Pillar 3 report 2017

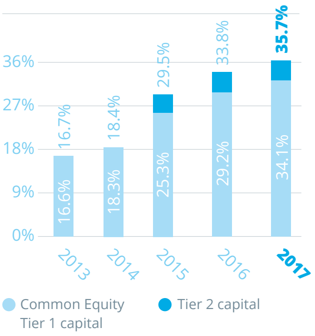
The original report was drafted in Dutch. This document is an English translation of the original.
In the case of any discrepancies between the English and the Dutch text, the latter will prevail.

Shareholders' equity and leverage

Based on the balance sheet position at the end of 2017, we expect to still be able to amply meet our external requirements and internal standards if Basel IV is implemented without change into European laws and regulations.

Total capital ratio

(on a transitional basis)

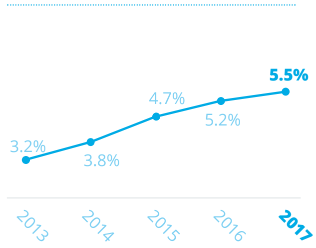


34.1%

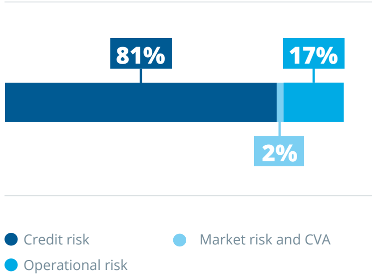
Common Equity Tier 1 ratio year-end 2017 on a transitional basis

Leverage ratio

(on a transitional basis)



Risk weighted assets



Credit risk

The retail mortgage portfolio showed a nice increase, while the value of the other portfolios remained almost equal. The credit risk on our exposures declined due to the strengthening of the Dutch economy. We therefore maintain fewer provisions at the end of 2017.

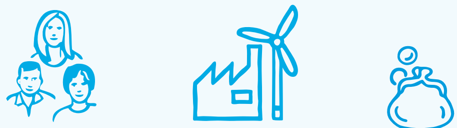
-31.3%

Decrease in provisions

77.1%

IRB approach of total exposure

Loans and advances to customers



93% Retail

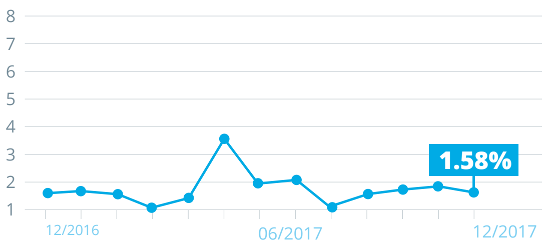
5% Corporate

2% Other

Market risk

Because of the historically low market rates and the expectation that they will rise slowly, we decided to keep the duration of equity low to limit our sensitivity to market rates. Our trading positions are limited.

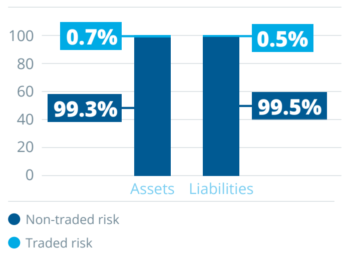
Duration of equity in 2017



€75m

Volume of Earnings at Risk year-end 2017

Market risk exposure year-end 2017



Liquiditeitsrisico

The bank has a strong liquidity position to continuously meet its financial obligations.

€10.6bn

Volume of strong liquidity buffer

215%

12-month average LCR

1 Introduction

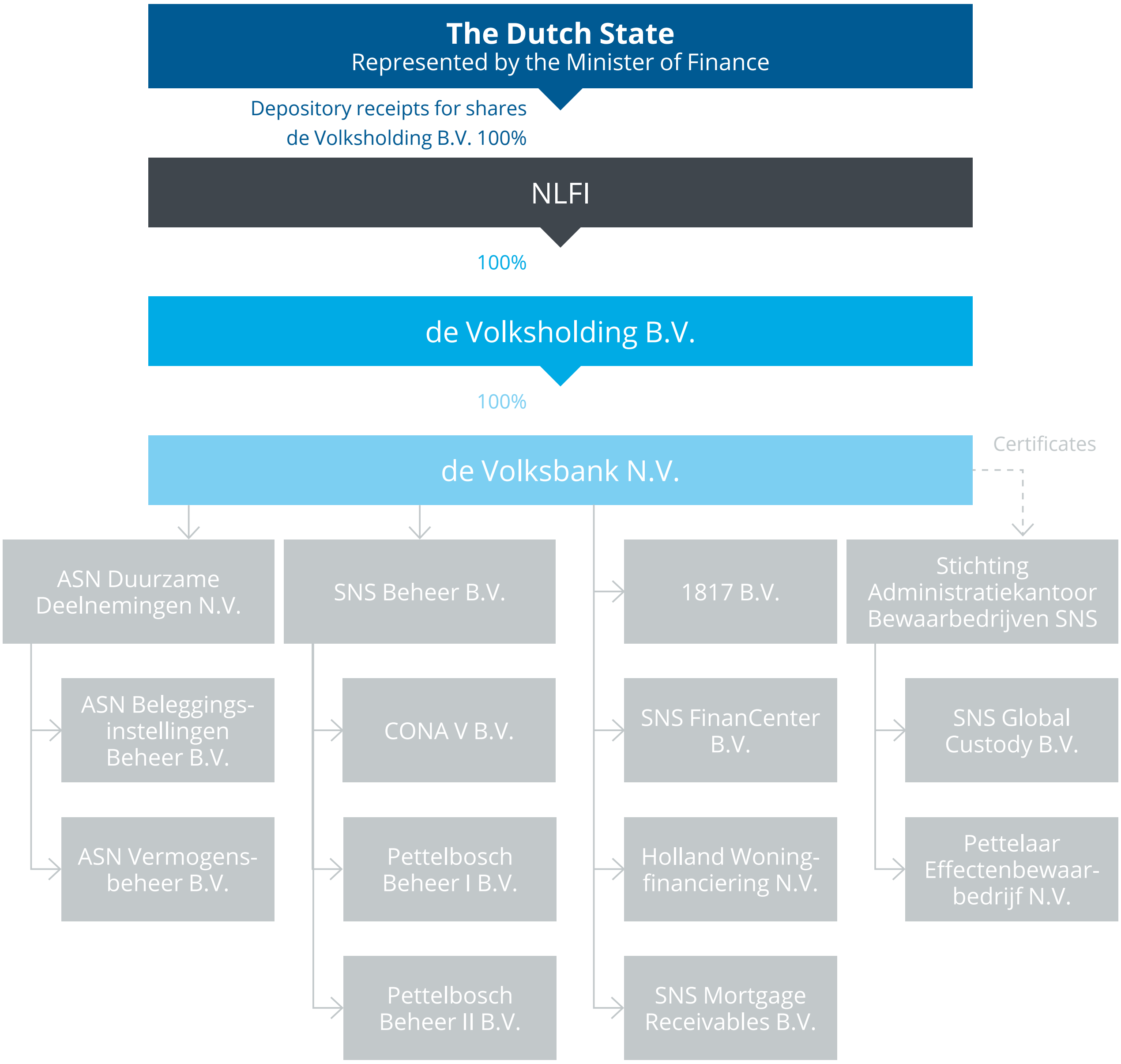
1.1 Introduction to Pillar 3

De Volksbank's Pillar 3 Report deals with capital adequacy and risk management, and has been approved by the Board of Directors. It contains the main ratios and provides insight into such aspects 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 annual report.

1.2 Development in legal structure

Legal structure of de Volksbank as per 1 January 2018:

Holding structure



For more information see the website www.devolksbank.nl.

As a result of the merger, the registered name of SNS Bank N.V. was changed into de Volksbank N.V. (de Volksbank) on 1 January 2017. Internal solvency and liquidity supervision is exercised at the level of de Volksbank N.V. As from 31 December 2016, the four brands BLG Wonen, ASN Bank, RegioBank and SNS fall under the banking licence of de Volksbank N.V.

On 29 December 2017, Woningfonds B.V. merged with de Volksbank, in line with de Volksbank's aim to have the simplest form of legal structure possible.

De Volksbank is a wholly owned subsidiary company of de Volksholding B.V. (formerly SNS Holding B.V.). NLFI has a direct participating interest in the holding and issued depository receipts for shares to the Dutch State, as schematically shown above.

1.3 Consolidation scope EDTF 10

De Volksbank is subject to compulsory reporting at an individual level and at a prudential consolidated level. The individual reporting obligation is the same as the IFRS scope of consolidation of the licensed institution, i.e. de Volksbank (Article 9 of the European Capital Requirements Regulation, CRR). De Volksbank's prudential scope of consolidation encompasses the financial holding company called de Volksholding B.V. (de Volksholding). Impacted by the EBA interpretation of CRR Article 82 (of 3 November 2017), our own funds and solvency ratio at the individual level (de Volksbank) differ from those at the prudential consolidated level. The EBA interpretation affects financial parent holding companies having a single subsidiary and a strong capital position, as is the case for de Volksholding B.V. This is because in the consolidated capital structure at the level of the financial parent holding company (de Volksholding B.V.), the Additional Tier 1 and Tier 2 capital that the subsidiary (de Volksbank N.V.) issues to third parties is subject to a haircut that corresponds to the surplus of available capital relative to the minimum capital requirements. The rationale behind this EBA interpretation is founded on the consideration that subordinated debt at the level of a subsidiary cannot fully serve to absorb risks ensuing from a holding company's specific activities. Although de Volksholding B.V. has no activities other than holding the shares in de Volksbank N.V., this adjustment applies to de Volksholding B.V., resulting in an effective amount of Tier 2 capital for de Volksholding B.V. that is lower than the amount for de Volksbank N.V.: as at year-end 2017, the effective amount of Tier 2 capital was € 150 million for de Volksholding B.V. versus € 494 million for de Volksbank N.V. (both after deduction of the IRB shortfall of € 6 million). As instructed by the supervisory authority, the comparative figures are exclusive of the impact of the EBA's CRR Article 82 interpretation.

In addition, the structure of own funds at the prudential consolidated level differs from the individual level in terms of share capital, share premium reserve and other reserves. The Pillar 3 Report is published at the prudential consolidated level.

Comparison between capitalisation on prudential and individual level

In € millions	CRD IV transitional		CRD IV fully phased in	
	Prudential (incl. de Volksholding B.V.)	Individual (incl. de Volksbank N.V.)	Prudential (incl. de Volksholding B.V.)	Individual (incl. de Volksbank N.V.)
Capital instruments	-	381	-	381
Share premium	4,117	3,787	4,117	3,787
Retained earnings	329	329	329	329
Accumulated other comprehensive income (OCI)	140	140	140	140
Other reserves	-872	-923	-872	-923
Shareholders' equity	**3,714**	**3,714**	**3,714**	**3,714**
Not eligible interim profits	-226	-226	-226	-226
Not eligible retained earnings previous years	-20	-20	-20	-20
Shareholders' equity for CRD IV purposes	**3,468**	**3,468**	**3,468**	**3,468**
Cash flow hedge reserve	-36	-36	-36	-36
Fair value reserve	-20	-20	-	-
Other prudential adjustments	-3	-3	-3	-3
Total prudential filters	**-59**	**-59**	**-39**	**-39**
Intangible assets	-14	-14	-14	-14
Deferred tax assets	-	-	-	-
IRB shortfall[1]	-56	-56	-62	-62
Total capital deductions	**-70**	**-70**	**-76**	**-76**
Total regulatory adjustments to shareholders' equity	**-129**	**-129**	**-115**	**-115**
CRD IV Common Equity Tier 1 capital	**3,339**	**3,339**	**3,353**	**3,353**
Additional Tier 1 capital	-	-	-	-
Tier 1 capital	**3,339**	**3,339**	**3,353**	**3,353**
Eligible Tier 2	500	500	500	500
IRB shortfall[1]	-6	-6	-	-
Impact EBA interpretations CRR artikel 82	-344	-	-329	-
Total Tier 2 capital	**150**	**494**	**171**	**500**
Total capital	**3,489**	**3,833**	**3,524**	**3,853**
Risk-weighted assets	9,781	9,781	9,781	9,781
Exposure measure as defined by the CRR	60,345	60,345	60,350	60,350
Common Equity Tier 1 ratio	34.1%	34.1%	34.3%	34.3%
Tier 1 ratio	34.1%	34.1%	34.3%	34.3%
Total capital ratio	35.7%	39.2%	36.0%	39.4%
Leverage ratio	5.5%	5.5%	5.6%	5.6%

1 The IRB shortfall is the difference between the expected loss under the CRR/CRD IV Directives and the IFRS retail mortgages provision. During the transitional phase the shortfall (initially equally divided over Tier 1 and Tier 2 capital) is attributed for a growing part to Tier 1 capital.

The present Pillar 3 report is separately publiced to de Volksbank's annual report. The annual report also contains a detailed explanation of capital and risk management. The information included in the annual report and the information in this report are consistent and partially overlap.

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

The mandatory Pillar 3 information of de Volksbank is disclosed every six months. Interim updates on key issues are given in de Volksbank's press releases or on its website.

The information in the Pillar 3 report has not been audited by de Volksbank's external auditor.

1.4 Scope of application

De Volksbank's point of departure for determining the scope of application of the CRR/CRD IV rules is the basis of consolidation under IFRS. The general rule is that all legal entities also fall within the scope of application of the CRR/CRD IV rules. Please refer to the accounting principles for the consolidated financial statements in the 2017 annual accounts of de Volksbank N.V. for more information about the consolidation principles.

Linkages between financial statements and regulatory exposures 2017

	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	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	2,180	2,180	-	-	-	-
Derivatives	1,075	-	1,075	-	108	-
Investments	5,094	4,761	-	74	259	-
Loans and advances to banks	2,643	2,643	-	-	-	-
Loans and advances to customers	49,322	49,219	-	103	-	-
Investments in associates	-	-	-	-	-	-
Property and equipment	67	67	-	-	-	-
Intangible assets	14	-	-	-	-	14
Deferred tax assets	110	65	-	-	-	45
Corporate income tax	22	22	-	-	-	-
Other assets	365	365	-	-	-	-
Assets held for sale	-	-	-	-	-	-
Total assets	**60,892**	**59,321**	**1,075**	**177**	**367**	**59**
Liabilities						
Savings	36,575	-	-	-	-	36,575
Other amounts due to customers	10,280	-	-	-	-	10,280
Amounts due to customers	**46,855**	**-**	**-**	**-**	**-**	**46,855**
Amounts due to banks	2,681	-	-	-	-	2,681
Debt certificates	4,900	-	-	-	-	4,900
Derivatives	1,252	-	1,252	-	-	
Deferred tax liabilities	45	-	-	-	-	45
Corporate income tax	-	-	-	-	-	-
Other liabilities	822	-	-	-	-	822
Provisions	125	-	-	-	-	125
Subordinated debts	498	-	-	-	-	498
Liabilities held for sale	-	-	-	-	-	-
Total other liabilities	**10,323**	**-**	**1,252**	**-**	**-**	**9,071**
Share capital	381	-	-	-	-	381
Other reserves	3,004	-	-	-	-	3,004
Retained earnings	329	-	-	-	-	329
Shareholders' equity	**3,714**	**-**	**-**	**-**	**-**	**3,714**
MINORITY INTERESTS						
Total equity	**3,714**	**-**	**-**	**-**	**-**	**3,714**
Total equity and liabilities	**60,892**	**-**	**1,252**	**-**	**-**	**59,640**

Linkages between financial statements and regulatory exposures 2016

	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	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	2,297	2,297	-	-	-	-
Derivatives	1,533	-	1,533	-	844	-
Investments	5,970	4,788	-	51	1,131	-
Loans and advances to banks	2,532	2,532	-	-	-	-
Loans and advances to customers	48,593	48,478	-	115	-	-
Investments in associates	-	-	-	-	-	-
Property and equipment	73	73	-	-	-	-
Intangible assets	15	-	-	-	-	15
Deferred tax assets	137	78	-	-	-	59
Corporate income tax	-	-	-	-	-	-
Other assets	411	411	-	-	-	-
Assets held for sale	-	-	-	-	-	-
Total assets	**61,561**	**58,657**	**1,533**	**166**	**1,975**	**74**
Liabilities						
Savings	36,593	-	-	-	-	36,593
Other amounts due to customers	10,835	-	-	-	-	10,835
Amounts due to customers	**47,428**	**-**	**-**	**-**	**-**	**47,428**
Amounts due to banks	1,446	-	-	-	-	1,446
Debt certificates	5,696	-	-	-	-	5,696
Derivatives	1,861	-	1,861	-	-	-
Deferred tax liabilities	59	-	-	-	-	59
Corporate income tax	18	-	-	-	-	18
Other liabilities	891	-	-	-	-	891
Provisions	120	-	-	-	-	120
Subordinated debts	501	-	-	-	-	501
Liabilities held for sale	-	-	-	-	-	-
Total other liabilities	**10,592**	**-**	**1,861**	**-**	**-**	**8,731**
Share capital	381	-	-	-	-	381
Other reserves	2,831	-	-	-	-	2,831
Retained earnings	329	-	-	-	-	349
Shareholders' equity	**3,541**	**-**	**-**	**-**	**-**	**3,561**
MINORITY INTERESTS						
Total equity	**3,541**	**-**	**-**	**-**	**-**	**3,561**
Total equity and liabilities	**61,561**	**-**	**1,861**	**-**	**-**	**59,720**

Main sources of differences between regulatory exposure amounts and carrying values in financial statements 2017

	in € millions	a Total	b Items subject to: Credit risk framework	c Counterparty credit risk framework	d Securitisation framework	e Market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	**60,940**	**59,321**	**1,075**	**177**	**367**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	1,252	-	1,252	-	-
3	**Total net amount under regulatory scope of consolidation**	**60,940**	**59,321**	**1,075**	**177**	**367**
4	Off-balance sheet amounts	2,632	922	-	-	-
5	Differences in valuations	-1,777	-1,777	-	-	-
6	Differences due to consideration of provisions	71	71	-	-	-
7	Differences due to counterparty credit risk	-216	-	-216	-	-
8	**Exposure amounts considered for regulatory purposes**	**61,650**	**58,537**	**859**	**177**	**367**

Main sources of differences between regulatory exposure amounts and carrying values in financial statements 2016

	in € millions	a Total	b Items subject to: Credit risk framework	c Counterparty credit risk framework	d Securitisation framework	e Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	**62,331**	**58,657**	**1,533**	**166**	**1,975**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	1,861	-	1,861	-	-
3	**Total net amount under regulatory scope of consolidation**	**62,331**	**58,657**	**1,533**	**130**	**1,975**
4	Off-balance sheet amounts	3,342	1,311	-	-	-
5	Differences in valuations	-2,071	-2,071	-	-	-
6	Differences due to consideration of provisions	106	106	-	-	-
7	Differences due to counterparty credit risk	-579	-	-579	-	-
8	**Exposure amounts considered for regulatory purposes**	**63,129**	**58,003**	**954**	**130**	**1,975**

1.5 Detailed index of Pillar 3 references

The Pillar 3 disclosures are described in Part Eight of the CRR. The table below provides insight into these disclosure requirements and states where the reader may find this information in the annual report and/or the Pillar 3 report.

CRR §	Pillar 3 disclosure requirements	Location in Pillar 3 report	Notes
435	Risk management objectives and policies	Refer to chapter 3, Risk, liquidity and capital management Section 4.1 General qualitative information regarding credit risk Section 7.1 Qualitative disclosure requirements regarding counterparty credit risk Section 10.2 Interest rate risk not included in the trading portfolio See also the Annual report of de Volksbank N.V.	Section 3.13 of the annual report contains the management statement. Chapter 4 (Report Supervisory Board) adresses subjects of the risk committees and chapter 5 of the annual report discusses the governance provisions. Chapter 5 and section 2.6 (Our people) of the annual report discusses topics including the diversity policy.
436	Scope of application	Pillar 3 report, section 1.3 - Scope of application	
437	Own funds	Pillar 3 report, chapter 2 – Own funds and leverage	Section 1.3 Consolidation scope discusses the capital structure and the full reconciliation of shareholders' equity.
438	Capital requirements	Pillar 3 report, section 3.3 Capital requirements	
439	Exposure to counterparty credit risk	Pillar 3 report, chapter 7 Counterparty risk	
440	Capital buffers	Pillar 3 report, section 3.4 Macroprudential supervisory measures	
441	Indicators of global systemic importance	Not included	De Volksbank is not considered an institution of global systemic importance.
442	Credit risk adjustments	Pillar 3 report, section 4.2 General quantitative information regarding credit risk	
443	Unencumbered assets	Pillar 3 report, section 9.3 Encumbered and unencumbered assets	
444	Use of ECAIs	Pillar 3 report, section 5.1 Qualitative information regarding the use of the Standardized Approach	
445	Exposure to market risk	Pillar 3 report, section 10.1 Capital requirements for market risk using the Standardized Approach	
446	Operational risk	Pillar 3 report, chapter 12 – Operational risk	
447	Exposures in equities not included in the trading book	Pillar 3 report, chapter 8 – Shares outside the trading portfolio	
448	Exposure to interest rate risk on positions not included in the trading book	Pillar 3 report, section 10.2 – Interest rate risk not included in the trading portfolio	
449	Exposure to securitisation positions	Pillar 3 report, chapter 11 – Securitisation	
450	Remuneration policy	For the Pillar 3 remuneration report we refer to www.devolksbank.nl	Section 5.7 of the annual report of de Volksbank N.V. contains the remuneration report.
451	Leverage	Pillar 3 report, section 3.5 – Leverage ratio	
452	Use of the IRB Approach to credit risk	Pillar 3 report, chapter 6 – Credit risk and credit risk mitigation under the IRB-approach	
453	Use of credit risk mitigation techniques	Pillar 3 report, section 4.3 General qualitative information regarding credit risk mitigation	
454	Use of the Advanced Measurement Approaches to operational risk	Not included	De Volksbank does not use internal operational risk models to calculate capital requirements.
455	Use of Internal Market Risk Models	Not included	De Volksbank does not use internal market risk models to calculate capital requirements.

1.6 Flows of risk management information to directors

The Board of Directors and Supervisory Board of de Volksbank are regularly informed about the risks and risk management. The table below mentions important reports that the directors receive, as well as their frequency.

Table of reports and frequencies

	Report	Board of Directors	Supervisory Board
1st line	Quarterly Business Review/Management reports	quarterly	quarterly
	Monthly Business Review	monthly	
	In Control Statement	semi annually	semi annually
2nd line	Non-Financial Risk Rapport	quarterly	quarterly
	Financial Risk Rapport	quarterly	quarterly
	Risk Appetite Statement	annually	annually
	Recovery Plan	annually	annually
	Strategic Risk Assessment	annually	annually
	Self assessment risicocomités	annually	
	ICAAP/ILAAP rapportages	annually	annually
	List of decisions risk committees	afterwards	
3rd line	Auditreport external accountant	annually	annually
	Internal audit reports	quarterly	quarterly
	Management Letter external accountant	annually	annually

Members of the Board of Directors serve on the various risk committees, which keep them informed of developments in the relevant focus area. A risk committee's list of decisions is sent to the Board of Directors after the meeting of that committee has ended.

We also refer to the Report of the Supervisory Board included in the annual report, which gives a detailed list of the subjects and reports discussed by the supervisory directors in 2016. The reports received by the supervisory directors were also discussed by the Board of Directors.

1.7 Information about governance guidelines

Please refer to Chapter 5 of the 2017 annual report of de Volksbank N.V. for information about the governance arrangements.

1.8 Management statement on the adequacy of risk management

Please refer to Section 3.11 Management statement of the annual report of de Volksbank N.V. 2017 for the management statements.

2 Objectives and guidelines regarding risk management

2.1 General information on risk management, objectives and policies

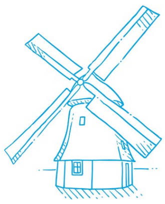
RISK MANAGEMENT OBJECTIVES EDTF 1

Events that might occur are not necessarily negative: some events provide an opportunity as well as a threat. De Volksbank wants to make safe and reliable banking possible for everyone by explicitly viewing risk management from the perspective of opportunities. We thereby take into account all the elements of the shared value. We aim at business operations in which we demonstrably manage and control the risks in a responsible manner. Mistakes are an inevitable part of this process. We want to learn from our mistakes so as to prevent them in the future. For risk management, 'Banking with a human touch' means that we also identify opportunities in potential risks. Instilling maximum confidence in customers and employees is the basis for this approach.

Risk management and shared value elements:

Benefits for customers

Risk management seeks to guarantee such matters as fair and transparent products, expert customer contact, security of customer data, and reliable processes and systems to support excellent services.



Responsibility for society

Our risk management activities support an ethical banking system and are intended to restore trust. We contribute to a reliable financial infrastructure. We increasingly involve sustainability in our risk-return considerations.

Meaning for employees

We need motivated and competent people to implement our strategy. We encourage our staff to further develop their professional skills, offering them opportunities and providing frameworks for professional conduct and expertise.

Returns for shareholders

Risk management protects the shareholders’ investments by hedging or closely monitoring unwanted risks. This is how we contribute to creating a financially sound and stable bank as well as the desired returns.

MODERATE RISK PROFILE EDTF 7

De Volksbank is a bank that focuses on Dutch retail customers with three clear and transparent products and services: payments, savings and mortgages. Our business model demands low-risk activities with corresponding solid buffers and responsible risk management. We form adequate provisions for any credit losses we may reasonably expect. We also maintain an ample capital position to absorb unexpected losses.

Our focus on the Dutch retail market entails concentration risks. We accept that this focus makes the bank sensitive to economic, political and social developments in the Netherlands. In addition, we are facing substantial pressure from competition in our domestic market. We are aware of this risk. We mitigate the risk of our strategic choice by explicitly opting for ‘Banking with a human touch’ and our ambition of shared value that reflects this identity. We absorb the adverse effects of this concentration by adhering to the three pillars.

Three-quarters of de Volksbank's assets comprise residential mortgages. The portfolio's quality and size may be impacted by:
- economic conditions;
- house prices;
- changes to the (tax) treatment of mortgages and mortgage rates;
- political decisions impacting the mortgage market;
- interest rate developments;
- competition from other mortgage providers.

Our portfolio management focuses on the responsible funding of new customers, retention of the existing portfolio and support for customers who are running into payment problems.

Interest income, which represents a considerable part of de Volksbank's income, is affected by the level and fluctuations in interest rates and credit spreads. We manage this interest rate sensitivity with due care but cannot rule out the possibility that interest rate changes will impact the result.

Customer savings are the main source of funds entrusted. As the amount of savings is sensitive to the savings rates we pay, we also raise funds in the money and capital markets to supplement the savings and diversify our funding sources. The level of our credit rating is a major factor. It partly determines the price of the funds we raise externally. Using liquidity management, we see to it that an ample supply of funds is available.

In our operating activities, we may run risks on all sorts of fronts and harm the bank, its organisation and its reputation. We have identified these risks and analysed them. We continuously seek to take timely and adequate control measures.

RISK CLASSIFICATION AND RISK APPETITE EDTF 2 EDTF 3 EDTF 7

De Volksbank has divided the main types of risk into financial and non-financial risks.

The classification of the types of risk is evaluated annually and adjusted where necessary. Such adjustments may be required as a result of, for example, new regulations, social developments or a change of strategy or risk capacity. The risk classification remained virtually unchanged in 2017. In the next evaluation, an assessment will be made to check whether climate-related risks should be included in the risk classification. De Volksbank is aware of the risks that may arise as a result of climate change. Two risks can be distinguished: transition risks and physical risks. Transition risks are risks resulting from the process of transitioning into a climate neutral economy. Physical risks arise from climate-related damage, such as storm, hail and floods. We mitigate transition risks by only investing in companies that meet our sustainability criteria, by encouraging people to make their homes more sustainable, and by setting ourselves the goal to make a positive contribution to a sustainable society.

Every year, we determine the risk appetite for each type of risk in conjunction with the bank's general risk appetite and strategic objectives. This is done in what we call the Risk Appetite Statements (RAS). We then use the risk appetite as a basis for determining for each type of risk the level above which we feel comfortable, using specific risk indicators. In addition, we set an intervention ladder with risk indicator specific ranges to be used when follow-up action is required. The ranges are determined on the economic capital per type of risk.

We distinguish the following types of indicator:
- warning indicators giving early warning signs of deteriorating conditions with potentially adverse effects;
- risk appetite indicators monitoring our status in relation to the risk appetite;
- recovery indicators automatically activating the recovery plan.

The table below presents the risk appetite and shows how we score with our current risk profile in relation to the risk appetite. We have defined ranges within which we feel comfortable with the risk and that make clear when follow-up is required. Every quarter, the indicators are reported to the Risk Committee that controls the relevant risk. See the glossary at the end of this annual report for the definitions of the types of risk.

Risk Appetite Statement	Relative score	Note to the score
Business risk • People-oriented, social, sustainable bank • Stable profit for the shareholder(s); • Timely adaption to (market) developments.		Our interest income is robust. We are aware of the pressure on our interest income and the importance of cost control.
Capital adequacy • Monitoring a sound and well-diversified capital position in line with the bank's low-risk activities.		We have strong level of capitalisation in the short and medium term, taking into account pressure from future laws and regulations.

Risk Appetite Statement	Relative score	Note to the score
Credit risk • Control is such that it does not threaten our financial position (capital and liquidity)		Credit risk on our portfolios has again decreased (relatively). This is due to tighter policies and stricter acceptance criteria, an increase in the number of new (financially strong) customers, a decrease in the number of customers in arrears and an improvement in macroeconomic conditions.
Interest rate risk in the banking book • Protecting and stabilising net interest income, economic values and capital due to interest rate and credit spreads.		We have a limited open interest rate risk position. Indicators are within our risk appetite. We will further refine the risk models, among other things, due to new laws and regulations.
Market risk • Monitoring risks in the trading book caused by movements of market variables.		We have a limited market risk appetite in the trading book. Indicators are within our limits.
Liquidity risk • Monitoring a strong liquidity and funding position, so that financial obligations can be met any time and the consequences of bank-specific and market-wide stress factors can be absorbed.		We have a strong liquidity and funding position. Our funding is mainly made up of stable customers' savings and long-term wholesale funding.
Operational risk • Effective, high-quality processes, acceptation of low error rates; • Sufficient and competent employees and a pleasant working environment; • Efficient IT environment; • Low tolerance for disruptions of integrity and continuity of systems and reliability, confidentiality and integrity of information.		Our process control is improving, although it is not yet at the desired level. We have competent employees and the working environment has a lot of dynamism due to all the intended improvements. IT control is high. The threat of cybercrime is real and sometimes serious.
Reporting risk • Reasonable degree of assurance that the information provided is reliable		We mainly see opportunities for improvement in the integral control of the reporting chain.
Compliance risk • No tolerance of violations of company standards and values or laws and regulations		It is difficult for us to keep up with the implementation of new laws and regulations. We want to become better at knowing our customers and prevent our integrity from being compromised.
Model risk • Controlled model development and strong model governance • Limited model risk by avoiding products with complex properties		The growth in maturity of a number of important models is slower than we deem desirable.
Legal risk • Excellent business processes in place to help prevent claims • Settlement of any claims with due care		The situation with regard to procedures, contracts and legal awareness is stable. We recognise a number of points for attention in products and services.
Reputation risk • We evoke trust through the quality of our products and services, the integrity of employees and compliance with laws and regulations • Adequate measures to manage the risk of erosion of trust		Despite our stable reputation, we seek further improvement to ensure enhanced resistance to reputation damage.
Change risk • We want to be able to proactively adapt to changing circumstances; • We want effective change management whereby we achieve objectives that are in line with de Volksbank's strategy.		We focus on increasing the capacity for change and the execution power of the organisation to achieve these ambitions.

Legend

	Current risk profile corresponds to risk appetite
	Current risk profile slightly above risk appetite
	Current risk profile above risk appetite

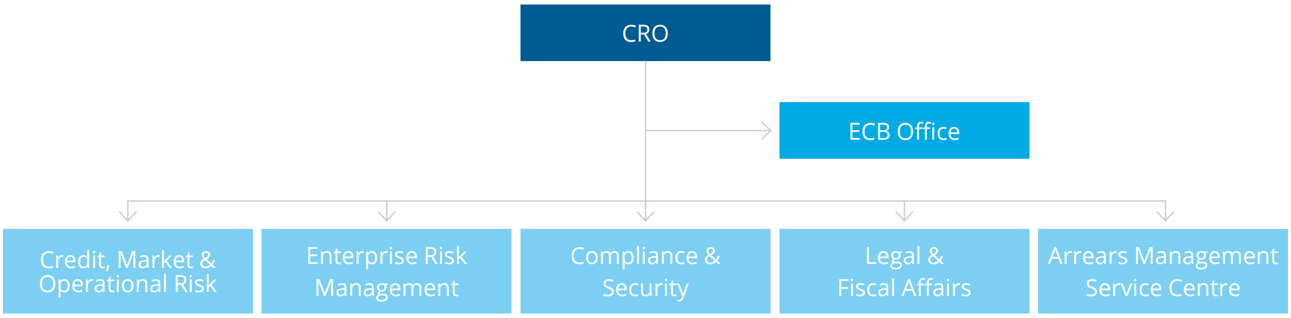
STRESS TESTING EDTF 8
In addition to risk indicators, we use stress testing to gain insight into the sensitivity of changes in the underlying causes and the interrelationship of risks. We apply an extreme yet plausible macroeconomic scenario to our capital and liquidity position several times each year. We calculate the impact it would have on the bank, thereby bringing to light any potential vulnerabilities.

2.2 Risk management approach of the institution

RISK MANAGEMENT ORGANISATION EDTF 5
DEVELOPMENTS IN 2017
Although the bank's management and organisational structures were left unchanged in 2017 ,a proposed decision is pending to change the risk management organisation by combining the departments Compliance & Security, Legal & Fiscal Affairs and ECB Office into a single department. If approved, the change will be implemented in 2018.

The risk management organisation was as follows in 2017:

Risk management organisation



Risks are managed on the basis of an integrated process. This approach sheds light on the various connections between risks, which also makes it easier to assess them in their mutual relationship. A key element of the risk management process is the Strategic Risk Assessment (SRA) at board level and the tactical risk analyses in the business units. As for the subsequent steps in the risk management process, the economic capital is used as a starting point in determining the risk appetite.

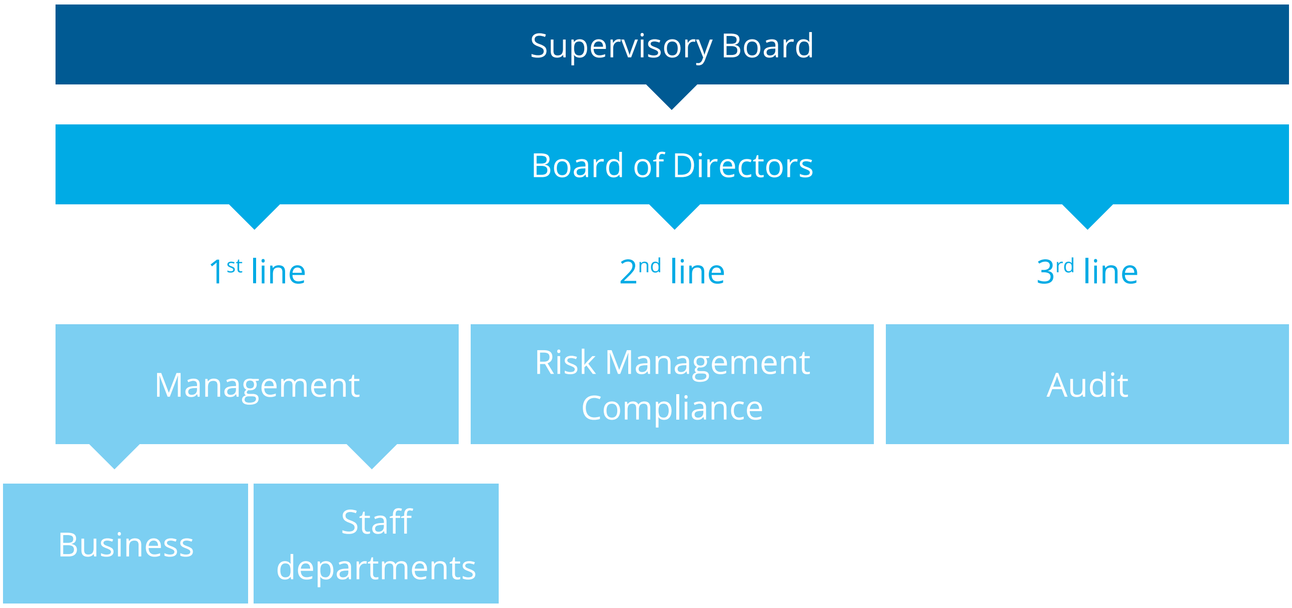
Demonstrably controlled and responsible business operations are a prerequisite for turning our ambition into reality. The Integrated Control Framework (ICF) is the instrument that de Volksbank uses to safeguard controlled business operations. Every year, we conduct a self-assessment, in which line management (the business) accounts for the level of controlled business operations and supports it with evidence. The second line monitors whether the results meet the standards in place and provides advice. In 2017, we further optimised the ICF and transferred it to the first and second lines.

In addition, de Volksbank has been compliant with the PERDARR[1]principles since 31 March 2017 and the data management programme continues as usual.

RISK GOVERNANCE EDTF 5
THREE LINES OF DEFENCE
De Volksbank's risk governance is based on the three lines of defence model.

1 In line with the Basel Committee's report on Principles for Effective Risk Data Aggregation and Risk Reporting.

Three lines of defence model



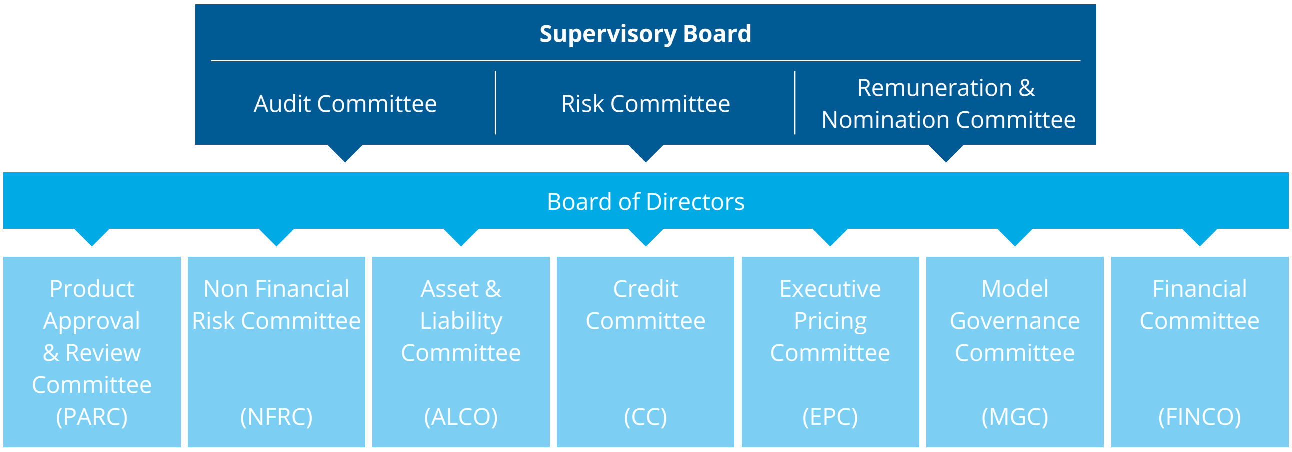
In this model, the business is responsible for setting up and executing their own processes. They identify their risks. They report and assess these risks and measure them against the risk appetite that has been determined. The second line supports the business and sets frameworks, provides advice and monitors whether the business is actually taking its responsibility. The second line also monitors whether de Volksbank complies with integrity laws and regulations as well as internal policies on that subject. The third line (the audit function) independently assesses the first and second lines' performance.

The Supervisory Board is charged with the supervision of the Board of Directors and is advised by the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee.

The Board of Directors bears ultimate responsibility for risk management. In this process, it is supported by risk committees (see also the glossary for an explanation) with representatives from the first and second lines in each risk committee. Each risk committee is chaired by a member of the Board of Directors. The third line is not a permanent representative in the risk committees, but it may attend meetings at all times.

The Board of Directors identifies the top risks on a yearly basis. Where necessary, it formulates measures to bring the consequences within the risk appetite. The Board of Directors forms an opinion on the achievement of the strategic objectives and risk management. It does so on the basis of documents including monthly and quarterly business reports, second-line risk reporting, self-assessments of the risk committees and internal audit reports.

Risk committees



In addition to the risk committee structure, two Regulatory Boards and an Information Board are in place. The Regulatory Boards' duties are to identify developments in relevant laws and regulations and to ensure their correct and timely implementation within de Volksbank. The Information Board adopts data management and data definition policies and monitors their implementation. The Regulatory Boards and the Information Board reside under the responsibility of a member of the Board of Directors.

RISK CULTURE EDTF 6

Although our risk organisation is an integral part of the bank, it acts independently. It informs, challenges, takes positions and provides advice when requested and at its own initiative. As an expert knowing all the ins and outs of the organisation, it gives insight into the risks and clarifies them. Listening and connecting are key here. The risk organisation bears in mind all stakeholders and expresses its point of view without voicing disapproval. It helps devise solutions that do justice to the various interests and that contribute to achieving the strategy. Self-reflection is a key component of the culture. The risk organisation will continue to grow into its role.

RISK CULTURE PROPAGATION

Culture is a decisive factor in risk management and risk awareness. We want the risk culture to be propagated by the entire organisation. The Board of Directors and employees are aware of their role, of their serving as an example and of their responsibilities. The Board of Directors bears ultimate responsibility and approves the risk policy. Members of the Board of Directors chair the various risk committees and, by doing so, also put the Board of Directors' involvement in risk management into practice.

CLEAR GOVERNANCE EDTF 5

We have set up a clear governance structure with risk committees where discussions are held between the business, which controls the risks, and the risk organisation, which monitors the risks and associated control. Decision-making on risks follows the lines of governance and is assessed against the risk guidelines. If and when risk limits are exceeded or the risk appetite is not adhered to, we discuss this in the risk committees. A risk committee presents a point of discussion to the Board of Directors where necessary.

The Board of Directors confirms major or overarching risk guidelines and re-adopts them annually. Every year, we perform a complete self-assessment for all risk committees. Points for improvement are defined where necessary.

RISK GUIDELINES

De Volksbank has an extensive set of risk guidelines in place, describing, for example, its risk appetite, duties and responsibilities, as well as reporting and communication lines. Our risk guidelines dovetail with our position as a social bank with low-risk activities. Our guidelines are subject to continuous fine-tuning and the shared value has been incorporated into our risk guidelines. We expect the intensified focus on customers, society, employees and shareholders to improve our analysis and understanding of the risk-return ratio in the next few years. Important aspects here include financial returns as well as benefits for customers, meaning for employees and responsibility for society.

DEVELOPMENT OF RISK AWARENESS

Managers ensure that the risk guidelines are known and sufficiently clear to employees. This is done with the aim of ensuring that our employees perform their duties as desired and take responsibility for their part of risk management. Training courses, workshops and e-learning programmes are provided within the organisation to further develop risk awareness. In addition, success stories and lessons learned in the area of risk awareness are shared.

INTERNAL CODE OF CONDUCT
An internal code of conduct guides the ethical actions that we expect of all our employees. We pay attention to moral dilemmas and how employees can deal with them. A well-spread network of confidants offers staff the opportunity to broach the subject of any malpractices.

REMUNERATION POLICY
Our remuneration policy takes into account the right balance between risk and return. Our ambition dictates that, in addition to financial return, other aspects are important as well. We set goals that are aimed at creating shared value for all stakeholders. Our internal guidelines describe the conditions to be fulfilled by any – relatively limited – variable remuneration. The Supervisory Board, the Board of Directors and all staff members whose salaries exceed the industry-wide pay scales are excluded from variable remuneration. See also Section 5.7 Remuneration report in the Annual report of de Volksbank.

2.3 Hedging and hedge accounting

ACCOUNTING POLICY FOR HEDGING AND HEDGE ACCOUNTING
De Volksbank uses derivatives as part of its asset and liability management and risk management. Derivatives are used for hedging interest rate and foreign currency risks in assets, liabilities and future transactions. The accounting treatment of the hedged item and the hedging instrument depends on whether the hedge relationship qualifies for hedge accounting in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Under IFRS, derivatives are measured at fair value in the balance sheet and any change in the fair value is accounted for in the income statement. In the event that changes in fair value of hedged risks are not recognised through the income statement, an accounting mismatch occurs, causing volatility in the results. In these cases, hedge accounting is applied to mitigate as much as possible the accounting mismatch and volatility.
De Volksbank can designate certain derivatives as either:

1. a hedge of the risk of changes in the fair value of a recognised asset or liability or firm commitment (fair value hedge); or
2. a hedge of the variability of future cashflows that can be attributed to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cashflow hedge).

Both at the inception of the hedge and on an ongoing basis, de Volksbank assesses whether the derivatives used in its hedging transactions have been highly effective in offsetting changes in the fair value or variability of the cashflows of the hedged item, insofar as they are attributable to the hedged risk, and the actual results remain within a bandwidth of 80% to 125% of the expected outcome. Hedge ineffectiveness and gains and losses on components of a derivative that are excluded from the assessment of hedge effectiveness are recorded directly in the income statement in the line item Result on financial instruments.

De Volksbank discontinues hedge accounting when the hedge relationship ceased to be effective or when the derivative or hedged item is sold or otherwise terminated.

The changes in fair value for derivatives that hedge economic risks and do not comply with the IAS 39 conditions for hedge accounting or for which it is not cost-efficient to apply hedge accounting, are recognised directly in the profit and loss account.

Fair value hedge accounting
Fair value hedges are hedge relationships by which a derivative hedges the exposure to changes in the fair value of a hedged item that is attributable to a hedged risk. Gains or losses on remeasurement of both the hedging instrument and the hedged item are recognised in the Income statement within Result on financial instruments. Hedge effectiveness for fair value hedges is measured as the amount by which the changes in fair value of the derivatives compensates the changes in the fair value of the hedged item.

When a fair value hedge of interest rate risk is terminated, any value adjustment to the carrying amount of the hedged item is amortised to the income statement. During 2017 the amortisation approach is refined. The refined approach determines the amortisation period on the underlying remaining interest rate maturity of the hedged item. As a result, value adjustment for individual contracts are amortised over the respective maturity bucket. The moment the hedged position is no longer recognised, i.e. is sold or redeemed, the non-amortised part of the fair value adjustment of the hedged asset is recognised directly in the profit and loss account.

De Volksbank applies fair value hedge accounting for portfolio hedges of interest rate risk as allowed under the EU carve out version of IAS 39. Amongst others the EU carve out enables a group of derivatives (or proportions thereof) to be viewed in combination and jointly designated as the hedging instrument in the bank's macro fair value hedging model and removes some of the limitations in macro fair value hedge accounting with respect to underhedging strategies.

Cashflow hedge accounting

Derivatives can be designated to hedge the risk of variability of future cashflows of a recognised asset or liability or highly probable forecast transaction. Hedge ineffectiveness for cashflow hedges is measured as the amount by which the changes in the fair value of the derivative are in excess of changes in the fair value of the expected cashflow in the cashflow hedge. The effective part of any gain or loss on remeasurement of the hedging instrument is recognised directly in the cashflow hedge reserve as a separate component of shareholders' equity. Any ineffective part of the cashflow hedge is recognised in Results financial instruments immediately. The valuation of the hedged item included in the cashflow hedge relationship, remains unchanged.

If the forecast transaction leads to the recognition of an asset or a liability, the accumulated gains and losses that were previously taken to the cashflow hedge reserve are transferred to the income statement and classified as income or expense in the period during which the hedged transaction influences the result.

If the hedging instrument itself expires or is sold or terminated, or no longer meets the conditions for hedge accounting, the accumulated result that was included in the cashflow hedge reserve fully remains in the cashflow hedge reserve in other comprehensive income (OCI) until the expected transaction occurs.

If the hedged transaction is no longer expected to occur, the accumulated result reported in OCI is directly recycled to the income statement.

3 Own funds and leverage EDTF 3

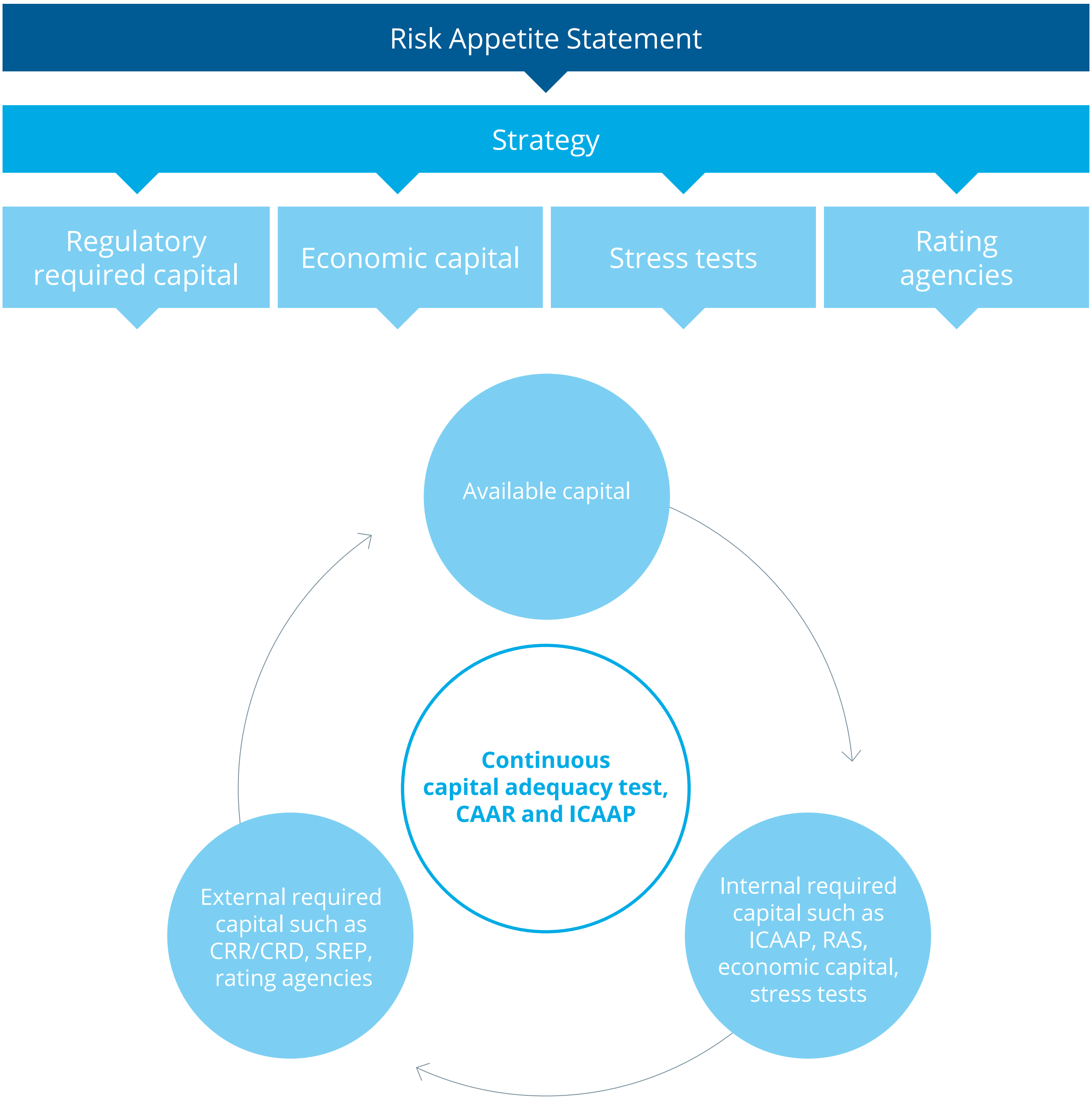
3.1 Management and control EDTF 2

MANAGEMENT AND CONTROL EDTF 7

Our strategy incorporates the objective of having a solid capital position at our disposal, combined with a proper Return on Equity (RoE) for our shareholders. In respect of the RoE, de Volksbank applies a target level of 8.0%. The Risk Appetite Statement (RAS) describes de Volksbank's risk appetite in relation to its own capital position. We have also established intervention levels allowing us to identify any unforeseen weakening of our capital position in good time and to make adjustments. RAS limits are determined subject to regulatory requirements and are also partly based on insight provided by internal stress tests, economic capital and the recovery plan. The basic principle is that the bank maintains internal buffers (in addition to the minimum amount of capital required) to guarantee sufficient capitalisation in the event of a severe yet plausible stress scenario. The size of these internal buffers also satisfies the supervisory authority's minimum requirement.

Our capital management process is presented in the figure below.

Capital processes



REGULATORY CAPITAL AND MREL EDTF 9

The minimum amount of capital required by law (regulatory capital) relates to the risk-weighted capital ratios (CET1 capital, Tier 1 capital, total capital) and the non-risk-weighted capital ratio that we expect will be required (leverage ratio). As described in Section 3.4 Macroprudential supervisory measures, the minimum risk-weighted capital ratios follow from the SREP. In addition to the capital ratios required by law, de Volksbank calculates and reports the MREL in both a risk-weighted and a non-weighted manner.

ECONOMIC CAPITAL EDTF 7

In addition to regulatory capital, de Volksbank also makes its own internal (economic) estimate of required capital. This estimate deviates from regulatory capital on two main points:

1. Our calculations of economic capital include all risks from which material losses may ensue according to internal insight. This means that we consider more types of risk in these calculations than in the calculations for regulatory capital.

2. Using our own insight to guide us, we translate our risk appetite into internal capital requirements, partly on the basis of the desired rating.

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

STRESS TESTING EDTF 8

De Volksbank performs several stress tests every year, including a stress test as part of the ICAAP, to test the robustness of capital adequacy. A stress test calculates the impact that an extreme yet plausible macroeconomic scenario would have on the bank's capital position. The purpose of stress testing is to gain an understanding of the bank's main vulnerabilities.

The scenarios to be calculated are drafted on the basis of a detailed risk identification. In addition to scenario analyses, in which we calculate the impact of a macroeconomic scenario on de Volksbank's capital position, we also perform sensitivity analyses and reverse stress tests. In a reverse stress test, we start from a pre-determined outcome (such as a point where our business model comes under high pressure) and then look at the events that may lead to such a point.

For the scenarios whose impact is calculated in a stress test, we estimate the effect they will have on unemployment, economic growth, interest rate developments and other factors. These macroeconomic variables impact, for example, the development of 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. When determining the management buffers that we include in the internal minimum level of the capital ratios, we assess whether our capital position is still adequate in these stress scenarios.

Stress test results provide us with input to determine and monitor the bank's risk capacity and risk appetite. The reverse stress test and capital adequacy under stress are part of the ICAAP and provide input for, for example, the recovery plan.

RATING AGENCIES

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

CONTINUOUS CAPITAL ADEQUACY ASSESSMENT EDTF 9

Capital Adequacy Assessment Report

We continuously assess our capital adequacy in order to introduce timely adjustments. The capital planning forms the basis: it is established annually, simultaneously with the operational plan, and contains a projection of our capital position and requirements over a multi-year horizon. The effects of future regulations are also factored in. We review this capital planning every month on the basis of the most recent figures and qualitative knowledge in the Capital Adequacy Assessment Report (CAAR). If necessary, we use this review to steer the capital to the desired level, for example by raising new capital.

Internal Capital Adequacy Assessment Process

The Internal Capital Adequacy Assessment Process (ICAAP) comprises the entire continuous capital management process and focuses on the capital adequacy requirements set by supervisory authorities. We draft an ICAAP report on an annual basis to inform the supervisory authority of the process organisation and results of the ICAAP. On this basis, the supervisory authority assesses the capital adequacy as part of the SREP.

RECOVERY PLAN AND CONTINGENCY PLANNING

The planning for unforeseen events (contingency planning) is part of the recovery plan. Its key objective is to prepare de Volksbank for a crisis in a way that enables us to recover independently and safeguard de Volksbank'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 for any liquidity problems. Potential capital or liquidity problems are identified by frequent monitoring of 'early warning' indicators. Changes in the values of the indicators may be the first sign of stress.

On this basis, we can then activate the recovery plan. The measures available from the recovery plan help us to reinforce the ratios and recover independently. The measures available have a wide scope and relate to capital and liquidity as well as to operations and communications. The choice of the measures to be applied – such as raising new capital, lowering the risk-weighted assets, raising collateral-based funding, setting up the backup for critical systems or applications – depends on the nature and severity of the deteriorating conditions.

In addition to a description of the available measures and the conditions to be satisfied before they can be implemented, the recovery plan also contains an analysis of the expected recovery resulting from these measures. The analysis is based on a number of (severe) stress scenarios for which the effectiveness of these measures has been assessed ('recoverability assessment').

We update the recovery plan every year. We share and discuss it with the ECB's Joint Supervisory Team (JST).

3.2 Own funds EDTF 10 EDTF 11

Under the CRD IV rules, de Volksbank's own funds comprise a number of components that must satisfy certain conditions. The complete composition of own funds according to the CRD IV rules is broken down in the table in Section 1.3 Consolidation scope. De Volksbank's capital base consists of Common Equity Tier 1 capital and Tier 2 capital. These capital concepts 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.

Main features of capital instruments

		de Volksholding BV	de Volksbank NV	
	amounts in € millions	**CET 1 Capital**	**CET 1 Capital**	**Tier 2 Capital**
1	Issuer	de Volksholding B.V.	de Volksbank N.V.	de Volksbank N.V.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)			XS1315151388
3	Governing law(s) of the instrument	Dutch law	Dutch law	Dutch law
	Regulatory treatment			
4	Transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares	Subordinated loans
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	2916	2,916	500
9	Nominal amount of instrument (originally issued capital)	€1,-	381	500
9a	Issue price	2.7 billion	381	497
9b	Redemption price	N/A	N/A	500
10	Accounting classification	Shareholders' equity	Shareholders' equity	Liability-amortised cost
11	Original date of issuance	N/A	N/A	5 November 2015
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	No maturity	No maturity	5 November 2025
14	Issuer call subject to prior supervisory approval	No	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	5 November 2020
16	Subsequent call dates, if applicable	N/A	N/A	N/A
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Floating	Fixed
18	Coupon rate and any related index	N/A	N/A	3.75%
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	N/A	N/A	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
	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

	amounts in € millions	de Volksholding BV CET 1 Capital	de Volksbank NV CET 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
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Most subordinated position	Most subordinated position	Subordinated to senior unsecured funding.
36	Non-compliant transitioned features	No	No	No

On 3 November 2017, EBA published its interpretation of CRR Article 82, which has consequences for financial parent holding companies with a single subsidiary and a strong capital position, such as de Volksholding B.V. In the consolidated capitalisation, a haircut is applied to the Additional Tier 1 and Tier 2 capital issued to third parties by de Volksbank N.V. This haircut is related to the surplus of available capital in relation to the minimum capital requirements.

The rationale behind this EBA interpretation is based on the consideration that the subordinated assets at the level of a subsidiary cannot fully serve to absorb risks arising from the specific activities of a holding company. Although de Volksholding B.V. has no other activities than holding the shares in de Volksbank N.V., this correction does apply to de Volksholding B.V. As a result, the effective amount of Tier 2 capital at consolidated level is lower than at solo bank level: at year-end 2017, the effective amount of Tier 2 capital is € 150 million at consolidated level, versus € 494 million at solo bank level (both including a € 6 million IRB shortfall deduction). We will investigate how we can mitigate the impact of the EBA interpretation, for instance by adjusting the structure of the holding company. The comparative figures at year-end 2016 are exclusive of the impact of the EBA CRR Article 82 interpretation.

In accordance with Article 437 of the CRR, de Volksbank discloses its own funds in a format prescribed by theregulator:

Pillar 3 own funds

	Pillar 3 Own funds		
	Common Equity Tier 1 (CET1) capital: instruments and reserves in millions	**Amount at disclosure date**	**Amount subject to pre-regulation (EU) No 575/2013**
1	Capital instruments and the related share premium accounts	4,117	-
	of which: ordinary shares	0	-
	of which: share premium	4,117	-
	of which: instrument type 3	-	-
2	Retained earnings	-	-
3	Accumulated other comprehensive income	-752	-
3a	Funds for general banking risk	-	-
4	Amount of qualifying items referred to in art. 484 (3) and the related share premium accounts subject to phase out from CET1	-	-
	Public sector capital injections grandfathered until 1 January 2018	-	-
5	Minority interests	-	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	103	-
6	**Common Equity Tier 1 (CET 1) capital before regulatory adjustments**	3,468	-
	CET1 capital: regulatory adjustments		
7	Additional value adjustments (-)	-3	-
8	Intangible assets (net of related tax liability) (-)	-11	-3
9	Empty set in the EU	-	-
10	deferred tax assets that rely on future profitability excluding those arising from temporary differences	-	-
11	Fair value reserves related to gains or losses on cash flow hedges	-36	-
12	Negative amounts resulting from the calculation of expected loss amounts	-50	-12
13	Any increase in equity that results from securitised assets (-)	-	-
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 and indirect holding by an institution of own CET1 instruments (-)	-	-

	Pillar 3 Own funds		
17	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 (-)	-	-
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)(-)	-	-
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)(-)	-	-
20	Empty set in the EU	-	-
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-
20b	*of which: qualifying holdings outside the financial sector (-)*	-	-
20c	*of which: securitisation positions (-)*	-	-
20d	*of which: free deliveries (-)*	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related eligible tax liabilities)	-	-
22	Amount exceeding the 15% threshold	-	-
23	*Of which: direct and indirect holding by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	-	-
24	Empty set in the EU	-	-
25	*of which: deferred tax assets arising from temporary differences*	-	-
25a	Losses for the current financial year (-)	-	-
25b	Foreseeable tax charges relating to CET1 items (-)	-	-
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	-20	-
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468	-20	-
	Of which: .... Filter for unrealised gains property	-5	-
	Of which: .... Filter for unrealised gains available for sale equity	-7	-
	Of which: .... Filter for unrealised gains available for sale debt instruments/loans	-71	-
26b	Amount to be deducted from or added to CET1 capital with regard to additional filters and deductions required pre CRR	-	-
	Of Which: ...	-	-
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (-)	-9	-
28	**Total regulatory adjustments to CET1**	-129	-
29	**CET1 capital**	3,339	-
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	-	-
31	*of which: classified as equity*	-	-
32	*of which: classified as liabilities*	-	-
33	Amount of qualifying items referred to in art. 484 (3) and the related share premium accounts subject to phase out from AT1	-	-
	Public sector capital injections grandfathered until 1 January 2018	-	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	-	-
35	*of which: instruments issued by subsidiaries subject to phase out*	-	-
36	**AT 1 capital before regulatory adjustments**	-	-
	AT1 capital: regulatory adjustments		
37	Direct and indirect holding by an institution of own AT1 instruments (-)	-	-
38	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 (-)	-	-
39	Direct, indirect and synthetic holdings by the institution 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)(-)	-	-
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 (amount above 10% threshold and net of eligible short positions)(-)	-	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (-)	-	-
43	**Total regulatory adjustments to AT1 capital**	-	-
44	**AT1 capital**	-	-
45	**Tier 1 capital (T1= CET1 + AT1)**	3,339	-
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	156	-

	Pillar 3 Own funds		
47	Amount of qualifying items referred to in art. 484 (3) and the related share premium accounts subject to phase out from T2	-	-
	Public sector capital injections grandfathered until 1 January 2018	-	-
48	Qualifying own funds instruments included in consolidated T2 capital issued by subsidiaries and held by third parties (excluding row 5 and 34)	-	-
49	*of which: instruments issued by subsidiaries subject to phase out*	-	-
50	Credit risk adjustments	-	-
51	**T2 capital before regulatory adjustments**	156	-
	T2 capital: regulatory adjustments		
52	Direct and indirect holding by an institution of own T2 instruments and subordinated loans (-)	-	-
53	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 (-)	-	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entitities (amount above 10% threshold and net of eligible short positions)(-)	-	-
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entitities (amount above 10% threshold and net of eligible short positions)(-)	-	-
56	Regulatory adjustments applied to T2 in respect of amounts subject to pre-CRR treament and transitional treatments subject to phase out as prescribed in Reg. (EU) No 575/2013	-6	-
56a	Residual amounts deducted from T2 capital with regard to deduction from CET1 capital during the transitional period pursuant to art. 472 of Reg. (EU) No 575/2013	-6	-
	Of which: shortfall of provisions to expected losses	-6	-
56b	Residual amounts deducted from T2 capital with regard to deduction from AT1 capital during the transitional period pursuant to art. 475 of Reg. (EU) No 575/2013	-	-
	Of which items to be detailed line by line, e.g. reciprocal cross holding in T2 instruments, direct holding of non-significant investments in the capital of other financial sector entities, etc.	-	-
56c	Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre CRR	-	-
	Of which: ... possible filter for unrealised losses	-	-
	Of which: ... possible filter for unrealised gains	-	-
	Of which: ...	-	-
57	**Total regulatory adjustments to T2 capital**	-6	-
58	**Tier 2 capital**	150	-
59	**Total capital (TC = T1 + T2)**	3,489	-
60	**Total risk weighted assets**	9,781	-
	Capital ratios and buffers		
61	CET1 (as a % of total risk exposure amount)	34.1%	0.0%
62	T1 (as a % of total risk exposure amount)	34.1%	0.0%
63	TC (as a % of total risk exposure amount)	35.7%	0.0%
64	Institution specific buffer requirement	1.75%	0.0%
65	*of which: capital conservation buffer requirement*	1.25%	0.0%
66	*of which: countercyclical buffer requirement*	0.00%	0.0%
67	*of which: systemic buffer requirement*	0.00%	0.0%
67a	*of which: G-SII or O-SII buffer*	0.50%	0.0%
68	CET1 available to meet buffers (as a % of risk exposure amount)	26.1%	0.0%
69	[non relevant EU regulation]	0.0%	0.0%
70	[non relevant EU regulation]	0.0%	0.0%
71	[non relevant EU regulation]	0.0%	0.0%
	Amounts below the thresholds for deduction		
72	Direct and indirect holdings of the capital 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)	-	-
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-
74	Empty set in the EU	-	-
75	deferred tax assets arising from temporary differnces (amount below 10% threshold, net of related tax liability where the conditoins in Article 38 (3) are met)	-	-
	Applicable caps on the inclusion of provisions in Tier 2		

	Pillar 3 Own funds		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach	-	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	23	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach	-	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	36	-
	Capital instruments subject to phase-out arrangements (1 Jan 2014 - 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-	-
81	Amount excluded from CET1 due to cap	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	-
83	Amount excluded from AT1 due to cap	-	-
84	Current cap on T2 instruments subject to phase out arrangements	-	-
85	Amount excluded from T2 due to cap	-	-

Pillar 3 own funds reconciliation with IFRS balance sheet

Equity	IFRS balance sheet	Page/note[1]	Row in transitional own funds template
Total Equity	3,714[2]		
- of which share capital	-		1
- of which share premium reserve	4,117		1
- of which accumulated other comprehensive income	-752		3
- of which regulatory adjustments relating to unrealised gains pursuant to article 468	-20		26a
- of which fair value reserves related to gains on cash flow hedges	-36		11
- of which retained earnings	-		2
- of which profit/loss of the current financial year	103		5a
Assets			
Loans and advances to customers	49,322	n5	7,11,12,13
Investments	5,094	n3	7,26a
Intangible assets	14	n7	8
Deferred tax assets	110	n8	10
Derivatives	1,075	n2	7
Liabilities			
Subordinated debt	498	n17	46
Derivatives	1,252	n2	7
Deferred tax liabilities	45	n8	10

1 2017 annual report of de Volksholding B.V.

2 Reference is made to the Consolidated statement of changes in equity in the Annual Report of de Volksholding BV.

3.3 Capital requirements EDTF 9 EDTF 12 EDTF 13 EDTF 14

Overview of RWAs 2017

	in € millions	RWA		Minimum capital requirements
		2017	2016	2017
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**7,704**	**8,495**	**616**
2	Of which the standardised approach	1,633	1,991	131
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which the advanced IRB (AIRB) approach	6,071	6,504	486
5	Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-
6	**CCR**	**394**	**565**	**32**
7	Of which mark to market	186	231	15
7a	Of which SFTs	5	-	-
8	Of which original exposure	-	-	-
9	Of which the standardised approach	-	-	-
10	Of which internal model method (IMM)	-	-	-
11	Of which risk exposure amount fro contributions to the default fund of a CCP	-	-	-
12	Of which CVA	203	334	16
13	**Settlement risk**	**-**	**-**	**-**
14	**Securitisation exposures in banking book (after the cap)**	**6**	**4**	**-**
15	Of which IRB approach	6	4	-
16	Of which IRB supervisory formula approach (SFA)	-	-	-
17	Of which internal assessment approach (IAA)	-	-	-
18	Of which standardised approach	-	-	-
19	**Market risk**	**44**	**88**	**4**
20	Of which standardised approach	44	88	4
21	Of which IMA	-	-	-
22	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**1,633**	**1,672**	**131**
24	Of which basic indicator approach	-	-	-
25	Of which standardised approach	1,633	1,672	131
26	Of which advanced measurement approach	-	-	-
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
28	Floor adjustment	-	-	-
29	**Total**	**9,781**	**10,824**	**782**

Credit risk RWA (not including Counterparty Credit Risk, CCR) subject to the Standardised Approach dropped by € 353 million to € 1.6 billion, primarily caused by a reclassification of exposures to retail mortgages under the IRB approach. Credit risk RWA (not including CCR) calculated according to the Internal Ratings-Based approach decreased by € 433 million to € 6 billion. The decrease was mainly driven by, on the one hand , lower probabilities of default (PDs) and loss given defaults (LGDs) as a result of improved economic conditions (€ 999 million decrease) combined with an RWA increase of € 503 million following the update of the Margin of Conservatism (MoC) model.

Market risk RWA dropped by € 44 million on the back of reduced money market paper, trading and derivative positions.

RWA for CCR, operational risk and securitisation positions in the investment portfolio fell by € 212 million in total.

At year-end 2017 de Volksbank has no transactions in which the agreed delivery dates have not been settled yet. Therefore per year end 2017 there is no RWA for settlement risk. The bank does not hold commodities and therefore no capital is required.

At year-end 2017, the total net position in foreign currency is lower than the CRR threshold of 2% of total capital. Therefore no capital is required.

3.4 Macroprudential supervisory measures EDTF 9

CAPITAL REQUIREMENTS EDTF 4

CRR/CRD IV REQUIREMENTS

With effect from 1 January 2018, de Volksbank is required to meet a total capital ratio of at least 13.125% (Overall Capital Requirement, OCR), of which at least 9.625% CET1 capital. This requirement follows from the SREP performed by the European Central Bank (ECB).

The OCR is defined as the level at which the maximum distributable amount of dividend (Maximum Distributable Amount, MDA) is curtailed by regulations. The OCR includes the Pillar 1 capital requirement of 8.0%, the Pillar 2 CET1 requirement of 2.5% (together the Total SREP Capital Requirement, TSCR) and the Combined Buffer Requirement (CBR) of 2.625% for 2018.

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. The capital conservation buffer equalled 1.875% as from 1 January 2018 and will increase to 2.5% on 1 January 2019. The O-SII buffer[2] for de Volksbank equals 0.75% as from 1 January 2018 and will rise to 1% on 1 January 2019. The countercyclical capital buffer for exposures to Dutch counterparties is currently 0%. This buffer is intended to protect banks against risks arising when credit growth is excessive. Each quarter DNB sets the level of the buffer for the Netherlands, which, in principle, varies from 0% to 2.5%[3]. Fully phased in, the OCR for de Volksbank is equal to 14.0% based on the SREP, of which at least 10.5% consists of CET1 capital.

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

The table below presents the capital requirements in respect of the Common Equity Tier 1 capital, Tier 1 capital and total capital (Tier 1 and Tier 2) as at 1 January 2018. The Common Equity Tier 1 capital ratios and total capital ratios are well above these minimum capital requirements.

CRR/CRD IV REQUIREMENTS 1 January 2018

	Total capital		of which Tier 1 capital		of which CET1 capital	
	2018	2019[1]	2018	2019[1]	2018	2019[1]
Pillar 1 requirement	8.00%	8.00%	6.00%	6.00%	4.50%	4.50%
Pillar 2 requirement (CET1)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Total SREP Capital Requirement (TSCR)	**10.50%**	**10.50%**	**8.50%**	**8.50%**	**7.00%**	**7.00%**
Capital conservation buffer	1.88%	2.50%	1.88%	2.50%	1.88%	2.50%
O-SII buffer	0.75%	1.00%	0.75%	1.00%	0.75%	1.00%
Countercyclical capital buffer	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Combined Buffer Requirement (CBR)	**2.63%**	**3.50%**	**2.63%**	**3.50%**	**2.63%**	**3.50%**
Overall Capital Requirement (OCR)	**13.13%**	**14.00%**	**11.12%**	**12.00%**	**9.63%**	**10.50%**

1 Fully phased-in.

INTERNAL MINIMUM LEVEL

De Volksbank applies an internal level of at least 15.0% for the risk-weighted CET1 ratio, and of 4.25% for the leverage ratio. Our objective for the CET1 ratio includes a Pillar 2 Guidance and an ample management buffer, on top of the SREP requirement of 10.5%. For the time being, we will apply these objectives both under current regulations and under Basel IV standards. Over the coming year we will investigate whether there is reason to revise our capital objectives, in particular on the basis of the combined impact on our capital ratios of Basel IV, the TRIM (Targeted Review Internal Model) outcomes, and the impact of IFRS 9 on stress testing.

2 The O-SII buffer applies to the highest consolidation level rather than to a sub-consolidated, solo bank level.
3 DNB has the discretion to set the countercyclical capital buffer above 2.5%.

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

In € millions	General credit exposures		Trading book exposures		Securitisation exposures		Own funds requirements				Own funds requirements weights	Counter-cyclical capital buffer rate
	Exposure value for SA	Exposure value for IRB	Sum of long and short positions of trading book	Value of trading book exposures for internal models	Exposure value for SA	Exposure value for IRB	Of which: general credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
BREAKDOWN BY COUNTRY:												
The Netherlands	3,661	45,265	-	-	-	74	545	-	-	545	95.66%	0%
France	372	3	-	-	-	-	11	-	-	11	1.70%	0%
Germany	248	13	-	-	-	-	1	-	-	1	0.47%	0%
Belgium	188	67	-	-	-	-	15	-	-	15	1.37%	0%
Austria	112	-	-	-	-	-	-	-	-	-	0.01%	0%
Luxembourg	84	1	-	-	-	-	7	-	-	7	0.01%	0%
Great Britain	70	16	-	-	-	-	-	-	-	-	0.01%	0%
Switserland	58	4	-	-	-	-	1	-	-	1	0.01%	0%
Cyprus	2	-	-	-	-	-	-	-	-	-	0.01%	0%
Spain	-	3	-	-	-	-	-	-	-	-	0.01%	0%
Portugal	-	-	-	-	-	-	-	-	-	-	0.47%	0%
United States	-	5	-	-	-	-	-	-	-	-	0.18%	0%
Other	1	23	-	-	-	-	-	-	-	-	0.08%	0%
Total	**4,796**	**45,400**	**-**	**-**	**-**	**74**	**580**	**-**	**-**	**580**	**100%**	**0%**

in € millions	2017
Total risk exposure amount	9,781
Institution specific countercyclical buffer rate	-
Institution specific countercyclical buffer requirement	-

3.5 Leverage ratio EDTF 9

The leverage ratio is the ratio between a bank's amount of Tier 1 capital and total risk exposure. A minimum level for the leverage ratio is to prevent banks from building up excessive debts. The former cabinet (Rutte II) expressed its ambition of a minimum leverage ratio for the Netherlands of 4%. The coalition agreement of the Rutte III government as published states that as soon as Basel IV becomes effective, the minimum requirement will be aligned with the European minimum requirement, which is expected to be at least 3%, with a possible surcharge for Systemically Important Institutions.

To manage the risk of excessive leverage, leverage ratio control is part of our capital planning. The leverage ratio reflects the ratio between de Volksbank's Tier 1 capital and total risk exposure. The Risk Appetite Statement (RAS) describes de Volksbank's risk appetite in relation to the leverage ratio and other aspects. The accompanying Early Warning Indicator (EWI) framework lays down intervention levels to identify a falling leverage ratio in good time.

The capital planning is established annually and contains a projection of our capital position and requirements over a multi-year horizon. This capital planning is reviewed every month on the basis of the most recent figures and qualitative knowledge in the Capital Adequacy Assessment Report (CAAR). We assess the leverage ratio against the expected future minimum of 4% for Dutch banks and our internal target of at least 4.25%. This assessment is used to steer the capital to the desired level if necessary, for example by raising new capital. In addition to strengthening the capital position, we may slow down the growth of de Volksbank's total risk exposure to prevent the leverage ratio from falling too far.

The table below presents the leverage ratio for de Volksbank according to the composition of risk exposure and equity prescribed in the CRR.

Leverage ratio

in € millions	31-12-2017	31-12-2016
EXPOSURE VALUES		
Derogation for SFTs	23	-
Derivatives: market value	212	310
Derivatives: add-on mark-to-market method	373	272
Off-balance: undrawn credit facilities	161	186
Off-balance: medium/low risk	228	311
Other assets	59,477	59,406
CAPITAL AND REGULATORY ADJUSTMENTS		
Tier 1 capital - transitional	3,339	3,164
Tier 1 capital - fully phased-in	3,353	3,209
Regulatory adjustments (Tier 1 transitional)	-129	-154
Regulatory adjustments (Tier 1 fully phased-in)	-115	-109
EXPOSURE MEASURE AS DEFINED BY THE CRR		
Transitional	60,345	60,331
Fully phased-in	60,350	60,360
LEVERAGE RATIO		
Transitional	5.5%	5.2%
Fully phased-in	5.6%	5.3%

The transitional leverage ratio rose from 5.2% at year-end 2016 to 5.5%, mainly driven by the € 175 million CET1 capital increase. The leverage ratio denominator (risk exposure as defined by the Capital Requirements Regulation, CRR) increased slightly by € 14 million to € 60.3 billion.

The 5.5% leverage ratio is well above the regulatory requirements and our target of at least 4.25%. Under current regulations, the amount of capital necessary to meet the leverage ratio requirement is higher than the amount of capital necessary to meet risk-weighted capital ratio requirements. This is the consequence of de Volksbank's focus on retail mortgages, a low-risk activity, with a correspondingly low risk-weighting. After Basel IV is implemented, the amount of capital required to meet the leverage ratio target may be below the capital amount required to meet the risk-weighted targets. This may result in risk-weighted targets being more restrictive than the leverage ratio targets.

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.

Reconciliation of accounting assets and the leverage ratio exposure EDTF 10

	in € millions	2017	2016
1	Total assets as per published financial statements	60,892	61,561
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	-	-
4	Adjustments for derivative financial instruments	-486	-950
5	Adjustments for securities financing transactions "SFTs"	-	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	389	496
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-	-
	Regulatory adjustments	-129	-154
7	Other adjustments	-321	-622
8	**Total leverage ratio exposure (CRR)**	**60,345**	**60,331**

Leverage ratio common disclosure

	in € millions	CRR leverage ratio exposures 2017	2016
	ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES AND SFTS)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	59,477	59,406
2	(Asset amounts deducted in determining Tier 1 capital)	-129	-154
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	59,348	59,252
	Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	369	543
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	373	272
EU-5a	Exposure determined under Original Exposure Method	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-157	-234
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	**Total derivative exposures (sum of lines 4 to 10)**	585	582
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	Counterparty credit risk exposure for SFT assets	-	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-	-
15	Agent transaction exposures	-	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	-	-
	Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	2,618	3,273
18	(Adjustments for conversion to credit equivalent amounts)	-2,229	-2,776
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	389	497
	Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
	Capital and total exposures		
20	**Tier 1 capital**	3,339	3,164
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	60,345	60,331
	Leverage ratio		
22	**Leverage ratio**	5.5%	5.2%
	Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	transitional	transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	n.a.	n.a.

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures	
	in € millions	2017	2016
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	59,477	59,406
EU-2	Trading book exposures	259	1,131
EU-3	Banking book exposures, of which:	59,315	58,576
EU-4	Covered bonds	40	-
EU-5	Exposures treated as sovereigns	7,108	7,344
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	-	-
EU-7	Institutions	2,296	2,272
EU-8	Secured by mortgages of immovable properties	46,438	44,939
EU-9	Retail exposures	350	173
EU-10	Corporate	2,650	2,604
EU-11	Exposures in default	66	93
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	367	1,152

4 Credit risk and general information on CRM EDTF 3 EDTF 2

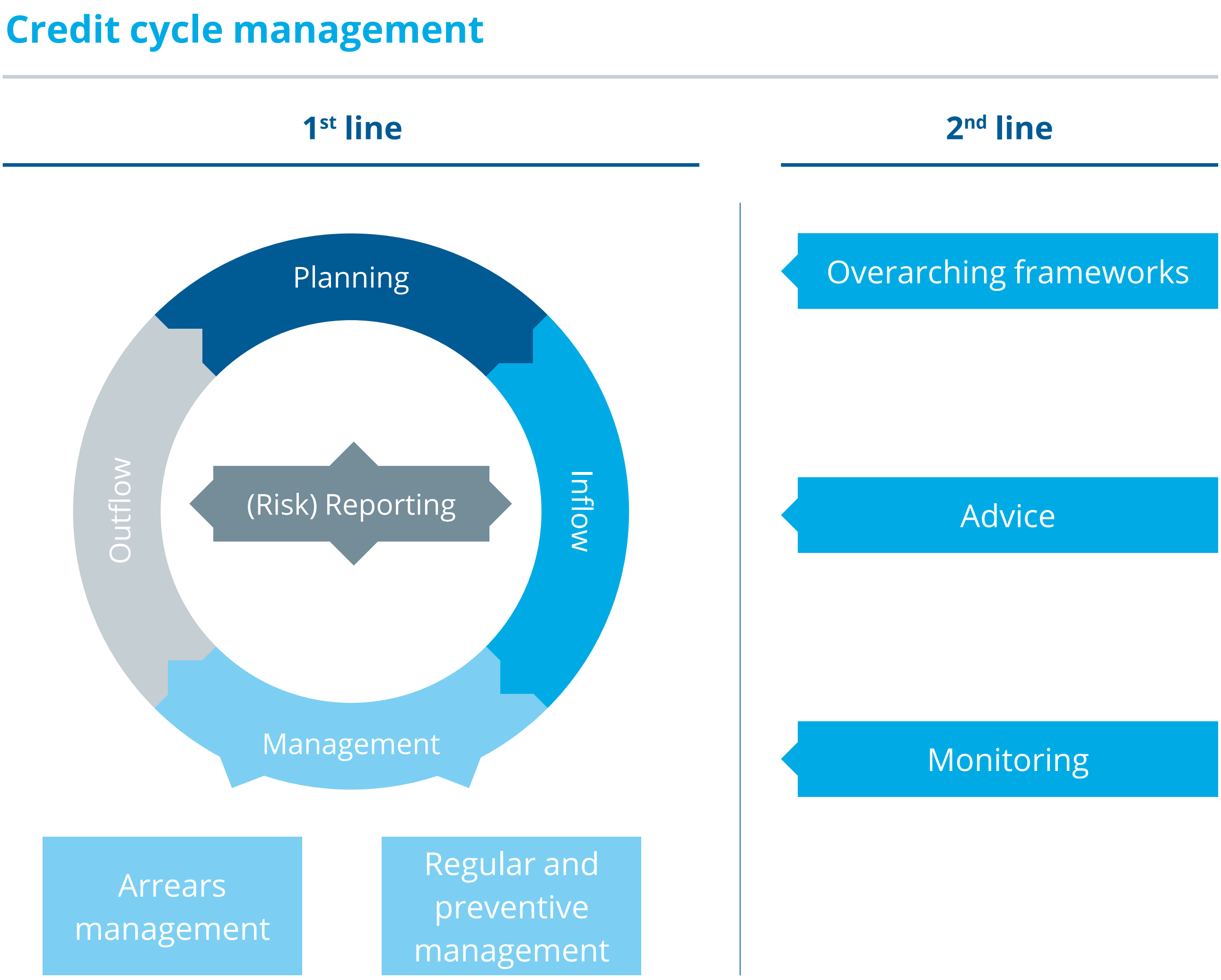
De Volksbank has divided its credit risk portfolio into several exposure classes. We use the Advanced Internal Ratings-Based approach to calculate the capital requirements for the retail mortgage portfolios and securitisations with underlying mortgages. We use the Standardised Approach for all other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

4.1 General qualitative information regarding credit risk

MANAGEMENT AND CONTROL EDTF 7 EDTF 27

RETAIL MORTGAGES

In credit risk management, we take into account the individual customer and on a portfolio level we manage the risk based on inflow, outflow, size and status of the healthy portfolio and the arrears portfolio. De Volksbank's credit management process is represented visually below.



Customers' interests are put first in the provision of new mortgage loans (inflow), which means that customers must be able to pay interest and make repayments now and in the future. We use the acceptance scorecard to predict long-term affordability by and for customers and see to it that the mortgages provided meet our internal standards regarding the customer's income and the collateral value. Our internal standards are in line with the legal frameworks.

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 guarantee of Nationale Hypotheek Garantie (NHG). See also Section 4.3 General qualitative information regarding credit risk mitigation.

We monitor the development of the portfolio mainly in terms of quality, collateral values such as the average Loan-to-Value or the percentage covered by NHG and the average expected loss. During 2017 we paid more attention to interest-only mortgages and how we can properly estimate the long-term affordability by the customer, including on the end date. The AFM urged Dutch banks to focus on this, as many customers with interest-only mortgages believed they would never be required to redeem (repay) the loan.

Second-line credit risk management defines frameworks, monitors portfolio quality and the execution of the management process and advises on opportunities for improvement.

For the outflow, we examine the reasons for redemption and, in the context of portfolio management, the characteristics of these items in terms of quality and estimated expected loss.

ARREARS MANAGEMENT FOR RETAIL CUSTOMERS

We manage the credit risk through an active and targeted policy on customers in arrears in the arrears and default portfolio. De Volksbank regards a relationship of trust with the customer as the basis for any long-term solution. If a customer turns out to have financial problems, they will be assigned their own case handler. If necessary, a staff member will pay a customer visit to explore options. Together with the customer, we look for solutions serving the customer's interests as well as the bank's interests. The point of departure is that the customer is able to stay in their home and continue making their mortgage payments in the future. If a customer is truly unable to meet the obligations, we may consult with them and agree a payment measure or a restructuring (known as 'forbearance'). If recovery is impossible, we support the customer in selling their home. Our aim is not to engage any external debt collection agencies or bailiffs, which means that de Volksbank itself will retain all contact with the customer and can have an optimum relationship with the customer. The use of external parties creates more costs for the customer and exacerbates their financial problems. Only if a customer *can* cooperate but refuses to do so will the bank engage a bailiff. De Volksbank has also decided to bring back items previously transferred to debt collection agencies in order to work towards a solution together with the customer.

FORBEARANCE

We may apply a forbearance measure in situations where a customer is expected to be unable to meet their financial obligations or to be unable to do so in time. We define a forbearance measure as an arrangement with the customer entailing a temporary or permanent modification of the loan, the terms and conditions of the loan and/or the conditions of payment. We may apply it to prevent payment problems from arising or increasing or to avoid situations in which the loan has to be repaid. The measure may entail a loss for the bank.

We have been taking forbearance measures at the customer level since the end of 2016. We have found that when a customer struggles to pay one product, this customer's other debt products are also more at risk. We apply forbearance measures to all of that customer's debt products and classify all of that customer's contracts as 'forborne'. This is in line with the policy pursued by arrears management, where we look at the customer's situation as a whole to decide which measures are appropriate.

We continuously evaluate the effectiveness of the management processes that are part of the credit management process and introduce improvements where possible.

SME PORTFOLIO

We record our SME customers' payment behaviour and use this information, along with other data, in behavioural scoring models to monitor long-term affordability by and for these customers. The models calculate a predictive probability of default – the failure to make contractually agreed payments (interest and any repayments) – and the probable loss for the bank in the event of default. In 2017, we started a risk-driven review based on the model results; the model largely determines which customers we will proactively contact. The models give us an understanding of the customer's and the portfolio's risk profiles, thereby contributing to the management process.

ARREARS MANAGEMENT FOR CORPORATE CLIENTS

We take action as soon as a corporate client falls into arrears or states that it anticipates payment problems, and we do so based on the key principles of continuity of the company (client) concerned and the potential for loan recovery. Together with our client, we explore the options for making the company financially resilient again, i.e. we focus on a healthy liquidity and profitability position. If and when a client has recovered and a stable situation has arisen, arrears management supervision ceases and the client is transferred back to regular management. If recovery turns out to be impossible, we may support the customer in selling the collateral. In such a situation, the aim is to limit losses for the customer as well as the bank.

PRIVATE LOANS
In mid-2017, the management of private loans under the ASN Bank brand was transferred from ACTIAM to the ASN Sustainable Loans Risk Management department, part of de Volksbank. This transition means that de Volksbank now monitors all private loans and the corresponding risk profiles internally and no longer depends on an external party.

SUSTAINABLE LOANS
We use an internally developed rating model for sustainable project loans (under the ASN Bank brand). We make an assessment of the characteristics of the financial structure, the financial strength of the project and the parties involved, the project's legal environment and the collateral provided. This assessment produces a score that we use to monitor a project's credit quality, to compare projects and to keep track of developments in the portfolio as a whole.

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

REPORTING
We monitor developments in the loan portfolios and periodically report on this to the Credit Committee, the Board of Directors and the Risk Committee of the Supervisory Board.

Every month, we prepare a report on the mortgage portfolio based on the Risk Appetite Dashboard and discuss it with those responsible for, and the stakeholders in, the mortgage distribution chain. We provide a detailed report on the loan loss provisions on a quarterly basis, which gives insight into internal and external developments affecting the loan loss provisions.
Every quarter, second-line credit risk management also reports its view of the bank-wide credit risk in relation to the risk appetite determined. These reports are characterised by a qualitative assessment (in addition to a quantitative assessment) and short-term forecasts regarding the development of the types of risk reported.

STRESS TESTING AND SENSITIVITY ANALYSES EDTF 8
De Volksbank conducted several stress tests in 2017, both internal stress tests and stress tests imposed by the supervisory authority. We carried out the Internal Capital Adequacy Assessment Process based on figures from full year 2016 and an internal stress test based on figures from the second quarter of 2017. In the stress test, we determined the impact that an extreme yet plausible macroeconomic scenario would have on de Volksbank's credit risk. In this process we use specific stress test models, which are based on the historical relationship between portfolio developments and the main macroeconomic parameters. As regards the credit risk of our retail mortgage portfolio, unemployment rates and house price developments are the main parameters. We also examine how sensitive the portfolios are to fluctuations of macroeconomic parameters. Just like other banks, de Volksbank is sensitive to these fluctuations, but – thanks to its strong capital and liquidity position – the bank has proven capable of withstanding the extreme scenarios applied.

IFRS 9 STRESS TESTING
The concept of stress testing for credit risks may be defined as measuring the financial impact arising from credit risk as a result of one or more potentially 'unfavourable' scenarios. All balance sheet positions that are subject to credit risk are in scope. The credit risk stress test models have been developed for internal or ICAAP stress tests and external stress tests imposed by the supervisory authority (ECB/EBA). The models consist of a specific, IFRS 9 consistent, Point-in-Time (PiT) approach to predicting provisions and a specific Through-the-Cycle (TtC) approach to forecasting RWA. To predict the amount of provisions in a stress test, stress is applied as follows:
- At an aggregated level, exposures are reallocated to the (IFRS 9) stages using migration matrices based on stress scenarios.
- At an individual level, the same stress scenario is used to calculate a stressed 12-month and a lifetime expected loss (lifetime ECL) for all customers in the portfolio. This is done using the regular credit risk (IFRS 9) models.

4.2 General quantitative information regarding credit risk EDTF 26

The table below shows a breakdown of exposures to customers by standardised exposure classes (CRD asset classes) and reporting approach (IRB or SA).

Total and average net amount of exposures 2017

		a	b
	in € millions	Net value of exposures at the end of the period	Average net exposures over the period
1	Central governments or central banks	-	-
2	Institutions	-	-
3	Corporates	-	-
4	*Of which: Specialised lending*	-	-
5	*Of which: SMEs*	-	-
6	Retail	47,675	45,293
7	*Secured by real estate property*	*47,675*	*45,293*
8	*SMEs*	-	-
9	*Non-SMEs*	*47,675*	*45,293*
10	*Qualifying revolving*	-	-
11	*Other retail*	-	-
12	*SMEs*	-	-
13	*Non-SMEs*	-	-
14	Equity	-	-
15	**Total IRB approach**	**47,675**	**45,293**
16	Central governments or central banks	5,817	5,881
17	Regional governments or local authorities	936	974
18	Public sector entities	66	69
19	Multilateral development banks	289	293
20	International organisations	20	11
21	Institutions	2,346	2,521
22	Corporates	3,008	3,083
23	*Of which: SMEs*	*412*	*415*
24	Retail	976	837
25	*Of which: SMEs*	*283*	*423*
26	Secured by mortgages on immovable property	391	744
27	*Of which: SMEs*	*391*	*200*
28	Exposures in default	69	84
29	Items associated with particularly high risk	1	-
30	Covered bonds	40	15
31	Claims on institutions and corporates with a short-term credit assessment	-	-
32	Collective investments undertakings	-	-
33	Equity exposures	17	19
34	Other exposures	287	324
35	**Total standardised approach**	**14,263**	**14,855**
36	**Total**	**61,938**	**60,148**

Total and average net amount of exposures 2016

	in € millions	a Net value of exposures at the end of the period	b Average net exposures over the period
1	Central governments or central banks	-	-
2	Institutions	-	-
3	Corporates	-	-
4	*Of which: Specialised lending*	-	-
5	*Of which: SMEs*	-	-
6	Retail	47,185	44,694
7	*Secured by real estate property*	*47,185*	*44,694*
8	*SMEs*	-	-
9	*Non-SMEs*	*47,185*	*44,694*
10	*Qualifying revolving*	-	-
11	*Other retail*	-	-
12	*SMEs*	-	-
13	*Non-SMEs*	-	-
14	Equity	-	-
15	**Total IRB approach**	**47,185**	**44,694**
16	Central governments or central banks	5,836	6,173
17	Regional governments or local authorities	1,152	1,129
18	Public sector entities	75	82
19	Multilateral development banks	282	289
20	International organisations	-	-
21	Institutions	2,306	2,573
22	Corporates	3,416	3,441
23	*Of which: SMEs*	*361*	*354*
24	Retail	818	862
25	*Of which: SMEs*	*87*	*91*
26	Secured by mortgages on immovable property	1,025	1,089
27	*Of which: SMEs*	*1,025*	*1,089*
28	Exposures in default	93	113
29	Items associated with particularly high risk	-	-
30	Covered bonds	-	-
31	Claims on institutions and corporates with a short-term credit assessment	-	-
32	Collective investments undertakings	-	-
33	Equity exposures	21	22
34	Other exposures	350	374
35	**Total standardised approach**	**15,374**	**16,147**
36	**Total**	**62,559**	**60,841**

On balance, the total exposures showed a slight increase in 2017 as we provided more new home loans. The other movements mainly related to reclassifications of exposures that were previously reported under the standardised approaches and based on IRB in 2017.

Geographical breakdown of exposures 2017

		a	b	c	d	e	f	g	h	i	j	k	l	m
		Net value												
	in € millions	The Nether-lands	EMU	Ger-many	Belgium	France	Austria	Other countries	Outside EMU	Switzer-land	United Kingdom	Czech Republic	Other countries	Total
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Corporates	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Retail	47,539	89	13	67	3	-	6	47	4	16	-	27	47,675
5	Equity	-	-	-	-	-	-	-	-	-	-	-	-	-
6	**Total IRB approach**	**47,539**	**89**	**13**	**67**	**3**	**-**	**6**	**47**	**4**	**16**	**-**	**27**	**47,675**
7	Central governments or central banks	3,187	2,604	1,278	498	253	285	290	26	-	-	-	26	5,817
8	Regional governments or local authorities	511	425	53	328	44	-	-	-	-	-	-	-	936
9	Public sector entities	66	-	-	-	-	-	-	-	-	-	-	-	66
10	Multilateral development banks	-	289	-	-	109	-	180	-	-	-	-	-	289
11	International organisations	-	20	-	-	-	-	20	-	-	-	-	-	20
12	Institutions	362	265	165	-	50	20	30	1,719	1,450	85	151	33	2,346
13	Corporates	1,891	989	244	178	371	111	85	128	58	70	-	-	3,008
14	Retail	964	11	3	6	1	-	1	1	-	-	-	1	976
15	Secured by mortgages on immovable property	388	3	-	2	-	-	1	-	-	-	-	-	391
16	Exposures in default	68	1	-	1	-	-	-	-	-	-	-	-	69
17	Items associated with particularly high risk	1	-	-	-	-	-	-	-	-	-	-	-	1
18	Covered bonds	40	-	-	-	-	-	-	-	-	-	-	-	40
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Equity exposures	17	-	-	-	-	-	-	-	-	-	-	-	17
22	Other exposures	287	-	-	-	-	-	-	-	-	-	-	-	287
23	**Total standardised approach**	**7,782**	**4,607**	**1,743**	**1,013**	**828**	**416**	**607**	**1,874**	**1,508**	**155**	**151**	**60**	**14,263**
24	**Total**	**55,321**	**4,696**	**1,756**	**1,080**	**831**	**416**	**613**	**1,921**	**1,512**	**171**	**151**	**87**	**61,938**

Geographical breakdown of exposures 2016

		a	b	c	d	e	f	g	h	i	j	k	l	m
		Net value												
	in € millions	The Netherlands	EMU	Germany	Belgium	France	Austria	Other countries	Outside EMU	Switzerland	United Kingdom	Czech Republic	Other countries	Total
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Corporates	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Retail	47,036	96	13	72	4	-	7	53	5	17	-	31	47,185
5	Equity	-	-	-	-	-	-	-	-	-	-	-	-	-
6	**Total IRB approach**	**47,036**	**96**	**13**	**72**	**4**	**-**	**7**	**53**	**5**	**17**	**-**	**31**	**47,185**
7	Central governments or central banks	3,053	2,756	1,211	590	436	273	246	27	-	-	-	27	5,836
8	Regional governments or local authorities	695	364	14	281	69	-	-	93	93	-	-	-	1,152
9	Public sector entities	75	-	-	-	-	-	-	-	-	-	-	-	75
10	Multilateral development banks	-	-	-	-	-	-	-	282	-	-	-	282	282
11	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Institutions	437	224	124	1	87	-	12	1,645	1,500	79	50	16	2,306
13	Corporates	2,389	839	223	133	341	116	26	188	60	122	-	6	3,416
14	Retail	806	11	4	6	-	-	1	1	-	-	-	1	818
15	Secured by mortgages on immovable property	1,018	6	-	4	1	-	1	1	-	-	-	1	1,025
16	Exposures in default	91	2	-	2	-	-	-	-	-	-	-	-	93
17	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Equity exposures	21	-	-	-	-	-	-	-	-	-	-	-	21
22	Other exposures	350	-	-	-	-	-	-	-	-	-	-	-	350
23	**Total standardised approach**	**8,935**	**4,202**	**1,576**	**1,017**	**934**	**389**	**286**	**2,237**	**1,653**	**201**	**50**	**333**	**15,374**
24	**Total**	**55,971**	**4,298**	**1,589**	**1,089**	**938**	**389**	**293**	**2,290**	**1,658**	**218**	**50**	**364**	**62,559**

De Volksbank is a bank that focuses on loans to private individuals (predominantly mortgage loans) and small companies in the Dutch market. De Volksbank is highly risk averse when it comes to bonds issued by central governments and mainly places funds with the economically most stable countries.

Concentration of exposures by industry or counterparty types 2017

	in € millions	a Agriculture, forestry and fishing	b Mining and quarrying	c Manufacturing	d Electricity, gas, steam and air conditioning supply	e Water supply	f Construction	g Wholesale and retail trade	h Transport and storage	i Accommodation and food service activities	j Information and communication	k Real estate activities	l Professional, scientific and technical activities	m Administrative and support service activities	n Public administration and defence, compulsory social security	o Education	p Human health services and social work activities	q Arts, entertainment and recreation	r Retail Non SME	s Other services	t Total
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47,675	-	47,675
5	Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	**Total IRB approach**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**47,675**	**-**	**47,675**
7	Central governments or central banks	7	-	14	126	-	15	56	7	19	3	91	-	3,225	1,787	4	26	17	-	420	5,817
8	Regional governments or local authorities	1	-	2	20	-	3	9	1	3	-	15	-	519	288	-	4	3	-	68	936
9	Public sector entities	-	-	-	1	-	-	1	-	-	-	1	-	37	21	-	-	-	-	5	66
10	Multilateral development banks	-	-	1	6	-	1	3	-	1	-	5	-	160	89	-	1	1	-	21	289
11	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	12	7	-	-	-	-	1	20
12	Institutions	2	-	5	52	-	7	23	2	7	1	37	-	1,301	721	1	10	7	-	170	2,346
13	Corporates	3	-	7	66	-	9	29	4	9	1	47	-	1,667	924	1	15	8	-	218	3,008
14	Retail	1	-	2	22	-	3	9	1	3	-	15	-	542	300	-	4	3	-	71	976
15	Secured by mortgages on immovable property	-	-	1	8	-	1	4	-	1	-	6	-	218	121	-	2	1	-	28	391
16	Exposures in default	-	-	-	1	-	-	1	-	-	-	1	-	38	23	-	-	-	-	5	69
17	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	1
18	Covered bonds	-	-	-	1	-	-	-	-	-	-	1	-	23	12	-	-	-	-	3	40
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	10	6	-	-	-	-	1	17
22	Other exposures	-	-	-	6	-	1	3	-	2	-	4	-	160	88	-	1	1	-	21	287
23	**Total standardised approach**	**14**	**-**	**32**	**309**	**-**	**40**	**138**	**15**	**45**	**5**	**223**	**-**	**7,913**	**4,387**	**6**	**63**	**41**	**-**	**1,032**	**14,263**
24	**Total**	**14**	**-**	**32**	**309**	**-**	**40**	**138**	**15**	**45**	**5**	**223**	**-**	**7,913**	**4,387**	**6**	**63**	**41**	**47,675**	**1,032**	**61,938**

Concentration of exposures by industry or counterparty types 2016

	in € millions	a Agriculture, forestry and fishing	b Mining and quarrying	c Manufacturing	d Electricity, gas, steam and air conditioning supply	e Water supply	f Construction	g Wholesale and retail trade	h Transport and storage	i Accommodation and food service activities	j Information and communication	k Real estate activities	l Professional, scientific and technical activities	m Administrative and support service activities	n Public administration and defence, compulsory social security	o Education	p Human health services and social work activities	q Arts, entertainment and recreation	r Retail Non SME	s Other services	t Total
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47,185	-	47,185
5	Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	**Total IRB approach**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**47,185**	**-**	**47,185**
7	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	2,088	3,748	-	-	-	-	-	5,836
8	Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	1,152	-	-	-	-	-	1,152
9	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	55	-	17	3	-	-	75
10	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	282	-	-	-	-	-	-	282
11	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Institutions	-	-	-	-	-	-	-	-	-	-	-	-	2,306	-	-	-	-	-	-	2,306
13	Corporates	-	-	-	270	-	-	8	5	-	-	47	-	2,803	-	-	8	5	-	270	3,416
14	Retail	2	-	6	1	-	7	21	2	5	1	10	-	26	-	1	6	4	-	726	818
15	Secured by mortgages on immovable property	15	-	45	-	-	71	191	20	59	9	246	1	252	-	7	49	26	-	34	1,025
16	Exposures in default	1	-	3	-	-	-	7	1	5	-	26	-	25	-	2	1	1	-	21	93
17	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	21	-	-	-	-	-	-	21
22	Other exposures	-	-	-	-	-	-	-	-	-	-	-	-	57	-	-	-	-	-	293	350
23	**Total standardised approach**	**18**	**-**	**54**	**271**	**-**	**78**	**227**	**28**	**69**	**10**	**329**	**1**	**7,860**	**4,955**	**10**	**81**	**39**	**-**	**1,344**	**15,374**
24	**Total**	**18**	**-**	**54**	**271**	**-**	**78**	**227**	**28**	**69**	**10**	**329**	**1**	**7,860**	**4,955**	**10**	**81**	**39**	**47,185**	**1,344**	**62,559**

The overall picture is the same as in 2016. Shifts in the industries are prompted by reclassifications to a large extent.

Maturity of exposures 2017

		a	b	c	d	e	f
		Net value					
	in € millions	On demand	< = 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total
1	Central governments or central banks	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-
3	Corporates	-	-	-	-	-	-
4	Retail	37	397	1,827	43,456	-	45,717
5	Equity	-	-	-	-	-	-
6	**Total IRB approach**	**37**	**397**	**1,827**	**43,456**	**-**	**45,717**
7	Central governments or central banks	2,434	125	1,079	2,179	-	5,817
8	Regional governments or local authorities	343	46	257	290	-	936
9	Public sector entities	-	21	-	45	-	66
10	Multilateral development banks	-	41	76	172	-	289
11	International organisations	-	-	-	20	-	20
12	Institutions	1,869	111	146	220	-	2,346
13	Corporates	1,382	54	481	1,044	-	2,961
14	Retail	141	1	12	196	-	350
15	Secured by mortgages on immovable property	1	1	19	370	-	391
16	Exposures in default	10	-	-	56	-	66
17	Items associated with particularly high risk	-	-	1	-	-	1
18	Covered bonds	-	-	-	40	-	40
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
20	Collective investments undertakings	-	-	-	-	-	-
21	Equity exposures	-	-	-	-	17	17
22	Other exposures	-	-	-	-	287	287
23	**Total standardised approach**	**6,180**	**400**	**2,071**	**4,632**	**304**	**13,587**
24	**Total**	**6,217**	**797**	**3,898**	**48,088**	**304**	**59,304**

Maturity of exposures 2016

		a	b	c	d	e	f
		Net value					
	in € millions	On demand	< = 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total
1	Central governments or central banks	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-
3	Corporates	-	-	-	-	-	-
4	Retail	71	230	1,576	42,804	-	44,681
5	Equity	-	-	-	-	-	-
6	**Total IRB approach**	**71**	**230**	**1,576**	**42,804**	**-**	**44,681**
7	Central governments or central banks	2,160	52	957	2,667	-	5,836
8	Regional governments or local authorities	350	-	-	-	-	350
9	Public sector entities	-	-	119	163	-	282
10	Multilateral development banks	466	60	296	329	-	1,151
11	International organisations	-	-	-	-	-	-
12	Institutions	1,810	134	188	174	-	2,306
13	Corporates	1,031	17	345	1,796	-	3,189
14	Retail	-	1	27	47	-	75
15	Secured by mortgages on immovable property	9	1	29	979	-	1,018
16	Exposures in default	12	-	-	9	-	21
17	Items associated with particularly high risk	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
20	Collective investments undertakings	-	-	-	-	-	-
21	Equity exposures	-	-	3	8	162	173
22	Other exposures	29	-	2	61	-	92
23	**Total standardised approach**	**5,867**	**265**	**1,966**	**6,233**	**162**	**14,493**
24	**Total**	**5,938**	**495**	**3,542**	**49,037**	**162**	**59,174**

A characteristic feature of the portfolio is the large share of retail customers. The portfolio is dominated by home loans, which typically have a long term to maturity. The situation in 2017 was the same as in 2016.

Credit quality of exposures by exposure class and instrument 2017

	in € millions	a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
1	Central governments or central banks	-	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-	-
3	Corporates	-	-	-	-	-	-	-
4	*Of which: Specialised lending*	-	-	-	-	-	-	-
5	*Of which: SMEs*	-	-	-	-	-	-	-
6	Retail	286	47,460	71	-	-	27	47,675
7	*Secured by real estate property*	*286*	*47,460*	*71*	-	-	*27*	*47,675*
8	*SMEs*	-	-	-	-	-	-	-
9	*Non-SMEs*	*286*	*47,460*	*71*	-	-	*27*	*47,675*
10	*Qualifying revolving*	-	-	-	-	-	-	-
11	*Other retail*	-	-	-	-	-	-	-
12	*SMEs*	-	-	-	-	-	-	-
13	*Non-SMEs*	-	-	-	-	-	-	-
14	Equity	-	-	-	-	-	-	-
15	**Total IRB approach**	**286**	**47,460**	**71**	**-**	**-**	**27**	**47,675**
16	Central governments or central banks	-	5,817	-	-	-	-	5,817
17	Regional governments or local authorities	-	936	-	-	-	-	936
18	Public sector entities	-	66	-	-	-	-	66
19	Multilateral development banks	-	289	-	-	-	-	289
20	International organisations	-	20	-	-	-	-	20
21	Institutions	-	2,346	-	-	-	-	2,346
22	Corporates	23	2,987	2	-	-	3	3,008
23	*Of which: SMEs*	*23*	*391*	*2*	-	-	*3*	*412*
24	Retail	66	911	1	-	-	8	976
25	*Of which: SMEs*	*27*	*256*	-	-	-	*3*	*283*
26	Secured by mortgages on immovable property	53	338	-	-	-	6	391
27	*Of which: SMEs*	*53*	*338*	-	-	-	*6*	*391*
28	Exposures in default	-	142	73	-	-	-	69
29	Items associated with particularly high risk	2	-	1	-	-	0	1
30	Covered bonds	-	40	-	-	-	-	40
31	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
32	Collective investments undertakings	-	-	-	-	-	-	-
33	Equity exposures	-	18	1	-	-	-	17
34	Other exposures	-	287	-	-	-	-	287
35	**Total standardised approach**	**144**	**14,197**	**78**	**-**	**-**	**17**	**14,263**
36	**Total**	**430**	**61,657**	**149**	**-**	**-**	**44**	**61,938**
37	*Of which: Loans*	*429*	*52,148*	*149*	-	-	*44*	*52,428*
38	*Of which: Debt securities*	-	*4,916*	-	-	-	-	*4,916*
39	*Of which: Off-balance-sheet exposures*	*1*	*2,634*	-	-	-	-	*2,635*

Credit quality of exposures by exposure class and instrument 2016

		a	b	c	d	e	f	g
		Gross carrying values of						
	in € millions	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
1	Central governments or central banks	-	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-	-
3	Corporates	-	-	-	-	-	-	-
4	*Of which: Specialised lending*	-	-	-	-	-	-	-
5	*Of which: SMEs*	-	-	-	-	-	-	-
6	Retail	408	46,883	106	-	-	36	47,185
7	*Secured by real estate property*	*408*	*46,883*	*106*	-	-	*36*	*47,185*
8	*SMEs*	-	-	-	-	-	-	-
9	*Non-SMEs*	*408*	*46,883*	*106*	-	-	*36*	*47,185*
10	*Qualifying revolving*	-	-	-	-	-	-	-
11	*Other retail*	-	-	-	-	-	-	-
12	*SMEs*	-	-	-	-	-	-	-
13	*Non-SMEs*	-	-	-	-	-	-	-
14	Equity	-	-	-	-	-	-	-
15	**Total IRB approach**	**408**	**46,883**	**106**	**-**	**-**	**36**	**47,185**
16	Central governments or central banks	-	5,836	-	-	-	-	5,836
17	Regional governments or local authorities	-	1,152	-	-	-	-	1,152
18	Public sector entities	-	75	-	-	-	-	75
19	Multilateral development banks	-	282	-	-	-	-	282
20	International organisations	-	-	-	-	-	-	-
21	Institutions	-	2,306	-	-	-	-	2,306
22	Corporates	9	3,407	-	-	-	1	3,416
23	*Of which: SMEs*	*9*	*352*	-	-	-	*1*	*361*
24	Retail	54	765	1	-	-	4	818
25	*Of which: SMEs*	*9*	*78*	-	-	-	*1*	*87*
26	Secured by mortgages on immovable property	125	904	4	-	-	10	1,025
27	*Of which: SMEs*	*125*	*904*	*4*	-	-	*10*	*1,025*
28	Exposures in default	-	189	96	-	-	1	93
29	Items associated with particularly high risk	-	-	-	-	-	-	-
30	Covered bonds	-	-	-	-	-	-	-
31	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
32	Collective investments undertakings	-	-	-	-	-	-	-
33	Equity exposures	-	21	-	-	-	-	21
34	Other exposures	-	350	-	-	-	-	350
35	**Total standardised approach**	**188**	**15,287**	**101**	**-**	**-**	**15**	**15,374**
36	**Total**	**596**	**62,170**	**208**	**-**	**-**	**51**	**62,559**
37	*Of which: Loans*	*596*	*51,166*	*202*	-	-	*51*	*51,560*
38	*Of which: Debt securities*	-	*5,117*	-	-	-	-	*5,117*
39	*Of which: Off-balance-sheet exposures*	-	*3,383*	-	-	-	-	*3,383*

In 2017, exposures to defaults fell sharply in both absolute and relative terms. An improved economic climate and intensified preventive management greatly contributed to this.

Credit quality of exposures by industry or counterparty types 2017

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	in € millions	Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
1	Agriculture, forestry and fishing	-	14	-	-	-	-	14
2	Mining and quarrying	-	-	-	-	-	-	-
3	Manufacturing	-	32	-	-	-	-	32
4	Electricity, gas, steam and air conditioning supply	3	308	2	-	-	-	309
5	Water supply	-	-	-	-	-	-	-
6	Construction	-	40	-	-	-	-	40
7	Wholesale and retail trade	1	138	1	-	-	-	138
8	Transport and storage	-	15	-	-	-	-	15
9	Accommodation and food service activities	-	45	-	-	-	-	45
10	Information and communication	-	5	-	-	-	-	5
11	Real estate activities	2	222	1	-	-	-	223
12	Professional, scientific and technical activities	-	-	-	-	-	-	-
13	Administrative and support service activities	81	7,875	43	-	-	10	7,913
14	Public administration and defence, compulsory social security	44	4,367	24	-	-	5	4,387
15	Education	-	6	-	-	-	-	6
16	Human health services and social work activities	1	62	-	-	-	-	63
17	Arts, entertainment and recreation	-	41	-	-	-	-	41
18	Retail Non SME	286	47,460	71	-	-	27	47,675
19	Other services	12	1,027	7	-	-	2	1,032
19	**Total**	**430**	**61,657**	**149**	**-**	**-**	**44**	**61,938**

Credit quality of exposures by industry or counterparty types 2016

		a	b	c	d	e	f	g
		Gross carrying values of						
	in € millions	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
1	Agriculture, forestry and fishing	2	18	1	-	-	-	18
2	Mining and quarrying	-	0	-	-	-	-	0
3	Manufacturing	6	51	3	-	-	1	54
4	Electricity, gas, steam and air conditioning supply	-	271	-	-	-	-	271
5	Water supply	0	0	0	-	-	-	0
6	Construction	18	79	19	-	-	1	78
7	Wholesale and retail trade	15	220	7	-	-	1	227
8	Transport and storage	1	27	1	-	-	-	27
9	Accommodation and food service activities	9	65	4	-	-	1	69
10	Information and communication	0	10	0	-	-	-	10
11	Real estate activities	45	304	20	-	-	5	329
12	Professional, scientific and technical activities	-	1	0	-	-	-	1
13	Administrative and support service activities	42	7,838	20	-	-	3	7,860
14	Public administration and defence, compulsory social security	-	4,955	-	-	-	-	4,955
15	Education	3	8	1	-	-	-	10
16	Human health services and social work activities	2	79	1	-	-	-	80
17	Arts, entertainment and recreation	2	38	1	-	-	-	40
18	Retail Non SME	408	46,883	106	-	-	36	47,185
19	Other services	45	1,323	24	-	-	4	1,344
19	**Total**	**596**	**62,170**	**208**	**-**	**-**	**51**	**62,559**

Credit quality of exposures by geography 2017

		a	b	c	d	e	f	g
		Gross carrying values of						
	in € millions	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
1	The Netherlands	425	55,042	146	-	-	43	55,321
2	EMU	5	4,694	3	-	-	1	4,696
3	Germany	1	1,756	1	-	-	-	1,756
4	Belgium	4	1,078	2	-	-	-	1,080
5	France	-	831	-	-	-	-	831
6	Austria	-	416	-	-	-	-	416
7	Other countries	-	613	-	-	-	-	613
8	Outside EMU	-	1,921	-	-	-	-	1,921
9	Switzerland	-	1,512	-	-	-	-	1,512
10	United Kingdom	-	171	-	-	-	-	171
11	Czech Republic	-	151	-	-	-	-	151
12	Other countries	-	87	-	-	-	-	87
13	**Total**	**430**	**61,657**	**149**	**-**	**-**	**44**	**61,938**

Credit quality of exposures by geography 2016

	in € millions	a Gross carrying values of Defaulted exposures	b Non-defaulted exposures	c Specific credit risk adjustment	d General credit risk adjustment	e Accumulated write-offs	f Credit risk adjustment charges of the period	g Net values (a+b-c-d)
1	The Netherlands	588	55,588	205	-	-	51	55,971
2	EMU	7	4,294	3	-	-	-	4,298
3	Germany	2	1,588	1	-	-	-	1,589
4	Belgium	5	1,086	2	-	-	-	1,089
5	France	-	938	-	-	-	-	938
6	Austria	-	389	-	-	-	-	389
7	Other countries	-	293	-	-	-	-	293
8	Outside EMU	1	2,289	-	-	-	-	2,290
9	Switzerland	-	1,658	-	-	-	-	1,658
10	United Kingdom	-	218	-	-	-	-	218
11	Czech Republic	-	50	-	-	-	-	50
12	Other countries	1	363	-	-	-	-	364
13	**Total**	**596**	**62,170**	**208**	**-**	**-**	**51**	**62,559**

The table below shows the arrears in retail mortgage loans. A customer is in arrears if the payment of the interest and/or redemption amount is late by more than one day. In practice, this amounts to the overdue payment of the agreed monthly instalment. A customer is recorded as being 'in default' when any of the following situations occurs:

- the customer has failed to meet their payment obligations for at least three months; or
- it is unlikely that the customer will be able to meet, or continue to meet, their payment obligations;
- there are special events, such as the consequences of a divorce or in the event of fraud.

Items only lose their default status once the arrears have been cleared in full. Retail mortgages without arrears did not decrease in value.

Ageing of past-due exposures 2017 EDTF 28

			a	b	c	d	e	f
		Gross carrying values						
	in € millions	No arrears	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1	Loans	52,962	855	77	5	83	66	65
2	Debt securities	4,916	-	-	-	-	-	-
3	**Total exposures**	**57,878**	**855**	**77**	**5**	**83**	**66**	**65**

Ageing of past-due exposures 2016 EDTF 28

			a	b	c	d	e	f
		Gross carrying values						
	in € millions	No arrears	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1	Loans	51,927	848	101	4	113	101	122
2	Debt securities	5,117	-	-	-	-	-	-
3	**Total exposures**	**57,044**	**848**	**101**	**4**	**113**	**101**	**122**

Non-performing and forborne exposures 2017 EDTF 28

		a	b	c	d	e	f	g	h	i	j	k	l	m
		Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
					Of which non-performing				On performing exposures		On non-performing exposures			
	in € millions	Performing	Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Non-performing	Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne	On non-performing exposures	Of which forborne exposures
1	Loans	54,113	23	1,541	1,058	419	419	830	-31	-6	-119	-43	926	2,261
2	Debt securities	4,916	-	-	-	-	-	-	-	-	-	-	-	
3	Off-balance sheet exposures	2,616	-	2	4	1	-	3	-	-	-	-	-	-

The coverage ratio for non-performing loans and advances is 11.3% as per 31 December 2017. The coverage ratio for non-performing loans and advances is calculated by dividing the provisions and 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.

Recently de Volksbank concluded that the current interpretation of non-performing exposures has not taken into account the latest changes in EU-legislation, resulting is conservative interpretation and thus a relatively high reported non-performing exposure. More specifically, performing clients, with a forbearance measure and without a history of non-performance, who receive an additional forbearance measure and/or become more than 30 days past due are hereafter automatically considered non-performing, which is not required by these latest regulatory requirements. De Volksbank intends to amend its policy in 2018 with respect to this interpretation of non-performing exposures. This amendment will also further align the exposure that is considered in default with the exposure considered non-performing. As a result, the coverage ratio for non-performing loans and advances is expected to increase.

In its annual report de Volksbank reports a coverage ratio for loans and advances to customers of 28.4%. This coverage ratio is calculated by dividing the specific provisions over the gross carrying value of impaired default loans. Currently the exposure of impaired defaulted loans is significantly lower than the non-performing loans. This is for a large proportion due to the conservative classification of non-performing exposures as noted above. Thus resulting in a coverage ratio in the annual report that is significantly higher than the coverage ratio provided above.

CREDIT RISK ADJUSTMENTS EDTF 28

As far as the loans and advances are measured at amortised cost, a provision for impairment is made if there is objective evidence that de Volksbank will not be able to collect all the amounts in accordance with the contractual terms. Objective evidence can either be the result of arrears or due to another indication of a loss event that results in an expectation that the customer is unlikely to meet its payment requirements. For loans and advances, that are individually significant, the provision equals the difference between the book value and the recoverable value. The recoverable value equals the expected future cashflows, including the amounts realised by virtue of guarantees and collateral, discounted at the initial effective interest rate of the loans and advances.

Homogenous groups of loans and advances measured at amortised cost with smaller amounts per individual loan or advance (and corresponding credit risk), such as mortgages and consumer credit, are tested collectively for impairment. The same applies to smaller business loans managed in a portfolio. The provision with respect to the collective approach is calculated using models, including risk-rating models for homogenous pools of consumer. The loss factors developed using these models are based on historical loss data of de Volksbank, and are when deemed necessary adjusted according to current information that, in the opinion of the management, can affect the recoverability of the portfolio on the assessment date.

The provision for impairment also covers losses where there are objective indications of losses likely to be incurred in the loan portfolio (IBNR: incurred but not reported). Losses of mortgages and mortgage-backed (sustainable) loans are estimated on the basis of historical loss patterns of loans and advances that carry similar risk characteristics as the loans and advances held in the portfolio. Losses on non-mortgage backed (sustainable) loans and other loans and advances are estimated on the basis of historic loss patterns and the creditworthiness of the borrowers.

If the amount of the impairment subsequently decreases due to an event occurring after the impairment, the previously recognised impairment loss is reversed in the income statement. When a loan is uncollectable, it is written off against the relevant provision for impairment. Amounts that are subsequently collected are deducted from the addition to the provision for impairment in the income statement.

WRITE-OFF POLICY EDTF 28

Shortages following termination and redemption of the mortgage loan may arise as a result of insufficient repayment of the amounts due after a compulsory or voluntary foreclosure process or after scheduled mortgage payments based on a cancellation granted by the bank in advance, i.e. a commitment by the bank that it will cooperate in cancelling the mortgage registration, despite any shortfall after repayment. In respect of mortgage loans, the following triggers are distinguished that may result in write-off:

1. Waiver of amounts payable
2. Termination and redemption of the loan with a shortfall
3. Cessation of residual debt collection
4. Occurrence of operational losses

Changes in the stock of general and specific credit risk adjustments 2017

	in € millions	a Accumulated specific credit risk adjustment	b Accumulated general credit risk adjustment
1	**Opening balance**	**214**	**-**
2	Increases due to amounts set aside for estimated loan losses during the period	44	-
3	Decreases due to amounts reversed for estimated loan losses during the period	-67	-
4	Decreases due to amounts taken against accumulated credit risk adjustments	-47	-
5	Transfers between credit risk adjustments	-	-
6	Impact of exchange rate differences	-	-
7	Business combinations, including acquisitions and disposals of subsidiaries	-	-
8	Other adjustments	5	-
9	**Closing balance**	**149**	**-**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-	-
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	-	-

Changes in the stock of general and specific credit risk adjustments 2016

	in € millions	a Accumulated specific credit risk adjustment	b Accumulated general credit risk adjustment
1	**Opening balance**	**391**	**-**
2	Increases due to amounts set aside for estimated loan losses during the period	51	-
3	Decreases due to amounts reversed for estimated loan losses during the period	-119	-
4	Decreases due to amounts taken against accumulated credit risk adjustments	-117	-
5	Transfers between credit risk adjustments	-	-
6	Impact of exchange rate differences	-	-
7	Business combinations, including acquisitions and disposals of subsidiaries	-	-
8	Other adjustments	8	-
9	**Closing balance**	**214**	**-**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-	-
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	-	-

Although the amount reserved for specific credit risk adjustments dropped even further in 2017, the release from the reserves showed a sharp decline compared to 2016.

Changes in the stock of defaulted and impaired loans and debt securities 2017

		a
	in € millions	Gross carrying value defaulted exposures
1	**Opening balance**	**635**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	152
3	Returned to non-defaulted status	-164
4	Amounts written off	-205
5	Other changes	1
6	**Closing balance**	**419**

Changes in the stock of defaulted and impaired loans and debt securities 2016

		a
	in € millions	Gross carrying value defaulted exposures
1	**Opening balance**	**1,141**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	155
3	Returned to non-defaulted status	-322
4	Amounts written off	-328
5	Other changes	-11
6	**Closing balance**	**635**

4.3 General qualitative information regarding credit risk mitigation

COLLATERAL EDTF 30

Retail mortgages

We subject the inflow to monitoring to ensure that the mortgage loans provided meet 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 guarantee by NHG. Of the Internal Ratings-Based (IRB) exposure class 'Retail mortgages', € 12.9 billion (2016: € 12.4 billion), i.e. almost 29%, of the exposure comes under the NHG guarantee scheme (see the next table).

Every month, collateral values are indexed based on house price developments. We do so using indices (by municipality and type of collateral) that we purchase from third parties. For our portfolio management, we adjust the collateral valueboth upwards and downwards. This means that where developments are negative, the Loan-to-Value will be adjusted but the surcharge that the bank passes on to customers will not be raised. In the most extreme scenario – foreclosure, that is, forced sale of the collateral – the bank instructs an appraiser of its choosing to (re)value the collateral.

SME portfolio

We verify the value of immovable property in this portfolio at least once a year on the basis of current market data. If the market conditions give cause to do so, we perform more frequent checks. The revaluation period for property depends on the amount of debt. If the debt (the exposure) exceeds € 1 million, the property must be revalued once every three years; no revaluation is required if the debt is lower. A revaluation may also be initiated as part of the (arrears) management process. As soon as we commence the arrears management process for a credit facility that has been declared to be in default, we have a revaluation conducted as a standard procedure. A revaluation is also made if, upon a check, the information received indicates that the value of the property has dropped sharply in comparison to general market prices.

For every new mortgage or material change in the credit facility, 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.

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 a counterparty risk: the risk that the counterparty to a transaction defaults before the final settlement of the cashflows associated with the transaction has taken place.

In order to curb the counterparty risk on derivative transactions, the bank applies the following risk-mitigating order when entering into such transactions:

- Where possible, the bank concludes derivative transactions with financial institutions using clearing via a central counterparty (CCP). Exceptions are the type of transaction that the CCP does not support or very short-term transactions entailing extremely high costs of central clearing. Of the eligible derivatives, 83% are 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 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 mitigates the credit risk on derivatives by means of the provision and acquisition of collateral in the form of cash and/or marketable securities. In order to hedge counterparty risk, the industry standard is to provide cash and government bonds of creditworthy governments as collateral in derivative transactions. If a counterparty remains in default, the bank will terminate the derivative transactions and the collateral in the amount of the replacement value of the transactions will be available to the bank on the basis of the CSA collateral agreement.

Other risk-mitigating measures include the following:

- De Volksbank checks every day whether the fair value development of positions with collateral arrangements are proportionate to the collateral received or to be provided;
- De Volksbank settles forward exchange transactions via the Continuous Linked Settlement system, a global settlement system that limits settlement risk by means of payment versus payment and payment netting;
- De Volksbank continuously monitors the market conditions to assess whether the assets available still meet the requirements to serve as collateral;
- A valuation function assesses whether the fair value used for the collateral is plausible.

De Volksbank agreed in a number of ISDA/CSAs with the counterparty that de Volksbank will provide more collateral if de Volksbank's credit rating deteriorates. In the event of a 3-notch downgrade, in the worst case scenario de Volksbank must supply additional collateral in the amount of € 18 million.

4.4 General quantitative information regarding credit risk mitigation

CRM techniques – overview 2017

		a	b	c	d	e
	in € millions	Exposures unsecured – Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	4,636	49,477	34,512	14,965	-
2	Total debt securities	4,337	579	-	579	-
3	**Total**	**8,973**	**50,056**	**34,512**	**15,544**	**-**
4	Of which defaulted	-	288	250	38	-

CRM techniques – overview 2016

		a	b	c	d	e
	in € millions	Exposures unsecured – Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	4,453	48,763	34,171	14,592	-
2	Total debt securities	4,548	569	-	569	-
3	**Total**	**9,001**	**49,332**	**34,171**	**15,161**	**-**
4	Of which defaulted	-	408	348	60	-

5 Credit risk and credit risk mitigation under the Standardized 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 not-for-profit 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, operating in at least three countries and incorporated on the basis of a treaty or an agreement. An example is the European Stability Mechanism (ESM).
- **Financial institutions.** These are mainly credit institutions such as banks.
- **Corporates.** These include large businesses. These 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 excl. mortgages.** In addition to natural persons, this category also contains small SMEs. These are companies employing fewer than 50 people, with sales or a balance sheet total of less than € 10 million and exposures of no more than € 1 million.
- **Secured by mortgages on immovable property.** This includes claims secured by both homes and business premises.
- **Exposures in Default.** All SA exposures that are more than 90 days in arrears are in default.
- **Covered bonds.** These are bonds that offer additional security to the holders by means of a first right to specific assets upon bankruptcy.
- **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.

5.1 Qualitative information regarding the use of the Standardized Approach EDTF 30

Under the SA, credit risk is measured using 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 rules. 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 Weigth
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	
Ondernemingen				x
Retail				x
Secured by mortgages on immovable property				x
Exposures in Default				x
Covered Bonds				x
Equity exposures				x
Other exposures				x

Following the guidelines (CRR), we use a rating to determine the risk weight[4]. If a single rating is available, it is applied to determine a weight; if two or three ratings are available, the lowest one is removed and the then lowest rating is applied.

If no issue rating is available, we first check whether a rating has been given for a similar issue, 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, no rating (risk weight) can be assigned.

5.2 Quantitative information regarding the use of the Standardized Approach EDTF 14 EDTF 15 EDTF 26

Standardised approach – Credit risk exposure and CRM effects 2017

		a	b	c	d	e	f
	in € millions	Exposures before CCF and 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
1	Central governments and central banks	5,817	-	6,872	-	160	2.3%
2	Regional governments or local authorities	936	-	2,545	-	-	0.0%
3	Public sector entities	66	-	29	-	6	20.0%
4	Multilateral developments banks	289	-	289	-	-	0.0%
5	International organisations	20	-	20	-	-	0.0%
6	Institutions	2,346	-	596	-	119	20.0%
7	Corporates	2,961	47	715	23	645	87.4%
8	Retail	350	627	334	20	265	75.0%
9	Secured by mortgages immovable property	391	-	390	-	195	50.0%
10	Exposures in default	66	3	64	-	65	101.9%
11	Items associated with particularly high risk	1	-	1	-	1	150.0%
12	Covered bonds	40	-	40	-	4	10.0%
13	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.0%
14	Collective investments undertakings	-	-	-	-	-	0.0%
15	Equity exposures	17	-	17	-	17	100.0%
16	Other Items	287	-	287	-	156	54.3%
17	**Total**	**13,586**	**677**	**12,200**	**43**	**1,633**	**13.3%**

4 A standard method is used to link the rating to a credit quality step in accordance with ITS 2016/1799.

Standardised approach – Credit risk exposure and CRM effects 2016

		a	b	c	d	e	f
	in € millions	Exposures before CCF and 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
1	Central governments and central banks	5,836	-	6,989	-	194	2.8%
2	Regional governments or local authorities	1,152	-	2,761	-	-	0.0%
3	Public sector entities	74	1	35	-	9	26.2%
4	Multilateral developments banks	282	-	282	-	-	0.0%
5	International organisations	-	-	-	-	-	0.0%
6	Institutions	2,307	-	511	-	103	20.1%
7	Corporates	3,190	226	522	51	471	82.2%
8	Retail	173	645	172	8	136	75.4%
9	Secured by mortgages immovable property	1,019	6	1,001	1	687	68.6%
10	Exposures in default	93	-	93	-	111	119.3%
11	Items associated with particularly high risk	-	-	-	-	-	0.0%
12	Covered bonds	-	-	-	-	-	0.0%
13	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.0%
14	Collective investments undertakings	-	-	-	-	-	0.0%
15	Equity exposures	21	-	21	-	21	100.0%
16	Other Items	350	-	350	-	259	73.9%
17	**Total**	**14,495**	**878**	**12,737**	**60**	**1,991**	**15.6%**

The fairly substantial drop in the “secured by mortgages on immovable property” class is mainly driven by reclassifications (with part of the portfolio now being reported based on IRB).

Standardised approach 2017

	in € millions	Risk weight																	
	Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**70%**	**75%**	**100%**	**150%**	**250%**	**370%**	**1250%**	**Others**	**Deducted**	**Total**	**Of which unrated**
1	**Central governments and central banks**	**6,808**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**64**	**-**	**-**	**-**		**6,872**	**622**
2	Regional governments or local authorities	2,545	-	-	-	-	-	-	-	-	-	-	-	-	-	-		2,545	4
3	Public sector entities	-	-	-	-	29	-	-	-	-	-	-	-	-	-	-		29	29
4	Multilateral developments banks	289	-	-	-	-	-	-	-	-	-	-	-	-	-	-		289	-
5	International organisations	20	-	-	-	-	-	-	-	-	-	-	-	-	-	-		20	-
6	Institutions	-	-	-	-	596	-	-	-	-	-	-	-	-	-	-		596	-
7	Corporates	-	-	-	-	94	-	36	-	-	608	-	-	-	-	-		738	616
8	Retail	-	-	-	-	-	-	-	-	354	-	-	-	-	-	-		354	354
9	Secured by mortgages immovable property	-	-	-	-	-	-	390	-	-	-	-	-	-	-	-		390	390
10	Exposures in default	-	-	-	-	-	-	-	-	-	62	2	-	-	-	-		64	64
11	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-		1	-
12	Covered bonds	-	-	-	40	-	-	-	-	-	-	-	-	-	-	-		40	-
13	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-
14	Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	17	-	-	-	-	-		17	17
16	Other Items	131	-	-	-	-	-	-	-	-	156	-	-	-	-	-		287	242
17	**Total**	**9,794**	**-**	**-**	**40**	**719**	**-**	**426**	**-**	**354**	**843**	**3**	**64**	**-**	**-**	**-**	**-**	**12,243**	**2,338**

Standardised approach 2016

	in € millions	Risk weight																	
	Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted	Total	Of which unrated
1	**Central governments and central banks**	**6,911**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**78**	**-**	**-**	**-**		**6,989**	**667**
2	Regional governments or local authorities	2,761	-	-	-	-	-	-	-	-	-	-	-	-	-	-		2,761	627
3	Public sector entities	-	-	-	-	32	-	-	-	-	3	-	-	-	-	-		35	35
4	Multilateral developments banks	282	-	-	-	-	-	-	-	-	-	-	-	-	-	-		282	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-
6	Institutions	-	-	-	-	510	-	1	-	-	-	-	-	-	-	-		511	1
7	Corporates	-	-	-	-	104	-	36	-	-	432	-	-	-	-	-		572	454
8	Retail	-	-	-	-	-	-	-	-	178	3	-	-	-	-	-		181	181
9	Secured by mortgages immovable property	-	-	-	-	-	264	-	-	571	167	-	-	-	-	-		1,002	1,002
10	Exposures in default	0	-	-	-	-	-	-	-	-	57	36	-	-	-	-		93	93
11	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-
13	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-
14	Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	21	-	-	-	-	-		21	21
16	Other Items	91	-	-	-	-	-	-	-	-	259	-	-	-	-	-		350	293
17	**Total**	**10,046**	**-**	**-**	**-**	**647**	**264**	**38**	**-**	**749**	**941**	**36**	**78**	**-**	**-**	**-**	**-**	**12,798**	**3,374**

6 Credit risk and credit risk mitigation under the IRB-Approach EDTF 14 EDTF 15

Within the Advanced Internal Ratings-Based (AIRB) approach, de Volksbank distinguishes the exposure classes retail mortgages and securitisation. At present, de Volksbank has no intention of reporting other AIRB exposure classes.

RETAIL MORTGAGES

Exposures to individual retail 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 2017, the retail mortgage portfolio comprised 93% (year-end 2016: 92%) of de Volksbank's total loans and advances to customers.

SECURITISATION

The securitisation exposure class consists mainly of securitised mortgages of de Volksbank held for own account. These are securitised mortgages for which the securitisation entities issued bonds that have not been sold to investors or that have been repurchased.

Below, we will only discuss the retail mortgages. The securitisations are addressed in Chapter 11 Securitisation of this Pillar 3 Report.

6.1 Qualitative information regarding the use of the IRB-approach

The AIRB approach measures credit risk using approved models with internal input for the calculation of Probability of Default (PD), (downturn) Loss Given Default (LGD) and Exposure at Default (EAD).

PROBABILITY OF DEFAULT

We assess debtors' credit quality by assigning them an internal risk rating. Supported with statistical data, the rating reflects the probability of a customer in a particular rating category being unable to make mortgage payments within the next 12 months, which will result in default.

The model leads to the classification of customers in 14 different PD exposure classes: performing (classes 1-13) and non-performing (class 14). As regards 'performing', broadly speaking classes 6-10 correspond to 'recently recovered'[5] and classes 11-13 correspond to 'in arrears'. Class 7 refers to the part of the portfolio which is not graded directly by the rating model, but which is included in the total based on its average weight. Class 7 represents 6.3% of the portfolio.

LOSS GIVEN DEFAULT

When a customer defaults, we are usually able to recover part of the amount outstanding on their loans. The remaining part is the actual loss. Together with the economic costs associated with the forced sale of the collateral, this is the total loss namely Loss Given Default. The severity of the LGD is measured as a percentage of the EAD. Using historical information, we can estimate the average loss we incur on the various types of loan in the event of default.

In the rating model an individual LGD is calculated for each customer, which projections range from 0% to 100%.

DOWNTURN LGD

In addition to determining the LGD based on current information, we also determine a downturn LGD before we are able to calculate the RWA. The rules specify that internal LGD estimates must reflect that losses may be systematically higher under uncertain (macroeconomic) conditions than under 'normal' or average conditions. If the driving systematic (e.g. macroeconomic) factors are of a cyclical nature, the losses in the event of default will also be cyclical. Consequently, in this context a downturn is equated with the bottom of this cycle and the corresponding actual performance for the driving (macroeconomic) factors. We arrive at a forward-looking characterisation of a downturn by establishing levels of the factors that are reached at the bottom of the cycle with a certain probability. De Volksbank determines these levels on the basis of expert sessions and commercial considerations, supported by statistical analyses of historical cycles.

We use the regular LGD model – albeit adjusted for negative macroeconomic conditions – to determine the downturn LGD. In this respect we take into account a drop of current house prices, with the expected drop being based on an analysis of the historical development of house prices in the Netherlands. Higher unemployment rates and their impact on the LGD are also factored in.

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.

EXPOSURE AT DEFAULT

The EAD is an estimate of the extent to which a credit facility has been used when default occurs. During the term of a loan, the customer may not have drawn the loan fully or may already have repaid some of the principal. We take the EAD into consideration when evaluating loans, using our extensive historical experience. In our evaluation, we recognise that customers may use their credit facilities more than average as they approach default.

INTERNE RATING PROCEDURE

The internal rating procedure for residential mortgages is based on various data elements such as Loan-to-Value, type of home and payment behaviour, ensuring that we measure the risk correctly. The ratings are automatically assigned during the rating procedure; it is not possible to overrule a rating once it has been assigned. We perform this rating procedure every month for the entire residential mortgage portfolio, including contractual obligations for future loans (signed offers). As regards the latter category, we have insufficient information on that specific reporting date to establish the regular PD, LGD and EAD; that is why we use an average weight, known as the default rate.

CONTROL MECHANISM FOR THE INTERNAL RATING SYSTEM

Model documentation

An internal guideline of de Volksbank is that the documentation of AIRB models must be sufficiently detailed to allow an independent validation of the model based on the original data sources. 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.

Initial and periodic model validation

We internally subject all new or revised models to a thorough validation process before the approval process commences. Model Validation (MV) examines the model's methodological development, the data used for model development, assumptions made during model development and whether the model can be applied (is fit for purpose) to the envisaged portfolio. The examination results in a validation report and accompanying advice.

Where necessary, Model Validation 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 new performance requires a model adjustment. We therefore regard the model review as an analysis of the model and its performance that is more in-depth than model monitoring.

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 mutually consistent. Further, we assess compliance with relevant legislation and regulations and the model's suitability for its intended use.

After MV has issued its advice and the MGC has given a positive decision, the model is implemented.

Model monitoring

After the model has been approved and implemented, the second-line risk management department 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 second line of the model's projections as compared to actual performance. If the second line finds a large or excessive difference between these factors, we identify the cause and determine the need for a model adjustment. The model monitoring may lead the MGC to decide to bring a model review forward.

Group audit

Group Audit is always invited to MGC meetings and always receives the model validation reports, based on which it may commence an additional procedure or may decide to bring the findings of the model validation reports to the model owner's attention more emphatically.

Supervisory authority

Our AIRB models are also assessed (validated) by the supervisory authority: at the start, after a review has been performed, and through Targeted Reviews Internal Model (TRIMs). We must act on the supervisory authority's findings, either immediately or in a subsequent model iteration (and calibration). Several findings were addressed and resolved in 2017, but other findings are still outstanding. In some instances, the supervisory authority may require that a

Margin of Conservatism (MoC) be applied on account of flaws found in the model. This MoC is cancelled as soon as the bank demonstrates that it has resolved the finding and the supervisory authority accepts the solution.

OVERIG GEBRUIK
We use the internal rating model primarily to determine the LGD, the downturn LGD and the PD and derive the RWA and provisions form these. The primary and secondary form these. The primary and secondary results are used in the following processes (among others):
- Collection processes, early and late collections;
- Input for determining economic capital;
- Pricing;
- Portfolio management.

6.2 Quantitative information regarding the use of the IRB-approach EDTF 6 EDTF 17 EDTF 26

We use our internally developed AIRB model (PHIRM[6]) to calculate the likelihood of a customer running into payment problems within one year and the resulting losses expected for the bank. We use the results to determine the risk-weighted assets of the retail mortgage portfolio. They form the basis of the IFRS loan provision calculations, but also serve as input for vital internal risk reports.

INDEXATION METHOD
Since 2016, de Volksbank has determined the collateral value using indexation figures from Ortec. Based on this detailed method, the collateral is indexed using monthly updated figures depending on the house type as well as the municipality.

EAD post CRM and post CCF

in € millions	2017	2016
Exposure IRB mortgages	45,717	44,681
Differences in valuations	-1,759	-2,598
Provisions	71	114
Gross on-balance exposures	**44,029**	**42,197**
Off-balancesheet exposures post CCF	922	1250
EAD post CRM and post CCF	**44,951**	**43,447**

The table below presents the breakdown of the residential mortgage portfolio by credit quality class.

6 Retail Mortgages Internal Rating Model (PHIRM).

IRB approach – Credit risk exposures by exposure class and PD range 2017

	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjust-ments and pro-visions
EXPOSURE CLASS RETAIL MORTGAGES												
0.00 to <0.15	10,431	234	1.0	10,665	0.08%	105,717	8.87%	-	195	1.83%	0.7	
0.15 to <0.25	6,021	48	1.0	6,069	0.21%	36,763	9.88%	-	267	4.41%	1.3	
0.25 to <0.35	8,965	27	1.0	8,992	0.32%	46,991	12.68%	-	680	7.57%	3.6	
0.35 to <0.50	8,100	10	1.0	8,111	0.47%	37,036	15.79%	-	1,008	12.42%	6.0	
0.50 to <0.75	3,942	10	1.0	3,952	0.72%	18,046	18.87%	-	796	20.14%	5.4	
0.75 to <1.25	976	2	1.0	979	1.05%	4,683	19.93%	-	268	27.38%	2.1	
1.25 to <1.50	2,215	1,623	0.4	2,802	1.30%	18,168	15.41%	-	680	24.26%	5.6	
1.50 to <1.75	1,056	2	1.0	1,058	1.76%	4,875	20.77%	-	420	39.72%	3.9	
1.75 to <3.50	770	1	1.0	770	3.36%	3,948	17.10%	-	369	47.96%	4.4	
3.50 to <10.0	609	-	1.0	610	7.02%	3,109	15.17%	-	380	62.37%	6.5	
10.0 to <15.0	257	-	1.0	258	13.81%	1,266	17.29%	-	240	93.08%	6.2	
15.0 to <25.0	215	-	1.0	215	23.67%	1,165	15.41%	-	202	93.88%	7.8	
25.0 to <100	186	-	1.0	186	44.68%	797	17.26%	-	182	97.78%	14.3	
100.00 (Default)	286	-	1.0	286	100.00%	1,313	20.63%	-	384	134.46%	58.9	
Subtotal	44,029	1,958	0.5	44,951	1.57%	283,877	13.24%	-	6,071	13.51%	126.7	-72
Total (all portfolios)	**44,029**	**1,958**	**0.5**	**44,951**	**1.57%**	**283,877**	**13.24%**	**-**	**6,071**	**13.51%**	**126.7**	**-72**

IRB approach – Credit risk exposures by exposure class and PD range 2016

	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjust-ments and pro-visions
EXPOSURE CLASS RETAIL MORTGAGES												
0.00 to <0.15	9,704	229	1.0	9,933	0.07%	102,352	8.80%	-	175	1.76%	0.7	
0.15 to <0.25	5,248	51	1.0	5,299	0.21%	32,835	8.81%	-	203	3.82%	1.0	
0.25 to <0.35	6,734	29	1.0	6,763	0.31%	36,123	11.45%	-	450	6.65%	2.4	
0.35 to <0.50	7,674	12	1.0	7,687	0.45%	37,834	13.79%	-	813	10.58%	4.8	
0.50 to <0.75	5,350	13	1.0	5,363	0.70%	24,455	17.72%	-	990	18.46%	6.6	
0.75 to <1.25	1,150	3	1.0	1,153	1.02%	5,556	18.72%	-	290	25.12%	2.2	
1.25 to <1.50	2,131	2,163	0.4	3,040	1.25%	20,062	13.22%	-	618	20.32%	5.0	
1.50 to <1.75	1,212	2	1.0	1,214	1.70%	5,633	18.37%	-	417	34.36%	3.8	
1.75 to <3.50	943	1	1.0	944	3.24%	4,845	15.41%	-	400	42.39%	4.7	
3.50 to <10.0	842	1	1.0	842	6.77%	4,238	14.07%	-	479	56.83%	8.0	
10.0 to <15.0	338	1	1.0	338	13.32%	1,644	15.49%	-	277	82.00%	7.0	
15.0 to <25.0	253	-	1.0	253	22.83%	1,347	14.52%	-	220	86.90%	8.4	
25.0 to <100	210	-	1.0	210	43.08%	933	15.71%	-	183	87.00%	14.2	
100.00 (Default)	408	-	1.0	408	100.00%	1,937	19.83%	-	399	97.80%	81.0	
Subtotal	42,197	2,504	0.5	43,447	2.00%	279,794	12.51%	-	5,913	13.61%	149.7	-106
Total (all portfolios)	**42,197**	**2,504**	**0.5**	**43,447**	**2.00%**	**279,794**	**12.51%**	**-**	**5,913**	**13.61%**	**149.7**	**-106**

The RWA density of retail mortgages decreased from 15.0% at year-end 2016 to 13.5%. In December 2014, de Volksbank was given permission to use its IRB model to calculate the capital requirement of its mortgage portfolio. This was subject to the compulsory condition to develop a new MoC model, for which de Volksbank filed an application in December 2016. In September 2017, the ECB communicated its final findings arising from the IRB model review. De Volksbank must apply an MoC surcharge on PDs and LGDs until the findings identified in the review have been resolved. This surcharge translated into a limited increase in the PDs and LGDs in 2017. This PD and LGD surcharge has replaced the static surcharge of 10% of RWA on the mortgage portfolio used until that time (2016: € 591 million). This dynamic MoC triggered an increase in the RWA density of the retail mortgage value by € 503 million.

As de Volksbank uses internally developed models, the supervisory authority exercises control by means of a Targeted Review Internal Model (TRIM). The supervisory authority assesses the degree of compliance with laws and regulations, the modelling technique used and the model's applicability to the portfolio concerned. Based on findings, if any, the supervisory authority may give instructions, demand adjustments (known as Margin of Conservatism provisions) or even impose sanctions. A new TRIM kicked off in December 2017, which will continue through 2018. The results of this TRIM may impact model results, expected losses (and corresponding provision levels) and the RWA of the bank in the future.

In the years ahead, several adjustments will need to be made to the IRB model itself as well as to the model input and results on account of expected changes in regulations.

Approved in 2017
- EBA Guidelines specifying the application of the definition of default (EBA/GL/2016/07);
- EBA Guidelines on PD estimation, LGD estimation and the treatment of defaulted exposures;
- ECB Guides on Targeted Review Internal Models and on Non-Performing Loans.

Expected in 2018
- Commission Delegated Regulation (EU) on supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the materiality threshold for credit obligations past due;
- EBA RTS under Articles 181(3a) and 182(4a) on downturn conditions.

Under development for 2018/2019
- Basel IV translation into EBA/ECB rules

EXPECTED CREDIT LOSS ADJUSTMENT FOR THE AIRB APPROACH

We adjust the available capital for the difference between the loss expected under the CRR/CRD IV guidelines and the actual provision for the related AIRB exposures. A negative difference arises when the loss expected according to the CRR/CRD IV guidelines exceeds the IFRS provision, creating an IRB shortfall. Based on the CRR/CRD IV rules, we deduct the shortfall from the Common Equity Tier 1 capital available. In the transitional phase, 90% of the shortfall was deducted from Common Equity Tier 1 capital in 2017. We deduct the residual amount from the total available capital, specifically from Tier 2 capital[7]. If the difference is positive (the provision is higher than the expected loss), we add this surplus to Tier 2 capital, taking into account certain restrictions.

A negative difference of € 56 million (2016: € 62 million) applies to de Volksbank. This difference follows from the fact that the AIRB model gives an estimate based on the expected ('through the cycle') loss for a period of one year and the IFRS provisions are based on actual losses suffered in the portfolio. The increase in the IRB shortfall in 2017 was largely related to the implementation of the improved credit risk model (PHIRM 2.1) in April 2016, resulting in lower provisions due to higher expected recovery rates and NHG payments.

A similar situation may arise in the determination of the LGD. We base this risk parameter on historical foreclosures, while we also specifically consider recent portfolio developments when determining the provisions. For example, a discrepancy may have arisen between the average foreclosure period of the portfolio compared to more recent foreclosure periods. If this is the case, there is a difference that we recognise and report as a management adjustment.

7 According to the CRR/CRD IV guidelines, in 2017 80% of the IRB shortfall must be deducted from Common Equity Tier 1 capital, 10% from Additional Tier 1 capital and 10% from Tier 2 capital. As no Additional Tier 1 capital was present in de Volksbank's capital structure in 2017, 90% of the IRB shortfall is effectively deducted from Common Equity Tier 1 capital and 20% from Tier 2 capital.

IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques 2017

	in € millions	a Pre-credit derivatives RWAs	b Actual RWAs
1	**Exposures under FIRB**		
2	Central governments and central banks	-	-
3	Institutions	-	-
4	Corporates – SMEs	-	-
5	Corporates – Specialised lending	-	-
6	Corporates – Other	-	-
7	Exposures under AIRB		
8	Central governments and central banks	-	-
9	Institutions	-	-
10	Corporates – SMEs	-	-
11	Corporates – Specialised lending	-	-
12	Corporates – Other	-	-
13	Retail – Secured by real estate SMEs	-	-
14	Retail – Secured by real estate non-SMEs	6,071	6,071
15	Retail – Qualifying revolving	-	-
16	Retail – Other SMEs	-	-
17	Retail – Other non-SMEs	-	-
18	Equity IRB	-	-
19	Other non credit obligation assets	-	-
20	**Total**	**6,071**	**6,071**

IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques 2016

	in € millions	a Pre-credit derivatives RWAs	b Actual RWAs
1	**Exposures under FIRB**		
2	Central governments and central banks	-	-
3	Institutions	-	-
4	Corporates – SMEs	-	-
5	Corporates – Specialised lending	-	-
6	Corporates – Other	-	-
7	Exposures under AIRB		
8	Central governments and central banks	-	-
9	Institutions	-	-
10	Corporates – SMEs	-	-
11	Corporates – Specialised lending	-	-
12	Corporates – Other	-	-
13	Retail – Secured by real estate SMEs	-	-
14	Retail – Secured by real estate non-SMEs	5,913	5,913
15	Retail – Qualifying revolving	-	-
16	Retail – Other SMEs	-	-
17	Retail – Other non-SMEs	-	-
18	Equity IRB	-	-
19	Other non credit obligation assets	591	591
20	**Total**	**6,504**	**6,504**

The decrease in exposures of 'Retail – Secured by real estate non-SMEs' is caused by the previously mentioned Margin of Conservatism (MoC). De Volksbank does not avail itself of credit derivatives.

RWA flow statements of credit risk exposures under the IRB approach 2017

	in € millions	a RWA amounts	b Capital requirements
1	**RWAs as at the end of the previous reporting period**	**6,504**	**520**
2	Asset size	-	-
3	Asset quality	-978	-78
4	Model updates	-	-
5	Methodology and policy	41	3
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-	-
8	Other	504	40
9	**RWAs as at the end of the reporting period**	**6,071**	**486**

RWA flow statements of credit risk exposures under the IRB approach 2016

	in € millions	a RWA amounts	b Capital requirements
1	**RWAs as at the end of the previous reporting period**	**6,776**	**542**
2	Asset size	203	16
3	Asset quality	-1,136	-91
4	Model updates	661	53
5	Methodology and policy	-	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-	-
8	Other	-	-
9	**RWAs as at the end of the reporting period**	**6,504**	**520**

The total value of assets declined in 2017, mainly driven by the call of the Hermes XII securitisation transaction in 2016. As a result, the corresponding mortgages are now back to being reported under the IRB model. Model adaptations fell from 661 to 0 as PHIRM 2.0 was replaced by PHIRM 2.1; no model adaptations were made in 2017. Methodology and policy increased in 2017 following the fair value adjustment made to the former DBV portfolio. Other rose from 0 to 503, which is entirely due to the impact of the Margin of Conservatism (MoC).

As part of the quarterly monitoring process, we also carry out a back test 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 back test shows that the model issues a stable projection for the various years that is in line with the model's purpose: to provide a 'Through the Cycle' probability of default.

The table below shows the predicted PD of 2016 which concerns the actuals of year-end 2016 and predicts the development in the portfolio during 2017. It is in line with our expectation that the observed default rate in 2017 is below the level of the 'Through the Cycle' model prediction at year-end 2016.

IRB approach – Backtesting of PD per exposure class 2017

a	b	c	d	e	f		g	h	i
Exposure class	PD Range	External rating equivalent	Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which new defaulted obligors	Average historical annual default rate
					End of previous year	End of the year			
Retail mortgages	0.00 to <0.15		0.074	0.074	102,352	105,717	48	-	0.09
	0.15 to <0.25		0.205	0.205	32,835	36,763	32	-	0.20
	0.25 to <0.35		0.306	0.306	36,123	46,991	34	3	0.25
	0.35 to <0.50		0.450	0.450	37,834	37,036	57	3	0.36
	0.50 to <0.75		0.698	0.698	24,455	18,046	84	3	0.68
	0.75 to <1.25		1.017	1.017	5,556	4,683	18	1	1.02
	1.50 to <1.75		1.702	1.702	5,633	4,875	50	8	1.66
	1.75 to <3.50		3.241	3.241	4,845	3,948	69	13	2.85
	3.50 to <10.0		6.767	6.767	4,238	3,109	120	2	5.50
	10.0 to <15.0		13.319	13.319	1,644	1,266	90	2	10.77
	15.0 to <25.0		22.826	22.826	1,347	1,165	187	5	19.39
	25.0 to <100		43.082	43.082	933	797	291	9	39.81
	100.00 (Default)				1,937	1,313			

IRB approach – Backtesting of PD per exposure class 2016

a	b	c	d	e	f		g	h	i
Exposure class	PD Range	External rating equivalent	Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which new defaulted obligors	Average historical annual default rate
					End of previous year	End of the year			
Retail mortgages	0.00 to <0.15		0.074	0.074	108,478	102,352	69	1	0.11
	0.15 to <0.25		0.205	0.205	30,998	32,835	55	3	0.24
	0.25 to <0.35		0.306	0.306	27,525	36,123	48	1	0.30
	0.35 to <0.50		0.450	0.450	30,857	37,834	62	2	0.35
	0.50 to <0.75		0.698	0.698	29,452	24,455	87	-	0.53
	0.75 to <1.25		1.017	1.017	6,808	5,556	31	-	0.90
	1.50 to <1.75		1.702	1.702	-	5,633	44	4	1.43
	1.75 to <3.50		3.241	3.241	8,128	4,845	72	3	2.97
	3.50 to <10.0		6.767	6.767	4,511	4,238	111	1	5.89
	10.0 to <15.0		13.319	13.319	1,986	1,644	114	6	11.81
	15.0 to <25.0		22.826	22.826	2,051	1,347	235	5	20.41
	25.0 to <100		43.082	43.082	1,441	933	417	17	40.75
	100.00 (Default)				4,000	1,937			

Since back testing is only performed on mortgages granted, there is a difference with the ‘Qualitative disclosure requirements related to IRB models’ table at the beginning of the section. This table includes mortgages that have already been granted, but have not yet been executed. Moreover, the mortgages that are part of the former DBV portfolio are not included in the back-testing results.

7 Counterparty credit risk (CCR) EDTF 29 EDTF 30

7.1 Qualitative disclosure requirements regarding counterparty credit risk

METHODOLOGY

Pillar 1 method for counterparty risk

We use the market value of the derivatives and an 'Add-on' to establish the EAD of the counterparty risk on derivative positions. The 'Add-on' is a charge to factor in potential future counterparty 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.

NETTING AND COLLATERAL

Mitigation of counterparty risk exposure

De Volksbank enters into money and capital market transactions with various financial institutions. This mainly comprises derivative transactions for the hedging of interest rate and currency risks.

To mitigate the counterparty risk, de Volksbank concluded International Swaps and Derivatives Association (ISDA) Master Agreements with these institutions entailing, among other things, that if the counterparty remains in default, all derivative transactions may be terminated and netted within the netting set defined in the ISDA, with only a net claim or commitment in respect of the counterparty remaining.

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

Both counterparty risk mitigating measures have the effect of reducing the EAD calculation according to the CRR/CRD IV rules.

In addition to CSAs, de Volksbank uses central clearing of OTC5[8] derivative transactions to shift counterparty risk to the central counterparty (CCP) in order to mitigate this risk.

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[9]. Given the daily settlement by the CCP 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 has the effect of reducing the EAD calculation. The exposures are recognised under the category 'Corporates' and have an RWA risk weight of 2 or 4% on the EAD, depending on how the CCP has separated the collateral from the exposures and collateral of other CCP clients and clearing members.

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

8 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).

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

7.2 Information regarding supervisory measures

Analysis of CCR exposure by approach 2017

	in € millions	a Notional	b Replacement cost/current market value	c Potential future credit exposure	d EEPE	e Multiplier	f EAD post CRM	g RWAs
1	Mark to market		210	156	-	-	366	174
2	Original exposure	-	-	-	-	-	-	-
3	Standardised approach		-			-	-	-
4	IMM (for derivatives and SFTs)				-	-	-	-
5	Of which securities financing transactions				-	-	-	-
6	Of which derivatives and long settlement transactions				-	-	-	-
7	Of which from contractual cross-product netting				-	-	-	-
8	Financial collateral simple method (for SFTs)						-	-
9	Financial collateral comprehensive method (for SFTs)						23	5
10	VaR for SFTs						-	-
11	**Total**	**-**	**210**	**156**	**-**	**-**	**389**	**179**

Analysis of CCR exposure by approach 2016

	in € millions	a Notional	b Replacement cost/current market value	c Potential future credit exposure	d EEPE	e Multiplier	f EAD post CRM	g RWAs
1	Mark to market		354	100	-	-	454	219
2	Original exposure	-	-	-	-	-	-	-
3	Standardised approach		-			-	-	-
4	IMM (for derivatives and SFTs)				-	-	-	-
5	Of which securities financing transactions				-	-	-	-
6	Of which derivatives and long settlement transactions				-	-	-	-
7	Of which from contractual cross-product netting				-	-	-	-
8	Financial collateral simple method (for SFTs)						-	-
9	Financial collateral comprehensive method (for SFTs)						-	-
10	VaR for SFTs						-	-
11	**Total**	**-**	**354**	**100**	**-**	**-**	**454**	**219**

A substantial part of the derivative positions is caused by securitisations. The reduction in the bank's securitisations has also translated into a decline in the derivative positions.

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.

CRR/CRD IV 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.

CVA capital charge 2017

		a	b
	in € millions	Exposure value	RWAs
1	Total portfolios subject to the advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) SVaR component (including the 3× multiplier)		-
4	All portfolios subject to the standardised method	359	203
EU4	Based on the original exposure method	-	-
5	**Total subject to the CVA capital charge**	**359**	**203**

CVA capital charge 2016

		a	b
	in € millions	Exposure value	RWAs
1	Total portfolios subject to the advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) SVaR component (including the 3× multiplier)		-
4	All portfolios subject to the standardised method	438	334
EU4	Based on the original exposure method	-	-
5	**Total subject to the CVA capital charge**	**438**	**334**

Exposures to CCPs 2017

	in € millions	a EAD post CRM	b RWAs
1	**Exposures to QCCPs (total)**		12
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	768	12
3	(i) OTC derivatives	493	-
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	275	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	-	-
10	Alternative calculation of own funds requirements for exposures		-
11	**Exposures to non-QCCPs (total)**		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Exposures to CCPs 2016

	in € millions	a EAD post CRM	b RWAs
1	**Exposures to QCCPs (total)**		12
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	823	12
3	(i) OTC derivatives	500	-
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	323	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	-	-
10	Alternative calculation of own funds requirements for exposures		-
11	**Exposures to non-QCCPs (total)**		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

7.3 Information regarding the statutory riskweight approach

Standardised approach – CCR exposures by regulatory portfolio and risk 2017

	in € millions	Risk weight											Total	Of which unrated
	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others		
1	Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral developments banks	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	382	112	-	40	319	-	-	-	-	-	853	-
7	Corporates	-	-	-	-	-	-	-	-	6	-	-	6	7
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Other Items	-	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total**	**-**	**382**	**112**	**-**	**40**	**319**	**-**	**-**	**6**	**-**	**-**	**859**	**7**

Standardised approach – CCR exposures by regulatory portfolio and risk 2016

	in € millions	Risk weight											Total	Of which unrated
	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others		
1	Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-		-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	63	367	-	-	-	-	-	430	-
7	Corporates	-	393	108	-	1	-	-	-	22	-	-	524	22
8	Retail	-	-	-	-	-	-		-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Other Items	-	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total**	**-**	**393**	**108**	**-**	**64**	**367**	**-**	**-**	**22**	**-**	**-**	**954**	**22**

Regulations have prompted de Volksbank to decide to include exposures to OTC derivatives with a central counterparty in institutions rather than corporates.

7.4 Other information regarding CCR

Off-balance sheet items and derivatives are divided into two types of exposure in accordance with the calculation of credit risk RWA in CRD IV:

- Off-balance sheet items: the main categories of off-balance sheet items are guarantees, credit commitments, and the unutilised portion of contractually committed credit facilities.
- Derivatives: financial instruments that derive their value from underlying interest rates, currencies, equities, credit preads or commodity prices. Derivatives do not only result in counterparty risk measured within the credit risk RWA but also affect the market risk.

For the different off-balance sheet types of exposure, different values are possible for the calculation base. For guarantees, the nominal value is adjusted using a credit conversion factor (CCF) for calculating the EAD. The CCF factor is 50% or 100%, depending on the risk assessment. Credit commitments and unutilised limits are part of the external commitment that has not been utilised. This amount forms the calculation base for which a CCF is used for calculating the EAD. The CCF factor is multiplied by the calculation base and is 0, 20, 50, 75 or 100% depending on approach, product type and whether the unutilised amounts are unconditionally cancellable or not.

For derivatives the calculation base is a combination of the market value and the notional amount.

Impact of netting and collateral held on exposure values 2017

		a	b	c	d	e
	in € millions	**Gross positive fair value or net carrying amount**	**Netting benefits**	**Netted current credit exposure**	**Collateral held**	**Net credit exposure**
1	Derivatives	1,075	706	369	157	212
2	SFTs	-	-	-	-	-
3	Cross-product netting	-	-	-	-	-
4	**Total**	**1,075**	**706**	**369**	**157**	**212**

Impact of netting and collateral held on exposure values 2016

		a	b	c	d	e
	in € millions	**Gross positive fair value or net carrying amount**	**Netting benefits**	**Netted current credit exposure**	**Collateral held**	**Net credit exposure**
1	Derivatives	1,533	989	544	234	310
2	SFTs	-	-	-	-	-
3	Cross-product netting	-	-	-	-	-
4	**Total**	**1,533**	**989**	**544**	**234**	**310**

The drop in credit exposures and collateral offered is mainly caused by the declining securitised portfolio.

Composition of collateral for exposures to CCR 2017

	a	b	c	d	e	f
	Collateral used in derivative transactions				**Collateral used in SFTs**	
	Fair value of collateral received		**Fair value of posted collateral**		**Fair value of collateral received**	**Fair value of posted collateral**
in € millions	Segregated	Unsegregated	Segregated	Unsegregated		
Derivatives	-	203	584	55	-	-
Total	-	203	584	55	-	-

Composition of collateral for exposures to CCR 2016

	a	b	c	d	e	f
	Collateral used in derivative transactions				**Collateral used in SFTs**	
	Fair value of collateral received		**Fair value of posted collateral**		**Fair value of collateral received**	**Fair value of posted collateral**
in € millions	Segregated	Unsegregated	Segregated	Unsegregated		
Derivatives	-	303	914	289	-	-
Total	-	303	914	289	-	-

Shifts are predominantly driven by the reduced securitisation position.

7.5 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 simultaneously. 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 in the past few years were the deteriorating economic conditions, decreasing interest rates and companies in distress. If such companies 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, in which the counterparty to the transaction is a subsidiary of the same bank.

De Volksbank primarily closes 'plain-vanilla' interest rate and currency derivative transactions, which are mostly settled centrally at a CCP or fall under ISDA/CSA conditions with daily collateral settlement. We thus minimise counterparty risk exposure and therefore also any possible wrong-way risk exposure.

8 Shares outside the trading portfolio

In the exposure class Equity, de Volksbank's equity holdings outside the trading book are included. Book value equals fair value for all the equities shown in the table. Published price quotations in an active market are the best evidence of fair value and, when they exist, they are used to measure financial assets and financial liabilities. We predominantly use published quotations to establish the fair value of shares.

Exposure of equity outside trading book 2017

in € millions	Book value	Fair value	Fair value of listed shares	Quoted share value	Unrealised gains/loss	Realised gains/ losses period YTD	Capital requirement
Associates	-	-	-	-	-	-	-
Joint ventures	-	-	-	-	-	-	-
Investments available for sale	16	16	-	-	2	-7	1
Total	**16**	**16**	**-**	**-**	**2**	**-7**	**1**

Exposure of equity outside trading book 2016

in € millions	Book value	Fair value	Fair value of listed shares	Quoted share value	Unrealised gains/loss	Realised gains/ losses period YTD	Capital requirement
Associates	-	-	-	-	-	-	-
Joint ventures	-	-	-	-	-	-	-
Investments available for sale	21	21	-	-	-3	8	2
Total	**21**	**21**	**-**	**-**	**-3**	**8**	**2**

9 Liquidity risk EDTF 3 EDTF 18

As explained in Section 3.9.3 Management and control of the risk disclosures of the 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 extensively discussed in the risk disclosures of the annual report. A summary is given below, which serves as background to the LCR.

9.1 Liquidity management EDTF 2

Liquidity risk is the risk that the bank has insufficient liquid assets available in the short or long term to meet its financial obligations without incurring unacceptable costs or losses. This applies both under normal circumstances and in times of stress. Liquidity risk also includes the situation in which the balance sheet structure could develop in such a way that the bank suffers excessive exposure to a disruption of its sources of funding.

Liquidity management supports the bank's strategy within our risk appetite. See Section 3.13 Management statement of the Annual report for the In-control statement of the Board of Directors.

RISK PROFILE EDTF 18

De Volksbank has a strong liquidity position so as to meet its financial obligations at all times. The bank manages its liquidity position in such a way that it can absorb the consequences of bank-specific and market-wide stress factors, such as tensions in the money and/or capital markets.

When financing its liquidity needs, the bank aims for diversification of its funding sources, in accordance with its strategy.

FIGURES

In 2017 the bank maintained a strong liquidity position that amply complied with both its internal targets and regulatory requirements.

The table below shows the composition of the liquidity buffer, with liquid assets included at market value after applying the percentage haircut determined by the ECB.

Liquidity buffer composition

in € millions	31-12-2017	31-12-2016
Cash position[1]	3,753	2,816
Sovereigns	1,600	2,713
Regional/local governments and supranationals	850	755
Other liquid assets	421	351
Eligible retained RMBS	3,968	3,898
Liquidity buffer	**10,592**	**10,533**

1 The cash position comprises central bank reserves, current account balances held at correspondent banks and contractual cashflows of counterparties on money and capital markets maturing within ten days or less. As a result, the cash position differs from the cash and cash equivalents balance in the balance sheet.

The liquidity buffer remained high in 2017 and rose to € 10.6 billion, from € 10.5 billion at year-end 2016. This is more than sufficient to withstand the severe stress scenario for a certain period of time. The cash position increased by € 0.9 billion to € 3.8 billion in 2017. The funding need, mainly resulting from € 1.0 billion growth of the retail mortgage portfolio and € 3.1 billion wholesale funding redemptions, was more than offset by cash inflows and an increase in cash management investments within 10 days.
Liquid assets other than the cash position declined by almost € 0.9 billion.
• The amount of sovereign debts in the liquidity buffer declined by € 1.1 billion, mainly due to a higher use as collateral for repo and other transactions. Repo transactions supported the cash position at year-end 2017;
• The liquidity value of eligible retained RMBS increased by € 0.1 billion. Lowland 1 was replaced at the first call date by Lowland 4 (with a higher liquidity value) in February 2017, but € 1.1 billion of the eligible retained RMBS notes was used as collateral for a 3-week USD tender of the ECB at the end of 2017. De Volksbank took part in this for reasons of cash management efficiency.

The volume of short-term cash management investments outside the cash definition equalled € 0.5 billion at year-end 2017 (year-end 2016: € 2.0 billion). These investments are also available as liquid assets at short notice.

RISK GOVERNANCE EDTF 5

De Volksbank's risk governance is based on the three lines of defence model (see Section 3.5.2 Risk governance of the Annual report).

In terms of liquidity risk management, de Volksbank Financial Markets (VFM) and Balance Sheet Management (BSM) make up the first line. Their main liquidity management responsibilities are to manage our liquidity profile with maximum efficiency while observing the risk appetite determined, and to raise funding in the money and capital markets.

The Credit Market & Operational Risk department 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.

The Board of Directors bears ultimate responsibility for risk management. In this process, it is supported by risk committees with representatives from the first and second lines in each risk committee. Each risk committee is chaired by a member of the Board of Directors. The third line is not a permanent representative in the risk committees, but it may attend meetings at all times. Within de Volksbank, liquidity risk management is supervised by the Asset & Liability Committee (ALCO).

The Supervisory Board is responsible for supervising the Board of Directors and is advised by the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee.

MANAGEMENT AND CONTROL LIQUIDITY RISK EDTF 7

Liquidity risk management begins by identifying, measuring and controlling the various types of liquidity risk. This system of frameworks, methods and guidelines is laid down in the liquidity risk policy.

LIQUIDITY RISK MANAGEMENT LAID DOWN IN A CYCLE EDTF 7

Liquidity risk management is laid down in a cycle consisting of seven elements. Combined, these elements form an integrated internal process that we use to continuously evaluate and manage our liquidity position.

The liquidity management cycle includes the following elements:

1. Every year, we determine the risk appetite for liquidity risk in conjunction with the bank's general risk appetite and strategic objectives.
2. We then use the risk appetite for liquidity risk as a basis for determining the level above which we feel comfortable, using specific risk indicators. In addition, we set an intervention ladder with risk indicator specific ranges to be used when follow-up action is required.
3. We review the liquidity strategy every year, laying down the guidelines for ensuring a balance sheet structure with maximum efficiency. In this process, we take account of the liquidity management objectives: an adequate liquidity and funding profile.
4. At least once per year we set measures in the capital and liquidity plan to meet the expected 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 standards and work out various scenarios. We make adjustments to achieve the desired liquidity position based on business plans and the requirements imposed by supervisory authorities, rating agencies and investors.
5. Liquidity management is an ongoing operational process and comprises the identification, measurement and management of the bank's liquidity position in line with its risk appetite, risk limits, policy and guidelines.
6. We determine the liquidity adequacy on a monthly basis (Liquidity Adequacy Assessment Report) and monitor it on a quarterly basis (Financial Risk Report) and on an annual basis (Internal Liquidity Adequacy Assessment Process Report). We compare the current risk profile with the risk limits. We use our findings to make adjustments to the actual liquidity position, risk appetite, policy or guidelines and to improve the risk management process. The (internal) assessment of the adequacy of our liquidity position and liquidity risk management is part of the ILAAP (Internal Liquidity Adequacy Assessment Process), and constitutes input for the Supervisory Review & Evaluation Process (SREP) of the ECB.
7. The recovery plan contains measures to strengthen the liquidity position in adverse circumstances. Our annual update of the recovery plan contributes to the bank's continuity

MANAGEMENT INSTRUMENTS

Cash instruments

Under normal circumstances, the cash position is the source of liquidity that we use to meet regular obligations. The cash position as defined by de Volksbank comprises:

- Central Bank reserves;
- the balance in accounts with correspondent banks;
- contractual cashflows of counterparties in money and capital markets taking place within no more than ten days.

LIQUIDITY BUFFER

De Volksbank maintains a liquidity buffer, including the cash position, to absorb unexpected changes/increases in our liquidity need. In addition to the cash position, the liquidity buffer comprises (highly) liquid investments that are eligible as ECB collateral and can be sold in (highly) liquid markets or can be used in repo transactions.

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

LIQUIDITY STRESS TESTING EDTF 8

We determine the desired liquidity buffer size on the basis of stress tests performed on the bank's liquidity position. We then steer the liquidity to the desired level.

We test the robustness of the liquidity position by means of stress tests. Of the various scenarios that we have defined for this purpose, the so-called combined severe stress test has the highest impact. In this scenario we take into account, among other things:

- 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 buffer;
- additional collateral requirements in the event of a 3-notch downgrade in the bank's credit rating;
- a decline in the fair value of derivatives;
- a possible liquidity outflow in the event that committed credit lines are drawn.

The bank's liquidity management is aimed at surviving this severe stress scenario for a certain minimum period of time. The impact of the stress scenario on the liquidity buffer therefore serves as input to determine and monitor the bank's risk capacity and risk appetite.

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

9.2 LCR

In 2017, the Liquidity Coverage Ratio (LCR) remained well above the regulatory minimum of 100%. In addition to holding Central Bank reserves and (highly) liquid investments, de Volksbank briefly lends part of the available liquidity to several counterparties. This translates into a relatively high average inflow within 30 days.

LCR disclosure template

	Consolidated	Total unweighted value (average)				Total weighted value (average)			
in € millions									
Quarter ending on (DD Month YYY)		31-3-2017	30-6-2017	30-9-2017	31-12-2017	31-3-2017	30-6-2017	30-9-2017	31-12-2017
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)								
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	38,730	38,764	38,769	38,830	2,156	2,152	2,148	2,147
3	*Stable deposits*	35,254	35,386	35,472	35,585	1,763	1,769	1,774	1,779
4	*Less stable deposits*	3,476	3,378	3,297	3,245	393	383	374	368
5	Unsecured wholesale funding	4,651	4,498	4,405	4,270	1,719	1,659	1,634	1,588
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	4,610	4,432	4,322	4,176	1,679	1,593	1,551	1,494
8	Unsecured debt	41	66	83	94	41	66	83	94
9	Secured wholesale funding					-	-	-	14
10	Additional requirements	1,815	1,785	1,805	1,748	580	576	637	667
11	Outflows related to derivative exposures and other collateral requirements	373	370	371	379	373	370	371	379
12	Outflows related to loss of funding on debt products	130	130	196	226	130	130	196	226
13	Credit and liquidity facilities	1,312	1,285	1,238	1,143	77	76	70	63
14	Other contractual funding obligations	642	558	516	519	642	558	516	519
15	Other contingent funding obligations	-	1	1	2	-	1	1	1
16	**TOTAL CASH OUTFLOWS**					**5,097**	**4,945**	**4,936**	**4,936**
CASH – INFLOWS									
17	Secured lending (e.g. reverse repos)	17	14	5	13	-	-	-	8
18	Inflows from fully performing exposures	1,888	1,921	2,227	2,443	1,699	1,776	2,077	2,292
19	Other cash inflows	358	272	271	229	358	272	271	229
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**	**2,263**	**2,207**	**2,503**	**2,685**	**2,057**	**2,048**	**2,348**	**2,529**
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	2,263	2,207	2,503	2,685	2,057	2,048	2,348	2,529
						TOTAL ADJUSTED VALUE			
21	LIQUIDITY BUFFER					5,865	5,804	5,413	4,993
22	TOTAL NET CASH OUTFLOWS					3,041	2,897	2,593	2,413
23	LIQUIDITY COVERAGE RATIO (%)					200%	207%	219%	215%

In line with the EBA guidelines on LCR disclosure, information is provided below on:
- Concentration of funding and liquidity sources;
- Derivative exposures and potential collateral calls;
- Currency mismatch in the LCR;
- A description of the degree of centralisation of liquidity management.

CONCENTRATION OF FUNDING AND LIQUIDITY SOURCES

Funding strategy EDTF 21

The funding strategy supports the bank's strategy. In this regard, we aim to optimise and ensure access to diversified funding sources in order to maintain the bank's long-term funding position and liquidity profile, while complying with regulatory requirements at all times.

The bank uses retail savings as its primary funding source, which translates into a large share of stable deposits from retail and SME customers in the table above.

The bank also attracts funding from the capital market. We aim to diversify our sources of wholesale funding. Therefore, we use various funding instruments spread over different maturities, markets, regions and investor types.

Liquidity buffer

De Volksbank maintains a liquidity buffer, including the cash position, to absorb unexpected changes/increases in our liquidity need. In addition to the cash position, the liquidity buffer comprises (highly) liquid investments that are eligible as ECB collateral and can be sold in (highly) liquid markets or can be used in repo transactions.

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

Derivative exposures and potential collateral calls

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. The LCR factors in additional collateral requirements in the event of a 3-notch downgrade in the bank's credit rating and a decline in the fair value of derivatives based on the historical look-back approach.

Currency mismatch in the LCR

The exchange rate risk is minimised by transferring that risk from the banking book to the trading portfolio on a daily basis, where this risk is also controlled on a daily 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.

9.3 Encumbered and unencumbered assets EDTF 19 EDTF 30

The extent of asset encumbrance provides insight into the collateral used and available for funding to be raised or for other reasons. See the tables below for the state of affairs at year-end 2017 and 2016.

Encumbered and unencumbered assets 2017

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally elligible EHQLA and HQLA		of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
	in € millions[1]	010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	**9,637**	**2,073**			**51,585**	**5,011**		
030	Equity instruments	-	-	0	0	18	-	18	0
040	Debt securities	1,705	1,680	1,705	1,680	3,268	3,204	3,268	3,204
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: asset-backed securities	41	33	41	33	50	50	50	25
070	of which: issued by general governments	1,585	1,585	1,585	1,585	2,146	2,146	2,146	2,146
080	of which: issued by financial corporations	105	95	105	95	879	866	879	866
090	of which: issued by non-financial corporations	25	-	25	-	227	164	227	164
120	Other assets	7,977	388			47,838	1,807		
121	of which:mortgage loans	6,842	-			38,952	-		

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 and unencumbered assets 2016

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally elligible EHQLA and HQLA		of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
	in € millions[1]	010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	**11,011**	**1,821**			**52,179**	**6,770**		
030	Equity instruments	-	-	0	0	21	-	21	0
040	Debt securities	1,463	1,437	1,463	1,437	4,973	4,874	4,973	4,874
050	of which: covered bonds	100	-	100	-	-	-	-	-
060	of which: asset-backed securities	162	102	162	102	8	8	8	8
070	of which: issued by general governments	1,160	1,160	1,160	1,160	4,017	4,017	4,017	4,017
080	of which: issued by financial corporations	277	277	277	277	549	546	549	546
090	of which: issued by non-financial corporations	26	-	26	-	437	323	437	323
120	Other assets	9,543	385			47,139	1,924		
121	of which: mortgage loans	8,277	-			36,313	-		

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.

TOTAL ENCUMBERED ASSETS

At year-end 2017, € 9.9 billion (2016: € 10.0 billion) of the assets is encumbered on account of:

- outstanding securitisations;
- covered bonds;
- repurchase transactions;
- USD tender;
- CSAs;
- foreign exchange transactions;
- payment transactions.

The total encumbered assets mainly consist of pledged mortgages related to covered bonds and securitisation transactions. The total amount of liabilities related to these encumbered assets amounts to € 7.5 billion (2016: € 8.2 billion). They mainly consist of bonds issued within the covered bond programme and by the securitisation entities. Covered bonds involve overcollateralisation, which means that the volume of encumbered mortgages exceeds the notional principal of the covered bond.

UNENCUMBERED ASSETS

The unencumbered part of the assets amounts to € 51.0 billion and may partly be converted into cash, for example by securitisations. Securitised mortgages of which the bank itself holds the bonds are not considered to be encumbered, except if these bonds are used as collateral, for instance in a repurchase transaction.

COLLATERAL RECEIVED

The bank received a total amount of € 212 million in collateral at year-end 2017 (2016: € 308 million). This consists entirely of cash deposits that serve as collateral for the positive fair value of outstanding derivative positions.

Collateral received 2017

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA
	in € millions[1]	010	030	040	060
130	**Collateral received by the reporting institution**	23	23	-	-
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	23	23	-	-
170	of which: covered bonds	-	-	-	-
180	of which: asset-backed securities	-	-	-	-
190	of which: issued by general governments	-	-	-	-
200	of which: issued by financial corporations	23	23	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
231	of which: ...	-	-	-	-
240	**Own debt securities issued other than own covered bonds or asset-backed securities**	-	-	98	82
241	**Own covered bonds and asset-backed securities issued and not yet pledged**			-	-
250	**Total assets, collateral received and own debt securities issued**	9,648	2,112		

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.

Collateral received 2016

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA
	in € millions[1]	010	030	040	060
130	**Collateral received by the reporting institution**	-	-	-	-
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	of which: covered bonds	-	-	-	-
180	of which: asset-backed securities	-	-	-	-
190	of which: issued by general governments	-	-	-	-
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
231	of which: ...	-	-	-	-
240	**Own debt securities issued other than own covered bonds or asset-backed securities**	-	-	497	484
241	**Own covered bonds and asset-backed securities issued and not yet pledged**			-	-
250	**Total assets, collateral received and own debt securities issued**	11,011	1,469		

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.

Sources of encumbrance 2017

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
	in € millions[1]	010	030
010	**Carrying amount of selected financial liabilities**	**7,219**	**8,654**
011	of which: Derivatives	1,357	778
012	of which Deposits	1,785	1,770
013	of which: Debt securities issued	3,925	6,151

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.

Sources of encumbrance 2016

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
	in € millions[1]	010	030
010	**Carrying amount of selected financial liabilities**	**8,125**	**9,773**
011	of which: Derivatives	2,402	1,216
012	of which Deposits	899	765
013	of which: Debt securities issued	4,728	7,832

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.

10 Market risk EDTF 2 EDTF 3 EDTF 22 EDTF 23

10.1 Capital requirements for market risk using the Standardized Approach EDTF 14

We use the standardised approach in CRD IV to calculate capital requirements for the trading book. At year-end 2017, the Pillar 1 capital requirements were € 4 million (year-end 2016: € 7 million). The model covers interest rate risk and equity risk and is based on fixed risk weights.

Market risk under the standardised approach 2017

		a	b
	in € millions	**RWAs**	**Capital requirements**
	Outright products		
1	Interest rate risk (general and specific)	44	4
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	-	-
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation (specific risk)	-	-
9	**Total**	**44**	**4**

Market risk under the standardised approach 2016

		a	b
	in € millions	**RWAs**	**Capital requirements**
	Outright products		
1	Interest rate risk (general and specific)	88	7
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	-	-
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation (specific risk)	-	-
9	**Total**	**88**	**7**

Market risk RWA dropped by € 44 million on the back of reduced money market paper, trading and derivative positions.

MARKET RISK PROFILE IN THE TRADING BOOK

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

10.2 Interest rate risk not included in the trading portfolio EDTF 7 EDTF 22 EDTF 23 EDTF 24 EDTF 25

MANAGEMENT AND CONTROL

INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk management aims to protect and optimise the economic value of current and future interest cashflows and to achieve a stable net interest income. We take an optimal interest rate position, taking account of projected portfolio changes, economic conditions and the risk profile that the bank is aiming for.

In the assessment and management of interest rate risks we take into account matters such as:

- anticipated prepayments on mortgage loans;
- anticipated early adjustments of mortgage rates;
- behavioural aspects of demand deposits;
- customer options in the products;
- the current interest rate environment and its anticipated development.

The key measures used to manage the banking book's interest rate position and interest rate risk are the Economic Value of Equity (EVE) and net interest income. We measure the interest rate position in respect of the total of interest-bearing assets and liabilities and primarily manage the interest rate position by means of interest rate derivatives. We report the interest rate risk measures to the Asset & Liability Committee (ALCO) on a monthly basis.

The control measures we apply for EVE are 'duration of equity' and 'key rate durations'.

The duration of equity is the key measure of economic value sensitivity, which measures the percentage decrease in the EVE in the event of a parallel rate hike of 100 basis points (1%).

The key rate durations represent market rate sensitivity for each maturity individually and clarify sensitivity to non-parallel shifts in the market yield curve.

Every month, the ALCO sets the duration steering within the limit based on the envisaged risk profile and the market outlook. We use the key rate durations to determine the maturities in which the interest rate sensitivity is managed.

The Earnings-at-Risk (EaR) is the key control measure for the assessment of net interest income sensitivity. The EaR measures the maximum loss of interest income within a year based on certain interest rate scenarios (among other things, parallel, non-parallel and inverse interest rate movements), while allowing for balance sheet developments expected in the next twelve months. In the EaR measurement we take account of the degree to which customer rates for demand deposits keep pace with market rates and the resulting margin development. The degree of margin narrowing or margin widening depends on the interest rate scenario.

In 2017 we started using a new mortgage prepayment model. This prepayment model is used to estimate prepayments on mortgages. This model takes into account housing market expectations as well the exceptations about the level of market rates when predicting future prepayments.

The key measures for interest rate risk are shown below.

INTEREST RATE RISK

Specification interest rate risk

	31-12-2017	31-12-2016
Duration of equity	1.6	1.6
Earnings-at-Risk (in € millions)	€ 75	€ 66[1]
Credit spread risk liquidity portfolio (in € millions)	€ 413	n.a.

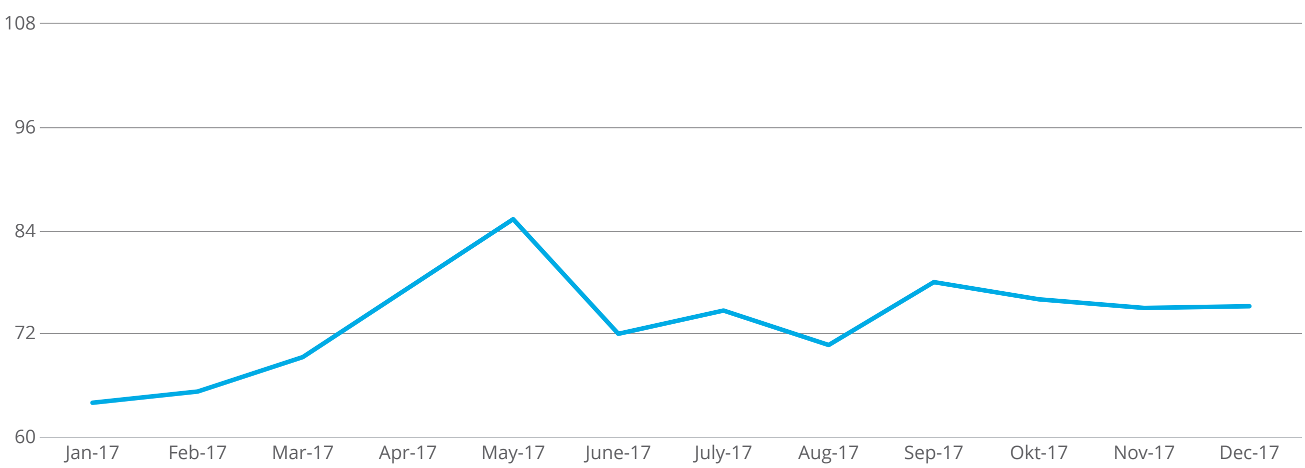
1 In 2017, EaR is presented on the basis of result for taxation. The comparative figures for 2016 have been adjusted accordingly.

The current, historically low, market rates are taken into account when controlling the market rate risk. The main metrics for interest rate risk are 'duration of equity', 'key rate durations','Credit spread risk' and the 'earnings-at-risk'. We have defined limits for these metrics with the aim of protecting the bank against market rate movements. This also contributes to controlling the risk of sustained pressure on interest margins.

The historically low market rates and the expectation of their slow rise led to the decision to keep the duration of equity at 1.6 at year-end 2017 (2016: 1.6). This relatively low duration of equity limits our sensitivity to market rate rises.

DEVELOPMENTS IN EARNINGS-AT-RISK

Development Earnings-at-Risk (in € millions)



At year-end 2017, the EaR amounted to € 75 million before tax (2016: € 66 million). The EaR reflects the maximum impact on interest income in different scenarios over a one-year horizon. Interest income is most sensitive to the 'steepener' scenario, a steepening of the yield curve. In this scenario, the interest rates for less than 12 months gradually fall by a maximum of 200 basis points and the interest rates for more than 12 months gradually rise by a maximum of 200 basis points. The floor used for negative market rates is -0.75%, allowing short-term rates in a scenario to drop to -0.75%. These scenarios furthermore include narrowing margins on current account balances.

MARKET RISK EXPOSURE TRADING AND NON-TRADING RISK

The overview below shows the balance sheet broken down by the risks associated with the banking book and the trading portfolio.

Market Risk exposure trading and non-trading risk

in € millions	Carrying amount	Market risk measure		Carrying amount	Market risk measure		Primary Risk Sensitivity
		Non-trading	Trading		Non-trading	Trading	
	31-12-2017	31-12-2017	31-12-2017	31-12-2016	31-12-2016	31-12-2016	
ASSETS SUBJECT TO MARKET RISK							
Investments held for trading	162	-	162	831	-	831	interest rate, exchange rate, credit spread
Investments available for sale	4,932	4,932	-	5,139	5,139	-	interest rate, credit spread
Derivatives	1,075	812	263	1,533	1,310	223	interest rate, exchange rate, credit spread
Loans and advances to customers	49,322	49,322	-	48,620	48,620	-	interest rate
Loans and advances to banks	2,643	2,643	-	2,918	2,918	-	interest rate
Cash and cash equivalents	2,180	2,180	-	1,911	1,911	-	interest rate
Other	578	578	-	636	636	-	
Total assets	**60,892**	**60,467**	**425**	**61,588**	**60,534**	**1,054**	
LIABILITIES SUBJECT TO MARKET RISK							
Subordinated debts	498	498	-	501	501	-	interest rate
Debt certificates	4,900	4,900	-	5,696	5,696	-	interest rate, exchange rate
Derivatives	1,252	973	279	1,861	1,673	188	interest rate, exchange rate, credit spread
Savings	36,575	36,575	-	36,593	36,593	-	interest rate
Other amounts due to customers	10,280	10,280	-	10,835	10,835	-	interest rate
Amounts due to banks	2,681	2,681	-	1,446	1,446	-	interest rate
Other	4,706	4,706	-	4,656	4,656	-	
Total liabilities	**60,892**	**60,613**	**279**	**61,588**	**61,400**	**188**	

The overview shows that, in view of its activities, de Volksbank is particularly sensitive to the market interest rate risk of the banking book.

Sensitivity analyses illustrate the market interest rate risk run by the banking activities. The table below calculates the impact of an immediate parallel shift of the market yield curve of +100 or -100 basis points on the fair value of shareholders' equity, net interest income and IFRS equity. The reported outcomes are before taxation.

Sensitivity interest rates

	31-12-2017		31-12-2016	
in € millions	**Interest rate + 1%**	**Interest rate - 1%**	**Interest rate + 1%**	**Interest rate - 1%**
Market value equity[1]	265	424	232	209
Net interest income[2]	49	-57	21[3]	-45[3]
Fair value option[4]	-3	8	3	2
Total result	**46**	**-49**	**24**	**-43**
IFRS equity[5]	-98	100	-119	107

1 The market value of equity reflects the changes in all assets and liabilities values in the banking book, including embedded options for the capped rate and interest rate dampener, at a market rate shock of 1%.

2 Net interest income shows the sensitivity of the net interest income to interest rate fluctuations for the first 12 months.

3 In 2017, net interest income is presented on the basis of result before tax. The comparative figures for 2016 have been adjusted accordingly.

4 Fair value option shows the sensitivity of the mortgage portfolio recognised at market value and the corresponding derivatives.

5 IFRS equity expresses the sensitivity resulting from the available-for-sale investment portfolio and the cashflow hedge derivatives to a parallel 100 basis point interest rate increase or decrease. The change in fair value of both of these items.

Fair value equity

An interest rate hike has a positive impact of € 265 million on the fair value of shareholders' equity. The assets mainly consist of mortgages, the market interest rate sensitivity of which is hedged by means of derivatives to a great extent, especially by means of payer swaps. As a result, a market interest rate hike will trigger a drop in value of assets including the corresponding derivatives that is less significant than the drop in value of liabilities. Compared to 2016, the impact of a market rate increase on the fair value of the shareholders' equity is greater. This is because additional market rate sensitivity has been implemented in the new prepayment model.

The fair value of the shareholders' equity is sensitive to a fall in interest rates. This scenario does, however, have a positive effect of € 424 million on the fair value of the shareholders' equity. This is explained by the fact that it is assumed that swap rates can not fall further than -0.75% when calculating the impact of the fall in interest rates. It is furthermore assumed that customer rates on non-maturing deposits do not become negative. As a result, the fair value of the non-maturing deposits rises to a much lesser extent than the assets, resulting in a positive impact on the fair value of shareholders' equity. Compared to 2016, the impact of a fall in interest rates on the fair value of the shareholders' equity is greater. This is due to the fact that the rates of the instant-access savings in 2017 are closer to the 0% limit.

NET INTEREST INCOME

A parallel interest rate shift of 100 basis points yielded a positive impact on net interest income of € 49 million at year-end 2017 (2016: € 21 million), predominantly triggered by the rate hike boosting income from hedging instruments. In addition, the pass-through of the market rate hike has a positive effect on income from floating-rate mortgages and our liquidity position. A parallel shift of -100 bps will have a negative impact of € 57 million (2016: € 34 million), primarily driven by the assumption that the above decrease will be passed on to a lesser extent to the savings rates than to the floating-rate mortgage loans and the liquidity position.

FAIR VALUE OF MORTGAGES VALUED AT FAIR VALUE

As from the introduction of IFRS 9 on 1 January 2018, mortgages are no longer accounted for at fair value but at amortised cost as from the same date. The analysis below therefore shows the sensitivity of the mortgages at fair value by approximation during 2017. This sensitivity is no longer present on the balance sheet date.

A parallel shift of +100 basis points had a negative impact on mortgages accounted for at fair value and a positive impact on the related derivatives. These effects are reversed in the event of a parallel shift of -100 basis points. The negative impact of the aforementioned upward shift on mortgages accounted for at fair value was greater than the positive impact of the derivatives, resulting in an overall negative impact of € 3 million. With the aforementioned downward shift, the swap rates for the valuation of derivatives are capped at -0.75%, limiting the negative impact. This cap does not apply to the mortgage portfolio as customer rates are still positive in the event of a downward shift of 1%. In the event of a downward shift its negative impact on the derivatives will be more than offset by the positive impact ensuing from the mortgage portfolio, resulting in an overall impact of € 8 million[10].

10 Sensitivities are based on the mortgage portfolio as at 31 October 2017.

IMPACT AFS PORTFOLIO ON IFRS EQUITY

For the AFS portfolio (available for sale portfolio), a parallel shift of +100 bps will have a negative impact on the fair value of the bonds in the AFS portfolio and thus on the IFRS equity. A parallel shift of -100 bps, on the other hand, will have a positive impact. The portfolio is partly hedged, as a result of which the interest rate derivatives partly negate the changes in value of the bonds. Due to the partial hedge, the influence on the AFS portfolio on the above-mentioned interest rate hike will remain negative (€ 98 million) and positive (€ 100 million) on balance in the event of an interest rate decrease. As a result of the partial reporting of this portfolio as 'Hold to Collect' from 1 January 2018 onwards, the impact of this downward parallel shift per that date will be considerably lower.

11 Securitisation

11.1 Objectives

By the end of 2017, de Volksbank securitised residential mortgages in the amount of € 8.2 billion. We only securitise residential mortgages that we granted. 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 may be used as collateral.

De Volksbank does not have any re-securitisation activities, nor does it perform securitisation programmes for third parties.

We securitised residential mortgages under four different programmes: Hermes, Pearl, Holland Homes and Lowland. Introduced in 1999, Hermes is the programme for de Volksbank's residential mortgages. The securitisation through the Pearl programme only pertains to residential mortgages based on a guarantee under the NHG, the National Mortgage Guarantee system. The Holland Homes programme originates from the acquisition of DBV and now falls under de Volksbank. Since 2012 we have had a fourth securitisation programme, which is Lowland. The securitisation programmes Hermes and Holland Homes are mainly used for funding and to manage capital charges. The purpose of the Pearl programme is funding. The Lowland transactions were set up for liquidity purposes.

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 2017.

The table below presents the volume of de Volksbank's securitisation programmes and the treatment applied in calculating capital requirements.

Securitiation programmes de Volksbank

in € millions	2017	Capital treatment	2016	Capital treatment
Hermes XVIII	-	called in 2017	682	look-through
Pearl 1	789	look-through	887	look-through
Holland Homes 1	67	securitisation	79	securitisation
Holland Homes Oranje	375	look-through	447	look-through
Lowland 1	-	called in 2017	2,285	look-through
Lowland 2	1,184	look-through	1,329	look-through
Lowland 3	1,741	look-through	1,938	look-through
Lowland 4	4,114	look-through	-	
Total	**8,270**		**7,647**	

In 2017 we terminated two transactions: Lowland 1 in February and Hermes XVIII in September. In February 2017, de Volksbank concluded a new securitisation transaction, Lowland 4.

For the purpose of calculating capital requirements, one programme of the total volume of securitisation programmes (€ 8.3 billion at year-end 2017) is recognised as securitisation positions: Holland Homes 1 (€ 67 million at year-end 2017). For the rest of the volume, we use the underlying individual mortgage loans to determine the capital requirements. This is known as 'looking through'. A securitisation position exists when the credit risk on the underlying mortgages has (largely) been transferred to the market. If the credit risk has not (largely) been transferred, we look through the transaction and weight the mortgage loans on the Bank's balance sheet in terms of credit risk.

11.2 Risks EDTF 31

In the context of the securitisation programmes de Volksbank recognises several types of risk, including particularly 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. The Holland Homes 1 transaction shifts most of the credit risk to the investors in the different types of bonds issued under this programme. Due to the deferred selling price and net margin in the transaction, a limited part of the credit risk remains for de Volksbank's account. In the Hermes XVIII, Pearl 1, Holland Homes Oranje and Lowland transactions, de Volksbank retains the credit risk of the underlying mortgages in full or in part. In these cases, the underlying mortgages are weighted based on the internal risk model (AIRB).

In addition, de Volksbank runs a direct credit risk because the balance sheet includes securitisation bonds of third-party transactions.

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 above, 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 Hermes and Pearl programmes securitised by it on the balance sheet. The SPVs hedged the interest rate risk of the securitisation programmes with interest rate swaps, which have been concluded with third parties. We concluded back-to-back swaps with these third parties. The interest rate risk of the other back-to-back swaps is included in the regular process of managing the balance sheet. The Lowland and Holland Homes transactions are an exception. We have not concluded back-to-back swaps for Holland Homes. In this case, the interest rate risk lies with the swap counterparty. The Lowland transactions do not include any interest rate swaps, but we still bear the interest rate risk because these bonds are on our balance sheet.

The liquidity risk of de Volksbank's own securitisation positions pertains to the possible cash outflows. This has to do with its role of liquidity provider and the possible deposit of cash collateral in swap transactions. The impact on the liquidity position is included in the regular process of liquidity management. (See the risk management section of the annual report for an explanation of the regular processes for credit, interest rate and liquidity risks: Sections 3.7, 3.8 and 3.9, respectively.)

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 bonds, and we are also monitoring the investor reports of these transactions.

11.3 Roles

De Volksbank plays various roles in its own securitisation programmes. As 'originator' we granted the underlying residential mortgages. 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.

In several instances, de Volksbank also (indirectly) acts as swap counterparty for the interest rate risk management of the SPVs. The SPV concluded an interest rate swap with a third party that, in turn, concludes 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. We have not concluded fully offsetting swaps for the Holland Homes transactions, which means that de Volksbank does not bear the interest rate risk. 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)
Hermes	x	x	x	x	x
Pearl	x	x	x	x	x
Holland Homes	x				
Lowland	x	x	x	x	

11.4 Policy & processes

For the purposes of risk management of the mortgage loans, we look at the underlying mortgage loans through the securitisation positions (retained). The interest rate and liquidity risks of these mortgages fall under the regular process for balance sheet management. See also Section 4.2 General quantitative information regarding credit risk 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.

11.5 Securitisation exposures

The securitised loans were sold to the SPV at nominal value plus a deferred selling price, which entails that we have a claim against the SPV. This claim is payable partly during the term of the loan and partly once the securitisation transaction has been fully settled.

The bonds issued by the SPV include so-called junior bonds (often the E bonds), which are high-risk and high-yield bonds. The junior bonds form the second loss position after the net margin in the transactions. In a number of cases, the junior bonds of the securitisation programmes have not been placed with investors. de Volksbank holds the junior bonds of the Hermes XVIII and Lowland programmes in its own book. Stress testing showed that de Volksbank runs a credit risk due to the deferred selling price and the junior bonds. The sum of the deferred selling prices of all active securitisation programmes amounted to nil (2016: nil) including loan provisions at year-end 2017.

There is an order in which bonds and the deferred selling price are called upon in the event of credit losses. Losses are first charged to the net margin, next to the deferred selling price and then to the junior bonds. If this is insufficient to cover the losses the bonds will be called upon, beginning with the mezzanine bonds (D to B bonds) and ending with the senior bonds (A bonds).

In the set-up of the securitisation programmes, a certain expectation of pre-payment behaviour on mortgages is assumed. If the actual pre-payments turn out to be higher, the bonds will pay off more quickly. A bonds are redeemed first, followed by B, C and subsequent bonds.

The securitisation transactions that de Volksbank has put on the market since 2001 have what is called a 'call + step-up' structure. This means that the SPV has the right to redeem the issued bonds prematurely on a certain call date. In addition, the interest payment on the bonds is increased as from that call date (step-up). The step-up provides a financial incentive to redeem the bonds. All bonds that had such a call date in 2017 have been redeemed.

The structure of the transaction under the Holland Homes 1 programme is slightly different, as they include a 'put'. A put gives investors the option of offering the bonds for sale to the SPV on what is known as the 'put date'.

We have various subordinated bonds in the books that were issued under the Pearl programme. As Pearl pertains to a funding transaction, we did not sell the subordinated debt. de Volksbank also holds bonds of Hermes XVIII transaction in its own book. These were repurchased as part of market making for the securitisation programmes. The Lowland transactions were set up for liquidity purposes and may be placed with investors if so desired.

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

Outstanding amounts of exposures securitised 2017

	Traditional		Synthetic	
in € millions	Originator[1]	Investor	Originator	Investor
Notes	67	74	-	-
Total	**67**	**74**	**-**	**-**

1 The figures for 'Originator' exposures relate to the securitisation programme Holland Homes 1.

Outstanding amounts of exposures securitised 2016

	Traditional		Synthetic	
in € millions	Originator[1]	Investor	Originator	Investor
Notes	79	51	-	-
Total	**79**	**51**	**-**	**-**

1 The figures for 'Originator' exposures relate to the securitisation programme Holland Homes 1.

Both tables above present the outstanding nominal values of the Bank's own securitisation programmes plus the investment positions in third-party securitisations. The Bank's own securitisation programmes decreased as a result of regular redemptions in the programmes and the termination of Hermes XII and Lowland 1 transactions.

The tables below show the composition of the programmes by type of bond, and what portion is held on own book.

Composition of securitisation programmes 2017

in € millions[1]	Current sizze of programme	Own book at year-end 2017[2]
A bonds	51	-
B bonds	16	-
C bonds	-	-
D bonds	-	-
E-notes	-	-
Total	**67**	**-**

1 The figures relate to the securitisation programme Holland Homes 1.

2 The own book consists of unissued and repurchased securities.

Composition of securitisation programmes 2016

in € millions[1]	Current sizze of programme	Own book at year-end 2016[2]
A bonds	64	-
B bonds	16	-
C bonds	-	-
D bonds	-	-
E-notes	-	-
Total	**79**	**-**

1 The figures relate to the securitisation programme Holland Homes 1.

2 The own book consists of unissued and repurchased securities.

Exposure and capital charges of securitisation positions retained or purchased per risk weight band

	Exposure amount		Capital charges	
in € millions	**2017**	2016	**2017**	2016
<= 10%	6	4	-	-
> 10% <= 20%	-	-	-	-
> 20% <= 50%	-	-	-	-
> 50% <= 100%	-	-	-	-
> 100% <= 650%	-	-	-	-
> 650% < 1.250%	-	-	-	-
1.250%	-	-	-	-
Total	**6**	**4**	**-**	**-**

The table above presents an overview of the set-up of the exposure classes within the securitisation programmes. The percentages stated are the risk weights. A lower risk weight is indicative of a low-risk class.

11.6 Calculation of risk-weighted exposure

For securitisations that are subject to a look-back approach because there is no significant transfer of credit risk, 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, Holland Homes Oranje and Lowland transactions.

We do not hold any positions in the balance sheet for the Holland Homes 1 transaction, where there is a significant transfer of credit risk; that is why the risk-weighted exposure is nil.

We apply the Ratings-Based Approach (RBA) for investments in securitisation positions of third parties. Pursuant to the RBA, the risk-weighted assets are determined by multiplying the exposures in the securitisation positions by a regulatory risk weight. The risk weights depend on the external rating and seniority of the position.

11.7 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 small direct position in the bonds 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 Volkbank must be considered the entity that controls the SPVs. That is why we fully consolidate the SPVs in our consolidated financial statements.

On de Volkbank'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 bonds issued by these SPVs. These bonds are classified as 'available for sale' as part of the investments and are measured at fair value, with gains and losses being recognised directly in equity.

11.8 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 the rating agencies issued for the securitisation programmes active at year-end 2017.

Credit ratings securitisation programmes

Programme name	Moody's	Fitch
Hermes XVIII	x	x
Pearl 1	x	x
Holland Homes 1	x	x
Holland Homes Oranje	x	x
Lowlands 1	x	x
Lowlands 2	x	x
Lowlands 3	x	x

12 Operational risk EDTF 2 EDTF 3 EDTF 31

12.1 Capital requirements EDTF 14

CAPITAL REQUIREMENTS EDTF 14
De Volkbank calculates the capital requirements for non-financial risks 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 2017, the Pillar 1 capital requirements were € 131 million for the operational risks (year-end 2016: € 134 million).

The total capital requirement for non-financial 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).

De Volkbank manages its non-financial risks by planning, implementing, monitoring and improving activities aimed at:
- realising predictable performance;
- protecting de Volkbank from unforeseen losses;
- offering sufficient certainty on the reliability of information in order to achieve (strategic) objectives.

Upon implementing the Corporate Governance Code, de Volkbank has chosen to realise as much synergy as possible between the risk management demands of this code and compliance with CRD IV requirements.

12.2 Risk profile

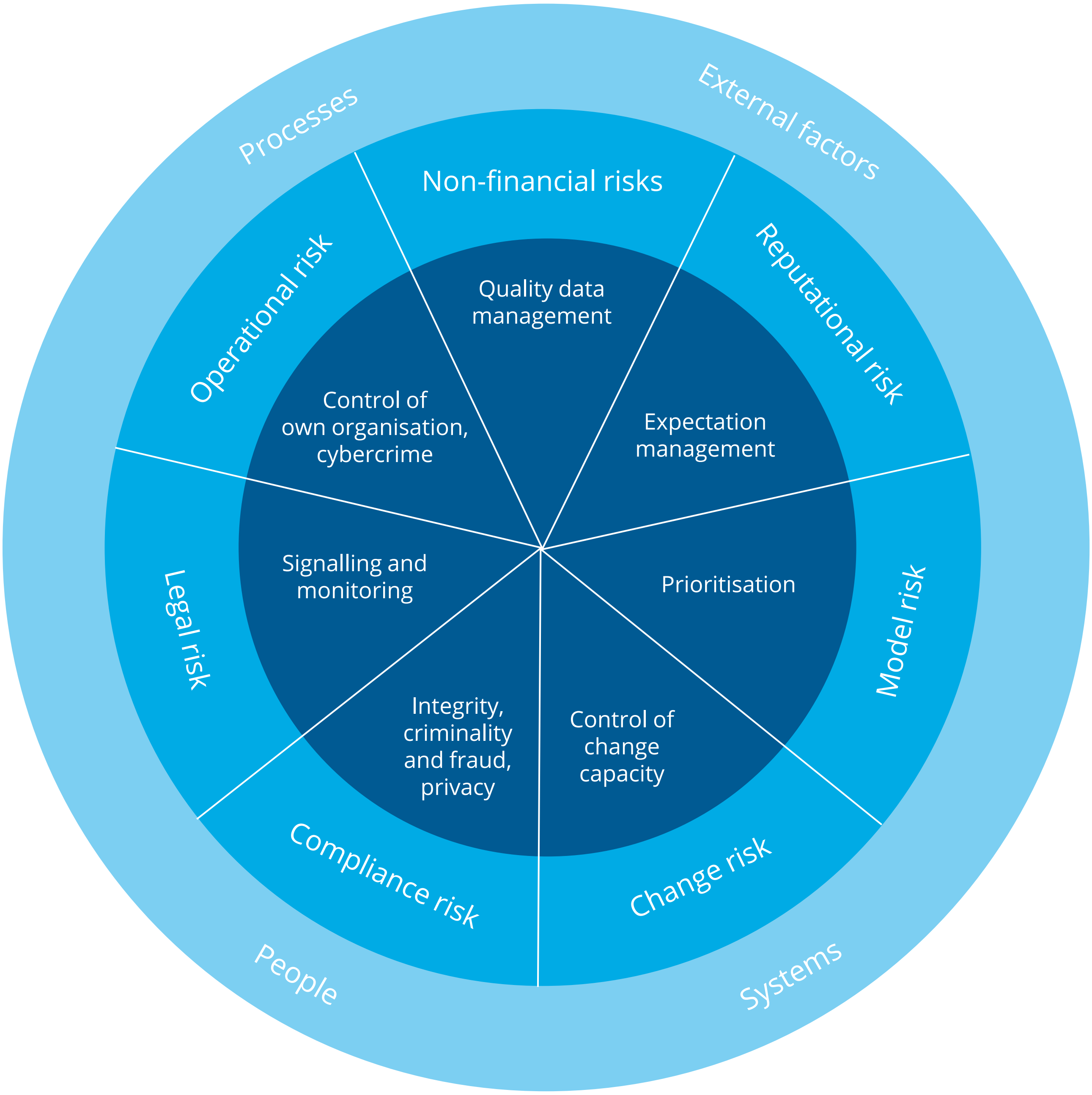
We have subdivided non-financial risk into seven types of risk: operational, reporting, compliance, model, legal, reputation and change risk.

Management devotes a great deal of attention to managing and controlling nonfinancial risks. For example, we face challenges in controlling our continuously changing organisation, the security of our IT structure and the improvement of data management. Compliance risk should not be underestimated in these developments either: increasingly stringent laws and regulations that we want to – and are required to – comply with, and growing information needs by supervisory authorities that we need to efficiently meet. The scope of the risks is continuously being measured and assessed by the Non-Financial Risk Committee (NFRC). This committee focuses on the extent to which non-financial risks influence the achievement of objectives, in both operational and financial terms. In addition, the committee evaluates the proposed measures aimed at staying within the defined risk appetite. See Section 2.1 General information on risk management, objectives and policies.

12.3 Types of risk and areas of focus EDTF 31 EDTF 32

We have subdivided non-financial risk into seven types of risk: operational, reporting, compliance, model, legal, reputation and change risk.

Risk themes



- Internal and external causes of operational risk
- Non-financial risk types
- Major risk themes that will be explained per theme below

OPERATIONAL RISK
Operational risk is the risk resulting from inadequate or deficient internal processes and systems, from inadequate human behaviour or human error, or from external events.

We aim at business operations in which we manage and control the risks in a responsible manner.This includes effective and efficient processes that guarantee high quality to our customers and that are easy to carry out by our employees. To this end, we have streamlined our processes in value chains. Our improvement cycle is primarily aimed at minimising error rates and being demonstrably in control. We use various instruments for this purpose, including incident management, which was further professionalised in 2017. Through this process we identify mistakes that we make in our business operations and learn from our mistakes, so as to prevent them in the future. Operational risk thus fits in the bank's risk appetite.

Line managers are responsible for analysing and controlling the risks in their own area of focus. Business Risk Managers have been appointed within line management to advise, assist and provide facilities to management in managing non-financial risks, which is done in close collaboration with other first and second-line risk departments.

A controlled organisation also means that we have a secure, efficient and solid IT platform at our disposal that allows us to control our organisation using an integrated customer profile. It is the basis for innovation and a rapid response to customer needs.

Developments in 2017

In 2017 we took further steps to professionalise risk management within line management. This is expressed in the Self-Assessment, which is held annually at de Volksbank and is performed by both the first and second-line departments. In the Self-Assessment, the process in which incidents are identified, recorded and analysed is also assessed. In 2017 this was further developed by updated process descriptions and a supporting IT application.

CYBER RESILIENCE

There is continuous investment in strengthening the cyber resilience with a modern approach. We have set up an organisation in which specialists from the business, risk organisation and IT work together on the security and availability of services to customers. Within this cyber resilience organisation, the specialists on this team make analyses that we use to further improve the effectiveness and efficiency of our fight against cybercrime. This is achieved by, for instance, further integration of our detection and response measures and more intensive interbank collaboration, which enables us to respond to cyber attacks rapidly and flexibly – now and in the future.

Developments in 2017

In 2017 we saw a minimum interruption of services resulting from cyber attacks or system failure and we minimised the loss of internal or customer data, which translated into a financial loss for customers and the bank that was even below prior-year levels. This corresponds to the picture emerging in the sector: the number of successful cyber attacks is dropping. Nevertheless, we must continue doing everything in our power to prevent cyber attacks from having any chance of success in the future. The threat is real and is set to grow.

Last year we further professionalised the cybercrime processes, ensuring that the information received by the bank regarding new cyber threats is processed in a uniform manner. This creates a better picture of the cyber risks threatening the bank and allows targeted action to be taken to avert the threat. In order to raise awareness, we have taken various measures to increase customers’ and in-house staff’s knowledge about cybercrime.

REPORTING RISK

Reporting risk is the risk that the company’s financial and/or non-financial reporting contains material inaccuracies or is materially incomplete or is not in time for its internal and external stakeholders.

Area of focus

We seek to provide reliable information both internally and externally. In the past year, we initiated several projects to enhance our understanding of processes and internal control, in order to keep the risk of inaccuracies or omissions in the reports at an acceptable level. The main projects are the Value Streams project, the Integrated Control Framework and Data Management. Data Management is crucial here. On the one hand, data forms an essential source of information for strategic and operational management and for serving customers more effectively, while on the other hand the supervisory authority is setting increasingly high requirements for quality, level of detail and rapid availability.

Developments in 2017

De Volksbank invested in the aforementioned projects and thus further improved control in 2017. This is particularly reflected in the structure and results of control testing in the reporting chains.

However, the effectiveness of the processes concerning financial and non-financial reporting is not optimal at this time, since the control of these processes is not integrated throughout the organisation but is still function-based. In 2018 we will continue addressing the aforementioned points for improvement.

COMPLIANCE RISK

Compliance risk is the risk that the company and/or its employees fail to observe written and unwritten rules of integrity and conduct correctly or completely and may be held accountable in that regard. This may lead to loss of reputation and/or financial loss. It also pertains to the risk of doing business with unethical customers, insufficient transparency in our products, as well as to crime, fraud and corruption.

Areas of focus

Employee integrity

In its Manifesto, de Volksbank propagates a culture of Banking with a human touch. Together with our 'Common Sense, Clear Conscience' code of conduct and the promise made with the Bankers' Oath, they serves as a guideline for our employees in their contact with customers. If actions by our employees cause a breach of trust with the bank or its customers, an inquiry will be conducted and the internal Sanctions Committee will assess whether any measures are to be imposed and what kind of measures. If required, a report is filed with the supervisory authorities or the Foundation for Banking Ethics Enforcement.

Developments in 2017

We further expanded the rules of conduct in 2017. Banking with a human touch also means that the bank has faith in its employees. They are supported in this by an expansion of the code of conduct, which provides employees with a framework outlining how to deal with the dilemmas they may face in their work.

Integrity questions were asked in the 2017 Employee Survey (ES), too. The score for integrity improved slightly compared with 2016. One positive aspect that stood out in the ES was that employees feel they are given sufficient freedom to make decisions. Also, they feel encouraged by their managers in their personal development and to work according to ethical standards. This is in line with de Volksbank's Manifesto and the four elements of shared value (customers, society, employees, shareholder(s)). The ES also contained questions about the relationship between culture, attitude and conduct. The survey showed that employees know how to act in the area of tension between the ethical principle 'be audacious' and compliance with laws and regulations.

ETHICAL PRODUCTS

Transparent and fair products match de Volksbank's standards and values. We therefore aim to simplify our product range and make sure that our advertising is clear and simple. It is for this reason that customers' interests come first in the development of new products and services as well as in the evaluation of existing products.

We make our assessment based on the principles of the Manifesto, insight obtained from social developments and new laws and regulations.

CUSTOMER INTEGRITY, CRIME, FRAUD AND CORRUPTION

De Volksbank maintains relationships with a large number of customers. It is important for the bank to know its customers well, so that it can offer suitable products and will not enter into any relationship with persons or organisations with whom or which the bank may not conclude agreements under laws and regulations (Financial Supervision Act, Sanctions Act). De Volksbank also sets great store by preventing and combating fraud and crime. It does so by applying the Customer Due Diligence (CDD) protocol to every customer and through continuous transaction monitoring. In the area of payment transactions, employees and monitoring and detection systems are becoming ever faster and better at identifying fraudulent or unauthorised transactions. Where necessary, suspicious transactions are reported to the authorities.

Developments in 2017

In 2016, we launched several initiatives to adapt customer integrity processes to (amended) laws and regulations.

In line with the observation that compliance risk is slightly above the risk appetite of the bank, measures were implemented in 2017 to tighten the control of customer acceptance and transaction monitoring. Additional measures were taken in the areas of detection and checks of customers, accounts and transactions to prevent the bank and its products from being abused for inappropriate purposes, such as money laundering, financing of terrorism and fraud. This included the introduction of a new monitoring system and a range of improvements and developments in the detection scenarios. These measures that were taken, the absence of which was one of the reasons why DNB imposed an administrative fine of € 500,000 for the failure to promptly report unusual transactions, are largely in line with the measures agreed earlier with DNB. Further measures are being taken to increase the effectiveness of procedures and systems for the prevention of money laundering and terrorism financing in order to adequately and consistently mitigate integrity risk for de Volksbank in this area; the expectation is that there will subsequently be full compliance with the measures imposed by DNB. In addition, the bank continues to adjust its customer integrity policy every year on the basis of new regulations.

In order to control the risks arising for the bank – but for society in particular – from ATM ram raids and ATM explosive attacks, de Volksbank has removed or moved ATMs located in the immediate vicinity of homes. Any ATMs still present at risk locations have been fitted with additional security measures. In this process, we consider the field of tension between our responsibility to keep cash available in society on the one hand and the safety and interests of local residents on the other. De Volksbank is in close contact with other banks and investigation authorities to exchange relevant information.

MODEL RISK

The use of economic models introduces uncertainty, as they present a simplified version of reality. Model risk is the risk that models return incorrect results, or the risk that models are used or interpreted in the wrong way. De Volksbank aims to limit model risk, including by means of clear model risk policy.

This model risk policy describes a clear division of activities related to the development, use and maintenance of models. For example, the Modelling department is working to improve existing models and develop new, more advanced models. In addition, the independent Model Validation department validates all models. During such validations, the model risk is analysed and proposals for improvements are made.

Developments in 2017

In line with the observation that compliance risk is slightly above the risk appetite of the bank, various improvements were made in 2017 to existing models. For example, PHIRM, the credit model for our mortgage portfolio, was expanded with a framework for determining the inaccuracy of our estimates. Identifying the causes of such inaccuracies puts de Volksbank in a better position to calculate its capital in accordance with regulations. The changes to PHIRM, including the framework, were presented to the supervisory authority. In 2018 we will incorporate the comments we received.

In order to comply with the requirements of IFRS 9, new models were developed to determine the provisions for mortgages and other loans. Moreover, we have a new model that determines the liquidity maturity of demand deposits.

Finally, the model risk policy was also further expanded within de Volksbank. For example, guidelines were drawn up for the development and use of so-called expert models, which are mostly based on input from experts rather than historical data. In addition, standardised tests were defined, which will result in a consistent assessment of models within de Volksbank.

LEGAL RISK

De Volksbank takes legal risk to mean the risk that we do not adhere to arrangements made in contracts we have concluded with others, such as our customers, or that we do not comply with the laws and regulations applicable to us, or that there is an unforeseen interpretation of these laws and regulations. Furthermore, there is also the risk of non-contractual liability. The manifestation of a legal risk may result in financial losses, sanctions imposed by the supervisory authority or reputational damage.

Legal risk is not just about the strict legal standard, compliance with (contractual) obligations or laws and regulations. Nowadays it is also – especially in the financial services sector – about the social norm resulting in the (unexpected) interpretation of laws and regulations or unwritten rules. In this regard, the bank recognises the risk if insufficient account is taken of the influence exerted by interest groups and claims organisations. This social norm is expressly part of the legal risk within de Volksbank.

De Volksbank's legal risk is therefore not only limited to the (bank) balance, but is also assessed from its shared strategy value. Legal risk management must be aimed at creating value for customers, society, employees and the shareholder by striking the right balance between the legal standard and the social norm.

Developments in 2017

The risk indicators drawn up in 2016 to reflect the legal risk were improved in certain respects in the past year. As a result, qualitative signals are more expressly considered in addition to quantitative elements. We expect that this will enable us to better and more quickly observe the trends in the legal landscape that might point to unforeseen interpretations or may otherwise result in liability for de Volksbank.

In the past year, the frameworks used for legal risk management were laid down in a Risk Management Policy (RMP), describing the main resources, processes and reports that are part of de Volksbank's legal control measures.

The notes to the off-balance sheet commitments include an overview of legal proceedings in which de Volksbank is involved. Section 2.2 Developments in the regulatory environment of the Annual report gives an explanation of actual changes in laws and regulations.

REPUTATION RISK

Reputation risk is the risk of reputational damage, which affects the trust in the bank by customers, counterparties, shareholders and regulators. For example, if the bank is insufficiently capable of motivating customers to make their homes more sustainable, the bank may run the risk of failing to achieve its objective to be a climate-neutral bank by 2030. The bank may suffer reputational damage as a result.

An organisation's reputation is the sum of shareholder experiences and expectations. Management of de Volksbank's reputation across the organisation allows us to reduce reputation risks and to make the most of communication opportunities. It helps us make specific choices that conform with the Manifesto. We are aiming for a clear and distinctive profile to win over customers, employees and – in the longer term – investors.

Developments in 2017

On 1 January 2017 we adopted our new name, de Volksbank. As the public has to get acquainted with the new name, this affects our brand recognition and is reflected in the scores from the reputation measurement model, RepTrak®. It is a scientific and commonly used standard in reputation measurement and management that we use to benchmark our scores and perform trend analyses. In support of our reputation as a climate-neutral bank, various initiatives were launched in 2017, including BLG Wonen's solar panel offer and SNS' Slim Wonen Wijzer.

CHANGE RISK

Change risk is the risk that de Volksbank does not achieve its strategic objectives (or does not achieve them in a timely fashion) or does not comply with laws and regulations in a timely fashion. It may arise through a faulty set-up or implementation of changes in the organisation. This risk may also manifest itself through choices that are made that are inconsistent with the strategic objectives, because of an insufficient capacity to change or requisite competencies.

Developments in 2017

In 2017, a number of House-in-Order programmes, including Integrated Control Framework (ICF) and Value Stream Management (VSM), progressed so much that the project organisation will ask to be discharged in 2018. The project-based activities will then be transferred to and executed by the line. These programmes contribute to controlled business operations and higher risk awareness at de Volksbank. The PERDARR programme for the implementation of standards in the risk reporting chains has been completed. Other programmes for the implementation of laws and regulations are close to completion, such as IFRS 9, or will continue into 2018, such as our Privacy Programme. In order to achieve our strategic objectives, we added several new change programmes to the programme portfolio in 2017, for example in the areas of Customer Integrity and Transaction Monitoring.

The change programmes require a lot of resources and knowledge from our organisation, including from a limited group of experts. The risk that the results of our change programmes will not be achieved in a timely fashion increased this year. That is why, in 2017, the Board of Directors exercised more active control and our organisation's capacity to change was investigated. The investigation reveals that improvement is possible by means of a more coherent approach, targeted interventions and a proper translation of the strategic objectives into day-to-day practice.

De Volksbank chooses an approach in which initiatives are conceived, launched and implemented at a decentralised level *and* the extent to which the change calendar is in line with the strategy is analysed at a central level. De Volksbank's Board of Directors has a managing role towards its own line in enabling this approach.

In order to ascertain whether we are in compliance with laws and regulations, we conducted a number of surveys in 2017, leading to improved process controls. Fewer surveys were conducted in 2017 than planned because of a lack of capacity. Additional work will be done in 2018.

13 Country by country reporting

On the basis of Article 89 (1) of CRD IV, financial institutions are required to disclose the Member States and third countries where they operate. De Volksbank is not active abroad and does not have any subsidiaries abroad. All its activities take place in the Netherlands.

Name	de Volksbank N.V.
Nature of activities	Credit institution
Geographical location	The Netherlands
Turnover	€ 1,028illion
Number of FTEs on a full-time basis	3,231
Profit before tax	€ 449 million
Tax on profit	€ 120 million
Public subsidies received	n.a.

Utrecht, 7 March 2018

SUPERVISORY BOARD
Jan van Rutte (Chairman)
Sonja Barendregt-Roojers
Charlotte Insinger
Monika Milz
Ludo Wijngaarden

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