classified into PD buckets according to their individual credit rating calculated on the loan origination date. Depending on the PD bucket, the current credit rating may show a capped deterioration compared with the loan origination date.
- Consumer loans are assigned a rating. If this rating exceeds a pre-determined limit, the credit facility is allocated to stage 2.
- For customers in the ASN Bank portfolio, we assess whether the current PD shows that pre-determined relative and absolute limits are exceeded compared with the PD on the loan origination date. If this is the case, the loan will be allocated to stage 2.
- For the exposures in the Financial Markets portfolio, the current external credit rating and PD are used to assess whether there is a significant deterioration relative to the external credit rating and the PD upon initial recognition of the bond or loan. If pre-determined relative and absolute limits are exceeded, the bond or loan will be allocated to stage 2.

#### IV. A forbearance measure is applied to one of the customer’s contracts

Customers who have been subjected to a forbearance measure and who do not meet the prudential non-performing criteria are allocated to stage 2. This category consists of:1) customers who are subject to a forbearance measure but who have not yet been classified as non-performing, and2) customers who were previously part of the prudential non-performing forborne category (category VII) and were reclassified to the prudential performing forborne category after a probation period of at least one year. Following a minimum probation period of two years, a customer is allocated to stage 1.

#### V. Potentially very high-risk customers according to the AFM methodology adopted by de Volksbank

De Volksbank pays special attention to retail customers with full or partial interest-only mortgage loans.

Mortgage loans with a high expected Loan-to-Value (LtV) and nearing maturity, retirement of the borrower or the end of tax deductibility of interest payments (i.e. time-to-event) are allocated to stage 2 because of the higher potential risk of these loans. The stage can be revised when, after talking to the customer, there is more certainty about income data and the capacity to refinance the loan in the future. In 2022, de Volksbank expanded the scope and included customers with an interest only mortgage with an LtV between 50% and 80% and a time-to-event of < 5 years.

### Stage 3: lifetime ECL credit impaired (VI-VII)

If a customer is credit impaired, the loans provided are considered non-performing and allocated to stage 3. The provision is formed based on losses expected until maturity (lifetime ECL). A loan is credit impaired in the following situations:

#### VI. Non-performing loans of customers without a forbearance measure

De Volksbank applies a specific definition of default to every portfolio for which loan loss provisions have to be determined. A default is considered to occur if at least one of the following conditions is met:
- the obligor is past due more than 90 days on any material credit obligation and/or;
- the obligor is considered unlikely-to-pay (UtP).

Examples of these UtP triggers are the following:
- suspension of payment
- bankruptcy
- fraud
- sale of the collateral by the Arrears Management department
- sale of the collateral with a residual debt
- potentially very high-risk interest-only mortgages with affordability under pressure

Customers only recover from the default status once the arrears have been repaid in full or the UtP triggers have lapsed, and a three-month probation period has expired.

#### VII. Non-performing loans of customers subject to a forbearance measure

In addition to loans in default, loans to customers - who are subject to a forbearance measure and who meet the prudential non-performing criteria - are allocated to stage 3. This is the case for forborne loans that were transferred to stage 2 after a one-year probation period in stage 3 and receive a new forbearance measure and/or later fall into arrears of 30 days.

### MANAGEMENT OVERLAY

To reflect the extraordinary level of economic uncertainty related to the impact of the Covid-19 pandemic and the subsequent lockdowns, de Volksbank introduced a management overlay in the provision for its residential mortgages and SME loans with effect from mid-2020. All Covid-19 restrictions in the Netherlands were lifted at the end of March 2022. As we did not see a Covid-19 related deterioration of the credit quality of our portfolio as shown by back testing, we released the Covid-19-related management overlay. However, we have identified other uncertainties and new elements have therefore been introduced in the general management overlay. For more information, please refer to Section 4.3.4 Credit risk - Figures, ratios and trends in the Integrated Annual Report.

There is no management overlay in place for consumer loans, nor for other corporate and government loans. De Volksbank reviews the elements of the management overlay at least every quarter.

### CREDIT RISK IN CAPITAL ADEQUACY

To determine capital requirements for credit risk of residential mortgages, de Volksbank uses the

Advanced Internal Ratings-based (AIRB) approach. The AIRB approach measures credit risk by using internal models for the calculation of PD and LGD.

For the other exposures, risk-weighted assets are determined according to the Standardised Approach (SA).

### Definition of Default (DoD)

As from 31 December 2021, we have implemented a uniform definition of default (DoD) for all credit exposures, which is aligned to the Regulatory Capital CRR Article 178. A default is considered to occur if at least one of the following conditions is met:

- the obligor is past due more than 90 days on any material credit obligation and/or;
- the obligor is considered unlikely-to-pay (UtP).

## 7.1.2 General quantitative information regarding credit risk

### EU CR1 - Performing and non-performing exposures and related provisions 2022

| | | a | b | c | d | e | f | g | h | i | j | k | l | m | n | o |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Gross carrying amount/nominal amount** | | | | | | **Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions** | | | | | | **Accumulated partial write-off** | **Collateral and financial guarantees received** | |
| | | **Performing exposures** | | | **Non-performing exposures** | | | **Performing exposures - accumulated impairment and provisions** | | | **Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions** | | | | **On performing exposures** | **On non-performing exposures** |
| | in € millions | | Of which stage 1 | Of which stage 2 | | Of which stage 2 | Of which stage 3 | | Of which stage 1 | Of which stage 2 | | Of which stage 2 | Of which stage 3 | | | |
| 005 | Cash balances at central banks and other demand deposits | 7,988 | 7,988 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 010 | Loans and advances | 57,457 | 54,963 | 2,493 | 549 | -- | 549 | -90 | -51 | -39 | -70 | -- | -70 | -- | 51,521 | 453 |
| 020 | *Central banks* | 402 | 402 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 030 | *General governments* | 463 | 444 | 19 | -- | -- | -- | -0 | -0 | -0 | -- | -- | -- | -- | 88 | -- |
| 040 | *Credit institutions* | 6,487 | 6,487 | -- | -- | -- | -- | -5 | -5 | -- | -- | -- | -- | -- | 2,472 | -- |
| 050 | *Other financial corporations* | 239 | 239 | -- | -- | -- | -- | -1 | -1 | -- | -- | -- | -- | -- | -- | -- |
| 060 | *Non-financial corporations* | 1,439 | 1,363 | 76 | 64 | -- | 64 | -8 | -4 | -4 | -28 | -- | -28 | -- | 714 | 14 |
| 070 | *Of which SMEs* | 452 | 401 | 52 | 23 | -- | 23 | -7 | -3 | -4 | -6 | -- | -6 | -- | 433 | 14 |
| 080 | *Households* | 48,427 | 46,029 | 2,398 | 485 | -- | 485 | -76 | -41 | -35 | -42 | -- | -42 | -- | 48,246 | 439 |
| 090 | Debt securities | 5,561 | 5,561 | -- | -- | -- | -- | -7 | -7 | -- | -- | -- | -- | -- | 951 | -- |
| 110 | *General governments* | 3,489 | 3,489 | -- | -- | -- | -- | -2 | -2 | -- | -- | -- | -- | -- | 272 | -- |
| 120 | *Credit institutions* | 1,308 | 1,308 | -- | -- | -- | -- | -2 | -2 | -- | -- | -- | -- | -- | 627 | -- |
| 130 | *Other financial corporations* | 290 | 290 | -- | -- | -- | -- | -1 | -1 | -- | -- | -- | -- | -- | -- | -- |
| 140 | *Non-financial corporations* | 474 | 474 | -- | -- | -- | -- | -1 | -1 | -- | -- | -- | -- | -- | 52 | -- |
| 150 | Off-balance-sheet exposures | 2,985 | 2,938 | 48 | 13 | -- | 13 | -9 | -7 | -2 | -4 | -- | -4 | | 1,432 | 7 |
| 170 | *General governments* | 301 | 301 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | | -- | -- |
| 190 | *Other financial corporations* | 7 | 7 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | | -- | -- |
| 200 | *Non-financial corporations* | 310 | 306 | 3 | 1 | -- | 1 | -1 | -1 | -0 | -0 | -- | -0 | | 134 | 0 |
| 210 | *Households* | 2,368 | 2,324 | 44 | 11 | -- | 11 | -8 | -6 | -2 | -4 | -- | -4 | | 1,297 | 7 |
| **220** | **Total** | **73,991** | **71,450** | **2,541** | **562** | **--** | **562** | **-107** | **-66** | **-41** | **-74** | **--** | **-74** | **--** | **53,903** | **460** |

The coverage ratio for non-performing loans and advances is 12.8% as per 31 December 2022 (2021: 6.5%). The coverage ratio for non-performing loans and advances is calculated by dividing the provisions and if applicable, the negative fair value adjustments due to credit risk for non-performing loans and advances, by the total gross carrying value for non-performing loans and advances.

Loans and advances to credit institutions increased by € 2.5 billion due to cash management transactions. The opposite effect was visible in a decrease of € 2.3 billion cash balances.

The increase in performing exposures in stage 2 is mainly due to interest-only customers that were transferred from stage 1 to stage 2. In addition, customers have been transferred to stage 1 from stage 2 mainly due to model improvements.

De Volksbank's residential mortgage portfolio, excluding IFRS value adjustments, grew to € 48.3 billion (year-end 2021: € 47.2 billion) as new production exceeded redemptions. As the mortgage rates rose, homeowners were eager to lock in rates for a longer period of time, increasing their financial security. In 2022, the share of new mortgages with a fixed interest rate of 15 years or longer amounted to 60% of our total mortgage originations (2021: 71%). Impacted by the sharp increase in mortgage rates as from the second quarter, there was a shift towards 10-year fixed mortgage rates and the market for new mortgages contracted. New mortgage production amounted to € 7.4 billion (2021: € 8.1 billion). Our market share of new residential mortgage production stood at 5.4%, compared to 5.8% in 2021. Repayments amounted to € 6.3 billion, compared to € 7.0 billion in 2021, mainly due to the decreasing mortgage refinancing volumes.

The percentage of customers who take out NHG-guaranteed loans has declined gradually over the years. The weighted average indexed Loan-to-Value (LtV) of the residential mortgages improved to 51%, from 53% at year-end 2021. To determine the LtV, we index collateral values every month on the basis of house price developments. Rising house prices have led to a shift of mortgages to lower LtV buckets.

The provision for credit losses increased by € 48 million to € 168 million, mainly due to a less positive macroeconomic outlook, most notably lower house prices, the introduction of a management overlay that reflects the risk of high inflation for our residential mortgage customers and a few corporate loans transferred to stage 3.

In 2022, the credit loss provision for residential mortgages increased from € 73 million to € 98 million.

The total management overlay for residential mortgages decreased by € 15 million compared to year-end 2021, which was offset by an increase in modelled provisions as a result of a less positive macroeconomic outlook, model improvements and scope extension for high-risk interest-only mortgages.

The stage 1 provision rose from € 32 million to € 38 million, mainly due to new originations. The stage 2 provision went up from € 24 million to € 31 million as a result of model improvements and scope extensions in stage 2 with high-risk interest-only mortgage customers. Stage 3 provisions increased by € 12 million to € 29 million while stage 3 exposure decreased. This almost doubled the stage 3 coverage ratio compared to year-end 2021, mostly as a result of model improvements; stage 3 accounted for € 16 million of the total € 29 million change in models.

## EU CR1 - Performing and non-performing exposures and related provisions 2021

| | | a | b | c | d | e | f | g | h | i | j | k | l | m | n | o |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amount/nominal amount | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | | | Accumulated partial write-off | Collateral and financial guarantees received | |
| | | Performing exposures | | | Non-performing exposures | | | Performing exposures - accumulated impairment and provisions | | | Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | On performing exposures | On non-performing exposures |
| | in € millions | | Of which stage 1 | Of which stage 2 | | Of which stage 2 | Of which stage 3 | | Of which stage 1 | Of which stage 2 | | Of which stage 2 | Of which stage 3 | | | |
| 005 | Cash balances at central banks and other demand deposits | 10,285 | 10,285 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 010 | Loans and advances | 53,888 | 52,064 | 1,824 | 607 | -- | 607 | -67 | -38 | -29 | -40 | -- | -40 | -- | 49,242 | 559 |
| 020 | *Central banks* | 511 | 511 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 030 | *General governments* | 556 | 534 | 22 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 46 | -- |
| 040 | *Credit institutions* | 4,016 | 4,016 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 1,443 | -- |
| 050 | *Other financial corporations* | 199 | 162 | 37 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 060 | *Non-financial corporations* | 1,333 | 1,216 | 117 | 27 | -- | 27 | -5 | -3 | -2 | -6 | -- | -6 | -- | 617 | 18 |
| 070 | *Of which SMEs* | 310 | 257 | 53 | 27 | -- | 27 | -5 | -3 | -2 | -6 | -- | -6 | -- | 294 | 18 |
| 080 | *Households* | 47,273 | 45,625 | 1,648 | 580 | -- | 580 | -62 | -35 | -27 | -34 | -- | -34 | -- | 47,136 | 541 |
| 090 | Debt securities | 5,626 | 5,626 | -- | -- | -- | -- | -2 | -2 | -- | -- | -- | -- | -- | 678 | -- |
| 110 | *General governments* | 4,152 | 4,152 | -- | -- | -- | -- | -2 | -2 | -- | -- | -- | -- | -- | 291 | -- |
| 120 | *Credit institutions* | 978 | 978 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 330 | -- |
| 130 | *Other financial corporations* | 165 | 165 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 140 | *Non-financial corporations* | 331 | 331 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 57 | -- |
| 150 | Off-balance-sheet exposures | 3,402 | 3,371 | 31 | 13 | -- | 13 | -8 | -7 | -1 | -5 | -- | -5 | | 765 | -- |
| 170 | *General governments* | 301 | 301 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | | -- | -- |
| 190 | *Other financial corporations* | 6 | 6 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | | -- | -- |
| 200 | *Non-financial corporations* | 327 | 322 | 5 | 1 | -- | 1 | -1 | -1 | -- | -- | -- | -- | | 10 | -- |
| 210 | *Households* | 2,768 | 2,742 | 26 | 12 | -- | 12 | -7 | -6 | -1 | -5 | -- | -5 | | 755 | -- |
| **220** | **Total** | **73,201** | **71,346** | **1,855** | **620** | **--** | **620** | **-77** | **-47** | **-30** | **-45** | **--** | **-45** | **--** | **50,685** | **559** |

### EU CR1-A - Maturity of exposures 2022

| | | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| | | Net exposure value | | | | | |
| | In € millions | On demand | <= 1 year | > 1 year <= 5 years | > 5 years | No stated maturity | Total |
| 1 | Loans and advances | 604 | 6,637 | 1,546 | 48,393 | 666 | **57,846** |
| 2 | Debt securities | - | 747 | 2,437 | 2,370 | - | **5,554** |
| **3** | **Total** | **604** | **7,383** | **3,983** | **50,763** | **666** | **63,400** |

The increase in loans and advances with a residual maturity less than a year is mainly due to an increase in short term loans and advances to banks.

### EU CR1-A - Maturity of exposures 2021

| | | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| | | Net exposure value | | | | | |
| | In € millions | On demand | <= 1 year | > 1 year <= 5 years | > 5 years | No stated maturity | Total |
| 1 | Loans and advances | 559 | 3,957 | 1,334 | 48,000 | 538 | **54,388** |
| 2 | Debt securities | - | 664 | 2,354 | 2,607 | - | **5,624** |
| **3** | **Total** | **559** | **4,621** | **3,687** | **50,607** | **538** | **60,012** |

De Volksbank does not have a NPE ratio equal to or higher than 5%. The reporting threshold of Article 8 (3) of Regulation (EU) 2021/637 is thus not met and therefore tables EU CQ2, EU CQ6 and EU CQ8 are not included below.

## EU CQ1 - Credit quality of forborne exposures 2022

| | | a | b | c | d | e | f | g | h |
|---|---|---|---|---|---|---|---|---|---|
| | | **Gross carrying amount/nominal amount of exposures with forbearance measures** | | | | **Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions** | | **Collateral received and financial guarantees received on forborne exposures** | |
| | | | **Non-performing forborne** | | | | | | |
| | in € millions | Performing forborne | Non-performing forborne | Of which defaulted | Of which impaired | On performing forborne exposures | On non-performing forborne exposures | | Of which Collateral and financial guarantees received on non-performing exposures with forbearance measures |
| 005 | Cash balances at central banks and other demand deposits | -- | -- | -- | -- | -- | -- | -- | -- |
| 010 | Loans and advances | 852 | 303 | 303 | 303 | -12 | -27 | 1,108 | 272 |
| 020 | *Central banks* | -- | -- | -- | -- | -- | -- | -- | -- |
| 030 | *General governments* | -- | -- | -- | -- | -- | -- | -- | -- |
| 040 | *Credit institutions* | -- | -- | -- | -- | -- | -- | -- | -- |
| 050 | *Other financial corporations* | -- | -- | -- | -- | -- | -- | -- | -- |
| 060 | *Non-financial corporations* | 13 | 12 | 12 | 12 | -0 | -2 | 20 | 9 |
| 070 | *Households* | 839 | 292 | 292 | 292 | -12 | -25 | 1,088 | 263 |
| 080 | Debt securities | -- | -- | -- | -- | -- | -- | -- | -- |
| 090 | Loan commitments given | 5 | 2 | 2 | 2 | -0 | -2 | 3 | 0 |
| **100** | **Total** | **857** | **306** | **306** | **306** | **-12** | **-29** | **1,111** | **273** |

The forborne exposures portfolio showed an improvement, mainly due to clients that were affected by the Covid-19 pandemic in the first half of 2020 that meet the criteria for ceasing to be classified as forborne after a probation period of 2 years.

As from 31 December 2021, we have implemented a uniform definition of default (DoD) for all credit exposures, which is aligned to the Regulatory Capital CRR Article 178. A default is considered to occur if at least one of the following conditions is met:
- the obligor is past due more than 90 days on any material credit obligation and/or;
- the obligor is considered unlikely-to-pay (UtP).

Regulatory requirements for UtP triggers have also became more detailed and prescriptive. De Volksbank differentiates between mandatory and judgemental UtP triggers. Mandatory UtP triggers, such as fraud, bankruptcy or exposure assignment to stage 3, automatically lead to a default status. Judgemental triggers give signals that there is a high probability that the obligor’s payment capacity will suffer as a result of the changing conditions and /or specific events. judgemental triggers are based on subjective signals that should be supported by verifiable evidence. Both mandatory and judgemental triggers are specified in the risk policy on the application of default and registered in the bank's system.

See also Section 7.1.1 General qualitative information regarding credit risk.

## EU CQ1 - Credit quality of forborne exposures 2021

| | | a | b | c | d | e | f | g | h |
|---|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amount/nominal amount of exposures with forbearance measures | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | Collateral received and financial guarantees received on forborne exposures | |
| | | | Non-performing forborne | | | | | | |
| | in € millions | Performing forborne | Non-performing forborne | Of which defaulted | Of which impaired | On performing forborne exposures | On non-performing forborne exposures | | Of which Collateral and financial guarantees received on non-performing exposures with forbearance measures |
| 005 | Cash balances at central banks and other demand deposits | -- | -- | -- | -- | -- | -- | -- | -- |
| 010 | Loans and advances | 1,132 | 419 | 419 | 419 | -12 | -24 | 1,498 | 390 |
| 020 | *Central banks* | -- | -- | -- | -- | -- | -- | -- | -- |
| 030 | *General governments* | -- | -- | -- | -- | -- | -- | -- | -- |
| 040 | *Credit institutions* | -- | -- | -- | -- | -- | -- | -- | -- |
| 050 | *Other financial corporations* | -- | -- | -- | -- | -- | -- | -- | -- |
| 060 | *Non-financial corporations* | 39 | 21 | 21 | 21 | -1 | -3 | 51 | 16 |
| 070 | *Households* | 1,093 | 398 | 398 | 398 | -11 | -21 | 1,447 | 374 |
| 080 | Debt securities | -- | -- | -- | -- | -- | -- | -- | -- |
| 090 | Loan commitments given | 7 | 3 | 3 | 3 | -- | -- | -- | -- |
| **100** | **Total** | **1,139** | **422** | **422** | **422** | **-12** | **-24** | **1,498** | **390** |

## EU CQ3 - Credit quality of performing and non-performing exposures by past due days 2022

| | | a | b | c | d | e | f | g | h | i | j | k | l |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Gross carrying amount/nominal amount** | | | | | | | | | | | |
| | | **Performing exposures** | | | **Non-performing exposures** | | | | | | | | |
| | in € millions | | Not past due or past due ≤ 30 days | Past due > 30 days ≤ 90 days | | Unlikely to pay that are not past due or are past due ≤ 90 days | Past due > 90 days ≤ 180 days | Past due > 180 days ≤ 1 year | Past due > 1 year ≤ 2 years | Past due > 2 years ≤ 5 years | Past due > 5 years ≤ 7 years | Past due > 7 years | Of which defaulted |
| 005 | Cash balances at central banks and other demand deposits | 7,988 | 7,988 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 010 | Loans and advances | 57,457 | 57,334 | 123 | 549 | 448 | 20 | 26 | 22 | 21 | 2 | 10 | 549 |
| 020 | *Central banks* | 402 | 402 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 030 | *General governments* | 463 | 463 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 040 | *Credit institutions* | 6,487 | 6,487 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 050 | *Other financial corporations* | 239 | 239 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 060 | *Non-financial corporations* | 1,439 | 1,438 | 1 | 64 | 57 | 2 | 0 | 1 | 0 | 0 | 3 | 64 |
| 070 | *Of which SMEs* | 452 | 452 | 1 | 23 | 16 | 2 | 0 | 1 | 0 | 0 | 3 | 23 |
| 080 | *Households* | 48,427 | 48,305 | 122 | 485 | 391 | 18 | 26 | 21 | 21 | 2 | 7 | 485 |
| 090 | Debt securities | 5,561 | 5,561 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 110 | *General governments* | 3,489 | 3,489 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 120 | *Credit institutions* | 1,308 | 1,308 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 130 | *Other financial corporations* | 290 | 290 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 140 | *Non-financial corporations* | 474 | 474 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 150 | Off-balance-sheet exposures | 2,985 | -- | -- | 13 | -- | -- | -- | -- | -- | -- | -- | 13 |
| 170 | *General governments* | 301 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 190 | *Other financial corporations* | 7 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 200 | *Non-financial corporations* | 310 | -- | -- | 1 | -- | -- | -- | -- | -- | -- | -- | 1 |
| 210 | *Households* | 2,368 | -- | -- | 11 | -- | -- | -- | -- | -- | -- | -- | 11 |
| **220** | **Total** | **73,991** | **70,883** | **123** | **562** | **448** | **20** | **26** | **22** | **21** | **2** | **10** | **562** |

In addition to loans in default, loans to customers who are subject to a forbearance measure, who meet the prudential non-performing criteria are allocated to stage 3. This is the case for forborne loans that were transferred to stage 2 after a one-year probation period in stage 3 and receive a new forbearance measure and/or later fall into arrears of 30 days.

## EU CQ3 - Credit quality of performing and non-performing exposures by past due days 2021

| | | a | b | c | d | e | f | g | h | i | j | k | l |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Gross carrying amount/nominal amount** | | | | | | | | | | | |
| | | **Performing exposures** | | | **Non-performing exposures** | | | | | | | | |
| | in € millions | Performing exposures | Not past due or past due <= 30 days | Past due > 30 days <= 90 days | Non-performing exposures | Unlikely to pay that are not past due or are past due <= 90 days | Past due > 90 days <= 180 days | Past due > 180 days <= 1 year | Past due > 1 years <= 2 years | Past due > 2 years <= 5 years | Past due > 5 years <= 7 years | Past due > 7 years | Of which defaulted |
| 005 | Cash balances at central banks and other demand deposits | 10,285 | 10,285 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 010 | Loans and advances | 53,888 | 53,752 | 136 | 607 | 473 | 18 | 29 | 53 | 19 | 3 | 12 | 607 |
| 020 | *Central banks* | 511 | 511 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 030 | *General governments* | 556 | 556 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 040 | *Credit institutions* | 4,016 | 4,016 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 050 | *Other financial corporations* | 199 | 199 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 060 | *Non-financial corporations* | 1,333 | 1,324 | 9 | 27 | 20 | -- | 1 | 2 | 1 | -- | 3 | 27 |
| 070 | *Of which SMEs* | 310 | 310 | -- | 27 | 20 | -- | 1 | 2 | 1 | -- | 3 | 27 |
| 080 | *Households* | 47,273 | 47,146 | 127 | 580 | 453 | 18 | 28 | 51 | 18 | 3 | 9 | 580 |
| 090 | Debt securities | 5,626 | 5,626 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 110 | *General governments* | 4,152 | 4,152 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 120 | *Credit institutions* | 978 | 978 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 130 | *Other financial corporations* | 165 | 165 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 140 | *Non-financial corporations* | 331 | 331 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 150 | Off-balance-sheet exposures | 3,402 | | | 13 | | | | | | | | 13 |
| 170 | *General governments* | 301 | | | -- | | | | | | | | -- |
| 190 | *Other financial corporations* | 6 | | | -- | | | | | | | | -- |
| 200 | *Non-financial corporations* | 327 | | | 1 | | | | | | | | 1 |
| 210 | *Households* | 2,768 | | | 12 | | | | | | | | 12 |
| **220** | **Total** | **73,201** | **69,663** | **136** | **620** | **473** | **18** | **29** | **53** | **19** | **3** | **12** | **620** |

## EU CQ4 - Quality of non-performing exposures by geography 2022

| | | a | c | e | f | g |
|---|---|---|---|---|---|---|
| | | Gross carrying/Nominal amount | | Accumulated impairment | Provisions on off-balance sheet commitments and financial guarantee given | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
| | In € millions | | of which: defaulted | | | |
| **010** | ***On balance sheet exposures*** | **63,567** | **549** | **-167** | | **-** |
| 020 | *Netherlands* | 52,756 | 542 | -155 | | - |
| 030 | *Switzerland* | 3,386 | 0 | -1 | | - |
| 040 | *Germany* | 2,373 | 1 | -2 | | - |
| 050 | *France* | 745 | 0 | -1 | | - |
| 060 | *Other countries* | 699 | 0 | -1 | | - |
| 070 | *Belgium* | 668 | 5 | -1 | | - |
| 080 | *Finland* | 523 | - | -1 | | - |
| 090 | *Austria* | 481 | - | -0 | | - |
| 100 | *United Kingdom* | 445 | 0 | -1 | | - |
| 110 | *Luxembourg* | 404 | - | -1 | | - |
| 120 | *Liechtenstein* | 254 | - | -0 | | - |
| 130 | *Denmark* | 217 | - | -0 | | - |
| 140 | *Spain* | 205 | 0 | -0 | | - |
| 150 | *Norway* | 113 | 0 | -0 | | - |
| 160 | *Canada* | 95 | 0 | -0 | | - |
| 170 | *United States* | 68 | 0 | -0 | | - |
| 180 | *Sweden* | 56 | 0 | -0 | | - |
| 190 | *Ireland* | 28 | 0 | -0 | | - |
| 200 | *Korea, Republic of* | 19 | - | -0 | | - |
| 210 | *Italy* | 16 | 0 | -0 | | - |
| 220 | *Slovenia* | 10 | - | -0 | | - |
| 230 | *Curaçao* | 1 | 0 | -0 | | - |
| 240 | *Singapore* | 1 | - | -0 | | - |
| 250 | *United Arab Emirates* | 1 | 0 | -0 | | - |
| 260 | *Turkey* | 1 | - | -0 | | - |
| 270 | *Taiwan, Province of China* | 1 | - | -0 | | - |
| 280 | *Russian Federation* | 1 | - | -0 | | - |
| **290** | ***Off balance sheet exposures*** | **2,998** | **13** | | **14** | |
| 300 | *Netherlands* | 2,975 | 12 | | 14 | |
| 310 | *Germany* | 12 | 0 | | - | |
| 320 | *Belgium* | 7 | 0 | | - | |
| 330 | *United Kingdom* | 2 | 0 | | - | |
| 340 | *Other countries* | 2 | 0 | | - | |
| ***350*** | ***Total*** | **66,565** | **562** | **-167** | **14** | **-** |

This table contains a breakdown of exposures in countries where the exposure value is greater than € 0.5 million. The template is disclosed because the non-domestic exposures as at 31 December 2022 is 17.0%, which exceeds the required threshold of 10%.

De Volksbank is predominantly active in the Dutch market and especially the domestic mortgage market. The exposures outside the Netherlands are mostly caused by liquidity management activities (central government bonds, money market activities with financial institutions). Exposures to International Organisations and Multilateral Development Banks are included in Other countries.

De Volksbank does not have a NPE ratio equal to or higher than 5%. The reporting threshold of Article 8 (3) of Regulation (EU) 2021/637 is thus not met and therefore column b and d in the table above are not reported.

## EU CQ4 - Quality of non-performing exposures by geography 2021

| | a | c | e | f | g |
|---|---|---|---|---|---|
| | Gross carrying/Nominal amount | | Accumulated impairment | Provisions on off-balance sheet commitments and financial guarantee given | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
| In € millions | | of which: defaulted | | | |
| **010 *On balance sheet exposures*** | **60,122** | **607** | **-109** | | **-** |
| 020 *Netherlands* | 50,853 | 601 | -105 | | - |
| 030 *Switzerland* | 2,442 | - | - | | - |
| 040 *Germany* | 1,951 | - | -1 | | - |
| 050 *Belgium* | 877 | 5 | -1 | | - |
| 060 *Luxembourg* | 840 | - | - | | - |
| 070 *France* | 833 | - | - | | - |
| 080 *United Kingdom* | 547 | - | - | | - |
| 090 *Finland* | 523 | - | - | | - |
| 100 *Spain* | 282 | - | - | | - |
| 110 *Austria* | 255 | - | - | | - |
| 120 *Liechtenstein* | 193 | - | - | | - |
| 130 *Czech Republic* | 161 | - | - | | - |
| 140 *Ireland* | 129 | - | - | | - |
| 150 *United States* | 68 | - | - | | - |
| 160 *Norway* | 50 | - | - | | - |
| 170 *Canada* | 48 | - | - | | - |
| 180 *Korea, Republic of* | 20 | - | - | | - |
| 190 *Italy* | 13 | - | - | | - |
| 200 *Sweden* | 13 | - | - | | - |
| 210 *Slovenia* | 10 | - | - | | - |
| 220 *Other countries* | 3 | 1 | -2 | | - |
| 230 *Cyprus* | 2 | - | - | | - |
| 240 *Denmark* | 2 | - | - | | - |
| 250 *United Arab Emirates* | 1 | - | - | | - |
| 260 *Australia* | 1 | - | - | | - |
| 270 *Curaçao* | 1 | - | - | | - |
| 280 *Russian Federation* | 1 | - | - | | - |
| 290 *Singapore* | 1 | - | - | | - |
| 300 *Turkey* | 1 | - | - | | - |
| 310 *Taiwan, Province of China* | 1 | - | - | | - |
| **320 *Off balance sheet exposures*** | **3,415** | **13** | | **13** | |
| 330 *Netherlands* | 3,394 | 12 | | 13 | |
| 340 *Belgium* | 8 | - | | - | |
| 350 *Germany* | 8 | - | | - | |
| 360 *United Kingdom* | 2 | - | | - | |
| 370 *Other countries* | 3 | 1 | | - | |
| **380 *Total*** | **63,537** | **620** | **-109** | **13** | **-** |

## EU CQ5 - Credit quality of loans and advances by industry 2022

| | | a | | c | e | f |
|---|---|---|---|---|---|---|
| | | Gross carrying amount | | | Accumulated impairment | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
| | In € millions | | of which: defaulted | | | |
| 010 | Agriculture, forestry and fishing | 0 | | 0 | -0 | - |
| 020 | Mining and quarrying | - | | - | - | - |
| 030 | Manufacturing | 18 | | 5 | -2 | - |
| 040 | Electricity, gas, steam and air conditioning supply | 630 | | 41 | -23 | - |
| 050 | Water supply | 0 | | 0 | -0 | - |
| 060 | Construction | 37 | | 0 | -0 | - |
| 070 | Wholesale and retail trade | 35 | | 3 | -1 | - |
| 080 | Transport and storage | 3 | | 0 | -0 | - |
| 090 | Accommodation and food service activities | 4 | | 2 | -0 | - |
| 100 | Information and communication | 3 | | 0 | -0 | - |
| 110 | Financial and insurance actvities | 261 | | 5 | -4 | - |
| 120 | Real estate activities | 291 | | 3 | -3 | - |
| 130 | Professional, scientific and technical activities | 84 | | 3 | -1 | - |
| 140 | Administrative and support service activities | 10 | | 0 | -0 | - |
| 150 | Public administration and defense, compulsory social security | - | | - | - | - |
| 160 | Education | 1 | | 0 | -0 | - |
| 170 | Human health services and social work activities | 110 | | 0 | -0 | - |
| 180 | Arts, entertainment and recreation | 15 | | 1 | -0 | - |
| 190 | Other services | 2 | | 1 | -0 | - |
| ***200*** | **Total** | **1,503** | | **64** | **-36** | **-** |

De Volksbank mainly focuses on retail customers therefore the exposure to non-financial corporations is relatively small.

De Volksbank does not have a NPE ratio equal to or higher than 5%. The reporting threshold of Article 8 (3) of Regulation (EU) 2021/637 is thus not met and therefore column b and d in the table above are not reported.

## EU CQ5 - Credit quality of loans and advances by industry 2021

| | | a | c | e | f |
|---|---|---|---|---|---|
| | | Gross carrying amount | | Accumulated impairment | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
| | In € millions | | of which: defaulted | | |
| 010 | Agriculture, forestry and fishing | - | - | - | - |
| 020 | Mining and quarrying | - | - | - | - |
| 030 | Manufacturing | 21 | 7 | -2 | - |
| 040 | Electricity, gas, steam and air conditioning supply | 563 | - | -1 | - |
| 050 | Water supply | - | - | - | - |
| 060 | Construction | 24 | 1 | - | - |
| 070 | Wholesale and retail trade | 28 | 1 | -1 | - |
| 080 | Transport and storage | 3 | - | - | - |
| 090 | Accommodation and food service activities | 3 | 1 | - | - |
| 100 | Information and communication | 2 | - | - | - |
| 110 | Financial and insurance actvities | 199 | 9 | -4 | - |
| 120 | Real estate activities | 289 | 3 | -2 | - |
| 130 | Professional, scientific and technical activities | 56 | 5 | -1 | - |
| 140 | Administrative and support service activities | 7 | - | - | - |
| 150 | Public administration and defense, compulsory social security | - | - | - | - |
| 160 | Education | 1 | - | - | - |
| 170 | Human health services and social work activities | 127 | - | - | - |
| 180 | Arts, entertainment and recreation | 15 | - | - | - |
| 190 | Other services | 23 | 1 | - | - |
| ***200*** | **Total** | **1,361** | **28** | **-11** | **-** |

De Volksbank does not have collateral obtained by taking possession and execution processes. Template EU CQ7 - Collateral obtained by taking possession and execution processes is therefore not included in this report.

## EU CR2 - Changes in the stock of non-performing loans and advances 2022

| | | a | a |
|---|---|---|---|
| | **In € millions** | **Gross carrying amount** | **Gross carrying amount** |
| | | **31-12-2022** | **31-12-2021** |
| **010** | **Initial stock of non-performing loans and advances** | **607** | **685** |
| 020 | Inflows to non-performing portfolios | 275 | 341 |
| 030 | Outflows from non-performing portfolios | -334 | -419 |
| 040 | Outflows due to write-offs | -4 | -7 |
| 050 | Outflow due to other situations | -330 | -412 |
| **060** | **Final stock of non-performing loans and advances** | **549** | **607** |

The stock of non-performing loans and advances showed an improvement due to the low inflow and higher outflow in 2022. Improvement on forborne exposure is also caused by the fact that many customers with a probation period of 2 years recovered from the Covid-19 pandemic in the first half of 2022.

**COVID-19**

We phased out the support that we offered our customers who were struggling as a result of the Covid-19 pandemic as the lockdown restrictions were lifted and the Dutch government discontinued its support measures. Furthermore, we received fewer requests from customers regarding this issue.

By the end of 2022, we recorded little to no credit deterioration in our loan portfolios as a result of the pandemic. This was mainly on account of government support measures for corporates taken in the past two years and to our timely provision of customer support.

As at year-end 2022, there were no active loans subject to legislative and non-legislative moratoria.

Below, templates are included with detailed information regarding SME customers subject to legislative and non-legislative moratoria and public guarantee schemes.

### Covid-19 template 1 - Information on loans and advances subject to legislative and non-legislative moratoria 2022

| | | a | b | e | h | i | l | o |
|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk | | | Gross carrying amount |
| | | | Performing | Non performing | | Performing | Non performing | |
| | in € millions | | | | | | | Inflows to non-performing exposures |
| 1 | Loans and advances subject to moratorium | -- | -- | -- | -- | -- | -- | -- |

### Covid-19 template 1 - Information on loans and advances subject to legislative and non-legislative moratoria 2021

| | | a | b | e | h | i | l | o |
|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk | | | Gross carrying amount |
| | | | Performing | Non performing | | Performing | Non performing | |
| | in € millions | | | | | | | Inflows to non-performing exposures |
| 1 | Loans and advances subject to moratorium | -- | -- | -- | -- | -- | -- | -- |

## Covid-19 template 2 - Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria 2022

| | | a | b | c | d | e | f | g | h | i |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Number of obligors | Gross carrying amount | | | | | | | |
| | | | | Of which: legislative moratoria | Of which: expired | Residual maturity of moratoria | | | | |
| | in € millions | | | | | <= 3 months | > 3 months <= 6 months | > 6 months <= 9 months | > 9 months <= 12 months | > 1 year |
| 1 | Loans and advances for which moratorium was offered | 314 | 83 | | | | | | | |
| 2 | Loans and advances subject to moratorium (granted) | 217 | 77 | -- | 77 | -- | -- | -- | -- | -- |
| 3 | of which: Households | | 45 | -- | 45 | -- | -- | -- | -- | -- |
| 4 | of which: Collateralised by residential immovable property | | 15 | -- | 15 | -- | -- | -- | -- | -- |
| 5 | of which: Non-financial corporations | | 32 | -- | 32 | -- | -- | -- | -- | -- |
| 6 | of which: Small and Medium-sized Enterprises | | 32 | -- | 32 | -- | -- | -- | -- | -- |
| 7 | of which: Collateralised by commercial immovable property | | 31 | -- | 31 | -- | -- | -- | -- | -- |

## Covid-19 template 2 - Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria 2021

| | | a | b | c | d | e | f | g | h | i |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Number of obligors | Gross carrying amount | | | | | | | |
| | | | | Of which: legislative moratoria | Of which: expired | Residual maturity of moratoria | | | | |
| | in € millions | | | | | <= 3 months | > 3 months <= 6 months | > 6 months <= 9 months | > 9 months <= 12 months | > 1 year |
| 1 | Loans and advances for which moratorium was offered | 314 | 98 | | | | | | | |
| 2 | Loans and advances subject to moratorium (granted) | 244 | 89 | -- | 89 | -- | -- | -- | -- | -- |
| 3 | of which: Households | | 52 | -- | 52 | -- | -- | -- | -- | -- |
| 4 | of which: Collateralised by residential immovable property | | 37 | -- | 37 | -- | -- | -- | -- | -- |
| 5 | of which: Non-financial corporations | | 37 | -- | 37 | -- | -- | -- | -- | -- |
| 6 | of which: Small and Medium-sized Enterprises | | 37 | -- | 37 | -- | -- | -- | -- | -- |
| 7 | of which: Collateralised by commercial immovable property | | 6 | -- | 6 | -- | -- | -- | -- | -- |

### Covid-19 template 3 - Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis 2022

| | | a | b | c | d |
|---|---|---|---|---|---|
| | | Gross carrying amount | | Maximum amount of the guarantee that can be considered | Gross carrying amount |
| | in € millions | | of which: forborne | Public guarantees received | Inflows to non-performing exposures |
| 1 | Newly originated loans and advances subject to public guarantee schemes | 1 | 0 | 1 | -- |
| 2 | *of which: Households* | *1* | | | -- |
| 3 | *of which: Collateralised by residential immovable property* | -- | | | -- |
| 4 | of which: Non-financial corporations | 0 | 0 | 0 | -- |

### Covid-19 template 3 - Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis 2021

| | | a | b | c | d |
|---|---|---|---|---|---|
| | | Gross carrying amount | | Maximum amount of the guarantee that can be considered | Gross carrying amount |
| | in € millions | | of which: forborne | Public guarantees received | Inflows to non-performing exposures |
| 1 | Newly originated loans and advances subject to public guarantee schemes | 1 | 1 | 1 | -- |
| 2 | *of which: Households* | 1 | | | -- |
| 3 | *of which: Collateralised by residential immovable property* | -- | | | -- |
| 4 | of which: Non-financial corporations | -- | -- | -- | -- |

# 7.2 Use of Credit Risk Mitigation techniques

De Volksbank has divided its credit risk portfolio into several exposure classes. We use the Advanced Internal Ratings-Based approach to calculate the capital requirements for the residential mortgage portfolios. We use the Standardised Approach for all other portfolios. The credit risk portfolio is presented in the Pillar 3 report in accordance with regulations: Standardised Approach (SA) versus Advanced Internal Ratings-Based (AIRB) approach and then further specified within the exposure classes.

## 7.2.1 General qualitative information regarding credit risk mitigation

**COLLATERAL**

### Residential mortgages

As far as residential mortgages are concerned, we ensure that the inflow of loans meets adequate standards in respect of customer, income and collateral. We limit potential losses resulting from credit risk by setting conditions on collateral, such as the value of the collateral and possibly the issue of a National Mortgage Guarantee *(NHG).*

An NHG mortgage provides both the customer and the bank with additional security. On 1 January 2022, the NHG limit was set at € 355,000 and at € 376,300 in case of investments in energy-saving measures. With effect from 1 January 2023, these maximum amounts were raised to € 405,000 and € 429,300 respectively.

Of the residential mortgages, € 11.8 billion (2021: € 11.7 billion), i.e. 24%, of the gross carrying amount of the exposure fell under the NHG guarantee scheme (see also the table Breakdown of residential mortgages by LtV bucket in Section 4.3.6 Credit risk - Residential mortgages of the Integrated Annual Report.

The 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 new mortgage loans was lowered to 100%. A low LtV is advantageous to both customers and the bank, as it reduces the likelihood of a residual debt.

Consequently lower LtVs will mean lower risk surcharges in our mortgage rates at origination. We bring this to customers' attention as part of the SNS Mortgage Term Monitoring Service. If customers' LtV has fallen during the term of the mortgage contract, they may request a risk surcharge reduction. They can do so by submitting a recent valuation report of the collateral showing that the collateral value increased or, alternatively, by making additional repayments thus reducing the mortgage amount.

Every month, we index collateral values based on house price developments by using indices, by municipality and type of collateral, which we purchase from third parties. For our portfolio management, we adjust the collateral value both upwards and downwards. If the value of collateral has dropped, we do adjust the LtV but we do not impose the higher risk surcharge on the customer.

The weighted average indexed LtV of the residential mortgages improved to 51%, from 53% at year-end 2021 (see also the table Breakdown of residential mortgages by LtV bucket in section Residential mortgages of the annual report). Rising house prices have led to a shift of mortgages to lower LtV buckets.

In the event of foreclosure, we instruct an appraiser of our choosing to (re)value the collateral.

### SME loans

The major part of our SME loan portfolio consists of mortgages. All collateralised assets are located in the Netherlands, a mature market for commercial real estate.

We verify the value of collateral in the SME loan portfolio at least once a year based on current market data. If market conditions give cause to do so, we will perform checks more frequently.

The revaluation frequency for property depends on the amount of its exposure. If the exposure exceeds € 3 million or the exposure exceeds € 1 million and the LtV is above 80%, the property must be revalued once every three years. If the exposure is lower, no revaluation is required because in that case we monitor the development of the value of the collateralised property based on market information.

A revaluation is also initiated as part of the (arrears) management process. This is a standard procedure once the process for a loan that has been declared to be in default has been started. A revaluation is also made if, upon a check, the information received indicates that the value of the real estate has dropped sharply in comparison with general market prices.

For every new mortgage or material change in a loan, a valuation report is required for all properties to which the loan pertains. For new developments, this is a valuation based on the specifications and underlying documents such as a building contract.

### Other corporate and government loans

The major part of the sustainable loans we provide are loans with government-guaranteed electricity prices or power purchase agreements contracts. Other corporate and government loans have also government-issued guarantees for, for example, healthcare institutions or housing associations.

In 2022, the credit loss provision amounted to € 23 million, mainly attributable to a few individual corporate loans that were transferred to stage 3. One of the lenders has a partial guarantee from the shareholder regarding the functioning of the financed installation. This guarantee is taken into account and mitigates the credit risk and thus the provision.

We do not use credit derivatives as collateral.

## 7.2.2 General quantitative information regarding credit risk mitigation

### EU CR3 – CRM techniques – Overview 2022

| | | Unsecured carrying amount | Secured carrying amount | Of which secured by collateral | Of which secured by financial guarantees | Of which secured by credit derivatives |
|---|---|---|---|---|---|---|
| | In € millions | a | b | c | d | e |
| 1 | Loans and advances | 13,860 | 51,974 | 49,133 | 2,841 | - |
| 2 | Debt securities | 4,603 | 951 | - | 951 | - |
| **3** | **Total** | **18,463** | **52,925** | **49,133** | **3,792** | **-** |
| 4 | *Of which non-performing exposures* | 26 | 453 | 453 | 0 | - |
| EU-5 | *Of which defaulted* | 26 | 453 | 453 | 0 | - |

The increase in loans and advances secured by financial guarantees is mainly due to an increase in short term loans and advances that are guaranteed by general governments.

### EU CR3 – CRM techniques – Overview 2021

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | **in € millions** | **Exposures unsecured – Carrying amount[1]** | **Exposures to be secured** | **Exposures secured by collateral** | **Exposures secured by financial guarantees** | **Exposures secured by credit derivatives** |
| 1 | Loans and advances | 14,872 | 49,801 | 47,987 | 1,814 | - |
| 2 | Debt securities | 4,946 | 678 | - | 678 | - |
| **3** | **Total** | **19,818** | **50,479** | **47,987** | **2,492** | **-** |
| 4 | *Of which non-performing exposures* | 9 | 559 | 559 | - | - |
| EU-5 | *Of which defaulted* | 9 | 559 | 559 | - | - |

1 As a result of an update in the EBA mapping between the ITS on pillar 3 disclosures and the ITS on supervisory reporting the figures in the above table have been adjusted to show the carrying amount rather than the gross carrying amount.

## 7.3 Use of the Standardised Approach

We distinguish the following exposure classes within the Standardised Approach (SA):

- **Central governments or central banks.** In addition to direct exposures to central governments and central banks, this also includes items covered by guarantees of these entities.
- **Regional governments or local authorities.** These are, for example, provinces, municipalities or water boards.
- **Public sector entities.** These include non-commercial administrative bodies, such as universities or university hospitals, that are accountable to central, regional or local governments.
- **Multilateral development banks.** Examples in this exposure class are the European Investment Bank and the Council of Europe.
- **International organisations.** Legal entities subject to international law, established by two or more member states and incorporated on the basis of a treaty or an agreement. An example is the European Stability Mechanism (ESM).
- **Institutions.** These are mainly credit institutions such as banks.
- **Corporates.** These include SMEs with an exposure exceeding € 1 million (excluding exposures fully and completely secured on residential property collateral) as well as large businesses. Large businesses are companies employing more than 250 people, with sales equal to or greater than € 50 million and a balance sheet total equal to or greater than € 43 million.
- **Retail.** In addition to natural persons, this category also contains SMEs with an exposure of no more than € 1 million (excluding exposures fully and completely secured on residential property collateral). These are companies employing fewer than 250 people and which have an annual turnover not exceeding € 50 million, and/or an annual balance sheet total not exceeding € 43 million.
- **Secured by mortgages on immovable property.** This exposure includes exposures secured by mortgages on residential on commercial immovable property.
- **Exposures in Default.** All SA exposures that are either or both unlikely to pay or are more than 90 days in arrears on any material credit obligation are in default.
- **Items associated with particularly high risk.** This includes high risk mortgages and investments in venture capital funds.
- **Covered bonds.** These are bonds that offer additional security to the holders by means of a first right to specific assets upon bankruptcy.
- **Collective investments undertakings.** These are equity exposures in investment funds.
- **Equity exposures.** This category includes exposures to equities of businesses.
- **Other items.** All other exposures that do not fall in any of the above categories are classified in this category.

De Volksbank does not have exposures in the exposure class:

- **Claims on institutions and corporates with a short-term credit assessment.**

### 7.3.1 Qualitative information regarding the use of the Standardised Approach

Under the Standardised Approach (SA), credit risk is measured using prescribed risk weights that are applied to the exposure. The application of risk weights within the SA is subject to a set of fixed rules and is primarily determined by the risk classification of the underlying asset.

External ratings issued by recognised credit rating agencies serve as input to determine the risk classification and, as a result, the risk weight in the SA measurement of risk-weighted assets (RWA). De Volksbank uses the recognised external ratings issued by Standard & Poor's, Moody's and Fitch Ratings. The credit rating is related to the credit quality steps (from high to low: 1 through 6) defined in the regulation. The CRR/CRD IV rules indicate for various exposure classes which risk weight corresponds with which credit quality step.

The table below indicates for each exposure class, if applicable, the rating agency whose ratings are applied.

| Exposure classes | S&P | Moody's | Fitch | Regulatory Risk Weight |
|---|---|---|---|---|
| Central governments or central banks | x | x | x | |
| Regional governments or local authorities | | | | x |
| Public sector entities | | | | x |
| Multilateral development banks | x | x | x | |
| International organisations | | | | x |
| Institutions | x | x | x | |
| Corporates | x | x | x | |
| Retail | | | | x |
| Secured by mortgages on immovable property | | | | x |
| Exposures in Default | | | | x |
| Covered Bonds | x | x | x | |
| Collective investment undertakings | | | | x |
| Equity exposures | | | | x |
| Other exposures | | | | x |

Following the guidelines (CRR), we use credit ratings to determine the risk weight for an exposure, which is a standard method used to link the rating to a credit quality step (in accordance with ITS 2016/1799). If a single credit rating is available, that credit rating is used to determine the risk weight; if two credit ratings are available and the associated risk weights differ, the highest risk weight is used; If three credit ratings are available the highest associated risk weight is removed, of the two remaining risk weights the highest is used.

If no issue rating is available, we first check whether a rating has been given for a similar issue of the same counterparty, which may be adopted. If no other issue rating is available, the issuer rating – the rating provided by the issuer – may be used. If neither an issue rating nor an issuer rating exists, the risk weight for unrated exposures is used.

## 7.3.2 Quantitative information regarding the use of the Standardised Approach

### EU CR4 – Standardised approach – Credit risk exposure and CRM effects 2022[1]

| | in € millions | Exposures before CCF and before CRM | | Exposures post CCF and CRM | | RWAs and RWA density | |
|---|---|---|---|---|---|---|---|
| | Exposure classes | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWAs | RWA density (%) |
| | | a | b | c | d | e | f |
| 1 | Central governments or central banks | 10,443 | -- | 10,865 | -- | 122 | 1.12% |
| 2 | Regional government or local authorities | 732 | -- | 800 | -- | 65 | 8.19% |
| 3 | Public sector entities | 980 | 300 | 892 | 150 | 33 | 3.12% |
| 4 | Multilateral development banks | 494 | -- | 494 | -- | -- | 0.00% |
| 5 | International organisations | 202 | -- | 202 | -- | -- | 0.00% |
| 6 | Institutions | 5,924 | -- | 5,853 | -- | 1,510 | 25.80% |
| 7 | Corporates | 2,127 | 221 | 1,797 | 110 | 1,571 | 82.33% |
| 8 | Retail | 122 | 488 | 122 | 28 | 94 | 62.41% |
| 9 | Secured by mortgages on immovable property | 945 | 41 | 945 | 20 | 517 | 53.60% |
| 10 | Exposures in default | 55 | 2 | 55 | 1 | 66 | 119.05% |
| 11 | Exposures associated with particularly high risk | 0 | -- | 0 | -- | 0 | 150.00% |
| 12 | Covered bonds | 556 | -- | 556 | -- | 56 | 10.00% |
| 14 | Collective investment undertakings | 1 | -- | 1 | -- | 6 | 442.46% |
| 15 | Equity | 11 | -- | 11 | -- | 11 | 100.00% |
| 16 | Other items | 312 | -- | 312 | -- | 251 | 80.53% |
| **17** | **Total** | **22,903** | **1,052** | **22,903** | **310** | **4,302** | **18.53%** |

1 This table excludes exposures subject to counterparty credit risk.

The decrease in exposures to Central governments or central banks is mainly due to the decrease in central bank reserves by € 3.4 billion compared to year-end 2021. The RWA amount in the exposure class Central Governments is related to deferred tax assets.

The increase in RWA for the exposure class Institutions is largely related to the increased risk-weighted short-term exposures to institutions.

The RWA in the exposure class Corporates has increased due to investments in corporate debt securities.

The increase in RWA for the exposure class Secured by mortgages on immovable property is largely related to an increase in SME loan portfolio secured by commercial immovable property.

De Volksbank does not have exposures in the exposure class Institutions and corporates with a short term credit assessment.

## EU CR4 – Standardised approach – Credit risk exposure and CRM effects 2021[1]

| | in € millions | C | | Exposures post CCF and CRM | | RWAs and RWA density | |
|---|---|---|---|---|---|---|---|
| | Exposure classes | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWAs | RWA density (%) |
| | | a | b | c | d | e | f |
| 1 | Central governments and central banks | 13,813 | -- | 14,325 | -- | -- | 0.0% |
| 2 | Regional governments or local authorities | 712 | -- | 736 | -- | 76 | 10.3% |
| 3 | Public sector entities | 884 | 300 | 838 | 150 | 33 | 3.4% |
| 4 | Multilateral developments banks | 464 | -- | 464 | -- | -- | 0.0% |
| 5 | International organisations | 71 | -- | 71 | -- | -- | 0.0% |
| 6 | Institutions | 3,758 | -- | 3,645 | -- | 985 | 27.0% |
| 7 | Corporates | 1,686 | 257 | 1,310 | 128 | 1,233 | 85.8% |
| 8 | Retail | 124 | 506 | 124 | 29 | 95 | 62.0% |
| 9 | Secured by mortgages on immovable property | 665 | 15 | 665 | 8 | 350 | 52.0% |
| 10 | Exposures in default | 59 | 1 | 59 | 1 | 78 | 131.2% |
| 11 | Items associated with particularly high risk | -- | -- | -- | -- | -- | 150.0% |
| 12 | Covered bonds | 217 | -- | 217 | -- | 22 | 10.0% |
| 14 | Collective investments undertakings | 1 | -- | 1 | -- | 4 | 302.4% |
| 15 | Equity exposures | 12 | -- | 12 | -- | 12 | 100.0% |
| 16 | Other Items | 242 | -- | 242 | -- | 215 | 88.5% |
| **17** | **Total** | **22,708** | **1,080** | **22,708** | **315** | **3,102** | **13.5%** |

1 This table excludes exposures subject to counterparty credit risk.

## EU CR5 – Standardised approach 2022

| | in € millions | Risk weight | | | | | | | | | | | Of which |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Exposure classes** | **0%** | **10%** | **20%** | **35%** | **50%** | **75%** | **100%** | **150%** | **250%** | **1250%** | **Total** | **unrated** |
| | | a | d | e | f | g | i | j | k | l | n | p | q |
| 1 | Central governments or central banks | 10,816 | -- | -- | -- | -- | -- | -- | -- | 49 | -- | 10,865 | -- |
| 2 | Regional government or local authorities | 472 | -- | 327 | -- | -- | -- | -- | -- | -- | -- | 800 | -- |
| 3 | Public sector entities | 879 | -- | 163 | -- | -- | -- | -- | -- | -- | -- | 1,042 | 4 |
| 4 | Multilateral development banks | 494 | -- | -- | -- | -- | -- | -- | -- | -- | -- | 494 | -- |
| 5 | International organisations | 202 | -- | -- | -- | -- | -- | -- | -- | -- | -- | 202 | -- |
| 6 | Institutions | -- | -- | 4,721 | -- | 1,132 | -- | -- | -- | -- | -- | 5,853 | 2 |
| 7 | Corporates | -- | -- | 121 | -- | 409 | -- | 1,377 | -- | -- | -- | 1,908 | 868 |
| 8 | Retail exposures | -- | -- | -- | -- | -- | 150 | -- | -- | -- | -- | 150 | 149 |
| 9 | Exposures secured by mortgages on immovable property | -- | -- | -- | 44 | 196 | 643 | 83 | -- | -- | -- | 965 | 965 |
| 10 | Exposures in default | -- | -- | -- | -- | -- | -- | 35 | 21 | -- | -- | 56 | 57 |
| 11 | Exposures associated with particularly high risk | -- | -- | -- | -- | -- | -- | -- | 0 | -- | -- | 0 | 0 |
| 12 | Covered bonds | -- | 556 | -- | -- | -- | -- | -- | -- | -- | -- | 556 | -- |
| 14 | Units or shares in collective investment undertakings | 0 | -- | 1 | -- | -- | -- | 0 | 0 | -- | 0 | 1 | 1 |
| 15 | Equity exposures | -- | -- | -- | -- | -- | -- | 11 | -- | -- | -- | 11 | 11 |
| 16 | Other items | 61 | -- | -- | -- | -- | -- | 251 | -- | -- | -- | 312 | 312 |
| **17** | **Total** | **12,924** | **556** | **5,332** | **44** | **1,737** | **793** | **1,756** | **21** | **49** | **0** | **23,213** | **2,368** |

## EU CR5 – Standardised approach 2021

| | in € millions | Risk weight | | | | | | | | | | | Of which |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Exposure classes** | **0%** | **10%** | **20%** | **35%** | **50%** | **75%** | **100%** | **150%** | **250%** | **1250%** | **Total** | **unrated** |
| | | a | d | e | f | g | i | j | k | l | n | p | q |
| 1 | Central governments and central banks | 14,325 | -- | -- | -- | -- | -- | -- | -- | -- | -- | 14,325 | -- |
| 2 | Regional governments or local authorities | 357 | -- | 379 | -- | -- | -- | -- | -- | -- | -- | 736 | 2 |
| 3 | Public sector entities | 822 | -- | 166 | -- | -- | -- | -- | -- | -- | -- | 988 | 4 |
| 4 | Multilateral developments banks | 464 | -- | -- | -- | -- | -- | -- | -- | -- | -- | 464 | -- |
| 5 | International organisations | 71 | -- | -- | -- | -- | -- | -- | -- | -- | -- | 71 | -- |
| 6 | Institutions | -- | -- | 2,793 | -- | 852 | -- | -- | -- | -- | -- | 3,645 | -- |
| 7 | Corporates | -- | -- | 144 | -- | 108 | -- | 1,185 | -- | -- | -- | 1,437 | 861 |
| 8 | Retail | -- | -- | -- | -- | -- | 153 | -- | -- | -- | -- | 153 | 153 |
| 9 | Exposures secured by mortgages on immovable property | -- | -- | -- | 40 | 201 | 362 | 70 | -- | -- | -- | 673 | 673 |
| 10 | Exposures in default | -- | -- | -- | -- | -- | -- | 22 | 37 | -- | -- | 60 | 60 |
| 11 | Exposures associated with particularly high risk | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 12 | Covered bonds | -- | 217 | -- | -- | -- | -- | -- | -- | -- | -- | 217 | -- |
| 14 | Collective investments undertakings | -- | -- | 1 | -- | -- | -- | -- | -- | -- | -- | 1 | 1 |
| 15 | Equity exposures | -- | -- | -- | -- | -- | -- | 12 | -- | -- | -- | 12 | 12 |
| 16 | Other Items | 28 | -- | -- | -- | -- | -- | 215 | -- | -- | -- | 242 | 242 |
| **17** | **Total** | **16,067** | **217** | **3,483** | **40** | **1,161** | **514** | **1,503** | **38** | **--** | **--** | **23,023** | **2,007** |

## 7.4 Use of the AIRB approach to credit risk

De Volksbank uses the Advanced Internal Ratings-Based (AIRB) approach for residential mortgages. At the moment, de Volksbank has no intention of reporting other exposures classes under the AIRB approach.

**RESIDENTIAL MORTGAGES**

Exposures to individual residential mortgages – secured with collateral subject to a mortgage registration and possibly a National Mortgage Guarantee (NHG) – are classified as loans and advances to customers. At year-end 2022, the residential mortgages portfolio comprised 94% (2021: 95%) of de Volksbank's total loans and advances to customers.

### 7.4.1 Qualitative information regarding the use of the AIRB-approach

The AIRB approach measures credit risk using supervisory authority approved internal models for the calculation of Probability of Default (PD), (downturn) Loss Given Default (LGD), Credit Conversion Factor (CCF), Exposure at Default (EAD) and Margin of Conservatism (MoC), as input for the Risk Weighted Assets (RWA) calculation.

**PROBABILITY OF DEFAULT**

De Volksbank assesses debtors' credit quality by assigning them an internal risk rating. Based on historical data, a statistical rating model has been developed. The rating reflects the probability of a customer running into payments problems within the next 12 months, which is defined as default.

The model leads to the classification of customers in 15 different PD exposure risk rating classes: 14 non-default rating classes and 1 default rating class. Broadly speaking classes 5-9 correspond to customers 'recently recovered'[5]and rating classes 10-14 correspond to customers 'in arrears'. Rating class 5 refers to the part of the portfolio which is not rated directly by the rating model, but using a standard value comprising of the portfolio average. Rating class 5 represents approximately 4.1% of the mortgage portfolio.

**LOSS GIVEN DEFAULT**

When a customer defaults on its residential mortgage loan, large parts of the amount outstanding are usually recovered by the proceeds of selling the underlying collateral. The actual loss is the remaining part of the outstanding amount of the loan increased by the recovery costs. Together with the economic costs associated with the (un)forced sale of the collateral, this is the total loss namely Loss Given Default. The LGD is measured as a percentage of the exposure at default. Based on historical information, the average loss incurred in the event of default is estimated.

Each customer is allocated to a LGD rating bucket, which in turn is calibrated on a historically observed realised loss.

**DOWNTURN LGD**

In addition to determining the LGD based on current information, Downturn LGD is determined as input for calculating the RWA. The regulations specify that LGD estimates of internal models should be appropriate for an economic downturn, meaning that losses may be systematically higher under worse macroeconomic conditions than under 'normal' or average conditions. For the residential mortgages portfolio of the bank, downturn periods are determined. Based on these determined economic downturn periods, a downturn LGD is determined for each LGD bucket.

**EAD AND CCF**

The EAD is a calculation of the outstanding amount of a customer at the moment of default. For the products with a credit line a Credit Conversion Factor (CCF) is estimated for the relevant products.

**MARGIN OF CONSERVATISM**

Next to the PD, LGD and CCF models, a Margin of Conservatism (MoC) framework is required to take into account model risk. A MoC framework has been developed, which includes model risks related to development data and model estimation. The relevant identified risks are quantified and lead to an MoC add-on for PD, LGD, Downturn LGD and CCF.

**INTERNAL RATING PROCEDURE**

The internal rating procedure for residential mortgages is based on various data elements such as Loan-to-Value, type of collateral and payment behaviour, ensuring that risk is correctly measured. The ratings are automatically assigned in the rating procedure. This rating procedure runs every month for the entire residential mortgages portfolio, including contractual obligations for future loans (quotations or signed offers). Regarding the latter category, not all necessary information is available on that specific reporting date to calculate the regular PD, LGD and CCF; for this reason the average portfolio values are substituted, internally known as standard values.

**CONTROL MECHANISM FOR THE INTERNAL RATING SYSTEM**

**Model documentation**

An internal guideline of de Volksbank is that the documentation of AIRB models must be of sufficient detail to allow an independent validation of the model. It must include a description of the data used for model development, the methods used (and the rationale for choosing those methods), all assumptions used in the model and the known strengths and weaknesses of the model. Furthermore the documentation should include an assessment of compliance with relevant legislation and regulations.

5 Relates to customers who were at least one month in arrears or in default at least once in the last 12 months but who have now recovered (i.e. who have paid the missed payments and now mortgage payments on time).

### Initial and periodic model validation
All new or revised models are subject to a thorough validation process before the external approval process by the supervisor commences. Model Validation (MV) examines the model's methodological development, the data used for model development, the model performance, the assumptions made during model development and whether the model can be used for calculating RWA. The examination by MV results in a validation report and accompanying advice.

MV also subjects the model to an annual review. Just like the model monitoring process (see below), this review is used to determine the extent to which the model is still performing in line with expectations, as well as whether the changes in model performance require a model adjustment.

### Internal Model approval process
MV is an independent team that reports directly to the Model Governance Committee (MGC), which is chaired by the CRO. This prevents model owners and/or model co-owners from using their position in the hierarchy to influence the validation process or its results.

De Volksbank has adopted clear rules for the model approval process. The model owners submit the risk models to the MGC for approval, and the Credit Committee is also given the opportunity to examine the models' impact and decide on the timing of their implementation.

The MGC ensures that the model building and approval processes are followed and the various models are consistent.

After MV has issued its advice and the MGC has given a positive decision, the model is assessed for materiality of model change. If the change is determined to be material, the model is submitted for supervisory approval. In the case of a material model change, the model can only be deployed after external approval.

### Model monitoring
After the model has been approved and implemented, the second-line risk management department (EC Risk - Kern CRCU) performs a model monitoring process on a quarterly basis with the aim of assessing whether the model's predictive and explanatory power is still sufficient. The process includes an explicit review by the CRCU department of the model's projections as compared to actual performance. If CRCU finds a significant difference between the projections and actual performance, the cause is investigated and the need for a model adjustment is assessed. In this case, the model monitoring may lead to an early model review requested by MGC.

### Audit
Audit has a standard invitation to MGC meetings and always receives the model validation reports, based on which it may commence an additional procedure.

### Supervisory authority
Our AIRB models are also assessed by the supervisory authority: at the start of AIRB application, after a material change, and through Internal Model Investigations (IMIs). De Volksbank must act on the Supervisory Authority's findings, either immediately or in a subsequent model iteration. To address the findings of the Supervisory Authority as well as to implement the new regulations on PD and LGD estimation (issued by European Banking Authority), the AIRB model is redeveloped and submitted to the Supervisory Authority for their assessment.

In their assessment, the Supervisory Authority assesses the degree of compliance with legislation and regulations, the modelling techniques used and the model's applicability to the portfolio concerned. Based on findings, if any, the Supervisory Authority may give instructions, demand adjustments or even impose sanctions.

In October 2021, de Volksbank was given permission to use its updated AIRB model RegCap PHIRM to calculate the capital requirement of its mortgage portfolio. It consists of models for PD, (Downturn) LGD and CCF. The model calculates the likelihood of a customer running into payment problems within one year and the (un)expected losses resulting for the bank. We use the results to determine the RWA of the residential retail mortgage portfolio. They also serve as input for the management process and internal risk reports.

#### OTHER USES
Internal rating models are used to determine the LGD, the downturn LGD and the PD and calculate the RWA from these. Next to being used for regulatory capital calculations, the PD and LGD estimates play an essential role in the following processes:
- Input for regulatory and internal stress tests;
- Collection processes, early and late collections;
- Input for determining Economic Capital;
- Pricing;
- Portfolio management.

To determine IFRS 9 provisions de Volksbank has developed a separate IFRS 9 ECL model, using methodology comparable to our AIRB models and compliant to IFRS 9 regulations.

#### EXPECTED CREDIT LOSS ADJUSTMENT FOR THE AIRB APPROACH
The available capital for the potential differences between the loss expected under the CRR/CRD IV guidelines and the actual IFRS 9 provision for the related AIRB exposures is adjusted. A negative difference arises when the loss expected according to the CRR/CRD IV guidelines exceeds the IFRS 9 provision, creating an AIRB shortfall. Based on the CRR/CRD IV rules, the shortfall is subtracted from the available Common Equity Tier 1 capital. If the difference is positive (the provision is higher than the expected loss), this surplus is added to Tier 2 capital, taking into account certain regulatory restrictions.

## 7.4.2 Quantitative information regarding the use of the AIRB-approach

De Volksbank avails itself of an Advanced Internal Ratings Based (Advanced IRB or AIRB) model entitled Particuliere Hypotheken Interne Rating Model (PHIRM) to determine the credit risk in its residential mortgage portfolio. The model is continuously redeveloped to comply with new rules and regulations.

To become fully compliant with existing and new regulations and to address remaining obligations as well as internal model validation findings, we have initiated an overarching programme to incorporate the improvements into PHIRM. As a result, an amount of conservatism was already added to our AIRB calculations in the second half of 2022.

For more information regarding the (management of the) residential mortgage portfolio see also Section 4.3.2 Credit risk - Management and control and 4.3.6 Credit risk - Residential mortgages in the Integrated Annual Report.

The following table presents the breakdown of the residential mortgages portfolio by PD scale.

### EU CR6 – AIRB approach – Credit risk exposures by exposure class and PD range 2022[1]

| A-IRB PD range | On-balance sheet exposures | Off-balance-sheet exposures pre-CCF | Exposure weighted average CCF | Exposure post CCF and post CRM | Exposure weighted average PD (%) | Number of obligors | Exposure weighted average LGD (%) | Risk weighted exposure amount after supporting factors | Density of risk weighted exposure amount | Expected loss amount | Value adjust-ments and provisions |
|---|---|---|---|---|---|---|---|---|---|---|---|
| a | b | c | d | e | f | g | h | j | k | l | m |
| **Exposure class Retail - Secured by immovable property non-SME** | | | | | | | | | | | |
| 0.00 to <0.15 | 19,516 | 354 | 1.0 | 19,870 | 0.12% | 147,466 | 22.52% | 1,311 | 6.60% | 5 | -3 |
| *0.00 to <0.10* | *--* | *--* | *--* | *--* | *0.00%* | *--* | *0.00%* | *--* | *--* | *--* | *--* |
| *0.10 to <0.15* | *19,516* | *354* | *1.0* | *19,870* | *0.12%* | *147,466* | *22.52%* | *1,311* | *6.60%* | *5* | *-3* |
| 0.15 to <0.25 | -- | -- | - | -- | 0.00% | -- | 0.00% | -- | 0.00% | - | 0 |
| 0.25 to <0.50 | 23,943 | 298 | 1.0 | 24,241 | 0.25% | 95,865 | 24.62% | 2,998 | 12.37% | *15* | *-17* |
| 0.50 to <0.75 | 1,490 | 41 | 1.0 | 1,531 | 0.58% | 4,671 | 37.71% | 530 | 34.63% | 3 | -5 |
| 0.75 to <2.50 | 1,491 | 1,044 | 1.0 | 2,535 | 1.46% | 12,967 | 28.84% | 1,232 | 48.60% | 11 | -5 |
| *0.75 to <1.75* | 1,369 | *1,044* | *1.0* | *2,412* | *1.42%* | *12,384* | *29.02%* | *1,165* | *48.28%* | *10* | *-4* |
| *1.75 to <2.5* | 122 | *0* | *1.0* | *122* | *2.20%* | *583* | *25.00%* | *67* | *54.81%* | *1* | *-1* |
| 2.50 to <10.00 | 983 | 136 | 1.0 | 1,120 | 7.00% | 3,104 | 24.97% | 1,132 | 101.12% | 20 | -18 |
| *2.5 to <5* | 261 | *1* | *1.0* | *262* | *3.93%* | *1,053* | *24.78%* | *199* | *76.12%* | *3* | *-3* |
| *5 to <10* | 723 | *135* | *1.0* | *858* | *7.94%* | *2,051* | *25.06%* | *933* | *108.76%* | *17* | *-15* |
| 10.00 to <100.00 | 398 | 60 | 1.0 | 457 | 18.55% | 1,099 | 27.69% | 678 | 148.26% | 24 | -27 |
| *10 to <20* | 320 | *57* | *1.0* | *377* | *13.44%* | *823* | *27.65%* | *556* | *147.57%* | *14* | *-21* |
| *20 to <30* | 46 | *2* | *1.0* | *48* | *28.39%* | *147* | *28.51%* | *85* | *176.56%* | *4* | *-4* |
| *30.00 to <100.00* | 32 | *1* | *1.0* | *33* | *63.11%* | *129* | *26.99%* | *37* | *114.65%* | *6* | *-2* |
| 100.00 (Default) | 455 | 7 | 1.0 | 462 | 100.00% | 2,347 | 18.54% | 554 | 119.91% | 86 | -29 |
| Subtotal (exposure class) | 48,275 | 1,940 | 1.0 | 50,215 | 1.50% | 267,519 | 24.38% | 8,435 | 16.80% | 163 | -105 |
| **Total (all exposures classes)** | **48,275** | **1,940** | **1.0** | **50,215** | | **267,519** | | **8,435** | **16.80%** | **163** | **-105** |

1 Including the Margin of Conservatism and Trim obligations.

De Volksbank uses the Advanced Internal Ratings-Based (AIRB) approach for the residential mortgages and securitisation exposure classes. At the moment, de Volksbank has no intention of reporting other exposures classes under the AIRB approach.

The table above only includes residential mortgages. The securitisations are addressed in table EU_SEC1 to EU_SEC5 of these Pillar 3 disclosures.

In 2022, RWA rose by € 1.3 billion to € 15.3 billion. RWA for the credit risk of the residential mortgage portfolio, calculated according to the AIRB approach, grew by € 2,195 million, mainly due to the additional conservatism in our AIRB calculations applied as from the second half of 2022. The average risk weighting of residential mortgages increased from 12.6% at year-end 2021 to 16.8% at year-end 2022. The EAD of the residential mortgage portfolio grew from € 49.7 billion to € 50.2 billion.

De Volksbank does not apply F-IRB to credit risk exposures. Therefore, template EU CR6 for F-IRB approach is not applicable and therefore not included in this report.

### EU CR6 – AIRB approach – Credit risk exposures by exposure class and PD range 2021[1]

| A-IRB PD range | On-balance sheet exposures | Off-balance-sheet exposures pre-CCF | Exposure weighted average CCF | Exposure post CCF and post CRM | Exposure weighted average PD (%) | Number of obligors | Exposure weighted average LGD (%) | Risk weighted exposure amount after supporting factors | Density of risk weighted exposure amount | Expected loss amount | Value adjust-ments and provisions |
|---|---|---|---|---|---|---|---|---|---|---|---|
| a | b | c | d | e | f | g | h | j | k | l | m |
| **Exposure class Retail - Secured by immovable property non-SME** | | | | | | | | | | | |
| 0.00 to <0.15 | 17,818 | 355 | 1.0 | 18,172 | 0.11% | 141,126 | 16.95% | 816 | 4.49% | 3 | -2 |
| *0.00 to <0.10* | *--* | *--* | *--* | *--* | *0.00%* | *--* | *0.00%* | *--* | *--* | *--* | *--* |
| *0.10 to <0.15* | *17,818* | *355* | *1.0* | *18,172* | *0.11%* | *141,126* | *16.95%* | *816* | *4.49%* | *3* | *-2* |
| 0.15 to <0.25 | 24,423 | 302 | 1.0 | 24,725 | 0.22% | 104,211 | 18.37% | 2,069 | 8.37% | 10 | -12 |
| 0.25 to <0.50 | -- | -- | -- | -- | 0.00% | -- | 0.00% | -- | -- | -- | -- |
| 0.50 to <0.75 | 1,563 | 14 | 1.0 | 1,578 | 0.51% | 6,220 | 22.62% | 299 | 18.94% | 2 | -6 |
| 0.75 to <2.50 | 1,642 | 1,438 | 1.0 | 3,079 | 1.38% | 12,670 | 25.53% | 1,284 | 41.70% | 11 | -6 |
| *0.75 to <1.75* | *1,526* | *1,437* | *1.0* | *2,962* | *1.36%* | *12,094* | *25.79%* | *1,239* | *41.84%* | *10* | *-5* |
| *1.75 to <2.5* | *116* | *1* | *1.0* | *117* | *1.92%* | *576* | *18.93%* | *45* | *38.28%* | *--* | *-1* |
| 2.50 to <10.00 | 1,024 | 163 | 1.0 | 1,186 | 6.25% | 3,422 | 18.94% | 862 | 72.61% | 14 | -15 |
| *2.5 to <5* | *235* | *1* | *1.0* | *236* | *3.45%* | *993* | *19.01%* | *129* | *54.39%* | *2* | *-2* |
| *5 to <10* | *788* | *162* | *1.0* | *950* | *6.94%* | *2,429* | *18.92%* | *733* | *77.14%* | *12* | *-13* |
| 10.00 to <100.00 | 355 | 50 | 1.0 | 406 | 16.78% | 1,149 | 20.86% | 441 | 108.67% | 14 | -21 |
| *10 to <20* | *284* | *47* | *1.0* | *331* | *11.92%* | *846* | *20.63%* | *349* | *105.51%* | *8* | *-15* |
| *20 to <30* | *40* | *2* | *1.0* | *42* | *24.88%* | *153* | *21.51%* | *55* | *132.34%* | *2* | *-3* |
| *30.00 to <100.00* | *32* | *1* | *1.0* | *33* | *55.31%* | *150* | *22.39%* | *36* | *110.46%* | *4* | *-2* |
| 100.00 (Default) | 533 | 6 | 1.0 | 539 | 100.00% | 2,605 | 18.23% | 469 | 87.04% | 98 | -16 |
| Subtotal (exposure class) | 47,357 | 2,327 | 1.0 | 49,685 | 1.62% | 271,403 | 18.46% | 6,240 | 12.56% | 153 | -79 |
| **Total (all exposures classes)** | **47,357** | **2,327** | **1.0** | **49,685** | | **271,403** | | **6,240** | **12.56%** | **153** | **-79** |

1 Including the Margin of Conservatism and Trim obligations.

## EU CR6-A – Scope of the use of AIRB and SA approaches 2022

| | In € millions | Exposure value as defined in Article 166 CRR for exposures subject to IRB approach | Total exposure value for exposures subject to the Standardised approach and to the IRB approach | Percentage of total exposure value subject to the permanent partial use of the SA (%) | Percentage of total exposure value subject to IRB Approach (%) | Percentage of total exposure value subject to a roll-out plan (%) |
|---|---|---|---|---|---|---|
| | | a | b | c | d | e |
| 1 | Central governments or central banks | - | 12,687 | 100% | 0% | 0% |
| 1.1 | *Of which Regional governments or local authorities* | | 268 | 100% | 0% | 0% |
| 1.2 | *Of which Public sector entities* | | 1,280 | 100% | 0% | 0% |
| 2 | Institutions | - | 6,948 | 100% | 0% | 0% |
| 3 | Corporates | - | 2,371 | 100% | 0% | 0% |
| 3.1 | *Of which Corporates - Specialised lending, excluding slotting approach* | | - | 100% | 0% | 0% |
| 3.2 | *Of which Corporates - Specialised lending under slotting approach* | | - | 100% | 0% | 0% |
| 4 | Retail | 47,294 | 48,924 | 3.33% | 96.67% | 0.00% |
| 4.1 | *of which Retail – Secured by real estate SMEs* | | 1,011 | 100% | 0% | 0% |
| 4.2 | *of which Retail – Secured by real estate non-SMEs* | | 47,298 | 0% | 100% | 0% |
| 4.3 | *of which Retail – Qualifying revolving* | | 440 | 100% | 0% | 0% |
| 4.4 | *of which Retail – Other SMEs* | | 176 | 100% | 0% | 0% |
| 4.5 | *of which Retail – Other non-SMEs* | | 440 | 100% | 0% | 0% |
| 5 | Equity | - | 12 | 100% | 0% | 0% |
| 6 | Other non-credit obligation assets | - | 312 | 100% | 0% | 0% |
| **7** | **Total** | **47,294** | **71,253** | **33.62%** | **66.38%** | **0.00%** |

The decrease in exposures to Central governments or central banks is mainly due to the decrease in central bank reserves by € 3.5 billion compared to year-end 2021.

The increase in exposures for the asset class Institutions is largely related to the increased short-term exposures to other financial institutions, used for optimising the return on excess liquidity. The exposure in the asset class Corporates has increased due to investments in corporate debt securities.

## EU CR6-A – Scope of the use of AIRB and SA approaches 2021

| | In € millions | Exposure value as defined in Article 166 CRR for exposures subject to IRB approach | Total exposure value for exposures subject to the Standardised approach and to the IRB approach | Percentage of total exposure value subject to the permanent partial use of the SA (%) | Percentage of total exposure value subject to IRB Approach (%) | Percentage of total exposurevalue subject to a roll-out plan (%) |
|---|---|---|---|---|---|---|
| | | a | b | c | d | e |
| 1 | Central governments or central banks | - | 16,243 | 100% | 0% | 0% |
| 1.1 | *Of which Regional governments or local authorities* | | 712 | 100% | 0% | 0% |
| 1.2 | *Of which Public sector entities* | | 1,184 | 100% | 0% | 0% |
| 2 | Institutions | - | 4,553 | 100% | 0% | 0% |
| 3 | Corporates | - | 1,508 | 100% | 0% | 0% |
| 3.1 | *Of which Corporates - Specialised lending, excluding slotting approach* | | - | 100% | 0% | 0% |
| 3.2 | *Of which Corporates - Specialised lending under slotting approach* | | - | 100% | 0% | 0% |
| 4 | Retail | 48,090 | 49,455 | 2.76% | 97.24% | 0% |
| 4.1 | *of which Retail – Secured by real estate SMEs* | | 715 | 100% | 0% | 0% |
| 4.2 | *of which Retail – Secured by real estate non-SMEs* | | 48,102 | 0% | 100% | 0% |
| 4.3 | *of which Retail – Qualifying revolving* | | 455 | 100% | 0% | 0% |
| 4.4 | *of which Retail – Other SMEs* | | 184 | 100% | 0% | 0% |
| 4.5 | *of which Retail – Other non-SMEs* | | 455 | 100% | 0% | 0% |
| 5 | Equity | - | 12 | 100% | 0% | 0% |
| 6 | Other non-credit obligation assets | - | 242 | 100% | 0% | 0% |
| **7** | **Total** | **48,090** | **72,013** | **33.22%** | **66.78%** | **0.00%** |

Because de Volksbank does not use credit derivatives as a form of security or as an instrument to hedge credit risk, template EU CR7 AIRB approach – Effect on the RWAs is not applicable and therefore not included in this report.

## EU CR7-A – AIRB approach – Disclosure of the extent of the use of CRM techniques 2022

| | A-IRB | Total exposures | Credit risk Mitigation techniques | | | | | | Credit risk Mitigation methods in the calculation of RWEAs | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Funded credit Protection (FCP) | | | | | Unfunded credit Protection (UFCP) | | |
| | | | Part of exposures covered by Financial Collaterals (%) | Part of exposures covered by Other eligible collaterals (%) | Part of exposures covered by Immovable property Collaterals (%) | Part of exposures covered by Other funded credit protection (%) | Part of exposures covered by Instruments held by a third party (%) | Part of exposures covered by Guarantees (%) | RWEA without substitution effects (reduction effects only) | RWEA with substitution effects (both reduction and substitution effects) |
| | | a | b | c | d | g | j | k | m | n |
| 1 | Central governments and central banks | - | - | - | - | - | - | - | - | - |
| 2 | Institutions | - | - | - | - | - | - | - | - | - |
| 3 | Corporates | - | - | - | - | - | - | - | - | - |
| 4 | Retail | 50,215 | 3.44% | 98.83% | 98.83% | 0.00% | 0.00% | 20.49% | 8,435 | 8,435 |
| *4.2* | *Of which Retail – Immovable property non-SMEs* | 50,215 | 3.44% | 98.83% | 98.83% | 0.00% | 0.00% | 20.49% | 8,435 | 8,435 |
| **5** | **Total** | **50,215** | **3.44%** | **98.83%** | **98.83%** | **0.00%** | **0.00%** | **20.49%** | **8,435** | **8,435** |

This table shows that the majority of our IRB exposures at year-end 2022 was covered by eligible collateral consisting of mainly immovable property and guarantees. De Volksbank only uses collateral and guarantees as credit risk mitigation technique taken into account in LGD estimates for its IRB retail portfolio.

De Volksbank does not apply F-IRB to credit risk exposures. Therefore, template CR7-A for F-IRB approach is not applicable and therefore not included in this report.

### EU CR7-A – AIRB approach – Disclosure of the extent of the use of CRM techniques 2021

| | A-IRB | Total exposures | Credit risk Mitigation techniques | | | | | | Credit risk Mitigation methods in the calculation of RWEAs | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Funded credit Protection (FCP) | | | | | Unfunded credit Protection (UFCP) | RWEA without substitution effects (reduction effects only) | RWEA with substitution effects (both reduction and substitution effects) |
| | | | Part of exposures covered by Financial Collaterals (%) | Part of exposures covered by Other eligible collaterals (%) | Part of exposures covered by Immovable property Collaterals (%) | Part of exposures covered by Other funded credit protection (%) | Part of exposures covered by Instruments held by a third party (%) | Part of exposures covered by Guarantees (%) | | |
| | | a | b | c | d | g | j | k | m | n |
| 1 | Central governments and central banks | - | - | - | - | - | - | - | - | - |
| 2 | Institutions | - | - | - | - | - | - | - | - | - |
| 3 | Corporates | - | - | - | - | - | - | - | - | - |
| 4 | Retail | 49,685 | 3.66% | 0.00% | 97.92% | 0.00% | 0.00% | 22.17% | 6,240 | 6,240 |
| *4.2* | *Of which Retail – Immovable property non-SMEs* | 49,685 | 3.66% | 0.00% | 97.92% | 0.00% | 0.00% | 22.17% | 6,240 | 6,240 |
| **5** | **Total** | **49,685** | **3.66%** | **0.00%** | **97.92%** | **0.00%** | **0.00%** | **22.17%** | **6,240** | **6,240** |

### EU CR8 – RWEA flow statements of credit risk exposures under the AIRB approach 2022

| | | Risk weighted exposure amount | Risk weighted exposure amount | Risk weighted exposure amount | Risk weighted exposure amount |
|---|---|---|---|---|---|
| | | a | a | a | a |
| | **in € million** | **31-12-2022** | **30-9-2022** | **30-6-2022** | **31-3-2022** |
| 1 | **Risk weighted exposure amount as at the end of the previous reporting period**[1] | **8,198** | **5,946** | **6,226** | **6,240** |
| 2 | Asset size (+/-) | 258 | 197 | 124 | 395 |
| 3 | Asset quality (+/-) | -21 | -209 | -404 | -408 |
| 4 | Model updates (+/-) | - | 2,263 | - | - |
| 5 | Methodology and policy (+/-) | - | - | - | - |
| 6 | Acquisitions and disposals (+/-) | - | - | - | - |
| 7 | Foreign exchange movements (+/-) | - | - | - | - |
| 8 | Other (+/-) | - | - | - | - |
| **9** | **Risk weighted exposure amount as at the end of the reporting period** | **8,435** | **8,198** | **5,946** | **6,226** |

1 This table includes the RWEA flow statement per quarter.

RWA for the credit risk of the residential mortgage portfolio, calculated according to the AIRB approach, grew by € 2,195 million, mainly due to the additional conservatism in our AIRB calculations applied as from the second half of 2022.

**BACKTESTING**

As part of the quarterly monitoring process, a backtest is conducted to determine the extent to which the model's projections match actual performance within the portfolio. A major point of focus is that estimates in the model are based not only on recent developments but especially also on longer periods of observation. The PD model's backtest shows that the model underestimates for some buckets. Since this is not in line with the purpose of providing a Through-the-cycle estimate, an additional add-on has been introduced to mitigate the underestimation.

Note that the mortgages that are part of the formerly acquired DBV portfolio and the mortgage offers are not included in these backtesting results. Also note that the backtest of the PD's is excluding the Margin of Conservatism and the TRIM/IMI limitation on PD.

The following table shows the predicted PD of 2022 and shows the actual defaults of calendar year 2022.

### CR9 – AIRB approach – Back-testing of PD per exposure class (fixed PD scale) 2022

| Exposure class | PD range | Number of obligors at the end of previous year | | Observed average default rate (%) | Exposures weighted average PD (%) | Average PD (%) | Average historical annual default rate (%)[1] |
|---|---|---|---|---|---|---|---|
| | | | Of which number of obligors which defaulted in the year | | | | |
| a | b | c | d | e | f | g | h |
| Retail - Secured by immovable property non-SME | 0.00 to <0.15 | 140,748 | 412 | 0.29% | 0.12% | 0.11% | 0.17% |
| | *0.00 to <0.10* | - | - | 0.00% | 0.00% | 0.00% | 0.00% |
| | *0.10 to <0.15* | 140,748 | 412 | 0.29% | 0.12% | 0.11% | 0.17% |
| | 0.15 to <0.25 | 104,134 | 403 | 0.39% | 0.00% | 0.22% | 0.28% |
| | 0.25 to <0.50 | - | - | 0.00% | 0.25% | 0.00% | 0.00% |
| | 0.50 to <0.75 | 6,216 | 65 | 1.05% | 0.58% | 0.51% | 0.78% |
| | 0.75 to <2.50 | 1,803 | 62 | 3.44% | 1.46% | 1.27% | 2.31% |
| | *0.75 to <1.75* | 1,222 | 41 | 3.36% | 1.42% | 0.96% | 2.15% |
| | *1.75 to <2.5* | 581 | 21 | 3.61% | 2.20% | 1.92% | 3.39% |
| | 2.50 to <10.00 | 3,395 | 256 | 7.54% | 7.00% | 5.75% | 8.68% |
| | *2.5 to <5* | 992 | 71 | 7.16% | 3.93% | 3.45% | 6.62% |
| | *5 to <10* | 2,403 | 185 | 7.70% | 7.94% | 6.71% | 9.59% |
| | 10.00 to <100.00 | 1,120 | 206 | 18.39% | 18.55% | 19.52% | 19.72% |
| | *10 to <20* | 827 | 101 | 12.21% | 13.44% | 12.29% | 13.80% |
| | *20 to <30* | 148 | 49 | 33.11% | 28.39% | 24.88% | 28.70% |
| | *30.00 to <100.00* | 145 | 56 | 38.62% | 63.11% | 55.31% | 41.46% |
| | 100.00 (Default) | 2,377 | | 0.00% | 100.00% | 100.00% | |

1 5 year average historical default rate.

## CR9 – AIRB approach – Back-testing of PD per exposure class (fixed PD scale) 2021

| Exposure class | PD range | Number of obligors at the end of previous year | Of which number of obligors which defaulted in the year | Observed average default rate (%) | Exposures weighted average PD (%) | Average PD (%) | Average historical annual default rate (%)[1] |
|---|---|---|---|---|---|---|---|
| a | b | c | d | e | f | g | h |
| Retail - Secured by immovable property non-SME | 0.00 to <0.15 | 109,083 | 61 | 0.06% | 0.11% | 0.08% | 0.07% |
| | *0.00 to <0.10* | 109,083 | 61 | 0.06% | 0.00% | 0.08% | 0.07% |
| | *0.10 to <0.15* | - | - | 0.00% | 0.11% | 0.00% | 0.00% |
| | 0.15 to <0.25 | 50,306 | 40 | 0.08% | 0.22% | 0.23% | 0.13% |
| | 0.25 to <0.50 | 47,197 | 52 | 0.11% | 0.00% | 0.35% | 0.20% |
| | 0.50 to <0.75 | 28,291 | 68 | 0.24% | 0.51% | 0.51% | 0.34% |
| | 0.75 to <2.50 | 17,843 | 108 | 0.60% | 1.38% | 1.02% | 0.85% |
| | *0.75 to <1.75* | 15,210 | 82 | 0.54% | 1.36% | 0.87% | 0.73% |
| | *1.75 to <2.5* | 2,633 | 26 | 0.99% | 1.92% | 1.94% | 1.46% |
| | 2.50 to <10.00 | 5,303 | 106 | 2.00% | 6.25% | 5.76% | 3.25% |
| | *2.5 to <5* | 2,582 | 34 | 1.32% | 3.45% | 3.70% | 2.32% |
| | *5 to <10* | 2,721 | 72 | 2.65% | 6.94% | 7.72% | 4.13% |
| | 10.00 to <100.00 | 2,734 | 451 | 16.50% | 16.78% | 26.83% | 17.14% |
| | *10 to <20* | 990 | 74 | 7.47% | 11.92% | 15.19% | 9.45% |
| | *20 to <30* | 1,186 | 182 | 15.35% | 24.88% | 26.04% | 15.48% |
| | *30.00 to <100.00* | 558 | 195 | 34.95% | 55.31% | 49.14% | 31.93% |
| | 100.00 (Default) | 1,300 | - | 0.00% | 100.00% | 100.00% | 0.00% |

1 5 year average historical default rate.

# 8 Counterparty credit risk

## 8.1 Qualitative disclosure regarding CCR

### METHODOLOGY

**Pillar 1 method for counterparty credit risk**

We use the market value of the derivatives and an 'add-on' to establish the EAD of the counterparty credit risk on derivative positions. The 'add-on' is a charge to factor in potential future counterparty credit risks. We determine this add-on charge on the basis of the type of contract, the remaining maturity and the underlying value or principal of the contract.

### OFFSETTING AND COLLATERAL

**Offsetting**

The bank offsets financial assets and liabilities and reports the net amount on the balance sheet if there is a legally enforceable right to offset the recognised amounts, and if there is an intention to settle the items on a net basis, or to settle the asset and the liability simultaneously. There is an enforceable right to offset amounts, provided it is not dependent on a future event and is legally enforceable under normal circumstances as well as in the case of bankruptcy. If these conditions are not met, amounts will not be offset.

**Counterparty risk on derivative positions**

De Volksbank conducts money and capital market transactions with various financial institutions. This also includes derivative transactions to hedge interest rate and currency risks. Here, the bank runs the risk that a counterparty to a transaction defaults before the final settlement of the cashflows associated with the transaction has taken place. In the regular process, the quality of its counterparties is assessed quarterly. However, changes in quality are continuously monitored. Internal limits are set based, among other things, on the counterparty's rating and a maximum risk as a percentage of the bank's eligible capital (once debtor limits are set).

To reduce this counterparty risk on derivative transactions, de Volksbank applies the following order when entering into such transactions:

- Where possible, the bank concludes derivative transactions with financial institutions using clearing via a central counterparty (CCP). Exceptions to this are transactions that are not supported by a CCP, and very short-term transactions entailing extremely high central clearing costs. Of our eligible derivatives, 96% is CCP cleared, based on par value;
- If central clearing is not possible, the bank subjects derivative transactions with financial institutions to collateral agreements. These are International Swaps and Derivatives Association (ISDA) standardised contracts with a Credit Support Annex (CSA) agreed in advance with each counterparty, laying down the collateral arrangements. In this respect, the bank limits the credit risk on counterparties by means of the provision and acquisition of collateral in the form of cash that covers the value of the derivatives. If a counterparty defaults, the bank will terminate the transactions and the collateral in the amount of the replacement value of the transactions will become available to the bank based on the CSA collateral agreement.

To mitigate counterparty risk, de Volksbank concludes ISDA Master Agreements with these institutions. This means that, if a counterparty defaults, all derivative transactions may be terminated and netted within the netting set defined in the ISDA. In this case, only a net claim or commitment in respect of the counterparty remains.

In relation to the aforementioned, we determine the collateral required on a regular, frequent basis (in general daily), i.e. the net market value of the outstanding derivative transactions, which we subsequently receive (or have to pay) pursuant to the CSA following a notification (margin call) to or from the counterparty.

Both counterparty risk mitigating measures reduce the EAD calculation according to the CRR/CRD IV rules.

In order to mitigate counterparty risk, de Volksbank also uses central clearing of OTC[6] derivative transactions to shift counterparty risk to the central counterparty.

A CCP is a legal entity that positions itself between the counterparties to an OTC contract, thus becoming the buyer for the OTC seller and the seller for the OTC buyer[7]. Given the CCP's daily settlement of the counterparties' market value commitments, as well as the initial and variation margin requirements to be paid to the CCP by the counterparties, this central clearing reduces the EAD calculation. These exposures are recognised under the categories Institutions and Corporates. Their risk weighting depends on how the CCP has separated the collateral from the exposures and collateral of other CCP clients and clearing members.

Other risk-mitigating measures taken by de Volksbank include the following:

- Daily checks to determine whether the fair value development of derivative positions with collateral arrangements is proportionate to the collateral received or to be provided;
- Settlement of forward exchange transactions via the Continuous Linked Settlement system, a global system that limits settlement risk by means of the 'payment versus payment' method and payment netting;

6 OTC: Over The Counter, i.e. a bilateral agreement/trade between two counterparties not effected via a formal stock exchange (such as NYSE or Euronext).

7 See also EU Regulation No 648/2012 of the European Parliament and of the Council of 4 July 2012 (Article 2(1)).

- Continuous monitoring to assess whether the assets available still meet the requirements to serve as collateral;
- Assessment of the fair value of the collateral received to ensure that it provides adequate cover for the underlying derivative.

For some ISDA/CSA agreements with the counterparty, de Volksbank will provide more collateral if de Volksbank's credit rating deteriorates.

De Volksbank does not use credit derivatives as a form of security or as an instrument to hedge credit risk.

### CREDIT VALUATION ADJUSTMENT

The Credit Valuation Adjustment (CVA) is defined as the risk to losses as a result of a deterioration in credit worthiness of a derivative counterparty.

The market value of derivatives with counterparties is determined based on the underlying value-determining factors, such as interest rates for interest rate swaps. If the credit quality of a counterparty of an interest rate swap deteriorates, a higher interest rate (or credit spread) must be used in the valuation, due to which the valuation changes.

The CRR requires that an RWA be determined for CVA, as a result of a deterioration in the credit quality of the derivative counterparties.

De Volksbank applies the standardised method for determining RWA for CVA in accordance with CRR, article 384.

### WRONG-WAY RISK

Wrong-way risk pertains to the unfavourable relation between the creditworthiness of the counterparty and the exposure to the counterparty if the creditworthiness deteriorates and the exposure increases. We distinguish between general wrong-way risk and specific wrong-way risk. General wrong-way risk pertains to situations in which general market conditions or macroeconomic factors are the cause. Examples of this are decreasing interest rates and companies in distress, deteriorating economic conditions. If companies in distress had concluded interest rate swaps with a bank (had hedged the interest rate risk by paying a fixed interest rate and receiving a floating interest rate), the market value (i.e. the exposure) of the swap would rise for the bank in case of falling interest rates. After all, the bank received the fixed interest rate and paid an increasingly lower floating interest rate. Specific wrong-way risk pertains to the situation in which the unfavourable relation is more direct and is actually inherent in (the execution of) the transaction itself. An example of this type of risk is a put option with a bank's stock being the underlying asset, in which the counterparty to the transaction is a subsidiary of the same bank. De Volksbank primarily transacts 'plain-vanilla' interest rate and currency derivative transactions with financial institutions, which are mostly settled centrally at a CCP or fall under ISDA/CSA conditions with daily collateral settlement. We thus minimise counterparty credit risk exposure and therefore also any possible wrong-way risk exposure.

### POTENTIAL COLLATERAL DEPOSIT

In the event of a 3-notch downgrade of the bank's credit rating, we would have to deposit additional collateral totalling € 156 million with counterparties (2021: € 196 million). We include this potential collateral deposit as an outflow in the LCR and the combined severe liquidity stress test.

## 8.2 Quantitative disclosure regarding CCR

### EU CCR1 – Analysis of CCR exposure by approach 2022[1]

| | | a | b | c | d | e | f | g | h |
|---|---|---|---|---|---|---|---|---|---|
| | In € millions | Replacement cost (RC) | Potential future exposure (PFE) | EEPE | Alpha used for computing regulatory exposure value | Exposure value pre-CRM | Exposure value post-CRM | Exposure value | RWEA |
| EU-1 | EU - Original Exposure Method (for derivatives) | -- | -- | | 1.4 | -- | -- | -- | -- |
| EU-2 | EU - Simplified SA-CCR (for derivatives) | -- | -- | | 1.4 | -- | -- | -- | -- |
| 1 | SA-CCR (for derivatives) | 46 | 186 | | 1.4 | 439 | 325 | 325 | 130 |
| 4 | Financial collateral comprehensive method (for SFTs) | | | | | 4 | 4 | 4 | 1 |
| **6** | **Total** | | | | | **442** | **329** | **329** | **131** |

1 This table excludes all counterparty credit risk exposures cleared through a CCP. Counterparty credit risk exposures cleared through a CCP are included in EU CCR8.

De Volksbank uses the Standardised approach for counterparty credit risk. The simplified method for calculating the exposure value of derivatives according to Article 273a of CRR is not used.

RWEA decreases relatively more than the exposure value due to lower applicable risk weights.

### EU CCR1 – Analysis of CCR exposure by approach 2021[1]

| | | a | b | c | d | e | f | g | h |
|---|---|---|---|---|---|---|---|---|---|
| | In € millions | Replacement cost (RC) | Potential future exposure (PFE) | EEPE | Alpha used for computing regulatory exposure value | Exposure value pre-CRM | Exposure value post-CRM | Exposure value | RWEA |
| EU-1 | EU - Original Exposure Method (for derivatives) | -- | -- | | 1.4 | -- | -- | -- | -- |
| EU-2 | EU - Simplified SA-CCR (for derivatives) | -- | -- | | 1.4 | -- | -- | -- | -- |
| 1 | SA-CCR (for derivatives) | 62 | 173 | | 1.4 | 364 | 329 | 329 | 150 |
| 4 | Financial collateral comprehensive method (for SFTs) | | | | | -- | -- | -- | -- |
| **6** | **Total** | | | | | **364** | **329** | **329** | **150** |

1 This table excludes all counterparty credit risk exposures cleared through a CCP. Counterparty credit risk exposures cleared through a CCP are included in EU CCR8.

## EU CCR2 – CVA capital charge 2022

| | in € millions | a<br>Exposure value | b<br>RWEA |
|---|---|---|---|
| 1 | Total transactions subject to the Advanced method | -- | -- |
| 4 | Transactions subject to the Standardised method | 324 | 50 |
| EU-4 | Transactions subject to the Alternative approach (Based on the Original Exposure Method) | -- | -- |
| **5** | **Total transactions subject to own funds requirements for CVA risk** | **324** | **50** |

De Volksbank applies the standardised method for determining RWA for CVA in accordance with CRR, article 384.

RWEA decreases relatively more than the exposure value due to lower applicable risk weights.

## EU CCR2 – CVA capital charge 2021

| | in € millions | a<br>Exposure value | b<br>RWEA |
|---|---|---|---|
| 1 | Total transactions subject to the Advanced method | -- | -- |
| 4 | Transactions subject to the Standardised method | 322 | 75 |
| EU-4 | Transactions subject to the Alternative approach (Based on the Original Exposure Method) | -- | -- |
| **5** | **Total transactions subject to own funds requirements for CVA risk** | **322** | **75** |

## EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk 2022

in € millions

| | Exposure classes | b<br>2% | c<br>4% | e<br>20% | f<br>50% | i<br>100% | l<br>Total exposure value |
|---|---|---|---|---|---|---|---|
| 6 | Institutions | 230 | 124 | 115 | 172 | - | 642 |
| 7 | Corporates | - | - | - | 38 | 3 | 41 |
| **11** | **Total exposure value** | **230** | **124** | **115** | **210** | **3** | **683** |

## EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk 2021

in € millions

| | Exposure classes | b<br>2% | c<br>4% | e<br>20% | f<br>50% | i<br>100% | l<br>Total exposure value |
|---|---|---|---|---|---|---|---|
| 6 | Institutions | 164 | 141 | 63 | 209 | - | 577 |
| 7 | Corporates | - | - | - | 47 | 9 | 56 |
| **11** | **Total** | **164** | **141** | **63** | **256** | **9** | **633** |

## EU CCR5 – Composition of collateral for CCR exposures 2022

| | | a | b | c | d | g | h |
|---|---|---|---|---|---|---|---|
| | | Collateral used in derivative transactions | | | | | |
| | Collateral type | Fair value of collateral received | | Fair value of posted collateral | | Fair value of posted collateral | |
| | in € millions | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated |
| 1 | Cash – domestic currency | 738 | 1,710 | 612 | 88 | - | 7 |
| 3 | Domestic sovereign debt | - | - | 60 | - | - | - |
| 4 | Other sovereign debt | - | - | 291 | 71 | - | 225 |
| **9** | **Total** | **738** | **1,710** | **964** | **159** | **-** | **232** |

Total cash collateral received increased in 2022 due to an increase in the positive current market value of derivatives, which was driven by an increase in interest rates.

## EU CCR5 – Composition of collateral for CCR exposures 2021

| | | a | b | c | d | g | h |
|---|---|---|---|---|---|---|---|
| | | Collateral used in derivative transactions | | | | | |
| | Collateral type | Fair value of collateral received | | Fair value of posted collateral | | Fair value of posted collateral | |
| | in € millions | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated |
| 1 | Cash – domestic currency | 47 | 45 | 467 | 123 | - | - |
| 3 | Domestic sovereign debt | - | - | 51 | - | - | - |
| 4 | Other sovereign debt | - | - | 251 | 79 | - | - |
| **9** | **Total** | **47** | **45** | **769** | **202** | **-** | **-** |

## EU CCR8 – Exposures to CCPs 2022

| | | a | b |
|---|---|---|---|
| | in € millions | Exposure value | RWEA |
| **1** | **Exposures to QCCPs (total)** | | **12** |
| 2 | Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which | 354 | 10 |
| 3 | (i) OTC derivatives | 354 | 10 |
| 7 | Segregated initial margin | 964 | |
| 8 | Non-segregated initial margin | 71 | 3 |
| **11** | **Exposures to non-QCCPs (total)** | | **-** |

Where possible, the bank concludes derivative transactions with financial institutions using clearing via a central counterparty (CCP).

The increase in segregated initial margin posted is mainly due to an increase in notional amount of outstanding derivatives transactions.

### EU CCR8 – Exposures to CCPs 2021

| | | a | b |
|---|---|---|---|
| | in € millions | EAD post CRM | RWAs |
| 1 | **Exposures to QCCPs (total)** | | **12** |
| 2 | Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which | 305 | 9 |
| 3 | (i) OTC derivatives | 305 | 9 |
| 7 | Segregated initial margin | 414 | |
| 8 | Non-segregated initial margin | 79 | 3 |
| **11** | **Exposures to non-QCCPs (total)** | | - |

# 9 Securitisation

## 9.1 Qualitative disclosure requirements related to securitisation exposures

De Volksbank acts as an originator of and an investor in securitisation positions. As originator, we have securitised part of our residential mortgage loan portfolio to obtain funding and to improve liquidity. As investor, we hold a relatively small portfolio of third-party securitisation notes in our banking book. De Volksbank does not hold any securitisation positions in its trading book.

**DE VOLKSBANK AS ORIGINATOR**

By the end of 2022, de Volksbank securitised residential mortgages in the amount of € 7.9 billion (2021: € 11.6 billion). We only securitise residential mortgages that we originated. In securitisation transactions, the beneficial and legal title of the residential mortgages is transferred to separate entities, which are referred to as Special Purpose Vehicles (SPVs).

There are three reasons for securitising residential mortgages:
- Funding: securitisation is a funding instrument that broadens and diversifies our funding base;
- Lower capital charges: securitisation of residential mortgages enables us to reduce the risk-weighted assets;
- Liquidity: by securitising residential mortgages we create new assets that is used as collateral.

De Volksbank does not have any re-securitisation activities, nor does it perform securitisation programmes for third parties. We securitise residential mortgages under two different programmes: Pearl and Lowland.
The purpose of the Pearl programme is funding. The Lowland transactions are set up for liquidity purposes.

Part of the senior tranches of Pearl and Lowland as a whole are held for own account and qualify as eligible assets at the European Central Bank. The securitisation programmes have all been originated before the introduction of the new Securitisation Regulation which includes a specific framework for Simple, Transparent and Standardised (STS) securitisations. The Pearl and Lowlands programmes outstanding are not designated as STS securitisations.

No synthetic securitisations – transactions in which it is not the assets that are transferred but merely the associated credit risks – were outstanding for de Volksbank in 2022.

An overview of the securitisations originated by de Volksbank and included in the regulatory scope of consolidation as at 31 December 2022 is provided below:

| | Initial principal | Start of securitisation | Book value | | First call-option date | Contractual expiration |
|---|---|---|---|---|---|---|
| **in € millions** | | | **2022** | **2021** | | |
| PEARL Mortgage Backed Securities 1 B.V. | 1,014 | 09-2006 | 356 | 422 | 18-09-2026 | 18-09-2047 |
| Lowland Mortgage Backed Securities 4 B.V. | 4,114 | 02-2017 | -- | 3,609 | 18-02-2022 | 18-02-2054 |
| Lowland Mortgage Backed Securities 5 B.V. | 5,027 | 05-2018 | 5,027 | 5,022 | 18-05-2023 | 18-05-2055 |
| Lowland Mortgage Backed Securities 6 B.V. | 2,500 | 10-2018 | 2,499 | 2,497 | 18-10-2023 | 18-10-2055 |
| **Total** | | | **7,882** | **11,550** | | |
| On own book | | | -7,604 | -11,206 | | |
| **Total** | | | **278** | **344** | | |

Total exposures where de Volksbank acts as originator has decreased in the first half of 2022 due to the call and non-replacement of the Lowland Mortgage Backed Securities (Lowland) 4 transaction. In 2022 de Volksbank has not set up any new securitisation transactions.

There are no legal entities affiliated with de Volksbank that invest in securitisations originated by de Volksbank.

**DE VOLKSBANK AS INVESTOR**

By the end of 2022, de Volksbank held a portfolio of senior tranches in third-party residential mortgage backed securities of € 70 million (2021: € 107 million). De Volksbank has not invested in re-securitisation positions.

**RISKS**

In the context of the securitisation programmes where de Volksbank acts as originator, we recognise several types of risk, including credit risk, interest rate risk and liquidity risk.

The credit risk from the securitisation programmes pertains to the possible credit losses on the underlying residential mortgages. In the Pearl 1 and Lowland transactions, de Volksbank retains the credit risk of the underlying mortgages in full. In these cases, the underlying mortgages are weighted based on the internal risk model (AIRB).

There is also counterparty risk in respect of counterparties with which risks are hedged in swap transactions. See the explanation of the interest rate risk below, which includes a description of the background of the swap transactions. The credit and counterparty risks are managed in the regular control processes for mortgages, counterparty risk and balance sheet management.

De Volksbank holds the interest rate risk of the residential mortgages in the outstanding Pearl transaction securitised by it on the balance sheet. The SPV hedged the interest rate risk of the securitisation with an interest rate swap, which has been executed with a third party. We executed a back-to-back swap with this third party. The interest rate risk of the back-to-back swap is included in the regular process of managing the balance sheet. The Lowland transactions are an exception. These transactions do not include any interest rate swaps, but we still bear the interest rate risk because these notes are on our balance sheet.

The liquidity risk of de Volksbank's own securitisation positions pertains to the possible cash outflow. This has to do with its role of liquidity provider and the possible deposit of cash collateral in the swap transaction. The impact on the liquidity position is included in the regular process of liquidity management. See Sections 6.1 Liquidity risk management, 7.1.1 General qualitative information regarding credit risk and 10.2 Interest rate risk not included in the trading portfolio for an explanation of the regular processes for credit-, interest- and liquidity risks.

Where de Volksbank acts as investor, the risks of positions in securitisations of third parties mainly pertain to credit risk of default on the underlying mortgages. We are limiting this risk by purchasing tranches of the highest seniority, the so-called A notes, and we are also monitoring the performance of these transactions.

### ROLES

De Volksbank plays various roles in its own securitisation programmes. As 'originator' we granted the underlying residential loans. In addition, we are active as 'arranger': we structure the transaction and conduct negotiations with the rating agencies. We coordinate the documentation on the transaction together with our legal advisor. As 'manager' we are co-responsible for placing securities with institutional investors, for which purpose we work together with other financial institutions.

De Volksbank can also (indirectly) act as swap counterparty for the interest rate risk management of the SPV. The SPV executes an interest rate swap with a third party that, in turn, executes a fully offsetting transaction for the swap with us. Consequently, we do not play a role as swap counterparty in the swap transactions of the SPV itself. The Lowland securitisation programme does not comprise swaps.

As 'servicer' we are responsible for the daily operational management of the underlying residential mortgages. We set up a foundation that is in charge of collecting the principal and interest payments: 'Stichting Hypotheken Incasso'. The foundation is responsible for the collection of the various mortgage payments and transfers these amounts to the relevant SPVs.

Our support of the securitisation programmes does not extend beyond our contractual obligations, nor do we act as a programme sponsor.

Following table shows the roles that de Volksbank plays in the different securitisation programmes.

### Roles in securitisation programmes

| Programme name | Originator | Arranger | Manager | Servicer | Swap CP (indirect) |
|---|---|---|---|---|---|
| Pearl | x | x | x | x | x |
| Lowland | x | x | x | x | |

### POLICY & PROCESSES

Risk management is applied on the residential mortgages in the securitisation programmes. The interest rate and liquidity risks of these mortgages fall under the regular process for balance sheet management. See also Section 10.2 Interest rate risk not included in the trading portfolio of this report, where we explain the interest rate risk outside the trading book.

The credit risk is included in the regular process for monitoring mortgage loans. This process does not distinguish between securitisation positions issued or retained. That is why we do not pursue separate policies to hedge the risks relating to (retained) securitisation positions.

De Volksbank Financial Markets conducts the operational management of the retained (unsold) or purchased securitisation positions within the mandate set by the Board of Directors.

The interests in securitisation positions of third parties are part of the investments by de Volksbank. Within the powers delegated to it, de Volksbank Financial Markets is free to take positions and manage the risks of these investments.

## ACCOUNTING POLICY FOR SECURITISATION

We do not have a separate loan book containing loans that may still be securitised. For each securitisation transaction, loans to be securitised are selected from the total pool of eligible loans. Partly for that reason, we do not have a different accounting policy or classification for loans that may be eligible for future securitisation transactions. In the securitisation transactions we initiated, we transferred the underlying loans to separate SPVs at nominal value. Our economic interest in the SPVs is expressed in several ways. First of all, in most SPVs we have a large or significant direct position in the notes issued by the SPV. The size of these positions differs for each securitisation programme and may also differ in each SPV within the various programmes. Furthermore, the securitisations entitle us to a deferred selling price that is not obtained until the SPV generates positive results during the transaction. This economic connection in combination with the other IFRS criteria shows that de Volksbank must be considered the entity that controls the SPVs. That is why we fully consolidate the SPVs in our consolidated financial statements. On de Volksbank's consolidated balance sheet, the securitisation positions of securitisations we initiated are limited to the SPVs' monetary balances and the derivative transactions that the SPVs concluded with third parties. These securitisation positions are measured on the balance sheet at amortised cost and fair value, respectively. The consolidated balance sheet also shows securitisation positions in which we are the investor. These are positions in notes issued by these SPVs. These notes are classified as part of the investments and are measured at fair value, with gains and losses being recognised directly in equity.

## RATING AGENCIES

De Volksbank obtained credit ratings from the main credit rating agencies for its residential mortgages securitisations. The table below shows which credit ratings are issued by the rating agencies for the securitisation programmes active at year-end 2022.

### Credit ratings securitisation programmes

| Programme name | Moody's | Fitch |
|---|---|---|
| Pearl 1 | x | x |
| Lowlands 5 | x | x |
| Lowlands 6 | x | x |

## REGULATORY TREATMENT FOR SECURITISATION

The regulatory scope of consolidation is the same as the IFRS scope of consolidation. For securitisations where de Volksbank acts as originator and no significant transfer of credit risk has occurred, the risk-weighted exposure is calculated for the underlying securitised mortgage loans using the internally developed AIRB model PHIRM. There is no significant transfer of credit risk for the Pearl and Lowland transactions.

For our investment in third-party securitisation positions we follow the hierarchy of RWA calculation approaches pursuant to CRR article 242 to 270e. Three RWA calculation approaches are distinguished: Internal Ratings-Based Approach (SEC-IRBA), Standardised approach (SEC-SA) and External Ratings-Based Approach (SEC-ERBA). We do not make use of the option provided for in CRR article 254 (3) to apply the SEC-ERBA instead of the SEC-SA to all securitisation positions for which an external credit rating is available or for positions in respect of which an inferred rating may be used. Following the prescribed hierarchy our third-party securitisation positions are risk weighted by the standardised approach (SEC-SA) and the external ratings-based approach (SEC-ERBA) as of the end of 2022. The new framework also introduces a specific framework for Simple, Transparent and Standardised (STS) securitisations. Under all approaches in the hierarchy, the risk weight for STS-compliant securitisations is subject to a preferential treatment. To determine regulatory capital under the SEC-ERBA, de Volksbank uses the following External Credit Assessment Institutions (ECAIs): Fitch Ratings, Moodys Investor Service and Standard & Poor's Rating Services.

As de Volksbank does not have any positions in an ABCP programme or ABCP transaction, there are no securitisation positions subject to the Internal Assessment Approach at the end of 2022.

## 9.2 Securitisation exposures

The tables below show explanatory figures pertaining to the securitised residential mortgages. These are exposures in the banking book. De Volksbank does not hold any securitisation positions in the trading portfolio.

The tables present, if applicable, the outstanding nominal values of de Volksbank's own securitisation programmes plus the investment positions in third-party securitisations. De Volksbank's own securitisation programmes decreased as a result of regular redemptions in the programmes.

### EU-SEC1 - Securitisation exposures in the non-trading book 2022

| | | a | b | c | d | e | f | g | l | m | n | o |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Institution acts as originator** | | | | | | | **Institution acts as investor** | | | |
| | | **Traditional** | | | | **Synthetic** | | **Sub-total** | **Traditional** | | **Synthetic** | **Sub-total** |
| | | STS | | Non-STS | | | | | | | | |
| | In € millions | | of which SRT | | of which SRT | | of which SRT | | STS | Non-STS | | |
| **1** | **Total exposures** | **-** | **-** | **7,604** | **-** | **-** | **-** | **7,604** | **61** | **9** | **-** | **70** |
| 2 | Retail (total) | - | - | 7,604 | - | - | - | 7,604 | 61 | 9 | - | 70 |
| 3 | Residential mortgage | - | - | 7,604 | - | - | - | 7,604 | 61 | 9 | - | 70 |
| 7 | Wholesale (total) | - | - | - | - | - | - | - | - | - | - | - |

Total exposures where de Volksbank acts as originator has decreased in 2022 due to the call and non-replacement of the Lowland Mortgage Backed Securities (Lowland) 4 transaction.

### EU-SEC1 - Securitisation exposures in the non-trading book 2021

| | | a | b | c | d | e | f | g | l | m | n | o |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Institution acts as originator** | | | | | | | **Institution acts as investor** | | | |
| | | **Traditional** | | | | **Synthetic** | | **Sub-total** | **Traditional** | | **Synthetic** | **Sub-total** |
| | | STS | | Non-STS | | | | | | | | |
| | In € millions | | of which SRT | | of which SRT | | of which SRT | | STS | Non-STS | | |
| **1** | **Total exposures** | **-** | **-** | **11,214** | **-** | **-** | **-** | **11,214** | **50** | **57** | **-** | **107** |
| 2 | Retail (total) | - | - | 11,214 | - | - | - | 11,214 | 50 | 57 | - | 107 |
| 3 | Residential mortgage | - | - | 11,214 | - | - | - | 11,214 | 50 | 57 | - | 107 |
| 7 | Wholesale (total) | - | - | - | - | - | - | - | - | - | - | - |

### EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor 2022

| | a | b | f | g | h | j | k | l | n | o | EU-p |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exposure values (by RW bands/ deductions) | | Exposure values (by regulatory approach) | | | RWEA (by regulatory approach) | | | Capital charge after cap | | |
| In € millions | ≤20% RW | >20% to 50% RW | SEC-IRBA | SEC-ERBA (including IAA) | SEC-SA | SEC-IRBA | SEC-ERBA (including IAA) | SEC-SA | SEC-IRBA | SEC-ERBA (including IAA) | SEC-SA |
| 1 **Total exposures** | **46** | **24** | **-** | **-** | **70** | **-** | **-** | **13** | **-** | **-** | **1** |
| 2 Traditional securitisation | 46 | 24 | - | - | 70 | - | - | 13 | - | - | 1 |
| 3 Securitisation | 46 | 24 | - | - | 70 | - | - | 13 | - | - | 1 |
| 4 Retail underlying | 46 | 24 | - | - | 70 | - | - | 13 | - | - | 1 |
| 5 Of which STS | 46 | 15 | - | - | 61 | - | - | 11 | - | - | 1 |
| 9 Synthetic securitisation | - | - | - | - | - | - | - | - | - | - | - |

At year end 2022 SEC-SA was below 25% risk weight for all securitisations. Therefore, Article 254(2) CRR is not applicable at year end for any of the securitisations.

Since none of the securitisations qualify for SEC-ERBA at year end, there is a shift from SEC-ERBA to SEC-SA.

### EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor 2021

| | a | b | f | g | h | j | k | l | n | o | EU-p |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exposure values (by RW bands/ deductions) | | Exposure values (by regulatory approach) | | | RWEA (by regulatory approach) | | | Capital charge after cap | | |
| In € millions | ≤20% RW | >20% to 50% RW | SEC-IRBA | SEC-ERBA (including IAA) | SEC-SA | SEC-IRBA | SEC-ERBA (including IAA) | SEC-SA | SEC-IRBA | SEC-ERBA (including IAA) | SEC-SA |
| 1 **Total exposures** | **90** | **17** | **-** | **67** | **40** | **-** | **13** | **7** | **-** | **1** | **1** |
| 2 Traditional securitisation | 90 | 17 | - | 67 | 40 | - | 13 | 7 | - | 1 | 1 |
| 3 Securitisation | 90 | 17 | - | 67 | 40 | - | 13 | 7 | - | 1 | 1 |
| 4 Retail underlying | 90 | 17 | - | 67 | 40 | - | 13 | 7 | - | 1 | 1 |
| 5 Of which STS | 50 | - | - | 33 | 17 | - | 7 | 2 | - | 1 | - |
| 9 Synthetic securitisation | - | - | - | - | - | - | - | - | - | - | - |

## EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments 2022

| | | a | b | c |
|---|---|---|---|---|
| | | Exposures securitised by the institution - Institution acts as originator or as sponsor | | |
| | | Total outstanding nominal amount | | Total amount of specific credit risk adjustments made during the period |
| | In € millions | | Of which exposures in default | |
| **1** | **Total exposures** | **7,882** | **10** | **2** |
| 2 | Retail (total) | 7,882 | 10 | 2 |
| 3 | Residential mortgage | 7,882 | 10 | 2 |
| 7 | Wholesale (total) | - | - | - |

## EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments 2021

| | | a | b | c |
|---|---|---|---|---|
| | | Exposures securitised by the institution - Institution acts as originator or as sponsor | | |
| | | Total outstanding nominal amount | | Total amount of specific credit risk adjustments made during the period |
| | In € millions | | Of which exposures in default | |
| **1** | **Total exposures** | **11,558** | **19** | **1** |
| 2 | Retail (total) | 11,558 | 19 | 1 |
| 3 | Residential mortgage | 11,558 | 19 | 1 |
| 7 | Wholesale (total) | - | - | - |

# 10 Market risk

## 10.1 Market risk qualitative disclosure

We use the standardised approach in CRD IV to calculate capital requirements for the trading book.

### EU-MR1 - Market risk under the Standardised approach 2022

| | | a | a |
|---|---|---|---|
| | | RWEAs | RWEAs |
| | In € millions | 31-12-2022 | 31-12-2021 |
| | **Outright products** | | |
| 1 | Interest rate risk (general and specific) | 236 | -- |
| 2 | Equity risk (general and specific) | - | -- |
| 3 | Foreign exchange risk | - | -- |
| 4 | Commodity risk | - | -- |
| | **Options** | | |
| 5 | Simplified approach | - | -- |
| 6 | Delta-plus approach | - | -- |
| 7 | Scenario approach | - | -- |
| 8 | Securitisation (specific risk) | - | -- |
| 9 | **Total** | **236** | **--** |

In September 2022, de Volksbank completed the 'FRTB banking to trading book' project. The objective of the project was to become compliant with 1) CRR trading book requirements, 2) EBA Interest Rate Risk in the Banking Book (IRRBB) guidelines and the 3) CRR FRTB requirements. The result of the project is an increase in market risk RWA to € 236 million (2021: nil). The increase in RWA is due to the following:

- Redesign of banking and trading books to ensure consistent treatment of banking and trading books internally, in the financial statements and prudential reporting. As part of this process, trading book derivatives that were not included under market risk in regulatory reporting are added to the market risk RWA calculation.
- To comply with the EBA IRRBB requirements, an internal hedge ('Internal Risk Transfer) has been set up. By setting up an Internal Risk Transfer (IRT), interest rate risk and FX risk is transferred from the banking book to the trading book.

#### CURRENCY RISK

We mitigate currency risk by hedging most of our foreign currency exposures through FX swaps, where currency risk is managed on a day-to-day basis. The portfolios that contain currency risk are part of the set of portfolios for which a one-day VaR is calculated. These portfolios all have approved limits and are managed as such. We have hedged the remaining foreign currency risk in the banking book almost entirely with FX swaps. The equivalent of the total net foreign currency exposure of the banking book and trading book combined at the end of 2022 was € 11.9 million (2021: € 3.3 million).

During 2022, de Volksbank deposited its excess liquidity into its account at the ECB at a rate of -0.50%. At the same time, de Volksbank continuously investigates opportunities to optimise the return on its excess liquidity. The aforementioned economic uncertainty caused volatility in the short-term interest rates of currencies. The use of short-term currency swaps to manage excess liquidity resulted in a more positive return compared with the rate of the ECB. The volume of currency swaps is strongly related to the excess liquidity position. Short swap transactions fall within our risk parameters (VaR, Stress and Expected Shortfall) set for such activities by the ALCO. Transactions are only executed with counterparties approved by de Volksbank's Risk department and its Credit Committee. Controls are carried out continuously and reported on a daily basis. All transactions related to cash management are settled through the Continuously Linked Settlements system.

#### MARKET RISK IN THE TRADING BOOK

The trading book may contain exposure to interest rate risk, credit spread risk and currency risk. Credit spread risk is only permitted by means of bond exposure in the HTCS (Hold to Collect and Sale) banking book part of the liquidity portfolio. The bank does not trade in credit default swaps. Exposure to equities or equity risk instruments also falls outside the scope of our policy.

Market risk in the trading portfolio is measured on a daily basis by using Value at Risk (VaR), Expected Shortfall (ES) and stress testing indicators, which are used for internal monitoring and to specify limits. VaR, ES as well as the stress tests look ahead to the next day (one-day horizon), applying a confidence interval for VaR of 99% and for ES of 97.5%. The total VaR limit for the trading book is set at € 3 million in 2022 (2021: € 2 million), reflecting the relatively low risk profile of these activities in terms of size.

The VaR methodology is based on Monte Carlo simulations in which the underlying probability distribution is assumed. In these simulations, the VaR model takes into account interest rate risk, currency risk and credit spread risk. The risk appetite for currency risk is also low. In addition to the Monte Carlo simulations, currency risk is managed by monitoring FX limits on a daily basis.

## 10.2 Interest rate risk not included in the trading portfolio

**INTEREST RATE RISK IN THE BANKING BOOK**

Interest rate risk management aims to protect and generate stable net interest income. We achieve this goal by optimising the value of our interest cashflows. In the assessment and management of interest rate risks we take the following into account:

- anticipated prepayments on mortgage loans;
- anticipated early adjustments of mortgage rates;
- behavioural aspects of demand deposits;
- customer options in the products;
- effects of the current and anticipated interest rate environment;
- effects of interest rate developments that deviate from our expectations.

When managing the banking book's interest rate risk we focus on the interest income sensitivity to market rate movements. We measure the short to medium-term impact of market rate movements by using the Earnings-at-Risk (EaR) methodology, and the long-term impact by using the Economic Value of Equity (EVE) methodology.

### Short-term interest rate risk: EaR

To determine the EaR, we measure the change in income due to deviations from the expected interest rate development over a horizon of one year. Deviating interest rate scenarios are calibrated using statistical analysis, taking into account a floor for the market interest rate. This means that it is assumed that market interest rates will not fall below a certain level. For this floor, we assume a proportional movement of -1% for the overnight interest rate, up to 0% for interest rates of 20 years and longer in line with the EBA guidance.

### Long-term interest rate risk: EVE

When applying the EVE methodology, we determine the economic value of all future incoming and outgoing cashflows based on current market rates.

Duration of equity and basis point values per tenor are the key control measures of EVE sensitivity. Duration of equity is used to express the relative decrease in the EVE in the event of a parallel interest rate increase of 1%. The basis point values per tenor represent the sensitivity in euros to an interest rate shift at specific points on the yield curve, enabling us to identify sensitivity to non-parallel shifts in the market yield curve.

Key assumptions for modelling customer behaviour from an interest rate risk perspective the following customer options are relevant:

Customers have the option to fully or partially prepay mortgages before maturity. Typical examples of prepayments are when someone moves house, early renews a mortgage rate, or changes bank. A model is used to accurately estimate the probability of a mortgage prepaying in a certain month, given its loan characteristics and macro-economic circumstances. Important drivers are the number of houses being sold and the interest rate incentive for the customer e.g. is it beneficial given current mortgage rates to prepay.

Customers have the option during the application process of a mortgage to accept or reject an offer from the bank. The bank commits itself several months to a client rate without firm commitment from the customer. A model is used to estimate how many customers accept the offer and after how many months. This model is based on historical data.

Customers have the option to withdraw its balance on savings and/or current accounts without notice. The future client rate on these products is modelled using a replicating portfolio model. Important drivers are the historic development of yield curves, liquidity spread and client rates. A maximum maturity of 10 years is assumed for savings accounts and 15 years for current accounts. The average duration for the whole Non Maturing Deposits (NMD) portfolio is around 2.5, well below the regulatory cap of 5 year.

### EBA guidelines

De Volksbank is partially non-compliant with the EBA guidelines on IRRBB. Full compliance is considered a high priority and progress is regularly monitored internally and discussed in the relevant committees.

### Credit spread risk

At year-end 2022, the credit spread risk for Hold to Collect and Sale (HTCS) and Hold to Collect (HTC) liquidity portfolios, amounted to € 156 million and € 127 million respectively (2021: € 148 million and € 93 million). The increase in the credit risk spread of the HTCS portfolio was due to the greater size of this portfolio. For the HTC portfolio, the decrease is mainly explained by value decreases compared to last year, driven by higher interest rates.

## MARKET RISK EXPOSURE TRADING AND NON-TRADING RISK

The overview below presents the balance sheet broken down by the risks associated with the banking book and the trading book. It shows that de Volksbank, in view of its activities, is particularly sensitive to the market interest rate risk in the banking book.

### Market risk exposure trading and non-trading risk

| in € millions | Carrying amount | Market risk measure Non-trading | Market risk measure Trading | Carrying amount | Market risk measure Non-trading | Market risk measure Trading | Primary risk sensitivity |
|---|---|---|---|---|---|---|---|
| | 2022 | 2022 | 2022 | 2021 | 2021 | 2021 | |
| **ASSETS SUBJECT TO MARKET RISK** | | | | | | | |
| Investments fair value through P&L | 34 | 9 | 25 | 8 | 8 | -- | interest rate, exchange rate, credit spread |
| Investments fair value OCI | 2,806 | 2,806 | -- | 2,335 | 2,335 | -- | interest rate, credit spread |
| Investments amortised costs | 2,751 | 2,751 | -- | 3,295 | 3,295 | -- | interest rate, credit spread |
| Derivatives | 3,302 | 2,947 | 355 | 591 | 533 | 58 | interest rate, exchange rate |
| Loans and advances to customers | 48,966 | 48,966 | -- | 50,570 | 50,570 | -- | interest rate |
| Loans and advances to banks | 6,884 | 6,884 | -- | 4,527 | 4,527 | -- | interest rate |
| Cash and cash equivalents | 8,011 | 8,011 | -- | 10,305 | 10,305 | -- | interest rate |
| Other | 401 | 401 | -- | 450 | 450 | -- | |
| **Total assets** | **73,155** | **72,775** | **380** | **72,081** | **72,023** | **58** | |
| **LIABILITIES SUBJECT TO MARKET RISK** | | | | | | | |
| Subordinated debts | 500 | 500 | -- | 500 | 500 | -- | interest rate |
| Debt certificates | 7,544 | 7,544 | -- | 7,402 | 7,402 | -- | interest rate, exchange rate |
| Derivatives | 924 | 606 | 318 | 1,013 | 956 | 57 | interest rate, exchange rate |
| Savings | 44,501 | 44,501 | -- | 45,646 | 45,646 | -- | interest rate |
| Other amounts due to customers | 12,649 | 12,649 | -- | 12,482 | 12,482 | -- | interest rate |
| Amounts due to banks | 2,805 | 2,573 | 232 | 1,059 | 1,059 | -- | interest rate |
| Other | 4,232 | 4,232 | -- | 3,979 | 3,979 | -- | |
| **Total liabilities** | **73,155** | **72,605** | **550** | **72,081** | **72,024** | **57** | |

The market risk exposure of the trading book increased to a carrying amount of € 380 million for assets and € 550 million for liabilities (2021: € 58 million and € 57 million respectively). This increase is a result of completing the ‘FRTB banking to trading book’ project in September 2022. The objective of the project was to become compliant with 1) CRR trading book requirements, 2) EBA Interest Rate Risk in the Banking Book (IRRBB) guidelines and the 3) CRR FRTB requirements.

## INTEREST RATE RISK BANKING BOOK

A short description of the six supervisory shock scenarios referred to in table EU IRRBB1 below:

1. parallel shock up, where there is a parallel upward shift of the yield curve with the same positive interest rate shock for all maturities;
2. parallel shock down, where there is a parallel downward shift of the yield curve with the same negative interest rate shock for all maturities;
3. steepened shock, where there is a steepening shift of the yield curve, with negative interest rate shocks for shorter maturities and positive interest rate shocks for longer maturities;
4. flattener shock, where there is a flattening shift of the yield curve, with positive interest rate shocks for shorter maturities and negative interest rate shocks for longer maturities;
5. short rates shock up, with larger positive interest rate shocks for shorter maturities to converge with the baseline for longer maturities; and
6. short rates shock down, with larger negative interest rate shocks for shorter maturities to converge with the baseline for longer maturities.

## EU IRRBB1 - Interest rate risks of non-trading book activities 2022

| | Supervisory shock scenarios | a | b | c | d |
|---|---|---|---|---|---|
| | | Changes of the economic value of equity | | Changes of the net interest income | |
| | In € thousands | Current period | Last period | Current period | Last period |
| | | 31-12-2022 | 30-6-2022 | 31-12-2022 | 30-6-2022 |
| 1 | Parallel up | -248 | -344 | 272 | 186 |
| 2 | Parallel down | -208 | -67 | -283 | -199 |
| 3 | Steepener | -350 | -252 | | |
| 4 | Flattener | 382 | 220 | | |
| 5 | Short rates up | 353 | 184 | | |
| 6 | Short rates down | -230 | -182 | | |

The table above contains the change of economic value under six supervisory shock scenarios, as well as the change in Net Interest Income (NII) under the parallel up and parallel down scenario. For the calculation of the NII, the most recent business forecast has been used. The parallel up and down scenarios are calculated as a 200 bps instantaneous interest rate shock. Spreads and margins are assumed to be constant in these scenarios.

### Economic Value of Equity

The scenario with the largest negative outcome is the steepened scenario. This scenario has a negative impact on the economic value of equity of € 350 million (half-year 2022: € -252 million). This is mainly caused by the interest rate sensitivity of the mortgage portfolio, which is largely, but not fully hedged.

### Net interest income

The parallel up scenario has a positive impact on net interest income of € 272 million as at 31 December 2022 (half-year 2022: € 186 million). The parallel down scenario has a negative impact of € 283 million (half-year 2022: € -199 million). The sensitivity mainly increased due to changes in business assumptions.

# 11 Operational risk

## 11.1 Operational (non-financial) risk qualitative disclosure

### CAPITAL REQUIREMENTS

De Volksbank calculates the capital requirements for operational risk according to the standardised approach, in which all activities are divided into eight standardised business lines: corporate finance, trading & sales, retail banking, commercial banking, payment & settlement, agency services, asset management and retail brokerage. At year-end 2022, the Pillar 1 capital requirements were € 114 million for the operational risks (2021: € 111 million).

The total capital requirement for operational risks is calculated as the sum of the capital requirements for each of the business lines. The total capital is calculated as the 3-year average of the sum of the statutory capital costs for each of the divisions. The capital requirement for each business line equals the beta coefficient multiplied by gross income. The beta coefficients differ between business lines and are 12%, 15% or 18%. The capital requirement calculated on a yearly basis constitutes input for the Internal Capital Adequacy Assessment Process (ICAAP).

### RISK MANAGEMENT APPROACH

The Executive Committee (ExCo) dedicates a great deal of attention to managing and controlling operational (non-financial) risks. A Risk Control Framework is in place, and events and incidents are closely monitored for status and solution. An Operational Risk Committee (ORC) reviews and assesses the status and progress of the various sub risk types, on a monthly basis. Overall, the operational risk score is outside the risk appetite. For each sub risk type with an individual score below the risk appetite, dedicated programmes ('Path-to-Green') are being set up in order to reach an acceptable level of risk.

For more information, please refer to Section 4.5 Operational (non-financial) risks of the Integrated Annual Report.

## 11.2 Operational risk quantitative disclosure

**EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts 2022**

| | Banking activities | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Relevant indicator | | | Own funds requirements | Risk exposure amount |
| | In € millions | Year-3 | Year-2 | Last year | | |
| 1 | Banking activities subject to basic indicator approach (BIA) | - | - | - | - | - |
| 2 | Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches | 922 | 828 | 965 | 114 | 1,428 |
| 3 | *Subject to TSA:* | 922 | 828 | 965 | | |
| 4 | *Subject to ASA:* | - | - | - | | |
| 5 | Banking activities subject to advanced measurement approaches AMA | - | - | - | - | - |

The increase in the relevant indicator last year compared to the previous year is mainly due to higher results in the business lines Commercial Bank and Trading & sales with a higher beta factor.

## 11.3 Types of risk and areas of focus

As mentioned above, de Volksbank distinguishes three categories for operational (non-financial) risks: operational risk, compliance risk and model risk. Operational risk and compliance risk are subdivided into other categories, such as: IT systems risk, outsourcing risk, reporting risk, people risk, conduct risk and customer integrity risk.

In the section below, we address the most important developments with regard to all three categories of risk in 2022.

### OPERATIONAL RISK

**People risk**

People risk is the risk of direct or indirect loss caused by lack of adequate quality and quantity of staff.

Developments in 2022

Mainly due to an increasing sickness absence rate (flu and Covid-19) and labour market shortages, de Volksbank is facing challenges in fulfilling all functions and positions. Although the root cause is partly outside of de Volksbank's circle of influence, an action plan is being drawn up.

In 2022, the Covid-19 pandemic effects lingered on the way of working at de Volksbank. Sickness absence rates varied between 4.5% and 5.5%. Despite the fact that a ‘New Way of Working 2.0’ was introduced to strive for a better balance between working from home and in the office.

Preparations to start the new way of working according to the agile principles were completed in the first quarter of 2022. As a result, some of the staff became redundant and some new roles, such as product managers, scrum masters and agile coaches were introduced. The external/internal staff ratio is rather high at present, which could result in knowledge outflow. In combination with the tight labour market, making it hard to attract staff in every sector, this remains a concern for de Volksbank. Due to changed circumstances, including internal placement of potentially redundant staff, the restructuring provision has been significantly reduced.

In the second half of 2022, nationwide inflation became critical. De Volksbank has programmes to support customers who have trouble paying their monthly mortgage payments and energy bills. But for our own staff, too, we have coaches and programmes in place when the need arises.

### Process risk

Process risk is the risk of direct or indirect loss resulting from inadequate or failed processes, including the completeness and structure of processes and process governance.

#### Developments in 2022

Over 2022, we noticed a decline in timely modifications of process descriptions and the timely resolution of audit recommendations. This is partly caused by the change related to the transition to agile working and the overall staff shortage. An action plan is in place to address these issues.

In 2022, further progress was made towards strengthening the processes that monitor operational risk control. We also continued to work on the implementation of the Governance, Risk and Compliance (GRC) tool, a risk management application that simplifies the recording of our business operations data, enabling us to perform more in-depth analyses of the effectiveness of our risk management framework. We continued the implementation of Policy Management and Policy Compliancy procedures in the GRC tool and we focused specifically on the operational risk control of the transition to the agile cooperation model and enhanced procedures to monitor the effectiveness of operational controls.

De Volksbank strengthened its ability to perform process scenario analyses to further improve the quality of the risk framework.

### IT systems risk

IT systems risk is the risk of direct or indirect loss resulting from inadequate or failed internal (IT) systems.

#### Developments in 2022

Based on a roadmap called ‘IT within Risk Appetite’, steps are taken to modernise our IT landscape. Essential to this are the implementation of continuous delivery pipelines and migration to the cloud. The coverage of the IT key controls is also broadened and this is implemented in and by the teams in the new organisation. This will be continued in 2023.

De Volksbank continuously monitors cyber threats and attacks to maintain a secure IT landscape.

With ever-increasing cyber (crime) threats, we continued to strengthen the bank's resilience and (cyber) security. We also increased the coverage of the IT key controls.

We performed several disaster recovery tests, crisis management team tests and back-up and data recovery tests. We analysed new relevant IT-related legislation such as the Digital Operational Resilience Act (DORA), the implementation of which has started and will continue in 2023.

### Data management risk

Data management risk is the risk of loss for de Volksbank and its customers arising from shortcomings in our data, data definitions and data structures or their use. This involves the entire life cycle of data from data entry, development, interpretation, storage and deletion to phase-out. As of mid-2022, this risk explicitly includes arrangements with third parties.

#### Developments in 2022

With respect to data management risk, overall governance and monitoring of status and execution of related key controls need to be reinforced. To solve this situation, an action plan is being drawn up that will be implemented in 2023. At de Volksbank, a dedicated Data Management policy, which focuses on the ownership of the data and the measurement and monitoring of data quality, is in place. Each business unit is assisted by data stewards in setting up and improving the required data environment. A Data Quality Dashboard is part of this environment.

### Reporting risk

Reporting risk is the risk that the reporting process does not function or does not function properly, leading to a lack of reliable and timely reporting.

#### Developments in 2022

After finalising a dedicated project (entitled Deltawerken) at the end of 2021 to deliver a robust reporting infrastructure, de Volksbank took this infrastructure into further operation in 2022. The results are satisfactory. As several (regulatory) reports still need to be transferred to this infrastructure, remaining deliverables and implementation tasks have been transferred to the Finance function; the schedule for this is available and runs until the end of 2025.

A programme to improve the quality of our financial key controls has almost been completed. The already available results have been implemented as Financial Key Controls in the applicable Control Framework. Their effectiveness will be tested as from the beginning of 2023. The programme will be continued in 2023 and will be transferred as 'business-as-usual' to the Finance function in the course of 2023.

At the request of the ECB, we performed an analysis of our compliance with BCBS 239 (the Principles for Effective Risk Data Aggregation and Risk Reporting, PERDARR) requirements. This has resulted in an improvement plan that will be carried out in 2023.

In 2021, de Volksbank reassessed its capital treatment policy for exposures to Swiss Cantons and the Swiss cantonal banks guaranteed by Swiss Cantons. This resulted in an adjustment of risk-weighted assets as at 31 December 2021. In August 2022, de Volksbank received an information request from the ECB, which includes information on the impact on the capital ratios for earlier reporting periods. We have submitted answers to this request and are now awaiting a response from the ECB. Depending on the ECB's findings, a measure may be imposed.

### Legal risk

Legal risk is the risk of financial loss or reputational damage due to legal or regulatory events originating from lack of awareness, incorrect or altered interpretation or non-compliance with laws and regulations that apply to de Volksbank and its entities in relation to its agreements, liabilities, processes, products and services.

#### Developments in 2022

The number of legal claims remained stable. The Notes 20 Contingent liabilities and commitments and 21 Legal proceedings to the consolidated financial statements in the Integrated Annual Report include an overview of material legal proceedings involving de Volksbank.

Events related to mortgage and consumer credit files are adequately processed. No material new litigation was started against de Volksbank in 2022.

### Change risk

Change risk is defined as the risk of direct or indirect loss due to inadequate design, execution or implementation of changes or of deployment of processes, resources, products or services, as a result of insufficient execution power or change competencies.

#### Developments in 2022

On 1 March 2022, de Volksbank launched a new way of working according to the Agile principles, through which we aim to become more agile and customer oriented. The entire agile transition process will take two to three years to complete.

### Outsourcing risk

Outsourcing risk is the risk of financial loss or reputational damage due to the performance of an outsourcing partner or due to inadequate oversight and control of outsourced activities.

#### Developments in 2022

One of the pillars of de Volksbank's strategy 2021-2025 'better for each other - from promise to ! mpact' is to become a more efficient and flexible organisation. De Volksbank aims to increase its efficiency with partnerships and outsourcing and by using its capital in a more effective way.

In 2022, de Volksbank launched a programme to improve governance, policies and procedures related to outsourcing and to further comply with applicable legislation. The resulting policies and procedures were finalised and approved in the fourth quarter of 2022 and overall results were shared with the ECB. In line with this, de Volksbank is in the process of improving the quality of the existing contracts. In addition to improved policies and procedures, de Volksbank is implementing new tools to support procurement and outsourcing initiatives. Further execution and implementation of the aforementioned initiatives will continue during 2023.

The new outsourcing programme causes a situation in which the business is not yet able to show the required level of effectiveness and compliance. It is expected that once the business is accustomed to the new programme the applicable risk appetite scores will improve.

### Crime risk

Crime risk is the risk of internal or external criminal actions that may lead to damage to or loss for customers, employees or de Volksbank.

#### Developments in 2022

External and internal fraud remained an important topic in 2022. The number of external payment fraud cases for de Volksbank remained stable, with helpdesk fraud being the most common modus operandi. We continued our efforts to create public awareness. As the number of people facing financial difficulties as a result of economic developments increased, the number of incidents involving aggression and violence towards our employees showed a gradual increase.

## COMPLIANCE RISK

We define compliance risk as the risk that de Volksbank fails to comply with laws, or the spirit of any such laws, and additional regulations, self-regulation and relevant codes of conduct.

The Compliance Function continuously monitors compliance with laws, regulations and internal policies. The taxonomy of compliance risk distinguishes three sub-risks: conduct risk, customer integrity risk and business integrity risk. We ensure better identification and management of compliance risks by means of tools, such as regulatory technology, dashboarding and new privacy tooling.

## Developments in 2022

Below, we describe the most important compliance risk-related developments in 2022.

### Compliance Function

After the Compliance Function was further enhanced and strengthened following the Compliance Improvement Programme in 2021, last year the focus was both on maintaining and embedding the results and on further professionalisation.

### Customer integrity risk

#### AML, CFT, Tax integrity and Sanctions

As a gatekeeper, de Volksbank helps detect and prevent financial crime, taking a holistic approach to customer integrity in relation to anti-money laundering, to countering the financing of terrorism and to compliance with sanctions and tax regulations. We consider the gatekeeper function to be an integral part of our business operations. In 2022, de Volksbank continued to increase investments in this domain. The Compliance Function continuously monitors de Volksbank's customer integrity framework.

De Volksbank is determined to take all necessary steps to fulfil its gatekeeper responsibilities for which we closely follow updated legislation. Despite additional investments, de Volksbank experienced delays in executing the improvement plan which has been commenced in 2020 and should have addressed the shortcomings that have been concluded by DNB in that same year. We have an ongoing dialogue with DNB on this subject. As a result we decided we need to further expand and deepen the improvement programme that started in 2020 enabling us to remediate and implement a future-proof and robust customer integrity framework. Consequently, in the upcoming period de Volksbank makes additional investments in this domain, both in relation to personnel and systems. Furthermore, in 2022 DNB conducted a supervisory review within de Volksbank on customer integrity. We expect DNB findings in the first half of 2023.

De Volksbank closely followed the various EU packages of sanctions, whereupon we severely restricted transactions with Russia and Belarus, as well as with the Donetsk, Cherson, Zaporizhzhia and Luhansk areas in Ukraine. Improving our sanction-related control measures, such as sanctions screening, is an ongoing process. This will include remediation of findings from regulatory testing of our sanction screening system conducted by DNB during second half of 2022. Furthermore, we closely followed, and will continue to follow, new and updated legislation on the subject of customer integrity.

### Products that meet customer needs & expectations

The financial industry has a responsibility to provide safe and legally compliant products. Emphasising this responsibility is de Volksbank's ambition to operate with a 'human touch'. This is translated in product governance and oversight policies, enhanced in recent years. Products are reviewed by norms and standards that evolve over time, such as the interpretation of clauses on floating interest rates of consumer credit. Interest-only mortgages, too, are subject to progressing standards. This has considerable impact on the bank and requires a just and fair way to balance the interests of customers and the bank alike.

In 2022, in consultation with the ECB, we explored additional de-risking measures for interest-only mortgages in the Netherlands. These measures may result in further scrutiny of future loan volume development, impairment charges and capital. The exploration of additional de-risking measures involves several legal and compliance aspects which are taken care of by the applicable departments.

Compliance gives advice on key decisions and deems the decision-making process appropriate.

### General Data Protection Regulation (GDPR)

De Volksbank continues to enhance compliance with the GDPR to protect the privacy of our customers and employees. For example, we continued to develop Privacy Governance. A team of privacy officers in the first line, which supports the ongoing implementation of the GDPR, was trained by the Data Protection Officer of the Compliance Function. We also made a start with incorporating the Processing Register into privacy tooling. This tooling will also facilitate the continued development of privacy management within the organisation.

Following the decision by the Court of Justice of the European Union (CJEU) regarding data transfers, we are examining and assessing all contracts with (sub)processors for the risks resulting from data processing in countries outside the European Economic Area (EEA). In addition, we are in the process of concluding new Standard Contractual Clauses (SCC), where applicable. Further establishing privacy compliance within the old data warehouse has our full attention.

### Conduct risk

#### Genuine attention for our employees

Our code of conduct entitled 'Common Sense, Clear Conscience' is principles based and provides our employees with guidance and insights, for instance on how to handle a conflict of interest or on inappropriate behaviour. To assist staff in assessing situations, we updated our code of conduct with specific available scenarios.

### Business integrity risk

In September 2022, de Volksbank launched its annual 'Integrity in the Organisation' survey. The goal of this measurement is to obtain a deep understanding of the day-to-day work environment and how the organisational culture is supporting employees to act with integrity on a day-to-day basis. This insight allows us to prevent potential undesired behaviour and manage behavioural risks. This year's baseline measurement consists of a survey, followed up by an employee integrity feedback session to understand and provide insight into the outcomes, resulting in a first overview of the organisational culture in relation to acting with integrity. The first follow-up measurement is planned for 2023. This allows de Volksbank to manage behavioural risks within the organisation, expose and analyse potential behavioural risks, and to even better understand how to help employees act with integrity and in line with our purpose, strategy and code of conduct.

## MODEL RISK

Model risk is defined as the risk that the financial position of the bank, or the customers' interests, is negatively impacted by the use of models. Model risk arises from errors in the development, implementation, use, or interpretation of models, leading to inaccurate, incompliant, or misinterpreted model output.

### Developments in 2022

Model improvement and development is an ongoing process involving many discussions and iterations with supervisory authorities. For certain models, review and formal approval by the supervisory authority is still pending. We paid a great deal of attention to ensuring compliance with regulations related to regulatory capital and provisions, especially with respect to the residential mortgage portfolio. Throughout the year, we validated the active model versions for regulatory capital and the IFRS 9 provisioning for our residential mortgages in accordance with regulatory requirements. This resulted in two additional model refinements for regulatory capital in order to sufficiently mitigate model risk. For more information, see Section 7.4 Use of the AIRB approach to credit risk. The most important change was the implementation of the updated IFRS 9 Expected Credit Loss (ECL) model for residential mortgages, which contains model refinements i.a. with regard to interest-only mortgages.

We also validated numerous market risk models, in accordance with their respective validation frequencies.

Finally, the policies on model risk were updated to bring them in line with the organisational changes and to make them more risk-based. As the resources used are better aligned with the model risk level, this now enables us to assess and mitigate model risk more efficiently. The latter was also a major step in the transition from a model validation-focussed approach to a more comprehensive model risk management approach.

# 12 Remuneration policy

## 12.1 Qualitative information regarding remuneration policy

### SCOPE

De Volksbank is a financial services provider engaged in banking, with a particular focus on the Dutch market. The Pillar 3 Remuneration Report focuses entirely on the remuneration of de Volksbank's Identified Staff. Identified Staff is the group of employees with a material impact on de Volksbank's risk profile. In this report, Identified Staff is divided into the following groups:

1. Management Board Supervisory function (Supervisory Board)
2. Management Board Management function (Executive Committee)
3. Other senior management (reporting to the Executive Committee)
4. Other Identified Staff

Identified Staff of de Volksbank is not a homogeneous group; these staff members are spread across the organisation and comprise members of the Supervisory Board, Executive Committee and senior management, as well as employees falling within the scope of the collective agreement. The latter category includes, for example, employees with voting rights on a risk committee.

In this report, total fixed remuneration includes: 12 times the fixed monthly salary, holiday pay, fixed 13th month and allowances that are regarded as fixed income. De Volksbank has no variable remuneration schemes.

### STARTING POINTS

As the mission of de Volksbank is 'Banking with a human touch', it is only natural that we also 'put the human touch' into rewarding our employees. In determining our remuneration policy and the actual remuneration, we take account of our stakeholders, i.e. our customers, society, our employees and the shareholder. We like to keep it straightforward and want to show that our strategy enables us to attract and retain talented employees, without offering them higher pay than the industry average. Employees are rewarded equally in equal situations: differences in, for example, gender or ethnicity have no impact on remuneration and/or appreciation. The remuneration of the Executive Committee is in reasonable proportion to the salaries of our employees and to the average remuneration in the Netherlands. We do not consider variable remuneration linked to performance agreements to be in keeping with the social character of our bank and, for that reason, do not award any variable pay.

### RESPONSIBILITIES

The Executive Committee is responsible for the remuneration policy of senior management and other employees of de Volksbank. The Executive Committee has the discretionary power to deviate from the established remuneration policy with reasons in exceptional situations, insofar as this is permitted by laws and regulations. In this case, approval will be requested from the Supervisory Board for employees outside the scope of the collective agreement.

The Supervisory Board adopts the Remuneration Report and is responsible for the implementation and evaluation of the remuneration policy for the members of the Executive Committee. The Supervisory Board approves the remuneration policy for senior management as proposed by the Executive Committee and supervises its implementation. The Supervisory Board is also responsible for approving the outlines of the remuneration policy as proposed by the Executive Committee for the other employees of de Volksbank.

The Supervisory Board discusses material retention, sign-on and severance payments and sees to it that any such payments are in keeping with de Volksbank's established remuneration policy and are not excessive. The Supervisory Board directly supervises the remuneration of the Directors of Risk, Compliance and Audit who have ultimate responsibility. The Supervisory Board does so on the basis of the Annual Remuneration Policy Review Report drawn up by the Remuneration Working Group.

The People and Organisation Committee (MOCo) of the Supervisory Board has, where applicable, prepared the decision-making for the Supervisory Board on subjects relating to the both the employees of de Volksbank and the organisation. In 2022, the MOCo met four times. At year-end 2022, the MOCo consisted of three members of the Supervisory Board, namely: Jeanine Helthuis (Chair), Gerard van Olphen and Aloys Kregting.

In 2022, Willis Towers Watson, a global consulting firm, conducted a benchmark of the Supervisory Board remuneration.

### GOVERNANCE

The implementation of the remuneration policy is the responsibility of line management in collaboration with HR. The Remuneration Working Group comprises representatives from Risk, Compliance, Legal Affairs, Finance and HR who supervise the greatest remuneration policy implementation risks and provide risk management and policy-related advice. The Remuneration Working Group carries out a remuneration risk analysis and a review of the remuneration policy and its implementation every year in preparation for Supervisory Board discussion.

De Volksbank uses key performance indicators (KPIs). The KPIs of the Executive Committee are derived from de Volksbank's long-term goals and contribute to the long-term value creation for all stakeholders. These KPIs are drawn up annually and set by the Supervisory Board. The KPIs are input for senior management and all other employees, so that everyone contributes to achieving de Volksbank's long-term goals. KPIs are not linked to variable remuneration as de Volksbank does not award any. An audit is performed on the cascading of the Executive Committee KPIs to the functions that report to the Executive Committee.

For more information about the compensation of the Executive Committee and the Supervisory Board and also about the performance see Section 3.4 Remuneration Report in the Integrated Annual Report.

## 12.2 Quantitative information regarding remuneration policy

**EU REM1 - Remuneration awarded for the financial year 2022**

| | | in € thousands | a<br>MB Supervisory function | b<br>MB Management function | c<br>Other senior management | d<br>Other identified staff |
|---|---|---|---|---|---|---|
| 1 | Fixed remuneration | Number of identified staff | 5 | 7 | 28 | 29 |
| 2 | | Total fixed remuneration | 218 | 1,857 | 5,095 | 3,056 |
| 3 | | Of which: cash-based | 218 | 1,857 | 5,095 | 3,056 |
| EU-4a | | Of which: shares or equivalent ownership interests | - | - | - | - |
| 5 | | Of which: share-linked instruments or equivalent non-cash instruments | - | - | - | - |
| EU-5x | | Of which: other instruments | - | - | - | - |
| 7 | | Of which: other forms | - | - | - | - |
| 9 | Variable remuneration | Number of identified staff | - | - | - | - |
| 10 | | Total variable remuneration | - | - | - | - |
| 11 | | Of which: cash-based | - | - | - | - |
| 12 | | Of which: deferred | - | - | - | - |
| EU-13a | | Of which: shares or equivalent ownership interests | - | - | - | - |
| EU-14a | | Of which: deferred | - | - | - | - |
| EU-13b | | Of which: share-linked instruments or equivalent non-cash instruments | - | - | - | - |
| EU-14b | | Of which: deferred | - | - | - | - |
| EU-14x | | Of which: other instruments | - | - | - | - |
| EU-14y | | Of which: deferred | - | - | - | - |
| 15 | | Of which: other forms | - | - | - | - |
| 16 | | Of which: deferred | - | - | - | - |
| **17** | | **Total remuneration (2 + 10)** | **218** | **1,857** | **5,095** | **3,056** |

The table above includes information on the remuneration awarded to staff whose professional activities have a material impact on the risk profile of de Volksbank (identified staff).

### EU REM1 - Remuneration awarded for the financial year 2021

| | | | a | b | c | d |
|---|---|---|---|---|---|---|
| | | **in € thousands** | **MB Supervisory function** | **MB Management function** | **Other senior management** | **Other identified staff** |
| 1 | Fixed remuneration | Number of identified staff | 8 | 4 | 33 | 19 |
| 2 | | Total fixed remuneration | 191 | 1,464 | 6,034 | 2,394 |
| 3 | | Of which: cash-based | 191 | 1,464 | 6,034 | 2,394 |
| EU-4a | | Of which: shares or equivalent ownership interests | - | - | - | - |
| 5 | | Of which: share-linked instruments or equivalent non-cash instruments | - | - | - | - |
| EU-5x | | Of which: other instruments | - | - | - | - |
| 7 | | Of which: other forms | - | - | - | - |
| 9 | Variable remuneration | Number of identified staff | - | - | - | - |
| 10 | | Total variable remuneration | - | - | - | - |
| 11 | | Of which: cash-based | - | - | - | - |
| 12 | | Of which: deferred | - | - | - | - |
| EU-13a | | Of which: shares or equivalent ownership interests | - | - | - | - |
| EU-14a | | Of which: deferred | - | - | - | - |
| EU-13b | | Of which: share-linked instruments or equivalent non-cash instruments | - | - | - | - |
| EU-14b | | Of which: deferred | - | - | - | - |
| EU-14x | | Of which: other instruments | - | - | - | - |
| EU-14y | | Of which: deferred | - | - | - | - |
| 15 | | Of which: other forms | - | - | - | - |
| 16 | | Of which: deferred | - | - | - | - |
| **17** | | **Total remuneration (2 + 10)** | **191** | **1,464** | **6,034** | **2,394** |

## EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) 2022

| | | a | b | c | d |
|---|---|---|---|---|---|
| | In € thousands | MB Supervisory function | MB Management function | Other senior management | Other identified staff |
| | **Guaranteed variable remuneration awards** | | | | |
| 1 | Guaranteed variable remuneration awards - Number of identified staff | - | - | - | - |
| 2 | Guaranteed variable remuneration awards -Total amount | - | - | - | - |
| 3 | Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap | - | - | - | - |
| | **Severance payments awarded in previous periods, that have been paid out during the financial year** | | | | |
| 4 | Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff | - | - | 5 | - |
| 5 | Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount | - | - | 861 | - |
| | **Severance payments awarded during the financial year** | | | | |
| 6 | Severance payments awarded during the financial year - Number of identified staff | - | 1 | - | 1 |
| 7 | Severance payments awarded during the financial year - Total amount | - | 280[1] | - | 237 |
| 8 | Of which paid during the financial year | - | 280[1] | - | 237 |
| 9 | Of which deferred | - | - | - | - |
| 10 | Of which severance payments paid during the financial year, that are not taken into account in the bonus cap | - | - | - | - |
| 11 | Of which highest payment that has been awarded to a single person | - | 280[1] | - | 237 |

1 Severance pay awarded by the court to a former member of the Board of Directors

## EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) 2021

| | In € thousands | a<br>MB Super-visory function | b<br>MB Manage-ment function | c<br>Other senior manage-ment | d<br>Other identified staff |
|---|---|---|---|---|---|
| | **Guaranteed variable remuneration awards** | | | | |
| 1 | Guaranteed variable remuneration awards - Number of identified staff | - | - | - | - |
| 2 | Guaranteed variable remuneration awards -Total amount | - | - | - | - |
| 3 | Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap | - | - | - | - |
| | **Severance payments awarded in previous periods, that have been paid out during the financial year** | | | | |
| 4 | Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff | - | 1 | 2 | - |
| 5 | Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount | - | 240 | 190 | - |
| | **Severance payments awarded during the financial year** | | | | |
| 6 | Severance payments awarded during the financial year - Number of identified staff | - | - | 5 | - |
| 7 | Severance payments awarded during the financial year - Total amount | - | - | 958 | - |
| 8 | Of which paid during the financial year | - | - | 141 | - |
| 9 | Of which deferred | - | - | - | - |
| 10 | Of which severance payments paid during the financial year, that are not taken into account in the bonus cap | - | - | - | - |
| 11 | Of which highest payment that has been awarded to a single person | - | - | 241 | - |

## EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) 2022

| | | a | b | c | d | e | f | g | h | i | j |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Management body remuneration | | | Business areas | | | | | | |
| | In € thousands | MB Super-visory function | MB Manage-ment function | Total MB | Investment banking | Retail banking | Asset manage-ment | Corporate functions | Independent internal control functions | All other | Total |
| 1 | **Total number of identified staff** | | | | | | | | | | **69** |
| 2 | Of which: members of the MB | 5 | 7 | 12 | | | | | | | |
| 3 | Of which: other senior management | | | | 1 | 10 | - | 11 | 6 | - | |
| 4 | Of which: other identified staff | | | | 1 | 2 | 4 | 3 | 19 | - | |
| 5 | **Total remuneration of identified staff** | 218 | 1,857 | 2,074 | 647 | 2,253 | 373 | 2,161 | 2,717 | - | |
| 6 | Of which: variable remuneration | - | - | - | - | - | - | - | - | - | |
| 7 | Of which: fixed remuneration | 218 | 1,857 | 2,074 | 647 | 2,253 | 373 | 2,161 | 2,717 | - | |

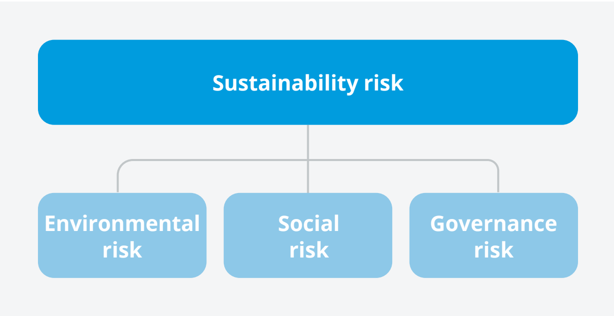
## EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) 2021

| | | a | b | c | d | e | f | g | h | i | j |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Management body remuneration | | | Business areas | | | | | | |
| | In € thousands | MB Super-visory function | MB Manage-ment function | Total MB | Investment banking | Retail banking | Asset manage-ment | Corporate functions | Independent internal control functions | All other | Total |
| 1 | **Total number of identified staff** | | | | | | | | | | **64** |
| 2 | Of which: members of the MB | 8 | 4 | 12 | | | | | | | |
| 3 | Of which: other senior management | | | | 1 | 11 | - | 14 | 7 | - | |
| 4 | Of which: other identified staff | | | | 1 | 2 | 4 | 2 | 10 | - | |
| 5 | **Total remuneration of identified staff** | 191 | 1,464 | 1,655 | 639 | 2,384 | 425 | 2,388 | 2,592 | - | |
| 6 | Of which: variable remuneration | - | - | - | - | - | - | - | - | - | |
| 7 | Of which: fixed remuneration | 191 | 1,464 | 1,655 | 639 | 2,384 | 425 | 2,388 | 2,592 | - | |

# 13 Sustainability Risk

Sustainability risk is one of the strategic risks of de Volksbank and is incorporated in the risk taxonomy as a stand-alone risk type with the aim of developing a holistic approach to the incorporation of Environmental, Social and Governance (ESG) risk drivers into the bank's overall business strategy, governance, risk management framework, organisational structure and reporting practices. We define sustainability risk as the risk of (in)direct financial or reputational damage to the bank due to ESG events or inadequate response to public expectations with respect to ESG events.

**Sustainability risk and sub-risk types**




As shown in the diagram above, we divide sustainability risk into three sub-risk types and define them as follows.

**ENVIRONMENTAL RISK**

Environmental risk is defined as the risk of (in)direct financial or reputational damage to the bank due to acute or chronic physical environmental risk drivers, or the role in the transition to an environmentally sustainable economy of the bank itself or of third parties. Environmental risk encompasses both climate risk and other environmental risks such as biodiversity loss and water scarcity. Environmental risk includes both physical risk and transition risk:

- Physical risks may arise from more frequent and severe environmental events. These events can be acute, such as floods, or chronic, such as a sea level rise;
- Transition risks may arise from the process of adapting to a more environmentally sustainable economy, for example climate-related policy changes, technological changes or investor and consumer sentiment towards a greener environment. For example, when our emissions are relatively high, we might face higher transition risks due to climate-related policy changes.

The occurrence of physical and transition risks is often inversely related. As a response to the potential impact of physical risks rapid, stringent and far-reaching governmental policy can be introduced, which can lead to increased transition risks. Alternatively, physical risks might increase over time if governmental policies are lacking.

**SOCIAL RISK**

Social risk is the risk of (in)direct financial or reputational damage to the bank due to violations of human rights, employee rights, poverty and customer relationships committed by the bank itself or by third parties.

**GOVERNANCE RISK**

Governance risk is the risk of (in)direct financial or reputational damage to the bank due to inadequate corporate governance, ethical management and transparency by the bank itself or by third parties.

Sustainability risk management refers to management of (outside-in) impacts of ESG risk drivers on the risk profile of de Volksbank. The activities of de Volksbank also lead to (inside-out) impacts on the environment and society. For more information on how de Volksbank manages inside-out impacts, see both the Annual Review 2022 and the Integrated Annual Report 2022.

## 13.1 Areas of focus and activities

**ESG RISK ASSESSMENT**

In 2021, de Volksbank conducted an ESG Risk Assessment for the first time. This thematic assessment focussed on the impact of ESG risk. ESG risk drivers, including climate-related and environmental risk, are risk drivers that may impact the exposures in the risk types of the risk taxonomy. All of our portfolio and business activities were in scope of this enterprise-level assessment.

In the assessment, the impact of ESG risk drivers, such as flooding, transitions in the housing market and regulatory changes, on the other risk types of the risk taxonomy was assessed in the short (≤1 year), medium (1-5 years) and long term (≥5 years).

The ESG risk assessment resulted in the following analysis:

| | PHYSICAL RISK | | TRANSITION RISK | |
|---|---|---|---|---|
| **ESG risk driver** | **Acute physical events, such as floods** | **Chronic physical changes, such as rising sea levels** | **Changing regulation regarding ESG issues** | **Changing social sentiment regarding ESG issues** |
| Impacted Risk types | Credit, Business, Operational & Reputational risk | Credit & Business risk | Credit, Business & Compliance risk | Compliance & Reputational risk |
| Time horizon | Short, Medium & Long term | Long term | Short, Medium & Long term | Short, Medium & Long term |
| Transmission channels | Lower real estate value, lower profitability, lower household wealth, increased legal costs | Lower real estate value, lower profitability, lower household wealth | Lower real estate value, lower profitability, lower household wealth, increased costs of compliance | Increased cost of compliance, increased legal costs |
| Description Impact | Acute physical events can have many disrupting effects: widespread damage to property of our clients can lead to high renovation costs and consequently increased Credit and Business risks. Additionally, operational processes can be disrupted, and an inadequate response of the bank to acute physical events can have reputational impact and can even lead to increased legal costs. | The chronic impact of climate change, which includes rising sea levels, can cause certain regions of the Netherlands to become unattractive to live or even uninhabitable. This impacts the value of retail collateral. Chronic impact can also lead to damage to property and can lead to high renovation costs and consequently increased Credit and Business risk. | Policy changes stimulating the transition towards a sustainable economy can pose risks for de Volksbank. Our mortgage clients might be faced with financial distress due to high adaptation costs, that can consequently lead to increased Credit and Business risk. Furthermore, complex ESG regulations directly applicable to our own organisation can lead to increased Business and Compliance risk. | Increasingly higher expectations regarding ESG performance can become a challenge for de Volksbank to transform in a timely manner. Not meeting these expectations or not behaving according to (un)written rules can negatively impact our reputation and can even lead to increased legal costs. This can create difficulties in attracting clients and investors. If employees of de Volksbank and/or business partners and/or counterparties do not or insufficiently behave according to written and/or unwritten rules of corporate governance and ethical management, financial or reputational impacts may follow. |

In 2022, the results of the ESG risk assessment were reviewed. Based on expert judgement, we assessed the impact of Sustainability risk as a material important risk driver for the risk types Credit risk, Business risk, Operational risk, Reputational risk and Compliance risk. This assessment was mainly qualitative and based on our business model with a focus on residential mortgages in the Netherlands, internal and external studies and upcoming regulations. Due to the relatively small size of the trading portfolio and sustainability strategy of de Volksbank, climate events are not regarded as a primary factor in market risk. De Volksbank used the assessment results to formulate specific actions to assess the impact of the identified ESG risk drivers. The ECB economy wide climate stress test of 2021 reveals a high flood risk in Northern Europe. In order to analyse how this risk might impact de Volksbank, we assessed the impact of flooding on our mortgage portfolio. We assessed the impact of drought, another relevant climate risk, as well. For this assessment, we combined external data on floods and drought probabilities and estimations of renovation costs with our internal portfolio data, such as location of the collateral. However, relevant data is not always available or up to date and quantification methodologies are still under development.

All in all, we do not have information that sustainability risk would have a material financial impact on the financial results of 2022. As ESG risk drivers continuously evolve, de Volksbank will conduct an enterprise-level ESG Risk Assessment on an annual basis. The next assessment planned for the first quarter of 2023 will further quantify impacts of ESG risk drivers and is expected to provide more precise insights into both our exposure and our response to sustainability risks in the short, medium and long term.

As described in our risk profile, de Volksbank's exposure to sustainability risk primarily follows from our focus on residential mortgages in the Netherlands. Based on the chance and impact of each ESG risk driver on the shortlist, we make a prioritisation of these risk drivers. While some ESG risk drivers are less relevant to our business model, others are assessed as material. Although the deterioration of biodiversity and regulations related to nitrogen emissions are expected to have a material impact on the agriculture industry, this will have less impact on the house prices in the Netherlands. Other ESG risk drivers, such as the increasing vulnerability of Northern Europe to flooding, have been assessed as being material for de Volksbank. The ESG Risk Assessment is also a key element in our follow-up to supervisory expectations in relation to sustainability risk as stated in the ECB Guide on Climate-related and Environmental Risk and in specific feedback provided by supervisory authorities. In addition to this, the results are also relevant for Pillar 3 disclosures.

**MITIGATING RISK CONTROLS**

If risks stemming from ESG events are assessed as material, we will evaluate current risk control mechanisms and may formulate additional risk responses.

De Volksbank has strict sustainability criteria in place to make a positive contribution to society. These sustainability criteria also function as an important mitigant to our exposure to ESG risk drivers. For example, de Volksbank has zero exposure in the fossil fuel sector, an industry particularly vulnerable to changing policies and market sentiments. Similarly, our social and diversity policies for our investments and our own operations prevent the likelihood of reputational risks related to social issues. We continuously assess if investments still meet our sustainability criteria. Infringement of these criteria will lead to the termination of specific loans or investments in our investment universe or portfolio. As insights on ESG issues and regulations related to ESG are always evolving, our policies are reviewed and updated periodically.

An important transition risk in our mortgage portfolio is the risk that our customers are confronted with higher energy costs and decreasing collateral value as home energy-efficiency standards are raised. De Volksbank mitigates this risk by actively facilitating our customers in their efforts to make their homes more sustainable through promotion, awareness and various financial products.

With regard to physical risks, we monitor our exposure to material physical risks on a portfolio level. Several risks, such as risks related to the foundation of houses, are taken into account and acted upon in the customer acceptance process. De Volksbank is currently developing a more comprehensive risk response to physical risks in our mortgage portfolio.

In 2022, de Volksbank made substantial progress in incorporating sustainability risk into its Internal Capital Adequacy Assessment Process framework. We have taken steps to further quantify sustainability risks and set appropriate risk appetite thresholds, thus ensuring that de Volksbank has adequately allocated capital should sustainability risks materialise.

**STRESS TESTING AND SCENARIO ANALYSIS**

In previously conducted stress tests, de Volksbank examined the Network for Greening the Financial System (NGFS) hot house world scenarios. The financial consequences of these scenarios for de Volksbank were investigated by means of impact and scenario analyses. The impact analyses mainly related to physical climate risks such as flooding and extreme drought for the mortgage portfolio. The scenario analyses mainly focused on the macroeconomic consequences of physical climate risks for the entire balance sheet of de Volksbank.

To identify the risks and financial impact related to transition risks, the mid-year stress test in 2022 focussed on the disorderly NGFS scenarios. This stress test consisted of two scenario analyses and examined the impact of certain imposed climate transition policies on the asset side of the bank’s balance sheet composition (residential mortgages, SME loans, ASN Bank sustainable loans and climate bonds) and consequently on the bank's financial position. The first scenario of this stress test was based on the NGFS delayed transition scenario. The NGFS delayed transition scenario assumes that the annual emissions do not decrease until 2030. Consequently, strong climate policies are necessary to limit global warming to below 2°C. The second scenario was based on the NGFS divergent net zero scenario, which reaches net zero around 2050 though with higher costs due to divergent policies introduced across sectors leading to a quicker phase-out of oil use.

In 2021, de Volksbank developed a tool to determine the impact of the NGFS climate policies on its balance sheet. The tool uses multiple internal and external variables including internal climate targets per portfolio, return targets and emissions data. This tool has made it possible to make a rough estimate of the required balance sheet development per transitional climate scenario in the 2022 mid-year stress test. It can be concluded from this stress test that the planned capitalisation is adequate to absorb the solvency impact of both transitional climate scenarios.

**ECB 2022 CLIMATE STRESS TEST**

From January until June, de Volksbank participated in the 2022 climate risk stress test exercise coordinated by the ECB in which 104 financial institutions participated. The ECB considers this stress test a learning exercise. Its aims are to identify vulnerabilities and challenges that banks are facing, as well as industry best practices. We were only requested to submit a qualitative questionnaire, climate risk metrics and the realisation data over the year 2021. As far as the credit risk portfolios were concerned, we did not have to submit any granular projections for the various climate scenarios.

Our overall scores on the thematic review and the climate risk stress test were positive compared to the average peer group's score. These scores give us more insight into the progress we made with integrating sustainability risk into the business strategy, government and risk management framework. However, we are aware that further action is needed to fully understand the impact of sustainability risk to make informed business decisions. De Volksbank is committed to further integrating sustainability risk into the risk management framework and the materiality assessment.

## 13.2 ESG risks qualitative disclosures

### BUSINESS STRATEGY AND PROCESSES

### Integration of ESG factors and risks

The second pillar of de Volksbank's strategy aims to have a substantial and measurable positive impact on society and reduce its negative impact. We do this by offering socially responsible propositions, through the implementation of our progressive sustainability policy and the KPI for a climate-neutral balance sheet. We also strive to be a front runner for change. This strategy, in turn, also contributes to the resilience of de Volksbank against transitional and physical sustainability-related risks. For example, due to our stringent sustainability policy, we do not have any exposures in carbon-related assets such as fossil fuel assets. Therefore, we do not face any transitional risks related to this type of asset. The pre-existing strategic focus to have a positive impact on society results in a relatively low risk profile for Environmental, Social and Governance (ESG) related matters. In developing this new strategy, de Volksbank used various plausible scenarios of future market developments, including inputs related to ESG factors and risks. During the process of developing the new strategy and evaluating our business model, de Volksbank analysed its business environment and important internal and external developments. Inputs included scenario analyses, such as ESG scenarios, consultations with our stakeholders, the materiality matrix, stress tests and the annual Strategic Risk Assessment. On a quarterly basis, three macro-economic scenarios are defined with a forecast of 4-5 years.

The strategic time horizon is medium term (5 years), spanning from 2021 to 2025. Our sustainability KPIs, however, exceed the horizon of the strategic plan with long-term targets (10 years) for 2030. De Volksbank's strategic plan should be seen as an adaptive plan, which means that we will continuously assess and adapt the strategy and forthcoming plans on a short-term basis (1 year) if we are required to do so. The annual Strategic Risk Assessment is an important tool to recalibrate the strategy against internal and external trends, including important developments, such as policy and regulation, technology and stakeholder preferences, which may be affected by ESG risks. The implementation and execution of the business strategy is measured by KPIs. Examples of KPIs that we measure are the climate neutrality of our balance sheet and the net positive impact on biodiversity.

### Objectives, targets and limits

Our commitment to voluntary and mandatory initiatives and transparent disclosure adds a layer of accountability to our business activities and performance. Examples of our commitments to initiatives are the International Labour Organisation (ILO), the Dutch National Climate Agreement, the Science-Based Targets initiative, the Principles for Responsible Banking, the Sustainable Development Goals and the Taskforce for Climate Financial Disclosure. To monitor the realisation of the strategy's objectives we have set long-term objectives and measure the progress through performance indicators for each stakeholder group. If possible, performance indicators are cascaded down to brands/teams of our organisation in our more detailed financial planning for the coming years. We also have a set key risk indicators, with which we monitor that de Volksbank stays within the risk appetite limits.

#### Environmental

Back in 2015, we had set ourselves the goal of having a climate-neutral bank balance sheet by 2030 at the latest, with an interim target of at least 75% climate neutrality by 2025. Besides that, we monitor the KPI net positive impact on biodiversity 2030 (in development). Our balance sheet is climate neutral when all our loans and investments cause as much $CO_2$ emissions as all our loans and investments avoid, or even if it were to be taken out of the air. To realise this we:
1) invest in climate bonds;
2) fund sustainable energy projects such as wind farms, large solar plants, smaller solar installations that contribute to the sustainability of buildings and decentralized energy supply; and
3) make our residential portfolio more sustainable.

De Volksbank is the first financial institution in the Netherlands with approved Science Based Targets (SBT) for our scope 1, 2 and 3 emissions. The latter includes emission reduction targets on mortgages (real estate), renewable energy (power), and investments covering relevant balance sheet categories. Read more about our targets in the narrative under template 3.

#### Social

We measure genuine attention for our employees twice a year through our employee survey and our strategy includes the medium term objective that 40-50% of our management positions are filled by women in 2025. For the long term we aim for diverse and inclusive organisation and 40-60% women in management positions. Equal pay has already been achieved and monitored annually if we are still on par. Although social risk is integrated in the ESG risk assessment, the impact of social risk is assessed as limited due to our focus on residential mortgages in the Netherlands.

To find out how our activities could be linked to human rights risks in international value chains, we follow the United Nations Guiding Principles for Business and Human Rights. Our previous salient human rights risk analysis identified living wage in the garment industry as one of our most salient issues. Therefore, our long-term objective is: By 2030, all the 15 listed brands in which we invest will need to have processes in place to enable the payment of a living wage to the workers that make the clothes. As in previous years, we assessed the garment companies in our investment portfolio. The results were published in the Platform Living Wage Financials Annual Report in October 2022.

### Current and future investment activities

Regarding our current investments towards taxonomy aligned activities, we note that the first taxonomy aligned reporting period is still to come for credit institutions. Nevertheless, internally we are developing the infrastructure to be able to assess and report taxonomy alignment for the first time in 2024 (over FY2023) based on our NFRD reporting obligation. Since only the delegated acts on the environmental objectives of climate change mitigation (CCM) and adaptation (CCA) have been published yet, these objectives are currently our main focus. In any case, we expect taxonomy aligned activities in our:

- Household portfolio of which loans collateralised by residential immovable property: which comprises only CCM activities.
- Other household portfolio such as building renovation loans and motor vehicle loans: which comprises only CCM activities.
- Financial corporations portfolio with amongst others green bond positions: both CCM activities and CCA activities expected.
- Non-financial corporations subject to NFRD disclosure obligations with amongst others green bond positions: mainly CCM activities expected.
- Non-financial corporations not subject to NFRD such as our SME portfolio (including loans collateralised by commercial immovable property) and project financing (via SPV's not subject to NFRD) such as wind and solar parks: mainly CCM activities expected.

Exposures to non-financial corporations not subject to NFRD will be reported in the Pillar 3 BTAR template as of 2024, and will also be included in the voluntary EU taxonomy report since these counterparties perform activities which are eligible or aligned with the environmental objectives in the EU Taxonomy.

In light of the regulatory developments and pending interpretation thereto, we have not assessed whether we want to set an investment target on taxonomy aligned activities. It should be noted that we deem our own sustainability policies (excluding for example nuclear and fossil fuel activities) as leading. Namely, it is expected that by following our own sustainability policies our taxonomy alignment will increase towards the future for example via new project financing or our sustainability efforts in relation to our mortgage portfolio. Nevertheless, we plan to assess target setting on taxonomy alignment for the future after our first taxonomy aligned reporting period which may serve as a baseline for target setting and tracking performance over time.

## Policies and procedures

We have adopted very strict sustainability policies, including policies in relation to our sustainability pillars Human Rights, Climate Change and Biodiversity. From these policies stems our strict investment criteria which can be divided into exclusion criteria (activities which are not sustainable such as weapons, fossil fuels, mining and deforestation) and policy criteria (having sound policies in relation to ethical behaviour and anti-corruption, human and labour rights, and environmental policies). As a result, our policies help to mitigate sustainability risks both from inside-out and outside-in perspective. All our policies are based upon international treaties and conventions we endorse in the areas of human rights, climate change, biodiversity, good governance and animal welfare.

| Key concept | Inspiration | Components |
|---|---|---|
| Sustainability | Brundtland report | E.g., fair distribution of wealth, relationship between short term and long term, relationship between the environment and wealth. |
| Human rights | E.g., the United Nation's Universal Declaration of Human Rights and the Guiding Principles on Business and Human Rights | E.g., we have a policy on how our counterparties deal with social risks: towards the community and society, employee relationships and labour standards, customer protection and product responsibility, healthcare, a living wage, no child labour but school, privacy, housing, social needs. |
| Climate change | Findings of the Intergovernmental Panel on Climate Change (IPCC) of the World Meteorological Organization (WMO), the United Nations Environment Programme (UNEP) and the Paris Agreement | E.g., energy, housing, the climate, greenhouse gases. |
| Biodiversity | Convention on Biological Diversity (CBD), drafted at the 1992 Rio Earth Summit, IPBES-report | E.g., nutrition, land use, nature, water, circular economy, air. |
| Governance | OECD and UN treaties and rules | E.g., corruption, functioning rule of law. |
| Animal welfare | Five freedoms of the Farm Animal Welfare Committee | E.g., animal welfare. |

The policies are applicable to all our investments, as well as that we use these policies as a base for our internal operations. As we invest in several different asset classes the way of implementation of these policies vary. For the bonds (government, green, social, sustainable or corporate bonds) we conduct a sustainability analysis on the basis of a publicly available research methodology. During the analysis we might engage with companies to determine if they meet our sustainability policies. For project finance we have developed a tool which can be used by ASN Sustainable Finance to determine whether a potential project meets our sustainability criteria or if extra research is necessary. We also developed a sustainability risk analysis tool for our SME portfolio based on the Standard Company Code (SBI-code) of our counterparties. This tool divides our counterparties in the categories green, amber and red to indicate whether the counterparty meets our sustainability policy. Category green means the counterparty has a low sustainability risk and meets our sustainability policy. Category amber means the counterparty has a medium sustainability risk and extra information is required. Category red means the counterparty has a high sustainability risk and/or the activity does not fit within our sustainability criteria.

For us, it is crucial to make our whole mortgage portfolio more energy efficient. We have a Specific Sustainability Policy Housing in which we describe our different roles as mortgage provider, funder, investor, front runner and inspirer. We aim to be a responsible and inclusive bank and want to offer our services to everyone in every situation, this includes people that have a mortgage with a low energy-efficient rating. As an example in our role as mortgage provider we will support our (retail) customers in reducing their household energy consumption by providing loans for insulation and providing them with advice on reducing energy consumption by supporting them with options to alter their energy consumption patterns and switching to energy-efficient appliances such as led lighting.

### Engagement with counterparties

We apply strict sustainability requirements for climate, human rights and biodiversity to all of de Volksbank's funds, bonds, loans and investments and periodically review and monitor these. In case of misconduct, we approach the relevant stakeholder and engage in a conversation to set up an agreement for action. If the stakeholder does not keep this agreement, we may decide to withdraw as an investor or financer.

Specifically for ASN Project Finance portfolio we engage directly and indirectly with businesses. For example, when the controversy about the Uyghur forced laborers came to light, we directly engaged with businesses that we finance for solar panel projects on whether they were involved or not, and how to reduce socially harmful activities. Besides that, we sometimes engage with clients about our strict sustainability criteria, for example about the use of concrete or biomass.

In addition, de Volksbank actively encourages and facilitates mortgage customers to isolate their homes.

## GOVERNANCE

### Internal governance and responsibilities

Because we have a strong focus on retail banking, our main transmission channels are households, corporate loans to SMEs and sovereigns through bonds. In its management function the Executive Committee (ExCo) is responsible to consider the impact of ESG risks through the transmission channels on de Volksbank’s business strategy, strategic objectives and risk management framework. The Supervisory Board (SB) in its supervisory function exercises effective oversight over the exposures and responses relating to ESG risks. Although the ExCo only has a fixed remuneration, the SB sets the performance objectives for the ExCo, including performance objectives for societal impact. These objectives are derived from de Volksbank’s (long-term) strategic objectives, and in setting them the SB takes into account de Volksbank’s desired risk profile regarding ESG risks.

Within the ExCo the CRO is responsible for sustainability. The CRO is the chairman of the Social Impact Committee (SIC), in which all 3 lines of defence are represented. The SIC monitors the coherence between inside-out and outside-in impact, the proper integration of long, medium and short term ESG risks in the overall business strategy, governance, risk management framework, organisational structure, reporting practices and policies. Other risk committees remain responsible for the other risk types impacted by sustainability risks. Responsibilities regarding ESG are defined in the Risk Management Policy Sustainability risk. Responsibilities are assigned to the business lines (first line of defence) and the Risk management function and the Compliance function (second line).

The business lines manages ESG risks within the risk appetite. The Risk management function monitors, advises, challenges, and supports the business on ESG risks. Our Sustainability Centre of Expertise has a consulting role. The Risk management function periodically reports the identified ESG risks to the ExCo. The Compliance function monitors whether the business adheres to relevant internal and external policies and regulations. The Risk Management Cycle (RMC) as a generic method for both the business and the internal control functions is key for managing risks in the Enterprise Risk Management Framework (ERMF) or in our internal control framework. The Risk Management Policy (RMP) safeguards that existing and emerging risks are identified, assessed, measured, monitored, managed and properly reported on by the relevant units within de Volksbank. The RMC for ESG risks is set up, but not yet finalised.

ESG risks are included in first and second line reports and in the quarterly risk report, which is reported to the ExCo. The progress of implementing the expectations of the ECB guide on climate-related and environmental risks is reported regularly to the SIC. Several first line reports about the strategic objective climate neutral balance sheet and the impact on biodiversity are reported to the SIC each quarter.

### Governance performance of our counterparty

The sustainability policy of de Volksbank includes strict sustainability investment criteria that rule out certain companies or countries, that do not meet our requirements with regard to good governance. We regularly update these criteria. Updates of these sustainability criteria or the development of new sustainability criteria can lead to adjustments in the investment portfolio. We assess our counterparties during the onboarding process, for example if they have complex organisational structures, do business in and or with sanctioned countries, or if investigation points into the direct of money laundering or other integrity related risks. We do not assess our counterparties on other specific governance aspects, such as the highest governance body or committees responsible for decision-making on economic environmental and social topics, or our counterparty's highest governance body's role in non-financial reporting, due to the fact that our counterparties are (not related to our investment portfolio) SME's or mid-corporates, for which the criteria would not deem to be as relevant. Our focus is on the policies of our counterparties in the field of good governance, social aspects and environmental aspects.  Every two years we check whether countries still meet our exclusion and sustainability criteria.

The sustainability policies of de Volksbank have international agreements, regulations, and best practice (standards) as a basis. Criteria themes related to governance are among others: independence and diversity within the board, inclusiveness, ethical conduct, corruption, management of conflict of interest, respect for the local legal system, tax evasion and tax avoidance, transparency and lobbying and political contributions. We use RepRisk, a tool which identifies material ESG risks on companies, real assets and countries, to monitor whether companies are involved in ESG related misconduct. If a company does not have sufficient information available to finalize our ESG analysis, we contact a company and ask and research questions.

The selection criteria for countries, which is used for our investment portfolio, is based on two steps. The first step is the selection of countries based on exclusion criteria. Countries can only be approved if they meet certain exclusion criteria, for example, they must be a signatory to the Paris Agreement or actively contribute to the protection of biodiversity. We base this on the endorsement (via ratification or accession) of international conventions. For the conservation of biodiversity these conventions mainly focus on the conservation of species and ecosystems. For human rights, we focus on crimes against humanity, capital punishment and war crimes. The next step is to select the best performing countries from countries that meet the exclusion criteria based on sustainability criteria for human rights, climate and biodiversity. This also includes corruption, military expenditures and development aid.

## RISK MANAGEMENT

### Integration of ESG risks in the risk framework

The integration of short-, medium- and long-term ESG risks within the risk management framework is based on the ECB guide on climate-related and environmental risks, the EBA report on management and supervision of ESG risks for credit institutions and investment firms and the TCFD recommendations.

The identification, assessment and classification of all material risks related to the external and internal developments and the business strategy is executed in the annual Strategic Risk Assessment and approved by the ExCo. These key risk types are presented in a risk taxonomy. Sustainability risk has been identified as a key risk for several years and contains 3 sub-risk types: 1) Environmental risk 2) Social risk 3) Governance risk. As Sustainability risk is a key risk, a Risk Appetite Statement (RAS) is formulated. This RAS encompasses metrics with thresholds to monitor this risk. The metrics and thresholds are aligned with the long-term targets to have a climate neutral balance sheet and to have a (net) positive impact on biodiversity in 2030. However, ESG events can also be considered as a potential driver for other risk types in the risk taxonomy and can impact these risk types. The ECB economy-wide climate stress test of 2021 showed that countries in Northern Europe are more vulnerable to flooding compared to other physical risks. Floods can increase credit risk via the micro-economic transmission channel of asset damages because of climate events. The Risk Management Function monitors the risk indicators for Environmental risk (transition risk as well as physical risk), Social risk and Governance risk. These risk indicators are reported to the ExCo in the quarterly risk report.

### Activities & exposures sensitive to ESG risks

Our exposure to ESG risks is assessed as relatively small due to our social impact strategy, our business model focussing on residential mortgages in the Netherlands and our strict sustainability policy. For example, we do not directly invest in fossil fuels or in countries known for a high risk for violations of international laws such as crimes against humanity, death penalty or war crimes. These investment criteria mitigate the risk of stranded assets and/or reputational damage and function as mitigating measures to sustainability risk. However, we have a concentration of residential mortgages in the Netherlands in our portfolio which is exposed to sustainability risks. See template 5 of this Pillar 3 report for a quantification.

### Identification, measurement and management of ESG risks and transmission channels

The risk management function ensures that ESG events are identified and assessed by the first line as a possible driver for all other risk types through an annual ESG risk assessment. In 2021 we executed a qualitative ESG risk assessment to identify and assess the impact of ESG risks. The ESG risk assessment was mostly qualitative as methodologies are currently evolving and most of the relevant data is not, or not yet, available. In 2022, de Volksbank used the assessment results to formulate specific actions to assess the impact of the identified ESG risk drivers. For example we assessed the impact of drought and flooding on the value of the collateral. For this assessment, we combined external data on drought and floods probabilities and estimations of renovation costs with our internal portfolio data, such as location of the collateral. The exposures sensitive to physical climate change events (including drought and flooding) are reported in template 5 of this Pillar 3 report.

Because of the relatively small size of our trading book the material impact of climate and other environmental events is expected to be limited for market risk. Explicit consideration of ESG factors as drivers for liquidity risk was included in liquidity stress testing, risk identification and RAS. Based on this analysis, it was concluded that related risks are already adequately captured via the existing liquidity stress testing framework and scenarios. In 2022 ESG events are considered in the ILAAP. De Volksbank also participated in the ECB climate stress test. The output is integrated in the Supervisory Review and Evaluation Process (SREP). Via the SREP score, the outcomes of the ECB climate stress test have an indirect impact on Pillar 2 capital requirements. In 2022, de Volksbank made substantial progress in incorporating sustainability risk into its Internal Capital Adequacy Assessment Process framework. We have taken steps to further quantify sustainability risks and set appropriate risk appetite thresholds, thus ensuring that de Volksbank has adequately allocated capital should sustainability risks materialise.

For the risk types credit risk, business risk, operational risk, reputation risk and compliance risk the impact of ESG risks are potentially material. In 2022 we further developed the methodology to assess ESG risks and, if possible, to quantify these risks. We continued analysing our assets on the balance sheet, especially our portfolio of residential and commercial mortgages, and assessing the ESG risks related to those portfolios. If the impact is assessed as outside the risk appetite, the existing risk response will be evaluated. Risk indicators enable the bank to measure and monitor if ESG risks are within the risk appetite and steer back when necessary. If it is considered as not appropriate the risk response will be adjusted and an active risk control monitoring and reporting framework will be set up.

For an overview of the results of our ESG risk assessment, including transmission channels, see section 13.1 Areas of focus and activities.

### Efforts to improve data availability, quality and accuracy

Risk models usually have a limited time horizon (1-5 years). However, Sustainability risk mainly present itself at much broader time horizons (10 or more years). De Volksbank investigates the possibilities to develop a calculation method for these long term risks.

In 2022, de Volksbank started a project to inventory the data needed to meet the ESG reporting requirements. Eventually this project will be extended with the necessary data for monitoring and reporting ESG risks drivers.

## 13.3 ESG risks quantitative disclosures

This is the first year de Volksbank reports on the EBA Pillar 3 ESG risk quantitative templates. The reporting obligation works with a phase in approach. For year-end 2022 banks are obligated to disclose quantitative templates 1 to 5 and template 10 and the qualitative disclosures reported in Section 13.2 ESG risks qualitative disclosures. The other templates will be reported in the coming years.

Each template has a different purpose for providing information and can be categorised. The categories are climate risks, mitigation actions and Green Asset Ratio and Banking Book Taxonomy Alignment ratio. The climate risks templates' purpose is to show how climate change may exacerbate other risks within banks' balance sheets whether it be the risk of stranded carbon intensive assets or loans to property within a flood plain. The mitigating actions templates' purpose is to show what mitigating actions banks have in place to address those risks including financing activities that reduce carbon emissions. And finally, the Green Asset ratio and Banking Book Taxonomy Alignment ratio templates' purpose is to show how institutions are financing activities that will meet the publicly agreed Paris agreement objectives of climate change mitigation and adaptation based on the EU taxonomy of green activities.

The previous Section 13.2 ESG risks qualitative disclosures provides the qualitative disclosures, which are also obligated since this Pillar 3 Report. The purpose of the qualitative disclosures is to describe de Volksbank's ESG strategies, governance and risk management arrangements with regard to ESG risks.

## Template 1: Banking book- Indicators of potential climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity

| | Sector/ subsector | a | b | d | e | f | g | h | i | j | k | l | m | n | o | p |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | GHG financed emissions[1] | | | | | | | |
| | In € millions | | Of which exposures towards companies excluded from EU Paris-aligned Benchmarks[2] | Of which stage 2 | Of which non-performing | | Of which Stage 2 | Of which non-performing | | Of which Scope 3 financed emissions | % of the portfolio derived from company-specific reporting | <= 5 yrs | > 5 yr <= 10 yrs | > 10 yr <= 20 yrs | > 20 yrs | Average weighted maturity[3] |
| 1 | **Exposures towards sectors that highly contribute to climate change[4]** | 1,318 | 0 | 48 | 54 | -31 | -2 | -26 | 83,344 | 58,860 | 74% | 230 | 578 | 500 | 9 | 10 |
| 2 | A - Agriculture, forestry and fishing | 0 | - | - | - | - | - | - | 52 | 0 | 0% | 0 | - | 0 | - | 20 |
| 9 | C - Manufacturing | 96 | - | 2 | 5 | -3 | - | -2 | 18,282 | 14,426 | 84% | 9 | 78 | 10 | - | 8 |
| 10 | *C.10 - Manufacture of food products* | 28 | - | - | - | - | - | - | 8,257 | 8,003 | 96% | 0 | 27 | 1 | - | 8 |
| 11 | *C.11 - Manufacture of beverages* | 0 | - | - | 1 | - | - | - | - | 0 | 0% | 0 | - | - | - | - |
| 13 | *C.13 - Manufacture of textiles* | 1 | - | - | - | - | - | - | 45 | - | 0% | - | 1 | 0 | - | 10 |
| 14 | *C.14 - Manufacture of wearing apparel* | 0 | - | - | - | - | - | - | - | 0 | 0% | 0 | - | - | - | - |
| 16 | *C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials* | 1 | - | - | - | - | - | - | 40 | 1 | 0% | 0 | - | 0 | - | 15 |

| | Sector/ subsector | a | b | d | e | f | g | h | i | j | k | l | m | n | o | p |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | GHG financed emissions[1] | | | | | | | |
| | In € millions | | Of which exposures towards companies excluded from EU Paris-aligned Benchmarks[2] | Of which stage 2 | Of which non-performing | | Of which Stage 2 | Of which non-performing | | Of which Scope 3 financed emissions | % of the portfolio derived from company-specific reporting | <= 5 yrs | > 5 yr <= 10 yrs | > 10 yr <= 20 yrs | > 20 yrs | Average weighted maturity[3] |
| 17 | *C.17 - Manufacture of pulp, paper and paperboard* | 0 | - | - | - | - | - | - | - | 0 | 0% | 0 | - | - | - | - |
| 18 | *C.18 - Printing and service activities related to printing* | 0 | - | - | - | - | - | - | 7 | 0 | 0% | 0 | - | 0 | - | 17 |
| 20 | *C.20 - Production of chemicals* | 1 | - | - | - | - | - | - | 820 | 818 | 100% | 1 | - | - | - | 2 |
| 22 | *C.22 - Manufacture of rubber products* | 0 | - | - | - | - | - | - | 28 | 1 | 0% | 0 | - | 0 | - | 19 |
| 23 | *C.23 - Manufacture of other non-metallic mineral products* | 2 | - | - | - | - | - | - | 2,361 | 0 | 0% | 0 | 1 | 1 | - | 16 |
| 24 | *C.24 - Manufacture of basic metals* | 0 | - | - | - | - | - | - | - | 0 | 0% | 0 | - | - | - | - |
| 25 | *C.25 - Manufacture of fabricated metal products, except machinery and equipment* | 4 | - | 1 | 1 | - | - | - | 436 | 175 | 0% | 1 | 0 | 3 | - | 11 |
| 26 | *C.26 - Manufacture of computer, electronic and optical products* | 0 | - | - | - | - | - | - | - | 0 | 0% | 0 | - | - | - | - |

| | Sector/ subsector | a | b | d | e | f | g | h | i | j | k | l | m | n | o | p |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | GHG financed emissions[1] | | | | | | | |
| | In € millions | | Of which exposures towards companies excluded from EU Paris-aligned Benchmarks[2] | Of which stage 2 | Of which non-performing | | Of which Stage 2 | Of which non-performing | | Of which Scope 3 financed emissions | % of the portfolio derived from company-specific reporting | <= 5 yrs | > 5 yr <= 10 yrs | > 10 yr <= 20 yrs | > 20 yrs | Average weighted maturity[3] |
| 27 | *C.27 - Manufacture of electrical equipment* | 52 | - | - | - | - | - | - | 4,627 | 4,390 | 100% | 3 | 49 | - | - | 7 |
| 28 | *C.28 - Manufacture of machinery and equipment n.e.c.* | 1 | - | - | - | - | - | - | 51 | 0 | 0% | 0 | - | 1 | - | 17 |
| 29 | *C.29 - Manufacture of motor vehicles, trailers and semi-trailers* | 0 | - | - | - | - | - | - | - | 0 | 0% | 0 | - | - | - | - |
| 31 | *C.31 - Manufacture of furniture* | 1 | - | - | - | - | - | - | 243 | 57 | 0% | 0 | 0 | 1 | - | 10 |
| 32 | *C.32 - Other manufacturing* | 1 | - | - | - | - | - | - | 274 | 1 | 0% | 0 | - | 1 | - | 12 |
| 33 | *C.33 - Repair and installation of machinery and equipment* | 4 | - | - | 3 | -2 | - | -2 | 1,094 | 980 | 0% | 3 | - | 1 | - | 4 |
| 34 | D - Electricity, gas, steam and air conditioning supply | 656 | - | 21 | 41 | -23 | - | -22 | 8,135 | 1,104 | 98% | 54 | 235 | 368 | - | 11 |
| 35 | *D35.1 - Electric power generation, transmission and distribution* | 655 | - | 21 | 41 | -23 | - | -22 | 8,135 | 1,104 | 3% | 54 | 235 | 366 | - | 11 |
| 36 | *D35.11 - Production of electricity* | 548 | - | 21 | 40 | -23 | - | -22 | 4,759 | 0 | 0% | 46 | 210 | 292 | - | 11 |

| | Sector/ subsector | a | b | d | e | f | g | h | i | j | k | l | m | n | o | p |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | GHG financed emissions[1] | | | | | | | |
| | In € millions | | Of which exposures towards companies excluded from EU Paris-aligned Benchmarks[2] | Of which stage 2 | Of which non-performing | | Of which Stage 2 | Of which non-performing | | Of which Scope 3 financed emissions | % of the portfolio derived from company-specific reporting | <= 5 yrs | > 5 yr <= 10 yrs | > 10 yr <= 20 yrs | > 20 yrs | Average weighted maturity[3] |
| 38 | *D35.3 - Steam and air conditioning supply* | 1 | - | - | - | - | - | - | - | - | 0% | - | - | 1 | - | 15 |
| 39 | E - Water supply; sewerage, waste management and remediation activities | 0 | - | - | - | - | - | - | 0 | 0 | 0% | 0 | - | - | - | - |
| 40 | F - Construction | 88 | - | 4 | - | - | - | - | 29,868 | 23,696 | 3% | 56 | 1 | 26 | 6 | 19 |
| 41 | *F.41 - Construction of buildings* | 14 | - | 2 | - | -1 | - | - | 1,420 | 71 | 22% | 3 | 0 | 11 | 0 | 15 |
| 42 | *F.42 - Civil engineering* | 1 | - | - | - | - | - | - | 267 | 116 | 0% | 0 | 0 | 1 | - | 15 |
| 43 | *F.43 - Specialised construction activities* | 73 | - | 1 | - | - | - | - | 28,181 | 23,509 | 0% | 52 | 1 | 14 | 6 | 7 |
| 44 | G - Wholesale and retail trade; repair of motor vehicles and motorcycles | 97 | - | 3 | 3 | -1 | - | -1 | 8,370 | 4,020 | 51% | 11 | 57 | 28 | 1 | 10 |
| 45 | H - Transportation and storage | 61 | 0 | - | - | - | - | - | 15,525 | 14,583 | 0% | 0 | 59 | 1 | 1 | 52 |
| 46 | *H.49 - Land transport and transport via pipelines* | 54 | - | - | - | - | - | - | 14,532 | 14,061 | 0% | 0 | 54 | 0 | 1 | 8 |
| 47 | *H.50 - Water transport* | 0 | - | - | - | - | - | - | 184 | 34 | 0% | 0 | - | - | - | 1 |
| 49 | *H.52 - Warehousing and support* | 6 | - | - | - | - | - | - | 807 | 488 | 0% | 0 | 5 | 1 | - | 11 |

| | Sector/ subsector | a | b | d | e | f | g | h | i | j | k | l | m | n | o | p |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | GHG financed emissions[1] | | | | | | | |
| | In € millions | | Of which exposures towards companies excluded from EU Paris-aligned Benchmarks[2] | Of which stage 2 | Of which non-performing | | Of which Stage 2 | Of which non-performing | | Of which Scope 3 financed emissions | % of the portfolio derived from company-specific reporting | <= 5 yrs | > 5 yr <= 10 yrs | > 10 yr <= 20 yrs | > 20 yrs | Average weighted maturity[3] |
| 50 | *activities for transportation H.53 - Postal and courier activities* | 0 | - | - | - | - | - | - | 2 | 0 | 0% | 0 | 0 | 0 | 0 | 19 |
| 51 | I - Accommodation and food service activities | 4 | - | 1 | 2 | - | - | - | 207 | 23 | 0% | 2 | 1 | 1 | - | 8 |
| 52 | L - Real estate activities | 315 | 0 | 18 | 3 | -3 | -2 | - | 2,903 | 1,009 | 64% | 99 | 147 | 67 | 2 | 8 |
| 53 | **Exposures towards sectors other than those that highly contribute to climate change**[4] | 8,958 | - | 28 | 10 | -16 | -1 | -2 | | | | 7,633 | 866 | 379 | 80 | 12 |
| 54 | K - Financial and insurance activities | 8,576 | - | 17 | 5 | -13 | -1 | -1 | | | | 7,526 | 737 | 239 | 74 | 15 |
| 55 | Exposures to other sectors (NACE codes J, M - U) | 381 | - | 11 | 5 | -3 | - | -1 | | | | 107 | 129 | 140 | 6 | 9 |
| **56** | **TOTAL** | **10,275** | **0** | **76** | **64** | **-47** | **-4** | **-28** | **83,344** | **58,860** | **10%** | **7,863** | **1,443** | **880** | **89** | **10** |

1 Scope 1, scope 2 and scope 3 emissions of the counterparty (in tons of CO2 equivalent)
2 in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818
3 In years
4 In accordance with the Commission delegated regulation EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006

The figures on this tab are revised on 27th October 2023 specifically for row 35, 41 - 43, 46, 47 and 52 - 55.

**Exposures towards companies excluded from EU Paris-Aligned Benchmarks**

To report exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 we assessed the NACE codes, activity and trade name of our exposures. When there was no or limited information, the company was regarded subject to Article 12.1 (d-g). Companies in the transport & storage sector (NACE chapter H) were considered subject to Article 12.1 (d-g) if there was an indication of these activities.

The limited exposures subject to Article 12.1 (d-g) we identified, stem mainly from legacy petrol stations where origination took place prior to our sustainability policies in which we exclude almost all activities in relation to the fossil fuel and mining sector. To identify exposures subject to Art 12.2 we used external data providers for an assessment of companies' involvement in incidents with significant negative implications to society and the environment. The limited exposures subject to Article 12.2 stems from a (financial) subsidiary of an automotive company.

**GHG emissions**
As one of the founders we apply the Partnership for Carbon Accounting Financials (PCAF) methodology and corresponding data hierarchy. According to the PCAF methodology, the primary source are company reported emissions, which is collected from the borrower or investee company for scope 1, 2 and 3 directly. If such company reported data is not available we use specific estimates based on physical or economic activity or sector-average emission factors on a best effort basis.

We use physical activity-based emissions data for our project finance portfolio, which consist mainly of renewable energy projects. However, GHG emissions from renewable energy projects can be considered negligible under PCAF methodology. We use economic activity-based emissions for some exposures. These emissions are specific estimates by the reporting financial institution based on economic activity and/or emission data collected from the borrower, investee company, or an umbrella/governing organisation (e.g. housing corporations). As a final resort, we use sector-average emission factors based on the emission factor database of PCAF.

**Template 2: Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral**

| | | a | b | c | d | e | f | g | h | i | j | k | l | m | n | o | p |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total gross carrying amount amount | | | | | | | | | | | | | | | |
| | | | Level of energy efficiency (EP score in kWh/m² of collateral) | | | | | | Level of energy efficiency (EPC label of collateral) | | | | | | | Without EPC label of collateral | |
| | In € millions | | 0; <= 100 | > 100; <= 200 | > 200; <= 300 | > 300; <= 400 | > 400; <= 500 | > 500 | A | B | C | D | E | F | G | | Of which EP score estimated |
| 1 | **Total EU area** | 49,324 | 843 | 16,611 | 17,554 | 8,275 | 5,870 | 171 | 6,272 | 3,306 | 5,758 | 2,732 | 1,892 | 1,540 | 1,621 | 26,203 | 100% |
| 2 | Of which Loans collateralised by commercial immovable property | 989 | 155 | 351 | 172 | 88 | 79 | 144 | 172 | 35 | 46 | 22 | 20 | 12 | 23 | 659 | 100% |
| 3 | Of which Loans collateralised by residential immovable property | 48,334 | 688 | 16,260 | 17,382 | 8,187 | 5,791 | 27 | 6,100 | 3,271 | 5,712 | 2,709 | 1,872 | 1,527 | 1,599 | 25,544 | 100% |
| 5 | Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated | 45,445 | 349 | 15,356 | 16,197 | 7,721 | 5,717 | 105 | | | | | | | | 45,445 | 100% |
| 6 | **Total non-EU area** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

The figures in template 2 are revised on 27th October 2023 specifically for row 5.

We use the Netherlands Enterprise Agency (RVO), in Dutch: Rijksdienst voor Ondernemend Nederland, database to report on the definitive EPC label and, if available, EP score of loans collateralised by immovable property. We estimated the EP score if there was no information available on the EP score from the RVO database. Definitive, preliminary or expired EPC label without EP score are classified in the following manner:

- A+ and higher are mapped to column b “0; <= 100”.
- A and B is mapped to column c “> 100; <= 200”.
- C and D is mapped to column d “> 200; <= 300”.
- E is mapped to column e “> 300; <= 400”.
- F is mapped to column e “> 300; <= 400”.
- G is mapped to column f “> 400; <= 500”.

In case there is no EPC label known to map the EP score, we use an alternative approach. Specific collateral surface data is used when available, or extrapolated with the average surface areas of private or commercial collateral.

**Loans collateralised by residential immovable property without definitive, preliminary or expired EPC label**

The level of energy efficiency of loans collateralised by residential immovable property is based on average energy use that is extracted from the energy distribution system operators (DSOs) (Liander, Enexis, and Stedin). The DSOs provide clusters of average energy use data, to avoid sharing privacy-sensitive data. These clusters are composed of collateral which have similar characteristics (commercial/residential, energy label, DSO etc). As an example, one of these clusters is composed of collateral without energy label, this is the average that is applied to this cluster of loans collateralised by residential immovable property. These averages differ per DSO, so when the DSO of the collateral in our portfolio is known, the average of that DSO is used. If the DSO is not known, the average electricity and gas use of the three DSOs is used. The average energy use data is then divided by the surface (square meters) of the collateral.

**Loans collateralised by commercial immovable property without definitive, preliminary or expired EPC label**

For loans collateralised by commercial immovable property we estimate the levels of energy efficiency based on average scope 1 and 2 emission factors per NACE sector, available via PCAF. These emission factors ($tCO_2$/million euros) are calculated to (kWh/euro) using CBS emission factor data. The sector specific energy factors are multiplied by the gross carrying amount and divided by the surface (square meters) of the collateral.

**Template 3: Banking book - Indicators of potential climate change transition risk: Alignment metrics**

| | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|
| | Sector | NACE Sectors | Portfolio gross carrying amount | Alignment metric | Year of reference | Distance to IEA NZE2050 in %[1] | Target[2] |
| 1 | Power | 35.11 | 548 | 0,008 tCO2/Mwh | 2020 | -97% | 0,368 tCO2/Mwh |
| 9 | Residential and commercial mortgages | N.A. | 49,324 | 32,98 kgCO2e/m2 | 2020 | 154% | 26,44 kgCO2e/m2 |

1 PiT distance to 2030 NZE2050 scenario in % (for each metric)

2 Year of reference + 3 years

De Volksbank has approved Science Based Targets (SBT) for a range of core activities in line with the Paris Agreement and the International Energy Agency Net Zero Emissions by 2050 Scenario (NZE2050), these targets can therefore be used as alignment metric. De Volksbank is the first financial institution in the Netherlands with approved SBTs. This includes a SBT on Residential Mortgages (Real Estate) and on Electricity Generation Project Finance (Power). We have not included the SBT for our Listed Equity and bonds portfolio as we are in the process of finalising this target.

We did not set a SBT for every sector in this Pillar 3 template as these sectors are not core activities for de Volksbank and due to the exclusion of activities in these sectors via our Sustainability Policies. As such, we have negligible exposures (< EUR 100.000) in the sectors of fossil fuel combustion, automotive, aviation, cement clinker and lime production, and chemicals and have not identified specific targets in this template.

Furthermore, we have limited SME exposures in the sectors maritime transport, iron and steel, coke, and metal ore production. Here we also have not set a SBT as this is not considered our core business.

Please find below more information per material sector:

**Power (SBT)**
Source: De Volksbank Science Based Target.
Our SBT for 2030 is set on 0,229 $TCO_2$/MWH.
Our Alignment Metric with reference year 2020 is calculated on: 0,008 $TCO_2$/MWH.
For the calculation of our alignment metric we looked at all our power exposures. Due to our sustainability policies almost all of our exposures concern renewable energy projects such as solar, wind parks and biomass. Our alignment metric in MWH/$TCO_2$ is based on total emission in $TCO_2$ emission from our renewable energy projects per generated MWH.

**Real Estate (SBT, added)**
Source: De Volksbank Science Based Target.
Our SBT for 2030 is set on 12,97 $kgCO_2$/m2.
Our Alignment Metric with reference year 2020 is calculated on: 32,98 $kgCO_2$/m2.
The SBT has been set on all mortgage exposures including commercial and residential. The alignment metric has been calculated based on the Energy Performance Certificates (EPC) of our portfolio including preliminary and expired EPC. The EPCs are then converted to an energy consumption intensity metric in kwh/m2, whereby we use extrapolation for the portfolio without any EPC label information. This energy consumption intensity metric is converted to $CO_2$ equivalents using emission factors applicable to the Dutch Energy Grid based on the energy mix of the Netherlands.

**Banking book - Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms**

De Volksbank has chosen the Carbon Majors Database and Reports of the Carbon Disclosure Project (CDP) as a source for the top 20 carbon-intensive firms.

When assessing the exposures to the top 20 carbon-intensive firms, we apply a look through approach for special purpose vehicles (SPV) on best effort basis. If there is a majority shareholder from a top 20 carbon-intensive firm, the exposure is included.

As a result of our sustainability policies we exclude almost all activities in the fossil fuel, mining, and iron, steel and coke production sector and therefore we have no exposure to the top 20 carbon-intensive firms. Template 4 - Banking book - Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms is therefore not included in this report.

### Template 5: Banking book - Indicators of potential climate change physical risk: Exposures subject to physical risk

| | a | b | c | d | e | f | g | h | i | j | k | l | m | n | o |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | | | | | | | | | | | | | |
| | | | of which exposures sensitive to impact from climate change physical events | | | | | | | | | | | | |
| | | | Breakdown by maturity bucket | | | | | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | |
| | In € millions | | <= 5 years | > 5 year <= 10 years | > 10 year <= 20 years | > 20 years | Average weighted maturity[1] | of which chronic climate change events | of which acute climate change events | of which chronic and acute climate change events | Of which Stage 2 exposures | Of which non-performing exposures | | of which Stage 2 exposures | Of which non-performing exposures |
| 1 | A - Agriculture, forestry and fishing | 0 | - | - | - | - | 0 | - | - | - | - | - | - | - | - |
| 3 | C - Manufacturing | 96 | 0 | 0 | 2 | - | 0 | - | - | 2 | - | - | -0 | - | - |
| 4 | D - Electricity, gas, steam and air conditioning supply | 656 | - | 6 | - | - | 0 | 6 | - | - | 6 | - | -0 | -0 | - |
| 5 | E - Water supply; sewerage, waste management and remediation activities | 0 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 | F - Construction | 88 | - | 0 | 4 | - | 0 | 0 | - | 4 | 1 | - | -0 | -0 | - |
| 7 | G - Wholesale and retail trade; repair of motor vehicles and motorcycles | 97 | 0 | 0 | 2 | - | 0 | 0 | - | 2 | - | - | -0 | - | - |
| 8 | H - Transportation and storage | 61 | - | - | 0 | - | 0 | - | - | 0 | - | - | -0 | - | - |
| 9 | L - Real estate activities | 315 | 0 | 0 | 10 | 1 | 0 | 2 | - | 10 | 1 | - | -0 | -0 | - |
| 10 | Loans collateralised by residential immovable property | 48,334 | 213 | 553 | 2,703 | 5,370 | 0 | 1,567 | - | 7,272 | 422 | 85 | -18 | -5 | -6 |
| 11 | Loans collateralised by commercial immovable property | 989 | 6 | 17 | 132 | 6 | 0 | 22 | - | 138 | 14 | 2 | -2 | -1 | -1 |

1 In years.

Given the concentration of activities of de Volksbank in The Netherlands, the only material geographic area for the assessment of potential climate change physical risk is the Netherlands. The vast majority of activities in the Netherlands is related to loans collateralised by residential and commercial immovable property.

A methodology to assess physical risks for debt securities is under development.

The location of the collateral is used for residential and commercial immovable property. For other loans the residence of the counterparty is used for the assessment. De Volksbank consulted the data from the *Klimaateffectatlas*. The categorisation for all maps is available on the level of the Dutch 6 digit postal codes, i.e. 1234AB. We mapped the postal code of the address of the underlying collateral in our data to the categorisation of the maps in the *Klimaateffectatlas*; regardless of the (loan)portfolio.

For chronic climate change events, de Volksbank categorised all exposures in regions with a high or very high risk to pile rot and/or soil subsidence according to the maps in the *Klimaateffectatlas*, with the scenario 2050 Low. For acute climate change events, de Volksbank categorised all exposures in regions with a flood of 50cm or higher and a probability of 1/300 and higher to the maps of the *Klimaateffectatlas*.

The 2050 Low scenario has been chosen for chronic climate change events in order to ensure that all consulted maps have the same reference point. The flood risk map used for acute and chronic climate change events has a 2050 reference point. Current flood risk data is not available in the maps of *Klimaateffectatlas*.

## Template 10 - Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

| | a | b | c | d | e | f |
|---|---|---|---|---|---|---|
| | Type of financial instrument | Type of counterparty | Gross carrying amount (in € millions) | Type of risk mitigated (Climate change transition risk) | Type of risk mitigated (Climate change physical risk) | Qualitative information on the nature of the mitigating actions |
| 1 | Bonds[1] | Financial corporations | 270 | Yes | Yes | These exposures concern Green and Sustainability bonds mainly in relation to renewable energy which have been accepted under our sustainability policies. Such projects prevent/mitigate transition risk and contribute to climate change mitigation. Although the main focus is on carbon reduction, it can occur that there are adaptation measures in these respective bonds. These bonds are not taxonomy aligned (yet) as the EU Green Bond Standard is not in force. |
| 2 | | Non-financial corporations | 5 | Yes | Yes | These exposures concern Green and Sustainability bonds mainly in relation to renewable energy which have been accepted under our sustainability policies. Such projects prevent/mitigate transition risk and contribute to climate change mitigation. Although the main focus is on carbon reduction, it can occur that there are adaptation measures in these respective bonds. These bonds are not taxonomy aligned (yet) as the EU Green Bond Standard is not in force. |
| 4 | | Other counterparties | 259 | Yes | Yes | These exposures concern Green and Sustainability bonds mainly in relation to renewable energy which have been accepted under our sustainability policies. Such projects prevent/mitigate transition risk and contribute to climate change mitigation. Although the main focus is on carbon reduction, it can occur that there are adaptation measures in these respective bonds. These bonds are not taxonomy aligned (yet) as the EU Green Bond Standard is not in force. |
| 5 | Loans[1] | Financial corporations | 142 | Yes | No | These exposures to special eco and green funds prevent/ mitigate climate change transition and physical risk and contribute to the climate change mitigation and adaptation objective. |
| 6 | | Non-financial corporations | 678 | Yes | No | These exposures concern our Project Financing in relation to renewable energy and storage, and projects that substantially reduce energy consumption. These exposures prevent transition risk and contribute to climate change mitigation objective. |
| 7 | | Of which Loans collateralised by commercial immovable property | 2 | Yes | No | In this category we have included all EPC A-label buildings in our portfolio (including preliminary and expired EPC labels). These exposures prevent climate change transition risk and contribute to the climate change mitigation objective. |
| 11 | | Other counterparties | 95 | No | Yes | In this category we have included our exposures to amongst others (local) governmental exposures such as Water Authorities that prevent physical climate risk and contribute to the climate adaptation objective. |

1 E.g. green, sustainable, sustainability-linked under standards other than the EU standards.

We have included exposures that are excluded from current taxonomy alignment such as our exposures in our commercial mortgage portfolio and project financing because these concern non-NFRD counterparties. In addition, we included green or sustainable bonds of which the counterparty did not publish taxonomy eligibility or alignment information on those bonds. We also included other exposures such as special funds and (local) governments, which are not covered in the Taxonomy Alignment at the moment. In our view, these exposures are contributing to climate change mitigation and adaptation and reduce climate change transition and physical risk. We explain each category in more detail below.

**Row 1, 2 and 4: Financial- and non-financial corporations and other counterparties**

Our green- and sustainable bonds which have been accepted under our sustainability policies are included. Here we apply the following definitions:

- green bond: a bond whose proceeds are used to finance green projects. 'Green projects' are projects that meet the criteria defined for renewable energy projects under our sustainability policies. It is recommended that the green bonds comply with Green Bond Principles and it is desirable for the green bonds to comply with the Climate Bonds Initiative;
- sustainable bond: a bond whose proceeds are used to finance a mix of green and social projects.

All our bonds are validated by a Second Party Opinion (SPO) provider and are in line with our sustainability policies. We reported our green and sustainability bonds in this template, as these exposures contribute to climate change mitigation and prevent transition risk. Although we mainly focus on GHG reduction in our sustainability policies, adaptation measures in these respective bonds may occur.

**Row 5: Financial corporations**

In this category we have included our exposures in special (eco/green) funds that develop financial instruments or build bridges between public funds and private funds to remove (financial) barriers for funding of projects. These funds finance projects related to the climate change mitigation objective and the climate change adaptation objective (e.g. investments in solar and wind farms, rooftop energy, climate adaptive gardens or projects in forestry and arable farming). These projects can take place in and outside the EU. It is expected that the financial counterparties of these funds are not always subject to NFRD (or upcoming CSRD) reporting obligation. As such we do not have detailed information on taxonomy alignment information yet.

**Row 6: Non-financial corporations**

These exposures concern our Project Financing related to renewable energy, such as wind farms, solar energy projects and thermal storage systems. We also included, exposures that substantially reduce energy consumption, such as sustainable construction and refurbishment. These exposures are in line with our sustainability policies and mitigate transition risk and contribute to climate change mitigation. The counterparties are mainly Special Purpose Vehicles (SPVs) and often not subject to NFRD (or upcoming CSRD) reporting obligations. As such we do not have detailed information on taxonomy alignment yet.

**Row 7: Non-financial corporations: Of which Loans collateralised by commercial immovable property**

In this category we have included all EPC A-label buildings in our portfolio for loans to non-financial corporations not subject to NFRD collateralised by residential immovable property. This includes expired EPC A-labels as we deem that the expiration of an EPC label does not alter the energy performance of the building. These exposures mitigate transition risk and contribute to climate change mitigation. These counterparties are mainly large SMEs and as such often not subject to NFRD (or upcoming CSRD) reporting obligations. As such we do not have detailed information on taxonomy alignment yet.

**Row 11: Other counterparties**

In this category we have included loans to Dutch *Waterschappen* (Water Boards). It can be argued that these general purpose loans mitigate climate change physical risk- and contribute to the climate change adaptation objective. The counterparties are local governments and are not subject to NFRD (or upcoming CSRD) reporting obligation. As such we do not have detailed information on taxonomy alignment.